2016
Food and Beverage

Investment Opportunities
In Korea
Food and Beverage

Korea has a high purchasing power and a population of 50 million (GDP/capita USD 30,000). Korea has the 17th largest food market in the world, and strong market power in the Northeast Asian food industry. The amount of total food consumption in Korea stands at about USD 53.7 billion and is expected to grow by 25.8% by 2018.

<table>
<thead>
<tr>
<th>Amount of Import</th>
<th>Amount of Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>361.4 Billion USD</td>
<td>82.5 Billion USD</td>
</tr>
</tbody>
</table>

**Industry Overview**
- Growth of global F&B market
- Growth trends in Korean market
- Export trends of Korean market
- Import trends of Korean market
- Market analysis
- Status of major companies

**Business Opportunity**
- Value added biz. using Korean innovative technology
- Logistical hub for high value-added products

**Success Case**
- Lotte and Nestle (Joint Venture)
- Pulmuone and Danone (Joint Venture)

**Where to Invest**
Location descriptions
1. Iksan Food Cluster
2. Saemangeum FEZ
3. Gimjae FTZ
4. Boeun Industrial Complex
5. Munmak FIZ
6. Gyeongbuk Bio Industrial Complex
7. Gwangyang Sepung Industrial Complex
Industry Overview

Growth of global F&B market


Top Predictions for 2015

1. Average food and beverage retail prices will continue to fall through 2015 and be near 2010 levels by the end of the year and through early 2016, much to the relief of global consumers.

2. The demand for freedom food will remain strong through 2015, reaching nearly $600 billion in global retail sales.

3. Total market revenue of the processed food products will reach $4.79 trillion in sales in 2015, making up 28% of global food and beverage expenditures.

4. An increase in healthy specialty foods is expected to drive the adoption of organic foods in 2015, driving organic sales to over $40 billion worldwide by the end of 2015.

Source: Frost Sullivan, May 2015

Growth trends of Korean F&B market

Source: BMI Research, 2015

“17th World Largest Market” (USD33.6B, 1.1%)
Export trends of Korean F&B market

By Region/Countries (2014)

By Products (2014)

Changes in food product export trends:
from Japan & USA to China & ASEAN
⇒ Remarkable increase in exports for countries signing FTA

Export value of Agro-Food products (especially processed foods):
USD 5.7 billion in 2013 (a 1.4% increase in comparison to 2012)

Source: Ministry of Agriculture, Food and Rural Affairs, Ministry of Ocean and Fisheries, Korea Agro-Fisheries & Food Trade Corp. 2014

Food, Agriculture, Forestry and Fisheries Export and import trend & statistics

Import trends of Korean F&B market

By Countries (2014)

By Products (2014)

Increase of processed foods due to increase in demand in convenient food & premium food consumption

Source: Ministry of Agriculture, Food and Rural Affairs, Ministry of Ocean and Fisheries, Korea Agro-Fisheries & Food Trade Corp. 2014

Food, Agriculture, Forestry and Fisheries Export and import trend & statistics
## Market analysis

### Food

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<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>Food processing industry</td>
<td>Changing diets and lifestyles</td>
</tr>
<tr>
<td>Capable of producing both traditional and modern food products</td>
<td>Premium-branded products in the confectionery sector</td>
</tr>
<tr>
<td>Good supply chain and transport infrastructure</td>
<td>The global trend towards health and well-being popular in South Korea</td>
</tr>
<tr>
<td>Low unemployment and rising disposable incomes</td>
<td>The desire for improved self-sufficiency</td>
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### Drink

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<th>Opportunities</th>
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<tbody>
<tr>
<td>Low unemployment and rising disposable incomes</td>
<td>Changing diets and lifestyles</td>
</tr>
<tr>
<td>A relaxed attitude towards alcohol consumption</td>
<td>Premium alcoholic beverages and sub-sectors of soft drinks</td>
</tr>
<tr>
<td>Strong supply chain and transport infrastructure</td>
<td>The global trend towards health and well-being popular in South Korea</td>
</tr>
<tr>
<td></td>
<td>The sales of wine and non-carbonated soft drinks are expected to outperform</td>
</tr>
</tbody>
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### Mass Grocery Retail

<table>
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<th>Opportunities</th>
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</thead>
<tbody>
<tr>
<td>Interest of modern consumption trends among young Korean consumers</td>
<td>Room for expansion of modern formats expense of traditional outlets</td>
</tr>
<tr>
<td>The presence of regional retail giants, as well as some multinationals, has helped to establish global retail best practices as the norm in the country.</td>
<td>With consumers remaining price sensitive even as incomes rise, there are opportunities for growth in private label retail</td>
</tr>
<tr>
<td>With all four major grocery retail formats represented in the country, the sector appeals to a broad cross-section of society.</td>
<td>Organic retail growth via increasing added-value in-store offerings still has potential</td>
</tr>
<tr>
<td></td>
<td>Steady economic growth</td>
</tr>
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Source: BMI Research, 2015
Status of major companies

Sales

(1000 KRW)

- CJ Cheiljedang: 2,564,690,207
- Nongshim: 2,071,865,445
- Lotte Chilsung Beverage: 1,549,825,670
- Lotte Confectionary: 1,141,869,565
- Coca Cola Beverage: 949,631,194

Exports

(USD)

- Korean Air: 199,230,564
- CJ Cheiljedang: 159,837,012
- Samyang: 142,815,047
- LSG Sky Chefs Korea: 131,892,385
- TS Corporation: 102,054,670

Shipments

(1000 KRW)

- CJ Cheiljedang: 2,384,572,912
- Nongshim: 1,960,005,330
- Lotte Chilsung Beverage: 1,527,440,244
- Lotte Confectionary: 1,092,881,990
- Coca Cola Beverage: 947,571,773

Source: Ministry of food and drug safety, 2012
Business Opportunity

Value-added Processing
- Optimized environment for processing and packaging, automation

Logistics Hub
- Cold-chain distribution, cost effectiveness, easy access to market

Strategic Alliance
- Convergence with IT, 3-D printed food, Joint R&D

K-wave
- Excellent product manufacturing technology and processing ability

Government’s will to foster food industry
- Made in KOREA

Food Cluster FDI Incentives
- Sufficient behind market

Asia & Pacific Market

Value added business using Korean innovative technology

Processing technology
Packaging technology & materials

Smart-food system (safety management)
Traceability Management

Logistical hub for high value-added products

Fresh fruits Import
Goods gathered
Processed Food Export

+ Value-added activities
- Refrigeration, Classification, Packaging and Branding

Manufacturing Logistical Hub Investment
in Pusan Port ($13mil.) May 2013

- Increased import of fresh fruits to Asia
- Highly logistical cost due to Individual system of each country
- Need for a cutting-edge logistical system & hygiene & safety
- Asian hub port of fresh fruit’s logistics

Source: BL International, 2014
Success Cases

Case 1 (joint venture) : Lotte and Nestle

In January 2015
✓ Market share : 5.7% → 8.7%
✓ Business rankings in the Instant Coffee : 3rd → 2nd

Case 2 (joint venture) : Pulmuone and Danone

→ First & largest share in the Greek yogurt market in Korea
   (January-March 2015)
Where to Invest

Location Descriptions

1. **Iksan Food Cluster**
   As a national food industrial complex which has optimal access to the massive potential of Korean and Asian Food market, it is recommended as the best R&D or manufacturing complex for food and beverage related companies.

2. **Saemangeum FEZ**
   It is proposed as a manufacturing complex of high value-added food companies with ideal infrastructure and has opportunities to enter other food markets since the establishment of the Korea-China FTA.

3. **Gimjae FTZ**
   It is proposed as a manufacturing complex of high value-added food companies targeting China, Japan and Korea with the implementation of the Korea-China FTA.

4. **Boeun Industrial Complex**
   It is proposed as a natural product manufacturing complex of food companies which offers convenient transportation and access to the adjacent bio industry infrastructure and clean environment.

5. **Munmak FIZ**
   It is proposed as a R&D and manufacturing complex for companies that seek an adjacent location to the metropolitan area and want to produce safe and high-value added food products.

6. **Gyeongbuk Bio Industrial Complex**
   For companies interested in converged research between bio-medicine and food technology, it is proposed as R&D and production base.

7. **Gwangyang Sepung Industrial Complex**
   By utilizing food processing trade and logistics infrastructure, it is proposed as the strategic investment area related to bio packaging and process manufacturing.
1. Iksan Food Cluster

**Investment Highlights**

**Location Description**
As a national food industrial complex which has optimal access to the massive potential of Korean and Asian Food market, it is recommended as the best R&D or manufacturing complex for food and beverage related companies. Based on the Food Industry Promotional Act, the Agency for the Korea National Food Cluster was initiated in 2011 to foster and support food communities by the Korean Ministry of Agriculture, Food and Rural Affairs (MAFRA).

**Key Rationale**
- As a government-designated industrial complex, there is an integrated infrastructure for food related R&D, raw material provision, production, distribution and export.
- Enterprise support facilities established for quality & safety and function assessment.
- The only ‘Food polis’ in Korea combining cultural environment of food industrial complex and superior living environment.

**Land information**
- **Zoning**: Complex-type foreign investment zone (FIZ)
- **Scale**: Total Area: 5,745,000㎡ (Available Area: 451,000㎡)
- **Type**: Lease for foreign-invested company (Maximum 50 years)
- **Rent Fee**: Yearly USD 1.3 /㎡ (Deposit : 5% of acquisition value)
- **Requirement**: Foreign invested companies with a foreign-investment share over 30%

**Location Overview**

[Map of Iksan Food Cluster]

1 USD = 1,200 KRW

**F&B 6-1 Location**
Case References

Clever Mama

Overview
• Established in 2009, Clever Mama produces natural fruit juice pudding, jelly, and walnut flavor beverage
• Recorded USD 100 million in 5 years, Rapidly growing food company
• Opened about 1,000 stores in 2014, Planning to expand to 3,000 stores
• Planning to use Korean Image with Hangeul and Hanbok as marketing strategy for building up premium image
• Total Investment Amount: USD 4.25 million, site area: 33,000 m², Employment Size: approximately 100 employees

Background of investment decision
• Wholehearted Support environment for Foodpolis
• Producing high-quality food based on superior raw materials and technology
• Advantage in exporting high value-added products using 'made in Korea' premium (The food & beverage News, 2015.02.10)

Business Considerations

Accessibility & Settlement

Transportation
• Airport: Gunsan Airport(35km), Incheon International Airport(218km)
• Port: Gunsan Port(62km) (30 berths, processing capacity 26,110 thousand ton, 0.2 million TEU), 3 International Service line (Shanghai, China, Yeonunhang, Sukdo)
• Railroad: KTX Iksan Station (16km), Honam line, Jeolla line, junction of gunsan line (Seoul 68 minutes, Daedeok 30minutes)
• Road: Honam expressway Iksan IC (2km), Iksan/Jangsu expressway (Iksan JC 4km), Seohaean expressway East Gunsan IC (29km)

Living Conditions
• Education: 1 university 17,292 students, 3 colleges 4,321 students, 8 vocational high schools 5,520 students, 16 high schools 7,553 students, 26 middle schools 14,650 students
• Medical Facilities: 2 general hospitals, 164 hospitals, 79 dental offices, 72 oriental medicine clinics, 24 health centers
• Others: Apartment of 58,078 households, 1 golf course, 2 tourist hotels, 1 sports stadium, 1 welfare service center
## Business Cluster

### Major Corporations
- **Foreign Investment Companies**: 6 companies including Clever mama, Gold of Prague, Gold rock International, Hampton Grains, etc.
- **Food**: 63 companies including Harim, Dongwoo, BGF Food, Keungil Agricultural, etc.
- **Liquor and Beverage**: 8 companies including Hite Jinro ethanol, Changhae ethanol, Seoan ethanol, etc.
- **Animal Feed**: 8 companies including cargil agripurina, Royal canin, Green Bytech, Nanong, Dongwon Farms, etc.
- **Food additive and functional materials**: 8 companies including Daesang, Chamgoeul, Saegyeli, NeoCremar, Joun Helat
- **Food manufacturing machinery and packaging**: 2 companies including Hicook, etc.

### Potential Customers
- Food and liquor conglomerates like Harim, Daesang, Hite are located

### Related Organization
- National research and development institutes: National Institute of Agricultural Sciences, Korea Food Research Institute, Rural Development Administration, National Institute of Animal Science, National Institute of Horticultural & Herbal Science, National Institute of Crop Science
- Institutes for research support within complex: Food quality and safety center, Functional food evaluation center, food packaging center, Pilot Plant, Food venture center(factory is available for lease), etc
- Institutes for enterprise support: Food cluster support center

### Infrastructure

#### Utilities
- **Water**: Industrial water 14,000 ton/day, water for household use 3,000 ton/day
- **Wastewater**: Waste water treatment facilities in Complex, 26,000 ton/day
- **Waste**: Reclaimed land 4,200 m²
- **Electricity**: Voltage 154 ㎸, volume 120,000kVA/day
- **Energy**: City gas 1,684,428Gcal/year

#### Labor Condition
- **Regional population**

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Available labor force</th>
<th>Ratio (% to population)</th>
<th>Bachelor's (%)</th>
<th>Master's (%)</th>
<th>Ph.D. (%)</th>
</tr>
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<tr>
<td>Nationwide</td>
<td>51,327,916</td>
<td>31,900,268</td>
<td>61.6%</td>
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<td>0.6%</td>
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<td>Jeonbuk's Integrated Zones</td>
<td>3,857,795</td>
<td>2,254,165</td>
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<td>820,234</td>
<td>462,792</td>
<td>56.4%</td>
<td>6.4%</td>
<td>1.0%</td>
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</tr>
</tbody>
</table>
- **Average wage**: US$ 34,486/year
  Calculated from employees of 30 companies(food sector listed) with an average of 8 years of experiences.

#### Core Resource Supply
- **Ease in labor procurement**: 2.25 million workforces within 1-hour distance (820,000 in neighboring areas), available workforce’s residence (360,000 over bachelor’s degree)
- **Supply of subsidiary materials**: Favorable procurement environment as the main city in Jeolla province with 29.8% of domestically cultivated acreage, 31.5% of fishing production
- Smooth supply with companies of Food additive, material and packaging

### Government Support
- **Tax Benefits in Complexed-type FIZ**
  - National Tax: 100% exemption of corporate tax for 3 years and 50% reduction for the subsequent 2 years
  - Local Tax: acquisition tax exemption/property tax 100% exemption
- **Administrative support**: one-stop administrative support from site selection to moving-in
- Additional financial support can be provided for all foreign-invested companies according to the ordinance.
2. Saemangeum FEZ

Investment Highlights

Location Description
It is proposed as a manufacturing complex of high value-added food companies with ideal infrastructure and has opportunities to enter other food markets since the establishment of the Korea-China FTA.

Key Rationale
- Advantage of location value utilizing Korea-China FTA with port hinterland which is most adjacent to China and establishment of Korea-China economic cooperation complex
- Optimal place for manufacturing high value-added or processed food to respond demand for safe and high-quality food
- Ease in importing raw materials and exporting products/Smooth cooperation with supplying companies

Land information

<table>
<thead>
<tr>
<th>Zoning</th>
<th>Free Economic Zone</th>
</tr>
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<tbody>
<tr>
<td>Type</td>
<td>Sale or lease</td>
</tr>
<tr>
<td>Land Price</td>
<td>Approximately USD 126 /㎡</td>
</tr>
<tr>
<td>Rent Fee</td>
<td>Approximately yearly USD 1.26/㎡</td>
</tr>
<tr>
<td>Requirement</td>
<td>Foreign investment company that meets the business type and export-import standards</td>
</tr>
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Location Overview

1 USD = 1,200 KRW
Case References

Royal Canin

Overview
- A global pet food company, established in Montpellier, France, in 1968
- Produces customized nutrition food for dogs and cats tailored to its breed, body type, life cycle and nutritional needs.
- Taken over by Mars, the global food company in 2001

Background of investment decision
- Practiced a thorough screening among Korea, Japan, Australia and 3 more for establishing a new plant and ended up choosing Korea, subsequent site-selection has led to a final choice of Gimje-si, Jeonbuk (September 2014)
- Investment decision made on Gimje-si, Jeonbuk, considering skilled workforce, local government support, accessibility, and surroundings
- Planning on investing USD 65 million on 98021㎡ site in Gimhae Horizon GIC and hiring 70 employees until 2017
- Royal Canin’s 13th overseas factory designed for high value-added pet food production
- Intend to export more than 80% of production to Japan, Taiwan, Vietnam, Australia, New Zealand and more overseas via adjacent port

Business Considerations

Accessibility & Settlement

Transportation
- **Airport:** Gunsan Airport (13Km)
- **Port:** Gunsan Port (10Km) (30 berths, processing capacity 26 million ton, 0.2 million TEU), 3 International Service line (Shanghai, China, Yeonunhang, Sukdo)
- **Railroad:** KTX Iksan station (45Km) (Seoul-Iksan 68 minutes), Saemangeum railway expected completion date of 2025
- **Road:** Gunsan IC, Seohaean Expressway (25km), Jeonju IC, Honam Expressway (50km)

Living Conditions
- **Education:** 6 universities (3,000/year), 4 technical colleges (1,300/year), 14 technical high schools (2,400/year)
- **Medical Facilities:** 2 general hospitals, 146 clinics, 56 dental clinics, 54 oriental medical clinics, 13 health centers
- **Others:** 56,793 households, 1 convention center, 2 golf links, 1 sports complex, 1 baseball field
Business Cluster

Major Corporations
- Food: Harim, Dongwoo, BGF Food, Keungil Agricultural products and 59 more
- Beverage and Liquor: Hite Jinro Ethanol, Changhae Ethanol, Seoan Alcohol and 5 more
- Animal Feed: 8 companies including Cargil Agripurina, Royal Canin, Green Bytech, Nanoong, Dongwon Farms
- Food additive and materials: 8 Companies including Daesang, Chamgoeul, Saegyeli Etc
- Food manufacturing machinery and packaging: 2 companies including Metatek

Potential Customers
- Conglomerates in food and liquor sector including Harim, Daesang, Hite are located

Related Organization
- National research and development institutes: National Institute of Agricultural Sciences, Korea Food Research Institute, Rural Development Administration, National Institute of Animal Science, National Institute of Horticultural & Herbal Science, National Institute of Crop Science
- Research support organizations within zone: Food Quality and Safety Center, Food Functionality Evaluation Center, Food Packaging Center, Pilot Plants, Food Venture Center (Rental Plant) and etc.
- Business support organizations: Foodpolis, Saemangeum development and investment agency and etc.

Infrastructure

Utilities
- Water: Industrial water 96(1000 tons)/day, Living water 28(1000 tons)/day
- Wastewater: 33(1000㎥)/day
- Electricity: 2 million kw
- Waste: Reclamation facilities(157,700㎡), Waste treatment (1,468 tons/day)
- Communication: Number of telephone lines(162,689)
- Energy plan: Heat transport Steam1,420Gcal/hr

Labor Condition
- Regional population:
<table>
<thead>
<tr>
<th>Population</th>
<th>Available labor force</th>
<th>Ratio</th>
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Core Resource Supply
- Sufficient Workforce: Residence of 2.25 million workforces within 1 hour distance (360,000 with bachelor’s degree)
- Smooth Procurement of subsidiary materials: Favorable procurement environment as the main city in Jeolla province with 29.8% of domestically cultivated acreage, 31.5% of fishing production
- Convenience in export and import with utilizing comprehensive bonded area
- Distribution of food additive, materials and packaging companies

Government Support
- Common governmental FDI incentives (eg. tax benefits) for foreign-invested company in FEZ
- Additional support can be provided for all foreign investment companies according to the ordinance.
3. Gimjae FTZ

Investment Highlights

Location Description
It is proposed as a manufacturing complex of high value-added food companies targeting China, Japan and Korea with the implementation of the Korea-China FTA

Key Rationale

- Easy import of raw materials and export of finished products, tariff benefits of the Free Trade Zone
- Increased location value thanks to the establishment of the port hinterland most adjacent to China and the Korea-China economic cooperation complex under the Korea-China FTA
- Sufficient Infrastructure for food processing manufacture and export

Land Information

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<tr>
<td>Scale</td>
<td>Total Area: 764,000㎡ (Available Area: 764,000㎡)</td>
</tr>
<tr>
<td>Type</td>
<td>Sale or lease</td>
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<tr>
<td>Rent Fee</td>
<td>Approximately yearly USD 0.042/㎡ (Deposit: 6 times of monthly rent fee)</td>
</tr>
<tr>
<td>Requirement</td>
<td>Requirement of being foreign investment companies of manufacturing and knowledge service and manufacturing companies</td>
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Location Overview

1 USD = 1,200 KRW
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Overview
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- Intend to export more than 80% of production to Japan, Taiwan, Vietnam, Australia, New Zealand and other foreign countries via adjacent port

Business Considerations

Accessibility & Settlement

Transportation
- Airport: Gunsan International Airport (30km)
- Port: Gunsan Port(45km) (30 berths, processing capacity 26 million ton, 0.2 million TEU), 3 international lines (China Shanghai, Lianyungang, Shitao)
- Railroad: Honam line Gimje station(11km), KTX Iksan station
- Road: Expressway (Seohaean Expressway (1.5km), Honam expressway west Jeonju IC (25km)

Living Conditions
- Education: 6 universities (3 thousand students/year), 4 colleges (1.3 thousand students/year), 14 vocational high schools 2,400 students/year
- Medical Facilities: 2 General hospitals, 146 hospitals, 56 dental offices, 54 oriental medicine clinics, 13 health centers
- Others: Single house 27,907 households, Apartment 8,690 households, 1 indoor stadium, 1 sports stadium, 6 golf driving ranges
Business Cluster

Major Corporations
- Food: 63 companies including Harim, Dongwoo, BGF Food, Keungil agricultural, and etc.
- Beverage and Liquor: 8 companies including Hite Jinro ethanol, Changhae ethanol, Seoan ethanol, and etc.
- Animal Feed: 8 companies including Cargil agripurina, Royal canin, Green Bytech, Nanong, Dongwon Farms, and etc.
- Food additive and materials: 8 companies including Daesang, Chamgoeul, Saegyeli, and etc.
- Food manufacturing machinery and packaging: 2 companies including Hicook, and etc.

Related Organization
- National research and development institutes: National Institute of Agricultural Sciences, Korea Food Research Institute, National Institute of Animal Science, National Institute of Horticultural & Herbal Science, National Institute of Crop Science, and etc.
- Administration organizations: Rural Development Administration
- Business support organizations: Gimjae Free Economic Zone, Jeonbuk Technopark, and etc.

Infrastructure

Utilities
- Water: Industrial water (5,378 m³/day), water for household use (57 m³/day),
- Wastewater: Mediation pumping station within the zone (5,378 m³/day, Cable conduit L=2.49km) Terminal disposal plant of sewage 26,000 m³/day inflow
- Waste: incineration plant, landfill
- Electricity: Industrial land 31,295kw/year (voltage 79,000 kV)
- Communication: 4,043 lines, within zone ONU installation
- Energy plan: City gas (Industrial water Industrial land gas supply 17,436,020 N m³/year)

Labor Condition
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- Smooth Procurement of subsidiary materials: Favorable procurement environment as the main city in Jeolla province with 29.8% of domestically cultivated acreage, 31.5% of fishing production
- Convenient processing in export and import utilizing comprehensive bonded area
- Distribution of food additive, materials and packaging companies

Government Support

According the ordinance, additional financial support can be provided. All foreign-invested companies are eligible to apply.
4. Boeun Industrial Complex

Investment Highlights

Location Description
It is proposed as a natural product manufacturing complex of food companies which offers convenient transportation and access to the adjacent bio industry infrastructure and clean environment.

Key Rationale
- Convenient transportation and distribution environment which is accessible to metropolitan area within 1 hour
- Major food-related companies including Korea Nestle, Dr. Chung’s food located here
- Advantages in cooperating with major research institutes adjacent to Osong BioScience zone, Daedock research cluster etc.

Land Information

<table>
<thead>
<tr>
<th>Zoning</th>
<th>General Industrial Complex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Total Area: 589,000m² (Available Area: 93,000m²)</td>
</tr>
<tr>
<td>Type</td>
<td>sale (Not for rent)</td>
</tr>
<tr>
<td>Land Price</td>
<td>USD 83/m²</td>
</tr>
<tr>
<td>Requirement</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Location Overview

1 USD = 1,200 KRW
Case References

CSI Korea

Background of investment decision

• Major supplies: Cocacola Beverage, Lotte Chilsung beverage, OKF, Korean Beverage, Daeyoung food Etc.
• Main reason for locating in: Accessible to main customers, convenient transportation environment Etc.
• Main issues: Maintaining steady sales of USD 15 million, firm production base and pursuing steady technological innovation, based on easygoing industrial relations of Boeun area

Overview

• Established in March 1997, 100% Subsidiary of Netherlands’ company CSI B.V
• In 1998, signed up as foreign investment company
• Main business: Food packaging machine and cork manufacturing company (The first company which developed aluminum cork)

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>15,132,339</td>
<td>14,700,261</td>
<td>15,474,887</td>
</tr>
<tr>
<td>Sales cost</td>
<td>11,328,982</td>
<td>10,324,556</td>
<td>10,193,069</td>
</tr>
<tr>
<td>Ratio of Sales cost(%)</td>
<td>74.9%</td>
<td>70.2%</td>
<td>65.9%</td>
</tr>
<tr>
<td>Gross profit on sales</td>
<td>3,803,357</td>
<td>4,375,705</td>
<td>5,281,818</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>1,955,285</td>
<td>2,203,087</td>
<td>2,567,713</td>
</tr>
<tr>
<td>Operating profits</td>
<td>1,848,072</td>
<td>2,172,618</td>
<td>2,714,105</td>
</tr>
<tr>
<td>Operating profit ratio(%)</td>
<td>12.2%</td>
<td>14.8%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Income and loss before income taxes</td>
<td>2,143,912</td>
<td>2,125,241</td>
<td>2,906,277</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>401,716</td>
<td>447,607</td>
<td>617,649</td>
</tr>
<tr>
<td>Net profit during the term</td>
<td>1,742,196</td>
<td>1,677,634</td>
<td>2,288,628</td>
</tr>
<tr>
<td>Net income ratio(%)</td>
<td>11.5%</td>
<td>11.4%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

Business Considerations

Accessibility & Settlement

Transportation

• Airport: Cheongju International Airport (57Km), Incheon International Airport (180Km)
• Port: Pyeongtaek port (118Km) berth vessels up to 2~5 tons, cargo handling capacity equals 28,13 million ton (20~30 ton capacity of loading and unloading cargo: 20~30 ton, 28.13 million ton)
• Railroad: KTX Osong Station 46km, Daejeon Station (63lm), Cheongju Station (461m)
• Road: Cheongwon ~ Sangju Expressway Boeun IC (3km) (1-hour distance from metropolitan area)

Living Conditions

• Education: 4 high schools 1,045 students, 5 middle schools 981 students, 2 vocational high schools 439 students
• Medical Facilities : 2 General hospitals, 19 hospitals, 4 dental offices, 7 oriental medicine clinics, 22 health centers
• Others : Apartment of 1,281 households, 1 hotel, 1 Cultural art center
**Business Cluster**

**Major Corporations**
- Major food: 41 companies including Nestle Korea, Daeyoung food, Kolmar B&H, Dr. Chung’s Food
- Liquor and Beverage: 2 companies including chungbuk Sojoo
- Animal Feed: 14 companies including Woosung Feed, Blenheim
- Food additive and materials: 16 companies including Neopharm
- Food manufacturing machinery and packaging: 22 companies including CSIKorea, Gaia

**Related Organization**
- Research institutes: Medical Device Development Center, Laboratory Animal Center, Clinical Drug Manufacturing Center, etc.
- Health and medical service administration organizations: Ministry of Food and Drug Safety, National Institute of Food and Drug Safety Evaluation, Center for Disease Control & Prevention, National Research Institute of Health, Korea Health Industry Development Institute, etc.
- Related universities: Integration of Science Research/education institutes including Chungbuk University (School of Medicine, School of Pharmacy), Cheongju University (Biomedical department), Chungbuk Provincial College (Biomedical Engineering department), KAIST, etc.
- Business support organizations: Chungbuk Technopark

**Infrastructure**

**Utilities**
- Water: Industrial water 4,000 m³/day, water for household use 700 m³/day
- Wastewater: Industrial waste water 4,120 m³/day, Dishwater 520 m³/day
- Waste: Specific waste (Consigns to specialized agency),
- Electricity: 342,032 MWh/year
- Communications: industry facilities, 64,900 lines

**Labor Condition**

**Regional population**:

<table>
<thead>
<tr>
<th>Population</th>
<th>Available labor force</th>
<th>Bachelor’s</th>
<th>Master’s</th>
<th>Ph.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>51,327,916</td>
<td>31,600,268</td>
<td>61.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Chungbuk’s Integrated Zone</td>
<td>5,648,190</td>
<td>3,414,477</td>
<td>60.5%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

- **Average wage**: US$ 34,486/year  
  Calculated from employees of 30 companies (food sector listed) with an average of 8 years of experiences.

**Core Resource Supply**

- Sufficient Workforce: 3.41 million workforces within 1-hour distance is available, ease of employment, amicable labor and management environment, ease of securing advanced researchers in bio and food sector around Osong BioValley, Daeduck Research Complex
- Smooth supply of materials with superior logistics environment

**Government Support**

- Common support of Foreign investment companies
- Additional financial support according to the Ordiance, Etc
5. Munmamak FIZ

**Investment Highlights**

**Location Description**
It is proposed as a R&D and manufacturing complex for companies that seek an adjacent location to the metropolitan area and want to produce safe and high-value added food products.

**Key Rationale**
- The food industrial ecosystem set to expand centering on the metropolitan area. The FIZ is located at the center of future industrial growth of the Gangwon Province, host of the Pyeongchang Winter Olympics.
- Optimal base for manufacturing high-value added products to meet increasing demand for safe food and wellbeing.

**Land Information**

<table>
<thead>
<tr>
<th>Zoning</th>
<th>Complex-type foreign investment regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Total Area: 424,000 m² (Available Area: 241,000 m²)</td>
</tr>
<tr>
<td>Type</td>
<td>sale or lease</td>
</tr>
<tr>
<td>Land Price</td>
<td>USD 249 / m²</td>
</tr>
<tr>
<td>Rent Fee</td>
<td>Yearly USD 2.49 / m²</td>
</tr>
<tr>
<td>Requirement</td>
<td>Foreign investment amount and stake for rent and tax support (limits industry related to water pollution and emitting heavy metal)</td>
</tr>
</tbody>
</table>

**Location Overview**

Related Major Companies (160)
- Food: 38 companies including Selangor foods, G行程
- Food Additives: 28 companies including 藥品
- Animal feed: 23 companies including 化学肥料
- Beverages and liquor etc: 2 companies including 藥品
- Packaging, container and food machinery: 52 companies including 化学肥料

Related Major Companies (66)
- Food: 24 companies including Selangor foods, G行程
- Food Additives: 28 companies including 藥品
- Animal feed: 23 companies including 化学肥料
- Beverages and liquor etc: 2 companies including 藥品
- Packaging, container and food machinery: 52 companies including 化学肥料

Related Major Companies (71)
- Food: 35 companies including Selangor foods, G行程
- Food Additives: 25 companies including 藥品
- Animal feed: 10 companies including 化学肥料
- Beverages and liquor etc: 2 companies including 藥品
- Packaging, container and food machinery: 8 companies including 化学肥料
Case References

Berumu

Overview
• Japanese company Berumu, the first company which moved into Munmak industry complex, is the world’s No.1 high technology company in immune lactobacillus (Killed vaccine, cultivated lactobacillus powder) sector with history of 30 years
• Producing lactobacillus of 7.5 trillion per gram/ Acquired patent in biological response modifiers/ Researched and developed EF-2001 lactobacillus which is highly effective in immunity as well as in intestinal regulation
• Berumu’s Lactobacillus is widely used to control immunity from treating autoimmune diseases including allergy and atopy to reinforce high blood pressure, diabetes and cancer
• Considering to enter immunomodulator market (anticancer drug, atopy, arthritis medicine Etc) within 10 years, Expected to provide qualified jobs to science and engineering university students in the province and vitalize economies of the area as research center and facilities are constructed
• After first foreign investment consultation with Gangwon-do council in December 2014, it was designated as foreign investment area. There have been several investment consultations and presentations with Wonju-si, Korea industry complex and others, which led to constructing the factory site in September (approximately 5 thousand 373㎡ land, 5 million USD investment), and finish by the end of 2015
• Meaningful in investing new production facilities as Japanese company’s high value-added food materials in munmak FIZ, Gangwon province

Advantages of being selected for Foreign Investment Zone
• Low-cost to move in
• Provide various tax benefits
• Approval of certification ‘business with high-tech industry’

Business Considerations

Accessibility & Settlement

Transportation
• Airport: Incheon International Airport(145km), Wonju airport(28km)
• Port: Donghae port (175km) (berthing 9 ships, loading and unloading 20.28 million ton/year)
• Railroad: Wonju Station connecting Central line, Taebaek line, Youngdong(14km)
• Road: Yongdong Expressway Munmak IC(1km) (Seoul 112km, Chuncheon 88km, Gangneung 131km), National highway (No. 42 (Incheon↔Wonju↔Donghae)), Local road(No. 49(Munmak↔Dogye))

Living Conditions
• Education : 3 universities 18,197 students, 1 college 2,526 students, 5 vocational high schools 5,321 students, 14 high schools 11,978 students , 22 middle schools 13,847 students
• Medical Facilities : 2 general hospitals, 6 hospitals, 154 medical clinics, 77 dental offices, 77 oriental medicine clinics
• Others : Living and tourist environment with apartment of 63,560 households, 1 hotel, 4 indoor stadium, 1 sports stadium, 7 golf courses, 32 golf driving ranges and 3 swimming pools

Advantages: Low-cost to move in, Provide various tax benefits, Approval of certification ‘business with high-tech industry’
### Business Cluster

**Major Corporations**
- Food: 33 companies including Natural Samyang, Animal feed: 6 companies including Sunjin
- Beverage and Liquor: 3 companies including Baesangmyun Brewery, Food additive and materials: 4 companies including Bookook
- Food packaging, containers, processing machines: 15 companies including Durae

**Potential Customers**
- Supply from the densely populated area including metropolitan area etc., Cooperation of food manufacturing within zones with food containers/packaging/processing machines, etc.

**Related Organization**
- Research Institutions: Korea Food Research Center, Seoul National University Pyeongchang campus, Food Industrialization Research Center, Korea Forest Resources Research Center, etc.
- Business support organizations: Gangwon techno park, etc.

### Infrastructure

**Utilities**
- Water: Industrial water(3,000 ton/day), water for household use (5,000 ton/day)
- Wastewater: Processing 1,500 ton/day
- Electricity: Voltage 154kV, Capacity 10WA-420,000kw/day
- Communication: 1,200 lines (Possible to enlarge infinitely)
- Energy plan: After 2002. 11, LNG is supplied

**Labor Condition**
- Regional population:
  - **(Unit: persons, %)**
  - **Nationwide**
    - Population: 51,327,916
    - Available labor force: 31,600,268
    - Ratio: 61.6%
    - Bachelor's: 7.9%
    - Master's: 1.7%
    - Ph.D.: 0.6%
  - **Gangwon's Integrated Zone**
    - Population: 2,999,426
    - Available labor force: 1,781,840
    - Ratio: 59.4%
    - Bachelor's: 6.8%
    - Master's: 1.8%
    - Ph.D.: 0.5%
  - **Wonju/Jaecheon**
    - Population: 672,624
    - Available labor force: 400,272
    - Ratio: 59.5%
    - Bachelor's: 7.0%
    - Master's: 1.2%
    - Ph.D.: 0.4%

- Average wage: US$ 34,486/year
  - Calculated from employees of 30 companies (food sector listed) with an average of 8 years of experiences.

**Core Resource Supply**
- Convenience of acquiring technology/research workforce from Wonju University, Yongin University, Seoul National University of Pyeongchang campus
- Favorable environment for guarantee of technology and joint research with Research Center of Food and universities within zone

### Government Support

- **Additional financial support according to the Ordinance with the universal support for foreign investment company**

**Financial Incentive (Gangwon-do support fund for SMEs)**
- Supporting business: Automation, modernization of facilities, informatization, development, conversion of business, transfer of businesses from conglomerates to SMEs, systematization, encouraging ventures, investing in ventures, fostering small companies, linking with technologies, area specialization, joint businesses, support to attract businesses
- Target for support: Manufacturing related SMEs headquartered in province, or located at least one head office in the area
- Condition of support: 700,000 million or less of stability management capital, 1 billion or less of venture and competitiveness reinforcement fund per business
- Loan period: 2 years of management stability fund, venture and competitiveness reinforcement fund (a loan payable in five years with a three-year grace period, L-Biz fund payable in two years with a three-year grace period)
6. Gyeongbuk Bio Industrial Complex

Investment Highlights

Location Description
For companies interested in converged research between bio-medicine and food technology, it is proposed as R&D and production base.

Key Rationale
- Strength in biofood including special crops, medicinal crops, high quality and diversity of fruits and vegetable
- Actively processing converged research and communication with pharmaceutical and bio technology
- Gyeongbuk-do’s administration, education and cultural center as Gyeongbuk provincial government is transferred in

Land Information

<table>
<thead>
<tr>
<th>Zoning</th>
<th>General Industrial Complex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Total Area: 941,000 m² (Available Area: 23,000 m²)</td>
</tr>
<tr>
<td>Type</td>
<td>sale or lease</td>
</tr>
<tr>
<td>Land Price</td>
<td>USD 83.33/m²</td>
</tr>
<tr>
<td>Rent Fee</td>
<td>Yearly USD 0.83/m²</td>
</tr>
<tr>
<td>Requirement</td>
<td>Depends on occupying type of land</td>
</tr>
</tbody>
</table>

Location Overview

[Location Overview Diagram]

[Map of Gyeongbuk Bio Industrial Complex]

[Diagram with Key Locations and Landmarks]

[Legend]

[Diagram Legend]
Case References

Gyeongbuk Bio Industry Complex

Overview
• Gyeongsangbuk-do, Andong-si and Gyeongbuk bioindustry Institute concluded cooperation with 4 major pharmaceutical companies planning to move in Bioventure plaza
• ‘Influenza vaccine consortium’ which consists of Donga pharmaceutical, SK Chemical, Korea vaccine and Boryung bio pharma made a cooperation agreement for investing to establish manufacturing facilities of superior pharmaceutical products in Gyeongbuk bio venture plaza
• Gyeongbuk bioindustry complex proposed to attract domestic and international prospective pharmaceutical business; established solid foundation of local bio food · pharmaceutical industry cluster expanding from functional food
• Expected to build Gyeongbuk bio venture plaza 40 thousand m² lands, 20 thousand m² building spending USD 33 million; expecting new employment of 1500 workforce and inducing production of USD 333 million

Business Considerations

Accessibility & Settlement

Transportation
• Airport: Daegu international airport(100km), Incheon international airport(270km)
• Port: Pohang new port(110km) (Maximum cargo 1,143 thousand tons, berthing capacity 36 berths)
• Railroad: Central line Andong station(20km)
• Road: Expressway (Central expressway west Andong IC (9km)

Living Conditions
• Education: 1 university, 2 colleges, 1 vocational high school, 12 high schools, 14 middle schools
• Medical Facilities : 3 general hospitals, 76 hospital, 32 dental offices, 33 oriental medicine clinic, 39 health center
• Others: Apartment 71,881 households, 1 indoor stadium, 1 sports stadium, 2 cultural art centers
Business Cluster

Major Corporations • Food companies: Dongseo food, Okf (Vitamin water), Sodiff B&F (OCI Group company, processed meat), OCI Group Central Research Center
• Major Bio companies: SK chemical (Vaccine MFG.)

Related Organization • Research Institutions: Gyeongbuk bio industry research institute / Gyeongbuk livestock research institute / Gyeongbuk medical crop cluster / Gyeongbuk institute of marine-bio industry / Korea institute for animal products quality evaluation / National institute of horticulural & herbal science etc.

Infrastructure

Utilities • Water: Intake at Banbyeoncheon, supply at Andong filtration plant
• Wastewater: processing capacity (1,500 thousand ton/day)
• Waste: Considering establishment of waste disposal facility
• Electricity: ability to supply (67,725KW/day)
• Communication: 2.526 lines
• Energy plan: Planning to provide LNG

Labor Condition • Regional population:

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Available labor force</th>
<th>Ratio</th>
<th>Bachelor's</th>
<th>Master's</th>
<th>Ph.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>51,327,916</td>
<td>31,600,268</td>
<td>61.6%</td>
<td>7.9%</td>
<td>1.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Andong's Integrated Zones</td>
<td>1,867,799</td>
<td>1,072,155</td>
<td>57.4%</td>
<td>8.6%</td>
<td>0.9%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

• Average wage: US$ 34,486/year
  Calculated from employees of 30 companies (food sector listed) with an average of 8 years of experiences.

Core Resource

Supply • Supply and demand of manpower: Available workforces of 1 million within 1-hour distance and 180,000 workforce over bachelor's degree
• Supporting environment for diverse convergence technology: superior biopharmaceutical companies located in the area including SK Chemical Etc., Favorable base of cooperation of industries with universities including Gyeongbuk Bio industry Institute Etc.

Government Support

• Additional financial support according to the Ordinance with the universal support for foreign investment company
7. Gwangyang Sepung Industrial Complex

Investment Highlights

Location Description
By utilizing food processing trade and logistics infrastructure, it is proposed as the strategic investment area related to bio packaging and process manufacturing.

Key Rationale
- Abundant supply procurement of agriculture and fisheries livestock ingredients in Jeonbuk area
- Strategic location of utilizing adjacent shipping network environment (world’s 40th shipping distribution center which was benchmarked from Netherland’s Rotherdam)

Land Information

<table>
<thead>
<tr>
<th>Zoning</th>
<th>FEZ (Under the process of being designated as foreign investment Area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Total Area: 3,000,000m² (Available Area: 331,000m²)</td>
</tr>
<tr>
<td>Type</td>
<td>sale</td>
</tr>
<tr>
<td>Land Price</td>
<td>USD 215/m²</td>
</tr>
<tr>
<td>Rent Fee</td>
<td>Not decided (after designated FIZ)</td>
</tr>
<tr>
<td>Requirement</td>
<td>Foreign investment amount and stake in FEZ</td>
</tr>
</tbody>
</table>

Location Overview

1 USD = 1,200 KRW

Zoning: FEZ (Under the process of being designated as foreign investment Area)
Scale: Total Area: 3,000,000m² (Available Area: 331,000m²)
Type: sale
Land Price: USD 215/m²
Rent Fee: Not decided (after designated FIZ)
Requirement: Foreign investment amount and stake in FEZ
Case References

CM Food Trading

Overview

- CM Food trading completed the second factory 'CM food trading' in the east hinterland of Gwangyang port
- Importing frozen marine products from Southeast Asia including Vietnam, exporting to Japan after processing
- The first food processing company in Gwangyang Port economic zone
- Gwangyang factory is equipped with cold storage as well as facilities of classification, processing and packaging in 852㎡ buildings out of 5,152㎡ total site, expecting to create new employment of 40 people

Background of investment decision

- Superior food processing system and safe food, Utilized the geographical advantage of Gwangyang port and discovered new business model
- Milestone of Gwangyang port's development which is the growth of diverse business models utilizing marine products

Business Considerations

Accessibility & Settlement

Transportation

- Airport: Yeosu Airport(32km), Sacheon airport(52Km)
- Port: Gwangyang Port Hinterland (2 domestic harbors, 78 berths, 43 thousand ships/year enter and depart)
- Railroad: Jeolla line Suncheon Station(4km), Gyeongjeon line Gwangmyeong Station(20.1km)
- Road: Expressway (Namhae Expressway East Gwangyang IC (12km)

Living Conditions

- Education: 1 University 3,317 students, 1 Graduate school 1 312 students, 1 College 1,520 students, 5 Vocational high schools 2,149 students, 15 High schools 11,787 students, 23 Middle school 12,219 students
- Medical Facilities : 3 General hospitals, 132 hospitals, 62 dental offices, 50 oriental medicine clinics, 45 health centers
- House: Apartment of 53,377 households
Business Cluster

Major Corporations
- Major food companies: Hanbit bio (Animal Feed), Kumbo Marine product, Boyang (Sea food processing), Ochun sanup (Sea food processing), Wonjin catering, Bio Resource (Functional Food & Materials) etc.
- Packaging companies: Geumhae (Canning)
- Logistic Hub for food and beverage/liquor companies: Diagio Korea Logistics Center, Nongshim logistics center etc.
- Food production machinery companies: Namdo Machine (Food packaging Machine)

Related Organization
- Research Institutions: Jeonnam Bio food industry Center, Jeonnam Bio Industry development center, Suncheon University environment friendly Bio industry team, Biomaterials analyzing and utilizing industry team, Gochang berry & Bio food research center etc.
- Industrial support Centers: Gwangyang Bay Area Free Economic Zone Authority, Jeonnam technopark etc.

Infrastructure

Utilities
- Details will be decided after the construction in March 2019 as the construction is started in February 2015

Labor Condition
- Regional population:

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Available labor force</th>
<th>Ratio</th>
<th>Bachelor's</th>
<th>Master's</th>
<th>Ph.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>51,327,916</td>
<td>31,600,268</td>
<td>61.6%</td>
<td>7.9%</td>
<td>1.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Gwangyang Bay</td>
<td>1,708,143</td>
<td>962,925</td>
<td>56.4%</td>
<td>7.0%</td>
<td>0.9%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

- Average wage: US$ 34,486/year
Calculated from employees of 30 companies (food sector listed) with an average of 8 years of experiences.

Core Resource
Supply
- Supply and demand of workforce: 960,000 workforce within 1-hour distance and 70 thousand workforce over bachelor’s degree is available
- Procurement of subsidiary materials: Favorable procurement environment as the main city in Jeolla province with 29.8% of domestically cultivated acreage, 31.5% of fishing production
- Ease of food material procurement from China and Japan through Gwangyang port
- Establish comprehensive processing with supplying materials, processing, distributing utilizing Youlchon industry complex, Gwangyang port hinterland

Government Support

Universal financial support for Free Economic Zone and foreign investment companies
Additional financial assistance will be discussed according to the Ordinance