

# FREE TRADE AGREEMENTS FUEL CRAFT DISTILLER'S GLOBAL SPIRIT

FTA CASE STUDY | JUNE 2019

Canberra-based Underground Spirits is taking Australian craft spirits onto the global stage. With the help of Australia's Free Trade Agreements (FTAs), its unique filtration-method vodkas and gins will shortly spread from stylish London bars to Asia and beyond.

In 2017, Claudia Roughley, CEO of Underground Spirits, was excited to hear that her brother had just created a new technique for creating vodka. With the aid of cryo-filtration – or extreme cooling – the novel method yielded an unusually smooth and ultra-pure vodka.

Roughley and her brother promptly patented the technique and Underground Spirits was born, just outside Canberra. With three employees, the craft distillery began making premium vodka and then developed the brand to include distinctive gins, which the company sold into the local market.

'Since 2017 we have grown very rapidly indeed,' says Roughley. 'During 2018, we signed with distributors across Australia, and our gins and vodkas will shortly be appearing in 120 chain liquor stores across New South Wales.'

The company's local market was expanding rapidly, but Roughley always had a global vision.

'We want our hand-made spirits on stylish bar counters right across the world – from Tokyo and Hong Kong to London and New York – and we want to see them on those bar shelves within the next few years,' she says.

## FTAs critical for craft exporters

Australia's FTAs are key to Roughley's global vision. Many of Australia's FTAs have either eliminated



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Claudia Roughley, CEO, Underground Spirits

foreign tariffs on exports of Australian spirits or have reduced them. This gives Australian producers a price advantage in FTA partner countries' markets over other countries' exporters, for example UK-based gin makers.

Under the Korea-Australia Free Trade Agreement (KAFTA) the tariff on Australian exports of gins, vodkas and liqueurs has fallen from the base rate of 20 per cent to 8 per cent in 2019, and it will be eliminated by 2023.

The recent entry into force of the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) will help open up markets in Canada and Mexico for Australia's craft brewers and craft distillers. Under the CPTPP, all tariffs on Australian exports of gin and vodka to Canada and Mexico have been eliminated.



Australian Government

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### **Practical advice from Austrade advisers**

To explore overseas markets, Roughley frequently talks to Austrade advisers. This has proved particularly helpful as the company begins preparations for taking its spirits to New Zealand and Singapore.

'We often speak with an Austrade adviser face-to-face: he is engaging and fantastic on detail,' she says. 'The adviser has a commercial background and a world of experience. This makes him insightful and highly knowledgeable.'

'For example, we've learned about the practical steps we need to take to get going with overseas distributors – like getting price lists translated into local languages. We are a very small company and we are growing very fast, so getting quick, practical advice on overseas markets is invaluable.'

### **Export grants smooth market entry**

Underground Spirits is also a recipient of an Export Market Development Grant (EMDG). Administered by Austrade, the grant reimburses up to 50 per cent of eligible export promotion expenses.

'The EMDG was a big help in getting our export business started,' says Roughley. 'We started exporting to the UK last year and the export grant is a huge thing for us.'

'Building a brand overseas costs money, while our competitors are huge companies that can spend millions. The EMDG gives us the freedom to spend a small amount on our brand in overseas markets. The difference the export marketing grant makes to a small brand is crucial.'

### **Awards events toast Canberra ingenuity**

Underground Spirits bottles are already making a splash in smart London bars. Meanwhile, at various beverages events across the world, the company has picked up 14 different awards – a testament to its patented filtration method.

'Last year our vodka picked up a double gold medal at the San Francisco World Spirits Competition, which is a phenomenal achievement for a start-up from Canberra,' she says. 'Our gin took silver in the same event.'

'Also, we gained an Innovation Award at the Gin Guide Awards, which are held in London. This just goes to show the amazing opportunities out there in

the global drinks markets for Australian entrepreneurs – no matter how small we are.'

To learn more about Australia's FTAs, visit [www.austrade.gov.au/ftas](http://www.austrade.gov.au/ftas).

### **About Austrade**

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- › win productive foreign direct investment
- › promote international education
- › strengthen Australia's tourism industry
- › seek consular and passport services.

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