State of the Craft Brewing Industry: New York

BREWERS ASSOCIATION

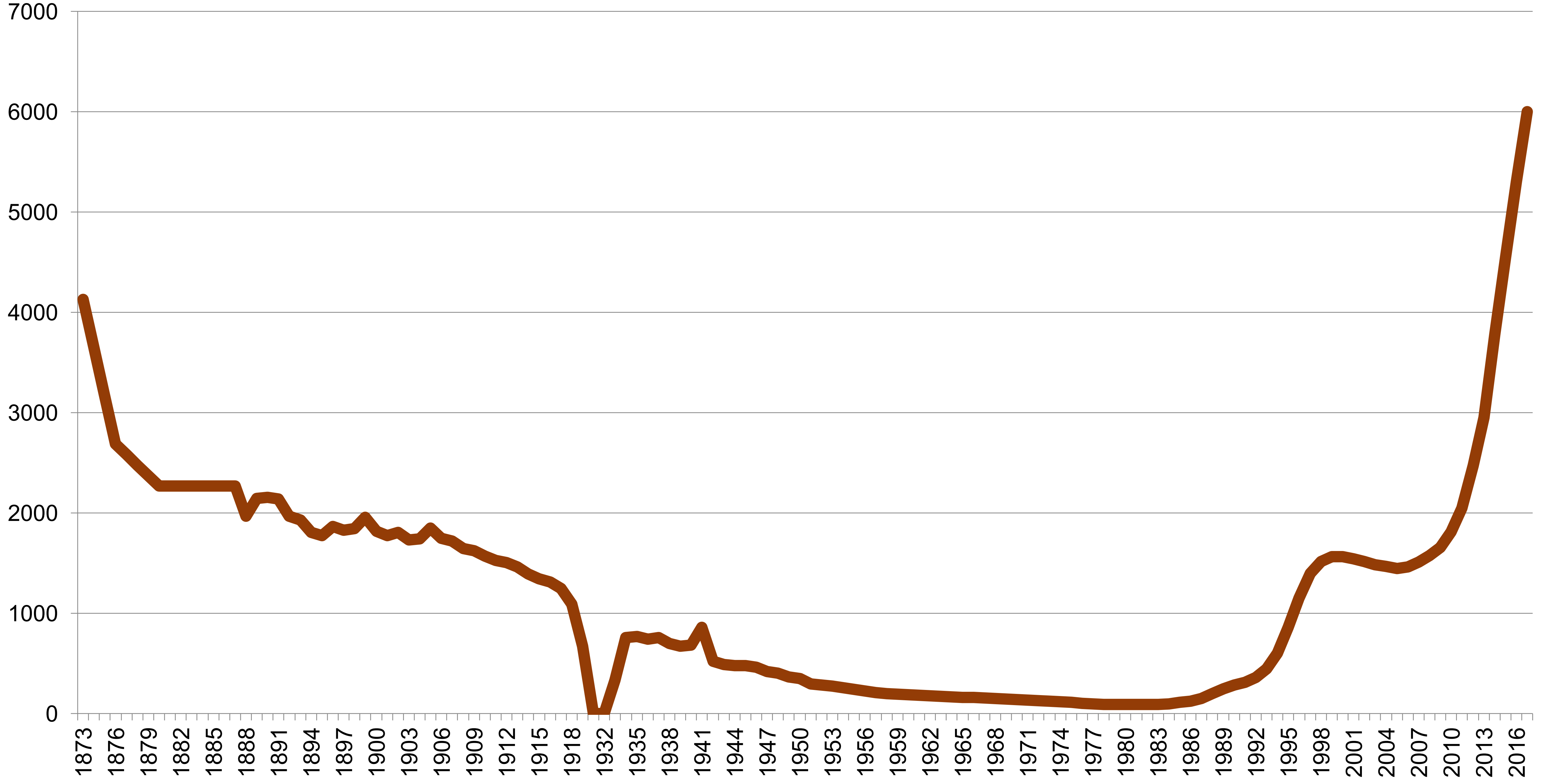
The Basic Layout

- Recent History
  - Brewery growth isn't slowing
  - Sales growth is (some places)
- How many more can we take?
- You aren't in the beer business
- Craft's Changing Growth
  - Rate
  - Sources
- New York: The Empire Stats

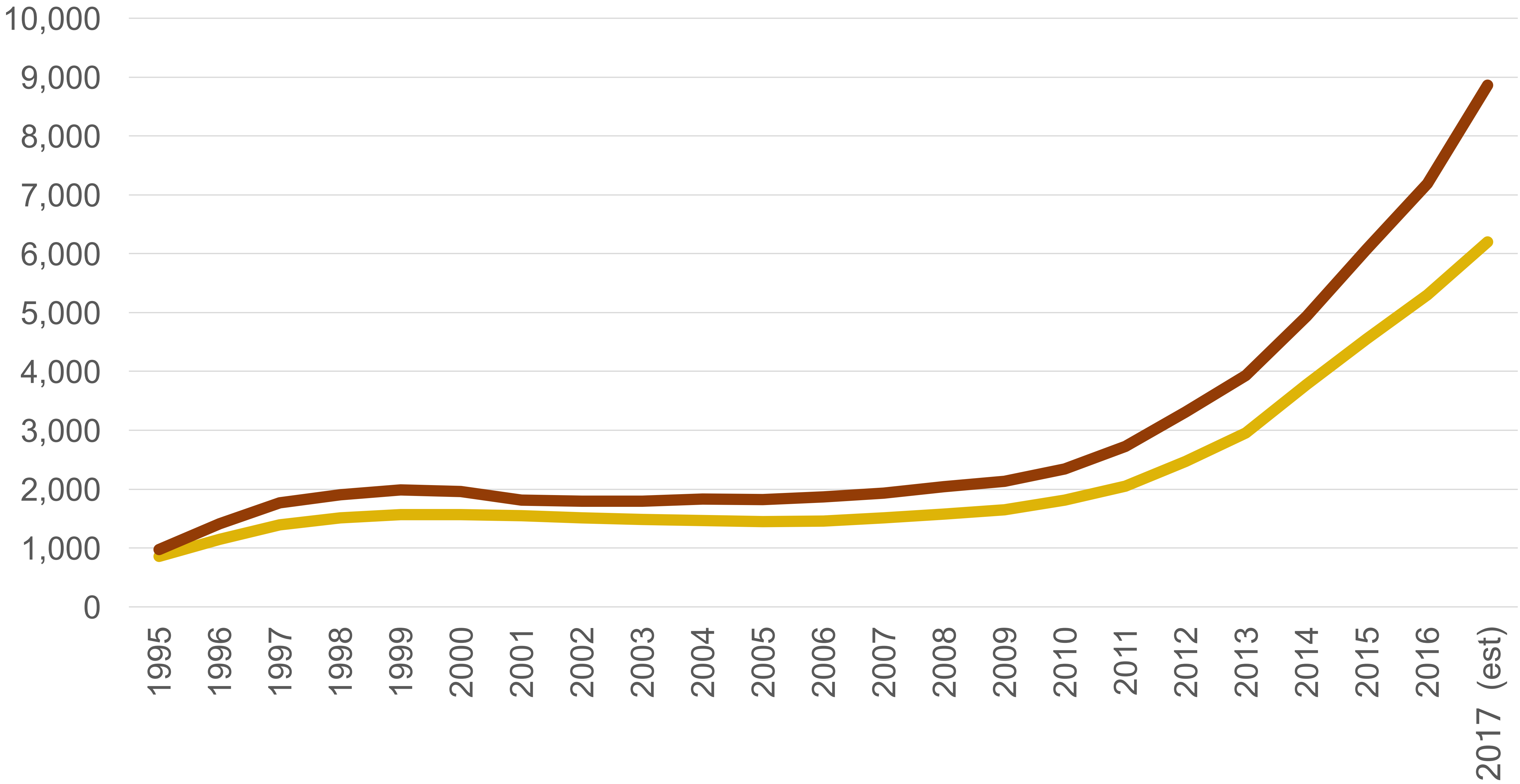
Recent History

Number of Breweries, 1873 - 2017

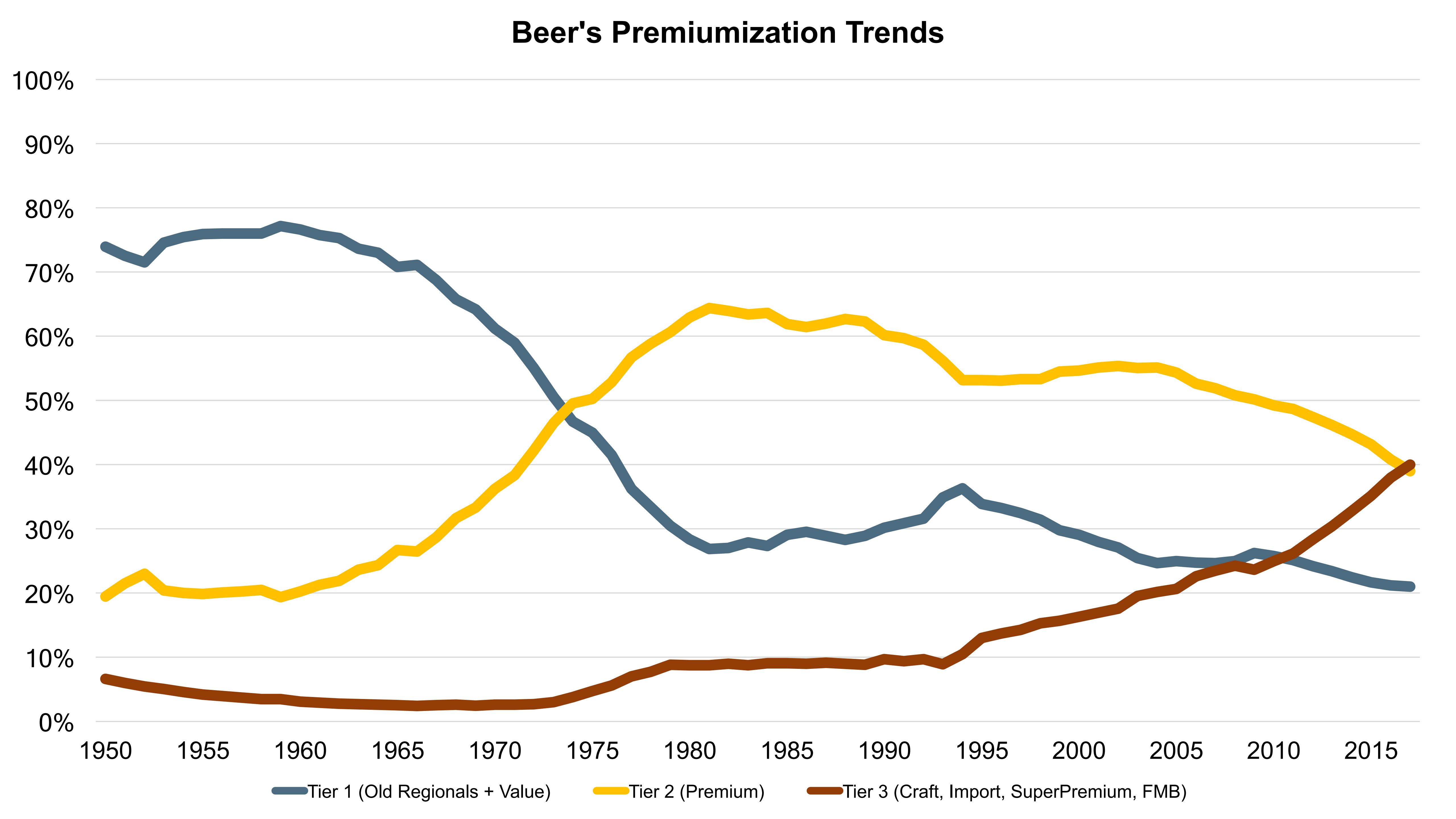
Sources:
Brewers Assocication
and Beer Institute

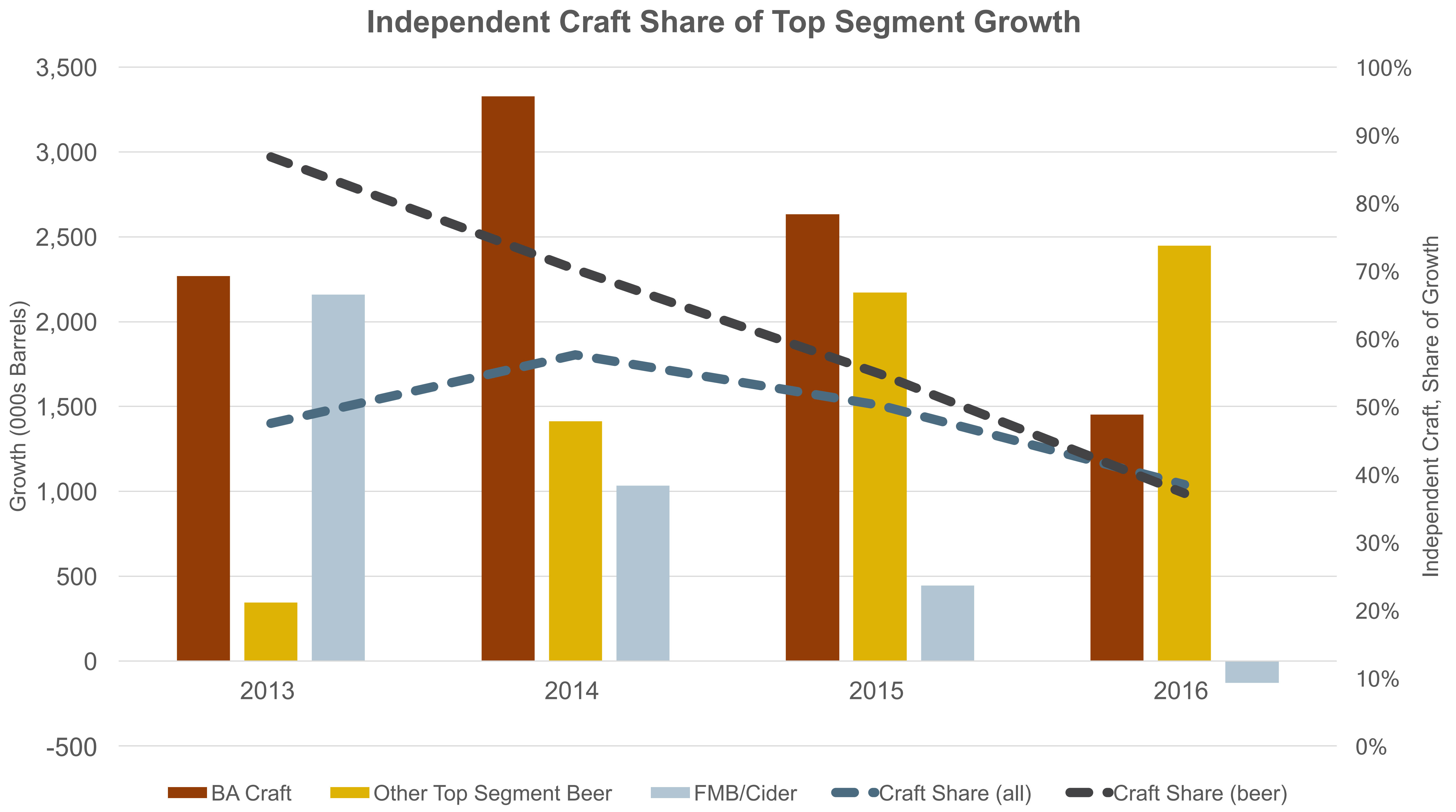


Breweries and Brewery Permits, 1995-2017



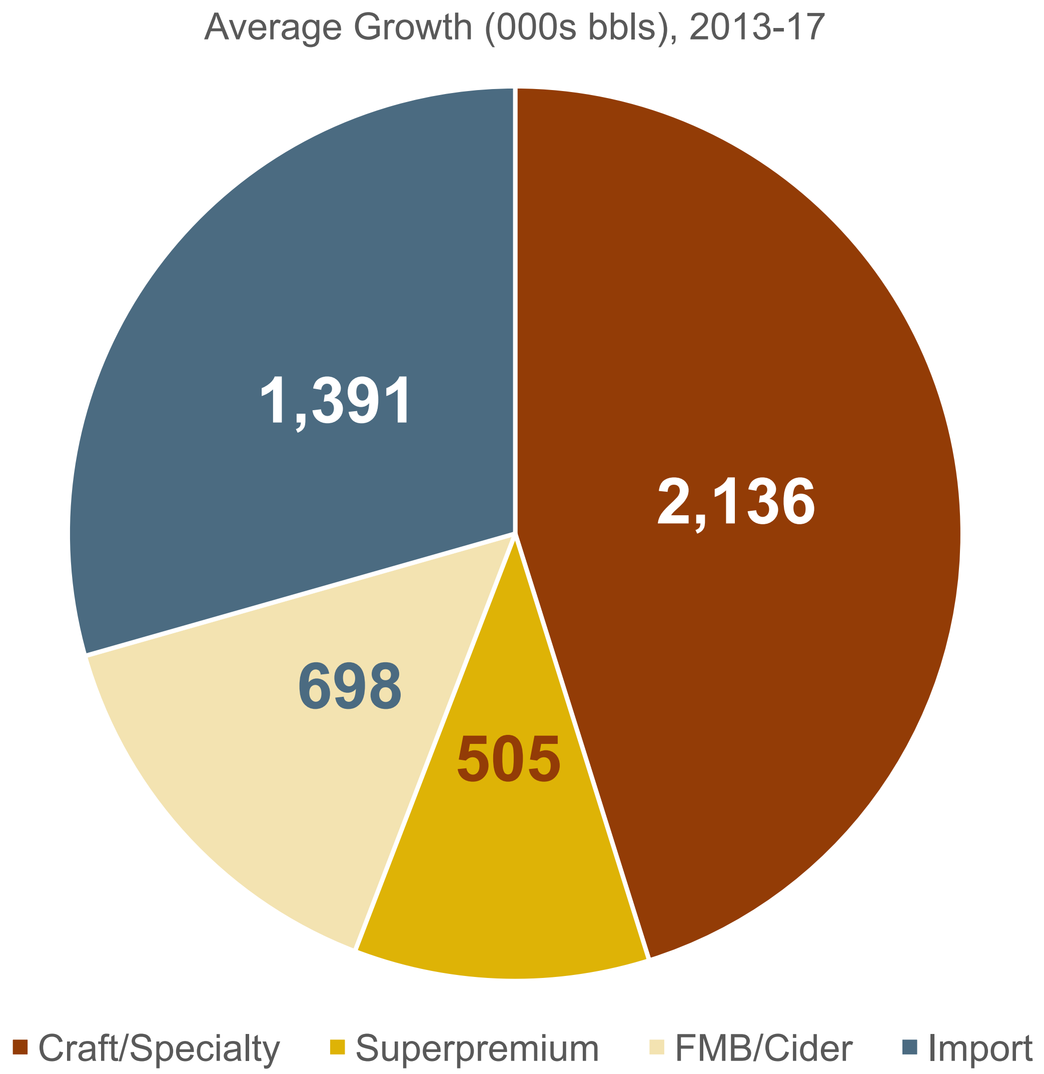
	Domestic	Imports	Small and Independent	US Shipments
All figures in '000s of bbls (1 bbl = 31 gallons)				
1981	**177,034**	**5,221**	**35**	**182,290**
2016	**139,278**	**33,366**	**24,105**	**196,750**
Change	**-37,756**	**28,145**	**24,070**	**14,459**


Beer's Premiumization Trends
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Tier 1 (Old Regionals + Value)
Tier 2 (Premium)
Tier 3 (Craft, Import, SuperPremium, FMB)



Independent Craft Share of Top Segment Growth
3,500
3,000
2,500
2,000
1,500
1,000
500
0
-500
Growth (000s Barrels)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Independent Craft, Share of Growth
2013
2014
2015
2016
BA Craft
Other Top Segment Beer
FMB/Cider
Craft Share (all)
Craft Share (beer)

How Much Is Out There?



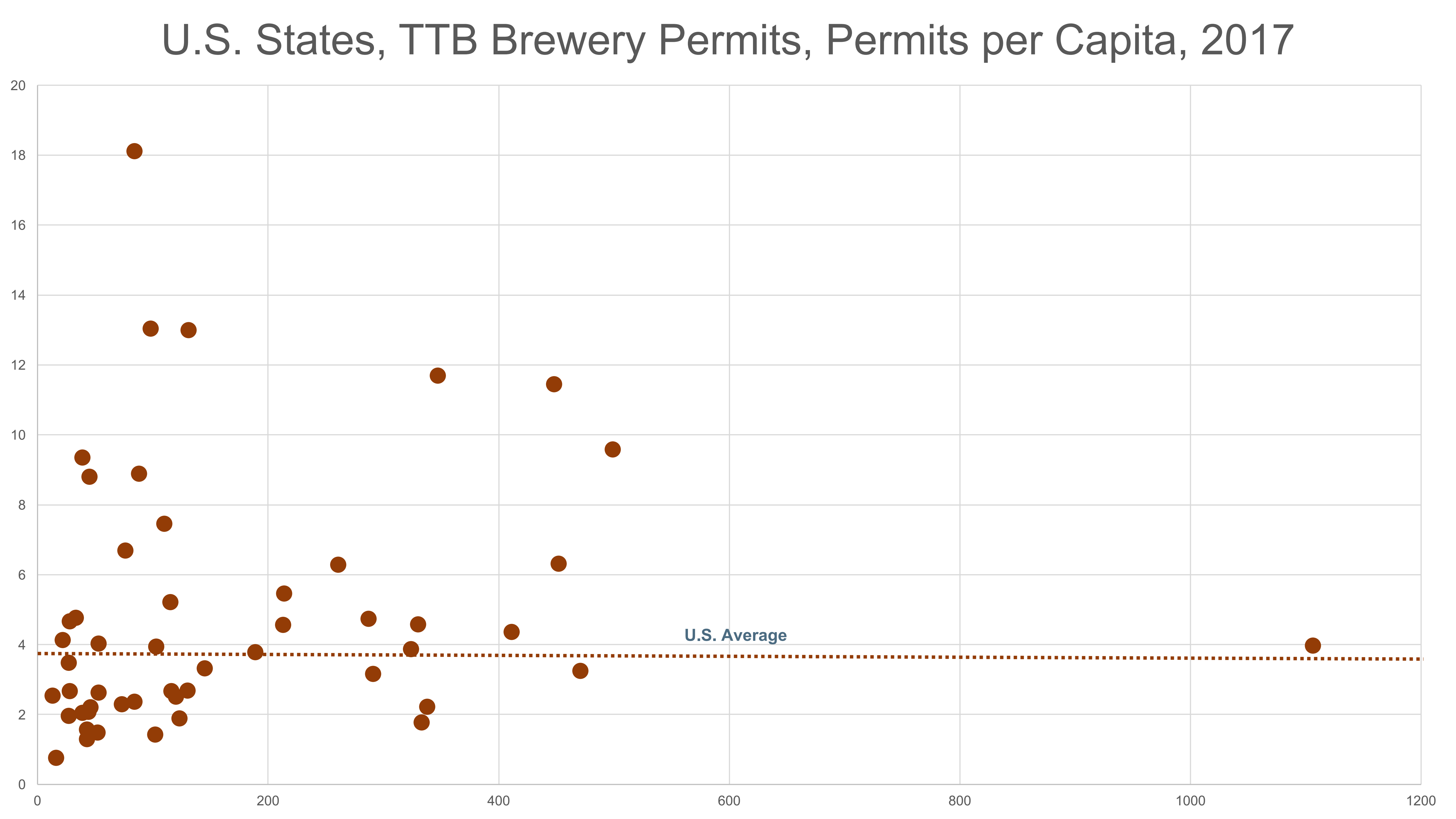
2M Bbls of Growth Goes Fast

- 500,000 to acquired/large brewer brands
- 250,000 to new breweries (800*300)
- 1.25M of growth split between 5,000 other companies
- Per brewer down more than 3X from 2013-14 average

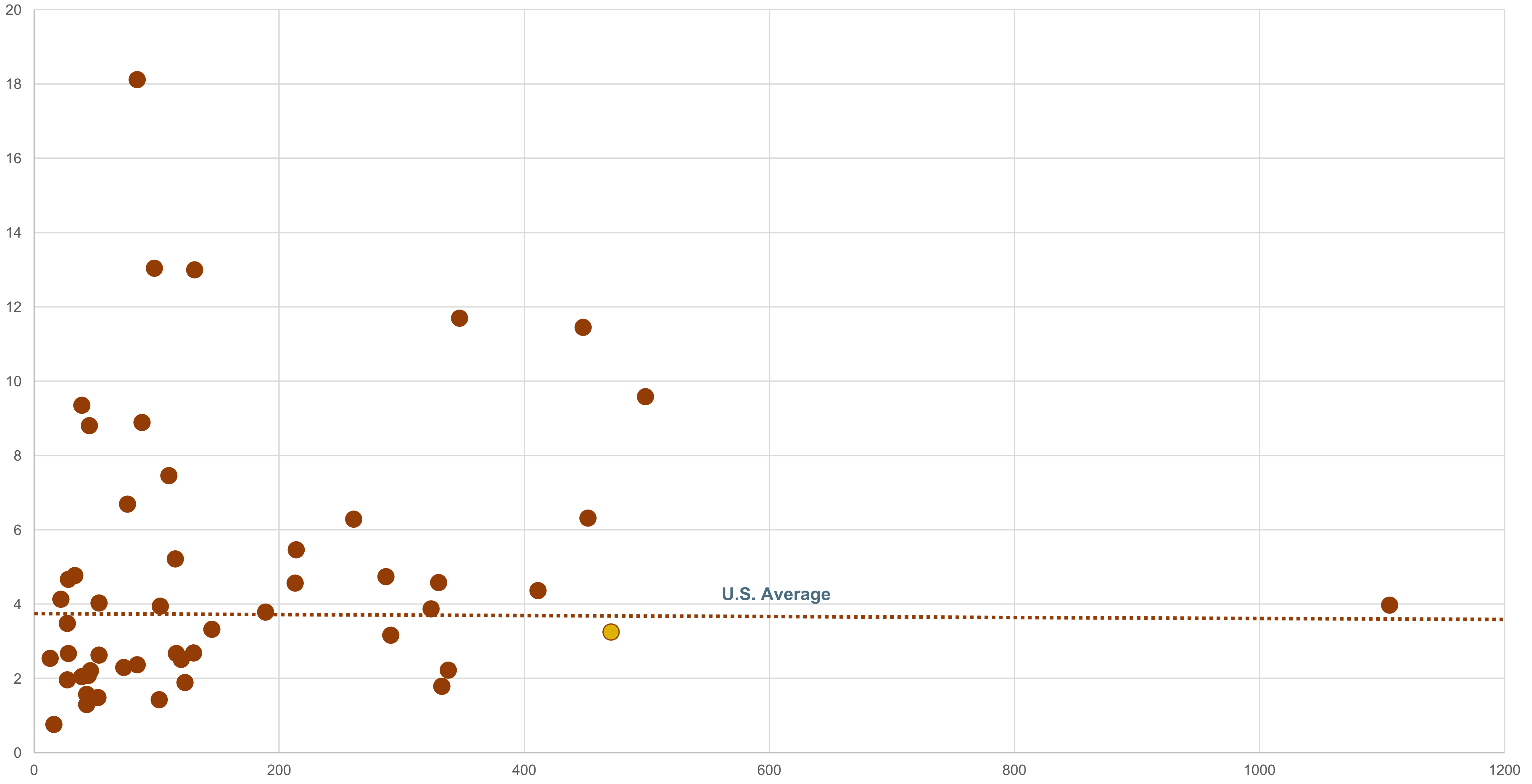
Independent Craft Brewer Seal

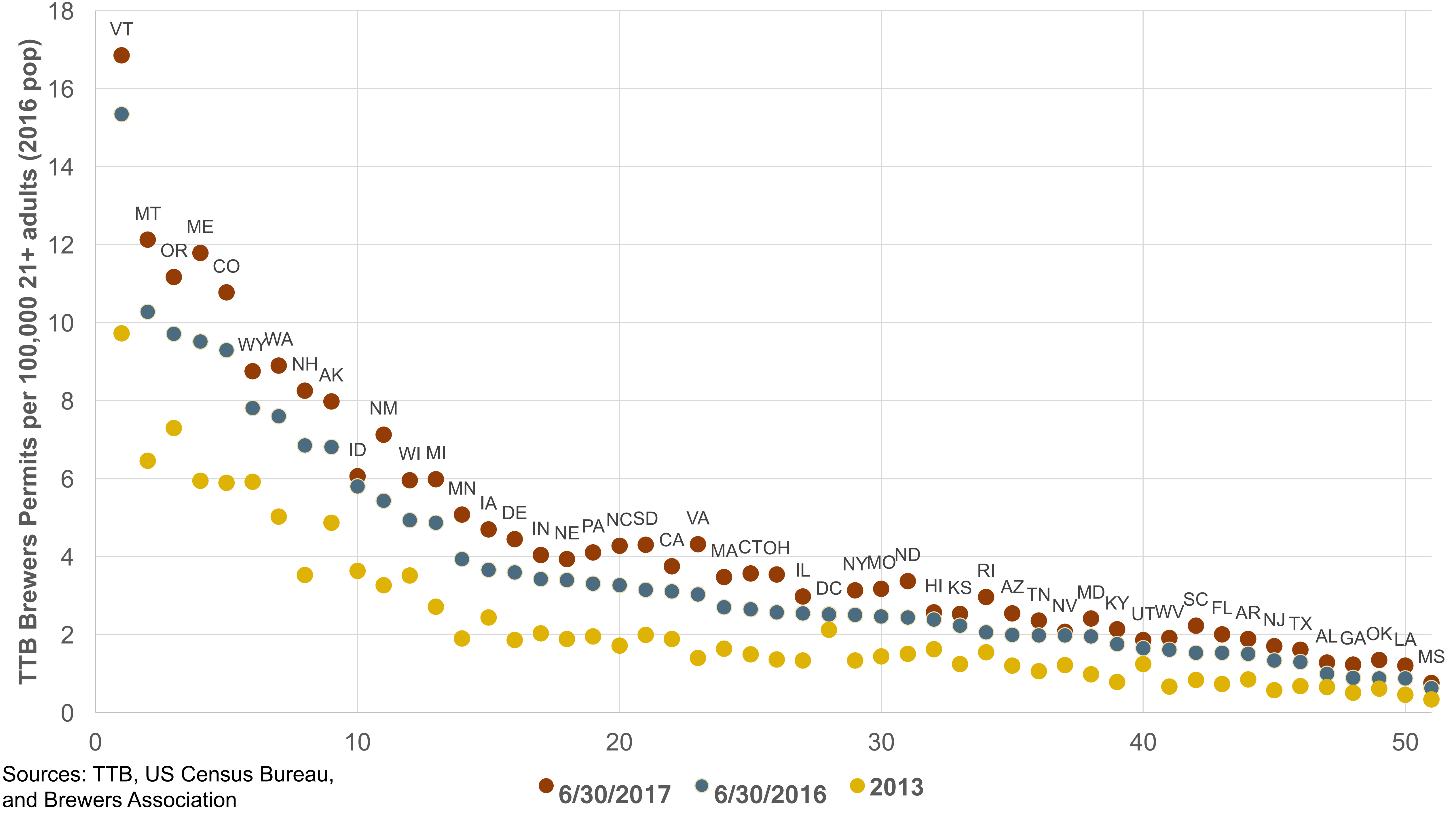
- 55% of craft purchases say they factor "small and independent" into purchase decision
- Shoppers $\neq$ Drinkers
- Low Awareness
- Information helps in a cluttered world (why the "jam study" is wrong)

How Many More?

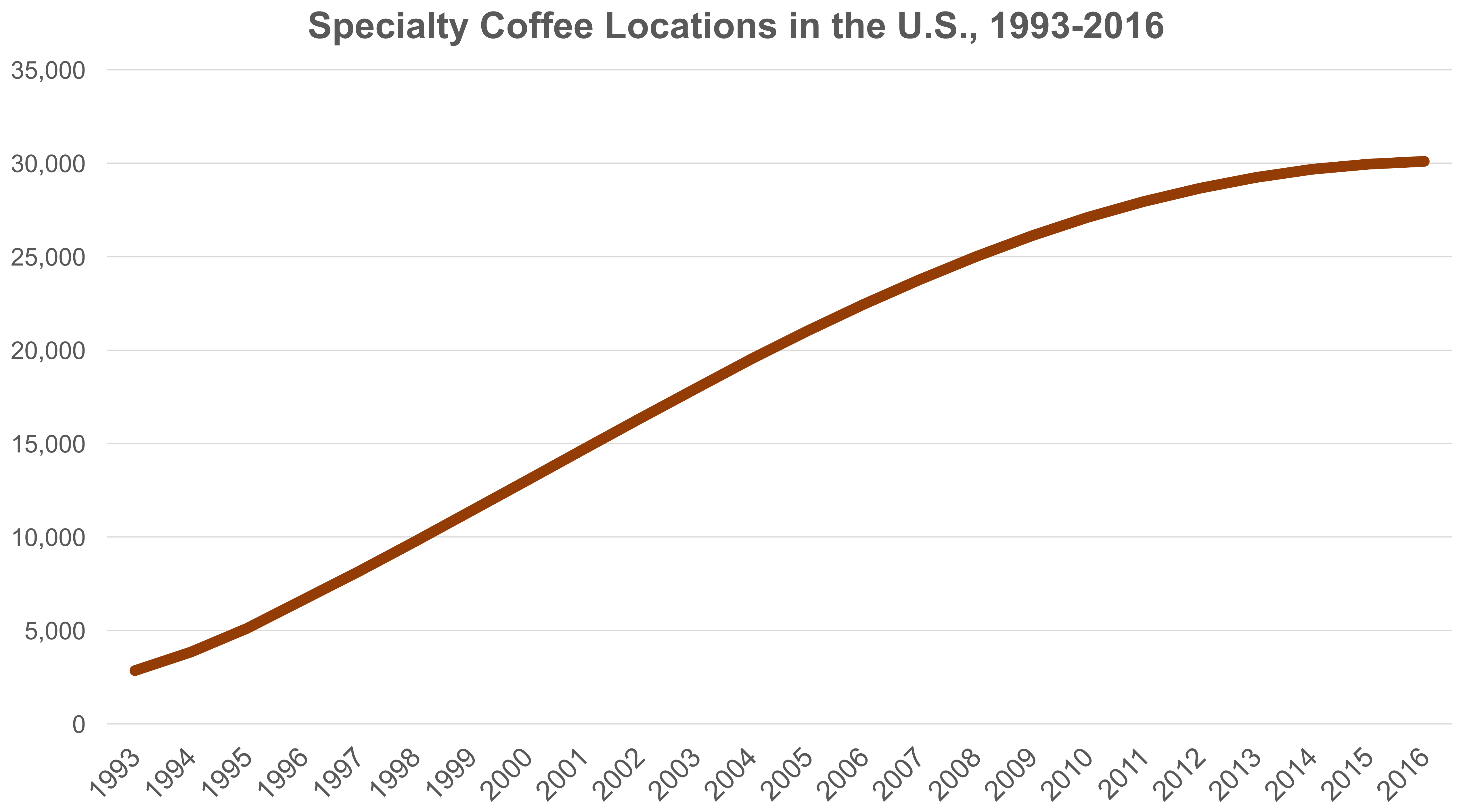

U.S. States, TTB Brewery Permits, Permits per Capita, 2017
20
18
16
14
12
10
8
6
4
2
0
0
200
400
600
800
1000
1200
U.S. Average

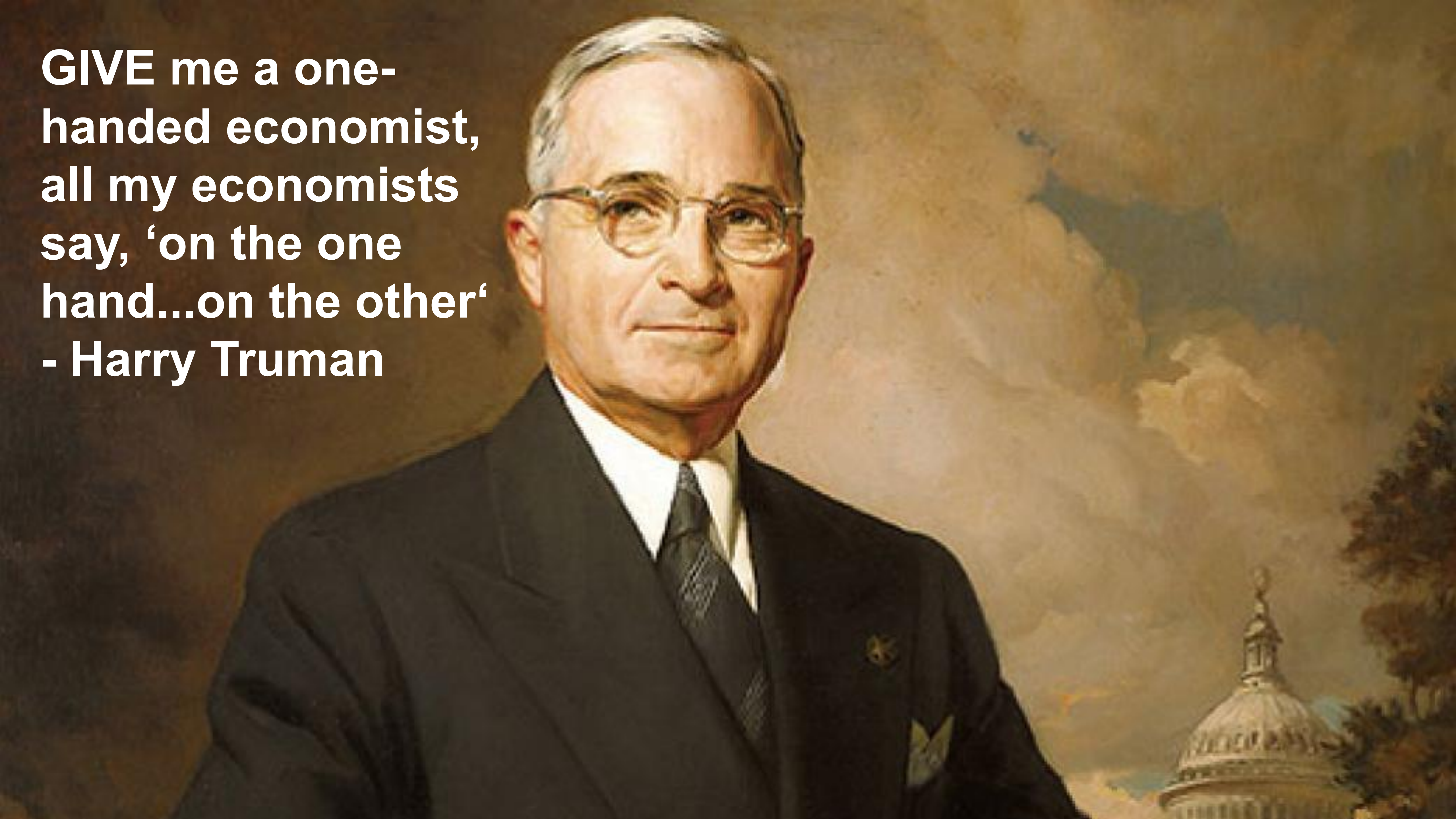
U.S. States, TTB Brewery Permits, Permits per Capita, 2017





Sources: TTB, US Census Bureau, and Brewers Association


Specialty Coffee Locations in the U.S., 1993-2016
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016


GIVE me a one-
handed economist,
all my economists
say, ‘on the one
hand...on the other‘
- Harry Truman

NUMBER OF BREWERS BY PRODUCTION SIZE - CY 2016

Revised: 10/25/2017

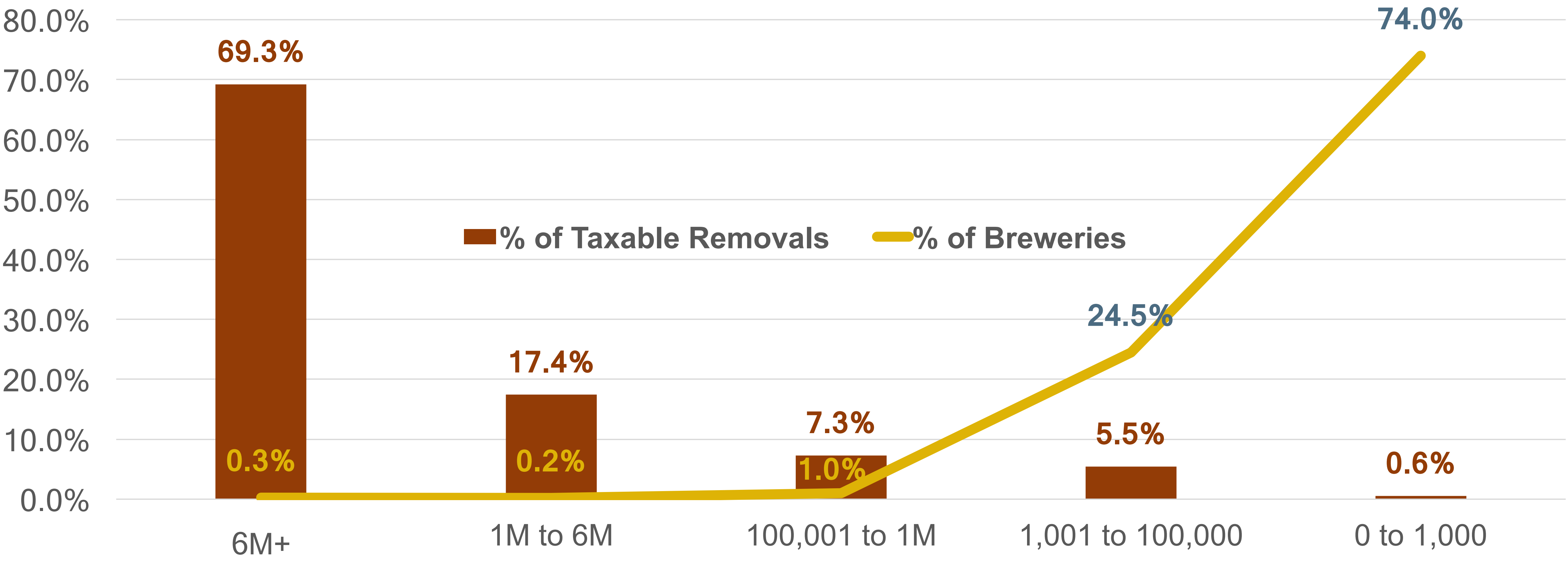
Production Size - CY 2016

Barrels (31 gallons)	Number of Breweries	Taxable Removals	% of Breweries	% of Removals
6,000,001 Barrels and Over	14	119,774,531.97	0.3%	69.3%
2,000,000 to 6,000,000 Barrels	7	25,147,830.59	0.1%	14.5%
1,000,001 to 1,999,999 Barrels	4	4,994,536.90	0.1%	2.9%
500,001 to 1,000,000 Barrels	6	4,014,943.39	0.1%	2.3%
100,001 to 500,000 Barrels	45	8,618,323.45	0.9%	5.0%
60,001 to 100,000 Barrels	38	2,395,062.26	0.7%	1.4%
30,001 to 60,000 Barrels	53	2,069,205.94	1.0%	1.2%
15,001 to 30,000 Barrels	75	1,341,223.91	1.5%	0.8%
7,501 to 15,000 Barrels	148	1,351,541.96	2.9%	0.8%
1,001 to 7,500 Barrels	935	2,282,897.14	18.3%	1.3%
0 to 1,000 Barrels	3,771	967,080.60	74.0%	0.6%
Total	5,096	172,957,178.11	100.0%	100.0%

DEPARTMENT OF THE TREASURY
Alcohol and Tobacco Tax and Trade Bureau

BREWERS ASSOCIATION

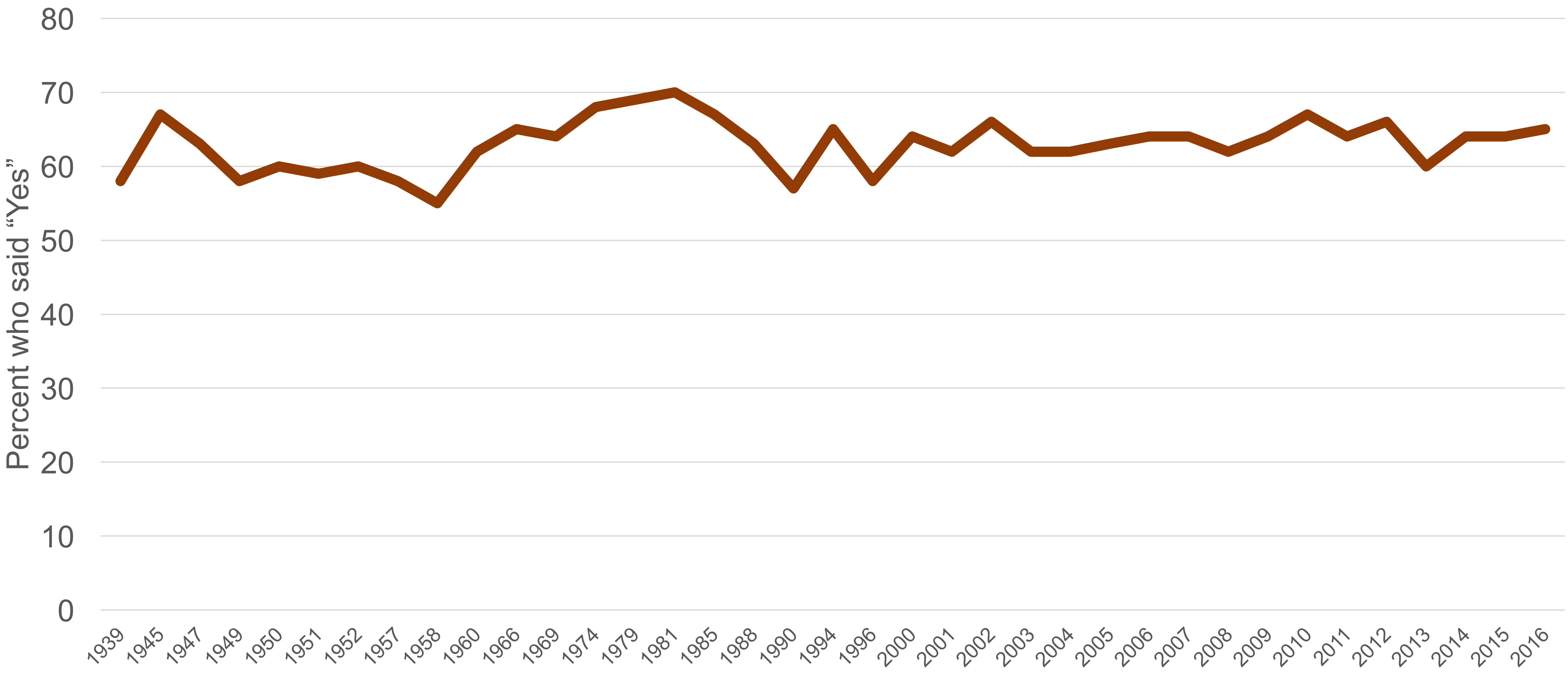
2016 US Breweries by Size



Beverage Alcohol & Demographics

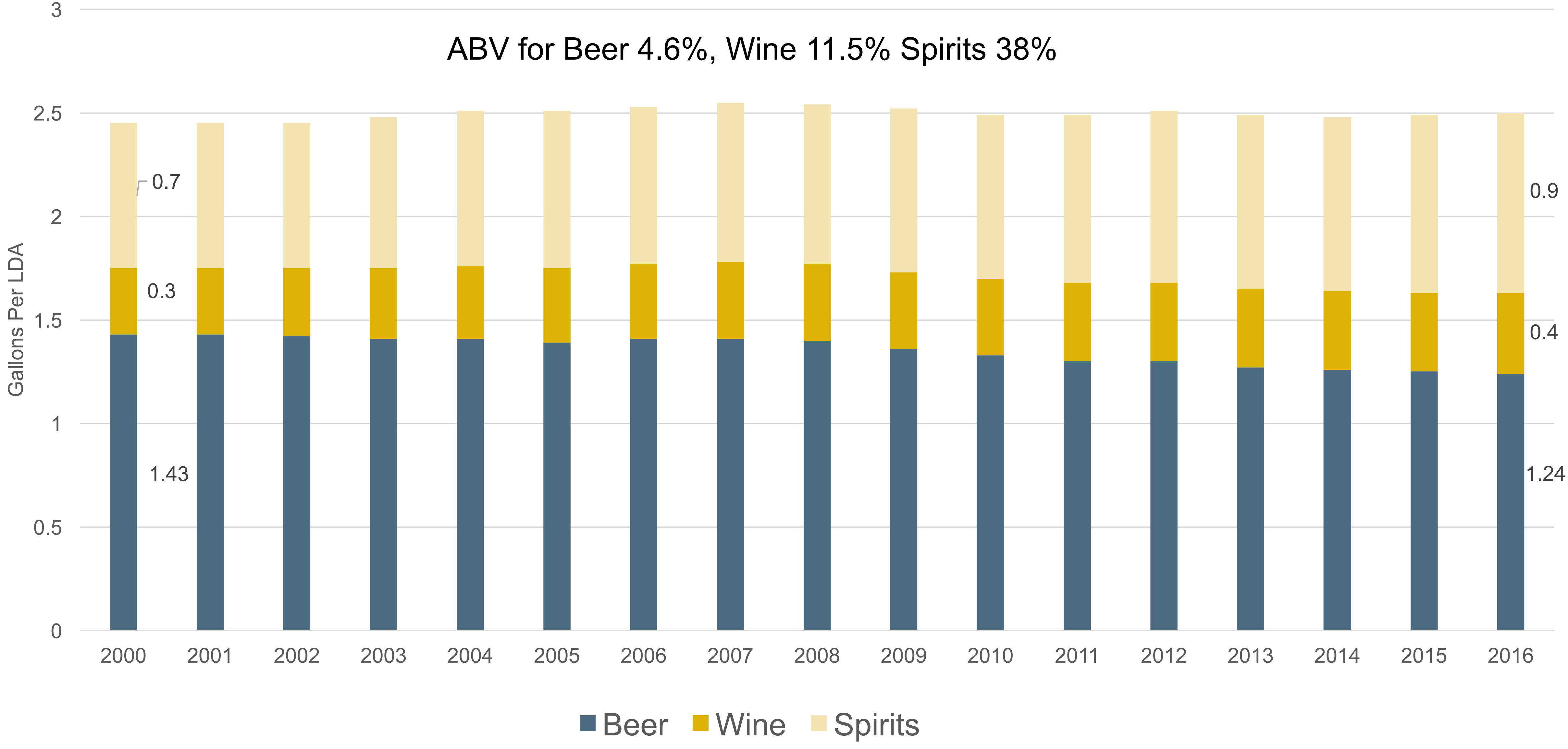
Alcohol Consumption Over Time

Do You Have Occasion to Drink Alcohol?

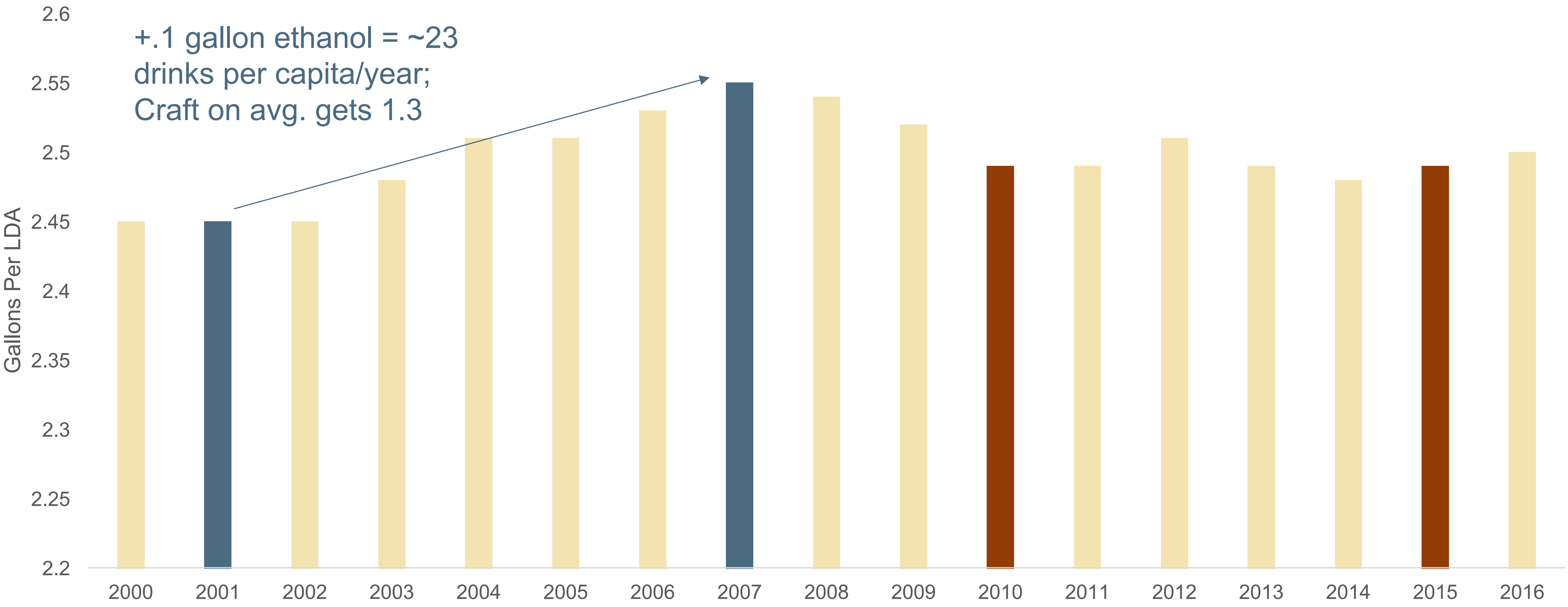


Source: Gallup Poll, 2016.

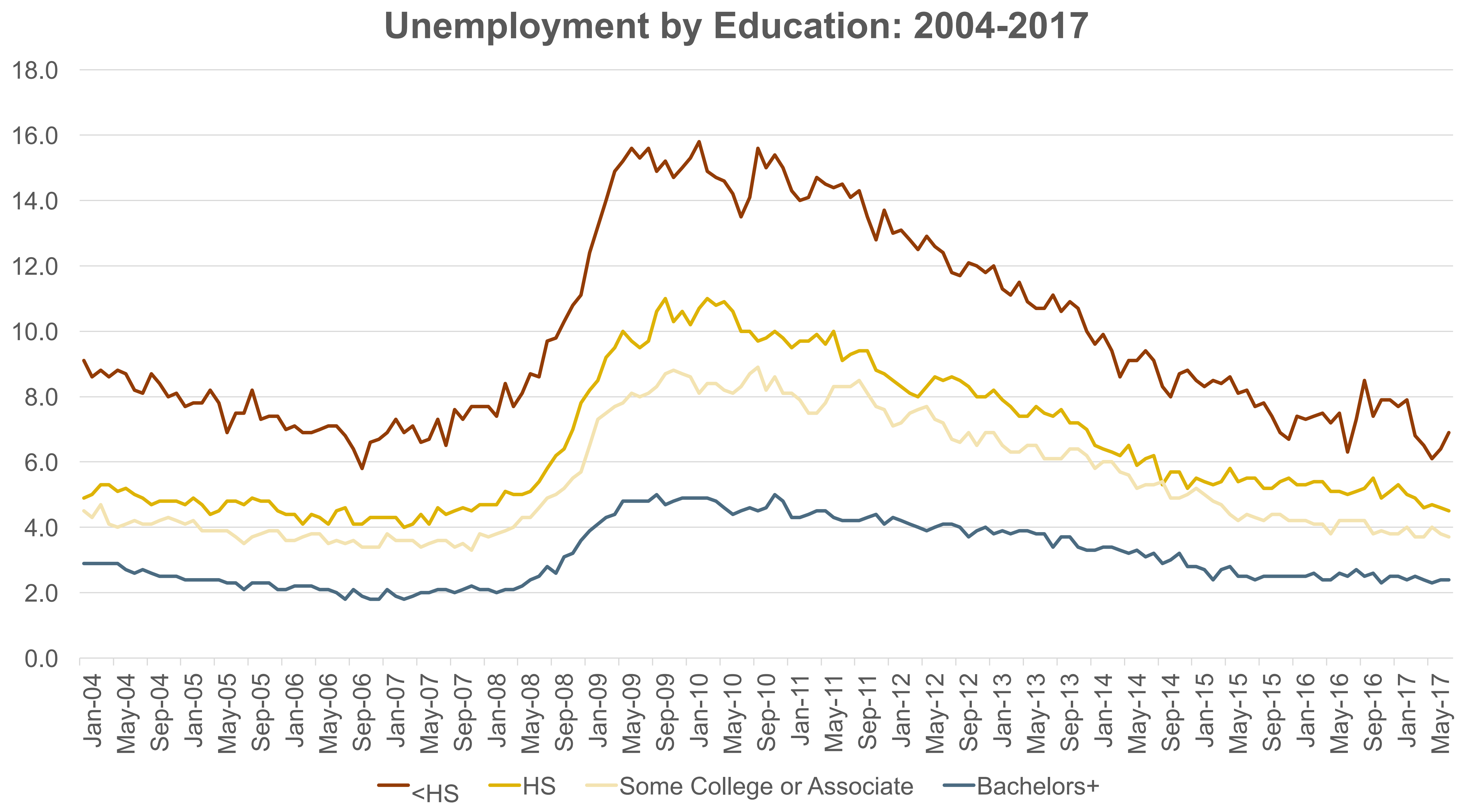
Per Capita Consumption of Ethanol U.S. from 2000 to 2016



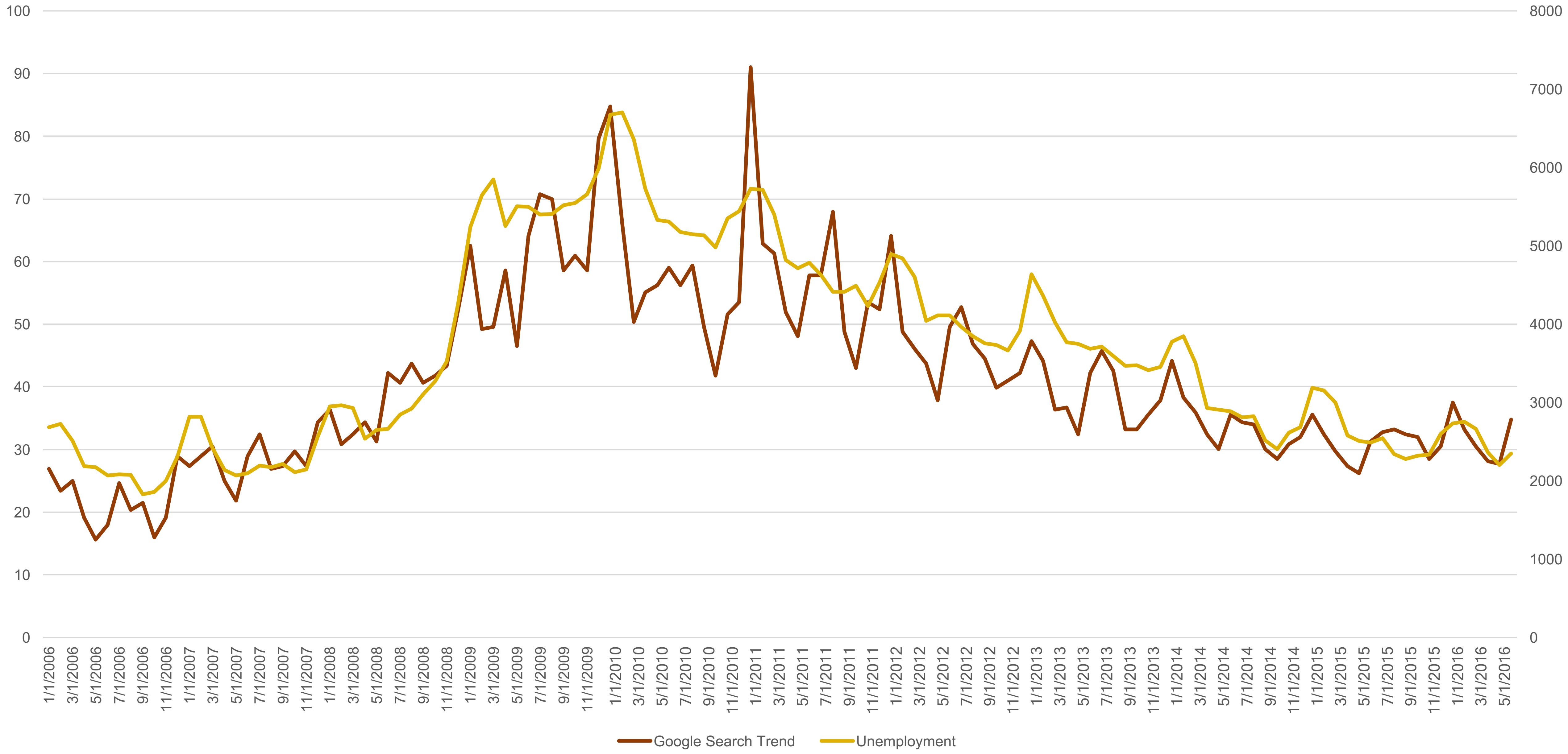
Competition for Drinking Occasions
Total Ethanol Per Capita 2000 to 2016

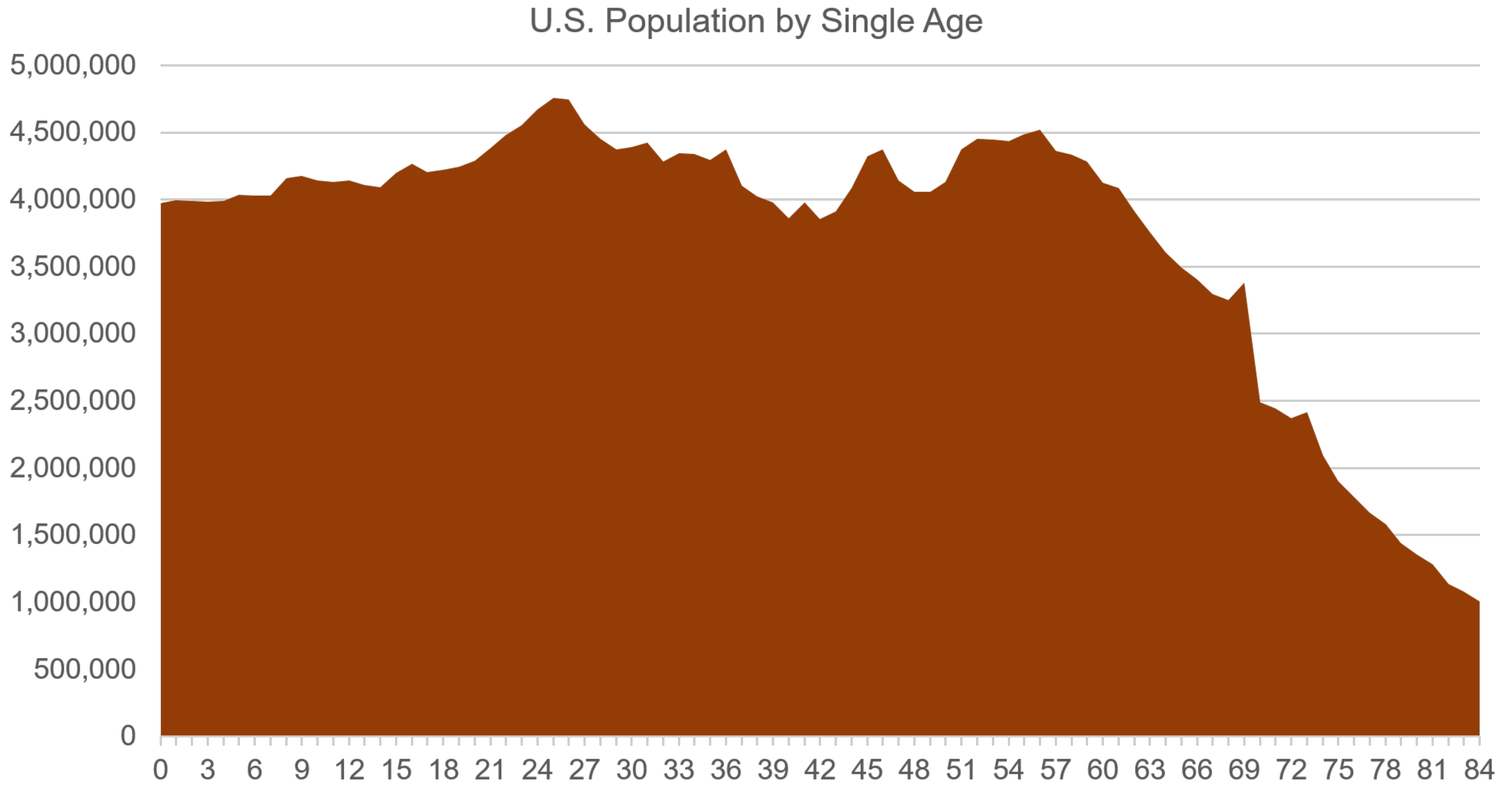


Source: Compiled by NBWA from Beer Institute, Discus and BIG, 2017

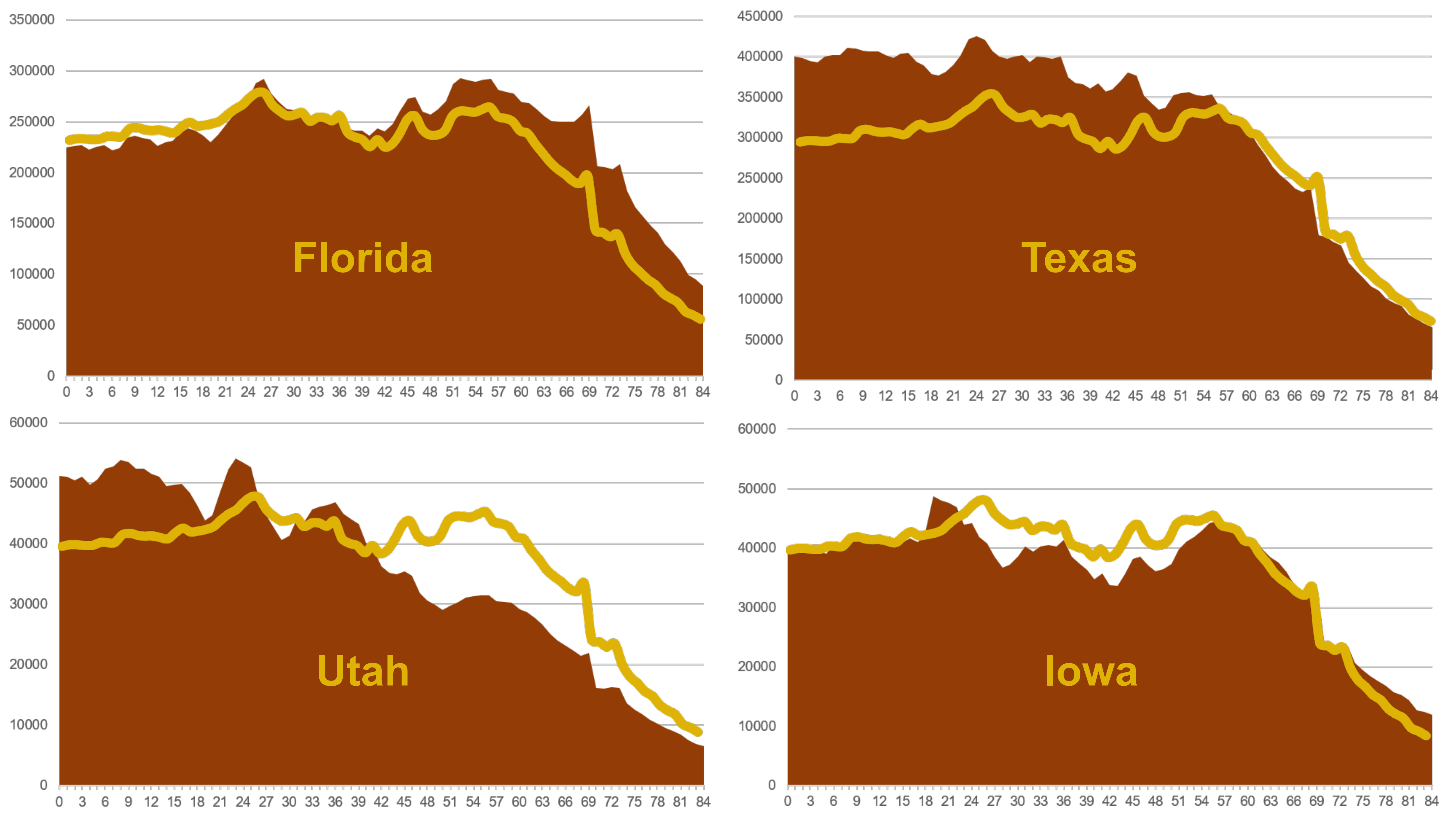

Unemployment by Education: 2004-2017
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jan-04
May-04
Sep-04
Jan-05
May-05
Sep-05
Jan-06
May-06
Sep-06
Jan-07
May-07
Sep-07
Jan-08
May-08
Sep-08
Jan-09
May-09
Sep-09
Jan-10
May-10
Sep-10
Jan-11
May-11
Sep-11
Jan-12
May-12
Sep-12
Jan-13
May-13
Sep-13
Jan-14
May-14
Sep-14
Jan-15
May-15
Sep-15
Jan-16
May-16
Sep-16
Jan-17
May-17
<HS
HS
Some College or Associate
Bachelors+

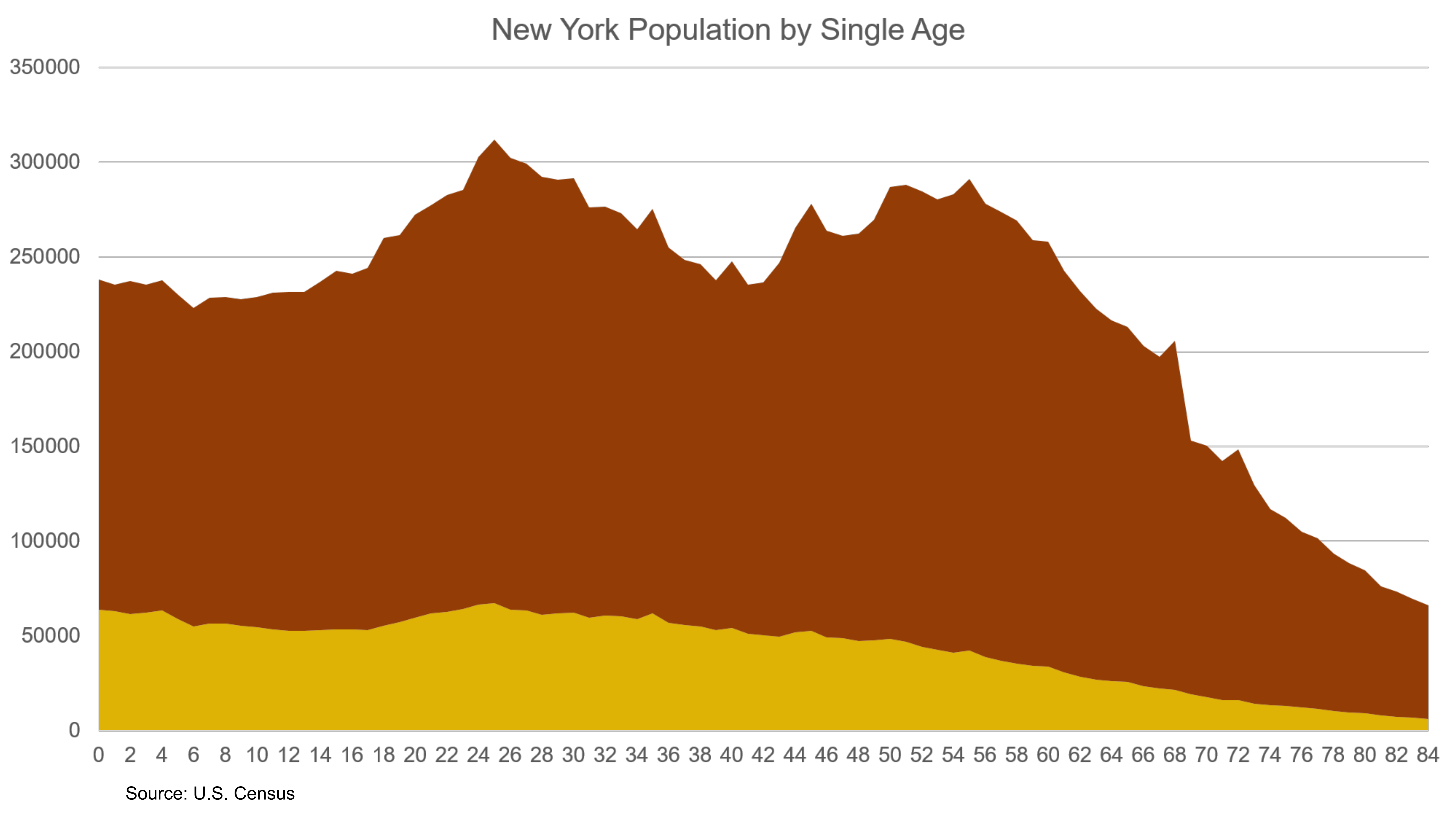
White, Male Unemployment (20-64) versus Google Searches for "How to Homebrew"

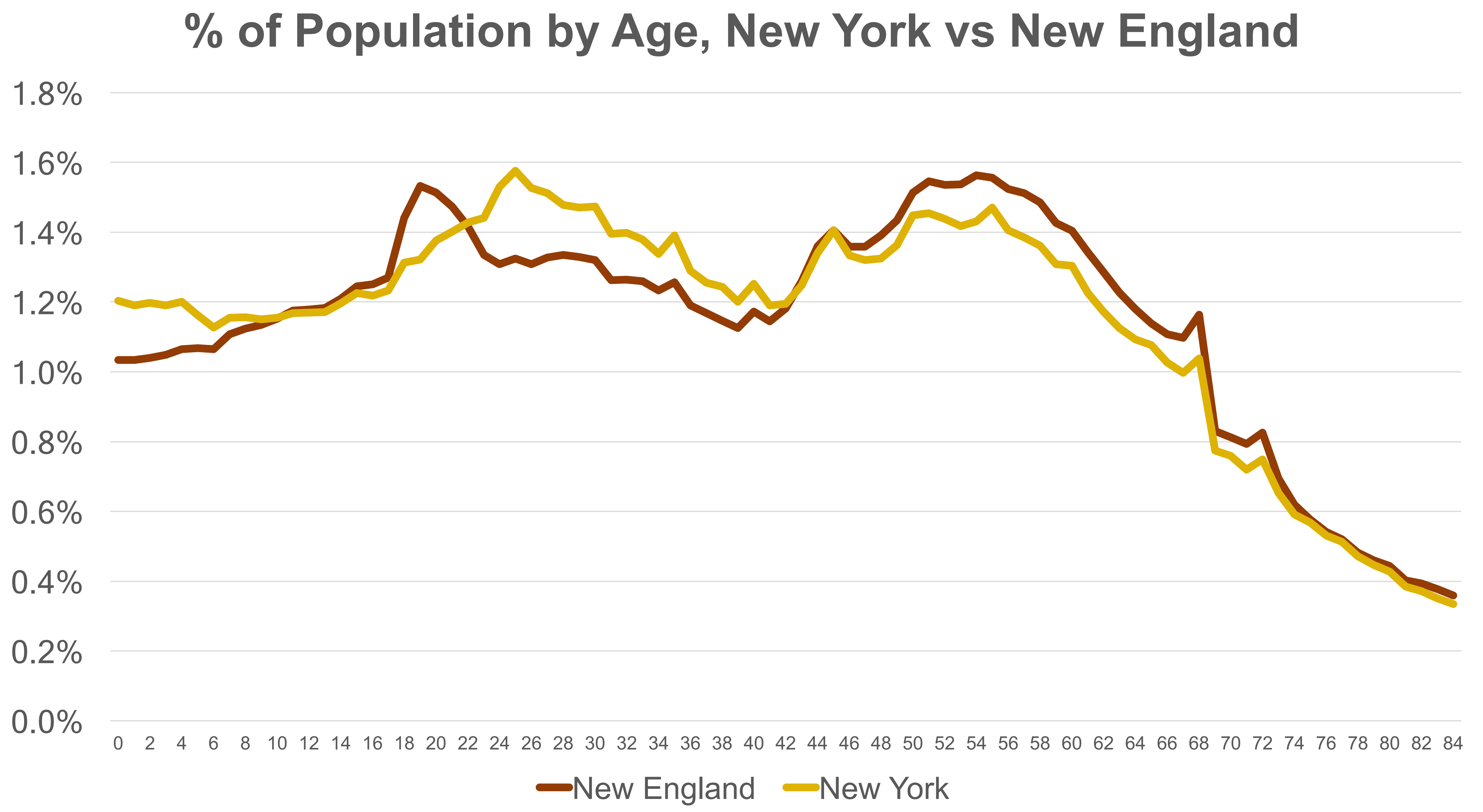




Source: U.S. Census


Florida
350000
300000
250000
200000
150000
100000
50000
0
0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63 66 69 72 75 78 81 84
Texas
450000
400000
350000
300000
250000
200000
150000
100000
50000
0
0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63 66 69 72 75 78 81 84
Utah
60000
50000
40000
30000
20000
10000
0
0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63 66 69 72 75 78 81 84
Iowa
60000
50000
40000
30000
20000
10000
0
0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63 66 69 72 75 78 81 84


New York Population by Single Age
350000
300000
250000
200000
150000
100000
50000
0
0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50 52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84
Source: U.S. Census


% of Population by Age, New York vs New England
1.8%
1.6%
1.4%
1.2%
1.0%
0.8%
0.6%
0.4%
0.2%
0.0%
0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50 52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84
New England
New York

Total Beer vs Craft Age Breakdown

CRAFTS – AGE/GENERATIONS; Index to % Adults					
AGE 21+	% Adults	TTL BEER		CRAFT*	
		% Volume	Index	% Volume	Index
21-34	26.1%	35.1%	**137**	39.9%	**153**
35-44	17.0%	20.7%	**115**	21.6%	**127**
45-64	35.8%	33.3%	**90**	30.6%	**85**
65+	21.1%	10.8%	**56**	7.9%	**37**

164 Index for 25-34 versus 126 for 21-24

<80   >120

Source: Beer, Nielsen Spectra /Simmons (Data Version: Sept 2014); on plus off-premise
Craft: Scarborough USA+ 2017 Release 2 Total (Jun 2016 - Nov 2017)

New York is Big… Know your Market

Age

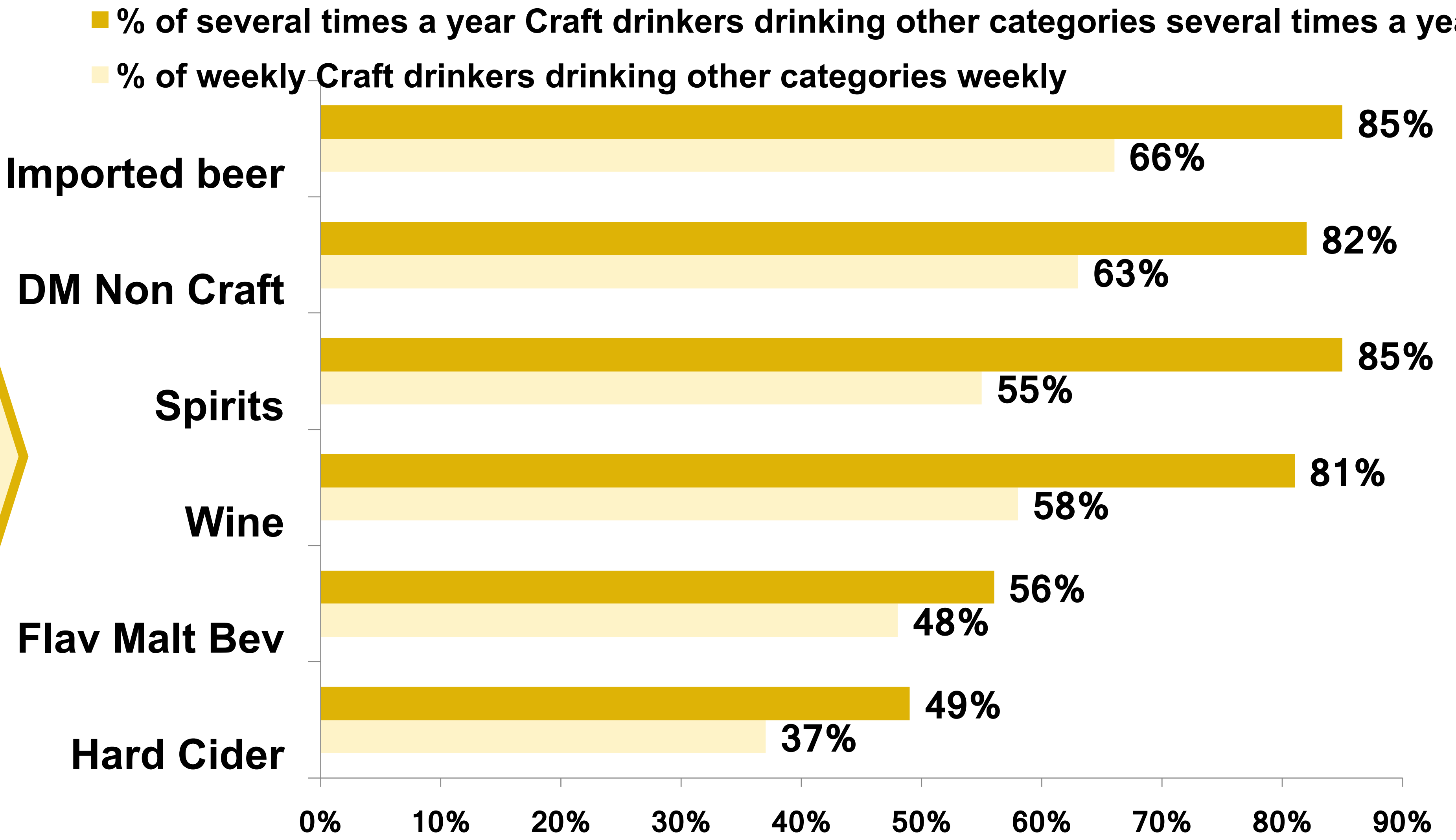
- In Syracuse, 21% of craft drinkers are 21-24 and 47% are 21-34.
- In Buffalo, 32.2% are boomers (50-69)

Gender

- In NYC, only 29.5% of craft drinkers female
- In Albany/Schenectady /Troy, that rises to 39.3%

Source: Scarborough USA+ 2017 Release 2 Total (Jun 2016 - Nov 2017)

CRAFT BEER DRINKERS OFTEN DRINK OTHER ADULT BEVERAGES AS WELL

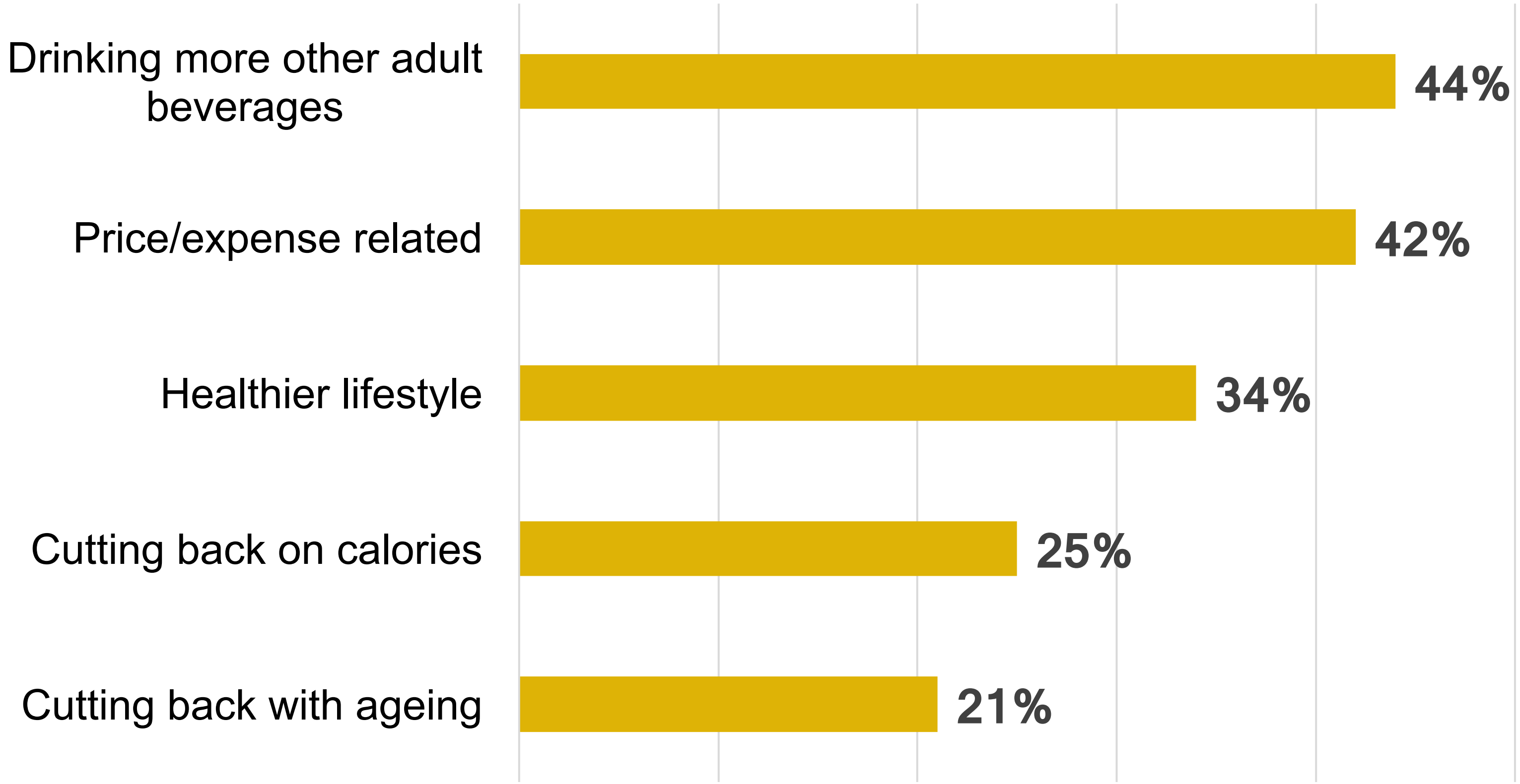


Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)

Of THOSE DRINKING LESS, DRINKING MORE 'OTHER' BEER HEADS THE LIST AMONG VARIOUS REASONS

What are the reasons you are drinking **less** *craft beer than a year ago?*

Base: those who are drinking less craft beer



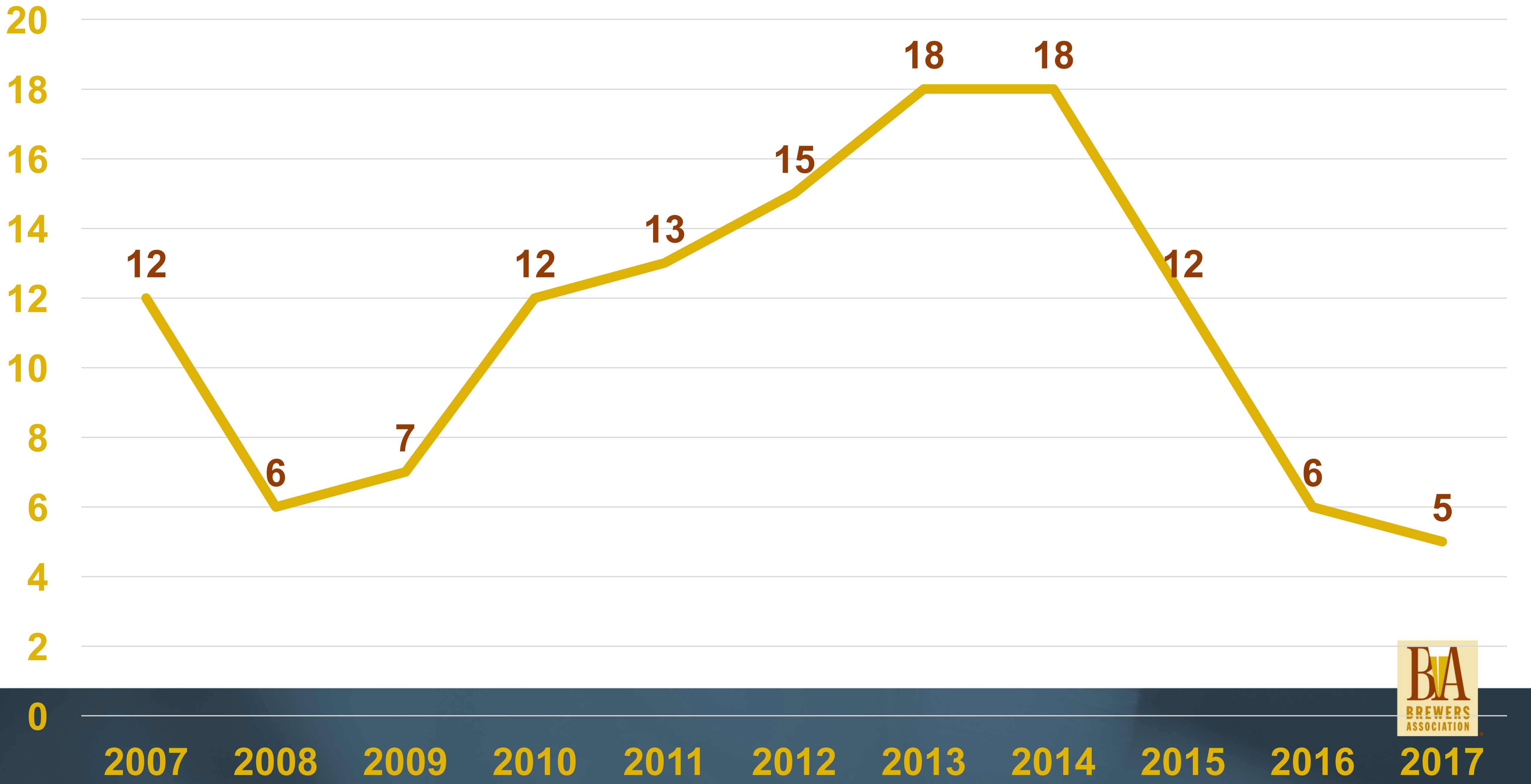
Other beer:	**20%**
Spirits:	**14%**
Wine:	**13%**
Hard Seltzers:	**9%**
FMB's:	**8%**
Hard Sodas:	**8%**
Ciders:	**6%**

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)

Craft’s Changing Growth

BA BREWERS ASSOCIATION

Annual Growth Rate, 2007-2017 (preliminary)



At home remains key location for craft beer drinkers, with increases outside the home

Which of the following describe when you typically drink craft beer? Please select all that apply.

87% of TOTAL Craft Beers Drinkers

AT HOME/AT A FRIEND'S

93% of WEEKLY Craft Beers Drinkers

GROWING OCCASIONS

At an OUTDOOR recreational activity

During a craft brewing FESTIVAL/EVENT

While visiting a CRAFT BREWERY

DOWN VS. YEAR AGO

While eating out at a RESTAURANT

While out with my friends at a BAR/CLUB

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2016 by Harris Poll (n=1,018 Craft Drinkers; n=555 weekly craft drinkers)

Millennials are finding new places to drink beer.
In the last 3 months…

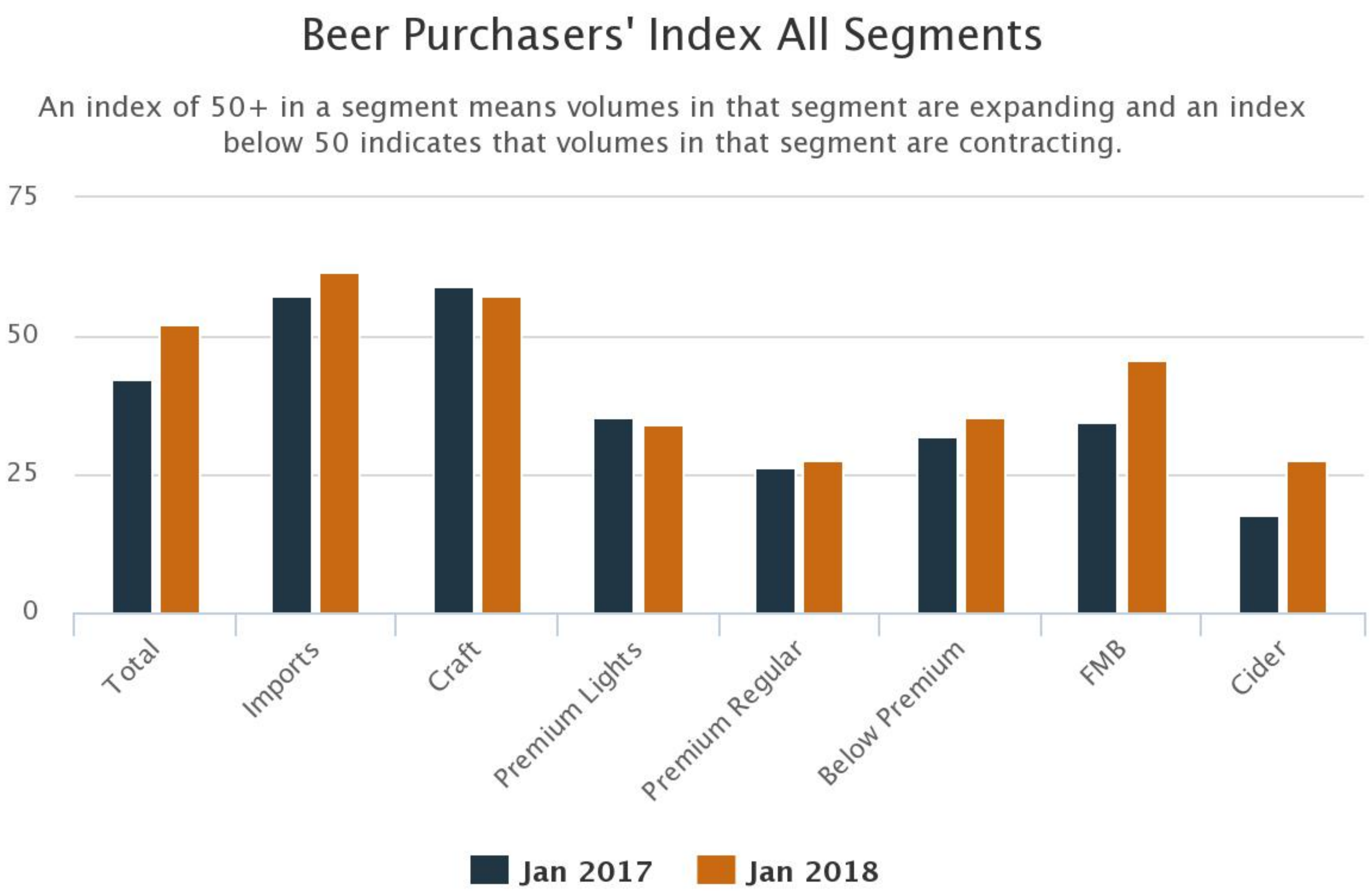
13%
of millennials visited a Groceraunt
(7% average)

12%
of millennials took a Brewery Tour
(7% average)

23%
of millennials visited a Brewpub or Taproom
(17% average)

25% of millennials visited a Premium Bar
(12% average)

nielsen | CGA



- Clearly much of the slowdown is coming at wholesale
- Distributors are crowded not expanding craft as much

AND INCREASINGLY A THIRD CHANNEL STORY

Especially for Millennials at the High End

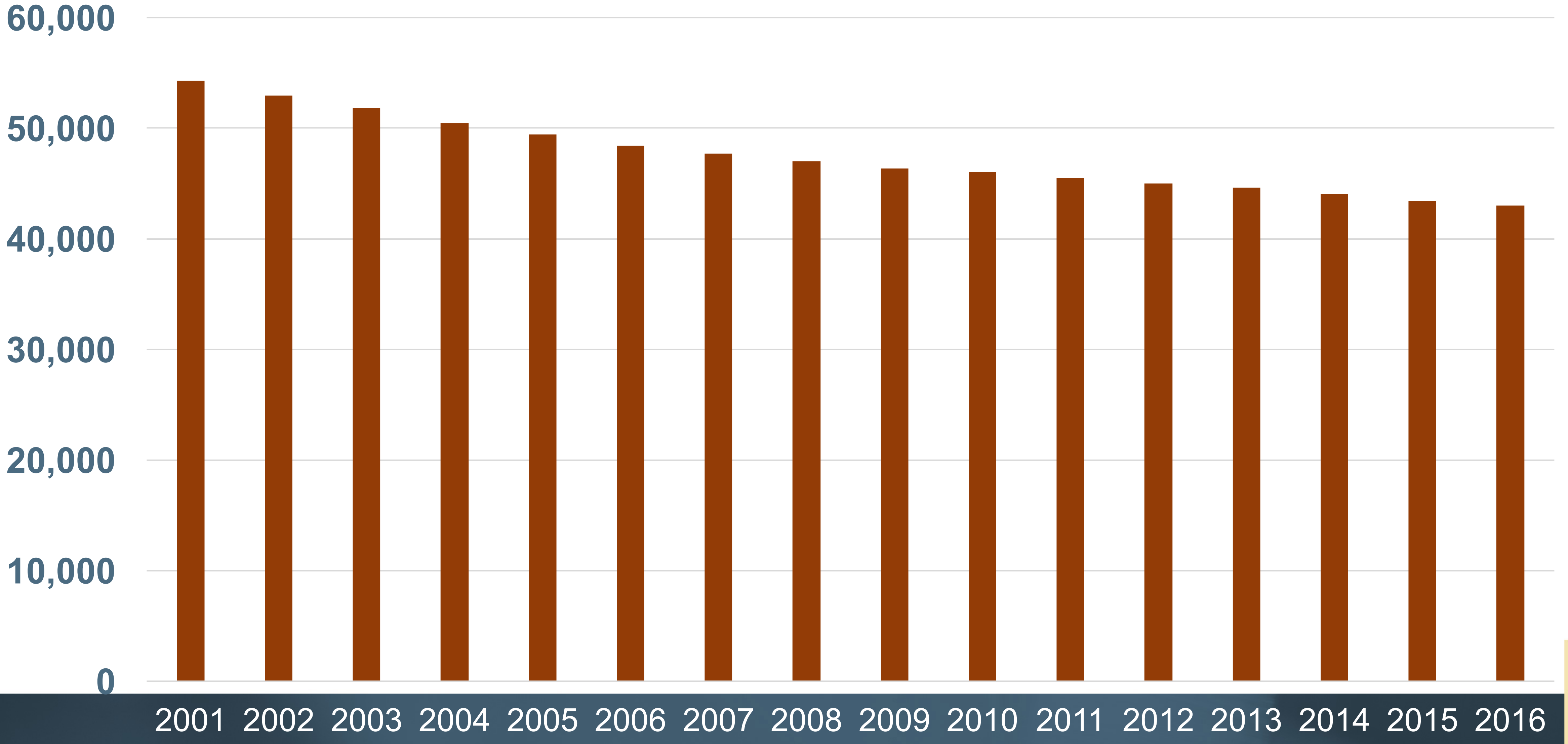
% OF TIME PURCHASES MADE AT…	OFF PREMISE Retail Store	ON PREMISE Bar/Restaurant	3rd SPACE CHANNEL
DM NON CRAFT (total 21+)	**56%**	**34%**	**9%**
DM NON CRAFT – MILLENNIALS	**55%**	**34%**	**11%**
IMPORTS (total 21+)	**52%**	**35%**	**13%**
IMPORTS – MILLENNIALS	**41%**	**35%**	**23%**
CRAFT (total 21+)	**43%**	**40%**	**17%**
CRAFT – MILLENNIALS	**40%**	**37%**	**23%**

3rd space channel here includes…
Sporting events; Music Festivals; Tasting rooms

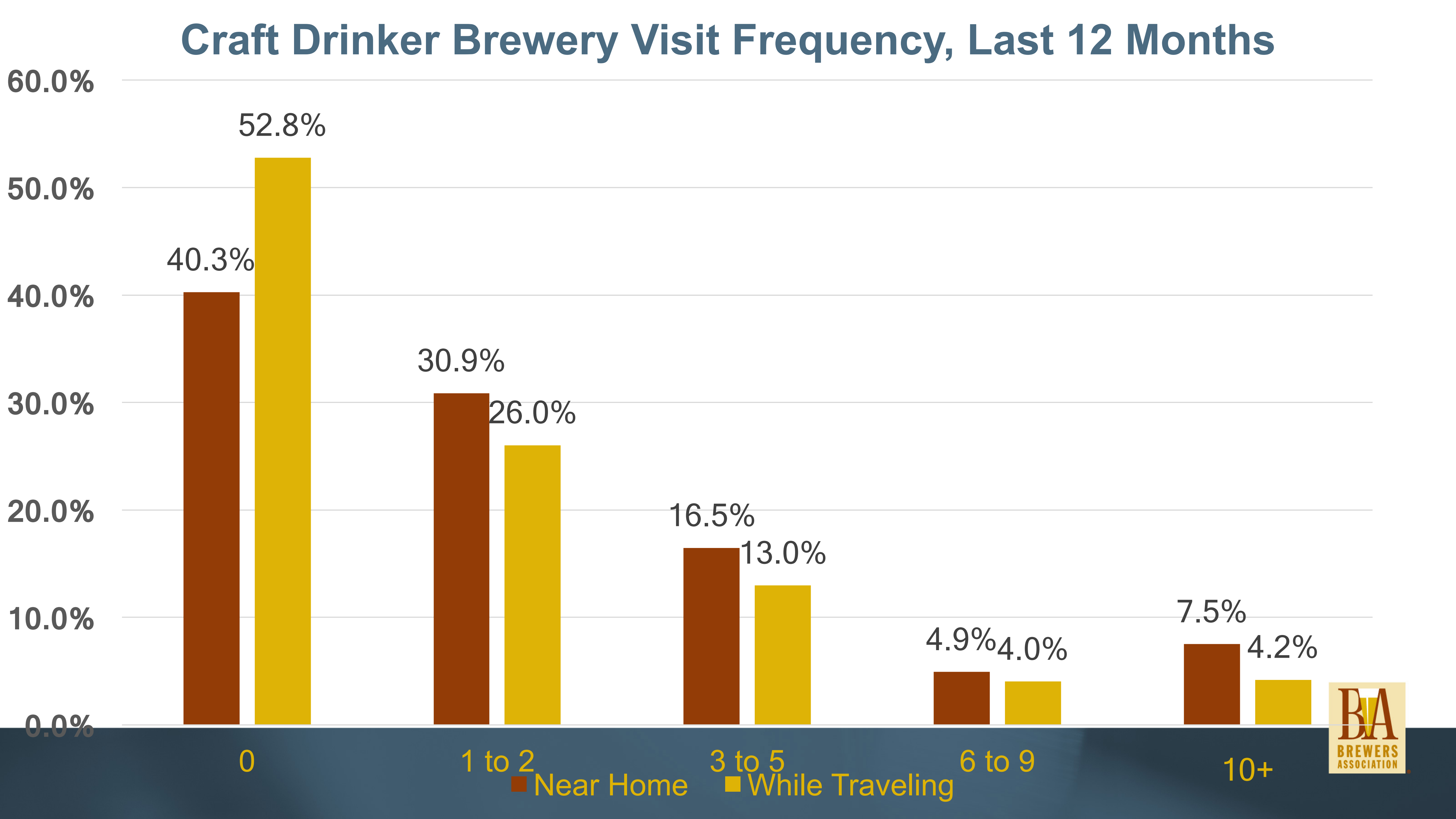
nielsen | CGA

- Source: Nielsen Bev Al Generations Study - 2016
- **Q: What percentage of the time did you make your purchase at each of the following places/venues?**

Number of Bars (NAICS 72241)



Source: QCEW (2017)


Craft Drinker Brewery Visit Frequency, Last 12 Months
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
52.8%
40.3%
30.9%
26.0%
16.5%
13.0%
4.9%
4.0%
7.5%
4.2%
0
1 to 2
3 to 5
6 to 9
10+
Near Home
While Traveling
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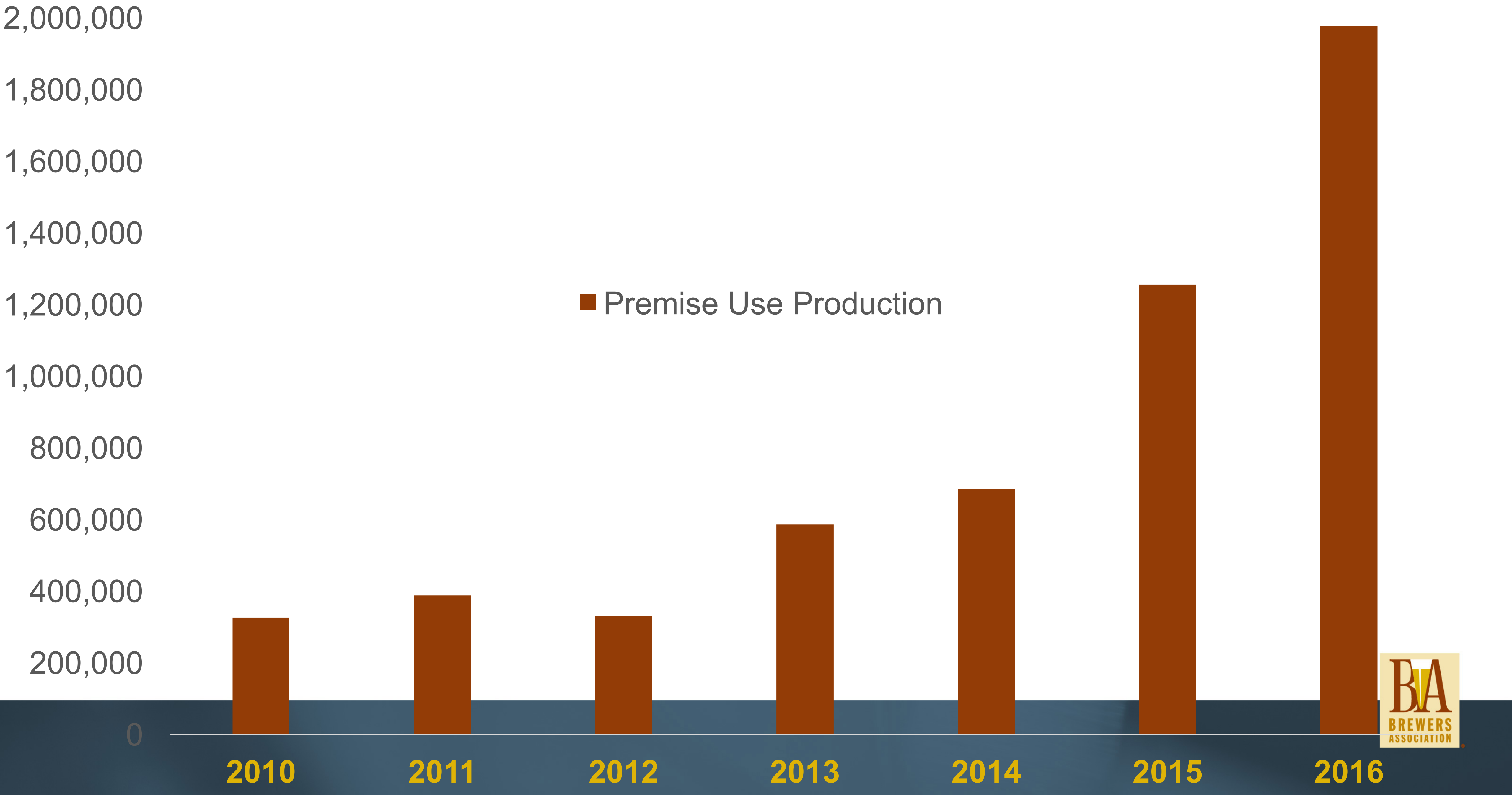
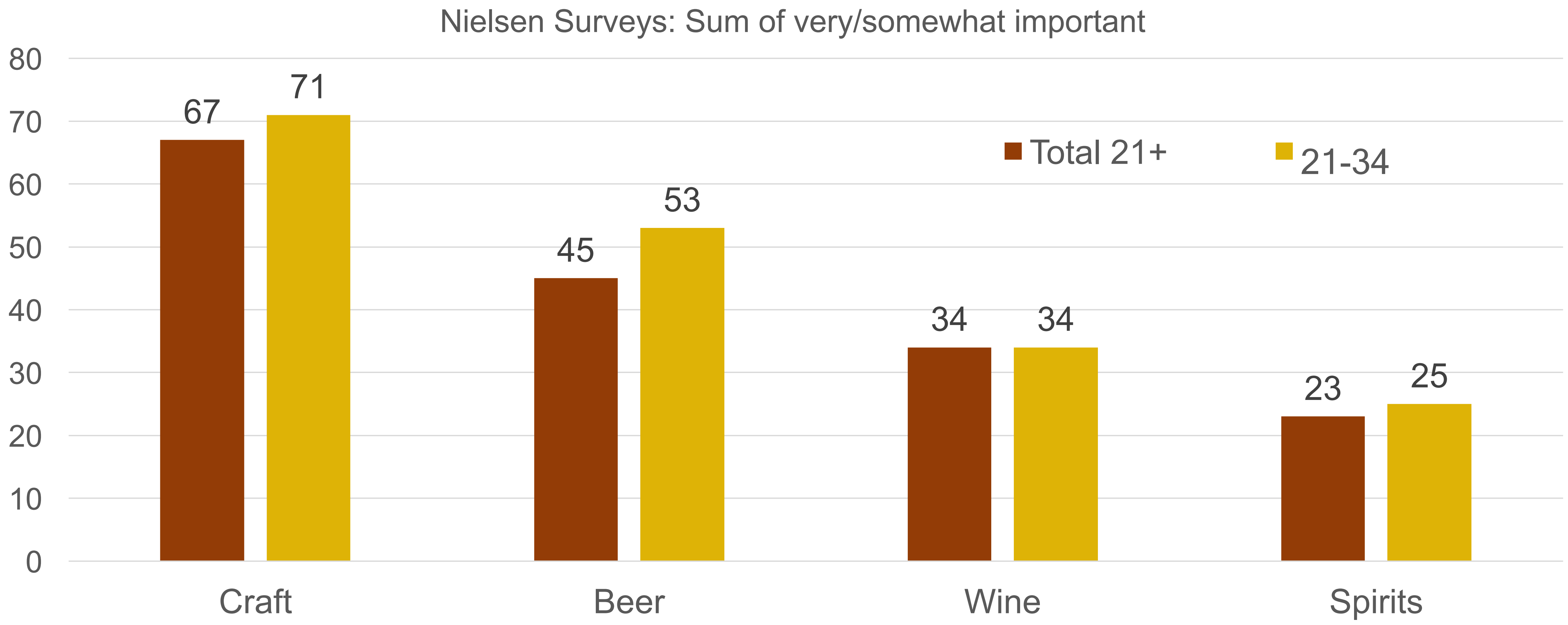
Premise Use Production, 2010-2016



New York Stats

How important is “local” in purchase decisions?



Source: Nielsen Quick Query Omnibus Survey, 12-17, 2015. (Base: LDA consumers who drink at least several times per year)

Scan Data Source: IRI MULO+C, (12/31/17) BA Craft Definition			**BA Production Survey New York**		
National Size (CEs)	Growth % 2017	% Volume	Brewery Size (BBLS)	Growth % 2017	% Volume (2017)
1,000,000+	0.3%	62.2%	60K+	0.9%	56.5%
100k to 1M	5.8%	21.1%	15K-60K	11.5%	10.1%
10K to 100K	13.2%	13.3%	5K-15K	9.5%	10.1%
Less than 10K	55.5%	3.3%	New to <5K	41.5%	23.3%

Breweries less than 5,000 barrels will represent 75-80% of independent craft growth in 2017 - 74% in NY

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Source: IRI MULO+C (US and NY), 12/31/17, BA Craft	Outside New York	In New York
NY Breweries	**0.3%**	**24.0%**
Other Craft Brewers	**4.3%**	**0.5%**

NY brewers hold 3.2% share of BA Craft (not overall beer) by volume nationally in IRI Group Scan data. They hold 34.4% in New York.

Artisanal Brewing Ventures and Duvel Moorgat USA both included in NY numbers, so New York only brand trends may be different.

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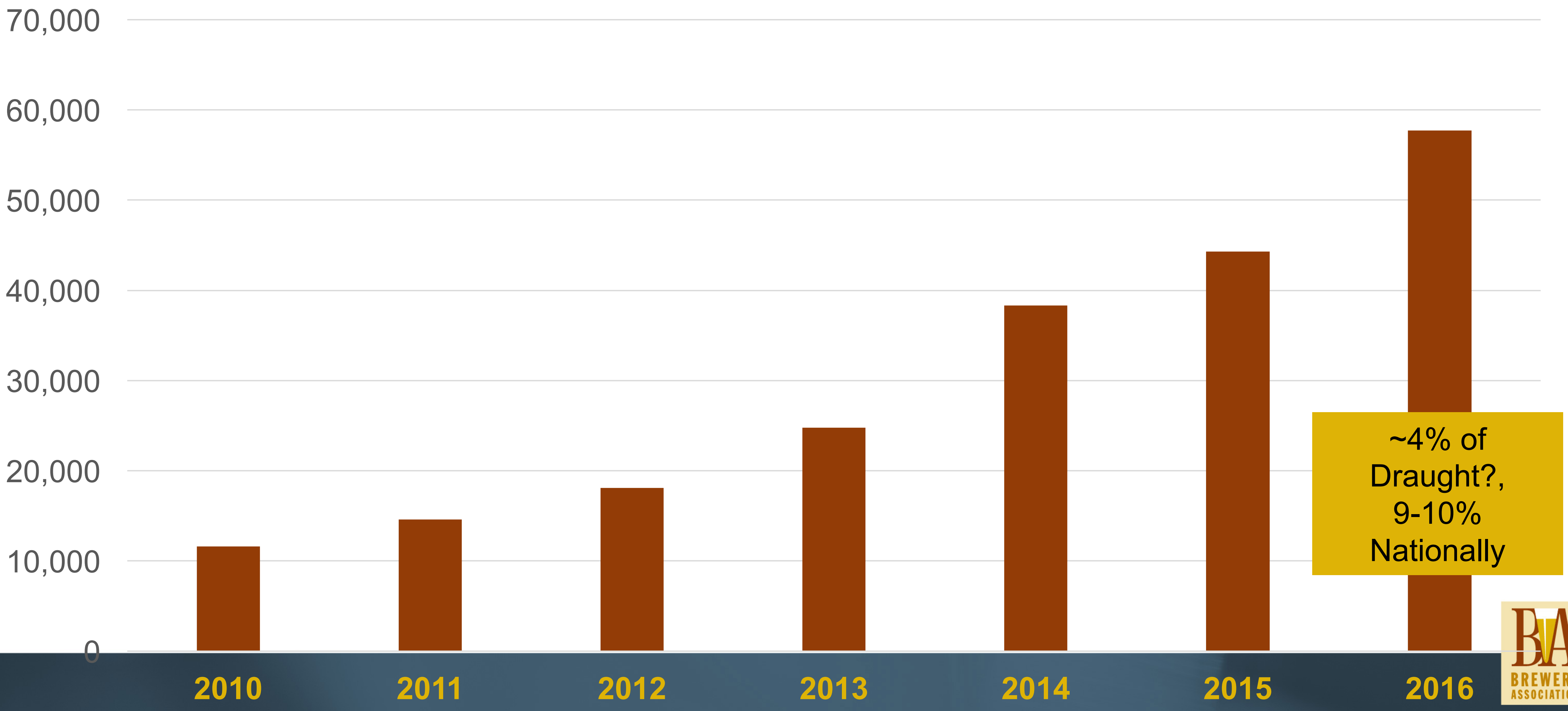
Premise Use in New York



Brewery Visits are Partially New Occasions

Q: As you have visited a Brewpub/Taproom or Brewery in the last 3 months, did that visit replace a visit to a bar or other on-premise establishment? (If you visited multiple breweries, please select the option that is most typical)

Sample size:	1447	461	559	427
Age	**Total US**	**21 – 34**	**35-54**	**55+**
No, visiting a brewery was a different type of occasion where I wouldn't have gone to a bar (family outing, etc.)	40%	34%	38%	47%
Yes, I chose to visit a brewery instead of a traditional bar/on-premise drinking establishment	30%	33%	30%	25%
No, visiting a brewery was in addition to my typical bar/on-premise occasions	24%	25%	24%	22%
Yes, though I would generally be reducing my bar occasions, regardless of whether I was visiting breweries or not	7%	8%	8%	6%

NCGA OPUS survey September 2017

BREWERS ASSOCIATION

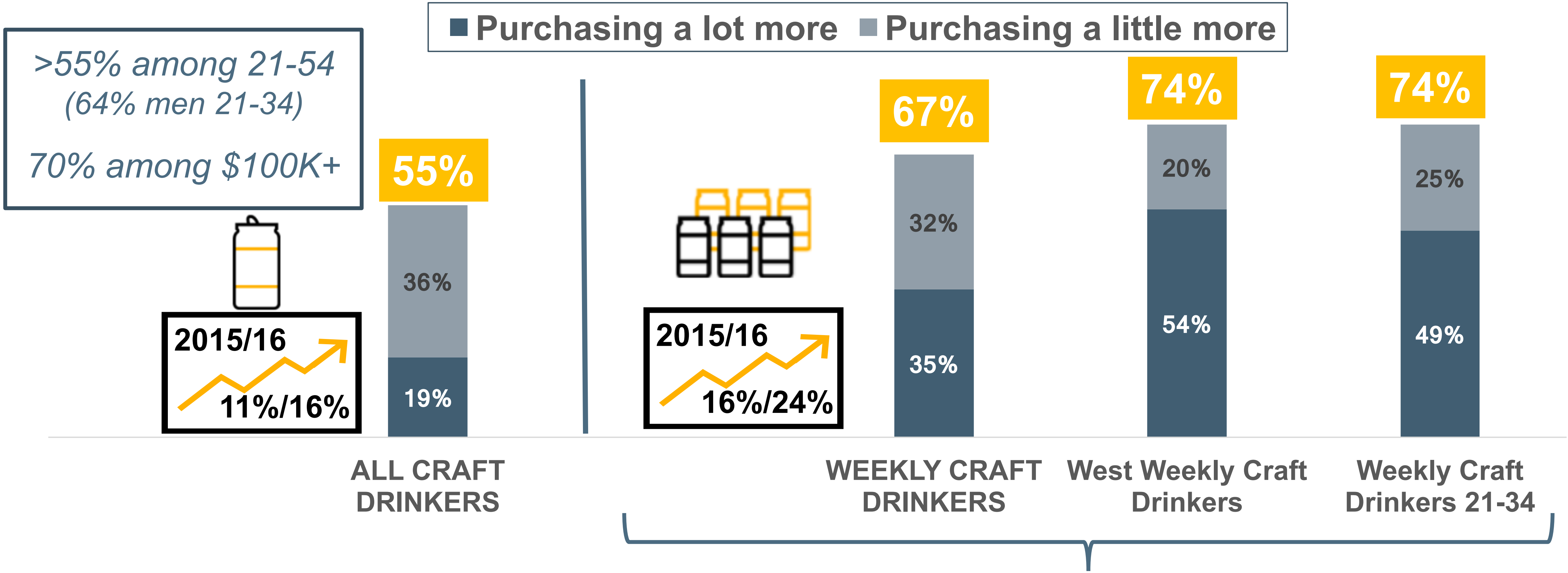
Percent of Craft Drinkers Who are Drinking More Craft & Say Brewery Visits are a Reason

	Male	Females	Total
21-34	16%	15%	15%
35-44	13%	12%	13%
45-54	12%	19%	14%
55-64	11%	9%	10%
65+	5%	3%	5%
Total	12%	13%	**12%**

- Clear sign there is new demand here
- Opportunity to grow the segment
- Cuts across typical demographics
- Ripples run further out

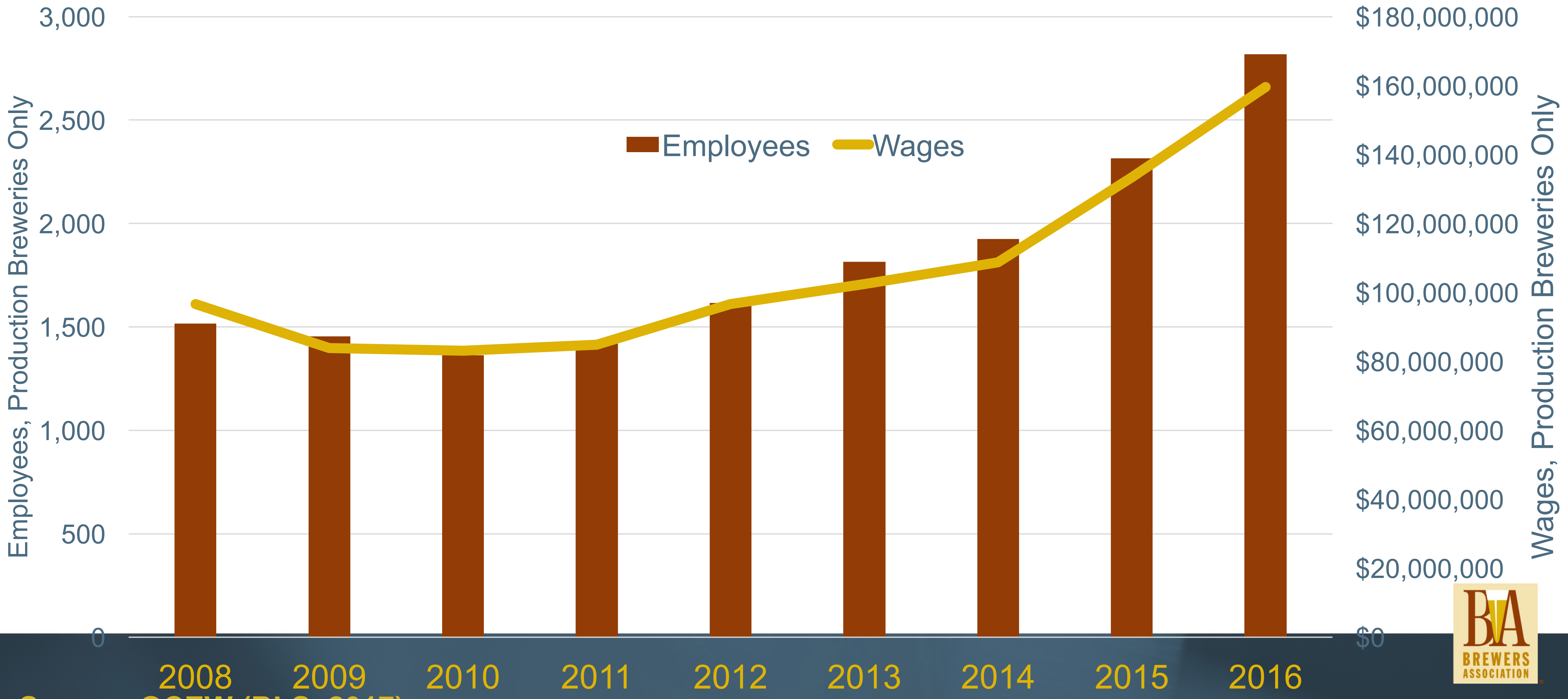
A VISIT TO A CRAFT BREWERY HAS SIGNIFICANT, AND INCREASING POST-VISIT SALES BENEFITS

After your visit(s) to a craft brewery, which of the following describe how, if at all, your purchasing habits of that craft brewer's products changed?



Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)
Base: Among those who visited Craft Brewery

Breweries Having an Impact



Source: QCEW (BLS, 2017)

CHEERS!

bart@brewersassociation.org

@brewersstats