



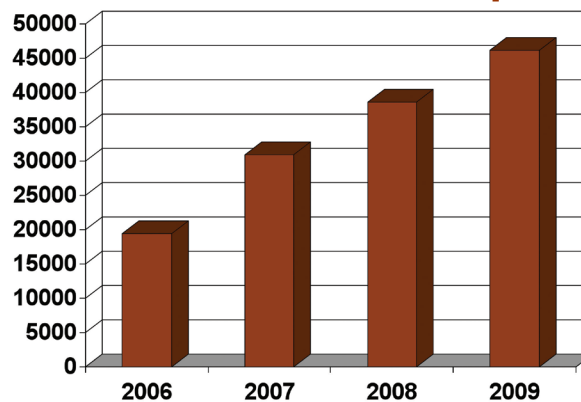
Brewers Association Export Development Program ISSUES REVIEW

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U.S. Craft Beer Exports Rise Again

U.S. craft beer exports have grown every year since the Brewers Association (BA) began its Export Development Program (EDP) and 2009 was no different. Last year, U.S. craft beer exports grew 9% to over 1.4 million gallons (over 46,000 barrels). Export increases were achieved to all major markets with exports to Europe up nearly 12%, exports to Canada up about 6%, exports to Japan up nearly 25%, and exports elsewhere in Asia (primarily China, the Philippines and Taiwan) up 17.5%. These increases were offset somewhat by decreases in sales to the Caribbean, to Mexico, and other markets not targeted currently by the EDP. The 9% increase in international sales is substantial in light of the lingering global economic recession. Despite decreasing purchasing power, consumer demand for American craft beers has remained strong and importers have continued to expand their portfolios of American craft beer brands. In terms of individual markets, Sweden remains the top export destination for U.S. craft beer, followed closely by Canada and the United Kingdom. But U.S. brands have also seen strong growth recently in Spain, Italy and markets in Asia. The BA expects exports to increase again in 2010.

U.S. Craft Brewer Exports



U.S. Craft Beer Now Available in Brazil

In late 2009, two importers reached agreements with four U.S. breweries to begin importing their products to Brazil. These are the only brands now distributed to that South American country. These exports mark the culmination of efforts by the EDP over the past year to research the market, to identify key trade partners there, and to foster relationships between importers and U.S. industry members.

In 2009, the BA utilized a grant from USDA's Emerging Markets Program to conduct comprehensive market research on the Brazilian market for craft beer. Data from the report suggested that Brazil presented a viable, yet untapped, market for U.S. craft beer exports based on a burgeoning local craft beer community, steadily increasing per capita beer consumption, and a positive impression of U.S. products in general. As part of the research effort, in June 2009 BA and industry representatives traveled to Sao Paulo, Brazil to meet with importers, distributors, retail and on-premise trade contacts and with the local beer media to assess the market and identify appropriate trade partners for U.S. craft brewers.

Following this visit, the BA invited a small delegation of Brazilian trade contacts with a strong interest in U.S. craft beer to attend the Great American Beer Festival (GABF) in Denver, Colorado, with one importer

APRIL 2010

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invited to speak at the annual EDP seminar offered at the GABF. While attending the GABF, the delegation met individually with breweries interested in exporting to Brazil and one importer placed orders with two U.S. craft breweries. The company has now made ten purchase orders for U.S. craft beer from three American breweries. Separately, the BA is aware that another brewery has reached an agreement with an importer and is now also exporting to Brazil. By all accounts, the beers have been very well received in Brazil and are selling quickly. This could create additional opportunity in the market over time. The EDP has applied for another grant from the Emerging Markets Program that will hopefully permit a return trip to Brazil. Specifically, the BA hopes to lead educational seminars for Brazilian trade contacts about American craft beer.

EDP Budget Increases for 2010

Though the BA is still awaiting word on its grant request to USDA's Emerging Markets Program, its allocation from the Market Access Program (MAP) was received in early 2010. The BA obtained an MAP allocation of \$397,555, representing a 12% increase over the previous year. This was a great result as it came in a year in which USDA had 2.7% less money to allocate from the MAP program. As a result, many applicants received a decrease of at least that amount in their allocation.

Craft Brewers Conference Seminars Highlight Export Opportunities

The recently-concluded Craft Brewers Conference again offered the EDP an opportunity to highlight export opportunities for interested BA members. Seminars covered the Spanish, Chinese, and British Columbian markets. Robert Merryman covered Spain. Mr. Merryman works for the leading craft beer importer in that country, Condal Chef (part of Grup Galvez). The company imports Sierra Nevada, Anchor, Left Hand, and Great Divide beers and recently added Rogue Ales to its portfolio. Moreover, his is one of the few companies in Spain capable of maintaining the cold chain for distribution to all accounts. Based on growth in sales for American craft beers in Spain, the company is looking to add still one more brand to its portfolio (see next article).

William Westman covered the China market from a different perspective than has been offered previously. Mr. Westman had, until recently, served as the Minister Counselor for Agricultural Affairs at the U.S. Embassy in Beijing. He is also an avid homebrewer. As such, he was able to discuss the Chinese market from the perspective of a beer lover and expatriate with examples of how the specialty beer market has developed in the years he was stationed there. Mr. Westman highlighted the growing presence of German brewhouses and specialty imported beers from Australia, Europe, and elsewhere. U.S. craft beer exports to China also grew last year. Mr. Westman is no longer stationed in China but the BA maintains a list of government and trade contacts in that market for BA members wishing to explore business there.

Bill Michael, Beer Portfolio Manager for the Liquor Distribution Branch (LDB) of British Columbia (B.C.) covered that provincial market. Mr. Michael is one of the most influential figures in the market in terms of the beers available for distribution. This is because the B.C. alcohol market has public and private components to it. The LDB is the government-run side of the alcohol market. The LDB has close to 200 retail stores throughout the province and is a leading retailer of specialty beers (including American craft beers). Private alcohol retailers are also permitted to operate in B.C. and there are many. Mr. Michael covered this side of the market as well and suggested that there are good opportunities for American craft beers through both distribution channels.

Copies of all three presentations given at the CBC will soon be available in the presentation archive of BA's website at <http://www.brewersassociation.org/pages/business-tools/export-development-program/presentation-archive>.



Jim Koch, founder and owner of Boston Beer Co. and Brewers Association Vice President Bob Pease at the Craft Brewers Conference EDP Awards ceremony.



Bill Michael, Beer Portfolio Manager for the Liquor Distribution Branch (LDB) of British Columbia.

Trade Lead – Spanish Importer Looking for American Craft Beer

As mentioned in the previous article, Condal Chef/Grup Galvez is looking to add another American craft beer brand to its portfolio for distribution in Spain, and perhaps elsewhere in Europe. A formal BA trade lead pertaining to this opportunity has been prepared and is being distributed by Mark Snyder. If you have not seen the trade lead and are interested in this opportunity, please contact Mark at mark@brewersassociation.org.

The company is looking for a brewery that makes a range of beer styles and that will have the volume available to steadily build exports to Spain. Grup Galvez is a leading beer and food distributor to high-end restaurants and operates its own retail stores. This essentially guarantees retail distribution through stores that have become known for their specialty beer selection and beer education.

American Beer and Wine to be Featured at July 4th Celebrations in the Caribbean

The BA was contacted recently by the U.S. Embassy in Bridgetown, Barbados regarding an opportunity to showcase American craft beer during events being planned for July 4th throughout the Caribbean. The EDP is not directly supporting these events, but wanted to pass along the opportunity to members interested in exports to the Caribbean. Plans are underway for the Embassy's annual July 4th reception in Barbados, and for the first time, there will also be an American Beer and Wine Festival, one day earlier. The Festival will target hoteliers, restaurant managers, and food and beverage distributors in Barbados and the Eastern Caribbean. Both events will be held at the historical George Washington House, in Barbados. In addition, the Embassy is coordinating July 4th receptions elsewhere in the Caribbean including receptions in Antigua, St. Kitts, St. Vincent, and St. Lucia.

Beer donations have been requested by the Embassy. All donated products are being consolidated in Miami. If interested, please contact Jake Aller, Embassy of the United States of America, Barbados by telephone at (246) 227-4274 or by email to allerjc2@state.gov.

EDP Booth Pleases Visitors to Fancy Food Show

On January 17-19, 2010, the EDP promoted American craft beers through a BA pavilion at the Fancy Food Winter Show in San Francisco. This event is in its 35th year and is sponsored by the National Association for Specialty Food Trade. It is one of the largest specialty food shows in the U.S. and although it takes place on U.S. soil, the show is eligible for consideration as part of the BA's EDP program. Because the BA uses USDA export assistance grant funds for its EDP activities, many U.S.-based events are ineligible. The Fancy Food shows and a handful of other domestic trade shows are exceptions because they attract large groups of international buyers.

The 2010 Fancy Food Winter Show marked the first time the EDP sponsored a pavilion at a domestic trade show. Ten EDP members participated, providing a large selection of products for visitors to sample. Bob Pease (BA Vice President), Nancy Johnson (BA Events Director), and Mark Snyder (EDP Manager) attended the show to represent the BA.

Feedback on the BA pavilion obtained during and after the show was very positive. The pavilion generated media coverage and was one of the highlights of the entire show. Breweries surveyed following the event generally reported solid business leads (domestic and international) generated over the three days. The BA pavilion's location was also advantageous. American craft beers were displayed along side artisan cheeses and chocolates. As a result, connections were made with contacts in both industries that are being pursued for possible collaborative marketing efforts going forward.

Participating breweries and distributors largely agreed that the event benefitted their sales and marketing efforts and that they would eagerly participate in future Fancy Food shows. Based on this, the EDP is considering sponsoring a craft beer pavilion at the Fancy Food Summer show in New York in June 2011 and possibly alternating between the summer and winter show each year thereafter.



Ron Lindenbusch, Chief Marketing Officer of Lagunitas Brewing Co. proudly serves a beer at the 2010 Fancy Food Show in San Francisco.

EDP Trade and Regulatory Database Expanded

The EDP has recently expanded its online trade and regulatory database to include six new countries (China, Japan, Brazil, Korea, Mexico, and Singapore). The database already featured information on the United Kingdom, Sweden, Denmark, and Canada. This database is a resource for American craft breweries wishing to learn more about opportunities and regulations governing the distribution of alcohol in these key markets. Through the database, it is possible to link to various forms, label examples, and other items that could help breweries as they initiate exports to new markets. Contacts, where available, are also provided for importers, distributors, government officials and other parties familiar to the BA in each market. The database can be located on the BA website at <http://www.brewersassociation.org/pages/business-tools/export-development-program/resources>. A username and password can be obtained from Mark Snyder.

Next Up – BeerFest Asia, GBBF, Salone, Hopscotch and More

The BA will soon be soliciting beer samples from EDP members interested in participating in the BeerFest Asia show and in the Great British Beer Festival. This will be the first year in which the EDP will sponsor a booth at BeerFest Asia, one of the region’s largest beer trade and consumer shows. BeerFest is held in Singapore but attracts buyers from throughout the region. The event runs from June 16-20 and includes an awards competition. Singapore is a small but growing market for American craft beers.

At the same time, the BA will collect samples for shipment to London for the Great British Beer Festival (GBBF). The EDP annually supports an American craft beer presence at the GBBF. American craft beers are showcased in the Bieres Sans Frontieres section of the show, and the EDP coordinates side events at venues around the city. Last year these included a beer dinner at the Porterhouse and trade and media reception at The Pembroke. This year, the BA is planning an American craft beer night at the famous Whitehorse Tavern.

Information on both of these events as well as shipping instructions for breweries wishing to participate will be sent shortly. Breweries may contact Mark Snyder with any questions.

The EDP activity schedule really picks up come Fall. The BA will again assemble a delegation to visit the Salone del Gusto show in Turin and will support a booth at the Stockholm Beer and Whisky Festival. In addition, in response to our member breweries, the EDP will support an American craft beer event for the first time in British Columbia. While plans have not yet been finalized, it is likely the BA will host a pavilion at the well known Hopscotch event in Vancouver.



Mark Snyder, Breweries Association Export Development Program Manager presenting international beer awards to American craft brewers at the Craft Brewers Conference.