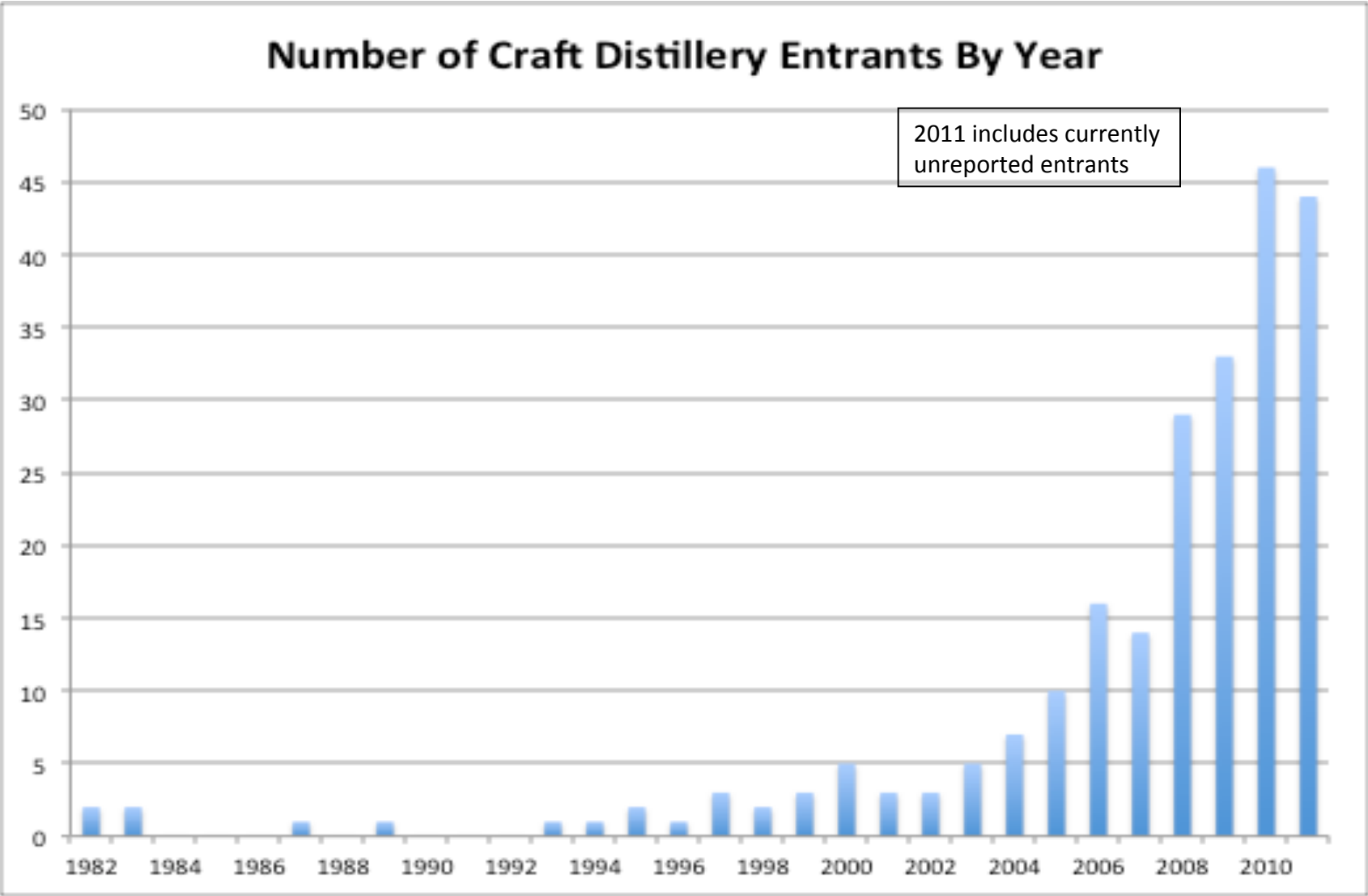


The Craft Distillery Market 2011 and Beyond

Craft Distillery Market Snapshot

- 364 Unique U.S. listings in ADI Directories 2006-2012
- 314 Unique U.S. listings in 2012 ADI Directory (year-end 2011)
- 234 Operating Craft Distilleries as of year-end 2011
 - 234 of 314 ADI-listed firms in 2012 directory
 - Probably ~10 “hidden” entrants
 - 244 Entrants, 10 Exits
- # of Entrants is doubling every three years
- In 2011, *45 states* had operating Craft Distilleries
 - Increase from 25 in 2005, and 12 in 2000

Craft Distilleries: How Many?

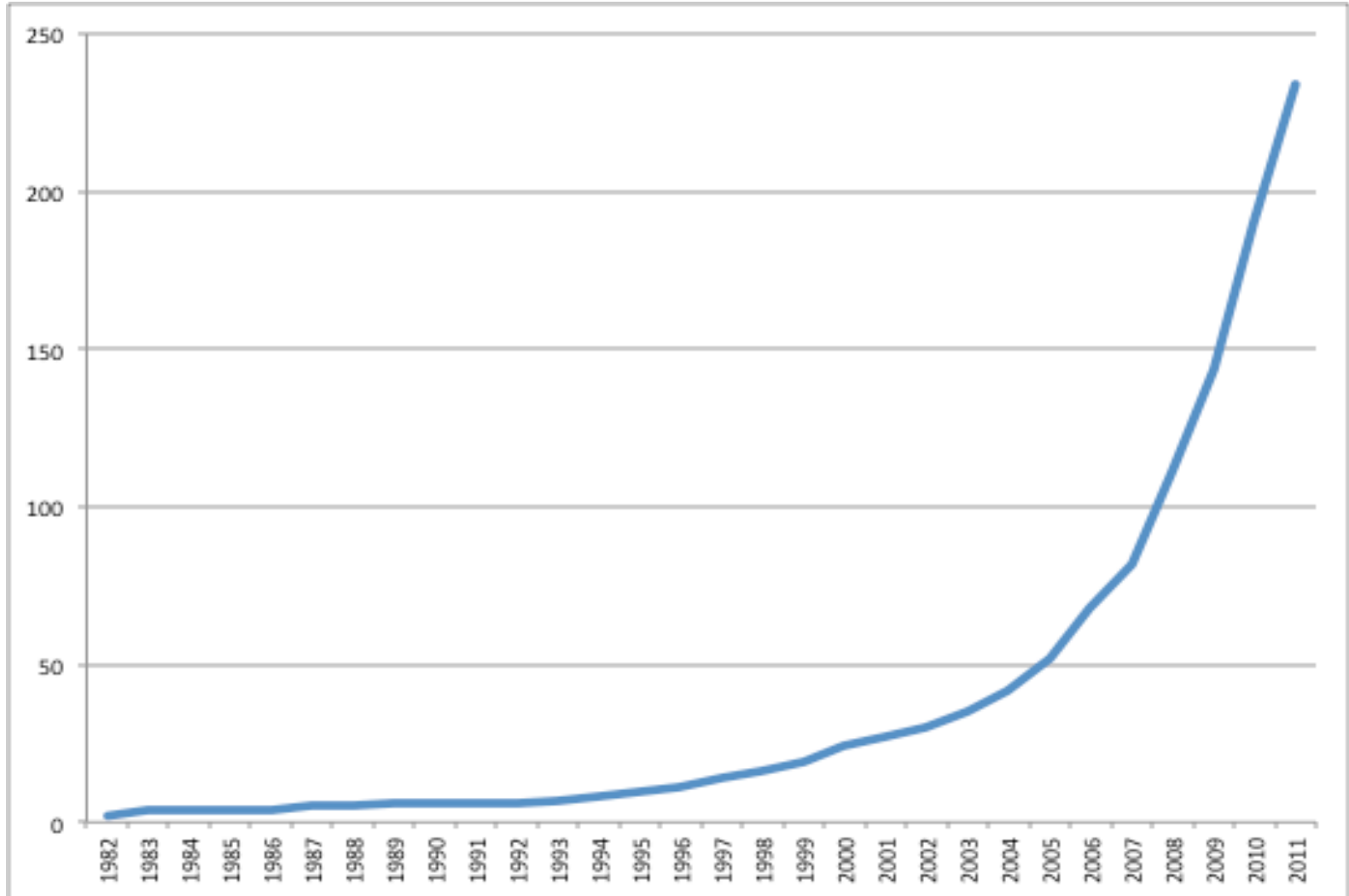


Data: ADI, Michael Kinstlick

© Michael Kinstlick and Coppersea Distilling, LLC

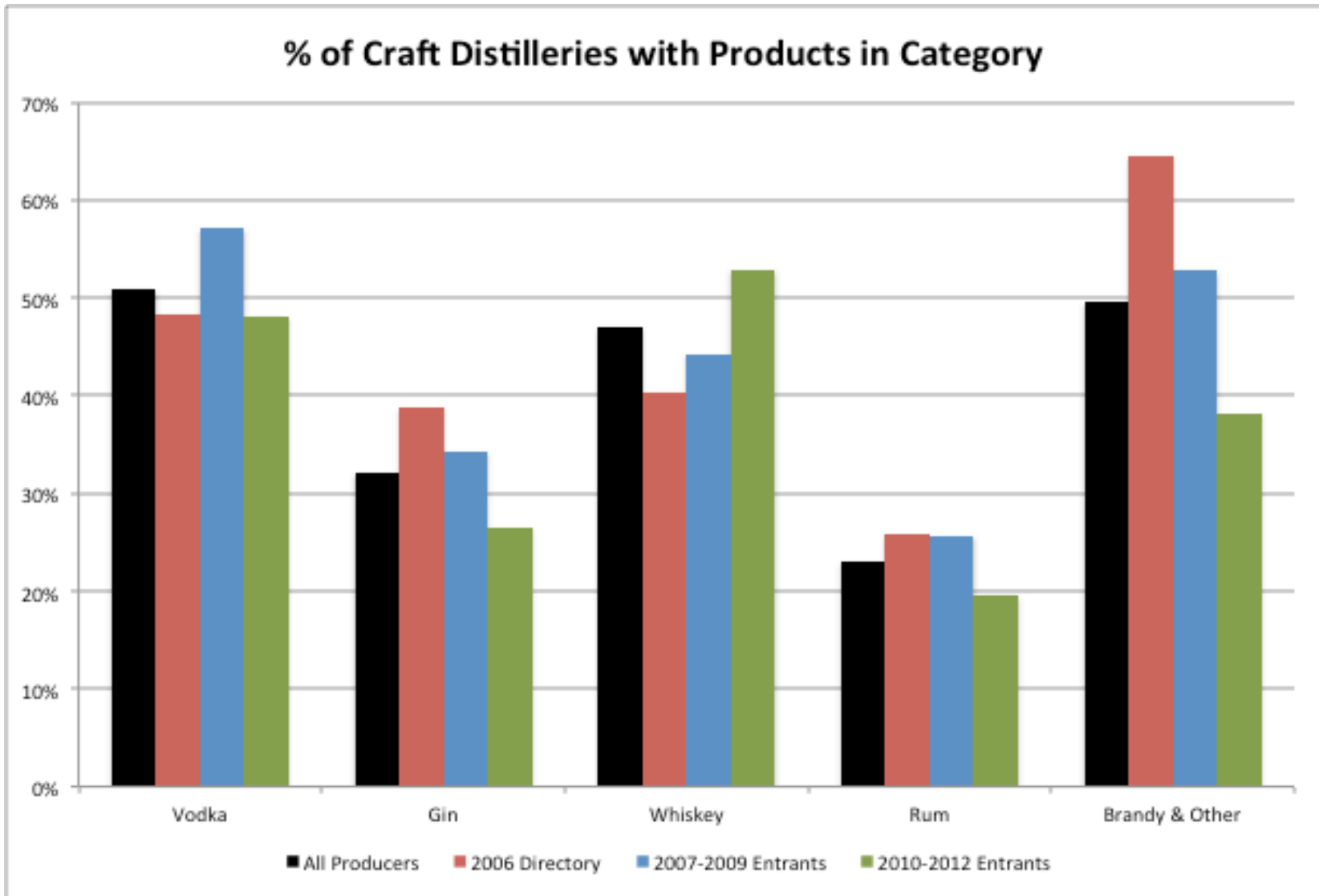
Craft Distilleries: How Many?

Total Market Entrants By Year



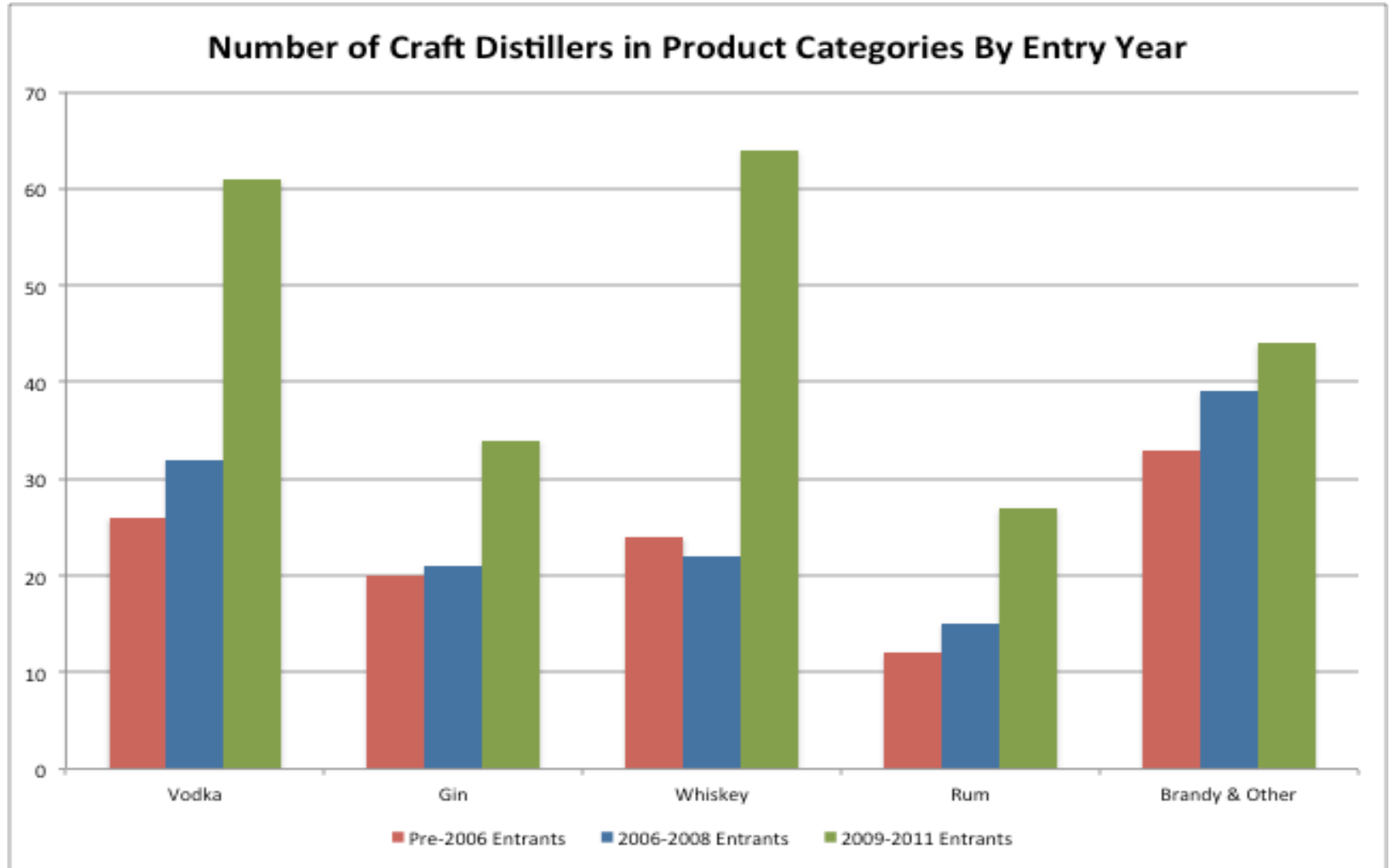
Craft Distilleries...What are they making?

Note: Multiple-category firms mean these %-ages do not sum to 100%

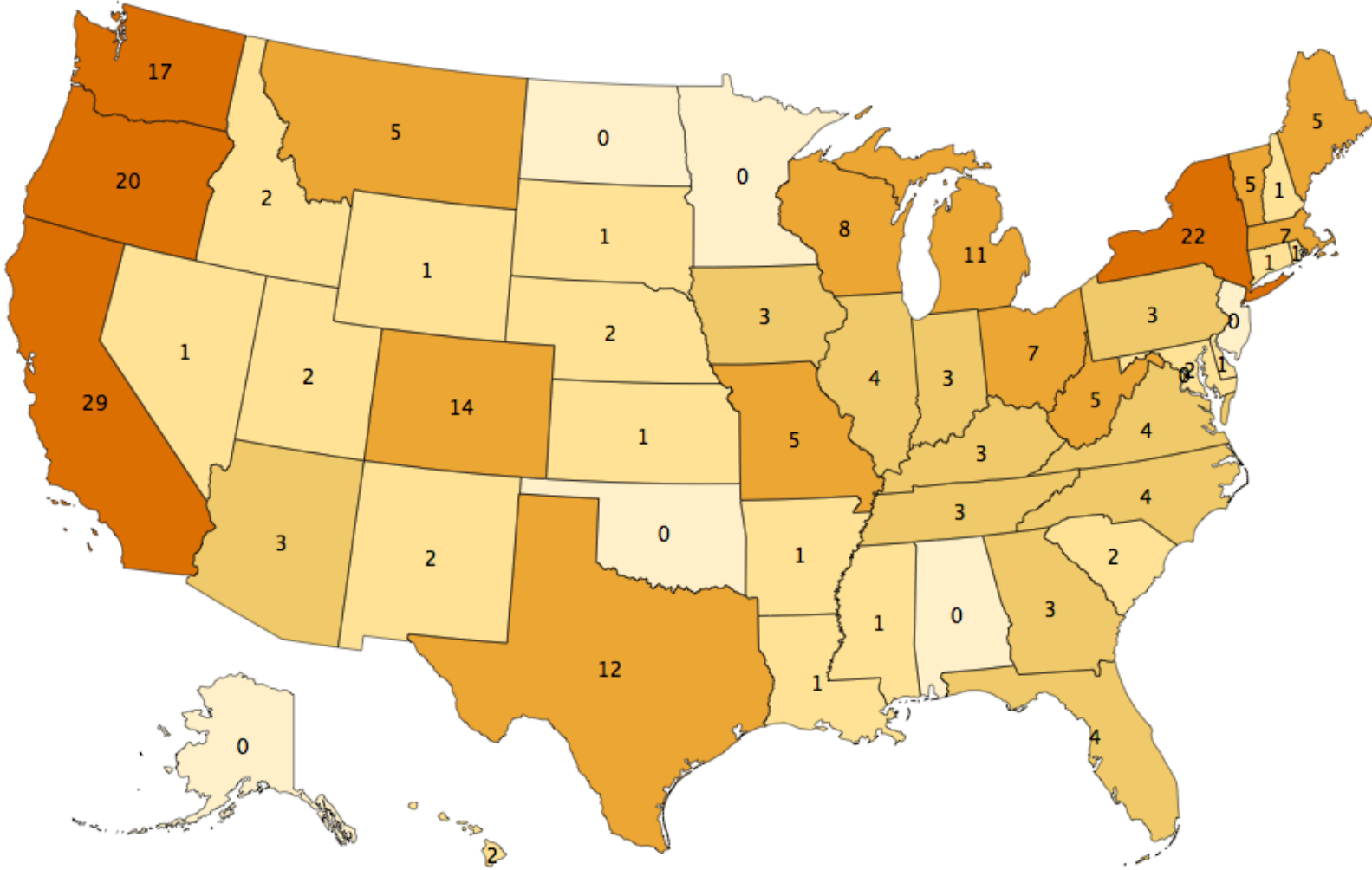


Craft Distilleries...What are they making?

- Vodka continues strong
- Newer Entrants moving toward Whiskeys



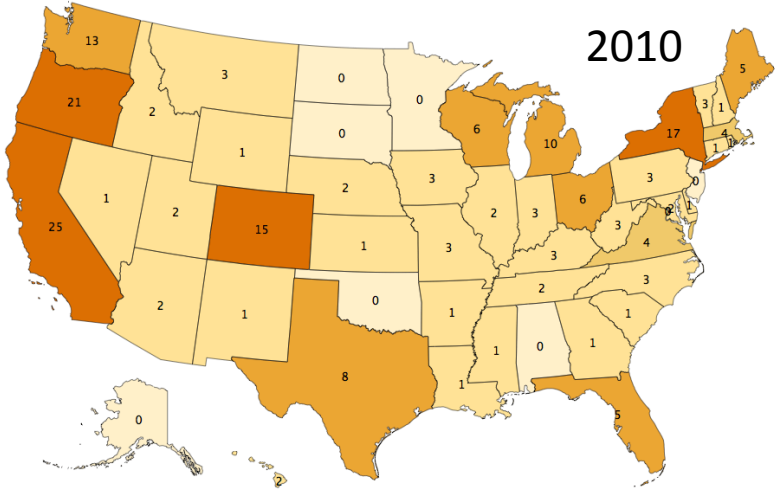
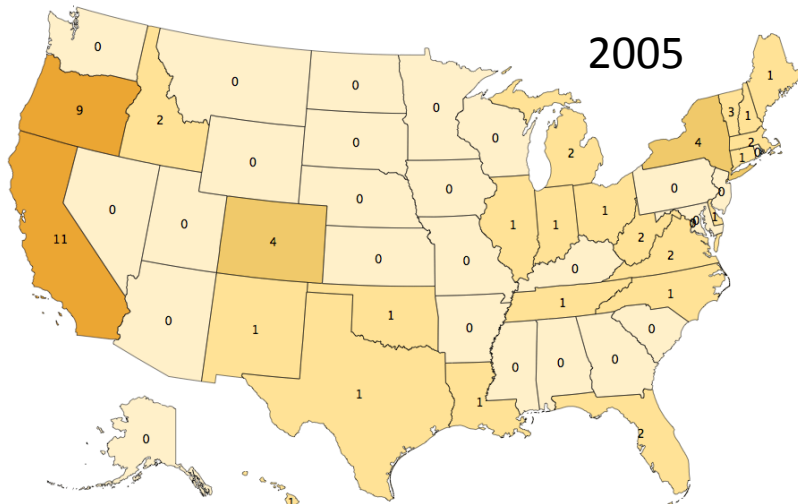
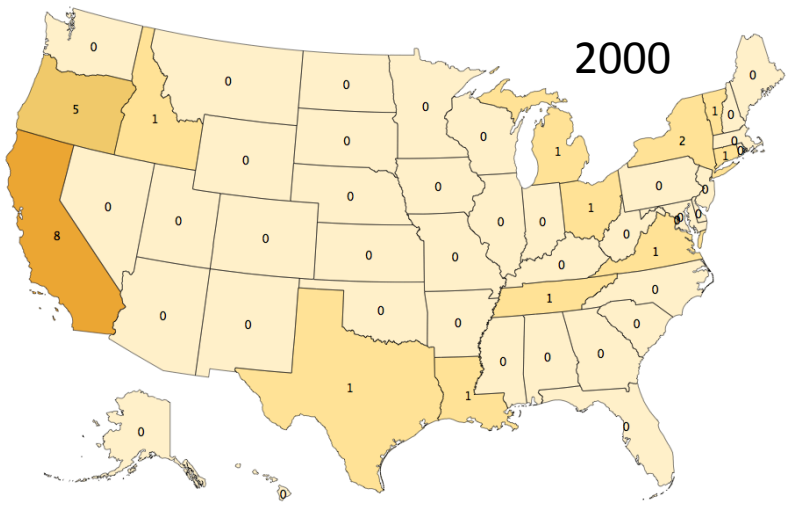
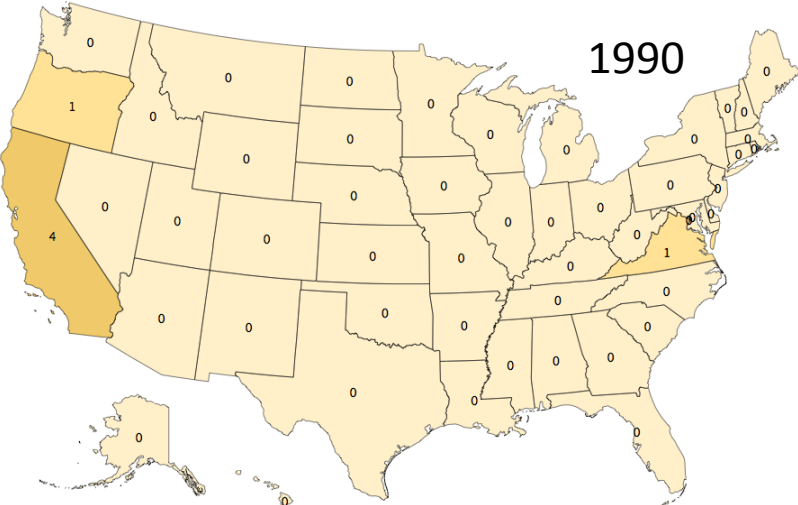
Craft Distilleries By State, 2011



Data: ADI, Michael Kinstlick

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Coppersea Distilling, LLC

Craft Distilleries By State, 1990-2010



Data: ADI, Michael Kinstlick

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U.S. Distillery History

- *Tens of Thousands* of producers pre-1820s
 - Distilling was a significant industry in the early U.S.
 - # declines with introduction of continuous stills
- *Thousands* of producers pre-Prohibition
 - Mass media, marketing, and transportation lead to consolidation across a range of industries during the late 1800s-early 1900s
- # collapses to *fewer than 100* in 1980
- Many thousands of illegal producers until recently

- Rebirth in Craft Distilleries is following a similar path to the growth in the Farm Winery and Craft Brewery industries
 - ...And other completely unrelated ones

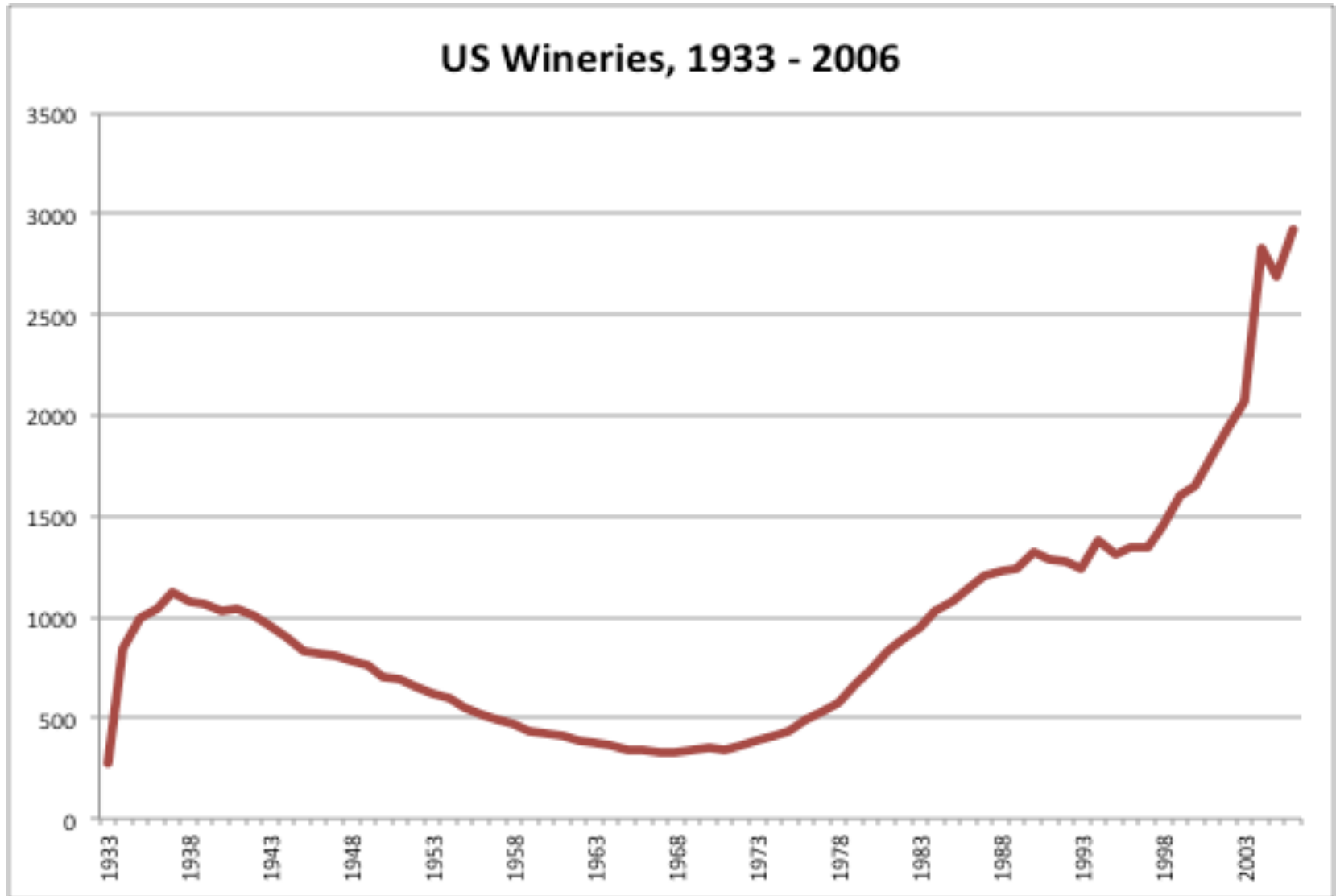
of Licensed Distilleries in the US, 1880 - 2011



Data: US Treasury, BATF, ADI,
Michael Kinstlick

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Coppersea Distilling, LLC

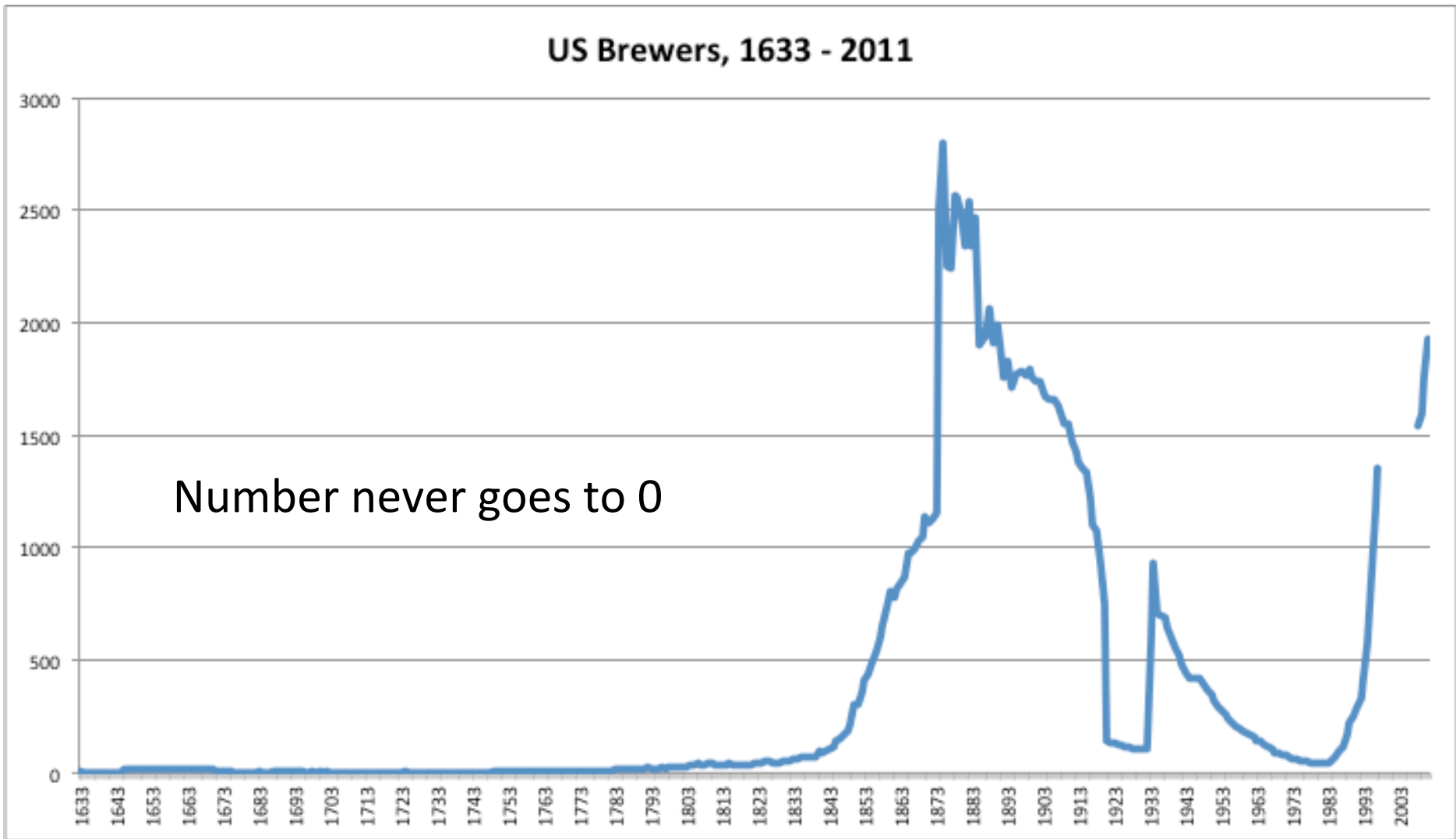
Number of US Wineries, 1933 – 2006: Farm Wineries & the rebirth of American Viniculture



Data: Anand Swaminathan

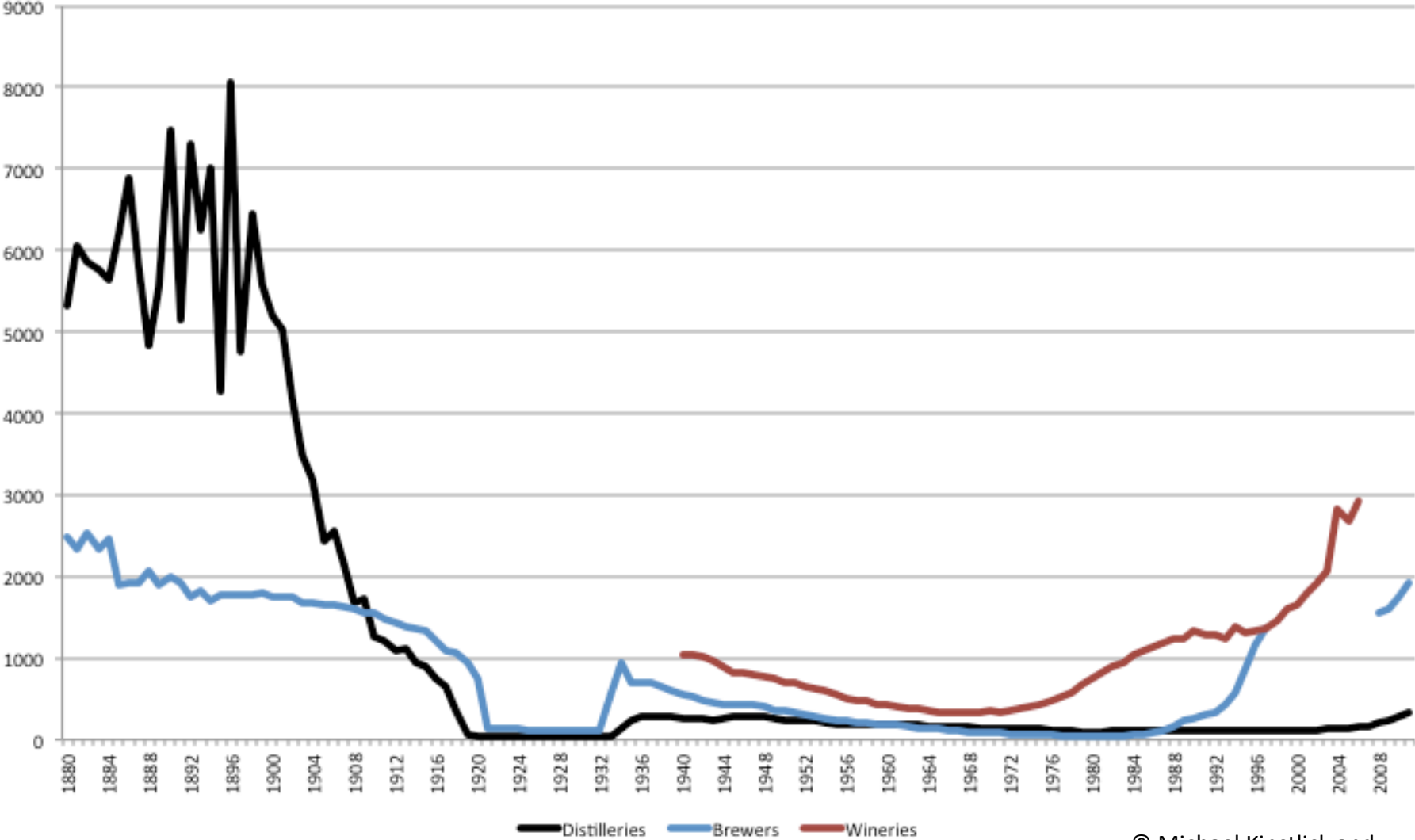
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of US Brewing Firms, 1633 - 2011



of US Brewers, Wineries, and Distilleries, 1880 - 2011

Distilleries, Brewers, and Wineries, 1880-2011

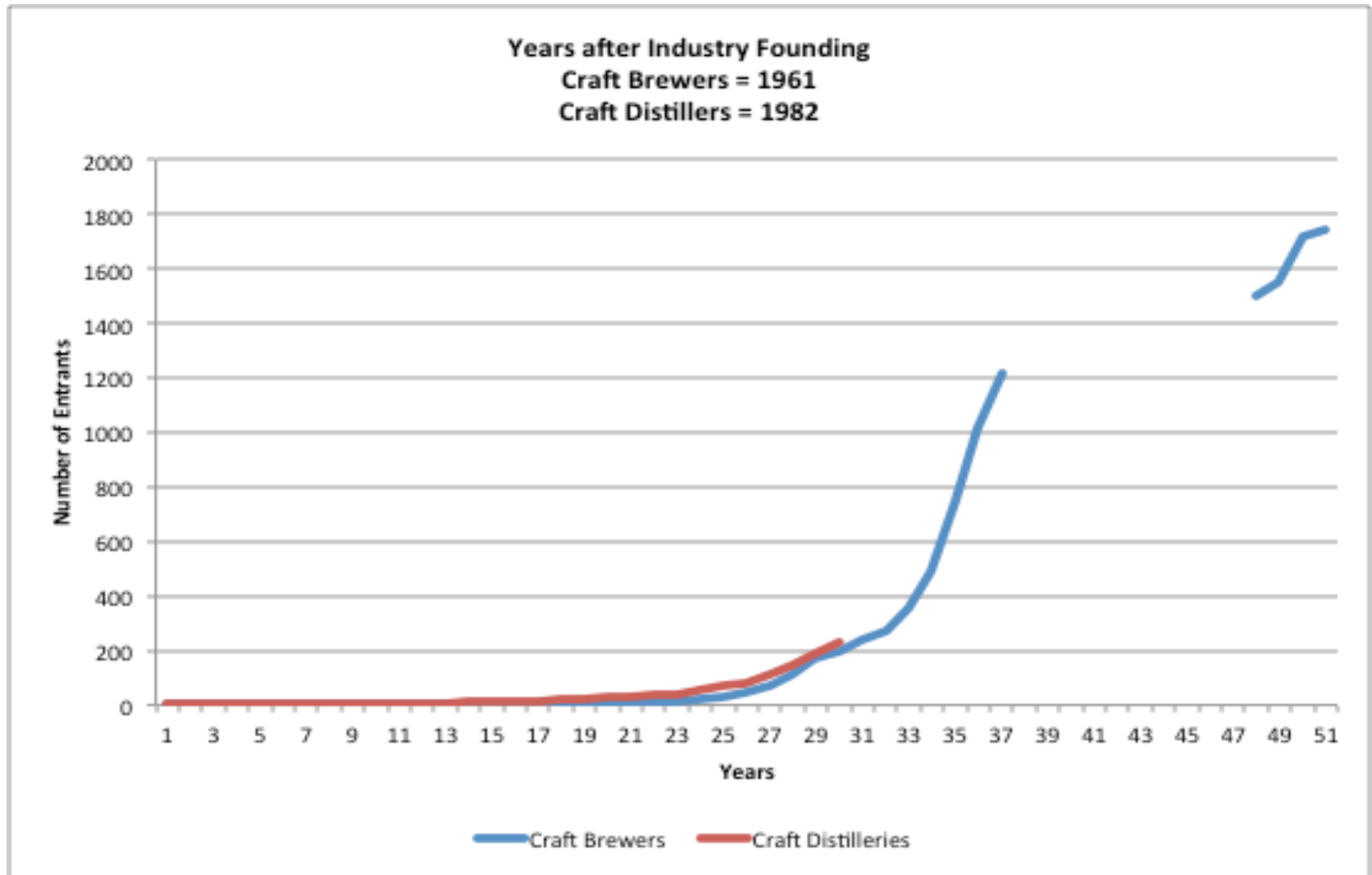


Data: US Treasury, BATF, ADI, Michael Kinstick, Glenn Carroll, Anand Swaminathan

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Industry Growth Paths

Craft Distilleries vs. Craft Breweries



Conclusion

- *Number of Craft Distilleries in the market will grow from about 250 to over 1000 over the next 10 years.*
- Craft Distilled spirits consumption is moving from “innovator” to “early-adopter” phase.
 - Craft Brewers have 7% US Beer Market share by \$
- The renewal of American distilling is following a classic pattern of industry resurgences.
 - Farm Wineries and Craft Brewers are 2 familiar examples, but the patterns hold true across industries and locations.

Data & Methods

- What is a Micro-Distillery?
 1. Independent Firm
 - Below a certain production volume (?)
 - DISCUS uses 40,000 cases, ADI 65,000 Proof Gallons (~32,000 cases)
 2. Distilling spirits themselves
 3. Bottling & Marketing them directly
- Definition Excludes...
 - Barrelers & Bottlers
 - Importers
 - Rectifiers
 - Contract Distillers
- Data
 - ADI Directories, 2006-2012
 - Researched all entries online for evidence of production and other details (product line, etc.)

About the Author

Michael Kinstlick comes to the spirits industry from a 20 year career in finance, technology, and insurance. He co-founded Coppersea Distilling, LLC with distiller Angus MacDonald in 2011. Coppersea is currently undergoing its licensing process, and expects to begin production in 2012. Michael has a BA in Economics from Columbia University, a MS in Industrial Engineering from Northwestern, and a MBA from the Haas School of Business at U.C. Berkeley.