

Bottle, Labor Shortages Limit Growth

U.S. beer volume yy trends during 3Q21 were limited by supply disruptions, bottle shortages and slower sales momentum for hard seltzers, despite improving on-premise sales.

- Beer category 3Q21 volume sales through mid-September flat–down slightly yy (vs. flat–up slightly in 2Q21), limited by out-of-stocks, labor shortages
- SAM's 3Q21 volume sales up 19%–22% yy (vs. up 49%–54% in 2Q21), limited by tough comps, growing competition from ready-to-drink cocktails, supply problems with Twisted Tea; Truly sales decelerated qq for 8 of 11 sources
- ABI BB's 3Q21 volume sales down 2%–5% yy (as in 2Q21), hurt by supply gaps, weaker hard seltzer trends; Bud Light Seltzer sales fair for 4 of 6 sources, poor for 2 (deterioration vs. June)
- TAP's 3Q21 volume sales down 1%–4% yy (as in 2Q21), challenged by supply constraints, elimination of economy brands; Vizzy, Topo Chico Hard Seltzer selling well
- Areas to Watch: 4 distributors anticipate substantial ABI BB price hike in January/February 2022 to offset rising materials, logistics costs; sources expect new Bud Light Seltzer Fall Flannel (September) and SAM's Bevy Long Drink (November) to boost sales for hard seltzer, RTD categories

KEY DATA

3Q21 Beer Volumes YY Through Mid-September (number of mentions)

	CATEGORY	MOLSON COORS	ABI	BOSTON BEER
Up 31%–40%	-	-	-	1
Up 26%–30%	-	-	-	1
Up 21%–25%	-	-	-	3
Up 16%–20%	-	-	-	2
Up 11%–15%	1	-	-	-
Up 6%–10%	-	1	-	1
Up 1%–5%	3	1	-	-
Up less than 1%	1	-	-	-
Up	3	-	-	-
Flat	-	1	2	3
Down	1	2	3	1
Down less than 1%	-	1	-	-
Down 1%–5%	3	2	4	-
Down 6%–10%	-	1	-	-
Down 11%–15%	-	1	-	-
Down 16%–20%	2	-	-	-
Down 26%–30%	-	1	-	-
Weighted average	Flat–down slightly	Down 1%–4%	Down 2%–5%	Up 19%–22%
2Q21 average	Flat–up slightly	Down 1%–4%	Down 2%–5%	Up 49%–54%

BY WILLIAM BECOREST

SOURCES & BACKGROUND

15 U.S. beer distributors and buyers representing 29,267 accounts (4 represent top-25 retailers or distributors)

REPEAT SOURCES 11 from OTR Global's June report

INTERVIEWS Sept. 8–23

AVERAGES Weighted according to the number of accounts each source represents

“The COVID-19 freight train [driving sales] is done. There is still some lingering [consumer] demand from the pandemic, but spending has definitely slowed down [yy] for off-premise. Family dollars are going back to things like back-to-school spending.”

Molson Coors distributor in the West

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Volume YY Sales Momentum Steady to Weaker

Beer yy sales volumes deteriorated slightly during 3Q21 through mid-September as materials shortages, logistics bottlenecks and less-robust hard seltzer sales limited overall trends, even as on-premise trends increased yy. Sources' U.S. beer category volume sales were flat–down slightly yy on average, compared with flat–up slightly in 2Q21. “The COVID-19 freight train [driving sales] is done,” one Western distributor said. “There is still some lingering [consumer] demand from the pandemic, but spending has definitely slowed down [yy] for off-premise. Family dollars are going back to things like back-to-school spending.” Four sources said the biggest factor limiting sales growth in 3Q21 was the difficult comparisons to COVID-19-driven sales from 3Q20. “There was such a surge of [off-premise] demand last year, and I don't think we'll see that again, so we've had to temper our expectations,” one Southern distributor said.

While most sources said sales to bars, restaurants and event venues were up yy, five said on-premise sales have yet to meet pre-pandemic levels, and even slowed somewhat in recent weeks because of COVID-19 variant concerns. “On-premise sales have not come back as quickly as expected,” a Southern distributor said. “I expected a huge number for on-premise [in 3Q21], but it hasn't been that huge. We are currently running at about 85% of where we were pre-COVID-19.”

Supply challenges continue to be top-of-mind for most sources; 14 of 15 reporting shortages or disruptions during 3Q21. “We had a very soft July because of supply issues around the independence holiday when we had no Miller Lite in 12 oz. bottles, and this was also the case for Coors Light,” a Midwestern supplier said.

Promotional Levels: Promotional levels during 3Q21 through mid-September were flat yy for nine of 11 sources, and lower for two (compared with flat for seven and down for seven in 2Q21), limited by supply gaps. “I don't think we'll see any change in promotional levels until the inventory problems are mostly fixed, and that may not be until early next year.”

Ready-to-Drink Cocktails: Four sources said while hard seltzer sales still remain relatively strong, RTDs are rapidly growing in popularity and eating into hard seltzer market share. “RTD sales are doing pretty well,” one Midwestern distributor said. “I like [Anheuser-Busch's] Cutwater and anything ranch water. Ranch water cocktails will do well because anything with tequila right now is hip and cool.” The source also said Boston Beer's launch of its version of the long drink could shake up the RTD market as well. (On Sept. 8, Boston Beer announced a November launch for Bevy Long Drink, inspired by the traditional cocktail of Finland, made from gin, grapefruit soda and tonic.) “I advocated for the long drink a couple years back; our company passed on it, but now that Boston Beer is behind it, I think it will get a lot of attention.”

Quotes

“Difficult sales comps and some softness in the hard seltzer market have been the biggest factors that hurt our [overall beer volume sales] in 3Q21.”

“September [beer volume sales] are just kind of hanging in there.”

“Right now inventory positions are the No. 1 determining factor [for strong or weak sales], and the glass bottle shortage is the big issue.”

“The demand is still there for hard seltzers; it's just not as strong as it once was, and you can see ready-to-drink cocktails starting to cut into the sales as well.”

“Our inventory positions with **Molson Coors [Beverage Co.]** and **Boston Beer [Co. Inc.]** are now at about 70% of normal, so that is an improvement [qq].”

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Supply Challenges Hurt 3Q Inventories

Sources most often mentioned **Constellation Brands Inc.** (eight mentions) as having inventory shortages during 3Q21 (compared with six in June), followed by **Molson Coors** (seven), **Anheuser-Busch InBev S.A.** (four) and **Boston Beer** (two). (Also see also OTR Global's [September](#) report on Constellation Brands). "Corona and Modelo are the ones we're really getting clobbered on," said one Southern buyer at a beverage retailer. "Right now I have some Modelo Especial but no Negra in any package. On Corona, I haven't seen a 24-pack on the Extra or the Light in two or three months." Another retail buyer said he experienced sporadic out-of-stocks through 3Q21. "For three weeks, I had Bud Light, but no Budweiser in bottles," he said. "My reps told me that Anheuser-Busch was dealing with bottle shortages."

Distributors for all brands said inventory challenges have been exacerbated by the bottle supply shortage, as well as disruptions from labor shortages and freight transport delays. "The biggest problem I am seeing is with amber glass bottles," one Western distributor said. "We haven't had any problems with clear or green bottles." An ABI distributor said the glass shortage has had a negative impact on his supply of Stella Artois, Busch and Bud Light. "A lot of these bottles come from overseas," he said. "They can't seem to catch up on demand, there are increasing costs associated with logistics and lots of delays, so there are many challenges right now with the whole supply chain."

Four sources said labor shortages and cost increases had challenged their own operations during 3Q21. "In order to retain our labor force, we had to give more compensation for our drivers," one Southern distributor said. "We then had to raise pay rates for our warehouse workers, and then in January we will start scaling up our other employees. It's like a wave; if you raise one group, you have to raise the others as well or there will be problems."

Three distributors said driver and parts shortages are key issues contributing to supply chain challenges. "There are a huge number of trucking parts made mostly in China that are in very short supply," one Southern manager said. "For instance, there is a problem getting diesel exhaust fluid sensors, and the truck is not allowed to run without this part."

Quotes

"Molson Coors still has a supply issue, but I would say Constellation is the worst right now."

"Our inventory positions with Molson Coors and with Boston Beer are now at about 70% of normal, so that is actually an improvement [qq]."

"If you hold a [commercial driver's license], you can pretty much write your own ticket [for compensation] because drivers are in such demand."

"[Supply chain costs] are going through the roof, and those costs are eventually going to pass through to the consumer, so there is some worry about how the 2022 economy is going to fare in terms of inflation."

ABI Price Hike Expected in 1Q22

Four ABI distributors said a significant widespread price hike across all ABI beer brands is expected in January or February 2022, aimed primarily at offsetting cost increases affecting the brewer as well as the entire supply chain. "There is definitely a lot of talk about a February 2022 price hike," one Western distributor said. "Inflation is an across-the-board issue, and it really is going to be felt

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next year. Just look at the cost of fuel and labor right now; we've been giving out \$1,000 bonuses to help retain employees." A Southern distributor said ABI reps have confirmed the January/February timeframe with him for a notable price hike. "Right now it looks like ABI will [announce the price hike] first and all other major brewers are likely to follow," he said. "The supply chain costs are forcing everyone up. Just look at the shortage of drivers — 20% of loads don't have a driver. Freight load costs have gone up on average something like \$800–\$1,100 or more."

Quotes

"Most of the small brewers are announcing increases of a couple percentage points — a few in October and a few more in November. The bigger brewers usually go all at once, probably on the first of the year."

"Kegs have gone up \$5 in the last couple months."

"We haven't heard much yet on pricing from Molson Coors, but I think the timing for a wide-spread hike is about right for the start of the year [2022]."

"Constellation increased pricing on six-pack bottles [during 3Q21]."

RTDs Pressure Truly Growth Trends

Boston Beer's 3Q21 sales through mid-September increased an average 19%–22% yy, compared with up 49%–54% in 2Q21, aided by the continued popularity of Truly Hard Seltzer variety packs, but hurt by COVID-19-driven sales comparisons and growing competition from RTDs. "Truly is still doing well, though we have seen a slight decrease in sales [qq], and I think the RTDs have had some impact on that trend," one Western distributor said. "The hard seltzer customer is a curious and adventurous type of alcohol consumer, so they will try new flavors and easily jump onto new trends." Four sources said sales were also limited by supply problems with Twisted Tea. "Boston Beer sales could be doing even better if they could keep Twisted Tea in stock," a Southern distributor said. "We've gone through periods where we have gone months without Twisted Tea."

Sales of Truly Hard Seltzers decelerated qq for eight of 11 sources during 3Q21, hurt by less robust consumer demand and growing competition. "The demand for hard seltzers is still there, but it's just not as strong as it once was, and you can see RTDs starting to cut into that market," one Western distributor said. Despite some loss in sales growth momentum, three sources noted flat or accelerating sales of Truly in 3Q21. "In our market, hard seltzer continues to be very strong," one Western distributor said. "We really don't see much fall-off in their popularity, and Truly sales are up 80% year to date [through mid-September]." A Midwestern distributor said his Truly sales were outselling **Mark Anthony Brands Inc.**'s White Claw, up 42% yy in 3Q21, with year-to-date sales up 60.5%."

Quotes

"Boston Beer [volume sales] are weaker [qq] because of some drop in demand for hard seltzers and some inventory issues with Twisted Tea."

"They still represent a very small part of the marketplace, but RTDs have definitely started to take some of the attention away from hard seltzer."

"Jim Koch [co-founder and chairman of Boston Beer] is a genius, but he definitely got it wrong when he overestimated the growth rate for hard seltzer. The market is slowing down due to oversaturation and more competition [yy]."

Truly Hard Seltzer Sales QQ

(number of sources)

	2Q21	3Q21
Accelerated	11	1
Stable	-	2
Decelerated	-	8

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“Truly and White Claw are still doing well in the hard seltzer category, and Topo Chico Hard Seltzer [manufactured and marketed in partnership with Molson Coors and **The Coca-Cola Co.**] is adding an extra 5,000–7,000 cases in volume sales [per month] for us, but other seltzers — like ABI’s Bon V!V Spiked Seltzer and Bud Light Seltzer — are not working that well.”

“Boston Lager and Octoberfest are doing well, but we haven’t seen Sam Adams Light for six months [due to out-of-stock issues].”

Out-of-Stocks Challenge ABI Volume Growth

Sources’ ABI volume sales were down an average 2%–5% yy during 3Q21 through mid-September (as in 2Q21), hurt by consistent out-of-stocks, tough sales comps and weaker consumer demand for legacy brands. “We are down a little bit [yy in 3Q21], but still up slightly year to date,” a Midwestern distributor said. “The key challenges have been tough comps and inventory issues, including on our No. 1 seller Busch Light, where there were consistent out-of-stocks on 30-pack cans [during 3Q21]. We also had shortages on kegs.” A Southern distributor who serves more than 10,000 accounts said ABI focuses too much of its strategy on brand extensions, at the expense of legacy brands. “In the last dozen brand extensions that ABI has ventured into, what have they actually really done well with,” he said. “If they would spend the money they allocate for innovations and put it into marketing for core brands, ABI would be in a much stronger position.”

Bud Light Seltzer Sales: Four of six sources cited fair sales of Bud Light Seltzer during 3Q21 through mid-September, while two cited poor sales (compared with four of nine reporting good sales, two fair and three poor in 2Q21). “Bud Light Seltzer is doing OK,” a Southern manager said. “It will be fine, but I don’t see it gaining much ground on the No. 1 and 2 positions for hard seltzer [White Claw and Truly].” Two sources said despite relatively flat sales of Bud Light Seltzer, they expect the launch of the new Bud Light Seltzer Fall Flannel variety pack (flavors include Pumpkin Spice, Toasted Marshmallow, Maple Pear and Apple Crisp) to boost sales in 4Q21. “Bud Light Seltzer sales have slowed down a bit [yy], but the new seasonal variety pack will give us a nice bump [in sales].”

Quotes

“A lot of the out-of-stock issues are related to the glass bottle shortage. There are very few glass bottle manufacturers in the U.S., and too much reliance on overseas suppliers.”

“It’s not breaking news, but ABI’s legacy SKUs have been slowing down for a while, and they are a bit thin on their craft beer offerings.”

“For us [a beverage retailer], ABI sales don’t really fluctuate that much because they are such a basic brand with core products that don’t change much.”

“We [a small grocery retailer] actually discontinued Bud Light Seltzer because it wasn’t selling well compared to the other top hard seltzer brands.”

Supply Gaps Limit Molson Coors’ Sales

Molson Coors’ 3Q21 volume sales were down an average 1%–4% yy (as in 2Q21), limited by continuing inventory gaps as well as the transition away from some discontinued brands. (On July 30, Molson Coors announced the discontinuation of about 100 SKUs representing 11 economy brands, including Milwaukee’s Best Premium, Henry Weinhard’s Private Reserve, Keystone Ice, Hamm’s

Bud Light Seltzer Sales

(number of sources)

	2Q21	3Q21
Good	4	-
Fair	2	4
Poor	3	2

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Special Light, Keylightful, Icehouse Edge, Magnum, Mickey's Ice, Miller High Life Light, Steel Reserve 211 and Olde English HG 800.) "The [brand reduction] hurt us [during 3Q21]," a Western distributor said. "Mickey's is a big seller for our market, so the elimination of Mickey's Ice just cost our volume sales about 100,000 cases [annually]." The source also speculated that the brewer's move may have been to aid the expansion of Yuengling (a joint venture announced last year) into Texas (late August). "It kind of feels like they wanted to clear the way for Yuengling by eliminating some of the competition," he said. However, a Southern manager said dropping lower-margin, underperforming brands was a smart move and had no impact on his volume sales. "We phased out a lot of those SKUs a few years ago, like Icehouse Edge and others."

For most sources, supply problems were far more detrimental to sales in 3Q21 than the product line reduction. "We've done a good job selling what is available and making do with what we are given [from Molson Coors], but when you sell out of a leading brand like a Coors Light and can't resupply for a period of time, it's tough to achieve consistent sales growth," one Southern distributor said.

Two distributors who reported positive yy volume sales in 3Q21 said their inventory positions in 3Q20 were even worse than current levels. "[Sales growth in 3Q21] has everything to do with the terrible inventory positions from last year, so that's the main reason [our volume sales] are up 9% [yy]," a Midwestern manager said.

Hard Seltzer Sales: Three sources said the discontinuation of Coors Seltzer in July was a positive development, and had little negative impact on sales overall. "I was happy to see Coors Seltzer go," one Midwestern distributor said. "It's moved Vizzy to the forefront, and Topo Chico is a rising star as well." A Western distributor noted very strong sales for Topo Chico Hard Seltzer during 3Q21. "Topo Chico is doing phenomenal, and is currently only in about 16 states," he said.

Quotes

"Molson Coors [volume sales] back in June were double-digit negative, but we've improved since then [to single-digit negative because of better inventory positions]."

"[Molson Coors] dropping Miller High Life Light and Magnum cost us about 90,000 cases [in volume sales]."

"The glass bottle shortage is the big supply issue right now, and we don't have a clear idea of when this will be resolved."

"[Our stores] are short on Coors Light, and my rep said he's all out, and couldn't tell me when the next shipment would be available."

"Our draft business could be better, but it is showing some improvement month-by-month."

Contributors: Maryann Jones and Robin MacLeod

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1. Did beer volume trends for Molson Coors, Anheuser-Busch, Boston Beer and the overall category increase, remain the same or decrease during 3Q21 yy?

	CATEGORY	MOLSON COORS	ABI	BOSTON BEER
Up 31%–40%:	-	-	-	1
Up 26%–30%:	-	-	-	1
Up 21%–25%:	-	-	-	3
Up 16%–20%:	-	-	-	2
Up 11%–15%:	1	-	-	-
Up 6%–10%:	-	1	-	1
Up 1%–5%:	3	1	-	-
Up less than 1%:	1	-	-	-
Up:	3	-	-	-
Flat:	-	1	2	3
Down:	1	2	3	1
Down less than 1%:	-	1	-	-
Down 1%–5%:	3	2	4	-
Down 6%–10%:	-	1	-	-
Down 11%–15%:	-	1	-	-
Down 16%–20%:	2	-	-	-
Down 26%–30%:	-	1	-	-
No response:	1	-	-	-
Not applicable:	-	4	6	3
Weighted average:	Flat–down slightly	Down 1%–4%	Down 2%–5%	Up 19%–22%
2Q21 average:	Flat–up slightly	Down 1%–4%	Down 2%–5%	Up 49%–54%

2. Which brewers increased prices during 3Q21?

Constellation:	1
Molson Coors:	1
Anheuser-Busch InBev:	1
None:	12

Note: Some sources gave more than one answer while others did not respond.

3. Are your 3Q21 beer promotions higher, the same or lower yy?

	3Q21	4Q21
Higher:	-	-
About the same:	7	9
Lower:	7	2
No response:	-	4

4. Would you rate sales of Bud Light Seltzer good, fair or poor during 3Q21?

Good:	4	-
Fair:	2	4
Poor:	3	2
No response:	-	1
Not applicable:	-	8

5. Did sales of Boston Beer's Truly hard seltzer accelerate, remain the same or decelerate qq?

Accelerated:	11	1
Remained the same:	-	2
Decelerated:	-	8
No response:	-	1
Not applicable:	3	3

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