The Craft Distillery Market 2015 and Coming Attractions

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U.S. Craft Distilleries…

- How Many?
- What Products Are They Making?
- Where Are They?
- Where Are We in the Market Development Cycle?

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Craft Distillery Market Snapshot 2015

- 1016 Unique U.S. listings in ADI Directories 2006-2016
- 817 Unique U.S. listings in 2016 ADI Directory (year-end 2015)
  - 1825 Listings in TTB DSP permit holders file (Jan 2016).

- 962 *Operating* Craft Distilleries as of year-end 2015
- 772 *Identified* Operating Craft Distilleries as of year-end 2015
  - Remainder are Known & Estimated "Hidden" Entrants

- # of Entrants is (still) doubling every three years

- ***There will be 1000 Producing Craft Distilleries in 2016.***

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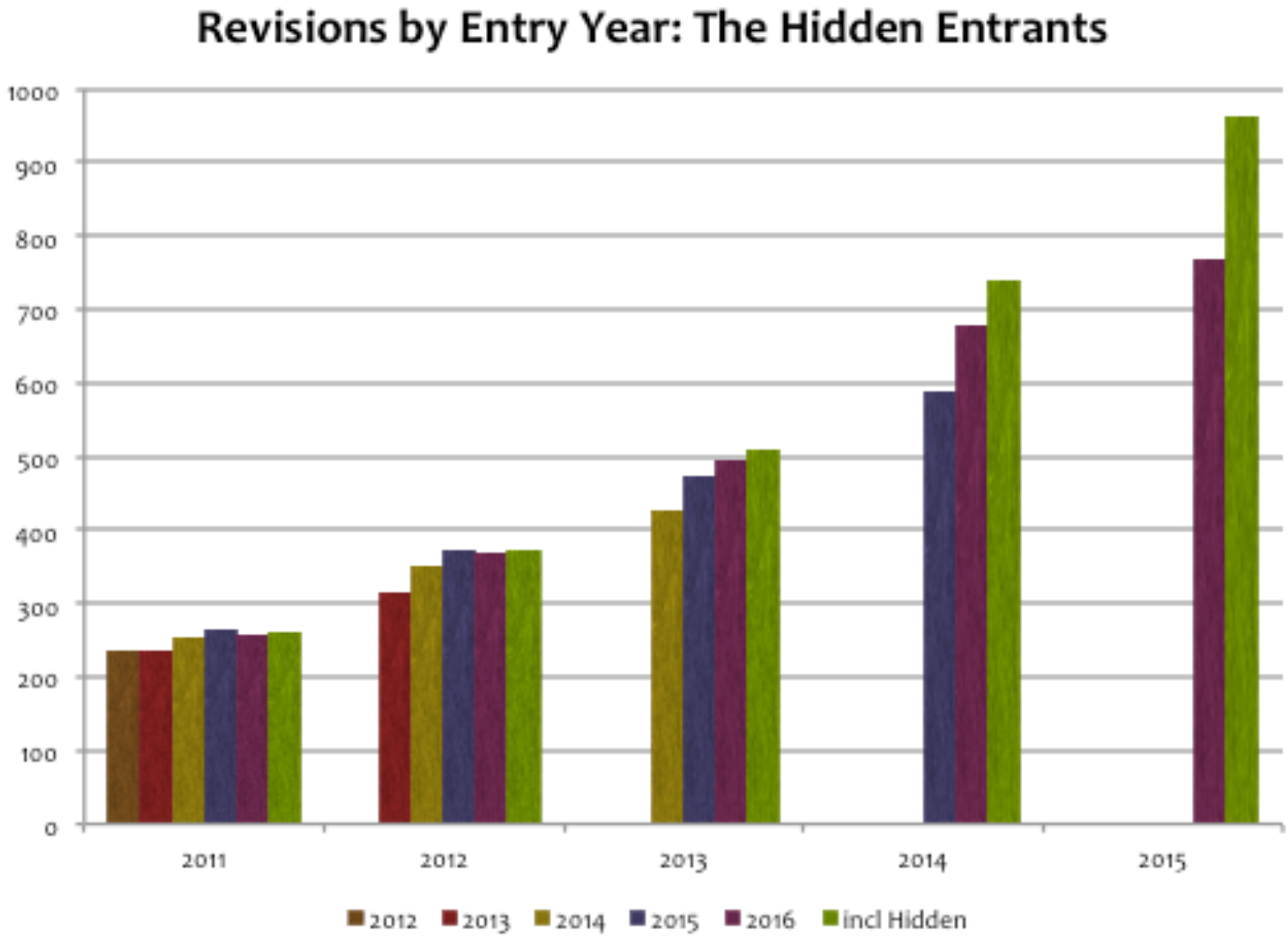
How Many Producers? The Hidden Entrant Problem



Data: TTB, ADI, Michael Kinstlick

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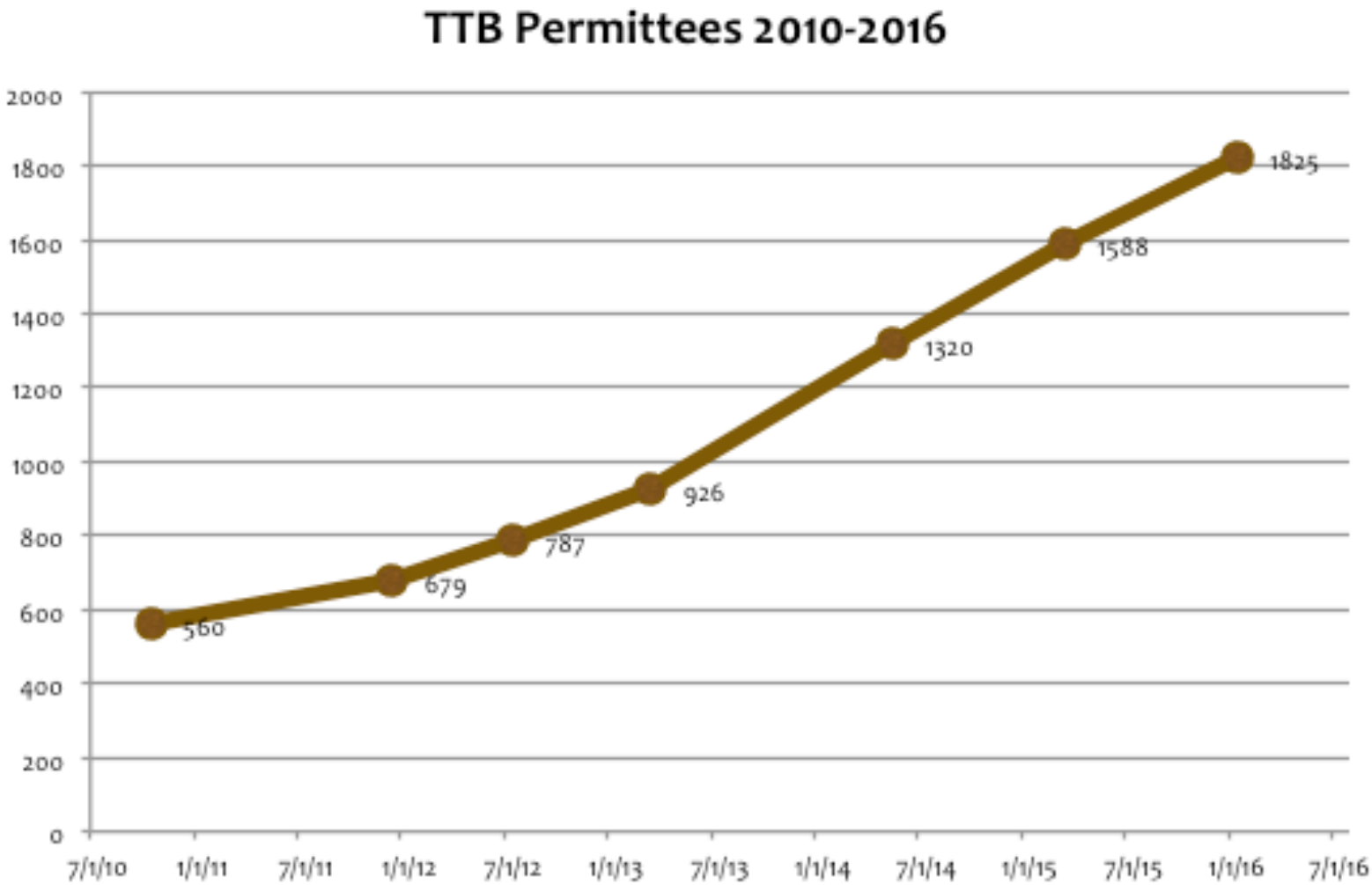
Potential Entrants:
New TTB DSP's are "Pre-producers"



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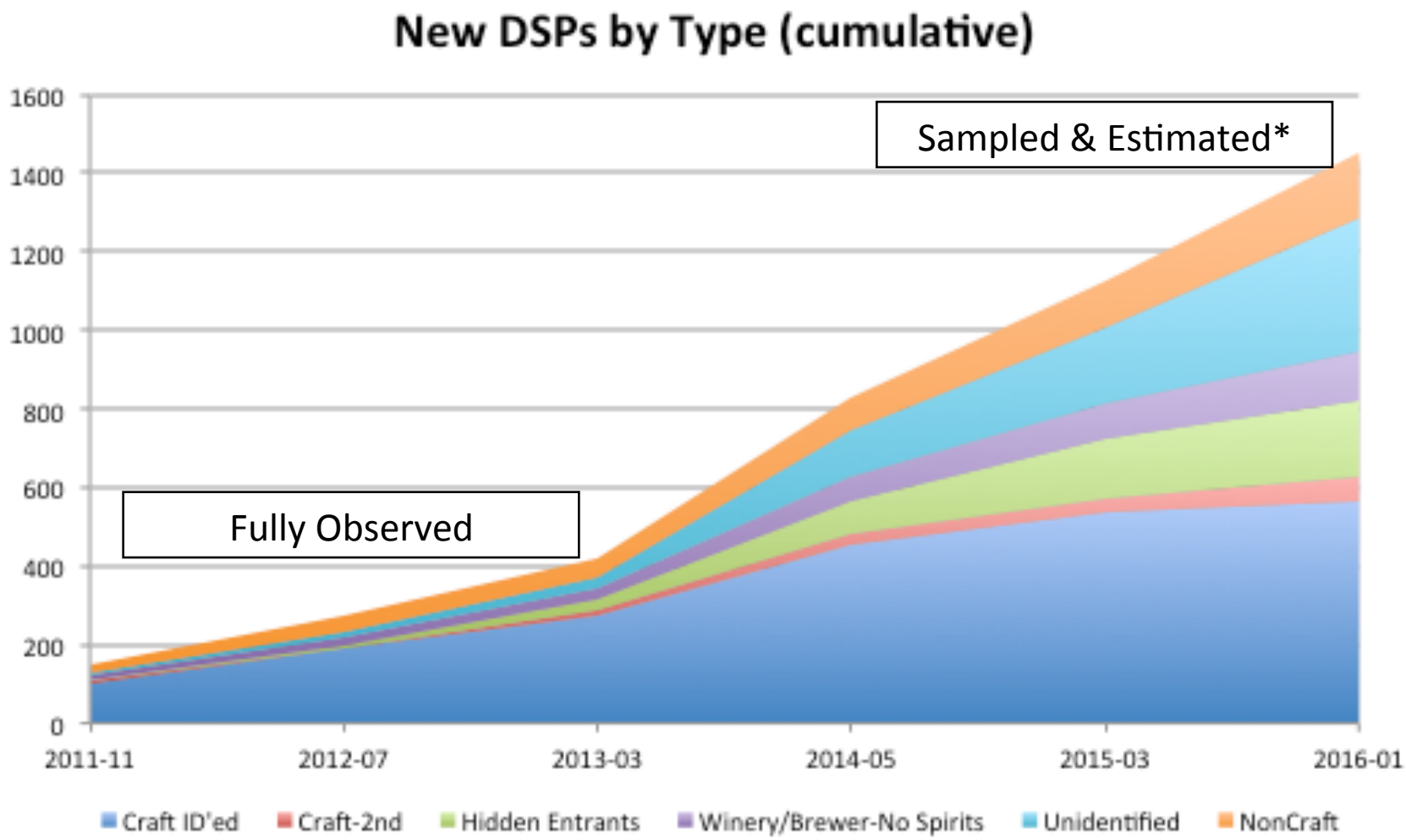
Disposition of Added DSPs

2011-13 full panel, 2014-16 sampled & estimated



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*Observed 12-15% of randomly selected DSPs

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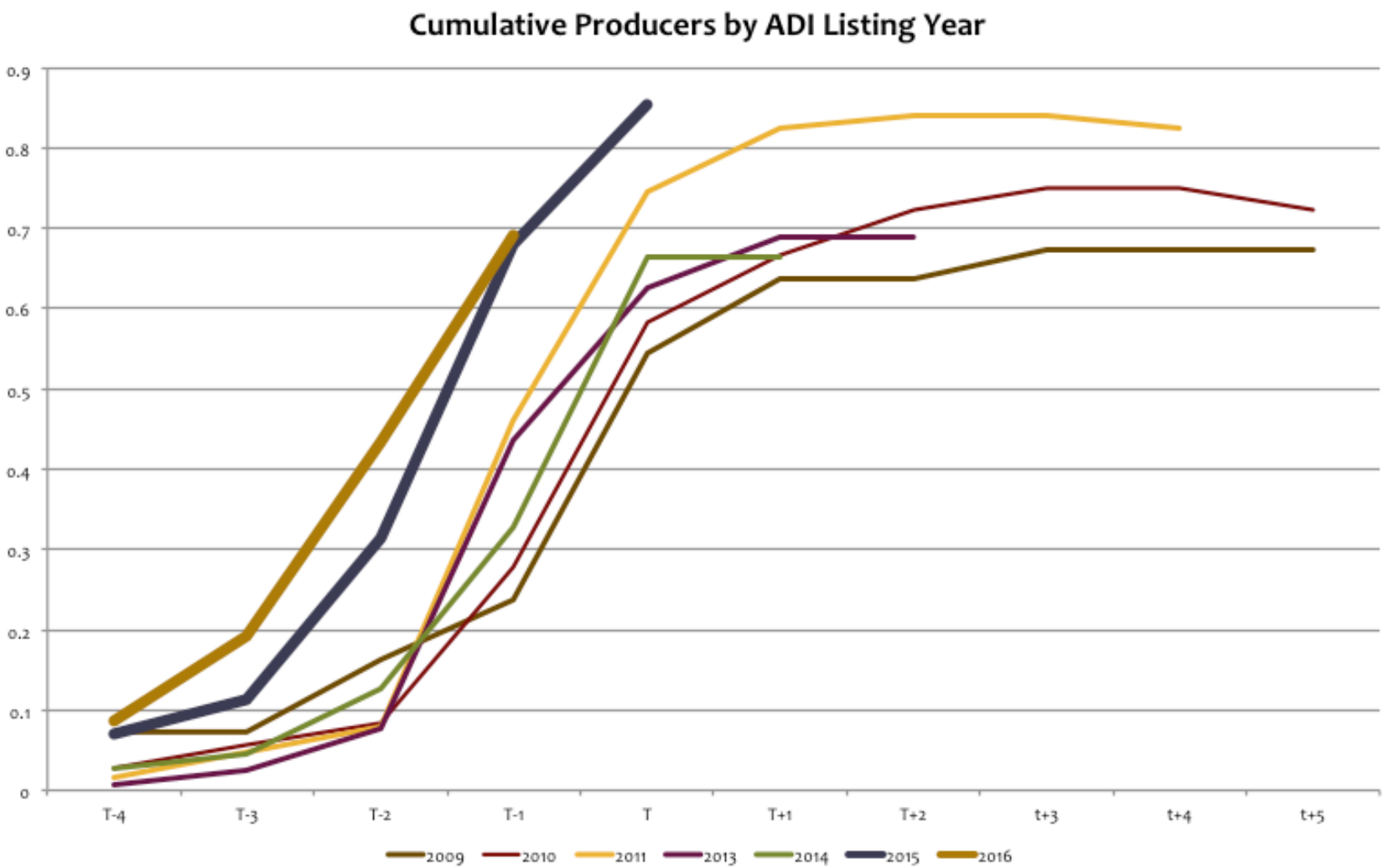
Recent Years' Listings More Likely to be Producers



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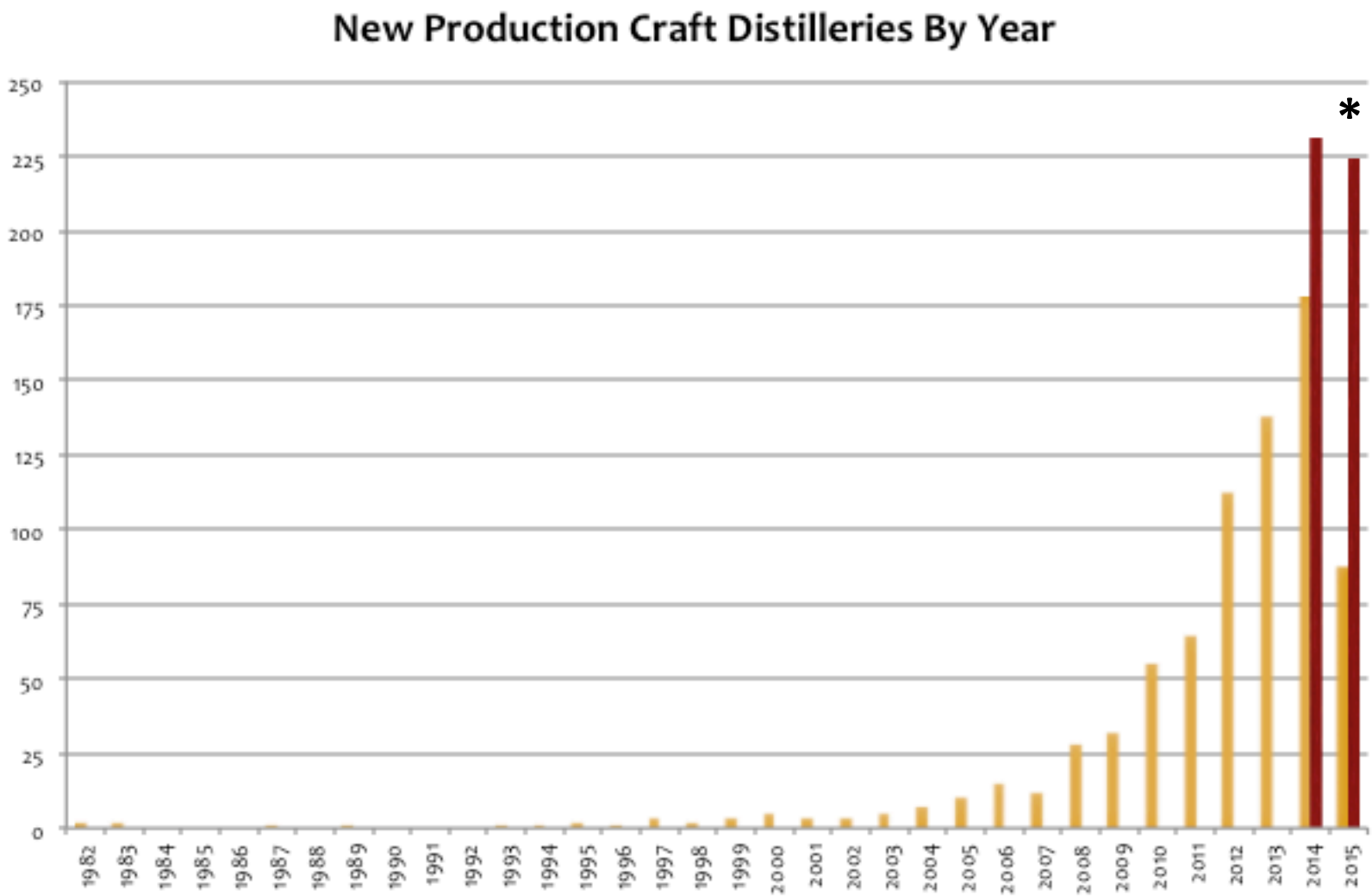
Craft Distilleries: New Entrants 1982-2015



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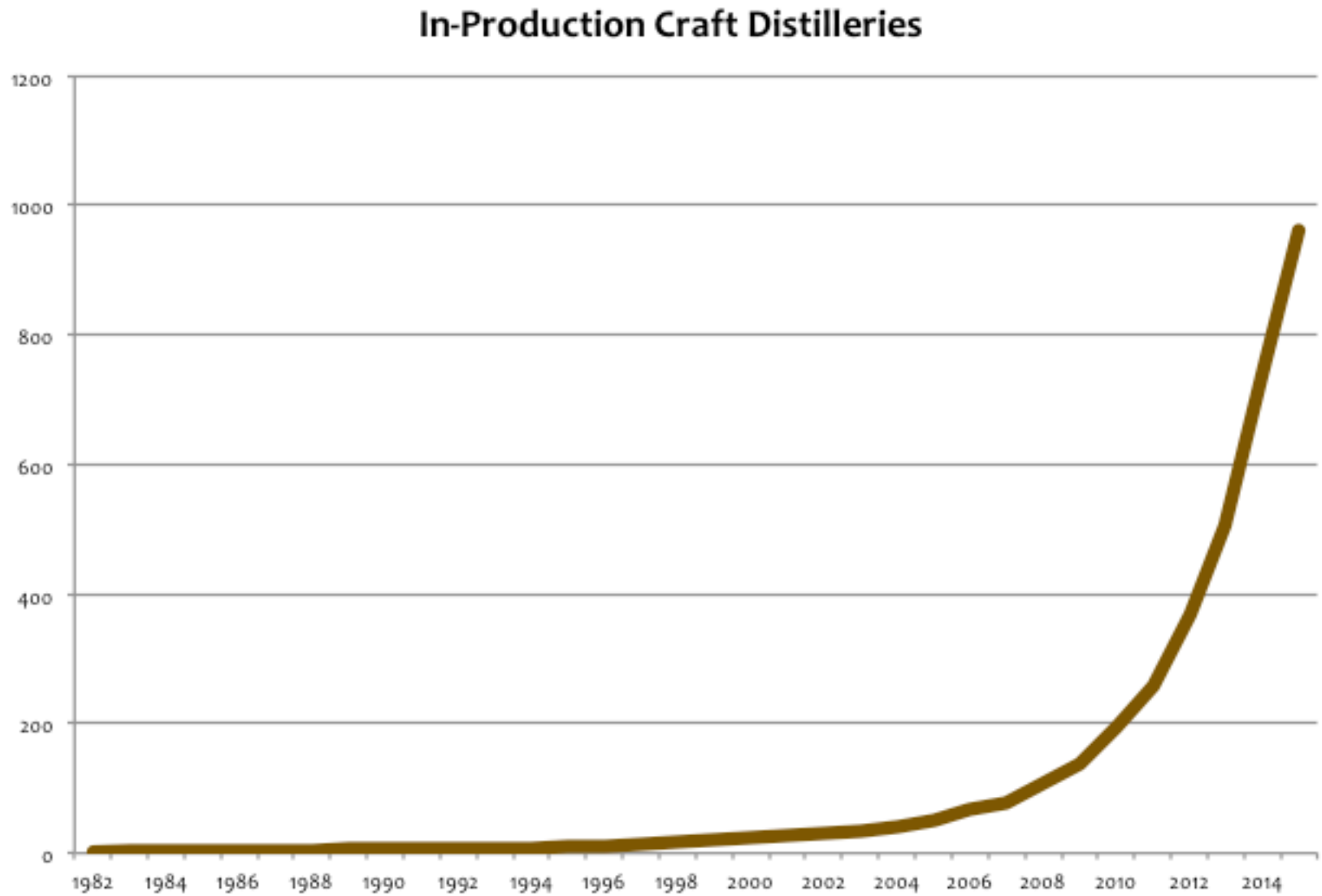
U.S. Production Craft Distilleries, 1982-2015



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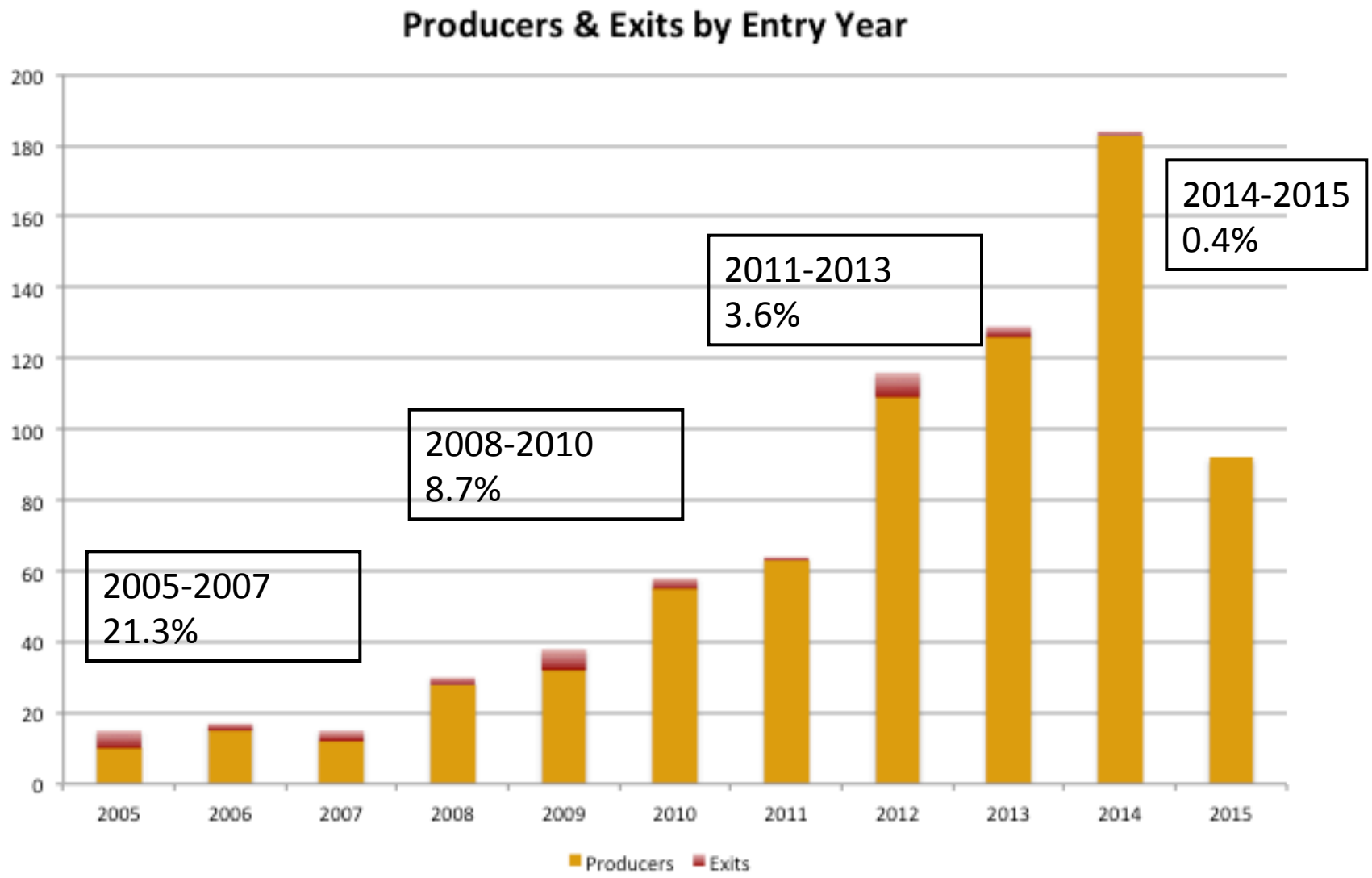
Exits: The Coming Wave



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Exits: Risk Factors

# of Product Types	Producers	Exits	Total	Exit %age
1	277	19	296	6.4%
2	197	7	204	3.4%
3+	326	7	333	2.1%

	Entrants	Producers	Exits	Exit %age
Total	800	767	33	4.1%
Vodka Only	73	64	9	12.3%

Data: ADI, Michael Kinstlick

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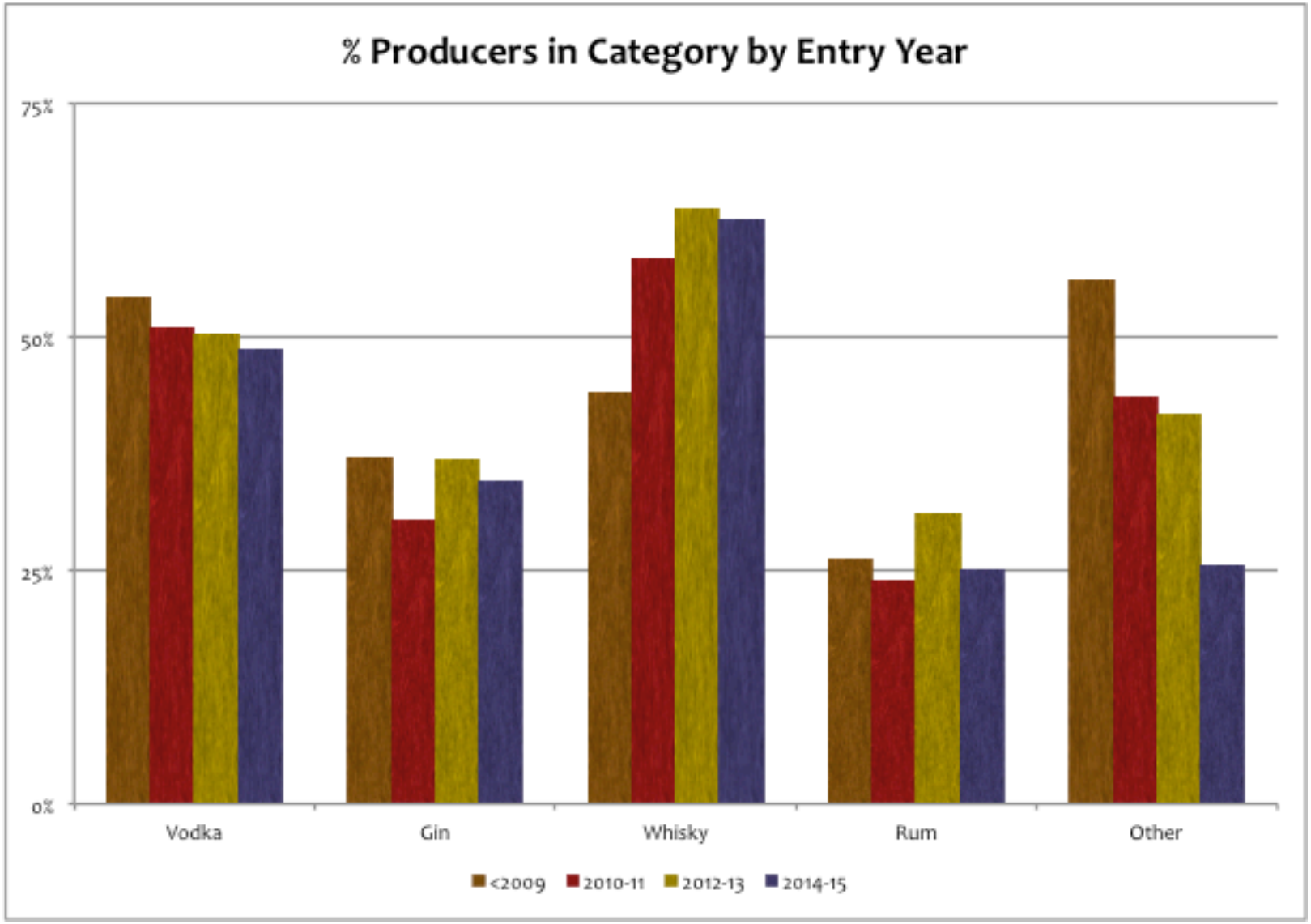
Craft Distilleries…What are they making?



Note: Multiple-category firms mean these %-ages do not sum to 100%

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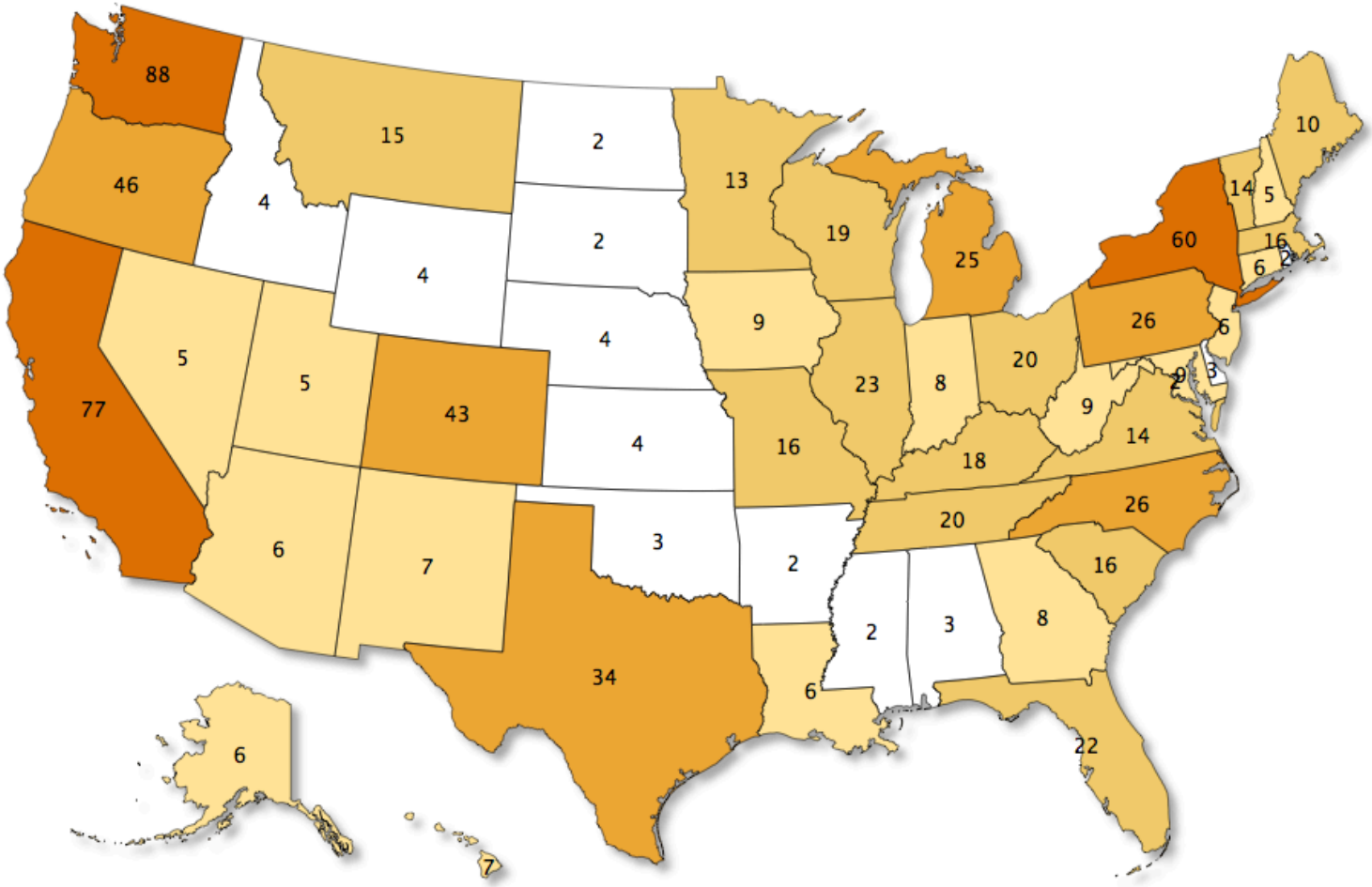
Craft Distilleries By State, 2015



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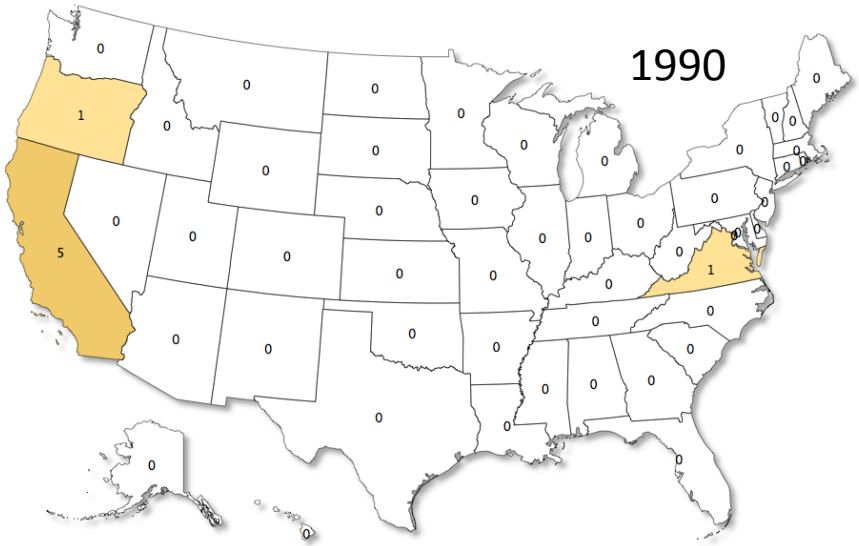
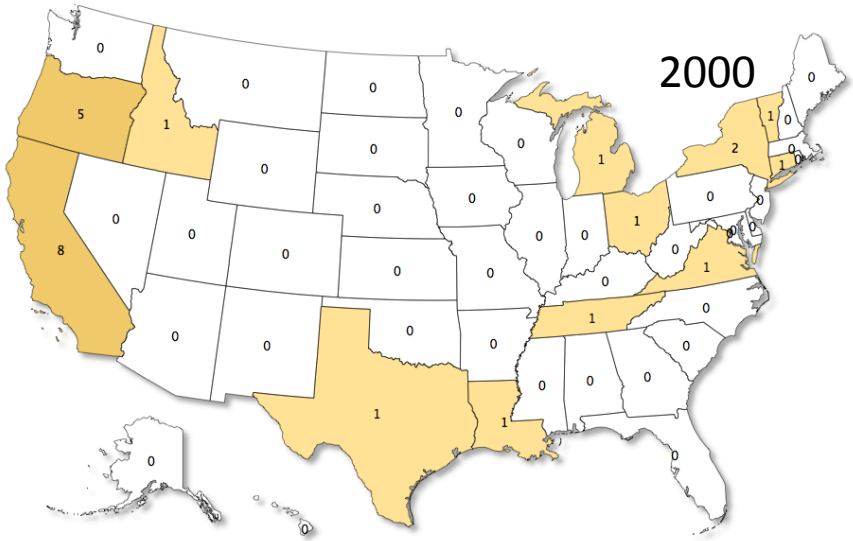
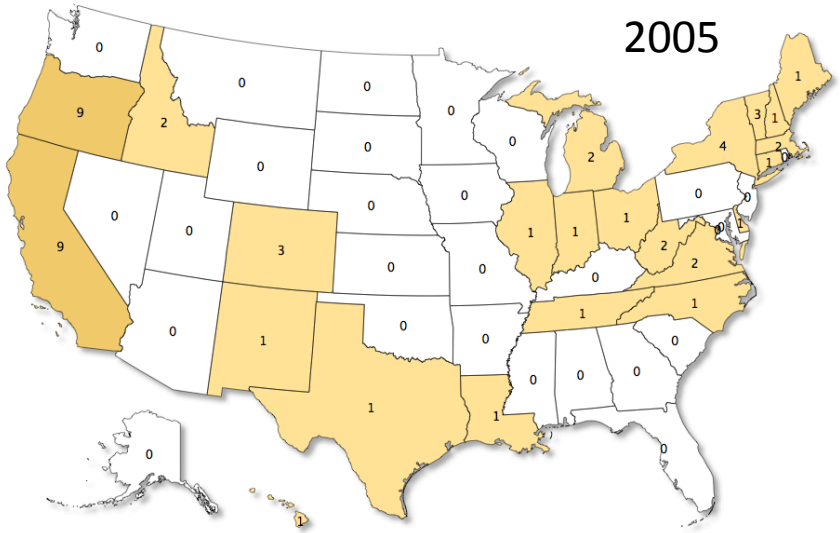
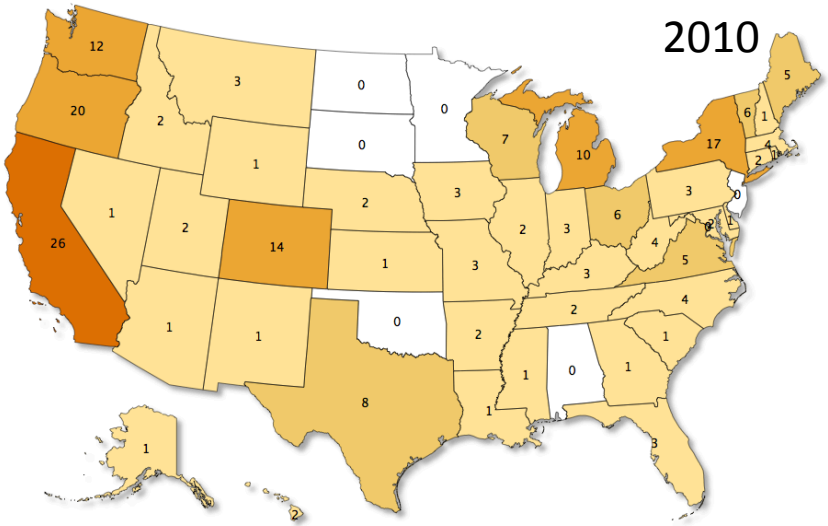
Craft Distilleries By State, 1990-2010









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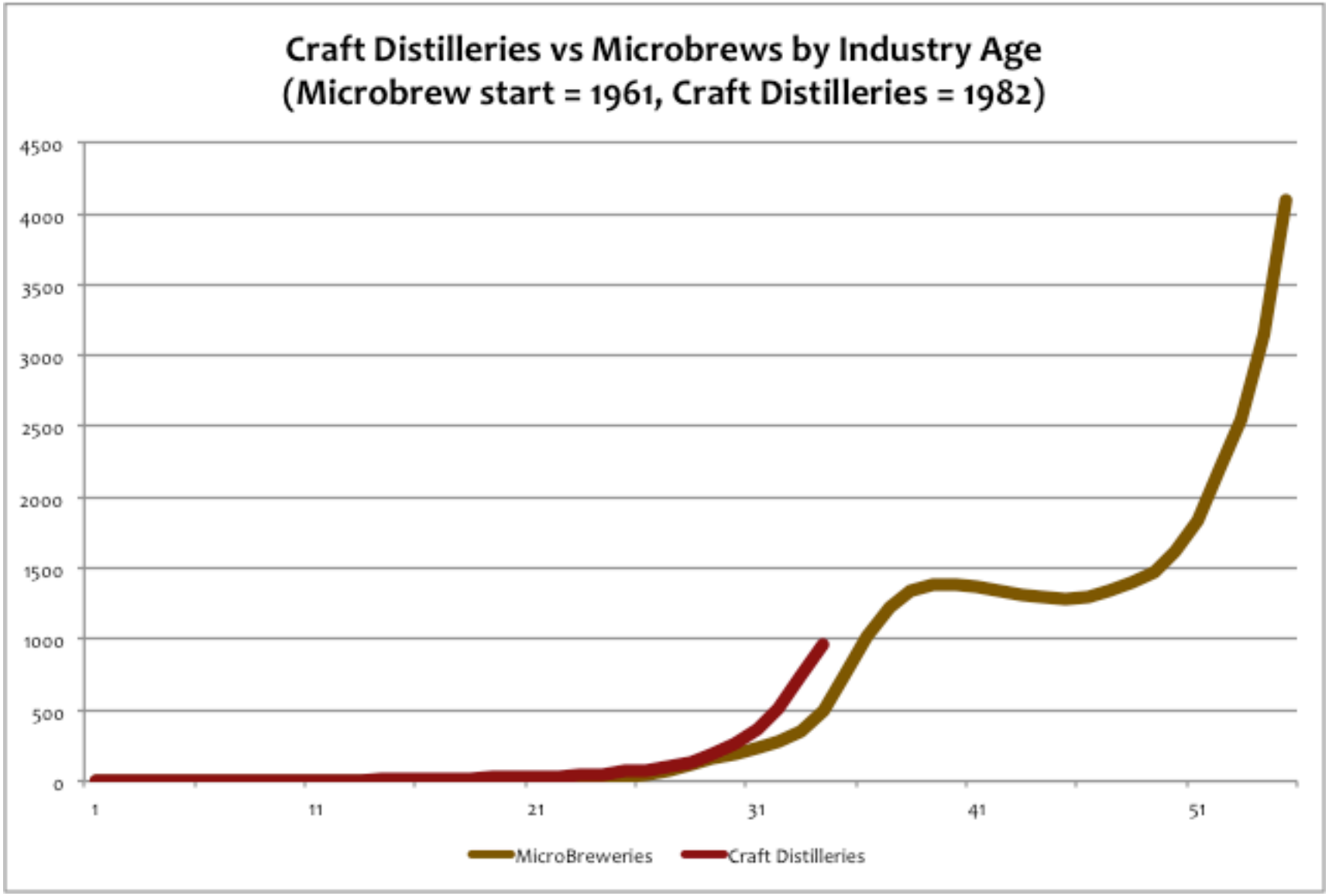
Craft Distilleries vs. Craft Breweries



Data: TTB, ADI, Michael Kinstlick, Glenn Carroll, Anand Swaminathan, Bart Watson / Brewer's Association

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Conclusion

- *Number of Craft Distilleries in the market will reach 2000 within 5 years.*
  - *Exits will start to become part of the landscape.*

- Craft Distilled spirits consumption is solidly in "early-adopter" phase.
  - Craft Distillers have 1.5% US Distilled Spirits market share
  - Craft Brewers have 15% US Beer market share

- The renewal of American distilling is following a classic pattern of industry resurgences.

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Data & Methods

- What is a Craft-Distillery?
  1. Independent Firm
     - Below a certain production volume. (40-50k 9L cases, generally)
  2. Distilling spirits themselves
  3. Bottling & Marketing them directly
- Definition Excludes…
  - Barrelers & Bottlers
  - Importers
  - Rectifiers
  - Contract Distillers
- Data
  - ADI Directories, 2006-2016
  - TTB DSP permit holders foia file (online, 2010-2016)
  - State Guild websites

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About the Author

Michael Kinstlick comes to the spirits industry from a 20 year career in finance, technology, and insurance. He co-founded Coppersea Distilling, LLC with distiller Angus MacDonald in 2011. Coppersea is currently producing distinctive whiskies and eaux de vie using its heritage-methods distilling practices and is available in 12 states.

Michael has a BA in Economics from Columbia University, a MS in Industrial Engineering from Northwestern, and a MBA from the Haas School of Business at U.C. Berkeley.

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