



Craft Beer Market Size Survey

Presented to:

Brewers Guild and Members

26th August 2009

**Market
Knowledge**

Market Knowledge Limited
Phil Dunbar
021 809304
phil@marketknowledge.co.nz



Background

- There are around 50 Craft Brewers in NZ
- Currently there is no market size information available -
- Such information will assist the industry and Guild to share with the public and media the size (and importance) of the Craft market
 - And allow members to determine how well they are performing within the wider craft market



FINDINGS

The question:

Volume brewed/sold:

1 st January 2008 to 30 th June 2008		hl / Litres
1 st July 2008 to 31 st December 2008		hl / Litres
1 st January 2009 to 30 th June 2009		hl / Litres

Kegs:

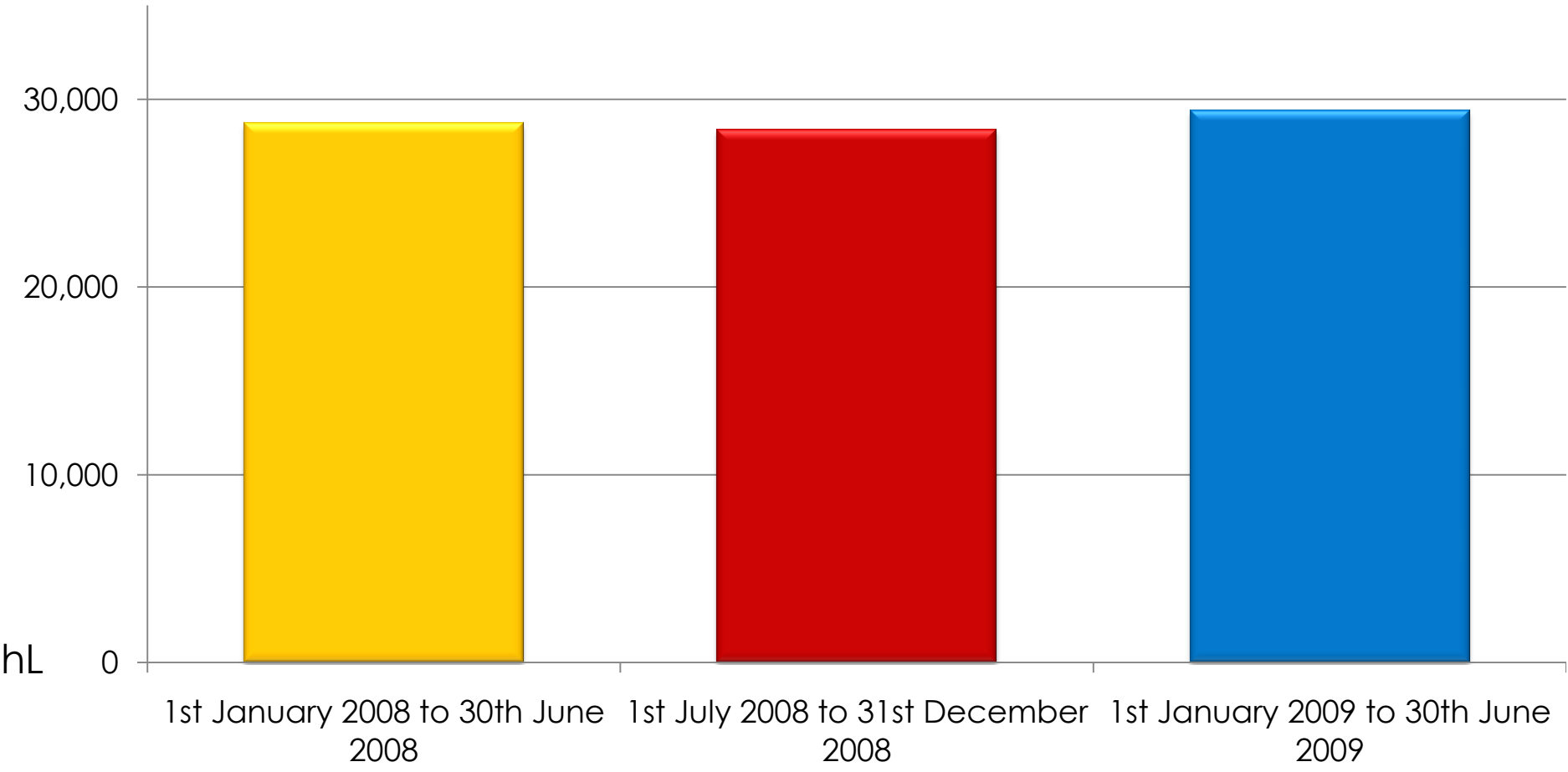
1 st January 2008 to 30 th June 2008		hl / Litres / number
1 st July 2008 to 31 st December 2008		hl / Litres / number
1 st January 2009 to 30 th June 2009		hl / Litres / number

Bottles:

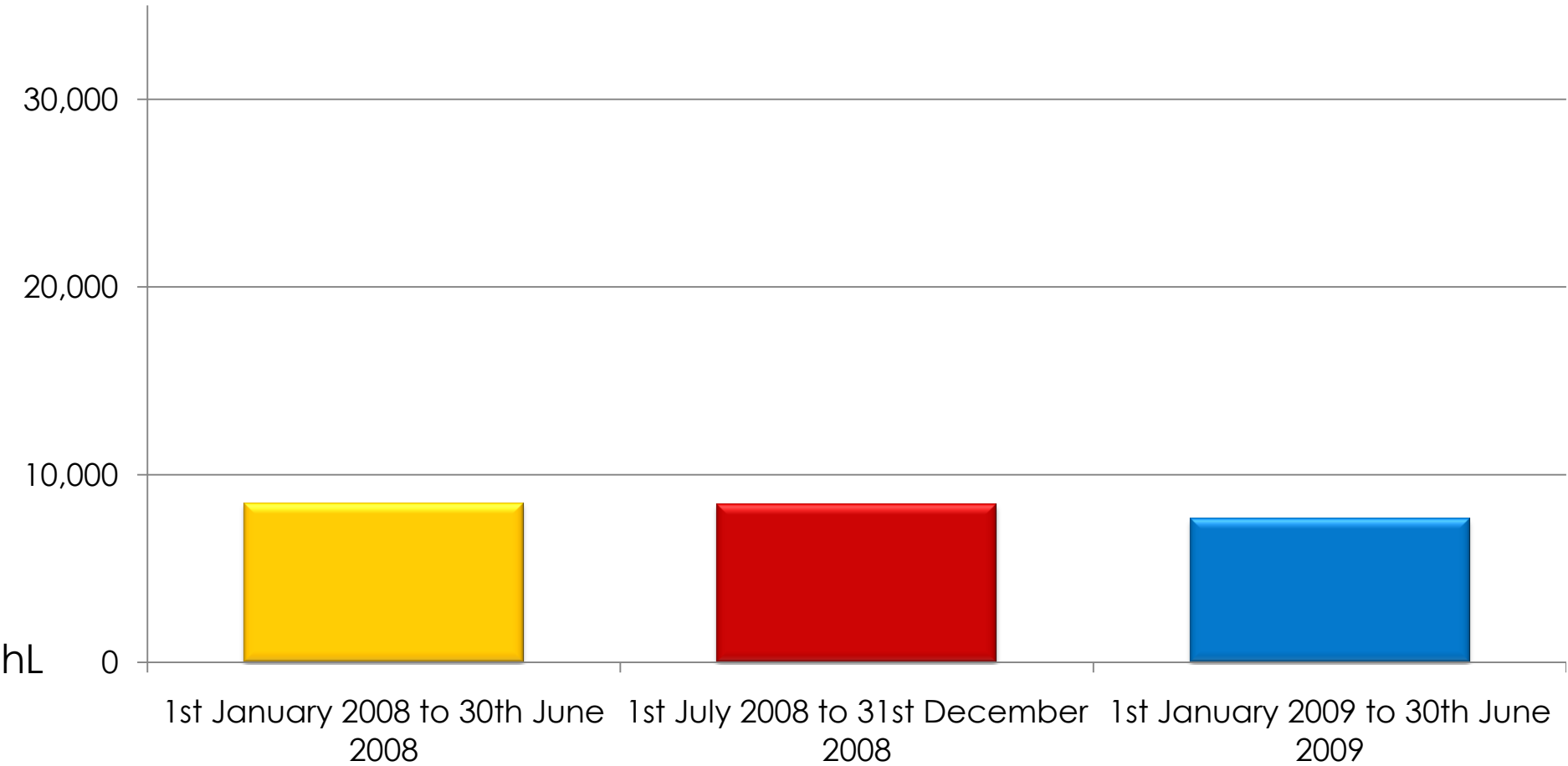
1 st January 2008 to 30 th June 2008		hl / Litres / number
1 st July 2008 to 31 st December 2008		hl / Litres / number
1 st January 2009 to 30 th June 2009		hl / Litres / number



Market Size – Total Volume



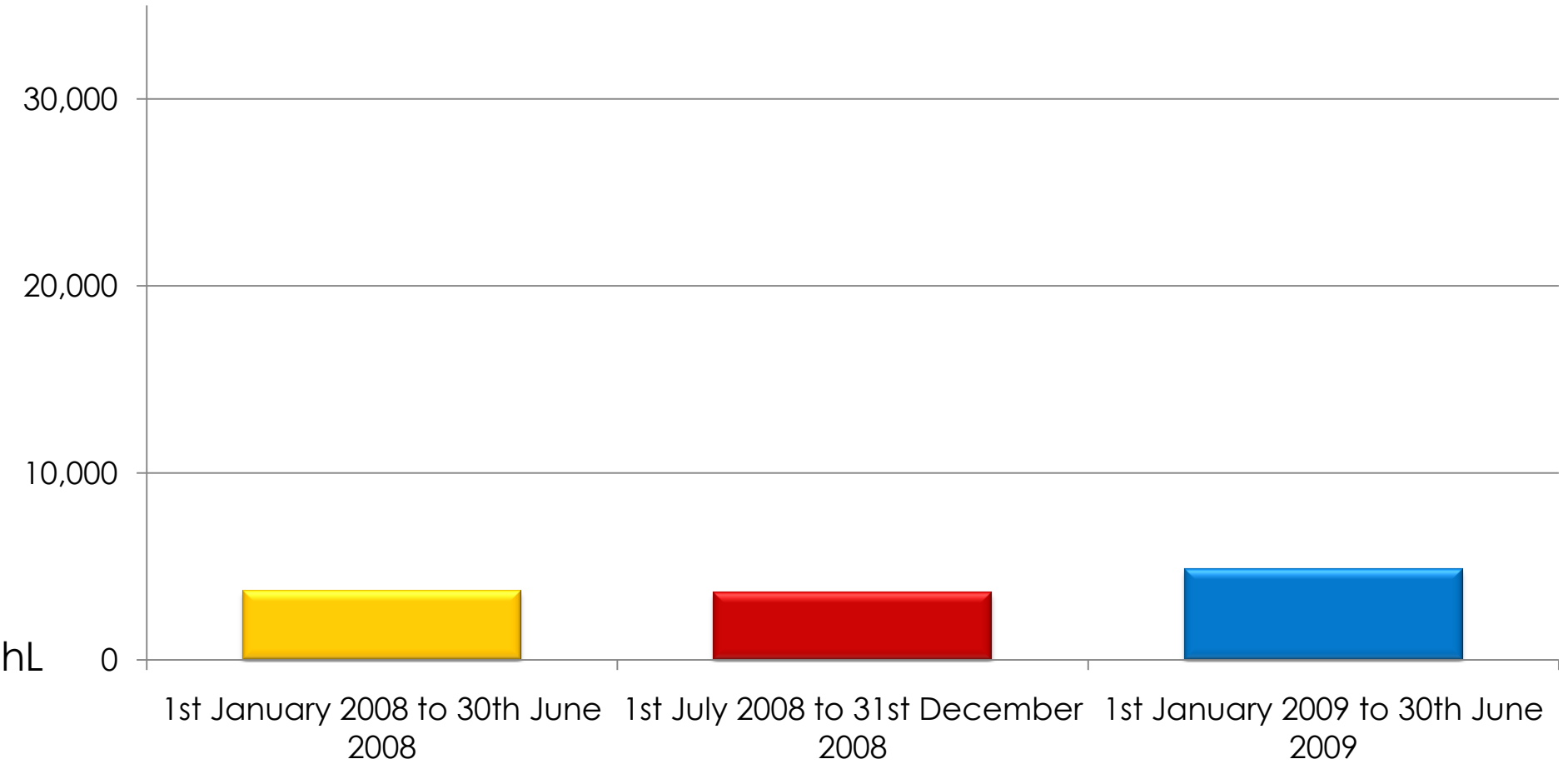
Results by Kegs Volume



Amongst those who 'supply' kegs



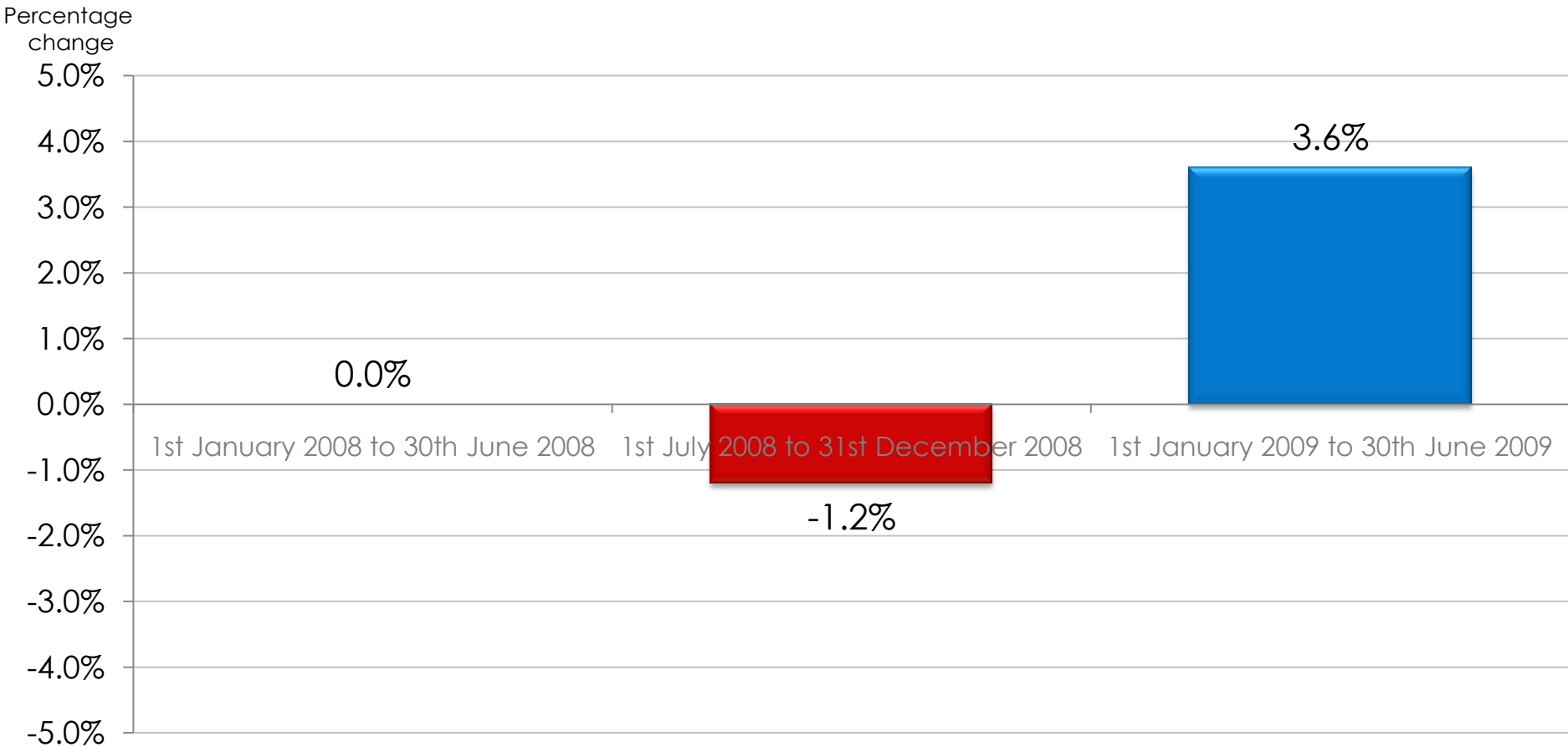
Results by Bottles Volume



Amongst those who 'sell' bottles



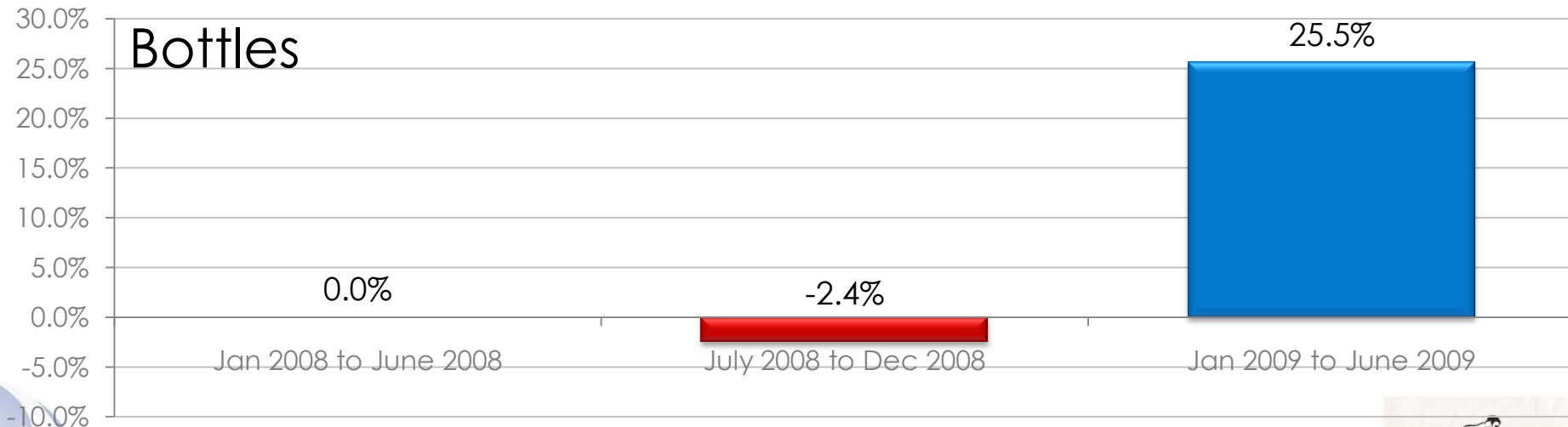
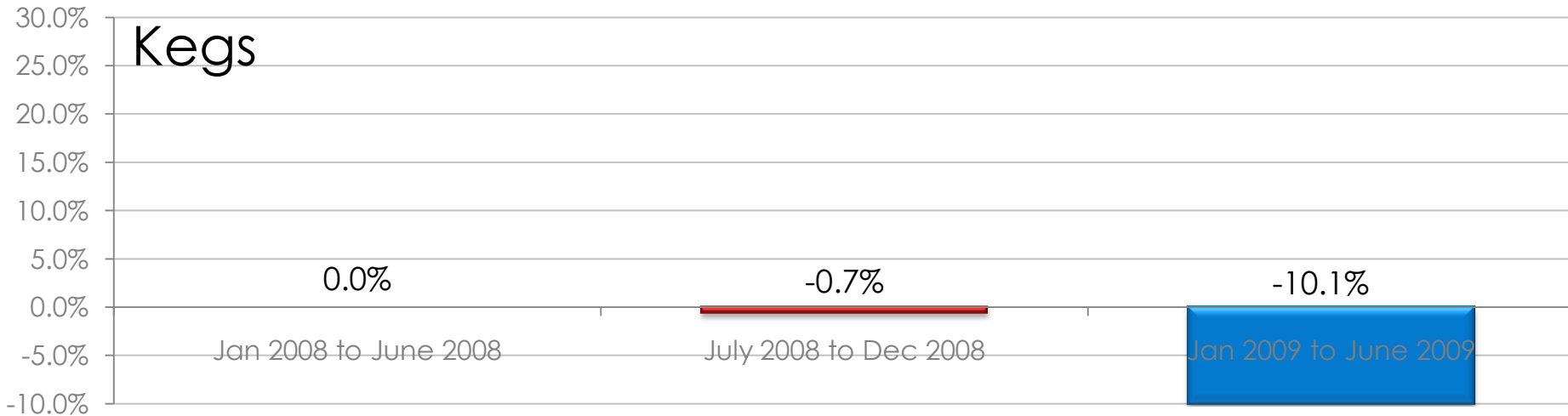
Market Size – Changes



Annual growth: 2008 – 2009:
2%



Market Size – Changes Kegs + Bottles



So how big is the Craft Market?

- With an annual volume of ~58,000hL out of a total beer market of 301m litres, the Craft Market accounts for 2% of the total
- Inclusion of Lion and DB craft brands (estimates) increases the Craft share of the total beer market to 7.5 – 8.0%
- By way of comparison, these proportions are slightly larger than the US market
 - This is dependent upon how the US Craft market is defined. Estimates range from between 4% and 6% (Craft Market share of total market in 2008)

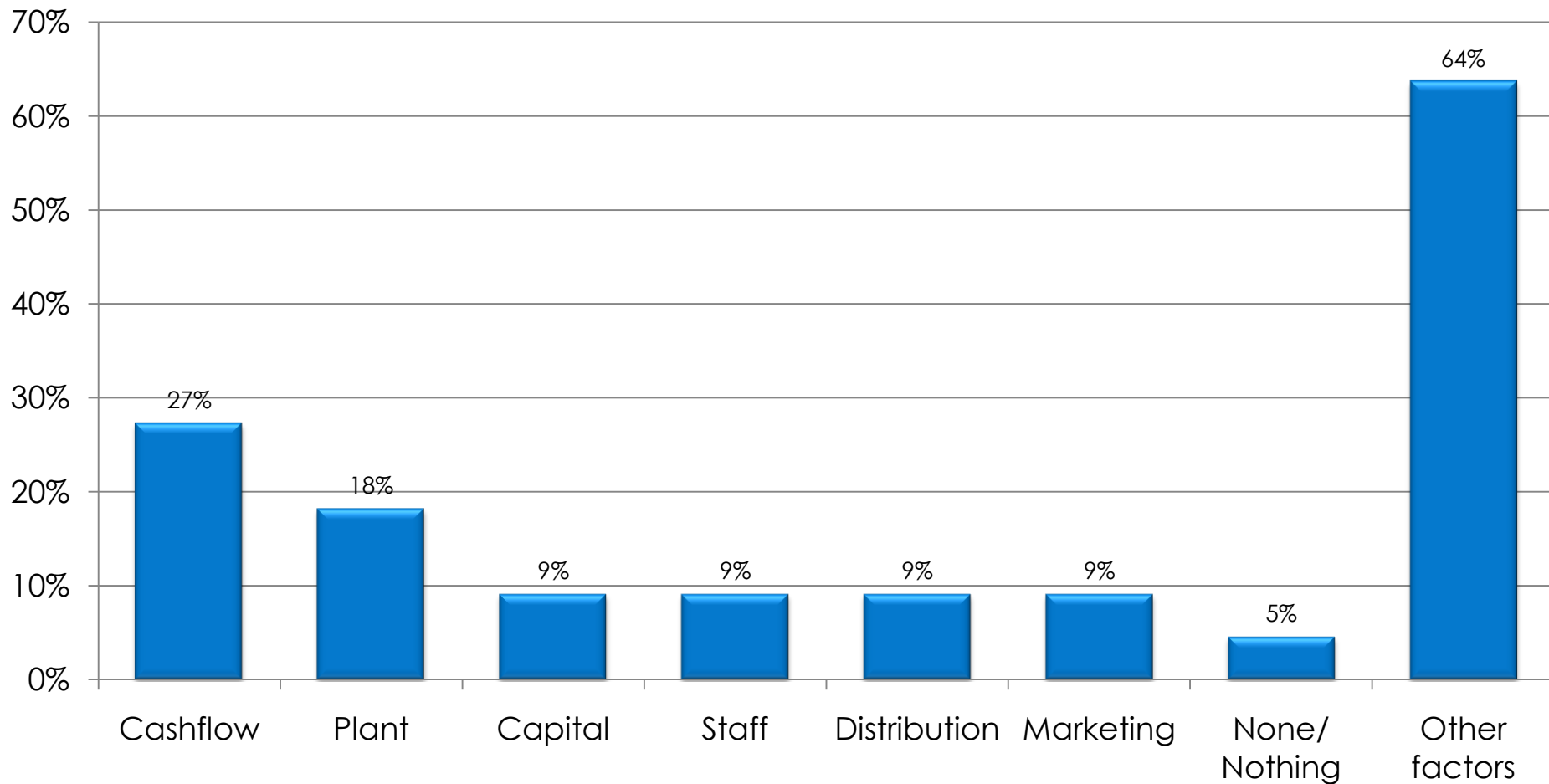
ADDITIONAL INFORMATION

Employment levels

- Generally small employers
- Employed in business (Mean FTE): 7.3
 - Range: 62 – 1
- Brew Staff: 2.2
 - Range: 12 – 1



Constraints to growth



So what other factors are constrains to growth?

General state of NZ economy

General economic climate conditions

General public attitude to boutique beer still struggling although is improving gradually

People's attitudes, - people not really into boutique beer. People not perceiving price and quality as worthwhile at the moment. Although this is slowly changing.

Labour, on the cusp of employing more people, but having to be very careful

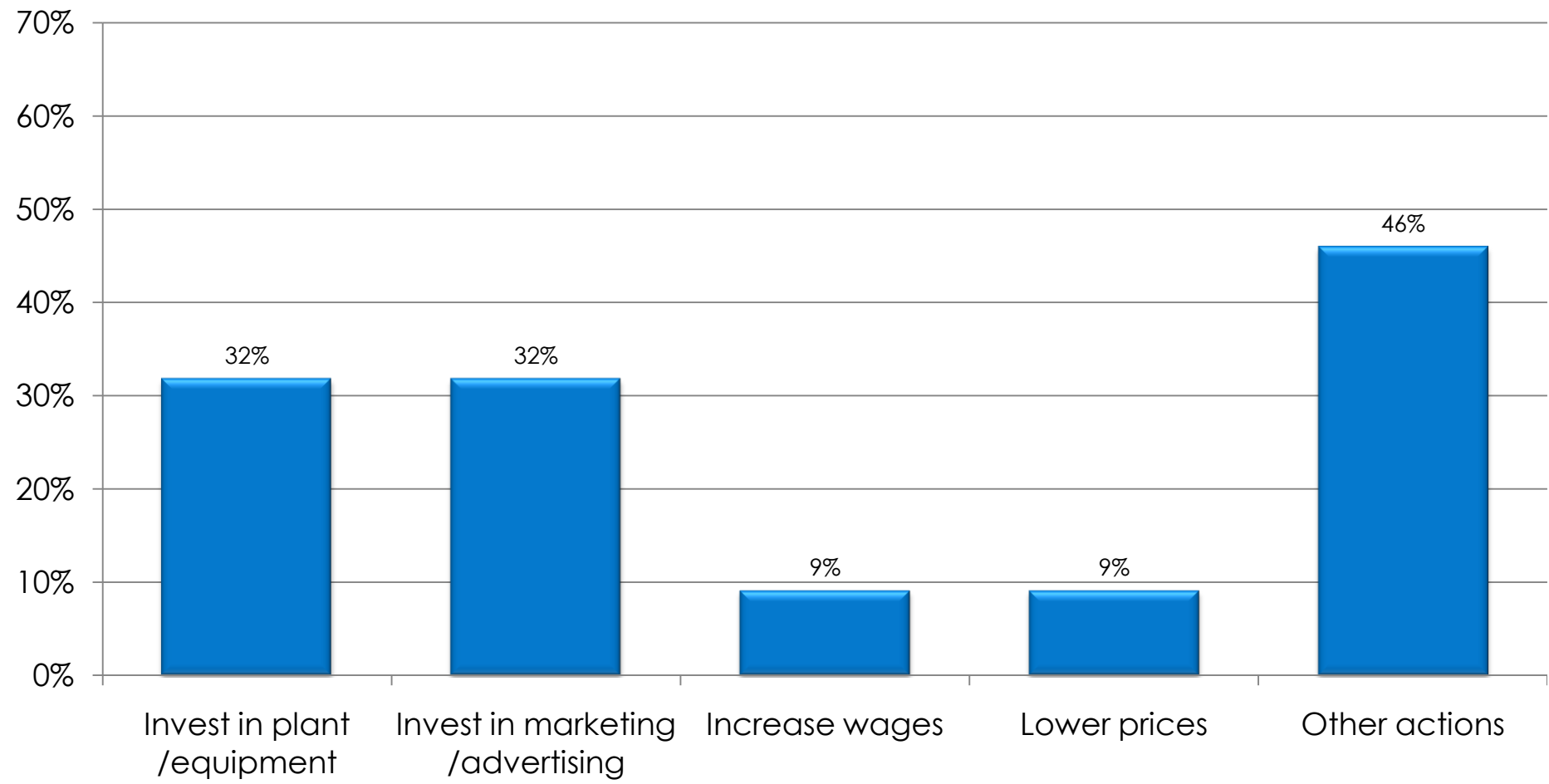
Excise duty!

Taxation. Heavily taxed industry

Thinks excise tax on brewer's rather than consumer. Maybe omit the first 10,000 litres as tax free



Excise tax – if it was reduced, what would you do?



What other actions would be taken?

Customers would expect the savings to be passed on

Reduce retail price, pass benefits onto consumers

Increase production, market research and development

Pay off overdraft and other business setup costs. Secondly work on production efficiency

Training and wages

Increase production, grow business

Buy better quality raw materials

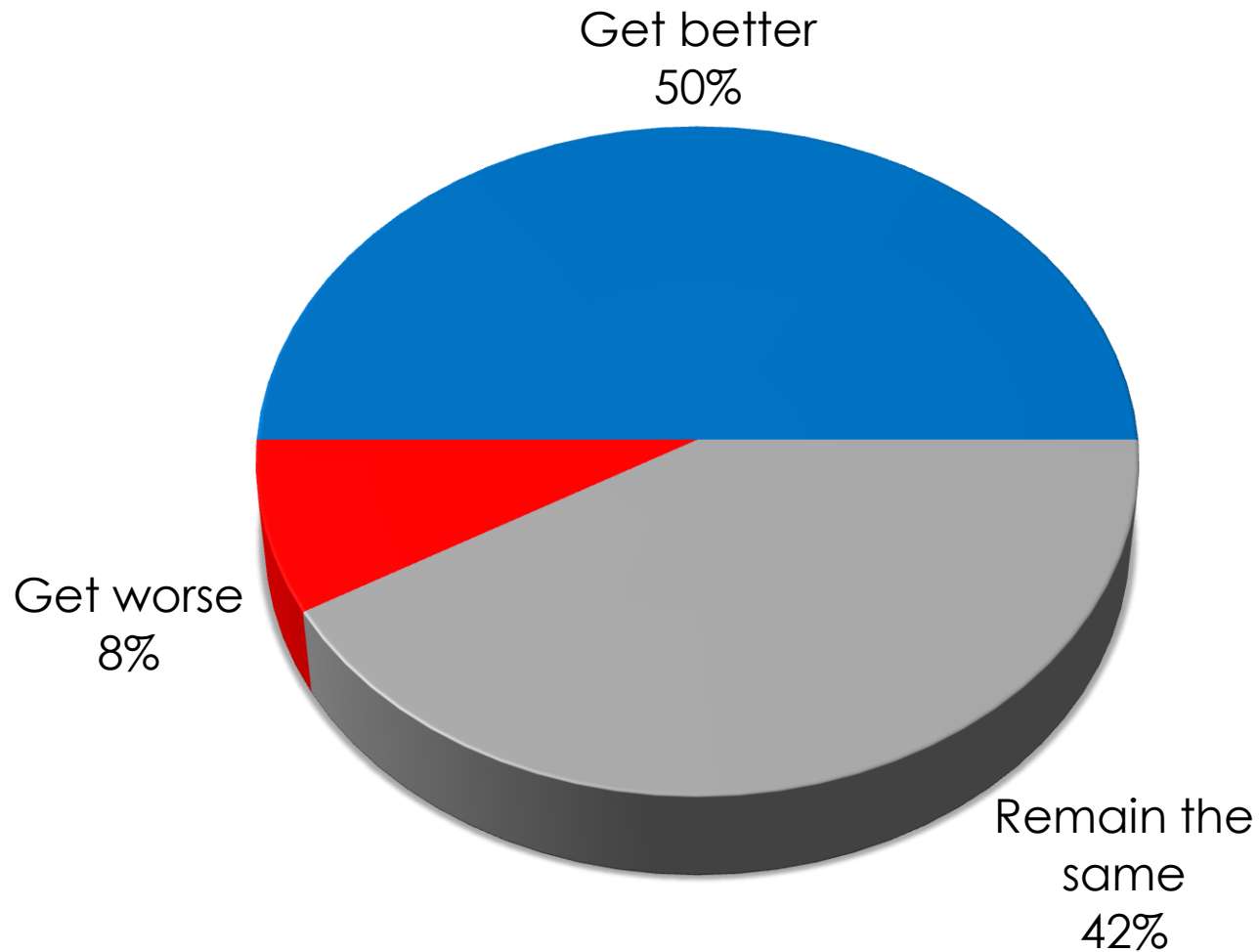
Confidence:

General comments

- Confidence results – TVNZ
 - 60% expect economy to get better in next 12 months
- National Bank Outlook survey
 - 19% expect improvement in business conditions, 13% better times ahead for their own business
- BNZ Business survey
 - 42% expect economy to improve over coming year

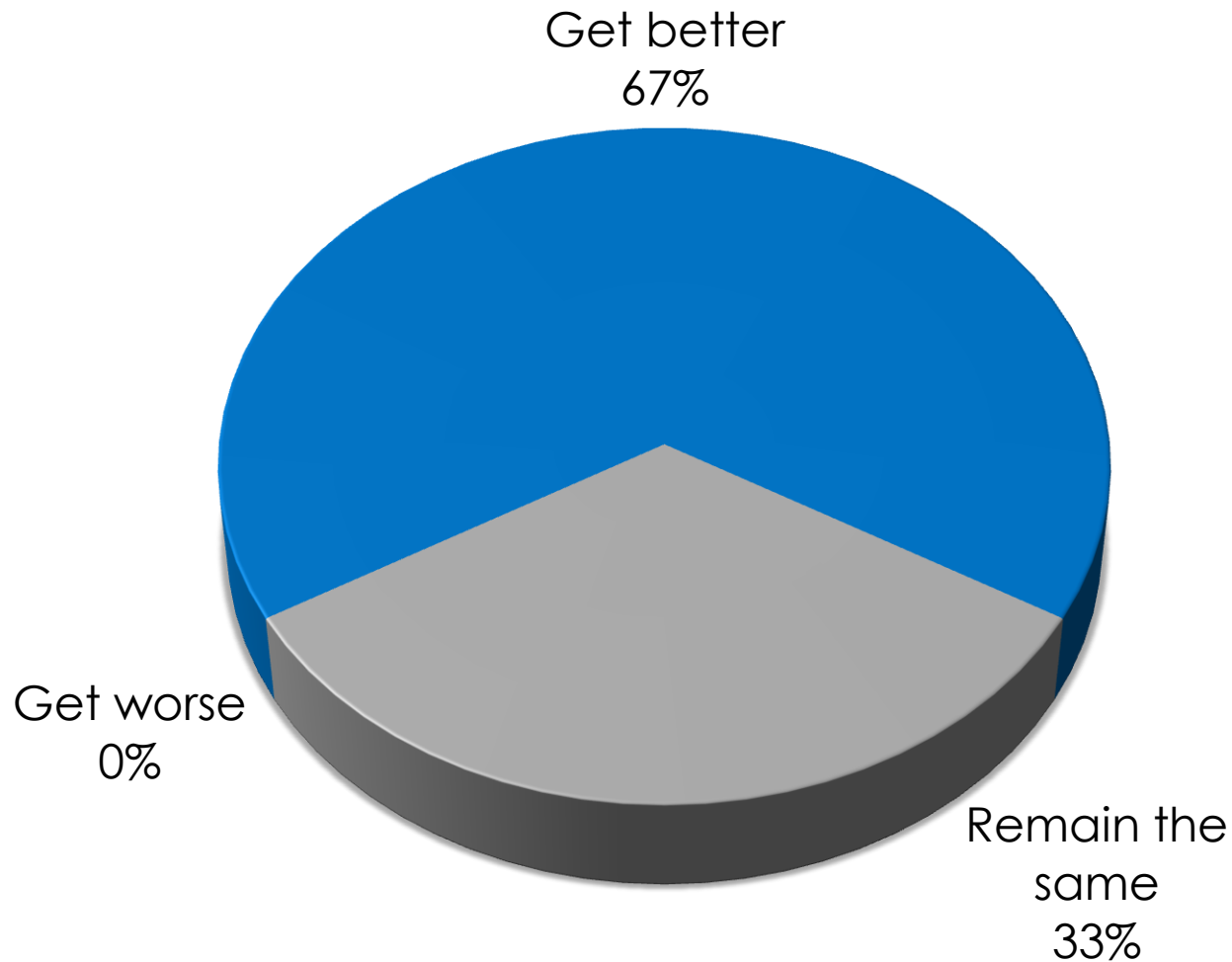


Confidence – Economy



Q. Do you think the economy will get better, be the same, or get worse in the next 12 months?

Confidence – Your Business



Q. And do you think your business will improve, be the same, or get worse in the next 12 months?

Issues facing you

General Survival – keeping up and ahead of economy while in growth stage, securing new clients

Cash flow, flexibility that comes with it

Keeping up with demand while maintaining brand integrity

Expanding client base. Can't produce enough currently

Recession has certainly had a great effect on the industry, increasing sales, up 20% this season, people rallying together for a beer, not sure how it could get much better!

Cost of ingredients and power, but can't put beer up or you'll lose customers

Regulating the criteria to enter the market so as not to over populate the industry with multiple small breweries at the expense of the existing ones.

Physical cost of imported, manufactured products

Q. What is the biggest issue facing you and/or your business (in the next 12 months)?

THE END

Questions or comments