

The Year that was

Including the subsections:

The big players | The big brands | Changes in ownership

New distilleries | Bottling grapevine

From 2012 to 2016, the global alcohol consumption declined every year and in 2016 alone the volumes dropped by as much as 1.3%. It was therefore a relief for the industry to see the volumes go up by 0.1% in 2017. A small increase but the trend was broken. Wine and cider showed the most positive figures while beer continued its downward spiral. Sales of spirits grew by 1.8% to a total of 2.4bn nine-litre cases and the growth was to be found in all categories; whisky, vodka, gin, rum, tequila etc.

At the same time, all producers were well aware of a younger generation being more concerned about health and wellness. Moderate drinking may very well bring down the volumes in certain markets but on the other hand, values could continue to increase – “drink less but better”. And on the horizon, there’s also the legalisation of cannabis in Canada and a number of states in the USA which may move consumers away from alcohol.

The largest spirits category is still baijiu, a Chinese spirit usually distilled from fermented sorghum. In fact, the volumes of baijiu outweigh the combined volumes of whisky, rum, gin, tequila and vodka! Most of the baijiu produced is consumed in China but if we look at spirits that are consumed globally, whisky is dominating. The category (all types of whisky) increased by 3% in 2017 reaching 372 million 9-litre cases. Only tequila/mezcal could top that growth rate (+3.6% to 33 million cases). Rum on the other hand, sometimes seen as a challenger to whisky, had flat growth selling 150 million cases. Gin, another contender, is in the midst of a change in consumer behaviour where mainstream brands are losing out to high-end, premium brands.

Starting 2013, Scotch whisky has been struggling with declining figures and in 2014 both volumes and values were down - for the first time in a decade. Part of the explanation was the poor economic climate in certain emerging markets, the ban on exports to Russia due to the conflict in the Ukraine and the ban on corporate gifting in China. In 2016, however, the trend was broken and in 2017, the

value of Scotch exports reached a record high (+8.9% and beating the numbers from 2012). Volumes on the other hand were up by just 1.6% and it’s obvious that the weaker pound following the Brexit referendum in 2016 has played an important role.

Blended Scotch is by far the biggest subcategory and it managed to buck the trend of declining figures in recent years with a growth of 8% in values during 2017. The star though, in terms of growth, are single malts with an increase of more than 14% in values. While single malt volumes are still around 10% of total Scotch exports, the value is now an impressive 28.6% if you include blended malt.

SINGLE MALT SCOTCH - EXPORT

Value: +14.3% to £1.171bn

Volume: +8.1% to 122m bottles

OTHER BOTTLED SCOTCH* - EXPORT

Value: +7.8% to £2.956bn

Volume: +0.9% to 842m bottles

TOTAL SCOTCH - EXPORT

Value: +8.9% to £4.368bn

Volume: +1.7% to 1.234bn bottles

* Other bottled Scotch includes bottled blended malt, bottled blended Scotch and bottled grain Scotch whisky. Bulk export is not included, except in the Total.

Even though Scotch whisky is exported to more than 200 countries, 78.4% of the values and 77.8% of the volumes go to the top 20 markets. In the case of single malts, 77% of the values are exported to ten countries. There are no surprises when it comes to the two biggest markets - France is number one in terms of volumes even though the numbers were down by 5.9% while USA, the number one market in terms of values, performed much better with an increase of 7.7%.

Looking at the detailed figures for each of the nine regions, all but one (Central and South America) showed positive growth figures both in terms of volumes and values.



A record year for producers of Scotch

The European Union

The European Union still maintains its position as the biggest export market for Scotch whisky which of course makes it even more important for the whisky producers that the UK government will be able to cut a favourable trade deal after Brexit. Almost 40% of the volumes are sold to markets within the union while values are a little less (31.6%). Single malts have increased steadily in the last couple of years (up 13% in 2017) but the positive thing was that blends, after negative growth in the last few years, increased in value by 11%. The interesting thing in 2017 was that volumes went up by a mere 1% while values increased by 11% - either a case of premiumisation or Scotch simply becoming more expensive!

EU — Top 3

France	volumes	-6%	values	+2%
Germany	volumes	+6%	values	+14%
Spain	volumes	-5%	values	+5%

France has been for many years, and still is, the dominant market for Scotch. In fact, in terms of volume, it is the biggest importer in the world and second to the US in terms of values. The importance of the market is evidenced by the fact that almost one third of the Scotch export in 2017 went to France. In place two and three, Spain and Germany have been rivals for many years. Spain has been a turbulent market during the last decade but both countries showed a

double digit increase in 2016. In terms of volumes, 2017 was a mixed bag with Spain decreasing while shipments to Germany were up. The interesting thing though, is that in terms of values, Germany is now for the first time in second place thanks to an increase of 13.5% to £184m compared to Spain’s £175m. The fourth biggest market for Scotch in the EU (and number eight in the world) is Latvia. With 2 million people it becomes pretty obvious that the majority of the whisky isn’t consumed by the people, instead, Latvia serves as a hub for exports to Russia.

North America

The second largest region, and one that accounts for one quarter of the Scotch export values, is North America. While dominated by the USA, let’s not forget two other countries - Mexico, with a presence in the top ten importers of Scotch in the world and Canada. In 2017, the region was up 2.5% in volumes and 7% in values.

North America — Top 3

USA	volumes	+7%	values	+8%
Mexico	volumes	-8%	values	-1%
Canada	volumes	+3%	values	+13%

USA had a tough act to follow with a 14% increase in values during 2016 but still managed to add another 7% to that figure in 2017. No less than 26% of the world exports