Beer
History, Politics, Economics, Demographics, and so much more…

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Beer’s Long and Great History

• Archaeologists discovered a four-thousand-year old Mesopotamian clay tablet. One of the oldest objects with writing on it. Turns out, the ancient Mesopotamians were recording a recipe for beer.

• Theorize that when people learned to ferment grain into beer more than 10,000 years ago, it became one of his most important sources of nutrition. Beer gave people protein that unfermented grain couldn't supply. Provided safe hydration.
Why did colonist land at Plymouth Rock?

• "We could not now take time for further search or consideration, our victuals being much spent, especially our beer, and it being now the 19th of December" (*Mourt's Relation*, 1622, commonly attributed to colonists William Bradford and Edward Winslow).

• First Brewery established on Island of Manhattan in 1623

• George Washington was an accomplished brew-master himself. The father of our country maintained a private brewery at Mount Vernon. And his handwritten recipe for beer-is still on display at the New York Public Library.
Beer Taxation

On Aug. 1, 1862, the Lincoln administration enacted a recently passed tax of $1 per 31-gallon barrel on “all beer, lager beer, ale, porter and other similar fermented liquors, by whatever name such liquors may be called.”

1 beer barrel = 31 gallons
1 beer barrel = 13.78 cases
1 beer barrel = 331/12 oz serves
1 beer barrel = 248/16 oz serves

Do not confuse with Petroleum Industry 42 gallon barrel. AKA Blue Barrels
The First Beer Lobbyist
Lobbying Against Taxes Despite a Civil War

- Formation of Brewers Association in 1862 and Frederick Lauer of PA became the first president. Also one of the first U.S. trade associations.
- Lobbied to lower tax to 60 cents per barrel in 1863 following rising grain and hops during war.
- In 1864 the tax was raised back to $1.00 (wars are expensive)...
- in 2017 the CBMTRA reduced taxes from $7.00 to $3.50 for small brewers (60,000 barrels) and $18 to 16 on first 6 million barrels for larger brewers.
Prohibition
The “Great Experiment”

• Prohibition lasted From 1920 to 1933
• Started way before 1920 - May 1657 General Court of Massachusetts made “strong liquor illegal”
• Economic arguments - Henry Ford insisted that all his employees completely abstain from alcohol
• Jan 17, 1920 Volstead Act was passed and the 18th Amendment ratified. (overriding Pres. Wilson’s veto)
• April 7, 1933 Cullen-Harris Act was passed
• December 5, 1933 the 21st Amendment was ratified
• The Three Tier System with state based regulation. Promote and orderly market and independence between brewers, distributors and retailers
Number of Breweries in U.S. 1990 to 2018

1. 1920-1933: Prohibition kills the industry, except for medicinal, bootlegging and home brewing
2. 1945-1980: Consolidation of many small regional brewers into large nationals brewers. Refrigeration technology, at home consumption, etc
3. 1977-1978: Small brewer FET of $7.00 per barrel is introduced. President Jimmy Carter signed H.R. 1337 creating an exemption from taxation for beer brewed at home for personal or family use.
4. 1997-2004: The first craft industry shake out
5. 2017: Craft Beverage Modernization and Tax Reform Act (CBMTRA), which lowers the federal excise tax (FET) for breweries, wineries and distilled spirits producers.

Source: Brewers Almanac, NBWA Notations, 2018
U.S. Per Capita Beer Consumption
1900 to 2018 Gallons Per Person

A look at U.S. history through beer consumption

Source: Brewers Almanac, Beer Institute and NBWA, 2018.
Draft Beer Share of Market
1950-2018

The good old days of tavern and pub culture are long gone. Big TVs, packaged beer and move to the suburbs shifted consumption away from bars and taverns and into homes.

Source: Brewers Almanac, Beer Institute and NBWA, 2018
People Like to Go Out and Drink Beer

Beer has consistently been America’s preferred adult beverage in terms of sales and volumes from 1950 to present day...even with major shifts in consumers share of stomach and wallet.

1950 – Beer Belongs...on the Beach

2018 – Find Your Beach with a Corona
Alcohol Consumption Over Time
Do You Have Occasion to Drink Alcohol?

2017 US Breweries by Production Size

- 1M+:
  - % of US Production: 84.4%
  - % of Breweries: 74.3%

- 100K-1M:
  - % of US Production: 7.3%
  - % of Breweries: 24.3%

- 1K-100K:
  - % of US Production: 7.6%

- 1K or less:
  - % of US Production: 0.6%
Tracking Beer Supply

Industry Supply = Domestics (TTB) + Import (Commerce)
Segment Shares in Beer Industry
Imports vs Craft

Imports Share of Total Industry
(17.7% of Total Industry 2018)

Craft Share of Total Industry
(13% of Total Industry 2018)
# TTB Permitted Brewery Count

10,115 Permits as of December 2018

<table>
<thead>
<tr>
<th>State</th>
<th>Count</th>
<th>State</th>
<th>Count</th>
<th>State</th>
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<td>387</td>
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## Per Capita Permits (100,000 residents) Through December 2018

<table>
<thead>
<tr>
<th>State</th>
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Source: NBWA and TTB, January 2019

US Average = 4.1
## Top Five Suppliers vs. All Others

### Market Shares in U.S.

<table>
<thead>
<tr>
<th>Brewer</th>
<th>1977 Share</th>
<th>Brewer\Importer</th>
<th>2018 Share</th>
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</thead>
<tbody>
<tr>
<td>AB (1852)</td>
<td>23%</td>
<td>ABInbev (1366/1852/1888/2008)</td>
<td>40.8%</td>
</tr>
<tr>
<td>Miller (1855)</td>
<td>15%</td>
<td>Miller-Coors (1855/1873/2007)</td>
<td>23.5%</td>
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<tr>
<td>Schlitz (1849)</td>
<td>14%</td>
<td>Constellation (1940)</td>
<td>9.9%</td>
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<tr>
<td>Pabst (1844)</td>
<td>10%</td>
<td>HUSA (1864)</td>
<td>3.5%</td>
</tr>
<tr>
<td>Coors (1873)</td>
<td>8%</td>
<td>Pabst (1844/2014)</td>
<td>2.1%</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Top 5 in 1977</th>
<th>70%</th>
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<tr>
<td>All Others = 44</td>
<td>30%</td>
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<td></td>
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<tr>
<td>Total</td>
<td>100%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Top 5 in 2018</th>
<th>80%</th>
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</thead>
<tbody>
<tr>
<td>All Others = 7,000+</td>
<td>20%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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</tbody>
</table>

| Domestic Brewer Counts* | 49           | Domestic Brewer Counts* | 7,000+ |

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

U.S. Per Capita Beer Consumption
2010 to 2018 (Based on 21+ Population)

Source: U.S. TTB, U.S. Commerce and NBWA Industry Affairs
Beer Segment Shares
Growing High-End Beyond 40 Share

Average Weighted ABV for All Beer 2000 to 2017

- Average Weighted ABV = Sum of ethanol from each top 100 brands / total volume
- Covers 90% of total industry volume the balance of 10% is weighted at 5%
- All Craft Style = 5.4% weighted ABV vs All Light Beer = 4.2% weighted ABV

Source: NBWA Industry Affairs, 2018
Growth in ABV for Beer and Liquor
2010 vs 2017

Source: NBWA, Industry Affairs – Calculated on average weighted ABV across top 100/150 brands
United Kingdom
Per Capita Consumption of Total Alcohol (15+)

Sources: HMRC, National Statistics, BBPA, 2018
U.S. Population by Age
2017

Two generations at formidable transition points in their lives

40 is the most irrelevant age?

Fewer new drinkers each year

3 out of 4 people are 21+

Differences Across Age Groups
Alcohol Past 30 Days

21-24 drinkers are 9.0% of respondents / 7.3% of pop of population = 124

Source: NBWA and Scarborough USA+ 2018 Release 1
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.

Source: Compiled by NBWA from U.S. Census Bureau 2018
Shifting Consumer Demand
Who, Where and What People Drink

Cultural acceptance of alcohol sales spreading into barbershops, beauty salons, laundromats, libraries, zoos, theme parks, retirement homes, and many other non traditional drinking places.

Over 1,700 state alcohol laws have changed since 2012. More states have passed Sunday sales legislation and Sunday sales ban repeal efforts continue in 2019. Increased access for liquor across grocery and convenience channels.

Great beer is not enough. Brewers are expanding the beer experience with yoga, art lessons, and other experiential side shows: alpaca sheering and sweater knitting?
And, There is More Drinking.. at the Library...

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
Cucumber-basil infused vodka, lime, mint, triple sec, orange, shaken and strained

BEER

DRAFT - $7
Austin Beer Works - Bloodwork Orange IPA
Real Ale - Swifty American Pale Ale
St. Elmo - Earl Kalsch
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

E-Commerce, Apps and Alcohol

The Evolution of the Wine Club

- Amazon
- Drizly
- Minibar
- Klink
- Saucey
- Hopsy
- Total Wine
- USPS
As New Retail and E-Commerce Expands
The End of the Traditional Bar and Tavern?

U.S. BLS: Establishment Counts

Number of Establishments in Private NAICS 722410 Drinking places, alcoholic beverages for All establishment sizes in U.S. TOTAL
Beer Serves America
Economic Impact Study

- The beer industry generates 3.1 million jobs through direct, supplier and indirect employment.
- $382.2 billion in economic output for the U.S. economy – 2.0% of U.S. GDP.
- Pays $126.6 billion in wages and benefits.
- Generates $46.3 billion in taxes for federal, state and local governments. (consumption and business taxes)

www.BeerServesAmerica.com
Beer is Everywhere!
Thank you
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Twitter@joneslester