



Brewers Association Export Development Program ISSUES REVIEW

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Export Development Program Budget Increases for 2009

Earlier this month, the Brewers Association received word of its full 2009 allocation from two United States Department of Agriculture export assistance grant programs. The bulk of BA funding for its Export Development Program (EDP) comes from the USDA's Market Access Program. For 2009, the BA received \$353,351, nearly a 10% increase over its 2008 allocation. To this, the EDP added \$87,000 in funding from USDA's Emerging Markets Program tied to activities in Brazil and China. In total, the BA's allocation of federal export assistance funds increased by 13.6% in 2009, an outstanding result considering that USDA's overall MAP budget decreased by about 10% this year. Many organizations that receive funds annually from the MAP program saw a commensurate decrease in their allocations.

The BA's budget increase is evidence of the USDA's ongoing support for the BA's EDP program. Since the program's inception, the BA has fostered strong working relationships with many of the USDA's international offices and regularly submits program success stories detailing how EDP activities enable American craft beer exports. BA staff also meets annually with USDA Foreign Agricultural Service (FAS) administrators in Washington, DC to ensure officials there remain informed about the BA's international market development efforts. Bob Pease, BA Vice President is scheduled to meet with USDA – FAS officials at the end of this month for this purpose. But the BA can't take all of the credit. Ultimately, the BA's expanded export development allocation can be tied back to the industry's own efforts to promote American craft beers internationally and follow up on trade leads generated from the EDP. Consistent annual increases in American craft beer exports are a testament to how the EDP's partnership with industry is working.

American Craft Beer Exports Rise 25% in 2008

The BA is pleased to report that American craft breweries continued their string of export successes in 2008 with international craft beer shipments increasing by 25% that year. Based on annual export surveys, the BA estimates total American craft beer exports for 2008 reached 1.3 million gallons valued at nearly \$10 million. Importantly, this included increases to all markets/regions where the BA's EDP is active.

Exports to Canada increased by 78% largely as a result of expanded offerings by the Liquor Control Board of Ontario (see related article). Exports to Asia (not including Japan) grew by 53% while shipments to Japan increased by 52%. Asian shipments were primarily to China, the Philippines, and Singapore. The BA also saw growth in Europe, the industry's largest export market. Europe accounts for over 60% of American craft beer exports and shipments there increased by 16% in 2008.

Reflecting the increase in ingredient costs and the resulting increase in prices for many American craft beers, the value of export shipments in 2008 also rose dramatically. On a per gallon basis, craft beer value rose from about \$5.6 per gallon in 2007 to \$7.2 per gallon last year. It will be interesting to see how the current global economic crisis affects exports in 2009 and importer purchase decisions for 2010, but the BA is already aware of plans to expand American craft beer offerings in many targeted export markets.

United Kingdom and Sweden Trade Leads Released

The BA recently released trade leads on behalf of Vertical Drinks (the UK) and Galatea (Sweden). Both companies see further opportunities in their markets for American craft beers and both are already among the leading importers for these products. The UK lead was for a one time purchase of beer from multiple brew-

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eries with a goal of setting up trial distribution in the UK. Based on market feedback, Vertical Drinks may then select products to carry on a more ongoing basis. Responses to that trade lead have been collected and forwarded to Vertical Drinks. EDP subscribers that missed the announcement and are interested in follow up on this lead should contact Mark Snyder immediately at mark@brewersassociation.org. Vertical Drinks staff will attend the CBC in Boston and will be contacting interested breweries to arrange meetings.

Galatea staff will also attend the CBC this year. Galatea currently represents Anchor Brewing Company, Boston Beer Company, and Brewery Ommegang in Sweden and other Scandinavian markets. The company is one of the largest suppliers of alcoholic beverages to Sweden's Systembolaget. Galatea is looking to expand its portfolio with American craft beers that are not currently distributed in Scandinavia. A trade lead to this effect, and an accompanying presentation about the company, was issued earlier this month. Interested EDP members are encouraged to contact Mark Snyder for more information.

Liquor Control Board of Ontario to Expand American Craft Beer Offerings

While a formal trade lead has not been issued about this opportunity, the BA expects the Liquor Control Board of Ontario (LCBO) to again release a product call for American craft beers later this year. This would be consistent with annual product calls for American craft beers issued the last two years and in line with the LCBO's overall objective to expand its portfolio of American craft beers by 2-4 products each year for the foreseeable future. Rogue, Dogfish Head, Southern Tier, Lakefront, and Victory have already benefitted from LCBO product calls in the past. Beers from these breweries are now available on the LCBO's general list. EDP subscribers may recall the LCBO's Beer Category Manager speaking about this substantial trade opportunity at the CBC in San Diego last year.

The BA will publicize the product call when it comes out. EDP subscribers should be aware that in-market representation is recommended by the LCBO for breweries wishing to submit products for consideration. The BA has assembled a list of Canadian agents available to assist American craft breweries for those that do not have an agency already in place. It should also be noted that Glenn MacDonald, former President of Moosehead, USA will be one of the featured EDP speakers at the CBC this year and will provide information on doing business with Canadian retail monopolies and opportunities in general for American craft beers in Canada.

To help support American craft beers recently listed by the LCBO and to encourage their continued expansion of the American craft beer category, the BA is planning some trade and consumer outreach events in Toronto later this year. Specifically, the BA is in touch with the LCBO's events department about conducting in-store beer and food demonstrations and seminars. A brewery delegation to Toronto for these events may be arranged once the specific dates and activity schedule are arranged.

EDP Seminars at CBC to focus on Canada, Europe, and the Sheraton Four Points

As mentioned in the previous article, Glenn MacDonald, former President of Moosehead, USA will speak at this year's CBC in Boston. Glenn will examine opportunities and the unique structure of each provincial beer market. Other EDP seminars scheduled for the CBC include an update from Rick Kempen, Export Manager for Bier & Co. Amsterdam and a discussion of the Four Points' plans to extend its Best Brews program to the chain's international properties.

Bier & Co. Amsterdam is a leading importer of American craft beers in Europe, coordinating sales across the continent on behalf of its brewery partners. Many breweries are achieving export success in Europe through Bier & Co. and other import partners. Rick will speak about the European market for American craft beers as well as his company's experience developing the market for U.S. brands. The discussion should provide insight into opportunities in Europe for breweries not yet exporting there as well as tips for how breweries can prepare themselves for export partnerships.

Scott Kerkmans, Chief Beer Officer for Sheraton Four Points will present about the hotel's plans to launch the Best Brews program internationally. The BA recently worked with Scott and the Four Points' Shanghai staff to generate publicity for the BA's educational seminars and promotional work in China. The Four Points Shanghai property has since listed four American craft beers and will feature additional brands at a launch party scheduled for later this year. The BA hopes to work closely with Scott and the Four Points to expand distribution for American craft beers in the hotel's other international properties.

Each of these presentations will take place on Wednesday, April 22. A complete schedule of these and other CBC presentations is available on the BA website or from Mark Snyder.

China Educational Seminars Generate Significant Trade and Media Interest

In December 2008, Bob Pease and Eric Rosenberg visited Shanghai and Beijing to conduct craft beer educational seminars in both cities. The seminars were coordinated with significant local assistance from M.Z. Marketing and Communications, American Craft Beer Partners (ACBP), and the USDA's Agricultural Trade Office staff. The Beijing seminar marked the BA's first visit to that city.

Over 50 guests attended each seminar which covered craft beer history, styles, color, ingredients, serving, storage and handling tips and food and beer pairings. Seminar content was graciously provided by the Siebel Institute and sourced from among the BA's own resources. Six different beers were sampled as part of the seminar with the last three selections each paired with a different food item. A reception following the seminars allowed for the display and sampling of additional products.



Both seminars helped further relationships with the local trade and again demonstrated the BA's commitment to support market development efforts in China. It was at the Shanghai event that the BA was able to introduce representatives from American Craft Beer Partners to purchasing managers from the local Sheraton Four Points, resulting in expanded distribution for American brands (previous article). The BA was also able to meet representatives from Dxccl, the largest specialty beer and wine distributor in China and a new partner for ACBP for on-premise distribution. Representatives from both of those companies will be attending the CBC this year.

The seminars also generated significant media coverage. Beer tastings, and the concept of craft beer, are new to China and the press took an interest in covering the BA's message. The BA and these seminars were featured in English and Chinese language publications including the *Shanghai Tatler*, *Food and Wine*, *City Weekend*, *Sina*, *Shanghai Evening Post*, and *Shanghai Railway*. This last magazine is placed on all Shanghai bullet trains that service surrounding areas with a circulation of 150,000.

The BA plans to continue the seminar program in 2009, extending it to cover additional cities in China. Seminars are tentatively scheduled for the Fall and will include events in Shanghai, Beijing, Shenzhen, Hong Kong, and possible Guangzhou.

U.S. Breweries Take Home European Beer Star Awards Again in 2008

Winners of the 2008 European Beer Star (EBS) competition were announced in November. Like last year, the US craft beer industry performed exceedingly well, winning a total of 23 awards.

Results from this year's EBS represent a significant achievement for the EDP. The BA again used a portion of its EDP grant funds to offset the cost of US craft breweries wishing to participate in the competition. The BA funded up to three entries per brewery and covered the cost of shipment to Germany. Over 24 US craft breweries entered the competition, enabling the US industry to have far greater representation than ever before. Overall, the EBS received 688 entries for 42 categories from 32 countries around the world, a 20% increase compared to last year.



For a complete list of award winners at the EBS, please visit the EBS site at http://www.european-beer-star.com/inhalt/presse/Gewinner_2008.pdf. The BA intends to continue funding US entries to this and other brewing competitions. In fact, EDP members should stay tuned for an announcement on the 2009 Great British Beer Festival. The BA plans to again assist EDP members participating in that festival as well. To take part, please contact Mark Snyder (BA) at mark@brewersassociation.org.

Brazil Market Research Study to Commence Soon

The BA received funds this year from the USDA Emerging Markets Program to research opportunities for American craft beer in Brazil. In March, the BA issued a Request for Proposals (RFP) to seven research firms, including five in Brazil, to assist with this effort. Proposals are due by the end of the month. The BA intends to complete this research study by mid June. Similar studies have been completed by the BA for China, Eastern Europe, and Mexico.

The BA expects the research to identify likely partners for American craft breweries wishing to export to Brazil. BA representatives will then travel to Brazil in late June to meet with researchers and potential trade partners during the Brazil Brau trade show in Sao Paolo. Importers eager to expand their portfolio of American craft beers may then be brought to the Great American Beer Festival to meet with EDP subscribers. The completed research study and findings from the BA visit to Brazil Brau will be made available to all EDP subscribers.

EDP Steering Committee Meeting

The EDP Steering Committee met February 10 to discuss activity plans for 2009. Based on the committee's input, the BA is moving forward with plans to participate in the following activities in 2009:

United Kingdom

- Great British Beer Festival (Industry Delegation)

Canada

- In-store LCBO seminar and beer and food demonstration
- Beer and food paired dinner in Toronto

Scandinavia

- Stockholm Beer and Whisky Festival
- Copenhagen Beer Festival

China

- Craft Beer Educational Seminars

Brazil

- Market Research Study and market visit (Brasil Brau)

Competitions

- Stockholm Beer Festival Competition
- European Beer Star Awards
- Australian International Beer Awards

In addition, the committee discussed possible promotional activities in Japan and other competitions that could be a fit for the EDP. The USDA Agricultural Trade Office in Japan has suggested the BA consider a booth at the Yokohama City Festival celebrating its port's 150th anniversary. This festival is an opportunity to promote American food and beverage products to consumers. The committee has decided not to sponsor the Yokohama festival because it is primarily a consumer event. Instead the BA is soliciting input from importers in Japan for activities that might include a stronger trade outreach element.

In terms of international competitions, the BA looked into the Brew New Zealand awards but at this time does not plan to incorporate that event into the annual EDP plan.

Minutes for the February 10 meeting are available upon request from Mark Snyder at mark@brewersassociation.org.