

ROK Market Brief No.5

Pineapple

Opportunities under the Korea-Central America
Free Trade Agreement

The Korea-Central America FTA (K-CA FTA) brings significant benefits for CA exporters. Under the agreement, the Republic of Korea and the Central American countries will immediately or gradually reduce tariff on more than 95 percent of traded products. Such benefit will help CA exporters compete with exporters from other countries which have trade deals with Korea.

This guide provides an overview of the pineapple category that benefit from tariff reductions under the K-CA FTA and have market access.

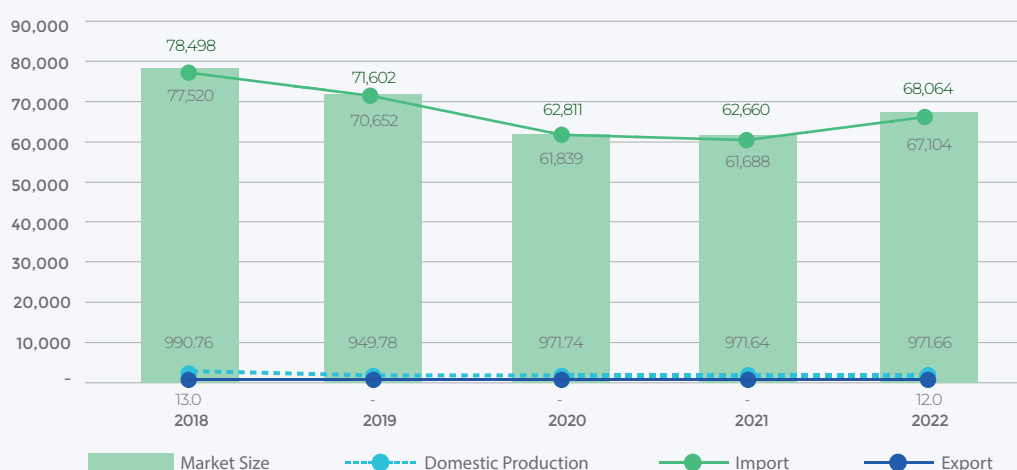


Market Snapshot

The ROK pineapple market witnessed a fluctuation in recent years. There was a decline in market volume from 78,498 tons in 2018 to 62,660 tons in 2021, however, the volume increased to 68,064 tons in 2022 and the total annual growth rate was -3.17%. The market value shows similar pattern, from 64 million USD in 2018 to 62.2 million USD in 2022 with 0.33% of average annual growth rate. Meanwhile, ROK pineapple market show significant proportion import, accounting for over 98% in volume and 100% in value as of 2022.

Figure 1. ROK pineapple market trend in volume (2018-2022)

(Unit: Ton)

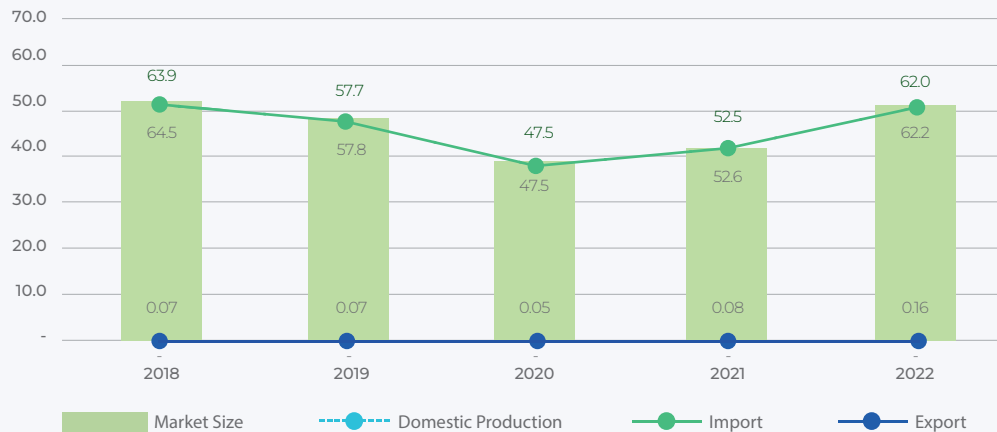


Source) KOSIS (2023); Korea Customs Service Import and Export Statistics (2023).

Note) Market Size = (Domestic production+Import) – Export

Figure 2. ROK pineapple market in value (2018-2022)

(Unit: million USD)



Source) KOSIS (2023); Korea Customs Service Import and Export Statistics (2023).

Note) Market Size = (Domestic production+Import) – Export

The market size is likely to maintain the current level for the next 5 years from 2022 to 2027. As for the annual growth rate for the same period, the volume is expected to have an average rate of 1-2% following the recovery trend started from 2021. In case of the value, the average annual growth rate is estimated to drop at -2.67% considering favorable tariff eliminations applied to imported pineapples.

To be specific, the ROK's pineapple market relies on the import resulting in the insignificant presence and influence of domestically produced pineapples in ROK market. In this regard, the supply volume and price have influence over the consumer demand and market size for pineapples in the ROK market.

Understanding the tariff structure is essential for Central American exporters looking to establish a foothold in the ROK market. All of six CA countries would be applied under the K-CA FTA and will have a comparative advantage due to lower tariffs on pineapple. The detailed tariffs are described in the table below:

Table 1. Tariff on HS Code 080430 as of 2024

| Country | HS Code | WTO bound rate | Current rate (2024) | Elimination of custom duties ¹ |
|--------------------------|-------------|----------------|---------------------|---|
| Costa Rica | 080430.0000 | 45% | 4.2% | 2025.01.01 |
| El Salvador | 080430.0000 | 45% | 8.5% | 2026.01.01 |
| Panama | 080430.0000 | 45% | 12.8% | 2027.01.01 |
| Honduras | 080430.0000 | 45% | 4.2% | 2025.01.01 |
| Nicaragua | 080430.0000 | 45% | 4.2% | 2025.01.01 |
| Guatemala | 080430.0000 | 45% | 25.72% | 2030.01.01 |
| Philippines ² | 080430.0000 | 45% | 30% | 2016.01.01 |

Source) Customs Law Information Portal. (2024); FTA powerhouse, KOREA (2024)

¹ Effective date of the FTA: Nicaragua and Honduras(Oct. 2019), Costa Rica(Nov. 2019), El Salvador (Jan. 2020), Panama (Mar. 2021), For Guatemala, it is assumed in the report that the FTA will come into effect within the year 2024.

² The tariff rate applied for the Philippines' pineapple under the Korea-ASEAN FTA is 0% since 2016.



Competitive Landscape

In ROK pineapple market, the Philippines is the major supplier which account for 99.5% of total pineapple imports. The market for ROK pineapple is import dependent with monopolized supply by the Philippines. The detailed import statistics in volume from 2018 to 2022 is presented in the table below.

Table 2. Import volume of Pineapple per country (2018-2022)

(Unit: Ton)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Philippines | 69,909 | 65,645 | 60,921 | 60,757 | 66,819 |
| Costa Rica | 3,905 | 1,426 | 151 | 2 | 84 |
| Taiwan | 0 | 0 | 5 | 188 | 80 |
| Thailand | 20 | 32 | 3 | 40 | 43 |
| Colombia | 57 | 0 | 0 | 0 | 35 |
| Panama | 451 | 18 | 0 | 1 | 21 |
| Vietnam | 5 | 2 | 3 | 12 | 18 |
| Sri Lanka | 2 | 1 | 0 | 2 | 2 |
| Others | 3,171 | 3,528 | 756 | 686 | 1 |
| Total | 77,520 | 70,652 | 61,839 | 61,688 | 67,104 |

Source) Customs and Excise Department import and export statistics (2023).

Amongst CA countries, Costa Rica's export to Korea recorded the second largest place despite the comparatively smaller volume. Considering Korea's large import volume, if Costa Rica and other CA countries has large production and supply capacity, there are opportunities for increasing the import volume.



Consumer Preference

Looking at the results of consumer surgery in 2019, 95.2% of Korean consumers have eaten raw pineapple at homes; and the reasons for purchasing pineapples were the good taste (61.1%) and low price (26.3). The most chosen shopping location when purchasing pineapple was hyper markets (78.2%), retail supermarkets (39.4%) and independent supermarkets (15.6%), and ROK consumers purchased pineapples in bundles (88.4%), and individual (10.2%).

In Korea, the trend of single household families has spurred a rising demand for conveniently packaged fruits, and hence the ready-to-eat fruits, and processed alternatives such as chunked, sliced, canned, frozen pineapples hold a distinct advantage in the Korean market. In 2018, these convenient fruit packaging companies used 10,870 tons of pineapples, constituting approximately 15% of all pineapples imported. The market for convenient fruit packaging companies reached 896.81 thousand USD in 2018. Consequently, the convenience fruit packaging sector is emerging as a noteworthy player in the market.

Figure 3. Examples of packages and dishes of pineapples

Examples of convenient packages of pineapples



Pineapple used dishes and pineapple flavored products



Source) Digitalchosuun (2020); Maekyung (2017)



Main Distribution Channels

In ROK market, the pineapple-importing landscape is characterized by a notable concentration of major importers, and it's controlled by four major companies: Dole (25-30%), Del Monte (15-20%), Jinwon (15-20%), and Shinsegae Foods (5-10%). These industry leaders wield considerable influence over both the supply chains and market trends.

Table 3. Major ROK importers of Pineapple

| No. | Company name | Enterprise scale | Import value (Unit: million USD) | Industry classification | Major importing countries | Address | Tel | Website |
|-----|-----------------------------------|-------------------|----------------------------------|-------------------------------|-------------------------------|--|--------------------|---|
| 1 | Dole Korea Ltd. | Conglomerate | Exceeds 100 | Fruit and vegetable wholesale | Philippines, USA, Peru | 511, Yeongdong-daero, Gangnam-gu, Seoul, ROK | +82-(0)2-2040-3872 | https://dolesunshine.com/kr/ko/ |
| 2 | Del Monte Fresh Produce Korea Ltd | Midsized business | Exceeds 100 | Fruit and vegetable wholesale | Guatemala, Chile, Philippines | 511, Samseong-ro, Gangnam-gu, Seoul, ROK | +82-(0)2-6242-4200 | www.freshdelmonte.co.kr |

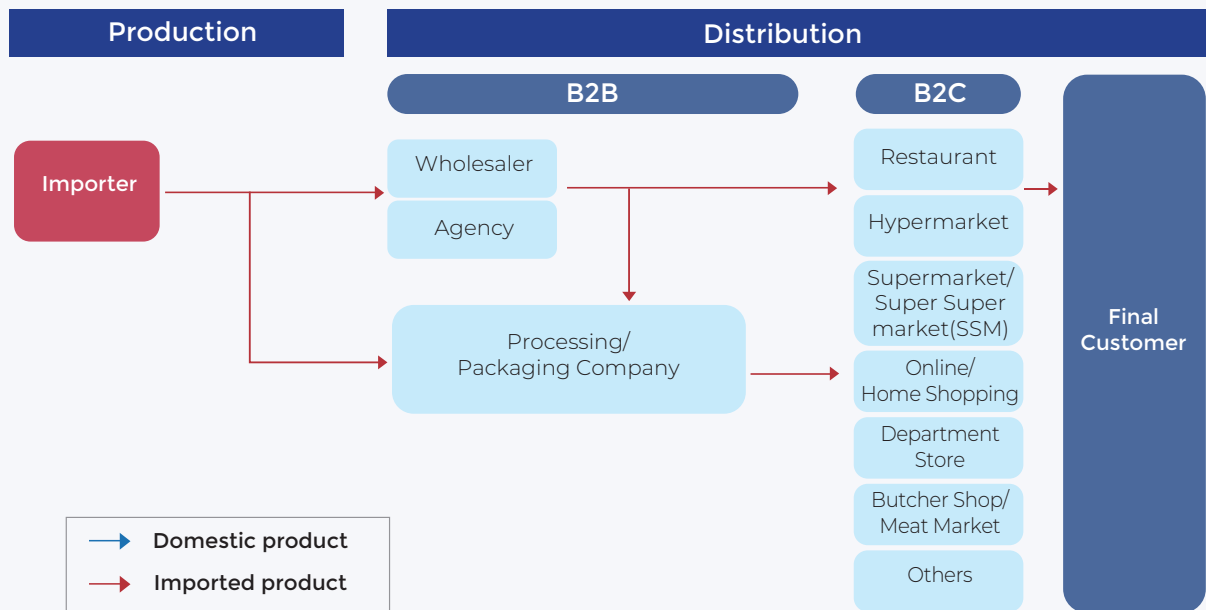
| No. | Company name | Enterprise scale | Import value (Unit: million USD) | Industry classification | Major importing countries | Address | Tel | Website |
|-----|---------------------------|-------------------|-------------------------------------|--|-----------------------------------|--|---------------------|---|
| 3 | Sumifru Korea Corporation | Midsized business | Exceeds 100 | Fruit and vegetable wholesale | Ecuador, Colombia, Peru | 22, Teheran-ro 87-gil, Gangnam-gu, Seoul, ROK | +82-(0)2-3453-4611 | www.sumifru.co.kr |
| 4 | Jinwon Trading Co., Ltd | Midsized business | Exceeds 100 | Fruit and vegetable wholesale | South Africa, New Zealand, Mexico | 40, Balsan-ro, Gangseo-gu, Seoul, ROK | +82-(0)2-715-0711 | http://www.jinwon.kr/ |
| 5 | Shinsegae Food Inc. | Conglomerate | Exceeds 100 | Institutional cafeteria business | USA, Australia, Norway | 56 Seongsuil-ro, Seongdong-gu, Seoul, ROK | +82-(0)2-3397-6000 | www.shinsegaefood.com |
| 6 | Coupang Corp. | Midsized business | 20 ~ 50 | Offline distribution | China, USA, Denmark | 570, Songpa-daero, Songpa-gu, Seoul, ROK | +82-1577-7011 | www.coupang.com |
| 7 | FP ARENA | Midsized business | - | Fruit and vegetable wholesale | Philippines, Ecuador | 56 Jungdae-ro, Songpa-gu, Seoul, ROK | +82-(0)2-400-8633 | https://fp-arena.com/index.php/en/1124-2/ |
| 8 | LATIDA | SMEs | - | Food import and distribution | Guatemala, Colombia | 68-4 Gangnam-daero 10-gil, Seocho-gu, Seoul, ROK | +82-(0)10-2821-0691 | https://www.latidaglobal.com/ |
| 9 | HANLA Food | SMEs | - | Fruit, vegetable and root crop retailing | | 90, Donggureung-ro 136 beon-gil, Guri-si, Gyeonggi-do, ROK | +82-(0)31-557-0927 | - |

Source) KOIMA (www.koima.or.kr)

The distribution for fruits in Korea is primarily divided into 2 channels: (i) wholesale markets, accounting for 60 to 65% of the market share. With higher price and lower demand than banana, most transactions occur without public auctions. Instead, pineapples are typically pre-sold to established clients upon request. (ii) major retailers, making up about 35 to 40%, attempts to engage in direct imports. As it is challenging to directly import pineapples from harsh international trade conditions, most of the imports are done through engaging with independent importers.

Also, an emerging market trend is processed and packaged products that offer sliced, or chunk pineapples solely or mixed with other fruits in plastic or can containers. In 2018, these convenient fruit packaging companies utilized 10,870 tons of pineapples, constituting approximately 15% of all pineapples imported that year. The market for convenient fruit packaging companies reached 896.81 thousand USD in 2018. Consequently, pineapples predominantly find their way to food service companies, with a smaller portion reaching retail channels, while the convenience fruit packaging sector is emerging as a noteworthy player in the market.

Figure 4. Distribution Channel of Pineapple



Source) aT KAMIS. (2020).

While department stores offer quality pineapples with high sweetness (high brix values), hyper markets and supermarkets offer pineapples that has normal sweetness, and these markets also offer large volume of canned pineapples which are mostly chunked or sliced.

On the other hand, convenience stores target single to two-person households by offering mini-size whole pineapple (or without crown), as well as small portions of pineapple pieces whether chunked, sliced in syrup or frozen at a more competitive price. Online malls offer various forms of pineapples from whole pineapple to various forms of packages including cans, plastic cups, bottles, and boxes.

Figure 5. Frozen Beef Products per Distribution Channels



Convenience stores



Online malls



Source) News1 (2021); Segyeilbo (2012); Nongminsinmun (2023)



Regulations

Import Requirements

Edible pineapple (fresh or dried) (080430) must comply with two import requirements under the laws of the Republic of Korea, which should be reviewed and prepared for prior to export. These requirements include PHYTOSANITARY INSPECTION and FOOD INSPECTION by the Ministry of Food and Drug Safety. The detailed procedures are as follows:

First, according to **Article 8 of the Plant Quarantine Act**, a phytosanitary certificate (Original Phytosanitary Certificate) issued by the government agency of the exporting country must be obtained and submitted for inspection to the relevant Animal and Plant Quarantine Office.

The inspection by the plant quarantine officer is mandatory. The phytosanitary certificate must be issued before shipment, except in special circumstances, to be considered valid. Phytosanitary inspection must be conducted upon arrival at the port of entry, and an inspection application must be submitted within 10 days of arrival at the bonded area. Failure to apply for inspection within the specified period or transporting to areas other than the port of entry for bonded transportation may result in penalties.

As of 2024, pineapple imports from Asia (Israel) and Africa are prohibited, but imports from Central and South American countries are allowed.

However, if emergency import restrictions or prohibition are imposed due to the occurrence of pests or other reasons in the exporting country, imports to Korea are not permitted.

Secondly, under **Article 20 of the Special Act on the Safety Management of Imported Foods**, pineapple intended for consumption must be reported to the Commissioner of the Provincial Food and Drug Administration and undergo precise inspection if it is its initial importation.

Prior to importation, the packing facility must be registered with the Ministry of Food and Drug Safety by providing a Confirmation Form of Registered Information.

Additionally, the exporter must also be registered, which can be done by the importer or their representative after receiving shipping documents such as the Bill of Lading. To report to the Ministry of Food and Drug Safety, Korean labeling containing the specified information must be affixed to the product or retail packaging. Korean labeling can be applied both in the exporting country and within the Republic of Korea's bonded areas after importation.

Table 4. Information to be included in the Product label: Pineapple

| | |
|---|--|
| Product Name | |
| Raw ingredients and contents | |
| Country of Origin | |
| Date of production or date of packaging | |
| Packaging Material | |
| Storage Method | |
| Name and Location of the Importer | |
| Import sales business contact information | |
| Returns and exchanges information | |

Source) Rohan Customs Advisory Office

Import Process

To import pineapple for consumption, documents and materials such as the original phytosanitary certificate from the exporting country and shipping documents must be prepared in advance.

Plant quarantine inspection is conducted through the Animal and Plant Quarantine Agency, while simultaneously, preparation of Korean labeling photos and other related documents is necessary for undergoing precise inspection by the Ministry of Food and Drug Safety.

Subsequently, upon passing both plant quarantine inspection and precise inspection by the Ministry of Food and Drug Safety, customs clearance can be conducted properly.

It should be noted that if the net weight of the product does not exceed 100 kilograms during the initial precise inspection, a subsequent lab inspection is required for shipments exceeding this weight limit. The validity period for precise inspection is five years.

Other Obligations and Cautions

Imported pineapples for sale must be labeled with the Country of Origin on retail packaging or boxes. The country of origin must be indicated in Korean, Chinese character, or English, and must be labeled as "MADE IN [Country Name]". The method of labeling varies depending on the packaging area but must be displayed in a minimum of 12 points font size.



SWOT Analysis



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Strengths

The biggest strength of pineapple in ROK market is that its solid preference by consumers despite of its relatively high price; ROK topped the global list with a price of 5.87 USD per piece of pineapple, higher than prices in France (5.83 USD), Spain (3.92 USD), and Japan (3.43 USD). The average price of pineapples in the surveyed countries was 3.72 USD, making the cost in Korea approximately 1.6 times higher than the average global price. Although ROK boasts the highest pineapple prices globally, it creates a lucrative economic landscape for suppliers seeking profitable ventures.

In the ROK pineapple market, the dependence on import is very heavy. This implies that the imported pineapples will not be likely to compete with domestically produced pineapples. Most importantly, the K-CA FTA would enable CA exporters to enjoy the full tariff-free status and the effective year per each CA country is as follow: Costa Rica (2025), El Salvador (2026), Honduras (2025), Nicaragua (2025), Panama (2027), and Guatemala (2030).



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Weakness

The most formidable barrier facing CA pineapples in the Korean market is the substantial physical distance. Given the challenge of maintaining pineapple quality for a limited duration, specifically within a 25-day timeframe, the extended transit periods pose a significant hurdle. This limitation jeopardizes the assurance of delivering high-quality pineapples with desirable attributes such as a high brix level.

In addition, Korean government has complicated regulatory requirements for health certificate, phytosanitary certificate, and lab test result (for the first time). Complying and preparing all the requirements is critical for successful export of pineapple to the ROK market.



Opportunities

The recent demographic shift of single household families aligns with a growing preference for ready-to-eat fruits and processed alternatives such as canned and frozen pineapples. These products overcome the limitations posed by distances and freshness constraints, hence the processed pineapple products present a promising avenue for Central American suppliers to tap into the Korean market.

An emerging market trend involves convenient fruit packaging companies that offer sliced, or chunk pineapples mixed with other cut fruits in plastic containers. In 2018, these convenient fruit packaging companies utilized 15% of all pineapples imported that year. The market for convenient fruit packaging companies reached 896,810 USD in 2018. Consequently, pineapples find their way to food service companies, while the convenience fruit packaging sector is emerging as a noteworthy player in the market.

These growing trends of processed pineapples can bring about a great synergy with the recent tendency of healthy diet; with such trend, frozen pineapple's versatility would grow mainly used in fruit juice, smoothie, yogurts, salads and so forth.



Threats

The impending FTA between the Philippines and Korea is poised to reinforce the Philippines' standing as a dominant player in the Korean pineapple market. This strategic accord holds the potential to further solidifying its market presence in Korea.

However, the influx of other fruits resulting from new FTAs presents a dynamic landscape and these emerging alternatives could potentially impact the market share of pineapples.

Additionally, the inherent seasonality of domestic fruit production poses a challenge to the demand for pineapples for certain periods of time. Navigating these intricacies will be crucial for the Philippines to leverage the benefits of the FTA and sustain its dominance in the Korean pineapple market amidst evolving trade dynamics and seasonal shifts in demand.



Business Case

ROK Market Insights

- The market price of pineapple in ROK is one of the highest in the world.
- Korean consumers' have stable preference on pineapple.
- The Philippines is the dominant pineapple exporter accounting for over 97% of the total import in ROK.

Niche

- To facilitate direct and/or exclusive contract with convenient fruit packaging companies
- To introduce versatile forms of pineapples including frozen, cut, sliced pineapples

Cultural Adaptation

- Understand Korean consumers' interest and concern for healthy and safe(organic) food
- Understand Korean consumers' preferred way/usage/ form of pineapple

Strategy Snapshot



- To enhance the visibility and exportability of new entrant Central American pineapple in ROK market, it is recommended to use and participate in the various B2B promotional campaigns hosted in ROK on the preferential basis.
- To increase its volume and sustainability of trade, it is suggested to make the long-term and exclusive contract with convenient fruit packaging companies of ROK who constitutes growing proportion of pineapple imports in ROK market.
- To strengthen the existing position and expand the foothold of renown Central American – Costa Rica – pineapple in ROK market, it is recommended to equip with price competitiveness to overcome its main weakness of logistics cost.

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Authors

Jimyong Suh

Senior Market Researcher
GDC Consulting Co., Ltd.,
Seoul, Korea

Minyoung Jang

Market Researcher
GDC Consulting Co., Ltd.,
Seoul, Korea

Minjae Song

Market Researcher
GDC Consulting Co., Ltd.,
Seoul, Korea

Minyoung Kim

Market Researcher
GDC Consulting Co., Ltd.,
Seoul, Korea

Hongro Lee

Head Customs Agent
Rohan Customs Service
Company, Seoul, Korea

Juwon Sul

Market Specialist
LATIDA, Seoul, Korea

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