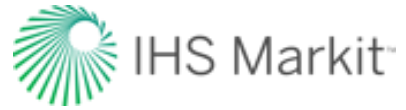


Areté The Agri-food
Intelligence
Company



STUDY ON LOW/NO ALCOHOL BEVERAGES

Final deliverable
PowerPoint Presentation
January 2023

- Objectives of the study / study methodology
- Key findings from study questions
 - SQs 1 and 2: Market
 - SQs 3 and 4: Consumers (1 of 2)
 - SQs 5 and 6 : Consumers (2 of 2)
 - SQs 7 and 8: Producers (1 of 2)
 - SQs 9 and 10: Producers (2 of 2)
 - SQs 11 and 12: Legislation
 - SQs 13, 14 and 15: Production techniques, market outlets, challenges
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OBJECTIVES OF THE STUDY / STUDY METHODOLOGY

Objectives of the study and study scope

Investigate the **market of beverages with a lower alcohol content than the “normal” alcoholic strength required for the alcoholic beverages they refer to**, in order to assess the extent of the **offer** of low/no alcohol beverages, the way they are **produced and labelled**, the **consumer’s overall expectations, acceptance and understanding**, as well as potential **future trends**, in view of evaluating the need for **possible EU legislation** in this respect.

The study is set to identify the most relevant **threats and opportunities provided by new market trends** for low/no alcohol beverages, taking into account:

- **public health concerns;**
- **the integrity of the Single market;**
- **the possible need for legislative initiatives at EU level** and their potential repercussions on world trade.



Products

Primarily **spirit drinks and aromatised wine products**
 For comparison purposes, the study will also focus on wine, beer, alcopops and other fermented beverages
 The term *low/no alcohol beverages* covers “non-alcoholic”, “low-alcohol”, “dealcoholized” and “partly dealcoholized” beverages



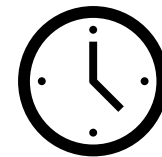
Actors

All the relevant EU agri-food stakeholders, with a focus on **beverage producers, retailers and consumers’ representatives**.
 National Competent Authorities, sector associations and individual companies at Member State level will also be consulted.



Geography

European Union as a whole
 Focus on **specific EU Member States**
 Focus on selected **Third Countries (UK, US, Brazil + one between Australia, South Africa and Canada)**



Time period

Period starting from 2011.
 Time span covered further specified in the study questions.

Low/no alcohol beverages

Main focus of the study:

- Low/no alcohol spirit drinks
- Low/no alcohol aromatized wine products

Relevant for comparison purposes:

- Low/no alcohol beer
- Low/no alcohol wine
- Low/no alcohol other fermented beverages

Alcoholic beverages

Partially relevant for comparison purposes:

- Spirit drinks
- Aromatised wine products
- Beer
- Wine

Outside the study scope:

- *Alcopops*
- *Soft drinks*
- *Mineral water*
- *Fruit juices*
- *Etc.*

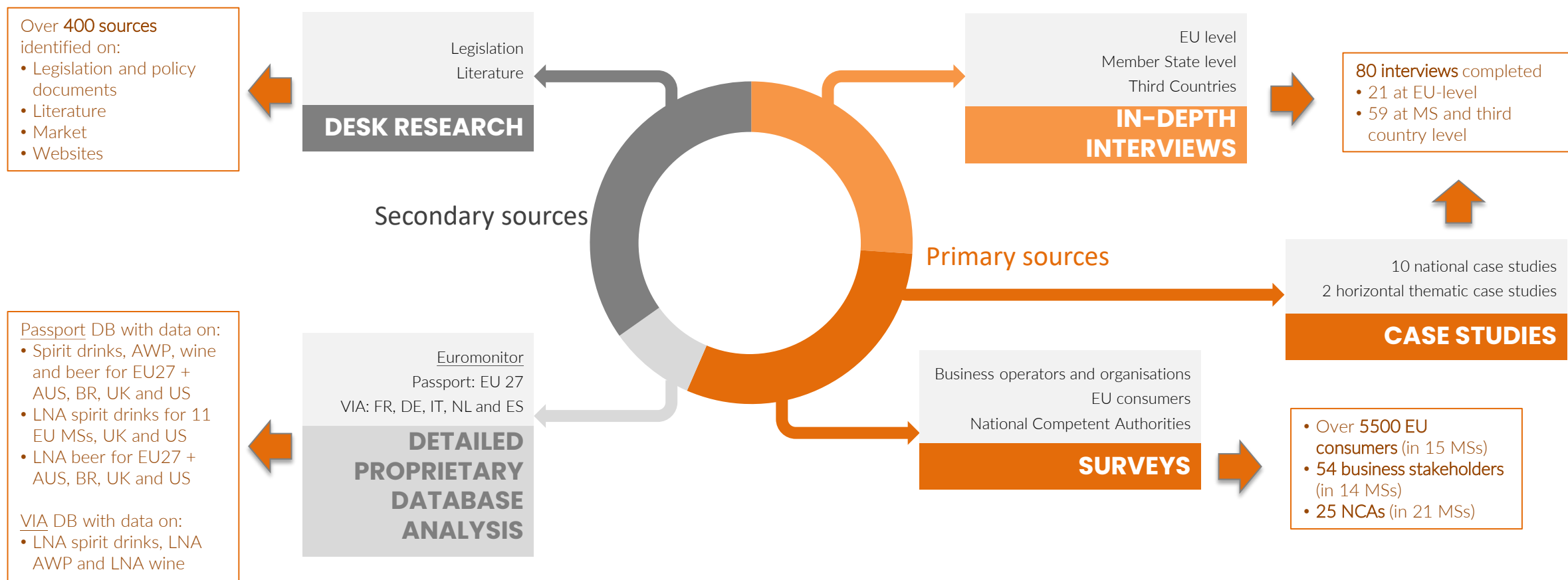
Low/no alcohol beverages: any beverage whose **market positioning** recalls, mimics or evokes that of an alcoholic beverage, but whose alcoholic content is lower than that of the alcoholic beverage of reference or equal to zero.

Market positioning including:

- Legal and commercial/trade designations
- Consumer information (ingredients, claims, country of origin, production techniques, etc.), whether provided on-label or off-label
- Other alcohol-related claims and associated logos
- Images and shape of the packaging
- Advertising and other communication associated to the product

Study methodology – data collection strategy

- Combination of multiple data collection methods and tools
- Multiple data collection methods and tools for collecting critical information items → improving the robustness and reliability of the evidence base for the study





KEY FINDINGS FROM STUDY QUESTIONS

SQ 1 - What is the quantity of low/no alcohol beverages currently on sale as compared to the products of the same category with a 'normal' alcoholic strength?

- As of 2021, the EU Market of LNA beverages is estimated at around Euro 7.5 B and litres 2.5 B. The vast majority of the market is represented by LNA beer, accounting for over 97% of total volume and 93% of total value.
- **EU market of LNA spirit drinks: Euro 170 M and litres 21 M.**
- Most important markets for LNA spirit drinks are France, Spain, Belgium and Germany; in all these four markets the relative importance of LNA spirit drinks on the total spirit drinks market is however always below 2% in value and 6% in volume.
- **EU market of LNA AWP: Euro 16 M and litres 2 M.**
- Most important market for LNA AWP are France and Spain (in value), that together account for over 70% of the total estimated value for the EU.
- EU market of LNA wine: around Euro 322 M and litres 42 M, with nearly 70% represented by LNA sparkling wine.
- Most important market for LNA wine are France, Germany and Italy.

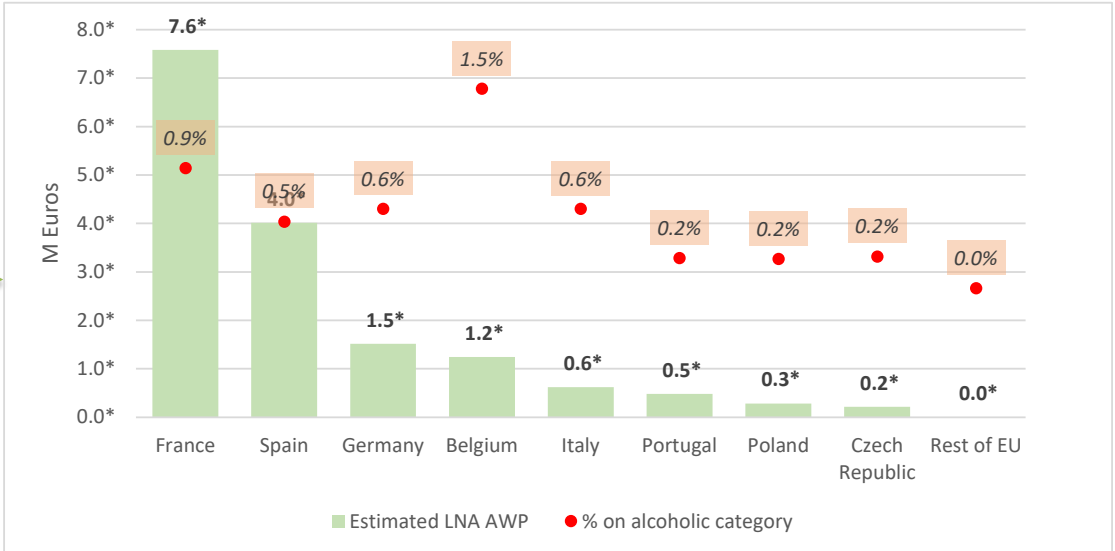
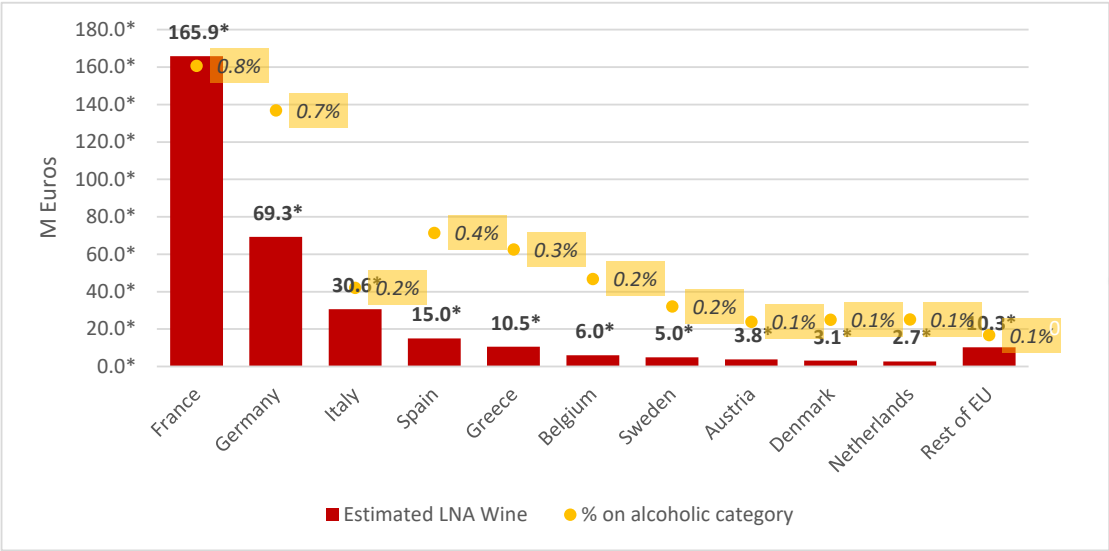
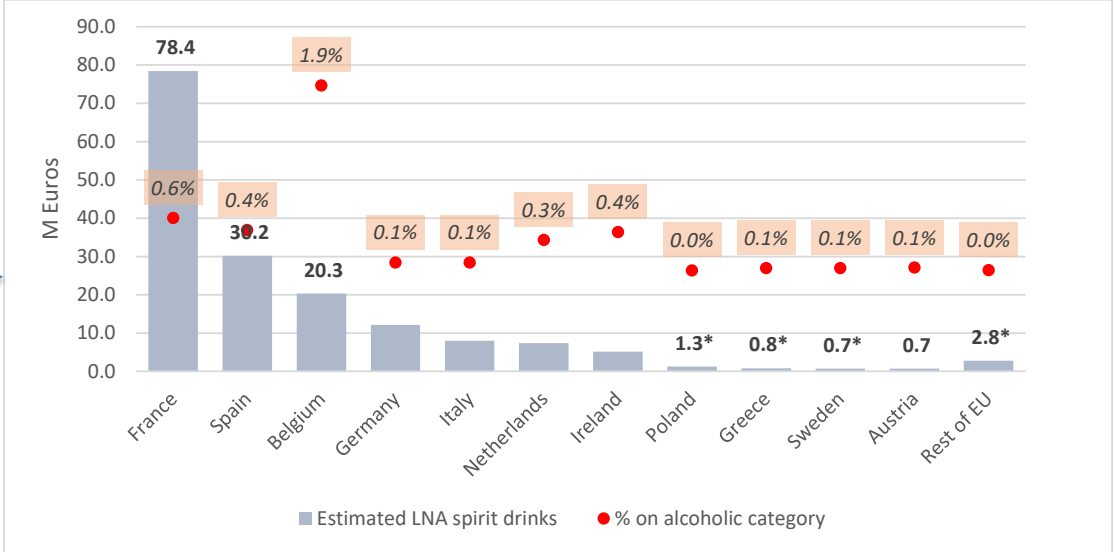
SQ 2 - How did the market share trend develop?

- The LNA beverages market outperformed in terms of growth the one of alcoholic beverages in the last years. Growth rates in both volume and value are far higher for the different LNA product categories than for products with a normal alcoholic strength.
- Positive historical growth rates and much higher growth rates for the next years with respect to those forecasted for the alcoholic segment for **LNA spirit drinks**; in four out of the six major EU national markets the LNA spirit drinks producers apparently consolidated their position in the last years.
- The **LNA AWP market is growing fast**, and most of consumers' interest is for vermouth, which is by far the best-known product within the category, especially in its "no alcohol" variants.
- In the **LNA wine market**, some sources report expected annual growth rates (CAGR) in the coming years of up to 25% in the EU.
- The **LNA beer market** is undoubtedly the most mature, with both historical growth rates and the ones expected for the coming years generally lower than those of LNA spirit drinks, AWP and wine. By contrast, the weight of LNA beer on the total beer market at EU level moved from 5.2% in 2011 to 8% in 2021 in volume, and from 5% to 7.2% in value.

Key market data

The EU market of LNA beverages is estimated at around EUR 7.5 B and litres 2.5 B in 2021; within this aggregate, LNA beer accounts for over 93% in value.

	2021 Market value (share on total market)	2021 Market volume	Main national markets by value
LNA beverages	EUR 7.5 B (3.1)	Litres 2.5 B	ES, DE, NL
LNA spirit drinks	EUR 168 M (0.3%)	Litres 20.5 M	FR, ES, BE, DE
LNA AWP	EUR 16 M (0.6%)	Litres 2 M	FR, ES, DE, BE
LNA wine	EUR 322 M (0.4%)	Litres 42 M	FR, DE, IT, ES
LNA beer	EUR 7 B (7.2%)	Litres 2.5 B	ES, DE, NL, SE



SQ 3 - How did consumers initially react to these new products?

- **LNA beer is now a consolidated segment**, and it is hence hard to capture initial reactions of consumers to this category, since it is now fully established in the consumption habits.
- The **initial reaction to LNA spirit drinks, AWP and wine** is rapidly changing: **scepticism prevailed a few years ago**, especially in certain MSs like France and Italy, whose consumers were very attentive to quality and accustomed to traditional products.
- These trends led to increased investments in the **improvement of the organoleptic quality of products**, in increasing the similarity in taste of LNA beverages to their alcoholic counterparts, but also in **promoting among consumers an image of quality and reliability of products**.
- As a result, **EU consumers currently state a generally positive attitude towards LNA products** in basically all the main national markets in the EU.

SQ 4 - What is the overall level of consumers' acceptance of those products at the moment?

- The **general reluctance towards LNA beverages** other than beer that existed until a few years ago is **rapidly evolving into curiosity and willingness to try** relatively new categories, namely LNA spirit drinks, AWP and wine.
- This is much more valid for **younger consumers**, whose attention towards healthier lifestyles is higher and who are generally more inclined to try new products and less bound to tradition.
- **Together with health-related benefits, product quality is indeed the most important aspect influencing consumers' choices**, and also the main focus of producers' investments and research.
- Some sub-categories of alcoholic beverages emerged as **particularly suitable to be replicated in a LNA declination**:
 - ✓ For LNA spirit drinks, such products are represented by **gin-emulating** ones
 - ✓ For LNA AWP by **vermouth-emulating** ones
 - ✓ For LNA wine by **LNA sparkling white wine**
- As for consumers' preferences, LNA beer is still the most appealing product, LNA spirit drinks follow as second.
- Important differences exist not only among Member States, but also according to age class (with **younger consumers preferring LNA spirit drinks and AWP**) and gender, with **women particularly appealed by LNA wine**.

SQ 5 - What are the consumption patterns for those products? (More at home or outdoors? What is the likelihood of consumers drinking those products in public places/parties?).

- **Consumption patterns** for LNA beverages **greatly differ from one EU MS to another:**
 - ✓ Consumption **at home** is particularly high in **Sweden and Lithuania**, and much lower in Spain and Belgium
 - ✓ Consumption **outdoors** is higher in **France and Hungary**
 - ✓ Consumption in **restaurants** is high in **Sweden and in the Netherlands**
 - ✓ consumption at **bars and pubs** is remarkably high in **Ireland and Spain**
- **The sales of LNA beer generally shifted from the on-trade channel to the off-trade one in the last 10 years**, confirming that once a product becomes more and more established, its presence in large-scale distribution increases. **The situation is slightly different for LNA spirit drinks:** in Italy and Spain the above trend seems somehow confirmed; in other EU MSs like France and Belgium, the presence of private labels for LNA spirit drinks results in a much higher share of off-trade over the on-trade channel.
- As for **brand loyalty**, this emerged as being **very important in the LNA beverages market:** more than one fourth of surveyed consumers reported that brand is very important in their purchasing habits, and that they almost only look for specific brands that they trust.

SQ 6 - What are consumers' expectations for the future? Are there elements leading to believe that the demand of such products will increase from now on?

- **Consumers' attitude towards LNA beverages is very positive:** the majority of current non-consumers of LNA beverages is optimistic on the possibility to try such products in the near future, even though with some differences among EU MSs.
- As for the expectations about the increase of consumption by current consumers, they are pointing towards a probable constant increase of marketed volumes and values. These elements are confirmed by the expectations indicated by business stakeholders, even though they agree that **any excessive enthusiasm should be avoided.**
- **New products in the LNA spirit drinks and LNA AWP segments are more interesting for younger consumers (<35 years) than for older ones (>35 years). Women are generally more interested than men in new products in the LNA wine and AWP segments.**
- About the key trends of the LNA beverages market in the coming years:
 - ✓ growth of LNA spirit drinks and vermouth-like products
 - ✓ **increasing interest for functional beverages and well-being**
 - ✓ **demand for concentrates, syrups and cordials** to be used in conjunction with non-alcoholic serves
 - ✓ segment of LNA **products containing cannabis**

SQ 7 - What was the main reason for the producer decision to develop such new products and place them on the market in the first place?

- The placing on the market of LNA beverages was driven by a **dynamic balance between supply and demand factors**.
- Awareness of **issues surrounding alcohol consumption** has increased together with the understanding by producers of their social responsibility to ensure that alcoholic beverages are consumed sensibly and not excessively.
- **Consumer trends and technological developments were clearly the leading drivers** in the case of all product categories, while regulatory and non-regulatory developments in the field of alcohol consumption and safety/health have been a key driver underpinning consumer trends.
- Strategic considerations, in particular the need to remain competitive, have played an important role in formulating **producers' approaches to market entry in the LNA beverages segment**. These factors have initially driven the LNA beer sector, while the launch of LNA wines, AWP and spirit drinks has largely been inspired by the success of LNA (particularly no alcohol) beers.

SQ 8 - What marketing strategies did the producers initially use to make consumers' aware of new products and gain market share?

- **Both consumer-oriented (B2C) and market-oriented (B2B) strategies played an important role in promoting LNA beverages in the initial product launch phases.**
- Both large and small companies with **established brands** have followed a **generally cautious strategy** of entering the LNA segments, with progressive launches of LNA versions for some of their well-established brands, or even opting for a separate brand identity.
- Small companies and start-ups with less well-established brands have opted either to create a LNA version for an existing brand or to create a new brand altogether for their LNA product(s), with both strategies proving apparently successful.
- Typically, the first step has been to focus on the **strategies aimed at the B2B channel**, which is the most challenging step, particularly for companies with less well-established brands.
- **LNA beverages are typically positioned on the market as close as possible to the reference beverages** as a “premium” product and as a distinct alternative to juices, soft drinks and other beverages.
- **Combination of both pull and push strategies:** as the product/brand becomes more established, the emphasis may shift from ‘push’ strategies to ‘pull’ ones. Across all sectors, a **prerequisite for the success of any marketing strategy is achieving the organoleptic characteristics that consumers expect**, particularly taste.

SQ 9 - Do producers who have not yet done so, envisage starting this type of production in the future?

Producer intentions to enter the LNA beverages segment in the future depend on the sector:

- In the **beer** sector, the prospect of entering the LNA segment is nowadays in the mindset of every operator in the beer industry.
- In the **spirit drinks** sector, the success of the LNA beer market has been an inspiration for operators, but producer interest ranges from high - in gin - to low in most other categories, and is non-existent for some products (e.g., Cognac).
- In the **wine/AWPs** sector, although again the success of the LNA beer market has been an inspiration for operators, the approach to date has been very cautious, and very few have started producing LNA wines/AWPs, mainly due to the relatively weak organoleptic profile of LNA wine/AWPs.

SQ 10 - Do producers who have already such production lines ongoing envisage increasing them or even creating new such products in the future?

Again, producer intentions depend on the sector:

- **In the beer sector, the interest is strong** and is driven not only by continuing demand growth but also by technological advances.
- In the **spirit drinks** sector many operators are still at an experimental **'test the market' phase**, therefore both market entry and expansion strategies are more progressive than in the case of LNA beer.
- **In the wine/AWPs sector operators are even more cautious**, although there is enthusiasm on the prospects of AWPs in terms of demand growth in some countries (e.g., France).

SQ 11 - To what extent are producers currently supported by legislation at national level?

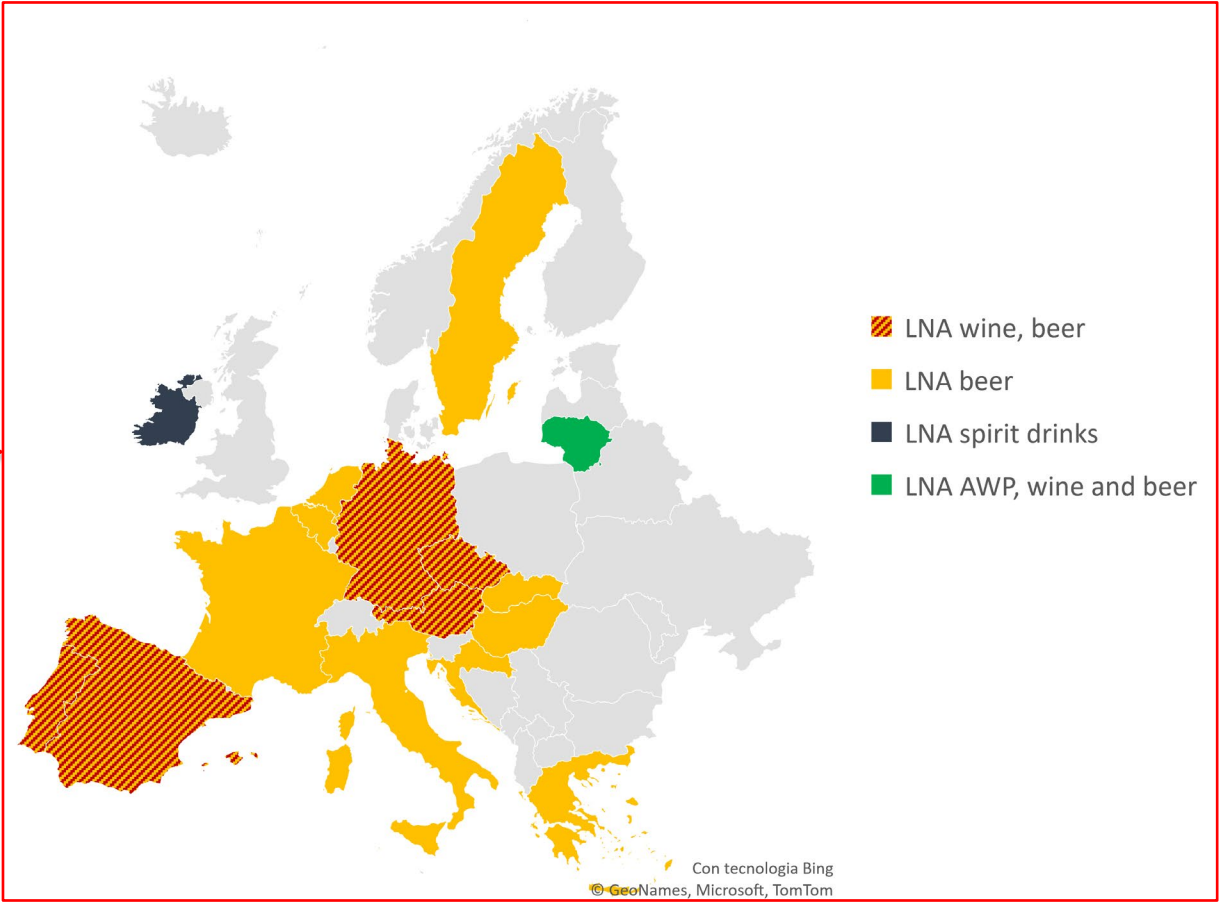
- **The most regulated LNA category at MS level is beer (16 MSs), followed by wine (6 MSs). Spirit drinks and aromatised wine products are the least regulated categories at national level (only 1 MS in each case).** National legislation in this area generally provides for **ABV-related requirements** for specific LNA beverages, whereas additional requirements governing composition and/or labelling are occasionally set out.
- **Few MSs are considering the adoption of national legislation on LNA beverages in the near future.**
- For several stakeholders, **national legislation supports producers of LNA beverages only to some extent** as there are some shortcomings, loopholes or problems arising from its design and application.

SQ 12 - How would more specific legislation in that field influence their planning?

- For LNA beverages that are currently not regulated at EU level, overall, business stakeholders consider that **LNA AWP should be regulated as a priority category in terms of definitions and technical aspects** (e.g., addition of water and flavourings) **and as products primarily made from wine rather than from other ingredients** (e.g., water, sugar).
- Several NCAs seem to attach more importance to **spirit drinks** as a LNA category that would deserve specific legislation; any future regulation should take place at EU level – rather than at national level - to ensure the proper functioning of the EU market.
- Conversely, amongst LNA beverages that are already regulated, **wine** stands out as the product category for which additional legislation is needed to ensure proper implementation of the EU rules introduced by the 2021 reform of the Common Market Organisation, including the **definition of oenological practices for LNA wine** and the application of EU rules to wine protected as **PDO/PGI**.
- Further legislation on LNA beverages may bring valuable benefits for both economic operators and consumers.
- **The impact of new legislation on LNA beverages is likely to be significant for the current and future activities of the concerned producers to the extent that it may require product reformulation and changes in labels**, including in sectors where self-regulation has recently been introduced (namely, spirit drinks).

Overview of the mapping of national legislation

Product or topic	Member States with ad hoc legislation	Member States with plans for future legislation
General legislation	6 MSs: Belgium, Czech Rep, Denmark, Ireland, Italy, Sweden	-
LNA wine	6 MSs: Austria, Czech Rep, Germany, Lithuania, Portugal, Slovenia	5 MSs*: Croatia, Germany, Italy, Slovakia, Slovenia
LNA spirit drinks	1 MS: Ireland	-
LNA AWP	1 MS: Lithuania	1 MS: Croatia
LNA beer	16 MSs: Austria, Belgium, Croatia, Czech Rep, France, Germany, Greece, Hungary, Italy, Lithuania, Netherlands, Portugal, Slovakia, Slovenia, Spain, Sweden	3 MSs**: France, Greece, Slovenia
Fermented beverages (cider, perry, mead, etc.)	4 MSs: Germany, Lithuania, Poland, Spain	2 MSs: Lithuania, France
Alcohol extracted	4 MSs: Bulgaria, Czech Rep, Portugal, Spain	1 MS: Slovakia



* 3 MS are planning to review existing national legislation to ensure alignment with EU legislation.
** Amendments of existing national legislation.

SQ 13 - What production techniques are currently used?

- **The main approaches for the production of low/no alcohol beverages involve either the removal of alcohol from the fermented alcohol beverage, or techniques that produce/contain reduced amounts of alcohol.**
- **The choice of production method is based on the expected organoleptic characteristics, technological constraints and cost.**
- The main methods currently used per product sector are as follows:
 - **Wine/AWPs:** dealcoholisation via (vacuum) distillation; dealcoholisation via membrane technologies (including reverse osmosis).
 - **Spirit drinks:** distillation of a non-alcoholic base/maceration of botanicals in liquids other than alcohol / dilution with water.
 - **Beer:** (dealcoholisation) through distillation, either by thermal methods (notably vacuum evaporation) or membrane methods (notably reverse osmosis); preventing/interrupting the fermentation process, for which the use of specific yeast strains presents particularly promising prospects.

SQ 14 - What are the market outlets for extracted alcohol when the beverage is produced by dealcoholisation? Is there a need for legislative provisions in this respect?

- The **main sources** of alcohol extracted from dealcoholisation are **beer and wine**.
- The distinction between alcohol of 'agricultural origin' (from wine – through distillation) and alcohol of 'non-agricultural origin' (from beer), has **important implications in terms of the value of market outlets**.
- Alcohol of 'non-agricultural origin' can only be destined to relatively lower value industrial applications (notably, the production of detergents, cosmetics, pharmaceutical/medicinal products and biofuels/energy), while **alcohol of 'agricultural origin' is a high value product mainly destined to the production of spirit drinks and fortified wines**. This is considered by some stakeholders as a serious regulatory restriction for brewers while, according to other stakeholders, there are legitimate reasons for the distinction, including the need to protect and preserve the quality of spirit drinks and the respective traditional production processes.

SQ 15 - What are the current challenges in the production?

- The **main challenges** are to ensure **organoleptic quality** and to cover the relatively high costs of the required **R&D/technology investment**.
- Depending on the product, additional challenges are associated with **regulatory and marketing aspects** (wine; spirit drinks).
- In the wine sector, more than for other product categories, the current challenges constitute a significant barrier, both for larger and for smaller producers.

SQ 16 - How are these products currently labelled?

- The labelling of LNA spirit drinks and AWP's faces a number of constraints due to the legal framework set at EU level .
- Such constraints mostly relate to the **legal names/commercial designations/sales denominations**, as well as descriptors.
- Operators have found a quite diverse array of solutions to present and market their LNA products within these categories. **The name of the brand** – especially for well-established producers – **appears to be an important feature on labels for both LNA spirit drinks and LNA AWP's**.
- Sales denominations can vary significantly, ranging from the use of fantasy names or names evoking the taste, aromas or ingredients of the alcoholic beverage of reference to the (more or less) explicit reference to legal names reserved to spirit drinks (not allowed under current EU rules).
- **Alcohol-related claims** can be found on front-of-pack and/or back-of-pack labels, but can also be merged with the product or brand names.
- The **precise indication of the actual alcohol content by volume (ABV) is not always provided on the label**, as it is currently a non-mandatory element for beverages with an ABV lower than 1.2%. However, most consulted stakeholders deem it a key feature.

SQ 17 - What is the level of consumers' understanding of such labels and are there further needs in terms of information?

- **The majority of surveyed consumers have not experienced issues with the identification of LNA beverages and with discriminating them from their alcoholic version.** However, **around 30% of respondents reported issues in this regard.**
- According to consumers, **key information** items in the labelling of LNA beverages are the **actual alcohol content**, information linking the LNA beverage to the **alcoholic beverage of reference**, and indications on whether the product is suitable for consumers having special needs with regard to alcohol intake (e.g., pregnant women, drivers, etc.).

SQ 18 - What is the specific national legislation in place in the various countries for products not regulated at EU level, if any?

- Currently, **16 MSs have national legislation on LNA beer whereas only 4 MSs have regulated other LNA fermented beverages.**
- **National beer legislation**, in particular, **varies to a great extent across the MSs analysed.** Different alcohol content limits are set by the relevant definitions that have been established by the MSs.
- Consulted stakeholders consider that **no major barriers exist to LNA beer trade within the EU market.** According to some, however, this scenario may change in the future in case trade volumes of LNA beer increase. Also, at this point in time **there are no strong calls for EU harmonisation of the LNA beer segment by industry stakeholders**, as such products are well-established in several national markets.

SQ 19 - With a view to preserving the integrity of the Single Market, is there a need to determine production and labelling rules for those products?

- At present, **divergences in national legislation regulating specific LNA categories do not appear to be hampering the trade of those products within the EU market.** The reason may be that **trade flows of some low/no alcohol products are still too limited for actual controversies to emerge**, and the principle of mutual recognition is correctly applied for these products.
- Also in the case of “regular” beer - examined for comparison purposes - the differences in national legislation reportedly do not pose any problems in intra-EU trade.
- A **need for harmonised rules** at EU level emerged for:
 - i) **de-alcoholised and partially de-alcoholised wine**, with operators hoping for additional secondary legislation on presentation and labelling requirements, as well as on specific oenological practices;
 - ii) **harmonised ABV-related regulatory requirements for the use of the terms “no alcohol” and “low alcohol” in the labelling of beverages**, though with mixed views among stakeholders.

SQ 20 - To what extent will legislation at EU level have a repercussion on world trade (particularly under the perspective of possible technical barriers to trade)?

- **Very few cases where draft national provisions dealing with LNA beverages were questioned/challenged within the TBT Committee.**
- The **number of such discussions might increase in the future**, due to possible introduction of specific provisions dealing with LNA beverages in a higher number of countries, and to potential expansion of the international trade of these products.
- **Perceptions of stakeholders on the likeliness of TBT-related issues** in case of adoption of EU legislation on LNA beverages were found to be **generally optimistic**, probably because more importance was attached to factual elements than to potential future scenarios.
- Current still limited importance of trade flows in LNA beverages between the EU and third countries.
- The hypothetical adoption of specific legislation on LNA beverages at EU level would have rather limited repercussions on world trade, including under the perspective of possible technical barriers to trade.

SQ 21 - Since the sales denominations for aromatised wine products and the legal names of spirit drink (both categories and GIs) may not be used to label beverages with an alcoholic strength lower than prescribed in the EU legislation, what alternative labelling could be envisaged in order to correctly describe those new products and adequately inform the consumers?

- **Main needs** in terms of denomination, description, presentation and labelling of the concerned products **felt by sectoral stakeholders**:
 - ✓ **Spirit drinks**: two diverging positions; *operators involved in production and marketing of LNA spirit drinks* are rather dissatisfied with the current EU regulatory framework, which they feel poses serious constraints to the development, launch and marketing of LNA spirit drinks. By contrast, *stakeholders dealing exclusively or mainly with “regular” spirit drinks* generally deem that the EU legislation currently in force adequately responds their key priority, i.e., ensuring protection for the “value creation mechanisms” for spirit drinks
 - ✓ **AWP**: according to different operators, an harmonised EU legislation is needed to regulate sales denominations, labelling and presentation of LNA AWP, mainly to: *i) allow for clearer communication to potential consumers; ii) improve value creation; and, iii) ensure that LNA aromatised wine products are actually made from wine, rather than combining other ingredients than wine*
- The Commission services highlighted a number of problematic areas, mainly related to the **indication of ABV** in LNA beverages, to **marketing practices** that may create confusion for final consumers about the nature and attributes of LNA beverages, and potential limits to competition and/or product innovation by SMEs and new entrants.
- As for possible **points of convergence by multiple stakeholders on specific options for labelling** LNA spirit drinks and aromatised wine products, the main one emerged for both sectoral and non-sectoral stakeholders concerns the **difficulty of devising specific alternative options for labelling LNA spirit drinks and aromatised wine products without knowing the outcomes of the revision process of Regulation (EU) No 1169/2011**. With regard to alternative options for labelling LNA aromatised wine products, stakeholder consultation revealed a significant convergence towards a general approach similar to the one adopted for (partially) de-alcoholised wine (Regulation (EU) 2021/2117).



CONCLUSIONS OF THE STUDY

Market

- The EU market of LNA beverages is estimated at around **7.5 billion Euros** and 2.5 billion litres **in 2021**, with LNA beer currently representing over 97% of the total volume and 93% of the total value of LNA beverages.
- The **EU LNA spirit drinks market is valued at around 170 million Euros** and 21 million litres, while the **EU LNA AWP market is valued at around 16 million Euros** and 2 million litres.
- At national level, limiting the analysis to the combined market of LNA spirit drinks and LNA AWP, France (47% in value), Spain (19%), Belgium (12%) and Germany (7%) together account for 85% of the total market value in the EU and for 95% of the total volume.
- The LNA beverages market recorded **very high growth rates in the EU**, outperforming the market of alcoholic beverages over the last years.
- The EU LNA beverages market looks extremely dynamic: the growth recorded in the last years is generally accepted as a trend that will continue in the future; nevertheless, **some stakeholders are more prudent than others in envisaging a more or less radical shift towards LNA beverages**.

Consumers

- EU **consumers' initial attitude towards LNA beverages greatly differs** according to the actual product category considered. Beer has a long-established presence, while for LNA spirit drinks, AWP and wine, an **initial scepticism** prevailed a few years ago; nevertheless, **increased investments** in the quality of products, in increasing the **similarity in taste with alcoholic beverages**, have led to a **much more positive perception among EU consumers**.
- As for **consumers' acceptance**, a general reluctance towards products other than LNA beer prevailed until a few years ago, which is however rapidly evolving into curiosity and willingness to try new products; the **quality of the products is undoubtedly the most important aspect influencing consumers' choices**.
- Younger consumers generally prefer LNA spirit drinks and AWP, while older ones prefer LNA beer; women generally prefer by LNA wine and less by LNA beer.
- *Consumption at home is particularly high in Sweden and Lithuania, outdoor consumption is higher in France and Hungary, while restaurants play a more important role in Sweden and in the Netherlands. Consumption in pubs and bars is remarkably high in Ireland and Spain.*
- With regard to **retail channels**, the sales of LNA beer generally shifted from the on-trade channel to the off-trade one, confirming that once a product becomes more and more established, its presence in large-scale distribution increases. This is also confirmed for LNA spirit drinks, even though in France and Belgium the presence of private labels results in a much higher share of off-trade sales. This is at least in part in contrast with what reported by many producers, i.e., that cocktail bars represent the typical gateway to promote new products among consumers.
- **Brand loyalty** emerged as very important in the LNA beverages market, consistently with what happens in its alcoholic counterpart; **consumers' attitude** is also very positive: the majority of current non-consumers of LNA beverages is optimistic on the possibility to try such products in the near future.
- Also expectation about increases in consumptions are positive, even though sectoral stakeholders generally agree that the LNA beverages market is still moving forward from its very initial phase (with the exception of the LNA beer segment), and that **any excessive enthusiasm should be avoided**.
- As for the **expected key trends**, some market analysts foresee the growth of LNA spirit drinks and vermouthe-like products, together with an increasing interest for **functional beverages**. Other new trends include the demand for **concentrates, syrups and cordials**, as well as the whole segment of LNA products containing cannabis.

Producers and related aspects

- **Leading drivers** in the LNA beverages market are: **consumer trends**, underpinned by **regulatory and non-regulatory developments** in the field of alcohol consumption and safety/health causing changes in consumer attitudes and **technological developments** in ingredients and processing methods. Producers' search to **diversify the product portfolio** and to remain competitive, has also played a role. These factors have initially driven the LNA beer sector, which has been leading the trend towards LNA beverages, while the launch of LNA wines, AWP's and spirit drinks has largely been inspired by the success of LNA beer.
- LNA beverages are typically **positioned** on the market **as close as possible to the reference alcoholic beverages** (beer, wines, spirit drinks); as a "premium" product; and, as a distinct alternative to fruit juices, soft drinks and other beverages containing no alcohol.
- As for **entry strategies**, both large and small companies with established brands entered the LNA segment cautiously. Larger companies tended to launch LNA versions for some of their well-established brands. Smaller companies and start-ups opted either to create a LNA version for an existing brand, or to create a new brand altogether for their LNA product(s), with both strategies proving apparently successful.
- The main approaches for the production of LNA beverages involve either the removal of alcohol, or techniques that produce/contain reduced amounts of alcohol. There are numerous different techniques that can be used under either approach, while know-how and the technologies are also evolving.
- In terms of permitted **market outlets for alcohol extracted from dealcoholisation**, the distinction between alcohol of 'agricultural origin' (extracted from wine) and alcohol of 'non-agricultural origin' (extracted from beer) was identified to have important implications in terms of the value of market outlets.

Legislation

- *EU law*: definition of LNA wine (i.e. de-alcoholized and partly de-alcoholized wine). *National legislation*: LNA beer is regulated in 16 MSs, LNA wine in 6 MSs, other LNA fermented beverages (e.g., cider, perry and mead) in 4 MSs, LNA spirit drinks and LNA AWP are regulated only in 1 MS each.
- Overall stakeholders' perspective: *i)* further legislation on LNA beverages may bring valuable benefits for both economic operators and consumers; *ii)* any future regulation should take place at EU level – rather than at national level - to ensure the proper functioning of the EU market.
- Suggestions: **LNA AWP** → regulate the category in terms of definitions and technical aspects (e.g., reintegration of water or addition of flavourings) and as products primarily made from wine (i.e., wine or de-alcoholised/partially de-alcoholised wine as defined by the CMO Regulation) rather than from other basic ingredients (e.g., sugared water).
- Suggestions: **LNA spirit drinks** → set up a discussion table with all the concerned stakeholders *and* further reflect on the technical and political feasibility to develop EU legislation, providing clear indications on the permitted denominations and descriptors, as well as with regard to labelling practices.
- Suggestions: **LNA wine** → develop additional legislation to ensure proper implementation of the EU rules introduced in 2021 (e.g., definition of oenological practices for LNA wine; application of EU rules to PDO/PGI wines).
- What does not work: at MS level, the fiscal treatment reserved to LNA beverages (in particular, excise duties and VAT rates) lacks consistency → may eventually undermine the growth of the LNA category.

Labelling

- **Issues with the identification of low/no alcohol beverages** and with discriminating them from their alcoholic version → reported by around 30% of consumers. There seems to be significant potential for improving the labelling and product communication for LNA beverages.
- **Legal names / LNA spirit drinks** → two **diverging positions** expressed by sectoral stakeholders: a) operators exclusively or mainly involved in the marketing of LNA spirit drinks are dissatisfied with the current situation and would favour new EU legislation either providing clear indications on the permitted denominations, descriptors and labelling practices for LNA spirit drinks, or easing current constraints on the use of legal names; b) operators dealing exclusively or mainly with “regular” spirit drinks mostly deem that Regulation (EU) 2019/787 adequately regulates the sector and protects the categories of spirit drinks it covers. Suggestion → open a discussion table on legal names with all stakeholders. The diverging positions registered may make the elaboration of a “compromise solution” rather challenging.
- **Sales denominations / LNA AWP**s → significant convergence among stakeholders towards a general approach similar to the one adopted at EU level for (partially) de-alcoholised wine.
- Suggestions: **alcohol-related descriptors** → reflect on the opportunity to introduce clear, harmonised rules at EU level for the use of the terms “no alcohol” and “low alcohol”, consistently applicable to all LNA product categories. A product-specific approach would result in a too diverse array of ABV-related regulatory requirements within the Single Market, and/or fail to cover all relevant product categories.
- Suggestions: **indication of the ABV** → open a table for discussion on the threshold for the indication of the actual ABV on the label, to establish whether 1.2% is still relevant and adequate. Initiatives in that direction should be consistent with any requirement and alcohol content limit possibly established for alcohol-related descriptors.

Trade

- The trade of LNA beverages is a difficult topic on which drawing definitive conclusions: the current market size of LNA beverages other than beer is still very limited and **the trade of such products has not reached at present a volume that would allow to identify any specific technical barrier to trade (TBT)**. Secondly, **the regulatory framework** for LNA beverages both within the EU (i.e., across MSs) and in some of its key trade partners **is rather fragmented and/or fluid**.
- In the EU, the number of MSs with plans for future legislation on LNA beverages is limited and the **current divergences in national legislation regulating specific LNA product categories do not appear to be hampering the** (very limited) **trade of those products within the EU market**; in addition, the **principle of mutual recognition appears to be correctly applied**.
- TBT issues → very few cases where draft national provisions were challenged within the TBT Committee were identified. Nevertheless, it emerged that the number of such discussions might increase in the future, due to possible introduction of specific provisions dealing with LNA beverages in a higher number of countries, and to potential expansion of the international trade. This appears plausible also due to the **sometimes radical differences in regulatory approaches towards LNA beverages identified between the EU and its key trading partners**. However, **stakeholders generally perceive a low risk of TBT-related issues**.
- The hypothetical adoption of specific legislation on LNA beverages at EU level would have rather limited repercussions on world trade, including under the perspective of possible TBT. However, the probable growth of the market, the relative potential increase in trade flows and the heterogeneous situation in terms of legislation in a number of relevant third countries make a regular monitoring of the situation advisable.

- Main **issues** concerning **LNA beverages as a whole**:
 - From the **producers'** standpoint: difficulty of communicating product characteristics, mostly due to gaps/constraints in legislation
 - From the **consumers'** standpoint: differences in national legislation allow to market as “alcohol free” beverages, in some Member States, also beverages that actually do contain some alcohol
- **Context for potential legislative initiatives at EU level**:
 - **LNA AWP**s: more **favourable** to possible introduction of harmonised EU legislation, possibly along the same lines followed for LNA wines (“de-alcoholised” and “partially de-alcoholised” products)
 - **LNA spirit drinks**: rather **unfavourable**; the positions of sectoral stakeholders are divided on both the need for harmonised legislation and the approach to follow for its elaboration
- In any case, sectoral and non-sectoral stakeholders **do not see the status quo as an optimal situation**
- The elaboration of **cross-sectoral EU harmonised legislation** (*e.g., harmonised rules at EU level for the use of the terms “low alcohol” and “no alcohol” beverages based on the same ABV thresholds for all products*) seems to present **significant challenges** (*e.g., beverages emulating spirit drinks that have double-digit ABVs, albeit lower than the minimum required by EU legislation*)
- **Key need**: ensuring the conditions for a **clearer categorisation and description of LNA beverages**, which would not be achieved through i) the sole extension of mandatory indication of ABV content to beverages below the current 1.2% ABV threshold, and, ii) a definition of LNA beverages “by exclusion” → reference to a currently non-existing EU harmonised definition of “alcoholic beverage”
- Essential conditions to address the main issues: i) **more systematic monitoring of the evolution of the markets**; ii) **stronger dialogue among stakeholders**

Thank you for your attention!

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