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Report Highlights:

South Korean wine imports reached a record \$259 million in 2019, up 6.3 percent from 2018. U.S. wine exports to Korea increased 11.6 percent in 2019 to \$34 million. U.S. wine is gaining market share in Korea despite strong competition from other export-oriented competitors.

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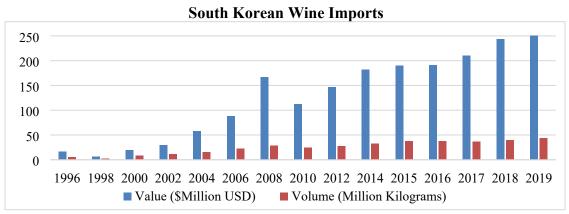
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SECTION I: MARKET OVERVIEW

South Korean wine imports reached a record \$259.3 million in 2019, up 6.3 percent from the previous year. Wine imports grew at a compound annual growth rate (CAGR) of 9.2 percent over the last five years. Wine imports by volume totaled 43.5 million kilograms in 2019, up 8.0 percent. Almost all wine consumed in Korea s imported.

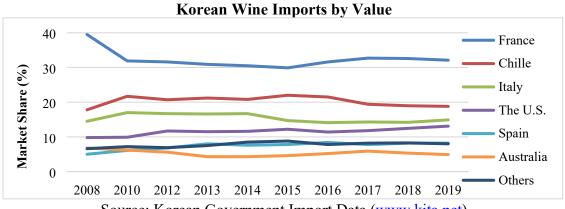


Source: Korean Government Import Data (www.kita.net, CIF Value)

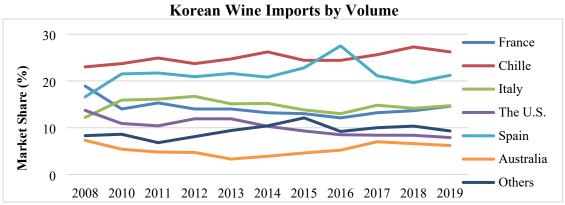
U.S. wine exports to Korea in 2019 totaled \$33.9 million, up 11.6 percent from 2018. U.S. wine accounted for 13.1 percent of overall wine imports, making the United States the fourth largest wine supplier in Korea by value. U.S. wine exports by volume dropped 0.5 percent to 3.4 million kilograms. The sharp increase in U.S. wine exports by value and drop in volume represent a switch to higher value U.S. wines. U.S. wine accounted for 7.9 percent of overall imports by volume in 2019.

U.S. wine faces strong competition from major wine exporters, such as the European Union and South America. Despite this, U.S. wine will likely remain one of the top choices for Korean wine consumers as it has established a reputation for good quality and fair prices. The United States has benefited from the elimination of a 15 percent import duties under the Korea-United States Free Trade Agreement (KORUS FTA), as well as strong marketing of U.S. wine in some hypermarket grocery stores and franchise restaurant chains.

In order to increase exports, U.S. wine companies and associations should consider increasing engagement with consumers and marketers in the areas of education and brand building, improve linkages between producers and importers through trade networking, and provide targeted support for new product launchings such as point-of-sales promotions.



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



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

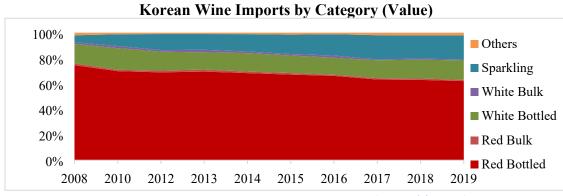
Advantages & Challenges in South Korean Wine Market

Advantages & Chanenges in South Rolean wine Market					
Advantages	Challenges				
Health concerns are causing Korean consumers to choose alcoholic beverages with lower alcohol content, including wine and beer. Reported health benefits of drinking red wine are highly publicized in the market.	The market is still in its early stage of development. Wine is seen as a premium beverage among the general public and is consumed by a limited population. Many consumers and traders have limited understanding about wine.				
Consumer lifestyles and tastes continue to evolve as Koreans are further exposed to international themes, leading to increased demand for more diversified imported foods and beverages, including wine.	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.	The retail price of imported wine in Korea is high due to distribution costs, regulations, and taxes and fees. On-line sales of wine are not allowed.				
U.S. wine is firmly positioned in Korea, especially among young consumers, with a brand image of quality and fair value.	Many small to medium size U.S. wineries have limited resources to market their wines to Korea.				

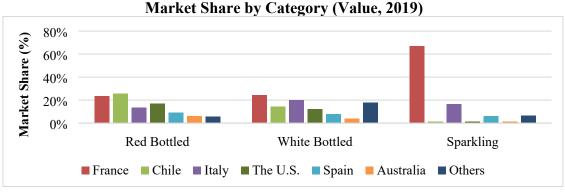
SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

1. MARKET COMPETITION

Wine consumption in Korea is skewed toward red wine due to publicity about the health benefits of red wine. Red wine accounted for 63.2 percent of total wine imports in 2019. As a result, most competitors focus on this market segment. Despite increased consumer attention to food-wine pairing themes, the market share of white wine has stayed around 15 percent. On the other hand, sparkling has been the fastest growing category in recent years and accounted for 18.9 percent of total wine imports in 2019 (compared to only 5.5 percent in 2008).



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



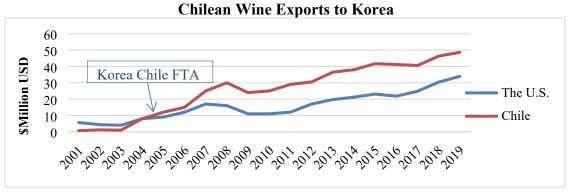
Source: Korean Government Import Data (www.kita.net)

France

Many Korean wine opinion leaders and consumers view France as a leader in wine quality. France is the leading exporter of wine to Korea, supplying 32.1 percent of imports in 2019. 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 tough competition from value-oriented competitors and its market share in terms of volume declined to 14.6 percent in 2019. French suppliers will likely continue to shift their focus to the higher price segment of the market. French wine is well positioned to gain from the growing demand for sparkling wines.

Chile

Chile is the leading exporter of wine to Korea in terms of volume, supplying 26.2 percent of imports by volume in 2019 (but only 18.8 percent by value). The strong rise of Chilean wine in Korea started in 2005 as a result of the Korea-Chile Free Trade Agreement. The tariff advantage enjoyed by Chilean suppliers disappeared upon the implementation of the Korea-EU FTA (2011) and the KORUS FTA (2012). However, Chilean wine still has a reputation in the market as offering good value, presenting tough competition to other suppliers in the value-oriented segment of the market.



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

Italy

Italian wine exports to Korea have continued to grow in recent years due to the on-going popularity of Italian cuisine and travel themes among Korean consumers. Increased consumer attention to white and sparkling wine will provide Italian wine with growth opportunities.

Spain

Spanish wine exports to Korea have grown in recent years based on its value price. Spain continues to ship a large amount of bulk wine to Korea for bottling and blending uses. Bulk wine accounted for 31.9 percent of Spanish wine shipments to Korea in 2019 by volume.

Australia

Australian wine has generated mixed outcomes in Korea in recent years due to strong market competition and adverse weather. Australian wine exports shrank 1.6 percent in 2019 to \$12.8 million.

Other Competitors

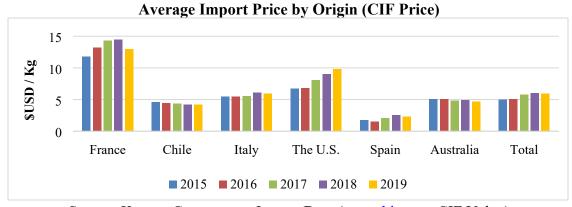
Wine imports from all minor suppliers, including Argentina, South Africa, Germany and New Zealand, totaled \$20.8 million (4.1 million kilograms) in 2019, up 0.6 percent by value (down 1.9 percent by volume). Argentina and South Africa are emerging with value red wine while Germany and New Zealand are recognized for quality white wine.

2. THE UNITED STATES

U.S. wine exports to Korea have doubled since the KORUS FTA was implemented in 2012, reaching \$33.9 million in 2019. U.S. wine continued to see its market share grow over the years, reaching 13.1 percent in 2019. The unit import price of U.S. wine increased 46 percent over the last five years, indicating improved quality or brand recognition in the market.



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



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

U.S. wine's success in Korea has been based on strong performance of value priced red wines from large-scale U.S. producers that target mass distribution channels, such as hypermarket grocery stores and franchise restaurants. Marketers say that the fruit-forward flavors and consistent quality of U.S. wine is well accepted among general Korean wine consumers, particularly younger consumers.

Small 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. wines, particularly from Napa Valley. Although producers allocate limited supply, premium wines have played a key role in improving the quality perception of U.S. wines in the market.

U.S. wines that target the mid-price segment of the market have faced strong competition from export-oriented competitors. Competitors continue to dominate this segment by deploying aggressive point-of-sales promotions, consumer advertisements, trade outreach programs, and more diversified product portfolios. Sparkling wine is another area that U.S. wine lags competitors.

3. LOCAL WINE PRODUCTION

Grape wine production in Korea remains limited as local producers lack competitiveness in price and quality compared to imported wine. The high cost of farmland and labor, coupled with unfavorable weather condition, limit the development of the Korean wine industry. 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 cobottling 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 4.6 million kilograms of wine in bulk (two liter or larger) containers in 2019, most of which was used locally for blending or bottling.

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 consumption by women.

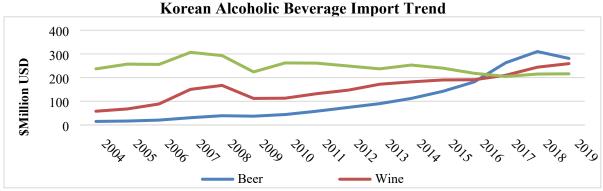
Shipment of Alcoholic Beverages by Local Producers (2018)

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
*Note: 1 Trillion Won = \$0.9 Billion USD

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.

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 Korean alcoholic beverages imports in 2019 (12.1 percent for beer; 13.1 percent for wine; 6.2 percent for distilled spirits). While imports of distilled spirits are stagnating due to increased health concerns, demand for imported beer and wine remain strong.



Source: Korean Government Import Data (Beer HS2203; Wine HS2204; Distilled Spirits HS2208)

5. MARKET ENTRY STRATEGY

By law, only licensed liquor importers are allowed to import alcoholic beverages, including wine. There is no ceiling for the number of licenses issued, so any qualified candidates can obtain an import license. Currently there are over 500 licensed liquor importers, but marketers estimate a dozen leading importers account for over 70 percent of overall wine 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 small-scale producers of traditional Korean liquors.

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. 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 2020 show is rescheduled for September 15-18 due to COVID-19. 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.

California Wine Institute:

Phone: 415-512-0151 Fax: 415-356-7569 Internet Homepage: www.wineinstitute.org

Napa Valley Vintners Association:

Phone: 707-968-4213 Fax: 707-963-3488 Internet Homepage: www.napavintners.com

Washington State Wine Commission:

Phone: 206-667-9463 Fax: 206-583-0573 Internet Homepage: www.washingtonwine.org

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 several times 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 2020.

Import Duties and Taxes on U.S. Alcoholic Beverages in Korea

Product	Import Duty	Liquor Tax	Education Tax
Fruit Wine	0%	30%	10%
Beer	0%	830.3 won/liter*	30%
Bourbon Whiskey	0%	72%	30%

^{*}Liquor tax for beer was changed to a volume-based system in 2020. 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 following table illustrates the effects of import duty and liquor taxes on a bottle of \$10 (CIF value) American wine imported into Korea:

Effects of Import Duties and Taxes on U.S. Wine

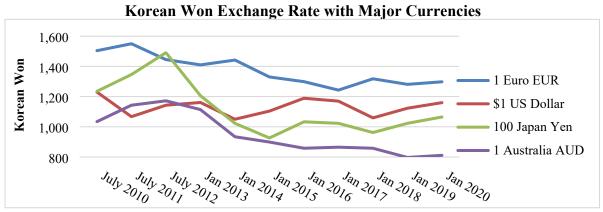
	Zirotis er imperi Zivites with runtes en eter i me				
A	CIF* Invoice Value	\$10.00			
В	Import Duty: A x 0%	\$0.00			
C	Liquor Tax: (A+B) x 30%	\$3.00			
D	Education Tax: C x 10%	\$0.30			
Е	Subtotal: (A+B+C+D)	\$13.30			

F	Value Added Tax **: E x 10%	\$1.33
G	Handling fees for customs clearance ***:	\$0.80
	A x 8%	
Н	Total cost of wine upon customs clearance: (E+F+G)	\$15.43

^{*} CIF is an export price inclusive of insurance and freight cost to an entry port in Korea.

2. CURRENCY EXCHANGE RATE

Wine imports and the retail price of imported wine 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.



Source: Korea Hana Exchange Bank

SECTION IV: MARKET ACCESS

1. INSPECTIONS & 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 <u>FAIRS Country Report (Food and Agricultural Import Regulations and Standards</u>). The table below summarizes key Korean food safety standards for wine under the Korea Food Code and the National Tax Office Decree:

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

^{***}In addition to import duty 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 document inspection.

Korean Food Safety & Additive Standards on Wine

Issu	ie	Standards				
1	Methanol	Not more than 1.0 mg/ml				
2	Food	Preservatives other than those specified below shall not be				
	Preservatives	detected in fruit wine:				
		(1) Sorbic acid (Potassium Sorbate or Calcium Sorbate): Less				
		than 0.2 g/kg as Sorbic acid				
		(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				
$\frac{\frac{3}{4}}{\frac{5}{6}}$	Lead	Not more than 0.2mg/kg				
6	Food Additives	(1) Sweeteners: Sugar, Glucose, Fructose, Wheat-gluten,				
	that can be	Molasses syrup, Maple syrup, Oligo sugar, Honey, Aspartame,				
	added to fruit	Sorbitol, Stebioside, Sorbitol, Sucralose, Acelsulfame potassium,				
	wine	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	Below 10 mg/Kg				
	Metals					
8	Food	Should not be detected: Salmonella spp., Staphylococcus aureus,				
	Poisoning	Vibrio paraphaemolyticus, Clostridium perfringens, Listeria				
	Pathogens	monocytogenes, Escherichia coli O157:H7				
9	Alcohol	Korean labeling regulations for alcohol percentage allows for a				
	Content	+/- 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 wine. 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 clearance. The Korean language label should contain the following information:

- 1) Product Name (e.g., Robert Mondavi Cabernet Sauvignon)
- 2) Country of origin (e.g., U.S.A)
- 3) Product Type (e.g., Fruit Wine)
- 4) Importer's name, address, and phone number
- 5) Date of bottling (e.g., Year-Month-Day or Julian Code)
- 6) Alcohol percentage and product volume (e.g., 13.5%, 750 ml)

- 7) Name of major ingredients (e.g., Grape)
- 8) Name of place where the product can be returned or exchanged in case the product has any defect.
- 9) Instructions for proper storage
- 10) Name of food additives used (e.g., Sulfur Dioxide)
- 11) Mandatory health warning statement against excessive drinking
- 12) Mandatory warning statement against liquor sales to minors
- 13) Name of designated distribution channel (only required on bottles sold in retail stores. Bottles sold in retail stores should be marked "For Home Use".)
- 14) Containers or packages that can be recycled must carry a "separation and discharge" marking (e.g., PVC, PP, PS, PVDV, PE, PET, or PF for plastic materials; iron or aluminum for metals)

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, Vegan, etc.: 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, 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.

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 and whiskey in glass bottles are 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 6951-6848Fax: +82-2 720-7921

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 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)

APPENDIX: KOREA'S WINE IMPORT STATISTICS (2019)

Category	Sparkling		Red Bottle		Red Bulk		White Bottle		
cutegory	Value	Volume	Value	Volume	Value	Volume	Value	Volume	
France	32,743	1,211,817	38,561	3,964,481	54	4,709	10,053	891,480	
Chile	589	137,355	41,884	9,504,522	105	44,975	5,924	1,745,179	
Italy	8,133	1,759,751	21,543	2,642,873	285	68,216	8,053	1,844,464	
The U.S.	623	114,414	27,156	2,396,501	354	181,268	4,760	542,723	
Spain	3,021	926,617	13,893	4,623,585	890	1,013,989	1,800	739,020	
Australia	627	112,548	9,547	1,733,873	717	448,961	1,578	346,259	
Others	3,152	1,249,731	8,558	1,481,265	290	163,538	7,220	963,846	
Total	48,888	5,512,233	161,142	26,347,100	2,695	1,925,656	39,388	7,072,971	
Category	Whit	White Bulk		Others Bottle		Others Bulk		Grand Total	
category	Value	Volume	Value	Volume	Value	Volume	Value	Volume	
France	60	2,711	1,241	157,315	468	167,917	83,180	6,400,430	
Chile	-	-	138	22,796	10	23,629	48,650	11,478,456	
Italy	121	36,762	399	47,366	76	52,130	38,610	6,451,562	
The U.S.	288	161,131	406	16,827	347	34,887	33,934	3,447,751	
Spain	1,358	1,900,434	294	44,308	37	46,600	21,293	9,294,553	
Australia	43	17,109	172	21,944	86	30,692	12,770	2,711,386	
Others	150	75,711	680	66,766	769	85,414	20,819	4,086,271	
Total	2,020	2,193,858	3,330	377,322	1,793	441,269	259,256	43,870,409	

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

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

Attachments:

No Attachments.