

Voluntary Report – Voluntary - Public Distribution

Date: March 31, 2021

Report Number: KS2021-0010

Report Name: Wine Market Report

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Wine

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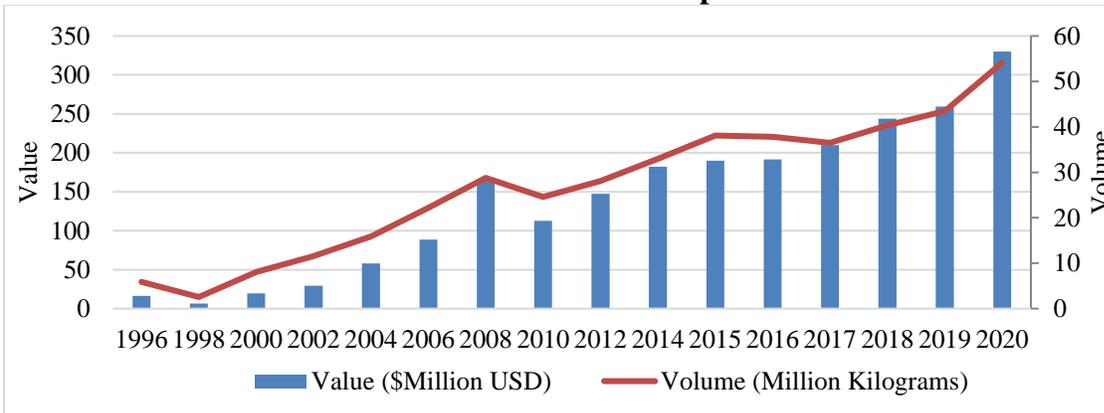
Report Highlights:

South Korean wine imports reached a record \$330 million in 2020, up 27 percent from 2019. Imports from the United States totaled \$56 million, up 65 percent. Wine grew in popularity during the pandemic as people choose wine as a beverage of choice for drinking at home. The increase in young wine consumers and the growing popularity of wine will likely generate additional growth opportunities for U.S. wine in Korea in coming years.

SECTION I: MARKET OVERVIEW

South Korean wine imports reached a record \$330 million in 2020, up 27 percent from the previous year. This far exceeds the compound annual growth rate (CAGR) of 12 percent seen between 2015 and 2020. Imports by volume totaled 54 million kilograms in 2020, up 24 percent. The increase in home drinking during the COVID-19 pandemic was the key driver for the outstanding growth of wine imports in 2020. Wine was the leading premium priced alcoholic beverage that consumers chose for home drinking.

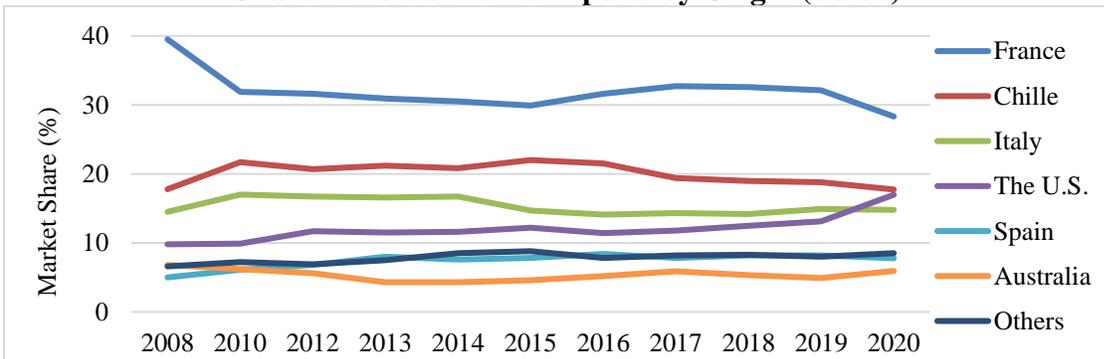
Chart 1: South Korean Wine Imports Trend



Source: Korean Government Import Data (www.kita.net, CIF Value¹)

Korean wine imports from the United States reached a record \$56 million in 2020, up 65 percent from the previous year (5.5 million metric tons by volume, up 60 percent). U.S. wine accounted for 17 percent of overall Korean wine imports by value, up 3.9 percentage points from 2019. The United States became the third largest supplier of wine to Korea as a result, after France and Chile. The average price of U.S. wine marketed in Korea has been steadily increasing in recent years. This suggests there is growing recognition and demand for high quality U.S. wines in Korea.

Chart 2: Korean Wine Imports by Origin (Value)

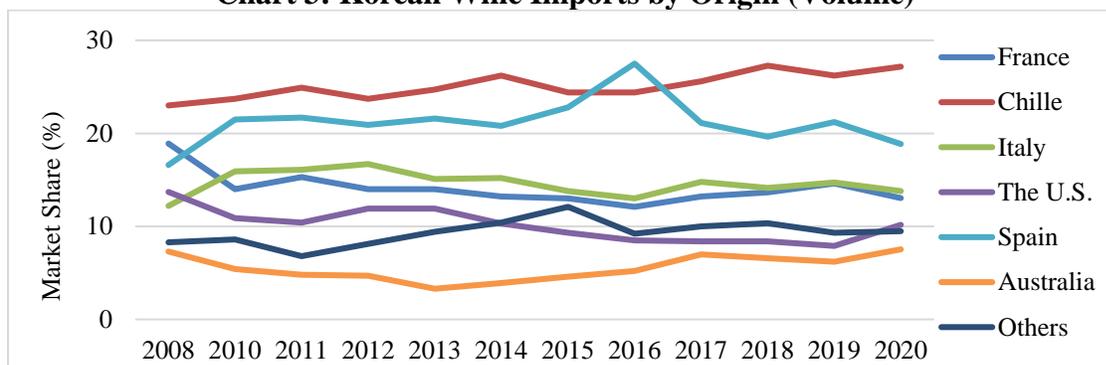


Source: Korean Government Import Data (www.kita.net)

¹ CIF is the export price upon arrival in a port in Korea inclusive of insurance and freight cost.

Despite many challenges, U.S. wine will likely remain one of the top choices for Korean wine consumers for years to come. Young Korean consumers have different tastes in wine than previous generations, and many are choosing U.S. wines. Strong engagement with young consumers will be key for U.S. wine’s long-term success in Korea.

Chart 3: Korean Wine Imports by Origin (Volume)



Source: Korean Government Import Data (www.kita.net)

Table 1: Advantages & Challenges in South Korean Wine Market

Advantages	Challenges
Consumers are opting for beverages with lower alcohol contents due to health concerns, including wine and beer. The reported health benefits of drinking red wine are widely publicized.	The Korean wine market is still in its early stage of development. Wine remains a premium beverage and is consumed by a limited population.
Consumer lifestyle and taste continue to evolve as Koreans are further exposed to international themes. Wine fits the new consumer lifestyle and consumption trend.	Competitors are export-oriented and deploy aggressive promotions in Korea. Many consumers and traders harbor outdated views that competitors offer better quality and value.
Local Korean wine producers present little competition to imported products. Almost all wine consumed in the market is imported.	Imported wine is offered at high prices due to high distribution costs and government regulations. On-line sales of wine are not allowed.
A growing number of consumers, especially among young population, recognize U.S. wine’s quality, value, and diversity.	Small to medium size U.S. wineries in general have limited resources to market their wines to Korea.

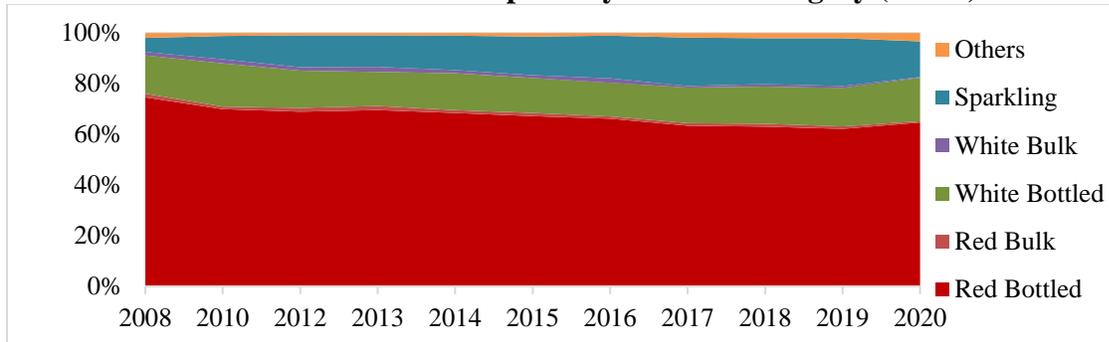
SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

1. MARKET COMPETITION

Wine consumption in Korea is skewed toward red wine due to publicity about its reported health benefits. Red wine accounted for 65.6 percent of Korean wine imports in 2020 by value (67.7 percent by volume). As a result, red wine remains the top priority segment in the market, generating the most competition among competitors. However, there is increased consumer attention to food-wine pairing themes and white and sparkling wine will likely gain some market share in coming years. Sparkling

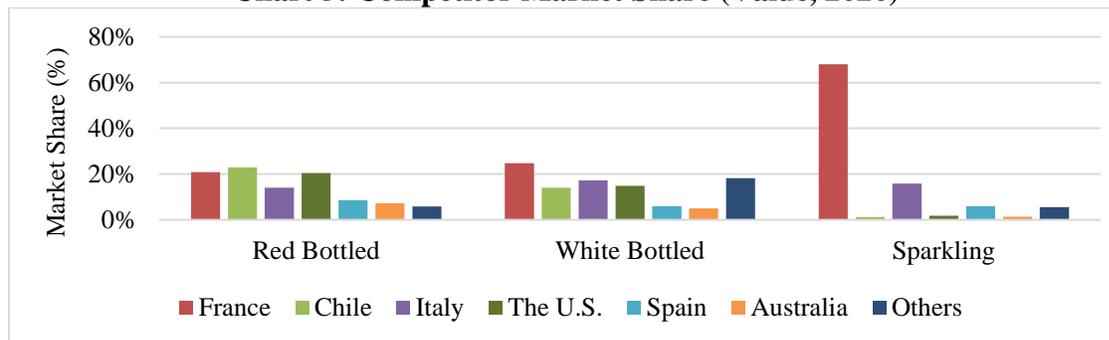
wine has been the fastest growing category recently, accounting for 14.1 percent of Korean wine imports in 2020 compared to only 5.5 percent in 2008.

Chart 4: Korean Wine Imports by Product Category (Value)



Source: Korean Government Import Data (www.kita.net)

Chart 5: Competitor Market Share (Value, 2020)



Source: Korean Government Import Data (www.kita.net)

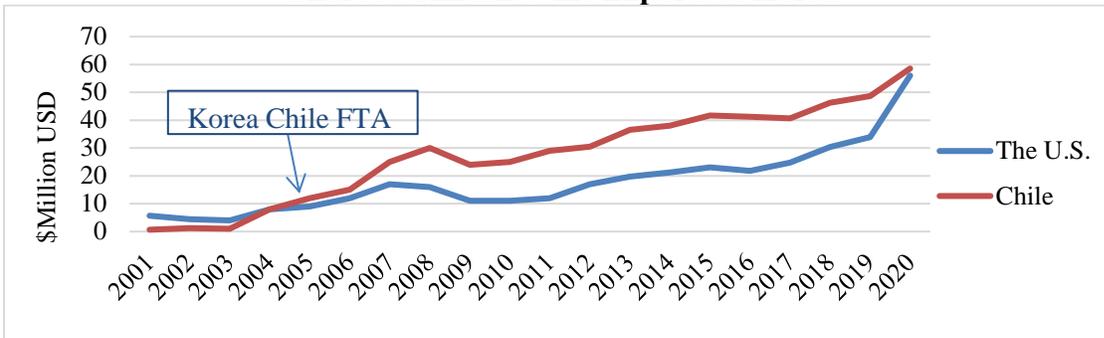
France

Many Korean wine opinion leaders and consumers view France as the reference for wine quality. France remains the leading supplier of imported wine to Korea by value, accounting for 28.3 percent of Korean imports in 2020. The Korea-EU Free Trade Agreement (FTA), implemented in July 2011, eliminated the 15 percent import duty on French (and other EU origin) wine. However, France faces elevated competition from value-oriented competitors and its market share has declined in recent years. In terms of volume, France supplied only 13 percent of Korean wine imports in 2020, down 1.6 percent points from 2019. French suppliers will likely shift their focus to the higher price segment of the market. France will also likely gain from the growing demand for sparkling wine.

Chile

Chile is the leading supplier of imported wine to Korea by volume, supplying 27.2 percent of Korean imports 2020 (but only 17.7 percent by value). The strong rise of Chilean wine in Korea started in 2005 when the Korea-Chile Free Trade Agreement was implemented. The tariff advantage solely enjoyed by Chilean suppliers disappeared upon the implementation of the Korea-EU FTA (2011) and the KORUS FTA (2012). However, Chilean wine has established a firm value reputation in the market, presenting tough competition to other suppliers in the value-oriented segment.

Chart 6: Chilean Wine Exports to Korea



Source: Korean Government Import Data (www.kita.net, CIF Value)

Italy

Italian wine exports to Korea have continued a solid growth in recent years coupled with the popularity of Italian cuisine and travel themes. Increased consumer attention to white and sparkling wine will also likely provide Italian wine with growth opportunities in coming years.

Spain

Spanish wine exports to Korea have grown significantly in recent years based on its value positioning. Spain continues to ship a large amount of bulk wine to Korea for bottling and blending uses. Bulk wine accounted for 27.3 percent of Spanish wine shipments to Korea in 2020 by volume.

Australia

Australian wine has generated mixed outcomes in Korea in recent years due to strong market competition, adverse weather, and the strong Australian dollar. Australian wine is reportedly recovering from the challenges and will likely see a solid export growth to Korea. Australian wine exports to Korea increased 53 percent in 2020 to \$19.5 million.

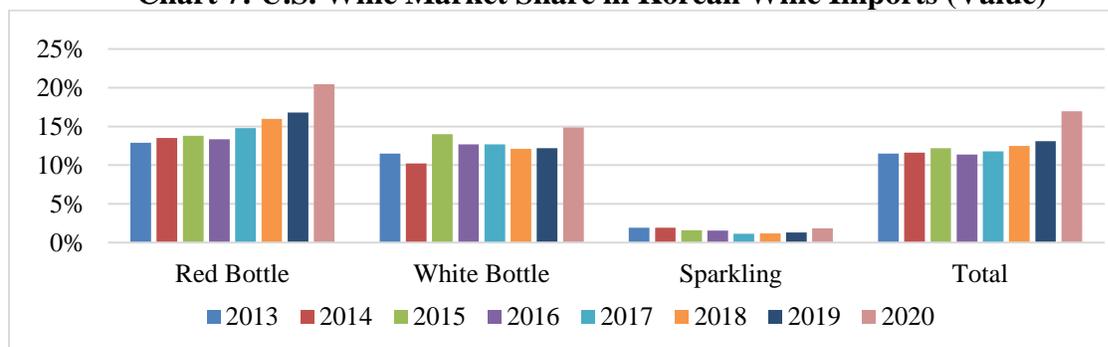
Other Competitors

Wine imports from all minor suppliers, including Argentina, South Africa, Germany, and New Zealand totaled \$28.1 million (5.1 million kilograms) in 2020, up 35 percent by value (26 percent by volume). Minor suppliers will likely see increased opportunities in Korea down the road as consumers expand their wine experiences by trying new styles and varieties from more diverse origins. Currently, Argentina and South Africa are emerging with value red wine while Germany and New Zealand are recognized for quality white wine.

2. THE UNITED STATES

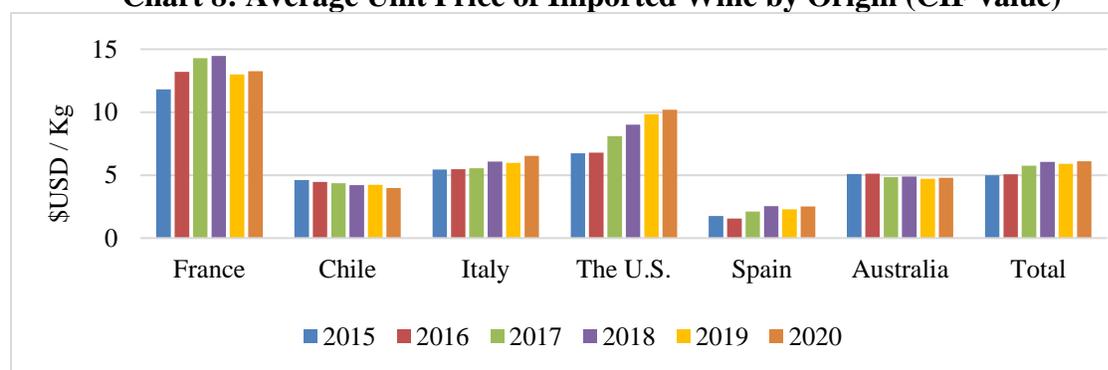
U.S. wine exports to Korea have more than tripled since the implementation of the KORUS FTA in 2012, reaching \$56 million in 2020 (17 percent of total imports). The average import price (CIF value) of U.S. wine increased 50 percent over the last five years, indicating improved consumer recognition of the quality and brand image of U.S. wine.

Chart 7: U.S. Wine Market Share in Korean Wine Imports (Value)



Source: Korean Government Import Data (www.kita.net)

Chart 8: Average Unit Price of Imported Wine by Origin (CIF value)



Source: Korean Government Import Data (www.kita.net, CIF Value)

U.S. wine’s success in Korea has been based on the strong performance of value priced red wines by large-scale U.S. producers in mass distribution channels, such as hypermarket grocery stores and franchise restaurants. The fruit-forward, rich flavors and consistent quality of U.S. wine are reportedly well accepted among general Korean wine consumers, particularly young consumers.

Small-scale boutique producers that target the premium segment of the market have also enjoyed steady success in Korea over the years. Top tier Korean wine consumers are well traveled and are familiar with many premium U.S. wine brands, particularly from Napa Valley. Although boutique producers allocate limited supply to Korea, their wines have played a key role in improving the overall recognition of U.S. wine in the market.

U.S. wines that targets the mid-price segment of the market continues to face strong competition from export-oriented countries. Competitors offer more diversified products in this segment and maintain market share by deploying aggressive point-of-sales promotions, consumer advertisements, and trade outreach programs. Sparkling wine is another area that U.S. wine lags competitors.

3. LOCAL WINE PRODUCTION

Grape wine production in Korea remains limited due to unfavorable weather condition coupled with the high cost of farmland and labor. Currently, there is no *Vitis. vinifera* vine commercially cultivated in

Korea. Most of local wines offered in the market are either souvenir wines made from table or hybrid grapes in small quantities or blends from imported bulk wine.

Instead of maintaining local vineyards, major Korean liquor companies have switched to either co-bottling in foreign wineries or importing bulk wine for local blending/bottling. Lotte Chilsung (www.wine.co.kr), HiteJinro (www.terrior.co.kr) and Gooksoondang L&B (www.ksdlb.com) are the major players that currently operate local bottling and/or co-bottling in foreign wineries. Korea imported 4.5 million kilograms of wine in bulk (two liter or larger) containers in 2020.

Korea produces some fruit wines from locally grown fruits, including Japanese apricot, Korean pear, persimmon and *Bok-boon-ja* (local berry fruit similar in appearance to a raspberry). Local fruit wines in general have a sweet taste and easy drinking character (many of them contain added sugar and alcohol). The production of *Bok-boon-ja* wine has been on a rapid increase partly due to active regulatory and financial support by the local government. However, these local fruit wines present little direct competition to imported wine.

4. 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.

According to 'Alcoholic Beverage Market Trend Report 2020' published by the Korea Agro, Fishery and Food Marketing Corporation (aT), Korean adults drank 9 days per month in 2020, up 0.5 days from the previous year. However, the amount of alcohol consumers drank per occasion decreased by 0.3 glasses to 6.7 glasses on average. aT explained that increased home drinking during the COVID-19 pandemic resulted in the changes. Consumers picked beer as their favorite alcoholic beverage (46.3 percent), followed by soju (29.3 percent), rice wine (10.4 percent), and imported wine (5.3 percent).²

Table 2: Alcoholic Beverages Shipped to the Market in Korea (2019)

	Volume (Kiloliters)		Value (Trillion Won)	
	Shipments Total	Import Share	Shipments Total	Import Share
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%

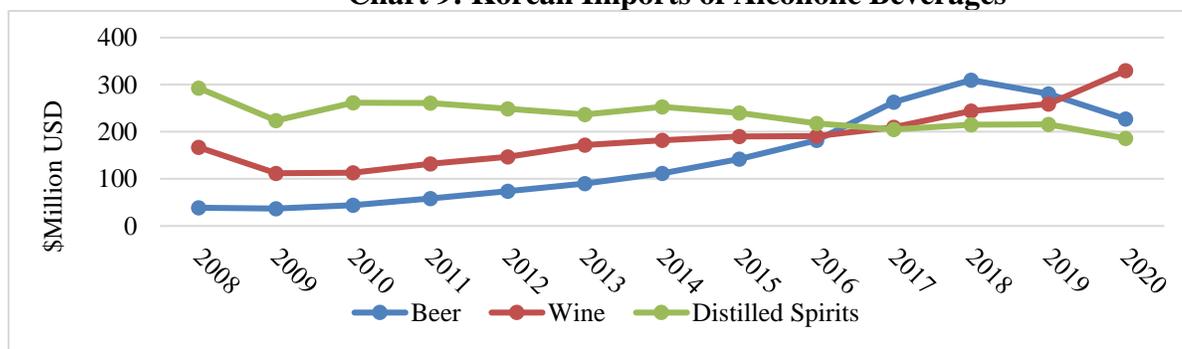
Source: Korean National Tax Service (www.nts.go.kr)

² 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).

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. Domestic products accounted for 88 percent of the shipments by volume (82 percent by value). Beer and soju were the most consumed alcoholic beverages due to their low prices. Beer, soju and rice wine were mainly supplied by local producers, while fruit wine and distilled spirits were mainly supplied by imports.

Korean imports of alcoholic beverages have almost doubled over the last 10 years to reach \$743 million in 2020. The United States supplied 11 percent of Korean alcoholic beverage imports in 2020 (15 percent for beer, 17 percent for wine, and 5 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 9: Korean Imports of Alcoholic Beverages



Source: Korean Government Import Data (www.kita.net)

5. MARKET ENTRY STRATEGY

By law, only licensed alcoholic beverage importers can import alcoholic beverages. 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. Importers may sell directly to wholesalers, retailers (restaurants and liquor stores), or individual consumers (through the importer’s own wine shops only). However, importers are not allowed to purchase from other importers or from wholesalers. On-line sales of alcoholic beverages are not allowed, except for officially recognized traditional Korean liquors from small-scale producers.

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. Many established Korean importers and distributors attend key wine trade shows around the world, including Vinexpo (France and Hong Kong), Vinitaly, and ProWine. Local events in Korea where U.S. wine suppliers may want to consider participating include the Seoul Food & Hotel Show (www.seoulfoodnhotel.co.kr). This annual event is the leading food trade show in Korea. The 2021 show is rescheduled for July 27-30. For registration information, please contact the American Pavilion organizer, Oak Overseas (rhood@oakoverseas.com).

Various regional wine organizations in the United States offer export assistance programs to their member vintners. General tools offered by the organizations include trade tasting events in key foreign markets.

- 1) California Wine Institute:
Phone: 415-512-0151 Fax: 415-356-7569
Internet Homepage: www.wineinstitute.org

- 2) Napa Valley Vintners Association:
Phone: 707-968-4213 Fax: 707-963-3488
Internet Homepage: www.napavintners.com

- 3) Washington State Wine Commission:
Phone: 206-667-9463 Fax: 206-583-0573
Internet Homepage: www.washingtonwine.org

- 4) Oregon State Wine Board:
Phone: 503-228-8336 Fax: 503-228-8337
Internet Homepage: www.oregonwine.org

SECTION III: COST & PRICING

The combined effect of local liquor taxes, logistics costs and distributor mark-ups make the retail price of imported wine in Korea much higher than in the export country.

1. TARIFFS, TAXES

Korea applies a complicated duty and tax system to imported alcoholic beverages. The table below summarizes import duties and local taxes applied to U.S. alcoholic beverages imported into Korea as of 2021.

Table 3: Import Duties and Taxes on Imported U.S. Alcoholic Beverages in Korea

Product	Import Duty	Liquor Tax	Education Tax
Fruit Wine	0%	30%	10%
Beer	0%	834.4 won/liter ³	30%
Bourbon Whiskey	0%	72%	30%

The following table illustrates the effects of import duties and liquor taxes on a bottle of \$10 (CIF value) American wine imported into Korea:

Table 4: Effects of Korean Import Duties and Taxes on U.S. Wine

A	CIF Invoice Value	\$10.00
B	Import Duty: A x 0%	\$0.00
C	Liquor Tax: (A+B) x 30%	\$3.00
D	Education Tax: C x 10%	\$0.30
E	Subtotal: (A+B+C+D)	\$13.30
F	Value Added Tax ⁴ : E x 10%	\$1.33
G	Handling fees for customs clearance ⁵ : A x 8%	\$0.80
H	Total cost of wine upon customs clearance: (E+F+G)	\$15.43

SECTION IV: MARKET ACCESS

1. INSPECTIONS & 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:

Table 5: Korean Food Safety & Additive Standards for Wine

Issue	Standards
1) Methanol	Not more than 1.0 mg/ml
2) Food Preservatives	Preservatives other than those specified below shall not be detected in fruit wine: (1) Sorbic acid (Potassium Sorbate or Calcium Sorbate): Less than 0.2 g/kg as Sorbic acid

³ Liquor tax for beer was changed to a volume-based system in 2020. 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 The Value Added Tax (VAT) is eventually refunded to the importer as the tax is carried over to the consumer.

⁵ In addition to import duties and taxes, an additional cost of about 8 percent of CIF value will occur for miscellaneous expenses, including paperwork, inspection, warehousing, and transportation. The amount of this additional cost depends mainly on the kind of inspection to which the shipment is subject. For example, warehousing fee will increase significantly if a detailed chemical inspection is required instead of a document inspection.

		(2) Sulfur dioxide: Not more than 0.35g/kg
3)	Ochratoxin A	Not more than 2.0 microgram/kg
4)	Melamine	Not more than 2.5 mg/kg
5)	Lead	Not more than 0.2mg/kg
6)	Food Additives that can be added to fruit wine	(1) Sweeteners: Sugar, Glucose, Fructose, Wheat-gluten, Molasses syrup, Maple syrup, Oligo sugar, Honey, Aspartame, Sorbitol, Stebioside, Sorbitol, Sucralose, Acelsulfame potassium, Erythritol, Xylitol (2) Acids: Lactic acid, Succinic acid, Acetic acid, Fumalic acid, Gluconic acid, Tartaric acid, Citric acid, Malic acid, Tannic acid (3) Seasonings: Amino acids, Glycerin, Dextrin, Hop, Minerals (4) Flavorings: Ester compounds, Aldehyde compounds, Fusel compounds (5) Colorants: Compounds allowed by the food safety law
7)	Total Heavy Metals	Below 10 mg/Kg
8)	Food Poisoning Pathogens	Should not be detected: <i>Salmonella spp.</i> , <i>Staphylococcus aureus</i> , <i>Vibrio paraphaemolyticus</i> , <i>Clostridium perfringens</i> , <i>Listeria monocytogenes</i> , <i>Escherichia coli O157:H7</i>
9)	Alcohol Content	Korean labeling regulations for alcohol percentage allows for a +/- 0.5 percent point margin of error for the difference between the labeled and actual alcohol content. For example, a wine labeled as 12 percent alcohol must have an alcohol content of 11.5 percent to 12.5 percent.

2. 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 channel⁶

⁶ 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 or photos are not allowed on the label of food and beverage products, including wine, if the product contains synthetic flavors only for the fruit images shown on the label.

Marketing Claims such as HACCP, ISO 22000, Kosher, Halal, GMP, and Vegan:
Currently, the 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, U.S. exporters and Korean importers should keep supporting documents when making marketing claims on packaging. Supporting documents should be issued by relevant and credible organizations.

The Korean government introduced the "Standard for Labeling of Packaging Material Grade" in February 2020 to promote use of recyclable packaging materials. Products containing "difficult to recycle" grade materials must be labeled accordingly and will be subject to extra recycling fees. However, grape wine in glass bottles is currently excluded from the labeling requirement.

SECTION V: 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 \(MOFA\)](#)

APPENDIX: KOREA'S WINE IMPORT STATISTICS (2020)

Category	Sparkling		Red Bottle		Red Bulk		White Bottle	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
France	31,569	1,287,938	45,120	4,417,051	53	2,882	14,497	1,171,252
Chile	578	132,253	49,596	11,798,416	22	250	8,104	2,635,791
Italy	7,379	1,522,957	30,291	3,625,309	32	6,052	9,954	2,177,282
The U.S.	845	191,077	43,638	3,939,474	652	305,540	8,367	802,895
Spain	2,798	796,683	17,877	5,745,834	579	548,712	2,205	822,985
Australia	668	157,175	14,261	2,498,881	499	280,908	2,785	571,599
Others	45,764	4,914,336	199,099	31,981,101	1,386	900,106	53,740	9,045,704
Total	46,432	5,071,511	213,360	34,479,982	1,885	1,181,014	56,525	9,617,303
Category	White Bulk		Others Bottle		Others Bulk		Grand Total	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
France	44	4,095	1,575	151,726	615	21,109	93,473	7,056,053
Chile	0	0	110	15,792	140	120,710	58,550	14,703,212
Italy	50	5	795	87,432	288	46,345	48,789	7,465,382
The U.S.	344	191,298	879	28,714	1,310	44,128	56,035	5,503,126
Spain	563	603,339	472	48,173	1,100	1,634,673	25,594	10,200,399
Australia	148	80,566	198	30,079	939	459,283	19,498	4,078,491
Others	1,025	817,516	5,278	465,166	832	78,898	28,136	5,141,620
Total	1,173	898,082	5,476	495,245	5,224	2,405,146	330,075	54,148,283

Source: Korean Government Import Data (www.kita.net)

Unit: Value \$1,000 USD CIF / Volume Kilogram

Attachments:

No Attachments.