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THE STRUCTURE OF THE BEVERAGE ALCOHOL INDUSTRY

This Report provides a summary description of the beverage alcohol industry, its nature and scope. It offers a basic overview of economic, trade, and development aspects, as well as how some of these relate to public health issues. It presents an analysis of current trends, such as industry consolidation, and possible future developments. It concludes by identifying a range of industry bodies and industry-supported bodies, such as trade associations and social aspects organizations (SAOs), which contribute to addressing social and public health aspects of alcohol.

BEVERAGE ALCOHOL

The word "alcohol" derives from Arabic *al-kuhul* and is applied to the many members of the family of alcohols. The type found in beverage alcohol is called ethanol or ethyl alcohol and is the result of the natural process of fermentation of fruits, grains, vegetables, plant matter, and even dairy products. Its three main classifications are wine, beer, and distilled spirits. Other classifications abound and are often related to culture, content, production method, and legality.[1]

The relationship between beverage alcohol and public health has been studied extensively for more than a century, and continues to be of interest to governments, public health professionals, the public at large, as well as a central issue for the beverage alcohol industry. Indeed, over the past two decades, major international beverage alcohol producers have taken a broader look at the way in which they respond to alcohol issues. With attention to corporate social responsibility, they actively incorporate concern for health-related aspects of alcohol consumption and social issues, such as under-age drinking or alcohol-impaired driving, into their operations and dialogue with stakeholders.

The World Health Organization (WHO) recognizes the "existence of a wide range of alcohol policies" and notes that these "policies are enforced and combined differently in different countries to meet the needs of that particular country....The goal of a comprehensive, effective and sustainable alcohol policy can only be attained by ensuring the active and committed involvement of all relevant stakeholders."[2] Having a global perspective on the structure of the beverage alcohol industry should assist all stakeholders engaged in reaching the goal articulated in the World Health Assembly 2005 resolution on "reducing the negative health and social consequences of harmful use of alcohol."[3]

BEVERAGE ALCOHOL PRODUCTION

Global alcohol beverage production is rather heterogeneous and includes a wide range of different levels of production. This Report will examine beverage alcohol production from the perspective of unrecorded and recorded beverage alcohol. It then reviews each sector: beer, wine and spirit, in turn.

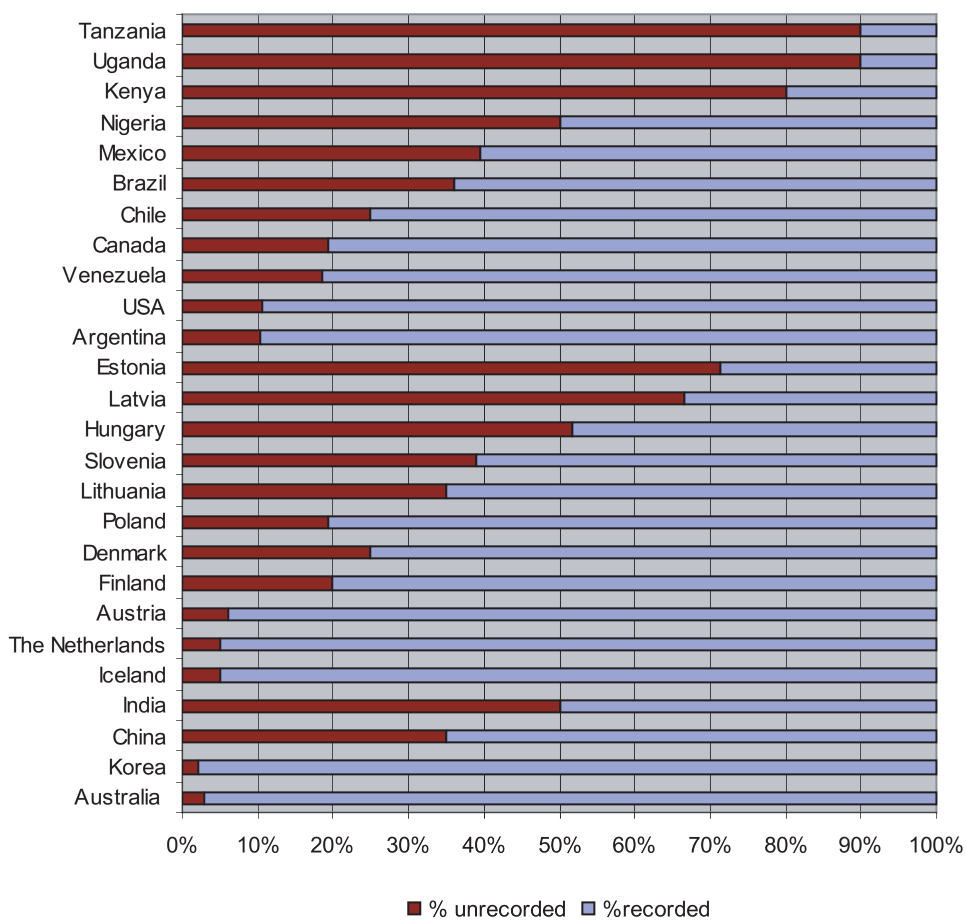
Information is available on recorded beverage alcohol production from a diversity of sources including official sources (e.g., the United Nations Food and Agriculture Organization (FAO) and national government reports), and from industry or private sector analysts. Unrecorded beverage alcohol is based on estimates of the amount of alcohol which is not officially recorded in national or international statistics. It includes home production (which may be licit or illicit), travelers' imports and cross-border shopping, smuggling (either organized criminal activity or individuals importing amounts exceeding legal allowance), surrogate alcohol intended for other purposes, tourist consumption, and beverages with alcohol content below the legally defined limit for beverage alcohol.[4]

Unrecorded Beverage Alcohol

In many low-income countries consumption of commercially produced beverage alcohol is generally confined to wealthier urban populations. In such countries, the more significant public health concern has to do with the drinking patterns and consumption of unrecorded and non-commercial alcohol.[5]

There is a huge volume of unrecorded alcohol production, which is found in virtually every country around the world and includes both traditional home-brews and the illegal production and trade of alcohol. In some parts of the world, particularly in low and middle-income countries, it may account for up to 50% of total alcohol consumption, but this varies widely from country to country. According to WHO estimates, "[o]n a regional basis, unrecorded alcohol consumption is estimated to be at least two-thirds of all alcohol consumption in the Indian subcontinent, about half of consumption in Africa, and about one-third in Eastern Europe and Latin America."[6] Examples included beverages that are distilled (e.g., *samogon* in Russia), fermented (e.g., toddy in India), or brewed (e.g., opaque beer in Africa) from a wide range of different ingredients. The overwhelming share of unrecorded consumption appears to be accounted for by local, low volume, products.

Figure 1 Unrecorded alcohol consumption as % of total alcohol consumption in selected countries[7]

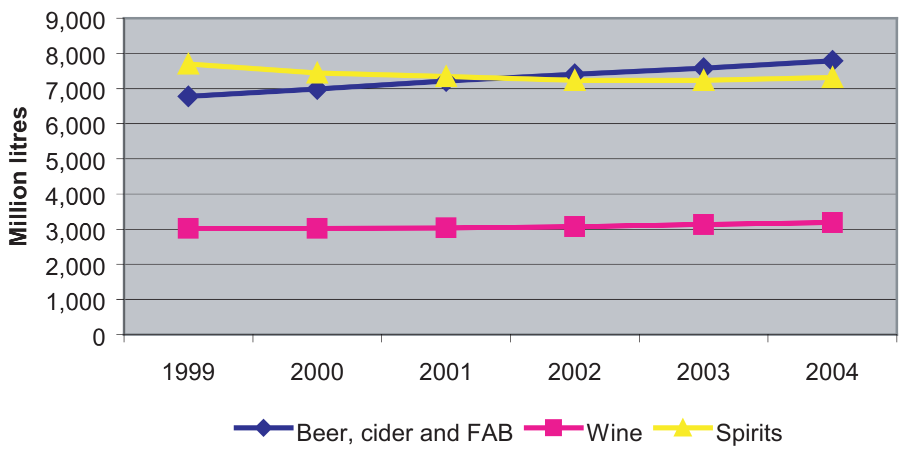


Black and grey markets include beverages that are produced or distributed illegally for commercial but illicit sale, and counterfeit products, unlabelled brands and products which evade taxation.[8] Some of the counterfeit and unlabelled products can pose severe health risks, as they have unknown alcohol content and may contain hazardous chemicals. They remain popular, however, as they are offered at lower prices than legitimate products and are often widely available. The most significant areas of counterfeiting and sales of unlabelled spirits are developing and transition countries, notably in Eastern Europe and the Asia-Pacific region, partly because such markets are characterized by low level of personal disposable income that render many legitimate and taxed spirits unaffordable.

Recorded Beverage Alcohol

Based on available industry data, Euromonitor International,[9] a leading business information company, estimates global volume sales of beverage alcohol at 182.9 billion liters in 2004 with a stable 1-2% annual increase over the 1999-2004 period.[10]

Figure 2 Global sales of beverage alcohol by sector in liters of pure alcohol, 1999-2004

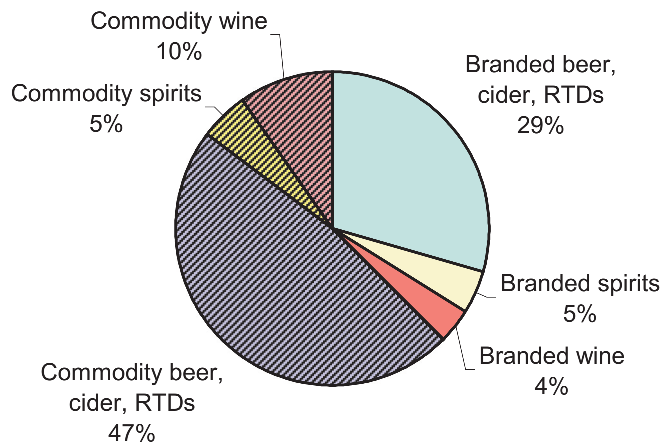


Source: Euromonitor 2005

Note: For the purposes of comparison, pure alcohol conversions have been calculated on the following basis: beer, cider and flavored alcohol beverages (FABs) 1 liter pure alcohol = 20 liters @ 5% alcohol by volume; wine 1 liter pure alcohol = 8 liters @ 12.5% alcohol by volume; spirits 1 liter pure alcohol = 2.5 liters @ 40% alcohol by volume.

The large majority of beverage alcohol is produced by a plethora of small domestic manufacturers catering to local traditions and tastes. These products are not traded internationally, but their levels of production are generally recorded by governments (largely for purposes of collecting excise taxes). They are often termed “commodity” drinks-legal, commercially-produced local alcohol sold at very low prices. They reflect the local drinking culture and, in certain regions, account for an overwhelming share of recorded consumption. For example, “commodity” spirits brands are estimated to account for 99% of total recorded consumption in China; 94% in Russia; 92% in Thailand; 89% in Brazil; and 75% in India.[11]

Figure 3 Total alcohol volume sales, 000 9L cases (2004)



Source: Combined IWSR data, 2004, Commodity alcohol - assumed to be alcohol produced by IWSR "undefined" manufacturers. Branded alcohol accounts for 37.5% volume sales; "commodity" alcohol accounts for 64.5% volume sales.

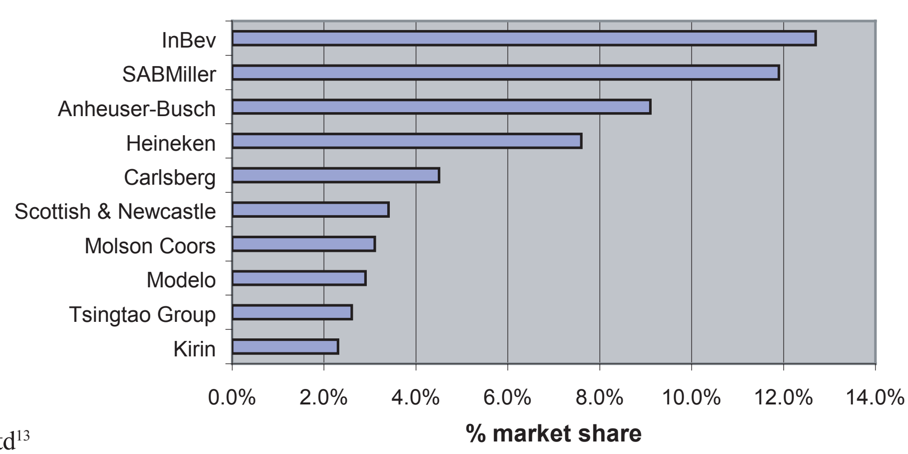
BEVERAGE ALCOHOL IN THE THREE SECTORS

In 1996, a published list of leading spirits, beer and wine producers showed a total of 2,061 beverage alcohol companies.[12] The total number of industry players is difficult to ascertain, as there is a wide spectrum of companies differing by type and size of operations. The following section gives a basic analysis on commercially available beverage alcohol in each sector.

Beer Sector

World beer sales totaled 157.8 billion liters in 2005 with the top 10 companies accounting for approximately 60% of global volume of branded beer. Although twenty large multinational and regional producers head the industry tables on branded beer volume, small production dominates total beer production when "commodity" beer products are considered ("commodity" beer is 62% of total beer production).

Figure 4 Top ten brewers: global share of branded beer market, 2005. (Note: This figure does not include all other branded beer production (42%) or commodity beer (62% of total recorded beer production) or unrecorded production.)



Source: PlatoLogic Ltd[13]

Although the largest global brewers have significant international production, their brands are essentially local. Due to its large volume, beer is generally produced in the country in which it is consumed. International brands, when available outside their "home" countries, are usually produced locally either by a brewery established by the brand owner or under license by a local brewery. Exports are important only for a few countries with prominent brands (e.g., Heineken, Carlsberg, Stella Artois or Guinness), which are produced by some of the world's largest brewing companies.

Over the past five years, changes in beer consumption patterns have varied by region. In low and middle-income countries, the main developments have been shifts from consumption of unrecorded, locally produced beer to commercial, regional brands. Also noteworthy in low and middle-income countries is the shift to beer from other beverage alcohol categories (primarily from unrecorded and "commodity" spirits).

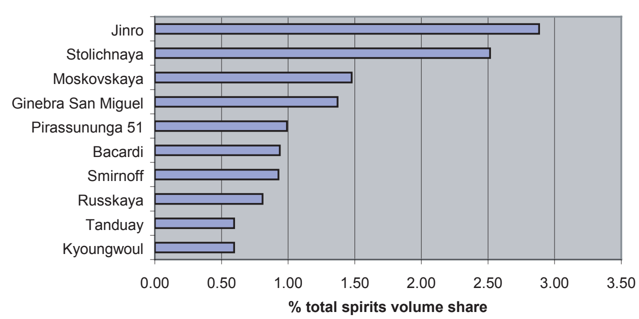
In the developed regional markets of North America and Western Europe, volume sales have declined, or, at best, remained static over the past few years. This has been due to a combination of continued maturation of the market and intensified competition from wine and spirits. Another trend in developed countries is an emphasis on more expensive premium brands and specialty beers.

On the corporate front, global brewers have been stepping up foreign investment, mainly in the form of strategic alliances with local manufacturers (particularly in Brazil, Russia, India, and China, the so-called BRIC countries). Industry consolidation continues with the leading global brewers acquiring major stakes in leading regional companies. Just a few examples of recent consolidation and investment activity in 2005 bears out these trends: SABMiller acquired the leading Colombian brewer Bavaria, which includes major interests in neighboring countries in Central and South America; Heineken made four significant acquisitions in Russia, where it now has nearly 14% of the market share; InBev completed its transformation as the leading volume producer with the merger between Interbrew of Belgium and AmBev of Brazil; Carlsberg has acquired a stake in a Cambodian company, developed a greenfield investment in China and plans to build a brewery in Vietnam; Scottish & Newcastle has made significant investments in India and Russia.

Spirits Sector

In 2005, the top five spirits brands in the world were all nationally specific. The only major spirits brands to feature in the world's top 10 in volume terms in 2005 were Bacardi rum and Diageo's Smirnoff vodka.[14]

Figure 5 Global brand shares of spirits, 2004 (% total volume). (Note: This figure does not include all other branded spirits production (87%) or commodity spirits production (53.4% of total recorded spirits production) or unrecorded production.)



Source: Impact 2005[15]

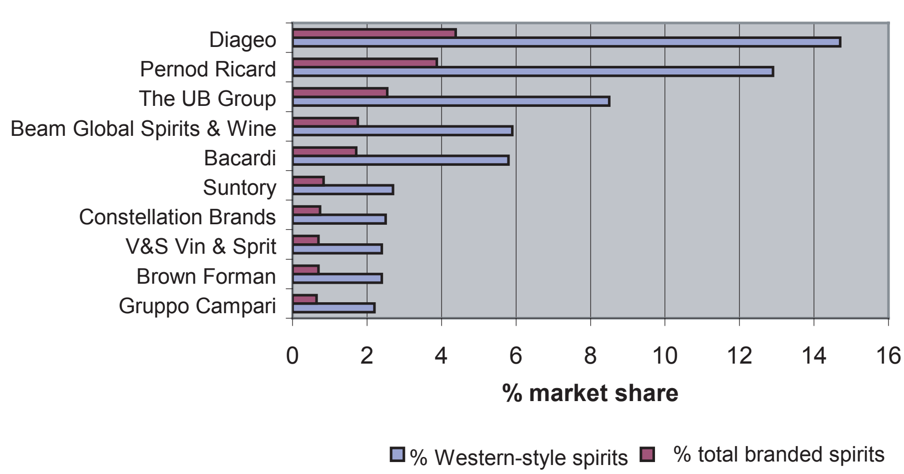
Local commercial spirits producers dominate in emerging regions, and tend to be geographically fragmented due to the persistent popularity of traditional national specialties. Thus, in the Asia-Pacific region, Jinro produces *soju* for the large South Korean market, Sang Som manufactures *Sura Khao* in Thailand, and San Miguel dominates the Filipino gin market. Similarly, in Latin America, the two leading companies, Cia Müller de Bebidas and Engarrafamento Pitú Ltda, make *cachaça* in Brazil, while in Africa Distell ranks number one thanks to its lead in the region's dominant market, South Africa, where it is strong in the important local brandy segment.

Although the Eastern European spirits market is led by a French company, Belvédère, its strength in the region is founded on its ownership of the largest Polish player in the region's fragmented vodka market. The second and third placed players in the region, Veda ZAO and Kristall MZ OAO, also manufacture vodka in the Russian market.

There has been ongoing consolidation of the spirits market through numerous merger and acquisition activities and the geographic expansion of major multinational players. While the leading global spirits producers are getting bigger through such expansion, the overall spirits market remains highly fragmented with numerous, cheaper products available locally. The International Wine and Spirits Record lists over 900 spirits producers, but they account for less than a third of the total volume of spirits produced worldwide.

The top global spirits producers account for 60% of the volume of premium Western-style spirits produced, but only approximately 20% of the total global spirits market. For example, as highlighted in table 4, by volume Diageo produces 14.7% of the global Western-style spirits, but only 4.4% of total spirits volume. The term "western-style spirits" refers to products made in accordance with internationally accepted industry standards (e.g., EU, WTO etc), which specify raw materials, aging, level of alcohol by volume (abv), etc. Much of the whisky produced in India, for example, does not qualify as "whisky" under the EU industry standards. The EU definition specifies that whisky has to be made from cereals, at least 40% abv and aged for three years or more, whereas Indian whisky is derived from molasses.

Figure 6 Major global spirits companies by volume, 2004 (pro forma)

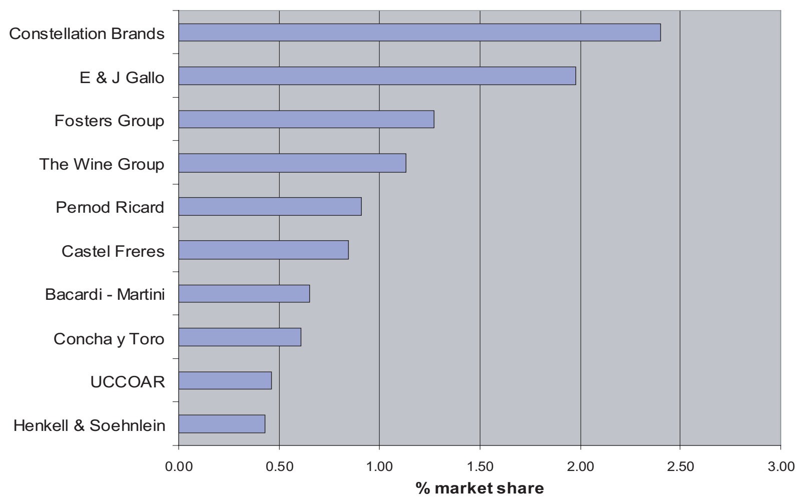


Source: Impact[16], IWSR[17]

Wine Sector

The global wine market remains highly fragmented with numerous small and medium sized producers in every wine producing market. In 2005, the International Wine and Spirits Record listed 1,360 companies, which account for 27% of the world wine market. The remainder is produced by smaller "undefined" companies. As with beer and spirits, top 10 wine makers produce only a small proportion of global volume (10.69%).

Figure 7 Top 10 wine companies by volume, 2004 (pro forma). (Note: This figure does not include all other branded wine production (89.3%) or commodity wine (73.1% of total global recorded wine production) or unrecorded production.)



Source: International Wine and Spirits Record, 2004[18]

E&J Gallo was the world's largest wine producer until the acquisition of Australian wine-maker BRL Hardy by Constellation Brands in April 2003. Constellation's major acquisition, of premium Californian winery Robert Mondavi in December 2004 has now made them the largest global wine producer.[19] The acquisition of Southcorp in 2005 by Foster's Group of Australia has propelled Foster's to a leading position among global wine producing companies. The Wine Group, once part of the Coca-Cola Company, but now independent, is the second largest wine producer by volume which specializes in "commodity" produced wines and is the market leader in "boxed" wines in the U.S.

Wine growing is concentrated in Europe and European-settled areas and products include so-called New World wines from areas such as California in the U.S., Chile and Argentina in South America, South Africa, Australia and New Zealand.

INDUSTRY CONSOLIDATION–MERGER WAVES

Since the 1960s, there has been a strong trend towards consolidation of the alcohol beverage industry, characterized by four waves. The increasing pressure on companies to diversify their portfolios and geographic presence is driving mergers and acquisitions as well as strategic alliances.

The first wave of international mergers started in the late 1950s and lasted into the early 1960s. Its geographic scope was restricted, as it involved mainly U.K. brewers and wine merchants, which were consolidating their positions in the domestic market. For example, Allied Breweries acquired

Harvey's in 1964, while International Distillers and Vintners was the outcome of a merger between Gilbey's and United Wine Traders in 1962.

A second merger wave took place between 1968 and 1972, and its characteristics resembled the first wave, with one main difference: it involved leading brewers from other European countries. For example, Amstel, in Holland, was acquired by Heineken, and Tuborg, in Denmark, by Carlsberg, in 1968 and 1970, respectively. Spirits and processed-wine firms also began to merge and to acquire other firms. In 1971, for example, the French champagne producers Moët & Chandon merged with the cognac firm Hennessy.

The third merger wave, which lasted from 1985 to 1988, was motivated by the globalization of markets. Firms that owned spirits brands with the potential to become global were targets for acquisition. In this period, firms also tried to acquire distribution channels, believing that this step would enable them to appropriate more value in the value-added chain. An illustration of this strategy was Grand Metropolitan's acquisition of major U.S. alcohol beverage distributors, including Heublein in 1987.

The most recent merger wave, which started in 1998, has been part of a trend in which firms restricted their businesses to a limited number of global brands, applying similar marketing strategies. This wave involves not only spirits firms but also brewers and wine producers, which had remained essentially domestic. Nonetheless, to date the scope of activity of spirits firms and breweries has been far more extensive than that achieved in wines. Several major mergers and acquisitions have taken place: merger of the U.K. firms Guinness and Grand Metropolitan in 1997; acquisition by Diageo and Pernod Ricard of Seagram spirits and wine business in 2001; merger of South African Breweries and the U.S. firm Miller in 2002; and the merger of Ambev from Brazil and Interbrew from Belgium in 2003. More recent developments include consolidations in each of the three major sectors: in the wine sector, Foster's Group takeover of fellow Australian Southcorp; in the spirits sector, the acquisition of Allied Domecq by Pernod Ricard; in the beer sector, SABMiller's acquisition of Latin America's number two brewer Bavaria.

INDUSTRY OUTLOOK

The top five spirits players are now estimated to account for about 48% of the global premium spirits market[20] and the top five beer players for 46% of the global branded beer market,[21] some industry analysts think the pace of industry consolidation is set to slow as there are few beverage alcohol producers of size left to acquire.[22]

There are still smaller companies in unconsolidated markets such as Germany or China, but even there many companies are already linked to larger concerns, have structures prohibiting change of control, or lack any real brand or asset value to an international player. Any scope for further industry consolidation lies in individual sub-sectors, as well as, with a longer-term view, on cross-sector investments aiming to extract economic synergies from link-ups between beer and spirits or beer and soft drinks bottlers.

While BRIC (Brazil, Russia, India, China) economies will remain a critical growth driver for the drinks industry in the coming years or even decades, there is a wider opportunity in emerging economies, ranging from Colombia, Peru, and Mexico to the former CIS states in Central Asia, Turkey, the Balkans, the Czech Republic, Poland, as well as selected countries in Africa (e.g., Nigeria and South Africa).

THE ECONOMIC SIGNIFICANCE OF THE BEVERAGE ALCOHOL INDUSTRY

Beverage alcohol has a well-established place in the global economy. The industry is usually defined in terms of a value chain centered on the actual production of the alcohol beverages. However, it is also includes a wide variety of important "backward" and "forward" linkages. The backward linkages include supply chain of agricultural and raw materials, capital equipment, transportation, and energy, while the forward linkages relate to access to markets, transportation, distribution via retailers, wholesalers and hotels, restaurants and cafes (HORECA). The significant economic activities involved in the production and distribution of beer, wine and spirits generate considerable employment and provide an important source of tax revenue for many governments.

The effect of alcohol producers on the economy is even more pronounced in developing countries. They provide jobs, generate revenue for governments, create a market for the goods and services of local suppliers, support the hospitality and retail industries, and invest in capital projects and the skills of their employees. Many of their suppliers and distributors are privately-owned small and medium enterprises, employing 20-50 people, and the support provided by alcohol producers not only creates employment, but empowers communities where they operate.

Employment

Although there are no global estimates for direct employment by beverage alcohol producers, there are estimates from various regions. In 1990, in the countries making up the then European Community (EC), direct employment by beverage alcohol manufacturers was roughly equivalent to direct EC employment in the insurance industry, was more than 75% of direct employment in the timber and wooden furniture industry, and 65% of direct employment in the footwear and clothing industry.[23]

Today, in the European Union (EU), the spirits sector directly employs about 50,000 people and indirectly 250,000 people.[24] On the brewing side, the 2,800 European breweries provide jobs for around 164,000 employees and indirectly 2.6 million jobs (comparable to the total workforce of countries such as Slovakia, Finland or Denmark). For each job offered in the brewing sector, it is estimated that one job is generated in retail, two in the supplying sectors and almost twelve in the hospitality sector.[25] Among the ICAP sponsoring companies in 2005, over 177,000 direct employees were identified through an analysis of global corporate annual reports.[26]

By far the most important source of indirect employment is in distribution activities. The retail, wholesale and HORECA sectors of the economy are the most important in terms of total employment provided. About 22 million people work in the major distribution trades in the EU, and one-tenth of them are related to the beverage alcohol industry. Seventy-five percent of these jobs are in the HORECA sector, where the sale of alcohol beverages is fundamental to many establishments, 7% of jobs are in wholesaling and 18% in retailing. Some of the jobs, especially in the HORECA sector, are part-time (e.g. in Germany one third of HORECA jobs are not full time).

Furthermore, jobs in EU industries serving the beverage alcohol sector are not insignificant, for example:

- Advertising: 3,000 people work on beverage alcohol accounts
- Packaging: 38,000 people are employed in manufacturing bottles, cans and fiberboard boxes for the alcohol drinks sector.
- Capital equipment: 15,000 people in 1,000 firms produce capital equipment for the beverage alcohol industry.
- Agriculture: for example, 3.9 billion euros spent by brewers in the agriculture sector generates around 147,000 agriculture related jobs.[27]

Direct and indirect employment combines to give almost 3 million jobs, or 2% of total EU civilian employment.

In the U.S., the beer industry alone employs approximately 1.78 million Americans, paying them $54 billion in wages and benefits.[28] The U.S. brewing industry today includes more than 2,400 brewers and beer importers, 1,908 beer wholesalers, and 551,000 retail establishments. The beer industry's economic ripple effect benefits packaging manufacturers, shipping companies, agriculture, and other businesses whose livelihood depends on a healthy beer industry.

There are other industries affected by the performance of beverage alcohol companies: transport / haulage companies, government employees involved in the regulation and oversight of the beverage alcohol industry, consulting firms, firms that construct and decorate the various places where alcohol is served, agricultural fertilizer suppliers, etc. Many of these are small, independent, or family-owned businesses.

Taxation

Tax revenues from excise and other taxes on the production and sale of beverage alcohol can be an important source of government revenue in many countries. For example in the former Soviet Union, excise taxes on beverage alcohol accounted for between 12-14% of all state revenue.[29] The beverage alcohol industry contributes to local and central government revenue in many ways: excise duties, sales tax / VAT, corporation tax, income tax and social security.

In the EU, beverage alcohol generates about 24 billion euros per year in excise duties alone for national administrations.[30] The financial revenues for European governments arising from the production and sale of beer, i.e., taxes paid by breweries, beer consumers and employees together, total around 38 billion euros a year, including 19 billion euros in VAT and 10.5 billion euros in excise duties. This represents more than the total annual government expenditure of countries such as Finland or Poland (estimated at around 34 billion euros).[31]

In the U.S., the beer industry alone pays over $30 billion in business, personal and consumption taxes, including $9.2 billion in excise taxes.[32]

BEVERAGE ALCOHOL ADVERTISING

The vast majority of the beverage alcohol consumed worldwide is not advertised. This is especially true in low and middle-income countries, where many beverages are home-brewed, produced illicitly, or are "commodity" products. In developing countries, commercially produced and advertised beverage types are generally more expensive, premium brands and therefore inaccessible to the majority of the population. The price differential between commercially produced, branded products and home-brewed beverages is often prohibitive. In addition, import tariffs and excise taxes can at times increase the price of a product to several times its original value. The price of branded products also reflects higher costs of production. Such costs are clearly not associated with illicit and home-produced alcohol, thus making them overwhelmingly the beverages of choice for low and middle-income countries. It should be noted, however, that many home-produced and illicit products, particularly in developing countries, use low-quality raw materials and may be contaminated, thus carrying health risks not associated with branded products.

The producers of alcohol beverage brands (e.g., Heineken or Guinness beer, Jack Daniel's whiskey or Smirnoff vodka, Penfold wine or Mumm champagne) use advertising and promotional activities in a way that is no different from any other branded goods manufacturer. They compete for market share in an exceptionally competitive environment. Competition is not only between brands but also between categories, so that Heineken lager competes not only against Foster's or Budweiser, but also against Ballantine's scotch or Bacardi rum - or a Penfold shiraz or a Mondavi merlot.

The competition for a bigger share of the market is strong and incessant, with advertising being a part - important but still only a part - of the wider marketing process. In most established, mature markets (where branded products are well known), total consumption is fairly static. Companies attempt to increase their business through better brand marketing, enabling them to gain market share at the expense of the competition by trying to give their brands greater appeal than other branded competitors. In emerging markets, where the situation is less static, companies still mainly compete against each other for market share. There is little commercial advantage to be gained from generic advertising of beverage alcohol, i.e., advertising unrelated to a brand product.

DISTRIBUTION CHANNELS

It is estimated that there are some 6 million legally licensed points of sales for beverage alcohol worldwide.[33] The off-trade is a more important channel in volume terms, accounting for 72% of spirit sales[34] and 66% of beer sales in 2004.[35] However, in value terms, on-trade outlets (all venues where drinks are sold at retail for on-premise consumption), have a clear lead, representing around 60% of sales in 2004. This discrepancy is due to the considerably higher mark-up on spirits prices in bars, restaurants and nightclubs compared with off-trade outlets.

The variance in sales through on-trade and off-trade across regions is largely cultural, with some cultures closely aligned to drinking in pubs and bars, and others tending towards entertaining at home. Apart from Latin America, off-premise trade leads volume sales in every region, with the proportions ranging from around 66% in Western Europe to around 91% in Eastern Europe. Younger consumers drive on-trade sales in many markets around the world.

Figure 8 Composition of off-trade and on-trade beer sales by region: % volume breakdown 2004

Source: Euromonitor 2005[36]

Two main trends shaping the retail environment in developed markets have been about convenience and low prices. Consequently, the drive towards "one-stop shopping" is almost universal in developed markets and, indeed, is becoming increasingly common in emerging regions. Thus, supermarkets and hypermarkets witnessed strong growth in many product areas between 1999 and 2004, including alcohol. However, because of legal restrictions on the sale of alcohol in major markets, specialist stores continue to maintain a significant share of global alcohol sales.[37]

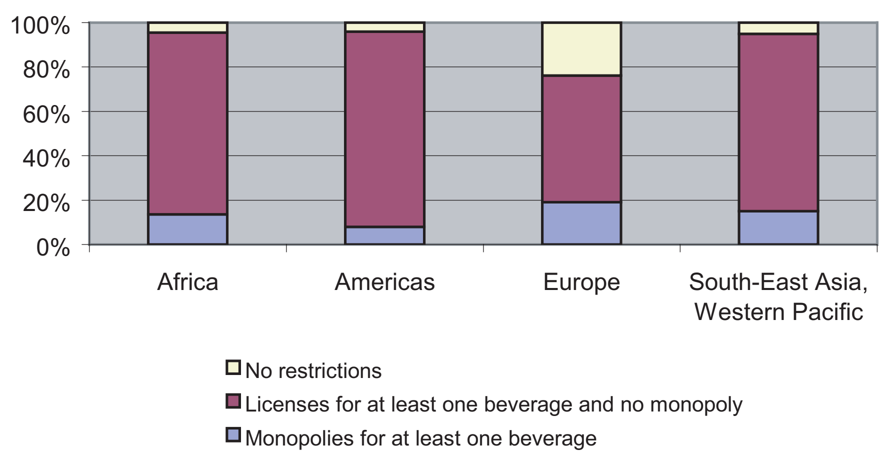
STATE MONOPOLIES AND LICENSING SYSTEMS

Governments around the world exercise different levels of control over the sale and production of alcohol beverages. Governments can elect full control (state monopoly), partial control (licensing system) or no control (which could entail that anybody is allowed to sell or serve alcohol beverages).

State-run monopolies regulating the distribution and sales of beverage alcohol were instituted as an alternative to unsatisfactory prohibition laws (in the case of the U.S. and Canada)[38] as a result of public sentiments about alcohol availability, rooted in individual societies, culture and history,[39] or as an alternative to prohibition.[40] State-run monopolies in Eastern Europe were a reflection of a centralized economic system within the Soviet bloc countries.

While some monopolies have been eliminated or reshaped, others persist. According to the 2004 WHO *Global Status Report: Alcohol Policy*, state-run monopolies regulating the sale of beer, wine or spirits exist in 15% of the surveyed countries. The most common approach, however, implemented in 73% of respondent countries, is the requirement for licenses for the sale of at least one category of beverage alcohol. Twelve percent of the respondent countries indicated that no restrictions were in place.[41]

Figure 9 Existing state monopolies and licensing systems on off-premise retail sale in responding countries (in % by WHO region)



Source: WHO Global Status Report: Alcohol Policy (2004)

Some countries have state monopolies on the production of alcohol beverages. Production monopolies are often mainly intended to assure that taxes are collected effectively, rather than having any inherent public health purpose.

DEVELOPMENT OF SOCIAL ASPECTS ORGANIZATIONS

Leading beverage alcohol companies have over the years made efforts to promote responsible drinking. Their aim is to find ways to educate their consumers about responsible drinking and to target patterns of drinking that are harmful either to the drinkers or to others. By the late 1980s, this led to the creation of industry-sponsored organizations that represented an industry approach to promote responsible drinking developed in partnership with other stakeholders in government and civil society. These groups came to be called social aspects organizations (SAOs) and they reflect the industry's wish to play a more proactive role in the area of alcohol-related social policy.

In 1989, there were just four SAOs: one in the Netherlands (founded in 1959), another in South Africa (founded in 1986), and the other two in the United Kingdom and in Canada (both founded in 1989). Today, over 30 SAOs exist, based mainly in Europe, North America, Australia / New Zealand, but also in Asia and Africa.[42]

An important component of SAOs' activities lies in the establishment of partnerships. Those that have developed over the years are a testament to how seriously these organizations and, indeed, the alcohol beverage industry more generally, have been taken. The activities of SAOs have developed considerably over the past decade, reaching out to more stakeholders in their efforts to prevent alcohol abuse. Many of their activities have focused on three core areas: young people and drinking, alcohol-impaired driving, and responsible hospitality and server training.[43]

INDUSTRY TRADE ASSOCIATIONS

Trade associations exist in nearly every industry and are present at national, regional and international levels. They are organizations consisting of members from the same trade or industry organized for the advancement of common interests, such as representing industry issues before government, advocacy of public policy, economic development both of the industry and of society, public relations, relations with employees, sales development, and production and environmental standards. Some associations publish official journals and organize industry and public conferences and seminars.

Within the beverage alcohol industry, trade associations are often groups consisting of industry members from the same beverage sector, such as an association of brewers, vintners or sake producers. These are often active at the national level and join together either formally or informally at the regional (e.g., for the EU) or global level. Other classifications include more than one sector and focus on the interests of beverage alcohol producers generally, or are comprised of industry groups spanning the entire value chain-from the backward linkages in agricultural (e.g., groups of malt producers) to the forward linkages involved in the distribution, retail and HORECA sectors.

Beverage alcohol industry trade associations are characterized by activities that aim to ensure compliance with fair trade, competition and other laws, facilitate sound economic development of the sector, promote the sector, set industry technical standards, and coordinate research in industry techniques, materials, and environmental norms. Many of these activities involve representing industry views before government legislators and regulators, as well as other governmental and non-governmental organizations.

Furthermore, many beverage alcohol trade associations also engage in activities that promote responsible drinking. They aim to create a social environment that encourages responsible drinking. These activities often focus on young people and preventing underage drinking, promoting moderate consumption of alcohol, addressing alcohol-impaired driving, and responding to environmental concerns such as disposal and recycling. In these areas, they are often similar to SAOs.

SUMMARY

As this Report has attempted to illustrate, there have been considerable changes in the beverage alcohol industry over the past 25 years, particularly with developments in commercial versus non-branded local production, in the internationalization of brands, and the consolidation of several multinational producers. These trends are not unique to the beverage alcohol industry, but have significantly affected all areas of domestic and international trade throughout this period.[44]

Yet despite these changes, most of the alcohol that is produced and consumed around the world continues to be non-commercial and largely unrecorded. While this overview of the beverage alcohol industry and its structure may help in understanding the commercial sector, it is important to bear in mind the huge diversity of the market when addressing public health, social and trade issues around the world.

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