

CASE STUDY

Raising the Bar

How Craft
Brewing
Revolutionized
an Industry



Brewing a better economic future.

See how one association unified an industry, amplified the voice of its members, and trumpeted the economic significance of craft brewing across the country.

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Introduction

There's strength in numbers. For the Brewers Association, that's true in both people terms and economically.

Craft brewing, which started for some as a cottage industry in the 1970s, germinated into fields of small breweries linked by regional associations. As they grew, their small associations joined to form a national organization that would see a groundswell of industry growth.



The State of Craft Brewing

Craft brewing headlines have flooded newsfeeds over the last few years.

Early on, there was a shortage of hops in the United States, then a bloom as hops growers amplified production to stay ahead of new breweries' demands. Brewers had to learn to keep up with demands of their own. Just look at the growth of the three breweries that grew fastest from 2011 to 2012: Tennessee's Blackstone Brewery (by 1,190 percent) and Texas's Karbach Brewing (1,112 percent) and Austin Beerworks (394 percent).¹

All of these changes outpaced lawmakers' ability to adapt state and federal regulations governing beer production and distribution. And in cases where breweries blurred the line between traditional brewing companies, like Anheuser-Busch or Coors, and artisanal producers, like wineries, by wholesaling beer for distribution while selling the same brews on premises, laws were often too slack to equitably be enforced.

Even licensing was a challenge. In the state of Virginia, for example, a license

to brew could be denied for reasons as subjective as being "physically unable to carry out the business of brewing," lacking "good moral character" or failing "to demonstrate financial responsibility."

It was a situation understood all too well by vintner cousins, who often joked that once a bottle of wine was licensed at the state level, then federal regulators (whose regulations are often far less rigorous) would hand over licensure without batting an eye.

But communicating the complex economic interdependencies breweries shared with their neighbor industries through supply chains and distributors was limited to anecdotal evidence at best. This limited rhetorical stance held little ground for individual craft brewers who would sometimes have to stand toe-to-toe with Big Beer to try to move the regulatory line.

In 2005, The Association of Brewers and the Brewers' Association of America merged to form the Brewers Association, joining the disparate voices of over 28,000 brewing industry employees working for over 1,500 breweries under one banner to tell their industry's story in the United States. By 2013, the number of employees in the industry ballooned to 37,621 working for over 2,000 craft breweries. Craft brewing was on the rise. It was big. And it had found a new secret weapon.



1. newyorker.com/news/news-desk/idea-of-the-week-mapping-the-rise-of-craft-beer

Finding a Firm Footing

In 2013, Bart Watson joined the Brewers Association as chief economist. Together, they released a first-of-its-kind look at the economy-wide contribution of craft brewers in the United States. Watson gathered the annual economic activities of 2,347 craft breweries and used IMPLAN to model their economic impact across the nation and state-by-state. The analysis found that collectively, small and independent American craft brewers contributed \$33.9 billion to the U.S. economy in 2012 not only directly through its beer sales but also indirectly through its purchases of inputs and its hiring of labor.

“It’s easy for a local lawmaker maybe to see the individual impact that a location has,” explains Watson. “But for telling that collective story, economic impact analyses are very useful for aggregating the little anecdotes and entering them into a more sophisticated analysis. I think it’s also useful to see those ripples. It’s kind of one of the reasons you do an economic impact analysis in the first place. People may understand that craft brewing is producing a lot of beer these days, but seeing the impact on raw materials if you’re in one of those states—a barley state or a hops state—or seeing the further ripples in an economy, like having all of these workers and paying them these wages, tells a powerful story.”

Those economic ripples created 108,440 jobs directly at breweries and brewpubs, as well as supported more than 360,000 jobs throughout the national economy through supply chains, distribution, raw material production, retail, and tourism throughout regional economies, as well as through the spending of employee wages. In short, the craft

TOP 5 STATES BY OUTPUT

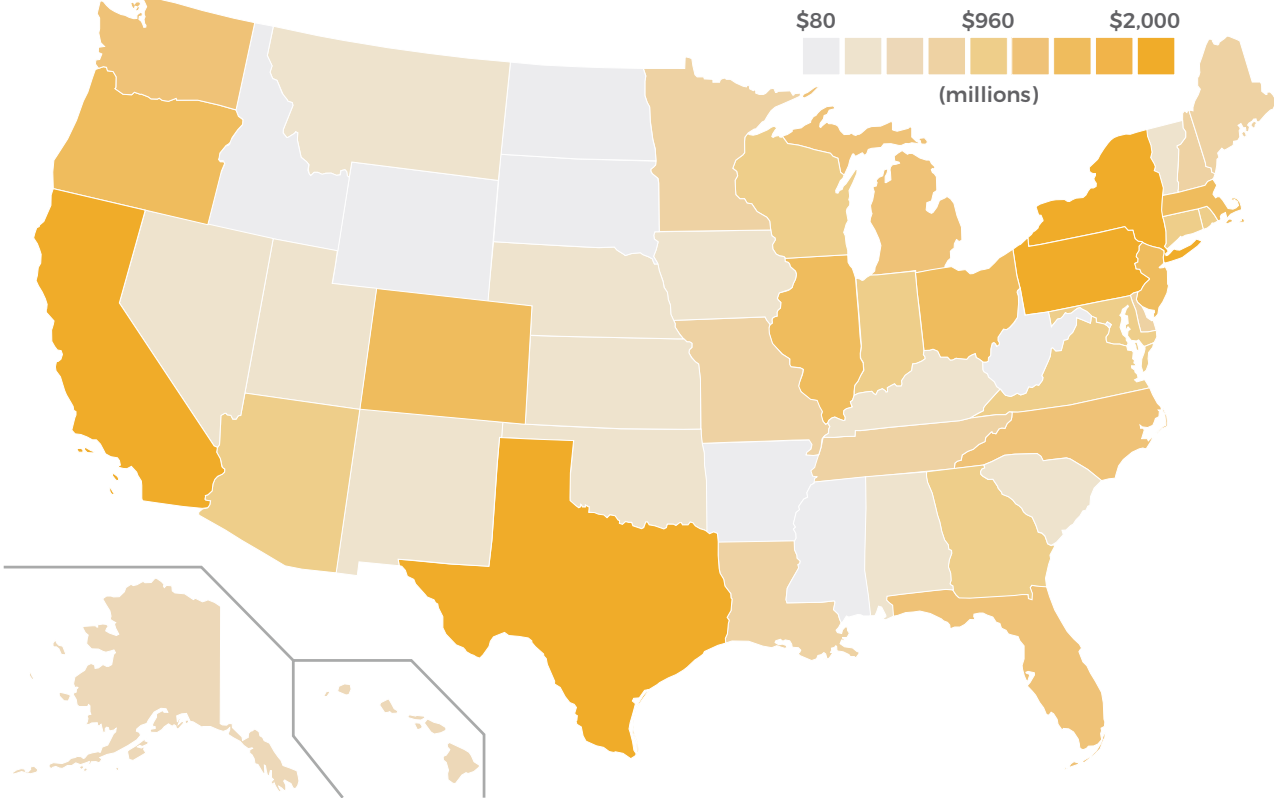
State	2012 Output
California	\$4.7 billion
Texas	\$2.3 billion
New York	\$2.2 billion
Pennsylvania	\$2 billion
Colorado	\$1.6 billion

TOP 5 STATES IN AGE 21+ OUTPUT PER CAPITA

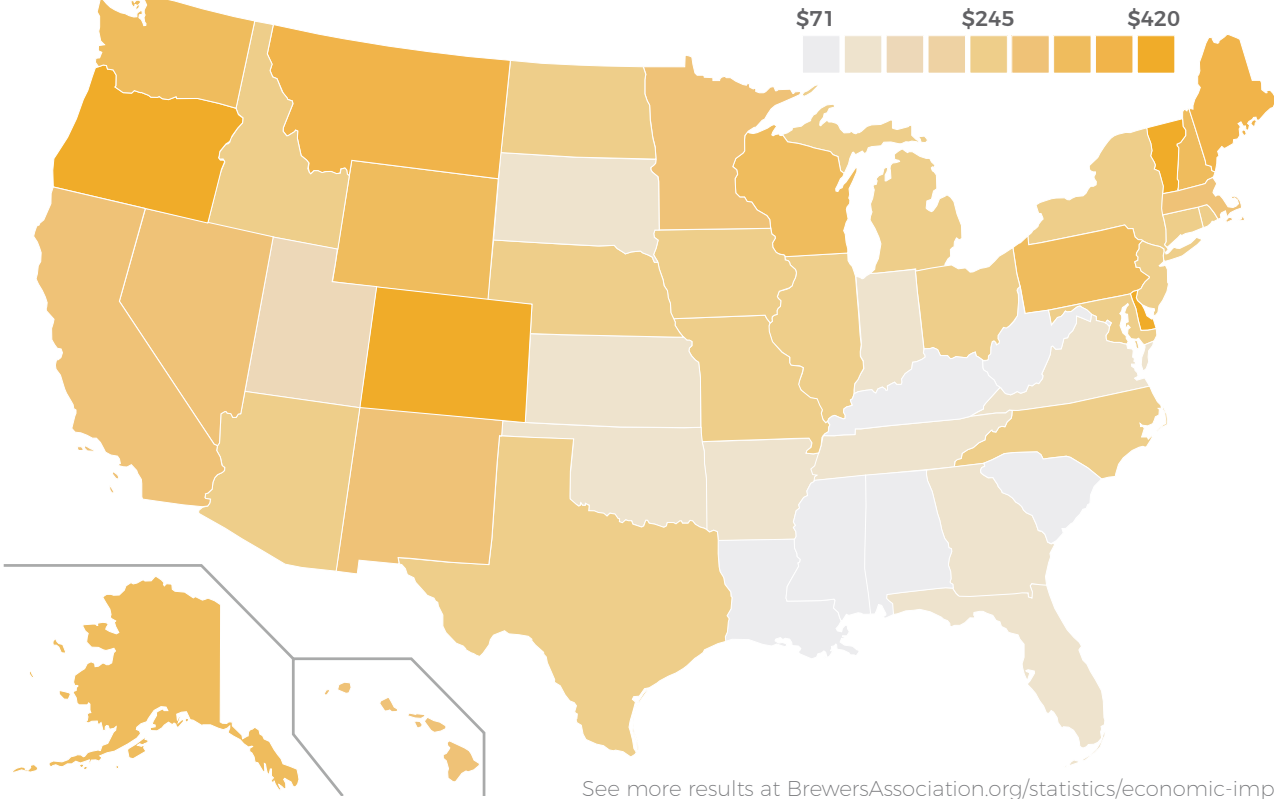
State	2012 Output/Capita
Oregon	\$448.56
Colorado	\$436.50
Vermont	\$418.57
Maine	\$324.36
Montana	\$315.37

brewing world had soundly established itself in the national economy with roots that reached nearly every other industry.

OUTPUT BY STATE



AGE 21+ OUTPUT PER CAPITA BY STATE



Climbing the Hill

Equipped with this new research, Brewers Association members and state brewing guilds forged relationships with legislators, met with lobbyists, and formed grassroots campaigns to clean up the regulatory landscape for the brewing industry.

“We use [impact analyses] to tell a story and explain why this explosion of small breweries is good for the economy and why, then, there may be regulatory tweaks you want to make to help further this industry and reap more benefits,” Watson said.

Notably, in 2013, South Carolina legislators passed the Pint Law, which allowed breweries to sell up to 48 ounces of beer to a patron for on-premises consumption. Since passing the law, the state saw 12 new breweries open. The Brewers Association and the South Carolina Brewers Guild modeled the economic impact that the law’s passage had on the state economy.

According to Brook Bristow, executive director of the South Carolina Brewers Guild, “The survey showed that the initial economic impact of these 12 new breweries is \$13.7M in South Carolina, accounting for nearly 140 jobs, \$5.5 million in wages, and providing an overall economic impact rise in craft beer in the state of 5 percent. The latest economic numbers indicated that South Carolina sees about a \$254 million economic impact from craft beer, with about 3,000 jobs directly attributable to it. With the new survey results and the additional

taproom sales from existing breweries, that number should now sit around \$275 million.”

Guilds in other states followed suit. In Arizona, craft brewers and distributors in the state supported 20,430 jobs, \$606,325,300 in wages, and had a total economic contribution of \$1,256,473,300. Craft brewing alone had a \$664 million impact and created 3,486 jobs in 2012. The Arizona Craft Brewers Guild and the Beer and Wine Distributors of Arizona collaborated on a bill, which state Sen. Kelli Ward sponsored and saw passed. The law allowed microbreweries to keep their restaurants, pubs, and employees as they grew and not force them to shut down successful establishments. It ensured that brewers, their businesses, and employees were not penalized for success by artificial bureaucratic limits.²

“I am proud to sponsor legislation that will allow the craft brewing industry to grow and continue employing people in my district and across Arizona,” Sen. Ward said. “This bill is a common sense solution that will protect the three-tier system, while at the same time, allow the craft brewing industry to become a point of pride for our state.”

Photo by Andy Feliciotti

The Follow-through

The Brewers Association's ongoing success is due in part to its ability to trumpet its members' economic impacts and social initiatives on a national level year over year.

And since that initial study back in 2013, state brewing guilds have taken advantage of economic impact and contribution analyses to tell their own stories.

"As a national organization we're primarily doing federal work." Watson said, "There's now a brewers guild in every state in the country. They're either using our numbers or commissioning their own."

Telling a state-level story allows guilds to add nuance to their analyses, highlighting the unique linkages that the brewing industry shares with other in-state industries or how the collective activities of brewers, distributors, and retailers impact their home economies.

WHAT CHANGED?

Top 5 states by output in 2012

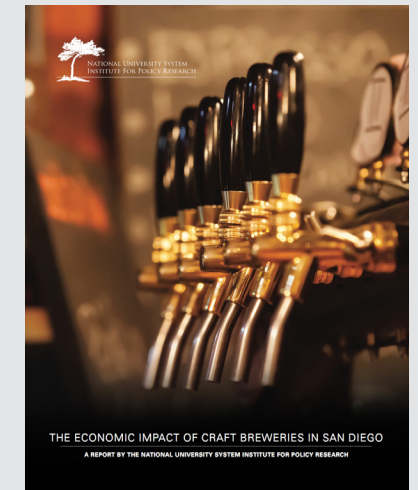
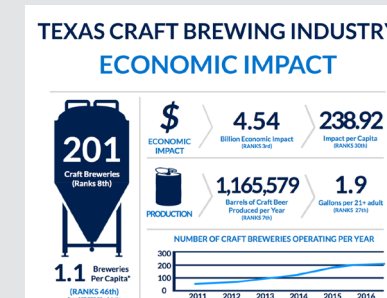
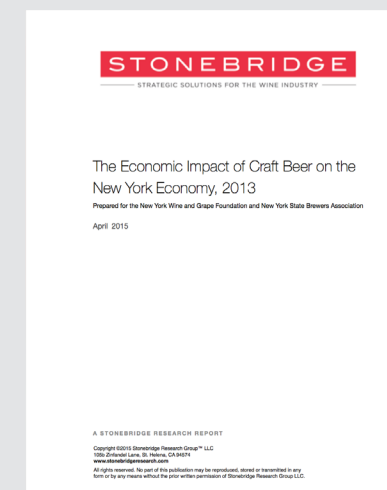
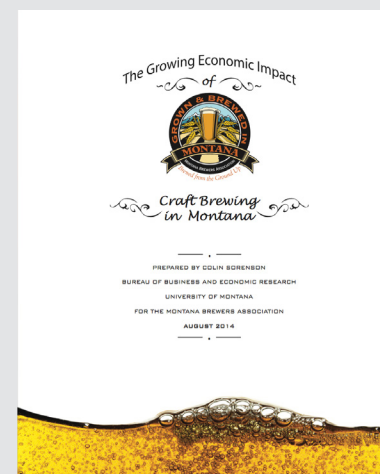
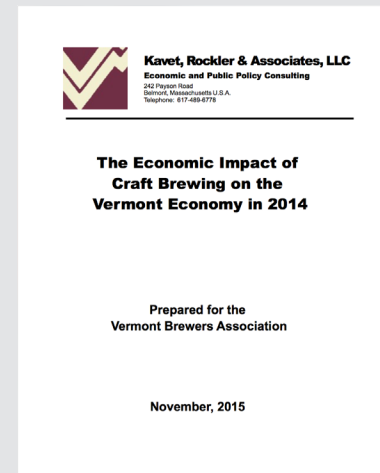
State	2012 Output
California	\$4.7 billion
Texas	\$2.3 billion
New York	\$2.2 billion
Pennsylvania	\$2 billion
Colorado	\$1.6 billion

Top 5 states by output in 2016

State	2016 Output
California	\$7.3 billion
Pennsylvania	\$5.8 billion
Texas	\$4.5 billion
New York	\$3.4 billion
Florida	\$3.1 billion

And as more refined economic data is made available, those early studies can be repeated or refined to better understand the industry's legacy from early days until today.

A HANDFUL OF THE ECONOMIC IMPACT STUDIES PUBLISHED SINCE 2013





The Takeaway

“This is really just one piece of the puzzle. You know, changing anything in the political process is challenging. This is not the thing that alone moves the needle, but it is part of telling that story of value creation and job creation that small brewers have. Doing this consistently has helped, too. It’s helpful not just being reminded of that impact, but seeing it grow over time as the industry has grown. I think that consistently telling that message again and again and seeing that growth over time helps when you’re trying to use these stories to affect change.”

—Bart Watson, chief economist for the Brewers Association

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