State of the Industry

Paul Gatza
Director

Bart Watson, PhD.
Chief Economist
• THEME: Increasingly Complex Craft Market
• Harder to tell a single story
• U.S. Beer Market Shrinking
• Craft demand and share growing
• More competition than ever
Small Independent Traditional

• Important to continue to show numbers based on health of small and independent brewers
• Important to beer drinkers
TOTAL U.S. BEER
-1%

5% CRAFT

3% IMPORT

Overall Market
State of the Industry | Brewers Association
1. The rise of better beer
2. A bigger pie means more interest
3. Craft’s share of growth areas had declined
4. More brands, more confusion
5. Questions as to how unified the craft brewing industry can be going forward
• Launched June 2017
• Helping independent craft get a leg up in a crowded environment
• Data shows independence matters
• How many in the room opened in the last two years or are still in planning?

• 2017: 997 Openings
More are coming!

• 9,175 active TTB licenses at the end of Q1 2018...
• Averaged 1,200 new licenses each of the last 4 years
Craft Brewers and Per Brewer Growth

State of the Industry | Brewers Association
Barrel Growth by Founded Date

2013 or earlier:
- 285,000 BBLs
- Growth: 1.3%

2014-2017:
- 916,000 BBLs
- Growth: 52.6%
• Know the Regulations
• Do the Safety Work
• Do the Quality Work
• If you don’t love it, leave it
• We are stronger together
• Will I have a beer or something else?
• What’s new?
• What’s rare?
• What haven’t I tried?
• What’s local or in-state?
• What’s healthy?
• What’s next?
Average case price in 2016: $36.18

Source: IRI Group, MULO+C
Production to Capacity

State of the Industry | Brewers Association
• Average IRI case price in 2017 = $35.35
• Up, 1.9%; $0.66
Brewpubs

15% GROWTH

1,505,306 BARRELS
Micrsos

17% GROWTH

5,670,792 BARRELS
## 2016 Dollar Share & Growth

*Source: IRI Group*

<table>
<thead>
<tr>
<th>Segment</th>
<th>IPA</th>
<th>Seasonal</th>
<th>Other Pales</th>
<th>Variety</th>
<th>Amber Lager</th>
<th>Amber Ale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Rate</strong></td>
<td>25.4%</td>
<td>13.3%</td>
<td>11.2%</td>
<td>8.8%</td>
<td>4.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Sales Share</strong></td>
<td>22.6%</td>
<td>-</td>
<td>9.2%</td>
<td>4.4%</td>
<td>-</td>
<td>6.3%</td>
</tr>
<tr>
<td>Category</td>
<td>2016 Sales Share</td>
<td>2015 Sales Share</td>
<td>Growth Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------</td>
<td>------------------</td>
<td>-------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPA</td>
<td>25.4%</td>
<td>-</td>
<td>22.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEASONAL</td>
<td>13.3%</td>
<td>-</td>
<td>-2.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER PALE LAGERS</td>
<td>11.2%</td>
<td>9.2%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PALE ALE</td>
<td>8.8%</td>
<td>4.4%</td>
<td>4.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VARIETY</td>
<td>7.6%</td>
<td>5.2%</td>
<td>2.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMBER ALE</td>
<td>4.3%</td>
<td>1.2%</td>
<td>3.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMBER LAGER</td>
<td>4.1%</td>
<td>-</td>
<td>6.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exports

3.6% GROWTH
482,309 BARRELS
<table>
<thead>
<tr>
<th>Beer Style</th>
<th>$ Sales Share</th>
<th>Share of 2017 $ Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPA</td>
<td>20.3%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Imperial IPA</td>
<td>4.1%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Session IPA</td>
<td>2.2%</td>
<td>8.6%</td>
</tr>
<tr>
<td>APA</td>
<td>8.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Fruit IPA</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>36.8%</td>
<td>77.1%</td>
</tr>
</tbody>
</table>

Source: IRI Group
## Share of Dollar Sales and Growth of Lighter Styles, 2017

<table>
<thead>
<tr>
<th>Beer Styles</th>
<th>$ Sales Share</th>
<th>Share of 2017 $ Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blonde Ale</td>
<td>2.9%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Cream Ale</td>
<td>0.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Kolsch</td>
<td>0.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Wheat Ale</td>
<td>0.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Pilsner</td>
<td>1.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6.1%</strong></td>
<td><strong>26.1%</strong></td>
</tr>
</tbody>
</table>

Source: IRI Group
• Tariffs
• Alcohol as clickbait
• Territorial expansion issues
• Wholesaler capacity
• Shift in consumer behavior
• Third space domination
• Attempts to limit access
• Taprooms
• Third space opportunity
• Trade practice enforcement
• Excise tax reinvestment
• Growth in lighter styles
• State-level capabilities
• We are businesses loved in our communities
Craft Beer Sales Are At An All Time High