

# Kentucky's Craft Brewing Industry



September 23, 2021

IJC Economic Development &  
Workforce Investment

presented by

**Kentucky Guild of Brewers**

# Kentucky General Assembly's Work Yields Success

- **Thank you!** Your support and legislative changes have made our growth possible & will enable our continued recovery.
- Despite production and revenue losses resulting from pandemic impacts, we are pleased to report additional expansions, new brewers, and trends indicating recovery across economic impact, revenue and employment indicators.
- Look Back @ the significant legislative changes for the industry: **SB 15** (RS2021), **HB 415** (RS 2020 & 2021), **HB 351** (RS 2020) **HB 354** (RS 2019), **HB 136** (RS 2018) and **SB 11** (RS 2016)





# What does “Craft” Really mean?

- On the simplest level, it is a differentiation between large producers and small as defined in law." In Kentucky we have craft brewers, craft distillers and “small” farm wineries. We are the small independently owned producers for our authorized product sector (*beer, distilled spirits (i.e. bourbon/other liquors) or wine*). Annual production amount limits to be considered craft are different for Distilled Spirits and Wine.
- The Feds-Federal Tax and Trade Bureau (TTB) define small/craft for tax purposes at 2 million bbls annual production.
- The National Brewers Association (BA) definition of a craft brewer requires that the producer be “small”, which is defined as 6 million bbls of annual production and must be “independent”.
- **What defines “small/craft” brewers in Kentucky? Microbreweries with an annual production not to exceed 50,000 bbls or less. Kentucky Craft brewers remain the smallest of the small/craft within our industry.**
- Wide variance from Kentucky’s production volume and that of other states (all which vary) and the feds.



# Why Support Craft Brewing?

Small locally owned businesses, revitalizing downtowns, investing locally, rehabbing vacant properties and partnering with our local farmers. **Microbreweries are production (manufacturing) facilities with public facing retail service businesses and play a role in Kentucky's hospitality & tourism industry.**

Small businesses make up (2020): **99.7%** of U.S. employers & **99.3 % of Kentucky's Employers- 355,998 small businesses in Kentucky,**

**64%** of net new U.S. private-sector jobs, **In Kentucky supported 317,115 net new jobs**

**42.9%** (approx.) of private-sector payroll,

**98%** of firms exporting goods in U.S.. **Kentucky has 3,736 small businesses including craft brewers exporting goods.**

**KY craft brewers are small business entrepreneurs- significant and important in creating new job opportunities, growing new industries and growing Kentucky's economy. KY Small Businesses remain the backbone of Kentucky's employers & workforce.**

Source: SBA 2020



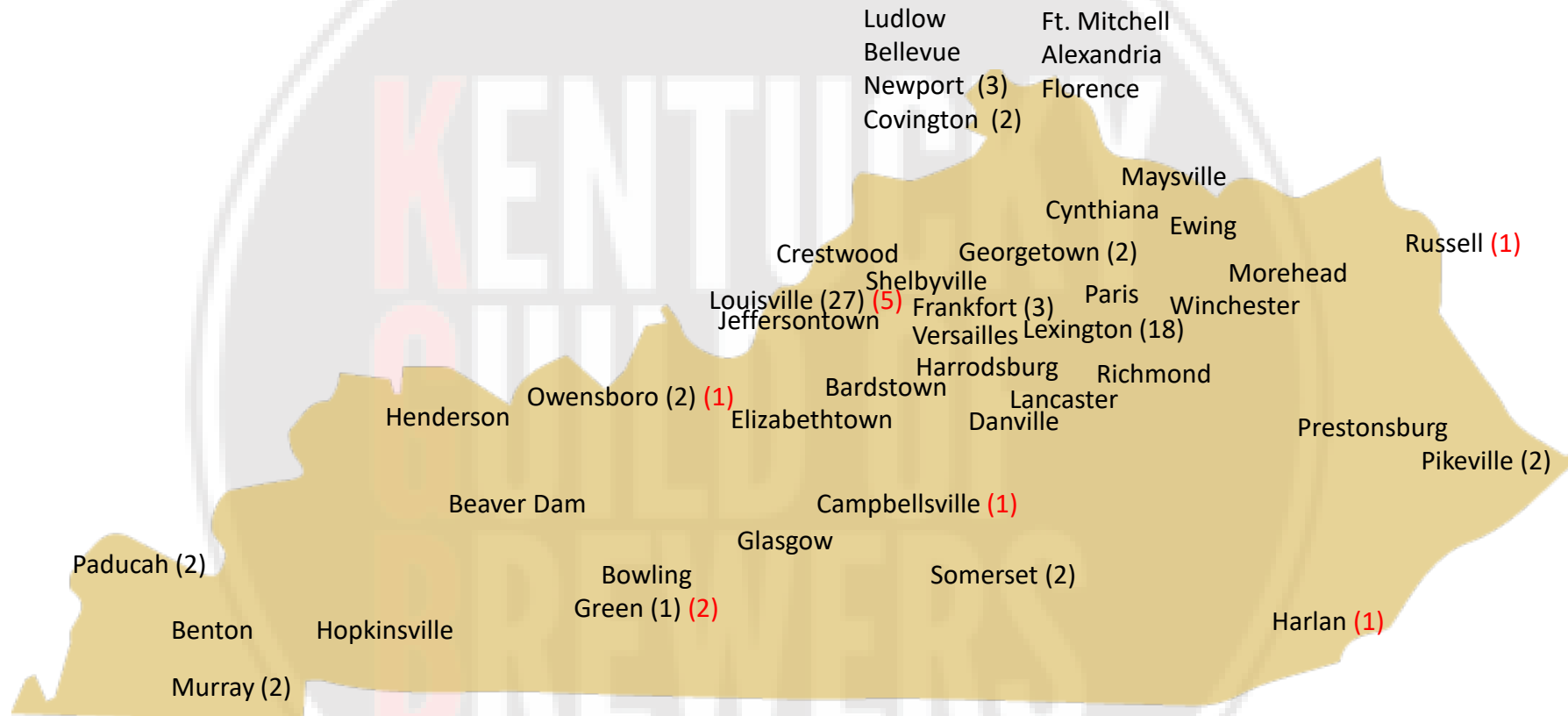
# Craft Brewing Industries IMPACT

KY Craft has both direct & indirect economic impact in the Commonwealth:

- Investment of new dollars in Kentucky.
- KY based Infrastructure.
- Industry revenue & sales.
- Jobs, wages & benefits to Kentuckians they employ.
- Tax revenue (Federal, State & Local).
- Bring & support affiliate industries to the Commonwealth.
- Like Bourbon- Unique to us we are part of Kentucky's manufacturing sector, exports, retail, and hospitality & tourism industries.



# KENTUCKY MICROBREWRIES: Where are they?



## KEY:

- Existing Brewery Location (93)
- Brewery Location in Planning (10)

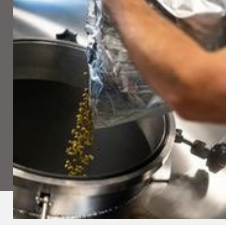
# Industry Update

- Overall U.S. beer volume sales were down 3% (in 2020), while craft brewer volume sales declined 9% lowering small craft/independent brewers share of the U.S. beer market by volume to 12.3%.
- Accordingly, during the pandemic KY Craft also saw decreases in product volume, sales and revenues.
- Experienced disruptions in supply chains, increased costs and costs to businesses to comply with new requirements or to modify the business to operate & employment.
- **Kentucky craft breweries generate \$872 Million in annual economic activity to the Commonwealth.**
- Kentucky's craft brewers provide more than 1,000 Kentucky jobs and prior to COVID, had increased their employment by 15% pre-pandemic 2018-2019. Amidst the pandemic, some were forced to furlough or lay off many employees and are now struggling to find employees to meet needs.
- Focus remains on Kentucky, however continued growth (although slowed due to COVID) is occurring in new markets. KY Craft export to over 40 states and multiple countries. *Note we have seen an increase in the # of KY brewers whose brands are now in other states, but international exports are significantly down or have ceased for many brewers during the pandemic.*

Sources: National Brewers Association 2020 Report & KY Guild of Brewers



# Industry Update



- **There are now 93 Craft Brewery Locations across Kentucky.**
- **77 different Kentucky Craft Breweries and 27 (*known*) who have expanded or are in the process of expanding.**
- **10 New Breweries in planning.**
- **Despite the pandemic, the delayed openings & expansions, *our craft brewers have made additional new investments of \$27.7 Million in Kentucky. Again, 27 KY breweries have expanded or will expand within the next 18 months (in process).***
- While we wish we could report this was the case for all- regrettably as we continue to weather the pandemic, this is not case for all of our KY craft brewers. As diverse as each of our breweries are, so is the degree of impact from the pandemic and pandemic related issues. We still have brewers at risk of closure, new investments planned shelved, or cancelled, & monies redirected just to maintain existing operation support recovery efforts and breweries in planning delayed or cancelled.
- SB 15- Self distribution-Provides a new avenue for breweries to expand sales volumes and meet customer demand through self distribution. SB 15 affords flexibility. In accordance with the new statutory language some brewers are already self distributing, with many others in the months ahead.
- Gaining ground- Proud of our female brewers in KY- What started with our original trail blazer Leah at Apocalypse Brew Works. Now we have almost a dozen.  
Pink Boots Society-Kentucky Chapter and Pink Boots Brew.
- Kentucky craft brewers are continuing to grow both in new breweries entering the marketplace in Kentucky and existing brewers expanding, but we are still behind some of our neighboring states. If Kentucky is going to remain competitive in the regional and national craft beer markets, we have to keep our foot on the gas.



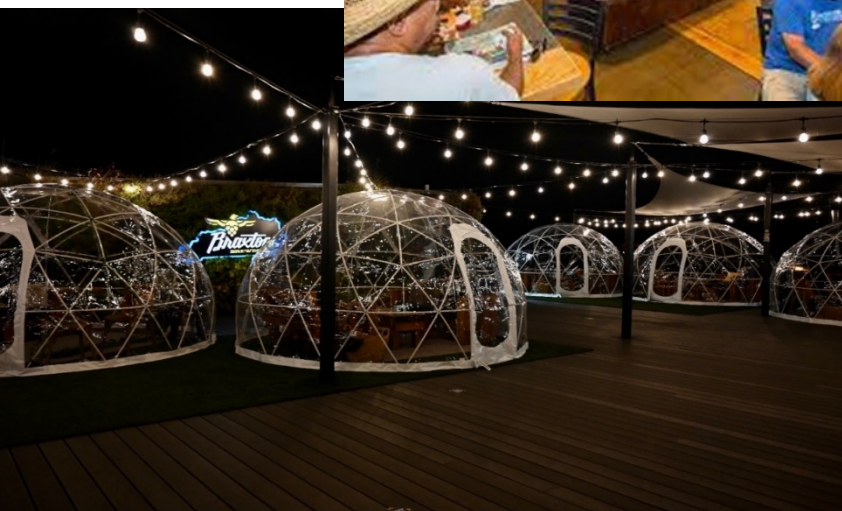
# Pandemic Impacts & Recovery

**Pre-COVID**



- Pre-COVID craft brewers had the highest growth, but now those same local or regional breweries are suffering the greatest impacts from COVID.
- Nationally, it was estimated last year, 2% of all microbreweries will not reopen. We know of at least 10, that are “at risk” . A 13-32% decrease is forecasted in product trade which will have impacts on materials, and beer sales.
- On-premise draught was down 80-90% in post COVID months prior to reopening. It has started to recover (Still down, but now down 25-40%). Overall sales likely to be down 50% conservatively according to the national Brewers Association for 2020.
- Financial impacts (COVID & our Louisville members experienced a double hit due to civil unrest and closure of downtown last year during the same months).
- Revenue, sales and production was down for most of our membership. We started to reopen and improve, then with the recent surge of the Delta variant some, locations are now experiencing second waves of decline.
- The impacts experienced or seen by other on-premise retailers (other restaurants, hotels & bars),grocery stores were the same impacts we experienced but their declines were an additional hit to our sales and revenues as they carry our products. The closures, reduced capacity, limited hours of operation/curfew, inconsistent business, lack of enough notice to be able to gear down or ramp up all impact both our demand and supply in our local markets which are our key priorities.
- Decreased in production. Distribution is down.
- On-site sales were down with many brewers open trying to do curb side and operating at losses trying to maintain their workforce.
- We experienced decreased demand volumes, decreased distributor orders and a complete cancellation of events.
- We have additional operational costs and seen impacts raw materials & sourcing- costs at all time high, can shortages and decrease in CO2 and delays in logistics for source materials and equipment.

# Pandemic Impacts & Recovery Cont.



- We had to (those who can) totally pivot our business operations to try to capture increased carry out but no where near enough to off set the impacts and losses. Again, any gains at package retail outlets does not come close to off setting the losses. When you hear sales were up- that is not us. The winners were at off premise package retail store (liquor stores) etc. Sales nationally & here are up but it is the large domestic brands who have seen the boost not craft or Kentucky craft brewers.
- Profits this year will be substantially down for many but because we host a vast variety of business plans within the brewing community, some may not realize any at all, thus limiting reinvestment, expansions etc. while other members will.

Although DTC became law in June 2020, we were not legally permitted to engage in this privilege and take advantage of it at a time when it was most needed. The regulations for those privileges were not active until December 14, 2020. State ABC applications for licensure, not approved until beginning in January 2021. Several members invested resources in systems and software. In other states this was a lifeline for our counterparts to try to off set the loss revenues and sales. Now we see members beginning to engage and deploy systems to enable DTC.

- Similar to the hospitality & tourism industry, typically we see increased revenue during the spring and summer months which assists us in weathering the winter months- that did not happen last year, and we had limited months this past summer.
- PPP cons, SBA loans & lack of many grant programs due to specifically targeted businesses and many microbreweries not eligible.

# Pandemic Impacts & Recovery Cont.

- Material costs are still up, challenges in getting necessary materials and equipment or its delayed, difficulty getting skilled workers for constructions, repairs and maintenance as well as entry level servers, bartenders, and kitchen workers .
- Operating costs, financial liabilities and credit obligations did not stop or pause. Regular operational obligations, added costs continue-while we are continuing to recover and try to regain ground lost.
- Despite PPP and limited operations, layoffs & furloughs still range last year from 10%- 80% of a brewery's workforce.
- The workforce shortage or those unwilling/unable to return to work continue to remain challenge for recovering our workforce back to pre-pandemic levels.
- Although our growth in KY is still “up”, we will post our slowest growth we have seen in 11 quarters.
- Recovery has been sluggish and often not consistent for many breweries. Most not yet back to pre-pandemic.



# Pandemic Impacts & Recovery Cont.

- Our members continue to assure compliance with the Healthy at Work Guidelines and **assure the health and safety of both our employees and our customers is priority.** We continue to rebuild customer confidence and hopefully can remain fully reopen & at normal capacity.

*Please support KY craft by visiting a KY craft brewery or order from us- we promise good beer, good food and good people!*





# Craft Brewers Partner & Give Back

Members volunteered at vaccination sites etc. We have partnered with the Kentucky State Chamber and others to try to promote and encourage vaccinations.

Department of Ag Partnership- KY Proud Brews, KY Proud events in collaboration with KY farmers, other KY brewers and local chefs.

Secretary of State Partnership- Recruitment of Poll Workers

Industry Partnerships- Collaborations with Distillers & Wineries, Charitable Events/Activities with Distributor Partners

Charitable Donations & Contributions to KY Charities

Flood Relief

Festivals & other events as charitable fundraisers- Old Friends Farm, Gods Pantry

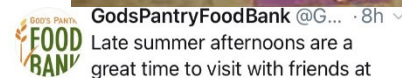
Facilities Use- Yoga, Community & Group Meetings, host Bridge & Quilting Groups

New beer unveiled for anniversary of Bluegrass Greensource

On top of the debut of the new beer, 6% of all of sales were donated to Bluegrass Greensource.

Kentucky Craft Bash and Cure CF- All fund proceeds go to support the Craft Beer Industry in Kentucky and their charity partner Cure CF. raised \$100,000 and hosted 2100 visitors to the event.

Brewery Blood Drive



GodsPantryFoodBank @G... · 8h  
Late summer afternoons are a great time to visit with friends at @BlueStallionBC, @CountryBoyBrew, @EtherealBrewing, and @PivotBrewing! Get your More Than Just a Meal package by September 30 and fight hunger!

[godspantry.org/events/moretha...](https://godspantry.org/events/moretha...)

#HungerActionMonth



# Newly Opened Kentucky Craft Breweries/Locations

**Since our presentations before committees last (Pre-COVID), here are a few of the new breweries which have opened, or opening dates are set:**

Against the Grain's Public House- Louisville

Uncrafted Territory- Beaver Dam

Gallant Fox Brewing-Louisville

Turtleback Ridge Brewing-Pendleton County

Brewbridge-Owensboro

Goodwood Lexington

Goodwood Bowling Green

Goodwood-Owensboro

Safi Wild Hops- Louisville

Heroes Brewing-Lancaster

Gaspar Brewing- Bowling Green

Mile Wide Beer Co- Owensboro

Scout & Scholar Brewing –Bardstown

Ten20 Beer Exchange- Louisville

Atrium Brewing- Louisville

Oldham County Brewing-Prospect

The Brewer Dude-Lexington

The Void Sake Company-Lexington

Shippingport Brewery-Louisville

West Sixth Nulu-Louisville

Hop Hound Brewing-Murray

Ethereal Public House-Lexington

Ethereal Brewing at Cornerstone-Lexington

Hi-Wire Brewing-Louisville

Against the Grain's Sandwich Emporium and Flamingo Lounge

Whirling Tiger by Against the Grain





# Legislative Interest

- Statutory changes to enhance KY craft brewers' ability to compete with craft brewers in bordering states and nationally.
- Modernization - Align statutory provisions with modern business practices.
- Legislation which would reduce barriers for new and existing KY craft brewers & provide needed flexibility.
- Alcohol Tax Structure- Tax Reform.
- Legislative changes that might seek to undo ground gained by the industry, set back or stifle industry growth, competition or access to market.
- Other



# Image of the Industry









# THANK YOU



APOCALYPSE  
BREW WORKS

