

Norwegian Mackerel in Korean Market 2017/2018

Updated 5.19.2018

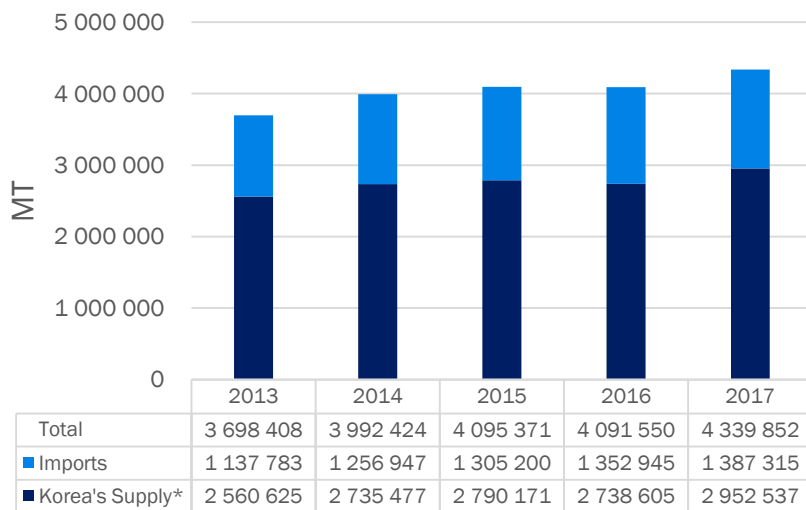
General Consumer Behavior on Seafood in Korea

- ♦ Korea is the largest consumer of seafood in the world with an average annual consumption of 58.4 kg/person
- ♦ According to the seafood study survey:
 - ♦ 70% of the respondents consume seafood at least once per week;
 - ♦ For lower priced seafood products such as mackerel and squid, over 70% of the survey respondents report that they consume primarily at home; for high priced products such as salmon, king crab and snow crab, respondents reply that they primarily consume these products in restaurants.
 - ♦ Taste is the strongest driving factor for purchase;
 - ♦ 46% purchase seafood in supermarkets; while 13% respondents reply purchasing seafood in traditional wet market.
 - ♦ 82% of the respondents believe origin is important.

Total seafood supply in Korea has been Increasing

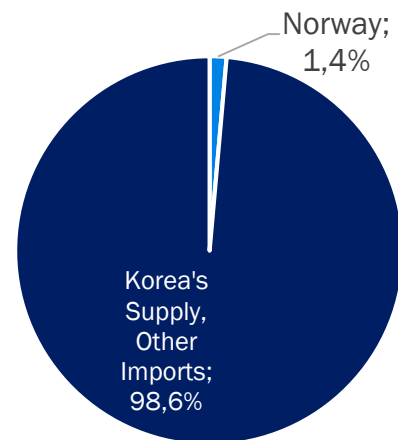
- ◆ The total seafood supply has increased by 17% from 2013 to 2017 (approx. 641,000 MT increase): both domestic supply and imports showed increasing trend.
- ◆ Of the total seafood supply in Korea, 32% were imported in 2017.
- ◆ Norway's supply of 61,411 MT (product weight) accounted for 1.4% of the total seafood supply in Korea in 2017.

Total Seafood Supply in Korea (Korea's Supply + Imports)



*Korea's Supply = Domestic Catch + Farmed - Export

Norway's Share within the Total Seafood Supply (2017)



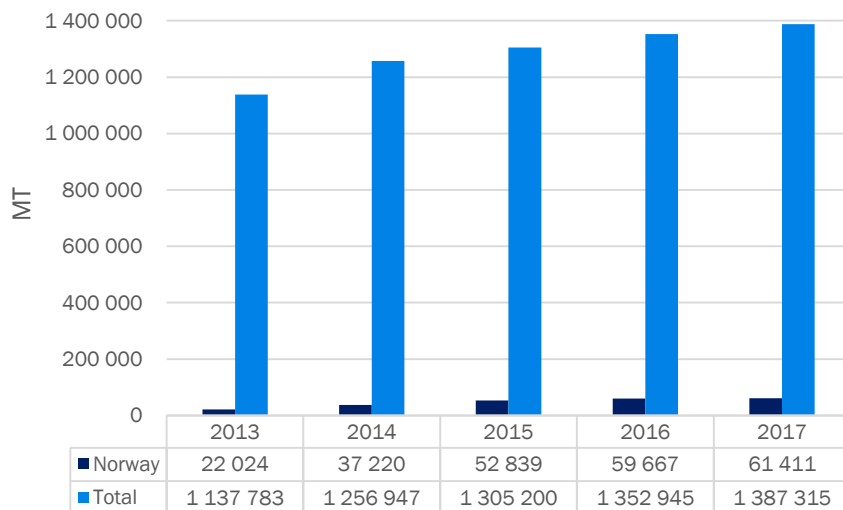
Volume (2016) 4,339,852 MT
 Norway's Volume (2016): 61,411 MT
 (Volumes are in Product Weight)

Source: Korea Customs and Trade Development Institute (KCTDI), Ministry of Oceans and Fisheries

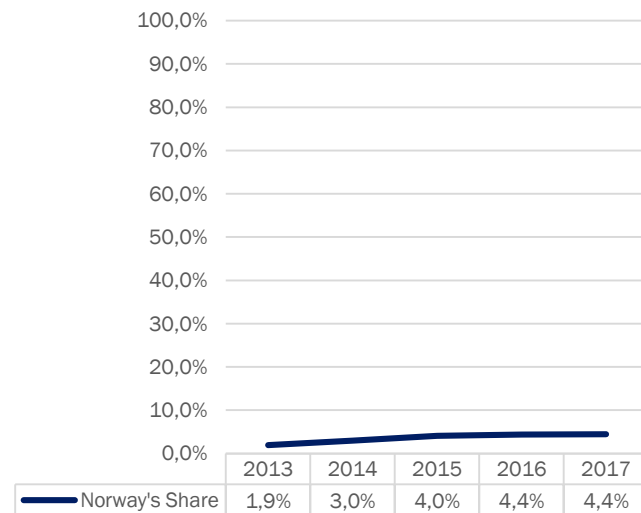
Norway's seafood volume was at a high point in 2017

- ◆ In terms of seafood import, Norway was the fourth largest supplier to Korea behind China, Russia, and Vietnam.
- ◆ Norway's volume in 2017 was 2.8 times larger than the supply in 2013; its largest volume ever.

Korea's Seafood Import Volumes (2013-2017)



Norway's Share of Total Seafood Import Volumes (2013-2017)

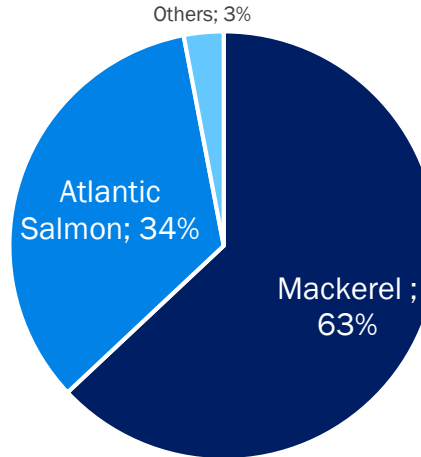


Source: Korea Customs and Trade Development Institute (KCTDI), Ministry of Oceans and Fisheries

Mackerel is the leading product from Norway to Korea in terms of volume

- ◆ Korea imported approximately 61,411 MT (product volume) of Norwegian seafood in 2017 which was worth 380 billion KRW. Mackerel accounted for 63% of the volume and 23% of the value.

S. Korea's Import of Norwegian Seafood (2017)

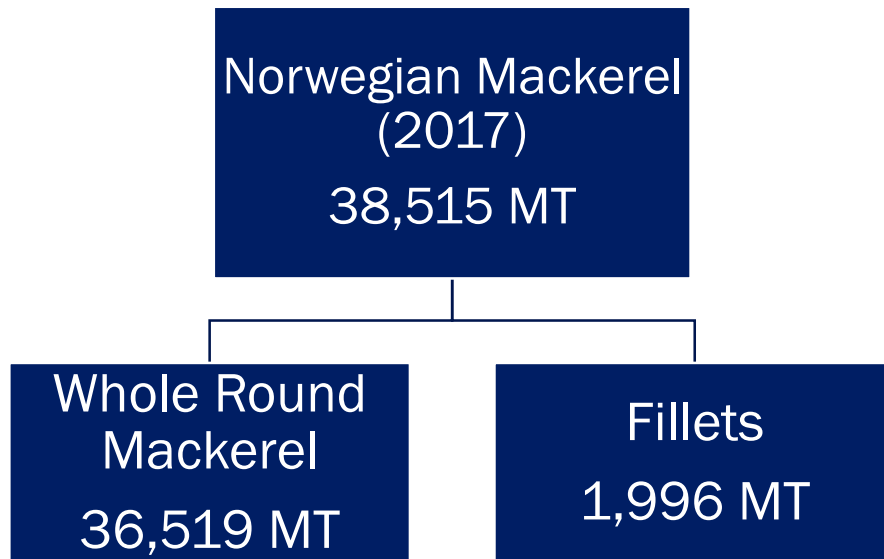


Total Volume (2017): 61,411 MT

Whole round mackerel is still the main imported product

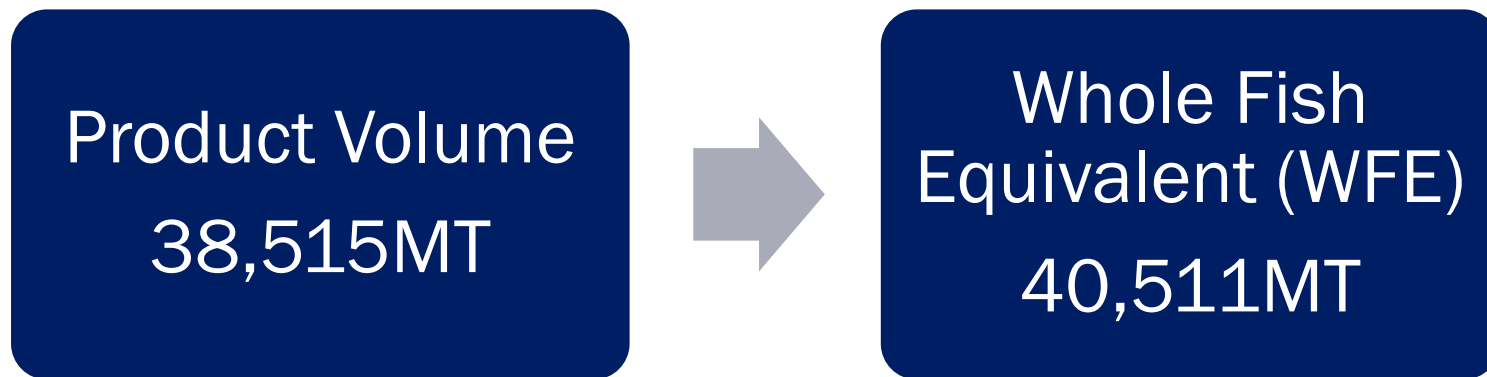
Korea trade customs track Norway as the country of origin for the following mackerel products:

- a) Whole round mackerel,
- b) Fillets (for both fillets processed in Norway and other countries)



In 2017, Norway supplied 40,511 MT (WFE) to Korea

Norwegian Mackerel Volume (2017)



Conversion

Product	Yield from Whole Fish
Fillets	50%

Definition of Mackerel Consumption in Korea

Mackerel Consumption in Korea (2017)

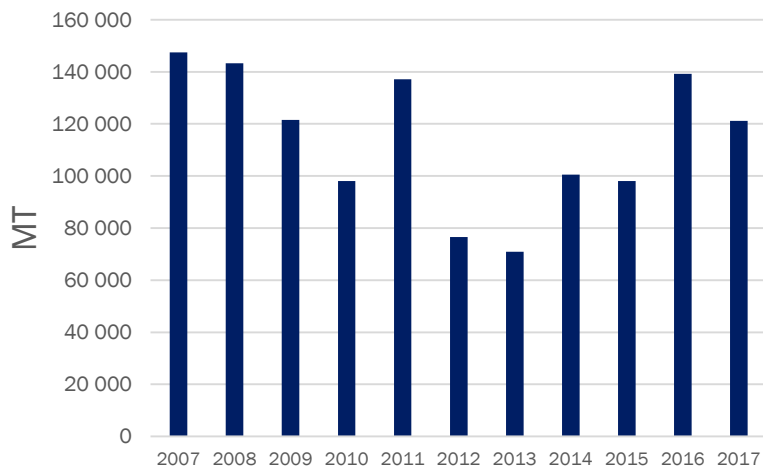


Change in storage of 27,540 MT meant that there were 27,540 MT less mackerel in the storage at the end of year compared to the beginning of the year.

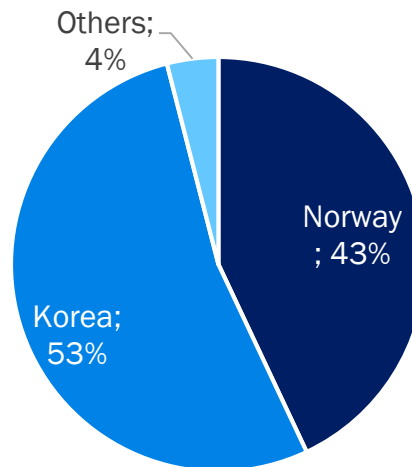
Consumption of mackerel had a large fluctuation

- ♦ In the past decade, mackerel consumption has fluctuated in a U shape.
- ♦ Norway currently has the second largest share in Korea

Korea Mackerel Consumption (2013-2017)



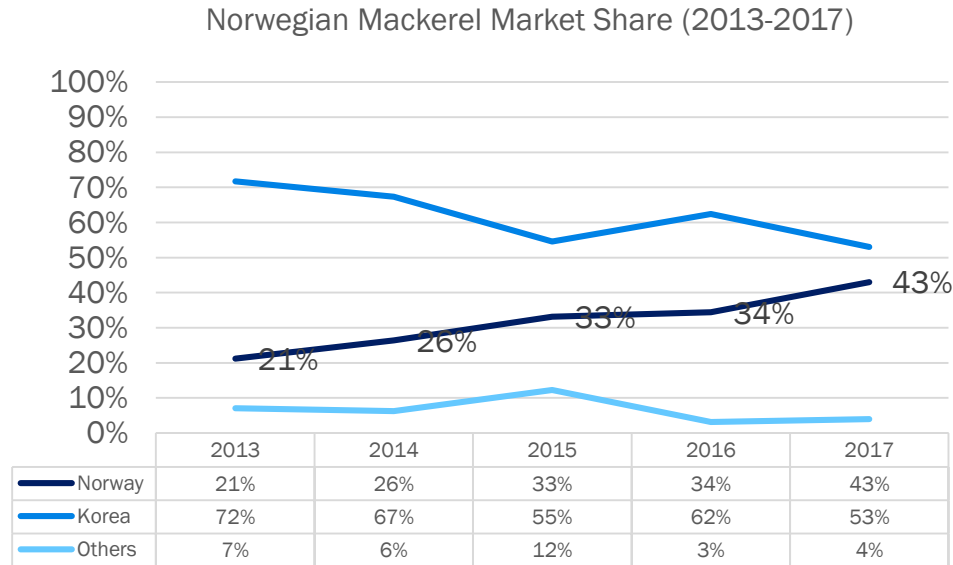
Mackerel Supply by Country (2017)



Mackerel Supply (2017) : 93,569 MT

Norway's share in the Korean mackerel market (2013 – 2017)

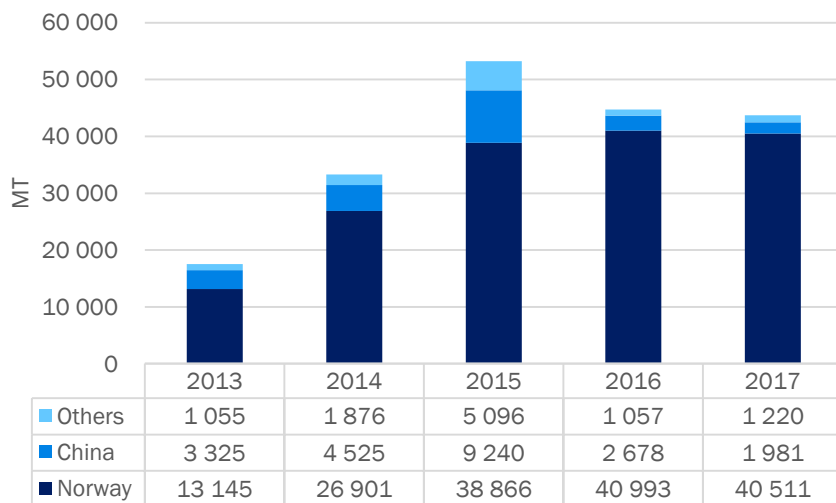
- Norway's shares have increased annually, from 21% in 2013 to 43% in 2017.



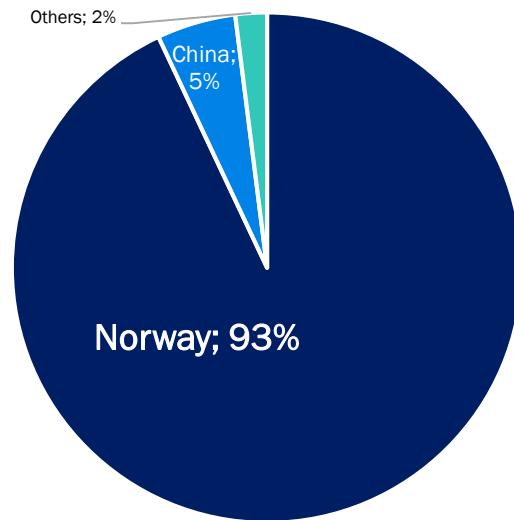
Norway is the dominant supplying country with 93% share

- ♦ Norway is the dominant supplier
- ♦ China used to be a larger supplier, but due to the lack of large mackerel catch, they are no longer a strong player in Korea.

Korea's Mackerel Import (2013-2017)



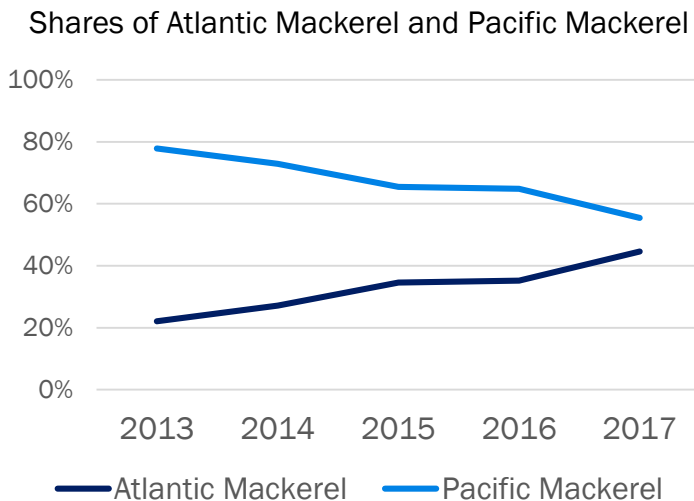
Mackerel Share by Country (2017)



Imported Volume: 44,712 MT

Trend: Atlantic Mackerel supply has been increasing

- ♦ The mackerel market is moving from Pacific mackerel to Atlantic mackerel
- ♦ Both Korea and China's catch (Pacific mackerel) of large mackerel have been dropping;
- ♦ A large number of consumers recognize Norway as a supplier of mackerel, and many prefer Norwegian product over domestic product according to industry players.
- ♦ HORECA which had used Korean mackerel in the past are starting to use Norwegian mackerel; consistency in size, supply and the better taste



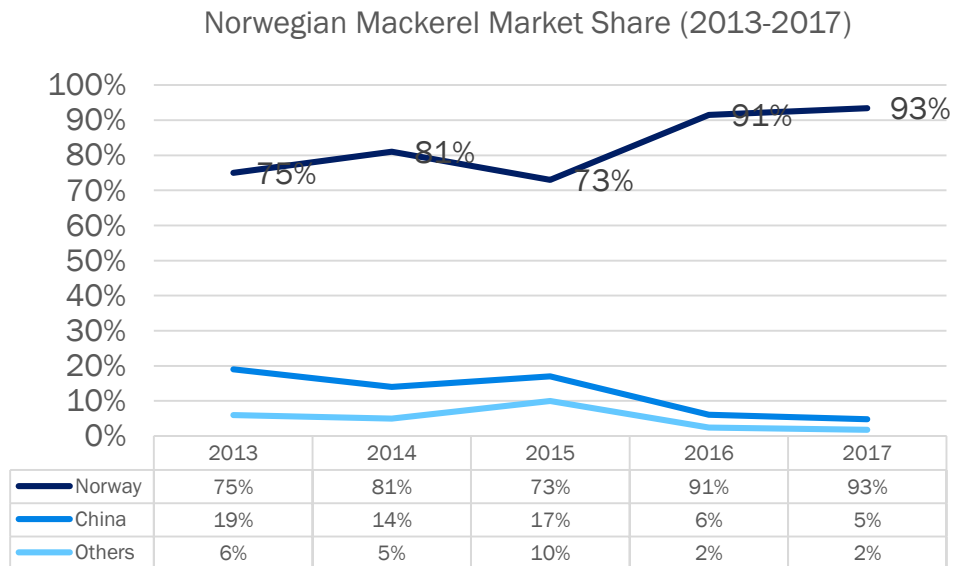
Main Mackerel Supplying Countries (2017)

Atlantic Mackerel	Pacific Mackerel
Norway (40,511 MT)	Korea (49,857 MT)
UK (629 MT)	China (1,981 MT)
Iceland (23 MT)	Japan (20 MT)

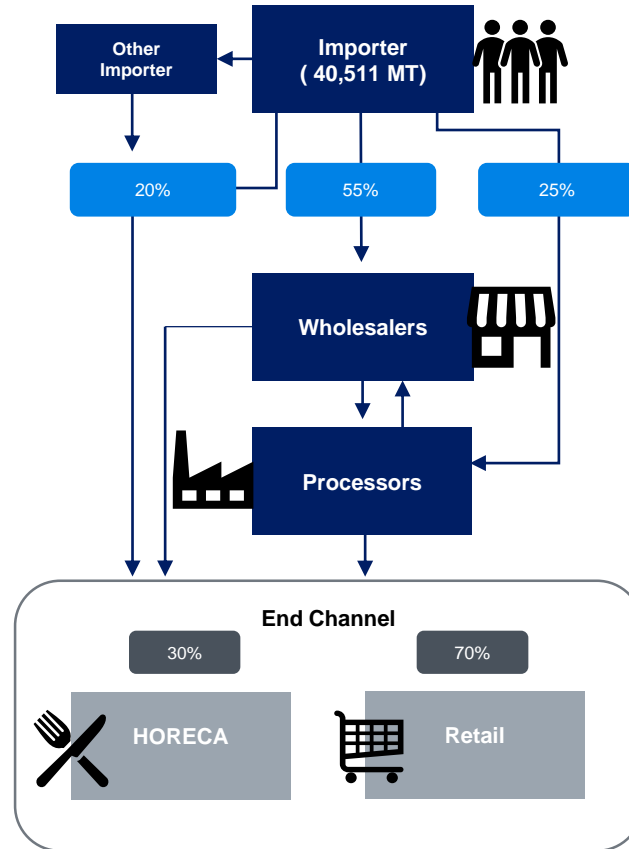
Source: Korea Customs and Trade Development Institute (KCTDI)

Of the importing countries, Norway has the dominant share since 2016

- ♦ Norway has been the dominant supplier, peaking in 2017.



Distribution



Small to mid-size importers primarily purchase from large importers as they 1) are unable to purchase large volume 2) do not have the know-how and budget to conduct mackerel inspection in Norway.

Industry Player	Markup
Importer	3-5%
Wholesaler	15%-20%
Processor	20%-25%
Retail	35-50%

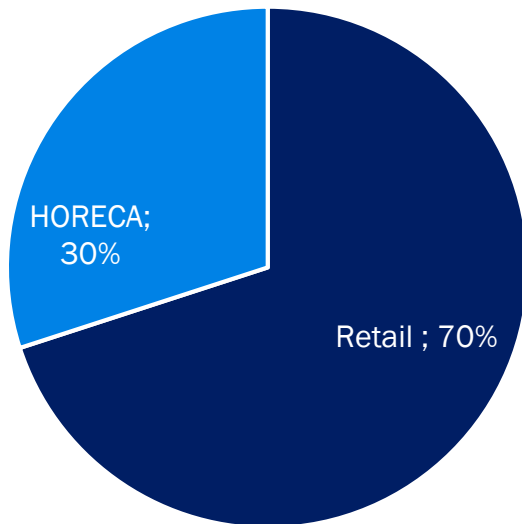
In some cases, mackerel are distributed through several wholesalers

Norwegian mackerel are both demanding in retail and HORECA

In HORECA, especially, Norwegian mackerel has increased its presence.



HORECA, that had primarily used Pacific mackerel, are switching to Norwegian mackerel favoring its consistency in size and quality



Norway Volume (2017): 40,511 MT (WFE)



The total sales of mackerel in retail has been stagnant, however Norwegian products, especially frozen fillets have increased in sales.

There are primary 2 products Norwegian mackerel products: 1) Frozen Fillets and 2) Salted mackerel



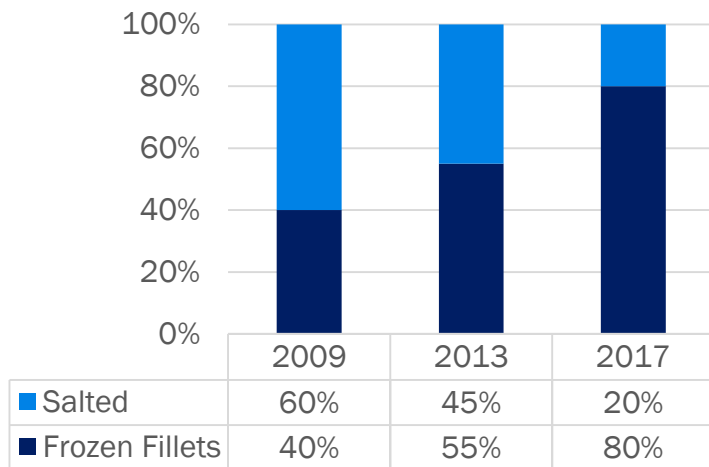
Norwegian Frozen Fillets



Norwegian Salted Mackerel

Frozen fillets are trendy, they are convenient to use and considered healthier than salted mackerel

Norwegian Mackerel Products in Retail

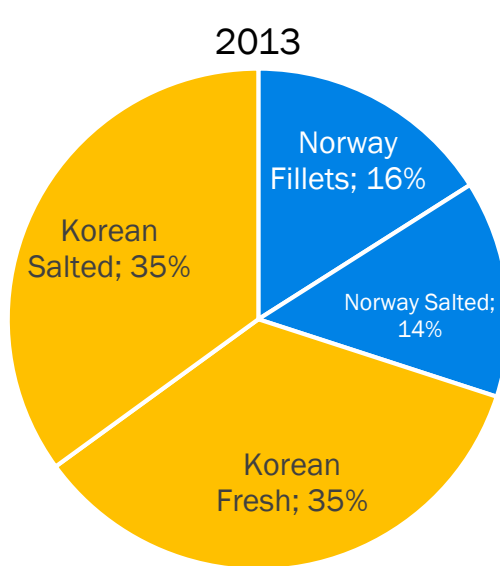


Trend: Frozen fillets > Salted mackerel

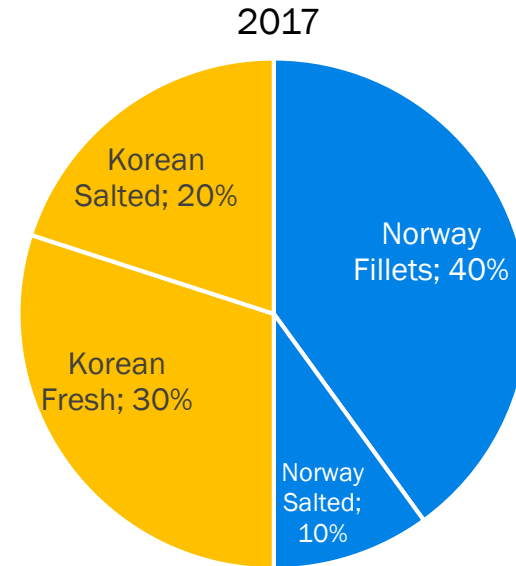
- 1) Can be cooked in many different styles: grill, stew, etc.
- 2) Can be stored for a long period of time.
- 3) Volume per serving is flexible.
- 4) More healthy (less salt).

In large retail chains, Norwegian mackerel account for 50% of the sales

- ♦ Norwegian mackerel gaining more shelf space in large retail chains.
- ♦ Retailers have noted that more consumers are recognizing Norway as a supplier for mackerel and many consumers actually prefer Norway over Korean mackerel.



Norway (2013): 30%



Norway (2017): 50%

Retail Trend - Online

- Value added products such as precooked mackerel and boneless mackerel are slowly increasing. These products are primarily sold online.
- Of the mackerel sales in retail, an estimated 3-5% are online sales.



Boneless Mackerel sold in online stores (vacuum packed)



The primary target for boneless mackerel is children

HORECA – Norwegian mackerel is replacing Korean mackerel

- ♦ Restaurants primarily use Norwegian mackerel (and other mackerel) for stew (*jorim*) and pan fry. Both are Korean cuisine.
- ♦ For pan frying, restaurants demand large size mackerel; due to the low domestic supply of large mackerel, many have shifted to using Norwegian mackerel



Stewed mackerel (*Jorim*)



Pan Fried Mackerel

Korea and Japan Market Comparison (2017)

	Korea	Japan
Mackerel Consumption	121,109 MT	271,190 MT
Norway' Volume (WFE)	40,511 MT	151,935 MT
Norway's Share	43%	57%
Main End Channels for Norwegian Mackerel	Retail 60% Food Service 40%	Retail 80% Food Service 20%
Main Products for Norwegian Mackerel	Fillets 80% Salted 20%	Salted 80% Miso 10% Mirin 5% Other 5%

Appendix - Tariffs

Product	Japan	Korea
Mackerel frozen	7%	0%*
Salmon, frozen	3.5%	0%
Salmon, fresh	3.5%	0%
Trout, Frozen	3.5	0%
King crab	4%	0%
Snow crab	4%	0%

*Tariff quota 500 Tons, (MFN applies after(10%))