

In 2018, distilled spirits—especially whiskies, tequila, cognac, and bourbon—are expected to outperform both wine and beer in the U.S. for the seventh consecutive year.



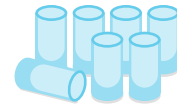
FLYING OFF THE SHELVES

Distilled spirits' 23rd consecutive year of growth is expected to continue as high-end labels continue to sell and major holding companies invest in brown spirits facilities.

Sources: Shanken's 2018 Impact Databank Review & Forecast, Shanken News Daily



▲ 2% IN VOLUME
U.S. DISTILLED SPIRITS MARKET
Projected, 2018



▲ 7M
DISTRIBUTOR-TO-RETAILER
VODKA CASE SHIPMENTS
Due to U.S. growth
2013–2018



\$150M INVESTMENT
OWL PARK DISTILLERY, KY
Stoli Group



\$65M INVESTMENT
BOURBON HERITAGE CENTER, KY
Heaven Hill Distillery

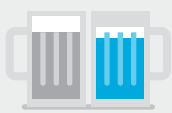


SOFT SUDS

Shipments of domestic beer decreased, as large brewers tasted consumers' shifting habits—including growing interest in hard seltzer.

VOLUME SALES, BEER BY CATEGORY

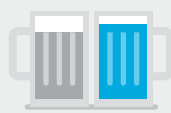
YTD, November 4, 2018
Source: IRI



▼ 0.3%
DOMESTIC
Convenience stores

▼ 2.9%
Shipments

▲ 11%
Super-premium,
flavored malt



▲ 1.1%
CRAFT

▼ Decline
Largest craft breweries
New Belgium, Deschutes, et al.

▲ Double digit
Challenger craft breweries
Stone Brewing, Firestone Walker, et al.



▲ 5.3%
IMPORTED

BEER BY HOLDING COMPANY

Volume Sales, YTD, November 4, 2018
Source: IRI



▼ 5.7%
HEINEKEN



▼ 2.2%
ANHEUSER-BUSCH



▼ 3.1%
MILLERCOORS



▲ 18.7%
BOSTON BEER COMPANY



▲ 12%
CONSTELLATION BRANDS
Corona, Modelo, and Pacifico

HARD SELTZER PRODUCTS

Retail Sales, Off-Premise Channels
Source: Nielsen



\$8.5M
YTD, June 16, 2016



▲ 1000%
\$85M
YTD, June 16, 2017



▲ 300%
\$257M
YTD, June 16, 2018



GRAPE EXPECTATIONS

While the total wine market is robust, it faces increased competition from craft beer and spirits.

TOTAL U.S. WINE SALES



▲ 6%
\$70+ billion
Last 12 months



+ \$1.9B
DOMESTIC



+ \$1.8B
PACKAGED IMPORTS

VERSUS PRIOR YEAR:

	Sales	Volume
Domestic	▲ 0.7%	▼ 1.4%
Imported	▲ 0.7%	▼ 0.8%
\$8–\$10.99	▲ 0.3%	▼ 2.1%
\$11–\$14.99	▲ 6.7%	▲ 7.4%
\$15–\$24.99	▲ 1.3%	▲ 6.5%
\$25+	▲ 1.3%	▲ 6.5%

Source: Nielsen

NOTES OF OAK WITH A SMOKEY FINISH

Despite wildfires, California's vintners report abundant yields for the 2018 crush, but shipments are down.



4.3+ MILLION TONS
2018 GRAPE HARVEST
State record
Source: Wine Institute

4.1M tons
USDA August forecast

3.9M tons
USDA historical avg.



▼ 1%
CALIFORNIA DOMESTIC
SHIPMENTS
Down 1.6M cases
YTD, June 2018 vs. 2017



▼ 13%
CALIFORNIA'S EXPORTS
Down 1.2M cases
YTD, June 2018 vs. 2017
Source: Gomberg,
Fredrikson & Associates

WILDFIRES RAVAGE WINE REGIONS

245K ACRES
NAPA REGION
October 2017

460K ACRES
MENDOCINO REGION
July–August 2018

HALF OF MALIBU COAST AVA
WOOLSEY FIRE
November 2018

POURING IT ON

While new segments such as hard seltzers continue to bring an unexpected pop to the industry, the headline remains the same: Distilled spirits' growth is not only outstripping wine and beer, but is on pace to surpass both in consumer-dollar terms by 2020.

TO LEARN MORE, DOWNLOAD GA'S WINE AND SPIRITS MONITOR AT
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