
Craft Brew News - Vol 11, No 101

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CRAFT BREW NEWS

News, Numbers and More About the Craft Beer World

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Q3 “Better” But BA Craft Still Off Mid Singles, Bart Estimates; “Long Winter and Spring” Ahead

Small and indie US brewers reported “better sales” in 3rd qtr than they did for Q2, “but [at] levels that still fall far short of 2019,” Brewers Assn economist [Bart Watson wrote today sharing results of latest member survey](#). His analysis of these results suggest BA craft volume down about 5% in Q3. That’s clear improvement from estimated 10% drop thru 1st half, tho Bart figures craft volume still down 8-9% yr-to-date, back of the envelope. He set expectation that small indie craft brewers will end 2020 “in the red in volume, and even more so in revenue.”

Pair of brewer comments shared by Bart quickly summarize the state of most craft cos these days. First: “Taproom consumption down. To-go sales way up. Bar and restaurant business way down. Store sales way up. Event business way down. Overall, revenues are up, but profits are down due to the reduction in consumption at the taproom and onsite and offsite events.” Second: “Our top line numbers might be close year over year, but the cost of doing business this year is WAY higher.” That’s the story, folks. (Again, for most.)

Analysis of 7 separate on-premise measures (a mix of volume and revenue, food and bev data) suggests on-premise biz down 20-25% in Q3, with avg of all 7 measures -22%, Bart showed. But draft biz “weaker than many of the other measures,” survey results show, -38% for the qtr, likely due to relative difficulty of selling draft to-go, he thinks. Survey results suggest on-site volume off by about 1/4, tho to-go sales flying (median trend was +42%, but avg brewery more than doubled). Similar story for off-premise sales, brewers told BA. In IRI, BA-defined craft volume up 11% for 12 wks to Oct 4. In all, “it’s still going to be a long winter and spring if these numbers don’t improve or if small brewers don’t get additional relief,” Bart concludes.

Craft Healthy and Gettin’ Healthier Off-Prem; \$\$ Up 14.5% for 9+ Mos in IRI; Sam Septemberfest

While total picture ain’t nearly as pretty (see above), craft beer off-premise is lookin’ healthy as it’s been in several yrs.

And it's gettin' healthier. Indeed, craft \$\$ sales accelerated to +16%, gaining 0.5 share of total beer \$\$ for 4 wks thru Oct 4 in IRI multi-outlet + convenience data. That's its best share gain for any given period in many moons (as we noted citing separate Nielsen data – see Oct 13 issue). So craft improved to +14.5%, volume up 13% YTD thru Oct 4 in IRI MULC. Avg price gains pickin' up lately too, even as more cos lean into larger packs; avg price per case up 1.6% for both 4 and 12 wks vs +1% to \$38.22/case YTD.

AB and NBB Runnin' Away with Craft Share Gains; Sierra Slowin' but Growin' Most top craft cos kept up growth in IRI YTD too, to varying degrees. AB acquired craft cos (excluding CBA) collectively grew 28% and gained nearly 0.9 share of craft \$\$ YTD thru Oct 4. Improved to +1 share of craft for 4 wks with Elysian (+40%) leading the way. New Belgium's impressive year keeps gettin' better too. Growth improved to +29.5% YTD, gaining 0.66 share of craft \$. For 4 wks, NBB up 34% and gained 0.8 share of craft, even snagging over 0.1 share of total beer \$\$ to 0.7. Sierra Nevada still rockin' +20% YTD, adding 0.3 share of craft. Tho Sierra slowed to +13% for 4 wks and lost a bit of craft share as Hazy Little Thing's gradual slowdown continued; +46% for 4 wks vs up 81% YTD.

Firestone, Bell's and MC Craft Gains YTD; But MC Craft Losin' Ground Lately In next growth tier among top craft, Firestone Walker (+34.5%) and Bell's (+26%) gained 0.3 and 0.2 share of segment YTD respectively. Bell's accelerated up 32% for 4 wks, fueled by particularly strong Seasonal growth (+42%). And MC craft acquisitions (excluding Atwater) collectively up 32% YTD and gained 0.3 share of segment \$. But MC craft slowed significantly in recent periods following Saint Archer Gold hibernation; up just 9% for 4 wks, as Saint Archer slowed to +13% and both Terrapin (-4%) and Revolver (-5%) slipped.

Double-Digit Growth Cos w/ Seltzer Boosts; Founders & Stone Pickin' Up; Deschutes & SweetWater Down for 4 Wks Then too, Craft Brew Alliance (+13%), Gambrinus (+17%), CANarchy (+35%) and Artisanal Brewing Ventures (+29%) still growing strong double-digits off-premise YTD with extra help of hard seltzer. Both CBA and Gambrinus accelerated for 4 wks while CANarchy and ABV slowed a bit. Founders (+13%) and Stone (+5%) continue to improve without the help of hard seltzer (yet, for Founders at least, which rolls out Mas Agave hard seltzer next spring). Lagunitas maintaining steady pace lately, up 7% YTD. Only Deschutes (-1%) and SweetWater (-3%) declining in latest 4 wks among top craft vendors in IRI, tho both still eking out off-premise growth YTD.

More Like Sam Septemberfest; Sam Adams Up 14% in Grocery for 4 Wks Thru Oct 4; Variety Pk +52% Sam Adams flipped the switch in September scans, particularly in grocery channel. Sam Adams brand family \$\$ grew 14% for 4 wks thru Oct 4 in IRI grocery, improving to +2.5% YTD. Both Sam Seasonal (+15%) and Boston Lager (+11%) grew solid low-double-digits for period. But the big difference maker was Sam Variety Pk; sales flew +52% vs up just 0.7% YTD. Plus, Jack-O Pumpkin Ale boosted Seasonal Overlay up 229% vs last yr thruout the fall period in IRI MULC data, co shared with CBN separately (see Oct 13 issue). Notably, while Boston Lager trend is similar in c-stores, Sam Seasonal growth about 12 pts slower in c-stores, up just 2.5%. Perhaps there's room for c-store improvement too as several other top craft cos take aim at that channel? All in, regardless of what's goin' on with Sam Adams these days, total Boston Beer hasn't missed a beat; \$\$ still up 47% for 4 wks, +49% for 12 wks and +55% YTD thru Oct 4.

Buttoned-Up Cape May Redefines Go-Go Growth, Eyes Near 50% Gain in Unimaginable Year

It's not 2014, last we checked, but NJ's Cape May Brewing is growing like it is. At least in terms of its overall trend. The coastal brewery shipped around 23,500 bbls in 2019 and is currently on path to push past 35K bbls this yr, founder/CEO Ryan Krill shared with Craft Brew News. Even with a hard-hit draft biz, in realm of ~40% of co's biz prior to Covid, Cape May found a way to exceed its initial goal of topping 30K bbls and put itself on path to 11-12K bbls of growth in 2020.

But there are major differences between Cape May's trajectory and how US craft brewers achieved gangbusters growth during high-flying 2010-2015 (or "the Go-Go Years," as we've affectionately called them). Those were times "when no one's sh*t stank, and everyone could walk on water," as Mass Bay/Harpoon CEO Dan Kenary put it recently (see last issue). Everyone grew every which way. Not so these days. So the folks at Cape May "spend a lot of time working on planning," Ryan told us, and "were already primed for success this year." They "invest a lot of time in planning and strategizing our growth," mktg director Alicia Grasso added. Putting in the energy to "button up with what that vision looked like" — prioritizing their core, being choosy about innovation and recognizing their most profitable avenues to growth — allowed the co to "stay on trajectory for 2020," she said. In fact, Cape May "would have sold a lot more beer" if it wasn't "plagued by can supply issues" mid-summer, when it was "so far ahead of forecast that [can suppliers] just weren't able to do it" and meet expanded orders, Ryan told us. Co missed "a couple more thousand barrels" because it couldn't get more cans than it had already asked for.

Contracting Fed 40% Core Growth, Fruit-Forward New Brews Like some other brewers that have quickly scaled up, Cape May contracts some production to other facilities. It works with Yard's at that co's new larger facility in nearby Philadelphia and with FX Matt in upstate NY, Ryan reminded. The co's primary facility in Cape May, NJ has been "maxed out" in neighborhood of 20-22K bbls. "They had the ability to scale with us, which is great," Ryan told us. That provided room for co's core brands to grow 40% so far this yr, Alicia shared.

Innovation helped too, as co launched 2 new brands that both exceeded expectations. One expanded on major seasonal offering that contributed to Cape May's growth last yr, its The Bog cranberry shandy. This yr, co launched The Grove, a citrus shandy, as well as Orange Crushin' It, an orange-infused IPA. "We've always done a lot with fruit beer," Ryan noted. In 2020, with so much attention both from core craft consumers and broader alc bev biz, that proved, well, fruitful.

"Intentional" Innovation & Growing On-Site Biz by Showing, Not Telling Also like many other brewers, innovation often sourced from co's tasting room in namesake city, a "great location that is in a tourism destination" that "in the summertime" provides plenty of insight into what's working and what doesn't, Alicia said. Cape May is "really intentional about the beers that we release in the tasting room," too, Ryan said. "It's not a flippant process," he pointed out, because "hope is not a strategy."

Remarkably, Cape May's "tasting room business is actually up over last year," Ryan told CBN. Co is "very thankful that Governor Murphy allowed tasting rooms to open up," Ryan said, allowing his co to sell beer for on-site consumption at sprawling "Brewtanical Garden" outdoor space adjacent to the brewery, opened in July. "People didn't know what to expect" as on-premise operations started to open a few months into the pandemic, Alicia explained. So Cape May worked to "show safe instead of just say we're safe," using "a lot of video and pictures" of exactly what visiting the brewery for a pint would look like on its social media channels. That "made people a lot more comfortable," she thinks. It didn't take too long for co to realize home delivery didn't carry the same potential as getting its Garden service right, so it pulled back there and allowed its sister distributing co, Cape Beverage to focus on "supporting and serving our 1500 retail accounts in New Jersey," Ryan said.

Cape Beverage Building Slowly with Starcut Cider, PA's Pizza Boy Establishing a distribution business for its home state has "been a godsend," Ryan acknowledged. Cape May self distributed from the start, but split off that side of its biz early last yr, opening up oppy to bring on other brands. It launched Short's cider brand, Starcut Ciders, early this summer, then brought on Pennsy-based Pizza Boy this fall. With "our brands as a lead," Ryan and co are "not trying to gobble up as many brands as we can" and "not trying to sell the flavor of the month." Instead, they're looking to "sell a brand that we believe in" and build relationships with retailers based on that focus. The fact that "New Jersey's so fragmented," with chains largely barred from off-premise alc bev sales and a limited on-premise universe, has helped Cape Beverage. "We start small and we just sort of chip away at it," Ryan explained. Building that biz has also helped create "such a respect for other wholesalers," including its 2 partners out of state, Standard in DE and Origlio in PA. "Tho winter likely to slow tasting room traffic, Cape May still poised for more growth in 2021, Ryan said: "we're plowing ahead. We're full throttle."

Bottles Get Bit of a Boost, Up Low Singles and Slimmed Share Gap, Even as Cans Stay Strong

As US can supply tightened and many craft brewers shifted plans to make do with what they've got, sales of craft bottles noticeably improved in scans. Bottles up 3% by \$\$ for 4 wks thru Oct 3 in Nielsen's broadest off-premise universe (including convenience and liquor stores). Recall, bottle sales declined during pandemic, -0.6% for 26 wks and -1.4% for 13 wks, despite inflated off-premise sales these periods. Tho bottles still holding on to over half of craft \$\$ for 52 wks at 50.6, cans took over and actually hit 53 share of the segment for 13 wks. Cans already just over half of craft volume, long term, and about 7 pts ahead of bottles for 13 wks. But in Sep, gap narrowed again, with cans at just 50.5-51 share of \$\$ and cases.

At same time, 6 pks did a little better too, up low double digits for 4 wks. Also ticked back up to 52.8 share of craft \$\$ in last mo, a pt higher than for 26 wks, shifting back from larger pack sizes (12 pks and up). Don't go thinking cans and big packs are slowing, tho. Cans up 37% by \$\$ for 4 wks, not far off near 38% gain for 26 wks. And 12 pks, for instance, +25% both periods. So improvement of old craft standbys (bottles, 6 pks) actually contributing to improvement of craft segment as a whole, \$\$ +17.8% for 4 wks, volume +18.7%. Each almost 1.5 pts better than 26-wk trends.

Natty Greene's Filed Chapter 7 Bankruptcy Following Precipitous Decline; \$295K in Revs YTD

Just 10 days after closing its Greensboro brewhouse "indefinitely" while looking to keep its separate downtown brewpub open, NC's Natty Greene's Brewing filed for Chapter 7 bankruptcy on Oct 18, meaning it will sell all remaining assets and not look to refinance. Co owes \$6.5 mil to an estimated 100-199 creditors. Natty Greene's reported just \$295K in revs YTD thru Oct 18 compared to \$732K in full year 2019 and \$1.2 mil in full 2018. On track for another tuff double-digit decline in 2020. Indeed, after opening in 2004 and expanding thru part of the region, Natty Greene's has fallen far from peak volume of 28K bbls in 2015, declining precipitously thruout the last 5 yrs to under 5K bbls in 2019, Brewers Assn estimated.

Its restaurant/pub in downtown Greensboro is reportedly not affected and will stay open, [according to local WFMY News](#) citing Triad Biz Journal. This marks 3d Greensboro brewery to close this yr following Preyer in Feb, pre-Covid, and Gibbs Hundred in Sep, WFMY added. This also marks the 2nd brewery bankruptcy filing in 2 wks, following Figueroa Mtn filing for Chapter 11 (see Oct 6 issue). Yet in both cases, cos had significant financial issues prior to this yr that were only exacerbated by Covid-19.

Shiner Joins Other Cos in Terminating Richards Group Ad Agency Over Founder's Racist Remark

Gambrinus/Shiner joined several other cos in terminating Richards Group ad agency, the largest indie agency in the country, after owner/founder Stan Richards made “racially insensitive comments,” co announced yesterday. During a 40-person creative review of an idea for an ad campaign with client Motel 6 that “celebrated Black artists,” the 88-year-old founder said an ad was “‘too Black’ and would not resonate with Motel 6’s ‘significant white supremacist constituents,’” [AdAge reported](#) among others. While Motel 6 didn’t confirm the actual remark, co said “we are outraged by the statements made about Motel 6 and our customers by a member of The Richards Group during one of its internal meetings....Upon learning of these comments, we terminated our relationship with The Richards Group, effective immediately.” While Richards claimed he simply “misspoke,” in statement, Shiner echoed Motel 6 and other notable cos that dropped Richards agency including Keurig Dr Pepper, HEB Grocery Chain and Salvation Army in swiftly terminating the partnership.

That's A Long Line: Largest Nebraska Craft Brewer, Zipline Brewing Co, Makin' Moves in Mexico

Zipline Brewing Co shipped 9,188 bbls last yr, the most in Nebraska according to the BA, and 7,728 bbls (84%) of that was sold within NE state lines. Yesterday, however, the brewer announced plans to expand into Mexico with a new beer specifically created for Bisbee’s Black & Blue, “one of the world’s largest and richest sportfishing tournaments,” held in Cabo San Lucas, Mexico, per the [Lincoln Journal Star](#). The special release is titled Bisbee’s Livewell Lager, and the brewery plans to follow it up “with its flagship, Great American Beer Fest gold medal-winning Copper Alt,” and “German-style Kolsch” in Mexico, according to the article. “These beers are perfectly suited for the market,” said Zipline co-founder Tom Wilmoth. “We couldn’t be more excited to launch our entry into the Mexican market” by associating with “the Super Bowl of sportfishing,” he added. Zipline Brewing “partnered with maxiaNET” – which imports other US beers “such as Stone Brewing” – to become the featured beer at Bisbee’s fishing tourneys, per report. Thru Sept 2020, Zipline shipped 4,965 bbls within Nebraska, down 15.2% vs same timeframe yr ago, according to state shipments data.

AL's Cross-Eyed Owl Brewing Closing Permanently Due to Covid

AL’s Cross-Eyed Owl Brewing is latest to “permanently” close end of Oct, directly citing Covid-19 as main reason, co [announced](#). “We have suffered a severe lack of income due to COVID-19 and exhausted all assistance available to us but it hasn’t been enough to endure,” co detailed on its website. Cross-Eyed Owl Brewing opened in 2018 as city of Decatur’s first brewery and brewed 750 bbls in 2019, according to Brewers Assn stats.

Engine 15 Reverses Course; Remains Open, Resolves Landlord Lease Dispute

“At this point we are out of ideas to save our company and the 16 jobs this business supports,” Jacksonville, FL’s Engine 15 Brewing professed via Facebook post on Monday. Co said it’d been “unable to reach an agreement” with its landlord to extend the current lease of its beach location, adding that “we are all ears if anyone in the community can help.” The brewery even marked November 15th as its last day open if the “last ditch public ask for help doesn’t work.” Just one day later, however, Engine 15 declared the beer glass to be “not only half full but overflowing,” after it “cleared up, what can be best described as, a miscommunication with our landlord,” the brewery announced via subsequent FB post. Co initially asked for just a 1-yr extension at current rates, but its landlord allegedly required a “guaranteed 3-5 year lease” with a “37% rent increase.” Unclear what the miscommunication was or where agreed upon terms landed, but Engine 15 sez it “will be staying at our present location for the long term which we consider our home after 10+ years.”

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Shoutout!

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