



# STATE — of the — INDUSTRY



**Bart Watson**  
Chief Economist

# An American craft brewer is a **small & 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.



# Talk Outline

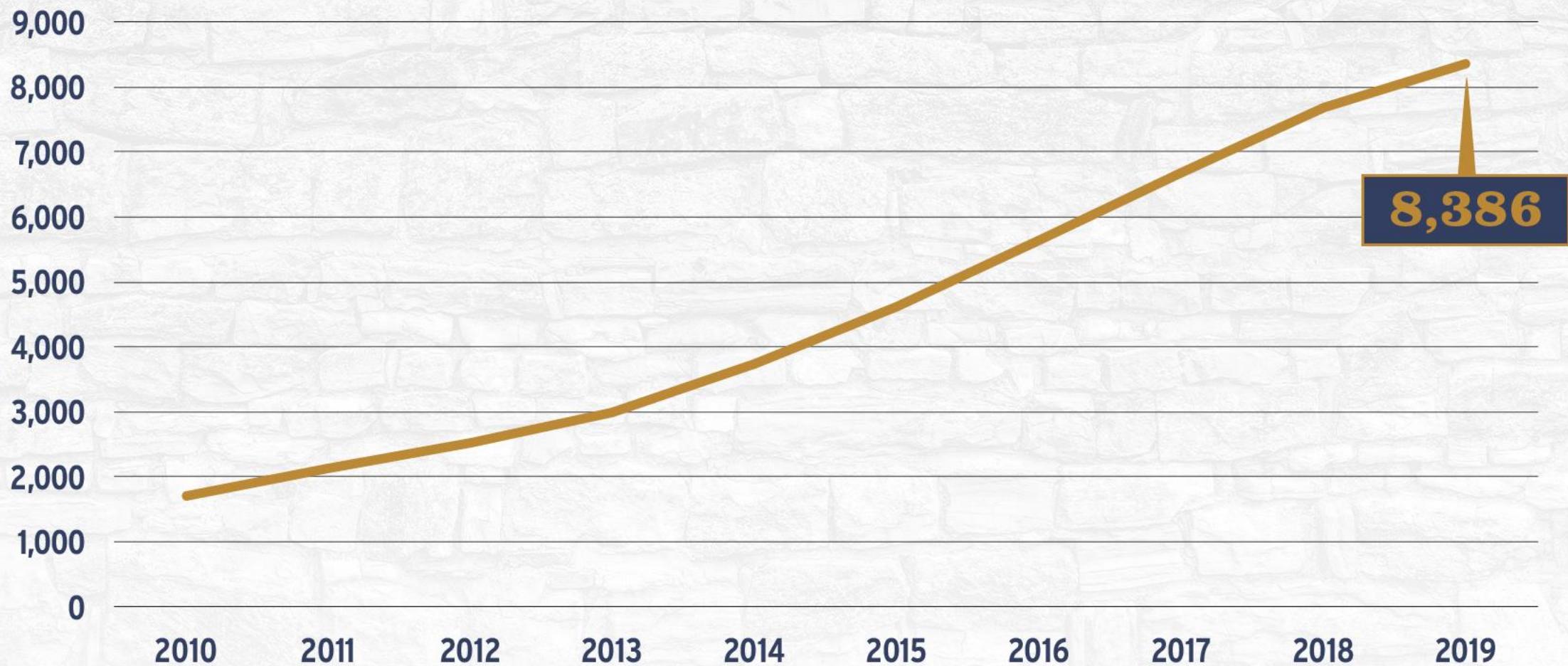
- Brewery growth and the “at the brewery” decade
- Changing craft growth and segments
- At-the-brewery and new brewery sales
- The evolving consumer



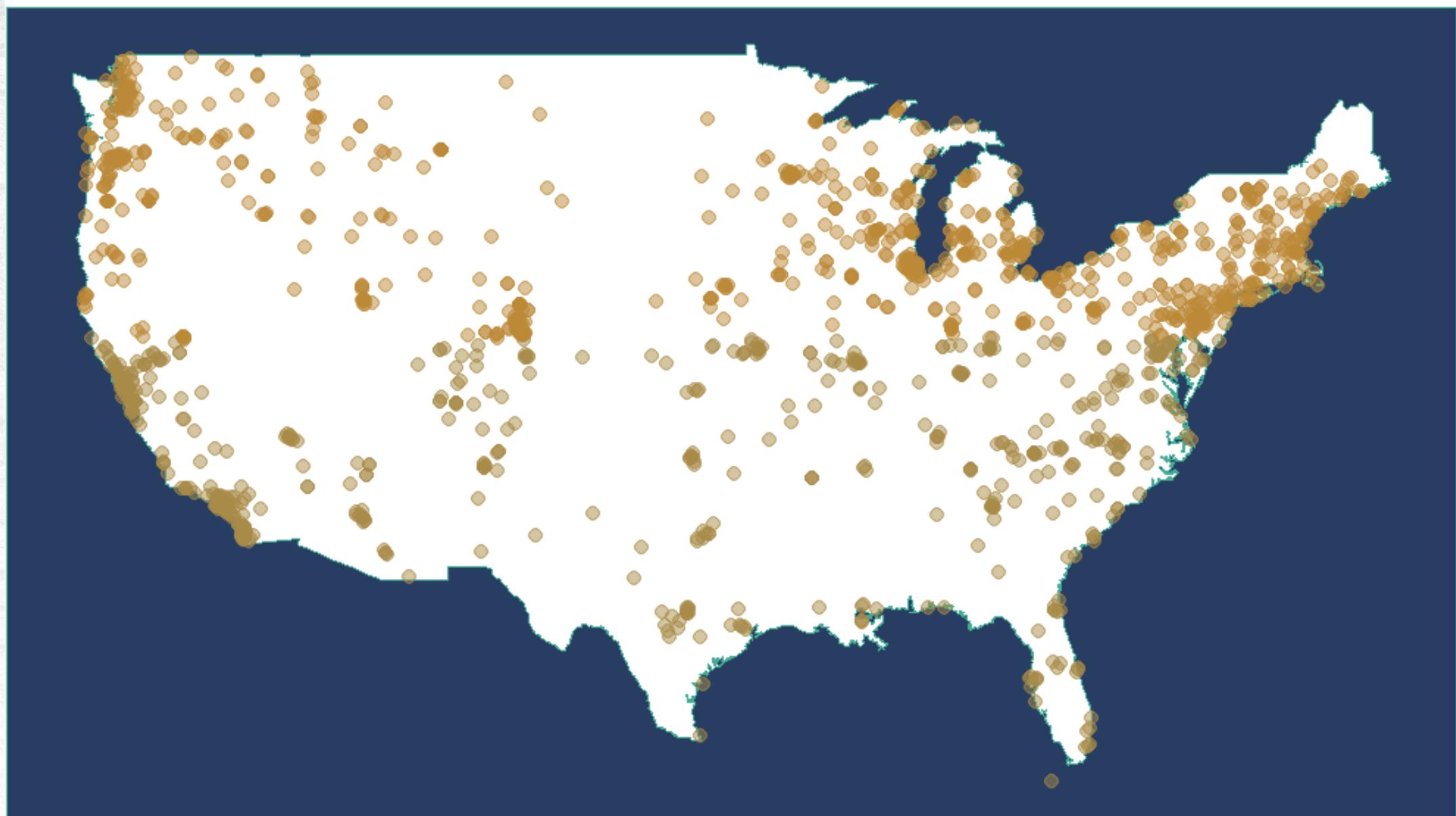
# THE “AT THE BREWERY” ERA



# 2010–2019 Operating Breweries



Breweries on Date: 2010-01-01



# United States Right Now

**8,386**

**operated in 2019**

**8,146**

**Active Breweries**  
**(right now)**

**11,827**

**Active TTB Permits**  
**(as of 3/31/2020)**

# Brewery Closings



2015: **105**  
2016: **120**  
2017: **202**  
2018: **242**  
2019: **294**

# Brewery Openings

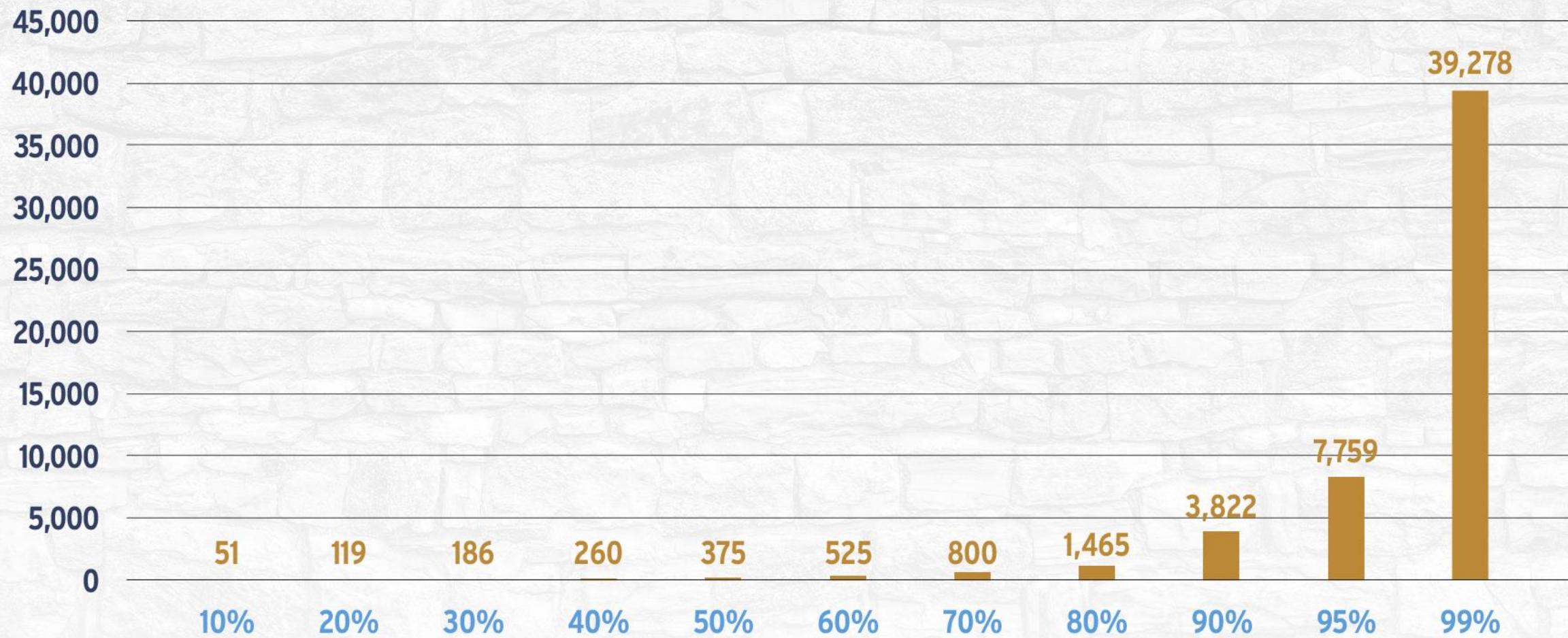


2015: **921**  
2016: **1,080**  
2017: **1,198**  
2018: **1,121**  
2019: **942**

## How many are really new?

	Secondary Location	New Company	Secondary as % of Total
2017	97	1009	8.8%
2018	134	987	12.0%
2019	131	811	13.9%

# Craft Control Group Size by Percentile



# Opens/Closes as % of Operating Breweries 1988–2019



# Sales Growth

*slowing;*

CHANGING,

f r a c t u r i n g

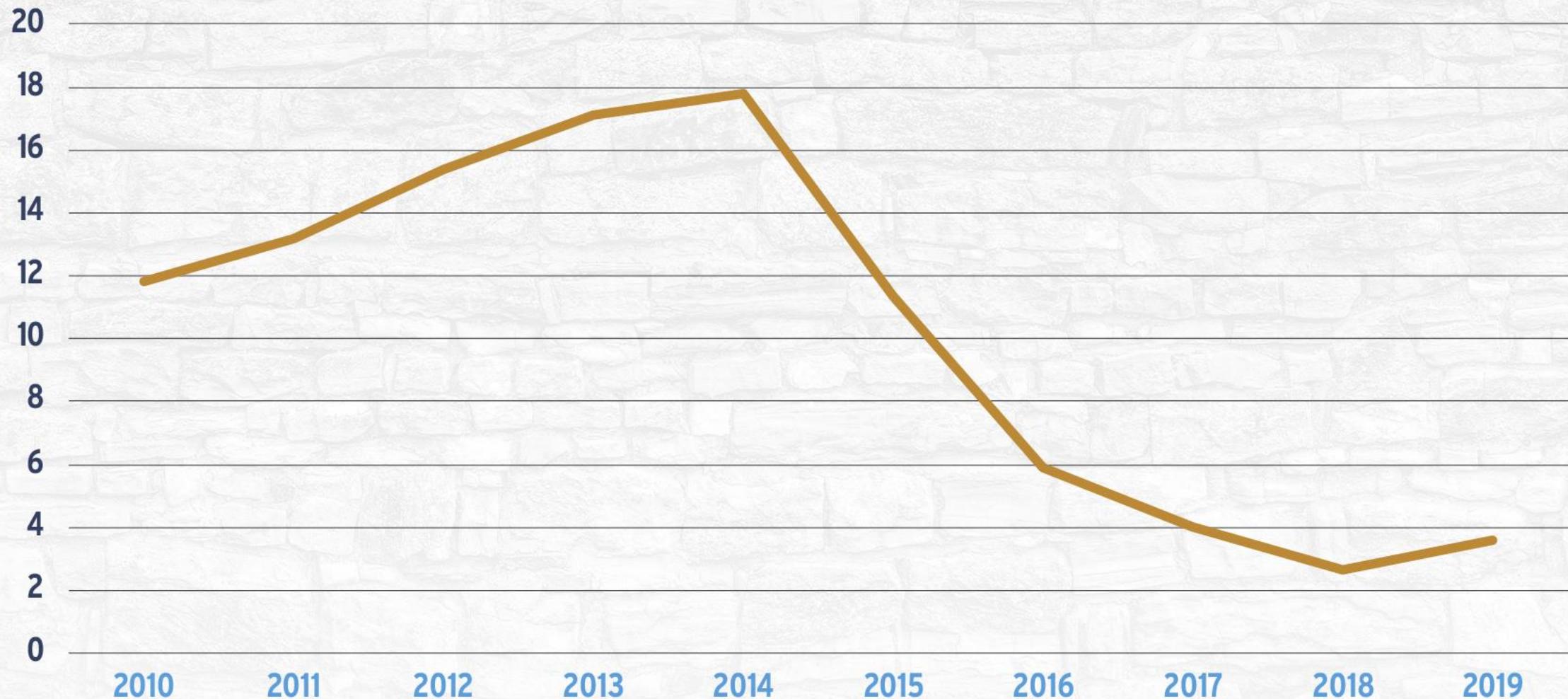
# 4%

VOLUME GROWTH

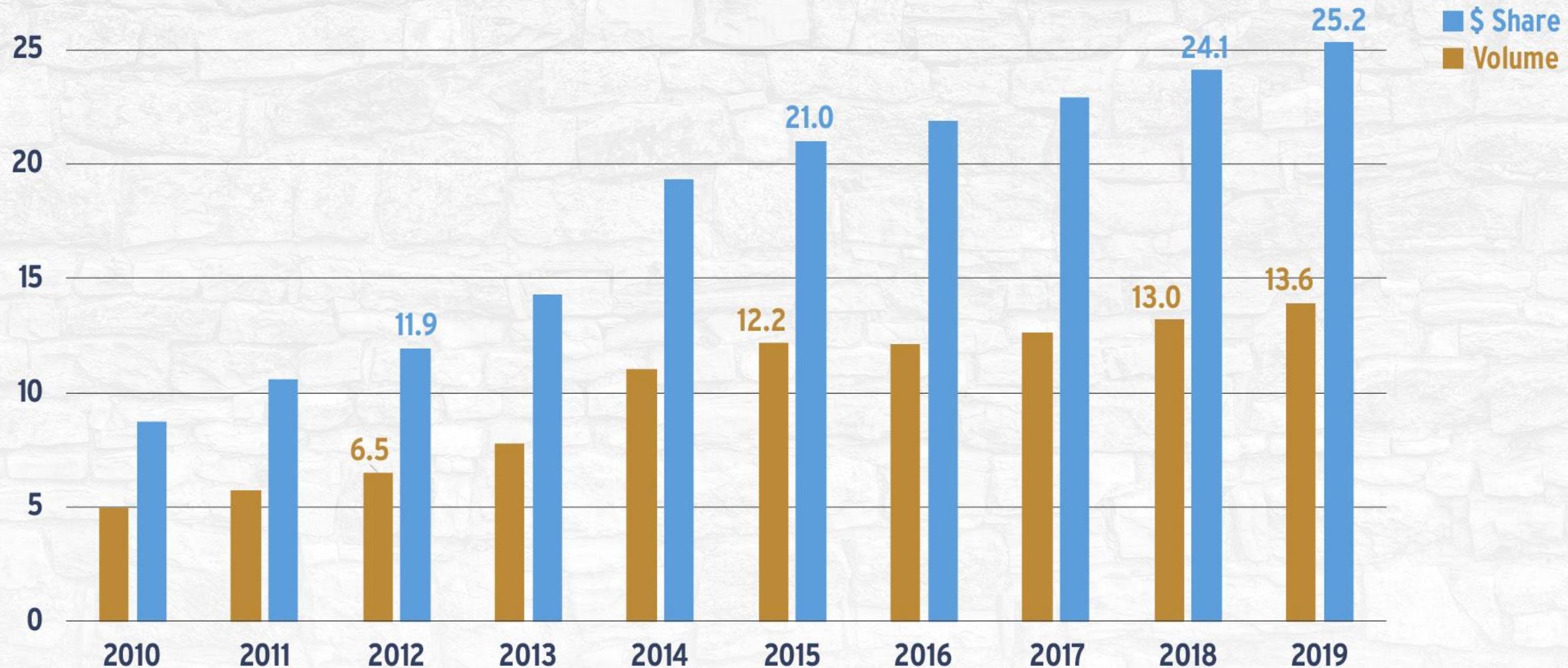
# 6%

DOLLAR SALES

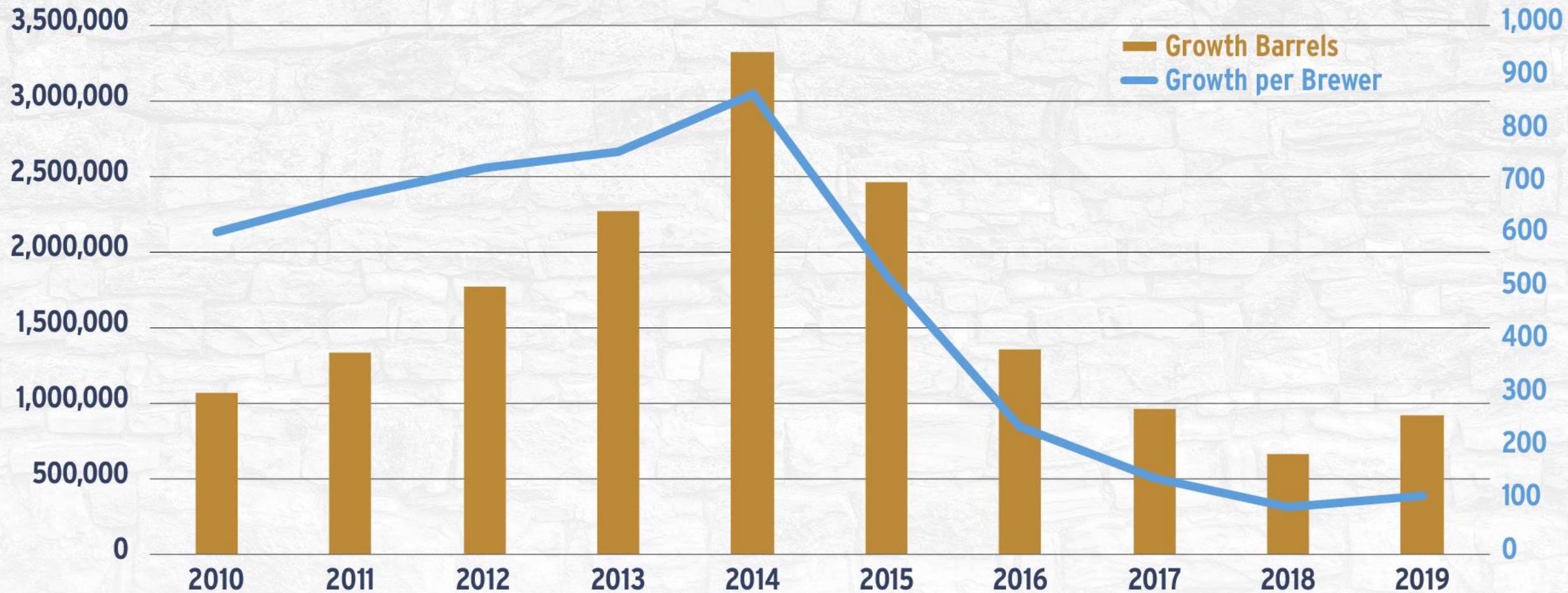
# Craft Production Growth Rate



# Craft Volume and Dollar Share Over Time



# Craft Growth, Reframed



# BREWPUBS



7%

GROWTH

1,618,000  
BARRELS

# MICROS



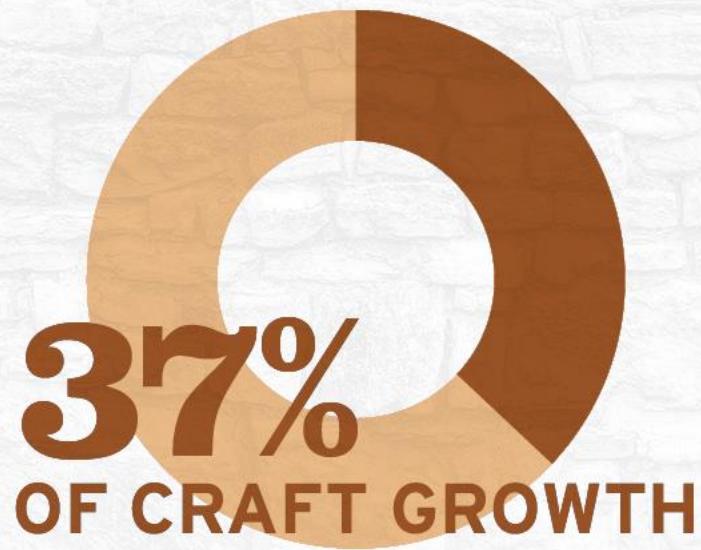
6%

GROWTH

4,889,000  
BARRELS

# TAPROOMS

First year with full data,  
almost **3,000** taproom brewers



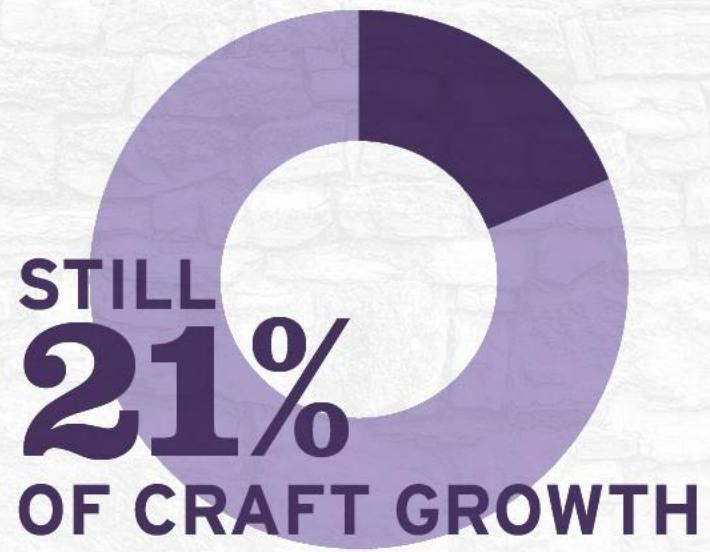
**26%**

**GROWTH**



**1,616,000  
BARRELS**

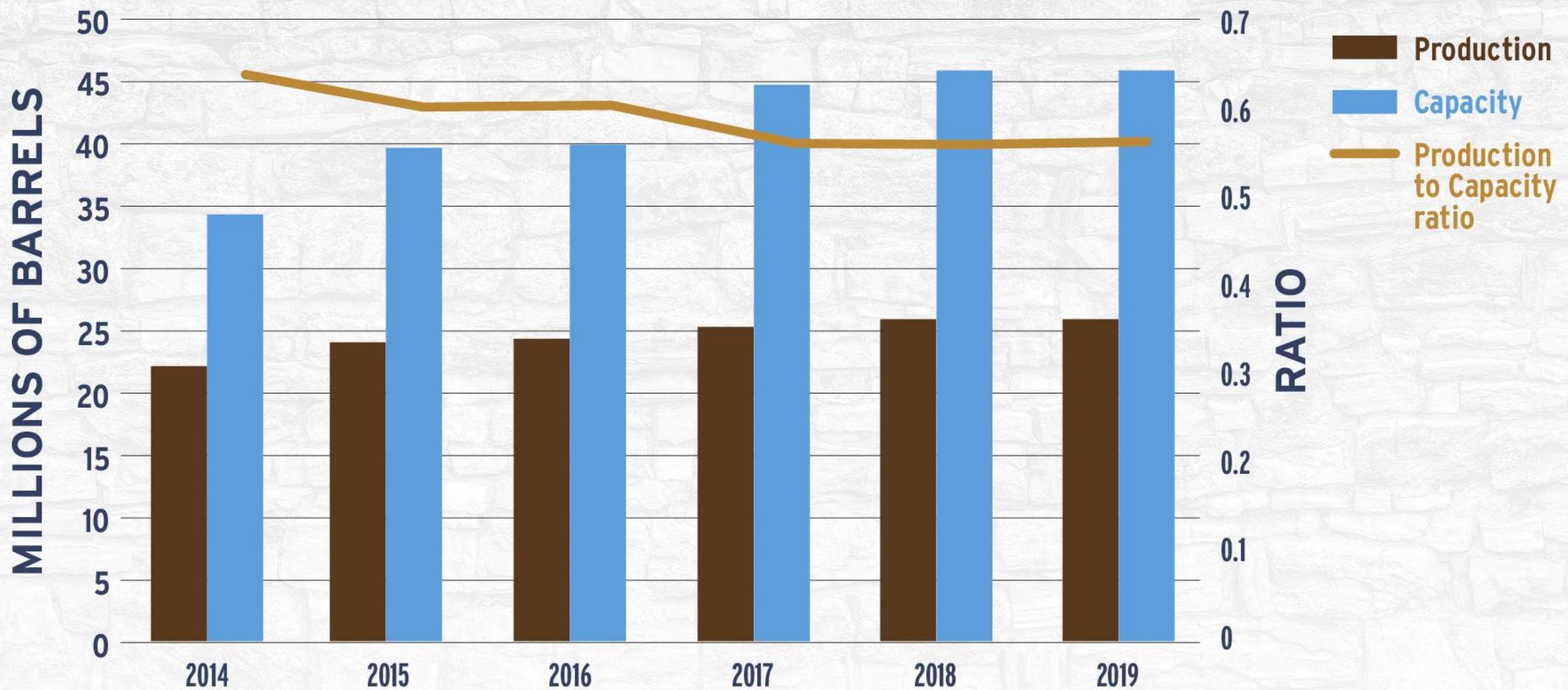
# REGIONALS



1%

GROWTH

**17,919,000  
BARRELS**

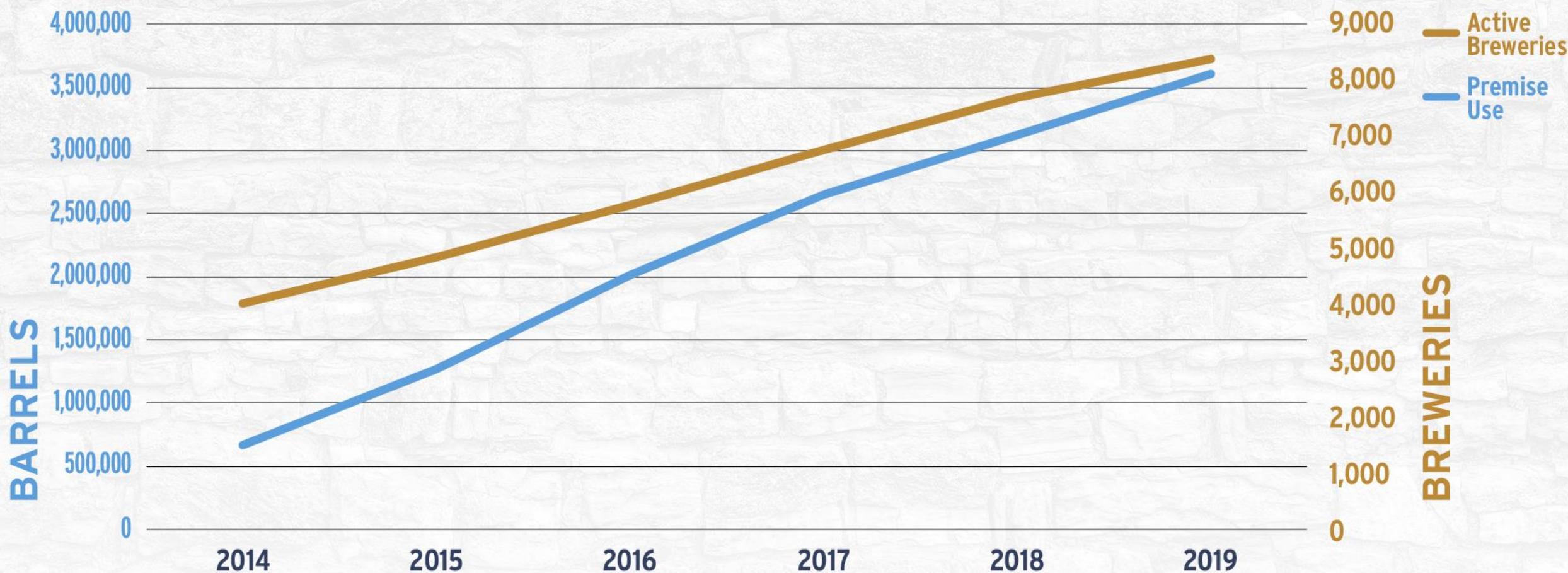


# One Implication, Weaker Pricing

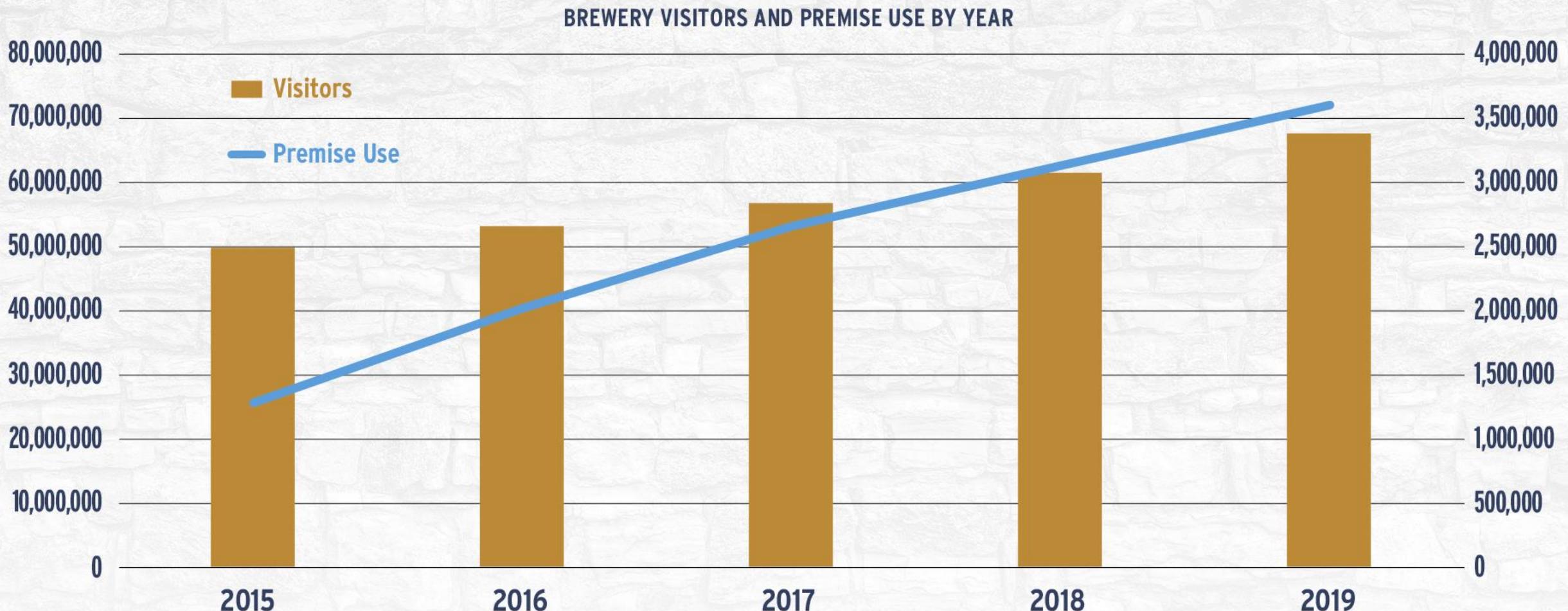
Year	CE Avg Price	6 Pack Avg Price	CE Price Growth	6 Pack Price Growth
2015	\$36.43	\$9.31		
2016	\$37.59	\$9.59	3.2%	3.0%
2017	\$38.27	\$9.82	1.8%	2.4%
2018	\$38.90	\$10.02	1.6%	2.0%
2019	\$39.33	\$10.16	1.1%	1.4%

Source: IRI Group, Total US, MULO+C, BA Analysis

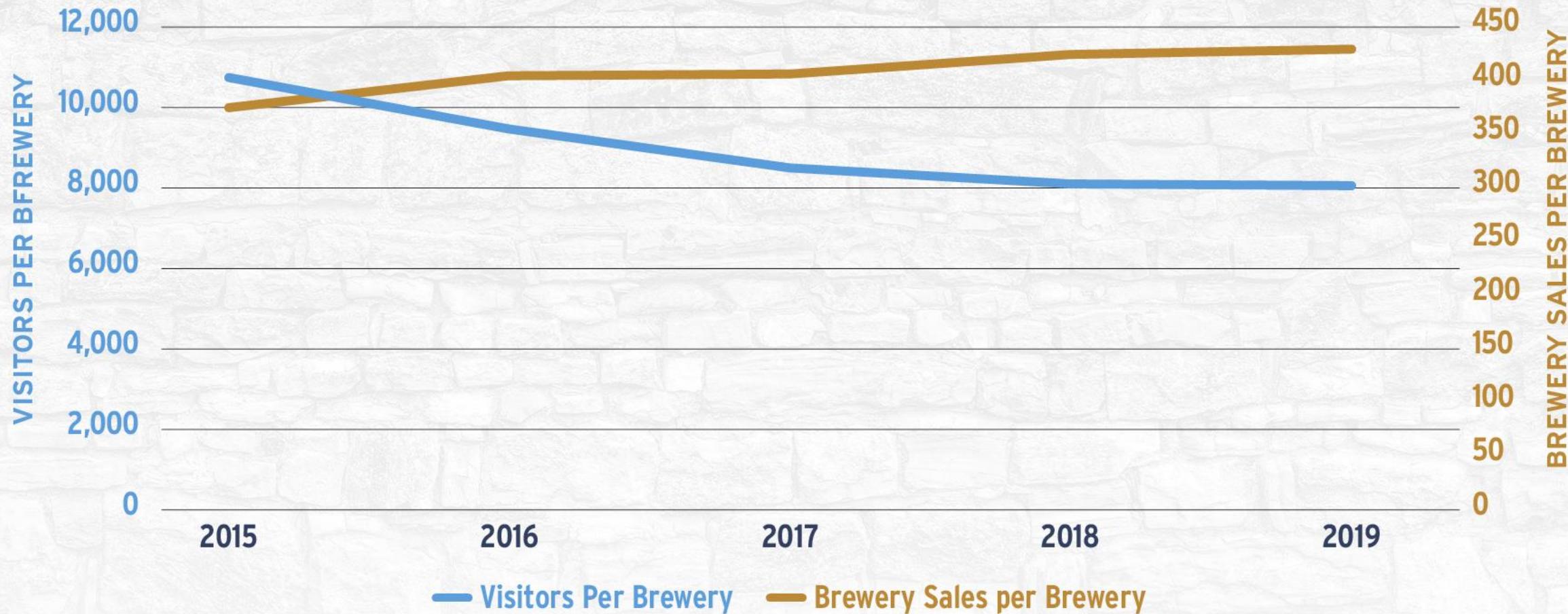
# Growth at the Brewery Premise Use and Active Breweries



# Driven by Increased Demand, But...



# Warning Signs?



# New and slowdown at existing

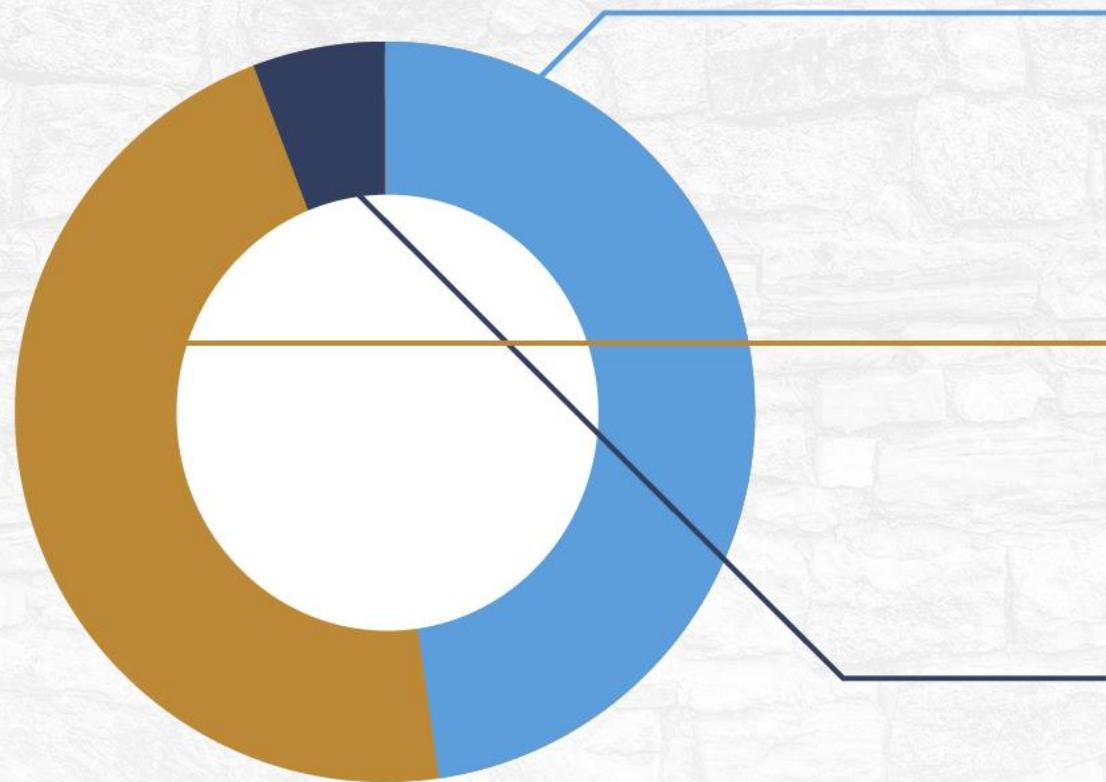
Founded Year	% Onsite	Rough Barrels	Onsite Barrels
2017	41%	650,000	265,000
2018	55%	500,000	275,000
2019	72%	250,000	180,000

*Doing math, suggests 4% growth  
for anyone not in year 1 or 2*

Brewery Founded Year	Onsite Sales Growth %
Pre-2010	-1%
2010 to 2015	6%
2016 to 2017	12%
2018	86%

*Median pre-2018 4%*

# Contributions to Craft Growth by Founded Date



founded  
**2018-2019**

GROWTH:  
**48%**

founded  
**2015-2017**

GROWTH:  
**46%**

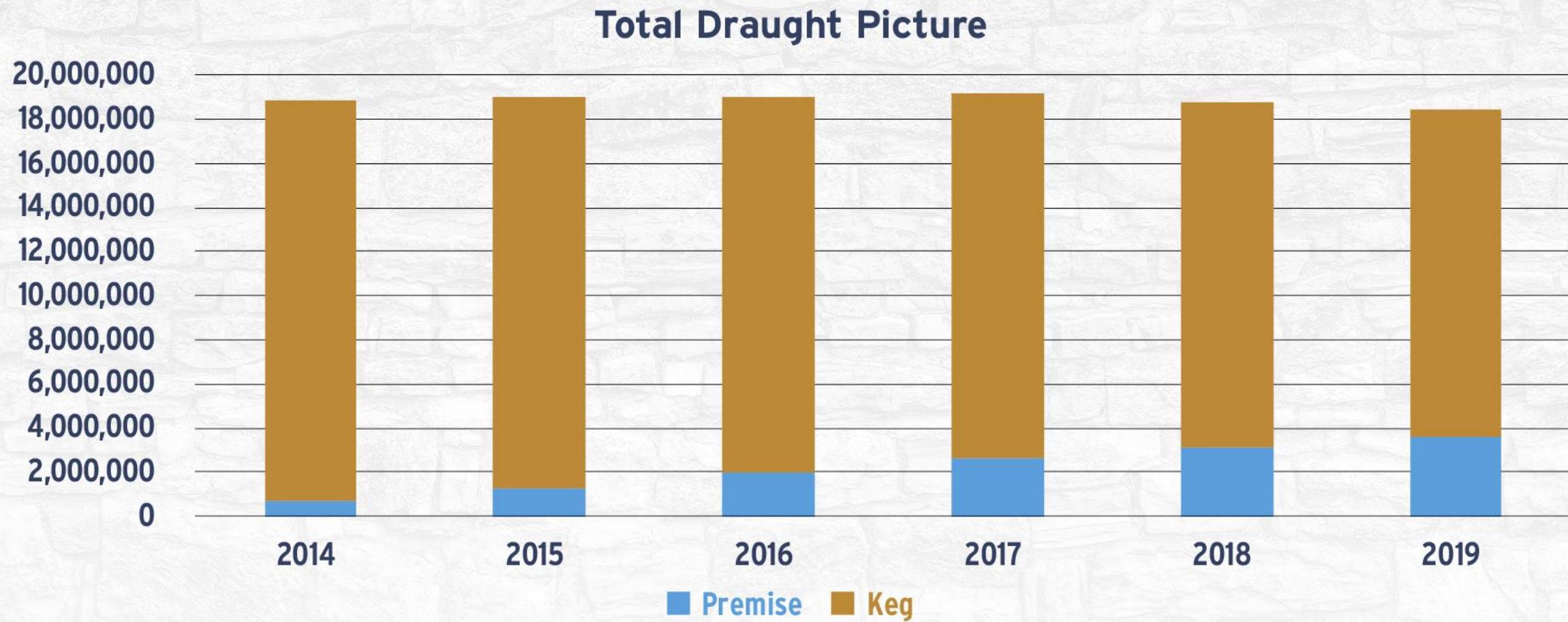
founded  
**2014 or earlier**

GROWTH:  
**6%**

## Similarities? Weaknesses

- COVID exposed weaknesses, but independent of that
- Last crunch happened when too many people made the same bet at once (distribution)
- Are we seeing this again?  
Just with taproom/brewpub sales?
- One to watch - the health of most of our members depends on that growth

# The Flip Side: Distributed Draught (all beer)



FINALLY **CONSUMER TRENDS** WITH TWO CAVEATS:

**What's a Style?**

**Harder to see growth  
in a fractured world.**

# Styles



## WHAT'S GROWING?\*

### Top 5 (2019) =

- American IPA
- Imperial IPA
- American Lager
- Other IPA
- Blonde Ale

\*IRI Group Scan Data

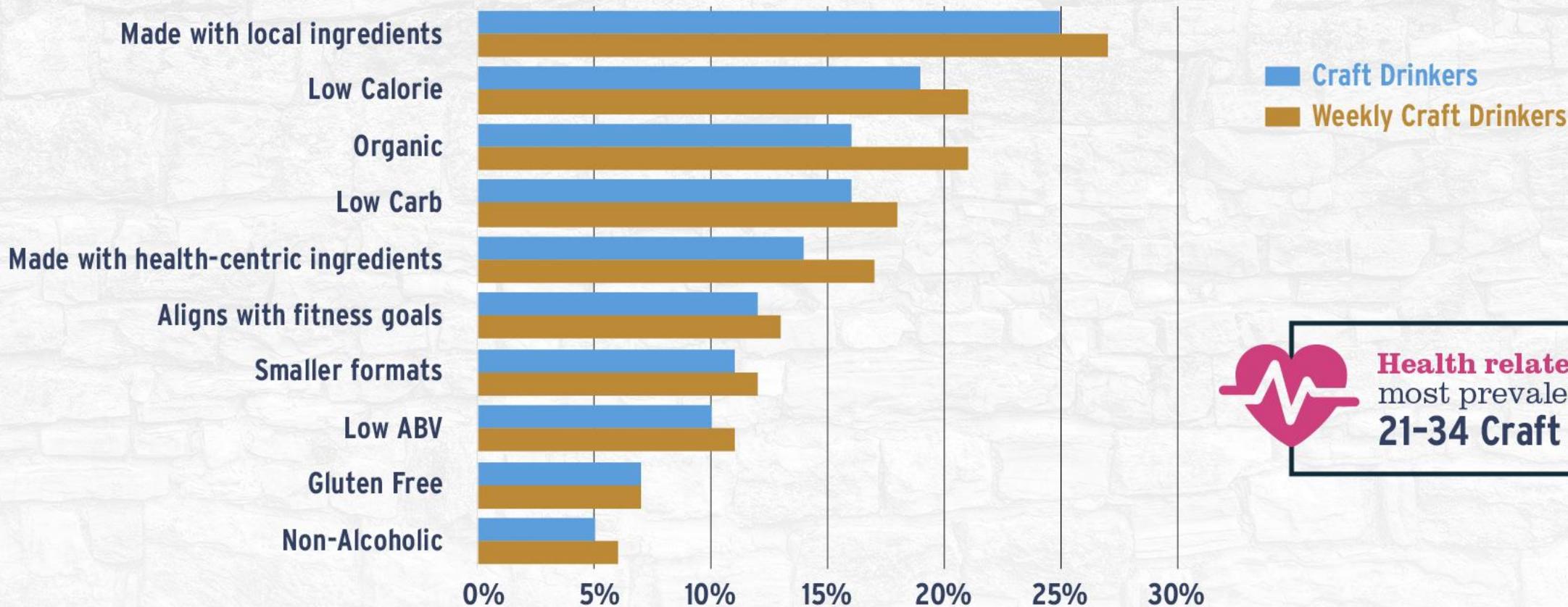
	WHAT'S WINNING?	WHAT'S LOSING?
<b>Female Craft Drinkers</b>	<b>Crisp (+9%)</b> <b>Fruity (+9%)</b> <b>Juicy/Hazy (+8%)</b>	<b>Dark (-10%)</b> <b>Hoppy (-4%)</b> <b>Malty (-10%)</b>
<b>Male Craft Drinkers</b>	<b>Dark (+4%)</b> <b>Malty (+4%)</b>	<b>Crisp (-3%)</b> <b>Juicy/Hazy (-4%)</b> <b>Fruity (-4%)</b>
<b>21-34 Craft Drinkers</b>	<b>Tart (+8%)*</b> <b>Hoppy (+5%)</b> <b>Malty (+5%)</b>	
<b>35-44 Craft Drinkers</b>	<b>Dark (+8%)</b> <b>Juicy/Hazy (+7%)</b> <b>Spicy (+4%)</b>	

**SOURCE:** Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)

**NOTE:** Percent compared to average net interest (read as: Female Craft Drinkers are 9% more interested in Crisp beers than the average Craft Drinker)

# Don't Just Think in ABV

Q: Which of the following mindful drinking choices are you more interested in now compared to a few years ago when it comes to consuming craft beer?

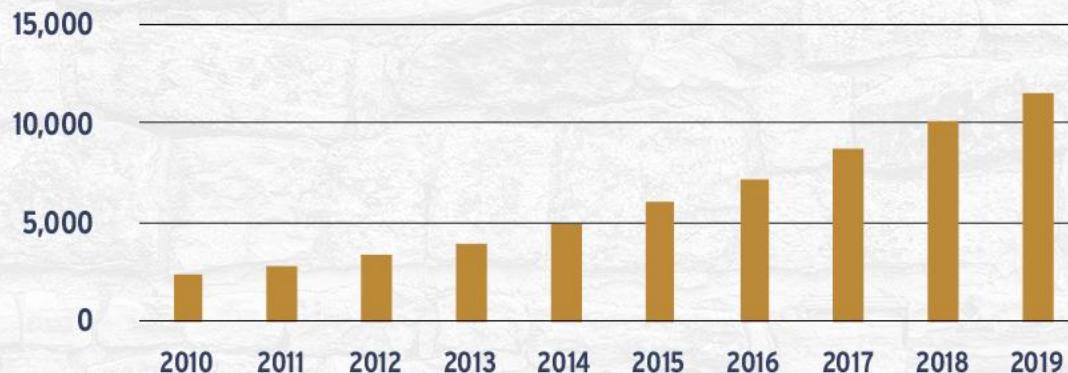


**Health related options**  
most prevalent among  
**21-34 Craft Drinkers**

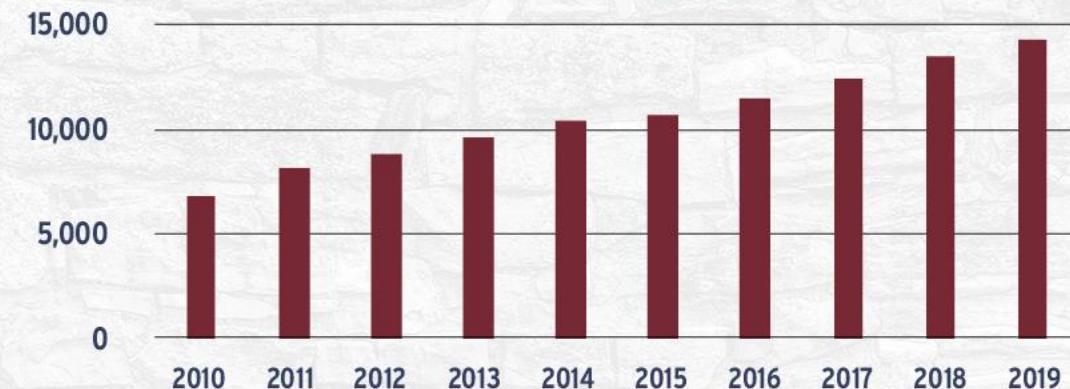
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# Total U.S. Alcohol Beverage Permits Grow Across All Segments

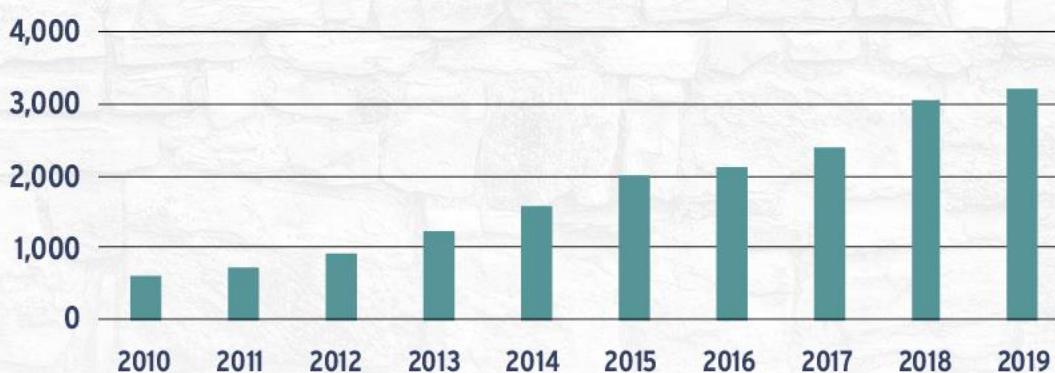
**U.S. Brewery Permits**



**U.S. Winery Permits**



**U.S. Distillery Permits**



Almost 30,000 permitted alcohol suppliers in U.S. +20,000 in past 10 years:

**2010 = 9,803**

**Current = 29,007**

## Beyond Beer?

- 1.6% of volume for regionals  
**Growing 157%**
- 3.3% for micros/brewpubs/taprooms  
**Growing 132%**
- 21.1% of breweries reporting some production  
of non-beer beverage alcohol



**CRAFT  
BEER  
SALES  
ARE AT AN  
ALL TIME  
HIGH**



**Bart Watson**

Chief Economist

# CHEERS!

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