U.S. BEVERAGE ALCOHOL FORUM

Brand Action Team LLC

Wine & Spirits Wholesalers of America

Next Level Marketing

MHW Ltd.
Importer • Distributor • Service Provider of Wine, Beer and Spirits

U.S. BEVERAGE ALCOHOL FORUM

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U.S. Beverage Alcohol Trends

Mike Ginley – Next Level Marketing

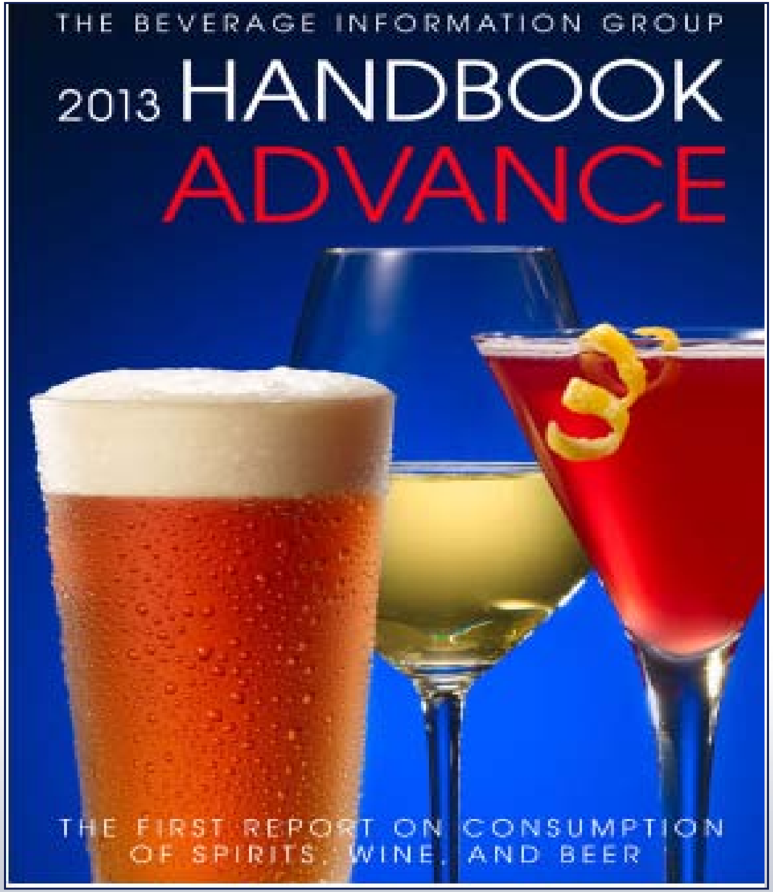
Overview

This session will start with a fast paced and information packed review of the trends in total beverage alcohol consumption and then dive into category specific trends across beer, wine and spirits.

After the short trend review, world renowned mixologist Tony Abou-Ganim will moderate a panel of leading mixologists to provide their unique perspectives on the major trends impacting the industry today.

Data Source

- For consistency and objectivity, all of the trend information in this presentation is sourced from the Beverage Information Group.
- The Beverage Information Group is the industry's most comprehensive information source.
- The information you will see today comes from the Beverage Information Group Handbook Advance that is published annually in March of each year.

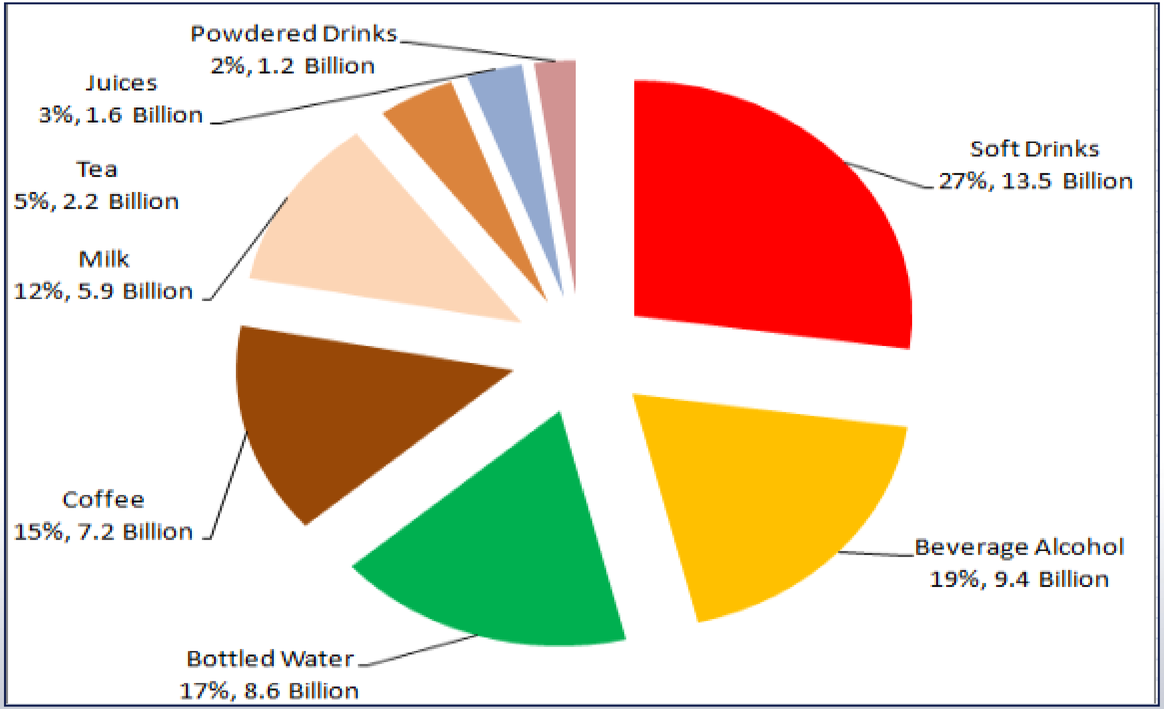


U.S. BEVERAGE ALCOHOL FORUM

Total Beverage Alcohol Trends

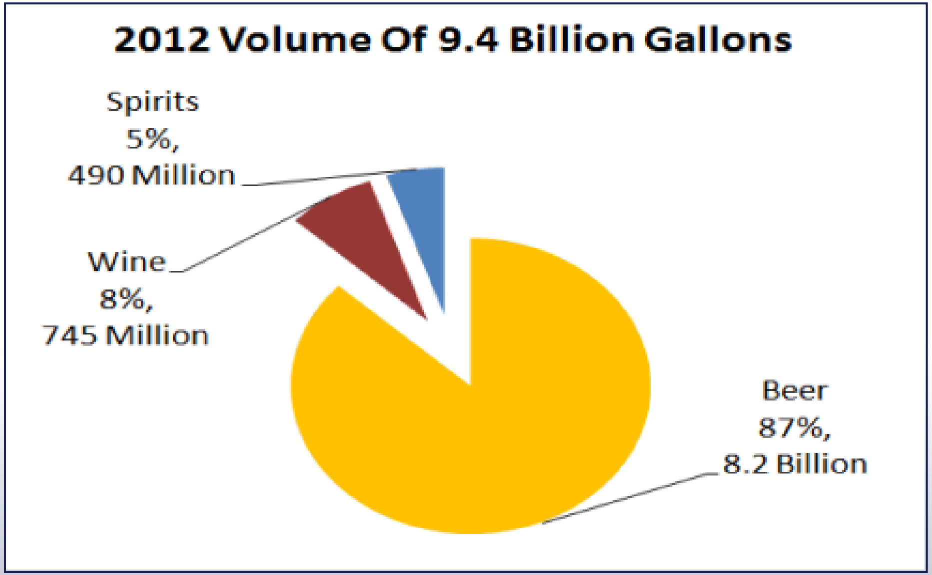
Total U.S. Beverage Shares

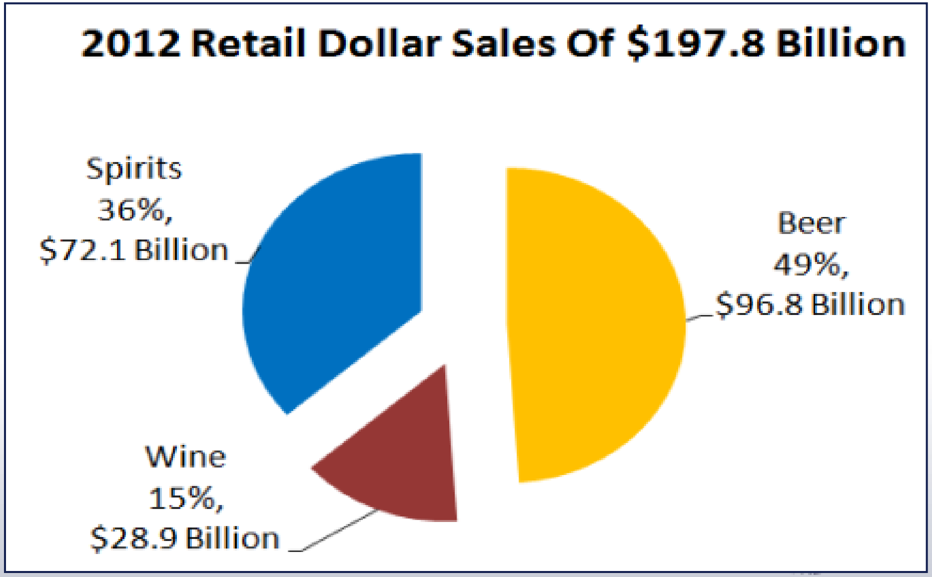
Beverage Alcohol is the second largest beverage category in the U.S. at 9.4 Billion Gallons consumed in 2012.



Total Beverage Alcohol Market

- The U.S. market size is 9.4B gallons and $197.8B in retail sales dollars.
- Beer dominates on a volume share basis at 87% of consumption.
- Spirits and Wine are much more important on dollar share basis.

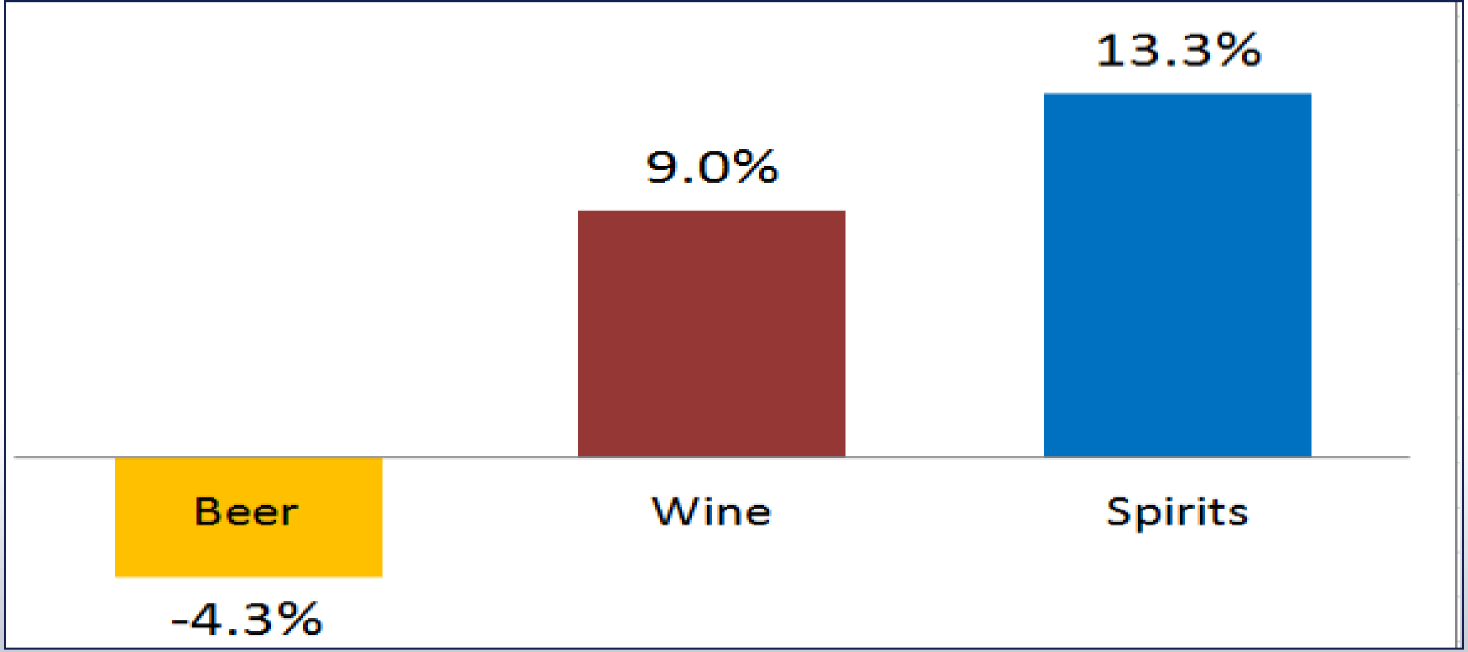




5 Year Beverage Category Growth Rates

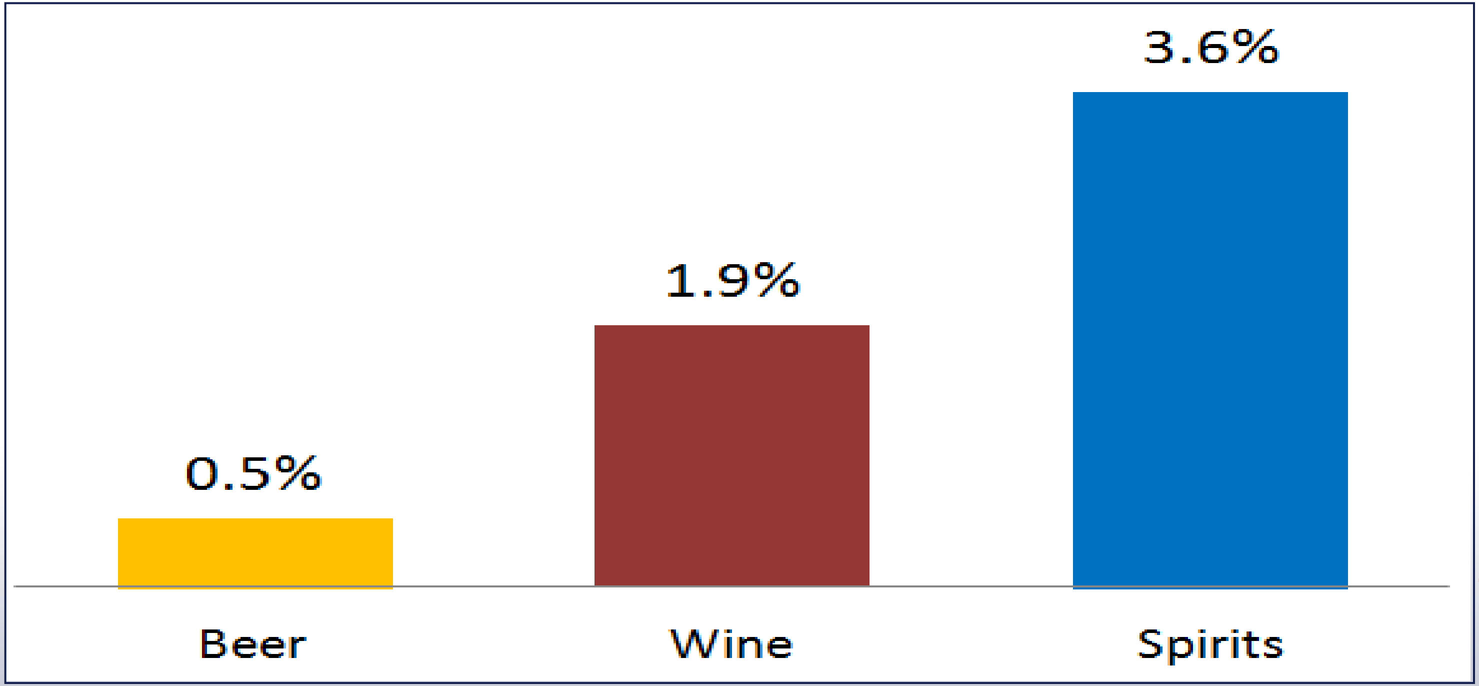
Over the last five years, Spirits and Wine consumption has grown significantly while Beer consumption has declined.

2007 – 2012 Five Year Category Growth



2012 Beverage Category Growth Rates

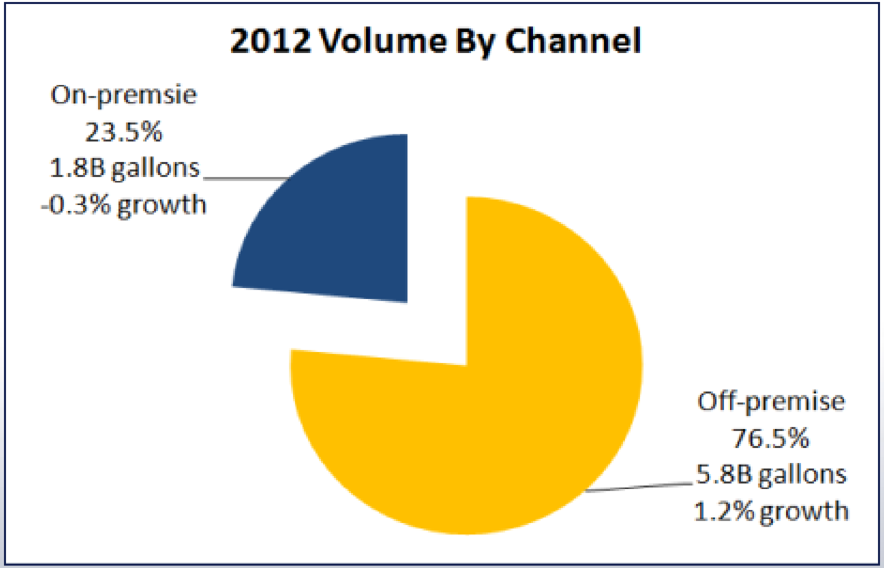
In 2012, Spirits grew by 3.6%, Wine grew by 1.9% and Beer returned to growth with 0.5% consumption growth.

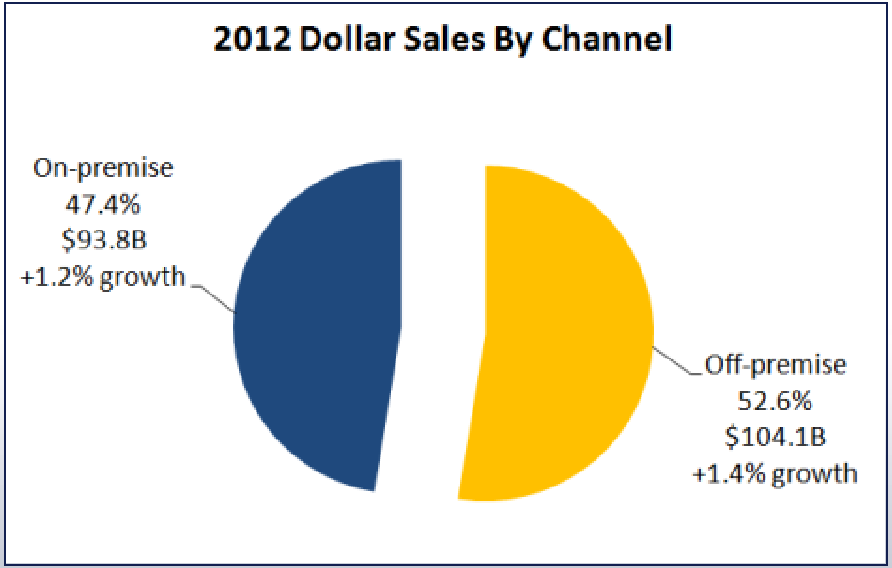


2012 On and Off-premise Trends

- U.S. beverage alcohol volume splits 76% off-premise and 24% on-premise. Off-premise is growing by 1.2% while on-premise is flat.

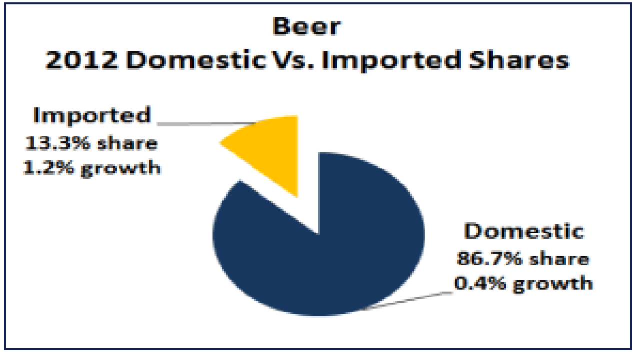
- U.S. beverage alcohol dollar sales are more evenly split with off-premise accounting for 53% and on-premise for 47%. Both channels growing 1%.

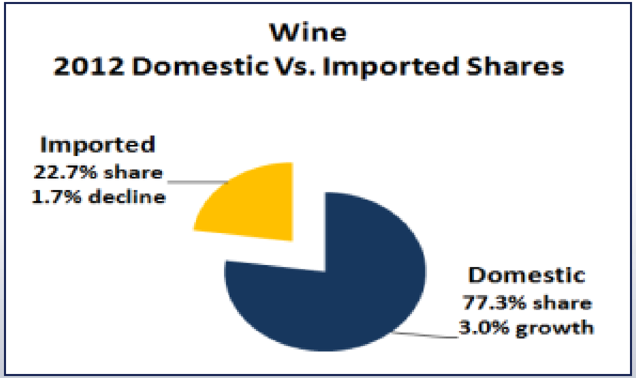


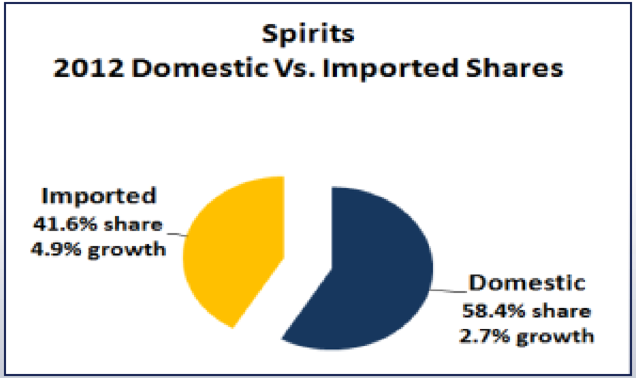


2012 Domestic Vs. Imported Trends

Domestic vs. imported volume shares vary greatly by category with beer imports accounting for only 13% of total, wine 23% and spirits at 42%.







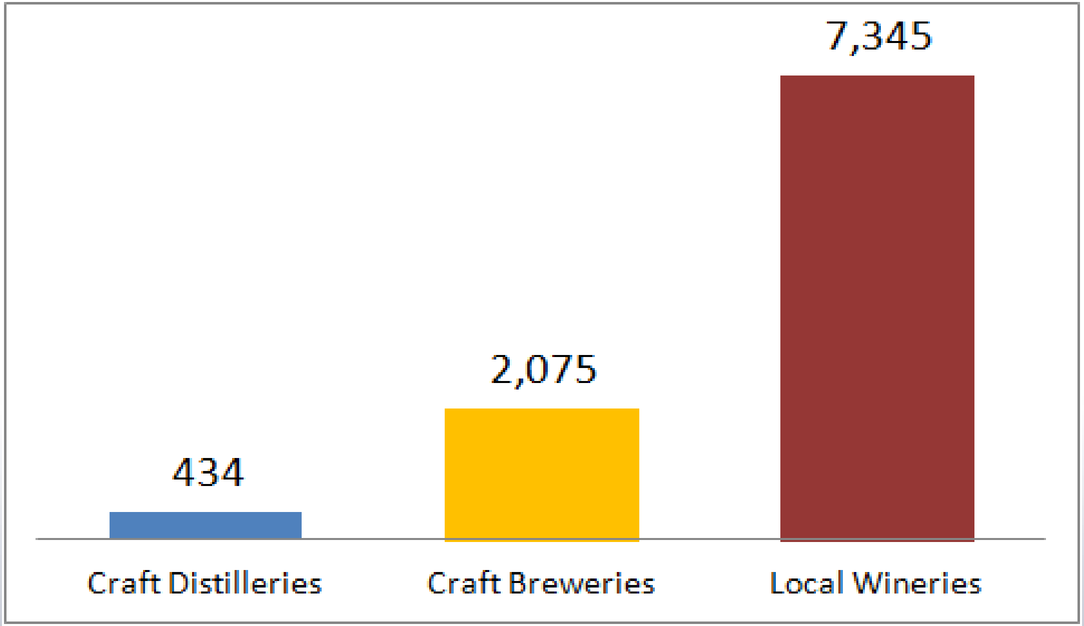
New Brand Introductions

The number of new brand introductions has grown dramatically over the past three years across Beer, Wine and Spirits to a total of 812 in 2012 led by 331 new Spirit brands.

New Brand Introductions By Type			
Category	2010	2011	2012
Beer	40	101	178
Wine	232	262	303
Spirits	266	276	331
Total	538	639	812

The Local Artisanal Craft Movement

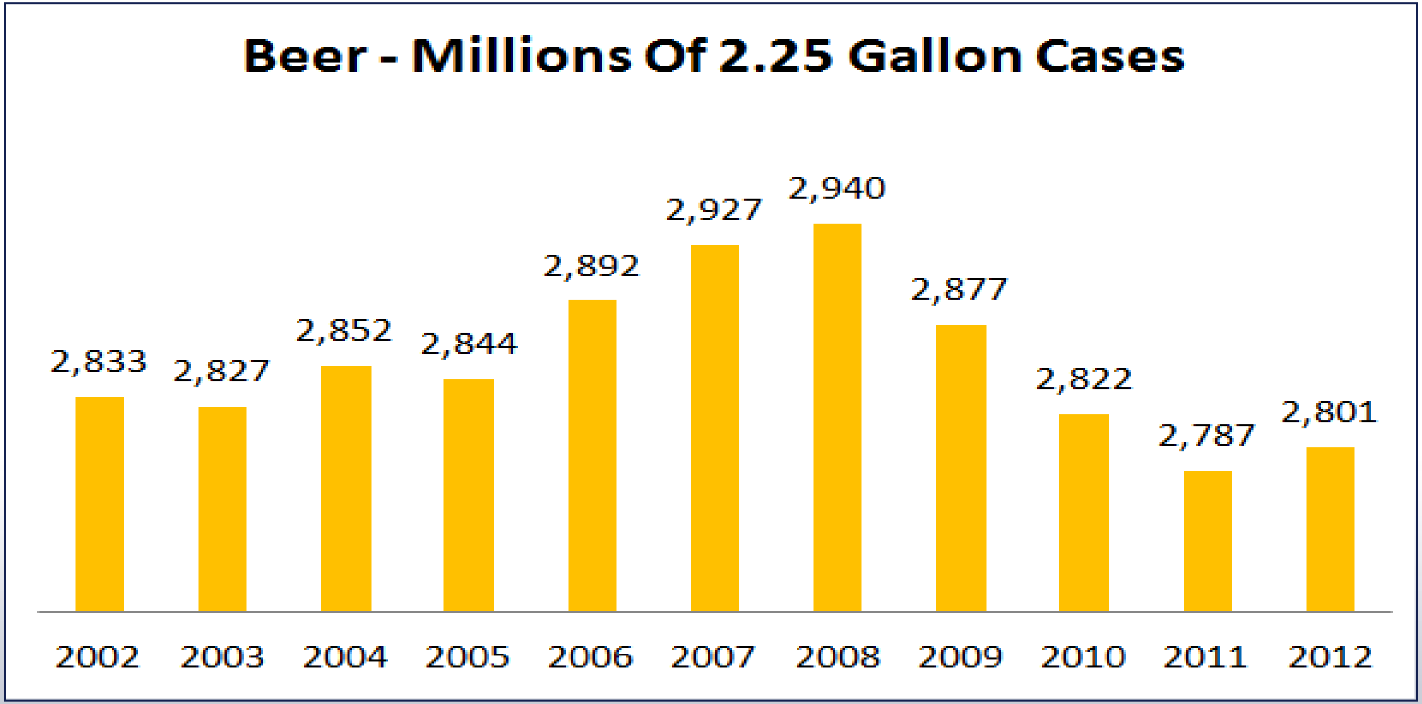
There are now 434 craft distilleries, 2,075 craft breweries and 7,345 local wineries in the U.S. that are driving consumer interest and excitement with their innovative new brands.



Beer Category Trends

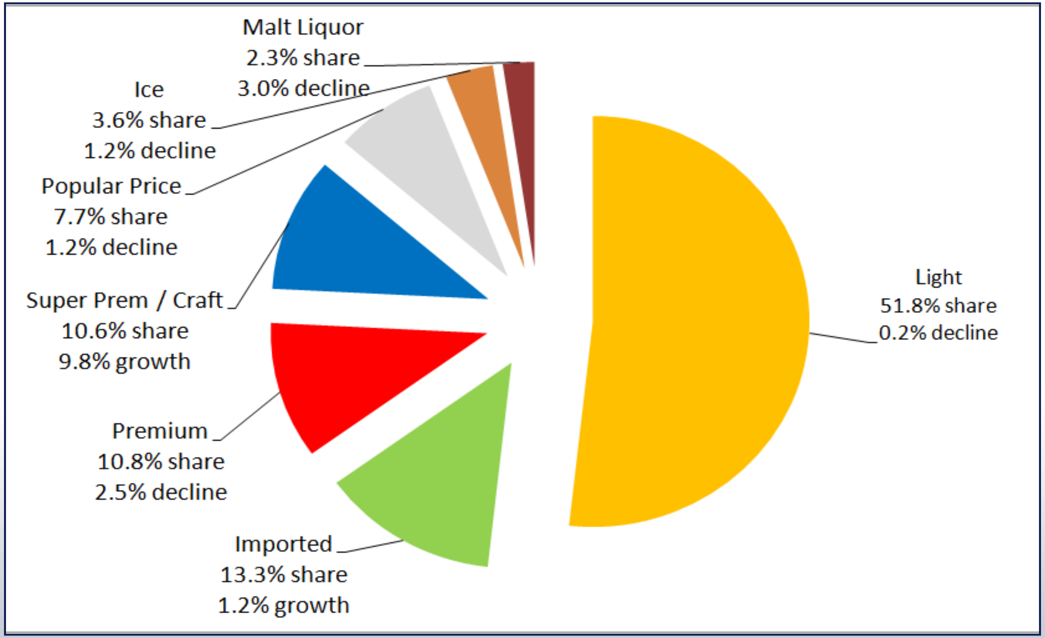
U.S. Total Beer Sales Volume Trend

In 2012, beer sales volume increased by 0.5% to reach 2.8 billion 2.25-gallon cases after three years of 1-2% declines.



2012 Beer Category Shares By Type

Light beer dominates at 52% of volume, followed by imports at 13%, premiums at 11%, super-premium/craft at 10%. Craft beer grew by 9.8% with imports up 1.2% and declines in all others.



2012 Top 25 Domestic Beer Brands

2012 Leading Domestic Beer Brands - (000 2.25-Gallon Cases)				
Brand	**Supplier**	**2012**	**Share**	**% Change**
Bud Light	AB InBev	532,550	21.9%	-1.0%
Coors Light	MillerCoors	258,980	10.7%	2.0%
Budweiser	AB InBev	226,270	9.3%	-6.5%
Miller Lite	MillerCoors	202,230	8.3%	-4.2%
Natural Light	AB InBev	111,410	4.6%	-5.1%
Busch Light	AB InBev	90,840	3.7%	-0.5%
Busch	AB InBev	76,720	3.2%	-5.4%
Miller High Life	MillerCoors	60,970	2.5%	-6.2%
Keystone Light	MillerCoors	57,710	2.4%	-8.1%
Michelob Ultra	AB InBev	46,870	1.9%	7.0%
Natural Ice	AB InBev	40,480	1.7%	-5.2%
Yuengling Traditional Lager	Yuengling Brewery	39,720	1.6%	14.8%
Pabst Blue Ribbon	Pabst Brewing	37,420	1.5%	11.7%
Bud Light Lime	AB InBev	29,230	1.2%	-5.7%
Bud Light Platinum	AB InBev	27,500	1.1%	--
Blue Moon	MillerCoors	24,630	1.0%	13.5%
Miller Genuine Draft	MillerCoors	21,120	0.9%	-12.0%
Coors Banquet	MillerCoors	19,740	0.8%	1.5%
Icehouse	MillerCoors	18,720	0.8%	-2.5%
Steel Reserve	MillerCoors	18,610	0.8%	-1.0%
Milwaukee's Best Ice	MillerCoors	17,340	0.7%	-1.5%
Milwaukee's Best Light	MillerCoors	17,100	0.7%	-5.0%
Samuel Adams Boston Lager	Boston Beer	14,480	0.6%	2.0%
Bud Ice	AB InBev	13,770	0.6%	2.0%
Milwaukee's Best	MillerCoors	12,730	0.5%	-2.8%
Total Top 25 Domestics		**2,017,140**	**83.0%**	**-0.5%**
Total Domestic Beer		**2,429,240**	**100.0%**	**0.4%**

- Bud Light dominates with a 21.9% share and is 2 times bigger than #2 Coors Light.
- The leading growth brand is Yuengling up 11.7%.
- The top 25 brands account for 83% of category volume but most are in decline.
- Category growth is being driven by the smaller craft brands.

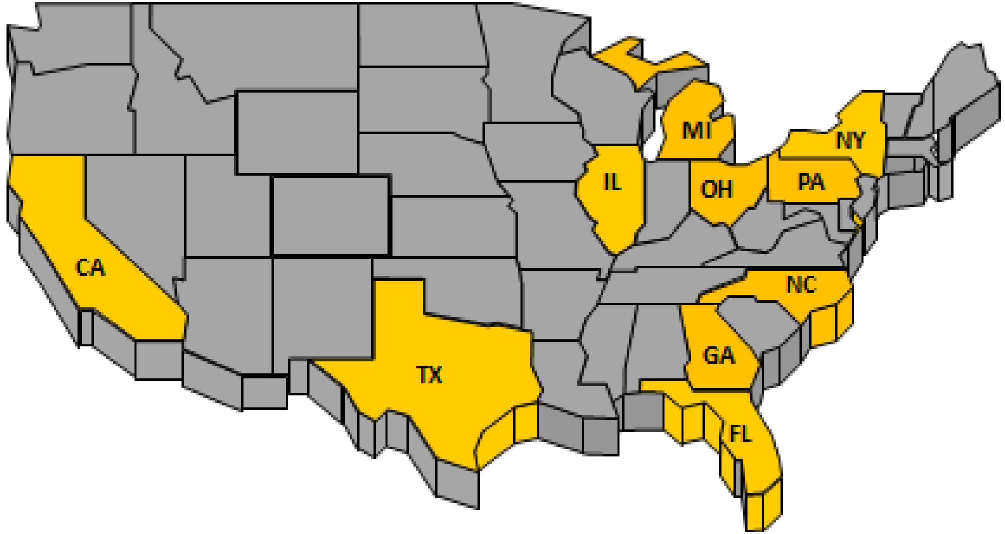
2012 Top 25 Imported Beer Brands

2012 Leading Imported Beer Brands - (000 2.25-Gallon Cases)				
Brand	**Supplier**	**2012**	**Share**	**% Change**
Corona Extra	Crown Imports	100,660	27.1%	2.0%
Heineken	Heineken USA	55,160	14.8%	1.4%
Modelo Especial	Crown Imports	42,440	11.4%	20.6%
Dos Equis	Heineken USA	18,680	5.0%	16.0%
Stella Artois	AB InBev	17,110	4.6%	18.0%
Tecate	Heineken USA	15,780	4.2%	-2.0%
Corona Light	Crown Imports	13,460	3.6%	2.4%
Guinness Stout	Diageo-Guinness	12,200	3.3%	-2.0%
Labatt Blue	N.A. Breweries	9,930	2.7%	-5.0%
Newcastle Brown Ale	Heineken USA	7,210	1.9%	3.0%
Labatt Blue Light	N.A. Breweries	6,920	1.9%	1.0%
Heineken Premium Light	Heineken USA	6,350	1.7%	-8.0%
Pacifico	Crown Imports	5,960	1.6%	8.8%
Amstel Light	Heineken USA	4,410	1.2%	-2.0%
Negra Modelo	Crown Imports	3,620	1.0%	6.1%
Sapporo	Sapporo USA	3,140	0.8%	8.3%
Tecate Light	Heineken USA	2,630	0.7%	50.3%
Molson Canadian	MillerCoors	2,040	0.5%	-7.3%
Smithwick's	Diageo-Guinness	1,650	0.4%	-2.9%
Pilsner Urquell	MillerCoors	1,600	0.4%	0.0%
Molson Ice	MillerCoors	1,500	0.4%	-3.2%
St. Pauli Girl	AB InBev	1,470	0.4%	-14.9%
Presidente	AB InBev	1,430	0.4%	2.1%
Warsteiner	Warsteiner Importers	1,360	0.4%	2.3%
Harp	Diageo-Guinness	1,290	0.3%	-2.3%
Total Top 25 Imports		**338,000**	**90.8%**	**4.8%**
Total Imported Beer		**372,060**	**100.0%**	**1.2%**

- Corona dominates with a 27.1% share and is 2 times bigger than #2 Heineken.
- Mexican specialties, Tecate Light, Modelo and Dos Equis as well as Stella Artois are the leading growth brands.
- The top 25 brands account for 91% of category volume and are driving imported category growth.

Top 10 Beer Consumption States

The top 10 states account for 53% of U.S. Beer volume and they grew slightly slower than the total U.S. in 2012.

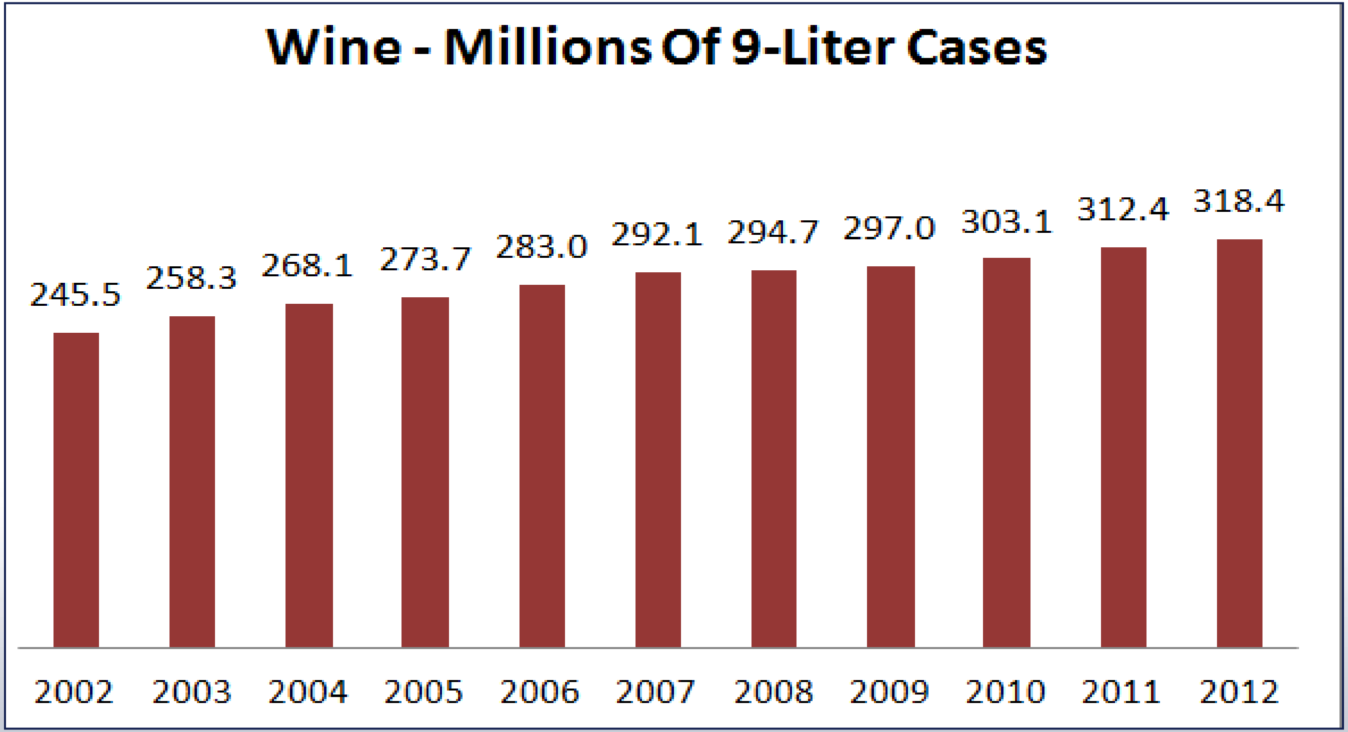


Top 10 Beer States (000 2.25 Gallon Cases)			
State	**Cases**	**Share**	**Growth**
California	294,000	10.5%	1.4%
Texas	263,960	9.4%	1.2%
Florida	162,070	5.8%	1.4%
New York	146,300	5.2%	1.5%
Pennsylvania	139,400	5.0%	-0.7%
Illinois	121,620	4.3%	0.2%
Ohio	110,050	3.9%	-2.6%
Michigan	83,600	3.0%	-0.4%
North Carolina	82,420	2.9%	-2.2%
Georgia	81,830	2.9%	0.9%
Top 10 Total	**1,485,250**	**53.0%**	**0.4%**
U.S. Total	**2,801,300**	**100.0%**	**0.5%**

Wine Category Trends

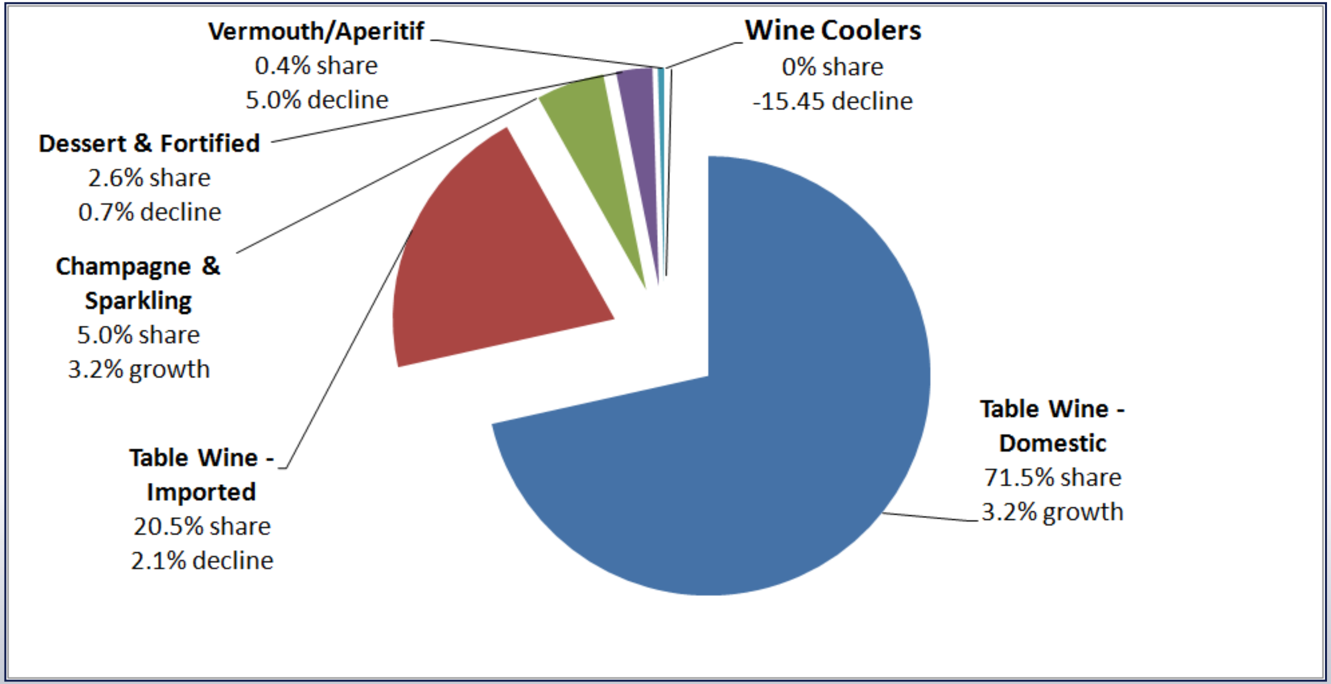
U.S. Total Wine Sales Volume Trend

In 2012, wine sales volume increased by 1.9% to reach a record level of 318.4 million 9-liter cases marking 10 consecutive years of growth.



2012 Wine Category Shares By Type

Domestic table wine dominates at 72% of consumption, followed by imported table wines at 21% and champagne/sparkling at 5%. 2012 growth driven by domestic table wine and champagne at 3.2% each.



2012 Top 25 Domestic Table Wine Brands

2012 Leading Domestic Table Wine Brands - (000 9-Liter Cases)				
Brand	**Supplier**	**2012**	**Share**	**% Change**
Franzia Winetaps	The Wine Group	23,200	9.4%	-8.1%
Barefoot Cellars	E & J Gallo Winery	15,700	6.4%	20.8%
Carlo Rossi	E & J Gallo Winery	12,300	5.0%	-2.4%
Sutter Home	Trinchero Family Estates	10,788	4.4%	0.2%
Almaden	The Wine Group	9,256	3.8%	8.0%
Twin Valley	E & J Gallo Winery	8,900	3.6%	0.0%
Woodbridge	Constellation Brands	8,450	3.4%	5.6%
Beringer	Treasury Wine Estates	7,207	2.9%	-0.6%
Peter Vella	E & J Gallo Winery	6,800	2.8%	1.5%
Livingston Cellars	E & J Gallo Winery	5,500	2.2%	-6.8%
Charles Shaw	Bronco Wine Co.	5,388	2.2%	4.0%
Arbor Mist	Constellation Brands	3,470	1.4%	-0.9%
Corbett Canyon	The Wine Group	3,468	1.4%	2.0%
Inglenook	Francis Ford Coppola	3,283	1.3%	1.0%
Kendall-Jackson	Jackson Family Wines	3,084	1.3%	0.1%
Cupcake Vineyards	The Wine Group	3,000	1.2%	25.0%
Vendange	Constellation Brands	2,857	1.2%	4.8%
Columbia Crest	Ste. Michelle Wine Estates	2,780	1.1%	10.2%
Chateau Ste. Michelle	Ste. Michelle Wine Estates	2,715	1.1%	32.1%
Black Box	Constellation Brands	2,695	1.1%	30.2%
Boone's	E & J Gallo Winery	2,600	1.1%	-7.1%
Glen Ellen/Concannon	The Wine Group	2,472	1.0%	3.0%
Rex Goliath	Constellation Brands	2,327	0.9%	31.5%
Ménage à Trois	Trinchero Family Estates	2,143	0.9%	6.7%
Liberty Creek	E & J Gallo Winery	2,100	0.9%	10.5%
Total Top 25 Domestics		**152,483**	**62.0%**	**3.0%**
Total Domestic Table Wine		**246,105**	**100.0%**	**3.0%**

- The top selling brands such as Franzia, Barefoot Cellars and Carlo Rossi are all economy priced brands selling between 3 to 23 million cases.
- Premium priced brands like Kendall-Jackson, Cupcake, Chateau Ste Michelle and Ménage a Trois are firmly in the 25 and are the category growth drivers.

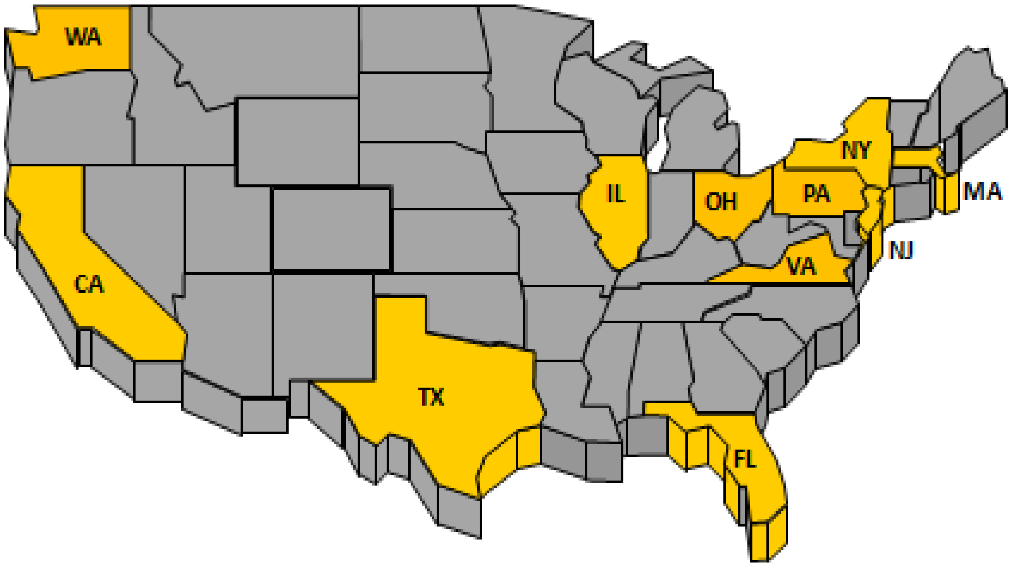
2012 Top 25 Imported Table Wine Brands

2012 Leading Imported Table Wine Brands - (000 9-Liter Cases)				
Brand	**Supplier**	**2012**	**Share**	**% Change**
Yellow Tail	Deutsch	8,475	11.7%	1.5%
Cavit	Palm Bay International	3,485	4.8%	-1.1%
Principato	Palm Bay International	3,485	4.8%	-1.1%
Concha y Toro	Banfi Vintners	2,350	3.3%	-9.0%
Riunite	Banfi Vintners	2,003	2.8%	-10.0%
Lindemans	Treasury Wine Estates	1,670	2.3%	1.0%
Bella Sera	E & J Gallo Winery	1,000	1.4%	-9.1%
Ecco Domani	E & J Gallo Winery	880	1.2%	3.5%
Leonard Kreusch	Leonard Kreusch	850	1.2%	-2.3%
Ruffino	Constellation Brands	820	1.1%	15.0%
Jacob's Creek	Pernod Ricard USA	815	1.1%	-3.3%
Folonari	Frederick Wildman	800	1.1%	0.0%
Schmitt Soehne	Schmitt Sohne	800	1.1%	0.0%
Gato Negro (San Pedro)	Shaw-Ross International	665	0.9%	1.5%
Alamos	E & J Gallo Winery	645	0.9%	24.0%
Citra	Palm Bay International	610	0.8%	-9.0%
Little Penguin	Treasury Wine Estates	608	0.8%	-10.1%
Bolla	Banfi Vintners	600	0.8%	-11.8%
Santa Margherita	Terlato Wines International	575	0.8%	0.9%
Cella	Shaw-Ross International	560	0.8%	-1.8%
Kim Crawford	Constellation Brands	557	0.8%	22.4%
Real Sangria (Cruz Garcia)	Shaw-Ross International	548	0.8%	5.0%
Casarsa	The Wine Group	530	0.7%	-3.6%
Black Swan	E & J Gallo Winery	500	0.7%	-16.7%
Trapiche	The Wine Group	490	0.7%	10.1%
Total Top 25 Imports		**34,321**	**47.5%**	**-1.2%**
Total Imported Table Wine		**72,265**	**100.0%**	**-1.7%**

- Yellow Tail dominates with an 11.7% and more than double the size of the next leading brands.
- With total imports down 1.7%, most major brands are declining or flat.
- The strong growth brand exceptions were Alamos, Kim Crawford, Ruffino, and Trapiche.

Top 10 Wine Consumption States

The top 10 states account for 61% of U.S. Wine volume and they grew slightly faster than the total U.S. in 2012.



Top 10 Wine States (000 9-Liter Cases)			
State	**Cases**	**Share**	**Growth**
California	56,408	18.1%	3.0%
Florida	25,760	8.2%	1.2%
New York	24,951	8.0%	2.2%
New Jersey	14,153	4.5%	2.3%
Texas	14,017	4.5%	2.3%
Illinois	13,912	4.5%	2.2%
Massachusetts	12,048	3.9%	2.3%
Washington	9,745	3.1%	2.9%
Virginia	9,156	2.9%	3.5%
Ohio	8,730	2.8%	2.9%
Top 10 Total	**188,882**	**60.5%**	**2.5%**
U.S. Total	**312,360**	**100.0%**	**1.9%**

Wine Imports By Country

The top imports were from Italy, Australia, Argentina, Chili and France with strong growth from Spain, Chili and Argentina.

2012 Top Wine Imports By Volume		
Country	**Gallons (000)**	**% Change**
Italy	77,502	5.1%
Australia	53,180	9.9%
Argentina	47,284	37.5%
Chile	42,951	38.2%
France	29,229	14.2%
Spain	23,577	45.9%
Germany	7,059	-5.9%
Portugal	3,520	-15.7%
All Others	29,687	-20.0%
Total	**313,987**	**12.9%**

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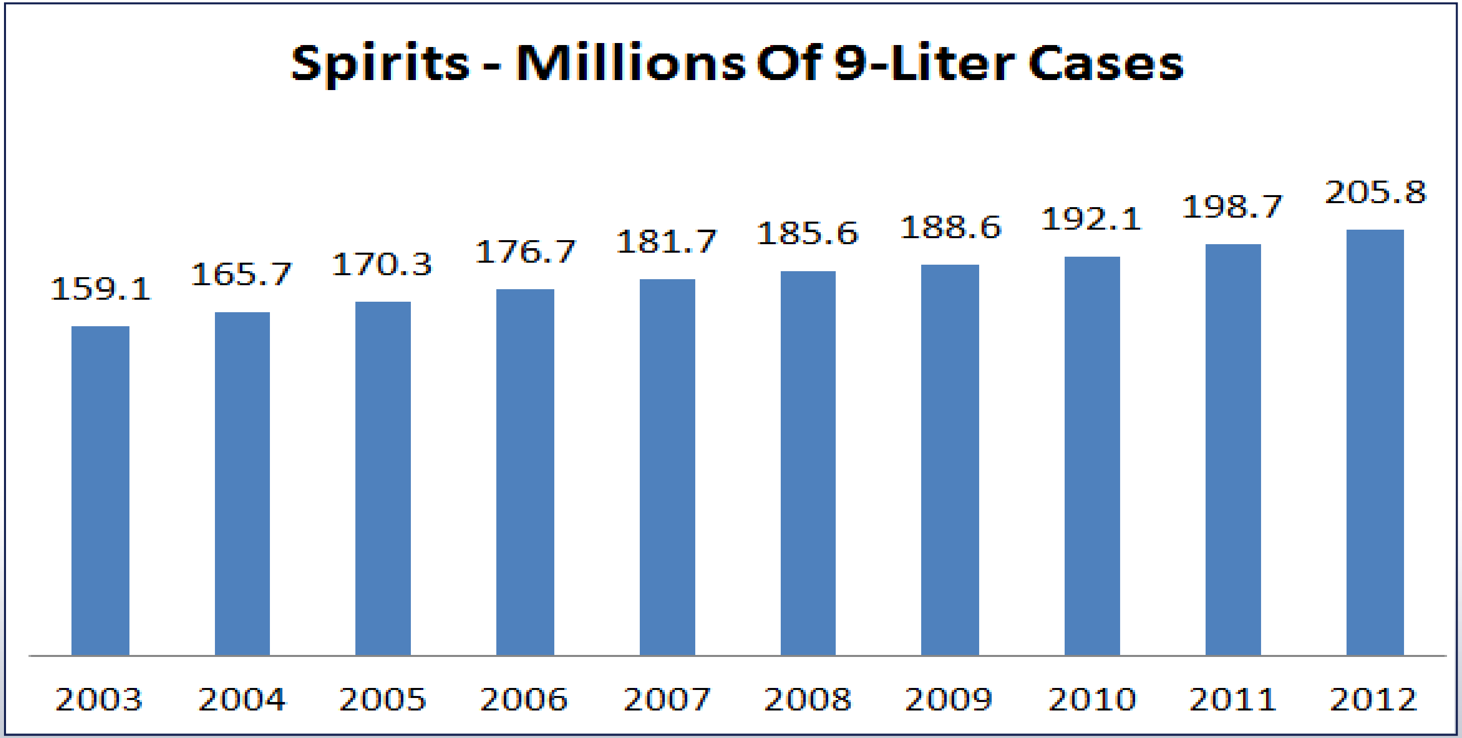
Spirit Category Trends

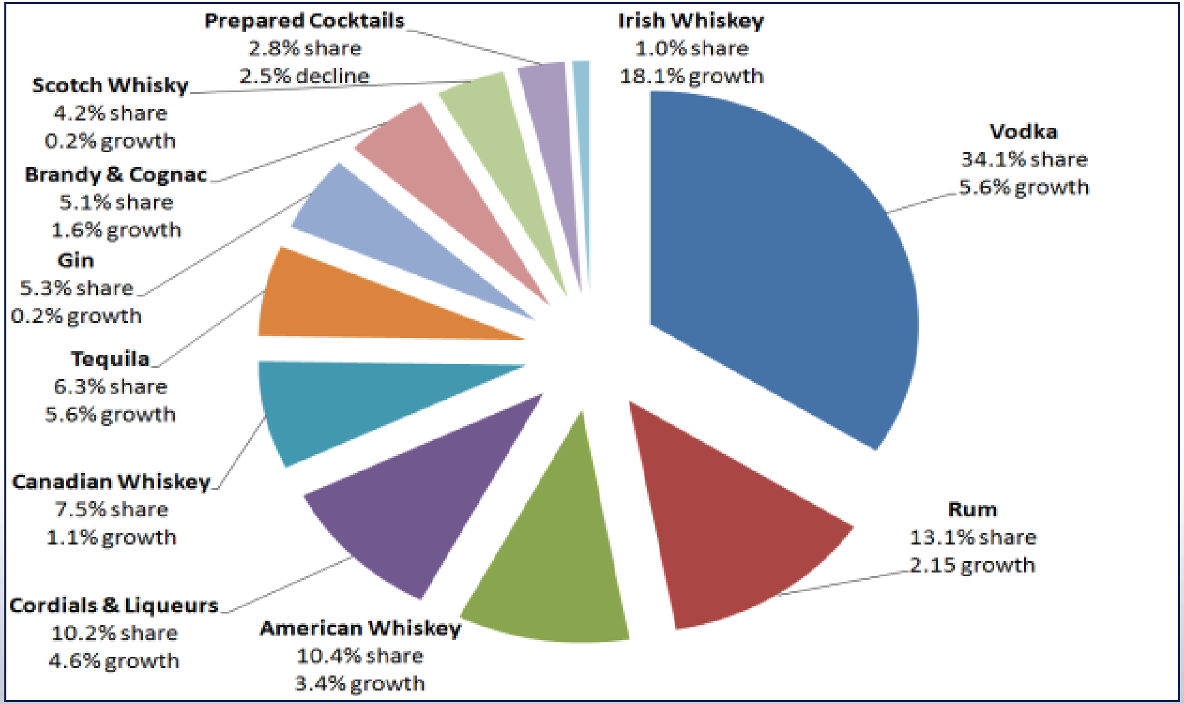
U.S. Total Spirits Sales Volume Trend

In 2012, spirit sales volume increased by 3.6% to reach a record level of 205.8 million 9-liter cases marking 10 consecutive years of growth.



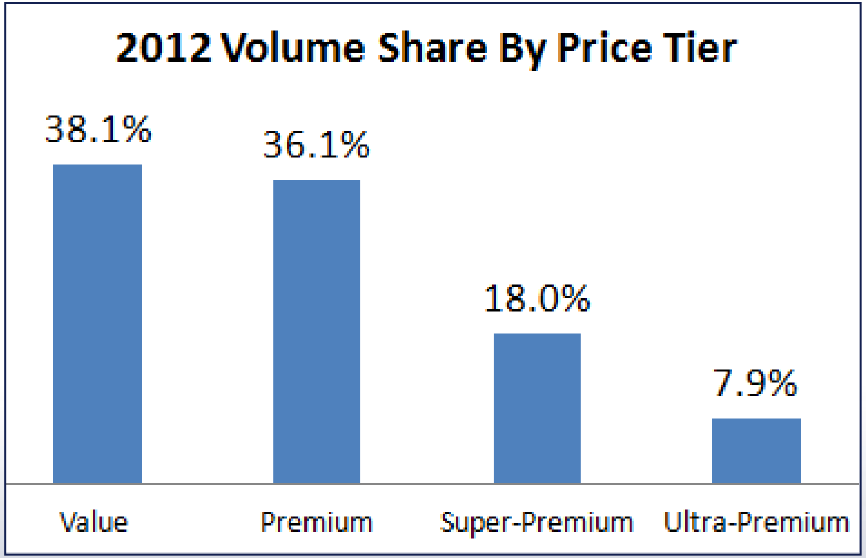
2012 Spirits Category Shares By Type

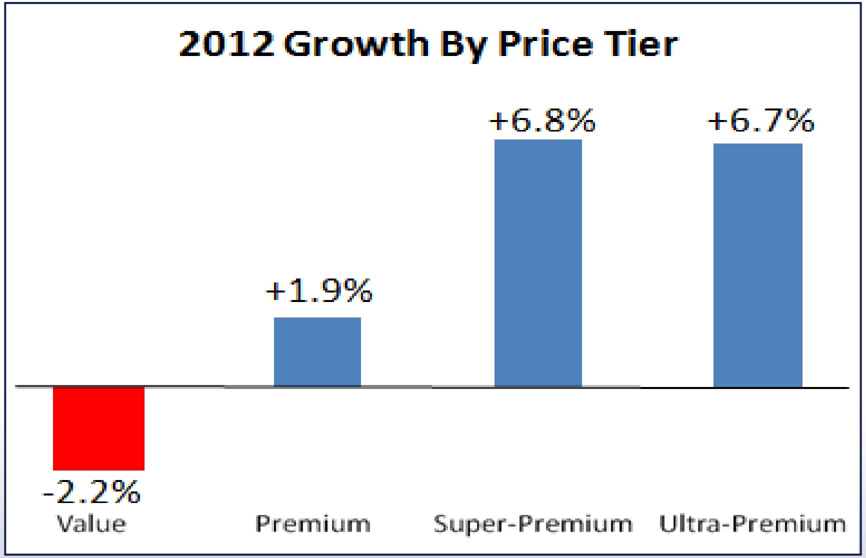
Vodka dominates at 34% of consumption, followed by rum at 13% and American whiskey at 10%. Vodka, Tequila and Irish whiskey are the fastest growing categories but the growth story is Bourbon in American Whiskey.



2012 Spirit Trends By Price Segment

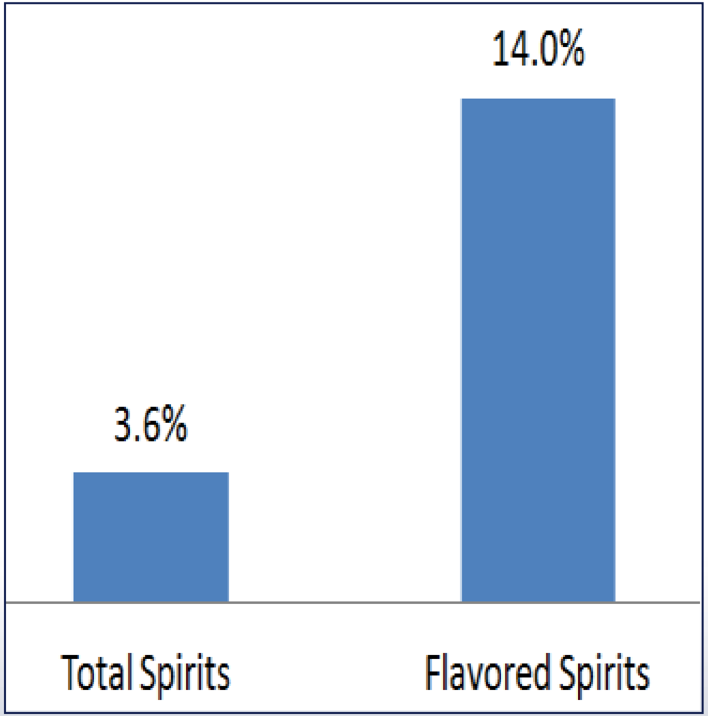
The Super-premium and Ultra-premium segments account for 25.9% of spirits volume and continue to be the fastest growing segments as consumers look to trade-up across total spirits.





Source: 2013 Beverage Information Group Handbook Advance for volume share and Nielsen: XAOC+Liq+Conv+Mil – ex WA; through 01/05/13 for volume growth

Flavored Spirits Driving Category Growth



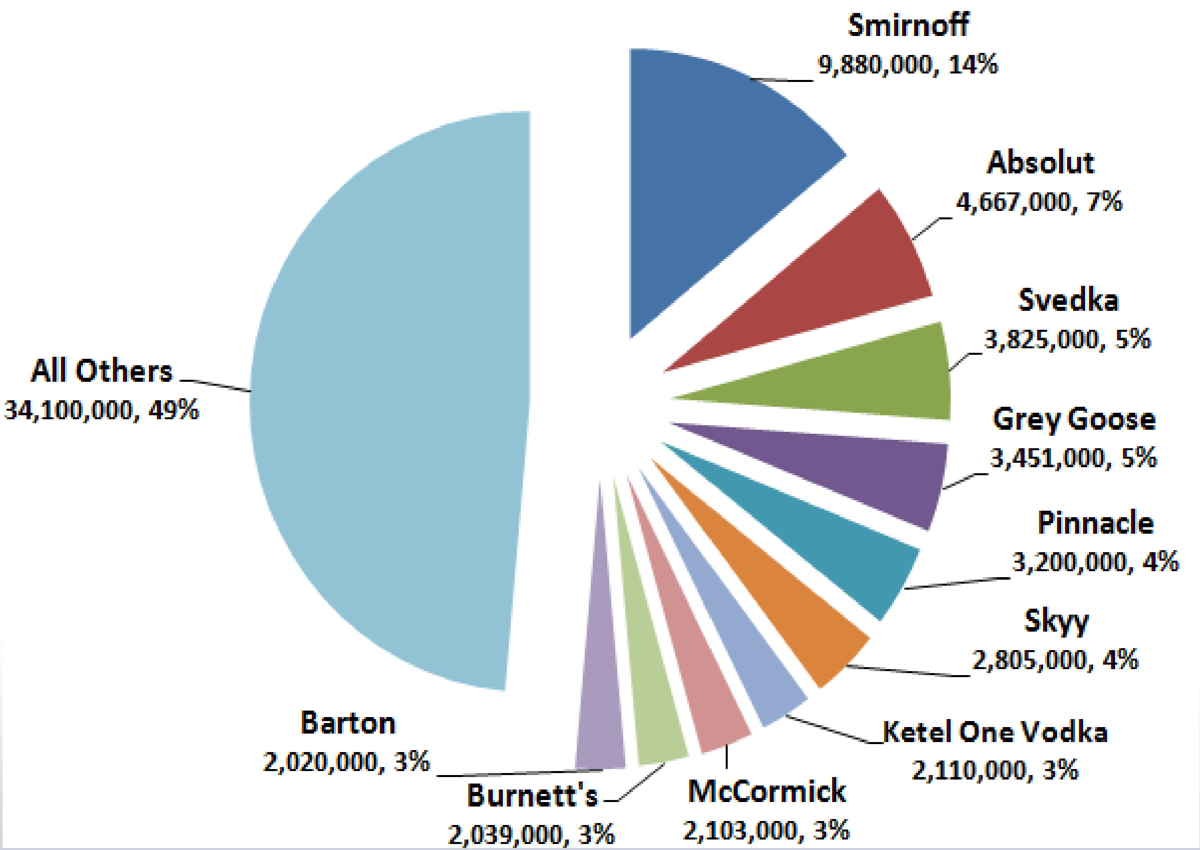
- Flavored spirits are growing 10 times faster than total spirits.
- Vodka and Whiskey make up the majority of flavored spirits growth but also Rum and Tequila.
- Flavors ranging from candy shop flavors like cotton candy to sophisticated flavors like hibiscus.

2012 Top 25 Spirit Brand Trends

2012 Leading Spirits Brands - (000 9-Liter Cases)					
Brand	**Category**	**Supplier**	**2012**	**Share**	**% Change**
Smirnoff	Vodka	Diageo	9,880	4.8%	2.0%
Bacardi	Rum	Bacardi USA	9,541	4.6%	0.5%
Captain Morgan	Rum	Diageo	6,112	3.0%	0.9%
Jack Daniel's	Straight	Brown-Forman	4,847	2.4%	3.7%
Absolut	Vodka	Pernod Ricard USA	4,667	2.3%	2.0%
Crown Royal	Canadian	Diageo	4,220	2.1%	4.5%
Svedka	Vodka	Constellation Brands	3,825	1.9%	3.7%
Grey Goose	Vodka	Bacardi USA	3,451	1.7%	0.5%
Jim Beam	Straight	Beam Inc.	3,200	1.6%	1.2%
Pinnacle Vodka	Vodka	Beam Inc.	3,200	1.6%	18.5%
Jose Cuervo	Tequila	Diageo	3,130	1.5%	-4.6%
E & J	Brandy	E & J Gallo Winery	3,095	1.5%	0.8%
Skyy	Vodka	Campari America	2,805	1.4%	1.9%
Jagermeister	Liqueur	Sidney Frank	2,445	1.2%	-3.2%
DeKuyper	Cordial	Beam Inc.	2,400	1.2%	-1.2%
Hennessy	Cognac	Moet Hennessy USA	2,300	1.1%	4.3%
Seagram's 7 Crown	Blended	Diageo	2,210	1.1%	-1.8%
Seagram's Gin	Gin	Pernod Ricard USA	2,203	1.1%	-6.6%
Ketel One Vodka	Vodka	Diageo/Nolet Spirits	2,110	1.0%	4.7%
McCormick Vodka	Vodka	McCormick Distilling	2,103	1.0%	4.0%
Burnett's Vodka	Vodka	Heaven Hill Distilleries	2,039	1.0%	10.2%
Barton Vodka	Vodka	Sazerac	2,020	1.0%	4.7%
Ciroc	Vodka	Diageo	2,020	1.0%	53.0%
Patron	Tequila	Patron Spirits	2,000	1.0%	6.7%
Black Velvet	Canadian	Constellation Brands	1,945	0.9%	2.9%
Total Top 25 Brands			**87,768**	**42.6%**	**2.9%**
Total Spirits			**205,815**	**100.0%**	**3.6%**

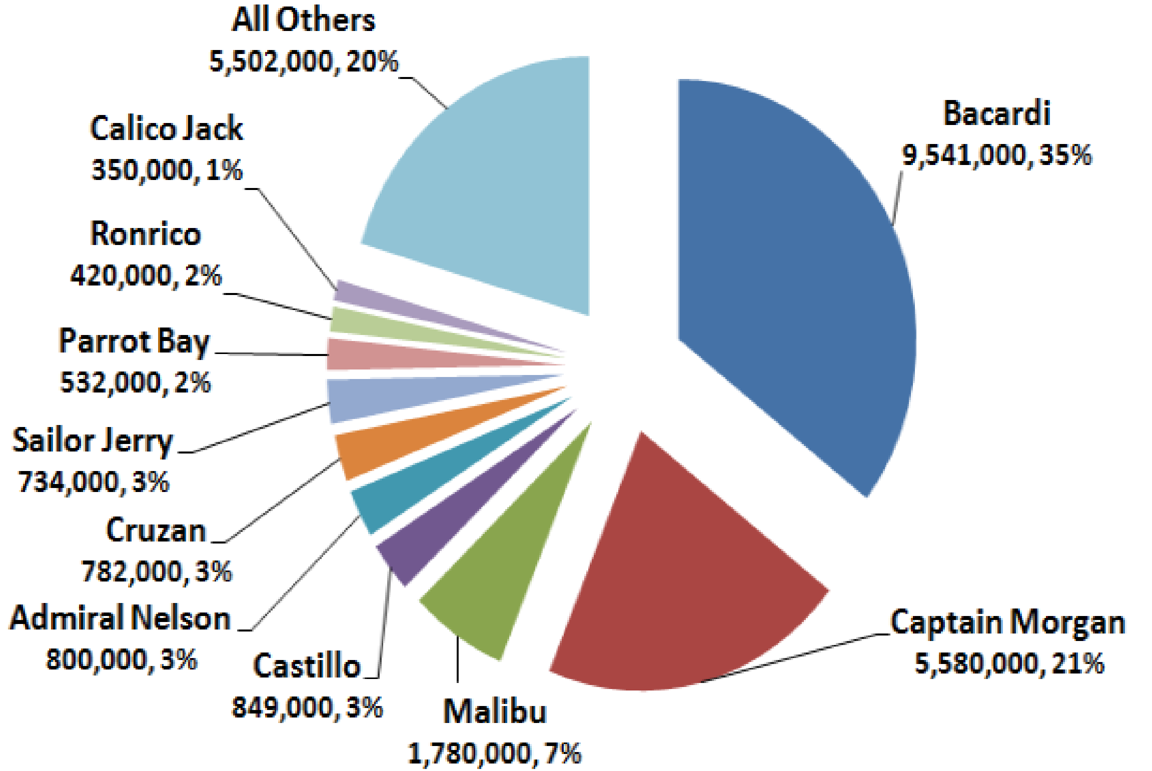
- Smirnoff is the top selling brand at almost 10 million cases with Bacardi a close second at 9.5 million cases.
- Ciroc and Pinnacle are the growth brands driven brands driven by their flavors.
- The top 25 brands account for 43% of category volume.
- Category growth is being driven by the smaller craft brands.

2012 Top Vodka Brands



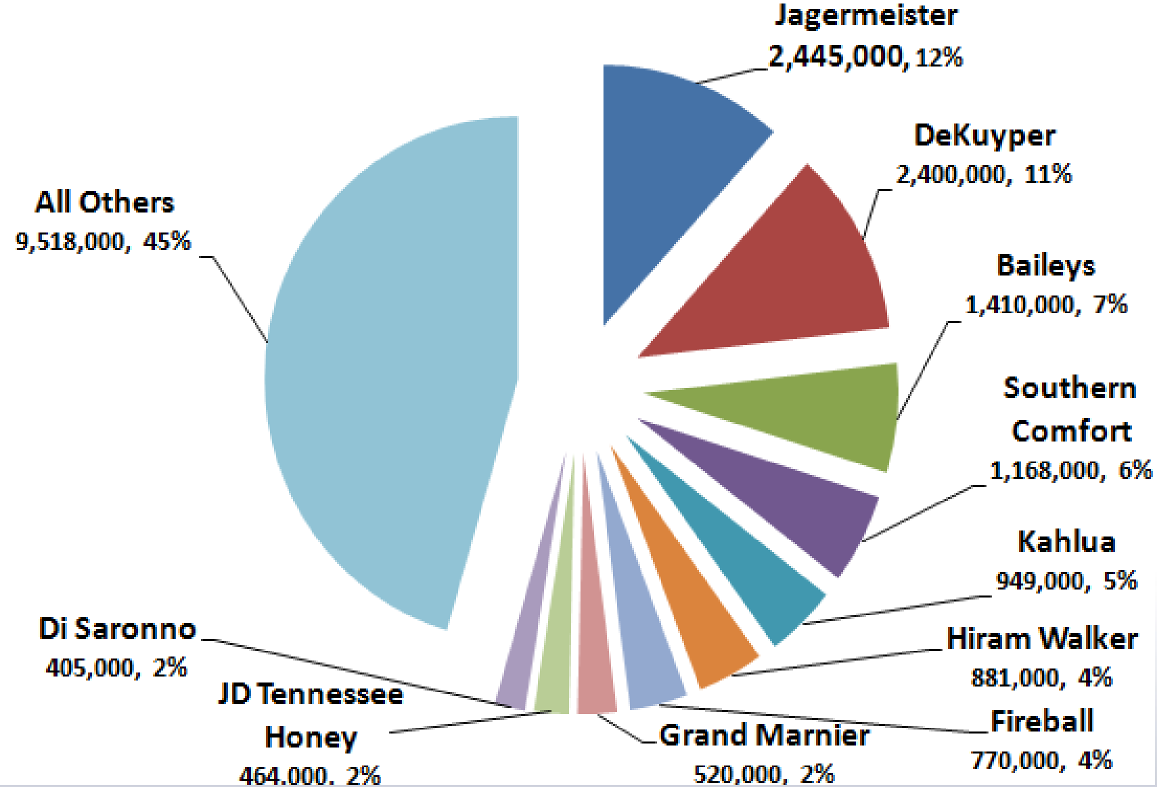
- Total of 70.2 million cs.
- 34.1% of total spirits.
- Growth of 5.6%.
- Top 10 brands account for 51% of category.
- Pinnacle is the fastest growing brand at +19% driven by their flavors.
- All other brands account for 49% of category and grew 7.2%.

2012 Top Rum Brands



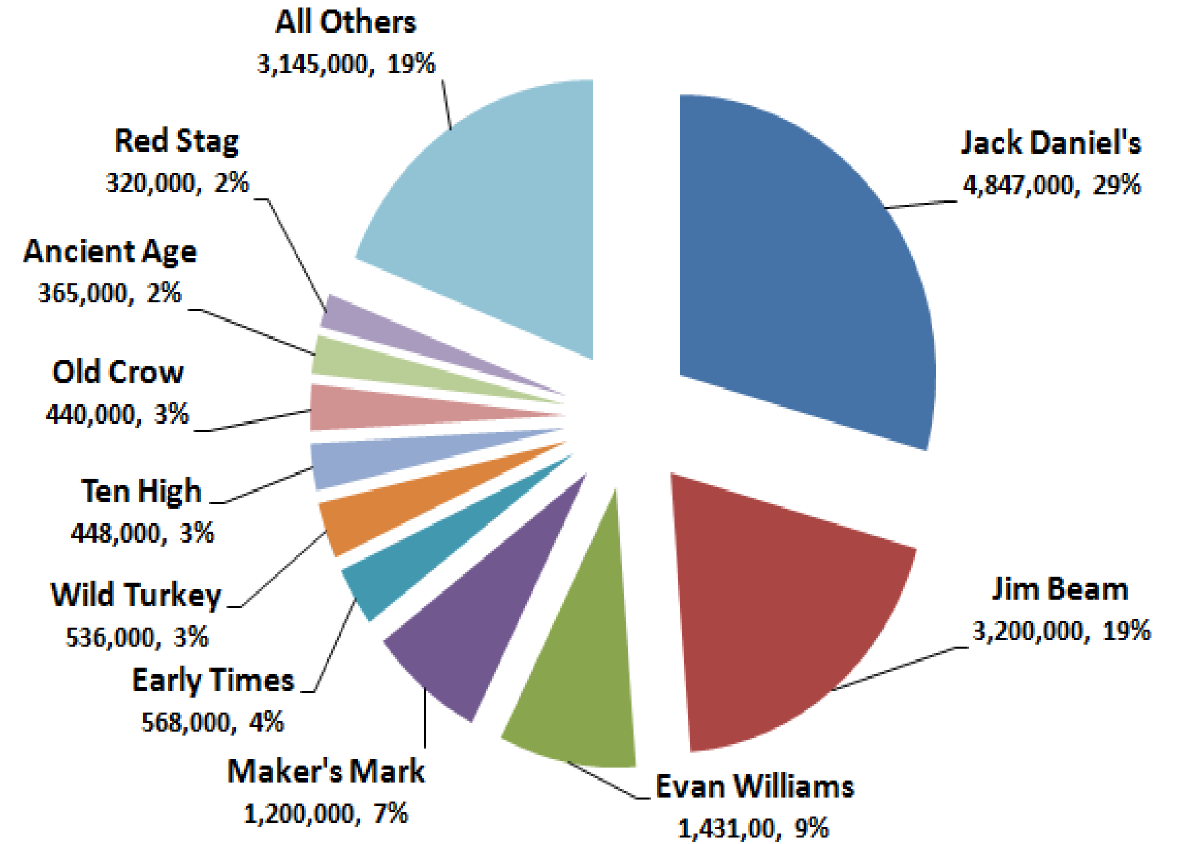
- Total of 26.8 million cs.
- 13.1% of total spirits.
- Growth of 2.1%.
- Top 10 brands account for 80% of category.
- Calico Jack, Sailor Jerry, Admiral Nelson fastest growing top brands.
- All other brands account for 20% of category and grew 3.6%.

2012 Top Cordial / Liqueur Brands



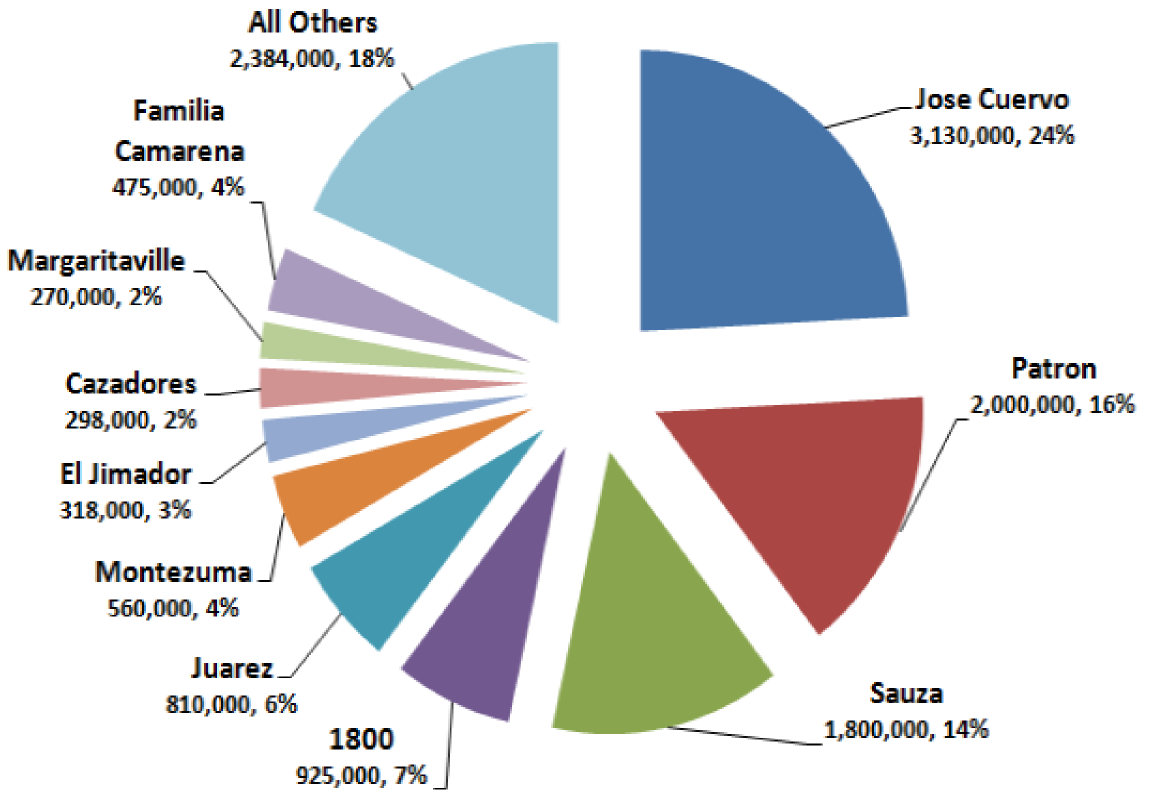
- Total of 20.9 million cs.
- 10.2% of total spirits.
- Growth of 4.6%.
- Top 10 brands account for 55% of category.
- Jack Daniel's Tennessee Honey and Fireball are fastest growing brands.
- All other brands account for 45% of category and grew 4.9%.

2012 Top Straight American Whiskey Brands



- Total of 16.5 million cs.
- 8.0% of total spirits.
- Growth of 4.9%.
- Top 10 brands account for 81% of category.
- Maker’s Mark and Red Stag are fastest growing top brands.
- All other brands account for 19% of category and grew 8.1%.

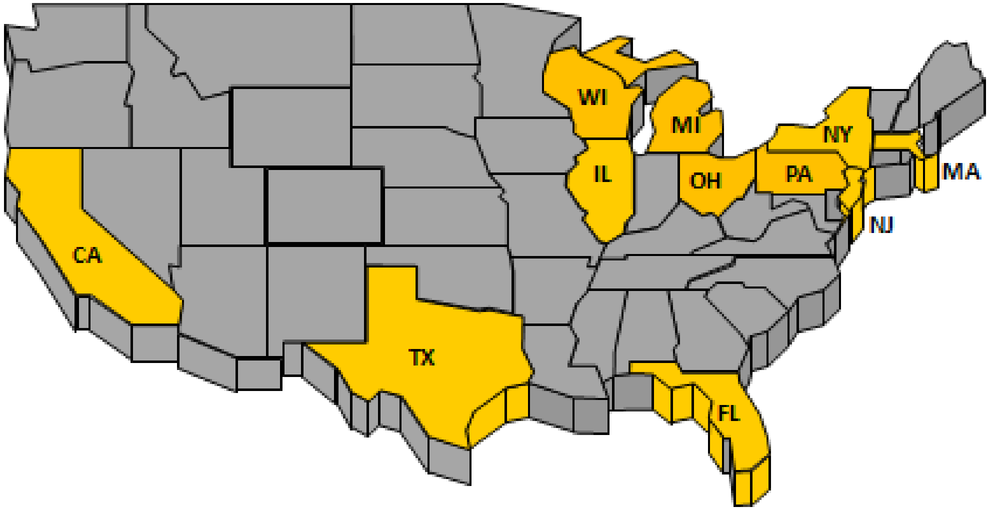
2012 Top Tequila Brands



- Total of 13.0 million cs.
- 6.3% of total spirits.
- Growth of 5.6%.
- Top 10 brands account for 82% of category.
- Fastest growing brands are Camerena, 1800 and El Jimador.
- All other brands account for just 18% of category and grew 10.5%.

Top 10 Spirits Consumption States

The top 10 states account for 53% of U.S. Spirits volume and they grew slightly faster than the total U.S. in 2012.



Top 10 Spirits States (000 9-Liter Cases)			
State	**Cases**	**Share**	**Growth**
California	24,534	11.9%	4.2%
Florida	16,381	8.0%	4.1%
New York	13,085	6.4%	4.4%
Texas	11,621	5.6%	3.7%
Illinois	8,440	4.1%	3.7%
New Jersey	7,594	3.7%	4.0%
Pennsylvania	7,348	3.6%	4.2%
Michigan	7,152	3.5%	2.3%
Wisconsin	5,842	2.8%	3.2%
Massachusetts	5,750	2.8%	4.4%
Top 10 Total	**107,748**	**52.4%**	**3.9%**
U.S. Total	**205,815**	**100.0%**	**3.6%**

Mixology Trends Shaping The Industry

- Continued growth of the Vodka Category
- Resurgence of the Bourbon category
- Premiumization across all categories
- The explosion of flavor across all categories
- Micro distilleries, breweries and wineries
- Dramatic increase in new product innovation

Mixology Panel

Tony Abou-Ganim
Moderator

Zane Lamprey
Panelist

Dan Dunn
Panelist