# Beverage Market Update

**Industry Consulting Team | September 2023** 

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<b>Category Volume</b>
Performance

**Commentary &** 

**Trends by Sector** 

LTM CE vol. 6/30/23 - 4.05%

US Beer market trends softened during H1'23 led by domestic beers offset by Mexican imports; Bud Light

issues begin in Q2'23

Beer

Spirits remain area of strength across US Bev Alc led by cont'd growth in agave / Am whiskey; wholesale inventory

levels pressure growth

1.46%

US Wine volume down during H1'23, Still and Sparkling segments down along with domestic and imported wines all down YoY

Wine

-7.57%

Soft Drinks experience a slightly widened volume decline while pricing and dollar growth both decelerate

**Soft Drinks** 

- 3.5%

# Agave Prices Decline After Years of Historic Highs... What that Means for a Strong Tequila & Mezcal Market



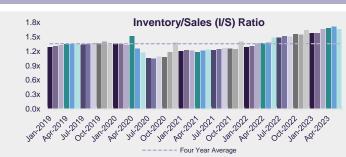
- Baseline data references: above chart is in MXN Pesos; pricing index refers to Blue Weber agave, approximately 7kgs produce 1L of tequila, Blue Weber agave reaches maturity around 5-7 years
- In recent years, agave prices have soared reaching historical highs of over \$30/kg, pricing began stabilizing in 2023 as plantings & matured agave caught up with demand, despite cont'd growth
- Per TasteTequila.com, current agave pricing has fallen to ~\$16/kg and could fall to roughly \$5/kg based on trending tequila growth and expected agave supply
- Lower pricing will drive margin expansion while also supporting growth in 100% agave brands

# Mid-Year Update on Wholesaler Inventory Levels

April I/S Ratio 1.68x

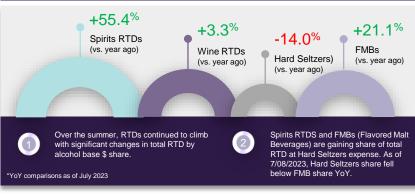
> May I/S Ratio 1.71x

June I/S Ratio 1.66x



- Data from the US Census Bureau shows that wholesaler inventories slightly moderated across beer, wine and spirits; June inventory/sales ratio improved to 1.66x but remain above the 3yr average, 1.33x
- As sales to retailers improve, excess inventory at the distributor level will be digested. If growth stalls, there is a risk that shipments underperform depletions resulting in pressure for future supplier shipments
- Despite recent improvements, overall wholesale inventories across beer, wine and spirits continue to run ahead of historical levels; distributors have taken notice and actively managing levels and SKUs

## **RTDs Beat the Summer Heat**



# Anheuser-Busch Single Tanteo 100. DE ACLAVE TICKTURE BACARDÍ MESCAL LIEGAL

## **Notable M&A Transactions**

- M&A continues to be active across beverage alcohol despite higher rate environment and tightening capital markets
- Within beer sector, Tilray continues to expand presence in craft beer category, now becoming one of the largest craft producers with the acquisition of 8 various brands from Anheuser Busch; reported transaction values well below brand valuations of yester-years reflecting craft climate
- Recent spirits transactions reflect the category's growth segments, tequila & mezcal and American whiskey; Ole Smoky expanded their portfolio entering the agave space acquiring Tanteo, a premium infused and traditional tequila brand, while MolsonCoors made headlines with the acquisition of Truist client, Blue Run Spirits, expanding their American whiskey position; and Bacardi just announced their full acquisition of Illegal Mezcal, a leading mezcal brand in the US and company they had a minority stake in

