STATE of the INDUSTRY
BEER HEADLINES

• The high end now driving beer with craft as its leader
• Micros continue hot streak
• Brewpubs return to growth/diversity
• Regional brewers continue opening opportunities, new channels growing
• Capacity grows on pace with production
• Styles cut both ways
• More IPAs – More sessionable options
CRAFT BREWER DEFINED

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.
Volume Growth

18% CRAFT

0.5% OVERALL BEER

STATE OF THE INDUSTRY | BREWERS ASSOCIATION
22.2 MILLION BBLs SOLD IN 2014

2014 Volume Grows 3.4 Million bbls

U.S. Sales Grew 3.3M · 1.6 Share of U.S. Beer
$1.01/case in scans
First year where increase is over a buck a case?
Total Craft Industry % Volume Growth

18% GROWTH CONTINUES TO BUILD

STATE OF THE INDUSTRY | BREWERS ASSOCIATION
As of December 31, 2014

1,871 Microbreweries
1,412 Brewpubs
135 Regional Breweries

3,418 Total Craft Breweries
Total Craft Openings

<table>
<thead>
<tr>
<th>Year</th>
<th>Openings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>450</td>
</tr>
<tr>
<td>2013</td>
<td>502</td>
</tr>
<tr>
<td>2014</td>
<td>615</td>
</tr>
</tbody>
</table>

615 OPENINGS
Brewpub Growth [barrels]

20% ~1.17M BARRELS

STATE OF THE INDUSTRY | BREWERS ASSOCIATION
Micro Growth [barrels]

33% ~3.17M BARRELS

STATE OF THE INDUSTRY | BREWERS ASSOCIATION
U.S. Breweries in Planning

2,051

Breweries in Planning

As of December 31, 2014
U.S. Craft Brewer Exports

36%

383,422 BBL
## Top Craft Beer Styles

<table>
<thead>
<tr>
<th></th>
<th>Dollar Share</th>
<th>Volume Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IPA</td>
<td>22.7</td>
<td>46.9%</td>
</tr>
<tr>
<td>2. Seasonal</td>
<td>16.8</td>
<td>9.9%</td>
</tr>
<tr>
<td>3. Pale Ale</td>
<td>10.6</td>
<td>10.1%</td>
</tr>
<tr>
<td>4. Variety</td>
<td>7.8</td>
<td>20.3%</td>
</tr>
<tr>
<td>5. Amber Ale</td>
<td>5.7</td>
<td>11.8%</td>
</tr>
<tr>
<td>6. Amber Lager</td>
<td>4.9</td>
<td>1.7%</td>
</tr>
<tr>
<td>7. Bock</td>
<td>4.0</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
Top 5 States for 2014 Brewery Openings

1. Washington
2. New York
3. California
4. Colorado
5. Florida
Top 5 States Breweries Per Capita

1. Vermont
2. Oregon
3. Colorado
4. Montana
5. Wyoming

Breweries per 100,000 21+ adults
Craft Brewing Trends

- Steady growth on larger bases
- New sources of growth
- Brewers creating new on-premise growth
- Overall growth shifting to off-premise
- Sessionable trend
- Diversity in business models
Concerns for Craft Brewers

- Overexpansion/staying in stock
- FDA and beer
- Intellectual property conflicts
- Distribution difficulties
- Deals
- Quality
THE QUALITY PRIORITY PYRAMID

1. GOOD MANUFACTURING PROCESS (GMP)
2. HAZARD ANALYSIS & CRITICAL CONTROL POINTS (HACCP)
3. STANDARDS
4. PROCESS CONTROL AND ANALYSIS
5. SHELF LIFE AND STABILITY
6. PREVENTATIVE MAINTENANCE AND SPECIAL PROJECTS
Reasons for Optimism

- Quality is top of mind
- Growth and changing tastes
- Who makes the beer matters
- C-stores are the largest beer channel – figuring out craft
- “Belle of the ball” with state legislators
- Continued innovation of raw materials
- Safety emphasis
Craft Share

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.5%</td>
</tr>
<tr>
<td>2013</td>
<td>11.9%</td>
</tr>
<tr>
<td>2014</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

2014: 19.3%
U.S. Small Brewing Industry Jobs

115,469 TOTAL JOBS

64,068 FULL-TIME JOBS

51,401 PART-TIME JOBS

STATE OF THE INDUSTRY | BREWERS ASSOCIATION
CRAFT BEER SALES ARE AT AN ALL TIME HIGH!