

CRAFT SPIRITS

DATA PROJECT

American
CRAFT SPIRITS
ASSOCIATION

park  street
PLATFORM FOR INNOVATORS



Table of Contents

• Executive Summary	3
• Key Findings	4
• Craft Spirits Research Definition	6
• US Craft Distiller Count	7
• Craft Spirits Category Overview	8
• Large Craft Producer Trends	18
• Medium Craft Producer Trends	21
• Small Craft Producer Trends	24
• Craft Growth Forecast	27
• Employment Trends	28
• Appendix	36

In 2023, the U.S. craft spirits category performed in line with the larger spirits market, experiencing its first decline since the creation of this report in 2016. The craft spirits category represented 13.5 million cases (versus 14 million in 2022) and \$7.8 billion in sales for the year, representing a volume decrease of 3.6% and value decrease of 1.1%.

As a whole, craft spirits sales remain nearly evenly split between the home state (48.1%) and other states (51.9%) in 2023. However, post-pandemic, craft spirits sales in the home state have increased share of total craft spirit sales (+1.4pp) while sales outside the home state have decreased as a percentage of total craft sales (-1.3pp).

Large craft producers shifted resources to focus on sales in their respective home states as well as exports. Medium-sized craft producers lead growth on nearly all fronts as this segment is the fastest growing within craft spirits. Small craft producers focused primarily on increasing home state sales, with this channel gaining share of sales accordingly.

Despite economic headwinds, craft producers continue to reinvest in their businesses, though at a slower rate in 2023. The average amount invested by a craft producer declined from 337,000 in 2021 to \$310,000 last year. However, the total investment by all craft producers continues to increase, reaching \$885 million in 2023.

Key Findings



The number of active craft distillers in the U.S. grew by 11.5% to reach a total of 3,069.



The U.S. craft spirits category volume reached over 13.5 million 9L cases in retail sales in 2023, marking a -3.6% growth rate year-over-year. In value terms, the market reached \$ 7.8 billion in sales representing a -1.1% growth rate.



Craft spirits market share of total U.S. spirits decreased to 4.6% share in volume and 7.5% in value in 2023, down from 4.9% and 7.7% in 2022.



Exports of U.S. craft spirits increased, reaching 179,000 9L cases, marking about a 5% increase from the prior year.



Employment numbers within the U.S. craft market continued to increase post-pandemic, reaching 29,373 full-time domestic employees, up from 27,368 in 2022.

CRAFT SPIRITS

MARKET DATA



DEFINITION

U.S. Craft spirits are distilled spirits that are produced in the U.S. by licensed producers that have not more than 750,000 proof gallons (or 394,317 9L cases) removed from bond, market themselves as craft, are not openly controlled by a large supplier, and have no proven violation of the ACSA Code of Ethics

SIZE REQUIREMENTS

Not more than 750,000 proof gallons (or 394,317 9L cases) removed from bond by licensed producer (DSP)

OWNERSHIP STRUCTURE

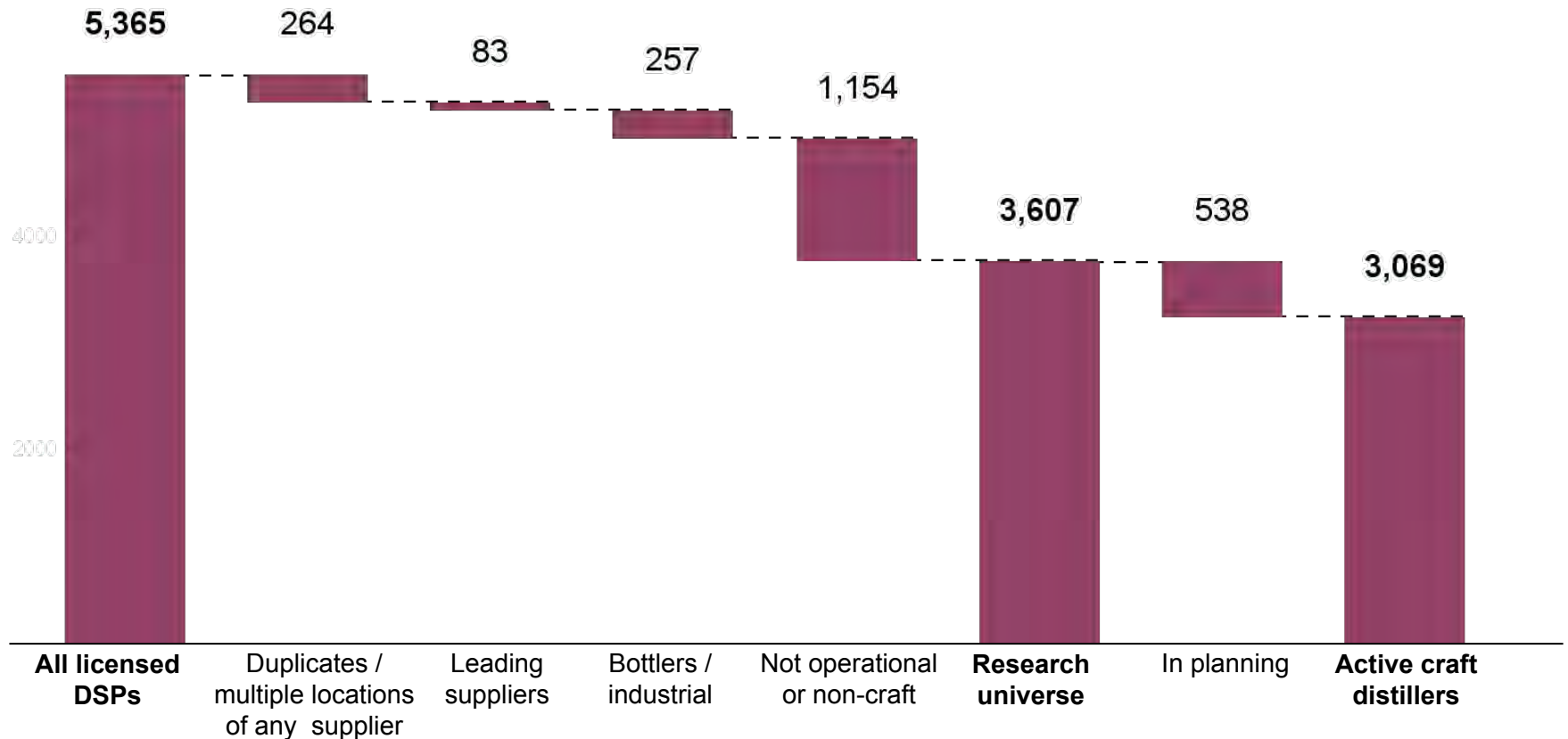
No more than 50% of the DSP is owned (directly or indirectly) by a producer of distilled spirits whose combined annual production of distilled spirits from all sources exceeds 750,000 proof gallons removed from bond.

ACSA CODE OF ETHICS

"We operate in an honest, transparent and non-deceptive fashion. We inform consumers truthfully and accurately about the sources and methods used to make our spirits through our labels, materials and communications. We expect fair dealing and respect amongst members. We obey all federal, state, and local laws."

Identifying Active Craft Distillers

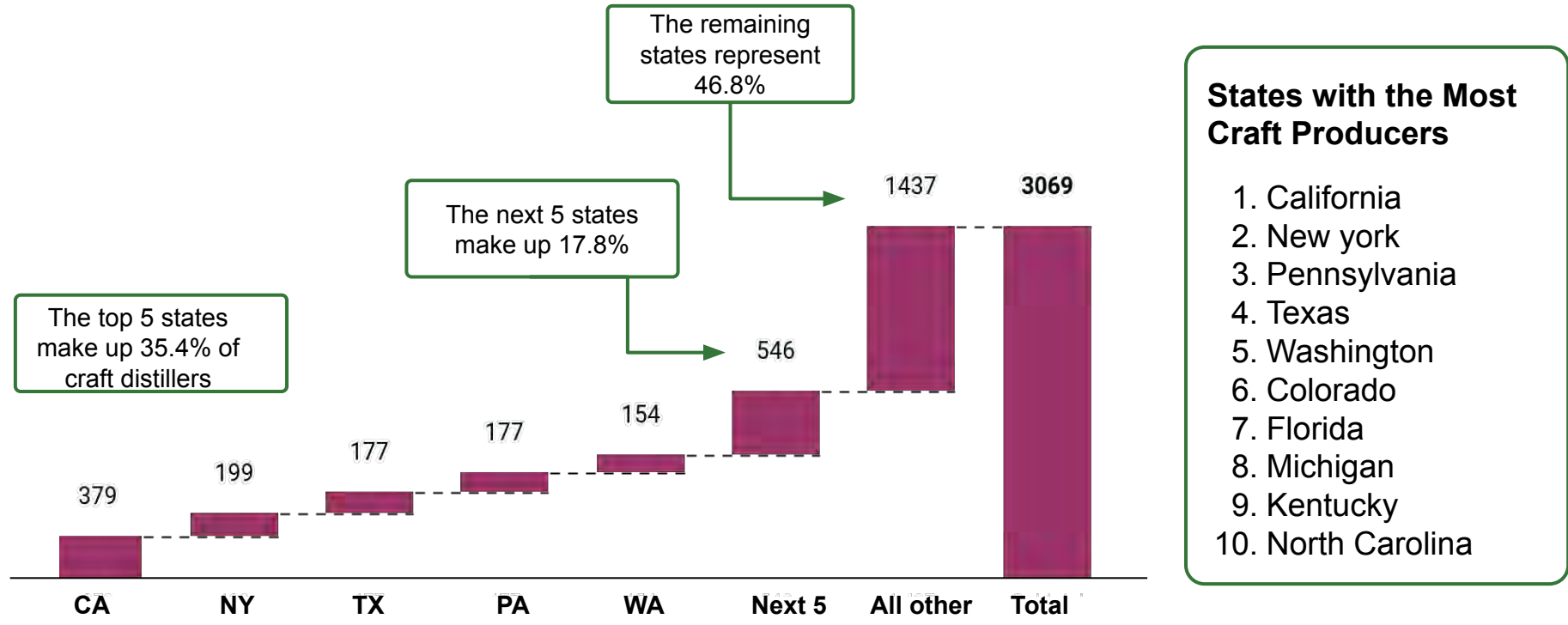
DSPs by Segment as of August 2024



The total number of active craft distillers is determined by removing all inactive businesses and distillers that fall outside the definitions of craft from the federal database of DSPs.

Active Craft Distilleries by State

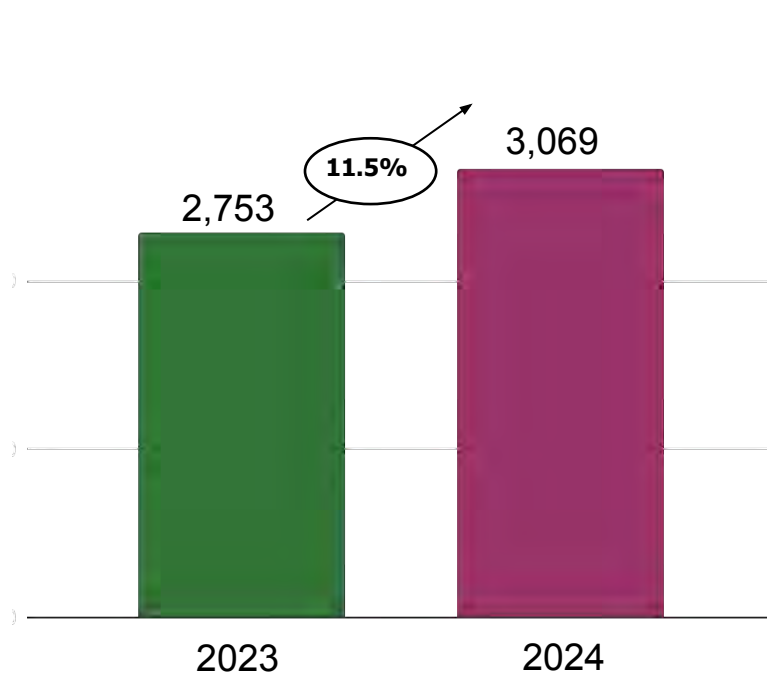
Active Craft Distillers by State as of August 2024



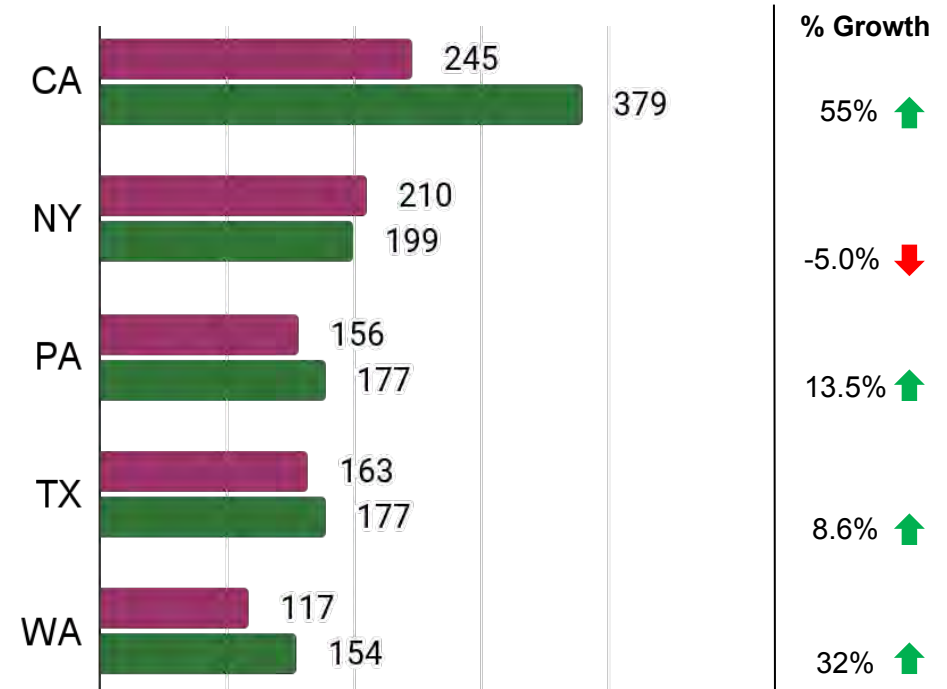
The top five states represent more than 35% of craft distillers, and more than half of all active craft distilleries are in the top 10 states.

The Number of Craft Distillers Continues to Climb Despite Challenging Environment

Number of Active Craft Distillers August 2023 to August 2024



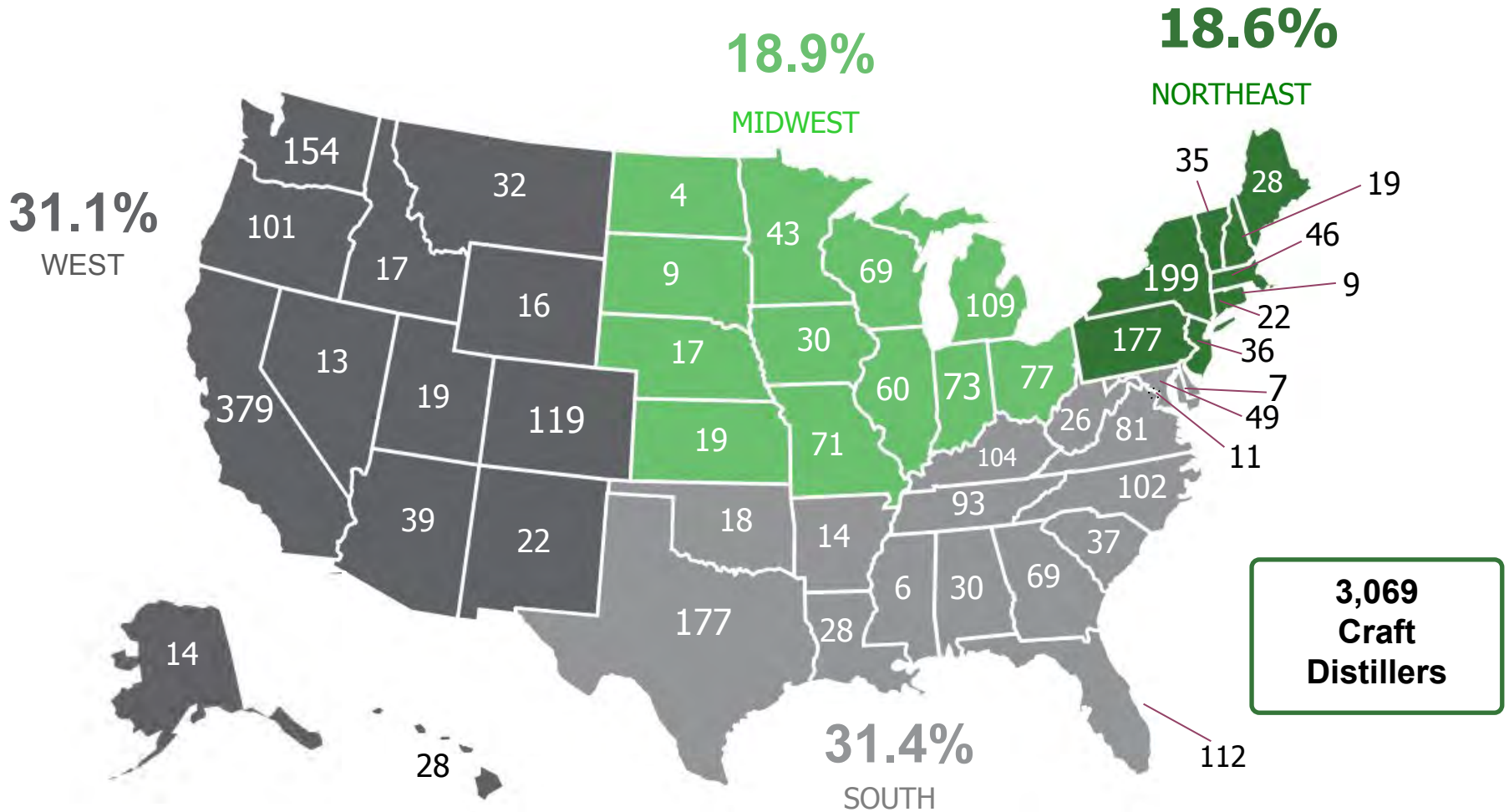
Top 5 States by Active Craft Distiller Count August 2023 to August 2024



As of August 2024, there were 3,069 craft distillers active in the US, an 11.5% increase from 2,753 active distillers in August 2023.

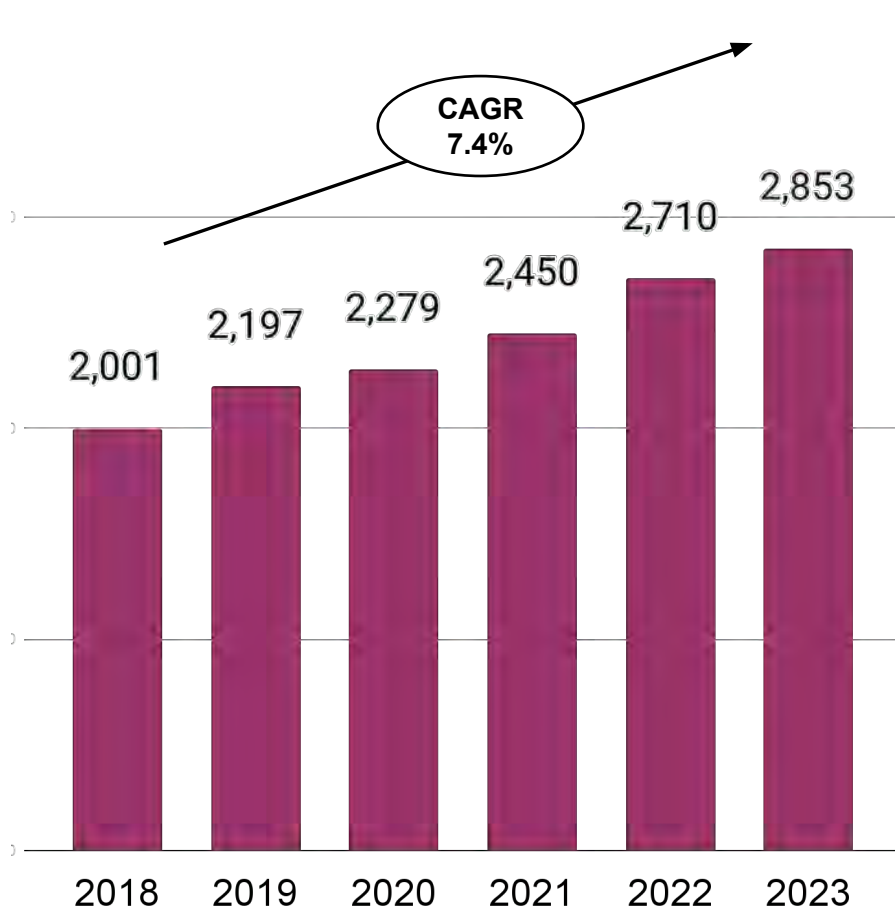
Active Craft Distillers by State and Region

Active Craft Distillers by State and Region as of August 2024

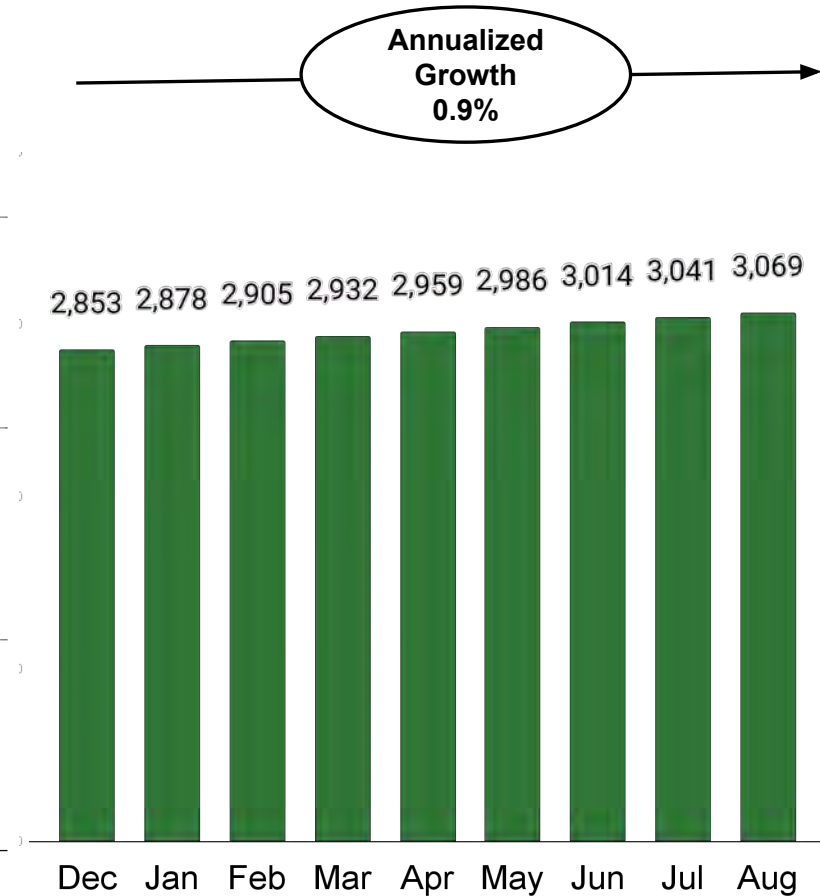


Number of Active Distillers Still Growing But at a Slower Rate in 2024

Number of Craft Spirits Producers
2018 to 2023



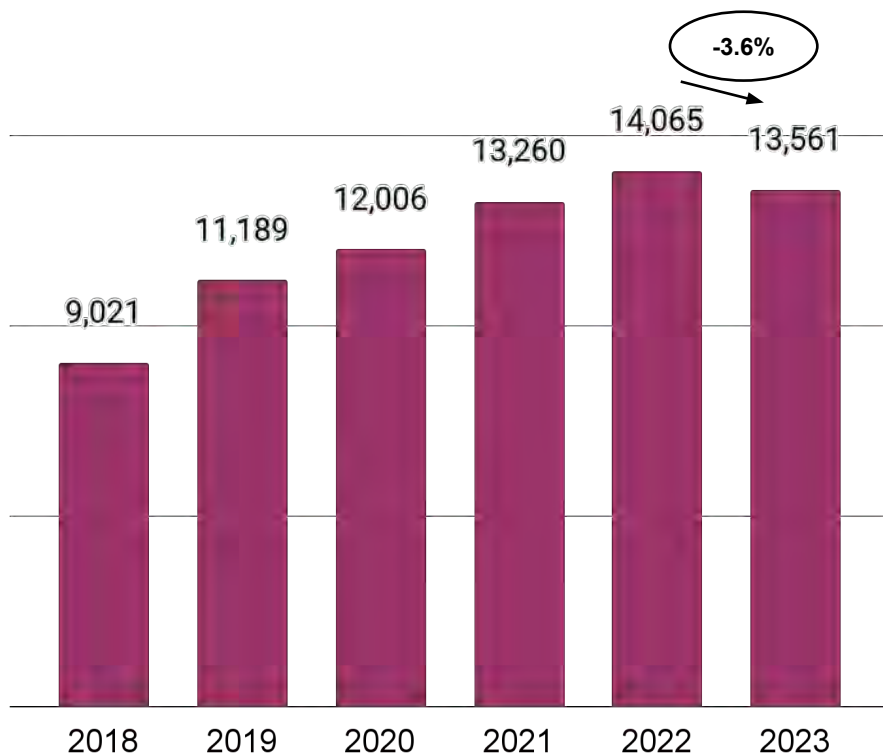
Number of Craft Spirits Producers,
December 2023 to August 2024



Craft Spirits Category Experienced First Declines in 2023

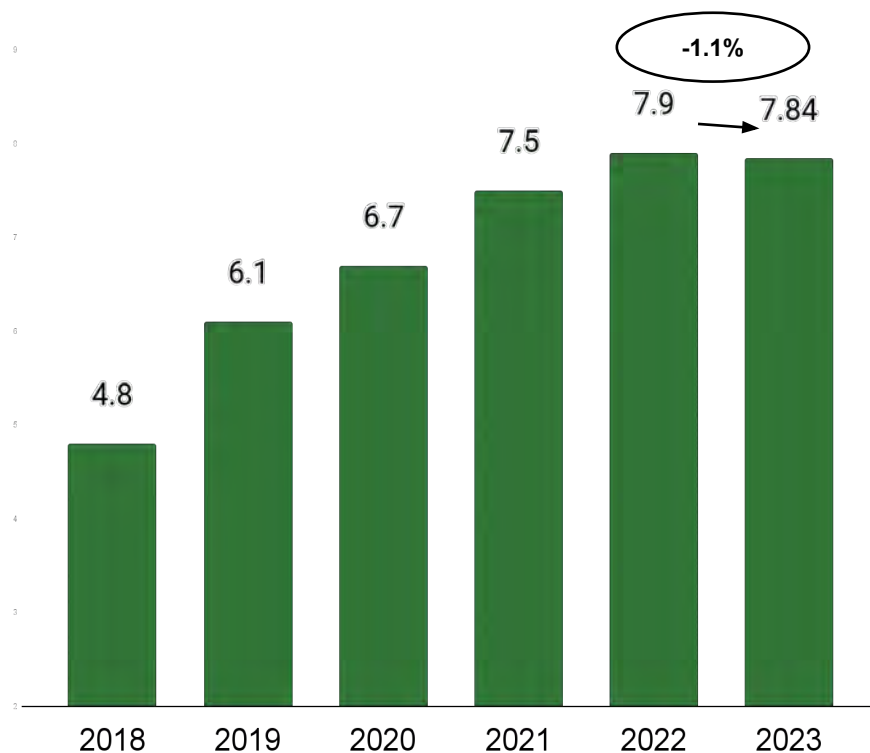
Craft Spirits Sales by Volume 2018 – 2023

9L Cases (000)



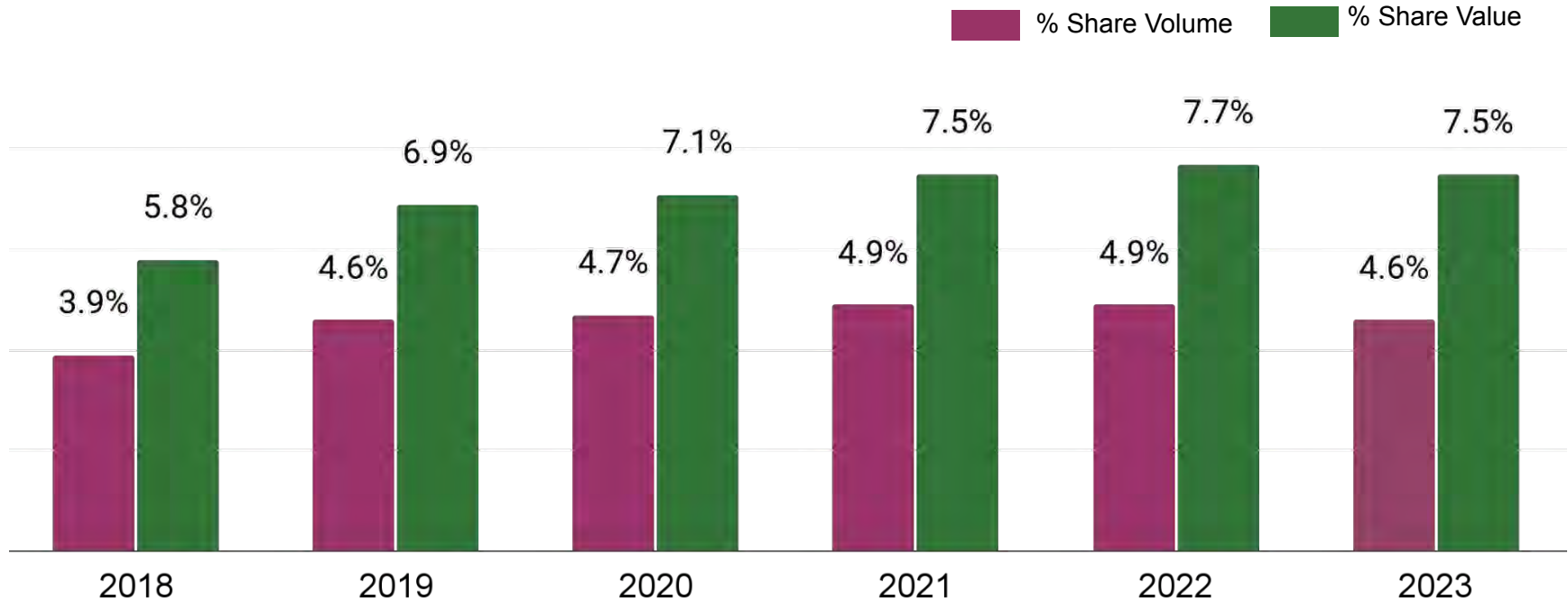
Craft Spirits Sales by Value 2018 – 2023

\$ Billions



Craft Spirits Value and Volume Share Declined in 2023

Craft Distiller Sales as a Share of Total U.S. Spirits Volume and Value



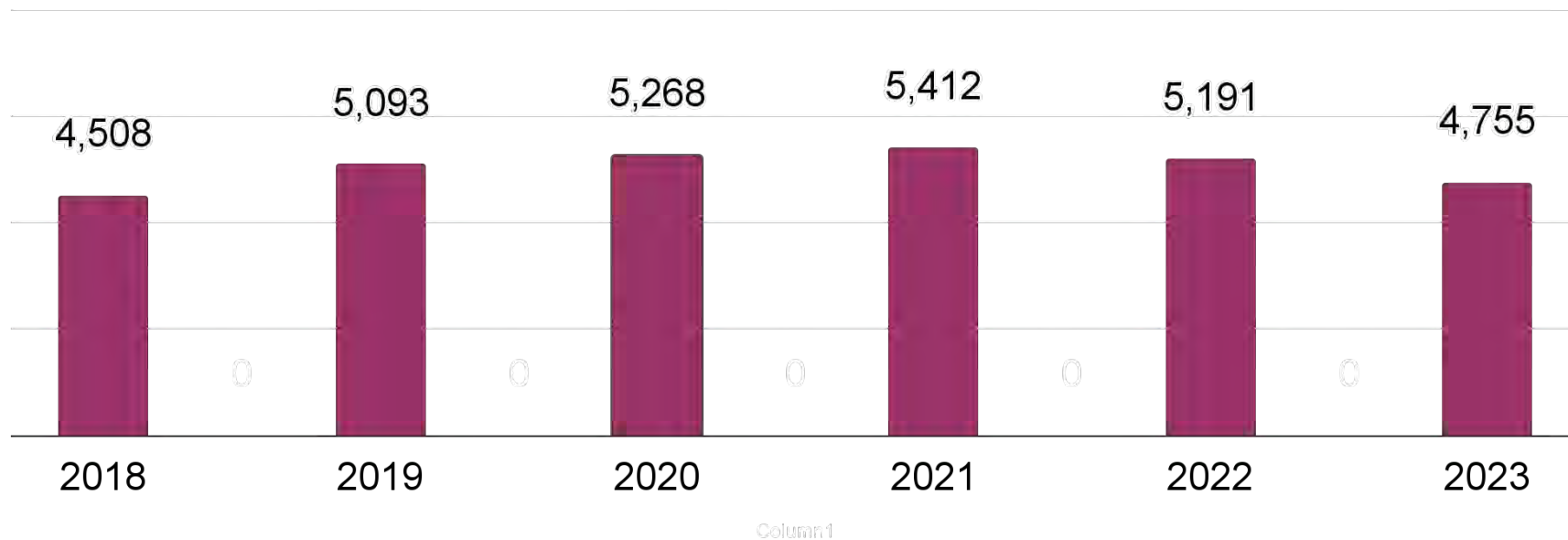
U.S. craft spirits has an estimated market share of 4.6% in volume and 7.5% in value, up from 3.9% and 5.8% in 2018.

Average Volume of U.S. Craft Distillers Declined in 2023

Number of Cases of Average U.S. Craft Distiller 2018 – 2023

9L Cases

Number of Cases

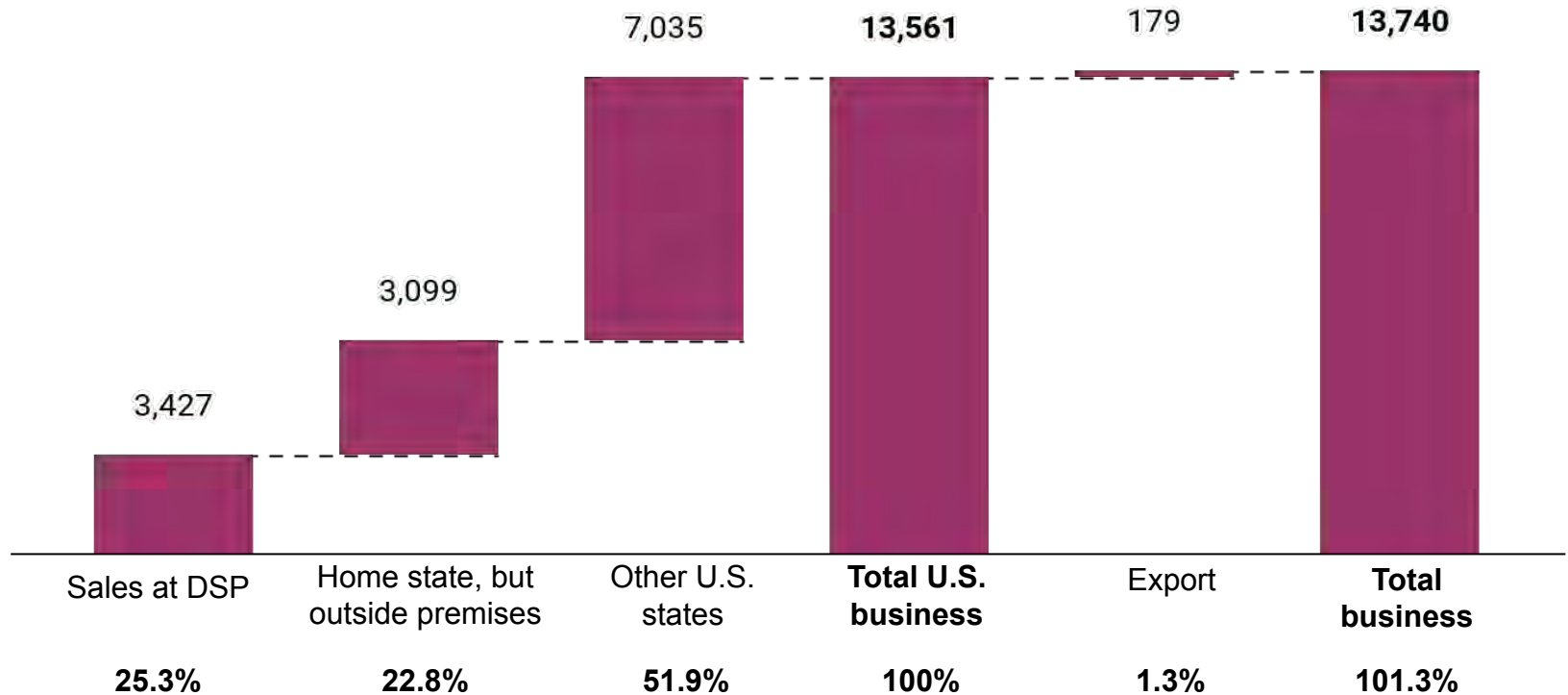


In 2023, the average number of cases removed from bond declined to 4,755 9L cases, a -8.4% decrease from 2022.

52% of U.S. Craft Business Takes Place Outside the Home State

Sources of Case Sales – Total U.S. Craft Spirits Industry (Domestic and Export 2023)

9L Cases (000)



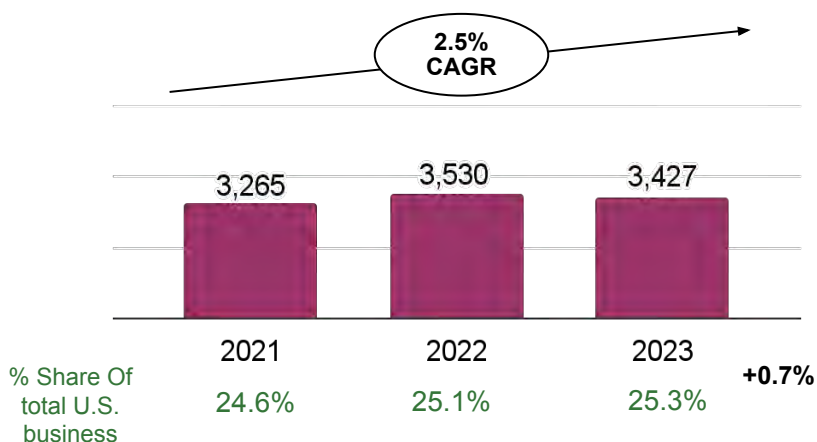
The percentage of craft spirits sold at the DSP represented 25.3% of all spirits sales, up from 14% in 2015.

Share of Sales in Craft Distillers' Home State is Increasing

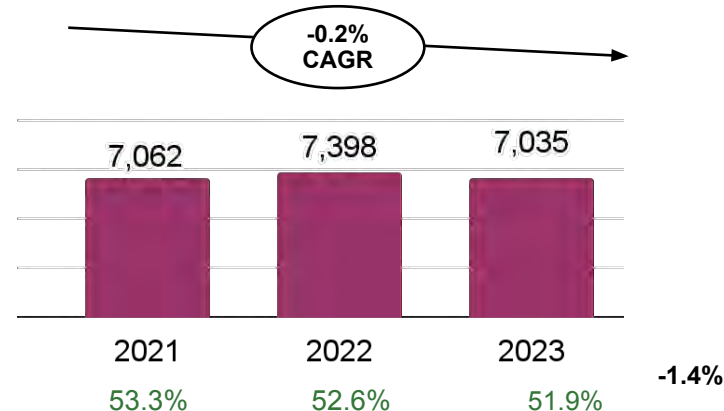
Total Craft Spirits Industry, Sources of Case Sales, 2021 – 2023

9L Cases (000)

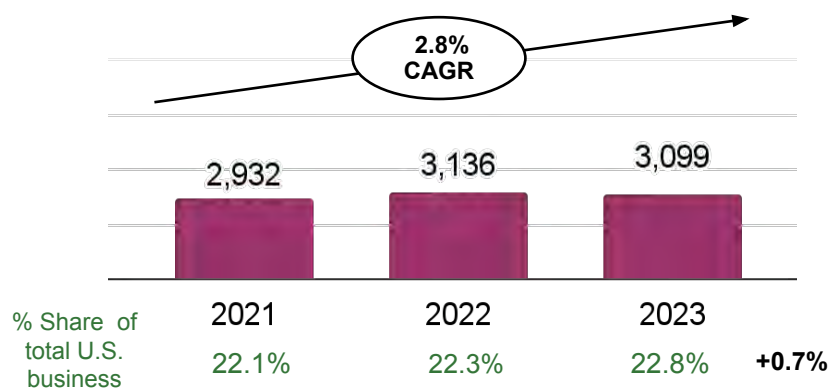
Sales at DSP



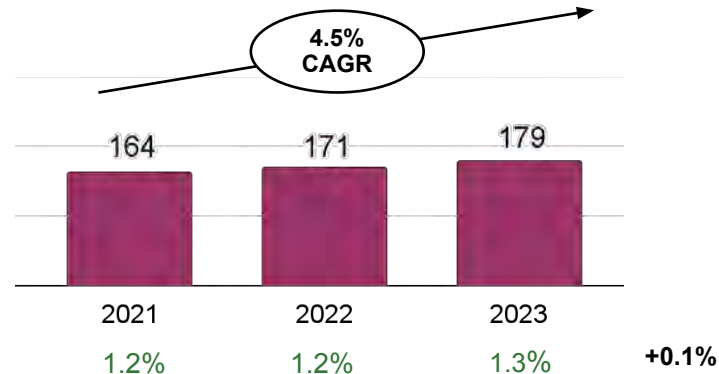
Other States



Home State



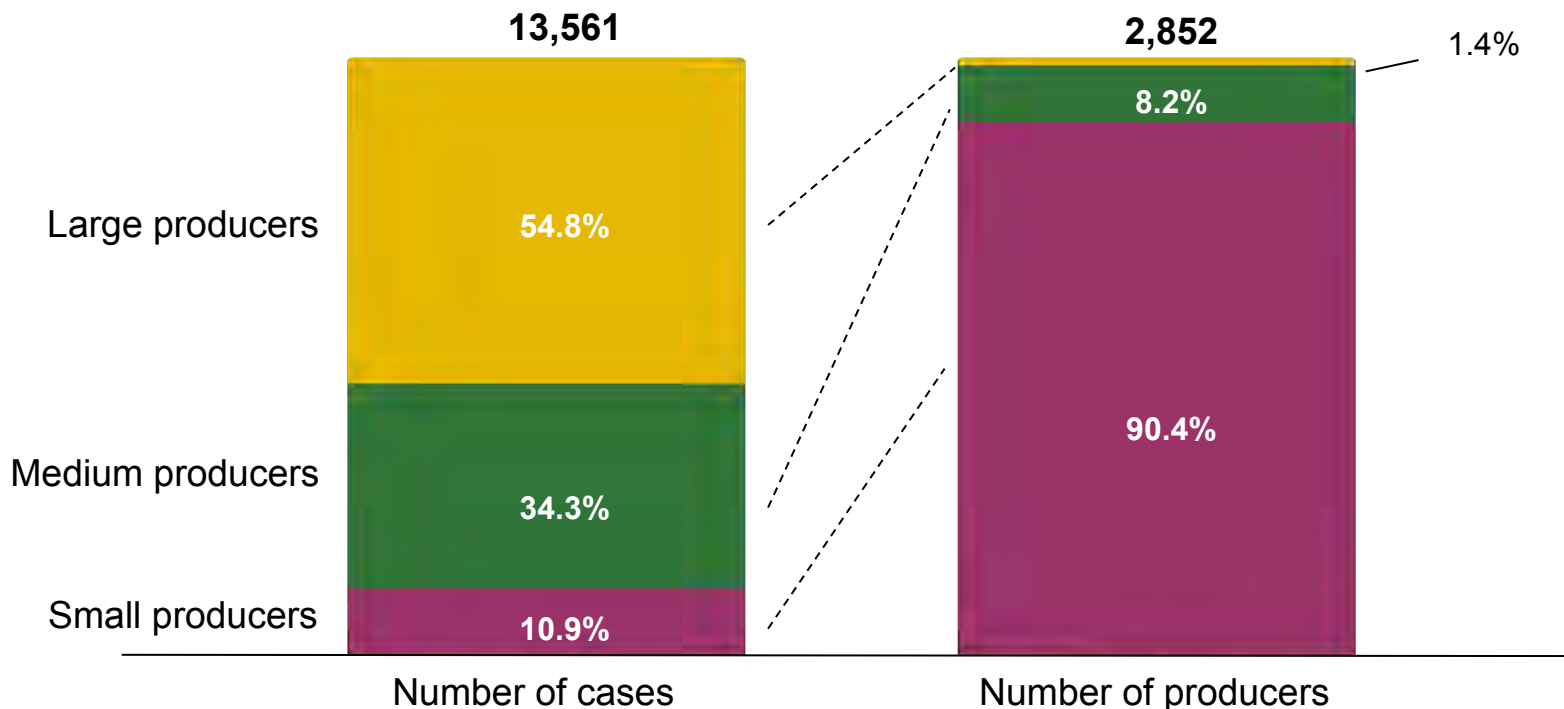
Export



Craft Spirits Market Remains Concentrated

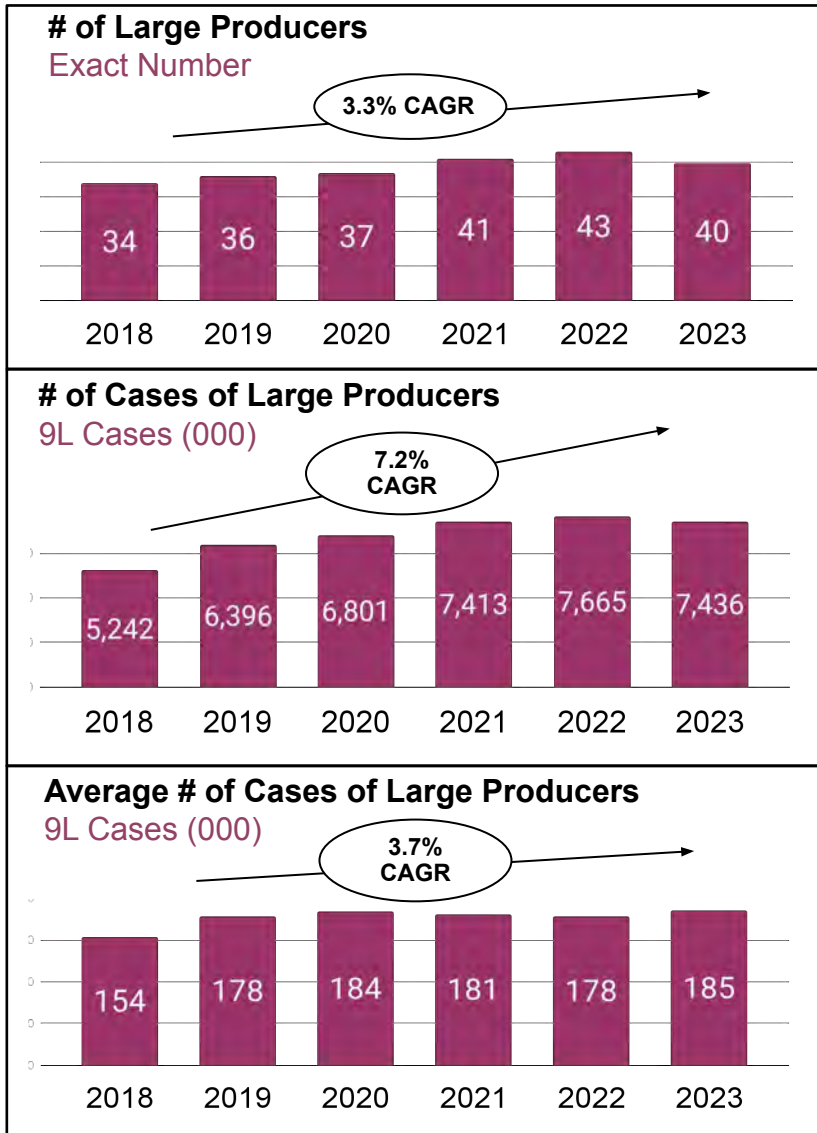
Craft Distillers and Case Volumes by Producer Size, 2023

of Producers, 9L Cases (000)



Less than 2% of craft spirits producers are responsible for over 54% of the cases produced while 90% of producers are classified as small and are responsible for approximately 11% of cases produced.

Average Volume of Large Craft Producers Experienced Growth in 2023



The number of large craft producers has increased from 34 in 2018 to 40 in 2023, a 17.5% increase



The number of cases of large craft producers has grown from 5.2 million 9L cases in 2018 to over 7.4 million 9L cases in 2023.

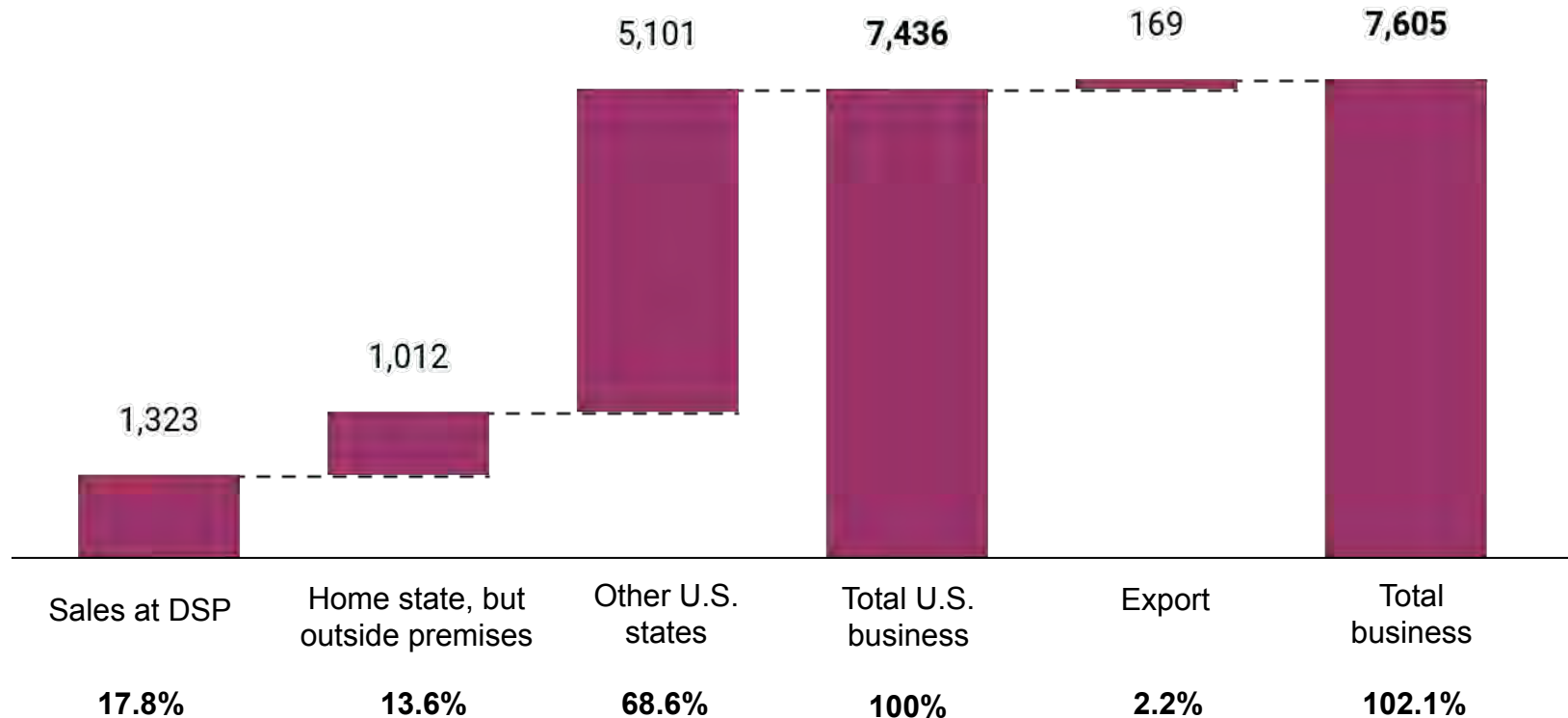


The average number of cases removed from bond by large craft producers has increased from 154,000 9L cases in 2018 to 185,000 9L cases in 2023.

Large Craft Producers Do Vast Majority of Business Outside the Home State

Sources of Case Sales – Large U.S. Craft Spirits Producers Domestic 2023

9L Cases (000)



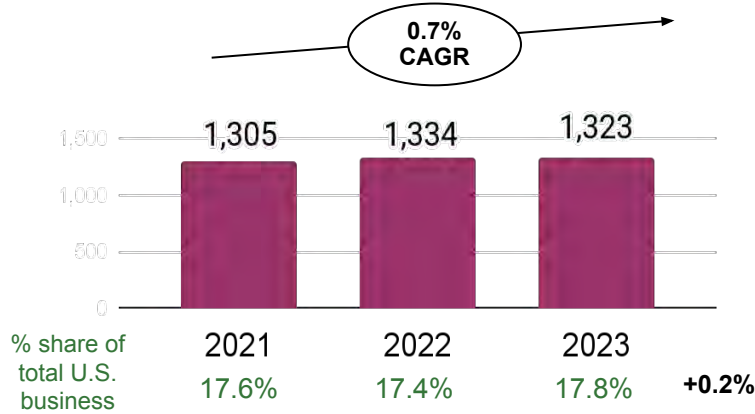
Large craft producers are more likely to drive growth outside of their home state.

Large Craft Producer Sales Continue to Increase Beyond the U.S.

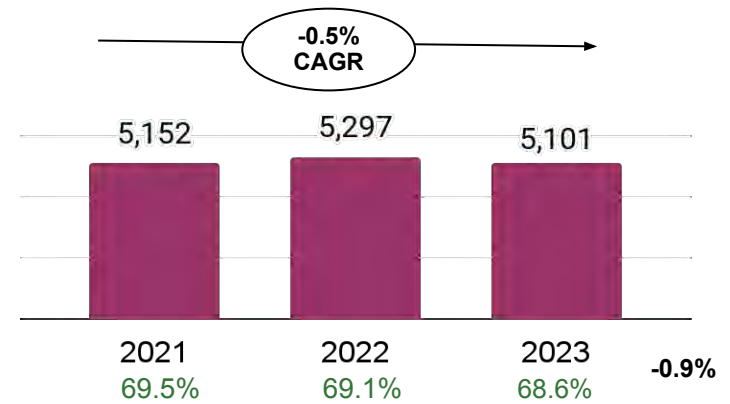
Large Craft Spirits Producers, Sources of Case Sales, 2021 – 2023

9L Cases (000)

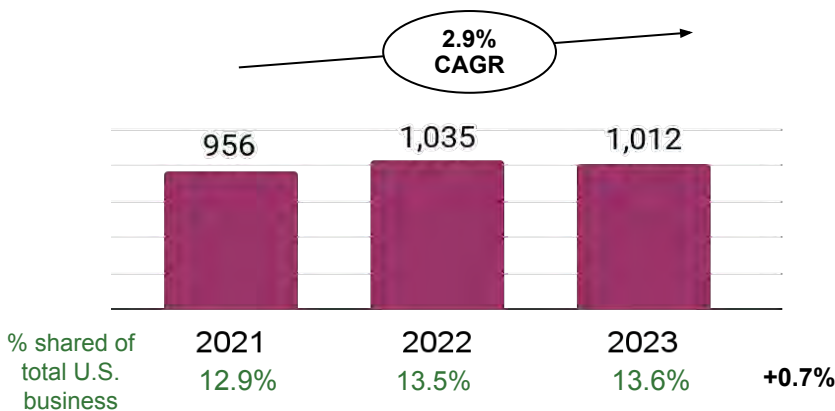
Sales at DSP



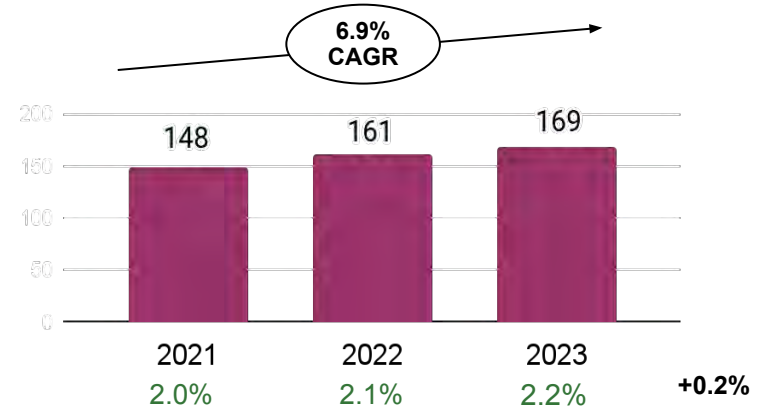
Other States



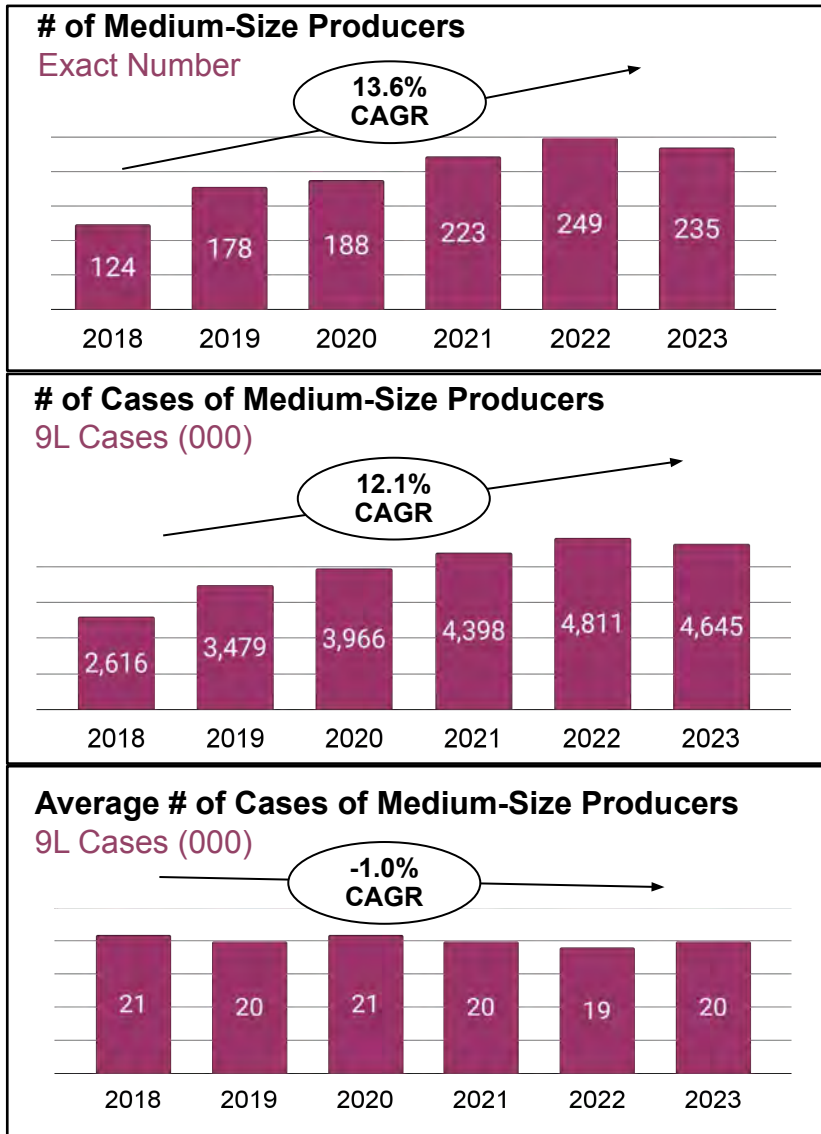
Home State



Export



Medium-Sized Craft Producers Face Headwinds



The number of medium craft producers has jumped from 124 in 2018 to 235 in 2023



The number of cases of medium craft distillers has grown from 2.6 million 9L cases in 2018 to over 4.6 million 9L cases in 2023

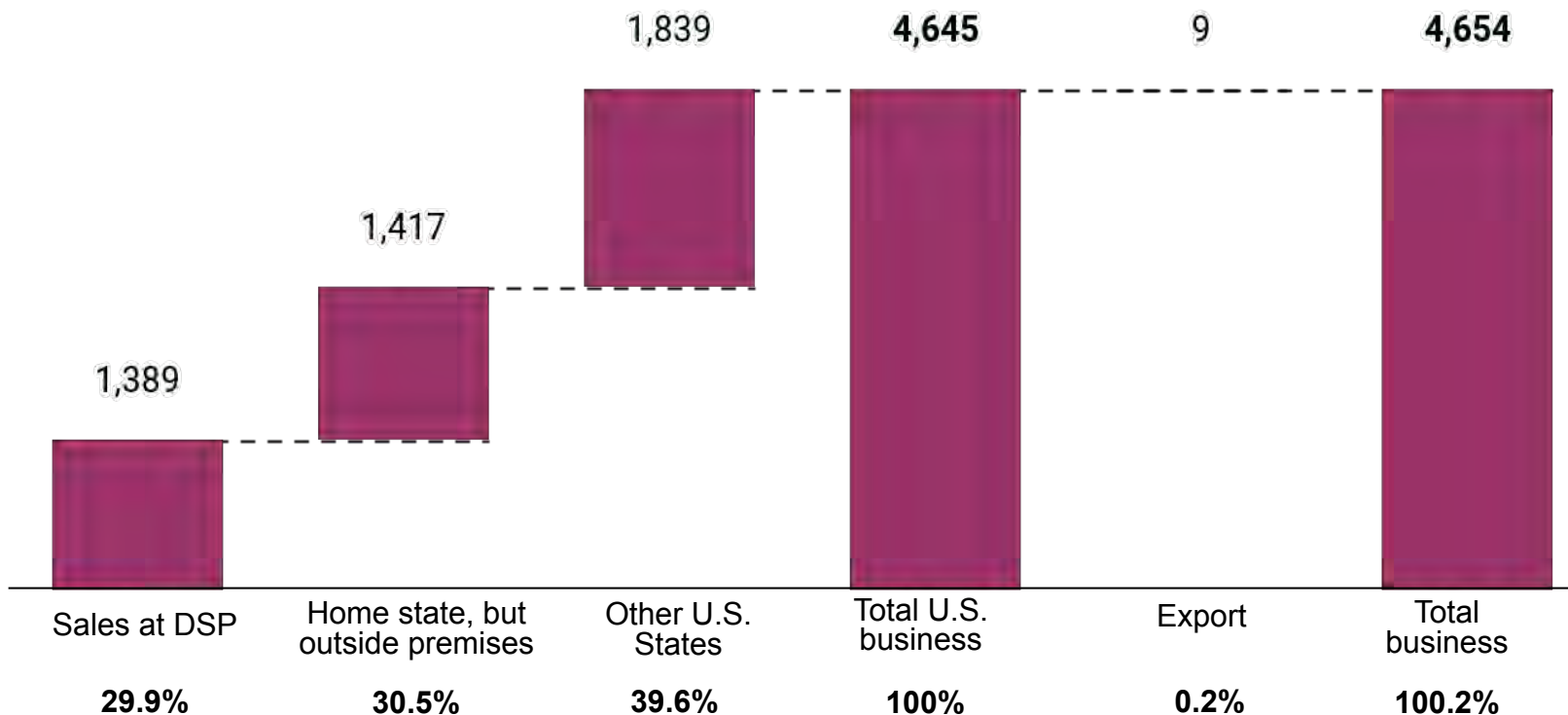


The average number of cases produced by medium craft distillers has remained consistent from 2018 to 2023 at approximately 20,000 9L cases.

Medium Craft Producers Do the Majority of Business in the Home State

Sources of Case Sales – Medium U.S. Craft Spirits Producers 2023

9L Cases (000)



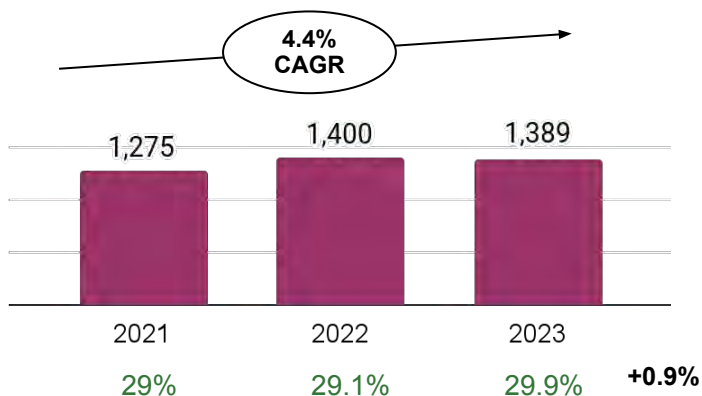
60.4% of the total U.S. business of medium U.S. craft producers takes place in the home state of the craft distiller.

Medium Craft Producer Sales See Strongest Growth in the Home State

Medium Craft Spirits Producers, Sources of Case Sales, 2021 – 2023

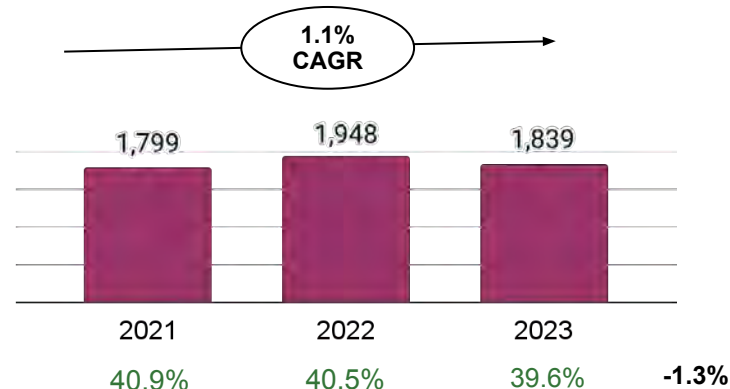
9L Cases (000)

Sales at DSP

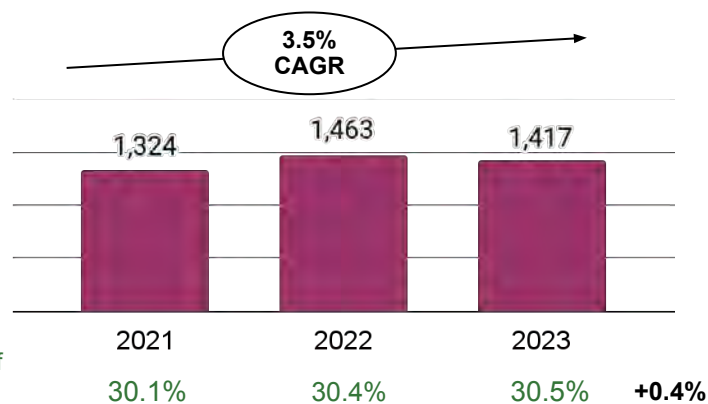


% share of total U.S. business

Other States

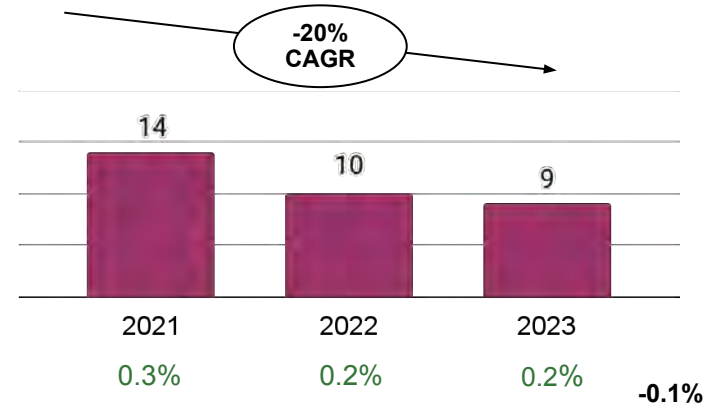


Home State

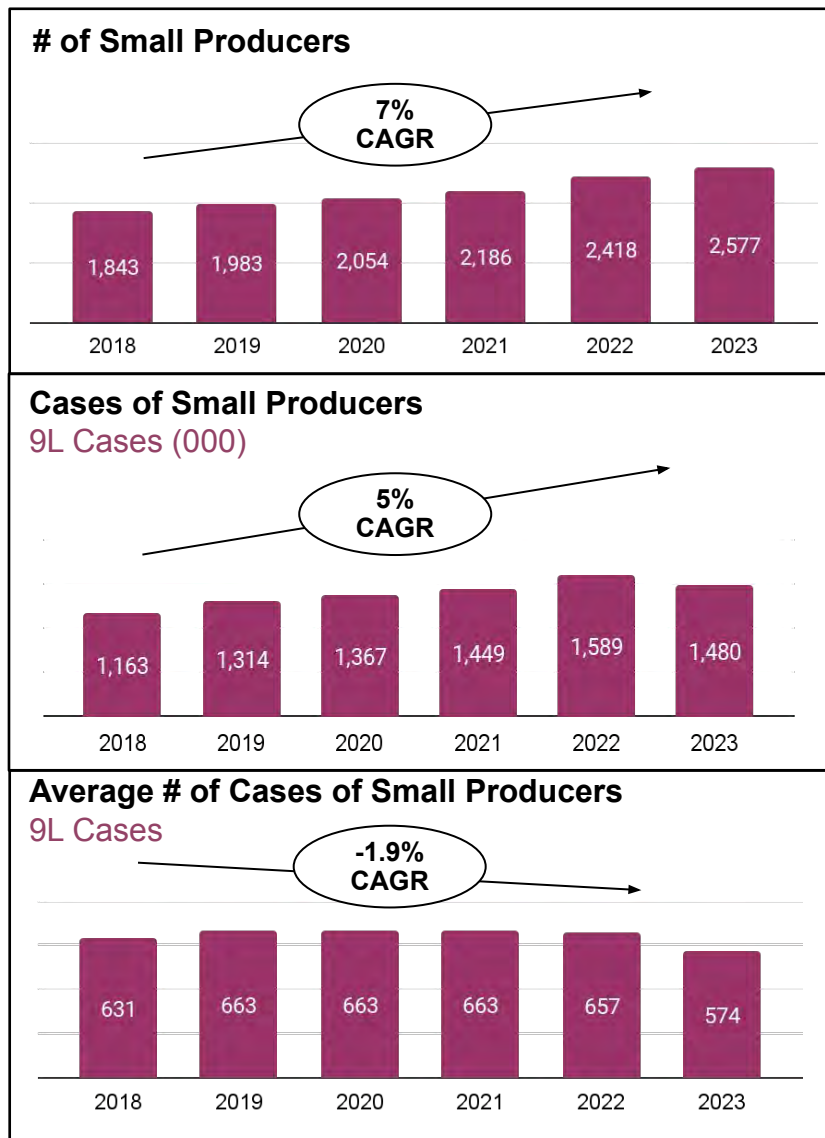


% share of total U.S. business

Export



Small Craft Producer Numbers Continue to Increase



The number of small craft producers has increased from 1,843 to 2,577 since 2018.



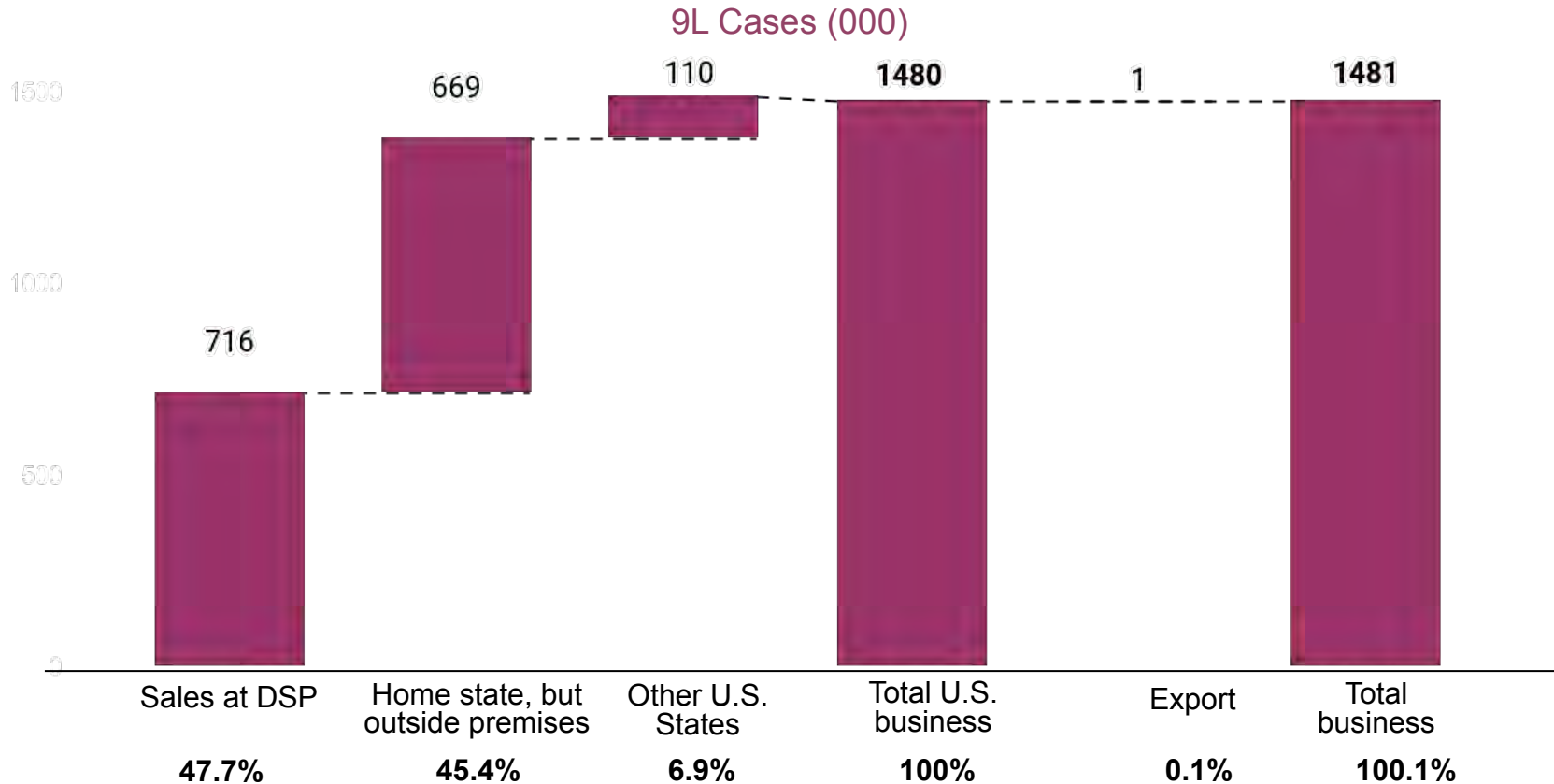
The number of cases of small craft distillers has grown from 1.1 million 9L cases to almost 1.4 million 9L cases in 2023.



The average number of cases removed from bond by small craft distillers has decreased from 631 9L cases in 2018 to 574 cases in 2023.

93% of Small Craft Producers Business Takes Place in the Home States

Sources of Case Sales – Small U.S. Craft Spirits Producers, Domestic and Export 2023



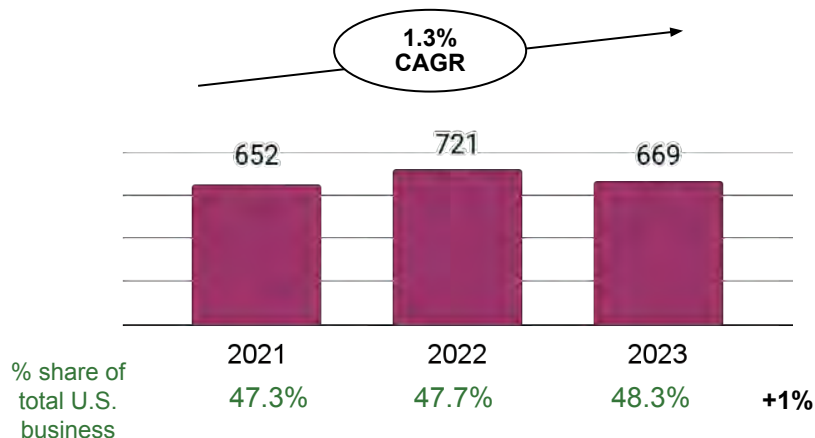
Over 47% of the total business of small craft producers comes from sales at the DSP. Only 7% of the total business comes from sales outside the home state, including exports.

Small Craft Producers Heavily Rely on Sales in the Home State

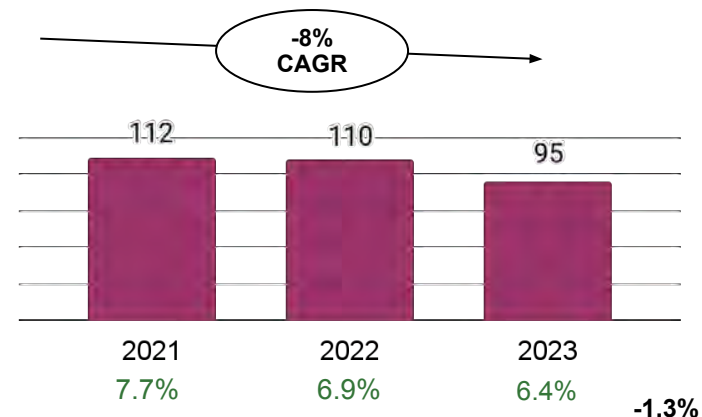
Small Craft Spirits Producers, Sources of Case Sales, 2021 – 2023

9L Cases (000)

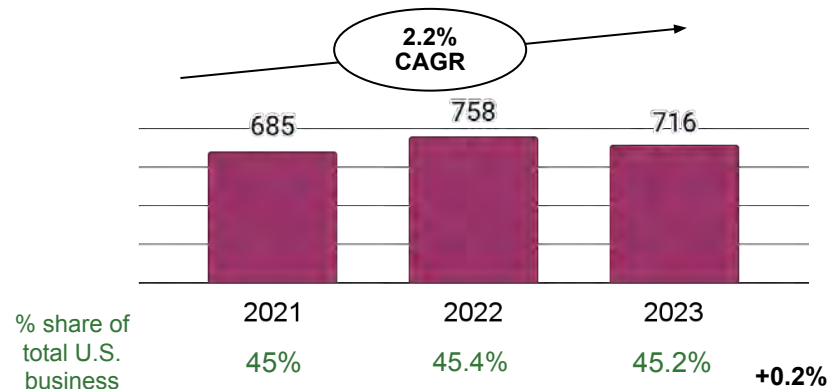
Sales at DSP



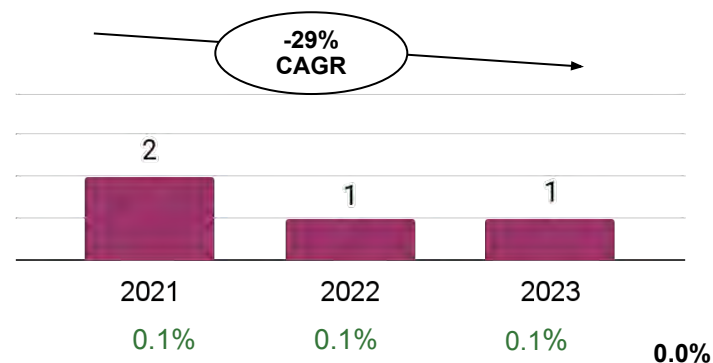
Other States



Home State



Export



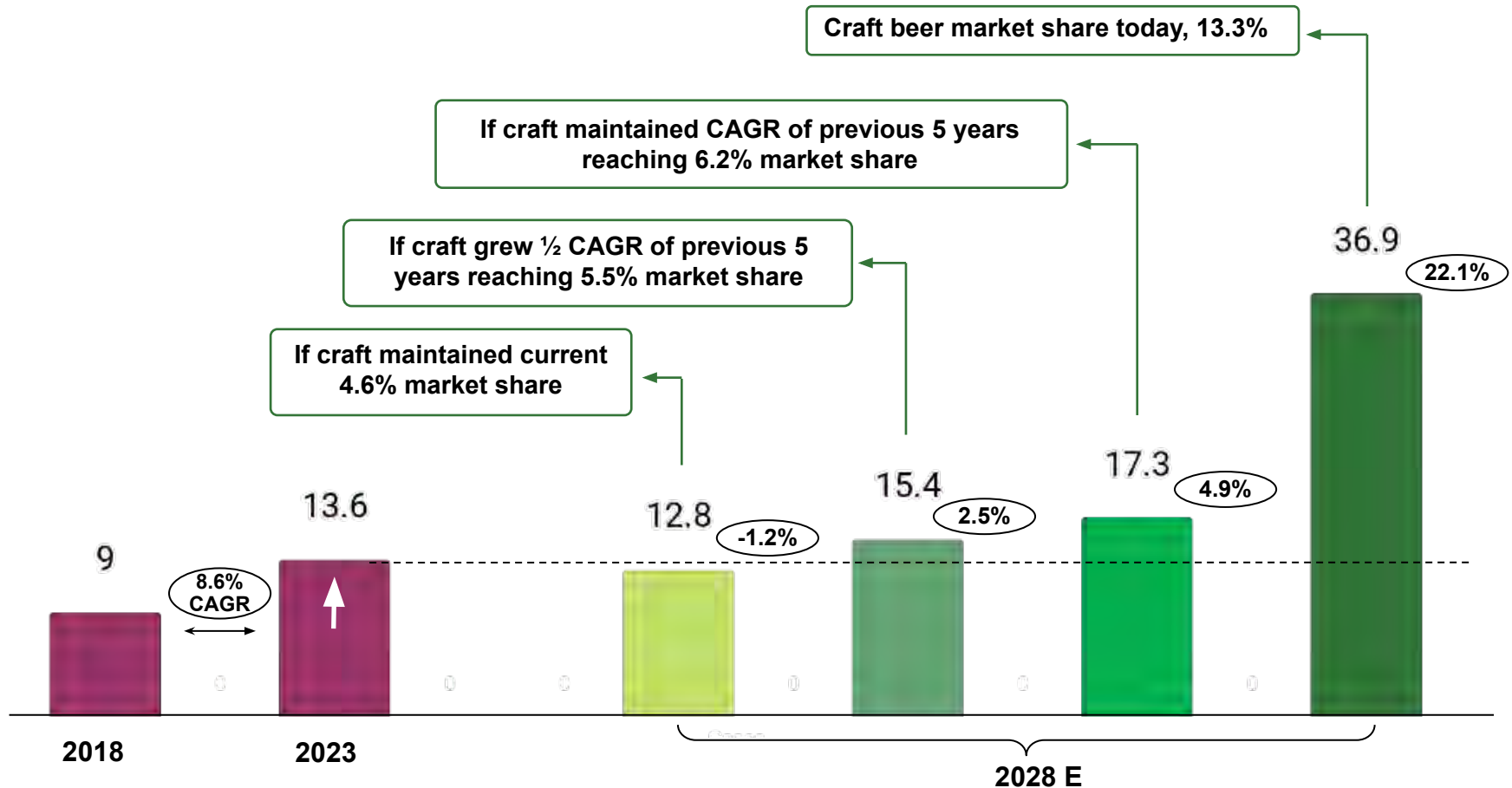
Future Scenarios for the Craft Spirits Market in 2028

U.S. Market Size Scenarios for 2028

9L Cases (millions)

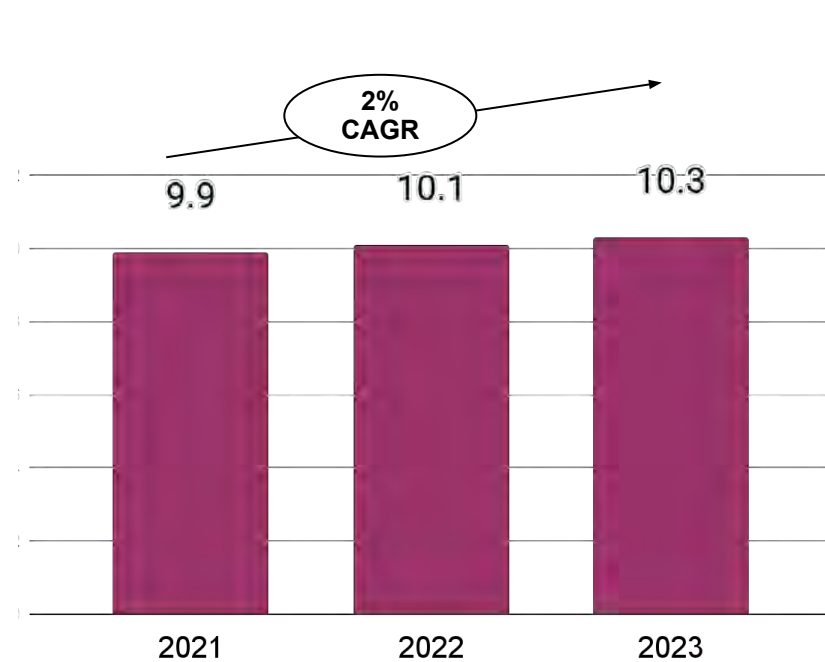
2023 – 2028
CAGRs

Scenarios

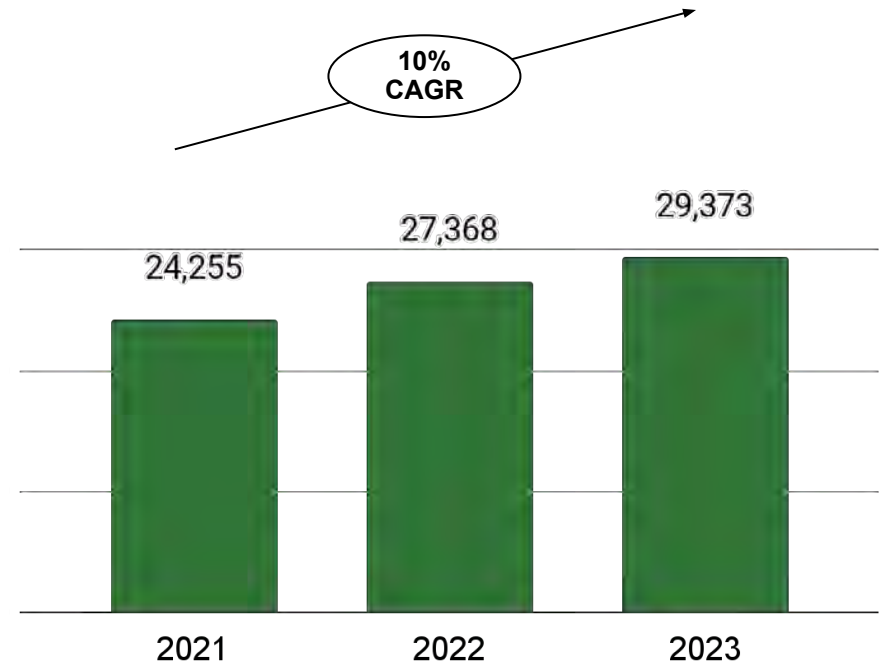


Employment in the U.S. Craft Industry has Showed Initial Signs of a Rebound Post-Covid

Average Full-Time Domestic Employees of U.S. Craft Spirits Producers



Full-Time Domestic Employees of U.S. Craft Spirits Producers

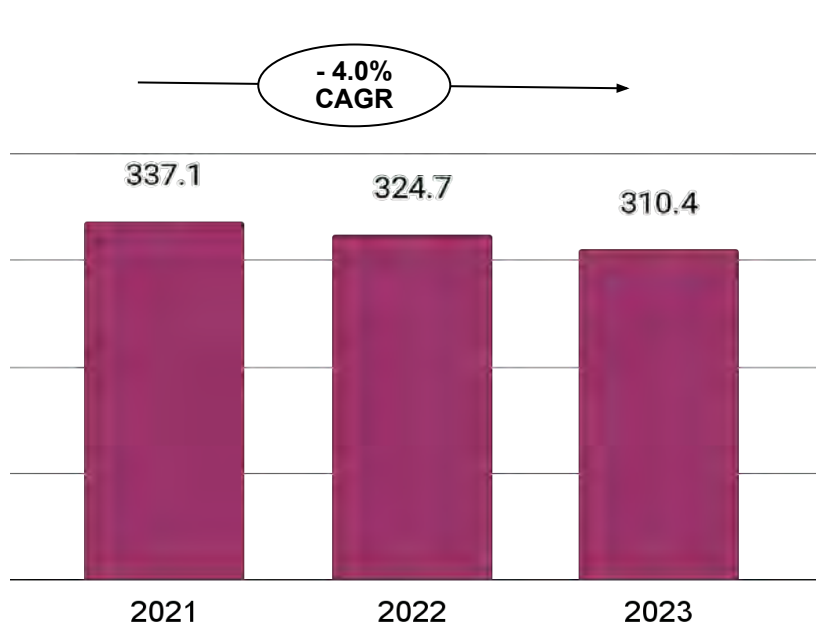


The pandemic resulted in a nearly 50% decrease in full-time domestic employees in the craft segment, the average number of employees and total number of employees working in the segment have increased but have yet to return to pre-pandemic levels.

Investment in the U.S. Craft Industry Has Stalled

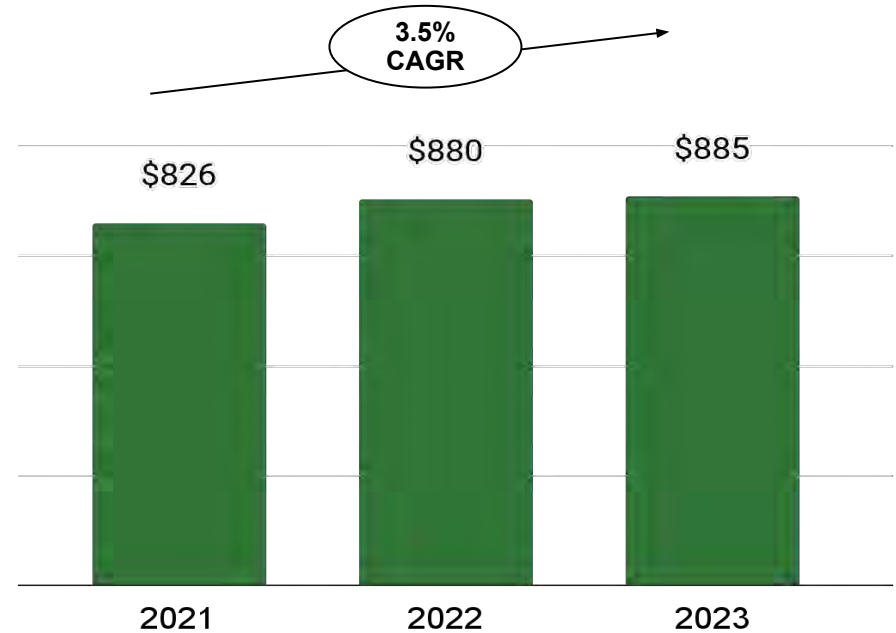
Average Investment of U.S. Craft Spirits Producers

\$ Thousands



Total Investment of U.S. Craft Spirits Producers

\$ Millions



Although the average amount invested by individual craft distillers decreased in 2023, the total investment in craft spirits producers continues to increase post-pandemic.

Questions?

Contact Information

For more information on the data and analysis included in this presentation,
please contact

Alexandra S. Clough

GATHER PR

alexandra@gatherpr.com

516 428 7210

Emily Pennington

Park Street Companies

epennington@parkstreet.com

305 967 7440

CRAFT SPIRITS

DEFINITION & PROJECT BACKGROUND



THE PROJECT SERVES TO:

- Quantify the number, size, and impact of craft spirits producers in the U.S.
- Create a deeper understanding of the U.S. craft spirits landscape among four key groups: DSPs, wholesalers, retailers, and consumers
- Provide findings on craft supplier best practices and success factors

THE FOLLOWING INFORMATION WAS COLLECTED (all information was collected with the assurances of full confidentiality):

- Data on craft distiller production size and patterns, sources of revenue, and the category's overall economic impact within the spirits industry
- Data on craft spirits business size, patterns, and outlook on the wholesaler and retail levels (both on- and off-premise)
- Input on craft spirits brand perceptions

THINGS TO REMEMBER:

- When estimating the number of producers behind the U.S. craft spirits production, the Project team relied on a combination of official data released by regulatory authorities, survey data, other industry data sources both national (e.g., NABCA, ACSA) and regional (e.g., guilds), as well as interviews and team assessments using the craft distiller definition
- In the accompanying data sets, the team assumes independent ownership as having equal or more than a 75% equity stake and/or operational control of the DSP. The team has set up a process that asks industry members to notify the ACSA of all ownership or strategy changes away from craft so the changes can be reflected accordingly in the database

Project Organizer: American Craft Spirits Association (ACSA)



The American Craft Spirits Association (ACSA) is the only national registered non-profit trade association representing the U.S. craft spirits industry. Its mission is to elevate and advocate for the community of craft spirits producers. Membership in ACSA is open to anyone.

ACSA is governed by a Board of Directors elected by the eligible voting members of the Association. Voting members must be independent, licensed distillers (DSPs) annually removing fewer than 750,000 proof gallons from bond (the amount on which a federal excise tax is paid.)

ACSA was founded in 2013 by 23 founding craft distillers and now has hundreds of members throughout the U.S.



Park Street delivers productivity-enhancing and cost-saving back-office solutions, advisory services, and working capital to more than 18,000 alcoholic beverage brands from the U.S. and around the world. Established in 2003, the company provides a fast and reliable conduit to the U.S. and EU markets and a cost-effective operating platform. Park Street works with suppliers at all stages of growth and its clients range from entrepreneurial craft distillers to multi-brand global portfolios

Project Supporters: Broad Industry Collaboration



TTB: Provided Beverage Spirits Producers and Bottlers by Average Taxable Removals; agreed to change annual reporting moving forward to enable consistent fact basis



NABCA: Provided in-depth view of craft distillers using control state data

What Constitutes a Craft Spirit?

- There is no universally accepted definition of craft spirits in the industry, and the expression “craft spirit” is not protected in any way
- Given the positive trends for craft spirits from a consumer perspective (e.g., premium to other spirits, rising demand), there is a natural incentive for brands to utilize craft spirits cues and position themselves as a craft spirit
- The industry has responded with different definition attempts based on criteria for the producer of the craft spirit including production steps at the location, ownership and operational control of the distillery, subscription to an ethics code based on honesty and transparency, production methodology, and size of production
- Many of the criteria used or suggested by industry members would require a formal certification or peer approval process in order to be used as a universal base for quantification purposes
- As long as a universally accepted craft spirits certification or approval that could be used as an industry wide criteria remains unavailable, the quantification has to rely on certain verifiable quantitative metrics which are complemented by estimates to bridge gaps
- Looking at the manufacturer, size of production, ownership/control, and production specifics are criteria that could possibly be measurable and verifiable. However, the consistent collection of the data is not without barriers and could be very cumbersome, which suggests the potential use of a pragmatic approach

U.S. craft spirits, as defined pragmatically for the purposes of the research, are distilled spirits that are produced in the U.S. by licensed producers that have not more than 750,000 proof gallons (or 394,317 9L cases) removed from bond, market themselves as craft, are not openly controlled by a large supplier, and have no proven violation of the ACSA Code of Ethics

Craft Distillers by Size – Classification Definition

	Range of gallons removed from bond annually*	Range of 9L cases removed from bonds annually*	Characteristics
Large craft distiller	100,001 – 750,000	52,577 – 394,317	<ul style="list-style-type: none"> • Often nationally distributed • If negative cash flow, then by choice in favor of investment
Medium-size craft distiller	10,001- 100,000	5,259 – 52,576	<ul style="list-style-type: none"> • Often regionally distributed • Often still cash flow negative
Small craft distiller	1- 10,000	1 - 5,258	<ul style="list-style-type: none"> • Often only locally distributed • If no on-premise business, typically cash flow negative