

**MONTHLY REPORT  
FOR  
JULY 2010**

**PREPARED FOR CRANBERRY MARKETING COMMITTEE**

**PREPARED BY SOHN'S MARKET MAKERS**

## 1. GENERAL MARKET SITUATION

- The Korean economy was the 15th largest in the world in 2009 for the second year in a row. The nation's nominal gross domestic product reached \$832.5 billion last year, according to a report released by the World Bank in July. Korea's economy reached 11<sup>th</sup> largest in the worldwide rankings in 2003, but has backslid since then to 12th in 2004, 13th in 2005, 14th in 2006 and 2007, and 15th in 2008. The ranking stood still in 2009 mainly because Korea's real GDP growth rate stayed at 0.2 percent and consumer inflation remained stable at 2.8 percent. Nominal GDP increases with rises in real GDP, consumer prices, and currency values. Brazil climbed two notches to the 8th largest economy in 2009 with an economic growth of 3.9 percent and a sharp 32.7 percent increase in the value of its currency. Australia rose one place to 13th with a growth rate of 1.3 percent and a 27.3 percent increase in currency value. With a fast economic growth of 7.4 percent, India ascended from 12th in 2008 to 11th in 2009. Meanwhile, Russia tumbled from 8th to 12th as its economy shrank 7.9 percent last year. The rankings of the top five economies remained unchanged from 2008 with the U.S. in first, followed by Japan, China, Germany, and France. Local Korean banks are raising interest rates for personal loans and mortgages after the Bank of Korea raised its key rate by 25 basis points to 2.25 percent on July 9. The BOK interest rate hike is estimated to have increased the annual interest burden by 3.5 trillion won (\$2.92 billion), which particularly affects lower-income borrowers and SMEs, who are subject to relatively high interest rates. This calculation is based on an estimated 1,400 trillion in loans, including principal loans, which are held by both companies and individuals. In addition, citizens with low credit ratings are usually forced to turn to money lenders who charge sky-high interest rates since they have problems securing loans from banks.
- Sales at Korea's major discount outlets and department stores gained solidly in June from the year prior due to greater consumer demand for summer sporting goods and miscellaneous products, a government report showed in July. Total sales at the country's three leading discount outlets increased 6.0 percent on the year as consumers bought sports-related items, summer clothing and groceries, the Ministry of Knowledge Economy said. This marks the fifth consecutive month that retail sales at large discount stores have grown compared to the previous year. Experts say that the trend can be interpreted as a sign that domestic consumption has recovered from its poor showing in 2009, when it grew just 0.2 percent. The government predicts that the economy will grow by 5.8 percent in 2010. According to the report, sales of sporting goods and clothing increased by 16.4 percent and 15.9 percent, respectively, while groceries - accounting for 51.1 percent of all purchases - jumped 5.0 percent compared to the previous year. Department store sales also rose 11.3 percent - the 16th straight month of annual gains - as consumers purchased more sporting and miscellaneous goods as well as luxury items.
- Korea's top three department stores are enjoying a banner year, racking up record-breaking revenues during the first six months of 2010 as consumers increased their spending. The positive sale's momentum suggests a solid upswing in consumer confidence as the nation's economy continues to recover from the global downturn. Industry sources said yesterday that Korea's leading department stores - Shinsegae, Lotte and Hyundai - excelled financially in the first half. Lotte Department Store raked in an estimated 5.2 trillion won (\$4.3 billion) in sales and 470 billion won in operating profits during the first half of this year - a 14 percent and 11 percent increase,

respectively, from the same period in 2009. Hyundai Department Store said its individual branches recorded sales increases of between 6 percent and 10 percent. Observers expect it to announce its highest revenue ever for a six-month period when it releases official data for the first half. Shinsegae Department Store is set to post its largest growth on record, forecasting that first-half sales will hit 2.4 trillion won at all of its nationwide locations, including the Centum City branch - which opened in March of last year. That would mark a 33 percent increase from last year's tally. Unlike discount store chains that mostly deal with groceries and other necessities, sales figures in department stores that sell apparel and other high-end goods are directly connected to consumer confidence, according to a retail industry insider.

- Korea expects that a free-trade agreement with the European Union is likely to go into effect within the year, according to a senior official at the Ministry of Foreign Affairs and Trade in July. The deputy trade minister and the chief negotiator on FTAs said the trade pact with the EU was one of the government's top priorities. The EU's verification process, which requires steps like translating documents into almost 20 languages, took longer than expected. However, if the administrative procedures are complete, they will be able to sign the agreement, which will take effect within the year as planned. As for FTAs with other countries, Choi said negotiations were being conducted on differing schedules. According to him, Korea can safely predict that Korea will reach agreements with Australia, Colombia, Peru and Turkey within the year. Korea is also seeking improvement in the trade agreements already in effect, including those with Chile and the Association of South East Asian Nations. As for the suggestion that Korea should conclude a FTA with China in response to the recent signing of an economic cooperation framework agreement between China and Taiwan, Choi said that nothing should be rushed with China and that Korea must carefully review the detailed terms of the ECFA and monitor its effects closely. A trade pact with China poses potential problems as the FTA is very sensitive with China because of issues with agricultural products. For now, Korea will concentrate on solving some of these sensitive issues in the second half of the year, according to an official. On the FTA with the U.S., Choi said that if the standards fit the international criteria and are non-discriminatory, Korea can adopt a high standard for items such as automobiles. Also, the trade fairness issue mentioned in the National Trade Estimate Report, which was presented to the United States Congress, needed procedural improvements that have already been reflected in the FTA with the U.S.

## **2. INDUSTRY INFORMATION**

- Chungmiwon is a livestock product manufacturer company that tries to make organic products. They developed a new pork-ham product with chopped, dried cranberries and noted the health benefit of cranberries in the advertisement. Its retail cost is W7,000.
- Tom & Toms, a popular, local coffee shop brand, with 200 stores nationwide, launched a Mix Berry Bingsoo. It is ground ice with juice, boiled red bean, cranberries and other berries in a bowl. The consumer price is W8,000.

### 3. MEDIA COVERAGE

This month, we monitored 10 sources of media coverage, including: 4 articles in the daily newspaper, 5 articles in internet news sites and 1 article in Trade Business Magazine.


Category	# of Articles		Weighted Media Value	
	July 10	Jan ~ July 10	July 10	Jan ~ July 10
Category 1	0	10	\$0	\$68,000
Category 2	0	0	\$0	\$0
Category 3	0	0	\$0	\$0
Category 4	0	0	\$0	\$0
Category 5	10	71	\$58,000	\$391,750
<b>Total</b>	<b>10</b>	<b>81</b>	<b>\$58,000</b>	<b>\$459,750</b>


No	Publication -- Subject of Article	Media Type	Issue / Date	Circulation / Monthly Hits	Clipping Category	Weighted Value (USD)
1	Daily Maeil Economy <a href="http://news.mk.co.kr/v3/view.php?year=2010&amp;no=364826">http://news.mk.co.kr/v3/view.php?year=2010&amp;no=364826</a> Food for Anti-aging	Daily News	July 11 <sup>th</sup> 2010	2,000,000	5	6,000
2	Daily Chosun <a href="http://biz.chosun.com/site/data/html_dir/2010/07/22/2010072202101.html">http://biz.chosun.com/site/data/html_dir/2010/07/22/2010072202101.html</a> Introducing new cranberry product: Oh!Bar	Daily News	July 23 <sup>rd</sup> 2010	2,000,000	5	6,000
3	Daily Korea Economy <a href="http://bntnews.hankyung.com/apps/news?popup=0&amp;nid=05&amp;c1=05&amp;c2=05&amp;c3=00&amp;nkey=20100721024383&amp;mode=sub_view">http://bntnews.hankyung.com/apps/news?popup=0&amp;nid=05&amp;c1=05&amp;c2=05&amp;c3=00&amp;nkey=20100721024383&amp;mode=sub_view</a> Introducing new cranberry product: Snow & Berry	Daily News	July 22 <sup>th</sup> 2010	2,000,000	5	6,000
4	Daily Kookmin <a href="http://news2.kukinews.com/article/view.asp?page=1&amp;gCode=kmi&amp;arcid=1279796858&amp;cp=nv">http://news2.kukinews.com/article/view.asp?page=1&amp;gCode=kmi&amp;arcid=1279796858&amp;cp=nv</a> Being Healthy in Hot Summer	Daily News	July 22 <sup>nd</sup> 2010	2,000,000	5	6,000
5	Women News <a href="http://www.womennews.co.kr/news/46211">http://www.womennews.co.kr/news/46211</a> Introducing new cranberry product: Mixed Berry Bingsoo	Internet News	July 31 <sup>st</sup> 2010	2,000,000	5	6,000

6	Medical Today <a href="http://www.mdtoday.co.kr/mdtoday/index.html?no=136044">http://www.mdtoday.co.kr/mdtoday/index.html?no=136044</a> Introducing new cranberry product: Snow & Berry	Internet News	July 23 <sup>rd</sup> 2010	2,000,000	5	6,000
7	E-Today <a href="http://www.etoday.co.kr/news/section/newsview.php?TM=news&amp;SM=0702&amp;idxno=337036">http://www.etoday.co.kr/news/section/newsview.php?TM=news&amp;SM=0702&amp;idxno=337036</a> Food for diet : Oh!Bar	Internet News	July 15 <sup>th</sup> 2010	2,000,000	5	6,000
8	Herald News <a href="http://biz.heraldm.com/common/Detail.jsp?newsMLId=20100714000267">http://biz.heraldm.com/common/Detail.jsp?newsMLId=20100714000267</a> Food for diet : Oh!Bar	Internet News	July 14 <sup>th</sup> 2010	2,000,000	5	6,000
9	IB Times <a href="http://kr.ibtimes.com/article/news/20100722/6078867.htm">http://kr.ibtimes.com/article/news/20100722/6078867.htm</a> Introducing new cranberry product: Cysticlean – cranberry powder taking it with water	Internet News	July 22 <sup>nd</sup> 2010	2,000,000	5	6,000
10	Bakery Recipe Recommendation : Potato Salami Sandwich with Cranberry Bread	Trade /Business Magazine	2010 July	80,000	5	4,000

#### 4. NEW CRANBERRY PRODUCTS IN THE MARKET

##### Bakery/Ice Cream/HRI

Brand	Product/Menu Name	Description	Price	Photo
Chungmiwon	Cranberry Ham	Pork Ham with Diced Dried Cranberries	W7,000	

Tom & Toms	Mixed Berry Bingsoo	Ground Ice with Juice, Cranberries and other berries	W8,000	
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## 5. 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	1,258	1,500	1,905	1,638	1,792	1,613						1,589

## 6. MARKETING ACTIVITIES

### Program Management/Trade Communications (M09GXKS001)

CMC's Korea office (Sohn's Market Makers) made contacts with the traders to update CMC activities.

## 7. PERFORMANCE MEASURES UPDATES

Performance Measure	2010 Goal	As of July 2010
Number of cranberry products at retail	120	142
Number of bakery outlets offering cranberry products	10	15 ( 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, Holly's Coffee, Suji's & London Tea )
Average # of bakery products offered per store	4	3.5
% who have heard of cranberries	76%	N/A
% that have eaten/drank 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, an informal survey will be done with at least 100 consumers during the bakery/confectionery promotions or consumer cooking classes for 2010 marketing year.