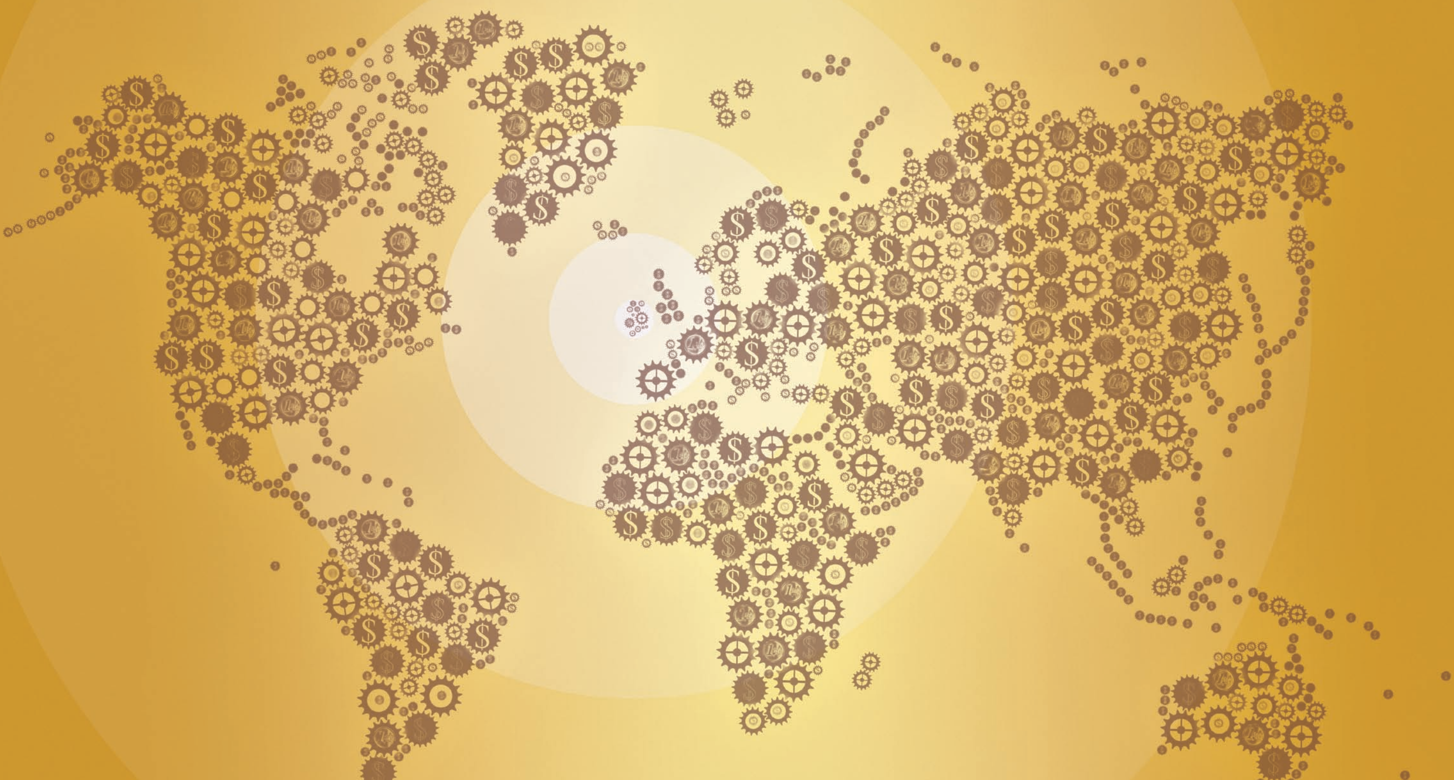
DIGI
Drinks Industry Group of Ireland

Beverage Exports 2000–2011



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1. Introduction

This report examines the structure and performance of drinks exports and their contribution to overall export performance. It refers to the usual international trade indicators of level and growth of exports, product mix and market focus. The main data source for the analysis is the CSO external trade statistics series. This is supplemented by material from An Bord Bia. The report also considers the net domestic economic contribution of drinks exports compared to other export sectors. This measure takes into account the import content of domestic production. The main focus is on the past decade and a brief longer term summary is included. The economic importance of exports to the Irish economy is identified and Section 9 discusses the determinants of drinks exports from Ireland.

Even before examining the data in detail it is readily apparent that the drinks industry is responsible for several international or global brands which are produced in Ireland such as Guinness, Baileys, Jameson and Magners. In addition there are other brands from smaller indigenous producers which are exported such as Carolans Irish Cream and the whiskey brands of Cooley Distillery (recently purchased by Beam Inc.) and Tullamore Dew. No other indigenous Irish industrial sector has generated several such global or international consumer brands. In this context "indigenous" does not refer to ownership of the brand or company but to the fact that the product and company originally emerged from the industrial, entrepreneurial and innovative capabilities of the Irish economy even if the brands or companies have since moved into foreign ownership.

In addition to the direct economic impact on output and employment of these brands, they contribute to a positive image of Ireland as a source of high quality products which indirectly provides some additional assistance to the exports of other products and services.

Magners has a substantial presence in the British market and is consumed in many other countries and Guinness, Baileys and Jameson are each consumed in over 100 countries. While all of the Jameson and most of the Baileys which are globally consumed are produced in Ireland, the bulk of the world-wide consumption of Guinness is not produced in Ireland. Baileys is also produced and exported from Northern Ireland as are other drinks brands such as Bushmills whiskey. Northern Ireland drinks exports are not included in this report. Much of the inputs for Northern Ireland originating exports are sourced from the Republic of Ireland.

The different sources of data do not give the same estimates of beverages exports. Details of the different sources and their exports estimates are contained in Appendix 1. In particular the data published for 2011 by Bord Bia indicate a much better exports beverages performance in 2011 than the data published by the Central Statistics Office. This is explained in Appendix 1.

2. Previous and Future Roles of Exports in the Irish Economy

Exports have always been a critical part of the Irish economy and Irish economic performance. The domestic market is very small by international standards and access to export markets lengthens production runs. This enables firms to benefit from scale economies and to operate at lower average cost of production than would be possible if production levels were determined by the domestic market alone. Access to export markets facilitates the growth of companies and wider exploitation of specific products and skills.

Exports are necessary to finance imports. These imports include consumer goods to provide choice and otherwise unavailable goods, energy imports to fuel household and commercial activities and raw materials and components to support domestic production and employment.

In addition, exports are an additional source of demand for Irish products which supports domestic production and employment. The latter is of significant importance in the current and medium term Irish economic situation. The sources of demand for domestic production in an economy are government expenditure, consumption, investment and exports less imports. The current and medium-term Irish economic situation is such that exports, and to a lesser extent investment, are the only likely sources of demand growth to generate economic growth.

The December 2011 Government economic projections expect that private consumption will decline in 2012, will be stagnant in 2013, will grow by only 1% in 2014 and 1.2% in 2015. Government consumption will decline in each year to 2015 as the borrowing reduction is implemented. Investment demand will grow from 2013 following declines in the previous few years. Exports are expected to be the main source of demand growth with increases each year from 2011.

The details of the increases/decreases of the different demand components are shown in Table 2.1 below.

Any immediate possibility of pushing the GDP growth above the rates shown in Table 2.1 depends on a better export performance than currently projected. The below economic performance will result in an unemployment rate of 11.6% in 2015. Clearly, a higher growth rate which would reduce the unemployment rate is desirable. The achievement of this would depend heavily on a higher export growth than projected in Table 2.1 because the other elements of demand are very unlikely to improve significantly relative to current projections based on current policies on debt and the public finances.

A better export performance, than currently expected, would directly increase output and employment, would generate a multiplier effect throughout the economy and would directly and indirectly boost confidence.

3. Domestic Content of Exports

The usual indicator of export performance is the value of exports. To a lesser extent the volume of exports is also used. The value indicator, on its own, gives a misleading measure of the economic contribution of an export. Some exports are very import intensive because the production process uses a high proportion of imported services or raw materials/components. Other sectors may use a large share of domestic raw materials and components. Exports of beverages, for example, use a higher proportion of domestically sourced inputs than pharmaceutical exports. Because of the higher domestic content, a Euro worth of beverages exports contributes more to the economy than a Euro worth of chemical/pharmaceutical exports. The indicator of value of exports understates the contribution of beverages exports relative to other sectors and relative to total exports.

Forfas publishes data on its “direct expenditure in the Irish economy” indicator. This measures payroll costs plus Irish-sourced raw materials plus Irish-sourced services. Unfortunately, due to confidentiality issues, Forfas includes the beverages industry data within the food, drinks and tobacco sector. In this sector direct expenditure in the Irish economy is 57% of sales. In chemicals/pharmaceuticals the direct expenditure share is 8% (2009 estimates). The same indicator is 17% for computer, electronic and optical products and 27% for medical devices.

We can be reasonably sure that the domestic beverages production industry has a high domestic content in production. It is a major user of domestic raw materials and inputs including malted barley, barley, cereals, milk, apples and services. Sugar is a significant input but it is no longer produced domestically and has to be imported. Baileys, for example, in 2009, sourced 75% of its raw ingredients and packaging from the island of Ireland. 220 million litres of fresh Irish milk was needed to produce the cream for the product.

The overall food, drink and tobacco direct expenditure share of sales is 57%. Excluding tobacco would increase this share. Food might have a higher share than beverages through the impact of meat and dairy although some other food sectors would have a substantial level of imported ingredients. To avoid overestimating the direct expenditure share of beverages we use a figure of 50%. We also assume that the direct expenditure share which is applied to sales in a sector can also be applied to the exports of that sector.

Based on the above expectations €100 of beverages exports has the same impact on the economy as €625 of chemicals/pharmaceutical exports or €294 of computer, electronic and optical exports or €185 of medical devices exports. These figures are derived as follows. €100 of beverages exports generates a net gain to the economy of €50 when the imports of services and inputs are excluded. €625 of chemical/pharmaceutical exports generates a net gain to the economy of only €50, based on the direct expenditure share of 8%. Consequently, the €100 beverages exports are equivalent to €625 chemicals exports in terms of net gain to the economy.

4. National Export Performance 2000-2011

A brief outline of the national export performance is presented to provide a comparative perspective for the beverages export performance. Exports are composed of merchandise exports and service exports such as financial services or consultancy. The focus in this section is on merchandise exports, to which category beverages exports belong.

Total merchandise exports have had a mixed performance over the 2000 to 2011 period. In the previous decade of 1990 to 2000, the value of total merchandise exports grew each year. At the start of the decade in 1990 it was €18.2 billion and by 2000 it had risen to €83.9 billion. Clearly, it would be difficult to sustain that very high rate of growth beyond 2000 and that proved to be the case.

The value of merchandise exports grew in 2001 and 2002 when it peaked and reached €93.6 billion. This level has not been reached since then although the 2011 level is close. Exports declined in 2003, increased in 2004, 2005, 2006 (very slightly) and 2007 when the level was €89.2 billion. Exports declined in 2008 and 2009 reflecting the international economic recession. The 2009 level was €84.2 billion. Growth resumed in 2010 when total merchandise exports reached €89.2 billion. Growth continued in 2011 when merchandise exports reached €92.9 billion. The 2011 level is close to the peak of 2002. In 2010 merchandise exports grew by 5.9% and in 2011 the growth was 4.1%.

The details of the 2000-2011 export performance are shown in Table 4.1.

The data refers to the value of exports measured in current prices. The overall price of exports dropped considerably between 2000 and 2011 and the volume increased by a greater rate than the value.

Table 2.1 Demand and GDP volume Performance 2012-2015, % change

Private consumption	2012	2013	2014	2015
Government consumption	-1.5	0	1.0	1.2
Investment	-5.5	3.2	4.6	4.8
Exports	3.9	4.5	4.8	4.8
Imports	1.8	2.8	3.4	3.5
GDP	0.5	2.4	3.0	3.0

Source: 2012 forecasts are from the April 2012 Central Bank Quarterly Bulletin and the other forecasts are from the Government's Economic and Fiscal Outlook, December 2011.

Table 4.1 Merchandise Exports 2000-2010, current values, € billion

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value of merchandise exports € billion	83.9	92.7	93.7	82.1	84.4	86.7	86.8	89.2	86.4	84.2	89.2	92.9

Source: CSO Trade Statistics and CSO database

5. Beverages Exports, level and performance

This section identifies the current level and past performance of beverages exports. We concentrate on the 2000 to 2011 period. However, it is worth noting that in each year of the 1990s beverages exports increased from €377.7 million in 1990 to €854.4 million in 2000. The performance over the past decade is shown in Table 5.1.

Beverages exports increased each year from 2000 to 2003 when it reached a billion Euro in value for the first time. There was a decline in 2004 but the value of beverages exports increased each year from 2005 to 2007 when the value reached a peak of €1.3273 billion. The effects of the international recession are seen in the declines of 2008 and 2009 by when beverages exports had declined to €1.0069 billion. Growth was resumed in 2010 when beverages exports grew by 11.0% to €1.1172 billion. The 2010 level was still below that of 2008 and was slightly above the 2005 level. As measured by the CSO beverages exports declined in 2011 compared to 2010. However, the 2011 estimates published by Bord Bia report an increase in 2011. Currently (in 2011), beverages exports as measured by the CSO are valued at €1.086 billion and are below the peak level of €1.3 billion which occurred in 2007 but are still above the 2009 level. Details of the CSO and Bord Bia totals are shown in Table 5.4 below.

The following sections examine the product and market mix of the overall trends in beverages exports. The main focus is on 2010 because this is the latest full year for which the detailed sectoral and market features of beverages exports are available. Details are available for Jan to November 2011 and these are also referred to in the following sections. In considering the role of the beverages total one should be conscious of the relatively high domestic content of the exports. In 2010 chemicals exports were €52.4 billion or 58.6% of the total. The beverages exports are only 2% of the chemicals total when measured in gross value terms. The domestic content of the beverages exports is €559 million. The equivalent figure for the chemicals exports is €4.192 billion. The beverages domestic content element of exports is 13% of the chemicals contribution, which is considerably higher than the 2% when measured on value terms.

The share of beverages in total merchandise exports is shown in Table 5.1. An increase in the annual share indicates that the growth of beverages in that year exceeded the growth of total merchandise exports. The highest beverages share occurred in 2006 and 2007. Since 2007 the share has declined except for 2010 when there was an increase. In 2010 total exports increased by 5.9% compared to the beverages increase of 11%.

Between 2000 and 2007 beverages exports grew by 55.3% while total exports increased by only 6.3%. Between 2007 and 2010 beverages exports declined by 15.8% and total exports were unchanged.

The UN trade database enables an identification of the relative international role of Irish alcohol beverages exports. In 2008 Ireland was ranked 11th in the world in value of alcohol exports. The top three were France, United Kingdom and Italy. Ireland had 2.4% of world alcohol exports. In 2008 Ireland ranked 33rd in the world ranking for merchandise trade and had a 0.8% share of world exports. Ireland's alcohol exports ranking and share are much better than its overall merchandise export ranking and share. The Irish services ranking was 11th with a 2.6% share of total services exports. The details are shown in Table 5.2. All of the countries above Ireland in the table have substantially bigger economies.

The absolute size of beverages exports can be gauged by comparing them to dairy products which would be generally regarded as a significant Irish export sector (Table 5.3). Over the five years since 2007, beverages exports have ranged between 61% and 90% of dairy exports.

Table 5.4 presents a comparison of the Bord Bia and CSO estimates of drinks exports. The Bord Bia figures are the "revised" annual figures which refer to the previous year which are published in the current years estimates except for 2011 which is the figure published in the 2011 Export Performance document. This will be revised when the 2012 Export Performance report is published. The 2011 CSO figure is the preliminary figure for 2011 which is subject to later revision.

The Bord Bia annual estimates of total beverages exports are consistently higher than the CSO estimates but, except for 2011, they each follow the same broad pattern of annual changes. Both sources declined in 2004, 2008 and 2009. The rates of decline are broadly similar. 2006 was the year with the largest increase in both sources. The magnitude of the increases in 2006 and 2007 were similar in both sources. The main issue is with the rate of change in 2011 when the CSO reported a decline and Bord Bia has reported an increase.

Table 5.1 Value of Beverages exports and share of total 2000-2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value of beverages exports € million	854.4	871.0	895.3	1012.7	949.0	1013.6	1285.0	1327.3	1161.7	1006.9	1117.2	1086.0
Beverages as % of total	1.0	0.9	1.0	1.2	1.1	1.2	1.5	1.5	1.3	1.2	1.3	1.2

Source: CSO Trade Statistics and CSO Database

Table 5.2 World share of alcohol exports 2008

Country	% of total alcohol exports	Country	% of total alcohol exports
France	21.9	USA	3.9
United Kingdom	12.1	Australia	3.4
Italy	9.7	Belgium	2.8
Germany	5.8	Ireland	2.4
Spain	5.4	Singapore	2.3
Netherlands	4.3	Chile	2.1
Mexico	4.0	Portugal	1.7

Source: UN Comtrade.

Table 5.3 Dairy exports and Beverages Export 2007 to 2010 € billion

	2007	2008	2009	2010	2011
Dairy products	1.4766	1.4419	1.1138	1.4308	1.7763
Beverages	1.3273	1.1617	1.0069	1.1172	1.0860
Beverages as a % of dairy	90	81	90	78	61

Source: CSO Database

Table 5.4 CSO and Bord Bia Estimates of Beverages Exports 2003 to 2011 and Annual Growth

	2003	2004	2005	2006	2007	2008	2009	2010	2011
CSO € billion	1.0127	0.9490	1.0136	1.2850	1.3273	1.1617	1.0069	1.1172	1.0860
Bord Bia € billion	1.072	1.016	1.091	1.376	1.440	1.229	1.060	1.152	1.220
CSO % change		-6.3	+6.8	+26.8	+3.3	-12.5	-13.3	+11.0	-2.8
Bord Bia % change		-5.2	+7.4	+26.1	+4.7	-14.7	-13.8	+8.7	+5.9

Source: CSO and Bord Bia Export Performance and Prospects Reports

6. Product Mix of Beverages Exports

Beverages exports in the CSO Trade Statistics are divided into the following categories, non-alcohol (classification 111), fermented beverages such as cider and perry (classification 112.2), beer (112.3), whiskey (112.41), spirits and distilled beverages such as liqueurs (112.49) and other beverages (the remainder of 112). The 2010 product breakdown is based on the published initial 2010 total of €1.0988 billion and not the revised total of €1.1172 billion. This is because the revised detailed product breakdown for 2010 has not been published at time of writing. In addition the full year details for 2011 are not yet available.

The details of the product mix of beverages exports are presented in Table 6.1. Classification 112.2 is dominated by cider, 112.3 is dominated by Guinness stout and 112.41 is dominated by liqueurs. Table 6.1 deals with the product changes between 2000 and 2010. Later in this section the product changes mix within the period and over the recent years are examined.

There were substantial changes in the product mix over the decade. The period coincided with the very good performance of Magners cider exports to Britain. This resulted in the cider share growing from a very low 1.7% to 14.7%. The value of liqueur exports declined in the period and resulted in its share of beverage exports declining from 52.9% to 34.7%. Whiskey exports more than doubled and the share increased from 10.4% to 16.4%. Beer exports increased slightly and its share declined from 28.2% to 24.3%.

The product performances for the three years since the peak in 2007 are now examined in Table 6.2

Total alcohol exports declined in 2008 and 2009 and increased in 2010 by 7.9%. Cider and perry decreased in each year of the period. There was a large decline of 20.3% in 2010. Whiskey increased in 2008, stayed almost constant in 2009 and increased by 28.4% in 2010.

Beer declined in 2008 and 2009 and increased by 16.2% in 2010. The liqueurs group declined in 2008 and 2009 and increased by 9.2% in 2010. The 2010 total for liqueurs is well below the 2007 level. Whiskey is the only alcohol product (excluding the residual “other” group) which has a higher export value in 2010 than in 2007.

The 2011 sectoral performance is examined in Table 6.3. Details are available for the January to November period.

The most recent performance, according to the CSO, is made up of continuing growth in whiskey, little change in liqueurs, slight decline in beer and substantial decline in cider and perry. It should be noted that the industry disputes the CSO cider data for 2011. The overall decline in 2011 exports as identified by the CSO, is mainly due to cider. However, the Bord Bia review of 2011 presents a somewhat different picture. It agrees with the dominant role of whiskey but notes that ‘The growth in the value of exports was led by whiskey, which continued to show strong double-digit growth while cream liqueurs, beer and cider showed more modest growth’ (page 42 Bord Bia Export Performance 2011 and Prospects for 2012).

Table 6.1 Beverages exports product mix 2000 and 2010 € million

	2000	2000 % share	2010	2010 % share	% change in export value
Total beverages exports	854.4	100	1098.8	100	28.6
Non-alcohol	55.1	6.4	98.1	8.9	78.0
Alcohol	799.3	93.6	1000.7	91.1	25.2
Cider and perry group	14.6	1.7	161.7	14.7	1007.5
Beer	241.1	28.2	266.9	24.3	10.7
Whiskey	89.1	10.4	180.5	16.4	102.6
Liqueurs group	452.2	52.9	381.5	34.7	-15.6
Other alcohol	16.9	2.0	10.1	0.9	

Source: CSO Trade Statistics

Table 6.2 Value of beverages exports classified by product 2007-2010, € million

	2007	2008	2009	2010
Alcohol	1231.2	1082.7	927.6	1000.7
Cider and perry	234.2	219.7	202.9	161.7
Beer	284.9	250.4	229.7	266.9
Whiskey	130.7	140.7	140.6	180.5
Liqueurs group	576.3	466.6	349.2	381.5
Other alcohol	5.1	5.3	5.2	10.1
Non-alcohol	96.1	79.0	79.3	98.1

Source: CSO Trade Statistics

Table 6.3 Value of beverage exports classified by product Jan-Nov 2011 and 2010, € million

	2010 Jan to Nov	2011 Jan to Nov	% change
Alcohol	946.4	898.3	-5.6
Cider and perry	154.5	85.7	-44.5
Beer	249.1	231.5	-7.1
Whiskey	176.3	221.8	25.8
Liqueurs group	356.7	351.2	-1.5
Non-alcohol	92.2	100.0	8.5

Source: CSO Trade Statistics

7. Geographic Destination of Beverages Exports

In 2010, the EU absorbed 58.2% of beverages exports compared with 59.2% in 2001. The non-EU markets were responsible for 41.8% in 2010 and 40.8% in 2001. Over the past decade there was little change in the EU/non-EU shares of beverages exports. The role of the British market increased from 19.9% in 2001 to 29.2% in 2010. The Northern Ireland market share was almost unchanged over the decade, 10.5% in 2001 and 10.0% in 2010. The non-UK EU declined from 28.8% in 2001 to 19.0% in 2010. The USA market share also was almost unchanged over the decade. Its share was 25.4% in 2001 and 24.9% in 2010. The Canadian share increased slightly and the Australian share declined from 3.0% to 0.9%. Sales to the rest of the world grew from 6.8% to 9.4%. The details are presented in Table 7.1.

The most surprising aspect of the geographic mix is the decline in the importance of the EU market excluding the UK (rest of the EU market). Between 2001 and 2010 its share declined from 28.8% to 19.0% and the level of sales declined from €343.4 million to €209.3 million, a decrease of 39.1%. The British market had the largest national market increase at 91.4%. This is mainly accounted for by the growth of cider exports from very low levels at the start of the decade to €132.7 million in 2010.

The main individual country exports for 2010 are shown below in order of magnitude.

Great Britain	€321.1 million
United States	€273.6 million
Northern Ireland	€109.5 million
Canada	€71.6 million
Germany	€42.2 million
France	€33.3 million
Italy	€20.0 million
Latvia	€17.3 million
South Africa	€12.6 million
Netherlands	€11.3 million
Australia	€10.3 million
Switzerland	€8.1 million
New Zealand	€2.9 million
Chile	€1.1 million
Other countries	€142.7 million

The main national markets are Great Britain, United States, Northern Ireland and Canada. These are followed by Germany, France and Italy. The top three countries accounted for 64.1% of total beverages exports in 2010. The top three in 2001 accounted for 55.8% of the total.

The geographic markets of the various types of beverages are different. In 2010, Great Britain accounted for 82.1% of cider exports and the EU accounted for 87.7%. In the beer category, the EU accounted for 66.8%. Northern Ireland was the largest single national market for beer exports and exceeded Great Britain which was in second place. The whiskey exports were more geographically dispersed than cider and beer. The EU accounted for 44.2% of whiskey exports and the rest of the world absorbed the other 55.8%. Great Britain accounted for only 7.5% of whiskey exports and the largest national market was the USA with 38.1%. In the liqueur and other spirits product group the EU accounted for 36.5% and the rest of the world absorbed 63.5%. The USA was the largest market for liqueur exports with 37.1% of the total compared to Great Britain which was second with 14.2%.

The EU, Non-EU, Great Britain and USA market roles are summarised below in Table 7.2

The USA is the largest national market for whiskey and liqueur exports. The British market is the largest for cider and the Northern Ireland market is the largest for beer. The EU market is most important for cider, followed by beer, whiskey and liqueur. The rest of the world absorbs more than half of Ireland's whiskey and liqueur exports.

The overall market spread of beverages compared with total exports is shown in Table 7.3

Beverage exports are more reliant on the British market than are overall merchandise exports. They have a similar reliance on the USA market and on the rest of the world.

8. Trade Balance in Beverages

Beverages exports substantially exceed imports and generate a trade surplus. The surplus has arisen consistently each year. A summary of the import/export position is presented in Table 8.1. The surplus ranged between €251.5 in 2002 and €557.9 million in 2006.

Table 7.1 Beverage Exports from Republic of Ireland, Sales and share of main markets

	2001 sales € million	% share of total beverages exports	2009	2010	2010
total	843.7	100	1,098.8	100	
Great Britain	167.8	19.9	321.1	29.2	91.4
Northern Ireland	88.2	10.5	109.5	10.0	
Rest of EU	343.4	28.8	209.3	19.0	-39.1
EU	499.4	59.2	639.9	58.2	
Non-EU	344.3	40.8	458.9	41.8	
USA	214.5	25.4	273.6	24.9	
Canada	46.8	5.5	71.6	6.5	53.0
Australia	25.5	3.0	10.3	0.9	
Rest of world	57.5	6.8	103.4	9.4	

Source: CSO Trade Statistics

Table 7.2 Market shares classified by beverages 2010 %

	Cider, perry	Beer	Whis-key	Liqueur
EU	87.7	66.8	44.2	36.5
Non-EU	12.2	33.2	55.8	63.5
Great Britain	82.1	22.5	7.5	14.2
USA	8.2	18.6	38.1	37.1

Source: CSO Trade Statistics

Table 7.3 Market Structure of Beverages exports and total exports, % of total 2010

	Beverages exports %	Total exports %
Great Britain	29.2	13.9
USA	24.9	23.2
EU	58.2	57.9
Rest of the world	41.8	42.1

Source: CSO Trade Statistics

Table 8.1 Imports, Exports and Trade Surplus in Beverages 2000 to 2011, € million

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Imports	446.7	596.3	643.8	598.0	637.9	703.2	727.1	821.0	754.1	677.4	725.3	708.7
Exports	854.4	871.0	895.3	1012.7	949.0	1013.6	1285.0	1327.3	1161.7	1006.9	1117.2	1086.0
Surplus	407.7	274.7	251.5	423.7	311.1	310.4	557.9	506.3	407.6	329.5	391.9	377.6

Source: CSO database

9. Summary and Conclusions

The empirical analysis showed that beverages exports are substantial both by national and international standards. In terms of the international position Ireland is ranked 11th in order of size of alcohol exports compared to 33rd for overall merchandise exports. The Irish share of world alcohol exports is 2.4% compared with 0.8% for overall merchandise exports.

Because of their high domestic content, the economic contribution of alcohol exports is understated when measured on the conventional value indicator. €100 of beverages exports has the same impact on the economy as €625 of chemicals/pharmaceutical exports or €294 of computer, electronic and optical exports or €185 of medical devices exports.

The absolute size of beverages exports can be gauged by comparing them to dairy products which would be generally regarded as a significant Irish export sector. Over the five years since 2007 beverage exports have ranged between 61% and 90% of dairy exports.

Unusually for exports which emerged from the indigenous industrial base (although now largely owned by international companies), the beverage exports are dominated by well-known international or global consumer brands such as Baileys, Jameson and Guinness on a global basis and Magners on a mainly UK basis.

The value of beverage exports increased each year from 2000 to 2003 when it reached a billion Euro in value for the first time. There was a decline in 2004 but the value of beverages exports increased each year from 2005 to 2007 when the value reached a peak of €1.3273 billion. The effects of the international recession are seen in the declines of 2008 and 2009 when beverages exports declined to €1.0069 billion. Growth resumed in 2010 when beverage exports grew by 11.0% to €1.1172 billion. In 2011 beverages exports declined slightly by 2.8%, based on the CSO data and the current CSO estimated 2011 level is €1.086 billion. However, the Bord Bia estimates for 2011 (published in its Export Performance 2011 and Prospects for 2012) report an increase of 5.9% compared with 2010, from €1.152 billion in 2010 to €1.220 billion in 2011.

The beverage share of total merchandise exports peaked in 2006 and 2007 when it was 1.5%. Since 2007 the share has declined but there was an increase in 2010 compared with 2009. The 2011 beverages share was 1.2%. In 2010 total exports increased by 5.9% compared to the increase of 11% for beverages. In 2011 total exports increased by 4.1% compared to a beverages decline of 2.8% according to the CSO data and an increase of 5.9% according to Bord Bia.

There were substantial changes in the product mix over the decade. The period coincided with the very good performance of Magners cider exports to Britain. This resulted in the cider share growing from 1.7% in 2000 to 14.7% in 2010 but the cider share dropped greatly in 2011. The value of liqueur exports declined in the same period, partly related to the opening of a production facility in Northern Ireland, and resulted in its share of beverages exports declining from 52.9% in 2000 to 34.7% in 2010. Whiskey exports more than doubled and the share increased from 10.4% to 16.4%. Whiskey exports continued to increase in 2011. Beer exports increased only slightly over the decade and its share declined from 28.2% to 24.3%.

Total alcohol exports declined in 2008 and 2009 but increased in 2010 by 7.9%. Alcohol exports declined by 5% in 2011, according to the CSO. Cider and perry decreased in each year since 2007. There was a large decline of 20.3% in 2010 in cider exports and another large decline in 2011 according to the CSO data. Whiskey exports increased in 2008, stayed almost constant in 2009, increased by 28.4% in 2010 and increased again in 2011.

Beer exports declined in 2008 and 2009 and increased by 16.2% in 2010. Beer exports declined slightly in 2011. The liqueurs group declined in 2008 and 2009 and increased by 9.2% in 2010. There was a small decline in 2011. The 2010 and 2011 totals for liqueurs are well below the 2007 level. Whiskey is the only alcohol product (excluding the residual "other" group) which has a higher export value in 2010 and 2011 than in 2007.

In 2010, the EU absorbed 58.2% of beverages exports compared with 59.2% in 2001. The non-EU markets were responsible for 41.8% in 2010 and 40.8% in 2001. Over the past decade there was little change in the EU/non-EU shares of beverages exports. The role of the British market increased from 19.9% in 2001 to 29.2% in 2010. The Northern Ireland market share was almost unchanged over the decade, 10.5% in 2001 and 10.0% in 2010. The non-UK EU declined from 28.8% in 2001 to 19.0% in 2010. The USA market share also was almost unchanged over the decade. Its share was 25.4% in 2001 and 24.9% in 2010. The Canadian share increased slightly and the Australian share declined from 3.0% to 0.9%. Sales to the rest of the world grew from 6.8% to 9.4%

The main individual country exports for 2010 are shown below.

Great Britain	€321.1 million
United States	€273.6 million
Northern Ireland	€109.5 million
Canada	€71.6 million
Germany	€42.2 million
France	€33.3 million
Italy	€20.0 million
Latvia	€17.3 million

The markets for the various types of beverages are different. In 2010, Great Britain accounted for 82.1% of cider exports and the EU as a whole accounted for 87.7%. In the beer category the EU accounted for 66.8%. Northern Ireland was the largest single national market for beer exports and exceeded Great Britain, which was in second place. The whiskey exports were more geographically dispersed than cider and beer. The EU accounted for 44.2% of whiskey exports and the rest of the world absorbed the other 55.8%. Great Britain accounted for only 7.5% of whiskey exports and the largest national market was the USA with 38.1%. In the liqueur and other spirits product group, the EU accounted for 36.5% and the rest of the world absorbed 63.5%. The USA was the largest market for liqueur exports with 37.1% of the total market compared to Great Britain which was second with 14.2%.

Beverage exports substantially exceed imports and generate a trade surplus. The surplus has arisen consistently each year. The surplus ranged between €251.5 (in 2002) and €557.9 million (in 2006).

The empirical aspects of beverages exports identified in the report provide a very solid base for future export expansion. However, there are some concerns about the performance in the decade including the liqueurs decline since 2007, the recent cider performance and the slow growth of beer over the full period. Recovery to the peak 2007 level by itself would drive exports to €1.3 billion. The different development agencies have recognised the potential for increased beverages exports. Bord Bia's 2009-2011 Strategic Priorities notes that 'Ireland has an internationally renowned drinks industry… The continued emergence of new markets combined with strong consumer demand for wider product ranges present significant opportunities for a strong increase in export revenues'.

The Government report "Trading and Investing in a Smart Economy" also identified alcohol products as an area of growth potential. The Irish export performance in beverages is dominated by two of the largest drinks companies in the world. This is complemented by smaller indigenous and internationally-owned companies. In addition to the usual determinants of export success such as cost competitiveness, quality of products and marketing excellence, export growth in alcohol brands requires the continuing commitment of the parent company to use Ireland and Irish products as a base from which to serve particular export markets and the continuing commitment of the parent company to invest in the Irish product in terms of both capacity and brand.

The quality of the beverages brands and their international standing, allied with the current level of international sales, the emergence of new markets, such as China and India with a potential taste for Irish products, and the size of the Irish diaspora all suggest that there is substantial additional potential sales for Irish alcohol products. The task must be to ensure that the market potential of Irish beverages brands, including those which are part of international companies is achieved.

Appendix 1 Data Sources

The official source of data is the CSO's Trade Statistics. This is also the most detailed source and includes geographic market and product by market information, all of which is published. There is generally a revision of the initial estimates for a particular year when the following year's data is published. For example, the initial 2009 CSO beverages export estimate was €997.7 million. This was published in The December 2009 edition of the Trade Statistics which was issued in April 2010. The December 2010 Trade Statistics revised the 2009 figure to €1006.9 million. The initial 2008 estimate from the CSO was €1153.8 million which was revised to €1161.7 million in the December 2009 Trade Statistics. The CSO database source currently records beverages exports for 2008 as €1161.7 million and 2009 as €1006.9 million which are the revised estimates as published in the following years Trade Statistics.

The 2010 CSO estimate for the value of beverages exports which was initially published in the December 2010 Trade Statistics is €1098.8. The December 2011 Trade Statistics will not be issued until April 2012 but the CSO database currently records the 2010 beverages exports as €1117.2 billion.

The final estimates should be used in the analysis of beverages exports. Unfortunately, the estimates revisions are not applied to all the classifications published in the previous year's estimates. For example, Table 12 of the Trade Statistics which gives details of exports to each country refers only to the current year of publication and does not provide new estimates based on the change in the revised total figure.

The CSO beverages exports total differ from the figures used by An Bord Bia. In 2010 Bord Bia initially estimated beverages exports to be €1190.0 million compared to the CSO database estimate of €1117.2 million, a difference of €72.8 million. The Bord Bia estimate was revised to €1152 million when the 2011 estimate was published. In 2009 the Bord Bia figure was €1060.0 million compared to the CSO estimate of €1006.9 million, a difference of €53.1 million. The Bord Bia estimates for a particular year are also revised in the following year. The initial 2008 estimate was €1246 million and this was revised to €1229 the following year.

The initial Bord Bia 2009 estimate was €1071 million and this was revised to €1060 million the following year.

There is a particular difference between the two sources for 2011. Bord Bia reports a 2011 total of €1.22 billion compared to €1.086 billion by the CSO. In addition the Bord Bia estimates report an increase between 2010 and 2011 of 5.9% compared to the CSO estimate of a decline of 2.8%.

The difference between the CSO and Bord Bia estimates, while relatively large especially for 2011, are small compared to the differences between both of these sources and the data published by the Irish Exporters Association (IEA). The IEA publishes "Top Exporters in Ireland and Northern Ireland". The latest one is the 2011 edition which mainly refers to performance in 2009. This lists four beverages companies in the top 250 exporters. These are Diageo (number 34), R & A Bailey (64) which belongs to Diageo, Irish Distillers (82) and C&C group (104). The total exports attributed to these four companies in the IEA report is €1720 million. The CSO total for 2009 was €1006.9 million and the Bord Bia estimate was €1060 million. Even if the Bailey figure is already included in the overall Diageo total, the revised total from IEA would be €1320 million which is well above the other two sources.

Exports are a substantial share of sales in the beverages sector. The IEA source indicates that Diageo exports 47% of sales, Bailey and Company export 91%, Irish Distillers export 67% and C& C export 33%.

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The Drinks Industry Group of Ireland is the umbrella organisation for the wider drinks industry in Ireland. Our membership spans manufacturers, distributors, and the retail sectors (both the on-trade – pubs, hotels, nightclubs, restaurants – and the independent off-licence sector).

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