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Global Agricultural Information Network

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Distilled Spirits

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Product Brief

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Report Highlights:

South Korea is a leading market for distilled spirits. In 2011, Korea's distilled spirits imports totaled \$384 million (168 million liters). The United States remained the third largest exporter of consumer-oriented distilled spirits to Korea after United Kingdom and France. Imports of American distilled spirits totaled \$7.5 million (1.5 million liters). A 20 percent import tariff on American bourbon whiskey was eliminated under KORUS FTA in March 2012. This duty reduction and diversifying tastes of Korean consumers should provide American suppliers with new opportunities in the coming years.

General Information:

Author Defined:

SECTION I. MARKET OVERVIEW

- Imports of distilled spirits into South Korea (herein after referred to Korea) totaled \$384 million in 2011, up 10 percent from the previous year. In terms of volume, imports totaled 168 million liters, up 10 percent. Import trend through October suggests that total annual imports in 2012 will decline slightly from 2011.
- Despite challenging economic environment, Korea maintained relatively stable imports of distilled spirits in recent years largely due to strong demand for soju, low price local liquor partly blended from imported high alcohol spirits.
- While local Korean liquor companies dominate the market for soju, Korea relies heavily on imports for premium distilled spirits. As a result, Korea's imports of distilled spirits are largely divided into two separate categories, products of alcoholic strength of 80 percent or higher (HS2207.10: high alcohol ingredient spirits) and products of alcoholic strength of less than 80 percent (HS2208: consumer-oriented spirits). In terms of value, imports of consumer-oriented spirits (\$261 million) were over two times larger than high alcohol ingredient spirits (\$123 million) in 2011. But in terms of volume, high alcohol ingredient spirits (133 million liters) far exceeded consumer-oriented spirits (35 million liters). A majority of high alcohol ingredient spirits imported is used by local liquor companies to blend soju.
- Local liquor companies supplied to the market a total of 1.2 billion liters of soju in 2011. Except for soju, whiskey was by far the most supplied distilled spirits (21 million liters). A majority of whiskey sold in Korea today are imported products as local production has shrunk over the years due to lack of competitiveness against international suppliers. Imported products accounted for a 91 percent of all whiskey supplied in 2011. In addition, locally made whiskey was also largely blended from imported bulk whiskey. United Kingdom remained the dominant supplier of whiskey to Korea and accounted for a 97 percent of whiskey imported in 2011 in value (94 percent in volume).
- Korea is a highly polarized market for distilled spirits. The consumption is heavily skewed to low price products led by soju as well as to premium products led by Scotch whiskey, leaving a big void in the middle.
- The United States was the third largest supplier of consumer-oriented spirits to Korea with \$7.5 million exports value in 2011, following United Kingdom and France. In particular, The United States remained the leading supplier of bourbon whiskey to Korea with \$5.5 million exports. Reduction of import tariffs on American distilled spirits under Korea-The United States Free Trade Agreement (KORUS FTA, implemented in March 2012) should generate new opportunities for American products in the Korean market. Through October 2012, imports of consumer-oriented spirits from the United States increased 14 percent to \$7.1 million, compared to the same period the previous year.
- Korea is one of the leading markets for alcohol beverages in the world. According to a CNBC report, per-capita alcohol consumption of Koreans from alcohol beverage drinking was 14.8 liter in 2011, 11th highest in the world. Although drinking is on a decline among the elderly population for health concerns, the market continues to gain a sizable number of new consumers from the young and female population. In addition, Korean consumers' taste, so far anchored around soju and Scotch whiskey, are expected to diversify into wider range of products in the coming years, providing American suppliers with new opportunities.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Table 1: Opportunities & Challenges of the Distilled Spirits Market in Korea

Opportunities	Challenges
Shift in consumption trends and demographics of drinking population generate demand for new products and wider choices.	Current demand for distilled spirits is highly polarized. The market for medium price products, which is the target for many American suppliers, is underdeveloped.
Many Koreans maintain a close tie with the United States through travel and business exchange. Many of them actively follow new product trends and cultural themes emerging in the United States.	Consumers in general harbor the belief that European countries are the source of better quality alcohol beverages. Not many consumers understand the value and quality that American distilled spirits have to offer.
Implementation of KORUS FTA encourages Korean consumers to pay bigger attention to American products. Reduction of import tariffs under the KORUS FTA also helps American products better compete in Korea.	Consumers and policy makers are concerned about potential health risk of drinking distilled spirits. Korean government is under pressure to introduce more strict regulations on distilled spirits.

1. Alcohol Beverage Market Trends in Korea

- South Korea is one of the leading markets in the world for alcohol beverages. Drinking is considered an important part of social life and is often encouraged at social and business occasions. In terms of volume, each Korean adult consumed on average 81 bottles of soju (330 ml bottle), 86 bottles of beer (500ml bottle), and 10 bottles of whiskey (1 liter bottle) in 2011.
- The value of alcohol beverages supplied in the market totaled KRW 9.4 trillion in 2011 (roughly \$8.1 billion, \$1 = 1,155 won as of year-end 2011). Beer and soju, mostly from local processors, together accounted for a 74 percent of the total alcohol beverages supplied in value. Imported products, mainly whiskey and wine, accounted for a 21 percent of the products supplied.

Table 2: Value of Alcohol Beverages Supplied in Korea (2011)

Product Category	Sub-Total	Local Products	Imported Products
Beer	4,049	3,800	250
Soju	2,873	2,870	3
Whiskey	1,167	117	1,050
Mak-Gul-Lee*	451	451	0
Fruit Wine and Others	872	230	641
Total	9,412	7,468	1,944

Source: Korea Alcohol Beverage Industry Association, Korea Wine & Spirits Importers Association

* Mak-Gul-Lee is a cloudy type rice wine

Unit: Billion KRW

Table 3: Volume of Alcohol Beverages Supplied in Korea (2011)

Product Category	Sub-Total	Local Products	Imported Products
Beer	1,797,752	1,738,759	58,993

Soju	1,178,240	1,178,135	105
Whiskey	21,443	1,860	19,583
Mak-Gul-Lee	412,269	412,269	0
Fruit Wine and Others	518,223	473,244	44,979
Total	3,515,658	3,391,998	123,660

Source: Korea Alcohol Beverage Industry Association, Korea Wine & Spirits Importers Association
Unit: Kiloliter

- Health concerns among the general public as well as increased female consumers for alcohol beverage generate strong demand for products with less alcohol. Soju consumption has remained strong in recent years partly backed by continued launchings of new products that contained less alcohol. Soju generally contained over 20 percent alcohol in the past but most of the products offered in the market today contain less than 19 percent alcohol. Soju is also often consumed in cocktails blended with soft drinks or beer. On-going popularity of Mak-Gul-Lee (cloudy type rice wine that contains 5 to 10 percent alcohol) and grape wine also partly stems from health concerns.
- Consumption of grape wine is expected to continue a solid growth in the coming years. Due to unfavorable growing condition, most of wine sold in Korea is imported products. After experiencing a setback during 2009-2010, Korea's imports of wine rebounded in 2011 to \$132 million. Imports in the first half of 2012 totaled \$67.6 million, up 12.3 percent from the same period of 2011. Following France, Chile, and Italy, the United States remained the fourth largest supplier of wine to Korea during the first half of 2012 by exporting \$7.4 million, up 14.5 percent from the same period of 2011. Implementation of KORUS FTA eliminated a 15 percent import tariff on American wine, and leveled the playing field for American suppliers competing with Chilean and European wineries.
- The beer market in Korea has been dominated by local brewers as indicated by the fact that local products accounted for a 99 percent of total beer supplied in 2011. However, local consumers' increased demand for new and high quality beer is likely to generate new opportunities for imported products. Korea's imports of beer totaled \$32.5 million (33 million liters) in the first half 2012, up 28.7 percent from the same period of 2011. Japan was the leading source of imported beer (\$11.7 million) during the period, followed by Netherlands (\$4.5 million) and the United States (\$3.1 million).

2. Distilled Spirits Market in Korea

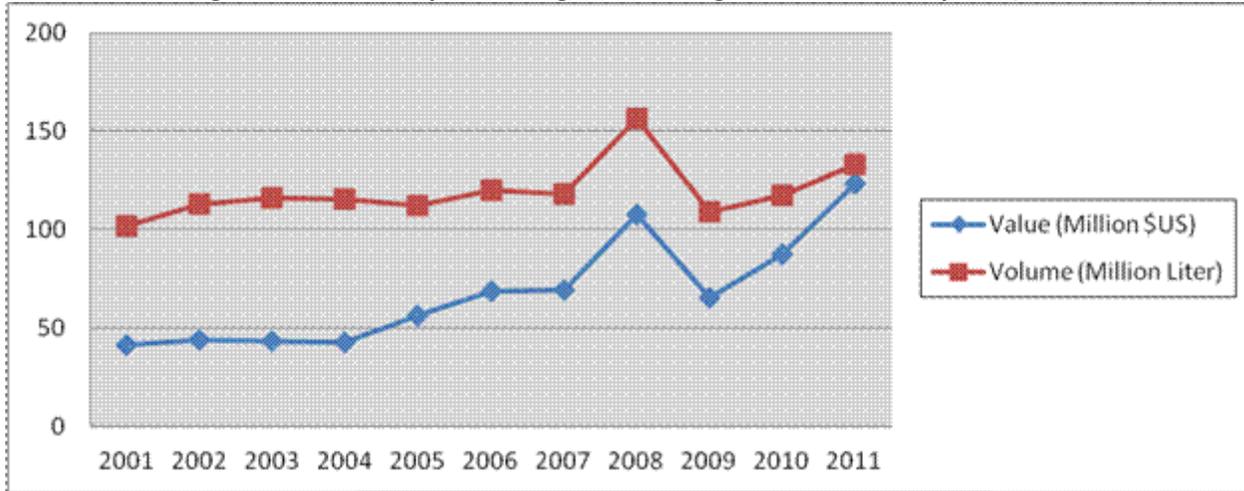
2-1. Local Production of Soju and Imports of High Alcohol Ingredient Distilled Spirits (HS2207.10)

- Local Korean hard liquor industry is mainly producing soju. In terms of processing, Soju is an outcome of diluting high alcohol base liquor with addition of various flavors. Local processors distill much of the base liquor from imported starch sources such as tapioca and sweet potatoes. However, Soju is the cheapest hard liquor sold in the market (retailing less than \$1 per typical 330ml bottle) and processors eagerly switch among different sources for the base liquor for lower cost. As a result, Korean soju processors import a significant volume of high alcohol ingredient spirits each year.
- Korea's imports of high alcohol ingredient spirits (HS2207.10: Undenatured ethyl alcohol of an alcohol strength by volume of 80% vol or higher) totaled \$123 million (133 million liters) in 2011, up 41 percent in value (12 percent in volume) from the previous year. According to Korea Alcohol & Liquor Industry Association, over 90 percent of high alcohol ingredient spirits imported was used to blend soju and the rest 10 percent was used for other types of low price hard liquor and food products. Brazil, Pakistan and Vietnam were the leading suppliers in 2011 but major origins of high alcohol ingredient products

have varied widely over the years as Korean processors switched to lower price sources.

- Part of the local liquor industry is making an effort to produce traditional Korean distilled spirits, much of them based on rice, under the support of the local government. However, most of these traditional spirits are made in limited quantity for limited demand and are sold as gifts or ritual ceremonial spirits for special holidays.
- HS2207.20 is another subcategory of products under HS2207. Imported products under HS2207.20 are for industrial/medical uses, not for human consumption in alcohol beverages.

Figure 1: Korea's Imports of High Alcohol Ingredient Distilled Spirits (HS2207.10)



Source: Korea Trade Information Service (KOTIS) Database

Table 4: Korea's Imports of High Alcohol Ingredient Distilled Spirits (HS2207)

HS Code	Product	Total Imports (2011)	Leading Supplier	Imports from the U.S.
2207.10	Roughly distilled alcohol for beverages	\$123.3 million 133.0 million liters	Brazil	\$28,000
2207.20	Ethyl alcohol and other spirits, denatured, of any strength	\$85.8 million 88.7 million liters	Pakistan	\$3.1 million

Source: Korea Trade Information Service (KOTIS) Database

Table 5: List of Leading Spirits Companies in Korea

	2007	2008	2009	2010	2011
Jinro Co. Ltd.	43.9	46.7	45.7	47.4	47.7
Lotte Liquor BG Co. Ltd.	-	-	15.1	16.1	16.7
Muhak Co. Ltd.	8.0	7.7	8.3	9.1	9.2
Kumbokju Co. Ltd.	9.1	8.5	8.6	8.2	8.1
Bohae Brewery Co. Ltd.	5.5	5.3	6.2	6.4	6.5
Daesun Distilling Co. Ltd.	7.4	7.3	6.9	5.5	5.0
Diageo Korea Co. Ltd.	0.8	0.6	0.7	0.6	0.6
Pernod Ricard Korea Ltd.	0.0	0.6	0.6	0.6	0.6
Lotte Chilsung Beverage Co. Ltd.	0.3	0.3	0.3	0.3	0.3

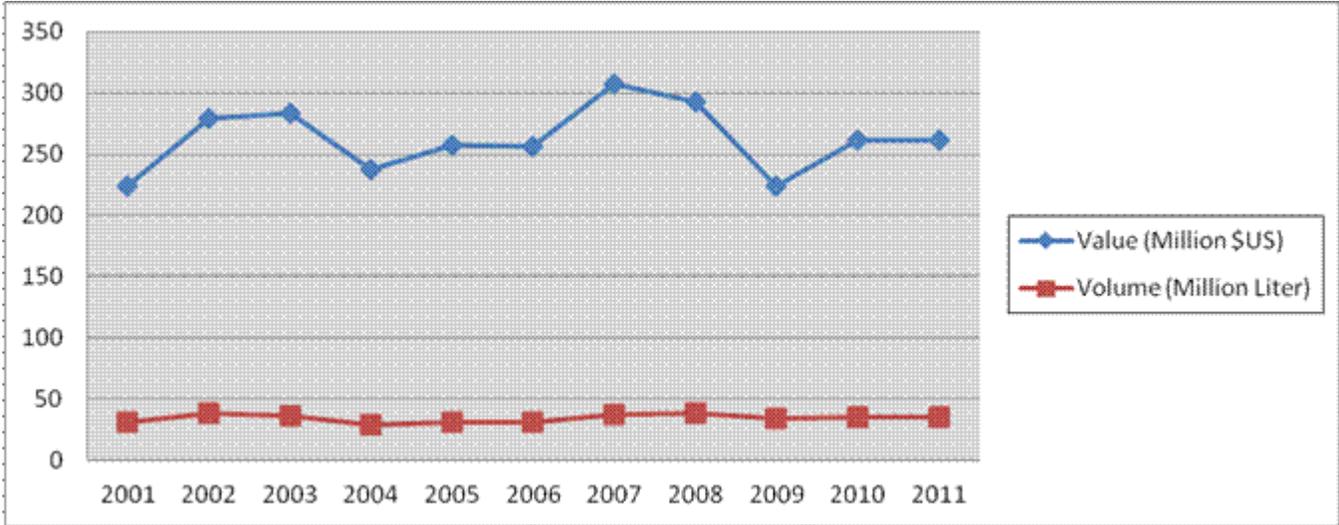
Hiscot Co. Ltd.	0.1	0.0	0.0	0.0	-
Doosan Corp Ltd.	13.8	13.3	-	-	-
Jinro Ballantine's Co. Ltd.	0.6	-	-	-	-
Others	10.5	9.8	7.6	5.8	5.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Spirits in South Korea, February 2012, Euromonitor
Unit: Percent of Volume Market Share

2-2. Imports of Consumer-Oriented Distilled Spirits (HS2208)

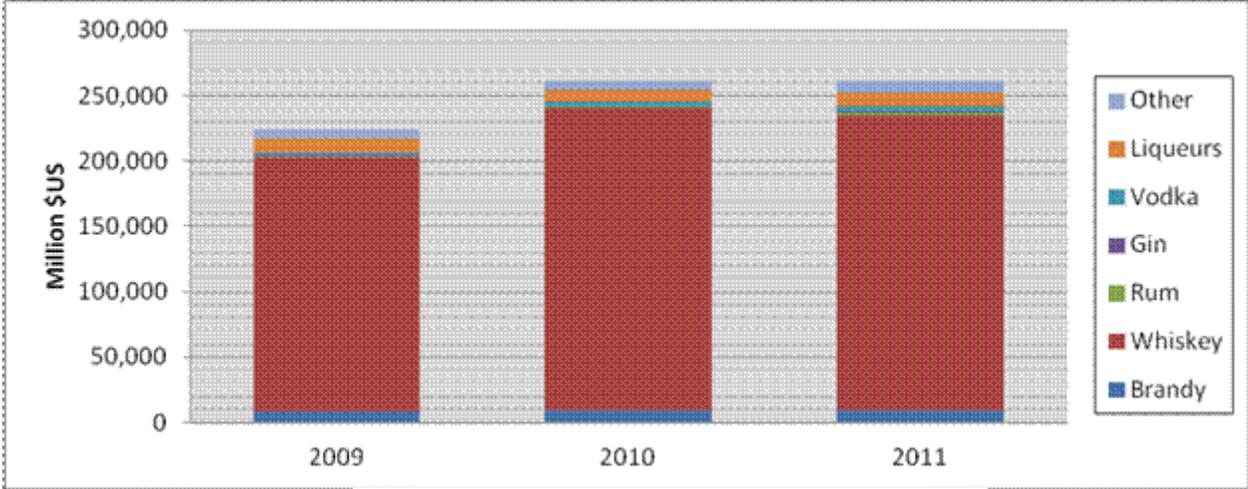
- Korea's imports of consumer-oriented distilled spirits (HS2208: Undenatured ethyl alcohol of an alcohol strength by volume of less than 80 percent vol; spirits, liqueurs and other spirituous, beverages) totaled \$261 million (35 million liters) in 2011, declining slightly from the previous year. Imports of consumer-oriented distilled spirits have shown a stagnant growth in recent years mainly because of weaker demand for whiskey under sluggish economy.
- Whiskey was by far the most imported consumer-oriented distilled spirits into Korea by accounting for an 86 percent of total imports under HS2208 in value (61 percent in volume) in 2011. United Kingdom remained the dominant supplier of whiskey to Korea by accounting for a 97 percent of total whiskey imports in value or 95 percent in volume. The United States was the second largest supplier of whiskey to Korea with \$5.6 million exports (1 million liters).
- According to Euromonitor, "super-premium" whiskey brands (products of 17 years old or older) accounted for a 31 percent of total Scotch whiskey sales in Korea in 2011, up from 28 percent in 2006. Euromonitor also forecast that single malt Scotch whiskey will show the strongest sales growth within the whiskey category in the coming years.
- A majority of locally bottled whiskey products in Korea are also blended from imported whiskey. Leading international suppliers, Diageo and Pernod Ricard in particular, currently operate bottling business in Korea for better penetration into the market. Local production (bottling) of whiskey is expected to continue a decline in the coming years as it lacks competitiveness against imported products.
- Although accounting for much smaller shares, imports of other consumer-oriented distilled spirits such as Vodka and Liqueurs are likely to grow continuously in the coming years as many Korean drinkers seek to experience more diverse products and tastes. In particular, marketers point out that young Korean consumers, who have been exposed to wider international cultures through foreign education and travel, have different tastes for distilled spirits from older generations.

Figure 2: Korea's Imports of Consumer-Oriented Distilled Spirits (HS2208)



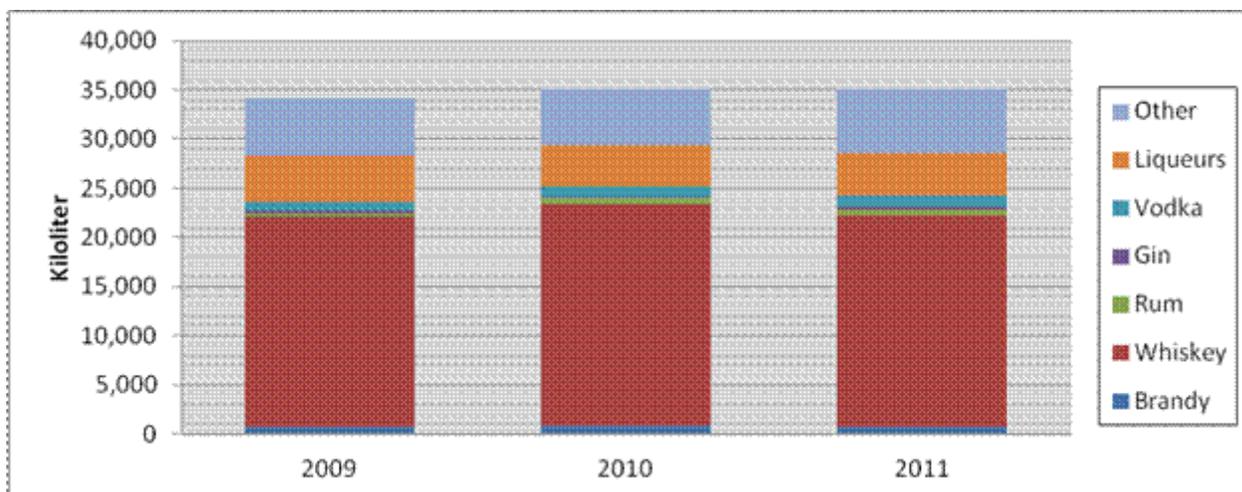
Source: Korea Trade Information Service (KOTIS) Database

Figure 3: Imports of Consumer-Oriented Distilled Spirits (HS2208) by Product (Value)



Source: Korea Trade Information Service (KOTIS) Database

Figure 4: Imports of Consumer-Oriented Distilled Spirits (HS2208) by Product (Volume)



Source: Korea Trade Information Service (KOTIS) Database

Table 6: Korea's Imports of Consumer-Oriented Distilled Spirits (HS2208)

HSK Code	Product	Total Imports (2011)	Leading Supplier	Imports from the U.S.
2208.20	Spirits obtained by distilling grape wine or grape	\$9.4 million 0.7 million liters	France	\$124,000
2208.30	Whiskies	\$225.4 million 21.4 million liters	United Kingdom	\$5.5 million
2208.40	Rum, Tafia	\$1.4 million 0.6 million liters	Puerto Rico	\$297,000
2208.50	Gin, Geneva	\$1.1 million 0.3 million liters	United Kingdom	\$56,000
2208.60	Vodka	\$4.2 million 1.2 million liters	Sweden	\$81,000
2208.70	Liqueurs and Cordials	\$11.2 million 4.3 million liters	New Zealand	\$928,000
2208.90	Other	\$7.9 million 6.4 million liters	China	\$392,000

Source: Korea Trade Information Service (KOTIS) Database

3. Distribution Channel

- By law, only licensed importers are allowed to import alcohol beverages, including distilled spirits. Currently there are over 300 licensed alcohol beverage importers, but about 50 of them currently maintain an active business. Moreover, a small number of leading importers account for a majority share of total imports. Many of the leading importers are members to the Korea Wine & Spirits Importers Association (KWSIA). Contact listings of key importers are available to American suppliers upon request from Agricultural Trade Office (ATO) of the U.S. Embassy Seoul (atoseoul@fas.usda.gov, www.atoseoul.com).
- Importers are allowed to sell directly to wholesalers and retailers (restaurants and liquor stores). A revision in the regulation in 2012 has additionally allowed the importers to sell directly to consumers. Wholesale and retail sales of alcohol beverages also require official permits. On-line sales of alcohol

beverages, including through the internet, are currently banned except for registered traditional liquor products of limited production.

- Importers may sell directly to large retail customers such as supermarket chains or five star hotels. However, importers rely heavily on wholesalers when distributing to smaller retailers or regional markets.
- Currently, there is no zoning regulation in Korea that limits the number of retail outlets for alcohol beverages in a given area, which explains the high number of bars and liquor shops in the market. According to Korean government data, there were over 130,000 bars and salons in Korea in 2009, up 12 percent from 2005. By law, on-trade liquor retailer (bars and restaurants) is not allowed to buy alcohol beverages from off trade liquor retailer (liquor shops and supermarkets).
- According to Euromonitor, on-trade accounted for 82 percent of total distilled spirits sales in Korea in 2011. However, in terms of volume, off-trade accounted for a larger, 50.3 percent share of total distilled spirits sales, which indicates that on-trade is the dominant distribution channel for premium products while off-trade (sales for home consumption) is centered on value-oriented products. In addition, a significant portion of annual sales of premium spirits in off-trade channel takes place during a limited number of holiday seasons, including Lunar New Year's Day and Korean Thanksgiving Day.
- Marketers point out that off-trade consumption has shown higher growth than on-trade in recent years mainly due to elevated economic concerns. Tighter corporate spending on entertainment has also been a cause of stagnant growth of on-trade liquor sales. On the other hand, consumption of 'ready-to-drink' (RTD) type bottled alcohol beverages as well as cocktail recipes incorporating whiskey and other hard liquors have reported strong sales in bars and dance clubs targeting young drinkers recently.

Table 7: Sales of Spirits by On-trade vs Off-trade (Value)

	2006	2007	2008	2009	2010	2011
Off-trade	1,747.9	1,877.3	2,011.2	1,938.8	1,944.6	2,012.9
On-trade	8,418.8	8,920.4	9,196.0	9,135.4	9,185.3	9,460.2
Total	10,166.7	10,797.7	11,207.2	11,074.2	11,129.9	11,473.1

Source: Spirits in South Korea 2011, Euromonitor
Unit: Billion Won

Table 8: Sales of Spirits by On-trade vs Off-trade (Volume)

	2006	2007	2008	2009	2010	2011
Off-trade	621.1	633.9	648.5	608.3	609.2	626.8
On-trade	515.9	559.7	635.0	594.5	595.7	617.7
Total	1,137.0	1,193.6	1,283.5	1,202.8	1,204.9	1,244.6

Source: Spirits in South Korea 2011, Euromonitor
Unit: Million Liters

4. Market Entry Strategy

Below are some of key events and marketing tools that are recommended for new-to-market suppliers to utilize when planning entry/expansion plan in the Korean market:

(1) Trade Shows:

- Seoul Food & Hotel (www.seoulfoodnhotel.co.kr) is the most important food trade show held annually in Korea and is attended by a large number of international suppliers and local distributors. This is the only show in Korea that is officially endorsed and sponsored by USDA/FAS. The show date in 2013 is

May 14-17. For registration information of the U.S. Pavilion, please contact the organizer, Oak Overseas (rhood@oakoverseas.com).

- The Seoul International Wines & Spirits Expo (www.swsexpo.com) is a key trade show in South Korea dedicated to wine and spirits market. Organized by the Korea Wines & Spirits Importers Association, this show has brought together many foreign suppliers and local traders over the years. The show date in 2013 is April 27-27.

(2) Local Organizations and Opinion-Leaders: There are many different bodies of opinion leaders for alcohol beverages emerging in Korea. Academies, Internet-based communities, periodic journals, and not-for-profit organizations are actively engaging with the general consumers and exert significant influence on new consumption trends.

- Korea Wine & Spirits Importers Association (KWSIA)
E-mail: webmaster@kwsia.or.kr
www.kwsia.or.kr
- Korea Alcohol & Liquor Industry Association (KALIA)
www.kalia.or.kr
- The Whisky Society of Korea
www.whiskysociety.or.kr

(3) American Trade Promotion Organizations: Various regional and industry organizations in the United States offer marketing supports to their member suppliers targeting foreign markets. General tools offered by the organizations include trade delegations to key foreign markets and exhibition booths in key trade shows.

- Distilled Spirits Council of the United States (DISCUS)
1250 Eye Street, NW, Suite 400
Washington, D.C. 20005
Telephone: 202-628-3544
www.distilledspirits.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 Region of the United States
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. Tariffs and Taxes

Korea applies a complicated tariff and tax system to imported alcohol beverages. The table below summarizes import tariffs and local taxes applied as of 2012.

Product	Base Import Tariff	Liquor Tax	Education Tax	Value Added Tax
Fruit Wine	15%	30%	10%	10%
Beer	30%	72%	30%	10%
Spirits	8-30%	72%	30%	10%

The table below summarizes reduction of import tariffs that American distilled spirits are subject to under KORUS FTA. For more details of KORUS FTA, please visit ATO Seoul internet homepage (http://www.atoseoul.com/fta/fta_page2_final.asp).

HSK Code	Product	Base Tariff	2012	2013	Note
2207.10.1000	Roughly distilled alcohol for beverages	10%	9.3%	8.7%	15 year phase out
2207.10.9010	Other fermented alcohol for manufacture of liquors	270%	0% - 252%	0% - 252%	Safe guard, 15 year phase out
2207.10.9090	Other	30%	24%	18%	5 year phase out
2207.20.0000	Ethyl alcohol and other spirits, denatured, of any strength	8%	0%	0%	Immediate duty free
2208.20.1000	Cognac	15%	12%	9%	5 year phase out
2208.20.9000	Other	15%	12%	9%	5 year phase out
2208.30.1000	Scotch whisky	20%	16%	12%	5 year phase out
2208.30.2000	Bourbon whisky	20%	0%	0%	Immediate duty free
2208.30.3000	Rye whisky	20%	16%	12%	5 year phase out
2208.30.9000	Other	20%	16%	12%	5 year phase out
2208.40.0000	Rum and tapia	20%	16%	12%	5 year phase out
2208.50.0000	Gin and geneva	20%	16%	12%	5 year phase out
2208.60.0000	Vodka	20%	16%	12%	5 year phase out
2208.70.1000	Ginseng wine	20%	0%	0%	Immediate duty free
2208.70.2000	Ogarpi wine	20%	18%	16%	10 year phase out
2208.70.9000	Other	20%	16%	12%	5 year phase out
2208.90.1000	Brandies other than subheading 2208.20	20%	18%	16%	10 year phase out
2208.90.4000	Soju	30%	0%	0%	Immediate duty

					free
2208.90.6000	Kaoliang wine	30%	24%	18%	5 year phase out
2208.90.7000	Tequila	20%	16%	12%	5 year phase out
2208.90.9000	Other	30%	24%	18%	5 year phase out

The following table illustrates the effects of import tariff and local taxes on a bottle of \$10 (CIF import value) American bourbon whiskey imported into Korea:

A	CIF* Invoice Value	\$10.00
B	Import Tariff: A x 0%	\$0.00
C	Liquor Tax: (A+B) x 72%	\$7.20
D	Education Tax: C x 30%	\$2.16
E	Subtotal: (A+B+C+D)	\$19.36
F	Value Added Tax **: E x 10%	\$1.94
G	Handling fees for customs clearance ***: A x 8%	\$0.80
H	Total cost of whiskey upon customs clearance: (E+F+G)	\$22.1

* CIF is an export price inclusive of insurance and freight cost.

**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 tariff and taxes, 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 and inspection fee will increase significantly if a detailed chemical inspection is required instead of document inspection.

2. Inspections & Food Safety Standards

Imported foods and beverages are subject to Ministry of Health and Welfare (MHW) Food Quarantine inspections. The Korea Food & Drug Administration (KFDA) under MHW is responsible for executing all inspections. For alcohol beverages, National Tax Service is additionally involved in inspections. There are two kinds of inspections: detailed inspection (chemical analysis test) and visual inspection (document inspection).

The first commercial shipment of new-to-market product is mandated to a detailed inspection, which under Korean law should take no longer than 10 working days (in case of incubation test, up to 14 working days). In practice, however, importers claim that it could take longer. For detailed inspection, importers are required to submit one sample bottle of each product to the inspection authority along with detailed product information such as major ingredient list and processing flow chart. Once detailed inspection on the first shipment confirms no potential health concerns, subsequent shipments of the same product will be subject to visual (document) inspections. Visual inspection should take no longer than 3 working days provided that the product in the subsequent shipment is identical to the product in the first shipment with respect to label, product name, ingredients, and net volume (vintage change is not recognized as a reason for detailed inspection). However, KFDA maintains a policy to require detailed inspections randomly on a significant portion of subsequent shipments of identical products. For more information about Korean regulations and standards on imported agricultural products, please refer to [FAIRS report](#) written by the Agricultural Affairs Office of the U.S. Embassy Seoul (available in www.fas.usda.gov under Attaché Report section).

When a new food safety issue arises, local authority may enforce additional safety standards and mandatory tests on imported products associated with the risk. For example, Chinese distilled spirits have been subject to an additional inspection for contamination by environmental hormones recently after the issue was publicized

by the local press.

Below table summarizes key Korean food safety standards for distilled spirits designated in the Korea Food Code (administered by KFDA) and National Tax Office Decree:

Product	Issue	Standards
Roughly Distilled Alcohol for Beverages, 95% Alcohol Strength	Appearance	No color, transparent, no foreign material, no off-smell and off-taste
	Acetic acid	0.002 w/v% or less
	Acetic aldehyde	1 mg/100ml or less (5mg/100 ml or less for synthetic alcohol)
	Methanol	0.5 mg/ml or less
	Fusel oil	0.01 v/v% or less
	Diacetyl	0.2 mg/100ml or less
	Heavy metal	No detection
Roughly Distilled Alcohol for Beverages from Grain, 85% Alcohol Strength	Appearance	No color, Inherent flavor
	Acetic acid	0.05 w/v% or less
	Acetic aldehyde	10mg/100ml or less
	Methanol	0.5 mg/ml or less
	Fusel oil	0.5 v/v% or less
	Diacetyl	3 mg/100ml or less
	Heavy metal	3 ppm or less
Soju	Methanol	0.5 mg/ml or less
	Aldehyde	70.0 mg/100ml or less
Whiskey	Methanol	0.5 mg/ml or less
	Aldehyde	70.0 mg/100ml or less
Brandy	Methanol	0.5 mg/ml or less
	Aldehyde	70.0 mg/100ml or less
Regular Distilled Spirits other than Roughly Distilled Alcohol, Soju, Whiskey and Brandy	Methanol	0.5 mg/ml or less (1.0 mg/ml or less for products made mainly from <i>Agave tequilana</i>)
	Aldehyde	70.0 mg/100ml or less
	Additives allowed	Aspartame, Stevioside, Sorbitol, Sucralose, Acesulfame K, Erythritol, Xylitol
Liqueurs	Methanol	1.0 mg/ml or less
	Additives allowed	Aspartame, Stevioside, Sorbitol, Sucralose, Acesulfame K, Erythritol, Xylitol, Milk, Milk powder, Milk cream, Casein, Pectin

Use of additives such as preservatives and coloring agents in distilled spirits is subject to the Korea Food Additive Code administered by KFDA. As of December 2011, Korea had a positive list of 653 approved food additives. Food additives are grouped into four categories: (a) chemical synthetics, (b) natural additives, (c) mixed substances, and (d) sanitizers. Designated uses and tolerance levels of each additive are established on a product-by-product basis. This sometimes creates difficulties for American suppliers as uses and tolerances set in Korea can vary from international CODEX standards and/or American standards. English version of the Korea Food Additive Code is available for view from KFDA's internet homepage

http://www.kfda.go.kr/fa/ebook/egongjeon_intro.jsp).

3. Labeling

Korean law requires a separate Korean language label on imported distilled spirits. 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. Importer's name and phone number
5. Alcohol percentage and product volume
6. Name of major ingredients
7. Name of food additives used
8. Bottling date
9. Mandatory health warning clause
10. Mandatory warning clause against liquor sales to minors
11. Name of designated distribution channel (only required on bottles sold in retail stores. Bottles sold in retail stores should be marked "For Home Use". Soju, beer, whiskey, and brandy sold in large-scale retail stores should be marked "For Large Size Stores")

Fruit images or photos are not allowed on the label of food and beverage products if the product contains synthetic flavors only.

All whiskey, both locally made and imported, is mandated to have a Radio Frequency Identification (RFID) tag since October 1, 2012. RFID tags, provided by National Tax Office authorized vendors, are loaded with detailed product information and are attached to the bottle by the supplier (importer) before being distributed to the supply chain. Distributors and consumers down the supply chain should be able to scan the RFID tag and verify authenticity of the product.

SECTION IV. KEY CONTACTS AND FURTHER INFORMATION

- For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office Seoul

Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550

Telephone: 82-2 397-4188 Fax: 82-2 720-7921

E-mail: atoseoul@fas.usda.gov

Internet homepage: www.atoseoul.com

Agricultural Affairs Office, U.S. Embassy Seoul

Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550

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

E-mail: agseoul@usda.gov

- For more information on how you can register for USDA/FAS' Supplier List:

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. For example, the U.S. Suppliers Service 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 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://www.fas.usda.gov/agx/partners_trade_leads/us_suppliers_list.asp

- For further information about sanitary and phytosanitary requirements, please contact:

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

Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550

Telephone: 82-2 725-5495

Fax: 82-2 725-5496

E-mail: yunhee.kim@aphis.usda.gov

Internet Homepage: www.aphis.usda.gov

- For information on the non-agricultural commercial and industrial products in Korea, please contact:

U.S. Commercial Service

Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-USCS, APO, AP 96205-5550

Telephone: 82-2 397-4535

Fax: 82-2 739-1628

E-mail: Seoul.office.box@mail.doc.gov

Homepage: www.buyusa.gov/korea