

Realising the potential of  
Australia's resurgent spirits  
manufacturing industry.



# THE AUSTRALIAN SPIRIT



# 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.

TOP SHELF INTERNATIONAL HAS PLANTED MORE THAN 600,000 AGAVES AT ITS TRAILBLAZING FARM IN NORTH QUEENSLAND.

AUSTRALIAN AGAVE PROJECT  
WHITSUNDAYS QLD





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# Executive Summary



Spirits are trending globally as the alcohol beverage of choice for enjoyment, socialising and relaxation. Consumers are increasingly moderating their alcohol consumption, and in the wake of the COVID-19 pandemic, they are prioritising social connection over at-home occasions.

In this environment, spirits have met consumer demand for drinks that match their desire for sociable and upbeat experiences. The Australian market is no exception, and the products our consumers reach for are increasingly manufactured locally. In fact, eighty per cent of spirits consumed in Australia are manufactured in this country using local and imported ingredients.

Spirits manufacturing accounts for \$15.5 billion in economic output and supports more than 100,000 jobs throughout the industry's total supply chain. The industry has made remarkable progress over the last decade, with a craft distilling boom following the craft brewing wave that preceded it a decade earlier.

Tasmanians Bill and Lyn Lark pioneered the contemporary Australian movement, opening Lark Distillery in 1992. By 2014 there were still less than 30 distilleries in Australia.

Today there are approximately 700 – more than four times the number of distilleries found in Scotland, the country most widely renowned for distilling.

Australian spirits manufacturers produce an estimated 366 million litres of finished product each year.

Unlike craft beer, many of the spirits produced in Australia are extremely well suited to being exported, both in terms of their nearly indefinite shelf life and differentiated flavour profile.

Australia is strongly equipped to compete in all the major spirits categories globally given our distillers’ ready access to the highest quality, locally grown ingredients, and the country’s established reputation for ‘clean and green’ food and beverage products. The unparalleled success of Australian distillers in some of the world’s most prestigious spirits competitions demonstrates that this is a manufacturing industry on the cusp of greatness.

Spirits & Cocktails Australia and the Australian Distillers Association are the peak industry bodies for Australian spirits manufacturers. 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.

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



TOP SHELF INTERNATIONAL  
CAMPBELLFIELD VIC

FOUNDED IN 2014, TOP SHELF INTERNATIONAL HAS INVESTED \$100 MILLION TO  
CREATE A SPIRITS MANUFACTURING BUSINESS THAT CAN SCALE INTERNATIONALLY.



# 1 UNDERSTANDING SPIRITS IN AUSTRALIA





# Spirits consumption in Australia

Spirits is the only alcohol category that remains in growth, reflecting a global trend of premiumisation, where consumers drink less volume but higher quality products.

In 2023, the Australian Institute of Health and Welfare reported that apparent consumption of spirits had increased by 10% between 2018–19 and 2019–20, while wine and beer respectively declined by 3.8% and 2.8% each.

This data reflects the fact that consumers have moderated their alcohol consumption and are opting for more premium drinks and experiences, as evidenced by the resurgence of cocktails and small bar offerings.

This has encouraged a more responsible drinking culture in Australia, where consumers opt to drink lower volumes of premium spirits. The Australian Bureau of Statistics confirms that per capita alcohol consumption is at a 50-year low.

Spirits have long been an integral part of the Australian lifestyle. There are premixed spirits enjoyed while watching a live band or a major sporting event, or revelling at a country fair.

We reach for spirits when we toast life’s important events, like a wedding or a 21st, or commemorating national occasions like ANZAC Day.

Spirits continue to permeate the day-to-day occasions once considered the domain of beer or wine, supporting refreshment and relaxation in consumers’ own homes, at picnics or barbecues and as an accompaniment to their dining and socialising in restaurants, bars and clubs.

The local craft spirits movement complements Australia’s hospitality industry, which is globally revered for creating some of the world’s most creative, innovative and authentic bar experiences, underpinned by exceptional cocktails and mixed drinks.

Despite our small population and remote location, our bars are a fixture in competitions such as the World’s 50 Best Bars and the Spirited Awards, part of America’s iconic Tales of the Cocktail event.



NORTH OF EDEN  
STONY CREEK NSW

Consumers have moderated their alcohol consumption and are opting for more premium drinks and experiences.

Australian mixologists (professional cocktail bartenders) have frequently appeared in the global finals of World Class, the largest and most prestigious bartending competition in the world, run by the global drinks giant Diageo. Australians have won the contest on two occasions in its 14-year history.

With Australians drinking less, but consuming more premium products, there is a strong economic policy rationale for the Government not to discourage spirits drinkers from consuming products that sustain this ‘premiumisation’ of Government revenue.

Spirits are an important element of the cultural traditions that are essential for many migrants to maintain their sense of cultural or ethnic identity. Australia is a vibrant, multicultural country, home to people of more than 300 different ethnicities, many of which have a national spirit that is proudly theirs and speaks of their homeland.

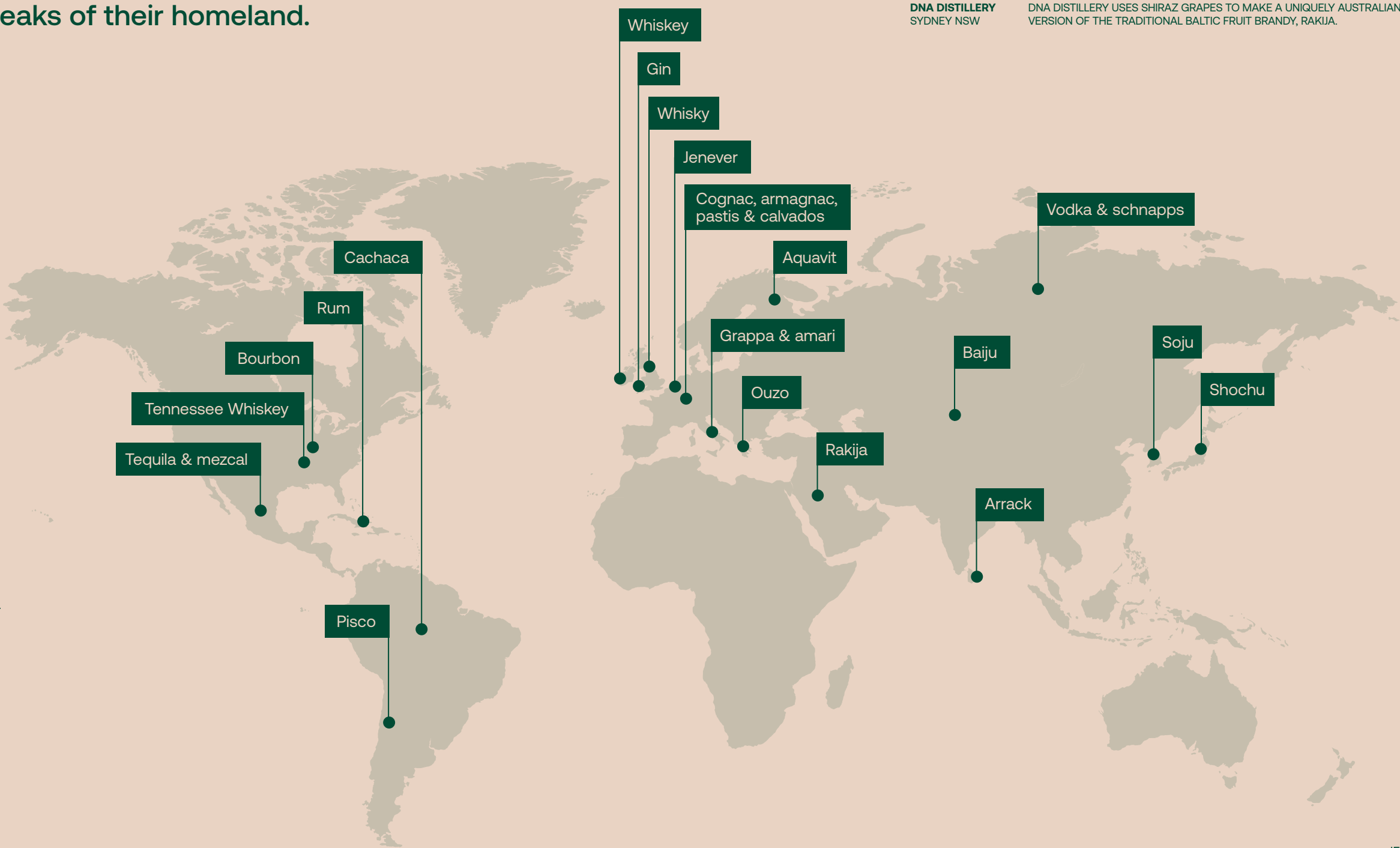
There’s grappa and amari for Italians, shochu for Japanese, soju for Koreans, baiju for Chinese, arrack for Sri Lankans, ouzo for Greeks, tequila or mezcal for Mexicans, cognac or armagnac or pastis or calvados for French, rum in the Caribbean, cachaca in Brazil, pisco for Peruvians or Chileans, rakija for the Balkan countries, aquavit in Scandinavia, schnapps and vodka for many northern European families, jenever for the Dutch, whisky for Scots, whiskey for Irish, and gin for the English.

These drinks play an important role, especially in traditional events and ceremonies. In many cases, the diaspora from these communities have created commercial distilleries showcasing their heritage to other Australians.

Sydney’s DNA Distillery was founded by Monique Sutevski and James Projcevski, who are of Macedonian heritage. They are making rakija, a tradition that has been in their family for five generations. Gyopo Soju was founded in Sydney by Australian-born Koreans, Michael, David and Monica Park. In Victoria’s Yarra Valley, Pietro Gallus Estate makes grappa and limoncello inspired by the Italian heritage of founders John Di Pietro and Anna Gallo. Panezski Artisan Distillery on Queensland’s Gold Coast makes Polish-style vodka celebrating the heritage of co-founder Vanessa Chapman.



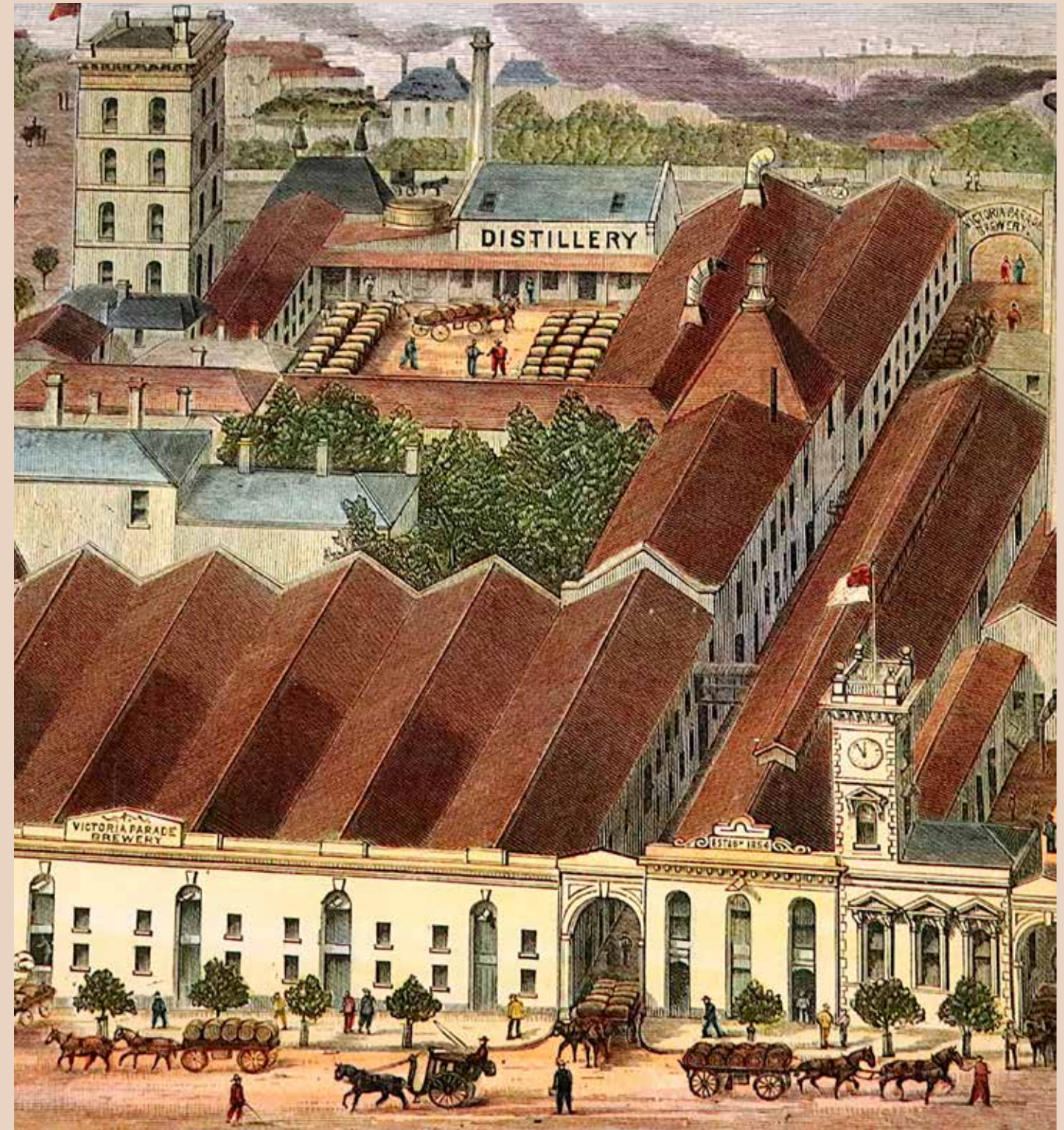
**DNA DISTILLERY**  
SYDNEY NSW  
DNA DISTILLERY USES SHIRAZ GRAPES TO MAKE A UNIQUELY AUSTRALIAN VERSION OF THE TRADITIONAL BALTIC FRUIT BRANDY, RAKIJA.





# History

The history of spirits manufacturing in Australia is much richer and deeper than is widely understood today. Locally-made spirits dominated consumption for part of the 20th century, at which time Australia was an international hub for some of the world's largest distilling businesses.



IN 1862, BREWING PIONEER THOMAS AITKEN ADDED A DISTILLERY AT THE VICTORIA BREWERY IN COLLINGWOOD, VICTORIA.

VICTORIA BREWERY  
COLLINGWOOD VIC



# 1790

Sly distillation begins in the penal colony of NSW and is subsequently banned by Governor John Hunter.

**1822**  
Distilling ban is lifted, and Australia's first legal distilleries are established in Sydney and Hobart.

**1838**  
The *Prohibition Distillation Act* shuts down spirits production in Tasmania.



Phoenix Distillery - 1880

# 1884

Australia's oldest operational distillery, Beenleigh Rum Distillery, is established in the City of Logan, Queensland.



**1888**  
Bundaberg Distilling Company is founded.

**1901**  
Following Federation, the *Distillation and Excise Acts* of 1901 are introduced, followed by the *Spirits Act* of 1906.

**1862**  
The *Victorian Distillation Act* encourages the establishment of large commercial distilleries such as Warrenheip (Ballarat, 1863) and Federal (Melbourne, 1884).

**1866**  
The *Distillation From Sugar Act* is passed in Queensland, encouraging the distilling of molasses.

**1876**  
The *Distillation Act* is passed in South Australia, enabling winemakers to distil their own fortifying spirit and brandy.



Seppeltsfield Distillery - 1896

# 1928

The mammoth Corio Distillery is established in Geelong by Scotland's Distillers Company Limited (DCL).

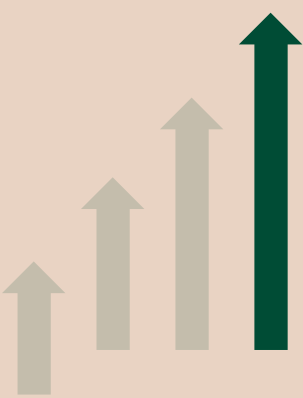
**1930**  
DCL acquires a controlling stake in Federal Distilleries, becoming United Distillers Limited (UDL).

**1937**  
Major UK distiller W&A Gilbey's opens Gilbey's Distillery in Melbourne, before acquiring Thebarton Distillery in Adelaide from Milne & Co in 1946.

**1956**  
Corio 5 Star Whisky is first released for the Melbourne Olympics, selling 8.5 million bottles in its first four years on the market.



The Federal Distillery - 1955



**1965**  
Excise duty is increased on Australian-made spirits, following the lowering of tariffs on imported products a few years earlier.

**1965**  
United Distillers Limited creates UDL, the world's first premix spirit drink.

**1985**  
Victorian whisky production ceases with the closure of Gilbey's Melbourne plant, which followed the cessation of distilling by Corio in 1980.



Gilbey's Distillery - 1963

# 1992

Lark Distillery is issued the first distilling licence in Tasmania in over 150 years.

**2023**  
Distillery numbers surpass 700 for the first time ever in Australia's history.





Spirits making in Australia dates to the formative years of the penal colony of New South Wales. From the early 1790s, locally grown wheat was fermented and illicitly distilled in the bushes and valleys surrounding Sydney Cove. To stamp out sly distilling and overconsumption, Governor John Hunter prohibited distilling in 1796. The ban remained in the colonies of New South Wales and Van Dieman’s Land (Tasmania) until it was eventually lifted on 1 August 1822.



GILBEY’S DISTILLERY (1937-1985)  
MELBOURNE VIC

THE MELBOURNE OUTPOST OF GLOBAL DISTILLING GIANT  
W&A GILBEY’S WAS OPERATIONAL FROM 1937 UNTIL 1985.

Australia’s first legal distilleries were then established in Sydney and Hobart and permitted to distil surplus local grain, sugar, molasses and fruit brandy. The Sorrel Distillery in Hobart was the first distillery to legally produce spirit, distilling malted barley in 1822. Eight distilleries opened and closed in Van Diemen’s Land over the next 15 years before the industry was shut down by the *Prohibition Distillation* Act of 1838. The act was repealed in 1847, but distilling wouldn’t recommence in Tasmania for 150 years. In New South Wales, distilleries producing gin and rum continued to operate, with the Sydney Distillery and Brisbane Distillery the most notable.

Queensland rum

Rum distilling then followed the development of the cane industry in northern New South Wales and Queensland. The *Distillation From Sugar* Act was passed in Queensland in 1866 encouraging the distilling of molasses, the profitable by-product of sugar refining. By the 1890s, 18 rum distilleries were operating between Brisbane and Mackay, and two of Australia’s most significant distilleries were established in Queensland during this time.

In 1884, cane growers John Davy and Francis Gooding established Beenleigh Artisan Distillery in the City of Logan, Queensland, distilling molasses from their own crop. Still active today, Beenleigh is Australia’s oldest operational distillery.

Bundaberg Distilling Company was then established in 1888, producing the iconic Bundaberg Rum that remains the top-selling Australian-made spirit to this day.

Victorian spirits

Further south, Victoria boomed following the gold rush of the 1850s. Illicit distilling was rife on the goldfields and surrounding regions and the *Victorian Distillation* Act of 1862 was introduced to control the practice. The modest duty set down in the act encouraged those with capital to enter the trade. The Warrenheip Distillery was constructed outside Ballarat in 1863 following passage of the Act.

It later developed into a leading distiller of quality malt whisky, gin and brandy, with a capacity to produce 900,000 litres annually at its peak. One of the world’s largest distilleries, the Federal Distillery, was then established in Port Melbourne by the Joshua Brothers in 1884. When fully operational in the early 1900s, it was producing over four million litres of whisky, brandy, rum and gin a year.

In South Australia, the *Distillation* Act of 1876 enabled winemakers to distil their own fortifying spirit and brandy. Established firms including Milne & Co, Tolley Scott & Tolley and Seppeltsfield began producing their own whisky and gin brands.

Federal regulations

Following Federation, the *Distillation and Excise Acts* of 1901 were introduced. The Spirits Act of 1906 also came into effect, and together these reforms were among the most progressive in the world at the time. They set down stringent labelling and production requirements and mandated a minimum ageing requirement in a wooden vessel for whisky, rum and brandy. This was well before similar regulations existed in many traditional producing nations overseas.

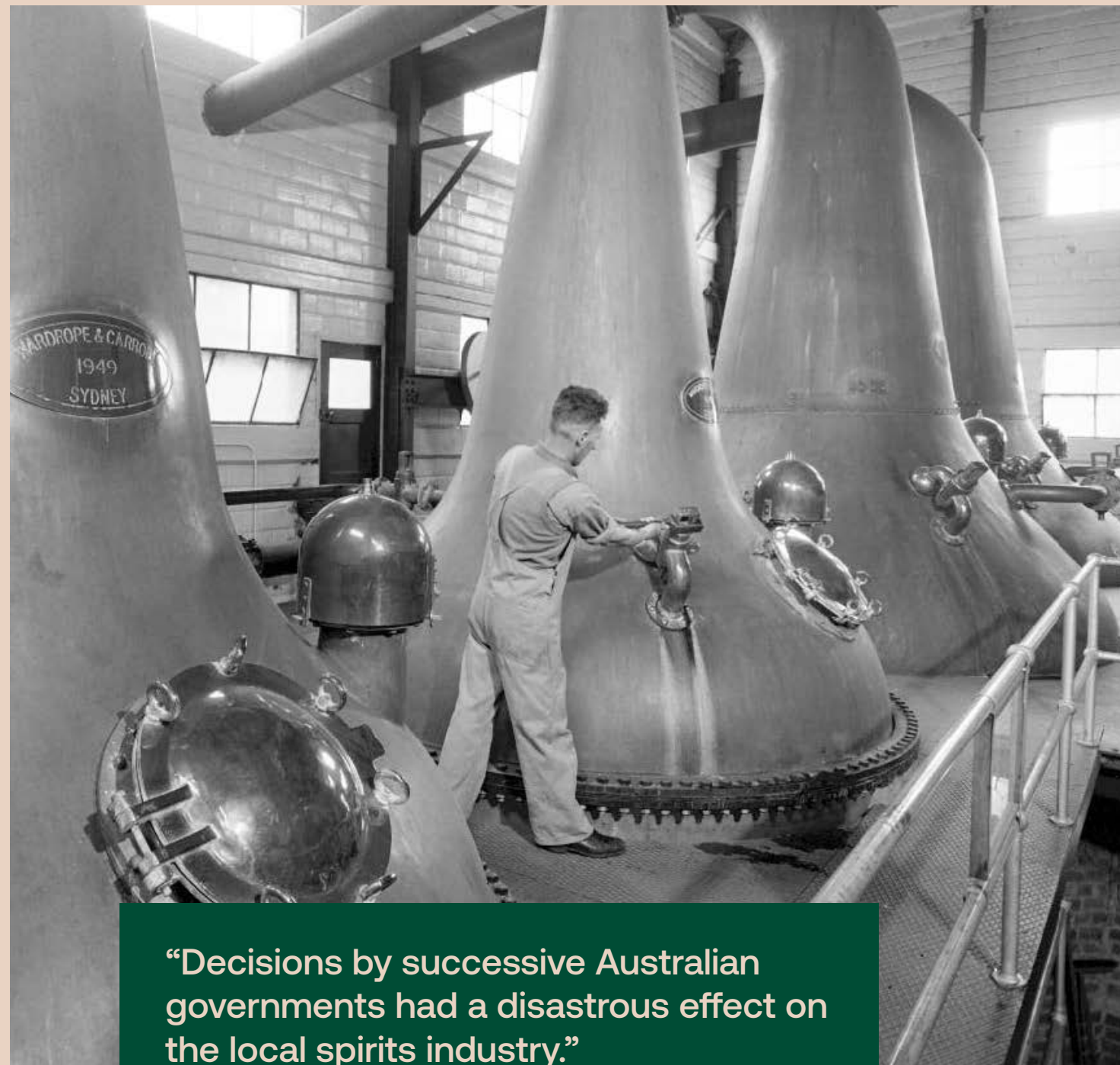
In 1925, the Bruce government further assisted the distilling trade by increasing tariffs on imported spirits. Conditions for distilling in Australia became more favourable than in Britain, where rising duties were hampering distillers, or in the United States, where Prohibition was at its peak. Scotland’s Distillers Company Limited (DCL) built the mammoth Corio Distillery in 1928 in Geelong to capitalise.

Corio’s first product was an Australian-made version of the UK brand Burnett’s Dry Gin. The company also created a substantial whisky program which was expedited by DCL’s acquisition in 1930 of a controlling stake in Federal Distilleries, itself an amalgamation of Victoria’s four largest whisky producers. This gave DCL, which became United Distillers Limited (UDL) following its merger with Federal, millions of litres of mature stock to blend into new whisky brands.



**CORIO DISTILLERY (1928-1989)**  
CORIO VIC

FOUNDED IN 1928, CORIO DISTILLERY WAS A SIGNIFICANT GLOBAL PLAYER BEFORE ITS EVENTUAL DEMISE IN THE 1980S.



**“Decisions by successive Australian governments had a disastrous effect on the local spirits industry.”**

Australian spirits historian, Luke McCarthy

W&A Gilbey’s, the second largest distiller in the world at the time behind DCL, followed suit. Gilbey’s Distillery in Melbourne was opened in 1937 and the firm later acquired Thebarton Distillery in Adelaide from Milne & Co in 1946. In the post-World War II period, over 60 distilleries were operating across the country despite consolidation occurring. Corio 5 Star Whisky, first released in 1956 for the Melbourne Olympics, sold a staggering 8.5 million bottles in Australia and abroad in its first four years on the market. W&A Gilbey’s also found success with a range of Australian blended whiskies including Bond 7 and Gilt Edge.

#### Brandy booms

Several renowned winemakers in South Australia produced whisky during this period, with Penfolds, Hamilton’s Ewell Vineyards and Samuel Smith & Son releasing a suite of different products. But brandy was South Australia’s dominant aged spirit, and the industry had grown significantly since the days when ‘hospital’ or ‘invalid’ brandy was prescribed as a common cure-all. The brandy industry boomed following a grape glut in the 1950s. To make use of the oversupply, the Menzies government reduced the excise rate on brandy in 1955 and Australian brandy sales almost tripled in a decade.

When the brandy excise rate was increased in 1973, partly due to lobbying by whisky and gin companies, Australian brandy sales fell sharply and never recovered. Further decisions by successive Australian governments had a disastrous effect on the local spirits industry.

#### Industry headwinds

High tariffs on imported spirits were removed in the early 1960s. Excise duty on Australian-made spirits was then increased in 1965. Market leaders United Distillers and Gilbey’s suddenly had no reason to produce and market quality Australian spirits with their vast portfolios of international products.

Corio produced whisky and other spirits throughout the 1970s, but in greatly reduced quantities. The last distillations at Corio were carried out in 1979–80 and the distillery was closed in the years following. It was a similar story for W&A Gilbey’s. In the 1970s, the company flagged the lowering of import tariffs and the raising of Australian excise duty as disastrous for its Melbourne operation.

In 1985, all bottling and distilling operations were ceased at Gilbey’s Melbourne plant and moved to New Zealand, marking the end of over 120 years of continuous Victorian whisky production.

#### Premixed pioneers

Despite the closures, spirits manufacturers continued to bottle and can a wide range of premix ready-to-drink products. In 1965, United Distillers created UDL, the world’s first premix drink. UDL launched with six ‘perfectly mixed, ready-to-drink’ cans including brandy and dry ginger, rum and cola, and gin and bitter lemon. Australians rapidly embraced this new format, and the visionary move enabled the convenient enjoyment of spirits outdoors.

It established Australia as the global leader in production of ready-to-drink spirits, which did not get established in other markets until many years later. Further premix category growth came in the 1990s with the expansion of branded offerings.

The launch of Jim Beam White Label & Cola in 1984 was soon followed by the likes of Johnnie Walker & Cola, Wild Turkey & Cola, Jack Daniel’s & Cola and Bundaberg Dark & Stormy. On the white spirits front, premix products like Stolichnaya Lemon Ruski and Smirnoff Moscow Mule contended with a new wave of ‘designer drinks’, including Sub Zero Alcoholic Soda and Two Dogs Alcoholic Lemonade.



There was a faddish element to the premix category, and some of the products proved to be short-lived. But the format itself has never gone out of fashion. Australians loved this new way of drinking their favourite spirits, and an important local manufacturing industry was maintained.

#### The modern era

After Australian whisky making briefly paused in the 1980s, it didn't take long for enthusiasts to wonder why the spirit wasn't being produced in Australia. In Tasmania, husband-and-wife team Bill and Lyn Lark were among the first to experiment with making single malt whisky.

But when they attempted to apply for a distiller's license in the early 1990s, they were confronted by an old requirement in the Distillation Act 1901, where the minimum still capacity was set at 2,700 litres. After querying this stipulation, the Larks were granted a general distiller's license in May 1992, the first distilling licence issued in Tasmania in over 150 years.

In the Kimberley in Western Australia, Spike Dessert applied for a distilling license to produce rum from local sugar cane. Spike's Hoochery Distillery in Kununurra was eventually opened in 1995.

The Sullivans Cove and Small Concern distilleries also came online in Tasmania at this time. In 1997, the minimum still capacity requirement in the Distillation Act was repealed and distilleries of every size and type opened across the country. The efforts of the early pioneers in this modern distilling revival paved the way for many small-scale producers to follow, and over 700 distilleries are now operating in Australia.

**Now your favourite 'indoor' drinks go outdoors in cans!**

perfectly mixed... ready to drink!

**UDL** Perfectly mixed drinks in cans!

**4/6**

THE UNITED DISTILLERS LTD. AUSTRALIA'S LARGEST, MOST EXPERIENCED DISTILLERS

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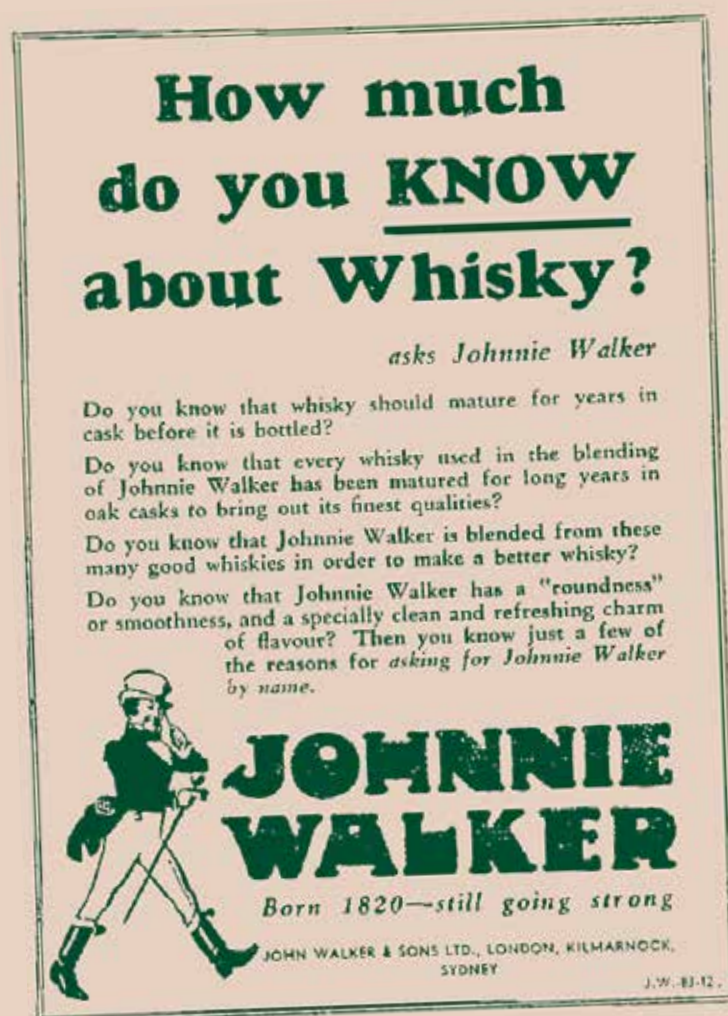
THE UNITED DISTILLERS LTD. AUSTRALIA'S LARGEST, MOST EXPERIENCED DISTILLERS

IN 1965, UNITED DISTILLERS (NOW KNOWN AS DIAGEO AUSTRALIA) CREATED THE WORLD'S FIRST PREMIXED SPIRITS UNDER THE UDL BRAND.



# International spirits in Australia

In parallel with the mixed fortunes of local distilling, the palates of Australian consumers have been shaped by the longstanding presence of international spirits.



JOHNNIE WALKER ADVERTISEMENT IN SYDNEY NEWSPAPER THE REFEREE, JULY 1938

Nicholas Morgan writes in *A Long Stride*, the history of the Johnnie Walker brand, that Scotch whisky was advertised for sale in Sydney as early as 1832, “and no doubt well before”.

He says trade in Scotch, Irish whiskey, cognac and imported gin was more widespread by the 1850s, following gold strikes in New South Wales and Victoria.

“Starting in Australia, and then moving throughout the colonies, Scotch exports grew in line with the mineral wealth and unrestrained appetite for luxury consumables that gold created,” says Morgan.

“Advertising increased, and became more sophisticated, during and following the Sydney Exhibition of 1880, which saw Walker’s Old Highland Whisky win its first major international award.”

“These sought-after third-party endorsements... were of huge importance in establishing the reputation of brands in overseas markets, and distinguishing them from the competition.”

## Cognac appreciation

Renowned cognac brands Hennessy and Martell, meanwhile, have been available in Australia since at least the 1850s. Australia had its first visit from a representative of Hennessy Cognac, James Hennessy, in 1902. Hennessy, who was also president of the Viticultural Committee of Cognac, advised the local wine industry about the threat of the dreaded vineyard pest phylloxera, which decimated the cognac industry in the 1870s.



HENNESSY COGNAC ADVERTISEMENT IN THE BRISBANE TELEGRAPH, JULY 1927

Hennessy’s collegial relations with his Australian counterparts appear to have soured by 1905, when he wrote angrily defending the reputation of French cognac to The Rutherglen Sun and Chiltern Valley Advertiser.

Hennessy said Australian media had repeatedly aired misinformed allegations that French cognac was commonly adulterated with grain and other spirits. “It is rather interesting to see such severe criticisms coming from Australia, a young country with a future before it, no doubt, but at the present moment very modest from a viticultural point of view,” Hennessy said.

He said that while cognac quality had suffered during the phylloxera crisis, growers and distillers had since restored their spirit to the finest standards. “The excellence and cheapness of their product will reply better than I can in these few lines to the jealous criticism of ignorant manufacturers,” said Hennessy.



PLYMOUTH GIN ADVERTISEMENT IN SYDNEY NEWSPAPER THE SUN, NOVEMBER 1928



American spirits embraced

American spirits were not properly introduced until after the Second World War, during which time almost one million American soldiers passed through Australia. The US Army sought to manage troops’ expectations for local food, drink and other cultural nuances in a 1942 information booklet titled ‘Welcome to Australia’.

“Hotels don’t have bourbon or rye whisky; the whisky is Scotch,” the document advised. “Australian-distilled whisky (Scotch-type) is cheaper than imported, and the best brands are good.” The Americans had a lasting impact on Australia, influencing trends in fashion, manufactured goods, domestic technology, and consumerism.



THE SYDNEY MORNING HERALD REPORTS ON JIM BEAM SALES GROWTH IN FEBRUARY 1977

# Will bourbon put Scotch on the rocks ?

THE AGE REPORTS ON THE VISIT OF BROWN FORMAN VICE PRESIDENT ROGER M. COLEMAN IN MAY 1967.

By the end of 1944, two-thirds of Australia’s imports came from the United States. Imports of American whiskey remained minor until the 1960s, however, when American distillers began actively courting the Australian market.

Visiting in 1961, Bourbon Institute of America president William J. Marshall declared his aim of increasing bourbon sales in Australia from 2000 cases to 100,000 per year. Roger M. Coleman, vice president of American distiller Brown Forman, visited in 1967 to shore up demand for its flagship product, Jack Daniel’s Tennessee Whiskey. “Our immediate market will be American tourists and our servicemen on rest and recreation leave from Vietnam,” he declared.

“It will take a little time but a good number of Australians will switch to bourbon.” Coleman was right. By 1977, Brown Forman rival James B. Beam Distilling Co revealed that Australia had become the second largest export market for Jim Beam, out of 142 different territories.

By 1987, Sydney Morning Herald drinks columnist Peter Smark reported that Jim Beam Bourbon was the top selling spirit in Australia, “outselling the most popular Scotch, Johnnie Walker Red Label, quite comfortably”. “[But] the Scots still command the lion’s share of the Australian spirits market, with 7.8 million litres of Scotch whisky sold here against 1.6 million of American whisky,” wrote Smark.

Inspiring the Australian way

When Bill and Lyn Lark embarked upon whisky production in 1992, they famously toasted the venture with a dram of Glenfarclas single malt Scotch. Soon after, having learned of the Larks’ ambitions, Glenfarclas boss John Grant surprised them with a phone call offering his assistance. “And I said, ‘John, you’ve got no idea how pleased I am you called,’” Bill Lark recalls, ““because I’m sitting here wondering what the heck I’m doing!””

John Grant became a valuable mentor to the Larks, who regularly called upon him for technical advice during the fledgling distillery’s early years. “It’s been a wonderful relationship, and it’s been the reason why tried to encourage a sense of collegiality and collaboration in the Australian

industry,” Bill Lark says. This is just one anecdote highlighting the influence of international spirits on contemporary Australian distilling.

While industry pioneers initially set out to emulate their favourite Scotch whiskies, the market has since matured, with distillers increasingly harnessing ingredients and techniques that emphasise their distinctive Australian provenance.

“I love my Scottish malts, but we’re not Scotland. We’re Australia,” says Lark. “Australians are known to be adventurous, and I don’t know that we have to confirm to those traditions that come from Scotland. Our industry will develop its own tradition and rules around what we can do.”



BILL LARK RE-ENACTS THE PHONE CALL HE RECEIVED FROM GLENFARCLAS BOSS JOHN GRANT IN 1992, AS PART OF LARK DISTILLERY’S 30TH BIRTHDAY CELEBRATIONS.



# Understanding Spirits

Spirits are a broad category of alcohol beverages comprising whisky, gin, vodka, rum, brandy, agave spirits, premixed spirits and many more. They are created from raw materials including grains, fruits, sugar cane and agave using the process of distillation.



BASS & FLINDERS DISTILLS BRANDY AND GIN  
FROM A BASE OF VICTORIAN WINE GRAPES

BASS & FLINDERS DISTILLERY  
DROMANA VIC



“I think our Bloody Shiraz Gin is what will open doors for us in export markets. It’s distinctly Australian and very difficult for other countries to replicate, because they don’t have access to shiraz grapes.”

Cameron Mackenzie, co-founder Four Pillars Gin





**Pot still**  
Typically used to create richer, more flavourful spirits like rum and malt whisky.

**STARWARD WHISKY**  
MELBOURNE VIC



**Column still.**  
Typically used to create more neutral-flavoured, lighter-bodied spirits like vodka and grain whisky.

**MANILDRA GROUP**  
NOWRA NSW

Spirits are created using the process of distillation, whereby water is removed from a mixture of ethanol (alcohol) and water using equipment known as a still.

There is a difference in the boiling points of water and alcohol, which allows a distiller to separate the two liquids from each other. Having a lower boiling point, ethanol will more easily evaporate, with the steam then cooled back into a liquid with a higher concentration of ethanol. Distillers use different-shaped stills depending on the style of spirit they are trying to produce.

A pot still is somewhat like a giant kettle, consisting of a wide, bulbous base, that narrows into a slender swan neck. This is the still of choice for production of malt whisky and rum, because of its propensity to create spirits that are richer and more flavourful.

Column or continuous stills consist of a tall cylindrical column. They are typically preferred for more neutral spirits such as vodka, white/unaged rums and lighter styles of whisky.

Distillers often rely on both of these still shapes to create their products. For example, gin producers mostly use neutral spirit, produced on a column still, as the basis for their products. This neutral spirit acts as a ‘blank canvas’ for their botanical ingredients, which are infused into the spirit using a pot still.

Blended Scotch whiskies are created by blending more robust malt whisky from a pot still with lighter whisky that has been column distilled from grains such as wheat or corn, creating a product that is more approachable and of broader appeal. All spirits start from the distillation of an existing form of alcohol.

Brandy is made by distilling wine. Whisky is made by distilling a specially designed beer. Rum is made by distilling either fermented molasses, a by-product of sugar production, or the fermented sugarcane juice itself. Vodka is made by distilling a multitude of fermented sugar sources – most commonly grain – into a neutral spirit. Gin is made by flavouring neutral spirit with botanicals. Tequila and mezcal are made by distilling fermented agave (a unique plant native to Mexico).

**White vs dark spirits**

All spirits start from the distillation of an existing form of alcohol. Broadly speaking, spirits can be divided into either white or unaged spirits (for example, vodka and gin) and dark/brown or aged spirits (like whisky and rum), which have undergone a period of maturation in wooden casks. The process of maturation comprises the extraction of flavours from the wood, concentration from the evaporation of water, and the interaction of spirit with oxygen.

Maturation helps resolve impurities in the spirit, round out or soften its flavour profile and develop complexity. It also colours the liquid so that it evolves from being white into a dark or brown spirit. Liqueurs are a subcategory of spirits that have been sweetened with sugar and flavoured with ingredients such as fruit, botanicals, herbs, spices, flowers or nuts.

Ready-to-drink or premixed spirits are created by combining a distilled spirit with a mixer, such as soda, tonic water, cola or ginger ale, packaged in a can or bottle for the consumer’s convenience.



# The regulatory landscape

The Australian alcohol market is among the world’s most highly regulated, with a patchwork of federal, state/territory and local regulations applying to the manufacture of spirits. Spirits producers are therefore subject to costs that are unique to the Australian alcohol market and the spirits category specifically.

### Excise

Spirits are considered excisable beverages under Australian law, meaning they are subject to Federal excise duty.

The *Excise Act 1901* provides specific definitions for brandy, whisky and rum, which must be:

- distilled using the required feedstock, either:
  - grape wine for brandy
  - cereal grain for whisky
  - sugar cane products for rum; and
- matured in wood for a minimum of two years

Products labelled as brandy, whisky or rum must also possess the taste, aroma and other characteristics typically attributed to these spirits.

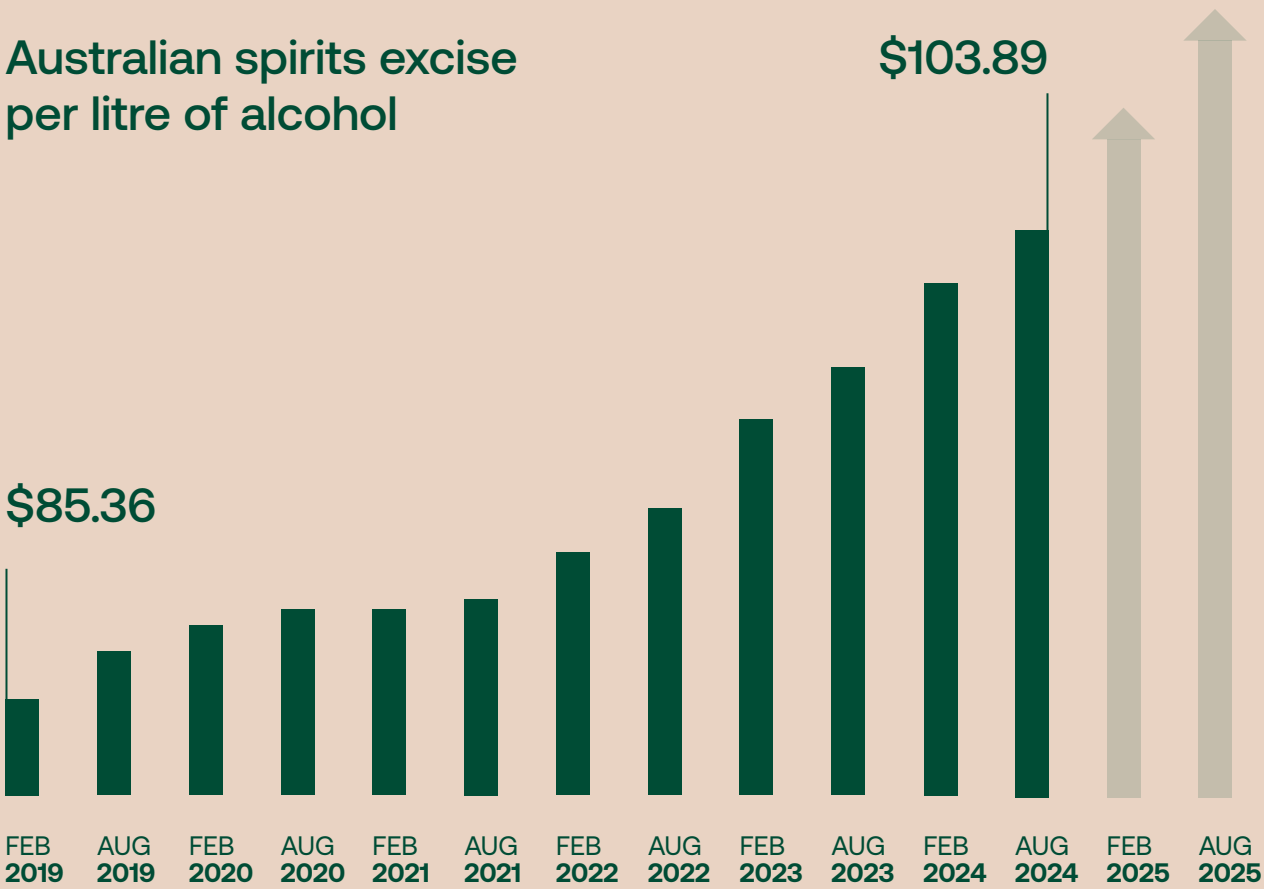
The excise rate is indexed twice a year in February and August, based on the upward movement of the consumer price index (CPI) as determined by the Australian Bureau of Statistics (ABS).

At the time of writing in August 2024, spirits excise has been increased 75 times since automatic biannual indexation was introduced by the Hawke Government in 1983.

This policy has propelled Australian spirits excise beyond \$100 per litre of alcohol. This rate is third highest in the OECD, behind only Iceland and Norway.

The Australian Taxation Office provides eligible spirits manufacturers with automatic remission of excise duty up to a maximum of \$350,000 per financial year. The remission threshold is not indexed to inflation, so its actual benefit to distillers declines with every six-monthly excise increase.

Australian spirits excise per litre of alcohol



### Food standards

Spirits sold in Australia must comply with the Australia New Zealand Food Standards Code (FSANZ), which defines a ‘spirit’ as follows:

“Spirit means a potable alcoholic distillate, including whisky, brandy, rum, gin, vodka and tequila, which, unless otherwise required by this Standard, contains at least 37% alcohol by volume, produced by distillation of fermented liquor derived from food sources, so as to have the taste, aroma and other characteristics generally attributable to that particular spirit.”

FSANZ also includes specific information requirements for labelling of spirits. These include a statement of alcohol content and standard drinks, pregnancy warning labels, and a nutrition information panel (if the product makes any claims about its nutritional content).

### Liquor licensing

Spirits manufacturers are required to hold a manufacturing licence issued by the Australian Taxation Office, and a state or territory liquor licence to manufacture and sell alcohol. Each state and territory in Australia has its own classification system for liquor licences, as well as additional requirements for processes like applying for a development consent, administered by local governments.

### Other regulation

Spirits are also subject to general legislation requiring that food and drink is accurately described in packaging, labelling and advertising. This includes state and territory Fair Trading Acts and Food Acts, and the Commonwealth Competition and Consumer Act 2010.



# Corporate social responsibility

The Australian spirits industry has a strong track record of regulatory compliance and working proactively to ensure our products are consumed responsibly. We are committed to ensuring the industry grows safely and sustainably, with equal employment opportunities for all Australians.



DRINKWISE PROMOTES ITS KEY MESSAGES OF MODERATION AND MINDFUL DRINKING AT MAJOR SPORTING EVENTS, AMONG OTHER CONSUMER EDUCATION AND AWARENESS CAMPAIGNS.

### The ABAC Responsible Alcohol Marketing Scheme

Spirits & Cocktails Australia jointly funds The Alcohol Beverage Advertising Code Scheme, which is continually revised to meet community expectations.

Founded in 1998, the ABAC Scheme has to date considered almost 32,000 requests from industry to have their marketing pre-vetted for ABAC compliance, with almost 5,000 of those marketing campaigns rejected before they reached the market.

### DrinkWise

Established in 2005 by the alcohol industry, DrinkWise Australia is an independent, not-for-profit organisation focused on bringing about a healthier and safer drinking culture in Australia.

Through its funding and support of DrinkWise, the Australian spirits industry supports:

- Promoting a generational change in the way Australians consume alcohol;
- Increasing the age that young Australians are introduced to alcohol; and
- Increasing awareness of the responsible service of alcohol.

### Diversity

Women represent a significantly higher proportion of the spirits industry workforce than in other alcohol beverage sectors. However, we recognise that there is still more to do to encourage diversity throughout our entire supply chain.

The Australian Distillers Association and Spirits & Cocktails Australia support industry groups that encourage greater diversity and inclusion, like Australian Women in Distilling and Women of Australian Distilling.

### Sustainability

Larger spirits manufacturers operating in Australia have in place strong global targets to reduce energy, water and waste, address climate change and biodiversity, commit to best practice land stewardship, and increase the use of recycled and recovered materials in their products.

Craft distillers, through the Australian Distillers Association’s Safety & Sustainability Project Group, work to inform and educate the industry on best practice measures to enhance sustainability, reduce waste and minimise environmental impact. Many smaller businesses operating in our sector have embedded sustainability in their operations through certifications such as Carbon Neutral and B-Corp.

### Safety

Australian spirits manufacturers recognise that safety is paramount to the success of our industry, which must be trusted to provide safe workplaces for our employees, and visitor destinations for the public.

The Australian Distillers Association works collaboratively with state safety authorities and operates a Safety & Sustainability Project Group to inform and educate members about minimum regulatory requirements and best practice safety initiatives within the industry. The industry has developed an Introduction to Distillery Safety course, offered by the National Distilling Institute, to further embed safety in our industry.

Global manufacturers operating in Australia are united in their purpose to ensure everyone arrives home safe, every day. Safety is highlighted and promoted through ongoing dialogue, regular staff briefings, and celebrations of awareness programs like National Safety Week



# Partnering with Government

The spirits industry works closely with governments in all jurisdictions to identify industry pathways that will fast-track our expansion, while pursuing holistic policy reforms at a federal level.



TREASURER OF VICTORIA, TIM PALLAS MP, VICTORIA'S \$20 MILLION DISTILLERY DOOR PROGRAM SUPPORTS SPIRITS MANUFACTURING IN THE STATE.

**State government programs**

In the absence of a federal growth strategy for the Australian spirits manufacturing industry, state governments have in several cases stepped into the void.

Most notably, the Victorian Government's \$20 million Distillery Door Program seeks to support and enhance Victoria's distilling industry by allocating funds under four streams: Skills Development, Boosting the Visitor Economy, Infrastructure and Safety and Export Capability.

Other programs of note include South Australia's Spirits Boom – Industry Blueprint, created by Distillers South Australia with support from the South Australian Government, and the Tasmanian Distilled Spirits Industry Blueprint, created by the Tasmanian Whisky and Spirits Association with the Tasmanian Government's backing.



THE INTRODUCTION TO DISTILLERY SAFETY COURSE COVERS VITAL SAFETY REQUIREMENTS AND RESPONSIBILITIES FOR DISTILLERS.

**Training**

The National Distilling Institute was established in 2023 by the Australian Distillers Association, with the support of the Victorian Government through the Victorian Distillery Door program.

A joint venture between the Association and registered training organisation, the National Food Institute, the National Distilling Institute now offers the first ever vocational training programs for Australian distillers – Certificate IV in Artisan Fermented Products (Distilling), and Introduction to Distillery Safety.

The National Distilling Institute provides participants with a comprehensive understanding of distillation techniques, industry standards, and best practices, and enhances the existing safety culture within the distilling industry to ensure a safe working environment for all.

These proactive initiatives will support our industry's mission of cultivating the safest, best educated, and most innovative distilling community in the world.

**Free trade agreements**

The spirits industry is pleased to have worked closely with the Federal Government in the negotiation of free trade agreements with many of Australia's allies and key trading partners.

Free trade agreements (FTAs) are a major contributor to improving export market access and removing barriers to trade.

The ability to export provides the Australian spirits industry with access to new consumers around the world, helping support jobs in Australian agriculture, manufacturing, hospitality and logistics, and enhance the industry's economic contribution.



# 2

## OUR ECONOMIC CONTRIBUTION



# Size of the industry

The Australian spirits industry is comprised of more than 700 distillers and manufacturers, 50% of which are located in regional areas. These businesses range in size from small craft distilleries to global spirits companies with significant local manufacturing operations.

## Revenue concentration

The industry is composed mainly of small businesses, with 88% of manufacturers employing less than 20 employees, and 47% of manufacturers earning revenue of less than \$350,000 per annum. There are a small number of large businesses, some of which are internationally owned.

The industry has a high degree of revenue concentration with 94% of industry revenue generated by the ten largest spirits manufacturers in the financial year ending June 2023 (FY23). Just 3% of manufacturers employ more than 100 people.

## State by state

The eastern states of New South Wales, Victoria and Queensland collectively account for approximately 80% of the total economic activity from the spirits industry in terms of value-add and employment.

Following this, the states of Western Australia and South Australia make up almost one-fifth (17%) of value-add collectively. Tasmania, Northern Territory and Australian Capital Territory contribute the remaining 3% of added-value from the industry. Spirits manufacturers produced 366 million litres of finished product in Australia throughout FY23, equivalent to more than 146 Olympic-sized swimming pools.

‘Finished product’ includes the entire volume of the product being sold, for example, a bottle of whisky or can of ready-to-drink (RTD) spirits.



DIAGEO PRODUCES SMIRNOFF VODKA LOCALLY USING NEUTRAL SPIRIT DISTILLED FROM AUSTRALIAN WHEAT.

DIAGEO AUSTRALIA  
HUNTINGWOOD NSW

## Local manufacturing

Importantly, 80% of spirits products sold in Australian are made in local distilleries and manufacturing plants.

Global companies are major contributors to this manufacturing activity, increasingly onshoring their production to reduce the carbon emissions associated with imports. For example, American whiskey – including bourbon and Tennessee whiskey – is the number one category by value across all spirits sold in Australia.

Several market-leading American whiskey RTDs are manufactured locally using imported whiskey as an input ingredient in combination with Australian raw materials and locally supplied ingredients and packaging.

## Revenue sources

For larger manufacturers (more than \$1 million in revenue), 94% of revenue is generated from wholesale channels including third party distribution and vendor sales either off-premises (packaged retail) or for consumption on-premises in bars, pubs, clubs and restaurants.

For smaller manufacturers generating less than \$1 million in annual revenue, direct-to-consumer channels – such as online and direct from their distillery door – make up 29 per cent of total revenue generated. Sales at events, including farmers markets and festivals, is the second largest source of revenue for this group (15%).

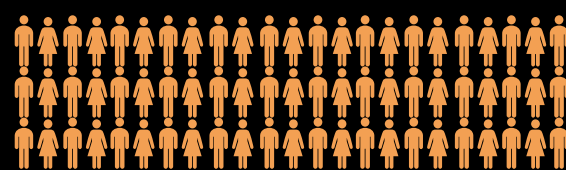


# \$15.5 BILLION

Spirits manufacturing contributed \$15.5 billion in total economic activity in FY23.



# 100,000 JOBS



The industry supports 100,000 jobs, with 51,300 jobs directly supported in manufacturing, wholesaling, retailing and hospitality, and a further 48,700 jobs indirectly supported.

## 50%

of businesses are located in regional areas.



Every person employed in the Australian spirits industry supports another person employed elsewhere in the economy.



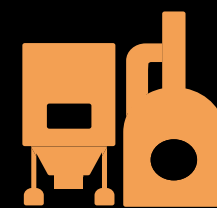
The spirits industry indirectly contributes to industries such as agriculture, packaging, marketing, freight and professional services.

## \$1 = \$2.30

Every \$1 of direct value add from the spirits industry supports another \$2.30 throughout the wider economy



700 distilleries and manufacturing plants in Australia.



## 366 MILLION

The industry manufactures 366 million litres of finished product each year, using local and imported ingredients.



## 3.5 MILLION

There were 3.5 million distillery door visits in FY23 by local, interstate and international patrons, generating \$58 million revenue in FY23.



Product mix

Ready-to-drink spirits comprise more than 60% of total spirits production volume in Australia. Rum is the second most commonly produced spirit category by volume, accounting for 15% of total volume, followed by vodka (13%) and gin (6%). For larger manufacturers, with annual revenue exceeding \$10 million, RTDs represent 97% of their total spirits production. In comparison, rum, vodka and gin comprise the majority of production for smaller manufacturers.

Diversified offerings

Most spirits manufacturers (83%) produce multiple types of spirits. Almost a quarter of spirits manufacturers – typically larger distillers – produce five or more types of spirits. Spirits manufacturers may seek to diversify their product range to cater for consumers’ expanding repertoires, appeal to different consumers, generate new revenue

streams, and to experiment with crafting different spirits. Unaged or white spirits such as gin and vodka are also important contributors to cash flow for many producers of dark spirits, which must be matured a minimum of two years before they are ready for sale – a requirement of the *Excise and Customs Acts* of 1901.

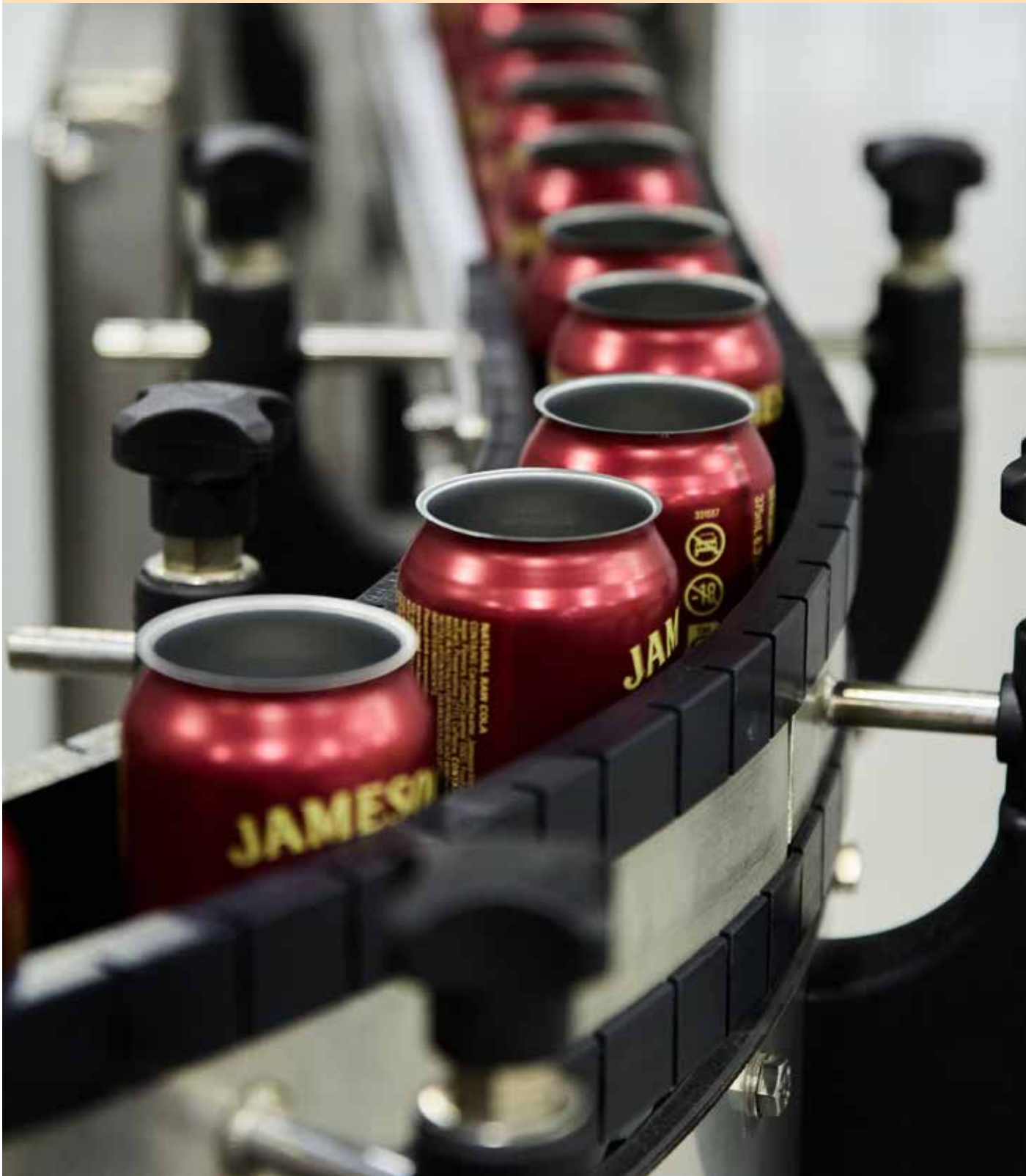
Premium whisky

While locally produced whisky makes up only 2.6% of total spirits produced, the whisky category accounted for 29% of total industry revenue in FY23. This was largely driven by the sale of imported premium whisky, with whisky imports worth more than \$570 million in FY23.

This data shows there is demand for greater volumes of Australian whisky to be sold domestically and made available for export.



WANDERING DISTILLERY  
O'CONNOR WA



PERNOD RICARD PRODUCES PREMIXED SPIRITS  
LOCALLY AT ITS BAROSSA VALLEY PACKAGING LINE.

PERNOD RICARD  
ROWLAND FLAT SA



**“THE MALT WE PURCHASE TO MAKE OUR WHISKY ATTRACTS A PRICE PREMIUM OF UP TO 500% AT THE FARM GATE COMPARED TO STANDARD UNMALTED FEED-GRADE BARLEY; A MUCH BETTER OUTCOME FOR THE GROWER AND MALTSTER.”**

**WILL EDWARDS, FOUNDER ARCHIE ROSE DISTILLING COMPANY**



# Direct and indirect economic benefits

Spirits manufacturing contributes \$15.5 billion in added-value to the Australian economy, supporting diverse employment opportunities throughout our supply chain, which comprises retail, hospitality, tourism, agriculture and professional and business services.



SPIRITS MANUFACTURING SUPPORTS EXPERIENCE-BASED HOSPITALITY OFFERINGS, LIKE QUALITY COCKTAIL BARS WITH HIGHLY-TRAINED MIXOLOGISTS. STITCH BAR, SYDNEY NSW

STITCH BAR  
SYDNEY NSW



Australian spirits manufacturers supported approximately \$15.5 billion in total economic value-add in FY23 and the full-time equivalent of more than 100,000 jobs.

**Direct benefit**

The direct operations of the spirits industry – spirit manufacturers, wholesaling, retailing and hospitality – contributed over \$4.7 billion in value add, and over 51,300 jobs.

The spirits industry connects into more than 100 different subsectors across the economy involving a wide array of companies that participate in the value chain, and so contribute to providing spirits to consumers.

These businesses fall into the following categories:

- **Raw material suppliers**  
Primarily farmers, who grow ingredients such as grain and sugar cane
- **Producers**  
Companies that manufacture alcohol, managing processes such as distilling and bottling
- **Distributors and Wholesalers**  
Intermediaries who connect producers and vendors, typically storing and transporting the product
- **Vendors**  
Sellers of alcohol – both on-licence (where drinks are bought and consumed on the premises e.g. pubs, club and restaurants and off-licence (where the drinks are bought and then taken away to be consumed e.g. bottle shops)
- **Input Suppliers/Contractors**  
Companies that supply products and services to any of the above e.g. providing farm machinery, distillation equipment, ingredients, freight services, marketing, accounting etc.

**Indirect benefit**

The indirect value add by spirit manufacturers totalled \$10.6 billion in FY23, supporting 48,700 FTE roles.

The top sectors participating in the value chain are predominantly professional services, which are utilised by spirit manufacturers, wholesalers, retailers and hospitality providers.

Our industry supplies to 6500 packaged liquor outlets and more than 23,000 pubs, bars and community clubs.

A large proportion of these businesses are single venture or family-owned local businesses employing Australians and investing money in the local communities they operate in.

The industry also paid \$5.5 billion in spirits excise in FY23.

It is a major contributor to Australian sport and culture through sponsorships encompassing everything from the NRL and AFL to golf, surfing and iconic music events like Splendour In The Grass and Falls Festival.



**NIP OF COURAGE**  
SYDNEY NSW

NIP OF COURAGE IS A DISTRIBUTOR AND WHOLESALER DEVOTED TO AUSTRALIAN CRAFT SPIRITS.



**AUSTRALIAN OPEN TENNIS**  
MELBOURNE VIC

CANADIAN CLUB CELEBRATED TEN YEARS OF PARTNERSHIP WITH THE AUSTRALIAN OPEN TENNIS IN JANUARY 2024.



## Distillery doors

Distillery doors play a pivotal role for the spirits industry at a time when consumers increasingly want to know the people and the story behind the drinks they consume. Consumers appreciate opportunities to taste a product at the place where it was made, and they are actively seeking out the unique experiences offered by many distillers.

Almost two-thirds of spirits manufacturers operate a distillery door, which range from world class hospitality offerings to rustic, but very authentic, farm gate-type experiences. These distillery doors had 3.5 million visits from patrons, generating \$58 million in revenue in FY23.

This represented a 351% increase on visits recorded in FY18, reflecting sector growth, increased consumer interest in artisanal, local products, and consumers’ willingness to spend money on unique experiences, despite cost-of-living challenges.

**“We welcome 70,000 visitors annually to our distillery door to see our farm-to-bottle production process and enjoy cocktails accompanied by local produce in our bar and kitchen. This hospitality offering underpins the 60 jobs our business provides for local people in the Northern Rivers region.”**

Paul Messenger, founder Husk Distillers



**HUSK DISTILLERS**  
NORTH TUMBULGUM NSW

HUSK DISTILLERS EMPLOYS 60 STAFF AND ATTRACTS 70,000 VISITORS ANNUALLY TO ITS NORTHERN RIVERS DISTILLERY DOOR.



# Workforce

The spirits industry’s workforce is more gender diverse than other sectors of the alcohol beverage industry, with a concentration of younger workers aged 25-34 years.

The spirits industry’s workforce has significantly greater gender diversity than in other sectors of the alcohol beverage industry. Women make up 41% of the Australian spirits workforce, according to an industry survey completed by Deloitte in 2023. This is roughly in line with the proportion of women in distilleries (44%), according to the Australian Bureau of Statistics..

This female representation contrasts strongly with the heavily male-dominated workforces in breweries and wineries, where males respectively comprise 90% and 80% of employees.

Full-time workers make up 56% of the spirits workforce, while a third is employed casually and 11% are employed part-time. This compares to the 71% of workers who are employed full-time and 29% part-time or casual in the Australian workforce overall. Like other industries, women are over-represented in part-time and casual employment, while males represent 70% of full-time employees.

The spirits manufacturers workforce is spread across all age groups, with a concentration of 36% among those aged 25-34 years; higher than the 24% of workers in this demographic in the Australian workforce.

**“The distilling industry can proudly say that it has increasing numbers of women working in production and processing roles.”**

Kathleen Davies, Founder Nip of Courage and Women of Australian Distilling



STARWARD DISTILLERY  
PORT MELBOURNE VIC



# Capital investment

The vast majority of spirits manufacturers have built their businesses using personal investment or ‘bootstrapping’. Increased investment is crucial to unlock the economic potential of the industry.



**SUNTORY OCEANIA**  
IPSWICH QLD

SUNTORY OCEANIA'S NEW \$400 MILLION MANUFACTURING PLANT IS THE LARGEST SINGLE FMCG INVESTMENT INTO AUSTRALIA IN THE LAST DECADE.

Spirits manufacturers invested \$343 million in their businesses in FY23. More than 90% of capital investment came from spirits manufacturers with over \$10 million in annual revenue. This finding is similar to the 2021 Deloitte Access Economics study on the Australian spirits industry, which found that 95% of capital investment in FY19 came from businesses with revenue over \$1 million in FY19. On average, there have been significant increases in capital investment for businesses with larger revenue.

Spirits manufacturers with over \$10 million in revenue invested on average \$30 million in FY23, while those with revenue between \$1 million and \$10 million invested an average \$300,000. The increase in investment by larger spirits manufacturers may be due to economies of scale allowing them to expand.

**Foreign Direct Investment**

Foreign Direct Investment (FDI) is not widely used by the industry, with only 3% of businesses accessing this type of investment. The share of businesses using FDI differed by size, as larger internationally owned businesses were more likely to receive payments from parent companies. Only 1% of smaller businesses (less than 20 employees) use FDI, compared to 15% for larger businesses (more than 20 employees).

Foreign direct investment in the Australian spirits industry can take multiple forms. These include re-investment of Australian made profits into existing business footprints (particularly in capital-intensive activities like spirits maturation), the purchase of existing businesses or greenfield investment into a new distilling or manufacturing asset.

**Bootstrapping and loans**

Personal investment or ‘bootstrapping’ is the most common source of capital, used by 84% of spirits manufacturers. The next most commonly used capital sources are loans (33%) and government grants or funds (28%).

Spirits manufacturers with less than 20 employees are more likely to use loans, government grants and family and friends as sources of capital, whereas larger manufacturers used public listing or Mergers and Acquisitions (M&A).

**Investment barriers**

Foreign investment can bring benefits including access to more modern and sophisticated infrastructure and distilling techniques, access to and deep understanding of distribution networks, increased volume production and greater re-investment into ancillary industries such as supply chain inputs, marketing and advertising spend, and investment in logistics and transport.

However, global spirits manufacturers are currently dissuaded from investing in Australian distilleries by high levels of domestic spirits excise tax. While some have made significant investments over decades, much more capital could be attracted to help establish the Australian spirits category on the world stage.



**STARWARD WHISKY**  
PORT MELBOURNE VIC

STARWARD DISTILLERY HAS BENEFITED SIGNIFICANTLY FROM A MINORITY INVESTMENT BY DIAGEO THROUGH ITS DRINKS ACCELERATOR DISTILL VENTURES.



# Current exports

Australian spirits exports remain small when compared to the wine industry, as well as our international peers. Australia exported \$210 million in spirits in 2022, ranking 29th in the world by trade value.

Only 17% of spirits manufacturers currently export. They are more likely to be large manufacturers, with 36% earning over \$2 million, compared to 16% of businesses who do not export.

They typically make an average of 3.4 products, compared to non-exporters, which produce 2.9 (on average).

The majority of manufacturers exporting spirits (92%) are interested in diversifying their current export markets. Interestingly, exporting spirits manufacturers generally expect lower revenue growth than non-exporters.

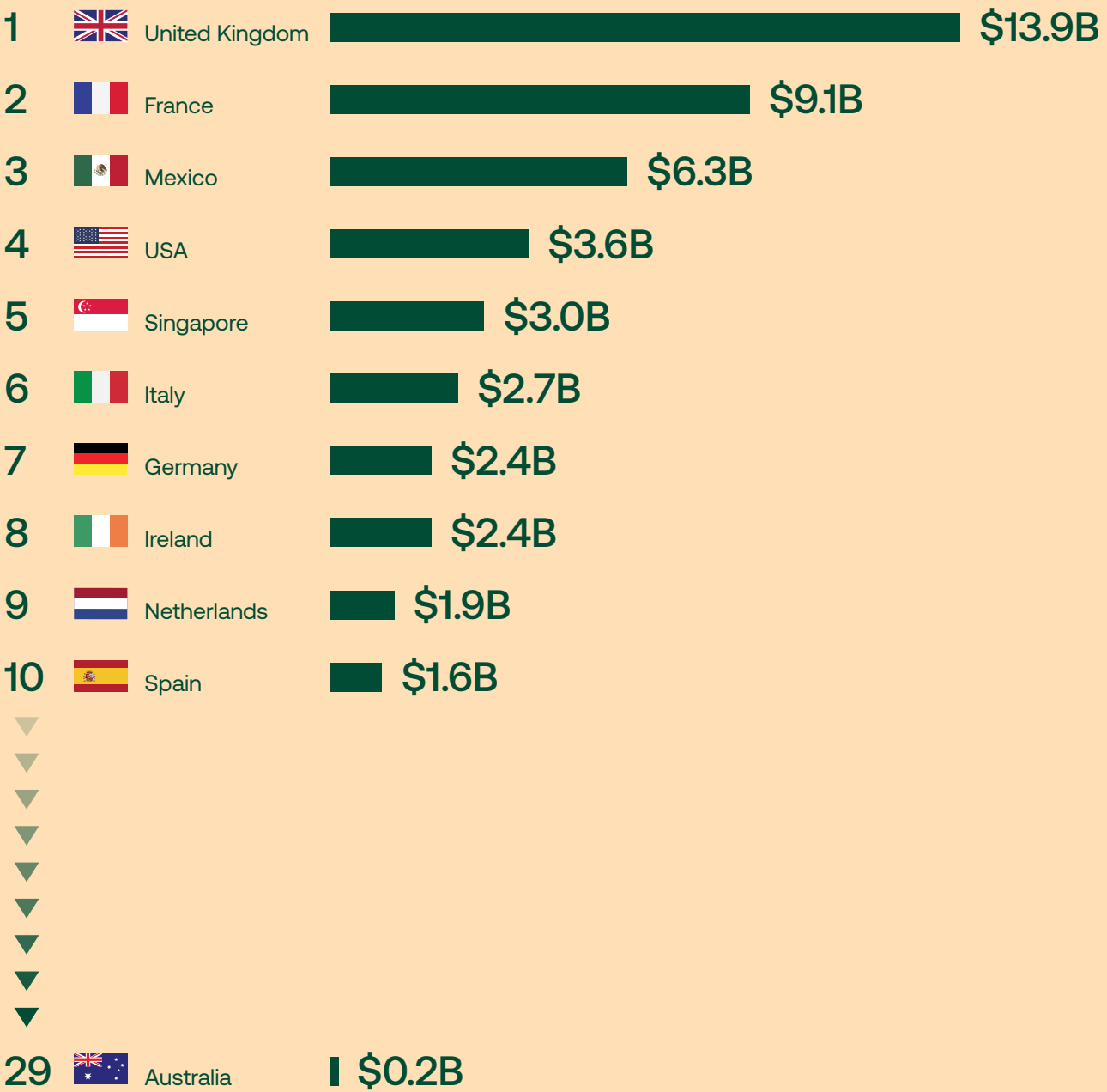
Exporters expect an average of 5% revenue growth in FY24, while non-exporters expect 21% growth. However, this is likely a result of exporters generally being larger, more established businesses.

### Export ambitions

The share of spirits manufacturers exporting is set to grow, with 40% of producers exploring opportunities to export. A third of Australian spirits manufacturers are not currently interested in exporting.

Over half of Australia’s spirits exports are to key trading partners, New Zealand, China, and the United States, which primarily import Australian whisky, grape spirits and RTDs. These countries have consistently been top destinations for Australian spirits, followed by Vietnam, Singapore and South Korea.

## Top spirits exporting countries by trade value (AUD)





# 3

## A \$1 BILLION EXPORT INDUSTRY BY 2035

WAUBS HARBOUR DISTILLERY  
BICHENO TAS

OPENED IN APRIL 2023, WAUBS HARBOUR DISTILLERY BREATHED  
NEW LIFE INTO A FORMER OYSTER HATCHERY IN BICHENO, TASMANIA.

### WAUBS HARBOUR



# A \$1 billion export industry by 2035

Australia's spirits industry has the potential to become a \$1 billion export powerhouse by 2035, according to modelling by economics firm, Mandala. The study found Australia is ideally positioned to capitalise on rising global demand for high quality, premium spirits.

Mandala's Spirits Industry Competitiveness Plan was commissioned by the Australian Distillers Association and Bundaberg Rum parent company, Diageo Australia in 2023.

The study 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 was to address 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 current levels, translating to an additional \$111 million in economic activity and more than 878 FTE jobs.

Exporting at its full trade potential, performing as efficiently as the UK, France, Singapore, Ireland, Mexico, Australia could export \$1 billion of spirits annually by 2035 at current rates of growth.

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.

Spirits exporters can also trade upon Australia's existing reputation for high quality, safe and 'clean and green' food and beverage products, and as a provider of outstanding tourism and hospitality experiences.

“If exports of our products were to take off, the flow on effect to the harvesting businesses in our supply chain would be significant, because distilleries purchase native ingredients in much larger volumes than the restaurant trade.”

Daniel Motlop, founder Seven Seasons Spirits



“There are 6,500 species of edible plants in Australia and we’ve really only scraped the surface of what we can do with indigenous botanicals. We’ve got flavour here that you just can’t find anywhere else. I think that’s a story we need to take to the world.”

Julian Train, co-founder Hickson House Distilling Co.



Sugarbag honey

Green ants

Pink peppercorn

Native yams

Turkey bush

Strawberry gum

Sea lettuce

Kakadu plum

Water lily

Wax flower

Paper bark

Farmers friend

Lemon myrtle

Native juniper



**“It is totally plausible that Australian whisky could be as big internationally as Japanese whisky. We have all of the precursors to drive quality and distinctiveness in our products.”**

David Vitale, founder Starward Whisky

## Production advantages

The major spirit categories of the world have emerged in countries where there was ready access to the corresponding base ingredient.

Think 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 or armagnac (wine grapes) in France.

These countries have in turn become synonymous with their national spirits, which express the character of their raw ingredients and 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 indigenous flora and fauna. These ingredients are being harnessed to create gins and vodkas 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 harnessed 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.

**“Australia’s access to quality raw materials is largely unmatched elsewhere in the world. We can excel in all the major spirits categories, and our talented distillers have grabbed this opportunity with both hands.”**

Kristy Booth-Lark, founder Killara Distillery and second-generation distiller, president Tasmanian Whisky & Spirits Association and president Australian Women in Distilling Association



## Proven quality

Australian spirits manufacturing is characterised by a free-spirited, inventive mindset, in contrast to the prescriptive rules and traditionalism that shackle distillers in other parts of the world.

This innovation is coupled with a commitment to quality that is repeatedly being recognised on the world stage, in spirits competitions that are blind judged by industry experts.

Tasmania’s Sullivans Cove Distillery is a three-time winner of World’s Best Single Malt Whisky in the World Whiskies Awards.

In 2022, three out of four distilleries shortlisted for the IWSC International Gin Producer Trophy were Australian (Granddad Jack’s and Kalki Moon in Qld and Naught Gin in Vic). The trophy was won in 2019, 2020 and 2023 by Four Pillars Gin.

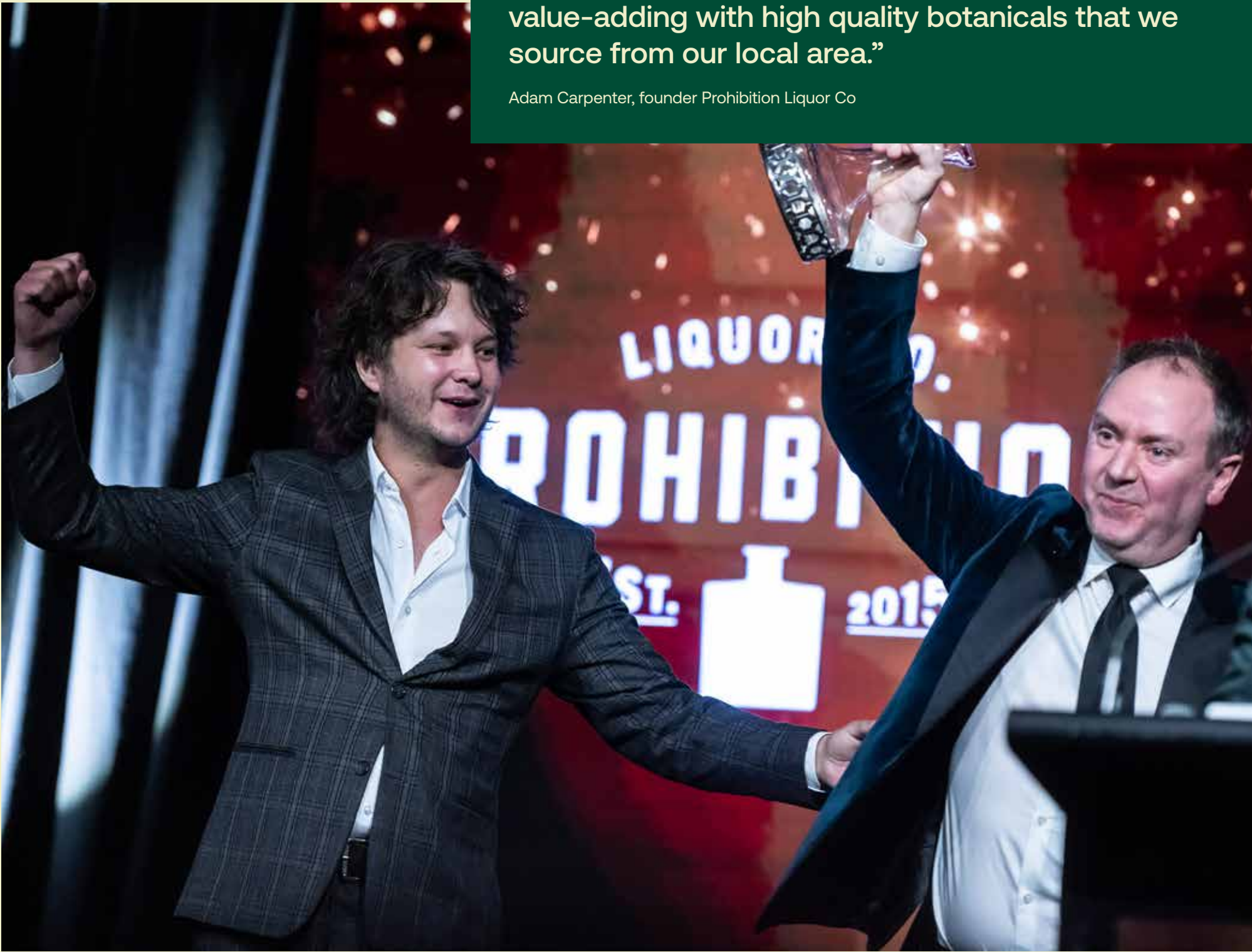
Also at IWSC in 2023, canned cocktails company Curatif picked up the RTD Producer Trophy for a second time, having won the inaugural category award in 2022; and Top Shelf International’s Grainshaker Vodka claimed the hotly contested Vodka Producer Trophy.

In 2024, Melbourne’s Starward Distillery was awarded the title of ‘Most Awarded International Distillery of the Year’ at the San Francisco World Spirits Competition, for the second time in three years. Starward was the first Australian distillery to be awarded the honour in 2022. Starward swept the 2024 competition, taking home an incredible eight platinum, 13 double gold and 13 gold medals, beating more than 5,500 entries worldwide.

Sydney’s Archie Rose Distillery has won more than 400 awards globally for its spirits, including four trophies for world’s best rye whiskey, and two trophies for world’s best single malt.

“We distil our top shelf, award-winning gins using a base spirit that is made from recycled grape waste, value-adding with high quality botanicals that we source from our local area.”

Adam Carpenter, founder Prohibition Liquor Co



PROHIBITION LIQUOR CO. IS NAMED CHAMPION AUSTRALIAN DISTILLER AT THE AUSTRALIAN DISTILLED SPIRITS AWARDS 2023.



“After the UK Government froze excise in 2015, Brown-Forman invested approximately \$500 million in acquiring three Scotch whisky distilleries. Australia’s excise regime unfortunately inhibits global companies like ours from making such an investment in this market.”

Eveline Albarracin, Managing Director, APAC, Brown-Forman

## Unlocking investment

Further investment is vital for manufacturers to build the production capacity and scale that is necessary to grow spirits exports.

Improved access to foreign investment will help boost infrastructure and productivity, particularly for dark spirits manufacturing, which requires significant investment in barrels and warehouse capacity to accommodate the spirit while it matures for a minimum of two years.

Such investment can also be used to grow brands to scale through sales and marketing, which is particularly important for new product categories and exports, which requires the education of consumers and hospitality and retail partners.

Global producers operating in Australia make significant investments in Australia through domestic manufacturing facilities, as well in marketing and category-wide education. This promotional activity builds an affinity for spirits among Australian consumers, benefiting producers large and small.

The benefits of this investment also flow throughout the supply chain, such as to advertising firms, printers and media agencies.

While foreign investment is not currently widely used by the industry, 77% of spirits manufacturers reported that a 20% increase in this source of capital would support increased production, sales and marketing activity, exports and distillery door enhancements.



“We firmly believe we can follow in the footsteps of the wine industry and become Australia’s next great export success story. We just need a willing partner in the Federal Government to make sensible changes to unleash our potential.”

Holly Klintworth, managing director and second-generation distiller Bass & Flinders Distillery and president Australian Distillers Association



THE AUSTRALIAN DISTILLERS ASSOCIATION'S  
20TH ANNIVERSARY CONFERENCE IN BRISBANE, APRIL 2024.



“Having worked across Asia and Europe for the last 15 years, I’ve seen how the right policy settings and interventions have created category growth and built significant export markets for high-quality spirits. Immediate action is vital for Australia to realise its spirits export potential.”

Dan Hamilton, Managing Director Diageo Australia



PROWINE 2024 DÜSSELDORF GERMANY  
PHOTO: MESSE DÜSSELDORF / CTILLMANN

AUSTRALIAN SPIRITS ARE BARELY REPRESENTED AT INFLUENTIAL  
GLOBAL TRADE FAIRS SUCH AS GERMANY'S PROWINE.

## The case for urgent action

Spirits exports can grow exponentially with the correct policy settings and investment by government and industry, similar to the success enjoyed by the Australian wine industry over the last few decades.

However, spirits manufacturers face an uphill battle growing their exports in the absence of any significant Federal Government programs.

Government measures to grow exports must be considered holistically with excise reforms that ensure we have a healthy local industry, where 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 spirits.

The longer we wait, the tougher the competition will be from other producer nations, eroding this clear economic opportunity. We need to get export ready now, consolidate existing markets and open up new territories for quality Australian-made spirits.



# Conclusion

Spirits manufacturing is an industry with a rich heritage in Australia, and its recent resurgence presents huge economic opportunities. Australia is strongly equipped to compete in all the major spirits categories globally given our ready access to the highest quality, locally grown ingredients, and the country's established reputation for making 'clean and green' food and beverage products.

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

However, outdated policy settings and Government inaction have placed Australian-made spirits at a significant competitive disadvantage in our home market and abroad.

With proactive and enabling interventions by the Federal Government, Australia can diversify its exports of high-quality beverages beyond wine to create a \$1 billion spirits export industry by 2035.







# THE AUSTRALIAN SPIRIT



[spiritsandcocktails.au](http://spiritsandcocktails.au)

**Australian  
Distillers**

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