

**MONTHLY REPORT  
FOR  
JANUARY 2010**

**PREPARED FOR CRANBERRY MARKETING COMMITTEE**

**PREPARED BY SOHN'S MARKET MAKERS**

## 1. GENERAL MARKET SITUATION

- The Korean economy grew at a slower pace in the fourth quarter of 2009 than three months earlier as the effect of fiscal spending waned and exports and private spending declined, according to the central bank's report in the 3<sup>rd</sup> week of January. The country's gross domestic product (GDP), the broadest measure of economic performance, grew 0.2 percent on-quarter in the October-December period, down sharply from a 3.2 percent expansion in the third quarter, according to an advance estimate by the Bank of Korea (BOK). The quarterly growth was worse than the bank's earlier prediction of a 0.3 percent expansion, but compared to a year earlier, Asia's fourth-largest economy rose 6 percent last quarter, up sharply from its 0.9 percent on-year growth in the previous quarter. For the entire year of 2009, the Korean economy avoided a yearly contraction by expanding 0.2 percent; however, it marked the slowest growth since a 5.7 percent contraction in 1998 when the country was in the midst of the Asian financial meltdown. "The manufacturing and construction sectors remained sluggish last quarter and exports of goods like ships and consumer consumption declined," stated the BOK in a statement.
- The nation's major discount stores are engaged in a fierce price war. E-Mart, the nation's largest discount store chain, announced in newspaper ads that it would cut the prices of 12 daily necessities by up to 36 percent and that these price cuts should be permanent. The No. 2 rival Lotte Mart and the No. 3 chain Homeplus immediately followed suit, announcing in similar newspaper ads that they would offer some items at cheaper prices than those at E-Mart. In response, E-Mart announced price cuts for another 10 daily necessities on Jan. 14. The price war among the three major retail chains may please shoppers, but industry watchers doubt that it will benefit consumers in the long run. The key issue is whether they can supply low-priced goods without degrading quality. Since E-Mart first cut the prices of 12 items on Jan. 7, the heated price competition has led prices of some items to fall by almost 50 percent. At E-Mart, the price of 100 grams of samgyeopsal, or pork belly, declined to 870 won as of Jan. 14 from 1,550 won on Jan. 7. Home Plus lowered the price of a bunch of bananas to 2,800 won from 4,980 won in just a week. Some critics said E-Mart's price cuts of 22 daily necessities can mislead consumers into thinking that there is a general price cut. There are about 50,000 to 60,000 items at an E-Mart outlet.

- The government announced in January that Korea's farm exports increased 6.9 percent on-year in 2009 despite the worldwide economic slump that sapped consumer demand. Outbound shipments reached \$4.80 billion, up from \$4.49 billion tallied for 2008, according to the Ministry for Food, Agriculture, Forestry and Fisheries, which also stated that the gain represents a better showing than the 13.8 percent annual drop in Korea's overall export volume for the entire year, but falls short of the original government target of \$5.30 billion for farm products. The ministry added that, in terms of volume, exports of locally grown farm products, fisheries goods, and processed food jumped 19.1 percent from a year earlier to over 2.63 million tons. According to a ministry official, there was a solid gain in volume measured in weight, although the sluggish global economic conditions caused a decline in prices.
  
- According to industry experts, the country's food industry is poised for a recovery in 2010 amid projections that Asia's fourth-largest economy is headed towards a sustained recovery. A food-industry analyst with Meritz Securities stated that the profit margins of food companies were hurt last year by the simultaneous uprising of gains in raw material prices, the weakened Korean won against the U.S. dollar, and the overall sluggish consumption stemming from the global economic downturn. Korea was one of only a handful of OECD member economies to avoid a recession last year and undergo a rapid pace of recovery. The government also expects 5 percent growth in 2010. Although food, as a basic necessity, could be considered as one of the least susceptible to a sharp drop in consumption in an economic downturn, industry experts say the revenue of food companies cannot avoid taking a beating from the rise in raw material prices and unfavorable currency exchange rates. The local won suffered steep drops against the U.S. dollar last year and even hit the 1,700 won mark. A weaker won drives up import costs for Korean companies. Industry experts project an improvement for premium goods, snacks, frozen foods, and the liquors. The liquor segment in particular has been dealt a big blow from the downturn. CJ Cheiljedang Corporation, the country's largest processed-food maker, predicted an expansion of environment-friendly business operation strategies, which would result in more environment-friendly products. It also expects the processed food market to move toward more premium and convenient products. The company said the growing popularity of "locally produced ingredients," fueled by food-safety issues concerning imported products such as the melamine scare, will continue this year. Experts have projected a recovery for the restaurant industry, however, at a slower speed.

## 2. MEDIA COVERAGE

This month, we monitored 10 media articles, 5 articles in internet news sites, 1 article in a consumer lifestyle magazine and 4 articles in internet blogs.

Category	# of Articles	Weighted Media Value
	Jan. 10	Jan. 10
Category 1	0	\$0
Category 2	0	\$0
Category 3	0	\$0
Category 4	0	\$0
Category 5	10	\$39,000
<b>Total</b>	<b>10</b>	<b>\$39,000</b>

No	Publication -- Subject of Article	Media Type	Issue / Date	Circulation / Monthly Hits	Clipping Category	Weighted Value (USD)
1	Medical Today <a href="http://www.mdtoday.co.kr/mdtoday/index.html?no=111821">http://www.mdtoday.co.kr/mdtoday/index.html?no=111821</a> --Introducing New Product Cranberry of Starbucks – Mandarin & Cranberry Muffin	Internet News	January 1 <sup>st</sup> 2010	2,000,000	5	6,000
2	Asia Economy <a href="http://www.asiae.co.kr/news/view.htm?idxno=2009123017024959501">http://www.asiae.co.kr/news/view.htm?idxno=2009123017024959501</a> --Introducing New Product Cranberry of Starbucks – Mandarin & Cranberry Muffin	Internet News	January 2 <sup>nd</sup> 2010	2,000,000	5	6,000
3	Focus <a href="http://www.fnn.co.kr/content.asp?aid=89a8e385bed140e0a52234fb2762cc52">http://www.fnn.co.kr/content.asp?aid=89a8e385bed140e0a52234fb2762cc52</a> --Introducing New Product Cranberry of Starbucks – Mandarin & Cranberry Muffin	Internet News	January 5 <sup>th</sup> 2010	2,000,000	5	6,000

4	<p>Hankook Economy  <a href="http://www.hankyung.com/news/app/newsview.php?aid=2010011380231">http://www.hankyung.com/news/app/newsview.php?aid=2010011380231</a>  --Introducing various improved health benefit products including cranberry</p>	Internet News	January 13 <sup>th</sup> 2010	2,000,000	5	6,000
5	<p>Donga.com  <a href="http://news.donga.com/3/all/20100129/25792081/1">http://news.donga.com/3/all/20100129/25792081/1</a>  --Recipe recommendation: Cereal with Nuts and Dried Fruits</p>	Internet News	January 29 <sup>th</sup> 2010	2,000,000	5	6,000
6	<p>Health Chosun  --Recipe Recommendation : Rye &amp; Cranberry Pudding</p>	Consumer Life Style Magazine	January 2010	100,000	5	1,000
7	<p>Naver Blog  <a href="http://blog.naver.com/totos1207?Redirect=Log&amp;logNo=60100174140">http://blog.naver.com/totos1207?Redirect=Log&amp;logNo=60100174140</a>  --Recipe Recommendation : Almond, Oatmeal &amp; Cranberry Cookie</p>	Internet Blog	January 23 <sup>rd</sup> 2010	100,000	5	2,000
8	<p>Naver Blog  <a href="http://blog.naver.com/eunhwahah?Redirect=Log&amp;logNo=30079024332">http://blog.naver.com/eunhwahah?Redirect=Log&amp;logNo=30079024332</a>  --Recipe Recommendation: Cranberry &amp; Yogurt Scone</p>	Internet Blog	January 24 <sup>th</sup> 2010	100,000	5	2,000
9	<p>Naver Blog  <a href="http://blog.naver.com/ylnac49?Redirect=Log&amp;logNo=70078994795">http://blog.naver.com/ylnac49?Redirect=Log&amp;logNo=70078994795</a>  --Recipe Recommendation: Cranberry Biscotti</p>	Internet Blog	January 26 <sup>th</sup> 2010	100,000	5	2,000
10	<p>Naver Blog  <a href="http://blog.naver.com/jjumpang?Redirect=Log&amp;logNo=40099613683">http://blog.naver.com/jjumpang?Redirect=Log&amp;logNo=40099613683</a>  --Recipe Recommendation:</p>	Internet Blog	January 27 <sup>th</sup> 2010	100,000	5	2,000

Homemade Cranberry & Pistachio Ice Cream						
---	--	--	--	--	--	--

### 3. WEBSITE VISITORS

Number of Visitors to [www.cranberries.co.kr](http://www.cranberries.co.kr) for 2010

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
1,415												1,415

### 4. MARKETING ACTIVITIES

#### Program Management/Trade Communications (M09GXKS001)

CMC Korea office (Sohn's Market Makers) made contact with the following members of the trade:

#### Ms. Eun-Jeong Jang, Manager, Vita Green

Vita Green is a health supplements company trying to research new products with cranberries. Ms. Jang is especially interested in a specific cranberry powder. CMC Korea provided this trade lead to all requested parties.

#### Ms. Soo-Mi Kim, Marketing Manager, G & L Foods

CMC made regular trade contacts with G & L Foods and gave updates on the marketing activity plan for QSP sample distribution.

#### Ms. Becky Jin, Marketing Manager, Seongwon FI

Seongwon FI is currently preparing possible health claims for US cranberry products in Korea supplying to major pharmaceutical companies in Korea. The CMC Korea office provided them with health related studies and materials.

#### Mr. Sung-Bon Lee, Manager, Samsung Everland

Samsung Everland is a large catering company in Korea that supplies 600,000 people's meals a day and operates at amusement parks, golf resorts, and other recreational locations. They are currently working on importing US dried cranberries. The CMC Korea office provided information on HS codes/tariffs of various cranberry products, health research information, and recipe materials.

Mr. Kun-II Nam, Manager, Dongwoo Agriculture

Dongwoo Agriculture is a major distributor of nuts and dried fruits to various department stores and hypermarkets. They recently expanded their channel lineup and are successfully selling nut & dried fruit sets through Hyundai TV Home Shopping. They currently don't carry dried cranberries; however, they do sell raisins and prunes. They are looking into possible new products including U.S. dried cranberries, which the CMC Korea office introduced to them along with health research information.

Mr. Dong-Won Chung, Assistant General Manager, Dakyung Trading

Dakyung Trading is a distributor of nuts and dried fruits and currently sells nut & dried fruit sets through TV Home Shopping channels. The CMC Korea office met with them and introduced the activities that CMC will conduct in 2010.

**QSP Samples ( Q10GXKS002 )**

CMC Korea received 51 boxes of SDC samples and distributed them to the menu development departments of food manufacturing companies, bakeries and restaurants. Also, CMC Korea sent the samples to the Korean Bakers Association. Accompanying the samples, CMC Korea provided materials about cranberry health benefits. The list of recipients is attached.

**5. PERFORMANCE MEASURES UPDATES**

<b>Performance Measure</b>	<b>2010 Goal</b>	<b>As of January 2010</b>
Number of cranberry products sold through the home shopping networks	2	1 ( Hyundai Home Shopping )
Number of cranberry products at retail	120	117
Number of bakery outlets offering cranberry products	10	12 ( Paris Baguette, Paris Croissant, Tous Les Jours, Crown Bakery, Dunkin Donuts, A Two Some Place, Starbucks, Donut Plant New York City, Bizeun, Bins Beans, Vezzly, Bread Talk )
Average # of bakery products offered per store	4	3

% who have heard of cranberries	76%	N/A
% that have eaten/drunk products containing cranberries	55%	N/A
% of consumers able to identify at least one health benefit of cranberries	8%	N/A
Who would be willing to purchase a product containing cranberry	63%	N/A

\*\* For the consumer PMs, informal survey will be done with at least 100 consumers during the bakery/confectionery promotions or consumer cooking classes for 2010 marketing year.