



Growth

A Spirit of Growth





Our spirits pre-date the European Union, but have benefitted enormously from the creation of the Union: development of the internal market; the negotiating power of the Commission when discussing market access and trade barriers with acceding Member States and third countries; the regulations that define and protect the definitions and characteristics of each type of spirit produced in Europe.

But we don't just "take" from Europe. The spirits sector "gives back" to the Member States as well: in jobs, revenues, exports and enjoyment!

Gavin Hewitt, President

Paul Skehan, Director General

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spiritsEUROPE – Promoting sustainable growth

- The European spirits sector is good for Europe. We employ just under 1,000,000 people, invest for the long term, contribute €32 billion to European exchequers, and export more than any other agri-food product. There are significant spin-offs for the agricultural sector, and the bottling, packaging, tourism and hospitality sectors.
- Like others, the spirits industry currently faces challenging economic conditions in Europe, with consumer demand depressed by the crisis and austerity measures imposed, and Member States under increasing pressure to raise revenues through higher taxation.
- The EU is the largest exporter of spirits in the world. We export €8.5 billion of spirit drinks, leading to a positive trade balance of over €7 billion. The well-being of the sector, and the wealth it generates in Europe, are dependent on open trade with key markets around the world.
- We take our responsibilities seriously. While the vast majority of our customers drink sensibly and moderately, a minority does not, causing harm to themselves, their families and society at large. We work with a range of stakeholders to address these problems; we take actions to target harm; and we actively promote responsible marketing by our industry, and responsible drinking by our consumers.
- Our goals: to have robust growth in the industry, driven by adult consumers around the world enjoying our drinks in a moderate, responsible way.

A Spirit of enterprise

THE SPIRITS INDUSTRY IS AN IMPORTANT CONTRIBUTOR TO THE EUROPEAN ECONOMY

PRODUCTION

- European spirits companies produce **37.5 million hectolitres** of spirit drinks per year
- UK, France, Germany, Poland and Spain produce most
- The sector is diverse, ranging from large multinational producers to small independent distilleries
- Europe produces a great variety of spirit drinks: brandies, whiskies, gins, vodkas, cognacs – all sold around the world.

SALES

26 million hectolitres of spirit drinks are sold in the European Union. Most products are sold via supermarkets and other outlets, while the rest is consumed in the hospitality sector – in bars, restaurants and hotels.

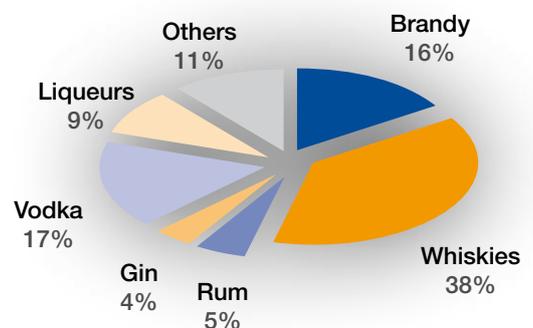
EMPLOYMENT

Approximately 1 million jobs in Europe can be attributed to the production and sale of spirit drinks.

The spirits industry is a major user of goods and services in Europe, generating many indirect jobs in the purchase of raw materials, packaging, bottling, transport and storage, media and marketing.

Our sector is deeply rooted in Europe – many of our products derive their market success from the fact that they come from specific, named European regions. It is not a sector that will ‘delocalise’ its production or jobs out of Europe. The sale of spirit drinks also provides significant employment in the hospitality (on-trade) and retail (off-trade) sectors.

€8.5 bn exports



Source: Eurostat 2012

1 million jobs

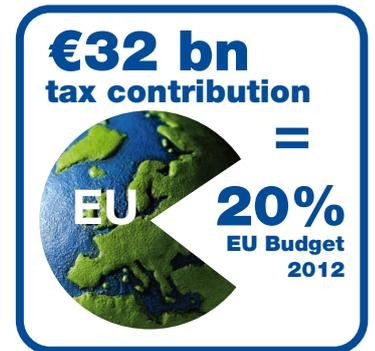


REVENUES

The spirit industry's total contribution to European governments' revenues is **€32 billion** (equivalent to approx 20% of the EU Budget in 2012).

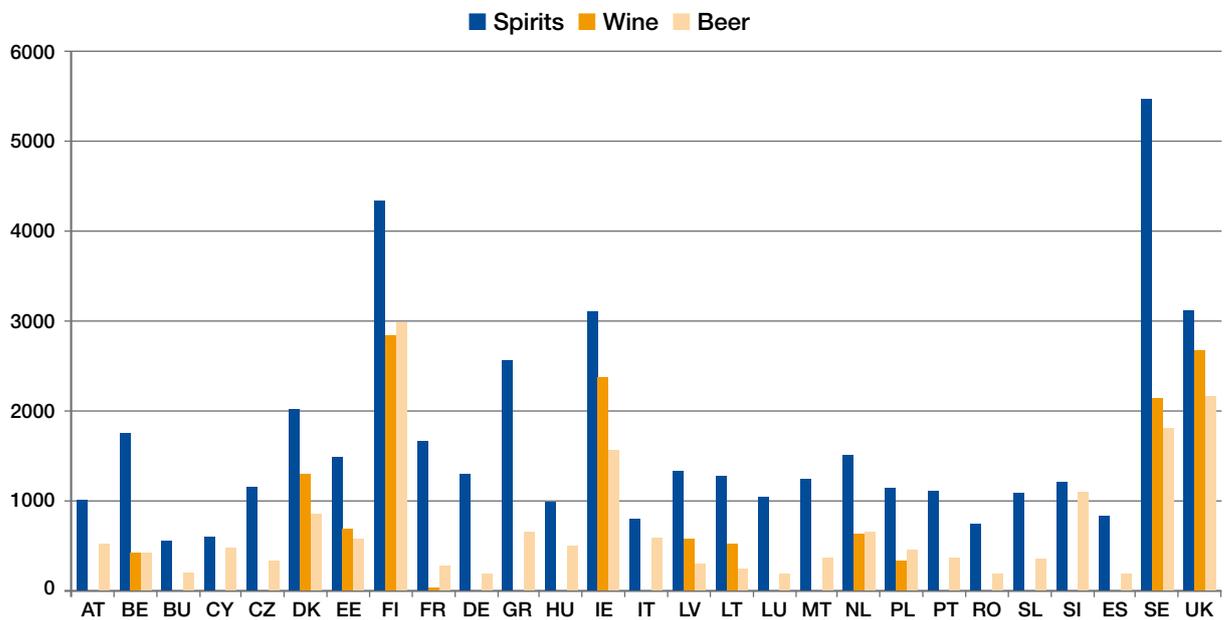
The largest sources of government revenues from the production and sales of spirit drinks are excise (approx. **€14.5 billion**) and Value Added Taxes (**€8.6 billion**).

Europe still holds opportunities for sustainable growth. It continues to be one of the most important spirits markets in the world, and is home to world famous products.



Alcohol excise duties on spirits, wine and beer

€ per Hectolitre Pure Alcohol, May 2012



Source: spiritsEUROPE

HOW POLICY-MAKERS CAN HELP THE SECTOR TO CONTINUE SUSTAINABLE ECONOMIC GROWTH

European policy-makers can help the industry grow by:

- 1) Stimulating consumer demand
- 2) Pursuing an ambitious free trade agenda to unlock export markets
- 3) Securing fair and equitable tax treatment for European spirits at national level
- 4) Harmonizing further the Internal Market for spirits drinks
- 5) Renewing the strategy to support Member States in addressing alcohol-related harm

Growth driver? Trade, trade, trade...

“If we conclude all our FTAs that are currently underway, we could boost the EU’s GDP by more than 2%, or €250 billion, which equals the size of Denmark or Austria. This is real growth, these are real jobs.”

EU Commissioner for Trade, Karel De Gucht

Europe is the leading producer and exporter of spirit drinks worldwide. 2011 was an exceptional year. Total EU spirits exports hit records of €8.5 billion. While the US remains our largest export market by far (over €2 billion), the growth of the sector depends on the economic vitality of emerging markets, driving an ever-increasing demand for quality branded European spirits.

- In 10 years, EU spirits exports to non-EU markets has increased 70%.
- EU spirits are sold in 200 world markets.
- Spirits are the EU’s biggest agri-food exports and generate a positive balance of trade of over €7 billion p.a.



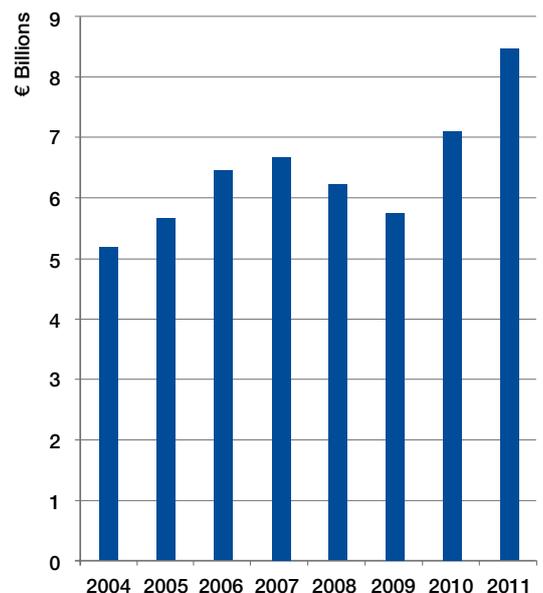
TOP 10 NON-EU MARKETS (2011)

1 USA	€2,703M
2 Singapore	€854M
3 Russia	€546M
4 China	€491M
5 South Africa	€254M
6 Canada	€219M
7 Taiwan	€212M
8 Japan	€204M
9 South Korea	€191M
10 Mexico	€184M

An increase in global trade helps us to invest and to create more jobs in Europe. We support an offensive EU trade policy. From trade diplomacy to negotiation of FTAs or recourse to WTO dispute procedures, our objective is to ensure that European spirits have fair access to all significant third markets. We need:

- To secure opening of new emerging markets through ambitious trade negotiations and regulatory cooperation
- To prevent new barriers in key markets that discriminate against imported spirits

EU Spirits Exports to non-EU markets in € bn



Source: Eurostat

KEY FEATURES FOR OUR TRADE AGENDA...

INDIA

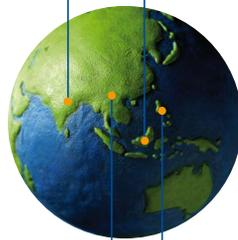
Vast spirits market, offers great opportunities. Better market access for spirit drinks is a key priority for the Commission in FTA talks, including addressing penal tariff rates.

SOUTH-EAST ASIA

We expect significant growth in coming years. We strongly support the launch of FTA negotiations with all ASEAN countries.

RUSSIA

WTO accession of Russia will help to further open a growing export market. Benefits include tariffs reduction, transparency and the possibility of recourse to WTO dispute settlement procedures.



CANADA

A significant market for EU spirits. Conclusion of a Comprehensive Economic and Trade Agreement offers a unique opportunity to tackle restrictive practices by the Canadian Provincial Liquor Boards.

PHILIPPINES

We welcome the confirmation by the WTO Panel that the Philippines' excise tax on distilled spirits contravenes its international obligations.

LATIN AMERICA

We urge the European Parliament to approve the FTAs with Colombia and Peru, and with Central America. Like Korea a year ago, an ambitious EU bilateral trade agenda will deliver real economic benefits.

CHINA

Double-digit growth market, with potential for more. It has become the 4th largest spirits export market by volume and value. More improvement is needed in the field of intellectual property rights.

spiritsEUROPE is a partner to the European Commission and the Member States in the context of the **Market Access Partnership**. We play an active role in the **EU Market Access Advisory Committee (MAAC)** and the dedicated working group on alcoholic beverages which is instrumental in resolving some of the main trade barriers.

spiritsEUROPE coordinates the **World Spirits Alliance** annual meeting, facilitating exchanges between representatives of the industry from around the world and key players in the **World Trade Organisation in Geneva**.

Pride in our past, responsible for our future

Our sector is proud of the products we make; they are part of our culture and heritage. We are proud that so many people enjoy those products, in convivial, social settings. At the same time, we are all too aware of the harm that abuse of alcohol can cause; we are concerned about individuals who drink when they should not, or who drink to excess or in inappropriate ways; and we are concerned about the negative impact this behaviour has on them, their families and on society.

In 2006, the Commission adopted a “Strategy to support Member States in reducing alcohol-related harm”. Indicators show that we are on the right track. We strongly support the extension of this strategy, effective in tackling alcohol misuse, building on voluntary actions and self-regulation.



SOLUTIONS NEED TO BE AS CULTURALLY SENSITIVE AS THE CHALLENGES

The consumption of beverages containing alcohol is culturally very different across Member States. The same is true for drinking patterns, and subsequently for alcohol-related harm. There is no ‘one-size-fits-all solution’ to tackle alcohol related harm in Europe.

Nearly all Nordic countries have been applying high taxes, retail monopolies and strict marketing restrictions for many years, compared to other European countries. Yet, according to “Alcohol in the European Union”, a 2012 joint study from EU/WHO Europe, that region shows a hazardous drinking score more than double that of southern Europe where less restrictive policies are prevalent. Given that these restrictive approaches have been in place for decades, it calls into question the correlation between the use of population-based control measures and changes in hazardous consumption.

PER CAPITA CONSUMPTION VS. HAZARDOUS DRINKING (2009)

Region	Adult per capita consumption in litres of pure alcohol	Unrecorded per capita consumption in litres of pure alcohol	Hazardous drinking score (*)
Central eastern and eastern Europe	14.5	2.5	2.9
Central western and western Europe	12.4	1.0	1.5
Nordic countries	10.4	1.9	2.8
Southern Europe	11.2	2.0	1.1
EU	12.4	1.6	1.9

Source: WHO, 2012

(*) The hazardous drinking score is a composite score indicating the potential impact of drinking on health and social outcome ranging from 1 (least detrimental) to 5 (most detrimental). It is comprised of some heavy drinking indicators, including the proportion of drinking with meals and drinking in public places, all of which have been associated with more harmful outcomes for the same volume of overall drinking.

COMMITMENT

The alcohol beverage industry is tightly controlled and regulated. We strongly believe in law enforcement, education, targeted interventions, and effective self-regulation – taken at the level where they are most likely to have impact, i.e. locally and in partnership with relevant stakeholders.

The Road Map 2015 is our commitment to the European Alcohol and Health Forum. We play our role, by:

- Implementing targeted initiatives to reduce drink & drive, underage drinking, binge drinking, and drinking during pregnancy: www.drinkinitatives.eu
- Marketing responsibly to adult consumers only and not associating our brands with harmful or irresponsible consumption. spiritsEUROPE strongly supports the strict enforcement of legal purchase age regulations at 18 years old. There are now over 20 countries with an industry marketing code in place, including provisions on digital media: www.marketresponsibly.eu
- Providing relevant information to consumers about responsible drinking, ranging from mass media campaigns to face-to-face messaging at point of sale. A recent development is the growth of national consumer information websites, now in 23 countries. A European portal is also available at www.responsibleddrinking.eu. Producers are committed to introduce relevant web addresses on advertising and product labels.



Origin in EU, future in EU, laws in EU...

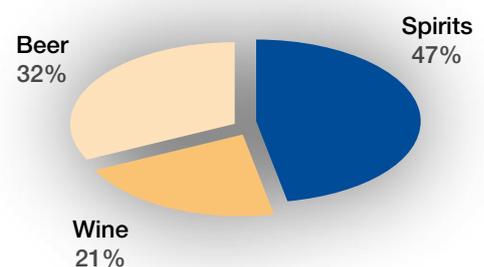
FAIR TAXATION

Securing fair and equitable tax treatment for European spirits is one of our core objectives.

Many European countries are under pressure to get their public finances in order. It is critical, however, that this does not hinder economic growth. Austerity measures have a particularly negative impact on the tourism and hospitality sectors.

Tax is a blunt, ineffective instrument to address alcohol misuse. Taxes have very little influence on alcohol misuse, yet high taxes carry unintended consequences, such as increased incentives for informal and unregulated markets to thrive. Some Member States have also considered price control measures. spiritsEUROPE objected to the introduction of a minimum unit pricing in Scotland. This measure not only represents an illegal barrier to trade but would also affect the vast majority of people who do not abuse alcohol in any way and will not address the actual problem of harmful drinking.

Revenues from Excise Duties EU27 - 2011



Source: DG Taxud

GOOD LAW - MAKING

The marketing of spirit drinks in the EU is tightly regulated – harmonized interpretation of Regulation 110/2008 is fundamental to the correct functioning of the market.

Mandatory origin indication of ingredients on a systematic basis is inappropriate for spirit drinks due to the specificities of the products and processes concerned. Maintaining the current voluntary framework while ensuring consumers are properly informed as to the real origin is a priority.

Unfortunately, the current economic situation in Europe is a propitious climate for the development of protectionist measures from a number of Member States that we continue to address and tackle.

Illegal alcohol is a serious threat to consumers, to national exchequers, and to our industry. Those who produce illegal alcohol have no need to respect hygiene or sanitary regulations in production, pay no taxes on the products produced, offer unfair competition to legitimate producers, and frequently have their roots in criminal organisations to whom the profits accrue. spiritsEUROPE stresses the urgent need to fight against illegal alcohol.

The European spirit industry is committed to contributing fully to sustainable production and consumption. Several initiatives and investments have been undertaken in the last years by individual companies in this field. Sharing experiences within the sector and disseminating the results obtained is now a priority and will be the basis of the development of our sustainability agenda for spiritsEUROPE.

LIST OF MEMBERS

SPIRITS ASSOCIATIONS

Full members

- AT**
 **FNGO**
 Fachverband der Nahrungs- und Genussmittelindustrie Österreichs
www.dielebensmittel.at
- BE**
 **FBVS**
 Fédération Belge des Vins et Spiritueux asbl
www.fbvs.be
- BG**
 **APITSD**
 Association of Producers, Importers and Traders of Spirit Drinks
www.apitsd.com
- CY**
 **CWA**
 Cyprus Wineries Association
- CZ**
 **UCSPI**
 Union of the Czech Spirits Producers and Importers
www.uvdl.cz
- DE**
 **BOVB**
 Bundesverband der Obstverschlußbrenner e.V.
www.obstbrenner.com
- BSI**
 Bundesverband der Deutschen Spirituosen-Industrie und -Importeure e.V.
www.spirituosen-verband.de
- DK**
 **ADSP**
 Association of Danish Spirits Producers c/o Pernod Ricard Denmark A/S
- ES**
 **FEBE**
 Federación Española de Bebidas Espirituosas
www.febe.es
- FEDEJEREZ**
 Federación de Bodegas del Marco de Jerez
www.fedejerez.com
- FI**
 **ETL/ FABIA**
 Finnish Food and Drink Industries' Federation / Finnish Alcoholic Beverages Industries' Association
www.etl.fi

- FR**
 **BNIC**
 Bureau National Interprofessionnel du Cognac
www.bnic.fr
- FFS**
 Fédération Française des Spiritueux
www.spiritueux.fr
- GR**
 **SEAOP**
 Greek Federation of Spirits Producers
www.seaop.gr
- HU**
 **HSA**
 Hungarian Spirits Association
www.szeszpar.hu
- IE**
 **ISA**
 Irish Spirits Association
www.ibec.ie
- IT**
 **FEDERVINI**
 Federazione Italiana Industriali Produttori Esportatori ed Importatori di Vini, Acquaviti, Liquori, Sciroppi, Aceti ed Affini
www.federvini.it
- LU**
 **CLC**
 Fédération luxembourgeoise des industries et du négoce des vins, liqueurs et spiritueux c/o CLC
www.educalcool.lu
- LV**
 **LADRIA**
 Association of Latvian Spirits Producers and Distributors
www.dzeratbildigi.lv
- MT**
 **TMCCEUI**
 The Malta Chamber of Commerce, Enterprise and Industry
www.chamber.org.mt
- NL**
 **CG**
 Commissie Gedistilleerd
www.pdcg.nl
- PL**
 **PPS**
 Polish Spirits Industry
www.pps.waw.pl
- PT**
 **ACIBEV**
 Associação dos Comerciantes e Industriais de Bebidas Espirituosas e Vinhos
www.acibev.org
- ANEBE**
 Associação Nacional de Empresas de Bebidas Espirituosas
www.bebacomcabeca.pt

- RO**
 **GARANT**
 Federation of Alcohol Industry and Spirits from Romania
- SE**
 **SSWS**
 The Swedish Spirits & Wine Suppliers
www.spritchvinleverantorsema.se
- SK**
 **AMAABS**
 Association of Manufacturers of Alcohol and Alcoholic Beverages in Slovakia
- UK**
 **SWA**
 The Scotch Whisky Association
www.scotch-whisky.org.uk
- WSTA**
 The Wine and Spirit Trade Association
www.wsta.co.uk
- Observers**
- CH**
 **FSS**
 Fédération Suisse des Spiritueux
www.wineandspirit.ch
- NO**
 **VBF**
 The Association of Norwegian Wine and Spirit Suppliers
www.vbf.no

SPIRITS COMPANIES

- Bacardi-Martini**
www.bacardilimited.com
- Beam Global Spirits & Wine**
www.beamglobal.com
- Brown-Forman**
www.brown-forman.com
- Gruppo Campari**
www.camparigroup.com
- Diageo**
www.diageo.com
- Moët Hennessy**
www.lvmh.com
- Pernod Ricard**
www.pernod-ricard.com
- Rémy Cointreau**
www.remy-cointreau.com

spirits.eu

spiritsEUROPE

rue Belliard, 12 – Bte 5
1040 Brussels, Belgium
Tel: + 32 (2) 7792423

info@spirits.eu

www.spirits.eu