

COUNTRY PROGRESS REPORT

Country: South Korea

Product: Grapefruit, Grapefruit Juice, and Orange Juice

I. Market Assessment Update – September 2022

South Korea remained a top export market for Florida Citrus in the 2021-22 program year, despite the many challenges that the industry faced. Markets all around the world felt a squeeze on exports during the 2021-22 season due to inflation, which caused rising prices for citrus products as compared to 2020-21. In addition, the drop in U.S. utilized production further inflated the export prices of U.S. citrus products. The drought in California, the effects of a deep freeze in Texas in 2021, as well as citrus greening disease in Florida, contributed to a 19% drop in utilized production of U.S. citrus. However, the U.S. citrus industry's strong reputation in South Korea will support increased exports in the future as production rebounds following the setbacks this season.

Overall, imports of orange juice into South Korea made gains again this year as demand stabilized in the aftermath of the COVID-19 pandemic. Total exports of orange juice to South Korea increased by 3.6% in volume and 7.6% in value to reach \$39.6 million. Specifically, Florida exports in 2021-22 increased 6.9% by value and 7.7% in volume to total 726,503 SSE gallons valued at \$6.17 million. Florida Orange Juice managed to take advantage of the gap in available orange juice from other U.S. producers. Total U.S. utilized production of oranges declined by 20.7% between 2020-21 and 2021-22, which contributed to the 16.9% decrease in volume and 17.1% in value of U.S. orange juice exports to South Korea. As a result, U.S. market share dropped from 28.1% to 21.7% in value terms to \$8.6 million during the season. In comparison, the leading supplier of orange juice to South Korea is Spain, which reaped most of the benefits of the increase in South Korean imports. Spain's market share by value increased from 56.1% to 63.6% in value terms between the 2020-21 and 2021-22 seasons to reach \$25.2 million. However, U.S. market share is expected to recuperate losses as U.S. production as a whole rebounds.

In contrast to orange juice imports, South Korean imports of fresh grapefruit continued its downward trajectory during 2021-22. While the U.S. continues to lead in fresh grapefruit exports to South Korea, the country imported less grapefruit overall in 2021-22, which translated into a decline in U.S. exports. To detail, total U.S. exports of fresh grapefruit declined by 19.6% in volume and 16.7% in value to total 12.8 million KG valued at just over \$22 million. Declining U.S. production—especially in Texas—contributed to the decrease in exports, which was compounded by an increase in grapefruit sent for processing into juice. For Florida specifically, exports declined by 36.9% in volume and 43.4% in value to total 2.15 million KG valued at \$2.97 million. Behind the U.S., South Africa and Israel represent the next largest suppliers of fresh grapefruit. These origins offer lower priced fruit than Florida and have expanded planted areas in response to increasing demand, and both suppliers gained market share during the 2021-22 season over U.S. products. In fact, Israeli grapefruit exports to South Korea during 2021-22 increased by 71.4% in volume and 80.8% in value to total 3.5 million KG valued at almost \$5.3 million. This translated into Israeli product capturing 24% market share by value as compared to 11% in 2020-21. Even so, Florida has established strong origin recognition among trade and consumers in the South Korean market. With this in mind, the industry's positioning should continue to drive export expansion in the long-term as U.S. and Florida production rebounds in future years.

Positively, grapefruit juice exports to South Korea, however, made strong gains during the 2021-22 season. U.S. exports increased by 4.2% in volume and 26.9% in value to total 728,048 KG valued at \$3.2 million. Contributing to this increase was a larger share of grapefruit sent to processing in the U.S. In 2021-22, the U.S. was the third largest exporter of grapefruit juice to South Korea behind Spain and Vietnam. Spain achieved strong growth in exports with an increase of 111.7% in volume and nearly 86% in value during 2021-22 season, reaching 1.3 million KG valued at \$2.2 million. This increase was driven by cheaper prices for Spanish grapefruit juice due to higher yields and lower E.U. consumption. Spanish grapefruit juice averaged \$1.73/KG in 2021-22, which was nearly 40% cheaper than grapefruit juice from the U.S.—making Spanish grapefruit juice highly competitive. As such, though U.S. exports increased, grapefruit juice from Florida specifically declined due to their above average prices compared to the U.S. as a whole. However, prices are expected to stabilize as production in all U.S. states recovers from the challenges faced this past year.

Overall, the Florida Citrus industry continued to face challenges during the 2020-21 season in the South Korean market, including increased prices relative to other origins and supply-side difficulties. Rapid inflation reduced demand for less popular premium citrus like grapefruit as consumers became more price conscious. However, the Florida Department of Citrus (FDOC) continues to monitor the market and anticipates a resurgence of growth as conditions improve.

II. Financial allocations and resources

MAP - \$885,720

FDOC - \$37,750

III. Trade Results Tables

Fresh Grapefruit

	Export Goal		Actual Exports	
	Value	Quantity (c/n)	Value	Quantity (c/n)
2019/20	\$7,156,608	264,853	\$5,223,462	245,233
2020/21	\$7,776,001	267,919	\$4,711,865	209,597
2021/22	\$5,893,976	264,120	\$2,970,861	118,692

Source: FDOC Fresh Shipment Report.

Grapefruit Juice

	Export Goal		Actual Exports	
	Value	Quantity (SSE)	Value	Quantity (SSE)
2019/20	\$1,500,120	332,645	\$581,091	167,479
2020/21	\$240,399	59,912	\$655,303	160,415
2021/22	\$775,235	212,475	\$366,117	67,393

Source: FDOC Processor data

Orange Juice

	Export Goal		Actual Exports	
	Value	Quantity (SSE)	Value	Quantity (SSE)
2019/20	\$13,221,533	3,305,383	\$5,308,309	654,925
2020/21	\$13,297,402	3,324,350	\$5,776,436	674,558
2021/22	\$3,905,159	976,290	\$6,172,220	726,503

Source: U.S. Department of Commerce

IV. Evaluation findings

SECTOR: CONSUMER (middle to upper income health-conscious women between the ages of 25 and 49)			
CONSTRAINT: • <u>Lack of awareness of Florida as a premium product</u> – Most consumers consider all grapefruit, grapefruit juice, and orange juice to be the same and do not pay attention to origin-specific distinguishing qualities. Increasing awareness of Florida’s best-in-class taste attributes is a key opportunity to increase demand for Florida products and justify premium pricing. • <u>Decreasing relevance of orange juice as an essential part of the diet</u> – To further expand Florida Orange Juice exports to South Korea, FDOC must continue educating consumers on the idea that Florida Orange Juice consumption is essential to maintaining a healthy lifestyle, helping to support the immune system, and providing a natural energy boost. • <u>Decreasing relevance in the produce category</u>– In an increasingly competitive and crowded market for fruits and vegetables, grapefruit has become less top-of-mind over the last decade. Relevance has especially declined for consumers under the age of 40. • <u>Lack of awareness of grapefruit versatility</u> – Grapefruit is commonly associated with breakfast, but many consumers do not eat grapefruit at other times of the day, failing to take advantage of Florida Grapefruit’s versatility in food and beverage applications.			
PERFORMANCE MEASURES	2020/21 BENCHMARK	2021/22 GOAL	2021/22 ACTUAL
Percentage of grapefruit consumers who, in the last six months, have used grapefruit at home as a topping on a salad, in a recipe, or to make fresh-squeezed juice	37	56	38
Percentage of consumers who are aware of Florida as a grapefruit supplier and identify Florida as their favorite origin of grapefruit	41	65	37
Percentage of consumers who are aware of Florida as a grapefruit supplier and associate superior sweetness and juiciness with Florida Grapefruit	51	60	51
Percentage of consumers who are more willing to purchase grapefruit if it is from Florida	75	77	73
Percentage of consumers who are willing to pay more for grapefruit if it is from Florida	57	58	56
Percentage of consumers who are aware of Florida as an OJ supplier and identify Florida as their favorite origin of OJ	30	32	30
Percentage of consumers who are aware of Florida as an OJ supplier and associate superior taste and quality with Florida OJ	53	62	68
Percentage of consumers who are more willing to purchase OJ if it is from Florida	58	47	60
Percentage of consumers who are willing to pay more for OJ if it is from Florida	56	43	34
Percentage of consumers that report drinking orange juice on a daily basis	5	9	5

Percentage of targeted consumers who say the nutrient content of OJ overrides concerns about sugar	41	48	42
Percentage of targeted consumers who say they feel good serving OJ to their families and friends	43	69	45
Percentage of targeted consumers who consider OJ a great source of vitamins and nutrients	61	85	66

Source: FDOC Annual Performance Measure Study.

Results of evaluations/impact on constraint or opportunity

FDOC's consumer program in South Korea focuses on increasing awareness of Florida as the world's premium citrus origin. This includes educating consumers on the "Florida Difference" of superior taste, quality, versatility, and nutritional benefits of Florida Citrus over other origins. This emphasis is particularly important in demonstrating the relevance of Florida Orange Juice and Florida Grapefruit, as well as highlighting the numerous uses of Florida Grapefruit Juice, to consumers.

FDOC's program in 2021-22 began with boosting the media presence of Florida Orange Juice, Grapefruit, and Grapefruit Juice to increase consumer awareness. FDOC created and released a Korean-language press release to their primary target media contacts, along with Florida Orange Juice and Grapefruit consumer leaflets. This outreach to targeted media resulted in 38 earned publications in both print and online outlets, totaling more than 33.2 million impressions. In addition, FDOC organized 50 print and online paid advertisements and advertorials in key lifestyle and trade publications, which gained a total of 34.8 million impressions. On social media, FDOC regularly posted recipe and video content. A total of 405 posts were created during the program year with a total reach of 4,141,651. Included among these posts were giveaway events where fans could opt to take a quiz on the nutritional information and unique qualities of Florida Citrus, and those participants could be selected to receive Florida Citrus samples. These event posts were very successful in generating more engagements with the Florida Citrus social media channels and improving consumers' opinions on the nutritional benefits of Florida Citrus. Overall, FDOC's media outreach contributed to the progress seen in the percentage of consumers who are aware of Florida as an orange juice supplier and associate superior taste and quality with Florida Orange Juice, as well as those who are more willing to purchase orange juice if it is from Florida.

To further FDOC's reach to consumers on social media, special Florida Grapefruit content was highlighted during peak Florida Grapefruit season. FDOC invited popular Korean influencers to create posts that featured Florida Grapefruit and Grapefruit Juice, which were then featured on the social media sites of strategic media partners such as Vogue, Men's Health, and Home Living Korea. Over 100 posts were uploaded on these media partners' Instagram and Naver, which drove rapid growth in followers for Florida Grapefruit's social media channel by using tags to direct social media users to the site. Lastly, FDOC invited Ms. Bo-Eun Lee—a very influential Korean cooking celebrity—to create Florida Grapefruit recipes which could be used to inspire consumers as to where and how Florida Grapefruit can be used in their diets. Three recipes were developed and shared across Ms. Bo-Eun Lee's social media channels which reached over 442,000 users. In all, the Florida Citrus social media and traditional media channels were highly successful in their ability to provide consumers with recipe ideas, and educational information on Florida Grapefruit, Grapefruit Juice, and Orange Juice, which contributed to gains in the percentage of consumers who consider orange juice a great source of vitamins and nutrients, and which those nutrients override concerns about sugar.

Overall, FDOC's program in South Korea was effective in progressing consumer awareness and education regarding Florida Grapefruit, Grapefruit Juice, and Orange Juice. Nine out of the thirteen performance measures met or exceeded their goals set for the 2021-22 program year, which showcases the regard that South Korean consumers have for Florida Citrus products. However, inflationary pressures that have plagued markets around the world in recent months have resulted in Korean consumers tightening their budgets and turning to less costly options for their food budgets. This is especially evident in the year-over-year decreases in consumers who are willing to purchase/pay more for grapefruit and orange juice if it is from Florida. However, the success in the performance measures regarding consumer sentiment surrounding Florida Citrus products demonstrates the effectiveness of FDOC's consumer program in South Korea and will reap large returns as commodity prices return to normal.

Conclusion

Florida Citrus' consumer campaign is continuing to achieve its goal to spread awareness of the Florida Difference. The ability to reach consumers where they are to highlight Florida Citrus as a premium product and its relevance to a healthy diet have strengthened consumer perceptions. However, the supply-side challenges in Florida groves create growing challenges surrounding the competitiveness of Florida Citrus in the market—especially as consumers contend with the recent rise in prices across all commodity categories. However, Korean consumers recognize the Florida Difference, and are poised to return to Florida Citrus products as these challenges resolve in coming months.

SECTOR: TRADE (South Korean importers, wholesalers, retailers, and foodservice operators)			
CONSTRAINT: • <u>Marketing support can alleviate price concerns</u> – Florida Grapefruit, Grapefruit Juice, and Orange Juice have experienced significant price increases in recent years due to production challenges and an unfavorable exchange rate. Providing importers and retailers with marketing support and education on Fresh Florida Grapefruit and ultra-premium, 100 percent NFC juice can make the difference between sustaining shelf space for Florida products, and losing significant market share to other citrus, other fruits and juice drinks, or cheaper alternatives from major competitors. • <u>Decreasing relevance in the produce category</u> – In today's crowded produce category, grapefruit has become a less relevant item for the trade. FDOC's retail and foodservice marketing efforts can help increase that relevance by providing support to the trade to improve the merchandising of Florida Grapefruit. • <u>Lack of convenience</u> – Grapefruit is not as convenient or easy to eat as many other competing fruits. As such, product innovation such as fresh-cut grapefruit or fresh-squeezed grapefruit sold at retail are opportunities for Florida Grapefruit to expand consumption.			
PERFORMANCE MEASURES	2020/21 BENCHMARK	2021/22 GOAL	2021/22 ACTUAL
Percentage of targeted Korean retailers whose sales of Florida Grapefruit increase more or decrease less than the rate of increase/decrease of total Florida Grapefruit imports into Korea	78	77	85
Percentage of targeted Korean retailers whose sales of Florida OJ increase more or decrease less than the rate of increase/decrease of total Florida OJ imports into Korea.	65	85	85

Percentage of targeted Korean retailers that specify Florida in their day-to-day origin identification signage for Florida Grapefruit at over 80% of stores checked by FDOC merchandisers	40	28	33
Percentage of targeted retailers that increase the number of stores that sell Florida Grapefruit	43	45	46
Percentage of targeted retailers that increase the number of stores that sell Florida NFC OJ	35	42	35*
Percentage of targeted foodservice chains that launch a new menu item featuring fresh Florida Grapefruit, including fresh-squeezed juice	54	46	52
Percentage of targeted 5-star hotels that launch a new menu item featuring fresh Florida Grapefruit, including fresh-squeezed juice	45	50	55

Source: FDOC Korea Merchandising Team / Related Korean Trade

**The number of targeted retailer stores that sell Florida NFC Orange Juice has decreased as the production of one of the three major Florida NFC Orange Juice Brands, Delmonte Farmer's Juice Bar, stopped during the 2021-22 marketing year.*

Results of evaluations/impact on constraint or opportunity

For its trade program, FDOC utilizes promotional support targeted at trade to strengthen demand for Florida Citrus products. Emphasizing the superior taste, nutritional quality, and versatility of Florida Citrus and demonstrating its potential in the Korean marketplace is essential for influencing purchase behaviors. The explosive growth of online shopping has provided an opportunity for online and mobile retail promotions that reach a wider audience. Accordingly, in 2021-22, FDOC focused on the food-related online market for retail partnerships and promotions, as well as traditional foodservice partnerships and promotions.

To inspire demand in the foodservice industry, FDOC partnered with the upscale Paradise City Hotel to develop and launch five new menu items that featured Florida Grapefruit and Grapefruit Juice. FDOC also partnered with Kornberg Bakery to create three menu items with Florida Orange Juice. All of these menu items demonstrated the versatility of Florida Citrus products to both foodservice trade and consumers. In addition, Moss Garden Hotel listed Florida Orange Juice as a special item on their menu. In total, these menu items generated sales of almost \$45,000 over the promotion period, and feedback was extremely positive. In fact, new promotional partners have already approached FDOC to discuss possible future collaborations in the South Korean market.

In addition to the foodservice sector, FDOC implemented promotions with Korean retailers. The aim of these promotions was to encourage retailers to handle Florida Citrus over other origins, as well as to increase trade and consumer awareness of Florida Citrus. To this end, banner ads were placed on the landing pages of online retailers such as Emart, Auction, and G-Market. When clicked on, these banners led consumers to a detailed product page which emphasized the Florida Difference. These promotions were extremely successful in drawing awareness to Florida Grapefruit, Grapefruit Juice, and Orange Juice for Korean shoppers. Across the participating retailers, orders of Florida Orange Juice through the online store as compared to the pre-promotion period increased by 115%, while orders of Florida Grapefruit and Grapefruit Juice increased 287% and 140%, respectively. These increases in sales highlights the successes that are realized when trade is supported and awareness of the Florida Difference is featured to consumers, especially through online platforms.

To further support retail and foodservice establishments that feature Florida Citrus products, FDOC developed POS materials which illustrated the Florida Difference. These included 33,000 consumer leaflets that were distributed to promotion partners, as well as 30 mini banners and 30 standing boards that were displayed onsite during the foodservice promotions. These materials were highly effective in delivering messaging to the trade as well as consumers regarding the qualities provided by Florida Citrus.

Overall, as a result of FDOC's programming, strong progress was made against the trade related performance measures during the 2021-22 program year. All but one performance measure met or exceeded the goals that were set by FDOC, demonstrating the effectiveness of FDOC's retail programs. However, the break in production of one of the three major Florida NFC Orange Juice brands during the program year negatively affected FDOC's ability to increase the percentage of targeted retailers that sell Florida NFC Orange Juice. While FDOC did not meet the goal that was set, FDOC expects that imports of NFC Orange Juice will again be sufficient to supply all stores once production restarts.

Conclusion

FDOC's trade outreach was highly successful during the 2021-22 program year. However, the significant price difference between Florida Citrus and citrus from other origins makes continued trade marketing support essential for sustaining market share in this highly competitive category. In addition, the highly diversified produce category highlights the need to emphasize the wide range of uses for Florida Citrus in order to encourage Korean consumers and trade to choose it over other options. As such, the constraints are still relevant to the South Korean market.

V. Overall Market Recommendations

South Korea is a market where Florida Citrus products have a lot of potential for growth, supported by a cohesive consumer and trade program. FDOC's social media presence has effectively educated many consumers on the Florida Difference. Looking ahead, FDOC plans to continue utilizing social media for consumer education while also transitioning its use of traditional print media advertisements to online. The use of Florida Citrus "tags" in social posts that led social media users back to Florida Citrus' pages was especially impactful in growing impressions and is much easier to track versus traditional media. This will be continued in the next program year. FDOC also plans to add new key messaging that emphasizes Florida Citrus as "cool," and "refreshing" during the summer months, as this type of messaging has been shown to be very effective at drawing in consumers during hot weather.

In addition, while the importance of educating the market on the health benefits of Florida Citrus has been significant, the focus in 2021-22 on educating trade and consumers on the versatility of Florida Citrus products was crucial to influencing the growth in use of these products. Going forward, FDOC will continue to make these types of foodservice promotions a focus of South Korean marketing programs. This will be especially impactful when done in tandem with influencer content that feature recipes using Florida Citrus products as an ingredient.

Altogether, FDOC's multi-pronged approach has influenced retailers, consumers, and the foodservice sector toward increasing use of Florida Citrus. While supply-side challenges as well as rapid inflation

have somewhat negatively impacted sales of premium products like Florida Orange Juice, Grapefruit, and Grapefruit Juice, the regard that Korean consumers have for Florida Citrus products will continue providing opportunities for Florida Citrus as these issues resolve in coming months.