



ALCOHOL  
BEVERAGE  
FEDERATION  
OF IRELAND

# 2010

## Annual Review



ABFI is a business sector within IBEC

[www.abfi.ie](http://www.abfi.ie)

# The ABFI mission

With a membership that includes all sectors of the drinks industry in Ireland, ABFI is committed to promoting the many positive contributions our industry makes to the Irish Exchequer, balance of trade, employment and society as a whole.

Working with member companies, we aim to develop evidence-based policy proposals that address the numerous issues affecting our industry. We communicate

these proposals to legislators, the media and the public in an effort to create a more sustainable business environment for our members.

Coupled with our commercial concerns, we are conscious of our social responsibility to encourage the moderate consumption of our products amongst adults, working in partnership with Government and other stakeholders.



## Contents

Chairman's statement.....	1
Director's statement.....	2
<b>Section 1 – Pan-industry issues.....</b>	<b>3</b>
Trading environment.....	4
Policy.....	5
Fiscal matters.....	6
Environment.....	7
Labelling.....	8
Responsible marketing.....	9
International partners.....	9
<b>Section 2 – ABFI category associations.....</b>	<b>10</b>
Irish Brewers Association.....	11
Irish Cider Association.....	12
Irish Spirits Association.....	13
Irish Wine Association.....	14
ABFI members.....	15

# Chairman's Statement

Against the backdrop of the difficult economic environment, meeting the challenge of cross border trade and significant change within the structure of the drinks market, ABFI worked on behalf of members on a range of pan-industry issues throughout 2010. ABFI played a vital role in co-ordinating our activities and presenting a unified industry voice in addressing these issues.

Throughout the year, ABFI profiled the major contribution our sector makes to the economy in terms of the revenues we generate and the 78,000 jobs we support. We also demonstrated our commitment to responsible marketing and a more mature attitude to alcohol in Ireland, and represented the drinks industry at the national substance misuse strategy group.

At the same time, we engaged with senior members of Government, opposition, other business sectors and the media on behalf of members to ensure that the industry continues to input on issues of concern. We also took part in the wider public debate on economic recovery, growth and stability.

ABFI played an important role in the drinks industry's communications and public affairs campaign in advance of Budget 2011, arguing strongly on behalf of our industry that in the context of cross-border trade re-emerging in the second half of 2010, a further excise reduction would help reduce the price differential. Ultimately, we welcomed the Government's decision not

to increase excise duty, despite calls from a number of other organisations to do so.

ABFI made a formal submission to the national substance misuse strategy group when it was established in January 2010, which formed the basis of our contributions to the group throughout the year.

As the sole representative for the drinks industry (until the Mature Enjoyment of Alcohol in Society Limited joined midway through 2010) ABFI consistently pointed out that proposals must be evidence-based, should not penalise an important employment-intensive industry already experiencing serious challenges, and should have a clear and demonstrable benefit in addressing misuse. ABFI also continued to refer the group to the successful co-regulatory framework that has been developed between the Government and industry on the marketing, communications and sponsorship activities.

As we await the final outcome of this group, we hope that its recommendations do not contain measures that will penalise our industry, the jobs we generate and the sporting and cultural groups that rely on our support.

At a time when the drinks industry has been identified as a key sector to lead an export-led recovery, we must ensure that the solid domestic market on which this is built is not eroded by unnecessarily restrictive legislation.



On this basis, ABFI will continue to engage in this process on behalf of our members to ensure that the important voice of our industry continues to be heard at the highest levels in 2011.

I look forward to working with ABFI members and our partners throughout the year as we build on the €1 billion in drinks exports and grow our contribution to an export-led recovery.

A handwritten signature in black ink that reads "Brian Duffy".

**Brian Duffy**

**Chairperson, Alcohol Beverage Federation of Ireland**

# Directors' Statement



2010 was a year of stabilisation and consolidation for the Irish drinks sector. Having endured a dramatic decline in sales over the previous 18 months as a result of the economic downturn and a major surge in cross-border shopping, ABFI welcomed the Government's decision to cut excise by 20% in December 2009 which provided a much-needed boost to our industry.

As the year progressed, figures revealed a welcome boost for off-sales in particular, showing that consumers had clearly decided to shop locally on the back of the excise reduction.

However, as overall sales and consumption continued to fall dramatically, the on-trade suffered a 14% decline in the year to end of July 2010. At this stage, ABFI and the wider Irish drinks industry drew up a stimulus plan for the hospitality sector which called on the Government to introduce a series of measures to assist our employment-intensive industry.

## These included:

- An excise reduction of 20% based on the positive outcome of the December 2009 cut;
- 20% reduction in commercial rates and other local authority charges and a new system of determining ratable valuations;
- The abolition of the charging of VAT on excise;
- Begin the process of reducing VAT to 13.5% on all beverages in the on-trade;
- A ban on below cost selling of alcohol.

Following this proposal, the Government chose to maintain the status quo on alcohol excise in Budget 2011, despite a specific call for excise increases in the National Recovery Plan.

ABFI was also a fully active and engaged participant in the national substance misuse strategy group, which was established early in 2010 to produce a joint national drugs and alcohol policy. While we objected to the linking of alcohol and illegal drugs in this manner,

we were keen to participate in the group, articulate the industry's perspective, and influence it to the greatest possible extent.

In April 2010, ABFI published its policy document covering the key issues that face the industry and the country at the turn of the decade. These policies are detailed and complex and illustrate our commitment to working together to address the challenges we face.

To demonstrate the industry's own consistent, pro-active and constructive role in addressing alcohol misuse, we held a major breakfast briefing in April 2010 to profile the co-regulatory codes of practice, the important role played by the drinks industry in marketing, advertising and sponsorship at home and internationally, and the responsible manner in which we continue to carry out these activities.

I would like to thank our members for their support throughout the year and reaffirm our commitment to them. ABFI looks forward to working with you to address the challenges we face and build on the successes we have achieved together.



**Rosemary Garth**

**Director, Alcohol Beverage  
Federation of Ireland**





# Section 1

## Pan-industry issues

## Trading environment

### Stabilising alcohol market

2010 saw a stabilisation in the alcohol market with the drinks industry showing an increase in volumes. However, the growth was not even.

The decision to reduce alcohol excise in Budget 2010 saw repatriation from the North of off-sales of wine and spirits, which showed a double digit growth in volumes.

However, the beer and cider sectors saw no recovery. Beer and cider volumes fell as the on-trade, where most beer and cider is sold, continued to suffer.

ABFI maintained a strong media presence throughout the year. We pointed out the success that the excise reduction had in reducing cross-border alcohol sales and saving lost Exchequer revenue, while also calling for support for the pub trade which saw sales fall 10% in 2010.

### Budget 2011 and National Recovery Plan 2010-2014

In advance of the most difficult Budget in Irish history, ABFI and its partners engaged in a strong campaign to inform stakeholders of the economic importance of the industry and its role in generating revenue, exports and jobs.

ABFI contributed to the Drinks Industry Group of Ireland's (DIGI) pre-Budget submission in September and called for a number of measures to support the industry, in particular for the on-trade. These measures included a cut in excise duty and a reduction in local authority charges and commercial rates.

ABFI held meetings with the Government and the opposition parties in November to highlight the sector's specific challenges and followed up on these activities with the annual DIGI Oireachtas Day on 17 November in Buswells Hotel. Approximately 40 Oireachtas members attended, providing ABFI with a valuable opportunity to speak directly to TDs and Senators on the issues facing the industry.

ABFI communicated with the Minister for Finance in November, providing him with data that highlighted an increase in cross-border trade in September and pointed out the risks that punitive increases in excise duty pose to the domestic market.

At a category level, all four sector associations corresponded directly with the Department of Finance in advance of the Budget and made their own sector specific challenges clear.

The unprecedented fiscal crisis that Ireland experienced in 2010 led, eventually, to the country accepting a loan from the EU and IMF.

Against this backdrop, the Government published its National Recovery Plan in November which outlined the broad parameters of how the State intended to manage its finances. The plan included an increase in the standard rate of VAT from 21% to 24% in 2013 with further increases in 2014. It also made provision for the collection of an extra €110m in miscellaneous excise and licence duties in 2011. It was not clear from the plan exactly which categories - alcohol, tobacco or petrol - would be increased in the Budget.

However, on Budget day, following further input from ABFI and its partners, the Minister for Finance announced that the increased excise revenue would be secured by higher rates on petrol and diesel rather than by an increase in alcohol excise.

The Minister also announced his intention to review excise duties paid by those who hold licences to sell alcohol. This review will take place in 2011.



ABFI's policy is evidence based and focuses entirely on Irish and international research.



## Policy

### ABFI policy document

The ABFI policy document was published in April 2010 following extensive consultation with members over the previous year.

The document outlines the industry's official position on primary policy areas, including taxation; marketing, advertising and sponsorship; underage drinking; alcohol misuse; drink driving; community empowerment; the night-time economy and labelling. It also reflects industry policy regarding wider national issues that impact on the sector such as investment in infrastructure and the need for a supportive regulatory framework.

ABFI's policy is evidence based and focuses entirely on Irish and international research on issues such as alcohol misuse. This document demonstrates the industry's commitment to promoting a responsible and mature attitude to alcohol consumption.

We distributed the policy document to industry and stakeholders in 2010.

### National substance misuse strategy

Following a Government decision in 2009 to establish a joint alcohol and drugs strategy, the national substance misuse strategy (NSMS) steering group met throughout 2010 to discuss recommendations on the alcohol-related aspects of the joint policy.

ABFI objected to this approach on the basis that it linked alcohol and illegal drugs, which was not recommended by the National Drugs Strategy working group that had already examined the matter. However, ABFI played a full part in the steering group process, attending all meetings and inputting positively and constructively on how best to tackle alcohol misuse in Ireland. Our approach was to stress the need for evidence-based solutions, rooted in partnership.

Throughout the meetings, ABFI sought to stress the successful co-regulatory framework that has been developed between the Government and industry on the marketing, communication and sponsorship of alcohol.

Nevertheless, many of the group's members choose to dismiss the codes and the responsible manner Irish drinks companies engage in marketing, advertising and sponsorship. Instead they made public calls for restrictions on alcohol marketing, despite the damage this could cause the Irish media sector and the various sporting and cultural bodies that are the beneficiaries of alcohol sponsorship.

Although the NSMS group was due to report to Government by October 2010, the steering group's meetings had not concluded by the end of the year. The group is due to make its recommendations in 2011.

To profile the successful co-regulatory codes that govern alcohol marketing, advertising and sponsorship, ABFI held a breakfast briefing in the Merrion Hotel, Dublin in April 2010 entitled "Responsible marketing, responsive industry".

This event showcased the codes of practice that apply to alcohol marketing and sponsorship and the industry's efforts to ensure maximum compliance with them. It demonstrated that the industry has gone to great efforts to agree to a series of stringent codes of practice on alcohol advertising and sponsorship to ensure that the sector markets its products in a responsible manner to a strictly adult audience.

## Fiscal matters

### Taxation policy committee

The ABFI taxation policy committee remained in place with its membership made up of the majority of ABFI members. The group focused its attention primarily on the EU excise review and the associated study by London Economics.

### EU excise taxation review

Published in June, the London Economics study formed part of the EU excise review. The study included an overview of the current excise framework of alcoholic beverages in the EU, data from each EU country, a list of problems related to taxation, including rates and structure, an analysis of scenarios for changes and suggestions for modifications of tax rates and tax structures.

The conclusions included an increase of minimum rates, a redefinition of wine, other fermented beverages, intermediate products and ethyl alcohol categories and a review of the reduced rates for lower alcohol content beverages.

ABFI consulted members on this issue, which by year end remained with the EU Commission. The impetus behind the review weakened somewhat as the Commission concentrated its efforts on the sovereign debt crisis and the issue of carbon and energy taxes. It is expected to come to the fore again in 2011.

## Environment

### Government draft waste policy

The Government's international waste review was completed at the beginning of the year and the final report was submitted to the Department of the Environment Heritage & Local Government. The report covers all aspects of waste management in Ireland. At the end of the summer, the Government released a consultation document on new waste policy recommendations based on the findings of the international waste review.

Recommendations in the consultation include:

- raising the landfill levy from €30 to €50 per tonne in 2011 and increasing it further to €75 in 2012;
- increasing packaging recycling targets from 67% to 75% in 2013;
- commissioning a dedicated study in the area of deposit refunds, particularly in respect of costs and of the environmental benefits;
- producers would be expected to be fully financially responsible for delivering the services required to meet their obligations;
- abolishing the de minimis exemption under the packaging regulations, meaning that everyone will have to contribute to packaging waste management;

- considering the extension of producer responsibilities initiatives to newspapers, magazines, junk mail and other forms of direct marketing.

ABFI developed a submission for the consultation process that outlined the economic importance of the industry and refuted the points, all of which will place an additional burden on an industry already meeting the full scope of its environmental obligations.

### Environmental Protection Agency review

The cost of compliance with Environmental Protection Agency (EPA) licences, associated requirements and environmental regulation in Ireland compared with other EU countries is an ongoing competitiveness issue of interest to ABFI members. Members believe that Integrated Pollution Prevention Control (IPPC) requirements from the EPA are significantly stricter than the requirements in other EU countries. An EPA review group sought views from industry on this issue. Feedback from ABFI highlighted the bureaucratic requirements and its subsequent cost as the main concern of companies. In particular, ABFI highlighted the strict timelines to which companies have to adhere and respond to a notification or query from the EPA. However, the EPA does not have to respond to a licensee query within any stated timeline.





The industry believes that only information that is meaningful, useful and relevant should be provided to consumers to avoid overloading messages or confusion.

## Labelling

---

### **Draft Provision of Information to Consumers regulation**

Work continued in 2010 on the draft Provision of Information to Consumers regulation. The purpose of this regulation is to establish a legal framework regulating the information appearing on foodstuffs and alcohol products. The regulation aims to give consumers clear, legible and understandable information to allow for informed choices regarding food and beverages.

ABFI's labelling group met throughout the year to discuss this draft regulation and the strategy the federation would take to ensure any proposal made would not increase the regulatory burden for companies.

At the beginning of the year, the European Parliament committee groups reviewed the draft regulation. ABFI met with all the MEPs involved in the discussions to raise concerns its members had with the document. The industry believes that only information that is meaningful, useful and relevant should be provided to consumers to avoid overloading messages or confusion. In particular, concerns have been raised over:

- exclusion of cider and distilled based products under 15 % from the temporary exemptions for alcohol products from ingredient and nutritional labelling;
- origin labelling, in particular of ingredients;
- legibility.

In June, the Parliament's final vote was taken on the draft regulation and was acceptable to the industry. The regulation was then sent to the European Council working group on foodstuffs for their opinion.

ABFI voiced the industry viewpoint to the Irish representatives on this group and the Irish Permanent Representative in Brussels. However, the final vote of this group, which took place at the end of December, was not positive for the drinks industry. The group decided to exclude distilled based beverages under 15 % from the temporary exemption for all alcohol products and requested that where a country of origin is listed, the origin of the ingredients should be listed if they are different to the origin of the product.

In 2011, the document will proceed to second readings in both the Parliament and Council groups as they seek agreement on the proposed regulation. The ABFI labelling group will continue its lobbying efforts on this regulation.

## Responsible marketing

### Alcohol marketing codes training review

The drinks industry subscribes to a comprehensive suite of codes of practice for the marketing of alcohol in Ireland. These codes are among the strictest in the world and are designed to limit the exposure of young people to alcohol marketing.

ABFI had previously developed a detailed training programme providing in-depth knowledge of all the codes of practice including the Advertising Standard Association of Ireland (ASAI) codes on advertising content and the MEAS codes on naming packaging and promotions, the co-regulatory advertising placement and sponsorship codes and the Responsible Retailing of Alcohol in Ireland (RRAI) code. The programme, administered by the IBEC training unit, gave participants a practical understanding of how to interpret and adhere to both the letter and spirit of these codes.

In 2010, ABFI completed a review of the training programme and implemented new features such as:

- a reduction in the length of the training to one day with more focused activities and training modules;
- inclusion of a greater number of up-to-date examples of marketing from both Ireland and other markets;
- a new online refresher course for all those who have completed the course.

Preparations began at the of the year to roll out the revised training course in 2011.

In 2010, ABFI completed a review of the training codes programme and implemented new features.



## International partners

### UK

The Irish Brewers Association (IBA) maintained its strong relationship with the British Beer and Pub Association. In May, their CEO and director of brewing gave IBA members a special briefing and insight into the state of the UK beer market. The timing of the visit was fortuitous as it coincided with the election of the new UK coalition government. The meeting produced a platform for discussions on the new UK proposals on alcohol policy and what approach the new Government was likely to have.

The Irish Cider Association (ICA) hosted its partners from the UK National Association of Cider Makers for the first time in September 2010. The ICA welcomed their insights into the UK cider market, the British cider tax review and the continuing debate in Britain on alcohol policy issues.

They expressed optimism that the new Government is open to industry arguments about the inefficacy of tax as a driver of responsible consumption, though they recognised the great fiscal difficulty the UK Government has to overcome.

The Irish Spirits Association's (ISA) relationship with the Scotch Whisky Association (SWA) continued in 2010. The ISA hosted the SWA for the annual meeting of the two groups. This event continues to be informative and beneficial to both

associations. Areas of common concern include the protection of Irish cream, Irish whiskey and Scotch whisky products; unhindered access to external markets; free trade agreements; excise and combating alcohol misuse.

In September, the Irish Wine Association (IWA) hosted the UK Wine and Spirits Trade Association (WSTA). The aim of the meeting was to discuss the issues facing the industry in both countries. Discussions took place on minimum pricing, labelling, low alcohol wines, sponsorship and advertising. The IWA and the WSTA will continue to work together in order to enhance the sharing of best practice between the associations.

### EU

The IBA maintained its strong links to the Brewers of Europe (BoE) and continued to leverage the BoE / Ernst and Young report on the importance of the beer industry to the economy. The IBA remained a party to the BoE's commitment to the EU Alcohol and Health Forum and used its membership of BoE to brief members on developments at EU level.

In October, the ICA attended a conference in Brussels entitled "Local But Global" organised by the AICV, cider's European representative body. Keynote speakers said that they did not expect the global cider and alcohol markets to return to 2007 levels until 2012 at the earliest. The recession has exacerbated declining trends in the market and therefore consumers are moving to private label cider which was likely to continue. Ireland was noted as the second

CEPs “Roadmap 2015” sees the industry renewing and extending its commitment to the promotion of responsible drinking.

biggest cider market outside the UK, though others (notably South Africa) are growing.

The ISA, a long time member of the European Spirits Association (CEPS), contributed to European policy on spirits and communicated information on EU and international affairs to members. In 2010, CEPS hosted a number of events that enabled the ISA to meet with key EU stakeholders in an informal environment.

2010 also saw the completion of the CEPS “Charter on Responsible Drinking”. Over the past five years, CEPS members have agreed to implement a series of commitments in the areas of raising consumer awareness, encouraging responsible drinking and promoting responsible marketing practices.

Ireland has strict codes of practice on marketing and sponsorship and has always been at the forefront of compliance with the charter. CEPS has now drafted a series of industry commitments for the next five years. CEPS “Roadmap 2015” sees the industry renewing and extending its commitment to the promotion of responsible drinking. It sets out over a dozen new commitments to be undertaken by spirits producers across the EU by the end of 2015.

### **United States**

The ISA continues to develop its relationship with the Distilled Spirits Council of the United States (DISCUS). In 2010, DISCUS assisted the ISA to establish a picture of the US market, which was shared with members.







# Section 2

ABFI category associations



IRISH  
BREWERS  
ASSOCIATION

The Irish Brewers Association had a busy agenda in 2010. Its workplan included the beginning of a campaign for fair availability for beer and stakeholder engagement on the importance of the beer sector to the national economy, particularly in terms of its contribution to manufacturing and tourism.

## Treatment of beer in licensing laws

Beer is Ireland's favourite alcoholic beverage. Approximately half of the alcohol consumed in Ireland is beer and in total Irish people drink almost 275 million pints of beer per year. Despite this, it suffers under a licensing system that unfairly restricts its availability.

At present, a store is entitled to apply for a wine-only licence without first extinguishing an existing wine licence. For the same premises to sell beer, it is necessary to apply for a full off-licence, which involves the extinguishing of such a licence elsewhere, at a cost of tens of thousands of euro.

Furthermore, the process for opening a restaurant involves applying for a wine licence, which once obtained allows for

a business to sell food and wine. If the restaurant wishes to serve beer, it must go through the bureaucratic and lengthy process of presenting the wine licence to the Revenue Commissioners, after which it may apply for a restaurant certificate that if obtained, allows the restaurant sell beer.

In 2010, the IBA began a campaign to remove this anomaly in the licensing laws and ensure fair availability of beer.

## Telling the beer story

Irish brewing is a multi-billion euro industry that generates taxes, provides employment, supports communities and boosts tourism. Beer is also one of Ireland's largest exports and our iconic brands are some of the country's most high-profile international brands.

In 2010, the IBA began an 18 month campaign to tell Ireland's beer story. This involved the adoption of a PR plan to explain the importance of the Irish beer sector to the Exchequer, tourism, exports, manufacturing and communities throughout Ireland.

The campaign began with the publication of a special brochure entitled *The Irish beer industry* and its importance to the Irish economy. The key goals of the campaign are fairer taxation, fair availability, fair and responsible marketing of beer and a strong supply infrastructure to support the success of Ireland's favourite drink at home and abroad.

## Beer market report

The IBA published its 2009 beer market report in September. While the report identified an industry under pressure, it also showed a resilient beer sector that remains important to the Irish economy.

Among its findings were:

- total production of beer in Ireland stood at just over 8 million hectolitres;
- beer consumption in the Irish market declined by approximately 7% in 2009;
- Irish drinkers now consume 91 litres of beer per capita each year, down from 126 litres ten years ago, compared with over 150 litres per capita in the Czech Republic and about 110 in Germany and Austria;
- 63% of beer consumed in Ireland was on draught and 71% of beer was sold in the on trade;
- approximately half the alcohol consumed in Ireland is beer;
- within the beer market, lager accounted for 59% of the volume consumed, stout 36% and ale 6%.

The IBA highlighted the fact that the beer sector faced a number of challenges. Among them are penal levels of excise duty with Irish beer drinkers continuing to pay more tax than consumers in all other European countries bar Finland and the UK.





IRISH  
CIDER  
ASSOCIATION

The Irish Cider Association continued to represent the sector at national and European level in 2010. In the face of difficult trading conditions, it argued strongly on behalf its members to ensure fair regulatory treatment in terms of labelling and excise.

## Treatment of cider in the draft EU Provision of Information to Consumers regulation

In June, following extensive lobbying, the ICA successfully ensured that the European Parliament's vote on the Provision of Information to Consumers regulation was acceptable to the cider sector. The temporary exemptions from the provision of ingredient labelling and nutrition labelling were extended to all alcohol products including cider, aromatised wines and ready to drink (RTD products).

Once the Parliament had agreed its amendments to the Commission proposal, the European Council were next to consider the issue. The Council is made up of civil servants from each of the member states and the ICA lobbied these Council representatives.

The Council voted on the regulation and accepted that cider should be included in the exemption. The ICA now awaits the outcome of the second readings in the parliament and the council as they seek agreement on the proposed regulation.

## Treatment of fruit cider in the excise system

In recent years, the cider category has grown with the availability of fruit ciders increasing consumer choice and increasing sales levels. This has occurred at a time of falling alcohol consumption, meaning that its growth has been as a result of drinkers switching choices rather than the entry of new consumers into the market.

Unfortunately, the current Irish excise regime mitigates against further development of the category, because cider that is not apple or pear flavoured is taxed at a 30% higher rate of excise duty.

The ICA believes this discriminates against fruit cider when compared with products against which it directly competes. The impact of higher rates of duty, together with higher VAT and retailer margins, means that fruit cider is sold at a higher cost to consumers than apple or pear cider.

The ICA began a campaign in 2010 to explain that the higher rate of excise is inefficient as it works against the sales potential of fruit cider and thus the maximum collection of revenue by the Exchequer. Fruit cider currently has a small share of the cider market.

This campaign involved correspondence with the Department of Finance and will continue in 2011.

## Promoting the cider industry

Following the success of the Strategy for Cider in 2009, in which a number of key stakeholders were met and the importance of the cider sector emphasised, the ICA continued its outreach in 2010. As well as lobbying at EU level on labelling matters, the ICA corresponded at a national level with government officials in relation to the state of the cider market and the urgent need to ensure jobs and revenue were protected through supportive policies. The ICA was also represented at DIGI and helped frame its pre-Budget submission.





IRISH  
SPIRITS  
ASSOCIATION

The ISA continued to focus on the completion of the technical files for the protection of the geographical indicators of “Irish Whiskey” and “Irish Cream”, ensuring members have access to international markets. Although 2010 was a difficult year domestically, exports of Irish spirits remained consistent in the midst of some of the toughest trading conditions the industry had ever seen.

### **Irish cream and Irish whiskey technical files**

The ISA completed the Irish whiskey technical file in 2010. This file along with the Irish cream file, completed back in 2009, outlined the industry’s view on what should constitute an Irish cream and Irish whiskey. These files will secure the geographical protection for these products so that only those made on the island of Ireland can use the term “Irish Cream” or “Irish Whiskey”. This development will protect the economic significance of the Irish cream and Irish whiskey market.

These files are now residing with the Department of Agriculture, Fisheries and Food (DAFF), which continues to work with the ISA to produce documents which will go to the EU Commission for approval. The Department also contacted the Revenue Commissioners to identify the best way to ensure compliance with the standards once they are finalised.

DAFF and the ISA collaborated to ensure that a procedure is put in place for the reporting and removal of imitation Irish cream liqueur or Irish whiskey products from foreign markets. When an imitation product is identified, members are asked to purchase the bottle and submit it to the ISA with proof of purchase and location of the transaction. This information is then delivered to the Department of Agriculture, Fisheries and Food which then contacts the authorities in the country in question and seeks to have the product removed from sale.

Success in removing products or altering the name has been achieved in a number of markets including Zambia, Spain and Bulgaria. A procedure that ensures only genuine Irish products are being sold will help secure the future of the industry and guarantee that consumers are not misled.

### **Ernst & Young Economic Contribution of the EU Spirits Industry**

The European Spirits Association, CEPs, commissioned Ernst & Young to conduct a study of the economic contribution of the European spirits industry. According to the report, sales of European spirits reached €58 billion in 2009, creating €27 billion in value add for the European economy and tax revenues of approximately €31 billion - a figure equivalent to the total income tax revenue of Spain or the total government expenditure of Slovakia. The industry also creates over 900,000 jobs, around two thirds of which are in the hospitality (638,800) and retail sectors (85,200). This is more than the combined total labour force of Malta and Estonia.

The study featured a chapter dedicated to the Irish spirits industry. Over the past year, the ISA has worked with members and Ernst & Young to gather a comprehensive picture of the economic importance of the Irish spirits industry.

The data collated confirms that the Irish spirits export market is significantly important for Ireland. As a whole, the industry produced approximately 16 million, nine-litre cases of spirits in 2009, of which 14.8 million were exported. The industry also purchased €18 million worth of cereals and €63 million worth of cream for use in the production of Irish spirits.

## Trade

ISA members export over 90% of their products. Therefore, access to international markets is vital. Members received regular updates on the latest market access news on all aspects of trade relations through our contacts in the European Spirits Association, the Distilled Spirits Council of the United States and IBEC's trade unit.

In 2010, the association worked closely with the Department of Enterprise, Trade and Innovation (DETI), the Department of Foreign Affairs (DFA), the Department of Agriculture Fisheries and Food (DAFF) and local embassies to address trade issues.

### Activities in this area included:

**Colombia** - As part of the Colombian-EU Free Trade Agreement (FTA) negotiations, the EU is seeking to protect the most prominent EU Geographical Indications. Thanks to the efforts of DAFF, Irish Whiskey and Irish Cream were registered in Colombia and Peru following the completion of the bilateral agreement between the EU and those countries.

**Russia** – Since the signature of a tripartite agreement between Russia, Belarus and Kazakhstan on 27 November 2009, which related to the Trilateral Customs Union (TCU), there have been numerous difficulties regarding access to this market. The ISA has worked closely with both DAFF and DETI to ensure that the concerns of ISA members are raised at the highest level.



**Mercosur** – The EU-Mercosur Free Trade Agreement, which began this year, offers significant opportunities for the Irish spirits industry. The ISA has met representatives from DETI and DAFF as well as the Minister of Agriculture, Fisheries and Food to discuss the position of the spirits industry. While the potential of this market is significant, a range of market access barriers constrain Irish companies from growing in this market.

**Argentina** – In May, the secretary of external trade in Argentina announced that imported beverages and food products, for which there is a locally produced equivalent, will not be allowed in Argentina from 1 June 2010. The ISA reacted quickly and raised the issue with the DETI, which in turn brought our concerns to the European Commission. Following this intervention, the Argentinian secretary of external trade declared that the ban would not be implemented.

**Malaysia, India and Thailand FTA** – Concerns were raised by the industry when Malaysia, India and Thailand requested that alcohol should not be included in their free trade agreements with the EU for health reasons. However, all of these countries have very large domestic alcohol industries that would be impacted if an FTA was put in place. The ISA raised industry concerns on this matter with DETI. Their concerns were subsequently raised at an EU Trade Policy Committee in Brussels.



Highlights of the year for the Irish Wine Association (IWA) included the dissemination of monthly data to the industry and the creation of the IWA annual review. Our successful lobbying activities resulted in no increase to wine excise in Budget 2011.

### Monthly revenue and country of origin data

At the beginning of the year, the IWA took over the compilation and dissemination of revenue clearance data to members and country of origin data for the industry. Throughout the year, new clearance trend graphs were developed to enable members to review the data in a more comprehensible format.

### Communication with Government

The wine industry continued to operate under extremely tough domestic and economic conditions which resulted in numerous businesses in the wine and services industry closing. The IWA continued to communicate the difficult economic trading conditions facing the industry to the Government. The dominance of the multiples, the continued, though lessening phenomenon of cross border shopping and the decline in services have been expressed regularly to politicians and the media through meetings, letters and articles.

### Wine market review

Midway through 2010, the IWA launched its first 2009 Review of the Irish Wine Market. This publication highlighted the challenges of the wine industry following the 20% increase in excise duty imposed exclusively on wine at the end of 2008. This increase, along with the deepening recession, resulted in substantial job losses across every channel of the trade and an additional 10% decline in volume sales during 2009.

A more detailed examination of the volume of sales in 2009 showed:

- red table wine remains the most popular with Irish consumers;
- sales of sparkling wine and champagne have declined slightly from 2.8% to 2.6%;
- the percentage of women choosing wine is higher than that of men;





- wine accounted for 17.6% of the alcoholic beverage market; this is up from a 12.3% share in 2000.
- 77% of wine sales continue to be largely in the off-licence sector and the majority of these sales are dominated by the multiples, which have a market share of 50%; an increase of 5% from last year. This increase in market share has had a direct effect on the independent off-licence sector.
- Australian and Chilean wines remain the most popular choice among consumers and continue to dominate the market (with 25.5% and 22.4% respectively). France retains its position as the third most popular source with 12.9% of the consumer market.

## Budget 2011

The IWA continued to ensure that wine received equal treatment in Budget 2011. A joint meeting with the National Off-Licence Association (NOFFLA) and the Restaurants Association of Ireland (RAI) was held to share information on the Budget strategy of the associations.

The IWA subsequently wrote to the Minister of Finance outlining its concerns in the area of cross border sales, below cost selling and the continued economic difficulties facing the industry, as well as supporting the calls of the RAI and NOFFLA. The IWA welcomed last years Budget which did not see an increase in wine excise.

# ABFI Members





*ABFI is a business sector within IBEC*

IBEC is the voice of Irish business and employers both nationally and internationally. It is the umbrella body for Ireland's leading business and industry groups and associations. IBEC represents more than 7,500 member organisations, of all sizes, in all regions and across all industry sectors.

With acknowledged expertise in all aspects of business representation, policy development, employee relations, human resources, employment law, environment, health and safety, trade and EU affairs, IBEC is uniquely positioned to provide indispensable, tailored advice to members. To learn more, contact IBEC on [www.ibec.ie](http://www.ibec.ie)



#### **IBEC MISSION**

IBEC promotes the interests of business and employers in Ireland by working to foster the continuing development of a competitive environment that encourages sustainable growth, and within which both enterprise and people can flourish.



ALCOHOL  
BEVERAGE  
FEDERATION  
OF IRELAND

**Alcohol Beverage Federation of Ireland (ABFI)**

Confederation House 84/86 Lower Baggot Street Dublin 2

Telephone: +353 (0)1 605 1581 Fax: +353 (0)1 638 1581

Email: Grainne.Jordan@ibec.ie [www.abfi.ie](http://www.abfi.ie)

ABFI is a business sector within IBEC



[www.ibec.ie](http://www.ibec.ie)

**Cork** Knockrea House, Douglas Road, Cork  
t. +353 (0)21 429 4411

**South East** Confederation House, Waterford Business Park, Cork Road, Waterford  
t. +353 (0)51 331 260

**Mid West** Gardner House, Bank Place, Charlotte Quay, Limerick  
t. +353 (0)61 419 411

**West** Ross House, Victoria Place, Galway  
t. +353 (0)91 561 109

**North West** 3rd Floor, Pier One, Quay Street, Donegal Town  
t. +353 (0)74 972 2474

**IBEC Europe** Avenue de Cortenbergh, 89, Boite 2, 1000 Bruxelles, Belgium  
t. +32 (0)2 512 3333 e. [ibec.europe@ibec.ie](mailto:ibec.europe@ibec.ie) w. [www.ibec.ie/europe](http://www.ibec.ie/europe)