STATE of the CRAFT BREWING INDUSTRY

BREWERS ASSOCIATION

Craft Brewer Definition

SMALL

Annual production of 6 million barrels of beer or less (approximately 3 percent of U.S. annual sales). Beer production is attributed to a brewer according to rules of alternating proprietorships.

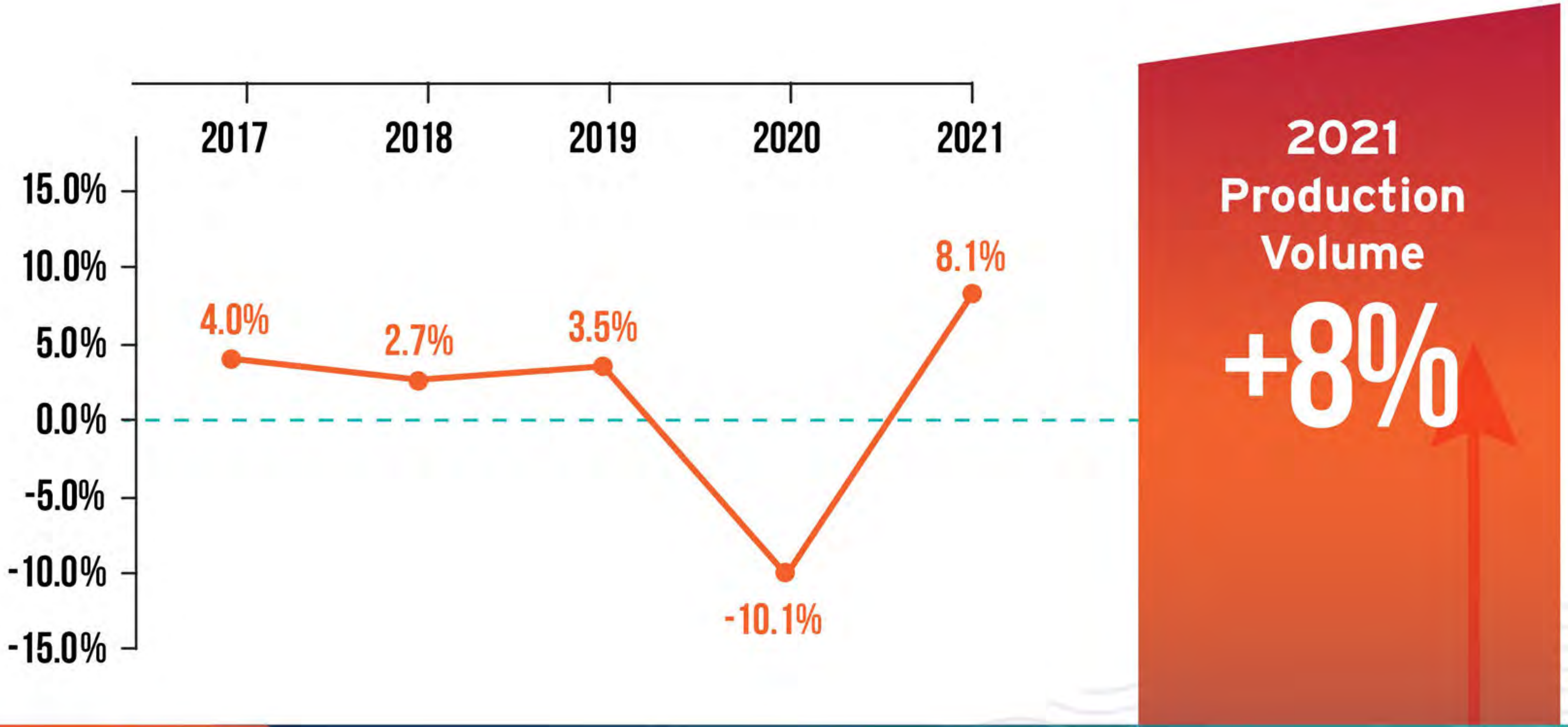
INDEPENDENT

Less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer.

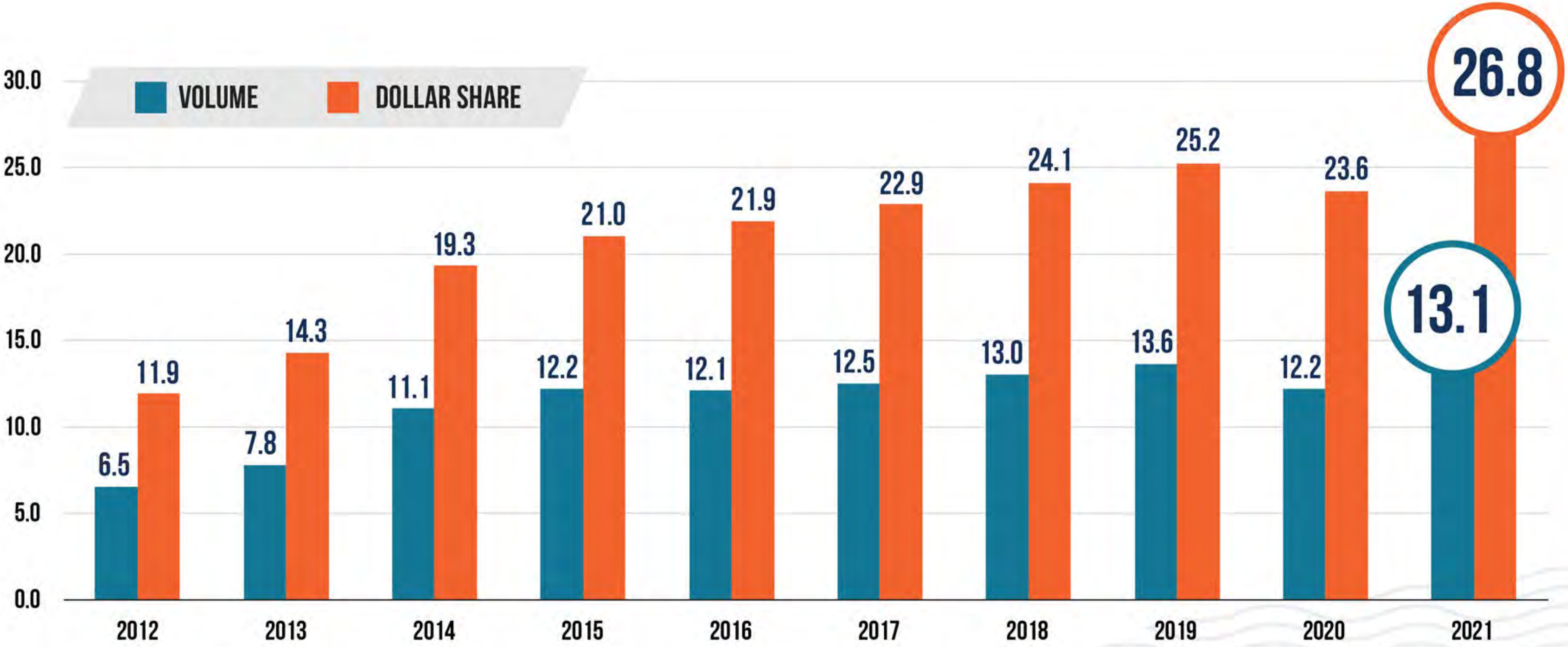
BREWER

Has a TTB Brewer's Notice and makes beer.

US Craft Beer Volume % Change YOY



Craft Volume and Dollar Share Over Time



Headlines: A Fragile Recovery

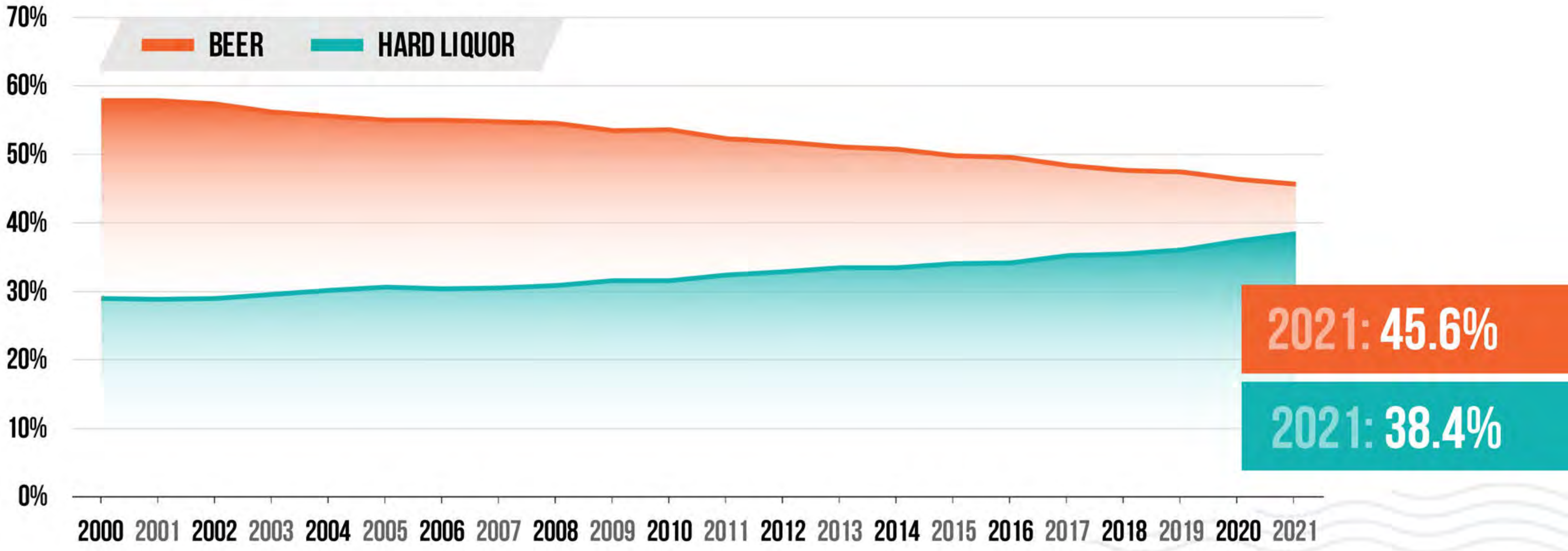
- Beer has lost its lead
- Draught not back – needs to be
- Growth by business model
  - At-the-brewery growing, but how long?
- The coming challenges
  - Supply chain
  - Pricing
  - 4th category competition
- Innovation, strong brands and optimism

Overall Beer

+1%
in 2021

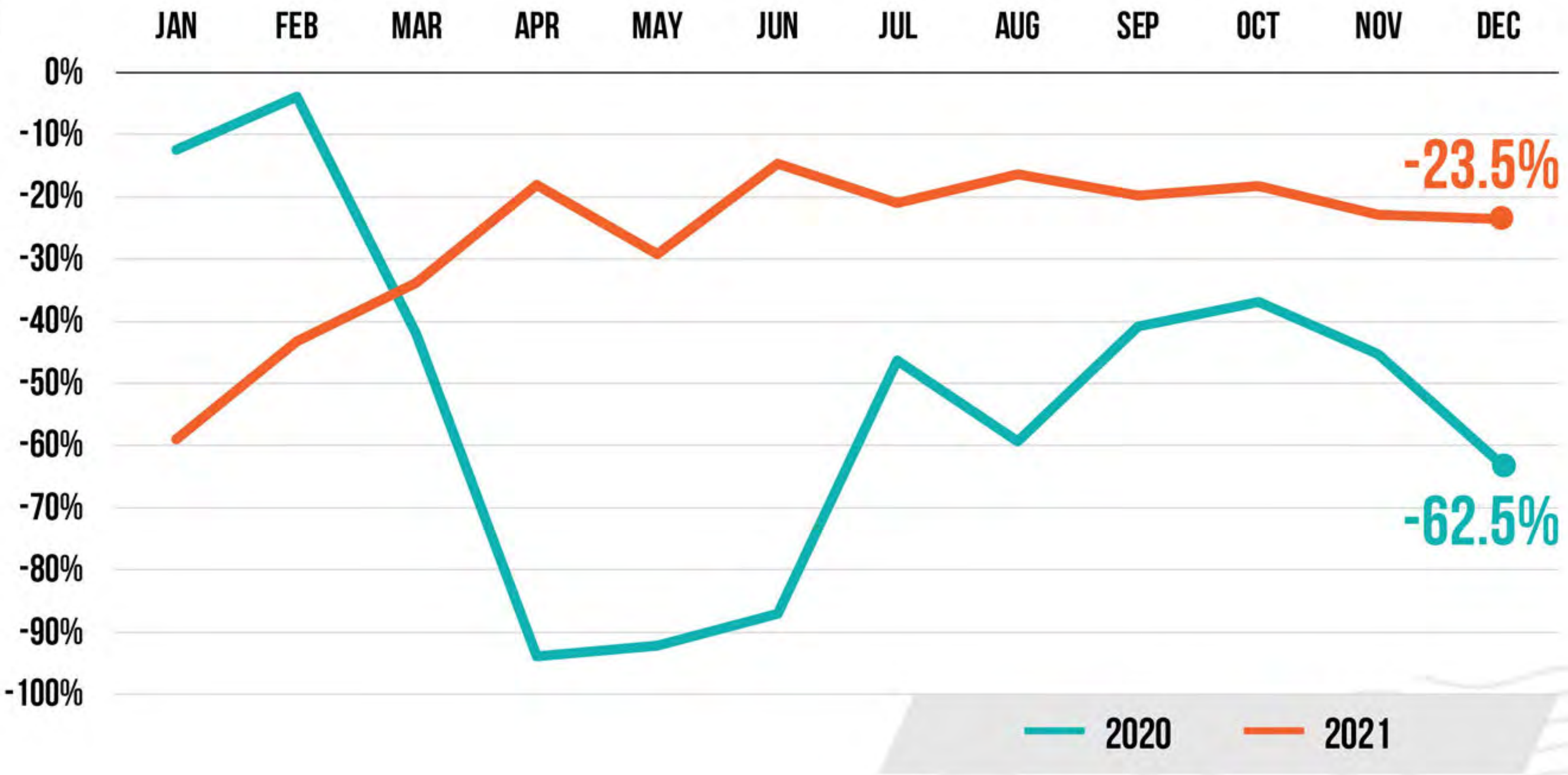
- Half Full:
  - Best Growth in a Decade
- Half Empty:
  - 1% is Best?!?
  - Beverages > Beer?
- Invites question of what craft wants to be

Beverage Alcohol Share



On Premise

2020/2021
KEG PRODUCTION
+ IMPORTS
AS % OF 2019



Craft Growth & Caveats

+8%...BUT

Taprooms

+21%

Brewpubs

+19%

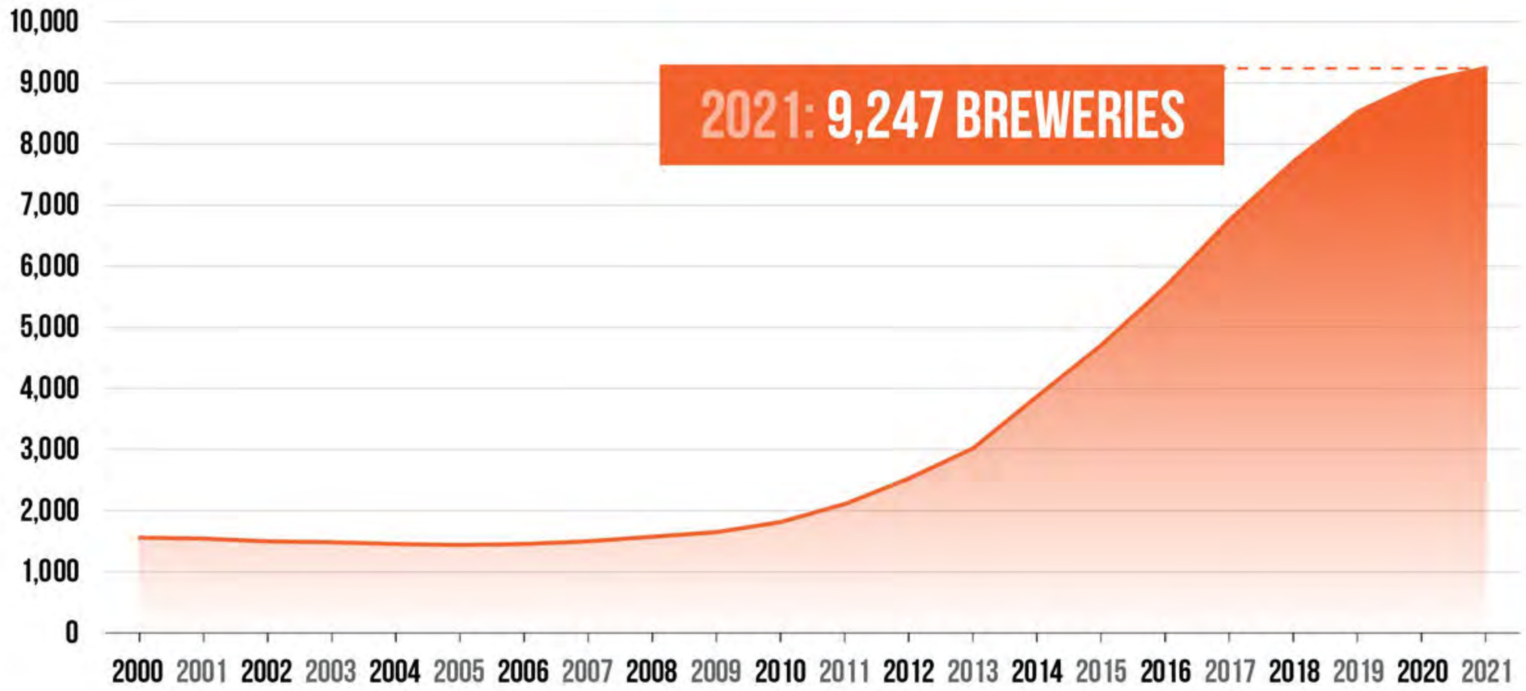
Microbreweries

+12%

Regional Craft Breweries

+5%

Brewery Count

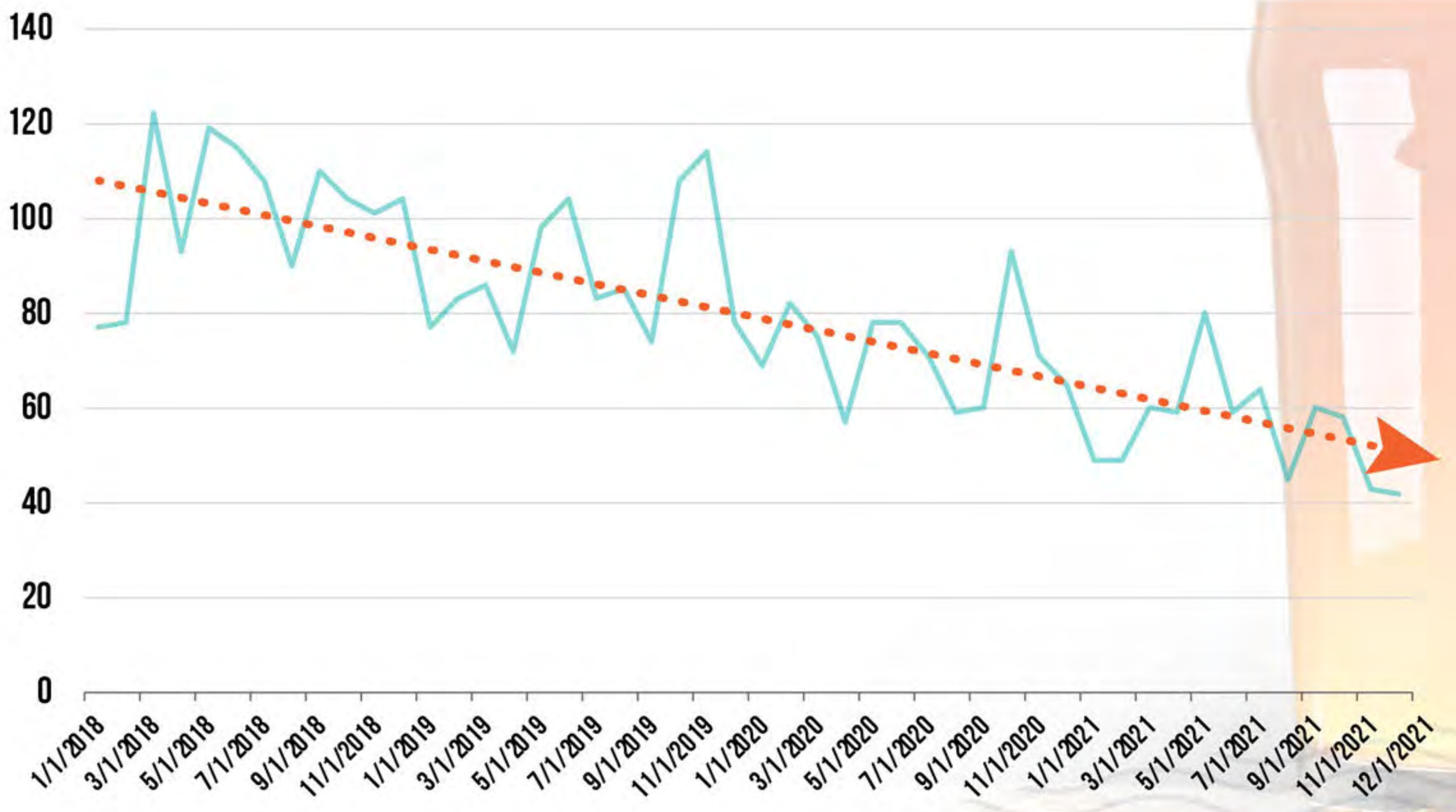


- Still growing
- How long?
- Reset expectations

Openings

OPENINGS BY MONTH 2018–2021

+646 in 2021



Closings

181

in 2021

- Still remarkably low
  - 86 in March 2020 alone
- Government support Ending?
  - RRF
- Increase coming - not a bubble bursting

More Mature Market

More Immediate Challenges

- Supply chain/costs rising
- Pricing dilemmas
- Competition increasing

Supply Chain

- Demand, logistics, climate and war
- Need to be more active

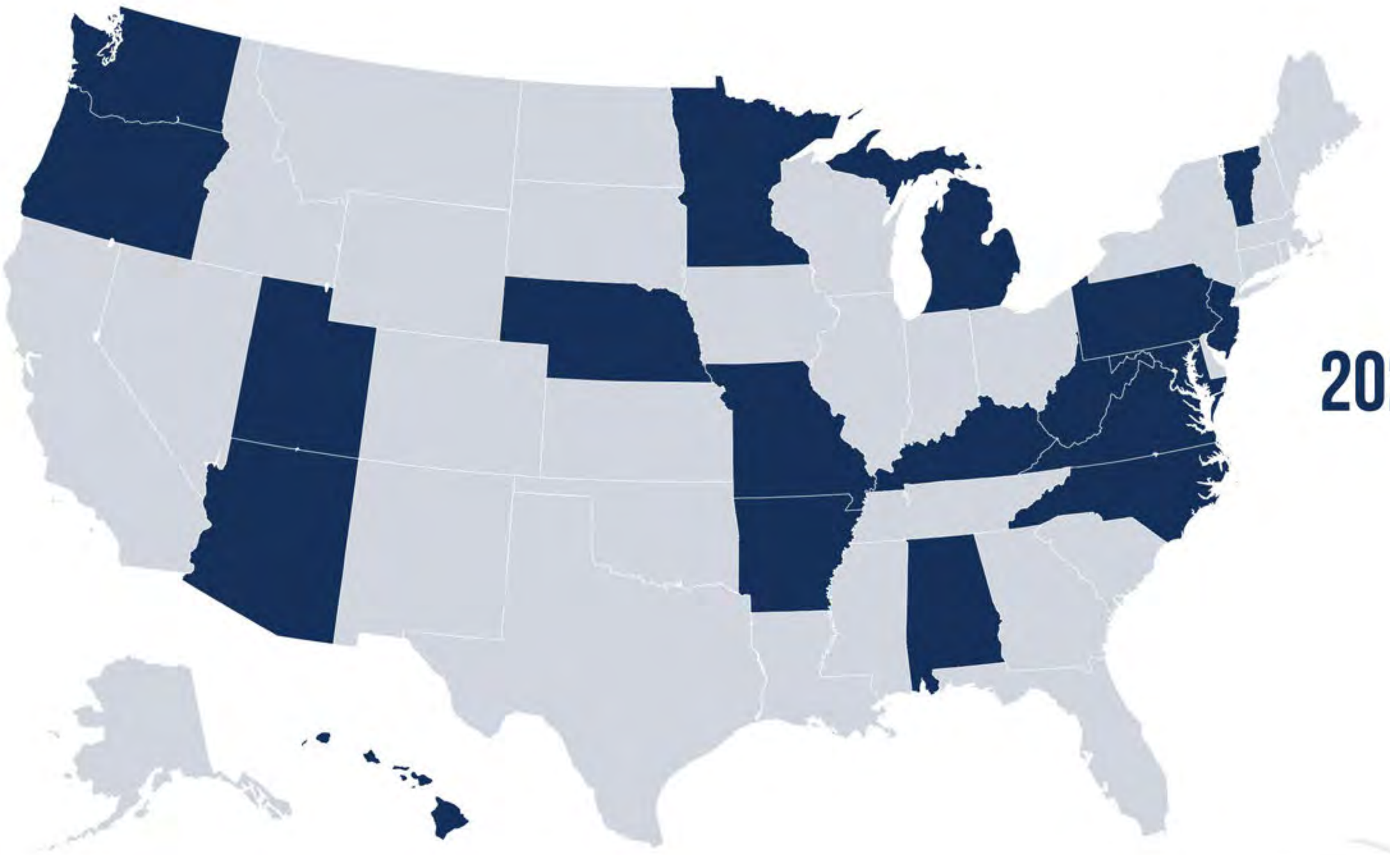
Pricing

- Central business challenge
- Good gut chuck on your brand/differentiation

4th Category Competition

- Only so many shelves
- Seltzer has cooled, but… 4th Category still coming
- Opportunity for some, but threat for beer

State Activity



2021—2022

Innovation & Optimism

- Innovation and the consumer
- Styles versus brands
- The intersection of brand and innovation

Innovation

- Innovation has to start with the consumer
  - Occasions
  - Flavors
  - New customers with new preferences

Styles and Brands

- Trends tough to summarize
- Contradictions and generational shifts
- Clearer that brand often trumps style

Brand Meets Innovation: NA & Low


OPPORTUNITIES, BUT NO GUARANTEES
New Generations
New Opportunities
New Challenges
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