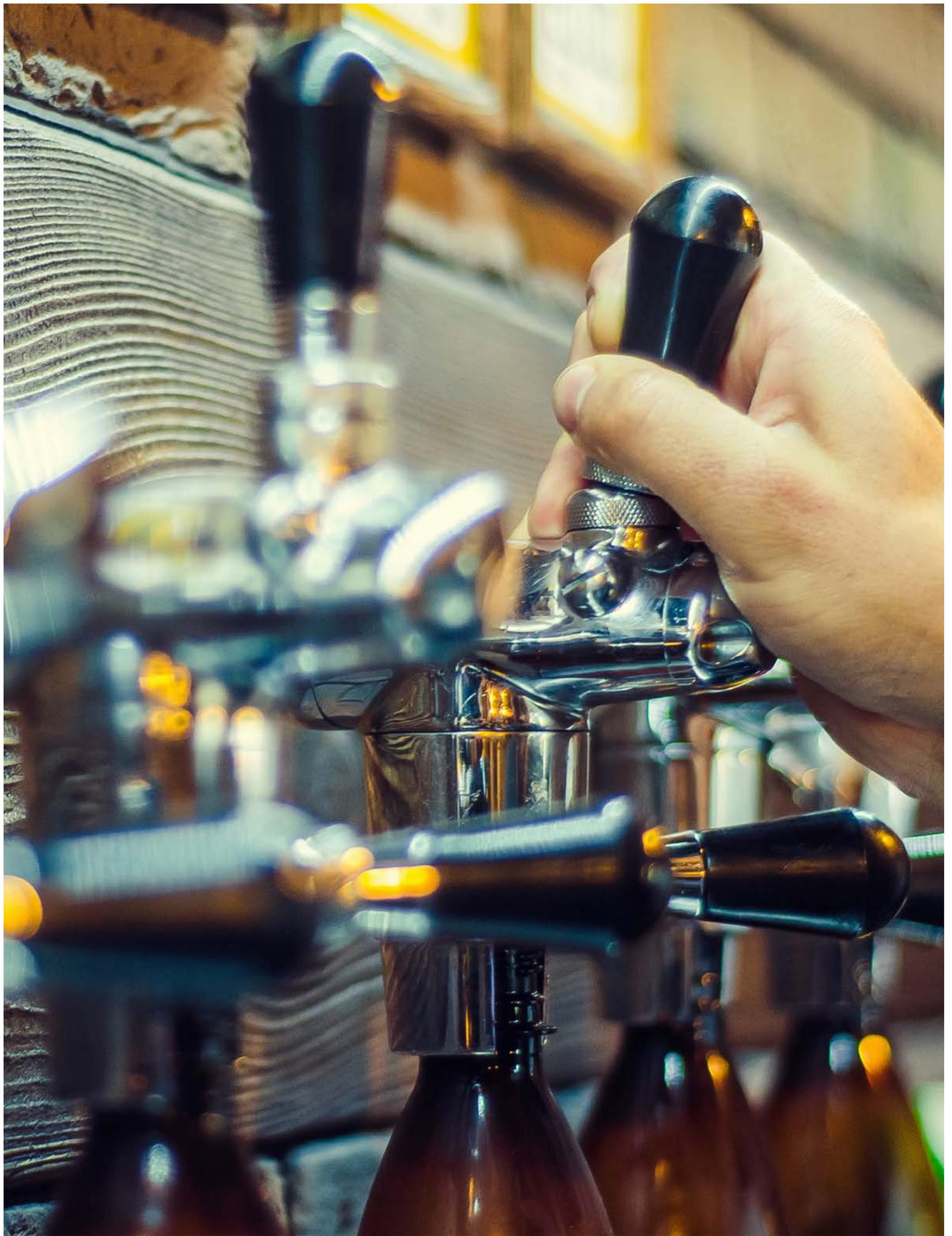


**THE
ECONOMIC
IMPACT OF
CRAFT BREWERIES
IN LOS ANGELES**

2015

NATIONAL UNIVERSITY SYSTEM
INSTITUTE FOR POLICY RESEARCH



LA's craft brewing industry generates short-term economic impacts through large capital investments, equipment purchases, and the construction of new manufacturing facilities and brew pubs.

EXECUTIVE SUMMARY

Since January 2014, the total number of craft breweries in Los Angeles County has more than doubled. To bring greater awareness to this rapidly growing sector, the National University System Institute for Policy Research (NUSIPR) evaluated industry data and measured its economic impact in the region.

OVERALL, WE FOUND THAT:

- Craft breweries are a rising economic power in the Los Angeles region. Based on survey responses and business records, NUSIPR estimates that brewers and brewpubs this year will have a \$66 million direct economic impact in Los Angeles County.
- The economic contribution of craft brewers is greater than the economic impact of Anime Expo (\$55 million), LA's largest annual convention. NUSIPR also projects that the industry will generate \$91.5 million in sales and \$10.9 million in sales tax revenue in calendar year 2015.
- Los Angeles's craft brewing industry is growing rapidly. Half of the brewery licenses in the LA region have been issued since 2014.
- Less than a quarter (21%) of industry jobs are brewing-related. Overall, the county industry employs 993 workers, most of which work in non-brewing occupations, such as hospitality, sales, and transportation.



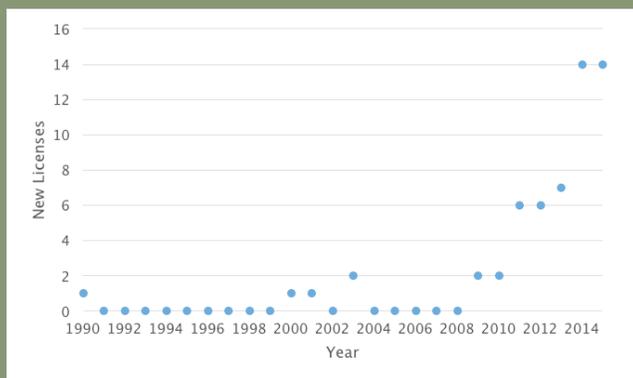
OVER THE LAST FEW YEARS,
COMMERCIAL INTEREST IN CRAFT
BREWING HAS SKYROCKETED
ACROSS THE UNITED STATES.

CRAFT BREWING

Craft breweries are small, independent brewers that produce less than six million barrels a year and mainly brew all-malt beers.¹ Craft beer is typically more expensive than the beer of major distributors and earns higher profit margins. Another hallmark of craft breweries is that they are experimental, often producing unique recipes and styles, seasonal beers and limited release editions. Most breweries are small production enterprises with few employees and as of 2015 there are more than 3,400 craft breweries operating in the United States.

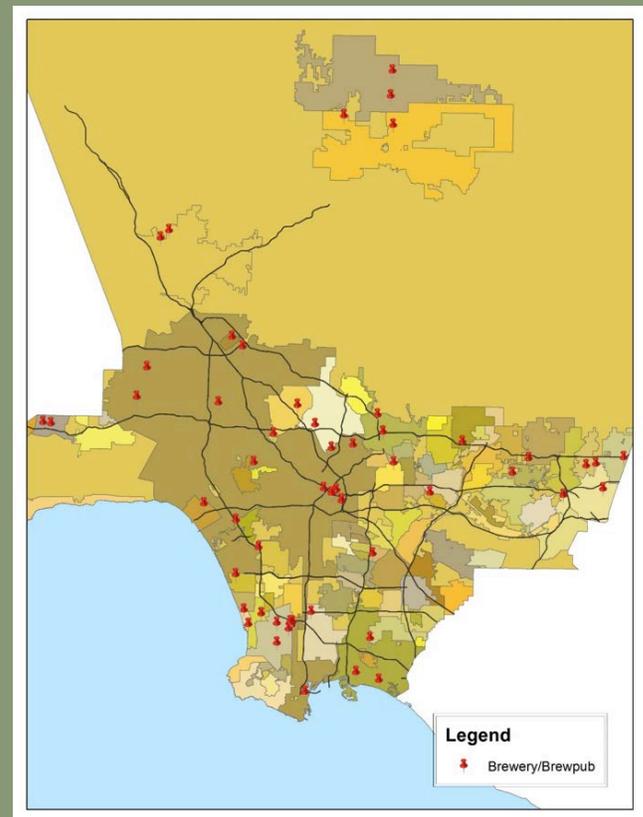
Over the last few years, commercial interest in craft brewing has skyrocketed across the United States. Los Angeles has been part of that explosion in interest. More than half of all new brewery licenses in LA County have been issued in the last two years.² From state alcohol license records and Internet searches, NUSIPR identified approximately fifty-four craft breweries and brewpubs operating in Los Angeles, the second-highest tally in California, behind only San Diego (115).

CHART 1: NEW CRAFT BREWERY LICENSES IN LOS ANGELES COUNTY, BY YEAR



Los Angeles breweries are fairly dispersed throughout the county, but can be found clustered in the downtown Arts District, the South Bay (Torrance/Redondo Beach/Hermona Beach), and along the Interstate 210.

FIGURE 1: LOS ANGELES BREWERIES, BY LOCATION

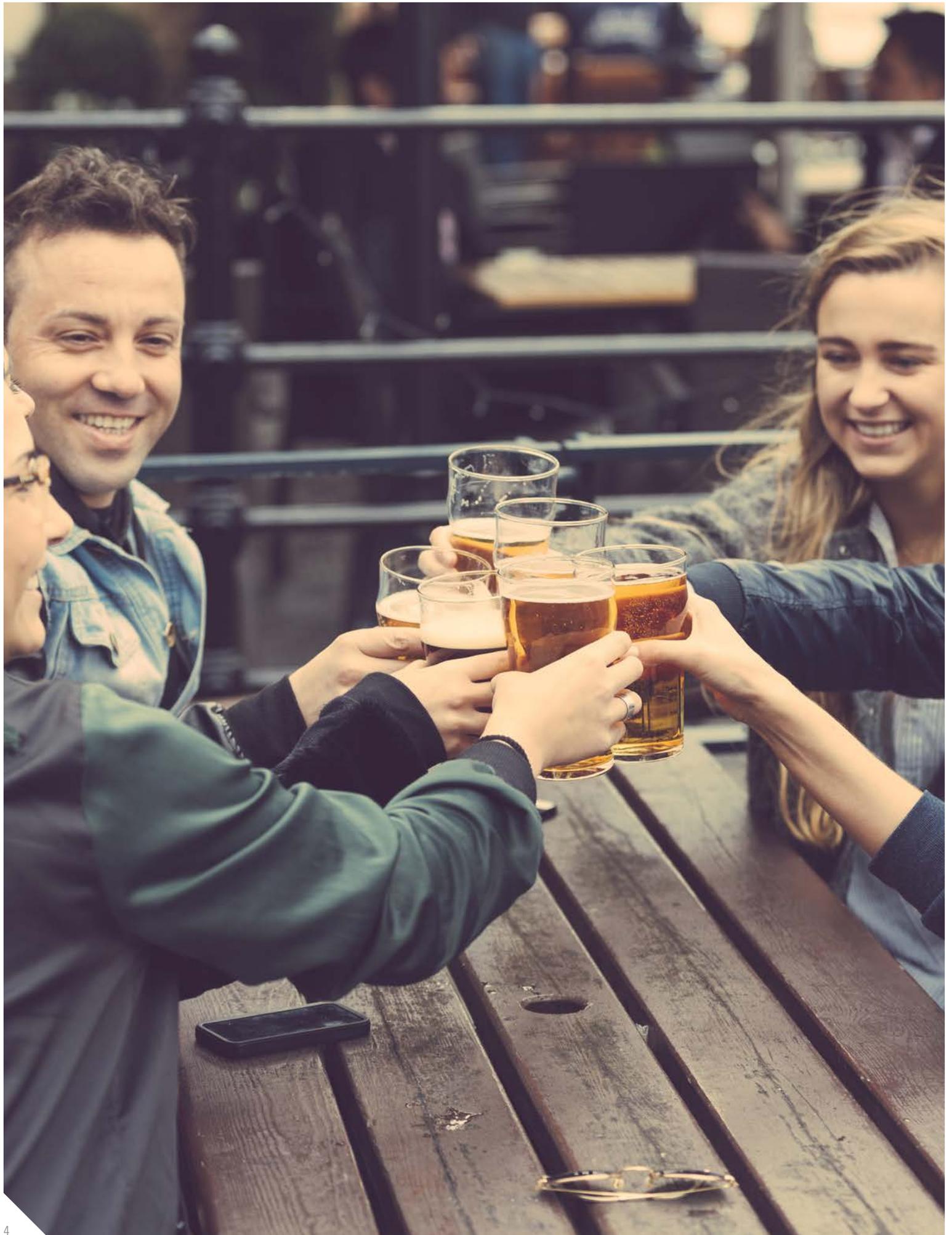


BREWERIES & THE LOS ANGELES ECONOMY

“Economic impact” aggregates the direct spending by breweries and brewpubs (and their employees) on goods and services in a geographic region with the “multiplier effect” that is created when industry dollars are recirculated in the local economy. Specialized software programs are used that calculates the economic effects within a region using economic models, proprietary algorithms and business sector data. For economic analyses, NUSIPR uses IMPLAN, a leading regional input/output model. Input/output models are an econometric technique used to explore economic relationships within a designated geography.

To estimate the LA craft brewing industry’s economic impact, NUSIPR distributed surveys electronically in late-August 2015 to all county breweries and brewpubs in Los Angeles County. We asked for information on their current headcount and projected total sales figures for 2015. In cases where we received no responses, NUSIPR created estimates using public business records from ReferenceUSA, as well as methodology from prior craft brewery economic reports. Overall, we received a 27% response rate.

Based on survey responses, we project that in 2015, Los Angeles craft breweries will generate a \$66 million direct regional economic



impact. To put this figure in perspective, the Anime Expo, Los Angeles's largest convention, produced a \$55 million regional economic impact in 2014.³ We also estimate that industry sales will reach more than \$91.5 million by the end of 2015, generating an estimated \$10.9 million in sales tax revenue. In comparison, NUSIPR found that in 2014, San Diego County craft brewers generated a \$600 million economic impact, totaling more than \$847 million in sales.⁴

From survey responses, we identified a total of 993 direct brewpub and brewery jobs in Los Angeles County, 213 of which are "brewing-centric" jobs, as well as 780 non-brewing positions. These non-brewing jobs include occupations such as hospitality, sales, administration, and transportation.⁵ We further calculated that breweries and brewpubs in Los Angeles indirectly supported an additional 341 jobs.⁶ Overall, the industry sustained or created approximately 1,334 jobs in the region.

It's important to note that LA's craft brewing industry also generates short-term economic impacts through large capital investments, equipment purchases, and the construction of new manufacturing facilities and brew pubs. Craft beer tourism is also slowly being recognized as a travel phenomenon that Los Angeles may be experiencing to a limited degree.

ENDNOTES

- 1 "Craft Brewer Defined." Brewers Association website. Accessed September 10, 2015. <<https://www.brewersassociation.org/statistics/craft-brewer-defined/>>.
- 2 California Department of Alcoholic Beverage Control (ABC). The ABC issues two main licenses to craft breweries. Type 23 licenses are for "small beer manufacturers" that produce up to 60,000 barrels per year. Type 1 licenses are for larger breweries that produce more than 60,000 barrels per year.
- 3 Los Angeles Tourism & Convention Board.
- 4 "News & Notes: Economic Impact of Craft Brewing in San Diego – 2015 Update." National University System Institute for Policy Research. February 2015. <http://www.nusinstitute.org/assets/resources/pageResources/Econ_Impact_Craft_Brewing_SD_2015.pdf>.
- 5 "Brewing-centric jobs" include positions at breweries and brewpubs that directly involve the brewing process.
- 6 This relatively strong "multiplier effect" observed is partly due to the high percentage of industry revenues that stay within the region as well as the relatively good wages earned by brewery workers.

ABOUT THE NATIONAL UNIVERSITY SYSTEM INSTITUTE FOR POLICY RESEARCH

The National University System Institute for Policy Research (NUSIPR) is a non-partisan, non-profit organization that formulates and promotes high quality economic policy, and public opinion research so as to improve the efficiency and effectiveness of local governments and to improve the quality of life enjoyed by the region's residents in the regions National University serves.

NUSIPR publishes regular independent research and analysis for the public on a range of topics, including unemployment, business growth, and regional economic indicators. The Institute also works collaboratively with clients to develop high quality research products that are tailored to their requirements.



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