Spirits & Cocktails AUSTRALIA

Australian Distillers Association

2025-26 Pre-Budget Submission

Realising the Australian Spirits Industry's $1 Billion Export Potential

Contents

Acknowledgement of Country
In the spirit of reconciliation, the Australian Distillers Association and Spirits & Cocktails Australia acknowledge the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay our respects to their Elders past and present.

1 About Us

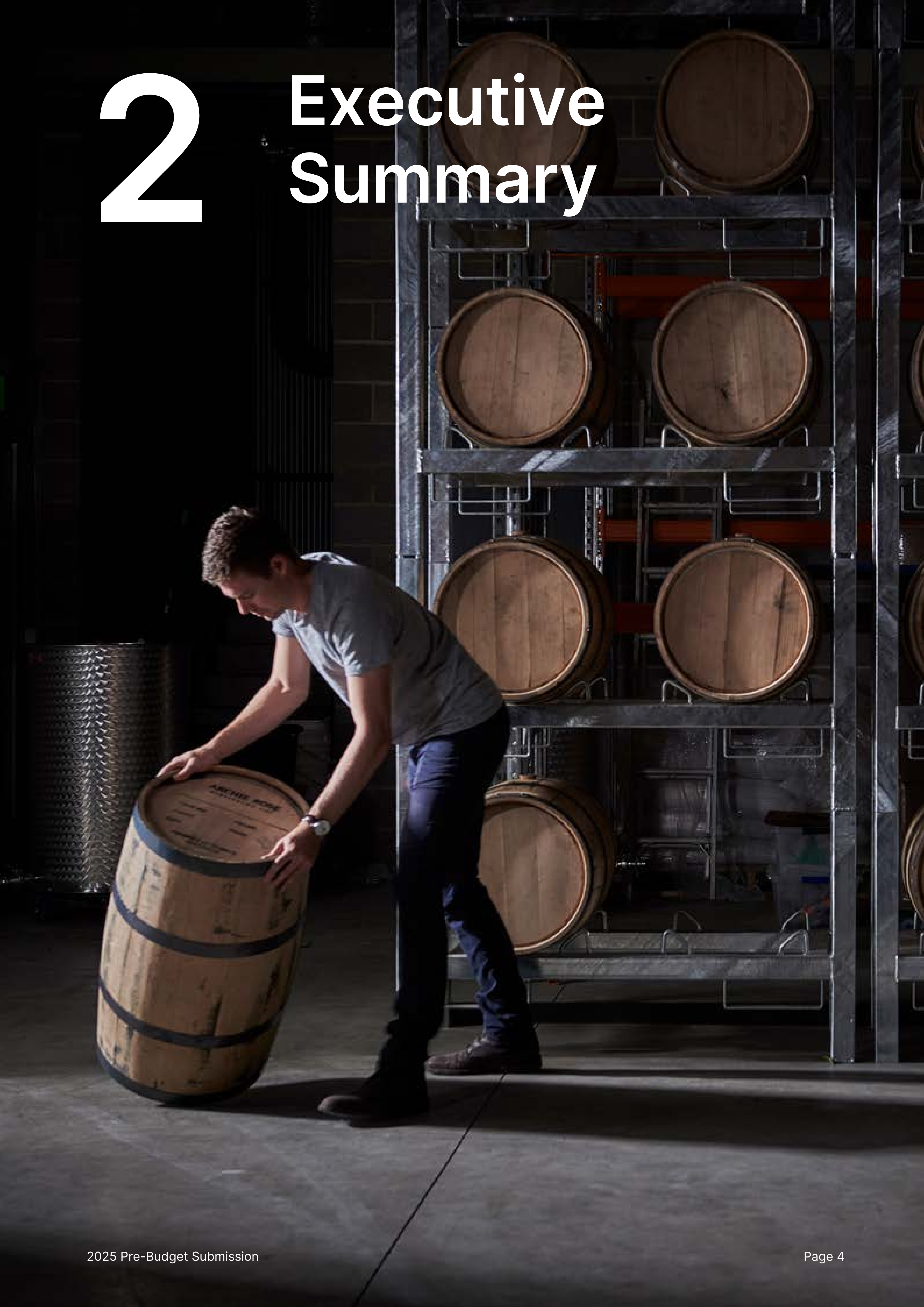
Spirits & Cocktails Australia and the Australian Distillers Association are the leading trade associations representing over 700 distillers and spirits manufacturers throughout Australia, with half of these operations in regional and rural areas.

Our industry contributes $15.5 billion in added value to the Australian economy, supporting 5,700 spirits manufacturing jobs, and 100,000 more throughout our supply chain.

The use of quality agricultural inputs and native botanicals in Australian-made spirits offer an unrivalled economic multiplier, creating opportunities for farmers and indigenous ingredient harvesters throughout the country. Additional value is created through our broader supply chain, which includes distillery door tourism, marketing and major event sponsorships, glass and packaging, and world-class hospitality.

We share a commitment to promoting a safe and vibrant spirits sector, which reflects Australia’s mature drinking culture and creates opportunities for economic development, through the sustainable development of a distinctly Australian manufacturing industry.

2 Executive Summary



The economic benefits of the Australian spirits industry align with many of the Federal Government's economic priorities of growing domestic manufacturing, diversifying trade and increasing employment opportunities, particularly in the regions.

The Australian spirits industry contributes $15.5 billion in added value to the Australian economy each year, supporting 5,700 direct manufacturing jobs and 100,000 indirect jobs throughout the industry's total supply chain.

Over 80 per cent of all spirits consumed in Australia are manufactured by skilled professionals in 700 distilleries and manufacturing plants across the country, with half of these operations in regional Australia.

This strong regional presence drives domestic and international tourism, with 3.5 million visits to distilleries last year, making distillery door tourism the fastest-growing tourist activity for overnight domestic visitors in Australia.

Nevertheless, the industry is still developing. While global brands have invested in Australia over many years to build an affinity for spirits among consumers, the industry is primarily made up of small and emerging businesses.

Australia's uncompetitive excise framework, outdated policy settings, and a lack of investment, is preventing many of these businesses from achieving scale.

At $103.89 per litre of alcohol, Australia's spirits excise is the third highest in the world – behind only Iceland and Norway – putting the industry at a significant competitive disadvantage to many of our global trading partners.

This disadvantage is further entrenched by twice-yearly increases aligned with the Consumer Price Index, creating instability that curtails the investment needed to effectively grow and create scale to meet growing consumer demand for quality spirits made in Australia.

Australia's $112 million in spirits exports pale in significance to the $2.1 billion of Australian wine exports. While the Australian wine industry has benefitted from preferential tax treatment to stimulate industry growth (levied at 29 per cent of wholesale value), the Australian spirits industry is held back by a tax which is five times higher. The impact of this differential tax treatment is evident in the trade performance of spirits exports, ranked 29th in the world by trade value, compared with wine, ranked 6th by the same measure.

The long-term support for the Australian wine industry shows how the Federal Government can work with industry to attract investment, build industry capability, streamline regulation and support access to lucrative export markets.

Similar investment and coordinated support could accelerate the Australian spirits industry's growth trajectory to reach $1 billion in exports, setting the industry on a path to becoming an export powerhouse – just like our wine industry – with the jobs, growth and skills that come with it.

High quality Australian spirits are consistently winning awards around the world, but we need to convert these accolades and interest into export sales to enhance the industry's productivity and drive opportunities for further economic growth.

In this Pre-Budget Submission, we outline key reforms to bolster the spirits industry's international competitiveness and create the conditions for a thriving export industry.

Summary of recommendations

1. Immediately freeze spirits excise indexation for two years and initiate a broader review of spirits excise settings, with a view to creating the conditions to attract greater investment in the Australian spirits industry to enhance domestic manufacturing and exports.

2. Support the Spirits Export Accelerator Strategy to create the conditions to enhance the international competitiveness of the Australian spirits industry and fast track its export growth trajectory (refer Appendix).

3 The Case for Reviewing Spirits Excise Settings

Recommendation 1

Immediately freeze spirits excise indexation for two years and initiate a broader review of spirits excise settings, with a view to creating the conditions to attract greater investment in the Australian spirits industry to enhance domestic manufacturing and exports.

3.1 Review excise settings for the Australian spirits industry

Freezing disruptive biannual excise increases is one lever the Federal Government can pull to create the conditions to enhance productivity and attract greater investment in the Australian spirits industry.

Analysis completed by Deloitte Access Economics in 2024 revealed that spirits excise is the largest barrier to growth facing distillers and spirits manufacturers operating in Australia.

At $103.89 per litre of alcohol, Australia's spirits excise is the third highest in the world – behind only Iceland and Norway – putting the industry at a significant competitive disadvantage to many of our global trading partners.

Figure 1: International comparison of spirits excise rates

This disadvantage is further entrenched by twice-yearly increases aligned with the Consumer Price Index, creating instability that curtails the investment needed to effectively grow and create scale to meet growing consumer demand for quality spirits made in Australia.

These settings do not only impact Australia's ability to effectively compete for global market share and investment. Higher rates of spirits excise also limit domestic competition between other lower taxed categories of alcohol.

Beer is taxed at nearly half the rate of spirits, with wine taxed substantially less again, at about a quarter of Australia's spirits tax. When translated into the tax per standard drink, the disparity is clear.

Figure 2: Tax per standard drink

These inequitable settings are sending price signals to consumers that disadvantage the spirits category and work against the positive trend of premiumisation - of Australians drinking less, but better. This impact is more acute in the current cost of living crisis.

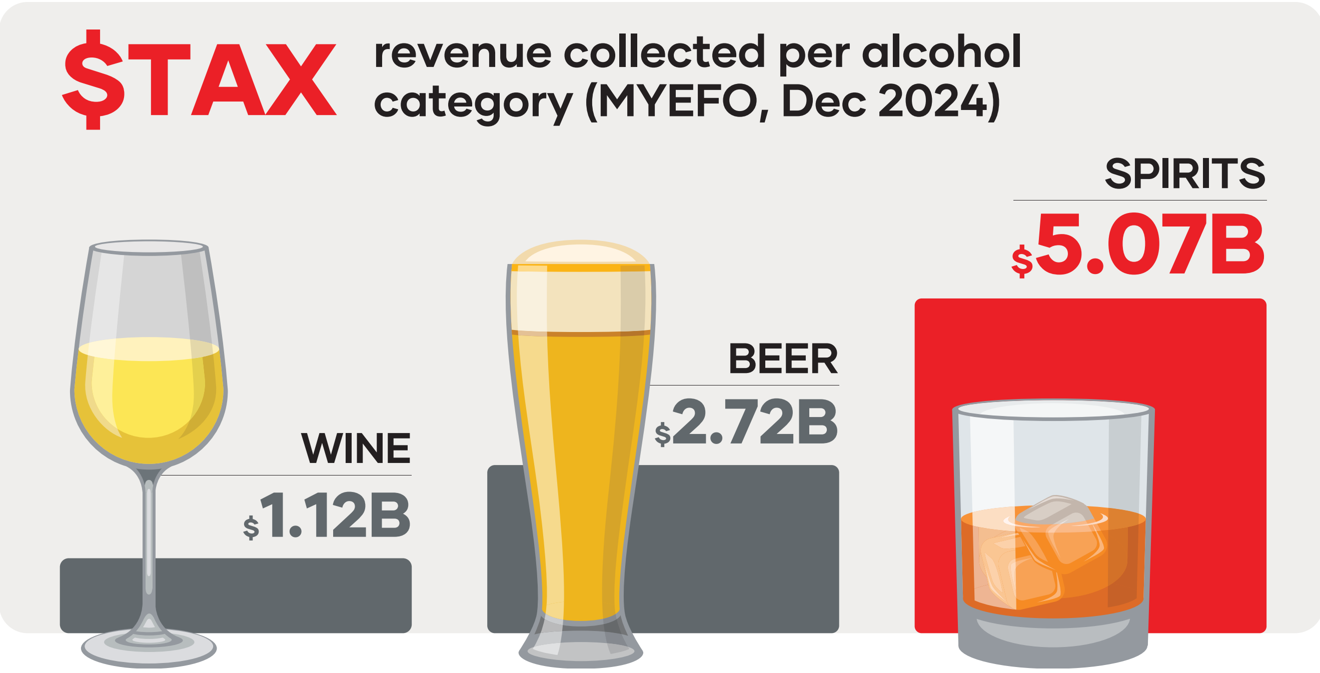
> *We need support to address the disparity between spirits and other alcohol categories, which is increasingly placing spirits at a competitive disadvantage. As an example, a consumer can walk into a retail store and purchase a five-litre cask of wine containing 43 standard drinks for under $17 - whereas the excise component alone on a bottle of spirits containing half the number of standard drinks is nearly $29. There is no rationale for this discrepancy when you consider that a standard drink is the same in its health implications whether it's consumed in beer, wine or spirits.*

Julian Train, co-founder, Hickson House Distilling Co., The Rocks (Sydney)
Parliamentary Inquiry hearing into Food & Beverage Manufacturing in Australia, 23 May 2024.

While spirits account for approximately 20 per cent of total alcohol consumption, the category pays more than 50 per cent of duties collected across alcohol. There is no public policy rationale for this inequity.

Further, the price signalling of high rates of spirits excise is impacting consumer purchasing behaviour and government revenue, with forecasted spirits revenue revised down by $290 million at the MYEFO update in December 2024.

Figure 3: Revenue collected by alcohol category



Several government reviews, including the *Henry Tax Review* (2009), *Rethink: Tax Discussion* (2015) and *Productivity Review* (2017) have recommended reforms to address the disparity between the taxation of alcohol products.

The *Senate Red Tape Inquiry* (2017) recommended, "that the Australian Government progress the reform of alcohol taxation including the introduction of a single volumetric tax rate across all alcohol products, to be phased in to allow reasonable adjustment." The Australian spirits industry remains committed to this long-term objective.

The lack of reform to Australia's outdated tax system has stifled Australian spirits export growth and development, placing Australian spirits at a significant disadvantage to other exporting nations.

Other countries are reaping the benefits after reducing the tax burden on their local distillers and investing in spirits export programs.

I think that the challenge that we face in export markets is that, for example, we're exposed to the United States domestic market and tax system but, rather than paying somewhere around $28 a bottle of tax at home, we're paying about $1 worth of tax in the United States. They've got a $27-a-bottle advantage in their home market to reinvest into export."

David Vitale, founder Starward (Port Melbourne, Victoria) & Vice-President Australian Distillers Association and Spirits Victoria Association

Parliamentary Inquiry hearing into Understanding & Utilisation of Benefits of Free Trade Agreements, 22 November 2024.

Duty rate pauses in other markets have enabled significant industry growth

United Kingdom

Paused duty increases consecutively from 2014, attracting more than 500 million pounds of additional investment and supporting a further 42,000 jobs.

Actual tax revenue from the spirits sector in the five years to 2023 was, on average, 10% higher than forecasted revenue.

Recommenced duty increases in early 2023 (increased by 10.1%), contributed to the largest rise in UK inflation on record, resulting in GBP 300m in lost government revenue, and a 20% decline in spirit sales.

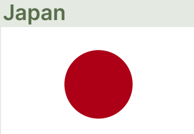
Reinstituted a pause in duty increases in late 2023 in response to falling consumption and reduced revenue.

Canada

In 2023, capped excise indexation on beer, wine and spirits at 2% in anticipation of a 6.3% increase, due to high inflation to support producers and lessen the impact of inflation on consumers.

In March 2024, extended the cap for another two years in recognition of the value the sector delivers to the Canadian economy and to support further industry growth and innovation.

Japan



National Tax Agency aligning tax rates to remove distortions between different alcohol products.

Taxes on spirits are not subject to the latest tax increases.

Modelling undertaken by economics firm Mandala, leveraging insights from the Deloitte report, shows that an excise tax freeze and broader excise reform would create a more sustainable and predictable environment for the Australian spirits industry. It would mean distillers could reinvest revenue back into their businesses, while simultaneously creating a more favourable investment environment for foreign direct investment and other capital investments.

3.2 Attracting investment to achieve scale and industry growth

A vibrant and productive spirits industry can help showcase Australia to the world, promoting growth in domestic manufacturing while increasing trade and employment, supporting innovation and technology, and helping the growth of regional industry.

As Prime Minister Anthony Albanese remarked in his April 2024 address to the Queensland Media Club:

> "We cannot afford another decade where government is a drag on business investment and productivity instead of a driver of it."

Increased investment is crucial to unlock the economic potential of the Australian spirits industry.

Foreign direct investment in the Australian spirits industry can take multiple forms, including re-investment of Australian-made profits into existing business footprints by increasing capacity, employment, marketing and manufacturing; purchasing existing businesses; or greenfield investments into new distilling or manufacturing assets.

Foreign direct investment by global spirits brands offers growing craft distillers more than just capital:

- Open export opportunities through connections in other markets
- Share expertise to build brands in domestic and export markets
- Build industry capabilities through knowledge exchange
- Provide access to diverse, resilient and sustainable global supply chains
- Increase innovation and the use of new technologies through collaboration.

Attracting foreign investment brings significant benefits for the spirit manufacturing industry in Australia and should be a core focus of any government policy making regarding the sector.

Foreign Investment can bring a range of benefits to the domestic industry, including access to more modern and sophisticated infrastructure and distilling techniques, access to and deeper understanding of distribution networks, increased volume production and greater re-investment into ancillary industries such as marketing and advertising, glass and packaging, and investment in logistics and transport.

Australia's high and inequitable levels of domestic spirits excise makes accessing such foreign direct investment a major barrier for the Australian spirits industry.

How foreign direct investment has assisted the Scotch Whisky industry

The spirits industry in Scotland, seen globally as the most significant and efficient exporter of spirits in the world, is one example of an industry which has captured foreign direct investment from global companies.

Scotch Whisky is the world's most exported spirit and fastest-growing luxury investment. Almost 90% of all Scotch Whisky produced is exported, and it represents 2 per cent of all of the UK's goods exports.

Foreign direct investment has had outsized effects in Scotland's economy, particular in manufacturing.

While non-Scottish businesses only account for three per cent of businesses in Scotland they account for:

- 77% of Scottish exports with 86% of Scotland's top 100 exporters being foreign or UK-owned
- 34% of employment; and
- 64% of business Research and Development spending.

Source: Mandala, 2024

Global spirits manufacturers are currently dissuaded to make investments in Australian distilleries to create a scalable domestic manufacturing industry, as high levels of excise ultimately make such investment prohibitive. While we point to some examples in this submission, Deloitte's analysis shows that only three per cent of Australian spirits manufacturers benefit from this type of investment.

> *As a global company with a strong motivation to invest in Australia, both for Australia and for export, it is really hard to do when you are competing against other markets which have already addressed their policy settings.*
>
> *The opportunity is, with a shift in policy settings, to unleash a much bigger wave of investment—investment in local manufacturing and investment in local tourism. We've committed close to $200 million in our facilities in Scotland over the last few years. In Mexico, where Tequila is being established now as a really significant global category—premium and super premium—we're investing hundreds of millions of dollars in new production, new facilities, new development of that part of the business.*
>
> *When I look at the investment going into Japan at the moment, into Japanese whisky, it is huge. That investment is not coming to Australia today because at the moment you can't justify it, because of the policy settings.*

Dan Hamilton, Managing Director Diageo Australia

Parliamentary Inquiry hearing into Food & Beverage Manufacturing in Australia, 23 May 2024.

While foreign investment remains largely untapped by the Australian industry, Deloitte's 2024 report found that 77 per cent of spirits manufacturers reported that a 20 per cent increase in this source of capital would support increased production, sales and marketing activity, exports and distillery door enhancements.

Mandala's report found that the local industry presents as a relatively difficult investment environment for local and international investors, including global spirits companies, with high excise tax being a key driver of concern for investors. This puts Australia at a significant competitive disadvantage to top exporting spirits countries like the United Kingdom, United States, and France.

The Reserve Bank of Australia suggests that hurdle rates have remained high and well above the weighted average cost of capital in recent years, which is a factor many global spirits manufacturers will consider when choosing between competing investments across different countries. Analysis by both Mandala and Deloitte points to potential under-investment in the Australian spirits industry.

Case Study
Diageo invests in Award-Winning Australian Whisky Distillery, Starward

In 2015, Diageo commenced investment in the distillery business via a fund called Distill Ventures, based on the shared belief that there is an opportunity to create an exciting international whisky brand of scale from Australia.

The whisky business model is long-term, with high barriers to entry due to the investment required ahead of sales to create inventory. Whisky made in Australia must be aged for a minimum of two years before it can be bottled and sold.

Since Diageo's investment in Starward, infrastructure and capability at the distillery has been scaled to provide the capacity to produce up to 1.3 million litres of single malt whisky per year.

Starward has consistently prioritised export markets such as the United States, Germany, France, Singapore and New Zealand. Starward currently exports to more than 20 countries, with the United States accounting for 50 per cent of its total exports.

Starward took the title of Most Awarded Distillery of the Year at the 2024 San Francisco World Spirits Competition with 13 Double Gold Medals from over 5,500 global entries – the largest haul in the competition's history. This is the second time the distillery has been awarded this accolade.

Foreign investment has the power to elevate domestic spirits production to take quality Australian-made products to the world. With more sustainable spirits tax settings in place, Australia will be made a more attractive destination for such investment and the success of Starward could be replicated many times over.

3.3 Aligning excise settings with positive shifts in consumer behaviour

Adjusting spirits excise settings, by freezing biannual increases and conducting a broader review, will not only address distortions between the taxation of alcohol categories but will also support positive shifts in consumer behaviour.

More than three quarters of Australians consume alcohol as part of a balanced lifestyle (77%), with the vast majority (70%) doing so responsibly and in accordance with the National Health and Medical Research Council guidelines (AIHW, 2024).

The Australian Institute of Health and Welfare's (AIHW) National Drug Strategy Household Survey has found significant improvements in Australia's drinking habits over the last decade.

Australians are drinking less—but better, making informed choices about their alcohol consumption, with AIHW data confirming significant declines in risky and heavy episodic drinking. The perception that dangerous and excessive drinking is increasing does not reflect the reality that per capita alcohol consumption has been declining for the last 50 years.

The data also confirms that more Australians are giving up alcohol. Between 2016 and 2019 the number of former drinkers in the population rose from 1.5 to 1.9 million Australians. Further, that decrease in consumption is largely being driven by young people. Twenty-one per cent of 18 to 24-year-olds and 24 per cent of 25 to 29-year-olds do not drink alcohol, and both those figures have more than doubled since 2001. Research also shows that the rates of underage drinking are decreasing. (AIHW, 2024).

In recent years, the Australian spirits industry has seen consumer preferences shift in favour of premium products. This is driving the trend of 'premiumisation', with consumer demand for unique and innovative products that celebrate provenance, legacy and craft growing steadily over the last decade.

As consumers increasingly seek out premium products and experiences, the Australian spirits industry is well placed to respond to this consumer trend with innovative offerings.

A review of excise settings provides an opportunity to align with consumers' preference of drinking less but better.

It's pretty consistent across markets globally – both developed markets and developing markets – where, you see consumers 'drinking better, not more'.

Dan Hamilton, Managing Director Diageo Australia

Parliamentary Inquiry hearing into Understanding the Benefits & Utilisation of Free Trade Agreements, 22 November 2024

4 Realising the Australian Spirits Industry's $1 Billion Export Potential

Recommendation 2

Support the Spirits Export Accelerator Strategy to create the conditions to enhance the international competitiveness of the Australian spirits industry and fast track its export growth trajectory.

4.1 Capitalising on rising global demand for premium spirits

Australia's spirits industry has the potential to be a $1 billion export powerhouse, according to modelling by economics firm Mandala. The study found that Australia is ideally positioned to capitalise on rising global demand for high quality, premium spirits.

Mandala's *Spirits Industry Competitiveness Plan* (2024) found that Australia has many of the trade advantages required for a country to become a major spirits exporter, including access and connections to growing markets, local industry development and complementary industries.

If Australia addressed the barriers currently constraining its potential – like the high rate of excise, inadequate trade support and conditions, and international awareness of Australian spirits – exports could be 79% higher than if there were not any policy interventions, translating to an additional $111 million in economic activity and more than 878 full-time jobs.

Exporting at its full trade potential and performing as efficiently as the United Kingdom, France, Ireland and Mexico, Australia could accelerate its export growth trajectory to reach $1 billion of spirits exports annually.

The trade advantages identified by Mandala bolster an already compelling case for Australia to become a major spirits exporter, given our intrinsic production advantages in comparison to other nations.

Global companies that have invested in enhancing their manufacturing capabilities in Australia may also benefit from leveraging these credentials to establish their Australian operations as a base from which to distribute to the broader Asia-Pacific region.

> *When we look at what we're doing right now, it's sporadic at best. Each distiller is going out to each market on their own, deciding how we go out and build a category which, if it were more coordinated and if there were sufficient backing, we would be able to create something that was of substance. It's not that we're short of stories and it's not that we're short of amazing product – it's just that we don't have a megaphone.*

Satya Sharma, Managing Director Lark Distilling Co. (Pontville, Tasmania)

Parliamentary Inquiry hearings into Food & Beverage Manufacturing in Australia, 5 June & 1 August 2024.

Case Study:
Suntory Oceania's $400m, 17-hectare Carbon Neutral Facility in Queensland

In 2023, Suntory Oceania launched a new multi-beverage partnership across the premium spirits and non-alcohol segments. Catalyst to Suntory Oceania's growth ambitions was the construction of a new $400m, carbon neutral facility. This represented the largest single FMCG investment into Australia in the last decade and created the fourth-largest Australia–New Zealand beverage group with 1,500 employees, two manufacturing facilities and five distribution centres.

The facility provides a real-time example of the positive impact that Foreign Direct Investment can have on the Australian food and beverage manufacturing sector. The right policy and budgetary measures – like those that enabled the wine industry to become one of Australia's export success stories – are needed to enhance and promote private sector investment in capital, innovation, and research and development across the entire range of new and emerging premium product categories, particularly those with the greatest export potential.

4.2. Embracing Australia’s distinct natural advantages

The major spirit categories of the world have emerged in countries where there was ready access to the corresponding base ingredient. For example, rum in the Caribbean, which is famous for sugar cane; Tequila and Mezcal in Mexico, home of the agave plant; Bourbon in the USA, where corn is a vital food crop; Malt Whisky in Scotland, a major barley producer; and Cognac in France, benefitting from access to wine grapes.

These countries have in turn become synonymous with their national spirits, which express the character of their raw ingredients and their distinctive provenance.

Unlike most other countries globally, Australia’s vast land mass offers the climate diversity to enable all of these base ingredients to grow and thrive.

Our offering is further differentiated by our native botanicals. These ingredients are being harnessed to create gin and vodka with remarkably unique flavours and aesthetics.

The Australian spirits industry also benefits from having access to a pool of candidates possessing technical production skills gained in the more established industries of brewing and winemaking.

Further, the wine industry’s scale and proximity ensures ready access to high quality oak barrels that can be used for the maturation of dark spirits with a uniquely Australian provenance story. Distillers can also access complementary services and products used in the wine industry, such as bottle manufacturing, to scale up operations.

We know that nothing else tastes like Australia, and that is a great point of difference on the world stage.

We've got such a strong connection to Australia through the grains, the grapes, the sugar, the fruit, and the indigenous botanicals that we use, and it's becoming more common for gins in Australia to draw on those Indigenous botanicals. As our industry grows, so will our reliance on these ingredients.

There's an added benefit in attracting tourism.

The more we get our spirits out to the world and we promote the flavours unique to Australia, the greater the flow-on effect to inbound tourism.

Holly Klintworth, Managing Director Bass & Flinders Distillery (Mornington Peninsula, Victoria) and President of the Australian Distillers Association

Parliamentary Inquiry hearing into Food & Beverage Manufacturing in Australia, 5 June 2024.

4.3. Supporting Australian distillers to overcome challenges to succeed in export

Australia has the right foundations to grow its exports through its country brand, with a reputation for quality, safety and compliance, coupled with iconic geographic sites and an attractive lifestyle.

However, these assets are not being effectively utilised to advance Australian spirits exports.

Australian spirits do not currently have a strong presence internationally, and there are significant investment and marketing costs to enter new markets. The challenges borne of high rates of domestic excise means that it is difficult for domestic producers to be 'strong at home' before exploring export opportunities. In other emerging spirits markets, with more favourable excise settings, producers benefit from the available capital to reinvest in their businesses to achieve export scale.

Just 17 per cent of Australian spirits manufacturers currently export their products (Deloitte, 2024) and the vast majority of Australia's total $112 million export revenue is concentrated among a handful of leading domestic brands (Mandala, 2024). However, 40 per cent have indicated they would export, with the right support. This opportunity is particularly relevant to the Tasmanian spirits industry, with the *Distilled Spirits Industry Blueprint* produced by the Tasmanian Government confirming that 78 per cent of distilleries forecast to sell products internationally.

There is a long tail of producers that have embarked on establishing a foothold in export markets but have yet to convert this into a meaningful contribution to their bottom line.

Regardless of scale, distillers all report similar challenges associated with succeeding in export overseas. While some have tried to leverage the exposure from award wins in major spirits competitions, awareness of these accolades is concentrated among industry insiders and spirits aficionados.

As such, aspiring exporters are entering markets from a standing start. Their prospective customers may be minimally aware of Australia - let alone its credentials as a spirits producing nation. This makes the task of marketing their brand and products much more complicated than for competitors who are standing on the shoulders of a strong country brand.

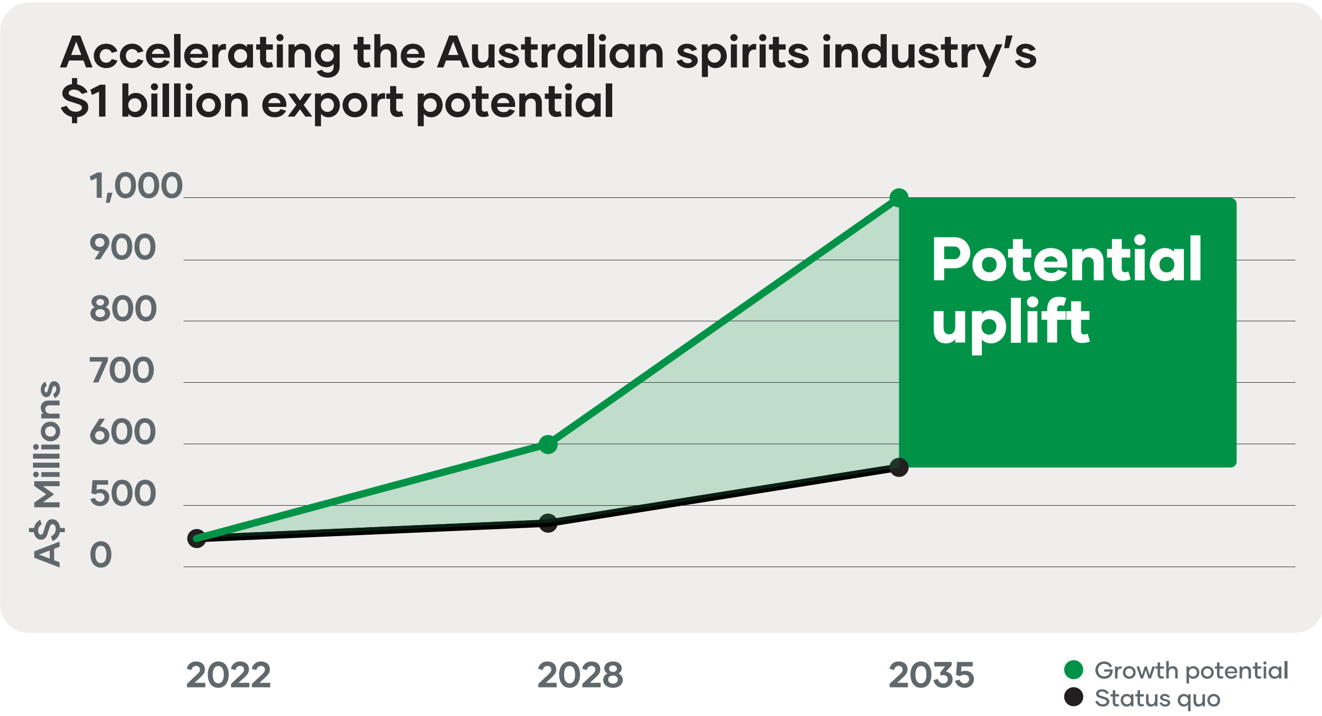
A fledgling Japanese whisky producer can fast-track its marketing pitch straight to the substantive attributes of its brand, people and products.

An Australian whisky producer would first be mired in explanation about the Australian geography and climate, and its history as a whisky producing nation. They would then need to explain the overarching style and parameters of 'Australian whisky'. Only then can they progress to pitching their own distillery and products.

These challenges were borne out in the *Spirits Industry Sector Competitiveness Plan* by Mandala, which found that spirits producing nations with higher perceptions of country branding were much better able to achieve their trade potential.

A coordinated approach and investment from the Federal Government can leverage Australia's quality credentials to accelerate the growth of Australian spirits exports to reach $1 billions

Figure 4: Australian spirits exports to 2023 (A$ Millions) status quo vs. meeting export potential.



Source: Mandala 2024

4.4. Unlocking the Australian spirits industry's export potential

The Australian spirits industry recommends adopting the Spirits Export Accelerator Strategy (see Appendix for details). This will promote growth in domestic manufacturing, increase trade and employment, support innovation, and help the growth of regional industry. It will diversify Australia's alcohol exports and increase inbound tourism.

The structural disadvantages between alcohol categories, borne of vastly different levels of taxation and industry support, further impede innovation and entrench our competitive disadvantage, thwarting the Australian spirits industry's ability to penetrate global markets.

While there is some government support for distillers looking to export, this is not tailored to the industry's needs, which are distinct from industries such as wine.

There is growing global demand for premium spirits, particularly in neighbouring countries in Asia. Australia's spirits industry is at an inflection point where there are a significant number of promising distilleries with strong potential to grow under the right conditions.

The Federal Government could play a pivotal role in catalysing the growth of the industry, in support of many of its own priorities – such as growing manufacturing and regional jobs.

However, any measures to grow exports must be considered holistically with excise reforms to ensure we have a healthy local industry, where spirits manufacturers are able to reinvest in growing their businesses.

Japan has illustrated what is possible when an emerging spirits producer nation pursues export growth in an organised manner, with genuine government buy-in and support.

Japan has grown spirits exports more than sixfold from US$88.3m in 2013 to US$602.1m in 2023, representing an annual growth rate of 24%.

This growth was driven by the Japanese Government's export body, the Japan External Trade Organisation, which was acting on a 2013 resolution to develop a strong export environment for Japanese spirits.

Since then, government policies to support Japanese spirits have included:

- setting clear targets for countries and export volumes;
- exhibiting spirits in major overseas trade shows;
- subsidising distillers' efforts in developing new markets;
- providing market information for distilleries interested in exporting;
- expanding the use of geographical indicators; and
- supporting the abolition of tariffs and import restrictions on Japanese exports.

Immediate Government action is required if Australia is to fully capitalise on its natural advantages as a producer and exporter of quality spirits.

The longer we wait, the tougher the competition will be from other producer nations, eroding this clear economic opportunity. By investing in the Spirits Export Accelerator Strategy, the Federal Government can build industry capabilities, streamline regulation and provide access to markets for distinctive high-quality spirits made in Australia.

The Australian spirits industry can replicate the success of the Australian wine industry and become another export powerhouse – with the jobs, growth and skills that come with it.

"The thing to remember here is that time is of the essence. There is an incredible interest in new-world whisky. Japan is the greatest case study of this, but there is also Irish whiskey growth, and the growth of agave spirits, which is tangential to whisky.

There's this appetite for exploration within consumers' minds. You can see this in single-malt growth in the US as well. Australia is almost the best positioned market to capitalise on that.

It's remarkable that we grow some of the best barley, rye, cane for rum, wheat and botanicals. We're known for innovation and ingenuity, and maybe a slightly counter-tradition approach, and there is this consumer interest in new-world regions of spirits production. So, we've got to capitalise on that now. It's not something that we can just consider for the next five years and see where we land."

Will Edwards, founder Archie Rose Distilling Co. (Roseberry, New South Wales)

Parliamentary Inquiry hearing into Food & Beverage Manufacturing in Australia, 23 May 2024.

5 Conclusion

Summary of Recommendations

1. Immediately freeze spirits excise indexation for two years and initiate a broader review of spirits excise settings, with a view to creating the conditions to attract greater investment in the Australian spirits industry to enhance domestic manufacturing and exports.

2. Support the Spirits Export Accelerator Strategy to create the conditions to enhance the international competitiveness of the Australian spirits industry and fast track its export growth trajectory.

5.1 A growth industry with vast potential

As this submission details, with intervention by the Federal Government, Australia can diversify its exports of high-quality alcohol beverages to create a spirits export industry worth $1 billion.

Capitalising on our natural advantages, the industry is well positioned to compete for a growing market of domestic and international consumers that enjoy the responsible and moderate consumption of spirits as part of a healthy and sociable lifestyle.

Increased demand for spirits among Australian consumers is supported by changes to Australia’s drinking habits, which have evolved over many years.

Alcohol consumption in Australia is currently at a 50-year low, and spirits is the only alcohol category that continues to grow.

The economic value of this trend is enhanced by the jobs and growth opportunities created in the spirits sector’s vast supply chain, spanning farming and indigenous botanical harvesting; distillery door tourism; marketing and major event sponsorship; glass and packaging; and world class hospitality.

Analysis from Deloitte Access Economics (2024) confirms the Australian spirits industry contributes $15.5 billion in added value to the Australian economy each year, supporting 5,700 manufacturing jobs in 700 distilleries and manufacturing plants throughout Australia, with half of these operations in regional areas. However, we know this economic output could be far greater.

A vibrant and productive spirits industry can help showcase Australia to the world, promoting growth in domestic manufacturing and tourism, increasing employment and trade, supporting innovation and technology, and helping the growth of regional industry.

Just as previous national governments recognised the potential of the Australian wine industry to become an export powerhouse, with the right structural and policy changes relevant to contemporary markets and consumer preferences, spirits can tread the same path.

By adopting the sensible and achievable recommendations in this submission, the Federal Government will unleash the potential of a promising domestic manufacturing industry, ripe for growth and investment.

5.2 Further information

The Australia Spirit

For comprehensive analysis and insight into the Australian spirits industry, including our history, economic contribution and $1 billion dollar export potential, please download The Australian Spirit.

Additional details can be found in the reports referenced in this submission:

Deloitte Access Economics (2024): Economic contribution of the Australian spirits industry

Mandala (2024): Spirits Industry Sector Competitiveness Plan

Contacts

To request additional information or to arrange a meeting, please contact:

Greg Holland
Chief Executive
Spirits & Cocktails Australia

gholland@spiritsandcocktails.au
+61 414 888 855

Paul McLeay
Chief Executive
Australian Distillers Association

paul@australiandistillers.org.au
+61 418 610 489

2025-26 Pre-Budget Submission
Realising the Australian Spirits Industry's
$1 Billion Export Potential

Spirits & Cocktails Australia | Australian Distillers Association