

Craft at Midyear 2023

8/10/2023 CollabHour



2022 Overview

- Mixed 2022
- Packaged distribution contracting
- Draught not really recovering anymore
- Onsite growing, but increasingly getting sliced
- More room for recovery or new normal?
- All stems fundamentally from demand

2023 Update

- Mixed 2023
- Packaged distribution contracting (though less)
- Draught not really recovering anymore
- Onsite growing, but increasingly getting sliced

2023 Survey

- Lower response rate and (as always) possible response bias
- Over a million barrels submitted (but still small % of overall volume)

2023 Survey

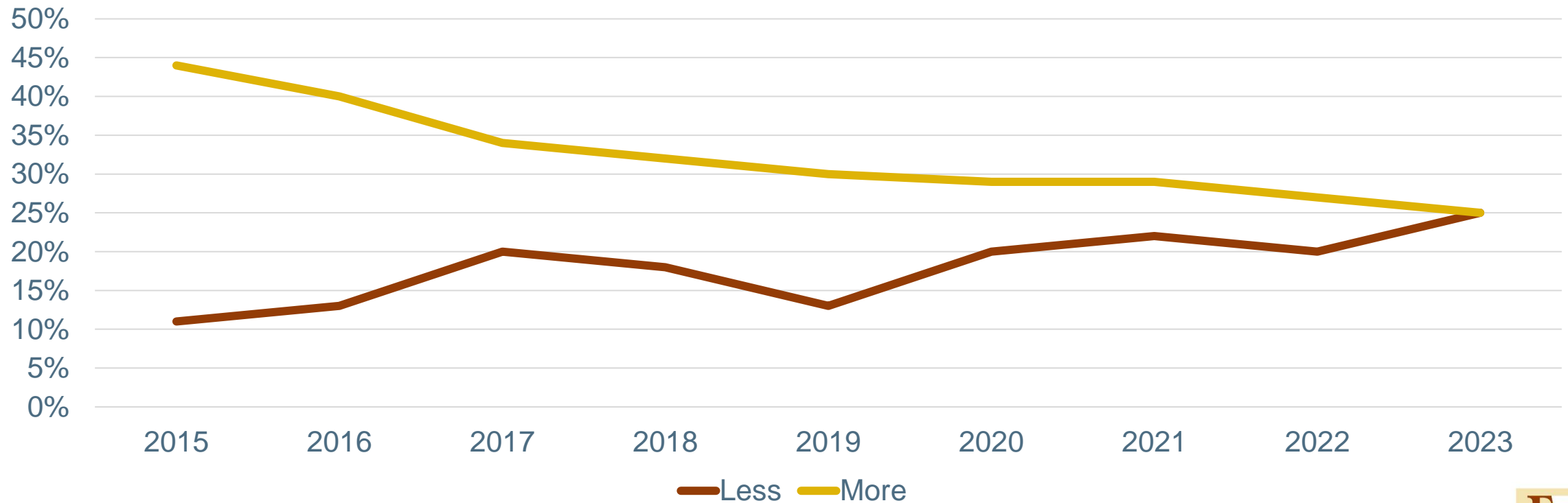
- Survey shows average of low single digit % declines vs first half of 2022
- Depending on weights -2 to -4%
- Most size groups static to -5%
- One exception is 500 barrels or less (1,000 barrels or less annually) which were strongly positive

First Half

- Triangulating on survey and other sources, estimating craft volume down 2% in 1st half of 2023
- Many signs Q2 was trending more positively
- Fundamentally still need to grow demand

Levels Changing (hints at in/out flow)

In general, would you say you are drinking more, less, or about the same amount craft beer compared to a year ago?

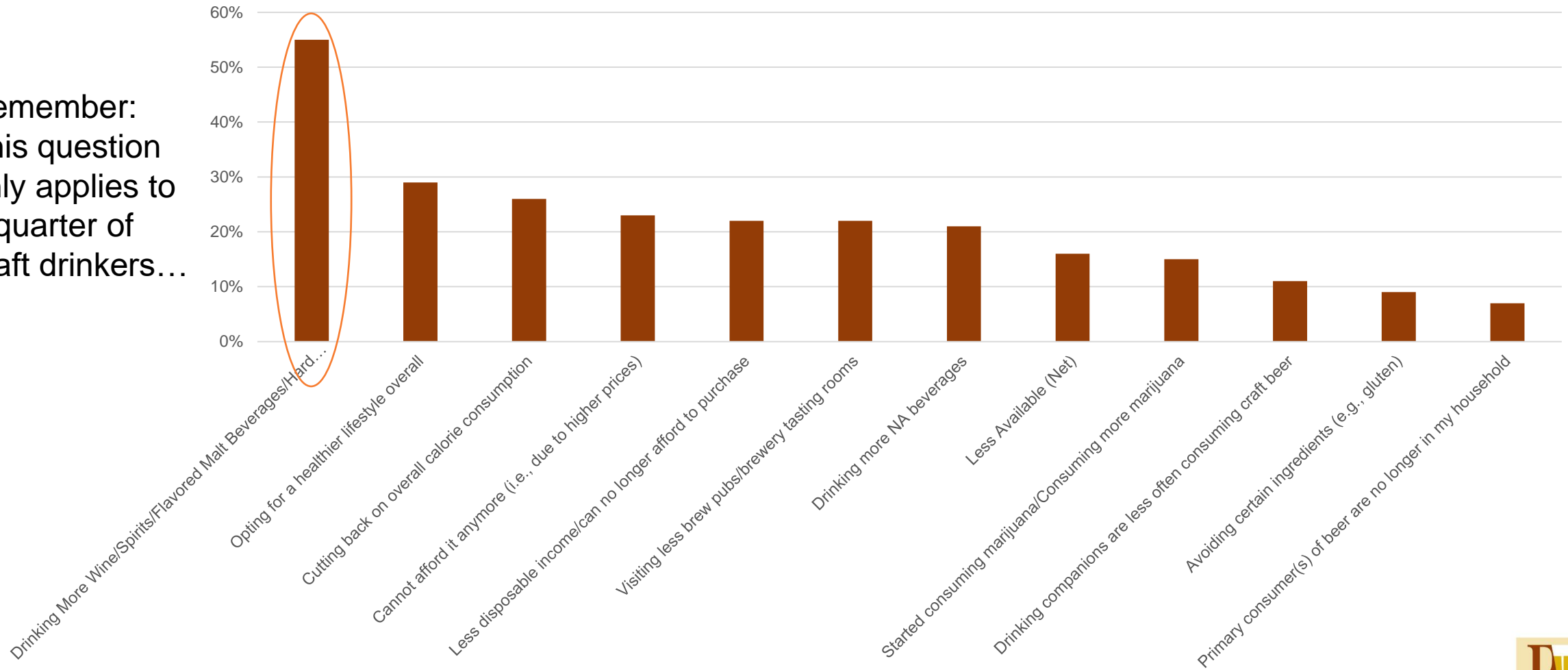


Source: Harris Poll, Various Years



Why Less?

Remember:
This question
only applies to
a quarter of
craft drinkers...



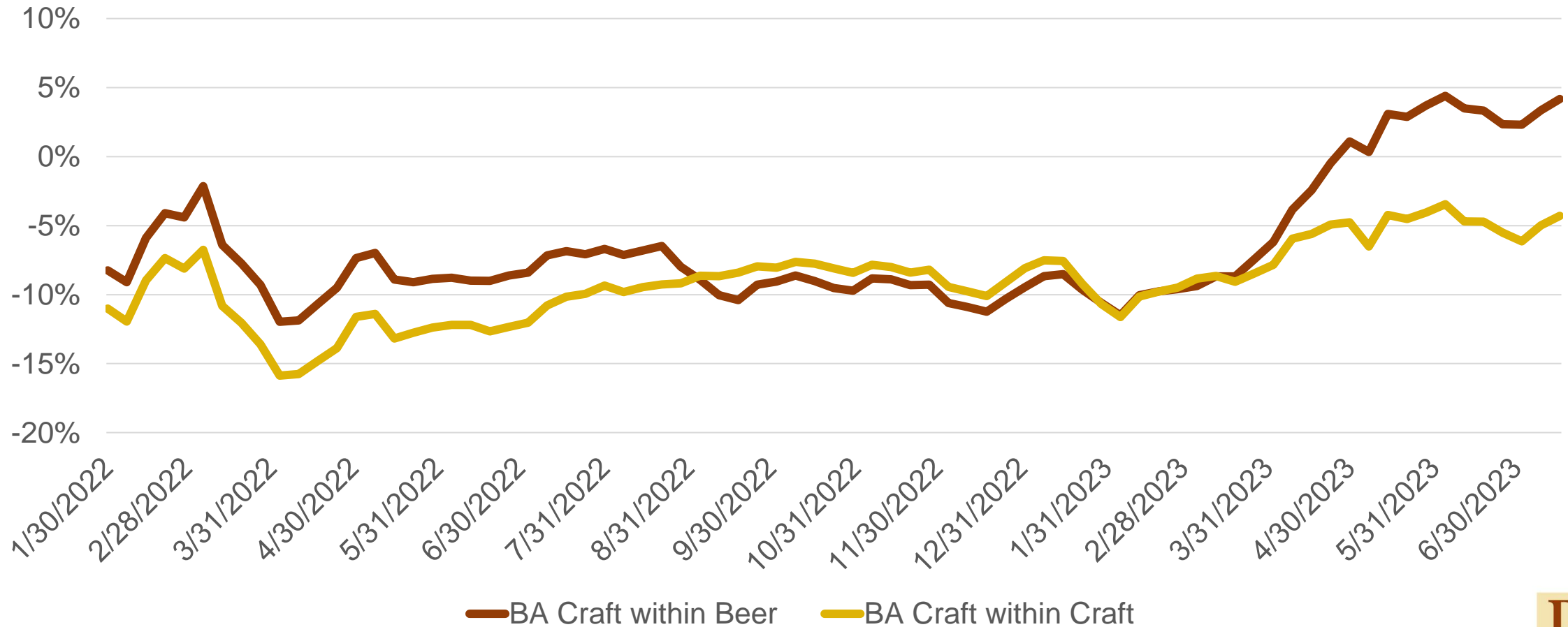
Rest of this Presentation:

- Off Premise trends**
- At the Brewery/Brewery #s**
- Draught/On Premise**
- Styles; Other Economic Trends & Data**

Off-Premise

Scan Data Improving... Still not Great

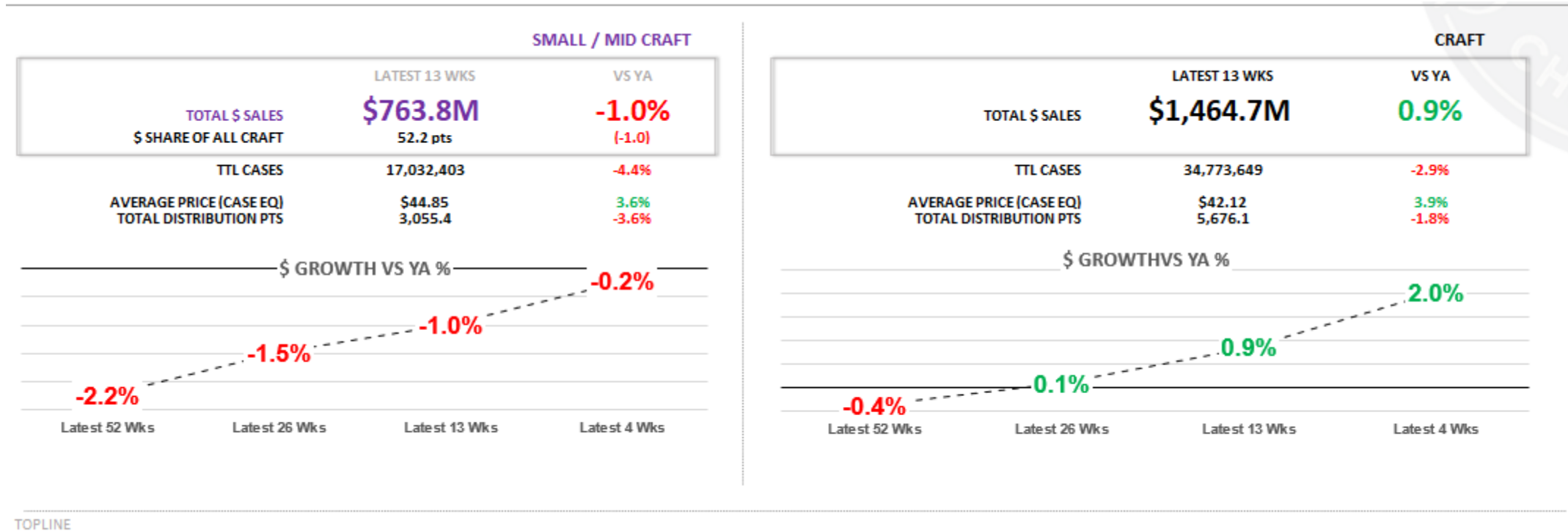
Rolling 4-Week YoY Volume Trend, BA Craft



Source: Circana; Total US; MULO+C+Sum of Total Liquor Chain



3 Tier Dashboard View (thru 6/17)

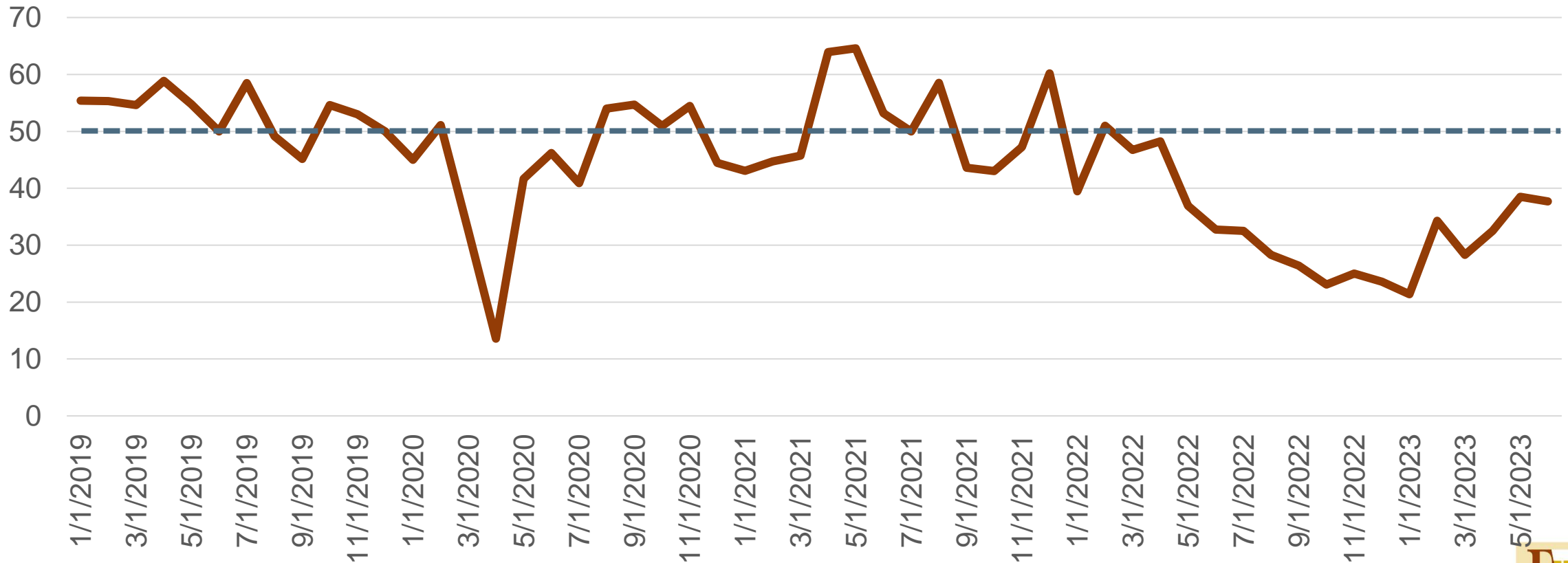


TOPLINE

Source: 3 Tier NIQ Dashboard (available to BA members)

Worst of Contraction Behind Us?

NBWA Beer Purchasers Index
Craft: Jan 2019 to June 2023

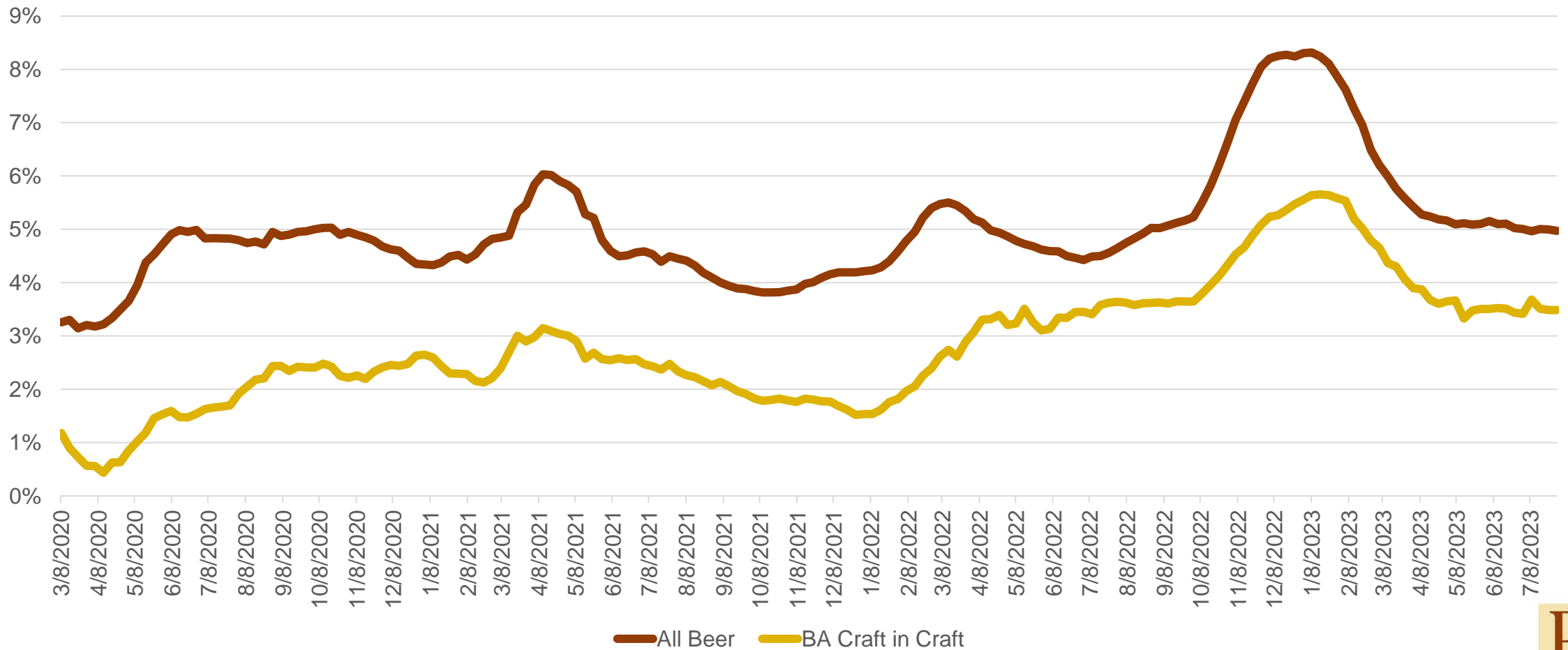


Source: NBWA



Craft Taking Less Price

Rolling 8-Week YoY Inflation, Craft vs All Beer, Circana Data

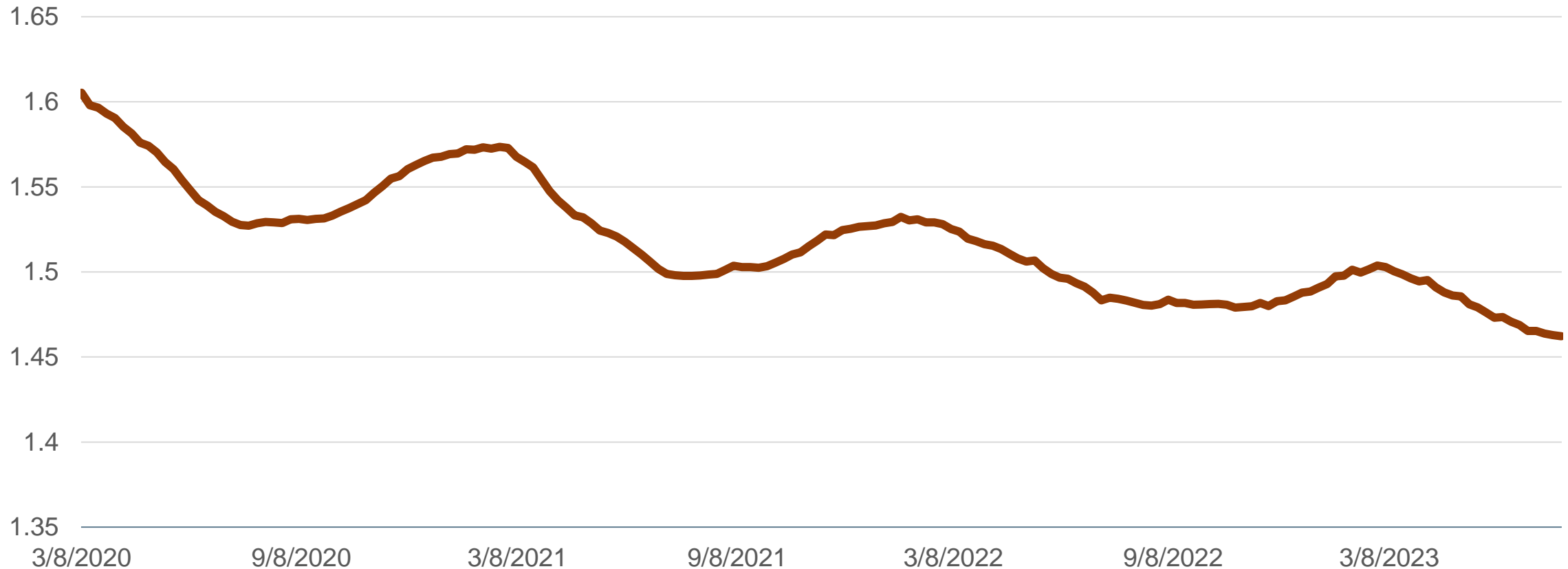


Source: Circana



Opportunity or Worry?

Price Ratio BA Craft to All Beer*



Source: Circana, BA Analysis



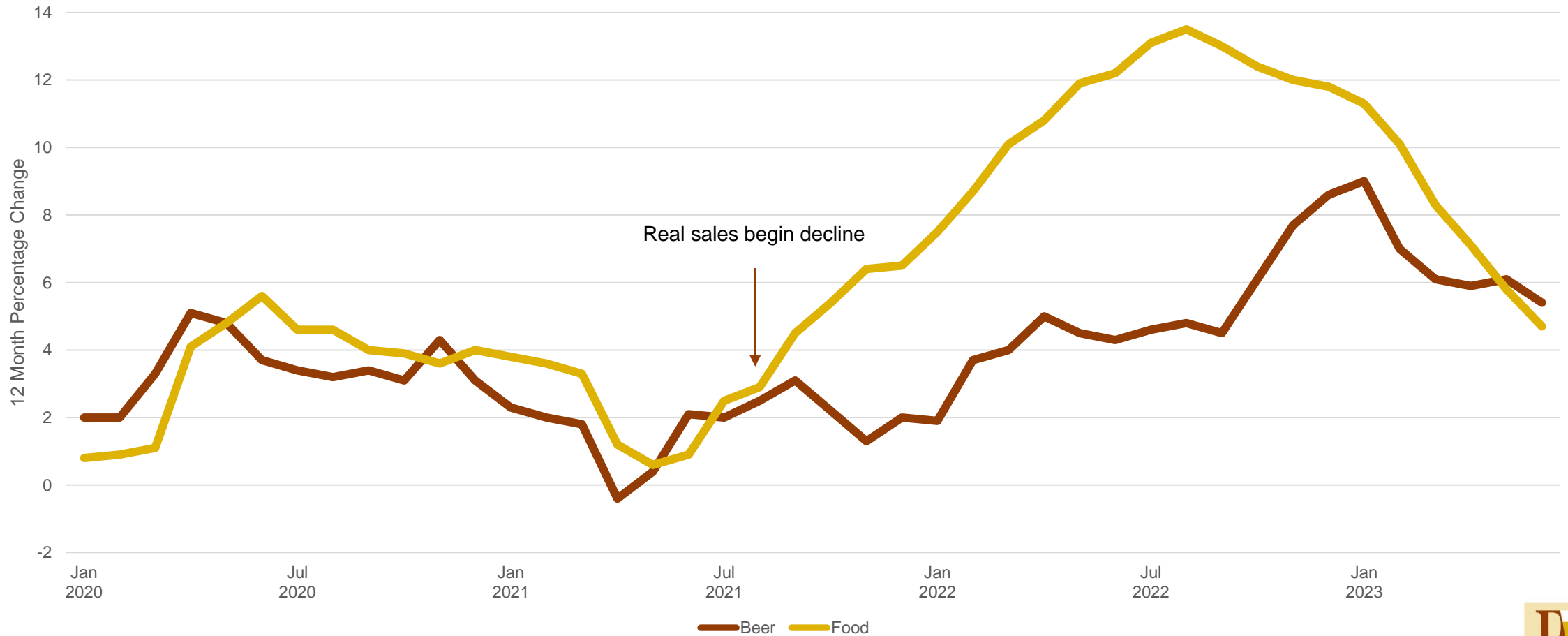
Total Real Food and Beverage Sales



Source: Bureau of Labor Statistics, BA Analysis

Situating Beer

CPI: Beer at Home vs Food at Home

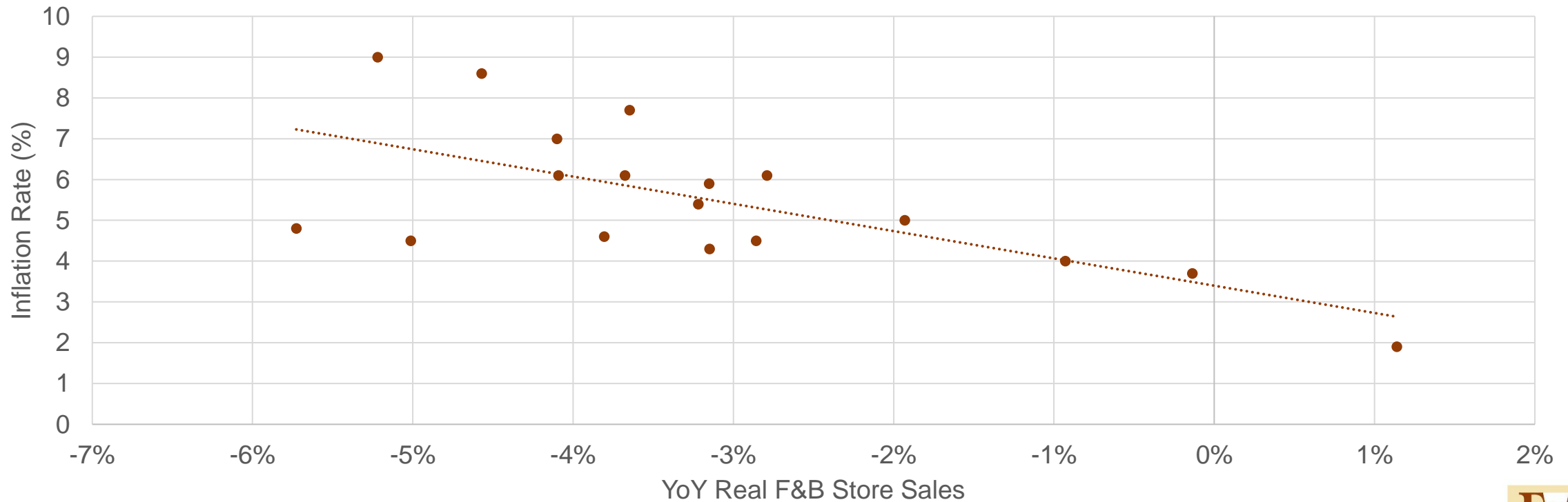


Source: Bureau of Labor Statistics



Inflation Dragging Down Purchasing

YoY Change in Prices vs
YoY Food and Beverage Store Sales Last 18 Months

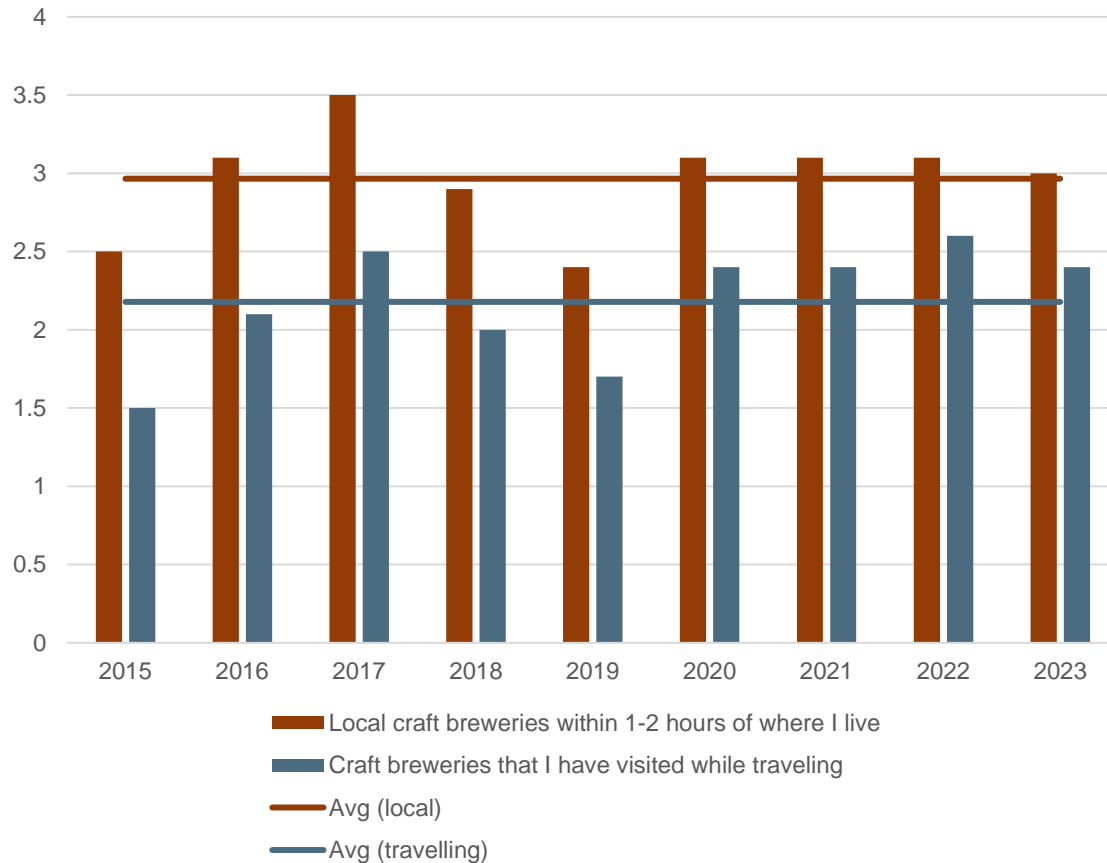


Source: US Census Bureau and BLS

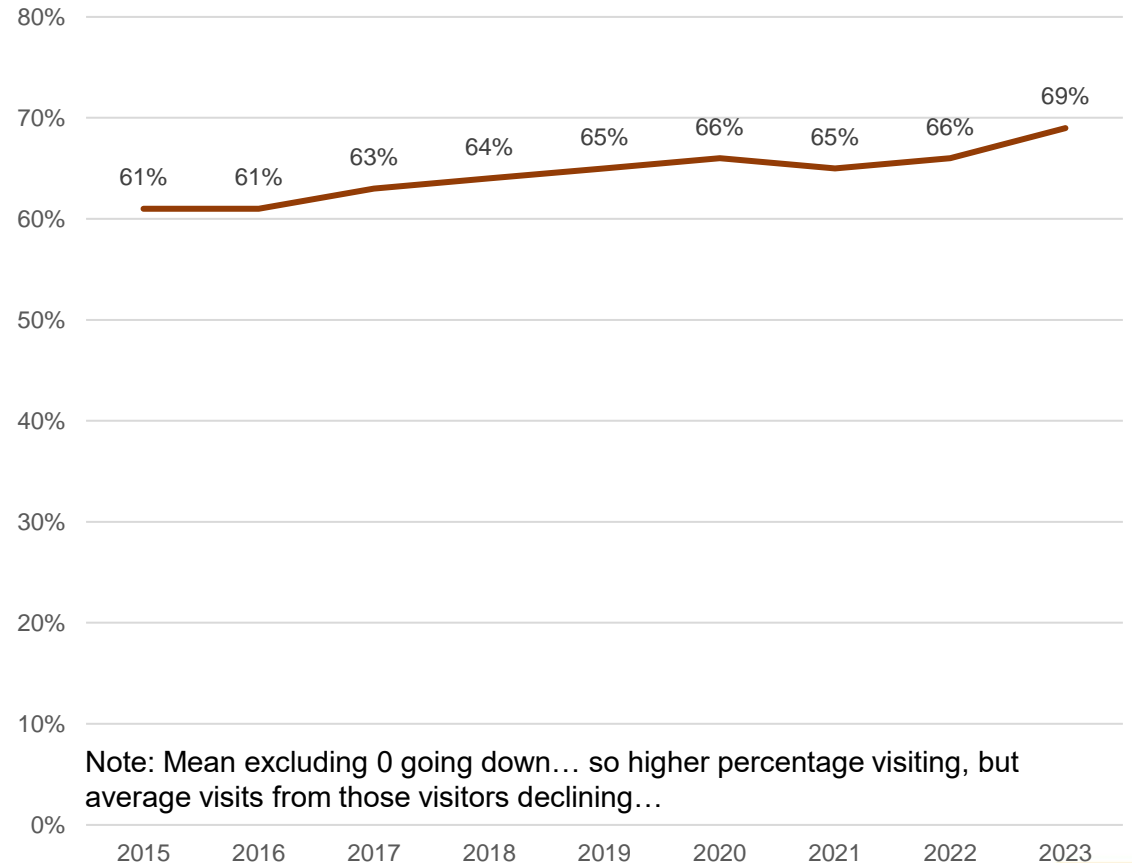
At the Brewery

Onsite Visits Steady

Implies base matters more for total visits

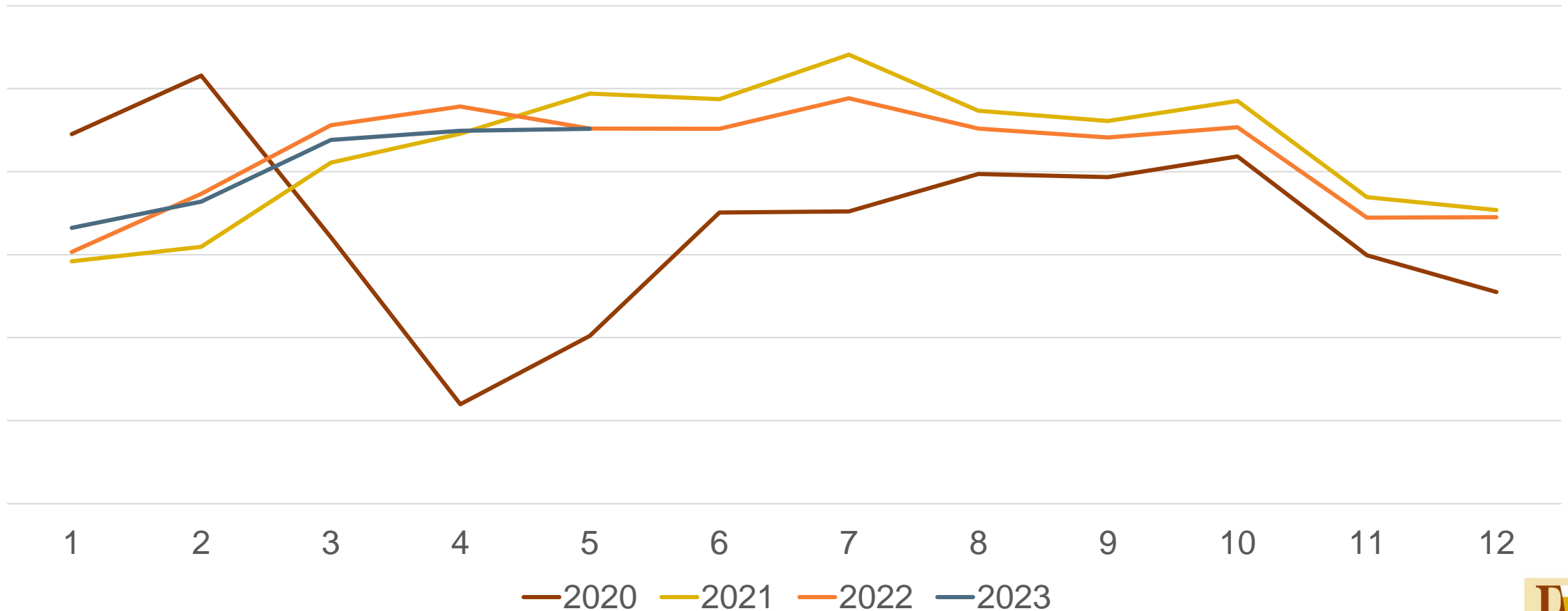


Visited (last 12 months)



Check Levels Steady

Arryved, Average Checks per Location per Month

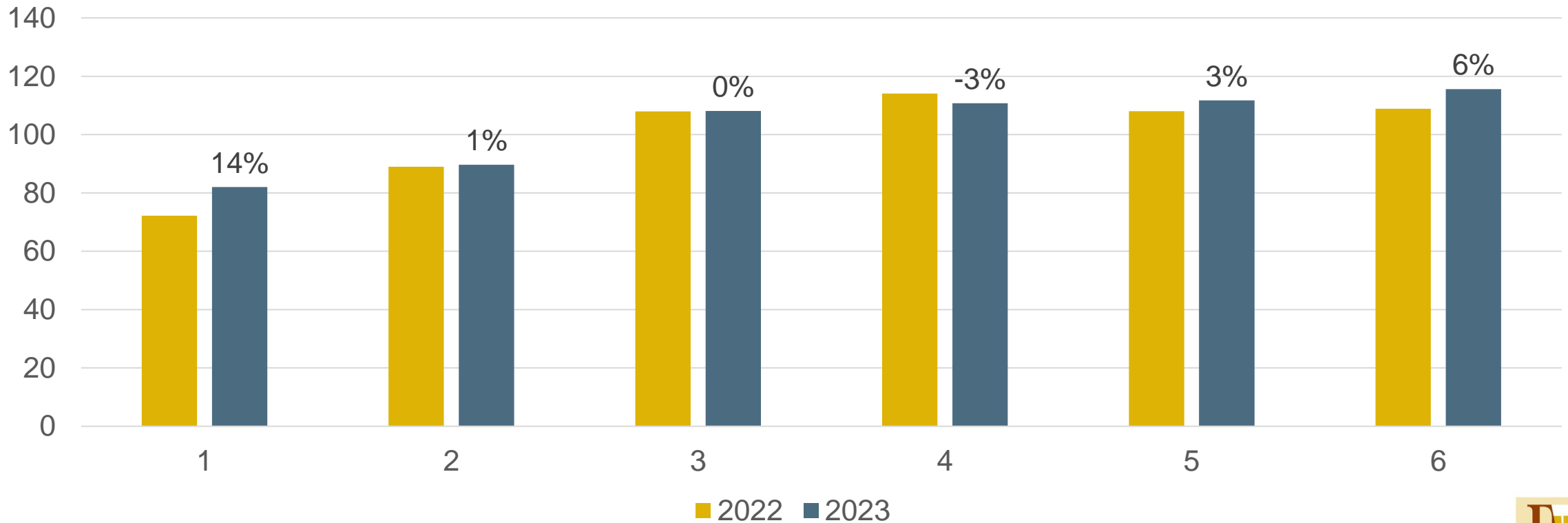


Source: Arryved



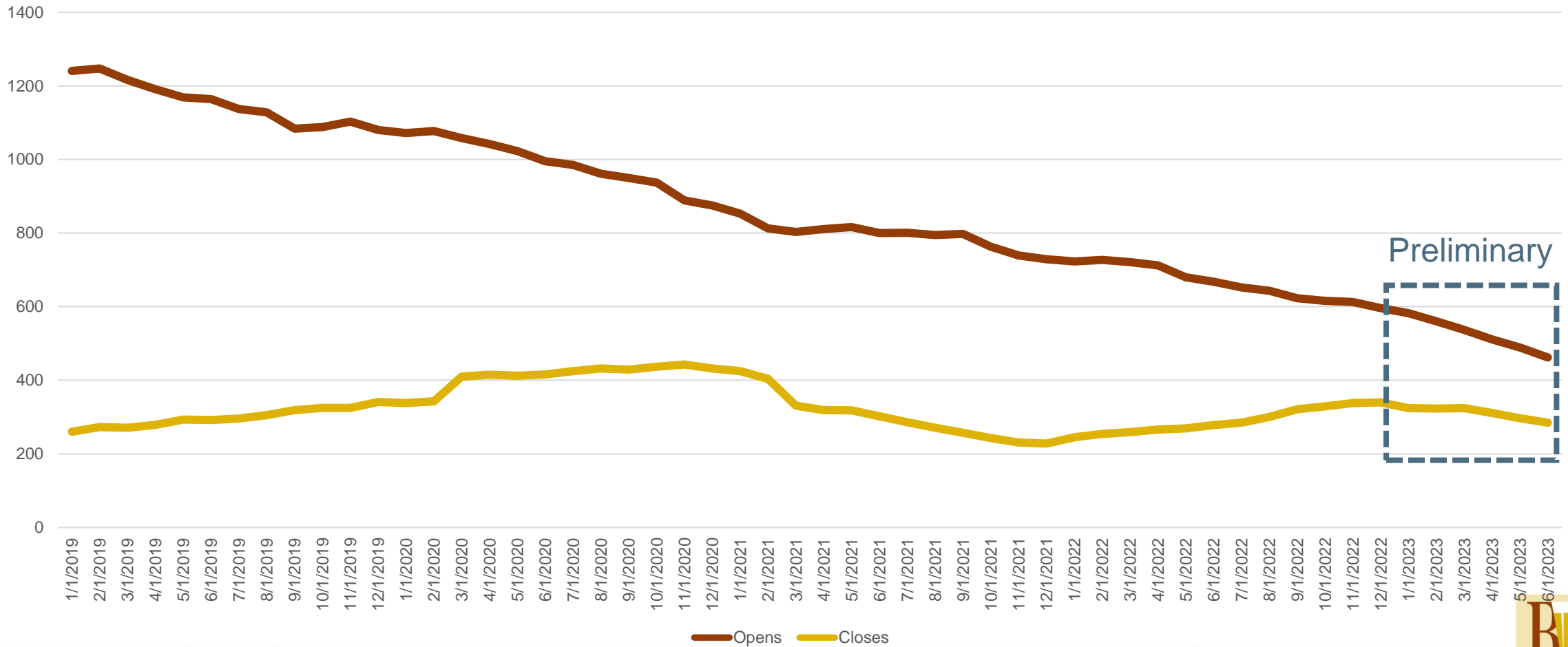
Estimate: Total At the Brewery Sales

% = YoY Change



Openings Consistently Declining

Rolling L12M Opens and Closes

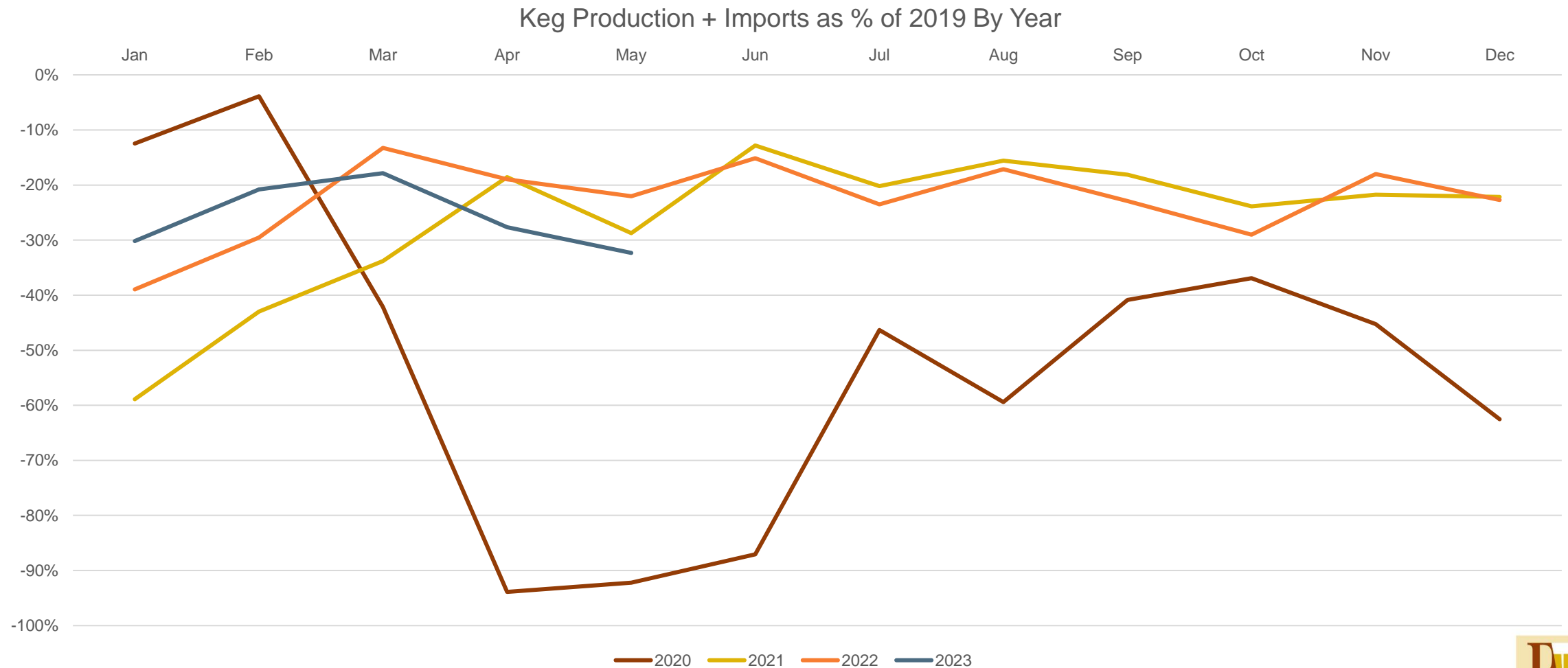


Source: Brewers Association



On Premise

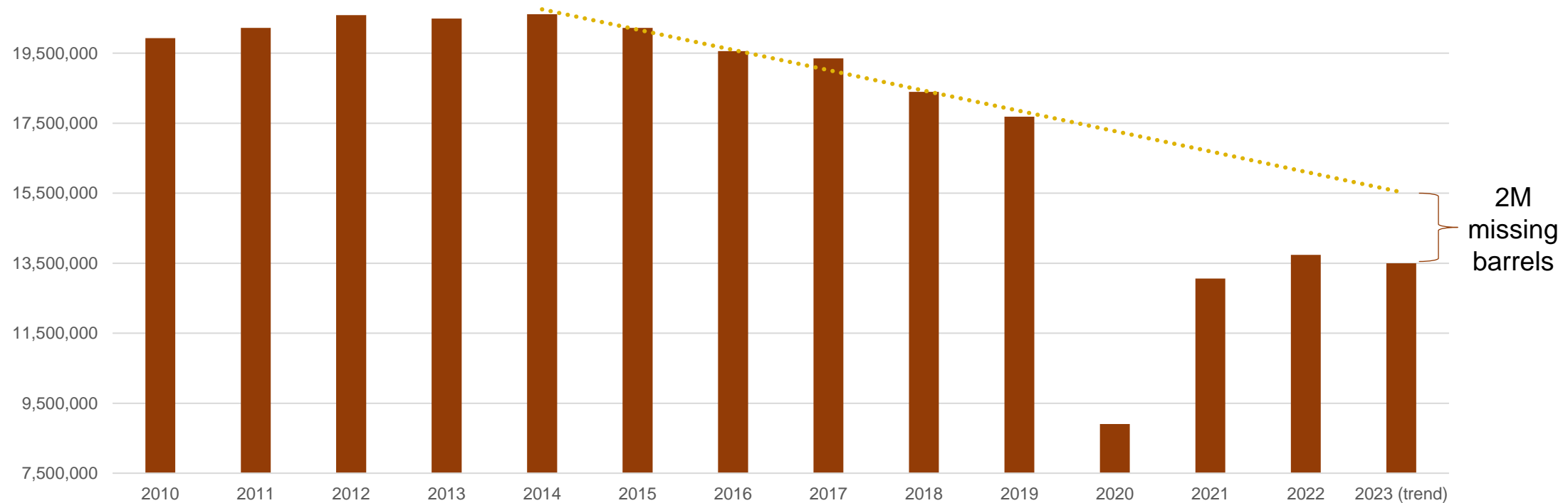
Draught Never Came Back



Source: TTB and Commerce Dept.

Was Already Declining... But

US Keg Production + Imports, 2010-2022



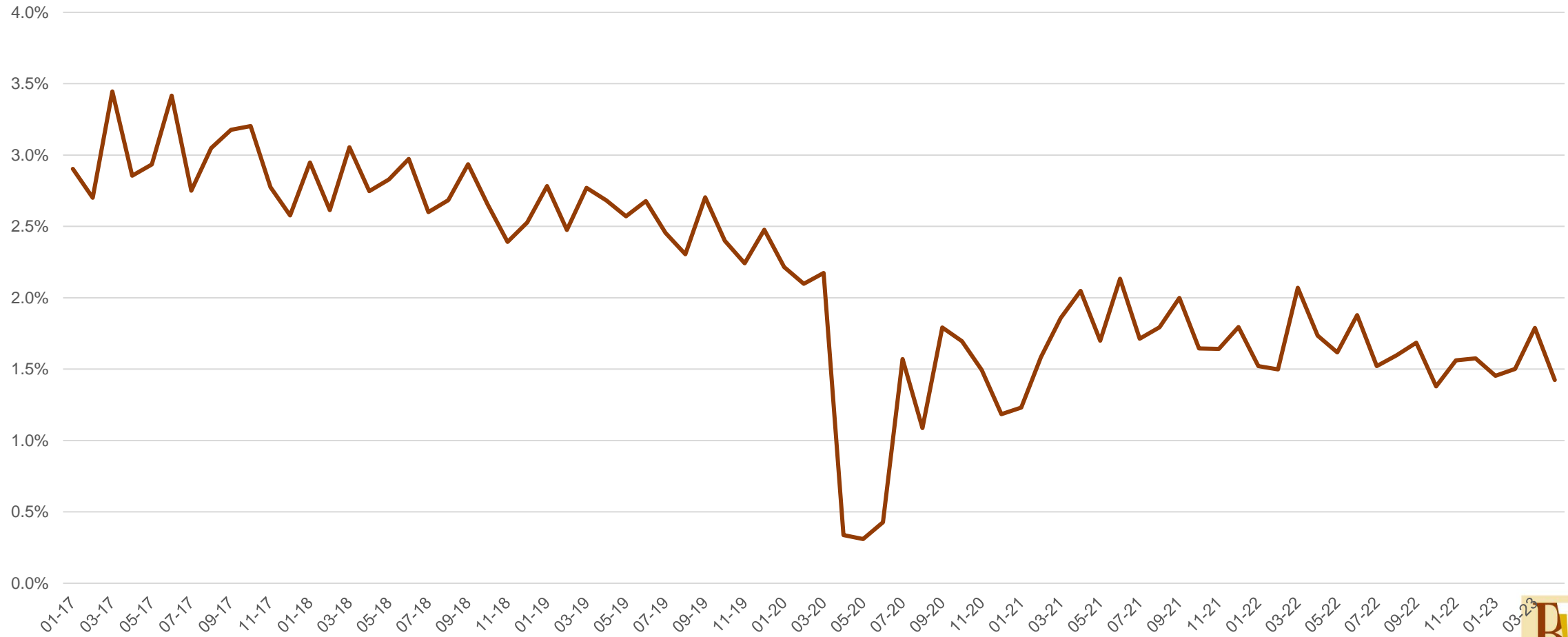
Source: Brewers Association analysis of TTB and Commerce data

Source: TTB and Commerce, BA Analysis



When Do Retailers Stop Caring?

Draught as % of FSDP Sales

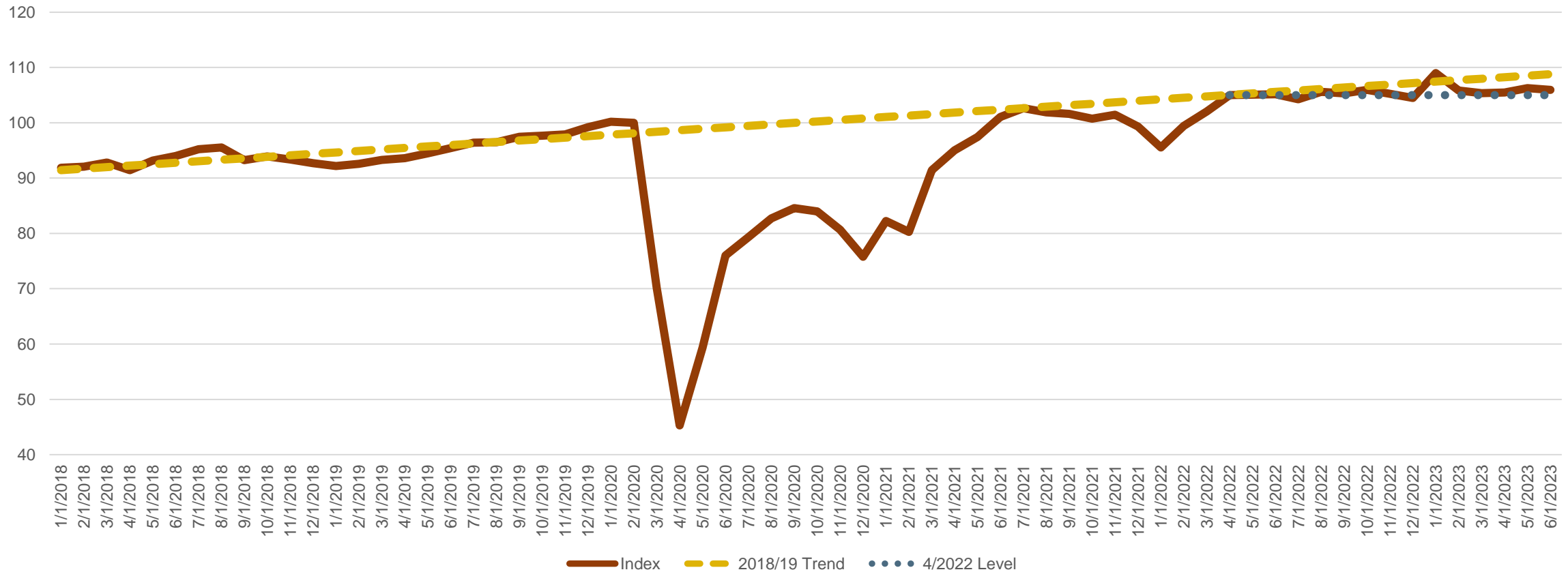


Source: Brewers Association



Bar/Restaurant Growth Stalled

Real FSDP Index

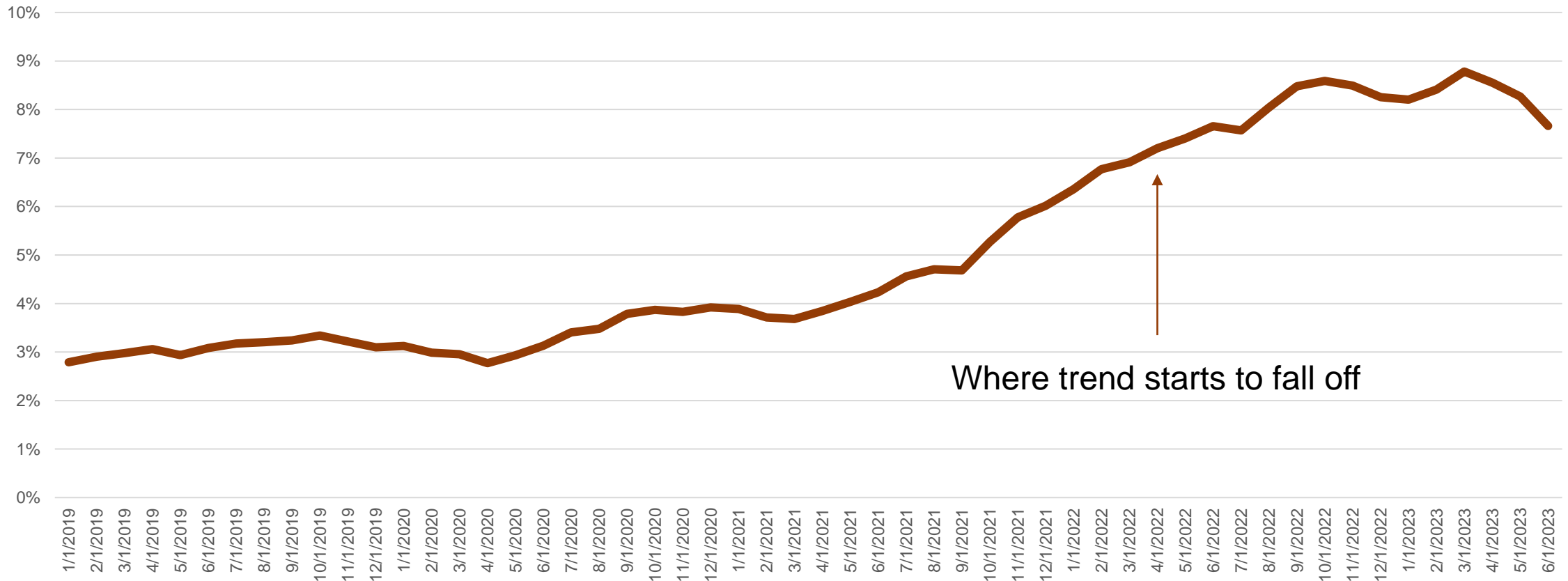


Source: Bureau of Labor Statistics, BA Analysis



Inflation Effect?

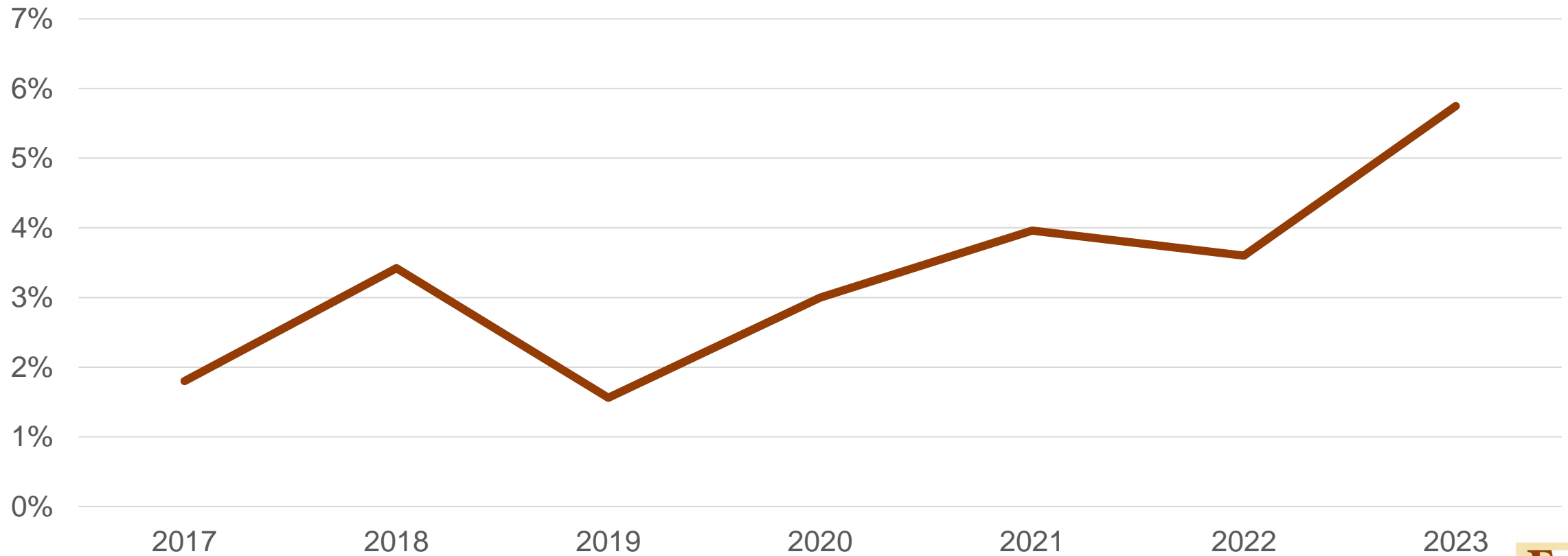
YoY CPI Food Away from Home



Where trend starts to fall off

Signs in our Craft Research

Drinking Less & citing "Cannot afford it anymore (i.e., due to higher prices)," % of Total



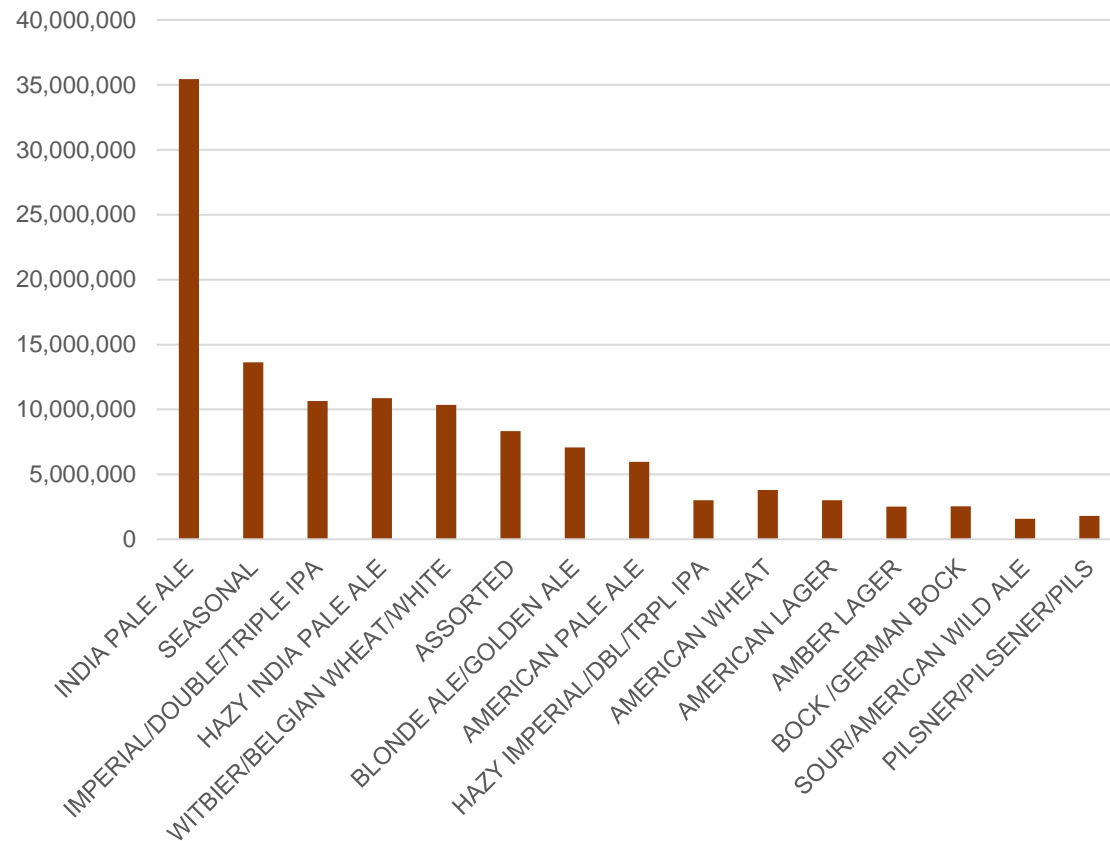
Source: Harris Poll, Various Years



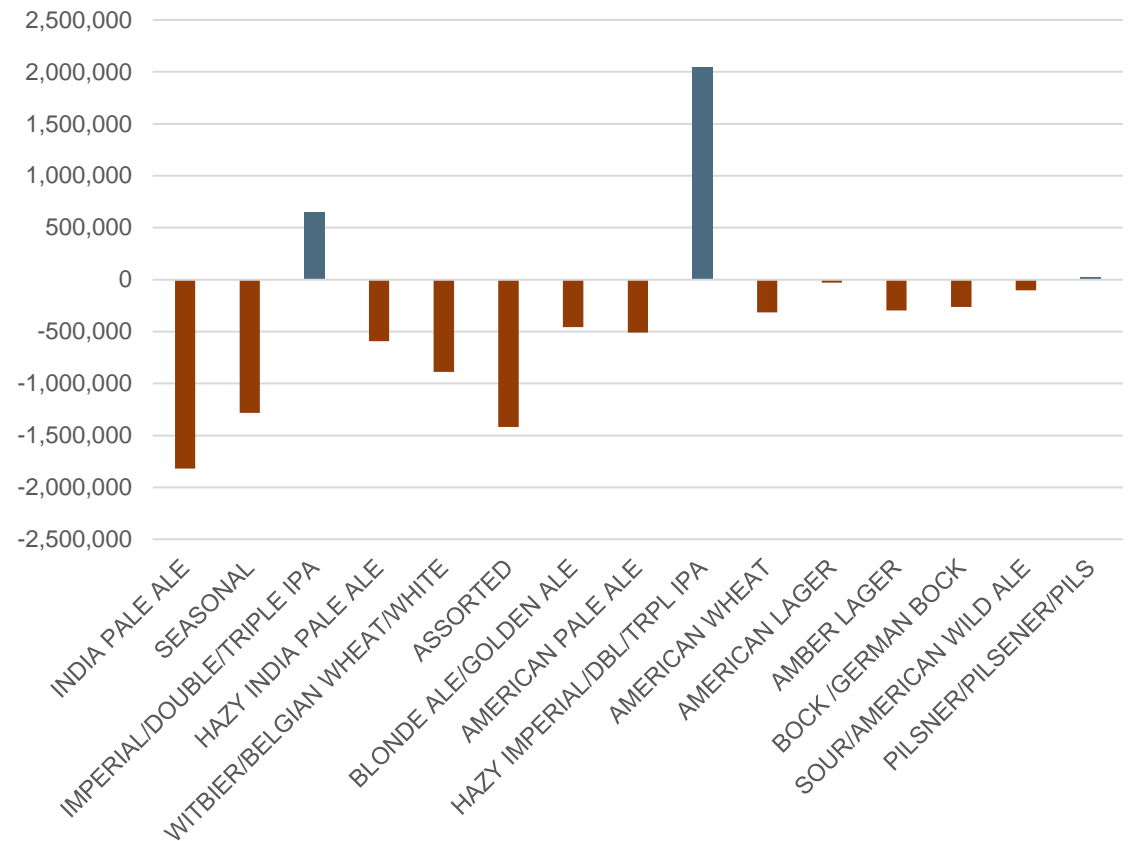
Styles; Other Economic Trends & Data to Watch

Styles, Last 52 Weeks

Top Styles

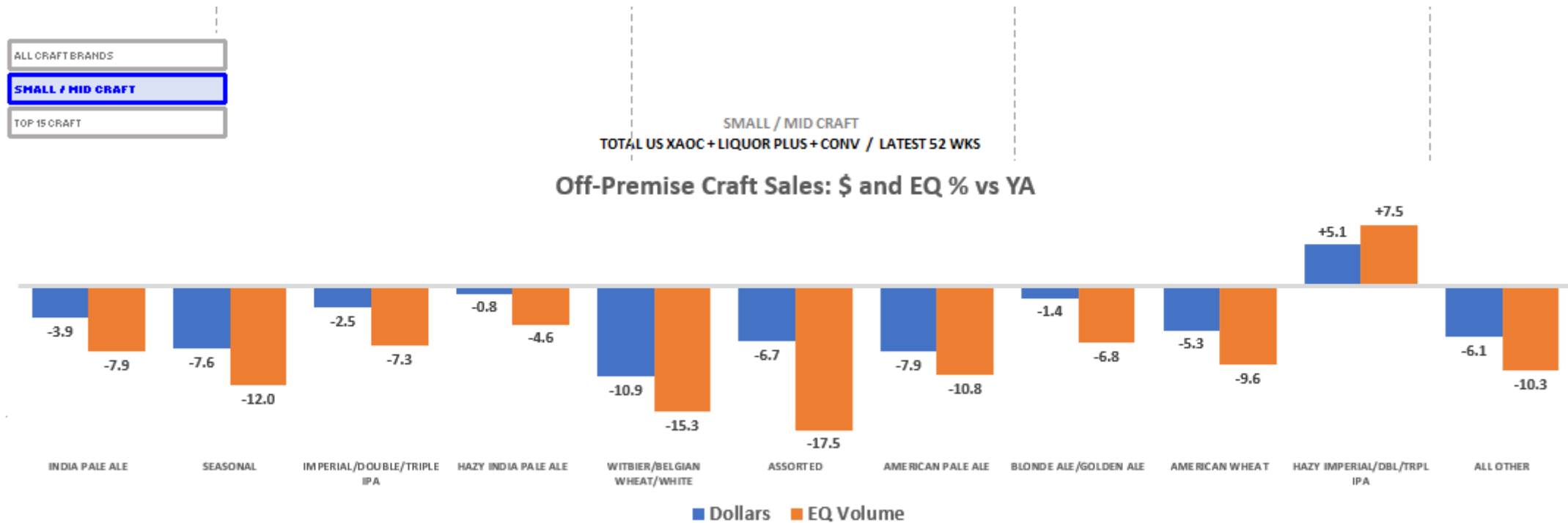


Change vs YA



Source: 3 Tier NIQ Dashboard (available to BA members)

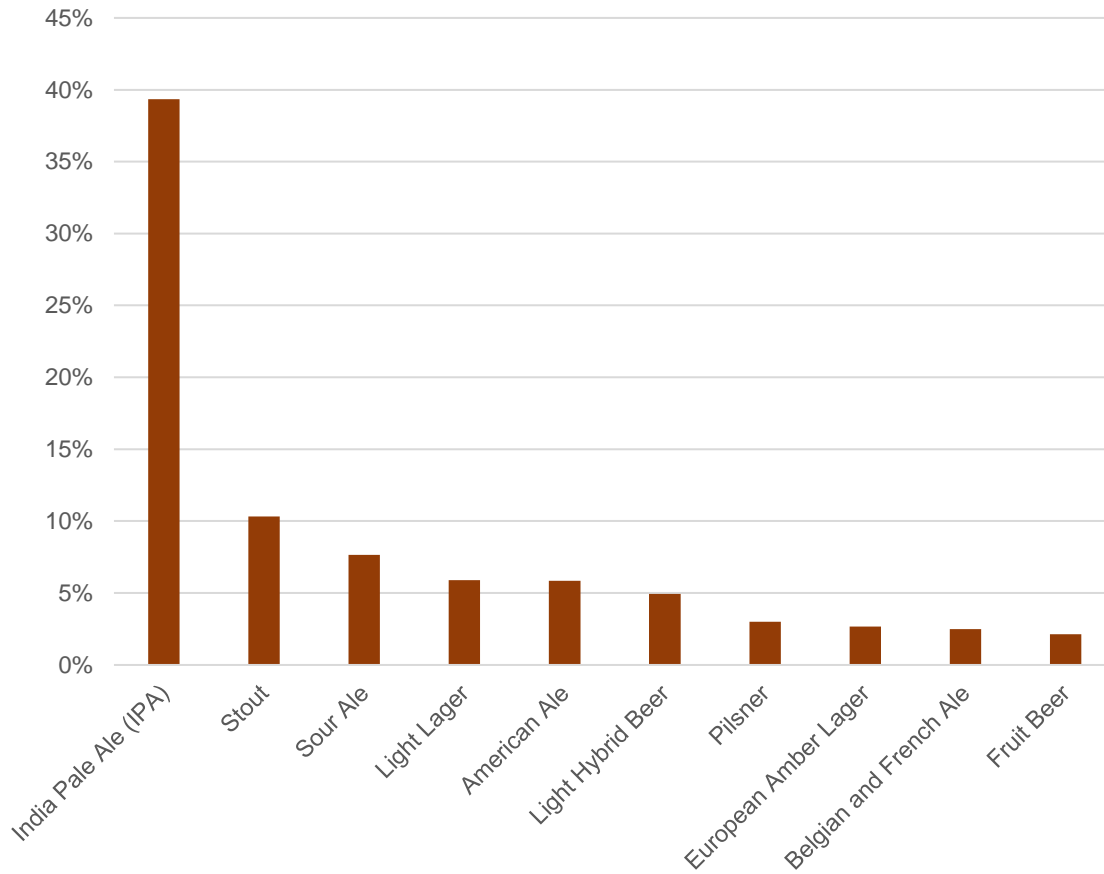
Different Picture by Size



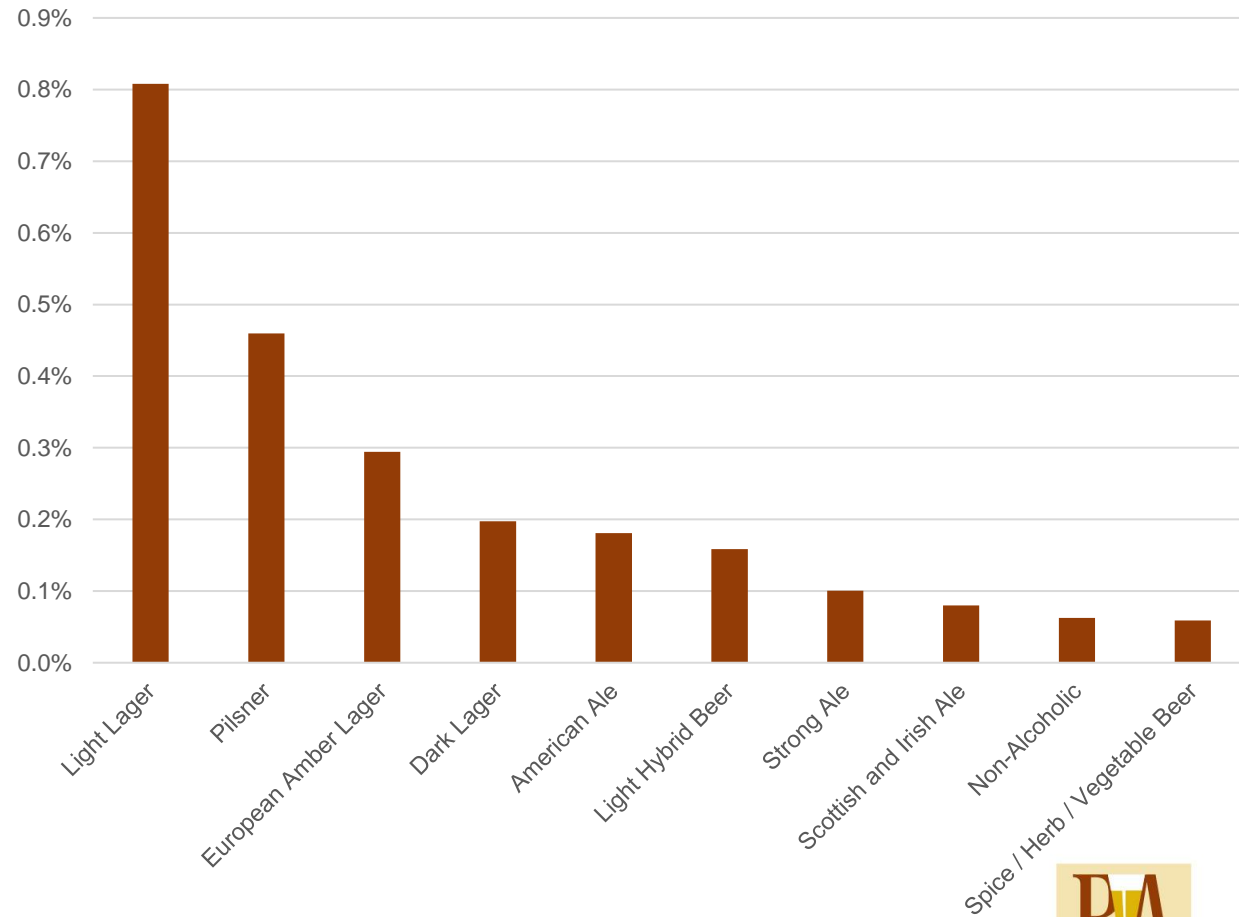
Source: 3 Tier NIQ Dashboard (available to BA members)

Check-Ins and Changes

Past Year Most Checked-In Styles



Change, Share of Check-Ins vs YA



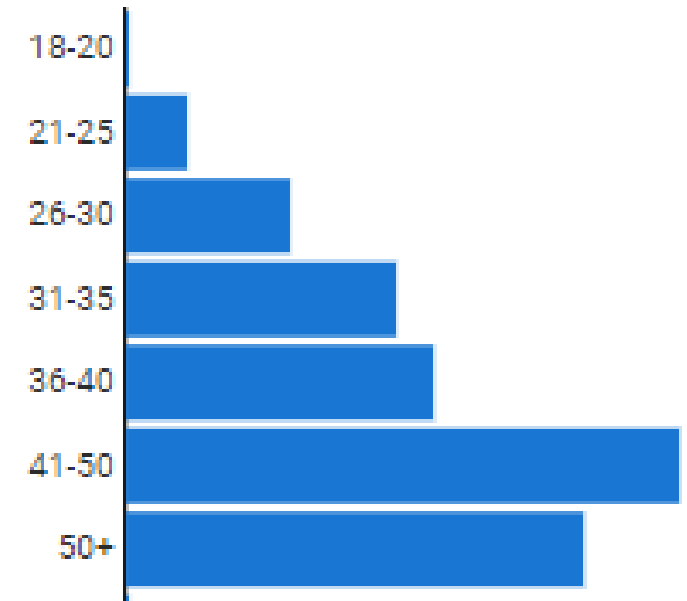
Source: Untappd Insights



Disconnect

- Obviously different consumer bases....
- But disconnects are still interesting
- Changing craft customer
- Different sub groups

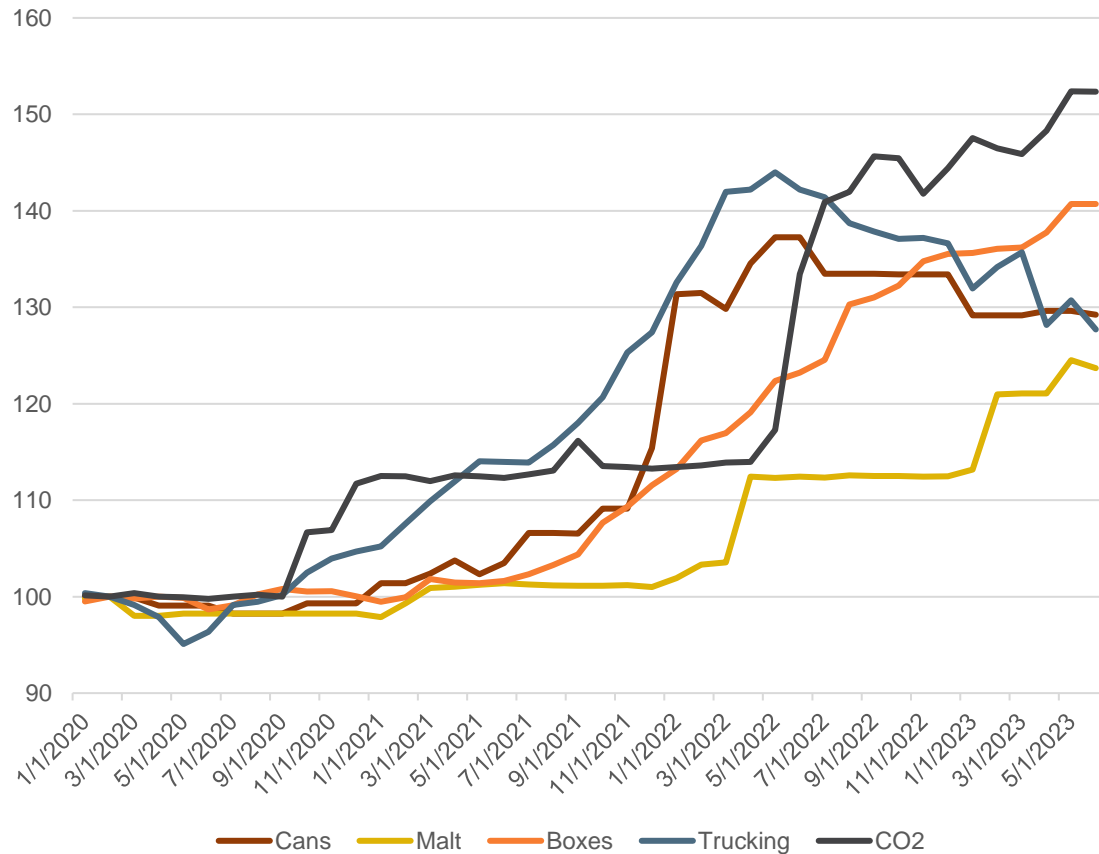
Age Ranges



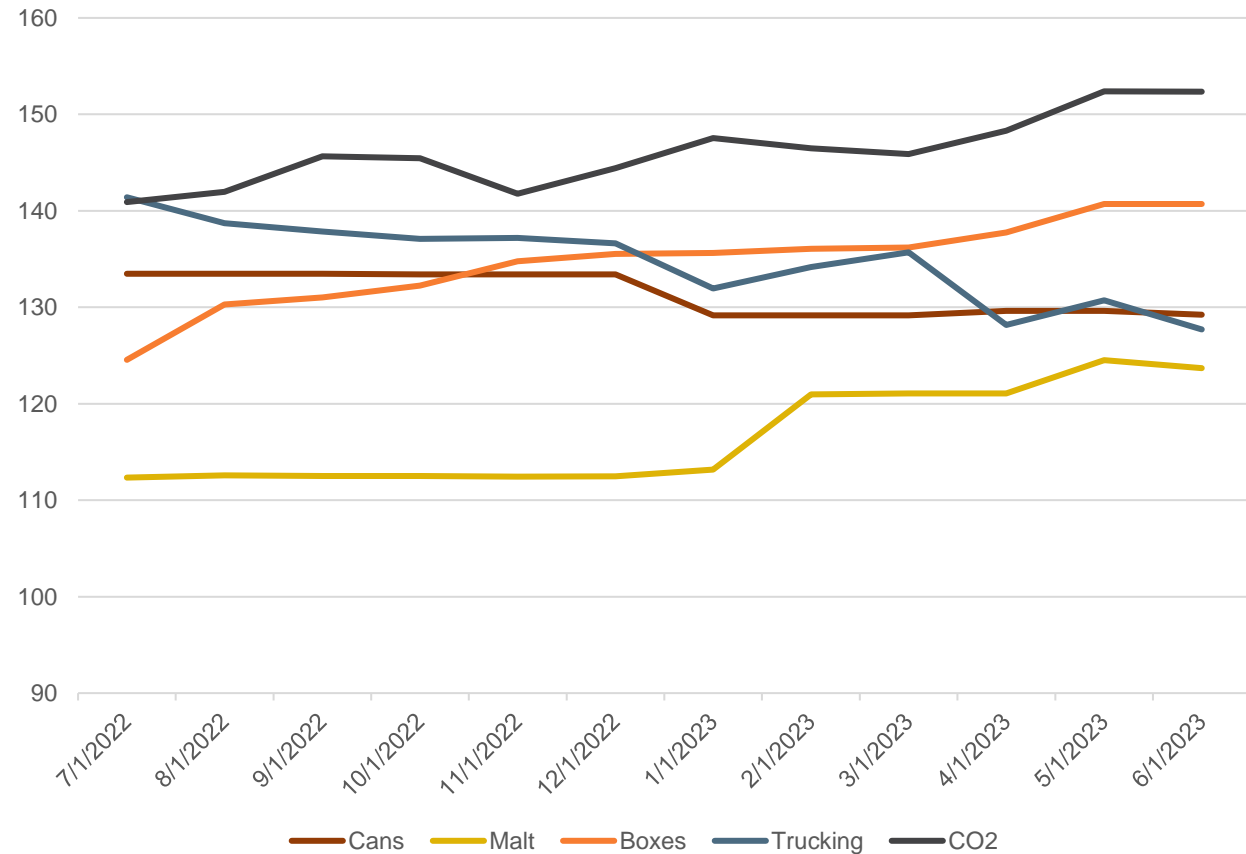
Untappd Check-Ins by Age
Source: Untappd Insights

Input Costs

PPI Since 2020



Last 12 Months

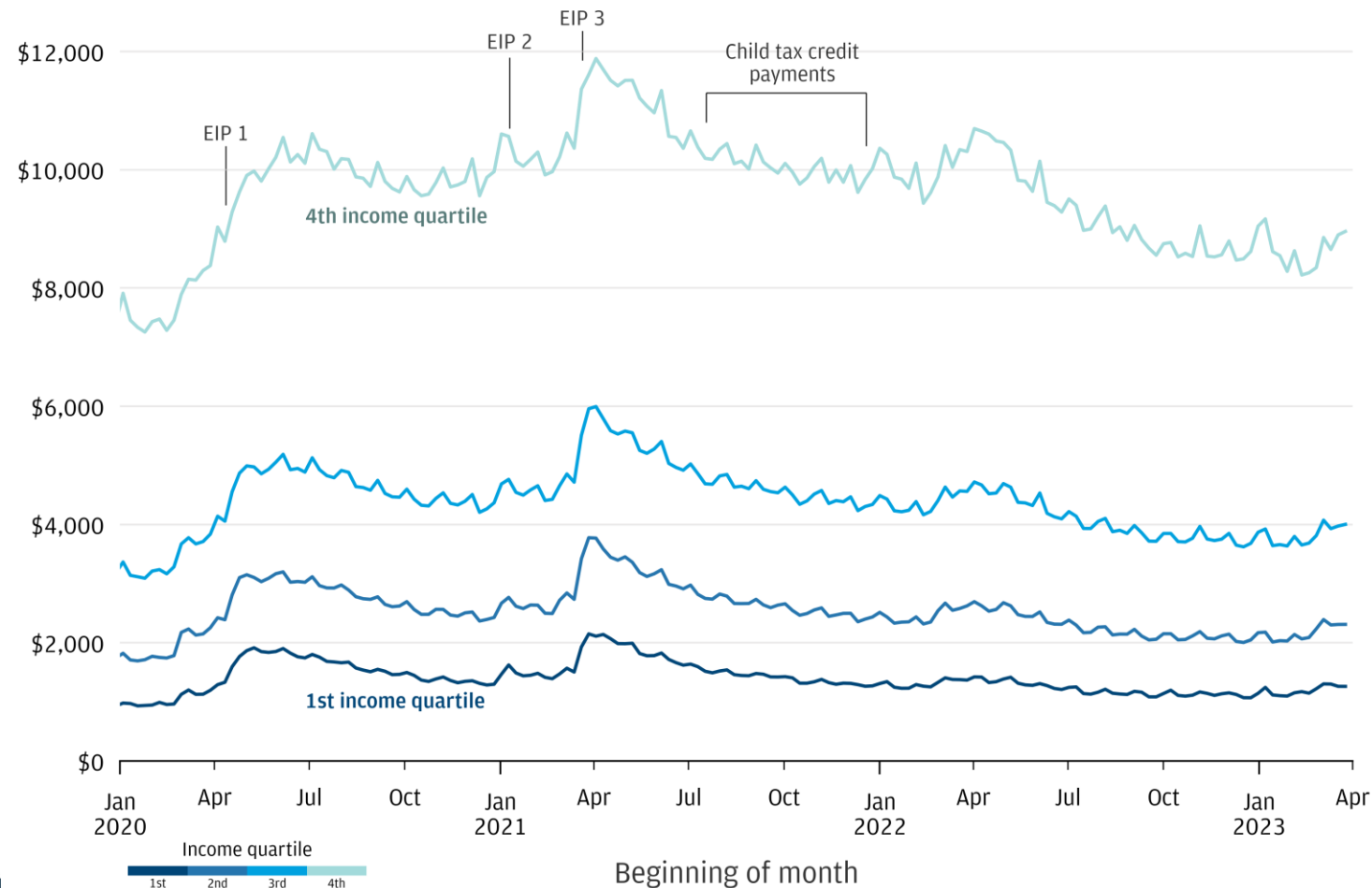


Source: BLS, PPI



Consumer Savings Coming Back Down

Median real weekly cash balances, by income quartile



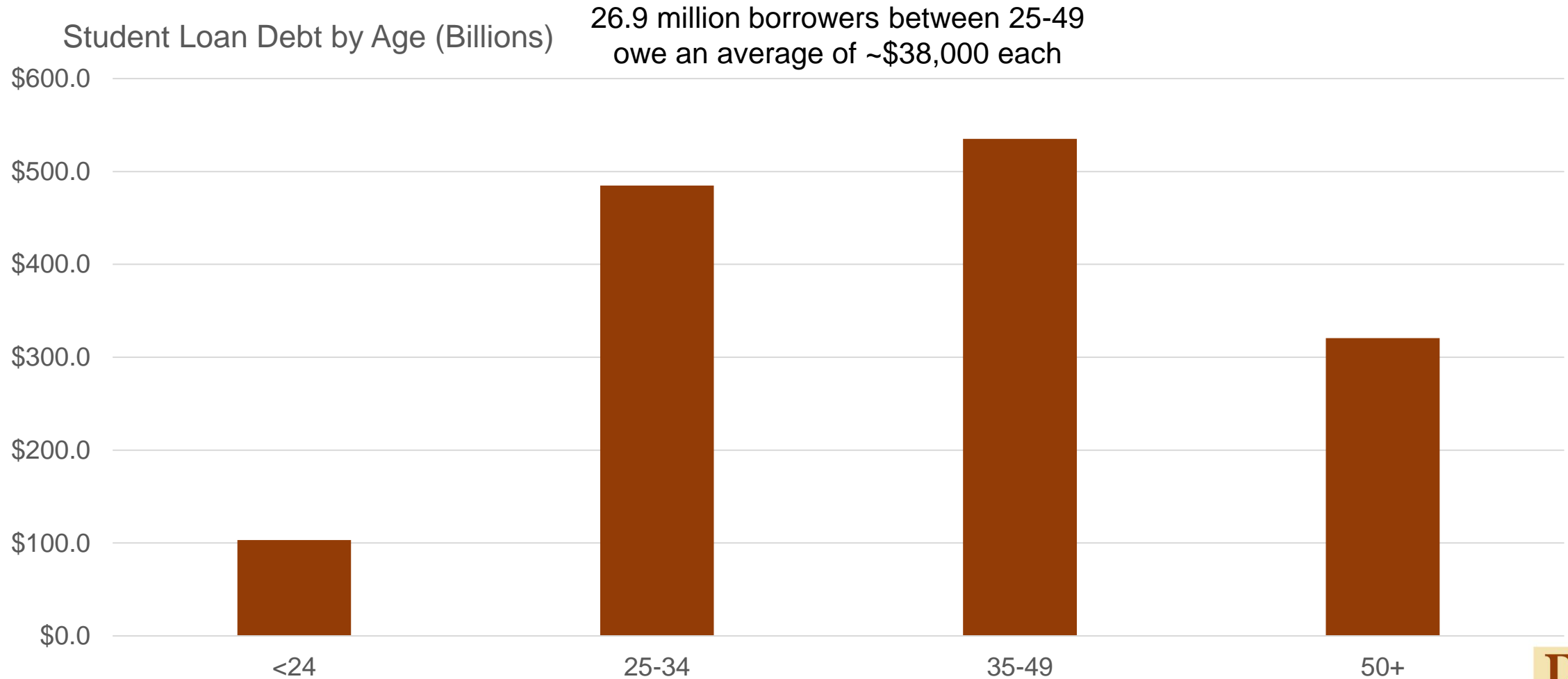
Note: We assign households into income quartiles based on the relative rank of their annual incomes in 2019, 2020, 2021, and 2022. Cash balances include combined checking and savings account balances, adjusted for inflation using the Consumer Price Index (CPI) with a January 2019 reference point.

Source: JPMorgan Chase Institute

Student Loan Restart

- Payments likely to restart this fall
- Payments equivalent to 3% of retail/food service spending (Jeffries estimate)
- NBER Study: “We find a large stimulus effect, as borrowers substitute increased private debt for paused public debt”
 - I.e. people took on new debt...

Prime Craft Ages



Source: Dept. of Education



Thank you!



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