



**BREWERS ASSOCIATION
CRAFT BREWER DEFINITION UPDATE
FREQUENTLY ASKED QUESTIONS**

December 18, 2018

What is the new definition?

An American craft brewer is a small and independent brewer.

Small: Annual production of 6 million barrels of beer or less (approximately 3 percent of U.S. annual sales). Beer production is attributed to a brewer according to rules of alternating proprietorships.

Independent: Less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer.

Brewer: Has a TTB Brewer's Notice and makes beer.

Why the change?

We are committed to staying relevant in a fast-evolving industry. As it reads today, the previous “traditional” pillar of the definition stifles the innovation that our breweries are using to survive or succeed.

In a recent survey of our members, we found that approximately 40 percent of the membership is already brewing—and more than half would consider making in the future—products that fall outside the existing Brewers Association traditional pillar, such as cider or mead or products taxed as beer (hard seltzers/flavored sugar beverages/sake/alcoholic kombucha, etc.).

Furthermore, nearly half surveyed said they'd entertain making beers that contain CBD or THC (components of cannabis) should the regulatory structure change federally around those potential products.

As an organization “for us” and “by us,” the BA members “define ourselves” and we would be remiss to not evolve as our industry does. The Brewers Association is not in a position to police what our members make. It is logical to have a definition that is broad

enough to allow unforeseen innovation as long as a company has a TTB Brewer's Notice and is small and independent.

When will this change take effect?

The changes were approved during the November board meeting and will take effect immediately. The new definition will be used in conjunction with the 2018 data set.

When will the definition change again?

The definition is a living document and will continue to evolve when innovation, legislative conditions, customer preferences, and/or unforeseen circumstances necessitate change. The Brewers Association board of directors currently reviews the association's foundational documents in even-numbered years. Any changes are made with careful consideration, thoughtful deliberation, and input from our membership.

What were the previous changes to the definition?

In 2007, a minor change removed the provision that craft beer only comes from craft brewers. In 2010, the "small" section of the definition was adjusted from 2 million to 6 million barrels. In 2014, the definition was broadened to allow and remove the subjectivity around adjunct beers, include the concept of innovation, and moved a flavored malt beverage exclusion to the traditional section of the definition. The history through May 2018 is [here](#).

Will breweries making less than 50 percent beer now be eligible to be defined as a craft brewer?

Yes, as long as they meet the small and independent components of the craft brewer definition, have a TTB Brewer's Notice, and make beer.

Doesn't this change create more of a vague understanding of who is or is not a craft brewer? Will it lead to having members who don't really fit?

This update is designed to be more inclusive, allowing craft brewers to keep their creative and innovative pathways open.

What products are counted for the craft data set?

Based on guidance from the board of directors and member feedback, the craft brewer data set will continue to use the trade understanding of beer, which includes all-malt beers and adjunct beers, but not flavored malt beverages, flavored sugar beverages such as hard seltzers, or other products taxed at the same rate as beer but that are generally acknowledged to be different products, such as sake or high alcohol kombucha.

How does dropping "traditional" affect the craft data set?

The proposed change should have little impact on that data. The craft data set largely captures "products that meet the trade understanding of beer," basically "all-malt and adjunct beers, as well as gluten-free beers." We have not, and will not, include FMBs, seltzers, ciders, mead, sake, or other similar products. Removing the "traditional" pillar won't boost the BA's craft beer volume with products that aren't really craft beer; it will

simply allow companies for which less than half of their volume is craft beer to be voting members and to have their craft beer volume counted by the BA.

How does the Brewers Association define beer?

Based on guidance from the board of directors and member feedback, the Brewers Association craft brewer data set will continue to use the trade understanding of beer, which includes all-malt beers and beers with adjuncts, but not flavored malt beverages, flavored sugar beverages such as hard seltzers, or other products taxed at the same rate as beer but that are generally acknowledged to be different products, such as sake or high alcohol kombucha.

How can you say that a company primarily producing cider and spiked seltzer or a winery is more of a “craft brewer” than an established brewery who is primarily focused on beer, but who happens to have a 30 percent stake of the company owned by another, larger beverage alcohol company? While these breweries certainly produce beer, they do not meet the independent pillar of the BA craft brewer definition. Their ownership status enables them to have access to materials and advantages in the marketplace that independent brewers do not.

If you’re making the argument that many brewers no longer need to be traditional as a means to innovate and survive, you could make the argument that many brewers need to “sell out” for the same reasons. Why wouldn’t you adjust the definition for those breweries who share more of a common interest than say a cidery or winery?

Many small and independent craft breweries are looking to expand and find new points of entry to market. The Brewers Association respects every business owner’s rights to make their own decisions regarding how they grow their business. The 25 percent ownership dividing line for the craft brewer data set has been a part of the definition since it was formally created in 2006.

What about private equity?

It is our belief that private equity companies do not have the benefits of undue influence over distribution or raw materials access and serve the same function as providing investment from family, friends, or banks. Brewers owned by private equity companies that meet the definition will continue to be included in the craft data set.

What about companies with 25 to 50 percent ownership by large brewers (or other beverage alcohol companies that are not craft brewers)?

Large brewers can have significant advantages at distribution and in obtaining raw materials that are not available to most small brewers. These companies remain outside the craft data set.

What about contract brewing companies?

Contract brewing companies do not possess a Brewer’s Notice and will remain outside of the craft data set. If contract beer is produced at a craft brewery, those barrels will be

included in the craft data set. For statistical purposes and understanding markets, we will continue to list contract brewing companies in annual data reports.

What about alternating proprietorships?

Alternating proprietors have Brewer's Notices and will continue to be included in the craft data set.

Are you doing this to keep Boston Beer in the craft data set?

This move was not made because of Boston Beer, but the timing of evaluating and revising the definition is related to Boston Beer. Other companies will be facing a similar circumstance in the coming years and it's natural that the largest small and independent brewers would get there first. Keeping one of our largest voting members, Boston Beer Company, in the craft data set bolsters the association's arguments for shelf space, government affairs capability, and technical program contributions.

Is the craft brewer definition meaningless?

The Brewers Association craft brewer definition is more relevant than ever in this climate—particularly the “independent” piece of the definition. The shift helps allow for innovation and ingenuity. The small and independent pillars remain and are guideposts for beer lovers who want to seek and support these values.

Are you worried about the association or craft brewers becoming a target because of the definition change?

The Brewers Association exists for us (brewers), is governed by us, and stands ready to promote and protect us. The definition serves our needs as small businesses with common challenges and related business models. We define ourselves and any changes are made with careful consideration and thoughtful deliberation. We would be remiss to not evolve as our industry does.

Definitions can and do evolve over time. That goes with the progress of a thriving culture. As new innovations occur, the Brewers Association must be positioned to support them in order to keep pace with the evolving world of beer.

Is this just a PR move on the part of BA to keep craft beer growth in the positive?

Absolutely not. While craft beer continues to grow, that growth has stabilized at a slower rate than in previous years. With more than 7,000 craft breweries now in operation in the U.S., we expect growth to remain steady, albeit slow.

What feedback did you receive from members?

Prior to the November meeting, voting members were invited to provide feedback on the proposed change. The comment period lasted two weeks and responses were received from all types (i.e., packaging, taproom, brewpub) of brewers. The majority of respondents were in favor of the definition update. There was no trend in responses based on brewery size or type.

How will this change what brands can use the independent craft brewer seal?

The update to the craft brewer definition is more inclusive. Craft breweries previously using the seal on their beers are not affected. U.S. craft breweries who have signed the license agreement are encouraged to use the seal on their brewery packaging and in their brewery marketing. Craft breweries are not licensed to use the seal on anything that is not related to beer.