CRAFT BEER:

A Look at the Exciting Boom in American Craft Beer

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New Belgium Brewing Company
International Citrus & Beverage Conference
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Craft Beer: A Look at the Exciting Boom in American Craft Brewing

What we’ll cover:

• Introduction
• A brief history of beer
• Current state of craft beer
• Is Citrus playing a role in craft beer?
• Where is craft beer headed?
I am a Florida Off-Premise Specialist & BEER RANGER for New Belgium Brewing… WHAT DOES THAT MEAN?
NEW BELGIUM OVERVIEW

100% Employee Owned

NEW BELGIUM TERRITORIES

New Belgium Brewing
Kindling social, environmental and cultural change as a business role model of sustainable business

New Belgium is the #4 Craft Brewer behind Sam Adams, Sierra Nevada & Miller Coors (Blue Moon)

ASHEVILLE MARCH 2015
Opening Sept 2015!

SLOW RIDE 6PK IS THE #1 NEW SKU IN CRAFT IN 2015!

AC Nielsen YTD through 4/25/15, Total US Food
A Brief History of beer

- The story of beer begins some time around 10,000 BC.
- Neolithic people in a region that is now Kurdistan are using an ancient grasses for valuable nutrition.
- A happy accident later...

Photo: Globalfoodpolitics.wordpress.com
A Brief History of beer...

- The Egyptians were first to mass produce beer.
- The pyramids were “built on beer.”
- A shift in the “maker.”
A Brief History of beer…

• The Grape Line

Photo: Revelationsinfermentation.wordpress.com
A Brief History of beer...

- 1st hopped beer: 1000 AD in Bremen (Germany)
- 1500: Hops arrive in England via Flemish immigrants
- By 1600, all beer made in England had some level of hops in the recipe
- Mid 18th Century: The rise of Porter
  - By 1810, it took more money to finance a brewery than it did a bank!
- Emergence of PALE
A Brief History of beer...

• One of the most influential styles in the HISTORY OF BEER was brewed in Plzen in 1842
• Bavaria joined the German Union in 1871
  • Reinheitsgebot
• Also in 1871, the annexation of the Alsace-Lorraine Region
• 1876: “Etudes sur la Biere”
A Brief History of beer...

- Immigrants from Germany and Bohemia flooded to American in the 1840’s
- Colonel Pabst, Augustus Busch, and the Uehlein Brothers of Schlitz
- American breweries boomed to 1,300
- 1920 – 1933: Dumb Dumb Stupid Time
- 756 breweries open a year after Repeal
A Brief History of beer...

- 3 Tier System
- The new beer buyer
- 1950’s – 1960’s: A Race to the Bottom
- 1975: Miller buys Lite
- 1965: Fritz Maytag buys the Anchor Brewery
- By the early ’90’s, craft beer was growing at roughly 45% each year
Current state of Craft Beer

• CULTURE, CULTURE, CULTURE

• “[B]eer people are cool people in general. We say our industry is 99 percent asshole free. So I probably do forget one of every hundred names of the person who was underwhelming. But everyone's so nice in this industry so I look forward to seeing them a second time.” –Sam Calagione, owner of Dogfishhead
Current state of Craft Beer

- **CULTURE, CULTURE, CULTURE**
  - We drink what we want
  - Collaborative environment between breweries
  - Breweries and beers form honest and meaningful connections
  - Highly experimental drinkers

- Local
Current state of Craft Beer

Mid-Year Craft Production Volume
2011-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Barrels (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5.5</td>
</tr>
<tr>
<td>2012</td>
<td>6.4</td>
</tr>
<tr>
<td>2013</td>
<td>7.3</td>
</tr>
<tr>
<td>2014</td>
<td>10.6</td>
</tr>
<tr>
<td>2015</td>
<td>12.2</td>
</tr>
</tbody>
</table>
Current state of Craft Beer

Brewery Count
As of 6/30
+ Growth from Previous Year

- 2011: 1,776 +151 = 1,927
- 2012: 2,126 +350 = 2,476
- 2013: 2,538 +412 = 2,950
- 2014: 3,040 +502 = 3,542
- 2015: 3,739 +699 = 4,438

NEW BELGIUM BREWING
Current state of Craft Beer

- The Numbers:
  - Craft beer is roughly 10% of dollars spent on alcohol in the U.S.
  - Total beer is roughly 24% of dollars spent
- However, Craft is a HUGE driver of growth within the beer category
Craft represents 21% of sales but 55% of category $ growth.

Craft Share of Beer

- Craft: 21%
- All Other Beer: 79%

Contribution to Growth ($MM) - Abs $ Change vs. YA

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other Beer</td>
<td>$432.5</td>
</tr>
<tr>
<td>Craft</td>
<td>$658.7</td>
</tr>
</tbody>
</table>

Source: Nielsen US Grocery, 10/4/14 through 1/3/15
## Top 20 Craft Breweries

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brewing Company</th>
<th>City</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>D. G. Yuengling and Son, Inc</td>
<td>Pottsville</td>
<td>PA</td>
</tr>
<tr>
<td>2</td>
<td>Boston Beer Co</td>
<td>Boston</td>
<td>MA</td>
</tr>
<tr>
<td>3</td>
<td>Sierra Nevada Brewing Co</td>
<td>Chico</td>
<td>CA</td>
</tr>
<tr>
<td>4</td>
<td>New Belgium Brewing Co</td>
<td>Fort Collins</td>
<td>CO</td>
</tr>
<tr>
<td>5</td>
<td>Gambrinus</td>
<td>Shiner</td>
<td>TX</td>
</tr>
<tr>
<td>6</td>
<td>Lagunitas Brewing Co</td>
<td>Petaluma</td>
<td>CA</td>
</tr>
<tr>
<td>7</td>
<td>Deschutes Brewery</td>
<td>Bend</td>
<td>OR</td>
</tr>
<tr>
<td>8</td>
<td>Bell's Brewery, Inc</td>
<td>Comstock</td>
<td>MI</td>
</tr>
<tr>
<td>9</td>
<td>Stone Brewing Co</td>
<td>Escondido</td>
<td>CA</td>
</tr>
<tr>
<td>10</td>
<td>Minhas Craft Brewery</td>
<td>Monroe</td>
<td>WI</td>
</tr>
<tr>
<td>11</td>
<td>Brooklyn Brewery</td>
<td>Brooklyn</td>
<td>NY</td>
</tr>
<tr>
<td>12</td>
<td>Duvel Moortgat USA</td>
<td>Kansas City &amp; Cooperstown</td>
<td>MO/NY</td>
</tr>
<tr>
<td>13</td>
<td>Dogfish Head Craft Brewery</td>
<td>Milton</td>
<td>DE</td>
</tr>
<tr>
<td>14</td>
<td>Matt Brewing Co</td>
<td>Utica</td>
<td>NY</td>
</tr>
<tr>
<td>15</td>
<td>Harpoon Brewery</td>
<td>Boston</td>
<td>MA</td>
</tr>
<tr>
<td>16</td>
<td>Firestone Walker Brewing Co</td>
<td>Paso Robles</td>
<td>CA</td>
</tr>
<tr>
<td>17</td>
<td>Founders Brewing Co</td>
<td>Grand Rapids</td>
<td>MI</td>
</tr>
<tr>
<td>18</td>
<td>SweetWater Brewing Co</td>
<td>Atlanta</td>
<td>GA</td>
</tr>
<tr>
<td>19</td>
<td>New Glarus Brewing Co</td>
<td>New Glarus</td>
<td>WI</td>
</tr>
<tr>
<td>20</td>
<td>Alaskan Brewing Co</td>
<td>Juneau</td>
<td>AK</td>
</tr>
</tbody>
</table>

Graphic: Brewers Association
Current state of Craft Beer

• The Numbers:
  • Styles driving growth:
    • IPAs are almost a ¼ of the category
    • IPAs are growing between 40% - 60% each year
    • Driven by local and experimental drinkers
    • Emerging subcategories
  • Other top styles: Seasonal, Pale, Amber, Wheat
Current state of Craft Beer

- Emerging IPA subcategory
Where is Craft Beer headed?

• A bubble burst?
• Acquisitions:
  • BIG BEER buying craft
    • AB Inbev – Goose Island, 10 Barrel Brewing, Elysian
    • MillerCoors – Saint Archer
  • Craft breweries acquiring other craft breweries
    • Green Flash acquired Alpine
    • Oskar Blues acquired Perrin
  • Last week: Heineken acquired 50% of Lagunitas
• International Expansion