

Brewers Association 2022 Brewing and Hop Usage Update

**Bart Watson
Chief Economist**



Thank you!

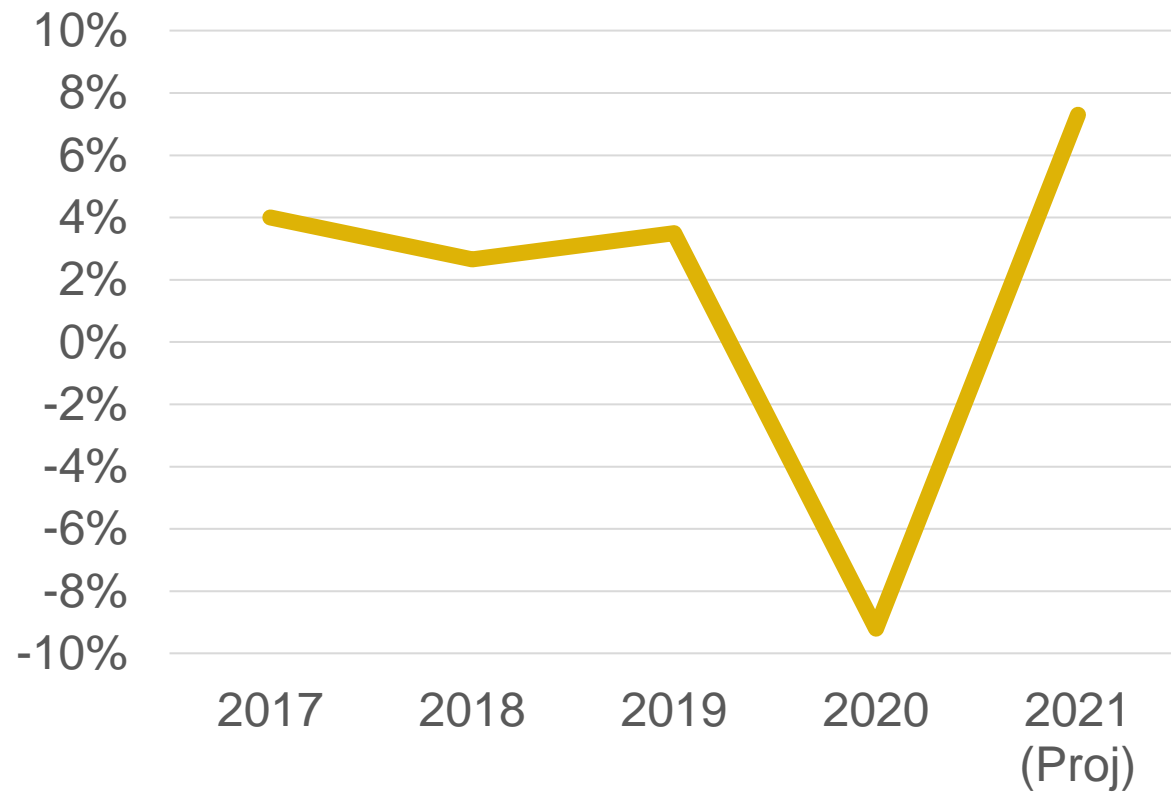


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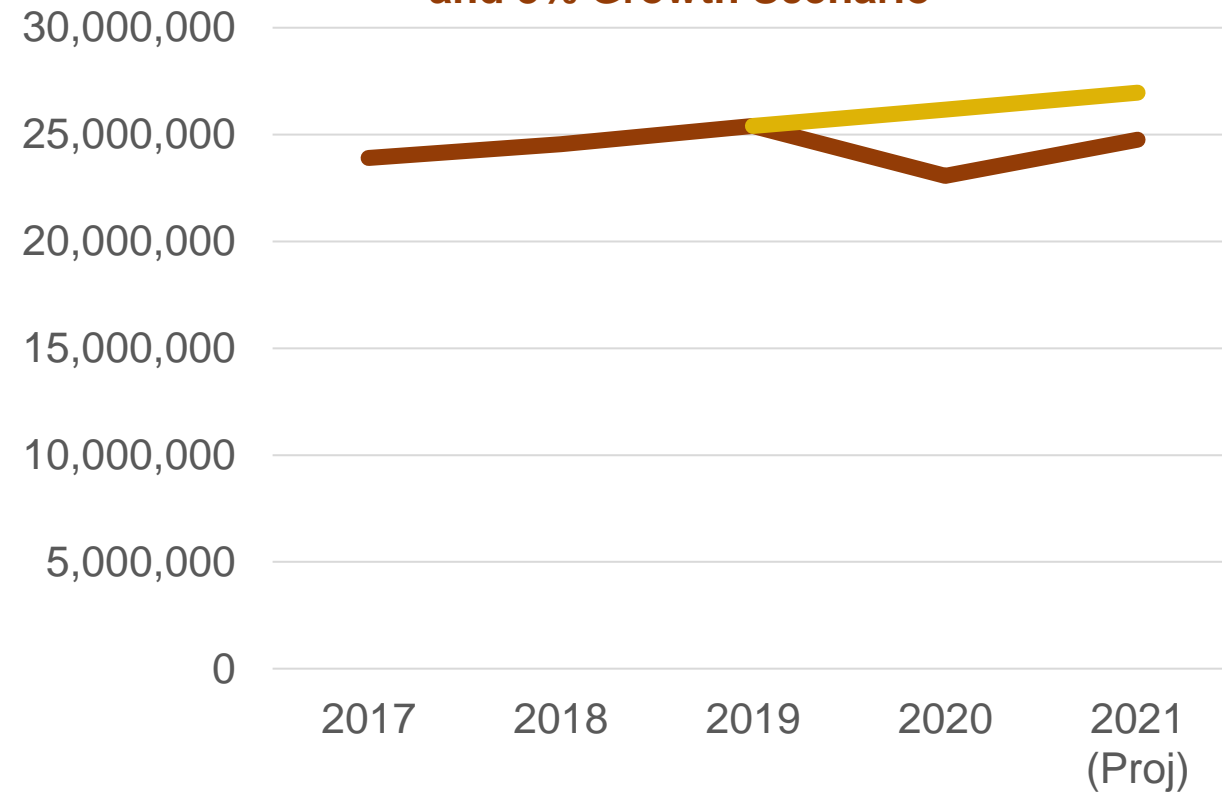
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Recovering in 2021

Annual Growth Rate (%)



Craft Comparable Production Volumes and 3% Growth Scenario



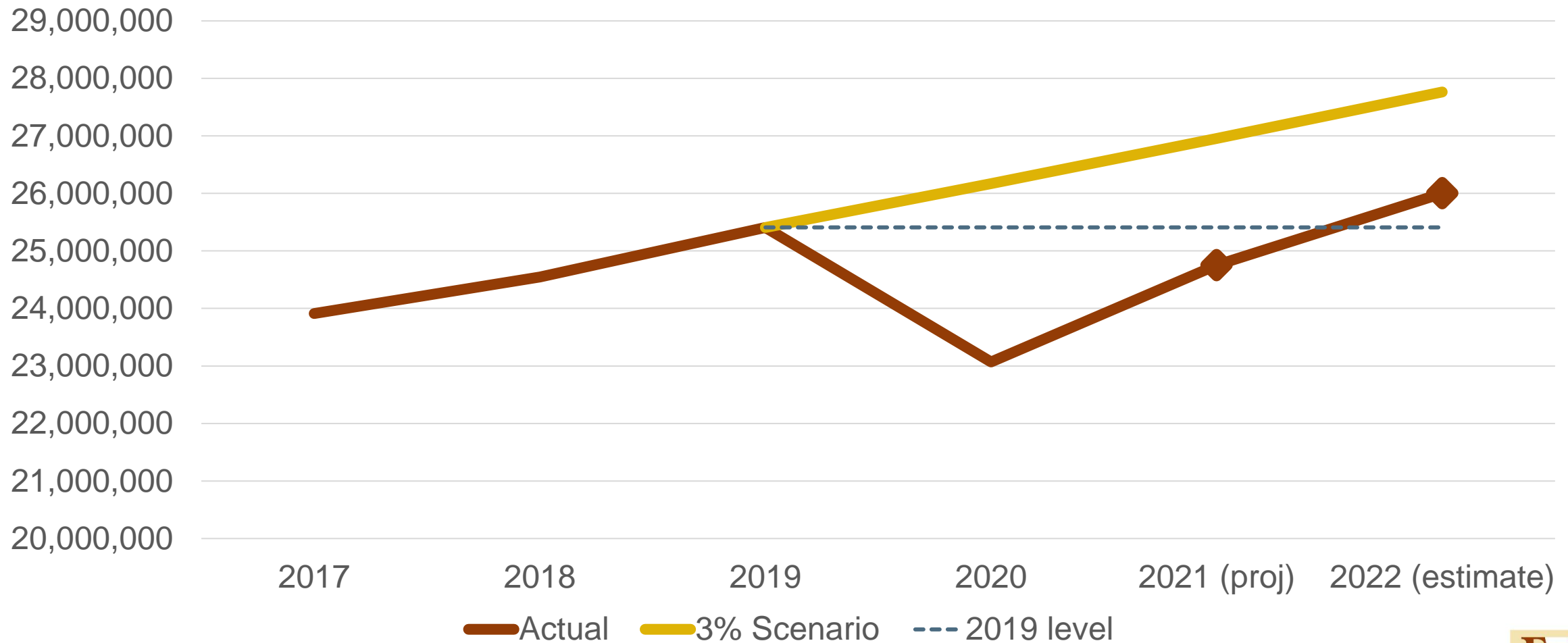
Source: Brewers Association, Analysis of midyear survey and other data sources



Early Survey Sneak Peak

1. Over 1,000 responses so far
2. Able to easily match 600 to breweries with 2019 production
3. CERTAIN that response bias exists, but:
 - a. Comparable set was -8% in 2020
 - b. +16% This year (back above 2019 levels)
 - c. 60% above 2019 levels

Where Does That Leave Craft?



Source: Brewers Association; volumes are comparable data set

Prognosis

1. Still behind 2019 in 2021
2. Extra room for growth relative to old trend, but some is gone
3. Likely to surpass 2019, but not catch previous trend in 2022

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Why You Should Care

Assumptions:

Each shift of 1 share point from draught to packaged, even with no share shifts within channels

Let's say IPA = 35 share of craft

Craft =

- 30 share of on-premise
- 8 Share of off

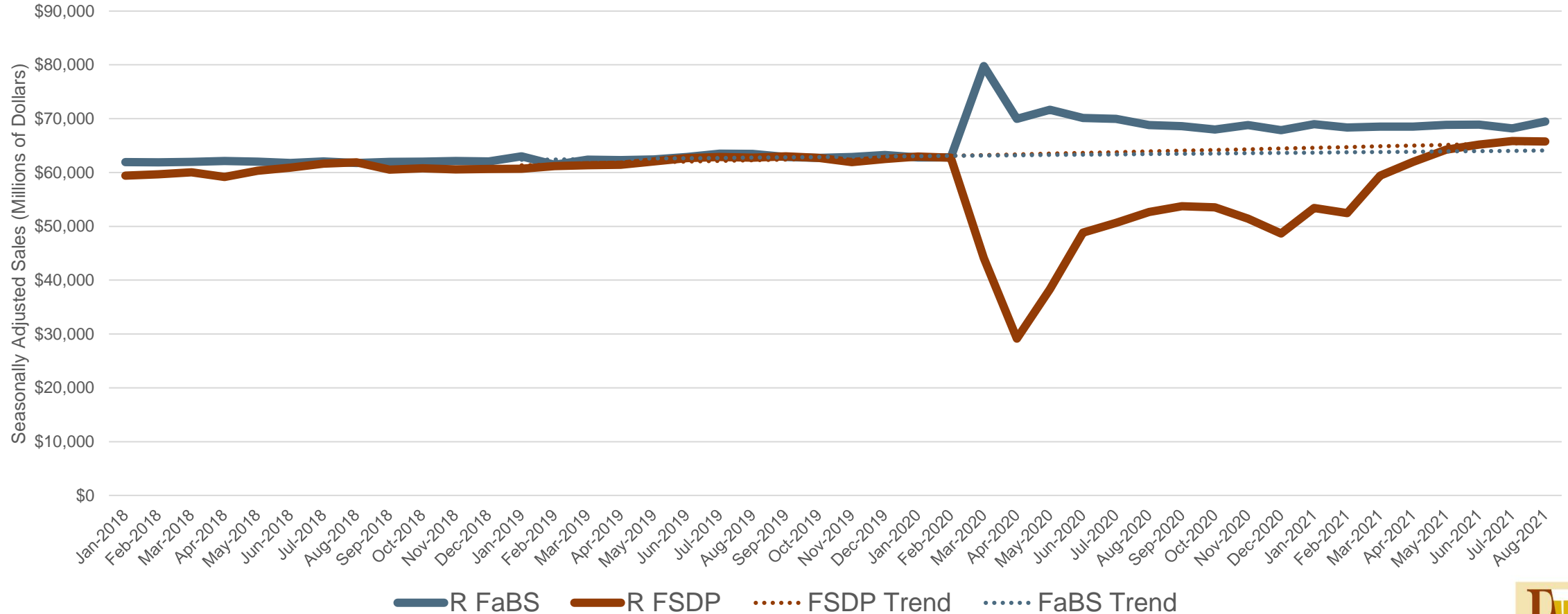
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Total market = 200M barrels

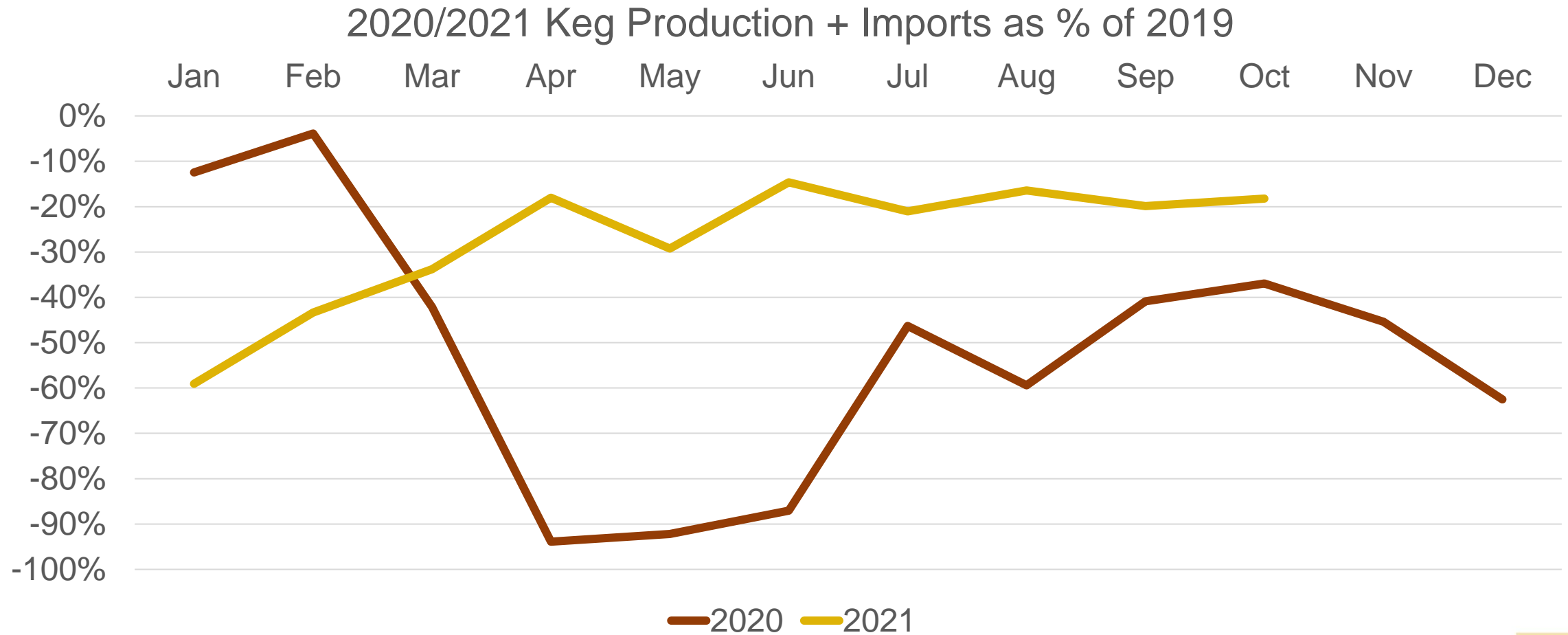
~154,000 barrels of IPA lost

Channel Tide Has Swung Back

Food Services and Drinking Places vs
Food and Beverage Stores (Seasonally Adjusted, Real)

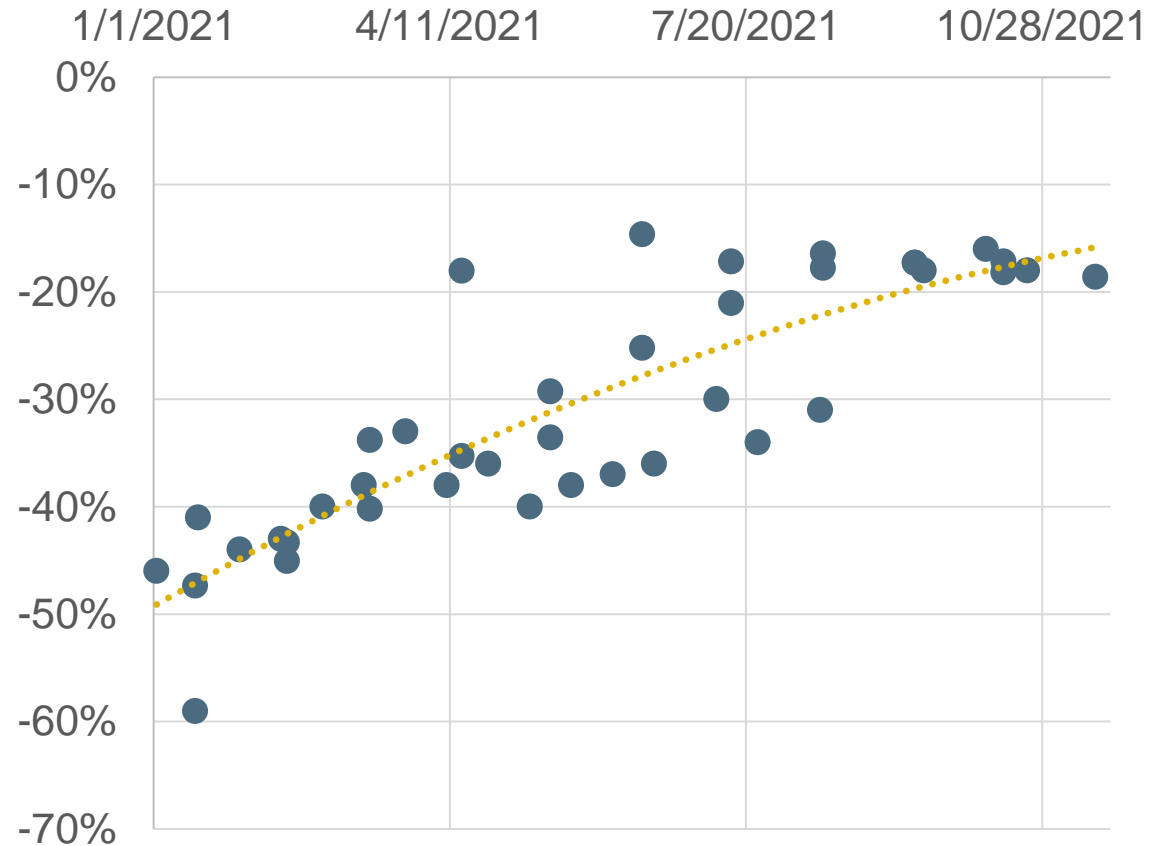
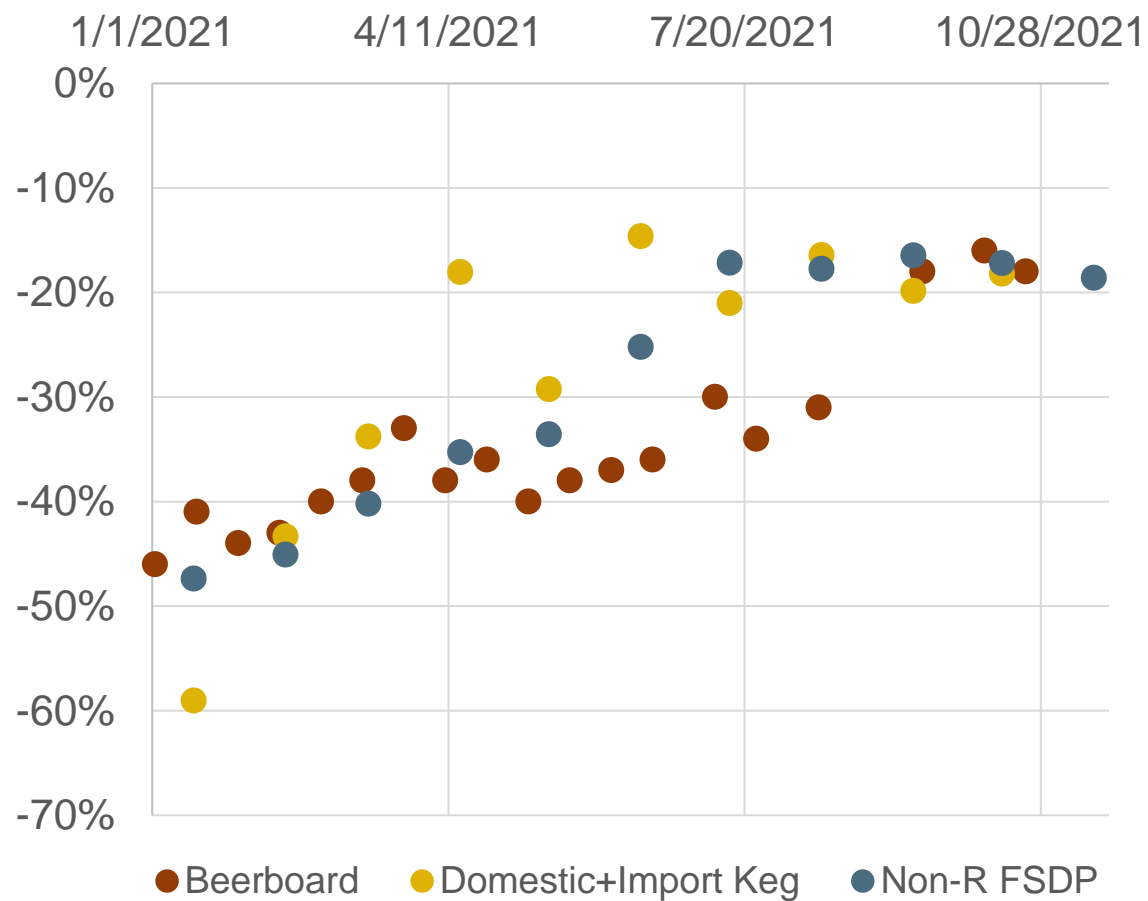


Draught Lags On-Premise Recovery



Total Kegs -52% versus 2019

Different On Premise



2022

Will draught recovery catch up to restaurant recovery?

- Spending pinch/Rising prices
- Different stores (bad news for draught)
- Reservations have plateaued (different behaviors)

Different Stores

Alcohol-selling locations (on- and off-premise) – change vs year ago



Source: NielsenIQ TDLinx

Some Still Wary

Currently how comfortable are you to visit bars/restaurants with the following seating options?



Outdoor seating

% completely/quite comfortable:

81%

% completely/quite uncomfortable:

6%



Temporary heated outdoor seating

77%

6%



Indoor seating only

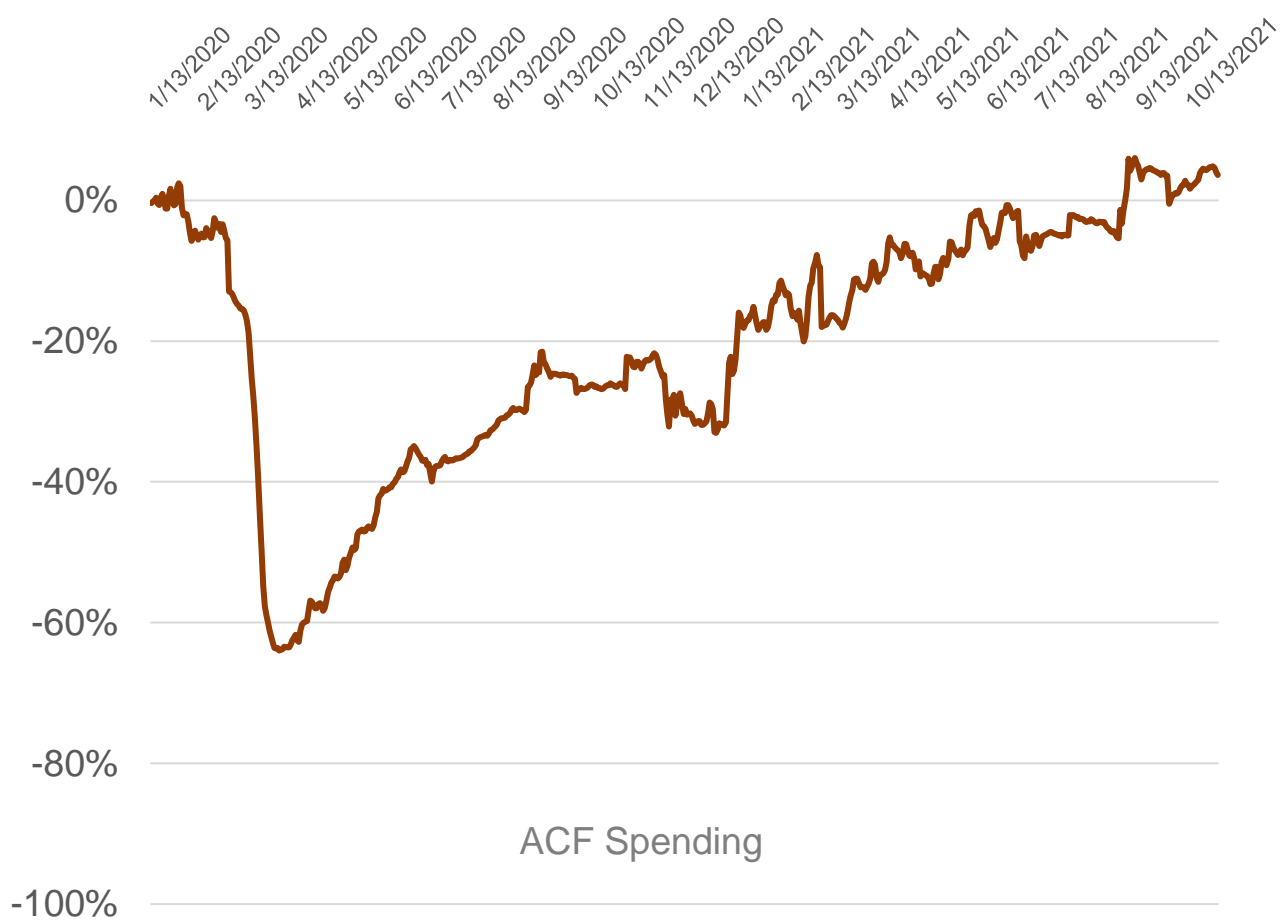
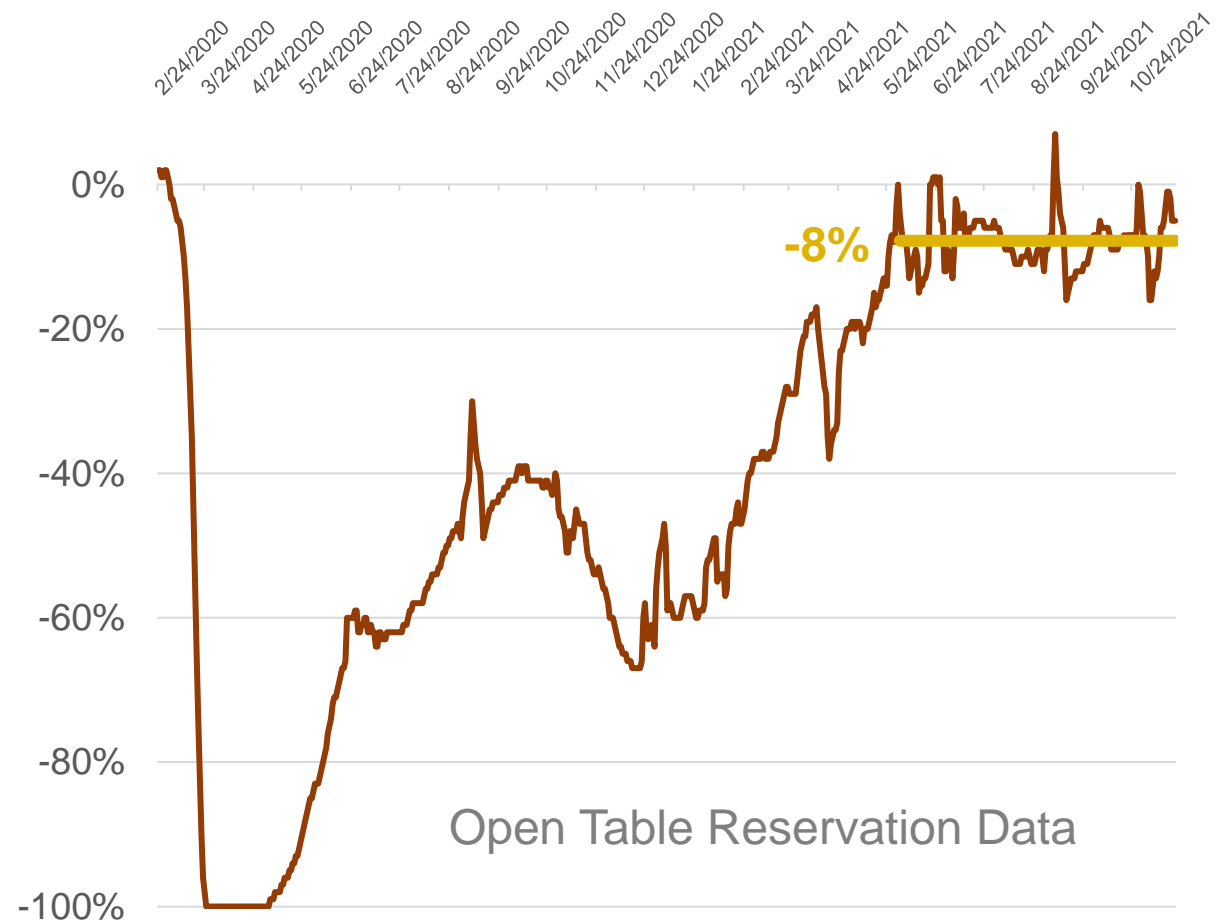
72%

9%

SOURCE: CGA COVID-19 IMPACT CONSUMER RESEARCH SAMPLE (1972)



Reservations and Spending



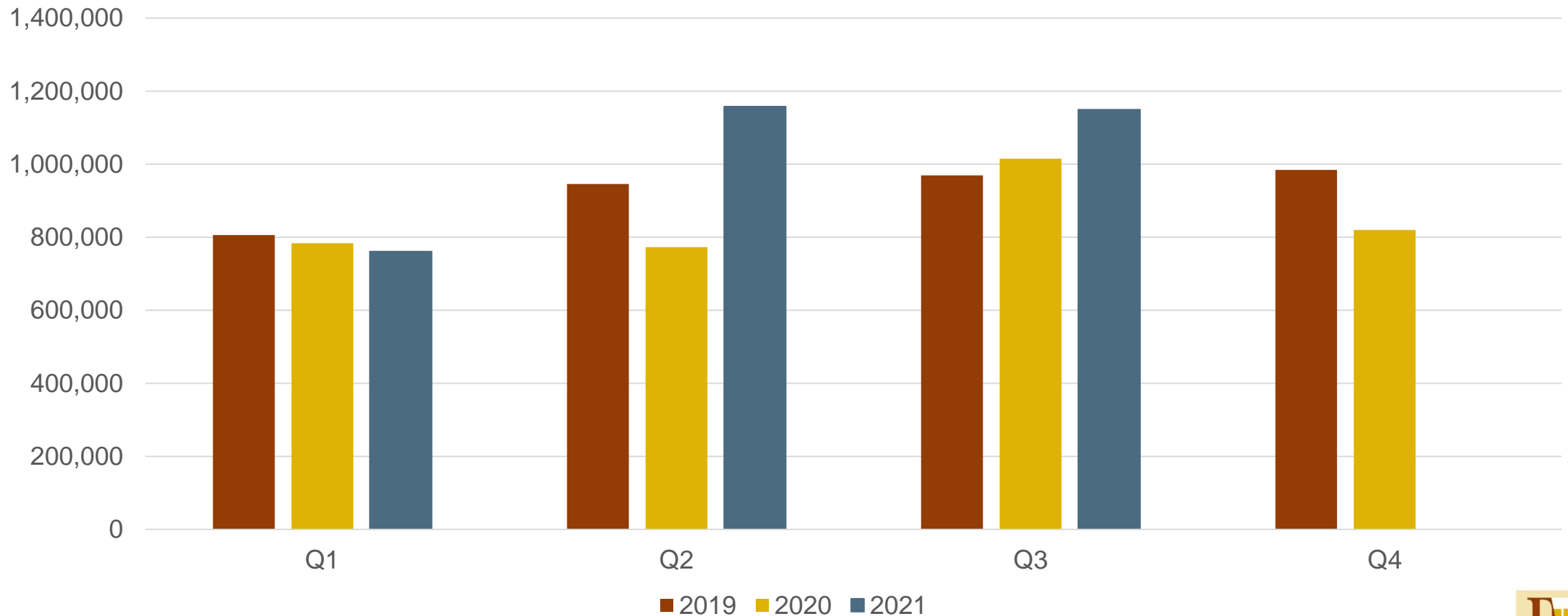
Prognosis

1. Note: Regional Variations
2. National recovery may have plateaued for near term
3. Longer-term probability of full recovery, but unlikely in 2022

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Breweries Bouncing Back

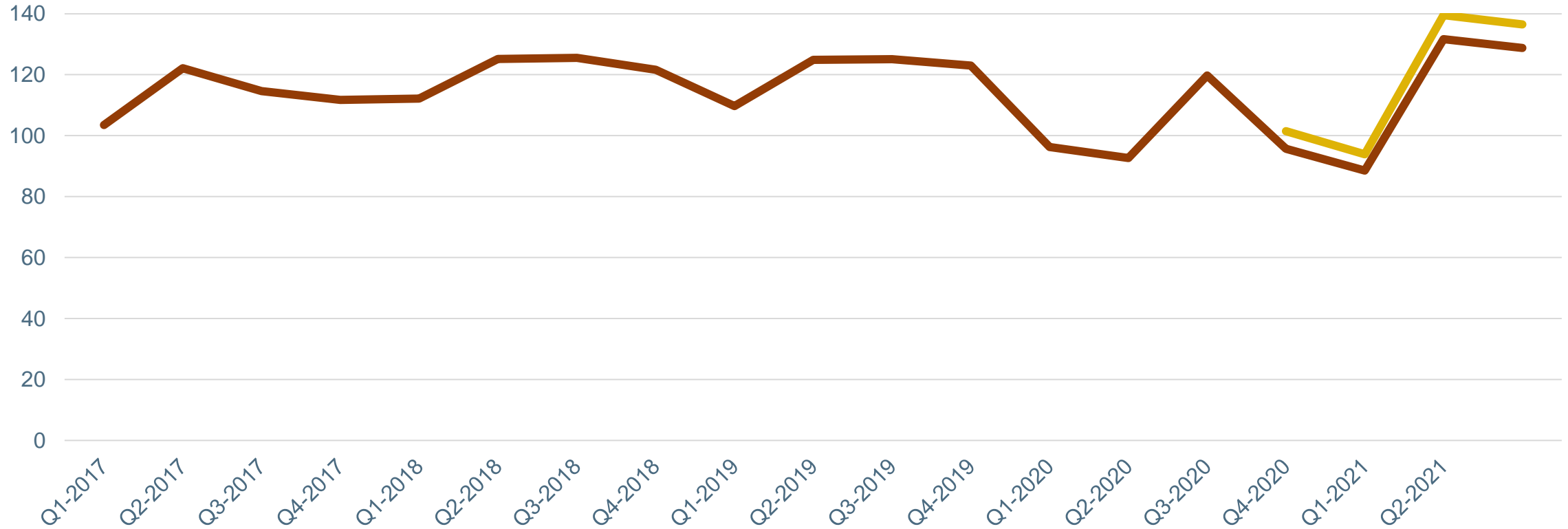
TTB Premise Use by Quarter



Note: Premise Use Includes All Quarterly Filers – set may have changed based on size

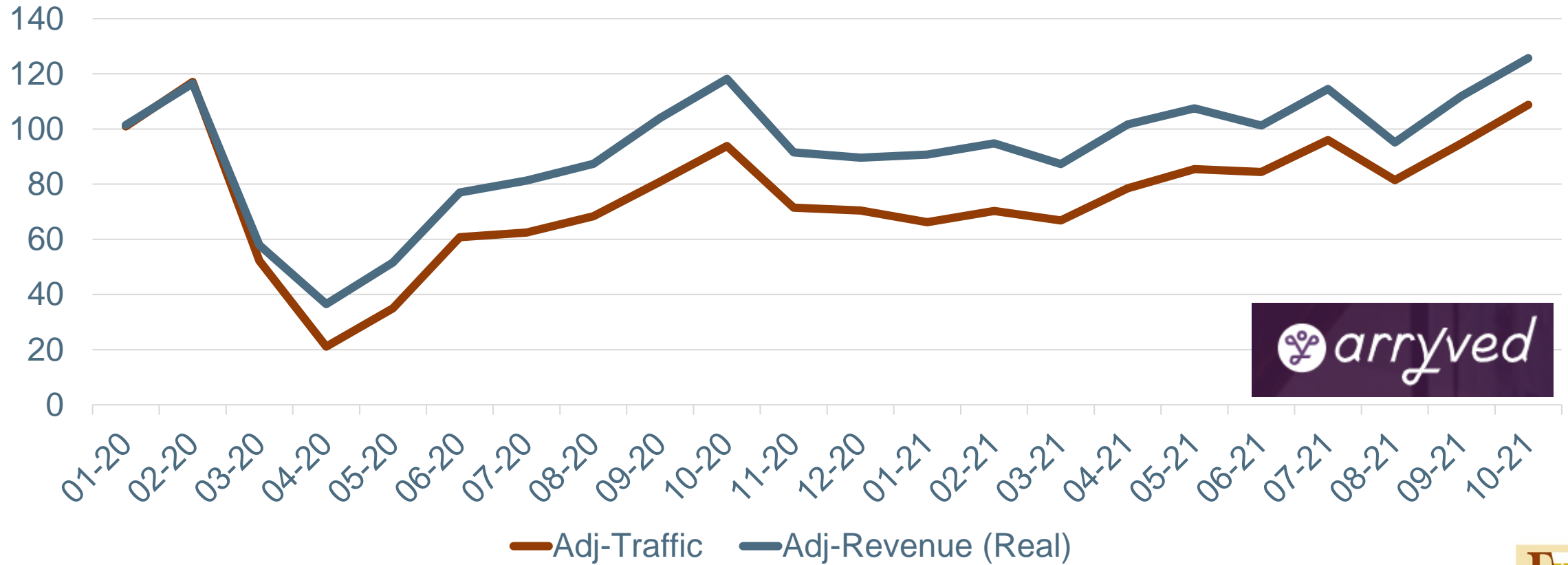
Per Brewery (Index)

Premise Use, Tax Determined, Per Brewery

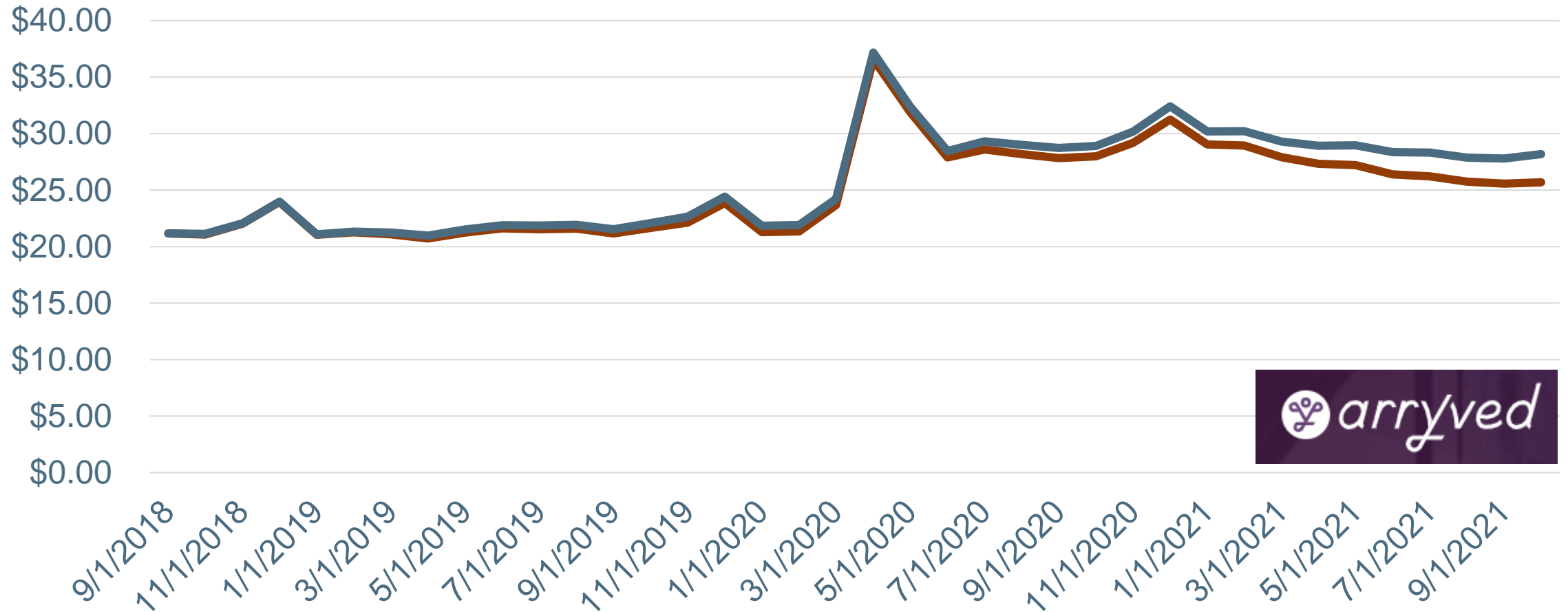


Onsite at Breweries

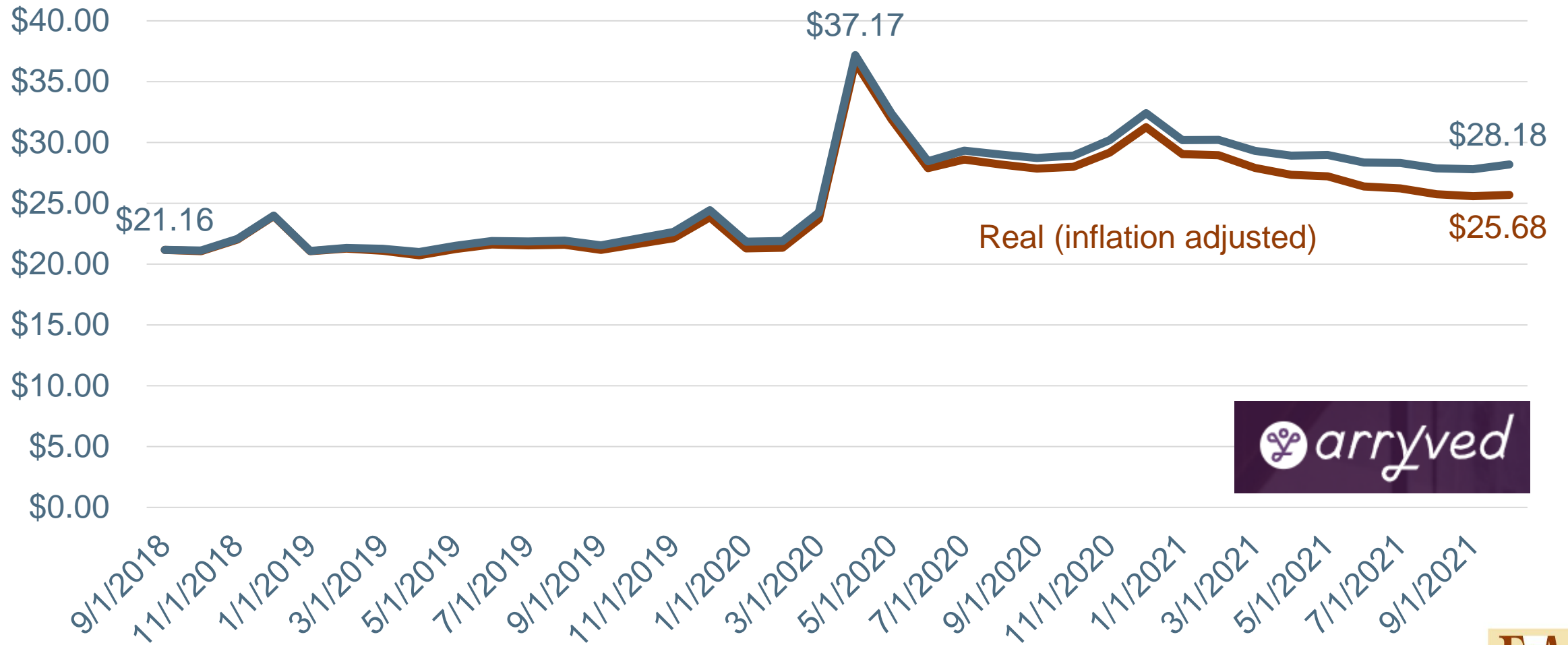
Average Site Traffic/Revenue



Average Check



Average Check



Opposite of Bars/Restaurants?

ON PREMISE SALES: TOTAL US W/E NOVEMBER 20 2021		
Value Velocity	Check Value	Ticket Count
\$75,734	\$46.72	1,621
+20%	vs November 16 2019 -6% (Real)	+16%

Breweries (Arryved) Vs October 2019	
Check Value	Ticket Count
\$28.18	2,426
28%	-9%



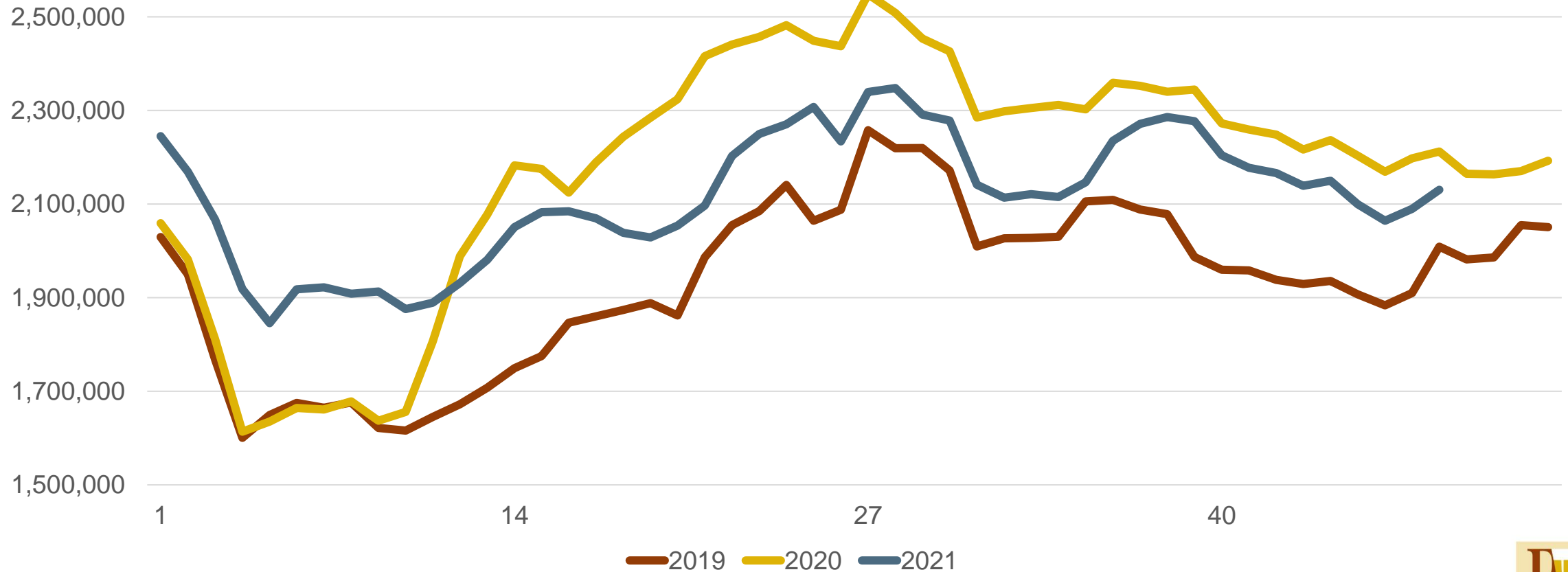
Brewery Sales Numbers

1. Back to growth – Likely to grow again in 2022
2. May look different in total and per brewery numbers

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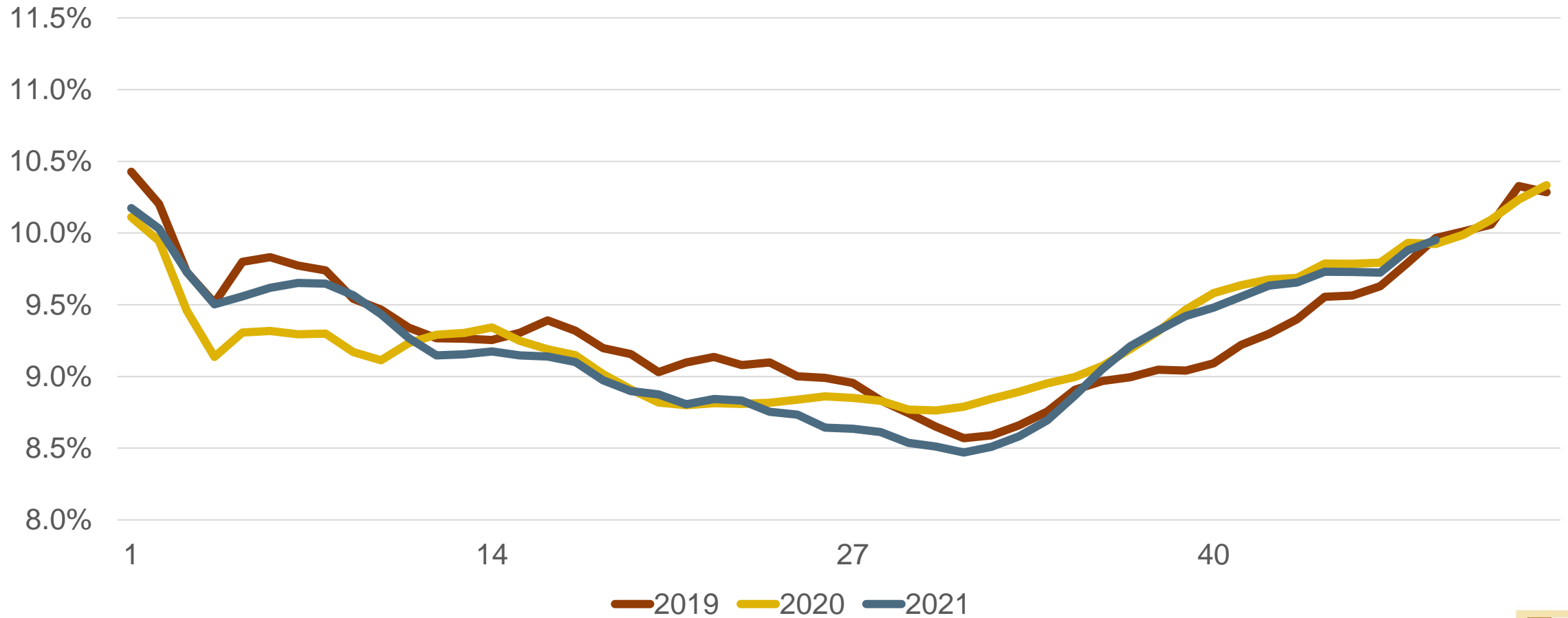
What's the Comparison?

BA Craft, IRI Volume by Week of Year, 4 Week Rolling Average



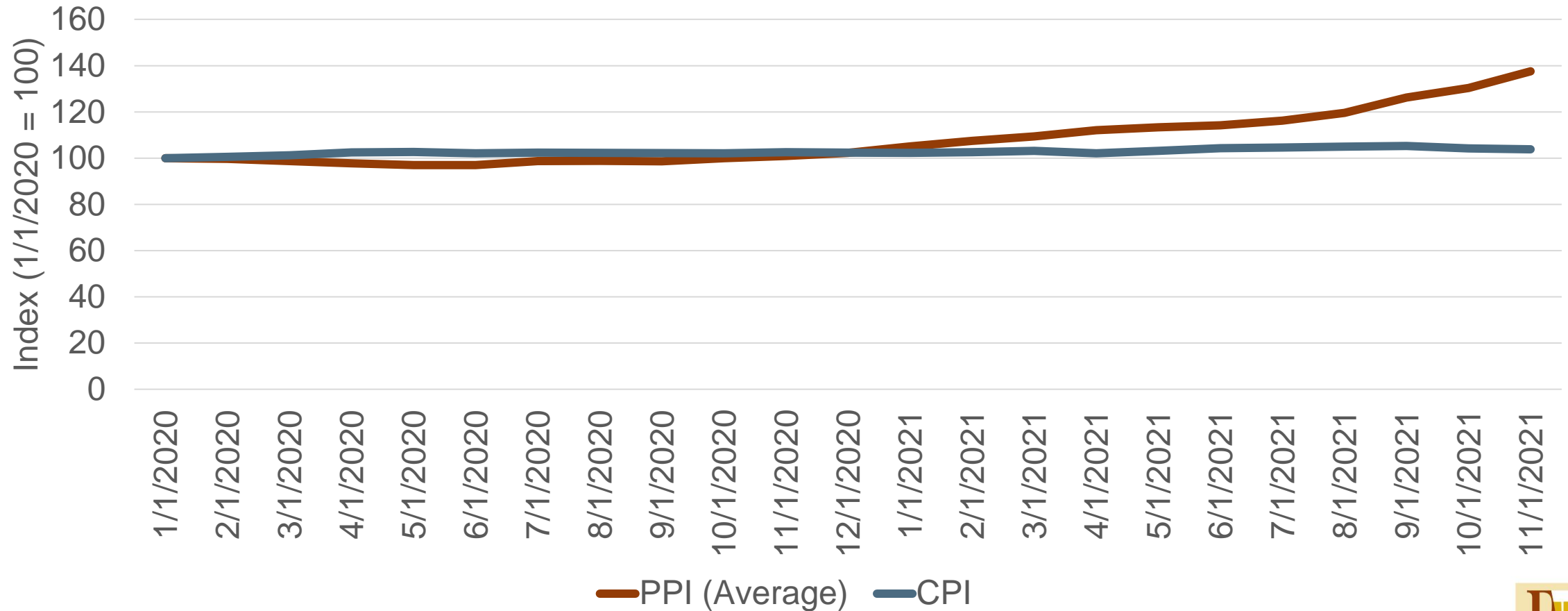
Share

BA Craft, Share of IRI Dollar Sales by Rolling 4 Wk



Costs Rising, Prices Not (Yet)

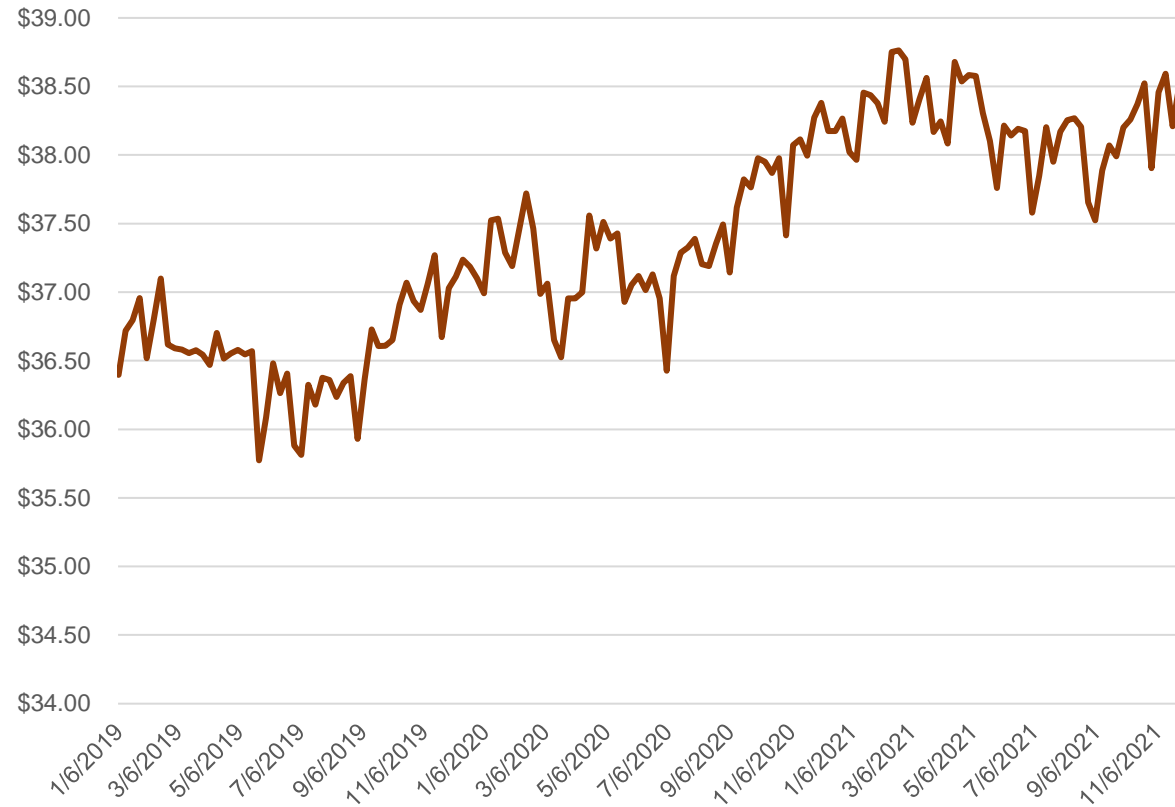
Average PPI vs CPI



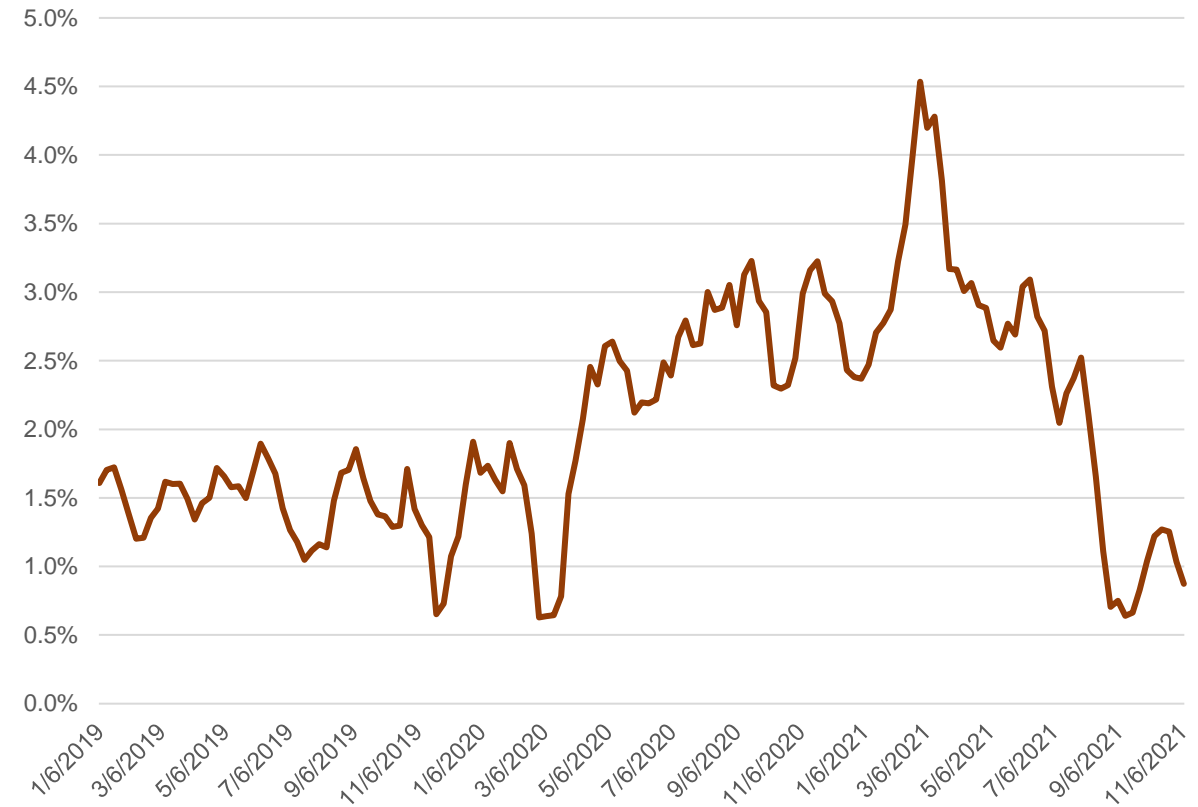
PPI = Non-weighted average of barley, paperboard, general freight trucking and aluminum cans
CPI = Away from home (all beer)

Pricing

BA Craft, 4 Week Rolling Average CE Price



BA Craft, Rolling 4 Week Avg YoY CE Change



Source: IRI Group; MULO+C+Total Liquor; Total US

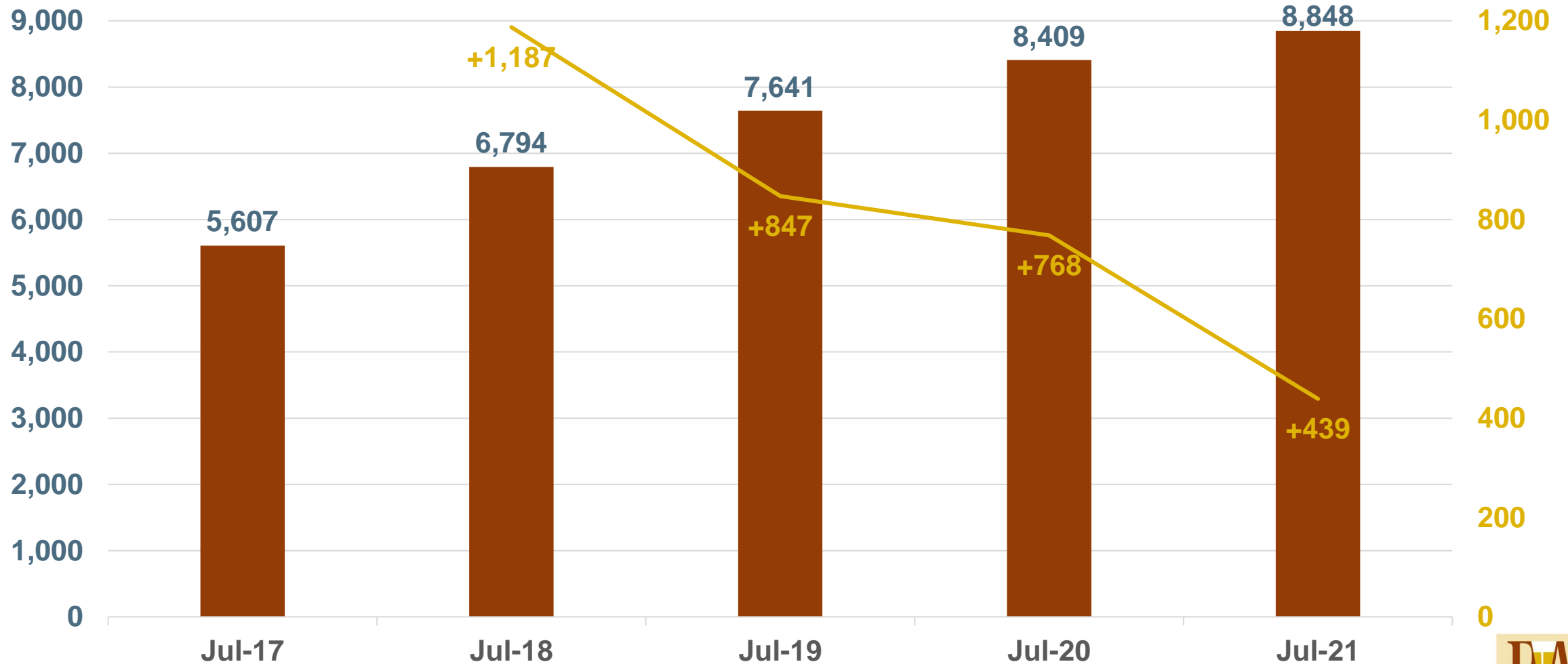


What's Next?

1. 2022 similar year to 2021 in volume share and size
2. Dollar sales share up (we'll learn a lot about elasticity)
3. Price/cost pressure everywhere

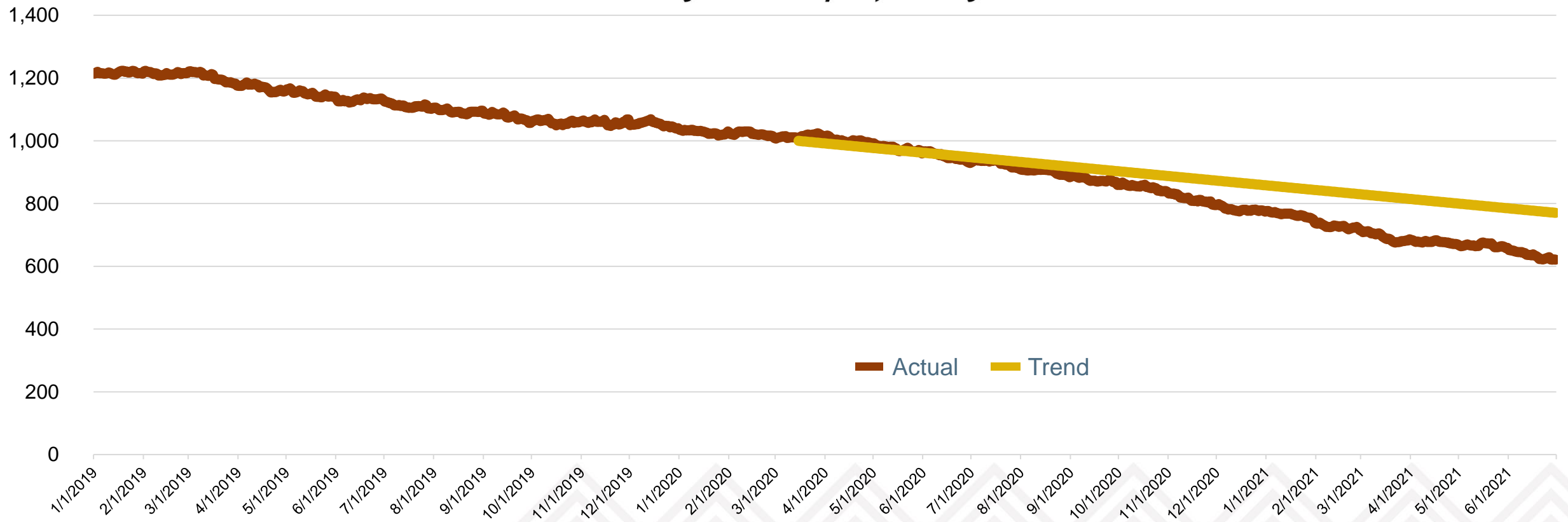
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Breweries Still Growing, but Slower



Driven by Decline in Openings/Planning (Only Partially COVID)

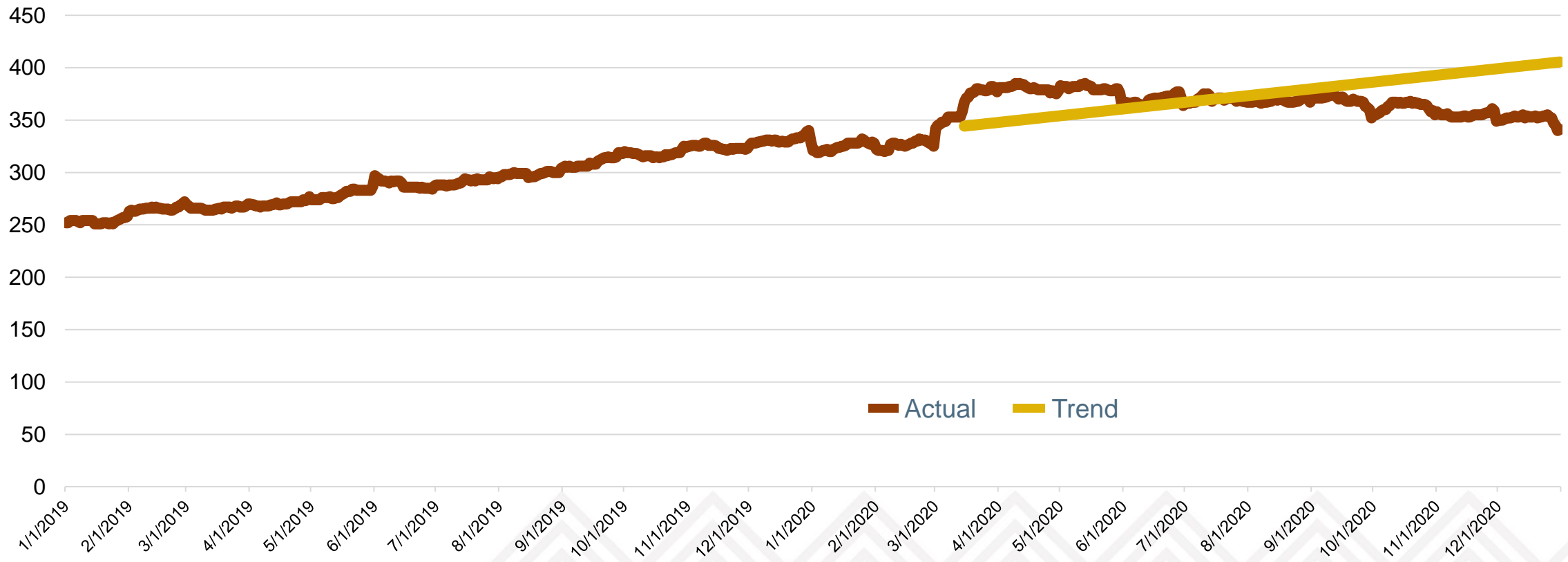
Rolling 365 Day Openings



Closings Haven't Increased

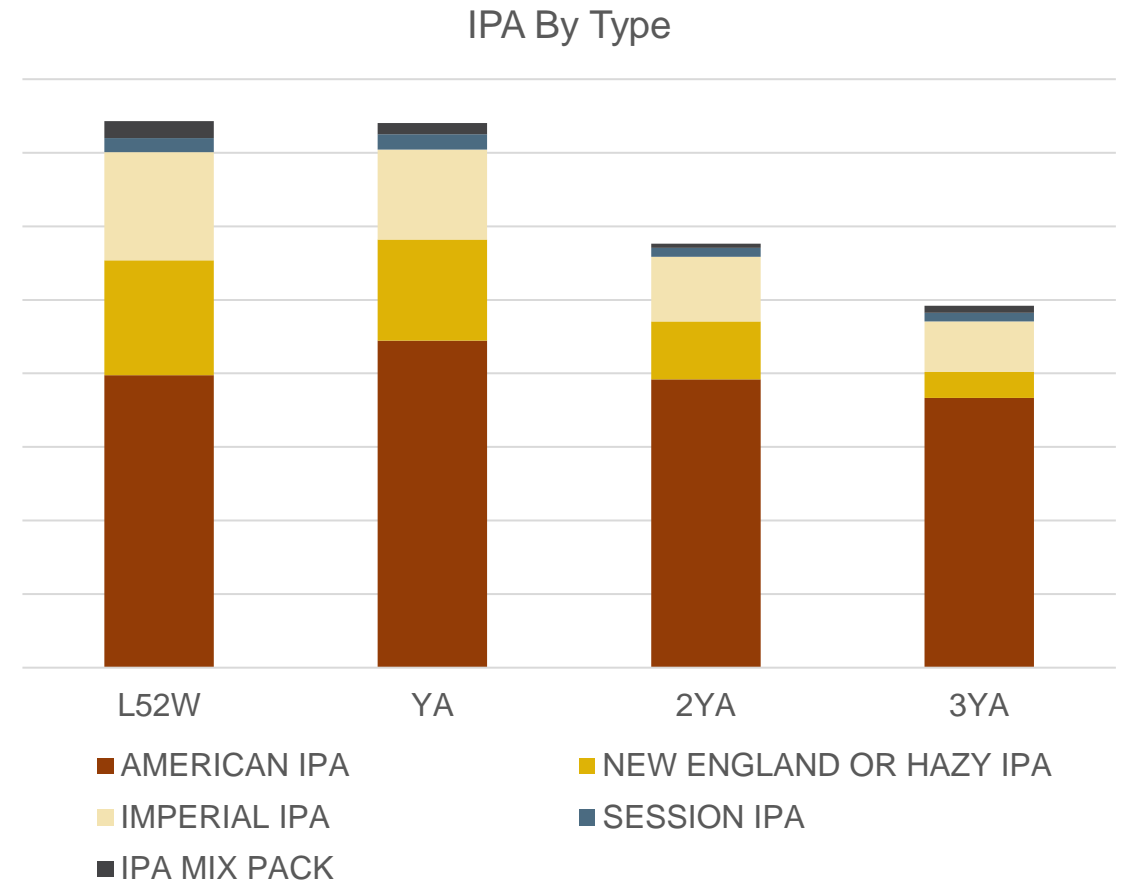
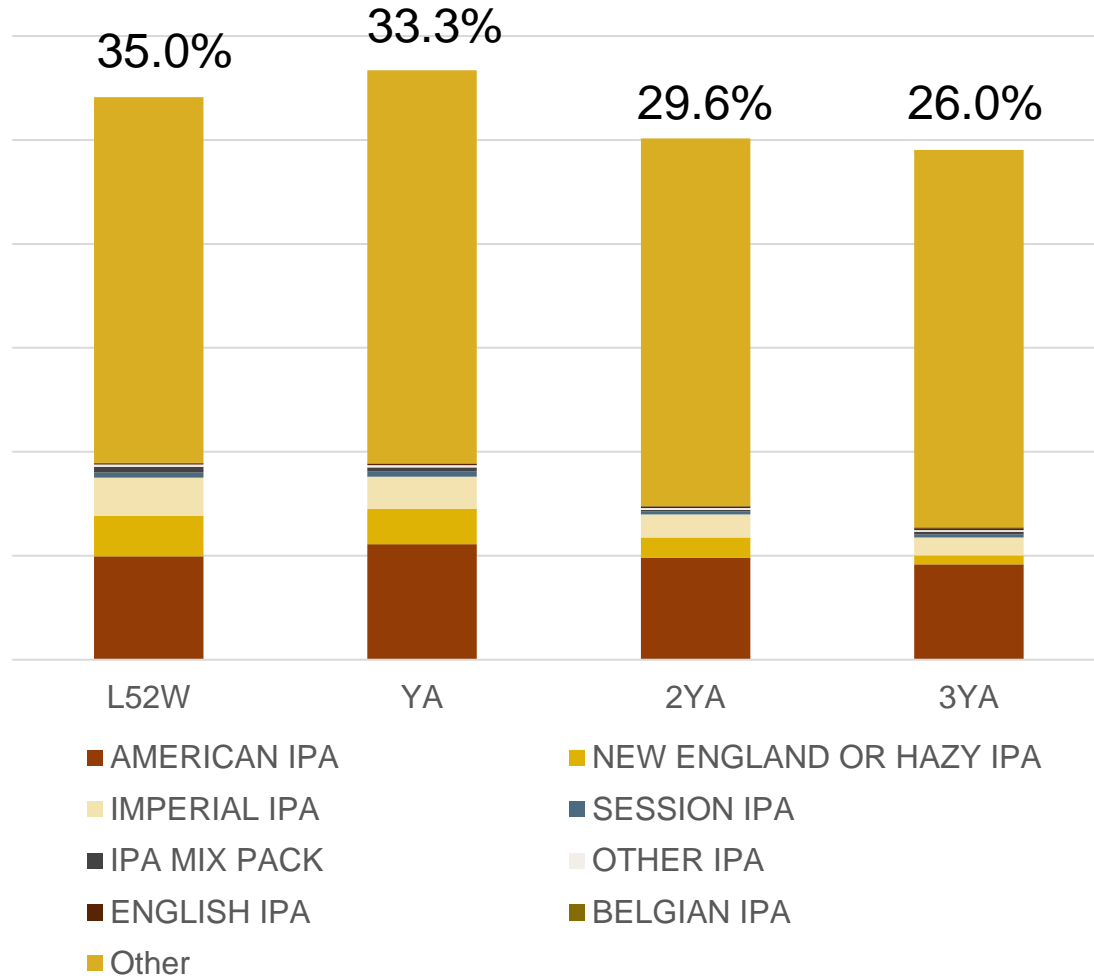
(Actually Below Previous Trend)

Rolling 365 Day Closings



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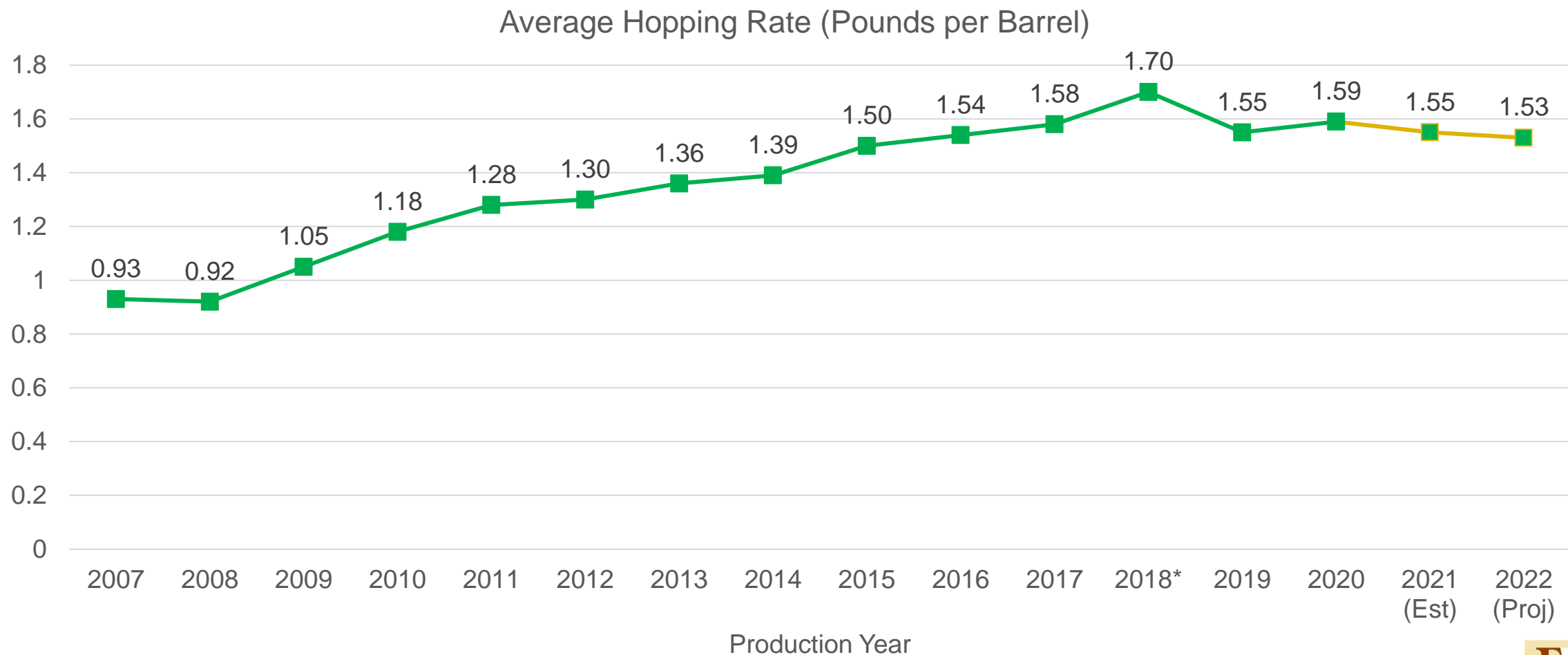
IPA in Scan Data



2021 Brewers Association Hop Survey

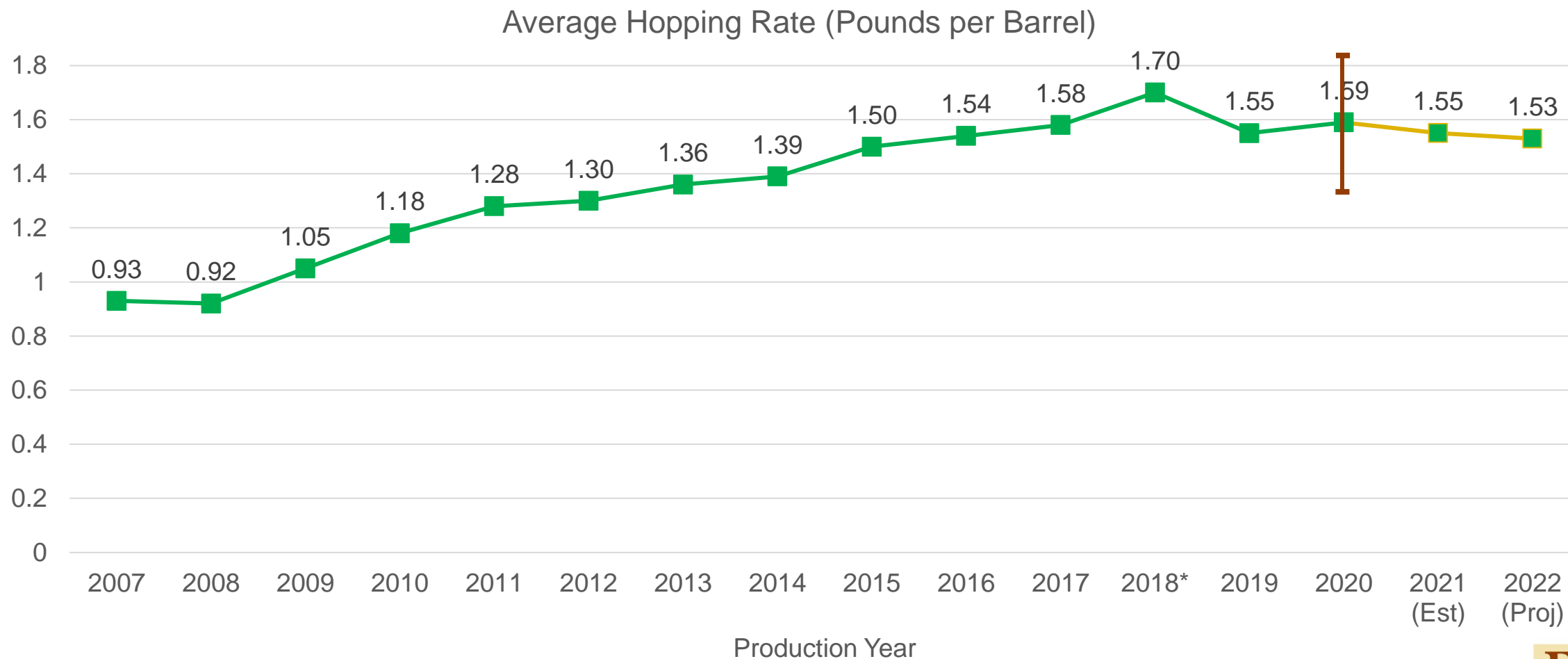
- Annual Survey in late summer/early fall
- 14 Years of Data collected 2008 - 2021
 - **Based on craft volume as defined**
- A SURVEY, so the results shown are estimates: “Actual Mileage May Vary”
- 2021 Changes: Shortened more targeted survey designed to increase response rate and better estimate pounds per barrel

Hopping Rate Back Up Slightly



Notes: 2019 Revised. Production year rather than survey year (previous iterations).

Hopping Rate Back Up Slightly

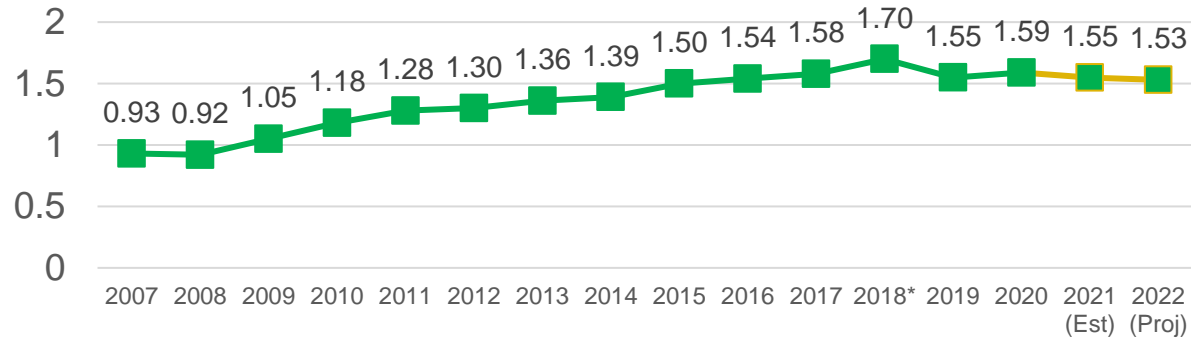


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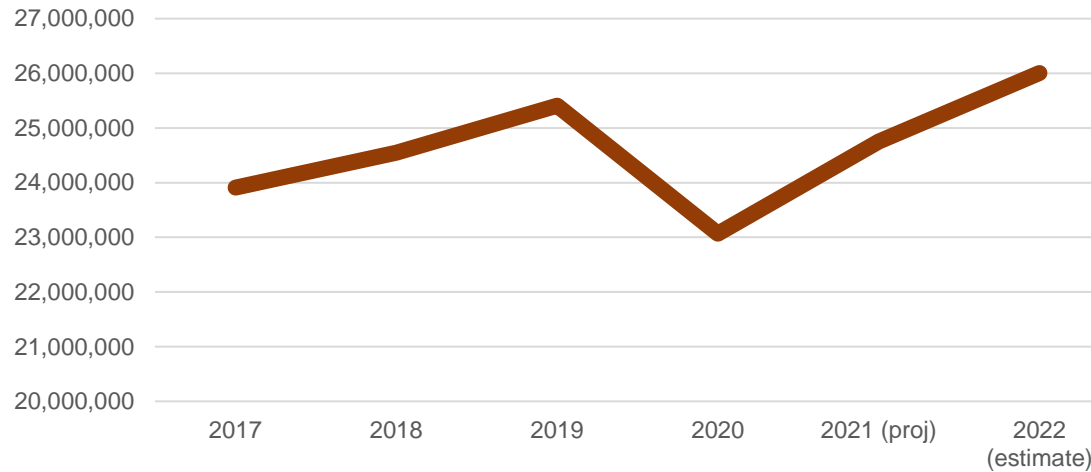
* Possible outlier

Usage and Production

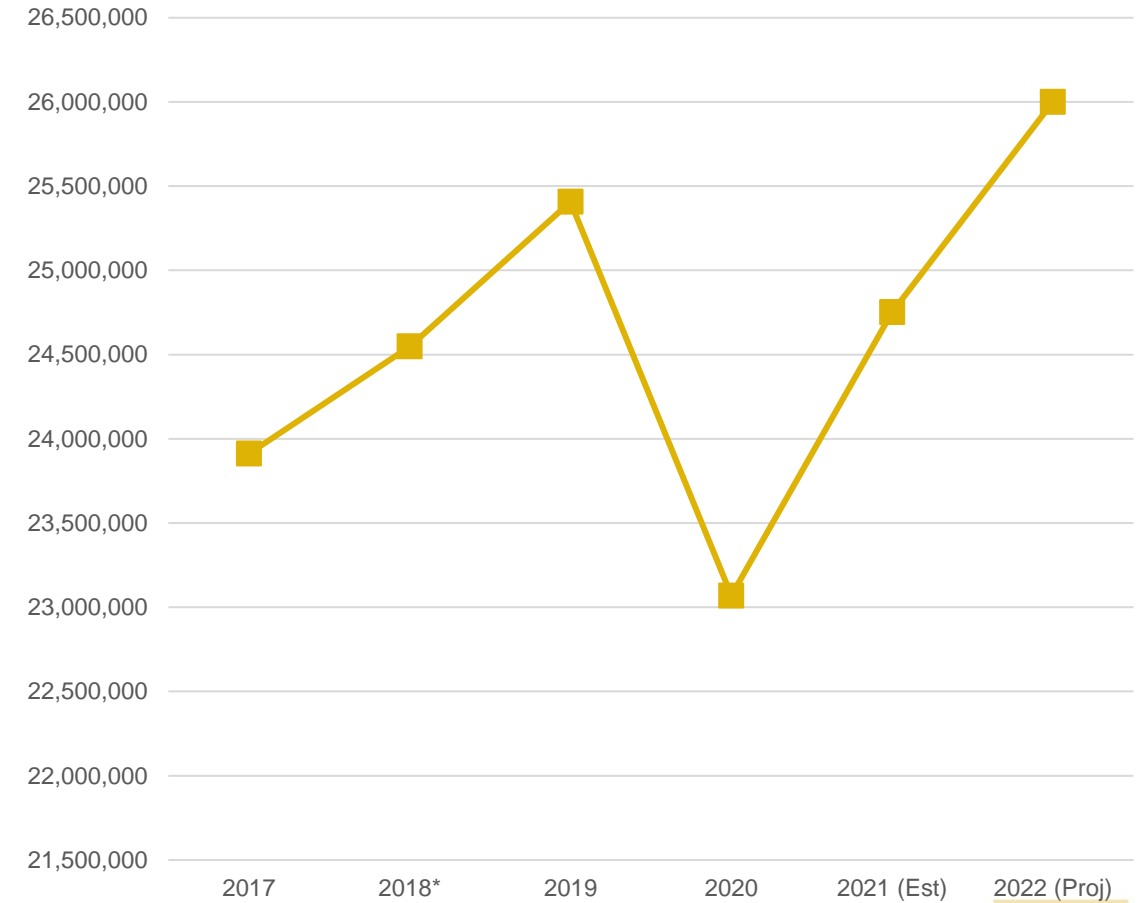
Average Hopping Rate (Pounds per Barrel)



Production Year



Implied Craft Hop Usage



Oil/Powder/Downstream Usage

- 40% report some downstream usage
- Oils/powders/other non-pellet/whole cone products 10.3% of pound equivalents in 2020. Up from 8.1% last year.

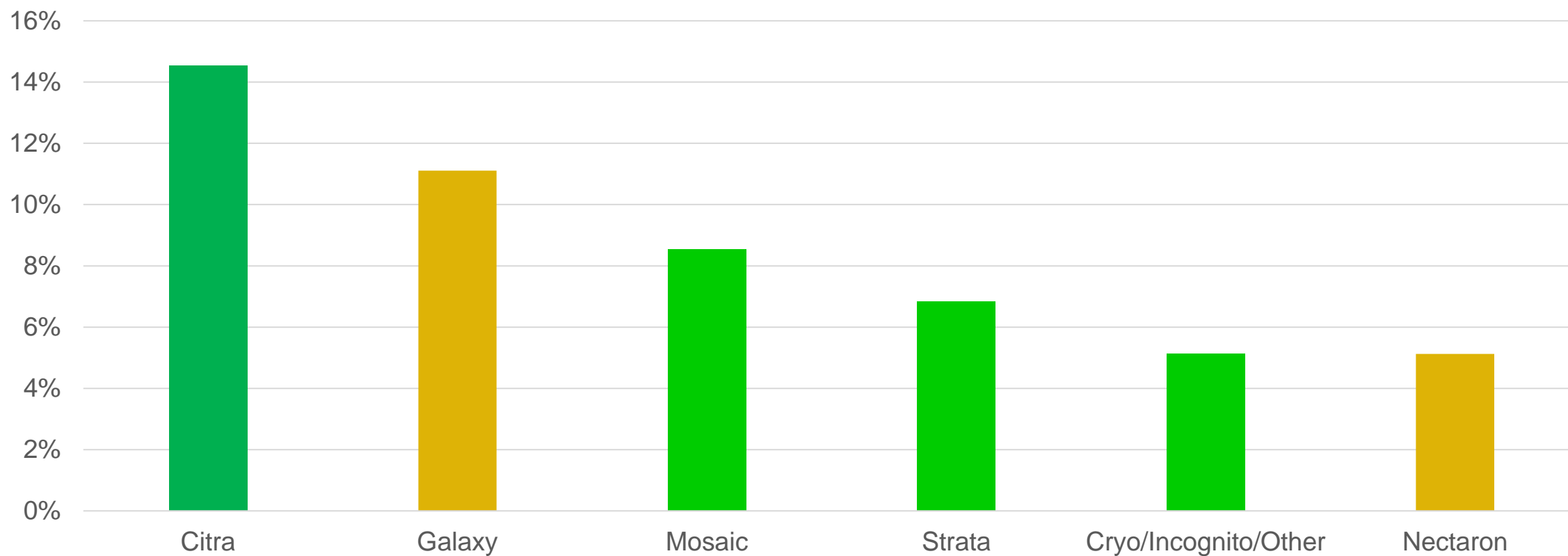
Converted Pounds by Type

■ Pellets ■ Oils ■ Powders/Other ■ Whole Cone



What do Brewers Want More Of?

If there were one hop you would use more of if you could get a stable supply, what would it be?



Thank you!



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BrewersAssociation.org
CraftBeer.com
HomebrewersAssociation.org

