

What's New in B.C.

Spring 2016

Spotlight On:

CRAFT BEER



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What is Craft Beer?

Broadly speaking, craft beer is an alternative to what's produced by larger, conventional brewers, sometimes referred to as mega-breweries, which produce at least 160,000 hL per year. By producing smaller batches, craft brewers attempt to revert back to old-fashioned approaches with an emphasis on quality. Craft beer is brewed using traditional techniques without any preservatives and at least 50% malt content.

Craft breweries can also be divided into two sub categories based on their production quantity. Craft breweries producing less than 15,000 hL are considered small-scale breweries, and those with production greater than 15,000 hL but less than 160,000 hL are considered medium-scale breweries.

More specifically, a beer must have the three following characteristics in order to be considered B.C. craft beer according to the B.C. Craft Brewers Guild:

1. Must produce less than 160,000 hectoliters (hL) of beer annually.
2. Must be 100% B.C. owned.
3. Must be 100% independently owned.



Medium-scale breweries

Breweries with annual production over 15,000 hL and up to 160,000 hL



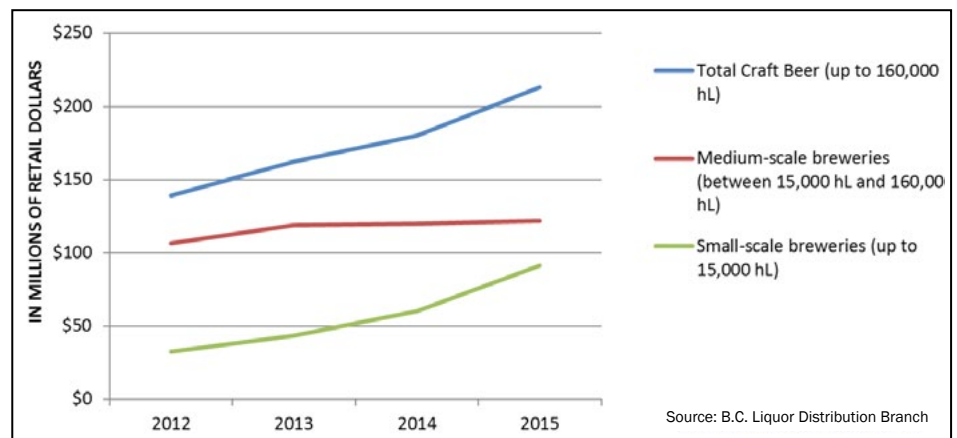
Small-scale (micro) breweries

Breweries with annual production up to 15,000 hL

Quick Facts

- 1 hectoliter (hL) = 100 liters (L).
- In 2013 Canadians consumed 22.6 million hL of beer.
- Small-scale breweries in B.C. (producing less than 15,000 hL annually) have increased sales by 51.75% from 2014 to 2015.
- Of the 102 craft breweries in B.C., 60 of them have opened in the past five years.
- Beer colour is directly related to malt content. The darker the malt used, the darker the beer.

Domestic Beer Market Sales Growth in B.C.



For more information, please contact the Northwestern Departmental Regional Office in B.C. at 604-292-5871 or at atsbc@agr.gc.ca.

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A Brewing B.C. Industry

A Story of Growth



Not many other segments of B.C.'s food and beverage industry have seen such explosive growth and record breaking revenues as the craft beer industry. Just five years ago, the industry's landscape looked remarkably different than today's in 2015, having almost tripled sales.

Historically, conventional breweries producing well over 160,000 hL have dominated the industry, but a recent shift in consumer appetite has given craft beer sales an increasingly larger share of the beer market. This number has risen to 18% of the B.C. beer market, meaning conventional beer sales still hold the majority of market share. However, craft beer sales have been thriving, representing a year-over-year average growth of 17% annually since 2010, while conventional beer sales declined 3% yearly during this same period.

Within the past year of 2015, small-scale craft beer sales have experienced the greatest growth, which may be partly due to new pricing schedules implemented in B.C. liquor stores. According to the B.C. Liquor Distribution Branch (BCLDB), there has been over a 50% increase in microbrewery sales from 2014 to 2015. Medium-scale breweries have seen more modest increases of 1.5% from 2014 to 2015.

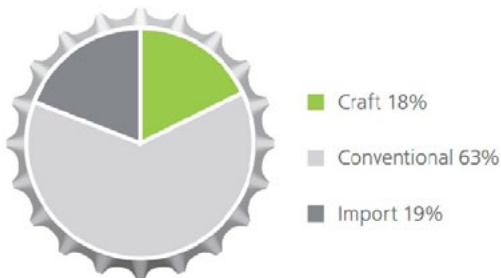
Recent success in the craft beer market is attracting more start up brewers hoping to get a share of the ever growing pie. In 2016, there are 102 craft breweries in B.C., and 31% of these are less than a year old. This indicates a sprouting industry with a promising future ahead. Continuing this trend in the future, B.C. may follow developed craft beer markets such as Oregon, where craft beer accounts for 40% of that beer market.

How the Industry Got Hopping

Consumers in 2015 are increasingly educated about where and how their purchases have been produced. This demand has helped propel the craft beer revolution, as more brewers began noticing consumer's appetite for craft beer because of its association with authenticity and quality.

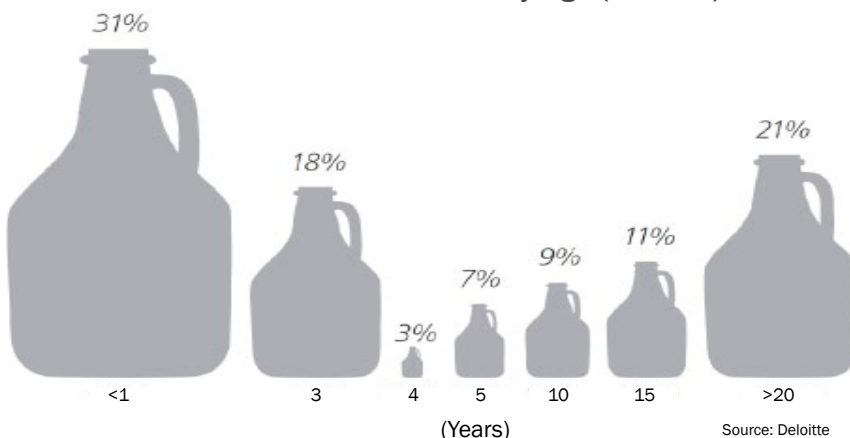
Another change that has significantly benefitted the craft beer industry, and more particularly, small-scale breweries, has been a new, more gradual mark-up system implemented by the BCLDB in April 2015. By lowering the mark-up rate for craft beer sold at B.C. liquor stores, small-scale breweries will no longer have a financial cliff as soon as breweries grow into a new production category. This will allow for smaller operations to produce the amount of product necessary to support and sustain their business.

Beer Market in B.C. (2014)

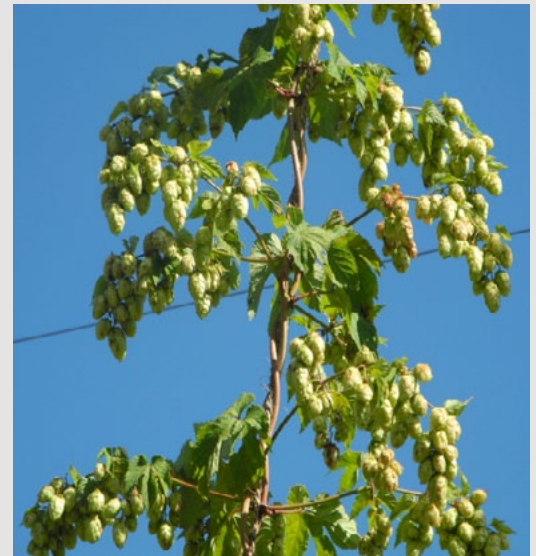


Source: BC Liquor Distribution Branch

B.C. Craft Breweries by Age (In Years)



Source: Deloitte



History of Hops in B.C.

Hops were once a lucrative industry for British Columbia in the early 1900's, having had the largest hop growing region in the British Commonwealth. Climate and soil conditions in southern B.C. and Vancouver Island were ideal for growing hops, which made hops grown in these regions well respected internationally. The province's 2,000 acres of cultivation supplied England and U.S. beer markets as well as small, local breweries. However, this market in B.C. collapsed in the 1980's when large, international breweries began dominating the market and sourcing their supply elsewhere. Today, the rise in craft beer's popularity is pushing the hop industry towards a come-back. Craft breweries are looking to source their ingredients locally, and are turning to local farmers to produce different flavour varieties. Although hop farms in B.C. are in the start-up phase, a revival of this industry is anticipated in the near future because of this connection to the local craft beer industry.



Association



The B.C. Craft Brewers Guild

The B.C. Craft Brewers Guild represents craft brewers from all over B.C. by acting as a united voice speaking for the interests of this sector. The guild hopes to expose more and more people to breweries that brew flavourful local beer with passion and dedication. There are currently 60 different B.C. craft breweries which are enlisted as members, being able to receive guidance and support from the Guild. The mission of the Guild is to support the ongoing creation and discovery of truly great B.C. craft beer, as well as help the industry remain competitive by leveraging policies and regulations.

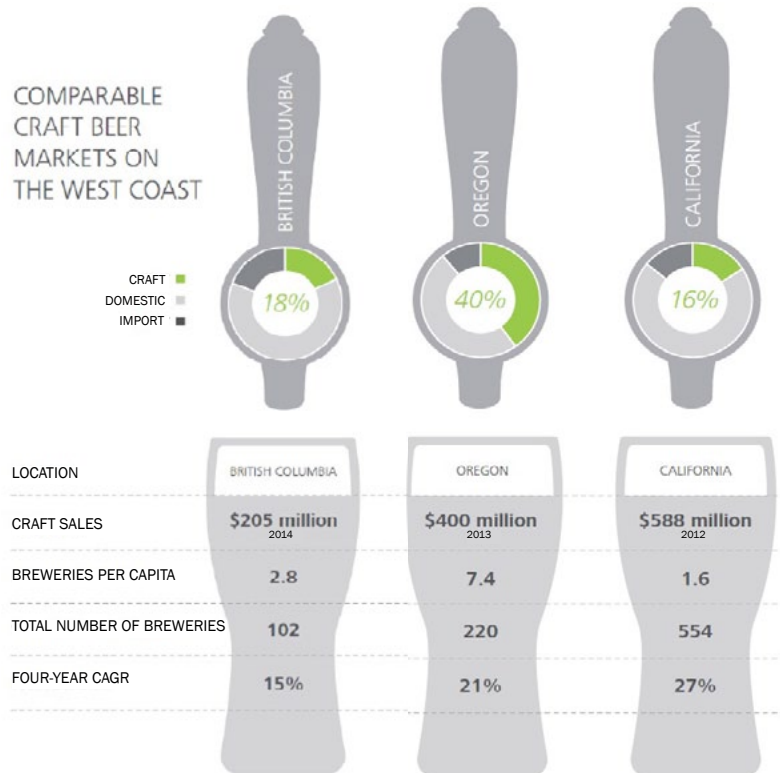
"I've worked with the beer industry for the past 25 years, and to this day I am still amazed by what B.C. craft beer has been able to accomplish in what seems like the blink of an eye." - Ken Beattie, Executive Director

Website: www.bccraftbeer.com



COMPARABLE CRAFT BEER MARKETS ON THE WEST COAST

CRAFT ■
DOMESTIC ■
IMPORT ■



Source: Deloitte



In the News

B.C. craft beer scene set to grow in 2016, says beer columnist

CBC - If you thought B.C. has already hit "peak craft beer," 2016 begs to differ. According to On The Coast beer columnist Rebecca Whyman, about 15 to 20 new craft breweries are going to open in the coming year, bringing the estimated number of craft brewers up to about 130. "There's always talk about when this growth will have to stop, but I don't think that will be any time soon," Whyman told On The Coast host Stephen Quinn.

Craft beer market thriving in B.C. thanks to provincial support

Vancity Buzz - B.C. loves craft beer, and thanks to the seemingly unending thirst British Columbians have for quality brews, the province's craft beer market is strong - and getting stronger. On April 1, 2015, changes to the Liquor Policy Review removed some of the barriers keeping small-scale breweries from growing with their demand.

Craft brewery valuations ratchet up as brewer consolidation accelerates

Business in Vancouver - Indeed, no one at Red Truck Brew Co. is keen to sell the fast-growing venture, according to general manager Jim Dodds. "We're not about building and selling out," Dodds said. Steamworks Brew Pub Brewery owner Eli Gershkovitch similarly has no plans to sell his venture.