

Annual Economic Briefing

February 9, 2023



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Presenters



Chris Swonger
**Distilled Spirits Council
of the United States**
President & CEO



Christine LoCascio
**Distilled Spirits Council
of the United States**
*Chief, Public Policy &
Strategy*



Michael Mariano
**Tourism Economics,
an Oxford Economics
Company**
*Head of Economic
Development*



Hasan Bakir, Ph.D.
**Distilled Spirits Council
of the United States**
*Economics & Strategic
Analysis*



2022 Economic Overview

- Spirits sector remained resilient in 2022 despite challenging external environment
- U.S. supplier revenue grew 5.1 percent
- U.S. volume grew 4.8 percent
- 13th straight year of market share gains
- First time spirits take lead revenue share of total U.S. beverage alcohol market



Christine LoCascio

**Distilled Spirits Council
of the United States**

*Chief, Public Policy &
Strategy*



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Spirits industry is a major contributor to U.S. economy



U.S. is second largest spirits market in the world



Generates \$200 billion in U.S. economic activity annually



Supports around 1.7 million jobs through the production, distribution and sale of distilled spirits in the U.S.



In 2020, used 2.2 billion pounds of grains in production of U.S. whiskey, brandy, rum, gin and vodka

Marketplace Trends



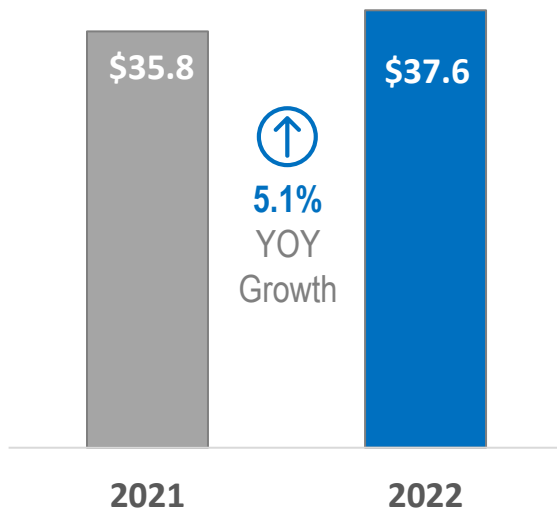
**DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES**

U.S. spirits industry continued growing in both revenue and volume in 2022



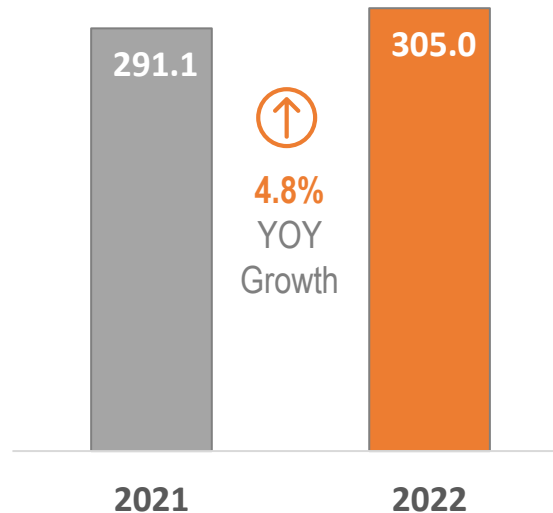
Revenue Increased by \$1.8B

Billions



Volume Increased by 13.9M

9-Liter Cases, Millions



Main Drivers of Spirits Growth

- Premiumization in the American Whiskey & Tequila Categories
- Spirits RTDs
- Ongoing On-Premise Recovery

Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

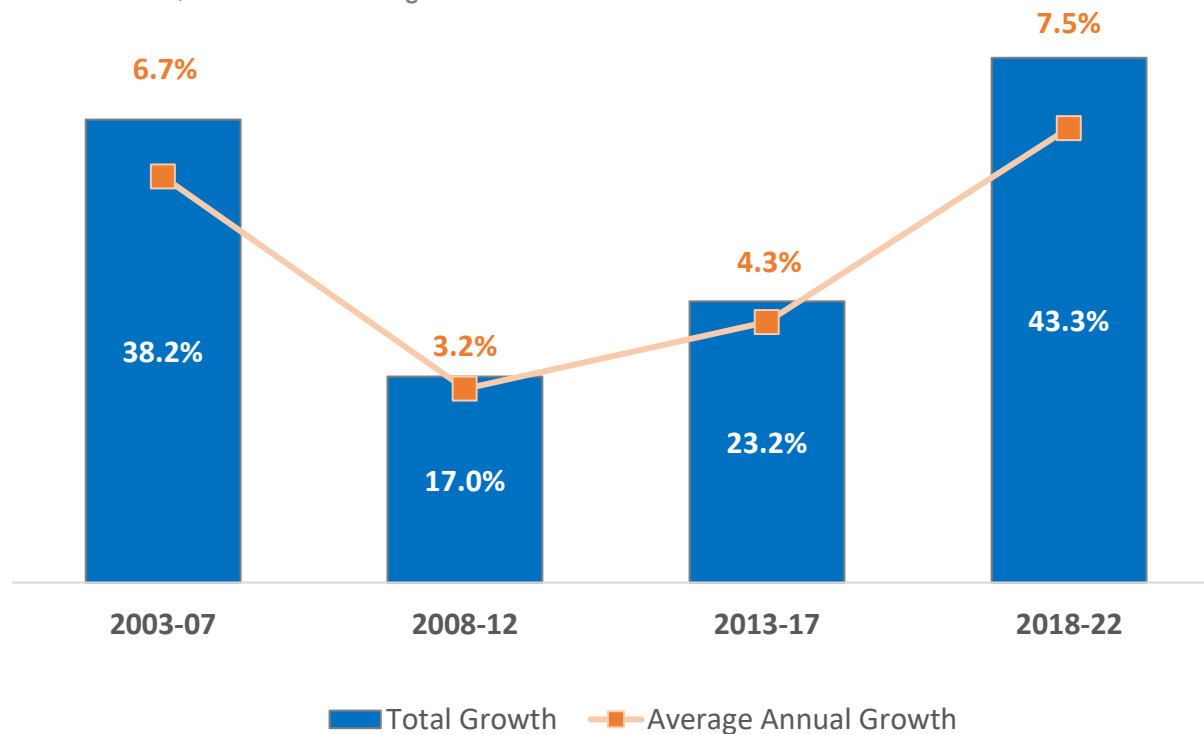
Note: Excluding Cocktails/RTDs, the spirits industry revenue grew by \$1.2 billion (3.6%) while volume growth was flat.

Spirits revenue growth has accelerated in recent years



Spirits are experiencing their fastest growth two decades

Spirits Revenue, Total and Average Annual Growth

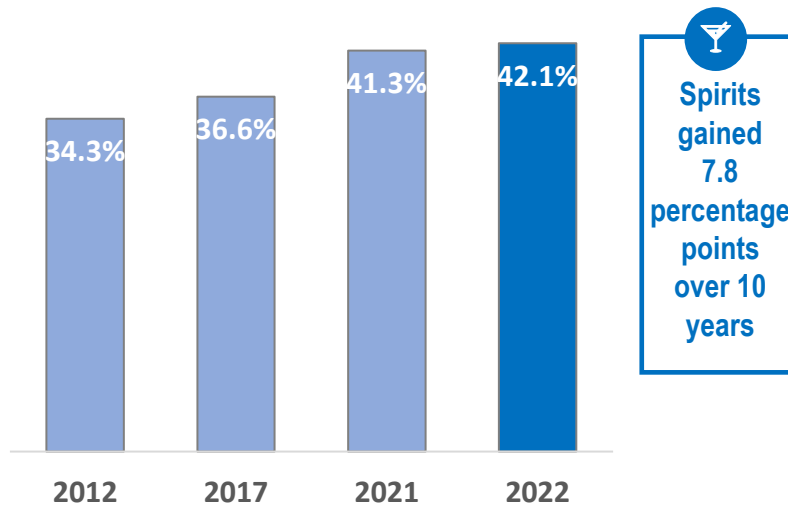


Over the past 20 years, the spirit industry's average annual growth was 5.4% compared to 7.5% in the past 5 years.

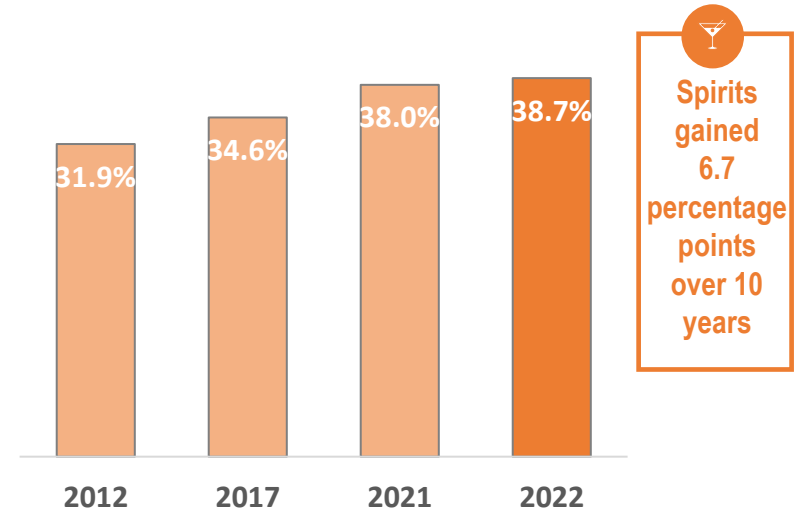
Spirits continue to increase market share in both revenue and volume



Spirits Account for Over 42% of U.S. Alcohol Industry Revenue in 2022



Spirits Account for 38% of U.S. Alcohol Industry Volume in 2022



13 Points of Market Share Since 2000

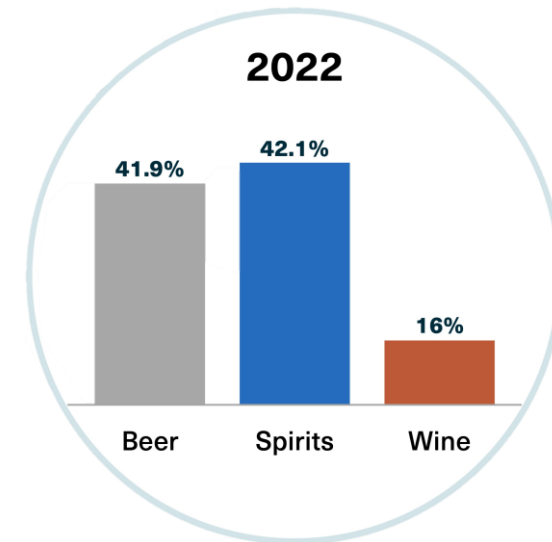
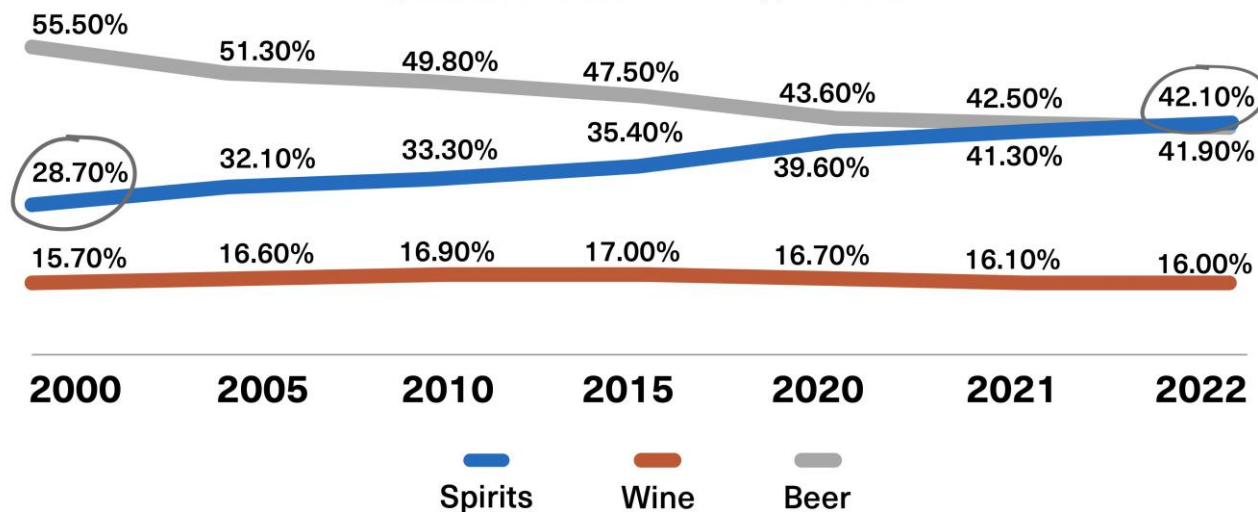
Each point worth \$890 million in supplier revenue



Spirits U.S. Market Share – Supplier Revenue

13 Points of Market Share Since 2000

Each point worth \$890 million in supplier revenue

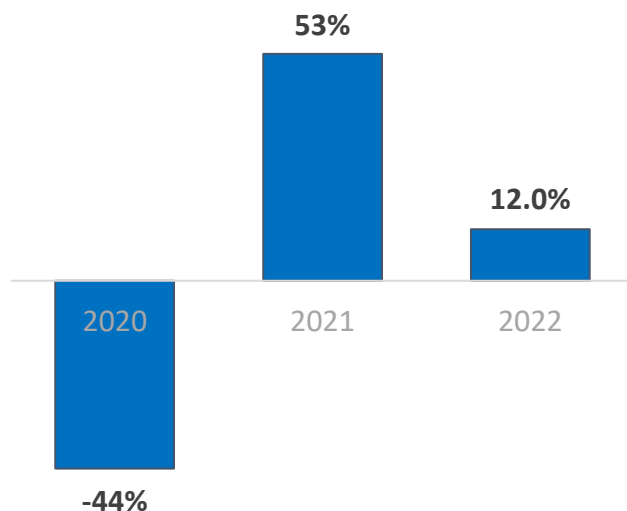


On-premise volume rebounded but still 5% lower than 2019 levels in 2022: Off-premise volumes steady



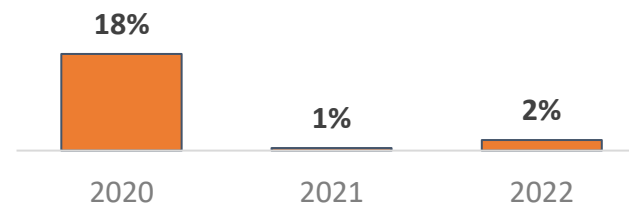
On-Premise Volume Rebounded

Year-Over-Year Volume Growth



Off-Premise Volume Held Steady

Year-Over-Year Volume Growth

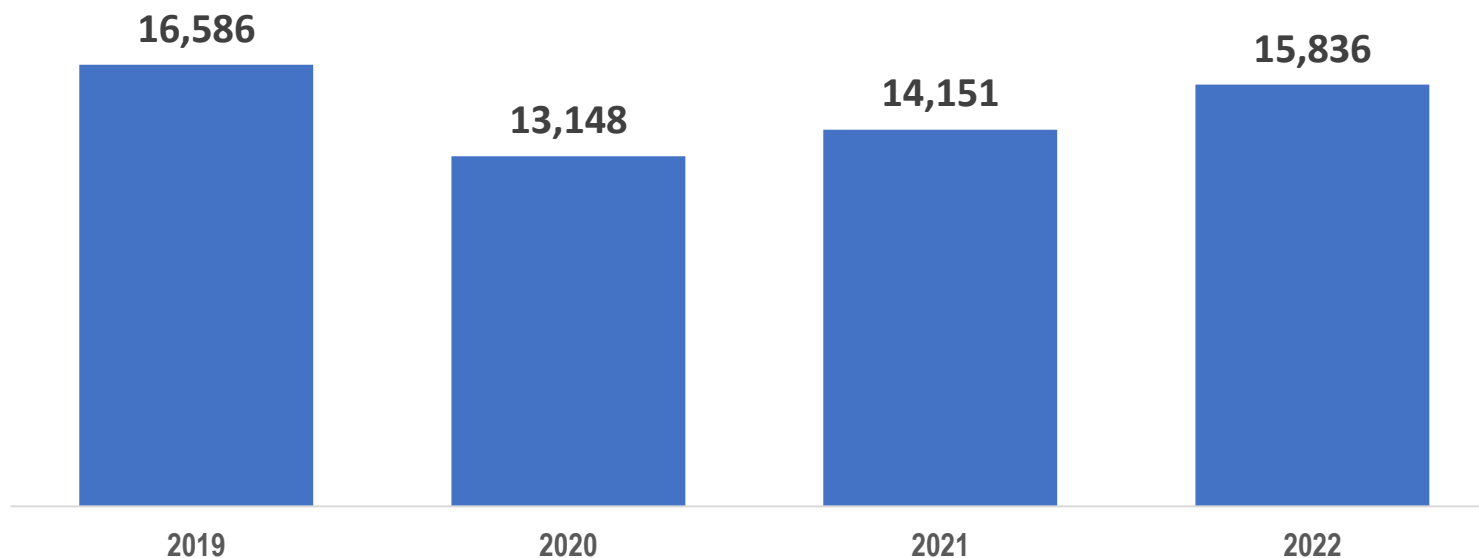


Hospitality industry employment still not recovered to its pre-pandemic level



Hospitality Industry Employment is Down 750,000 Compared to Pre-Pandemic Levels

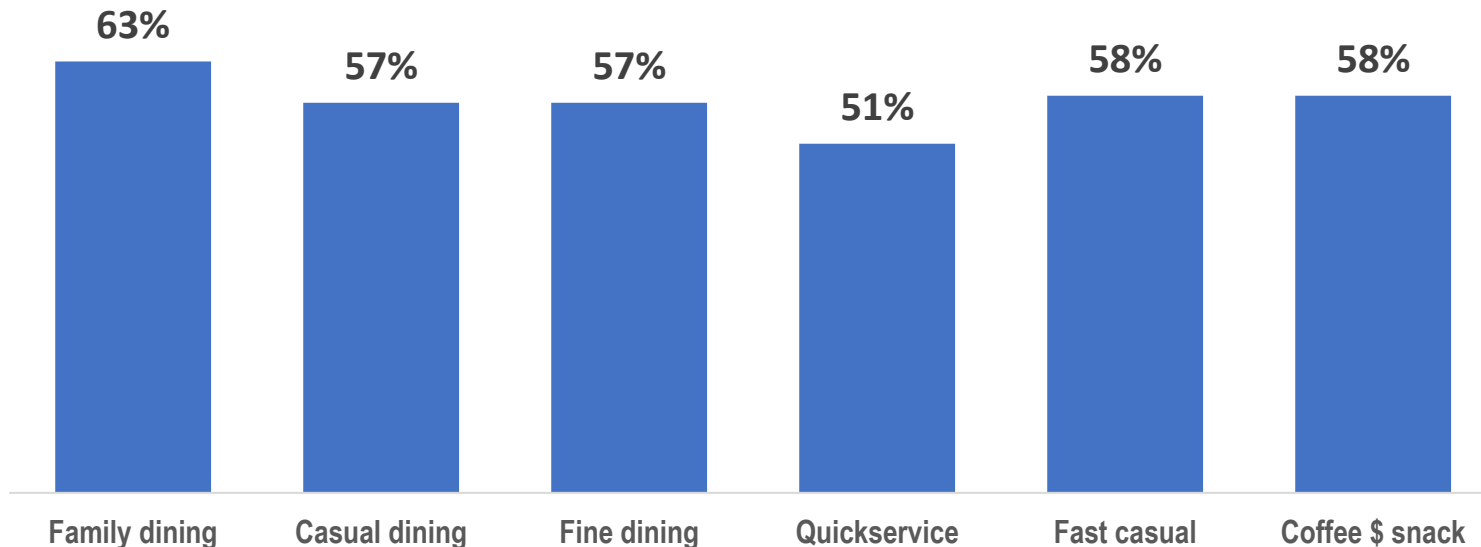
Annual Averages, Thousands



Economic recession would quickly reverse employment recovery



Percent of restaurant operators who say they are likely to lay off employees during the next 6-12 months if business conditions deteriorate and the U.S. economy goes into recession.



Consumer Trends

Key trends continue as consumers embrace at-home cocktails, RTDs, premium spirits, and convenience, and return to dining out.



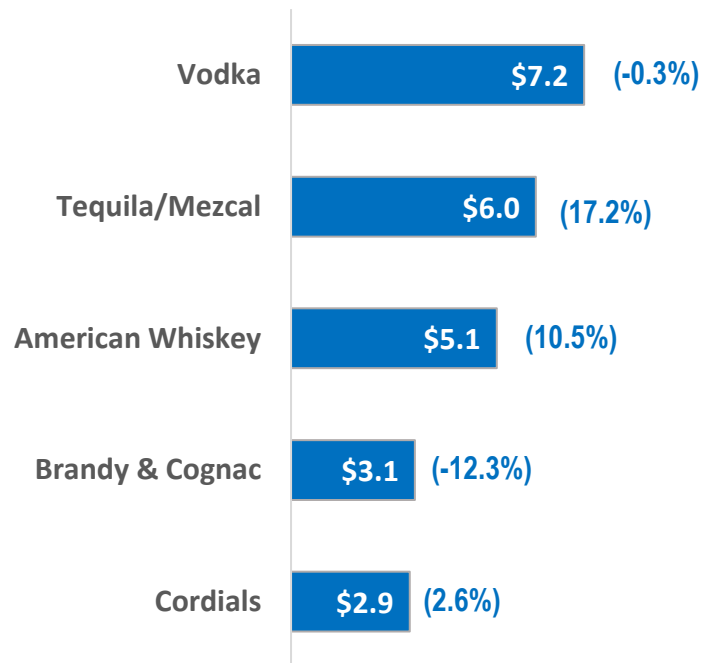
DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Vodka remains the top spirits category in 2022



Top 5 Spirits by Revenue

Billions (2021-22 Growth)



Top 5 Spirits by Volume

9-Liter Cases, Millions (2021-22 Growth)



Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

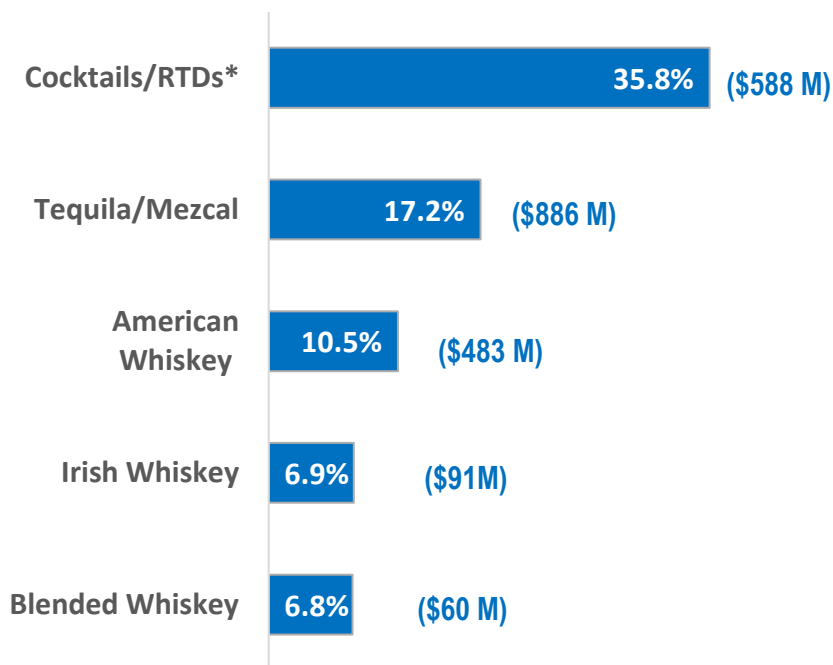
*Pre-mixed Cocktails, including spirits-based RTDs.

Cocktails/RTDs remains fastest growing spirits category in 2022



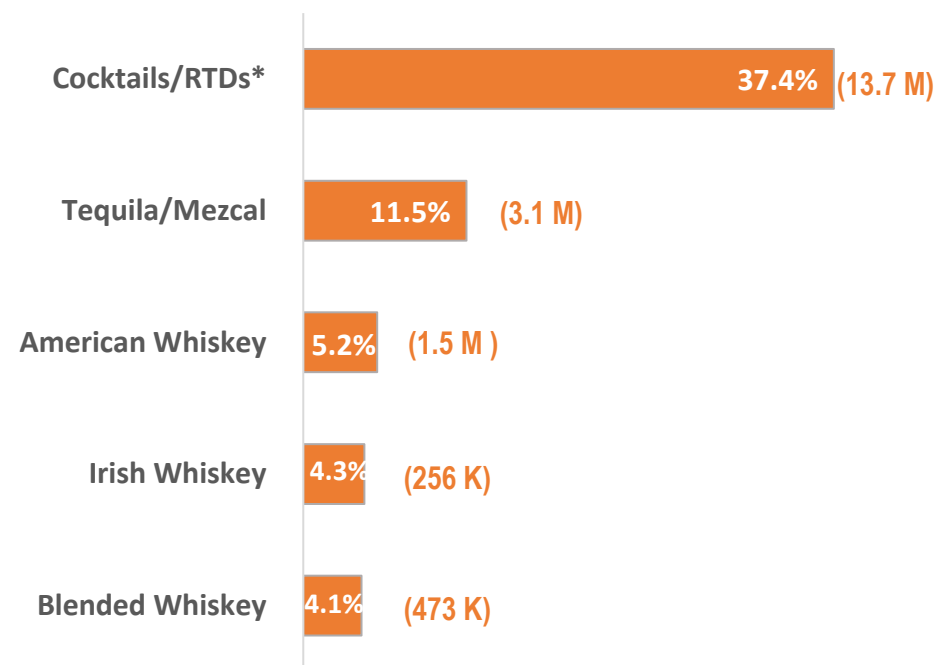
5 Fastest Growing Spirits by Revenue

2021-22 Growth Rate (Change in Revenue)



5 Fastest Growing Spirits by Volume

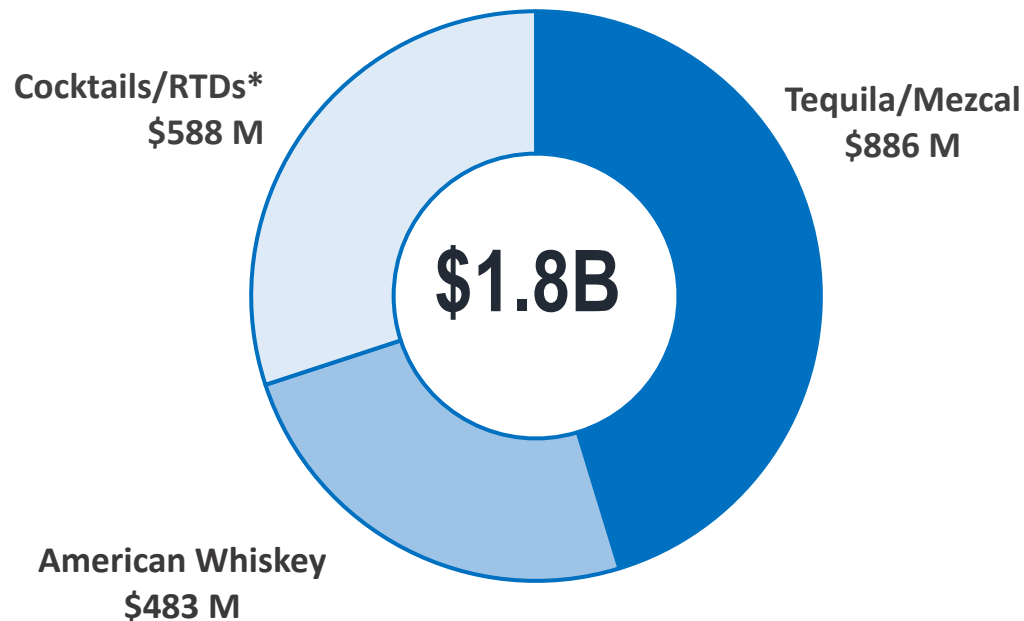
2021-22 Growth Rate (Change in 9-Liter Cases)



Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

*Pre-mixed Cocktails, including spirits-based RTDs.

Tequila/Mezcal, Cocktails/RTDs & American Whiskey drove industry growth



Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

*Pre-mixed Cocktails, including spirits-based RTDs.

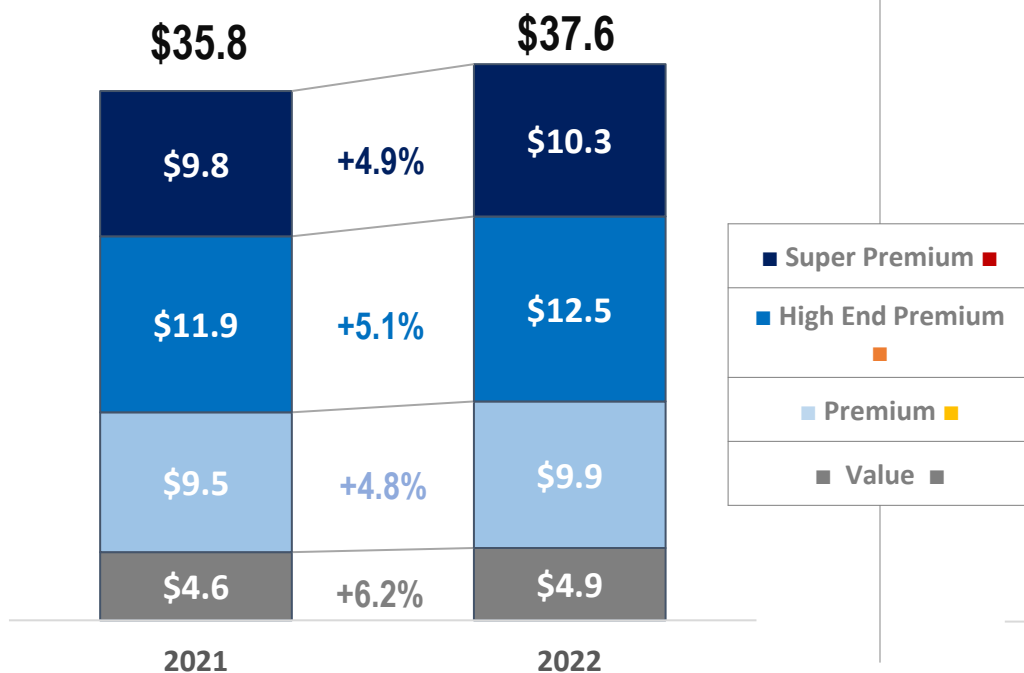
Premiumization continued at a slower rate

61% of total revenue is accounted for by high end & super premium



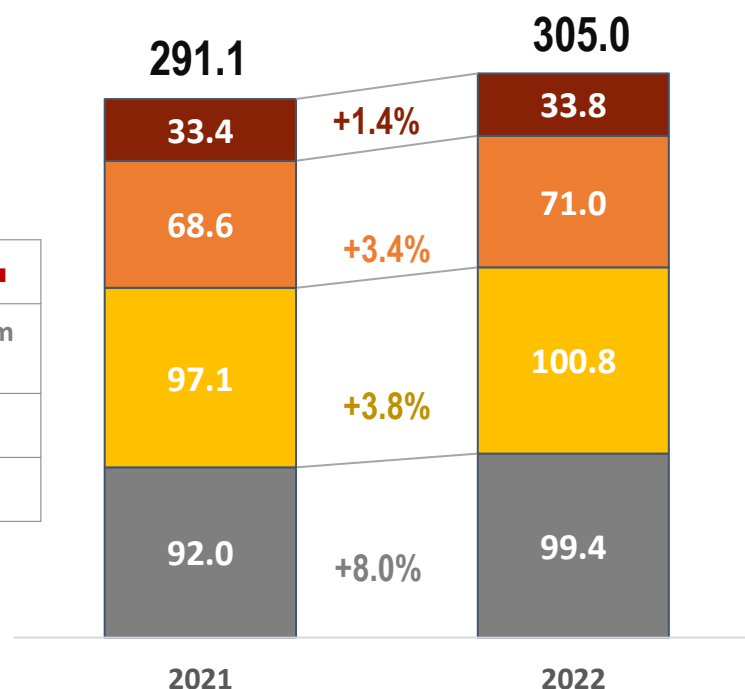
Total Spirit Revenue Rose 5.1%

Billions



Total Spirit Volume Rose 4.8%

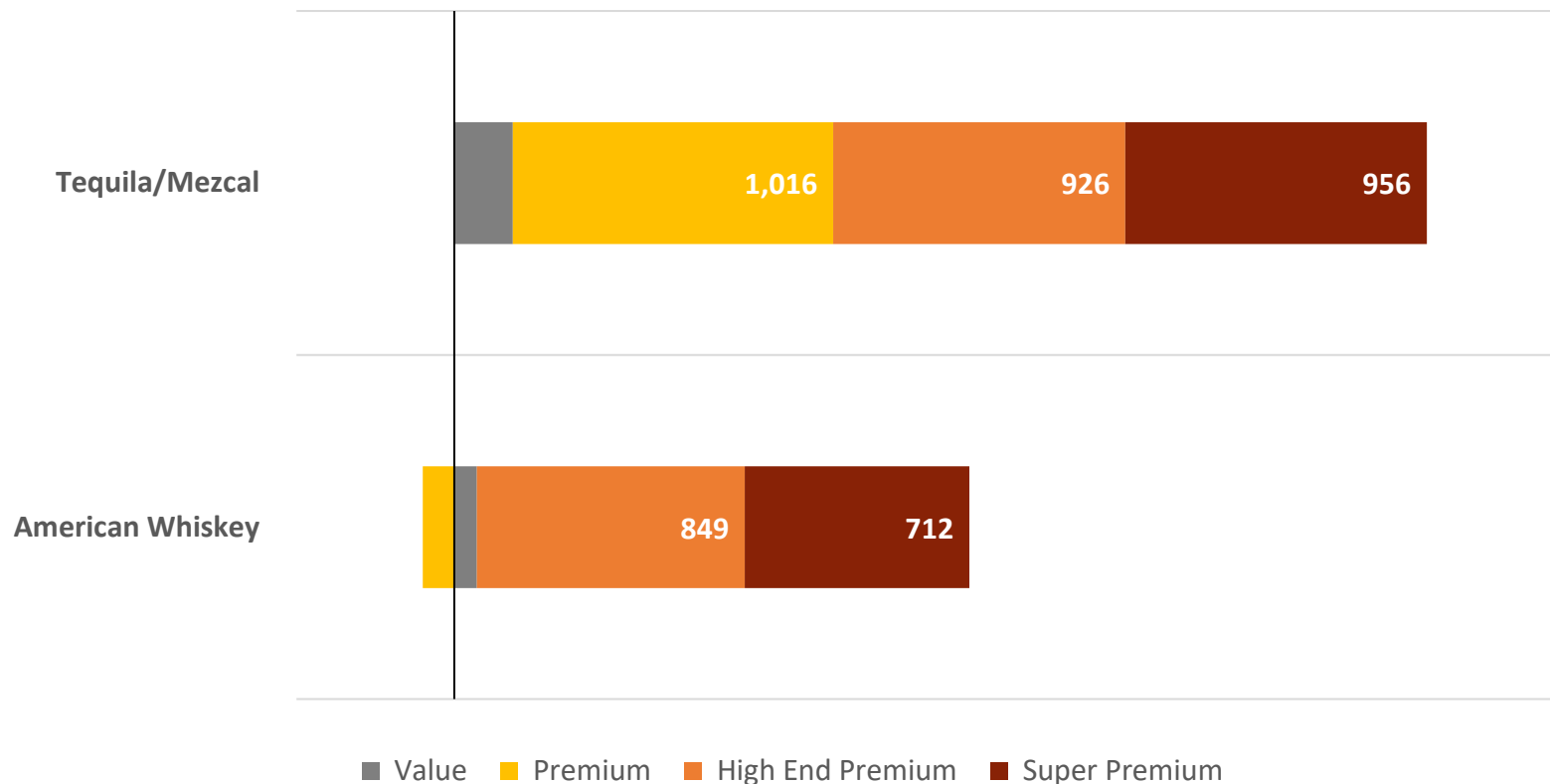
9-Liter Cases, Millions



Tequila/Mezcal and American Whiskey were the main drivers of premiumization.



2021-22 Change in Volume, 9-Liter Cases, Thousands

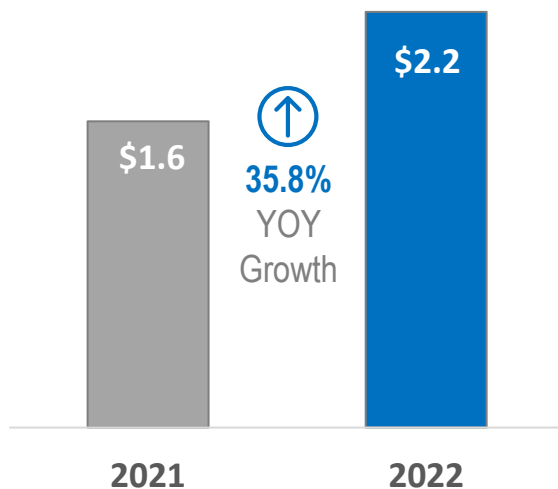


Consumers increasingly prefer spirits-based RTDs



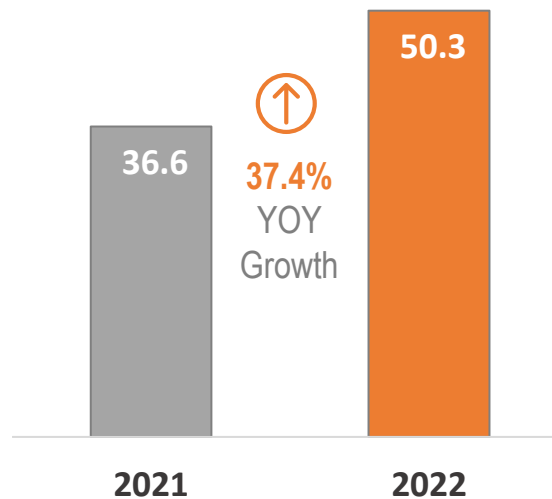
Cocktail & RTD Revenue Rose \$588 M

Billions



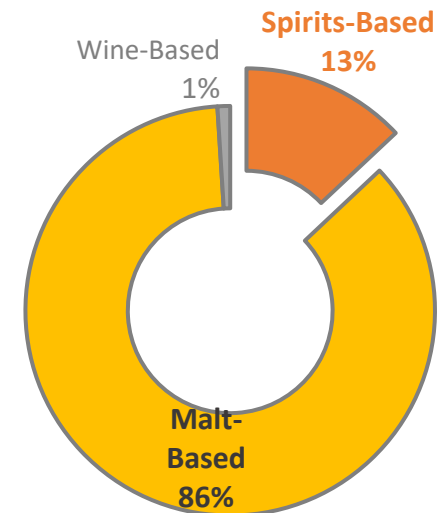
Cocktail & RTD Volume Rose 13.7 M

9-Liter Cases, Millions



Spirits are still a small portion of the RTD market

Share of Market Volume



Macroeconomic trends expected to impact the U.S. economy this year



Higher interest rates and inflation.

Inflation has slowed down toward the end of 2022 but still far above the long-term Federal Reserve target rate of 2%. Federal funds rate that stood around zero percent at the beginning of 2022 rose to 4.5% by the end of the year ([FRBNY](#)). Better than expected growth combined with tight labor market and strong wage gains would tilt the scale toward more interest rate increases.



The economy did better than expected in 2022 dispelling fears of a deep recession.

U.S. economy grew 2.1% in 2022 on the back of better-than-expected personal consumption and business investment demand. IMF revised up its 2023 growth forecast for the U.S. economy to 1.4% from 1% ([IMF](#)). However, if fighting inflation proves difficult, tighter monetary policies would lead to sharper slowdown in economic activity.

Meanwhile, overwhelming majority of CEOs expect a mild and shallow recession in 2023 ([CB](#)). And projections from World Bank and Federal Reserve Board point to a growth rate of around 0.5% ([WB](#)) ([FRB](#)).



Chris Swonger

**Distilled Spirits Council
of the United States &
Responsibility.org**

President & CEO



**DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES**

Key Policy Victories & Legislative Priorities



**DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES**

2022 Key Victories



FEDERAL & INTERNATIONAL

- Suspension of the United Kingdom's retaliatory tariffs on American Whiskeys in the steel-aluminum dispute
- Building support for relief for the hospitality industry's recovery from the COVID-19 pandemic

STATE

- Cocktails to-go success in 5 new states bringing permanent states to 18
- Secured wins on spirits RTDs in 5 states
 - Tax reduction and increased market access secured for spirits-based RTDs in Vermont
 - RTD studies in Maine, Maryland and West Virginia
 - Defeated limit for container size restriction in Nebraska
- Secured direct-to-consumer shipping study in Maine
- Alaska off-premise retail tastings enacted
- Additional bottle sizes allowed in CT, KY and MI
- Passed or expanded distillery sales laws in Iowa, Minnesota and New Hampshire

2023 DISCUS Legislative Priorities



FEDERAL

- Securing the permanent suspension of EU, UK, and U.S. retaliatory tariffs on all distilled spirits
- Securing new tariff reductions for U.S. distilled spirits, including the reduction of India's 150% tariff on American Spirits, particularly on American Whiskeys.
- Defending distilled spirits sector from federal tax increases

STATE

- Fairer tax treatment & increased access for spirits Ready-to-Drink (RTD) products in the states
- Expanded marketplace modernizations including cocktails to-go and spirits direct-to-consumer shipping
- Defending hospitality sector from state tax increases

Spirits Ready-to-Drink (RTDs): It's Time to CAN Outdated Alcohol Laws

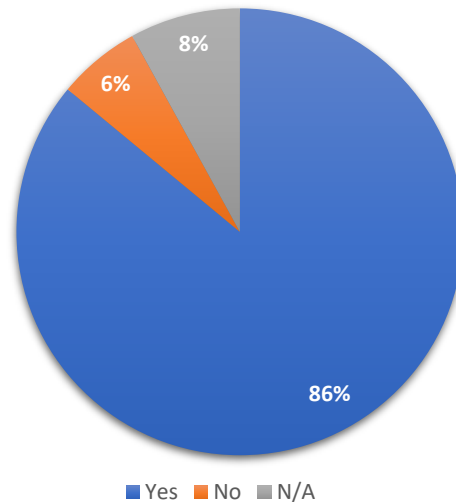


DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Seeking Fairness on Spirits-based Ready-to-Drink (RTD) Products



86% of consumers agree spirits RTDs should be sold where beer/malt and wine RTDs are sold.

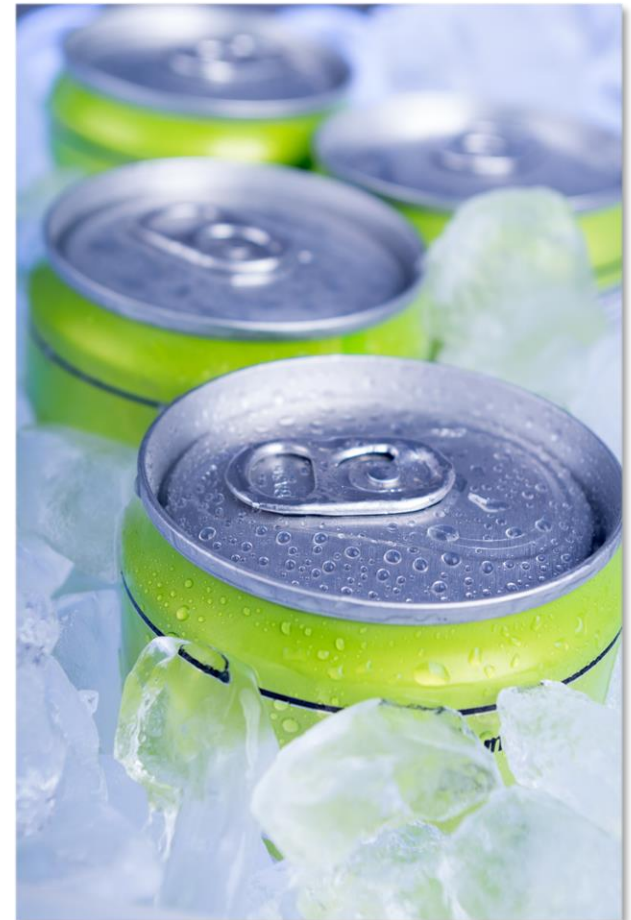


- Tremendous innovation and transformation in the RTD category accelerated by pandemic
- Consumer demand for convenience and a growing market category are driving state legislators to consider bills related to retail access and taxation for RTDs
- 86% of consumers agree spirits RTDs should be sold where beer and wine are available for purchase
- DISCUS survey found 62% of craft distillers are not producing spirits RTDs due to higher tax rates

Recent State Action on Spirits RTDs



- Legislatures are looking at options to:
 - 1) Create a more level playing field
 - 2) respond to consumers demands
 - 3) generate new tax revenues
- Current state action:
 - CA, IN, NV (Clark County), NJ, OK, TN, WA
 - *Enacted in: NV (Clark County)*
- Previous Wins:
 - Iowa (2019); Mississippi (2020/2021); Michigan (2021); Nebraska (2021); Vermont (2022)



Alcohol is Alcohol. It's Not What You Drink, It's How Much You Drink That Matters.



- 31 states permit grocery stores to sell spirits RTDs; 29 states permit it in convenience stores
- 45 states have higher taxes for spirits RTDs with the same or similar ABV as a malt/beer RTD
- This makes no sense given a malt/beer RTD with 5% ABV has the exact same alcohol content as a spirits RTD with 5% ABV. There is no difference.
- Drinking responsibly and in moderation depends on how much you drink, not whether that drink is made of beer (malt), sugar, wine or spirits

Destination Distillery

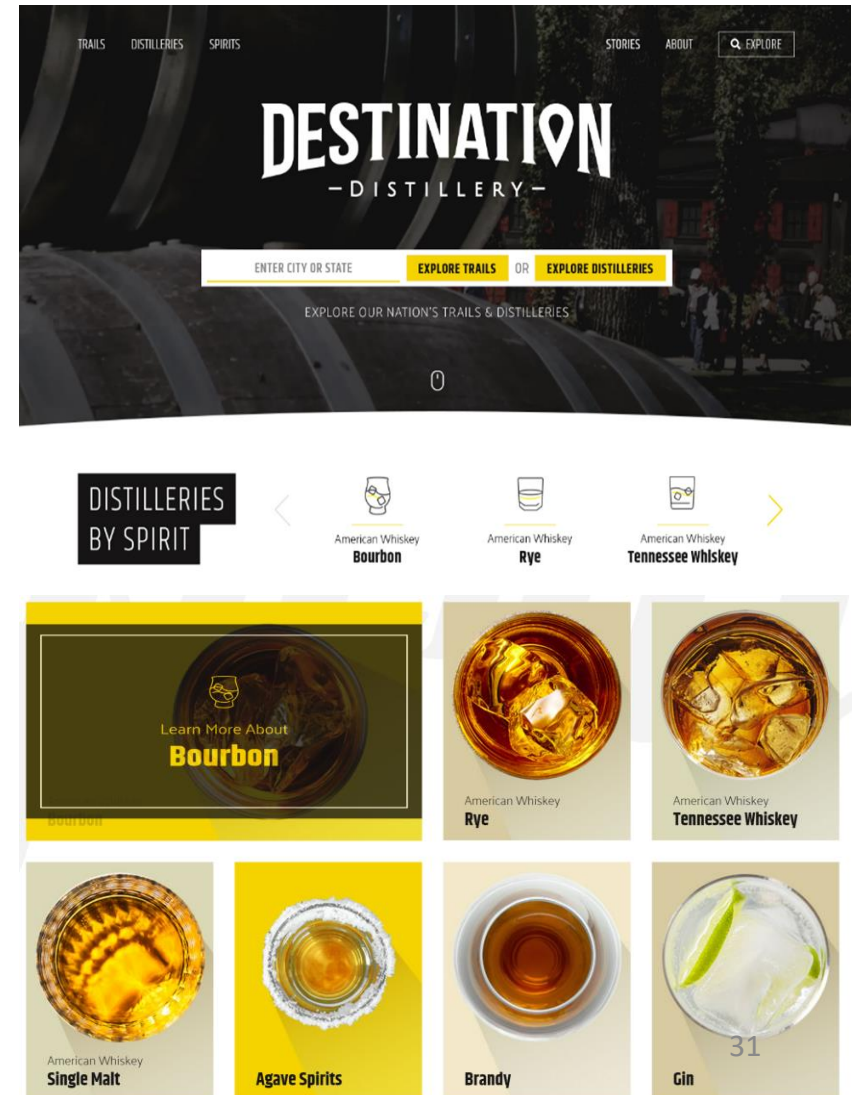


DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Destination Distillery Tourism Website



- Website featuring a tourism-driven experience and educational journey into the cultural heritage and history of spirits in America.
- Spirits enthusiasts can explore:
 - Iconic distilleries & up-and-coming ones
 - 40+ State-by-state trails
 - Economic impact of spirits industry by state
 - Important sites connected to the history of distilling & spirits in our country
- Search by state/city database of established spirits trails and local distilleries
- Unifier for the spirits industry and ultimate destination for those interested in planning a spirited journey





Michael Mariano

**Tourism Economics,
an Oxford Economics Company**

*Head of Economic
Development*



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Economic Impacts of Distillery Tourism in California, New York, and Texas

Michael Mariano

Head of Economic Development

February 2023

PROJECT BACKGROUND



A background image showing a group of people in business attire (suits and ties) seated at a table, clinking glasses in a toast. The image is overlaid with a dark blue semi-transparent filter. The text "DIRECT ECONOMIC IMPACTS" is centered in white, bold, uppercase letters.

DIRECT ECONOMIC IMPACTS

Direct Impacts – Visitor Spending



Total Visitor Spending by Non-Local Overnight & Daytrip Distillery Visitors

CA	1.0M visits	→	\$238.9M
NY	1.7M visits	→	\$348.2M
TX	2.0M visits	→	\$396.0M

Visitor Spending by Industry - Texas



\$396.0M

**TOTAL SPENDING BY
NON-LOCAL
DISTILLERY
VISITORS**



\$96.9M

FOOD & BEVERAGE

Distilleries, full-service restaurants, fast food, banquet sales



\$88.4M

LODGING

Hotels, motels, short-term rentals, and other lodging



\$80.8M

RETAIL

Souvenirs, general merchandise, malls, local retailers



\$69.2M

RECREATION

Entertainment/performance venues, theaters, amusements, other recreation



\$60.7M

TRANSPORTATION

Taxis, buses, parking, public transportation, ride share, gasoline



TOTAL ECONOMIC IMPACTS

A row of seven snifter glasses, each containing a small amount of amber-colored liquid, likely whisky or brandy. The glasses are arranged in a slightly curved line on a light-colored wooden tray. The background is dark and out of focus, suggesting an indoor setting like a bar or a study. The overall lighting is dim, creating a sophisticated and elegant atmosphere.

Economic Impact Model Framework



Direct Business Sales

On-Site & Off-site spending by visitors to distilleries



Indirect Business Sales

Distilleries' purchases from supplier industries



Induced Business Sales

Distilleries' employee spending in the local economy

+



Total Economic Impact

Total business sales in the regional economy



Total Economic Impacts - California



\$238.9M

Visitor
Spending



\$417.8M

Total
Economic
Impact



2,800

Total
Jobs
Supported



\$117.9M

Total
Labor
Income
Generated



Total Economic Impacts – New York



\$348.2M

Visitor
Spending



\$546.4M

Total
Economic
Impact



3,600

Total
Jobs
Supported



\$163.2M

Total
Labor
Income
Generated



Total Economic Impacts - Texas



\$396.0M

Visitor
Spending



\$715.2M

Total
Economic
Impact



6,200

Total
Jobs
Supported



\$191.8M

Total
Labor
Income
Generated



Fiscal (Tax) Impacts - California



\$39.2M

Federal
Tax
Revenues

+



\$35.2M

State & Local
Tax
Revenues

=



\$74.5M

Total
Tax
Revenues

Fiscal (Tax) Impacts – New York



\$51.7M

Federal
Tax
Revenues

+



\$64.4M

State & Local
Tax
Revenues

=



\$116.1M

Total
Tax
Revenues

Fiscal (Tax) Impacts - Texas



\$48.1M

Federal
Tax
Revenues

+



\$35.9M

State & Local
Tax
Revenues

=



\$84.0M

Total
Tax
Revenues



THANK YOU

Michael Mariano

Head of Economic Development

mmariano@oxfordeconomics.com



**TOURISM
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

A blue-tinted photograph of two women with curly hair sitting on a couch and laughing. In the background, other people are seated at a table in what appears to be a social setting.

Responsibility.Org



**DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES**

Spirits Industry Committed to Preventing Underage Drinking

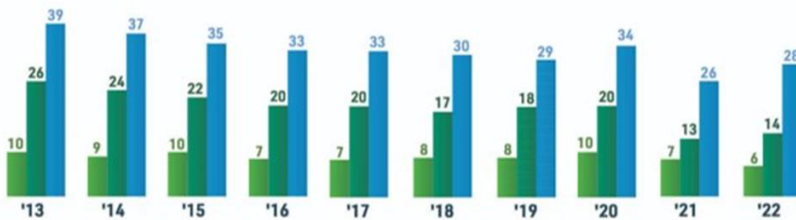


RESPONSIBILITY.ORG

CURRENT UNDERAGE DRINKING

DOWN ACROSS 8TH, 10TH AND 12TH GRADERS

(Numbers in Percentage)



8TH 10TH 12TH

DECADE DECLINE



8TH GRADERS

↓41%



10TH GRADERS

↓47%



12TH GRADERS

↓28%

Source: NIDA, National Survey Results on Drug Use from "National Adolescent Drug Trends in 2022: Findings Released" Monitoring the Future: Ann Arbor, MI, 12/2022 <http://www.monitoringthefuture.org>



RESPONSIBILITY.ORG

UNDERAGE BINGE DRINKING

DOWN ACROSS 8TH, 10TH AND 12TH GRADERS

(Numbers in Percentage)



8TH 10TH 12TH

DECADE DECLINE



8TH GRADERS

↓57%



10TH GRADERS

↓57%



12TH GRADERS

↓43%

*Binge drinking is defined as five or more drinks in a row in the previous two weeks.

Source: NIDA, National Survey Results on Drug Use from "National Adolescent Drug Trends in 2022: Findings Released" Monitoring the Future: Ann Arbor, MI, 12/2022 <http://www.monitoringthefuture.org>



RESPONSIBILITY.ORG

 RESPONSIBILITY.ORG

ASK LISTEN LEARN™

Kids and alcohol don't mix.

- 
- SHAPE
America
SOCIETY OF HEALTH
AND PHYSICAL
EDUCATORS
health. moves. minds.

[illegible]

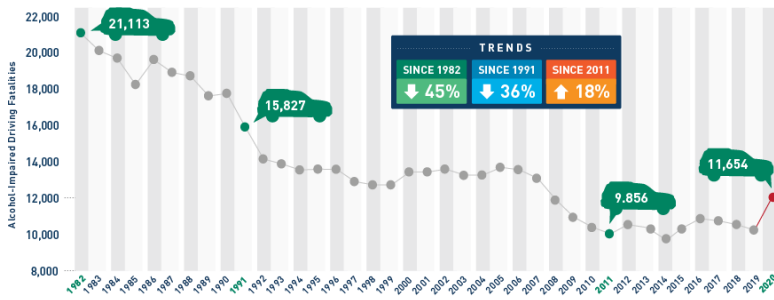
- WE DON'T SERVE**
TEENS
WeDontServeTeens.org
- Learn more at
WeDontServeTeens.org

Spirits Industry Committed to Eliminating Drunk & Impaired Driving



- Drunk driving fatalities have decreased 26% since 1991, and 45% since 1982.
- In 2020, alcohol-impaired driving fatalities accounted for 30% of the total vehicle traffic fatalities. And 30% of driver fatalities in motor vehicle crashes involved a driver who tested positive for drugs.
- High-risk impaired drivers continue to wreak havoc on our nation's roadways accounting for 70% of drunk driving fatalities.
- Among persons under 21, drunk driving fatalities have decreased almost 78%, increasing 25 percent in 2020 from a record low level of 904 in 2019.

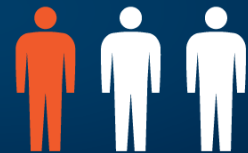
Drunk Driving Deaths Increased 14% in 2020



Together, we can end impaired driving, and it will take everyone and effective and proven solutions.



Nearly **1 IN 3**
traffic fatalities involves
a drunk driver



Source: NHTSA/FARS, 3/22

Together, we can end impaired driving, and it will take everyone and effective and proven solutions.

Question & Answer



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES