



Snapshot U.S. Domestic Market & Export

Trends

Craft Beer

June 2005

This brief provides overseas FAS personnel, USDA cooperators and private companies with a “snapshot” of the U.S. domestic market for craft beer, worth an estimated \$3.5 billion in retail sales in 2004, as well as current export trends.

1. What are craft beers?

The Brewers Association defines craft beers generally as “all-malt” beers produced using 100 percent malted barley. Craft beers that are not all-malt sometimes substitute corn or rice adjuncts. Compared to the large commercially brewed American beers, craft beers place the emphasis more on unique flavor rather than relying on mass-market appeal. The Brewers Association indicates that the best-selling American beers (American pale lagers) are usually brewed using 30 to 40 percent rice or corn, which are lower in cost than malted barley.

Inspiration for many of these beers comes from the British, German, or Belgian brewing tradition but is often uniquely American. Craft beers will range from golden light lagers to silky black stouts and from mild to strong in alcohol content. American craft beers may also at times include non-traditional ingredients such as fruits, herbs, or spices. *(Refer to Appendix: Table 1 – Craft Beer Styles Brewed in the United States).*

2. Why is this sector so significant?

Industry sources report that craft beer is the fastest growing segment of the beverage alcohol industry in the United States.

Even while 2004 proved to be a difficult year for the overall domestic beer industry, with sales growing by an anemic 0.6 percent, the craft beer industry’s retail sales grew by 7 percent compared to the preceding year. This growth, according to the Brewers Association, is part of a 35-year trend of increased production and acceptance of craft beers. *(See Appendix: Table 2 – U.S. Beer Production, Import, and Export Figures 1999-2004).*

Foreign imports, with only 1.4 percent growth, marginally performed better than America’s premium beer brewers yet nevertheless still reported their weakest growth in 13 years. Indicative of this trend has been the craft beer industry’s ability to outpace imports for two years running (2003 to 2004). *(See Appendix: Table 3 – Beer Sector Growth Comparisons 1999-2004).*

Retail sales of craft beer in 2004 were \$3.5 billion, up from \$3.3 billion in 2003, with projected 2005 sales of approximately \$3.6 billion or nearly a 3 percent jump from last years figures. *Mintel* estimates that the total 2004 U.S. beer market, excluding bar sales and imports, is \$40 billion. (See *Appendix: Table 4 – Total Domestic Craft Beer Retail Sales 1999-2005*).

As demand and consumption of American style pale lagers appears to be stagnant and imports slowing, interest in the wide variety of craft beers continues to grow. (See *Appendix: Table 5 – Sales of Craft Beer versus Imports 2000-2004*). The Brewers Association reports that craft beer volume growth outpaced that of imports, large brewers, wine and spirits. Industry sources estimate that sales of craft beer in 2004 range between 6.5 million and 7 million barrels, accounting for 3 percent of the U.S. domestic market and around a fourth of the size of the imported beer sector. (See *Appendix: Table 6 – Domestic U.S. Market Share Breakdown 2004 and Table 8 – Market Share of Imported Beer versus U.S. Domestic Production – 2004*).

3. *What are key issues facing the entire beer industry?*

Market issues:

- Overall flat sales combined with the requirement to compete against imports and other perceived premium products.
- Consumers, especially in the 21-34 demographic, increasingly experimenting with spirits and mixed cocktails, as well as drinking more wine.
- Premium beers continue to cannibalize standard and economy lagers' market share.
- For craft beer brewers the current structure of the U.S. beer distribution system is often a significant barrier to growth and survival.
- Craft brewers are experimenting with creative labeling; packaging in 4 and 12 packs, mixed styles and larger bottles.
- Cold, wet weather negatively impacts beer sales.

Governmental issues:

- *Fighting Illegal Underage Drinking* – the public's concern about illegal underage drinking has prompted industry leaders to call on brewers and wholesalers to reach out to Congress to let it know about the aggressive actions the beer industry is taking to fight alcohol abuse, drunk driving, and illegal underage purchase and consumption.
- *Industry's Desire to Repeal the '91 Excise Tax on Beer* – the industry continues to seek the repeal of the last doubling of the federal excise tax on beer.

4. *What are the overall trends in the U.S. craft beer market?*

Craft brewers are capitalizing increasingly on the fact that many of today's consumers, especially those within the 24-31 demographic (accounts for 20 percent of the U.S. population), are trying something other than lagers. Barrelage figures for almost all brewers, with the exception of the major non-craft brewers, has experienced decent growth with gains concentrated in the upper end of the craft beer category. (*See Appendix: Table 7 – Comparison of Craft Beer, Liquor, and Wine Value Growth 2003-2004*).

With Americans becoming increasingly concerned about their health, some are turning to low-carb diets and fitness regimes. A number of craft brewers, following the example set by the larger brands, have sought to brew low-carbohydrate versions of their beers to meet growing demand for beer products that are low-carb diet friendly. Nevertheless at the other end of the spectrum, experimentation of beer styles remains strong. Examples include Imperial India Pale Ales and wood-aged beers as well as chocolate bocks. Breweries are also improving their packaging with the intention of better setting apart their products on store shelves.

5. *What are the product trends?*

With U.S. consumers looking to expand their tastes beyond traditional light lagers, the potential for U.S. specialty beers remains strong. Though many craft brewers have recreated the brewing traditional styles of Europe as part of the learning process, many of these have sought to innovate on those ales and lagers and make something uniquely American. Consequently, American craft beers often seem to literally jump from the glass thanks to the liberal use of American hops.

In the pursuit of innovation and flavor-rich beers, there has been a recent revival in interest not only in pre-prohibition pilsners but also a willingness to experiment with even sorghum and local fruits and berries. The Belgian brewing tradition with its sour red strong ales, dark saisons, and liberal use of wild yeasts (i.e. *Brettanomyces*) and bacteria, continues to deeply influence American craft beer brewing but often is tweaked by racking in bourbon barrels. Look for 21-34 year-olds to drive demand innovation within the craft beer industry.

6. *What are recent U.S. import and export volumes of craft beers?*

U.S. import and export data do not track craft beer products in the way the industry does. (*See Appendix: Table 2 – U.S. Beer Production, Import, and Export Figures 1999 - 2004 and Table 8 – Market Share of Imported Beer versus U.S. Domestic Production –*

2004). All beers are classified within the generic HS code 2203-0000-00, making no distinction whether these beers are craft style beers or not.

Therefore, if we look at the overall beer category, the United States in 2004 exported \$164 million. Mexico (\$52 million) was the biggest customer, purchasing about a third of total exports. Canada (\$50 million) was the second best customer for beer.

The United States imported about \$2.7 billion worth of beer from all sources. Mexico, with exports of \$1.1 billion, was the premier supplier to the United States of imported beer followed by the Netherlands (\$894 million), and Canada (\$220 million). Demand for Mexican brands has strengthened from the growing Hispanic culture in the United States.

Industry sources estimate craft beer exports by volume to exceed 532,000 gallons in 2004 with an export value of roughly \$3 million. The forecast for 2005 is for export volume to surpass 576,000 gallons with an export value of over \$3.1 million. The Brewers Association indicates that of the total global beer sales of 39 billion gallons in 2003 (the latest figures available), 20 percent of overall world production in beer is for craft beer and that 3 percent of this is exported.

7. Which foreign markets offer good opportunities for U.S. craft beer?

The Brewers Association, industry sources, and FAS posts overseas alike indicate that there is growing interest for U.S. craft beer products in the more developed markets of Japan, North America, and Western Europe.

Consumers in the United Kingdom, Sweden, and even Belgium are trading up to imported and specialty beers despite the higher prices often commanded by these beers. Mature markets such as the United Kingdom's, which offer little opportunity for significant volume growth, are nevertheless receptive to the new tastes and higher quality often provided by niche and specialty beer products. Even in Japan's market, long dominated by domestic light lagers and characterized in recent years by weak growth, opportunities exist as that country's economy strengthens.

8. How can American/foreign buyers contact U.S. craft brewers?

Contact Bob Pease, Brewers Association's Vice-President, for information on the industry or for assistance in reaching specific companies. He may be reached by phone at 303-447-0816 (ext 101), fax 303-447-2825 or e-mail at bob@brewersassociation.org. The Brewers Association holds two main trade shows in the United States every year where buyers can meet with industry contacts and get a glimpse of future trends including retail products, ingredients, machinery, and packaging.

This year's *Great American Beer Festival* will be held from September 29 through October 1, 2005, in Denver, Colorado. For additional information call 303-447-0816, 1-888-822-6273 (U.S. and Canada only) or e-mail info@brewersassociation.org. Additional information can also be found at <http://www.beertown.org/events/gabf/index.htm>.

The 2006 *Craft Brewers Conference and Brewexpo America* will be held in Seattle, Washington, (April 11 to 14, 2006) in conjunction with the *World Beer Cup* (biennial) judging and *Gala Awards* dinner. Contact Nancy Johnson, Events Director for the Brewers Association for more information (phone: 303-447-0816, extension 131 or e-mail: nancy@brewersassociation.org).

9. How should I keep up on industry developments?

To keep up on craft beer trends, refer to the Brewers Association's publication called *New Brewer*. The journal covers industry trends, data, and recent developments, as well as carries articles on important and timely issues that concern the trade. This bi-monthly journal is available for a fee at <http://www.store.beertown.org/shopdisplayproducts.asp?id=33&cat=The%2BNew%2BBrewer>. There is also the weekly *Modern Brewery Age* that talks about new products and trends and is available for a fee at <http://www.breweryage.com>. *All About Beer* is another bi-monthly industry specific publication that tracks the beer industry's trends, marketing practices, and product developments and is available for a fee from <http://allaboutbeer.com>.

For questions or comments, contact: Mariano Beillard, Economist, USDA, Foreign Agricultural Service, Processed Products Division. (Phone: 202-720-9899 or e-mail: mariano.beillard@fas.usda.gov). Foreign buyers may contact FAS offices overseas for assistance (<http://www.fas.usda.gov>).

Appendix

TABLE 1: CRAFT BEER STYLES BREWED IN THE UNITED STATES

ALES			PORTERS	WHEAT BEERS
<ul style="list-style-type: none"> ➤ Barley Wine ➤ Belgium-style (Flanders, Dubbel, Tripel) ➤ Belgium Lambic (Gueuze/Fruit) ➤ Bitter Ale ➤ Brown Ale or Nut Brown Ale (American, English, and German) ➤ Cream Ale ➤ French-style Bière de Garde ➤ French-Belgium Saison ➤ Golden or Blonde Ale 	<ul style="list-style-type: none"> ➤ India Pale Ale (Imperial or Double) ➤ Kölsch ➤ Old Ale ➤ Pale Ale (Belgium, English, and American) ➤ Red Ale (Irish, Imperial or Double, American/ Amber) ➤ Scotch Ale ➤ Strong Ale ➤ Summer Ale 	<ul style="list-style-type: none"> ➤ Brown Porter ➤ Robust Porter 	<ul style="list-style-type: none"> ➤ Belgium-style (Wit)/Wheat ➤ Berliner-style Weisse Hefeweizen ➤ South German-style Kristal ➤ South German-style Dunkel ➤ South German-style Weizenbock ➤ Weisse/Weissebier, Weizenbier ➤ White Beer or White Ale 	
LAGERS			STOUTS	
<ul style="list-style-type: none"> ➤ American Lager ➤ American-style Light Lager ➤ American-style “Light” Amber lager ➤ American-style Amber Lager ➤ American-style Premium Lager ➤ American Ice Lager ➤ American-style Märzen/Okttoberfest ➤ American Dark Lager ➤ Dortmunder European-style Export lager ➤ Dry Lager ➤ European Low Alcohol Lager/German licht bier 	<ul style="list-style-type: none"> ➤ Müncher-style Helles ➤ Pilsener (American, Bohemian, European, and German-style) ➤ Vienna-style Lager ➤ German-style Märzen/Oktoberfest ➤ European-style Dark/Münchner Dunkel ➤ German-style Schwarzbier ➤ Bamberg-style Rauchbier Lager 	<ul style="list-style-type: none"> ➤ Classic Irish-style Dry Stout ➤ Foreign-style Stout ➤ Imperial Stout ➤ Specialty Stout ➤ Sweet Stout 	<ul style="list-style-type: none"> ➤ Australsian or Tropical-style Light Lagers ➤ Dry Beer (Japanese) ➤ Monastery/Abbey and Trappist Beers ➤ Non-Alcoholic Beer ➤ Steam Beer 	
LAGERS			BOCKS	OTHERS
<ul style="list-style-type: none"> ➤ American Lager ➤ American-style Light Lager ➤ American-style “Light” Amber lager ➤ American-style Amber Lager ➤ American-style Premium Lager ➤ American Ice Lager ➤ American-style Märzen/Oktoberfest ➤ American Dark Lager ➤ Dortmunder European-style Export lager ➤ Dry Lager ➤ European Low Alcohol Lager/German licht bier 	<ul style="list-style-type: none"> ➤ Müncher-style Helles ➤ Pilsener (American, Bohemian, European, and German-style) ➤ Vienna-style Lager ➤ German-style Märzen/Oktoberfest ➤ European-style Dark/Münchner Dunkel ➤ German-style Schwarzbier ➤ Bamberg-style Rauchbier Lager 	<ul style="list-style-type: none"> ➤ Doppelbock ➤ German-style Eisbock ➤ German-style Helles Bock/Maibock ➤ Traditional German-style Bock 	<ul style="list-style-type: none"> ➤ Australsian or Tropical-style Light Lagers ➤ Dry Beer (Japanese) ➤ Monastery/Abbey and Trappist Beers ➤ Non-Alcoholic Beer ➤ Steam Beer 	

Source: Brewers Association, the Beer Advocate, and Epinions.

TABLE 2: U.S. BEER PRODUCTION, IMPORT, AND EXPORT FIGURES 1999 – 2004
(Quantities in millions of 31-Gallon Barrels)

	1999	2000	2001	2002	2003	2004
U.S. DOMESTIC PRODUCTION - SUPER-PREMIUM* - PREMIUM - SUB-PREMIUM - MALT LIQUOR	192.7	193.2	193.5	194.3	190.5	199.6
U.S. CRAFT BEER PRODUCTION	5.5	5.9	5.8	6.1	6.2	6.5
U.S. DOMESTIC PRODUCTION TOTAL	198.2	199.1	199.3	200.4	196.7	206.1
IMPORTS	17.4	19.5	21.2	22.5	23.0	23.2
EXPORTS	2.6	2.1	2.4	2.0	2.0	1.9

* Super-Premium beer products include light, "dry," and "ice" beers.

Source: U.S. Department of Commerce, Brewers Association, and Beer Institute.

KEY:

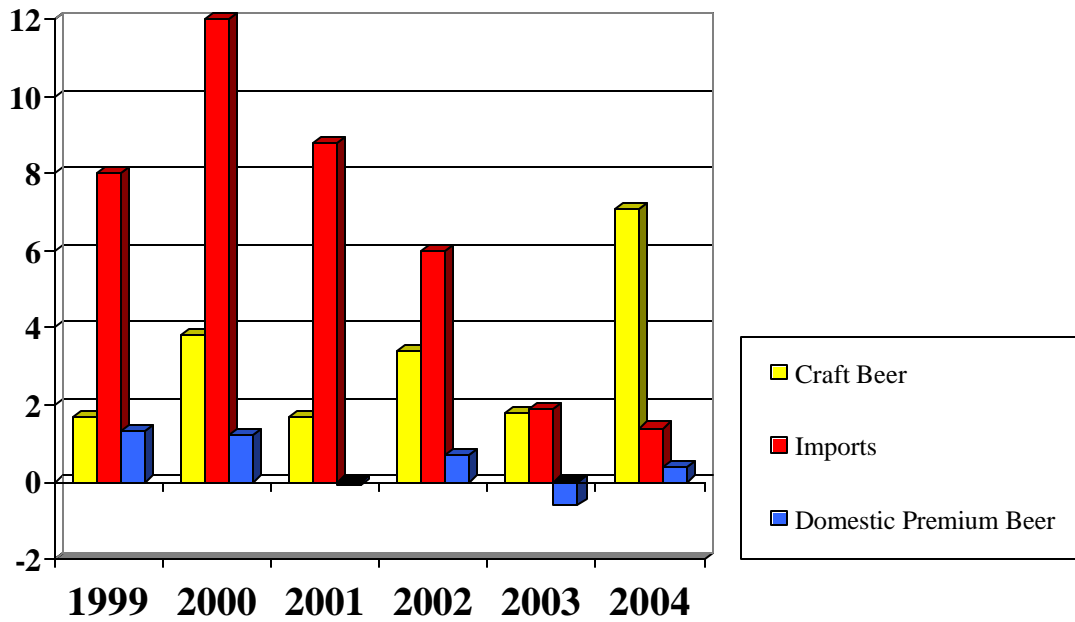
1 Barrel = 31 U.S. gallons = 3,968 ounces

31 U.S. gallons = 2 "half-barrel" (15.5 gallon) kegs

1 Barrel = 2 "half-barrel" kegs = 13.78 case equivalents (of 24 12-ounce bottles)

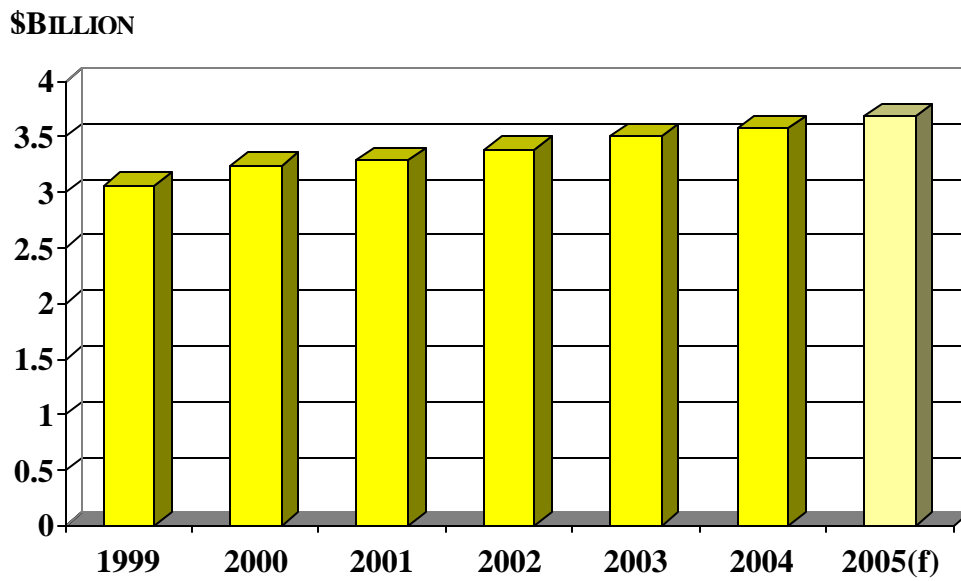
1 Barrel = 31 U.S. gallons = 117 liters

TABLE 3: BEER SECTOR GROWTH COMPARISONS 1999-2004



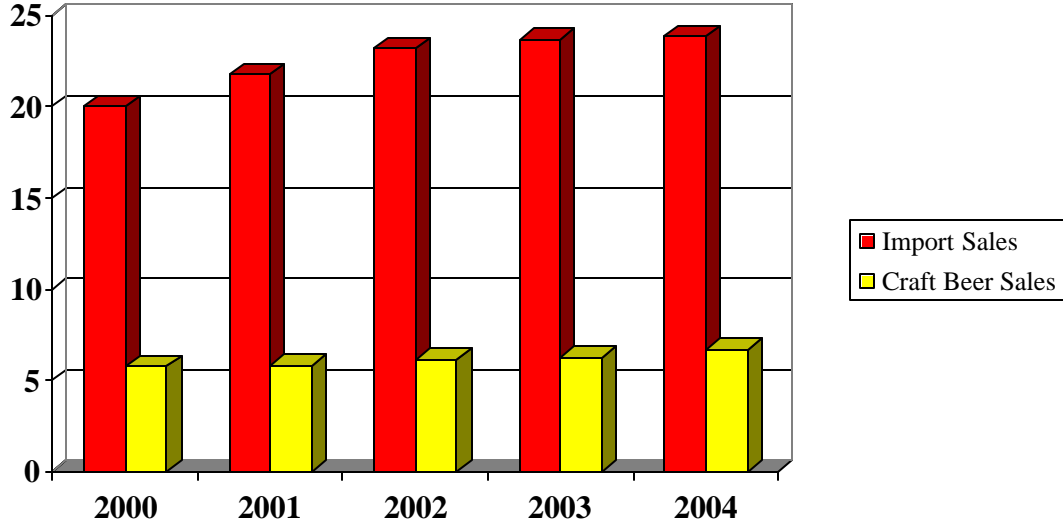
Source: Brewers Association

TABLE 4: TOTAL DOMESTIC CRAFT BEER RETAIL SALES 1999 – 2005(f)



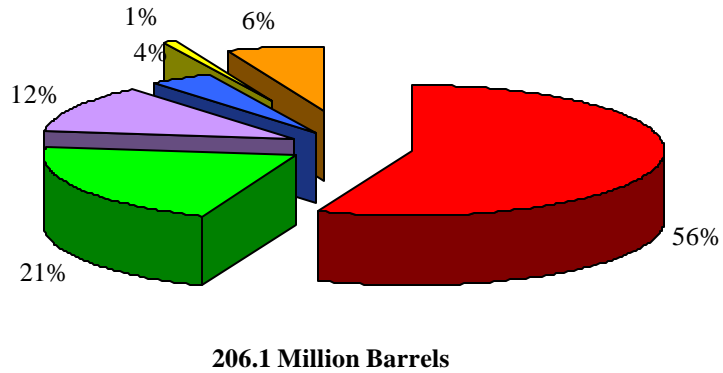
Forecast: Brewers Association.
Source: Brewers Association.

TABLE 5: SALES OF CRAFT BEER VERSUS IMPORTS 2000-2004
 (Quantities in millions of 31-Gallon Barrels)



Source: Brewers Association.

TABLE 6: DOMESTIC U.S. MARKET SHARE BREAKDOWN – 2004

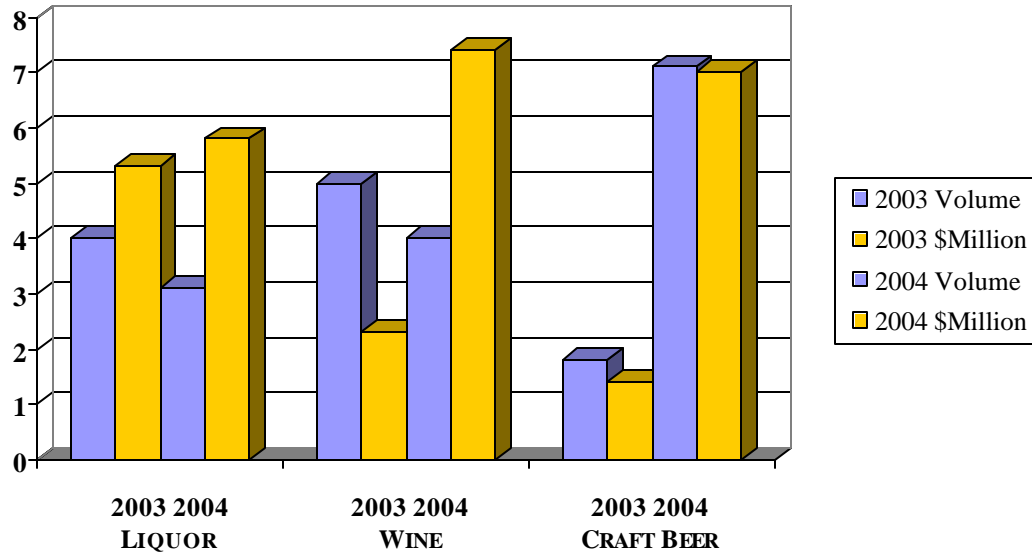


■ Anheuser-Busch ■ SABMiller ■ Molson Coors Brewing ■ Pabst ■ Yuengling ■ All Others

Note: The "all others" category includes craft brewers as well as the output of smaller, noncraft beer breweries.
 Source: Modern Brewery Age.

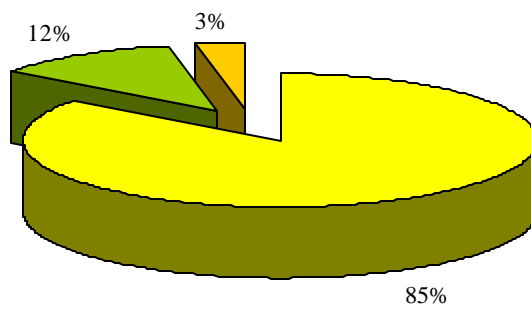
TABLE 7: COMPARISON OF PERCENT GROWTH BETWEEN CRAFT BEER, LIQUOR, AND WINE 2003-2004

PERCENTAGE



Source: Brewers Association.

TABLE 8: MARKET SHARE OF IMPORTED BEER VERSUS U.S. DOMESTIC PRODUCTION – 2004



229.3 Million Barrels

- Domestic Large Brewers & Traditional Regional Brewers
- Imports
- Domestic Specialty or "Craft" Brewers

Source: U.S. Department of Commerce, Brewers Association, Modern Brewery Age, Beverage Marketing Corporation, and BevExpo.



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[Click here to view the 380 U.S. Breweries at the festival](#)

The roster of beers at the GABF is the biggest collection of American beers ever presented in one location.

"The Great American Beer Festival is the world's best beer festival by far," says famed international beer writer Michael Jackson. "No other one comes close."

"That's a huge honor for us," the festival's marketing director, Cindy Jones, says of Jackson's praise. "Our festival is frequently compared to other festivals around the world, and Michael has attended and written about them all. It is a huge honor for him to recognize the Great American Beer Festival as the world's best."



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The annual **GABF Competition** -- the nation's most prestigious beer judging competition -- is also part of the festival. Brewers from around the United States anxiously watched as Judge Manager Chris Swersey announced this year's GABF Competition gold, silver and bronze medal winners in **69 different beer styles**.

2,358 Beers entered into the Competition from 461 U.S. Breweries

The GABF

Competition awards are among the most coveted in the beer industry and heralded by the winning brewers in their national advertising. Breweries enter their beers to be judged by the festival's Professional Judge Panel. The Panel awards gold, silver or bronze medals that are recognized around the world as symbols of brewing excellence.



See the Winners Announced Saturday, Oct. 1 at 1:30 in the Festival Hall.

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The ultimate goal of the Great American Beer Festival Judge Panel is to identify the three beers that best represent each beer-style category as described and adopted by the Great American Beer Festival.



The Great American Beer Festival is brought to you
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For more information email info@brewersassociation.org.

Beer photo ©2005



Last Year's FESTIVAL FACTS

- Nation's largest beer festival
- 28,000 in attendance over the 3 days
- 23rd year of the event
- 334 Breweries on the festival floor
- Over 1,454 Beers on the festival floor
- 398 Breweries participated in the competition
- 2,016 Beers judged in the competition
- 67 Categories were judged
- 100 Judges from four countries
- Avg. number of competition beers entered in each category: 30
- American Style India Pale Ale Category had the highest number of entries: 93
- 201 medals awarded
- Attendance ~ 28,000 ~ Up from 2003 by 27%
- 2,552 volunteers ~ Up from 2003
- 31,134 volunteer hours ~ Up from 2003



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