A SPIRIT OF
Tradition
Growth
Sustainability
Innovation

MEETING OF THE CIVIL DIALOGUE GROUP ON AGRICULTURAL MARKETS
–
SPIRIT DRINKS

Wednesday, 20 March 2024 from 14:30 to 17:30

#2

No/Low

No low

- In spring 2022, spiritsEUROPE developed a sector guidance on the labelling of products from the no- and low-alcoholic sub-category (≤ 1.2 % ABV) ‘mimicing’ spirits drinks
- Our objectives are to
  1) **Promote regulatory clarity** in Europe on bringing no- and low- alcoholic ‘spirits’ to market, so that producers have a practical framework to operate in
  2) Guide the sector towards accurate, clear, consistent **terms for the description** on no- and low-alcoholic ‘spirits’ for consumers
  3) Establish an overview of **required legal names, selling names, descriptors** as well as broad **marketing guidelines** for the no- and low-alcoholic ‘spirits’ category, whilst safeguarding the protected spirit drinks categories and GIs as stipulated in EU legislation
  4) Recommend **standards** for the no- and low-alcoholic ‘spirits’ as the category expands and spiritsEUROPE members are committed to providing clear information to consumers, enabling them to make well-informed purchasing decisions. It is paramount to avoid consumer confusion or misinformation.

No low

- Initiatives on the no and low segment are ongoing, most recently in the UK (November 2023)
- **The sector follows trends in the no/low section attentively**

Key take-aways

- Nolos significant growth over the past decade, driven by improved perceptions, taste and supply, in the context of overall declining alcohol consumption, and part of consumer macro-trends of neo-hedonism and conscious wellbeing
- Most of the growth came pre-pandemic, and the growth rates are estimated to slow down significantly
- Nolos are mostly consumed in the off-trade, and are dominated by beer, while the market is highly concentrated on ‘dual’ brands
- Both recruitment and frequency is higher among younger consumers, attracted by both novelty and selfcare; highest penetration among more educated and wealthier consumers
- Most nolo consumers are alcohol drinkers who both substitute and ‘blend’ nolos and alcohol
- At market level there is a polarization of preferences, with both non-alc and high-alc taking share from ‘regular’

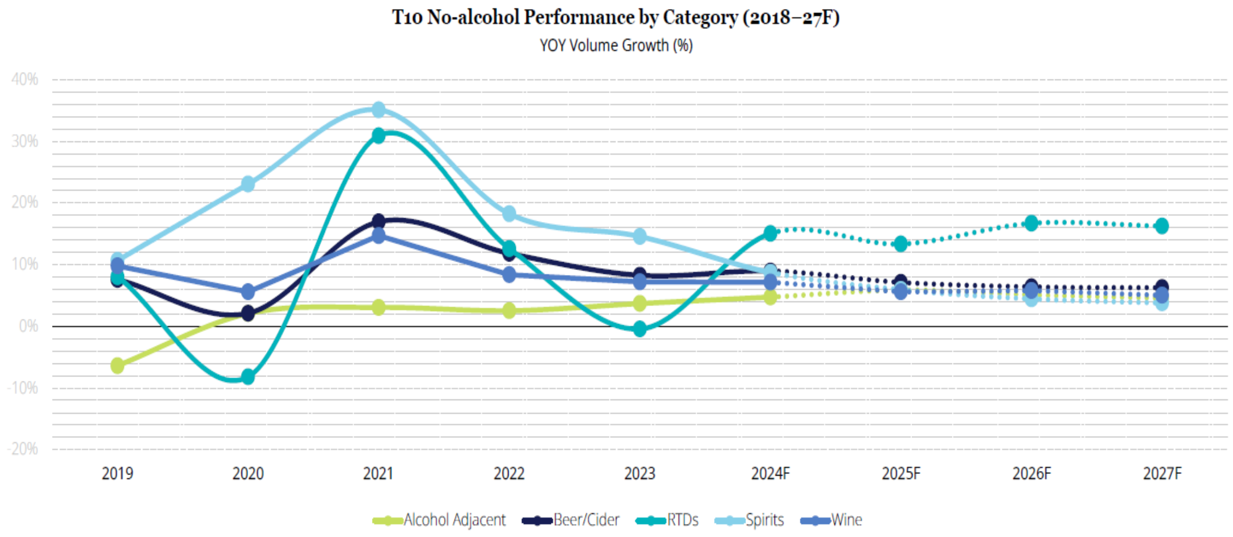
Global trends (T10) positive, yet overall market share in low single digits

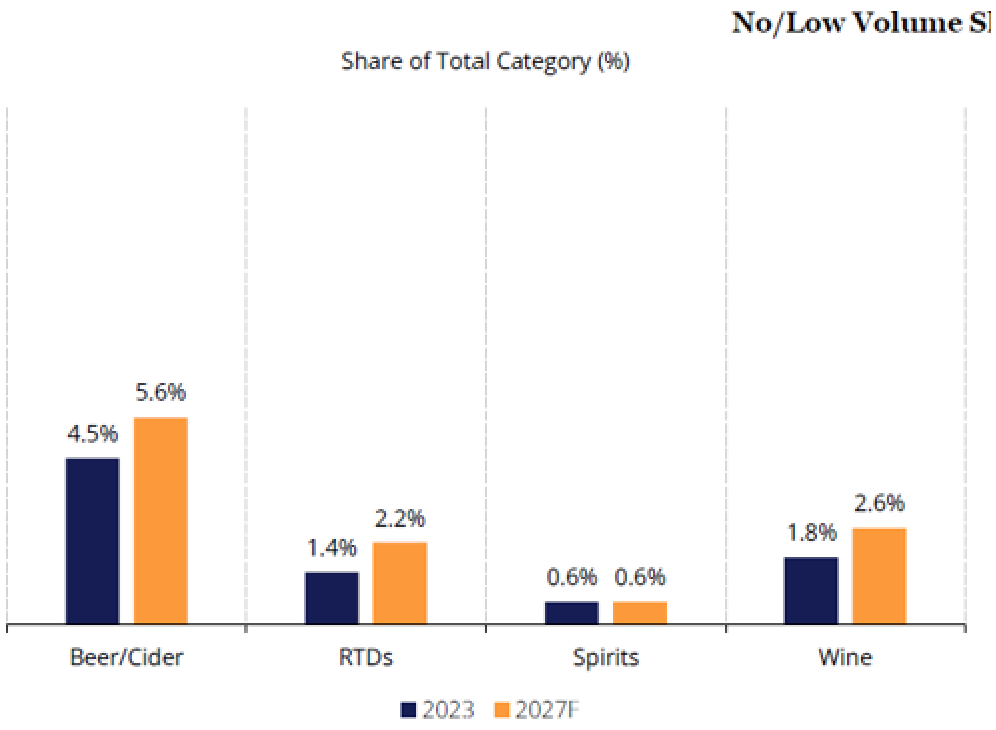
Growth rates to fall into single digits

Market share still modest

No-alcohol category forecast strong for all

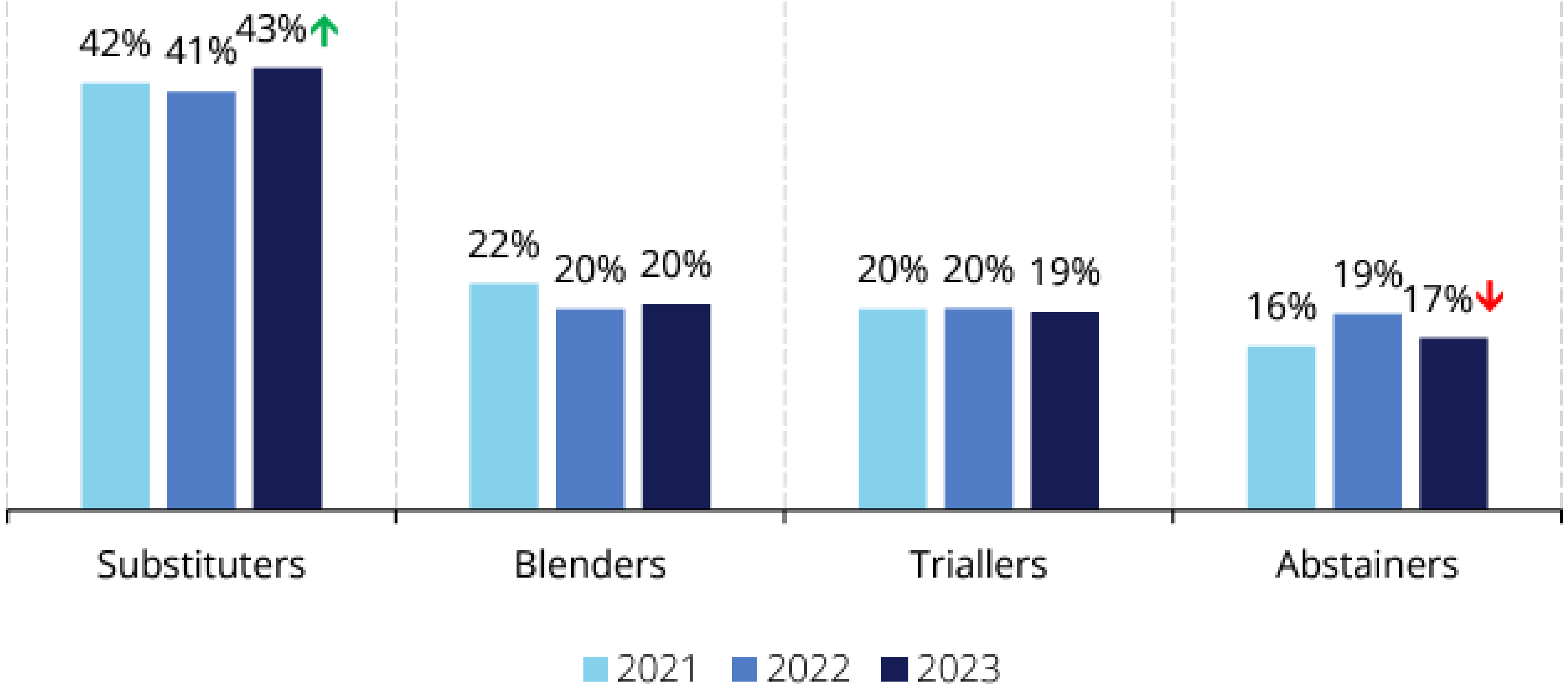
Forecast growth rates are forecast to be strong across the board, with significant volumes in beer/cider particularly, and in RTDs from a smaller base





Consumer Type*

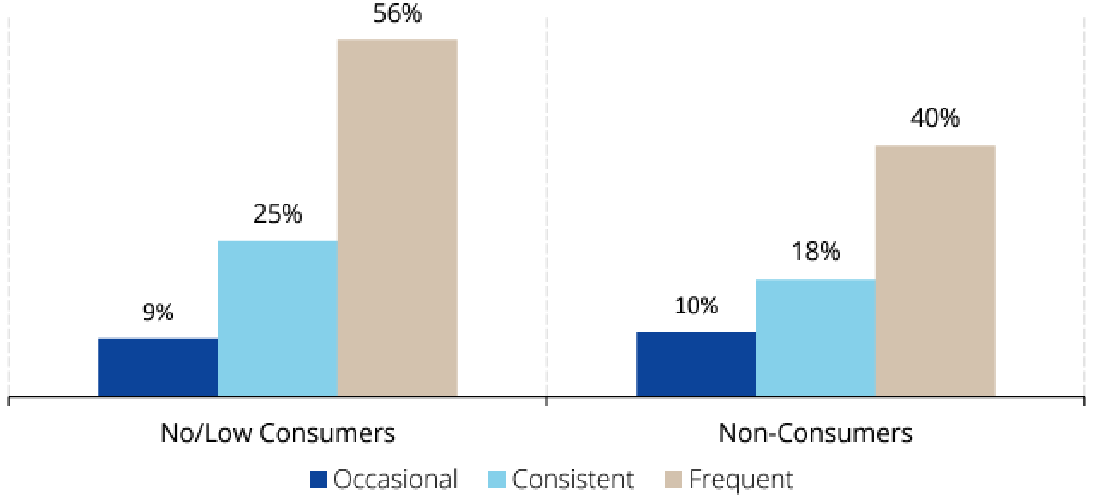
T10 Share of No/Low-alcohol Drinkers (%)



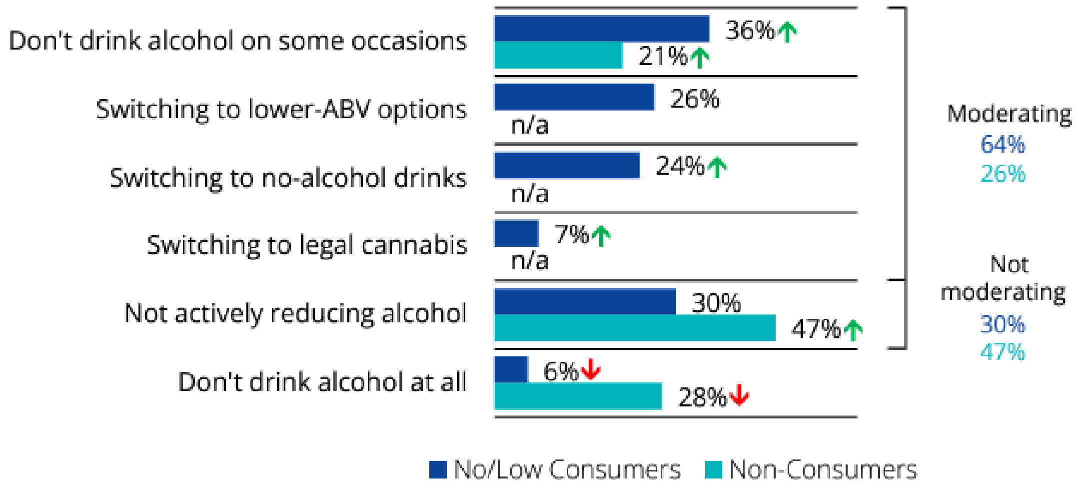
No/low consumers drink more alcohol

No/low consumers drink alcohol more frequently than non-no/low consumers, with an increasing proportion switching to no-alcohol categories as a way to moderate alcohol intake in the last year

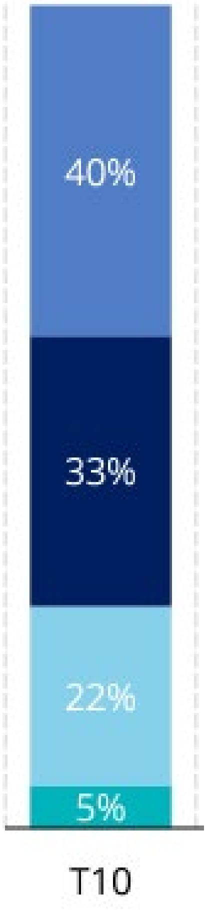
Recalled Alcohol Consumption Frequency[1]



Moderation Approaches



Nolo's main source of volume is other non-alc beverages



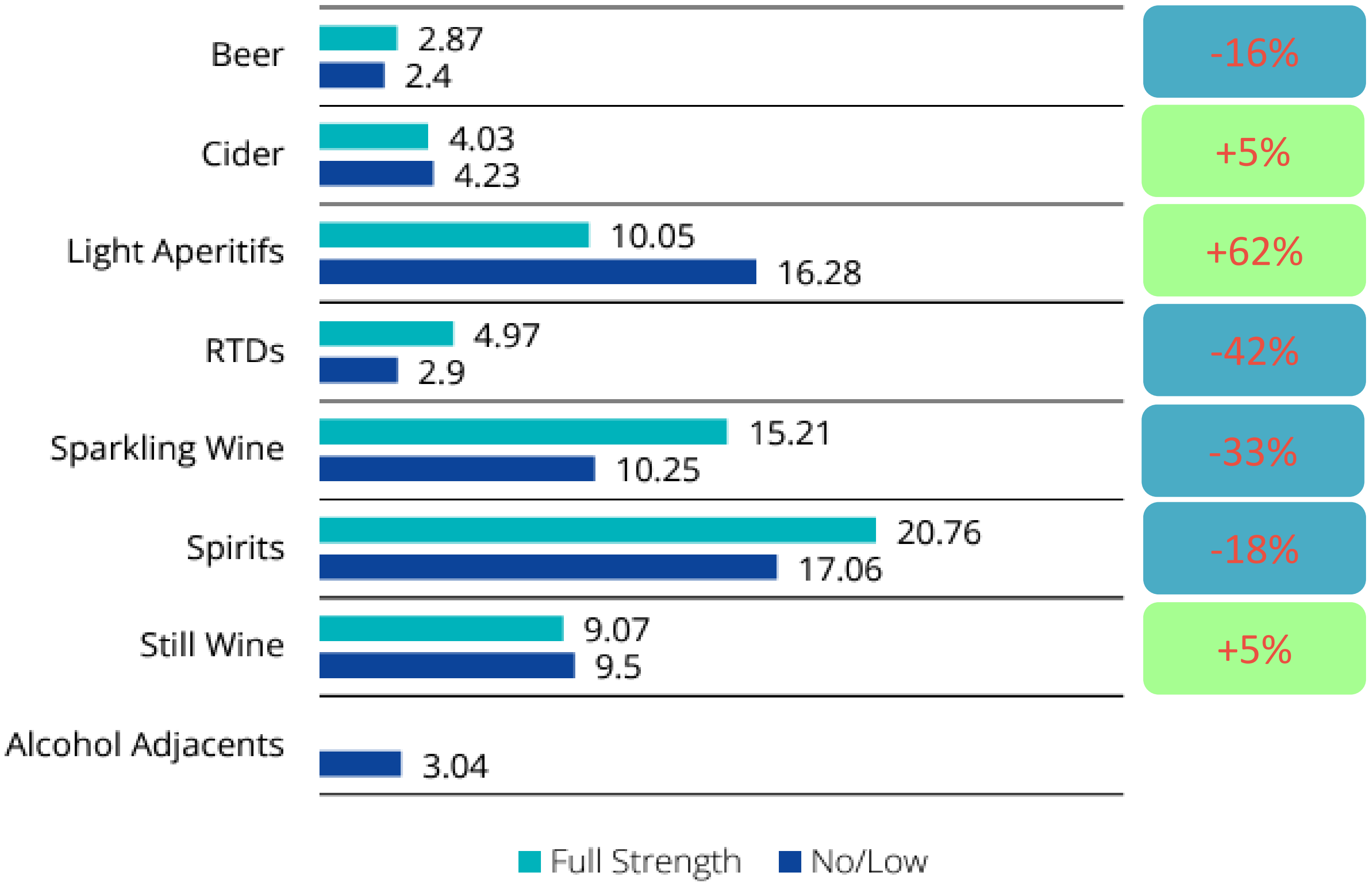
- Low- alcohol sources most volume from full-strength

- No-alcohol recruits most volume from water, tea/coffee and soft-drinks
- Growing substitution from full-strength
- The dominant category is the main source for non-alc (beer in Europe)

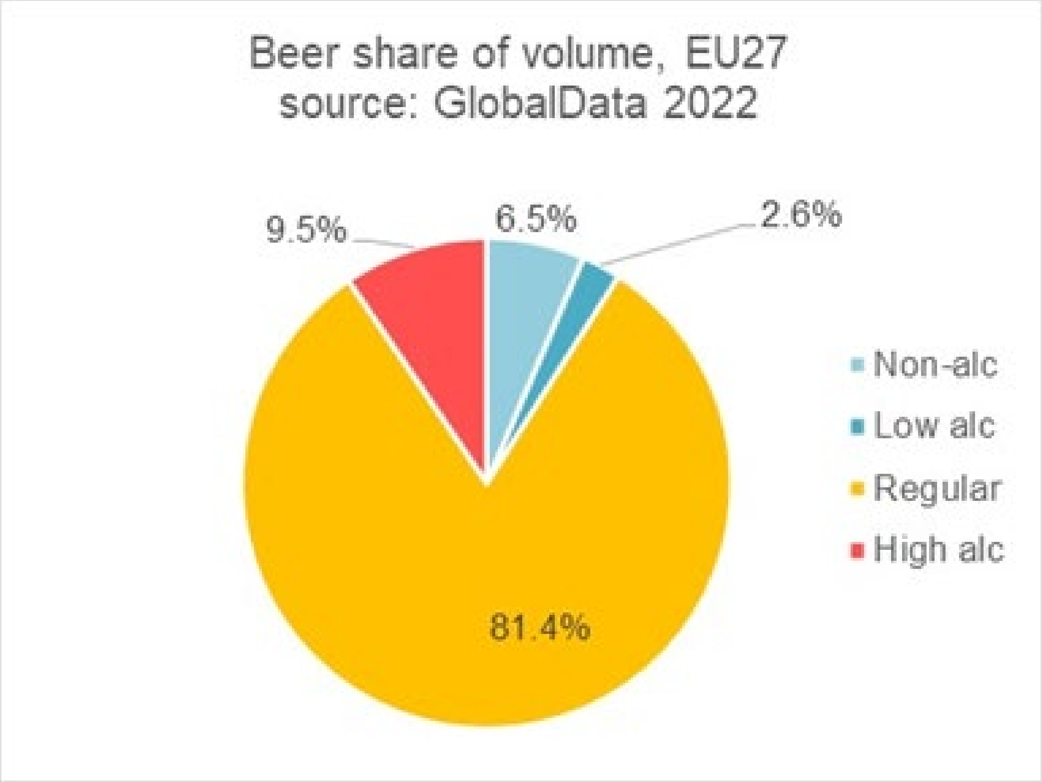
Didn't drink | Both alcoholic and other non-alcoholic beverages | Alcoholic drinks only | Other non-alcoholic drinks only

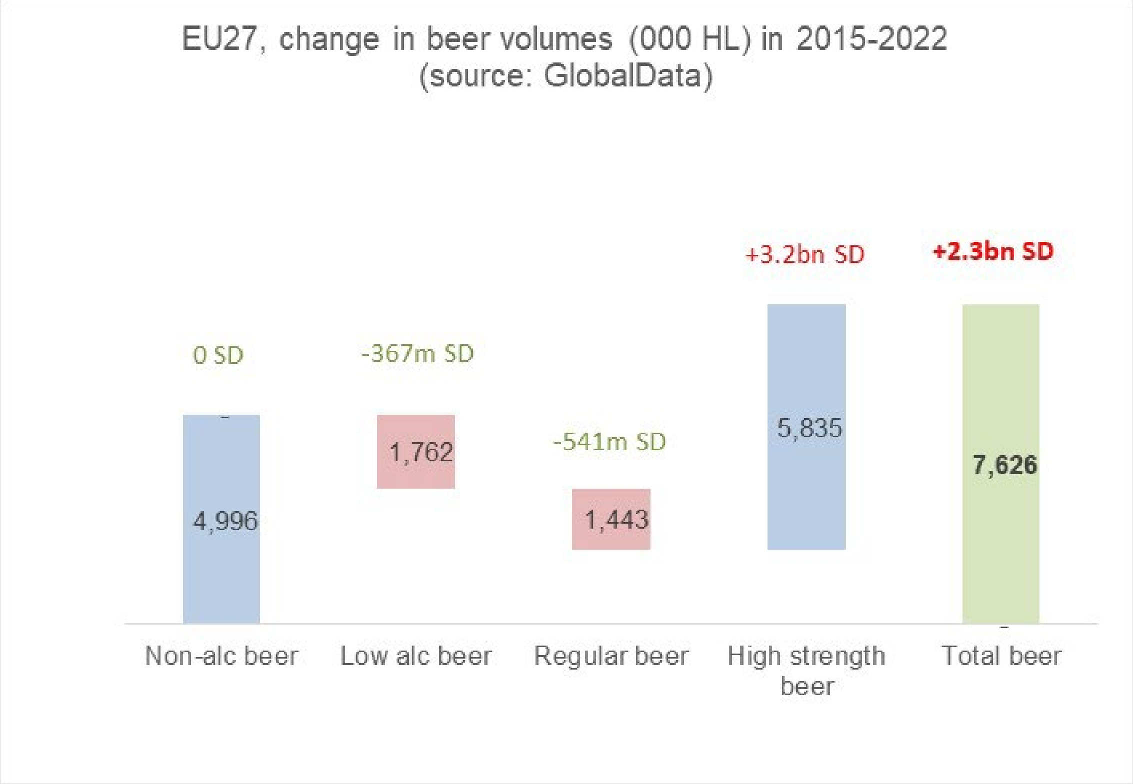
No/Low Pricing by Category (2022)

T10 Average Price Per Litre (US$)

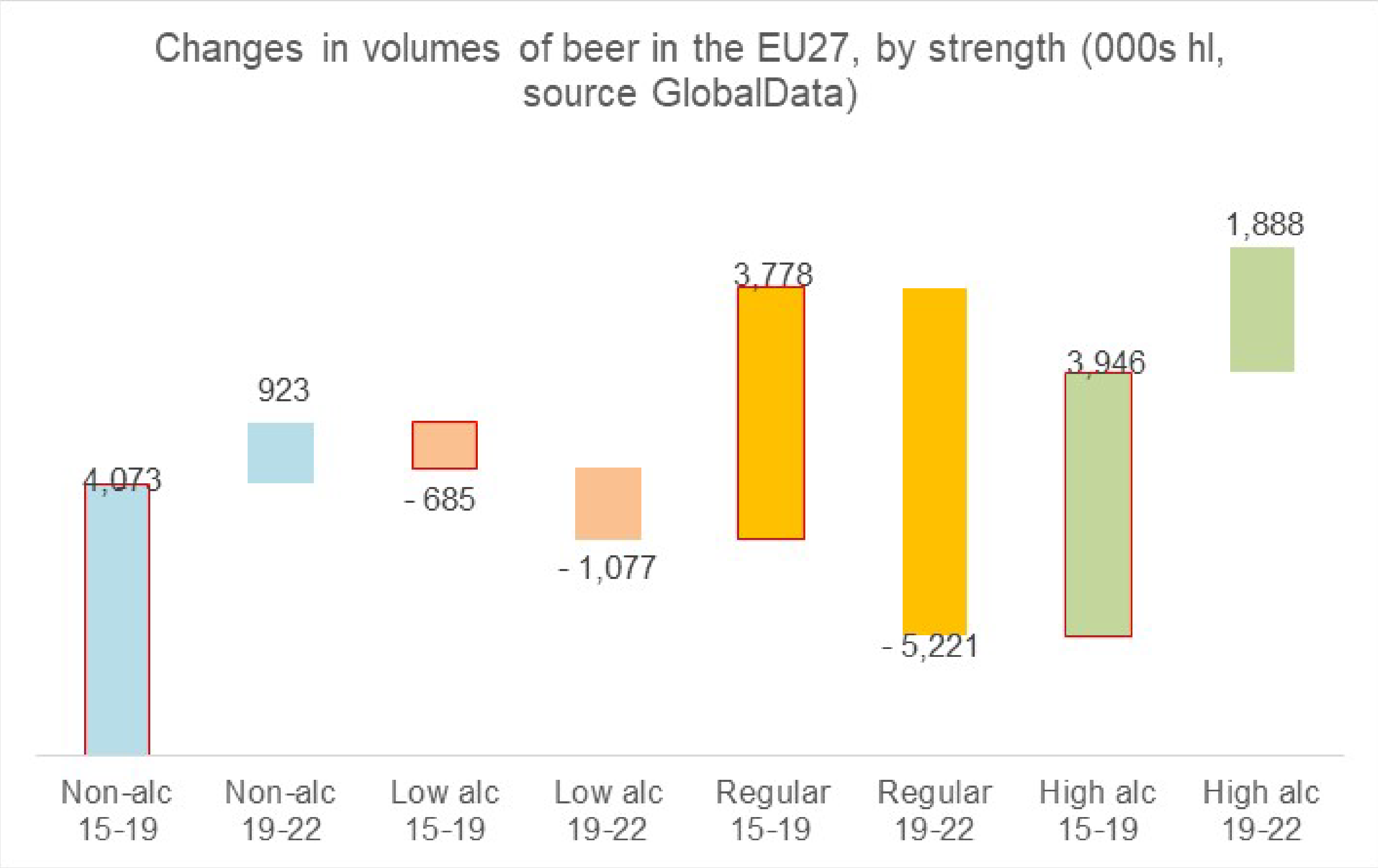


High-strength beer is larger than nolos, and added most alcohol units





80% of the growth in non-alc beer in EU27 happened before 2019



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- “Doctor, Can I Drink an Alcohol-Free Beer?” Low-Alcohol and Alcohol-Free Drinks in People with Heavy Drinking or Alcohol Use Disorders: Systematic Review of the Literature https:// doi.org/10.3390/nu14193925
- IWSR: No/Low-Alcohol Strategic Study 2023
- GlobalData: Beer and Cider Production, Consumption, Imports, and Exports, and Cider Consumption 2023
- Research into the use of non-alcoholic drinks among young people and adults in the Netherlands, Trimbos
- No and Low Alcohiolic Drinks in GB, Monitoring Report DOI 10.15131/shef.data.24893526

#3

c) Implementation of spiritsEUROPE’s Memorandum of Understanding – Update from the sector

d) Digital labelling – Update from the sector

Implementation of spiritsEUROPE's Memorandum of Understanding – Update from the sector

- spiritsEUROPE successfully delivered on the MoU since its adoption in 2019 successively and will continue to monitor implementation well beyond the reporting period

- **International company signatories report energy on-pack compliance of around 86% by end 2022**
  - up to 99% in some cases

Implementation of spiritsEUROPE’s Memorandum of Understanding – Update from the sector

- **The European spirits sector is informing consumers about energy and ingredients on pack and digitally**
  - Energy on pack as high as 82% in Spain in December 2022
  - More than 90% of the products bear digital information accessible via barcode/QR-codes

Implementation of spiritsEUROPE's Memorandum of Understanding – Update from the sector

- Report on rollout from December 2022 to December 2023 in preparation
  - Next report will also include forward looking information on anticipated roll-out for years to come
  - Special focus on the ca 60 SMEs who co-signed in dedicated session

- Report will be presented to DG SANTE & DG AGRI

Digital labelling – Update from the sector

- More than 90% of the products bear digital information accessible via barcode/QR-codes

- spiritsEUROPE renewed contractual agreement to make U-label platform also in future available to all companies wishing to provide digital consumer information in an uncomplicated, economically viable way
  - Cooperation with wine sector
  - Focus is on SMEs

Digital labelling – Update from the sector

- spiritsEUROPE continues to advocate for policy makers to use the untapped potential of digital consumer information

  - Digital Content :
    - Ingredients list
    - Nutritional information
    - Serving recommendation
    - Health warning messages
    - Responsible consumption ritual
    - Recycling instruction

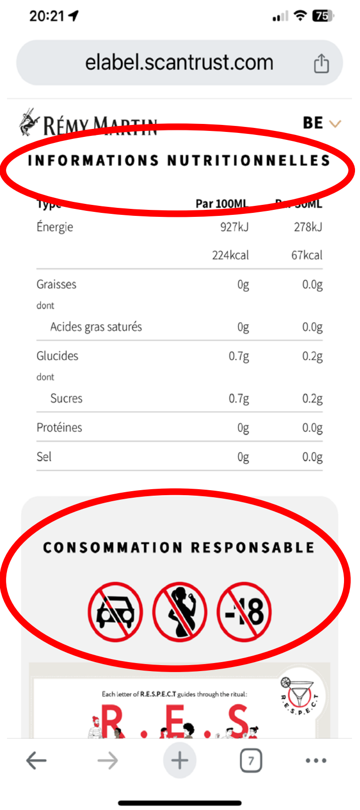
    … and much more

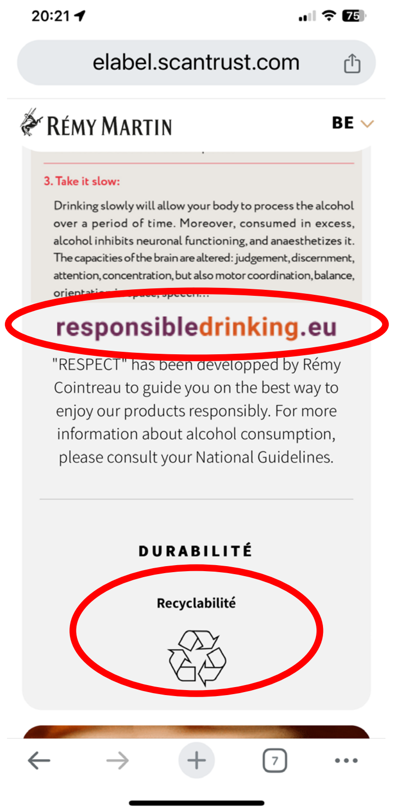
Digital labelling – Update from the sector

- spiritsEUROPE continues to advocate for policy makers to use the untapped potential of digital consumer information

  - Adopted technology (QR Code) - Massively used during covid
  - Easy access for SMEs at reasonable cost
  - Easily and quickly updatable
  - Available automatically in local language (geo-localisation)
  - Unlimited in terms of content (CSR/Environmental/Health information/ …)

Digital labelling – Update from the sector





#4

a) GI Revision – Update from the sector

GI Revision – Update from the sector

- Revision of the EU GI systems has been one of the priority files for spiritsEUROPE and its members under the current political mandate

- In the last political trilogue, a late amendment to article 37(3a) has been introduced which now requires that the labels of also spirits drinks GIs provide the name of the producer in the same field of vision as the GI
  - Procedural concerns
  - Practical, severe challenges

GI Revision – Update from the sector

- **Procedural concerns**
  - No impact assessment on this substantial change
  - No discussion (ever!) with sector about implications of the new requirement

- **Practical concerns**
  - Complexities of spirits production chains not reflected
    - No definition of 'producer' – complex for spirits!
    - No details on rules about mentioning of producer in same field of vision as GI… once, sometimes or at all times?
    - Example of supermarket brands and small independent brand owners

GI Revision – Update from the sector

No definition of ‘producer’ – complex for spirits!

- “production” – for spirit drinks - includes several ‘production steps’ including raw material processing, fermenting, preparation, or maturation and blending, up to the point where the product is ready to be placed on the market.
- These production steps can all be carried out by separate and independent entities before the final spirit is bottled by yet another party on behalf of the ultimate brand owner.
- The brand owner may not be the same as any of the previous parties.
- **Given there is no definition of a ‘producer’ in the legislation, it will in many cases not be clear who should be listed on the label as the ‘producer’.**

- Labels of many spirit drink GIs only provide the identity of the brand owner and, as required by EU law, the name and address of the ‘food business operator’ under whose name or trade name the food stuff is marketed, which is often the importer, or, if the said operator is not established in the Union, the importer on the Union market.
- However, neither may be the producer, however that is defined

GI Revision – Update from the sector

- No details on rules about mentioning of producer in same field of vision as GI… once, sometimes or at all times?

- Finally, it should be noted that article 37(3a) requires that the name of the producer must appear in the same visual field as the GI. That could mean the name of the producer would have to appear on front and back labels and on every face of the carton or other packaging. Whilst an interpretation consistent with the specific labelling rules for spirits does not require the name of the producer to be added on every label, reference in article 37(3) that the name of the producer must appear in every visual field where the GI is mentioned is inconsistent with that.

- Given the current legal framework already addresses traceability requirements by the need to provide the details of the food business operator and robust verification schemes for spirit drink GIs ensure legal protection, such a requirement for a systematic indication of the name of the producer in the same visual field of the GI on all labels and packaging would be unnecessary, disproportionate, and strongly opposed by the spirits industry. We believe this provision will therefore cause significant practical and commercial difficulties across the trade in spirit drink GIs.

GI Revision – Update from the sector

- Solutions:
- We therefore **request that spirit drink GIs are excluded from article 37(3a).**
  - If the exclusion of spirit drink GIs is not possible at this stage, the spirits industry will need to pursue an amendment as soon as possible after implementation which either excludes spirit drinks or amends the provision so that spirit drink GIs are at least consistent with the position on the labelling of wine GIs. That would be achieved by an adjustment to article 37(3a) as follows: "In the case of spirit drinks designated by a geographical indication, an indication of the name of the producer **or bottler or vendor** shall appear in the same field of vision as the geographical indication **at least once.**"

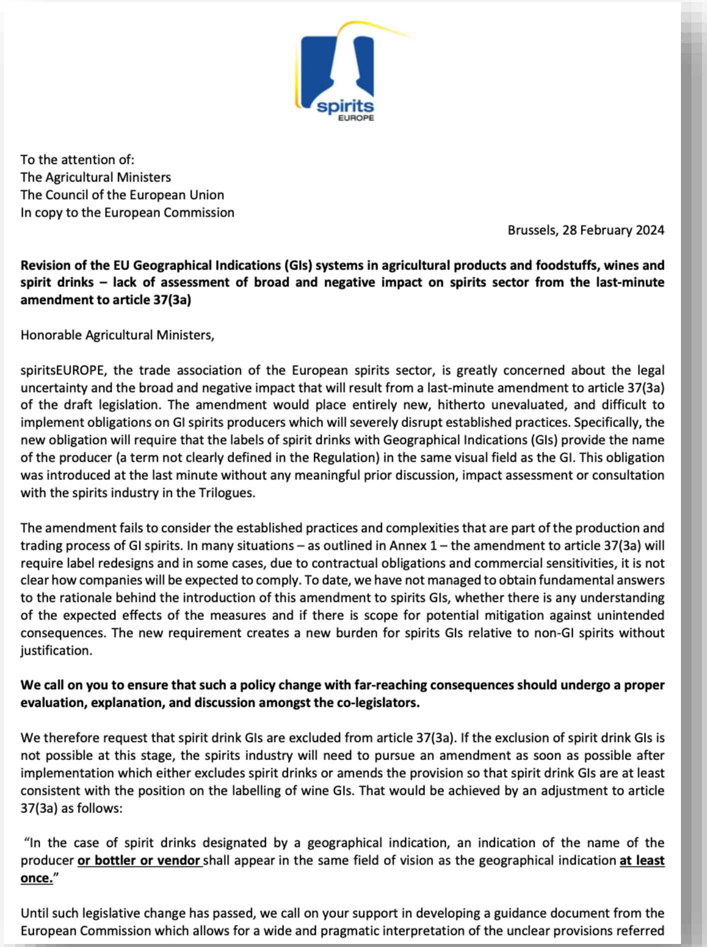
- **Until such legislative change has passed, we call on your support in developing a guidance document from the European Commission which allows for a wide and pragmatic interpretation of the unclear provisions referred to above.**
  - Such guidance must be respected and be applied constructively by the Member States' responsible enforcement authorities.

GI Revision – Update from the sector

- Steps taken by the sector to resolve issue
  - **Letter to EP**
  - **Letter to EU COM** + meeting with DG AGRI
  - **Letter to BE Council Presidency**
  - **Letter to National AGRI Ministers**

→ Common reply:

- → **as process is advanced, no change to legal text possible**
- → **COM guidance to provide the required clarifications for smooth enforcement**



To the attention of:
The Agricultural Ministers
The Council of the European Union
In copy to the European Commission

Brussels, 28 February 2024

Revision of the EU Geographical Indications (GIs) systems in agricultural products and foodstuffs, wines and spirit drinks – lack of assessment of broad and negative impact on spirits sector from the last-minute amendment to article 37(3a)

Honorable Agricultural Ministers,

spiritsEUROPE, the trade association of the European spirits sector, is greatly concerned about the legal uncertainty and the broad and negative impact that will result from a last-minute amendment to article 37(3a) of the draft legislation. The amendment would place entirely new, hitherto unevaluated, and difficult to implement obligations on GI spirits producers which will severely disrupt established practices. Specifically, the new obligation will require that the labels of spirit drinks with Geographical Indications (GIs) provide the name of the producer (a term not clearly defined in the Regulation) in the same visual field as the GI. This obligation was introduced at the last minute without any meaningful prior discussion, impact assessment or consultation with the spirits industry in the Trilogues.

The amendment fails to consider the established practices and complexities that are part of the production and trading process of GI spirits. In many situations – as outlined in Annex 1 – the amendment to article 37(3a) will require label redesigns and in some cases, due to contractual obligations and commercial sensitivities, it is not clear how companies will be expected to comply. To date, we have not managed to obtain fundamental answers to the rationale behind the introduction of this amendment to spirits GIs, whether there is any understanding of the expected effects of the measures and if there is scope for potential mitigation against unintended consequences. The new requirement creates a new burden for spirits GIs relative to non-GI spirits without justification.

We call on you to ensure that such a policy change with far-reaching consequences should undergo a proper evaluation, explanation, and discussion amongst the co-legislators.

We therefore request that spirit drink GIs are excluded from article 37(3a). If the exclusion of spirit drink GIs is not possible at this stage, the spirits industry will need to pursue an amendment as soon as possible after implementation which either excludes spirit drinks or amends the provision so that spirit drink GIs are at least consistent with the position on the labelling of wine GIs. That would be achieved by an adjustment to article 37(3a) as follows:

"In the case of spirit drinks designated by a geographical indication, an indication of the name of the producer **or bottler or vendor** shall appear in the same field of vision as the geographical indication **at least once.**"

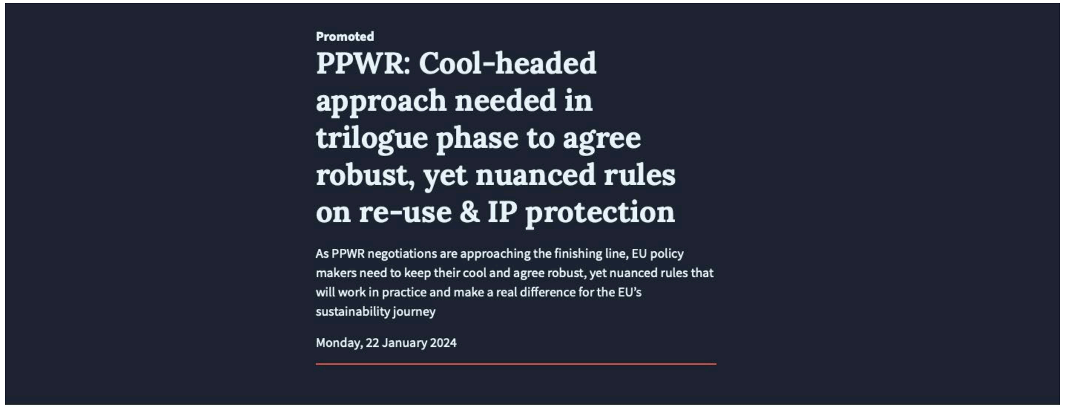
Until such legislative change has passed, we call on your support in developing a guidance document from the European Commission which allows for a wide and pragmatic interpretation of the unclear provisions referred

#8

Revision of the Packaging and Packaging Waste Regulation: implications for the spirit drinks sector – Update from the sector

Revision of the Packaging and Packaging Waste Regulation: implications for the spirit drinks sector – Update from the sector

- spiritsEUROPE actively followed the revision of the PPWR in the last 3 years and serious impact on spirits sector was anticipated
  - **Mandatory re-use schemes for spirits drinks**
  - **Packaging minimization criteria rendering IPRs on packaging null and nil**



Promoted

PPWR: Cool-headed approach needed in trilogue phase to agree robust, yet nuanced rules on re-use & IP protection

As PPWR negotiations are approaching the finishing line, EU policy makers need to keep their cool and agree robust, yet nuanced rules that will work in practice and make a real difference for the EU's sustainability journey

Monday, 22 January 2024

Revision of the Packaging and Packaging Waste Regulation: implications for the spirit drinks sector – Update from the sector

- Changes for spirits sector resulting from new PPWR
  - New packaging designs, placed on the market after/upon entry into force of the new regulation, will not be excluded from packaging minimization criteria
  - Challenges for the sector to protect products fully in terms of counterfeiting poses new challenges

Revision of the Packaging and Packaging Waste Regulation: implications for the spirit drinks sector – Update from the sector

- It appears that are asks and concerns are reflected in the final draft text subject to political agreement
- **Timeline of next steps unconfirmed to date**
- **Earliest entry into force expected in Q4/2025**

Thank you very much for your attention

Close of the meeting