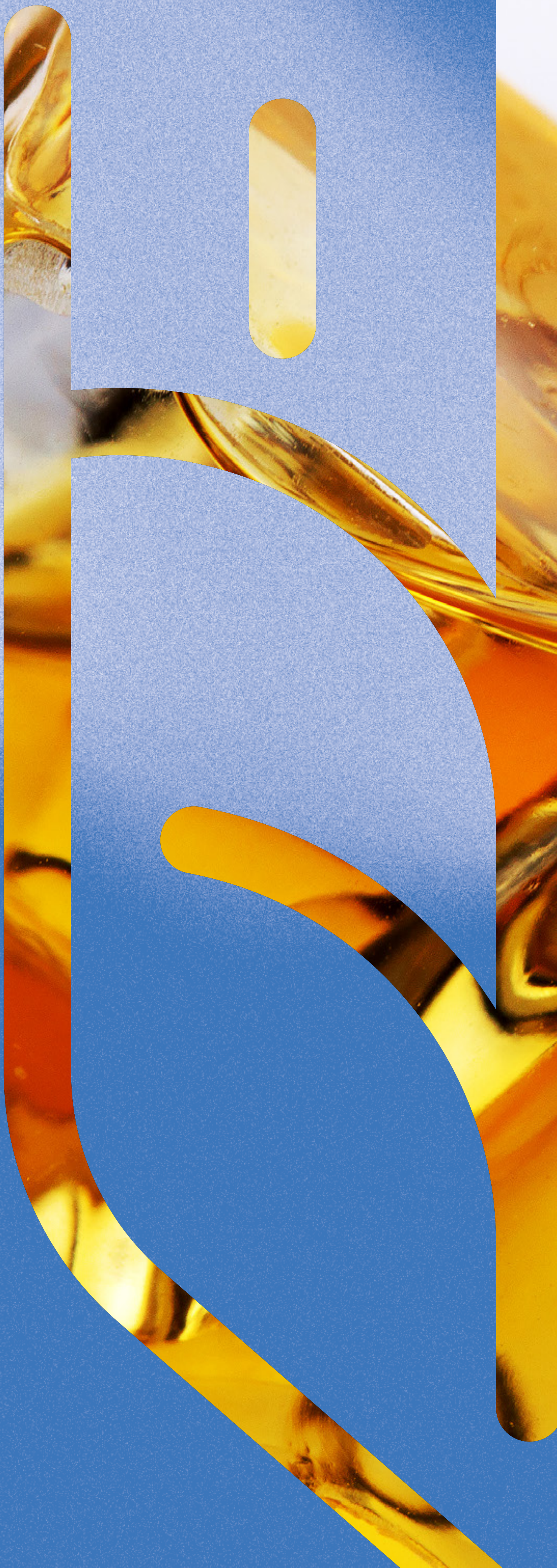
Drinks Ireland
Spirits

Irish Spirits Market Report 2019



drinksireland.ie/**spirits**

Foreword

This is the fourth industry and market report issued by Drinks Ireland | Spirits and you will see it illustrates the continued strength of the Irish spirits sector in 2019. Of course, that was then and now in 2020, to borrow words put to paper by William Butler Yeats, "*all changed, changed utterly*".

The data in this report predates the Covid-19 crisis which is having a significant impact on the spirits sector in terms of production, exports, and sales. This report details the sector's performance at a time when the economy was performing well. In many ways this report represents a lodestar to where the sector is looking to return to in the coming years. 2019 is the benchmark for the Irish spirits sector as it seeks to recover from the Covid-19 crisis.

In 2019 Ireland had, and to be fair continues to have, a dynamic domestic spirits industry with Irish spirits domestic sales and exports continuing to grow.

In last year's Spirits Report we suggested that there were clouds on the horizon… but little did we realise the form that those clouds would finally take.

In particular we pointed to the growing challenges in the transatlantic trade with the spirits sector getting drawn into trade disputes between the US and the European Union (the EU's 25% rebalancing tariff on US whiskey and bourbon (introduced in July 2018) and 25% US tariffs introduced in October 2019, on Irish Cream and other Irish liqueurs and on Single Malt Irish Whiskey from Northern Ireland in the Airbus /Boeing dispute). And we alluded to the United Kingdom's looming departure from the EU.

These challenges continued to bedevil the sector but now added to them is the challenge of Covid-19. For the spirits sector to prosper and play its part in efforts to rebuild and return our economy to where it was pre-Covid, the sector needs solid foundations to build upon.

Ireland's hospitality sector is a key part of that foundation. The pubs, bars and restaurants of the home Irish market are vital to the continued growth and prosperity of Ireland's spirits and craft spirits businesses. In many instances the hospitality sector is the first opportunity the Irish consumer or the overseas visitor has to experience new and exciting Irish spirits. The barman behind the bar or the waiter offering suggestions is key to educating the Irish and overseas consumer and providing profile to new Irish brands and distilleries.

Large and small pubs, bars and restaurants across the country, and the people working in them, are true champions for emerging brands in Ireland. They are key for consumers (both domestic Irish and overseas visitors) to experience and explore new and distinctive Irish spirit produce (e.g. #ExploreIrishGin).

Their extended closure is having a hugely negative impact on Ireland's dynamic spirits industry as it tries to recover from the devastation of Covid-19, not to mention the threat it poses to jobs and business' viability.

The Irish Government can support the indigenous spirits sector in many ways as it seeks to recover from Covid-19. Foremost would be the reopening of hospitality across the country in a controlled way and a similarly controlled return of overseas visitors to Ireland who are key to growing awareness of new Irish brands internationally. Next would be financial measures, competitiveness and tax reform that will benefit all sectors of the economy including ours. A third would be focusing on international trade and efforts to promote our successful produce in other markets including those of our single market partners and countries further East.

As a last point I would like to thank all those whose input has helped assemble this report. These include the IWSR, Revenue Commissioners, CSO, Eurostat, spiritsEUROPE, Ibec and Drinks Ireland member companies who have provided industry data. Without your assistance this report would not have come about.

Pat Rigney
Chair, Drinks Ireland | Spirits

Overview of report

This report assesses the performance of both Ireland's dynamic domestic spirits market and our thriving spirits export industry. However, and as previously stated, it does so for the most recent calendar year that we have full data available for (2019), and therefore does not take into account the grave challenges that our industry, and indeed everyone, has faced in 2020.

The trends that stood out in 2019 were:

- There has been continued growth in overall spirits sales in Ireland though at a slower pace than in 2018 and most Irish spirits purchases continue to be purchased through the off-trade.
- Gin and Irish whiskey continue to register increased sales but at lower levels than 2018. Interestingly Tequila, coming off a low base, showed the greatest percentage increase (6.2%) in year-on-year sales in 2019. It is also notable that gin sales, while still maintaining their historic upwards trajectory, have slowed year-on-year and although registering another increase in 2019 it is a much smaller increase than previous years. The market share leader remains vodka followed by Irish whiskey and gin in that order.
- Continuing a trend from last year sales of Scotch continue to fall (dramatically) with a 13.1% decrease on the previous year. US whiskeys and bourbons have also registered a decrease (4.4%) the most likely reason for which being the EU's 25% tariffs on these products.
- Spirits continue to increase, incrementally, overall share of the alcoholic beverage trade in Ireland rising to a 20.8% share of the market in 2019.
- Ireland retains its third-place position in the 2019 European spirits excise league table, with only Sweden and Finland ahead of it. In 2019 excise raised by all alcohol categories fell by 0.64%. Spirits contributed €373.4 million or 30.3% to the excise duty collected by the Irish State. While the overall total fell by 0.64% spirits contribution increased by 0.32% in 2019. In total excise receipts from alcohol products have increased by 40.3% since 2009.

- The value of spirits exports from the island of Ireland also continued to grow increasing by nearly 16% to €1.17 billion. The largest export market for the three Irish spirit GIs *(Irish Whiskey, Irish Cream liqueur and Irish Poitín)* were the United States, the United Kingdom and Global Travel Retail, all of which face significant challenges in the coming years…

- The trans-Atlantic trade disputes which have pulled in the spirits sector on both sides continues to weigh heavily on spirit production on the island of Ireland. The EU's 25% tariff on US whiskey and bourbon have been matched by US tariffs of 25% on Irish Cream and other Irish liqueurs and on Single Malt Irish Whiskey from Northern Ireland. These tariffs undermine the reciprocal trade freedoms that US and European spirit companies have enjoyed and mutually benefitted from for nearly a quarter of a century. There is no logical sense for this and authorities on both sides of the Atlantic should look, at the earliest possible opportunity, to start negotiating with a view to resolving these disputes and removing the spirits sector from their range.

Drinks Ireland is proud to represent Ireland's successful drinks industry. Spirits continues to lead the way and once more can I congratulate all our members on their considerable achievements in making this happen.

Vincent McGovern
Head of Spirits, Drinks Ireland

Overall spirits sales in Ireland in 2019

Increase 2018-2019
+0.7%

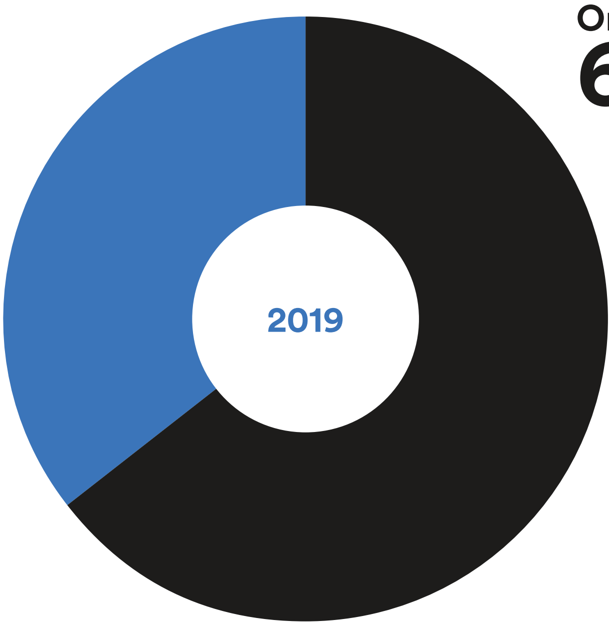
	2014	2015	2016	2017	2018	2019
Million nine litre cases	2.12	2.07	2.15	2.25	2.40	**2.42**

Source: The IWSR

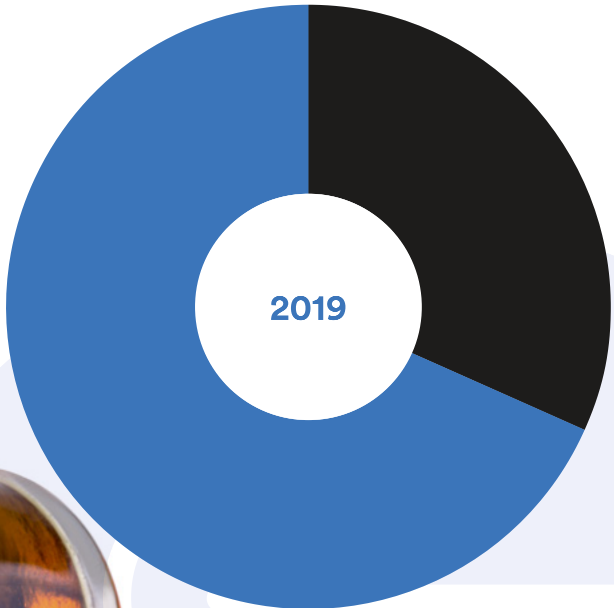
On-trade vs Off-trade – Value

Off-trade
35.3%[1]

On-trade
64.7%[2]



On-trade vs Off-trade – Volume

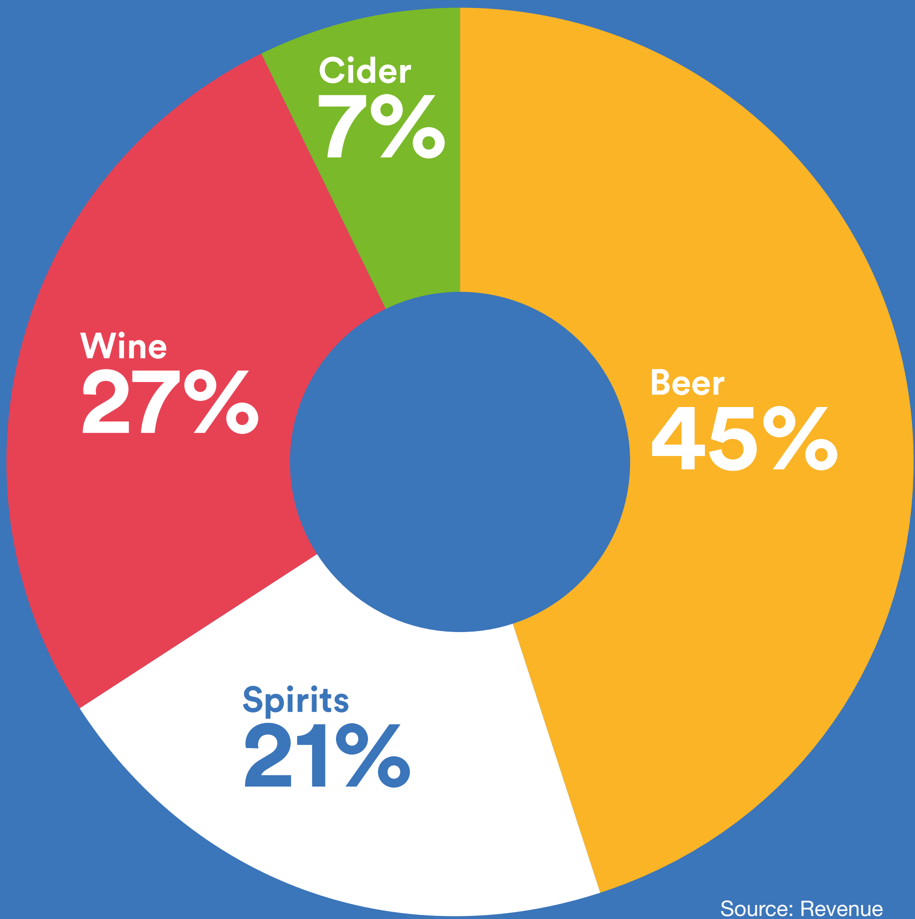


Off-trade
68.2%[3]

On-trade
31.8%[4]

1. €359,577,480
2. €658,089,092
3. 1,222,243 nine litre cases
4. 569,643 nine litre cases

Alcohol consumption by category mix in 2019



Source: Revenue

Year	Beer	Spirits	Wine	Cider/Perry
2010	47.7%	**18.5%**	25.9%	7.9%
2011	46.5%	**19.2%**	26.5%	7.8%
2012	46.2%	**19.8%**	26.3%	7.6%
2013	47.0%	**18.9%**	26.0%	8.1%
2014	47.2%	**18.1%**	26.8%	7.8%
2015	47.0%	**18.7%**	27.7%	6.6%
2016	45.8%	**19.1%**	27.6%	7.5%
2017	44.8%	**19.8%**	27.7%	7.7%
2018	45.2%	**20.5%**	26.7%	7.5%
2019	44.6%	**20.8%**	27.2%	7.4%

Source: Revenue

Value of spirits exports in 2019 – Republic of Ireland

Increase 2018-2019

+15.93%

	2014	2015	2016	2017	2018	2019
€ million	641.79	758.93	804.87	916.13	1,009.85	**1,170.71**

Source: CSO

€464 million

Estimated comparative value of spirits exports from Northern Ireland

Source: Industry, Ibec

€1.64 billion

Estimated aggregate value of spirits exports from the island of Ireland

Source: CSO, Industry, Ibec

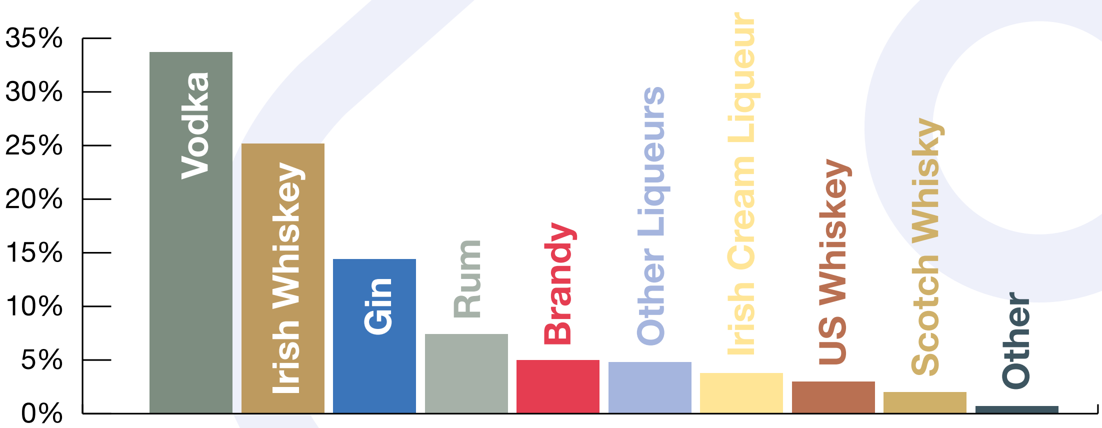
Ireland's most popular spirits categories in 2019

Spirit Category	2014	2015	2016	2017	2018	2019	Change 2018-2019
Vodka	805.5	743.75	750.95	750.00	786	791*	0.6%
Irish Whiskey	468	504.25	521.75	548.25	584.75	590.45*	1.5%
Gin	111.25	125.5	171.25	245.65	323.65	338.5*	4.6%
Rum	211	179.25	176.5	175.5	169.5	172.5*	1%
Brandy	108.25	111.75	118	117.25	119	117*	-1.7%
Other Liqueurs	103.00	104.50	109.70	111.7	112.85	113.6*	0.67%
Irish Cream Liqueur	100.75	93.25	95.2	84.5	95.4	89.4*	-6.3%
US whiskey	49.5	55.75	58	56.5	73.2	70*	-4.4%
Scotch whisky	75.5	67.5	61.75	55.75	51.5	44.75*	-13.1%
Tequila	13.5	15.75	16	15.75	16	17*	6.2%

* thousand nine litre cases

Source: The IWSR, industry

Sales in Ireland in 2019



Source: The IWSR, industry


#OPENINGTIME
#getbackintothespirit
#ExploreIrishGin

Spirits excise receipts in 2019

Alcohols – Net excise receipts

Spirits	2019	2018	2017
Q1	**€80.5 m**	€79.3 m	€75.9 m
Q2	**€89.2 m**	€87.2 m	€81 m
Q3	**€85.3 m**	€85.8 m	€83.4 m
Q4	**€118.4 m**	€120 m	€112.8 m
Total	**€373.4 m**	**€372.2 m**	**€353 m**

m = million

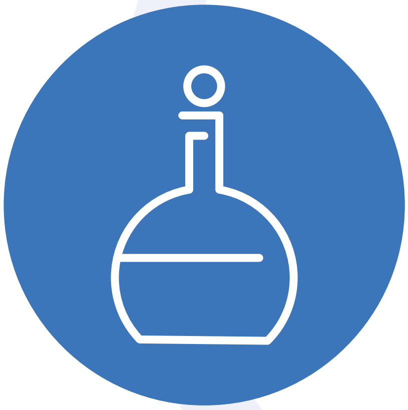
Source: Revenue

Quantities of spirits upon which net duties paid

Spirits	2019 LPA	2018 LPA	2017 LPA
Q1	**1,551,070**	1,681,566	1,471,263
Q2	**2,022,973**	1,927,704	1,896,052
Q3	**2,133,903**	1,992,780	2,031,311
Q4	**3,113,167**	3,161,340	2,902,184
Total	**8,821,113**	**8,763,390**	**8,009,948**

LPA = litres of alcohol

Source: Revenue



Excise receipts for all categories

Year	Beer	Spirits	Wine	Cider/Perry	Total	% Change
2009	€404.3 m	**€264.1 m**	€242.5 m	€57.1 m	€968.0 m	5.5%
2010	€320.1 m	**€243.5 m**	€218.8 m	€44.0 m	€862.0 m	5.1%
2011	€307.3 m	**€247.3 m**	€231.0 m	€44.0 m	€830.0 m	5.3%
2012	€308.0 m	**€263.9 m**	€231.4 m	€42.8 m	€846.0 m	5.0%
2013	€358.0 m	**€290.3 m**	€302.1 m	€51.6 m	€1,002.0 m	5.1%
2014	€424.8 m	**€301.8 m**	€354.6 m	€58.5 m	€1,139.8 m	5.1%
2015	€417.0 m	**€311.0 m**	€355.0 m	€54.0 m	€1,137.0 m	4.7%
2016	€430.0 m	**€338.0 m**	€380.0 m	€59.0 m	€1,207.0 m	4.8%
2017	€424.0 m	**€353.0 m**	€382.0 m	€61.0 m	€1,220.0 m	5.0%
2018	€430.1 m	**€372.2 m**	€376.4 m	€61.2 m	€1,239.9 m	4.9%
2019	**€421.4 m**	**€373.4 m**	**€377.9 m**	**€59.8 m**	**€1,232.5 m**	**-0.64%**

m = million

Source: Revenue

Average per adult alcohol consumption 2018 and 2019

	2017	2018	2019	Change 2018/19
Litres of pure alcohol total consumption	41.95 m	42.69 m	42.48 m	-0.5%
Adult Irish population (those aged 15 and over)	3.78 m	3.85 m	3.91 m	1.7%
Litres consumption of spirits per adult	11.08	11.09	10.86	-2.1%

m = million

Sources: CSO Population and Migration Estimates August 2019
Revenue Commissioners, Alcohol Clearances data 2019

Ireland's Protected Spirits

Irish Whiskey, Irish Cream and Poitín have protected EU Geographical indications (GI) status. This means that they can only be legally produced on the island of Ireland in line with an approved technical file[5].

Change 2018-2019
+5.95%

Overall volume of global Irish GI spirits sales in 2019

Year	2014	2015	2016	2017	2018	2019
Volume (Million nine litre cases)	7.15	14.97	16.02	17.21	18.5	**19.6**

Source: The IWSR, industry

Top 10 markets in 2019

	Country	Total*
1	United States	**7,397,600**
2	United Kingdom	**1,556,600**
3	*Global travel retail*	**1,313,000**
4	Germany ↑	**982,100**
5	Canada ↓	**965,000**
6	Russia ↑	**720,800**
7	Ireland ↓	**679,400**
8	France	**574,500**
9	Australia	**487,000**
10	South Africa	**399,800**

* Nine litre cases (12 bottles) Source: The IWSR, industry

5. https://www.agriculture.gov.ie/gi/geographicalindications-protectedspiritnames/

Change
2018-2019
+12.76%

Volume of global Irish whiskey sales in 2019

Year	2014	2015	2016	2017	2018	2019
Volume (Million nine litre cases)	7.3	7.83	8.71	9.69	10.58	11.93

Source: The IWSR, industry

Top 10 markets in 2019

	Country	Total*
1	United States	5,011,800
2	*Global travel retail*	679,600
3	Russia ↑	605,800
4	Ireland ↓	590,000
5	United Kingdom	467,800
6	France	401,500
7	South Africa	399,800
8	Germany	366,000
9	Czech Republic	300,300
10	Poland	299,800

* Nine litre cases (12 bottles)

Source: The IWSR, industry

The largest export market for the three Irish spirit GIs (Irish Whiskey, Irish Cream liqueur and Irish Poitín) were the United States, the United Kingdom and Global Travel Retail, all of which face significant challenges in the coming years.

Volume of global Irish Cream liqueur sales in 2019

Change
2018-2019
+3.9%

Year	2014	2015	2016	2017	2018	2019
Volume (Million nine litre cases)	7.15	7.14	7.31	7.75	8.2	8.52

Source: The IWSR, industry

Top 10 markets in 2019

	Country	Total*
1	United States	2,385,800
2	United Kingdom	1,088,800
3	Canada	672,000
4	*Global travel retail*	633,400
5	Germany	616,100
6	Spain	340,900
7	Australia	295,000
8	Italy	278,000
9	Mexico	225,600
10	France	173,000
	Ireland	89,400**

* Nine litre cases (12 bottles)
** Estimated figure

Source: The IWSR, industry

Poitín in 2019

Year	2016	2017	2018	2019
Volume (six bottle cases)	5,500	5,800	3,890	3,750*

* Estimated figure

Source: Industry

Change
2018-2019
-3.6%

US Whiskey and Bourbon exports to Ireland in 2019

Year on year growth	2014	2015	2016	2017	2018*	2019*
€	3,509,028	3,575,505	3,836,759	3,602,959	4,431,071	3,693,428
% change on previous year		+1.9%	+7.3%	-6.1%	+23%**	-16.6%

* EU tariffs of 25% were applied to US Whiskey and Bourbon imports in July 2018 in retaliation for US tariffs applied to European steel and aluminium products. **In July 2021, these tariffs automatically rise to 50%.**

Source: Eurostat

** US exporter frontloaded Whiskey and Bourbon exports into Ireland in the six months prior to EU tariffs being applied in July 2018 resulting in a +75.11% increase of exports compared to the same six-month period the previous year.

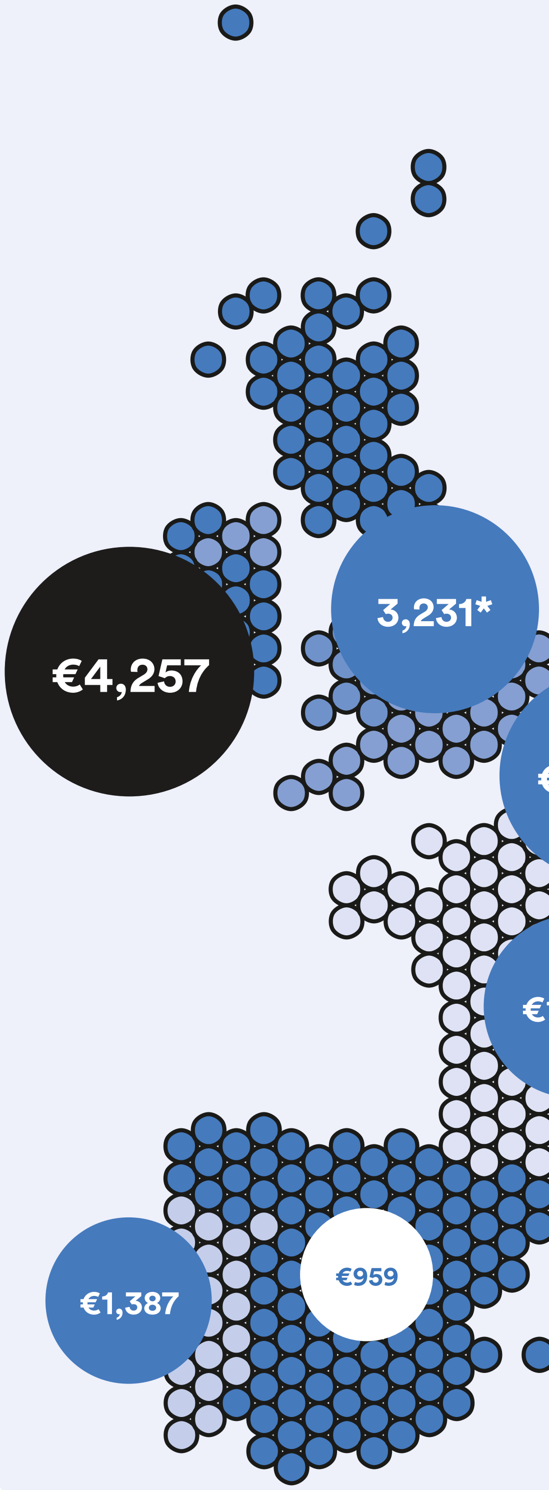
Ireland retains its third-place position in the spirits excise league table in Europe in 2019 with only Sweden and Finland ahead of it. Spirits contribute €373.4 million or 30.3% of to the excise duty collected by the Irish State.

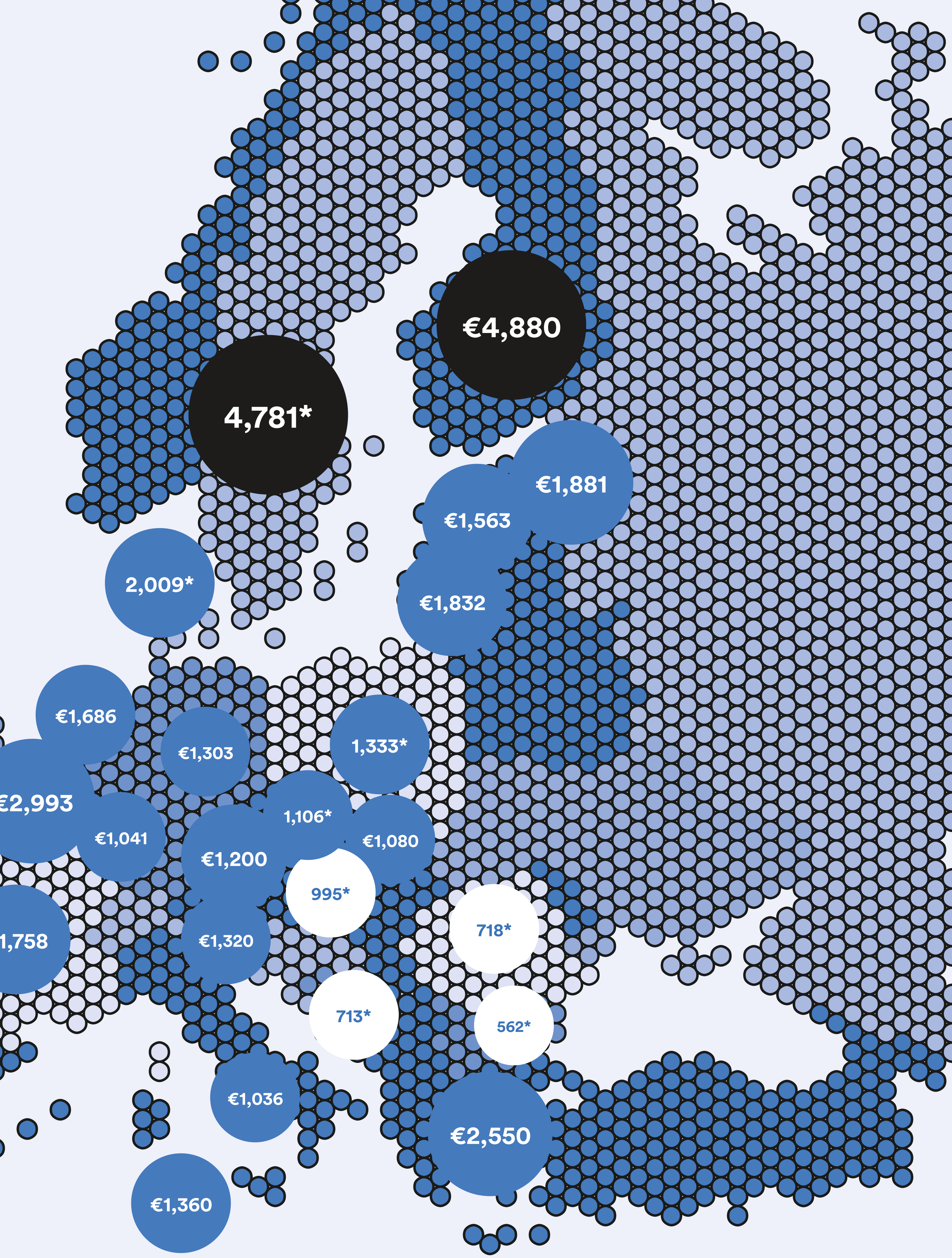
European Spirits Excise Rates 2019

Rank	Member state	Alcohol Tax/Excise duty
1	Finland	**€4,880** (+2%, January 2019)
2	Sweden	**4,781***
3	Ireland	**€4,257**
4	UK incl. Northern Ireland	**3,231***
5	Belgium	**€2,993**
6	Greece	**€2,550**
7	Denmark	**2,009***
8	Estonia	**€1,881** (-25%, July 2019)
9	Lithuania	**€1,832**
10	France	**€1,758**
11	Netherlands	**€1,686**
12	Latvia	**€1,563**
13	Portugal	**€1,387**
14	Malta	**€1,360**
15	Poland	**1,333***
16	Slovenia	**€1,320**
17	Germany	**€1,303**
18	Austria	**€1,200**
19	Czech Republic*	**1,106***
20	Slovakia	**€1,080**
21	Luxembourg	**€1,041**
22	Italy	**€1,036**
23	Hungary	**995***
24	Spain	**€959**
25	Cyprus	**€957**
26	Romania	**718*** (+3.2%, January 2019)
27	Croatia	**713***
28	Bulgaria	**562***

* € equivalent of local currency

Source: spiritsEUROPE




€4,880
4,781*
€1,881
€1,563
2,009*
€1,832
€1,686
€1,303
1,333*
€2,993
1,106*
€1,041
€1,080
€1,200
995*
1,758
€1,320
718*
713*
562*
€1,036
€2,550
€1,360

Drinks Ireland | Spirits and **Drinks Ireland | Irish Whiskey** exist to promote the interests of the Irish spirits industry in Ireland and internationally. We provide a strong and effective voice at the national, EU and global levels on issues such as taxation, labelling, trade and ongoing international protection of Ireland's three Geographic Indicators (GIs) for spirits i.e. Irish whiskey, Irish cream liqueur and Poitín.

Our objective is to ensure that optimal international trading conditions exist for the Irish spirits industry. Membership is open to all branded spirits manufacturers and suppliers. The association offers information, representation and advice to its members, and provides a forum for members to network, share best practice and collaborate on issues that impact the industry.

Drinks Ireland | Spirits and **Drinks Ireland | Irish Whiskey** are a part of **Drinks Ireland**.

Drinks Ireland is the **Ibec** group that represents alcohol drinks manufacturers and suppliers in Ireland. Ibec is the national voice of business in Ireland. Ibec represents the interests of business in Ireland and provides a wide range of direct services to its 7,500 member companies.

Ibec vision
Ibec – The most influential, dynamic business representative organisation in Ireland, driving our business agenda in Europe.

Ibec mission
Ibec – Leading, shaping and promoting business policy and conditions to drive economic success.

Drinks Ireland
84/86 Lower Baggot Street
Dublin 2
T: + 353 1 605 1500
E: info@drinksireland.ie
W: www.drinksireland.ie
@drinksireland