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COVID-19 Will Create Far-Reaching Impact on Alcohol Consumption

by The IWSR, www.theiwsr.com

As the impact of the ongoing COVID-19 pandemic on the global beverage alcohol market continues to come into focus, IWSR Drinks Market Analysis has released a comprehensive *Global Trends Report* that examines the drivers and disruptors shaping the alcohol industry.

Compiled from IWSR analysts' extensive local market expertise, along with on-the-ground insight from its global network of in-market industry stakeholders, the annual report has identified six key macro trends to watch, including:

Sophistication & Premiumization

The search for authenticity and status, enabled by consumer knowledge and spending power:

Premium-and-above spirits are forecasted to increase their global volume market share to 13% by 2024 as consumers continue to favor quality over quantity, including cocktails and high-end sipping spirits.

By value, China is the world's largest premium-and-above market for wine and spirits, although, by volume, the U.S. trails it closely.

In both countries, premium-and-above brands are forecasted to increase their volume market share by approximately one percentage point between 2019 and 2024 as the premiumization trend continues to influence market developments.

Evolving Traditions

Generational shifts in consumer behavior encouraged by globalization or emerging as a reaction against it:

Local products and experiences — accelerated by travel restrictions and closed borders during the pandemic — will continue to gain popularity as consumers rally behind symbolic and job-sustaining producers.

Adapting to bar and restaurant outdoor dining restrictions and closures has forced consumers — especially among younger LDA generations — to form new drinking habits that will likely persist into the future with portable/convenient beverages such as canned wine and RTDs well-poised for this.

Spirits categories that are expected to continue to ride the globalization trend include premium-and-above tequila (which has grown 15% year-on-year between 2015-2019), and spirit aperitifs (which after the COVID-19 slump, due to on-trade closures, should return to healthy growth by 2021, with volumes increasing by almost 16% from 2019 levels).

Health & Ethical Consumption

Increasing focus on personal health and wellness, and the impact of choices on the environment and society at large:

Health-conscious drinkers generally adopt a policy of moderation, cutting back in volume or reducing occasions. These consumers are likely to trade up to a higher-quality drink or one they perceive as healthier when they do choose to drink. Regular drinking occasions are also changing thanks to the growing profile of better low- and no-alcohol alternatives.

In the top countries for low- and no-alcohol products, no-alcohol beer is set to grow its share of the beer category to 4.45% by 2024 as sober and moderating consumers embrace newly improved products across a wide range of occasions.

continued on page 2

Responses to U.S. Decision to Maintain Retaliatory Tariffs on E.U. Distilled Spirits Products

DISCUS

The USTR announced that the existing 25% tariffs will remain on Single Malt Scotch Whisky, Single Malt Irish Whiskey from Northern Ireland and liqueurs and cordials from Germany, Ireland, Italy, Spain and the U.K.

"We appreciate that USTR has decided not to further escalate tariffs on distilled spirits products, and we hope that this decision sets the stage for the U.S. and E.U. to quickly find a path forward to resolve these longstanding trade disputes," DISCUS said in a statement.

"The U.S. hospitality industry is facing its biggest challenges in decades. Restaurants and bars on both sides of the Atlantic have been pummeled by the impact of COVID-19. Governments should be aiding in the recovery of restaurants and bars, not adding to their financial burden with tariffs on spirits products.

"The E.U.'s tariff on American whiskey, now in place for over two years, is causing severe damage to U.S. exports and negatively impacting jobs in the U.S.

"Continuing tariffs on E.U. beverage alcohol products will only cause additional harm to hospitality businesses in cities and towns across the country that are already suffering, resulting in additional lost U.S. jobs during these uncertain economic times.

"The longer these disputes are unresolved, the greater the threat of even more tariffs on our industry. The E.U. has stated it may impose retaliatory tariffs this fall on U.S. rum, vodka and brandy in its parallel case at the World Trade Organization (WTO) concerning Boeing. In addition, the E.U. is scheduled to increase its retaliatory tariff on American whiskey from 25% to 50% next spring.

"We urge the Administration and our E.U. trading partners to de-escalate this trade dispute by simultaneously removing the U.S. tariffs on E.U. beverage alcohol products and the E.U.'s tariff on American whiskey. We stand ready to work with both governments to get these issues resolved. A return to the 1994 zero-for-zero tariff agreement on both sides of the Atlantic will be instrumental to the spirits industry's future success and job creation in the U.S., E.U. and U.K.

continued on page 2

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