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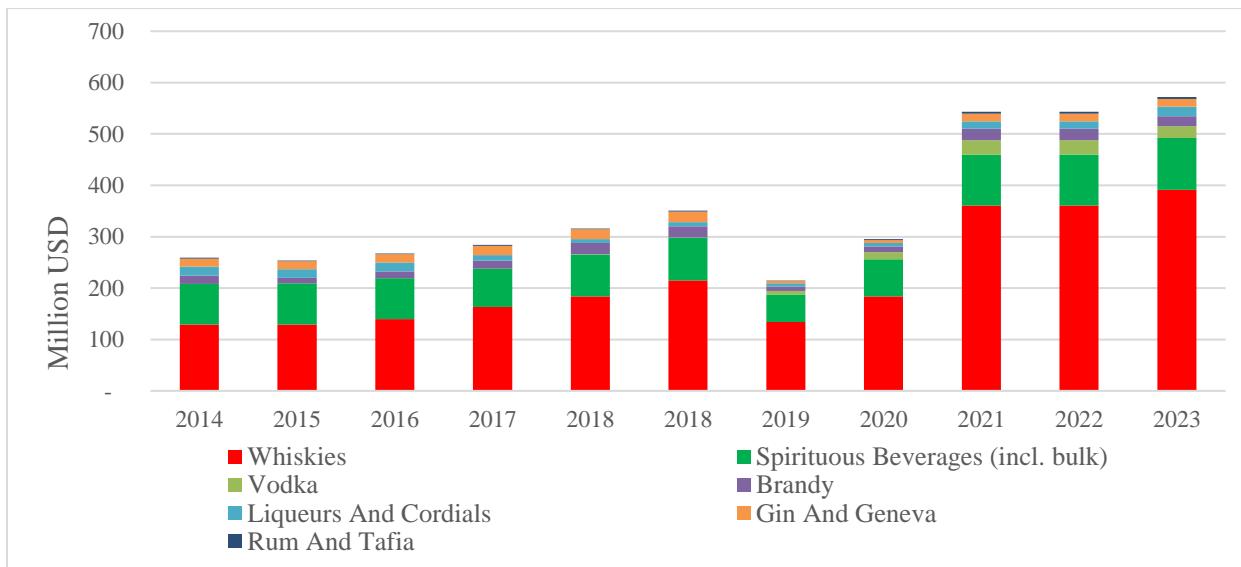
Report Highlights:

India's total alcoholic beverage sector is the world's third largest, with yearly sales of \$44 billion according to Euromonitor. Despite India's high import tariff structure, lack of uniformity in state excise rates, state specific regulations, and limited opportunities for the marketing of alcoholic beverages, the sector continues to witness significant growth that is set to expand to \$55 billion by 2027. India offers strong growth prospects in the alcoholic drinks sector over the next five years driven by an expanding, young, middle-class, and a burgeoning premiumization trend. In addition, the current low per capita consumption creates significant room for growth. India's imports of alcoholic beverages in 2023 reached \$1 billion, a 74 percent year-on-year increase dominated by distilled spirits with 56 percent market share, with U.S. origin exports up by 32 percent to \$20.5 million.

Distilled Spirits

One of the world's largest spirits consumers at 3.5 billion liters in 2023, India provides a multitude of opportunities for U.S. distilled spirits exports as its spirits sector is estimated to expand to 4.4 billion liters by 2027, valued at \$42 billion. In 2023, India's imports of distilled spirits were valued at \$572 million, a five percent year-on-year increase with scotch whisky dominating market share at 59 percent, while (refer figure 1) whiskey accounts for nearly two-thirds of all spirits sales in India. Brand premiumization is on the rise in India, driven by consumers wanting a new experience with and a willingness to pay for exclusivity. It is more evident in single malt whiskies and vodka, where domestic and imported brands are focused on releasing more premium and super-premium expressions. This demand is being boosted by the increasing sophistication of retail including bars, restaurants, cafés, hotels, and other catering establishments in major urban centers, with high-end cocktail bars previously confined to Delhi and Mumbai now spreading to other metro centers. Despite India's high import tariff at 150 percent ad valorem, state specific regulations, and limited opportunities for the marketing of alcoholic beverages, the sector continues to witness significant growth.

Figure 1. India's Distilled Spirits Imports by Category



Source: Trade Data Monitor LLC

Wines

India remains a strong long-term opportunity for premium and mid-market wines. According to Euromonitor, wine sector sales are currently estimated at \$556 million but poised to reach \$792 million by 2027. India's per capita wine consumption is 0.04 liters, compared to 12 liters in United States. Trade sources estimate domestic wine production around 18 million liters (1.5 million cases at 12 bottles per case of 750 milliliters each), with production expected to grow in the coming years. Price remains the primary driver of wine choice for consumers, followed by brand familiarity and country of origin. Economy wines valued around \$7-\$10 are preferred by most consumers, with that demand being met by domestically produced supplies. Although mid-income groups are increasingly developing a more sophisticated taste for wine, they would rather opt for a domestically produced wine than an international brand due to a lack of knowledge about wine in general. Access to reasonably priced quality wines priced around \$10-\$15 is considered by some to be a key expansion area. Imported wines

contribute approximately 21 percent of total consumption, with Australian wines dominating the market. The current market is dominated by budget/entry level wines from Australia, Chile, Singapore, France, and Italy that have lower import tariffs based on free or preferential trade agreements. The share of U.S. wine imports to India is less than four percent and valued at \$1.3 million. Despite the high federal applied tariff and state specific taxes on imported alcoholic beverages, overall wine imports have grown by 60 percent on an annualized basis in the past three years. Industry estimates that most wine consumption is focused in urban centers, with Mumbai, New Delhi, Bengaluru, Pune, and Hyderabad accounting for 85 percent of total consumption.

Craft Beer and Beer Ingredients: The Indian craft beer market is poised for growth, with more than 500 operating microbreweries across the country - up from approximately 45 in 2016. According to Euromonitor, the beer sector is currently valued at \$9.2 billion but poised to reach \$14.6 billion by 2027. Supplying ingredients such as malt, hops, and yeast, and supplementing breweries and pubs with imported beers is an emerging market opportunity. Preferences for and acceptance of craft beers is expanding in states that allow alcohol consumption, with the microbrewery sector beer sales accounting for one percent of the total sales in the beer sector.

U.S. Market Share Rising

U.S. origin exports of alcoholic beverages are underrepresented in the Indian market, with 2023 market share of total imports of alcoholic beverages reaching only two percent and valued at \$20.5 million. However, this represents, a 32 percent increase from the same period in 2022. Distilled spirits contribute 97 percent market share in exports of U.S. alcoholic beverages to India (refer figure 2), and importers are appreciative of the superior quality and range of U.S. wines and spirits and are keen to explore opportunities to source them at reasonable prices.

High tariffs continue to undercut the United States’ ability to compete against exporters from Australia, South America, and EU – who are more willing to be flexible in terms of minimum order quantities, supporting importers through marketing budgets, and readiness to change products labels to meet Indian regulatory requirements.

Figure 2. Alcoholic Beverage Exports from U.S. to India

| Area/Partners of Destination And Commodities Exported | | January - December Cumulative To Date Values in Thousands of dollars | | | | | | | |
|--|-------------------------|---|-------|-------|--------|--------|----------------|----------------|-----------------------------------|
| Partner | Product | 2019 | 2020 | 2021 | 2022 | 2023 | Jan - Apr 2023 | Jan - Apr 2024 | Period/Period % Change (Value) |
| India | Distilled Spirits | 6,976 | 2,613 | 5,725 | 14,084 | 19,908 | 5,631 | 1,483 | -74 |
| India | Wine & Related Products | 556 | 628 | 1,124 | 1,343 | 523 | 183 | 179 | -3 |
| India | Beer | 0 | 0 | 0 | 112 | 56 | 56 | 0 | -- |
| Grand Total | | 7,533 | 3,241 | 6,849 | 15,539 | 20,487 | 5,871 | 1,662 | -72 |

Source: FAS Global Agricultural Trade System (GATS)

What is Stimulating Demand?

India's young population, along with rising affluence, rapid urbanization into tier 2 and tier 3 cities, aspirational appeal of premium spirits, and wider social acceptance of alcohol consumption is fueling growth. Fifty percent of the population is below the age of 25, and more than 65 percent are below 35

years, with a median age of 28 years. Evolving tastes and preferences of millennials and Gen Z consumers born between 1997 and 2012 are driving production and bar trends. Younger consumers are better educated, more tech savvy, well informed, and willing to try new products. Distillers are focusing on craft premium spirits at higher price points to capitalize on margins, while premium brands also tend to command greater loyalty among consumers. However, the proportion of people who drink alcohol varies considerably by state and is relatively low in a global context. This raises the expectation of significant growth potential in per capita consumption especially in an environment where acceptance of alcohol is spreading. A major consumer base that has emerged over the past five years is the rising acceptance of drinking amongst women.

Taxation and Import Regulations

Regulation and taxation of alcoholic beverages is controlled by federal and state authorities with a wide range of trade conditions across the country. The federal applied tariff on spirits and alcoholic beverages is one of the highest in the world at 150 percent (50 percent basic customs duty and 100 percent agricultural infrastructure development fund cess). Alcohol is often the largest source of revenue for the state exchequer, and for practical purposes, the market is comprised of 29 different excise markets. Various state governments impose discriminatory taxes on imported alcoholic beverages which make them more expensive than local alternatives. Yearly excise policies are announced in April, with excise rates including license and label registration fees revised depending on the state’s financial situation. On average, 60-75 percent of retail prices comprise of duties and taxes. In addition to tariff related barriers, non-tariff barriers persist, including packaging, content, and labeling requirements that exceed international standards. The Government of India’s (GOI) [Food Safety and Standards Authority of India \(FSSAI\)](#) is the nodal agency for establishing and regulating food safety standards for alcoholic beverages.

Table 1: India, Basic Customs Duty for Alcoholic Beverages

| S No. | HS Code | Product Description | Effective rate of duty |
|-------|---------|---------------------|------------------------|
| 1. | 2203 | Beer made from Malt | 100 percent |
| 2. | 2204 | Wines | 150 percent |
| 3. | 2208 | Distilled Spirits | 150 percent |

Marketing and Promotion - Advertising for all alcoholic drinks has been banned in India since 2000. However, legitimate brand extensions continue, with sports tournaments, events, and celebrity endorsements of brands in mineral water and club soda being offered under alcoholic drinks' brand names. Tradeshow participation has emerged as a popular route to introduce products tastings and masterclasses for key stakeholders. In addition to tradeshows, importers and brands conduct wine and spirits tastings or masterclasses for select groups including sommeliers, mixologists, and bar managers. Brands are also increasingly leveraging social media to educate consumers and create awareness. Three major alcobev shows are listed below.

- **Brews and Spirits** – September 04-06, 2024 - <https://www.brewsnspiritsexpo.com/>
- **VinExpo Mumbai** – September 18-19, 2024 - <https://vinexpo-india.com/>
- **ProWine Mumbai** – November 08-09, 2024 - <https://www.prowine.in/>

Modern Retail - India's modern retail for alcoholic beverages is developing rapidly and are built in supermarket formats with a large collection of brands, a dedicated area for tastings and promotions, and easy access for women and young adult consumers who are driving the demand for craft alcoholic drinks. However, retailers with pan India presence are limited as acquiring a retail license can be difficult and expensive, which limits the opportunity to open new stores. Some tier 1 and tier 2 states and cities like Maharashtra, Goa, Haryana, Karnataka, Telangana, and Delhi have allowed the sale of wine in supermarkets and malls. In large supermarket/hypermarket retail food chains, most modern retailers rely on subcontractors who hold liquor licenses to operate wine shops within the store.

Duty Free Segment – According to a Ministry of Tourism [2023 report](#), there were over six million international tourist arrivals in 2022, and the number of Indian nationals departing from India was 21 million, 147 percent higher than the previous year, making the duty-free segment a major opportunity for U.S. brands.. The price difference between imported alcoholic beverages at duty-free stores and traditional retail locations is significant due to high duties, and any decrease in taxes paid on goods purchased at traditional locations may reduce the incentive for customers to purchase at duty free stores.

Hotel, Restaurants, and Institutions – India's hospitality market is [estimated](#) at \$23.5 billion and expected to reach \$29.6 billion by 2028. According to a Ministry of Tourism [report](#), approximately 527 four and five-star hotels are serving alcohol on their premises. Trade sources indicate that approximately 20 percent of total alcohol sales are on-premises of bars, restaurants, cafés, hotels, and other catering establishments mostly driven by wines, ready to drink beverages, and beer. Luxury hotel chains, bars, and fine dining restaurants are creating exclusive experiential events for their clientele and are inviting globally renowned bars, sommeliers, and mixologists to conduct popup events, masterclasses, and tastings and are willing to pay additional costs for imported products to maintain a brand image with consumers.

Attachments:

No Attachments.