

Craft on the move: segment was up 9% in 2005

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6,526,809 barrels in 2004, an increase of 586,077 barrels or 8.1 million case-equivalents.

Compared to craft beer volume growth of 9.0 percent, spirits volume increased at 3.3 percent in 2005 and wine volume was up 2.9 percent. The import segment of the beer industry rose 7.2 percent in 2005 while non-craft domestic beer volume declined slightly for the year.

The Brewers Association said this performance establishes craft beer as the "fastest growing segment of the U.S. beverage alcohol business for the second year in a row."

In a web-based powerpoint presentation, Dan Wandel, Information Resources, Inc.'s vice president for beverage alcohol client solutions, noted that the overall beer segment struggled in 2005, and beer lost share to wine and spirits.

"The solid performance of the micro/craft and import segments combined with trends in both wine and spirits that saw consumers trading up to premium brands is evidence that consumers are willing to continue trading up to the high-end," Mr. Wandel said.

Despite having the highest market basket ring with consumers, Wandel reported that the segment still does not get its fair share of merchandising in supermarkets. "Large domestic brewers continue to control cate-

gory management work," he said, "and they tend to influence the way retailers' set their beer shelves."

In terms of dollar share of the beer category, micro/craft now stands at 4.6%, with imports at 19.2%. Premium is at 46.1%, Super premium at 6.4%, sub-premium at 16.7%, maltalternative at 4.1% and malt liquor at 0.7%.

Mr. Wandel also said that micro and craft beers face continued challenges in the form of deep discounting from large brewer, predation from wine and spirits, weathering fads like low carbs and maltalternatives and limits on brewing capacity.

One year ago, the Brewers Association reported craft segment growth of 7.2 percent for 2004, a year in which wine (2.7%), spirits (3.1%), imported beer (1.4%) and non-craft domestic beer (0.5%) all reported substantially smaller growth rates.

"The strong growth by craft beer in 2005 is especially impressive because it comes on top of strong performance in 2004," said Gatza.

In each of the last two years, Mr. Gatza said craft beer growth has been stronger than in any year since 1996. He also noted that 2005 is the third year craft beer growth rates were stronger than those for imports.

The Brewers Association reports that the craft beer segment currently comprises more than 1,300 small breweries, including brewpubs and packaging microbreweries.

Coke bottlers sue over distribution plan for Powerade

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the second quarter, violates a 1994 agreement between Coke and its bottlers about PowerAde.

Two lawsuits were filed Tuesday. A federal lawsuit that included approximately 50 bottlers was filed in Missouri, and a similar state lawsuit was filed in Birmingham, home of Coca-Cola United Bottling Co., the third-largest bottler of Coke products in the United States and a plaintiff.

The plaintiffs represent about 10 percent of Coke's sales in the United States.

In a note to investors, Morgan Stanley analyst Bill Pecoriello suggested that problem is broader in scope than PowerAde and Wal-Mart. "While the PowerAde test with Wal-Mart is small, the bottlers worry that other retailers will be next and other product categories will follow, threatening

their future relevance. Coke might have to resolve this issue through additional compensation to the bottlers or other structural changes."

Both Coke and CCE put out statements expressing frustration about the lawsuits.

CCE spokeswoman Laura Asman said, "We are extremely disappointed with the lawsuits filed by other Coca-Cola bottlers to stop our PowerAde warehouse delivery test with Wal-Mart in one of CCE's markets. While we understand that change is often difficult, addressing our customers' evolving needs and demands is vital to our system's long-term success and growing shareowner value."

The lawsuits will be watched with interest by those in the beer industry, to see how franchise agreements fare against the direct-shipping pressure from big retailers.



Kegspediter reports upgrades

Houston-based Satellite Logistics Group of companies recently unveiled the next generation of its Kegspediter System. The company said the enhancements will allow brewers to realize greater efficiencies in its keg return process. Founder Kevin Brady said that the new enhancements will allow forecasting, online services, email count requests, wholesaler count confirmation, new deposit notification methods and a new invoicing format.

"Probably the most significant advancement in these enhancements is the ability to forecast demand," said Brady. "Direct customer input allows us to look into the future to plan, rather than referencing previous years' performance." Brady said wholesalers are able to set seasonal peaks, and better prepare for these peak sales periods.

"The new Kegspediter System is a customizable planning tool that can be layered by the wholesaler, brewer and importer," Brady said.

"This multiple source input, which will be set by individual brewers based on their own needs and wholesaler networks, allows us to set regional, seasonal and marketing initiatives by specific brand," Brady added. "Simply put, it provides accuracy with complete flexibility in an online visible forum." The updated Kegspediter System will also manage requests for wholesalers' keg counts on an automated basis through email and provide a link to a secure website where wholesalers will update keg quantities instantly. Upon receipt of kegs, email confirmations will be automatically generated and sent to the wholesaler. Additionally, keg asset credit notifications are scheduled and allow for custom formats that can be integrated into various software systems such as SAP, eliminating the need for manual entry of credits.

"The entire system is designed to give customers more control over their keg assets and online visibility through our integrated transportation management system and warehouse management system," said Brady.