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US FOOD SERVICE INDUSTRY UNLOCKED

A strategic guide to help Swedish food and alcohol brands enter and grow in the US food service industry



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NAVIGATING THE US FOOD SERVICE INDUSTRY

The US Food Service Industry is an area of growth potential that Swedish food and beverages companies often overlook when planning strategic international growth. To support Swedish companies, Try Swedish are pleased to offer this guide on how to successfully launch a food brand into the food service channel in the US.

We recognize that the overall process of planning for a US launch can be complex. To help Swedish companies mitigate risk and shorten time to market, we have put together relevant information on how to approach the US food service channel both for food and beverage brands as well as alcohol brands.

This guide covers market entry considerations for:

- Sales
- Marketing
- Distribution
- Costs, margins, and pricing
- Compliance, and
- Importing requirements & regulations

The information collated in this report is based on our experience in the US market and close relationships and partnerships with industry experts, and Swedish companies who have successfully launched in the US.

The purpose of the Try Swedish program is to provide turn-key support and resources every step of the way for your US launch. As part of Business Sweden and over many years of operating in the US, we have gained substantial expertise and a strong network of local partners.

If you have any questions about the US food service market, or other sales channels for your food or beverage brand, we can offer guidance on your US strategy.



JESSICA CONNELLY

Try Swedish US Program Manager

Jessica.connelly@business-sweden.se



MEGAN KLUMPE

Business Sweden Consultant

Megan.klumpe@business-sweden.se



BINGYAN SONG

Business Sweden Consultant

Bingyan.song@business-sweden.se

INTRODUCTION TO THE US FOOD SERVICE MARKET

Food service is the distribution channel that supplies food for consumption outside the home, and includes restaurants, bars, cafes, and hotels. The food service industry in the US was estimated at USD 800 billion in 2021; food service accounts for about 45-50 per cent of total spending on food in the US, so Swedish brands may be missing out on sales potential if only targeting grocery and traditional retail channels.

The food service industry took a major hit during the Covid-19 pandemic as a result of lockdowns and quarantine requirements; however, with the vaccine rollout and restrictions being lifted, the industry is beginning to recover. Consumers online shopping habits shifted into the grocery and takeout categories during the pandemic, and this shift is expected to stay.

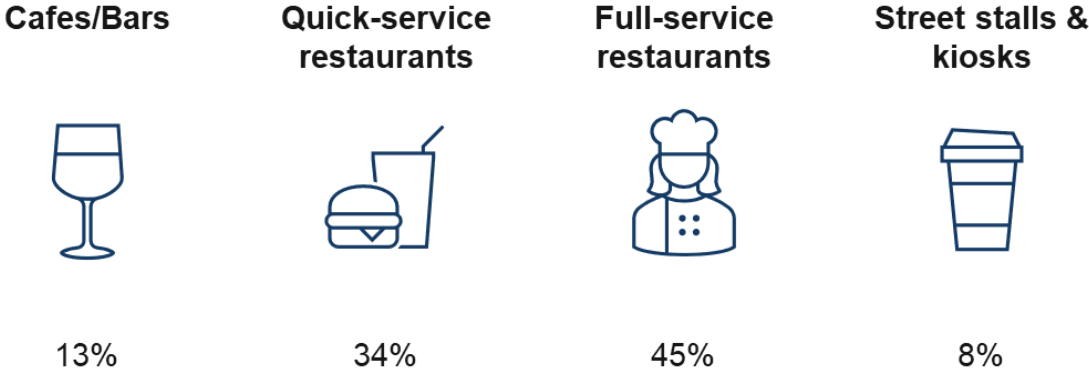


Figure 1. Examples for food service locations

The pandemic drastically increased demand for home delivery, drive-through, and takeaway segments. The eat-in category was around 50 per cent of industry value before the pandemic, but after 2020, it dropped to 22 per cent.

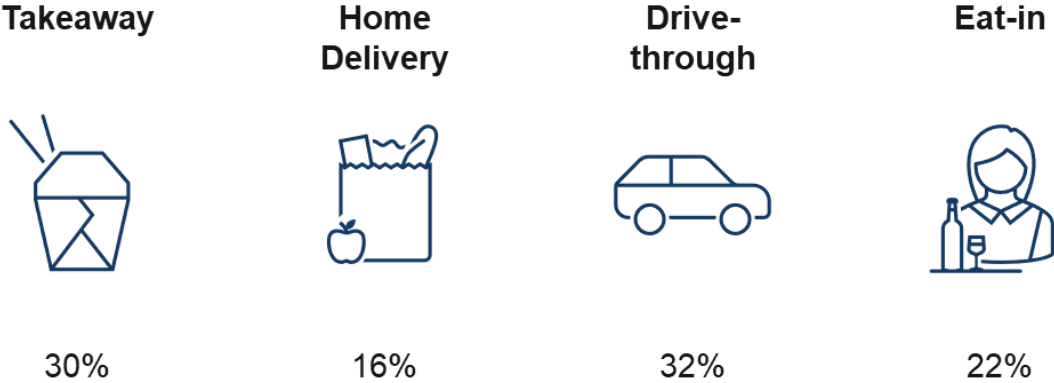


Figure 2. Consumer food service sales, % of industry value, 2020

As in the retail segment, food service sales require a variety of partners that serve different functions. It is not uncommon to have separate partners for importation, distribution, and sales/marketing (broker).

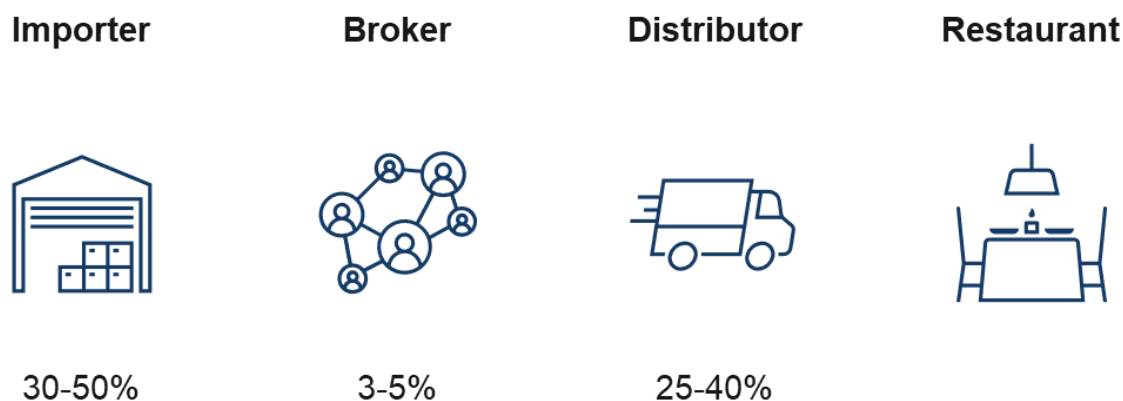


Figure 3. Food service value chain and expected margins

In addition to these costs, food companies are also dealing with post-Covid supply chain disruptions that can be costly. Shipping containers are more expensive, delivery times are delayed, and labor shortages threaten port and freight efficiency. For these reasons, and others, with general inflation and conflict in the EU, US food prices are now at a record high. However, consumers still demand the same level of service and fast delivery times.

“Find the segments and operators for your products and leverage that for local or regional distribution. From there you’ll be better positioned to have your brand grow organically in the channel.”

– VP Food service, Oatly NA

It is recommended to do a unit economics analysis for each product to price it correctly.

The value chain is different between alcohol products and other non-alcohol beverage/food products in the US, so this report will approach each of these product categories separately, starting with food and beverage.

FOOD AND BEVERAGE BRANDS

FOOD AND BEVERAGE IMPORTING

REGULATORY COMPLIANCE

Before importing food products into the US, Food and Drug Administration (FDA) requirements pertaining to safety, labelling, and manufacturing practices must be satisfied. More information on these requirements can be found in the [Try Swedish US FDA Handbook](#)¹

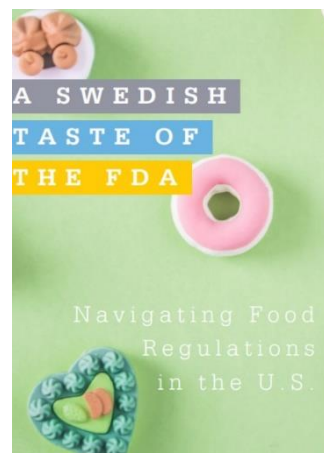


Figure 4. Try Swedish US FDA handbook - click image to open report

IMPORTING

To find what import tariffs apply to food products, international brands should first search the [Harmonized Tariff Schedule \(HTS\) database](#)². The US system is similar to the Swedish system and is based on the Harmonized System (HS) nomenclature; however, the US Customs and Border Protection (CBP) uses Harmonized Tariff Schedule (HTS) codes instead of HS codes. The HTS code uses the same first six digits as the HS code but then has an additional four digits. The importer of record is ultimately responsible for ensuring proper tariffs are paid.

In addition to tariffs, other import fees may include user fees, merchandise processing fees, harbor maintenance fees, and other types of fees, depending on the mode of transport used. The importing partner will typically make sure any and all of these fees are paid. More information on user fees can be found on the [CBP website](#)³.

Importing is usually a separate service offered to food companies in the US, as most distributors typically do not offer this service for new or smaller volume brands. Some importers will offer warehousing solutions as well, in case there is a lag between importation and delivery to the distributor. Importing might be handled by a broker in some cases who might also support with warehousing. It will depend on the partner and require due diligence to understand a partner's capabilities and offerings. The Try Swedish team can support with this due diligence.

¹ <https://www.business-sweden.com/insights/reports/usa-fda-handbok/>

² <https://hts.usitc.gov/>

³ <https://www.cbp.gov/trade/basic-import-export/user-fee-table>

FOOD AND BEVERAGE SALES AND MARKETING

As with US retail sales, food service is best approached through an initial targeted regional strategy. However, food service sales and marketing requires a different approach that can often be less capital-intensive than in retail where brands can experience hefty slotting fees.

SALES AND MARKETING PARTNERS: BROKERS

In addition to importing and distribution partners, sales partners are critical to success in the US. These partners usually take the form of sales brokers, which are independent individuals or companies that function as a sales representative to call on distributors.

Brokers work with multiple brands and companies, typically within a specific region, and are compensated by taking a percentage commission. Brokers have an existing network of distributors with whom they work and may specialize in a certain category of food products or in specific accounts. They have often spent years building a relationship with buyers of specific distributors. The brokers usually only provide sales support, meaning other partners are needed for warehousing and distribution. However, some of the larger brokerage firms do offer some of these complementary services, but these are typically national brokerage firms and are difficult to approach as a new international brand with small sales volumes. As it is with importing, this is a general guideline, but it does require due diligence of the partner for a brand's specific product and situation.

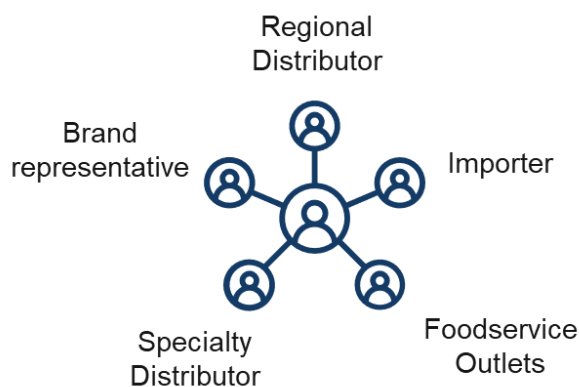


Figure 5. Broker's central role in relationship management

New brands will typically start with one broker, but as the brand grows, new brokers in new regions may be necessary. That first brokerage relationship is critical because that person/brokerage will serve as the brand's main point of contact in the US until the brand can build up a local US team.

A full-service broker will charge a monthly retainer as well as a commission. Retainers are usually in place until a pre-agreed monthly commission amount is achieved. Once that amount is achieved, the retainer is removed, and the broker compensation moves to commission only. Avoid signing a broker agreement where the time frame for the retainer is not specified, as this should act as a temporary fee, unless the broker is acting as an outsourced management team on behalf of your company. In turn, broker commissions range anywhere from three to five per cent of gross sales. Commission is typically on the higher end at five per cent for new brands where the broker is taking more of a risk.

FOOD AND BEVERAGE TRADE SHOWS

- **Natural Products Expo West**: annual trade show focused on natural products, held in March in Anaheim, California
- **National Restaurant Association Show**: annual food service tradeshow held in May in Chicago, Illinois
- **Research Chefs Association Conference**: annual trade show for chefs and food industry professionals held in March in Atlanta, Georgia
- **Private Label Manufacturers Show**: annual trade show for private label products held in November in Rosemont, Illinois
- **Specialty Food Association – Fancy Food**: semi-annual specialty and snack food trade show held in winter in Las Vegas, Nevada and in summer in New York, NY

FOOD AND BEVERAGE DISTRIBUTION

In addition to the broker partnership, distribution is the other critical piece of the food service supply chain. Food service differs from retail in that it is mostly a conversation about logistics, since there is no retailer to indirectly influence as well.

RESTAURANTS AND CAFES

As in retail distribution, there are a few large giants, and a lot of local players.



Figure 6. National food distributors

These large broadline food service distributors have national coverage and multiple distribution centers. For most small new brands, approaching these food service giants first can be extremely difficult. For example, the average Sysco warehouse stocks 10-15 thousand products, and they charge very high margins. It can cost companies like Sysco USD 10,000+ to manage one SKU for a year. The margins and volumes needed for success at the broadline distributors necessitate new brands to start small.

Most new brands with smaller initial volumes can expect the distributor to take a margin of 25-40 per cent. To make up for this, many brands will markup prices around 15 per cent.

“It may be a challenge to find a broker to pioneer a brand. If you do, you’re likely going to be asked to pay a “guaranteed commission” for a limited time. For lower volume and emerging brands, distributors may use mark ups in the 25-40% range. It’s recommended to take these factors into consideration before talking price to operators in the food service channel.”

- VP Food service, Oatly NA

There are many options for smaller, local and regional focused distributors. The broker relationship is so crucial because the broker will know the local market and have relationships with the right types of distributors.

Every distributor will have product category strengths, so it is important to find a distribution partner that specializes in the brand’s particular product category. Some, like McLane Food service, primarily serve chain restaurants such as Burger King. Others may specialize in grab-and-go locations like coffeeshops or raw ingredients for independent restaurants, etc.

SPORTS STADIUMS, UNIVERSITIES, HOTELS, HEALTHCARE

For customers, such as sports stadiums, universities, etc., companies called buying groups or food service contractors will typically manage their complex contracting and SKU needs. These groups will sign a contract with a baseball stadium, for example, to supply all food and beverage items needed. To fulfil the contract, the buying group will source items from a variety of regional and national distributors.

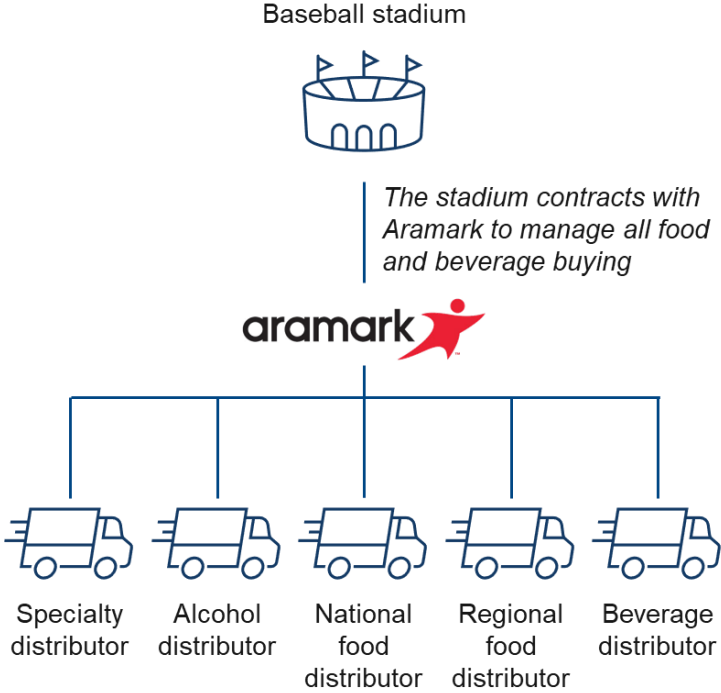


Figure 7. Illustrative contract management example

It is a better strategy to work on distribution relationships than direct relationships with these players from the start. For example, Sysco supplies products for Aramark, so Sysco would be the primary target.

These three companies serve almost the entire market:



Figure 8. Leading US food service buying groups

Getting access to these buying groups takes time and is very expensive. It is recommended for smaller brands to first start small and regional, find an appropriate broker, and start building sales volumes before approaching these groups. It is not uncommon for a contract with one of these companies to take two years or longer to develop. Other institutions that these groups often serve include schools, government, office buildings, and airlines.

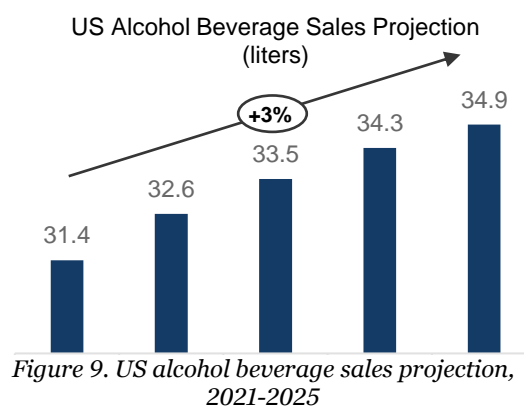
ALCOHOL BRANDS

THE US ALCOHOL BEVERAGE MARKET

As the second-largest alcoholic beverage market after China, the US should be top-of-mind for Swedish alcohol beverage producers. In 2020, the market was valued at USD 220 billion with over 30 billion liters in volume sold. The segment is expected to grow by three per cent over the next five years (Figure 9)⁴.

Beer is the most popular category accounting for 43 per cent of total alcohol beverage revenue. Spirits come second with 41 per cent of the market value (Figure 10) and has been the fastest-growing category since the 2000s⁵. The premium spirit category has been a driving force in the US alcohol beverage market, with leading distributors report ongoing gains especially in tequila, North American whiskey, cognac, and scotch. Within vodka especially, Tito's has been seeing significant growth⁶. In the US, wine and spirits operate similarly in terms of importation and distribution; however, beer has an entirely separate value chain with different importers and distributors. This report focuses on wine and spirits distribution. For beer producers, Try Swedish is happy to support with specific questions around beer distribution on an individual basis.

Despite the vast market and promising growth, the US remains one of the most complex alcohol beverage markets to navigate.



US Alcohol Beverage Market Share by Category, 2021



⁴ <https://www.statista.com/forecasts/727011/consumption-of-alcoholic-beverages-united-states>

⁵ <https://www.distilledspirits.org/wp-content/uploads/2022/02/Economic-Briefing-Support-Tables-2021-1.pdf>

⁶ [https://www.shankennewsdaily.com/index.php/2022/04/12/30802/exclusive-the-u-s-markets-top-wholesalers-aim-for-The-US-alcoholic-beverage-industry-largely-operates-on-a-three-tier-system-\(Figure-3\)-which-is-a-legacy-from-the-1920-30s-Prohibition-era.new-heights-in-2022/](https://www.shankennewsdaily.com/index.php/2022/04/12/30802/exclusive-the-u-s-markets-top-wholesalers-aim-for-The-US-alcoholic-beverage-industry-largely-operates-on-a-three-tier-system-(Figure-3)-which-is-a-legacy-from-the-1920-30s-Prohibition-era.new-heights-in-2022/)

The US alcoholic beverage industry largely operates on a three-tier system (Figure 11) which is a legacy from the 1920-30s Prohibition era.



Figure 11. Alcohol distribution value chain

When prohibition ended, each state was able to decide how alcohol beverages would be regulated. As a result, 17 states and selective jurisdictions in Alaska, Maryland, Minnesota, and South Dakota adopted forms of the "control" model, where the states control the sale of distilled spirits and, in some cases, wine and beer through state agencies at the wholesale level (Figure 12). Of these, 13 state jurisdictions also exercise control over retail sales for off-premises consumption; either through government-operated package stores or designated agents.

Control states and jurisdictions represent approximately 24.7 per cent of the nation's population and account for roughly 23 per cent⁷ of distilled spirit sales and a significantly smaller percentage of beer and wine sales.

In control states, state agencies act as the distributors for the states, whereas third-party organizations, like Heidelberg Distributing act as the broker and brand representative for producers helping them get listed and make contact with the right state agencies. The

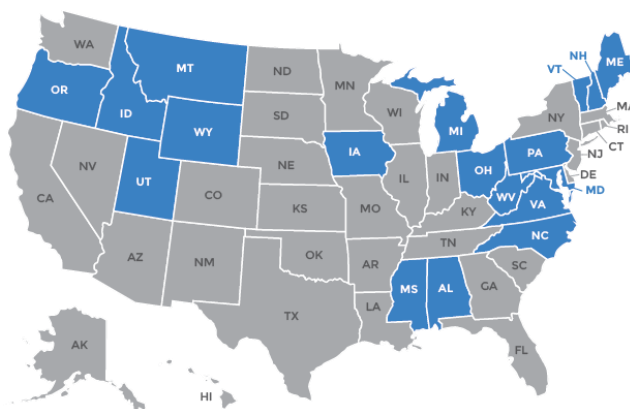


Figure 12. US control state map

complexities that have to be navigated in control states make them less than ideal as a starting point for international brands looking to make their first establishment in the US market

The National Alcohol Beverage Control Association (NABCA) is the representative body of the Control State Systems. More information on regulations of individual control states can be found on the NABCA website⁸.

⁷ <https://www.shankennewsdaily.com/index.php/2021/08/27/29337/control-state-spirits-volumes-slip-in-july-but-rise-6-in-the-year-to-date/>

⁸ <https://www.nabca.org/control-state-directory-and-info>

However, even with open markets, international producers new to the market need to be strategic about their entry. The US is a vast market and regulation, distribution, and consumer behaviors vary from state to state. Industry experts acknowledge that when an alcohol beverage brand enters the US market, it can feel like operating in 50 different markets rather than one. Therefore, it is critical that Swedish companies take an individualized entry approach to each state given the different ecosystems that exist.

*State liquor boards in control states require a higher proof of sales potential before approving a product, and state agencies take a very small commission and only look at average sales per brand across the entire state. Therefore, they lack incentive to take on or care about smaller, less established brands. **For new brands, it is not recommended to start with control states.** It is advisable to establish in open markets like New York and California first.*

- Spirits Market Manager, Heidelberg Distributing (OH)

It is also imperative that a brand conducts sufficient research to determine which market and approach would be the best fit for the brand's first entry. The next chapter highlights key topics that a new international brand should consider when entering the US alcohol beverage market.

CONSIDERATIONS FOR MARKET ENTRY

MARKET SELECTION

Before commencing with any market entry plan, a brand new to the US must identify the target geographic and demographic for their product. Audience location (city vs suburb), age (Gen-Z vs Millennials), nationality (Swedish vs local), lifestyle (traditional drinkers vs adventurous drinkers) are some of the top factors to consider. For example, an aquavit producer may want to start with a market where people are familiar with aquavit, such as Minnesota where there is a larger population of people with Swedish heritage, or where people are more receptive towards novelty drinks, such as New York City.

***The biggest mistake that a small producer could make is trying to be everything for everybody.** Instead, we try to incubate two or three test markets at a time. It generally takes about one year to graduate from the test markets, after which the brand can move on to the next markets. Some good choices for initial test markets are **NYC, Miami, and Chicago**; California is the mecca of liquors, but you'd need some track record to start there.*

- Founder at Spiritual Guidance Co.

Sufficient research is important for success, and much of this market research can be done through desktop research. Specific sources useful for understanding the control states include Nielsen, IRI, and NABCA⁹.

CHANNEL SELECTION

In the US, alcoholic beverages can be sold through two channels: food service/on premises at restaurants, bars, hotels or off premises at liquor stores, grocery stores, convenience stores. Off premises channels account for 70 per cent of all alcoholic beverage sales (Figure 13)¹⁰.

Although food service is the smaller channel, it should not be overlooked for a couple of reasons:

1. Restaurants and bars are great introductory points where end customers can taste new drinks without committing to the full-size products. This factor is especially crucial for spirits with a higher retail price.
2. Brands can have a more targeted distribution focus, generating better consumer insights during the market testing phase. When distributing off premises, it is more difficult for brands to track which of the chain liquor stores end up selling the products. But brands can pin-point distribution at restaurants and bars and learn about the market dynamic through these distribution points.
3. Food service professionals such as bartenders and sommeliers tend to be both knowledgeable and passionate about alcoholic beverages. With the right training, they can become great brand advocates.

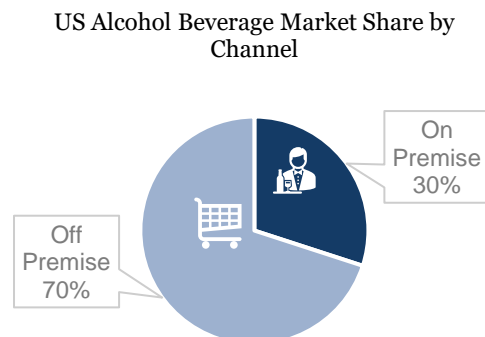


Figure 13. US alcohol beverage market share by channel, 2021

Most producers don't have the patience for the micro focus, but it's harder for the consumer to try something at a liquor store versus a restaurant or a bar. Although a purchase at a store is instant, you don't get the insights. If I were a small international producer, I would prioritize restaurants and bars, then go to the neighboring stores a few months later when you know consumers are ready to purchase the full bottle.

- Founder at Spiritual Guidance Co.

Successful exposure at restaurants or bars can be used as reference cases and a launch pad for further expansion in a given geographic or region.

⁹ <https://global.nielsen.com/>; <https://www.iriworldwide.com/en-us>; <https://www.nabca.org/>

¹⁰ Statista

ENTRY APPROACH AND PARTNER SELECTION

For international brands new to the US market, there are generally three approaches to navigating the alcoholic beverage supply chain: “backdooring,” direct importation, and the conventional three-tier approach. Selecting an approach depends on the resources a producer has for the US market. The first two approaches require the producers to invest heavily in funds and personnel resources. For new market entrants the three-tiered approach is most suitable.

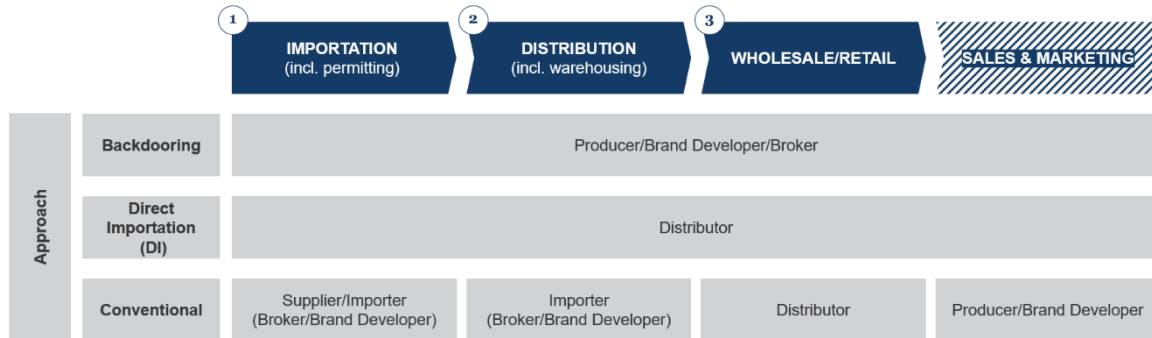


Figure 14. US entry approaches for alcohol beverage producers

Backdooring

The *backdooring* approach is when an international alcohol beverage producer takes full control and responsibility for all importation, distribution, and retail activities. This approach would only make sense in states that do not require the presence of a distributor. Taking New York as an example, backdooring would not be a suitable approach as New York state requires all alcoholic beverages sold into the food service channel to go through a licensed state distributor.

There is a variation to the backdooring approach that can be applied, which would see a producer partner with a brand developer¹¹ –however, given the compliance complexity and the highly competitive market dynamics, it would still be exceedingly difficult for a new international brand to see a satisfying return on investment with either variation of this tactic.

¹¹ Terminology and offering varies by the individual service provider - a brand developer generally provides consulting services to set up the brand in the US as well as sales and marketing services to help place the brand in restaurants and bars.

Direct importation

The direct importation approach would see a brand potentially working with a large distributor/wholesaler who represents the brand entirely in the US. Large national or regional distributors are capable of handling everything from importing to distribution to sales and marketing. There are a handful of such large distributors in the US (Figure 15), the largest 10 distributors are expected to account for a combined market share of 78.5 per cent in 2022.



Figure 15. Top US alcohol distributors

Southern Glazer, the 45-market giant is the top distributor nationally with a projected 2022 revenue of USD 24 billion. Republic National Distributing Co. (RNDC) ranks second with USD 13 billion in projected revenue¹².

This approach is only viable for those brands who are already established in the market, and not for small international producers who are first entering the market. Because of the high market penetration large distributors have in the market, they are extremely selective about which brands they represent, and only look for brands that are already established in the US.

Large distributors handle the logistics of importing once a brand reaches the appropriate sales volumes. They will combine with other products or order straight containers - whichever is appropriate to their needs.

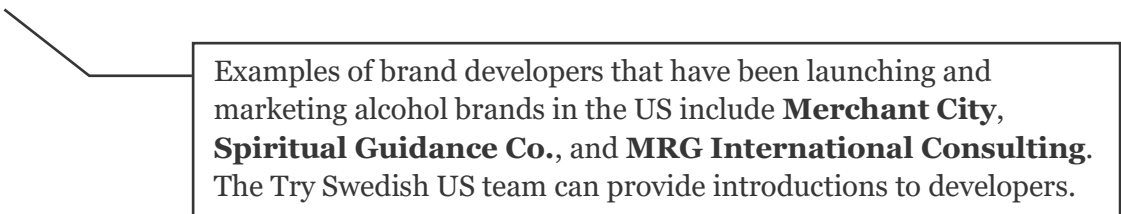
- MRG International Consulting

¹² <https://www.shankennewsdaily.com/index.php/2022/04/12/30802/exclusive-the-u-s-markets-top-wholesalers-aim-for-new-heights-in-2022/>

Conventional 3-tiered system

For a small international producer who is new to the US market, the best alternative is to follow the conventional three-tiered system and develop partnerships.

The first step a brand should take is to find an importing partner that can help both at the federal and state level. Producers can be their own importer, but there are many benefits to having an expert who is well-versed in the system to help with the first import. Companies and individuals that provide importation services may be called brokers, importers, and/or brand developers. The importing partner will help obtain all relevant permits as well as ensure compliance with the governing bodies.



Examples of brand developers that have been launching and marketing alcohol brands in the US include **Merchant City**, **Spiritual Guidance Co.**, and **MRG International Consulting**. The Try Swedish US team can provide introductions to developers.

During the first entry process into the US, an international brand needs to be clear on the criteria their partner(s) should meet, as the options are vast, and partners have various capabilities and specializations.

These specializations include:

- Working with small- and medium-sized businesses
- Operating in a certain state or region
- Working with a certain product category
- Supporting in one value chain segment
- Providing turn-key services across the value chain.

Once products are imported, they need to be placed with a distributor. Some importing partners can also help accelerate the distributor placement. Experts have acknowledged that smaller distributors with a regional focus should be targeted for a small international producer.

Large distributors expect the producer to create consumer demand. Brands that do not have sufficient demand nor sufficient depletions are discontinued.

- MRG International Consulting

Distributors will typically order *JIT* – just-in-time inventory, so it is recommended for brands to have warehousing and back-office support. In the US, warehouses tend to co-locate with the larger markets – the east or the west coasts, typically in New York, New Jersey, and California. For European producers, the east coast is preferred from a time

difference perspective. Importers/brokers like MHW¹³ and Park Street¹⁴ offer warehousing and fulfilment solutions to small- and medium-size businesses.

A critical part of the process that needs to be understood is that sales and marketing responsibility still falls on the producer with this approach, as distributors or brokers typically do not have dedicated sales representatives for the brand. Producers or brand developers contracted by the producer would need to market the brand through attending industry trade shows and having brand ambassadors on the ground.

Storytelling is a crucial piece to sales and marketing – the brand ambassadors or field sales representatives need to have a poignant story to entice the distributors, restaurants, and bar customers. Therefore, the brand needs to carefully craft its message and iterate through feedback received from the customers.

*Marketing is especially important when it comes to ecommerce, which is taking off particularly within the beer field - ecommerce beer sales has more than doubled in the past two years. **With ecommerce, it requires a large marketing budget as you are re-training customers to shift from buying in stores to buying online.***

- VP of Business Development, TapRm

Attending trade shows is another great opportunity for smaller brands to get exposure. Potential partners like brokers, brand developers, distributors, and potential customers like restaurants and bars are going to be present at important trade shows throughout the year. Below are some trade shows recognized by experts as valuable to have a presence at:

- **Bar Convent Brooklyn**: annual trade show focused on mixology held in June in Brooklyn, NY
- **Tales of the Cocktail**: annual trade show focused on mixology, takes place in July in New Orleans, LA
- **Bar & Restaurant Expo** (formerly known as Nightclub and Bar Show): annual trade show takes place in March in Las Vegas, NV
- **NABCA Annual Conference**: annual trade show within control states, held in one of the control states

It should be noted that for brands attending trade shows, the best practice is to have inventory in the US to be ready to sell if a customer or a distributor is interested in the brand at the show. At the minimum level, the producer needs a *COLA waiver*¹⁵ (Certificate of Label Approval), and a sampling permit in the respective state. For example, in New York, there is a one-day marketing permit that producers can apply for and use for sampling at events and trade shows.

¹³ <https://www.mhw ltd.com/>

¹⁴ <https://www.parkstreet.com/>

¹⁵ <https://www.ttb.gov/itd/importing-alcohol-for-trade-shows>

PRICING STRUCTURES

For the three-tiered approach, each layer of the sales operation typically takes a margin off of the list price. These fees and commissions should be taken into consideration when pricing products in the US:

- Importer/Broker: USD 3,000-5,000 per month for legal filings, warehousing, importing etc.
- Distributor: ~33%
- Retailers (restaurants/bars): ~22%-25%
- Shipping: depends on location
- Sales and marketing: dependent on activity
- Permitting requirements: dependent on location

LEGAL AND PERMITTING

FEDERAL PERMITTING

Alcoholic beverage importing falls under the rulings of three agencies: the Alcohol and Tobacco Tax and Trade Bureau (TTB), the Federal Food and Drug Administration (FDA), and the Customs and Border Protection agency (CBP). Below are the registrations and permits needed:



U.S. Customs and Border Protection



Federal Basic Permit (importer's permit)

Anyone who wants to import distilled spirits, wine, or malt beverages into the US must apply for a *Federal Basic Importer's Permit*¹⁶. To be eligible for a permit, a company must maintain and staff an office in the US or contract with an existing US licensed importer. The company is also required to present a letter of intent from an international supplier. It takes approximately six weeks for an importer's permit to be issued.

An importer's permit is applied on the business level and is not product specific. However, the brand may also need to apply for a Wholesaler's Basic Permit if it plans on selling any beverages other than those beverages directly imported with the brand's importer's permit.

Certificate of Label Approval (COLA)

Labels used on alcoholic beverages must be pre-approved by the Tax and Trade Bureau (TTB) to obtain a Certificate of Label Approval (COLA). Producers must obtain a COLA for each unique product label.

¹⁶ <https://www.ttb.gov/ponl/permits-online-help>

Producers can apply for the COLA online on the TTB website¹⁷ after obtaining the importer's permit¹⁸. Certain products that have added flavoring and/or coloring may require *formula review*, testing, and approval¹⁹. Without appropriate COLA and formula approval, customs will reject the entry. The label must:

- Read "Imported by," followed by the name of the company
- Be approved by the TTB for each product being imported

Certificate of origin

A certificate of age or origin is required for certain wines and distilled spirits imported into the US. The Certificate of Age and Origin Requirements for Imported Alcohol Beverages²⁰ webpage provides a comprehensive list of such certificate of age and origin requirements.

Natural Wine Certificate

Wine importing has special requirements particularly if the wine is produced after December 31, 2004. These products have certification requirements to ensure that the producer used adequate winemaking procedures. However, grape wines containing 0.5 to 22 per cent alcohol by volume from Sweden are **not** subjected to certification because of oenological practices agreements with the US.

FDA requirements

The Bioterrorism Act of 2002 requires that anyone who manufactures, processes, packs, or holds food (including alcoholic beverages) for consumption in the US to register with the FDA. An importer of alcoholic beverages is also required to provide prior notice of food (including alcoholic beverages) to be imported or offered for import to the US. For additional information, visit the *FDA Prior Notice of Imported Foods* webpage²¹.

Taxes, duties & CBP registration

Companies importing goods are responsible for all applicable federal excise taxes and duties. US Customs and Border Protection (CBP) collects all applicable federal excise taxes on distilled spirits, wine, and beer as defined in the Internal Revenue Code. The US CBP also collects all applicable duties. Additional information on excise taxes can be found on the TTB tax and fee rates page²². For information on duties, visit the CBP Duty Rates webpage²³.

¹⁷ <https://www.ttbonline.gov/ttbonline/>

¹⁸ Note: As part of the COLA process, producers may need to obtain pre-COLA product approval, depending on the product to be imported. For information on pre-COLA product approval, see Industry Circular 2016-01 attachments for wine, malt beverages, and distilled spirits which indicate whether a product requires pre-COLA approval, as well as what type of evaluation, if applicable. https://www.ttb.gov/images/industry_circulars/archives/2016/16-01.html

¹⁹ <https://www.ttb.gov/formulation>

²⁰ <https://www.ttb.gov/itd/certificate-of-age-and-origin-requirements-for-imported-alcohol-beverages>

²¹ <https://www.fda.gov/Food/GuidanceRegulation/ImportsExports/Importing/ucm2006836.htm>

²² <https://www.ttb.gov/what-we-do/taxes-and-filing/tax-rates>

²³ <https://www.cbp.gov/trade/programs-administration/determining-duty-rates>

Companies importing goods must register as alcohol dealers and complete the *Alcohol Dealer Registration*²⁴ before engaging in business. Companies importing goods must also file this form with TTB if there is a change in registration information and when the business is discontinued.

STATE PERMITS

In addition to federal registrations, state and local jurisdictions may have their own additional importation requirements. Companies importing goods should contact the respective state alcohol control board and/or local authorities²⁵ for more information.

Example: New York

New York is a common choice for an alcoholic beverage brand's first entry. The New York State Liquor Authority (NYSLA) administers the registrations and permits needed for all liquor, beer, wine products and wine specialties sold in New York. Generally, a producer needs:

- New York liquor license
- Brand label registration
- Price posting

Liquor license

The licensing review process is dependent on the type of application or permit applied for, the current volume of applications, and the completeness and accuracy of the application submitted. The review process currently takes approximately 22-26 weeks for most types of applications. There are four main groups of liquor licenses:

- On-premises licenses (bars, restaurants, taverns, hotels)
- Off-premises licenses (liquor stores, wine stores, grocery stores, convenience stores, drug stores)
- Manufacturing licenses (breweries, wineries, distilleries, cideries, meaderies)
- Wholesale licenses (beer wholesalers, wine wholesalers, importers)

For brands, an *importer license*²⁶ is needed. The fee for the license is USD 375.

²⁴ <https://www.ttb.gov/images/pdfs/forms/f56305d.pdf>

²⁵ <https://www.ttb.gov/wine/alcohol-beverage-control-boards#US>

²⁶ https://www.businessexpress.ny.gov/app/answers/cms/a_id/3719/kw/alcoholic%20beverage%20wholesaler

Brand label registration

The NYSLA requires *brand label registration*²⁷ for all liquor, beer, and wine products sold in New York. Each coverage period is three years long, and the fees vary among alcohol categories and if the label is new or previously registered.

	BEER	WINE	CIDER	LIQUOR
NEW BRAND LABEL	\$150 - 450	\$50 - 150	\$150 - 450	\$250 - 750
RENEWAL	\$450	\$150	\$450	\$750

Figure 16. New York state brand label registration fees, USD

Price posting

The NYSLA also requires that all alcoholic beverage products must be price posted with the authority before the products can be sold in New York. There are two different types of price posting required by the NYSLA:

- *Retail price posting*: Due by the 25th of each month, two months prior to the month of sale. Manufacturers selling through a New York State wholesaler must also post the prices
- *Wholesaler price posting*: Due by the 5th of each month, one month prior to the month of sale. Manufacturers selling directly to New York State licensed retailers must also post the prices

The exact type of price posting that a company must undergo will depend on a few things:

- (1) Their license with NYSLA
- (2) Whether they are located inside New York state or outside
- (3) Whether they will self-distribute the product
- (4) Whether or not they have retail privileges

Price schedules are filed electronically²⁸. A new price schedule must be filed for each month. However, wineries and farm wineries can file their schedules once a year and only need to update the schedules if prices change.

²⁷ <https://sla.ny.gov/brand-label-registration>

²⁸ <https://sla.ny.gov/price-posting>

THE TIME TO GROW IN THE US IS NOW

The US food service industry represents vast potential for Swedish food, beverage, and alcohol brands, but a strategic approach is imperative to achieve both short- and long-term success. With positive signs of recovery from the pandemic on the horizon, growth opportunities remain solid across the entire geographical vastness of the US.

The complexities of the US food service industry explored in this report are navigable if a strategic and informed approach is chosen, and given the potential returns, the market is one not to be dismissed.

Try Swedish, as part of Business Sweden, have been working with Swedish companies in the US food and beverage sector for many years, and this experience and vast local knowledge can be leveraged to shorten time to market, accelerate sales, connect with local distributors and partners, and enable local set up.

Our teams located in New York, Chicago, and San Francisco build and implement brand specific strategies, put Swedish companies at the biggest food and beverage trade fairs across the US, connect you with the right local partners, and put your products in one of the world's largest food service industries.

*We help Swedish companies grow global sales and international companies
invest and expand in Sweden.*

BUSINESS-SWEDEN.COM

BUSINESS SWEDEN Box 240, SE-101 24 Stockholm, Sweden

World Trade Center, Klarabergsviadukten 70

T +46 8 588 660 00 F +46 8 588 661 90

info@business-sweden.se

Business Sweden US Offices

Chicago

150 N Michigan Avenue, Suite 1950, Chicago, IL 60601

New York

295 Madison Avenue Floor 40, New York, NY 10017

San Francisco

100 Montgomery Street, Suite 1780, San Francisco, CA 94104



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