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The American Alcohol Industry: Facing Its Toughest Year Since 1991

US alcohol industry faces historic low

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The United States alcohol industry has experienced a year of significant downturn, as indicated in an analysis by Jon Moramarco, partner and editor of the Gomberg Fredrikson Report. In a recent webinar, Moramarco, an expert in analyzing official statistics, painted a bleak picture of the sector's current state. His findings reveal a decline in the purchase of all alcohol categories in the U.S., with the notable exception

of ready-to-drink (RTD) cocktails.

Moramarco's analysis, which draws on data from government agencies and major distributors, indicates that the U.S. saw a decrease in liquor distribution in 2023. This includes an 8.9% drop in wine distribution and a 5.6% fall in beer sales, including popular hard seltzers. Although RTD cocktails saw a 30.5% increase, traditional distilled spirits like whiskey and vodka experienced a 9.1% decrease, excluding canned beverages.

To provide a more comprehensive view, Moramarco correlates distribution numbers with the adult population legally able to consume alcohol. He calculates "equivalent servings" of alcohol, where, for example, 1.5 ounces of spirits equal 5 ounces of wine. By this metric, Americans consumed fewer alcohol servings in 2023 than in any year since 1991.

However, Moramarco notes a caveat: the entire alcohol supply chain, including restaurants, stores, and distributors, is reducing inventory. This suggests that the numbers could improve in 2024 as inventories return to desired levels.

A Gallup poll underscores this trend, revealing that 52% of Americans aged 18-34 now believe even moderate alcohol consumption is harmful, up from 34% five years ago. Additionally, only 62% of this age group reported consuming alcohol, down from 72% five years ago.

Moramarco highlights the changing perceptions among younger consumers under 25, a small but growing segment. He suggests that while the wine and alcohol industries faced challenges in 2023, largely due to inventory reductions, the situation may not be as severe as it appears. However, there could be long-term challenges with younger consumers.

The peak years of alcohol consumption per person in the U.S. occurred in the early 1980s, just before drunk driving began to be taken seriously. Consumption steadily declined for over a decade, stabilized in the late 90s, and remained steady until 2021. Over these two decades, Americans shifted their preferences within alcohol categories, but the total volume of consumption remained constant. Now, however, the number of

servings per person has decreased for three consecutive years.

Moramarco suggests that this may indicate a shift in society's perception of alcohol. His data shows that about 22% of all table wines are sold in supermarkets. Nielsen provides precise figures for these sales, which are particularly representative in the low-price segment, as supermarkets are where people tend to buy wines under $10. The average price of wine sold in supermarkets in 2023 was $9.04, up from $8.75 the previous year. However, sales of wines under $12 continue to decline, and consumers express unfavorable opinions about wines in this price range.

Despite this, consumer spending on alcohol has increased slightly: between 2.6% and 2.8% for beer, wine, and spirits sold in stores, and 10.2% for alcohol sold in restaurants. Moramarco attributes this to inflation and higher margins, especially in restaurants, as sales volume has decreased. This indicates that consumers are still willing to spend on alcohol, albeit cautiously.

In conclusion, Moramarco's analysis presents a sobering perspective: "1991 and this year are the worst years for alcohol since 1960." This paints a challenging outlook for the industry, one that might ironically prompt the quip, "Pass the kratom."