

BACARDI

Beam

 BROWN-FORMAN

GRUPPO
CAMPARI

Constellation

DIAGEO


FLORIDA
CARIBBEAN DISTILLERS

luxco
SPIRITED BRANDS

Moët Hennessy USA

THE PATRÓN
SPIRITS COMPANY

Pernod Ricard

RÉMY COINTREAU USA

SIDNEY FRANK IMPORTING CO., INC.

SUNTORY

Distilled Spirits Council 2013 Industry Review

New York City
February 4, 2014

Trends in the Alcohol Industry 80 Years After Prohibition Repeal

2013 Economic Overview:

Export Records

- Bourbon/Tennessee Whiskey exports topped \$1 billion
- Total exports surpassed \$1.5 billion

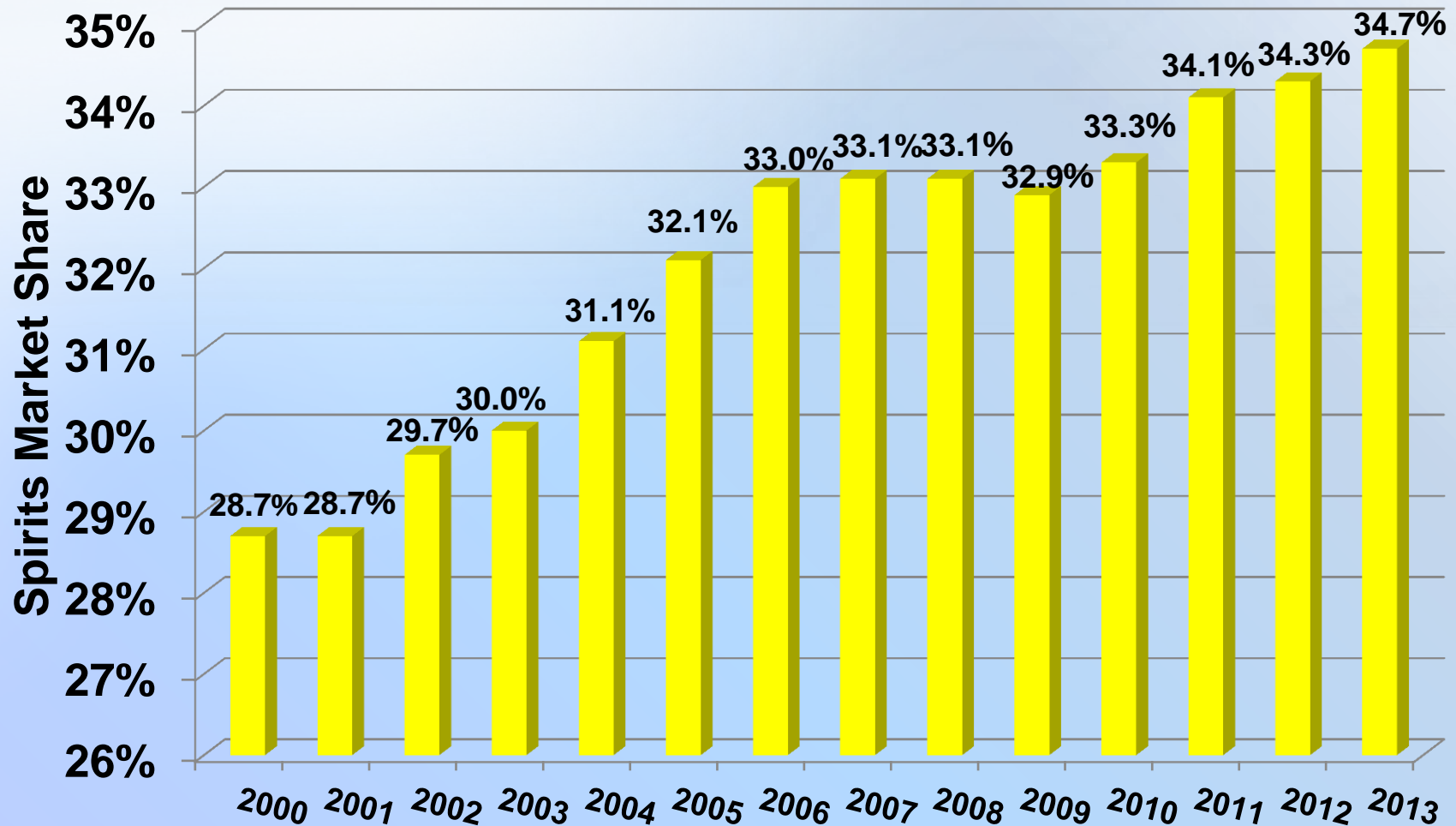


U.S. Market Results

- Volume growth: 1.9% to 206 million cases
- Revenue growth: 4.4% to \$22.2 billion (supplier sales)
 - Translates to retail sales in U.S. market of more than \$66 billion
- Hospitality industry employment up 2.9% to over 14 million jobs

Spirits Market Share – Revenue

Up 6.0 Points Since 2000, Worth \$3.8 Billion



Source: Beverage Information Group Handbooks, Company Financial Reports, DISCUS Estimates

2013 Factors Contributing to Steady Growth and Record Exports

- Global whiskey renaissance grows
 - Growing middle classes with disposable income
 - Taste for American heritage
 - Cocktail culture expands around globe
- Premiumization trend continues to captivate consumers
 - Affordable luxury
- Ongoing company innovations
 - Flavor fascination spreads to other categories
- U.S. market modernization expands access/opportunity
- Legislatures continue hospitality tax restraint



2013 U.S. Market Access Improvements

- Local Alcohol Elections continue to favor modernization
 - TX: 47 out of 54 wet-dry alcohol elections passed in 2013 (87%)
 - Plano (pop: 274K), Arlington (pop: 375K) and Lewisville (pop: 100K)
 - GA: 29 out of 37 local option Sunday sales elections succeeded (78%)
- Sunday Sales bans continue to fall by the wayside
 - DC signed Sunday sales bill into law
 - Since 2002, 16 states and DC have passed Sunday sales for total of 39 states
- Expanded Spirits Tastings in KS, ME, NM, RI, WA/ 44 states now permit
- Election Day Alcohol Sales passed in Kentucky; Only SC remains

Legislature approves bill to allow alcohol sales on Election Day



Published: March 26, 2013

FRANKFORT — The Kentucky General Assembly gave final approval late Tuesday to a bill that would allow alcohol sales on Election Day.

Plano voters say 'yes' to liquor sales

Plano voters have overwhelmingly approved a measure on the May 11 ballot to allow package liquor sales in the city. Mayor Phil Dyer supported the measure from the outset, telling the Plano Star Courier in January that the move could mean a



2013 U.S. State Hospitality Tax Scorecard

- Sixty state alcohol tax increase bills introduced in 2013
- Major tax threats defeated in 18 out of 19 states
- Defeated 336 out of 365 major tax threats since 2001 (92%)
- Municipal governments increasingly look for alcohol tax authority
 - Defeated major municipal alcohol tax threats in Chicago and Philadelphia

Increase in alcohol tax would be a job-killer **Post-Bulletin**

Don't be fooled; Minnesota residents pay enough taxes for alcohol **sctimes**

AP Associated Press
Minnesota brewers, liquor group say proposed alcohol tax hike will hit consumers

Stop Hospitality Taxes

Politicians in Lansing don't understand that a tax on alcohol is a tax on the hospitality industry. They call it a "mark-up," but that's just the politicians' way to hide a new tax.

Who gets hurt when hospitality taxes go up? Waitresses, cooks, busboys and small business owners.

Protect Michigan's hospitality industry

Fact: Taxes account for more than half the price of the typical bottle of spirits in Michigan.

Fact: Michigan's alcohol tax is already the highest in the region.

Fact: Michigan lost 82,000 jobs last year, and a tax on the hospitality industry will cost 1,700 more jobs.

"Don't let the politicians take my job."

A message from the Michigan Licensed Beverage Association, Associated Food Chains of Michigan, Michigan Restaurant Association and the Distilled Spirits Council.

2013 Important Trends & Developments

- More states showed interest in privatization

- DISCUS neutral on privatization
- Privatization debated in PA, OR
- Full year privatization in WA State:
 - High taxes must be addressed
 - No negative social costs
 - CDC incorrectly cited potential 44% increase in per capita consumption
 - As DISCUS correctly predicted per capita consumption flat
 - Spirits up; beer down



For consumers, price and selection remain the big question in liquor privatization

It is estimated Pennsylvania loses a minimum of \$350 million in retail spirit sales annually from residents crossing the state line to make their purchases in nearby states such as Maryland and New Jersey, said David Ozgo, chief economist with the Distilled Spirits Council of the United States.

Oregon liquor privatization campaign gets rolling

BloombergBusinessweek

Editorial: Liquor privatization a year later

MORE than a year after Washington voters approved Initiative 1183, allowing the sale of liquor in licensed private stores, the social disaster predicted by supporters of state stores has not happened.

The Seattle Times

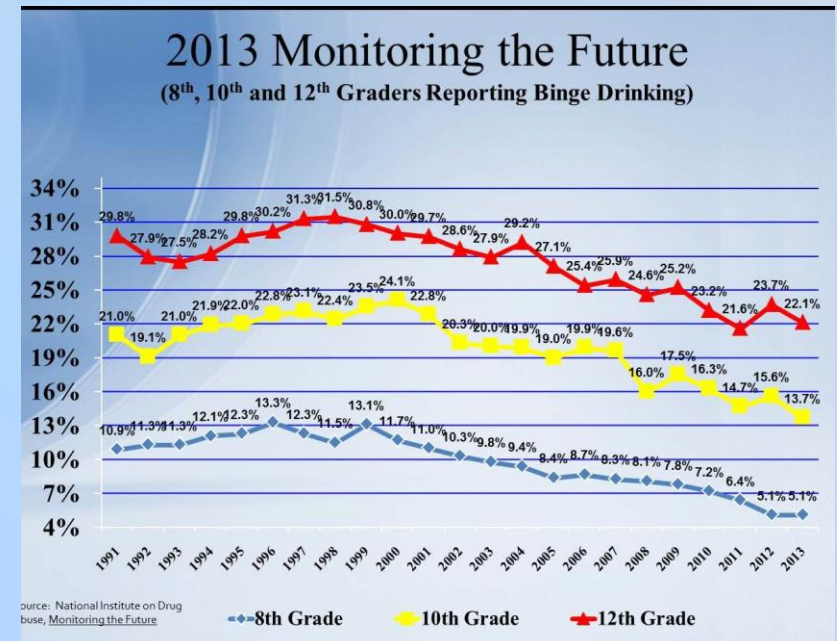
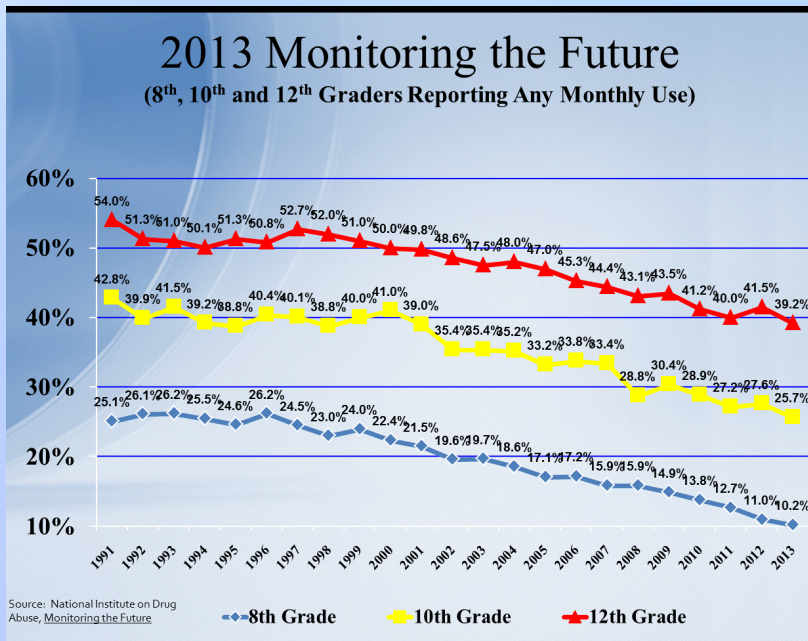
2013 Important Trends & Developments



- Social Responsibility Progress Continues
 - Underage drinking continued decline to record lows
 - Binge drinking rates by teens continued long-term decline
 - Public-private partnerships have contributed to the progress



Alcohol use continued its two-decade decline, hitting record lows in 2013, the survey found. Binge drinking also dropped about 2% among 10th- and 12th-graders.



2014 Industry Issues to Watch

- States continue to modernize to increase convenience & revenue
 - Sunday sales & spirits tastings
- Privatization discussions continue
 - DISCUS neutral on privatization; focus is on modernization
 - OR, PA in play
 - Push to fix WA high tax scheme
- Grocery store sales
- Rapid growth of small distillers
 - From 92 in 2010 to over 400 in 2014
 - Supported by market modernization
 - Reflects consumer interest in heritage, uniqueness and premiumization
 - A trend captured by both large and small distillers
 - DISCUS Small Distiller Affiliate Membership now totals 82 members

Minnesota's Sunday liquor sales debate brewing again



The Patriot-News

Could 2014 be the year Pennsylvania's liquor privatization movement reaches full proof?

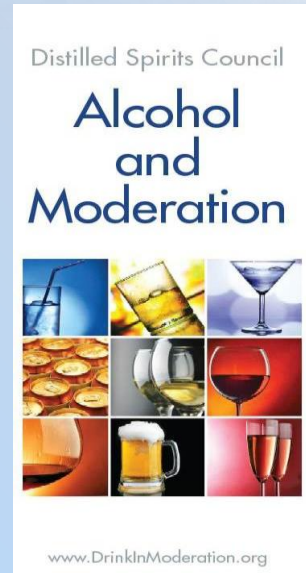
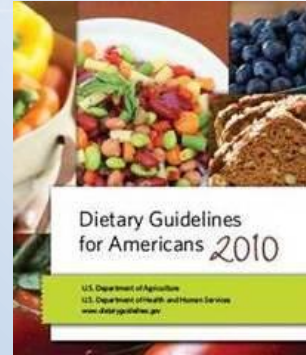
Craft Distillers Fuel American Whiskey Renaissance



Alcohol and Health:

Communicating the Importance of Moderation and Responsibility

- U.S. Dietary Guidelines underscore moderate drinking can be part of a healthy adult lifestyle
 - Defines moderation and standard drinks
 - Guidelines to be updated in 2015
- Increased recognition of science on potential health benefits associated with moderate drinking - spirits, beer and wine
- CDC Study: moderate drinking 1 of 4 key lifestyle behaviors that help people live longer
- Fighting abuse with targeted strategies that work
 - CDC calls for alcohol screening/brief interventions
 - Key element of industry responsibility efforts for decade
- Industry committed to promoting responsibility and moderation
 - DrinkinModeration.org



Raising a Glass a Day to Lower Stroke Risk in Women

TIME

A Cocktail May Cut Rheumatoid Arthritis Risk

The New York Times

Anti-Alcohol Advocacy and Flawed Science

CDC's study on alcohol use is misleading
The Philadelphia Inquirer

Politicized studies just drain research money
The Atlanta Journal-Constitution

- Anti-alcohol advocates press population-based control policies:
 - Higher taxes, ban advertising, severely restrict market access
- Population-based controls are ineffective; harm hospitality industry
- Government-funded bad science commonplace in alcohol policy debates
- Activists' quest for global population-based controls is dangerous
 - Raising taxes/limiting access to regulated products in emerging markets drives populations to harmful unregulated products

Of course, whatever way you parse the recommendations of the Task Force, and their adoption by the CDC, such reasoning is about as robust as Styrofoam. This is an astonishing abuse of data in the service of trying to sway legislation – and one which points to an agency being driven by politics and ideology, and not by science.

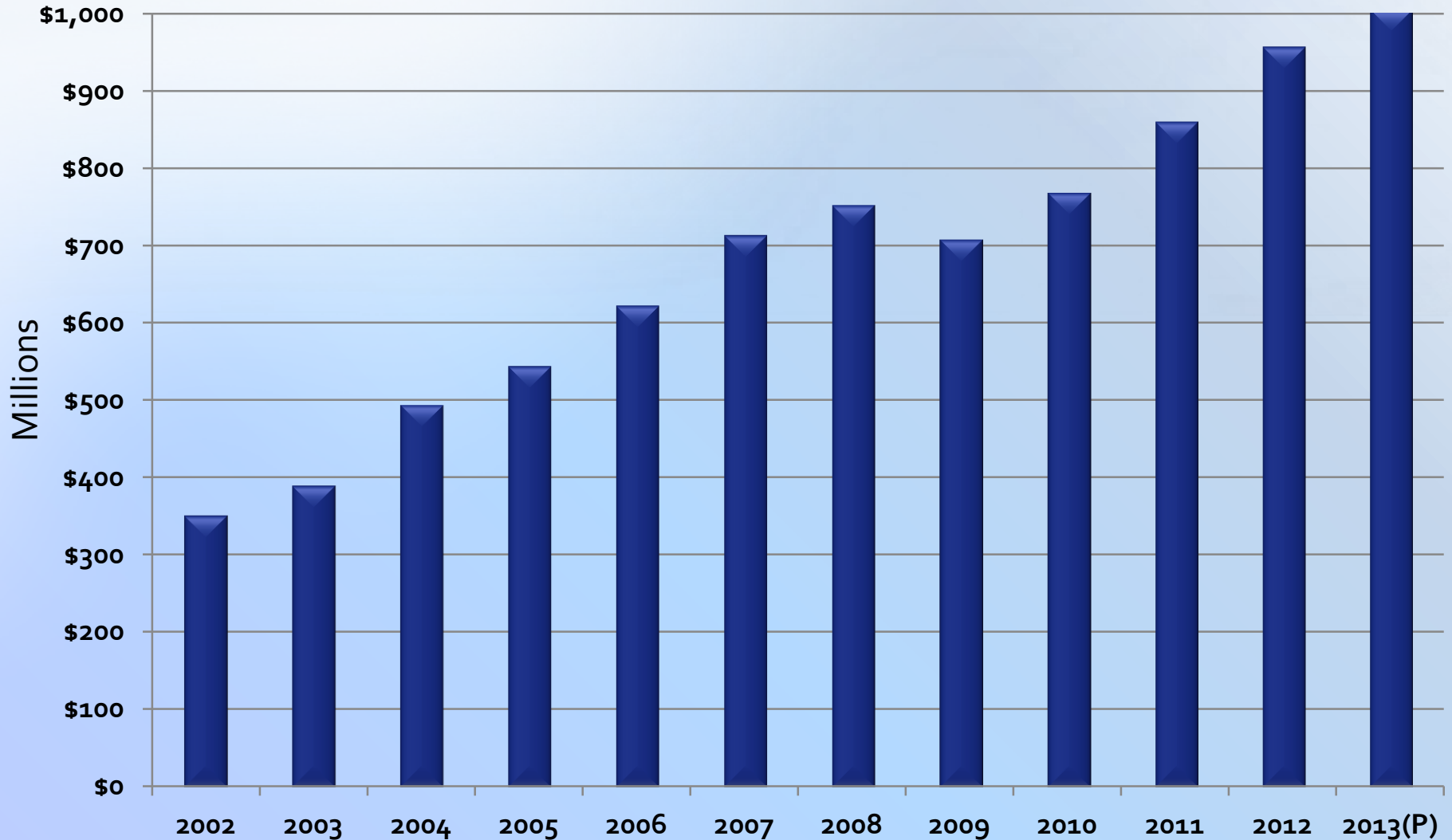
Forbes

International Trade Update

Christine LoCascio
SVP, International Issues & Trade

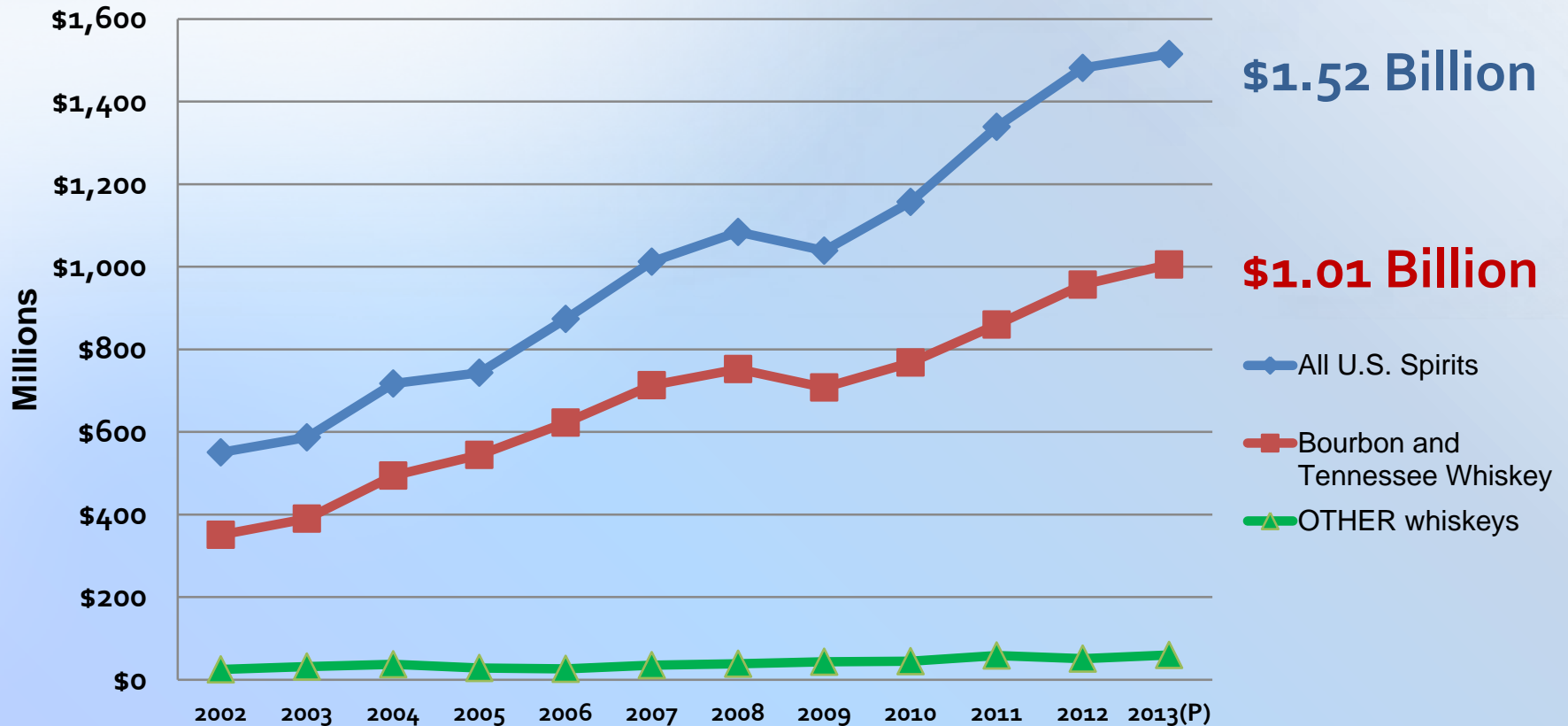
New Record: Bourbon and Tennessee Whiskey Exports Top \$1 Billion Mark

\$1.01 Billion



U.S. Spirits Record Exports Continue

All Whiskeys Account for 70% of Total



Source: U.S. Department of Commerce, Compiled by U.S. International Trade Commission
(FAS value – Free Alongside Ship is the value of exports at the U.S. port, based on transaction price including inland freight, insurance and other charges.)

Top Ten U.S. Spirits Export Markets

Country	2002 Value (millions of USD)	2013 Value (P) (millions of USD)	% growth
Canada	65.5	212.1	+224%
UK	84.6	159.6	+89%
Australia	55.8	152.0	+172%
Germany	65.4	140.1	+114%
France	35.5	130.5	+268%
Japan	71.8	120.8	+68%
Spain	25.8	69.8	+171%
Netherlands	13.2	57.6	+336%
Mexico	17.7	46.4	+162%
Italy	18.6	27.7	+49%

Source: U.S. Department of Commerce, Compiled by U.S. International Trade Commission (FAS Value) (FAS value – Free Alongside Ship is the value of exports at the U.S. port, based on transaction price including inland freight, insurance and other charges.)

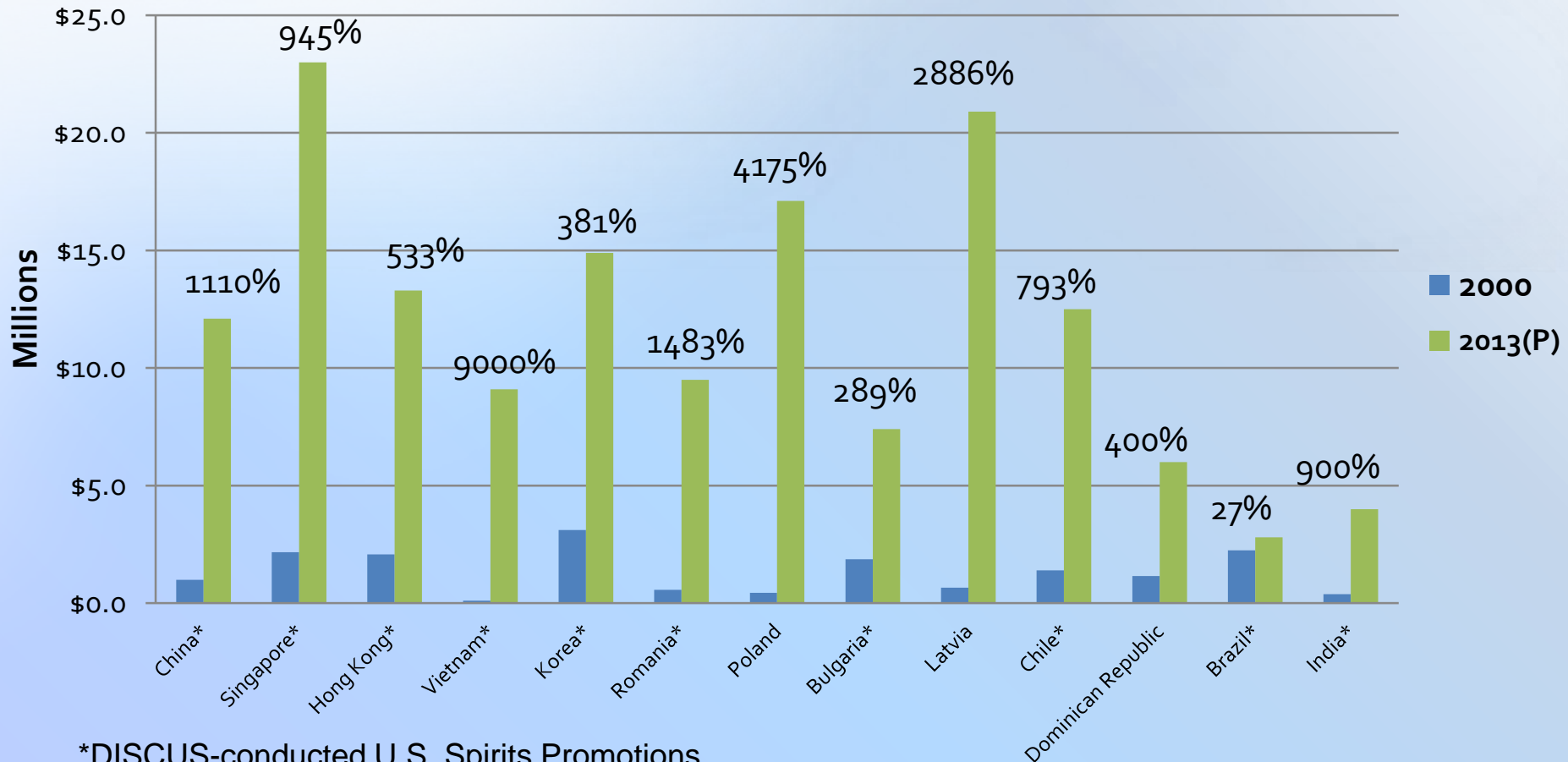
2013 Top Six Export Growth Markets (Projected)

By Dollar	Value Growth (millions)	2013 Total Value(millions)
Japan	+ \$22.7	\$120.8
Germany	+ \$19.6	\$140.1
France	+ \$14.5	\$130.5
United Kingdom	+ \$8.8	\$159.6
Spain	+ \$6.5	\$69.8
Panama	+ \$5.8	\$11.6
By Percentage *	Percentage Growth	2013 Total Value(millions)
Nigeria	+475.5%	\$5.0
Panama	+99.0%	\$11.6
Greece	+72.5%	\$9.2
Georgia	+47.6%	\$6.0
China	+40.4%	\$11.8
Belgium	+33.6%	\$18.3

*Among countries whose U.S. imports exceed \$5 million.

Emerging Export Markets Experience Substantial Growth

2000-2013(P)



*DISCUS-conducted U.S. Spirits Promotions

Source: U.S. Department of Commerce Compiled by U.S. International Trade Commission (FAS Value)

Factors in Global American Whiskey Growth

- Growing middle class/disposable incomes rising
- Brand “America” with strong heritage backstory
- Premiumization/quality recognition
- Global cocktail resurgence
- USDA partnership promoting American spirits overseas
 - American Whiskey Ambassadors in China, India
- Market opening trade agreements
 - Tariffs eliminated/other barriers removed in key markets



DISCUS/USDA Partnership Promotes American Spirits Export Growth

- Promotions in 15 markets since 2005: China, Russia, Brazil, India, Hong Kong, Korea, Thailand, Vietnam, Singapore, Chile, Bulgaria, Romania, Czech Republic, Germany and Austria

VYDATNÝ PRÍPITEK AMERICKE WHISKEY



Whisky je populárny nápoj, ktorý sa pije v mnohých krajinách. Americký whisky má dlhú históriu a je známy svojou kvalitou. V posledných rokoch sa jeho popularita zvyšuje a export rastie. Tento článok sa zaoberá s tým, ako americký whisky vstupuje na nové trhy a ako sa mení jeho vnímanie v zahraničí.

WILD TURKEY



Wild Turkey je známy svojou silnou chuťou a dlhou tradíciou. Jeho výroba je založená na tradičných metódach, ktoré zabezpečujú vysokú kvalitu produktu. Tento článok sa zaoberá s tým, ako Wild Turkey rozširuje svoju sieť predajcov a ako sa snaží prilákať nových milovníkov.

21世纪经济报道 21st CENTURY BUSINESS HERALD

美国酒业制造复苏 新兴市场出口增速迅猛

美国名酒委员会高级副总裁柯曼认为，对中国企业来说，最好的起步投资是购买美国威士忌 总上市企业的股份，进行权益投资，从行业增长中获益，然后才有可能深入该领域。

柯曼说



GEDISTILLEERD BELEGGEN

INDIA Forbes

The Interesting History of Bourbon Whiskey




酒精的魅惑 ALCOHOL LUST



global post

Three bourbon whiskeys, all owned by Fortune Brands including (L-R) Maker's Mark, Jim Beam and Knob Creek, are displayed in Golden, Colorado July 24, 2008. Fortune Brands reports second-quarter earnings on July 25. (Rick Wilking/Reuters)

The 'Whiskey Trail' now runs through China




БЪРБЪН BOURBON

Емблематичната американска напитка се равада от няколко съществени съставки и пресметливостта на един престо

The emblematic American drink stems from a series of lucky coincidences and the shrewdness of a Baptist preacher

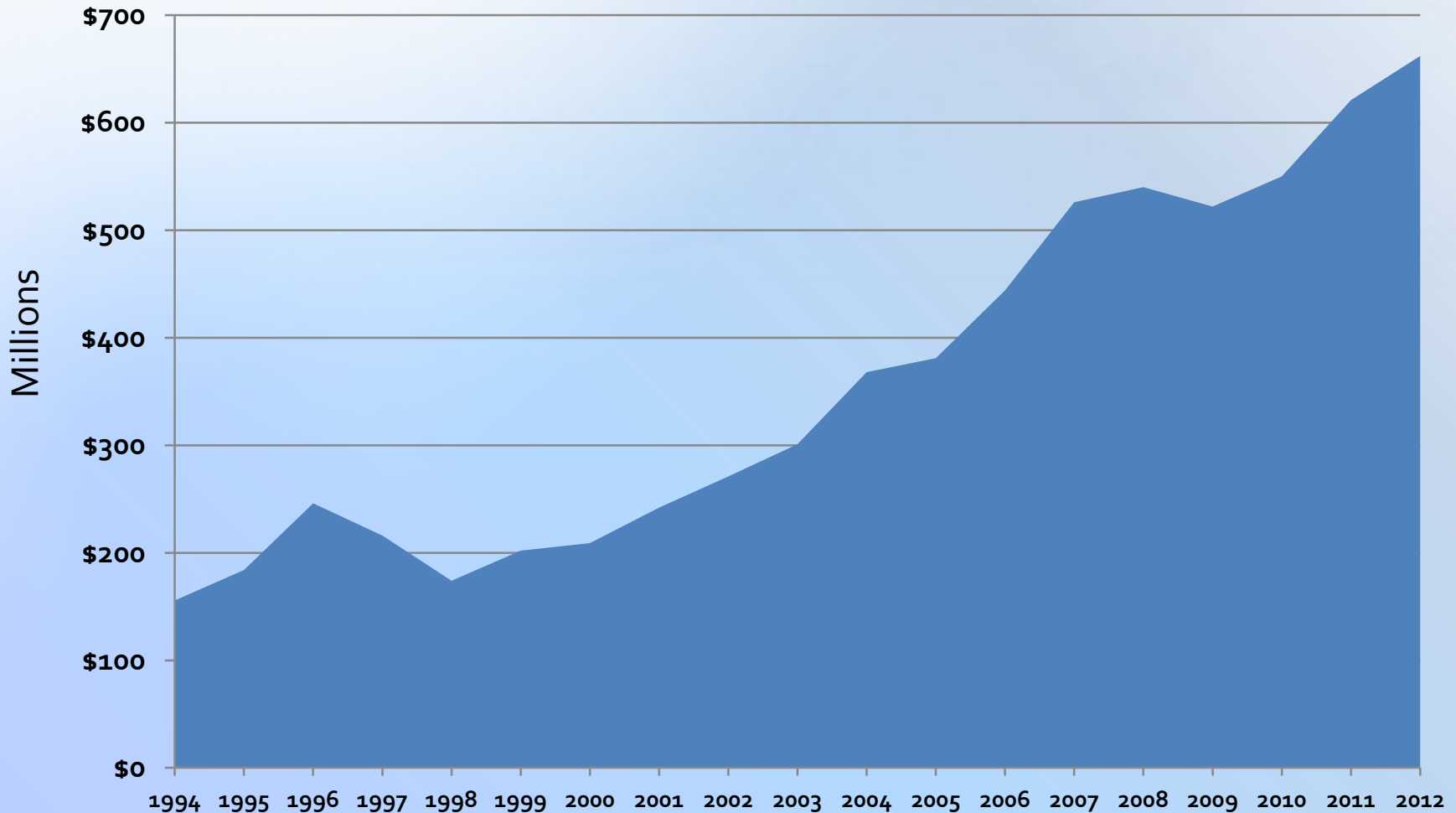


De tijd is rijp voor whiskey



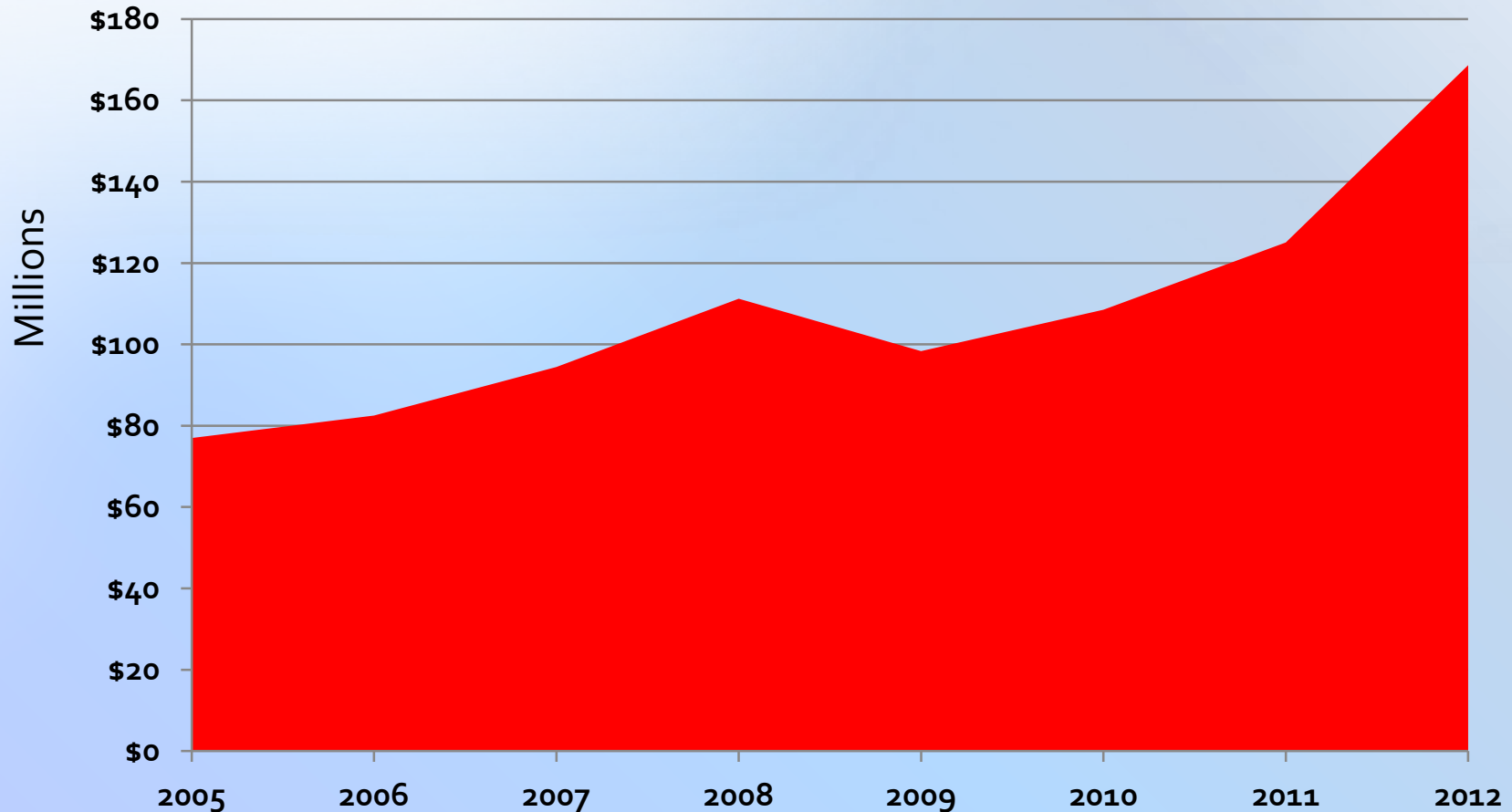
U.S. Spirits Exports to EU Tripled Since Tariffs Eliminated in 1994

Accounts for 45% of Total U.S. Exports



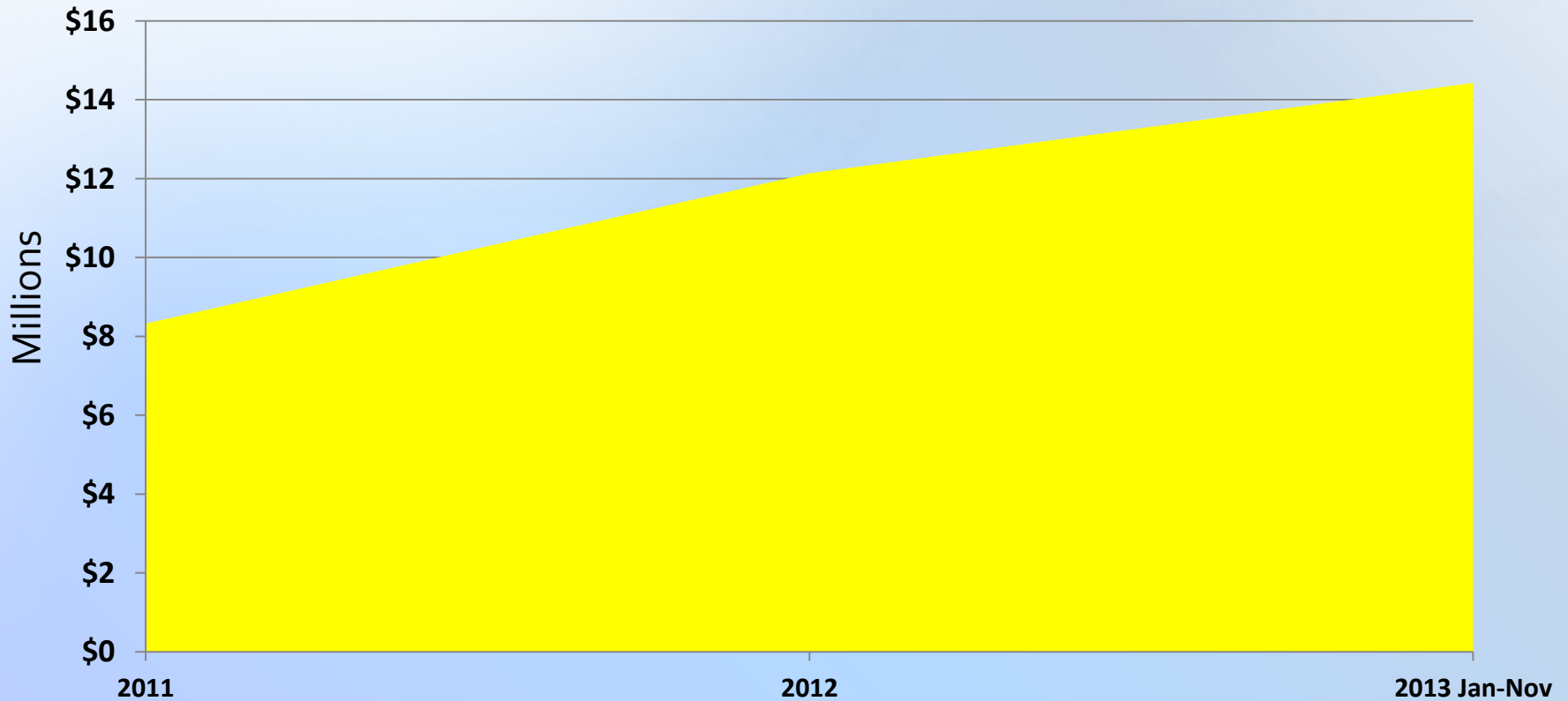
U.S. Spirits Exports to Australia Doubled Since FTA Entered into Force

Tariff on All U.S. Spirits Eliminated in 2005



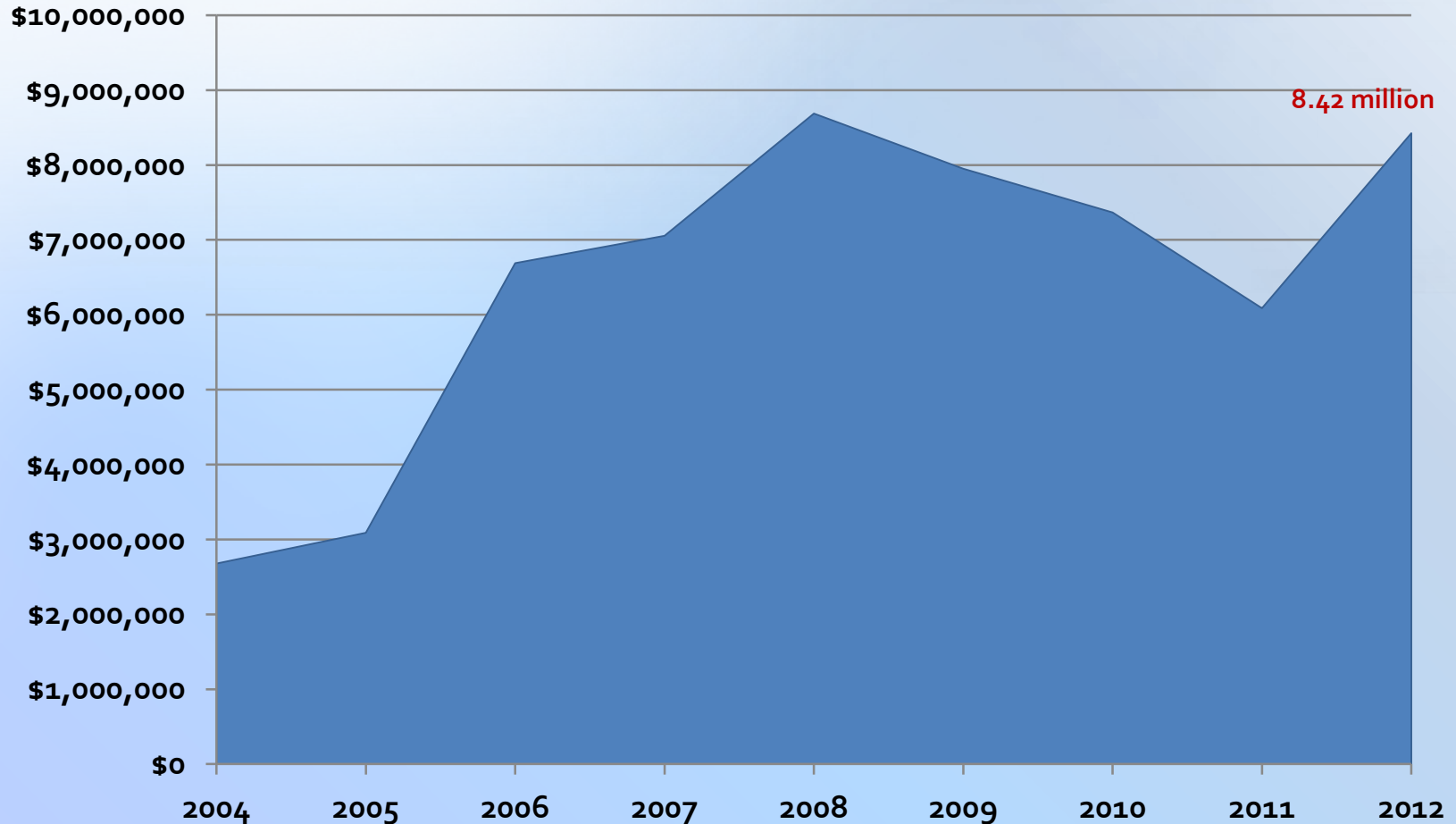
U.S. Spirits Exports to Korea Up 73% Since FTA Entered into Force

Tariff on Bourbon/Tennessee Whiskey Eliminated in 2012



U.S. Spirits Exports to China Increase 315% since 2004

Tariff Lowered to 10% in 2005



Current Trade Negotiations Offer New Opportunities to Expand Exports

- Trans-Pacific Partnership
 - Regional Trade Agreement with 11 partners
 - Open up key emerging markets (*e.g.*, Vietnam)
- Trans-Atlantic Trade and Investment Partnership
 - US-EU Trade Agreement
 - Opportunity to address non-tariff barriers
- Trade Promotion Authority Key to Conclude Trade Deals
 - Gives Obama authority to submit agreements to Congress for up or down vote

Economic Update

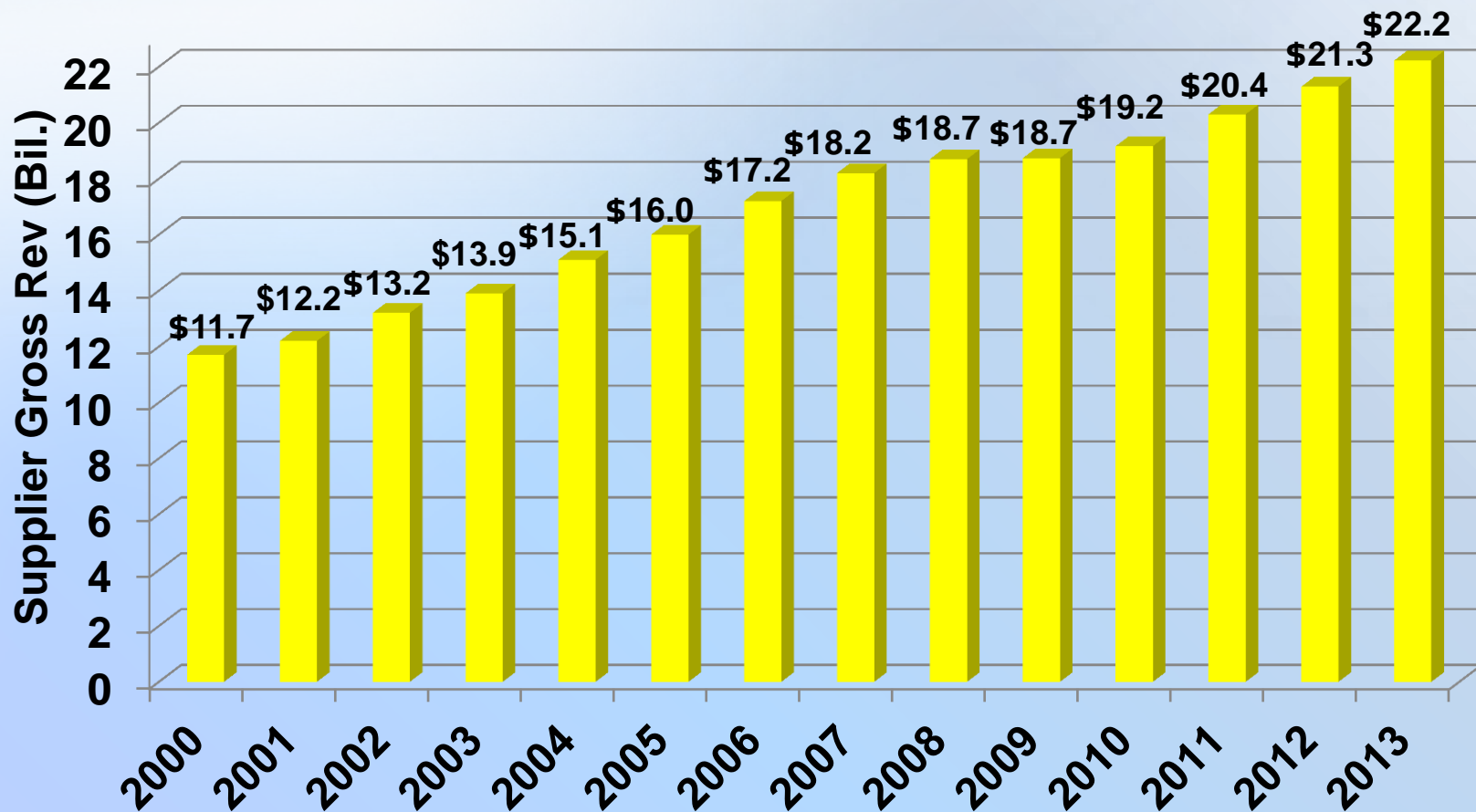
David Ozgo
SVP, Economic & Strategic Analysis

Economic Review - 2013

- Aggregate industry growth
- Market share
- Growth by price segment
- Whiskey – this year's growth driver
- Other category highlights

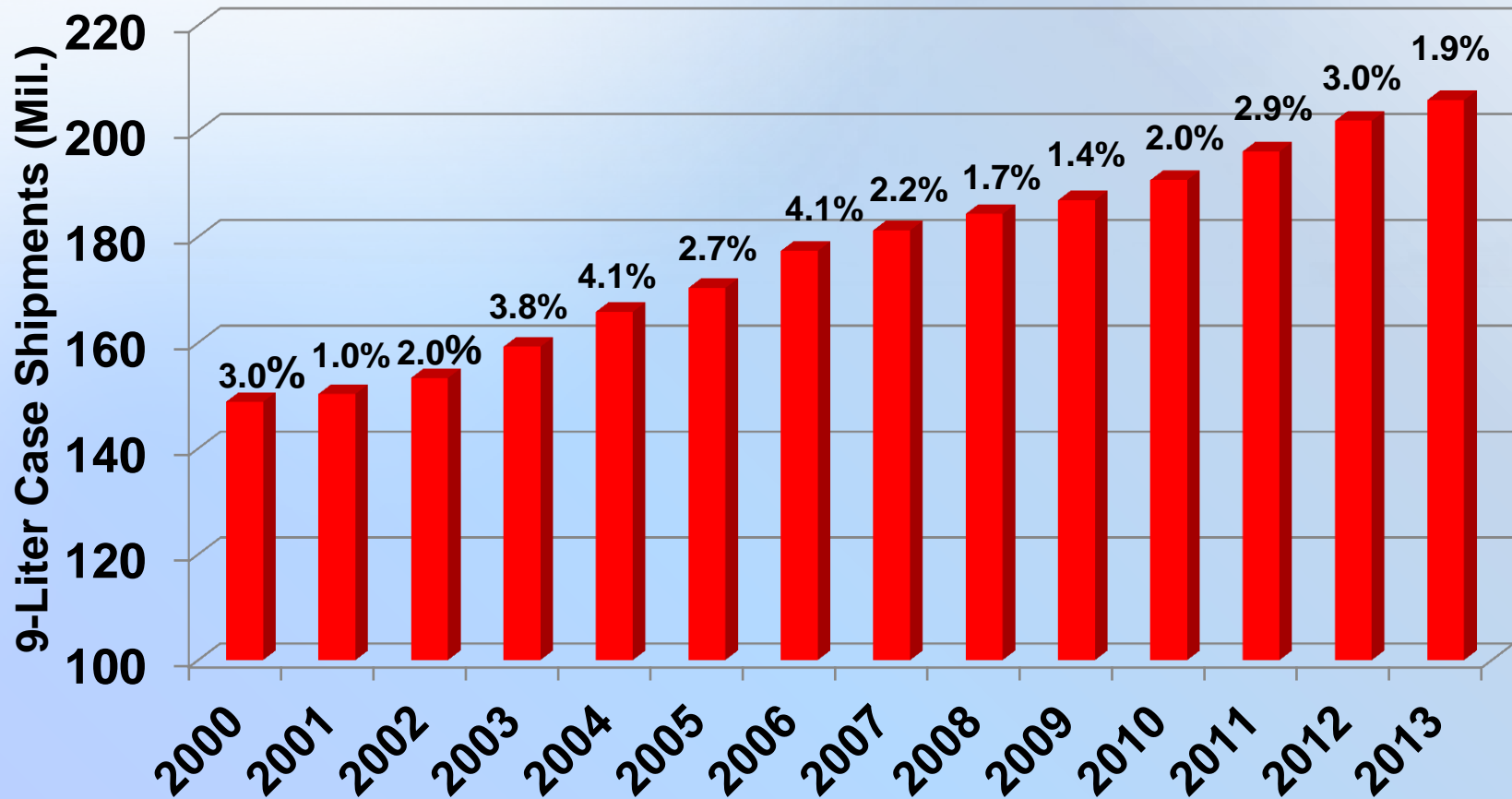
U.S. Spirits Supplier Revenues Up 4.4% to \$22.2B

\$928 Million Gain



Source: DISCUS MSDB

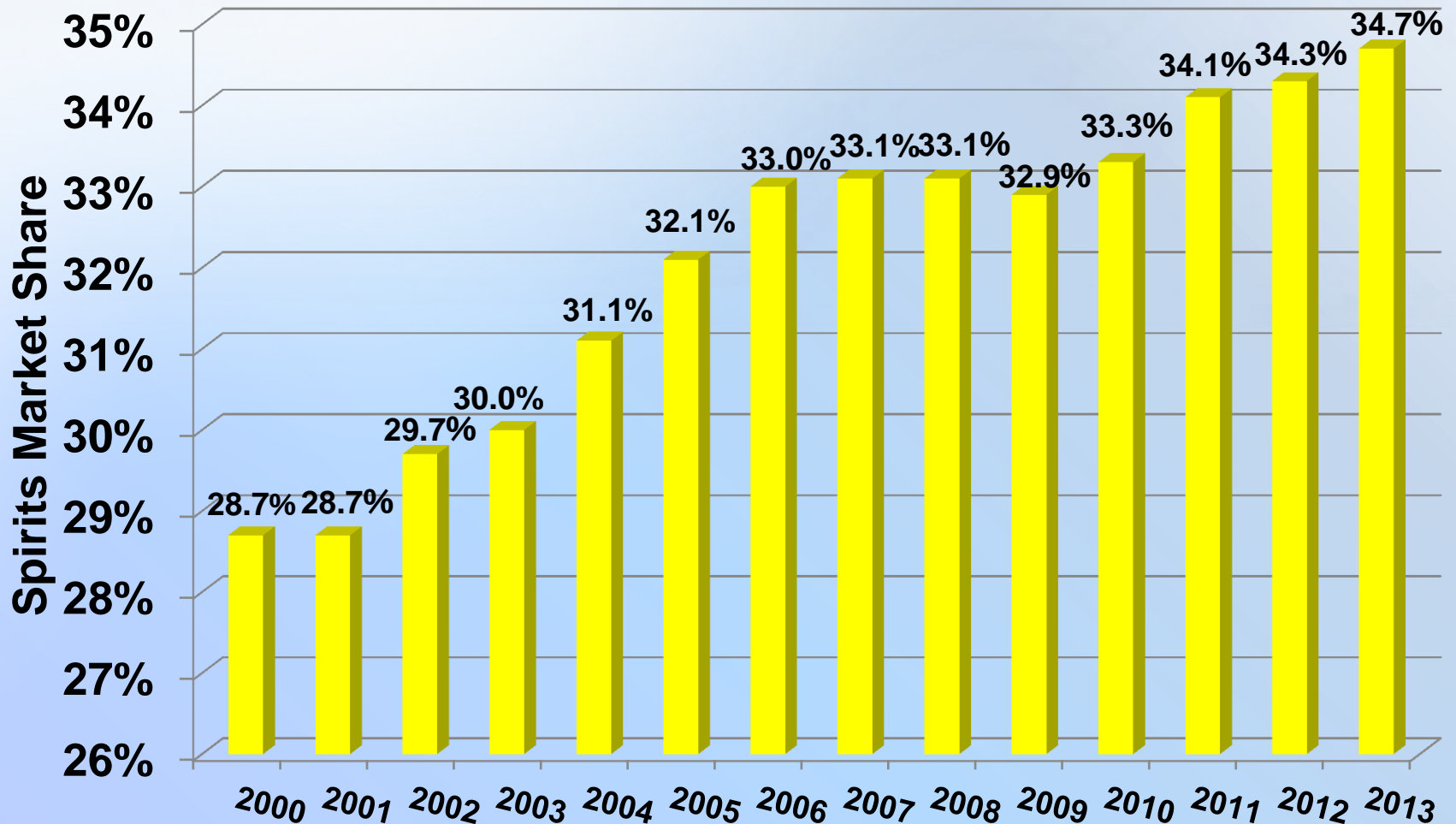
U.S. Volume Up 1.9% in 2013 Up 3.9 Million to 206 Million Cases



Source: DISCUS MSDB

Spirits Market Share – Revenue

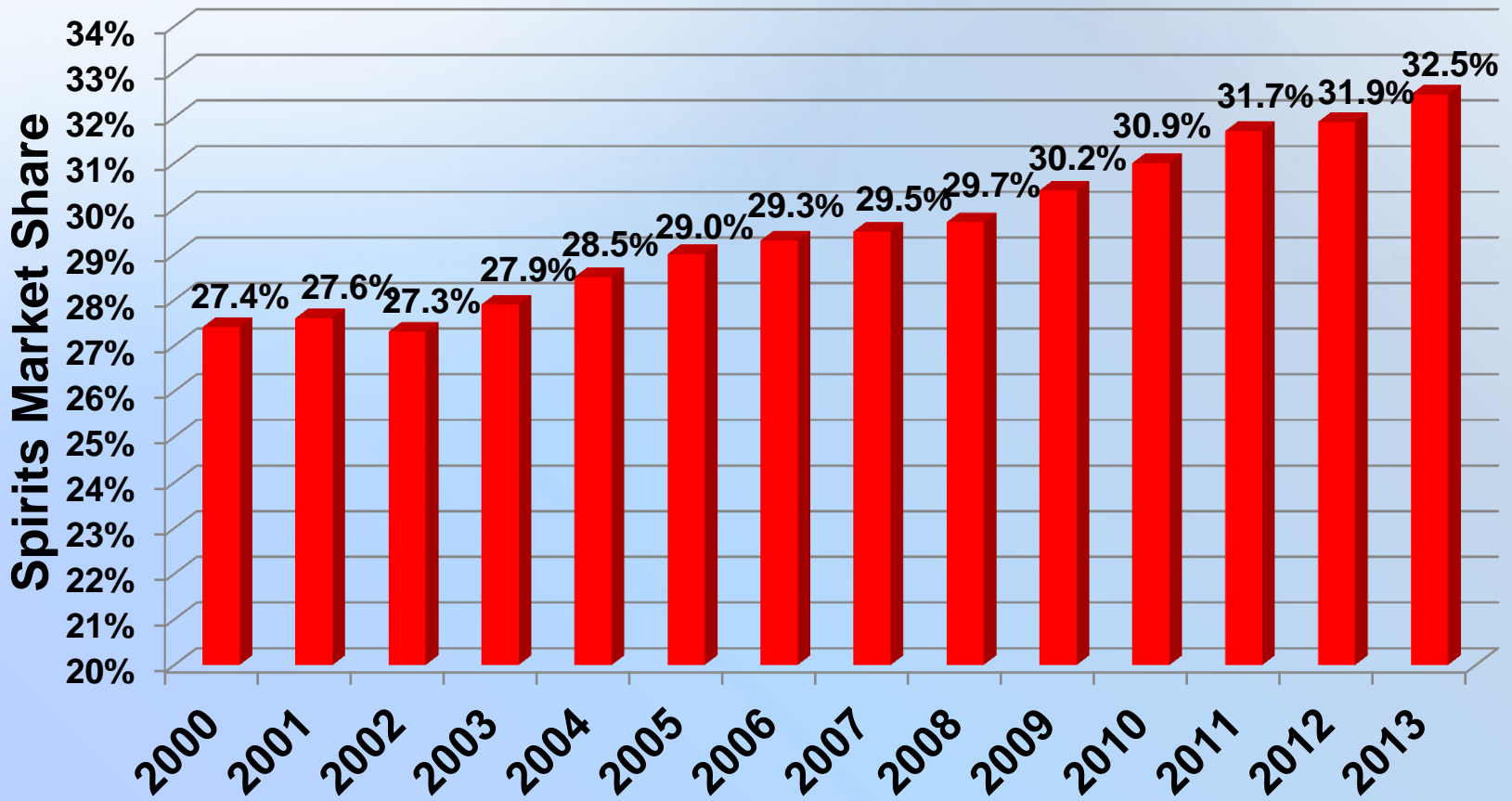
Up 6.0 Points Since 2000, Worth \$3.8 Billion



Source: Beverage Information Group Handbooks, Company Financial Reports, DISCUS Estimates

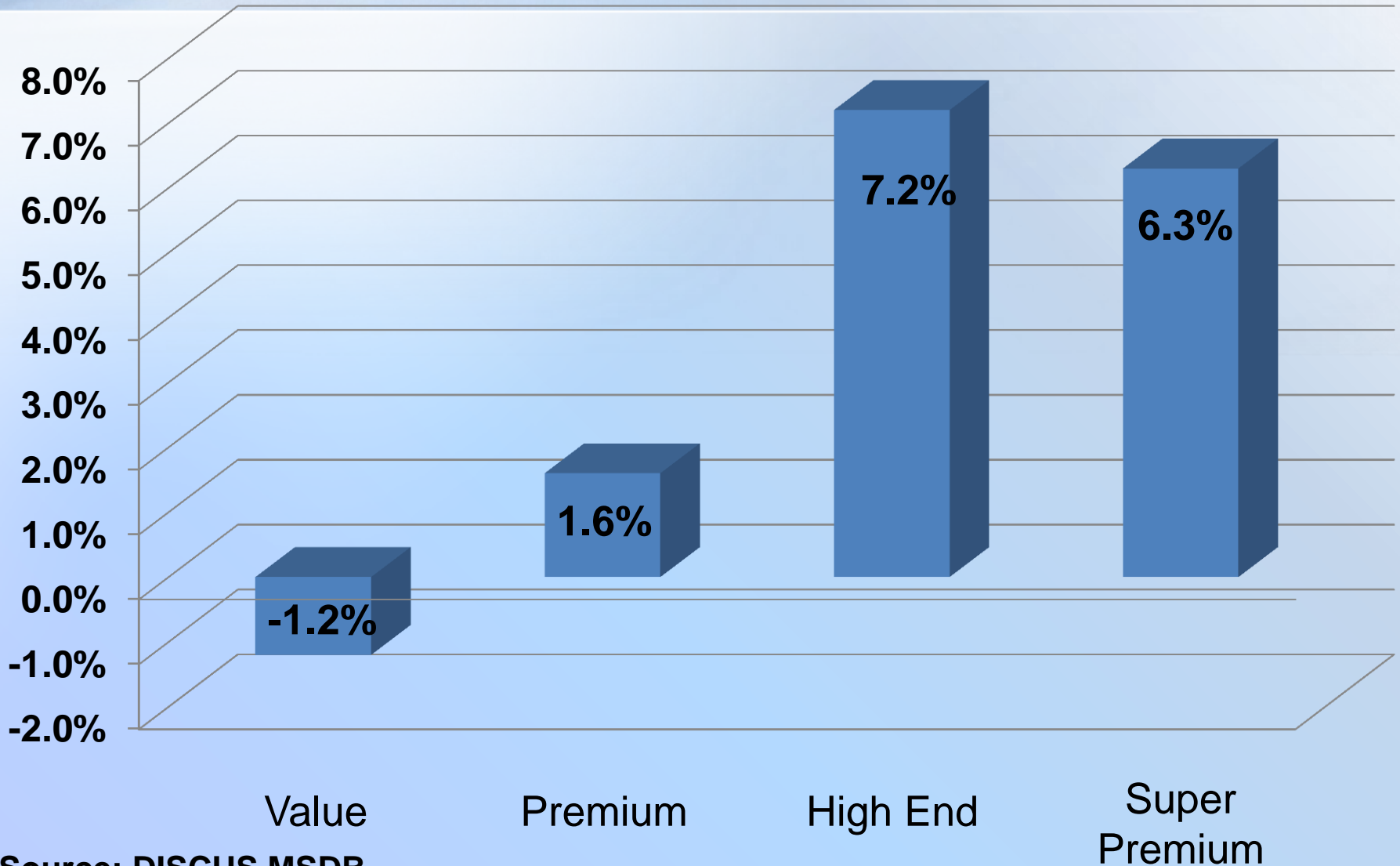
Spirits Market Share – Volume

Up 5.1 Points Since 2000, Worth 32 Million Cases



Source: Beverage Information Group Handbooks, DISCUS Estimates

Volume Growth by Price Segment - 2013



Source: DISCUS MSDB

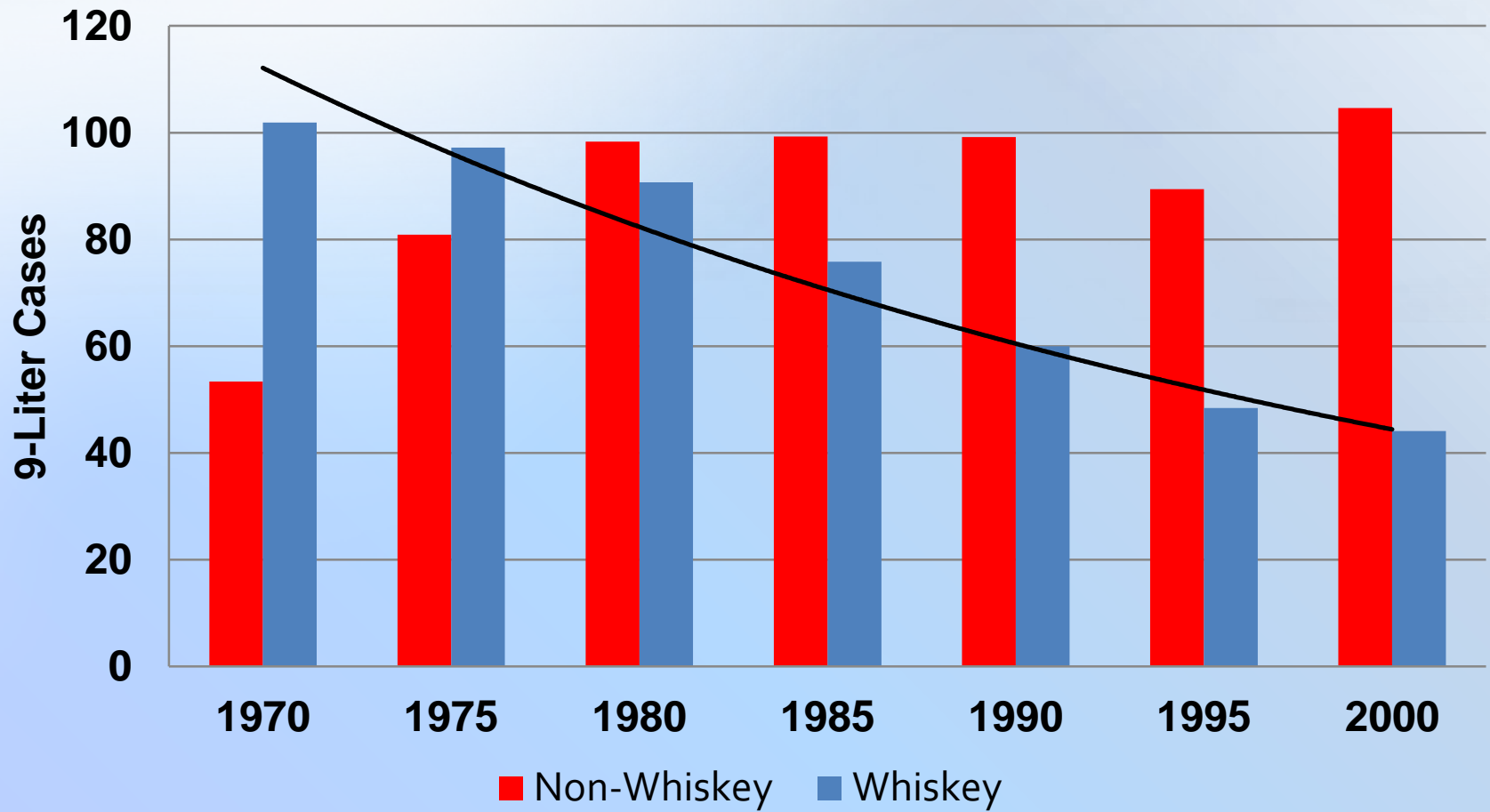
Trading Into Whiskey Drives Revenue Growth

Supplier Gross Revenues Per 9-Liters



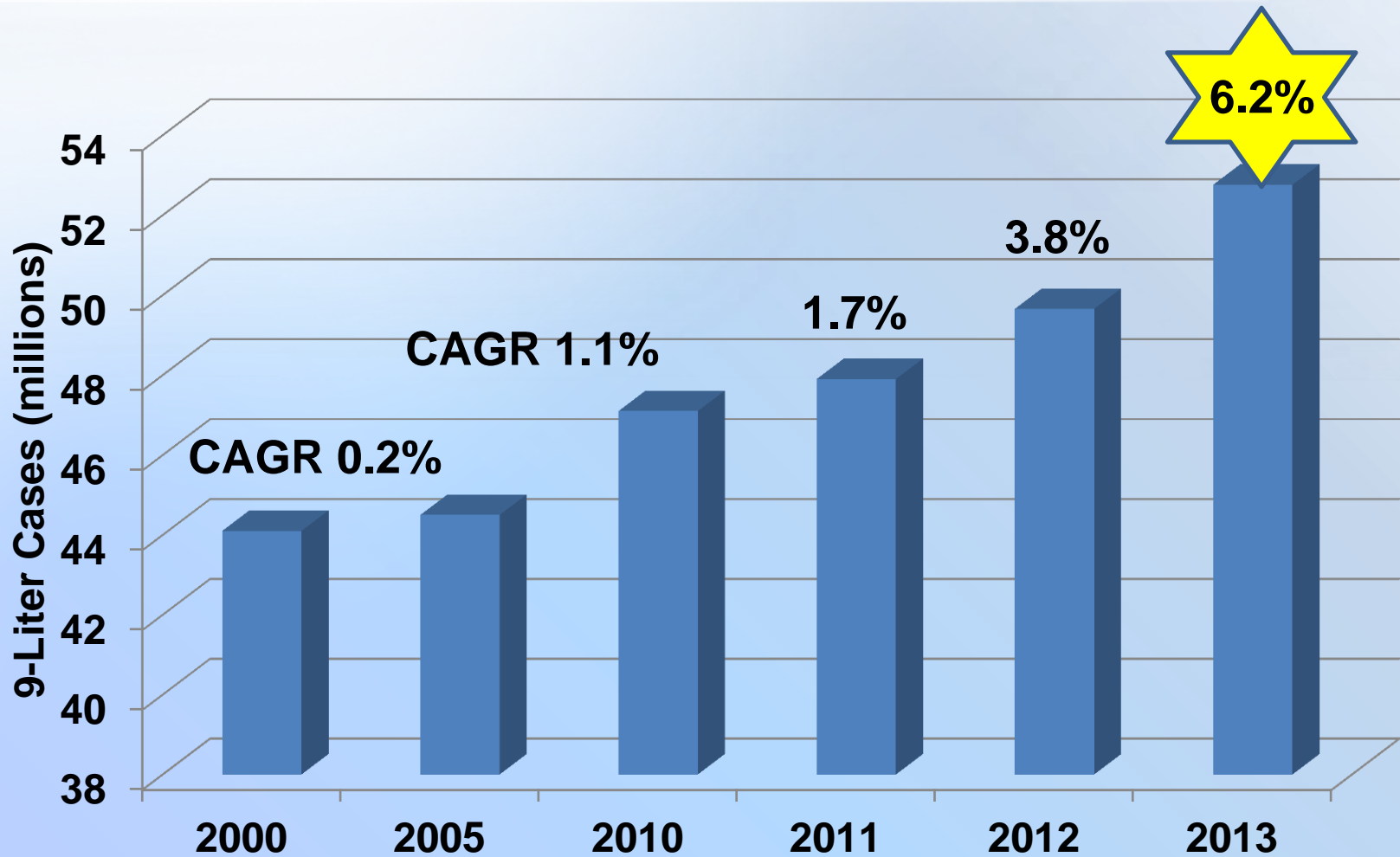
Source: DISCUS MSDB

Whiskey Once Held Dominant Position in U.S. Spirits Market



Source: Beverage Information Group
Handbooks

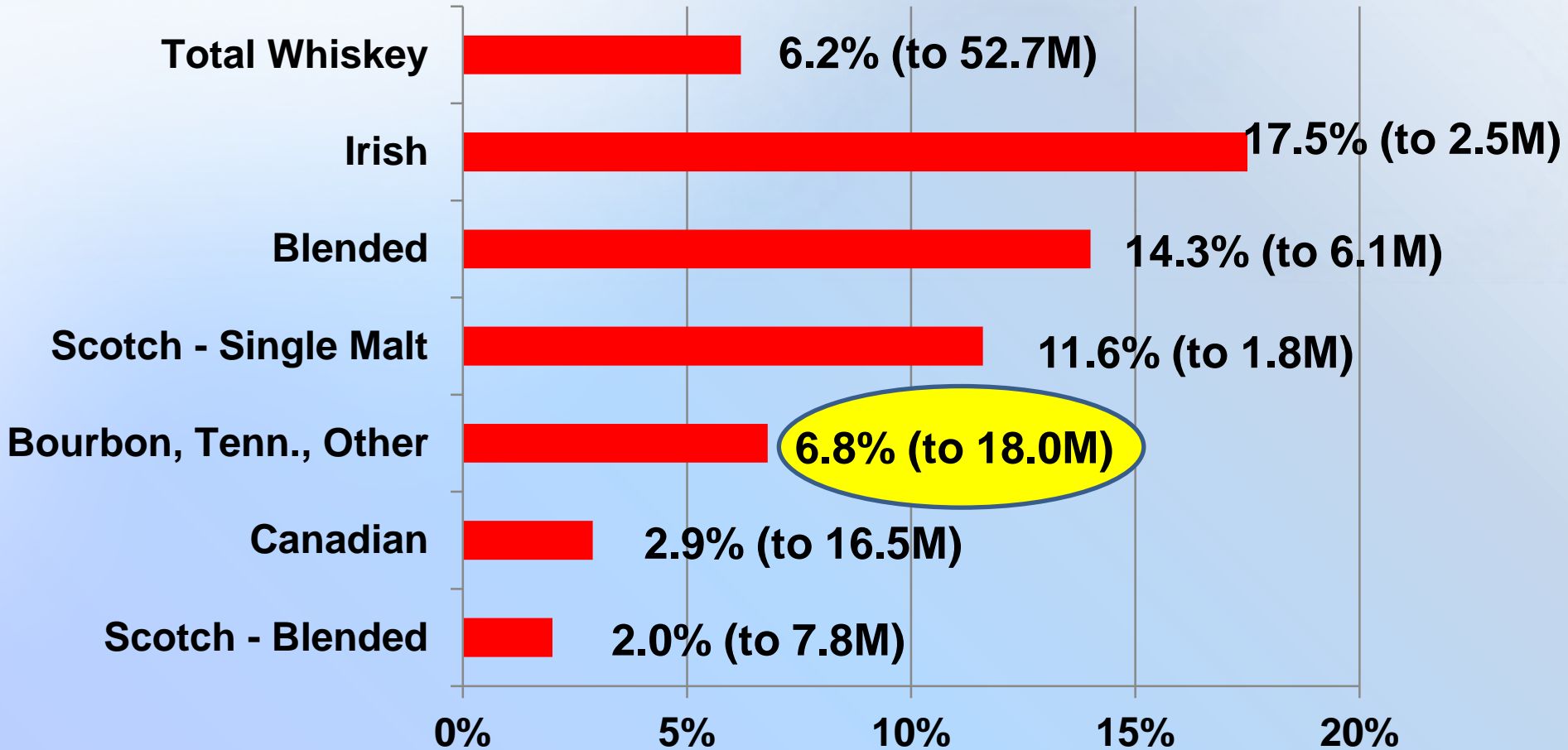
Whiskey Growth Has Picked Up Since 2009



Source: Beverage Information Group
Handbooks, DISCUS MSDB

Whiskey Volume Growth – 2013

Total Whiskey Up 3.1M Cases, 80% of Industry Volume Growth

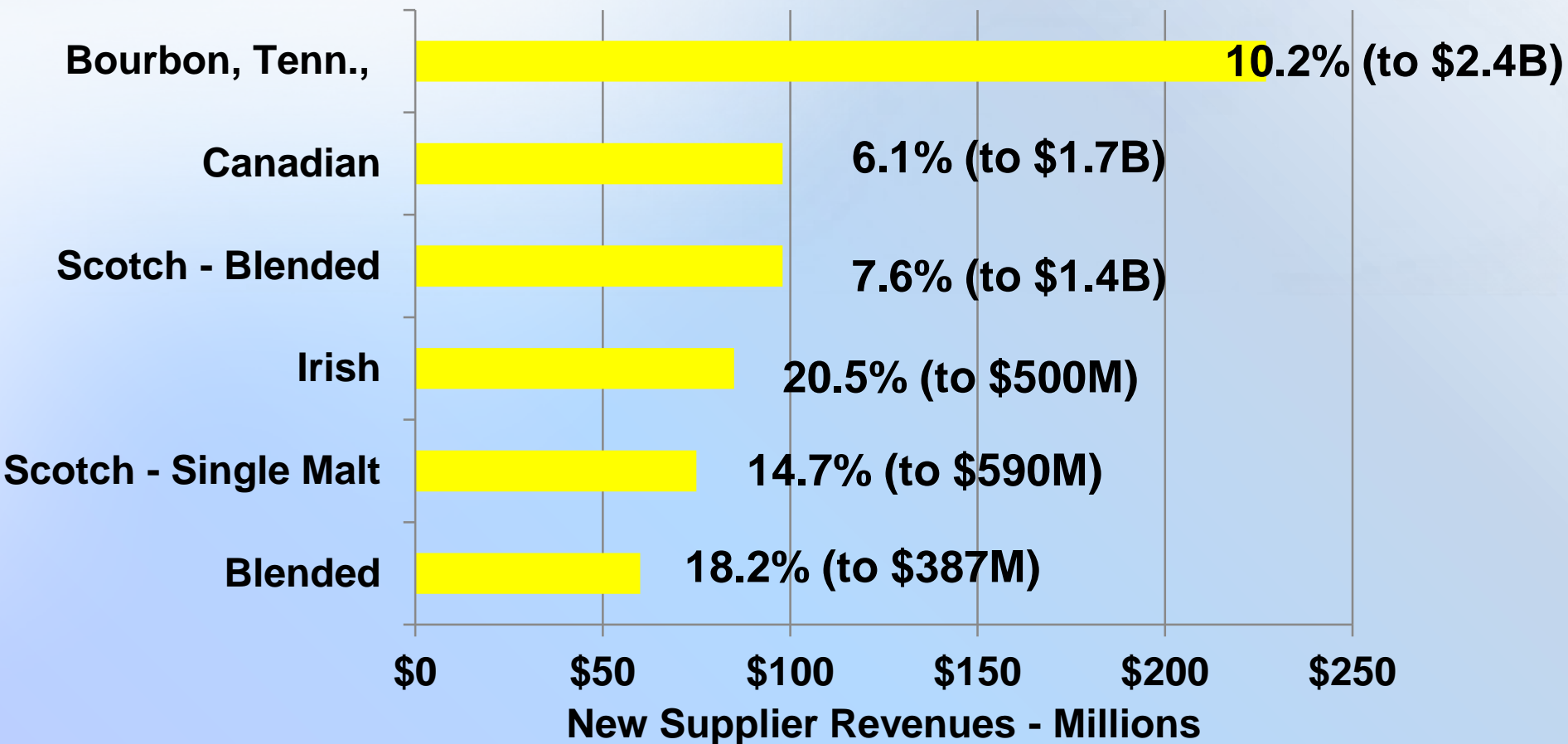


Source: DISCUS MSDB

Note: Numbers in () represent millions of 2013 9-Liter Cases

Whiskey Revenue Growth – 2013

Total Whiskey Up \$643M – Up 10.1% to \$7.0 Billion



Source: DISCUS MSDB

Note: Numbers in () represent total category supplier revenues.

Other Category Highlights

- Tequila volumes up 6.6%, revenue up 7.9%
 - Growth in all Premium+ price points
 - \$148M in new supplier revenue
- Solid growth in Cognac, volumes up 3.7%
- Vodka volumes up 1.1%, revenues up 2.2%
 - Size of category (66M cases) drove revenue +\$122M

Product Innovation

- 800+ new products, includes line extensions, new expressions of existing brands
 - Allows suppliers to keep brand fresh
 - Accounted for over 3M cases
 - 216 Cordials, 158 Vodka
- Flavored Whiskeys 45% of Whiskey volume growth
 - Traditional Whiskey 80% of revenue growth
 - Flavored Whiskey growth 1.4M cases
 - Growth of traditional Whiskey 1.7M
- 129 New Straight Whiskeys, 53 Bourbon

Summary

- Volume/revenue
 - Supplier revenue up 4.4% to \$22.2B
 - Supplier volume up 1.9% to 206M 9-liter cases
- Whiskey Renaissance driving revenue growth
 - First year in memory all major Whiskey categories grew
 - Particular strength in Bourbon volumes up 6.8%, revenue up 10.2%
- Continued to increase market share gains
 - 34.7% revenue market share, 32.5% volume market share