

KOREA NATIONAL FOOD CLUSTER

# FOODPOLIS

No.5 · August / September · 2013

## SUCCESSFUL

Investment Missions



### COVER STORY

Tackling Food Waste

### INSPIRING LEADER

Mr. Lim Jeung-bin,  
Director-General of Food Industry Policy Bureau



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# FOODPOLIS

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## DEAR FRIENDS,

I am pleased to inform you that we recently announced the 'Agriculture and Food Technology Transfer and Commercialization Promotion Plans' to support the attainment of 'creative agriculture'.

The plans aim to achieve a national and private patent technology transfer rate of 36 percent; a transferred patents commercialization success rate of 34 percent and the creation of 4,000 new jobs by 2017. To achieve this, my ministry will promote technology financing through an agriculture and food 'fund of funds' and establish a basis for technology trading and intellectual property rights-use.

You can read all about our innovative plans in this issue of the magazine. My commitment to develop the agricultural sector is very strong, and many other important policy steps will be taken in the future.

The Cover Story focuses on food waste, a very important topic that has been troubling both developed and developing countries. Faced with the challenges of demographic developments, climate change and the need to use resources efficiently, combating food losses and food waste will go a long way in tackling food security.

In developing and low-income countries, the bulk of losses occur in the production and post harvest stage owing to financial resources insufficient to improve existing infrastructure. In industrialized countries like Korea, however, the problem is more behavioral in nature. The global food industry is cooperating with governments to address this issue and we will not spare any efforts to decrease domestic food waste.

This month we celebrated Chuseok, the annual thanksgiving festival. It is a major harvest festival and a three-day holiday in Korea celebrated on the 15th day of the 8th month of the lunar calendar. As a celebration of the good harvest, Koreans visit their ancestral hometowns and share a feast of Korean traditional food.

You get a taste of our delicious traditional food in the Hansik section. The topics that we have covered include the investment missions by FOODPOLIS team to Japan and USA, regulatory update and interviews.

I am sure you will find the information very useful.

**LEE Dong Phil**

*Minister of Agriculture, Food & Rural Affairs*



## Economy Grows 1.1% in Q2



Korea's real gross domestic product (GDP) expanded by 1.1 percent in the second quarter of 2013 compared to the previous quarter, according to advanced estimates released by the Bank of Korea (BOK). It was the fastest pace since the first quarter of 2011, when the economy grew 1.3 percent. Compared to the same period of the previous year, Korea's GDP grew by 2.3 percent in the second quarter of 2013.

Agriculture, forestry & fisheries grew 2.0 percent quarter-on-quarter, led by agriculture and fisheries. Manufacturing grew by 0.8 percent, as the production of smartphones, semiconductors and petrochemicals increased. Construction expanded by 1.5 percent, led by housing construction, while services grew by 0.9 percent, due to rising output in wholesale & retail, hotels & restaurants, financial & insurance services and healthcare & social services.

Private consumption and construction investment increased by 0.6 percent and 3.3 percent, respectively. However, facility investment declined by 0.7 percent, due to a fall in transportation equipment investment. Exports rose by 1.5 percent, led by audio-visual communications equipment, while imports increased by 1.0 percent, led by semiconductors and electronic components.

## Koreas Agree to Normalize Kaesong Industrial Complex

South and North Korea agreed to normalize the Kaesong Industrial Complex (KIC) after seven rounds of working-level negotiations on the resumption of joint operations on August 14.

The agreement includes five clauses under which the two sides guarantee normal operation of the joint industrial complex under any circumstances and prevent future suspen-

sion of the complex by withdrawing its workers or blocking traffic.

The two Koreas agreed to guarantee the normal operation of the factory complex, protect the security of its workers and investment capital, attract overseas firms to invest in the complex, make efforts to normalize operation by repairing its facilities, and form a joint committee to administer the complex. They also agreed to host joint investment presentations overseas to win international recognition of the complex.

The latest agreement paved the ground for the two Koreas to prevent the future suspension of the factory site and offered a chance to transform the site into an international industrial complex. The South Korean government said it would make efforts to make the KIC a more globally competitive endeavor, which follows common sense and abides by international rules.

## Expanded Areas for Investment-based Immigration

Korea will expand areas eligible for investment-based immigration into districts within free economic zones in Busan, Incheon and Donghae in a bid to attract quality manpower and funds from overseas.

Among areas designated as free economic zones, Youngjong District of Incheon has remained the only area eligible for investment-based immigration.

The Ministry of Trade, Industry and Energy and the Ministry of Justice recently agreed to apply the system to more areas around free economic zones where demand for investment exists. Under a plan, the trade ministry will identify investment demand in the nation's eight free economic zones (101 business districts in total) and ask the justice ministry to designate eligible areas. Initial candidate areas include Songdo District of Incheon Free Economic Zone, Myungji District in Busan-Jinhae Free Economic Zone and Mangsang District in East Coast Free Economic Zone.





## Gov't to Streamline Certifications for SMBs

The Korean government has started streamlining overlapping certifications that distress small and medium-sized businesses (SMBs). The move came after overlapping certifications were found to have added to the burden on companies, and in some cases, hindered companies from landing export deals.

The Office for Government Policy Coordination held a meeting with the Ministry of Science, ICT and Future Planning, Ministry of Trade, Industry and Energy and Ministry of Environment and finalized a plan to eliminate repetition of the national certification system to alleviate the burden on corporations.

As a result, overlapping certifications for 583 products, including TV, refrigerator, LED lamp, and hot red pepper paste, will be immediately abolished. The certification standards for 482 products such as TV, refrigerator and LED lamp will be integrated, while certification results for 101 products including red pepper paste and sesame oil.

The government forecasts companies will be able to cut certification costs by as much as 43 percent on average from 2.1 million won (\$1,892) to 1.2 million won, and shorten the average time it takes to obtain certifications by 34 percent on average from 70 days to 46 days. In addition, an integrated model will be put in place to prevent the formation of overlapping certifications in advance.



## Seoul to Clear the Way for Investments

The government announced it would get rid of five bottlenecks for business to induce 9.6 trillion won (\$8.5 billion) corporate investment over the next three to five years. The government will also loosen regulations for the use of 12 percent of the nation's land after 19 years of regulations, in order to promote efficient use of lands. President Park Geun-hye received a briefing on a plan for the second phase of investment promotion at the meeting held at the Presidential

Office and said "entrepreneurs committed to creating jobs and revitalizing economy are the government's core partners. Those who make investment deserve special treatment."

The plan calls for deregulations on regions which could undergo urban development, stipulating any facility will be allowed to be constructed in the planning and management zone (11 percent of the land nationwide) except for forbidden facilities.

The government plans to modify land-planning law by selecting facilities that are banned from establishments in such regions by next February. This could trigger a rash of construction of restaurants and marts in such regions, having a positive spillover effect onto provincial land prices.



## New Measures Against Home Rental Woes

Korea will embark on a new mortgage program for the first-time home buyers from October, which allows them to share profit or loss from home price fluctuations with the government (public housing fund). The new program extends loans of up to 200 million won (\$179,099) at an annual 1.5 percent rate to encourage people to switch from "jeonse" or monthly rental to purchasing their own home.

The mortgage loan program has two types of loans, profit-sharing loan and profit/loss-sharing loan. Under the profit-sharing type, first-time home buyers are eligible to borrow up to 70 percent of their home value at an annual 1.5 percent rate. Under the profit/loss-sharing type, first-time home buyers can borrow up to 40 percent of their home value at an annual one to two percent rate and will have a stake equaling their mortgage.

In addition, the government will expand tax deductions to salary workers who earn 50 million won or less a year and rent a home under the area size of 85 square meters on a monthly payment basis.

The acquisition tax rates on home purchases will be adjusted to one percent for homes valued at 600 million won or less, two percent for homes valued at over 600 million won to 900 million won or less, and three percent for homes valued at over 900 million won. The same tax rates will be applied to multiple homeowners, and the current heavy taxation on them will be abolished.

## Solar Energy becomes Available for Households

Solar power energy will be available to households to be paid on a monthly basis, similar to paying for the use of a water purifier or copy machines, the Ministry of Trade, Industry & Energy (MOTIE) said.

In a pilot project slated for the fourth quarter, the government will select companies this month to plant solar collectors on top of houses and to receive a monthly payment for the solar power energy generated from the solar panels, the ministry said in a statement.

After selecting corporate participants for the business model, the government will complete the test program by the end of this year and analyze it to take a step forward next year. Companies which join the project receive rental fees from household customers and renewable energy points (REP) from the government. REP will be tradable on a market to be created by the government later.



## Korea to Open Gold Exchange in 2014

The government is planning to open a gold exchange in 2014 and impose stricter control on underground gold transactions, as part of ongoing efforts to encourage legitimate gold trading. A spot market for gold will be created in the KRX, where gold will be traded like listed stocks. Financial institutions and gold-related businesses that fulfill certain financial criteria will be allowed to participate in the market. In order to stimulate trading in the new market, various tax incentives will be provided, such as reducing corporate and income taxes and temporarily eliminating trading commissions.

The government will make the necessary systematic and

legal preparations for the rest of the year to ensure that the gold exchange opens in the first quarter of 2014.

By operating a public market while at the same time cracking down on underground transactions, the government will improve the transparency and efficiency of the gold market.



## Intellectual Property Support Fund

The Financial Services Commission unveiled on July 30 measures to boost intellectual property finance. The FSC announced that a fund worth 100 billion won will be set up to support the development of intellectual property, and that the fund may be expanded in the future if demand increases. In addition, there will be financial aid for commercializing intellectual property. Firms that commercialize their intellectual property will be eligible for preferential guarantees, and companies whose intellectual property is deemed valuable enough will be eligible for extra guarantees exceeding their credit limit. The FSC is also planning to introduce an insurance against risks of failing to receive royalty fees, along with a system to help the financial sector assess the value of intellectual property and technologies. Detailed plans regarding the system will be announced in October.





## Caffe Bene to Open 10,000 Branches by 2020

Caffe bene plans to open 10,000 branches globally by 2020, the company announced as part of the firm's globalization road map called "Caffe bene Global Coffee Road 2020," which will focus on expansion into China.

In a statement, CEO Kim Sun-kwon said, "We consider China as our starting point to increase our global market share," Kim added. The nation's largest coffeehouse in terms of number of stores has signed a business alliance with a Chinese investment firm to expand business in China.

Caffe bene has a total of 1,000 stores in the world. It operates 99 franchises throughout the world, including 87 stores in China, seven in the U.S., three in the Philippines and one in Indonesia and Saudi Arabia.



## Shinsegae to Invest 2.5 trillion won

Shinsegae Group, a major Korean retailer, said Monday that it has decided to invest a record 2.5 trillion won (\$2.2 billion) this year to boost domestic demand. Chung Yong-jin, vice chairman of Shinsegae Group that operates the Shinsegae Department Store and the country's largest discount chain E-Mart, said the investment is meant to help boost domestic demand and could potentially create new jobs.

Shinsegae Group has hired 17,000 new recruits in the first six months of this year and plans to hire 7,000 more in the second half. The announcement comes as Korea seeks to raise its overall employment rate to 70 percent over the next five years. Finance Minister Hyun Oh-seok said in July that Korea would "steadily" place more emphasis on job creation than on growth.

According to the the firm, it plans to invest in buying



lands in Hanam Unionsquare, shopping complex in Hanam city, Gyeonggi Province and Dondaegu transit center in Daegu, as well as develop a shopping center Centum City in Busan.

## Dongsuh Food Drops Prices on all Coffee Products by 10%

Korea's largest instant coffee maker, Dongsuh Food, has slashed prices on its major coffee products by five to 10 percent because of the falling prices of international coffee beans, the company said.

Dongsuh will cut prices on 20 products, including all types of Maxim Instant Coffee, all kinds of Maxim Coffee Mix and all varieties of Kanu premium coffees. The price of 200-gram packages of Maxwell House Mocha will be cut 10 percent from 5,480 won (\$4.91) to 4,930 won, the price of 500-gram units of Maxim Original will be cut 7.5 percent from 15,260 won to 14,120 won and the price of 1.2 kilogram packages of Maxim Mocha Gold Coffee Mix will be lowered 5 percent from 11,350 won to 10,780 won.

"In order to contribute to price stabilization and to boost demand during this downturn, we decided to lower prices," said a spokesperson for Dongsuh Food.





## Bacchus Celebrates 50 years

It has been 50 years since Korea's noncarbonated national energy drink Bacchus, which has sold more than 17.7 billion bottles, was released. Dong-A pharmaceutical said it held a ceremony celebrating the golden anniversary at its headquarters in Yongsan-dong, central Seoul, attended by Kang Shin-ho, chairman of Dong-A Socio Holdings, and Kang Jeong-seok, CEO of Dong-A Socio Holdings.

When it was released in 1961, Bacchus was sold as tablets. It later was sold in an ampoule, or small glass container, until the current Bacchus D bottle was introduced Aug. 8, 1963. Last year alone, 480 million bottles worth 170.9 billion won (\$153.5 million) were sold. It is still the best-selling product sold as a single item at Dong-A pharmaceutical. Dong-A pharmaceutical is currently targeting the global market, exporting to 28 countries including the United States and China. Cambodia imported 17.2 billion won worth of Bacchus last year alone.



food a loved international food," said CJ Group President Lee Kwan-hoon during a press conference at the Hyatt Regency Century Plaza in Los Angeles under the slogan, '2013 Global CJ 2020 Great CJ.' "CJ has promoted hallyu around the world with music, film and other pop culture contents. We are going to add Korean food to the lineup."

## Homeplus to Enhance Partnership

Homeplus, Korea's No. 2 supermarket chain run by British retail giant Tesco, said that it will improve its partnership with its suppliers and treat them as equal business partners. The plan was announced at the firm's CEO conference, hosted by Homeplus CEO Do Sung-hwan, with its suppliers and business partners at the Shilla Hotel in Seoul.

Over 70 executives from 28 suppliers participated in the meeting. Among the participating companies were LG Household & Health Care, Dongsuh Food and Dongbu Farm Gaya. The firm declined to disclose the full list of participants.

During the conference, the firm explained the group's vision to in order to better understand the changes suppliers would face from now on. The company said it will continue to hold the CEO conference, planning to set the meeting with non-food manufacturers, as well as fresh food suppliers.



## CJ to Step Up Globalization of K-Food

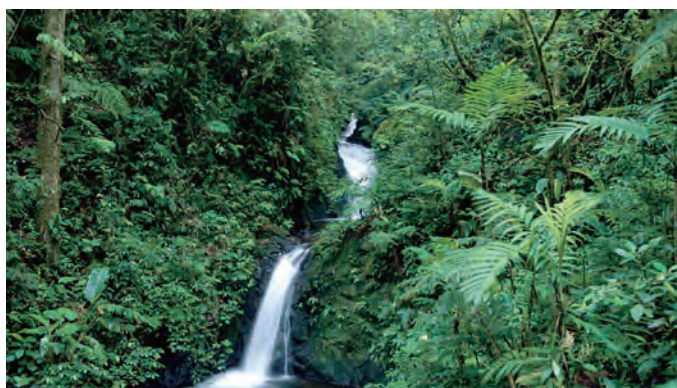
Korean food and media giant CJ Group unveiled its ambitious goal to earn 15 trillion won (\$13.4 billion) in sales from its food business unit by 2020 with half of the projected sum expected to be generated from overseas markets. To that end, the company will vigorously pursue the opening of "Bibigo"-branded Korean food restaurants worldwide and boost sales of processed food through the partnership with global retailers such as Wal-Mart, Costco and Tesco. The firm is expected to post 500 billion won in overseas sales of food products this year.

"Korea's cultural wave (hallyu) is shaking the globe wildly. We are going to take advantage of this to make Korean

## Korea Partners with APEC, Argentina on Forestry Development

Korea has established a partnership on forest cooperation with countries in South America and APEC member states. The Korea Forestry Service (KFS) signed an MOU on August 12 with Argentina's counterpart organization in Buenos Aires. The resource-rich Latin American nation agreed to engage in substantive cooperation and information sharing. A couple of days later on August 14<sup>th</sup> and 15<sup>th</sup>, the KFS team attended the Second APEC Meeting of Ministers Responsible for Forestry held in Cusco, Peru, where Minister Shin Won-sop of the KFS co-hosted a session to talk about effective forestry management for sustainable green growth, one of the most important items on the agenda.

On the sidelines of the APEC meeting, the KFS had high-level talks with partner countries including China, Indonesia, and Russia about major pending issues such as enhancing forestry cooperation. The KFS also met with senior officials of the Food and Agriculture Organization (FAO) to exchange views on a variety of issues including restoration of devastated forests and cooperation for the 2015 Forest Fire Assembly which will be hosted by Korea.



## Korea, China, Japan Consider Extending Joint Exchange Program

A joint committee involving educators, experts, and lawmakers from Korea, China, and Japan was held in Tokyo on August 6<sup>th</sup> to discuss ways to develop Campus Asia, a trilateral higher education exchange program. The meeting participants discussed ways to extend the number of member countries in order to make Campus Asia a leading university exchange program in Asia.

Campus Asia is an international initiative involving Korea, Japan, and China which allows joint and shared univer-



sity curricula and degrees among university students of the participating countries. So far, ten groups of universities from the three countries have participated in the exchange program. Under the joint initiative, the three countries provide support such as aviation fare, living, expenses and accommodation for participating students so that they can conduct academic research and learn more about the culture of the host countries without economic difficulties. In its first year of the implementation, more than 500 students — including 250 invited students — participated in the program.

## Korea, Indonesia, Join Forces to Reduce GHG

Korea and Indonesia are setting their sights on a cooperative effort to make the world a more eco-friendly place to live. The Korea Forest Research Institute (KFRI) measured forest carbon accumulation rates in a tropical forest in Indonesia in cooperation with the nation's Ministry of Forest from July 2<sup>nd</sup> to 5<sup>th</sup>, an important step towards enforcing mutual cooperation for reducing greenhouse gases (GHG) and conserving the forest environment.

This Korea-Indonesia joint survey, as part of the KFRI's REDD+ (reducing emissions from deforestation and forest degradation) project, was conducted in the 40,000-hectare West Rinjani protection forest management unit (KPHL Rinjani Barat), an area with high potential for cutting down GHG emissions due to its plentiful timber resources. REDD+ is a UN-led effort to create a financial value for the carbon stored in forests, offering incentives to developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development. The forest research body has further plans to phase in cooperative networks for international forestry research and REDD+ national strategies and implementation with other nations including Cambodia, Myanmar, and Laos, as well as Indonesia, which all have high potential for GHG mitigation.



## NIZO Wins the 2013 IFT Innovation Award

The Dutch contract food research company NIZO food research B.V has won the 2013 Institute of Food Technologists (IFT) Food Expo Award for Innovation.

NIZO won the award for its new sensory technology, acoustic tribology. The technology records and analyzes the sound of rubbing of the tongue against the food, and can be used to predict the sensory effects of food innovations. Creaminess or astringency of new foods or prototypes such as low fat products can now be determined by measuring the sound generated by the food interacting with the tongue during consumption. In this way, the profile of a low fat product can be compared with the full fat version as perceived during consumption.



The company has noted that it is delighted that its expertise and inventiveness are recognized by the food industry through this distinguished award. NIZO's clients will benefit from this new technology in future projects.



## Foreign Beer Brands Gaining Market

Two local powerhouse – Oriental Brewery (OB) and Hite-Jinro –, who account for over 90 percent of the market are facing a growing challenge from foreign makers.

The market share of foreign firms reached 5.7 percent in the first quarter of this year, up from 4 percent in 2010, according to Korea Alcohol & Liquor Industry Association (KALIA). Japan's Asahi tops the list of international beer brands in terms of sales. Its average annual sales in Korea increased by 47 percent from 2005 to 2012. Another Japanese brewery is taking steps to increase its Korean market share. Kirin Ichiban is running a promotional event in Busan to introduce a frozen craft beer named after the company. Some domestic companies are also taking steps to steal market share from OB and Hite-Jinro. Lotte Chilsung will complete the construction of a beer brew-

ery this year in Cheongju, North Chungcheong Province. A medium-sized beer manufacturer, 7 Brau, which has been selling its products to discount chain stores and department stores since 2011, is also working to increase its market share.



## Mass-Market, High-End Foreign Cars Gaining Ground

Mass-market and high-end foreign cars are simultaneously gaining ground in Korea, industry data showed, as foreign carmakers introduced moderately priced compact cars. Foreign carmakers have been offering compact cars that sell for less than 30 million won (\$27,000) in recent years, in an apparent bid to lure price-conscious consumers in their 20s and 30s.

Foreign cars with an engine capacity of less than 2,000cc accounted for 52.5 percent or 46,944 units of all imported cars sold in the first seven months of this year, compared with 26.4 percent or 10,537 units from the same period in 2008, according to the Korea Automobile Importers and Distributors Association.

Local importers of foreign brands also sold 29,790 cars with 2,000cc-3,000cc engines between January and July, compared with 14,391 units from the same period in 2008, according to the association.

A total of 14,953 units of foreign-brand cars were sold in July, up 39 percent from a year earlier, according to data compiled by the Korea Automobile Importers and Distributors Association.





## Korea's Urban Population Shrinks in 2012

Korea's urban population shrank for the first time in over 40 years in 2012 despite a growth in the overall size of urban areas, a government report showed. The country's urban population came to 91.04 percent of its total population at the end of last year, down 0.8 percentage point from a year earlier, according to the Ministry of Land, Infrastructure and Transport. The proportion of urban population dropped for the first time since at least 1970, it said. The report, however, did not specify the number of people living in urban areas, nor if that number had dropped compared to the previous year. Despite a drop in the urban population percentage, the total size of urban areas gained 2.1 percent on-year to 7,039 square kilometers(km<sup>2</sup>) as of the end of 2012. The country's total area also grew by 40 km<sup>2</sup> to 100,188 km<sup>2</sup> through land reclamation projects that included an expansion of Seoul's Incheon International Airport, according to the report.



## Korea's Fifth Multipurpose Satellite Successfully Launched

KOMPSAT-5, a Korean-built multipurpose satellite, has been successfully launched on August 22<sup>nd</sup> at around 8:39 p.m. from Yasny Launch Base in Russia. Korea's fifth multipurpose satellite succeeded in communicating with Troll Satellite Station in Antarctica 32 minutes later, and then, 87 minutes later, with Svalbard Station at 1:06 a.m. on August 23, according to the Ministry of Science, ICT & Future Planning (MSIP) and Korea Aerospace Research Institute (KARI).

Following necessary in-orbit tests and adjustments for the next six months, KOMPSAT-5 will be in operation to con-

duct all-weather day-and-night observations of the Korean Peninsula. The launch of KOMPSAT-5 is an eight-year project initiated by MSIP and the Ministry of Trade, Industry and Energy (MOTIE), run by KARI and supported by a number of private companies including Hanhwa Corporation.

Orbiting at an altitude of 550 kilometers, KOMPSAT-5 will provide high-resolution mode Synthetic Aperture Radar (SAR) images of various data including natural disasters, state of land and resources, and inspection results of the environment.



## Number of Foreign Workers Soars in Rural Areas

The number of foreign workers in Korea's farming and fishing sector jumped 3.5-fold in 2012 from three years earlier, data showed. According to the data compiled by the Ministry of Agriculture, Food & Rural Affairs, the number of immigrant workers in the country's farming and fishing sector came to 4,863 last year, compared to 1,390 tallied in 2009.

Local households employing foreign workers also jumped more than four-fold to reach 2,677 units over the cited period. Gyeonggi Province surrounding Seoul, held the largest number of employers at 1,034 units, trailed by South Chungcheong Province with 378 units and the southern resort island of Jeju with 251 units.





# CREATIVE AGRICULTURE

*Leading the creative economy through support of agriculture and food technology commercialization, the Ministry of Agriculture, Food & Rural Affairs aims to achieve a technology transfer rate of 36%, a commercialization success rate of 34%, and 4,000 jobs by 2017.*

The Minister of Agriculture, Food and Rural Affairs, Mr. Lee Dong-phil announced the 'Agriculture and Food Technology Transfer and Commercialization Promotion Plans' to support the attainment of 'creative agriculture'.

The plans aims to achieve a national and private patent technology transfer rate of 36 percent (2012, 28 percent), a transferred patents commercialization success rate of 34 percent (2012, 27 percent) and the creation of 4,000 new jobs by 2017.

To achieve this, MAFRA will promote technology financing through an agriculture and food "fund of funds" and establish a basis for technology trading and intellectual property rights-use.

The key political tasks for extensive promotion are as follows:

### Goals

To create 4,000 jobs by achieving an agriculture and food technology transfer rate of 36% and a commercialization success rate of 34% by 2017

\* Technology Transfer Rate for National and Private Patents:

(2012) 28% → (2017) 36%

\* Commercialization Rate of Transferred Patents: (2012) 27% → (2017) 34%

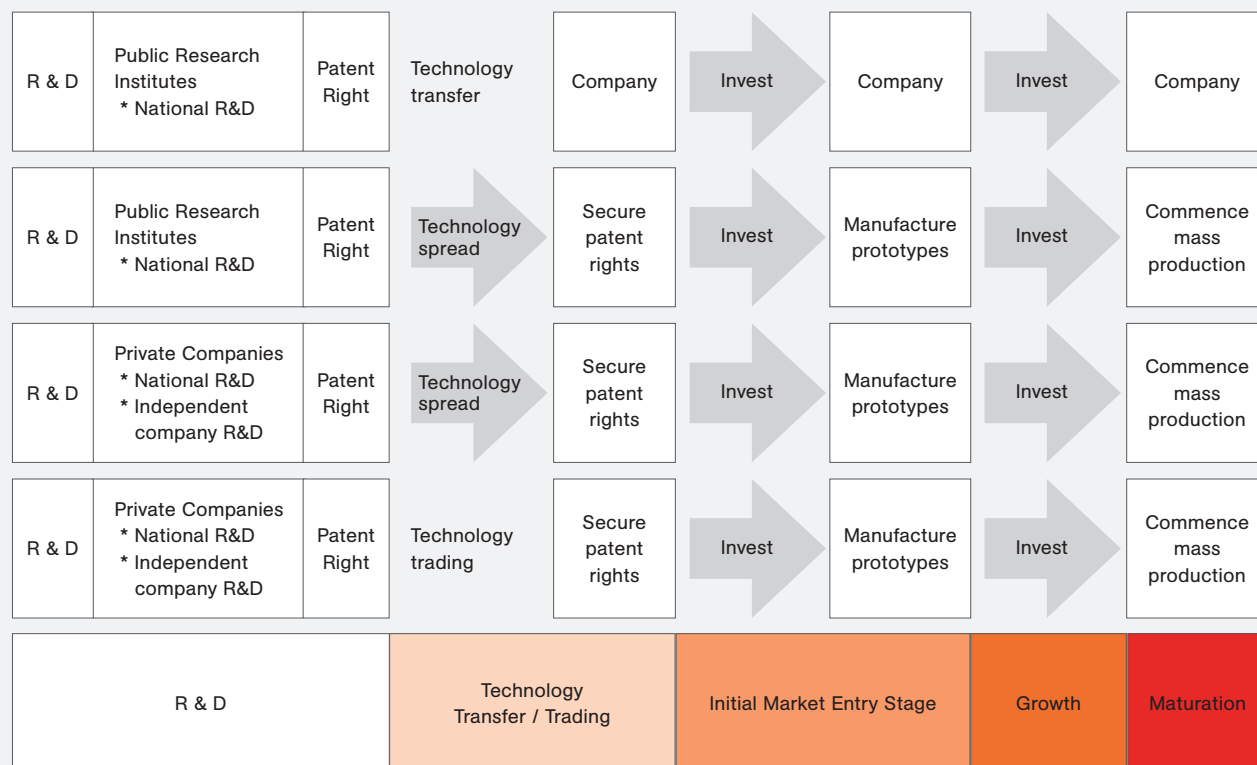
\* Job Creation: (2012) 690 jobs → (by 2017) 4,000 jobs

### Support Plans

To promote technology financing through a "fund of funds", technology trading and establishment of a basis for intellectual property rights use

1. Expand "fund of funds" investment to companies holding (transferring) R&D technologies
  - Alleviate information asymmetry/ investment risks and guarantee fund management company profits
2. Promote technology trading
  - Implement general information network/ integrated intellectual property DB and foster organizations specializing in technology trading
3. Establish a basis for intellectual property rights use
  - Support intellectual property rights acquisition and introduce an intellectual property rights security loan system and new technology certification system

### R&D Outcome Commercialization Stages









### **Fund of Funds' Investment Activation**

To activate “fund of funds’ investment for small and medium scale companies that possess premium technologies, MAFRA will promote information exchange expansion, investment risks alleviation, and incentive granting.

In particular, MAFRA will actively uncover “fund of funds’ investment success cases for companies holding patents developed through R&D, and will thus accelerate technology commercialization.

The conclusion of an MOU between the Korean Institute of Planning and Evaluation for Technology in Food, Agriculture, Forestry and Fisheries (IPET), The Agri, Tech, Commercialization & Transfer Foundation (FACT), and the Food and Vegetables Investment Fund on Sep. 26th and the organization of a fair on the same date, as well as an investment road show for November represent plans for promotion this year. This will expand information exchange between the Food

and Vegetables Investment Fund and small and medium businesses holding premium technologies.

Second, technology assessment and commercialization consulting will be strengthened for investment companies in August. In addition, Food and Vegetables Investment Fund risks of will alleviate in October by providing preferential treatment for R&D related government projects application.

Third, when the Food and Vegetables Investment Fund invests in businesses planning to make use of agriculture and food R&D project results, MAFRA will establish a plan to transfer the government's portion of the proceeds to fund management companies. At the same time, a plan to upwardly adjust the percentage of administrative and maintenance costs will be established, with national patents, currently at 2.5 percent going up to 3.0. As such, in December, MAFRA plans to implement profitability improvement measures.

### **Establishing a Basis for Technology Trading Promotion**

MAFRA will implement a general information network, strengthen technology marketing, and foster organizations specializing in technology trading to promote user - supplier technology trading.

MAFRA will implement a general information network for technology commercialization to analyze Korean and international research trends and the economic value of each FACT technology as of June 2014, and strengthen technology marketing centered on utility model patents for convenient commercialization.

In addition, MAFRA will develop FACT as an organization specialized in agriculture and food technology trading and promote technology trust agreements for national patents in the agriculture and food fields, as well as patents held by universities and the private sector in August.









### **Establishing a Basis for Intellectual Property Rights Utilization**

MAFRA will also promote intellectual property rights acquisition, introduction of a new technology certification system, and introduction of an intellectual property rights security loan system.

While distributing parts of patent application fees to small businesses and agriculture companies, a process already underway, MAFRA will provide the necessary information for patent acquisition through a consulting service in August. In addition, by introducing a 'new agriculture, forestry, food, and fisheries technology certification system December', MAFRA will grant incentives such as low-interest loans and additional technology commercialization support project application points, to new technology certified companies in December.

MAFRA will also introduce an 'intellectual property rights security loan system in March of 2013' to provide loan support without requiring tangible collateral, such as real estate.

**Strengthening Customized Support for R&D Commercialization Growth Stages**

MAFRA plans to provide customized support for each stage of agriculture and

food R&D technology commercialization ( R&D, technology transfer and trading, initial market entry stage, and growth stage).

Tasks with companies as supervising organizations will be expanded in the task planning stage in January 2014 and technology value assessment for developed patents will be established as a mandatory requirement in March of 2014. As such, the focus will be placed on technology commercialization from the R&D stage.

Technology transfer will also be expanded in June 2014 via the opening of a business foundation training course for farmers and university students majoring in agriculture, and support for technology commercialization follow-up studies.

In August, MAFRA offered low-interest loans through technology value assessment, to promote field-consulting services for small and medium companies holding premium technologies.

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*i* Source: Ministry of Agriculture, Food & Rural Affairs ([www.mafra.go.kr](http://www.mafra.go.kr)). For further details contact MAFRA Science & Technology Policy Division Director Ahn Hyeong-geun (+82-44-201-2457)

# INSPIRING LEADER





*Mr. Lim Jeung-bin has been appointed as Director-General of Food Industry Policy Bureau of the Ministry of Agriculture, Food & Rural Affairs on May 13<sup>th</sup>, 2013.*

Prior to being selected as Director-General of Food Industry Policy Bureau, Mr. Lim Jeung-bin served as spokesperson of the Ministry of Agriculture, Food & Rural Affairs (MAFRA). He gained a reputation of being one of the most successful spokespersons in the history of the ministry.

Mr. Lim is now keen to play a pivotal role in making an ambitious plan for the Food Industry Policy Bureau, by upgrading its competitiveness, and also addressing impending food industry-related issues of Food Service Industry Division, Export Promotion Team and the Korea National Food cluster Team.

The circumstance surrounding Korea's food sector is becoming tougher, with free trade agreement launched with more advanced agricultural economies such as United States and European Union. In addition, with a Korea-China-Japan FTA now being discussed, concerns have been growing regarding sustainability of the local food community and small food manufacturers.

Following his appointment, Mr. Lim would like to put more emphasis on preparing against external threats as well as addressing internal challenges in order to ensure opportunities for strengthening competitiveness of the food industry and its technology.

He highlights that Korea National Food Cluster (Foodpolis) will be the best model of creative economy which president Park Geun-hye would like to aim at supporting innovative small companies and is provide them full-fledged assistance to enable them to

become global food companies. He also said that the food industry is emerging as a promising future, one that generates added value and creates jobs. Moreover, the global food market is estimated to be \$4 trillion (1.5 times bigger than the semiconductor industry) and competition among nations is intensifying. He called on officials in charge of the complex, which will be completed in Iksan, North Jeolla Province for operation starting in 2015, to become "flexible and international," describing them as core recipes for success that had been applied to several flourishing industrial towns.

Mr. Lim said that the primary target of Food Industry Policy Bureau is that in order to cope with the new paradigm of food industry in the 21st century, it is absolutely necessary to make all colleagues pursue market-oriented mind and become marketing specialists as first-movers in the competing global food market.

On a personal note, he mentioned that based on "Sound body, sound mind", he enjoys playing badminton with colleagues in the early mornings. Because of his charismatic personality and open-minded character, his colleagues consider him to be a trustful person that everybody lauds to the skies.

Mr. Lim was born in Boeun county, Chungcheongbuk-do and spent most of his early childhood there. He graduated from Chungnam National University. After his masters degree, he started to work for the government in 1991. He has lovely wife, one son and one daughter.

# TACKLING FOOD WASTE





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*Faced with the challenges of demographic developments, climate change and the need to use resources efficiently, combating food losses and food waste will go a long way in tackling food security.*





Global agricultural production is expected to grow 1.5% a year on average over the coming decade, compared with annual growth of 2.1% between 2003 and 2012, according to a new report published by the OECD and FAO.

Limited expansion of agricultural land, rising production costs, growing resource constraints and increasing environmental pressures are the main factors behind the trend. But the report argues that farm commodity supply should keep pace with global demand.

The OECD-FAO Agricultural Outlook 2013-2022 expects prices to remain above historical averages over the medium term for both crop and livestock products due to a combination of slower production growth and stronger demand, including for biofuels.

The report says agriculture has been turned into an increasingly market-driven





sector, as opposed to policy-driven as it was in the past, thus offering developing countries important investment opportunities and economic benefits, given their growing food demand, potential for production expansion and comparative advantages in many global markets.

However, production shortfalls, price volatility and trade disruption remain a threat to global food security. The OECD/FAO Outlook warns: "As long as food stocks in major producing and consuming countries remain low, the risk of price volatility is amplified. A wide-spread drought such as the one experienced in 2012, on top of low food stocks, could raise world prices by 15-40 percent."

China, with one-fifth of the world's population, high income growth and a rapidly expanding agri-food sector, will have a major influence on world

markets, and is the special focus of the report. China is projected to remain self-sufficient in the main food crops, although output is anticipated to slow in the next decade due to land, water and rural labor constraints.

Driven by growing populations, higher incomes, urbanization and changing diets, consumption of the main agricultural commodities will increase most rapidly in Eastern Europe and Central Asia, followed by Latin America and other Asian economies.

The share of global production from developing countries will continue to increase as investment in their agricultural sectors narrows the productivity gap with advanced economies. Developing countries, for example, are expected to account for 80 percent of the growth in global meat production and capture much of the trade growth over the

next 10 years. They will account for the majority of world exports of coarse grains, rice, oilseeds, vegetable oil, sugar, beef, poultry and fish by 2022. To capture a share of these economic benefits, governments will need to invest in their agricultural sectors to encourage innovation, increase productivity and improve integration in global value chains, FAO and OECD stressed.

Agricultural policies need to address the inherent volatility of commodity markets with improved tools for risk management while ensuring the sustainable use of land and water resources and reducing food loss and waste.

### **Food Waste Estimates**

Food losses and food waste occur in every part of the world. However,





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according to the FAO, in developing countries over 40 percent of these losses take place in the post-harvest and processing stages, whereas in industrialized countries they occur chiefly in the distribution and consumption stages.

In developing and low-income countries, the bulk of losses occur in the production and post harvest stage owing to financial resources insufficient to improve existing infrastructure.

In industrialized countries, however, the problem is more behavioral in nature. In recent decades in the EU, rising agricultural productivity has made it possible to guarantee a reasonably priced food supply for the public. This development, coupled with a rise in disposable income, has had the effect of slashing the proportion of people's budget that is spent on food. This trend can partly explain the increase in consumer waste. Sociological reasons such as changes in family structure or lifestyle are also contributing factors in food waste.

According to estimates by United

Nations Environment Programme (UNEP), the impact of food waste is not just financial. Environmentally, food waste leads to wasteful use of chemicals such as fertilizers and pesticides; more fuel used for transportation; and more rotting food, creating more methane – one of the most harmful greenhouse gases that contributes to climate change. Methane is 23 times more potent than CO<sub>2</sub> as a greenhouse gas. The vast amount of food going to landfills makes a significant contribution to global warming.

Roughly one third of the food produced in the world for human consumption every year – approximately 1.3 billion tons – gets lost or wasted.

Every year, consumers in rich countries waste almost as much food (222 million tons) as the entire net food production of sub-Saharan Africa (230 million tons).

The amount of food lost or wasted every year is equivalent to more than half of the world's annual cereals crop (2.3 billion tons in 2009/2010).

Food loss and waste also amount to a major squandering of resources,

including water, land, energy, labor and capital and needlessly produce greenhouse gas emissions, contributing to global warming and climate change.

In developing countries food waste and losses occur mainly at early stages of the food value chain and can be traced back to financial, managerial and technical constraints in harvesting techniques as well as storage –and cooling facilities. Thus, a strengthening of the supply chain through the support farmers and investments in infrastructure, transportation, as well as in an expansion of the food –and packaging industry could help to reduce the amount of food loss and waste.

In medium- and high-income countries food is wasted and lost mainly at later stages in the supply chain. Differing from the situation in developing countries, the behavior of consumers plays a huge part in industrialized countries. Moreover, the study identified a lacking coordination between actors in the supply chain as a contributing factor. Farmer-buyer agreements can be helpful to increase the level of coordination. Additionally, raising awareness among industries, retailers and consumers as well as finding beneficial use for save food that is presently thrown away are useful measures to decrease the amount of losses and waste.

In the United States 30 percent of all food, worth \$48.3 billion, is thrown away each year. It is estimated that about half of the water used to produce this food also goes to waste, since agriculture is the largest human use of water.

United Kingdom households waste an estimated 6.7 million tons of food every year, around one third of the 21.7 million tons purchased. This means that approximately 32 percent of all food purchased per year is not eaten. Most of this (5.9 million tons or 88 percent) is currently collected by local authorities. Most of the food waste (4.1 million tons or 61%) is avoidable and could have been eaten had it been better managed.

In the USA, organic waste is the second highest component of landfills, which are the largest source of methane

emissions.

Up to 50 percent of food gets wasted in EU households, supermarkets, restaurants and along the food supply chain each year, while 79 million EU citizens live beneath the poverty line and 16 million depend on food aid from charitable institutions.

Currently food wastage amounts in the EU to 89 million tons per annum (i.e. 179 kg per capita) and the projection for 2020 – if no action is taken – is 126 million tons (i.e. a 40 percent increase).

### Asia-Pacific Campaign

While hunger is the world's number one health risk, about one third of food for human consumption is lost or wasted globally each year. In addition, when food is wasted, all of the resources that

were put into its production are lost.

Not only are these increasingly scarce resources, such as water and fuel, lost, but greenhouse gas emissions are also associated with the disposal of food.

Therefore, food wastage represents a missed opportunity to feed the growing world population, a major waste of resources and a needless source of greenhouse gas emissions that impacts climate change. It also has negative economic consequences for everyone along the food chain when food goes to waste.

Denouncing the huge amount of food that goes to waste, FAO Assistant Director-General and Regional Representative for Asia and the Pacific, Hiroyuki Konuma, recently announced a new initiative aimed at stopping post-harvest food losses and market-to-

consumer food waste.

"The Save Food Asia-Pacific Campaign seeks to raise awareness about the high levels of food losses - particularly post-harvest losses - and the growing problem of food waste in the region," Konuma said.

"FAO estimates that if the food wasted or lost globally could be reduced by just one quarter, this would be sufficient to feed the 870 million people suffering from chronic hunger in the world," said Konuma.

The announcement came as Konuma opened the two-day High-Level Multi-Stakeholder Consultation on Food Losses and Food Waste in Asia and the Pacific Region in collaboration with the Asian Institute of Technology and other partners.

More than 130 participants from 20





countries attended the Consultation, including four Agriculture Ministers. The Consultation will study ways to reduce food loss and waste and is expected to issue a communiqué outlining actions that can save food from farm to table.

According to Konuma, "The world produces more or less sufficient food to meet the demand of its current population of 7 billion. However, 12.5 percent of the global population, or 868 million people, equivalent to one in eight people, go hungry every day. In 2012, the Asia-Pacific region was home to 536 million hungry people, or 62 percent of the world's undernourished."

The Asia-Pacific region benefitted from rapid economic growth in the first decade of the 21<sup>st</sup> century. But, successful economic growth did not alleviate hunger and poverty, because

the benefits of economic growth were unevenly distributed, resulting in a widening income gap in many countries in the region.

According to statistics from the United Nations Economic and Social Commission for Asia and the Pacific, an estimated 653 million people across the region, lived below the national poverty line in 2010.

There is no doubt that win the context of Asia and the Pacific Region, more effort is needed to raise global awareness of the critical issue of food losses and particularly post-harvest losses as well as food waste, which is a increasing nowadays.

### **American Initiative**

In June, the U.S. Department of

Agriculture (USDA), in collaboration with the U.S. Environmental Protection Agency (EPA) launched the U.S. Food Waste Challenge, calling on others across the food chain—including producer groups, processors, manufacturers, retailers, communities, and other government agencies — to join the effort to reduce, recover, and recycle food waste.

Secretary Tom Vilsack and EPA Acting Administrator Bob Perciasepe were joined at the event by representatives from private-sector partners and supporters including Rio Farms, Unilever, General Mills, the Food Waste Reduction Alliance, Feeding America, and Rock and Wrap It Up!.

Food waste in the United States is estimated at roughly between 30 to 40 percent of the food supply. In 2010, an estimated 133 billion pounds of food



from U.S. retail food stores, restaurants, and homes never made it into people's stomachs. The amount of uneaten food in homes and restaurants was valued at almost \$390 per U.S. consumer in 2008, more than an average month's worth of food expenditures.

"The United States enjoys the most productive and abundant food supply on earth, but too much of this food goes to waste," said Secretary Vilsack. "Not only could this food be going to folks who need it – we also have an opportunity to reduce the amount of food that ends up in America's landfills. By joining together with EPA and businesses from around the country, we have an opportunity to better educate folks about the problem of food waste and begin to address this problem across the nation."

"Food waste the single largest type of waste entering our landfills -- Americans throw away up to 40 percent of their food. Addressing this issue not only helps with combating hunger and saving money, but also with combating climate change: food in landfills decomposes to create potent greenhouse gases," said EPA Acting Administrator Bob Perciasepe. "I'm proud that EPA is joining with USDA today to announce the U.S. Food Waste Challenge. With the help of partners across the country, we can ensure that our nation's food goes to our families and those in need – not the landfill."

The goal of the U.S. Food Waste Challenge is to lead a fundamental shift in how we think about and manage food and food waste in this country. The Challenge includes a goal to have 400 partner organizations by 2015 and 1,000 by 2020.

As part of its contribution to the U.S. Food Waste Challenge, USDA is initiating a wide range of activities including activities to reduce waste in the school meals program, educate consumers about food waste and food storage, and develop new technologies to reduce food waste. USDA will also work with industry to increase donations from imported produce that does not meet quality



standards, streamline procedures for donating wholesome misbranded meat and poultry products, update U.S. food loss estimates at the retail level, and pilot-test a meat-composting program to reduce the amount of meat being sent to landfills from food safety inspection labs.

Through its Food Recovery Challenge, EPA will provide U.S. Food Waste Challenge participants with the opportunity to access data management software and technical assistance ([www.epa.gov/smm/foodrecovery](http://www.epa.gov/smm/foodrecovery)) to help them quantify and improve their sustainable food management practices.

### European Initiative

In July, representatives from across Europe's food supply chain announced the launch of a joint effort to tackle the major societal problem of food wastage via the publication of their Joint Declaration entitled, 'Every Crumb Counts'.

Launched at an event in Brussels in the presence of distinguished speakers from the European Parliament, the European Commission, a number of NGOs and industry representatives, co-signatories of the Declaration aim not only to work towards preventing edible food waste but also to promote a life-cycle approach to reducing wastage and to proactively input into European, national and global solutions and initiatives in this area.

With the long-term sustainability of the food chain foremost in mind, and conscious of the global environmental impact of food disposal such as an increase in greenhouse gas emissions, co-signatories commit to contribute to the objective of reducing food wastage throughout the entire food supply chain, in line with the European Commission's goal of halving edible food waste by 2020, set out in the Europe 2020 Flagship Initiative 'A resource-efficient Europe'. Furthermore, the Joint







Declaration explores how new markets and better food recovery can contribute to economic growth.

Lending his support to the initiative, Matthias Groote MEP, Chair of the European Parliament's Environment, Public Health and Food Safety Committee, said: "Food waste does not only have a big impact on the global food situation, but also significant economic and ecologic consequences. I welcome the launch of the Joint Stakeholder Declaration which seeks to raise awareness of food waste and of solutions to tackle this issue, and of the presentation of the new online toolkit for manufacturers. Policymakers, companies and consumers all have to be part of the solution".

Speaking on the occasion of the launch, representatives of the several co-signatory organizations emphasized the importance of the initiative:

FoodDrinkEurope President, Jesús Serafín Pérez said: "We are encouraged by the degree of support that the Joint

Food Waste Declaration, 'Every Crumb Counts' has received so far; it is our hope that this will be rolled out effectively not only among actors along the food supply chain, but also by other groups, thereby contributing significantly to the flagship EU 2020 Goal for a resource-efficient Europe. FoodDrinkEurope is pleased also to announce the launch of its new Food Waste Industry Toolkit, 'Maximizing food resources: A Toolkit for food manufacturers on avoiding food wastage', developed to help food manufacturers reduce and prevent food waste by sharing best practice and guidance throughout the industry".

Virginia Janssens, Managing Director of EUROPEN added: "As part of the food supply chain, EUROPEN (packaging supply chain) members are committed to further contribute to food waste prevention. Packaging is part of the solution as it prevents food spoilage for longer and ensures food quality and safety along the supply chain and at home, also informing consumers

on best use and storage of packaged food products. Further investments in packaging innovation and technologies, such as in the areas of active and intelligent packaging, increasing shelf-life and portion sizes, play a key role."

Isabel Jonet, President of the European Federation of Foodbanks (FEBA) commented: "Recovering edible food before it is destroyed and redistributing it to beneficiary charities which take care of deprived people is the 'raison d'être' of our network of 253 food banks in 21 European countries. FEBA thoroughly supports this Joint Declaration on Food Waste as we are convinced that building stronger cooperation between food banks and FoodDrinkEurope members is a very efficient and proven way to reduce food waste and hunger simultaneously".

Mark Linehan, Managing Director of the Sustainable Restaurant Association (SRA) said: "The SRA welcomes and supports this Declaration as it addresses one of the most important global







issues of our time. Food waste has an enormous social, environmental and economic impact, so reducing it should be a no-brainer for restaurants, especially as we know from research that it is something diners care about deeply. Many restaurants are already taking significant steps, and we would urge those that are not, to take action now, for the benefit of the planet, food security and their bottom line.”

Rocco Renaldi, Secretary General of FoodServiceEurope commented: “Reducing food waste is a real challenge, especially in the just-in-time environment of the contract catering sector. But it is an environmental, economic and ethical imperative that we play our part. FoodServiceEurope is proud to join food manufacturers and others in what we hope will become a food chain approach to food waste reduction.”

Frédéric Rosseneu, Secretary General of Europatat said: “We recognize the importance of the current

societal and political debate regarding food waste. Whilst potatoes which cannot be sold fresh are generally used for processing or animal feed, our involvement in the Joint Declaration aims to raise further awareness about the issue and to exchange best practices in the supply chain but and towards the consumer.”

Philippe Binard, General Delegate of Freshfel Europe noted: “Food waste is a highly complex issue which requires the involvement of all partners in the supply chain in order to tackle it effectively and not just shift it further up or down in the chain. This has been the key driver for Freshfel’s participation in the Joint Declaration. There’s no silver bullet solution, but we hope the increased awareness and exchange of best practices within the fruit and vegetable category will help to reduce the level of waste across the chain.”

Ingrid Verschueren, Packaging Division Manager of EuPC said: “Roughly

one third of the edible portions of food produced for human consumption are never eaten and that is unacceptable. Plastic packaging can play a significant role in reducing this number and that is why EuPC is welcoming and supporting the ‘Every Crumb Counts’ Declaration”.

Today, companies are beginning to understand the social, environmental, and economic costs of food waste and starting to recognize the benefits of reducing waste or diverting it to better uses. These opportunities can be pursued through innovation, collaboration, and leadership.

# MEASURES TO BUILD A CREATIVE ECONOMY

*The Korean Government recently announced middle to long-term tax policy plans that will reform the current system in place.*







As noted by the policy note, published in the Monthly Economic Bulletin of the Ministry of Strategy & Finance, it is necessary for tax policy to reflect changes in middle to long-term socio-economic structures, including growth potential, demographics, climate change, socioeconomic gaps, and unification preparations.

#### Potential growth rate

Potential growth is trending down due to limits on possible increases in labor input owing to both the low birthrate and the aging population, and decreased investment due to a fall in the savings rate. The growth in tax revenues is forecast to gradually decline compared to Korea's period of high growth, owing to both a slowdown in the growth rate and an already significantly broad tax base. It is necessary to develop an institutional strategy, such as the 'Making Family and

Work Life Compatible' initiative, in order to boost the female labor participation rate.

#### Fiscal conditions related to demographic changes

The Korean population is aging quickly and therefore welfare-related costs, such as pensions, are increasing while there is a possibility that the fiscal balance will worsen. The Korean people's demands for welfare services, such as universal childcare and free school lunches, are increasing as well.

#### Environmental change

Uncertainties regarding energy supply and demand, such as persisting high gas prices and increasing electricity demand are growing. It is also necessary for Koreans to begin adapting to climate change, such as by making efforts to reduce greenhouse gases.



## Tax policy management plans

## Income and financial tax system

*Current state of affairs:*

Income tax revenue was only 3.6 percent of GDP as of 2010, and was ranked 30th out of the 32 OECD countries. Only about 37 percent of earned income is taxed due to various tax exemptions and deductions.

*Plans:*

The income tax will be reformed by modifying tax deductions and taxing income that had been tax-exempt. The tax base will be expanded and various tax deductions will be modified in order to improve the income tax as a percentage of GDP and boost fairness.



## Corporate taxes

### Current state of affairs

Korea's corporate tax revenue was 3.5

percent of GDP as of 2010, the fifth highest in the OECD. Corporate tax rates are progressive and composed of three brackets in order to support small- and medium-sized enterprises (SMEs).

*Plans:*

A growth-friendly tax system will be maintained in order to support the Korean economy's transformation into a creative economy. Non-taxable items, tax exemptions, reductions and deductions will all be adjusted, and the efficient management of public finances will be promoted by strengthening the connection between tax expenditures and budget expenditures.

*Income gap:*

The income gap, which had widened during the 2008 financial crisis, recovered to pre-crisis levels in 2012 in line with both the economic recovery and employment growth.





#### *Preparations for unification:*

Taking into account the current state of division between South Korea and North Korea, it is necessary to secure adequate fiscal space to ensure that South Korea is economically prepared for unification.

#### **Property taxes**

##### *Current state of affairs:*

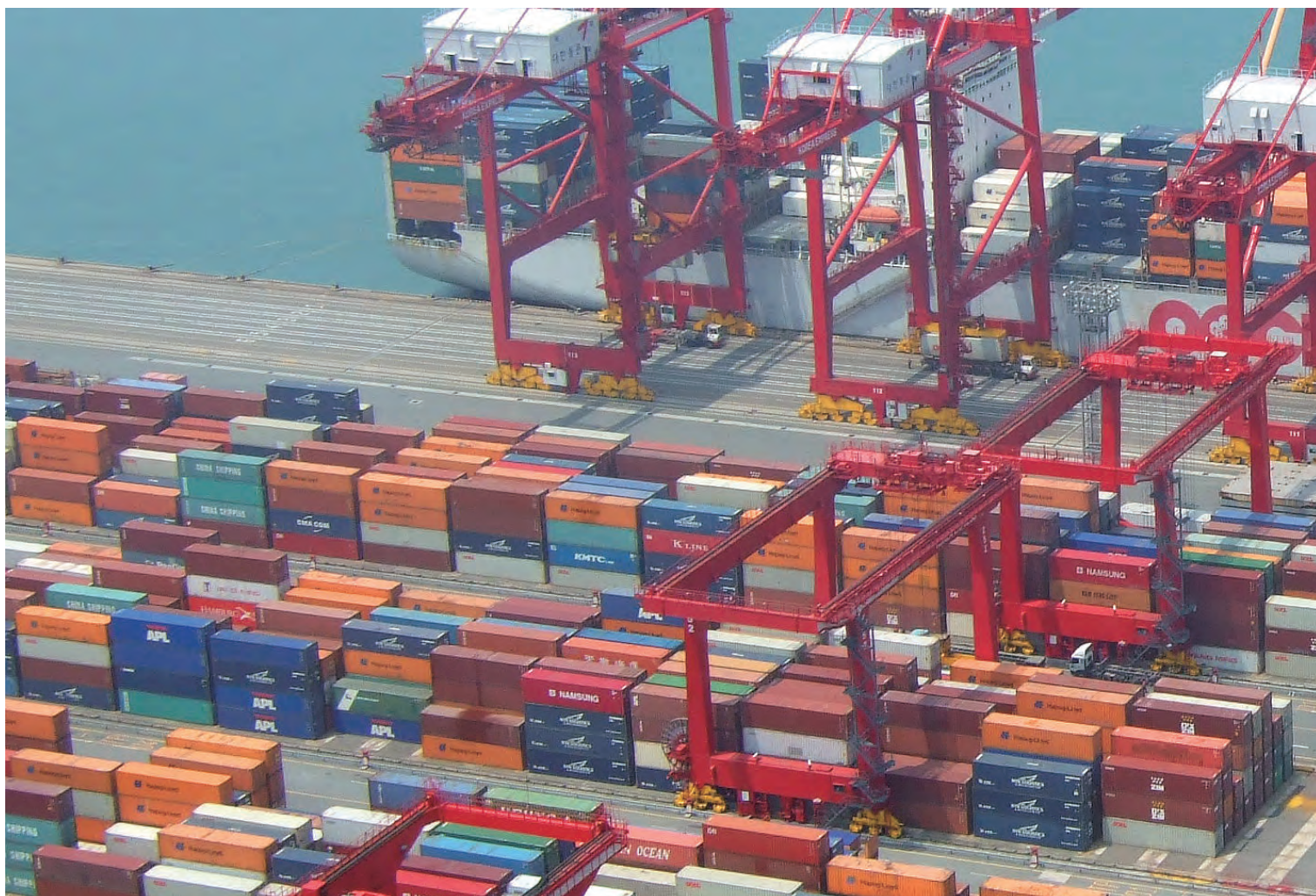
Korea's property tax revenue was 2.9 percent of GDP as of 2010, the seventh highest in the OECD. The OECD average was 1.8 percent. The gift and inheritance tax's highest bracket is 50 percent, which is tied with Japan for the highest rate in the OECD.

##### *Plans:*

The government will promote lowering taxes on real estate transactions and optimizing possession taxes, and will improve the gift and inheritance tax in order to rectify imbalances and boost economic efficiency.







## Consumption taxes

### *Current state of affairs:*

Korea's regular consumption tax revenues were 4.4 percent of GDP as of 2010, which was somewhat lower than the OECD average of 6.9 percent. However, the individual consumption tax, at 3.8 percent of GDP, was in line with the OECD average of 3.5 percent. Korea's value-added tax (VAT) rate, at 10 percent, was lower than the OECD average of 18.7 percent, and there are many tax exemptions. In the case of energy taxes, existing taxes mainly target fuel, which is an impediment to tax neutrality.

### *Plans:*

The tax base will be expanded by modifying tax exemptions, reductions

and deductions associated with the VAT and the individual consumption tax. Negative externalities will be corrected by revising energy taxes, and the individual consumption tax will be adjusted to target high-end luxury items.

## International cooperation on taxes

### *Current state of affairs:*

The globalization of the economy has led to demands for a full review of the current tax system. Specifically, it is necessary to increase international cooperation and improve tax systems in order to prevent tax evasion.

### *Plans:*

A suitable international tax model

should be established according to both Korea's economic conditions (a small-sized open economy) and changes in the international tax environment. Advances should be made with regards to international tax systems, such as the introduction of an OECD standard, in order to prevent tax evasion and aggressive tax avoidance. Korea will promote strengthening international cooperation by signing tax treaties and information exchange agreements.

## Tariffs and FTA implementation

### *Current state of affairs:*

As of June 2013, 10 FTAs have been signed and Korea is pushing for new negotiations in order to make the





Korean market even more open, but the FTA utilization rate remains low.

#### **Plans:**

Korea will respond to the changing international trade environment, which includes an increase in FTAs, and therefore will revise customs duties, modify customs refunds, and promote measures to boost the FTA utilization rate. Systems will be improved owing to the increase in new forms of commerce, including e-commerce and express cargo.

#### **Other areas**

##### *Current state of affairs:*

National taxes dwarf local taxes by about 8:2. However, taking into account intergovernmental transfers, the ratio

of annual expenditures of the central government to local governments is about 4:6. Special purpose taxes, such as the Education Tax, the Special Tax for Rural Development and the Transportation, Energy and Environment Tax, have been added to various tax items, making the current tax system complicated.

The government is in the process of rewriting the current tax laws to be clear, concise and easy for taxpayers to understand. The revisions are separated into two stages. Stage 1 started in 2011, and the government is in the process of rewriting income tax laws, corporate tax laws, and VAT laws. Stage 2 will begin in 2014, when the government will work on rewriting the Framework Act on National Taxes, as

well as the gift and inheritance tax.

#### **Plans**

The government will modify national and local taxes while taking into consideration the central government and local governments' fiscal space, the gaps in fiscal capabilities between local governments and tax collection efficiency. The tax code will be simplified by modifying special purpose taxes and rewriting current tax laws.

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*i* Source: Ministry of Strategy & Finance ([www.mosf.go.kr](http://www.mosf.go.kr))



# FORNO D'ASOLO



*Forno D'Asolo S.p.A. is a privately held company that operates in the bakery products industry. Forno D'Asolo S.p.A. headquarters are located in Maser, Italy.*







Forno d'Asolo's history in the production of frozen food specialties began in 1985 in Maser (Treviso) with the passion and enterprise of two brothers, Fabio and Paolo Gallina.

Coming from a long time of bakers and with their extensive knowledge in the field of bread-making and pastry making, the two entrepreneurs took up a revolutionary challenge: to mass produce ready-to-bake frozen specialties with the quality and flavor of homemade products that have just been prepared and filled.

This ambitious goal required the development of new production technologies. In only a few months, the market began to recognize and appreciate the genuineness of the Forno d'Asolo products and Fabio and Paolo Gallina launched the first frozen filled Cornaretto in Italy. It was initially filled one by one and soon was flanked by other specialties like Sacchettini and Strudelini. This affirmed the company as an Italian leader.

A variety of factors contribute to making each Forno d'Asolo product unique: proper selection of the ingredients, artisanal care in working the dough, precision in the rising times, rapid freezing of the products, prompt delivery, and attentive customer assistance designed to help our customers understand the best way to prepare the various specialty products that we sell.

The company specializes in sweet bakery goods, savory bakery goods, Italian cakes and Italian breads.

As noted by Dr. Marco Rossini, Business Advisor for Forno d'Asolo for the strategic and organizational development for foreign markets, the company is working on two main areas this year, to increase its position in local market and expand business abroad.

"This means to find new partnerships that permit us to increase our market share in each country. For each eastern country we prepare a strategy for single

market understanding what the market really need," he said.

He was very impressed after looking at the Foodpolis project in Seoul and his idea is also to involve some company that could be interested to set up a production line in Korea.

The company has more than 100 employees; when combined with agents and other collaborators, who work with it either independently or in various capacities, this figure increases to more than 350 people. In addition, it has more than 700 products in the catalogue, 15,000 m<sup>2</sup> of production facilities, 5 complete and fully automated production lines, 41,000 m<sup>3</sup> of fully robotized cold storage facilities (-22°C) at the headquarters and another 20,000 m<sup>3</sup> at 12 different sites throughout Italy, and a laboratory for testing antique recipes and developing new ones.

"These are the numbers that have made Forno d'Asolo a leading company that is relied on by more than 20,000



operators in the catering sector around the world. Our competitive advantage are the production lines, each day we produce more than 1,000,000 pieces and now we develop new production line for mini cornetti that permits us to produce 18,000 pieces per day. Our other competitive advantage in local market is the distribution and the high quality of our products," he said.

Dr. Rossini noted that protecting the environment and the ecosystem plays a considerable role in achieving the goal of excellence that the company first set for itself when it was founded.

"We support green policies that aim

at the reduction of energy consumption and resources exploitation. We therefore continually strive to reduce as much as possible the impact that our production processes have on the surrounding environment and ecosystem."

He added: "At Forno d'Asolo, we have implemented numerous environmental sustainability measures, including: waste sorting, that is collected in order to be recycled and to avoid pollution for the environment, using recyclable packaging, and installing a photovoltaic system on the roof of our production and storage facilities, which saves more than 250,000 kWh each year and, more importantly,

prevents the emission of more than 135,000 kg of CO<sub>2</sub> and saves more than 4,300 tons of wood."

And also the printing of our catalogues, leaflets and brochures are made on ecological paper fulfilling the eco-sustainable parameters requested by FSC.

He explained that Forno d'Asolo strives to be more than mere numbers and sales. The human touch is still the foundation of its relations, both internal among colleagues, and external with our suppliers, customers and society as a whole. For this reason, the company supports various social initiatives.

The 'I BAMBINI DELLE FATE'





Foundation is a not-for-profit foundation helps autistic children by promoting social integration, providing support to families and assisting with medical expenses. In addition, it contributes to scientific research on various childhood disorders, particularly autism.

The general purpose and objective of 'PORTAVENTURA' Foundation is to contribute to society's wellbeing and to improve the quality of life for people at risk of social exclusion, especially children and young people.

'La Città della Speranza' is a foundation that funds the pediatric center of oncological-hematology of Padua and

it contributes to its scientific research in a continuous effort to cultivate hope.

He also noted that no activity represents the core values of Forno d'Asolo – commitment, dedication and passion – better than sports.

"This affinity has led us to support and promote sporting events and programs on all levels, from amateur events to competitions that attract champion athletes, like the women on the Forno d'Asolo-Colavita Professional Women's Cycling Team."

Speaking on the plans for operation in Korea, he said at the moment, the company is studying the market to

understand policy issues and also is on the look out for a distributor.

The growth potential for bakery products industry and their impact on lifestyles is very high, he said.

The Korean government initiative to develop the food industry in Northeast Asia and promote FOODPOLIS, he said, is an excellent idea.

"FOODPOLIS is a big project for the future, my opinion is that it could be the future THE Bridge (not "A" bridge, but "THE") between Korea and China. This means a big potential to attract companies that need and believe to develop business in Eastern Asia."

# TOTAL TECHNOLOGICAL CONSULTANT



*Safety and quality are today's most important objectives in food development. Supported by the professional staff of research technology, TTC offers research technology to ensure early realization of the objectives.*

Established in 2001, Total Technological Consultant (TTC) is a Contract Research Organization specializing in Foods for Specified Health Use (FOSHU) and Health Foods development.

As noted by Mr. Tetsuro Yamamoto, Representative Director, TTC, the company offers a range of services to operate clinical trial precisely, rapidly and objectively.

"We provide a full range of professional services in Japan. We are supporting entire FOSHU and Health Foods developing with SMO (Site Management Organization) and nationwide medical institutions. TTC prepares scientific data concerning safety and functionality and supplies technology that are essential for investigation."

The company cooperates with about 50 nationwide medical institutions in Japan, and many medical specialists have assumed advisory roles in TTC. The staff system is organized by MD., PhD., VMD., registered dietitian, specialists of Medical

Writer and Statistical analysis.

**The company's support for FOSHU application includes:**

- Development of FOSHU (Foods for Specified Health Uses) and support for application procedure
- Consultation for safety test and effect check test with animal and human
- Negotiation with the Ministry of Health, Labor and Welfare and collection of information/data.

**The activities of support in developing food and functional food are:**

- Research on patent and technical literature regarding functionality and composition of the scheduled new product.
- Consultation regarding safety and functionality tests for ingredients and the finished product.
- Support in patent application of study results and specific composition

formula. Support for preparing monograph with the test data.

TTC also provides consultation about quality control system such as ISO.

**Fundamental & Safety test:**

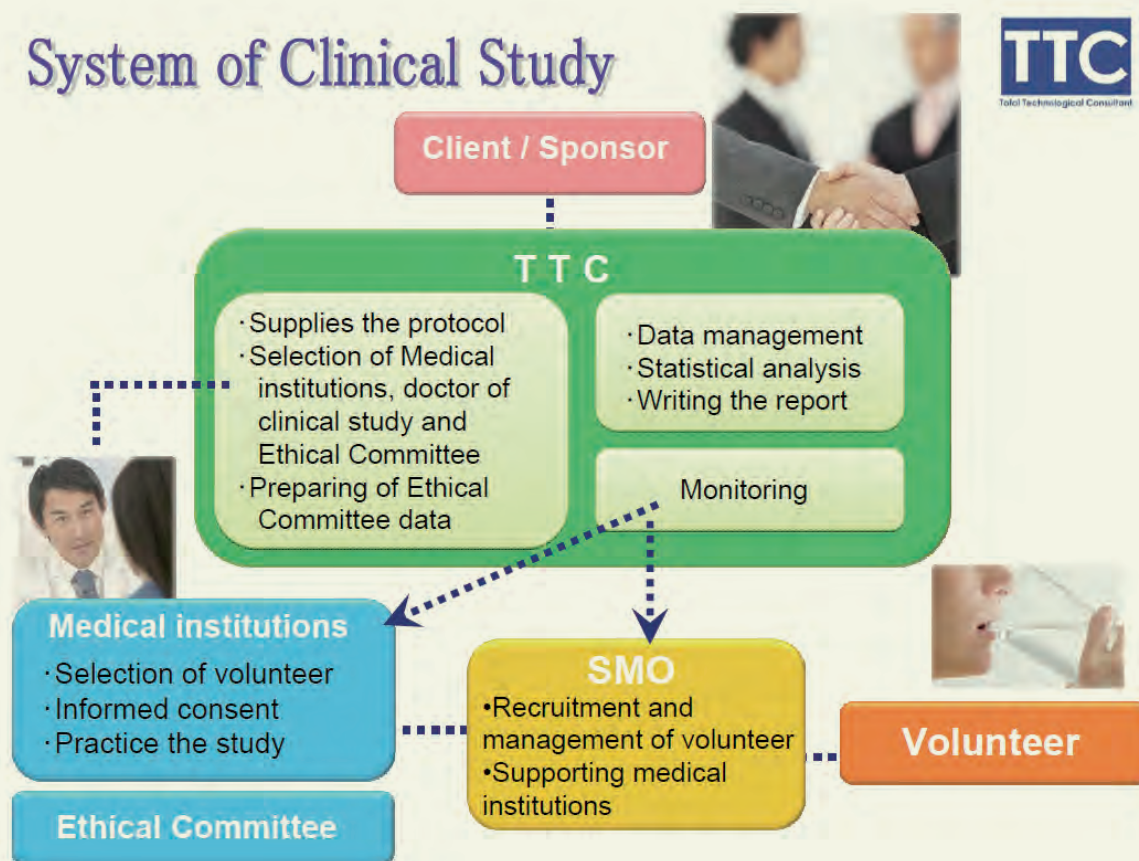
TTC supplies fundamental data regarding safety and functionality that are necessary for marketing products and ingredients. They undertake cost effective tests due to their alliance with various colleges and testing institutes. The main tests include checking functionality such as antioxidation activation of foods and cosmetics using rat/mouse or test tube and check safety such as acute toxicity/ chronic toxicity.

**Clinical Test:**

TTC supplies test for life-style related diseases with big number of 230,000 monitors. This is an affiliated business with e-Kencom Co., Ltd. (Established by



## System of Clinical Study



(NTT-ME and Seikokai Health Management Center)

By the co-operation of 230,000 monitors, the company can at once select the best monitors of life-style related disease reserves such as high blood sugar level, high cholesterol level, high body fat level etc. The tests are conducted by clinical doctors at 100~1000 beds hospitals.

The test by monitors of hepatitis, gastritis, anemia patients and healthy monitors is done under the guidance of doctors. They also check the safety aspect of excessive intake of food and functionality of food.

Management of Patent application:  
TTC also undertakes practical application of patent regarding immunity and anticancer agents, technical service for obtaining/protecting patent and management of academic study.

### Mr. Tetsuro Yamamoto



Graduated from Osaka University,  
Department of Technology  
Doctor of Engineering

- Part-time Assistant Professor at Graduate School of Medicine, University of Tokyo
- Part-time Assistant Professor at Advanced Medical Institute, Hyogo Medical College
- Part-time Assistant Professor at Teikyo University
- February 1999: Awarded the first Tamio Hiratani Commemorative Prize
- Fellow of New York Academy of Science.

*i The company is ready give advice to clients regarding study and technology.  
For further details visit the website <http://www.ttc-tokyo.co.jp>*

# SUCCESSFUL INVESTMENT MISSIONS

*The FOODPOLIS undertook very successful investment missions to Japan and USA, seeking to attract more potential partners in the national food cluster.*







It is often said that South Korea and Japan are so close, yet so far, in that people of both countries don't understand each other. However, stereotypes aside, the investment mission of Korea National Food Cluster (FOODPOLIS) seemed to be an exception.

Mr. Park Jong-guk, Chairman, Agency of Korea National Food Cluster, led an investment team to Tokyo from July 23<sup>rd</sup> to 26<sup>th</sup> to have one-on-one business meetings with potential Japanese food investors.

Chairman Park had individual talks with 5 Japanese food manufacturers and their R&D directors such as Takano Foods, Kirin, Bizen Chemical, POLA R&M and Marukome. Japanese food manufacturers were impressed with the presentations and showed strong interest in the geopolitical advantages of FOODPOLIS. In particular, the status of Korea's FTA, outstanding human resources, 3 major R&D supporting systems (Food Quality & safety center, Food Functionality Evaluation Center, Food Packaging Center) and foreigners' investment incentives and subsidies.

Takano Foods took part in Korea Food Show hosted by Ministry of Agriculture, Food and Rural Affairs at Kintex, Korea from May 14<sup>th</sup> to 17<sup>th</sup> this year, for the first time to promote Natto product, one of Japanese traditional food. The company is researching current Korean's flavors on Japanese food and is exploring ways to set up a marketing channel in the Korean market. As a result, Natto's popularity with local citizens is expected to grow rapidly. Takano foods is



strongly interested in setting up an export channel to Northeast Asian market and is keen to sell more competitive products in the Korean market.

Bizen Chemical expressed strong intention to establish an investment Memorandum of Understanding with FOODPOLIS because the company used to import Korean Ginseng and oyster to produce medical products in Japan. The primary activities of Bizen chemical are producing pharmaceutical products and healthy food. In particular, the company would like to make a courtesy visit to Iksan city to take a look at the real site development plan and supporting facilities in FOODPOLIS in the coming future.

Another company, POLA R&M, already has a recognized market share of edible cosmetics in Korea and would like to set up an R&D center in FOODPOLIS to advance into China, one of the biggest consumer markets in the world. POLA R&M is a subsidiary of POLA ORBIS GROUP and accounts for 3<sup>rd</sup> largest cosmetic market share

in Japan. The company was founded in 1929 and delivers a broad range of new knowledge through its research and development arm. POLA R&M takes an integrated approach to manufacturing that covers everything from planning to research and from materials development to the production process and its most attractive strength is its "value chain" that produces leading products to meet Korea customer's demands.

In their meeting, Kirin officials pointed out the fact that sales of imported premium beer are on the rise with a growing number of young consumers preferring foreign beers to domestic brands, prompting Korean brewers to pump up imports of Japanese brands. About 45 million liters of imported beer was sold in Korea last year, up 11 percent from a year ago. Japanese beer was the most popular with 18,252 tons worth \$12.35 million sold, followed by Dutch (9,509 tons worth \$10.92 million) and American (5,601 tons worth \$8.82 million), according to statistics from the Korea Customs Service.



Mr. Tetsuro Yamamoto, TTC Japan CEO





*Japan Health & Nutrition Food Association*



*Investment meeting with Japan Food Chemical Newspaper*



*Investment meeting with Bizen Chemical Newspaper*



*Investment meeting with Takano Foods*



*Investment meeting with Marukome*





Investment meeting with UBM

Imported beer still accounts for only about 4 percent of the annual Korean beer demand, which amounts to 3.5 trillion won. The share of imported beer used to be in the 3 percent range two to three years ago, but is now nearing 5 percent.

Hiscot Co., a subsidiary of Hite-Jinro Group, has imported Kirin's premium bottled beer Ichiban Shibori since 2004, and added canned beer and draft beer to its import list this year. Hite-Jinro is reviewing domestic production of Kirin beers through a technological partnership.

Kirin officials said that the project of FOODPOLIS would be a charming

investment option in Korea and hoped to exchange mutual concerns and fruitful information in the future.

According to Chairman Park's next plan, FOODPOLIS is going to make another investment IR and one-on-one business meetings in Tokyo and Osaka in October and he will make all efforts to meet Japanese food investors demand to attract their manufacturing plants and R&D centers into FOODPOLIS.

#### **Door Knock Mission to U.S.A**

FOODPOLIS successfully held an investment seminar at Baltimore World Trade Center, Maryland State, U.S.A on





Investment meeting with POLA R&amp;M

August 20<sup>th</sup>. More than 20 American Food manufacturers and R&D officials expressed a strong interest in the mega food project. Maryland is the center of the Boston-Atlanta Corridor on the Atlantic sea line. The state borders Washington, D.C., the nations capital. Among the 50 US states, Maryland ranks 42<sup>nd</sup> in size and 19<sup>th</sup> in population. Its median household income is the highest among all states. Approximately 90 percent of Maryland's 5.6 million residents live in the Maryland portion of the Washington-Baltimore-Northern Virginia Combined Statistical Area.

During the investment seminar, many food manufacturers awarded high

scores to the strongly competitive tax exemption and subsidies program that FOODPOLIS provides. In particular, R&D official showed great satisfaction with 3 core R&D supporting facilities and its assistance programs.

After the seminar, FOODPOLIS had individual investment meetings with participants and Chairman, Philip J of Tulkoff Food Products. Mr. Philip said that Tulkoff is paying a strong attention to the potential growth of Asian Food market to diversify its business portfolio, so FOODPOLIS is going to be the ideal destination to advance in the Asian Food market. In addition, FOODPOLIS will invite Chairman Philip to Korea in order to take

a careful look at the project site and supporting facilities.

Based on the fruitful meetings in Maryland, FOODPOLIS is going to hold more investment seminars in Los Angeles and New York in November 2013.

**i** If you are interested in the FOODPOLIS Investment Seminars, please contact [investfood@foodpolis.kr](mailto:investfood@foodpolis.kr).



1 Cha-rye-sang



# THANKSGIVING FOOD

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*Chuseok is a major harvest festival and a three-day holiday in Korea celebrated on the 15<sup>th</sup> day of the 8<sup>th</sup> month of the lunar calendar. Like many other harvest festivals, it is held around the Autumn Equinox. As a celebration of the good harvest, Koreans visit their ancestral hometowns and share a feast of Korean traditional food.*





- 1 *Cha-rye-sang*
- 2 *Songpyeon*
- 3 *Sujeongwa*
- 4 *Tteok*
- 5 *Jujube*
- 6 *Sanjeok*
- 7 *Jeon*
- 8 *Hangwa*



One of the major foods prepared and eaten during the Chuseok holiday is Songpyeon, a Korean traditional rice cake which contains stuffing made with healthy ingredients such as sesame seeds, black beans, mung beans, cinnamon, pine nut, walnut, chestnut, jujube, and honey. When making songpyeon, steaming them over a layer of pine-needles is critical.

The word “song in songpyeon means a pine tree in Korean. The pine needles not only contribute to songpyeon’s aromatic fragrance, but also its beauty and taste. Songpyeon is also significant because of the meaning contained in its shape. Songpyeon’s rice skin itself resembles the shape of a full moon, but one it wraps the stuffing, its shape resembles the half-moon.

Since the Three-Kingdoms era in

Korean history, there was a Korean legend saying that these two shapes ruled the destinies of the two greatest rival kingdoms, Baekje and Silla. During the era of King Uija of Baekje, an encrypted phrase, “Baekje is full-moon and Shilla is half moon”, was found on a turtle’s back and it predicted the fall of the Baekje and the rise of the Silla. The prophecy came true when Silla defeated Baekje in their war. Ever since, Koreans started to refer to a half-moon shape as the indicator of the bright future or victory. Therefore, during Chuseok, families gather together and eat half-moon shaped Songpyeon under the full-moon, wishing themselves a brighter future.

Another popular Korean traditional food that people eat during Chuseok is Hangwa. It is an artistic food decorated

with natural colors and textured with patterns. Hangwa is made with highly nutritious ingredients, such as rice flour, honey, fruit, and roots. People use edible natural ingredients to express various colors, flavors, and tastes. Because of its decoration and nutrition, Koreans eat Hangwa not only during Chuseok, but also for special events, for instance, weddings, birthday parties, and marriages. The most famous types of Hangwa are Yakgwa, Yugwa, and Dasik. Yakgwa is a medicinal cookie which is made of fried rice flour dough ball and Yugwa is a fried cookie that also refers as a “flower of Hangwa”. Dasik is a tea cake that people enjoy with tea.

Other foods commonly prepared are japchae, bulgogi and fruits.



# RICH CULTURE







*Jeonju is a capital city of North Jeolla Province. It is an important tourist center famous for Korean food, historic buildings, sports activities and innovative festivals.*

Located in the fertile Honam plain, famous for strawberries and exceptional produce, Jeonju has been an important regional center in the province for centuries. Once, the city was the capital of Hubaekje Kingdom, which was founded by Gyeon Hwon. The city was regarded as the spiritual capital of the Joseon Dynasty because the Yi royal family originated there.

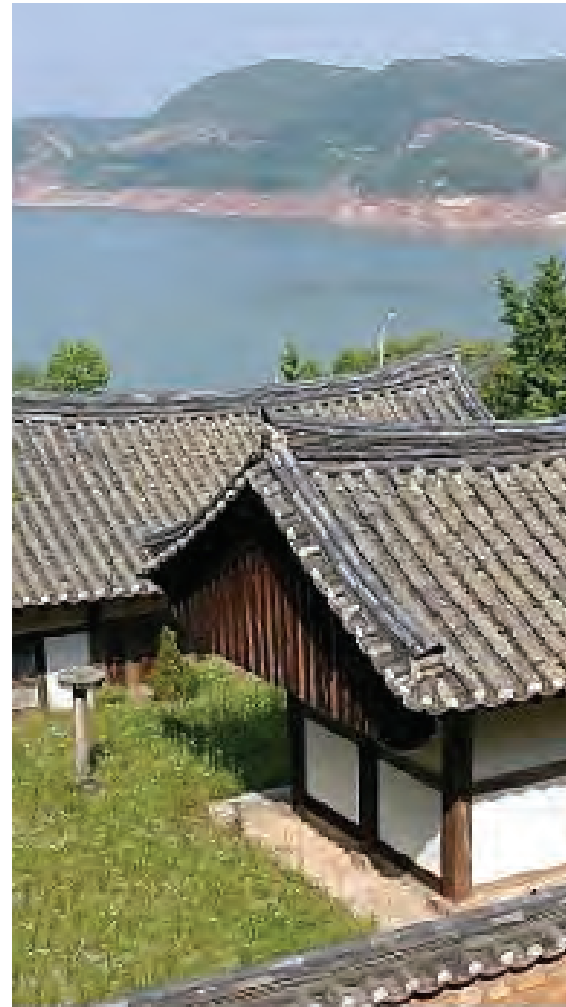
Jeonju was given metropolitan status in 1935, and the city was founded in 1949. In May 2012, Jeonju was chosen as a Creative Cities for Gastronomy as part of UNESCO's Creative Cities Network. This honor recognize the city's traditional

home cooking handed down through generations over thousands of years, its active public and private food research, a system of nurturing talented chefs, and its hosting of distinctive local food festivals.

Korea's most famous international dish Bibimbap, originated in Jeonju. There are many hypotheses regarding the origins of the bibimbap; from the royal table, a ritual food, the Donghak revolution, a farming season food or royal flight during war time; but the most reliable of these is the royal table origination.

It was first served at the royal table





but was then passed down and spread amongst the lower classes. According to records, people started to eat bibimbap in Jeonju two hundred years ago. Jeonju bibimbap owes its popularity to perfectly steamed rice topped with freshly-cut vegetables (10 different ingredients in Jeonju) combined with the excellent cooking skills of the local women.

Also, Kongnamul Kukbap (bean sprout soup) is a well-known remedy for hang-overs while the Jeonju Table d'hote is the true and genuine highlight of Jeolla-do cuisine.

However, Jeonju is a must-visit destination, not just for the tasty food, but also the many treasures including a Traditional Korean village. It is recommended that tourists visiting Jeonju, begin at this unique village.





The village area includes a traditional hot spring and is surrounded by many popular tourist spots. This is a must-see for foreign tourists.

Other cultural gems include Punnammun Gate, Jeonju Confucian School, Jeonju Traditional Life Experience Park, Jeonju Traditional Craftworks Exhibition Hall, Jeonju Treasures Center, Gangam Calligraphy Museum, Jeonju Traditional Culture Center, and Jeondong Cathedral, well known in Korean Catholic history. In addition, the Jeonju Traditional Culture Center gives visitors the unique experience of life in a traditional Korean house, known as 'Hanok' in Korean. The Jeonju Hanok Living Experience Center also gives visitors traditional style accommodations in a comfortable setting. This is a great experience for



foreigners.

Aside from the Hanok Living Experience Center, there are many other great places to visit, such as the Pan Asia Paper Museum, Jeonju World Cup Stadium, and Deokjin Park. Deokjin Park delights visitors in July and August with Lotus flower plants reaching heights of several feet high. If you have additional time, try visiting the nearby cities of Namwon, Muju, Jinan, and Jeongeup. During the autumn months, the Jeongeup mountain area is beautiful with its incredible fall foliage.

The spirit of Jeonju can be found in its lively festivals. Some of these festivals include the Jeonju International Film Festival, Jeonju Daesaseupnori, Jeonju Sori Music Festival, World Calligraphy Biennale of Chonbuk, Jeon Punnam

Festival and Jeonju Paper Culture Festival which highlights some of Jeonju's most celebrated items including traditionally made Korean paper, fans and igang wine.

Jeonju is a major transportation hub, so getting there doesn't present much of a problem. The quickest way is to take the KTX from Seoul's Yongsan Station to Iksan, and transfer to another train to Jeonju. The trip takes about 2 hours, 30 minutes in total. There are cheaper trains that go directly to Jeonju from Yongsan, but they're much slower and they tend to fill up on the weekends.

*i Check out more information at <http://www.jeonju.go.kr/>*



# FOODPOLIS where Innovation meets taste



**FOODPOLIS**, Food Hub of the Northeast Asian Market

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KOREA NATIONAL FOOD CLUSTER