



Korea — CAB's World Cup

by Heidi Scheffler

While the Japanese market looked bleak last fall and winter, *Certified Angus Beef®* (CAB®) prospects were picking up in South Korea. CAB brand tonnage for November 2001 was up 93% from the previous month, partly due to the beef safety crisis in Japan. The Korean Thanksgiving holiday traditionally features beef, and that spurred consumers to resume beef purchases, which had plummeted after media coverage of Europe's crisis with bovine spongiform encephalopathy (BSE) and foot-and-mouth disease (FMD) in spring 2001.

Meanwhile, liquidation of domestic beef herds has increased the price of *hanwoo* (Korean domestic beef) and made imported beef more affordable for consumers.

Against this optimistic background, Certified Angus Beef LLC (CAB) International Division staff met with licensed distributor Hanwha in Seoul, Korea, this winter. Meetings were also held with packers and the U.S. Meat Export Federation (USMEF) to outline plans to capitalize on the market's opportunities.

Signs for the 2002 Soccer World Cup, to be co-hosted by Korea and Japan this June, were everywhere, evidence of Korea's state of growth and confidence. Korea is a status-conscious society where the level of consumer spending does not correspond to Western spending habits, considering its average per capita income of \$9,700.

Young professionals can't afford an expensive apartment or car, but they feel a part of "that class" by buying a Gucci watch or an Armani suit. Koreans typically spend 25%-29% of their incomes on food. With the right partners building demand at the consumer level, the CAB brand *can* flourish in this market.

Current market

Hanwoo prices are double that of one year

ago, which is a result of the shortage brought on by the panic liquidation when market liberalization started the first day of 2001. Australian farmers and shippers rushed in, exporting cattle to be fed there, thus making them "Korean" and eligible for higher prices. Furious farmers blocked roads to feedlots, virtually starving some cattle. Australians pulled back to regroup.

The Korean government let farmers sell older cows as "heifers," tarnishing the high-quality image of *hanwoo* product as consumers began to have varying eating experiences. In response, retailers are beginning to further identify *hanwoo* product by feedlot and feeding regime.

USMEF efforts had recently focused on retail and end meat sales, but the four leading CAB-licensed packers say the hotel and restaurant trade has the greatest potential for CAB brand sales. There may also be strong potential with foodservice operators interested in quality.

Until now, the foodservice market in Korea was price-driven. Successful promotions featuring CAB Prime were conducted last year and may resume after consumers' food safety concerns have been addressed. However, it may be some time before true demand for the CAB brand reaches traditional Korean-style restaurants.

Korean consumers, like Americans, are cautious in their acceptance of products new to them. Continued success will come through diligent efforts to increase recognition of the CAB brand as the upscale product they desire.

Restructuring in the beef division of Hanwha in 2001 has influenced the company's direction and focus. Increased demand for CAB products has been a key factor. Plans call for CAB cuts to be sold alongside *hanwoo* in butcher shops, a result of the World Trade Organization (WTO) ruling against the divided retailing system in Korea.



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Meanwhile, P.M. Global, CAB 2001 Exporter Marketer of the Year, is also working to increase CAB demand and sales in Seoul hotels. International Division staff are working closely with P.M. Global to pursue licensing of two leading hotels.

Though the Korean market is starting to reap the benefits of being liberalized, many experts there say it will take some time before distribution changes make significant inroads to the established structure.

Customer service is becoming a concern, as established companies try to maintain their advantage. The need to provide their customers the best value, quality and price is boosting interest in the CAB brand. 

Editor's Note: Heidi Scheffler is assistant director of the CAB International Division, which provided this article.