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Market Brief

2004

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Report Highlights:

Even with the sluggish local economy, wine imports in 2003 surpassed the record high of the previous year, growing 55.6 percent to reach \$45.8 million. Imports from the U.S. also showed robust growth of 64.6 percent to an all-time high, \$7.2 million. Changing consumer tastes and alcohol beverage consuming culture promise double-digit year-on-year growth for wine imports for many years to come. While the market presents growing opportunities to U.S. suppliers, the competition from both old and new world countries is also rising.

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Wine Market Brief 2004

1. Market Prospects

Summary

Wine imports, both by value and volume, set a new record in 2003, reaching \$45.8 million dollars and 13.1 million liters, up by 55.6 percent and 18.2 percent respectively from the previous year. Imports from the U.S. also showed robust growth of 64.6 percent and 75.2 percent to all-time highs, \$7.2 million and 2.4 million liters. The rapid growth of wine consumption is mainly fueled by the on-going changes in the diet and alcohol beverage consuming culture among the general public that emphasize a "well-being" lifestyle. Annual wine imports are expected to hit \$100 million figure by 2006, provided that annual import growth is sustained above 30 percent.

The U.S. remained the second largest exporter of wine to Korea in 2003, with a 15.7 percent share by value. Although the market share has dropped significantly from the record high of 24.5 percent in 2001, U.S. wines are expected to remain one of the top choices of local consumers, as they are now firmly positioned in the market as products of good value and unique quality.

France maintained her dominant grip on the market in 2003, with a 49.5 percent market share by value, and remains synonymous with wine for many local consumers. However, French suppliers have shifted their primary target to the medium to high-priced segments in recent years, as indicated by the volume share of French wines in total imports continuously decreasing to mark only 29.7 percent in the first quarter of 2004, which is a big drop from 45.1 percent in 2001. Steep appreciation of the Euro against other currencies over the last two years has made lower-end to middle class French wines vulnerable to competition from value-priced products from "new world" countries. In particular, the rise of Chilean wines, with a surge in market share to 11.1 percent by value in the first quarter of 2004, compared to 6.5 percent in 2003, has been most noticeable, placing them as the third most sought-after wine in Korea. Signing of free trade agreement between Korea and Chile in 2003 will further enhance potential demand for Chilean wines, as the scheduled removal of import tariff over seven-year period will eventually lower the landing price of Chilean wines in Korea by 12.5 percent.

After a few years of stagnation during the late 1990's, the Korean wine market is on a strong rebound, offering growing opportunities for imported wines at all price and quality levels. As consumers have become more familiar with wines and more discriminating in their tastes, the local wine market has become more diversified, generating demand for a wider variety of products. Consumers are paying more attention to new-to-market wines and willingly purchase products from more diverse origins in an effort to expand their experience and knowledge. Korean consumers' tastes are heavily skewed to red wine due to a series of press articles and scientific reports about related health benefits. Currently, red wine has over 70 percent of the market and is expected to further expand share in the near future, although an increasing number of consumers are as interested in whites, rose, and sparkling. Currently, 60 percent of wine consumption is at home, while the other 40 percent takes place in restaurants. It is expected that more wines will be marketed through retail stores, as hypermarkets and grocery supermarkets try to expand their wine business. Interestingly, a significant portion of total annual wine sales occurs as gift sets during holiday seasons, such as Christmas and lunar-new-year's-day. Wines are becoming more popular gift items with the current "well-being" trend and are increasingly replacing gift sets of whiskies. Almost all wines consumed in Korea are imported. Local production of wine has almost disappeared as

local wine industry lacks competitiveness in quality and price against imports. Wines currently bottled locally are mainly imported bulk wines.

Although wine consumption has grown remarkably over the past decade since full-scale market liberalization in 1991, wine is still enjoyed only by a very small population in urban areas, and comprises less than 2 percent of total alcohol beverage sales in Korea. Although slowly declining in popularity, beer and Soju, the traditional local hard liquor, are still the choice of alcohol beverages for most consumers. All Soju, and most of the beer, sold in Korea are manufactured locally and are sold at much cheaper prices than imported wines. However, considering the increasing popularity of wine among young consumers and opinion leading segment of the population, the wine market in Korea will likely maintain double-digit annual growth for many years to come.

Opportunities

? Korea, one of the biggest markets in the world for alcohol beverages, promises huge potential for wine.

? On-going changes in the dietary and alcohol beverage consuming culture among general consumers increasingly favor western and healthy alternatives, including wine. Young consumers are leading the expansion of the wine drinking culture.

? Wine is already firmly positioned in the market with highly publicized health benefits.

? Basic characteristics of U.S. wines -- ripe fruit, solid tannin and alcohol structure, and vintage-free stable quality, along with competitive prices -- are well accepted by many local consumers, especially among the younger set.

? Korean consumers have high affinity to American products and the English language, due to the huge number of travelers and trade exchange between the two countries.

? The lack of competition from local product, and no serious entry-barrier to wine imports.

? Import prices of European wines have increased significantly in recent years due to the continuous appreciation of the Euro against the Korean won and the U.S. dollar.

? Wine drinking has not yet achieved a place in the mainstream culture in Korea. By investing at this early stage of market development, U.S. suppliers can secure a solid image as a high quality and value product, at minimal investment.

Challenges

? High relative consumer prices for wine in general, as compared to other alcohol beverages.

? Lack of wine awareness among the majority of consumers and traders.

? Little understanding about the Korean market among U.S. wine suppliers.

? Complex labeling and tax requirements.

? Aggressive marketing and pricing supports by export-oriented competitors.

? The quality and value of U.S. wine has yet to be fully appreciated by the local wine industry and consumers. Many local wine educators and opinion leaders still have a firm prejudice that "old world" European wines are superior to U.S. wines in quality and value.

2. Tariffs, Taxes and Pricing

? Consumer prices for wine are quite high. A combination of import duty, taxes, large distribution costs and mark-ups result in retail wine prices being two to four times those in the U.S.

? Korea applies a complicated tariff and tax system to imports of alcoholic beverages. Those applied to wine are:

- A. Tariff: 15 percent
- B. Liquor Tax: 30 percent
- C. Education Tax: 10 percent

? However, wine imports are subject to relatively lower tariff and taxes compared to other imported alcohol beverages. For example, for beer, the import duty is 30 percent, liquor tax 100 percent and education tax 30 percent. The whisky import duty is 20 percent, liquor tax 72 percent, and education tax 30 percent. Korean government plans to adjust the discrepancies in liquor taxes on different alcohol beverages, making products with higher alcohol content subject to higher tax. For example, liquor tax on beer is scheduled to be lowered to 72% by 2007, while whiskies will be subject to higher tax. However, it is not likely that the liquor tax on wine will be increased, as Korean government intends to promote production of local fruit wines.

? Following is an example of the effects of taxes and mark-ups on a \$10 (CIF: Cost, Insurance, Freight) bottle of wine:

A. CIF value:	\$ 10.00
B. Tariff (Customs Duty): $A \times 15\% =$	\$ 1.50
C. Wine Liquor Tax: $(A+B) \times 30\% =$	\$ 3.45
D. Education Tax: $C \times 10\% =$	\$ 0.35
E. Subtotal: $(A+B+C+D) =$	\$ 15.30
F. *Value Added Tax: $E \times 10\% =$	\$ 1.53
G. **Fees for Customs Clearance, etc.: $A \times 8\% =$	\$ 0.80
H. Customs cleared cost of wine: $(E+F+G) =$	\$17.63

* The Value Added Tax is refunded to the importer because the tax is eventually carried over to the final consumer.

** In addition to the duties and taxes, additional fees of 7-8% of CIF value will occur for miscellaneous expenses, including customs clearance fee, warehousing fee, transportation fee, etc. The amount of this additional cost depends mainly on the kind of inspection the shipment is subject to. For example, the warehousing fee will increase significantly in case a detailed inspection is required.

I. Typical Importer Mark-ups (each mark-up calculation is based on \$16.10, the customs cleared cost (H: \$17.63)) minus the value added tax (F: \$1.53):

- 1. Importer's selling price to discount store: \$20.93 (mark-up 30%)
- 2. Importer's selling price to supermarket/liquor store: \$22.54-24.15 (mark-up 40-50%)
- 3. Importer's selling price to luxury hotel: \$22.54 (mark-up 40%)
- 4. Importer's selling price to wholesaler: \$18.52-20.93 (mark-up 15-30%)

J. Typical Retailer Mark-ups:

- 1. Discount store's selling price: \$22.60-25.12 (mark-up 8-20%)
- 2. Supermarket & liquor store's selling price: \$29.30-33.81 (mark-up 30-40%)

3. Luxury hotel restaurant's selling price: \$67.62-112.7 (mark-up 200-400%)

Thus, a \$10 (CIF) bottle wine typically sells for about \$23-25 at discount stores, \$29-34 at supermarkets and liquor stores, and \$68-113 in hotel restaurants. The cost for advertising and promotions, overhead expense, payment conditions (i.e. cash versus 60 days credit), and sales volume cause the big price differences between discount outlets and liquor stores.

? The Korean government's "Liquor Purchase Debit Card" regulation was set in 2001 as a safeguard against black marketing of liquor products. The regulation requires distributors and trade buyers to exclusively use a registered debit card bank account when paying suppliers for alcohol beverages, including wine. The system allows the government to track the movement of alcohol beverages in the distribution channel.

? The import tariff on wine is calculated based on the CIF value of the product in Korea, which makes landing prices of higher-end products much more expensive. Importers argue that the system should be changed to a volume-based tariff calculation, which is currently used in Japan. Japan currently charges the same tariff to a volume of imported wine, regardless of the value of the wine.

3. Labeling

? By law, imported wines are required to have a Korean language label. In most cases, importers attach the Korean label to the bottle manually in the duty-free area before customs clearance. The Korean language label should contain the following information:

1. Name of the product (e.g., Robert Mondavi Cabernet Sauvignon)
2. Country of origin (e.g., U.S.A)
3. Type of the product (e.g., Fruit Wine (Red Grape Wine))
4. Importer's name, address, and phone number
5. Business license number of the importer
6. Date of bottling (e.g., Year-Month-Day or Julian Code or Lot Number)
7. Alcohol percentage and product volume (e.g., 13.5%, 750 ml)
8. Name and volume of ingredients by percentage
9. Name of place where the product can be returned or exchanged in case the product is damaged or defective.
10. Instructions for storage
11. Name of food additives used
12. Government health warning clause
13. Government warning clause for juvenile consumers
14. *Name of distribution channel through which the product is destined to be sold (e.g., "Retail Stores Only for Home Use", or "Restaurants Only")

* Added October 2002 to prevent black marketing of liquor products by restaurant traders. Restaurants used to purchase alcohol beverages from discount stores to hide accurate sales data in an effort to reduce income tax.

4. Inspections

? All imported foods and beverages are subject to Ministry of Health and Welfare/Food Quarantine inspection. The Korea Food & Drug Administration (KFDA) under the ministry is responsible for executing all inspections. There are two kinds of inspections: detailed inspection (chemical analysis test) and visual inspection (eye/document inspection).

? The first shipment of any new-to-market product is always subject to a detailed inspection, which under Korean law should take a maximum of 10 working days (but in practice can take

much longer). Subsequent shipments are subject to visual/document inspection, which should take no longer than 2 calendar days if the product is identical in label, product name, alcohol percentage, vintage, ingredients, and net volume as the first shipment. Subsequent shipments may also be subject to detailed inspections, as local regulation mandates random detailed inspections on a certain percentage of total shipments imported. Importers are required to submit front (English label) and back labels (Korean language label) to food inspection authorities.

? Korean labeling regulation for alcohol percentage has a 0.5 percent tolerance level for the difference between the labeled and actual alcohol content, which is much tighter than the U.S. standard of 1.5 percent. U.S. wines labeled under the more forgiving tolerance level may fail the Korean inspection standard.

? There have been some instances recently in which imported U.S. wines failed inspections as they tested positive for Sorbic acid, while the bottle label did not list it as a food additive used.

? Established importers are well aware of all inspection and labeling requirements and are the best source of up-to-date information on labeling and inspection.

5. Market Situation

? The value of the U.S. dollar has decreased by 3.45 percent since January 2003 against the Korean Won, making U.S. wines more affordable to Korean importers. In contrast, the European Euro has gained by 13.65 percent against the Korean Won during the same period. Over the past year, retail prices of European wines in Korea in general have increased by more than 10 percent, reflecting the significant appreciation of the Euro.

? Korea is one of the biggest markets for alcohol beverages in the world. Drinking is considered an important part of everyday life and is often encouraged at social and business occasions. A recent report by the local liquor industry indicates that prolonged economic recession has caused a slight change in the drinking pattern of Korean consumers. In 2003, each Korean consumed 74.4 bottles of beer (0.5 liter bottle), down by 14.4 percent from 2002; 61.1 bottles of Soju (traditional Korean hard liquor, 0.36 liter bottle), up 1.0 percent; and 1.21 bottles of whisky (0.5 liter bottle), down 12.9 percent. Tightened consumer spending has increased the consumption of Soju, which is the cheapest liquor for Koreans, sold at around US\$ 0.7 a bottle in retail stores. Although drinking is decreasing among the elderly, mainly because of health concerns, the market is getting as many new drinkers from younger generations and females. However, on-going changes in the dietary and drinking culture in the society have increased consumption of western and healthier alternatives, including wine. As of 2003, annual per capita wine consumption of Koreans is reported at 0.37 liter.

? The rapid increase in the number of retail stores and restaurants selling wine, coupled with increase in the number of wine importers, is snowballing. More hypermarkets and grocery supermarkets are adding designated wine sections to their stores, making wine readily accessible to everyday shoppers. A typical hypermarket store in urban areas features as many as 200 wines in the wine section, most of which are lower-end to middle priced products sold under 30,000 won (W 1,150 / US\$). Hypermarkets and grocery supermarkets, currently accounting for about 30 percent of total wine sales in Korea, are expected to increase their shares further in the future. Another 15 percent of total wine sales is made at stand-alone independent liquor stores. Liquor shops in department stores, either operated directly by the department store or by an independent tenant, account for another 15 percent of total wine sales. These specialized liquor stores focus on middle to high-end

products, priced around 50,000 won and up. The other 40 percent of total wine sales are made in food service channel, including restaurants and bars. The kind of products sold in restaurants varies significantly depending on the quality of the restaurant. For example, restaurants in five star hotels mainly serve high-end products. One noticeable trend is that an increasing number of restaurants serving traditional Korean foods are serving wine. About 30 percent of total annual wine sales occur as gift sets during holiday seasons, mainly the Korean harvest festival (Chusok) in September, Christmas, and the Lunar-new-year in February. Wines are becoming more popular gift items with the “well-being” trend and are replacing gift sets of whiskies.

? Importing wine was fully liberalized in 1991. There is no significant entry barrier to wine imports. Reflecting the rapid growth of the wine market, the total number of licensed liquor importers has shown a sharp increase in recent years, reaching about 350 currently. However, only about 35 actively import wines on a regular basis. Importers are allowed to supply wines only to wholesalers and retail chain headquarters. However, some importers also possess a separate imported-liquor-wholesaling license, which allows them to distribute wines directly to individual retail stores and restaurants. The imported-liquor-wholesaling-license was issued only until 1999. Some importers also operate their own retail liquor stores under a separate retail business license. The Korean Liquor Act prevents a distributor from purchasing liquor products from another distributor on the same distribution level or below (for example, retailers from retailers, or wholesalers from wholesalers or retailers) for re-sale purpose. The Korean government abolished a restriction in 2001 that had prevented local liquor manufacturers from importing liquor products directly. A few hypermarket and grocery supermarket chains consider importing wines directly for their stores, but any rapid movement is unlikely as the current volume of wine business in their stores is not sufficient to justify the investment. Currently, retail stores in Korea are not required to have any license to sell liquor products.

? The Korean wine market has seen developments of a variety of new marketing and educational spin of businesses, including wine schools, Internet-based wine communities, wine bars, wine journals, and wine exhibitions, all of which contribute to the expansion of wine consumers. Internet-based wine communities are now playing an important role in educating consumers as well as in providing suppliers with promotional tools. Bestwine.co.kr, winenara.co.kr, and wine21.com are the notable ones. Wine schools, independent or belonging to colleges, are providing various classes and tour programs for those with a serious interest in wine. Bordeaux Wine School, Winenara Wine School, JoongAng University Wine School, and Seoul Wine School are the prominent names. Wine Review and Winise are monthly journals that deliver the voices and news of the local wine industry. Wine trade shows, such as the Seoul Wine Expo, an annual event organized by the Kyunghyang Daily Newspaper, are another important marketing tool available for new-to-market suppliers and products to gain access to leading wine traders and opinion leaders.

6. Import Statistics & Competitors

Table 1: Korea Annual Wine Imports

Year	Value	Growth %	Volume	Growth %
1992	\$5,644,000	65.30%	1,900,000	58.30%
1993	\$5,855,000	3.70%	2,900,000	52.60%
1994	\$8,104,000	38.40%	3,900,000	34.50%
1995	\$13,633,000	68.20%	5,700,000	46.20%
1996	\$16,406,000	20.30%	5,500,000	-3.50%
1997	\$22,809,000	39.00%	8,800,000	60.00%

1998	\$6,491,000	-71.50%	2,400,000	-72.70%
1999	\$15,122,000	133.00%	5,200,000	116.70%
2000	\$19,802,000	31.00%	7,500,000	44.20%
2001	\$23,109,000	16.70%	9,400,000	25.30%
2002	\$29,432,000	27.40%	11,100,000	18.10%
2003	\$45,783,000	55.56%	13,100,000	18.02%
2004*	\$18,795,000	N/A	5,200,000	N/A

Source: KOTIS (Korean government import statistics)

Unit: Value is CIF value. Volume is in liter.

* Up to April 2004

? After experiencing a sudden decline in the late 1990's, due to the Asian economic breakdown, wine imports have made a robust recovery and set a record high in 2003, both by value and volume, \$45.8 million and 13.1 million liters. Overall, annual wine imports are expected to hit \$100 million figure by 2006, provided that annual import growth is sustained above 30 percent. Although France has maintained its position as the leading exporter of wine to Korea, French wines are not as competitive as they used to be in lower-end and value-priced categories. "New world" countries, including the U.S., Australia, and Chile, which have become major suppliers of value-priced products, are also expanding shares in the higher-end, premium segments.

? U.S. wines primarily target the value-oriented market, particularly at retail, and their competitive price, fresh image with ripe fruit taste, and stable quality are well accepted by consumers. More than half of the U.S. wines imported to Korea in 2003 were entry-level products, sold under 10,000 won in hypermarkets and grocery supermarkets. Currently, two major Californian suppliers, E&J Gallo and Constellation, are the driving force behind the scene. The California label series by Doosan Liquor, the leading local liquor import/distributor, co-packed by the Ironstone Vineyard in California, have also contributed significantly to expand the popularity of entry-class U.S. wines.

? High-end products are another category in which U.S. wines are making steady success in Korea. Many affluent local wine drinkers are well traveled and are well aware of the world-renowned U.S. brands. The supply of these sought-after brands often hardly meet the demand and are sold mainly through high-end restaurants and as holiday gift sets. On the other hand, U.S. wines in the middle-priced segment face tougher competition from both old and new-world competitors.

? More export-oriented than U.S. suppliers, competitors tend to invest significant amount of resources into marketing and price supports in Korea. Competitors' major marketing tactics include: tasting seminars; invitation of wine traders and press to overseas wine exhibitions; hosting cultural events coupled with wine promotion; organizing consumer trips to wineries; exhibiting at local food shows; supporting local wine schools with free samples; and working closely with local wine experts and helping them to get educated in their countries.

Table 2: Wine Import Statistics by Value (Unit: US \$)

Country	Variety	2001		2002		2003		2004 (up to Apr.)	
		Value	M/S	Value	M/S	Value	M/S	Value	M/S
France	Red	\$8,252,746	51.2%	\$12,484,065	61.8%	\$18,469,258	53.9%	\$7,183,381	48.2%
	White	\$1,639,161	29.6%	\$2,244,088	31.7%	\$2,991,674	31.1%	\$1,002,972	30.3%
	Sparkle	\$666,950	82.8%	\$1,149,709	82.6%	\$1,090,240	74.4%	\$284,742	71.8%
	Others	\$365,625	56.8%	\$449,691	59.4%	\$133,003	29.2%	\$36,620	18.9%
	Total	\$10,924,482	47.3%	\$16,327,553	55.5%	\$22,684,175	49.5%	\$8,507,715	45.3%

U.S.	Red	\$4,616,808	28.6%	\$3,072,103	15.2%	\$5,598,414	16.4%	\$2,237,516	15.0%
	White	\$984,071	17.8%	\$1,217,097	17.2%	\$1,550,729	16.1%	\$562,324	17.0%
	Sparkle	\$2,966	0.4%	\$25,557	1.8%	\$3,964	0.3%	\$5,213	1.3%
	Others	\$67,864	10.5%	\$54,600	7.2%	\$39,374	8.7%	\$14,333	7.4%
	Total	\$5,671,709	24.5%	\$4,369,357	14.8%	\$7,192,481	15.7%	\$2,819,386	15.0%
Italy	Red	\$1,164,779	7.2%	\$1,696,828	8.4%	\$3,213,805	9.4%	\$1,125,651	7.6%
	White	\$371,718	6.7%	\$531,490	7.5%	\$893,807	9.3%	\$299,603	9.1%
	Sparkle	\$39,423	4.9%	\$21,657	1.6%	\$57,345	3.9%	\$19,365	4.9%
	Others	\$22,613	3.5%	\$6,876	0.9%	\$22,527	4.9%	\$48,880	25.2%
	Total	\$1,598,533	6.9%	\$2,256,851	7.7%	\$4,187,484	9.1%	\$1,493,499	7.9%
Australia	Red	\$594,737	3.7%	\$963,353	4.8%	\$2,396,845	7.0%	\$890,332	6.0%
	White	\$295,305	5.3%	\$451,606	6.4%	\$773,166	8.0%	\$242,007	7.3%
	Sparkle	\$2,314	0.3%	\$4,683	0.3%	\$43,306	3.0%	\$6,566	1.7%
	Others	\$4,403	0.7%	\$12,384	1.6%	\$20,817	4.6%	\$7,821	4.0%
	Total	\$896,759	3.9%	\$1,432,026	4.9%	\$3,234,134	7.1%	\$1,146,726	6.1%
Chile	Red	\$470,972	2.9%	\$925,627	4.6%	\$2,488,414	7.3%	\$1,895,936	12.7%
	White	\$114,598	2.1%	\$191,161	2.7%	\$369,293	3.8%	\$146,254	4.4%
	Sparkle	\$0	0.0%	\$7,486	0.5%	\$21,709	1.5%	\$14,665	3.7%
	Others	\$66,838	10.4%	\$80,560	10.6%	\$110,699	24.3%	\$33,698	17.4%
	Total	\$652,408	2.8%	\$1,204,834	4.1%	\$2,990,115	6.5%	\$2,090,553	11.1%
Germany	Red	\$141,095	0.9%	\$106,919	0.5%	\$397,586	1.2%	\$450,628	3.0%
	White	\$1,385,095	25.0%	\$1,288,852	18.2%	\$1,785,764	18.6%	\$678,192	20.5%
	Sparkle	\$11,289	1.4%	\$12,265	0.9%	\$41,743	2.8%	\$0	0.0%
	Others	\$8,324	1.3%	\$8,696	1.1%	\$1,316	0.3%	\$8,617	4.4%
	Total	\$1,545,803	6.7%	\$1,416,732	4.8%	\$2,226,409	4.9%	\$1,137,437	6.1%
Spain	Red	\$535,571	3.3%	\$701,083	3.5%	\$1,019,810	3.0%	\$652,436	4.4%
	White	\$410,042	7.4%	\$896,556	12.7%	\$848,870	8.8%	\$191,777	5.8%
	Sparkle	\$77,660	9.6%	\$156,032	11.2%	\$189,084	12.9%	\$47,113	11.9%
	Others	\$26,686	4.1%	\$27,126	3.6%	\$52,706	11.6%	\$19,123	9.8%
	Total	\$1,049,959	4.5%	\$1,780,797	6.1%	\$2,110,470	4.6%	\$910,449	4.8%
Others	Red	\$350,996	2.2%	\$250,073	1.2%	\$655,759	1.9%	\$460,023	3.1%
	White	\$331,302	6.0%	\$262,493	3.7%	\$409,112	4.3%	\$185,894	5.6%
	Sparkle	\$4,807	0.6%	\$13,963	1.0%	\$18,140	1.2%	\$18,771	4.7%
	Others	\$81,911	12.7%	\$116,924	15.4%	\$74,670	16.4%	\$25,108	12.9%
	Total	\$769,016	3.3%	\$643,453	2.2%	\$1,157,681	2.5%	\$689,796	3.7%
Grand Total	Red	\$16,127,704	69.8%	\$20,200,051	68.6%	\$34,239,891	74.8%	\$14,895,903	79.3%
	White	\$5,531,292	23.9%	\$7,083,343	24.1%	\$9,622,415	21.0%	\$3,309,023	17.6%
	Sparkle	\$805,409	305%	\$1,391,352	4.7%	\$1,465,531	3.2%	\$396,435	2.1%
	Others	\$644,264	208%	\$756,857	2.6%	\$455,112	1.0%	\$194,200	1.0%
	Total	\$23,108,669	100.0%	\$29,431,603	100.0%	\$45,782,949	100.0%	\$18,795,561	100.0%

Source: KOTIS (Korean government import statistics)

Table 3: Wine Import Statistics by Volume (Unit: Liter)

Country	Variety	2001		2002		2003		2004 (up to Apr.)	
		Volume	M/S	Volume	M/S	Volume	M/S	Volume	M/S
France	Red	2,369,399	49.1%	3,167,417	52.0%	3,483,333	40.6%	1,248,003	33.4%
	White	747,947	22.9%	753,308	16.7%	754,828	18.0%	268,312	20.6%
	Sparkle	136,273	70.5%	216,181	73.3%	118,245	53.7%	27,187	37.0%
	Others	978,508	89.7%	89,961	43.9%	43,317	36.1%	4,602	4.8%
	Total	4,232,127	45.1%	4,226,867	38.1%	4,399,723	33.5%	1,548,104	29.7%
U.S.	Red	784,001	16.2%	955,090	15.7%	1,844,914	21.5%	793,095	21.2%
	White	301,573	9.2%	401,039	8.9%	566,263	13.5%	204,065	15.6%
	Sparkle	1,134	0.6%	4,296	1.5%	1,566	0.7%	1,011	1.4%
	Others	17,169	1.6%	18,502	9.0%	2,906	2.4%	460	0.5%
	Total	1,103,877	11.8%	1,378,927	12.4%	2,415,649	18.4%	998,631	19.2%
Italy	Red	407,855	8.4%	459,884	7.6%	691,493	8.1%	203,101	5.4%

	White	206,369	6.3%	270,126	6.0%	325,381	7.8%	95,130	7.3%
	Sparkle	14,759	7.6%	4,898	1.7%	10,096	4.6%	4,117	5.6%
	Others	10,227	0.9%	1,687	0.8%	597	0.5%	67,114	70.2%
	Total	639,210	6.8%	736,595	6.6%	1,027,567	7.8%	369,462	7.1%
Australia	Red	189,590	3.9%	264,624	4.3%	594,666	6.9%	215,138	5.8%
	White	153,497	4.7%	219,507	4.9%	273,419	6.5%	87,803	6.7%
	Sparkle	648	0.3%	1,055	0.4%	15,077	6.8%	1,368	1.9%
	Others	895	0.1%	2,652	1.3%	3,839	3.2%	950	1.0%
	Total	344,630	3.7%	487,838	4.4%	887,001	6.8%	305,259	5.9%
Chile	Red	102,072	2.1%	229,622	3.8%	682,631	7.9%	610,995	16.3%
	White	28,475	0.9%	48,633	1.1%	111,386	2.7%	89,682	6.9%
	Sparkle	0	0.0%	1,184	0.4%	3,428	1.6%	24,300	33.1%
	Others	30,513	2.8%	22,780	11.1%	24,697	20.6%	6,798	7.1%
	Total	161,060	1.7%	302,219	2.7%	822,142	6.3%	731,775	14.0%
Germany	Red	49,245	1.0%	52,855	0.9%	146,401	1.7%	83,920	2.2%
	White	838,778	25.7%	705,172	15.6%	800,004	19.1%	226,512	17.4%
	Sparkle	3,120	1.6%	2,731	0.9%	17,057	7.7%	0	0.0%
	Others	545	0.0%	3,288	1.6%	125	0.1%	1,427	1.5%
	Total	891,688	9.5%	764,046	6.9%	963,587	7.3%	311,859	6.0%
Spain	Red	671,491	13.9%	845,809	13.9%	989,879	11.5%	497,805	13.3%
	White	796,799	24.4%	1,982,314	43.9%	1,223,735	29.2%	297,559	22.8%
	Sparkle	33,396	17.3%	58,167	19.7%	52,368	23.8%	15,195	20.7%
	Others	12,073	1.1%	37,736	18.4%	12,267	10.2%	6,864	7.2%
	Total	1,513,759	16.1%	2,924,026	26.3%	2,278,249	17.4%	817,423	15.7%
Others	Red	255,726	5.3%	112,152	1.8%	154,809	1.8%	84,991	2.3%
	White	187,898	5.8%	131,936	2.9%	139,904	3.3%	36,186	2.8%
	Sparkle	3,923	2.0%	6,443	2.2%	2,562	1.2%	213	0.3%
	Others	41,275	3.8%	28,226	13.8%	32,357	26.9%	7,421	7.8%
	Total	488,822	5.2%	278,757	2.5%	329,632	2.5%	128,811	2.5%
Grand Total	Red	4,829,379	51.5%	6,087,453	54.8%	8,588,126	65.4%	3,737,048	71.7%
	White	3,261,336	34.8%	4,512,035	40.7%	4,194,920	32.0%	1,305,249	25.0%
	Sparkle	193,253	2.1%	294,955	2.7%	220,399	1.7%	73,391	1.4%
	Others	1,091,205	11.6%	204,832	1.8%	120,105	0.9%	95,636	1.8%
	Total	9,375,173	100.0%	11,099,275	100.0%	13,123,550	100.0%	5,211,324	100.0%

Source: KOTIS (Korean government import statistics)

7. Local Production

? Korean wine grape production is expected to remain negligible as it lacks competitiveness in price and quality against imports. High land price and unfavorable weather condition are the major impediments that have prevented any meaningful commercial local wine industry from evolving. Very small amount of locally grown wine grapes are currently used to bottle local souvenir wines or low-end products mixed with imported bulk wine. Instead of maintaining local vineyards, major Korean liquor companies have switched to either co-packed wines in the exporting countries or importing bulk wines for local bottling. Doosan Liquor Business Co., Ltd., Lotte Chilsung Co., Ltd., and Jinro Co., Ltd. are the major firms currently operating wine business with their own brands.

8. Importers List and Contact Information

? Please contact ATO Seoul directly for questions, importers list, and information on market promotion opportunities.

U.S. Agricultural Trade Office
American Embassy Seoul, Unit #15550-ATO, APO AP 96205-5550

Tel: 82-2-397-4188
Fax: 82-2-720-7921
E-mail: Atoseoul@usda.gov
Internet: www.atoseoul.com

? The best method for new-to-market exporters to enter the Korean market is to first find a solid importer, agent or distributor for their product. Currently, the retail industry does very little direct importing, although this may change in the future. The US Agricultural Trade Office in Seoul sponsors an annual trade-only food show, Food and Hotel Korea (FHK), which provides opportunities for U.S. suppliers to meet the Korean trade. FHK2005 will take place March 16-18, 2005 at the COEX Exhibition Hall in Seoul, Korea. For more information about FHK, please contact Mr. Sangyong Oh via email: Sangyong.oh@usda.gov.

? The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices, such as the ATO in Seoul, Korea to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at <http://www.fas.usda.gov/agexport/exporter.html>

For more information, please contact: AgConnections Team
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