

## SOUTH KOREA'S HEALTH FUNCTIONAL FOOD MARKET

"Health Functional Food (HFF)" is an official term that refers to health and dietary supplements approved by the Ministry of Food & Drug Safety. An HFF is defined as a food product that is manufactured or processed using functional ingredients or raw materials that are nutritious and have useful functions in the human body. The market is one of the fastest-growing sectors in the food industry in South Korea, owing to a rise in health awareness and an aging population. The outbreak of COVID-19 highlighted the interest of consumers in enhancing their health and immune systems, and this trend has boosted sales of health-related products.

This factsheet will briefly outline the South Korean market for health functional foods, including its market size, prospects, main players and recent market trends.

### Key Points

- KRW 5.3 trillion market in 2021
- Best-selling products: red ginseng, product-specific (individually recognized functional ingredient), probiotics, vitamins and minerals
- Total imports: KRW 1.2 trillion in 2021
- Major export origins: U.S. Germany, Canada, India, and Taiwan
- Major distribution channels: online channels & direct sales
- Exporters need to adhere to strict labeling requirements and import regulations

*Exchange rates used are as follows: CHF 1 = USD 1.08, CHF1 = KRW 1,350 (January, 2023, F/X rate)*

#### Challenges

- Highly competitive market
- High costs for market development, particularly marketing & promotion
- Low recognition and brand reputation regarding Swiss products

#### Opportunities

- Rapidly growing market (20% and above)
- Health-conscious consumers
- Diverse product concepts (dietary, eyes, brain, etc.) being introduced
- Premium products preferred

## OVERVIEW

According to statistics published by the Korean Ministry of Food and Drug Safety, the market for health functional foods in Korea reached KRW 5.3 trillion with a 20% growth year-on-year in 2021. The growth is attributable to an increase in health-conscious consumers amidst the COVID-19 pandemic and new releases of diverse brands.

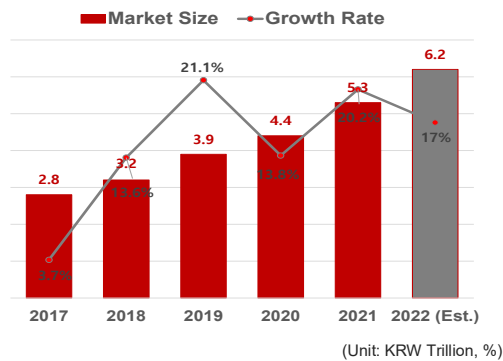
According to a consumer survey conducted by the Korea Health Supplement Association in 2022, Korean households spent an average of KRW 360,000 on health functional foods annually, and eight out of ten households purchase such products at least once a year. Red ginseng, vitamins, probiotics, edible oils containing EPA and DHA (a.k.a omega-3), and fat reducing pills & drinks were the top five best-selling items in 2022.

Both local production and imports of health functional foods have seen rapid and steady growth in recent years. In 2021, South Korea produced KRW 4 trillion worth of health functional foods and imported KRW 1.26 trillion of such products. Imports hailed mostly from the U.S., Germany, Canada, India, and Taiwan, with their combined total market share in terms of value in 2021 taking up to 70%.

## MARKET OVERVIEW

### 2021 ANNUAL SALES & GROWTH

- COVID-19 effect: increasing health awareness
- New products launch



### BEST-SELLING PRODUCTS IN 2021 (vs. 2020)

1. Red ginseng: KRW 1.0 trillion (vs. 1.1 trillion)
2. Product-specific (pills): KRW 847 billion (vs. 654 billion)
3. Probiotics: KRW 768 billion (vs. 526 billion)
4. Vitamins & minerals: KRW 335 billion (vs. 299 billion)
5. Edible oil containing EPA & DHA: KRW 237 billion (vs. 139 billion)

**Total market size: KRW 5.3 trillion**

**Top 5 products' combined market share: 51%**

### PURCHASING FREQUENCY & EXPENDITURE 2022

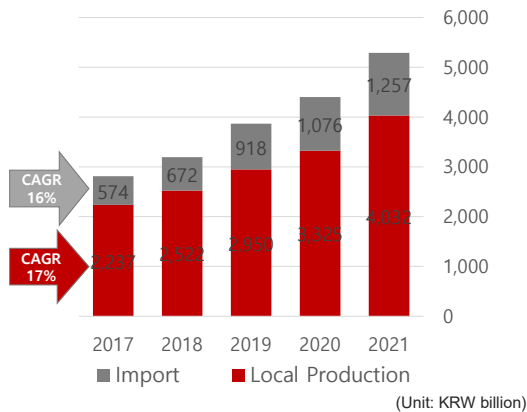
- 8 out of 10 households purchased health functional foods at least once a year
- Average annual spending per household: KRW 357,919

### REASON OF PURCHASING 2022

- For self-consumption: 71.1%
- For gifting to acquaintances: 28.9%

*The percentage of purchasing for self-consumption has increased, meaning the number of health-conscious consumers is increasing*

### LOCAL PRODUCTION & IMPORTS 2021



- Importation and local production have both showed significant growth in the past 5 years.
- The share of imported products is

### IMPORT OF HEALTH FUNCTIONAL FOODS 2021

- Major importing countries: USA, Germany, Canada, India, and Taiwan – 5 countries account for around 70% of the total imports
- No tariffs for Swiss products (HS Code # 2936 category)

Country	Import Value (1,000 USD)	Share (%)
Total	1,098,762	100.0
Top 10	982,549	89.4
USA	530,083	48.2
Germany	128,430	11.7
Canada	99,106	9.0
India	63,024	5.7
Taiwan	36,559	3.3
China	33,295	3.0
Italy	32,944	3.0
Australia	23,744	2.2
Denmark	18,302	1.7
France	17,062	1.6

Source: 2022 Statistical Yearbook for Food & Drug, MFDS  
2022 Yearbook of Imported Food Inspection, MFDS  
Korea Health Supplements Association,  
Korea Customs Service

## MARKET DEVELOPMENT

### DISTRIBUTION CHANNELS

There are no official data or statistics regarding the distribution channels of health functional foods, as the products are being distributed and sold through various channels. According to various surveys conducted by market research companies and relevant associations, the two major channels are online

malls and direct sales channels, which include multilevel marketing (MLM) companies and door-to-door sales.

The below diagram shows the share of each distribution channel through which health functional foods are sold. Domestic shoppers are increasingly relying on online markets, and new platforms such as the Kakao shopping platform and foreign online retail shops have become popular sales channels in recent years.

#### MAJOR DISTRIBUTION CHANNELS IN 2022



Source: Korea Health Supplements Association, Various survey results & news media

#### IMPORTS OF HEALTH FUNCTIONAL FOODS

The top five imports of health functional foods include: multivitamins & mineral nutrients, special nutrients, oils containing EPA & DHA, Fructooligosaccharides (FOS), and product-specific (individually recognized ingredient, check page 6 for more information) in 2021.

#### TOP 5 IMPORT PRODUCTS (2018~2021)

	2018 (Share 47%)		2019 (Share 51%)		2020 (Share 59%)		2021 (Share 66%)	
	Product	Import Volume (ton)	Product	Import Volume (ton)	Product	Import Volume (ton)	Product	Import Volume (ton)
1	Multi-nutrients	2,088	Multi-nutrients	2,935	Multi-nutrients	3,509	Multi-nutrients	5,514 (24.5%)
2	EPA & DHA Oils	1,539	FOS	1,629	FOS	3,228	Special nutrients	2,890 (12.8%)
3	Protein	1,143	EPA & DHA Oils	1,584	EPA & DHA Oils	1,984	EPA & DHA Oils	2,502 (11.1%)
4	Product-specific	890	Protein	1,212	Special nutrients	1,648	FOS	2,020 (9.0%)
5	Calcium	639	Product-specific	877	Protein	1,337	Product-specific	1,916 (8.5%)

Source: 2022 Yearbook of Imported Food Inspection, MFDS

## REGULATIONS

There are two stages of regulations when exporting health functional foods to Korea:

- 1) Ingredient compliance
- 2) Registration

In terms of ingredient compliance, all “health functional food” ingredients, either manufactured in or imported into Korea, must be items approved by the Ministry of Food & Drug Safety (MFDS) under the Health Functional Food Code. Each ingredient on the approved list has manufacturing standards and product specifications set by the Ministry. If an ingredient is not already listed, it must go through an application process to obtain the ‘Certificate of Individually Recognized Ingredient’.

Also, all “health functional foods” are required to include Korean language labels and descriptions. Only the functions recognized under the “Health Functional Food Standards and Specifications,” or functions individually recognized by the MFDS can be specified on these labels. If an ingredient is not recognized by the MFDS, its effects and benefits cannot be specified as part of the label.

As for the registration and import requirements, the steps are divided into import declaration/customs clearance and inspections (compliance with ingredient and manufacturing regulations) before moving on to the actual product distribution in the market.

Details on the Health Functional Food Code and other relevant MFDS rules and regulations are available via the links below:

- Health Functional Food Code, MFDS
- Labeling Standard on Health Functional Food, MFDS
- Regulation on Approval of Functional Ingredient for Health Functional Food, MFDS

## KEY PLAYERS

By annual sales, the leading market players in 2021 include; *Korea Ginseng Corporation, CongKeunDang Healthcare Corporation, Korea Ginseng Corporation, Kolmar BNH Co., Ltd, and Suheung Co., Ltd.*

### 10 LEADING MARKET PLAYERS FOR HEALTH FUNCTIONAL FOOD IN 2021

Key Players	Main Product	Annual Sales	Website
1. Korea Ginseng Corp. (Wonju Plant)	Red ginseng, deer antlers, etc.	KRW 521 billion	<a href="https://www.kgc.co.kr/en/">https://www.kgc.co.kr/en/</a>
2. Korea Ginseng Corp. (Buyeo Plant)	Red ginseng, deer antlers, concentrates, etc.	KRW 304 billion	<a href="https://www.kgc.co.kr/en/">https://www.kgc.co.kr/en/</a>
3. CKD Healthcare corp.	General health supplements	KRW 304 billion	<a href="http://www.ckdhc.com/en">www.ckdhc.com/en</a>
4. Korea Yakult Co., Ltd (Pyeongtaek Plant)	General health supplements	KRW 189 billion	<a href="http://www.hyfresh.co.kr/">www.hyfresh.co.kr/</a>
5. Suheung Co., Ltd.	ODM products	KRW 186 billion	<a href="http://www.suheung.com/">www.suheung.com/</a>
6. Korea Yakult Co., Ltd (Cheonan Plant)	General health supplements	KRW 151 billion	<a href="http://www.hyfresh.co.kr/">www.hyfresh.co.kr/</a>
7. Novarex Co., Ltd (2nd plant)	OEM/ ODM products	KRW 146 billion	<a href="http://www.novarex.co.kr/en/">www.novarex.co.kr/en/</a>
8. Kolmar BNH Co., Ltd.	Original development manufacturing (ODM) products	KRW 143 billion	<a href="http://www.kolmar.co.kr/eng/">www.kolmar.co.kr/eng/</a>
9. COSMAXBIO	ODM products	KRW 138 billion	<a href="http://www.cosmaxbio.co.kr/">www.cosmaxbio.co.kr/</a>
10. Novarex Co., Ltd (1st plant)	OEM/ ODM products	KRW 119 billion	<a href="http://www.novarex.co.kr/en/">www.novarex.co.kr/en/</a>

Source: 2022 Statistical Yearbook for Food & Drug, MFDS

The top four importers of health functional foods are *Amway*, *PM International*, *Unicity*, and *USANA Health Sciences*, all of which are Multilevel Marketing (MLM) companies headquartered in the U.S. and the EU.

#### TOP 10 IMPORTERS IN 2021

Importer	Import Amount (Market Share)	Company Type	Website
1. Amway Korea	USD 176.7 million (16.1%)	US-based MLM company	<a href="http://www.amway.co.kr">www.amway.co.kr</a>
2. PM International	USD 91.3 million (8.3%)	EU-based MLM company	<a href="http://www.pmi-korea.com">www.pmi-korea.com</a>
3. Unicity Korea	USD 47.8 million (4.4%)	US-based MLM company	<a href="http://korea.unicity.com">korea.unicity.com</a>
4. USANA Health Sciences	USD 43.6 million (4.0%)	US-based MLM company	<a href="http://www.usana.com/ux/dotcom/kor-KR/home">www.usana.com/ux/dotcom/kor-KR/home</a>
5. Juyeong NS	USD 35.5 million (3.2%)	Local manufacturer of finished products and ingredients	<a href="http://www.juyeongns.com">www.juyeongns.com</a>
6. Novarex	USD 23.6 million (2.1%)	Local manufacturer specialized in OEM and ODM Business	<a href="http://www.novarex.co.kr/en/">www.novarex.co.kr/en/</a>
7. GlaxoSmithKline Consumer Healthcare Korea → Haleon	USD 23.4 million (2.1%)	Global pharmaceutical company, established a separate entity 'Haleon' in 2022	<a href="http://www.haleon.kr">www.haleon.kr</a>
8. Unicity Global Manufacturing	USD 17.5 million (1.6%)	US-based MLM company/ Korea subsidiary with manufacturing facility	<a href="http://www.unicitymfg.com">www.unicitymfg.com</a>
9. Ace Biome	USD 16.1 million (1.5%)	Local distributor, importing probiotics from US and Brazil	<a href="http://www.bnrmall.com">www.bnrmall.com</a>
10. H.PIO	USD 15.9 million (1.4%)	Danish vitamins and probiotics provider	<a href="http://www.denps.com/index_eng.php">www.denps.com/index_eng.php</a> <a href="http://www.denpsmall.com">www.denpsmall.com</a>

Source: 2021 Functional Food Material Information System, MFDS & National Food Safety Information Service

## MARKET TRENDS

### TRENDY PURCHASE AND CONSUMPTION

Traditionally, consuming health functional foods or health supplements was considered a habit of the elderly. But nowadays, the younger generation tends to purchase and consume health functional foods as well. Special products such as probiotics, dietary supplements, etc. are being increasingly introduced to the market and are appealing to young consumers. To cope with this trend, several local manufacturers and importers are introducing newly branded health functional foods.

### INGREDIENTS AND THEIR COUNTRY OF ORIGIN

With increasing interest in food safety, consumers are paying more attention to the country of origin of their ingredients, and not just focusing on their functions and benefits as they used to in the past.

Due to growing attention to the ingredients, a product category named 'product-specific' was created, and the category itself is being expanded. It is defined as any specific ingredient individually approved and categorized by the MFDS. Notable ingredients are fish collagen peptide, Hovenia Dulcis Fruit Extract, seaweed extract, Lutein+Zeaxanthin, and HemoHim Algelica.

## **SELF-MEDICATION**

According to the Korea Health Supplements Association, as a result of the global pandemic, self-purchases of health functional foods increased by 15% in 2022 amidst growing concern and interest regarding one's health.

## **PRODUCTS TARGETING SPECIFIC AGE GROUPS**

Makers of health functional foods are targeting specific clientele to market their products. For example, several suppliers are focusing on female consumers in their 20s or 40s to promote their beauty supplements, and those in their 50s and older for seniors. Such targeted marketing will likely continue to move forward.

## ABOUT US

Switzerland Global Enterprise (S-GE) and the Swiss Business Hub Korea (SBHK) guide you through developing a suitable market strategy for South Korea. Whether market study, partner search, certification or organization of promotional events, we provide you an all-around support customized to your specific requirements and priorities. Especially, we can arrange individual meetings at exhibitions and conferences and accompany you to these occasions.

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