



Vision for Irish whiskey

*A strategy to underpin the sustainable
growth of the sector in Ireland*



Foreword for the strategic vision for Irish Whiskey

I welcome the publication of the ‘Vision for Irish whiskey’.

Agri-food beverages have been key to Ireland’s economic recovery, contributing €10.5 billion in exports in 2014, that is 45% above 2009 levels and on track towards the Food Harvest 2020 target of €12 billion.

Irish Whiskey has led the export contribution of the drinks sector. Growth of almost 200% over a decade reflects an industry with ambition, a sense of mission and a deep understanding of individual markets. Irish whiskey brands now represent the fastest growing premium spirit globally and with investments of €1 billion planned over a ten year period, Irish whiskey and those who champion it will be well placed to generate growth, exports and jobs and a very special tourist offering celebrating an all-island heritage.

Quality production processes underpin the international brand recognition of Irish whiskey. This is reflected in the Geographical Indication status which Irish whiskey enjoys in EU law and in EU trade agreements with third countries. Maintaining that premium reputation has several ingredients, including responsible promotion and marketing, educating hospitality staff and building a strong sense of national pride and ownership of the quality product that is Irish whiskey.

Each year over 600,000 visitors pass through visitor centres to see the craft and character of individual distilleries and the stories behind famous brands, creating revenue of over €12 million and employment in cities and rural communities. The Irish Whiskey Association aims to increase this to over 850,000 visitors through a programme of new and refurbished visitor centres and an inclusive, all-island whiskey trail emphasising the historical, cultural and overall tourism experience. This is ambitious and achievable and will add a unique dimension to Ireland’s tourist offering.

While unprecedented opportunities exist for growth and expansion in the Irish whiskey sector, their very scale is a challenge. A shared vision is, however, a powerful thing. It is good to see the sector encouraging and mentoring new entrants, funding global brand ambassadors and committing to sustainable growth. The sector has seen the immense opportunity that is Irish whiskey and I look forward to its contribution to the development of the 2025 Agri-Food Strategy process which I launched on the 25th November.

This timely Vision reflects the ambition and commitment of a sector of great value to Ireland. I wish you well.



*Simon Coveney T.D.
Minister for Agriculture, Food and the Marine*



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About the Irish Whiskey Association

The Irish Whiskey Association provides a forum for all operators, new and old, to come together to share expertise and cooperate in building the Irish whiskey category brand. It was established in 2014 and is an all-island organisation open to the entire industry.

The Irish Whiskey Association's mission is to:

- *Promote the Irish whiskey category in Ireland and internationally, working with Government agencies and the European Commission.*
- *Support new market entrants.*
- *Protect the high standards of Irish whiskey by working with the relevant authorities to ensure that the legal protection offered by the geographic indication is applied in Ireland and internationally.*
- *Ensure public policy supports the sustainable growth of the Irish whiskey sector.*

In short, the Irish Whiskey Association is the one-stop-shop for comprehensive, up-to-date information on Irish whiskey. The following companies are the founding members:



GLENDALOUGH



Welcome

The Irish whiskey sector is ambitious for its future. Having been distilled in Ireland since the 6th century, Irish whiskey is one of the oldest spirit drinks in Europe. It is a premium product that can only be made on the island of Ireland. The existing players have driven the global renaissance in Irish whiskey and now it is the fastest growing spirits category in the world.

In the last decade, the category grew by almost 200%. In 2014, more than 6.7 million 9-litre cases of Irish whiskey were exported to over 100 countries around the world. This figure is set to exceed 12 million cases by 2020 and 24 million cases by 2030. Three years ago, the island of Ireland had four distilleries in operation – in the next three years that number will grow to over 15 if all the current projects move forward.

The industry is a key contributor to Irish food and drink exports and its growth will play a large part in helping to achieve the ambitious targets laid down in Harvest 2020. The key to our success is to ensure that this growth is sustainable: economically and environmentally. To do this, we need a cohesive strategy, incorporating the industry, Government and its agencies, to act as a 'light hand on the tiller' to reach our targets.

The potential is massive. If we look to our neighbours in Scotland, we see the world-leading Scotch industry exporting over 90 million 9-litre cases annually, with exports of £4.3 billion every year, Gross Value Added of £3 billion to the Scottish economy and employing one in five people in Scotland directly or indirectly. There are over 130 Scottish distilleries that bring investment and employment into rural areas. The UK is proud of Scotch as one of its most successful exports. There is no reason that Ireland cannot achieve similar success.

The industry came together to form the Irish Whiskey Association in March 2014. In addition, industry concluded work on the Irish whiskey technical file, which was submitted to the European Commission in October 2014. The technical file is instrumental to underpin the

industry's ability to protect the Irish whiskey geographic indication internationally.

The founding members of the association are committed to ensuring the sector delivers its ambitious growth targets. We will be providing a range of supports to new entrants, including a mentoring programme, technical information and promotional activities. Our ask of Government and its agencies is to support these initiatives through targeted financial, fiscal and educational interventions in addition to providing a business environment that ensures Irish whiskey can remain competitive in the global marketplace. This document reflects the industry's ambition for Irish whiskey – to 2020 and beyond.

*Bernard Walsh,
Chairman of the Irish Whiskey Association*





Executive summary

Irish whiskey has been distilled in Ireland since the 6th century and is one of the oldest spirit drinks in Europe. It has deep roots in Ireland and is a product of which we can be proud.

Industry investment and consequent production grew rapidly in the late 18th century. At its height in the mid-19th century 88 licenced distilleries, producing more than 12 million 9-litre cases annually, made Irish whiskey the largest global spirits category of the time. However a combination of events led to the industry's demise and by the mid-1980s only two Irish whiskey distilleries remained, both owned by Irish Distillers. Scotch, Bourbon, and Canadian whiskey had all surged and left Irish volumes far behind at about 1% of global sales.

The late 1980s marked the beginning of Irish whiskey's comeback. In 1988, Irish Distillers (IDL) became a member of Group Pernod Ricard, which provided massive distribution opportunities for Jameson, and the other IDL Irish whiskey brands, through its well established global sales network. In 1987, Cooley Distillery was established and was the first independent distillery to begin distilling Irish whiskey in over 100 years.

Moderate at the beginning, the recovery has grown at pace in the past fifteen years. As the potential of Irish whiskey became apparent Diageo, William Grant and Sons and Beam Suntory all entered the category by purchasing Bushmills, Tullamore DEW and Cooley respectively.

By 2013, there were four distilleries in Ireland in operation producing and selling Irish whiskey:

- *Cooley Distillery (est 1987) – producing Connemara, Michael Collins, Tyrconnell, and others*
- *Kilbeggan Distillery (est 1757, recommissioned 2007)*
- *New Midleton Distillery (est 1975) – producing Jameson, Powers, Paddy, Midleton, Redbreast, Green Spot and others*

- *Old Bushmills Distillery (est. 1784) – producing all Old Bushmills, Black Bush, 1608, Bushmills 10-, 12- and 16- and 21-year-old single malts*

By 2014, the industry was firmly in expansion mode:

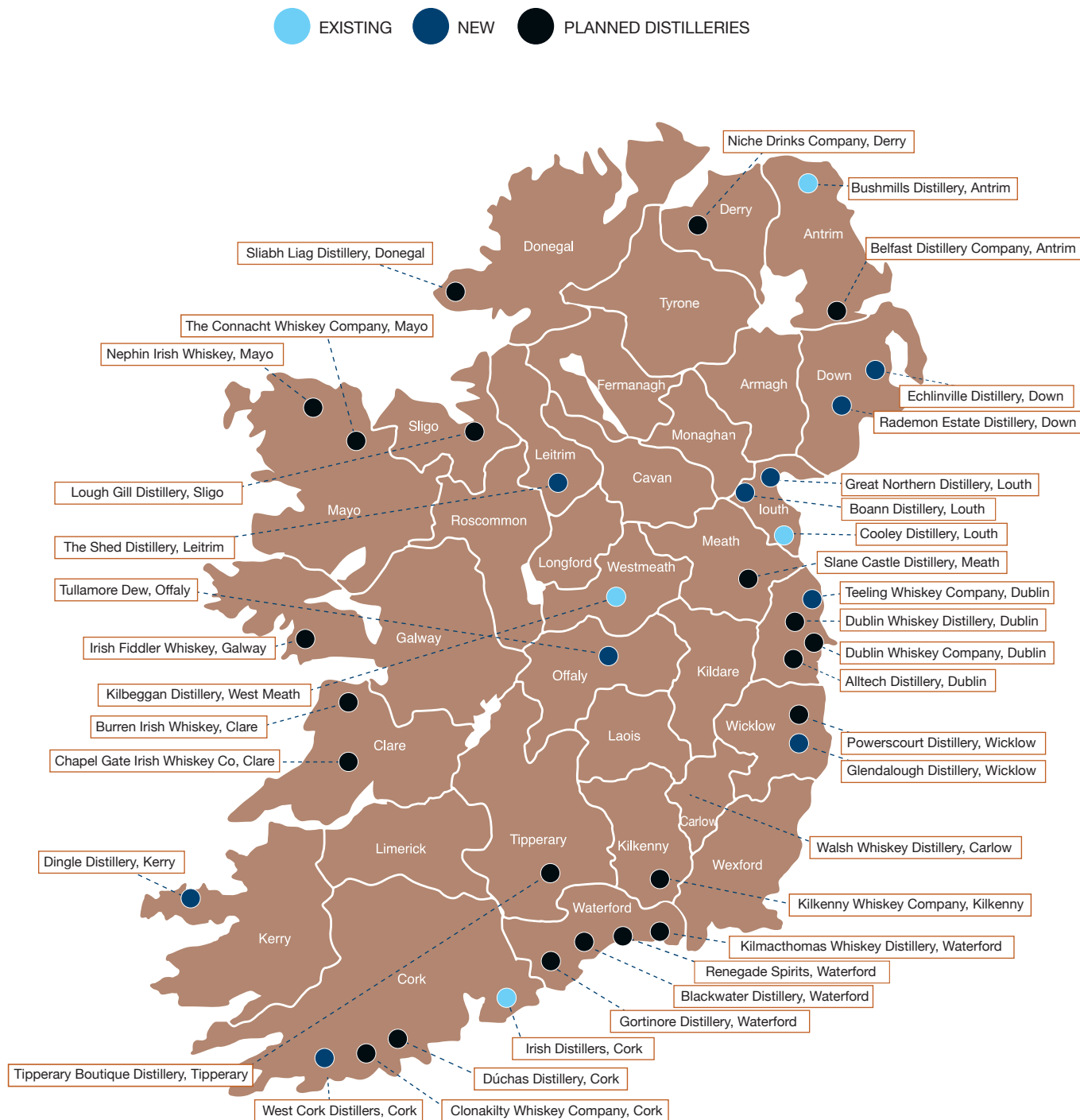
- *Irish Distillers completed a €110m investment programme that doubled capacity in Midleton*
- *William Grant & Sons brought distilling back to Offaly, officially opening the Tullamore Distillery in July*
- *Walsh Whiskey broke ground on its distillery in Carlow*
- *Teeling Whiskey Company broke ground on its distillery in Dublin*

By the end of 2014, there were eight working distilleries:

- *Irish Distillers*
- *Bushmills*
- *Cooley Distillery*
- *Tullamore Distillery*
- *Echlinville Distillery*
- *Alltech Distillery*
- *Dingle Distillery*
- *West Cork Distillers*

And a number of projects in various stages of planning – see Irish whiskey investment map: www.irishwhiskeyassociation.ie/map

Figure 1:



In 2014, more than 6.7 million 9-litre cases of Irish whiskey were exported from Ireland to over 100 countries and the category enjoyed the position of being the fastest growing premium spirits category globally over the previous five years (see figure 2). Global market share of the premium whiskey sector has grown to ca. 4%.

The Irish whiskey category has focused on building brands with global consumer appeal, offering an alternative to Scotch and Bourbon whiskies. Irish whiskey is no longer about playing to the stereotype of the “fighting Irish” or as a way to spice up Irish Coffee. Irish whiskey has carved out its own niche in the global spirits market, relying on the traditional craft of Irish distilling and authentic heritage, underpinned by high-quality whiskey with a distinctive taste and broad appeal. Super and ultra-premium Irish

whiskeys are amongst the most highly rated and scored whisk(e)ys each year (see appendix 1). Today the industry is responsible for more than 750 direct jobs with annual exports exceeding €350m p.a. In excess of 600,000 people visit the five existing whiskey visitor centres already on the island annually.

The category’s double-digit growth is underpinned by a healthy mix of multinational and independent operations on the island:

- *Four of the top ten spirits multinationals in the world have a stake in Irish whiskey – Pernod Ricard (Jameson, Powers, Paddys, etc), Beam Suntory (Cooley and Kilbeggan), Gruppo Campari (Irish Mist Whiskey) and William Grant & Sons (Tullamore DEW)*

Figure 2: 2013 figures

	2013 VOLUME (C/E 000'S)	% GROWTH V. LY	% CAGR 08-13	% CAGR 03-13
VODKA	96,655	2.4%	3.4%	6.0%
SCOTCH WHISKY	89,003	-0.5%	1.5%	2.3%
RUM	50,161	3.0%	2.2%	2.8%
AMERICAN WHISKY	44,180	7.0%	4.0%	3.4%
NON COFFEE/CREAM LIQUEURS	31,170	1.8%	0.7%	1.0%
BITTERS	25,475	4.8%	3.7%	4.4%
TEQUILA	24,051	3.8%	3.1%	5.1%
GIN	19,035	3.1%	1.5%	1.0%
BRANDY NON COGNAC	19,024	-2.5%	-0.5%	-0.6%
COFFEE/CREAM LIQUEURS	13,860	-1.1%	-0.6%	0.8%
COGNAC	12,362	-3.0%	1.3%	2.1%
ANISEED	11,469	-0.9%	-2.5%	-2.2%
OTHER WHITE SPIRITS	7,786	-2.3%	-0.5%	-2.1%
JAPANESE WHISKY	7,682	2.4%	5.6%	0.0%
IRISH WHISKY	6,860	10.7%	9.6%	8.9%
SPANISH WHISKY	913	-1.2%	-6.7%	-6.4%
OTHER WHISKY	182	9.7%	-3.8%	-4.7%
INDIAN WHISKY	3			
GRAND TOTAL	459,871	2.0%	2.1%	2.8%

Source: IWSR2013 – Spirits/Western Style Spirits/International Spirits – Excluding Flavoured Whisky

- *Newer entrants have garnered interest from international spirits groups, such as the pairing of Walsh Whiskey in Carlow with Ilva Saronno.*
- *Several new independent operators have entered the market.*

For the newly interested spirit consumer, this combination of global and niche brands will provide ample reason to remain and explore within the resurgent Irish whiskey category.

New entrants are investing and at present there are twenty new or proposed distilleries in development. Building a distillery, maturing stock and creating a successful brand mean the financial demands on a new entrant are significant. The industry is very supportive of new market entrants and wants to ensure that every available support is made available – including funding, technical expertise and marketing support. For this reason, the industry has formed the Irish Whiskey Association to bring all companies involved together to shape the future of the sector and to ensure that the

new entrants are supported in contributing to the growth of the category.

This strategy document sets out the industry's ambition for the future, in particular to:

- *Continue its double-digit growth sustainably, moving away from the boom-bust cycles of years past*
- *Grow exports to 12m 9-litre cases by 2020, and to double them again to 24m 9-litre cases by 2030*
- *Grow global market share from 4% to 12% by 2030*
- *Grow tourism from 600,000 visitors per annum to more than 800,000 in the medium term*
- *Increase employment from 750 direct in 2014 to 975 direct by 2025*



The Association has identified five pillars on which a successful industry can be built:

PILLAR	ELEMENTS
1. Adequately resourced infrastructure	<ul style="list-style-type: none"> Financial support for new entrants at all three development stages (distillery, inventory and brand) which at least matches Scottish incentives Develop third level programmes in brewing and distilling, and designate Irish whiskey research funding Mentoring of new entrants through Irish Whiskey Association Clean water and sustainably farmed cereals. Adequate malting capacity Access to competitively priced energy and investment support for energy efficient distillery processes Ready supply of competitively priced quality raw materials and dry goods
2. Category Integrity and promotion	<ul style="list-style-type: none"> Retain geographic indication (GI) status with appropriate verification process. Revise and strengthen Irish Whiskey Act Formation of Irish Whiskey Association Clear guidelines on production of Irish whiskey Active monitoring and pursuit of transgressors Secure EU funding to promote the category
3. Sustainable supply and demand	<ul style="list-style-type: none"> Additional capacity essential to support market growth Over-supply detrimental to quality and value Active bonders market key to encouraging new entrants Additional quality offerings key to retaining new consumers
4. Vibrant tourism offering	<ul style="list-style-type: none"> Irish Whiskey Trail All-island approach to tourism
5. Strong home market	<ul style="list-style-type: none"> Government representatives should promote Irish whiskey at home and abroad Irish whiskey bars with knowledgeable bar staff Responsible advertising and marketing Excise rates that are closer to European averages

Given Ireland's climate, availability of quality raw materials, distilling heritage and proven spirits brand building expertise, the fundamentals exist to develop a vibrant sustainable Irish whiskey category for the future. Learning from the mistakes of the past, steady and sustainable growth can be maintained.

By focusing on these key areas, and by using an all-island approach, the industry and Government can secure the ongoing success of the Irish whiskey category well into the future, with resulting jobs and contribution to the economy.



Economic impact and ambition for the future

The Irish whiskey industry is one of Ireland's fastest growing industry sectors. The industry exports over 95% of its production, with whiskey exports in 2013 growing in value terms by over 14% in a year when total beverages exports fell by over 2.5%. In many ways Irish whiskey in the last decade has been a story of rapid convergence with exports growing by 220% since 2003. In 2013 one in three euros addition to the Irish economy from beverages exports were from Irish whiskey.

This section sets out the value of Irish whiskey to the Irish economy at present and particularly to its key food and drink sector. We look at Irish whiskey's impact alone and in comparison with other major food and drink categories. In addition we look at the future expansion expected by firms in the industry: their planned investment and expected capacity over the long term. The sector has the potential to be in uniquely accurate in this regard as the timelines in whiskey production are far in excess of in other manufacturing sectors.

1. *Economic impact*
2. *Irish whiskey in comparison*
3. *Future expansion of the Irish whiskey industry*

1. Economic impact

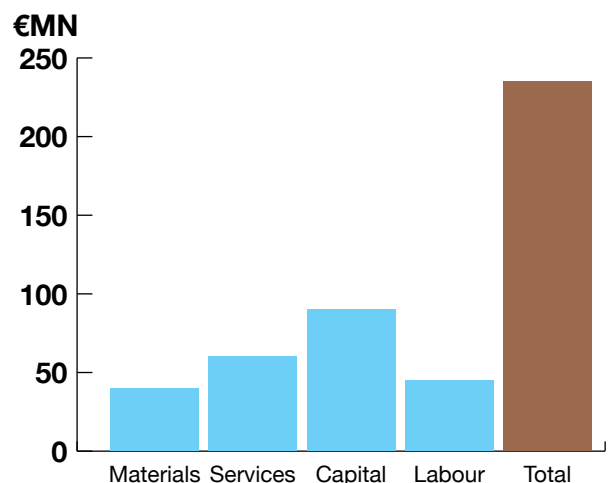
The Irish Whiskey Association undertook a survey of the sector between February and March of 2014. Topics covered production and employment, tourism, links with the domestic economy, plans for future investment and some qualitative information. In all responses were received from almost 70% of whiskey companies in Ireland. This included all current production operations on the island of Ireland with respondents covering about 95% of the market value of Irish whiskey. Statistics produced from this survey are over 90% for all major production units on the island.

The Ibec Economics Unit carried out full analysis of the survey to complete this economic impact assessment. The survey results are supplemented with official data on exports and cross checked with market data from various sources. As a result we are confident the figures produced provide a comprehensive view of the Irish whiskey industry in 2014. The following section provides a detailed overview of the economic impact of the sector in the domestic economy and its export markets.

Domestic economic impact

Respondents to the Irish Whiskey Association survey showed that the sector employs 748 people, with a turnover of almost €400 million and an annual domestic spend of €237 million. Expenditure on investment is the main economic contribution of the sector and constitutes €90 million of the overall economic expenditure of €237 million followed by €64 million on services and €35 million on materials, as well as in the region of €45 million per annum on employee wages and salaries.

Domestic expenditure



This €237 million represents the direct expenditures only. This direct expenditure also induces further expenditure through a multiplier effect within the economy. Estimates for type I output multipliers for the food and beverages sector tend to be quite high compared to these effects from other sectors, such as pharmaceutical manufacturing, as they have a low import content and thus a large amount of purchases are coming from the domestic economy.

Applying these output multipliers the total direct and indirect expenditure in the Irish economy coming from the sector is likely to be in the region of €350 million annually. The figures suggest that this additional expenditure is mainly induced in sectors such as agriculture through the provision of raw materials, the wholesale trade and logistics, utilities companies and professional services. For every €100 spent by the sector in the domestic economy another €48 in expenditure was generated elsewhere in the economy.

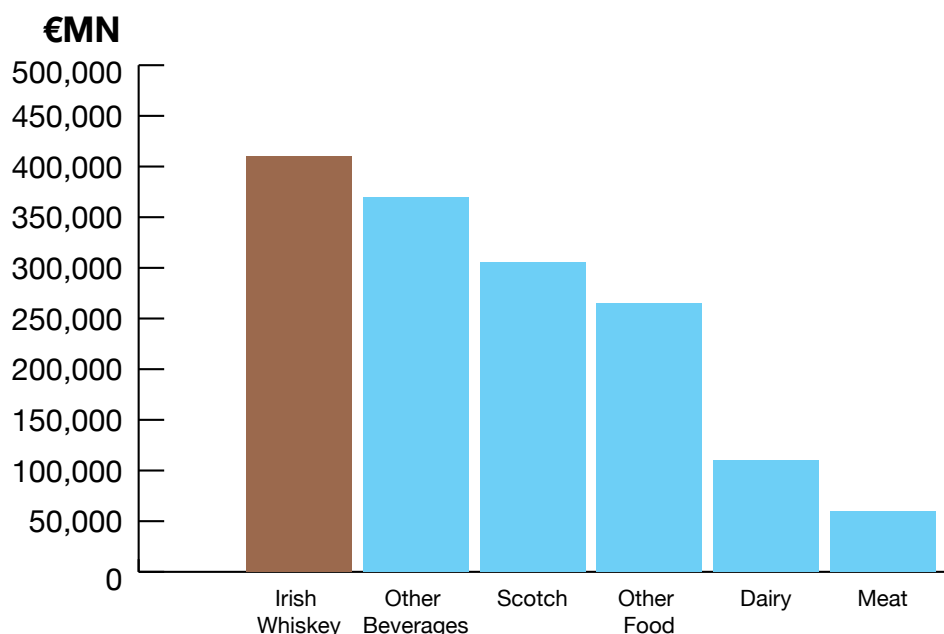
Additionally using employment multipliers we can estimate that the sector supports a further 4,200 jobs in support sectors of the economy again predominantly agriculture, professional services and utilities. Total direct and indirect

employment is therefore around 5,000 in 2014. Again the employment impact is large relative to employment as whiskey production is a capital- and material rather than a labour-intensive sector.

Survey figures suggest that the Gross Value Added (GVA) of the sector is €303 million annually. This compares well with much larger sectors. For example GVA from the dairy industry is only in the region of €550 million despite it being ten times larger in turnover terms. GVA per person employed, which is a close proxy for labour productivity in the sector is €406,016 which is higher than other beverages sectors (€363,956) and substantially higher than large food and drink categories such as meat production (€53,986) and Dairy (€108,078). As a result the addition to GDP for every additional person employed in the Irish whiskey industry will be much higher than comparable food and drink industries.

These higher levels of productivity in the industry are driven mainly by the highly specialised labour required to produce whiskey. This is reflected in average wages in the sector of €60,160 per employee, 38% above the average for the food and beverage industry of €43,672.

Gross value added per employee



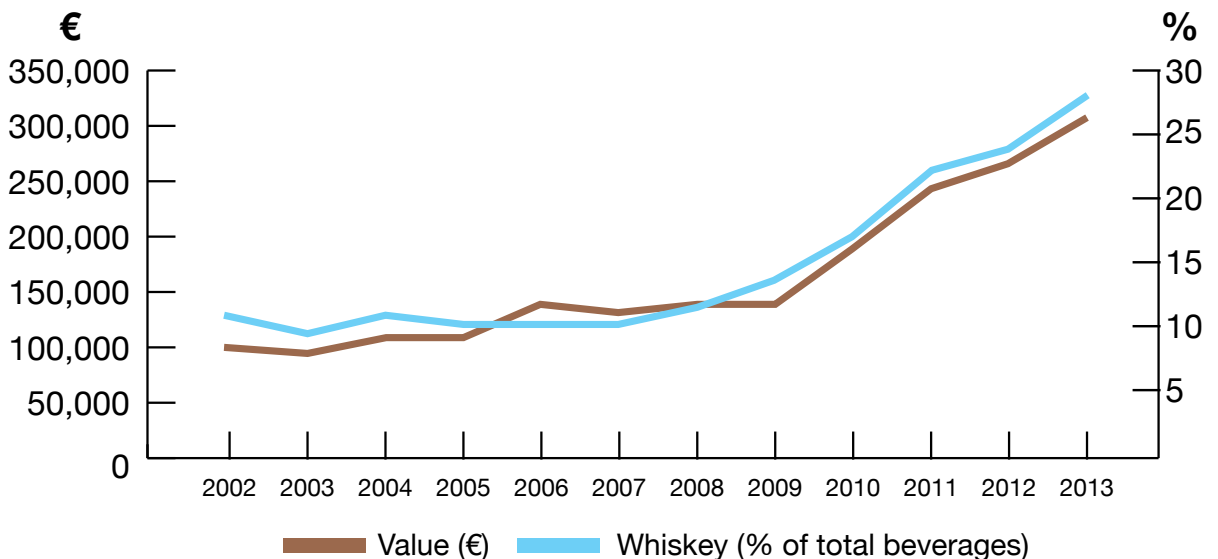
Exports of Irish whiskey

Exports from the Irish whiskey sector (ROI only) were about €307 million in 2013, this represents almost one third (28%) of all beverages exports. From the island as a whole the total was almost €350 million. This represents a 220% increase in exports from the sector in the decade to 2013.

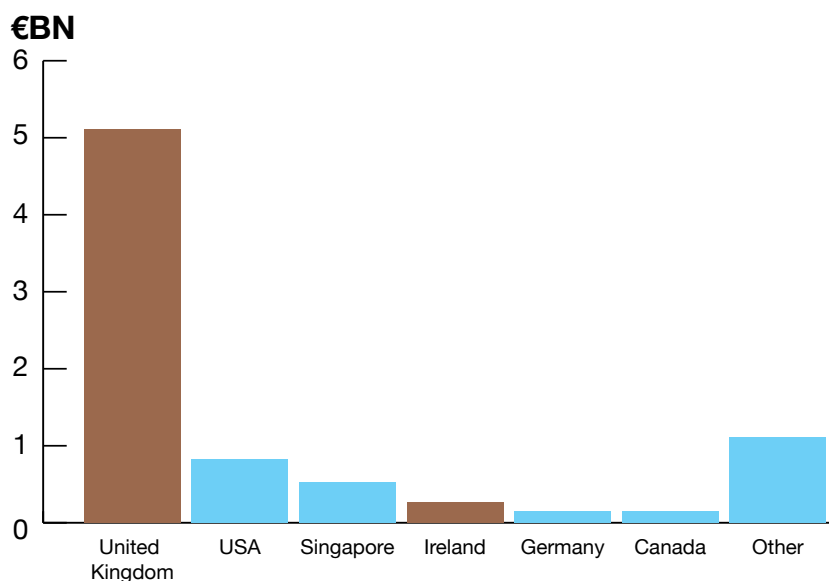
Over the past ten years Irish whiskey exports have grown by almost €215 million with average annual growth rates of over 12%. Since 2008

these annual growth rates has been over 17% with exceptional growth in 2010 and 2011 of over 35% per annum. In 2003 Irish whiskey made up just over 9% of beverages exports, due to the phenomenal growth in recent years. Irish whiskey now makes up over 28% of total beverages exports from Ireland (€1.1bn), an increase of 19 percentage points over the course of a decade. This underlines Irish whiskey's position as one of Ireland's fastest growing export sectors.

Irish whiskey exports (ROI only)



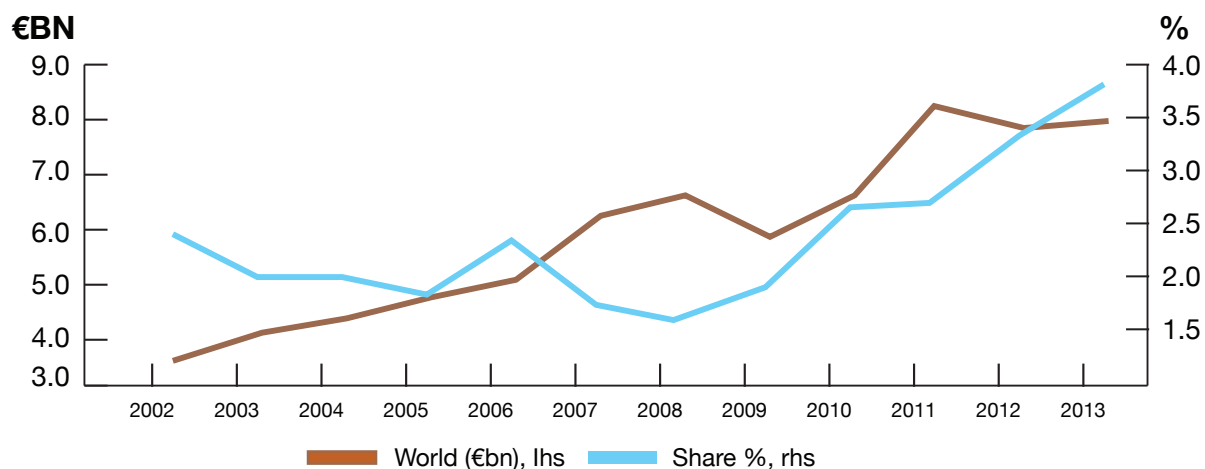
World whiskey exporters



Whiskey worldwide is a growing sector with a worldwide export market. In the ten years to 2012 trade in whiskey worldwide grew from €3.4 billion per annum to nearly €8 billion in value. Although countries such as Canada and the US have major domestic whiskey production industries the export sector is dominated by Scotch which exports over €5 billion a year of whiskey, a quarter of the UK's food and drinks exports. Irish whiskey exports on the other hand represent only about 4% of this total world export market. Despite this, Ireland is the fourth largest exporter of whiskey in the world, the third largest net exporter worldwide and the second largest exporter in the EU. Irish whiskey in the past decade has proven adept at not only keeping up with growth in world trade in whiskey but also in increasing its export share.

It may be tempting to infer from these statistics that the value of Irish whiskey trade is growing simply because trade in world whiskey is growing. However, this is not the case. Using the data from 2002 to 2013 we can decompose the contributions to the growth in Irish whiskey exports since 2002 into the effect of growth in world whiskey trade and the contribution of growth in Irish whiskey's share of the market. This is done by comparing actual growth in Irish whiskey exports to what Irish whiskey exports would have been had their market share remained unchanged and world trade had grown as normal. This analysis shows that growth in world trade accounted for about 55% of Irish export growth while an increase in the Irish share of world whiskey growth accounted for about 45%.

Irish share in world whiskey



Markets for Irish whiskey

When it comes to the destination of Irish whiskey exports it is clear that the EU (43%) and US (45.5%) markets dominate. Within the EU Latvia (10%) is the largest export destination (as a re-sale destination for Russia and the Baltic countries) just ahead of Germany (7.4%), France (6.4%) and the UK (4.9%).

Internationally Irish whiskey sells into 77 different markets with the five major markets

into which Ireland exports whiskey (France, UK, Germany, Russia, US) accounting for almost three-quarters of these exports. By comparison our main European competitor Scotch is being sold into 174 countries while also having a significant export differential into established markets. This, however, represents both a challenge and opportunity for Irish whiskey to expand its brand in established and lucrative markets during the coming years.

Irish whiskey export markets

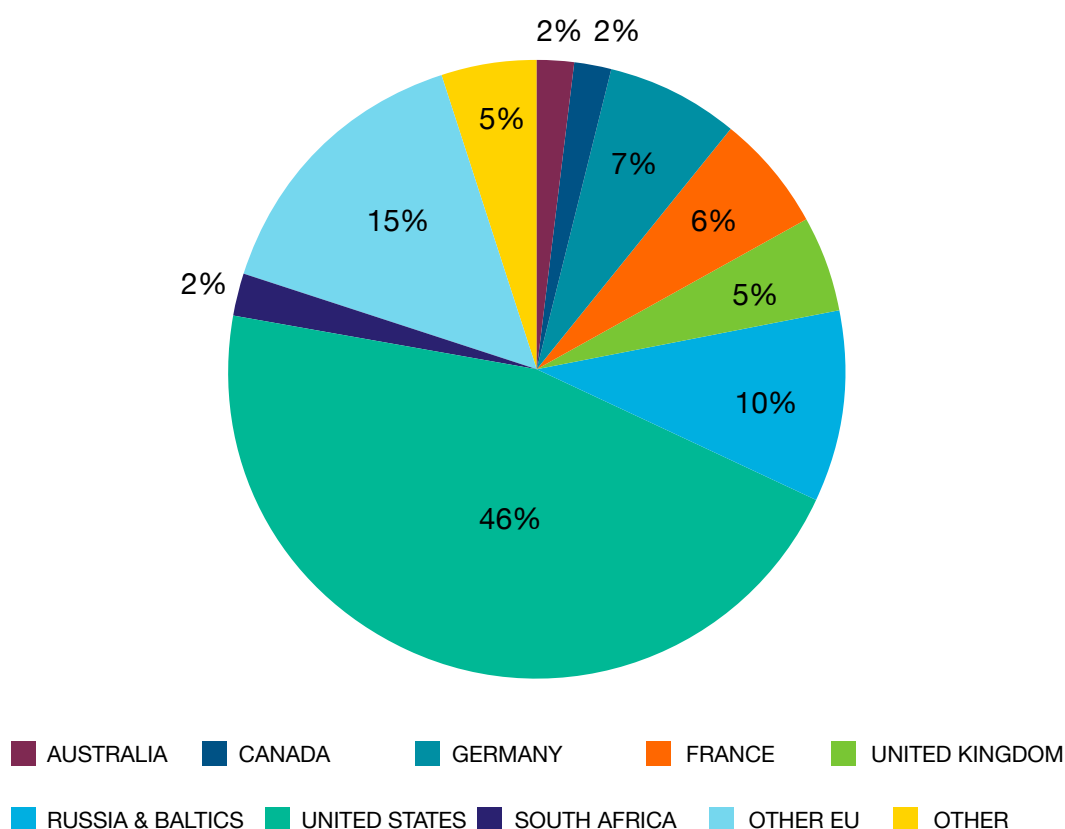




Table 1: Export differentials Scotch v Irish whiskey in key Irish markets

	DIFFERENTIAL €
UNITED STATES	+856,161,280
FRANCE	+499,171,455
SOUTH AFRICA	+203,755,861
GERMANY	+189,248,557
AUSTRALIA	+95,297,367
CANADA	+72,182,043

2. Irish whiskey in comparison

Total figures for the Irish whiskey sector in comparison to other sectors are displayed in table 2. The table shows that in size terms Irish whiskey accounts for about 21% of total beverages employment, 23% of its value added and almost 30% of its exports. It accounts for about 4% of the total values added of the whole food and beverages industry. Despite other food and drink sectors e.g. meat and dairy industries being larger in terms of employment and purchases, the Irish whiskey industry still adds about 50% of their GVA.

The Scotch industry as it stands is between 10 and 17 times as large as the Irish industry across the indicators. When compared to Irish domestic industries Scotch is relative in employment to about one third of the Irish food and drink sector, almost 40% of its value added and over half of all Irish food and drink exports. Despite the fact that the Irish industry remains relatively small compared to Scotch these figures show the potential for the Irish whiskey industry if it continues to converge relative to its main European competitor with the right support.

Table 2: Irish whiskey totals

	EMPLOYMENT	TURNOVER (€M)	LABOUR (€M)	PURCHASES (€M)	GROSS (€M) VALUE ADDED	EXPORTS (€M)
IRISH WHISKEY	748	400.0	45.0	96.3	303.7	307.0
BEVERAGES						
OTHER BEVERAGES	2,857	2,577.6	263.7	1,542.2	1,039.8	820.0
BEVERAGES TOTAL	3,605	3,127.6	308.7	1,779.2	1,352.8	1,090.0
FOOD AND BEVERAGES						
MEAT	12,464	4,838.8	396.0	4,180.7	67.7	3,010.0
DAIRY	5,163	4,129.5	247.5	3,593.6	558.0	1,890.0
FOOD AND BEVERAGES TOTAL	38,822	25,927.7	1,695.4	18,626.3	7,331.1	9,790.07
SCOTCH	10,284	4,708.0	554.0	1,598.0	3,110.0	5,100.0

In per employee terms the Irish whiskey industry has large average wages in comparison to other sectors in the food and drink industry at around €60,000 per annum. It also has very large

exports per person at €410,000 and the highest GVA per person out of the food and drink sector (€406,000).

Table 3: Irish whiskey per employee

	TURNOVER	LABOUR	PURCHASES	GROSS VALUE ADDED	EXPORTS
IRISH WHISKEY	534,759	60,160	128,743	406,016	410,428
BEVERAGES					
OTHER BEVERAGES	902,193	92,292	539,800	363,956	287,014
BEVERAGES IRL TOTAL	867,563	85,625	493,539	375,262	302,358
FOOD AND BEVERAGES					
MEAT	388,226	31,774	335,423	53,986	241,496
DAIRY	799,836	47,942	696,028	108,078	366,066
FOOD AND BEVERAGES TOTAL	667,862	43,672	479,788	188,840	252,177
SCOTCH	457,799	53,870	155,387	302,412	495,916

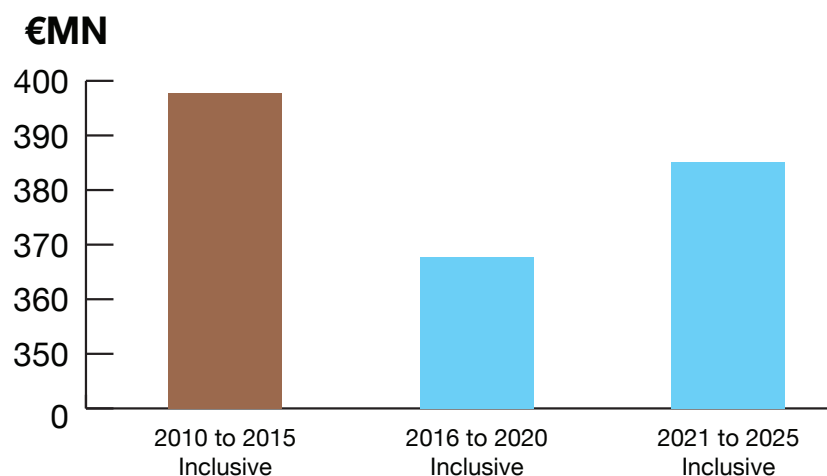
3. Future expansion of the Irish whiskey industry

Future expansion of the industry

The Irish Whiskey Association survey of economic impact asked firms their planned capital investment over the period 2010 to 2025 in five yearly intervals. Responses from the

survey indicate that investment is expected to be over €1.1 billion over the 15 year period the vast majority of which much of which is concentrated in the next ten years.

Expected capital investment



Investment over the period 2010 to 2015 is expected to be over €397 million with respondents indicating the overwhelming majority of this investment had taken or was to take place in the period between 2013 and 2015. Substantial investment will continue at a slightly lower pace of the 2016 to 2020 period with total investment of €366 million. Finally although there was a lower response rate for the years from 2020 onward those who could estimate their capital expenditure over the period showed total planned investment of €384 million.

In addition the survey asked companies to estimate production capacity, employment needs and tourism capacity once new and ongoing investment had been completed. The index below displays the expected increases in all three.

Capacity for tourists is expected to grow by over 60% over the next ten years from current levels of 513,000 visits to Irish whiskey visitor centres in 2015. This would mean an extra 330,000 tourists visiting Irish whiskey facilities by 2025.

In addition production is expected to rise by 41% from current levels with additional capacity being sold almost wholly into export markets.

On the back of increased capacity currently being built in the industry direct employment is expected to rise to almost 1,000 individuals in by 2025 with an increase in direct and indirect jobs of around 1,500.

Expected production, employment and tourist capacity post cap-ex for period

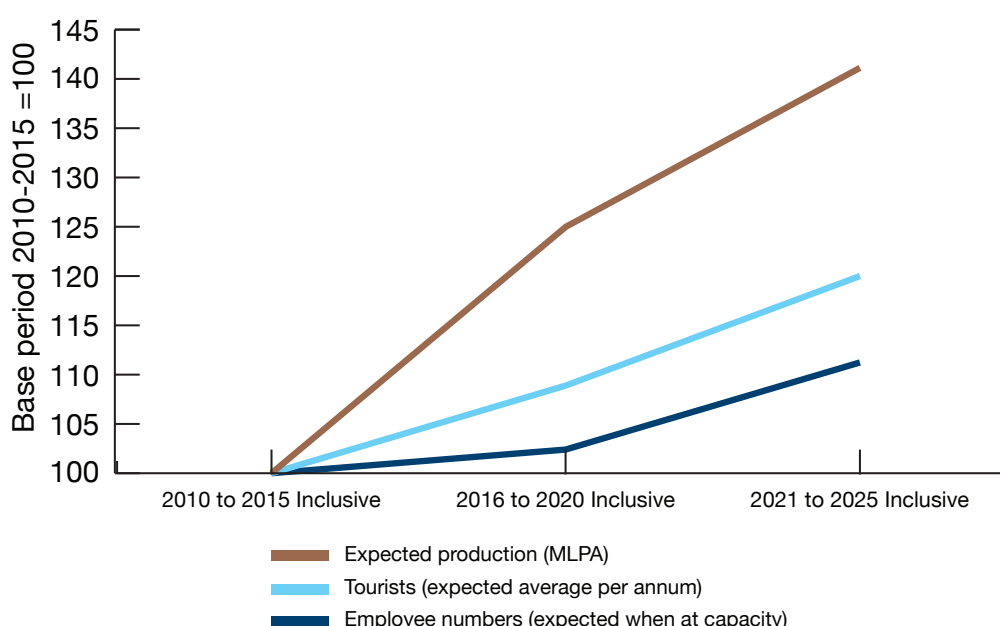


Table 4: Employment at new capacity

	DIRECT	INDIRECT	TOTAL
2014	748	4200	4948
2020	904	5076	5980
2025	976	5478	6454



Pillar 1: Adequately resourced infrastructure

- *Financial support for independent new entrants at all three building stages (distillery, inventory and brand) which at least matches Scottish incentives*
- *Develop third level programmes in brewing and distilling, and designate Irish whiskey research funding*
- *Mentoring of new entrants through Irish Whiskey Association*
- *Clean water and sustainably farmed cereals*
- *Malting capacity*
- *Access to competitively priced energy and investment support for energy efficient distillery processes*
- *Ready supply of competitively priced quality raw materials and dry goods (packaging, in time sourced indigenously)*

Government should prioritise Irish whiskey investment, providing the maximum amount available under European grant aid rules and to match the funding available to start-up distilling operations in Scotland.

Funding and grants

An Irish whiskey distillery faces the issue of having very high start-up costs while having to wait a minimum of three years for the initial product to mature for sale. Access to funding and grants would help companies in their early years, particularly if targeted at the three stages of developing a distillery, inventory and brands. The following are suggestions for the funding required:

Capital costs: A good rule of thumb to estimate the capital cost of building a 0.5 million litres of alcohol (mLA)/100k 9-litre case distillery from scratch is €15-20 per litre of annual capacity. Three years is the minimum ageing period by law for Irish whiskey, however a good pot still Irish whiskey will take at least seven years to mature. The working capital required to distil, mature, bottle and ship before the first cases are sold would be of the order of €15 million for a similar sized operation (0.5mLA/ 100k9Lt case).

The sector would encourage the Irish Government to assist new entrants with the maximum amount available under European grant aid rules and to match, at a minimum, the funding available to start up distilling operations in Scotland.

Sustainable Technology grant aid: Targeted grant-aid to encourage use of the latest energy saving and environmentally sustainable processing techniques will ensure the new capacity is best-in-class, giving Irish whiskey a competitive advantage over older, more established global whiskey categories, while also ensuring that our growth happens in a manner that is environmentally conscious.

Reduced rates for warehousing: Given the long maturation period for Irish whiskey and the consequent requirement for extensive storage space, the rateable value of whiskey maturation warehouses should be treated as a special case and reduced accordingly. It is recommended that no rates are charged during the first five years of use as a bonded whiskey maturation warehouse. This will ease the cash-flow burden of laying down new stocks until mature stocks begin to yield a return in the market place.

Brand building and market research: New entrants currently receive a significant amount of support from agencies such as Bord Bia on building their brands and identifying markets to sell into. We fully support this type of work.

Case study: Scottish financial supports for new distilleries

By Paul Smith, Consultant to Scotch and Irish Whisk(e)y Industries

Scotch is one of the UK's largest exports, comprising about 25% of total exports and exporting £4.3 billion every year. Given its massive importance to the economy, it is prioritised as one of several strategic industries in the UK. This means that there are a range of grants available to anyone considering investing in Scotch.

Companies are eligible for ex-gratia funding of €300,000 which is allowed every three years under EU state aid rules.

However, there is also a range of funding opportunities available under Regional Selective Assistance (RSA) discretionary grant programmes for a number of other activities. Eligibility for RSA funding is contingent on the level of potential capital investment and job creation/protection.

For example, multinationals, (turnover of >€50m), can get up to 25% of the total cost of a project – especially if it is investing in an economically deprived area. For example, a project in the Scottish Highlands is likely to get significant funding, compared with one investing in Edinburgh, which is less likely to get funding.

The Scottish Government is particularly supportive of SMEs, given their massive importance in bringing investment into Scotland. An SME planning to invest in Scotland could potentially qualify for the following supports:

- *Up to 40% of capital investment*
- *Up to 50% of the salary of a graduate - this is not discipline-dependent: it could be a graduate in sales, marketing, technical, etc.*
- *Up to 40% for building a website*
- *Up to 50% for new product development*
- *Up to £15,000 for a feasibility study – if it is inward investment into Scotland, there is up to 100% funding available*
- *Up to 100% funding for 'manager for hire' programmes, where technical specialists work with the company in its early days*

At a time when the UK Government is aggressively reducing public expenditure, Scotch grants continue to be prioritised. If Irish whiskey wants to secure its success, it must also prioritise targeted, specific funding programmes for companies interested in investing in Irish whiskey.

Agencies involved:

Scottish Enterprise – Regional Selective Assistance (RSA): www.scottish-enterprise.com

Scottish Development International: www.sdi.co.uk



Availability of skilled graduates

Irish whiskey companies have a long history of employing graduates as brand ambassadors globally and in technical areas such as distilling. Many Irish graduates have started their careers with Irish whiskey companies and have gone on to take leadership roles in global companies. This is a tradition we would like to continue. The following are some areas for focus:

Technical expertise: To drive the sector's growth, it is crucial that Ireland's third level institutions integrate courses or modules on distilling into existing curriculums. Currently Ireland's third level colleges and institutes do not offer courses in distilling. Recent graduate intake has been from the areas of food science and process engineering. Companies wishing to up-skill employees use either the certificate/diploma distance learning courses offered by the UK-based Institute of Brewing and Distilling or the degree and masters options through Heriot Watt University in Edinburgh. There is an opportunity to develop targeted Degree level qualifications in Ireland to support the industry's technical requirements both at a manufacturing and research level.

Companies will actively mentor the new graduates in the traditional skill and craft of making Irish whiskey by providing a number of placements for undergraduates studying industry-approved courses.

Sales and marketing expertise: Many of the companies in the industry have used programmes such as the Ibec Export Orientation Programme or the Bord Bia Food Marketing Graduate Programme. Access to these highly-talented graduates has proven to be invaluable to companies of all sizes. However, by their design the current programmes are broad in nature. The industry would like to see ring-fenced funding for an Irish whiskey focused graduate programme, using the EOP model of 50:50 Government/company funding. Such a programme would place graduates as brand ambassadors, promoting Irish whiskey in international locations. Being branded and marketed as a whiskey-focused programme would provide the industry with the opportunity of promoting itself as a career-opportunity for graduates.



CASE STUDY: Export orientation programme and its contribution to Walsh Whiskey distillery

By Bernard Walsh, Managing Director of Walsh Whiskey distillery

Having established our first Irish whiskey brand ‘The Irishman’, we needed to launch the brand internationally. Brands are built by developing relationships in key markets, focusing on key demographics. For Irish whiskey, trend setters are particularly important: we needed the new whiskey consumers to see Irish whiskey as a hip, cool drink – something their parents would never touch. New York City was our first choice.



To help us find the right person, we looked to the Ibec Export Orientation Programme. EOP offers paid placements for sales and marketing graduates in export markets around the world. Companies fund 50% of the placement, and Government funding covers the remaining 50%. For a start-up company, it has been a game-changer for us to be able to work with such high-calibre graduates.

We’ve been part of the EOP for over four years now, and four graduates have completed the programme with us – all are now employed in the industry. For the first time this year we have hired our graduate after his placement finished and we’ll take on a new graduate.

The programme demands a significant investment from the employer both in terms of salary/ expenses and training. However the burden is balanced. This ensures the employer is forced to take the programme seriously if they are to get a return on their money.

We have targeted the USA with our graduate programme. As we have a very strong partner on the ground in the USA (Palm Bay) the graduate has a huge support network and is proactively managed. The graduate’s targets are clearly set and measured.

If we could afford one graduate in every state we would do that, but as a small firm we need to cut our cloth to match. If I could ask one thing of the Government it would be to increase its support for this programme, increase subsidies and allow small firms like ours to take on more of our highly-talented graduates.

Sustainable sources of raw materials

Irish whiskey is made from water and whole cereal (typically, but not exclusively, barley or maize), fermented by yeast before distillation and finally maturation in oak casks.

The Irish whiskey manufacturers support the Bord Bia Origin Green sustainability initiative and believe that sustainable use of resources is essential to the quality and long term viability of our whiskey and its production.

The following materials are of particular importance to Irish whiskey:

Water quality: Water from clean water courses is essential to the successful manufacture of Irish whiskey.

Cereals: Quality barley is also essential to the quality of the final distillate. Typically Irish distilleries consume 65,000-70,000 tonnes of barley per annum. This will double within the

next ten years as whiskey stocks are laid down in advance of the forecasted increase in sales. Approximately one third of this tonnage is malted for use in Irish whiskey.

Malting: As the sector grows, capacity pressure may be experienced within the Irish malting industry. In addition to the need for more capacity it will be essential that maltings are geared up to supply both the larger and smaller distilleries with the styles of malt required by the differing styles of distillate being produced.

Yeast: Yeast production is already established in Ireland and successfully supplies the baking, brewing and distilling industries, among others. It is envisaged that the requirement will grow as distilling capacity expands and new and alternative varieties are required to satisfy innovation demands.

Casks: Although the vast majority of casks used to mature Irish whiskey are seasoned with other whiskey eg Bourbon in Kentucky or wine eg Oloroso in Jerez before filling in Ireland, there is a demand for Irish grown oak casks and this is likely to increase as Irish whiskey continues to differentiate itself from the other global whiskey categories. For this to succeed a sustainable supply of mature native Irish oak-wood will be required.

Supply industry: An efficient and significant supply industry has been established in Scotland to support the whisky industry there, particularly in the key area of premium packaging and “dry goods”. These suppliers also supply the Irish whiskey sector. As the Irish whiskey category grows a competitive supply base for these materials will develop in Ireland, generating new investment and jobs.



Competitive supply base

Given the international context of the spirits market and the global nature of the competitive set in which Irish whiskey competes (Bourbon from US, Scotch from UK, etc), Irish manufacturers must compete at the most aggressive level in terms of labour, energy, transport and the overall cost of doing business in Ireland versus the rest of the world.

Being less than 5% of global premium whiskey sales, Irish whiskey does not have economies of scale. There is only one Irish whiskey brand in the top 100 global spirits brands. If the category is to achieve its potential (and ambition) then it is imperative that Government ensures that cost of doing business in Ireland is competitive when compared with our international competitors.

Case study: Energy reduction initiatives at Midleton Distillery

**By Tommy Keane, Production Director at Irish Distillers
Pernod-Ricard**

Midleton Distillery is home to Jameson, Powers, Paddy, Redbreast and Green Spot as well as the eponymous Midleton Irish whiskeys. Recently the distillery has been expanded. The €100m project had three core principles at its heart.

1. *To ensure the expanded distillery could continue to distil and mature whiskey with an identical taste profile as before*
2. *To ensure that the required capacity increase could be handled within the existing site, and,*
3. *To take advantage of new technology to improve the sustainability of operations*

Approximately 10-15% of the investment was spent on improving the environmental footprint of the operation. The key outcomes were:

- *The energy input per litre of grain whiskey has been halved versus the existing distillery*
- *The energy input per litre of pot still whiskey has been reduced by one third*

This has been part of an on-going commitment over the past ten years to reduce the energy requirement of distilling at Midleton. The same three boilers installed in 1975 supply a distillery distilling in excess of four times the original rated capacity.

In addition water consumption per litre of whiskey distilled has been reduced by 20% as part of the expanded design.

These initiatives put Midleton at the top of global whiskey distillation design and will have a significant bearing on the cost and environmental sustainability of Irish whiskey production for many years to come. Enterprise Ireland's support for these initiatives was essential to the projects overall viability.



Pillar 2: Category integrity and promotion

- *Retain GI status with appropriate validation process*
- *Revise and strengthen Irish Whiskey Act*
- *Formation of Irish Whiskey Association*
- *Provide clear guidelines on production of Irish whiskey*
- *Ensure active monitoring and pursuit of transgressors*
- *Secure EU funding to promote the category*

With growth comes the challenge of protecting the integrity of the Irish whiskey brand and promoting it internationally.

International protection

The Irish whiskey brand is only as strong as the protection it is given. In the early 1900s the industry was almost irrevocably damaged by the passing off of inferior product as Irish whiskey – we cannot let poor imitations pose a risk to the growth of the industry. All it takes is one bad experience to damage a consumer's perception of a product. As a country, we need to be united on the importance of policing suspected infringements of the Irish whiskey brand and prosecuting them to the full extent of the law.

There are several layers of protection of the term 'Irish whiskey':

- *In Ireland, the category is defined and protected by the Irish Whiskey Act 1980.*
- *In Europe, EC Regulation 110/2008 sets out Geographic Indication (GI) protection for Irish whiskey, underpinned by a comprehensive technical file that defines the product's traditional processes, technical standards and labelling requirements, as well as the verification procedure.*
- *Internationally, the EU secures protection for its GIs by registering them in all Free Trade Agreements and by ensuring GIs are protected in WTO agreements such as TRIPS, which ensures that legal recourse to rights holders is provided to ensure only legitimate Irish whiskey is sold in that country.*

To further strengthen protection, the industry makes the following recommendations:

Technical files and verification: For the last number of years, the industry has worked with the Department of Agriculture, Food and the Marine to finalise the Irish whiskey technical submitted to so that it could be filed with the European Commission by February 2015. The verification schemes being run by the Revenue Commissioners in Ireland and Her Majesty's Revenue and Customs (HMRC) in Northern Ireland. This will secure the protection of Irish whiskey well into the future.

Irish Whiskey Act: The Irish Whiskey Act is over 30 years in existence and requires updating to protect Irish whiskey's traditional manufacturing methods in the light of increased sophistication in global production and packaging technologies. The industry looks forward to working with Government to achieve this. A comprehensive approach including legislators across the island of Ireland will be required.

Rigorous enforcement: We need a comprehensive policing strategy to address GI infringements. This will include coordination between the Department of Agriculture, Food and the Marine as the enforcing body and the industry through the Irish Whiskey Association. Using its international distribution network, the industry is well-placed to identify potential infringements. The Irish Whiskey Association will be resourced to monitor global markets and act as an early-warning alert. It is critical that the Department of Agriculture, Food and the Marine be adequately resourced so that it is active and aggressive in prosecuting transgressors and/or seeking enforcement of the GI protection through local global agencies where bilateral trade agreements apply.

Extending protection: The Government will need to continue its work in extending the perimeter of protection by seeking further international agreements between the EU and countries where no current trade agreement exists.

Active trade association

The industry formed the Irish Whiskey Association in March 2014 to provide a forum for all operators, new and old, to come together to share expertise and cooperate in building the 'Irish whiskey' category brand. Its mission is to:

- Promote the Irish whiskey category in Ireland and internationally, working with Government agencies and the European Commission
- Support new market entrants
- Protect the high standards of Irish whiskey by working with the relevant authorities to ensure that the legal protection offered by the Geographic Indication is applied in Ireland and internationally
- Ensure public policy supports the sustainable growth of the Irish whiskey sector
- The Irish Whiskey Association will act as a one-stop-shop for information on Irish whiskey. It will compile up-to-date economic figures, provide a mentoring programme for its members, as well as carrying out work promoting the category and its high standards.

The specific work of the association will include the following:

One-stop-shop of information on Irish whiskey: The association will create a one-stop-shop for information on Irish whiskey, including technical standards and labelling advice, via its dedicated website: www.irishwhiskeyassociation.ie

Industry mentoring programme: To support our potential growth rates, it is crucial that all new entrants are supported in maintaining the high quality standards of Irish whiskey. For

this reason, the Irish Whiskey Association will create a mentoring programme that will pair new entrants with established master distillers. The programme will be offered on a voluntary basis with a view to passing on the fundamentals of distilling Irish whiskey that is in line with the technical requirements set out in legislation.

Legal resource: The association will have a legal resource to work with the industry and the Department of Agriculture, Food and the Marine to put together a protocol that outlines how Ireland will approach category protection. This will include designing a process from initial complaint through to resolution, with buy-in from all stakeholders.

Protect Irish Whiskey campaign: Protect Irish Whiskey guidance: The members of the Association are best-placed to identify product that is potentially passing off the category. The Association has designed a simple 'Protect Irish whiskey' guidance for use throughout the distribution chain that will give instructions as to what a company or concerned consumer can do if they come across suspicious product. The guidance includes a dedicated section of the Association's website and will be linked to the protocol for resolving issues.

Promoting Irish whiskey internationally

The Irish whiskey industry is of such a scale that it makes sense to pool resources to promote the category internationally. The European Commission offers funding of up to €3 million for 3-year programmes promoting specific GIs in non-EU markets. This is an ideal programme for Irish whiskey. The Irish Whiskey Association will work with the Department of Agriculture, Food and the Marine and any interested government agencies to scope what such a campaign could look like.





Pillar 3: Sustainable supply and demand

- *Additional capacity needed to support market growth*
- *Over-supply detrimental to quality and value*
- *Active Bonders market key to encouraging new entrants*
- *Additional quality offerings key to retaining new consumers*

Historically, whiskey markets around the world have been characterised by a boom-bust cycle of investment. Scotch whisky is now building capacity and reopening old malt distilleries shut down in the 1980s and 1990s. Irish whiskey had more than 80 licenced distilleries in the late 19th century and only two remaining by the 1970s. It is essential, in planning for the sustainable growth of Irish Whiskey that we do not return to the boom-bust cycles of the past.

Additional capacity to support market growth

Irish whiskey is characterised by a significant lead time from distillation to maturation. The forecasted growth in global sales demands an equivalent growth in distillation and at least five years ahead of sales. The 12.5m 9-litre cases expected to sell in 2020 need to be distilled in 2015/2016 and laid down in wooden casks to mature for the remaining years prior to sale.

12.5m cases requires approximately 56 million litres of alcohol distilled (4.5 original litres of alcohol (OLAs) per case. Distillation in 2013 amounted to 40m OLAs. The industry capacity needs to increase by at least 16m OLAs in the next two years to lay down the stocks required. Planned investments will address the majority of this requirement. Support for these projects by Government and its agencies will be critical to ensuring these investments are able to move forward and contribute to the growth of the sector.

Over-supply detrimental to quality and value

An orderly stream of investment in new capacity that is demand driven is key to avoiding a return to the wasteful cycles of the past. Therefore, industry is not calling on Government to overly

incentivise new capacity, eg through actively seeking foreign direct investment.

The recent growth of Irish whiskey has been driven by building brands with global consumer appeal offering an alternative to the existing Scotch and Bourbon whiskies. The brands that have succeeded rely on the traditional craft of Irish distilling and authentic heritage, underpinned by high-quality whiskey with a distinctive taste and broad appeal. Irish whiskeys rely on their Irish roots and our island's reputation for pure water and wholesome cereals grown in a clean, green countryside. For all these reasons, Irish whiskey is sold at a premium to other standard global whiskies.

Our Irish whiskey success story has been created by building brands with strong fundamentals, not by price discounting or underselling. Irish whiskey is no longer about playing to the stereotypes of the “fighting Irish” or about spicing up an Irish Coffee. Irish whiskey has carved out its own niche in the global spirits market. Super and ultra-premium Irish whiskeys are among the most highly rated and scored whisk(e)ys each year. Irish distilleries have won World Distillery of the Year awards three times in the last fourteen years. It is crucial that we maintain high-quality standards, and this necessitates sustainable investment that does not result in over-supply.

Over-supply can have significantly damaging consequences on whiskey quality. Overstocked maturation warehouses mean costly stocks sit there evaporating (the Angel's Share), which in a balanced market could be bottled and yield a return. Within an oversupplied marketplace, the pressure to discount and cut corners would be intense. Once discounting starts, maturing stocks laid down would start to lose value and yield lower returns. This in turn would pressurise cash strapped start-ups, mature distillers and bonders to release younger stocks to minimise evaporative

losses and get ahead of the downward price trend. A somewhat un-virtuous cycle, this would result in lower quality whiskey and further supply pressure on prices.

In the aged spirits markets, it is a fact of life that with scarcity comes value. The corollary is also the case. The newly emerging Irish whiskey industry with the help of Government policy must seek to find a sustainable model that operates in a balanced supply/demand environment.

Active bonders market/internal market

A key factor that must emerge if the category is to function efficiently is an effective internal market in both new-make and mature bulk whiskey. In Scotland, apart from the large and small distilleries manufacturing for their own brands, there are also a number of distilleries manufacturing for bonders and non-distilling brand owners. In addition they manufacture for each other.

In Ireland the market for new make and mature bulk whiskey is very immature, especially in recent years as expanding demand has exceeded capacity. Some brand owners, that did not have their own distilling and maturing facilities, had built brands and businesses that were then undermined as surplus mature whiskey became scarce.

It should be possible to enter the market without having to build your own distillery. To encourage new entrants, lower risk business models, and a more efficient use of capacity, it is important that a properly functioning internal market for bulk mature and immature whiskey develops.

What is the Angel's Share?

Every year about 2.5% of the contents of a barrel of whisky evaporates, known in the industry as the Angel's Share. By the time a 12 year old whiskey matures, 27% of the original liquid will have disappeared.



Case study: The evolution of Irish whiskey: The need for “new fill” and bulk sales

By John Teeling, Managing Director of Great Northern distillery

If Irish whiskey is to reach its potential of 24m case sales by 2030 it must offer products demanded by customers worldwide – it must offer choice. Scotch has over 5,000 brands of blended whisky and hundreds of branded malts yet has only seven column still grain distilleries.

The monopoly situation in Irish whiskey in the 1970s and 1980s resulted in little or no choice in Irish whiskey. A few small brands were supplied by Irish Distillers to the US. These were withdrawn in the late 1980s. Irish whiskey sales languished at 1.4 million 9-litre cases. Yet the Irish whiskey industry at that time was based on bulk sales. All the distilleries relied on buying in bulk to fulfil some of their requirements.

The arrival of Cooley changed this. Cooley sold bulk to the US, Germany and other countries and supplied own label to retailers and private labels.



The position in 2014

Consumers buy what they like. Whiskey has many variables including age, type “malt, peated malt, pot still, grain”, colour, specification, wood type, etc. Most of the current distillery proposals in Ireland are pot stills – generally small scale. Their output will in many cases need to be blended with grain whiskey. Remember the market for whiskey worldwide is 85% blend.

Currently in Ireland there are only two grain whiskey distilleries – Irish Distillers and Cooley.

Great Northern Distillery will be a large, low cost column still grain distiller making grain whiskey to specification. This is identical to the big Scotch grain distillers’ current operation. Great Northern Distillery will supply on contract. Distilling companies and whiskey marketing companies will decide what type of grain whiskey they want. They will buy this on contract then fill it into their wood of choice in their bonded warehouse of choice.

For example, assume New Company “A” is going to distill 100,000 LPA of single malt – this is 25,000 cases. Unit cost of this is high. By blending with grain say 3:1, grain:malt they can reduce unit costs and reach a potential scale of sales which makes them viable.

New fill

The Scotch industry depends on “New Fill” and bulk whisky sales. There are over 5,000 blended Scotches and hundreds of malt but only seven grain distilleries and about 130 distilleries.

Irish whiskey too had a similar profile in the 19th and early 20th centuries. Many famous brands, Millars, Glen Erin, Kinahans, Burkes, Redbreast never owned a distillery. In Scotland Dewars and Cutty Sark were owned by whisky brokers with no distilleries. Prior to the 1950s Jameson sold mainly in bulk.

As Irish whiskey grows there will be market segmentation and product differentiation. This is right and proper. Choice is what consumers want. A successful industry will provide options. Over 80% of all Scotch and over 90% of all Irish sales are blends. Some Scotches (Teachers) have 20 plus malts and grain.

As the number of Irish distilleries grow blenders will have choice. But every blend needs the base of column still grain whiskey. Our future potential depends on an active internal market – this must happen.



Case study: Building a successful Irish whiskey brand without your own distillery

By André Levy, Chairman, The Wild Geese Irish Whiskey Company

Ireland was torn by injustice and natural disaster. The soldiers and refugees forced to set sail on ships for other lands became known as 'The Wild Geese'. In this vein, the Wild Geese Irish Whiskey range celebrates the courage and determination of Irish people when faced with adversity, and their successes and achievements in Ireland and abroad.

My wife, Mairade, (who is Irish) and I felt it important to commemorate the spirit of the original 'Wild Geese' and exemplify the life force of subsequent generations of 'Wild Geese' who have taken flight but who remain, irrespective of distance or new nationality, rooted in their Irish heritage. The roll-call is a long one, and includes a

French Emperor, several European Presidents, two US Presidents, politicians and Hollywood stars, with an international supporting cast of commercial, literary and scientific genius.

Since 2002, we have built up the Wild Geese brand to become a multi-award-winning product with 15 major awards to date, including Best Non-Age Irish Malt (World Whiskey Awards 2011). With just 11 staff, we now export to 30 countries worldwide. From the outset, we sought to raise the profile of Irish whiskey to one of pride and heritage, rather than a product more generally known at that time for mixing with coffee. This required significant and ongoing investment.

Building a brand is a long-term proposition, requiring consistent innovation and investment. It takes a minimum of 10 years to create a brand such that it is recognised as a brand rather than a commodity product that happens to be Irish.

All this has been achieved, ironically, precisely because we did not have our own distillery. Costs and time associated with developing a new distillery are significant, not least because of the minimum three-year maturation period, which represents a major barrier to entry.

The ability to buy whiskey from one of only three distilleries in Ireland is what allowed us to free up capital and invest in the long-term in an Irish brand, rather than an Irish spirit. This distinction is an important one, as it is how many of the famous Scotch whisky brands have achieved success before building their own distilleries funded from cash flow and government support. Scotland has an open whisky market, resulting in hundreds of brands and over 130 distilleries. Consequently, it dominates the international whisky market. By emulating that template in Ireland, we could achieve similar success.



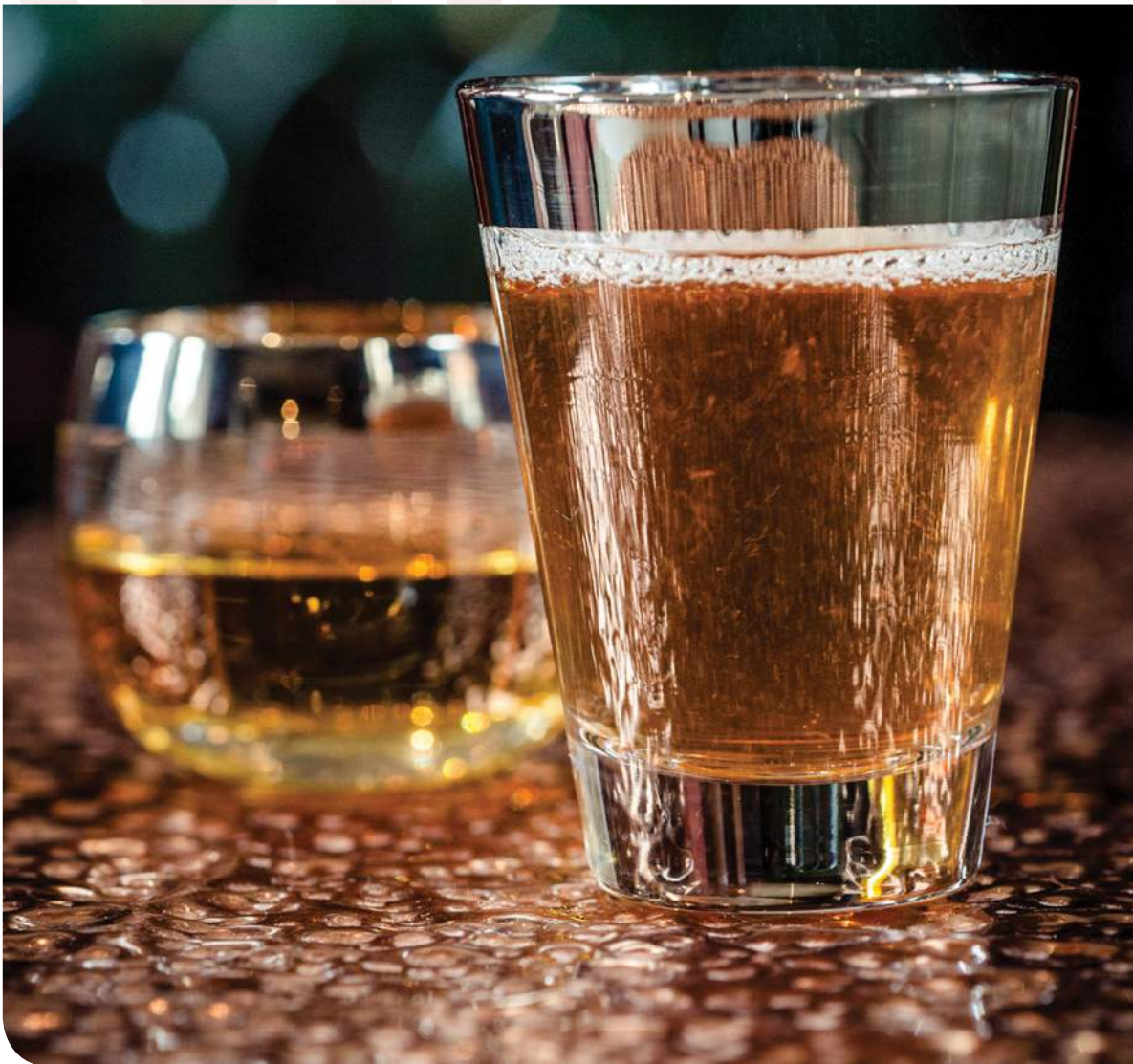
Additional quality offerings key to attracting and retaining new consumers

Currently, there are three Irish whiskey brands with sales in excess of 500,000 9-litre cases per annum. There are three distinct styles of Irish whiskey (pot still, malt and grain) and there is also blended Irish whiskey (more than one style blended together).

To attract and retain newly interested consumers within the category it is essential that there are many points of interest, many different styles and brands all with different stories to be explored. The advent of new entrants to the category is fundamental to the sustainable growth of the

category and the recruitment and retention of consumers from other spirits categories. There is a lot to be learned from the recent experience of the American whiskey industry in this regard where they have witnessed a surge in new entrants as consumers seek authenticity and craft.

It is equally important that each glass of Irish whiskey delivers on the promise of quality and adds value to the category as a whole. Government and industry support for new entrants will help build a sustainable, quality and high value category for the future.



Pillar 4: Vibrant tourism offering

- *Further development of the Irish Whiskey Trail*
- *All-island approach to promoting Irish whiskey tourism is required*

Irish Whiskey brings together Irish heritage, culture, craft, agriculture, and environment with one of our most loved attributes; storytelling. Irish Whiskey is one of Ireland's natural resources. It can only be made here and is intrinsically linked with tourists' expectations of Ireland.

As a tourism offering Irish Whiskey is ideally suited to our climate being neither seasonal nor weather dependent. Indeed existing whiskey distillery visitor attractions enjoy a lift in numbers during spells of wet weather.

With the influx of new entrants, we can expect to see a significant number of new tourism offerings opening over the coming years. We now have an opportunity to lay the foundation for a further strengthening of Irish Whiskey tourism, with the resulting jobs and investment in communities in both the Republic of Ireland and Northern Ireland. The following are some initiatives that should be considered:

Irish Whiskey Trail

Irish Whiskey tourism will have a significant impact on communities across the island, including job opportunities and investment in local economies. Currently, we welcome 600,000 visitors per annum to the five Irish Whiskey visitor centres: Jameson in Smithfield, Midleton, in Co. Cork, Bushmills in Co. Antrim, Tullamore DEW and Kilbeggan in Co. Offaly. The Guinness Storehouse in Dublin welcomes more than one million visitors per annum and it is valid to extrapolate that success to the Irish Whiskey sector as the number of global Irish Whiskey brands develops.

Ireland already has an "Irish Whiskey Trail" made up of visitor centres, distilleries and exceptional pubs. There is also the Cork Whiskey Way which links the history and craft of whiskey making in Cork and encourages the 110,000 visitors to Midleton Distillery each year to visit Cork City and enjoy its vibrant social life.

We need only look at the Midleton Distillery and its impact on the local community to see what will happen in Tullamore, Bagnalstown, Slane, the Ards peninsula and Dingle when the planned visitor centres open there. The same will happen in The Liberties area of Dublin. As a whiskey hub develops, visitors will be encouraged to visit a largely hidden part of Dublin to learn about its heritage and history as the centre of "Dublin Whiskey", a traditional style of Irish Whiskey last distilled in Dublin in the 1970s. This new offering will complement the rich vein of cultural and historic attractions already along "The Dubliner".

It is essential that the industry and tourism agencies in the Republic of Ireland and Northern Ireland come together to create a cohesive strategy for further developing the Irish Whiskey trail.

An all-island approach

Irish Whiskey is an all-island product. Bushmills is the largest distillery in Northern Ireland, and there are a number of new projects planned for the coming years there. The island of Ireland has an opportunity to bring together the industry and government agencies such as Tourism Ireland, Fáilte Ireland and the Northern Ireland Tourism Board to put together a coordinated strategy for an all-island approach to Irish Whiskey tourism. The tourism agencies in both jurisdictions can

help develop this route as a necklace of distilleries and visitor attractions develops around the island of Ireland. Just look at how Scottish and Kentucky Tourism agencies market the attractiveness of their whiskey heritage and craft.

www.visitscotland.com/about/food-drink/whisky/

www.kentuckytourism.com/things_to_do/bourbon.aspx

In addition, the employment potential is significant as guided tours and restaurants are labour intensive operations. In Scotland it is estimated that there is a five to one ratio of export value to direct tourism value.



Pillar 5: Strong home market

- *Government representatives should be proud to promote Irish Whiskey at home and abroad*
- *Support for Irish whiskey pubs and bars with knowledgeable bar staff*

Irish whiskey companies depend on a strong and supportive home market to build their brands, introduce product innovations, reinforce brands to tourists and visiting journalists, and ultimately to launch products internationally. It is essential to the success of the category that Ireland is proud and supportive of its Irish whiskey.

Ireland can also position itself as a global spirits marketing hub. There is tremendous food and drink consumer marketing expertise in this country. When William Grant & Sons purchased Tullamore DEW it relocated its International Marketing team for all non-Scotch brands to Dublin.

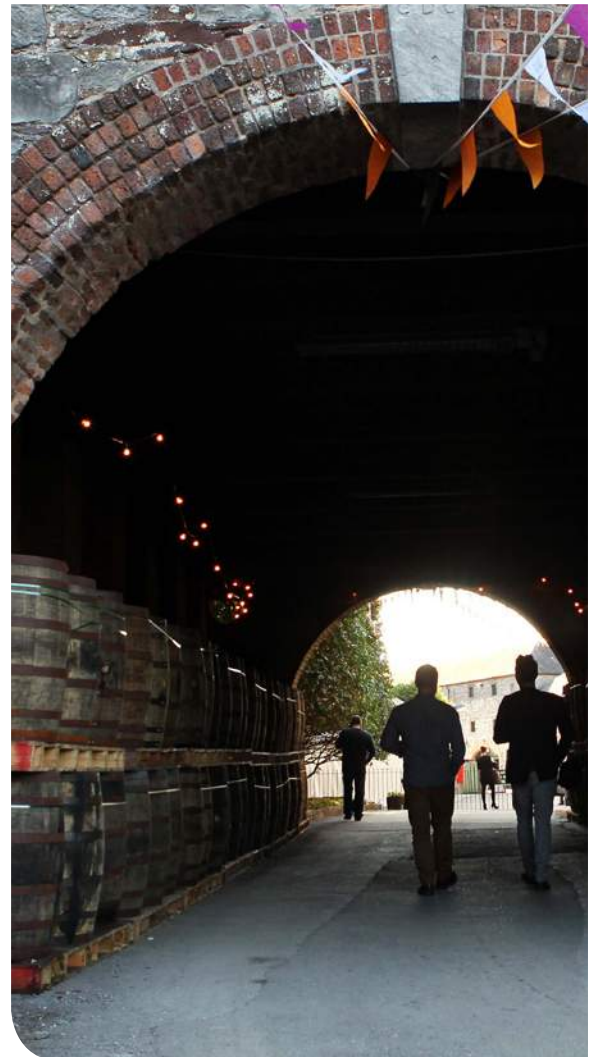
Positive government advocacy

Irish whiskey is one of our most successful, branded, high value exports and one that needs political support at every opportunity. Irish whiskey companies should be included on all relevant trade missions along with other Irish products. The product should also be showcased to visiting dignitaries.

In Scotland with a similar population, climate and size as Ireland Scotch whisky represents 24% of all exports. There is no reason why Irish whiskey cannot regain its status as the largest value drinks category globally.

This ambition however must not reside only within the boardrooms of the distillers. It should be shared by our legislators and encouraged by public policy. Like Scotland (Scotch) and France (Wine) in Ireland, we should be proud of our Irish whiskey industry and its ability to add value to our finest cereals and water whilst bringing enjoyment to billions of consumers around the world (1.5bn glasses of Irish whiskey were enjoyed globally in 2013).

The Irish whiskey industry and indeed the wider Irish beverage industry is proud of its links to Irish agriculture. The Irish agri-food industry is better described as the agri-food and drink industry.





Case study: The importance of 'Brand Ireland'

By John Cashman, Global Brand Ambassador with Kilbeggan Distillery

As a global brand ambassador for Irish whiskey brands, I am also an ambassador for Ireland. The two are intrinsically interlinked. One sells the other and vice versa. To stand in front of people and promote Irish whiskey is an honour; the fact that I am Irish is a bonus. In order to truly understand the story of whiskey, one must first understand the story of Ireland. I enjoy telling the history of the country and look forward to answering questions on anything to do with Ireland.



For many around the world Ireland is a mystical, magical place. Most people I encounter want to visit; the fact that we in Kilbeggan can support and enhance their visit by having a visitor attraction is of immense help. We are a friendly people, passionate and realistic, gregarious and helpful. We tell a story, bringing enthusiasts or prospective visitors on a journey to OUR home. We share, joke, explain and guide. Enthusiasm and passion is the key. Love what you do, love your brands and that love will transcend. I want people who come to my tastings to have an enhanced view of Ireland by the time they leave. Make them want to visit, make them want to experience, make them want to enjoy my whiskeys.

The view of Ireland I hear back is generally positive. It is influenced by our culture, our brands, and our people. St Patrick's Day or week is a brilliant marketing opportunity. Focus is on our little country for a number of days. In Quebec City this year they held a parade on the following Saturday. This allowed a week's worth of festivities and events to occur which can only be good for Ireland.

A strong brand Ireland is so important to me, and to all of us. It opens doors, opens ears and allows us time to promote our brands. Quality of produce is of equal importance. We and customers need to have confidence in what they receive is of the highest standard. We need to ensure this remains; one bad apple can rot the whole basket.

We have a strong brand; it helps me in what I do, it is what I do.

A strong and viable pub trade

Successful, sustainable, Irish whiskey brands will continue to be built in the on-trade. Pubs showcase Irish whiskey brands in their natural environment. A knowledgeable barman can explain Irish whiskey, its nuances, history, craft to his customers in addition to explaining the differences between the various styles (malt, pot still, blends etc).

A foreign visitor can find out which is the local Irish whiskey and possibly benefit from a little background folklore as well.

The category will be as successful as the collective success of its brands. Having EU GI status is a key pillar in building a distinct and valuable global whiskey category. The corollary is that Irish whiskey has no value as a commodity. Once mixed with something else it is no longer Irish whiskey. So brands are key and successful brands mean a successful category. Ireland must remain a vibrant shop window for our brands and a strong on-trade is vital to that success.

Responsible advertising and marketing

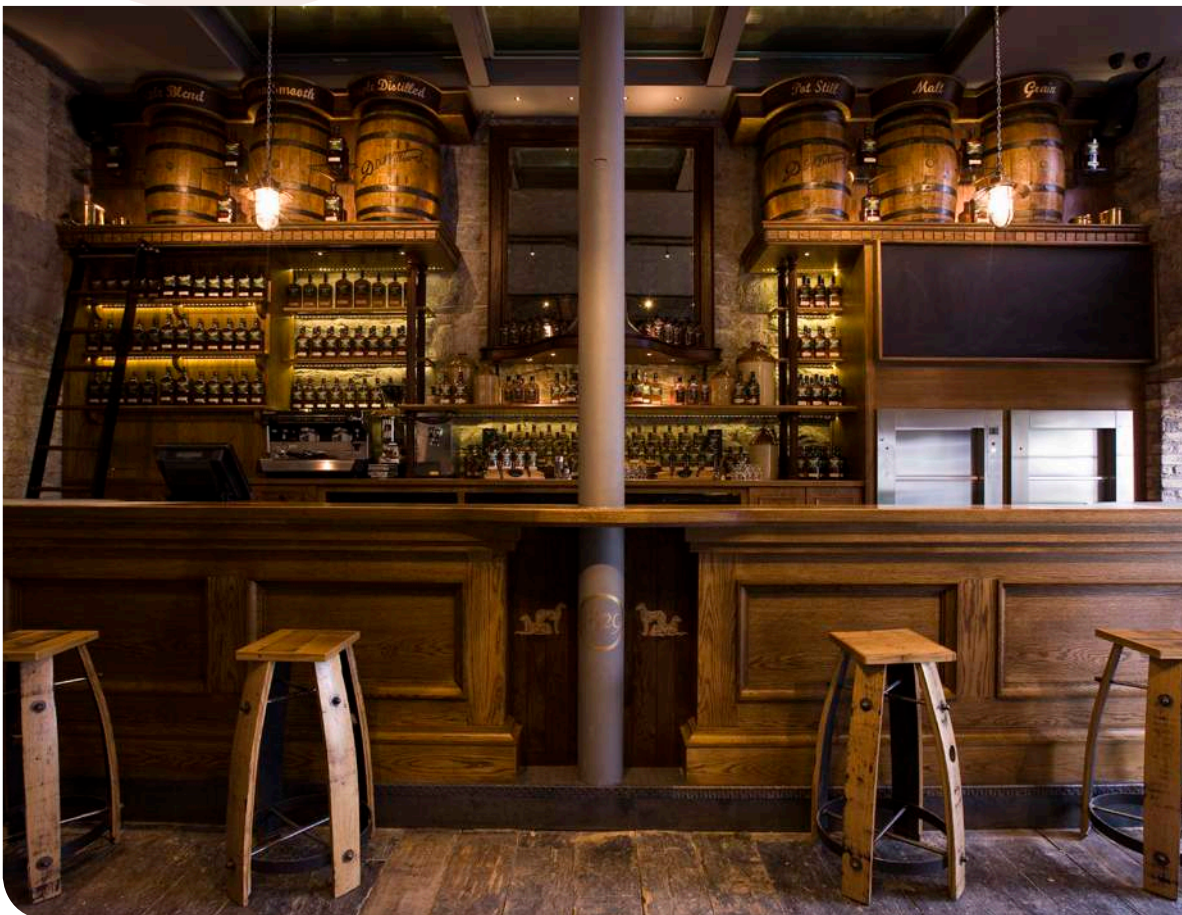
Irish whiskey companies rely on being able to test new products and build new brands in Ireland before launching them internationally. It is crucial that advertising and marketing freedoms are maintained. Irish alcohol companies operate under some of the most stringent voluntary codes in the world and are committed to being responsible in all marketing communications.

In particular, Irish whiskey companies depend on outdoor advertising: spirits are banned from all broadcast media, so outdoor is one of the last places they can advertise. Any move towards banning an important advertising media, such as outdoor, would disproportionately hit new distilleries, who will not have the opportunity to build their brands in Ireland but will have the much more difficult job of building brands internationally with no home support.

Absolut Vodka is an example of where a spirit drink's home market (Sweden) became a 'dark market' because of advertising and marketing restrictions. As a result, many jobs were relocated outside of Sweden, despite Absolut being a Swedish product.

Excise

In Ireland, almost 70% of a bottle of Irish whiskey goes to the Exchequer in excise and VAT. This makes our excise rates the third highest in the EU. This makes Ireland an incredibly difficult market for our new distilleries to sell into. This has a detrimental impact on tourists perceptions of Ireland; they can often purchase two bottles of Irish whiskey at home for the price in Ireland. This is incredibly damaging to their perception of value-for-money in Ireland.



Appendix 1: A short history

A short history of Irish whiskey – From boom to bust and back again...

Distilling in Ireland began in the 6th century when religious monks brought with them the technique they used to create perfumes and Eau de Vie - Water of Life. Rather than using grapes and other fruits, the Irish used the local cereal crops as ingredients. Uisce Beatha, the Irish for Water of Life, was born. Throughout the years, as Ireland became more anglicised, the pronunciation of Uisce Beatha ultimately evolved into whiskey.

The Red Book of Ossary dating from the early 16th century records Uisce Beatha being produced for consumption, but the art was still the preserve of the religious orders. It is only following the dissolution of the monasteries in the Tudor period that whiskey ceased to be the drink of the elite. Queen Elizabeth I was known to be fond of the beverage, and she was not alone. It is said that Peter the Great, Czar of Russia, mentioned that “of all the wines, the Irish spirit is the best”.

Golden era – the world leader

The early 19th century saw dramatic growth in Irish whiskey from 40 distillers in 1823 to 86 in 1840. Between 1823 and 1900, the output of Ireland’s distilleries quadrupled. Dublin whiskey, with its six powerhouse distilleries, dominated the Irish and world stage. Distilleries such as Jameson, George Roe and Powers employed hundreds of workers with their own cooperages, stables, blacksmiths and carpenter shops and they exported around the globe. Indeed it was about this time that the Dublin distilleries, intent on forging their uniqueness amongst other whiskies from Scotland and provincial Ireland, introduced the idea of spelling their whiskey with an e. By 1900 we were the world leader for whiskey, selling 12 million 9-litre cases per annum. This phase of history is regarded as the golden era of Irish whiskey.

A major turning point in the history of Irish whiskey came in 1830 when Aeneas Coffey, a former Inspector General of Excise in Ireland, developed and patented a more efficient method of distilling. “Coffey’s Patent Continuous Distilling Apparatus” (effectively a column still) revolutionised the whiskey industry.

Most of the Irish whiskey distilleries did not embrace the new distilling technique until towards the close of the nineteenth century. A significant consequence of the new production method was that many smaller traditional pot still distillers struggled to survive against the cheaper continuous production afforded by the new Coffey still.

Bust

Just as Irish whiskey was riding a wave, the beginning of its decline was just around the corner. Over the preceding years, the Scottish distillers had been radically increasing output of whiskey from Coffey stills giving rise to an enormous surplus of whiskey and the collapse of whiskey prices. Combined with recession and the onslaught of the World War I, the Irish whiskey industry found itself in the eye of a storm. In 1916, the Easter Rising happened along with the economic turmoil which accompanied it. In 1917, all distilling in Ireland ceased as all barley was required for the war effort.

Up to this time, the largest whiskey market in the world was the USA, which also happened to be the largest export market for pot still Irish whiskey. In 1919, the Volstead Act was passed and Prohibition was enacted and overnight the single most important market for pot still Irish whiskey was shut down.

The Irish War of Independence in 1921 was followed by the Irish Civil War from 1922 to 1923. As the 1930s came to a close, the Irish whiskey industry had been decimated.

Further damage was caused when bootleggers cashed in on the Irish whiskey reputation during the prohibition era in the USA. Much of this whiskey was of such an extraordinarily poor standard that it caused every right minded drinker to treat with extreme caution anything which purported to be Irish whiskey.

By the time prohibition had ended in 1933, the Irish whiskey industry was reeling and unable to cash in on the pent-up demand that the US market now represented. The Irish distillers had reduced their stocks of maturing pot-still whiskey, the reputation of which had been irrevocably damaged by the bootleggers, while the Scots were ready to expand with their stocks of ready available blended whiskey.

To compound matters, in 1932 the recently emancipated Irish government entered into a trade war with its former landlord and largest trading partner, Great Britain, culminating in exclusion to 25% of world markets. This meant that the remaining exports for Irish whiskey disappeared behind a wall of duties and levies.

By 1953, there were only six distilleries on the island, mainly based on domestic demand.

By 1966, the number of distilleries operating in Ireland had dropped to four. This became two as Jameson, Powers and Cork Distilleries merged to form Irish Distillers.

Sustainable growth

The late 1980s marked the beginning of Irish whiskey's comeback. In 1988, Irish Distillers (IDL) became a member of Group Pernod Ricard, which provided massive distribution opportunities for Jameson, and the other IDL Irish whiskey brands, through its well established global sales network. In 1987, Cooley Distillery was established and was the first independent distillery to begin distilling Irish whiskey in over 100 years.

Moderate at the beginning, the recovery has grown at pace in the past fifteen years. As the potential of Irish whiskey became apparent Diageo, William Grant & Sons and Beam Suntory all entered the category by purchasing Bushmills, Tullamore Dew and Cooley respectively.

From a low of 400,000 cases in the 1970s, production rose from 4.4 million cases in 2008 to 6.2 million in 2013. Between 2002 and 2012, exports grew by 220% (Eurostat, COMX). According to the Distilled Spirits Council, in the US alone from 2003 to 2010, sales of "Irish Whiskey/Uisce Beatha Éireannach/Irish Whisky" grew 246%.

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This image shows a blank sheet of white paper with horizontal brown ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





Irish Whiskey Association,
84/86 Lower Baggot Street, Dublin 2.

www.irishwhiskeyassociation.ie