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STATE of the INDUSTRY

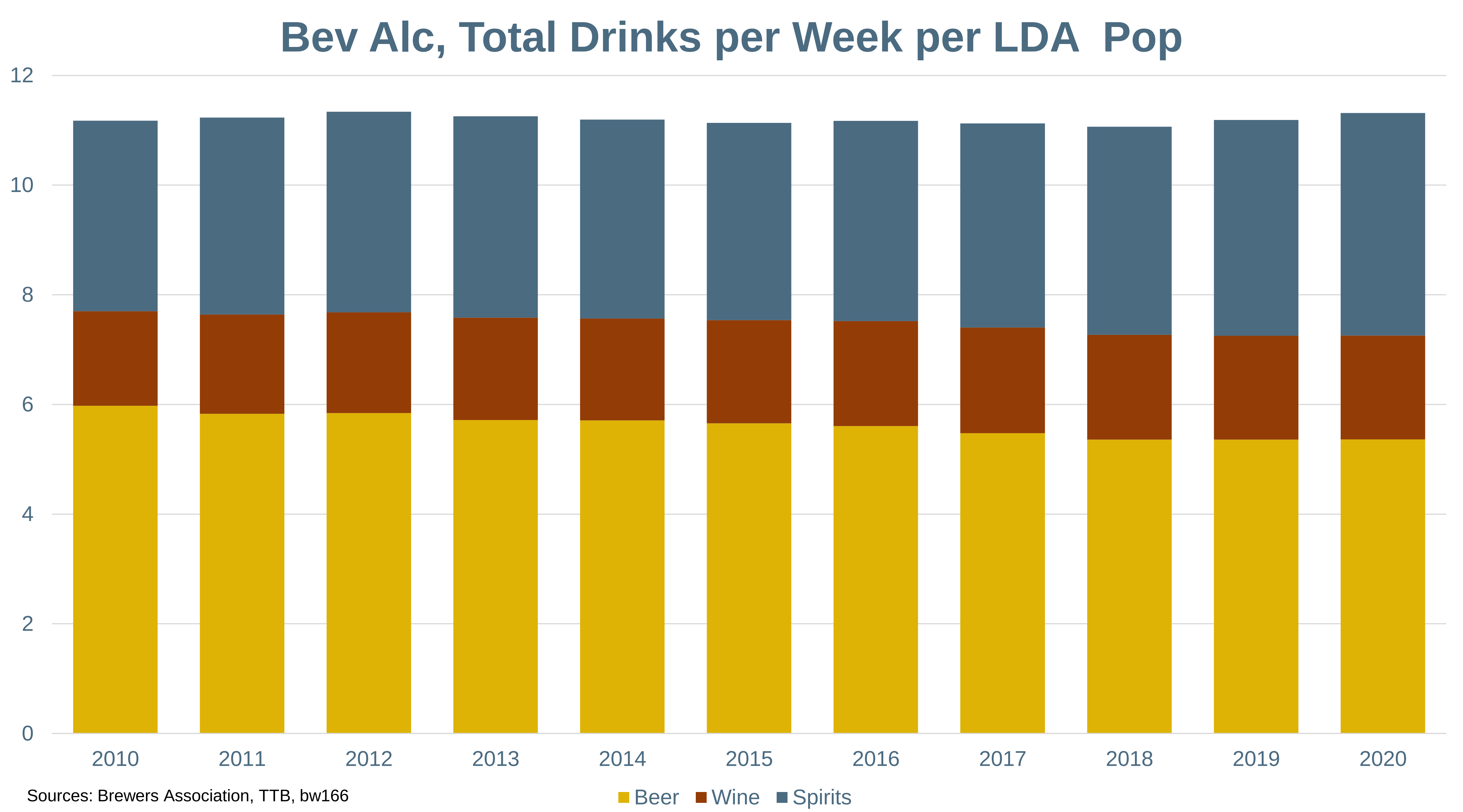
CALIFORNIA CCBA CRAFT BREWERS ASSOCIATION

Bart Watson

Chief Economist

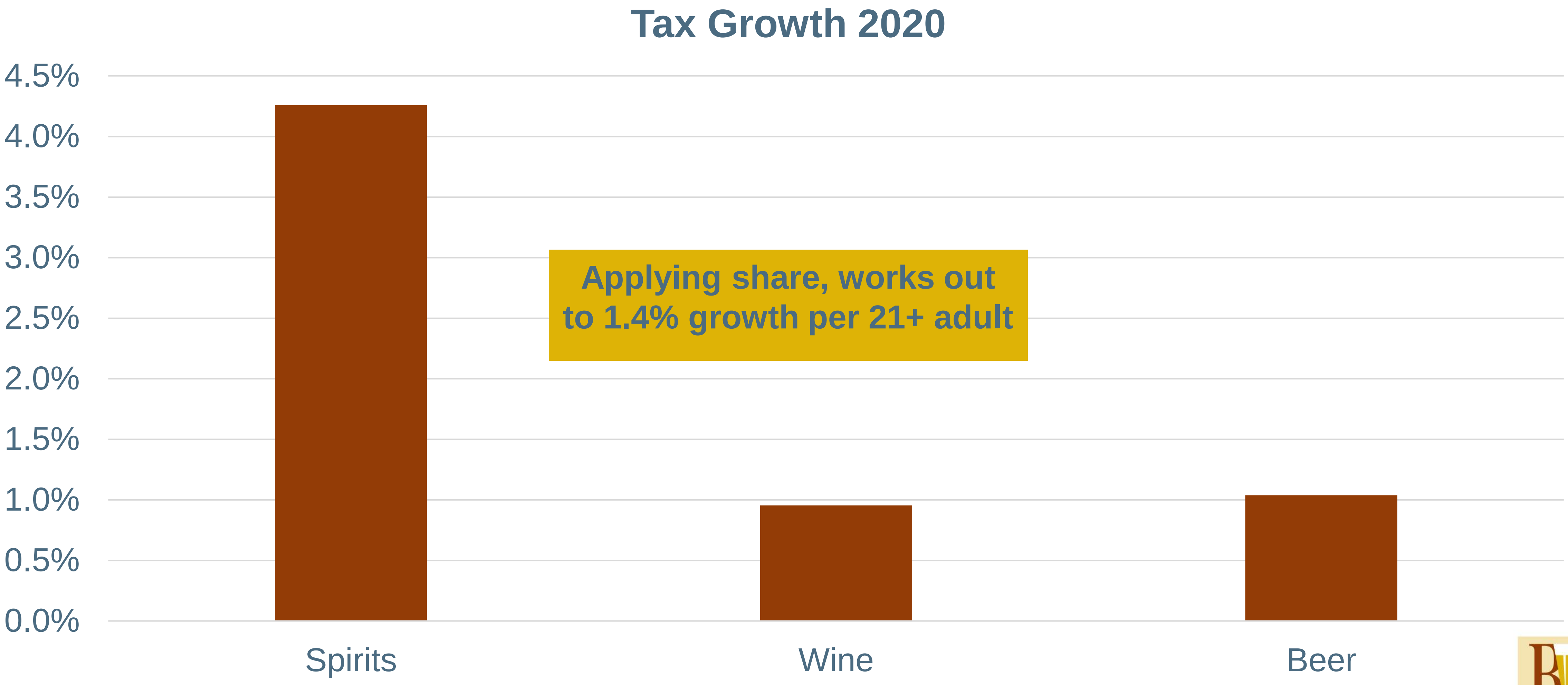
Headlines

- Total industry volumes didn’t change that much
  - BUT Craft volume down 9%, 11% in CA. WHY?
- Huge channel shift hits craft harder
  - BUT Closings didn’t really spike. WHY?
- Pivoting & At-the-Brewery sales held up better than all draught
  - BUT Variations by type/place
  - What’s next?
- Plus: Styles/Beyond Beer/More and the rest of 2021



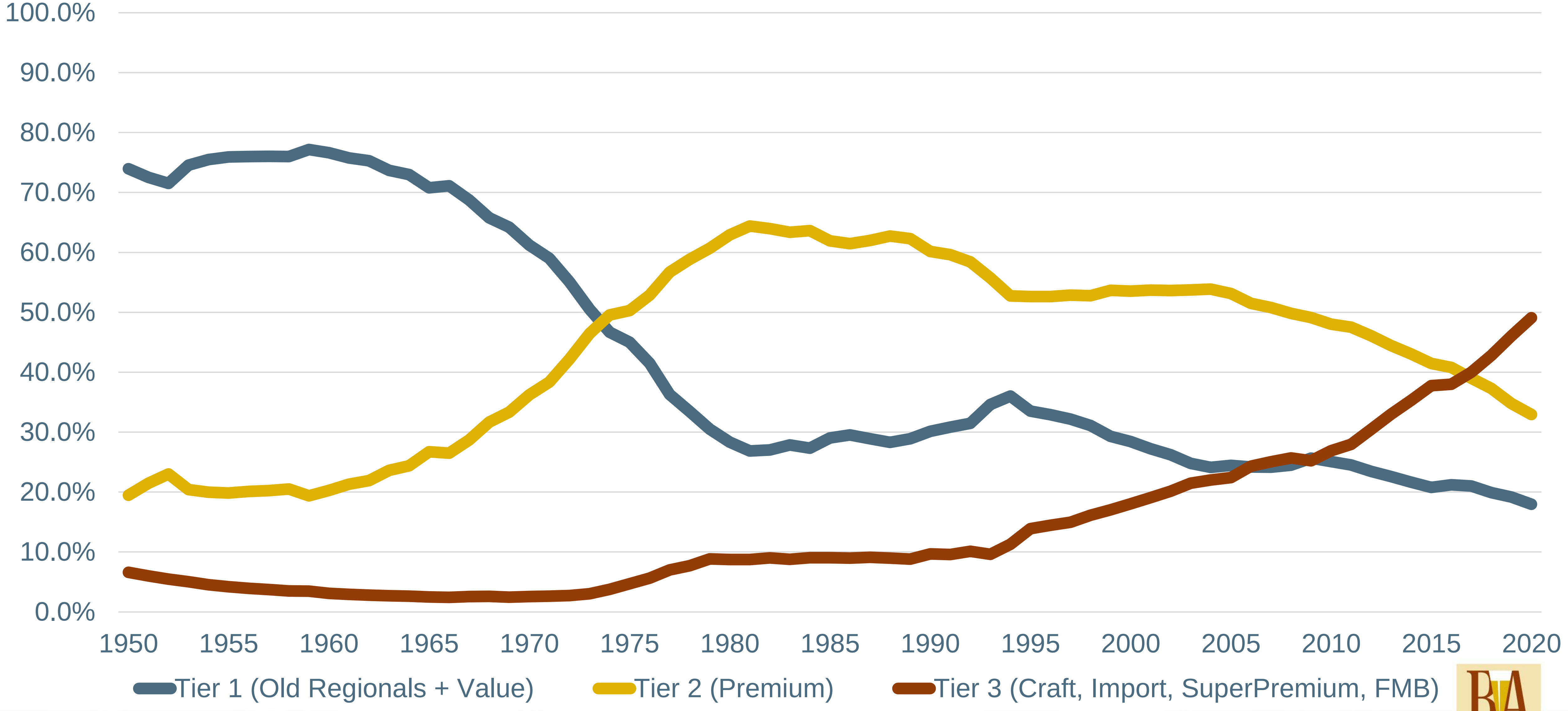
Sources: Brewers Association, TTB, bw166

Not that Different this Year



Source: TTB

Beer's Premiumization Trends Not Slowing Down



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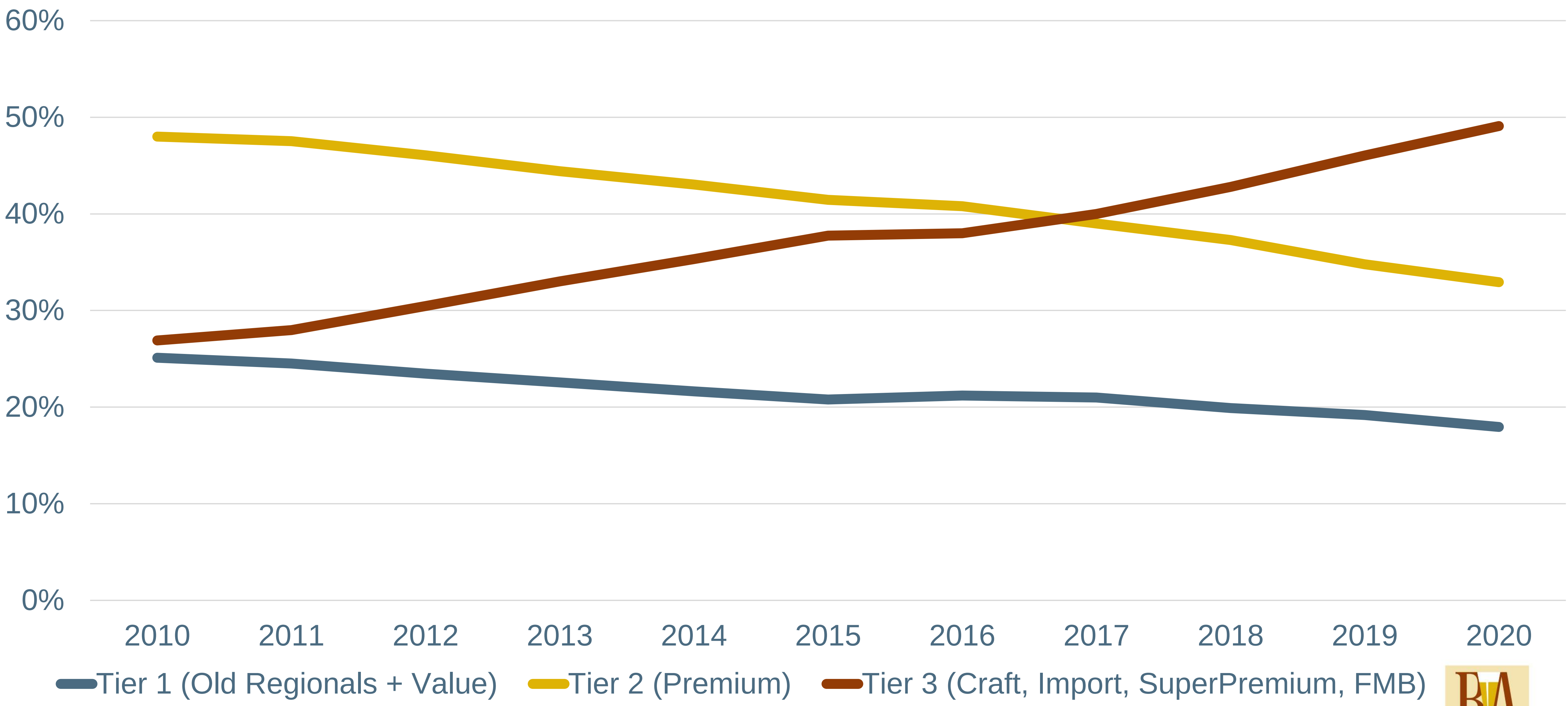
Sources: Brewers Association, R.S. Weinberg, and Beer Marketer's Insights

A Decade of Premiumization



Sources: Brewers Association and Beer Marketer's Insights

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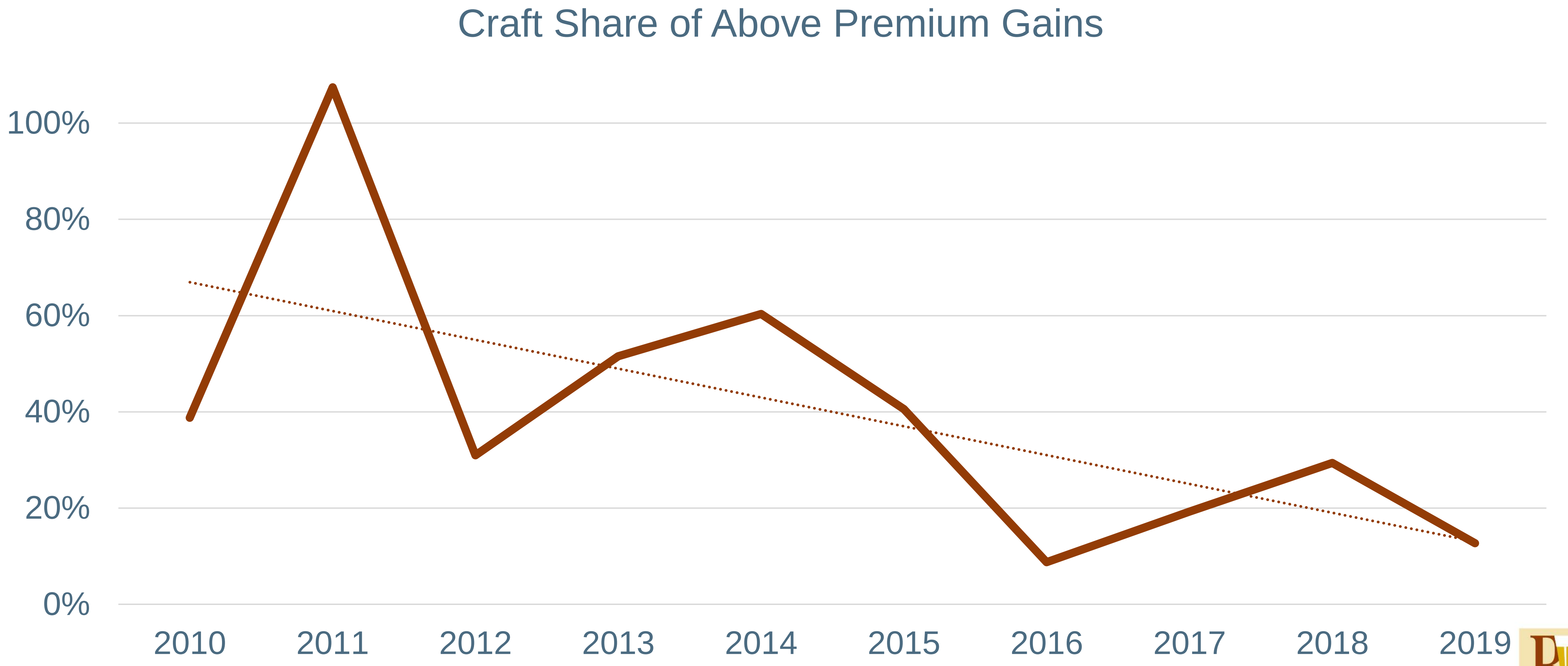
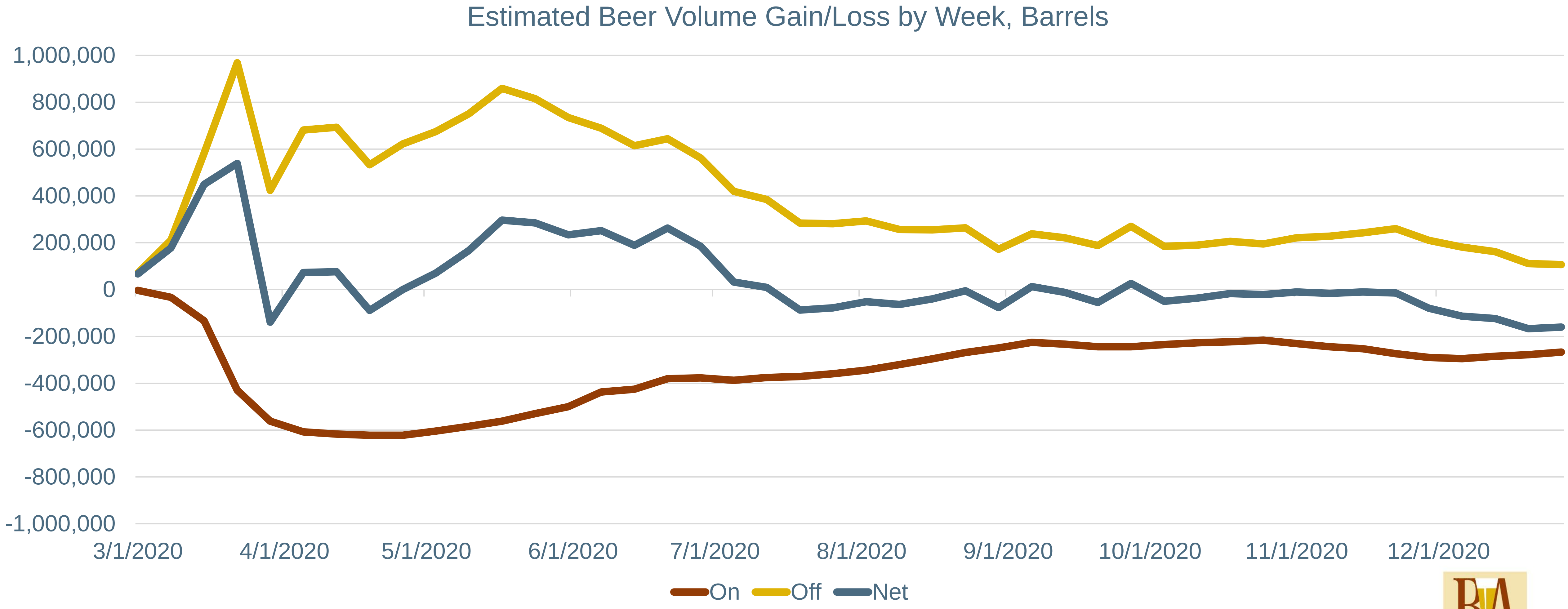
A Changing Equation



What Did Change
HUGE Channel Shift

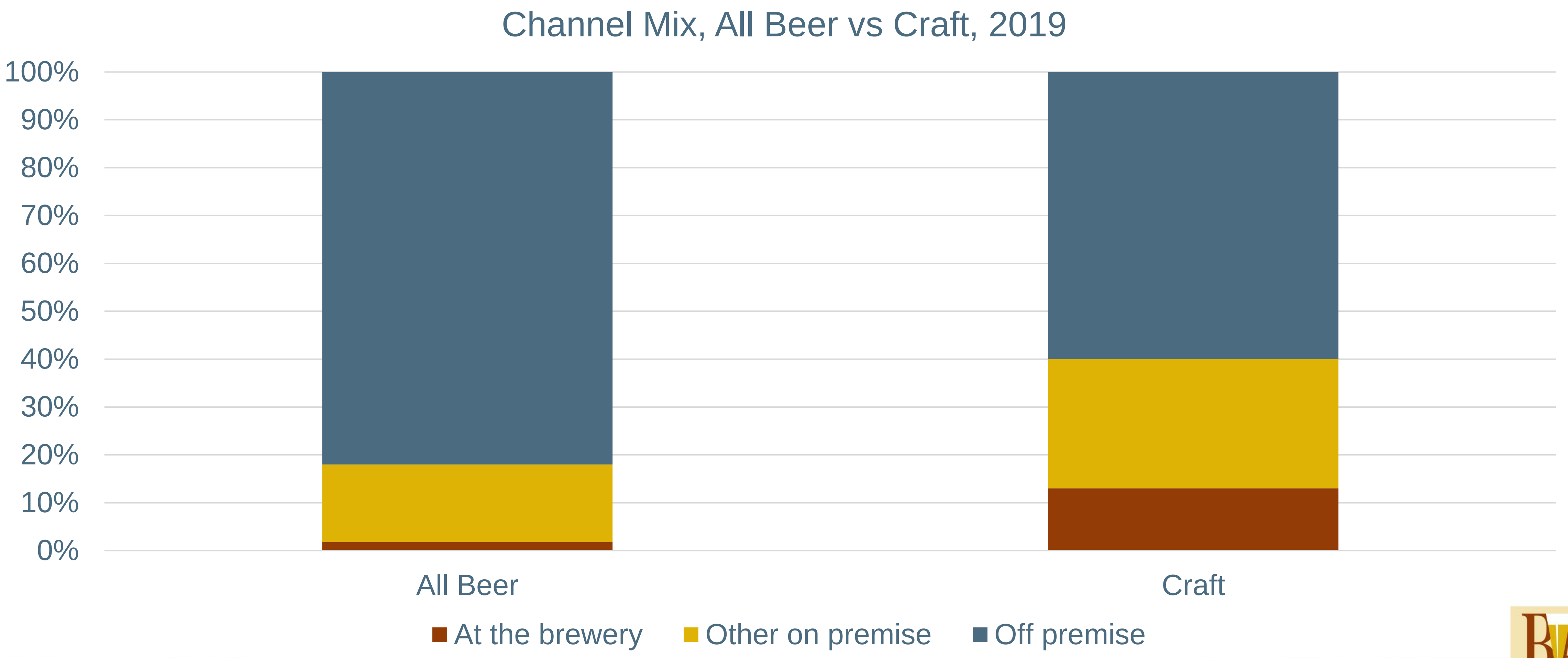
A Tale of Two Channels



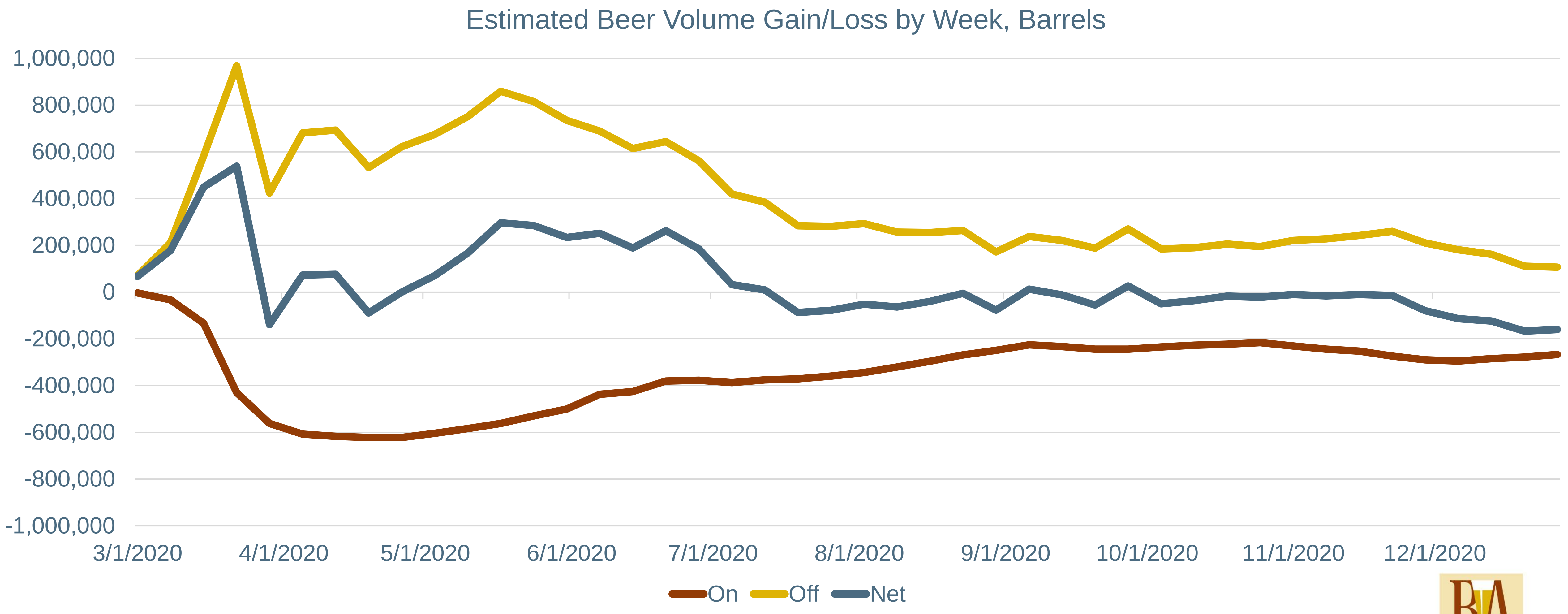
Source: Brewers Association Analysis of data from IRI Group, Beer Institute, BeerBoard, Nielsen CGA, Affinity, and Open Table

Prior to COVID, a week in this period averaged a bit less than 4 million barrels in sales

Hits Small Brewers Harder



A Tale of Two Channels



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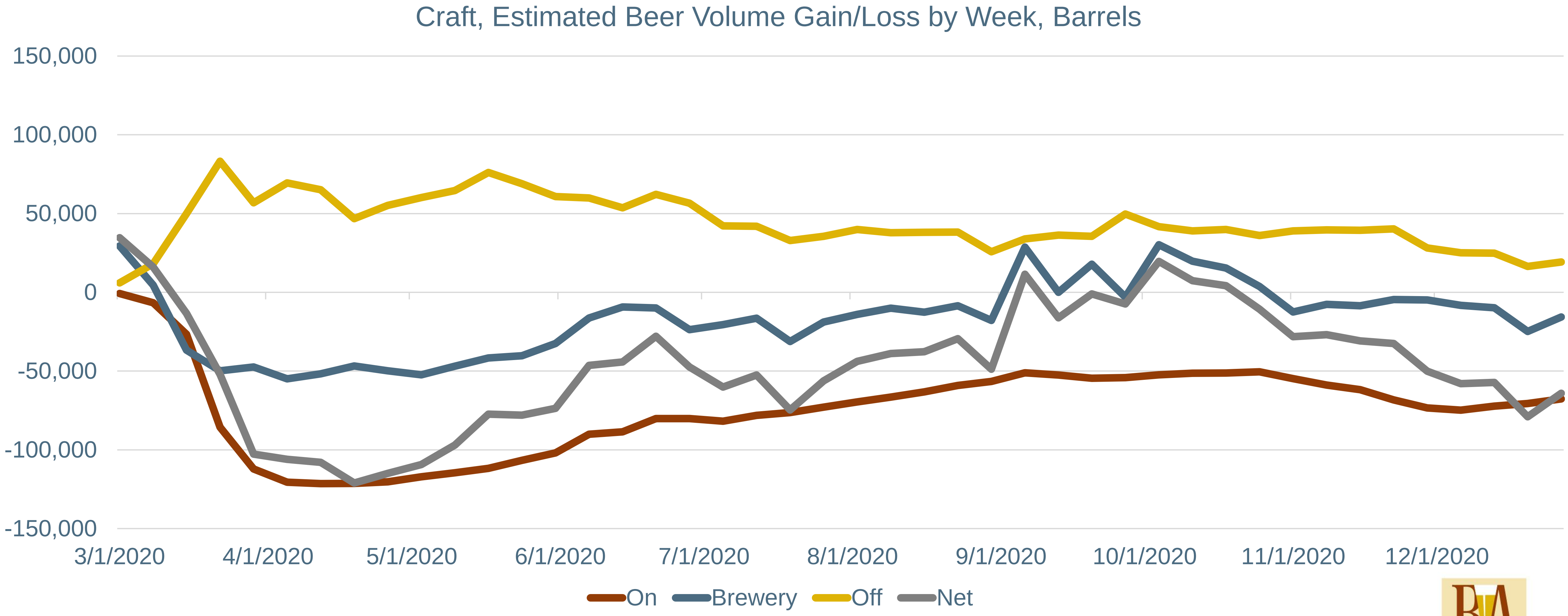
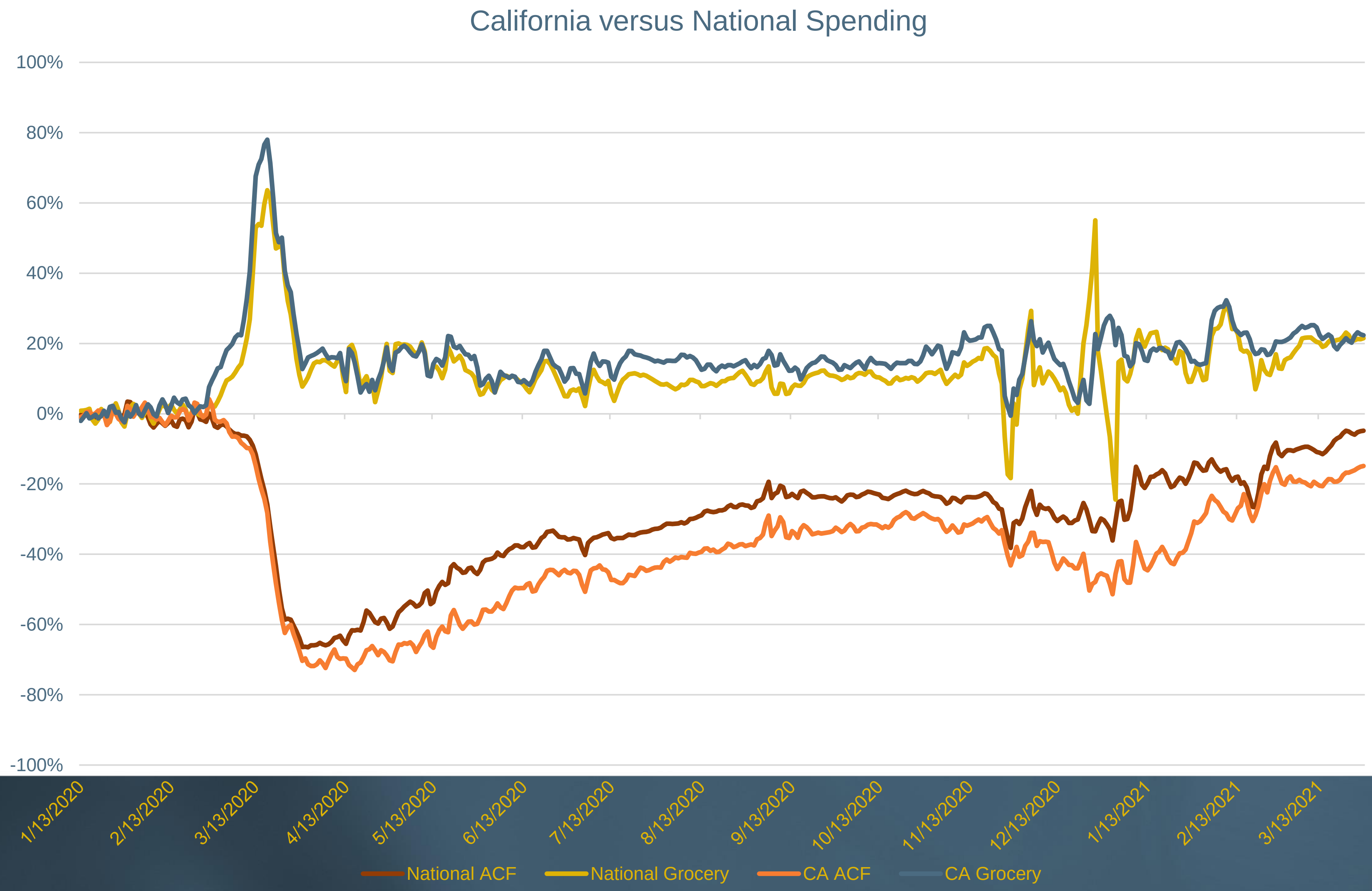
A Tale of Two Channels



Source: Brewers Association Analysis of data from IRI Group, Beer Institute, BeerBoard, Nielsen CGA, Affinity, and Open Table
Prior to COVID, a week in this period averaged a bit less than 4 million barrels in sales

CA Saw Bigger Shift



Most signs point to 20-25% lower draught sales compared to national

CA Keg production (TTB) = - 63%

National Keg Production (TTB) - 50%

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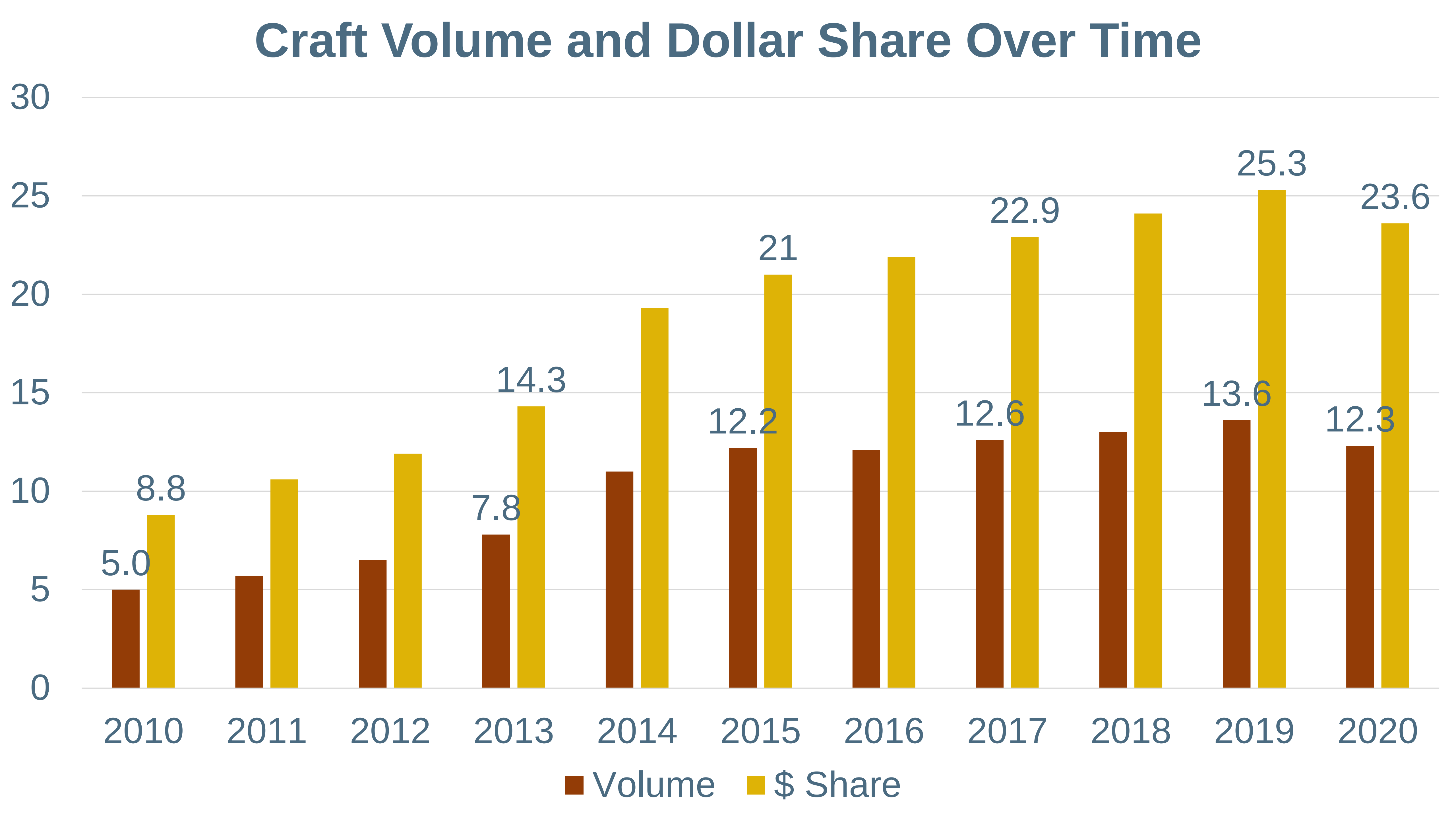
US Craft Beer Volume % Change YOY


Craft Volume and Dollar Share Over Time
30
25
20
15
10
5
0
5.0
8.8
7.8
14.3
12.2
21
12.6
22.9
13.6
25.3
12.3
23.6
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Volume
$ Share

Closings

346 Closings*

Up Slightly, but Same % (~4%) as 2019

***Fair number hibernating**

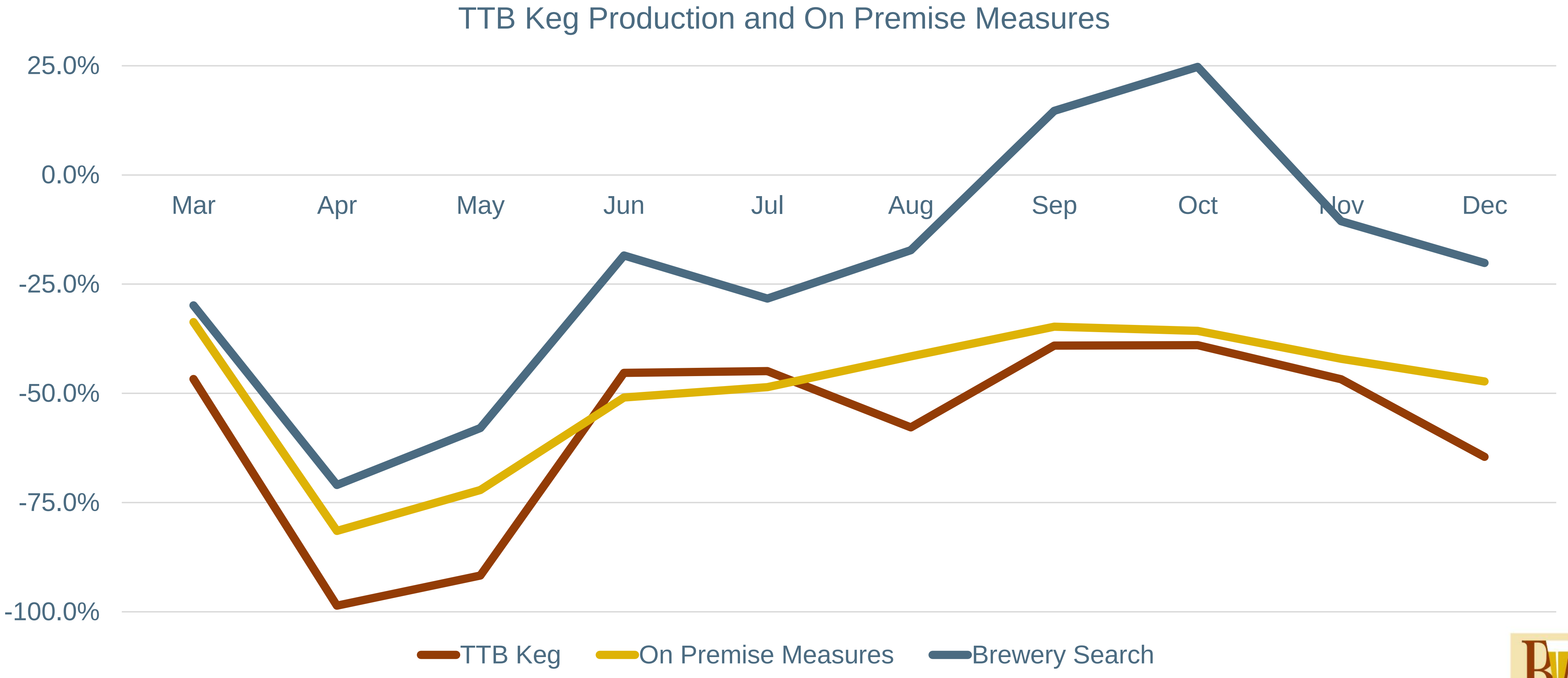
Why?

<u>**One Reason:**</u>

Breweries *(not including brewpubs)* received $420 million in PPP loans

But revenue losses in the billions

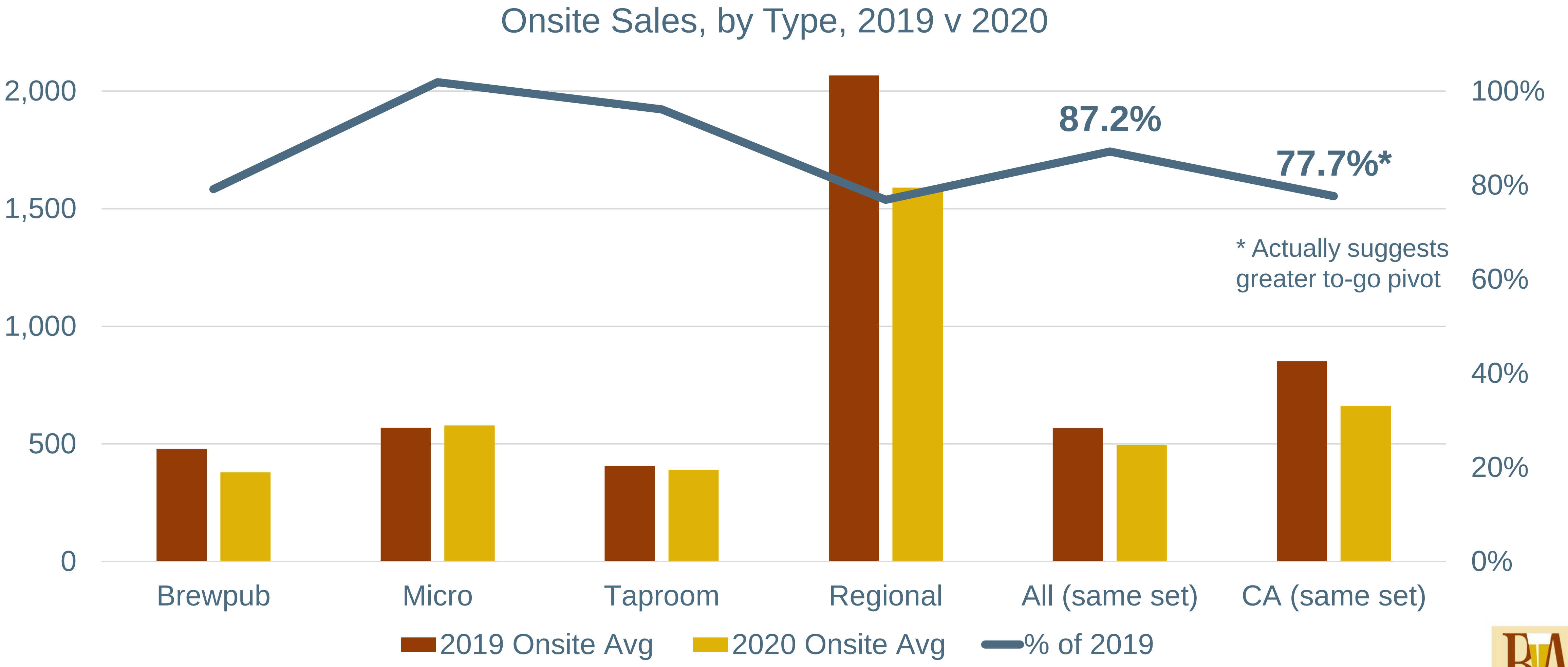
Breweries Held Up Better*



On premise measures are a blended index of Nielsen CGA, BeerBoard, Affinity credit card data and Open Table

* In Volume

Onsite Sales by Type



Note: Volumes; not revenue or profits

Note: Volume ≠ Revenue

-7.5%

Average revenue per barrel,
2019 onsite versus 2020 onsite

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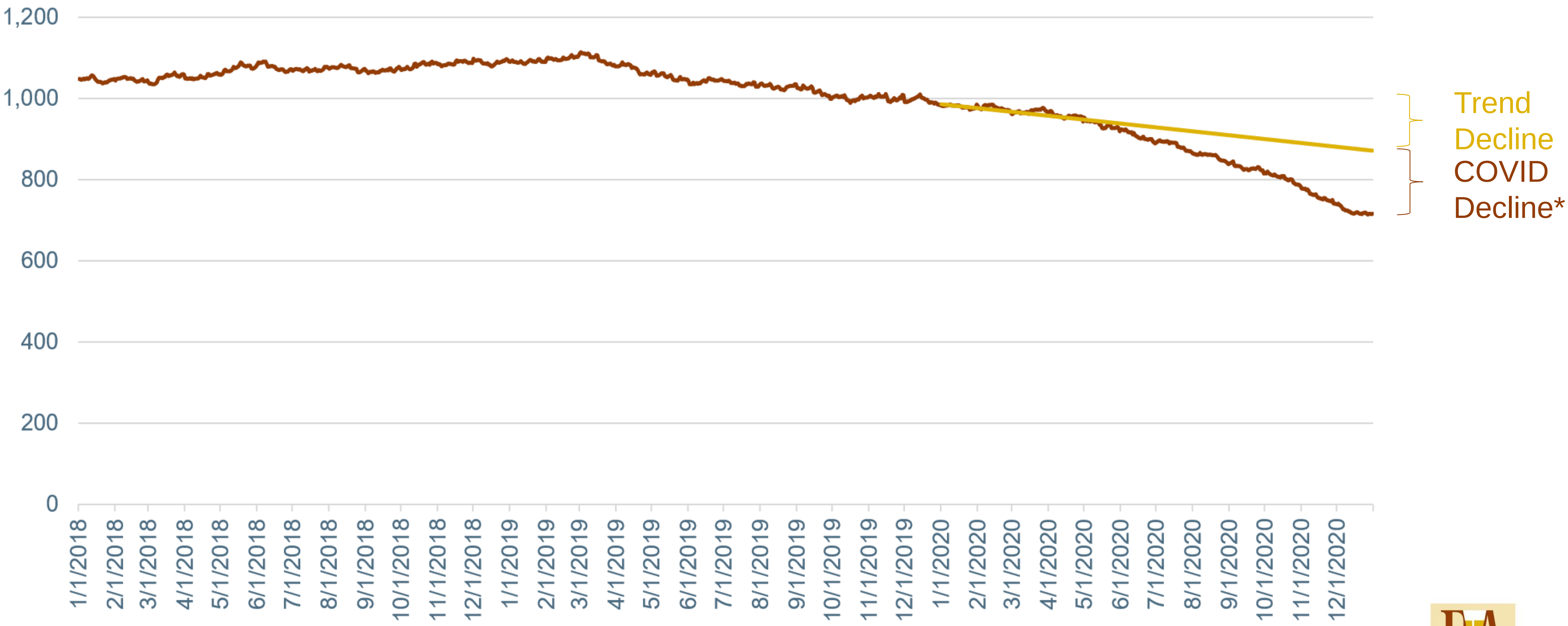
Openings

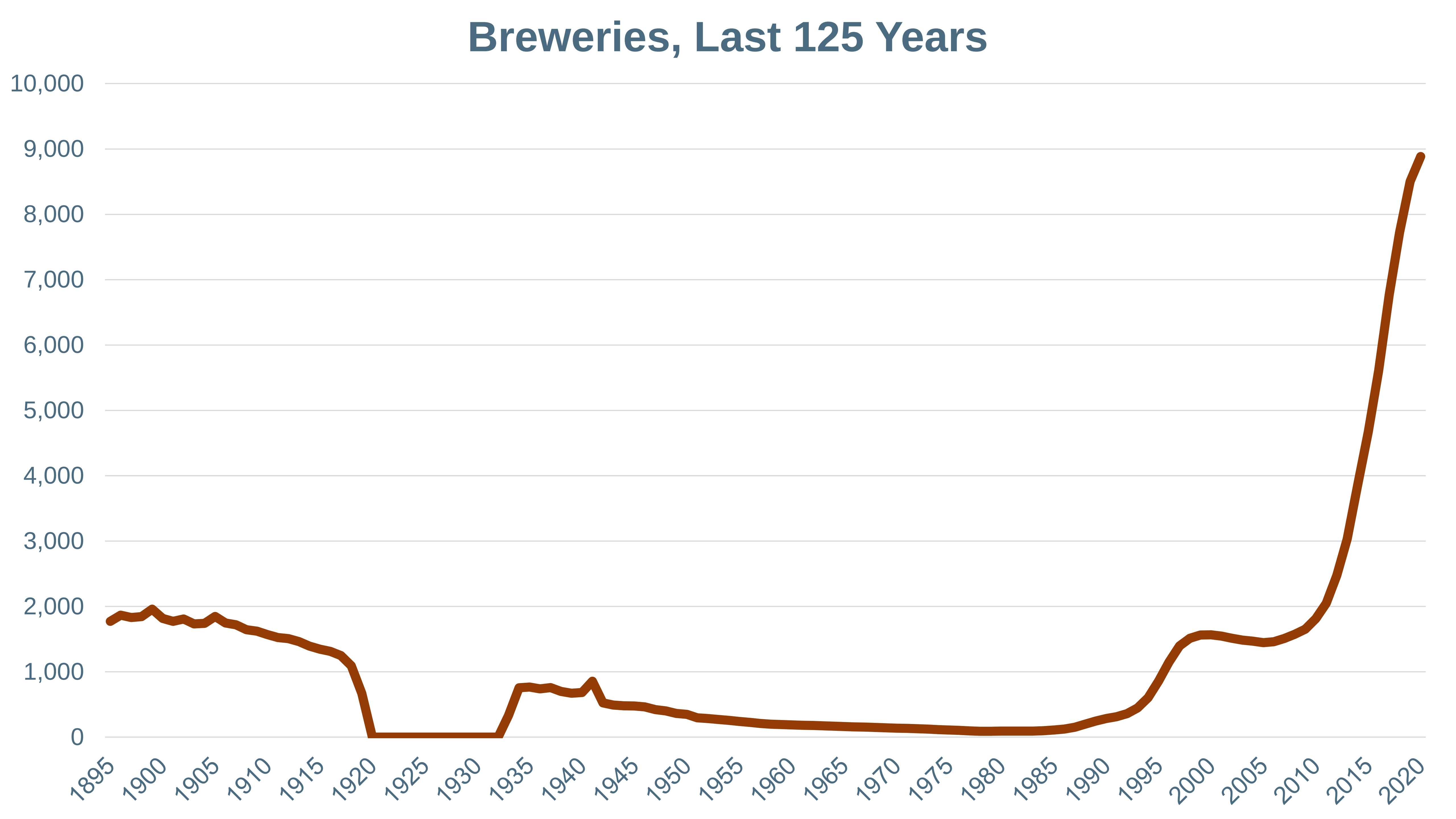
716 Openings

Down 30% from last Year

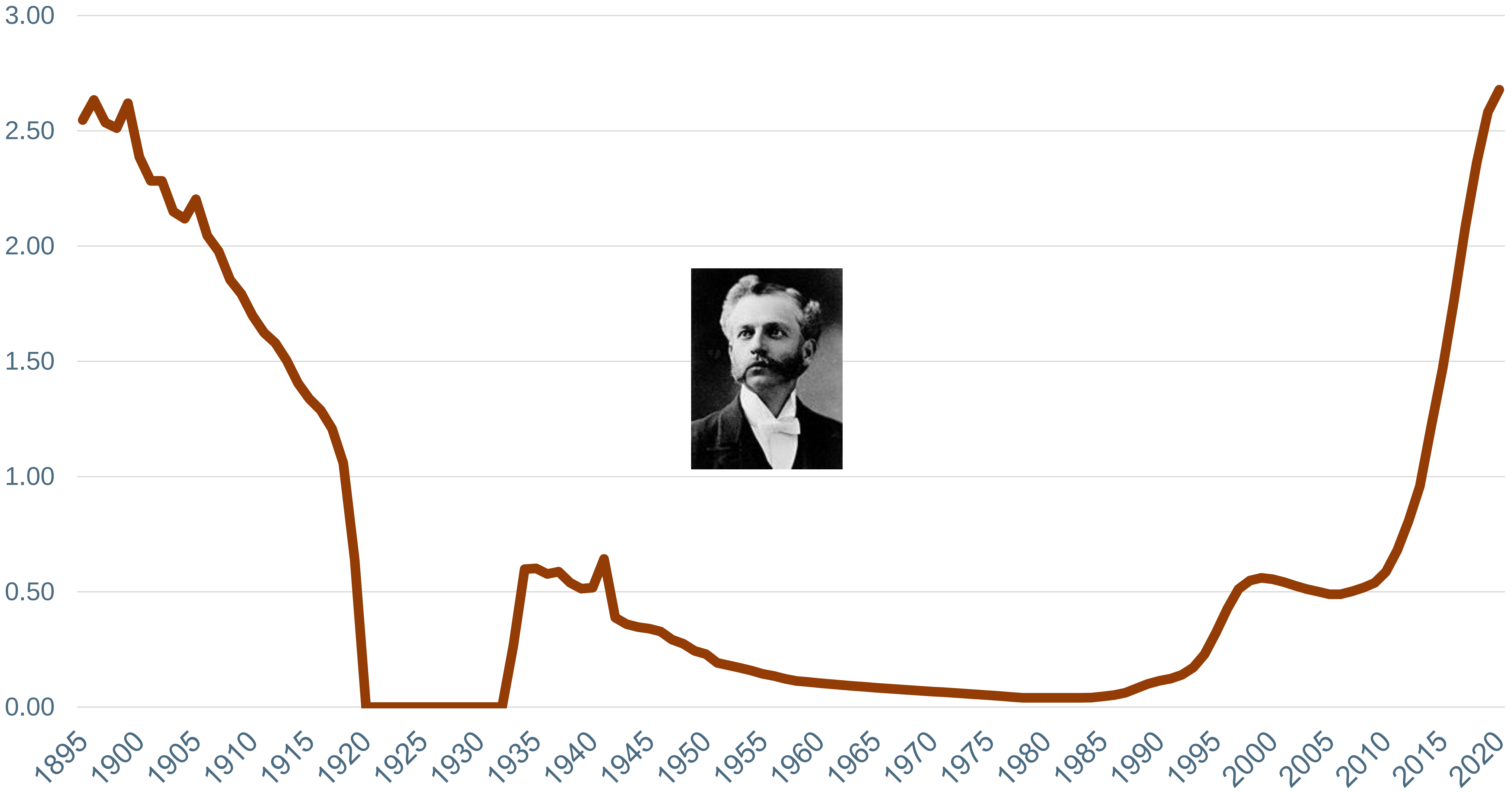
Decline Not Just COVID



*And any other new stuff that wasn't in trend


Breweries, Last 125 Years
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1895
1900
1905
1910
1915
1920
1925
1930
1935
1940
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020

Breweries Per 100,000 Population (US)



Performance by Category

Very Different Category Trends

2020 Categories (comparable)	2019	2020	Change
Contract	309,201	302,711	-2.1%
Brewpub	1,740,841	1,404,576	-19.3%
Taproom	1,833,393	1,830,946	-0.1%
Micro	4,924,030	4,347,886	-11.7%
Regional	16,600,050	15,183,378	-8.5%

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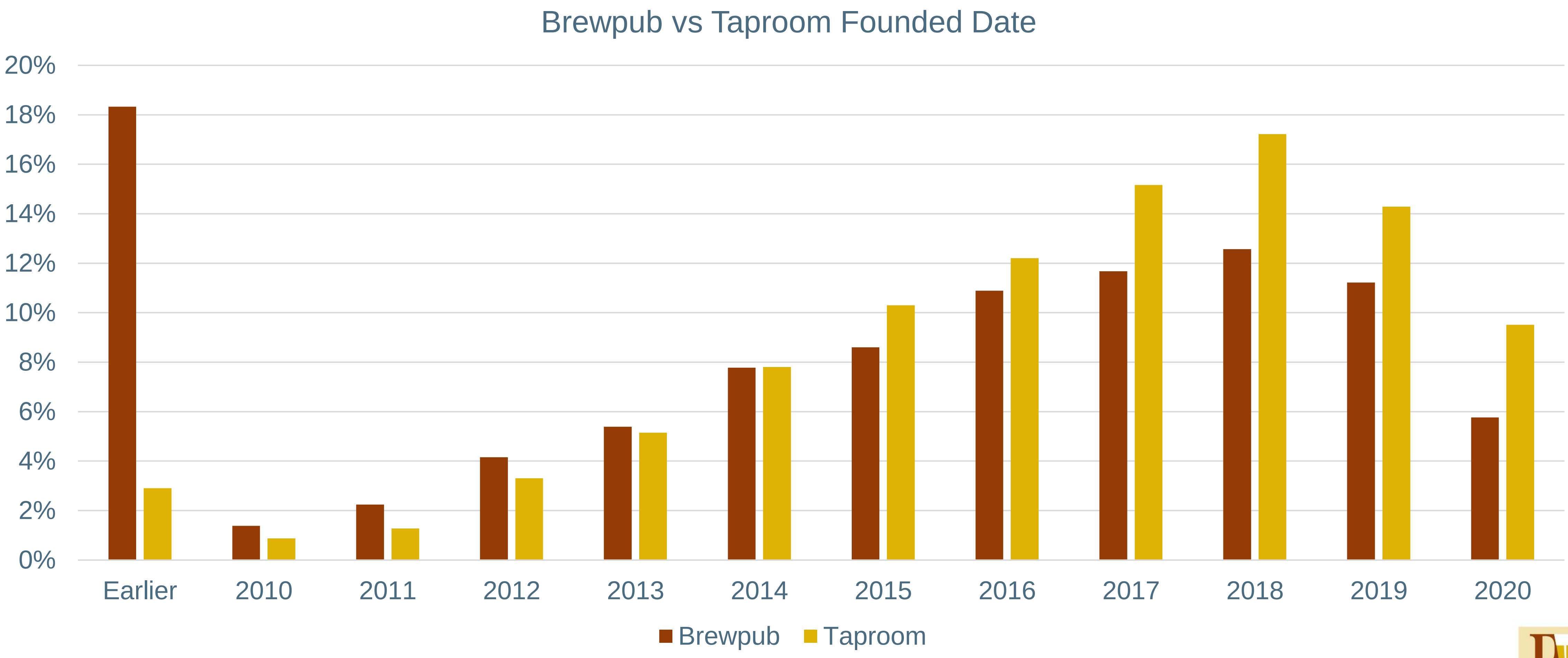
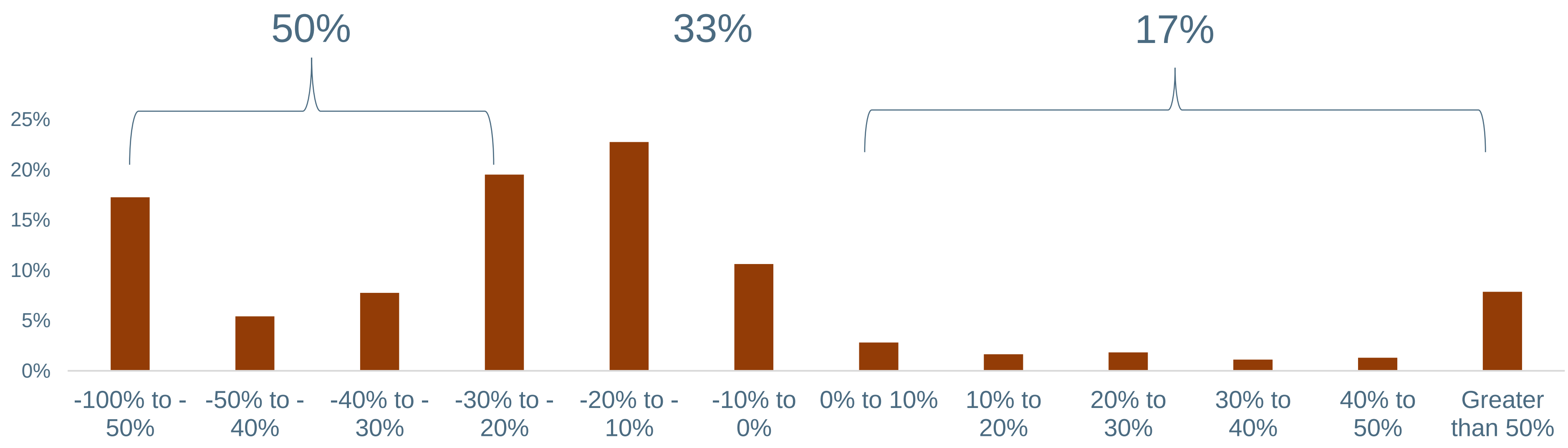
Taprooms are Younger



Brewpubs

-19%

- Less likely to package
- Already managing the complexity of to go
- Consumers view more as restaurant occasion (full service/casual restaurants hit harder)
- CA Same trend

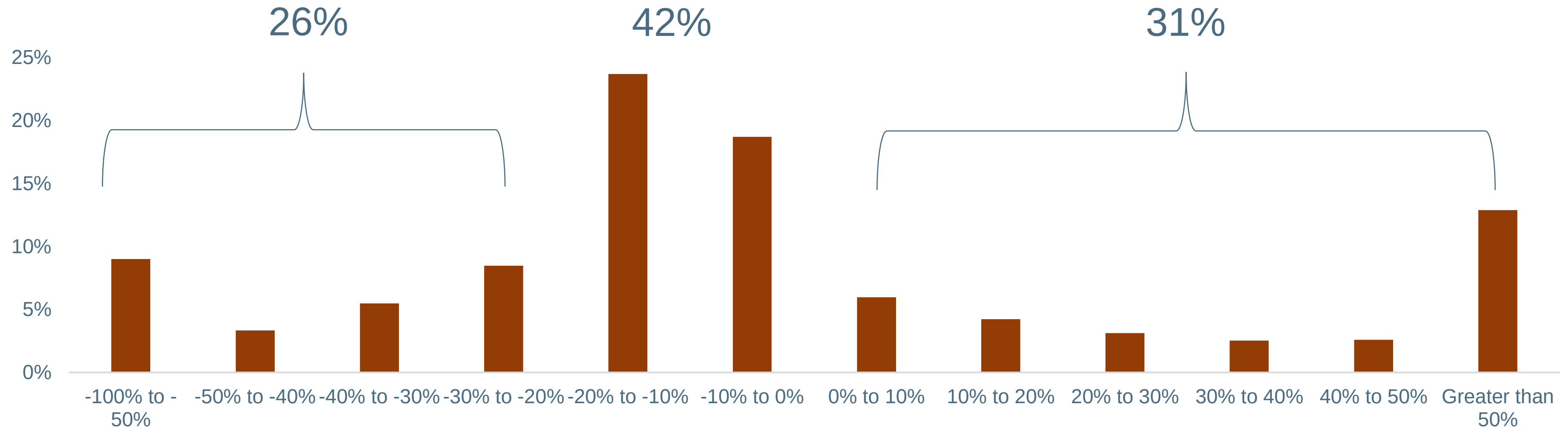


Brewpubs Growth Histogram

Taprooms

-0%

- Inflated by openings (almost 10% bump in numbers net openings minus closings); and cycling (2019 openings)
- Median growth (without openings) = -12%
- CA = -8%



Taprooms Growth Histogram

Micros/Regionals
Nat vs CA

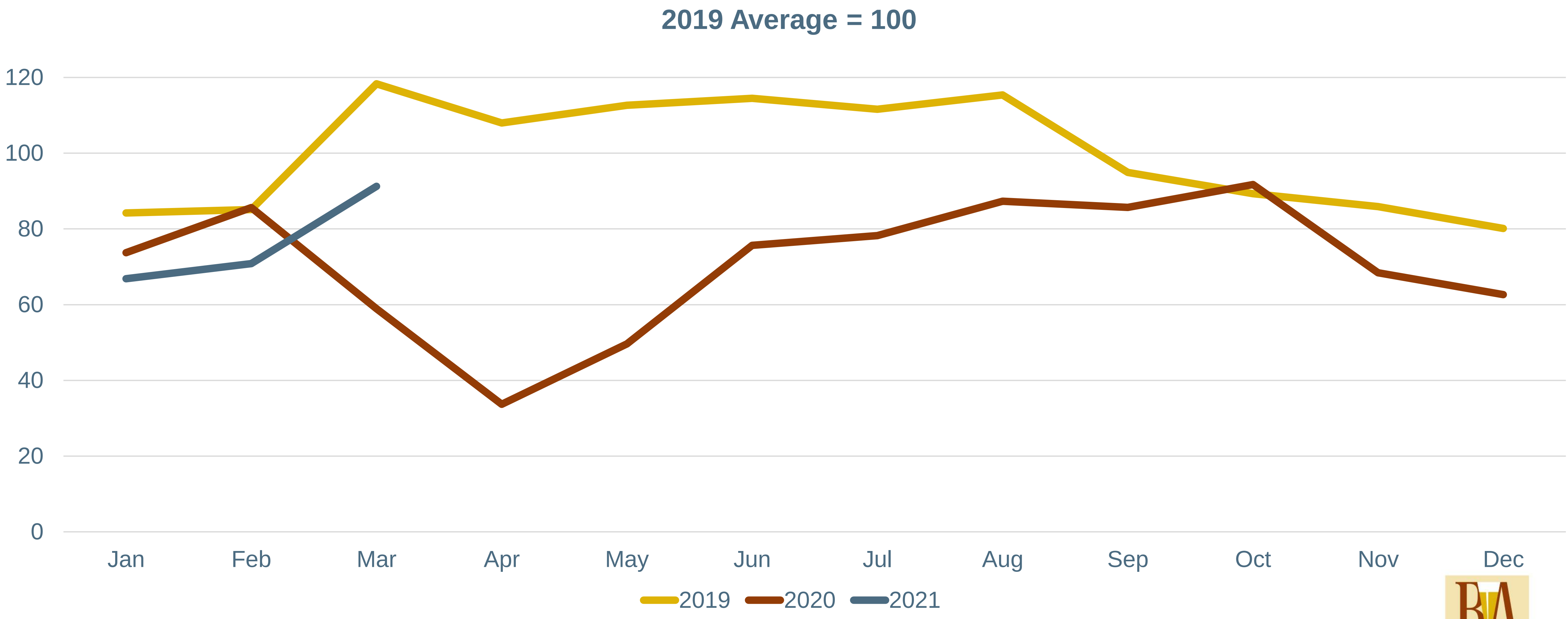
-12% -9%

-14% -11%

- Variation by place and business model
- Tourist heavy, draught heavy, states that locked down harder (West Coast) saw weaker trends

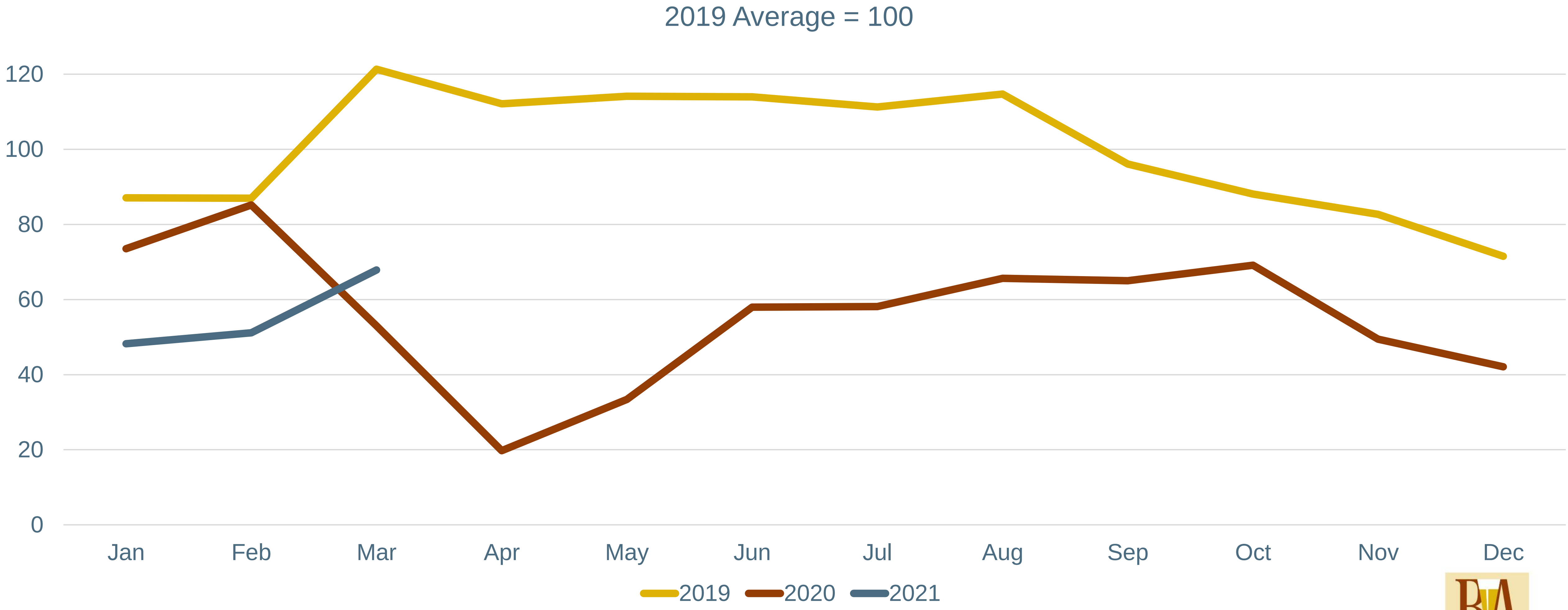
Diving into Onsite Sales

Arryved, Revenue per Site Index, by Year



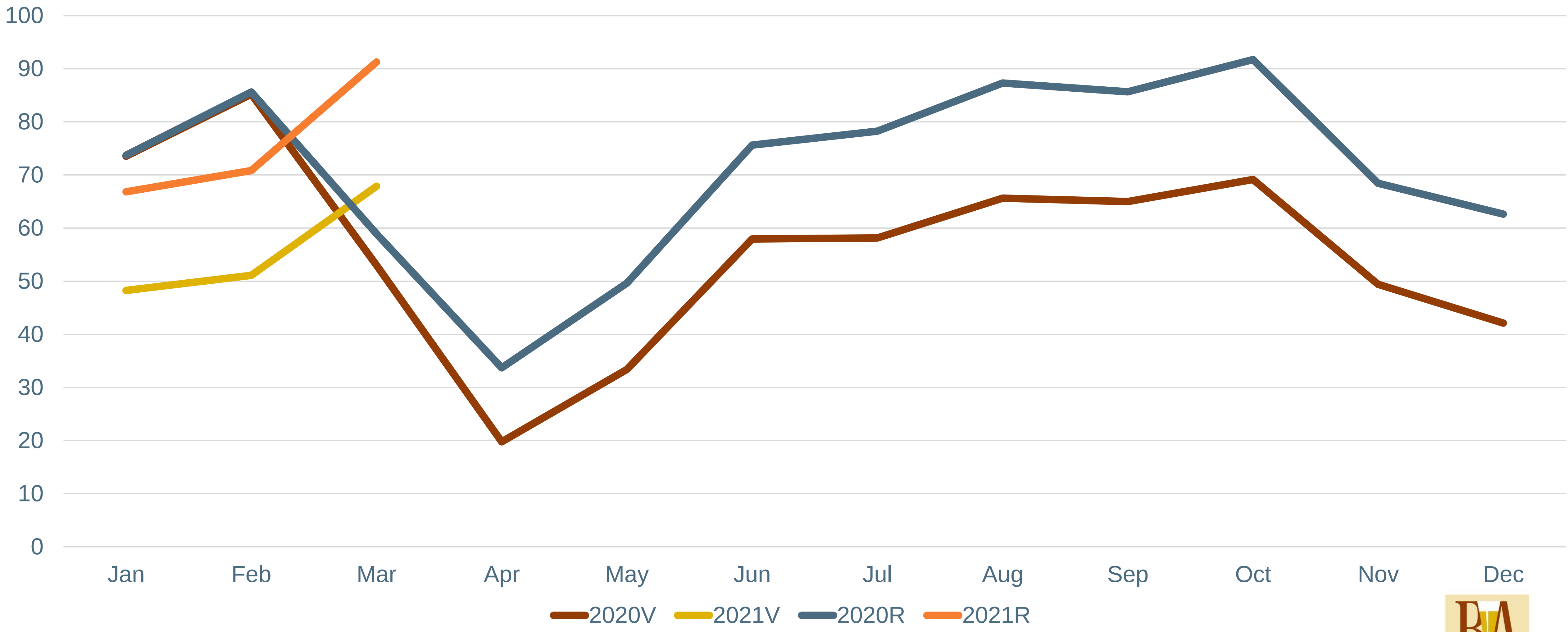
Source: Brewers Association Analysis of Arryved POS Data

Arryved, Visitors per Site Index, by Year



Source: Brewers Association Analysis of Arryved POS Data

Revenue Held up Better than Visitors



Source: Brewers Association Analysis of Arryved POS Data

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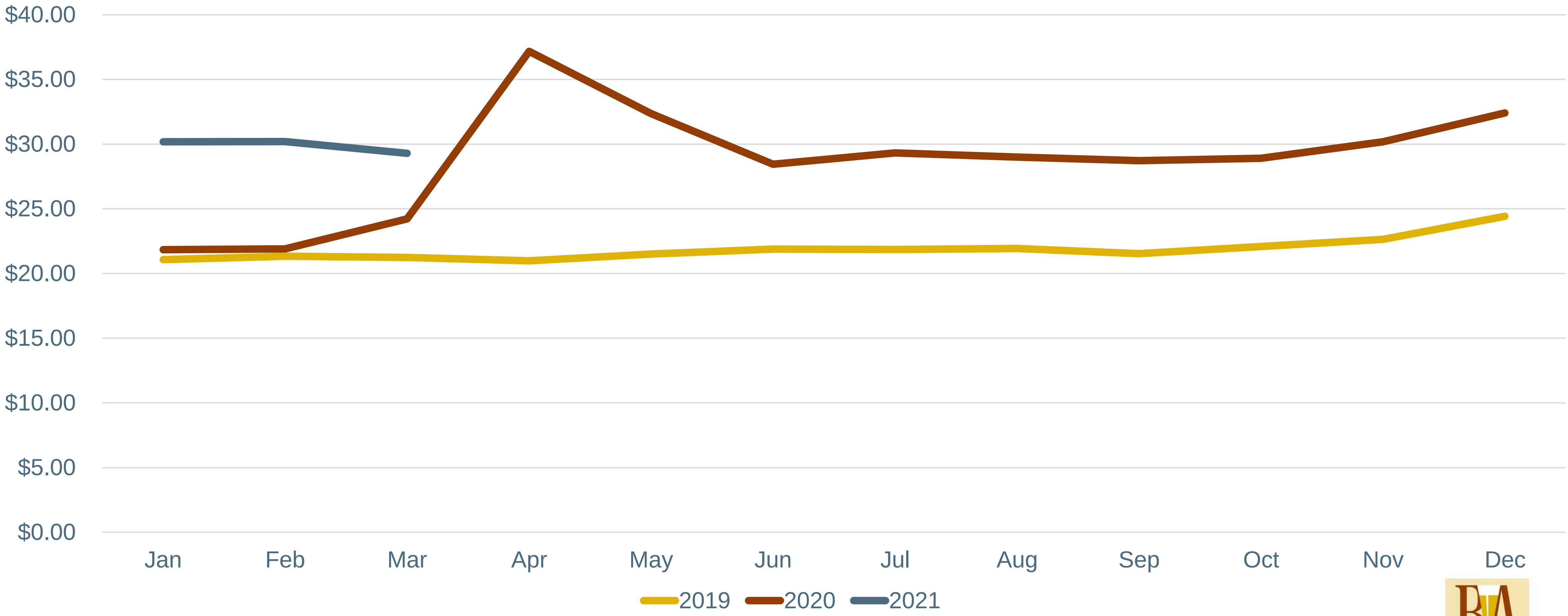
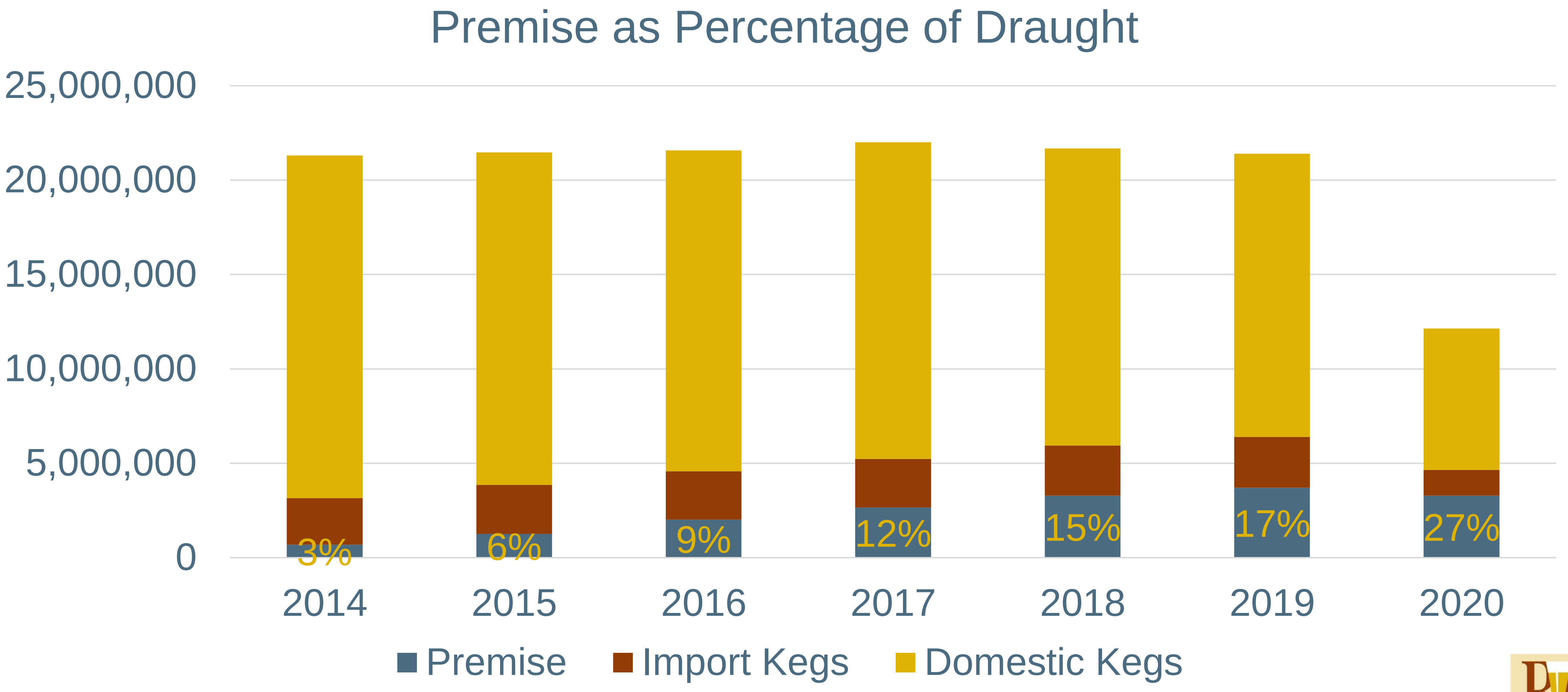
Arryved, Average Spend, by Year

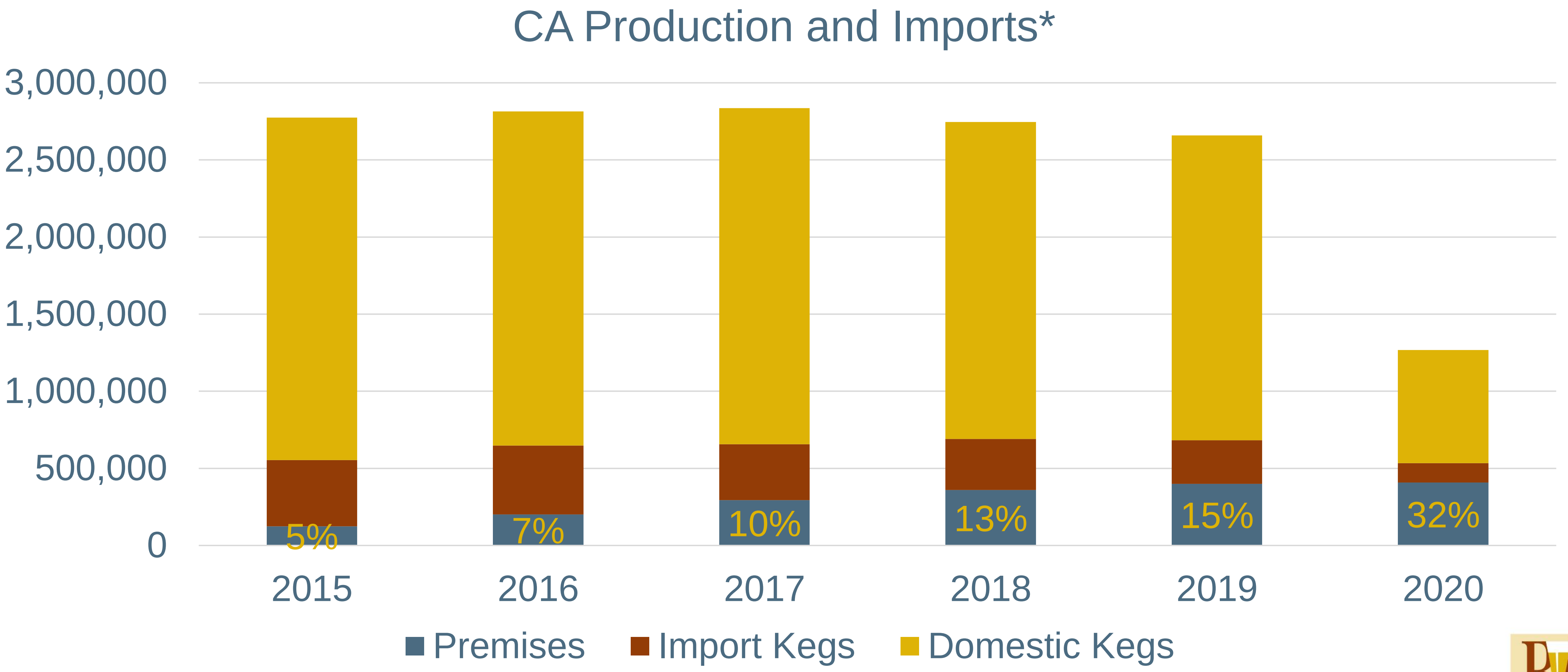


Source: Brewers Association Analysis of Arryved POS Data

The Flip Side



Similar CA Progression



- Note: This isn't really comparable to the previous chart given production/import doesn't equal sales in CA.
- I show this only to give a rough sense of the progression and its state similarity.

Styles and Beyond Beer

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Styles

Top Styles, Share Gain, 2020 IRI Group, MULO+C
1. American IPA
2. Vienna, Amber or Red Lager ★
3. American Pale Ale
4. Imperial IPA
5. Blonde Ale
6. Bock
7. American Light Lager
8. Pilsner
9. American Lager
10. Fruit Specialty

1. IPA

2. Light/Lager

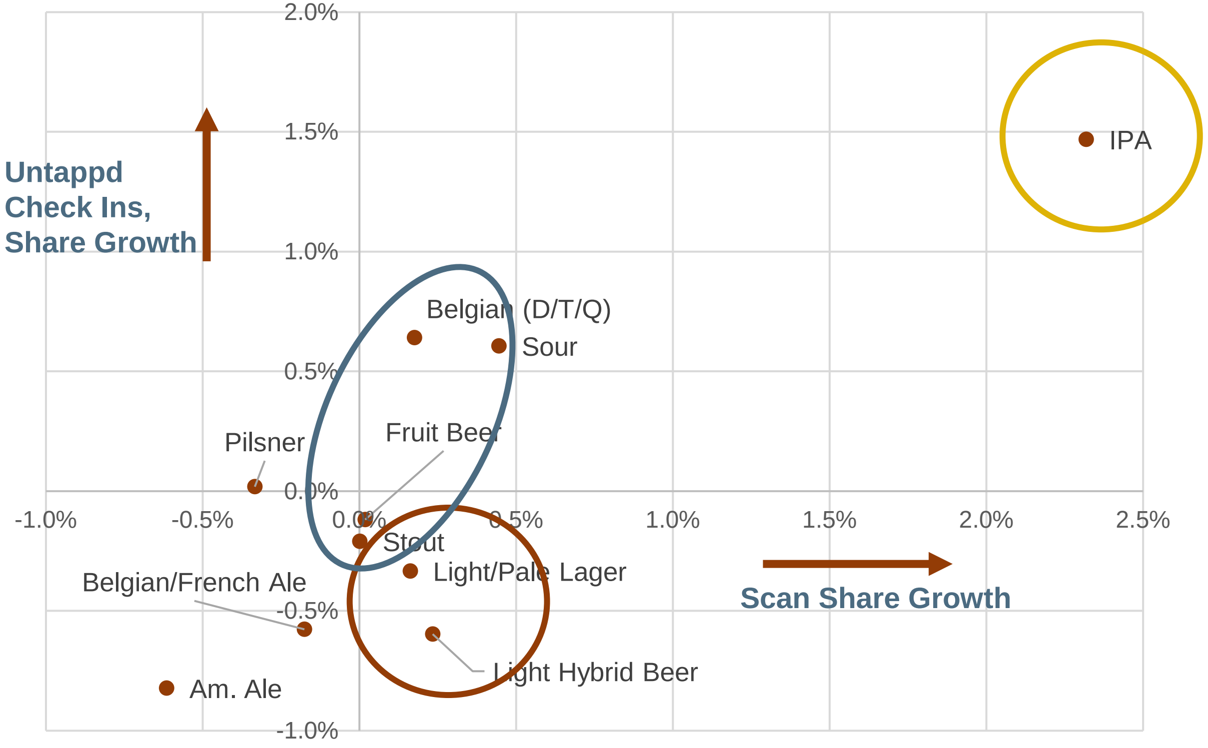
3. Fruity/Sour/Belgian Flavored/Not Hoppy

Untappd Top Style Check Ins
1. IPA
2. Stout
3. Sour
4. Am. Ale
5. Light/Pale Lager
6. Belgian (D/T/Q)
7. Light Hybrid Beer
8. Belgian/French Ale
9. Pilsner
10. Fruit Beer

Source: Untappd and IRI Group

2020 Shifts

Untappd Top Styles Share Ch vs IRI Share Change, 2019 vs 2020



	MALE CRAFT DRINKER	FEMALE CRAFT DRINKER	CRAFT DRINKER AGE 21-25	CRAFT DRINKER AGE 21-34	CRAFT DRINKER AGE 35-44
CRISP					
DARK					
JUICY/HAZY					
MALTY					
HOPPY					
FRUITY					
SPICY					
TART					

Sources: Brewers Association Analysis; Untappd and IRI Group
Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen May 26-June 4, 2020 (n = 2,049 Craft Drinkers, n = 993 Weekly Craft Drinkers

Beyond Beer

Breweries that answered the question (n = 1451):

- 33% reported some volume
- 3.4% of beer volume, up from 1.2% last year
- For those with some volume (i.e. >0), 8.9% of beer production, up from 3.4%
- Growth in beyond beer made up for 40% of beer loss (total); more than loss for >0 group
- Median reported volume = 20 barrels (median brewer reporting = 550 barrels)

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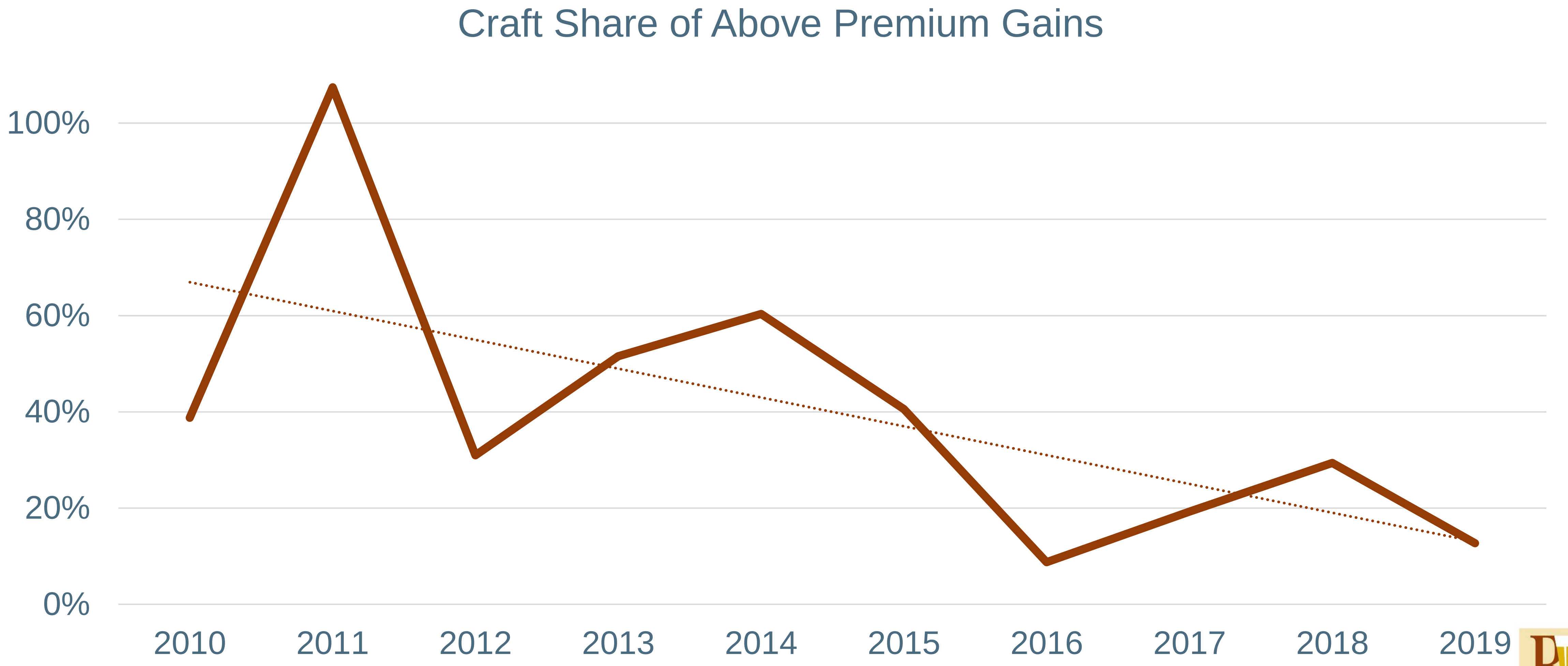
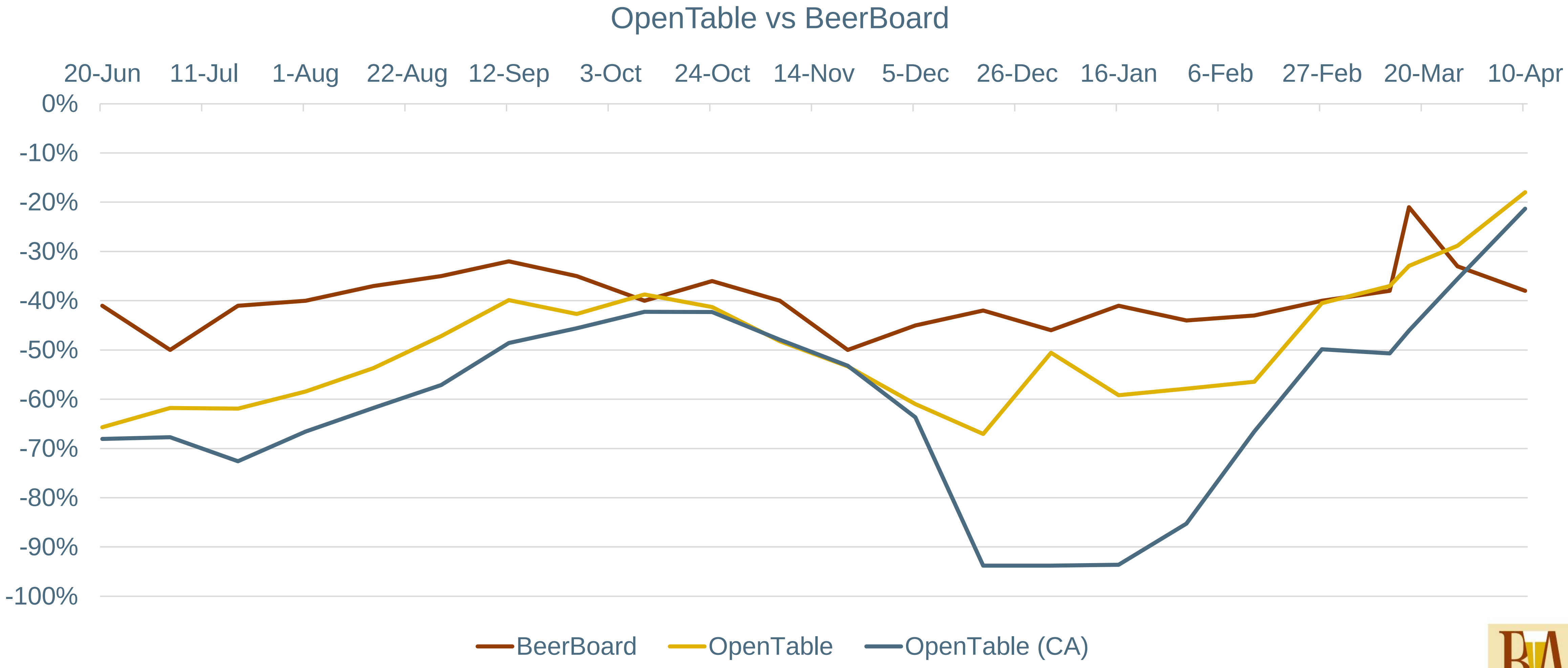
A Changing Equation



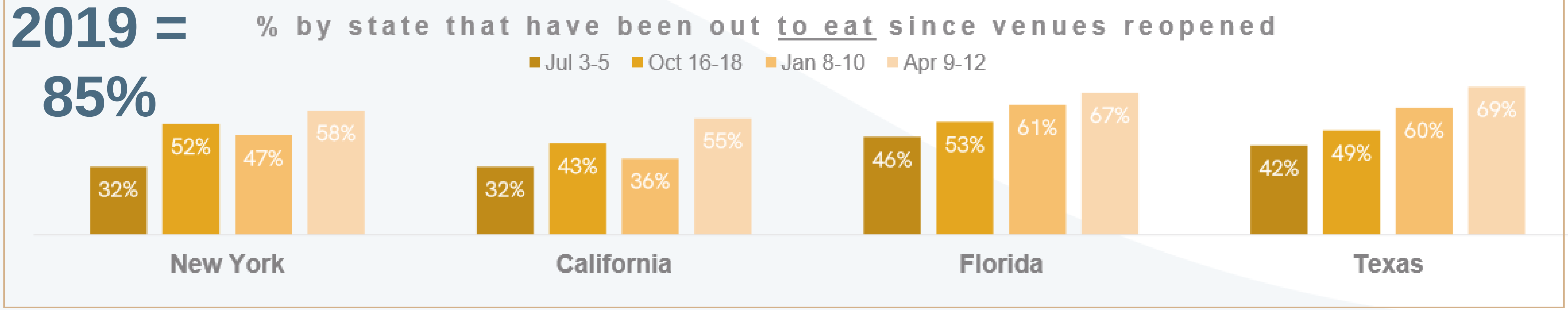
Light at the End of the Tunnel

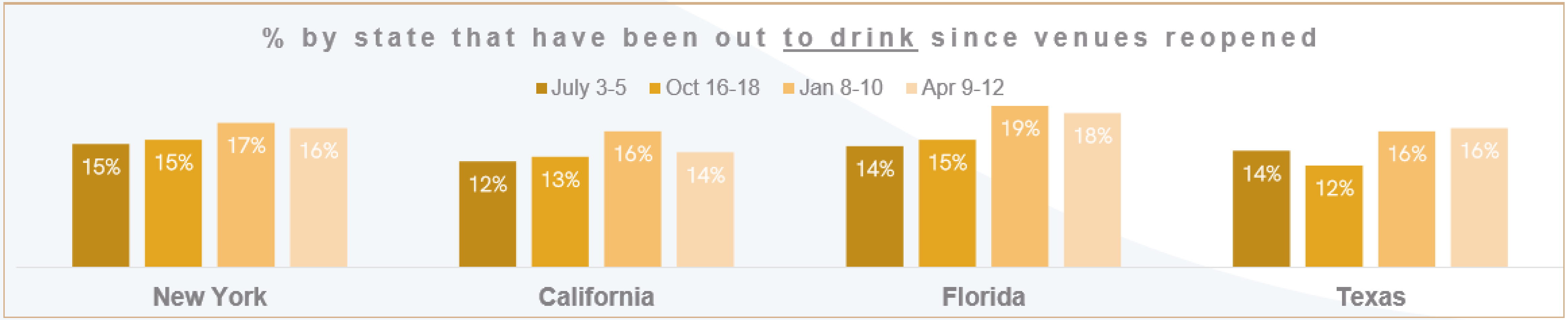
Trending in the Right Direction



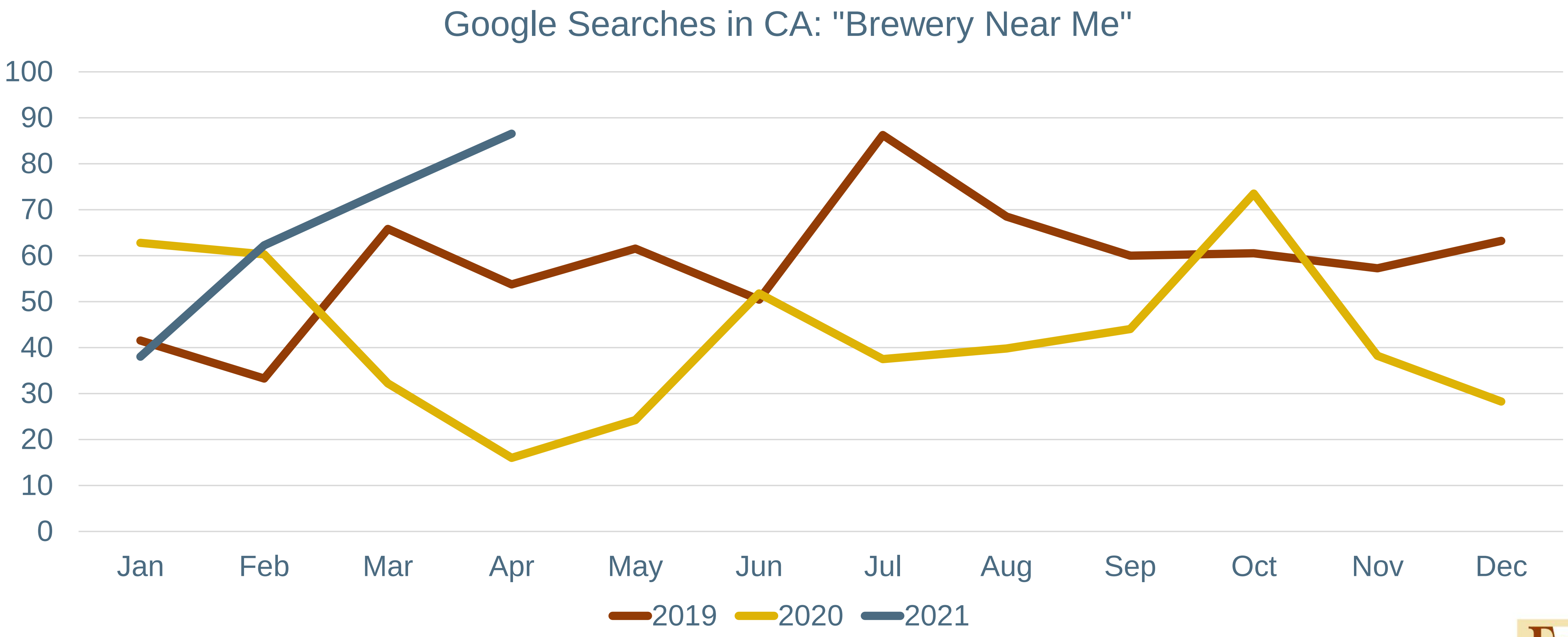
Food Stronger than Drinks

2019 = 85%





People Are Looking



Thank You

Questions?

@BrewersStats