

KOREA NATIONAL FOOD CLUSTER

FOODPOLIS

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COVER STORY

PACKAGING INNOVATION



INDUSTRY LEADER

Greatview

FOOD TRENDS

Top10 Trend 2014 by Innova Market Insights

DOMESTIC INDUSTRY LEADER

Lotte Foods - Food Giant



NO.1 KOREAN FOOD COMPANY



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Contents

- | | | |
|--|--|--|
| <p>04 From the Editor
What's on Your Food?</p> <p>05 Industry Leader
- Greatview</p> <p>11 Cover Story
Innovation in Packaging</p> <p>21 Trend Report
Top10 Trends 2014</p> <p>27 Policy Talk
4 Strategies to Make South Korea's Food Industry Globally Popular</p> <p>29 Foodpolis News
- Hampton Grains Korea Inc. (U.S.)
- 7 Singaporean Companies
- SMK Group (Canada)</p> | <p>39 Domestic Industry Insider
Lotte Foods</p> <p>41 News Track
Latest News and Statistics</p> <p>49 Food Travels
- Singapore Food Festival 2014
- Pohang International Fireworks Festival 2014</p> <p>53 Food Trend
Chi-maek</p> <p>55 Photo Essay
- Hangari
- Yugi</p> <p>57 Summer Reading
Book Recommendation</p> | |
|--|--|--|

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11



21



31





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NATURALLY ENHANCE
AND BALANCE THE TASTE
OF YOUR DISHES.



What's on your food?

In this month's issue, we cover what's covering your food. The packaging, to be precise. We don't often give much thought to how our food is packaged, but it can make a real difference, not only in how a product is consumed, but also in how it is perceived. Indeed, we know for sure that a strong package concept can make or break a new product, or revitalize the fortunes of well-established ones, driving purchase intent among target consumers.

When successfully done, packaging is one part creative design, and two parts triumph of exceptionally intelligent research and development. There are some truly great food packaging ideas out there, and our cover story looks at some of the more intriguing ones, like a label that changes to tell you when your fruit is ripe (page 14), a monitoring mark that lets you know if the food has gone bad (page 16), and even a package that becomes part of the food itself and can be eaten (page 17).

There is also some great info from Innova Market Insights (page 21) on the top ten packaging trends driving the industry this year. It's clear that sustainability has become exceptionally important to consumers.

In our Industry Leader section, we track the up-and-coming aseptic packaging company from China, Greatview. There are basically only two players in the world in this closely

structured industry: Greatview and Sweden's Tetra Pak, the industry giant, which pioneered the industry in the 1950s with its innovative use of the tetrahedron and, subsequently, its Tetra Brik packages. It is a fascinating battle between these two companies as the upstart continues to chip away at the giant's market share in China and in Tetra Pak's own backyard in Europe. We pick up the trail with a look at Greatview's case study (page 5) and also speak directly with the company's CEO, Jeff Bi, to get his story (page 10).

We also have some fascinating stories for you in our News Track section on some of the key trends in the industry, such as the Craft Beer craze sweeping the globe. Did you know that it's also driving up the cost of hops? (page 46) We also cover China's efforts to strengthen its domestic dairy industry (page 42), and how a Korean coffee company is going global in a big way (page 45).

And then there's some fun items, such as a great piece on what is arguably the culinary capital of Asia, Singapore (page 49), and one of my favorite Korean food trends, Chi-maek! (page 53)

I hope you enjoy this issue.



LEE Dong Phil

Minister of Agriculture, Food & Rural Affairs

OFFERING VALUE

by Offering
the Market Choice



It's been called a battle between David and Goliath, pitting China's Greatview Aseptic Packaging Company against Sweden's Tetra Pak, which has controlled the global market for aseptic packaging virtually unchallenged for half a century. Today, Greatview remains firmly in the number two slot, but it continues to chip away at its rival's lead as it expands worldwide.

The Greatview Aseptic Packaging Company is not what you would call a flashy, consumer facing company. Indeed, it will never be a household name. But its products can be found in households around the world, and it's clearly a company on the rise.

Greatview makes the highly specialized sterilized packaging that ensures the milk and juice you consume at your kitchen table are as fresh and tasty as the moment

they were produced at the factory. Aseptic packaging is one of the world's safest ways of preserving fresh food, and technology is critical in the process.

Greatview's rival is a Swedish firm called Tetra Pak. It is by far the world's most dominant player, having enjoyed a virtual monopoly for more than 50 years. In 2009, for instance, it controlled some 80 percent of the world's aseptic packaging market and 70.2 per cent of

the business in mainland China, which is by far the world's largest for aseptic packaging. The company also produces and controls the Tetra Brik machines that are used to package the drinks.

In the 13 years since its founding in 2001, Greatview has been working to break down Tetra Pak's virtual monopoly to offer choice to dairy and juice makers, giving them an alternative supplier of high-grade, sustainable packaging.





Products with amazing packages sometimes grab our attention. But even if the design is really outstanding, it tends to play second fiddle to the product inside.



A Difficult Choice

Choice brings cheaper prices for Greatview's clients and partners, but that's not entirely their main concern. Dairy and non-carbonated drink producers know that even just one failure, one bad news story about a package gone bad or a consumer getting sick, can ruin their brand. So switching from the established player to the upstart was initially a tough sell for Greatview.

Greatview's CEO Jeff Bi has not been shy about recounting his company's initial struggles, telling media, "When we came into the picture, customers were sceptical. They told us Tetra Pak had been around for 50 years, how could we compete?"

The message, which was delivered loud and clear to the newcomer, was that if they switched to Greatview, and the company failed to deliver on its promise, the manufacturers would not survive the consumer backlash. In other words, the stakes were very high and



Greatview would need to respond by attaining greater scale with exceptional manufacturing integrity.

“We had to demonstrate our ability to grow, and we have done so by increasing capacity every year,” Bi said.

Success in China

Based in mainland China, the initial, most obvious target was the large Chinese market and, in particular, its major dairies. Greatview has seen tremendous success there, signing deals with Chinese dairy giant Mengniu, as well as international drinks players like Coca-Cola and Nestle. Just last year in April, Greatview and Mengniu celebrated their partnership by announcing that accumulated production had surpassed 10 billion cartons.

And while the company flies under the radar for consumers, investors have been well briefed on the company’s potential. In its early years, it received aggressive investment from international private equity and, in 2010, the company went public in Hong Kong, debuting on the HKEx Main Board to incredibly strong demand for its initially offering, with shares surging by 14.4% on the first day.

Referring to that success, Bi indicated that it was a huge stamp of public approval of its basic mission. The listing “ended our seven year effort to achieve market recognition and confirmed our place as a credible alternative supplier to Tetra Pak,” he said in an interview.

And the surge in share price on that first day of trading? “It reflected the assumed benefits of dual supply as well as the anticipation that our emergence would change the supply chain and end the monopoly.”

Success in Europe and beyond

Greatview continues to thrive in China but its sights are set far beyond the mainland.

In March of 2011, the company announced an aggressive expansion into Europe, beginning with a 50 million euro production facility in Halle, Germany that created more than a 100 jobs and gave the company an opportunity to export to the Middle East as well as North and South America.

The plant was designed to have an annual production capacity of 4 billion packages but Greatview quickly eyed expansion. The company developed a sales and marketing presence in North Africa and the Gulf area and, more significantly, on May 26, 2013, it signed an official memorandum of understanding in Berlin to double production with a second production line that would cost the company an additional 38 million euros.

It was a remarkable event, with



German Chancellor Angela Merkel and Chinese Premier Li Keqiang looking on. The capacity increase to 8 billion packs annual is significant, but more than the numbers, the signing was an important milestone and another massive endorsement of Greatview's credo about creating alternatives in the marketplace.

"Choice creates value," said Hong Gang, Greatview's Board Chairman at the signing. "We bring much needed competition to Europe, and this latest expansion at our Halle factory cements Greatview's long-term commitment of establishing itself in Europe and from there better serving dairy and beverage customers worldwide."

Today, Greatview stands as the world's second largest supplier of roll-fed aseptic packaging that can be used on Tetra Pak TBA Fillers, with annual group capacity of over 17 billion units and more than 1,250 employees. Revenues and

profits have grown every year since 2009. In 2013, the company reported 23.8% increased revenue and 5.2% increase in gross profit. Net profit margins were down slightly in part due to higher raw material costs.

At year's end, 86.1% of its revenue had been derived from its Chinese operations, with the remainder coming internationally. Nearly 94% of revenue comes from dairy producers.

And while Greatview still runs a distant second, it has pushed Tetra Pak hard, taking market share and forcing it to face the added competition by lowering prices. In 2013, Greatview's annual carton sales topped 10 billion for the first time. To date, the company has over 40 billion cartons in cumulative sales and has supplied its product to 9 of the top 20 dairy producers by revenue.

It also has a strong track record on sustainability and R&D. On the

sustainability front, more than 75 percent of the cartons produced by Greatview in 2013 were made used of paperboard from sustainably managed forests, and it has been a leader in the use of so-called Chain of Custody Certification, which tracks certified sustainable materials throughout the production process, requiring vendors to certify the origins of the wood used in their process. It's a point the company takes great pride in.

The company is also moving forward on developing new technology for new filling equipment that matches up with its packaging. Put simply, Greatview has come a long way in a short period of time and it's not standing still.

Interview

Jeff Bi

CEO of Greatview



FOODPOLIS interviewed Mr. Bi and the following is a condensed and edited version.

Is this really still a David versus Goliath match?

Greatview's market position is now much more secure than a few years ago. However, the liquid food market is constantly evolving, and as we face stiffer competition and increasingly demanding customers, we must adapt. Greatview remains fixed on its long-term goal of ending the global monopoly on aseptic cartons and we are gearing up to face more challenges ahead.

What's your biggest challenge going forward?

In a word, growth: We need to increase in size and reach in order to continue improving our service to global customers, which in turn demands that we also increase our customer portfolio.

Where does Greatview stand today and is further expansion in the cards?

With over 17 billion packs in annual production capacity, there is large scope for Greatview to increase market share in all of our regions. Our two China factories supply packaging material to Chinese and South-East Asian markets while our German factory now offers improved supply to customers in Europe, the Middle East, Africa and North & South America.

What is it so important to have more than two players?

Dual supply encourages healthier competition and drives down customer costs, moving customers closer towards the brand's gravitational pull. Through our offering, customers can create a more functional supply chain. Going forward, Greatview will further strengthen the quality of service it can offer to customers as volumes increase.

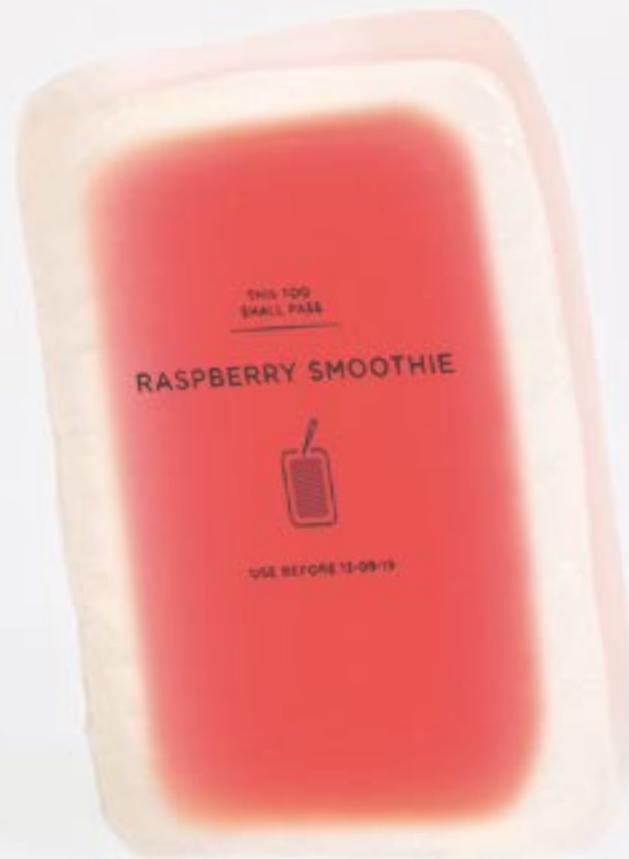
Have you looked at the Korean market for opportunities?

At present, we supply packaging material to East Asian markets from our Gaotang factory in Shandong. Whilst we presently have no customers in this region, we would encourage all liquid food producers in Korea who own Tetra Brik Aseptic Machines to consider our value proposition.

What is the primary differentiation point between Greatview and your rival?

Our unique selling proposition begins with price, but what sets the company apart from the competition is our strict adherence to quality control. Greatview produces high quality packaging material using raw material from world-class suppliers and processed on state-of-the-art production equipment. Another important point is that Greatview has the best record for responsible sourcing in the industry. Last year, three quarters of Greatview cartons came from certified sustainably managed forests.

INNOVATION IN PACKAGING



ACTIVE, SMART & CREATIVE PACKAGING TECHNOLOGIES



Products with amazing packages sometimes grab our attention in powerful ways. But even if the design is really outstanding, it tends to play second fiddle to the product inside. It's just not the main attraction.

But while it's typically an afterthought, great packaging might just be the make-or-break point for companies seeking to capture consumer imagination with their products.

Driving sales with great design

How critical is packaging to drive purchase intent? According to a survey by MeadWestvaco, an American packaging company based in Richmond, Virginia, 41% of respondents said that packaging is an important product attribute, and 36% pointed out that they tried a new product because the packaging intrigued them.

At the same time, the study also suggests that only one in 10 people are completely satisfied with the packaging that they encounter. So clearly there is an opportunity.

Speaking about his study, MWV's VP for global creative, Steve Kazanjian was quoted as saying that "packaging impacts shopping behavior, influences product satisfaction, and motivates consumers in global markets in different ways. Packaging continues to play an important role in building brand loyalty and driving repeat purchase in-store."

He also pointed out that the survey results show that packaging is a vehicle that has the power to connect brands and consumers online." For example, the study showed that 22% of consumers write online reviews about products based on the packaging, so it's clearly a chance

for brands to engage with consumers. Kazanjian calls this a big opportunity for brands, pointing out that the vast majority of consumers want something more inspiring.

Highly Advanced, More Sustainable

From a purely practical standpoint, of course, packaging is meant to prevent waste and deliver food products to consumers in good condition, making sure the product is not only safe to eat but also as delicious as it was when it first emerged from the production facility.

But the world of consumer packaging has definitely matured and modern technology has allowed it to go so much farther than those simple practical considerations. Today, more and more companies are pursuing innovative designs that are sustainable and smart. That helps them to improve food safety and security while at the same time being fun and imaginative in a way that can actually drive product demand and increase sales for the company.

Call it a win-win. The consumer gets a product that they enjoy eating while the company enjoys increased profitability.

Sustainability has quickly become an

important component, with food safety not far behind. The industry magazine Packaging World teamed up with DuPont to survey 500 industry experts in North America and Europe regarding future trends in packaging. Among the results, respondents predicted that the importance of sustainability in packaging would more than double in the next 10 years in North American and Europe, followed by food safety and security.

The survey also indicated that cost savings would no longer be a significant driver of company decision making regarding packaging, suggesting that companies would place more priority—and budget—on packaging innovation. Fully 81 percent of the industry insiders were of the opinion that packaging will play a more important role in determining which products succeed with consumers in the future.

Three Unique Trends

To stay on top of those trends and achieve success, packaging companies and designers have delved into the latest technologies in three unique packaging trends: active, smart, and creative design.





Loliware New York design consultancy THE WAY WE SEE THE WORLD created LOLIWARE, which is edible, translucent, moldable, and biodegradable.



RipeSense has a label that absorbs ethylene to tell consumers when the fruit attains their desired level of ripeness.



ACTIVE PACKAGING

Active packaging is one of the most exciting and technologically complex of packing types. Active packages utilize components built directly into the design that are set to release into the food in the package or, in some cases, even absorb it. The packaging utilizes highly advanced technology and chemical reactions, surrounding the food with material that is purposefully meant to get into the act and make the food even better while also preserving the quality of the food during shelf life. It's also meant to extend shelf life, which is particularly important for fresh foods and beverages.

Major active packaging techniques involve substances that absorb oxygen, ethylene, moisture, or carbon dioxide, as well as those releasing carbon dioxide, antimicrobial agents, antioxidants, and flavors.

A common example can be found in the case of fresh fruit and vegetables, which produce ethylene naturally. Scientists and designers took note of that process and developed one of the most widely used packaging technologies available on the market today, called an ethylene absorber. It is a growth-stimulating hormone that actually accelerates the process of product ripening and senescence. In the end, that makes the fruit or vegetable perfect for your table just in time for consumption.

One of the pioneers of this active packaging



Heat Genie incorporates a special heating unit into the can so consumers can enjoy a hot beverage in about 2 minutes.



technology is a highly innovative New Zealand company called ripeSense. It has produced a label-based indicator that changes color from red to orange and to yellow as the fruit ripens. The indicator works based on aromatic compounds that are being produced from this process. If it is red, it indicates the fruit is crunchy. Orange means the fruit is firm and yellow means it is juicy.

By matching the color of the sensor with one's preference, consumers can accurately choose fruit as ripe as they like, according to the company's website. The innovation was chosen by Time Magazine as one of the greatest inventions in 2004.

Another active packaging technology involve self-heating and self-cooling techniques. HeatGenie, a company based in Austin, Texas, developed energy storage technology that heats the food or beverage using a solid state thermal reaction. The heating material contains aluminum and silica, both benign elements which, in a mixed powdered state, can undergo a chemical reaction that effectively gives off a large amount of heat, according to the company's website.

HeatGenie designed the can with a thermo mechanical button on the bottom. When pressed, it generates a localized hot spot on the surface of the fuel that starts the oxidation reaction. It takes only two minutes for the fuel to be spent and the heating process to stop.



3M's MonitorMark gives food companies the option to use a special label that monitors the quality of the food inside based on heat exposure outside the cold chain.



Wikifoods uses an edible packaging from Quantum Designs that involves electrostatic gel.



SMART PACKAGING

Intelligent packaging monitors the condition of packaged food or the environment surrounding the food. Most importantly, it communicates with consumers about the food, according to Dr. Selcuk Yildirim, the head of the Center for Technology and Packaging at Zurich University of Applied Sciences, in a research note.

A good example is a bacteria-based time-temperature indicator. TRACEO, which is made by a company of the same name, is a transparent adhesive label which traps selected strains of lactic acid bacteria.

Designed for refrigerated products, TRACEO delivers a two-fold response when placed over a bar code reader, a change from colorless to pink. Simultaneously, an opacification reaction occurs if the product has reached its expiration date or deteriorated. If it turns opaque, then the bar code reader cannot properly identify the code and it will be automatically rejected by the scanner at the checkout.

Another example is the 3M MonitorMark, which is a temperature indicator that monitors temperature exposure. It actively signals when the product quality should be checked. The process depends on an oxidable chemical system that produces a color change. It is all controlled by temperature, which is in turn dependent on permeation through a film. Consumers can monitor the change using a diffusion-based indicator label.

Other technologies in smart packaging also include ripeness indicators, chemical sensors, bio sensors and radio frequency identification (RFID).



TRACEO has a unique bar code that changes color if the food has been contaminated. If the label is opaque, throw it out!

CREATIVE DESIGN PACKAGING

As pointed out in the Dupont survey, sustainability is quickly becoming a critical design feature for consumers, going above and beyond the issue of simply making a food product look good. Indeed, sustainability will become the primary point of appeal in the future, a matter that wraps the issues of environmental protection together with shelf life and food waste.

This will place much more pressure on the companies to expend precious R&D budgets on designing smarter, more creative packaging. Companies will also have the added burden of needing to prove to consumers that their packaging is indeed greener, with the goal of achieving the near impossible threshold of 100 percent sustainability. Not surprisingly, science and technology will play a huge role in helping companies succeed in this mission.

One of the leading innovative designs in packaging

is plastic-free, edible food and beverage packages made of natural ingredients, invented by Harvard Professor David Edwards. Branded as Wikifoods, it is actually a subsidiary project of Quantum Designs.

"I was interested in creating through art and design at the frontiers of science, completely new ways of delivering food and beverage," Edwards says on his company website, adding that the main focus was to bring excitement, pleasure and deep nutritional value with minimal side effects either to human health or to the environment.

The skin is made of protective electrostatic gel, based on interactions between natural food particles, nutritive ions and a polysaccharide. Items on sale include ice cream, frozen yogurt, cheese, and juice, all sealed in edible and portable skins. "It's got to be true that the future of food and beverage accomplishes those two things, it makes me healthy and it makes the environment sustainable," says Edwards.



MATERIAL EXPERIMENTS / CARMELIZED SUGAR



Tomorrow Machine uses actual food products, such as caramelized sugar, to encase foods in packaging that can be eaten or that can biodegrade.



Another creative, eco-friendly designer, Tomorrow Machine, introduced a fun way to make food packaging using only biodegradable materials. The Swedish design studio describes its package as having “the same short life span as the foods they contain.” Some of its innovative items include a self-cleaning plate and cup made out of cellulose, and a rice package that is made of biodegradable beeswax and which opens like an orange peel. The company also boasts an olive oil bottle that is made of caramelized sugar and coated with wax, which cracks open like an egg.

Won Chan Lee is a South Korea-based designer who has also earned recognition and high praise for his innovative packaging designs. Lee created a new beer package for the Belgium beer Leuven. The black, handbag-like package holds four beer, each packed in a translucent, stand-up pouch.

“Conventional beer packaging was mostly boring and looks the same. I wanted to create something fun and new,” he said. Its sleek design is not only refreshing, as it clearly stands out from traditional bottles or cans used by other beer brands, but it’s also portable because it is lightweight.

Another design from Lee the neatly straddles the line between chic and functional is a paper-based wine package called “vin grace.” The diamond-shaped package in white embossed texture adds elegance, while functionality is added by replacing the cork with a stainless steel pourer. Also, because of its material, it’s much safer and cost-friendly for shipping than traditional wine bottles.

“To me, differentiation is the most important factor in packaging design, it has to stand out among other products on the shelf,” said the designer.

Won Chan Lee created portable, lightweight and fun beer packaging for Leuven Beer from Belgium.



Vin Grace revolutionizes the traditional wine bottle, with an all-paper design that goes anywhere and comes with its own stainless steel spout.



A New World of Packaging Creativity

The Food Packaging Center at FOODPOLIS is being prepared to help businesses create new ideas like Won Chan Lee's. The center will provide comprehensive services for companies located in the cluster and around the world, with dedicated research staff who can analyze and test packaging, as well as designers who can support companies as they bring their products to market.

It is increasingly clear that we have entered a brave new world of packaging design, coupled with amazing advances in science and technology. These advances have the power to drive pure innovation in the packaging industry, introducing exciting opportunities for food companies as they develop new functional products and entice consumers with something different.

These innovations are not only inspirational. They also provide an opportunity to the industry to inject a much higher degree of sustainability into the marketplace and drive sales even further. It's only a matter of time before the next killer product with the next-generation design appears on our supermarket shelves. We'll be watching for it.

WASTE REDUCTION
AND REGAINING TRUST
LEAD TREND LIST

TOP 10
TRENDS 2014

by
Robin Wyers & Natalie Tremellen,
Innova Market Insights

“WASTE NOT WANT NOT”
AND “YOU CAN TRUST US” TOP
THE INNOVA MARKET INSIGHTS’
FOOD & BEVERAGE
TOP 10 TRENDS LIST FOR 2014.



The latest trends shaping food industry product development include moves to reduce the huge amount of unnecessary food waste, as simultaneously consumers adapt their shopping habits in times of continuing austerity. These trends come as the industry focuses on regaining consumer trust, following a year of scandals and negative headlines. “Waste Not Want Not” and “You Can Trust Us” top the Innova Market Insights’ Top 10 Trends list for 2014. Innova Market

Insights’ Top 10 Trends list is the culmination of ongoing analysis of trends and developments in new product launch activity worldwide. Innova Market Insights continues to be successful with its annual trend predictions. For example, “Sustainability Replaces Organic” (2007), “Go Natural” (2008) and “Boom for Protein” (2012), all still have a significant bearing on the global industry today (www.innovadatabase.com).

01

WASTE NOT, WANT NOT

For some time now, manufacturers' sustainability efforts have been zeroed in on, with a more recent shift in focus being to reduce food loss or waste wherever possible. Food loss during production and food waste at the retailer and consumer end of the food-supply chain will be heavily scrutinized, with new solutions emerging to recycle, reuse and reduce at all costs.

- The development of secondary markets for reuse of food and by-product recycling with energy recovery will become the norm.
- There will be more onus on the consumer to reduce food wastage and more media-led promotion to shop efficiently.
- Transit and packaging innovation will come to the fore to keep food fresher for longer, along with smaller pack availability.
- Waste “footprints” could become the next environmental measure for companies big and small.





02

“YOU CAN TRUST US”

Recent food safety scares and scandals have crippled consumer confidence and companies have their work cut out for them in order to regain consumer trust. Ingredient origin will be used as a marketing tool and ultimately the consumer should benefit from higher quality foods that are clearly traceable.

- Ingredient origin claims will move to the front-of-pack and be more prominent.
- The use of tracking codes or QR codes on packaging to view where ingredients are sourced from will be readily applied.
- Hormone free, GMO free and similar claims will be sought out by consumers and could be the difference between the purchase of one product over another.
- Niches for super premium ingredients or products may evolve to meet the demands of more skeptical and discerning consumers.

03

SIMPLER PLEASURES

There are certainly positives for society as a whole with the renewed focus on austerity. Consumers have had to reassess their needs and in regard to food get back to basics and look at what they actually need to consume. There has also been a shift towards more home cooking, with food bringing family and friends together in preference to quick, convenient and more expensive fixes.

- Sales of budget cooking ingredients from cheaper cuts of meat to tins of tomatoes should boom.
- The frozen food aisle may find a new lease of life, as consumers look to frozen fruit and vegetables as cheaper alternatives to fresh.
- Private label value lines will be continually revamped to be more visually appealing.
- Value packaging, good value claims on the products themselves and in-store value promotions will prosper.



04

LOOK OUT
FOR THE SMALL GUY

Small innovators are rising to the challenge, with the development of high quality and distinct products that have small-scale appeal, but big potential as far as future product trends are concerned. Social media platforms have provided more opportunities for small companies to develop a market by directly targeting niches across their home market and abroad.

- Big companies will be increasingly looking to smaller companies for product innovation ideas.
- Craft-inspired or handmade snacks, biscuits and beverages will be the “small guy” categories with the most potential to impact future trends.
- New ingredients, concepts and preparation/processing methods for more health benefits will emerge.
- Flavor authenticity or in some cases flavor novelty will be a strong driver.

HEALTH IS
MORE HOLISTIC

05

Nutrition is getting closer to being truly recognized as the answer to healthcare budget crises around the globe. Some big food manufacturers are looking to all areas of health for a more holistic approach in providing nutritious food and beverage solutions to consumers. Clinical nutrition is being eyed as a highly profitable platform along with health alternatives.

- More body, mind and spiritual connection will be played off with particular ingredients.
- Health-giving, natural extracts full of rejuvenating medicinal properties will be applied in food and beverages where possible.
- Vitamins & minerals promotion will continue to be a strong claims focus.
- Traditional medicine alternatives such as TCM and Ayurvedic will be further explored.

“NEW”
SUPERFOODS

06

Nature’s own functional foods: fruits, vegetables and grains are being revisited. The revival of heirloom vegetables such as parsnips, artichokes, kale and salsify and the rediscovery of new ancient grains such as freekeh and chia, are indicative of going back to the future.

- Regulatory pressure is leading to an increased focus on fruits and vegetables due to the global obesity epidemic.
- Previously forgotten vegetables will be used for more old fashioned nutrition.
- Alternative grains will increasingly find their way into mainstream products.
- Marketing fruit & vegetables’ natural health attributes as far as vitamins and minerals are concerned.

THE RISE OF THE HYBRID

07

New product innovation is pushing boundaries more than ever before with the development of new product concepts altogether, making product categorization a challenge. Cross-branding from apparently unrelated brands is also more prevalent.

- Limited edition innovation should increase as companies test the market to see if new concepts are worth pursuing.
- Well-known brands will venture into previously unimagined categories.
- Cross-branding will become more prevalent to capitalize on brands' popularity and as a means to further reinforce brands in the consumer mindset.
- New flavors, textures and delivery methods will continue to excite.

THE PROTEIN HORIZON

08

New product development concerning protein continues to go from strength to strength, with protein claims evident in a wide variety of foods and beverages. The dairy category has been the main beneficiary, with yogurt, and more specifically Greek yogurt, being the catalyst. The addition of high levels of protein to certain products has attracted more male attention to some market categories.

- The addition of protein sends subliminal weight management messaging due to its satiety attributes.
- More male specific marketing will emerge for mainstream protein products, not just for sports nutrition products.
- Vegetable protein development will continue to flourish in order to be available to a wider range of consumers.
- New protein product development for bakery items will be an area of focus.

NEW STEALTH STRATEGIES

09

Industry moves to steadily reduce the sugar, salt and saturated fat contents of products is not slowing down, but is actually gaining momentum. The notion of whether to take a stealth or health approach to marketing is a key issue for manufacturers, while maintaining a clean label being another side issue for consideration.

- Industry pledges will continue to evolve and some companies will set their own targets to be seen as socially responsible.
- No added sugar, sugar free and low sugar positioned products should continue to surge in number.
- Fructose friendly is an emerging claim to look out for and caters for the growing incidence of fructose malabsorption.
- Clean labels will be a given.

ALTERNATIVE ALTERNATIVES

10

The “free from” food movement has resulted in the evolution of other alternatives to the standard choices for allergy conscious new product development. New competition for soy includes coconut milk, nut and grain milks. Big companies will be increasingly looking to smaller companies for product innovation ideas.

- Consumers are expecting more choice and want to try something different to the mainstay soy.
- New product categories such as kogurt (coconut milk yogurt) have emerged.
- Nut and grain milks satisfy other health trends such as added/high in protein and superfood trends.
- As gluten free options continue to expand, so too are the possibilities for wheat replacement, with improvements being made in texture and taste.



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4 STRATEGIES TO MAKE SOUTH KOREA'S FOOD INDUSTRIES GLOBALLY POPULAR

The Ministry of Agriculture, Food and Rural Affairs announced several plans in March in an effort to improve the competitiveness of South Korea's food industries in global markets.

To achieve that, the government proposed four subset goals:

1 Foster small and medium companies and startups in regional food business

The Ministry aims to foster agriculture technology centers at a city- and county-level by helping them with marketing strategies and extending startup accelerator programs. For instance, the agriculture technology center in Ganghwa county, with government aid, launched startup accelerator programs, which attracted about 990 workers, and as a result, the center has developed 36 new processed food products, created new technologies and gained patents.

The government also proposes an

agriculture-industrial business model for small and medium sized food companies to cooperate with one another. For instance, farmers and small business owners can bring their own advantage, material supplies and food processing techniques, respectively, to develop a new technology together.

2 Support food related businesses and make promotional product marketing strategies

- The Ministry said it will increase the R&D investment in equipment and packaging industries up to 20 billion won (roughly \$19.8 million) by 2017. It will provide professional consulting services in packaging design.
- The government aims to highlight food packaging centers at the national food industrial complex to become the global hub for its R&D and consulting.
- The Ministry also proposes to do strategic marketing for a certain list of products that are globally marketable in the future. Some examples may include

instant food, outdoor food, frozen food, organic and health/nutrition items such as gluten-free, low-sodium and sugar substitute products.

3 The Agriculture Ministry aims to expand agriculture exports to emerging markets to 10 billion won by 2017

To achieve that, the government plans to come up with customized strategies for different countries as well as for various exporting items. It also suggests to cultivate professional organizations such as the horticulture production complex and export-oriented farming district.

4 Support the national food cluster to become a major hub for food exports

- Build an R&D center by 2016 focusing on three sectors, food quality and security, food functionality evaluation and packaging.

The Ministry of Agriculture, Food, and Rural Affairs is moving quickly to bolster Korea's food industry and, not surprisingly, the focus is on creativity and fostering startups and SMEs into champions. The Ministry's new policy also adds more wind to FOODPOLIS' sails as it drives investment into the National Food Cluster. In other words, it's full steam ahead for the industry. So if you haven't done so already, it's time to give Korea a close look.

1
Foster startups, and small and medium sized companies in regional food businesses.

2
Support food related businesses such as equipment and packaging, and make promotional product marketing strategies.

3
Target emerging markets to increase food exports.

4
Develop Korea's National Food Cluster, FOODPOLIS, as a strategic hub for food exports.

GRAINS FOR THE FUTURE, AT FOODPOLIS

USA-based Hampton Grains inks investment MOU with FOODPOLIS, eyeing strong growth in Korea's domestic food industry and the opportunity to export with ease to countries around the region and around the world.

On May 21st at a signing ceremony held at the Grand Intercontinental Hotel in Seoul, Hampton Grains joined a growing list of international agri-food companies to join the vision at FOODPOLIS, with a multimillion dollar MOU to invest in a new, state-of-the-art processing and storage facility.

The Anaheim-based company already supplies high quality grains into the Korean market via the United States and is now looking to expand its business in Asia with an investment in FOODPOLIS.

"We see this as an excellent opportunity for us to expand our relationships in the Korean market," said Hampton Grains CEO John Kwak. "We're already very active here with a number of distributors and we hope this will be a solid foundation for us to build on."

In his prepared remarks, Kwak spoke

about his company's strong desire to contribute to Korea's overall food security, noting that Korea already needs to import much of the grain it uses, and that having more local processing and storage facilities like the ones the company plans to build will help Korea smooth out supply bottlenecks and price fluctuations.

He also expressed a desire to be a part of the government's vision to develop the country's food industry by locating in the FOODPOLIS national food cluster, pointing out that the cluster approach has been proven in a variety of industries in countries around the world.

It's a point also taken up at the signing ceremony by Yoon Dong-jin, Director General of the Food Industry Policy Bureau at Korea's Ministry of Agriculture, Food, and Rural Affairs. "FOODPOLIS provides companies like

Hampton Grains the opportunity to gain synergies from proximity with other industry players," he said. "And it gives tremendous access to not only the dynamic Korean market of 50 million people, but also the entire Northeast Asian market and beyond. We believe it will become a very strong export platform in the very near future."

It's an opportunity that Hampton Grains is keen to capitalize on. In addition to making a contribution to the development of Korea's domestic food industry, it also has its eyes set on developing its export opportunities.

One project the company is working on is to build a facility capable of processing brown rice into powder form that can be utilized as inputs in the manufacture of health food. That powdered rice can supply local companies as well as companies in the United States, where Hampton Grains has said it already has a buyer confirmed. The rice powder is a prime ingredient in America's burgeoning health food and drink segment and there is much promise in the industry currently with the recent spike in interest for health food in general in the United States.

The company is currently planning to put its facilities on 16,500 square meters

Investment MOU Signing Ceremony between Hampton Grains and Foodpolis

21 May 2014 Grand Intercontinental Hotel Seoul Parnas



of land and employ approximately forty people.

About Hampton Grains

Hampton Grain is a service-oriented export trading company providing domestic and international companies the opportunity to import and export products to new and existing markets.

The company primarily trades supermarket and agricultural products to wholesalers, leveraging long-term relationships with valued customers that have contributed to the company's stable and well-capitalized growth. Hampton Grains offers a variety of services to customers to ensure value and quality in every step of the export process, including in-house freight forwarding and complete export services, consolidation of products into one or more containers to client's home ports, private label merchandising, and interim financing for purchases.

The trading team at Hampton Grains has more than 20 years of experience, and has dedicated itself to achieving win-win combinations for its customers in each and every transaction. Hampton Grains also has the expertise to handle currency risk and the ever fluctuating international trade environment. It sees strong demand for American goods



Yoon Dong-Jin,
*Director General of the Ministry of Agriculture,
Food & Rural Affairs*



John Kwak, CEO Hampton Grains



Lee San-Jai, Director General of Iksan City

and products, and seeks to combine its excellent connections and strong market research with its deep knowledge of cultures and business practices, leveraging all to generate business success.

Products

Food

- Almond, corn, corn syrup, defatted soybean, diced tomatoes, flour, iceberg lettuce, organic flour, soybean, wheat

Animal Feed

- Canola meal, Distiller's Dried Grains with Solubles (DDGS), soybean meal

Retail Stores in Korea

Hanaro Mart

- All purpose flour 20kg
(wheat flour grade 1)

Lotte (Kangnam)

- All purpose organic flour 1kg

Shinsegye (Kangnam)

- All purpose organic flour 1kg



Q & A for Hampton Grains

Q.

What was your vision for Hampton Grains when you founded it?

Our vision when we started was to supply Korea with top-notch grains from the United States and fully complement the food supply chain in Korea to the best of our abilities. It is never a simple endeavor to ship agricultural products from one part of the world to another, but our staff has more than 20 years of experience between us and we have the wherewithal to ensure value and quality at every step of the process, including the freight forwarding aspect and even shipping domestically once the product has cleared customs.

Q.

What type of products does Hampton Grains supply to the market?

We can ship everything from almonds and corn, to soybean and flour. We ship wheat and canola meal, soybean meal, organic flour, and even distiller's dried grains, or DDGS, which are rich in cereal and yeast proteins. Everything that is shipped is of the highest quality.

Q.

Are you shipping primarily to wholesalers here in Korea?

For the most part, our clients are large agri-food business concerns that use our grains as inputs. We do also support some packaging and private labeling that you can find directly on your supermarket shelves, such as our Isaac branded all-purpose flour which is USDA certified organic. And our soybean meal, for example, is typically used as protein supplements for swine and poultry feed. Similarly, our canola meal is one of the most widely used protein sources for animal feeds.

Q.

Why have you chosen to invest in FOODPOLIS?

Korea is clearly one of the most dynamic markets in the region. It has a large population which can sustain considerable demand all by itself. Our primary purpose is to continue to grow our relationships with food industry players in Korea and work with them as they grow. We see FOODPOLIS as being the future heart of the action when it comes to Korea's food industry, so there is a lot of potential there.

Q.

What about the broader Northeast Asian market?

At the moment, our strategy is to focus on developing opportunities within Korea and to re-export some of our product back to North America. But we're also watching developments in China very closely. Grain consumption is rising there on the order of about 17 million tonnes a year and much of it is being imported. There is definitely opportunity, and we see FOODPOLIS as having very strong potential as a strategic gateway that firms like us can utilize as an export platform. Demand for high quality food and food products that are certified as fresh and safe will be increasing for the foreseeable decades, and being in FOODPOLIS gives us a distinct advantage to capitalize on all the possibilities around the region.

SINGAPORE FOOD PROCESSORS SIGN ON TO INVEST IN FOODPOLIS

Seven large Singaporean agrifood and food processing companies make the bet on FOODPOLIS, signing an MOU in July to set up a significant base of operations for

supply into the domestic Korean market and for exports far and wide. The new facilities will also look to create some 600 new jobs and put a jolt into the local economy.

At an MOU signing ceremony on July 10, seven member companies from the Singapore Food Manufacturers' Association signed MOUs to invest in FOODPOLIS and set up food production facilities in the complex.

The companies, which include Thong Siek Food Industry, Fong Yit Kaya, Chop Hup Chong Food Industries, Chye Choon Group, Chee Seng Oil Factory, Tai Hua Food Industries, and Hock Lian Huat Foodstuff Industry, represent a wide spectrum of the food industry.

Among them, the various members create food products ranging from processed seafood, Kaya (coconut) jam, beef jerky, Singaporean-style noodles, coconut oil, and Chinese traditional soy sauce, and snacks.

When it is built out, the Singaporean plot at FOODPOLIS will cover nearly 156,000 square meters, and the investment is expected to contribute to

the local economy by employing nearly 600 Korean workers, said Singapore ambassador Peter Tan Hai Chuan, who joined the MOU signing.

And as the ambassador pointed out, the move is in line with President Park Geun-hye's vision to attract foreign investors and create job opportunities in Korea.

"We're glad that we can be meaningful partners to Korea and be a contributing part of the Korean economy," he said.

The world food market is growing quickly, and stands poised to reach US\$6.4 trillion by 2020. Markets in Northeast Asia and around the Asia-Pacific Rim are expected to expand at the fastest pace to reach 40 percent of the global market by 2020.

More importantly, food safety and food quality have been sensitive, top-of-the-mind issues for both consumers

and producers in the region. Consumers have become much more conscious of the origins of the manufactured foods they are eating, and, according to Ambassador Chuan in prepared remarks, are demanding higher standards.

Producers are realizing the premiums their products can command when products are perceived as healthy, safe, and delicious.

Pek Ee Perh Thomas, the president of Tai Hua Food Industries, spoke highly of the opportunity to operate in Korea. He reiterated the importance of food safety and quality control in Singapore as food industries take up a large part of the nation's economy. And that is why the Singaporean companies are driven to cooperate with South Korean companies for their advanced technologies in the field.



1. **Pek Ee Perh Thomas**
 - Managing Director of Tai Hua Food Industries Pte Ltd.
 - President of Singapore Food Manufacturers' Association (SFMA)
2. **Jimmy Soh**
 - Managing Director of Chye Choon Foods Private Limited
 - Deputy President of SFMA
3. **Lim Boon Chay**
 - Managing Director of Thong Siek Food Industry Pte Ltd.
4. **William Tan Yew Liang**
 - Managing Director of Hock Lian Huat Foodstuff Industry Pte Ltd.
5. **Richard Wong Teng San**
 - Managing Director of CHC Food Industries Pte Ltd.
6. **Lim Kay Guan**
 - Executive Director of Chee Seng Oil Factory Pte Ltd.
7. **Almy Goh May San**
 - Marketing and Research Manager of Fong Yit Kaya Pte Ltd.

CANADIAN FIRM INKS DEAL TO INVEST IN FOODPOLIS

And innovative Canadian food company seeks to make its mark in Korea at FOODPOLIS, as its Korean-Canadian founder makes his own personal return to the Korean peninsula

as a highly successful businessman. And he's dreaming big, with a large investment and a plan to parlay his company's past R&D success into a win on the functional food scene.

SMK Group of Canada signed a Memorandum of Understanding with the Korea National Food Cluster on July 11, pledging to invest \$5 million to build a functional food plant and R&D center in the industrial complex in Iksan City.

"Now as I'm back in Korea locating in the food cluster, which would be similar to Silicon Valley in IT industries, my dream is to develop a fermented functional sauce," said K.J. Kim (Kyong Jung Kim), CEO and president of SMK Group, during the MOU signing in Seoul.

SMK Farm and Herbal Research Center, an SMK subsidiary that launched

in 2008, has been doing research into the incubation of functional crops. According to Kim, there is a growing interest in Canada and across North America as a whole regarding fermented foods, and Korea has strong recognition for its advanced capabilities in this area.

Kim also talked about the opportunity to utilize South Korea's technology and talent, saying that his company aims to continue to advance in the area of functional foods and potentially look at market expansion into China, using FOODPOLIS as its initial toehold in the region.

Kim was born in South Korea and moved to Canada in 1968 at the age of 18 to study electrical engineering. Since then, he has started and bought numerous businesses including Seycove Marina and Capilano Village Shopping Plaza in North Vancouver, and Heritage Valley Resort, a corporate retreat in Sumas Mountain, Abbotsford, British Columbia.

Kim said he has a passion for improving the quality of life for retiring seniors and wants to create a sustainable retirement "Micro Village" in the form of an agricultural co-operative.



Kim Kyong Jung Chairman, SMK Group



Kim Won il Director, Ministry of Agriculture, Food and Rural Affairs



Kim Jin Sool Director, Jeollabuk-do



Lee San Jai Director General, Iksan City



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LOTTE FOODS
We are the Brand New Leading Company

name after merging with
LOTTE SAMKANG, LOTTE HAM, Pasteur Milk and LOTTE Fresh Delica.

LOTTE FOODS



LOTTE SAMKANG

LOTTE HAM

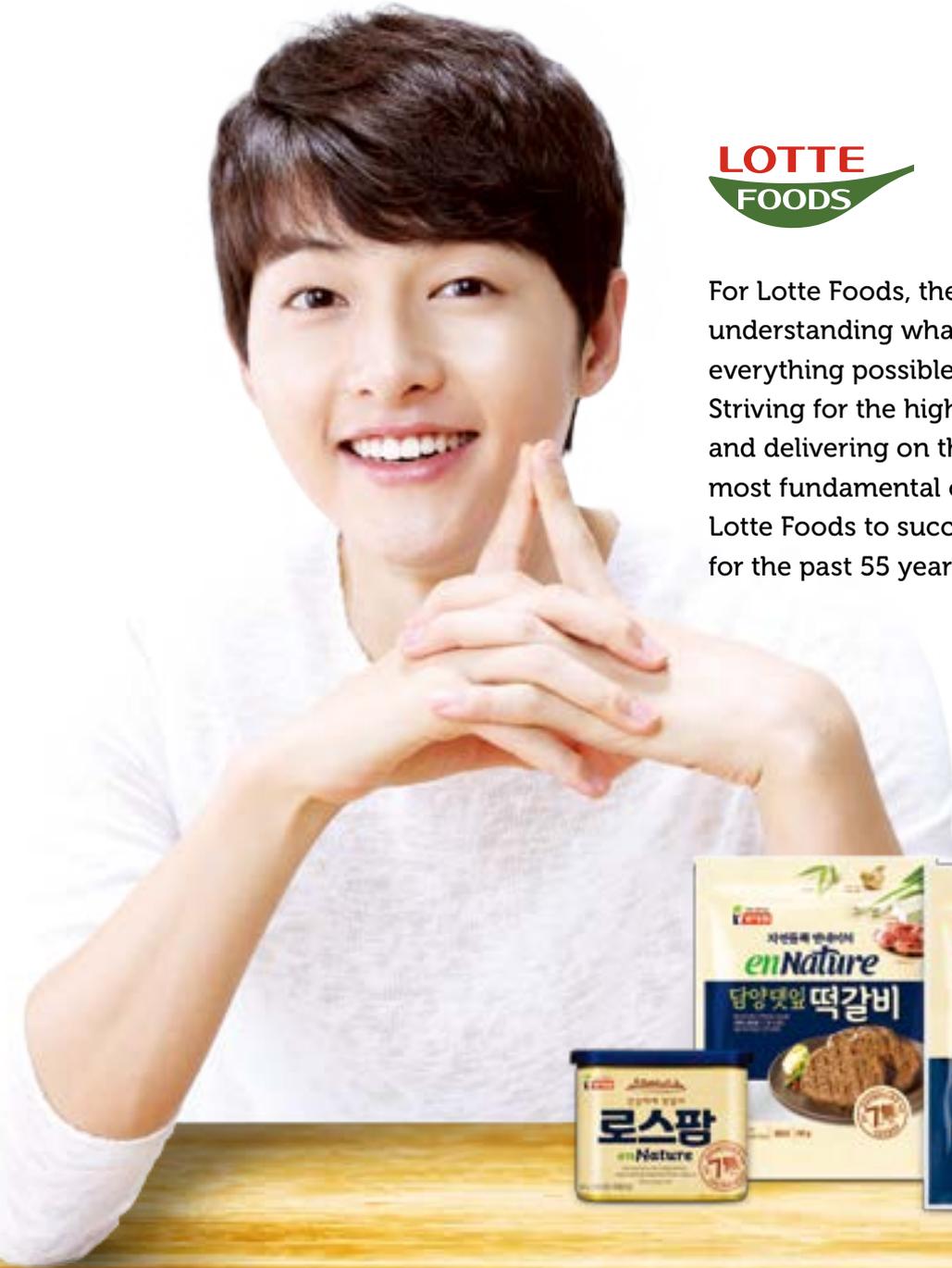
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LOTTE FOODS

A KOREAN FOOD GIANT



For Lotte Foods, the mission starts with understanding what people want and then doing everything possible to put a smile on their face. Striving for the highest standards of excellence, and delivering on the promise of pure value. This most fundamental of goals is what has driven Lotte Foods to succeed at the front of the pack for the past 55 years.



News Track

New EU Pork Inspection Rules Cause Concern

The European Union's new rules on pork inspections came in effect on June 1st but some safety organizations are already suggesting the system, which calls for visual checks instead of actually cutting open slaughtered pigs, is inadequate.

According to Britain's Food Standards Agency, the new hands off approach reduces

cross-contamination, with pigs being inspected for lesions by a vet and again after slaughter by a meat inspector.

But the European Working Community for Food Inspectors and Consumer Protection is raising the alarm. Ron Spellman, a former inspector who now works with the organization, told media

“there's no way to see those little abscesses, little tuberculosis lesions, without cutting those lymph nodes.”

Meat inspectors in Britain used to cut open 8 million slaughtered pigs for checks. In 2013, there were at least 37,000 pigs' heads with abscesses or tuberculosis lesions in lymph nodes.



Chinese Domestic Dairy Industry Regaining Confidence

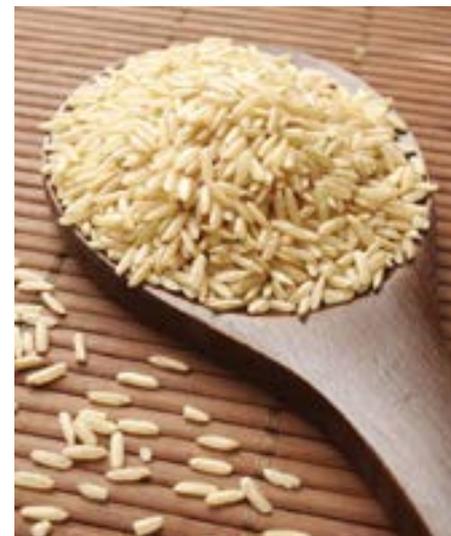
The Chinese government has moved quickly since a 2008 safety scare to quickly to rebuild confidence in the domestic milk industry with stricter quality controls and by limiting the number of foreign infant formula brands that can be sold in the country.

In 2013, the country brought in new regulations called the Infant Formula Milk Powder Production License Examination Rules which considerably raised the bar when manufacturers apply for permits. In fact, just 82 of 133 companies that applied last year qualified, with those that failed being forced to shutter production in June.

And this is just the beginning. China's State Council wants to create ten large milk-powder

groups with annual revenue of more than two billion yuan (\$323 million) each by the end of next year, beginning the process to create the critical mass needed to adequately supply the domestic market with a high degree of safety and confidence. By the end of 2018, the government hopes to have three to five such groups with annual revenue in excess of five billion yuan each.

At the same time, it is constricting access for foreign players to ensure tighter safety standards overall. The country's Certification and Accreditation Administration announced this year that it had cut the number of foreign infant formula brands with licenses to sell in china from over 800 to about 94.



Thai Government Ends Rice Subsidy

Thailand's government recently ended a controversial rice subsidy scheme in the hopes of regaining its position as the world's largest rice exporter from India.

The country launched the initiative in 2011 as an effort to make good on election pledges to increase incomes in Thailand's vote-rich rural heartland. The plan involved buying rice from farmers at up to 50% above the market rate and then stockpiling it in vast warehouses. As Thailand was the world's largest exporter of rice at the time, it was thought that creating an artificial bottleneck in distribution would lead to a global price surge.

It did not happen. Other countries, notably India and Vietnam, filled the gap and knocked Thailand from its perch as the world's top exporter. It also cost the country some \$9.2 billion, based on an investigation in May by the country's independent anticorruption panel.

What's worse, prices have dropped. With an estimated 10 million to 15 million metric tons of rice, or about 2 years' worth of exports in stockpile, prices for Thai rice are now 30% lower than they were before the subsidy was introduced.

The government is now reversing the policy and working to assess the value of all the stockpiles and trying to get the rice distributed. Experts there suggest the first step is to determine precisely how much rice they have and then to identify the quality. Because the warehouses are full, inspectors are having difficulty getting samples from the middle.

PED Outbreak in US Causes Damage to Pork Industry

An outbreak of porcine epidemic diarrhea in the United States has caused considerable damage to the country's pork producers, and the government has moved quickly to combat the disease.

In June, U.S. Agriculture Secretary Tom Vilsack pledged over \$26.2 million in funding to fight the virus, which does not pose any risk to human health or safety but which can significantly impact hog operations. The government has also instituted mandatory reporting for farmers when they detect outbreaks

Regulators in the United States indicate that farmers in 30 states have been affected, leading to the cull of some eight million animals, most of which are piglets that have not been weaned. In total, experts say that an estimated 10% of all American pigs have been wiped out since April of 2013, with pork prices having risen about 10% over the past year due to the smaller herd size.



Walmart Steps Up Safety in China

American retail giant Wal-Mart pledged this past month to triple spending on food safety in China from \$16 million to \$48.2 million by 2015. The company was moving to quell criticism after a series of high profile safety gaffes, including in January when the company received fox meat from a local supplier that was labeled "five spice" donkey meat.

The company has taken pains to also point the finger at suppliers, but it nonetheless was forced to also take responsibility. Wal-Mart's China Chief Compliance Officer Paul Galleore said in a press briefing that Wal-Mart will double its DNA testing on meat products. The company also said it has been meeting with officials to urge them to add inspectors at manufacturing facilities and meat-processing plants.

In total, Chinese regulators have fined Wal-Mart \$9.8 million over the past three years on such claims as selling poor-quality products and using misleading pricing.

Regulators Target Acrylamide

Scientists are taking aim at a chemical called acrylamide. Some evidence suggests that the food additive could actually promote the growth of cancer cells.

Acrylamide is a chemical compound that typically forms in starchy food products such as potato crisps, chips, bread, biscuits and coffee, during high-temperature processing (above 150°), including frying, baking and roasting.

The European Food Safety Authority (EFSA) says acrylamide in food potentially increases the risk of developing cancer for consumers in all age groups. The authority has launched a public consultation on its draft scientific opinion about the substance. Lab studies involving animals have shown that diets high in acrylamide can cause DNA mutations that increase the risk of tumor growth and the spread of cancer cells. But the EFSA is quick to point out that studies involving people have produced “limited and inconsistent evidence” when it comes to the ties between acrylamide and cancer.



California Chicken Recall

The long-running saga over a salmonella outbreak has finally led to a recall of chicken and, more importantly, a change in the law that covers when meat has to be recalled by the USDA.

In early July, Foster Farms, a large California-based poultry producer currently celebrating its 75th anniversary, finally agreed to recall chicken linked to salmonella poisoning. To date, more than 600 people have been infected, but the company had been refusing to do a recall, arguing that the chicken would be safe if properly handled and cooked to 165 degrees. The outbreak has dragged on since March 2013, sickening people in 27 states.

Now, two members of Congress have introduced legislation that would require food recalls in such circumstances. Rep. Rosa DeLauro (D-Conn.) and Rep. Louise M. Slaughter

(D-N.Y.) claim that “The USDA has failed to recall meat contaminated with antibiotic-resistant pathogens because they do not believe they have the legal authority to do so. This bill would ensure there is no confusion.”

The U.S. Centers for Disease Control and Prevention estimates that for every one case of Salmonella that is detected, another 29 cases go undetected. Those estimates would suggest the Foster Farms outbreak may have affected more than 17,000 people.

The USDA allows the sale of salmonella contaminated chicken, though it announced a plan last year to set a ceiling on the amount allowed on chicken parts, which is currently about 25%. Foster Farms said recently that it has reduced salmonella contamination on chicken parts to 2%.

Korean Coffee Goes Global

Korea's home grown coffee chain, Caffè Bene, is taking on the big players in the United States. The company has 945 outlets in Korea and has already opened more than 80 in America.

It's expanding quickly there as part of an international push that has seen the company open shops in 12 countries, including more than 200 branches in China. The American push began with a flagship store in New York, as well as other areas with high concentrations of Korean-Americans but the goal is much broader. Caffè Bene has said it would open more than 5000 stores worldwide by 2017. Fueling the expansion is a brand new 18,026-square-meter roasting facility in Yangju, just outside Seoul. It has an annual production capacity of 7,738 tons, which is about five times Caffè Bene's current capacity.

Stores from other countries have had success in the United States, including notably Italy's Illy Café and Israel's Aroma Espresso Bar, but none of them have thus far achieved the same scale as the Korean offerings.



China's Overseas Buying Spree

China is buying up foreign food manufacturers because, according to Investing.com, for every additional bushel of wheat or pound of beef the world produces, China will need almost half of that to keep its citizens fed.

Recognizing that China can't produce enough crops and meat domestically, and will struggle even more over time, mainland Chinese and Hong Kong-listed firms spent \$12.3 billion abroad on takeovers and investments in food, drink or agriculture last year.

For example, Shuanghui International Holdings Ltd. bought Smithfield Foods Inc. for \$7 billion including debt, in what was then the largest Chinese takeover of a US-based firm. Also, Cofco Corp., which controls 90% of China's wheat imports, and made two acquisitions this year, bought controlling interests in Dutch trader

Nidera Holdings BV and Noble Group Limited. The 2-month buying spree cost the company about \$2.8 billion.

China's agriculture system faces a variety of challenges, such as fallow land and grain deficiency. The country has also faced extreme weather and desertification. The upshot is familiar to the food industry. In 2013, China's food imports reached a six-year record high, accounting for \$26.7 billion in soy products, wheat, corn, and forestry products.

To ensure its food supply is not disrupted, China will need to increase its food imports in the years to come. According to Yanzhong Huang, a senior fellow for global health at the Council on Foreign Relations, "This would enable those major food exporters to gain more leverage in their dealings with China."

Imports of wheat, corn, and rice have doubled over the past three years, as Chinese grain self-sufficiency has dramatically decreased.



Tyson Wins Rights to Hillshire

A victor in the long-running struggle to control Hillshire Brands has finally been determined, with Tyson Food winning out. That allows the food giant to finalize its proposed merger with Hillshire Brands at \$7.7 billion, valued at 63 per share.

The battle pitted Tyson against Pilgrim's Pride, which had offered some 8 dollars less. The deal is expected to close near the end of September.

Experts believe Tyson may have overpaid, suggesting that even if the company fully realizes cost efficiencies, it may not be easy to justify the high valuation in the long term. Tyson is one of the world's largest processors and marketers of chicken, beef, and pork. It also produces a wide range of prepared foods and snacks. Hillshire Brands, formerly known as Sara Lee Corp., sells a variety of packaged meats and frozen baked products.

Tyson wants Hillshire Brand's lucrative collection of leading brands, which make more money on the open market than commodity meats. It is the latest in a series of consolidation moves in the food industry.

Global Price of Hops Soars with Craft Beer Trend



There's nothing like relaxing with an ice cold beer on a hot summer's day. And these days, the beer of choice is increasingly not mass produced but, rather, of the craft variety. More and more, consumers are choosing craft beer, a trend which has brought a distinctly artisanal flavor to a fairly staid industry that has seen little change since large scale breweries were established.

Predictably, however, there is a downside to all the newfound consumer interest in meticulously prepared suds and it happens to be an increase in hops prices.

The average cost for all hops jumped \$3.59 a pound in 2013, which is up from \$1.88 in 2004. Looking at the matter, Washington-based merchant 47 Hops issued a warning this spring, suggesting that some types of hops, including Cascade, which lends beer a citrusy flavor and which is highly sought after by brewers, could exceed \$10 a pound by the end of this year.

This is potentially bad news for everyone involved. In particular, it spells trouble for

smaller craft brewers, who produce fewer than 15,000 barrels annually. The increasing cost of hops could put those brewers out of business precisely at a time when there is so much growth for their industry. In other words, just when craft beer was starting to obtain traction in the marketplace. It's bad news for consumers as well, because they will ultimately be faced with higher prices and fewer choices.

But why is there such an imbalance? One way to look at it is simply a case of bad timing. A few years ago there was a supply glut of hops globally which caused growers in Oregon, Washington and Idaho to pull back on production. At its ten-year peak in 2008, Oregon had 6,370 acres of hops production. Six years later, and the number is considerably less, standing at just 4,786.

That could lead to a recalibration of tastes, with fewer IPAs to go around, as brewers switch out of necessity toward less hoppy, lower-alcohol beers.



Natural Cheeses Take Center Stage

Consumers have been reaching for cheese in ever increasing numbers over the past few years, and it's a trend that looks set to continue. Market research firm Packaged Facts projects that the \$16 billion natural and specialty cheese market is projected to grow by a compound annual growth rate of 4 percent between 2014 and 2018.

Consumers like the taste, and the health

benefits. And they are increasingly turning their noses at the processed varieties. In fact, the more natural, the better. Varieties made with organic milk, milk from grass-fed cows, and milk free of artificial growth hormones are surging in popularity. Sales of so-called organic cheeses are projected to increase by double digits to reach \$750 million in 2018.

In response, Kraft announced it has removed artificial preservatives from its Kraft Singles individually wrapped cheese slices. Now made without sorbic acid as a preservative, it took Kraft some 5 years to fine tune the recipe while maintaining taste and shelf life.



The Battle over School Lunches

New healthy school lunch rules in the U.S. and England are receiving mixed reviews.

England's new regulations come into effect from January 2015, with Deputy Prime Minister Nick Clegg saying the rules would "continue to restrict unhealthy foods." The Department of Education called the previous rules "complicated and expensive to enforce." Under the new rules:

- Fruit juice portions limited to 150ml
- Sugars or honey restricted to 5% in other drinks
- Deep-fried, batter-coated or breadcrumb-coated foods can only be served once per week

In the US, meanwhile, First Lady Michelle Obama continues her fight for her Let's Move program for healthier food in school cafeterias. Her efforts have turned up a clash of cultures and a high profile Washington lobbying battle. Several large companies selling foods like frozen pizzas and French fries are concerned, while some school officials, particularly in rural communities, have complained that the White House is seeking to impose costly food standards on districts that don't want them.



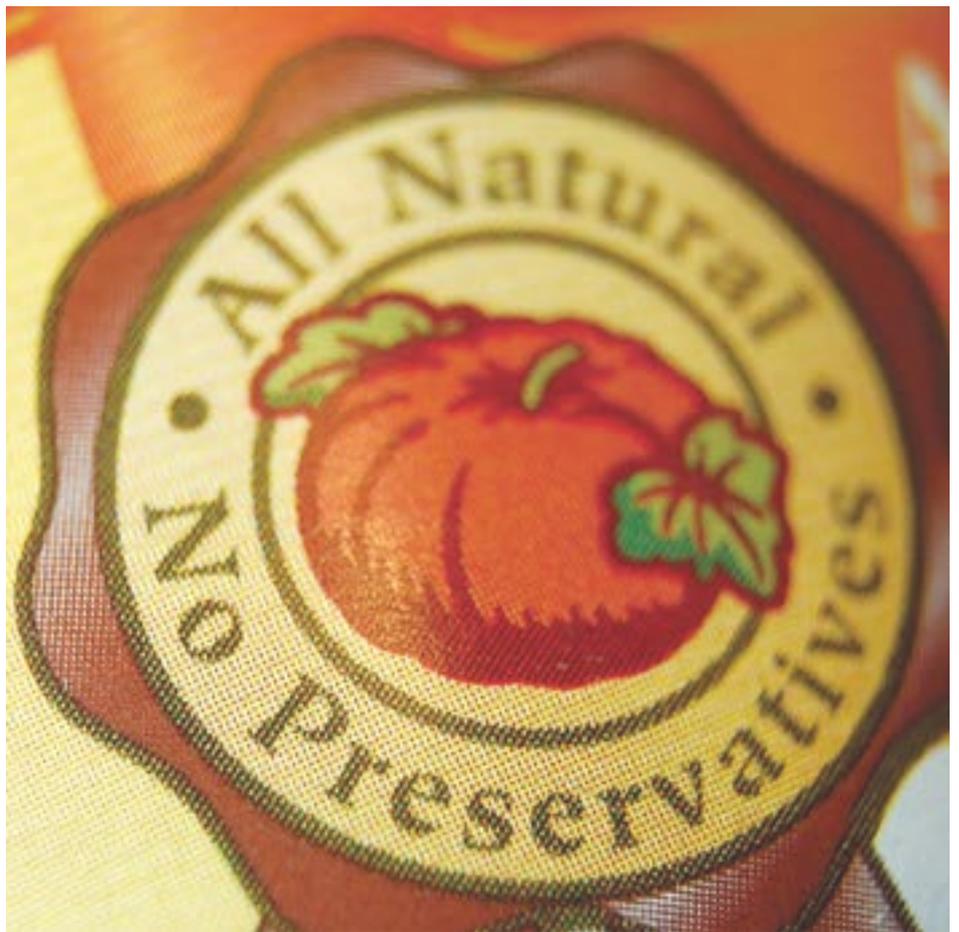
Food Companies Quietly Reduce Unhealthy Ingredients

Consumers crave less fat and salt but hate when the taste of their favorite foods change.

When McDonald's announced in 2002 that it would start cooking French fries in oil with no trans fats, it was inundated with complaints about the taste. People didn't like the change, even in cities where nothing had changed yet. It took several years of research before the company was able to settle on a canola oil blend that tasted right. It started using it nationwide in 2008.

Food companies have begun responding to the challenge using "stealth health" tactics.

The Wall Street Journal reports that companies are cutting down on sugar, sodium and fat in their products over longer periods and not announcing it loudly. For example, Nestle has reduced sugar in its Nesquik ready-to-drink chocolate milk beverages for nearly 10 years, and has cut it by at least 25% for all its products. But they have not really trumpeted it.



The Meaning of Natural

Consumers and nutritionists are criticizing companies for using food labels with words like 'natural' to connote healthiness. They claim the practice is misleading, suggesting some of the words carry very little literal meaning at all, yet drive purchase intent on several hundred billion dollars' worth of food.

In addition to 'natural,' other words include 'wholegrain,' 'antioxidant,' and gluten-free.

According to Dr. Temple Northup at Houston University, shoppers are being misled to think they are buying healthy foods when they see words like gluten-free on packaging. Northup suggests that these words trick the brain into disregarding the unhealthy ingredients in the foods and, in some cases, even make people ignore warnings in nutrition fact boxes. "Food marketers are exploiting consumer desires to be healthy by marketing products as nutritious when, in fact, they're not," said Dr. Northup.

Nielsen, the market research firm, suggests these words and phrases have helped the food industry sell more than \$377 billion worth of food over the past year alone. The word 'natural,' which appears to have no legislated standards attached to it, itself accounts for about \$41 billion in sales.

The stance of the US Food and Drug Administration is simply that it is difficult to define a food product that is 'natural' from a food science perspective because virtually all the food found on our shelves has probably been processed at some point and "is no longer the product of the earth."

Because of this, the FDA has not developed a definition for use of the term natural or any of its derivatives. At the same time, the agency has not objected to the use of the term if the food does not contain added color, artificial flavors, or synthetic substances.



Singapore Food Festival 2014

Annual Singapore Food Festival puts the best of the city's amazingly rich culinary tradition on display for everyone to sample and enjoy. It just doesn't get any better than this.

Singaporeans are famous for their love of food. And as the city is a wonderful melting pot of cultures, with some of the world's most outstanding culinary traditions, it has developed a dynamic food culture that simply must be experienced. This year, the annual Singapore Food Festival featured a special "Walk Down Memory Lane" theme to celebrate its 20th year anniversary.

Organized by the Singapore Tourism Board, the month-long festival always takes place from the end of June to the end of July, and features a series of weekly events, themed celebrations, and culinary workshops that are sure to capture the imagination of foodies.

The 2014 Singapore Food Festival was extra special because it also marked the 50th anniversary of the Singapore Tourism Board. There were six events this year: the BBQ by the Beach, Nyonya Mobile, Singapore Chinese Dialect Heritage Feast, South

East Sliders @ ION Orchard, Suvai 2014 and the ION Orchard Local Food Trail.

The festival kicked off with the Singapore Chinese Dialect Heritage Feast at the Chinatown Food Street on July 11th. Visitors had the opportunity to also enjoy amazing Indian food and take part in hands-on classes to learn how to make it themselves.

The BBQ by the Beach also brought back something special: the spectacularly popular Imu pit, which is an underground barbecue pit with origins in Hawaii. The ION Orchard Local Food Trail led visitors along a specially designed food route around the mall, and gave them a chance to sample several fun dishes such as keuh and kaya toast.

The Nyonya Mobile provided food tasting and live cooking demonstrations from a food truck, and the South East Sliders @ ION Orchard featured a pop-up concept with great Singaporean ethnic food.

If you missed it this year, be sure to plan ahead for a visit to the city during the festival in 2015. Because when it comes to food extravaganzas, the Singapore Food Festival just cannot be beat.







Pohang International Fireworks Festival 2014





The Event

Pohang is celebrating its 10th Pohang International Fireworks Festival at the end of July! The slogan this year is “Yeongil Bay, Submerged in Light,” and visitors have the opportunity to experience four days packed with fun activities, from music to games and colorful fireworks along the coastal skyline. They can also revel in the street performances along the Yeongildae beach coastal road.

The firework shows are accompanied by music and the performance lasts approximately 10 minutes every night. Pohang is also installing a special exhibit called the “Light Tunnel,” and Yeongildae beach road will be filled with colorful lights with themes that touch on the passion and romance of the fireworks. The Firework Parade takes place with some 2,000 participants along the coastal road on August 1st starting from 7:30 P.M.

The main event, the Pohang International Fireworks Competition, starts at 8:00 P.M. on the 2nd, along with cultural performances by China and Japan. This

year, professional explosive companies from the UK, Australia and Poland will go head to head for the grand prize. The competition will be a sight to see as the world-renowned representatives Black Cat Fireworks from the UK, Howard & Sons Pyrotechnics from Australia, and Surex from Poland battle it out in the toughest competition yet.

The Food

As for the food, the Pohang International Fireworks Festival will definitely have plenty of tasty morsels on offer, including festive street foods like skewers and hot dogs. But the real treat for a visit to Pohang is the fresh seafood that the city is famous for. It should not be missed. One food that truly represents Pohang is the “mul-hoi” or cold seafood soup. This dish is actually quite simple, but once you try it, you’ll keep going back to it. The main recipe is roughly sliced fresh seafood such as fish, squid and abalone. To that is added fresh vegetables such as thinly sliced cucumbers or radishes. The soup

of the dish is made with a cold sweet and spicy red pepper sauce. This dish, once a delicacy in the past, has now made its way to the tables of almost every restaurant in Pohang as the city’s signature dish.



CHI-MAEK

Koreans love chicken and beer, in part because it is affordable and also because the two just go great together! It even has its own name—chi-maek.

In the midst of a hot Korean summer evening, when everyone is hitting the great outdoors in search of cool respite, there is one food that tops nearly everyone's list: chi-maek.

Actually, it's a food and a drink rolled up in one: Chicken and beer. It's such a popular combination that it's been given its own word, Chi-maek, which is a short-form amalgam of the two. Koreans love it, partly because of the affordability, partly because the two are such a perfect pair, and partly because it's just so much fun to eat with family or good friends.

In fact, if you're in Korea, and you suggest chi-maek to your friends, you will almost always get a "yes!"



Walking past chicken restaurants at night, you're bound to see a bustling crowd of old friends catching up or co-workers talking about their day at the office. Families picnicking at the park can even have their chi-maek delivered.

So what makes Korean chicken and beer so special? Korean fried chicken is specially deep-fried, so it's crunchy and with a distinct spice. Part of the secret is to remove the fat from the skin, so you still have a bit of the tasty outside but without all the bad stuff. It's thin and crispy without the grease.

And the chi-maek trend in Korea is just the beginning, because you can find Korean-style chicken and beer restaurants all over the world. It's gained in popularity in large measure due to Korean dramas, which spread Korean trends around the world.

One episode in a very recent popular Korean drama showed a famous actress eating chi-maek, and

that set off a blaze of interest among her fans in China. The scene featured her telling her friend that there was many things on her mind, and that she was craving chi-maek.

Now chi-maek has taken China by storm as the trend has driven sales at Korean chicken restaurants all across the country, especially ones located around metropolitan areas such as Beijing and Shanghai. It's not uncommon to walk by those places and see people waiting for hours in line just to place their chicken order. Indeed, according to the Wall Street Journal, there were more than 3.7 million posts related to the Chinese term for chi-maek published on Weibo in just a two week period.

From Singapore to Manhattan, London to Shanghai, Korean chicken and beer joints are opening up. If you have not already discovered its charms, there is no better time for your first chi-maek experience.

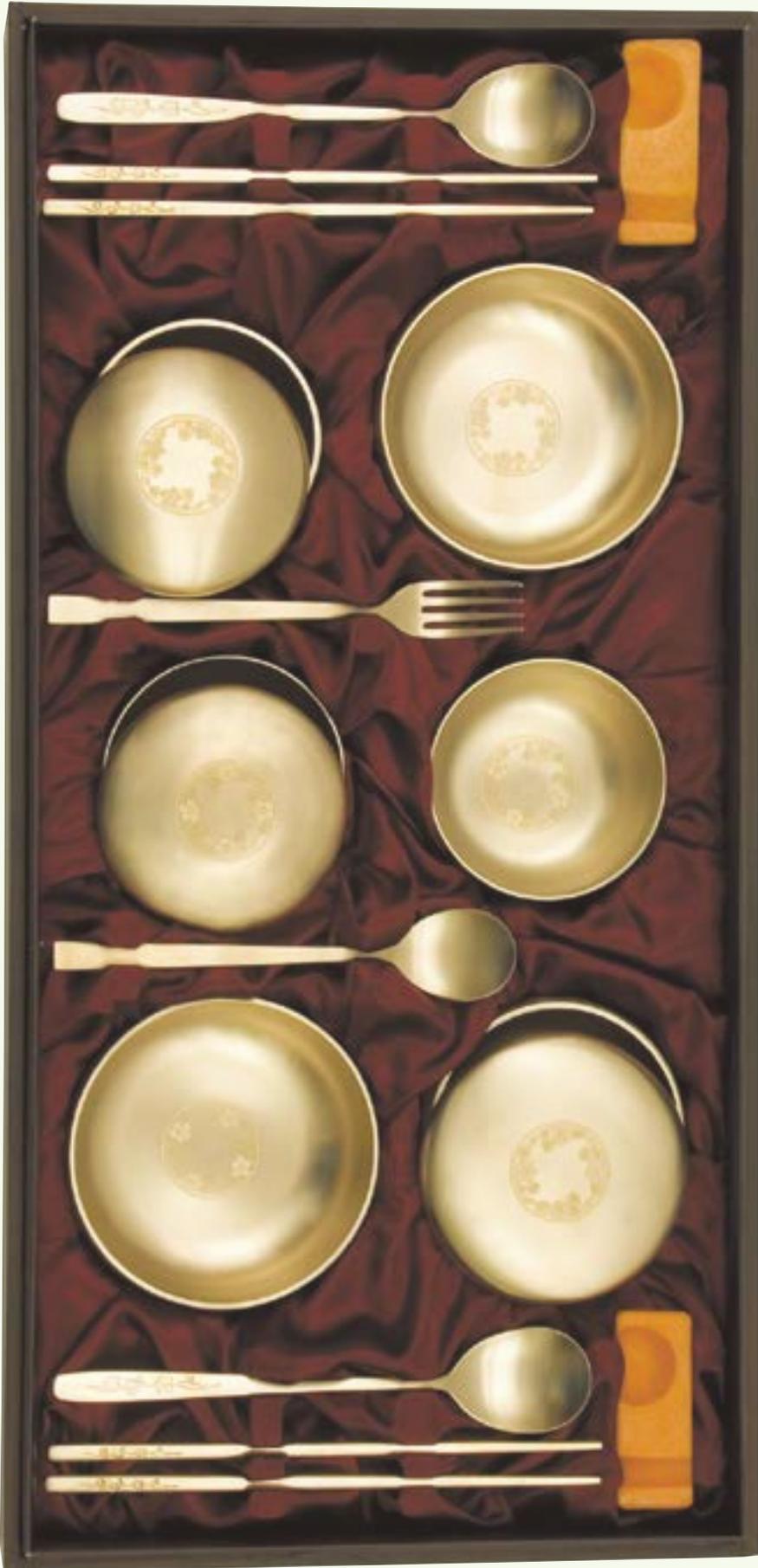


Traditional Korean Beauty

항아리 | Hangari

Hangari is a traditional Korean pottery used for making Gochujang (traditional Korean pepper paste) and soy sauce. The special shape of the pottery varies in different parts of Korea due to the difference in climate.



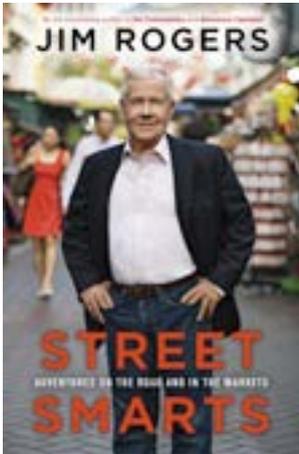


유기 | Yugi

Yugi is made of compounded metals, either copper and zinc. The brassware is not light, and has quite a different quality from that of throwaway kitchen utensils. Besides, it also keeps meals warm, so it soon became a kitchen necessity, and Korean ancestors used sets of porcelain vessels in the summer and brass objects in the cold seasons.

Summer Reading

BOOK RECOMMENDATION



STREET SMARTS

Adventures on the Road and in the Markets

February 5, 2013

By Jim Rogers

The Hyundai Economic Research Institute's summer reading list for CEOs is out!

Every year, the think tank recommends a series of must read books for busy executives over the summer vacation. Making this list this year is a book by Jim Rogers, a Wall Street legend and bestselling author, who offers investing insights from lessons and observations during his years of activity in financial markets.

It's a galloping read, partly reflecting his high-paced adventures running one of the most successful hedge funds on Wall Street, the Quantum Fund.

In the book, he also takes out his crystal ball and looks at the coming trends, explaining in one section why Asia will be the dominant economic force in the twenty-first century. Rogers is so convinced about Asia that he sold his stately mansion in the U.S. and relocated to Singapore in 2007.

And just in case you can't get the time to read the whole thing, think agriculture going forward. In Rogers' view, the next asset classes to invest in commodities, especially farm produce.

THE ONE THING

The Surprisingly Simple Truth Behind Extraordinary Results

April 1, 2013

By Gary Keller, Jay Papasan



Isn't it time to clear your plate? Few distractions, more productivity. That's the front-and-center message delivered by *The One Thing*, by Gary Keller. It is recommended for your summer reading by the Samsung Economic Research Institute, which claims the book to be a must-read for CEOs who want and need to simplify their lives.

And SERI is not alone. The book was also chosen as one of the Top 5 Business Books of 2013 by Hudson's Booksellers and one of Top 30 Business Books of

2013 by Executive Book Summaries.

The premise is simple: we all need refuge from the daily barrage of contacts we receive, from emails to text messages, to mobile chat boxes. Modern communications are great but, as the author points out, they are not as free as they seem, leading to lower productivity and less income over the course of your work career.

Gary Keller knows something about success. He's the founder of one of the world's largest real estate agencies, Keller Williams Realty, Inc., and a much celebrated entrepreneur. In his own words: "Success does not mean perfection. It's about figuring out what matters most, and when you're doing that ONE Thing, eliminate distraction."

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