



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

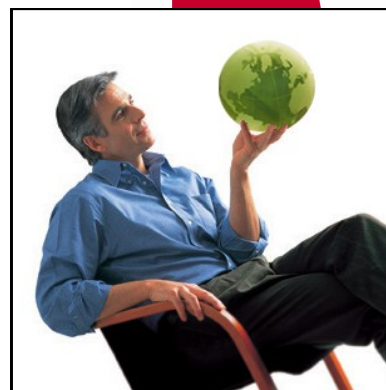
**International
Markets
Bureau**

MARKET INDICATOR REPORT | JULY 2010



Consumer Trends

Wine, Beer and Spirits in the United States



Consumer Trends

Wine, Beer and Spirits in the United States



► EXECUTIVE SUMMARY

In 2008 and 2009, on-trade* volume sales of alcoholic beverages declined, while off-trade volume sales continued to grow, causing an overall growth in the alcoholic beverages sector. Many Americans are purchasing more domestic beer, which remains the highest grossing alcoholic beverage. However, Canadian exports of alcoholic beverages to the United States (U.S.) declined 10.5% between 2008 and 2009.

Before the recession, premium alcoholic beverages were gaining market share, a situation that was reversed during the recession. Although the alcoholic drink market is expected to remain stable, premium beverages are expected to capture market share from non-premium alcoholic drinks as the market improves.

Anheuser-Busch Inbev and MillerCoors, controlled 81% of the U.S. beer market in 2009. In the wine and spirits market, however, competition is more fragmented.

Over the next few years, the prime drinking market segment (ages 21-29) will slow to a 1% growth rate, forcing the alcoholic drink market to target consumers in their 30s. Marketing towards the older consumer is significantly different, as these consumers are more aware of quality and differentiation among products (such as wine varieties).

► INSIDE THIS ISSUE

<i>Consumer Trends</i>	3
<i>Retail Trends</i>	4
<i>Beer and Cider/Perry</i>	5
<i>Wine</i>	6
<i>Spirits and Ready to Drink Premixes (RTDs)</i>	7
<i>Competition</i>	8-9
<i>Sources</i>	9

► CONSUMER TRENDS

- In 2009, the U.S. market for alcohol rose to US\$84.6 billion, up from US\$81.3 billion during the previous year. Beer represented most of the alcoholic beverages sold in the U.S., at US\$43.7 billion in 2009. Spirits held US\$22.2 billion of the market, and wine held US\$16.9 billion.
- The U.S. accounted for 16% of the total world market for alcoholic drinks, by value, in 2008. Europe accounted for 57.4%, while the Asia-Pacific accounted for 17%.
- Before 2006, wine and spirits were growing at the expense of beer. It seems that beer brewers were not appropriately targeting young consumers, who are the key market demographics for alcohol purchases in the U.S. To compete in today's market, beer brewers are attempting to advertise their unique product benefits, and increase brand awareness among younger consumers.

*On-trade = alcoholic beverages sold in restaurants, bars, etc.
Off-trade = alcoholic beverages sold in retail stores



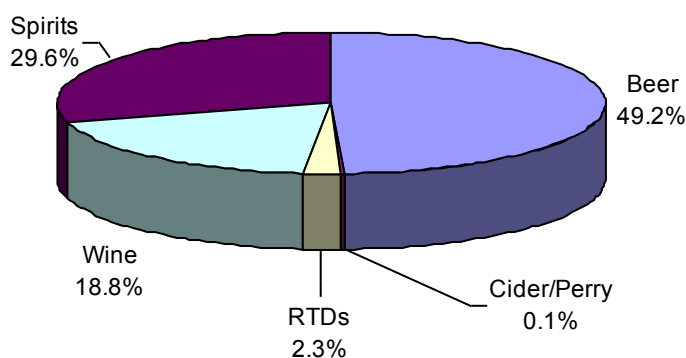
► CONSUMER TRENDS (CONTINUED)



- ▶ Since 2004, premium alcoholic beverages led market sector growth. As the economy worsened, consumers moved back to economy and mid-priced alcoholic drinks such as domestic beer.
- ▶ Older consumers in the U.S. are generally knowledgeable about wine varieties, and young consumers are keen to experiment.
- ▶ Although the legal drinking age is 21, underage drinkers account for 20% of all alcohol consumed in the U.S. As well, young, but legal consumers of alcohol (over 21), consume more than the older population. There has also been a growing interest in flavoured spirits and wine among young consumers, but increases in market share are not expected to continue, as beer manufacturers are becoming more innovative and appealing to younger demographics. Such innovations include lime-flavoured beer, new packaging and premium creations.
- ▶ Mixing alcohol with energy drinks has become a new phenomenon, especially among younger consumers. This new trend has led big brewers to introduce brands such as Miller Sparks, and Busch's Big Extra, both containing energy drink ingredients such as caffeine. However, chief legal officers from 29 states have recently condemned these products, claiming that they provide consumers with misleading health statements and pose serious health risks to American youth. One such risk is that the caffeine contained in energy drinks could mask the level of the drinker's intoxication, thus causing more incidents of drunk driving and more injuries requiring medical attention.
- ▶ Wine is becoming more popular among Hispanic consumers in the U.S., as it is becoming the drink of choice for special occasions. Hispanics are the largest ethnic group in the U.S., and are therefore an abundant opportunity for wine sale growth. These consumers prefer wines from Latin American countries such as Chile and Argentina.
- ▶ Much like Canada, the advertisement of alcoholic beverages in the U.S. is regulated through a series of federal laws, state laws, and media companies and voluntary trade association guidelines. Guidelines stipulate that advertisements should not condone drunk driving, should not encourage underage drinking, and should not make health claims. The federal government also passed a bill forcing containers of all alcoholic beverages to warn pregnant women about potential birth defects, and to warn other consumers that consuming alcohol impairs the ability to drive and operate machinery.



**On and Off-trade Sales of Alcoholic Drinks in the U.S.
by Sector: Total Value US \$Million 2009**



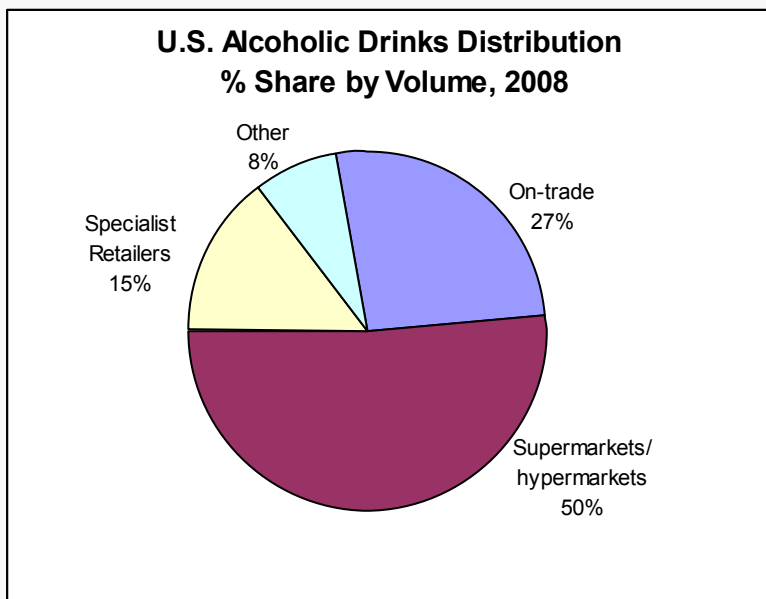
Source: Euromonitor, 2010.

RTD = Ready to Drink (premixes)

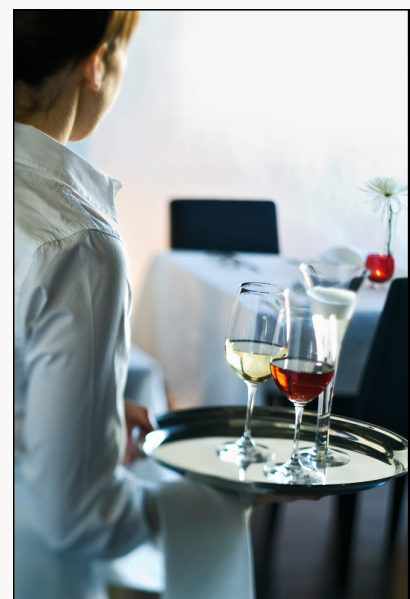


► RETAIL TRENDS

- ▶ In the U.S., hypermarkets and supermarkets held over 50% of the volume share of alcoholic drink sales in 2008. Specialist retailers only held 14.8% of the market. However, in some states, grocery stores are not able to sell alcoholic drinks, positioning specialist stores as potentially the only places where alcohol is available for purchase. In states with fewer restrictions, many supermarkets and hypermarkets are devoting more aisles to alcoholic beverages, thus providing customers with a wider selection of products, much like smaller retailers.
- ▶ Bag-in-box wine is becoming increasingly popular among Americans. In the past, boxed wine was seen as cheap, low-quality alternative to glass bottles, but consumers are learning the advantages of boxed wine over bottled. Boxed wine is easier to transport, both for the consumer and the producer, cheaper than glass bottles, and reduces the chances of the bottle being “corked” or spoiled. Another trend in the wine industry is the use of Polyethylene Terephthalate (PET) bottles, which are shatterproof. Boxed wines and PET bottles are expected to become widely accepted by consumers as more premium and well-known brands use these types of packaging.
- ▶ Beer companies are also looking to introduce novelty packaging (such as Coors’ certified cold temperature-gage bottles) as a means of differentiation from other brands. To be accepted by consumers, these new packages must be convenient and promoted through an advertising campaign.
- ▶ Corporate mergers, which created Anheuser-Busch Inbev and MillerCoors, have created a beer duopoly and have severely limited the choices available for consumers in the beer market.
- ▶ There are currently four different taxes levied on alcoholic beverages in the U.S. These include federal excise taxes, state taxes, import taxes and finally sales taxes. The total tax on an average bottle of spirits is 50% of the purchase price. Beer is currently taxed less than any other type of alcohol. According to the U.S. government, these taxes are put in place to discourage abuse of these beverages.
- ▶ Beer became the biggest beneficiary of reduced consumer spending during the recession in the on-trade channel. It is increasingly being purchased over wine and spirits in the on-trade sector, as it is a cheaper alternative to many straight and mixed drinks.
- ▶ Off-trade sales have risen at the expense of the on-trade sector. Whatever alcoholic beverages consumers drank in the on-trade sector before the recession, with the exception of premium alcoholic drinks, are being consumed in the off-trade sector during the recession.



Source: Datamonitor, 2009.



► BEER AND CIDER/PERRY



- ▶ Beer is the country's most popular alcoholic beverage. Over US\$90 billion worth of beer was sold in the U.S. in 2009, most of which is produced domestically.
- ▶ The U.S. beer market is dominated by two companies who control 81% of the market, Anheuser-Busch Inbev and MillerCoors. Price wars between these top companies have occurred in the past.
- ▶ Although alcohol is considered a discretionary expenditure by most consumers, beer is the cheapest form of alcohol available, causing it to be fairly recession-proof. The small 1% growth rate of the beer market in 2009 is not a cause for concern in a market where many discretionary expenditure products are far worse off.
- ▶ For many years, imported beer gained market share at the expense of domestic beer brands. Domestic beer companies retaliated with the creation of new products such as Bud Light Lime, and the use of successful promotional campaigns for other light beer products.
- ▶ Health and wellness trends in the food and beverage market are causing light beers to become increasingly popular. Many women are switching to beer from ready to drink premixes due to light beer's reduced calorie content and appealing flavours.
- ▶ A total of 75% of the volume sales of beer are from the off-trade channel, but sales values are comparable between the off-trade and on-trade channels. This is due to the price of beer being up to three times higher in on-trade channels.
- ▶ Domestic lager beer had the highest sales value in 2009, but amber ale was the fastest growing sub-sector in total volume and value terms from 2008-2009.
- ▶ Corona, a Mexican beer, is currently the most popular import, controlling 3.6% of the beer market.



Historic and Forecast Sales of Beer/Cider/Perry in the U.S. by Subsector: Total Value 2008-2013						
US \$ million	2008	2009	2010	2011	2012	2013
Beer	87,058.8	90,392.3	91,289.0	91,791.3	91,731.2	92,144.8
Lager	81,695.4	84,830.2	85,577.8	85,933.5	85,740.1	86,040.7
Premium Lager	26,072.8	26,557.9	26,998.1	27,450.5	27,767.3	28,189.0
Imported Premium Lager	18,384.8	18,515.9	18,746.1	18,969.7	19,184.4	19,472.7
Domestic Premium Lager	7,688.0	8,042.0	8,252.0	8,480.8	8,582.9	8,716.3
Domestic Standard Lager	40,016.9	41,824.6	42,301.6	42,310.7	42,106.3	42,130.6
Domestic Economy Lager	15,605.8	16,447.8	16,278.1	16,172.2	15,866.5	15,721.2
Domestic Lager	63,310.7	66,314.3	66,831.6	66,963.7	66,555.7	66,568.1
Dark Beer	3,982.2	4,213.9	4,358.5	4,501.5	4,630.9	4,745.2
Amber Ale	625.1	717.3	731.8	760.1	785.7	812.0
Other Ale	1,082.5	1,080.4	1,132.1	1,181.3	1,222.1	1,253.4
Pale Ale	845.3	854.3	861.5	881.4	896.9	904.4
Wheat Beer	1,347.9	1,478.3	1,547.2	1,590.5	1,636.8	1,684.2
Other Dark Beer	81.4	83.6	86.0	88.2	89.4	91.2
Stout	855.4	829.9	861.2	889.2	914.7	930.9
Low Alcohol Beer	525.8	518.3	491.6	467.2	445.4	427.9
Cider/Perry	203.3	214.4	218.1	223.9	228.5	235.2

Source: Euromonitor, 2010.



- ▶ Sales of wine grew to US\$34.5 billion in 2009, up from US\$33.1 billion in 2008.
- ▶ A phenomenon known as *trading down* is being seen in the wine market, as consumers who previously bought premium brands are purchasing mid-priced brands during and potentially after the recession. For example, sales of champagne decreased by 5% in 2009, and were replaced by cheaper domestic brands of sparkling wine.
- ▶ Wine is becoming more of an everyman's drink in the U.S., shifting away from its elitist image of former years. Many younger consumers are embracing wine, especially in boxed containers with colourful and fun labels.
- ▶ From 2008 to 2009, on-trade sales of wine declined to 555 million litres, as consumers drank less wine at restaurants and bars. On the other hand, off-trade sales have increased since 2008, due to more consumers purchasing wine from retailers and consuming them at home.
- ▶ Red wine continues to be the top seller in the wine category, with sales that have increased to US\$14.8 billion in 2009. Red wine has profited from heart-health benefit claims.
- ▶ Most of the wine consumed in the U.S. is produced in California, but consumers are also looking overseas for premium wines.
- ▶ When it comes to red wine sales in the U.S., cheaper is better: a total of 38.6% of all red wines purchased were in the US\$4 to US\$9.49 price range. White and rosé wine followed similar patterns, while sparkling wine tended to be sold more in the range of US\$14 and above.
- ▶ E and J Gallow Winery is the leader of the wine industry, holding 22% of the market. The Wine Group comes second, holding 16.2% of the market. Moët Hennessy USA was the market leader for champagne in 2009, holding 63.7% of the market. Finally, for vermouth and fortified wine, Centerra Wine Co held 38.2% of the market.



Historic and Forecast Sales of Wine in the U.S. by Subsector: Total Value 2008-2013						
US\$ million	2008	2009	2010	2011	2012	2013
Still Light Grape Wine	28,389.3	29,813.1	30,550.7	31,443.1	32,624.3	33,672.0
Still Red Wine	13,983.8	14,776.2	15,194.0	15,695.0	16,355.2	16,964.8
Still White Wine	12,094.2	12,669.4	12,974.8	13,318.3	13,771.6	14,151.2
Still Rosé Wine	2,311.3	2,367.4	2,381.9	2,429.8	2,497.5	2,555.9
Sparkling Wine	2,603.4	2,606.9	2,617.8	2,649.3	2,694.0	2,743.7
Champagne	969.0	930.5	921.5	922.1	934.6	951.9
Other Sparkling Wine	1,634.5	1,676.4	1,696.3	1,727.2	1,759.4	1,791.8
Fortified Wine & Vermouth	1,805.8	1,815.9	1,808.8	1,820.5	1,831.7	1,841.7
Port/Oporto	147.6	153.7	158.9	164.8	169.7	175.0
Sherry	56.8	57.0	56.9	57.1	57.6	58.0
Vermouth	384.5	386.0	384.8	391.9	398.0	400.8
Other Fortified Wine & Vermouth	1,216.9	1,219.2	1,208.2	1,206.5	1,206.4	1,207.9
Non-Grape Wine	254.6	273.9	287.1	298.1	307.7	316.2
Fruit Wine	45.6	48.1	49.7	51.1	52.3	53.2
Rice Wine	209.0	225.9	237.4	247.0	255.4	263.0
Wine	33,053.1	34,509.7	35,264.4	36,211.0	37,457.8	38,573.5

Source: Euromonitor, 2010.



► SPIRITS AND READY TO DRINK PREMIXES (RTDs)

- From 2008 to 2009, sales of spirits grew by 1%, to US\$53.3 billion. However, sales of RTDs and high strength premixes were down by 3.1% during the same period.
- Part of the decline in RTD sales can be linked to poor economic performance in the U.S., but also to a decline in underage drinkers, who are the main consumers of these products. Malt-based RTDs showed a smaller decline, as they were targeted to older males and females.
- Volume wise, more spirits are purchased in off-trade venues, but the on-trade sector showed higher sales values, since spirits are often sold at a significantly higher price in bars and restaurants. From 2008 to 2009, off-trade sales rose 3.9%, while on-trade sales declined 0.3%.
- Canada is the largest volume exporter of spirits to the U.S. and it is also the largest importer value-wise.
- Vodka is the most popular spirit in the U.S., while Irish whiskey holds the record for highest volume growth at 106.6.% from 2004 to 2009.
- Diageo, the maker of brands such as Smirnoff, Captain Morgan, Grey Goose and Crown Royal, remains the market leader for spirits, holding 23.4% of the sector in 2009. Many companies are unable to gain market share against Diageo and much of the competition's growth has been through acquisitions.
- The market for spirits is mature, but there are opportunities for new categories of spirits to enter the market, such as rice-based liqueur and absinthe. Currently, the *other spirits and liqueurs* market controls 13% of the spirits sector.

Historic and Forecast Sales of Spirits and RTDs in the U.S. by Subsector: Total Value 2008-2013						
US\$ million	2008	2009	2010	2011	2012	2013
Whiskey	13,678.4	14,027.7	14,283.5	14,475.3	14,659.8	14,808.8
Single Malt Scotch Whiskey	864.4	887.5	913.8	942.5	979.0	1,015.2
Blended Scotch Whiskey	2,720.3	2,786.6	2,836.4	2,883.6	2,932.6	2,971.3
Bourbon/Other U.S. Whiskey	5,385.9	5,491.8	5,570.6	5,628.8	5,677.4	5,679.8
Canadian Whiskey	4,111.8	4,193.0	4,233.3	4,233.2	4,226.4	4,237.4
Irish Whiskey	596.0	668.8	729.3	787.2	844.4	905.0
Brandy & Cognac	5,666.6	5,420.7	5,300.2	5,257.7	5,259.2	5,305.4
Brandy	1,825.4	1,850.0	1,877.5	1,908.5	1,939.0	1,972.7
Cognac	3,841.2	3,570.7	3,422.7	3,349.2	3,320.2	3,332.7
White Spirits	17,001.5	17,523.2	18,102.3	18,672.3	19,120.2	19,537.4
Gin	2,958.4	2,980.3	3,001.3	3,051.9	3,096.8	3,132.0
Vodka	14,043.1	14,542.9	15,101.0	15,620.4	16,023.4	16,405.4
Rum	6,361.1	6,504.9	6,603.4	6,690.8	6,774.4	6,860.9
White Rum	3,345.0	3,412.3	3,491.7	3,556.9	3,617.5	3,664.5
Dark Rum	3,016.1	3,092.6	3,111.7	3,133.9	3,156.9	3,196.4
Tequila (& Mezcal)	3,644.8	3,744.5	3,887.3	4,047.3	4,203.9	4,376.0
Liqueurs	6,721.7	6,595.0	6,589.3	6,686.3	6,830.2	7,032.8
Cream-based Liqueurs	916.9	873.2	859.2	858.5	869.8	891.8
Bitters	1,301.1	1,348.9	1,402.1	1,457.4	1,510.2	1,559.7
Other Liqueurs	4,503.7	4,372.9	4,328.0	4,370.4	4,450.2	4,581.3
Other Spirits	458.1	464.0	470.2	478.3	486.6	497.7
Spirits	53,532.2	54,280.0	55,236.2	56,308.0	57,334.4	58,418.9
RTD (Ready to drink premixes)	4,286.3	4,154.1	4,004.2	3,884.8	3,816.0	3,762.2

Source: Euromonitor, 2010.



Brand Shares of Beer in the U.S. 2006-2009 (% Volume)					
Brand Name	Company	2006	2007	2008	2009
Bud Light	Anheuser-Busch InBev NV	-	-	20	20.4
Budweiser	Anheuser-Busch InBev NV	-	-	10.8	10.3
Coors Light	MillerCoors LLC	-	-	8.7	9.1
Miller Lite	MillerCoors LLC	-	-	8.1	7.8
Natural Light	Anheuser-Busch InBev NV	-	-	4.3	4.3
Corona Extra	Crown Imports LLC	-	4.1	3.9	3.6
Busch Light	Anheuser-Busch InBev NV	-	-	3.1	3.2
Busch	Anheuser-Busch InBev NV	-	-	2.9	3.1
Miller High Life	MillerCoors LLC	-	-	2.3	2.3
Heineken	Heineken USA Inc	2.4	2.4	2.2	2.1
Others		97.6	93.5	33.7	33.8
Total		100	100	100	100

Brand Shares of Still Light Grape Wine in the U.S. 2006-2009 (% Volume)					
Brand Name	Company	2006	2007	2008	2009
Franzia	Wine Group Inc, The	8.6	8.6	8.6	8.3
Carlo Rossi	E & J Gallo Winery	5	5	5	5
Sutter Home	Trinchero Family Estates	3	3.1	3.2	3.2
Twin Valley	E & J Gallo Winery	3.5	3.1	3.1	3.2
Yellow Tail	WJ Deutsch & Sons	3.2	3.1	3.1	3
Beringer	Foster's Wine Estates	3.3	3.3	3.2	2.9
Woodbridge	Vine One	-	-	2.8	2.7
Barefoot Cellars	E & J Gallo Winery	1	1.5	2.3	2.5
Livingstone Cellars	E & J Gallo Winery	2.7	2.6	2.6	2.5
Almaden	Wine Group Inc, The	-	-	2.6	2.4
Others		69.7	69.7	63.5	64.3
Total		100	100	100	100

Brand Shares of Sprints in the U.S. 2006-2009 (% Volume)					
Brand Name	Company	2006	2007	2008	2009
Smirnoff	Diageo North America Inc	5.1	5.2	5.3	5.4
Bacardi	Bacardi USA	5.4	5.3	5.3	5.1
Captain Morgan	Diageo North America Inc	2.4	2.5	2.5	2.7
Jack Daniel's	Brown-Forman Corp	2.8	2.7	2.6	2.6
Absolut	Pernod Ricard USA	-	-	2.7	2.5
José Cuervo	Diageo North America Inc	2.2	2.1	2.1	2.1
Crown Royal	Diageo North America Inc	2.1	2.1	2.1	2.1
Grey Goose	Bacardi USA	1.5	1.8	1.8	1.8
Jim Beam	Beam Global Spirits & Wine Inc	1.9	1.9	1.8	1.8
E & J Gallo	E & J Gallo Winery	1.6	1.6	1.7	1.7
Others		75	74.8	72.1	72.2
Total		100	100	100	100

Source: Euromonitor, 2010.

► COMPETITION (CONTINUED)



Brand Shares of Ready to Drink (RTDs)/High-strength Premixes in the U.S. 2006-2009 (% Volume)					
Brand Name	Company	2006	2007	2008	2009
Mike's Hard Beverage	Mark Anthony Brands Ltd	13.8	13.7	15.6	17
Sparks	MillerCoors LLC	-	-	13.5	12.9
Bacardi Silver	Anheuser-Busch InBev NV	-	-	10.4	10.2
Smirnoff Ice	Diageo North America Inc	13.3	8.7	8.2	7.8
Bartles & Jaymes	E & J Gallo Winery	7.4	7.2	7.7	7.2
Smirnoff	Diageo North America Inc	2.5	4.2	4.8	5.2
Seagram's Coolers	North American Breweries Inc	-	-	-	4.7
Smirnoff Twisted V Green Apple	Diageo North America Inc	6.5	4.7	4.4	4.1
Smirnoff Twisted V Watermelon	Diageo North America Inc	3	3.3	3	2.9
Smirnoff Twisted V Wild Grape	Diageo North America Inc	4.6	3.2	3	2.7
Others		48.9	55	29.4	25.3
Total		100	100	100	100

Source: Euromonitor, 2009.

► SOURCES

Business Monitor International. (2009). "United States Food and Drink Report." p. 31-32.

Datamonitor. (2009, Aug). "Alcoholic Drinks in the United States: Industry Profile." pg. 26. Ref code: 0072-2201

Euromonitor International. (2010). "Alcoholic Drinks USA." Retrieved on Apr.15, 2010. From: [\[www.euromonitor.com\]](http://www.euromonitor.com).

Euromonitor International. (2010). "Wine– USA." *Industry Reports*. Retrieved on Apr.15, 2010. From: [\[www.euromonitor.com\]](http://www.euromonitor.com).

Euromonitor International. (2010). "RTDs/High Strength Premixes– USA." *Industry Reports*. Retrieved on Apr.15, 2010. From: [\[www.euromonitor.com\]](http://www.euromonitor.com).

Euromonitor International. (2010). "Beer– USA." *Industry Reports*. Retrieved on Apr.15, 2010. From: [\[www.euromonitor.com\]](http://www.euromonitor.com).

Euromonitor International. (2010). "Spirits– USA." *Industry Reports*. Retrieved on Apr.15, 2010. From: [\[www.euromonitor.com\]](http://www.euromonitor.com).

European Centre for Monitoring Alcohol Marketing (2008). "Drinks with a Boost: Alcoholic Energy Drinks: Trends in Alcohol Marketing." Final version. pp.7.

Mergent Web Reports. (2009, Oct). "North America Food & Beverage Sectors." pg. 11. Retrieved on Apr 16, 2010. From: [\[http://webreports.mergent.com/\]](http://webreports.mergent.com/).

Wolberg, Joyce M and Olesya Venger. 2009. "Regulating Sin Across Cultures: A Comparison of Alcohol Ads in Ukrainian and American Magazines." in *Journal of Advertising*. Volume 38 (no.4): p. 18-20.

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

Consumer Trends - Wine, Beer and Spirits in the United States

© Her Majesty the Queen in Right of Canada, 2010

ISSN 1920-6615 Market Indicator Report

AAFC No. 11221E

Photo Credits

All Photographs reproduced in this publication are used by permission of the rights holders.

All images, unless otherwise noted, are copyright
Her Majesty the Queen in Right of Canada.

For additional copies of this publication or to request an alternate format,
please contact:

Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :

Tendances de consommation - Vin, bière et spiritueux aux États-Unis

Canada 