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## **Korea - Republic of**

**Post:** Seoul

### **Distilled Spirits**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

The Korean distilled spirits market is rapidly expanding. In 2008, Korea's alcoholic beverage market, valued at \$24.7 billion, was globally ranked 15<sup>th</sup> largest in terms of both volume and retail sales value. The United States is the largest supplier of imported bourbon whiskey. Changing cultural trends, a younger, well-traveled customer base with a growing demand for product diversification, and the reduction of high import tariffs will lead to greater market opportunities for U.S. distilled spirits.

**General Information:**

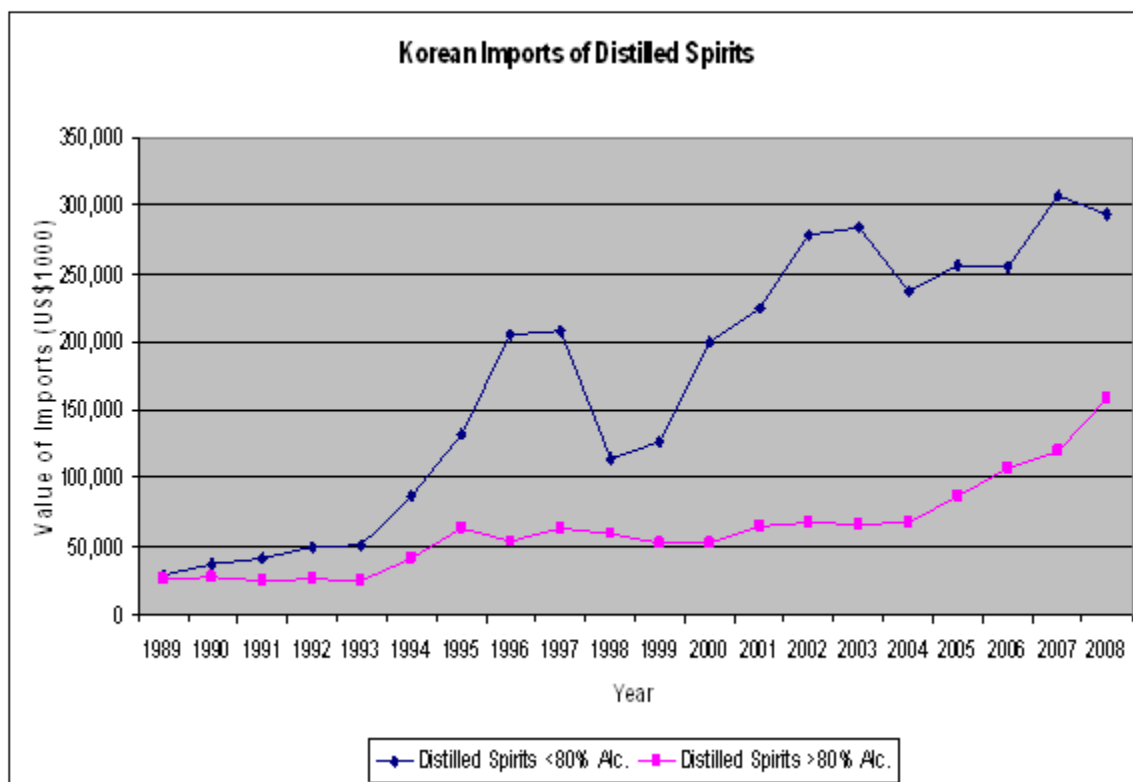
#### **MARKET OVERVIEW**

The Korean distilled spirits market is rapidly expanding, mirroring the growth of the country's economy and per capita GDP. Imports of distilled spirits containing less than 80 percent alcohol

experienced a slight decline after the recession of 2008, but imports of distilled spirits containing more than 80 percent alcohol experienced a record year (figure 1). Sales of U.S. imported spirits are expected to gain market shares after the ratification of the Korea-US Free Trade Agreement (KORUS) in the near future.

- Major economic indicators and consumer confidence index suggest a rapid recovery of the Korean economy [1] . The U.S. dollar is expected to weaken against international currencies, including the euro and Korean won in the coming months, which will make American liquors more price competitive.
- In 2008, Korea's alcoholic beverage market, valued at US\$24.7 billion, was globally ranked 15<sup>th</sup> largest in terms of both volume and retail sales value.
- Whiskey and soju [2] dominate the spirits market in terms of overall sales.
- Within whiskies, single malt Scotch whiskey saw the fastest annual volume growth in 2008. Single malt Scotch whiskey is in the early stages of development in South Korea. Industry players say that the development of single malt whiskey is closely related to economic development, with the wide consumer base of whiskey leading to significant growth in demand. Single malt Scotch whiskey continued to see strong volume growth as South Koreans increasingly regard it as a differentiated top-quality whiskey.
- As the economy develops, so too have consumers' preferences for higher quality premium liquors. Consumer's tastes for alcoholic beverages are becoming more refined as a well traveled younger generation is exposed to more diversified products.
- Korean consumers are very brand-conscious and are willing to pay higher prices for known and respected brand-name products. This trend expands the future market possibilities for premium and specialty imported U.S. spirits.
- Recent trends favoring products with lower alcohol contents have emerged, with sales of flavored vodkas expecting to rise as the market gains more female and younger consumers.
- Bourbon whiskey, a liquor of which the United State is a major supplier, is forecast to grow 11 percent from 2008 to 2013 in value terms (Euromonitor International).

**Figure 1**



Source of statistics: www.kita.net, 2009.

### Top Ten Spirit Exporting Countries to Korea (<80% Alc., 2008)

	Total	(US\$)		(Increase rate from 2007)
1	United Kingdom	293,223,633		-4.4%
2	France	253,551,240		-4.3%
3	U.S.A	12,490,995		-31.8%
4	New Zealand	7,558,419		12.2%
5	Japan	3,790,472		40.4%
6	Australia	2,106,147		-13.4%
7	Australia	3,032,314		44.5%
8	PR China	2,667,267		10.7%
9	Mexico	2,191,740		4.8%
10	Netherland	1,409,598		18.6%
	Sweden	1,261,867		74.6%

Source: Korea Trade Information Service (KOTIS), 2009

- Many consumers of alcoholic beverages will opt for the most price competitive products during economic slumps; mainly soju. This explains the record year of sales for distilled spirit imports of an alcoholic content greater than 80% which are used primarily to be diluted as an ingredient in the local production of soju. A key trend has been increased sales of soju during economic recessions, and increased sales of premium whiskies during booms/recovery periods. This trend is illustrated in figure 1 after the economic crisis of 1997 (with strong recovery) and 2008.

### Local Production

- Soju accounts for an astonishing 96 percent of total spirits sales by volume. The market is more evenly divided in terms of value, however, with soju accounting for 46 percent and whiskey accounting for 49 percent. The whiskey category is comprised of mainly higher-priced premium and super-premium varieties.

## 1. Whiskey

- In 2007, domestic production of whiskey increased by 8 percent over 2006 and import volume also grew by 14 percent. In 2007, the import volume of whiskey was over twice as much as the domestic production volume. In 2008, the import volume of whiskey continued to see positive growth. Because major companies turned to importing more volume for greater profitability, domestic production volume is declining substantially. According to current liquor tax law, more tax is imposed on locally-produced whiskey, because the liquor tax is imposed based on the manufacturer's selling price, including margin and marketing cost for locally-produced whiskey. As for imported products, tax is imposed on the imported price, including tariff, thus the tax imposed on imported products becomes lower than the tax on the same products that have been produced locally. As a consequence, most whiskey companies are increasing import volume and reducing domestic production volumes to achieve higher margins and satisfy the growing demand for higher quality whiskey.

## 2. Soju

- In volume terms, Jinro Co Ltd had a 47 percent share of total spirits sales with its soju brands in 2007. In soju, the company had a 49 percent volume share in 2007, albeit losing over two percentage points from 2006. Doosan Corp gained share in soju with Choumchorum, which has a lowered alcohol content of 19.8 percent. The company launched Choumchorum in February 2006 and initiated the boom in lowered alcohol content soju and other spirits. With an extensive advertising campaign in mass media featuring a leading female singer and aggressive promotional activities, Choumchorum continued to gain share in 2007. Jinro Co Ltd also introduced the 19.5 percent alcohol content soju Chamisul Fresh in 2006, but the company continued to lose share to Doosan Corp. In 2007, Doosan Corp had a share of over 15 percent in total spirits sales in volume terms.

In 2008, both Jinro Co Ltd and Doosan Corp launched new soju products for the summer season as brand extensions of their major soju brands. These two new products have a similar product concept, alcohol contents of 16.8 percent, and the companies are implementing similar marketing strategies for their products. Also, with alcohol contents lower than 17 percent, these products can be legally advertised on television after 10:00pm. As a result, competition continues to grow between these two companies.

## Local Market Landscape

- In 2007, Jinro Co Ltd continued to lead spirits with its strong position in soju. Other than soju manufacturers, Jinro Ballantine's Co Ltd and Diageo Korea had the largest share in spirits, mainly with their whiskey brands. In whiskey, these two companies accounted for nearly 70 percent of volume in 2007. In the same year, Jinro Ballantine's Co Ltd had a 35 percent

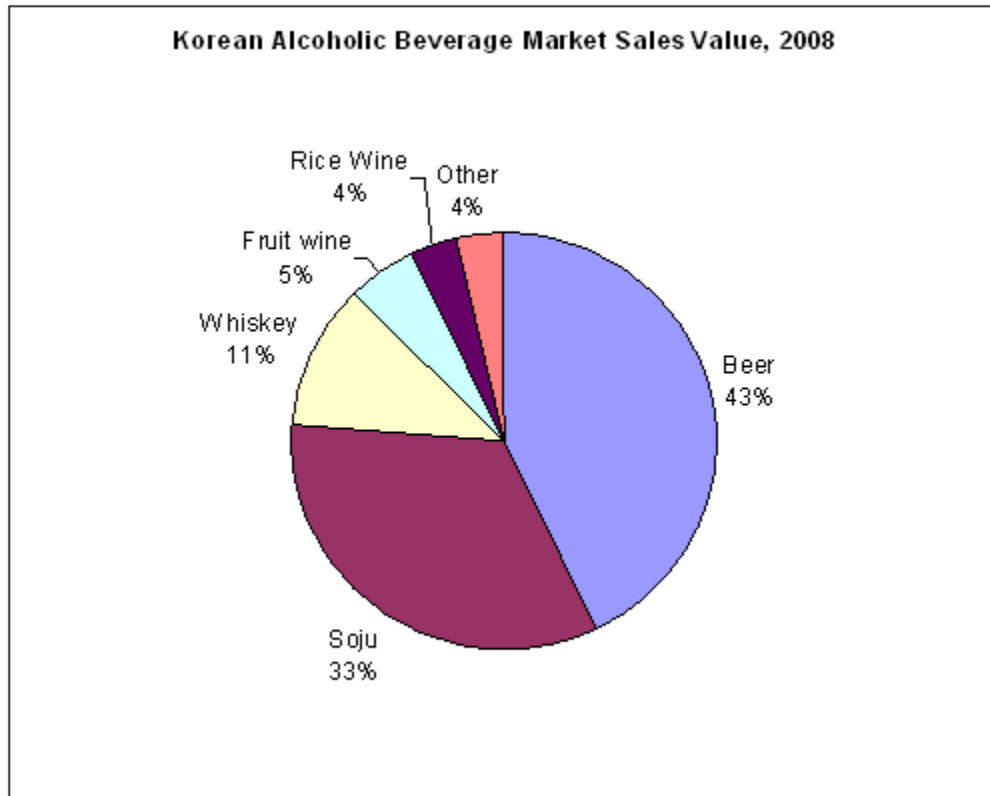
volume share and Diageo Korea had a 34 percent volume share. In June 2007, the Korean National Tax Service found that some Diageo Korea salesmen had been involved in sales to unlicensed wholesalers and cancelled the import licence of Diageo Korea from July 2007. Thus, the spirits of Diageo Korea were distributed through Sooseok Trading, a third party distributor, from the end of July 2007. Since the import licence was suspended, the share of Diageo in whiskey has declined. In March 2008, Diageo Korea began to distribute its spirits products by itself again after regaining the import licence. However, Diageo Korea decided that Sooseok Trading would keep the distribution rights to Dimple, one of its whiskey brands (Euromintor International). An industry source also predicts Sooseok to release a new premium category Scotch whiskey containing a lower 37 percent alcohol in the coming year to compete with Windsor®.

In 2007, Lotte Chilsung Beverage Co Ltd gained the most share in whiskey from the previous year with its whiskey brand Scotch Blue. The company had a near 19 percent volume share of total whiskey sales in 2007, gaining nearly two percentage points on 2006. As a leading soft drinks manufacturer in South Korea, Lotte Chilsung Beverage Co Ltd has established marketing and distribution capability across the country and Scotch Blue gained share from effective marketing and distribution strategies targeting various on-premise outlets. In 2008, Lotte Chilsung Beverage Co Ltd launched “Scotch Blue 30 Year”, expanding its whiskey product portfolio and entering the most prestigious whiskey category. A recent 2009 off-premise marketing strategy for Scotch Blue has been the promotion of ‘Scotch Blue Pocket’; an easy-to-carry (pocket) size bottle of blended scotch aimed at younger consumers.

## **MARKET SECTOR OPPORTUNITIES AND THREATS**

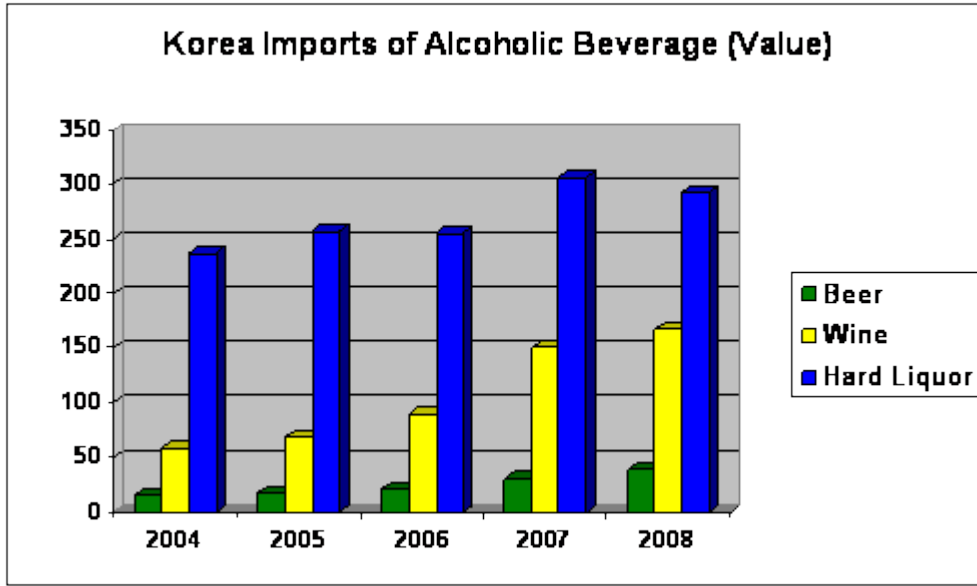
- Korea is one of the largest markets for alcoholic beverages in the world. Drinking is considered an important part of everyday life and is often encouraged at social and business occasions. Although drinking is decreasing among the elderly population for health concerns, the market is getting more new drinkers from the younger generation and the female population as cultural trends shift.
- An obstacle to the growth of many types of U.S. spirit imports is the lack of a “middle market” in Korea for these products. Many U.S. produced spirits rank between the top premium spirits category and the cheaper, lower quality spirits. According to one market source, Korean consumers will choose spirits on a polar scale, either opting for known brands with top quality, or for the most price competitive (usually lowest quality) products.
- A younger, well-traveled (and growing) consumer base with increased demand for product diversification will likely expand the middle market, especially for products such as clear spirits (vodka, gin, etc.), specialty liquors, and other mid-grade liquors.
- Even with this emerging trend, there are currently greater market prospects for premium spirits products. Many U.S. spirit manufacturers offer promotional “single barrel”, or “special reserve” varieties of their products. With the positive response of Korean consumers to promotional marketing and celebrity endorsements, these products may become more successful with additional advertising such as hot spot tours and spirit tasting exhibitions.

Beer and soju are by far the most consumed alcoholic beverages among the general public. All soju sold in Korea is manufactured locally and sold at much lower prices than imported liquor. For example, one 360 ml bottle of soju can retail for less than 90 cents. Beer is also showing signs of growth with local brewers' launching of new products (in particular stout style dark-color beers) and a steady increase of imports. Although declining in popularity due to health concerns and tighter government regulation on corporate spending in luxury bars, Korea remains one of the largest markets in the world for premium hard liquors including Scotch whiskies.



Source: Korea National Tax Office, 2009

- The United States is currently the largest exporter of bourbon whiskey to Korea, due largely to the popularity of Jack Daniels® brand whiskey. Scotch whiskey, the single most imported type of liquor to Korea, is dominated by the United Kingdom. The U.S. is the second largest exporter of tequila (behind Mexico), and the largest exporter of a classification of spirits known known as “other” which includes various specialty liquors and “Ready to Drink” (RTD) products. See appendix for a listing of major spirit exporters and market shares.
- In 2007, whiskey from the UK accounted for 95 percent of the total import volumes of whiskey and drove the overall growth of import volumes. U.S. whiskey accounted for the second largest share with 4 percent of import volumes for all whiskey types. The annual import volume of U.S. whiskey more than doubled in 2007, and continued to grow faster than UK whiskey in 2008 (Euromonitor International, 2009).



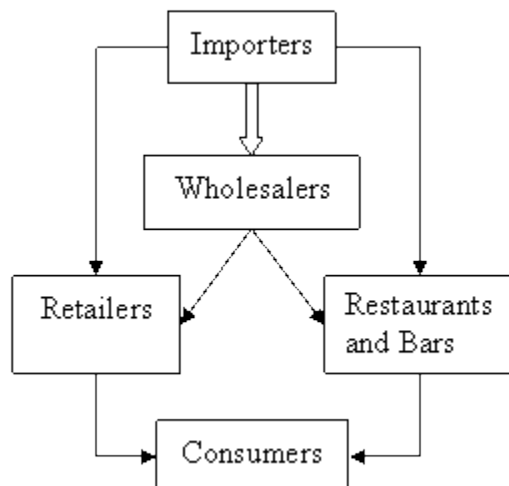
Source: Korea Trade Information Service (Unit: Million U.S. Dollar)

- Soju is a solid competitor to the sale of imported liquor because of its traditional appeal, price competitiveness and market ubiquity. Vodka is a comparable product to soju, and may be a competitor in the emerging middle market for spirits, especially as consumer's tastes are refined.
- The ratification of the KORUS FTA concluded in April 2007 will make the import of U.S. distilled spirits more price competitive, but a Korean/EU FTA is expected to go into affect in 2010 which would increase the competitiveness of EU spirits.

### Distribution

- Larger volume sales of spirits occur in the off-premise trade sector of the spirits market, mainly in supermarket/hypermarket venues such as Lotte Mart. This fact is due mainly to the sales of soju. See appendix for a complete breakdown of off-premise sales.
- Hypermarkets/supermarkets have concentrated on diversifying their selections of spirit products recently to satisfy consumer demand trends. Many have established wine and liquor shops in their major outlets. This greater focus on spirits combined with the sector's growth will increase sales of spirits.
- Greater value sales of imported spirits occur in the on-premise sector (bars and restaurants) where mark-ups create more opportunities for profit. Western spirits are mostly sold through on-premise channels, however, many may be sold off-premise as gifts during holiday seasons, especially Chuseok.

### Flow Chart



## Hospitality Sector

Changes in lifestyle and dietary culture as well as increased consumer incomes have led to increased consumer expenditures on eating outside the home. In 2006, consumers spent 46 percent of their total food expenditures on dining out. This trend is expected to continue, as more Koreans have busier lifestyles and the number of single-member and dual income families increase. As a result, large-scale restaurants are growing rapidly and consumers are increasingly demanding new and international tastes.

The on-premise channel remains the primary distribution channel for distilled spirits products, including U.S. spirits. According to Euromonitor, in 2007, approximately 83 percent of total spirits sales and 95 percent of whiskey sales, based on retail sales price, were consumed on-premise. Imported products in particular are rarely consumed at home because of their high prices. In addition, Korea has a very large number of bars and clubs. Most of these high-end venues feature imported spirits, but may not showcase many U.S. brands. Thus, these venues are prime targets to expand U.S. spirits sales and introduce a variety of cocktails made with American spirits (Distilled Spirits Council, 2009).

## Hotel Sector

Hotels, especially four and five star hotels that have their own high-end restaurants and bars, play a significant role in introducing new products and recipes to the Korean market. These hotels also serve as an efficient venue for promotional activities of the food service industry, including menu promotions, product launchings and technical seminars. Food and beverage sales are estimated to account for 40-50 percent of total sales in these hotels. In general, the hotel segment is expected to maintain healthy growth over the next few years, due to an increase in domestic and international travelers.

### The distribution of on-premise vs. off-premise sales of spirits

'000 liters	2004	2005	2006	2007	2008
Spirits - Off-Premise Volume	631,672	632,329	648,789	664,477	677,345



Spirits - On-Premise Volume	484,069	482,842	501,644	515,355	525,952
Spirits - Total Volume	1,115,742	1,115,171	1,150,432	1,179,832	1,203,297

Source: Alcoholic Drinks: Euromonitor from trade sources/national statistics

## Pricing

### Entry Strategy:

The best way to enter the Korean market for distilled spirit products is through contact with importers. Many Korean importers are looking to establish long-term, dependable relationships with their exporting partners. Meetings can be arranged by phone or email, and persistence through requests for contact is seen as a sign of sincerity. Trade shows are also a good way to meet potential importers and showcase products. U.S. exporters can obtain a list of potential importing partners and/or regional trade shows by contacting ATO Seoul.

- Korea allows temporary importation of commercial samples, professional equipment and certain advertising materials for use in shows and exhibitions by a nonresident individual without having to clear customs.
- Seoul Food & Hotel ([www.seoulfood.or.kr/2010/eng/main/main.asp](http://www.seoulfood.or.kr/2010/eng/main/main.asp)) is a leading food and beverage show. This is the only show in Korea that is officially endorsed and sponsored by FAS/USDA. The up-coming show in 2010 (May 12-15) will again have a U.S. pavilion organized by the Agricultural Trade Office of the U.S. Embassy, Seoul ([www.atoseoul.com](http://www.atoseoul.com)).
- The Seoul International Wine & Spirits Expo ([www.swsexpo.com](http://www.swsexpo.com), first week of May 2010) is another local trade show that brings together a large number of foreign spirit exporters and local traders. ATO sponsors a booth which U.S. exporters are invited to use to display their products and meet with potential importers.

### Pricing of Common U.S. Whiskey Imports (May, 2009)

Brands	Company name	Outlets	Pack size (Glass Bottle)	Price (Won)
Elijah Craig 12Y (47% Abv)	Heaven Hill Distilleries Inc	Food/drink/ tobacco specialists	750 ml	63,000
Elijah Craig 18Y (47% Abv)	Heaven Hill Distilleries Inc	Food/drink/ tobacco specialists	750 ml	127,000
Jack Daniel's (42% Abv)	Brown-Forman Korea Ltd	Food/drink/ tobacco specialists	500 ml	34,000
Jack Daniel's (42% Abv)	Brown-Forman Korea Ltd	Supermarket/hypermarket	1000 ml	50,800
Jack Daniel's (42% Abv)	Brown-Forman Korea Ltd	Supermarket/hypermarket	500 ml	32,500
Jack Daniel's Single Barrel (47% Abv)	Brown-Forman Korea Ltd	Bar/Club	700 ml	250,000
Jack Daniel's Single Barrel (47% Abv)	Brown-Forman Korea Ltd	Food/drink/ tobacco specialists	700 ml	118,000
Jim Beam Black (40% Abv)	Maxxium Korea Ltd	Bar/Club	700 ml	99,000

Jim Beam Black (40% Abv)	Maxxium Korea Ltd	Food/drink/tobacco specialists	700 ml	48,000
Jim Beam White (40% Abv)	Maxxium Korea Ltd	Bar/Club	700 ml	69,000
Jim Beam White (40% Abv)	Maxxium Korea Ltd	Supermarket/hypermarket	700 ml	25,300
Wild Turkey (40% Abv)	Pernod Ricardi Korea Ltd	Bar/Club	700 ml	99,000
Wild Turkey 8Y (50.5% Abv)	Pernod Ricardi Korea Ltd	Food/drink/tobacco specialists	700 ml	47,000
Wild Turkey Rare Breed (54.2% Abv)	Pernod Ricardi Korea Ltd	Food/drink/tobacco specialists	750 ml	120,000
Wild Turkey Spirit (43% Abv)	Pernod Ricardi Korea Ltd	Food/drink/tobacco specialists	750 ml	177,000

Source: Alcoholic Drinks: Euromonitor from trade sources/national statistics, ©2009 Euromonitor International

Korean Consumers are very receptive to health foods such as organics, those containing “natural ingredients” or any products perceived to have a health benefit (such as red wine). In the U.S., liquors such as vodka can and already have obtained certification as organic when the agricultural products (grains, fruit, etc.) they use to produce the liquor are from certified organic sources [3] . Some U.S. liquor manufacturers are catching onto this trend in the rising global demand for organics, and are offering their own brands of organic liquors and spirits. Liquor products that boast higher rates of distillation and can be marketed as “more pure”, premium, or are made with natural spring water, etc., will also do better in the Korean market and can fetch higher prices.

## MARKET ACCESS

### Licenses

Only licensed liquor importers are allowed to import alcoholic beverages by law. Any qualified candidate can obtain an import license. There are currently over 300 licensed liquor importers and the number is likely to increase steadily in the coming years. Importers are allowed to sell directly to retailers (restaurants and liquor stores) as well as to wholesalers. However, importers are not allowed to sell directly to consumers nor can they purchase liquor from other importers or wholesalers. A few importers also operate chains of retail liquor/spirit shops under separate retail licenses in order to gain additional business volume and directly reach consumers.

### Costs

- The current liquor tax in Korea is prohibitively high, but after the KORUS FTA is ratified, import tariffs on U.S. origin whiskies will be immediately eliminated, while tariffs on most other U.S. liquor imports will be phased out over a five year period (see appendix).
- In South Korea, excise tax comprises liquor tax, education tax and value-added tax. Liquor tax is calculated as a percentage of the net price. Education tax is a percentage of liquor tax. Value-added tax within excise tax is different from commonly known value-added tax as a sales tax, which is added just before the formation of the retail selling price (RSP). Value-added tax is defined as a percentage of the sum of the net price, liquor tax and education tax. When all the

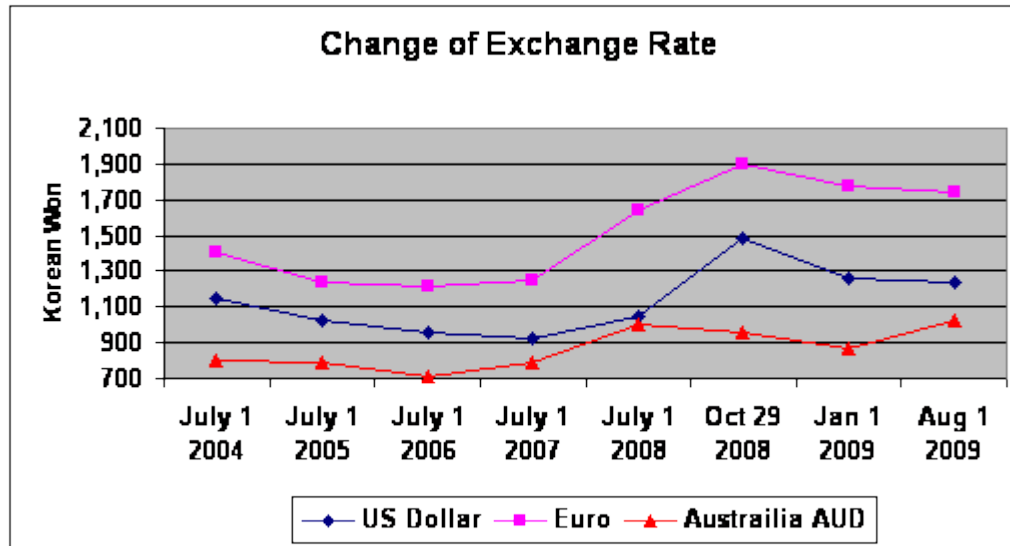
three taxes are added to the net price, this equates to the manufacturer selling price (MSP).

<b>Spirits Fees (before KORUS)</b>				
<b>Goods</b>	<b>Tax rate</b>	<b>Education Tax</b>	<b>Import Tariffs</b>	<b>VAT</b>
General distilled spirits (alcohol content 1% or more)	72%	30%	15-30%	10%
Unrefined Liquors (alcohol content 1% or more)	5%	30%	10%	10%
Liquors made by a fermenting method other than fermented liquors	30%	30%	8%	10%
Liquors made by a fermenting method, mixed with neutral spirits or distilled liquor	72%	30%	(see appendix)	10%

Source: Korea Customs Service (KCS), 2009; Korea Tax Office, 2009

- The tax on traditional liquors from small, local, independent manufacturers producing less than 500kiloliters is much less to protect traditional liquor business. This category includes the popular rice wine makgeolli which is currently increasing its sales. A major convenience store chain, GS25, said accumulated makgeolli sales increased by 87 percent from January to October of 2009 compared to the same period last year, overtaking whiskey sales through this retail channel. It attributed the traditional alcohol's rising popularity to its low price and supposed health benefits. From 1 July 2008, liquor tax on traditional liquors from independent farms and regional cooperatives was reduced by half from the current amount. Liquor tax on traditional fruit-based liquors from independent farms was also lowered from 30 percent to 15 percent on certain amounts in January 2005.

Prices of imported liquors sold in Korea are directly affected by changes in exchange rates between the exporting country's currency and the Korean won. Furthermore, fluctuation of exchange rates also brings changes of price competitiveness among spirits from different origins. The drastic plunge of the Korean won against the U.S. dollar and European euro during October 2008 through the first half of 2009 has made local importers and distributors extremely conservative with respect to new purchase decisions. The value of the Korean won is expected to gain strength and stability against the U.S. dollar in the coming months along with the recovery of the international financial market.



- It is notable that leading economic institutes have forecast a weaker U.S. dollar against other major international currencies in the coming years, which would make American liquors more price competitive in Korea.

### Marketing/Advertising

- In South Korea, advertising of alcoholic drinks is allowed only under certain conditions. This is because alcoholic drinks are designated as products that can harm the health of the general public. Television advertising of products with an alcohol content of 17% or over is forbidden and advertising of products with less than a 17% content is restricted between certain hours. This means that wine and beer can be advertised on television, while most spirits cannot. On television, advertising of alcoholic beverages is forbidden between 07.00hrs and 22.00hrs. In addition, the Public Health Enhancement Law and the Youth Protection Law each require the inclusion of a health warning while advertising alcoholic drinks.
- Online liquor sales are prohibited as are sales to minors in Korea. The legal drinking age is 19.
- Because it is increasingly important to build a differentiated brand image as a high-quality product, companies should implement diverse cultural marketing activities for target consumer groups. For example, high-end whiskey companies are sponsoring professional golf matches, because golf is one of the most popular sports for major high-end whiskey consumers. More alcoholic drinks companies are sponsoring various cultural events or holding exclusive parties for their target consumers at popular clubs and bars in major cities, and are promoting associations with celebrities. Many wine/spirits distributors and retailers have membership programs, special classes or sampling events to promote their high-quality products. Companies should develop more effective cultural marketing activities to build premium brand image and establish closer relationships with their loyal customers.

### Labeling

- The use of fruit images is not allowed on the packaging of food and beverage products, including alcoholic beverages, by law unless the product contains ingredients obtained from the the fruit in question. Artificially flavored beverages may not use the image of fruit unless they contain that fruit.
- Korean labeling regulations for alcohol percentage allows for a +/- 0.5 percent margin of error for the difference between the labeled and actual alcohol content. Korea's tolerance is much tighter than the U.S. standard of 1.5 percent margin of error tolerance level. Spirits that fall outside of Korea's error range for labeled alcohol content may fail inspection.
- Korean law requires a Korean language label on imported spirits. In most cases, the Korean label sticker is attached to the bottle manually by the importer in the duty-free warehouse before official inspection. The Korean language label should contain the following information:
  1. Name of the product
  2. Country of origin
  3. Type of the product (e.g., Vodka or Spiced dark rum)
  4. Importer's name, address, and phone number
  5. Business license number of the importer
  6. Date of bottling (e.g., Year-Month-Day or Julian Code or Lot Number)
  7. Alcohol percentage and product volume
  8. Name of ingredients by volume percentage
  9. Name of place where the product can be returned or exchanged in case the product has any defect.
  10. Instructions for storage
  11. Name of food additives used
  12. Government health warning clause
  13. Government warning clause against liquor sales to minors.
  14. Bottles destined for retail channel distribution must be labeled. [4]
- The Korean government has proposed new labeling standards around the issues of GMO (Genetically Modified Organism) and Organic. In short, the proposal intends that processed food and beverages, made from GMO ingredients (such as GM corn) or GMO processing aids (such as enzymes) must be labeled as a GMO food. It is advised that suppliers check "attaché reports" for Korea at [www.fas.usda.gov](http://www.fas.usda.gov) or contact FAS/USDA Seoul for updates on changes of organic/GMO labeling standards.

## **Inspections & Food Safety Standards**

- Imported foods and beverages are subject to Ministry of Health and Welfare (MHW) Food Quarantine inspection. The Korea Food & Drug Administration (KFDA) under MHW is responsible for executing all inspections. There are two kinds of inspections: detailed inspection (chemical analysis test) for new-to-market products, and visual inspection (visual/document inspection) for existing products

- The first commercial shipment of any new-to-market spirit is always subject to a detailed food safety inspection, including chemical testing, which under Korean law should take no longer than 10 working days. In practice, however, importers claim that it could take longer. For the detailed inspection, importers are required to submit two sample bottles of each product to the inspection office along with a chemical analysis document provided by the exporter (there is a considerable fee per test). Once the chemical inspection on the first shipment confirms no potential health concerns, subsequent shipments are only subject to visual and/or document inspection. Visual and document inspection should take no longer than 2 calendar days provided that the product of subsequent shipments is identical to the product in the first shipment with respect to label, product name, alcohol percentage, ingredients and net volume. However, even subsequent shipments of identical products may be subject to random detailed chemical inspections.
- According to the Korea Food Additives Code (KFDA), the only regulated/monitored additives concerning the importation of spirits are Polyvinyl Pyrrolidone with a permitted level of not more than 0.06 g/kg in fruit wines and liquor, and gibberellic acid which should only be used for the malting of fermented liquor and spirits and not detected in the final product.
- Korea maintains a positive listing of food standards and allowable levels of monitored substances. A complete report on these standards and tolerance levels by commodity can be found at <http://eng.kfda.go.kr/index.php>. Of specific interest to spirits are: Methanol (mg/mL): Not more than 0.5 Aldehyde (mg/100 mL) : Not more than 70.0 for whiskey, soju and general distilled liquors, Methanol not more than 1.0 (mg/mL), same Aldehyde for Brandy and “other” liquors.

## KEY CONTACTS AND FURTHER INFORMATION

- For more information about the Korean market, please review the Exporter's Guide (KS9047) and the FAIRS Country Report (KS9039) at [gain.fas.usda.gov/Recent%20GAIN%20Publications/Forms/AllItems.aspx](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Forms/AllItems.aspx) . More Korea specific reports can be found at <http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.
- General information about the Korean Market can be found on the Agricultural Trade Office Website at <http://www.atoseoul.com/> or about the Foreign Agricultural Service at <http://www.fas.usda.gov/>.
- Please contact ATO Seoul directly for questions, importer lists and information on market promotion opportunities.

U.S. Agricultural Trade Office  
 American Embassy Seoul, Unit #15550-ATO, APO AP 96205-5550  
 Tel: 82-2-397-4188  
 Fax: 82-2-720-7921  
 E-mail: [Atoseoul@fas.usda.gov](mailto:Atoseoul@fas.usda.gov)  
 Internet: [www.atoseoul.com](http://www.atoseoul.com)

- The United States Department of Agriculture’s Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters.

- The On-line U.S. Suppliers List (<http://fas1.agexportservices.org/apps/storefronts/Searchmultiselect.asp>) is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers.
- This database is used by more than 85 USDA/FAS Overseas offices, such as the ATO in Seoul, Korea to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at <http://fas1.agexportservices.org/apps/logon3.asp>

## APPENDIX

### Provisions for Liquor Tariffs After KORUS

HSK Code	Description	Base Rate	Staging Category
2207101000	Roughly distilled alcohol for beverages	10	H
2207109010	Fermented alcohol for manufacture of liquors	270	H
2207109090	Other	30	D
2207200000	Ethyl alcohol and other spirits, denatured, of any strength	8	A
2208201000	Cognac	15	D
2208301000	Scotch whiskey	20	D
2208302000	Bourbon whiskey	20	A
2208303000	Rye whiskey	20	D
2208309000	Other	20	D
2208400000	Rum and tafia	20	D
2208500000	Gin and geneva	20	D
2208600000	Vodka	20	D
2208701000	Ginseng wine	20	A
2208702000	Ogarpi <sup>Ⓚ</sup> wine	20	G
2208901000	Brandies other than that of heading 2208	20	G
2208904000	So ju <sup>Ⓚ</sup>	30	A
2208906000	Koaliang wine	30	D
2208907000	Tequila	20	D
2208909000	Other	30	D
2209001000	Brewery vinegar	8	D

Source: [http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset\\_upload\\_file786\\_12756.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file786_12756.pdf)

Schedule of tariff phase-out staging categories:

[http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset\\_upload\\_file904\\_12701.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file904_12701.pdf)

### South Korean Off-Trade Sales %

Venue	2000	2001	2002	2003	2004	2005	2006	2007	2008
Store-Based Retailing	100	100	100	100	100	100	100	100	100
Grocery Retailers	100	100	100	100	100	100	100	100	100
Supermarkets/ Hypermarkets	57	59	60	61	62	63	65.9	66	67
Discounters	-	-	-	-	-	-	-	-	-
Small Grocery Retailers	41.9	40	39	38.1	37.1	36.2	33.3	33.3	32.3
Convenience Stores	10.3	10.5	11	11.5	11.7	12	12.3	12.4	12.5
Independent Small Grocers	30.9	28.5	27	25.4	24.4	23.3	20.2	20.2	19.2
Forecourt Retailers	0.7	1	1	1.2	1	0.9	0.8	0.7	0.6
Food/drink/tobacco specialists	1.1	1	1	0.9	0.9	0.8	0.8	0.7	0.7
Other Grocery Retailers	-	-	-	-	-	-	-	-	-
Non-Grocery Retailers	-	-	-	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	-	-	-	-	-
Vending	-	-	-	-	-	-	-	-	-
Homeshopping	-	-	-	-	-	-	-	-	-
Internet Retailing	-	-	-	-	-	-	-	-	-
Direct Selling	-	-	-	-	-	-	-	-	-
Total	100	100	100	100	100	100	100	100	100

Source: Euromonitor International, 2009

Liquor	2008	Major Exporting Country (MEC)	Total From MEC	U.S. Share (value)	Total Liquor Imports
Roughly distilled alcohol for beverages		Brazil	\$55,100,363	0	\$96,332,033
Fermented alcohol for manufacture of liquors		Brazil	\$3,023,953	0	\$6,392,046
Other		Brazil (USA thus far in 2009)	\$2,177,180	4%	\$4,705,533
Ethyl alcohol and other spirits, denatured, of any strength		Pakistan	\$16,822,598	.1%	\$51,239,209
Cognac		France	\$8,166,176	0	\$8,240,736
Scotch whiskey		United Kingdom	\$253,011,129		\$253,161,292
Bourbon whiskey		USA	\$5,047,608	99%	\$5,077,875
Rye whiskey		France (100% share in 2007)	No 2008 data		No 2008 data
Other Whiskies		Canada	\$599,387	0.5%	\$942,851
Rum and tafia		Puerto Rico	\$275,721	7%	\$934,044



Gin and geneva	United Kingdom	\$176,453	8%	\$377,104
Vodka	Sweden	\$1,261,867	4%	\$2,299,155
Brandies other than that of heading (HSK) 2208	Taiwan	\$145,122	0	\$260,355
Tequila	Mexico (USA 2nd)	\$1,936,864	16%	\$2,349,423
Other	USA	\$1,027,820	45%	\$2,279,338
Brewery vinegar	Italy	\$1,416,637	7%	\$2,274,296

Source: ©2009 Euromonitor International

<sup>[1]</sup> Korean GDP Growth Forecast for 2010 announced in September 2009: 3.6% (IMF), 4.3% (S&P), 3.6% (Bank of Korea). Consumer Survey Index (CSI) by Bank of Korea marked 114 for August 2009, a seven year high.

<sup>[2]</sup> Traditional local hard liquor similar to Vodka but now made from imported tapioca. It contains about 17-25% alcohol.

<sup>[3]</sup> An example of this type of liquor includes Square One® Vodka (CA).

<sup>[4]</sup> Added in October 2002 to prevent tax evasion from liquor sales by restaurants.