



GLOBAL SECTOR – LOCAL IMPACT

The economic contribution of distilling & spirits production





“Spirits are distilled, cherished & celebrated around the world”.

Luis Fernando Félix Fernández,
WSA President

The World Spirits Alliance (WSA) represents spirits producers from across the globe at the international level. Our members represent producers of products such as Baiju from China, Tequila from Mexico, Brazilian Cachaça, Indian-made foreign liquor, Cognac and internationally traded whiskies like Scotch Whisky, Irish Whiskey and American Whiskeys such as Bourbon, to name but a few.

Distillation techniques were first developed centuries ago in China and Greece. Spirits are now consumed all over the globe in many forms.

Diversity is deeply rooted in the spirit's sector. Spirits are produced and consumed by adult consumers worldwide. Each region has its know-how, tied to its history and linked to geographical resources and cultural traditions. Vodka is produced from cereal grains or potatoes, Scotch Whisky from malt, Tequila from blue agave, Cachaca from sugarcane, Baiju from rice, and Bourbon from corn. These specific traditions, knowledge and secret recipes crossed borders and centuries to become an inherent part of cultures and societies.

Nowadays, spirits are cherished by countless adult consumers worldwide every day. Spirits symbolize festive gatherings, togetherness, and social cohesion. This brochure provides topline insights about the sector and its footprint across the globe.

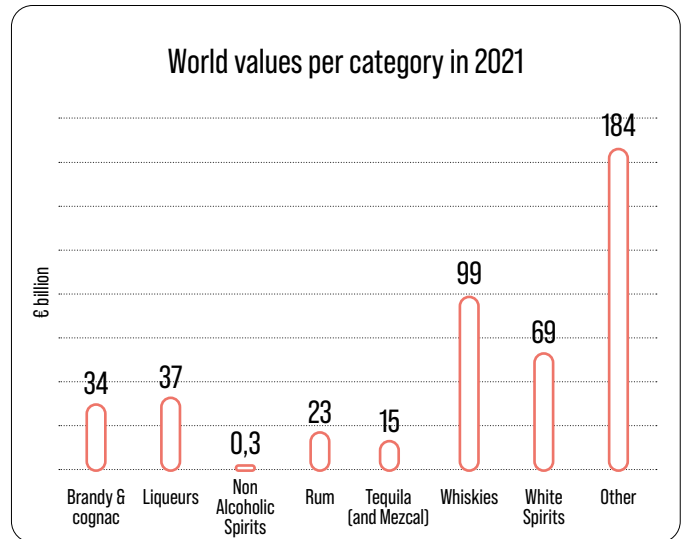
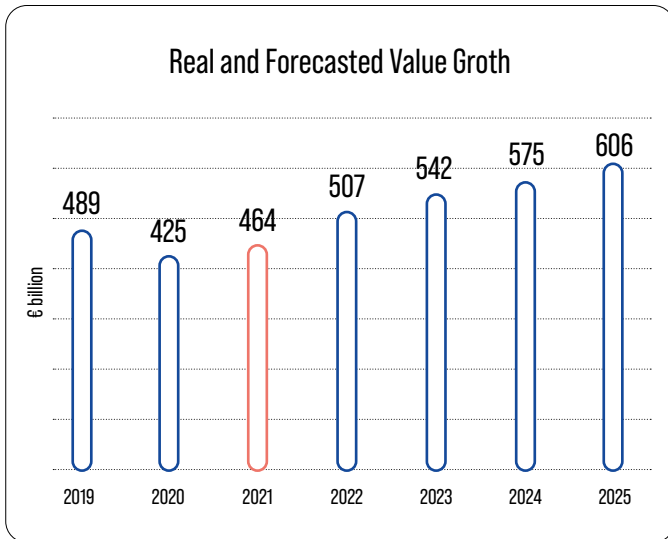
1. Spirits, a dynamic economic sector

SPIRITS MARKET WORLDWIDE IN 2021

€464 179 700 000



Source: Euromonitor International¹



Source: Euromonitor International¹



“Our industry was greatly impacted by the COVID-19 crisis due to extensive closures across restaurants, distillery tasting rooms and tour operations. On top of that, tariffs on American whiskey caused one of our largest exports to drastically decline. While, we have rebounded slightly from 2020 levels, our exports remain well below pre-tariff levels achieved in 2018. With the lifting of these tariffs by the EU and UK, we expect to see a renewed appreciation for U.S. spirits from consumers overseas.”

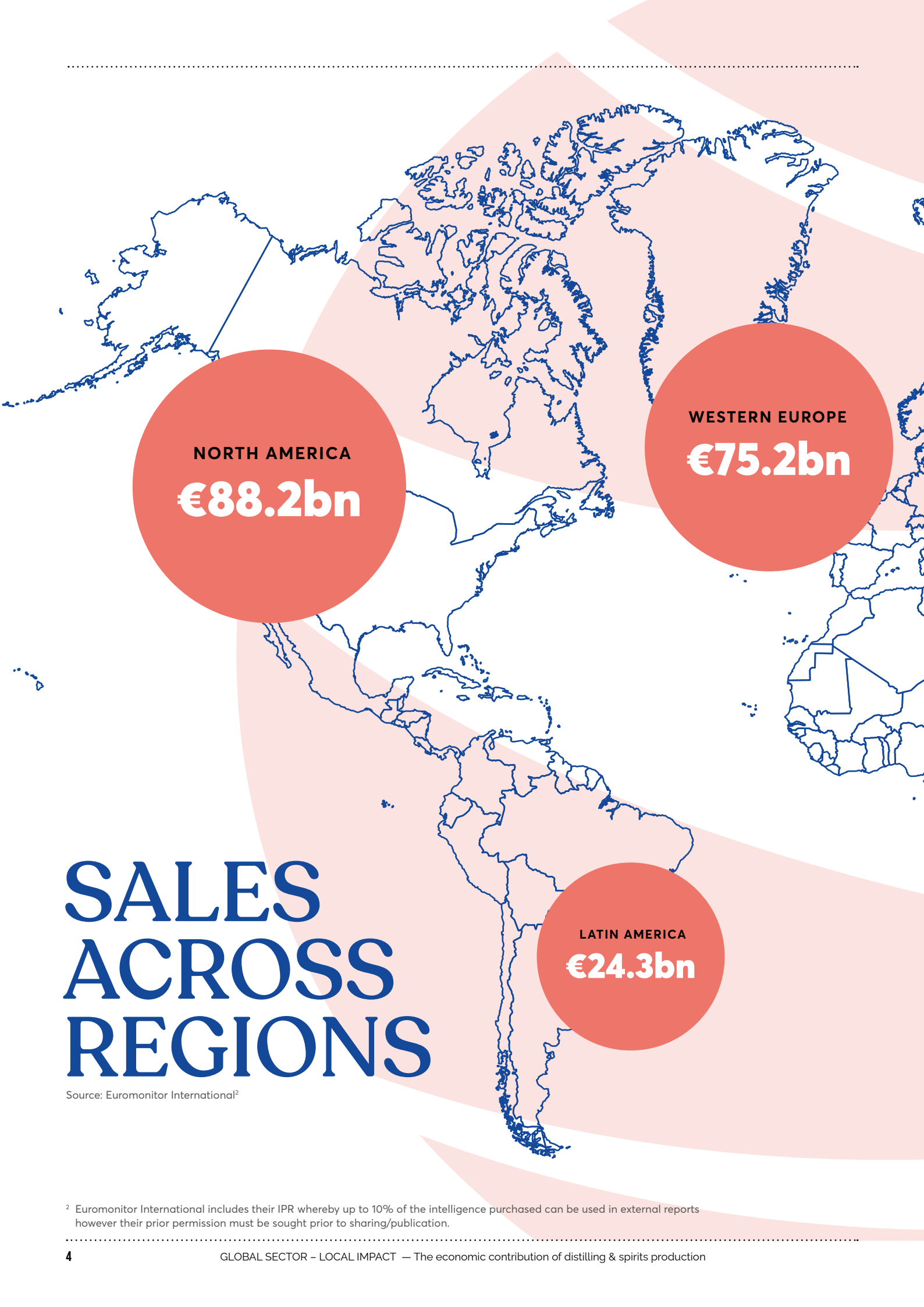
Robert Maron, Distilled Spirits Council of the United States



“Growth in the spirits sector will be strongly driven by premiumisation. Whereas quantities of alcohol sold are predicted to stabilise or decrease in the years to come in many markets, growth will be driven by value and revenue increases. In other words, people will drink better, not more.”

Jun Tanaka, Japan Spirits and Liqueurs Makers Association

¹ Euromonitor International includes their IPR whereby up to 10% of the intelligence purchased can be used in external reports however their prior permission must be sought prior to sharing/publication.



NORTH AMERICA
€88.2bn

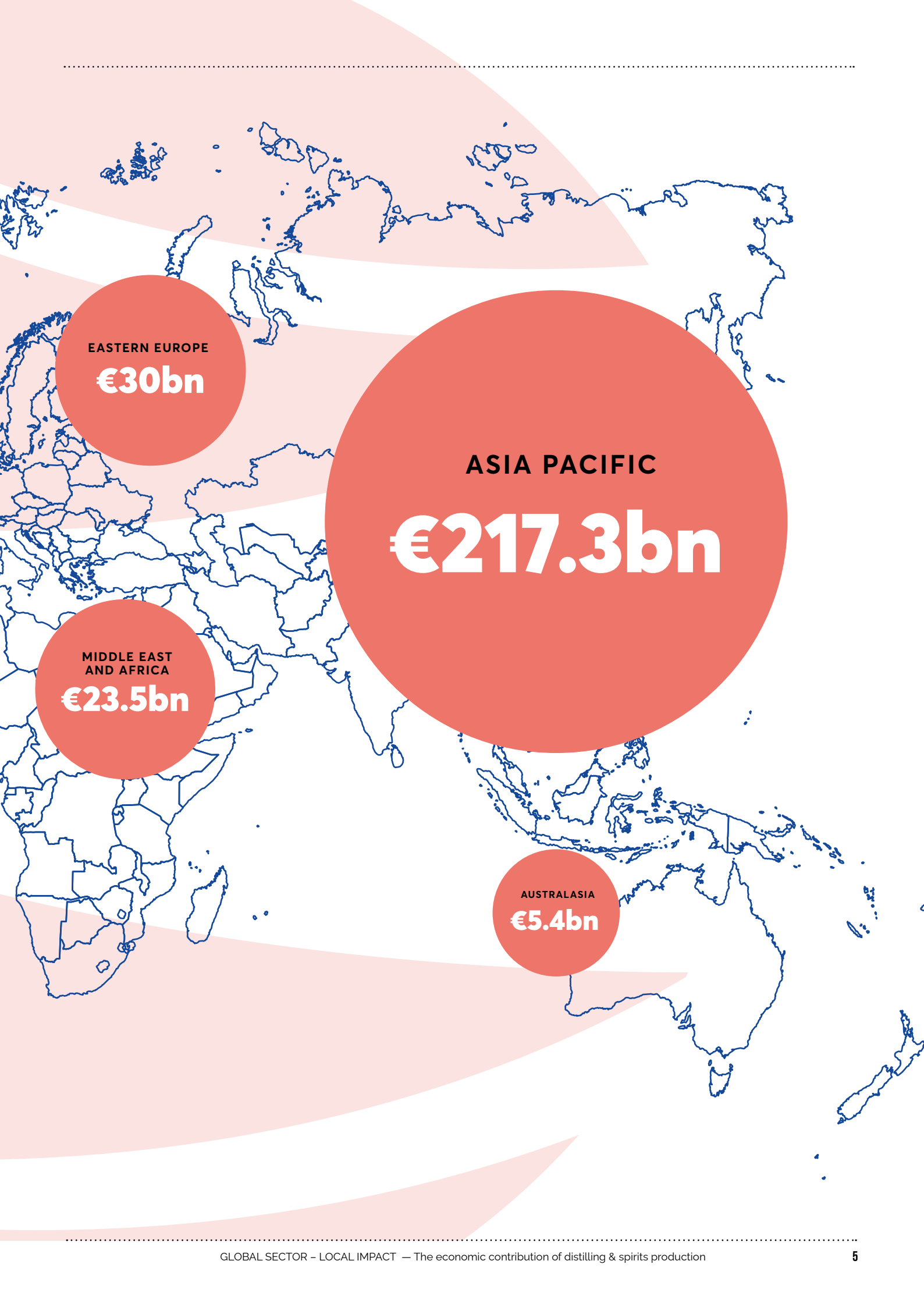
WESTERN EUROPE
€75.2bn

LATIN AMERICA
€24.3bn

SALES ACROSS REGIONS

Source: Euromonitor International²

² Euromonitor International includes their IPR whereby up to 10% of the intelligence purchased can be used in external reports however their prior permission must be sought prior to sharing/publication.



EASTERN EUROPE

€30bn

MIDDLE EAST
AND AFRICA

€23.5bn

ASIA PACIFIC

€217.3bn

AUSTRALASIA

€5.4bn

2. Spirits, embedded in history and communities

ICONIC WORLDWIDE SPIRITS

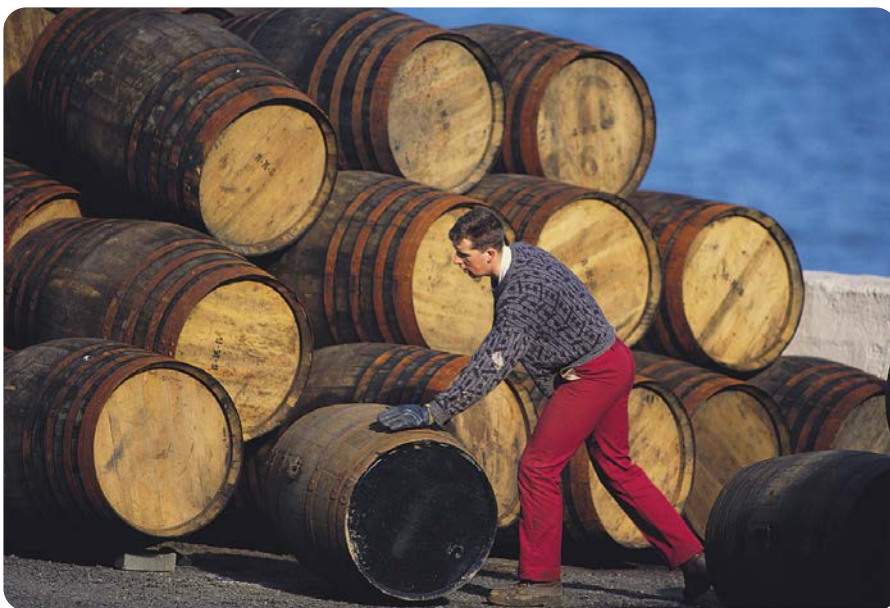


> TEQUILA

Tequila is derived from the heads of tequilana weber blue variety Agave and is produced in accordance with Mexico's official standards within the State of Jalisco and certain municipalities of four other states. Tequila is classified into two categories, according to the percentage of natural sugars of Agave used in its preparation: a) "Tequila 100% agave" and b) "Tequila".



The name Tequila is derived from the Mexican town of Tequila, which lies to the northwest of Guadalajara, the capital of the State of Jalisco.



> WHISK(E)Y

The word whisk(e)y is of Celtic (Scottish/Irish) origin and comes from 'uisce beatha' meaning water of life. Distilled for hundreds of years, whisk(e)y is now produced in many parts of the world, including Australia, Canada, Ireland, Japan, Scotland and the U.S. All Whisk(e)ies are made from the same fundamental ingredients – cereals, water, and yeast.



Did you know that the first U.S. President, George Washington, was a distiller? Washington's distillery was one of the largest distilleries at its time.

> VODKA

Derived from the Slavic word 'voda', or the Polish 'woda' (meaning water), vodka is a pure distilled spirit made from agricultural material such as grain, potatoes, or grapes. It is then charcoal filtered, rectified or distilled again to reduce levels of natural congeners and guarantees its emblematic flavour profile.

Vodka finds its origins in Eastern Europe, where it has been produced for centuries and consumed as part of local traditions.



Polish Vodka has its very own museum located in Warsaw. Dating back from the 19th century, the building was previously Warsaw Vodka factory.





> CACHAÇA

Cachaça (pronounced 'kha-shah-sah') is the typical and exclusive denomination given to the sugarcane spirit produced in Brazil, having as its exclusive raw material the fermented must of sugarcane juice. The spirit is the first Geographical Indication (GI) from Brazil. According to Euromonitor International, Cachaça is one of the most consumed locally produced distillate in the world.

? *Despite the absence of accurate historical records, the origin of Cachaça can be traced to two historical watersheds that converge to the same period, i.e. the beginning of the colonization of Brazil by the Portuguese, in the 16th century.*

> RUM

The history of rum began in the 17th century in the Caribbean when the inhabitants of Barbados distilled sugar cane byproducts, such as sugar cane syrup and molasses. The British Navy started the custom of giving sailors a daily half-pint of rum as part of their rations.

? *Today, most rum producers benefit from the certification Bonsucro, a label that attests of a sustainable sugarcane production, processing and trade around the world.*



> GIN

There are three types of Gin: Gin, Distilled Gin and London Dry Gin. Each is produced by slightly different means using neutral spirit or ethanol of agricultural origin. Pot distillation, column distillation and compounding are the three distillation techniques used to make gin. As a rule, gin must taste predominantly of juniper. Other botanicals can be added to flavour the gin such as coriander, the second most used botanical in gin. Gin has been experiencing a real revival thanks to mixability, unique flavour profiles and cocktail world's dynamism.

? *Gin is rooted in jenever, a brandy flavoured with juniper berries first developed in the Netherlands in the 16th century. Of medicinal origin, it had the reputation of boosting the Dutch workers and troops. The English refined the recipe to produce gin.*

> COGNAC

The history of Cognac stretches back to the 1600's. Cognac is made exclusively from grapes grown in the French departments of Charente and Charente-Maritime. It is produced by twice distilling grapes in copper pot stills and aged in French oak barrels for a minimum of two years.

? *It takes more than ten years to master the art of tasting and to select the right samples to achieve the same consistent quality product every year.*





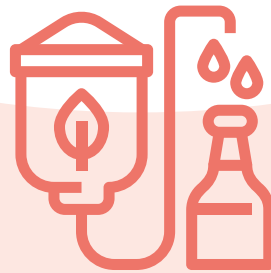
> BAIJIU

Produced in China, Baijiu is the most consumed spirit globally.³ The term Baijiu means “white spirit” and has been around since the Ming Dynasty (14th-16th century), making it one of the world’s oldest spirits. Depending on the region, it can be distilled from rice, millet and other grains, but the highest-quality offering is made from red sorghum. It is a colourless liquor typically between 35% and 60% alcohol by volume (ABV).

? *The leftover mashes are re-introduced to fermentation pits for a greater complexity.*

JOBS & GROWTH IN RURAL AREAS: THE ECONOMIC & SOCIAL FOOTPRINT OF DISTILLATION & SPIRITS PRODUCTION

The spirits sector’s positive economic impact and value-added is not limited to just production. The economic impact of the production and consumption of spirits is considerable and distributed all across the globe. The sector makes a significant contribution to the hospitality sector, agriculture sector and to rural development. Indeed, the spirits sector increasingly offers diverse, locally-sourced and produced premium and craft spirits drinks to meet the many demands and desires of millions of adult consumers across the globe. In addition, the sector plays a significant - and growing - role in tourism.



Direct jobs in spirits production generate



Jobs in the hospitality sector



Jobs in the retail trade



Indirect and induced jobs, e.g.g, in agriculture, tourism, transport & logistics, etc.

“Spirit tourism is a way of showing how master distillers rely on centuries-old recipes and techniques to mix and blend their distinctive products, maintaining the perfection achieved by the craft of previous generations”.


Ulrich Adam, Secretary-General, World Spirits Alliance




³ <https://www.theiwsr.com/baijiu-the-largest-spirit-category-the-us-has-never-heard-of/>

3. Spirits and Sustainable Development Goals

Spirits producers worldwide have launched many initiatives in support of UN Sustainable Development Goals (SDGs). Adopted by 193 countries in 2015, the UN SDGs aim at promoting prosperity while protecting the planet. This document highlights only a few examples of our sector's contributions and initiatives to help achieve these objectives by 2030.


6 CLEAN WATER AND SANITATION



14 LIFE BELOW WATER


WATER MANAGEMENT & USE

As water is a vital element in the production of spirits, distilleries are often located close to natural water sources. Water is used as an ingredient for fermentation, cooling, and cleaning bottles. Our sector runs initiatives that work to reduce overall water consumption.

Through its 'Water of life' programme in Africa, Diageo supports a water management and clean water initiatives which helped bring clean water to over 10 million people across Africa in the last ten years. In Brazil, the Cachaça industry has worked intensively in reducing water use throughout the production process, reaching targets up to 85% of reduction in water use.

7 AFFORDABLE AND CLEAN ENERGY


13 CLIMATE ACTION


RENEWABLE ENERGY & REDUCTION OF OVERALL ENERGY USE

Distillation requires energy, particularly for heating. Thanks to innovative technologies and higher energy efficiency, our ambition is to decrease our overall energy consumption and intensify efforts to switch to renewable energy sources.


In recent years, around 1 billion Mexican pesos have been invested in the adaptation of waste treatment and energy efficiency processes by Tequila companies. For example, Casa Sauza transitioned from fuel oil to natural gas and installed high efficiency natural gas boilers to achieve a much lower carbon footprint.


12 RESPONSIBLE CONSUMPTION AND PRODUCTION


13 CLIMATE ACTION


REDUCE PACKAGING WASTE BY BOOSTING THE GLASS COLLECTION RATE FOR RECYCLING

Over 90% of spirit drinks are sold in glass bottles, an inert, pure and 100% natural material – and a safe and sustainable choice for spirit drinks. Throughout the world, a wide range of projects are underway to increase the share of recycled content in glass bottles and to decrease the bottle weight. The Pernod Ricard group works with local companies such as Biothonga to reduce glass waste by turning empty bottles into glassware and partnered with the consulting firm Gaia to help reduce plastic pollution from plastic straws, reducing the amount of waste going into landfills.

13 CLIMATE ACTION


15 LIFE ON LAND


SUPPORT SUSTAINABLE FARMING

100% of spirit distillates are made from agricultural raw materials. Our sector has developed numerous initiatives with farmers working towards a shared objective: sustainably farmed raw materials of the highest quality with the smallest possible environmental impact.

In the U.S., distilleries take part in the Kentucky Rye Project, which aims to grow rye grain as a cover crop for soil conservation and regeneration, which is then used in whiskey distillation.

13 CLIMATE ACTION



ACTIVELY SUPPORT THE DE-CARBONISATION OF THE TRANSPORT SECTOR

Our high-quality products are enjoyed and appreciated all over the world. To reduce our carbon footprint, we work closely with our supply chain partners to make logistics processes more resource-efficient.

Moët Hennessy has partnered with the Clean Cargo initiative to decarbonize sea transport. Moët Hennessy announced green goals with the aim to halve its carbon footprint by 2030 and to reduce its greenhouse gas emissions by 50% by 2030, compared to its 2019 level.

14 LIFE BELOW WATER



CASKS SOURCED FROM RESPONSIBLY MANAGED FORESTS

From new wood barrels to reused ones, spirits producers are working with barrel producers to ensure the wood used to make casks is sourced from responsibly managed forests.

In Europe, only oak trees that are at least

150 years old can be used to make barrels. In France, the leading producer of barrels in the EU, spirits producers work hand-in-hand with barrel producers to ensure the oak used in casks is sourced from certified, sustainably managed forests which meet the Forest Stewardship Council (FSC) standard. Rémy Cointreau Group is taking part in the programme and has replanted more than 115,000 oak seedlings.

15 LIFE ON LAND



PROMOTE RESPONSIBLE DRINKING

How to Drink Properly - This social marketing campaign in Australia aims to make binge drinking less socially acceptable, particularly among young Australian adults aged 18 and 24 years. Developing bespoke communications for social media platforms has enabled Drinkwise to engage with this hard-to-reach audience in their language and on their terms. A strategic mix of social geo-targeting (location-based communications) and augmented reality installations is helping to positively reposition moderation amongst young adults.



FIGHTING DRINK-DRIVING

The 'Power of No' - is a regional, digital-led effort aimed to raise awareness of the profound consequences of drinking and driving. Working with over 20 local partners, the campaign aims to reach 10 million adults of legal drinking age across Thailand, Malaysia, Vietnam, Philippines, Cambodia, and Laos.

RAISE AWARENESS ABOUT HEAVY EPISODIC DRINKING

Run under the auspices of the Singapore Alliance of Responsible Drinking, consumers were reminded about their alcohol intake, raising awareness on alcohol content and limits through helpful facts and quizzes. This campaign reached over 200,000 people, garnering a combined total of post-engagements and entries that surpassed the 10,000 mark.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



RE-USE OF BY-PRODUCTS

The spirits sector strives to re-use all by-products in a sustainable, circular, and beneficial manner. For instance, "stillage" – a typical by-product of distillation – is naturally high in protein and therefore used as a prime feed product for farm animals.

Slane Distillery is a certified member of Origin Green, Ireland's food and drink sustainability programme. As part of its waste management objectives, grain and yeast by-product from the distillation process is provided to local farmers for animal feed.

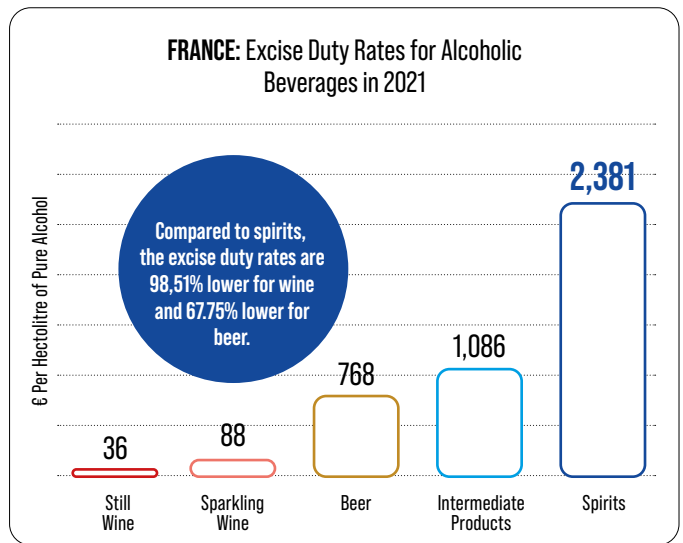
15 LIFE ON LAND



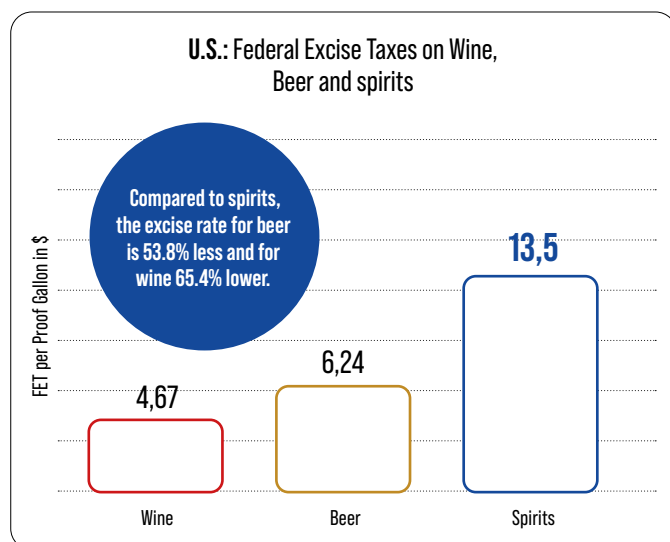
4. Challenges

SPIRITS & TAXATION: THE BENEFITS OF ADEQUATE, FAIR & STABLE RATES

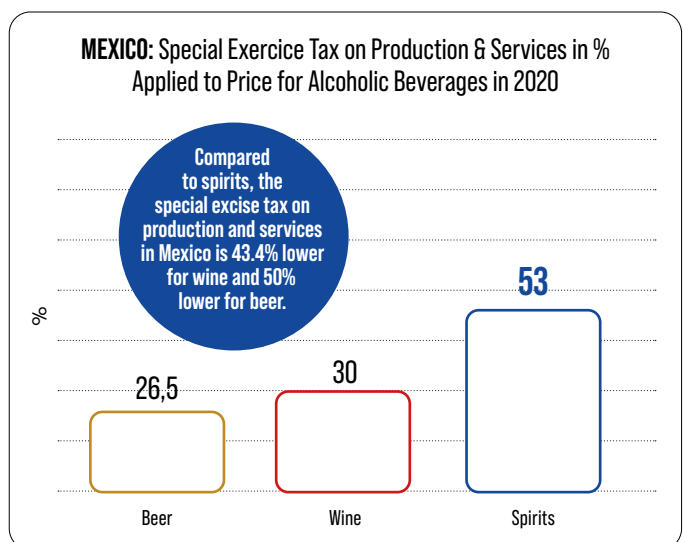
Tax revenues from excise and other taxes on the production and sale of spirits are an important source of government revenue. However, spirits drinks are often taxed far more heavily than beer and wine.



Source: DG Taxud, European Commission



Source: Distilled Spirits Council of the United States, Office Economic and Strategic Analysis



Source: Camara Nacional de la Industria Tequilera

ALL DRINKS ARE EQUAL

A fair, stable and equal taxation system across all alcoholic beverages categories is essential to avoid leakage into illicit trade and allow distillers to plan and invest in their businesses, thus creating jobs and growth. For instance, in Australia, increasing the craft distiller excise remission scheme limit to \$350,000 (AUD) from July 2021 – which effectively exempts distillers from paying federal excise tax on their first \$350,000 – has allowed many to hire additional staff, purchase new equipment and increase purchases from local agricultural suppliers.

ALL DRINKS ARE EQUAL

Why treat them differently?





WTO REFORM IN A PROTECTIONIST ERA

An open trade and investment environment is important for spirits producers to ensure consumers can purchase and cherish them worldwide. In the past years, there has been a rise in barriers to trade for spirits. These can take the form of:

- > Retaliatory tariffs;
- > Complex and burdensome customs procedures; and
- > Technical regulations that create unnecessary barriers that are more trade-restrictive than necessary.

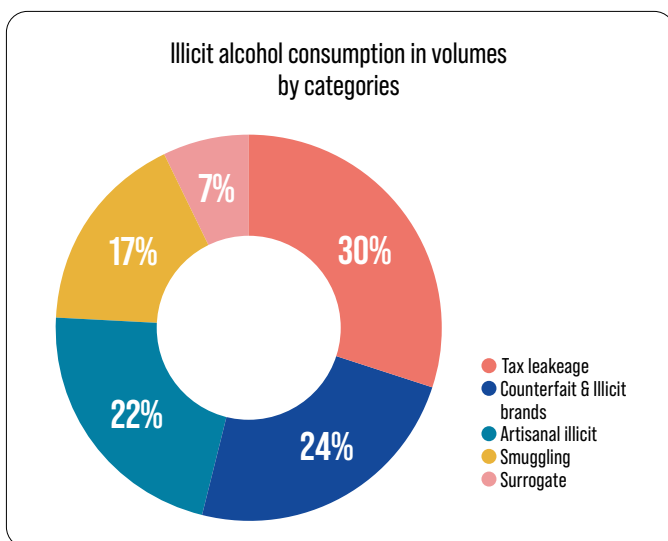
The WSA and its members are strong supporters of rules-based international trade and actively encourage reforms of the World Trade Organisation to:

- > Increase the efficiency and strength of the existing structures;
- > Improve cooperation with industry and other international agencies; and
- > Tackle new challenges, such as: e-commerce, barriers to services & investment, and illicit trade.



“Every barrier to trade represents more significant burden for small distillers and SMEs than for larger firms. As a small producer, I have to spread the fixed costs of compliance over smaller revenues than those of larger firms.”

Kátia Espírito Santos, Cachaça da Quinta



Source: Euromonitor, 2018 – estimate on the basis of alcohol consumption in 24 countries worldwide

ILLICIT TRADE AND COUNTERFEIT

Illicit trade is the number one competitor for licit producers of alcohol. Illicit traders are mostly present in emerging markets. **26% of alcohol consumption is illicit.**⁴

There is urgency for the sector and governments to work together to combat all forms of illicit alcohol. This can be done by:

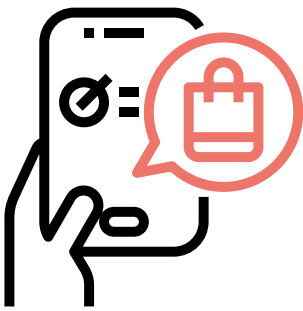
- > Improving framework conditions for legal alcohol: Disproportionately high taxation levels (excise and import duties), cumbersome regulations and restrictions are all drivers of illicit trade and all need to be addressed as part of the fight against illicit trade;
- > Investing in prevention and robust enforcement; and
- > Raising awareness about the forms and dangers of illicit trade

⁴ Source: Euromonitor, 2018 – estimate on the basis of alcohol consumption in 24 countries worldwide

5. Trends

The spirits sector is dynamic and constantly evolving to meet the demands of adult consumers. Below are a few trends to note in the spirits sector across the globe.

E-COMMERCE



The value of e-commerce spirits sales grew by 16% in 2019 and in 2021 made up 3% of global off-premise spirits sales. Since then, e-commerce sales have accelerated by shifts towards home consumption during the pandemic. By 2024, the IWSR forecasts that the channel will double to € 41.5 billion, significantly outpacing the

growth of the total alcohol trade over the next five years. Despite growing rapidly, demand remains unmet due to inefficient regulatory barriers and restrictions. In this challenging regulatory context, there is a real need to facilitate and ensure a fair and non-discriminatory regulatory environment for responsible & safe e-commerce sales of spirits. The WSA has developed **6 key policy principles** that should guide the development of national and regional frameworks for e-commerce. These principles should apply equally to online platforms and direct sales channels, such as those operated by alcohol beverages companies.

- 1. Protecting against illicit trade
- 2. Non-discriminatory practices
- 3. Smart licensing scheme
- 4. Responsible purchase & consumption
- 5. Conditions for responsible delivery
- 6. Government/industry partnerships



SPIRITS ARE THE HEART OF THE HOSPITALITY SECTOR

The cocktail market is one of the most dynamic parts of the global hospitality sector, and there is a significant reward for brands and bars that can provide the right experiences. According to the recent *Cocktails in Europe report*, mixed drinks remain in high demand across the continent as venues reopened but the same is true in other markets as cocktails are embedded in the cultures of the countries.

The Craft Revolution

The spirits industry is experiencing a boom in small “craft” distillers. Over the past 20 years, the U.S. spirits sector has experienced exponential growth. Today, there are more than 2,300 distilleries located in single state, up from fewer than 100 in 2005. In 2021, U.S. spirits were exported from 45 states. Australian craft distilleries are also booming. Since 2014, the number of distilleries has grown from 28 to over 350, with 65% located in regional and rural areas. The industry supports 5,000 jobs in spirits manufacturing and 48,000 jobs in spirits retailing, wholesaling and hospitality.



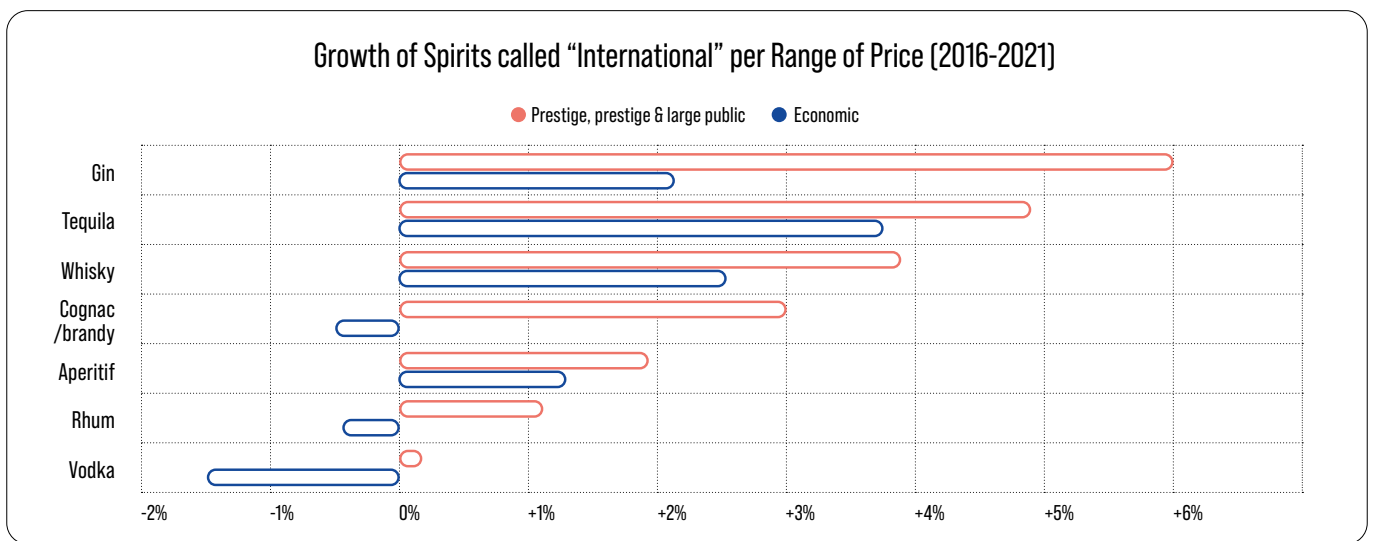
PREMIUMISATION & PRODUCT INNOVATION

Premiumisation describes the broad trend of consumers 'trading up' and choosing more expensive products in the quest for unique consumption experiences. In recent years, premiumisation has become a key driver behind value growth in spirits sales around the world, as consumers look for increasingly exciting and high-quality experiences and choices to suit their tastes. In emerging countries, the expanding middle-class population means that 750 million new adult consumers will seek premium alcoholic beverages by 2030⁵.

Spirits are uniquely placed to cater to the premiumisation trend given the sector's unique ability to produce complex, high-value, aspirational products

supported by traditional skills and techniques. By encouraging consumers to 'drink better, but not more', premiumisation can also help to foster a sensible, moderate relationship with alcohol.

In parallel, the new, fast-growing category of **non- and low-alcoholic 'spirits'** marks yet another step in the convergence of innovation and development alongside preserving existing spirit drinks. In recent years, the multiple new product launches in this category are a strong testimonial to the spirits drinks sector's ability to innovate and respond to consumers' demands by broadening product choice.



SPIRIT DRINKS ARE FEEDING THE IMAGINATION OF MIXOLOGISTS AROUND THE WORLD

“We always try to source new products that are not easily available and might be unique for many clients. I could not imagine working without the great variety of high-quality spirits that area available to us today. It is fascinating to see such a wave of creativity in production but also in cocktail making”.

Tania Shamshur, Edgar's Flavors Cocktail Bar, Brussels, Belgium



⁵ Xerfi, 2020 : Le marché mondial des boissons alcoolisées

The World Spirits Alliance represents the views and interests of the spirits sector at global level. It provides a forum allowing the global spirits community to discuss issues of common interest, to exchange best practices and to foster responsible and collaborative relationships with governments and international organisations.

Our members engage in open dialogue with stakeholders and strive to make a constructive contribution to global economic growth and development.

The World Spirits Alliance and its members are committed to responsible production, advertising, and marketing practices and to encouraging adults who choose to consume spirits to do so responsibly and in moderation.



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