

The Emerging Hard Cider Industry: A Market Analysis of the Mid- Atlantic Region

Introduction to Hard Cider Production

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Agenda

- ❑ **General review of the hard cider industry in the Mid-Atlantic and New England regions.**
- ❑ **Tasting rooms**
- ❑ **Regulation**
- ❑ **Product Sales & Distribution**
- ❑ **Product Characteristics**
- ❑ **Inputs Procurement**
- ❑ **Future of the cider industry**



Hard Cider Industry

Six interesting facts about hard cider:

- 1.** The first recorded production of hard cider dates back to 55 B.C., when the Roman's noticed the British Celtic people producing alcohol using crabapples.
- 2.** During Prohibition there were many orchards that were burned and destroyed while the existing ones were used to produce non-cider apples.
- 3.** In terms of fruits used in hard cider production, the market is 94 percent apples, 4 percent pears and 2 percent other flavors



Hard Cider Industry

4. The consumer profile of U.S. hard cider consumers is very similar to craft beer consumers, but hard cider constitutes less than 1 percent of the U.S. beer market.
5. Currently there are an estimated 335 cideries located in 38 states in the United States - most of these operations have been established in the last six years.
6. According to TTB, hard cider production increased substantially from 0.6 million gallons in 2008 to 5.2 million gallons in 2012.

Hard Cider Industry in the Northeast

- Many producers are concentrated in both west and east coast, and the current study analyzes hard cider producers in the **Mid-Atlantic** and **New England** regions of the United States.
- Data was collected from each of the producer's respective websites, as well as, additional related articles and online publications.

Hard Cider Industry in the Northeast

Table 1. Number of Hard Cider Producers in the Mid-Atlantic & New England Regions

Table 1A

Mid-Atlantic States	Number of Producers
Virginia	9
North Carolina*	9
Maryland	3
Pennsylvania	12
Total	33

Table 1B

New England States	Number of Producers
Massachusetts	15
New Hampshire	3
Vermont	14
Rhode Island	1
Connecticut	5
New York**	40
Total	78

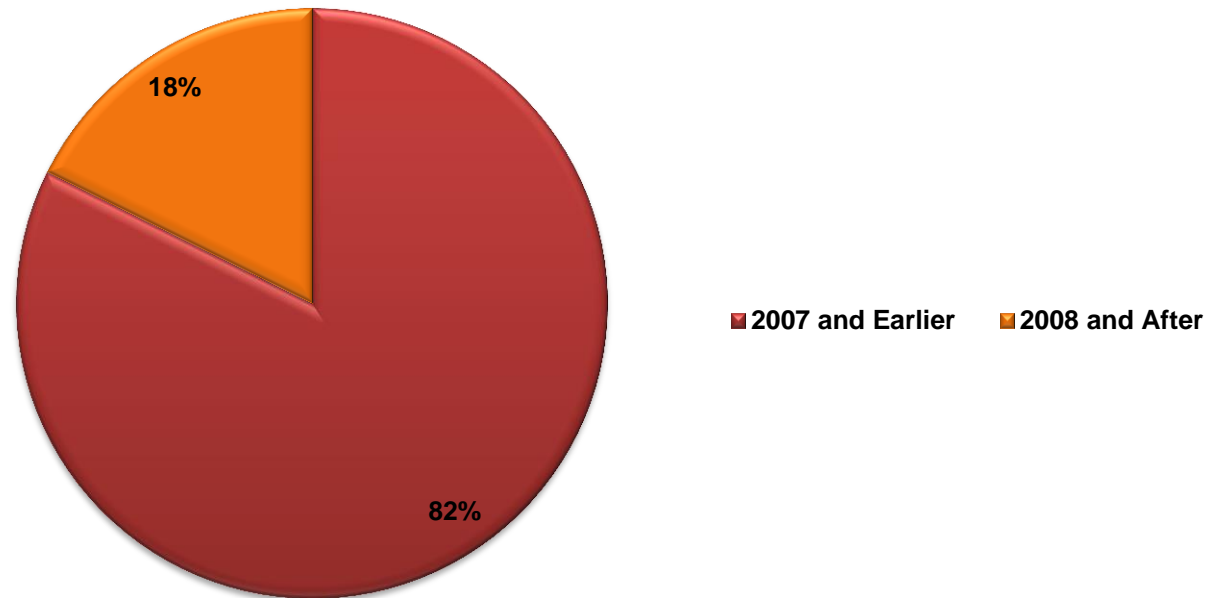
* Cider Bros. no information on their website, but included in number of NC producers

** Gravity Ciders coming soon, but included in number of NY producers

Source: Own work - Mid Atlantic-New England Hard Cider Producer Database 2014

Hard Cider Industry in the Northeast

Figure 1. Year of Establishment for Hard Cider Producers in both the Mid-Atlantic & New England Regions



Hard Cider Industry in the Northeast

Table 2. Year of Establishment for Hard Cider Producers in the Mid-Atlantic & New England

Table 2A

Mid-Atlantic States	Number of Producers
2007 and Earlier	7
2008 and After	0
Total	7

Table 2B

New England States	Number of Producers
2007 and Earlier	21
2008 and After	6
Total	27

Source: Authors' own estimations based Mid Atlantic-New England Hard Cider Producer Database 2014.

Cider tasting rooms in the Mid-Atlantic & New England



Free tasting or tasting fee?



How much should I charge for a tasting fee?

Cider tasting rooms in the Mid-Atlantic & New England

Table 3: Mid-Atlantic & New England Hard Cider Producers with a Tasting Room

Table 3A

Mid-Atlantic States	Producers and offering tasting rooms
Virginia	78%
North Carolina*	44%
Maryland	100%
Pennsylvania	83%
Total	73%

Table 3B

New England States	Producers offering tasting rooms
Massachusetts**	73%
New Hampshire	100%
Vermont***	57%
Rhode Island	100%
Connecticut	60%
New York****	73%
Total	72%

* One is a bar but recorded as a tasting room, and three were not confirmed as open to the public

** One has off-site tasting room, One may be off-site

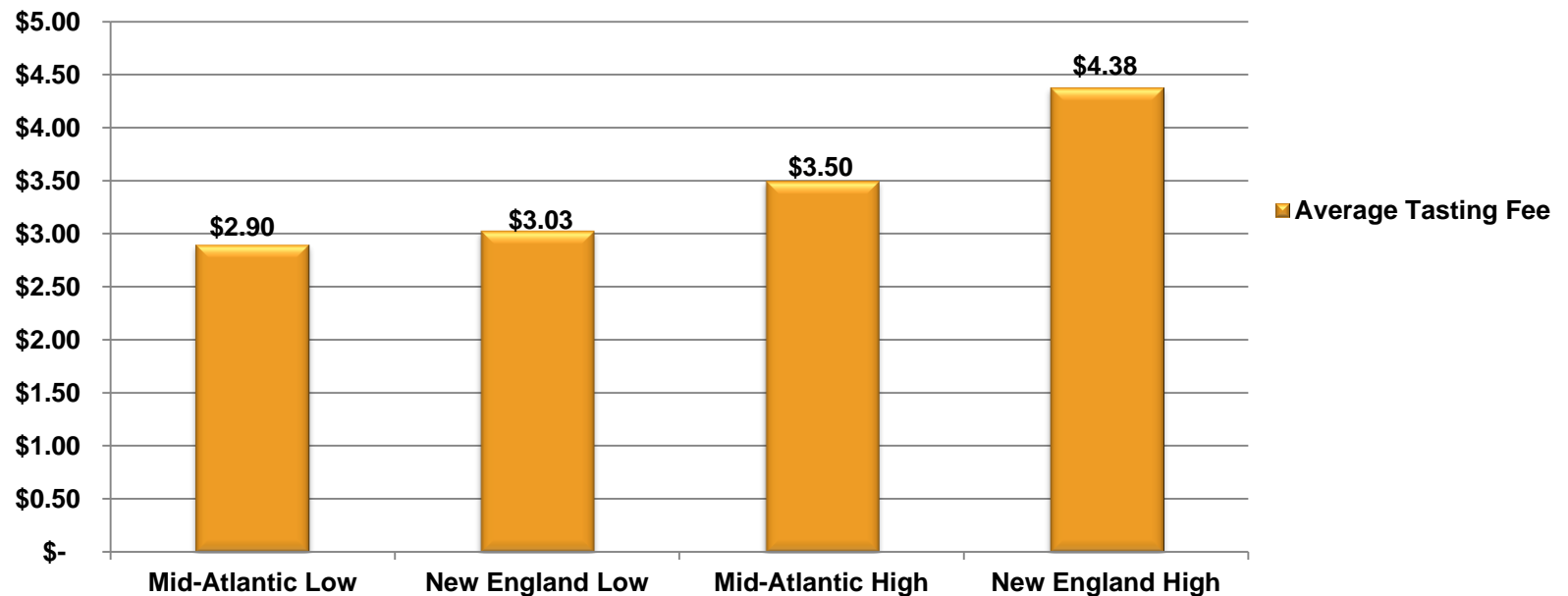
*** One requires a call-ahead for the tasting room, and One may be open to the public

**** Two have off-site tasting rooms

Source: Authors' own estimations based Mid Atlantic-New England Hard Cider Producer Database 2014.

Cider tasting rooms in the Mid-Atlantic & New England

Figure 2: Average Tasting Fee for Mid-Atlantic & New England Hard Cider Producers.



Regulation



Regulation

- ❑ Current hard cider federal tax law enforces \$0.226/gallon assuming it is less than 7 percent alcohol.
- ❑ Cider with an alcohol percentage beyond 7 percent is to be taxed as wine at \$1.07/gallon.
- ❑ Cider may be charged an additional so-called “champagne tax” - of up to \$3.30/gallon if it contains more than 39 percent carbon dioxide per volume.
- ❑ No new legislation has been put in place to tax hard cider as its own individual product.

Regulation

Table 4: Direct Shipping to Other States Legislation By State For Hard Cider Producers

State	Direct Shipping Allowed	Direct Shipping Not Allowed	Direct Shipping Not Occurring
Virginia	X		
North Carolina	X		
Maryland	X		
Pennsylvania		X	
Massachusetts			X
New Hampshire	X		
Vermont	X		
Rhode Island	X		
Connecticut	X		
New York	X		

Regulation

Table 5: Law Enforcement by Alcoholic Beverage Agencies by State

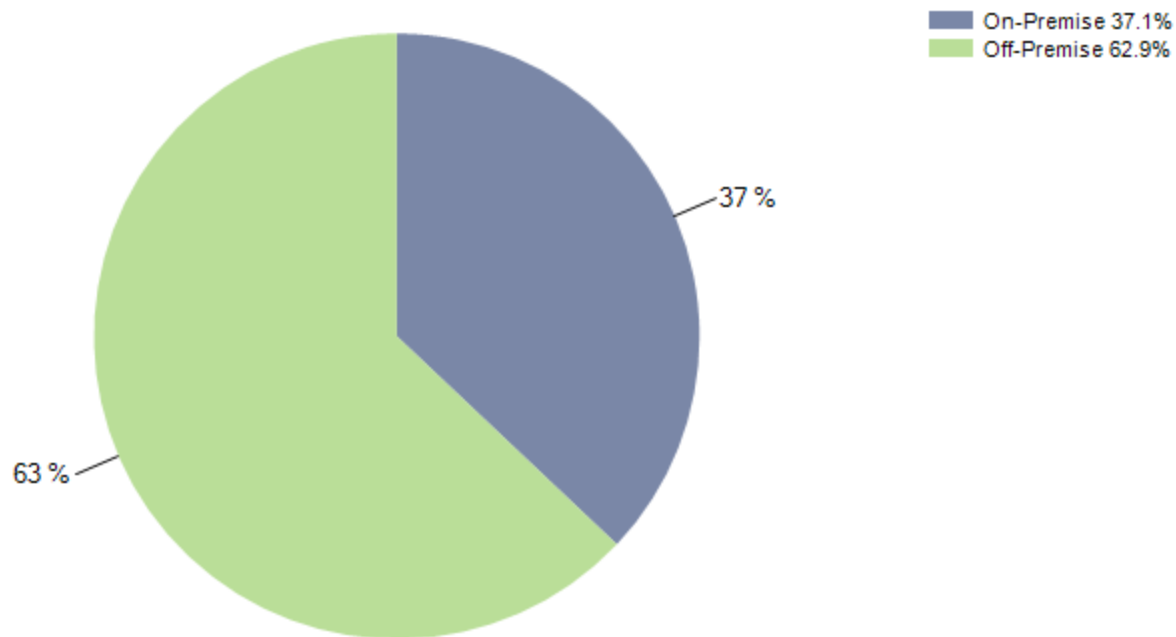
State	Control State	License State	Exclusive State Licensing	Exclusive Local Licensing
Virginia	X		X	
North Carolina	X		X	
Maryland	X	X		X
Pennsylvania	X		X	
Massachusetts		X		X
New Hampshire	X		X	
Vermont	X		X	
Rhode Island		X		X
Connecticut		X	X	
New York		X	X	

Product Sales & Distribution



Product Sales & Distribution

Figure 3: Cider Distribution in United States by Channel (2012)



Product Sales & Distribution

Figure 4: Off-Site Hard Cider Distribution in the Mid-Atlantic Region

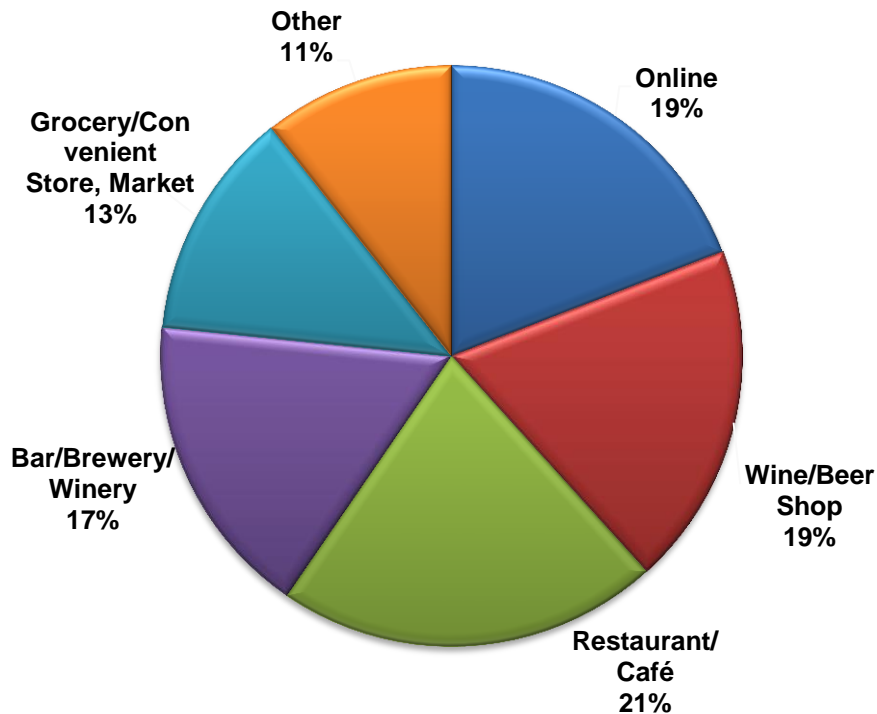
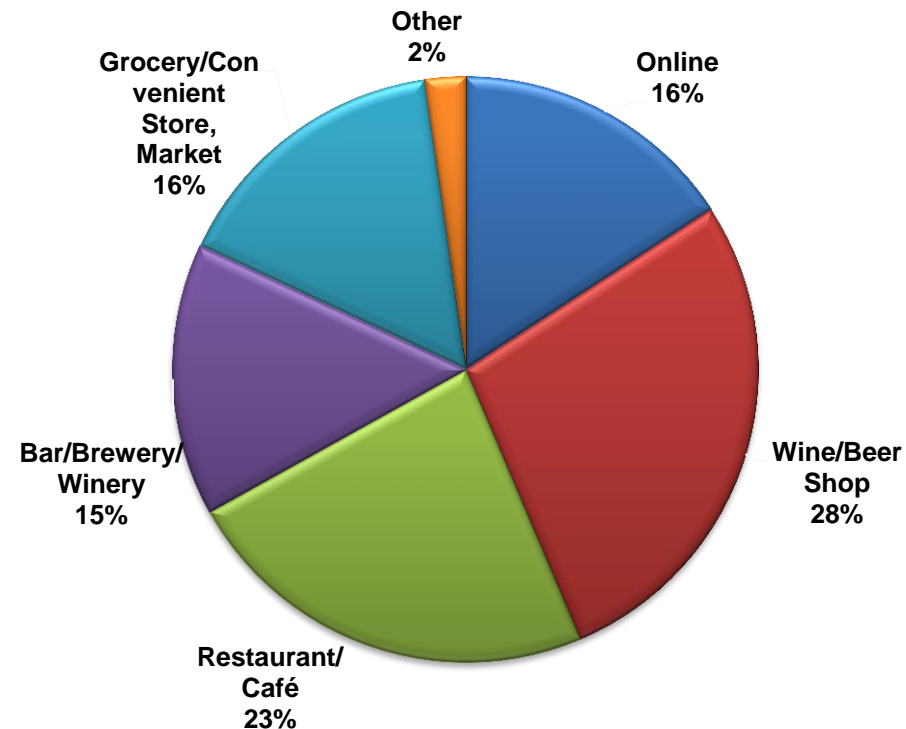


Figure 5: Off-Site Hard Cider Distribution in the New England Region



Product Sales & Distribution

**Table 6: States of Hard Cider
Distribution for Mid-Atlantic & New
England Producers**

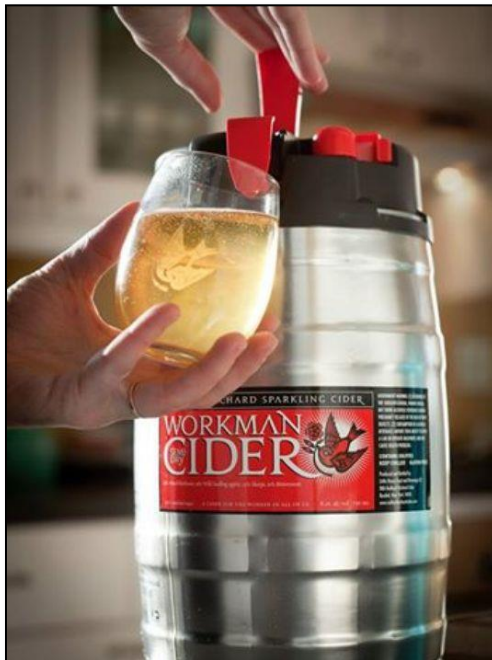
Region	Hard Cider Distribution (number of producers)		
	Within the State	Outside of the State	Total
Mid-Atlantic	17 (65%)	9 (35%)	26
New England	46 (71%)	19 (29%)	65

* Some under "Within the State" may distribute outside of their state, but was not confirmed via research of website and additional sources

Source: Authors' own estimations based Mid Atlantic-New England Hard Cider Producer Database 2014.

Product Characteristics

THE RISE CANNED CRAFT CIDER



© Neighborhood Notes

Product Characteristics

Figure 6: Types of Containers Used By Hard Cider Producers in the Mid-Atlantic Region.

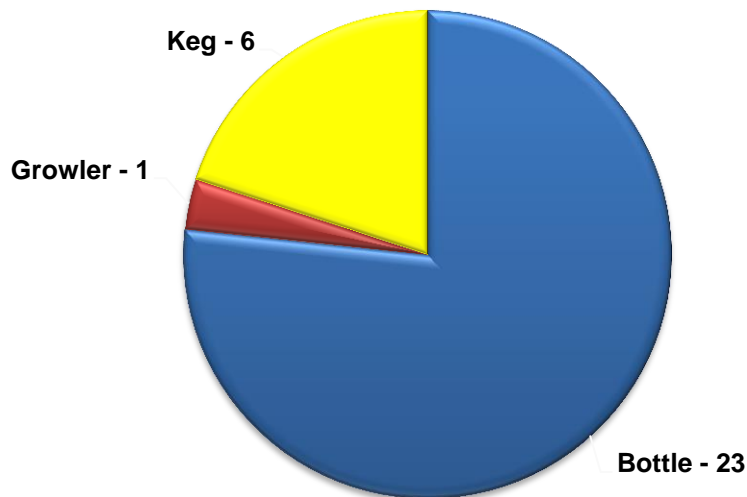
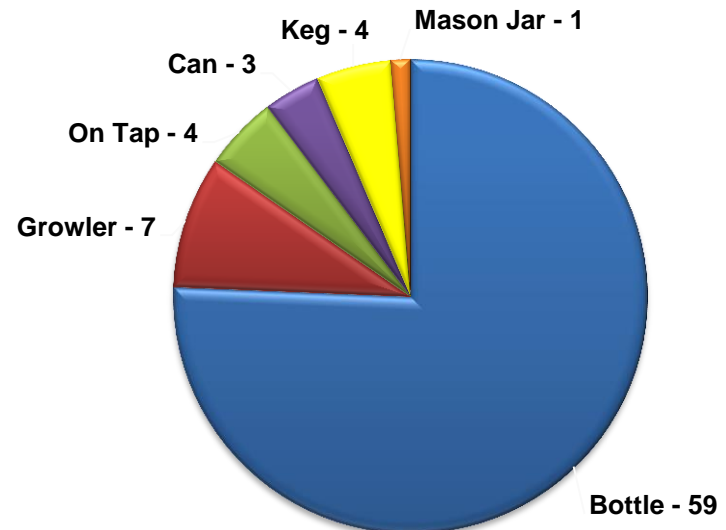


Figure 7: Types of Containers Used By Hard Cider Producers in the New England Region.



Product Characteristics

Figure 8: Container Sizes Used To Distribute Hard Cider in the Mid-Atlantic

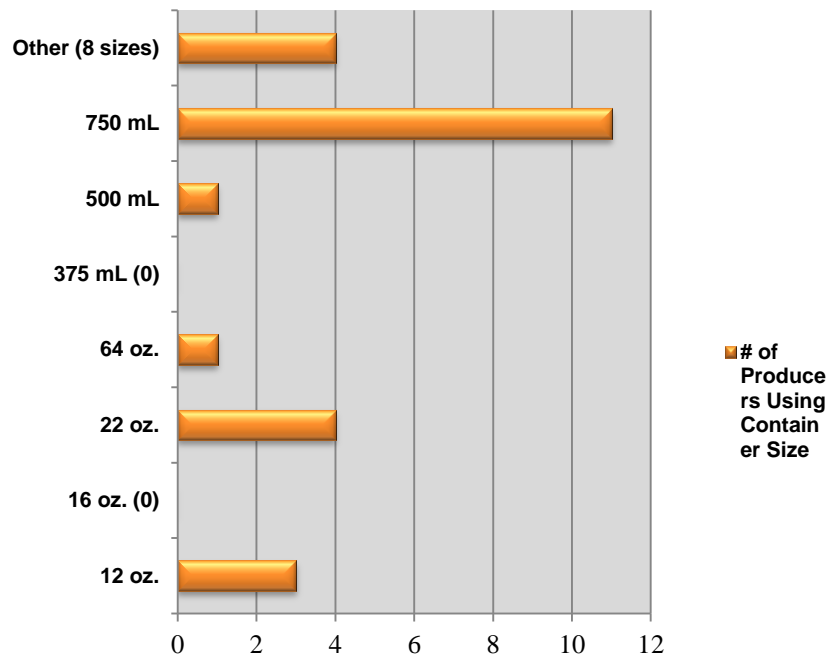
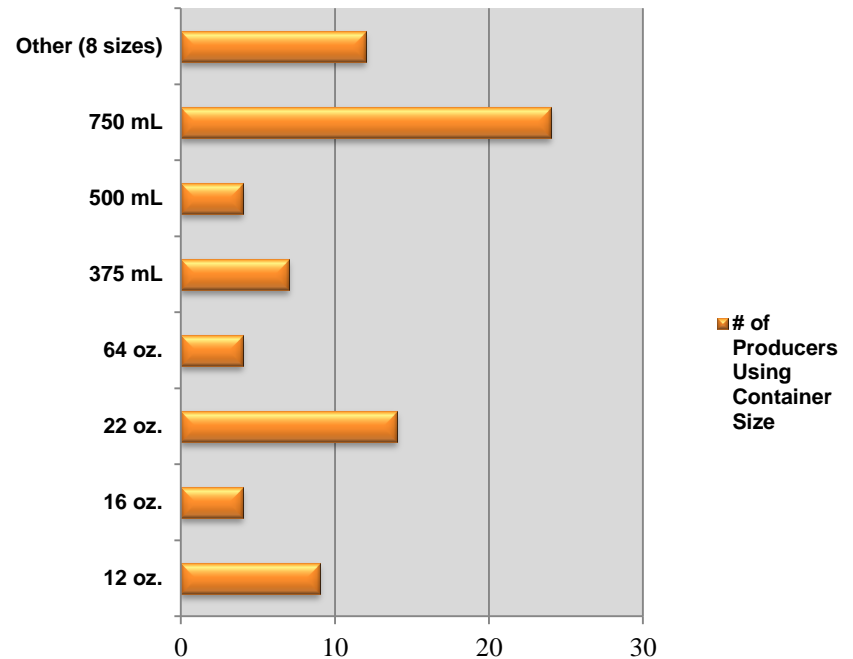


Figure 9: Container Sizes Used To Distribute Hard Cider in New England



Product Characteristics

Table 7: Average Price per Hard Cider Product Container Size in the Mid-Atlantic Region.

Container Size	Average Price Per Product (in \$)	Number of Products
12 oz.	5.30	2
22 oz.	8.85	3
375 mL	N/A	0
750 mL	16.29	14
1 L	N/A	0

Table 8: Average Price per Hard Cider Product Container Size in the New England Region.

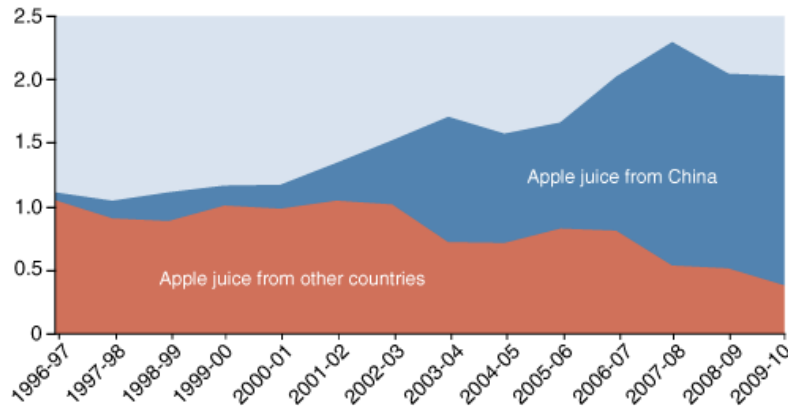
Container Size	Average Price Per Product (in \$)	Number of Products
12 oz.	1.98	5
22 oz.	8.39	16
375 mL	28.11	7
750 mL	13.63	47
1 L	16.80	5

Inputs Procurement



U.S. imports of apple juice from China grew sharply in 2000-2010

Billion liters



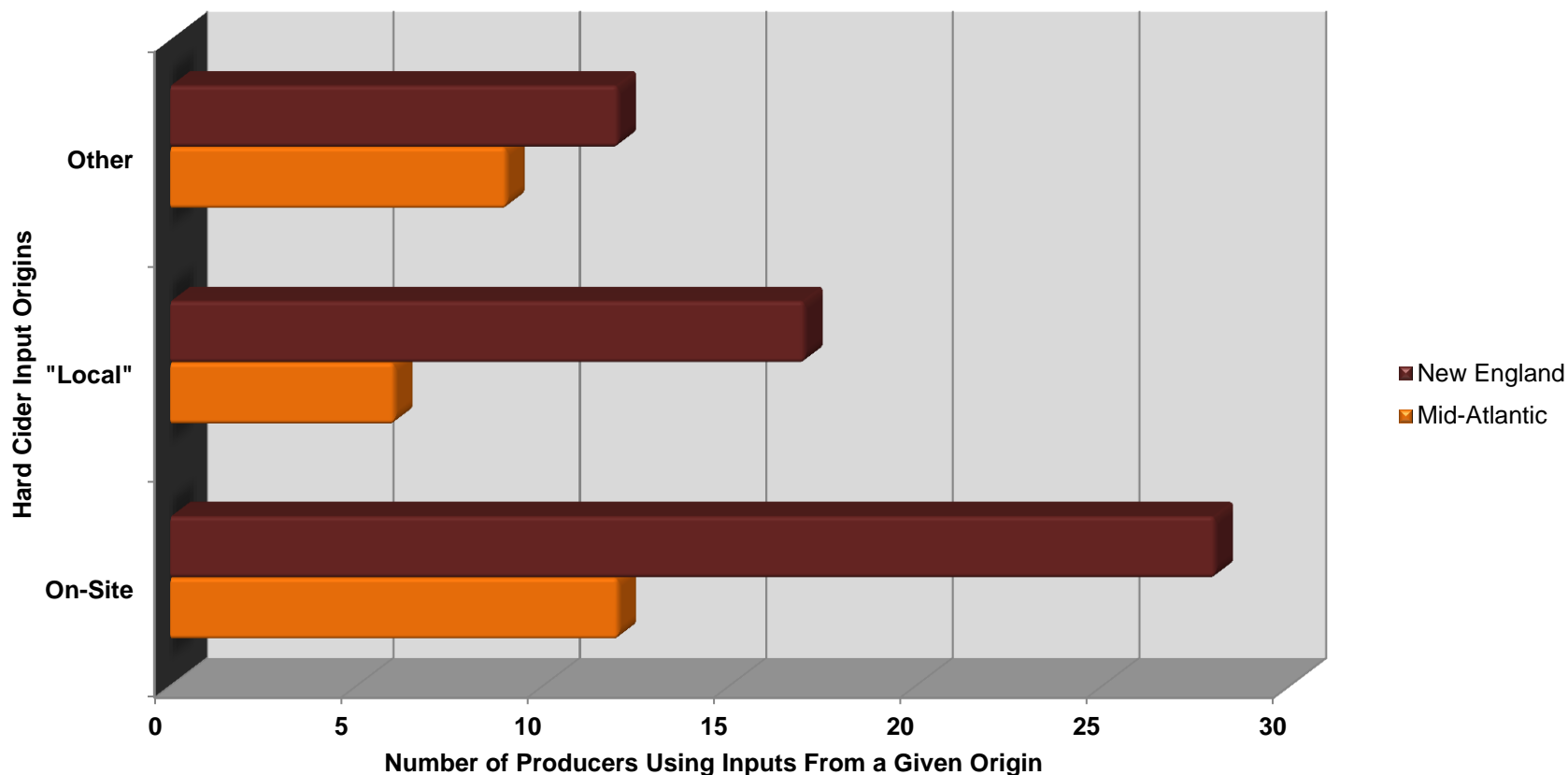
Note: Market year July-June.

Source: USDA, Economic Research Service analysis of data from USDA's Global Agricultural Trade System (GATS).



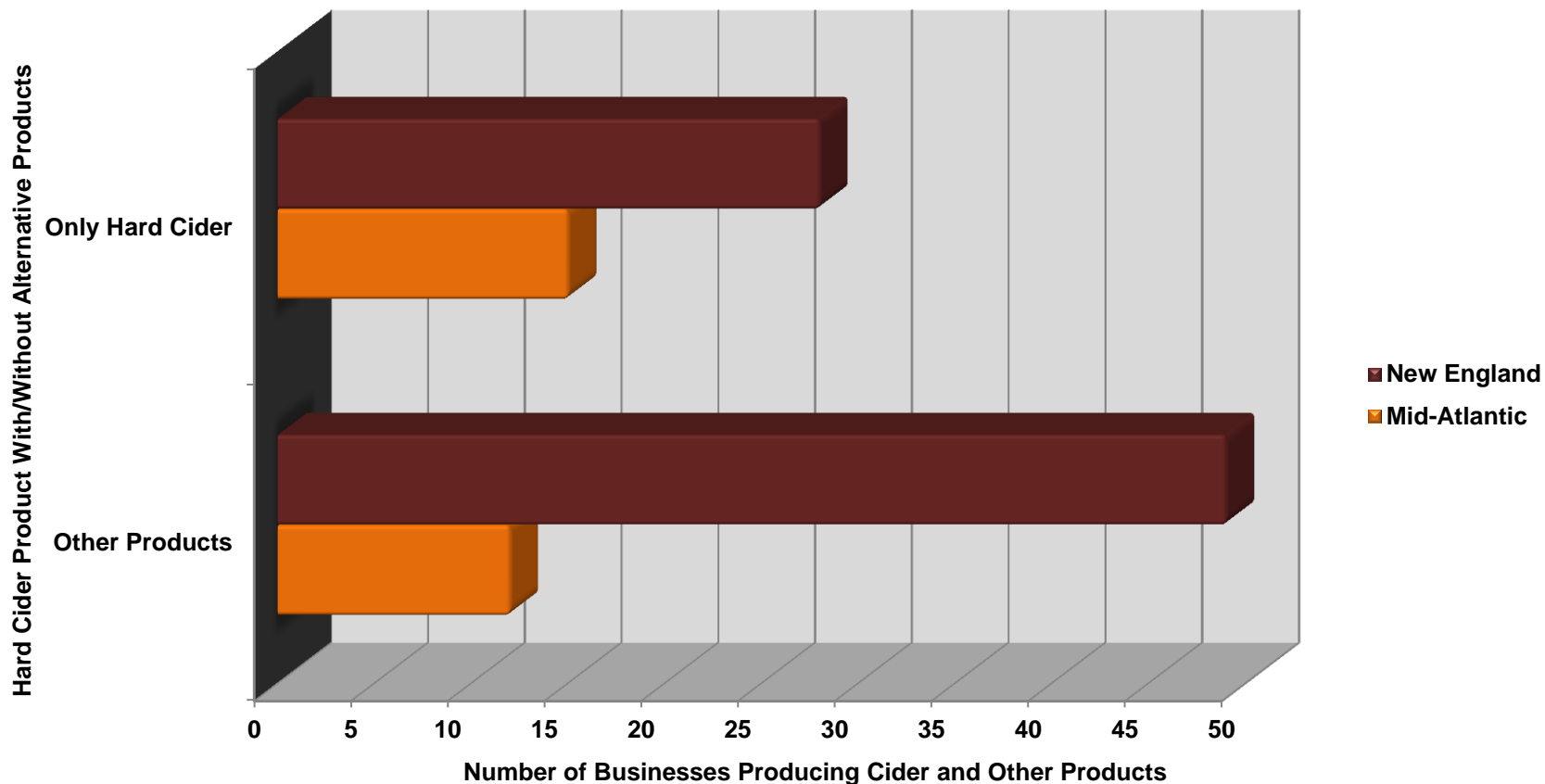
Inputs Procurement

Figure 10: Origin of Hard Cider Inputs (Apples, Juices, Etc.) for New England & Mid-Atlantic Producers



Inputs Procurement

Figure 11: Hard Cider Producers Making Only Hard Cider or Other Products





Future of the industry

- Is this growing demand for cider a fad?**
- Will the cider industry follow the same path of the craft beer sector?**
- How can we increase apple production to supply the cider industry?**



THANK YOU!

QUESTIONS?