

Horticulture Innovation Australia

Final Report

Vegetable Young Growers Tour 2012-2014

Richard Mulcahy
AUSVEG Ltd

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Tel: (02) 8295 2300
Fax: (02) 8295 2399

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Young Growers' Study Tour 2014

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Final Report for 2014 Young Growers' Study Tour

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Authors: Mr Richard Mulcahy, Chief Executive Officer, AUSVEG Ltd

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Media summary

The 2014 Young Growers' Study tour provided nine leading young vegetable levy payers with the opportunity to visit Japan and South Korea to learn about production techniques and export development. In line with the Vegetable Industry Strategic Investment Plan (SIP), the tour had a focus on market development as well as production techniques in these countries, culminating with a visit to Agri-Tech Japan, the preeminent global agricultural technology tradeshow and exhibition. This aligns closely with the Market Development and Value Chain pillar of the SIP, which focuses on further developing export markets through projects such as the 2014 Reverse Trade Mission (VG12101).

There is a perception that many Australian growers may find it hard to understand the processes involved in exporting their produce. Through meetings with key contacts, the tour participants gained confidence and were given the opportunity to expand their knowledge of overseas export opportunities.

The two main focuses of the tour were: to provide growers with insights into production practices in Japan and South Korea; and to provide them with the contacts and information to potentially develop export opportunities in these markets. Over the 14-day tour, participants had the opportunity to view a number of field and protected cropping facilities, organic growing operations, tour wholesale markets, meet with key buyers, and see the latest innovations at the Agri-Tech Japan Expo.

Written evaluations were completed by tour members after each day and debriefing sessions were held on an informal and formal basis over the duration of the trip to discuss key lessons and points of interest. These findings were then recorded on the evaluation forms and in the tour diaries supplied to the participants' to ensure a written record of each day's events.

The tour was funded by HIA using the National Vegetable Levy, as well as voluntary contributions from industry and matched funds from the Australian Government.

Expected outcomes and how they were achieved

One of the main objectives of the tour was to provide an opportunity for growers that would educate them on production developments in Japan and South Korea, while motivating young leaders in the industry to explore export opportunities in the Asia Pacific region in line with the Vegetable SIP.

The 2014 Young Growers' Study tour was an exceptional opportunity for participants to network with key industry contacts in both Japan and South Korea, developing business networks and knowledge to benefit their growing operations back in Australia. Knowledge was obtained by visiting farms and hydroponic production facilities in both Japan and South Korea, as well as key importers, supermarkets, packing facilities, distribution centres, R&D facilities, wholesale markets and Agri-Tech Japan.

It is expected that the Australian growers who participated in the tour will utilise the knowledge they have gained from visiting the vegetable production facilities in Japan and South Korea and share these insights within the broader Australian vegetable industry. In addition, each participant had the opportunity to meet with leading industry and trade figures in Japan and South Korea who will prove invaluable in providing both individuals and the industry with export leads and advice.

Overall, the tour received exceptional feedback with participants rating the tour as excellent.

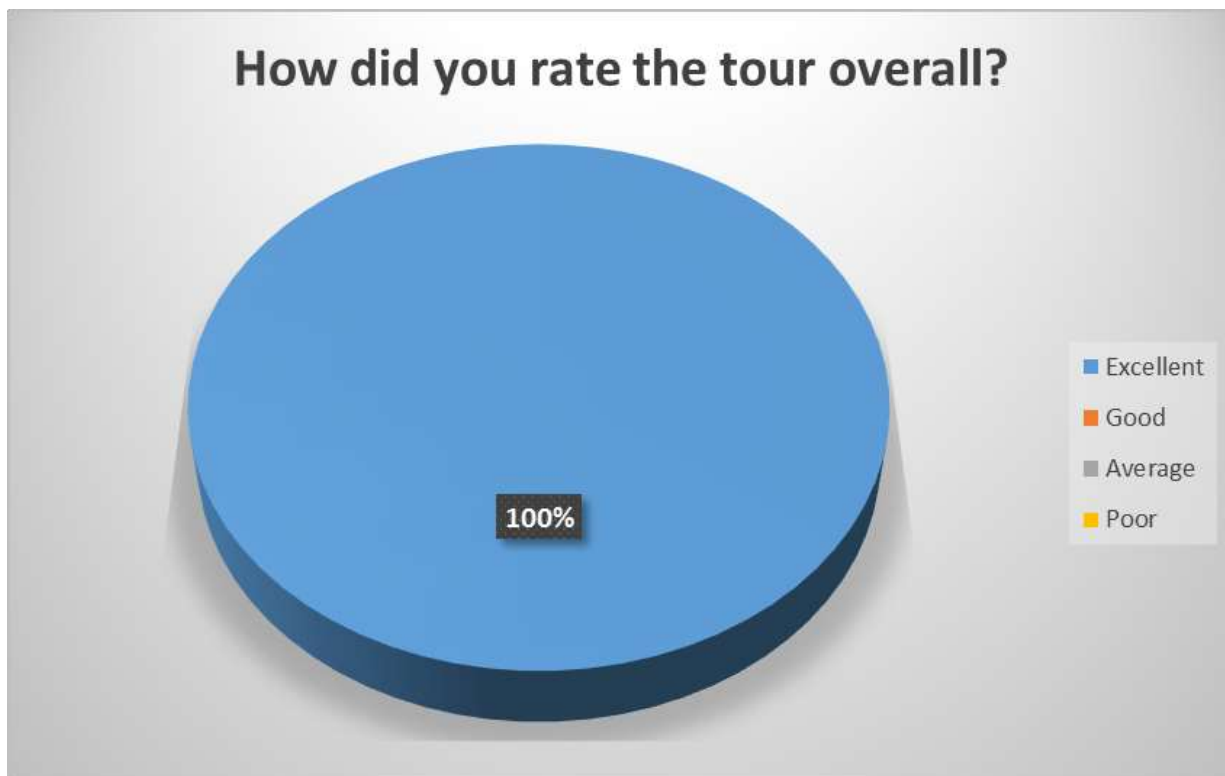
A range of feedback was received from participants on the tour about the highlights and key information gained:

- “The best part about the tour for me was meeting other growers from around Australia, Japan and South Korea and learning how they do things differently...”
- “[It was] interesting to see what vegetables are currently being imported from Australia and to see how they are re-packaged here in Japan”
- “One of the best things was to see firsthand how AUSVEG can assist our business expansion”
- “It was great to meet growers of a similar age and to network with them”

Summary of key findings from Evaluation Survey

The next section contains key findings from the Evaluation Form and Survey completed by all participants of the 2013 Young Growers' Study tour.

1.



2. Evaluation of activities

When asked to evaluate each of the activities and aspects of the tour, participants ranked them in the following order based on responses to the tour evaluation form.

1 st	AUSTRADE briefing, Seoul
2 nd	Victorian State Gov't Dinner, Seoul (tied equally with) Hanaro Mart Distribution Centre (Seoul) and AEON Supermarket (Tokyo)
3 rd	Ohta Market Visit (Tokyo)
4 th	Japan Agricultural Cooperative (Tokyo)

The above table accurately reflects the tour participants' high degree of satisfaction with the AUSTRADE Korea market briefing. The participants found the briefing informative, accessible and practical with several 'real-world' case studies provided during the briefing. The second ranked

activity was the Victorian State Government dinner. The growers praised the efforts of AUSTRADE in facilitating networking opportunities for many of them at the dinner.

Equally tied for 2nd place were the visits to AEON in Tokyo and the NongHyup Hanaro Mart Distribution Centre in Seoul. Based on participant feedback, these two activities were highly valuable as they provided a 'behind-the-scenes' view of the entire supply chain in an Asian context.

Tour report

Day 1 – Australia – Tokyo, Japan

Travel Day

Tour participants travelled from Sydney to Tokyo (Narita airport). Before checking into the hotel, participants were taken on an orientation tour of Tokyo including a visit to the observation floor of the Tokyo Metropolitan building.

Day 2 – Tokyo, Japan

Tour and presentation at AEON retail store

The participants spent half a day visiting one of AEON's main supermarkets in the Makuhari Messe district near Tokyo. The group was hosted by Mr Masahiro Onishi from AEON's Perishables Procurement Headquarters along with AEON's Head of Merchandising, Mr Yasuhiko Chiba. Both Mr Onishi and Mr Chiba spoke to growers about how fresh produce is sourced and marketed by



Participants are briefed by AEON's Mr Onishi at their flagship store

AEON supermarkets. Participants were given special permission to take photos within the fresh produce section. In viewing the fresh produce section, there were noticeable differences in the way that AEON's produce was marketed compared to the approach taken by Australia's major supermarket chains. Perhaps the biggest difference was observed in how most fresh produce was sold in individual portions and often in merchandisable/branded packaging. Mr Onishi explained that this was simply due to the fact that none of AEON's checkouts were fitted with scales, thus, it was only possible to sell the fresh produce in packaging, rather than loose. Mr Onishi went on to explain that AEON's small servings/pre-cut lines were quite popular due to the Japanese consumers preference for ready to use products that require little preparation. The predominance of single/small servings reflected the demographic characteristics of Japanese households, where, as of 2012 31.5% of all households were one person dwellings¹

¹ <http://blog.euromonitor.com/2012/03/single-person-households-on-the-rise-in-japan.html>

Market briefing with DAFF & AUSTRADE

In the afternoon, the participants visited the Embassy of Australia in Tokyo. There, the group was briefed by DOA and AUSTRADE officials. It was noted that Japan is Australia's second-largest agricultural market, worth \$4 billion in 2013. It is also Australia's largest market for beef, cheese, animal feed and offal exports and an important destination for Australian sugar, seafood and horticulture. Currently, Japan is one of Australia's most important markets for horticulture with exports of Australian vegetables to Japan worth \$24 million.

The presentations mainly focused on the Japan-Australia Economic Partnership Agreement (JAEPA) and its 'Implementing Agreement' on 8 July 2014 in Canberra. The group was informed that Australia and Japan are aiming to complete their domestic treaty processes this year. Following this process, both countries will exchange Diplomatic Notes to certify that they are ready for entry into force of the Agreement. JAEPA will then enter into force 30 days after the exchange of notes. It was noted that this date is expected to occur around late January 2015. The JAEPA is expected to be good news for the Australian horticulture sector as currently Japan's average tariff on agricultural imports is over 23%, and there are peaks of up to 219% for key Australian exports according to AUSTRADE.

The participants found it of value to learn that the JAEPA will result in quick tariff elimination on the vast majority of Australian exports to Japan including an immediate elimination of tariffs on asparagus (Australia's largest vegetable export worth \$13.5 million), carrots, potatoes, truffles and many other vegetables².



Participants in front of the Australian Embassy in Tokyo.

² www.dfat.gov.au/fta/jaepa

Day 3 – Tokyo, Japan

Visit to Japan Agriculture Cooperative (JA-Zenchu)

The size and magnitude of JA's Tokyo headquarters left many of the participants speechless. On arrival, participants were taken to the 37th (top) floor of the JA building where they were briefed by Ms Inoue from JA's public relations and marketing team. It soon became clear that JA was not a simple growers' cooperative, but rather, one of the largest organisations in Japan with interests in almost every aspect of their members' (and the general public's) life cycle – from health care, insurance and education services to finance, 'match-making' and even funeral services being offered.

Briefing by JA Youth

The participants were also briefed by representatives from JA Youth – an arm of JA Zenchu that consists of 60,000 young farmers under the age of 40 and which has 500 'JA-Youth' member organisations. One issue raised by participants during the meeting related to the challenge of keeping the next generation of Australian growers engaged and interested in continuing their family business or staying in their rural community. JA's Ms Inoue responded by noting a similar phenomenon faced by Japanese growers. In order to tackle this issue, JA has been active through their 'JA Youth' division in organising social events for young rural Japanese to meet each other in a social context.



The 37 story JA Zenchu building in Tokyo



Briefing by JA-Youth representatives

Day 4 – Tokyo, Japan

Visit to Agri-Tech Japan Trade Show and Exhibition

Participants spent a full day traversing the 210,000 square meters³ of Agri-Tech Japan, which provided an opportunity to learn about technological innovations in fresh and value added produce, pre and post-harvest machinery, processing systems and next-gen plant management systems. The Agri-Tech



Tour participants spend time at the AUSVEG stand at Agri-Tech Japan

franchise is the premier exhibition for the global agriculture industry and featured trade displays from leading industry suppliers, transport companies, marketing companies, and packaging manufacturers, amongst others. Participants had the opportunity to discover the expo at their own pace, during which many spent time at the AUSVEG stand speaking with delegates about their own growing experiences.

The 2014 Agri-Tech Japan expo saw 38,820 individuals attend and over 1,424 exhibitors from over 20 countries exhibit⁴ – including AUSVEG. Visitors to Agri-Tech Japan also visited complimentary expos within the same building including; IFEX – the International Flower Expo, GARDEX- the International Garden Expo and Tool Japan – the International Hardware & Tools Expo.



Agri-Tech Japan was held over 210,000 square metres in the Makuhari Event Hall

Several participants found particular value in visiting the flower expo as many of the new techniques employed within the flower industry were transferable of the vegetable industry – particularly in relation to soil health, harvesting and post-harvest cool storage techniques.

³ <http://www.m-messe.co.jp/en/facility/facility/index.html>

⁴ http://www.agritechjapan.jp/en/Previous-Show_en/

Day 5 – Tokyo, Japan

Early morning visit to Ohta Wholesale Market



Participant Darren Todarro inspecting Australian Asparagus at Ohta

Participants woke early to visit the Ohta Wholesale Market. In 2013, the market handled 700,966 tons of vegetables with a value of ¥167,299 million. As of January 2014, the primary wholesalers comprised of 4 companies (Tokyo Seika, Tokyo Ebara Seika, Tokyo Kanda Seika and Tokyo Toume Shokuhin). In Japan, larger supermarkets only hold a 10% market share, resulting in a high level of competition. Wholesalers and the

market system are therefore a powerful mechanism within this system as retailers generally must purchase produce through market auctions.

Central wholesale markets were established by local governments in the early 20th century as a means of controlling the distribution of produce to the Japanese populace.

Market auctions started at 6:50am, however, many of the participants noted that this is considerably later than what occurs in Australian wholesale markets. During the auctions, buyers are able to bid for produce from either the producers/wholesalers or intermediate wholesalers who buy up and then resell large volumes of produce. All produce at the markets is sold the same day, with limited refrigerated storage at the markets. This fact means that prices are prone to fluctuate and the farmer is able to get a better price as wholesalers are unable to stockpile vegetable lines.

Around 70 per cent of vegetables sold in Japan are sold through the central market system, with only limited volumes achieved through direct supply. Imported produce is more likely to be arranged through direct supply agreements with retailers and wholesalers to meet seasonal gaps, and limited quantities are sold through the market system.



The bustling Ohta market, as seen by participants from the observation platform.



Participants observe the auction process taking place on the floor of Ohta market

Farm visit to Utsunomiya farm, Tochigi Prefecture, Greater Tokyo Region

Located three hours from Tokyo city, AEON representatives Mr Masa Onishi and Ms Emiko Tomita accompanied the participants to Utsunomiya vegetable farm located in the Tochigi Prefecture, where growers met with their Japanese counterparts. Set across 13 hectares, Utsunomiya was considerably smaller in size than the average Australian farm⁵.



'Flat' shaped cabbage observed at the Utsunomiya vegetable farm makes for easier stacking.

Here, participants observed the cabbages being harvested for sale in AEON's supermarkets. Participants also inspected the Japanese Leek and Spinach that was being cultivated at the time of the visit. One noticeable difference that the participants commented on was the flat rather than round shape of Utsunomiya's cabbages. In Australia, most cabbage (like Green, White, Savoy and Red cabbage) sold appears almost perfectly round in shape. One of the reasons given for the flat cabbage was that it was simply a matter of them being easier to stack.



Participants look on as workers harvest cabbage.

After viewing the cabbage harvest, participants proceeded to inspect the Japanese leek crop. During the exchange with Leek growers, participants learnt that growers paid the equivalent of \$200AUD per year/per hectare for water used for irrigation. Many participants noted that this was a particularly cheap price to pay for water compared to what is charged in Australia.



Participants listened to the Japanese Leek grower's experiences

⁵ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features10Dec+2012>

Day 6 – Kyoto, Japan

“On-the-Slopes” organic vegetable distribution company and organic farm visit

After travelling from Tokyo to Japan via the bullet train, the participants visited the “On-the-Slopes” organic vegetable distribution company. Participants were greeted by company president and founder, Mr Kunihiro Ono. Mr Ono established the company as a ‘start-up’ when he was 26 years old as he saw a space in the market for an organic vegetable home delivery and distribution service. With 13 employees (not including their drivers), On-the-Slopes is still a relatively small company, however, within the context of the Kyoto market, they are the largest organic home delivery company in the region.



Participants watch on as workers pack boxes destined for homes in Kyoto and Tokyo.

Following our visit to their head office and distribution centre, participants were accompanied to an organic vegetable farm operated by one of On-the-Slopes’ key suppliers. The farm specialised in organic eggplant and chilli. During this visit, participants were told of the ‘integrated pest management’ system used to prevent crop loss and damage. Many of the participants noted the vast differences between their own conventional farms and this one. Yields appeared to be significantly lower here along with many of the crops being of different sizes and quality.



Participants watch on as an organic vegetable grower explains the way his farm approaches pest management.

The organic farmer that the participants heard from noted that his organic farm was not a hugely profitable enterprise. However, he continues to persevere out of an ideological commitment to organic farming practices.



Many species of insect were spotted during this farm visit, including this large Japanese Grasshopper.

Day 7 – Kyoto, Japan

Rest day / self-guided bike tour of Kyoto and Nishiki food market

Although this day was set aside as a rest day, many of the participants opted to do some additional sight-seeing including a visit to Kyoto's famous Nishiki food Market. The market is known as "Kyoto's Kitchen" with the lively market spanning over five large city blocks and specialising in all things food related. The market's history dates back over 700 years with many stores operated by the same family for generations. While the market has evolved from an exclusively wholesale market to a predominantly retail one, many of Kyoto's restaurants still purchase their produce here.



Participants rented bikes to traverse Kyoto city.

It was of particular interest to the participants to see not only the different types of fresh produce on offer, but also how the said produce was merchandised and prepared. Many vegetables on offer were un-refrigerated and in fact partly fermented in soybean paste.



Partly fermented vegetables on sale at the Nishiki market in Kyoto

Vacuum packing was also a particularly popular method of sale with the small portion sizes reflecting the smaller family units found in Japan.

Participants also sampled many types of vegetables either not available or uncommon in the Australian market. In particular, Japanese horseradish, lotus root and different variations of sweet potato were found.



Vacuum packed vegetables on sale at the Nishiki market in Kyoto

Although a visit to the Nishiki Market was not originally part of the official itinerary, it is strongly recommended that future visits incorporate a visit to this fascinating melting pot of fresh produce and unique offerings.

Day 8 – Kyoto, Japan – Seoul, South Korea

Travel day

Today, participants travelled from Kansai International Airport to Incheon International in South Korea.

Day 9 – Seoul, Korea

Visit to Jangan Organic farm and vegetarian restaurant

Jangan Farm is known as the biggest organic vegetable farm in Korea, supplying to the major food services/retail sectors in Korea. They have received numerous awards from the Korean government due to their innovative approach to lifting the value of fresh vegetables. On arrival, the participants ate lunch in the newly built “10 Farmers Market” located on the farm. Several participants noted this experience as one of the most enjoyable and were particularly interested in the veggie biscuits, veggies chips and other assorted ‘value-added’ veggie products.

After lunch, participants met with the CEO of Jangan farm, Mr Ryu Geun-Mo. Mr Ryu explained that through careful crop selection and quality control, he was able to grow vegetables that had a longer shelf life than conventionally grown vegetables. Mr Ryu claimed that his organic lettuce could last for 40 days without refrigeration.

Following Mr Ryu’s address, he took the group on a tour of his farm. Participants first visited a hot house where organic baby leaves were being grown followed by visits to several animal lots containing organic pigs, cows and dogs. With revenue of 20 billion Korean won (~ \$13 million AUD), Jangan farm’s turnover was considerably smaller than the larger conventional Korean farms. However, within the organic space, it remains the largest in Korea.



Organic beans ferment in large clay pots as guard dogs look on.



Participants hear from Jangan Farm CEO, Mr Ryu Geun-Mo.



Jangan Farm CEO, Mr Ryu Geun-Mo talks about protected-cropping.

Visit to Seoul Garak Wholesale Market

Seoul's Garak Market is the biggest wholesale market in South Korea. In 2015, the market will celebrate 30 years of operations. Employing over 300,000 people, the market runs 24 hours per day and is spread over 543,350 square feet. Each day, an average of 10.4 billion KRW (~10.7 million AUD) in agricultural products is turned over with the assistance of 42,000 vehicles that operate or pass through the market's facilities.



Participants hear from Garak Market's PR coordinator, Mr Lee Doo-Young with an English language video presentation.

The market's PR director, Mr Lee Doo-Young provided an excellent English language video about the market and its operations. Followed by an informative dialogue between the group's interpreter, Mr Alex Lee, and participants.

Following the briefing and Q&A, Mr Lee took the participants onto the market floor to view the produce on offer. The tour went through the vegetable market (17,633 m²), dried red pepper market (2,650 m²) and the garlic market (2,650 m²). The participants thought it was interesting to see vegetable auctions taking place during the late afternoon given that the majority of auctions in Australian markets take place in the early hours of the morning.

Unlike the group's visit to the Ohta market in Tokyo, the Garak market had significantly larger cold storage facilities with the size of their cold storehouse taking up 4,870 m².



NSW grower Nedale Hamdan inspects Korean capsicums (called Paprika in Korea).



Participants inspect the prices and varieties of produce on offer at the Seoul Garak Market.

Day 10 – Seoul, Korea

Visit to NongHyup Hanaro Mart Distribution Centre

Covering over two million square metres, the NongHyup distribution centre was built in 2013 and is the largest distribution centre used by the cooperative. Based one-hour from Seoul in Aensong industrial park, the distribution centre featured world leading facilities including state-of-the-art quality assurance and testing laboratories, automated inventory management systems, cold-chain storage facilities and packing lines not to mention the impressive conference and office facilities on the upper levels.

What made this distribution centre unique was that it is owned entirely by a growers cooperative. This surprised many participants because in Australia, the majority of DCs are owned by either large supermarket retailers or 3rd party logistics and distribution companies. In Korean, the term “NongHyup” is used by South Koreans to describe both a local cooperative as well as the National Agricultural Cooperative Federation (NACF). NongHyup is the 4th largest agricultural cooperative in the world (according to the International Cooperative Alliance). It was interesting to compare the NongHyup cooperative to what the group saw in Japan with the JA – Zenchu growers cooperative. While JA operated more like a corporation with membership fees paid by growers, NongHyup, although large, still operated on a grass-roots level made up of member based cooperatives that were democratically controlled.

Many of the participants had packing facilities on their own farms and found the visit to be of immense value from a benchmarking point of view.



QLD grower Noel Stevens walks through NongHyup Hanaro Mart DC's quality assurance and testing laboratory.

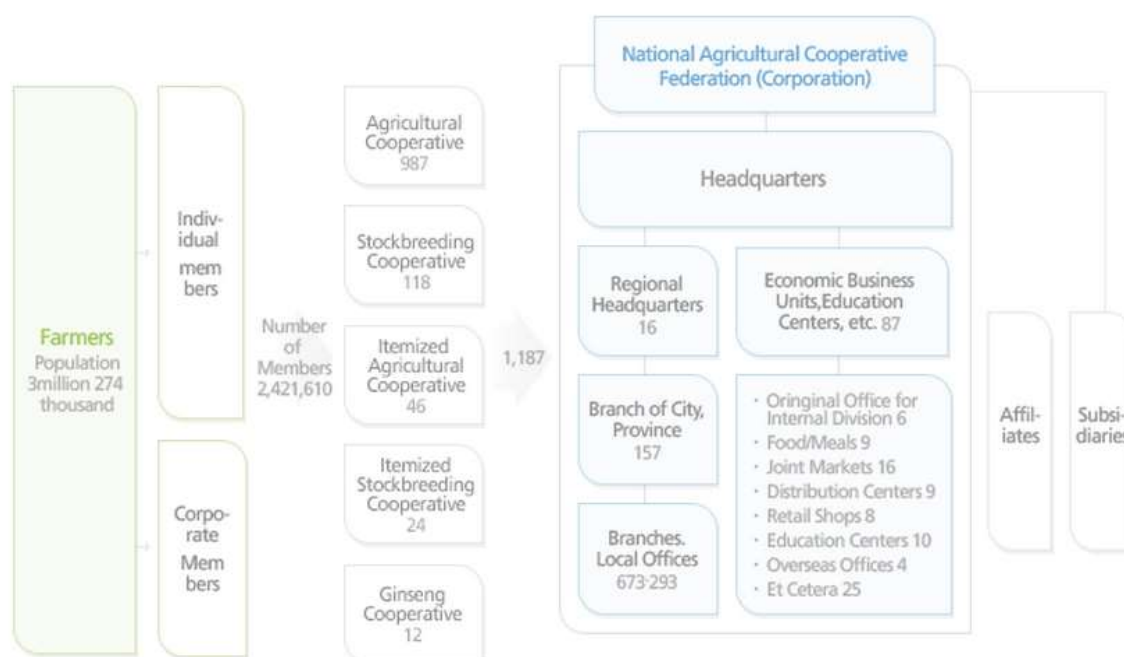


Participants watch on as Japanese Leeks are prepared, packed and consolidated for distribution and sale.



The vast expanses of the NongHyup Hanaro Mart DC was impressive.

Organisational structure of NACF – National Agricultural Cooperative Federation of Korea⁶



Visit to Hanaro Mart supermarket

Following the participants visit to NongHyup DC, the group visited one of the cooperative’s Hanaro Mart megastores in Seoul. Hanaro Mart is a supermarket that specialises in fresh produce while still offering the mainstays of conventional supermarkets. NACF is increasing the number of its Hanaro Mart megastores so that customers may have “better access to safe and reliable domestic agricultural and livestock products”⁷. Between 2006 and 2014, Hanaro Mart grew its megastores from 13 to 50 outlets. The Hanaro Mart that participants visited was located in a suburban area of Seoul with the size of the supermarket comparable to that of a large Coles or Woolworths outlet.

Several of the participants took great interest in investigating the Ginseng root being displayed at the front of the shop. The average price for 3-4 Ginseng roots was on average \$400. Given the expensive nature of the product, the Ginseng stand had its own security guard. Given the attractive retail price, many of the participants indicated that they would possibly investigate the technicalities of growing ginseng in Australia.



AUSVEG’s Stefan Oberman displays the unique offerings at Hanaro Mart.

⁶ <http://www.nonghyup.com/eng/NACF/Current/Organization/Chart.aspx>

⁷ <http://www.nonghyup.com/Eng/NACF/Current/Commitment/Marketing.aspx>

Day 11 – Seoul, Korea

Visit to AUSTRADE Seoul – Market and FTA Briefing

The feedback from participants after the AUSTRADE Seoul briefing was that it was one of the most beneficial and informative meetings of the trip. During the market overview, participants learnt that South Korea is Australia's third largest export market – ahead of India and the USA. It is also Australia's fourth largest two-way trading partner. With a GDP of US\$1.22 trillion, unemployment at 3.2% and an inflation rate of 1.1%, the Korean economy is one of the best performing in the world.



Participants are briefed by AUSTRADE staff in Seoul

Participants were briefed on the current initiatives being undertaken by the South Korean Government to address the nation's long term economic and social challenges such as an ageing population, food security, acute energy requirement and a need to internationalise its workforce.

Given these proposed initiatives, AUSTRADE stated that there are an increasing number of opportunities for Australian firms to supply Korea with the goods and services it needs during this time of monumental change.

Of particular focus for the group was the Korea-Australia Free Trade Agreement (KAFTA). According to AUSTRADE, on entry into force, 84 per cent of Australia's goods exports (by value) will enter Korea duty-free under KAFTA. When KAFTA is fully implemented, tariffs on 99.8 per cent of Australia's exports to Korea will be eliminated.⁸

According to the AUSTRADE briefing, food security is a major issue facing the Korean people. Currently, Korea is unable to produce enough food for its citizenship and thus, relies on imports to meet demand. It was also noted that dietary patterns are also shifting, driven by an increasingly affluent middle-class that has acquired a taste for high-end food and beverages. It was AUSTRADE's assessment that Australia can leverage this shift in consumer sentiment due to its reputation as a clean, green food producer with high safety standards that can supply the Korean market with fresh, premium produce.

Visit to ADAMA Korea HQ

Participants were provided with an in-depth briefing on horticulture in Korea by ADAMA Korea's Chief Marketing Officer, Mr Robin Hong. ADAMA products feature in over 1,000 agrochemical retailers across Korea. Participants had the opportunity to ask Mr Hong about issues facing Korean vegetable growers. It was interesting to hear that there is a social trend in Korea for growers to use 'eco-friendly' agrochemicals such as synthetic biochemical pesticides. Regarding their business circumstances, participants learnt that the agricultural market in Korea is fully matured with 'too many products and too many players'. As such, there is a high degree of price competition.

⁸ Appendix 1

In addition, there has been a new ag-chemical regulatory system introduced called the ‘Korea OMRI List System’.

Farm visit to HanKook Nursery Corp hydroponic paprika (capsicum) farm with ADAMA.

Following the briefing at ADAMA’s HQ, participants visited a local hydroponic capsicum farm where they were taken through the farm’s two hectare greenhouse. Participants were amazed by the yields being obtained– on average, 30 green capsicums per plant.

Pests such as whiteflies, thrips and winged aphids are trapped using yellow sticky traps which are numbered allowing growers to see where problem areas are in each section of the greenhouse based on the number of pests caught in each trap.

Participants also visited the farm’s water management house where fresh and used water was sent through colour coded pipes. The state-of-the-art system allowed the growers to regulate the amount of water being fed into the system as well as the water temperature and nutrient levels.



Second from left, ADAMA’s Robin Hong discusses current pest management issues with Korean Paprika growers. Note the yellow sticky traps.



Participants are briefed on the high-tech water management system used.

Implications for Australian horticulture

There are clear opportunities to further develop exports in the Japanese and Korean markets and a number of companies are willing to assist in this endeavour.

Key benefits for vegetable growers from the tour include a greater understanding of the Australian Government's trade assistance available to growers, as well as stronger networks with overseas buyers who can greatly assist the export process. A key insight for participating growers was that the local supermarkets and wholesalers in Japan and Korea could manage the produce once it had arrived in each country (provided it had the correct quarantine and export documentation) meaning that growers would not need to manage anything once produce had left Australia.

There are considerable differences between the vegetable market in Australia and Japan. In Japan, there is only limited cold chain storage at markets and distribution centres, meaning that goods must be handled and sold within short timeframes. This causes both fluctuations in the price of vegetables, and means that growers tend to receive a good price for their vegetables. In addition, the largest supermarket in Japan, AEON supermarkets, only has around a 14% market share so there is a wide variety of retailers competing to buy the best produce.

In Korea, there were a number of varieties of vegetables that are not widely available in Australia indicating a potential market for Australian growers – especially with respect to value added produce which was prevalent across South Korea.

Japanese vegetables are bred more for taste and appearance, rather than storage, due to the short distances to market and limited storage of fresh produce in central markets. There are potential opportunities for growers to take some of these varieties and grow them for niche markets such as restaurants, which value taste and appearance in the produce they buy over shelf life considerations.



Value added vegetable products found throughout South Korea

How the information gathered will be disseminated

Since the completion of the tour, AUSVEG has encouraged participants to share information on what they learned and experienced with their local counterparts and through their industry networks in Australia. One way AUSVEG has actively encouraged the participating growers to share their new knowledge with growers is by ensuring they attend levy-funded seminars. The participating growers' attendance will provide an opportunity for them to access a larger section of the industry in one place and, in doing so, provide them with the opportunity to engage in knowledge transfer.

AUSVEG will continue, where possible, to encourage participants to share their experiences in upcoming forums that AUSVEG plans to hold throughout Australia.

AUSVEG will publish an article in the upcoming edition of *Vegetables Australia* communicating the outcomes of the tour. This will cover all of the key findings and other important information discovered as a result of the tour. The magazine is sent to more than 6,000 industry members. In addition to the *Vegetables Australia* article, AUSVEG has already released items in the Weekly Update email, communicating information on the tour to over 4,000 industry members. With the development of in-house export management capabilities within AUSVEG, details of contacts and relationships built through the tour will be kept and used to facilitate future export opportunities for the broader industry.



Group photo on the final day with participants in Seoul, Korea.

Itinerary

<p>DAY 1</p> <p>11th October (Saturday)</p>	<p>Travel day: Melbourne – Tokyo</p> <p>6:00pm-7:00pm: Domestic flights into Sydney arrive</p> <p>7:45pm: Group meets at “Bar Coluzzi”, located in the international departures foyer in-front of the check-in counters (near isle “G”) in Sydney airport. Group then proceeds to check-in.</p> <p>10:30pm – 6:30am (next day): Flight QF21 Sydney to Tokyo (Narita), Japan.</p>
<p>DAY 2</p> <p>12th October (Sunday)</p>	<p>Travel and rest day</p> <p>6:30am: Arrive at Narita International airport (NRT).</p> <p>7:00am: Group goes through passport control and meets our Tokyo interpreter Mr Satake and bus driver in the arrivals foyer.</p> <p>7:20am: Group takes bus from Narita airport to Hotel Sunroute Plaza, Shinjuku.</p> <p>9:00am: Group arrives at hotel and stores luggage as rooms may not be ready.</p> <p>9:15am: Satake takes group on orientation tour of Tokyo including visit to the Imperial Palace East Gardens and Tokyo Metropolitan Government Building observation deck.</p> <p>12:30pm: Group has lunch at Ganko Shinjuku Yamano Aiko Tei.</p> <p>3:00pm: Group checks into hotel rooms and has some rest before dinner</p> <p>6:30pm: Leave Sunroute Hotel for dinner (15-20 minute walk).</p> <p>6:45pm: Group dinner at “AJITO” restaurant on the 50th floor of the Sumitomo Building - a restaurant with one of the best views of Tokyo.</p> <p>“AJITO” restaurant - 50th Floor, Shinjuku Sumitomo Building</p> <p>Address: Nishi-Shinjuku 2-6-1, Tokyo</p> <p>Opening hours: 5:00pm-10:30pm</p> <p>Overnight at:</p> <p>Hotel Sunroute Plaza Shinjuku</p>
<p>DAY 3</p> <p>13th October (Monday)</p>	<p>Tour and presentation at AEON retail store and market briefing with DAFF & Austrade</p> <p>8:00am: Group breakfast.</p> <p>9:00am: Meet AEON representative, Masa Onishi in hotel lobby. Take bus to flagship AEON retail store to be shown around the fresh produce department, and undertake a briefing on the bus with Mr Onishi (~1 hour by bus).</p> <p>*Mr Onishi to be the guide/interpreter</p>

	<p>12:00pm – 1:00pm: Group lunch near AEON retail outlet.</p> <p>1:30pm: Attend a market briefing and meeting with DAFF and the Australian Trade Commission at the Australian Embassy in Tokyo.</p> <p>5:30pm: Bus returns group to hotel in Shinjuku.</p> <p>6:30pm: Group dinner at Godaigo Restaurant with AEON and AUSTRADE representatives.</p> <p>AEON Supermarkets</p> <p>Chrome2-1, Kinshi, Sumida, Tokyo</p> <p>Contact: Mr Onishi Masahiro</p> <p>Perishables Procurement Headquarters</p> <p>AEON Global Merchandising Co Ltd</p> <p>Australian Embassy</p> <p>Sally Phillips Trade Commissioner, Tokyo</p> <p>Australian Trade Commission (Austrade)</p> <p>2-1-14 Mita, Minato-ku, Tokyo, Japan</p> <p>Dinner:</p> <p>GODAIGO</p> <p>Shinjuku NS building 29F, 2-4-1, Nishishinjuku, Shinjuku-ku, Tokyo, 163-0830 (〒163-0830 東京都新宿区西新宿2-4-1 新宿NSビル29F)</p> <p>Overnight at:</p> <p>Hotel Sunroute Plaza Shinjuku</p>
<p>DAY 4</p> <p>14th October</p> <p>(Tuesday)</p>	<p>Visit Japan Agricultural Cooperative farms</p> <p>7:45: Breakfast at hotel.</p> <p>8:30am: Take bus to Tsukiji fish, fruit and vegetable market.</p> <p>10:45am: Arrive JA Building (Address: 1-3-1, Otemachi, Chiyoda-ku, Tokyo 100-6837, Contact: Ms Inoue, met by Mariko Inoue (JA Zenchu) and Tomoko Nakamura (Australian Embassy) at entrance</p> <p>10:50-11:20: Briefing on JA’s operation by Ms Inoue (JA Zenchu Conference Room), Tomoko to interpret</p> <p>11:30-12:20 Lunch in French restaurant run by JA (basement of JA Building)</p> <p>13:30 JA Zenchu tour and JA Youth discussion</p>

	<p>6:30pm: Group dinner.</p> <p>Japan Agricultural Cooperative – arranged through Austrade, Japan</p> <p>Kiyoko Ozawa Senior Business Development Manager, Tokyo Japan</p> <p>Australian Trade Commission (Austrade)</p> <p>Overnight at:</p> <p>Hotel Sunroute Plaza Shinjuku</p> <p>2-3-1 Yoyogi Shibuya-ku, Tokyo 151-0053</p>
<p>DAY 5</p> <p>15th October</p> <p>(Wednesday)</p>	<p>Agri-Tech Japan Exhibition and Trade Show, Tokyo</p> <p>8:00am: Breakfast.</p> <p>8:45am: Walk to Shinjuku station.</p> <p>9:00am: Take the train to Agri-Tech Japan with interpreter (Venue: Makuhari Messe, Japan).</p> <p>10:15am: Attend Agri-tech Japan, look at exhibitors and trade booths.</p> <p>1:00pm: Meet for pre-arranged lunch with industry representatives.</p> <p>4:00pm: Take train back to hotel in Shinjuku.</p> <p>6:30pm: Group dinner.</p> <p>Overnight at:</p> <p>Hotel Sunroute Plaza Shinjuku</p>
<p>DAY 6</p> <p>16th October</p> <p>(Thursday)</p>	<p>Morning market visit Ohta Market and farm visits arranged through AEON</p> <p>6:20am: Depart hotel in Shinjuku with interpreter for Ohta Market.</p> <p>6:50 – 8:00am: Walk around the Ohta Market with interpreter, look at the ranges of fresh produce, and see how fresh vegetable auctions are conducted.</p> <p>8:00am: Breakfast at Ohta Market.</p> <p>9:30 am: Take bus to Utsunomiya farm with AEON.</p> <p>4:00pm: Depart last farm visit and take the bus back to Shinjuku.</p> <p>6:30pm: Group dinner.</p> <p>Ohta Vegetable Market</p> <p>Tokyo Sendai Trading</p> <p>3-2-1 Tokai, Ohta-Ku, Tokyo, 43-0001</p>

	<p>Overnight at:</p> <p>Hotel Sunroute Plaza Shinjuku</p>
<p>DAY 7</p> <p>17th October</p> <p>(Friday)</p>	<p>Bullet Train (<i>Sanyo, Shinkansen</i>) from Tokyo to Kyoto and visit to On-the-Slopes, organic vegetable distribution company</p> <p>7:45am: Breakfast.</p> <p>8:15am: Truck collecting luggage and taking to Kyoto hotel.</p> <p>8:57am: Depart Tokyo Shinawaga train station on bullet train.</p> <p>11:08am: Arrive in Kyoto – Greeted by Ms Toyoko Umeda who will take group on hotel bus and then to check in.</p> <p>11:15am: Hotel bus collects group and takes us to Kyoto Tokyu hotel to check-in (early check-in requested)</p> <p>11:45am: On-the-slopes bus departs hotel for Nasukamo restaurant (specialising in Japanese vegetables)</p> <p>12:00: Lunch with “On-The-Slopes” representative at Nasukamo restaurant.</p> <p>1:30pm: Visit their shop and meet with an On-the-slopes organic vegetable distribution company who work with local Japanese growers to distribute fresh produce to the wider Kyoto region. Learn about how the vegetable supply chain is managed and how this company has successfully set up distribution networks linking the rural and urban populations.</p> <p>2:00pm: Depart for Nantan organic farm.</p> <p>3:00pm: Arrive at Nantan organic farm</p> <p>4:30pm: Take bus back to hotel</p> <p>6:15pm: Bus arrives back at Kyoto hotel.</p> <p>6:30pm: Group dinner.</p> <p>Lunch: “Nasukamo organic vegetable restaurant”</p> <p>No 276, Higashinotoin Dori Off, Ayanokoji Dori, Kyoto, Japan</p> <p>Ms.Toyoko Umeda – Railway station to hotel assistant</p> <p>Saka No Tochu Co., Ltd. (On-the-slopes)</p> <p>118-2 Hiei-cho, Nishikujo, Minami-ku, Kyoto City, JAPAN</p> <p>Overnight at:</p> <p>Kyoto Tokyu Hotel</p>

<p>DAY 8</p> <p>18th October</p> <p>(Saturday)</p>	<p>Rest Day (Morning city tour) - Kyoto</p> <p>9:00am: Breakfast.</p> <p>10:00am: Individual sightseeing.</p> <p><i>Optional afternoon activity</i></p> <p>Kiyomizu-yaki Danchi Pottery Festival in Yamashina</p> <p>Colourful Kiyomizu-yaki ceramics are one of Kyoto's most popular craft forms; On these three days, many stalls near the major kilns in Yamashina will be selling all kinds of ceramic work at very reasonable prices; Hands-on pottery experience, live music performances and other events will also be staged; 9:30-18:00.</p> <p>6:30pm: Group dinner.</p> <p>Overnight at:</p> <p>Kyoto Tokyu</p>
<p>DAY 9</p> <p>19th October</p> <p>(Sunday)</p>	<p>Travel Day – Kyoto to Seoul</p> <p>7:00am: Breakfast</p> <p>7:45am: Check out of hotel and meet in lobby.</p> <p>8:30am: Board 8:35am Airport Transfer Limousine (Bus) to Kansai International Airport (approx. 1.30 hour).</p> <p>10:00am: Group check in at Kansai International Airport (Korean Air and Asiana).</p> <p>12:25pm – 2:15pm: Korean Air Flight KE724 from Kansai International Airport (JAPAN) to Incheon International Airport (Seoul, SOUTH KOREA)</p> <p>(Stefan and Phillip) 12:50pm – 2:40pm: Asiana Airlines OZ111 from Kansai International Airport (JAPAN) to Incheon International Airport.</p> <p>3:00pm: Airport transfer from Incheon Airport to hotel in Seoul (1.30hrs)</p> <p>4:30pm: Arrive and check-in at hotel.</p> <p>6:15pm: Take taxis to dinner.</p> <p>6:30pm: Group dinner at “Southside Parlour” Korean-Texan fusion food.</p> <p>Dinner: Southside Parlour</p> <p>Overnight at:</p> <p>Lotte City Hotel Mapo</p>

<p>DAY 10</p> <p>20th October</p> <p>(Monday)</p>	<p>Visit Jangan Farm of organic vegetables & Seoul Garak Market</p> <p>7:30am: Breakfast.</p> <p>8:15am: Meet interpreter and take bus to Jangan Farm (organic vegetable farm).</p> <p><i>Jangan Farm is known as the biggest organic vegetable farm in Korea, supplying to major food service/retail sector in Korea. They have received numerous awards from the Korean government due to their innovative approach to lifting value of fresh vegetables.</i></p> <p>10:00am: Arrive at Jangan Farm and meet staff.</p> <p>10:30am – 12:30pm: Attend a presentation on Jangan Farm, and learn about their operation, attend a guided tour and have lunch off of their buffet style vegetarian menus.</p> <p>12:45pm: Depart Jangan Farm and head back towards Seoul – straight to the Garak Market.</p> <p>2:30pm: Arrive at the Seoul Garak Market and meet with Mr Lee Doo-Young (PR Team) for a tour and walk around the fresh produce section of the Markets.</p> <p><i>Covering a site more than half a million square metres, with an average of 10.4 billion KRW (~\$10.7 million AUD) in agricultural products being exchanged per day, the Garak Market is one of the world’s most intensive produce markets. Within the site, approximately 130,000 people and 42,000 vehicles pass through every single day. If growers were impressed with Ohta Market in Tokyo, the size and amount of produce being exchanged at Garak is sure to be quite impressive.</i></p> <p>5:30pm: Take bus back to the hotel.</p> <p>6:30pm: Group dinner.</p> <p>Jangan Farm</p> <p>충북 충주시 신니면 용원리 326-15, Chungju 380-890</p> <p>326-15 Yongwon-ri, Sinni-myeon</p> <p>Chungju-si, Chungcheongbuk-do</p> <p>South Korea</p> <p>Seoul Garak Market</p> <p>Contact: Mr Lee Doo-Young, PR Team</p> <p>Overnight at:</p> <p>Lotte City Hotel Mapo</p>
<p>DAY 11</p> <p>21st October</p>	<p>Visit to NongHyup / Hanaro Mart Distribution Centre and Hanaro Mart megastore</p> <p>8:00am: Breakfast.</p> <p>9:00am: Take the bus from the hotel to NongHyup in Aensong industrial park.</p>

<p>(Tuesday)</p>	<p>11:00am – 12:45pm: Visit NongHyup Hanaro Mart distribution centre.</p> <p>3:00pm: Visit to Hanaro Mart megastore.</p> <p>6:30pm: Group dinner.</p> <p>Overnight at:</p> <p>Lotte City Hotel Mapo</p>
<p>DAY 12</p> <p>22nd October</p> <p>(Wednesday)</p>	<p>Austrade Briefing (Seoul) and tour of Adama facilities</p> <p>8:00am: Have breakfast at the hotel.</p> <p>10:00am: Take bus from the hotel to attend Austrade briefing, Australian Trade Commission at the Australian Embassy in Seoul.</p> <p>12:30pm: Group lunch.</p> <p>1:30pm: Take the bus from the Australian Embassy in Chongro Ku to Adama facilities.</p> <p>2:30pm: Meet with Adama’s Robin Hong for presentation on Korean vegetable market.</p> <p>3:50pm: Depart Adama (with Robin Hong) to visit Hankook Paprika/Capsicum farm</p> <p>5:30pm: Depart vegetable farm for dinner</p> <p>6:30pm: Group dinner</p> <p>Australian Trade Commission (Seoul)</p> <p>Haesook Chung, Senior Business Development Manager</p> <p>18th Fl., Kyobo Building, 1 Chongro 1 Ka, Chongro Ku, Seoul, 110-714</p> <p>Adama Korea Ltd. (Seoul)</p> <p>Robin Hong / Chief Marketing Officer</p> <p>ADAMA Korea Ltd./ TS Bldg. 8FL. Mabang-ro 10 Gil 5</p> <p>Secho-gu, Seoul 137-943 Korea</p> <p>6:30pm: Group dinner.</p> <p>Overnight at:</p> <p>Lotte City Hotel Mapo</p>
<p>DAY 13</p> <p>23rd October</p> <p>(Thursday)</p>	<p>Rest day and final tour dinner at Victorian State Government DSDBI event- Seoul</p> <p>State of Victoria – Industry promotional day</p> <p>DSDBI – Seoul</p>

	<p>Nicole Andrews</p> <p>Overnight at:</p> <p>Lotte City Hotel Mapo</p> <p>467, Gongduk-Dong, Mapo-Gu, SEOUL 100-070 KOREA</p> <p>TEL:82-2-6009-1000</p> <p>FAX:82-2-6009-1004</p>
<p>DAY 14</p> <p>24th October</p> <p>(Friday)</p>	<p>Travel Day – Seoul to Melbourne</p> <p>9:00am: Breakfast.</p> <p>11:00am: Check out of hotel.</p> <p>11:15am: Depart hotel for Namdaemun market – Korea’s largest traditional market for food, souvenirs, clothing etc.</p> <p>11:45am: Arrive at Namdaemun market</p> <p>3:00pm: Bus Transfer from hotel to Incheon International Airport (approx. 1.5 hours).</p> <p>5:30pm: Group check-in at Incheon International Airport.</p> <p>8:20pm – 8:20am (arrives next day): Flight QF368 (operated by Asiana Airlines Inc.) from Seoul, Incheon Airport to Sydney Airport.</p> <p>(Next day) 10:00am – 11:35am: Flight QF423 to Melbourne.</p> <p><i>Delegates fly out of Incheon International Airport to respective Australian states.</i></p>
<p>DAY 15</p> <p>25th October</p> <p>(Saturday)</p>	<p>Participants arrive back in their respective capital cities.</p>

Recommendations

- The tour received excellent feedback overall. Tour participants were extremely impressed with the high degree of organisation and execution. During the tour, participants noted a number of farmers and retailers using high-tech innovations, currently not available in Australia. Some participants noted that they would like to see an additional focus on high-tech applications during future tours.
- Growers found it beneficial to learn of Australian growers exporting their produce to Japan and Korea. The case study present by AUSTRADE Korea was of much interest to the growers. Future tours may consider incorporating meetings with current importers currently importing Australian fresh produce.
- The opportunity to meet with wholesale and retail representatives to learn about exporting and seeing how produce was merchandised were both highlights. This reaffirms the decision to combine a focus on production and market development visits in the tour and these aspects could be incorporated into future tours for growers.
- The main opportunities for the Australian vegetable industry are value-added products or supply for seasonal gaps.
- Several participants would have liked to have visited other large retailers in Japan such as COSTCO.
- Future tours should attempt to incorporate a greater number of farm visits into the schedule and consider arranging some accommodation in rural areas, rather than being based exclusively in the main metropolises.

Acknowledgements

Thanks must go to the many growers and business managers that showed participants through their operations and enlightened them with their business skills and knowledge. Thank you also to AEON Supermarkets, AUSTRADE and ADAMA for their assistance in organising visits. A special mention should also be given to Mr Daihei Satake (“Satake”) who provided local knowledge and logistical support.

In addition, representatives from the Victorian Government Export Office and Australian Embassy in Tokyo and Seoul were instrumental in organising key aspects of the tour and providing translation and their industry insights.

The tour was facilitated by HIA in partnership with AUSVEG and was funded by the National Vegetable Levy and voluntary contributions from industry. The Australian Government provides matched funding for all HIA’s R&D activities.

Tour participants list

Name	State
Mr Rick Butler	Victoria
Mr Nedale Hamdan	New South Wales
Ms Andrea Hawkes	Victoria
Ms Kerrie-Anne Lamb	Queensland
Ms Emma Sippel	Queensland
Mr Phillip Savage	Victoria
Mr Noel Stevens	Queensland
Mr Darren Todarro	Victoria
Mr Michael Vorrasi	South Australia

Appendix 1



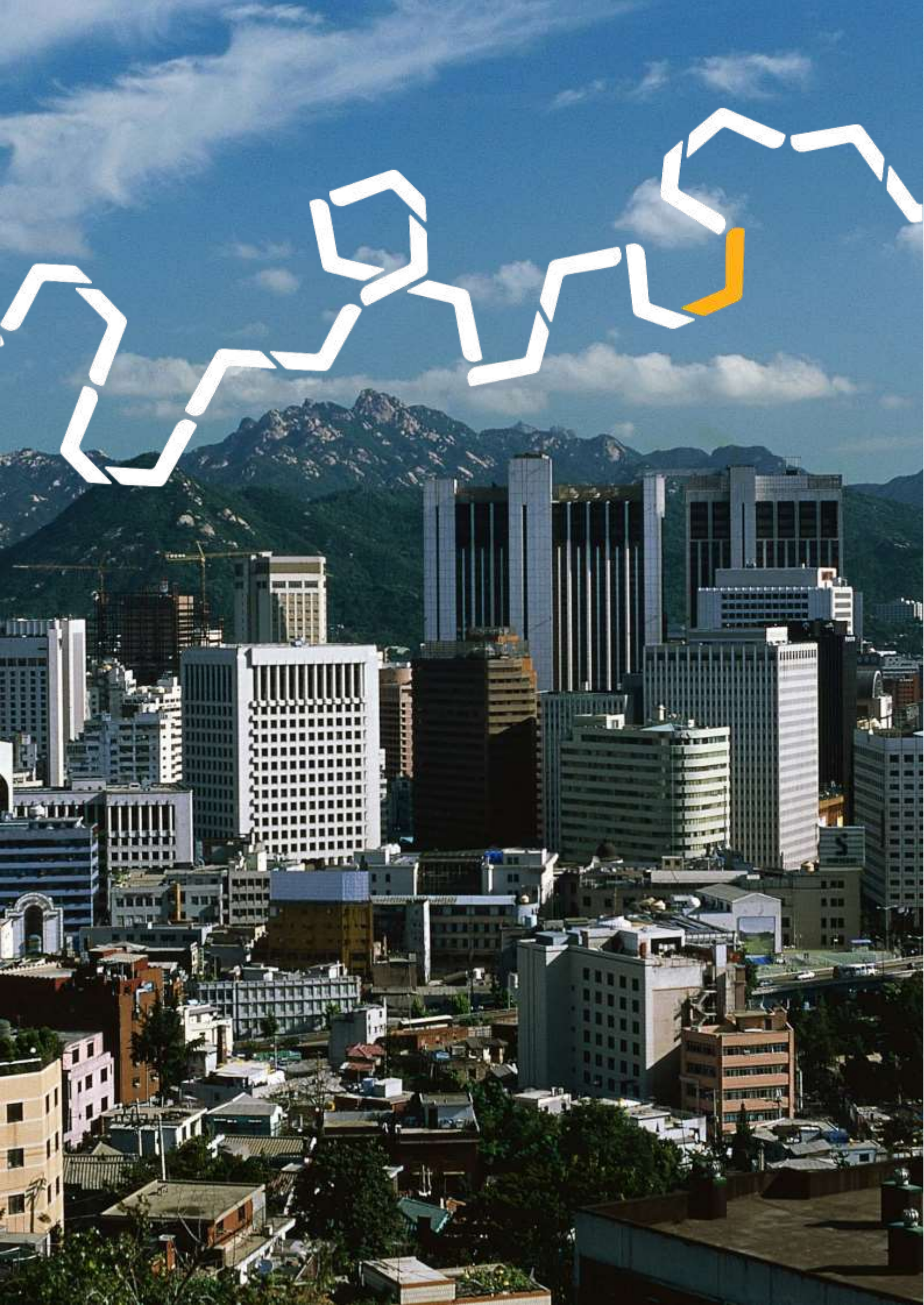
SOUTH KOREA

Australian Government

VG11711 - Final Report for 2014 Young Growers' Study Tour

Austrade





The Republic of Korea

Market overview

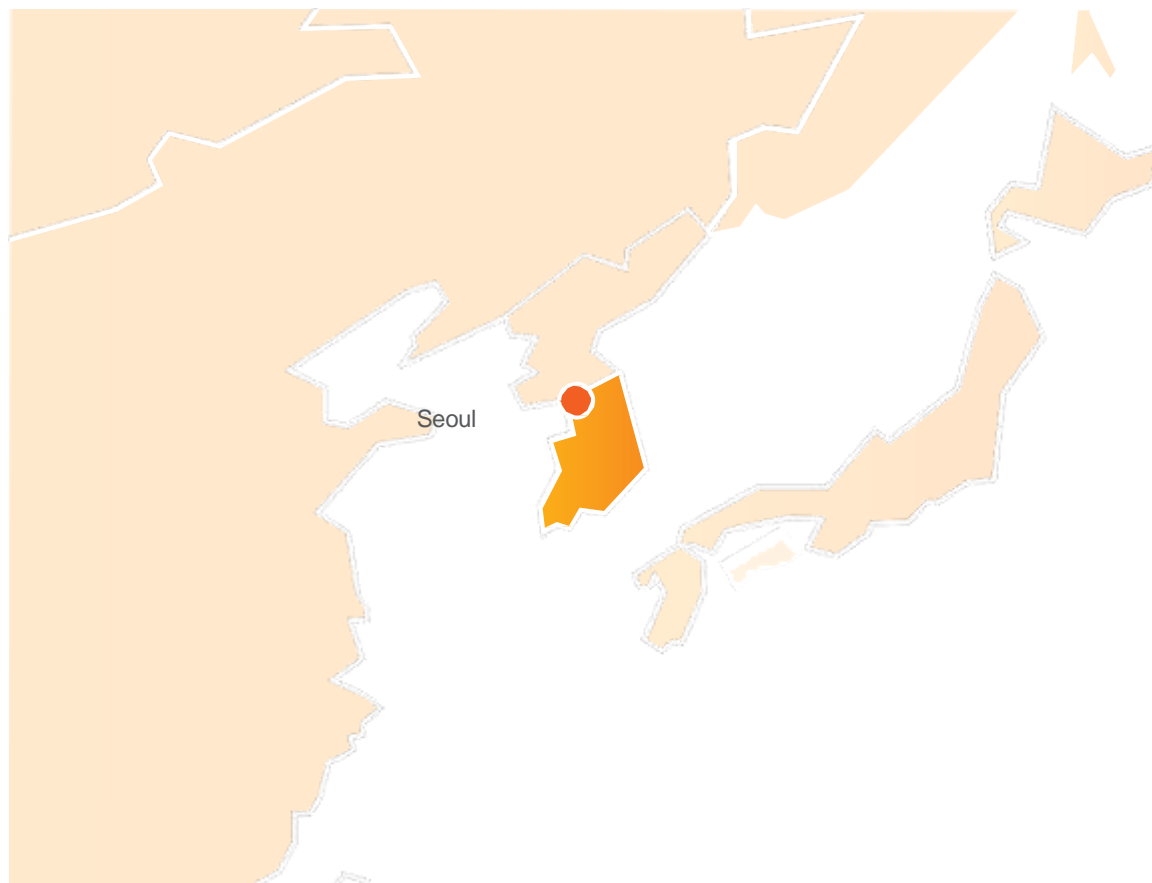
The Republic of Korea, known as South Korea, is Australia's third largest export market, ahead of India and the USA. It is also Australia's fourth largest two-way trading partner.

With a population of 50 million and a GDP per capita of more than US\$24,000, Korea is the 12th largest economy in the world and the fourth largest in Asia. According to the International Monetary Fund, the country's economic growth is projected to accelerate from 3.7 per cent in 2014 to 4 per cent in 2015, the highest of all advanced economies.

The Korean Government is undertaking a number of initiatives to address the nation's long-term economic and social challenges such as an ageing population, food security, acute energy requirements and a need to internationalise its workforce.

This offers major prospects for Australian firms to supply Korea with the goods and services it needs during this time of significant change. The Korea-Australia Free Trade Agreement (KAFTA) strengthens these opportunities by improving market access for Australian companies, creating new services opportunities, enhancing protection for Australian investors in Korea, and safeguarding Australia's competitiveness in this large market.

On entry into force, 84 per cent of Australia's goods exports (by value) will enter Korea duty-free under KAFTA. When KAFTA is fully implemented, tariffs on 99.8 per cent of Australia's exports to Korea will be eliminated.



Trade opportunities

Agribusiness (food and wine)

Food security is an important issue for Korea. Unable to produce enough food to support itself, the country's reliance on imports is set to grow. Dietary patterns are also shifting, driven by an increasingly wealthy population with a taste for high-end food and beverages. Australia can draw on its strong reputation as a clean, green food producer with high safety standards to supply Korea with premium products.

Financial services

Korea's rapidly ageing population is looking for increased financial security from their personal investments. With a need to deliver strong returns, Korean banks, funds and institutional investors are turning to higher yield 'alternative' products such as offshore investments (particularly in infrastructure and real estate) and partnerships with foreign financial services firms.

Professional services and third markets

KAFTA will deliver new opportunities for Australian professional services suppliers, including in accounting, law, ICT and telecommunications. There is also significant potential for Australian companies to partner with Korean firms to target business in third markets, particularly in Asia where Korean firms are heavily invested.

Health, aged care and biotech

A higher life expectancy and low fertility rates mean Korea is one of the fastest ageing countries in the OECD. There is a growing demand for aged care, medical services, medical devices, pharmaceuticals and rehabilitation services. Although the market is still evolving, export opportunities could emerge for health and aged care services, pharmaceuticals and advanced medical equipment.

Energy and resources

Korea is the world's 10th largest consumer of energy and its needs are growing. In addition to oil, gas and coal, there are opportunities to supply clean energy solutions, as the country focuses on developing greater clean energy-generating capacity, particularly for its energy-intensive industrial sector.

Infrastructure

The Korean Government is accelerating regional development, including through attracting major sporting events to regional centres such as Pyeongchang, the site of the 2018 Winter Olympics. These events require sports, tourism and other infrastructure to be built and will offer service opportunities related to the management of the events. There is also an emerging demand for firms that can design urban infrastructure and cultural and sports precincts, and that can provide associated management skills after construction.

ICT content and services, and creative industries

Korea has technologically advanced consumers and high broadband connectivity and mobile penetration rates. Opportunities exist in digital content (particularly children's television), mobile content, embedded software, and security and financial solutions. The Australian film and television industry, in collaboration with the Korean industry, will be supported by an Audiovisual Co-production Annex in KAFTA that will enable wider distribution of their work in Korea and international markets. There is a flourishing arts scene in Korea and a demand across the world for Korean movies, music and art. There are emerging partnership opportunities for Australian firms with strong marketing, event management and artistic capabilities.

Education and training opportunities

Korean students are seeking to improve their English language skills and build work experience to be more competitive in a tough local and international job market. Korea wants to produce graduates who are internationally literate and capable of working in a global business environment. This is driving strong ongoing demand for offshore education, with Australian institutions well placed to offer transnational education, higher education, vocational education and training, schooling and English language intensive courses.

Investment opportunities

Korea is Australia's 17th largest source of investment, investing a total stock value of A\$15.06 billion in 2013. Korean investment in Australia is expected to continue to grow strongly.

KAFTA lifts the screening threshold for Korean investments in non-sensitive Australian sectors from A\$248 million to A\$1,078 million. Austrade is concentrating inward investment attraction activities in five areas: major infrastructure, tourism infrastructure, resources and energy, agrifood, and advanced technologies.

A dependency on energy imports means Korean companies will continue to invest in Australian energy and mineral resources. With Korean pension funds looking offshore to achieve higher returns, there is also scope for increased capital inflows into Australian assets that are strategically aligned to Korea's domestic priorities.

As a 'known quantity' with a reliable, well-regulated and transparent investment environment, Australia is well positioned to draw greater investment from Korea and KAFTA will only enhance its attractiveness.

How Austrade can help

The Australian Trade Commission – Austrade – contributes to Australia's economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:

- › develop international markets
- › win productive foreign direct investment
- › promote international education
- › strengthen Australia's tourism industry
- › seek consular and passport services.

Austrade has two trade commissioners and 12 bilingual, locally engaged business development managers at its office in Seoul. This Austrade team can pave the way for Australian firms to enter or expand their business in Korea.

Australian companies seeking to enter Korea must be prepared for language barriers and significant commercial, regulatory and cultural differences. A basic understanding of Korean culture and business etiquette will help build good relationships with local players; Koreans are more open to doing business with people they know. Austrade can also leverage its expert and highly experienced local team, and 'badge of government' to help Australian firms to enter the market.

Austrade can also:

- › share information and insights about the Korean market, including KAFTA outcomes and emerging trends
- › identify and deliver business leads for exporters and investors
- › introduce Australian firms to potential business partners and local business networks
- › put new exporters in touch with Australian companies already operating in Korea that can provide practical advice on local customs and cultural issues
- › provide introductions to Austrade colleagues in China and Japan so exporters can tap into the North Asia market.

Useful links

- › Austrade country page: Republic of Korea at www.austrade.gov.au
- › Korea-Australia FTA: www.dfat.gov.au/fta/kafta
- › Australia Chamber of Commerce in Korea: www.austchamkorea.org

Contact us

Call: 13 28 78 to speak with a Trade Adviser

Email: info@austrade.gov.au

Web: www.austrade.gov.au/export

Case study

Hastings

Established in 1994, Hastings Funds Management (Hastings) is a specialist fund manager of infrastructure equity and debt. It was one of the first companies in the world devoted to infrastructure fund management.

Hastings is a member of the Westpac Group, one of Australia's largest banks by market capitalisation.

Korea is home to some of the world's largest pension funds and institutional investors, and offers many opportunities for an experienced international infrastructure fund manager such as Hastings.

Hastings turned to Austrade for assistance with its market development activities. In addition to advice and guidance, Austrade leveraged its extensive contacts in the Korean financial services sector to help Hastings find suitable business partners.

Hastings opened an office in Seoul in late 2013 and was appointed the foreign General Partner of Incheon International Airport Corporation (IIAC) – National Pension Service (NPS) Co-operation Partnership Fund.

KAFTA will enhance Australian financial service providers' access into the Korean market. Companies such as Hastings that are based in Korea will be well placed to benefit from increased financial transactions between the two countries.

Case study

Korea goes nuts for Australian almonds

Korea's love of almonds, cashew nuts, hazelnuts, macadamias, pistachios and walnuts presents major export opportunities for Australian nut growers.

Health-conscious Koreans are including nuts in their diet as they are considered a 'super food' that lowers cholesterol and protects against heart disease. The Korean food industry is also including nuts in products such as beverages, cereals and nut mixes.

With domestic production unable to meet local demand, nut imports into Korea have increased by between 25 and 30 per cent each year since 2009.

Australia is making the most of the nut boom in Korea, delivering its first major shipment of Australian almonds to the country in September 2014. Emart, Korea's largest hypermarket chain, imported two containers of Australian almonds with help from Austrade.

Austrade worked closely with the Almond Board of Australia to raise the profile of Australian almonds in the Korean retail market. Prior to the shipment, Austrade promoted the impending arrival of the Australian almonds in 50 Emart stores for two months.

Emart buyers commented that the quality and price of Australian almonds was superior and competitive with those of the USA.

On entry into force, the Korea-Australia Free Trade Agreement eliminates the 8 per cent import duty on Australian almonds. Emart plans to increase imports to capitalise on this opportunity.



Disclaimer

This report has been prepared as a general overview. It is not intended to provide exhaustive coverage of the topic. The information is made available on the understanding that the Australian Trade Commission (Austrade) and The Australian Government are not providing professional advice. While all care has been taken in the preparation of this report, the parties do not accept any responsibility for any losses suffered by persons relying on information contained in this report or arising from any error or omission in the report.

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Australian Government

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Appendix 2

Republic of Korea – Economic snapshot

Population:	50.2 million (2013)
GDP:	US\$1.22 trillion (2013)
GDP per capita:	US\$24,329 (2013)
Unemployment:	3.2% (2013 est.)
Inflation:	1.1% (2013 est.)
Key industries:	Electronics, telecommunications, automobile production, chemicals, shipbuilding, steel
Import partners:	China 15.5%, Japan 12.4%, United States 8.3%, Australia 4.4% (2012)
Export partners:	China 24.5%, United States 10.7%, Japan 7.1%, Australia 1.7% (2012)



[Source: South Korea Fact Sheet 2013, DFAT/ The World Factbook-CIA 2013]
