



UK Trade
& Investment



Wine & Spirits

US Industry Overview



February 2015



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Introduction

The United States is a large market, full of opportunities for UK companies but it is also complex and highly competitive.

With the mission of helping UK companies identify and pursue new business opportunities, UK Trade & Investment (UKTI) teams in the United States offer a variety of support to help companies achieve their international potential, including [trade missions, events, and webinars](#), and customised consultancy services ([Overseas Market Introduction Service](#), OMIS).

This brochure is intended to provide an overview of opportunities in the United States, help companies consider and understand the challenges, and outline the steps required to succeed in this market.

UK companies interested in any of our services in the United States should ideally speak first with one of our UK-based [International Trade Advisors](#) (ITAs). Financial assistance and grants are not available from UKTI staff in the United States, but UK companies can speak to ITAs about export support services like the Tradeshow Access Programme, Passport to Export, Gateway to Global Growth, and the Export Marketing Research Scheme. Companies in Scotland, Wales, and Northern Ireland should contact [Scottish Development International](#), [Business Wales](#), or [Invest Northern Ireland](#), respectively.



U.S. Market Checklist

Due to a common language and culture, the United States can seem like a relatively easy market to access. However, it is also a large, crowded, and highly competitive economy. It can be easy to underestimate the requirements of a successful US strategy. Prospective exporters should consider carefully whether they are ready to do business in the United States.

The following questions can assist with a critical self-evaluation:

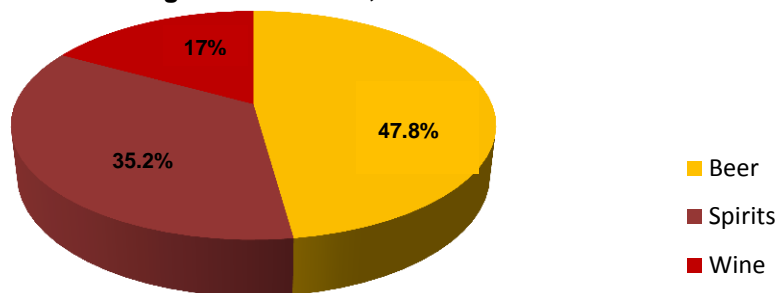
1. Is there a market in the United States for your product, service, or content? If so, is the market nascent, growing, or already saturated? These are key questions to ask and answer before committing the required time and expense towards developing your company's business in the United States.
2. Is your company in a stable financial position and ready to invest in expanding into new markets? Many UK companies underestimate the costs of setting up and time required to effectively succeed in the United States. It should not be considered a short-term process, and setting realistic expectations (in terms of time and cost) are required.
3. How much manpower, time and financial resources can you commit to your US strategy?
4. Have you formulated a market entry strategy? For example, do you want to sell online, via a distributor, agent, partner, or do you need to set up a US entity?
5. What is your Unique Selling Proposition (USP) for the US market? Make sure that this is clear, concise, well-presented and accessible to your potential US customers.
6. Have you developed a compelling sales pitch and marketing materials, including a website, around your USP? Have they been developed with a US audience in mind? UKTI DC have successfully used a Quad Chart as a means of marketing UK companies to US government personnel.
7. Do you understand the legal and accounting issues associated with doing business in the United States? For example, think about whether your sales contracts are appropriate, whether your intellectual property is protected, whether different technical standards and data privacy rules exist for your product or service, and whether you are covered in the event of liability claims. Before taking any concrete steps in the United States, a consultation with a US attorney is usually advisable.
8. Does your company export to or do business in any other international markets? It is generally easier to begin a company's overseas exports to markets that are geographically closer and have more experience working with UK companies, such as Ireland and other EU countries, before tackling the United States.
9. Do you have the capacity to fully exploit opportunities? Can you build on any initial success and meet increased customer demand? US businesses will be open to working with a foreign partner but will expect you to meet their customer service standards, be present to support any issues, and may want accessibility to discuss other future opportunities. They do not want to work with foreign companies that are 'in it for the short term'.
10. Did you register under the U.S. Food and Drug Administration's Food Facility Registration Regulations? Did you appoint a U.S. Agent for FDA purposes when registering your manufacturing and processing facilities with FDA? Did you ensure that your products comply with FDA, TTB and state regulations in terms of labelling and packaging?
11. Have you evaluated the logistics required to export in the United States? For example, are you prepared to invoice in US dollars, and have you determined how you will receive payments? How will you provide technical support? For physical products, have you identified customs duty rates and whether you will need a freight forwarder?



Market Overview: Alcoholic Beverages

The U.S. beverage market is a \$331 billion industry with alcoholic beverages making up over 50% of the revenues with \$197.8 billion in retail sales. Beer dominates on a volume share basis at 87% of consumption (in comparison to wine 8% and spirits 5%) but per-capita consumption of beer in the U.S. has been declining for over the past twenty years. In terms of revenue, the alcoholic beverage market is almost equally split between malt beverages and wine & spirits products.

Alcohol Beverage Market Share, 2014



The United States accounts for 21.4% of the global spirits market value, 13% of the global wine market value and 15.6% of the global beer market value.

Smaller categories like Hard Cider and Craft Beers showcase promising growth. Retail sales were up 89% and 17.2% respectively in 2013.

The three-tier system of alcohol distribution is the system for distributing alcoholic beverages set up in the United States after the repeal of Prohibition. The three tiers are producers, distributors, and retailers. There is no direct-to-consumer shipping allowed from the UK.

In terms of retail channels, **supermarkets/hypermarkets account for the largest proportion of volume in the US alcoholic drinks market in 2013.** The volume sold through this channel accounted for 16.4 billion litres, equivalent to 54.3% of the market's overall volume. On-premise sales totalled to 6.7 billion litres in 2013, equating to 22.1% of the total market's volume.

The Millennial Generation will continue to have a significant impact on the alcoholic drinks landscape. By 2016, "millennials", typically defined as the 80 million people born between 1977 and 2000, will reach the 21 to 34 age range and they make up 50% of the drinking population. By 2020 they will be 36% of the adult population and will be the dominant consumer force.

Over the decade to 2013, **consumer demand shifted toward premium brands featuring an upscale image** – a trend referred to by the industry as "**premiumization**". The Millennial Generation is responsible for establishing the trends that have spurred growth in the premium-and-above price points.

In terms of competition, the alcoholic beverage space in the US differs for each of the product segments. The US beer market is a highly concentrated market with the existence of a duopoly of Anheuser Busch-InBev and MillerCoors, who were together able to capture 80% of the total US beer market revenue. On the other hand, the US Spirits market is a fairly fragmented market with three major players (Diageo, Pernod Ricard and Beam/Suntory Holdings). Lastly, the wine market in the US is a concentrated market, including 4 major players with E&J Gallo Winery, Constellation Brands, The Wine Group and Trinchero Family Estates, capturing 70% of the market in terms of revenue in 2013.



Market Entry Conditions

The Three-Tier Distribution System

Overview

In 1933, the 21st Amendment to the United States Constitution repealed Prohibition and also gave states the authority to regulate the production, importation, distribution, sale and consumption of alcohol beverages within their own borders. This new regulatory system is known as the Three-Tier System. *The three tiers are producers (brewers, wine makers, distillers, importers) distributors, and retailers.* The basic structure of the system is that producers can sell their products only to wholesale distributors who then sell to retailers, and only retailers may sell to consumers.



Source: Beverage Trade Network

Pricing Structure

In this alcohol distribution system, mark-up is added at all levels and the pricing structure is as follows:

Examples:

Let's assume our goal is to get \$12 bottle retail price and that the FOB price at the winery is \$30 per case for a 12 pack of 750ml (table 1)
Let's assume our goal is to get \$30 bottle retail price and that the FOB price at the distillery is \$60 per case for a 12 pack of 750ml (table 2)

Winery FOB	\$30	Distillery FOB (12 x 750ml)	\$60
Ocean Freight (Apx)	\$5	Ocean Freight (Apx)	\$5
Fed Tax/Duty/Custom Broker/Other Fees	\$5	Fed Tax/Duty/Custom Broker/Other Fees	\$30
Landed Cost For Importer	\$40	Landed Cost For Importer	\$95
Importers Margin 33%	\$20	Importers Margin 33%	\$48
Price to Distributor	\$60	Price to Distributor	\$143
State Taxes. Apx	1	State Taxes. Apx	15
Inland Freight	3	Inland Freight	3
Distributors Landed Cost	\$64	Distributors Landed Cost	\$161
Distributor Margin (50% Mark Up/33% Margin)	\$32	Distributor Margin (50% Mark Up/33% Margin)	\$80.25
Price to Retailer	\$96	Price to Retailer	\$241
Retailer Margin (50% Mark Up/33% Margin)	\$48	Retailer Margin (50% Mark Up/33% Margin)	\$120
Retail Case Price for 12 Bottles	\$144	Retail Case Price for 12 Bottles	\$361
Bottle Price	\$12	Retail Price Per Bottle	\$30

Source: Beverage Trade Network



Open States and Control States

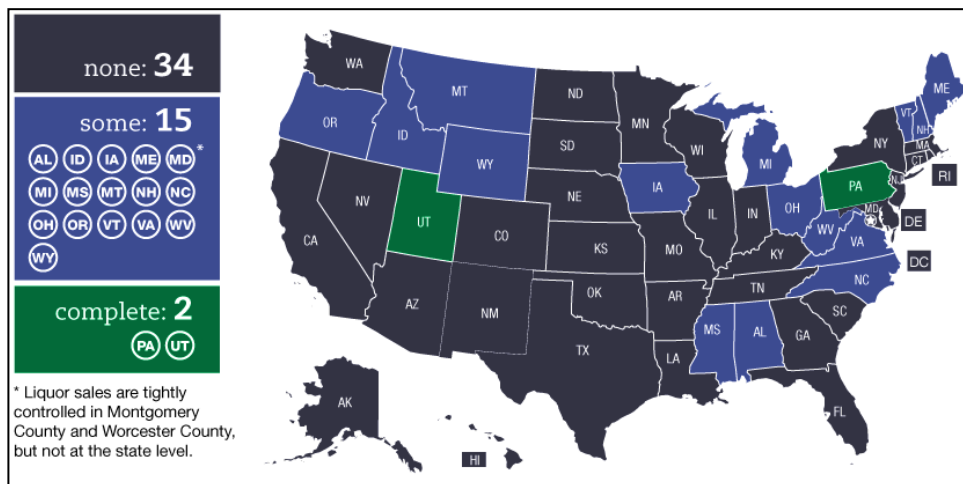
State laws and regulations vary widely from state to state, and may be more restrictive than federal regulations.

17 states and jurisdictions in Alaska, Maryland, Minnesota and South Dakota adopted forms of the "Control" model. They control the sale of distilled spirits and, in some cases, wine through government agencies at the wholesale level. Thirteen of those jurisdictions also exercise control over retail sales for off-premises consumption, otherwise known as Alcoholic Beverage Control (ABC) states; either through government-operated package stores or designated agents.

34 states adopted the "License" Model. They regulate alcohol distribution using a hierarchical licensing system through which these states approve and sell different licenses to businesses in each tier.

Around 80% of the volume in the US is sold into open states (34) while around 20% are sold into control/monopoly states (13). The largest markets for wine and spirits are California, Florida and New York.

Map of License States and Control States



Source: NABCA

Where in the US can wine and spirits be sold in grocery stores?





Source: legalbeer.com, Food Marketing Institute

Clearing Houses

Some importers work as a clearing house, allowing foreign producers to bypass the three-tier system to some extent, reduce their distribution costs and sell directly to retailers (bars, restaurants, liquor houses). These clearing houses offer solutions to manage the complex details required to import, transport, insure, warehouse, sell and receive payment for alcoholic beverage products in the US and assist in maintaining compliance with federal and state alcoholic beverage control laws and tax requirements. A brand owner could also use these companies to test its market campaign before moving on to a traditional distributor or supplement traditional distributors (sell additional products or SKUs that the distributor does not support for instance).

Regulations

A beverage is considered an alcohol beverage if it contains 0.5% or more alcohol per volume. The Alcohol and Tobacco Tax and Trade Bureau (TTB: <http://www.ttb.gov/>) and the Food and Drug Administration (<http://www.fda.gov/>) are the alcohol beverage regulatory agencies.

- ✓ **Alcohol and Tobacco Tax and Trade Bureau (TTB):** created in 2003, the TTB controls distilled spirits, wines and ciders containing 7% or more alcohol as well as malt based products and distilled spirit based products. The TTB enforces the provisions of the Federal Alcohol Administration Act (FAA Act) to ensure that only qualified persons engage in the alcohol beverage industry. The TTB is responsible for enforcing the laws regulating alcohol production, importation, and wholesale businesses; tobacco manufacturing and importing businesses; and alcohol labeling and advertising. The TTB issues importer/wholesaler permits, performs pre-import product evaluation, approves labels and collects excise taxes.
- ✓ **Food and Drug Administration (FDA):** the FDA regulates wines and ciders containing less than 7% alcohol are regulated by the FDA, as well as beers not made from malted barley and hops (such as sorghum beer). In addition to that, the Bioterrorism Act directs the Food and Drug Administration (FDA), as the food regulatory agency of the Department of Health and Human Services, to take steps to protect the public from a threatened or actual terrorist attack on the U.S. food supply and other food-related emergencies. Foreign producers must register with FDA and appoint a U.S. Agent for FDA purposes.
- ✓ **Alcohol Beverage Control Boards:** the TTB does not regulate the sales of alcohol or tobacco products at the retail level, including sales to minors. State and local authorities regulate those sales. The Alcohol Beverage Control Board in each state has the authority to regulate the production, sale, and distribution of alcohol within its borders. This means state and local jurisdictions may have their own requirements in addition to federal requirements. State laws and regulations vary widely from state to state, and may be more restrictive than federal regulations.
<http://www.ttb.gov/wine/state-ABC.shtml>



Labelling: Mandatory Label Information

All alcoholic beverages must mention Government Warning:

“GOVERNMENT WARNING: (1) ACCORDING TO THE SURGEON GENERAL, WOMEN SHOULD NOT DRINK ALCOHOLIC BEVERAGES DURING PREGNANCY BECAUSE OF THE RISK OF BIRTH DEFECTS. (2) CONSUMPTION OF ALCOHOLIC BEVERAGES IMPAIRS YOUR ABILITY TO DRIVE A CAR OR OPERATE MACHINERY, AND MAY CAUSE HEALTH PROBLEMS.”

For more information on spirits labels: <http://www.ttb.gov/spirits/bam/chapter1.pdf>

For more information on wine labels: <http://www.ttb.gov/pdf/06-08-expo-sample-labels.pdf>

Specific questions related to organic alcohol (advertising, labelling and formulation):

<http://www.ttb.gov/faqs/alforganic.shtml>

For imported wine and spirits, the name and address of the importer must appear on the label preceded by an appropriate explanatory phrase such as “IMPORTED BY,” “SOLE AGENT” or “SOLE U.S. AGENT”.

BRAND NAME

The brand name is used to identify and market a distilled spirits product. A brand name may not mislead the consumer about the age, identity, origin, or other characteristics of the distilled spirit.

NAME AND ADDRESS

The name and address of the bottler or importer must appear on the container. However, the address of the bottler's principal place of business may be used instead of the actual location where the bottling took place. It is also permissible for a bottler/importer to use a duly authorized trade name in place of its usual operating name.

ALCOHOL CONTENT

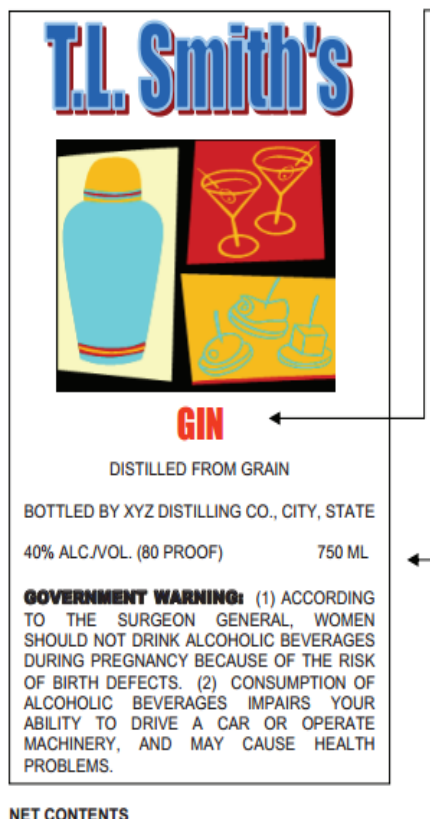
A statement of alcohol content expressed in percent by volume must appear on the brand label. An additional alcohol content statement expressed in degrees of proof may be shown in addition to the required alcohol by volume statement.

HEALTH WARNING STATEMENT

By law, this statement is required on all alcohol beverages containing 0.5% or more alcohol by volume.

COUNTRY OF ORIGIN

Pursuant to regulations issued by TTB, as well as requirements of U.S. Customs and Border Protection, a Country of Origin statement is required on containers of imported distilled spirits. Acceptable statements include “Product of (insert name of country)” or “Produced in (insert name of country).”



CLASS/TYPE DESIGNATION

The brand label of a distilled spirit must contain a designation that accurately identifies the product in the bottle. The regulations are quite specific as to the ingredients and processes used to produce a product of a given class or type. For instance:

Gin must derive its main characteristic flavor from juniper berries. In addition, gin labels must also show the commodity from which the product was distilled (e.g., “Distilled from grain”).

Vodka is defined as neutral spirits (alcohol produced from any material at or above 190° proof) so distilled, or so treated after distillation, as to be without distinctive character, aroma, taste, or color. Like gin, vodka labels must also show the commodity from which the product was distilled.

Rum must be made from the fermented juice of sugar cane, sugar cane syrup, sugar cane molasses, or other sugar cane by-products.

Tequila must be derived principally from the Agave Tequilana Weber plant (“blue” variety). Tequila is a distinctive product of Mexico, manufactured in Mexico in compliance with the laws of Mexico.

Cordials and Liqueurs are produced from spirits in combination with fruits, flowers, plants, juices, or natural flavors and with the addition of at least 2.5% by weight of certain sugars.

A distilled spirits product may not fit into any of the classes or types of spirits found in the regulations, usually because of the addition of flavoring materials or because it was made with a non-standard blending or treating material. When this is the case, the product must be labeled with a truthful and adequate statement of composition such as “Rum with natural flavors.” These products will also bear a mandatory fanciful name, such as “Spiced Rum.”

NET CONTENTS

The net contents of a distilled spirit container must be stated in metric units of measure. Distilled spirits must be bottled in sizes of 1.75 L, 1 L, 750 ml, 375 ml, 200 ml, 100 ml, or 50 ml. A can must be filled to 355 ml, 200 ml, 100 ml, or 50 ml.



Labelling: Certificate of Label Approval

No alcoholic beverage product may be imported into or sold in the United States unless the TTB has issued a Certificate of Label Approval (often known by its abbreviation "COLA") for the bottle label. In addition, the states in which your products will be sold at wholesale may mandate brand or label registration under their state laws, sometimes depending on the type of product. For example, New York law requires beer and liquor brands to be registered but not for most types of wine products, provided they have received Federal Certificate of Label Approval. Each of your US importers must obtain a COLA.

For spirits and malt beverages, the TTB requires a Pre-COLA product evaluation to determine whether a proposed label identifies the product in an adequate and non-misleading way. Pre-COLA product evaluation entails a review of a product's ingredients and formulation and also may include a laboratory analysis of the product. Lab analysis involves a chemical analysis of a product.

NB. For alcohol beverages that fall in the FDA spectrum, there is no certificate of label approval procedure.

Importing samples for trade shows

Samples of alcoholic beverages imported strictly for use at trade shows and/or for soliciting orders may, under certain conditions, be imported without a certificate of label approval (COLA). Importers of such samples may apply for a waiver from the COLA requirements from the TTB in the form of a letter request (available at http://www.ttb.gov/itd/importing_samples.shtml).

Packaging

The FDA is responsible for making sure that the packaging components are safe. The TTB regulates the bottle sizes and focuses its attention on whether the packaging affects the alcohol proof and taxation of the product (although the TTB does concern itself with making sure alcohol packaging is safe).

Packaging materials are considered food additives. Food additives included in alcoholic beverages are subject to FDA's food additive regulations and Generally Recognized as Safe (GRAS) standards. Adding ingredients (such as amino acids, flavorants, and other functional food ingredients or additives) to alcoholic beverages is only permitted according to the Federal Food, Drug and Cosmetics Act (FFDCA) and the FDA regulations. The Bureau of Alcohol Tobacco and Firearms (BATF) and the Tax and Trade Bureau (TTB) will defer to the FDA with respect to food additives in alcoholic beverage formulations.

For new packaging, the TTB requires producers to obtain an "opinion" from FDA stating that the uncleared material is not expected to become a component of the alcoholic beverage or is otherwise acceptable for use.

Trademark protection

The Alcohol and Tobacco Tax and Trade Bureau and its Certificates of Label Approval (COLA) system is searchable and offers a window into existing brands and brands in the pipeline awaiting release. The US Patent and Trademark Office also maintains a free search engine that allows the public to review registered trademarks, both active and abandoned. If the name appears available after a thorough review, the next step is to register it with the USPTO.

USPTO
USPTO MADISON BUILDING
600 Dulany Street
Alexandria, VA 22314
<http://www.uspto.gov/>

Tariffs, Tax and Import Fees

Alcoholic beverages imported to the US are subject to several taxes (tariff, sales tax, excise tax). There are federal and state excise taxes.



Tariffs/Customs Duty

To get the appropriate rate of duty for your product(s), please check out the Harmonized Tariff Schedule of the United States, Chapter 22 Subheading 2204 to 2208: <http://hts.usitc.gov/>.

Sales Tax

Sales tax varies from one state to another: http://www.taxadmin.org/fta/rate/tax_stru.html.

State	General Tax	Total with Max Local Surtax
California	7.50%	10%
Illinois	6.25%	10%
New York	4%	8.875%
Texas	6.25%	8.25%
Florida	6%	7.50%

Excise Taxes (federal, state, local)

Current Federal Alcohol Excise Tax Basics (per gallon)

Wine (<14% alcohol): \$1.07
Spirits: \$13.50

Current Federal Alcohol Excise Tax Basics (per serving)

Wine (5 oz.): \$0.04
Spirits (1.5 oz.): \$0.13

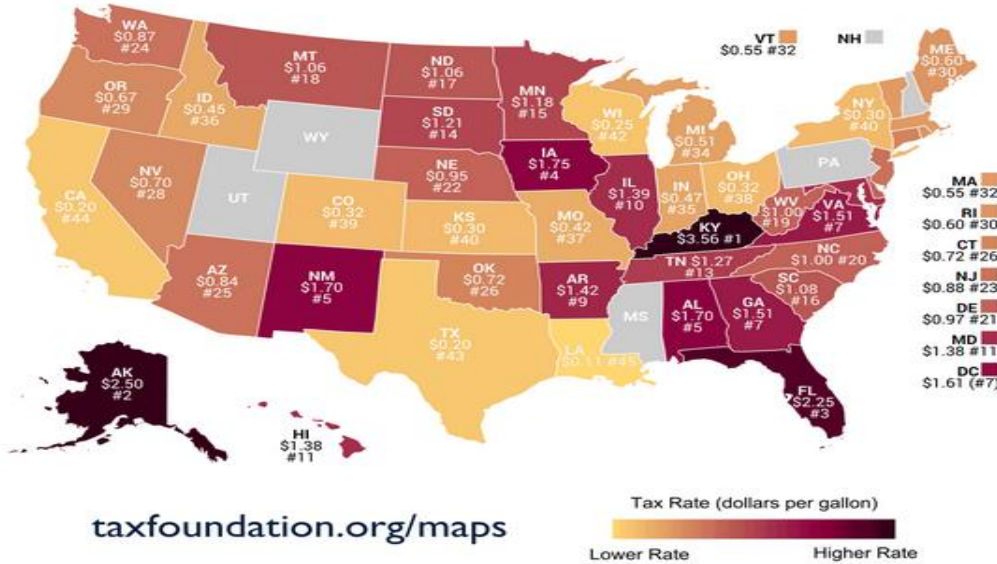
There is no consistent system for how states and local government tax alcoholic beverages.

Example: New York State imposes an excise tax on the sale or use of beer, cider, wine, and liquor in New York State. New York City imposes an additional excise tax on the sale or use of beer and liquor containing more than 24% alcohol by volume in New York City.

More information can be found on the Tax Foundation website: <http://taxfoundation.org/blog/map-spirits-excise-tax-rates-state-2014>.

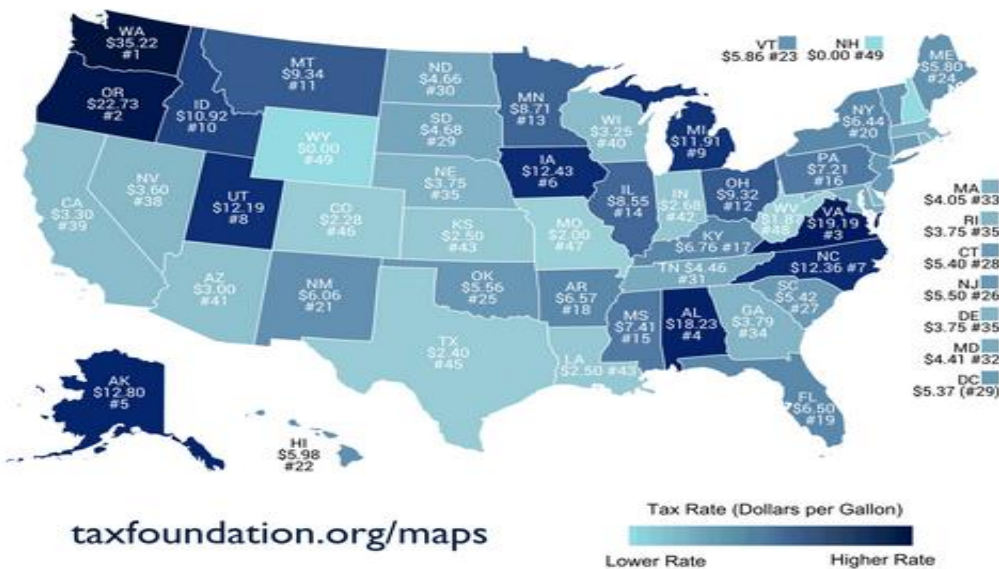


State Wine Excise Tax Rates (Dollars per Gallon)



Wine taxes are highest in Kentucky at \$3.56 per gallon. Rounding out the top five are Alaska (\$2.50), Florida (\$2.25), Iowa (\$1.75), Alabama and New Mexico tied at \$1.70. The lowest-taxed states are Louisiana (\$0.11), California (\$0.20), Texas (\$0.20), Wisconsin (\$0.25), and Kansas and New York (tied at \$0.31). Note that this doesn't include the states where government controls all sales (these can still be subject to ad valorem mark-up and excise taxes).

State Spirits Excise Tax Rates (Dollars per Gallon)



Spirits are taxed the highest in Washington at \$35.22 per gallon. Next in line are Oregon (\$22.73), Virginia (\$19.19), Alabama (\$18.23), and Alaska (\$12.80). Least-taxed states are Wyoming and New Hampshire, which have no spirits excise taxes (note that these are states in which the government controls all sales, and spirits may be subject to ad valorem mark-up and excise taxes). These are followed by West Virginia (\$1.87), Missouri (\$2.00), Colorado (\$2.28), and Texas (\$2.40).



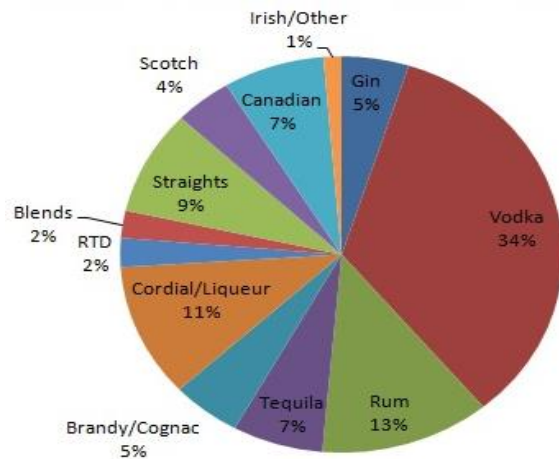
Distilled Spirits

Market Overview

Distilled spirits consumption in the US totalled 210 million 9-litre cases in 2014, a 2.2% gain by volume. Overall, retail sales of distilled spirits in the U.S. are nearly \$70 billion. Favourable demographic trends and increasing consumer preference for more upscale beverages (e.g., distilled spirits over beer) will drive gains. Distilled spirits make up around 35% of the sales of alcoholic beverages.

Spirits products vary widely in price, and can be classified as value, premium, high-end premium, or super premium based on their cost. Although the economic recession allowed lower-priced value brands to take market share from higher-end products, premium spirits recovered some of this market share in 2010 as economic conditions improved. Super premium products expanded their presence, wresting share away from spirits in the high-end and premium categories, supported in part by new product introductions and effective marketing campaigns. **In a return to the pre-recession trend, premium spirits accounted for the majority of growth from 2011 to 2014. Super premium Tequila, Scotch and American Whiskey have seen especially robust gains since 2011.**

Spirits Consumption, Volume Market Share, 2014



Source : Beverage Handbook 2014

Spirits Segments Growth, by value, 2014

Spirits Category	Volume (% change 2013-2014, 9-litre cases)	Value (% change 2013-2014)
Whiskey	+7.3% (56.6M cases)	+7.4% to \$7.5B
Vodka	+1.6% (66.9M cases)	+3.3% to \$5.8B
Rum	-1.5% (25.2M cases)	-0.8% to \$2.4B
Tequila	+5% (13.8M cases)	+4% to \$2.1B
Gin	-2.7% (10.0M cases)	-0.1% to \$865M
Brandy & Cognac	+3.7% (11.5M cases)	+10.3% to \$ 1.7B
Irish	+9.1% (2.8M cases)	+10.7% to \$553M
Canadian	-1% (16.3M cases)	+0.8% to \$1.7B
Single Malt Scotch	+6.4% (1.9M cases)	+9.2% to \$645M
Scotch Blended	-3% (7.6M cases)	-1.9% to \$1.4B
Blended Whiskey	+42% (8.7M cases)	+49.3% to \$577M
Bourbon/Tennessee	+7.4% (19.4M)	+9.6% to \$2.7B
Cordials	-1.1% (20.4 M cases)	+0.3% to \$2,5B
Cocktails	-10.4% (5.7M cases)	-10.6% to \$315M

The largest sub-category of spirits is vodka with 34% of cases sold, followed by whiskey with 23% and rum with 13%. Vodka continues to lead the category with another year of growth (+1.6%), Gin is losing market volume. Whiskey -especially Bourbon and Tennessee whiskey- is in its “renaissance” period with a 10.1% growth in 2013 and 7.3% growth in 2014. Flavor innovation and the artisanal movement are the elements driving spirits growth.



Category Segmentation

Vodka

Vodka has become the backbone of the spirits industry, accounting for 34% of all volumes. In 2014, 66.9 million 9-litre cases of vodka were sold in the United States, generating \$5.78 billion in revenue for distillers.

According to data reported by the Distilled Spirits Council of the United States (DISCUS), **flavoured products accounted for about 70% of all new vodka offerings** in 2012. In addition, DISCUS reported that flavoured vodka accounted for roughly 24% in 2013 and 20% in 2014 of all vodka sold in the US.

In 2013, the amount of vodka imported from Russia into the US dropped 70% due to sanctions. The top five best-selling vodka brands by 9-litre cases sold in 2013 were Smirnoff (DIAGEO-produced in several countries, but not Russia), Absolut (Pernod Ricard - Sweden), Svedka (Constellation Brands - Sweden), Grey Goose, (Bacardi -France), Pinnacle (Beam Suntory – France) and Skyy (Campari Group - US) vodka, according to DISCUS.

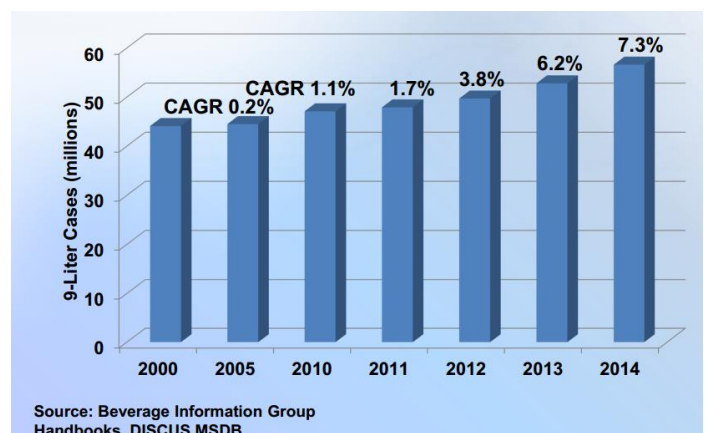
US demand for vodka is forecast to total 191 million gallons in 2018. Vodka suppliers will continue to benefit from an expanding cocktail culture; even as the flavoured vodka category matures, opportunities will remain for new product launches.

Though vodka still has a hold on volume, whiskey sales overtook those of vodka in 2014.

Whiskey

Whiskey consumption is projected to advance 2% per year between 2013 and 2018 to 522 million litres. Similar to the leading vodka category, continuing growth in the flavoured whiskey sub segment is expected to drive volume gains for whiskey overall. Spirits industry experts assert growing interest in whiskey in general, from single-malt Scotches to old-fashioned American bourbon.

Total **whiskey revenues increased 7.4% to over \$7.5 billion in 2014**. Highlights within the Whiskey category include **Irish Whiskey** up 9.1% in volume, the clear leader among all spirit categories to 2.8 million cases worth \$550 million, up 10.7% in revenue; **Single Malt Scotch** up 6.4% in volume to 1.9 million cases worth \$645 million, up 9.2% in revenue; and **Bourbon and Tennessee** Whiskey up 7.4% in volume to 19.4 million cases worth \$2.7 billion, up 9.6% in revenue.



Brands that lead the whiskey category include JACK DANIEL'S Tennessee Whiskey (Brown-Forman Corporation) and Bourbon brands JIM BEAM (Beam Suntory), MAKER'S MARK (Beam Suntory) and WILD TURKEY (CAMPARI GROUP); CROWN ROYAL (Diageo) and CANADIAN CLUB (Beam Suntory) Canadian Whisky; JOHNNIE WALKER and DEWAR'S (Bacardi) Scotch; and JAMESON (Pernod Ricard) Irish Whiskey.

According to the Chicago-based market research firm IRI, the top selling whiskey brands in the US in retail sales are Jack Daniel's (8.02% volume share), Crown Royal Canadian Whiskey (5.96% volume share), Jim Beam North American Whiskey (6.59% volume share), Fireball (6.23%), Seagram 7 Crown (5.28%), Jameson Irish Whiskey



(2.29%), Black Velvet (6.2%), Johnnie Walker Scotch Whisky (1.9%), Maker's Mark (1.62%), Southern Comfort (2.42%), Evan William (3.47%), Jack Daniel's Tennessee Honey (1.59%), Canadian Mist (3.63%), Dewar's Scotch Whisky (1.44%), Canadian Club (2.48%), Kessler (3.2%), Seagram's VO (1.53%), Wild Turkey (0.81%), Rich and Rare Canadian Whisky (2.26%), Windsor Canadian Whisky (2.12%).

➤ **American whiskey (Bourbon and Tennessee)**

American whiskey accounts for the largest segment total. In 2014, over 19.3 million 9-litre cases of Bourbon & Tennessee Whiskey were sold in the United States, generating \$2.7 billion in revenue for distillers.

All price categories experienced growth, but the most notable category was Super Premium whiskey with volume and revenue up 19.2%. Growth is also supported by the launch of numerous flavoured products, and the expansion of the cocktail culture has US consumers desiring the mixability of American whiskey as opposed to Scotch.

Exports of Bourbon and Tennessee whiskey topped \$1B for the first time in 2013, reached \$1.56B in 2014, and accounted for 70% of total US spirits exports. The top ten markets for export growth (by dollar sales) were Canada, the United Kingdom, Germany, Australia, France, Japan, Spain, the Netherlands, Mexico and Singapore.

➤ **Canadian Whisky**

In 2014, 16.3 million 9-litre cases of Canadian Whisky were sold in the United States, generating nearly \$1.7 billion in revenue for distillers.

High End Premium, and Super-Premium brands drove growth with revenues up 63% and 9% respectively.

➤ **Scotch Whisky**

According to the US Distilled Spirits Council, around 9.4 million 9-litre cases of Scotch were sold in the United States in 2014, generating nearly \$2 billion in revenues for distillers.

Over half of Scotch revenues are derived from High-End and Super-Premium brands. One of the driving factors behind the growth in Super Premium Scotch brands has been Americans' continuing interest in Single Malt Scotches. Single Malt Scotch volumes have grown by 140% since 2002. In 2014, Single Malt Scotch volumes were up 6.4% to 1.9M cases, while revenues were up 9.2% to \$645M.

Blended Scotch volumes were down 3% in 2014; revenues were down by 1.9% to \$1.36B.

U.S. Scotch Volumes by Price Category (9-Liter Cases, 000, includes blends and single malts)					
Year	Value	Premium	High End Premium	Super Premium	Total
2002	3,291	3,460	2,192	155	9,098
2003	3,241	3,574	2,268	238	9,321
2004	3,264	3,636	2,449	272	9,621
2005	3,162	3,599	2,458	288	9,507
2006	2,976	3,558	2,657	327	9,518
2007	2,918	3,514	2,752	376	9,561
2008	2,960	3,366	2,728	372	9,426
2009	2,800	3,304	2,566	358	9,028
2010	2,727	3,139	2,763	426	9,056
2011	2,504	3,115	2,901	552	9,072
2012	2,297	3,068	3,186	675	9,226
2013	2,133	3,180	3,399	849	9,561
12 - 13 Growth	-7.1%	3.6%	6.7%	25.8%	3.6%

Source: Distilled Spirits Council of the United States (DISCUS)



Scotch	Supplier Rev/ 9 Liters	Major Brands
Value	<\$110	Scorsby, Passport, Bellows
Premium	\$110 to \$160	Dewars White Label, Johnnie Walker Red
High End Premium	\$160 to \$260	Johnnie Walker Black, Chivas Regal, Dewars 12, Glenlivet 12
Super Premium	\$260+	Glenlivet, Glenmorangie, Macallan, Johnnie Walker Blue

Source: Distilled Spirits Council of the United States (DISCUS)

➤ Irish Whiskey

In 2014, over 2.7 million 9-litre cases of Irish whiskey were sold in the United States, generating \$553 million in revenues for distillers.

Irish whiskey is the smallest (1% category volume share) and yet the fastest growing in the American spirits market — up nearly 400% since 2002, 22.5% in 2013 and 10.7% in 2014. Apart from the growing interest in whiskey, growth of Irish whiskey also has to do with its flavour profile: its sweeter and smoother flavour seems to appeals to younger consumers (Millennials) accustomed to white spirits.

Irish whiskey has benefited from consumers tendency towards premiumization. High-end premium and super premium price categories saw the most growth in 2014.

While Jameson is by far the top selling brand, an interesting trend is the emergence of smaller and often higher-end brands which are as important growth drivers for the segment as a whole.

Rum

In 2014, 25.2 million 9-litre cases of rum were sold in the United States, generating nearly \$2.4 billion in revenue for distillers.

Rum suppliers benefited from Latin American cultural influences on US consumer trends. Rum's popularity among younger consumers, as well as the introduction of brand extensions to increase the use of rum in cocktails, also supported gains. According to DISCUS, flavoured and spiced rums accounted for around 53% of all rum sold in the US in 2013. Flavoured rum accounted for nearly 20% of all rum sold in the US in 2014.

Leading brands of rum include BACARDI (Bacardi), CAPTAIN MORGAN (Diageo), MALIBU (Pernod Ricard), ADMIRAL NELSON (Heaven Hill Distilleries), and CRUZAN (Beam Suntory).

Tequila

Since 2002, U.S. imports of Tequila have grown 83% - an average rate of 5.6% per year. In 2014 alone, more than 13 million 9-litre cases were sold.

US tequila demand is expected to increase 4.5% per year from 2013 to 2018. Tequila will see some of the strongest volume gains of any distilled spirit over the forecast period, driven by new product introductions and aggressive



marketing strategies that include celebrity endorsements and promotional events.

Consumption was supported by the popularity of tequila-based beverages, particularly the margarita, as well as the emergence of premium tequilas.

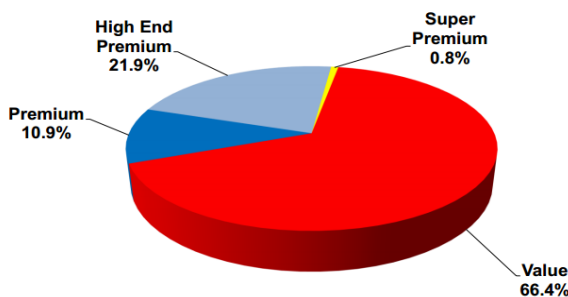
Top tequila brands include JOSE CUERVO (Tequila Cuervo La Rojeña, distributed by Proximo Spirits), 1800 TEQUILA (Agavera Camichines, distributed by Proximo Spirits), PATRÓN (The Patrón Spirits Company), SAUZA (Beam Suntory) and JUAREZ (Luxco). The top five tequilas in terms of market shares dominate the industry with over 65% of the market.

Gin

In 2014, 10 million 9-litre cases of gin were sold in the United States, generating \$865 million in revenue for distillers. High-end Premium offerings comprise the majority of the category's growth (+5% in 2013).

Gin is experiencing strong premiumization trends that have seen brands like Bombay, Beefeater, Tanqueray, New Amsterdam and Hendrick's outperform the overall market. Those five brands accounted for 18% of global gin sales volume in 2013, according to Impact Databank, and nearly all of the category's growth.

Share of U.S. Gin Volume by Price Category, 2013



Source: The Distilled Spirits Council of the U.S.

U.S. Gin Market
Volumes by Year and Price Category
9-Liter Cases (000)

Year	Value	Premium	High End Premium	Super Premium	Grand Total
2002	7,900	1,192	1,900	49	11,041
2003	7,753	1,176	2,016	51	10,997
2004	7,692	1,224	2,024	55	10,996
2005	7,514	1,205	1,948	52	10,718
2006	7,555	1,357	2,205	50	11,167
2007	7,674	1,320	2,208	51	11,253
2008	7,775	1,107	2,167	73	11,122
2009	8,102	1,051	1,989	59	11,201
2010	7,859	1,022	1,961	65	10,906
2011	7,421	954	2,110	80	10,566
2012	7,360	1,137	2,153	79	10,729
2013	6,855	1,129	2,260	78	10,321
12 - 13 Growth	-6.9%	-0.7%	5.0%	-1.7%	-3.8%

Although the increased popularity of gin-based cocktails such as Martinis and Cosmopolitans supported consumption to some extent, the absence of new product introductions resulted in a loss of market share to suppliers of innovative vodkas and other spirit types.

However, the emergence of micro-distilleries and the growing popularity of their products is favourable for gin suppliers, as the spirit is particularly amenable to small variations in flavour and ingredients.

Other spirits: Brandy and Cognac, Cordials and Liqueurs

In 2013, 11.1 million 9-litre cases of Brandy/Cognac were sold in the U.S., generating \$1.5 billion for distillers. Since 2002, total Brandy/Cognac volumes are up 15%, with the Super Premium category up 54.3%.

Leading brandy and cognac brands include HENNESSEY (LVMH Moët Hennessy Louis Vuitton) and E&J (E&J Gallo Winery). Top selling liqueur brands include JAGERMEISTER (Mast-Jägermeister) and BAILEY's (Diageo). Cordial volumes declined 2.8% in 2013.



U.S. Imports of Distilled Spirits

The U.S. was a net importer of distilled spirits in 2013. In volume terms, imports amounted to 745 million litres or roughly 36% of total US demand.

DISTILLED SPIRITS IMPORTS BY CATEGORY, VALUE

	2009	2010	2011	2012	2013
BITTERS	\$1,848,720	\$521,381	\$450,992	\$479,595	\$1,269,660
BRANDY	\$603,349,415	\$653,834,072	\$669,651,834	\$702,445,443	\$842,737,170
CORDIALS	\$812,891,760	\$763,305,649	\$865,011,702	\$930,098,106	\$971,859,897
GIN	\$222,882,766	\$229,729,304	\$251,534,479	\$269,981,624	\$285,629,876
RUM	\$72,502,561	\$68,439,778	\$78,364,977	\$90,700,617	\$98,453,113
TEQUILA	\$515,423,694	\$614,512,694	\$683,193,628	\$690,599,360	\$733,557,408
VODKA	\$1,464,117,079	\$1,634,208,003	\$1,783,258,317	\$1,799,309,629	\$1,701,318,965
WHISKEY	\$1,049,153,831	\$1,154,599,995	\$1,296,538,506	\$1,457,116,600	\$1,696,586,063
OTHER	\$65,855,899	\$104,570,752	\$139,631,162	\$127,089,295	\$97,308,570
TOTAL	\$4,808,025,725	\$5,223,721,628	\$5,767,635,597	\$6,067,820,269	\$6,428,720,722

DISTILLED SPIRITS IMPORTS BY CATEGORY, PROOF GALLONS

	2009	2010	2011	2012	2013
BITTERS	49,824	13,115	8,549	11,697	49,664
BRANDY	8,477,454	9,050,719	10,297,266	8,957,934	10,038,178
CORDIALS	15,033,669	14,052,279	15,900,810	16,975,379	18,192,518
GIN	6,131,780	6,241,027	6,492,621	7,117,516	7,381,680
OTHER	6,641,713	9,616,028	15,198,735	22,387,931	22,487,885
RUM	3,866,506	3,960,443	7,293,536	9,438,495	9,551,722
TEQUILA	22,365,560	24,084,868	25,684,515	26,679,666	27,044,696
VODKA	38,227,121	42,965,320	48,712,487	51,528,937	47,357,219
WHISKEY	46,080,594	47,623,684	48,486,764	50,828,980	55,594,307
TOTAL	146,874,222	157,607,482	178,075,282	193,926,534	197,697,870

Source: DISCUS

According to Freedonia report "Distilled Spirits in the US", the value of imported distilled spirits totalled \$5.6 billion in 2013. In value terms, vodka and whiskey ranked as the most commonly imported products, accounting for shares of 31% and 30% of imports, respectively. **The United Kingdom (UK) and France represented the leading foreign sources of spirits in 2013, composing a respective 27% and 17% of import value. The bulk of imports from the UK consisted of Scotch and Gin, while France was the primary foreign supplier of brandy and cognac to the US market.** Mexico (tequila), Ireland (Irish whiskey), Sweden (vodka), and Canada (Canadian whisky) also stand as important spirit suppliers.

Key Players

Key Producers

In 2013, Diageo, Pernod Ricard, Beam Suntory (a subsidiary of Japanese firm Suntory Holdings as of April 2014) represented three of the leading suppliers of distilled spirits to the US market.

Other major suppliers include Bacardi, Brown-Forman, Sazerac, Moët Hennessy, Heaven Hill, Patron and Campari America.

Leading US Wine & Spirits Wholesalers

The top 5 US wine & spirits distributors hold 56.8% market share and the top 10 accounts for 64% market share.



	Distributor	Markets	Sales Revenue 2013E	(Millions) 2014P	Percent Change	Market 2013E	Share 2014P
1	Southern Wine & Spirits of America	Alabama, Alaska, Arizona, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maine, Mississippi, Montana, Nevada, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming	\$ 10,930	\$ 11,400	4.3%	21.7%	22.2%
2	Republic National Distributing Co.	Alabama, Colorado, Florida, Indiana, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Virginia, Washington, DC, West Virginia	\$ 5,460	\$ 5,825	6.7%	10.8%	11.4%
3	Charmer Sunbelt Group	Alabama, Arizona, Colorado, Connecticut, Delaware, Florida, Maryland, Mississippi, New Jersey, New York, Pennsylvania, South Carolina, Virginia, Washington DC	\$ 5,165	\$ 5,355	3.7%	10.3%	10.4%
4	Glazer's Family of Companies	Arizona, Arkansas, Indiana, Illinois, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, Texas	\$ 3,245	\$ 3,585	10.5%	6.45.7%	7.0%
5	Young's Market Co	Alaska, Arizona, California, Hawaii, Idaho, Montana, Oregon, Utah, Washington, Wyoming	\$ 2,745	\$ 2,960	7.8%	5.5%	5.8%

Other prominent wine/spirits distributors: Wirtz Beverage, Martignetti Co, Johnson Bros, Allied Beverage and Fedway Associates.

Examples of NY-based importers/distributors of wine and spirits:

Frederick Wildman & Sons Ltd: <http://frederickwildman.com/national>

Deutsch Family Wine & Spirits: <http://www.deutschfamily.com/>

Palm Bay International: <http://www.palmbay.com/>

Dreyfus Ashby & Co: <http://www.dreyfusashby.com/>

David Bowler Wine: <http://www.bowlerwine.com/>

Jack Poust & Co: <http://www.jackpoust.com/>

Michael Skurnik Wines: <http://www.skurnikwines.com/>

Martin Scott Wines: <http://www.martinscottwines.com/>

Where to find an importer/distributor of wine & spirits?

TTB List of Permittees (by State): <http://www.ttb.gov/foia/frl.shtml>

Directories of importers and distributors: <http://www.internationalbeveragenetwork.com/>
<http://www.wswa.org/membership/membership-roster-industry-directory>



Trade Shows

Prowein International Trade Fair Wines and Spirits

March 15-17, 2015 in Dusseldorf, Germany

<http://www.prowein.com/>



Wine and Spirits Wholesalers of America Convention

April 12-15, 2015 in Grande Lakes Orlando, Florida

<http://www.wswaconvention.org/>



National Restaurant Association (NRA) Show International Wine, Spirits & Beer Event

May 17-18, 2015 in Chicago, Illinois

<http://iwsb.restaurant.org/>



New Orleans Tales of the Cocktail

July 15-19, 2015 in New Orleans, Louisiana

<http://talesofthecocktail.com/>



Major Associations

Distilled Spirits Council of the United States (DISCUS): <http://www.discus.org/>



The American Distilling Institute: <http://distilling.com/>



Wine and Spirits Wholesalers of America: <http://www.wswa.org/>



American Craft Spirits Association: <http://www.americancraftspirits.org/>

Trade Publications

Distiller Magazine: <http://distilling.com/publications/distiller-magazine/>



Wine & Spirits Magazine: www.wineandspiritsmagazine.com

Beverage Dynamics: www.beveragedynamics.com

Beverage Industry: www.bevindustry.com

Beverage World: www.beverageworld.com

Cheers: www.cheersmagazine.com

Drinks Business Review: www.drinks-business-review.com

Drinks International: www.drinksint.com

Whisky Advocate: <http://whiskyadvocate.com/>



Market Watch: <http://www.mshanken.com/marketwatch/>



Beverage Trade Network: <http://beveragetradenetwork.com>



Wine

Market Overview

The United States is the largest retail wine market in the world, and it remains one of the fastest growing markets in terms of both consumption and production. In 2014, there are 7,762 wineries in the U.S. The market has expanded rapidly in the past few years due to increased consumption, government support, online wine purchasing, and a growing younger population. Wine makes up around 14% of the U.S. alcoholic beverage market and is a \$36 billion industry. U.S. wine volume was 329 million cases in 2013, a 1% increase from 2012. 70% of the cases sold are domestically produced wines and 30% are imported wines.

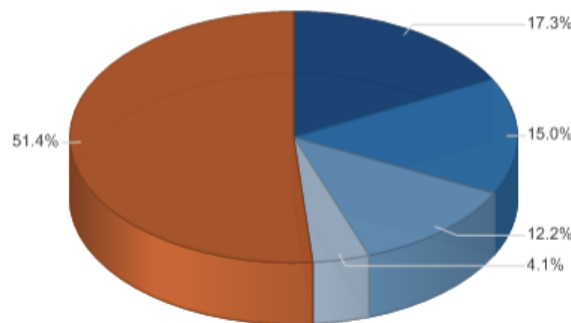
Champagnes and sparkling wines make up around 5% of the wine volume and around 12% of market value.

Key Players

The three largest wine corporations in the world, E&J Gallo, Constellation and The Wine Group, are headquartered in the US and account for nearly half of the wine sold in the US. Other major players: Treasury Wine, Ste Michelle, Jackson Family, Deutsch Family, Palm Bay and Bronco Wine Co.

US Wine Market Share, % share, by value, 2013

■ E. & J. Gallo Winery ■ The Wine Group, Inc. ■ Constellation Brands, Inc.
■ Trinchero Family Estates ■ Other

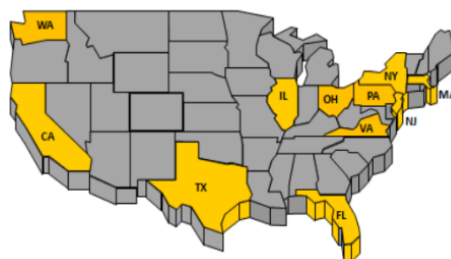


Source: MarketLine

Key States

Wine consumption in the US is concentrated in big metropolitan areas and in the main wine-making states.

The top 11 states (California, Florida, New York, New Jersey, Texas, Illinois, Massachusetts, Washington, Virginia, Ohio, Pennsylvania) accounts for 64% of the market volume. **6 states (California, Florida, New York, New Jersey, Texas, and Illinois) account for 50% of the market volume.**



Source: US Beverage Alcohol Forum

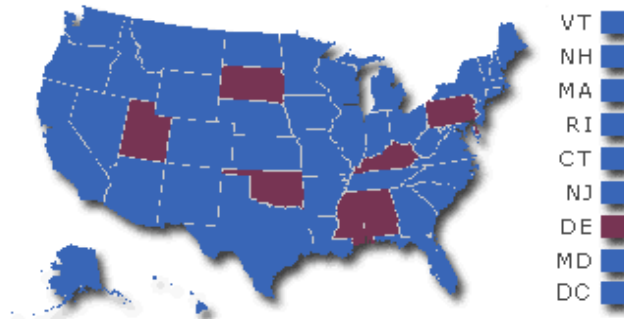


On-premise vs off-premise

In the US, retail (off-premise) wine sales account for approximately 80% of wine sales volume. Bars and restaurants (on-premise) sales represent 16% of wine sales volume. Direct-to-consumer (tasting rooms, mail order, wine clubs and online retail) and Direct-to-trade (sale of wine directly from a winery to a wine merchant or restaurant) make up the remainder. Online wine sales (ecommerce) have grown 17% in 2013, but still only maintain about 1.5% of total wine sales (Wine.com, 2014). The number of retail outlets to sell wine has grown to 522,420.

Direct-to-consumer shipping is not allowed in 7 states: Delaware, Utah, South Dakota, Alabama, Pennsylvania, Kentucky, and Oklahoma. In any case, a UK producer will not be able to ship wine directly to US consumers, and its wines will need to be legally imported by an importer/distributor even if the wines are to be sold online.

Off-site Shipping Laws by State



Source: The Wine Institute

Varietals

The most popular varietals in off-premise continue to be Chardonnay, Cabernet Sauvignon, Pinot Grigio and Merlot Blends.

Chardonnay is the most consumed wine type in the US off-premise market with 19% market share in value. However, the leading red wine type, Cabernet Sauvignon, grows at a faster rate and **sparkling wine** emerged as number 3, capturing 8% of the market share in value and tying with Pinot Grigio.



Source: IRI, Wines & Vines

Sparkling and Champagne

California has more than 80 producers and shipped 9.9 million cases of sparkling wine/champagne to US markets in 2013. Total US and foreign-produced sparkling wine/champagne shipped to the US in 2013 was 18.4 million cases. Imported sparkling grew by 11% in 2013. The top imported sparkling wines and Champagne brands are Freixenet (Spain), Martini & Rossi (Italy), Jaume Serra Cristalino (Spain), Mionetto (Italy), Veuve Clicquot (France) and Moet&Chandon (France).



Top 10 states for consumption of sparkling/Champagne in 2013 (9-litre cases)

1. California	3,645,900	6. Michigan	842,800
2. Illinois	1,854,800	7. New Jersey	671,800
3. New York	1,626,700	8. Pennsylvania	504,300
4. Florida	1,254,700	9. Massachusetts	499,500
5. Texas	1,018,600	10. Ohio	399,800

Source: The Wine Institute

Imports

In 2013, the US imports of sparkling wines accounted for 15.5% of market value. Imported bottled wine represented 78.4% and bulk another 6%.

The top import countries include Italy, Australia, Argentina, Chile, and France but largest value growth in Argentina and New Zealand.



Trade Shows

Wine and Spirits Wholesalers of America Convention & Exposition

April 12-15th 2015 in Grande Lakes Orlando, FL

<http://www.wswaconvention.org/>



Unified Wine & Grape Symposium

January 27 - 29, 2015 in Sacramento, CA

<http://www.unifiedsymposium.org>



World Wine Meeting

April 25-27, 2015 in Chicago, IL

<http://www.wwm-america.com/en>



Other regional trade shows include Miami International Wine Fair, New York Wine Expo, Boston Wine Expo, and Washington DC International Wine Festival.

Major Trade Associations & Agencies

The Wine Institute: <http://www.wineinstitute.org/>

Wine and Spirits Wholesalers of America: <http://www.wswa.org/>

Private Label Manufacturers Association for private label wines: <http://plma.com/>

Trade Publications

Beverage Media Group: <http://www.beveragemedia.com/>

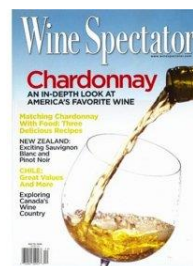
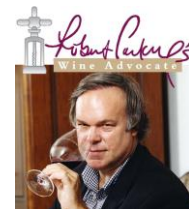
The Wine Advocate/Robert Parker Online: <https://www.robortparker.com/entrance.aspx>

The Wine Enthusiast: <http://www.wineenthusiast.com/>

Wine Business Monthly: <http://www.winebusiness.com/wbm/>

Wine Spectator: <http://www.winespectator.com/>

Wines and Vines: <http://www.winesandvines.com/>





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US publications

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Intellectual Property	Protecting your Intellectual Property in the US

UKTI Webinars

Doing business with US in-market representatives	Watch webinar recording
US cross border logistics and warehousing	Watch webinar recording

Key industry links

Alcohol and Tobacco Tax and Trade Bureau (TTB)	http://www.ttb.gov
TTB List of Permittees (Wholesalers, Importers)	http://www.ttb.gov/foia/fri.shtml
U.S. Food and Drug Administration	http://www.fda.gov
National Alcohol Beverage Association	www.nabca.org
Distilled Spirits Council of the United States (DISCUS)	http://www.discus.org
The Wine Institute	http://www.wineinstitute.org
Wine and Spirits Wholesalers of America	http://www.wswa.org