

Craft Beer Industry Update

Damon Scott

Technical Brewing Projects Coordinator



Brewers Association Technical Committee

Draught Beer Quality

Quality

Safety

Sustainability

Supply Chain

Engineering

Information Technology



Brewers Association Technical Resources

The image is a screenshot of the Brewers Association website. At the top, there is a dark blue header with "My Account" and "Logout" on the left, and "CALENDAR" on the right. Below the header is a white navigation bar. On the left of this bar is the Brewers Association logo (BA BREWERS ASSOCIATION). To the right of the logo is the text "BREWERS ASSOCIATION" in a large, bold, brown font, followed by "A PASSIONATE VOICE FOR CRAFT BREWERS" in a smaller, grey font. Further right is a search bar with a magnifying glass icon and the text "FIND A S...". Below the navigation bar is a horizontal menu with several items: "BEST PRACTICES", "RESOURCES", "BUSINESS TOOLS", "STATISTICS", "GOVERNMENT AFFAIRS", "GUILDS", and "BREW PUBS". The "BEST PRACTICES" item is circled in red. Below the navigation bar is a large featured article. On the left side of the article is a photograph of a woman with glasses drinking from a beer glass. Overlaid on the bottom of the photo is a red banner with the text "BEER NUTRIENT DATABASE" in white and yellow, and the BA logo. To the right of the photo is a dark brown box with the text "INDUSTRY UPDATES" in white. Below this box is the article title "BA RELEASES BEER NUTRIENT DATABASE FOR FDA CHAIN RESTAURANT MENU LABELING REQUIREMENTS" in bold black text. Below the title is a paragraph of text: "New Brewers Association Beer Nutrient Database facilitates compliance with FDA Menu Labeling Requirements for Chain Restaurants Beginning May 5, 2017, the Food and Drug Administration ...MORE". In the bottom right corner of the screenshot is a small BA logo.

My Account Logout CALENDAR

BA
BREWERS
ASSOCIATION

BREWERS ASSOCIATION
A PASSIONATE VOICE FOR CRAFT BREWERS

FIND A S...

BEST PRACTICES | RESOURCES | BUSINESS TOOLS | STATISTICS | GOVERNMENT AFFAIRS | GUILDS | BREW PUBS

INDUSTRY UPDATES

BA RELEASES BEER NUTRIENT DATABASE FOR FDA CHAIN RESTAURANT MENU LABELING REQUIREMENTS

New Brewers Association Beer Nutrient Database facilitates compliance with FDA Menu Labeling Requirements for Chain Restaurants Beginning May 5, 2017, the Food and Drug Administration ...**MORE**

BA
BREWERS
ASSOCIATION

BA
BREWERS
ASSOCIATION



Bart Watson, Chief Economist for the Brewers Association, is a stats geek, beer lover, and Certified Cicerone®. He holds a PhD from the University of California, Berkeley, where in addition to his dissertation, he completed a comprehensive survey of Bay Area brewpubs one pint at a time. You can follow him on Twitter [@BrewersStats](#).

[See Bart Watson's recent articles and activities.](#)



Chris Swersey lives in Salmon, Idaho. He serves as supply chain specialist, seeking out long-term opportunities to ensure BA members have access to a sufficient supply of high quality ingredients. He represents the BA at the Brewing and Malting Barley Research Institute, the National Barley Growers Association, and on the Hop Research Council.

BA CRAFT BREWER DEFINITION:

**An American craft
brewer is small,
independent and
traditional.**

Small

- Annual production of 6 million barrels of beer or less (approximately 3 percent of U.S. annual sales). Beer production is attributed to the rules of alternating proprietorships.

Independent

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

Traditional

- A brewer that has a majority of its total beverage alcohol volume in beers whose flavor derives from traditional or innovative brewing ingredients and their fermentation. Flavored malt beverages (FMBs) are not considered beers.



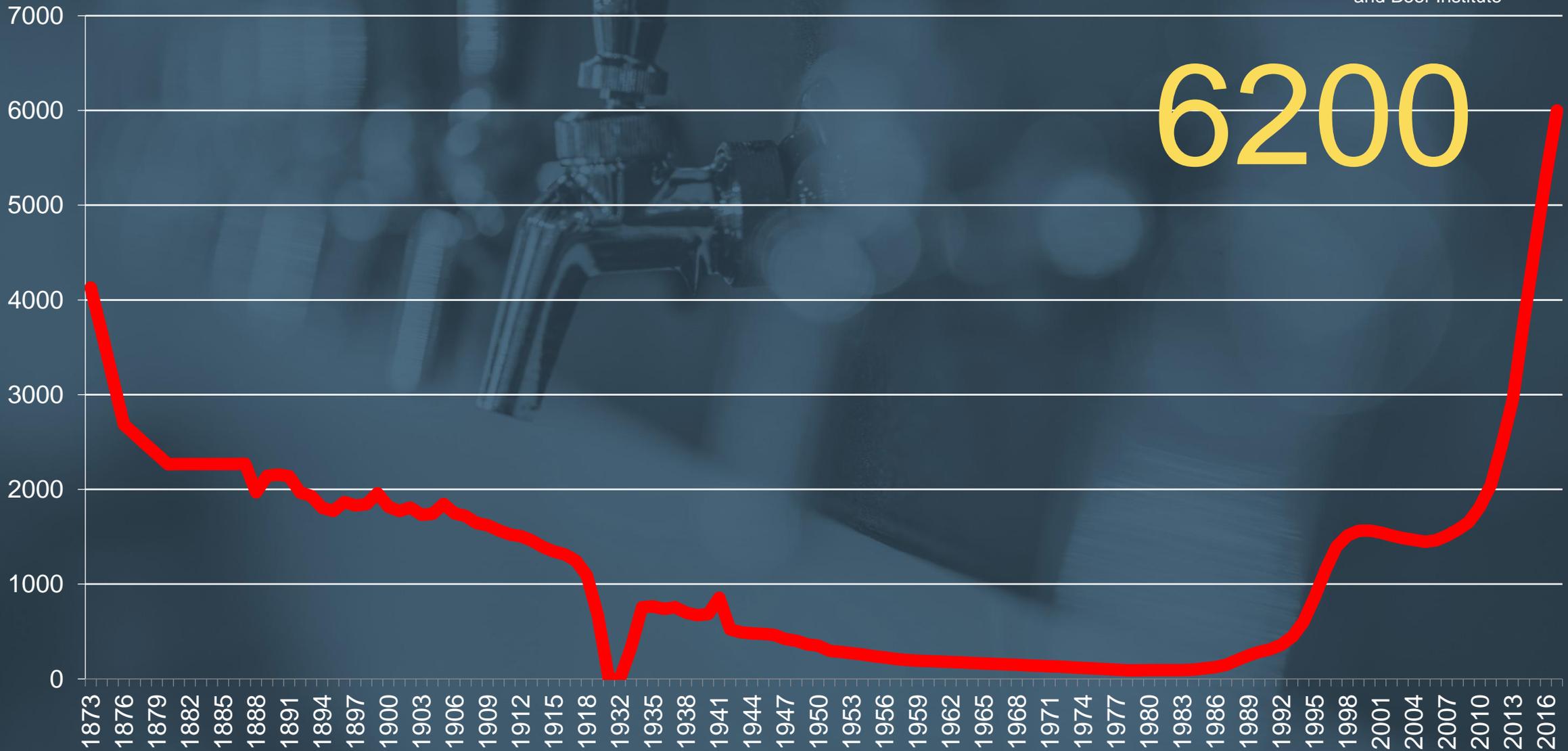
It's 2018

Where are we now?

More Breweries Than Even Before!

Number of Breweries, 1873 - 2017

Sources:
Brewers Association
and Beer Institute



6200



More Breweries Than Even Before!

179 Regional Breweries

- Produce more than 15K bbls

6000+ Microbreweries/Brewpubs

- Produce less than 15K bbls

**CRAFT BEER IS
NO LONGER
LOCALIZED...IT
IS EVERYWHERE**

Michigan: 318

Ohio: 213

Indiana: 135

Pennsylvania: 284

New York: 332

Illinois: 195

Minnesota: 158

Wisconsin: 161



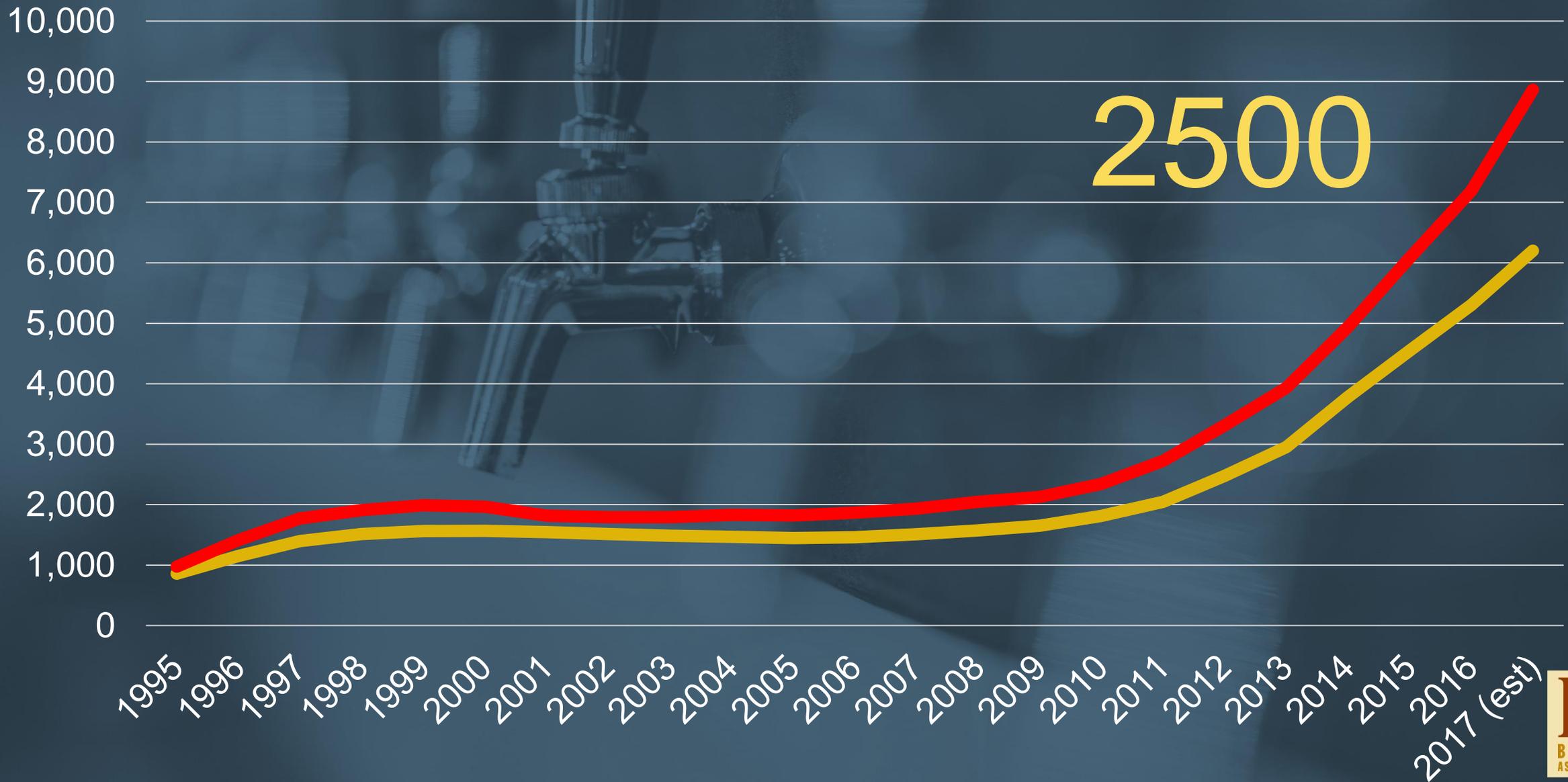


More Americans live near a Craft Brewery

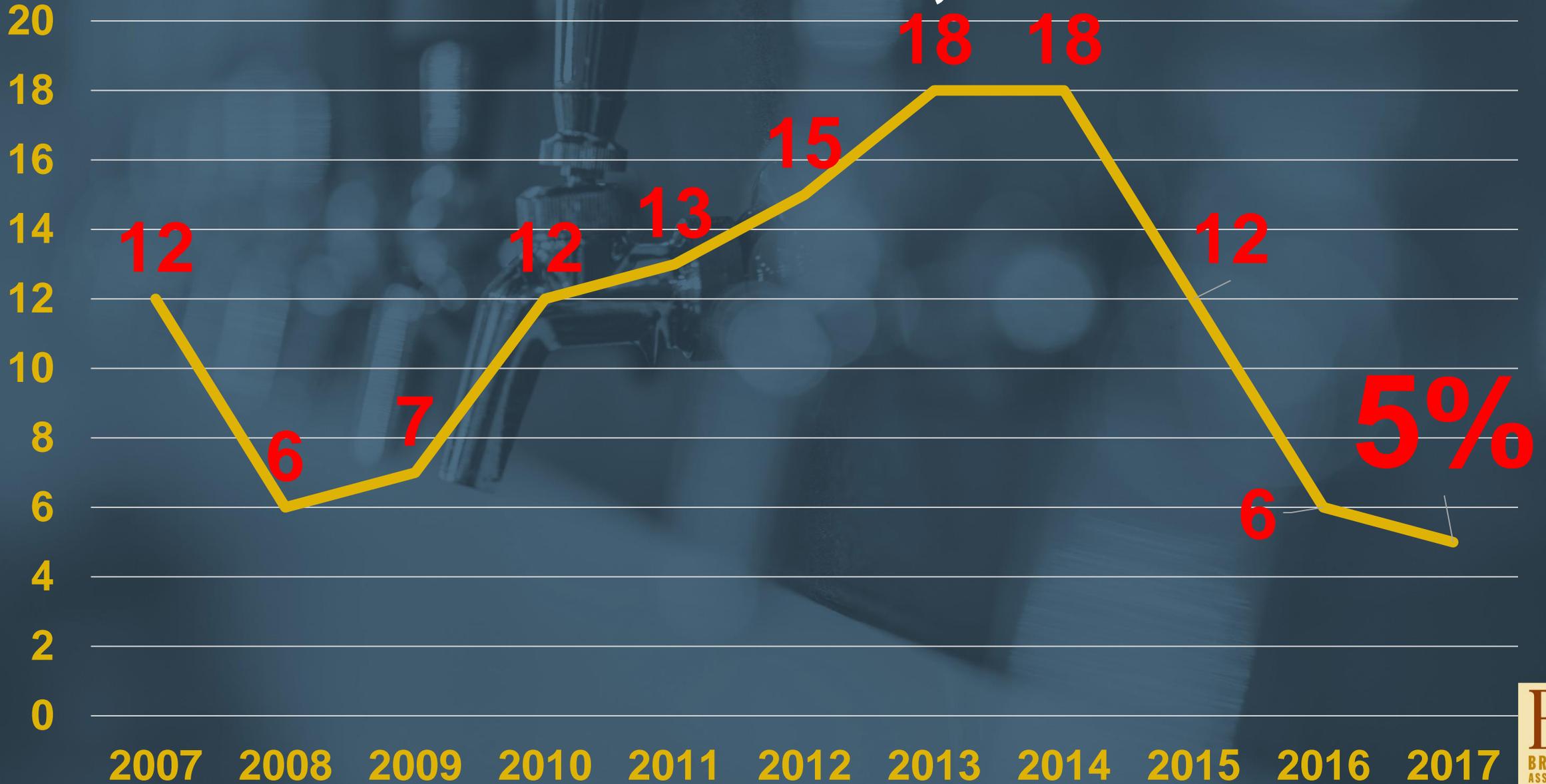
83% of Americans
live within 10 miles
of a brewery!

Those breweries
employ ~130,000
people directly!

Breweries and Brewery Permits, 1995-2017



Annual Growth Rate, 2007-2017



Years of double-digit growth lead to large base:

**~ 25 million bbls
(2017 year-end)**

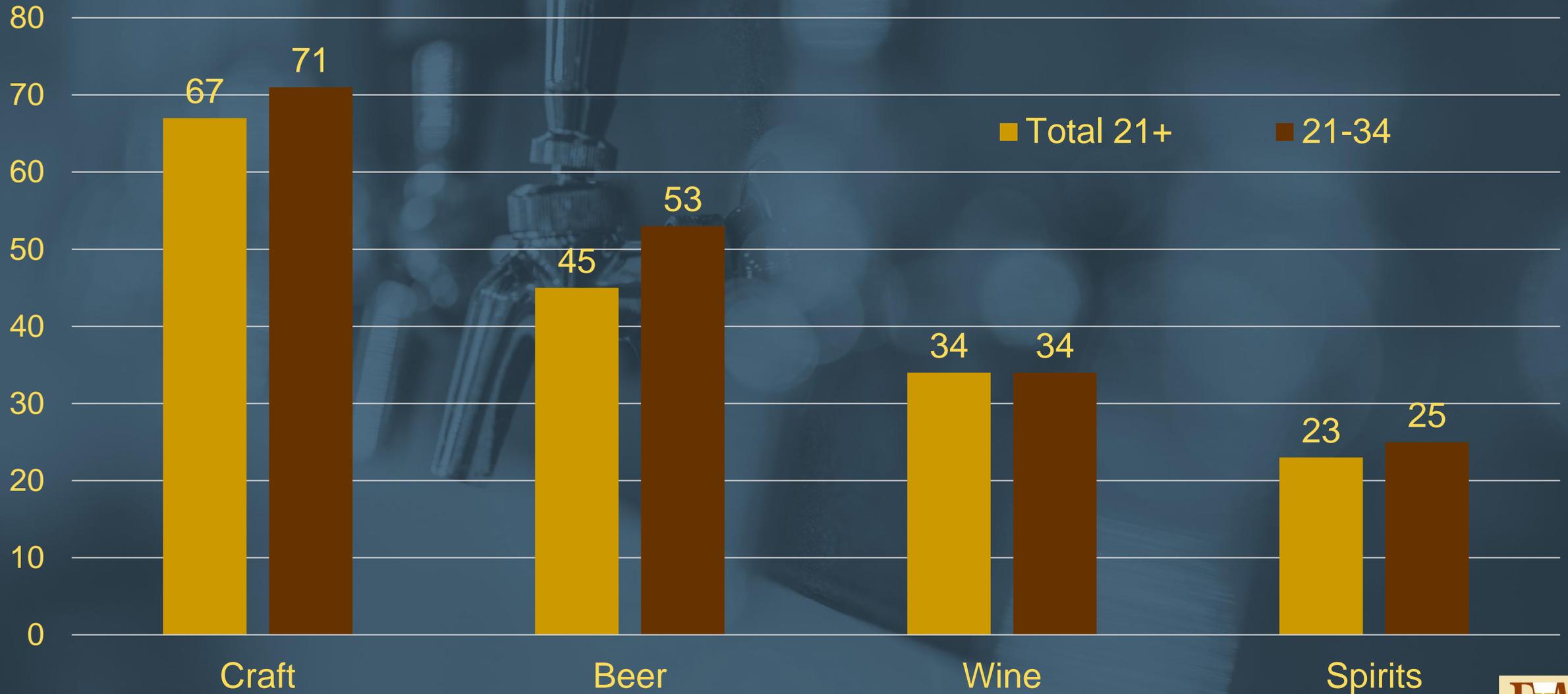
Equivalent of adding
1 New Belgium in
one year!

**~ 1 million bbls
(added over 2016)**

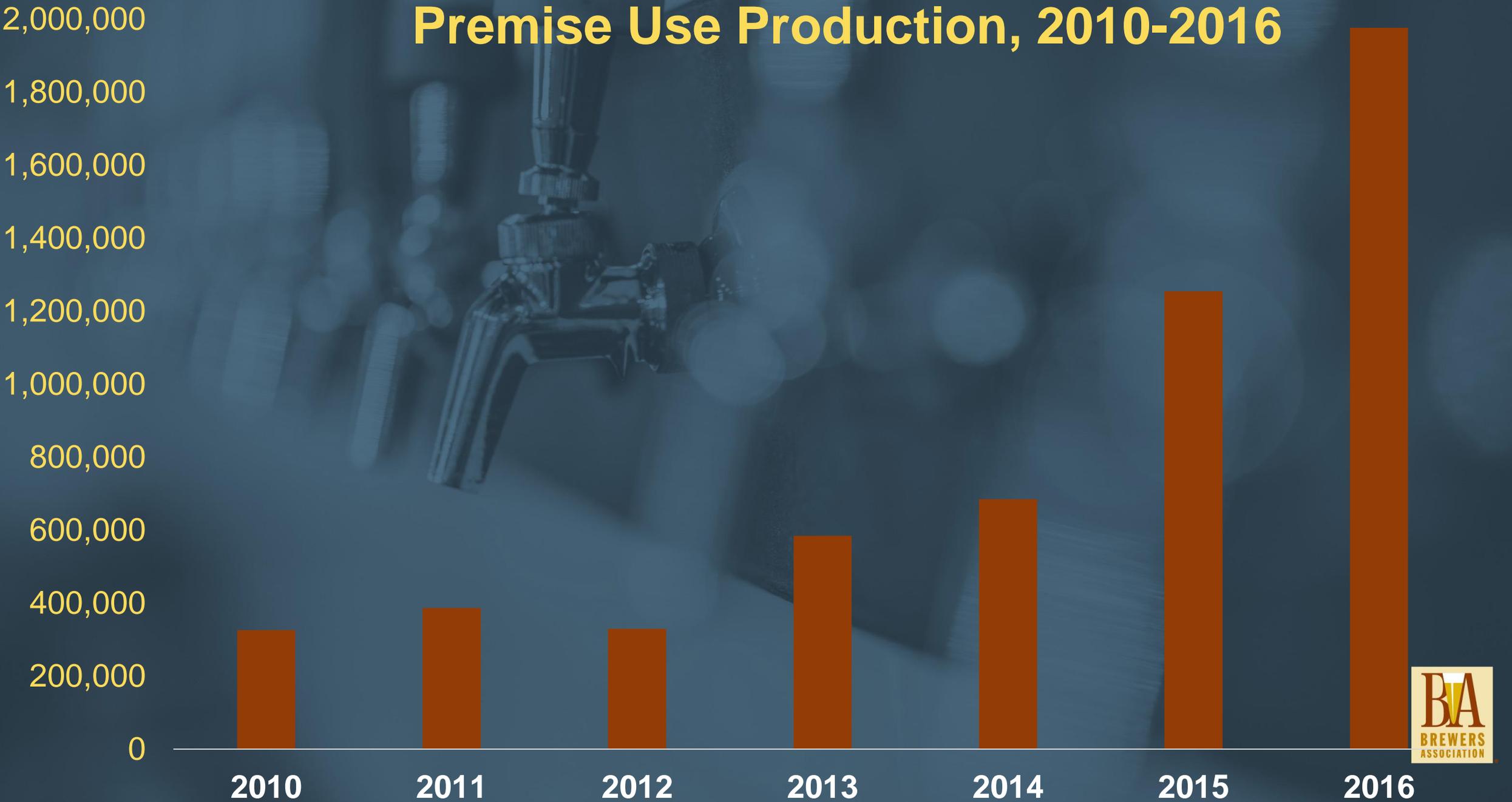
Beer Industry Production Survey

<u>2016 Size (bbls)</u>	<u>% of 2017 Growth</u>
>100,000	-11.9%
10K-100K	38.9%
<10K	72.9%

Nielsen Surveys: Sum of very/somewhat important



Premise Use Production, 2010-2016



Growth of “Own-Premise” Consumption

Channel	Small & Independent Craft Beer	All Beer
ON-PREMISES	27%	18%
OFF-PREMISES	64%	82%
AT THE BREWERY	9.2%	<1%

Craft Beer makes up only ~13% of total beer sales by volume, but accounts for about 35% of U.S. barley consumption!

BA has invested in a research grant program:

- Test current varieties in growing regions outside current dominant regions (ESBN)
- Develop winter barley lines
- Investigate flavor contributions of different varieties

Over \$1.2 million invested since 2015





®

MALTING BARLEY CHARACTERISTICS FOR CRAFT BREWERS

EXECUTIVE SUMMARY

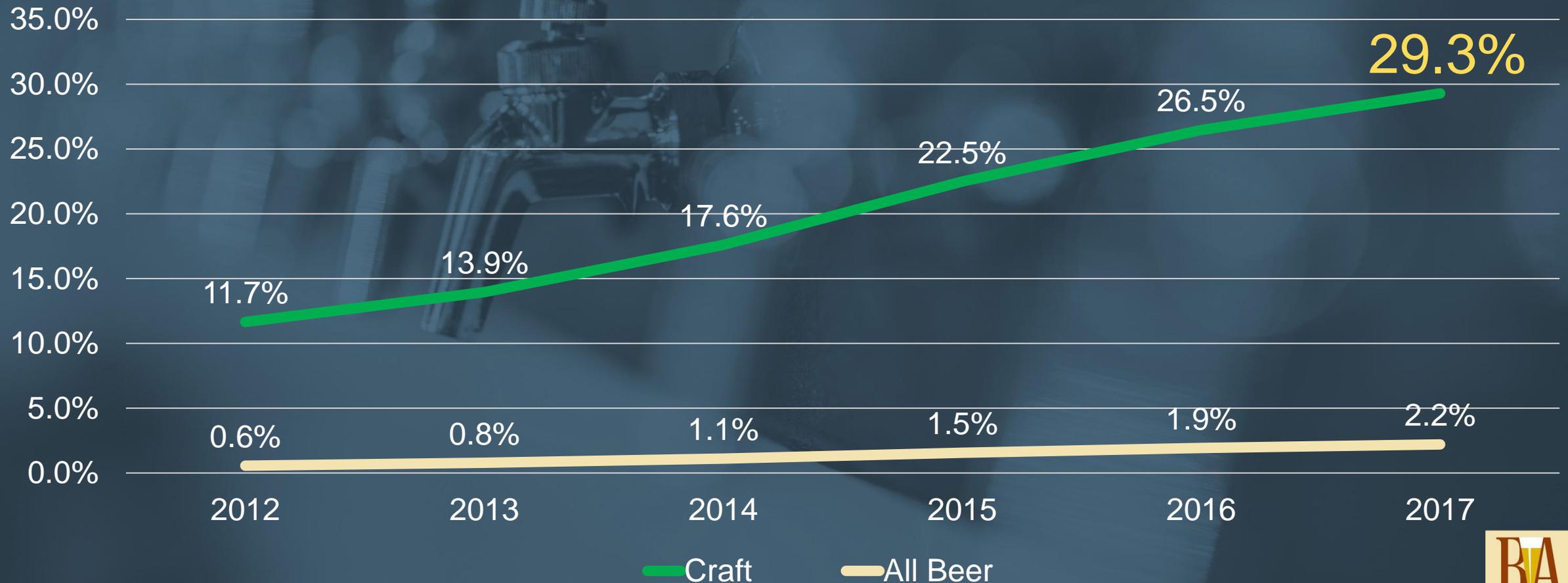
The brewing industry is evolving rapidly, and the barley malt supply chain should likewise evolve rapidly to meet the very different needs of all-malt beer brewers. Brewers Association member craft brewers have identified malt supply mismatch as a potential impediment to growing their brands. To produce all-malt beer brands, craft brewers seek barley malts with

- > distinctive flavors and aromas
- > lower free amino nitrogen ("FAN")
- > lower Total Protein
- > lower Diastatic Power ("DP")
- > lower Kolbach Index (ratio of Soluble Protein to Total Protein, or "S/T")

Such malts differ significantly from the current suite of available barley malts produced in North America. The demand for such malts will grow significantly as craft production increases.

IPA is still the new IPA

IPAs as % of Craft and Overall Beer



BA is also investing in Public Hop Breeding Program:

- Novel flavor and aroma attributes
- Increased downy mildew resistance
- Increased powdery mildew resistance
- Comparable, or improved agronomic performance

Top 10 Hop Varieties – Annual Hop Survey Results

2011	2012	2013	2014	2015	2016
2012	2013	2014	2015	2016	2017
Cascade	Cascade	Cascade	Cascade	Cascade	Cascade
Centennial	Centennial	Centennial	Centennial	Centennial	Centennial
Chinook	Chinook	Simcoe	Chinook	Chinook	Chinook
Willamette	CTZ	Chinook	Simcoe	Simcoe	Simcoe
Simcoe	Simcoe	CTZ	Citra	Citra	Crystal
CTZ	Amarillo	Amarillo	Hall Mitt (Ger)	Amarillo	Citra
US Golding	Crystal	Crystal	Amarillo	Mosaic	Nugget
Crystal	Willamette	Willamette	Crystal	Crystal	Amarillo
Amarillo	Saaz (CZ)	Citra	Magnum (Ger)	Hall Mitt (Ger)	Mosaic
Ahtanum	US Golding	Saaz (CZ)	CTZ	CTZ	Magnum (Ger)



CHEERS!