



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES



**American
Distilling
Institute**

Craft Distillers: Covid-19 Impact

A joint study prepared by:

Distilled Spirits Council of the United States

And

American Distilling Institute

August 2020

For more information contact
David Ozgo DOzgo@DISCUS.org
Erik Owens Eriko@distilling.com



Craft Distillers: COVID-19 Impact

August 2020

Background

This report was developed from a survey conducted by the American Distilling Institute (ADI) in June 2020 and analysis done by the Distilled Spirits Council of the United States (DISCUS). The goal of the survey and this report is to analyze the size of the craft distilling market and determine what impact COVID-19 restrictions have had on craft distillers in the United States in terms of sales and jobs.

Executive Summary

- ✚ Craft distilling grew into almost a \$1.8 billion business in 2019, directly employing around 15,000 people and indirectly supporting thousands of jobs in related businesses. At retail, these sales are worth nearly \$3.2 billion.
- ✚ Craft distillers are small businesses, with around 60% selling less than 2,500 cases per year and 70% employing 10 or fewer employees.
- ✚ Craft distillers are part of the hospitality industry. Craft distillers rely heavily on sales through on-site tasting rooms, where almost 41% derive over 50% of their business. Their products are also sold in restaurants and bars.
- ✚ COVID-19 restrictions have heavily impacted craft distillers. On-site tasting room sales have been particularly vulnerable. Over 50% of respondents reported a significant impact on their tasting room sales. Approximately 40% of craft distillers reported that their on-site sales were down 25% or more, and over 15% said that their tasting rooms were completely shut down.
- ✚ Combining lost tasting room sales with lost wholesale sales means that craft distillers are projected to lose \$700 million in annualized sales, representing a loss of 41% of total craft business.
- ✚ As small businesses, craft distillers cannot afford to sustain such losses and have been forced to furlough 4,600 employees – almost 31% of all employees. This loss is similar to losses seen in other segments of the hospitality industry.

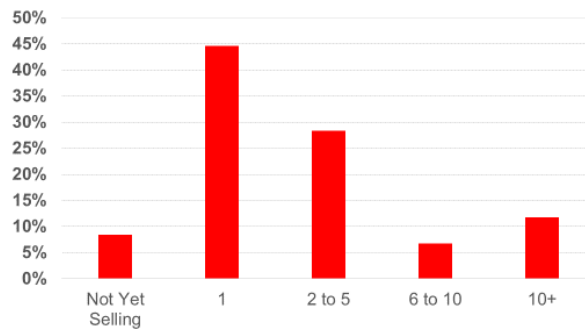
These points are discussed in further detail below.



The U.S. Craft Distiller Market

Craft distillers are small distilleries that typically operate only in their local or regional market. Only 12% of craft distillers operate in more than 10 states. Since their focus is local, craft distillers act as economic drivers in their communities, creating jobs and buying products and services from local farmers and tradesmen.

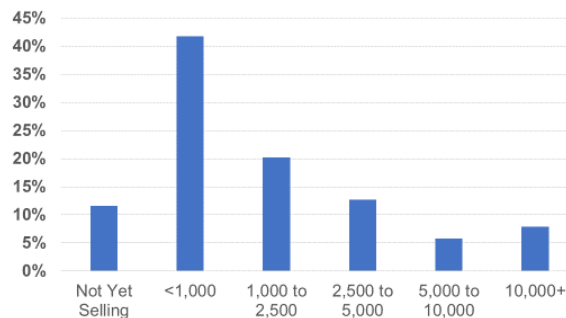
How many states do you sell in?



Source: American Distilling Institute Survey

Craft distillers are small businesses. Over 40% sell fewer than 1,000 cases per year and around 60% sell fewer than 2,500 cases. Only 8% sell more than 10,000 cases per year.

How many cases did you sell in 2019?



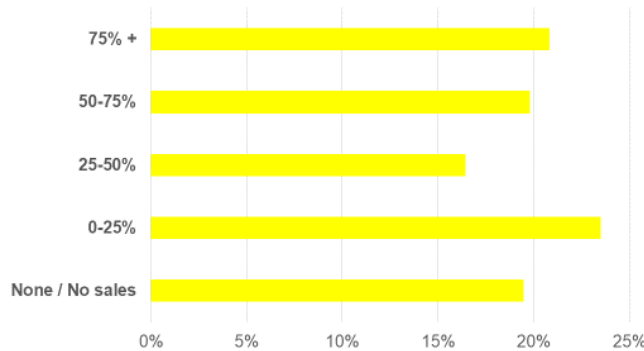
Source: American Distilling Institute Survey

Craft distillers are an important part of the hospitality industry. While they sell their products into wholesale markets for distribution to restaurants, bars and package stores, most of them also sell products directly from their distilleries. In fact, these onsite sales are a critical part of the craft business. Almost 41% of craft distillers



generate over 50% of their revenues from onsite sales. In 2019 an estimated \$919 million of craft distiller revenues came from onsite sales.

What % of your 2019 sales were from on-site?



Source: American Distilling Institute Survey

Looking at all sales (including wholesale distribution), in 2019 craft distillers generated an estimated \$1.8 billion in revenues. On-premise establishments (bars, restaurants and tasting rooms) earned nearly \$1.2 billion by selling craft distiller brands. Package and grocery stores (off-premise) generated almost \$1.1 billion in retail revenue from the sale of craft brands.

In other words, while craft distillers generated \$1.8 billion in sales in 2019, the retail value of those products was worth nearly \$3.2 billion.

2019 Craft Distiller Sales Estimates			
Channel	Cases	Distiller Revenue	Retail Revenue
	(000s)	(millions)	
Tasting Room	2,984	\$ 919	\$ 919
On-Premise	974	\$ 167	\$ 1,166
Off-Premise	3,895	\$ 666	\$ 1,066
Total	7,853	\$ 1,751	\$ 3,150

Source: Preliminary estimates, American Distilling Institute survey and Distilled Spirits Council estimates

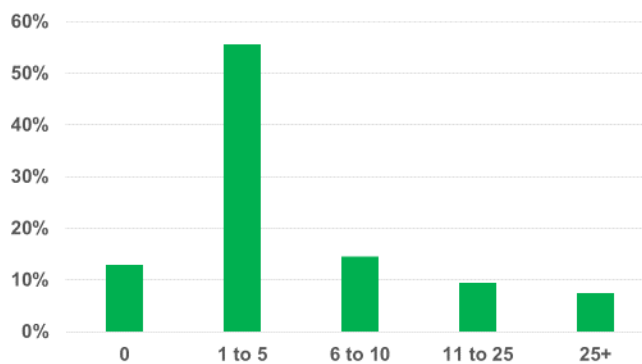
U.S. Craft Distillers and Jobs

There are over 2,000 craft distillers operating in the U.S. that collectively employ over 15,000 workers directly. Craft distillers typically employ five or fewer employees, while



some employ over 25 people. These businesses purchase millions of dollars in agricultural inputs (wheat, grain, barley, etc.), packaging materials and other services. In addition, many craft distilleries are tourist destinations, drawing visitors from across the U.S. and globally to participate in distillery trails. Both the purchases of goods and services, and the tourist component of craft distilleries, generate thousands of other jobs in their respective communities.

How many employees did you have in 2019?



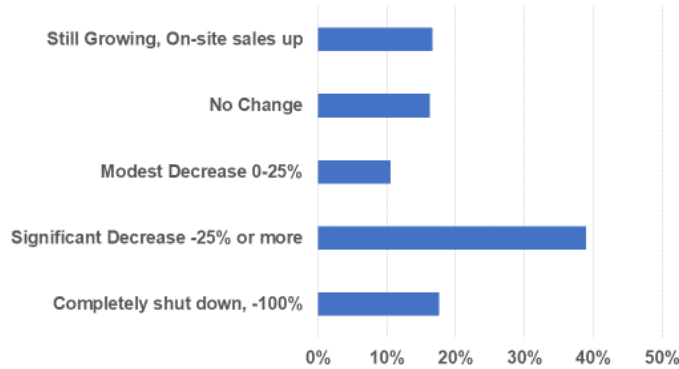
Source: American Distilling Institute Survey

Impact of COVID-19 on Sales

Like many businesses in the hospitality sector, COVID-19 quarantining has negatively impacted craft distiller sales, particularly on-site sales. Many craft distillers closed their tasting rooms in the last few months to comply with local and state public health guidance and to protect their employees. And, as one would expect, for those who could open safely, the number of customers was limited. As a result, nearly 40% of craft distillers reported that their on-site sales were down significantly (i.e., 25% or more). Over 15% said that their tasting rooms were completely shut down.



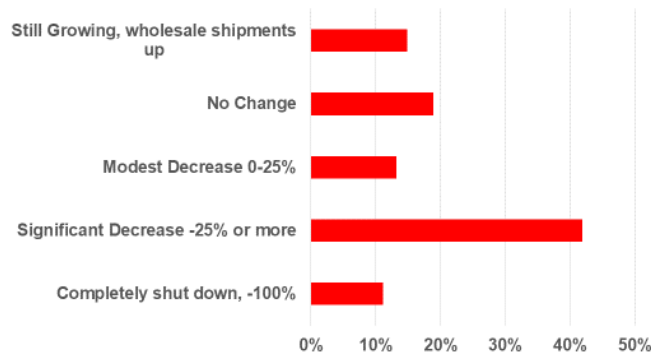
How much have your on-site sales changed (2019-2020) due to COVID?



Source: American Distilling Institute Survey

Additionally, craft distillers have seen significant declines in their wholesale business. This is to be expected given that, nationwide, sales to on-premise establishments are down 50%. Over 40% of craft distillers report that their wholesale business is down 25% or more and 11% have said that they have lost all their wholesale business.

How much have your wholesale channel sales changed (2019-2020) due to COVID?



Source: American Distilling Institute Survey

Combined losses from reduced tasting room and wholesale sales have caused over \$700 million in annualized losses for craft distillers. This represents a loss of 41% of total craft business.



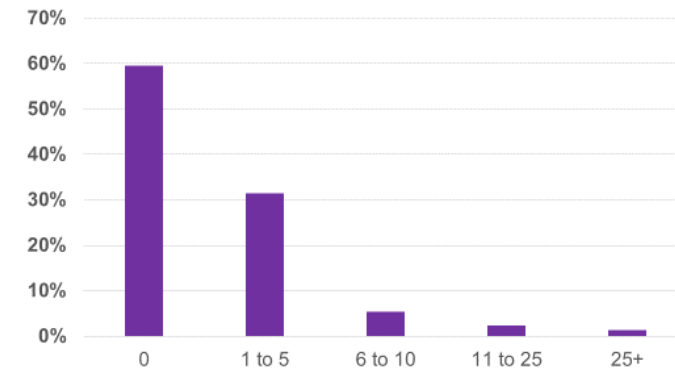
2020 Projected Covid-19 Projected Annualized Losses	
Channel	(millions)
Tasting Room	\$ 398
Wholesale	\$ 325
Total	\$ 722

Source: Preliminary estimates, American Distilling Institute survey and Distilled Spirits Council estimates

Impact of COVID-19 on Jobs

As small, independent businesses craft distillers typically do not have the financial resources to sustain such losses for long. Over half of all distillers did receive loans under the Paycheck Protection Act. Unfortunately, this has not been enough, and over 40% of craft distillers have had to furlough some of their employees. It is projected that nearly 4,600 employees have lost their jobs – almost 31% of all employees. This figure is consistent with layoffs in other segments of the hospitality industry.

How many people have you furloughed or laid off?



Source: American Distilling Institute Survey

Conclusion

Craft distillers became an integral part of the communities in which they operate. In 2019 they directly employed over 15,000 people in the U.S. and their sales reached nearly \$1.8 billion, representing a total retail value of almost \$3.2 billion. Unfortunately, as part of the hospitality industry, craft distillers have been negatively impacted by COVID-19 closings, resulting in over \$700 million in annualized lost sales for craft distillers (or 41% of total craft business) and almost 4,600 lost jobs.