



PORTLAND CIDER CO. 100% CIDER

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Small text at the bottom of the label:
www.portlandciderco.com
100% CIDER



Founded in 2010, the Northwest Cider Association (NWCA) brings cideries and cider lovers together to learn, experience and enjoy the Northwest cider culture. Representing more than 70 commercial cidemakers throughout Washington, Oregon, Idaho, Montana and British Columbia, the group is dedicated to supporting, promoting and growing this thriving industry. NWCA hosts cider-themed events throughout the year, as well as Cider Weeks in Oregon, Washington and British Columbia.

For more information about the Northwest Cider Association, visit www.nwcider.com, or follow the organization on Facebook and Twitter (@nwcider).



Portland State University's fully online Business of Craft Brewing program focuses on the business side of brewing and is ideal for home brewers looking to reach larger

audiences, as well as industry professionals who want to advance their careers. While brewing is emphasized, distillery and cidery business models are also included.

www.pdx.edu/cepe/online-business-of-craft-brewing-certificate



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Frank, Rimerman + Co, LLP is a full service public accounting firm partnering with today's innovators and leaders to meet their short term needs while

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Contents

Methodology	3
Overview	4
Respondents	6
Production	8
Pressed Fruit vs. Purchasing Juice.....	8
Fruit Costs	9
Batch Size.....	10
Tasting Room Sales.....	13
Distribution	16
Employment	17
Conclusion	19
Endnotes	20

Photo courtesy of the NWCA.

Methodology

This year's survey was conducted through an online poll of 90 producer-members in the Northwest Cider Association ("NWCA"). As stated in the overview, out of the 90 members surveyed, 56 completed over 50% of the form, and 47 completed the entire form. This represents a population coverage of 72% and 60%, respectively.

In order to arrive at the sample size of producers relied on in this survey, we "cleaned" the raw dataset output. First, we eliminated any duplicates by reconciling any similar responses. Next, we filtered for any orchardists who may have been inadvertently included in the survey respondents. In doing so, we removed any respondents who did not respond to Question 2 of the survey, "When did you start selling cider?" Finally, among the remaining respondents we removed any responses that indicated they hadn't begun selling cider until 2017. Since this survey was based on 2016 sales and production data, these producers would have created unnecessary skew.

After cleaning the data, we removed non-responses by deleting any responses that did not complete any (0%) of the survey. The final sample size of 78 respondents was used as the guiding population in the survey.

While these 78 responses represent the baseline sample size for the survey, we refined the population to fit the varying datasets referenced in the survey. The Endnotes below identify the specific adjustments made to the total population to develop a representative sample size of the respective measurements.

All dollar figures are represented in US Dollars assuming an exchange rate of 1.33 Canadian Dollars to 1.00 US Dollar. This rate is consistent with the average exchange rate over the 2016 calendar year.

Overview

In early 2015, the Northwest Cider Association (“NWCA”) introduced the **2015 State of the NW Cider Industry** report. The goal of the initial report was to work towards compiling data from prior year production to generate an annual report for the industry. From this starting point, the longer-term goal for the NWCA has been an annual update with greater member participation and identification of possible trends. It was widely agreed that such a report would be useful to Cider Association members in communicating information about the industry to the media and other interested stakeholders. In 2016, the NWCA presented the **2016 State of the NW Cider Industry** report (“Prior Survey”).

The Prior Survey was distributed during the summer of 2016. Of the 78 NWCA members polled, 52 responded with partial or full data based on their 2016 operations, with only 43 of those respondents fully completing the survey.

This year, we are proud to present the **2017 State of the NW Cider Industry** report with a more robust dataset based on their 2016 operations. Of the 90 NWCA members that were polled, we received 78 responses, 56 responded to at least 50% of the questions and 47 completed the survey in full. The increase in quality respondents is a testament to the growing commitment to this survey by our members. Thank you NW Cider producers and the Portland State University for making this survey possible!

Photo courtesy of Emily Ritchie

In preparing this year's report, we have incorporated the lessons learned from prior surveys. This iterative process supports continual improvement in both the presentation and the data collection involved with this publication. We hope this report continues to be a source of useful information and developing trends for Cider Association members, the media, and other interested stakeholders.

As an expansion of this survey, Frank, Rimerman + Co. LLP has utilized the results to complete an economic impact study of the cider industry in the geographic footprint of the NW Cider Association (Oregon, Washington, Idaho, Montana, and parts of Canada).

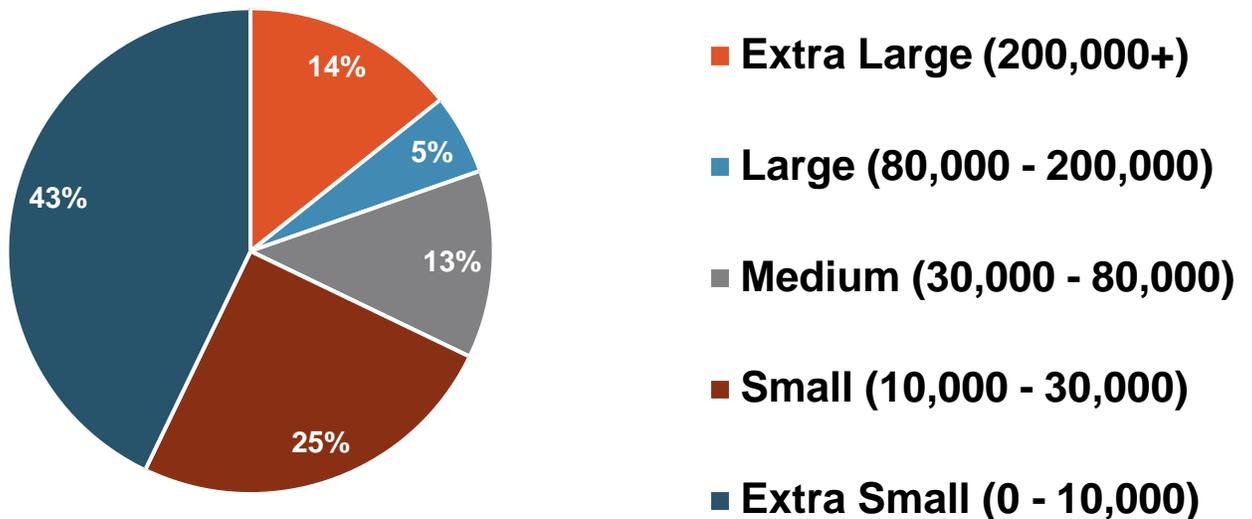
We appreciate the participation of the Northwest Cider Association producers who were involved in this survey. Their involvement in the survey is representative of the culture of collaboration and cooperation that supports the NW Cider Association and continues to be a hallmark of the amazing cider culture in the Northwest.

We hope you find the contents of this report both interesting and useful, and look forward to presenting the 2017 operations information in the coming year.

Respondents

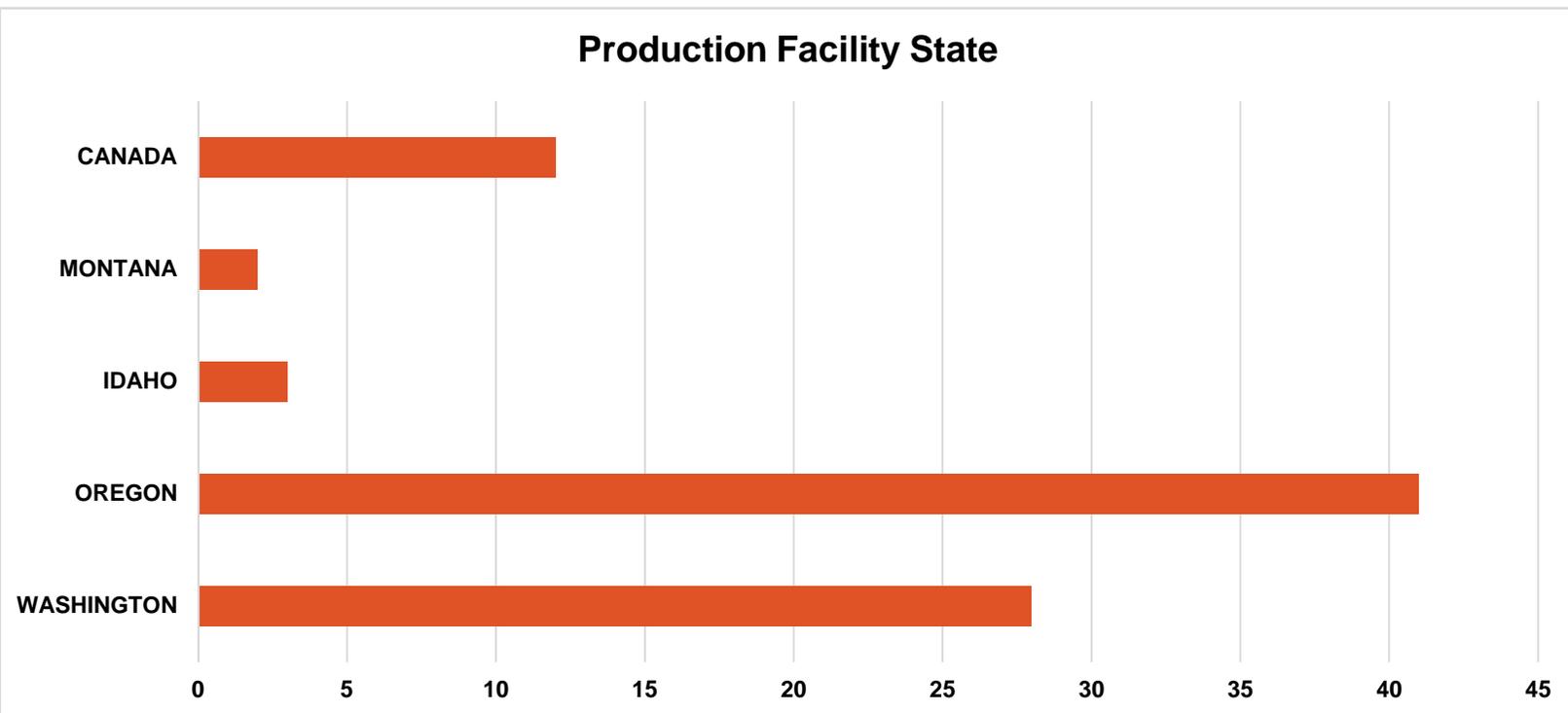
Similar to the process used in the Prior Survey, cider companies were segmented into five categories: extra small, small, medium, large and extra large producers based on gallons produced during 2016. Extra small producers were those who sold up to 10,000 gallons of cider, small producers between 10,000 and 30,000 gallons, medium producers between 30,000 and 80,000 gallons, large producers between 80,000 and 200,000, and extra large producers over 200,000 gallons.¹

Respondent Size (by Gallons Sold)



Extra small producers made up 43% of all respondents, with small sized producers comprising 25%, medium producers 13%, large producers 5%, and extra large producers 14%. This distribution based on producer size is relatively consistent with the Prior Survey data. However, there has been some migration from the medium size category to the larger producer subset.

Respondents had at least one production facility in Oregon, Washington, Idaho, Montana, and British Columbia, with the majority of responses from the states of Oregon and Washington.ⁱⁱ



Most of these producers are new to the market, with 72% having been founded in the last five years. 13% were founded between 2006 and 2011, and 15% were founded before 2006. **Six producers were founded before 2000.** By comparison, 60% of respondents to the Prior Survey were founded in the last five years, representing a sizable increase in the number of new producers, five of which began producing cider in 2016.

Production

Pressed Fruit vs. Purchasing Juice

Medium producers had the highest incidence of pressing, with 52% of total production within this subset surveyed pressing their own juice. This conclusion differs from the Prior Survey, which saw only 6% of total production within medium producers pressing their own juice. However, the prior survey had a significantly lower response rate, with only 22 total respondents compared to 56 respondents as part of the current survey. **On average, extra small, small and medium producers**

pressed 1,352, 7,626, and 29,461 gallons of juice, respectively. Large producers pressed an average of 133 gallons, a result to be explained by the fact that nearly 100% of respondents reporting that they purchase their juice. Extra large producers, on average, pressed 94,592 gallons of juice, or 31% of their total production. On average, between 13 and 14 pounds of apples were required to yield one gallon of juice.



Photo courtesy of Emily Ritchie

Fruit Costs

Among those who pressed their own fruit, the average cost of apples was \$0.32 per pound for extra small producers, \$0.27 per pound for small producers, \$0.35 per pound for medium producers, \$0.40 per pound for large producers, and \$0.24 per pound for extra large producers.

The average cost of dessert apples in 2016 was;

- Extra Small Producers: \$0.20 per pound
- Small Producers: \$0.15 per pound
- Medium Producers: \$0.22 per pound
- Large Producers: Do Not Press Juice based on Survey Results
- Extra Large Producers: \$0.05 per pound

The average cost per pound of heirloom/cider fruit in 2016 was between \$0.29 and \$0.43. In the Prior Survey, there was no breakout included for dessert and heirloom/cider fruit. Future surveys intend to continue to include this granular distinction.

Purchased Juice

The extra large producers purchased an average of 289,802 gallons of juice. Large sized producers purchased an average of 146,667 gallons, medium sized producers purchased an average of 29,798 gallons, small sized producers purchased an average of 10,011 gallons, and extra small sized producers purchased an average of 1,723 gallons. On an aggregated level, the average gallons of juice purchased decreased by 16% from the Prior Survey, which supports the trend of increased production through pressed fruit.

The average cost of dessert apple juice in 2016 was;

- Extra Small Producers: \$2.17 per gallon
- Small Producers: \$1.89 per gallon
- Medium Producers: \$2.65 per gallon
- Large Producers: \$1.37 per gallon
- Extra Large Producers: \$0.89 per gallon

The average cost per gallon of heirloom/cider apple juice was between \$0.98 and \$5.50 per gallon; in contrast to the Prior Survey when the average cost was between \$1.91 and \$8.00.ⁱⁱⁱ Survey data suggests that larger producers place greater reliance on dessert fruit and helps explain the variance in price paid by large producers for heirloom/cider fruit.

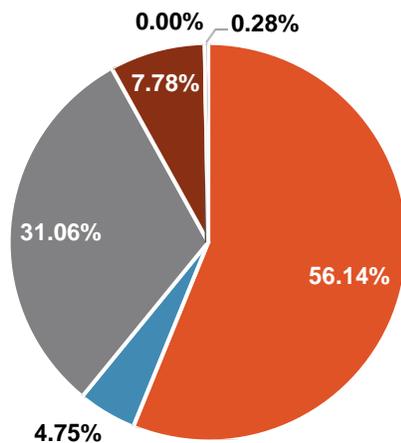
Batch Size

As expected, batch sizes had a strong correlation to the size of the producer. This conclusion is also consistent with data from the Prior Survey, which showed a similar relationship between producer size and batch size at all three phases of production.

The average fermenting batch size for extra large producers was 6,004 gallons, down 14% from 8,721 gallons at the Prior Survey. The average bottling batch size was 519 gallons for extra small producers, 935 for small producers, 1,537 for medium producers, 1,000 gallons for large producers, and 4,928 gallons for extra large producers. The largest variance from the Prior Survey can be found in the medium and large producers that increased 28% and decreased 42%, respectively, on average. The average kegging batch size was 276 gallons, 852 gallons, 719 gallons, 750 gallons, and 3,131 gallons for extra small, small, medium, large and extra large producers, respectively.

Flavor Profile & Ingredients

In 2016, over 39% of cider sold contained ingredients other than apples or pears. Cider made with only apples accounted for 56% of sales, while Perry (fermented pear juice) comprised 5%. A new ingredient subset was added to this year's survey: botanicals. The "Other Fruits" category relates to any cider that is not made with apples, pears, or a fruit blend. **On average, 71% of cider sold had an alcohol content of less than 7%, which is a slight 13% decrease from the Prior Survey.**^{iv}



Cider Sold By Ingredient

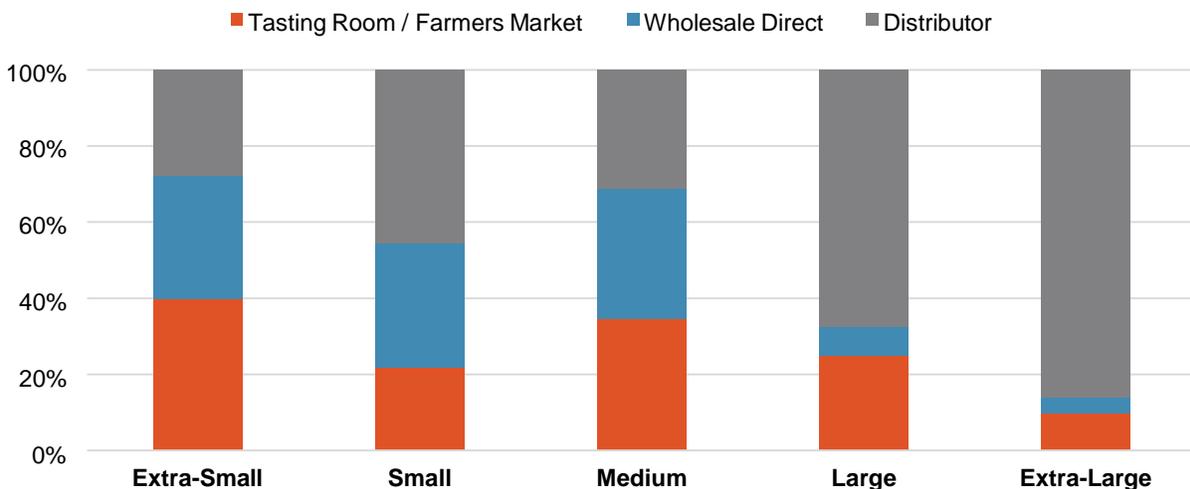
- Apples
- Perry
- Fruit Blends
- Botanicals
- Synthetic Flavor Additives
- Other Fruits

Revenue

The data from the survey shows that the larger a producer becomes, the more they rely on sales through distributors. **Although large and extra large producers continue to operate tasting rooms and utilize farmers' markets to attract new customers, both categories of producers utilize little wholesale direct business.** While sales through distributors continues to be the largest component of revenue across the largest of producers, smaller producers incorporate a much more even mix of channels to build market share and generate sales.^v

Average annual sales were \$70,966 among extra small producers, \$371,067 among small producers, \$1,389,971 among medium producers, \$2,050,000 among large producers, and \$3,862,175 among extra large producers.

Revenue % by Sales Channel



Tasting Room Sales

Approximately 73% of respondents indicated that they have a tasting room or tap house. **Extra small and small tap rooms saw an average of 2,975 and 5,290 visitors throughout the year, respectively. On aggregate, this represents a 33% increase in the cross-sections. Medium and large tap rooms saw the largest year over year increases in average visitors; increasing by 9,833 and 22,200 visitors, respectively.** The average number of visitors to the extra large producers' tap rooms decreased to 31,760 from 47,500 at the Prior Survey.

Photo courtesy of Portland Cider Co.



Sales of cider on-tap and through growler fills averaged \$314,126. Sales of packaged product averaged \$364,319 and other sales throughout the year averaged \$88,657 across all survey respondents. **The extra small and**

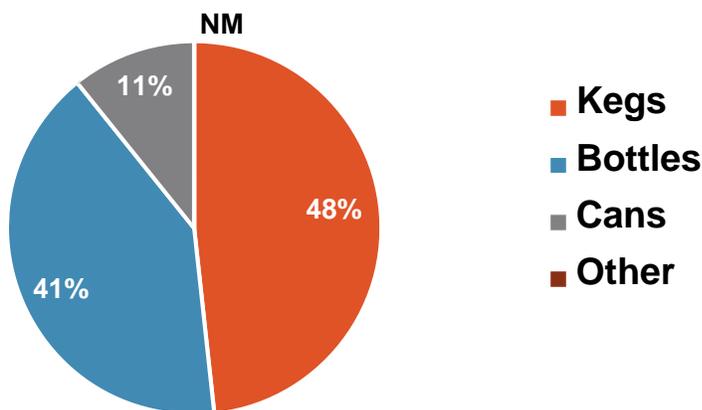


small respondents, similar to the Prior Survey, generated most of their revenue through packaged sales. The larger the producer, the higher the likelihood of generating revenue through on tap sales, which also witnessed a considerable increase as a source of revenue from the Prior Survey.

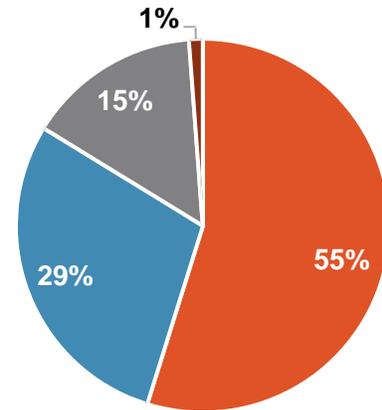
Packaging

Kegs accounted for the highest percentage of gallons sold and percentage of revenue with 53% and 48% respectively. This marked a shift in packaging style, as in the Prior Survey, bottles accounted for the highest percentage of both gallons sold and percentage of revenue. **Bottles made up 31% of gallons sold and 41% of revenue, a decrease from the Prior Survey when they made up 44% and 49% of gallons sold and revenue, respectively.** Cans comprised a steady 14% of gallons sold and 11% of revenue. Other types of packaging represented a statistically insignificant percentage of gallons sold and revenue.^{vi}

Percentage of Revenue



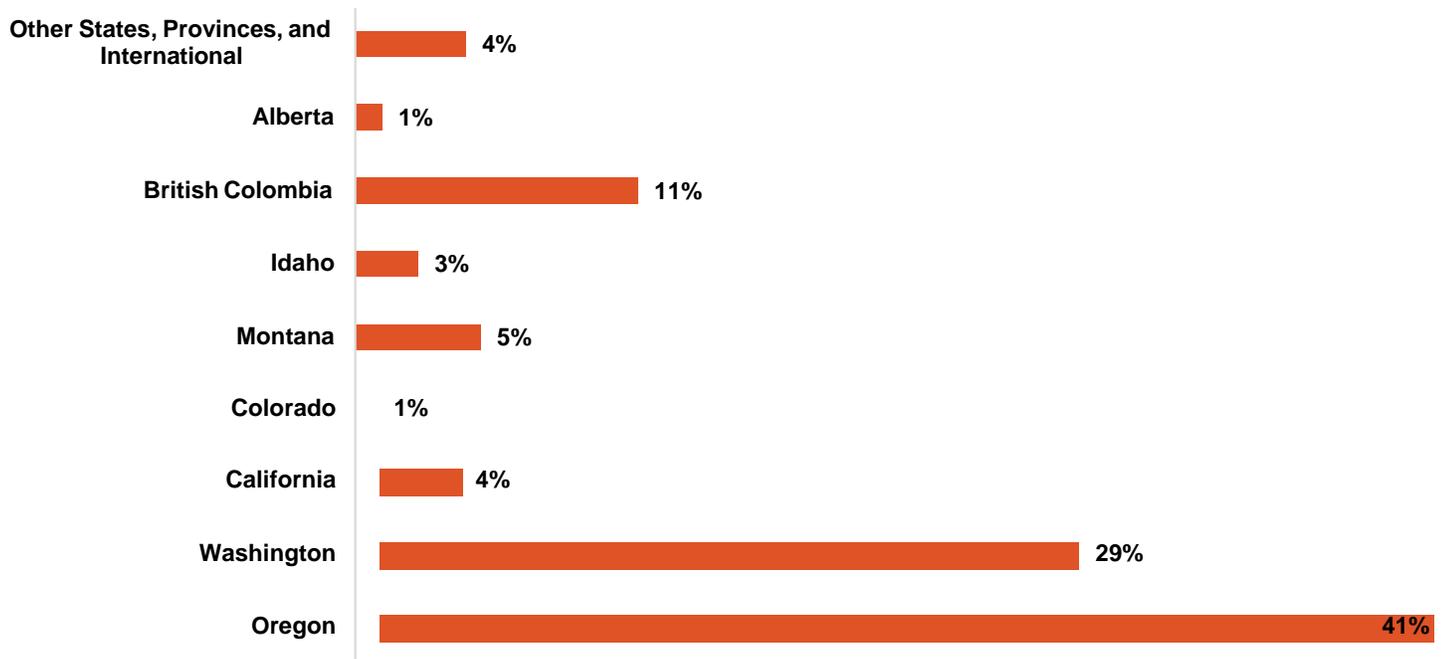
Percentage of Gallons Sold



Distribution

This year's survey took a more granular approach to develop a breakdown of the distribution areas. For consecutive years, Oregon was the leading distribution area, followed by Washington and British Columbia. Sales to Canadian provinces increased by 50% year over year. Sales in other states and internationally accounted for 4%, down from 11% in the Prior Survey.^{vii}

% of Gallon Sold by Distribution Area



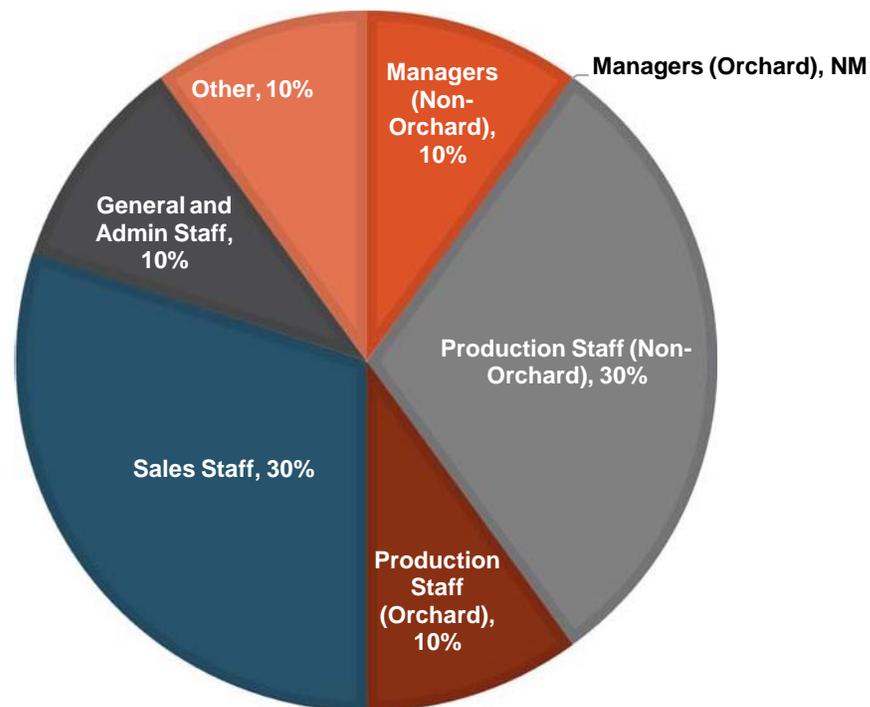
Similar to the Prior Survey, other states to which cider was distributed included Texas, Illinois, Nevada, and Arizona, as well as international sales outside Canada. **In total, respondents recorded sales in 20 states as well as internationally to Canada and Asia.**

Employment

Approximately 87% of respondents were owner operators. The remaining 13% was comprised of cider makers and sales staff. These responses were similar to those received in the Prior Survey.

Similar to the data from the Prior Survey, **the employment breakdown showed 20% orchard, 40% production, with the remaining 40% made up of G&A, sales staff, and non-orchard managers.**^{viii}

EMPLOYEES BY ROLE



In this year's survey and in order to properly map data to the economic impact study, respondents were to answer employment questions by means of wage, rather than salary. In the future, all surveys will follow this trend. Non-Orchard managers received the highest average wage at \$24 per hour.^{ix}

Average Wage by Position



Conclusion

As noted in the overview, we are extremely thankful to the NW Cider Producers in this second annual survey. The large increase in substantive participation this year led to a significant improvement in both the quality and scope of the survey. Your input is helping to increase both awareness and understanding of the cider industry as a whole. We hope that you will help us to refine our vision of how this survey and report can best serve the cider industry. With continued survey participation in the future, we can provide better, more tailored reporting on the trends of the Northwest cider industry. Thank you again to all for making this year's survey a success. We look forward to producing an economic impact study for the region, as well.

If you have any ideas about how this project – either the survey or the resulting report – can be improved, please send comments and questions to:

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Endnotes

ⁱ Based on 56 responses. 24 identified as “extra small producers”, 15 identified as “small producers”, 6 “medium producers”, 3 as “large producers”, and 8 “extra large producers”.

ⁱⁱ Based on 78 responses. 28 identified as producing in Washington, 41 in Oregon, 3 in Idaho, 2 in Montana, and 12 in British Columbia. 2 respondents cited both Washington and Oregon as production locations; incorporated 1 in Washington total, and 1 in Oregon total.

ⁱⁱⁱ Eliminated some responses as “non-meaningful” based on significant outlying data points from sample.

^{iv} Based on 36 responses. Eliminated any responses that did not aggregate to 100% of sales.

^v Based on 35 responses. Eliminated any responses that did not aggregate to 100% of sales. Eliminated responses who did not identify gallons produced.

^{vi} Based on 36 responses. Eliminated any responses that did not aggregate to 100% in both Packaging by Gallons and by Revenue.

^{vii} Based on 35 responses. Eliminated any responses that did not aggregate to 100%.

^{viii} Based on 48 responses. Eliminated any responses that did not indicate at least 1 employee.

^{ix} Based on 42 employees. Eliminated any responses that did not indicate at least 1 salary. Additionally, followed the same criteria as 8.