



CRAFT
BEER
GUIDE

Breweries On the Rise

The United States craft beer brewing industry reached yet another milestone in mid-2014 – an occurrence that is becoming commonplace.

The number of breweries operating surpassed 3,000, a level not likely reached since the 1870s, according to the Brewers Association. An Internal Revenue Department report counted 2,830 “ale and lager breweries in operation” in 1880, down from a high of 4,131 in 1873.

The uptick in breweries means a return to the localization and modification of the beer-making production model; nearly 99 percent of the 3,040 breweries are identified as being small and independent. The Brewers Association’s count is based on the number of brewing facilities actively selling beer.

WHAT DOES 3,000 MEAN?

Though the larger number of operating breweries is a positive sign of growth, it also opens the doors for stronger competition. More entrepreneurs may feel the urge to enter the industry, which will foster continuous innovation from owners to maintain their edge.

This is all great news for the consumer. While companies fight it out for a piece of the market, beer enthusiasts will benefit from better products, steady costs and emerging flavor complexities.

THE RESURGENCE CONTINUES

The Brewers Association predicts even more breweries to open over the next decade. With most breweries and taprooms located in downtown areas, the association forecasts that many more of the country’s urban cores will fully support a high-quality brewery.

Even more encouraging, the 3,000 tally does not include breweries in planning or alternating proprietorships, which may be included when counting only brewing licenses. Also, it does not count contract brewers.

Adding such entities would substantially increase the count, leaving industry experts both impressed and excited about future industry expansion.



Go to the Conference

One annual event has carved out a reputation as being the must-attend event in the world of craft beer brewing.

The Craft Brewers Conference & BrewExpo America, which serves both brewpubs and packaging breweries, draws more than 9,000 brewing industry professionals and enthusiasts, who share their ideas and stories about their businesses.

It also allows exhibitors and buyers to develop strong relationships that can lead to financial growth on both ends. The event is organized by the Brewers Association, which will have the next conference is scheduled April 14–17, 2015, in Portland, Ore.

BREWEXPO AMERICA

Within the conference is the expo that has grown into the premiere trade show for craft brewers. Nearly 500 vendors come together for the trade show – making it a unique, high-profile opportunity for the brewery owner to shop for products or services that are on the industry’s leading edge of innovation.

WHO ATTENDS?

Along with the hundreds of vendors who attend the conference, you will find thousands of brewing professionals. According to the conference website, here are the key decision-makers who can be expected year after year:

- Independent and multi-operation brewpub owners and operators.
- Professional brewery owners, brewers, managers and marketing staff.
- Craft beer wholesalers.
- Brewpub chefs and general managers.

WHY EXHIBIT?

If you’re looking for maximum exposure for your brewery’s product or service, national conferences may be your best bet.

The Craft Brewers Conference & BrewExpo America boasts a record of satisfied past exhibitors, nearly 90 percent of which report being satisfied or very satisfied with BrewExpo attendee booth traffic.

Ninety-eight percent of past exhibitors said it met or exceeded their expectations.

HOW TO REGISTER

If your brewery is interested in exhibiting at the Craft Brewers Conference or BrewExpo America, visit craftbrewersconference.com and follow the prompts to the “Request for Information” page. There, you will be able to sign up to learn more information on exhibiting at the 2015 show, once it is available.



Support Your Local Brewery

Are you a craft beer fanatic looking for a way to make a positive impact on the future of your favorite beer-maker?

Look no further than Support Your Local Brewery (SYLB), a national, grassroots partnership of professional trade associations, brewers and beer enthusiasts dedicated to promoting and protecting the legislative and regulatory interests of America's craft brewers.

The group keeps a watchful eye on critical aspects affecting the health and vibrancy of the craft brewing industry. These can take the form of national legislation, new state bills or the launch of game-changing tools for the local craft brewer.

WHY SUPPORT?

- Craft brewers currently provide an estimated 110,273 jobs in the U.S., including serving staff in brewpubs.
- Growth of the craft brewing industry in 2013 was 18 percent by volume and 20 percent by dollar shares.
- Retail dollar value from craft brewers in 2013 was estimated at \$14.3 billion, up from \$11.9 billion in 2012.
- Craft breweries have averaged 10.9 percent growth over the last decade.
- 2,768 craft breweries operated for some or all of 2013, comprised of 1,237 brewpubs, 1,412 microbreweries and 119 regional craft breweries.

—craftbeer.com

JOIN THE SYLB NETWORK

As a SYLB beer activist, you will receive an action alert when national or state legislative or regulatory issues threaten the future of breweries. You can then use this knowledge to educate others, lobby your local representatives or join the movement for change.

Other than the occasional national issue, your action alerts will be custom to your state. You will be notified of the initial alert, provided with updates on the effort and the outcome the legislation when available. You can sign up to receive email alerts by clicking on the green box at www.craftbeer.com/breweries.



Self-Distribution in Some States

Thinking about starting your own brewery? Or do you just want to know the ins and outs of distributing small, locally made brews? Distribution is a big part of the process.

At some point, every brewery needs to decide whether to work with a distributor or handle the process itself. It's one of the toughest choices brewery owners have to face.

The distributor relationship can mean more expansion in a shorter amount of time, but it also means you're not alone in bringing in your beer's profit.

For the small, local craft brewer just getting off the ground, self-distribution is generally the safest, more secure strategy. But whether or not you should take this route depends on the state you live in, as different ones divide self-distribution privileges by production size.

Here is a look at 10 states and how breweries within them are allowed to operate, according to the Brewers Association:

- Alaska: 100 percent unlimited self-distribution privileges.
- Arkansas, Montana, Utah, Washington and New York: Brewers producing up to 60,000 barrels of beer annually.
- California: No restrictions on production size or on-premises structure.
- Illinois: Breweries may self-distribute up to 232,500 gallons per year.
- Oregon: Brewery licenseds can self-distribute with no volume restrictions; brewpubs can self-distribute if production is less than 1,000 barrels.
- Virginia: A brewery can form a separate distribution company as a distinct legal entity.



Next Decade: A Growth Explosion

As popular as craft beer has seemingly become over the past 10 years or so, research predicts even more growth in the industry.

Mintel's latest research on the U.S. craft beer market shows that sales more than doubled between 2007 and 2012 – increasing from \$5.7 billion to \$12 billion in that five-year span.

The group, a 40-year-old global supplier of consumer, product and media intelligence, forecasts that the craft beer industry will enjoy robust growth through 2017. The report estimates \$18 billion in sales that year, which would show triple growth for the craft beer industry in a 10-year period.

A GROWING CATEGORY

Mintel notes that while the craft beer category remains a small segment of the \$78 billion U.S. beer industry, the sector has actually helped stabilize the overall beer economy.

The industry has experienced volume declines in the domestic and imported beer categories since 2008.

OTHER FINDINGS

Mintel's research also uncovered some staggering numbers that can help brewers adjust their marketing strategies for optimal revenue growth. Among the statistics:

- Twenty-four percent of consumers who drink beer indicated that in 2012 they drank more craft beer sold at stores compared to 2011.
- About 22 percent reported consuming more craft beer in bars or restaurants.
- Craft beer resonates the most in the 25- to 35-year-old consumer.
- Forty-three percent of both millennials and Generation X said that craft beer tastes better than domestic beer, compared to 32 percent of baby boomers.
- Fifty percent of all craft beer drinkers expressed interest in locally made beer, and 25 percent are interested in purchasing craft beer where it was brewed.
- About 39 percent said they bought a craft beer because it had a personality to which they can relate.
- Only 17 percent of millennials and 18 percent of Generation X said that craft beer is a better value.
- About 56 percent of consumers of all ages believed that domestic beer is better value compared to craft beer.
- Nearly half of consumers would try more craft beers if they knew more about them.





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Craft Breweries: The Top 15

The Brewers Association's list of the top breweries in the United States included operations from coast to coast.

Within the top 15, California and New York are represented by three breweries. The list is based on 2013 sales figures and is tabulated by the Brewers Association, which sifts through the financials of the more than 3,000 craft breweries in the country to reach its results.

Visit www.brewersassociation.org for the full list.

- Boston Beer Co., Boston, Mass.
- Sierra Nevada Brewing Co., Chico, Calif.
- New Belgium Brewing Co., Colorado.
- Gambrinus, San Antonio, Texas.
- Lagunitas Brewing Co., Petaluma, Calif.
- Deschutes Brewery, Bend, Ore.
- Bell's Brewery, Inc., Kalamazoo, Mich.
- Duvel Moortgat USA, Kansas City, Mo., and Cooperstown, N.Y.
- Brooklyn Brewery, Brooklyn, N.Y.
- Stone Brewing Co., Escondido, Calif.
- Matt Brewing Co., Utica, N.Y.
- Harpoon Brewery, Boston, Mass.
- Dogfish Head Craft Brewery, Milton, Del.
- Shipyard Brewing Co., Portland, Maine.
- Abita Brewing Co., Abita Springs, La.

What is a Microbrewery?

A microbrew is a beer produced from a brewery that produces less than 15,000 barrels of beer per year with 75 percent of its beer sold off-site, according to the Master Brewers Association of the Americas.

The term “microbrewery” originated in the late 1970s in the United Kingdom, according to a report in the Oxford University Press. The Litchborough Brewery was founded in 1975 and set the standard for producing traditional ale with a new focus on quality, local ingredients, as well as a small yet strong business attitude.

THE MICRO SPIRIT

Although the term “microbrewery” was first used to describe the size of breweries, it gradually came to convey an alternative, forward-thinking approach to brewing – one highly focused on building positive consumer experiences.

The term and trend spread to the U.S. in the 1980s, and it has progressively evolved. It has since come to define a small-town connection between beer-makers and enthusiasts.

MARKETABILITY

Microbreweries sell their values and American spirit when going against their billion-dollar competition. They can differentiate their products based on quality and diversity, instead of low prices or advertising influence.

And though many of the larger conglomerates have begun to produce and sell unique flavors of beers mimicking marketability and uniqueness of craft beers, their efforts have had little impact on buyers seeking the authentic, local craft beer experience.

STARTING A MICROBREWERY

Entrepreneur.com estimates that opening a new microbrewery business will set you back about \$100,000 – a steep price to become involved in an increasingly competitive sector. Once you define and validate the need for a brewing company within your local economy, it is time to look into the licensing, tax and other items required to legally operate a brewery.

For assistance, research your state’s key legislative issues and what may be emerging in the coming years. For tips on learning state laws and initiating a lobbying campaign, visit www.homebrewersassociation.com/homebrewing-rights.

