

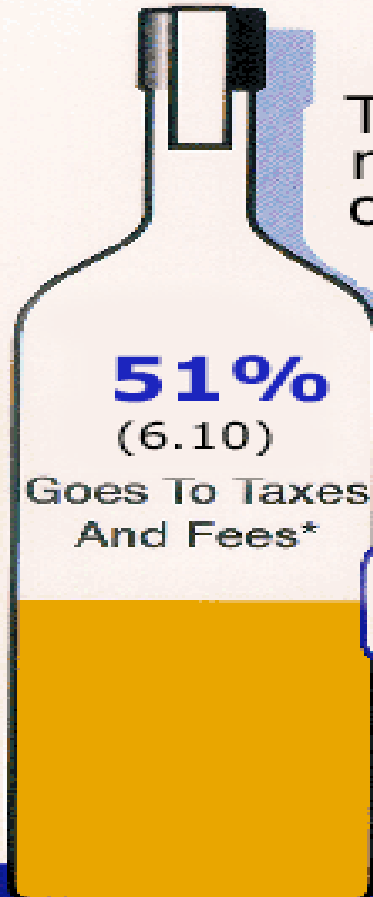
The US Spirits Market

**Prepared by
International Wine Center
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Some initial facts.....

- Currently more than 4,000 brands of distilled spirits on the US market
- Hundreds of new brands are launched each year
- Distilled spirits contribute more than \$26.9 billion in US economic activity and employ over 530,000 people in the US
- Today 32 states permit Sunday sales of spirits (of which 11 only in the past two years) – New York, Rhode Island, Ohio, Kansas, Virginia and Idaho since 2004

Excessive Tax Burden on Distilled Spirits



Taxes and Fees
make up 51%
of the cost of
a typical bottle
of spirits.

**Distilled Spirits Council
of the United States**

*Represents Federal, State & Local direct / indirect taxes & fees.

**Distilled spirits are the most
Heavily taxed consumer
products in the US**

**Excise and sales taxes have
More than risen by 200%
since 1980**

Top States by Consumption of Distilled Spirits - 2003

| License States | 000's of 9 liter cases |
|---|-------------------------------|
| California | 18,646 |
| Florida | 12,284 |
| New York | 9,706 |
| Texas | 8,943 |
| Illinois | 7,064 |
| Total License States (33 states – includes DC) | 120,422 |
| | |
| Control States | |
| Michigan | 6,051 |
| Pennsylvania | 5,354 |
| Ohio | 4,565 |
| North Carolina | 3,598 |
| Virginia | 3,241 |
| Total Control States (18) | 38,719 |
| | |
| US Total | 159,141 |

Source: Adams Liquor Handbook 2004r

Key facts

- Consumption of distilled spirits in the US has risen consistently over the past 6 years – 1998 market turned the corner
- Continued growth projected
- Premium products driving growth – the growth in retail dollar sales is rising faster than the growth in case sales
- Diageo is the number one player with over 20% of the market (both in \$ value and volume). Allied Domecq comes second with approximately 8% of the market (value and volume) followed by Baracdi USA in third place
- Vodka is the leading spirit of choice with over 26% of the market

Distilled Spirits Consumption 1991-2003 (thousands of 9 liter cases)

| Year | Volume |
|------|--------|
| 1991 | 147.0 |
| 1992 | 148.0 |
| 1993 | 144.2 |
| 1994 | 140.0 |
| 1995 | 137.3 |
| 1996 | 138.8 |
| 1997 | 138.7 |
| 1998 | 140.6 |
| 1999 | 144.3 |
| 2000 | 148.8 |
| 2001 | 150.3 |
| 2002 | 153.3 |
| 2003 | 159.1 |



**Consistent
growth in
volume
over past
decade**

Source: Adams Liquor Handbook 2004

Apparent Consumption of Distilled Spirits

| | Total (million Gallons) | Per capita adult <input type="checkbox"/> |
|-------------|--------------------------------|--|
| 2003 | 378.4 | 1.84 |
| 2002 | 364.5 | 1.79 |
| 2001 | 357.4 | 1.78 |
| 2000 | 353.8 | 1.79 |
| 1999 | 343.1 | 1.80 |
| 1998 | 334.2 | 1.77 |
| 1997 | 329.9 | 1.76 |
| 1996 | 326.5 | 1.75 |
| 1995 | 326.7 | 1.78 |
| 1990 | 374.5 | 2.17 |
| 1980 | 449.4 | 2.90 |
| 1970 | 371.5 | 3.05 |
| 1960 | 234.7 | 2.17 |
| 1950 | 190.0 | 1.95 |

Population 21 years and older

Source: Adams Liquor handbook 2004

Top 10 Distilled Spirits Brands 2002-2003 (thousands of 9-liter cases)

| Rank | Brand | Category | Supplier | 2002 | 2003 | %change |
|-------------|----------------|-----------------|------------------------|-------------|-------------|----------------|
| 1 | Bacardi | Rum | Bacardi USA | 7800 | 8140 | 4.4 |
| 2 | Smirinoff | Vodka | Diageo | 6933 | 7185 | 3.6 |
| 3 | Absolut | Vodka | Absolut Spirits | 4475 | 4448 | 0.3 |
| 4 | Captain Morgan | Rum | Diageo | 3933 | 4215 | 7.2 |
| 5 | Jack Daniels | Straight | Brown-Forman Beverages | 3770 | 3935 | 4.4 |
| 6 | Jose Cuervo | Tequila | Diageo | 3180 | 3246 | 2.1 |
| 7 | Crown Royal | Canadian | Diageo | 3058 | 3195 | 4.5 |
| 8 | Jim Beam | Straight | Jim Beam Brands | 3150 | 3100 | -1.6 |
| 9 | Seagram's Gin | Gin | Pernod Ricard USA | 2791 | 2820 | 1.0 |
| 10 | DeKuyper | Cordial | Jim Beam Brands | 2590 | 2735 | 5.6 |

Source: Adams Liquor Handbook 2004

Share (%) of Distilled Spirits Consumption by category 2000-2003

| Category | 2000 | 2001 | 2002 | 2003 |
|--------------------------------|--------------|--------------|--------------|--------------|
| Straights | 8.9 | 8.7 | 8.6 | 8.4 |
| Blends | 3.9 | 3.7 | 3.6 | 3.4 |
| Total American Whiskey | 12.8 | 12.4 | 12.1 | 11.8 |
| Canadian | 10.4 | 10.2 | 10.0 | 9.7 |
| Scotch | 6.2 | 6.0 | 5.9 | 5.7 |
| Irish | 0.2 | 0.3 | 0.3 | 0.3 |
| Total Imported Whiskey | 16.8 | 16.5 | 16.2 | 15.7 |
| Total Whiskey | 29.6 | 28.9 | 28.4 | 27.5 |
| Gin | 7.5 | 7.4 | 7.2 | 6.9 |
| Vodka | 24.4 | 25.1 | 25.7 | 26.2 |
| Rum | 11.4 | 11.9 | 12.1 | 12.3 |
| Tequila | 4.9 | 4.4 | 4.7 | 4.8 |
| Brandy & Cognac | 6.0 | 6.2 | 6.3 | 6.2 |
| Cordials & Liqueurs | 11.7 | 11.7 | 11.8 | 12.1 |
| Prepared Cocktails | 4.5 | 4.4 | 3.8 | 4.0 |
| Total non-Whiskey | 70.4 | 71.1 | 71.6 | 72.5 |
| Total Distilled Spirits | 100.0 | 100.0 | 100.0 | 100.0 |

Share of Distilled Spirits Consumption by Category

| | Whiskeys | Other 80 proof spirits | Cordials & Cocktails |
|-------------|-----------------|-------------------------------|---------------------------------|
| 1985 | 43.1% | 44.3% | 12.6% |
| 1995 | 34.6% | 49.6% | 15.8% |
| 2003 | 27.5% | 56.4% | 16.1% |

Whiskeys

No longer the powerhouses of the industry

Dollar Sales of Distilled Sales by Tier – 2003 (\$millions)

| Category | Supplier Sales \$ | Wholesaler sales | Retail sales \$ |
|--------------------------------|--------------------------|-------------------------|-------------------------|
| Straights | 1454 | \$2009 | 4119 |
| Blends | 367 | 501 | 1068 |
| Canadian | 1474 | 2093 | 4375 |
| Scotch | 1348 | 1843 | 4012 |
| Irish/other | 75 | 107 | 222 |
| Gin | 983 | 1340 | 2956 |
| Vodka | 3539 | 5138 | 10908 |
| Rum | 1541 | 2135 | 4715 |
| Tequila | 955 | 1350 | 2985 |
| Brandy & Cognac | 1267 | 1661 | 3549 |
| Cordials & Liqueurs | 1976 | 2719 | 5801 |
| Prepared Cordials | 236 | 388 | 788 |
| Total Distilled Spirits | \$15215 millions | \$21284 millions | \$45498 millions |

Source: Adams Liquor Handbook 2004

Trends

- Consumer preference for white spirits – whisk(e)ys used to be the powerhouses of the spirits market – no longer the case. White spirits now driving market for their versatility and easy drinkability
- Vodka is the number one spirit with over 26% of the market
- Return of the cocktail – with fanfare – using a broader range of spirits, juices, mixers etc.
- Product innovation has been key to the growth of the spirits market
- Premium/high end products driving growth
- More pairing of food with spirits also driving growth (especially Latin and Mexican cuisine)
- Imported spirits driving growth – imports now account for 38% of spirits market in US

Consumption of Distilled Spirits (%) by category

| Category | Volume Share |
|---------------------|---------------------|
| Vodka | 26.2% |
| Rum | 12.3% |
| Cordials & Liqueurs | 12.1% |
| Canadian | 9.7% |
| Straights | 8.4% |
| Gin | 6.9% |
| Cognac & Brandy | 6.2% |
| Scotch | 5.7% |
| Tequila | 4.8% |
| Prepared Cocktails | 4.0% |
| Blends | 3.4% |
| Irish & Others | 0.3% |

Source: Adams Liquor Handbook 2004

Retail level – 2003 Share of Dollar Sales by Category

| Category | Share of Dollar sales |
|---------------------|------------------------------|
| Vodka | 24.0% |
| Cordials & Liqueurs | 12.8% |
| Rum | 10.4% |
| Canadian | 9.6% |
| Straights | 9.1% |
| Scotch | 8.8% |
| Brandy & Cognac | 7.8% |
| Tequila | 6.6% |
| Gin | 6.5% |
| Blends | 2.3% |
| Prepared Cocktails | 1.7% |
| Irish | 0.5% |

Source: Adams Liquor Handbook 2004

Brand Leaders by Category

Straight Whiskey Category Top Brands & Market Share

| Brand | Market Share | Supplier |
|---------------------------|---------------------|--------------------------|
| Jack Daniels | 29.3% | Brown-Forman Beverages |
| Jim Beam | 23.1% | Jim Beam Brands |
| Evan Williams | 6.9% | Heaven Hill Distilleries |
| Early Times | 6.1% | Brown-Forman Beverages |
| Wild Turkey | 3.8% | Pernod Ricard USA |
| Ten High | 3.7% | Constellation Brands |
| Old Crow | 3.7% | Jim Beam Brands |
| Maker's mark | 3.7% | Allied Domecq |
| Total top 8 brands | | |

Source: Adams Liquor Handbook 2004



Market growth over past two years

Straight Whisky

Top suppliers and market share

- Brown Forman Beverages – 37.8%
- Jim Beam Brands – 29%
- Heaven Hill Distilleries – 9.2%
- Constellation Brands – 6.8%
- Others – 17%

Blended Whiskey category – Top Brands and market Share

| Brand | Share |
|-----------------------------|-------|
| Seagram's 7 Crown | 45.5% |
| Kessler | 14.5% |
| McCormick Blend | 3.9% |
| Kentucky Deluxe | 3.7% |
| Calvert Extra | 3.0% |
| Old Thompson | 2.9% |
| Fleischmann's Preferred | 2.9% |
| Beam's 8 Star | 2.9% |
| Heaven Hill Blended Whiskey | 2.8% |
| Philadelphia | 2.1% |
| Others | |

- Market declined ('02-'03)
- lack of innovation
- Lower quality image
- Drop in advertising

Source: Adams Liquor Handbook 2004

Blended Whiskey

Leading suppliers and market share

- Diageo – 45.5%
- Jim Beam Brands – 21.6%
- Constellation Brands – 9.5%
- Heaven Hill distilleries – 8.6[^]
- McCormick Distilling – 4.0%
- Others – 10.8%

Foreign Whiskeys

- Single malts and Irish whiskeys are the key areas of growth
- Irish whiskey outperformed all others in 2003 – with its triple distilled smoothness attractive to consumer tastes

Canadian Whiskey – Top Brands and market share

| Brand | Share | Bottled |
|-----------------|-------|-----------------|
| Crown Royal | 20.9% | Foreign bottles |
| Canadian Mist | 14% | US bottled |
| Black Velvet | 11.9% | US bottled |
| Canadian Club | 8.9% | Foreign Bottled |
| Seagram's V.O. | 8.4% | Foreign Bottled |
| Windsor Supreme | 7.5% | US bottled |
| Others | | |

Source: Adams Liquor Handbook 2004

Canadian Whiskey

Leading suppliers and market share

- Diageo – 29.3%
- Constellation Brands – 20.6%
- Brown-Forman Beverages – 14%
- Allied Domecq USA – 12.5%
- Jim Beam Brands – 12.3%

Scotch – Top brands and market share

| Brand | Share | Bottled |
|----------------------------|--------------|-----------------|
| Dewars | 16% | Foreign Bottled |
| Clan Mac Gregor | 8.0% | US bottled |
| Johnnie Walker Black Label | 7.5% | Foreign bottled |
| Johnnie Walker Red label | 7.3% | Foreign bottled |
| Chivas Regal | 5.2% | Foreign bottled |
| J & B | 4.3% | Foreign bottled |
| Scoresby | 4.3% | US bottled |
| Cutty Sark | | Foreign Bottled |
| Grants | | Foreign Bottled |

Source: Adams Liquor handbook 2004

The US is the second most important market for Scotch after France

Scotch

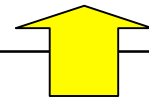
Leading suppliers and market share

- Schieffelin & Somerset – 21.2%
- Bacardi USA – 16%
- William Grant & Sons – 11.7%
- Pernod Ricard – 8.7%
- Constellation Brands – 6.5%
- Others – 36%

Irish Whiskey – Top brands and market share

| Brand | Market Share | Supplier |
|-------------------------|---------------------|-------------------|
| Jameson | 53% | Pernod Ricard USA |
| Bushmills | 26.3% | Pernod Ricard USA |
| Tullamore Dew | 7.1% | Allied Domecq |
| John Power | 4.0% | Pernod Ricard USA |
| Kilbeggan Irish Whiskey | | |
| Black Bush | | |
| Bunratty Potcheen | | |
| Bushmills Single Malts | | |
| Brennan's Irish Whiskey | | |
| Redbreast Irish Whiskey | | |
| Midleton Rare | | |

90.4%



Dominance of Pernod Ricard

Gin

Top brands and market share

| Brand | Market Share | Bottled |
|-----------------|---------------------|-----------------|
| Seagrams | 25.6% | US bottled |
| Tanqueray | 13.1% | Foreign Bottled |
| Gordon's | 8.2% | US Bottled |
| Bombay Sapphire | 5.9% | Foreign Bottled |
| Beefeater | 5.6% | Foreign Bottled |
| Gilbey's | 5.5% | US bottled |
| Others | | |

- Market has been sluggish
- Seems to have stabilized
- Super-premium products being introduced

Source: Adams Liquor Handbook 2004

Gin

Leading suppliers and market share

- Pernod Ricard USA – 27.5%
- Schieffelin & Somerset – 13.6%
- Constellation Brands – 10.1%
- Diageo – 8.8%
- Bacardi USA – 7.5%
- Jim Beam Brands – 6.0%
- Others – 26.4%

Vodka – Top Brands and market share

| Brand | Market Share | Bottled | Supplier |
|-----------------|---------------------|--------------------------|----------------------|
| Smirinoff | 17.3% | US bottled | Diageo |
| Absolut | 10.8% | Foreign Bottled (Sweden) | Absolut Spirits |
| Stolichnaya | 4.5% | Foreign Bottled (Russia) | Allied Domecq |
| McCormick Vodka | 4.4% | US bottled | McCormick Distilling |
| Popov Vodka | 4.3% | US bottled | Diageo |
| Skyy | 4.1% | US bottled | Skyy Spirits USA |
| Barton Vodka | 3.6% | US bottled | Constellation Brands |
| Others | | | |

Source: Adams Liquor Handbook 2004

Vodka

- The clear spirit of choice for consumers with over 26% of market share – regardless of country of origin, price or flavor
- Ultra premium and flavored vodkas fuelling growth
- Return of the Cocktail era

Rum – Top Brands and Market share

| Brand | Share |
|--|--------------|
| Bacardi | 41.7% |
| Captain Morgan (excluding Parrot Bay) | 21.6% |
| Castillo | 6.1% |
| Malibu | 5.3% |
| Ronrico | 2.9% |
| Others | 22.3% |

- Nine years of consistent growth
- Increased ultra-premium and flavored offerings
- Increased pairing with food Latin inspired dining establishments

Source: Adams Liquor Handbook 2004

Rum

Leading suppliers and market share

- Bacardi USA – 48.5%
- Diageo – 23.1%
- Allied Domecq – 5.6%
- Jim Beam Brands – 2.9%
- Tod Hunter Importer – 2.5%

Tequila – Top Brands and Market Share

| Brand | Market Share |
|-------------------|--------------|
| Jose Cuervo | 42.6% |
| Sauza | 14.0% |
| Montezuma Tequila | 7.7% |
| Juarez | 5.3% |
| 1800 | 4.1% |
| Parton | 2.7% |
| Others | 23.1% |

- Consistent market growth – 20 years
- Food pairing – proliferation of Mexican inspired food
- Ultra premium offerings also a trend
- The **Margarita** – still the best selling drink in the US

Source: Adams Liquor Handbook 2004

Tequila

Leading suppliers and market share

- Diageo – 43.4%
- Allied Domecq – 14.6%
- Constellation Brands – 8.6%
- David Sherman – 7.7%
- Skyy Spirits – 4.2%
- Others – 21.6%

Brandy & Cognac – Top Brands and Market Share

| Brand | Category | Market Share |
|--------------------|-----------------|---------------------|
| E & J | US Brandy | 24.4% |
| Hennessey | Cognac | 18.9% |
| Paul Masson Brandy | US Brandy | 12.4% |
| Christian Brothers | US brandy | 11.6% |
| Remy Martin | Cognac | 6.2% |
| Courvoisier | Cognac | 5.4% |
| Others | | 21.1% |

Cognac faring better than other Brandies – cache, prestige

Source: Adams Liquor Handbook 2004

Brandy & Cognac

Leading suppliers and market share

- E & J Gallo – 24.4%
- Schieffelin & Somerset – 18.9%
- Heaven Hill Distillers – 14.9%
- Constellation Brands – 14.0%
- Allied Domecq – 9.5%
- Others – 18.3%