

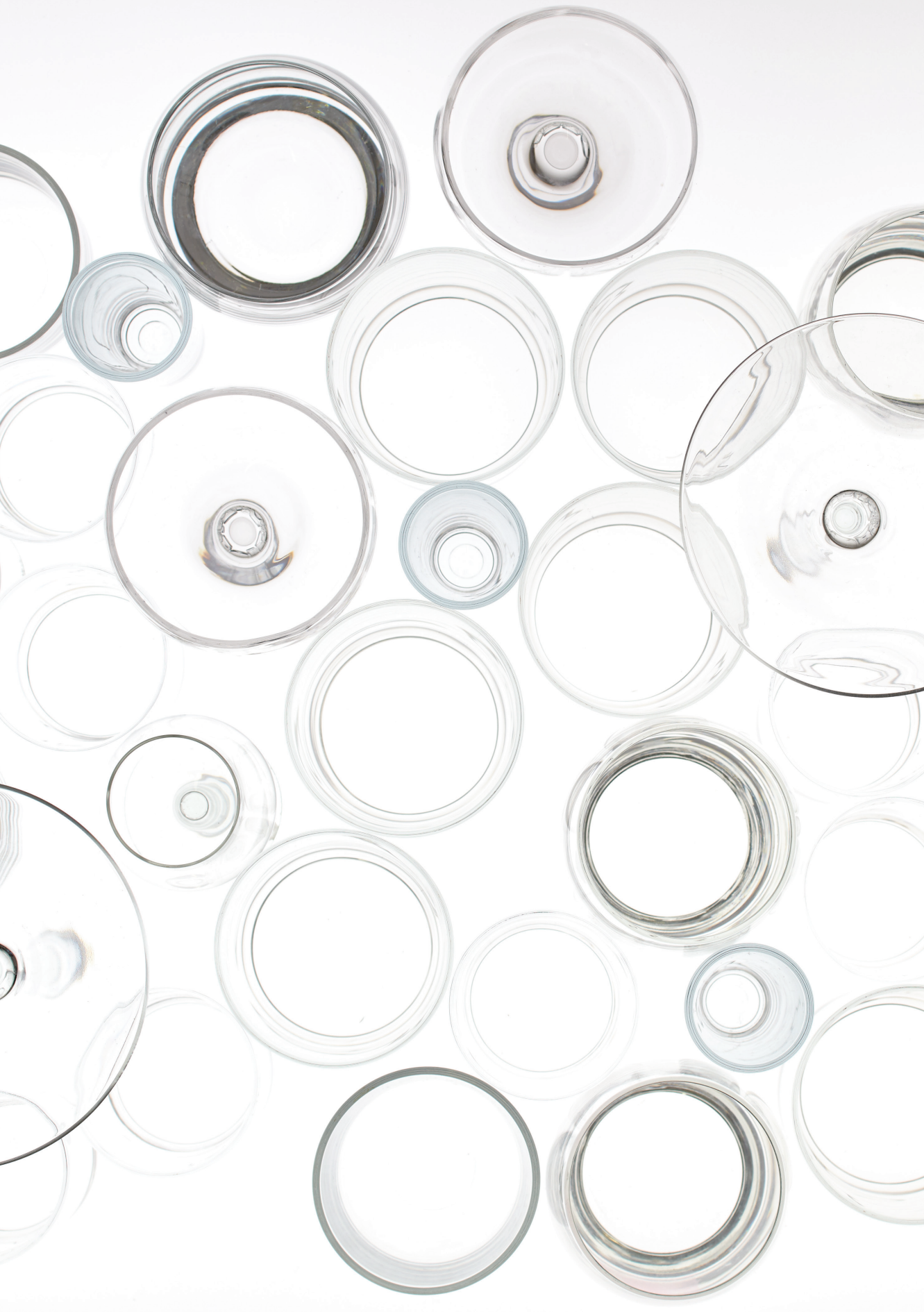


**Drinks
Ireland**
Ibec

Drinks Ireland
Championing Ireland's best
loved drinks brands

Annual Review 2019





Drinks Ireland **Championing Ireland's best** **loved drinks brands**

Ollie Loomes, Diageo Ireland has one of the strongest economies in the European Union (EU). As a strategic gateway for global businesses to access the recovering EU economy, Ireland has no peers.

For decades, US business has intuitively understood this potential and availed of the springboard that Ireland provides to market of more than 500 million people to its advantage. From Henry Ford a century ago to the present, Europe Middle East and Africa (EMEA) headquarters of many of the modern world's global technology, bio-pharma and medical leaders, Ireland offers a home from home environment for US business.

Our two economies have embraced trade and internationalisation, to the benefit of the citizens of Ireland and the US. Recent years have seen challenges to the open borders approach which has fuelled our shared prosperity. Now, more than ever, our respective business communities must champion the benefits of retaining our outward focus.

Ollie Loomes, Chair of Drinks Ireland and CEO (Country Director)
and Chairman Diageo Ireland



**Drinks
Ireland**
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Welcome

Drinks Ireland Annual Review 2019



Patricia Callan, Director, Drinks Ireland Ireland's Drinks Industry is an enduring and historic alliance of Brewing and Distilling, which fostered our world-renowned reputation for welcoming pubs and cultured entertainment of visitors. The strategic and sustainable importance of our own ancient industries together, have also made tourism a multifaceted and inimitably Irish experience.

As our fastest growing manufacturing industries, brewing and distilling, will play a significant role in shaping and developing Ireland's prosperity and long-term rural employment potential. Some 90,000 people are currently employed in the drinks industry, which when combined with the interdependent tourism sector, jumps to 254,400 or 11.5% of the workforce.

As the director of Drinks Ireland, it is an industry I am proud to represent and work on behalf of. Working with my colleagues in our category associations, I aim to ensure that the environment is conducive to drinks enterprise and that the contribution our sector makes is deeply appreciated. We continue to express the value of our industry not just in terms of economic contribution but also the vital role our businesses play in the communities in which they operate.

In this document we have gathered some headline statistical information on the categories of alcohol products along with updates on key issues for our sector. I look forward to continuing to work on your behalf.

Welcome to membership In 2019 20 companies joined Drinks Ireland, the companies below are just two of them.



Stonewell Cider Founded in Cork in 2010 by husband and wife team, Daniel & Géraldine Emerson, was the first in the modern era of Irish craft cider producers. The company has nationwide distribution, with in excess of 12 overseas markets and exclusive distribution in France via Carlsberg. The company has secured many accolades throughout its 10-year history, most notably a Golden Fork from the Guild of Fine Food, Supreme Champion of the National Irish Food Awards, Winner of the inaugural Irish Food Writer's Guild drinks award and recently Gold at the International Cider Awards. Stonewell produces cider only with fresh juice and without additives. Cognisant of its environmental impact the company was one of the first Origin Green certified companies and the first to produce a non-alcoholic cider in the country.



Drinks Ireland New Members 2019 Stonewell Cider, founded in Cork in 2010 by husband and wife team, Daniel & Géraldine Emerson, was the first in the modern era of Irish craft cider producers. The company has nationwide distribution, with in excess of 12 overseas markets and exclusive distribution in France via Carlsberg. The company has secured many accolades throughout its 10-year history, most notably a Golden Fork from the Guild of Fine Food, Supreme Champion of the National Irish Food Awards, Winner of the inaugural Irish Food Writer's Guild drinks award and recently Gold at the International Cider Awards. Stonewell produces cider only with fresh juice and without additives.





#SláinteToThat

**Drinks Ireland
Shifting Perceptions**

#SláinteToThat The Drinks Ireland RoadMap aims to shift the perception of the drinks industry in a way that will have a positive impact on its reputation as a key contributor to Ireland's economic, social and cultural landscape. The RoadMap calls on Drinks Ireland to expand its stakeholder base, develop its messaging suite and seek suitable opportunities to promote the positive aspects of the drinks industry.

In 2019 significant progress was made. We rebranded to Drinks Ireland, which afforded us the opportunity to be more declared about what we do, create a greater cohesion with our categories, and to our parent organisation, Ibec. The process delivered the association and all its category associations a renewed and modern visual toolkit ensuring consistency and clarity of visual tone.

Following the local elections, we created an innovative and personalised piece of direct mail which we sent to all the newly elected councillors on behalf of the industry. We provided recipients with points of education on the vital contribution our sector makes not only to the national economy but the communities in which our members operate.



We worked with several selected media partners as we sought appropriate channels to tell our story, our way. Working with the Lovin Group we called on their readers to tell us about the moments they come together with loved ones to celebrate life's special moments and smaller achievements under a campaign called #SlainteToThat. Over 850 applications were received for our competition where we selected several lucky applicants for "enhancements".

We partnered with IMAGE publications for a series of online native pieces on themes relevant to their reader and important to us. Our partnership with IMAGE also gave us the opportunity to work with them on a sustainable fashion event, where we were given a unique and innovative platform to share the sustainability credentials of our industry.

We created video content, working with well-known broadcaster Doireann Garrihy. In this series we visited production facilities and brand homes for small and big companies. At each site we explored themes we knew would resonate with the consumer including heritage, sustainability, provenance and entrepreneurship. Independent.ie was selected as the media channel that would be used to amplify and share this content.

Going forward we will continue to contribute to and shape the narrative of our industry, seeking appropriate audiences, sharing relevant and impactful stories.

Brexit Another Year



Brexit Another year of lobbying for the All-island Irish drinks industry. As we approach the end of 2019, a new Brexit withdrawal agreement has been negotiated between the EU and Prime Minister Boris Johnson's minority government. We now wait to see if the new House of Commons will approve the agreement.

Brexit has remained a policy priority for Drinks Ireland during 2019. While agreement was secured last year on recognising and protecting our three All-island GI's post-Brexit, the focus this year was very much on trade matters as well as regulatory issues such as labelling rules. Drinks Ireland had been active throughout the year in highlighting the risks of a no-deal and advising member companies on potential implications.

We have warned against the possible imposition of EU tariffs on supply chain inputs such as glass bottles, malt, apples and yeast imported from the UK. We have lobbied the UK Government on the need to put in place continuity trade agreements to ensure Northern Irish exporters don't lose access to important tariff-free trading benefits currently available to the EU. We welcome the UK's recent agreements with Korea, Southern Africa Customs Union and many Latin American markets.

However we continue to lobby hard to ensure seamless zero-tariff trade for Northern Irish gin and cream liqueur producers to important markets such as Canada. We have also lobbied on the issue of labelling in terms of both country-of-origin and food business operator addresses.

Drinks Ireland has been represented at important meetings throughout the year with the EU Excise Group, the HMRC Brexit Excise Taskforce, the Irish Department of Agriculture' Brexit consultative forum, the All-island civic dialogue on Brexit, the UK DEFRA Brexit stakeholder group as well as numerous bilateral meetings with Irish, UK and EU officials. Drinks Ireland Director Patricia Callan and Head of Irish Whiskey William Lavelle attended a reception of Northern Irish trade associations in the Houses of Parliament in Westminster in September.

Drinks Ireland will continue to lobby for minimum disruption to the All-island Irish drinks industry.



Public Health Act

Drinks Ireland A Period of Change

From theory to reality – Public Health (Alcohol) Act 2018 Following years of debate, the Public Health (Alcohol) Act 2018 was signed into law on the 17 October 2018. Drinks Ireland and the wider drinks industry has had to shift its focus from a position of lobbying for change - to a position of readiness to implement the legislation, depending on the transition period that applies to each section.

New Labelling Requirements Regarding the new labelling provisions, that require the inclusion of a cancer warning on alcohol products, the Minister for Health requested the Food Safety Authority of Ireland (FSAI) to undertake a public consultation on the health warnings required under the Act. A total of 23 submissions were received in response to this consultation, including a detailed response from Drinks Ireland.

The FSAI is currently preparing a report for the Department of Health on this consultation. Once the Department receives this report, it will prepare regulations on the health warnings which will be notified to the European Commission. The European Commission will then invite EU Members States to give their view on the proposed regulations.





Depending on the response from EU Member States, the standstill period at European level could run for up to six months. If the regulations are ultimately approved by the European Commission, the Minister will then sign the commencement order to introduce the new labelling requirements and three-year transition period will begin.

Drinks Ireland, along with the Pan-European Trade Associations and Member State Trade Associations, are fully prepared for this process.

Outdoor Advertising Restrictions The outdoor advertising provisions to prohibit:

- Alcohol advertising in parks and open spaces owned by local authorities
- On public transport vehicles
- Within 200 metres of the perimeter of schools, early years services and playgrounds were introduced on the 12 November 2019

Drinks Ireland understands that there have been no infringement to date which demonstrates the industry's commitment to implementing the legislation.

PHAA Group To facilitate Drinks Ireland's members understand the legislation, a PHAA Group was established to respond to queries. If you have any queries please get in touch with Drinks Ireland.

Irish Whiskey

Drinks Ireland A Global Strategy



Category Protection Over the course of 2019, Drinks Ireland | Irish Whiskey Association have successfully applied for and secured legal protection for Irish whiskey in Australia, India, South Africa and Taiwan with more registrations expected to follow.

In Australia, South Africa and Taiwan Irish whiskey was granted a certification mark while in India it received Geographic Indication (GI) protection, similar to the protection afforded by the European Union. Last year sales in all four markets increased and it is hoped the protection will help spur further growth as producers have the confidence to invest in increased sales and marketing, knowing that there is legal remedy to crack down on fake competitors. Consumers can also be assured that the Irish whiskey they are buying is authentic Irish whiskey.

In addition, Drinks Ireland | Irish Whiskey Association has had continued engagement with the EU Commission, Irish & UK Governments to ensure inclusion of Irish whiskey GI in all agreements such as Japan, Singapore and China. These various protections mean that only Irish whiskey distilled and matured on the island of Ireland can be labelled and sold in these markets as Irish whiskey and provides Drinks Ireland | Irish Whiskey Association with the legal recourse to take action against fake Irish whiskey identified in the market. The association has a global protection strategy in place and takes a zero tolerance approach to these types of products as protecting the good name and high standards of Irish whiskey globally is the top priority of the association.

Drinks Ireland | Irish Whiskey Association has also had strong engagement with the US Regulators TTB with bilateral meetings held in both Washington and Dublin. These meetings were used as an opportunity to highlight concerns on Irish Whiskey protection in the US and to provide a better understanding of the laws governing Irish Whiskey and the work of the Association in protecting the category.

DISCUS Drinks Ireland, Irish Whiskey Association partners with **DISCUS** on Irish whiskey promotion in the US. During 2019, Drinks Ireland | Irish Whiskey Association partnered with the Distilled Spirits Council of the United States (DISCUS) on a dynamic partnership to promote the Irish whiskey category in the US.

In March, the two bodies jointly-organised a media reception and Irish whiskey tasting which was officially hosted by Mr. Ciaran Madden, Irish Consul-General to New York. The event which took place in the Irish Consulate in Manhattan was attended by seven companies and over 140 guests including leading journalists and media outlets. The event proved highly successful in generating significant media coverage of the Irish whiskey category in the 10 days leading up to St. Patrick's Day.

In June, 10 leading US food, drink and lifestyle writers visited Ireland for a week-long trip, funded by DISCUS members and co-ordinated by Drinks Ireland | Irish Whiskey Association, with support from Fáilte Ireland. The trip provided a first-hand opportunity for these writers to meet the people and visit the places that define Irish Whiskey, as well as enjoying the best of Irish food and hospitality. The delegation visited a number of distilleries and this has led to numerous high-profile articles and features in US media.

The partnership with DISCUS also offered valuable opportunities for collaboration between the two bodies on public affairs and trade policy matters, ranging from lobbying on regulatory issues in individual US states to a cooperation on the ongoing issue of EU-US trade tensions and tariffs. The model of partnering with a sister trade association will be continued in other priority markets in the future.



Drinks Ireland | Beer The Irish Beer Market Report 2018 shows that beer comfortably remains Ireland's favourite alcohol beverage with a 45% market share in 2018. Last year Ireland's economy continued to perform well with a growth of just under 7%. This was driven by strong growth in consumer spending, investment, and exports which was facilitated by growth in employment and wages. With household incomes growing by 6%, disposable income per person is now back above its peak levels for the first time.

The increase in total beer sales is reflected in the increase in beer production in Ireland by 3.8% in 2018 compared to the previous year. Direct employment in Ireland's brewing sector also rose in 2018 by 3%. However, the increase in domestic sales has been tempered by a marginal decrease in the value of beer exports by 1.8% to €268 million in 2018.

Ireland remains a beer export powerhouse and is the 7th largest exporter of beer in the EU. The UK remains the top destination for Ireland's beer exports accounting for €109 million worth of exports. Uncertainty around Brexit remains a serious concern for Ireland's brewing sector. However, it is noticeable that the value of beer exports to France rose from €19 million in 2017 to €32 million in 2018.

Jonathan McDade, Head of Beer in Drinks Ireland –

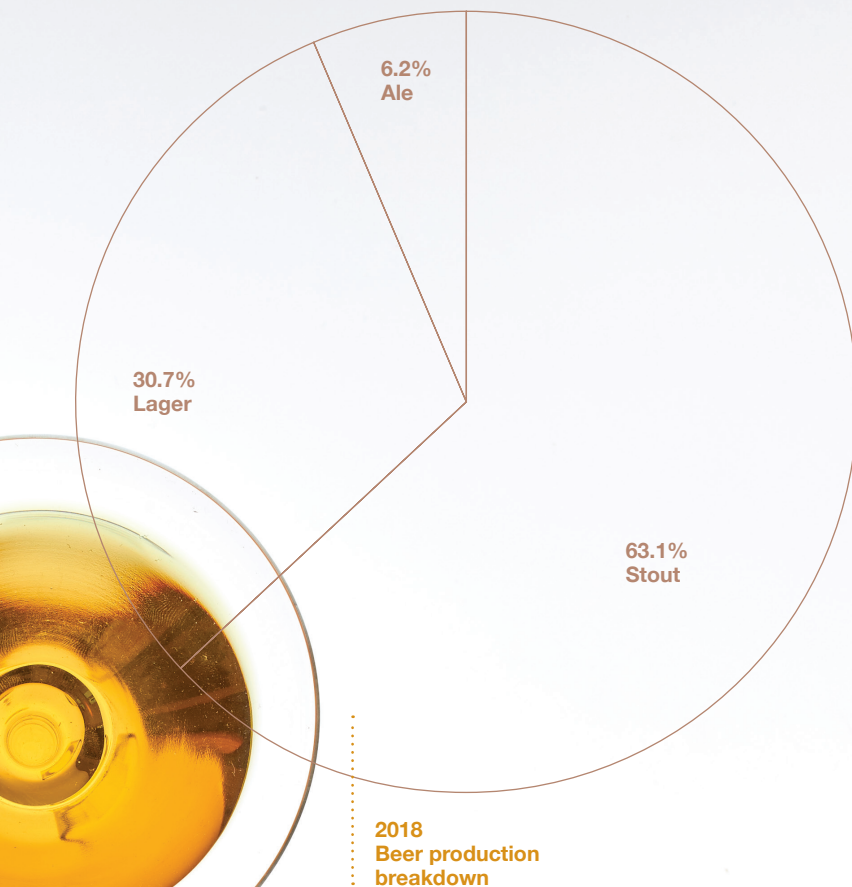
"The brewing sector continues to make a significant contribution to the exchequer both directly and indirectly. In 2018 beer contributed €430 million to the exchequer in excise alone, an increase on the 2017 figure of €424 million. Irish beer drinkers continue to pay the second highest rate of excise on beer in the European Union. In 2012 and 2013 beer excise rates rose by 42% which means that since 2009 the brewing sector has contributed €3.8 billion to the exchequer in excise alone. That's no small beer... Beer is a significant economic and cultural asset in Ireland."



2018 alcohol
consumption per
category mix



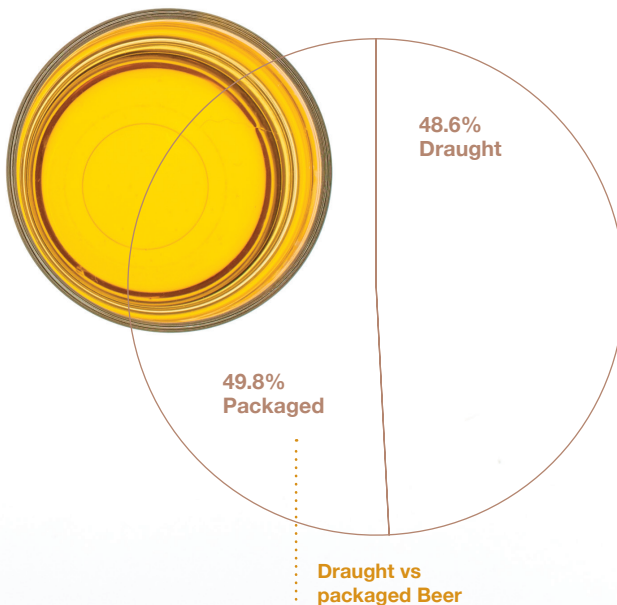
Drinks Ireland
Beer



In terms of market share of beer variants, lager saw the biggest growth with a 3 point increase in its market share to 63.8%. Stout's market share dropped from 32.2% to 29.3% while ale's share fell marginally from 6.6% to 6.3%. It is interesting to note that non-alcoholic beer sales rose by 60% and currently has a 0.6% market share. Ireland's on-trade beer sales continue to outperform off-trade sales by 63.5% to 36.5%.



Though, off-trade sales have gained ground in recent years. The most recent craft beer sales data from 2017 shows the sector holding a 2.6% market share in sales and a 1.9% share of total beer production.



Export Destinations by Value

1 : United Kingdom	: 109,000,000
2 : United States	: 52,000,000
3 : France	: 32,000,000
4 : Germany	: 16,000,000
3 : Canada	: 12,000,000

Drinks Ireland | Cider Given the growing number of cider producers in Ireland and the increased interest in the product from some of Ireland's established drinks companies, the Irish Cider Association has decided to reactivate as Drinks Ireland | Cider in order to represent the interests of the sector.

A key part of this reactivation is to produce a cider market report to illustrate the performance of this alcohol variant. Once the spirits category is split into different variants (such as whiskey, vodka and gin) cider is Ireland's third most popular alcoholic beverage with a market share of 7.5% in 2018, according to Revenue. Its market share that has decreased marginally from 7.7% the previous year.

Cider consumers in Ireland are blessed with an unprecedented selection of cider brands from both craft cider producers and some well-established drinks manufacturers. It is estimated that over 50,000 tonnes of apples are used every year to manufacture cider in Ireland. In 2018 cider consumption rose marginally by 0.43% compared to the previous year.

Jonathan McDade, Head of Cider in Drinks Ireland –

“While the increased selections of cider products for Irish consumers is encouraging, the performance of Irish cider exports in the last decade is a cause for concern. Today, about 85% of cider exports go to the UK. Uncertainty around Brexit and the looming threat of an excise increase in Budget 2020 could impact on investment within the sector. Like other alcohol variants, cider makes a significant contribution to the exchequer to the tune of €61 million in 2018. Over the past decade it has contributed over half a billion Euro in excise alone to the exchequer. Irish cider consumers pay the third highest rate of excise on cider in the European Union.”



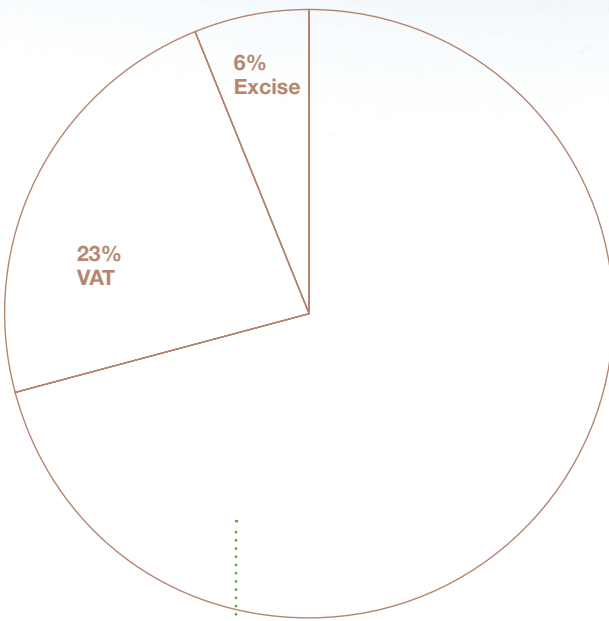
Litres of cider sold per annum

2017 Litres : Local	: 46,735,901
2017 Litres : Imported	: 17,285,881
2018 Litres : Local	: 48,224,742
2018 Litres : Imported	: 16,074,941

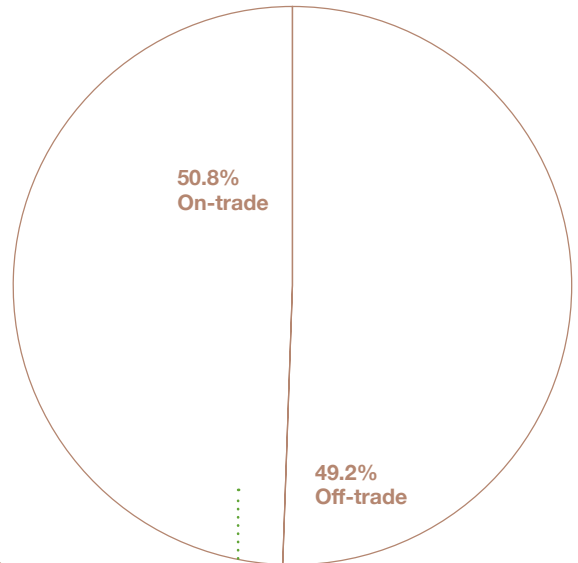


Drinks Ireland
Cider

It is estimated that over 50,000 tonnes of apples are used every year to manufacture cider in Ireland.



29% Total tax on a pint of cider



2018 On-trade vs off-trade



Excise receipts 2018 total 4.9%

Drinks Ireland | Spirits Ireland has a dynamic domestic spirits market and Irish spirits exports continue to grow. Proof, if it is needed, is found in the fact that 2018 was first year that spirits exports were worth more than €1billion to the Republic of Ireland's economy. However, there are clouds on the horizon... Transatlantic trade in spirits had seen, over the course of the last 25 years, the removal of almost all trade barriers for both sides. It is deeply disappointing to see this going into reverse with the re-emergence in the last year of barriers to trade.

The European Union's 25% rebalancing tariff on US whiskey and bourbon (introduced in July 2018) and impending US tariffs on European spirit products (including at the time of going to print single malt Irish Whiskey from Northern Ireland and Irish Cream liqueur) moves us in the direction of a full-scale assault on the reciprocal trade freedoms that US and European spirit companies have enjoyed and mutually benefited from for nearly a quarter of a century.

Vincent McGovern, Head of Spirits in Drinks Ireland –
"Ireland remains near the top of the spirits excise rates list in Europe once again. In 2018 excise raised by alcohol grew by a further overall figure of 4.9%. Spirits contribute €372 million of this. In total excise receipts from alcohol products have increased by 40.9% since 2009. Drinks Ireland is proud to represent Ireland's successful drinks industry. Spirits are leading the way and once again I would like to congratulate all our members on their considerable achievements in making this happen."

Estimated aggregate value of spirits exports from the island of Ireland

€1.43 billion

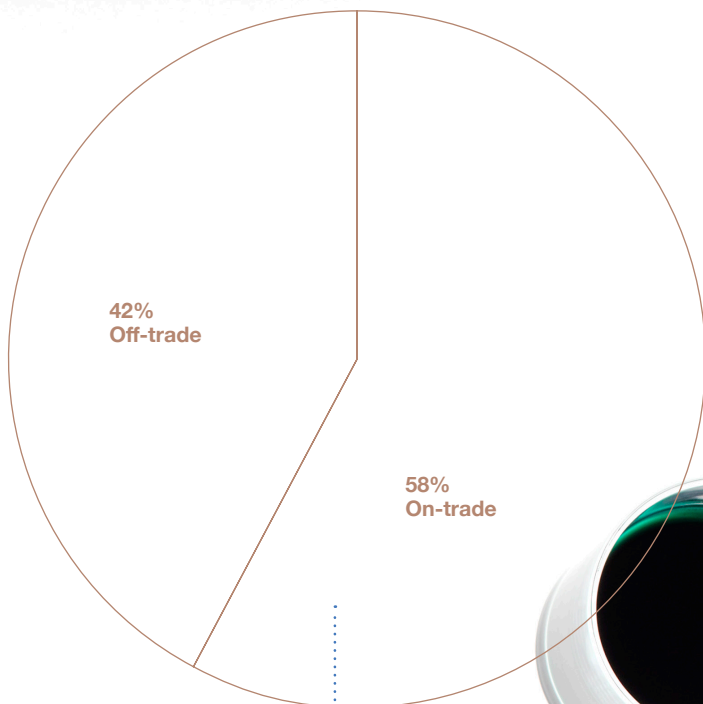
€422 million

Estimated comparative value of spirits exports from Northern Ireland

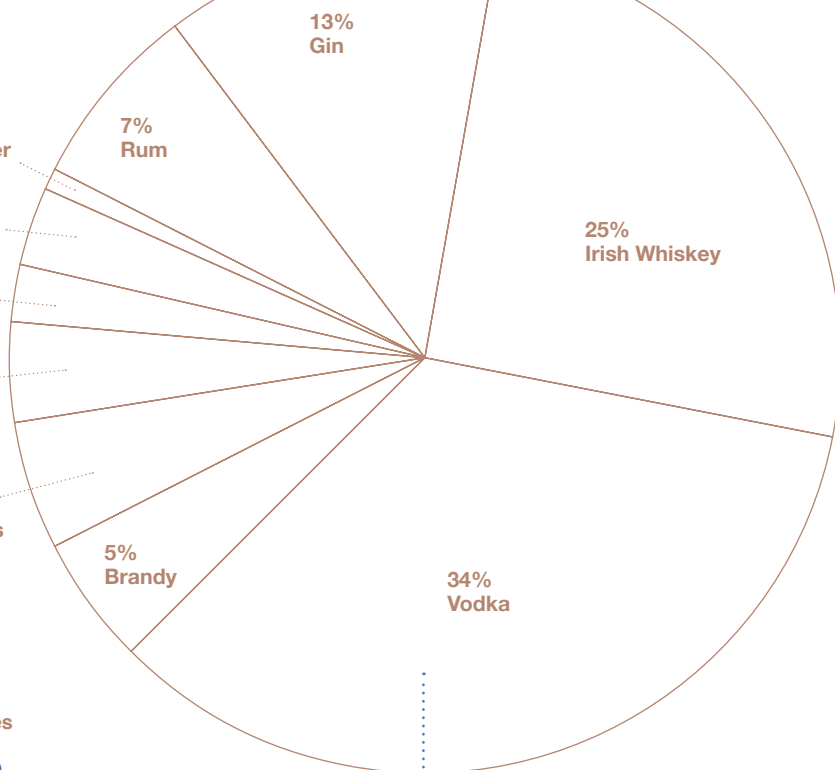


Drinks Ireland
Spirits

Total alcohol consumption in Ireland as measured by units sold increased by 1.8% in 2018 compared with 2017. However, the total number of adults (as defined by 15 years and over) in Ireland also increased by a figure of 1.7%. Combining both figures it indicates a very small increase of 0.1% in average alcohol consumption rate per adult in Ireland in 2018.



Spirit sales value
on-trade vs off-trade



Global Irish Whiskey Sales

2015 9lt Cases : 7,830,000
 2016 9lt Cases : 8,710,000
 2017 9lt Cases : 9,690,000
 2018 9lt Cases : 10,580,000

2018
Sales in Ireland

It is a challenging time for Ireland's win industry. In 2018, total wine consumption decreased by 2% compared to the previous year which reflects the general trend that (per capita) alcohol consumption in Ireland is declining. Added to this, the looming threat of an excise increase on wine in Budget 2020 and a 'no deal' Brexit presents a clear and present danger for Ireland's wine importers.

For the fifth consecutive year, Chilean wine remains the nation's favourite, followed by Australian wine. The performance of off-trade wine sales has gained further ground on on-trade sales. Also, white wine remains the most popular wine variant with a 49% market share.

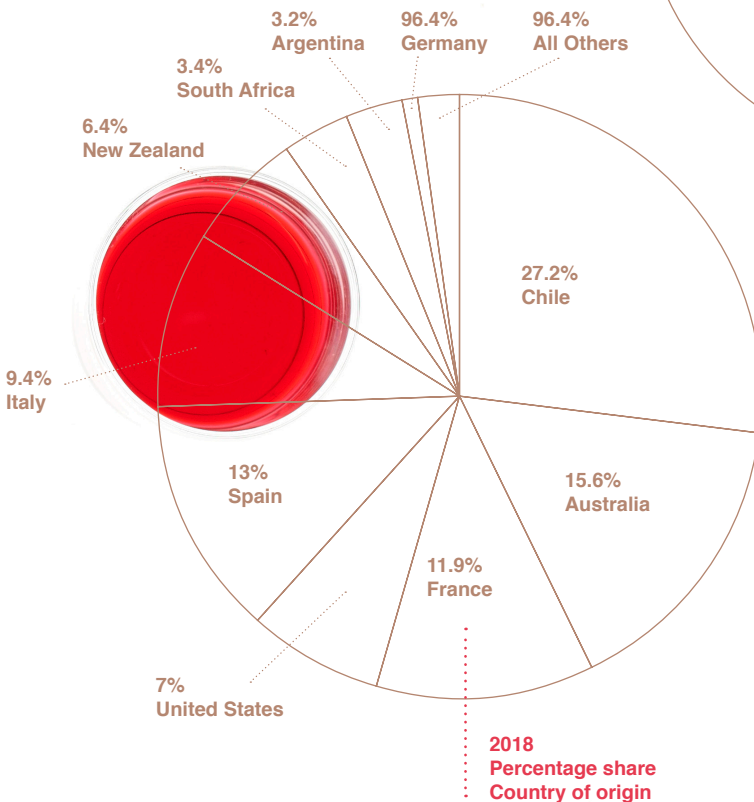
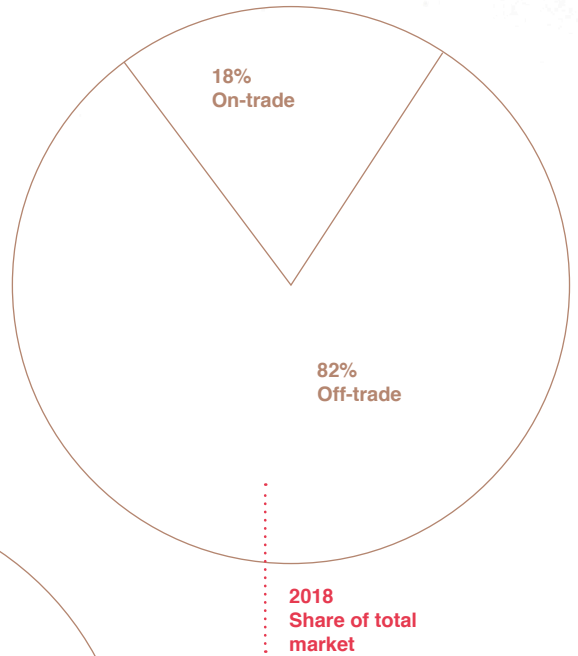
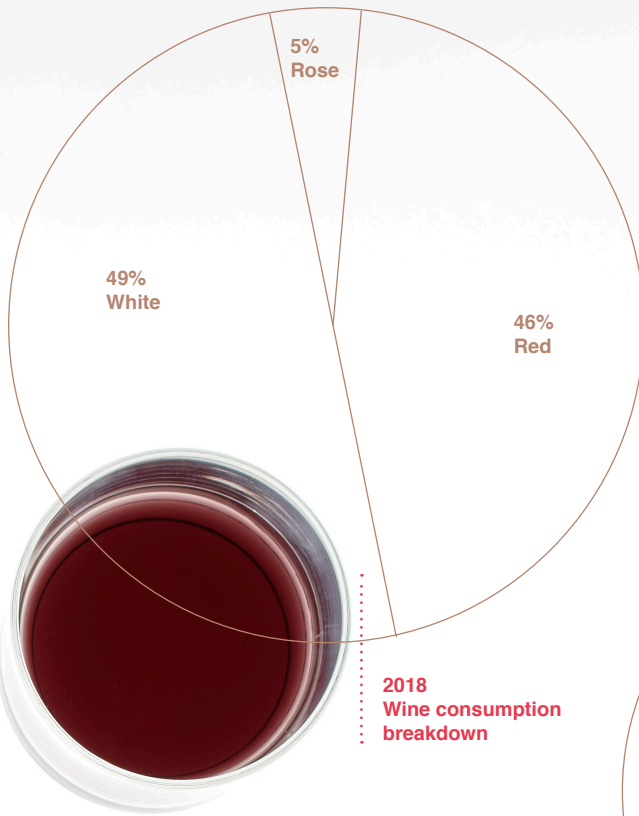
Irish consumers continue to pay more than their EU counterparts for alcohol. One of the reasons for this is because excise rate on alcohol are among the highest in Europe. For wine alone, Irish consumers pay €3.19 per standard bottle (13% ABV) which is the highest in the EU. Essentially for every €9 bottle of wine, 54% of it is taxed. Of the 28 EU Member States, 14 of them charge no duty on wine. Furthermore, sparkling wine gets an additional excise hit totalling to €6.37 on a standard bottle which is effectively a tax on celebrations.

Jonathan McDade, Head of Wine in Drinks Ireland –

“The wine sector continues to employ over 1,100 people directly while supporting thousands of other jobs in Ireland's 13,000 restaurants, independent off licences, supermarkets and hotels that sell wine. In 2018, sales of 9 litre cases dipped just below 9 million following five consecutive years of growth. According to Revenue statistics, the market share for wine decreased by 0.7% from 27.7% in 2017 to 27.0% in 2018. Despite the marginal fall in wine's share of the alcohol market, it still remains, by some distance, Ireland's second most popular alcohol beverage.”



In 2018, the sector paid €376 million in excise to the exchequer which was a marginal decrease of €6 million from the previous year. Over the past ten years wine excise has generated over €3.5 billion to the exchequer.



Origin of wine

2017 Cases : Europe : 3,361,392
 2017 Cases : Global : 3,303,044
 2018 Cases : Europe : 5,698,962
 2018 Cases : Global : 5,576,103

Drinks Ireland Drinks Ireland is the Ibec sector that represent the interests of alcohol drinks manufacturers and suppliers in Ireland. Drinks Ireland is globally unique as it represents all categories of alcohol products in one umbrella organisation through its various trade associations.

Drinks Ireland | Beer

Drinks Ireland | Cider

Drinks Ireland | Irish Whiskey

Drinks Ireland | Spirits

Drinks Ireland | Wine

Drinks Ireland Board

Ollie Loomes, Diageo Ireland (in the Chair)

Maarten Schuurman, Heineken Ireland

Conor McQuaid, Irish Distillers

Jim Bradley, Febvre

Johnny Harte, McCormick Distilling Company

Ryan McFarland, Molson Coors

Bernard Walsh, Walsh Whiskey

Aoife Clarke, Cooley Distillery

David Williamson, William Grant & Sons

Brian Fagan, Glendalough Distillery

David Stapleton, Connacht Whiskey Company

Andy O'Hara, Edward Dillon

Peter Mosley, Porterhouse Group

Seamus O'Hara, Carlow Brewing Company

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William Lavelle, Head of Irish Whiskey in Drinks Ireland

Carleen Madigan, Legal Advisor for Irish Whiskey in Drinks Ireland

Miriam Mooney, Legal Advisor for Irish Whiskey in Drinks Ireland

Jonathan McDade, Senior Executive, Drinks Ireland

Vincent McGovern, Head of Spirits in Drinks Ireland

Lorraine Hall, Senior Executive, Drinks Ireland

Alan Sherlock, Campaign Manager, Drinks Ireland

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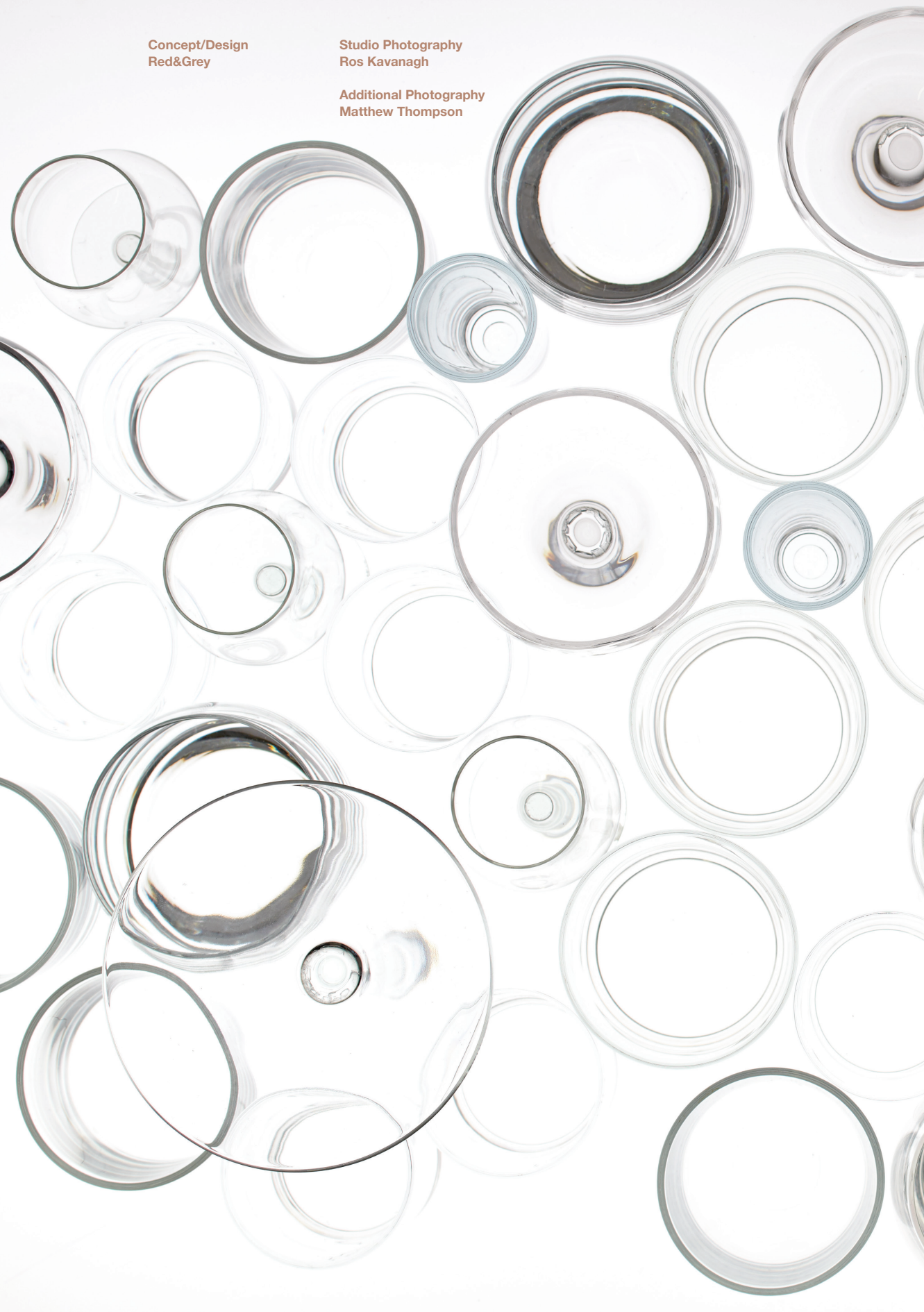
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Concept/Design
Red&Grey

Studio Photography
Ros Kavanagh

Additional Photography
Matthew Thompson





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Drinks Ireland
Championing Ireland's best
loved drinks brands

Annual Review 2019

