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Annual Market Brief

2006

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Report Highlights:

Wine imports for the first half of 2006 saw a healthy growth of 22.4 percent, indicating a new annual high, well surpassing the previous record of \$68 million in 2005. Imports from the United States showed a robust growth of 46.7 percent during the same period, indicating stronger interest in American wines due to an on-going depreciation of the U.S. dollar against local currency, as well as the future opportunities that may arise through a possible free trade agreement between South Korea and the United States. While the Korean market presents growing opportunities to U.S. suppliers, competition from both old and new world exporters is expected to also rise.

Includes PSD Changes: No
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ATO Seoul
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SECTION I. MARKET OVERVIEW

Summary

Overall wine imports continued showing solid growth through 2005 and the first half of 2006, 17.2 percent and 22.4 percent in value respectively. Imports are expected to set a new annual high of \$80 million in 2006, surpassing the former record of \$68 million set in 2005. The rapid growth of wine consumption is mainly fueled by an increased emphasis on a well-being lifestyle among the general public.

Imports from the United States showed a robust growth of 46.7 percent during the first half of 2006, indicating stronger interest in American wines among local consumers and traders due to an on-going depreciation¹ of the U.S. dollar against local currency as well as the future opportunities that may arise through a possible free trade agreement between South Korea and the United States. Although Chile (the only wine exporting country with a free trade agreement with Korea) has remained the second largest exporter of wine to Korea since early 2005, it is likely that the United States will narrow the gap though the rest of the year. It is expected that the annual exports of American wines to Korea will reach \$10 million for the first time in history this year. American wines are expected to remain one of the top choices of local wine drinkers, as they are firmly positioned in the market as products of good value and unique quality. The close political and economic ties between the two countries also contributed heavily to the popularity of U.S. products in Korea.

Since the Asian economic crisis, the Korean wine market has rebounded quickly, offering growing opportunities for imported wines at all price and quality levels. As consumers are becoming more familiar with wine and more discriminating in their tastes, the wine market is also becoming more diversified with imports of a wider variety of products. Consumers are paying more attention to new-to-market wines and willingly purchasing products from more diverse origins in an effort to expand their experience and knowledge.

U.S. wines primarily target the value-oriented segment of the market with distinctive characteristics of fruit-forward taste, consistent quality and good value. In particular, entry-class products from the U.S., which retails for below 10,000 KRW (roughly \$10.40) a bottle, have built a firm ground in the market due to the aggressive marketing efforts of two major Californian suppliers, E&J Gallo and Constellation. The "California label series" by Doosan Corporation, the leading local liquor import/distributor, co-bottled by the Ironstone Vineyard in California, has also contributed significantly to the expansion of entry-class U.S. wines.

The premium segment of the market, products above 50,000 KRW (roughly \$52) a bottle, is another area in which U.S. wines have shown steady success in Korea. Many affluent local wine drinkers are well traveled and are well aware of world-renowned U.S. wine brands. On the other hand, U.S. wines in the middle-priced segment between 10,000 to 50,000 KRW a bottle are facing tougher competition from both old and new world competitors.

Advantages	Challenges
Korea, one of the biggest markets for alcoholic beverages, promises a huge potential for wine.	Wine is still enjoyed only by a relatively small portion of the population.
Lack of competition from local products, and no serious entry-barriers provide a positive environment for wine import/distribution	Few food traders possess commendable knowledge about wine.

¹ \$1 = KRW 960 (July 1, 2006) vs. KRW 1,028 (July 1, 2005)

businesses.	
Wine is firmly positioned in the market with highly publicized health benefits.	Distributors are placing high mark-ups on wine, which is partly responsible for high prices as compared to other alcoholic beverages.
The distinctive characteristics of U.S. wines are well accepted by many local consumers, especially among the younger set.	U.S. wines face tough competition from Chile and Australian products.
Import prices of European wines have gone up significantly in recent years due to the continuous appreciation of the Euro against the Korean won and the U.S. dollar.	Many U.S. wineries are currently not interested in exporting to Korea and local importers often find communicating directly with new-to-market U.S. wineries a difficult and complicated job.
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.	Imported wine is subject to complex labeling and tax requirements and new-to-market products go through a complicated documentation and inspection process.

Local Production

Korean wine grape production is expected to remain negligible as it lacks competitiveness in price and quality against imports. High land prices and unfavorable weather conditions are the major impediments preventing any meaningful commercial local wine industry from evolving. A very small amount of locally grown table grapes are currently used to bottle local souvenir wines or low-end products to be blended with imported bulk wine. Currently, there is no *Vitis. vinifera* variety commercially cultivated in South Korea.

Instead of maintaining local vineyards, major Korean liquor companies have switched to either co-bottling with the exporting wineries or importing bulk wines for local blending/bottling. Doosan Corporation Liquor BG, Jinro Ltd., Lotte Asahi Liquor Co., Ltd. and Kooksoondang Brewery (formerly Haitai Liquor) are the notable ones currently operating local bottling and/or co-bottling in the exporting wineries. In the first half of 2006, a total of 1.7 million liters of bulk-packaged wines (contained in two liters per unit or larger) were imported, most of which were for local bottling/blending. Chile was the leading source of imported bulk red wine whereas Spain was for bulk white wine.

There are some fruit wines produced locally in Korea from wild mountain berries. However, these products present no direct competition to imported wines. Rather they have helped general public develop the taste for table wines. At the same time, the local fruit wine industry offers a growing opportunity for imported bulk berry wines (mostly blueberries) for blending.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Consumption Patterns

Korea is one of the biggest markets for alcoholic beverages in the world. Drinking is considered an important part of everyday life and is often encouraged at social and business occasions. Although drinking is decreasing among the elderly, mainly because of health

concerns, the market is getting many new drinkers from the younger generation and the female population.

Although wine consumption has grown remarkably over the past decade since full-scale market liberalization in 1991, wine is still consumed by a very small population, mainly in urban areas, and comprises less than 2 percent of total alcoholic beverage sales in Korea. A Vinexpo report indicated that the annual per capita wine consumption of Koreans was 0.5 liters as of 2005. According to a 2004 industry survey, 77 percent of all wine consumption in Korea took place in the Seoul metropolitan market (this area represents about 35% of total Korean population).

Korean consumers' tastes are heavily skewed to red wine due to the highly publicized health benefits of drinking red wine. Currently, red wine has over 79 percent of the market and is not likely to lose its dominant share in the near future, although an increasing number of consumers are becoming interested in white and sparkling wines.

Although slowly declining in popularity, beer and Soju² are by far the most consumed alcoholic beverages by the general public. All Soju and most of the beer sold in Korea are manufactured locally and are sold at much cheaper prices than imported wines (for example, one 360 ml bottle of Soju retails for less than 50 cents). In 2005, total sales of Soju decreased by 0.7 percent from the year before to 1,010,300 kiloliters. Beer sales also showed a slight decline of 4.8 percent to 1,918,300 kiloliters. However, sales of whiskies rose 5.6 percent to 11,200 kiloliters.

Retail Market (Off-Premise)

Even though there is no official statistics available, industry analysis indicates that supermarkets currently lead the wine sales in Korea with about 55 percent of market share (on a volume basis), while on-premise channels (restaurants and food service outlets) distribute another 30 percent of the market. Specialty liquor shops and convenience stores come next at 8 percent and 4 percent market share respectively. In the future, it is expected that more wines will be marketed through supermarkets, in particular hypermarket stores, as these are where the majority of Korean consumers shop for groceries nowadays.

With the rapid growth of mass retail stores across the nation, there is less room left for independent wholesalers to play in wine distribution. However, wholesalers still comprise the major supply channel to suburban markets, traditional wet markets and small-scale restaurants and retail stores.

Most hypermarkets and large-scale grocery supermarkets now have a designated wine section in the store, offering quite a large selection of wine readily accessible to everyday shoppers. A typical hypermarket store carries about 150 different varieties of wines, most of which are lower-end to middle priced products under 30,000 KRW (roughly \$31 a bottle). Currently, no mass retail chain imports wine directly for their stores (one exception is COSTCO Korea, who purchases wines directly from wineries but still relies on independent importers to handle customs and logistical issues). However, large retailers might move into the direct business in the near future once their wine business becomes big enough. Although far less in number than grocery supermarkets, there are many stand-alone wine shops and specialty liquor stores, independent or under a franchise chain, thriving in metropolitan markets which target serious wine consumers. Some of the wine-only shops are the biggest in terms of store size and selections and may carry about 500-1,000 different varieties of wines, most of which are middle-priced to premium products over 30,000 KRW a

² Traditional local hard liquor now made from imported tapioca. It contains about 20-25% of alcohol.

bottle. Currently, there is no official license required to retail liquor products, nor any zoning regulation that restricts the number and location of liquor retailing in a given area.

Interestingly, a significant portion of wine sales in Korea occurs during holiday seasons. Wines are becoming more popular gift items due to the on-going "well-being" trend and are increasingly replacing the traditional gift sets of whiskies or other hard liquors. It is estimated that about 30 percent of total annual wine sales are purchased as gifts during the special holidays, mainly Korean Thanksgiving Day or Chu-Sok (September), Christmas, New Year's Day, Lunar –New Year's Day (usually in early February), Valentine's Day (February), and Parent's Day (May).

Food Service Market (On-Premise)

Demand for wine is also rising rapidly in the food service sector, as more restaurants and bars serve wine. The kind of products sold in restaurants varies widely depending on the food and target consumers of the restaurant. For example, restaurants in five star hotels mainly serve middle-priced to premium products. One noticeable trend is that an increased number of restaurants serving traditional Korean foods serve wine. Wine bars and wine restaurants, number of which are also increasing in metropolitan areas, target serious drinkers and usually carry a much wider variety of products at various price and quality points. In general, mark-ups on wine are much higher in restaurants than in retail stores as one would expect.

Competitors

France remained the biggest exporter of wine to Korea with a 33.7 percent market share by value in the first half of 2006. To many Koreans, France is still considered the source of best quality wines. However, the market share by French wine in Korea has been on a continuous decline. Furthermore, export growth of French wine to Korea has been far below the market average in recent years. French products are not as influential as they used to be in Korea and have lost significant market share in entry and middle-priced segments of the market in recent years to value-oriented products from new world competitors, mainly the U.S., Chile and Australia. The steep appreciation of the Euro against the U.S. Dollar during the last three years, which fortunately came to a stop in 2005, further deteriorated price competitiveness of French products transacted on a Euro basis in Korea. As a response, French suppliers have shifted their primary target to the medium and premium segments of the market, which is less susceptible to price fluctuations and yields higher margins of profit.

The strong rise of Chilean wine in Korea began in early 2004 and continued through 2005, showing robust import growth of 87.1 percent and 48.4 percent in value respectively, which repositioned Chile's rank as the second largest wine exporter to Korea for the first time in history, elbowing the United States to the third position, by the end of 2005. The market share by Chilean wine in Korea more than tripled over the last two years. The free trade agreement (FTA) between Korea and Chile signed in late 2003 initiated this huge leap, which will remove import tariffs on all Chilean wines by 2010, thus lowering the landing price of Chilean wines into Korea by 12.5 percent eventually³. Chile's low production cost, coupled by the effect of the bilateral FTA, has been the key for Chilean products in getting superb price competitiveness against products from other countries, which results in higher margins and greater incentives to local importers and distributors to sell Chilean wines rather than other competitors'. However, it looks that the Chilean fever has finally started to phase-out in the first half of 2006 where the import growth of Chilean wines was only 10.5 percent in value, much lower than the market average.

³ Landing price means the cost of wine after paying all import tariffs and local liquor taxes.

Although small in overall market share, products from unusual origins, including Argentina and South Africa, continued an outstanding import growth through 2005 and the first half of 2006. This trend adds additional competitive pressure, while contributing to the expansion of the overall wine market.

Export-oriented competitors are investing a significant amount of resources into marketing and promotional efforts 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 promotions; organizing consumer trips to wineries; exhibiting at local trade shows; supporting local wine schools with free samples; and working closely with local wine experts and helping them to get educated in their countries.

Entry and Marketing Strategy

For new-to-market wineries that seek an entry into the market, following approaches are recommended:

- Exhibiting in a local trade show: Seoul Food & Hotel is a "trade-only" food show held annually in Korea and is attended by a large number of international wine exporters. This is the only show in Korea that is officially endorsed and sponsored by FAS/USDA. The upcoming show in April 2007 will again have a separate U.S. pavilion organized by the Agricultural Trade Office of the U.S. Embassy Seoul (ATO, www.atoseoul.com / atoseoul@usda.gov). The Seoul International Wine & Spirits Show (www.swsexpo.com, early May 2007) is another trade show that has a strong participation by local wine traders. More detailed registration information about these shows is available from the ATO.
- One-on-one meetings with potential importers: Most local importers are interested in meeting new-to-market exporters in a private environment. A list of wine importers is available from the ATO. Free meeting space is also available in the ATO, which is equipped with wine glasses and kitchen utensils.
- Product seminar / Winemakers' tasting: Seminars hosted by an exporter can develop good contacts with key traders and opinion leaders in the market. Assistance by a PR contractor is necessary if the exporter has no local connections. Wine21.com (www.wine21.com / wine21@wine21.com) is one of the leading PR firms available in Korea for catered services. Hosting a seminar in conjunction with the leading local wine trade shows mentioned above is also recommended.

Along with the outstanding growth of wine consumption, a variety of new marketing and educational businesses spring up in the market, including wine schools, Internet-based wine communities, wine journals and wine exhibitions, all of which contribute to the expansion of wine consumers. Any entry or marketing strategy of new-to-market exporters should reflect the voices of these emerging organizations that play an opinion-leading role in the market.

SECTION III. COSTS AND PRICES

Consumer prices for wine are quite high in Korea. A combination of import tariffs, taxes, distribution costs and mark-ups result in retail wine prices being two to four times those in the United States.

Tariffs, Taxes and Pricing

Korea applies a complicated tariff and tax system to imported alcoholic beverages. Those applied to fruit wine, including grape wine, are:

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

Fortunately, fruit wine is subject to relatively lower import tariffs and liquor taxes compared to other imported alcoholic beverages.

Table 1: Import Tariffs and Additional Taxes on Liquor Products

	Import Tariff	Liquor Tax	Education Tax
Fruit Wine	15%	30%	10%
Beer	30%	100%	30%
Whisky	20%	72%	30%

The Korean government has an official plan to adjust these discrepancies in liquor taxes on different alcoholic beverages, eventually making products with higher alcohol content subject to a higher liquor tax. For example, the liquor tax on beer is scheduled to be lowered to 72 percent by 2007, while the liquor tax on whiskies will be made higher. However, it is not likely that the liquor tax on fruit wine will be increased, as the Korean government intends to promote the production of local fruit wines.

The following table illustrates the effects of import tariffs, taxes and distributor mark-ups on a \$10 (CIF: Cost, Insurance, Freight) bottle of imported wine:

Table 2: Effects of Import Tariffs, Taxes and Distributor Mark-ups

A	CIF invoice value	\$ 10.00
B	Tariff (Customs Duty): A x 15%	\$ 1.50
C	Wine Liquor Tax: (A+B) x 30%	\$ 3.45
D	Education Tax: C x 10%	\$ 0.35
E	Subtotal: (A+B+C+D)	\$ 15.30
F	Value Added Tax ⁴ : E x 10%	\$ 1.53
G	Handling fees for customs clearance ⁵ : A x 8%	\$ 0.80
H	Total cost of wine upon customs cleared: (E+F+G)	\$17.63
I	Typical Importer Mark-ups ⁶	

⁴ The Value Added Tax (VAT) is refunded to the importer later because the tax is eventually carried over to the consumer. When the importer sells the wine to the wholesaler, 10 percent of the sales price will be the VAT. Let's say the importer has imported \$1 million of wine in a given year (inclusive of import tariff and additional taxes), then the importer must have paid \$100,000 of VAT to the local government at the customs office. During the year, the importer has made \$2 million of sales revenue, and 10 percent of which, \$200,000, must have been the VAT. Now, at the end of the year, the balance between the paid VAT and the earned VAT is \$100,000 (\$200,000 earned - \$100,000 paid), which will be notified and paid to the local tax office. As a result, the VAT paid upon customs clearance is refunded to the importer.

⁵ In addition to tariffs and taxes, additional fees of 7-8 percent of CIF value will occur for miscellaneous expenses, including customs clearance fees, warehousing fees, transportation fees etc. The amount of this additional cost depends mainly on the kind of inspection to which the shipment is subject. For example, the warehousing fee will increase significantly if a detailed chemical inspection, which takes much longer than document inspection, is required.

⁶ 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: (mark-up 30%)	\$20.93
	2. Importer's selling price to supermarket/liquor store: (mark-up 40-50%)	\$22.54-24.15
	3. Importer's selling price to luxury hotel: (mark-up 40%)	\$22.54
	4. Importer's selling price to wholesaler: (mark-up 15-30%)	\$18.52-20.93
J	Typical Retailer Mark-ups:	
	1. Discount store's selling price: (mark-up 8-20%)	\$22.60-25.12
	2. Supermarket & liquor store's selling price: (mark-up 30-40%)	\$29.30-33.81
	3. Luxury hotel restaurant's selling price: (mark-up 200-400%)	\$67.62-112.7

Thus, a \$10 (CIF) bottle of imported wine typically retails for about \$23-\$25 at discount stores, \$29-\$34 at supermarkets/ liquor stores and \$68-\$113 in hotel restaurants. Overhead expense, payment conditions (i.e. cash versus 60 days credit), product turnover rate and sales volume are key factors governing the level of mark-ups taken by different retailers.

As seen in the Korea-Chile Free Trade Agreement, it is likely that the import tariff (15 percent of invoiced CIF value of wine) will also be removed from imported wine from the United States over a set period of time, if the on-going FTA talks between South Korea and the United States reach a final agreement.

Liquor Purchase Debit Card

The Korean government introduced "Liquor Purchase Debit Card" regulation in 2001 as a safeguard to prevent black marketing of liquor products as well as tax evasion in the supply channel. The regulation mandates that distributors and trade buyers exclusively use a registered debit card bank account when paying suppliers for alcoholic beverages including wine, which provides the government with an easy tool to track the movement of alcoholic beverages in the distribution channel.

Exchange Rate

The Korean Won continued its appreciation against the U.S. Dollar through 2005 and the first half of 2006, making U.S. wines more affordable to Korean importers. Meanwhile, the Korean Won also appreciated against the Euro in 2004 and the first half of 2005, 5.3 percent and 12.6 percent respectively, ending the steep rise of the Euro against the Won that had started in 2002. Local economists forecast that the Korean Won will gain additional strength against international currencies in the coming years, making prices of imported products more attractive to local consumers.

SECTION IV. MARKET ACCESS

Labeling

Law requires that imported wine have a Korean language product label. In most cases, the Korean label is attached to the bottle manually by the importer in the duty-free warehouse

before official inspection. The Korean language product 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 or 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 of ingredients by volume percentage
9. Name of place where the product can be returned or exchanged in case the product has any defect.
10. Instructions for storage
11. Name of food additives used
12. Government health warning clause
13. Government warning clause against liquor sales to minors.
14. Name of distribution channel through which the product is destined to be sold (one of following three destinations should be marked: "Discount Store Sale Only" or "Restaurants Sale Only" or "Sale for Home Use Only").⁷

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 wine is always subject to a detailed chemical food safety inspection, which under Korean law should take no longer than 10 working days (but in practice it could take much longer). For this, importers are required to submit two sample bottles of each wine to the inspection office along with a chemical analysis document provided by the exporter. Once the chemical inspection on the first shipment confirms no potential health concern, subsequent shipments are only subject to visual and/or document inspection, which should take no longer than 2 calendar days, on the condition that the product of subsequent shipments is identical as the first shipment in label, product name, alcohol percentage, vintage, ingredients and net volume. However, even subsequent shipments of identical products may be subject to random detailed chemical inspections.

Korean labeling regulation for alcohol percentage has a +/- 0.5 percent point tolerance level for the difference between the labeled and actual alcohol content (for example, a wine labeled as 12 percent alcohol must be measured during inspection to be within 11.5 percent to 12.5 percent range), which is much tighter than the U.S. standard of 1.5 percent point tolerance level. U.S. wines labeled under the more forgiving U.S. tolerance standard may fail the Korean inspection.

Food Additives

The Korean government is paying more attention to the food additives used in imported wine. Last year, several shipments of U.S. wines failed import inspection because they tested positive for Sorbic acid and the additive was not listed in the ingredient list submitted by the winery. Sorbic acid is allowed in Korea to be used in fruit wine as a preservative (residue

⁷ Added in October 2002 to prevent tax evasion from liquor sales by restaurants.

standard: below 0.2 gram / liter), but it must be listed as an ingredient on the document provided to the inspection office.

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

Licenses

Only licensed liquor importers are allowed to import alcoholic beverages, including wine. However, any qualified candidate can obtain an import license. There are over 300 licensed liquor importers and the number is likely to increase steadily in the coming years, as more people are interested in the wine business. However, only about 30 importers currently import wine products on a regular basis. Moreover, only a handful of top importers govern over 80 percent of total imports. Importers are allowed to supply directly to retailers (restaurants and liquor stores) as well as to wholesalers. However, importers are not allowed to sell directly to consumers nor can they purchase wine from other importers or wholesalers. Established importers tend to prefer handling warehousing and product delivery with their own logistics force, while small or new companies mainly rely on third-party logistical service providers. A few importers also operate a chain of retail outlets under a separate retail license in order to gain additional business volume and a direct reach to consumers. On-line or postal sales of liquor products are prohibited in Korea.

SECTION V. KEY CONTACTS AND FURTHER 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

? California Wine Institute (CWI) now has a local Korean representative who works on a contract project basis for CWI.

Ms. Lan Sohn, Representative
Sohn's Market Makers
Tel: 82-2-543-9380
Fax: 82-2-543-0944
E-mail: info@sohnm.com

? A list of U.S. wines currently imported into Korea as of December 2004 is available in the ATO Seoul Internet website (<http://www.atoseoul.com/Korean/wineguidebook/index.htm>).

? 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
AgExport Services Division, Foreign Agricultural Service, Washington, DC
Phone: 202-690-4172
Fax: 202-205-2963
E-mail: joyce.estep@fas.usda.gov
Website: www.fas.usda.gov/agx/agx.html

APPENDIX I: Wine Import Statistics

Table 1: Korea Annual Wine Imports

Year	Value ^I	Growth %	Volume ^{II}	Growth %
1992	5,644	65.3%	2,109,570	68.9%
1993	5,855	3.7%	3,233,975	53.3%
1994	8,104	38.4%	4,225,764	30.7%
1995	13,633	68.2%	6,181,234	46.3%
1996	16,406	20.3%	5,852,665	-5.3%
1997	22,809	39.0%	9,390,449	60.4%
1998	6,491	-71.5%	2,558,561	-72.8%
1999	15,122	133.0%	5,766,043	125.4%
2000	19,802	31.0%	8,052,562	39.7%
2001	23,109	16.7%	8,861,609	10.0%
2002	29,432	27.4%	11,522,387	30.0%
2003	45,783	55.6%	13,979,720	21.3%
2004	57,979	26.6%	15,897,748	13.7%
2005	67,654	16.7%	18,984,127	19.4%
2006 ^{III}	38,881	22.4%	10,505,858	14.6%

*Notes:

Source: KOTIS (Korean government import statistics)

^I Unit: \$1,000 US dollar, CIF value^{II} Unit: Liter^{III} Through June 2006

Table 2. Korea Annual Wine Import Broken down by Country and Product Category

Country	Category	2005		2006 (through June)				
		Value ^I	Volume ^{II}	Value ^I	Volume ^{II}	Growth	\$ MS	Vol. MS
France	Red Bottle	19,932	3,403,512	10,616	1,708,361	14.8%	35.8%	24.0%
	Red Bulk ^{III}	16	6,530	26	10,959	3,412.8%	2.5%	1.3%
	White Bottle	2,529	616,168	1,211	241,794	-18%	21.7%	16.1%
	White Bulk	2	405	6	1,269	0.0%	1.1%	0.2%
	Sparkling	2,385	167,038	1,207	70,919	18.6%	78.0%	51.7%
	Others Bottle	89	23,168	24	3,552	-61.2%	6.2%	5.6%
	Others Bulk	14	392	6	100	-10.7%	7.0%	0.7%
	Total	24,967	4,217,213	13,096	2,036,954	12.6%	33.7%	19.4%
Chile	Red Bottle	10,251	2,406,491	6,112	1,422,810	13.4%	20.6%	20.0%
	Red Bulk	719	598,000	314	260,000	-33.2%	29.7%	30.5%

	White Bottle	807	219,820	494	126,783	18.9%	8.8%	8.4%
	White Bulk	1	45	0	0	0.0%	0.0%	0.0%
	Sparkling	16	1,845	40	4,014	221.2%	2.6%	2.9%
	Others Bottle	90	21,203	59	14,250	29.5%	15.3%	22.4%
	Others Bulk	0	0	0	0	0.0%	0.0%	0.0%
	Total	11,884	3,247,404	7,019	1,827,857	10.8%	18.1%	17.4%
U.S.	Red Bottle	7,720	2,826,603	5,151	1,799,461	48.5%	17.4%	25.3%
	Red Bulk	46	36,240	259	54,458	1,511.6%	24.5%	6.4%
	White Bottle	1,611	673,457	731	285,239	-0.8%	13.1%	18.9%
	White Bulk	32	41,351	59	58,185	8,190.0%	10.7%	7.1%
	Sparkling	2	828	4	774	0.0%	0.3%	0.6%
	Others Bottle	43	9,667	36	13,014	53.2%	9.4%	20.5%
	Others Bulk	17	605	7	236	-33.7%	8.1%	1.8%
	Total	9,471	3,588,751	6,247	2,211,367	46.7%	16.1%	21.0%
Italy	Red Bottle	5,187	990,316	2,883	623,180	31.9%	9.7%	8.8%
	Red Bulk	18	4,183	11	7,113	32.0%	1.0%	0.8%
	White Bottle	1,302	321,445	934	206,045	80.6%	16.7%	13.7%
	White Bulk	11	6,061	5	5,350	-43.4%	0.9%	0.7%
	Sparkling	206	43,726	139	21,712	18.1%	9.0%	15.8%
	Others Bottle	17	3,441	24	8,356	218.2%	6.2%	13.1%
	Others Bulk	6	1,378	10	919	1,283.9%	11.6%	6.9%
	Total	6,747	1,370,550	4,005	872,675	42.2%	10.3%	8.3%
Australia	Red Bottle	3,764	791,448	2,212	439,099	13.6%	7.5%	6.2%
	Red Bulk	363	203,729	100	65,481	-35.3%	9.4%	7.7%
	White Bottle	833	207,785	495	124,299	29.3%	8.9%	8.3%
	White Bulk	112	86,052	71	59,104	3.6%	12.9%	7.2%
	Sparkling	28	4,055	34	4,878	75.7%	2.2%	3.6%
	Others Bottle	27	6,906	17	3,196	-5.6%	4.4%	5.0%
	Others Bulk	6	1,084	0	21	-92.4%	0.0%	0.2%
	Total	5,133	1,301,059	2,929	696,078	13.1%	7.5%	6.6%
Spain	Red Bottle	1,313	753,915	1,012	525,950	69.9%	3.4%	7.4%
	Red Bulk	469	666,129	287	444,960	-9.8%	27.1%	52.1%
	White Bottle	233	222,817	160	113,715	38.1%	2.9%	7.6%
	White Bulk	855	1,356,205	407	694,969	-10.6%	74.0%	84.8%
	Sparkling	54	11,923	77	17,359	205.5%	5.0%	12.7%
	Others Bottle	1	119	2	643	0.0%	0.5%	1.0%

	Others Bulk	3	412	14	769	978.5%	16.3%	5.8%
	Total	2,928	3,011,520	1,959	1,798,365	30.4%	5.0%	17.1%
Germany	Red Bottle	593	182,445	320	110,247	10.1%	1.1%	1.5%
	Red Bulk	3	176	0	4	0.0%	0.0%	0.0%
	White Bottle	1,594	481,883	1,054	298,421	55.8%	18.9%	19.8%
	White Bulk	416	311,799	1	360	-99.4%	0.2%	0.0%
	Sparkling	29	11,317	28	8,792	586.2%	1.8%	6.4%
	Others Bottle	52	17,764	40	13,488	242.1%	10.4%	21.2%
	Others Bulk	2	297	1	110	15.2%	1.2%	0.8%
	Total	2,689	1,005,681	1,444	431,422	21.8%	3.7%	4.1%
Others	Red Bottle	2,242	797,027	1,365	484,060	94.2%	4.6%	6.8%
	Red Bulk	220	161,599	62	10,497	-71.2%	5.9%	1.2%
	White Bottle	1,177	242,433	503	109,257	-9.5%	9.0%	7.3%
	White Bulk	1	1,002	1	320	0.0%	0.2%	0.0%
	Sparkling	22	11,327	19	8,738	216.7%	1.2%	6.4%
	Others Bottle	106	19,613	183	7,066	325.6%	47.5%	11.1%
	Others Bulk	67	8,948	48	11,202	54.8%	55.8%	83.9%
	Total	3,835	1,241,949	2,181	631,140	40.3%	5.6%	6.0%
Grand Total	Red Bottle	51,002	12,151,757	29,671	7,113,168	26.7%	76.3%	67.7%
	Red Bulk	1,854	1,676,586	1,059	853,472	13.5%	2.7%	8.1%
	White Bottle	10,086	2,985,808	5,582	1,505,553	10.1%	14.4%	14.3%
	White Bulk	1,430	1,802,920	550	819,557	-37.5%	1.4%	7.8%
	Sparkling	2,742	252,059	1,548	137,186	28.9%	4.0%	1.3%
	Others Bottle	425	101,881	385	63,565	53.2%	1.0%	0.6%
	Others Bulk	115	13,116	86	13,357	76.0%	0.2%	0.0%
	Total	67,654	18,984,127	38,881	10,505,858	22.4%	100%	100%

*Notes:

Source: KOTIS (Korean government import statistics)

^I Unit: \$1,000 US dollar, CIF value

^{II} Unit: Liter

^{III} Bulk: contained in 2 liter or bigger package

APPENDIX II: Retail Wine Price Survey

Below is a list of retail prices of wines developed from a market survey carried out in July 2005.

Country	Product Name ^I	Retail Price ^{II}
U.S.	E&J Gallo Carlo Rossi CA White	5,480
	E&J Gallo Carlo Rossi CA Red	5,480
	E&J Gallo Sonoma C/S ^{III} '00	34,089

	Columbia Crest Two Vines C/S '01	16,800
	Beringer White Zinfandel '03	14,289
	Beringer Stone Cellar C/S '02	20,500
	Beringer Founders Estate C/S '02	50,000
	Kendall Jackson Vintners Reserve Chardonnay '03	34,089 - 39,400
	Kendall Jackson Vintners Reserve C/S '01	32,439 - 39,400
	R. Mondavi Woodbridge C/S '02	28,000
	R. Mondavi Private Selection C/S '02	36,289 - 48,000
	R. Mondavi Napa Valley C/S '02	63,690 - 78,000
	Jordan C/S '01	75,790 - 96,000
	Jordan Chardonnay '00	52,789 - 61,500
	Opus One '00	373,890
France	Baron du Val Table White (a case of 6 bottles)	25,190
	Baron du Val Table Red (a case of 6 bottles)	25,190
	Barton & Guestier Bordeaux '02	17,039
	Barton & Guestier Medoc '02	19,789 - 21,800
	Barton & Guestier Margaux '01	39,200
	Chateau Citran Haut-Medoc '01	42,889
	Chateau Les Hauts de Pontet 1997	60,000
	Chateau Pontet Canet 1997	95,590
	Chateau Lynch Bages 1997	112,090
	Chateau Margaux '01	613,000
	Chateau Latour '01	613,000
	Chateau Haut-Brion '01	362,890 - 598,000
	Chateau Mouton-Rothschild '01	340,890 - 598,000
	Chateau Lafite-Rothschild '01	598,000
	Chateau Petrus '01	1,729,000
	Louis Jadot Bourgogne Chardonnay '02	25,400
	Louis Jadot Chablis '02	39,900
	Faiveley Mercurey 1er Cru '00	63,000
	Louis Latour Mersault 1er Cru 1997	101,900
	Louis Latour Corton-Charlemagne 1998	219,000
	Moet & Chandon Champagne	53,889
	Don Perignon Champagne	136,290
Chile	Concha y Toro Frontera C/S	9,800
	Casillero del Diablo C/S '03	17,500 - 20,000
	Casillero del Diablo Chardonnay '03	17,500
	Carmen Reserve C/S '03	24,200
	Carmen Reserve Merlot '03	24,200
	Montes Alpha C/S '02	37,389
	San Pedro 1865 Carmenere '01	41,789
	Concha Y Toro Almaviva '01	136,290

Australia	Hardys Shiraz '04	8,590
	Hardys Chardonnay 5L Box	40,689
	Hardys C/S 5L Box	40,689
	Yellow Tail Shiraz '03	13,900
	Yellow Tail Chardonnay '04	13,900
	Penfolds Rawson's Retreat Shiraz-Cab '03	20,700
	Penfolds Rawson's Retreat Chardonnay '02	20,700
	Penfolds Koonunga Hill Shiraz-Cab '02	30,000
	Penfolds Koonunga Hill Chardonnay '02	30,000
	Italy	Danzante Sangiovese '02
Villa Antinori Toscana '01		37,389
Castello D'albola Chianti Classico 1999		25,289 - 42,500
Balbi Soprani Barolo 1999		575,190
Antinori Tignanello '00		145,000
Korea	Haitai & Company Red 700 ml (locally bottled imported bulk wine)	3,540
	Jinro Ltd. Red 500 ml (locally bottled imported bulk wine)	1,360