

## Craft spirits added 1.5m cases to U.S. spirits market in 2017

*Most craft categories saw double-digit growth in 2017; future growth potential still huge.*

**Boston.** Craft spirits claim 3.3% of the total U.S. spirits industry, while its growth of 1.5m nine-liter cases last year contributed to 31.1% of the total spirits growth in the U.S., according to the recently released IWSR U.S. Craft Spirits Report 2018.

Craft spirits in the U.S. continue to significantly outperform the overall industry in terms of both volume and value growth. From 2010 through 2017, the CAGR for overall spirits volume was 2.8%, while the CAGR for craft spirits was 25.8%. Looking forward to 2022, total spirits volumes are forecasted to perform at a CAGR of 2.1% in comparison to craft's 22%.

The 580,000 nine-liter cases of U.S. craft whiskey added to the market made up 36.9% of the overall category growth in 2017. Other craft categories contributing significantly to the growth of their parent categories include vodka (51.6%) and brandy (32.9%).

U.S. craft whiskey, including all sub-segments of Bourbon, blended, rye, Tennessee, other U.S., single malt and moonshine, increased by 28.1% in 2017, reaching 2.6m nine-liter cases. The category is forecasted to reach 7.8m cases by 2022 on a CAGR of 24.3%. U.S. whiskey held a 35.3% share of total craft spirits by volume and 42.8% by off-premise value last year. Among the brands tracked by the IWSR, the average U.S. craft whiskey brand retails for \$40.52.

Craft Bourbon holds the lion's share of U.S. craft whiskey, with a 46.4% share of volume and a 45.7% share of off-premise value. The craft Bourbon category surpassed the 1m nine-liter-case mark in 2017, on a 41.9% growth rate. Craft Bourbon is forecasted to add another 2.4m nine-liter cases by 2022, surpassing 3.6m cases in total.

Despite the size and growth and of U.S. craft whiskey, the category is not-yet considered crowded. Categories deemed as crowded to the IWSR include moonshine, vodka, liqueurs and, to some extent, rum and gin. Product differentiation is key for these categories in order to stand out from the other offerings.

There are many untapped categories in the craft sector; emerging categories include agave-based spirits, aquavit and soju. Consumer interest and demand for tequila and mezcal are not showing any signs of slowing. The U.S. market is also on the verge of tapping into the soju category through local distillers producing the spirit domestically.

While parts of the market are showing signs of crowding, on the whole the IWSR believes there are decades to go until any saturation point is reached in craft spirits: the number of distilleries per capita (10.6 per 1,000 adults) is still dwarfed by breweries (37.3). The recent growth trajectory

of craft spirits coupled with the vast number of distilleries currently in planning suggests the future is bright for the craft spirits industry.

The *IWSR U.S. Craft Spirits Report 2018* uses select results from the Craft Spirits Data Project, a collaborative project led by the American Craft Spirits Association, Park Street and the IWSR, the leading source of data and analysis on the alcoholic beverage market. The report also covers deeper, granular perspectives on the impact of craft spirits on the industry from the IWSR's analysts, including IWSR-collected data on craft spirit brand and categories.

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### **About the IWSR U.S. Craft Spirits Report 2018**

This report is the most authoritative and comprehensive craft spirits report available. The report uses select results from the Craft Spirits Data Project, a collaborative project led by the American Craft Spirits Association (ACSA), Park Street and the IWSR. The report also covers deeper, granular perspectives on the impact of craft spirits on the industry from the IWSR's analysts, including IWSR-collected data on craft spirit brand and categories. The data represented in this report differs from the data released by ACSA. This is due to the IWSR's inclusion of craft distilleries acquired by large suppliers which increases volumes, values and distillery counts in comparison.

### **Definition of 'Craft'**

Historically, for the research conducted for this project, the Craft Spirits Data Project used the following definition of U.S. craft spirits as a pragmatic approach to assessing the size and impact of the market: "U.S. craft spirits are distilled spirits that are produced in the U.S. by licensed producers that have not more than 750,000 proof gallons (or 394,317 nine-liter cases) removed from bond; market themselves as craft; are not openly controlled by a large supplier; and have no proven violation of the ACSA Code of Ethics". The IWSR continues to use that definition with the exception of "not openly controlled by a large supplier". The IWSR believes that if the distillery began as independent their products would remain 'craft' regardless of ownership changing hands. The IWSR also uses this approach to classify its 'craft' beer brand data sets as part of the IWSR global databases.

### **About the IWSR**

The IWSR is the leading source of data and analysis on the alcoholic beverage market. The IWSR's database, essential to the industry, quantifies the global market of wine, spirits, beer, cider and mixed drinks by volume and value in 157 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts.

The IWSR tracks overall consumption and trends at brand, price segment and category level. Our data is used by the major multinational wine, spirits and beer companies, as well as financial and alcoholic beverage market suppliers. The IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. Our analysts travel the world in order to meet over 1,600 local professionals to capture market trends and the 'why' behind the numbers.

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