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THE BEER MARKET IN SOUTH KOREA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

THE BEER MARKET IN SOUTH KOREA

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Before you start reading

We advise you to analyze the latest Korean legislation and import regulations before sending your goods to South Korea. This can be done by contacting your Korean importer or inform yourself with the Koreans Customs Authorities. The Korean embassy in Brussels or Flanders Investment & Trade can also assist you.

Statistical material can vary depending on the source.

The terms “Korea” and “South Korea” are used in this sector overview. With both terms we talk about the Republic of Korea.

Exchange rates (27 September 2017):

1 EUR \approx 1341 Korean Won (KRW)

1 USD \approx 1140 Korean Won (KRW)

Flanders Investment & Trade in Seoul, Republic of Korea compiled this report in April 2014 and made an update in September 2017.

Introduction

In January 2014 AB Inbev bought back the South Korean brewery, Oriental Brewery, for 5.8 billion USD. In 2009, AB Inbev had sold the brewery for 1.8 billion USD. The re-buying price was 3 times higher than the selling price. This shows that Korea is a growing and a strong beer market. Nowadays Oriental Brewery is one of the leading beer companies in Korea and exports beer products to approximately 30 countries internationally.

Not only is the local beer market doing well but also especially the imported beer market is booming. The premium and international beers, amongst others Belgian beers, are popular nowadays in Korea.

South Korea is experiencing greater variety in its beer market. Supported by growing end user awareness of the different beer assortment, aggressive product innovation efforts from domestic and foreign brewers and accelerating premiumisation, local consumers are demanding greater diversity in beer products. Seemingly bearing out a burgeoning consumer appetite for different beer varieties to locally produced beer, imports of beer to South Korea have surged.

In this brief sector overview, we will have a look at the Korean beer market.

First of all, we will give information about the beer consumption and trade statistics, preferences of Korean consumers, the main Korean breweries and the international beers in Korea.

After that, we will provide recommendations on how to introduce your beers into this market. You need a Korean importer with a liquor license if you want to bring your beers in the Korean market.

In the third chapter we will discuss the deals, with the regulatory framework, that you need to take into account like tax structure, labeling, import formalities...

We will end this market study by giving you websites on fairs, federations...

We hope this market overview will offer you practical and useful information in order to start exporting your Belgian beers to South Korea.



1. Characteristics of the Korean beer market

1.1. The Korean beer drinker: consumption and tastes

1.1.1. Statistics on the Korean beer market

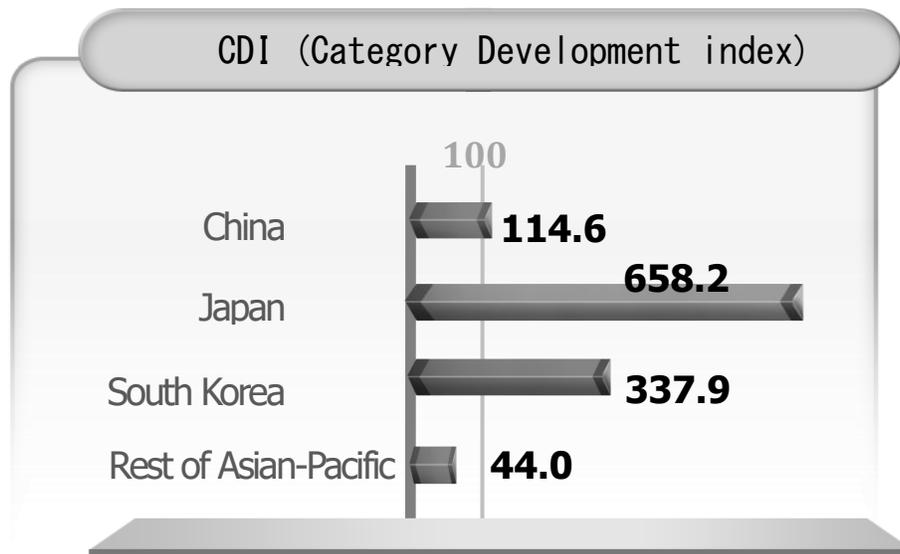
South Koreans drink twice as much liquor as Russians, and more than four times as much as Americans. Drinking plays an important role in the social life of South Koreans. It is consumed at business events or at social gatherings with friends and family. Alcohol is drunk on a daily basis.

According to the World Health Organization, Koreans consumed an average of 11.4-liter alcohol in 2016 (Koreans above 15 years old). Most popular is *soju*, native South Korean liquor, with an annual consumption of 9.56 liters. Euromonitor backed the high consumption of this distilled beverage. According to them, Koreans drink the most shots of liquor in the world. Koreans drink 13.7 shots of liquor a week. The combination of *soju* with beer is also very popular.

Beer is South Korea's favorite alcoholic beverage. In 2014, beer accounted for 52.3%. Next in line was *soju* at 28.1%, with other traditional liquors coming in third at 5.7%. (Source: 28 December 2015 The Hankyoreh)

The overall beer market sales in Korea, in 2014, had a size of W4.8 trillion won (+/- 3.6 billion EUR). In comparison with 2012, the growth of the beer market had had an increase of 20%. The consumption of beer totaled 2.2 billion kiloliters in 2014. Since then the beer market in Korea has been growing at a compound annual growth rate of 4.9 % between 2014 and 2016, but imported beers have fueled much of that growth. Korea's beer imports totaled about €130 million in 2016 through October, up nearly 29% from the same period in 2015. Koreans mostly drink German style lager beers. Preference toward premium beer and expansion of liquor specialized stores are leading to the continuing growth of the beer market. Moreover, the prospect of the growth seems bright considering the fact that marketing concentrates on young and female populations.

The CDI (Category Development Index) refers to an index, which shows a specific market's level of activeness. If the result is below 100, the country's market development is low. On the other hand, if the result is above 100, the relevant country's market development is active and is in its stage of maturity. The Japanese beer market clearly shows high activeness compared to the Chinese and South Korean markets. Nowadays it is experiencing saturation, so it may not be strategic to enter the market. On the other hand, overall Asian market, except for Korea, China and Japan, shows improperly developed signs in the beer market.



1.1.2. Preferences of the Korean beer drinkers

The drinking culture in South Korea is an important part of life. In the private atmosphere, alcohol is drunk on special occasions but also on a daily basis. It always has been embedded in the Korean culture and it probably always will be.

Alcohol is essential in business life. After work, colleagues go out to dinner and have drinks. It is said that it is a vital part of team building and bonding with your office. Do not forget that Koreans work 12 hours a day. So employees spend more time within the office “family” than at home. Also the Korean business culture is known as very hierarchical and drinking alcohol during afterhours business events could loosen these stringent top-down relationships up. It forms ties. Also during business meetings with foreign companies, you will be invited to drink together. Alcohol is everywhere and the popular drinks, as lager beers and soju are cheap. Special alcoholic drinks, as specialty beers, wines and spirits are rather expensive.

Nowadays the amount of “older” drinkers is declining because of health issues, so they tend to drink less or turn to alcoholic drinks with lower alcohol percentages. We also see more young people drinking, especially ladies. But they turn to alcoholic drinks with lower alcohol percentages.

This generation of consumers is looking for new tastes in beers. In particular, millennials are getting used to the high standards in terms of taste and quality in beers from overseas; thus domestic mid-priced lager will find it hard to meet consumers’ expectations. They want more choice such as ales, fruit beers, and dark beers. But foremost they want a better quality of beers and currently they can afford those premium expensive beers.

At this moment, there is a wave of new beers entering the market from all over the world. Beers are popular these days. It is a hype. The amount of specialized beer shops and cafes are increasing. Also the local brands and foreign brands are spending a lot of attention to the branding and marketing of their beers.

But for now, not all Koreans know how to taste, drink and savor Belgian beers. These kinds of beers do not lend themselves to fast drinking or at a sports event. It is a part of the beer culture that is not set in Korean beer consumption habits yet. At this moment, only a small part of Korean beer drinkers are enjoying our beers in Belgian style.

1.2. Local Korean beer production
1.2.1. Duopoly of local beer production

The South Korean beer market is currently dominated by two major manufactures, HITE Jinro: <http://english.hitejinro.com/> and Oriental Brewery: <http://www.obbeer.co.kr/EN/index.asp>. Industry data indicates that OB and Hite accounted for a 56 % and a 37 % of the overall beer market sales in 2015 respectively. Lotte Chilsung, another large-scale domestic brewery, entered the local beer industry by launching *Kloud* brand in 2014. Lotte Chilsung took 5 % of the beer market share in 2015. Oriental Brewery remained the most influential company in beer in terms of total volume sales in 2016, despite lower demand for Cass, which generates the highest share of sales in beer. Apart from domestic beer brands, Oriental Brewery manages 18 imported beer brands, including Budweiser and Hoegaarden, which are manufactured in South Korea. Oriental Brewery faced the challenge of losing revenue in the review period, caused by the weak performance of domestic beer.

Here is an overview of the beer portfolio of these players. The vast majority consists out of larger:

<Development status of the beer brands>

Company	Local Brands	Licensed Brands	Imported Brands
HITEJinro	<p>Dry d Max Stout</p>  <p>hite QUEEN'S ALE</p>	-	 <p>Kirin Ichiban Kronenbourg</p>
OB Beer	<p>Cass Fresh Cass Lemon Caf</p>  <p>Cass Light Cass Red OB Golden Lage</p>	<p>Budweiser</p>  <p>Hoegaarden</p>	<p>Stella artois Bud ICE Löwenbräu</p>  <p>Beck's Corona</p>



Customers are asking for wider variety, premium beers and international brands, the companies have broadened their portfolio with more flavors in the lagers-range, premium versions of lager, added ales, stouts and have different important beers under their wings. Hoegaarden is brewed locally in Korea. This is one of the only places in the world where Hoegaarden is brewed outside Belgium.

1.2.2. New trends on the local production horizon

We already saw new trends developing in the Korean beer industry that affected this duopoly. OB and HITE Jinro will be challenged and need to answer adequately if they want to keep their leaders position.

1. New types of beers

The customers are asking for a wider variety of beers. The companies will have to launch new production of different beer types or start importing more foreign beers. This offers opportunities for foreign brewers. The big companies will be looking for the finished products or for the knowhow to brew these new beers

2. New large players on the market

As the beer industry in Korea is doing well, more players want to benefit from this. We see new local players entering the beer horizon. Large companies like Lotte and Shinsegae have announced in 2014 they will start brewing their own beers. As Lotte and Shinsegae have their own large retail and distribution network, this will be a great challenge for the current players. Lotte already launched several beers. They introduced their first beer *Kloud* in 2014. *Kloud* is a premium beer, and is sold in channels like high-end restaurants, hotels and golf clubs. Their second beer *Fitz*, which is just new on the Korean market, is designed for a mass market, and will pursue different channels and marketing strategies. Lotte group is owner of Lotte department store, Lotte hypermarket, Lotte supermarket, convenience stores and a wide variety of restaurants, hotels and amusement parks. On the other hand, Shinsegae is also a large group with Shinsegae department stores, Emart hypermarket, Emart everyday supermarket and a wide variety of restaurants and hotels. They said they would mostly focus on special beers and distribution of beers of Korean microbreweries. We expect other large players to step into this promising industry. This creates opportunities for Flemish companies who can offer knowhow and supply of raw materials.

3. New smaller players in the market

Since 2014, the liquor law has changed. Microbreweries are allowed to sell their own beers outside of their own brewery or café. Before the law changed, the local small breweries were only allowed to sell their beers on their own premises (own brewery or bar owned by brewery). Now they will be able to distribute their beers to retail, restaurants, and bars. As they offer a wide variety of beers, we expect they will be able to answer the needs of the beer drinkers. As already said beer is a hype these days so we expect an increase for the existing microbreweries and for newcomers to enter the market. These starters will also be looking for knowhow and raw materials.

1.3. Market of imported beers

1.3.1. Statistics on the imported beer market

Korea's beer imports have more than doubled over the last five years. The imports in 2016 reached €155.2 million, up 28.5% from 2015, based on the import trend. In terms of volume, the imports attained a total of 220.3 million kilograms, up 28.9%. Considering the strong consumer demand for products of diversified taste and higher quality, Korea is likely to generate double-digit growth for beer imports in the coming years.

	2012	2013	% '12-'13	2014	% '13-'14	2015	% '14-'15	2016	% '15-'16
Value (CIF 1000\$)	73,590	89,667	21,8%	111,686	24,5%	141,860	26.9%	182,290	28.5%
Volume liter	74,749,542	95,210,568	27,4%	119,500,503	25,5%	170,919,203	43%	220,314,853	28.9%

(Source: Korea Trade Information Service (KOTIS) Database)

China has rapidly emerged as a leading exporter of beer to Korea partly due to a rapid increase of Chinese tourists traveling to Korea (about 8 million as of 2016) as well as non-immigrant Chinese people living in Korea under working visa (about 1 million as of 2016)

Many Korean consumers harbor the idea that Europe is the leading source for quality beer around the world. As a result, many European countries, including Germany, Netherlands, Ireland and Belgium, have established strong market share in Korea's imported beer market. Korea's beer imports from key European suppliers in 2016 through October amounted to €19.3 million for Germany (up 6.1% from the same period in 2015); \$13.2 million for Ireland (up 20.6%); €10.7 million for Netherlands (up 21.7%); and \$10.8 million for Belgium (up 51.5%). The 30% import duty on beer from European Union (EU) countries is scheduled to phase out over an 8-year period under the Korea-EU Free Trade Agreement (implemented on July 1, 2011). Consequently, EU beer shall enter Korea duty-free on July 1, 2018. (more on this in chapter 3.2.)

	2015		2016	
1	Japan	46,244,098	Japan	52,163,343
2	Germany	24,874,024	Germany	26,689,828
3	Netherland	19,451,582	Netherland	24,119,962
4	Ireland	11,423,229	Ireland	13,433,717
5	China	19,604,829	China	38,013,763

6	USA	10,614,314	USA	10,709,843
7	Belgium	13,528,986	Belgium	20,685,820
8	Mexico	4,442,1120	Mexico	1,679,121
9	Czech	6,206,032	Czech	11,605,280
10	Total	170,919,203	Total	220,314,853

(Source: Korea Trade Information Service (KOTIS) Database)

We can already find a wide variety of Belgian beers on the Korean market. We have found in the retail industry these Belgian brands: Lindemans, Chimay, Westmalle, Rochefort, Karmeliet, Delirium, Liefmans, Duvel, Stella, Leffe, Grimbergen, Westmalle, La Chouffe, Piraat, Bush, Blanche D’Ardenne, Kasteel, Satan red, Martens Pils.... The Belgian beers are mostly sold in specialized beer shops and department stores.

In hypermarkets Leffe, Stella, Duvel and Martens Pils can be found. Except for these last ones available in hyper/supermarkets, Belgian beers are rather expensive. To give you an idea, here is a small overview with price indications in retail:

- Dark Leffe: 3000 KRW (+ 2 EUR) - 250 ml
- Duvel: 5500 KRW (+ 4 EUR) – 330 ml
- Lindemans Kriek: 10500 KRW (+ 7,5 EUR) – 250 ml
- Westmalle: 11700 KRW (+ 8,5 EUR) – 330 ml

These are retail prices. Prices of Belgian beers in specialized bars are much more expensive.

1.3.2. Selling points of imported beers

Beer is sold in hypermarkets, supermarkets, department stores, convenience stores and specialised beer shops.

Department stores

Department stores breathe luxury and everything is high-end. The stores put a strong focus on exclusive, high quality, specialty and imported food and beverages. On the food floor you will have luxury displays and specialty corners like organic food and premium fruits, but also special counters with imported food like Italian delicatesses, French cheese and salami’s. They have an imported beer corner with more special beers like Grimbergen, Lindemans, La Chouffe, Delirium, Duvel, Chimay... The biggest companies are Shinsegae department store, Lotte department store and Hyundai department store.

Hypermarkets

Hypermarkets are large supermarkets that sell food and non-food. Nowadays they are very modern with a focus on consumer service. They are open from 10.00 – 24.00 and every two Sundays a month. These “one-stop-shops” offer value-added, convenience, new tastes, good price and healthy products. They usually have a large segment with local lagers and a separate foreign beer fridge within the imported



food segment. Hypermarkets offer a wide range of imported beers but more focused on large consumption beers like Stella, Leffe, Hoegaarden, Martens Pils and Duvel for Belgian beers. The 3 main hypermarkets are E-mart, Lotte mart and Home plus.

Supermarkets

Supermarkets are mostly centered on food. 85.6% of the sales are generated by food sales. The supermarkets target dense neighborhoods where hypermarkets can't be integrated. Large numbers of independent retailers operate grocery supermarkets. But the large-scale retailers are more and more venturing in this retail segment with franchises. They mostly sell local beers. Imported specialty beers are rare to find or very limited. The imported beer brands that are sold in supermarkets are Asahi, Heineken, Super Dry, and Hoegaarden... The supermarket chains are Lotte super, GS supermarket, Top Mart, Homeplus Express, E-mart, Goodmorning Mart and Kims Mart.

Convenience stores

Convenience stores have often limited product assortments but are very wide in spread. Every few streets, you will find a convenience store. They sell mostly local beers. The imported beer brands that are sold in supermarkets are Asahi, Heineken, Super Dry, and Hoegaarden... The major players in this market are CVU, GS25 and Seven Eleven.

Specialized beer shops

The amount of specialized beer shops is increasing especially in neighborhoods with many foreigners, student areas or hip places in town. They don't offer the mainstream local lager brands but only specialty beers from local microbreweries. They mostly focus on foreign specialty beers from Belgium, USA, Canada, Czech Republic, and Germany... The Belgian beers are popular and these shops have a wide variety of Belgian beers to offer like Lindemans, Chimay, Westmalle, Rochefort, Tripel Karmeliet, Delirium, Liefmans, Duvel, Grimbergen, La Chouffe, Piraat, Bush, Blanche D'Ardenne, Kasteel, and Satan red....

Microbrewery and craft beer

The craft beer scene in Korea hasn't fully grown or developed yet, but there's no denying that it's alive. In 2013 it was mostly Cass, Hite, and some big brewery imports. There were other ways to get your hands on good beer known only by savvy expats and Korean. Ever since, the scene has been expanding noticeably about every 3-6 months. Seoul's craft beer bars are mostly concentrated in three areas that have a large international and young presence: Hongdae, Itaewon & Gangnam They even organize beer craft festivals during the weekends, to promote their new beers.

Online shopping and TV home shopping channels

Korea has become one of the most advanced markets in the world for on-line retail industry. Changes in consumer lifestyle, which favor more efficient shopping environment, coupled with development of information technology have fueled a rapid growth of on-line retail business, including internet shopping malls, internet open market and TV home shopping over the last ten years. The sales of on-line retailers, including Internet shopping, TV home shopping and catalog shopping, have increased by double digits over the last five years. But selling alcohol and beers online and via TV home shopping channels is forbidden.

**Restaurant, bars and hotel segment**

Not only do Korean consumers get acquainted with foreign food in the shops but also in restaurants and hotels. Koreans go daily to restaurants; together with the colleagues at lunch or dinner or with family in the weekend. As beer is a hype lately, specialized beer bars have popped up in the city, especially those that are related to microbreweries. We also see foreign beer brands opening beer bars like Krombacher or Pilsner Urquell. This is a well thought marketing approach to the Korean market. They combine food and their beers in a dedicated bar full of logos, colors, big signage outside...

2. Tips on how to approach the Korean beer market

2.1 Taking the first steps on the Korean market

STEP 1: Prepare yourself

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product. It may not be possible to market the exact same product in Korea as in Belgium. Korean consumers may have different demands. Do your homework by reading about Korea. We advise you to read the country profile or market overviews on South Korea on the FIT website. Check the legislative and import regulations for your product.

You can contact your provincial FIT offices in Flanders or FIT Seoul office to get more information on the South Korean market. Also the Korean embassy and Korean trade agencies (KITA and KOTRA) can be contacted in Brussels.

STEP 2: Meet Korean businessmen

Direct selling to consumers or supermarkets is rare. An agent working on commission is called an “offer agent”. General traders can also be found in Korea. Most business in the food and beverage market is done through a Korean importer. The main challenges for the seller are language barrier, adaptation to local tastes and import regulations. A well-developed relationship with a Korean importer is an asset when determining how best to market a product.

Best way to find an importer is through introduction. It is very helpful to have a formal introduction to the person or company with whom the seller wants to do business in Korea. Meeting the right person in a Korean company is almost always dependent on having the right introduction. A good place to get lists or contacts of Korean importers is Flanders Investment & Trade in Seoul. “Cold callings” usually don’t work with Korean businessmen.

Another way of finding potential importers is to participate in a local food show to showcase your products to a larger audience. In chapter 4, we sum up some interesting food and beverages fairs. But Korean importers often visit large international food and beverage fairs outside Korea. Many Korean importers, attending these shows, are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

Currently, there are different trade shows supported by Flanders Investment & Trade Seoul: “Seoul Food & Hotel” in Korea and invitation campaigns of Korean buyers to Foodex and Anuga. During Foodex and Anuga we invite Korean buyers to visit the large Belgian/Flemish pavilions. This results in a great matchmaking opportunity for Belgian exhibitors and Korean importers. FIT Seoul organizes business meetings and offers translation service as well on site as at Anuga. “Seoul Food & Hotel” is held in Ilsan in the suburbs of Seoul, usually in May every year. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc.

STEP 3: Develop the relationship and start selling

Once you have met an interesting and potential Korean partner take the next step. This might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of



introducing the company and products. When contact with an importer is established, it is advisable to visit the importer in person. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. It is very important that all information should be available in English. Develop this into a personal relationship. Personal ties, trust and mutual respect are key words in business affiliations. Koreans will invite you to evening gatherings like dinners... Korean and Belgian businessmen might have different meanings to the trust in the business relationship. For Koreans a deal is looked at as a guideline. This can clash with the Belgian business culture that likes everything in writing. Be sure to understand each other's expectations. Finally in the Korean market, never take anything for granted. Be ready for the unexpected. Be open for new information, attentive and patient.

2.2 Korean beer importers

Although retailers are massive players, they depend on importers and/or wholesalers. Many of the retail companies do not import neither food nor beverages directly but rely on independent importers. Some large retailers are increasing direct import for lower cost but only for large volume. Mostly they lack experience and turn to importers. (Costco Korea e.g. procures imported products directly through international networks.) Major retailers encompass the whole spectrum of retail business and food industry. Entry into one part of an integrated retailer can lead to access to the whole system. The importer can facilitate the entry into these conglomerates.

Flemish exporters should contact distributors and importers, along with retailers to market their products. The main challenges for the Flemish exporters are language barrier, adaptation to local tastes and import regulations. A well-developed relationship with a Korean importer is an asset when determining how best to market a product. They also have a good access to distribution networks.

Large size retailers own well developed distribution centers in Korea. The independent importer will deliver the imported goods via these logistic channels to the retailers.

Not only will the importer target the retail industry but also the bars, restaurants and hotels.

To export liquor, you need to go through an importer with a liquor license. We advise Flemish food exporters to work with Korean beer importers to tackle this market.

FIT Seoul has been working on a beer importers database and we try to keep it updated. Flemish companies interested in this list can contact us via email: seoul@fitagency.com

3. Regulatory information

3.1 Import regulation

Foreign beers can only be imported and distributed by licensees for importing alcoholic products in Korea. Beer importation is subject to general import rules and regulations for food products.

Imported foods and beverages are subject to the Ministry of Food & Drug Safety (MFDS). The MFDS established a food safety management system to provide safer food. Domestic foods are managed through three stages: manufacturing, distribution, and consumption. They are also responsible for executing all inspections. For alcoholic beverages, National Tax Service (NTS) is additionally involved in the administration of inspection and safety standards. 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 confirmed, you can proceed with your process.

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

	Issues	Standards
Beer	Major ingredients	Malt (barley and wheat), Hop, Water, Starch ingredient (including wheat, rice, barley, corn, potato, and starch)
	Methanol	0.5 mg/ml or less
	Alcohol content	(1) 25% (v/v) or less (2) Labeled alcohol content should be within 0.5% point from actual content measured
	Additives allowed	Aspartame, Stevioside, Sorbitol, Sucralose, Acesulfame K, Erythritol, Xylitol, Milk, Milk powder, Milk cream, Casein, Arabic gum, Pectin, Carbon dioxide gas, Sugars, Caramel, etc.

These documents are required to import foreign beers:

- Invoice
- Bill of Lading, or Airway Bill
- Packing List
- Approved Exporters status
- List with names of all ingredients, including percentage of major ingredients
- Processing Method
- Certificate of Production Date

3.2 Liquor taxation system on imported beer

The liquor taxation system exists out of different taxes: import taxes, liquor tax, education tax and VAT.

Tariff (if EU-Korea FTA tariff applying)	Liquor tax	Education tax	VAT	Total amount of taxes including tariff
3.75%	72%	30%	10%	120.95%

Example: CIF Price: 100 KRW

(a) Import price x 3.75% import duty $100 \times 3,75\% = 3.75$

(b) {Import price + (a)} x 72% liquor tax $(100+3,75) \times 72\% = 74.7$

(c) (b) x 30% education tax $74,7 \times 30\% = 22.41$

(d) {Import price + (a) + (b) + (c)} x 10% VAT $(100 + 3.75 + 74.7 + 22.41) \times 10\% = 20.09$

Total taxes: (a)+(b)+(c)+(d) = 3.75 + 74.7 + 22.41 + 20.09 = 120.95 KRW

Since July 2011, there is a free trade agreement (FTA) between South Korea and the European Union. Thanks to this FTA import tariffs have been abolished or will gradually disappear. This is also the case for beer. Before the FTA was signed, the import duties on beer amounted to 30%. Since 2013 the import tariffs have been decreasing by 3.75% yearly. By July 2018, the import rate for beer will be 0%. In order for your importer to be able to enjoy this preferential tariff, you (the exporter) will need to have an "Approved Exporter Status". You can apply for this with your local customs office in Flanders. More information on this "Approved Exporter Status" can be downloaded on the FIT websites via this link: [http://www.flandersinvestmentandtrade.be/appl/marktkennis.nsf/0/A9E97E33F4264121C12578B90020F93D/\\$file/EU-KOREA%20FTA%20-%20PRACTICAL%20GUIDE%2020110722.pdf](http://www.flandersinvestmentandtrade.be/appl/marktkennis.nsf/0/A9E97E33F4264121C12578B90020F93D/$file/EU-KOREA%20FTA%20-%20PRACTICAL%20GUIDE%2020110722.pdf)

EU-KOREA FTA Korean Import Tariff Reduction overview - HS 220300 Beer made from malt

Period	Preferential Tariff
01.07. 2013 ~ 30.06.2014	18.7%
01.07. 2014 ~ 30.06.2015	15 %
01.07. 2015 ~ 30.06.2016	11.2%
01.07. 2016 ~ 30.06.2017	7.5%
01.07.2017 ~ 30.06.2018	3.75%
01.07.2018 ~	0%

	Before the FTA	Current	After the 8-year period
CIF import cost	100	100	100
Customs duty	30	3.75	0

Liquor tax	93.7	74.7	72
Education surcharge	28.08	22.41	21.6
VAT tax	25	20.09	19.36
Total cost	276.848	220.96	212.96

This is an example on how the FTA can positively influence the outcome after the Korean government has applied all the taxes.

3.3 Labeling obligations

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. Product volume
5. Importer's name and phone number
6. Alcohol percentage
7. Name of major ingredients
8. Name of food additives used
9. Bottling date (not required if shelf life is shown)
10. Shelf life (expiration date)
11. Mandatory health warning clause
12. Mandatory warning clause 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". Bottles sold in large-scale retail stores should be marked "For Large Size Stores")

Due to new regulations, since January 2017, international awards, EU Member State governmental national awards, certification, and guarantee-related marks are all restricted. They cannot be affixed anymore on the products. At the same time only awards, certifications and guarantee marks given by the Korean government are allowed, and even labels given only to Korean traditional food. The EU delegation in Korea is protesting against these measures.

4. Information on fairs and organizations

4.1. Food and beverages fairs in South-Korea

This is an overview of the main food and beverages fair organized in South Korea.

Name of the fair	Website	Timing
Franchise Seoul	www.franchiseseoul.co.kr (Korean)	April
Seoul International Wine & Spirits Expo Most important alcohol fair	www.swsexpo.com	April
Seoul Food and Hotel	www.seoulfood.or.kr	May
Busan International Food Expo	www.bofas.com	June
FI Korea	www.fikorea.org	July

4.2. Key contacts

4.2.1. In Belgium

Flanders Investment and Trade

Koning Albert II laan 37

B - 1030 Brussel

T: +32 2 504 87 12

www.flandersinvestmentandtrade.be

Federal Agency for the safety of the food chain (FAVV/AFSCA)

Food Safety Center

Kruidtuinlaan 55,

B - 1000 Brussel

T: + 32 2 211 82 11

www.afsca.be

Belgian Beer Brewer Association

Grote Markt 10

B – 1000 Brussel

T: +32 2 511 49 87

www.belgianbrewers.be

info@belgianbrewers.be

Belgian Family Brewers

www.belgianfamilybrewers.be

info@belgianfamilybrewers.be



4.2.2. In Korea

Flanders Investment and Trade Seoul

23 Itaewon-ro 45-gil, Yongsan-Ku, Seoul, 140-893

T: +82 2 790 24 80

F: +82 2 790 24 83

seoul@fitagency.com

Korea Wine and Spirit Importer Association

702-13, Yeoksam-dong, Gangnam-gu, Seoul, 135-917

T: +82 2 422 6833

F: + 82 2 422 6834

www.kwsia.or.kr (only in Korean)

jhbopa@unitel.co.kr

Korea Alcohol and Liquor Industry Association

5~6F Dowon B/d, 1059-11 Namhyun-dong, Gwanak-gu, Seoul 151-800

T: +82 2 780 6412

F: +82 2 783 8786

www.kalia.or.kr (only in Korean)

Korean Microbrewery Association

725-45 Yeoksam-dong, Gangnam-gu, Seoul 135-921

T: +82 2 508 1067

F: +82 2 508 1068

www.microbrewery.or.kr (only in Korean)

microbrewery@paran.com

Conclusion

Beers are very popular and fashionable these days. This growing demand from the consumers and changes in Korean law, have stimulated the Korea beer market.

Flanders Investment and Trade Seoul sees opportunities for our Belgian beer brewers in South Korea. We base our opinion on these trends in the beer market:

- The Korean beer market is an active market
- Female and young people want more diversity and quality of beers. They are bored with the domestic lagers. They want new tastes and premium beers. Koreans are willing to pay the extra.
- Thanks to changes in the Korean liquor law and the EU-Korea FTA, brewers can enjoy a somewhat easier market access.
- Foreign beer companies need to work together with a Korean importer with a liquor license in order to be able to introduce their beers on the local market. Korean importers have shown their interest in importing Belgian beers to South-Korea.
- Food safety and import regulations are very important for Korea so follow the rules and make sure you stay well informed with the regulations on food safety, labeling, import administration...
- We not only see opportunities for beer brewers but also for companies that have the knowhow on how to brew beer and set up productions and also for suppliers of brew materials, machineries and ingredients. Except water, Korea doesn't have locally the ingredients to make beer. For this they are depending on imports.
- Flanders Investment and Trade can assist you to enter the Korean market.

We hope we convinced you that the Korean beer market offers great opportunities for the Belgian beer brewers. So we can assist you for further investigation to these prospects and welcoming more Belgian beers into the Korean market.

Sources

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