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Background Report Reference

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Analysis

Standard & Poor

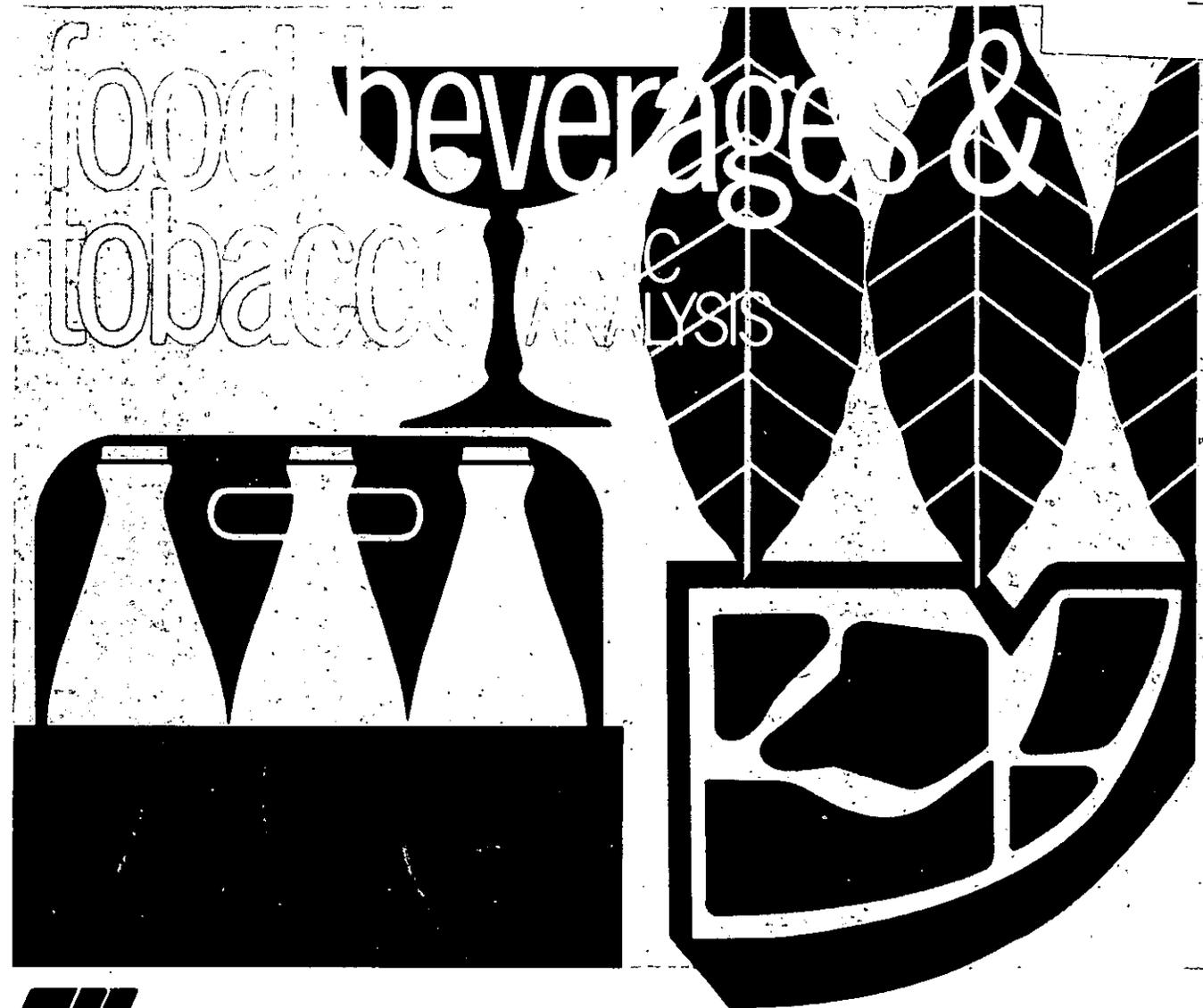
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 STANDARD & POOR'S

industry surveys

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wholesale value of 1993 wine shipments fell 9%, to \$6.4 billion, from \$7 billion a year earlier. The retail dollar amount declined 5%, year to year, to \$11.6 billion.

DISTILLED SPIRITS

Another tough year for liquor producers

Consumption of distilled spirits in 1993 dropped 2% annually, to 344.3 million gallons, the lowest volume level for the category in 26 years. Per capita consumption also fell in 1993, to 1.3 gallons from 1.4 gallons one year earlier. The weakness in recent years may largely reflect lingering aftershocks of 1991's federal excise tax increase, as well as the continuing barrage of tax hikes heaped on spirits at the state level. Another factor behind the recent category weakness is the condition of the California economy, which remains mired in recession. Virtually all spirits companies count the Golden State as their largest sales market. Thus, the condition of the region's economy has a strong bearing on the entire category's results. Finally, the evolution of consumer tastes toward alternative—and decidedly non-alcoholic—beverage selections has hurt category profits. While the tax effects and California's economic malaise will eventually subside, a shift in consumer preference back toward distilled spirits seems unlikely. This doesn't bode well for future demand growth.

Within the distilled spirits category, part of the industry's continuing volume problems tie directly to the waning popularity of brown goods. The brown goods market, which includes bourbon, Canadian whiskey, blended whiskey, and scotch, continues to suffer from the category's relatively high prices *vis-a-vis* white goods, which include gin, vodka, rum, and tequila.

One of the few bright spots within the distilled spirits market in 1993 was the 5% annual increase in tequila sales,

Leading liquor brands—1993 (In thousands of 9-liter case sales)				
Brand	Marketer	Type	Case sales	
			R1992	1993
<i>Bacardi</i>	Bacardi	Rum	6,445	6,250
<i>Smirnoff</i>	Heublein	Vodka	5,810	5,695
<i>Seagram's</i>	Seagram	Gin	3,975	3,735
<i>Popov</i>	Heublein	Vodka	3,575	3,540
<i>Seagram's 7 Crown</i>	Seagram	Whiskey	3,550	3,340
<i>Jim Beam</i>	Beam	Bourbon	3,340	3,340
<i>Canadian Mist</i>	Brown-Forman	Whiskey	3,300	3,060
<i>Jack Daniel's</i>	Brown-Forman	Whiskey	3,060	3,015
<i>Absolut</i>	Carillon	Vodka	2,375	2,450
<i>E & J</i>	E & J Gallo	Brandy	2,320	2,240
<i>Jose Cuervo</i>	Heublein	Tequila	2,095	2,200
<i>DeKuyper</i>	Beam	Cordial	2,250	2,200
<i>Gordon's</i>	United Distillers	Vodka	1,900	1,960
<i>Seagram's V.O.</i>	Seagram	Whiskey	1,975	1,890
<i>Black Velvet</i>	Heublein	Whiskey	1,920	1,875
<i>Windsor Supreme</i>	Beam	Whiskey	1,950	1,850
<i>Canadian Club</i>	Hiram Walker	Whiskey	1,875	1,800
<i>Crown Royal</i>	Seagram	Whiskey	1,575	1,650
<i>Dewar's</i>	Schieffelin & Somerset	Whiskey	1,625	1,590
<i>Gordon's</i>	United Distillers	Gin	1,450	1,510
<i>Kahlua</i>	Hiram Walker	Liqueur	1,450	1,400
<i>Kamchatka</i>	Beam	Vodka	1,445	1,375
<i>Hiram Walker</i>	Hiram Walker	Cordial	1,300	1,250
<i>Christian Brothers</i>	Heublein	Brandy	1,245	1,245
<i>Early Times</i>	Brown-Forman	Whiskey	1,280	1,215

R-Revised.
Source: IMPACT Databank.

62,085

61,675

which benefited from the ongoing popularity of the margarita. Also up—for the second year in a row—were cordials and liqueurs. In 1993, this segment expanded 1.8%, year to year, benefiting from consumers' growing preference for more flavorful spirits. ■

344,300,000 gal

~~61,125,000~~

~~5,583 gal/ton~~