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## Expanding Craft Beer Production Boosts Industrial Use of Barley

by **Jennifer K. Bond**, **Thomas Capehart**, **Edward Allen**, and Gene Kim



Expanding production and consumption of craft beer has created a need to update the methods used to estimate barley use for malting and brewing, which are collectively called “industrial” purposes. Previous approaches have relied on the historical relationship between malt and malt products (and therefore malt barley) use for lager-style beer production. However, the production of craft-style beer typically requires proportionally more malt per barrel than the same volume of the common American light-lager or “non-craft” beer.



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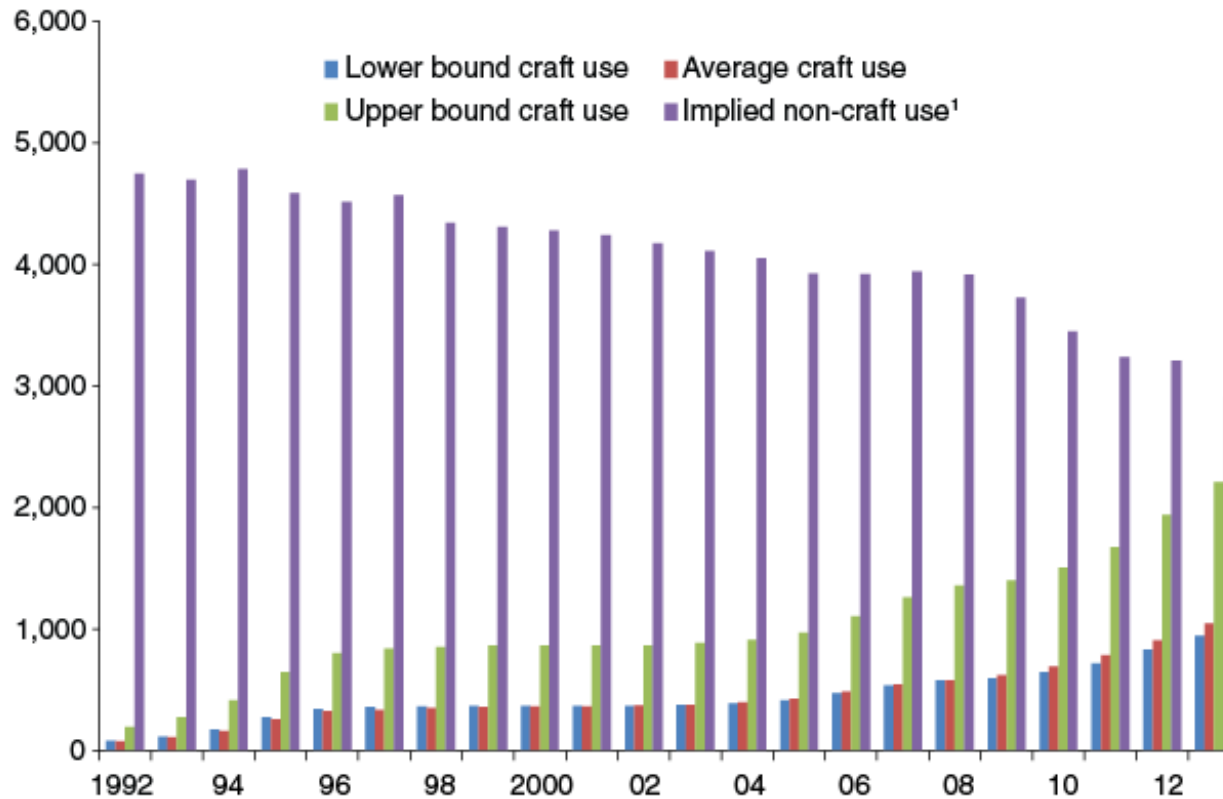


As the volume of craft beer production has grown, the segment's share of malt and malt product use has increased significantly. In 1993, craft beer production accounted for just 2.4 percent of malt and malt product ingredient use. By 2013, this share rose to an estimated 26.6 percent, even as craft beer production represented just 7.8 percent of total volume production. Due to craft beer's more intensive use of malt and malt products, a 1-percent expansion in craft beer production more than offsets the decline in malt usage associated with a comparable decrease in non-craft production. Consequently, the craft beer renaissance has begun to substantively offset the general decline in aggregate malt and malt products use that is attributable to declining non-craft demand for malt and malt products.

A recent Brewers Association survey estimates that craft brewers use an average of 68.7 pounds of base malt and specialty malt per barrel, which is slightly more than four times the amount used for non-craft beer production. Other industry estimates peg per-barrel craft use at three to seven times that of non-craft use, creating upper and lower bound use estimates that can be compared over time. Differences in beer recipes, brewer experience and brewery efficiency contribute to observed variations between craft and non-craft malt and malt products usage. Brewer-specific malt and malt product needs also vary within the craft category, often as a function of consumer-driven recipe selection. For example, expanded popularity and production of India Pale Ale (IPA)-style craft beers, which require more malt per unit brewed when compared to the craft average, has the potential to boost per-barrel use. On the other hand, growing production of low-alcohol "session" style beers could have the opposite effect. In all cases, variable demand for malt and malt products is influenced by changing consumer taste and preferences and will ultimately impact demand for malt barley.

## Expanding craft beer production bolsters malt and malt products use

Million pounds



<sup>1</sup>Implied craft use is determined as the residual of total malt and malt products useage less aggregate craft use derived from Brewers Association average per barrel craft useage estimates. Sources: USDA, Economic Research Service using data from: U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau and the Brewers Association.

This article is drawn from...

**Feed Grains Outlook: January 2015**, by Thomas Capehart, Edward Allen, and Jennifer Bond, USDA, Economic Research Service, January 2015



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