



## FFTC Agricultural Policy Platform (FFTC-AP)

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### **Dairy Market Trend in Korea**

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The Ministry of Agriculture, Food and Rural Affairs (MAFRA), and Korea Agro-Fisheries & Food Trade Corporation (aT) recently published the Processed Food Submarket report containing the status of the markets for milk, modified milk powder, fermented milk and soybean milk as part of their project for providing statistics and information about the food industry.

According to this report, domestic milk production is stagnant, while the production and consumption of modified milk powder, fermented and soybean milk have recently increased with the entry into the Chinese market and the spread of health-centered consumer trends. Modified milk powder production was 18,200 tons in 2012 which is decreased from 20,600 tons in 2002, but it is increased from 14,600 tons in 2007 to 18,200 tons in 2012 which grew by 25% from 2007.

As demand for modified milk powder has decreased due to reduced birth rates and spread of the breastfeeding movement, production also shows a downward trend. However, domestic niche markets are growing with the recent release of functional products and customized products such as milk powder for infants born with metabolism disorders. In particular, increasing exports to China are bringing back vigor to the related industries.

The report points out that Chinese market for modified milk powder, which is 10 times larger than the Korean domestic market, has recorded a growth rate of more than 10% every year and anticipates that Korean milk powder exports to China will further increase as Korean dairy processed products are being recognized by Chinese consumers for their superior quality and safety. For reference, Korean exports of modified milk powder has risen dramatically from US\$3.5 million in 2000 to US\$57 million in 2012. The recent Korean milk powder export to China is rising fast. It is mainly because Chinese consumers do not trust their domestic powdered milk products, for example, due to the Chinese milk scandal in 2008.

As for fermented milk, production had shown a downward trend until 2009. With the recent trends of health-oriented consumption, however, consumption of fermented milk, which is rich in lactic acid bacteria, has been rising to a large extent since 2009. Production of fermented milk in 2012 has risen by 25% from 2009 when the production had recorded the lowest level in recent years. In addition to existing liquid, drink and stirred-type products, new types of products such as ice cream and sherbet-type products are also being released. The premium market is also growing, which includes organic and additive-free fermented milk products.

As for soybean milk, with the increasing interest in diet and utilization of soybean milk as an

alternative for traditional breakfast menus, the market has continuously expanded since 2009. More recently, the demand for products mixed with sesame, grains or green tea is gradually increasing. The soybean milk market size is estimated to be around Korea won 460 billion based on retail sales in 2012, and black bean milk products account for 51.6% of the total sales, followed by white bean milk products (35.7%) and other products (12.6%). Recently, consumers of soybean milk products are being diversified; coffee shops and bakeries also use more soybean milk. With targets expanding from the middle-aged to young women in their 20s, it is expected that the market will continue to grow in the future. The reasons to buy soybean milk are as follows: “for health” (43.4%), which was ranked first, followed by “for beverage” (28.2%)” and “as an alternative to a meal” (21.6%). The things that consumers consider when buying soybean milk include flavor (45.3%), brand (13.1%) and price (11.1%). In addition, 28% of the respondents said they purchase soybean milk at least once a week. This shows that the frequency of purchasing soybean milk is much lower than that of cow’s milk.

Meanwhile, domestic raw milk production dropped by 17% from 10 years ago but has maintained a similar level since 2007. Raw milk production began to decrease in 2003 because production was cut in 2002 to balance the supply and demand and there appeared various other products that can replace milk, such as soybean milk and functional beverages. In addition, as the milk market has matured, the preference for premium products such as low fat, fat-free milk and organic milk is increasing in the market. It is also predicted that it will be more necessary to develop various products such as chewable milk to expand milk demand. The industry is also expecting that the recent amendment of a relevant regulation that enables low-fat milk products to be produced as health functional food will contribute to the expanding milk product range.

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