SOUTH KOREAN GRAPEFRUIT AND JUICE MARKET

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Outline

• U.S. Fresh Grapefruit Market
• Fruit Markets in South Korea
• South Korea Grapefruit Market
• Buyers’ Perspectives in South Korean Grapefruit Market
• Grapefruit Consumers in South Korea
• Summary with analysis of strengths and weaknesses
Domestic market

- U.S. fresh grapefruit production and consumption declined
  - Recent production decreases are mainly related to citrus diseases
  - Weak consumption may due to high retail prices and concerns about grapefruit-medication interaction effects
- Reduced production also influences availability (and potentially quality) of exports

Source: Economic Research Service, USDA
Trade

- Exports to Japan, the largest export market for U.S. grapefruit, have been decreasing rapidly, down from approximately 390 million pounds in 2007 to 158 million pounds in 2013
- Per capita consumption of fresh grapefruit in Japan was approximately 1,400 grams in 2004, which was the highest, and have since declined to 675 grams in 2012 (Fukuda, 2013) due to increased CIF price and the weakened yen to the dollar (Sugimoto, 2014)

Source: Economic Research Service, USDA
Fruit consumption/production

• Per capita consumption of fruits increased from 41.8kg in 1990 to 63.2kg in 2013. Annual increment was 0.51 kg from 2000 to 2013

• Over 80% of fruit production is limited to five fruits: tangerines 27%, apples 20%, persimmons 14%, Asian pears 11%, and grapes 10%
  • The share per capita consumption of these fruits decreased from 88.3% in 1990 to 66.1% in 2013.
  • Traditionally produced fruits may not fully meet consumer’s high demand for diversity of fruits
History

- South Korean imports peaked in 1989 at 11,171 MT
- After 1989, imports decreased when a lab test on grapefruit for Alar, a chemical with a potential for causing cancer, was misinterpreted
- Even though the mistake was discovered, the fear about Alar took a decade for consumers to recover

Source: Korea International Trade Association
Booming grapefruit market but...

- Recent statistics show that South Korean imports of grapefruit have gradually increased since 2007
  - Economic growth spurred interest in the diverse benefits of the fruit, including benefits to health
  - Grapefruit imports have increased since 2007 and imports in 2013 (11,580 MT) and 2014 (19,491 MT) surpassed the historical peak in 1989
- Through 2013, U.S. imports were over 80% of total Korean imports, but in 2014, the U.S. share was 56%

Source: Korea International Trade Association
Competition

- South Korea imports grapefruit all year with some seasonality from the U.S., Israel and South Africa
- Imports from the U.S. are beginning of winter to late spring (Nov. to May)
- During the season, U.S. grapefruit competes with Israeli grapefruit, Sweeties (a crossbreed between a pomelo and a Marsh-type grapefruit)
- Interesting findings are high demand for grapefruit during summer that mostly come from South Africa
Import price

- Import price of U.S. grapefruit is not always competitive
- In particular, U.S. grapefruit import price is approximately 20% higher than Israeli Sweeties
Winter consumption

- Fresh consumption and grapefruit “Chung”
- “chung” : add sugar or honey with grapefruit
- Consumers use “chung” when they make hot tea and ade
Summer consumption

- Grapefruit juice and ade, beer, dessert (puddings, ice cream etc.)
Buyers’ perspectives

- In-person interviews of major fruit importers and retail buyers in 2014
  - Buyers positively anticipated growth of grapefruit market, in particular beverage market
  - In general, FTA will provide benefits to U.S. grapefruit
    - But eliminating rates of tariff may be offset by price increases of U.S. grapefruit, in particular Florida grapefruit
  - During winter, grapefruit will compete with Jeju tangerines (domestic product), California oranges and Israeli Sweeties
  - Importers evaluated that South Africa is flexible to negotiate
  - Importers and retail buyers were not concerned about the grapefruit-medication interactions in South Korean market
  - Attributes of diet and health benefits may keep this segment growing
  - Once consumers are used to the exotic and bitter taste, they like grapefruit. However, as dessert, consumers prefer sweet taste.
  - Their target market is Seoul and Gyeonggi province
  - External quality is much more important than internal quality, in particular beverage industry (where sugars are added)
Who consumes GF in South Korea?

- Major goal
  - Understand grapefruit consumers and non-consumers
  - Determine consumer preferences and attitudes about fresh grapefruits by consumer groups
- Online survey
  - Target sample: consumers age 18+ living in Seoul/Gyeoenggi (SG) or six metropolitan cities (SMC), Incheon, Daejeon, Gwangju, Daegu, Ulsan or Busan
  - Complete sample: 1,410 (888 from SG and 522 from SMC)
Grapefruit consumer descriptions

- Approximately **25%** of respondents indicated that they have purchased grapefruit or grapefruit products in the **last twelve months**

- Over **50%** indicated that **California and Florida** as grapefruit producers and showed high preference for U.S. origin

- Over 50% of respondents who have seen information about grapefruit found it through the **internet and television**

- Approximately **80%** of respondents have consumed fresh grapefruit in their life (on average, **3 years ago** for the first time)
Grapefruit benefits

Percent of Consumers who Agree with Benefits

- Grapefruit is nutritious
- It quenches my thirst
- Grapefruit is good for diet
- I have seen information about grapefruit on TV and internet
- Grapefruit is tasty
- It helps with weight loss
- Grapefruit is popular
- I am enjoying the taste now, but was not used to it before
- It’s good value for the money
- I have many friends who consume grapefruit
Grapefruit weaknesses

Percent of Consumers who Agree with Weaknesses

- It is too acidic: 63.5%
- It is too expensive: 63.3%
- It is too bitter: 62.9%
- It is not easy to buy: 38.9%
- It is not convenient to eat: 38.5%
- My family does not like it: 20%
- It is too big for a snack: 16.5%
- I take a medication which interacts with grapefruit: 9.3%
Factors influencing GF consumption

- Demographics and living area were important to experience with grapefruit
- Exposure to consumption benefits of grapefruit and accessibility were significant
- Grapefruit consumption was related to the effect of medication-interactions and respondents’ being health conscious
- Social trends and the idea that grapefruit is popular were also important
Factors keeping GF consumption

**Loyal consumers**

- GF-info
- Friends
- Family
- Taste
- High income
- Good value
- Reasonable price
- Years

**Returned consumers**

- Popular
- Years
- Taste
- Good value
- Reasonable price
- Seoul

**Lapsed consumers**

- Friends
- Popular
- Family
- Years
- Health conscious
- Seoul

**Non-consumers**

- GF-info
- Taste
- Popular
- Social trends
- Seoul
- Health conscious
- Years
- Good value
- Industry concern
Summary

Strengths
• Importers and buyers were aware of high internal quality of Florida grapefruit
• Consumers showed high preference for U.S. origin
• Positive information about grapefruit influenced consumption and frequency of consumption

Weaknesses
• U.S. price was less competitive
• Fresh grapefruit attributes are less important in beverage market
• External quality of Florida fresh grapefruit is less competitive

Opportunities
• Grapefruit market is growing
• Relatively young generations consumed grapefruit and products compared to the U.S. and Japan
• Once used the taste of grapefruit, consumers like to consume continually

Threats
• U.S. supply shrinkage, low quality (external) and high price matter
• For this reason, importers and retail buyers look for other providers
• All importers were aware of several issues of Florida citrus such as greening and canker
• Korean consumers are sensitive to food safety issues
THANK YOU!!

Q & A