The Oklahoma Cooperative Extension Service Bringing the University to You!

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; home economics; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of Cooperative Extension are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and based on factual information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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The Craft Beer Brewery Boom in Oklahoma

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Within the past decade, breweries have seen a rapid increase in demand for unique craft beer, stemming largely from changing tastes and preferences of discerning buyers. The Millennial Generation is expanding the horizons for craft brewed beer as they yearn for new tastes and flavors. This “brewery boom” has encouraged entrepreneurs to step out of their comfort zone and develop their own in-house beer flavors and styles. This fact sheet will help entrepreneurs understand the basic market for craft beer, how laws are effecting the Oklahoma market and what this could mean for the future of the state of Oklahoma.

What is a Craft Beer?

The definition of a craft beer is “a beer made in a traditional or non-mechanized way by a small brewery.” However, it is hard to truly define a craft beer as there are several mechanisms that make a craft beer its own. In blatant terms, a craft beer is an alcoholic beverage that has its own unique ingredients and taste to make it one of a kind.

Craft beer is produced by craft breweries, which are very small in size. Craft brewers are given the privilege to create their own special kind of beer, in hopes of creating a top selling brand that will benefit their business in the long run.

The Market

Beer continues to be the primary product chosen for alcoholic consumption. The traditional beer market has continued to slow down through the years due to the struggles in poor perception of taste, causing a decline of 16 percent. Between 2012-2017, imported beer volume sales have grown by a third.

The craft beer industry, unlike the slumping traditional beer market, grew at an annual rate of 13.6 percent from 2012-2017 (Guattery 2017). Since 2007, the industry’s revenue has grown more than 300 percent, and revenues from craft beer companies exceeded $6 billion in 2017. However, following this fast-paced growth, the market is forecast to have a much smaller growth rate of 1.3 percent from 2017-2022 (Guattery 2017).

The growing trend in craft beer also has impacted the formerly dominant light beer category. When the traditional beer market began to diminish, companies altered their marketing efforts towards light beer in hopes of regaining sales by emphasizing healthier/low-carb beverage options. Light beer currently may be leading in volume sales; however, they are beginning to decline due to the increase of craft brewing.

What’s Working

The craft beer industry continues to expand as the creation of new beer dominates both new product and new firm entries. To understand the products in the craft beer industry, one must understand the definitions for different categories/types of craft beer. The most common types are:

- Indian Pale Ale (IPA): IPAs are technically a “style” within the broader category of pale ales, with a moderate body, pale golden color, a generally floral aroma and a noticeably bitter finish.

- Seasonal Beer: This limited-edition beer is typically marketed during a specific season, which is why it is considered a separate category within the craft beer market. This type of beer may share some of the same traits as other categories, such as the inclusion of unfiltered fruit/citrus juice common to fruit beer, or it may have unique seasonal accents like the inclusion of spices specific to certain holidays (e.g. nutmeg, peppermint and cloves in fall/winter beers).
- Lager: A lager is a beer fermented and conditioned at low temperatures using specific bottom-fermenting yeast strains. The pilsner style of lager is the standard beer produced by the largest U.S. brewers (e.g. Anheuser-Busch InBev, Molson Coors).
- Pale Ale: Pale ales have a wide variety of styles, variations and subcategories. They are named for the high proportionate use of two-row pale malt, which gives pale ale its light (pale) color.
- Amber Ale: Amber ales are a variant of pale ales made with caramelized, amber-hued malt. The malt is kilned longer, giving the beer a richer flavor and a darker color than typical pale ales. While the flavors of most ales are determined primarily by the hops, amber ales seek to balance the toasty malt flavors with the bitterness of the hops.
- Fruit Beer: Fruit beer generally focus on augmenting the flavor of a lager or ale with fruit juices or adjuncts. Fruit-flavored beer provided only on a seasonal basis are generally classified as seasonal beer, whereas those brewed and marketed year-round fall in the fruit beer category.
- Others: Many craft beer currently marketed in the U.S. are now focusing on flavor profiles derived from ingredients other than the hops. Wheat-based malts in beer (i.e. wheat beer) are one example. Stouts and porters are heavy-bodied beer with unique ingredients such as oatmeal, chocolate malt and coffee defining their flavor profile. Regional beverage styles such as barley wines, alt beer and sorghum beer also fall into the "other" category.

IPAs account for roughly one-fourth of all craft beer products, but efforts to create new "flavored" beer has helped the craft beer industry grow tremendously. Making spinoff-flavored craft beer, breweries also are experimenting with products such as sour beer. Flavor and image variations are numerous with regional accents and a wide array of modified ingredients impacting the style and classification of the beverages. As a result, more than one-third of craft beer products are not easily classified into one of the more common craft beer categories (Table 1). Breweries that are trying to sell off-premises have even found canned beverages are bringing popularity and gaining ground on bottled beverages.

Table 1: U.S. Craft Beer Products Segmentation.

Product Type	**Percent of 2017 Craft Beer Sales ($6.1B)**
Seasonal	*13.3%*
Lager	*10.8%*
Pale Ale	*7.5%*
Amber Ale	*4.4%*
Fruit Beer	*2.7%*
Other	*36.7%*

Source: IBISWorld Industry Report OD4302, December 2017.

Who's Buying?

The production of craft and flavored beer has helped increase beer consumption in an otherwise stagnant beer market. According to Mintel (2017), craft-styled and flavored beer is more enticing to the younger consumers, and half of all beer drinkers are more likely to choose craft beer over traditional beer. Mintel also states women are more probable to choose a flavored beer.

Consumers in the age range of 21-44 represented the primary market focus for craft beer marketers (Table 2). Older consumers are less inclined to venture into new beer, preferring the brands they've known throughout their adult lives. Conversely, the 21-34 age group has the largest per-capita consumption level for beer, and its members tend to be more inquisitive about new and unique product offerings.

Table 2: U.S. Craft Beer Market Segmentation by Age, 2017.

Consumer Age	**Percent of Annual Sales**
Ages 21-34	*36.8%*
Ages 35-44	*24.1%*
Ages 45-54	*17.1%*
Ages 55 and over	*22%*

Source: IBISWorld Industry Report OD4302, December 2017.

Oklahoma's Market and Legislation

As of January 2018, there are 42 breweries within the state of Oklahoma, according to the Brewers Association (Damon 2018).

Historically, package stores only could sell beverages that are above 3.2 percent alcohol content by weight (ABW), at room temperature. Therefore, it is impossible for breweries to sell beer on tap to on-premise customers. On-premise beer only can be sold if it is 3.2 percent ABW (4 percent alcohol content by volume, or ABV) or below. Stronger beer can be made, but it must be sold to a distributor and then bought back by the brewer to be sold to customers. However, the passage of the Oklahoma Senate Bill 424 allows brewers to sell full-strength beer directly to customers on brewery premises, effective October 2018. This has reinvigorated the craft beer industry in Oklahoma, and the Craft Brewers Association of Oklahoma predicted the number of craft breweries would double from 2017 to 2019 due to this legislation. The changes have encouraged breweries to invest in on-premise taprooms.

Oklahoma's Future

According to the National Brewers Association, the top 10 breweries in Oklahoma, combined, made an annual economic impact of $415.7 million in 2014. In the Oklahoma Craft Brewing Economic Impact Report, Dr. Travis Roach of the University of Central Oklahoma predicted in 2016 brewery growth and production trends would generate an annual statewide impact of more than $465 million. This potentially could create annual state tax revenues of $10 million. Future impact studies are needed to determine the true impacts of craft brewery growth on Oklahoma's economy.

Along with economic growth, both new and established breweries have started to instill the importance of quality. Breweries understand high quality is a major key for a successful craft beer brand. Over time, the size and nature of Oklahoma's craft brewery industry will be determined by breweries' ability to provide high-quality products and the flexibility to meet consumers' ever-changing demands for new flavors and styles.

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