SIZE AND SHAPE OF ILLEGAL ALCOHOLIC BEVERAGE MARKET IN LATAM

A custom report compiled by Euromonitor International for SABMiller
Who is Euromonitor International

- A global strategic market intelligence source for 30+ years
- Helping clients make informed decisions
- Consumer-focused: industries, countries, consumers
- Annually-updated syndicated research in 80 countries
- Customized ad-hoc projects conducted globally in virtually every market
- 800+ analysts in 80 countries
- Regional research hubs and industry specialist support teams
Research methodology

GLOBAL INSIGHT

INDUSTRY SPECIALISATION
Dialogue with key players, global research inputs

COMPANY ANALYSIS
Global and local company data and accounts

MARKET ANALYSIS
Data substantiated, market trends explained

TRADE RESEARCH
Discussion on data and dynamics with local industry

DATA VALIDATION
Exhaustive audit and cross-referencing of data

DESK RESEARCH
All public domain material accessed and interpreted

STORE CHECKS
A first-hand view of place, product, price and promotion

LOCAL KNOWLEDGE
Project Background

- SABMiller requested greater clarity on the size and shape of the illegal alcohol market in order to create a comprehensive strategy that better informed government agencies and health organizations.
- Furthermore, SABMiller required objective primary data to serve as a benchmark for validating and/or complementing official agency reporting of illegal alcohol sales.

Client Objectives

- Size the illegal alcohol market by country, including breakdowns by category.
- Provide qualitative analysis describing the value chain of illegal alcoholic beverages.
- Analyze sanitary registration processes for alcoholic beverages, identifying those sold without proper registration.
- Provide cross country analysis, conclusions, and recommendations indicating a full understanding of the market for implementation of communication strategies.
- Review and leverage previous analysis in 6 countries, identifying strengths, weaknesses and gaps to enhance Euromonitor’s methodology and serve as a basis for best practices in subsequent studies.
- Detail current methodologies used by official agencies to define illegal alcohol consumption.

Category Coverage

Counterfeit & illegal brands
- Substitution/Refill
- Industrial manufacturing of illegal brands

Contraband
- Ethanol (as raw material)
- Contraband of finished products

Illegal artisanal alcohol

Surrogate

Country Coverage

Colombia
Ecuador
El Salvador
Honduras
Panama
Peru
Project timeline

Discussions between parties to align project objectives, engagement sessions, project methodology and timeline.
INTRODUCTION

METHODOLOGY

DEFINITIONS

PREVIOUS STUDIES

KEY TAKEAWAYS

REGION

COUNTRIES

NEXT STEPS

APPENDIX

Total interviews 200

Total store visits 41

Total weeks of research 16
“There is no internationally accepted standard for quantifying the size of the informal market or measuring its social and health consequences. The terminology, scope, complexity and scale of the studies are extremely varied. The lack of reliable and comparable information on the informal alcohol market contributes to the limitations of official alcohol consumption statistics hindering any real change in social policies.”

*International Center for Alcohol Policies (ICAP) 2010. “Alcohol no comercial: Acerca del mercado informal”*

**Reviewing latest available methodologies**

- After exploring the available reports on illegal alcohol consumption from governments and international associations, Euromonitor International concluded such studies were limited to two basic approaches:
  1. Consumer panels
  2. Official statistical reports on legal imports and tax collection

- Both methodologies left large blind spots regarding the size of the total illegal alcohol market, including:
  - **Consumer panels** – Definitions used during surveys are not understood by respondents, social stigmas associated with the topic skews results and regional sample bias
  - **Official Statistics** – Lack of statistics available for the artisanal and surrogate markets, out-of-date numbers, variation in definitions from country to country, limited access to numbers due to bureaucratic processes
Euromonitor International methodology a good fit

- A review of relevant legal information and available statistical sources gave Euromonitor International a great starting point
- Full alignment on all definitions, ensured a cross-country comparison that was truly, “apples-to-apples”
- Extended interviews with the supply chain allowed Euromonitor International to gather information from those who know the market best

Secondary Research
Analyst teams combined available published information with the results from previous research studies commissioned (and provided) by SABMiller.

Analysts also utilized Euromonitor International’s Passport database and analysis.

Trade Interviews
Primary interviews were conducted in each market:
- Ecuador (46)
- Perú (40)
- Colombia (42)
- Honduras (25)
- Panamá (20)
- El Salvador (27)
Total = 200

Field visits
The following store visits were completed:
- Ecuador (3)
- Perú (12)
- Colombia (2)
- Honduras (10)
- Panamá (3)
- El Salvador (11)
Total = 41

Residual Analysis
Wherever sugar cane industry was identified as a source for illegal alcohol production, Euromonitor International updated or developed analysis to estimate the possible volume of residual ethanol used in the illegal market.
Definitions

**Consistent definitions were necessary in order to compare the markets**

- For the purposes of this study, the illegal alcohol market was divided into four categories, 1) counterfeit & illegal brands, 2) contraband, 3) illegal artisanal alcohol, 4) surrogate
- These definitions are inclusive and exhaustive, meaning all types of illegal alcohol present in the market are included and can only be accounted in one category

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterfeited &amp; illegal brands</td>
<td>Substitution/refill</td>
<td>When illegal alcohol is sold under legal brands or when empty bottles of legitimate products are refilled with cheaper alcohol</td>
</tr>
<tr>
<td></td>
<td>Industrial manufacturing of illegal brands or unbranded beverage alcohol</td>
<td>Involves manufacturing of illegally branded or unbranded beverage alcohol</td>
</tr>
<tr>
<td>Contraband</td>
<td>Contraband of ethanol</td>
<td>Illegal imports of ethanol as raw material</td>
</tr>
<tr>
<td></td>
<td>Contraband of the finished product</td>
<td>Illegal imports of alcoholic beverages</td>
</tr>
<tr>
<td>Illegal artisanal alcohol</td>
<td></td>
<td>Artisanal alcoholic beverages made for commercial purposes i.e. guarapo, chaparro, chicha, etc.</td>
</tr>
<tr>
<td>Surrogate</td>
<td></td>
<td>Alcohol not meant for human consumption i.e. Pharmaceutical alcohol, beverages mixed with methanol, etc.</td>
</tr>
</tbody>
</table>

Note: “Tax evasion” was part of the contraband category; however, were removed due to differences across countries regarding tax structures. In order to maintain definitional consistency, the volumes estimated for Tax Evasion were not considered as part of the illegal alcohol market; however, Euromonitor International acknowledges the relevance of this subcategory in some countries.
The value chain analysis were used to avoid double counting

- In many cases, illegal alcohol beverages can be designated to more than one category. For the purpose of avoiding double-counting, and to better understand each of these categories, Euromonitor International designated a given product to the category in which it first entered the illegal alcohol market of any given country.
- For example, if an illegal artisanal beverage is created from contraband ethanol, the product, for the purpose of this study, is considered as contraband, because the alcohol became illegal the instant it entered the country without paying due taxes, prior to the artisanal production process.
- The following are two examples that help explain Euromonitor’s category assignments for the purpose of this project:
SABMiller’s previous studies

- As part of the first phase of the research, Euromonitor International reviewed all previous country studies and incorporated pertinent results into our research program
- In certain cases, the lack of definitional alignment across studies limited the application of study results

- Reliable sources
- Updated and relevant statistical information
- Multiple approaches (consumer’s surveys, residual methodology)
- Different definitions used across countries
- “Informal” instead of “illegal” designation
- Limited or incomplete categories coverage
Illegal alcohol has different shapes
Counterfeit and illegal brands are almost exclusive to low-income segments.

There is a certain level of acceptance and perceived legitimacy of contraband products across all countries.

Artisanal consumption is driven by cultural factors – which are difficult for governments to control – and price.

Surrogate products are largely consumed by those with heavy substance abuse issues, generally homeless populations.
Counterfeit and contraband represent the largest threat in the region.

**Total Alcoholic Beverage Market in LATAM (HL LAE)**
- Illegal Market: 79%
- Legal Market: 21%

**Illegal Market in LATAM (HL LAE)**
- Counterfeit: 42%
- Contraband: 39%
- Illegal artisanal: 11%
- Surrogate: 8%
Peru and Ecuador have illegal market shares (LAE) above the regional weighted average.
Shape of the alcoholic beverages market (3) including tax evasion

*Peru, Ecuador and El Salvador have illegal market shares (LAE) above the regional weighted average.*
### Size of the alcoholic beverages market

*Colombia represents the largest legal market while Peru is the largest illegal*

<table>
<thead>
<tr>
<th>Region</th>
<th>Legal Market (HL LAE)</th>
<th>Illegal Market (HL LAE)</th>
<th>Total Market (HL LAE)</th>
<th>Total Population &gt;15 years (Mn)</th>
<th>Illegal Alcohol Per Capita &gt;15 years (LAE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>1,286,852</td>
<td>214,896</td>
<td>1,501,748</td>
<td>33.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Ecuador</td>
<td>483,000</td>
<td>159,288</td>
<td>642,288</td>
<td>9.7</td>
<td>1.6</td>
</tr>
<tr>
<td>El Salvador</td>
<td>93,483</td>
<td>25,256</td>
<td>118,738</td>
<td>4.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Honduras</td>
<td>118,328</td>
<td>14,202</td>
<td>132,530</td>
<td>4.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Panama</td>
<td>126,085</td>
<td>2,738</td>
<td>128,823</td>
<td>2.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Peru</td>
<td>730,568</td>
<td>337,643</td>
<td>1,068,211</td>
<td>21.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Region</td>
<td>2,838,315</td>
<td>754,023</td>
<td>3,592,338</td>
<td>76.1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

© Euromonitor International
Shape and size of the illegal market

Colombia, Ecuador and Peru account for more than 94% of the total illegal market
Exports: Honduras is the only country that doesn’t export Ethanol

<table>
<thead>
<tr>
<th></th>
<th>CO</th>
<th>EC</th>
<th>SV</th>
<th>HN</th>
<th>PN</th>
<th>PE</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>DR, NL</td>
</tr>
<tr>
<td>EC</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>USA</td>
</tr>
<tr>
<td>SV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>USA</td>
</tr>
<tr>
<td>HN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>No Exports</td>
</tr>
<tr>
<td>PN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>PR, NI, DR</td>
</tr>
<tr>
<td>PE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>CA, CL</td>
</tr>
</tbody>
</table>

CO= Colombia, EC= Ecuador, SV= El Salvador, HN= Honduras, PN= Panama, PE= Peru, DR= Dominican Republic, NL= Netherlands, PR= Puerto Rico, NI= Nicaragua, CA= Canada, CL= Chile
Contraband trade flow

© Euromonitor International
Colombia alcohol landscape (HL LAE)

*Illegal alcohol accounts for 14.3% of the market*

**TOTAL ALCOHOL:**

1,501,748 HL

Illegally produced alcohol accounts for 14.3% of the market.

- **ILLEGAL:** 214,896 HL (14.3%)
  - Wine: 17,782 HL
  - Spirits: 479,533 HL
  - RTD: 2,549 HL
  - Beer: 786,988 HL

**Surrogate:** 20.9%

**Counterfeit/Illegal:** 37.9%

**Illegal Artisanal:** 4.3%

**Contraband:** 36.9%
Counterfeit leads the way

- Industrial manufacturing of illegal brands/unbranded is the largest subcategory within counterfeit, representing 91.4% of total counterfeit in LAE, of which 100% is distilled due to the high demand for cheaper distilled products coupled with the higher profit margins compared to beer. *Aguardiente* is the beverage with the highest likelihood to fall into this illegal category.

- Contraband of finished products was the second largest illegal category. Whiskey (Old Parr, Johnnie Walker, Ballantine’s, Grant’s) is the most common contraband product found in Colombia.
Ecuador alcohol landscape (HL LAE)

**Illegal alcohol accounts for 24.8% of the market**

**TOTAL ALCOHOL:** 642,288 HL

**Illegal alcohol accounts for 24.8% of the market**

**LEGAL (75.2%):**
- WINE: 12,000 HL
- SPIRITS: 221,000 HL
- RTD: 2,000 HL
- BEER: 248,000 HL

**ILLEGAL (24.8%):**
- Illegal Artisanal: 159,288 HL

**Surrogate:** 0.7%

**Counterfeit/Illegal:** 13.8%

**Contraband:** 76.6%

Note: The total illegal market in Ecuador, including tax evasion is 198,058 HL, 30.8% of the total market.
Recent tax increases change landscape

- The largest illegal alcohol category is contraband. Recent tax increases (particularly the ICE), boosted the growth of illegal alcohol within the past five years, while reducing the sale of legal/formal liquor in Ecuador.
- Counterfeit and illegal brands is the second most important category. Ecuador's Ministry of Health estimates the number of illegal brands to be about 100, in a market of approximately 1,350 registered brands.
El Salvador alcohol landscape (HL LAE)

Illegal alcohol accounts for 21.3% of the market

TOTAL ALCOHOL: 118,738 HL
Surrogate and Counterfeit lead the way

- Of the total illegal market, the most significant segments are surrogate and counterfeit, followed by illegal artisanal drinks
- Surrogate is common in small, rural areas of the country where unemployment rates are highest. Surrogate is also readily available in the central markets of major cities
Illegal alcohol accounts for 11% of the market

TOTAL ALCOHOL: 132,530 HL

Note: The total illegal market in Honduras, including tax evasion is 32,187 HL, 21.4% of the total market.
Contraband leads the way

- The contraband category in Honduras is the largest category, especially the contraband of ethanol as raw material.
- Within the sub category of finished products, 6% of the drinks are distilled and 97% are fermented (specifically beer). The most commonly sold brands of distilled contraband drinks are premium brands such as Johnny Walker, Absolut Vodka, and Chivas Regal among others.
Panama alcohol landscape (HL LAE)

Illegal alcohol accounts for 2.1% of the market

TOTAL ALCOHOL: 128,823 HL
Illegal artisanal plays heavily in this small market

- Illegal artisanal is the largest category within the illegal market. Artisanal alcoholic beverages tend to be sold directly from the producer to consumer at the producer’s home. These products can occasionally be found in quioscos, which are small retailers that sell basic necessities in rural areas.
- The second most important category is counterfeit drinks which are most commonly found in on-premise establishments as refills.
**Peru alcohol landscape (HL LAE)**

*Illegal alcohol accounts for 31.6% of the market*

**TOTAL ALCOHOL:**

1,068,211 HL

- **LEGAL (68.4%)**
  - WINE 43,560 HL
  - SPIRITS 77,717 HL
  - RTD 2,055 HL

- **ILLEGAL (31.6%)**
  - Illegal Artisanal 0.7%
  - Contraband 24.5%
  - Surrogate 16.6%
  - Counterfeit/Ilegal 58.2%

© Euromonitor International
Counterfeit products are widely available

- Counterfeit products are the most common illegal alcoholic drinks in the Peruvian market. These products are popular with consumers because they are cheaper than their legal counterparts, widely available throughout both formal and informal channels, and are difficult to recognize as illegal. Refilled alcoholic drinks are also common, especially among premium products such as whiskies and rums.

- The second most important group of illegal alcoholic drinks is the artisanal category. These products are manufactured on a small scale and are frequently fit for human consumption.
Next steps: Connecting dots, regionally, globally, cross industry

Currently in process

- **Expansion of existing project to scope to all of LATAM**
  - Euromonitor is currently working with a multitude of leading beverage companies across the region to duplicate research and rollup into region wide learnings.

- **Expansion of existing project to other regions globally**:
  - Euromonitor is working with SAB corporate to expand research to Eastern Europe and Africa.

- **Sab Miller LATAM, next steps**:
  - Euromonitor and SAB Miller are currently executing phase two of research: metrics in value, updating of volume figures, tax evasion analysis across the supply chain.

Things to think about

- **Macro dynamic drivers**:
  - What variables can we link from country to country, region to region? Where are the similarities? What synergies can be created to more effectively combat IA globally?

- **Expansion to other illegal/illicit categories**:
  - Replicating methodology, what can we find in the size and shape of illegal pharma, cosmetics, tobacco, luxury products etc. that co relates to alcohol?
  - Where are there possible synergies?
  - What are the cultural take aways?
  - Are they connected and if so, how?
Colombia - Counterfeit/illegal value chain

INPUT /SOURCE
- Ethanol providers
- Illegal stamps production
- Bottle Recyclers
- Used labels/caps

PRODUCTION / TRADE
- Bottling/Alcoholic drinks producers ("Cocinas")

DISTRIBUTION
- Distributors / Illegal Wholesalers

CHANNEL
- On Premise
- Off Premise

CONSUMPTION
- End Consumer

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present
Colombia - Contraband value chain

**INPUT / SOURCE**
- Alcoholic drinks exporter
- Ethanol Alcohol exporter
- Domestic provider (legal)

**PRODUCTION / TRADE**
- Legal importer / producer which is committing tax evasion
- Smuggler

**DISTRIBUTION**
- Distributors

**CHANNEL**
- On Premise
- Off Premise

**CONSUMPTION**
- End Consumer

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present
Colombia – Illegal artisanal alcohol value chain

INPUT /SOURCE
PRODUCTION / TRADE
DISTRIBUTION
CHANNEL
CONSUMPTION

Sugar cane, corn & fruit farmers

Artisanal producers

In some cases, informal distributors are used

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present

On Premise

Off Premise

End Consumer
Colombia - Surrogate value chain

INPUT /SOURCE

Source of Surrogate Ethanol Supplier

Consumers generally prepare the surrogate drink themselves

PRODUCTION / TRADE

Unfilled = illegal activity /product not present if in this color

DISTRIBUTION

Color filled = illegal activity /product present

CHANNEL

CONSUMPTION

End Consumer
Ecuador - Counterfeit/illegal value chain

INPUT /SOURCE
Sugar Cane & Fruit Farmers
Ethanol providers
Bottle Recyclers
Used labels/caps
By sea: US, EU, MX, PA
By land: PA, CO, PE

PRODUCTION / TRADE
Bottling/Alcohol manufacturers
Los Ríos, Imbabura, Pichincha, Guayas
Illegal counterfeiters (city suburbs)

DISTRIBUTION
Distributors
Independent Wholesalers / Retailers
Artisanal producers
Importers

CHANNEL
On Premise
Off Premise

CONSUMPTION
End Consumer

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present

© Euromonitor International
Ecuador – Contraband value chain

**INPUT / SOURCE**
- Sugar Cane & Fruit Farmers
- Ethanol providers
- Bottle Recyclers
- Used labels/caps
- Alcoholic drinks by sea: US, EU, MX, PA
- Alcoholic drinks by land: PA, CO, PE

**PRODUCTION / TRADE**
- Bottling/Alcohol manufacturers
  - Los Ríos, Imbabura, Pichincha, Guayas
- Illegal counterfeiters
- Artisanal producers
- Importers Guayaquil, Manabí, Esmeraldas

**DISTRIBUTION**
- Distributors
- Independent Wholesalers / Retailers

**CHANNEL**
- On Premise
- Off Premise

**CONSUMPTION**
- End Consumer

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present

© Euromonitor International
Ecuador – Illegal artisanal alcohol value chain

INPUT/SOURCE
- Sugar Cane & Fruit Farmers
- Bottle Recyclers
- Bottle label providers

PRODUCTION/TRADE
- Artisanal Producers Mainly in El Oro, Imbabura, Cotopaxi
- Importers

DISTRIBUTION
- Distributors

CHANNEL
- On Premise
- Off Premise

CONSUMPTION
- End Consumer

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present
Ecuador - Surrogate value chain
El Salvador - Counterfeit/illegal value chain

INPUT/SOURCE

PRODUCTION/TRADE

DISTRIBUTION

CHANNEL

CONSUMPTION

Ethanol providers/importer

Bottle Recyclers

Used labels/caps

Bottling/Alcohol manufacturers

Illegal counterfeiters

Distributors

On Premise

Off Premise

End Consumer

Unfilled = illegal activity/product not present if in this color

Color filled = illegal activity/product present
El Salvador - Contraband value chain

INPUT / SOURCE

Alcoholic drinks exporter

PRODUCTION / TRADE

Ethanol Alcohol exporter

DISTRIBUTION

Importers / Illegal traders

Distributors

On Premise

Off Premise

CHANNEL

CONSUMPTION

End Consumer

Unfilled = illegal activity /product not present if in this color

Color filled = illegal activity /product present
El Salvador – Illegal artisanal alcohol value chain

INPUT/SOURCE
- Sugar Cane & Fruit Farmers
- Ethanol providers
- Bottle Recyclers
- Used labels/caps

PRODUCTION/TRade
- Bottling/Alcohol manufacturers
- Illegal counterfeiters
- Artisanal producers
- Importers

DISTRIBUTION
- Distributors
- Independent Wholesalers/Retailers

CHANNEL

CONSUMPTION
- End Consumer
  - On Premise
  - Off Premise

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present
El Salvador - Surrogate value chain

**INPUT /SOURCE**

Source of Surrogate Ethanol Supplier

**PRODUCTION / TRADE**

Producer of pharmacy alcohol

**DISTRIBUTION**

Distributors

**CONSUMPTION**

End Consumer

- **On Premise**
  - Unfilled = illegal activity/product not present if in this color
  - Color filled = illegal activity/product present

- **Off Premise**
  - Unfilled = illegal activity/product not present if in this color
  - Color filled = illegal activity/product present
Honduras - Counterfeit/illegal value chain

Legal ethanol providers/ importer (from GT)

Illegal ethanol providers / importer (from GT)

Bottle Recyclers

Used labels/caps

Bottling/ Alcohol manufacturers

Distributors

On Premise

Off Premise

End Consumer

Unfilled = illegal activity /product not present if in this color
Color filled = illegal activity /product present
Honduras - Contraband value chain

**Input / Source**

- Alcoholic drinks exporter
- Ethanol alcohol exporter

**Production / Trade**

- Legal importer / producer which is committing tax evasion

**Distributors**

**Consumption**

- On Premise
- Off Premise

**End Consumer**

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present
Honduras - Surrogate value chain

**INPUT /SOURCE**

Producer of counterfeit aguardiente (surrogate = aguardiente with methanol)

**PRODUCTION / TRADE**

**DISTRIBUTION**

Distributors

**CONSUMPTION**

End Consumer

- **On Premise**
- **Off Premise**

Source of Surrogate Ethanol Supplier

Unfilled = illegal activity /product not present if in this color

Color filled = illegal activity /product present
Panama - Counterfeit/illegal value chain

**INPUT /SOURCE**
- Ethanol providers/importer
- Bottle Recyclers
- Used labels/caps

**PRODUCTION / TRADE**
- Bottling/Alcoholic drinks producers

**DISTRIBUTION**
- Distributors

**CHANNEL**
- On Premise
- Off Premise-

**CONSUMPTION**
- End Consumer

*Booze swap = consumers order a particular brand, bar tender serves a cheaper version.*
Panama - Contraband value chain

- **INPUT / SOURCE**
  - Alcoholic drinks exporter
  - Ethanol Alcohol exporter

- **PRODUCTION / TRADE**
  - Legal importer which is committing tax evasion
  - Smuggler Usually in the Colon Free Trade Zone

- **DISTRIBUTION**
  - Distributors

- **CONSUMPTION**
  - On Premise
  - Off Premise

End Consumer

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present

© Euromonitor International
Panama – Illegal artisanal alcohol value chain

- **INPUT/SOURCE**
  - Sugar Cane & Fruit Farmers
  - Ethanol providers
  - Bottle Recyclers
  - Used labels/caps

- **PRODUCTION/TRADE**
  - Bottling/Alcohol manufacturers
  - Illegal counterfeiters
  - Artisanal producers

- **DISTRIBUTION**
  - Distributors

- **CONSUMPTION**
  - End Consumer
    - On Premise
    - Off Premise

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present

© Euromonitor International
Panama - Surrogate value chain

**INPUT/SOURCE**
- Source of Surrogate Ethanol Supplier

**PRODUCTION/TRADE**
- Producer of denatured alcoholic drinks

**DISTRIBUTION**
- Pharmacy

**CONSUMPTION**
- End Consumer

Unfilled = illegal activity/product not present if in this color
Color filled = illegal activity/product present
Peru - Counterfeit/illegal value chain

**INPUT /SOURCE**
- Ethanol providers
- Flavor, Dyes, Suppliers
- Bottles, cork, labels suppliers
- Grapes Supplier
- Low quality spirits

**PRODUCTION / TRADE**
- Producer of counterfeit whisky, rum, beer (refilled or combined on original bottle)
- Producer of counterfeit wines, rum, vodkas, etc.
- Producer of adulterated alcohol

**DISTRIBUTION**
- Distributors

**CHANNEL**
- On Premise
- Off Premise

**CONSUMPTION**
- End Consumer

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present
Peru - Contraband value chain

**INPUT / SOURCE**
- TACNA DUTY FREE ZONE IMPORTERS
- Foreign Suppliers
- Trucks “Culebrones” (big volume)
- Individuals “Ant Operation” (small volume)

**PRODUCTION / TRADE**

**DISTRIBUTION**
- Distributors

**CHANNEL**
- On Premise
- Off Premise

**CONSUMPTION**
- End Consumer

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present
Peru – Illegal artisanal alcohol value chain

INTRODUCTION | METHODOLOGY | DEFINITIONS | PREVIOUS STUDIES | KEY TAKEAWAYS | REGION | COUNTRIES | NEXT STEPS | APPENDIX

INPUT /SOURCE | PRODUCTION / TRADE | DISTRIBUTION | CHANNEL | CONSUMPTION

Sugar Cane Suppliers
Ethanol Alcohol Suppliers
Fruits/Roots /Herbs Suppliers
Grapes Suppliers
Corn/Yuca Suppliers
Barley, Malt Supplier
Producer of aguardiente, cañazo, yonque
Producer of jungle’s macerated drinks
Producer of artisanal wines and pisco
Producer of other artisanal fermented drinks: chicha, masato
Producer of artisanal beer
Off Premise
On Premise
End Consumer

Unfilled = illegal activity /product not present if in this color
Color filled = illegal activity /product present

© Euromonitor International
Peru - Surrogate value chain

Producer of surrogate alcoholic drinks: street names include “Racumin” or “Salta pa’ tras”

Source of Surrogate Ethanol Supplier

Distributors

On Premise

Off Premise

End Consumer

Unfilled = illegal activity / product not present if in this color
Color filled = illegal activity / product present
# Glossary of artisanal alcoholic beverages

<table>
<thead>
<tr>
<th>Country</th>
<th>Alcoholic Drink</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>Chicha</td>
<td>Fermented corn or pineapple</td>
</tr>
<tr>
<td>Colombia</td>
<td>Chirrinche / Miche</td>
<td>A type of aguardiente, derived from sugar cane distillation</td>
</tr>
<tr>
<td>Colombia</td>
<td>Guarapo</td>
<td>Derived from sugar cane / brown sugar loaf (Panela) fermentation or distillation</td>
</tr>
<tr>
<td>Colombia</td>
<td>Viche</td>
<td>A type of aguardiente, derived from sugar cane distillation</td>
</tr>
<tr>
<td>Colombia</td>
<td>Viche (arrechon)</td>
<td>A type of aguardiente, derived from sugar cane distillation</td>
</tr>
<tr>
<td>Colombia</td>
<td>Viche (curada)</td>
<td>A type of aguardiente, derived from sugar cane distillation</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Aguardiente de caña</td>
<td>Derived from sugar cane distillation</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Currincho</td>
<td>Derived from sugar cane distillation</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Guanchaca</td>
<td>Derived from sugar cane distillation</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Pajaro Azul</td>
<td>Derived from sugar cane mixed with sweet fruits</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Puntas</td>
<td>Derived from sugar cane, citric fruits, and herbs</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Puro Natural</td>
<td>Derived from sugar cane distillation</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Trapiche</td>
<td>Sugar Mill</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Chicha</td>
<td>Fermented pineapple or yuca</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Chaparro</td>
<td>Derived from sugar cane or corn distillation</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Chicha</td>
<td>Fermented corn or fruit</td>
</tr>
<tr>
<td>Honduras</td>
<td>Charamila</td>
<td>Pharmacy alcohol mixed with water</td>
</tr>
<tr>
<td>Honduras</td>
<td>Chicha</td>
<td>Fermented corn or pineapple</td>
</tr>
<tr>
<td>Honduras</td>
<td>Guifiti</td>
<td>Alcohol soaked in various roots and herbs</td>
</tr>
<tr>
<td>Honduras</td>
<td>Timoshenchko</td>
<td>Alcohol made out of coffee</td>
</tr>
<tr>
<td>Honduras</td>
<td>Vino de Coyol</td>
<td>Fermented liquid of coyol trees</td>
</tr>
<tr>
<td>Panama</td>
<td>Chica Fuerte</td>
<td>Fermented corn</td>
</tr>
<tr>
<td>Panama</td>
<td>Chirrisco</td>
<td>Fermented sugar cane</td>
</tr>
<tr>
<td>Panama</td>
<td>Guarapo de cana</td>
<td>Fermented sugar cane</td>
</tr>
<tr>
<td>Panama</td>
<td>Guisqui de Maiz</td>
<td>Fermented corn</td>
</tr>
<tr>
<td>Panama</td>
<td>Vino de Palma</td>
<td>Fermented liquid of certain palm trees</td>
</tr>
<tr>
<td>Panama</td>
<td>Vino de pina</td>
<td>Fermented pineapple skin, water, and brown sugar</td>
</tr>
<tr>
<td>Panama</td>
<td>Vino de Saril</td>
<td>Fermented fruit known as saril, also known as agua de Jamaica</td>
</tr>
<tr>
<td>Peru</td>
<td>Aguardiente de cana</td>
<td>Derived from sugar cane</td>
</tr>
<tr>
<td>Peru</td>
<td>Chicha</td>
<td>Fermented corn</td>
</tr>
<tr>
<td>Peru</td>
<td>Chuchuhuasi</td>
<td>Distilled root found in the jungle</td>
</tr>
</tbody>
</table>
CONTACT DETAILS

Mike Jozwik
Head of Consulting, Research
Tel:  +1 312-922-1115 x 8238
mike.jozwik@euromonitorintl.com

Lourdes Chavarria
Consultant
Tel:  +1 312-922-1115 x 8358
lourdes.chavarria@euromonitorintl.com

Nehna Rauf
Senior Client Consultant
Tel:  +1 312-922-1115 x 8325
Nehna.rauf@euromonitorintl.com

Jennifer Paruch
Consulting Manager
Tel:  +1 312-922-1115 x 8213
jennifer.paruch@euromonitorintl.com

Helen Smith
Associate Consultant
Tel:  +1 312-922-1115 x 8381
helen.smith@euromonitorintl.com

Ivan Franco
Business Development Manager – Consulting
Tel:  +1 312-922-1115 x 8989
Ivan.franco@euromonitorintl.com