

Voluntary Report – Voluntary - Public Distribution

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Report Name: Beer Market Report

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Beverages

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Report Highlights:

U.S. beer exports to South Korea totaled \$35 million in 2020, up 3 percent from the previous year. Overall Korean beer imports, in contrast, declined 19 percent to \$227 million due to weak on-premise sales during the COVID-19 pandemic. The Korean government adopted a volume-based liquor tax for beer on January 1, 2020, which reduces the tax burden for higher quality beers, including imported U.S. craft beer. The tax change along with increased Korean consumer demand for quality and diversity should generate growth opportunities for U.S. beer exports to Korea in coming years.

SECTION I: MARKET OVERVIEW

South Korean beer imports totaled \$227 million in 2020, down 19 percent from 2019. By volume imports totaled 227,930 metric tons, down 23 percent. The decline was largely due to reduced demand in the on-premise market (bars and pubs) during the COVID-19 pandemic. Although many consumers opted for home drinking during the pandemic, wine was their top choice among premium alcoholic beverages. Korean wine imports increased 27 percent to \$330 million in 2020 as a result.

In contrast to the drop in total imports, Korean beer imports from the United States increased 3 percent in 2020 to \$35 million. However, imports of U.S. beer by volume shrank 1 percent to 38,474 metric tons. U.S. beer better managed the pandemic environment by maintaining strong marketing in the off-premise market (grocery supermarkets and convenience stores). Increased Korean consumer interest in quality and diversity also helped U.S. beer maintain solid sales during the pandemic.

The Korean government switched from a value-based to a volume-based liquor tax system for beer and rice wine on January 1, 2020. Under the volume-based liquor tax, beer is subject to an 834.4 won (about 76 cents) per liter liquor tax in 2021. Beer distributed to restaurants and bars in kegs will be taxed at 667.5 won per liter (a 20 percent tax discount) until the end of 2022, after which it will be taxed the same as other beer. The tax change intends to provide a level playing field for premium and low-price beers.

The long-term outlook for U.S. beer imports into Korea is outstanding as many opinion-leading young Korean consumers recognize the value, quality, and diversity that U.S. beer has to offer. However, U.S. beer will likely face elevated competition in Korea in the short term as competitors recover from the COVID-19 pandemic.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

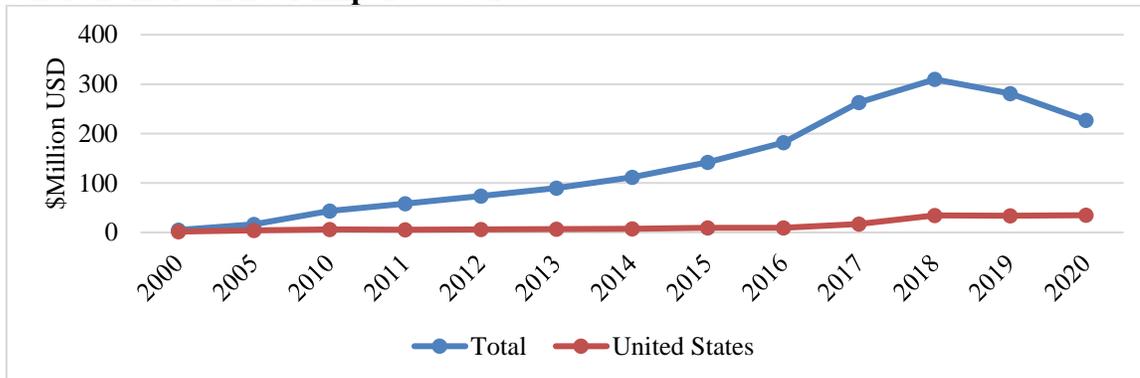
Table 1: Opportunities & Challenges in the Korean Beer Market

Opportunities	Challenges
Beer remains the most consumed alcoholic beverage in Korea. Elevated consumer health concerns favor products with lower alcohol content, including beer.	Large-scale Korean breweries maintain a dominant market share with mass-produced, popular brands that are offered at low prices.
The Korean beer market has been driven by a small number of large-scale local breweries. These mass breweries continue to focus on producing large-volume, low-quality beers.	General Korean beer consumers have yet to understand the value, quality, and diversity that U.S. beer has to offer.
There is growing demand for diverse, quality beer, particularly among young professionals and affluent seniors. Many of these opinion-leading consumers view the United States as a leading producer of premium craft beer.	The number of craft breweries in Korea will likely increase as demand for quality beer develops. U.S. craft breweries in general have limited resources to divert to export business.
The KORUS Free Trade Agreement (2012) and transition to a volume-based liquor tax (2020) make U.S. beer more price competitive.	U.S. beer faces aggressive competition from other exporting countries in the imported beer market in Korea.

1. COMPETITION: IMPORTED BEER

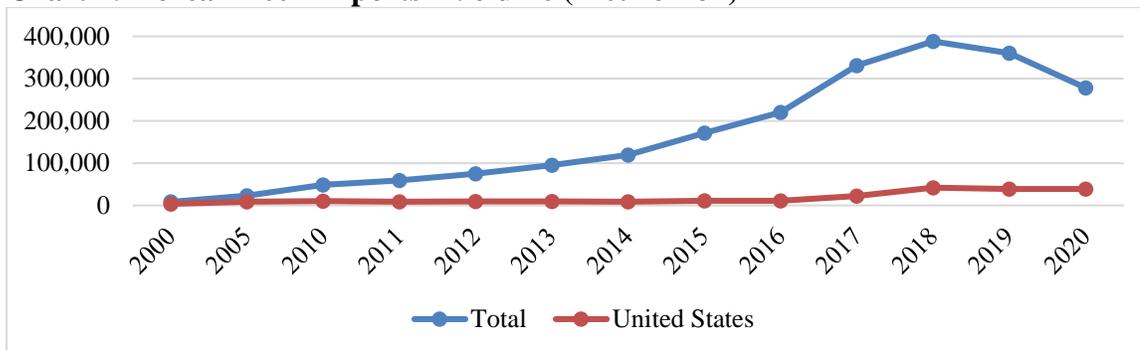
Korean beer imports have almost tripled over the last ten years as consumers wanted to expand their beer experience outside limited, mass produced brands offered by local breweries. However, imports saw an unexpected decline in 2019 largely due to a sharp drop in imports of Japanese beer due to a consumer boycott. Imports fell again in 2020 due to the COVID-19 pandemic. Nevertheless, Korea remains an excellent beer market for quality producers, including the United States, as consumers are increasingly look for quality and diversity in their beer consumption.

Chart 1: Korean Beer Imports – Value



Source: Korea Trade Information Service Database, CIF Value, www.kita.net

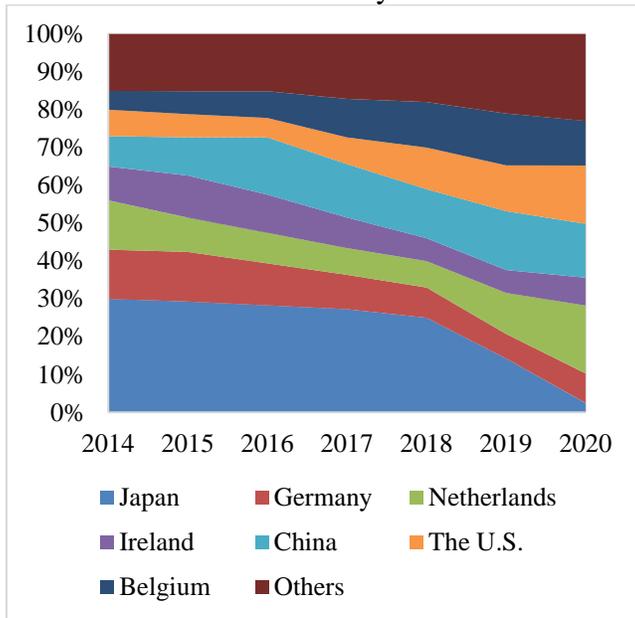
Chart 2: Korean Beer Imports - Volume (Metric Ton)



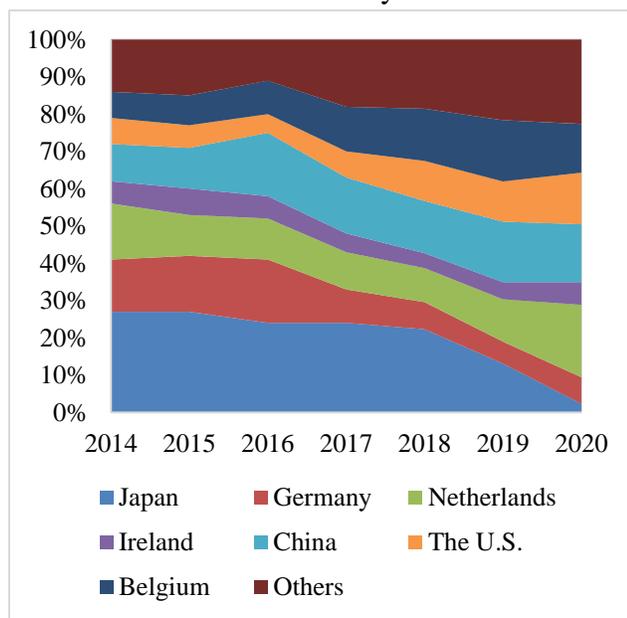
Source: Korea Trade Information Service Database

The United States became the second largest beer exporter to Korea after the Netherlands in 2020. U.S. beer import market share increased to 15 percent. Strong marketing by large-scale U.S. brands such as Budweiser, Miller, and Coors in the off-premise market was the key driver for the success. Small-scale U.S. craft breweries also generated solid outcome as the new liquor tax system allowed them to lower prices and increase their offerings in grocery supermarkets and convenience stores. According to the American Craft Brewers Association (AOB), Korea was one of the top three export markets in Asia, along with China and Australia.

Chart 3: Korean Beer Imports by Origin
Market Share by Value



Market Share by Volume



Source: Korea Trade Information Service Database

The Korean government continues to implement strict social distancing measures, including limited operation of bars and restaurants at the time of this report. Therefore, full recovery of the Korean beer market is unlikely until the COVID-19 pandemic is fully contained and consumers are able to resume normal visits to restaurants and bars. Public vaccinations are expected to take most of 2021 to complete, so marketers do not expect a full-scale market recovery until early 2022. On-line sales of alcoholic beverages are not allowed in Korea, so beer has been left out of the explosive growth in on-line food sales during the pandemic. U.S. beer will likely face elevated competition in Korea as export-oriented competitors from Asia (China, Japan) and Europe (the Netherlands, Belgium, Germany, and Ireland) plan to deploy aggressive marketing campaigns after the market recovers.

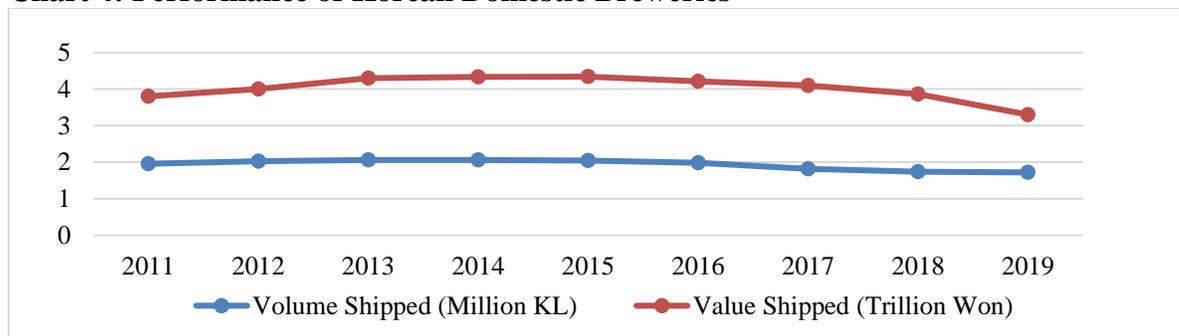
2. COMPETITION: DOMESTIC KOREAN BEER

Korean breweries shipped 1.7 million kiloliters of beer to the domestic market in 2019, down 13 percent from the previous year. The beer had a retail value of 3.3 trillion won (approximately \$3 billion), down 15 percent from 2018. Domestic beer production has been on a gradual decline after peaking in 2015 due to increased competition from imported beer. However, domestic breweries still account for 83 percent of the beer market.

The domestic beer industry is driven by three large-scale breweries: Oriental Brewery Company (OB), HiteJinro (Hite), and Lotte Chilsung (Kloud). These three leading breweries together accounted for 82 percent of all beer sales in Korea in 2019 (OB 47 percent, Hite 29 percent, Kloud 6 percent). OB was acquired by Anheuser-Busch (AB) InBev in 2014 and currently brews and bottles some of AB InBev's portfolio in Korea, including Hoegaarden and Budweiser (glass bottles only) for local market distribution. In addition, OB imports and distributes many AB InBev brands into Korea, including Budweiser (cans), Corona, Beck's, Stella Artois, Leffe, and Löwenbräu. HiteJinro and

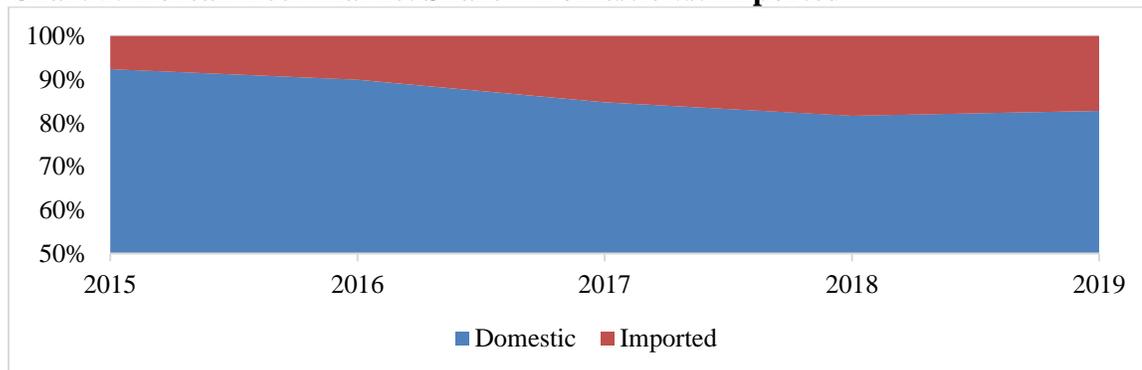
Lotte Chilsung have also established import distribution partnerships with international beer companies to capitalize on increased consumer demand for imported beer.

Chart 4: Performance of Korean Domestic Breweries



Source: Korean National Tax Service www.nts.go.kr

Chart 5: Korean Beer Market Share – Domestic vs. Imported



Source: Korean National Tax Service www.nts.go.kr

Table 2: Overview of Leading Korean Breweries

	Oriental Brewery Company (OB)	Hite-Jinro (Hite)	Lotte Chilsung (Lotte)
Major Brands	Cass, OB, Cafri	Hite, Max, Stout, Terra	Kloud, Fitz
Imported Brands	Budweiser, Hoegaarden, Corona, Beck's, Stella Artois, Leffe, Löwenbräu, Suntory	Carlsberg, Kirin, Singha, Kronenbourg, Tooheys Brothers	Miller, Coors, Bluemoon, Asahi
Website	www.obbeer.co.kr	www.hitejinro.com	www.kloudbeer.com

Korean regulations require that at least 10 percent of starch ingredients for brewing beer should come from malt. This malt requirement has led the leading domestic breweries to brew their flagship beers from non-malt grains such as wheat and rice for lower costs and soft flavors. They have also focused on lagers over the years, reflecting general Korean consumer preference for dry, mild flavors. They have recently expanded their portfolio into ales and other styles with increased malt and hop to keep up with new consumer trends. However, their main strategy is still to offer a limited assortment of low-price beers for mass distribution.

Increased consumer interest in quality and diversity has led to a rapid growth in small-scale (micro) breweries in Korea over the last five years. The Korean government introduced a series of regulatory reforms to foster the development of a local microbrewery industry. The number of microbreweries in Korea increased sharply from 61 in 2014 to 150 in 2019 as a result. Domestic microbreweries shipped 15,331 kiloliters of beer to the market in 2019, accounting for 0.7 percent of all beer consumed in Korea. The Korean microbrewery industry will likely continue solid expansion in the coming years, presenting more competition to imported beer in the premium market segment. Many Korean microbreweries are influenced by or partnered with U.S. craft breweries. As a result, the styles of beer offered by Korean microbreweries are similar to imported U.S. craft beer.

Table 3: Growth of Korean Microbreweries

Year	2015	2016	2017	2018	2019	CAGR
Number of Microbreweries	64	72	92	124	150	19%
Shipments by Microbreweries (Kiloliter)	4,445	6,550	9,790	14,380	15,331	28%
Market Share by Microbreweries	0.2%	0.3%	0.5%	0.7%	0.7%	30%

Source: Korean National Tax Service www.nts.go.kr

3. COMPETITION: OTHER ALCOHOLIC BEVERAGES

Per capita alcohol consumption in Korea is slightly higher than in the United States according to World Bank statistics. Drinking is considered an important part of social life and is often encouraged at social and business occasions. Although drinking is decreasing among the elderly population for health concerns, overall alcohol consumption remains high partially due to an increase in female consumers.

The volume of alcoholic beverages shipped in Korea totaled 3.8 million kiloliters in 2019, down 2.3 percent from the previous year. The value of shipments totaled 8.5 trillion won (\$7.7 billion), down 0.6 percent from the previous year. Domestic products accounted for 88 percent of shipments by volume (82 percent by value). Beer and soju were the most consumed alcoholic beverages due to low prices.¹ Beer, soju and rice wine were mainly supplied by local producers, while fruit wine and distilled spirits were mainly supplied by imports.

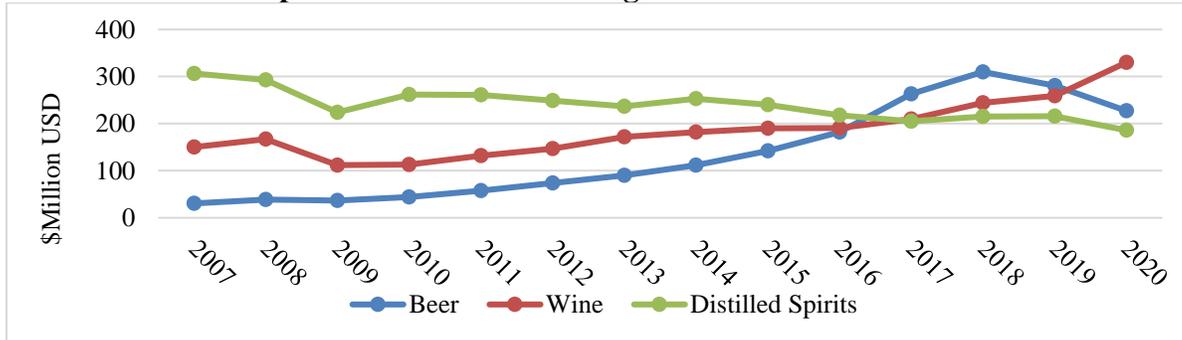
Table 4: Alcoholic Beverages Shipped to the Market in Korea (2019)

	Volume (Kiloliters)		Value (Trillion Won)	
	Shipments Total	Share by Imports	Shipments Total	Share by Imports
Beer	2,072,404	17%	3.6	17%
Soju	917,442	0%	3.1	0%
Rice Wine	403,576	1%	0.6	5%
Distilled Spirits	34,886	88%	0.5	93%
Fruit Wine	64,320	83%	0.5	84%
Others	348,541	6%	0.3	17%
Total	3,841,169	12%	8.5	18%

¹ Soju is a traditional Korean liquor distilled from rice. Most soju in the market today is distilled from cheap starch sources such as sweet potato or tapioca and diluted for low price and low alcohol content (about 17 percent).

Korean imports of alcoholic beverages have almost doubled over the last 10 years to reach \$743 million in 2019. The United States supplied 11 percent of Korea’s alcoholic beverages imports in 2019 (12 percent for beer, 13 percent for wine, and 6 percent for distilled spirits). While imports of distilled spirits are stagnating due to increased health concerns, demand for imported beer and wine remain strong.

Chart 6: Korean Imports of Alcoholic Beverages



Source: Korea Trade Information Service Database

4. MARKET ENTRY STRATEGY

By law, only licensed alcoholic beverage importers can import alcoholic beverages, including beer. There is no ceiling for the number of licenses issued, so any qualified candidate can obtain a license. There are over 500 licensed importers, but marketers estimate that only about 50 of them currently maintain an active business. The top ten leading importers reportedly account for over 80 percent of total imports.

Most alcoholic beverage importers are cautious about launching new products at this time due to the COVID-19 pandemic and slowdown of the Korean economy. Importers may not respond to new product offers from foreign suppliers unless the product in question shows strong market potential based on price, international acclaims (awards, favorable reviews by critics, etc.), or promotional support offered by the supplier.

Korean traders highly value face-to-face contact when developing business relationships with new foreign suppliers. However, traders are currently relying on on-line tools, including video conferencing, due to COVID-19 travel restrictions. For guidance on how to approach target buyers in Korea, please refer to the [Exporter Guide: Korea 2020](#) published by ATO Seoul.

Trade shows can be an efficient tool for new-to-market U.S. suppliers to develop contacts with a large number of Korean buyers. The following in-person trade shows are scheduled in Korea in 2021:

- [Seoul Food & Hotel](#) is the leading food trade show in Korea. This is the only show in Korea that is officially endorsed and sponsored by USDA FAS. The up-coming 20201 show will be held July 27-30. The show is held annually. For registration information, please contact the American Pavilion organizer Oak Overseas (rhod@oakoverseas.com).

- [The Korea International Beer Expo \(KIBEX\)](#) is an important annual event for the Korean beer industry. The 2021 show will be held May 17-19. ATO Seoul and the American Craft Brewers Association plan to co-organize a ‘Great American Craft Beer Showcase Seoul’ booth in the show to present a variety of American craft beer.

ATO Seoul maintains contact listings of Korean beer importers. ATO Seoul Buyer Alert Service is a quick tool for new U.S. suppliers to announce their product offers to the Korean importers. For this complimentary service, U.S. suppliers need to submit applications on-line at ATOSeoul.com.

Various regional and industry organizations in the United States offer export assistance programs to their members. General tools offered by the organizations include trade delegations to key foreign markets and international trade shows.

American Craft Brewers Association (AOB)
736 Pearl Street, Boulder, CO 80302
Telephone: 303-447-0816
E-mail: info@brewersassociation.org

Food Export Association of the Midwest USA
309 W. Washington St., Suite 600
Chicago, Illinois 60606
Telephone: 312-334-9200 Fax: 312-334-9230
E-mail: thamilton@foodexport.org
Website: www.foodexport.org

Western United States Agricultural Trade Association (WUSATA)
2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA
Telephone: 360-693-3373 Fax: 360-693-3464
E-mail: janet@wusata.org
Website: www.wusata.org

Food Export USA Northeast
150 S. Independence Mall West, 1036 Public Ledger Building
Philadelphia, PA 19106, USA
Telephone: 215-829-9111 Fax: 215-829-9777
E-mail: jcanono@foodexportusa.org
Website: www.foodexportusa.org

Southern United States Agricultural Trade Association (SUSTA)
2 Canal Street Suite 2515, New Orleans, LA 70130, USA
Telephone: 504-568-5986 Fax: 504-568-6010
E-mail: jim@susta.org
Website: www.susta.org

SECTION III: MARKET ACCESS

1. IMPORT TARIFF AND TAXES

The Korean government implemented a transition to volume-based liquor tax for beer on January 1, 2020. All beer, both local and imported regardless of their prices, is subject to the same 834.4 won (about 76 cents) per liter liquor tax in 2021. The volume-based liquor tax is revised each year based on changes in consumer prices during the previous year. The tax for 2021 increased by 0.5 percent from 2020. The table below summarizes Korean tariff and taxes applied to imported U.S. beer as of 2021.

Table 5: Korean Import Tariff and Taxes on Imported U.S. Beer

Tax System	Import Tariff ²	Liquor Tax	Education Tax	Value Added Tax
Value-based (Old)	0%	72%	30%	10%
Volume-based (New)	0%	834.4 won/liter ³	30%	10%

The table below provides an example of how the tax change impacts a CIF \$1 twelve-ounce container of beer from the United States. Under this scenario, the cost of imported U.S. beer after tariffs and taxes declines by approximately a third.

Table 6: Effects of Import Tariff and Taxes on Imported U.S. Beer (12 oz container)

Value-based system (Old)		Volume-based system (New)		
A	CIF ⁴ Invoice Value	\$1.00	CIF Invoice Value	\$1.00
B	Import Tariff: A x 0%	\$0.00	Import Tariff: A x 0%	\$0.00
C	Liquor Tax: (A+B) x 72%	\$0.72	Liquor Tax: 834.4 won x 355ml/1000ml ⁵	\$0.27
D	Education Tax: C x 30%	\$0.22	Education Tax: C x 30%	\$0.08
E	Subtotal: (A+B+C+D)	\$1.94	Subtotal: (A+B+C+D)	\$1.35
F	Value Added Tax **: E x 10%	\$0.19	Value Added Tax: E x 10% ⁶	\$0.14
	Product Cost after Tariff and Taxes (E+F)	\$2.13	Product Cost after Tariff and Taxes (E+F)	\$1.49

2. INSPECTIONS AND FOOD SAFETY STANDARDS

Imported food and beverages, including alcoholic beverages, are subject to inspection upon entering Korea. For more information about Korean import regulations please refer to the [FAIRS Annual Country Report 2020](#) (Food and Agricultural Import Regulations and Standards) for Korea published by FAS Seoul. The table below summarizes key Korean food safety standards for beer under the Korea Food Code and the National Tax Office Decree:

² The import tariff on U.S. beer was eliminated under the Korea-U.S. Free Trade Agreement.

³ Beer distributed to restaurants and bars in kegs is taxed at 667.5 won per liter (a 20 percent tax discount) until the end of 2022.

⁴ CIF is the export price upon arrival in a port in Korea inclusive of insurance and freight cost. The value of one-time use plastic keg containers should be included in the CIF product value.

⁵ Calculated for a 355-milliliter volume container (12 oz) / Exchange rate \$1 = 1,100 won as of Jan. 1, 2021

⁶ The Value Added Tax (VAT) is eventually refunded to the importer as the tax is carried over to the consumer.

Table 7: Key Korean Food Safety Standards for Beer

Issue	Standards
Major ingredients	Malt (barley and wheat), hops, water, starch ingredients (including wheat, rice, barley, corn, potato, and starch) are allowed
Methanol	0.5 mg/ml or less
Alcohol content	(1) 25% (v/v) or less (2) Labeled alcohol content should be within 0.5% of the actual content measured
Additives allowed	Aspartame, stevioside, sorbitol, sucralose, lactose, acesulfame K, erythritol, xylitol, milk, milk powder, milk cream, casein, Arabic gum, pectin, carbon dioxide gas, sugars, caramel, tannic acid, all coloring and flavoring agents allowed in the Korea Food Additive Code

3. LABELING

Korean law requires a separate Korean language label on imported alcoholic beverages. In most cases, the Korean language label (sticker) is attached to the back of the bottle manually by the importer in the duty-free warehouse before customs inspection. The Korean language label should contain the following information:

- Product name
- Country of origin
- Product type
- Product volume
- Importer's name and phone number
- Alcohol percentage
- Names of major ingredients
- Names of food additives used
- Bottling date (not required if shelf life is shown)
- Shelf life (expiration date)
- Mandatory health warning clauses
- Mandatory warning clause against liquor sales to minors
- Name of designated distribution channel (only required on bottles sold in supermarkets and other retail stores. Bottles sold in small retail stores should be marked "For Home Use". Bottles sold in large-scale retail stores should be marked "For Large-scale Store Sales". "Sales in Restaurants and Bars are Not Allowed" should also be marked.)

Fruit images are not allowed on the label if the product contains synthetic flavors only. A beer label can include "Lite" only if the product contains 30 kcal of calorie per 100ml or less.

Korea and the United States have established an equivalency agreement for processed organic foods and beverages. As a result, U.S. organic beer certified in the United States (NOP) may be labeled and marketed as organic in Korea without obtaining additional organic certification from the Korean authority.

The Ministry of Food and Drug Safety (MFDS) does not normally check supporting documents for marketing claims (e.g. Kosher, Halal, GMP, Vegan) on packaging when products arrive in Korea. However, MFDS maintains a right to request supporting documents if necessary. Therefore, in order to apply a marketing claim to packaging, U.S. exporters and Korean importers should keep supporting documents for the claim. Supporting documents should be issued by relevant and credible organizations.

SECTION IV: KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

Telephone: +82-2 6951-6848 Fax: +82-2 720-7921

E-mail: atoseoul@fas.usda.gov Internet homepage: www.atoseoul.com

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)

Korean Address: U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea

Telephone: +82-2 397-4297 Fax: +82-2 738-7147

E-mail: agseoul@fas.usda.gov

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

Telephone: +82-2 725-5495 Fax: +82-2 725-5496

E-mail: yunhee.kim@aphis.usda.gov Internet Homepage: www.aphis.usda.gov

USDA Cooperators, States, SRTG, State Offices and AMCHAM in Korea:

[USDA Cooperators in Korea](#)

[U.S. State Regional Trade Groups \(SRTG\)](#)

[U.S. State Offices in Korea](#)

[American Chamber of Commerce \(AMCHAM\)](#)

Host Country Government:

[Ministry of Agriculture, Food and Rural Affairs \(MAFRA\)](#)

[Ministry of Food and Drug Safety \(MFDS\)](#)

[Ministry of Trade, Industry and Energy \(MOTIE\)](#)

[Ministry of Foreign Affairs \(MOFA\)](#)

Attachments:

No Attachments.