



Drinks Ireland
Spirits

Irish Spirits Market Report 2020

drinksireland.ie/spirits

Foreword

Welcome to this, the fifth spirits industry and market report issued by Drinks Ireland and as you will see it illustrates the impact of Covid-19 pandemic on the sector in 2020, a year the likes of which hasn't been experienced in over a century and it is hoped won't be repeated again for at least another.

Our 2019 report outlined where the spirits sector stood on the eve of the Covid-19 pandemic. It is fair to say that the world has changed since then because of the pandemic. Our sister association's category reports for the beer and cider sectors in Ireland indicated that the Covid-19 pandemic enforced shutdown had a significant impact in 2020 on the drinks industry both domestically and globally. The spirit's category is no different and has not escaped unscathed.

The snapshot which this report offers suggests that the closure of the hospitality sector had a marked, negative impact on sales across all spirits categories and on companies' ability to engage with consumers. While it may not have impacted the spirits category in the same way it impacted other drinks categories it nevertheless had a significant impact as the pubs, restaurants and hotels of the Irish market are a vital component to the continued growth and prosperity of Ireland's spirits and craft spirits business.

Saying that, the resilience shown by the spirits sector in the face of the loss of one of the main consumer channels was remarkable with spirits companies and distilleries responding with increased emphasis on the off-trade and an intense focus on ecommerce as an avenue for marketing and selling their brands.

The emergence of ecommerce as a sales channel establishing direct relationships with the consumer was a notable, positive development that has emerged out of the Covid-19 pandemic. Covid-19 accelerated development of this route to market and ecommerce became a priority for the spirits sector to engage directly with consumers and remain trading through this difficult time.

Even though spirits companies and distilleries continued to produce throughout the pandemic there were instances where the impact was particularly negatively felt. For example, brands that perhaps relied heavily on the on-trade noted a significant fall in sales. Distilleries hosting visitor experiences had these integral parts of their business closed overnight due to the pandemic and kept shut by restrictive government policies long after other visitor attractions had reopened across Ireland and the World.

Given how hard some parts of our industry have been hit by the Covid-19 pandemic it is worth reminding ourselves and others that spirits companies and distilleries played a pivotal role in assisting the health of the nation by switching production to the manufacture of hand sanitiser or providing ethanol to enable others to do so. Our sector played a key role in the initial fight against this virus helping to protect lives in the early, confusing days, weeks and months when we knew far less about Covid-19 and how it is transmitted than we do now.

We should perhaps also not lose sight of the fact, with all the focus on Covid-19 and the damage it has inflicted, that other challenges continue to rumble along in the background. Brexit has happened. Finally. However, the business of trading between Great Britain and Ireland /the European Union is far from settled (and our sector which has three European GI categories which have now become distinct UK GI categories

is particularly interested in how the business of trading is resolved). Challenges remain in the transatlantic trade with tariffs still in play particularly those rebalancing tariffs that the EU has imposed on US Whiskey and Bourbon. Resolution of this dispute would assist our sector.

In 2021 Ireland has the second highest overall excise tax on drinks products in Europe, as well as the third highest rate on spirits (which shows no change from 2020 as outlined in this report). We are among a group of outlier countries—Finland, Sweden, and the UK—that charge high levels of excise tax on drinks products relative to the rest of Europe. If you buy a bottle of Irish whiskey in an Italian off-licence, the excise charge is €2.90 per bottle. In Ireland, where that whiskey is produced, the excise charge is €11.92 per bottle. Despite the significance of the spirits sector to the economic, social, and cultural fabric of Ireland, and the fact that almost 180,000 people depend on this industry for employment, Ireland levies a huge tax burden on our drinks producing businesses. This high excise tax rate is unsustainable and uncompetitive, and we are calling on the government to reduce excise tax by 7.5% in Budget 2022. An excise reduction would boost post-Covid tourism and secure sustainable, long-term growth for Ireland's drinks and hospitality businesses in 2022 and beyond.

As a final thought we must ask ourselves where now for the spirits sector in Ireland? In last year's Spirits Report we suggested that 2019 represented a high-water mark to where the sector should be aiming to return to in the coming years. 2020 has shown that our sector is resilient and adaptable. Going forward that resilience and adaptability will be tested in the post-Covid world. Our 2019 report shows what we should be aiming for, at least in the short to medium term. This 2020 report suggests we should have confidence in our ability to respond to the challenges that will be thrown up in the years to come.

Lastly I would like to thank all who's input has helped assemble this report. These include the IWSR, Revenue Commissioners, CSO, Eurostat, our colleagues in Ibec and Drinks Ireland member companies who have provided industry data. Without your assistance this report would not have been possible.

Bryan Fallon
Chair, Drinks Ireland | Spirits



Introduction

This report assesses the performance of both Ireland's dynamic domestic spirits market and our thriving spirits export industry. However, and as previously stated, it does so for the most recent calendar year that we have full data available for (2020). In doing this it focuses on a year unlike any that our sector has experienced in living memory.

The developments that stood out in 2020 in our view were:

- Covid-19 has had an impact on the spirits sector in Ireland. Spirits sales in Ireland dropped by roughly -4.8% in 2020. While the value of exports dropped by an estimated 15.97% (see next point). These falls are not unexpected given the year that was however looking forward it is hoped that they will be reversed.
- Global Travel Retail (GTR) as a market which companies target and sell into has collapsed for obvious reasons. For both Irish Whiskey (second) and Irish Cream (fourth) GTR was one of their largest retail markets. Travel restrictions put in place across the globe because of the Covid-19 crisis have severely restricted this market and contributed to the decline in exports. It is likely that recovery will be slow and will be dependent on /go hand in hand with international travel returning to a pre-pandemic level.
- The gin and Irish gin category has registered its first decline in growth since the so-called 'boom' started picking up speed in 2015. While the 'boom' had been slowing in recent years, much of the small decline in 2020 can be placed at the door of covid and the restrictions in place in the on-trade, a key consumer channel for Gin, during the year. Forecasts for the next five-year period suggest that the growth in gin and Irish gin has not ended and that the decline in 2020 will be seen as a Covid-19 related blip.
- It is noteworthy how some spirits categories seem to have benefited from the consumer focus on the off-trade while others have been obviously affected by the closure of the on-trade consumer channel. Irish Cream liqueur (+26.5%) and Scotch whisky (+9.9%) have benefitted from the uplift in sales in the off-trade. Vodka (-10.2%) and Tequila (-30.4%) are notably down which suggests more of a dependency on the on-trade than others might have. Our assumption, and that of brand owners, is that with the gradual reopening /resumption of the on-trade across the country those most effected will see a return in due course to more normal, pre-Covid trading patterns. It will be interesting to see whether the gains made by others in the off-trade can be maintained.
- One segment of the market which has noticeably grown in 2020 is the 'ready to drink' (RTD) category. International forecasts suggest that in markets such as the United States the broad RTD category, and within it spirits based RTDs, will see continued growth in the coming years. Hard Seltzers, a separate category (which can be malt based or spirit based) under the broad RTD umbrella, are one example of this. As a category it did not exist in Ireland in 2019.

Yet in 2020 nearly 90 thousand cases of various brands were sold, primarily in the off-trade. Other spirits based RTDs have also seen significant uplift in terms of sales and brands on sale in the past year suggesting for some the disruption caused by Covid has been an opportunity.

- Irish Whiskey sales in southern Europe fell significantly in 2020 as a result of restrictions and the collapse in tourism. Again, and similar to GTR, we expect that this pattern will re-establish itself with the gradual resumption of overseas travel and holidays in the years to come.
- In some categories sales of local produced products have been affected more than imported products. Gin has seen a fall of 15% in sales of Irish gins compared to a fall of 2.9% for imported brands. A similar fall is reflected in the vodka category with a fall of 12.8% for Irish produced vodka compared to that 3.1% for imported brands.
- Despite the claims of increased consumption of alcohol from some quarters 2020 data shows clearly that there was a reduction in the annual average consumption of alcohol per adult. Total consumption decreased by 5.1% in 2020 while at the same time there was an increase in the adult population of 1.6%. In 2020 the average consumption was shown to be close to 10 litres per adult (LPA) compared with the previous four years when it was close to 11 LPA. By comparison consumption stood at 14.44 LPA in 2001. Since that date the average per adult alcohol consumption has declined by 29.8%.

Drinks Ireland is proud to represent Ireland's successful drinks industry. Irish spirits continue to lead the way and once more can I congratulate all our members on their considerable achievements in making this happen.

Vincent McGovern
Head of Spirits at Drinks Ireland



Overall spirits sales in Ireland in 2020



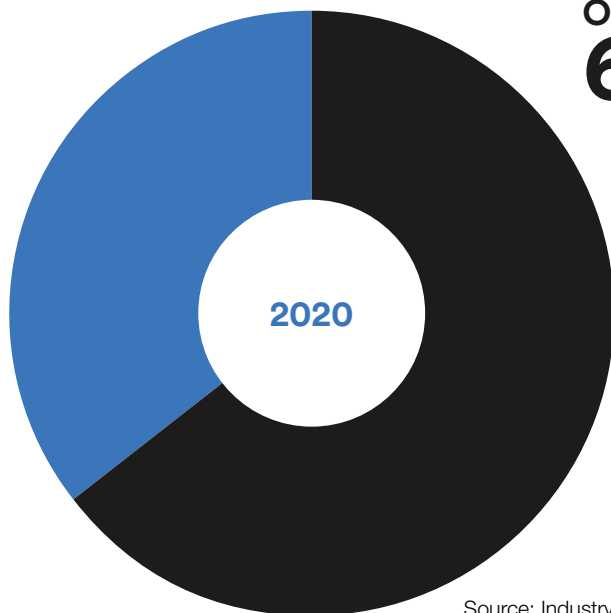
	2014	2015	2016	2017	2018	2019	2020
Million nine litre cases	2.12	2.07	2.15	2.25	2.40	2.42	2.3

Source: The IWSR

On-trade vs Off-trade – Value

Off-trade
35.3%¹

On-trade
64.7%²

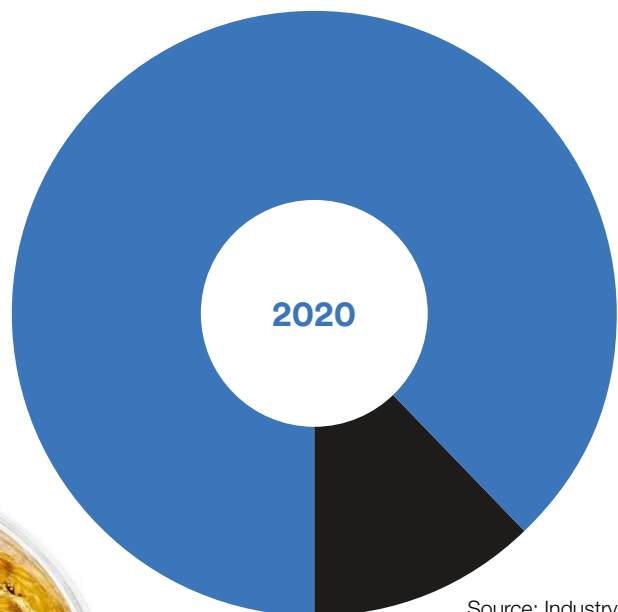


Source: Industry

On-trade vs Off-trade – Volume

Off-trade
88%³

On-trade
12%⁴



Source: Industry

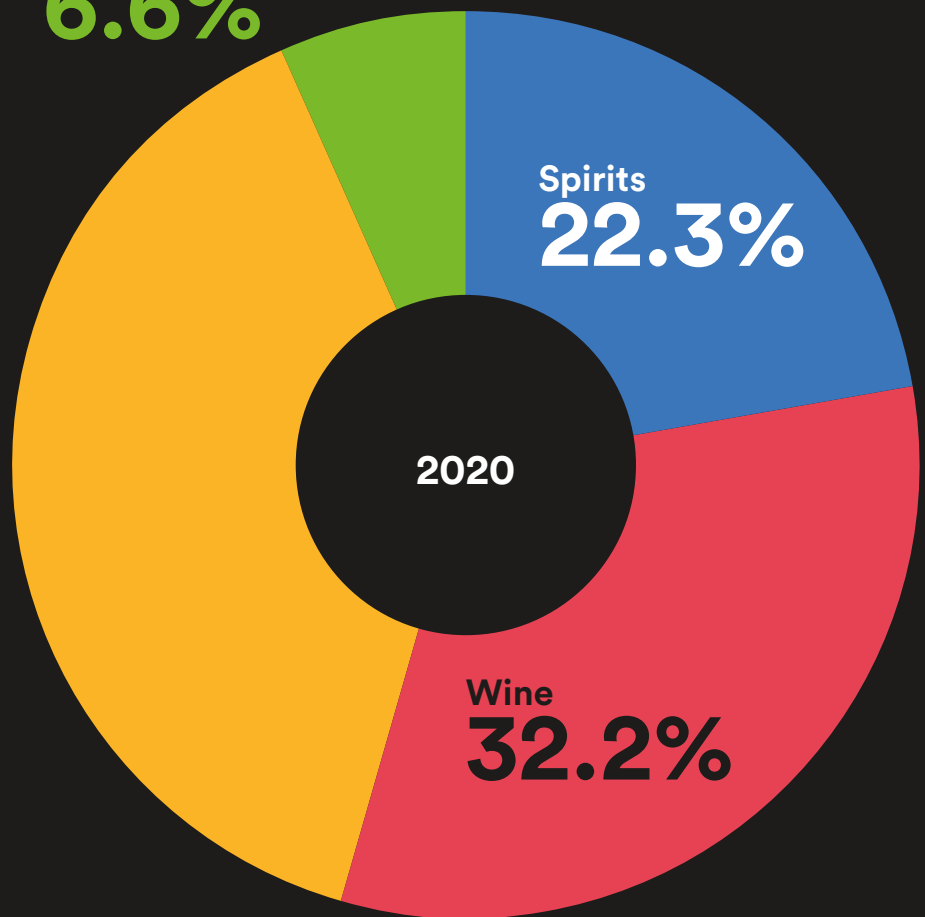


- 1. €541.9 million
- 2. €296 million
- 3. 247,392 million nine litre cases
- 4. 1,809,779 million nine litre cases

Alcohol consumption by category mix in 2020

Beer
38.9%

Cider
6.6%



Year	2016	2017	2018	2019	2020	% Change
Spirits	19.1%	19.8%	20.5%	20.8%	22.3%	6.73%
Wine	27.6%	27.7%	26.7%	27.2%	32.2%	5%
Beer	45.8%	44.8%	45.2%	44.6%	38.9%	-5.7%
Cider	7.5%	7.7%	7.5%	7.4%	6.6%	-0.8%

Source: Revenue Commissioners

Year	Beer	Spirits	Wine	Cider/Perry
2010	47.7%	18.5%	25.9%	7.9%
2011	46.5%	19.2%	26.5%	7.8%
2012	46.2%	19.8%	26.3%	7.6%
2013	47.0%	18.9%	26.0%	8.1%
2014	47.2%	18.1%	26.8%	7.8%
2015	47.0%	18.7%	27.7%	6.6%
2016	45.8%	19.1%	27.6%	7.5%
2017	44.8%	19.8%	27.7%	7.7%
2018	45.2%	20.5%	26.7%	7.5%
2019	44.6%	20.8%	27.2%	7.4%
2020	38.9%	22.3%	32.2%	6.6%

Source: Revenue Commissioners

Value of spirits exports in 2020 – Republic of Ireland

	2014	2015	2016	2017	2018	2019	2020
€ million	641,790	758,930	804,870	916,130	1,009,850	1,178,858	990,567

Source: Eurostat

Change
2019-2020
-15.97%

Estimated aggregate
value of spirits
exports from the
island of Ireland

Source: CSO, Industry, Ibec

**€1.331
billion**

Ireland's most popular spirits categories in 2020

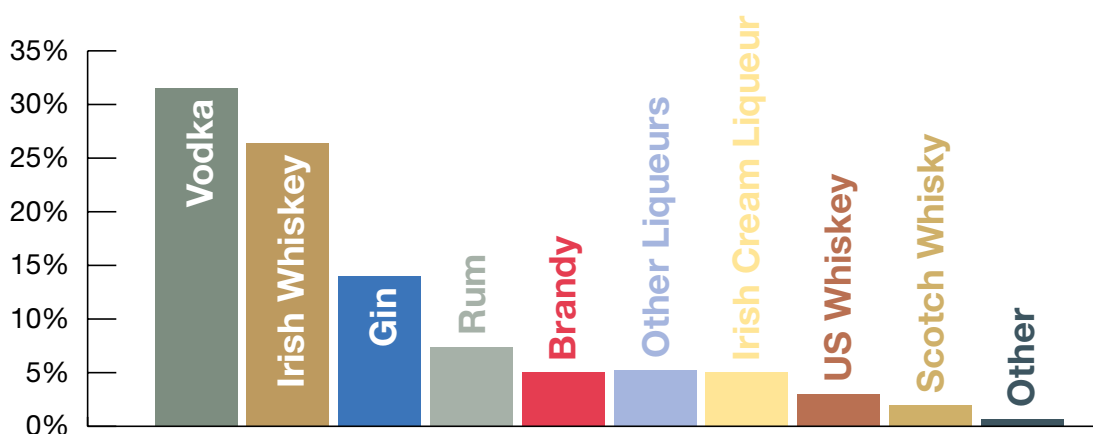
Spirit Category	2014	2015	2016	2017	2018	2019	2020	Change 2019-2020
Vodka	805.5	743.75	750.95	750.00	786	791	710.5*	-10.2%
Irish Whiskey	468	504.25	521.75	548.25	584.75	590.45	591	0.1%
Gin (total)	111.25	125.5	171.25	245.65	323.65	338.5	316	-6.6%
Rum	211	179.25	176.5	175.5	169.5	172.5	167	-3.5%
Brandy	108.25	111.75	118	117.25	119	117	107.75	-7.9%
Other Liqueurs	103.00	104.50	109.70	111.7	112.85	113.6	116.15	2.2%
Irish Cream Liqueur	100.75	93.25	95.2	84.5	95.4	89.4	113.1	26.5%
US whiskey	49.5	55.75	58	56.5	73.2	70	69.5	-0.7%
Scotch whisky	75.5	67.5	61.75	55.75	51.5	42.75	47	9.9%
Tequila	13.5	15.75	16	15.75	16	16.5	11.48	-30.4%

* thousand nine litre cases

Source: The IWSR, industry



Sales in Ireland in 2020



Source: The IWSR, industry

Ireland's Protected Spirits

Irish Whiskey, Irish Cream and Poitín are protected by EU Geographical indications (GI). This means that they can only be legally produced on the island of Ireland in line with an approved technical file⁵.

Change
2019-2020
-3.62%

Overall volume of global Irish GI spirits sales

Year	2014	2015	2016	2017	2018	2019	2020
Volume (Million nine litre cases)	14.45	14.97	16.02	17.44	18.78	20.41	19.67

Source: The IWSR, industry

Top 10 markets in 2020

Nine litre cases sold (12 bottles)

	Country	Total*
1	United States	7,265,700
2	United Kingdom	1,993,000
3	Canada	1,176,700
4	Germany	932,000
5	Ireland	704,100
6	Russia	658,700
7	Australia	649,100
8	France	553,300
9	Poland	432,900
10	South Africa	349,000
Global travel retail		188,330*

* for comparison with 2019 figure which was 1,313,000

Source: The IWSR, industry

5. <https://www.agriculture.gov.ie/gi/geographicalindications-protectedspiritnames/>

Irish Whiskey

Volume of global Irish whiskey sales in 2020

Change
2019-2020
-4.02%

Year	2014	2015	2016	2017	2018	2019	2020
Volume (Million nine litre cases)	7.30	7.83	8.71	9.69	10.58	11.9	11.4

Source: The IWSR, industry

Top 10 markets in 2020

Nine litre cases sold (12 bottles)

	Country	Total*
1	United States	4,928,500
2	Ireland	591,000
3	Russia	534,300
4	United Kingdom	531,000
5	Germany	436,000
6	Poland	398,000
7	France	376,000
8	South Africa	347,000
9	Canada	337,700
10	Australia	247,300
	Global travel retail	25,900*

* for comparison with 2019 figure which was 679,600

Source: The IWSR, industry



Irish Cream Liqueur

Change
2019-2020
-2.82%

Volume of global Irish Cream Liqueur sales in 2020

Year	2014	2015	2016	2017	2018	2019	2020
Volume (Million nine litre cases)	7.15	7.14	7.31	7.75	8.2	8.51	8.27

Source: The IWSR, industry

Top 10 markets in 2020

Nine litre cases sold (12 bottles)

	Country	Total*
1	United States	2,337,200
2	United Kingdom	1,402,000
3	Canada	839,000
4	Germany	496,000
5	Australia	401,800
6	Spain	255,800
7	Mexico	213,300
8	Italy	208,600
9	France	177,300
10	Colombia	144,800
14	Ireland	113,100*
	Global travel retail	162,430**

* Estimated figure

** for comparison with 2019 figure which was 633,400

Source: The IWSR, industry



Change
2019-2020
-33.71%

Poitín in 2020

Year	2016	2017	2018	2019	2020
Volume (6 bottle cases)	5,500	5,800	3,890	3,750	2,486*

* Estimated figure

Source: Industry

US Whiskey and Bourbon exports to Ireland

Year-on-year growth	2015	2016	2017	2018	2019	2020
€	3,575,505	3,836,759	3,602,959	4,431,071	3,693,428	2,235,767
% change on previous year	+1.9%	+7.3%	-6.1%	+23%**	-16.6%	-39.5%

* EU tariffs of 25% were applied to US Whiskey and Bourbon imports in July 2018 in retaliation for US tariffs applied to European steel and aluminium products. In July 2021, these tariffs were due to automatically rise to 50%. This automatic doubling was unilaterally postponed by the EU for six months to facilitate further negotiations between both sides.

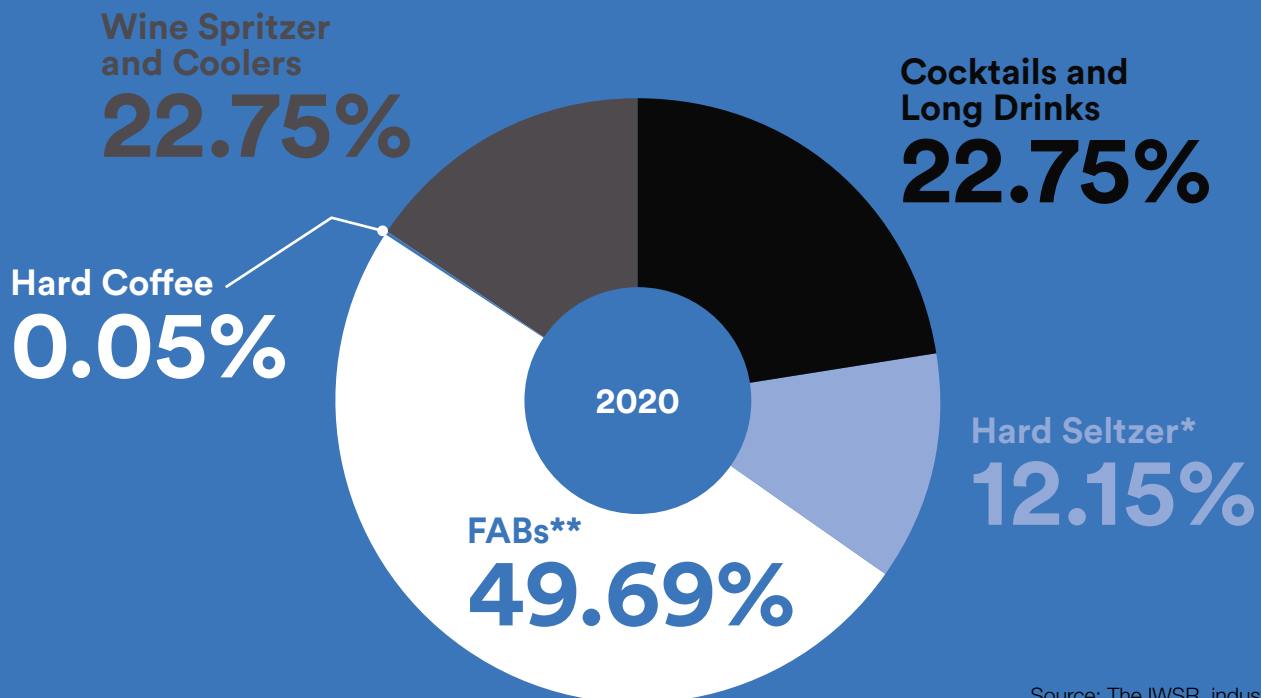
Source: Eurostat

** US exporters frontloaded Whiskey and Bourbon exports into Ireland in the six months prior to EU tariffs being applied in July 2018 resulting in a +75.11% increase of exports compared to the same six-month period the previous year.

Challenges remain in the transatlantic trade with tariffs still in play particularly those rebalancing tariffs that the EU has imposed on US Whiskey and Bourbon. Resolution of this dispute would assist our sector.



Ready to Drink (RTD) sales in Ireland 2020



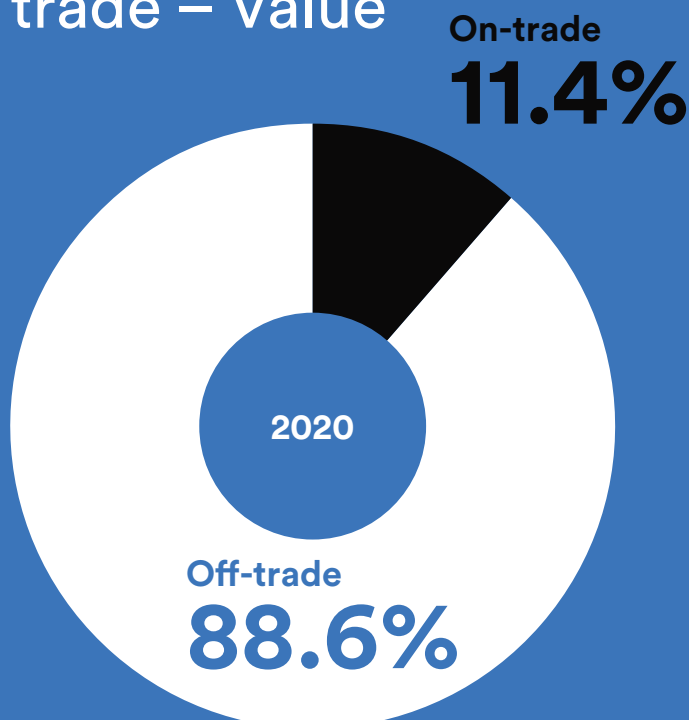
Source: The IWSR, industry

* Hard Seltzer can be made with a malt or spirit base. In the EU the tendency at the moment is to use a spirit base.

** Flavoured Alcoholic Beverages

RTD sales channel

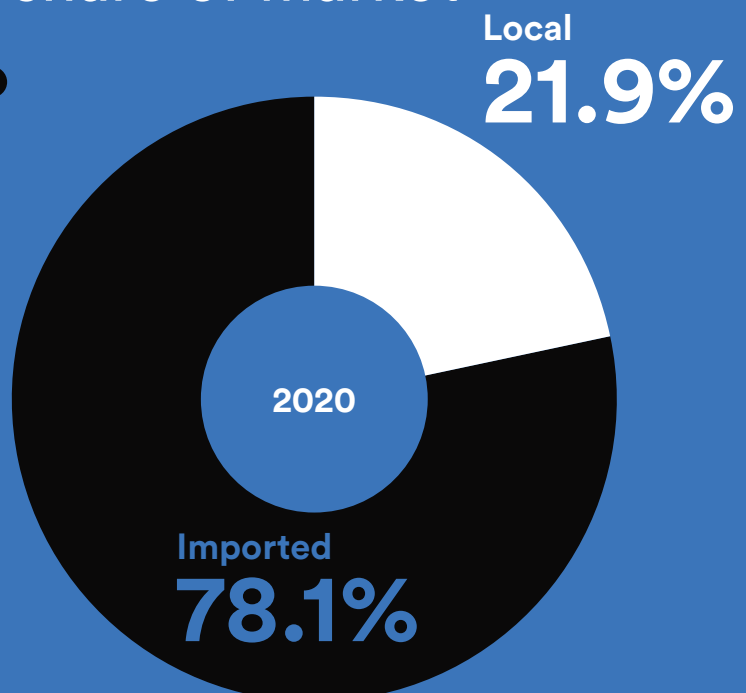
On-trade vs Off-trade – Value



Source: The IWSR, industry

Local/imported RTD

Local vs imported – share of market



Source: The IWSR, industry

Hard Seltzers, a separate category (which can be malt based or spirit based) under the broad RTD umbrella. As a category it did not exist in Ireland in 2019. Yet in 2020 nearly 90 thousand cases of various brands were sold, primarily in the off-trade. Other spirits based RTDs have also seen significant uplift in terms of sales and brands on sale in the past year suggesting for some the disruption caused by Covid has been an opportunity.



Spirits excise receipts in 2020

Alcohols – Net excise receipts

Spirits	2020	2019	2018	2017
Q1	€83.1 m	€80.5 m	€79.3 m	€75.9 m
Q2	€87.5 m	€89.2 m	€87.2 m	€81 m
Q3	€84.7 m	€85.3 m	€85.8 m	€83.4 m
Q4	€119 m	€118.4 m	€120 m	€112.8 m
Total	€374.3 m	€373.4 m	€372.2 m	€353 m

m = million

Source: Revenue Commissioners

Quantities of spirits upon which net duties paid

Spirits	2020 litres of alcohol	2019 litres of alcohol	2018 litres of alcohol	2017 litres of alcohol
Q1	1,769,716	1,551,070	1,681,566	1,471,263
Q2	1,826,031	2,022,973	1,927,704	1,896,052
Q3	2,039,995	2,133,903	1,992,780	2,031,311
Q4	3,247,563	3,113,167	3,161,340	2,902,184
Total	8,883,306	8,821,113	8,763,390	8,009,948

Source: Revenue Commissioners

Excise receipts for all categories

Year	Beer	Spirits	Wine	Cider/Perry	Total	% Change
2009	404.3	264.1	242.5	57.1	968.0	5.5%
2010	320.1	243.5	218.8	44.0	862.0	5.1%
2011	307.3	247.3	231.0	44.0	830.0	5.3%
2012	308.0	263.9	231.4	42.8	846.0	5.0%
2013	358.0	290.3	302.1	51.6	1002.0	5.1%
2014	424.8	301.8	354.6	58.5	1139.8	5.1%
2015	417.0	311.0	355.0	54.0	1137.0	4.7%
2016	430.0	338.0	380.0	59.0	1207.0	4.8%
2017	424.0	353.0	382.0	61.0	1220.0	5.0%
2018	430.1	372.2	376.4	61.2	1239.9	4.9%
2019	421.4	373.4	377.9	59.8	1232.5	-0.64%
2020	€351.1	€373.3	€424.8	€53.1	€1,202.3	-2.45%

Source: Revenue Commissioners

Average per adult alcohol consumption 2020

	2017	2018	2019	2020	Change 2019-2020
Litres of pure alcohol (LPA), Total consumption	41,944,582	42,691,031	42,476,575	40,291,740	-5.1%
Adult population (aged 15 and over), millions	3.7855	3.8482	3.9126	3.973.8	1.6%
Litres of pure alcohol per adult (LPA)	11.08	11.094	10.86	10.14	-6.6%
Spirits (LPA)	N/A	8,763,390	8,821,113	8,883,306	0.7%

Sources: CSO Population and Migration Estimates August 2020
Revenue Commissioners, Alcohol Clearances data 2020

Total consumption decreased by 5.1% in 2020 while at the same time there was an increase in the adult population of 1.6%. In 2020 the average consumption was shown to be close to 10 litres per adult (LPA consumption stood at 14.44 LPA in 2001). Since that date the average per adult alcohol consumption has declined by 29.8%.



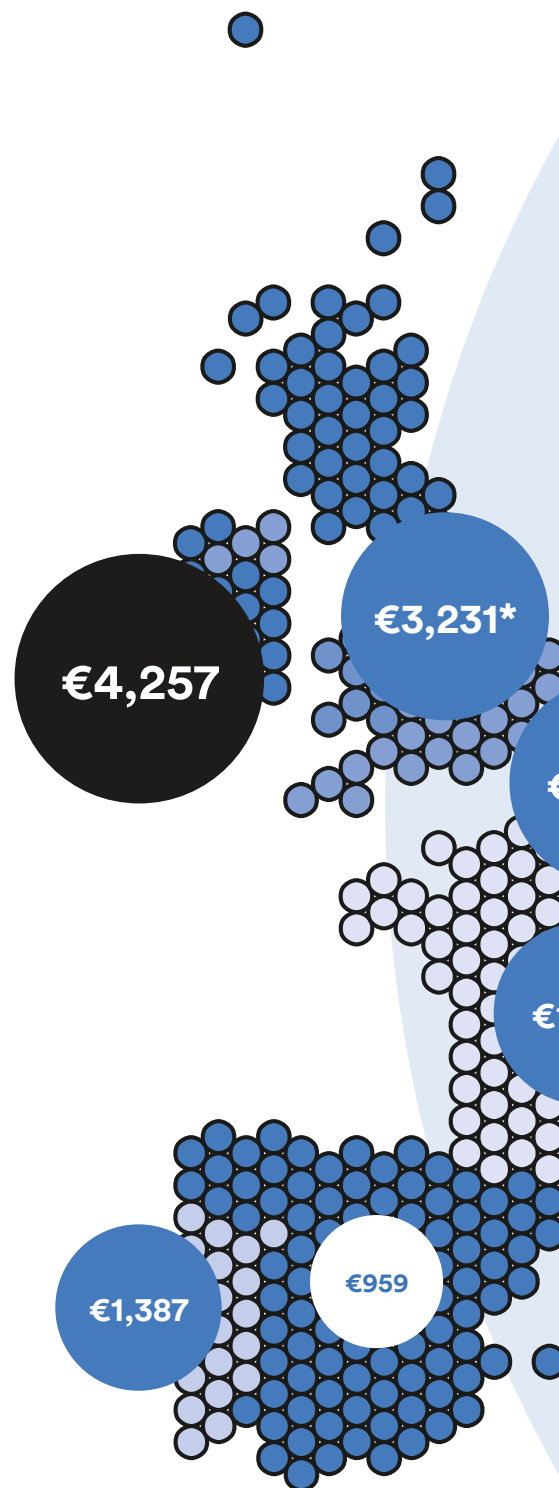
European Spirits Excise Rates 2020

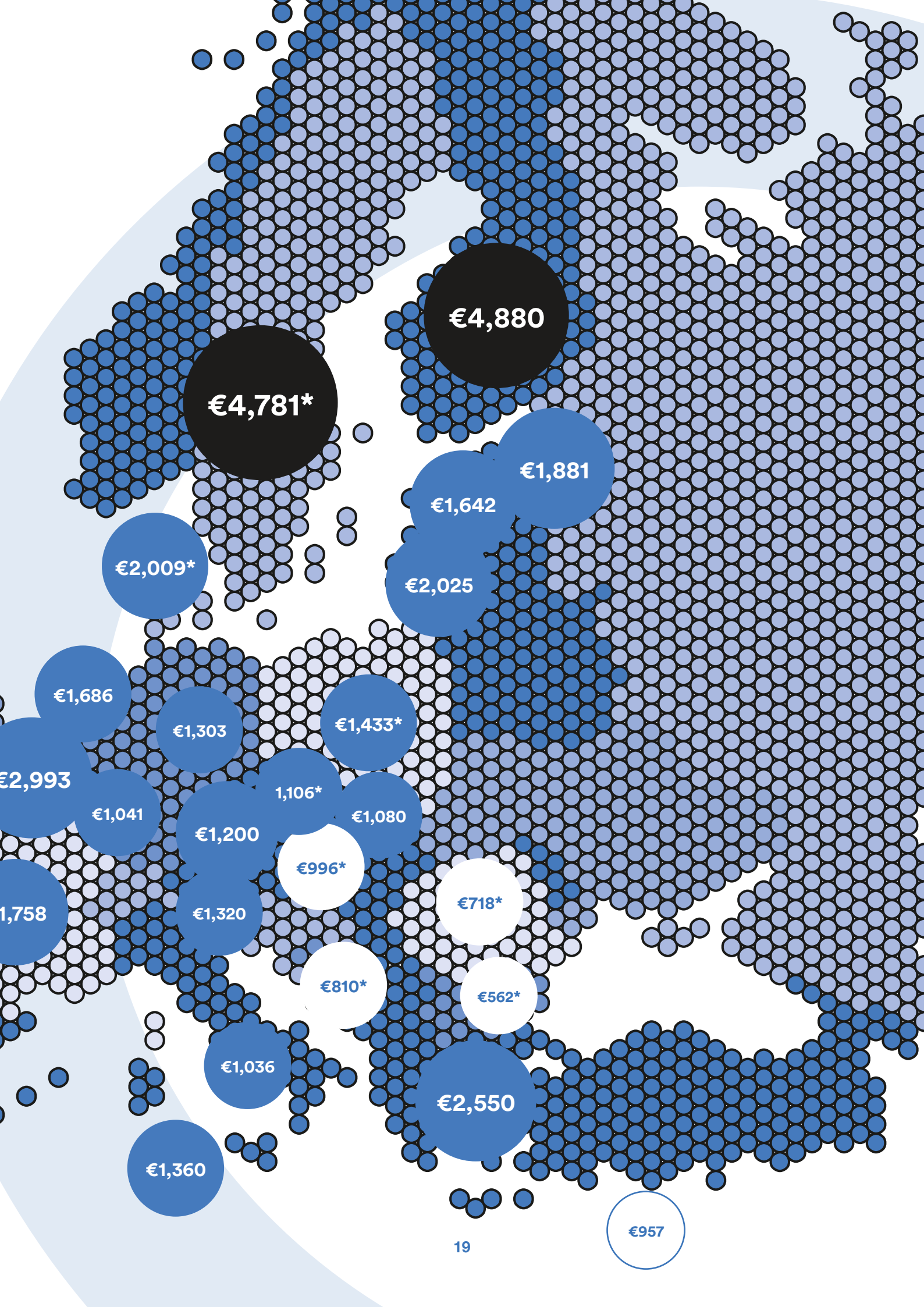
Alcohol Tax /Excise duty € per litre of pure alcohol (LPA)

Rank	Member state	Alcohol Tax/Excise duty
1	Finland	€4,880
2	Sweden	€4,781*
3	Ireland	€4,257
4	UK incl. Northern Ireland	€3,231*
5	Belgium	€2,993
6	Greece	€2,550
7	Lithuania	€2,025* (+10.5% March 2020)
8	Denmark	€2,009*
9	Estonia	€1,881
10	France	€1,758 (+1.6% January 2020)
11	Netherlands	€1,686
12	Latvia	€1,642 (+5% March 2020)
13	Poland	€1,433* (+4.7% January 2020)
14	Portugal	€1,387
15	Malta	€1,360
16	Slovenia	€1,320
17	Germany	€1,303
18	Austria	€1,200
19	Czech Republic*	€1,253* (+13.2% January 2020)
20	Slovakia	€1,080
21	Luxembourg	€1,041
22	Italy	€1,036
23	Hungary	€996*
24	Spain	€959
25	Cyprus	€957
26	Croatia	€810* (+13.2%, April 2020)
27	Romania	€718*
28	Bulgaria	€562*

* € equivalent of local currency based on exchange rates to € on 01/01/2020

Source: spiritsEUROPE





Championing Ireland's best-loved drinks



Drinks Ireland | Spirits and the **Irish Whiskey Association** exist to promote the interests of the Irish spirits industry in Ireland and internationally. We provide a strong and effective voice at the national, EU and global levels on issues such as taxation, labelling, trade and the ongoing international protection of Ireland's three Geographic Indicators (GIs) for spirits i.e. Irish whiskey, Irish cream liqueur and Poitín.

Our objective is to ensure that optimal international trading conditions exist for the Irish spirits industry. Membership is open to all branded spirits manufacturers and suppliers. The association offers information, representation and advice to its members, and provides a forum for members to network, share best practice and collaborate on issues that impact the industry.

Drinks Ireland | Spirits and the **Irish Whiskey Association** are part of **Drinks Ireland**.



Drinks Ireland is the **Ibec** group that represents alcohol drinks manufacturers and suppliers in Ireland. Ibec is the national voice of business in Ireland. Ibec represents the interests of business in Ireland and provides a wide range of direct services to its 7,500 member companies.

Ibec vision

Ibec – The most influential, dynamic business representative organisation in Ireland, driving our business agenda in Europe.

Ibec mission

Ibec – Leading, shaping and promoting business policy and conditions to drive economic success.



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