




NEW ZEALAND CRAFT BEER

INDUSTRY INSIGHTS
EDITION FOUR, 2017



CONTENTS

Think global, drink local	01	NZTE export spotlight: Craft beer in Australia	14
Consumers first	02	What goes in to craft beer	17
State of the New Zealand craft beer market		Sales channels	18
by the numbers	04	Retail pricing	19
Financial benchmarking	07	Conclusion and acknowledgements	20
Investment scene	08	Contacts	21
New Zealand craft breweries	10	Appendix: NZTE successful exporting checklist	22

THINK GLOBAL DRINK LOCAL

Have New Zealand beer fans ever been better served? In compiling this year's report, our fourth, we start with the consumer in mind. With our estimate of at least 1,600¹ different beers on the market, a beer enthusiast has a myriad of choices, making for a 'quality problem'.

Brewing innovation continues and brewery growth blossoms. New hops, malts and yeasts mean brewers are spoiled for options. Growth in the number of new breweries has been brisk, leading some commentators to question if we've reached a limit². However in the noted North American beer states of Vermont and Oregon for example, one brewery exists for every 17,000 people (combined)³, versus our estimate of one for every 24,000 in New Zealand⁴. So can more New Zealand localities support their own brewery providing local provenance brews poured fresh?

As brewers concentrate on building a domestic base, export growth has been less of a feature with around 10 percent of beer produced in New Zealand destined for export⁵. Presenting beer to global markets in top condition is a challenge for our exporters as handling and shelf life is important. Nevertheless, export aspirations feature in this entrepreneurial space and we're happy this year to include in the report insights from New Zealand Trade & Enterprise, who shine a light on the export destination that's often the first step for budding Kiwi businesses - Australia.

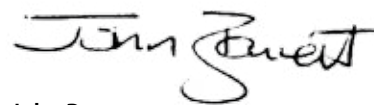
Thinking export and tourism, at recent ANZ focus discussions, brewers and stakeholders talked of the desirability of a distinctly New Zealand style of beer. One that travels well and could be associated with New Zealand, a beer equivalent of Sauvignon Blanc.

We think it's an interesting idea, offering a point of difference in international markets. A number of commentators believe New Zealand Pilsner⁶, brewed with our home grown hops, could be the signature style we're looking for. Alternatively New Zealand's unique botanical ingredients, such as Mānuka, could provide the answer⁷.

Which brings us back to consumers. As the 'craft'⁸ beer market grows and matures, we're applauding the efforts of brewers who are focusing on defining who they make beer for and the best way to get it to them.

We'd like to thank the very many people who have contributed their thoughts to this paper. Special thanks goes to Martin Craig of Beertown NZ Ltd for his writing and assistance throughout the assembly of this report.

Cheers!



John Bennett
General Manager Central Region
ANZ Commercial & Agri

CONSUMERS FIRST

A few pointers for consumers new to the sector.

Craft beer has gone from nascent to niche to almost normal in New Zealand and is now an option in the majority of liquor retail settings. We estimate that in the retail setting roughly \$1 of every \$5 spent on beer in New Zealand goes towards a beer that is marketed as craft. Craft's on-premise share is likely to be lower with the majority of taps tied to mainstream options however this is changing with the increase in free houses.

Given the growth in consumption of craft beer¹ and to a greater extent the range of craft beer products² now is a good time to bring some basics to the attention of those new to craft beer. Furthermore, sector stakeholders at a roundtable hosted by ANZ in July highlighted the importance of consumers being able to recognise good beer from bad given the number of new producers entering the market.

STYLES

This is a complicated, nuanced topic largely beyond the scope of this report. There are 152 beer styles listed in the Brewers Association Beer Style Guidelines³. Brewed: A Guide to the Beer of New Zealand by Jules van Costello and The Australian and New Zealand Beer Buyers' Guide by Ian Kingham et al are recommended reading.

“ALL TOO OFTEN I TALK TO A BEER LOVER WHO HAS SWORN OFF A PARTICULAR BEER OR PRODUCER BECAUSE THEY DID NOT ENJOY A HYPED-UP BEER THEY HAD FINALLY TRIED. NINE TIMES OUT OF TEN, HOWEVER, THE BREWER WAS NOT AT FAULT; IT WAS SIMPLY THAT THE BEER PICKED HAD PASSED ITS BEST, EITHER THROUGH POOR SHIPPING OR STORAGE OR SIMPLY AGE.”

Brewed: A Guide to the Beer of New Zealand by Jules van Costello

Barrel aged beers, the use of specialist yeasts, sour beers and crossover beers have recently gained attention and are something we can expect to see more of.

BUYING

New Zealand is well served by a range of craft beer outlets, however some do it better than others. The ideal outlet will handle and store the beer with care, make sure it's fresh, stock a wide range and be knowledgeable on the product. That's a tall order and with convenience and with price factored in there is no perfect option.

It's a good idea to check best before dates, especially if a product is not stored cold, looks like it has been on the shelf for a while, or has been imported. Alternatively many breweries offer cellar door sales. If you are lucky enough to have a local cellar door option it's a rewarding choice for both brewer and buyer – the brewer achieves a better margin and the buyer gets a fresher product with the ability to learn about it straight from the source. For these reasons localisation is expected to pick up. Indeed, there are already a number of examples of breweries prioritising their local market. The list of breweries on pages 10 & 11 identifies those with cellar doors or an on-premise license.

“WITH THE NUMBER OF DIFFERENT BREWERIES TO CHOOSE FROM IN THE SUPERMARKET CHILLER CONSUMER EDUCATION IS NOW MORE IMPORTANT THAN EVER. DO YOU HAVE A TRUSTED BRAND, DO YOU KNOW YOUR IPA FROM YOUR APA, DO YOU KNOW WHAT WILL GO BEST WITH YOUR EVENING MEAL? BEERVANA IS THE PERFECT OPPORTUNITY TO “SHOP AROUND” THE RICH AND DIVERSE NZ CRAFT BEER MARKET, AND MEET THE MAKERS BEHIND YOUR NEW FAVOURITE BREW.”

Beth Brash, Beervana

QUALITY & FRESHNESS

Beers typical of the craft style are more complex and volatile than “mainstream” beers. This is due to divergence in the use of hops, yeast, adjuncts, filtration, pasteurisation (lack of), and the packaging process.

If a brew doesn't taste right first check on what others are saying - you might have picked a beer that is challenging for a lot of people. Websites like untappd.com and ratebeer.com make this easy. If what you are tasting seems at odds with the intended character then the brewer will want to know.

Pale Ale and IPA is best consumed fresh. Pilsner follows suit. Higher alcohol dark beers and Belgians can be put in the cellar for years, but it's best to consult the label.

Once a beer has brewed it is affected by:

- **Temperature.** Most beer should be stored chilled, particularly unpasteurised, unfiltered, hoppier styles.
- **Oxygen,** which can be introduced at the bottling or other packaging process. Oxygen is beer's kryptonite.
- **Light.** This is controlled by the vessel and storage environment. Beer should only meet the light once in your glass.

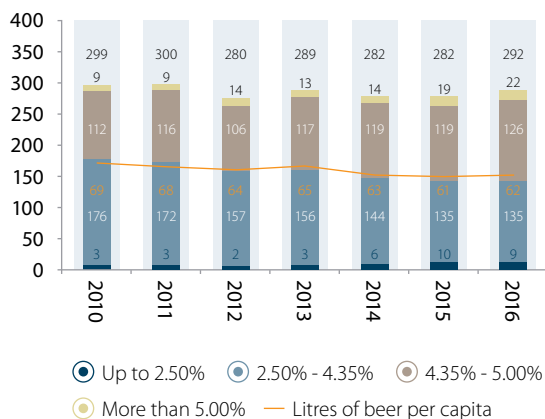
Consuming

Ideally beers should be stored chilled, upright, disturbed as little as possible, and drunk fresh.

Glassware makes a difference and there are specific glasses suited to beer styles.

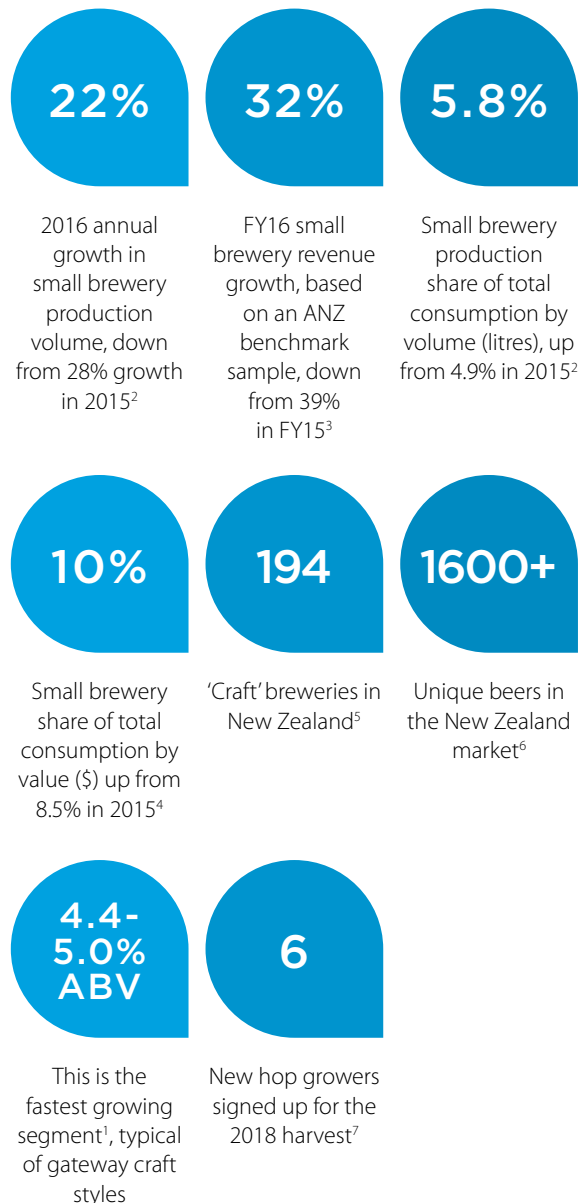
Beer matches superbly with food in a similar fashion to wine. Consult further reading for guidance on food pairing.

NEW ZEALAND BEER CONSUMPTION¹



“THERE IS FAR TOO MUCH FAULTED ‘CRAFT’ BEER COMING ON TO THE MARKET. AND WITH MANY CRAFT BEERS RETAILING FOR AROUND \$10 A GLASS, THAT’S JUST NOT GOOD ENOUGH.”

Geoff Griggs, beer writer, judge and educator



Sources & notes: 1: Stats NZ. 2: Based on small producer data provided by Stats NZ for Beertown.NZ Ltd and ANZ, and Alcohol Available for Consumption (including imports) information published by Stats NZ. A small brewery is defined as a brewery whose total production volume is less than 1% of the total volume of beer produced and not exported in any one year. Refer to pg6 for more detail. 3: Refer to pg7. 4: ANZ estimate based on small breweries achieving value 1.7x their share of volume. 5: Refer to pg10& pg11 of this report. 6: ANZ estimate based on 194 ‘craft’ breweries @ ~8 beers each plus imports. 7: ANZ Analysis.

STATE OF THE NEW ZEALAND CRAFT BEER MARKET BY THE NUMBERS

In association with Martin Craig,
Beertown.NZ Ltd.



2012 was a watershed year for the small brewery sector.

Since then the craft brewing sector has been in a start-up phase - the number of small¹ breweries operating, and the volume of beer they collectively produce, have increased each year from 2012 to 2016.

Today the small brewery sector has many small, new businesses showing moderate growth, in a sector that is itself showing strong growth.

So what's the story behind the numbers?

Generation one: Pre-history. Pre-2000

This period belongs to the brewers who cleared a path for the New Zealand craft scene that was not particularly well travelled for many years. We won't risk trying to name them. Thebottleneck.net has an excellent article on the craft brewers from this generation².

Generation two: Imports and green bottles. 2001 – 2011

In 2001, New Zealand had 62 small and 7 large breweries operating. There was little change for a decade: in 2011 there were 59 small and 7 large breweries. But something else changed.

Over the period 67m litres were wiped off domestic production in the 2.50-4.35% ABV³ category and replaced by 59m litres that were added to the 4.35-5.00% ABV category. Overall beer consumption slid by 17m litres.

- Imports grew from 20m to 31m litres.
- A second wave of small brewers quietly started while others departed.
- Overall beer consumption declined with a shift to wine and RTDs.

The small brewery sector contributed 3.2% of total production in 2001 and waited 11 years to crack 3% again (2012: 3.02%).

Generation three: The growth of small breweries. 2012-?

During this period the small brewery sector exhibited the characteristics of a start-up industry. Small breweries' total output more than doubled at the expense of the large breweries, with an annual growth rate⁴ of 20% year on year. Small breweries' share of total beer production for local consumption boomed from 2.6% in 2011 to 6.8% in 2016⁵.

Additionally, kiwis broadened their horizons further across the ABV spectrum. From 2011, full flavour >5% ABV beer consumption more than doubled and low strength 1.15-2.5% ABV consumption more than tripled. Small producers provided for 40% of the growth in the >5% ABV category. Small brewers also doubled production in the 4.35-5% ABV category while large producer's production shrunk.

However on the supply side this small brewery sector growth appears to have been mostly fuelled by new entrants, more so than from existing breweries increasing their output. Average output per small brewery only grew at approximately 2%⁴ and in some years slightly declined as the number of small breweries in existence continued to increase.

	Small Breweries ⁶	Change
2016 Est.	130	19
2015	111	13
2014	98	19
2013	79	13
2012	65	6
2011	59	-3
2010	62	-

Sources & notes: 1: We note that small and craft is not a perfect match, but it is a convenient proxy for the purpose of this commentary. Refer to the data sources and definitions section on pg6 for the definition of "small". 2: thebottleneck.net/2015/10/28/who-is-new-zealands-oldest-craft-brewery-draft-4/. 3: Alcohol by volume. 4: Compound annual growth rate. 5: Small breweries produced 5.8% of total local consumption including imports. 6: The difference between these figures and the 194 on pg10 & pg11 is made up by contract brewing companies that outsource their brewing.

Craft brewing has had frequent media coverage covering the expansion phase and reporting double-digit growth over the past few years. While this is true across the sector as a whole, it's clear that not all individual breweries have been growing as fast as the sector.

However, this does not tell the whole story as there is a dichotomy between the small number of small breweries that have achieved significant year-on-year growth, and the rest that have remained largely flat.

“TECHNOLOGY CAN HELP A BUSINESS BE MORE EFFICIENT, BUT TO REMAIN COMPETITIVE IT IS ESSENTIAL TO BE A REALIST ABOUT THE TRUE COST OF GOODS SOLD AND STRIVE TO CAPTURE AS MUCH GOOD DATA AS POSSIBLE SO ONE CAN MAKE SOUND DECISIONS.”

Chris Mills, Kereru Brewing Co

So what does it tell us?

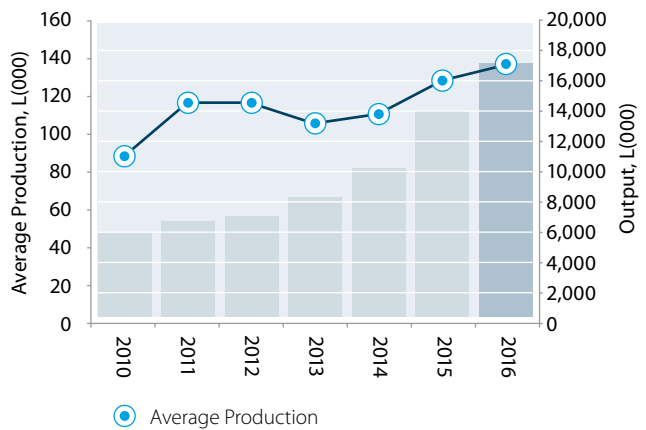
The small brewery sector grew consistently from 2011, but intrinsic growth from existing small breweries has been secondary to the force of new businesses joining the sector.

This distributed growth has implications for the sector's structure:

- The small brewery sector entered a start-up phase in 2012 as the number of breweries and their combined output started a period of sustained growth. Before 2012 brewery numbers were static and production was variable and small.
- The impression of strong sector growth makes opening a small brewery appear financially attractive to investors, banks and life partners. This attractive impression may well be fuelling the race to enter the sector.
- Small breweries are price takers at both ends of the value chain. While brewery numbers are proliferating, local hop production has to date been a monopoly; malt supply is a duopoly; packaging is dominated by a limited number of suppliers; and transport options are limited. At the other end of the chain, supermarkets and liquor chains dominate sales, and the number of free bar taps (not contracted to a brewery) is not increasing as fast as output from small producers.
- The sector is young and inexperienced – even assuming no one has dropped out of the sector, at least 37% of the production breweries operating in 2016 had been in the sector for less than three years.
- All of the small brewing sector's expansion phase has happened in the stable economy after the Global Financial Crisis. Very few of the small breweries currently working in New Zealand have survived a recession.

Today the New Zealand small brewery sector has many small, optimistic and inexperienced new businesses showing moderate growth, in a sector that is itself showing strong growth.

SMALL BREWERY PRODUCTION¹



“WITH THE GROWING COMPETITION IN CRAFT BEER (QUALITY AND NUMBERS), IT'S CRITICAL TO INVEST HEAVILY IN CLEAR STRATEGY AND EXECUTION TO BUILD YOUR BRAND PROFILE. PENETRATION OF THE MARKET IN TERMS OF COMMUNICATION CUT-THROUGH, TRADE AVAILABILITY AND CRAFT DRINKER TRIAL WILL LEAD TO REGULAR CONSUMPTION.”

Craig Cooper, Bach Brewing

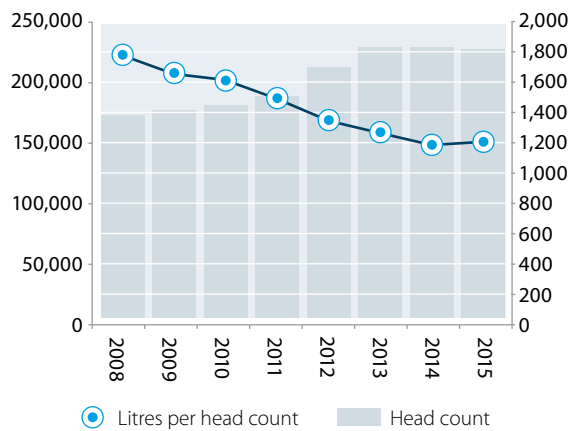
Data sources and definitions

The “state of the New Zealand beer market by the numbers” section is based on an analysis of Stats NZ’s annual *Alcohol Available for Consumption* data, commissioned by Beertown.NZ Ltd and ANZ.

- The production data is for all beer produced in New Zealand within the calendar year, subject to excise duty, and **not exported**.
- The number of producers does not include those whose production is nil for that particular year.
- A brewery is defined here as a producer with a unique client code in NZ Customs data as received by Stats NZ. These counts do not include contract brewers who do not pay excise directly, but production data does include beer brewed for contract (or “virtual”) brewers. Most contract brewers will not be included in NZ Customs brewery numbers because they do not pay excise directly.
- It also means a large brewer (DB, Lion, Independent) may have more than one site and/or excise account, giving the higher figure of six large breweries currently operating.
- A small brewery is defined as a brewery whose total production volume is less than 1% of the total volume of beer produced in any one year. In 2015 this threshold was 2.44 million litres. Moa Beer (the largest independent brewer to announce its production) produced approximately 2.1 million litres excluding exports in for the year to 31 March 2016. NB – this is not intended to provide a definition of craft beer: it’s simply a practical way to separate small and large brewers. In future years, as the largest independent brewers increase their output, the separation point can be recalibrated.
- The 2001-2015 data used in this report is provided by Stats NZ and derived from excise payment received by NZ Customs. 2016 total production and total brewery data is derived from the same source, whilst 2016 small brewery statistics are estimated.

This analysis is provided by Martin Craig, Beertown.NZ Ltd, as at July 2017 and supplemented with ANZ’s own research.

NEW ZEALAND BREWING INDUSTRY LABOUR PRODUCTIVITY¹



A note on labour productivity

Data shows that the brewing industry has been employing more people since 2008, up to 1,830 in 2015¹. However marginal production per employee has declined.

This may be a result of more brewers running their own business which involves more non-brewing time than if they were brewing for an established business².

This coincides with the rise in small brewery numbers. Perhaps this points to the origins of the term ‘craft’, denoting beer that is crafted as opposed to manufactured, and therefore more labour intensive.

Volume per employee may have declined but has value per employee increased? Without data we can only speculate.

“ONE OF THE BIGGEST CHALLENGES FACING THE CRAFT BREWING INDUSTRY IS A SHORTAGE OF QUALIFIED BREWERS, CELLARHANDS AND PACKAGING TECHNOLOGISTS. THIS IS FURTHER COMPLICATED BY THE FACT NZQA AND NEW ZEALAND IMMIGRATION DO NOT RECOGNISE THE IBD QUALIFICATIONS NOR ANY OTHER BREWING QUALIFICATIONS FOR THAT MATTER. IN FACT, ‘BREWER’ IS NOT EVEN ON NEW ZEALAND IMMIGRATION’S OCCUPATION LIST.”

*Emma McCashin, President,
Brewers Guild of New Zealand*

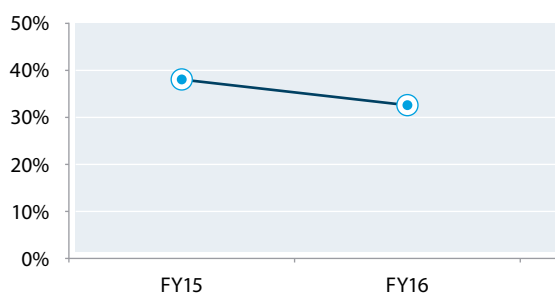
Sources & notes: 1: Litres of production data is provided by Stats NZ, head count data is as quoted by Coriolis and sourced from Stats NZ in The Investor’s Guide to the New Zealand Beverages Industry 2017. Refer to www.mbie.govt.nz/info-services/sectors-industries/food-beverage/information-project/beverages. 2: <https://tiamanablog.wordpress.com/2016/11/19/so-you-want-to-start-a-brewery/>

FINANCIAL BENCHMARKING

ANZ has developed financial benchmarks across many sectors, including small brewing businesses. This gives a picture of the financial performance of a group of small brewing businesses that contribute more than half of the total output of the small¹ brewing sector.

This section provides a small sample of the metrics available. Further information including preliminary FY17 results is available through our Relationship Managers – refer to the conclusion and contacts page.

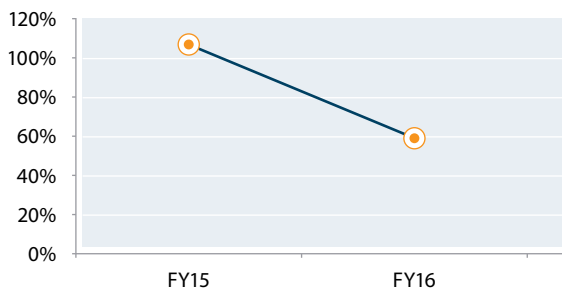
REVENUE GROWTH



Results show that the sample has grown between 30-40% year-on-year as would be expected from a sector in start-up phase. This is also indicative of the dichotomy in the industry, with this sample largely made up of the established, bankable businesses. The combined output of all small breweries grew at 28% and 22%² in the 2015 and 2016 calendar years respectively. While the year ends do not exactly match up we can imply that this benchmark data comprises a high-performing subset.

Preliminary results suggest FY17 revenue growth has been in the vicinity of FY16 revenue growth.

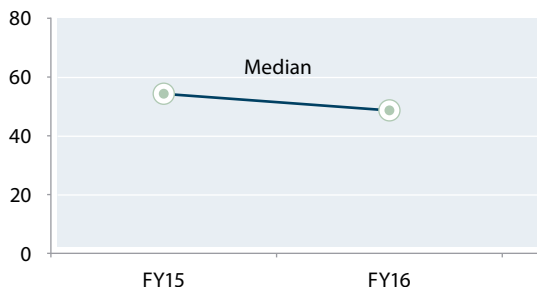
EBITDA GROWTH³



EBITDA (earnings before interest, tax, depreciation and amortisation) is a proxy for operating profit and is driven by gross margin and operating expense efficiency.

With EBITDA growth greater than revenue growth the figures are indicative of a sample group that is realising economies of scale.

DEBTOR DAYS



Debtor or receivable days tell you how fast your business is turning sales into cash.

50-55 days is reasonably high. This may be due to high customer (distributor) power. Reducing the time to get paid releases capital for more productive uses, such as the next brew.

Sources & notes: 1: A small brewery is defined as a brewery whose total production volume is less than 1% of the total volume of beer produced in the calendar year. : Based on small producer data provided by Stats NZ for Beertown.NZ Ltd and ANZ. A small brewery is defined as a brewery whose total production volume is less than 1% of the total volume of beer produced in any one year. Refer to pg6 for more detail. 3: Excluding Moa, before significant items.

INVESTMENT SCENE

ACQUISITIONS AND INVESTOR INTEREST

New Zealand's craft beer sector has received attention from public investors and major beverage companies as it grows at the expense of the broad appeal brews that have dominated share thus far.

Two established craft breweries have recently been bought by the two largest brewing businesses in New Zealand. Lion (parent: Kirin) bought Panhead in May 2016 for up to \$25m¹, and DB (parent: Heineken) bought Tuatara in February 2017 for an undisclosed sum. Other corporate buyouts include Independent Liquor's purchase of Founders in 2013 and Lion's purchase of Emerson's in 2012.

To date there has been only one IPO (Moa) however three other breweries as well as the Zeffer Cidery have successfully raised equity through crowdfunding platforms.

Competition for investor attention comes from alternative craft beverages –cider, spirits (especially gin) and wine. Although craft beer's position is unique in that there are a number of investable businesses at the mid stage that have proven demand and established brands and may now be seeking capital to move to the next step – be it increasing production capacity, tapping export markets or moving down the value chain by establishing on premise presences.

Alternatively, investors can get exposure to New Zealand's craft beer sector by going up and down the supply chain:

- NZ's unique **hops** generate excess demand at a global level. US-based FS Investors have seen value here and recently purchased a Moutere hop farm for NZD \$9.9m², setting up as Freestyle Farms Ltd.
- Specialist **craft retailers** are gaining in popularity and prevalence. Refer page 16.
- **Hospitality** is riding the coat tails of New Zealand's **tourism** industry. Craft on draught (keg tap) may grow in popularity as the world learns about kiwi craft beer and comes to try it for themselves. Local drinkers may also increasingly choose taps over bottles in the quest for freshness.

NEW ZEALAND TRANSACTION DATA:

Target	Buyer	Market	Date	\$m Paid	Stake Bought	Estimated EV \$m	Est. EV / EBITDA	Est. EV / Revenue
Tuatara	DB	Private	Feb-17		100%			
ParrotDog	Crowd	PledgeMe	Aug-16	\$2.0	16.8%	\$11		5.9x
Panhead	Lion	Private	May-16	\$25	100%	\$25		
Yeastie Boys	Crowd	PledgeMe	Jan-15	\$0.5	12.5%	\$4		5.2x
Renaissance	Crowd	Snowball Effect	Sep-14	\$0.7	12%	\$6	29.2x	3.3x
Wanaka Beer Works Limited	Jabberwocky Brewing Co	Private	Sep-14		100%			
Founders	Independent Liquor	Private	Feb-13		100%			
Emerson's	Lion	Private	Nov-12	\$8.0	100%	\$8		
Moa	General Market	IPO	Oct-12	\$16.0	39%	\$38	n/a	8.7x
Zeffer Cider	Crowd	Snowball Effect	March-17	\$1.2	21%	\$6	570x	3.3x

LISTED COMPANY DATA:

Company	Market	Share Price ³	Enterprise Value ³	EV / EBITDA	EV / Revenue	IPO Price ²	P/E Multiple	ROA ⁴
Moa	NZX	\$0.55	\$28	n/a	2.7x	\$1.25		-19.6%
Gage Roads Brewing Company	ASX	\$0.04	\$31	10.4x	1.1x	\$0.40	15.0x	3.1%
Broo Limited	ASX	\$0.23	\$31	n/a	61.0x	\$0.20		
The Boston Beer Company	NYSE	\$131.45	\$1,570	8.7x	1.8x	\$20	19.4x	13.5%
Craft Brew Alliance	Nasdaq	\$17.70	\$365	26.2x	1.8x	\$17		0.1%

NEW ZEALAND CRAFT BREWERIES

This year we count 194 'craft'¹ brewers, up from 168 last year and 96 in 2014, the first time ANZ released a craft beer paper.

This time we've made a note of those who sell through cellar door – there are 84 from what we could ascertain. We've also noted those that are owned by Lion, DB or Independent – there are nine in this list.

Thanks to Jules van Costello for providing an advance copy of the second edition of *Brewed: A Guide to the Beer of New Zealand*, which contains details the majority of these breweries.

- 29**
OTAGO
- Altitude Brewing
 - Bannockburn Brewing
 - B.Effect Brewing Co
 - Birch Street Brewery*
 - Burkes Brewing Company
 - Cargo Brewing
 - Catlins Brewery
 - Cell Division
 - Craftwork Brewery
 - Dr Hops
 - Emerson's Brewery*²
 - Ferris Road Brewery*
 - Ground Up Brewing
 - Herne Brewing Co
 - Hop Invaders
 - Manuherekia Brewery
 - Maverick Craft Beer
 - NEW NEW NEW*
 - Queenstown Brewers
 - Rhyme and Reason Brewing*
 - Scotts Brewing Co*
 - Sidewinder Brewery
 - Speight's*²
 - Stackpoole's Brewing
 - Steamer Basin*
 - The Theoretical Brewer
 - There Be Dragons Brewing
 - Victoria Store Brewery*
 - Wanaka Beer Works / Jabberwocky*

- 28**
CANTERBURY
- Beer Baroness Brewing Co
 - Brew Moon Brewing Co*
 - Cassels & Sons Brewery*
 - The Nuts Brewing Co
 - Eagle Brewing*
 - Emporium Brewing
 - Eruption Brewing
 - Fiasco Brewing Co
 - Ghost Brewing Co / Dux Brewing
 - Harrington's Breweries*
 - Kaikoura Brewing Co
 - Kaiser Brothers Brewery*
 - Monsoon Brewing Co
 - Pomeroy's*
 - Rain Dogs Brewing Co
 - Stainless Brewing Co
 - Southpaw Brewing Co
 - Ship Hop Brewing
 - The Laboratory*
 - The Twisted Hop Real Ale Brewery*
 - Thief Brewing
 - Three Boys Brewery*
 - Two Thumb Brewing Co*
 - Valkyrie Brewing Co
 - Valley Brewing Co*
 - Vulcan Brewers
 - Wigram Brewing Co*
 - Wilderness Brewing

- 1**
SOUTHLAND
- Invercargill Brewery*
- 2**
WEST COAST
- Monteith's Brewing Co*³
 - West Coast Brewery*

- 17**
NELSON MARLBOROUGH
- Bays Brewery*
 - Dale's Brewing Co
 - Eddylane Brewery*
 - Founders Brewery*⁴
 - Golden Bear Brewing*
 - Hop Farm Brewery
 - Hop Federation Brewery*
 - Horse Box Brewery
 - Moa Brewing Co*
 - Moutere Brewing*
 - Mussel Inn*
 - Nelson Bays Brewing*
 - Renaissance Brewing*
 - Sprig & Fern*
 - Stoke/McCashins Brewery*
 - The Craft Beer Depot
 - Townshend's Brewing Co*

* Brewery offers cellar door or on-premise sales

¹: 'craft' includes brewing companies that are small, independent, market themselves as craft or some combination of those three for this map. Refer to the conclusion for more detail on definitions. ²: Owned by Lion - Beer, Spirits & Wine (NZ) Ltd (parent: Kirin). ³: Owned by DB Breweries Ltd (parent: Heineken) ⁴: The retail Founders beer brand is owned by Independent Liquor (NZ) Ltd (parent: Asahi). Founders Brewery is a separate entity that brews for sale on site at their bar in Nelson. Sources: *Brewed: A Guide to the Beer of New Zealand* by Jules Van Costello, Brewers Guild of New Zealand, New Zealand Customs, www.beertourist.co.nz, brewing company websites, ANZ analysis



5

NORTHLAND

- Kainui Brew Co
- Manaia Craft Breweries
- McLeod's Brewery*
- Ro Organic Brewery
- Three Mountains Brewery

4

KING COUNTRY, TARANAKI, WANGANUI

- Brew Mountain
- Fuzzy Logic Brewery
- King Country Brewing Co
- Mike's*

12

HAWKE'S BAY & GISBORNE

- Brave Brewing
- bStudio
- Fat Monk Brewery*
- Giant's Brewing Co
- GodsOwn Brewery*
- Hawke's Bay Brewing Co*
- Napier Brewing Co*
- Roosters Brew House*
- Sneaky Brewing Co
- Sunshine Brewery*
- Trinity Hill*
- Zeelandt Brewing Co*

15

BAY OF PLENTY

- Aotearoa Brewery (Mata)
- Blue Fridge Brewery
- Coromandel Brewing Co*
- Crafty Trout Brewing Co*
- Croucher Brewing Co*
- Fitzpatrick's Brewing Co
- Funk Estate*
- Hot Water Brewing Co*
- Kaimai Brewing Co
- Lakeman Brewing
- MK Brewing Co*
- Mount Brewing Co*
- Rocky Knob Brewing
- Ruapehu Brewing Co
- Pilot Brewery

7

WAIKATO

- Bootleg Brewery
- Brewaucracy
- Good George Brewery*
- Quarter Acre
- Raglan Brewing Co
- Shunters Yard Brewery
- Three Fat Pigs Brewing

40

AUCKLAND

- 8 Wired Brewing Co
- Al's Deli Brewhouse*
- Alibi Brewing Co
- Bach Brewing
- Behemoth Brewing Co
- Ben Middlemiss Brewing Co
- Birkenhead Brewing Co*
- Black Sands Brewing Co
- Boogie Van Brewing Co*
- Boundary Road Brewery¹
- Brothers Beer*
- Chaotic Hop Brewing
- Colab Brewing
- Dedwood Brewing Co
- Deep Creek Brewing Co*
- Dr. Rudi's Brewing Co*
- Elation Brewing Co
- Epic Brewing Co
- Galbraith's*
- Hallertau Brewery*
- Hancock & Co Craft Brewing

- Isthmus Brewing Co
- Laughing Bones Brewing Co
- Liberty Brewing Co
- Mac's²
- Malkult
- Mash Palace
- Mythica Brewing
- Outlier Cartel
- Piha Beer
- Sawmill Brewing Co*
- Schipper's Beer
- Shakespeare Hotel & Brewery*
- Sparks Brewing
- Steam Brewing
- Sweat Shop Brew Kitchen*
- The Herbalist
- Urbanaut Brewing Co*
- Waiheke Island Brewery*
- Weezledog Brewery

34

WELLINGTON, MANAWATU & WAIRARAPA

- Abandoned Brewery
- Baylands Brewery*
- Beg Borrow Brew
- Black Dog Brewery*³
- Boneface Brewing Co*
- Brew Union Brewing Co*
- Choice Bros Brewing*
- Common Ancestor Brewery*
- Double Vision Brewing
- Duncan's Brewing Co
- Fork Brewing*
- Fortune Favours*
- Garage Project*
- Graphic Brewing
- Heyday Beer Co*
- JuiceHead Brewing
- Kereru Brewing Co*

- Lord Almighty
- Maiden Brewing Co
- Martinborough Brewery*
- Ninebarnyardowls
- North End Brewing Co*
- Panhead Custom Ales²
- ParrotDog Brewery*
- Peak Brewery
- Regent 58*
- Te Aro Brewing Co*
- Tiamana Brewery
- Tinker Tailor Brewing
- Tuatara Brewery*³
- Webb Street Brewery*
- Whistling Sisters
- Wild & Woolly Brewing
- Yeastie Boys

* Brewery offers cellar door or on-premise sales

1: Owned by Independent Liquor (NZ) Ltd (parent: Asahi). 2: Owned by Lion - Beer, Spirits & Wine (NZ) Ltd (parent: Kirin). 3: Owned by DB Breweries Ltd (parent: Heineken). Sources: Brewed: A Guide to the Beer of New Zealand by Jules Van Costello, Brewers Guild of New Zealand, New Zealand Customs, www.beertourist.co.nz, brewing company websites, ANZ analysis

NZTE EXPORT SPOTLIGHT: CRAFT BEER IN AUSTRALIA

How do you make it in the lucky country without sinking in the treacherous Tasman? New Zealand Trade and Enterprise, New Zealand's international business development agency, puts the spotlight on Australia, the first export market for many Kiwi brewers – and shares some key insights on successful exporting.

WHY AUSTRALIA?

Australia is often the first export market Kiwi brewers aim for due to its close geographical location and perceived similarity to New Zealand.

The size of the Australian beer market also offers an attractive opportunity, with total liquor retail turnover of \$16.2¹ billion and total retail revenue growth of 1.5% last year¹. Within the liquor industry, beer makes up 37% of sales by value¹.

Although Australia is close, New Zealand brewers often underestimate the challenge of entering this market. Perhaps the biggest misconception is that Australia is just a 'bigger New Zealand'.

While New Zealand and Australia have similarities, the differences are significant. Unlike New Zealand's one market, Australia is made up of six federal states and ten territories, each with varying demographics, cultures and tastes. Products that sell well in one state may have no chance in another.

As an example, in New South Wales (NSW) leagues clubs are hugely popular with beer consumers (similar to rugby clubs in New Zealand). There are 80 leagues clubs in NSW, with millions of members². Many have exclusive tap contracts with the big mainstream beer brands, which makes it difficult for craft brands to get access. In contrast, leagues clubs are much less popular in Victoria; consumers prefer smaller bars and clubs, cafes and restaurants.

Alongside consumer differences, the states and territories have variations in liquor laws³, which impact the types of sales channels craft brewers should target.

Interestingly, research has shown that while Australian consumers feel positively about New Zealand, 'brand New Zealand' doesn't resonate as much in Australia as elsewhere in the world – so it's even more critical that Kiwi products have a relevant point of difference and are a good fit for the market.

Overall, we view Australia as an attractive market due to a variety of factors.

- Australia's close proximity to New Zealand isn't just helpful for logistics - consumer awareness is also growing about the importance of craft beer being fresh.
- Australians consume more beer per capita than New Zealand, and its craft beer market is less developed (80% of beer sales are lager), allowing room for growth.
- Although Australia is a huge market, it's possible to successfully target one state at a time.
- There is no language barrier and flights across the Tasman are affordable, allowing brewers to spend time in the market.

However, potential exporters should be aware that Australia is quite different to New Zealand in important ways, especially its consumers, sales channels and localised alcohol regulations.

WHAT'S HAPPENING IN THE AUSTRALIAN BEER MARKET

The \$388 million Australian craft beer market is flourishing despite Australians drinking less beer overall –beer consumption has fallen an average of 2% per capita a year since 1978¹. This reflects the trend of consumers drinking 'less but better quality.'

Boosted by double-digit value growth of 19.2% in 2015, craft beer now accounts for 7% of the beer market, up from 4.8% in 2013. This growth is nearly on par with the often-celebrated US craft beer market⁴.

During 2016, growth in beer expenditure almost tripled in NSW, and more than doubled in Queensland, with both states recording 5.7% growth. All other states experienced moderate growth, except for Western Australia where sales declined by 3.3% amid broader macro-economic challenges and lower consumer confidence⁵.

Faced by the craft challenge, Australia's traditional beer duopoly of Lion Nathan (Kirin) and Carlton & United (Inbev) is seeking differentiation and market control. With stronger players such as Coopers, Asahi and The Australian Beer Co. (Coca Cola) also growing and seeking an advantage, the battle for the beer market is on.

Sources: 1: ALSA Australian Retail Liquor – The State of the Industry 2016. 2: <http://www.austrialiangeographic.com.au/topics/history-culture/2015/12/australia%E2%80%99s-first-leagues%E2%80%99-club-closes-its-doors> 3: https://www.ausport.gov.au/supporting/clubs/resource_library/club_management/liquor_licensing 4: ALSA Australian Retail Liquor – The State of the Industry 2016 – figures are for the year ended 1 January 2017. 5: IRI Australia Market Edge.

AUSTRALIAN CRAFT BEER CONSUMPTION TRENDS

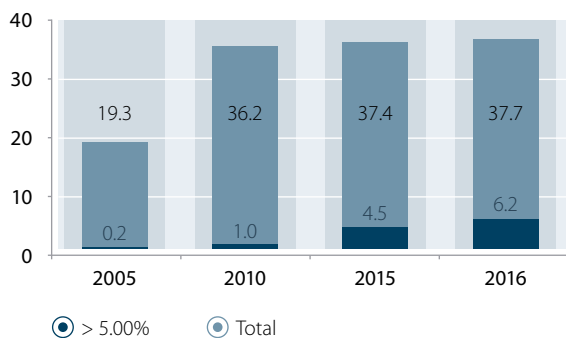
Pale ales, summer ales and Pacific ales are the leading craft beer varieties in Australia, with New World pilsners and New World lagers also worth watching. Lager still dominates the mainstream beer market, making up 80% of overall sales.

Most Australian craft beer drinkers still prefer bottles over cans (44% versus 23%), but the gap is likely to narrow, with more premium brands embracing cans for their convenience (lighter to transport) and better light protection, as well as extra real estate for creative branding¹. However, bottles stay cool for longer, which is important in the hotter states.

Food and beverage consumption trends include:

- Health and wellbeing: a focus on organic, gluten free, sugar free, kosher, etc.
- Craft and provenance: products that are handmade, historically made, family-owned, or use traditional recipes
- Sustainability and social responsibility – products that support communities, employment and the environment
- Trial and taste: new and different tastes and experiences
- Local and parochial: products from “my” hometown, country, or region.

BEER EXPORTS BY VALUE (\$MILLIONS)²



“BUSINESSES MAKING STRATEGIC COMMITMENTS TO EXPORTING ARE PREPARED TO SPEND 1-2 YEARS FINDING A MARKET PARTNER IF THAT IS WHAT IT TAKES. THE COST OF CHANGING IF YOU JUMP IN WITH THE WRONG PARTNER IS HIGH. THE INITIAL INVESTMENT IS COSTLY, THE LOST SALES WITH THE WRONG PARTNER IS OPPORTUNITY COST AS IS LOST MOMENTUM. IN ADDITION, EXTRACTION FROM PARTNERSHIPS CAN BE COSTLY AND TIME CONSUMING.

SO, THINK ABOUT TAKING THE TIME TO UNDERSTAND POTENTIAL PARTNERS, THEIR STRATEGIES, TRACK RECORDS, CAPABILITIES AND BUILD MUTUAL TRUST BEFORE DIVING IN.”

Katabolt (www.katabolt.com)³

TOP NEW ZEALAND EXPORT DESTINATIONS OF BEER, BY VALUE²

Country	2010 Exports \$M	2016 Exports \$M	2016 \$/L
Beer >5% ABV			
Australia	0.6	2.7	1.8
People's Republic of China	<0.1	0.7	4.6
Sweden	0.1	0.4	4.5
United States	0.3	0.4	5.2
Netherlands	-	0.4	1.8
Total >5% ABV	1.0	6.2	2.4
Total Beer			
Australia	25.3	23.4	1.3
United States	5.7	2.9	2.5
Cook Islands	1.6	2.5	2.0
People's Republic of China	<0.1	1.5	2.9
Netherlands	-	0.9	1.8
Total Beer	37.4	37.7	1.6

CRAFT BEER SALES CHANNELS IN AUSTRALIA¹

Australian craft beer sales channels are still evolving, with bricks and mortar retail accompanied by new online channels as well as direct and indirect distribution models.

Most Australians buy beer from retail stores, which account for 60% of total consumption. A few big players dominate off-premise sales: National Accounts holds 65%, with the rest controlled by Coles and Woolworths.

Woolworths also has a strong presence in online sales via Dan Murphy's, which holds a 50% market share.

While retail is consolidating, on-premise is very fragmented, with lots of small, boutique establishments. Hotels, bars and clubs are 90% independent, and the largest group in the sector only has 5% market share.

When drinking on-premise, Australians mainly purchase beer on-tap, with 90% draught and 10% in bottles and cans. With tap and fridge contracts heavily in place, it is worth craft beer brewers targeting non-traditional outlets such as restaurants and cafes, which complement the trend for craft beer as an ideal accompaniment with food.

Refer appendix for more things to consider.

“BEER QUALITY DETERIORATES EXTREMELY QUICKLY POST CLOSURE IF THE COOL CHAIN IS NOT MAINTAINED TO THE CONSUMER. CRAFT IS A PREMIUM INVESTMENT INTO A PREMIUM PRODUCT AND WE MUST TREAT IT AS SUCH TO CONTINUE TO GROW DOMESTICALLY AND EXPORT TO THE WORLD. QUALITY IS EVERYTHING.”

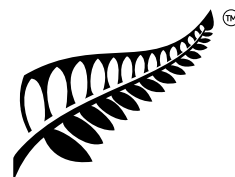
bStudio

“WHEN CONSUMERS AROUND THE GLOBE BUY A PREMIUM PRODUCT, LIKE CRAFT BEER, THEY WANT TO KNOW THE STORY BEHIND THE PRODUCT. AND THEY WANT TO BE SURE IT'S AUTHENTIC. THE FERNMARK, A TRADEMARK OFFICIALLY RECOGNIZED AND USED BY NEW ZEALAND INTERNATIONAL GOVERNMENT DEPARTMENTS, IS A MARK OF TRUST THAT COMMUNICATES A PRODUCT'S COUNTRY OF ORIGIN AND CONNECTION TO NEW ZEALAND.

CARRYING THE FERNMARK ON A PRODUCT, TOGETHER WITH A UNIQUE LICENCE NUMBER, MAKES IT EASY FOR CONSUMERS TO VERIFY ITS AUTHENTICITY, WHICH HELPS PROMOTE AND PROTECT NEW ZEALAND BRANDED PRODUCTS ON A GLOBAL SCALE. THIS MARKETING APPROACH MEANS WE CAN BUILD THE NEW ZEALAND BRAND THROUGH INDIVIDUAL EXCELLENCE AND COLLECTIVE STORYTELLING, AS WELL AS BUILDING CONSUMER CONFIDENCE AND DRIVING PREFERENCE FOR NEW ZEALAND PRODUCTS AROUND THE WORLD.

ANY EXPORT BUSINESS THAT MEETS THE ELIGIBILITY CRITERIA OF THE PROGRAMME CAN DISPLAY THE FERNMARK ON THEIR PRODUCT PACKAGING TO HELP DRIVE PREFERENCE FOR NEW ZEALAND PRODUCTS IN OFFSHORE MARKETS.”

**FIND OUT MORE AT:
[FERNMARK.NZSTORY.GOVT.NZ](https://fernmark.nzstory.govt.nz)**



WHAT GOES IN TO CRAFT BEER

Anecdotes from the New Zealand supply chain.

MALT

New Zealand has two key malt suppliers and both companies are developing their ability to distinguish beers more on a malt flavour profile.

Cryermalt supplies New Zealand-produced malt and also supports NZ brewing of internationally-popular styles with a range of malts sourced from the United Kingdom, Europe and Australia.

“MALT HAS GAINED ATTENTION AS A KEY FLAVOUR INFLUENCER. WITH CREATIVITY AND NON-TRADITIONALISM IN MIND, GLADFIELD HAS INNOVATED TO CREATED SOME VERY UNIQUE MALTS SUCH AS OUR MANUKA SMOKED MALT, GERMAN PILSNER, AURORA, TOFFEE, SHEPHERDS DELIGHT AND SUPERNOVA.”

Gabi Michael, Gladfield Malt

WATER

The main ingredient in beer and whilst access to clean, pure water remains a competitive advantage for New Zealand producers, this access for minimal cost is becoming an increasingly sensitive topic.

Water efficiency in New Zealand’s brewing industry has not received great scrutiny to date, however DB Breweries does report its usage (2016: 3.3 hectolitres of water per hectolitre of beer or cider)¹ as part of meeting requirements set by its parent, Heineken. Water efficiency is key in nations where fresh water is less abundant.

YEAST

Yeast can be overlooked as a flavour ingredient, and as potential driver of unique, regional expression, often referred to as “terroir” in wine. Recent research from the University of Auckland and Plant & Food Research confirmed for the first time that – as long suspected – varieties of yeast from different parts of New Zealand change the resulting flavours in fermented Sauvignon Blanc grapes².

“THE YEAST FACTOR IN BEER HAS WIDELY BEEN UNDERESTIMATED IN THE OCEANIA REGION”

Hayden Mokoraka, Lallemand Brewing.

HOPS

With the lead-time from planting to harvesting hops being some two years, brewers need to work closely with suppliers to secure the hops they need.

Continued demand for New Zealand grown hops has seen an unprecedented growth phase in the Nelson/Tasman region. New growers are entering a very well established and tightly controlled grower co-operative – six new growers have signed up with New Zealand Hops Ltd for the 2018 Harvest. Planted area has the potential to double in the next three years.

New entrants have come into the industry with a different operating model to New Zealand Hops Ltd and are marketing directly to a handful of brewers – with these new models comes innovation and different perspectives which is seen as a positive for the industry as a whole.

Focus areas

- Further development of hop breeding programme.
 - Continued focus on quality with challenges due to significant growth.
 - Investment in infrastructure and technology.
 - Traceability.
 - Alternative hop product formats, such as hop oils and cryogenic hop powder.
-

“THE NEW ZEALAND HOP INDUSTRY IS ENTERING A SIGNIFICANT GROWTH PHASE. UNDERPINNING THIS GROWTH IS AN INCREASED FOCUS ON QUALITY AND INVESTMENT IN RESEARCH AND INNOVATION TO CREATE FUTURE NEW VARIETIES AND ENSURE LONG TERM SUSTAINABILITY.”

Doug Donelan, New Zealand Hops Ltd.

“AT FREESTYLE FARMS WE ENDEAVOUR TO MAXIMIZE OUR AMAZING TERROIR BY DIRECTLY INVOLVING BREWERS IN OUR EFFORTS TO GROW EXCEPTIONAL HOPS. WE’RE RELENTLESS ABOUT QUALITY AND BELIEVE THAT ABSOLUTE TRANSPARENCY AND COLLABORATION WILL HELP CRAFT BREWERS CREATE EXCEPTIONAL BEERS.”

Dave Dunbar, Freestyle Farms Ltd.

SALES CHANNELS

TRADITIONAL CHANNELS

SUPERMARKETS

CELLAR DOOR & BREWPUB

WEBSITE SALES

INTERNATIONAL

HOSPITALITY

OFF PREMISE

EMERGING

SPECIALIST CRAFT BEER RETAILERS

Places like Beer Spot, The Rising Tide and The Craft Beer Depot also represent a new dynamic, while most taps are tied in pubs consumers now have the option of trying a beer then having a 1.25L (or similar bottle) filled from the same keg to take home. This option provides a more reliable quality experience than pre-packaged bottles although must be consumed within a shorter timeframe.

CRAFT BEER SUBSCRIPTION

Beer subscription clubs such as Beer Jerk are an easy option for those looking to try a wide range of beer.

ONLINE MARKETPLACES

With online marketplaces like Amazon and Alibaba recently entering into food & beverage retail this channel is a potentially big opportunity. Stakeholders at our recent roundtable event were aware of it.

CROWD FUNDING

Wellington based Kereru Brewing has used the crowdfunding platform PledgeMe to pre-sell two batches of gluten free beer¹, successfully pre-validating the product before investing in the batch.

THE WORKPLACE FRIDGE - WORTH CONSIDERING

New Zealand's collective workplace fridge is a powerful outlet. While there's no data on this, there's no ignoring the anecdotes for how it has diversified and shifted from a focus on quantity to quality. And there are workplaces that have taken it even further:

"Craft beer is an important part of the staff culture at Flexitime. Rob, our CEO is a home brewer from way back, so as a team building exercise we recently headed over to The Occasional Brewer to create our own brews from scratch, which we then serve from our in-office keg fridge and tap. In between our brews we hook up kegs from a few of our fantastic Wellington breweries. It's our way of getting everyone together and keeping it local. The kegs mean we've eliminated the stacks of bottles and cans. It's also very popular with our visitors."

– Sam Newton, Flexitime Payroll

"We have installed a WilliamsWarn Bench kit as part of our overall remit of creating a modern, interesting office environment for our staff and clients. The bench setup means it fits in unobtrusively in our staff / client cafeteria space. It gives great opportunities for clients to come in after work and help put down a brew and then come back a week later and enjoy the results."

Not only do we have healthy personal interests in craft beer, we work with some fantastic clients achieving some great things in this industry, so it also helps us all understand a little more about the process at the coalface (albeit with significantly lower expectations than some of the great brews they are producing)."

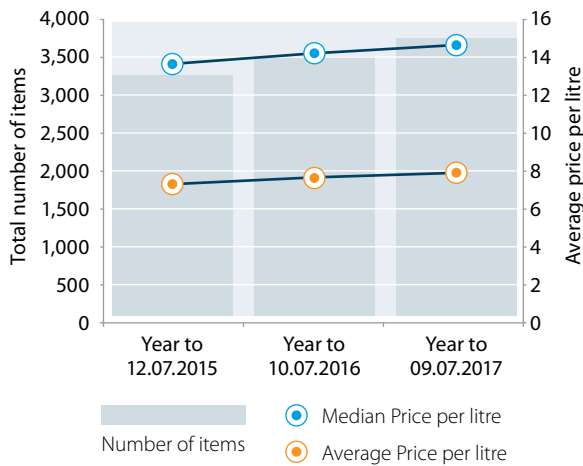
– Vaughan Harris, WK Advisors and Accountants

RETAIL PRICING

An unexpected trend emerging.

Based on Nielsen Scantrack sales data (capturing retail sales of Supermarket and Traditional Liquor Store), average price per litre for beer marketed as 'craft' has been increasing year-on-year. The number of different SKUs being sold has also increased which is consistent with growing numbers of brewing companies over the same period. Note that each different way a product is packaged represents a different SKU.

AVERAGE PRICE PER LITRE VS NUMBER OF CRAFT BEER ITEMS OVER TIME, 52 WEEK PERIODS

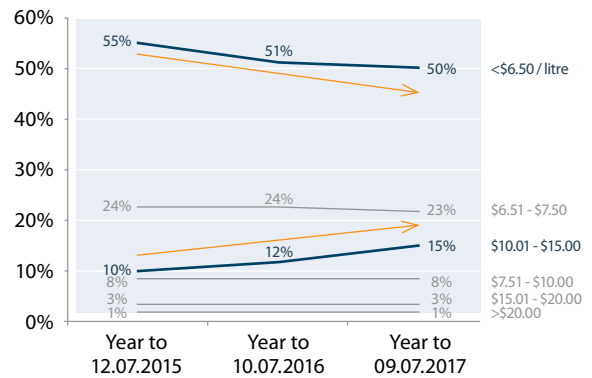


There are a growing number of SKUs being sold at >\$20 per litre, as shown by the sharper increase in median price. A \$15 750ml single equates to \$20 per litre.

Average price increases are being driven by significant volume growth in the \$10 - \$15 per litre bracket. At the same time the <\$6.50 per litre category has lost ground.

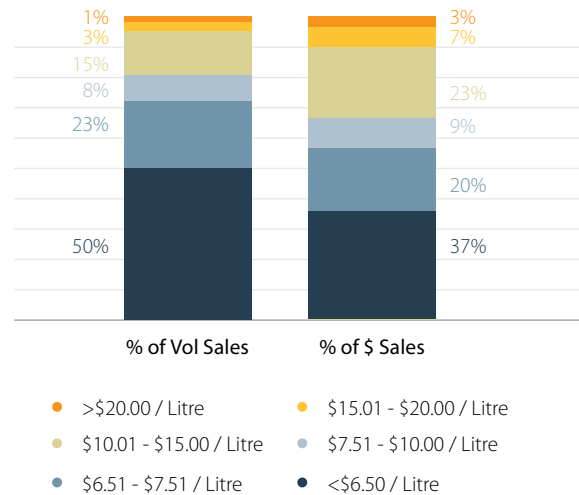
Nielsen's point of sale retail data collection is a valuable source of data for any craft brewery targeting the retail shelf. Contact geoff.smith@nielsen.com.

SHARE OF SALES VOLUME BY PRICE BRACKET OVER TIME



\$10 - \$15 per litre is \$19.80 - \$29.70 for a standard 330ml six pack, or \$5 - \$7.50 for a 500ml single. Craft beer items placed in this price bracket claim a disproportionate share of the craft wallet (25%) relative to the volume sold (15%).

CRAFT BEER - PRICE BREAK SUMMARY



CONCLUSION AND ACKNOWLEDGEMENTS

Keeping demand in sync with supply is the collective and individual challenge.

This year we see the number of brewers in New Zealand growing at a faster rate than combined production, essentially more competition for a slightly bigger pie. The flipside is greater choice for consumers who benefit from the variety. With more focus on quality and greater access to fresh local product, New Zealand's local beer scene will continue to develop.

Export does provide opportunity to grow exponentially, but a big investment of time and resources are required. For exported craft beers brewed in New Zealand two major logistical hurdles are optimising the cool chain and time-to-market all the while being mindful of shipping costs as a portion of value. It's promising to hear anecdotes of super high value craft beer being exported for values that compete with wine.

We understand that the term 'Craft' is not a guarantee of beer quality and in the absence of an agreed industry standard or definition, craft beer remains a subjective term, often used by retailers to categorise beer of a particular flavour profile.

We note that the Craft Beer Industry Association in Australia recently renamed itself as the Independent Brewers Association, with membership available to breweries meeting their definition of independently owned¹. The United States-based Brewers Association defines a craft brewer as one that is small, independent and traditional, we note though that small in US terms is currently defined² as producing less than 6 million barrels (just over 700 million litres) per year!

For ANZ, we continue to use the term 'Craft Beer' as we believe it remains the best proxy for the segment of the beer market we've seen experience such significant growth. In this year's report, depending on the data source available for analysis, we have included brewing companies that market their product as craft, are independently-owned, produce less than 1% of local production, or a combination of those three. However the industry is defined, we welcome the opportunity to continue to support New Zealand brewers and stakeholders.

For more information about how ANZ can help you grow your food and beverage business, talk to your ANZ Manager or visit anz.co.nz.

ACKNOWLEDGEMENTS

In preparing this report we spoke to many passionate people involved in this exciting sector. We'd like to thank the craft beer community for their generosity with knowledge, insights and ideas and their willingness to share to help the whole sector grow.

Recommended reading:

- www.Beertown.NZ – Original beer stories. Served Fresh. Contact Martin Craig – Martin@Beertown.NZ 021 539 635.
- *Brewed: A Guide to the Beer of New Zealand* by Jules Van Costello.
- *The Pursuit of Hoppiness* – craft brewing & pub magazine available from SOBA – the Society of Beer Advocates.

New Zealand Craft Beer Industry Report 2017 co-authors and contributors: Max Newton, Rob Simcic, Sam Bree, Kyle Uerata, Linda Townsend, Martin Craig, Jules van Costello, Tim Saunders, Jane Grace, George Lawrence, Peter Smith.

CONTACTS

For questions specifically regarding this paper or the craft beer industry in general contact Max Newton, Rob Simcic or Sam Bree (details below).

ANZ BANKERS WHO KNOW A BIT ABOUT CRAFT BEER:

SCOTT WILSON

Commercial Relationship Manager – Auckland North
09 252 6522 / 021 993 831
Scott.Wilson3@anz.com

PHIL WHITTLE

Commercial Relationship Manager - Auckland
09 252 4522 / 027 214 8921
Phil.Whittle@anz.com

SAM BREE

Commercial Relationship Manager - Wellington
04 436 6672 / 027 280 2659
Sam.Bree@anz.com

GAVIN FITZGERALD

Senior Commercial Relationship Manager - Wellington
04 436 6678 / 027 298 5678
Gavin.Fitzgerald@anz.com

TIM SAUNDERS

Senior Commercial & Agri Relationship Manager - Nelson
03 546 3217 / 027 214 8864
Tim.Saunders@anz.com

PAUL CAMPBELL

Relationship Manager – Christchurch
03 368 2421 / 027 694 1564
Paul.Campbell@anz.com

ROB SIMCIC

Food and Beverage Specialist - NZ
03 368 2767 / 027 475 4690
Rob.Simcic@anz.com

MAX NEWTON

Insights Manager
09 252 6421 / 021 192 7089
Max.Newton@anz.com

APPENDIX: NZTE SUCCESSFUL EXPORTING CHECKLIST

YOUR VALUE PROPOSITION

To succeed in new export markets, you have to offer something that's unique and valuable to your target customer.

Successful exporters are laser-focused. They know precisely what they're selling, who they're selling to, and why – and they focus their efforts on the most valuable customers. If you want to achieve this level of clarity, and the results that come with it, the first step is to have a clear value proposition and test it via customer research in your intended markets.

KNOWING THE COMPETITION

Having a clear picture of the competitive landscape in an export market will help you spot and confirm a profitable niche, or to modify your product to ensure success.

Many New Zealand craft brewers try to launch into international markets with 'me-too' products, or a product that sells well here but has no chance there.

With a little more research using multiple channels and sources of market intelligence, you can ascertain what your competitors do, how and why, thereby improving your ability to develop a winning go-to-market strategy. It is particularly critical that you prepare well when you are a small player entering into large markets like Australia with well-established or sizeable competitors.

Australia's craft beer market is less saturated in terms of brewing companies per capita than ours and (to a lesser extent) the USA, so there is less competition and potentially more opportunity for new players.

CHANNEL PARTNERS AND DISTRIBUTION

Many small New Zealand businesses sign up with the first distributor that shows interest, without going through the due diligence process. More often than not, this leads to lost time, no increase in sales, and money wasted.

Companies need to think carefully about where the best opportunities lie for their products – on-premise, off-premise, retail or online – and choose a channel partner who has the right networks and resources to ensure long-term growth.

This relationship is especially important to craft beer, since the distributor has control over the time to market and cool chain - which is particularly vital for 'hoppy' craft beers that need to be well looked after so they reach the consumer in the best possible condition. If the cool chain breaks down or the product isn't stored correctly, spoiled brews could mean reputational damage.

CAPABILITY AND CAPACITY

Exporting will place new pressures on a company's leaders, people, finances and processes. Honesty is key when assessing capability and capacity. If a company can identify limitations early, it will know precisely where to strengthen its business so it's in the best position to succeed.

GETTING PRICING RIGHT

Thinking carefully about all of the costs associated with exporting and selling a product is critical, as is working out how to recover these once product starts moving offshore. Delivery costs, packaging variations, tariffs, and currency shifts will all need to be considered.

Companies should consider their pricing options early on and work out an acceptable price that will make them a profit, but not price them out of the market. If it becomes clear that a profit isn't likely, a decision may have to be made to walk away for now, so resources can be focused on making money elsewhere.

UNDERSTANDING EXPORT COSTS

The best way to determine if entering a new market is even feasible, and if a company can sustain the investment it requires, is to be realistic in financial planning. Refer to NZTE's Export Essentials guides for more.

INTERNATIONAL COMPLIANCE

Put simply, companies that aren't compliant with the regulations of the country they are entering may fail. Trading rules and regulations vary from country to country and state to state, especially for food and beverage products – and alcoholic beverages in particular.

Companies should take legal advice and local guidance - this will avoid unnecessary costs and product hold-ups.

FINANCING

Bad financial planning and a lack of funding is a common cause of failed export ventures. Many New Zealand exporters underestimate the capital required to enter a new market and to sustain themselves once there.

LOGISTICS

Export logistics involves more than just balancing out the cost and timing of road, rail, air or sea transport. With stringent and specific market requirements, it's all about getting the details right to reduce the risk of product being delayed, refused entry, lost in transit or not safely delivered to the customer.

As a business grows and targets new international markets, they can handle some logistics themselves, but sometimes it pays huge dividends to get professional help especially in a country as big as Australia. Things go wrong in logistics on a daily basis and a professional logistics company is experienced in avoiding and, if necessary, managing these issues.

LEARN MORE

All this research will help narrow down options and reveal priority markets to start with – which might not be the country or market a company was thinking of at the start.

Quality research doesn't always have to be expensive – it can include visiting the market and talking to bar owners, bar staff, customers, retailers and distributors. Companies should explore and learn wherever possible themselves, and call in professional help to fill the gaps.

No matter where you are in your export journey, NZTE can help you to reach your goals and take your business to the next level.

NZTE's online Export Essentials guides are a great place to start, and cover off all of the key areas for New Zealand companies wanting to grow internationally. NZTE also offers Export Essentials workshops to eligible New Zealand companies, helping them to develop their international plans and learn proven approaches for global growth.

NZTE works intensively with fast-growing companies, both here in New Zealand and through our network of offices serving 100 markets around the world.

Find more market information and insights for international growth at nzte.govt.nz.



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Te Taurapa Tūhono

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