

ROK Market Brief No.7

Refined Sugar Market

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 refined sugar category that benefit from tariff reductions under the K-CA FTA and have market access.



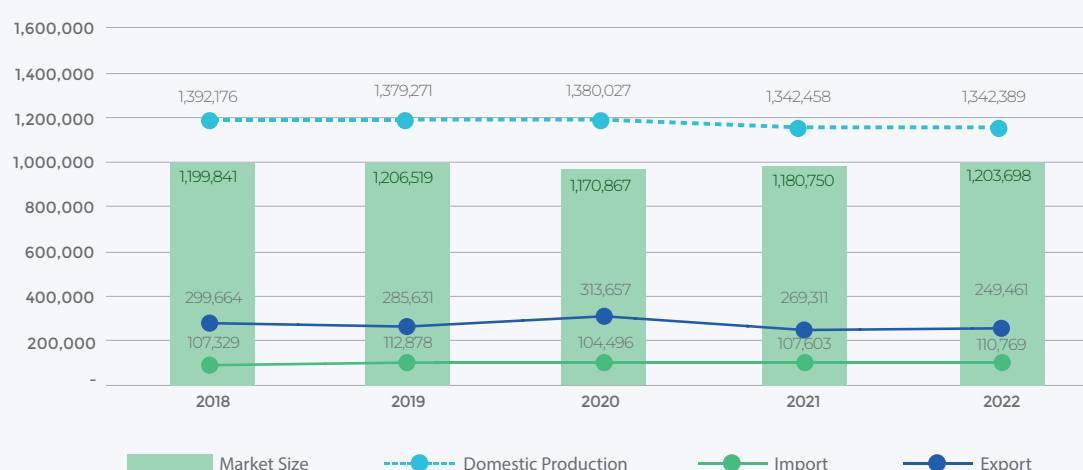
Market Snapshot

The refined sugar market, from 2018 to 2022, shows a relatively stable volume around 1,200,000 tons with about 0.10% of annual growth rate. On the other hand, the market size in value has increased from 490 million USD in 2018 to 745 million USD in 2022, exhibiting an annual growth rate of 11.32%.

In ROK refined sugar market, the domestic production accounts for 111.5%, import holds 9.2% and the export takes up 20.7%. This implies that ROK holds a capacity to produce refined sugar and is a net exporter of refined sugar.

Figure 1. ROK refined sugar market in volume (2018-2022)

(Unit: Ton)

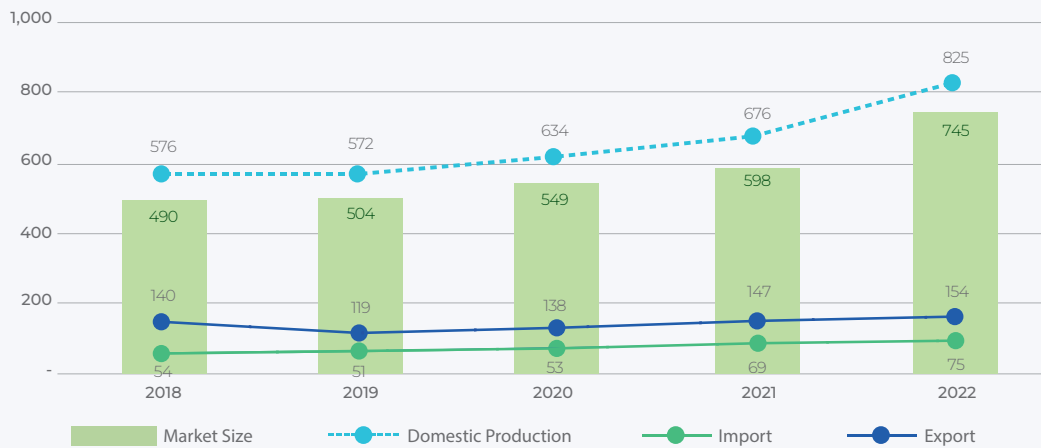


Source) MFDS (2023); Korea Customs Service Import and Export Statistics (2023); Ministry of Strategy and Finance (2023)

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

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

(Unit: million USD)



Source) MFDS (2023); Korea Customs Service Import and Export Statistics (2023); Ministry of Strategy and Finance (2023)

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

Based on the high annual average annual growth rate in value by 11.32% and small in volume by 0.1%, it is forecasted that the refined sugar market in Korea will continue with an estimate of annual average growth rate of less than 1% in volume for the next 5 years from 2022 to 2027; whereas for value, considering the recent rise in the global sugar price, it is expected to show an average annual growth rate of 5.0% for the next 5 years (2022-2027) as the global price is being stabilized over the years.

Notably, the import volume has remained around 0.1 million USD and this import volume is expected to be remain the same level going forward. Korea's existing FTAs with major trade partners with emphasis on the lowered tariff rates will contribute to the increased import volume and value. In this regard, the competition among the current and new exporting countries is likely to remain fierce going forward.

Understanding the tariff structure is essential for Central American exporters looking to establish a foothold in the ROK market. When it comes to the tariff, the largest exporter, Thailand, has 40% of custom duty applied, and CA countries has 18.7 – 28.2% of custom duty applied on the refined sugar as of 2024. At earliest, Costa Rica and Nicaragua can enjoy the full tariff elimination in 2034. The detailed tariffs are described in the table below:

Table 1. Tariff on HS Code 170199 as of 2024

Country	HS Code	WTO Bound rate	Current rate (2024)	Elimination of custom duties ¹
Costa Rica	170199.0000	85.1%	18.7%	2034.01.01
El Salvador	170199.0000	85.1%	20.6%	2035.01.01
Panama	170199.0000	85.1%	22.5%	2036.01.01
Honduras	170199.0000	85.1%	18.7%	2035.01.01
Nicaragua	170199.0000	85.1%	18.7%	2034.01.01
Guatemala	170199.0000	85.1%	28.2%	2039.01.01
Thailand	170199.0000	85.1%	40%	N/A

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.



Competitive Landscape

While domestic refined sugar market is significantly influenced by domestic suppliers, among the total volume of imports in 2022, top 2 major suppliers accounts for 92% of total refined sugar imports. The detailed import statistics in volume from 2018 to 2022 is presented in the table below.

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

(Unit: Ton)

	2018	2019	2020	2021	2022
Thailand	81,316	88,021	77,566	75,865	94,049
Malaysia	15,062	12,715	15,777	15,218	8,013
Brazil	3,453	2,766	2,503	3,472	3,855
UAE	280	-	690	6,584	1,703
USA	761	868	919	1,313	1,300
India	333	599	916	440	500
France	2,228	5,385	1,095	1,397	423
Malawi	133	163	215	209	261
Belgium	189	228	2,325	2,287	189
Other	3,574	2,133	2,490	818	476
Total	107,329	112,878	104,496	107,603	110,769

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

Within imported products, Thailand shows the outstandingly largest import value and volume. Looking into the statistics of imported refined sugar by volume, it is observed that Thailand has kept its status as the biggest export partner.



Consumer Preference

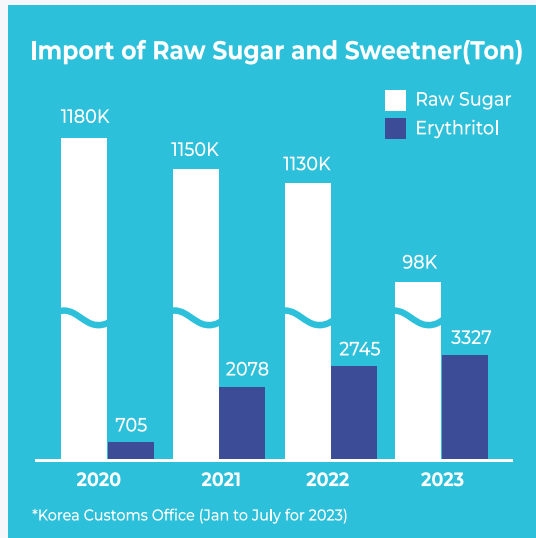
Among Korean consumers, the concept of 'Healthy Pleasure' is gaining attention with the prevailing consumption trend towards prioritizing health. Under this trend, consumers tend to prefer 'zero sugar' products to reduce sugar consumption.

While, over the past four years, the import volume of raw sugar has consistently decreased, the import volume of erythritol, one of the sugar substitutes, has been steadily increasing. The import quantities of other sugar substitutes, such as sucralose and aspartame, are also on the rise along with erythritol.

As of 2022, the actual size of the domestic zero carbonated beverage market has grown around fivefold compared to five years ago, reaching 915.27 million USD. To meet the 'zero' trend in the beverage market, alcoholic beverage manufacturers also have recently launched soju products without sugar and have also renewed existing products to be 'zero'. Not only the alcoholic and non-alcoholic beverage market, but also snack market has joined the zero-sugar trend launching multiple low or zero-sugar products.

Figure 3. Import of Raw sugar and Sweeteners and Zero sugar food products in ROK

Import of Raw Sugar and Sweetener (Ton)



Zero-Sugar food products



Source) Sedaily (2023); Edaily (2024); Newsis (2023); Civicnews (2024)

Despite this consumer trend to reduce the consumption of sugar, sugar is still an essential substance for Korean's daily meal diet. The government considers increased sugar price will make citizen's domestic economy, hence, intervenes in domestic market to regulate and stabilize sugar prices along with other priority Agri products. In this regard, the import volume and price of refined sugar is protected in the ROK market.

When global sugar price reached the highest level in 2022, because of the significantly reduced harvest of raw sugar due to the abnormally dry weather in the world's largest raw sugar exporting countries, in order to stabilize the domestic sugar prices, the Korean government planned to apply zero tariff on 50,000 tons of refined sugar² in the first semester of year 2024, and 5% tariff rate on another 50,000 tons in the second half of 2024. As for the raw sugar, basic tariff rate of 3% will be fully eliminated for all imported volume.



Main Distribution Channels

Currently, the major domestic refined sugar manufacturer and distributor include CJ CheilJedang, Samyang Corporation, and TS DaehanJedang. All three companies are classified as major players in the food manufacturing industry, and they dominate the market for refined sugar production.

As of 2022, the share of each company in the domestic refined sugar market, CJ CheilJedang's share is the highest at 47%, with Samyang Corporation accounting for 32%, and TS Daehan Jedang accounting for 21%. And the refined sugar produced by these companies are distributed by wholesale and retail businesses in the ROK sugar and food industry.

Besides the major domestic manufacturers, the major importers of refined sugar are in food and beverage processing, as well as wholesale businesses. The top importers consist of Coca Cola Beverage, Woongjin Food, and Kumho Development Trading. The average annual import value of these major importers is 10-20 million USD in average.

²The basic tariff rate on the refined sugar is 30%.

Table 3. Major ROK importers of Refined Sugar

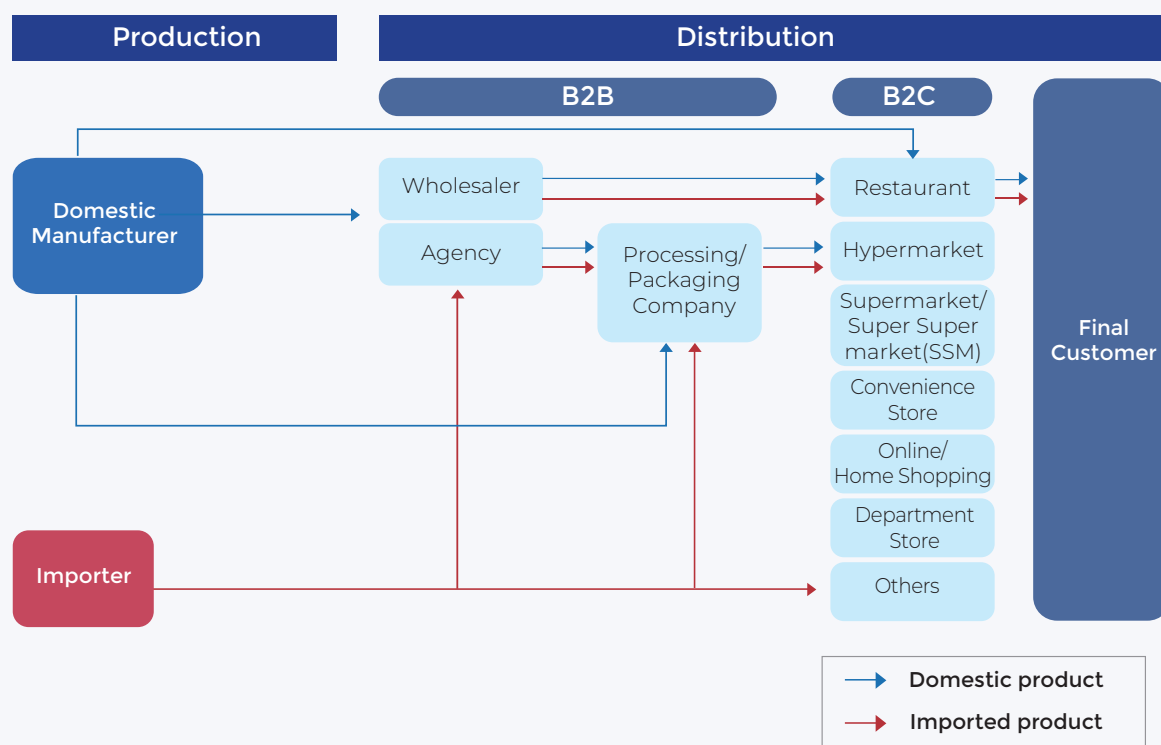
No.	Company name	Enterprise scale	Import value (Unit: million USD)	Industry classification	Major importing countries	Address	Tel	Website
1	Coca Cola Beverage Co., Ltd.	Conglomerate	10 ~ 20	Other non-alcoholic beverage manufacturing	Malaysia, USA, India	269 Chungryeol-ro, Yangsan-si, Gyeongsangnam-do, Republic of Korea	+82-(0)80-024-5999	www.ccbk.co.kr
3	Woongjin Food Co., Ltd.	Midsized business	10 ~ 20	Other non-alcoholic beverage manufacturing	Malaysia, Thailand, China	136-24 Yugumagoksa-ro, Yugu-eup, Gongju-si, Chungcheongnam-do, Republic of Korea	+82-(0)41-841-6911	www.wjfood.co.kr
3	Kumho Trading Co., Ltd.	Midsized business	10 ~ 20	Comprehensive products distribution agency	China, Thailand, Poland	East building 4th floor, 100 Cheonggyecheon-ro, Jung-gu, Seoul, Republic of Korea	+82-(0)2-6961-3332	www.kumhotrading.com
4	Yuggi Nongsan Co., Ltd.	SMEs	1 ~ 10	Other processed food wholesale business	Germany, USA, Brazil,	74 Chungungro, Hanam-si, Gyeonggi-do (Hasachang-dong), Republic of Korea	+82-(0)31-591-6204	http://www.yugginongsan.com/
5	Jungwoo Trading Co., Ltd.	SMEs	1 ~ 10	Other processed food wholesale business	Germany, USA, China, Thailand	9-58 Yangchon 1-gil, Nam-myeon, Seowon-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea	+82-(0)43-295-1784	-
6	Seoul Food Industrial Co., Ltd.	SMEs	Less than 1	Bakery manufacturing business	USA, France	862, Chungwondaero, Chungju-si, Chungcheongbuk-do, Republic of Korea	+82-(0)43-720-7000	www.seoul-food.co.kr
7	Chorokwon Co., Ltd., an agricultural corporation	SMEs	Less than 1	Tea processing business	India	45-15, Pyeonsa 1-gil, Jinryang-eup, Gyeongsan-si, Gyeongsangbuk-do, Republic of Korea	+82-(0)53-852-3000	www.cholocwon.co.kr
8	Daejeo Co., Ltd.	SMEs	Less than 1	E-commerce business	USA, Thailand	43 Daejeo-ro 197beon-gil, Gangseo-gu, Busan, Republic of Korea	+82-(0)51-971-1366	http://oss.black
9	SIK Co., Ltd.	SMEs	Less than 1	Other non-alcoholic beverage manufacturing	USA, China, Thailand	438 Yanghwa-ro, Sejong the Great, Yeosu-si, Gyeonggi-do, Republic of Korea	+82-(0)31-882-3810	-
10	N Food Co., Ltd.	SMEs	Less than 1	Ginseng food manufacturing	India	86, Gakri 1-gil, Ochang-eup, Cheongwongu, Cheongju-si, Chungcheongbuk-do, Republic of Korea	+82-(0)43-217-1772	www.adetime.co.kr

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

Korea boasts advanced sugar processing technology and infrastructure. Imported raw sugar which subsequently is processed in Korean sugar refineries are then distributed to wholesalers, other food manufacturing companies, B2C retail channels, or exported overseas.

According to the Korea Agro-Fisheries & Food Trade Corporation, B2B sales account for approximately 94%, with B2C contributing 6% in the refined sugar distribution. This distribution breakdown reflects the heightened demand for sugar from the food manufacturing industry.

Figure 4. Distribution Channel of Refined Sugar



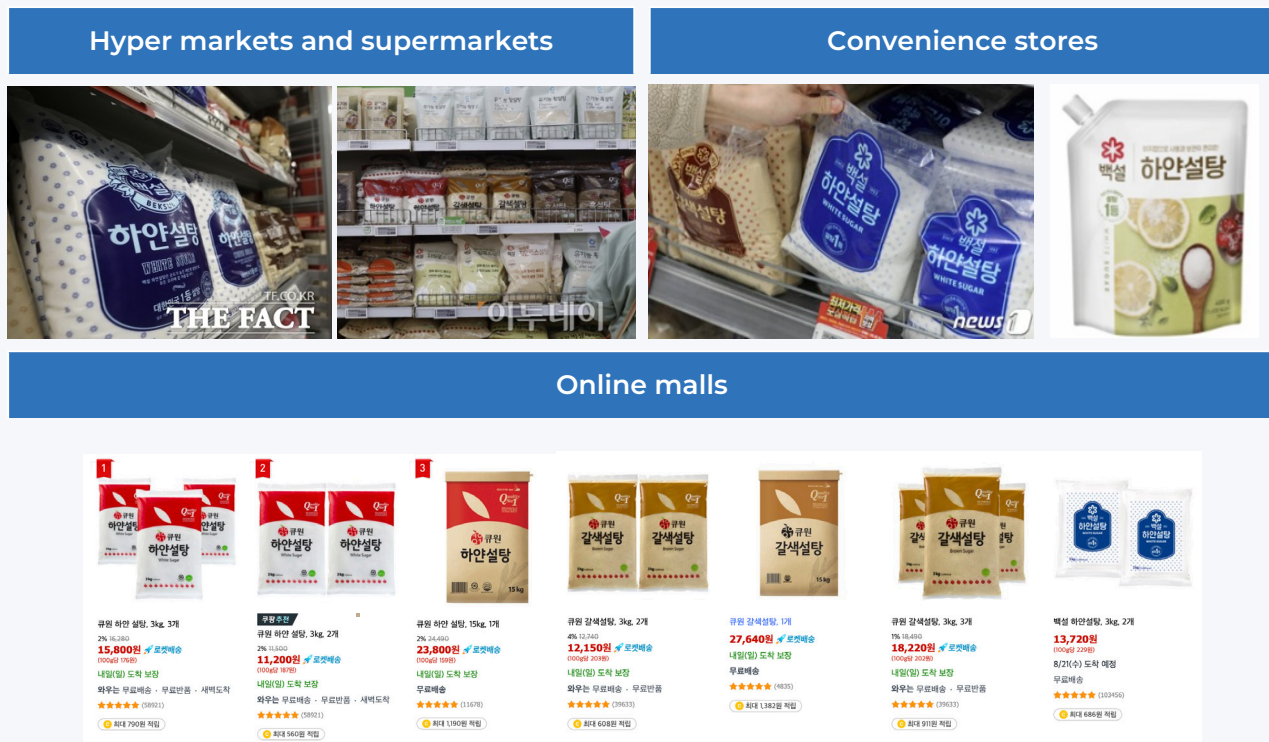
Source) aT Korea Agro-Fisheries and Food Trade Corporation. (2022)

In contrast to the substantial volume of raw sugar imports, refined sugar imports are notably lower. In 2022, the import volume of raw sugar exceeded that of refined sugar by over 17 times.

Nevertheless, refined sugar imports in Korea have maintained consistency at around 100,000 tons. These imports primarily cater to food manufacturing companies and then to wholesalers of food products, with less of direct supply to B2C channels.

When the refined sugar is distributed in the ROK market, customers purchase refined sugar at the hypermarkets or supermarkets where large quantity from 1 to 5kg are offered. On the other hand, smaller size of sugar packages from 400g to 1 kg could be found at the convenience stores. On the other hand, the online malls have a variety of refined sugar products ranging in sizes and prices.

Figure 5. Refined Sugar Distributed in the ROK market



Source) TheFact (2023); etoday (2023); News1 (2024); Coupang Search (www.coupang.com)



Regulations

Import Requirements

Refined sugar (170199) must undergo FOOD INSPECTION by the Ministry of Food and Drug Safety in accordance with the relevant laws and regulations of the Republic of Korea.

As per **Article 20 of the Special Act on the Safety Management of Imported Foods**, refined sugar must undergo precise inspection upon initial import after being reported to the Commissioner of the Ministry of Food and Drug Safety.

Before importation, the overseas manufacturing facility operator or importer must register the overseas facility with the Ministry of Food and Drug Safety by providing documents such as overseas factory registration certificates. It should be noted that without registration of the overseas manufacturing facility, it is not possible to declare to the Ministry of Food and Drug Safety. The processing period for registration is three days, and delays may occur in case of deficiencies.

The validity period for overseas manufacturing facility registration is two years and request for renewal of the registration should be submitted before it is expired.

To declare to the Ministry of Food and Drug Safety, Korean labels must be attached to the product or retail packaging. Korean labels can be affixed either in the exporting country or within the bonded area of the Republic of Korea after importation.

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

Product Name	
Food Type	
Ingredients and Contents	
Net Weight	
Country of Origin	
Manufacturing Date	
Overseas Manufacturer	
Packaging Material	
Storage Instructions	
Importer's Name and Address	
Importer's Contact Information	
Address for Return and Exchange	

Source) Rohan Customs Advisory Office

Import Process

For the import of refined sugar, documents such as the manufacturer's 100% ingredient data and manufacturing process documents are required. Additionally, the overseas manufacturing facility must be registered prior to importation, and the importer must hold a business registration for importing and selling food to declare to the Ministry of Food and Drug Safety.

Furthermore, photos of Korean labels affixed to retail packaging boxes, sacks, etc., must be prepared for inspection by the Ministry of Food and Drug Safety. Precise inspection can be conducted by internal or external institutions of the Ministry of Food and Drug Safety, at the discretion of the importer. Upon passing the precise inspection of the Ministry of Food and Drug Safety, proper customs clearance can be proceeded, and the goods can be received after tax payment if no irregularities are found.

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

Other Obligations and Cautions

After importation, refined sugar for sale must be labeled with the country of origin on retail packaging or packaging boxes, sacks, containers, etc. The country of origin must be indicated in Korean, Chinese character, or English, and must be labeled as "MADE IN [Country Name]". Additionally, if it is an OEM (original equipment manufacturing) product, the country of origin must be indicated in Korean on the front of the product or packaging/container. The method of indication may vary depending on the packaging area but must be displayed in at least 12 points font size.



SWOT Analysis



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Strengths

According to the Ministry of Agriculture, Food and Rural Affairs on May 2023, the Ministry and ROK's sugar industry have agreed to actively cooperate in stabilizing sugar prices going forward by holding emergency inspections with the sugar industry, sugar import industry, and food industry, as well as temporarily cutting the applicable tariff.

This strategic intervention not only serves as a pivotal mechanism for stabilizing and moderating domestic sugar prices but also positions itself as an opportune moment for CA exporters to capitalize on prevailing market conditions.

In addition, CA exporters are expected to enjoy the full tariff-free status thanks to the K-CA FTA and tariff-free effective year per each CA country is as follow: Costa Rica (2034), El Salvador (2035), Honduras (2035), Nicaragua (2034), Panama (2036), and Guatemala (2039).



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Weakness

There is a structural weakness that refined sugar faces when it comes to promoting its export from CA to ROK market. The general process of ROK sugar market is demonstrated as follows: It firstly imports raw sugar from overseas, then goes through domestic processing using its refining technology, which ROK holds as its distinctive strengths. Then, this domestically refined sugar is consumed nationwide as well as largely exported to overseas market. With this structural backdrop, therefore, the actual demand of ROK sugar market for overseas import is more focused on raw sugar, thus refined sugar holds insufficient demands for the CA exporters to consider their new entrant.

In addition, ROK's sugar industry is led by three conglomerates sugar companies, hence the main concern and weakness of the market lies in its oligopoly market structure which rendered asymmetric price and unfair competition with high entry barriers. Due to such structure, it may also limit the entry of new suppliers and market share increase of existing suppliers unless they build appropriate relationship with the three ROK sugar companies.



Opportunities

Due to continuing health concerns and well-being trend for pursuing less consumption on sugar, there are growing interest and demand for minimally processed sugar, such as cane sugar, etc.

While such consumer behavior could be considered a threat factor to the CA's refined sugar suppliers, there still is a niche for minimally processed sugar market that is considered less burden for consumers' health and cost less for production, in addition to satisfying customers' demand.



Threats

The top countries supplying refined sugar to Korea, as of 2022, are Thailand (85%), Malaysia (7%), and Brazil (3%). These exporter countries have been dominating the ROK refined sugar market for more than 10 years, which implies the difficulty in the change of market structure.

Also, following the analysis on the Weakness above, ROK sugar market's high import tendency on raw sugar over refined sugar can be considered another threat. As of 2022, by volume, the import size of raw sugar was 1.8 million tons whereas the import size of refined sugar was merely 110,769 tons.

Domestic sugar production has experienced a decrement, and this trend signifies a transformative landscape within the Korean sugar industry, reflecting nuanced shifts in both import patterns and domestic production capacities.

The decline in domestic sugar imports is attributed to the prevailing "zero craze," wherein low-calorie sweeteners in food and beverages have experienced sharp popularity due to shifted trend towards health-conscious consumption patterns. Such decrease in the demand for sugar and the advent of sugar substitute is an expected threatening factor for CA's refined sugar product in the ROK market.



Business Case

ROK Market Insights

- Growing ROK consumer's health-conscious consumption patterns towards low-calorie sweeteners in food and beverages
- ROK refined sugar market's strong dominance by domestic production

Niche

- To approach with distinctive healthy branding of CA products as minimally refined sugar
- To serve as mitigation instrument for ROK market against rising global sugar price

Cultural Adaptation

- Understand Korean consumers' growing concerns on healthy products
- Understand Korean consumers' growing tendency towards low-calorie and zero-sugar
- Understand Koreana sugar manufacturing (refinery) industry

Strategy Snapshot



- To enhance the visibility and exportability of Central American refined sugar in ROK market, it is recommended to use and participate in the various B2B promotional campaigns hosted in ROK on the preferential basis.

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