

**MONTHLY REPORT
FOR
NOVEMBER 2008**

PREPARED FOR CRANBERRY MARKETING COMMITTEE

PREPARED BY SOHN'S MARKET MAKERS

1. GENERAL MARKET SITUATION

- Consumers are growing anxious about the safety of their food in the wake of the announcement that snacks imported from China and sold under Korean labels contain high levels of melamine, a toxic substance that causes kidney failure. The Korea Food and Drug Administration in the beginning of October decided to take Haitai Confectionary's Misarang Custard, which is made in China, off the shelves and ban all foods made with Chinese dried milk and dairy products until it is confirmed that they are safe. But health authorities and the confectionery industry are giving the impression that they are only concerned with settling the incident rather than tracing how the substance got into the snacks in the first place. The scandal over melamine-laced products may be only the tip of the iceberg. Korea relies on China for about 80 percent of the substance of processed food sold here. Korea grows only 28 percent of its own grain except rice, and Chinese-made processed foods have a price edge.
- The spending limit for dinner, drinks and entertainment bought for business partners or clients is likely to rise from the current 500,000 won (\$332) to 1 million won starting next year. According to the high level official at the Finance Ministry, there have been complaints that the ceiling on business expenses did not meet reality so the government has decided to raise the limit. The official added that the government is planning on changing the related regulations this year and implementing the higher limits starting in 2009. It is expected that the raising of the limit will contribute to increasing consumer spending. During the National Assembly inspection in early October, National Tax Service head officer said it was time to re-examine the 500,000 won cap. The government set that limit in 2004. When business spending exceeds the maximum, the purpose of the expenditures must be recorded along with whom the money was spent on. The record must be saved for five years. Spending within the limit is eligible for corporate tax returns, whereas firms that go over are slapped with higher taxes. Many companies have tried to avoid additional taxes in a range of creative ways, such as changing the date or the location on the receipts or using different corporate credit cards. Last year, 370,000 companies spent a total of 6.3 trillion won on clients and partners, a 10.7 percent rise from 2006.
- Food corners have become the busiest area in local department stores these days as sales of clothes and other core products fall. Lotte Department Store saw food sales rise 10 percent and 16 percent on-year in October and November (through the 23rd),

respectively. In comparison, overall sales in October grew only 3.2 percent. Lotte's clothing department, which makes up a large portion of the company's earnings, saw sales decrease 2.8 percent on-year last month, as well. According to Lotte Department Store's food division manager, an increasing number of consumers are dining in with the shaky economy at the moment. Also with food safety concerns recently due to the melamine scare, more are shopping for high-quality food from department stores even though it is costlier than other retailers. Hyundai Department Store also saw food sales rise on-year in November (through the 23rd), with fish, meat and takeout foods increasing 11.8, 10.4 and 15.1 percent, respectively. In particular, "high-quality" food, including Korean hanwoo beef and organic fruits and vegetables, are the biggest sellers. Lotte Department Store's fish sales in October rose 40 percent on-year, while organic foods and hanwoo rose 30 percent and 15 percent, respectively. At Galleria Department Store, sales of wanjeonmi, a type of high-end rice, rose 25 percent on-year this month. Meanwhile, at online shopping sites, inexpensive, bulk products are hits. Korea's No. 1 e-marketplace Auction said that bulk-package food sales in November (through the 24th) rose 280 percent on-year. Sales of bulk-packaged ramen, which includes 30 noodle squares and one big soup packet, rose almost fourfold this month from a year earlier.

2. Industry Information

- Univera launched antioxidant functional drink, AGX (Ageless Xtra) in Korea. It contains concentrated cranberry juice. The company suggests drinking a bottle a day and its retail price is W80,000 per 20 bottles.

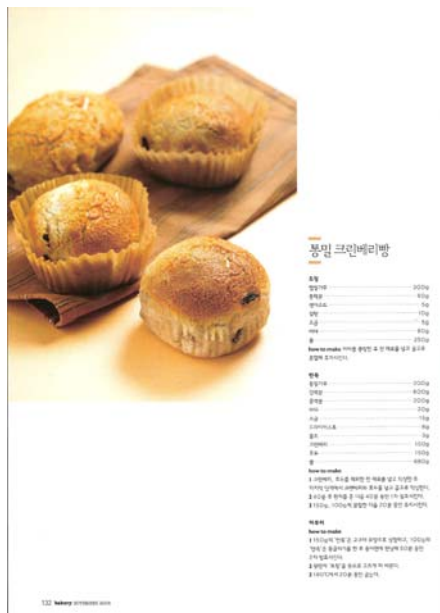
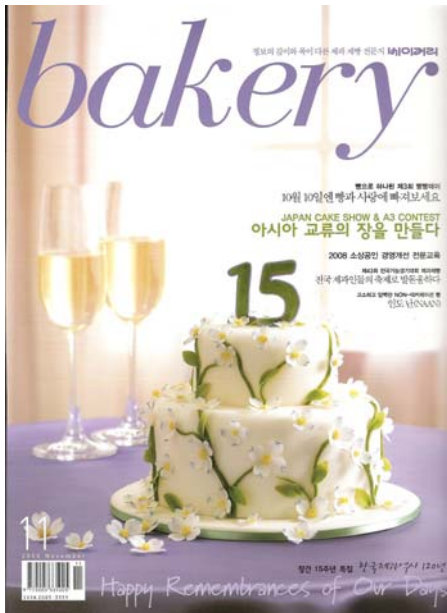
3. MEDIA COVERAGE

This month, we monitored 6 media coverage, 3 articles in consumer publications, 2 articles in internet news and 1 leaflet for mart.

Category	# of	Weighted		
	Articles	Ad Value	Value	
Category 1	0	0		0
Category 2	0	0		0
Category 3	0	0		0
Category 4	0	0		0
Category 5	6	\$100,000		\$13,000
Total:	6	\$100,000		\$13,000



Publication Monthly **Bakery**
 Media Type Trade Confectionary Magazine
 Clipping Type Category 5
 Issue November 2008
 Circulation 1,000,000
 Ad Value \$10,000
 Weighted Value \$2,000
 Content **Recipe Recommendation – Wheat & Cranberry Bread**



Publication Daily Prime
 Media Type Internet News
 Clipping Type Category 5
 Issue November 19, 2008
 Circulation 2,000,000
 Ad Value \$30,000
 Weighted Value \$3,000
 Content **Well-being Marketing Trend**

<http://www.newsprime.co.kr/news/articleView.html?idxno=69787>


Publication Daily Health Korea
 Media Type Internet News
 Clipping Type Category 5
 Issue November 28, 2008
 Circulation 2,000,000
 Ad Value \$30,000
 Weighted Value \$3,000
 Content **Cranberry prevents UTIs**

<http://www.hkn24.com/news/articleView.html?idxno=20037>

Publication E-mart
 Media Type Leaflet
 Clipping Type Category 5
 Issue November 2008
 Circulation 100,000
 Ad Value \$10,000
 Weighted Value \$1,000
 Content **Whole Turkey Barbeque with Cranberry Sauce**

4. NEW CRNABERRY PRODUCTS IN THE MARKET

Others

Brand	Product/Menu Name	Description	Price	Photo
Univera	AGX (Ageless Xtra)	Antioxidant Functional Drink contained concentrated cranberry juice	₩80,000 per box (20 bottles)	

5. MARKETING ACTIVITIES

Program Management/Trade Communications (M08GXSK001)

CMC Korea office (Sohn's Market Makers) made contacts with following trade to update them on CMC's activities:

Orion Corporation / Mr. Kwan-Joong Lee, Executive Vice President

Orion is one of the top 3 confectionery company, and CMC Korea contacted Orion to discuss dried cranberry samples and an information kit that CMC is going to send.

Nongshim Corporation / Mr. Back-Gil Seong, General Manager, R & D

Nongshim is one of the top 5 confectionery company, and CMC Korea contacted Nongshim to discuss dried cranberry samples and an information kit that CMC is going to send.

Haitai Confectionery / Mr. Yong-Jin Kim, R & D Team Leader

Haitai is one of the top 5 confectionery company, and CMC Korea contacted Haitai to discuss dried cranberry samples and an information kit that CMC is going to send.

Crown Confectionery / Mr. Young-Dal Yoon, Chairman

Crown is one of the top 3 confectionery company, and CMC Korea contacted Crown to discuss dried cranberry samples and an information kit that CMC is going to send.

Lotte Confectionery / Mr. Jae-Goo Kang, R & D Team Leader

Lotte is one of the top 3 confectionery company, and CMC Korea contacted Lotte to discuss dried cranberry samples and an information kit that CMC is going to send.

Paris Croissant / Mr. Jo-Wook Jang, R & D Team Leader

Paris Croissant is the number 1 bakery chain in Korea, and CMC Korea contacted Paris Croissant to discuss dried cranberry samples and an information kit that CMC is going to send.

Dunkin Donuts / Mr. Jae-Ho Kyung, R & D Team Leader

Dunkin is the biggest donut chain in Korea, and CMC Korea contacted Dunkin Donuts to discuss dried cranberry samples and an information kit that CMC is going to send.

Shany / Mr. Sung-Hoon Cho, Manager, R & D Center

Shany is the biggest wholesale bread manufacturer with about 90 percent market share that sells retail packaged breads to various retail stores. CMC Korea contacted Shany to discuss dried cranberry samples and an information kit that CMC is going to send.

Dongsuh Post / Mr. Yong-II Choi, Assistant Manager, R & D

Dongsuh is the Korean partner for Post and one of the two major cereal manufacturers in Korea. CMC Korea contacted Dongsuh Post to discuss dried cranberry samples and an information kit that CMC is going to send.

Nongshim Kellog / Mr. Sung-Won Chung, Assistant General Manager, R & D

Nongshim Kellog is the one of the two major cereal manufacturers in Korea. CMC Korea contacted Nongshim Kellog to discuss dried cranberry samples and an information kit that CMC is going to send.

CJ Corporation / Mr. Hee-Soon Cheon, R & D Manager, Snack Team

CJ is the biggest food manufacturers handling wide variety of food items, and CMC Korea contacted CJ to discuss dried cranberry samples and an information kit that CMC is going to send.

CJ Foodville / Mr. Byung-Pil Kim, R & D Team Leader

CJ Foodville is the food service division of CJ Group, operating 14 different restaurant brands. CMC Korea contacted CJ Foodville to discuss dried cranberry samples and an information kit that CMC is going to send.

Aloman Foods / Ms. Yoon-Kyung Lee, R & D Team Leader

Aloman Foods is a medium sized food manufacturer which supplies to Costco chains in Korea with processed salad items. CMC Korea contacted Aloman to discuss dried cranberry samples and an information kit that CMC is going to send.

Pulmuone / Mr. Je-Jin Woo, R & D Team Leader

Pulmuone is the 2nd biggest food manufacturer in Korea handling wide variety of food items.

CMC Korea contacted Pulmuone to discuss dried cranberry samples and an information kit that CMC is going to send.

Sempio Foods / Mr. Jong-Ho Kim, R & D Manager

Sempio Foods is leading sauce manufacturer in Korea, also handling various food items such as dressings, sauces, soups, etc. CMC Korea contacted Sempio to discuss dried cranberry samples and an information kit that CMC is going to send.

Samyang Corporation / Mr. Sung-Joo Hong, Task Force Team Consultant

Samyang is the leading flour, sugar and noodle manufacturer and also handles premix products as well as retail shop "Mix & Bake". CMC Korea contacted Samyang to discuss dried cranberry samples and an information kit that CMC is going to send.

Rise On / Mr. Jae-Seop Yoon, R & D Team Leader

Rise On is a restaurant operator of 5 different brands including Bennigan's. They also distributes various ready to eat products through on and off line retail stores under Bennigan's brand. CMC Korea contacted Rise On to discuss dried cranberry samples and an information kit that CMC is going to send.

Our Home / Mr. Byung-Jo Choi, Buyer

Our Home is the biggest mass catering company, also operating 5 restaurant chains and wholesale bread manufacturing plant. CMC Korea contacted Our Home to discuss dried cranberry samples and an information kit that CMC is going to send.

Pizza Hut / Mr. Chul-Joong Kim, Buyer

Pizza Hut is the number one pizza chain in Korea, featuring a salad bar. They recently renamed some of their stores as Pasta Hut and plan to diversify their menus. CMC Korea contacted Pizza Hut to discuss dried cranberry samples and an information kit that CMC is going to send.

Amoje / Mr. Se-Woong Kim, Buyer

Amoje is a foodservice group that operates Omutto Tomato (omelet rice chain), Marche (open buffet restaurant chain) and café Amoje (in-store deli chain). CMC Korea contacted Amoje to discuss dried cranberry samples and an information kit that CMC is going to send.

Seoul Foods / Mr. Jae-Seong Lee, R & D Team Leader

Seoul Foods is the 2nd biggest wholesale bread manufacturer, also handling various food items. CMC Korea contacted Seoul Foods to discuss dried cranberry samples and an information kit that CMC is going to send.

Boulangeri / Mr. Eun-Jong Lee, Technical Consultant

Boulangeri is one of the 5 biggest bakery chains in Korea, operated by Lotte. Their stores are located in all Lotte Department and Lotte Mart stores. CMC Korea contacted Boulangeri to discuss dried cranberry samples and an information kit that CMC is going to send.

The list of products for sample recipients is attached.

Consumer Media Relations (M08GXSK003)

CMC Korea called for a bid for the new CMC Korean website and selected a company, INFINITIE. We made a contract with INFINITIE and started to design the website.

6. PERFORMANCE MEASURES - UPDATES

Performance Measure	2008 Goal	As of November 2008
Number of cranberry products sold through the home shopping networks	2	1*
Number of cranberry products at retail	30	87
% who have heard of cranberries	10%	N/A**
% that have eaten/drank products containing cranberries	8%	N/A**
% of consumers able to identify at least one health benefit of cranberries	2%	N/A**
% who would be willing to purchase a product containing cranberry	10%	N/A**

* Lotte Home Shopping featured US dried cranberries as a test market item.

** For the consumer PMS, an informal survey will be done to determine the estimated results at consumer cooking classes that CMC Korea conducts for other US food items.