

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

U.S. beer exports to South Korea totaled \$67 million in 2019, up 74 percent from the previous year. The Korean government implemented a volume-based liquor tax for beer on January 1, 2020, reducing the cost of higher quality beers in the market, including imported U.S. craft beer. The tax change and consumer demand for high-quality and diverse beers should benefit U.S. beer exports in coming years.

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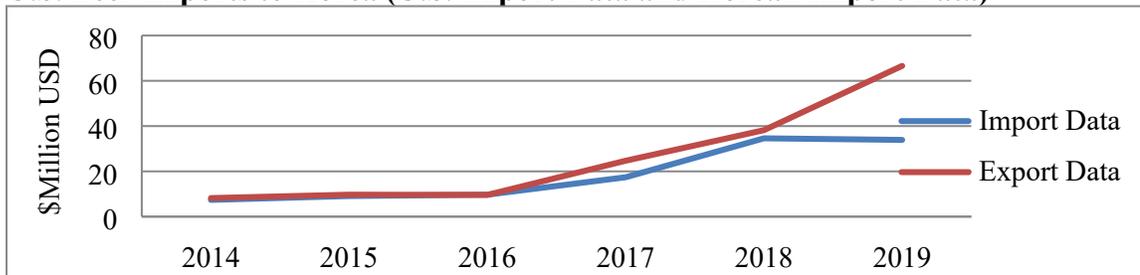
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SECTION I: MARKET OVERVIEW

South Korean beer imports totaled \$281 million in 2019 according to government import data, down 9 percent from 2018. Imports totaled 360 million kilograms by volume, down 7 percent. However, according to industry sources, the actual amount of beer imported was much larger as importers kept beer in duty free warehouses to benefit from a change in liquor taxes on January 1, 2020. According to U.S. export data, U.S. beer shipments to South Korea reached a record \$67 million, up 74 percent from the year before. By volume, U.S. beer exports reached 44 million liters in 2019, an increase of nine percent.

U.S. Beer Exports to Korea (U.S. Export Data and Korean Import Data)



Source: Korean import data from www.kita.net. Export data from www.fas.usda.gov.

The Korean government transitioned from a value-based liquor tax system to a volume-based system for beer and rice wine on January 1, 2020. Under the volume-based liquor tax, beer is subject to an 830.3 won (72 cents) per liter liquor tax. Beer distributed to restaurants and bars in kegs will be taxed at 664.2 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 policy change will benefit higher quality beer, including imported U.S. craft beer, as higher priced products will see the largest decline in liquor taxes. Most mass-produced lower priced beer will see a minimal change in taxes.

Beer imports have steadily risen in Korea despite a slowdown in its economy. The United States is now the fourth largest exporter of beer to Korea, up from seventh in 2017; China is the largest exporter, followed by Japan and Belgium. U.S. beer will likely continue to gain market share in 2020 as China recovers from the outbreak of COVID-19 and trade tensions between Korea and Japan continue.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Opportunities & Challenges in the Korean Beer Market

Opportunities	Challenges
Beer remains the most consumed alcoholic beverage in Korea. Market trends favor products with lower alcohol content, including beer.	The beer market has been driven by large-scale local breweries. While beer imports have increased, domestic beer still maintains a dominant market share.
Beer imports continue to grow. Korean beer consumers are looking for higher quality and more diverse beers.	U.S. beer faces strong competition from other exporting countries. Some competing exporters deploy aggressive promotions to expand market

share.

There is growing demand for premium quality beer among young professionals and affluent seniors. Many of these opinion-leading beer consumers recognize the United States as a leading producer of premium craft beer.

General beer consumers in Korea have limited experience with U.S. craft beer.

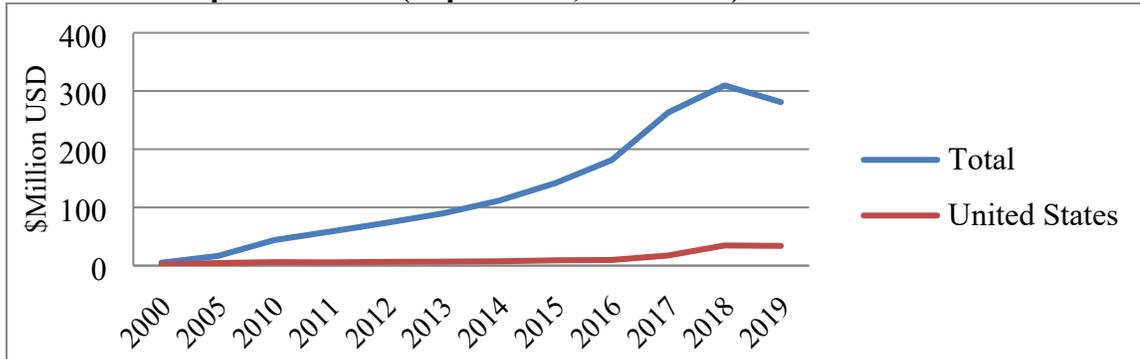
The KORUS Free Trade Agreement (2012) and transition to a volume-based liquor tax (Jan. 2020) make U.S. beer more price competitive.

U.S. craft breweries in general have limited resources to divert to export business.

1. COMPETITION: IMPORTED BEER

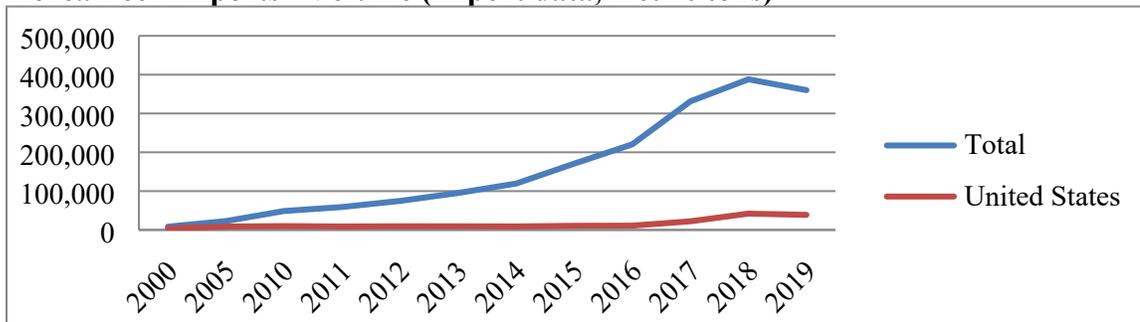
Korea's beer imports have more than tripled over the last five years. Strong consumer demand for quality and diversity will likely further expand beer imports in the coming years.

Korea Beer Imports – Value (import data, CIF Value)



Source: Korea Trade Information Service (KOTIS) Database, www.kita.net

Korea Beer Imports - Volume (import data, metric tons)



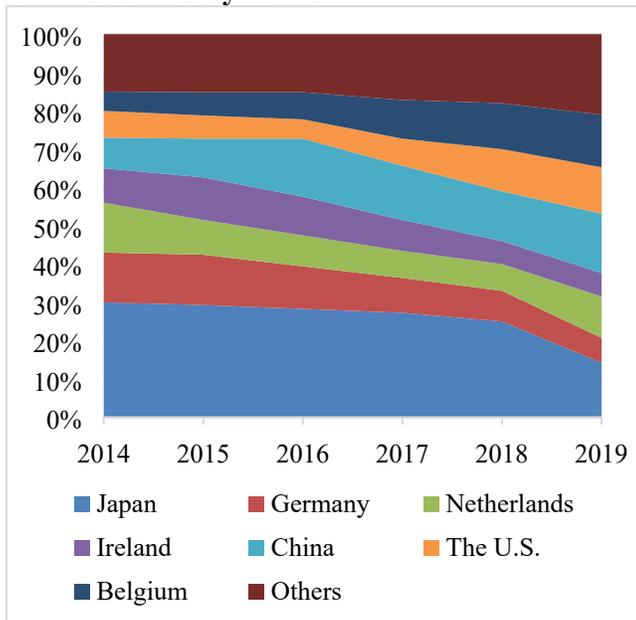
Source: KOTIS, www.kita.net

Export-oriented competitors from Asia (China, Japan) and Europe (Belgium, the Netherlands, Germany, and Ireland) have established a strong foothold in the Korean market. China has become the leading supplier of imported beer to Korea since 2016 due to competitive prices and increased tourism exchanges between the two countries. Belgium and other European suppliers maintain a solid share of the market due to the positive image of European beer amongst Korean consumers.

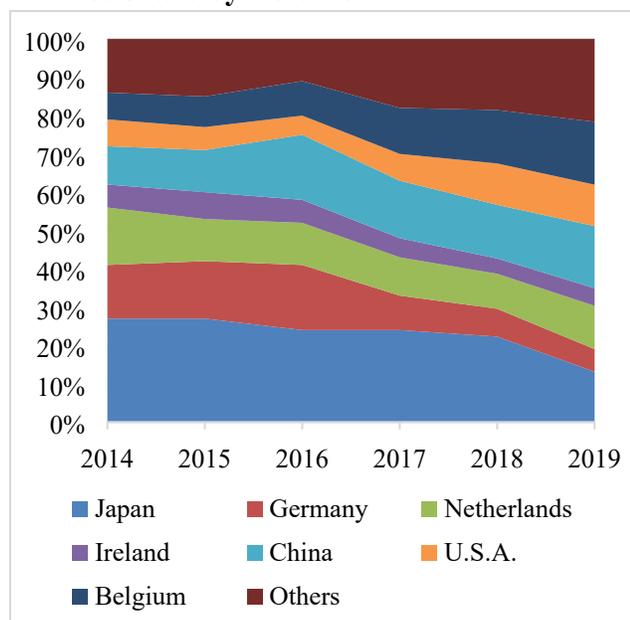
Japanese beer exports to Korea fell 49 percent by value (45 percent by volume) in 2019 due to a boycott Japan movement stemming from a bilateral trade dispute. Despite these challenges, Japan held onto its position as the third largest exporter of beer to Korea. Trade tensions linger into 2020, creating a continued downside risk for Japanese beer exports. Chinese beer exports also face challenges due to the outbreak of COVID-19 in Wuhan, China. Some Korean consumers have reportedly reduced consumption of Chinese food and beverage products in reaction to the outbreak despite evidence that these products are safe.

The United States has been the fourth largest exporter of beer to Korea since 2017. Large-scale U.S. beer brands, such as Budweiser, Miller, and Coors have been the main driver of the growth. They have established partnerships with leading Korean alcoholic beverage companies and are gearing up to deploy more targeted marketing. Small-scale U.S. craft breweries have also increased exports to Korea. According to a report by the American Craft Brewers Association (AOB), exports of U.S. craft beer to the Asia-Pacific market totaled \$18.7 million in 2018; Korea was one of the top three export markets in the region, along with China and Australia.

**Korean Beer Imports
Market Share by Value**



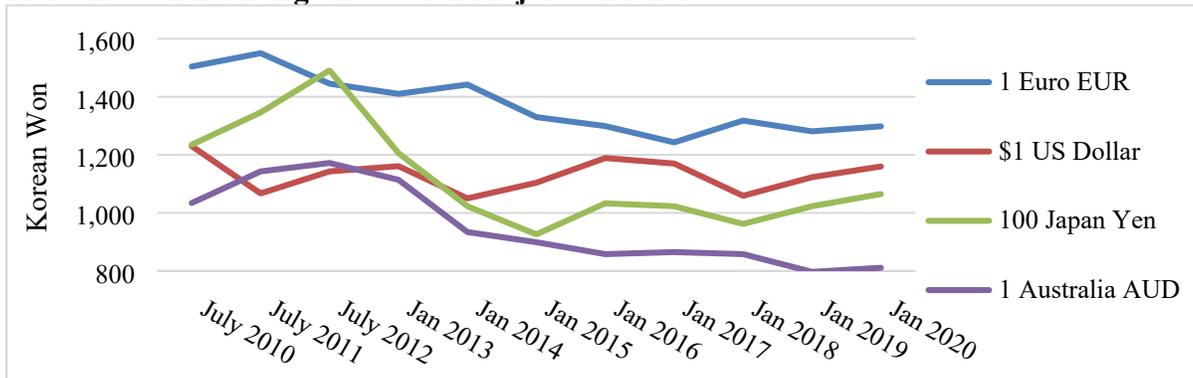
Market Share by Volume



Source: KOTIS, www.kita.net

Beer imports and the retail price of imported beer are heavily influenced by the exchange rate. The Korean won has fluctuated significantly since the Asian financial crisis back in 1998. The depreciation of the won in 2019 created challenges for importers. This trend has so far continued into 2020.

Korean Won Exchange Rate with Major Currencies

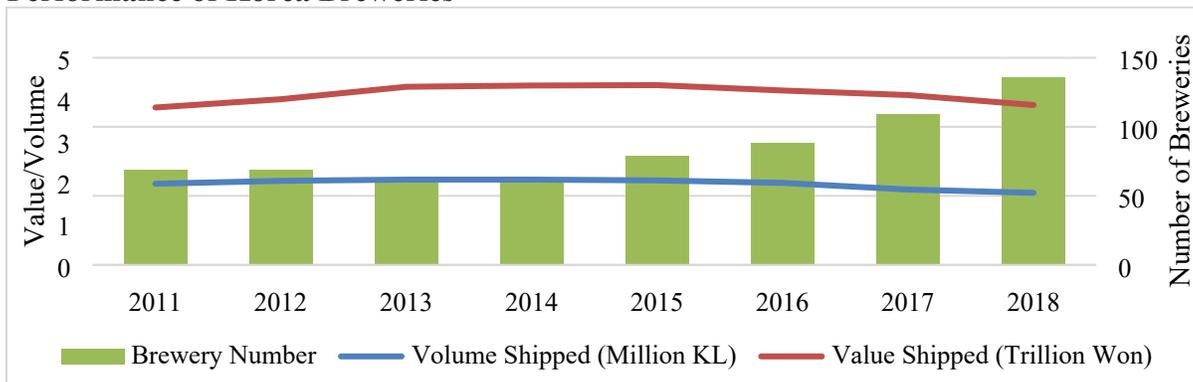


Source: Korea Hana Exchange Bank

2. COMPETITION: DOMESTIC BEER

Domestic breweries shipped 1.7 million kiloliters of beer to the market in 2018 valued at 3.9 trillion won (approximately \$3.5 billion), down 5 percent from the previous year. Domestic beer production has been on a gradual decline after peaking in 2015 due to increased competition from imported beer.

Performance of Korea Breweries



Source: Korean National Tax Service www.nts.go.kr (1 trillion won = \$0.9 billion USD (2018))

The domestic beer industry is dominated by two large-scale local breweries, Oriental Brewery Company Co., Ltd. (OB) and HiteJinro Co. (Hite). Lotte Chilsung, another large-scale brewery, entered the industry by launching the 'Kloud' brand in 2014. These three large-scale breweries together accounted for 82 percent of beer sales in 2019 (OB 47 percent; Hite 29 percent; Kloud 6 percent). OB was acquired by Anheuser-Busch (AB) InBev in 2014. As a result, OB currently brews and bottles some of AB InBev's portfolio, including Hoegaarden and Budweiser (glass bottles only) in Korea for local 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 demand for imported beer.

Overview of Leading Breweries in Korea

	Oriental Brewery Company (OB)	Hite-Jinro Co. (Hite)	Lotte Chilsung Co. (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 consist of malt. Leading domestic breweries use large amounts of non-malt grains such as wheat and rice to reduce costs and soften flavors. They have focused on lager-style beer over the years, reflecting general Korean consumer preference for dry, milder flavored beers. Evolving consumer tastes have pressured local breweries to launch or expand production of ales and beers with more malt and hops. However, large local breweries continue to focus on offering a limited assortment of low-price beer for mass distribution.

The Korean government introduced a series of regulatory reforms since 2002 to promote small-scale breweries. The number of microbreweries in Korea increased sharply from 61 in 2014 to 133 in 2018 due to consumer demand and government support. The market share of small-scale breweries grew significantly from 6 percent in 2014 to 18 percent in 2019.

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 increased female consumers.

In 2018, 3.4 million kiloliters of domestic alcoholic beverages were shipped to the Korean market. Domestic products accounted for 87 percent of alcoholic beverage consumption by volume. Beer and soju are the most consumed alcoholic beverages. Beer, soju and rice wine are mainly supplied by local producers, while wine and distilled spirits are mainly supplied by imports.

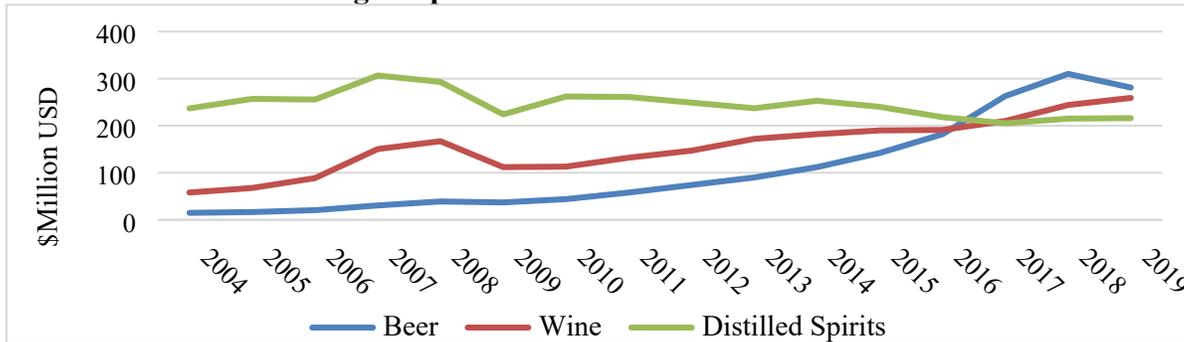
Shipment of Alcoholic Beverages by Local Producers (2018)

Product Category	Million Kiloliter	Trillion Won
Beer	1.74	3.86
Soju	0.92	3.74
Distilled Spirits	Less than 0.01	Less than 0.01
Rice Wine	0.43	0.63
Fruit Wine	0.01	0.1
Others	0.33	0.70
Total	3.44	9.04

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

Imports of alcoholic beverages have almost doubled over the last 10 years to reach \$756 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; 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.

Korea’s Alcoholic Beverage Imports



Source: KOTIS (Beer HS2203; Wine HS2204; Distilled Spirits HS2208)

4. MARKET ENTRY STRATEGY

By law, only licensed alcohol beverage importers are allowed to 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 twelve leading importers reportedly account for over 70 percent of total imports.

Most alcoholic beverage importers are cautious about launching new products at this time due to the 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 competitiveness, international acclaim (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. Personal visits to Korea allow new-to-market suppliers to meet with Korean importers and obtain firsthand knowledge of local market trends. For recommendations on how to enter the market, please refer to [the Exporter Guide: Korea 2019](#) 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 food and beverage trade shows in Korea are recommended:

Seoul Food & Hotel (www.seoulfoodnhotel.co.kr) 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 2020 show will be held May 19-22. The show is held annually. For registration information, please contact the American Pavilion organizer Oak Overseas (rhood@oakoverseas.com).

The Korea International Beer Expo (KIBEX, www.beerexpo.kr) is an important annual event for the Korean beer industry. The 2020 show will be held March 19-21. 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.

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 volume-based liquor tax for beer on January 1, 2020. All beer, both local and imported, will now be subject to 830.3 won (72 cent) per liter liquor tax. This tax will replace the previous 72 percent value-based liquor tax. The table below summarizes tariff and local taxes applied to imported U.S. beer as of 2020.

Korean Import Tariff and Taxes on Imported U.S. Beer

Tax System	Import Tariff*	Liquor Tax	Education Tax	Value Added Tax
Value-based (Old)	0%	72%	30%	10%
Volume-based (New)	0%	830.3 won/liter**	30%	10%

*Import tariff on U.S. beer was removed to zero percent under the Korea-U.S. Free Trade Agreement.

**Beer distributed to restaurants and bars in kegs is taxed at 664.2 won per liter (a 20 percent tax discount) until the end of 2022.

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.

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

Value-based system (Old)		Volume-based system (New)		
A	CIF* 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: 830.3 won x 355ml/1000ml**	\$0.25
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)	\$1.33
F	Value Added Tax **: E x 10%	\$0.19	Value Added Tax ***: E x 10%	\$0.13
	Product Cost after Tariff and Taxes (E+F)	\$2.13	Product Cost after Tariff and Taxes (E+F)	\$1.46

*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 is included in the CIF product value.

**Calculated for a 355-milliliter volume container (12 oz) / \$1 = 1,160won as of Jan. 1, 2020

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

2. INSPECTIONS AND FOOD SAFETY STANDARDS

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

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% from 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:

- 1) Product name
- 2) Country of origin
- 3) Product type
- 4) Product volume
- 5) Importer's name and phone number
- 6) Alcohol percentage
- 7) Names of major ingredients
- 8) Names of food additives used
- 9) Bottling date (not required if shelf life is shown)
- 10) Shelf life (expiration date)
- 11) Mandatory health warning clauses
- 12) Mandatory warning clause against liquor sales to minors
- 13) Name of designated distribution channel (only required on bottles sold in off-premise 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.

Marketing Claims such as HACCP, ISO 22000, Kosher, Halal, GMP, Vegan, etc.: Currently, Korean government (Ministry of Food and Drug Safety, MFDS) does not check supporting documents for marketing claims on packaging when the product arrives 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 something 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

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[U.S. State Departments of Agriculture](#)

[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.