

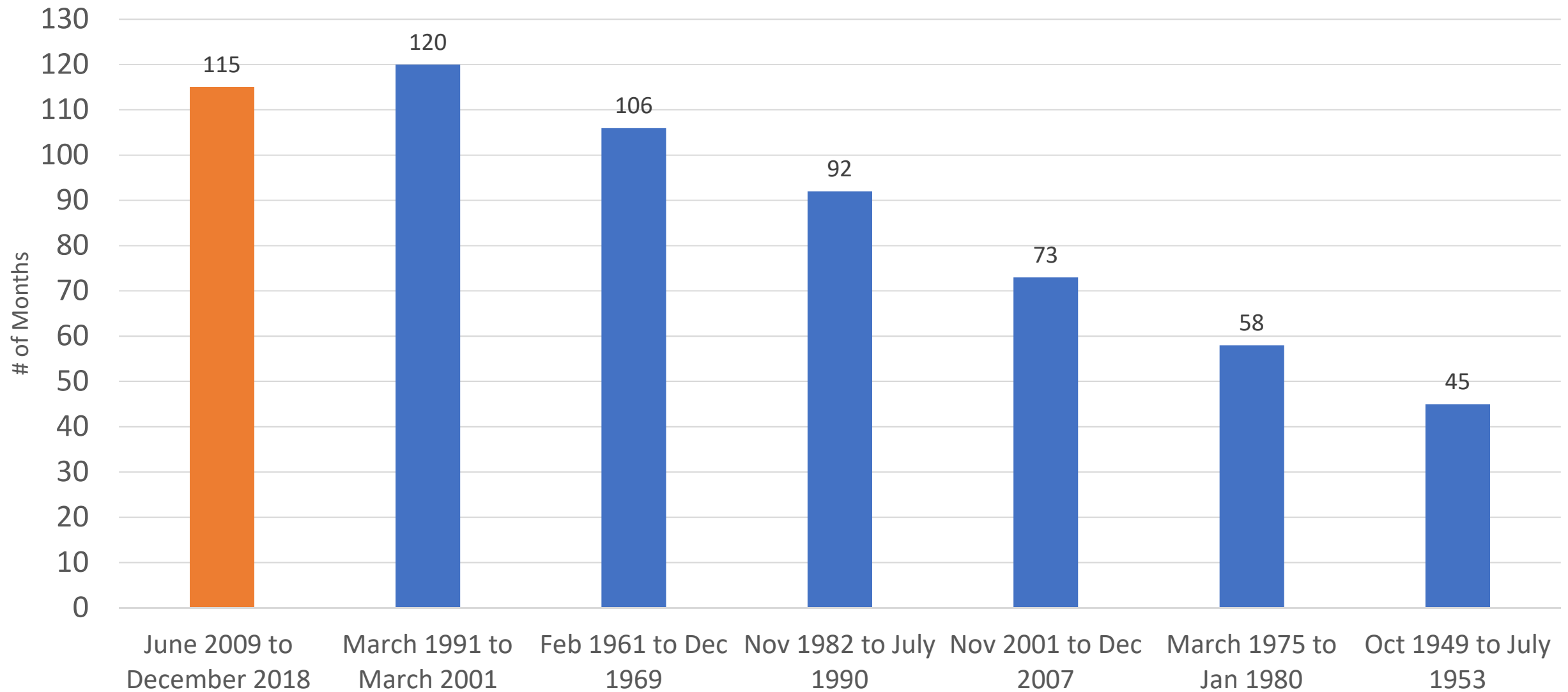
The Economics and Demographics That Drive the US Beer Industry



Lester Jones, Chief Economist
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Twitter @joneslester

https://www.youtube.com/watch?v=xizCOdu3_1E

Length of Economic Expansions: Current vs. Previous Six Longest

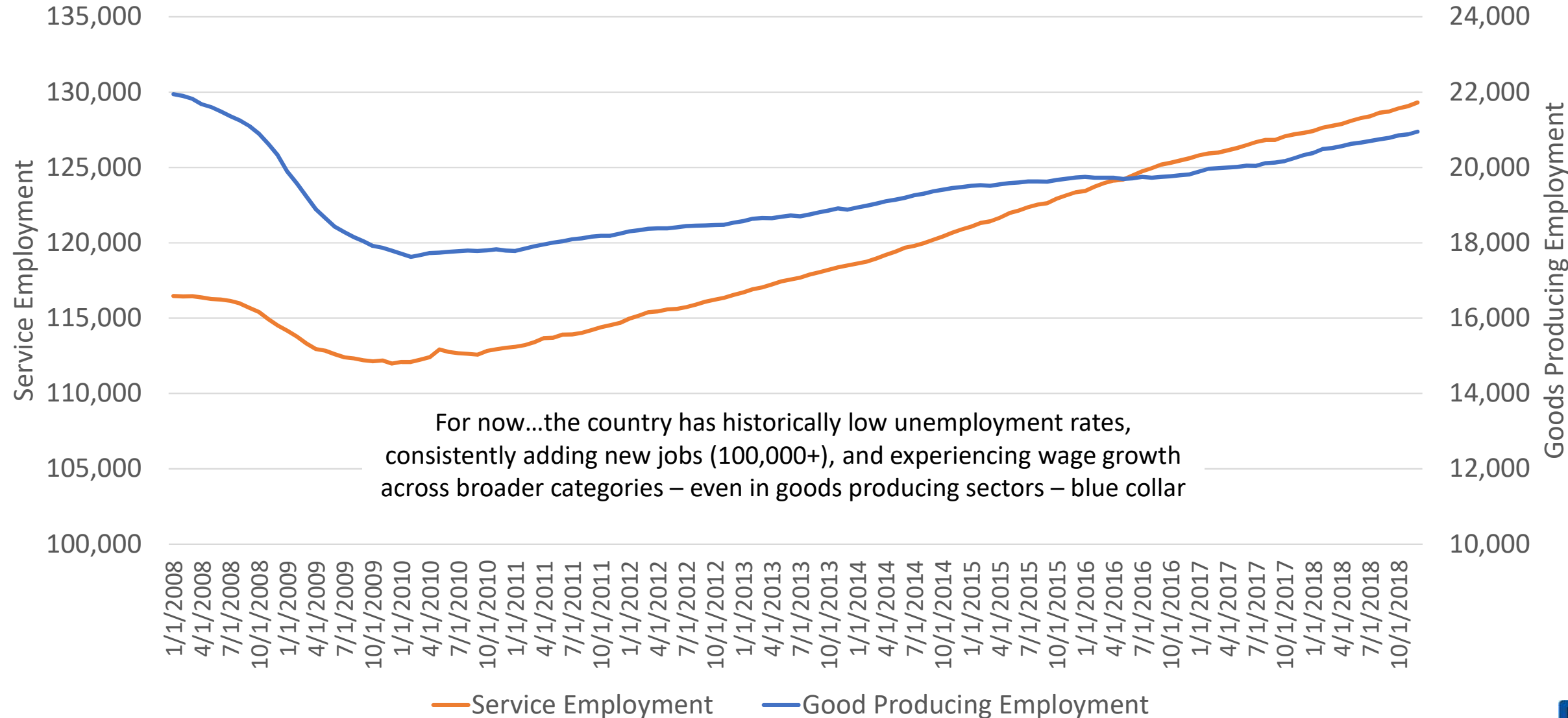


What will kill this expansion?

- Most likely, high interest rates as Fed responded to rising inflation. Just like the late 1950s, late 1960s, late 1980s. But already see central banks around the world slow down in hikes.
- Energy/Oil shock inflation – In 1974 caused a recession as higher prices eroded purchasing power.
- Collapse of dot.com investment boom of late 1990s, together with stock market crash.
- Collapse of housing and excess leverage that led up to 2008-09 financial crisis.
- Or something new...federal shut down: Q1 2019 GDP forecasts = 0% and job losses on the horizon.

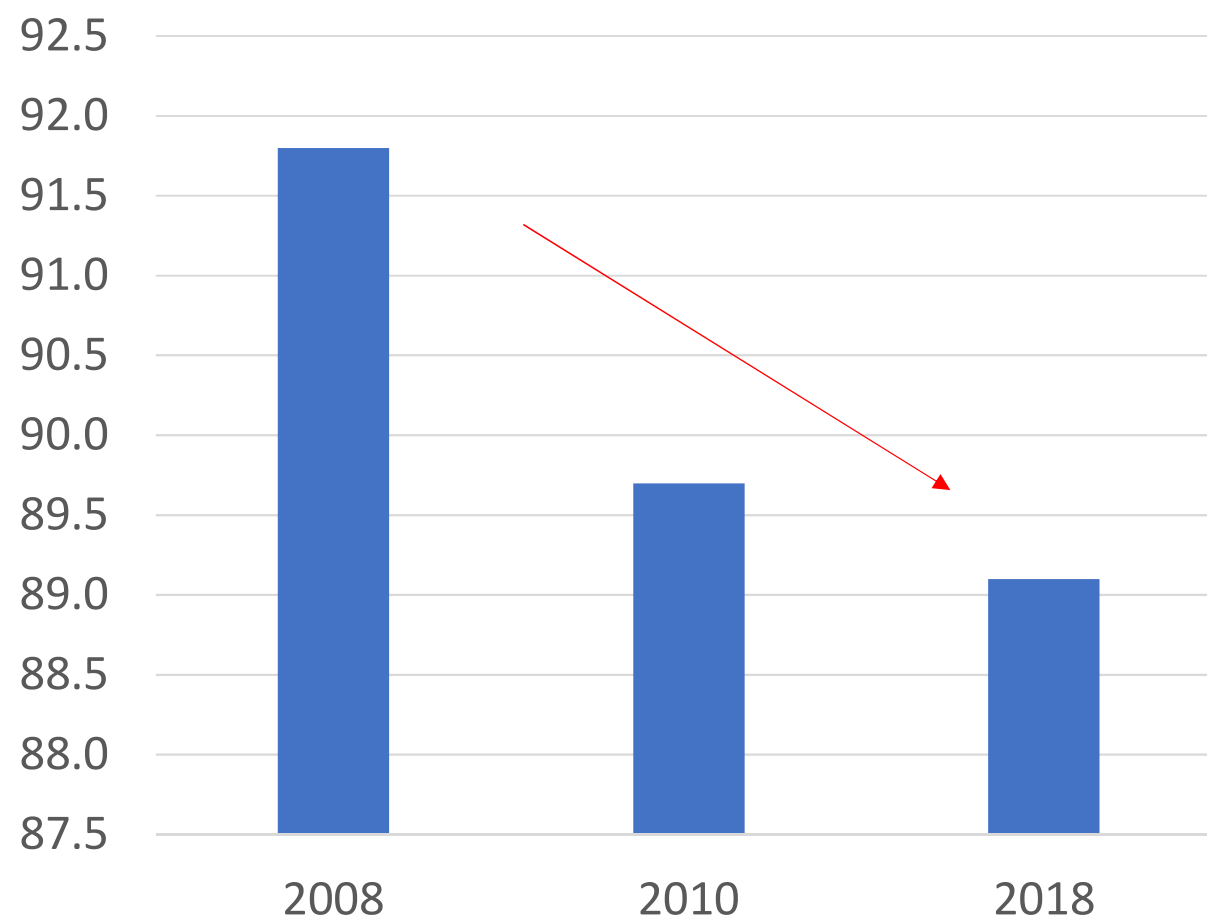
Total U.S. Goods Producing vs Service Providing

BLS Employment: Jan 2008 to Dec 2018

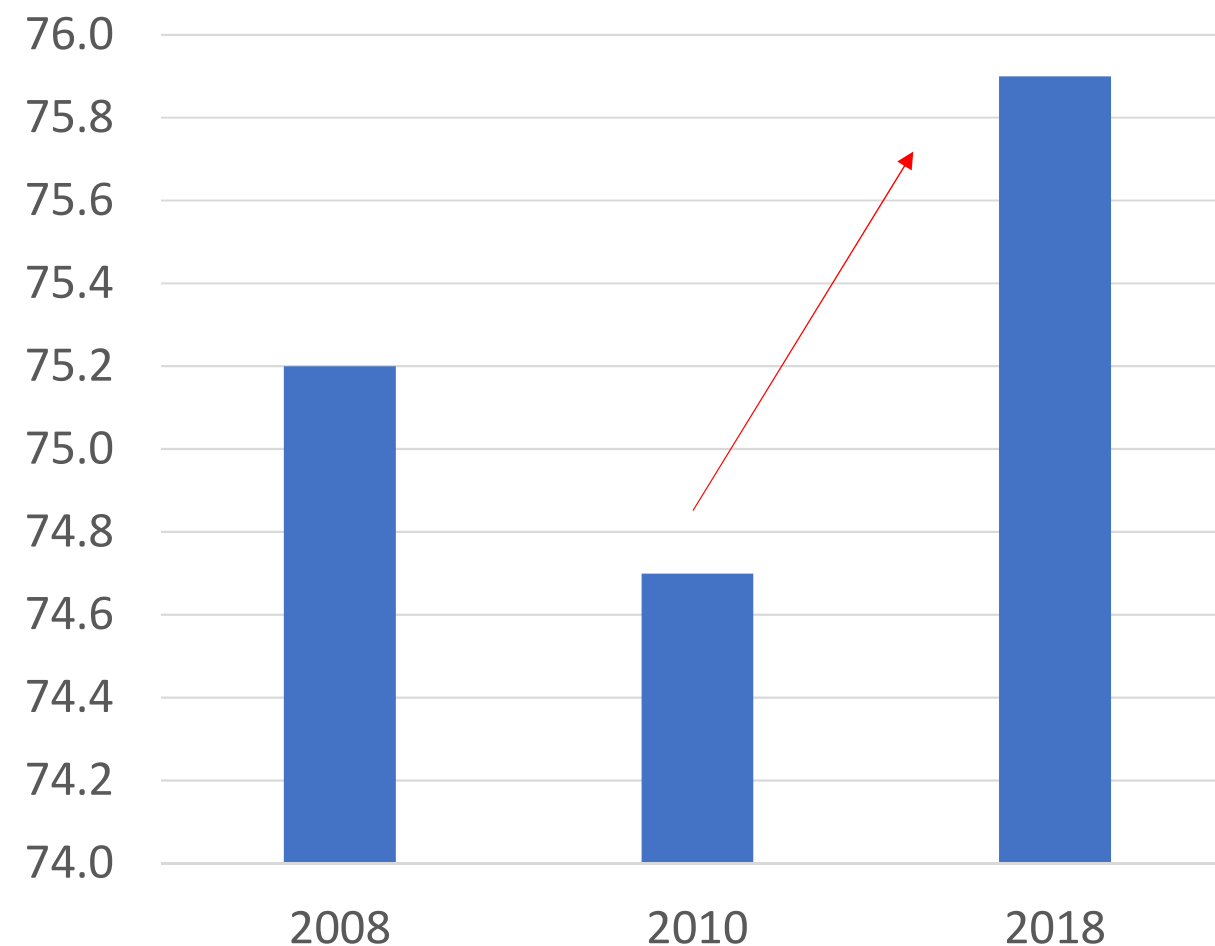


U.S Labor Force Participation Rates Who is Working...?

Men 25-34

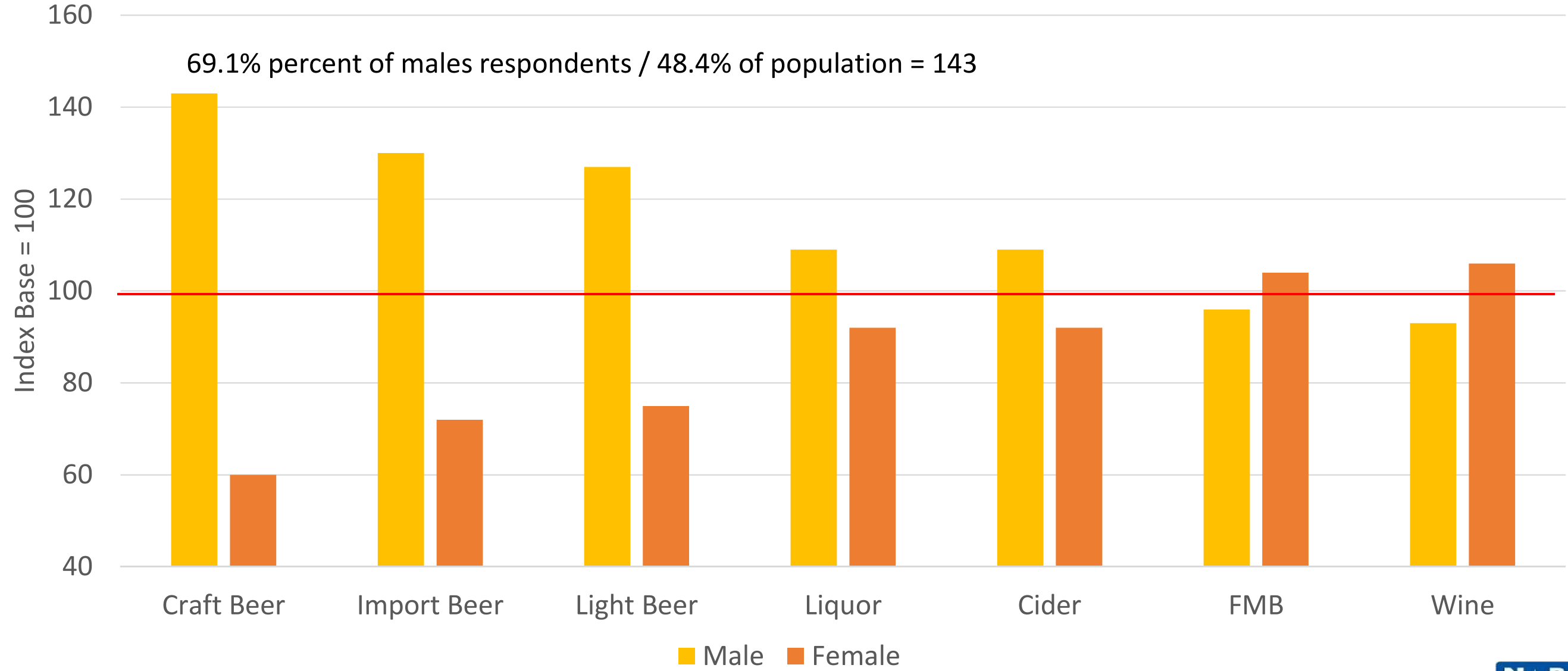


Women 25-34



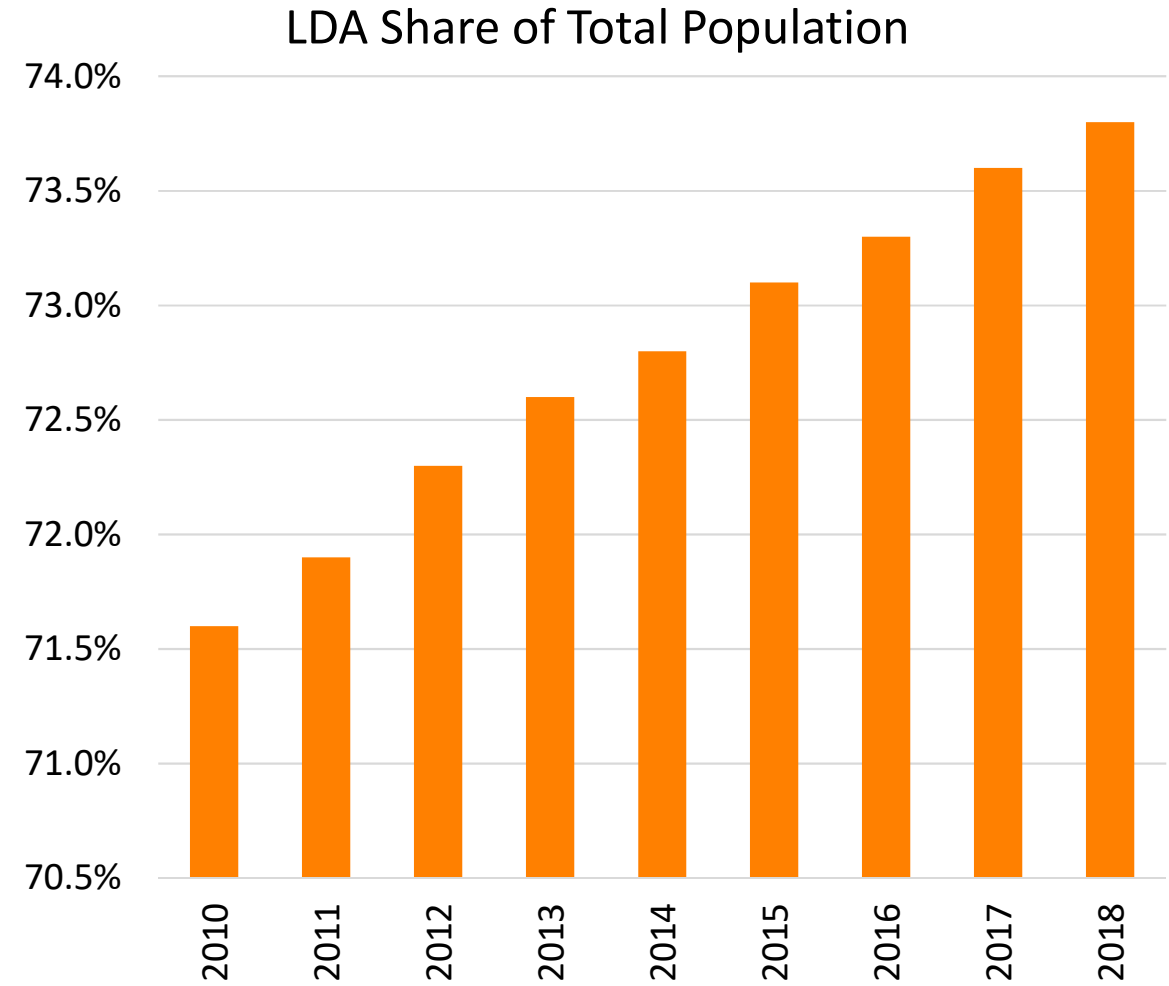
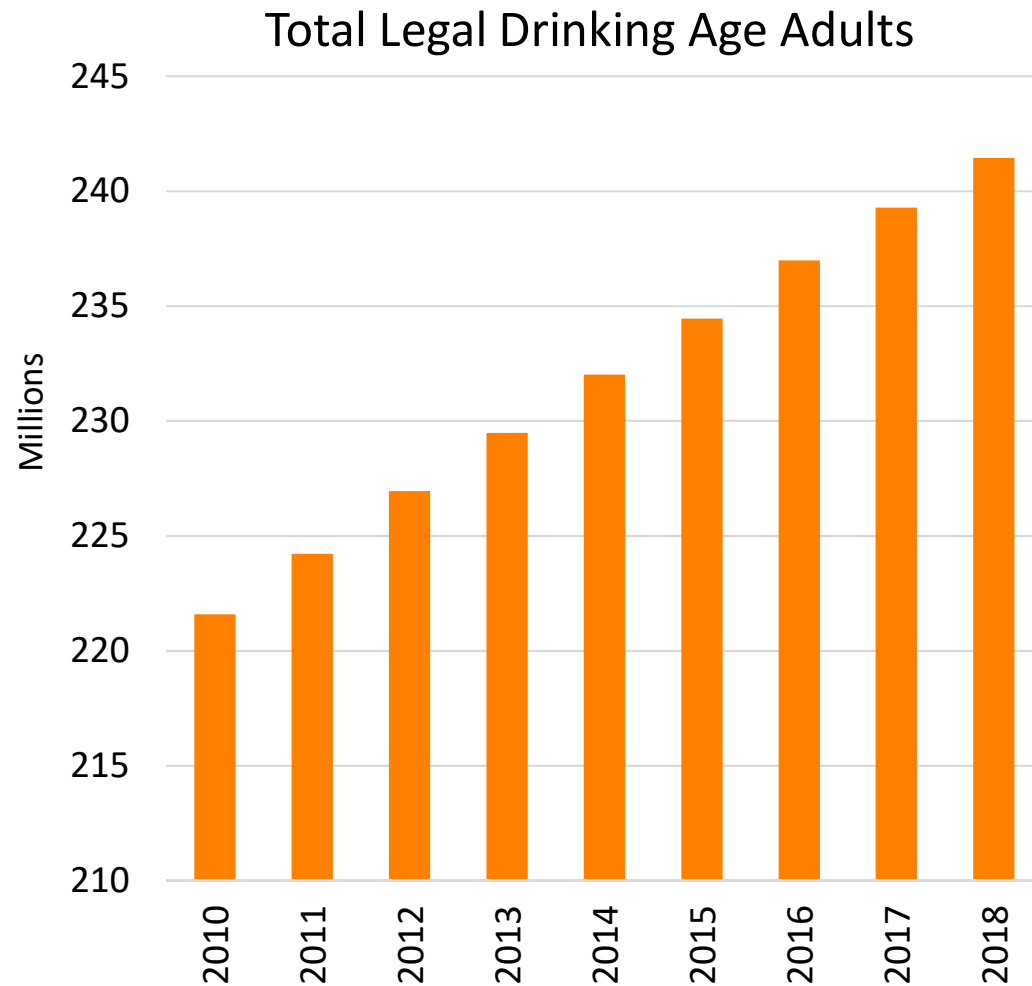
Differences Between Genders

Alcohol Past 30 Days



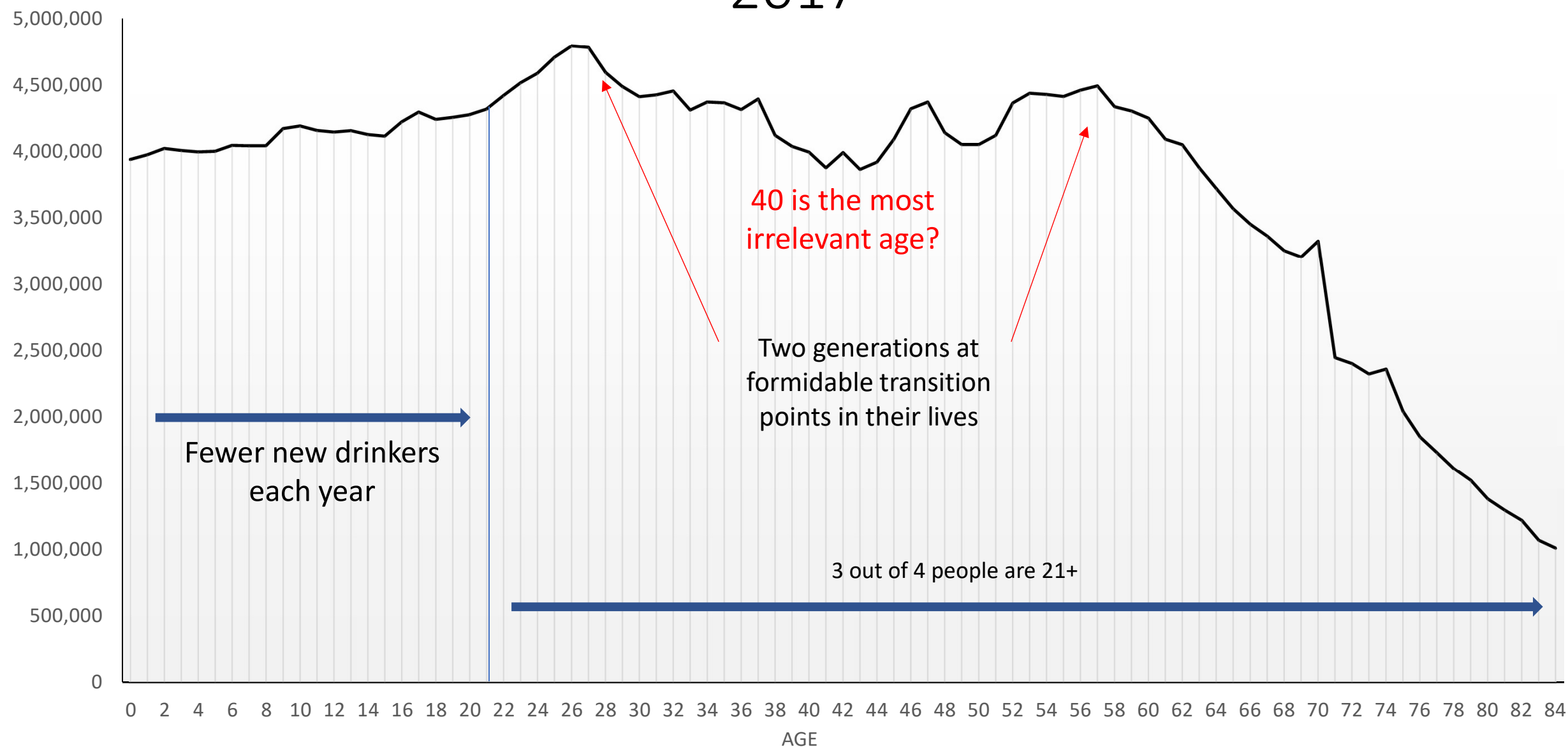
US Demographics

Legal Drinking Age Adults (21+ / LDA)

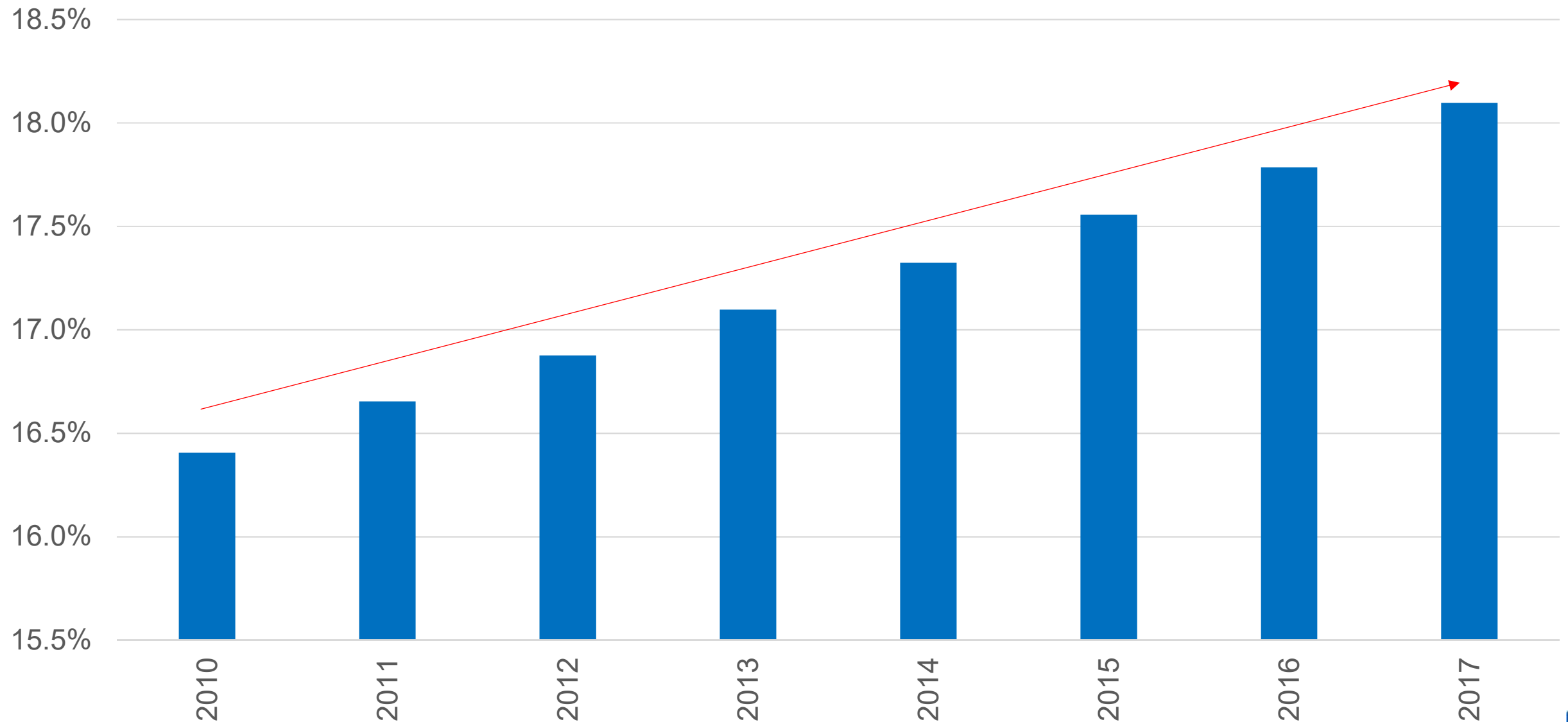


US Fertility Rates Have Plummeted Into Uncharted Territory. 60.2 babies were born in 2017 for every 1,000 women of 'childbearing' age (15-44) – a low not seen in the US since officials began charting.

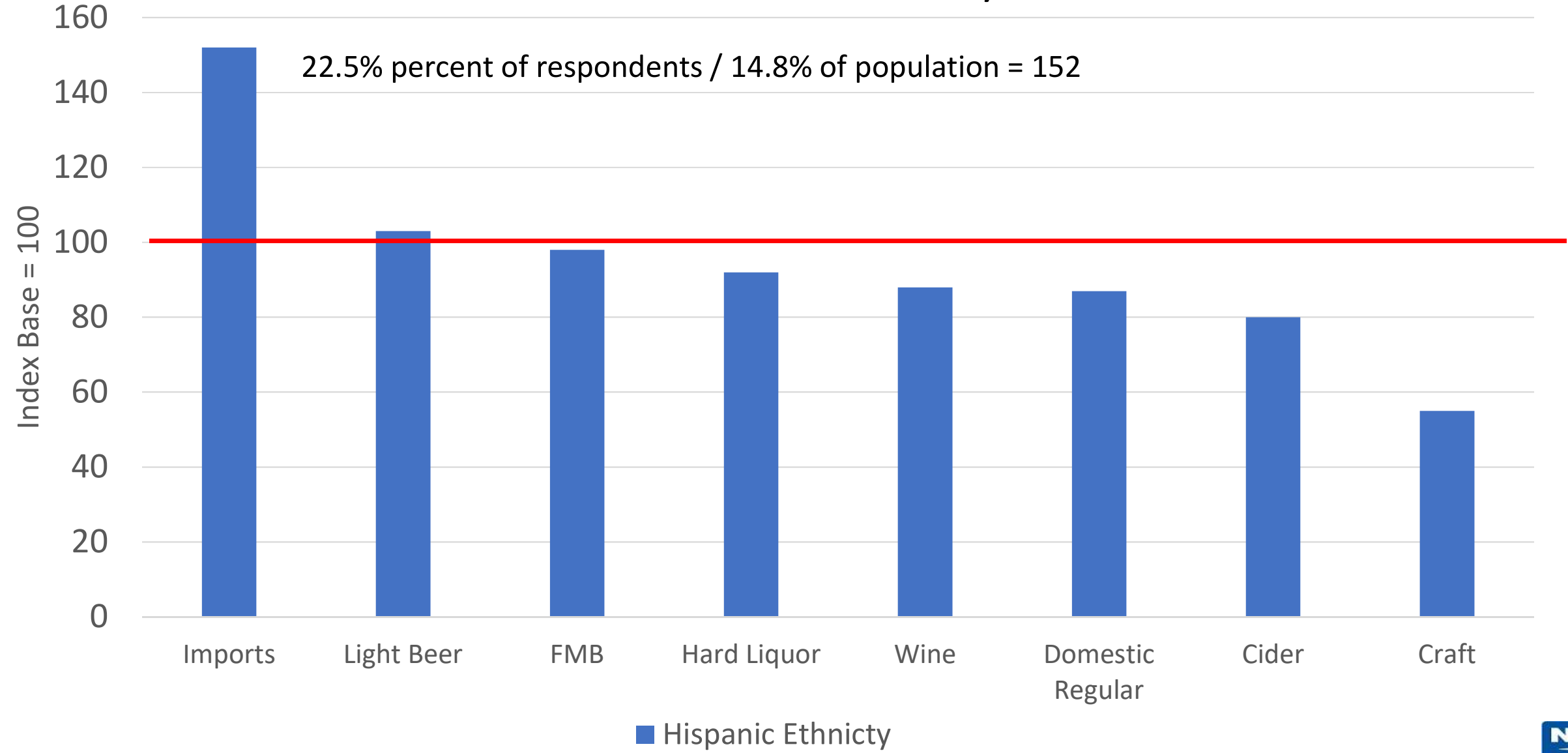
U.S. Population by Age 2017



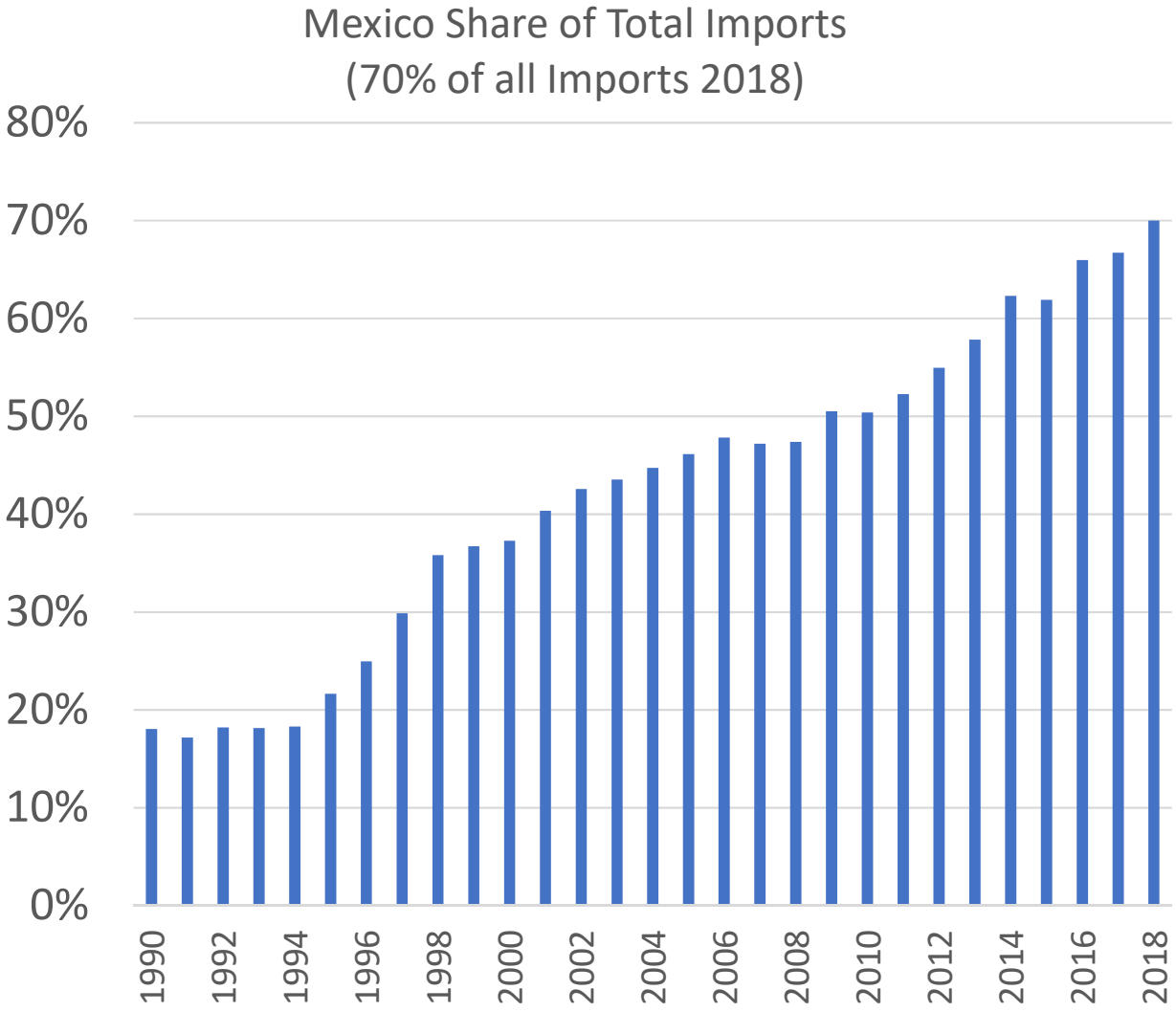
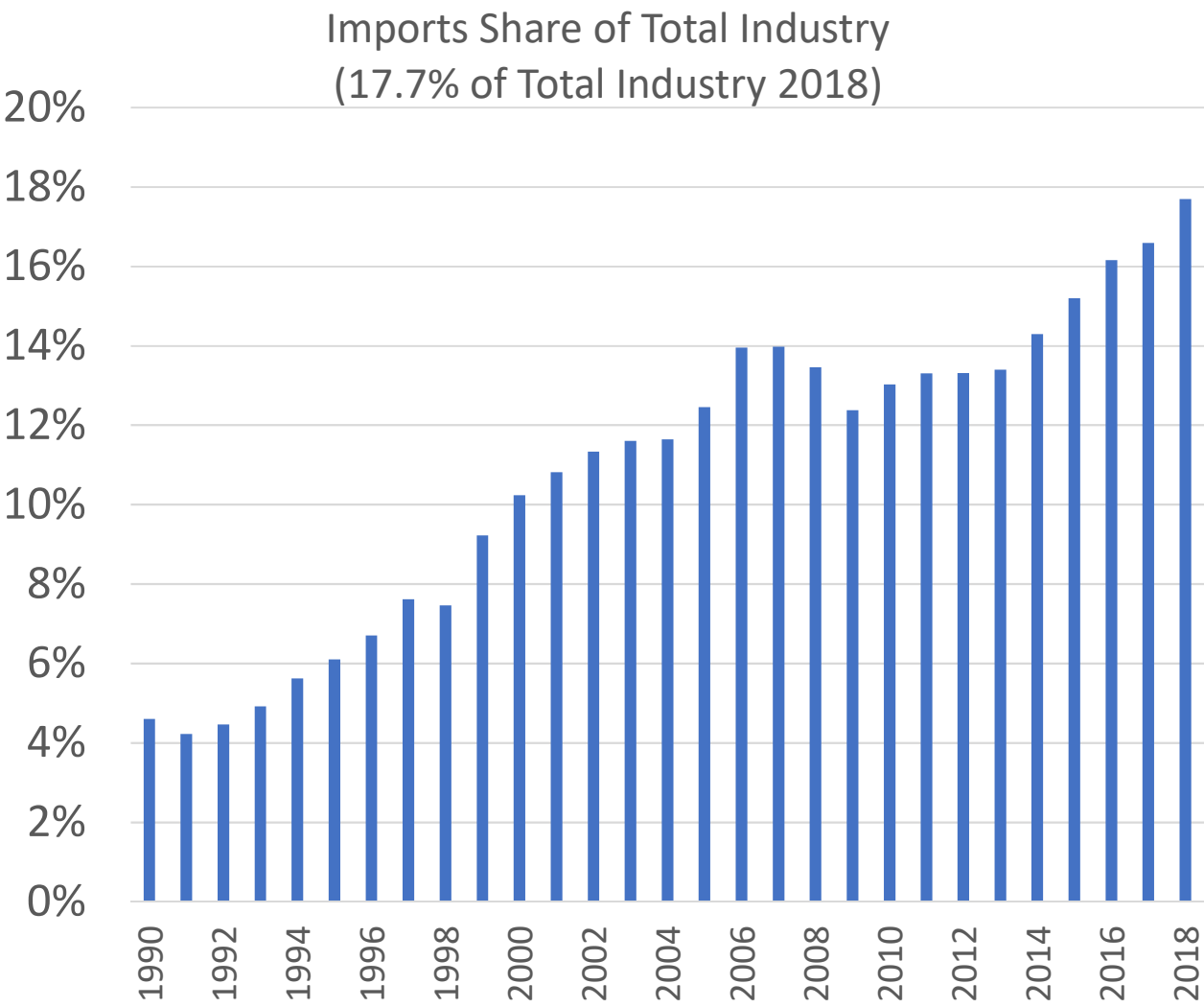
Hispanic Share of U.S. Census Population 2010 to 2017



Hispanic Preferences Alcohol Past 30 Days



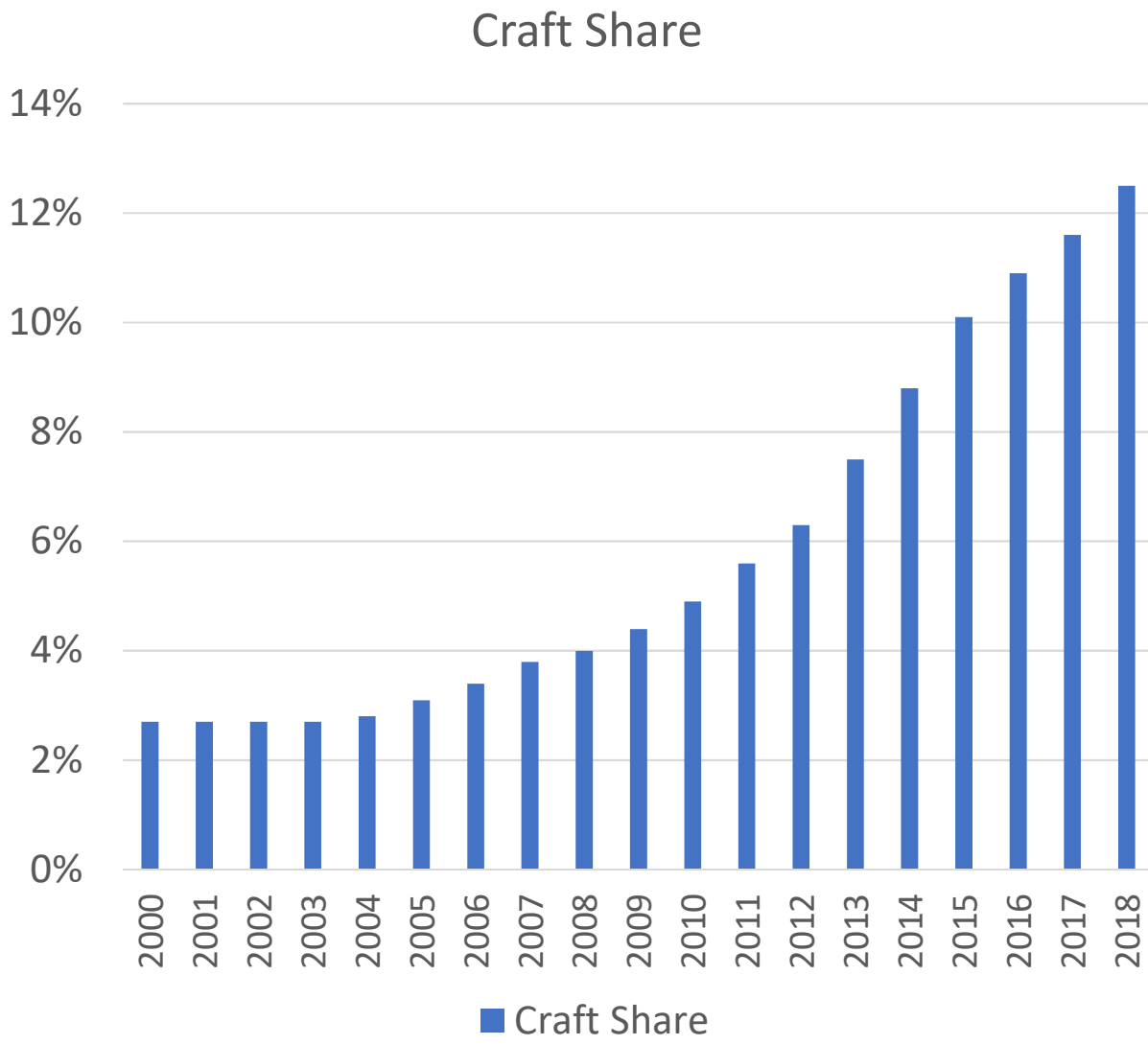
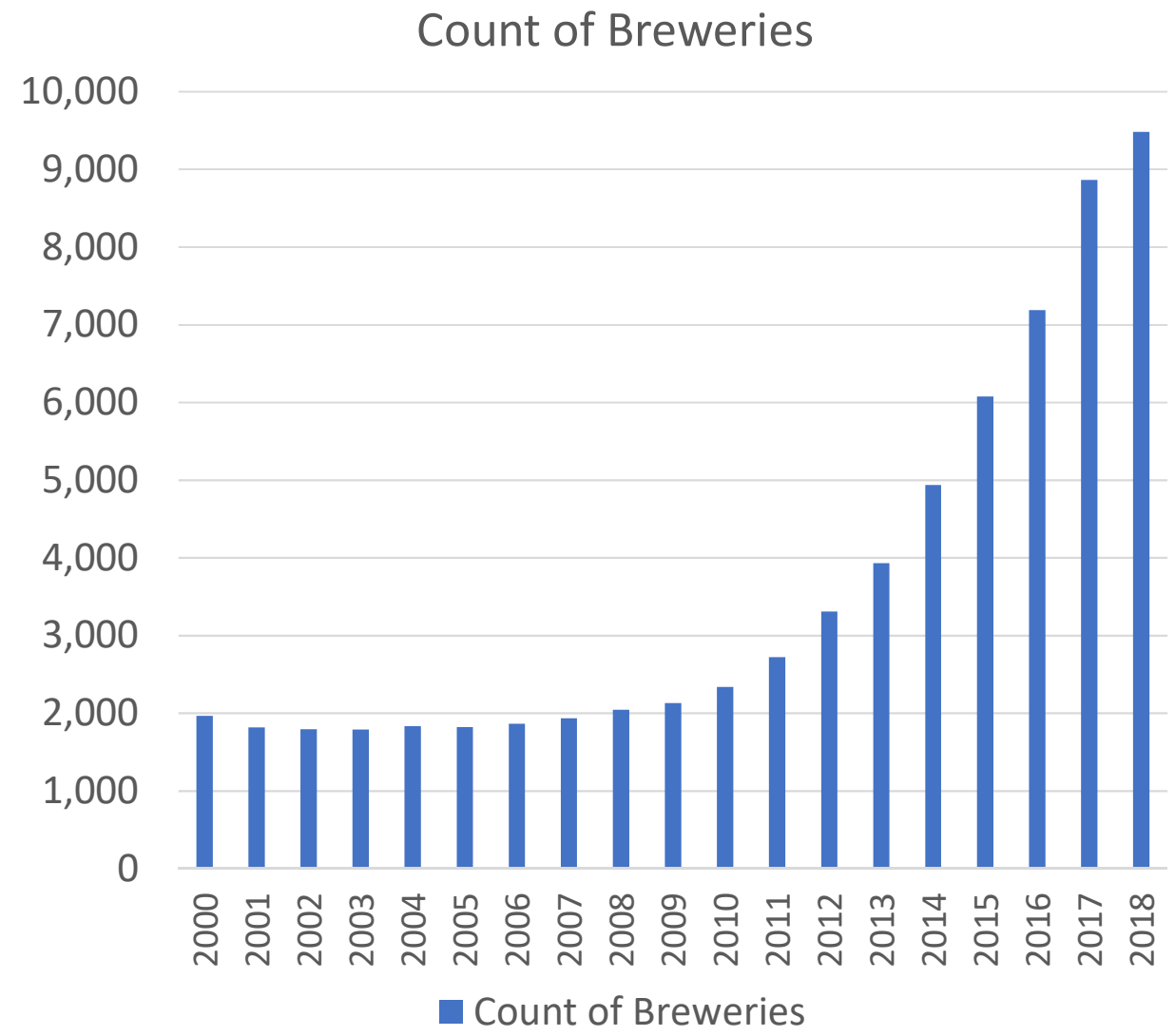
Imports and Mexico Share of Volume 1990 to 2018



Source: U.S. Commerce and NBWA.



Count of Brewers and Craft Share of Volume 2000 to 2018

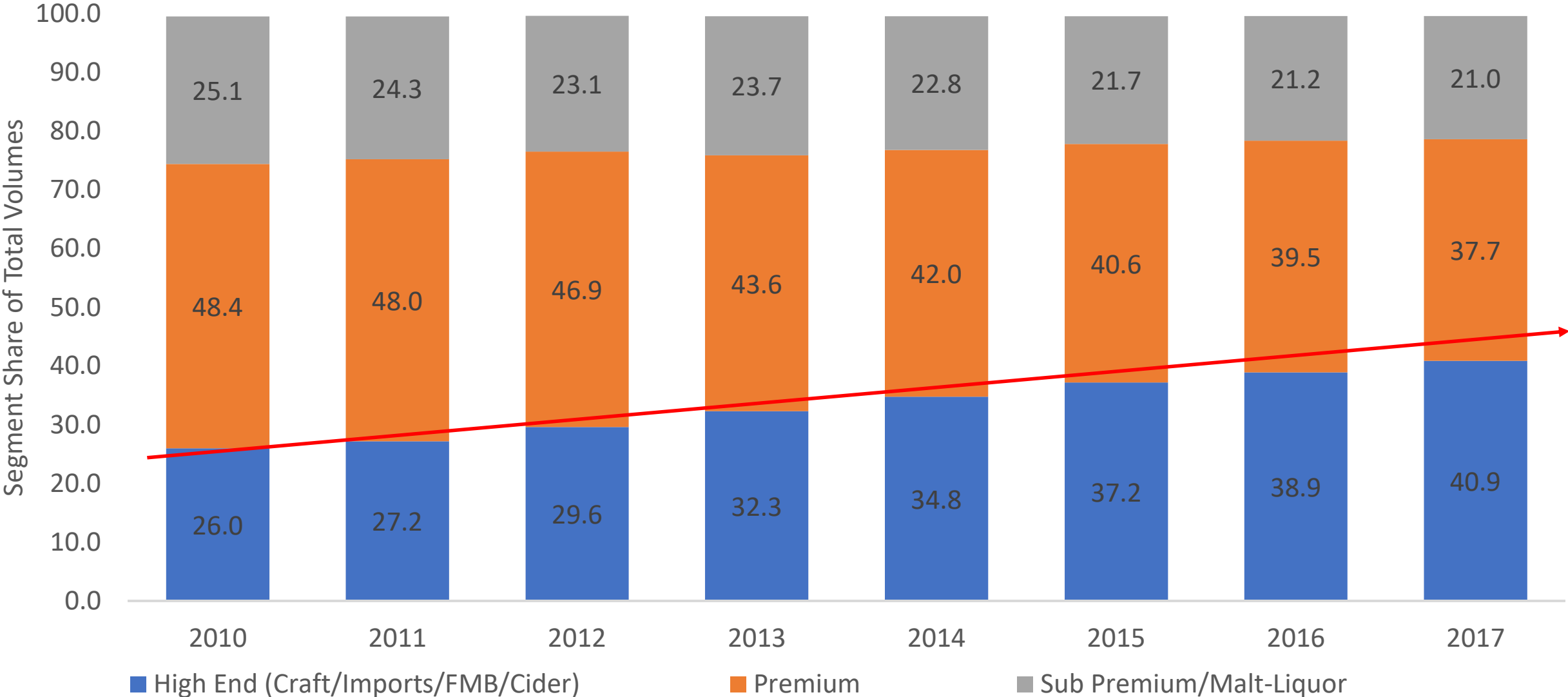


Source: U.S. TTB and NBWA.



Beer Segment Shares

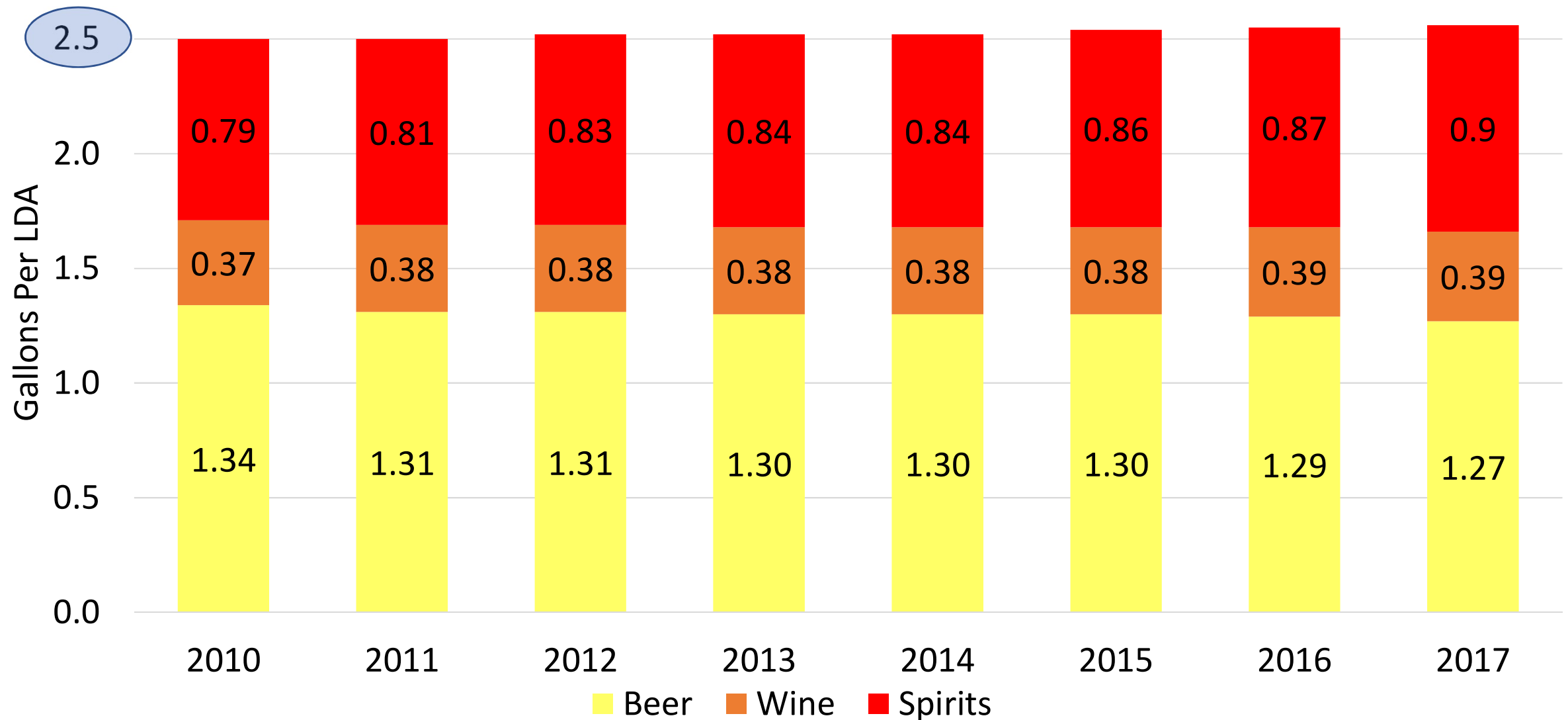
Growing High-End Beyond 40 Share



Source: Beer Marketers Insights, 2018.

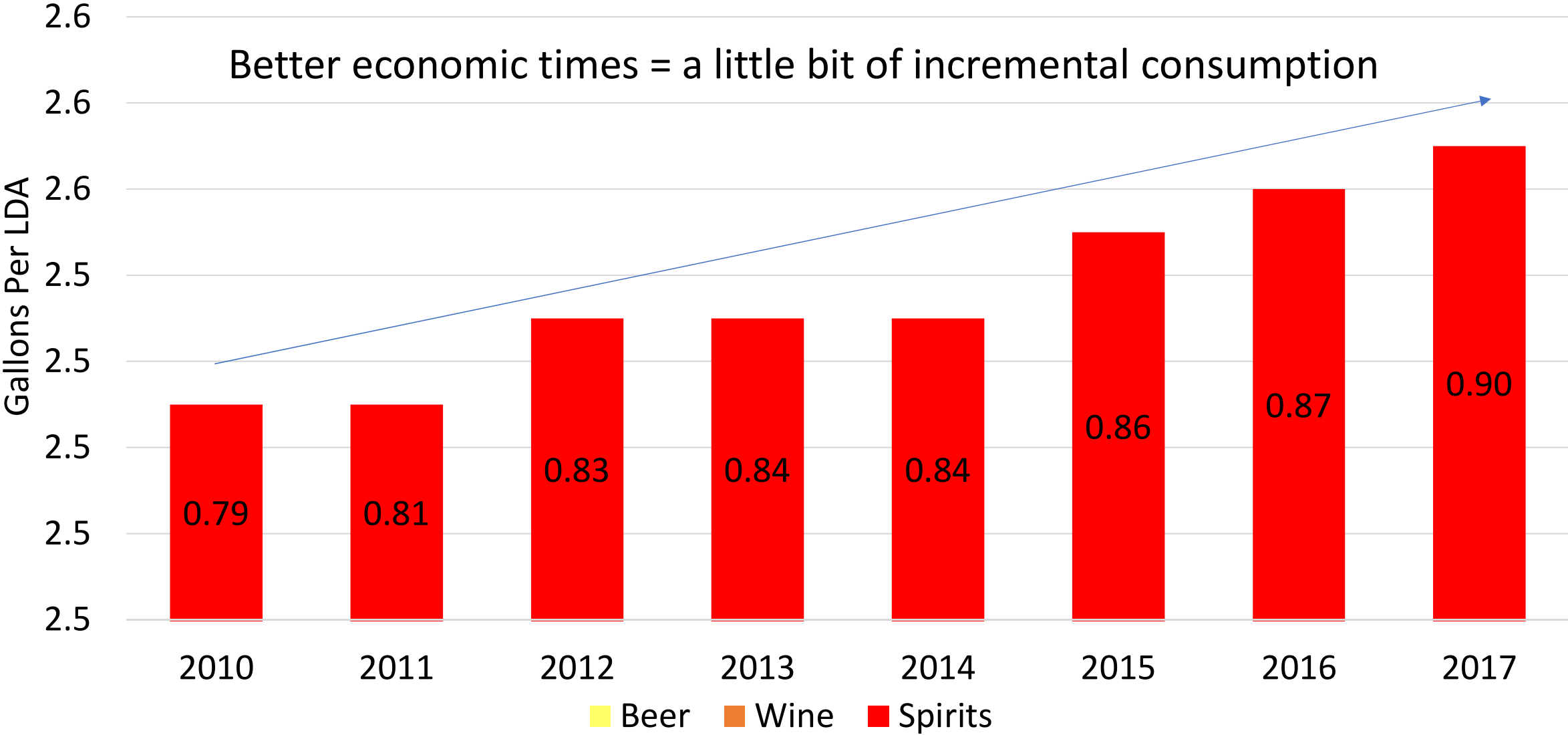


Total U.S. Ethanol Per Capita 2010 to 2017



Source: Compiled by NBWA from TTB, Discus and BIG, 2018 (2017 wine volumes estimated by NBWA)

Total U.S. Ethanol Per Capita 2010 to 2017



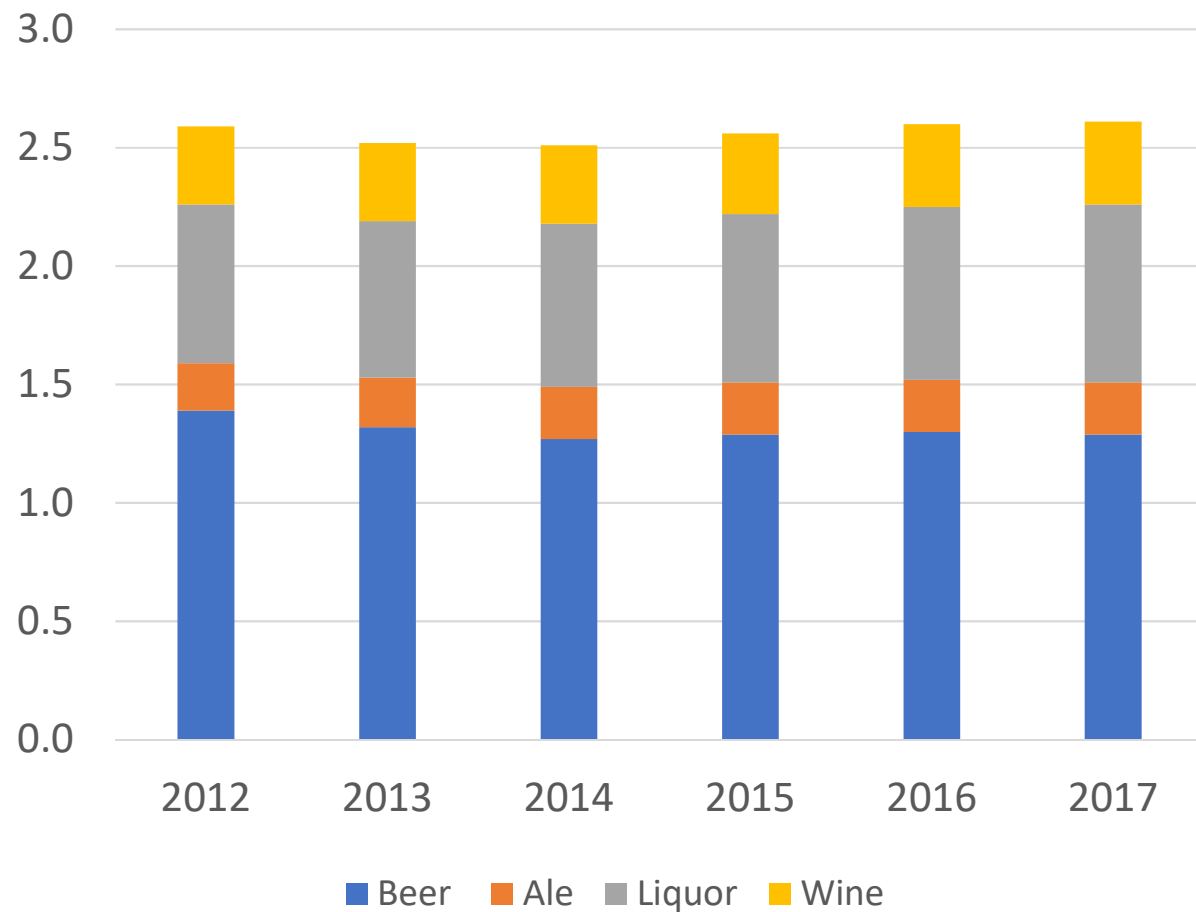
Source: Compiled by NBWA from TTB, Discus and BIG, 2018 (2017 wine volumes estimated by NBWA)



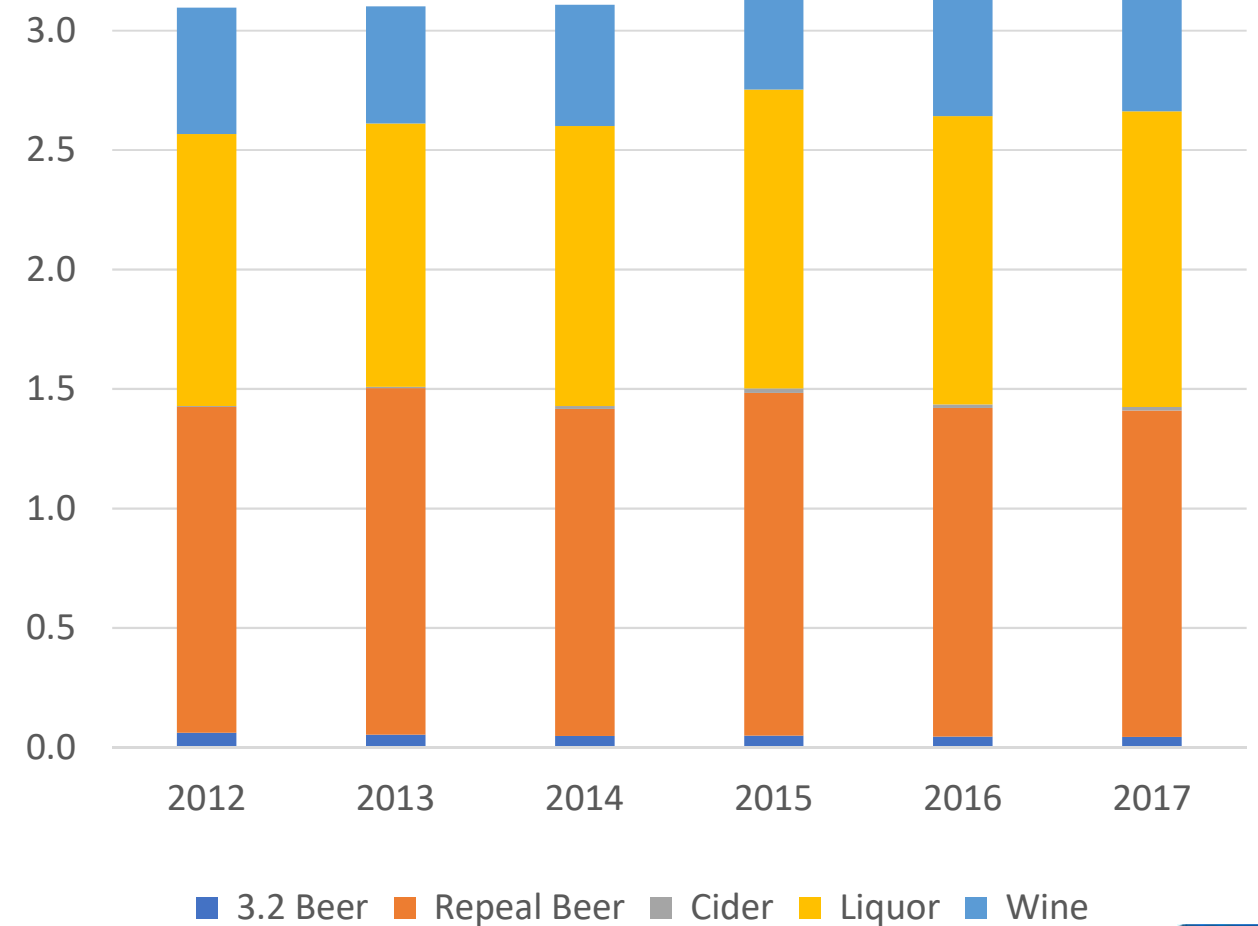
Texas vs Colorado

Total Per Capita Ethanol Consumption

Texas (TABC)

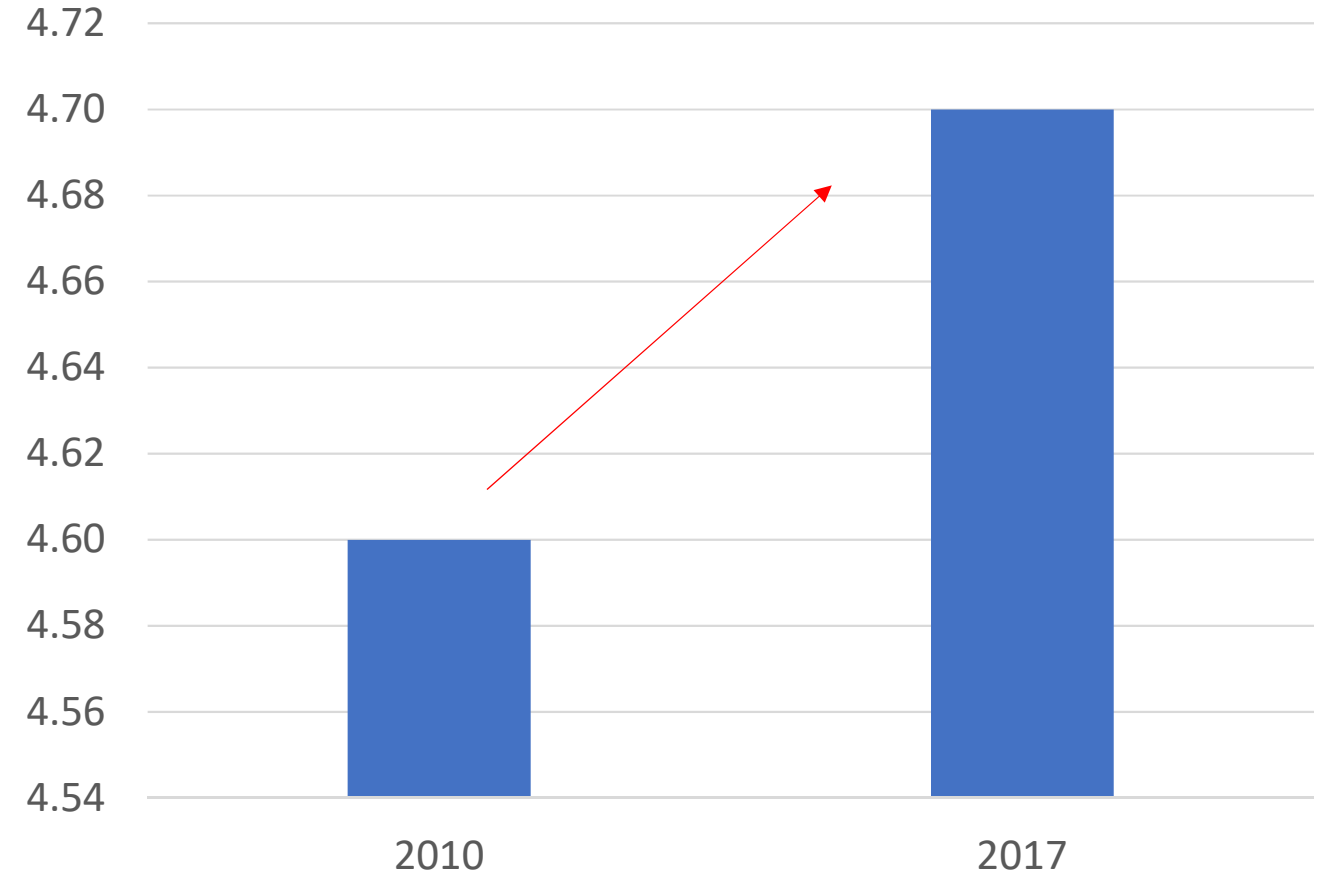


Colorado (Dept of Revenue)

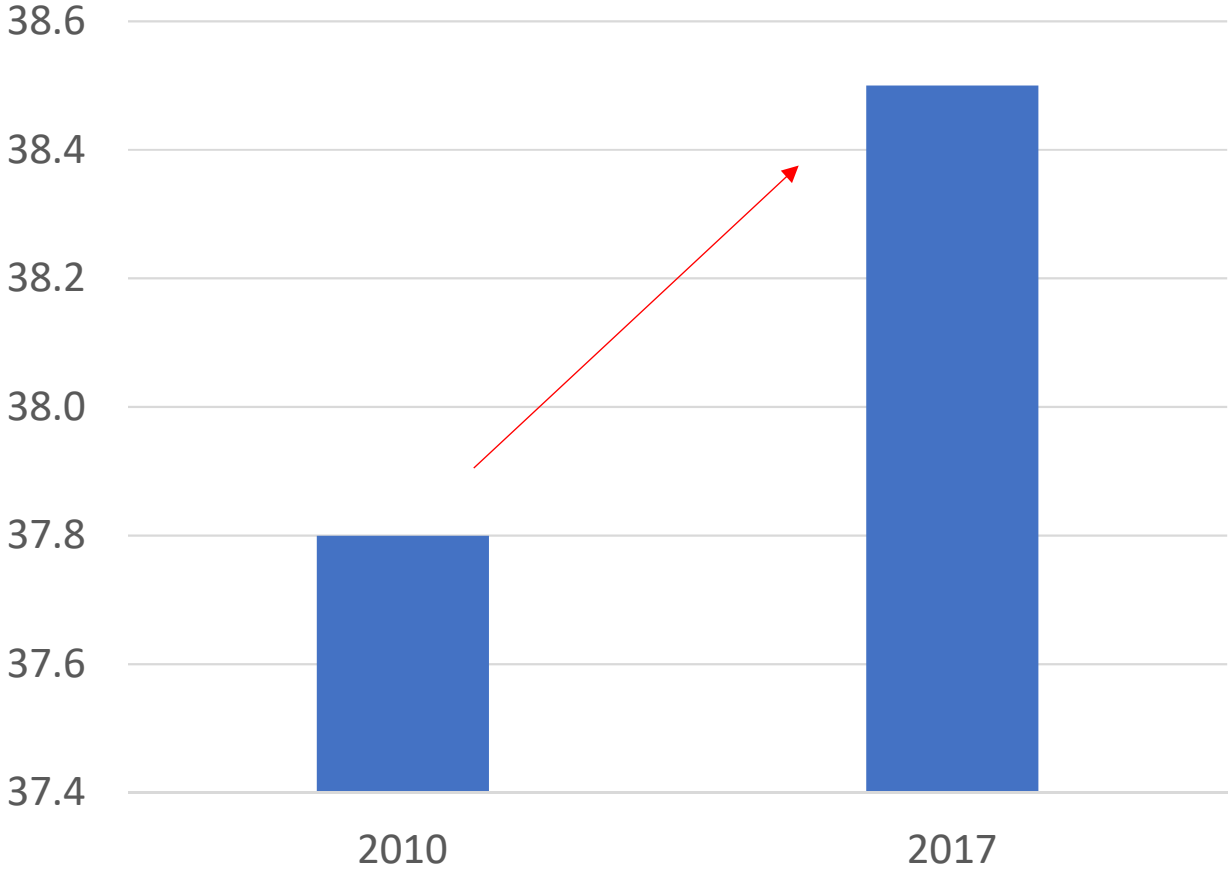


Growth in ABV for Beer and Liquor 2010 vs 2017

Average Weighted ABV Beer



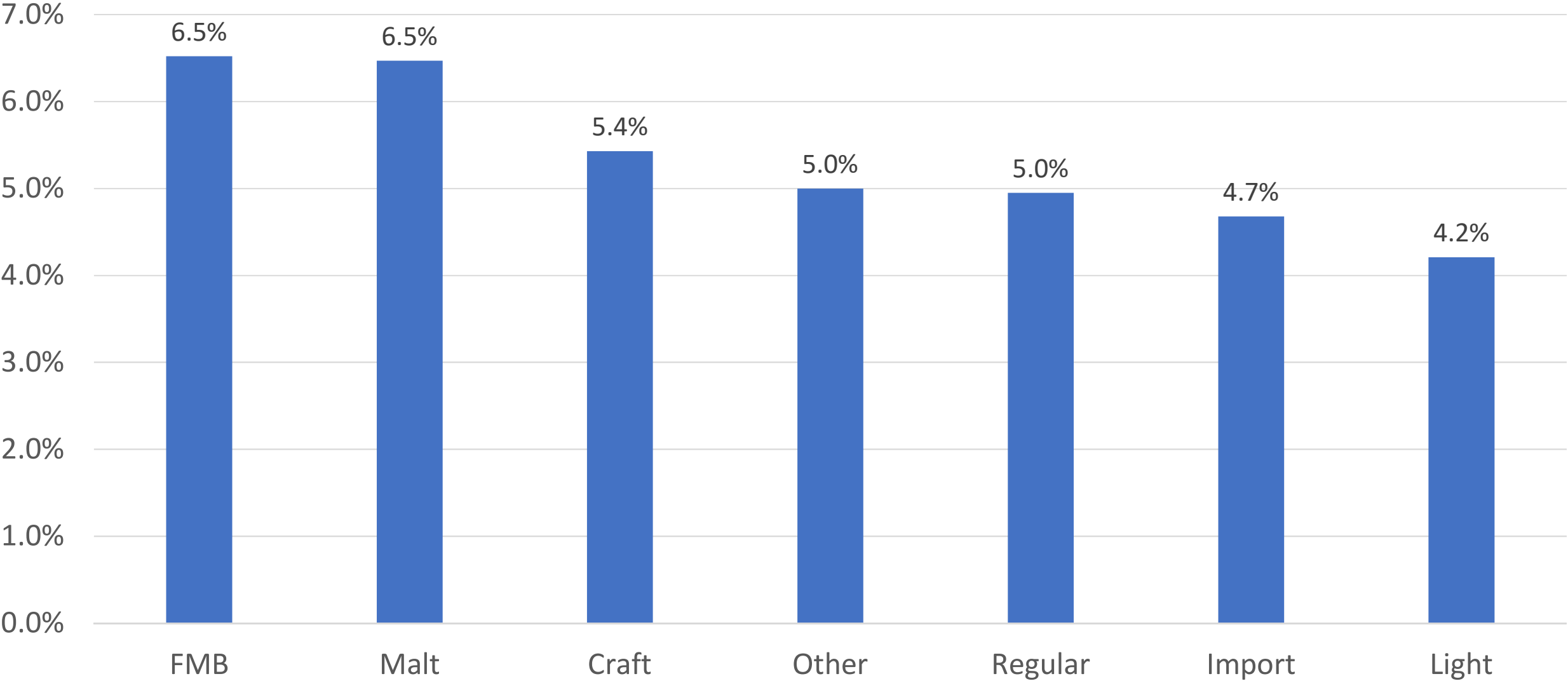
Average Weighted ABV Liquor



Source: NBWA, Industry Affairs – Calculated on average weighted ABV across top 100/150 brands



ABV by Beer Segment 2017

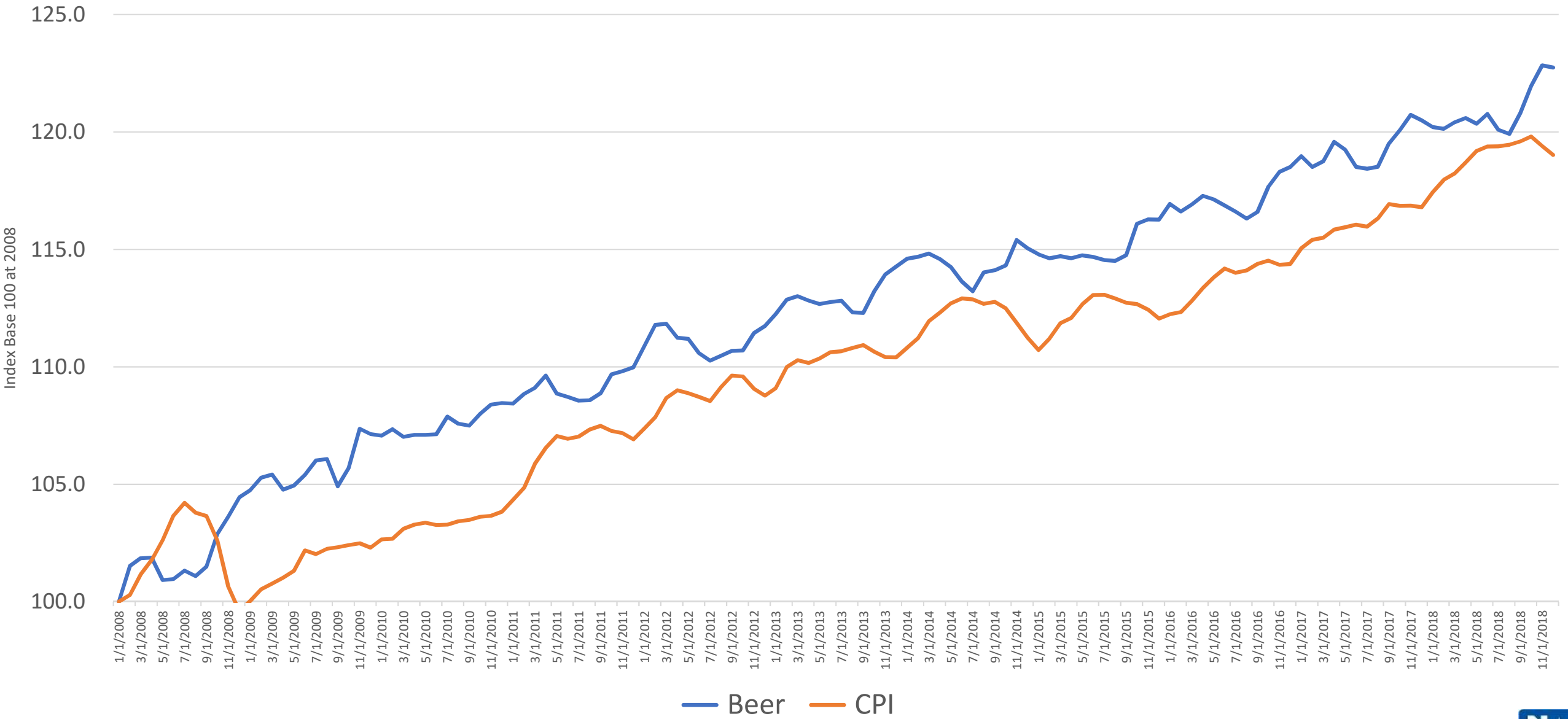


Source: NBWA industry Affairs, 2018



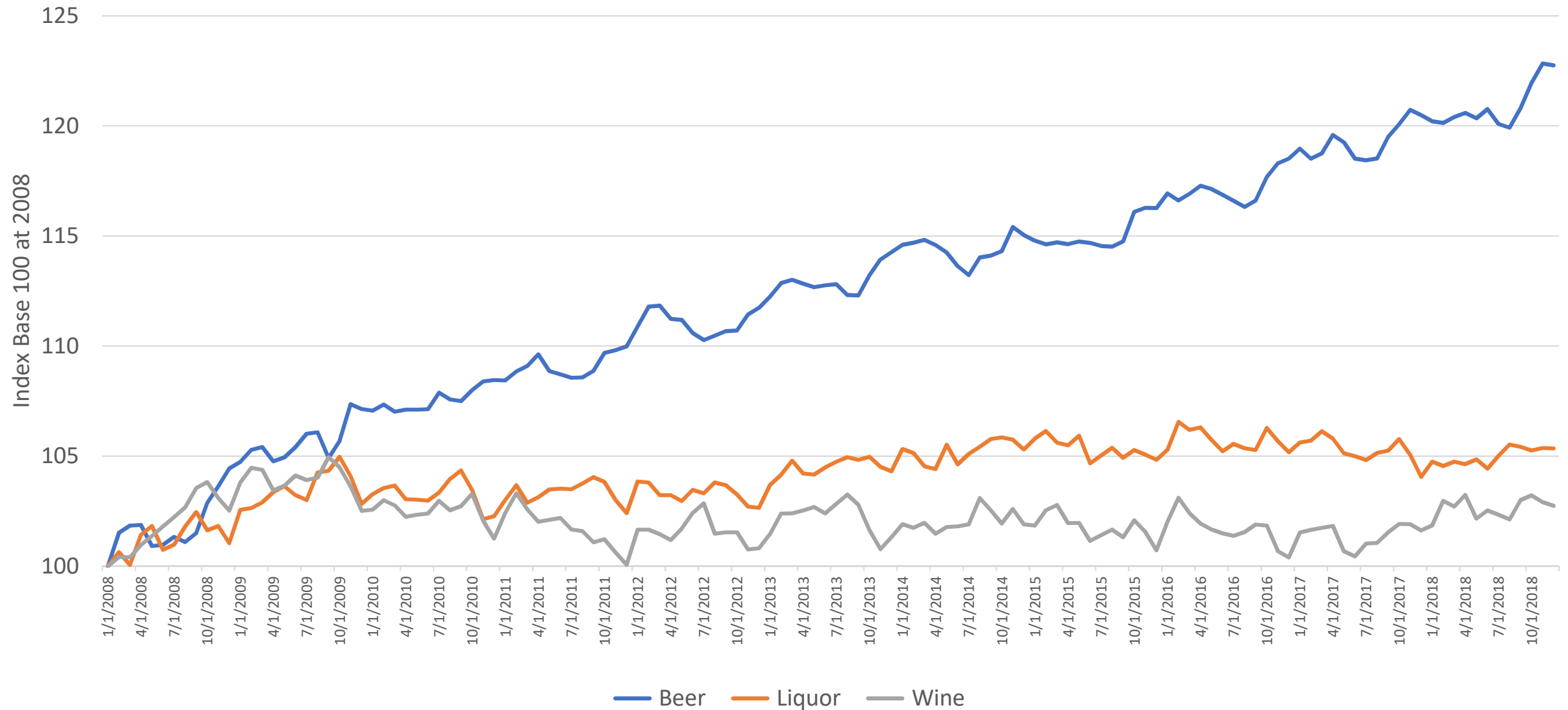
Alcohol Beverage Inflation

BLS at Home (Off Premise) Consumer Price Index Jan 2008 to Dec 2018

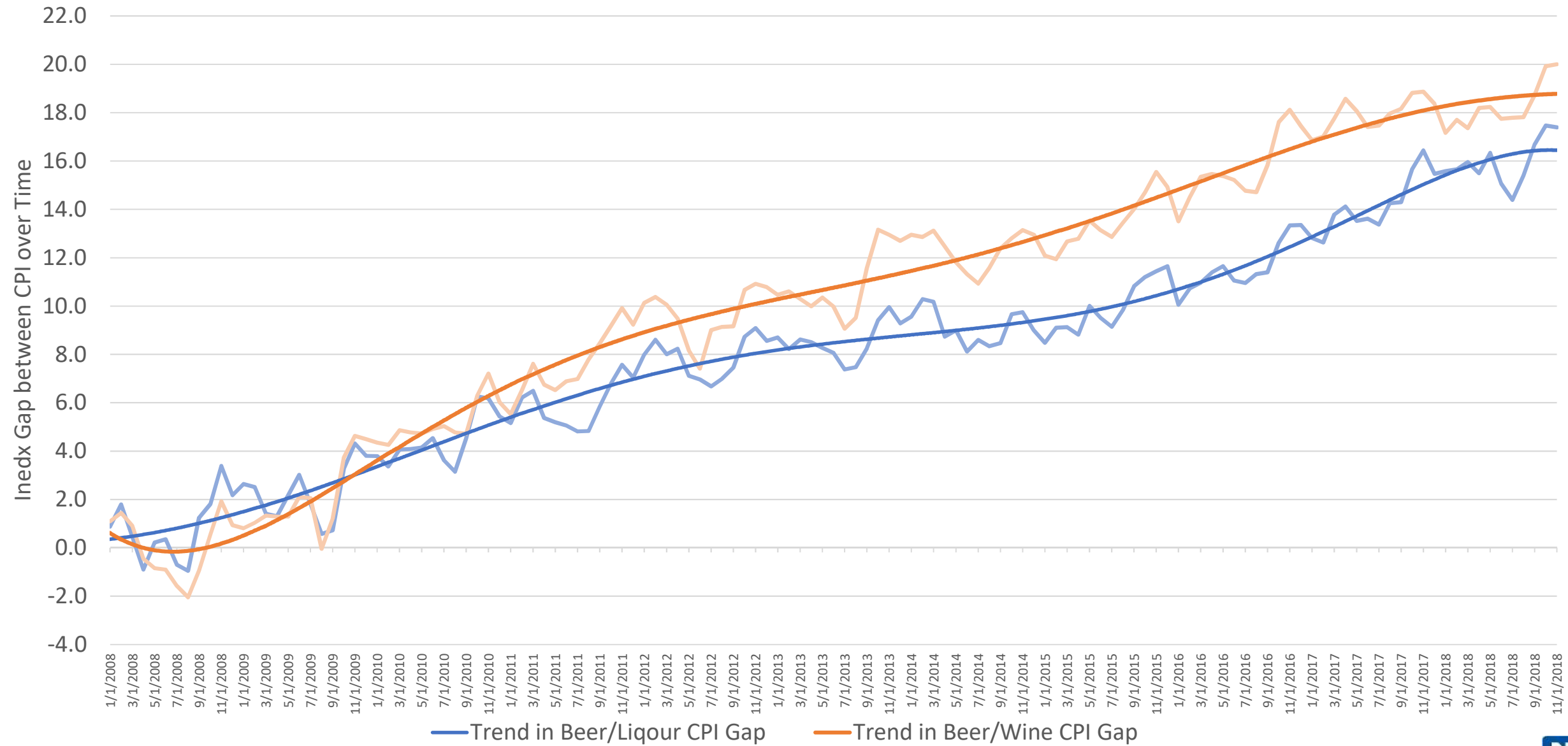


Alcohol Beverage Inflation

BLS at Home (Off Premise) Consumer Price Index Jan 2008 to Dec 2018



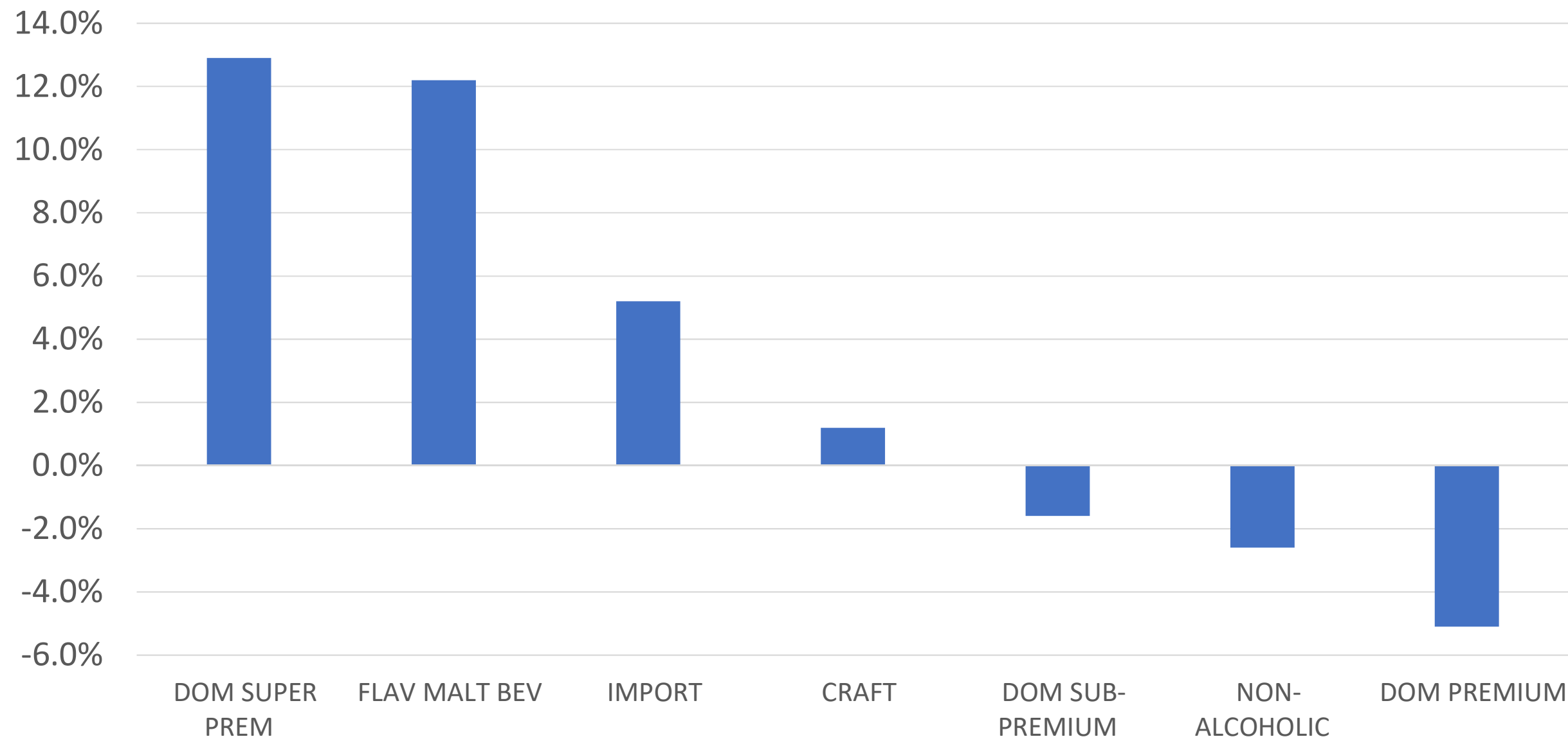
Alcohol Beverage Inflation Gap for Beer/Wine and Beer/Liquor BLS at Home (Off Premise) Consumer Price Index Dec 2018



IRI Scan: Total US: Multi Outlet + Conv 12/30/2018

	Volume Sales	Change vs YA	% Change vs YA
BEER	1,469,082,136	-3,729,563	-0.3%
ANHEUSER-BUSCH INBEV	696,817,906	-15,263,507	-2.1%
MILLERCOORS BREWING	368,149,746	-11,851,173	-3.1%
CONSTELLATION BRANDS	142,348,482	15,150,185	11.9%
HEINEKEN USA INC	50,153,414	-3,042,985	-5.7%
BOSTON BEER CO	28,561,186	4,434,547	18.4%
MARK ANTHONY BRANDS INC	22,497,335	4,444,936	24.6%
PABST BREWING CO	28,928,122	-1,555,424	-5.1%
DIAGEO BEER COMPANY USA	13,735,058	1,273,551	10.2%
D G YUENGLING & SON INC	16,722,439	-251,723	-1.5%
SIERRA NEVADA BREWING CO	7,171,843	83,089	1.2%
FIFCO USA	11,132,454	-944,740	-7.8%
NEW BELGIUM BREWING COMPANY	5,525,883	-473,052	-7.9%
THE LAGUNITAS BREWING COMPANY	4,748,144	74,935	1.6%
PHUSION PROJECTS INC	4,543,452	-314,861	-6.5%
THE GAMBRINUS COMPANY	4,098,904	-168,242	-3.9%
CRAFT BREW ALLIANCE INC	3,587,619	-277,515	-7.2%
FOUNDERS BREWING CO	3,387,061	929,772	37.8%
STONE BREWING CO.	1,753,418	170,544	10.8%
BELLS BREWERY INC	1,981,682	71,276	3.7%
CANARCHY CRAFT BREWERY COLLECTIVE	1,794,098	213,689	13.5%
FIRESTONE WALKER BREWING COMPANY	2,049,306	308,204	17.7%
DESCHUTES BREWERY	1,748,468	-180,977	-9.4%
SWEETWATER BREWING COMPANY, LLC	1,866,343	24,879	1.4%
ARTISANAL BREWING VENTURES	1,076,672	150,200	16.2%
DOGFISH HEAD CRAFT BREWERY	951,349	99,209	11.6%

IRI Beer Segments Growth CY Ending 12/30/2018



Top Five vs. All Others Market Shares in U.S.

Brewer	1977 Share
AB (1852)	23%
Miller (1855)	15%
Schlitz (1849)	14%
Pabst (1844)	10%
Coors (1873)	8%
Top 5	70%
All Others - 44	30%
Total	100%
Domestic Brewer Counts*	49

Brewer\Importer	2018 Share
ABInbev (1366/2008)	40.8%
Miller-Coors (2007)	23.8%
Constellation (1940)	9.9%
HUSA (1864)	3.5%
Pabst (1844/2014)	2.1%
Top 5	80%
All Others- 7,000+	19%
Total	100%
Domestic Brewer Counts*	7,000+

In 2018, more than 50% of “Others” from past 5 years!

Access to Alcohol is Expanding!



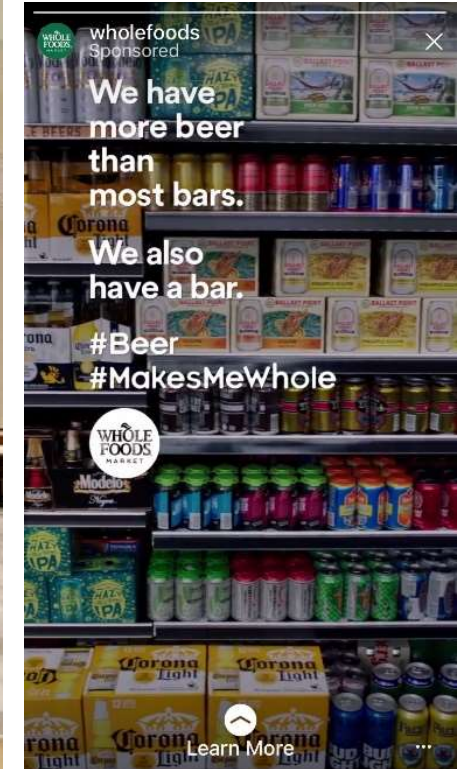
Fast Food



Bed, Bath and Beyond



Nordstrom's



Whole Foods



Barbers and Salons



Taprooms



Movie Theaters



Laundromats

Even at The Library...



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ANNOUNCING THE 1ST ANNUAL TEXAS COOKBOOK MONTH

OCTOBER 2-28, 2018

AUSTIN CENTRAL LIBRARY COOKBOOK BAR & CAFÉ



COCKTAILS

- \$10 -

TEQUILA MOCKINGBIRD

Jalapeno-infused tequila, muddled watermelon, basil, lime, agave, strained over ice

A MIDSUMMER NIGHT'S DRAM

Bourbon, Saint Germain, ginger ale, orange and lemon zest

THE ADVENTURES OF HUCKLEBERRY GIN

Muddled seasonal berries, lime, simple syrup, gin, topped with club soda

LAST OF THE MOJITOS

Rum, muddled mint, simple syrup, pomegranate juice, topped with club soda on ice

A COCKTAIL OF TWO CITIES

BEER

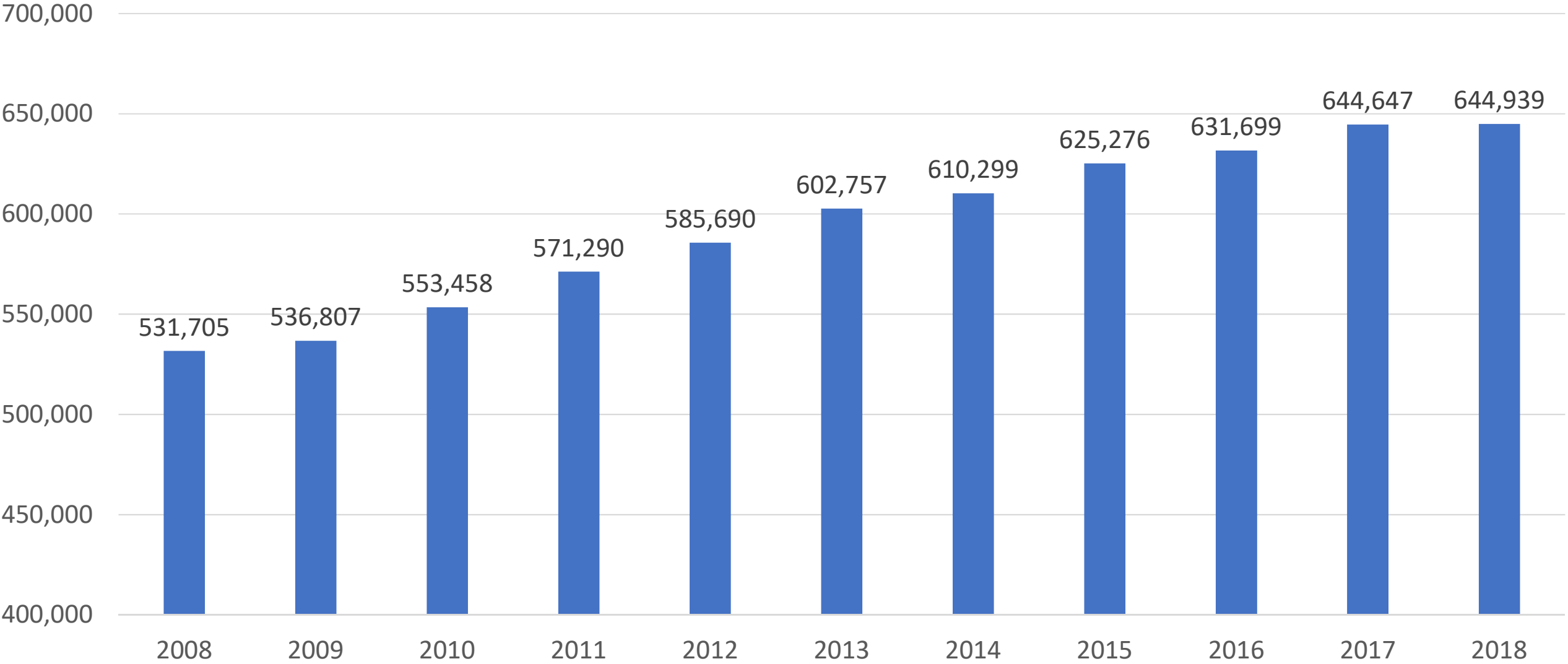
DRAFT - \$7

Austin Beer Works - Bloodwork Orange IPA
Real Ale - Swifty American Pale Ale
St. Elmo - Carl Kölsch
Live Oak - Hefeweizen

CAN - \$5

Austin Eastciders - Original Cider
Blue Owl - Little Boss Sour Wheat
Lone Star 16oz

Total U.S. Retail Establishments Selling Alcohol 2008 to 2018



Source: TDLinx Account Tracker Report: Beer, Wine or Spirit Selling Accounts, 2018.



Even as Retail Expands in Virtual Space...

The Evolution of the Wine Club

- Amazon
- Drizly
- Minibar
- Klink
- Saucey
- Hopsy
- Total Wine
- Brick and mortar...

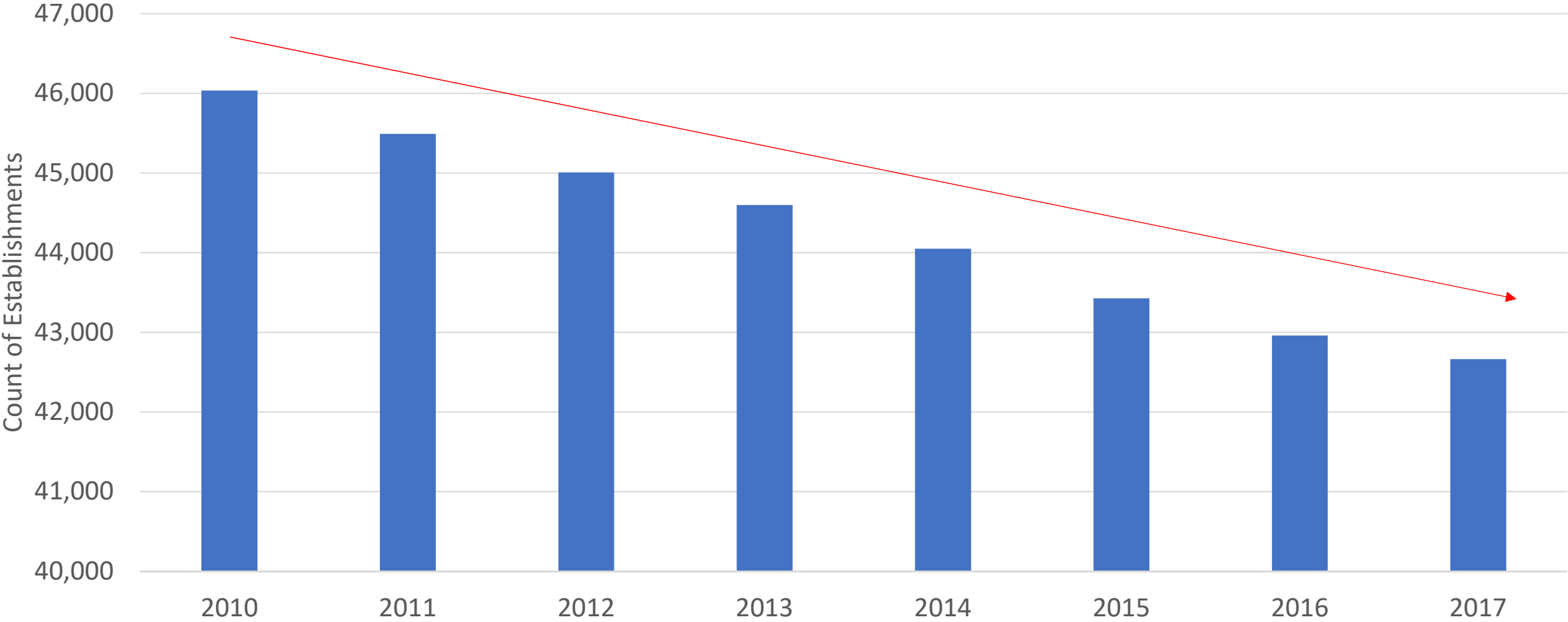


KLINK



As New Retail and E-Commerce Expands... Traditional Bars and Taverns Close?

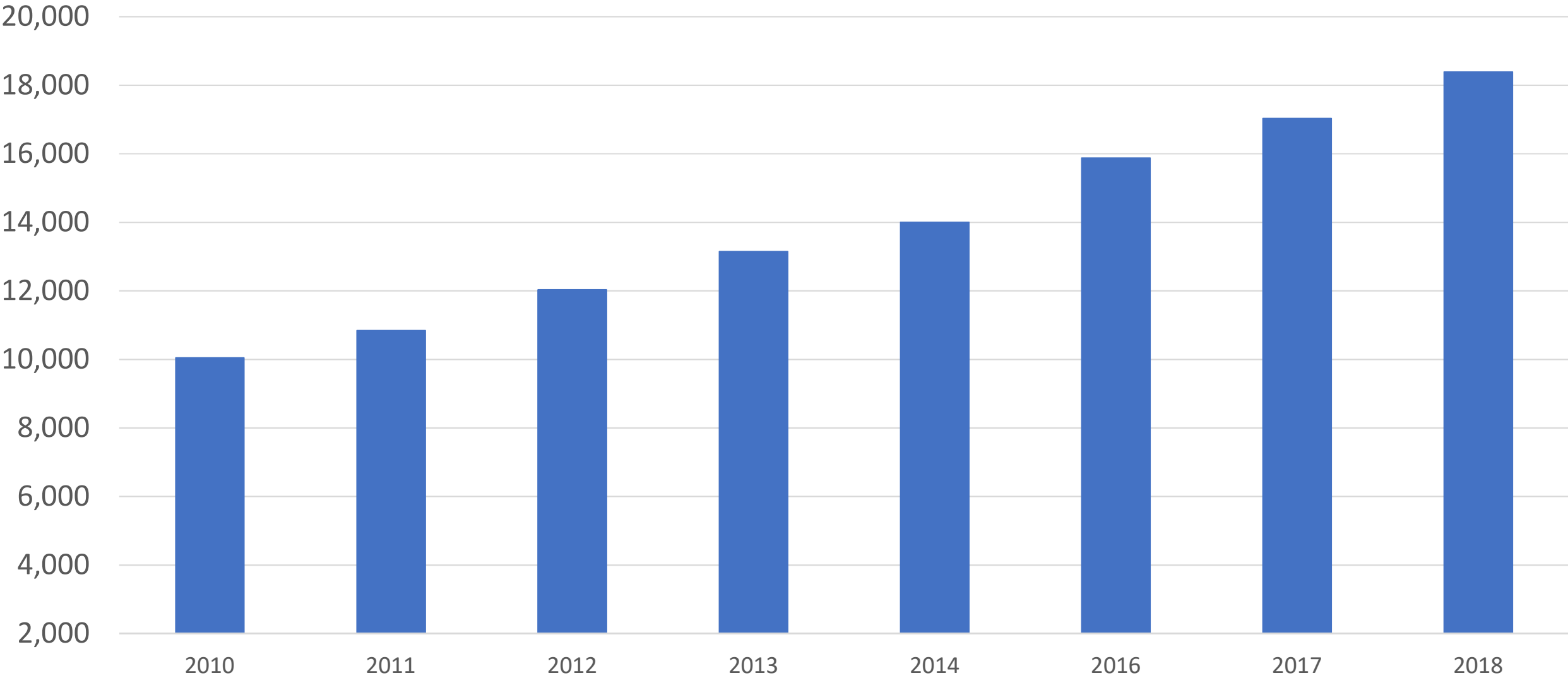
U.S. BLS: Establishment Counts



Number of Establishments in Private NAICS 722410 Drinking places, alcoholic beverages for All establishment sizes in U.S. TOTAL



Growth in Alcohol Beverage Wholesalers 2010 to 2018

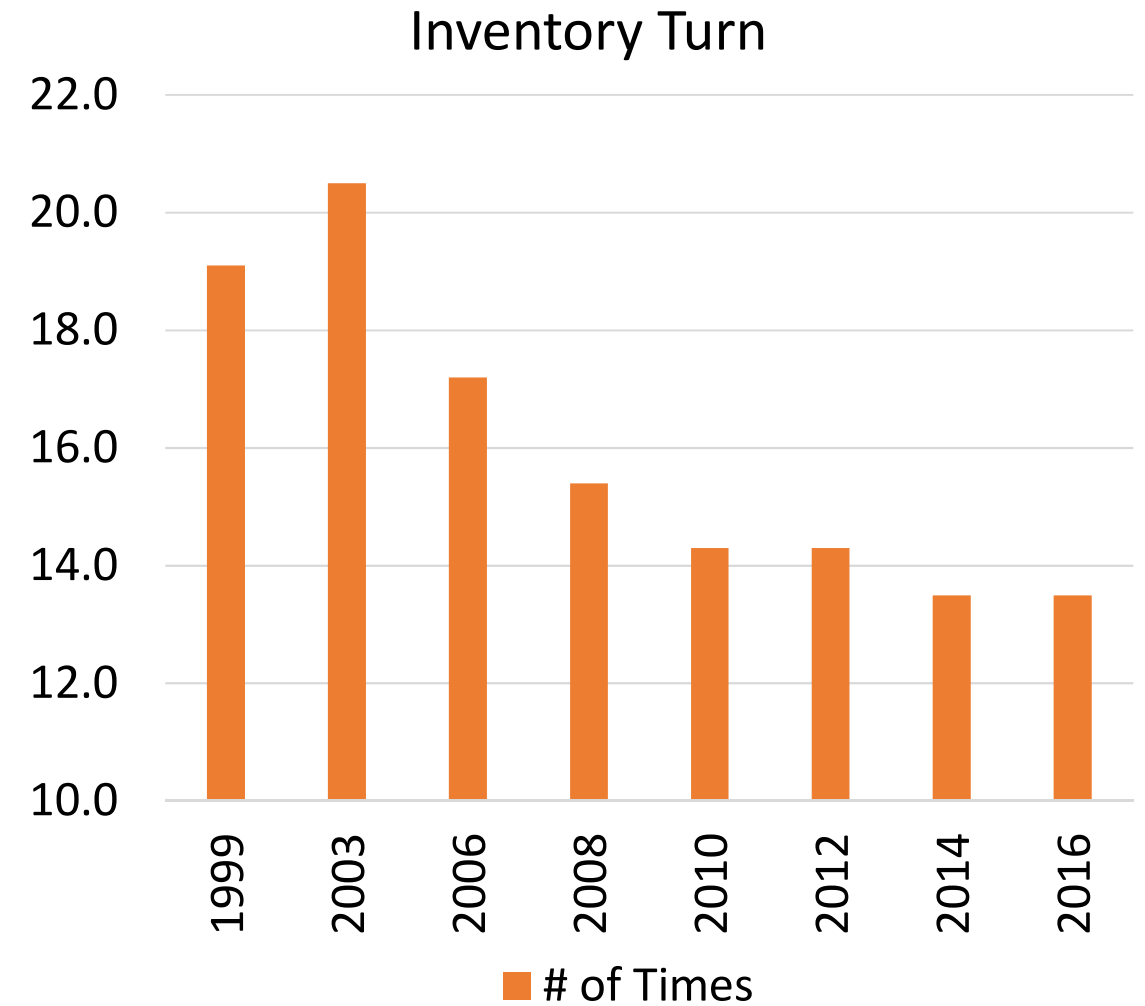
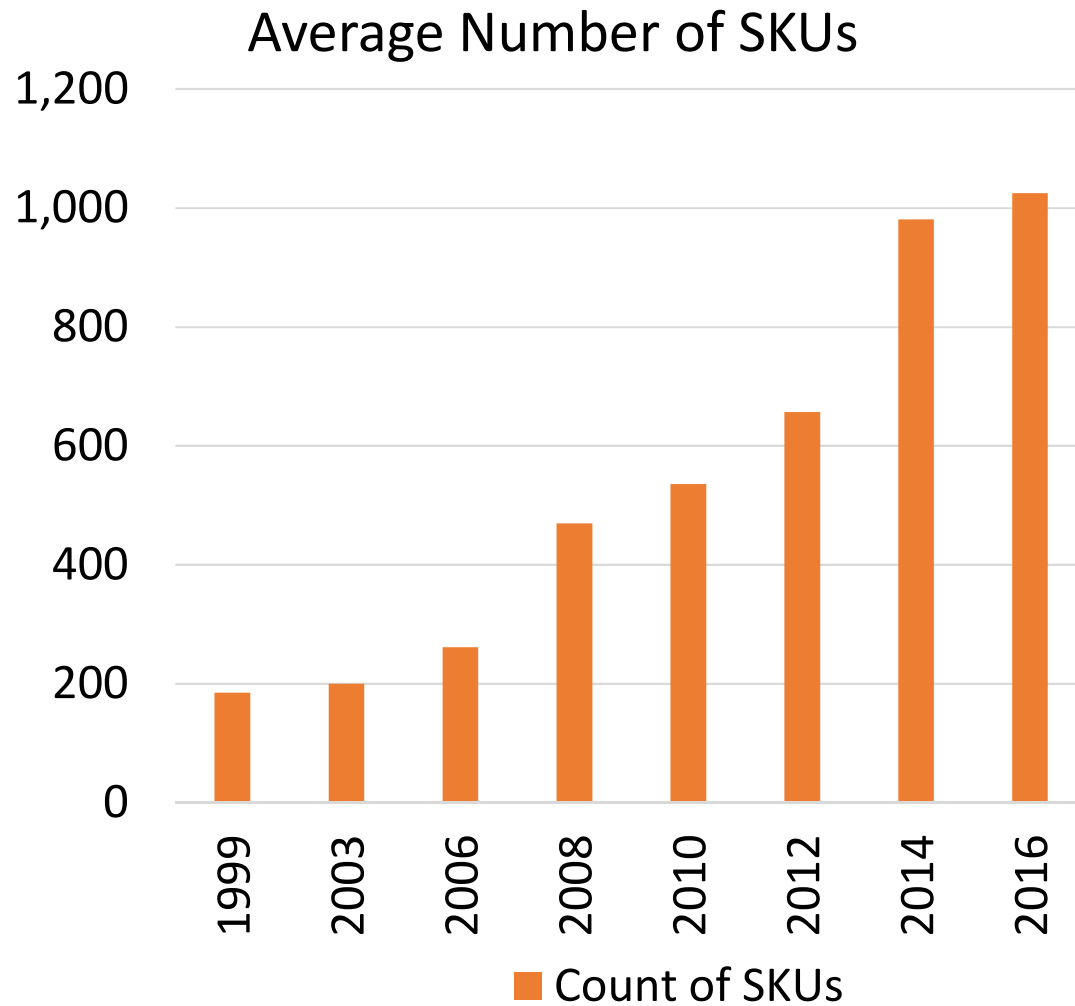


Source: U.S. TTB and U.S. BLS/CQEW, 2018



SKU Proliferation and Inventory Turn

NBWA DPR Study



TTB Permitted Brewery Count

9,865 Permits as of Sept 2018

State	Count	State	Count	State	Count
Alabama	54	Kentucky	83	North Dakota	26
Alaska	50	Louisiana	48	Ohio	363
Arizona	143	Maine	160	Oklahoma	53
Arkansas	52	Maryland	136	Oregon	376
California	1,204	Massachusetts	225	Pennsylvania	457
Colorado	492	Michigan	500	Rhode Island	33
Connecticut	120	Minnesota	236	South Carolina	92
Delaware	36	Mississippi	19	South Dakota	34
DC	14	Missouri	162	Tennessee	137
Florida	376	Montana	107	Texas	370
Georgia	115	Nebraska	60	Utah	45
Hawaii	34	Nevada	49	Vermont	89
Idaho	85	New Hampshire	105	Virginia	322
Illinois	329	New Jersey	139	Washington	531
Indiana	229	New Mexico	124	West Virginia	31
Iowa	124	New York	520	Wisconsin	298
Kansas	59	North Carolina	374	Wyoming	43

Brewery Permits per 100,000 Residents

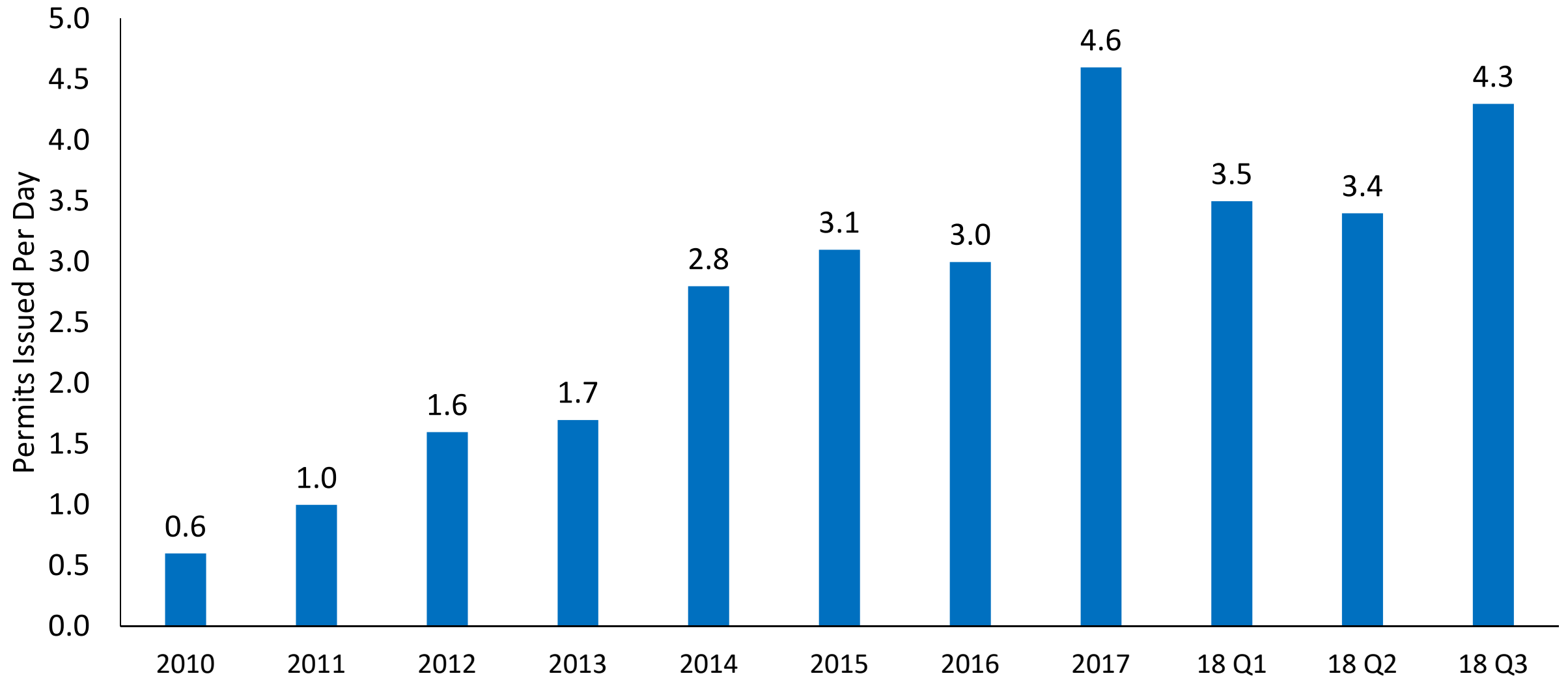
2018 LDA Pop (est)

State	Count	State	Count	State	Count
Alabama	1.49	Kentucky	2.52	North Dakota	4.76
Alaska	9.48	Louisiana	1.4	Ohio	4.2
Arizona	2.74	Maine	15.35	Oklahoma	1.87
Arkansas	2.36	Maryland	3.01	Oregon	11.84
California	4.12	Massachusetts	4.3	Pennsylvania	4.73
Colorado	11.69	Michigan	6.73	Rhode Island	4.1
Connecticut	4.45	Minnesota	5.74	South Carolina	2.43
Delaware	5.21	Mississippi	0.88	South Dakota	5.43
DC	2.57	Missouri	3.58	Tennessee	2.72
Florida	2.29	Montana	13.49	Texas	1.84
Georgia	1.51	Nebraska	4.36	Utah	2.15
Hawaii	3.16	Nevada	2.16	Vermont	18.64
Idaho	6.87	New Hampshire	10.1	Virginia	5.09
Illinois	3.49	New Jersey	2.06	Washington	9.47
Indiana	4.72	New Mexico	8.13	West Virginia	2.25
Iowa	5.41	New York	3.47	Wisconsin	6.92
Kansas	2.83	North Carolina	4.87	Wyoming	10.28

US Average = 4.1

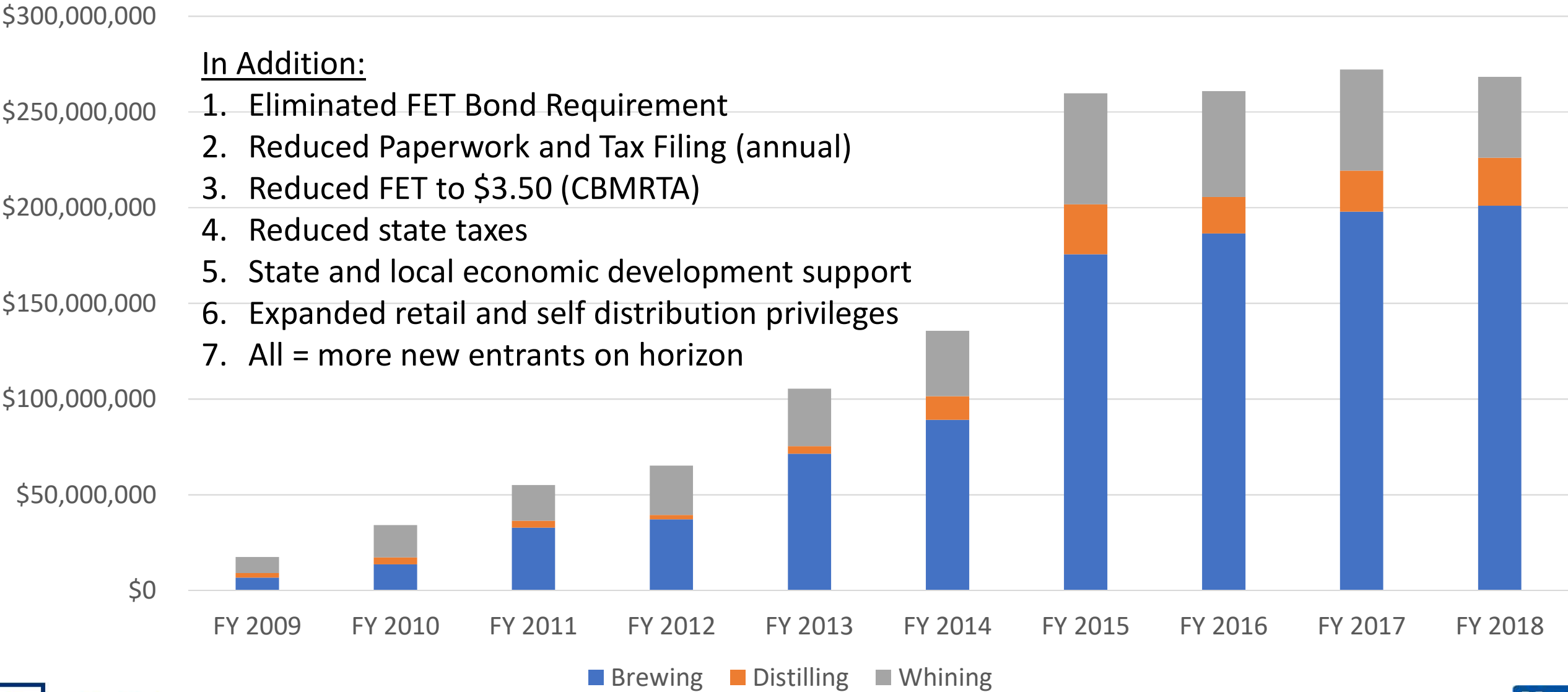


TTB Brewery Permits Issued Per Day 2010 to YTD September 2018



Continued Investment in Alcohol Beverages

Cumulative \$1.5 Billion in Loan Approvals/Guarantees since 2009





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