

Scotch, Indian whisky cos lock horns over maturity age

Differences Crop Up Amid India-UK Negotiations Over FTA

Pankaj.Doyal@timesgroup.com

New Delhi: It's the fight over 'angel's share' that has pitted Indian whisky makers against Scottish brands as India-UK thrash out the contours of the proposed free trade agreement (FTA) between the two countries.

Angel's share refers to the alcohol that evaporates while it is stored in wooden casks for maturation and ageing before turning into whisky. According to legend in the spirits industry, the "angels come and drink their share of alcohol" as it matures in casks housed in dingy cellars.

While the UK, which has a big business in India for Scotch whisky (that it hopes to further amplify through the FTA if the import duty of 150% comes down), is asking for a maturity age of three years for the spirit to be classified as whisky (same as that prevailing in Britain), Indian makers argue that with weather conditions being hotter here, they will lose more than one-third of the whisky due to this condition.

"In Scotland, it is colder than in India and the loss of spirit per year from a barrel is only estimated at 1-1.5%. In India, the weather is hotter and our whisky matures in just nine months compared to their

FIGHT OVER 'ANGEL'S SHARE'

> Indian whisky makers are fighting against Scottish brands over 'angel's share'

> Angel's share refers to the alcohol that evaporates while it is stored in wooden casks for maturation

> The UK is asking for a

maturity age of three years for the spirit to be classified as whisky

> Indian makers say with weather conditions being hotter here, they will lose more than a third of whisky due to this condition



“ In Scotland, it is colder than in India and loss of spirit per year from a barrel is estimated at 1-1.5%. In India, ...our whisky matures in nine months compared to their three years. If we keep the whisky in casks for a longer time, per year loss due to evaporation and heat is 10-12%. ...in three years we lose roughly around 35% of spirit stored in a barrel

VINOD GIRI | DG OF CONFEDERATION OF INDIAN ALCOHOLIC BEVERAGE COMPANIES



three years. If we keep the whisky in the casks for a longer time, the per year loss due to evaporation and heat is 10-12%, which means in three years we lose roughly around 35% of the spirit stored in a barrel. This is a big loss and will also harm the quality of our whisky. The conditions being dictated by the UK are unacceptable and unaffordable. We are importing to the US, South America, and Africa without any such unfair conditions," Vinod Giri, director-general of Confederation of Indian Alcoholic Beverage Companies (CIABC), told TOI.

The Indian spirits body CIABC has members such as Mohan Meakin (owner of brands such as Old Monk rum, and Solan No 1 whisky), Radico Khaitan (8PM whisky and Rampur Single Malt), Tilaknagar Industries (Mansion House Gold Whisky), Devans Modern Breweries (GianChand Whisky), Amrut Distilleries (Amrut Single Malt), and Jagatjit Industries (Aristocrat Whisky).

CIABC has made several pleas to the Indian government on the matter as the latter negotiates the FTA and its various provisions with the UK government. "These laws

around the maturity of the whisky were made by the British as per their climatic conditions. To allay their fears around quality of our products, we are even open to the idea of UK labs testing our whisky if they are concerned about its maturity. Also, we are ready to mention that our whisky is matured for less than three years."

Giri said that they have been assured by the government that the views of Indian whisky makers have been put forward in the negotiations. "However, we understand that the British side is refusing to accept our plea. They are not willing to give market access."

And when it comes to FTA, the Indian spirits makers are also seeking a minimum import price of \$5 (at cost, insurance and freight level) when international companies are shipping their products to their subsidiaries in India under transfer pricing, to prevent the practice of under-invoicing.

Indian makers are against the proposal of their UK counterparts, who want to reduce the import duty from 150% to 75% immediately at the signing of FTA, and thereafter to 30% over a period of three years. "We are open to a reduction but not at the scale which they are suggesting. We want it to be reduced progressively to 50%, but over 10 years."