



NATIONAL UNIVERSITY SYSTEM
INSTITUTE FOR POLICY RESEARCH



THE ECONOMIC IMPACT OF CRAFT BREWERIES IN SAN DIEGO

A REPORT BY THE NATIONAL UNIVERSITY SYSTEM INSTITUTE FOR POLICY RESEARCH

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One of the fastest growing business sectors in San Diego this decade has been craft brewing. Since 2011, the total number of craft breweries in the region has more than doubled. In addition, San Diego's craft brewers contribute to the region's tourism industry dollars by hosting year-round events, festivals, and facility tours. The National University System Institute for Policy Research (NUSIPR) evaluated labor data from San Diego's craft brewery industry and measured its economic impact within the region.

EXECUTIVE SUMMARY

- **Craft breweries have a significant regional economic impact.** In 2011, brewers and brew pubs generated a \$299.5 million direct economic impact in San Diego County.
- **The economic contribution of craft brewers is more than 1 ½ times greater than the economic impact of Comic-Con International, San Diego's largest annual convention.** NUSIPR also found that the industry made \$680.8 million in sales, and sustained or created 2,796 jobs that year.
- **San Diego's craft brewing community is growing rapidly.** More than half of the brewery licenses in the region have been issued since 2011. Larger, more established brewers are also expanding and adding new locations. Given that expansion, when 2012 figures are released we expect to find an even larger economic impact.
- **In addition, brewery tourism is an important part of San Diego's visitor industry.** Unlike seasonal attractions, brewery tourism occurs year-round, and most of the major industry events in the region occur during non-peak visitor months. Readers should note that because of data and methodological limitations, the figures above do not include the impact of beer-related tourism.



CRAFT BREWING

Craft breweries are small, independent brewers that produce less than six million barrels a year and mostly focus on 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 varietals, seasonal beers and limited release editions. Most breweries are small production enterprises with few employees. Tracing its roots back to the 1970s, today there are more than 2,300 craft breweries operating in the United States.

The State of California's Department of Alcoholic Beverage Control (ABC) issues two main licenses to craft breweries. Type 23 licenses are for "small beer manufacturers" (brew pubs, micro-breweries) 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. The ABC data reveals just how extensive craft brewing is in California and how its epicenter is located in San Diego County.

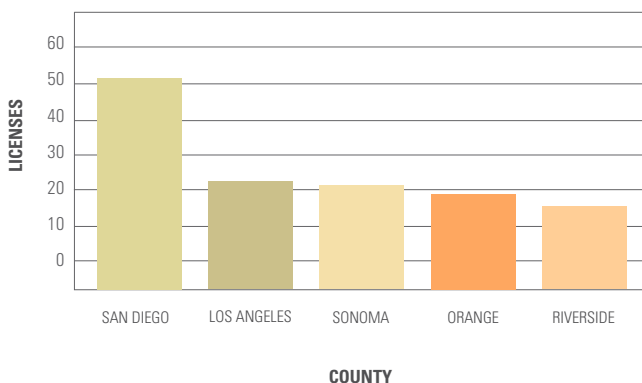


CHART 1: TOP FIVE TYPE 23 LICENSE COUNTIES, JUNE 2012



¹"Craft Brewer Defined." Brewers Association website. Accessed April 1, 2013. <<http://www.brewersassociation.org/pages/business-tools/craft-brewing-statistics/craft-brewer-defined>>.



CRAFT BREWING IN SAN DIEGO

The success of San Diego craft brewers is commonly attributed to the early rise of many creative and talented breweries who challenged the marketplace dominance of mass-market brewers like Anheuser-Busch, Miller, and Coors. Early entrants to the San Diego market include Bolt Brewery (1986), Karl Strauss Brewing Company (1989), Mission Brewery (1989) and Callahan’s Pub & Brewery (1990). Ballast Point and Stone Brewing Company opened in 1996.

Also important to the reputation of San Diego craft beer and brewing culture is the guidance of the San Diego Brewer’s Guild. Founded in 1997, the mission of the San Diego Brewer’s Guild is to help educate new brewers and promote public awareness of local craft beer.

Over the last few years, commercial interest in craft brewing has skyrocketed throughout San Diego. In fact, more than half of all new brewery licenses in San Diego County have been issued in the last two years.

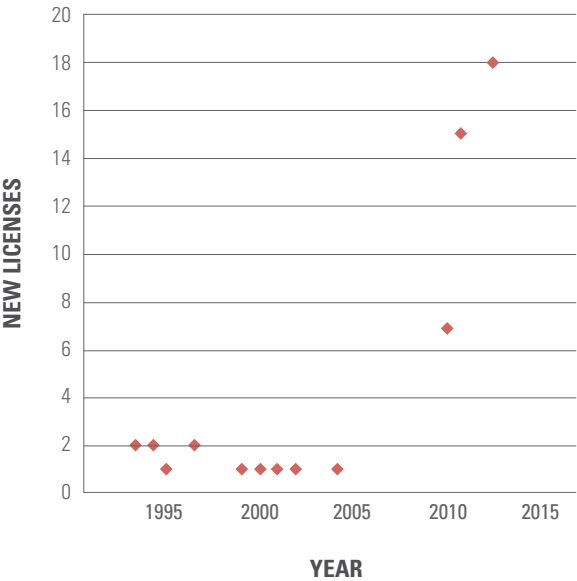


CHART 2: NEW CRAFT BREWERY LICENSES IN SAN DIEGO COUNTY, BY YEAR

The region’s first breweries were established mostly within suburban and rural industrial areas. Newer breweries are drawing closer to San Diego’s urban core. Today, breweries are generally clustered in three main areas: the “North County” multijurisdictional region and the San Diego City neighborhoods of Mira Mesa and North Park.

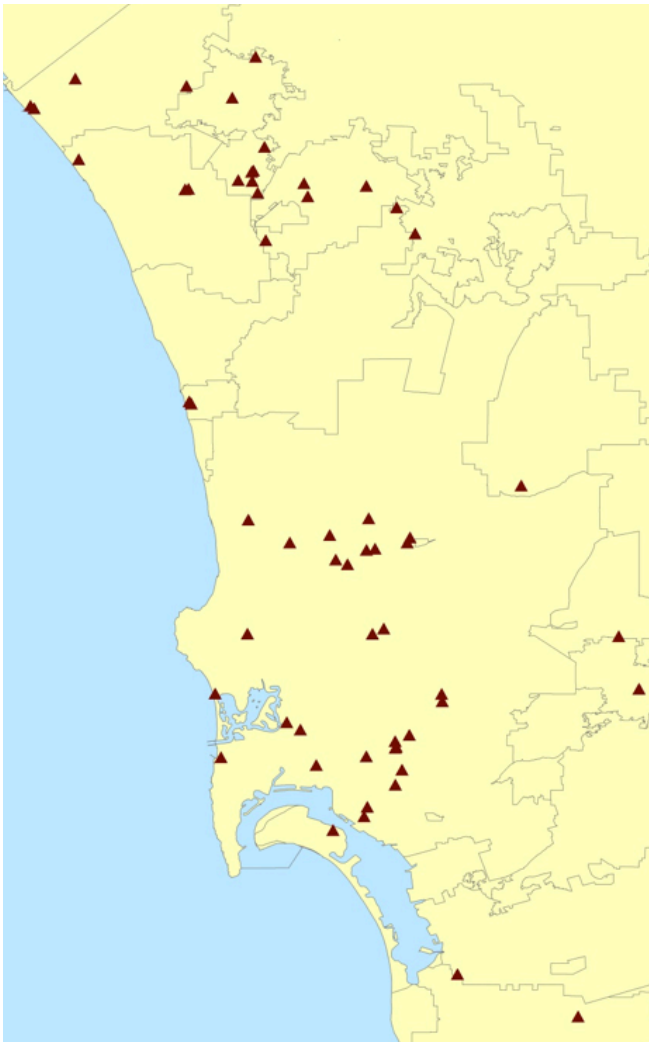


FIGURE 1: SAN DIEGO BREWERIES, BY LOCATION

BREWERIES & THE SAN DIEGO ECONOMY

To estimate the industry's economic impact, NUSIPR collected industry workforce information to estimate the number of employees at local breweries. For brewpubs and other eating establishments, we relied upon permit data collected by San Diego County's Department of Environmental Health. In cases where jobs numbers were missing or unavailable, NUSIPR used the methodology created to calculate brewery and brewpub employment in prior craft brewery economic reports.

Overall, we found that in 2011, San Diego craft breweries generated a \$299.5 million direct regional economic impact, as well as \$680.9 million in sales.² This translates to 1,047 direct brewpub and 497 direct brewery jobs in San Diego County.³ To put this figure in perspective, Comic-Con International, San Diego's largest convention, generates a \$180 million regional economic impact.⁴

We further calculated that breweries and brewpubs in San Diego indirectly supported an additional 1,252 jobs. 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. Overall, the industry sustained or created approximately 2,796 jobs in the region.

Brewery Workers	497
Brewpub Workers	1,047
Total Brewery Industry Jobs	1,544
Total Jobs Created/Sustained by Brewery Industry	2,796

TABLE 1: CRAFT BREWERY JOBS IN SAN DIEGO, 2011

²Figure has been adjusted to 2013 dollars.

³"Brewery jobs" include positions at brewpubs that directly involve brewing operations.

⁴Press Release. San Diego Convention Center. "San Diego Convention Center 2012 Forecast." Page 2. Accessed April 1, 2013. <<http://www.visitsandiego.com/resources/2012forecast.pdf>>.

In addition to permanent economic impacts, the craft brewing industry in San Diego likely generates a significant amount of short-term impacts through large capital investments, equipment purchases, and the construction of new manufacturing facilities and brew pubs. Recent multi-million dollar expansion plans include Stone's new 22,000-square-foot brewpub at Liberty Station, Coronado's new 14,000-square-foot facility in Linda Vista, and Green Flash's 44,200-square-foot headquarters in Mira Mesa. As of the writing of this brief, half of the craft breweries in the county are located in redevelopment areas. This trend seems to be accelerating with 57 percent of the brewery licenses issued since 2011 locating in redevelopment areas.



BREWERY TOURISM

In addition to the economic impact of breweries and brewpubs, San Diego's brewing industry is an important driver of regional tourism. In October 2012, Greg Koch, Stone Brewery CEO and co-founder, remarked that Stone Brewery's facility in Escondido is the third largest visitor destination in North County (after the San Diego Zoo Safari Park and Legoland).⁵

Many of the larger San Diego breweries offer facility tours, provide event space, and have active event calendars. Additionally, more than half a dozen independent tour guide companies provide brewery tours. Craft brewers also receive support from industry boosters. The San Diego Tourism Authority promotes brewery tourism under the "What to Do" section of its visitor website and provides a directory of local breweries.⁶ The San Diego Brewers Guild also provides an updated illustrated map of the region's breweries and brewpubs on its website.⁷

Most large-scale industry events in San Diego are scheduled during the non-peak tourist seasons of autumn and early spring (see Table 1).

EVENT	DATE	Est. Attendance
San Diego Winter Brew Fest	Early February	2,000
Epic Beer Festival	Mid-March	2,000
CityBeat Festival of Beers	Late April	2,000
Beerfest at PETCO Park	Early May	27,054 ⁸
San Diego International Beer Festival	Late June	9,700
San Diego Brew Fest	Early July	2,500
Stone Brewery Anniversary Celebration & Invitation Beer Festival	Mid-August	-
Beerfest at PETCO Park	Early September	25,403 ⁹
San Diego Festival of Beer	Early September	5,000
San Diego Beer Week	Early November	20,000+



⁵Craft Beer Debates Forum, San Diego, September 12, 2012.

⁶<http://www.sandiego.org/what-to-do/dining-nightlife/breweries.aspx>

⁷http://www.sandiegobrewersguild.org/wp-content/uploads/2013/03/SDBG_Brochure-2013-WEB.pdf

⁸Note: this figure represents total baseball game attendance for the May 2012 Padres game, not the total number of patrons who participated in the Beerfest promotional event.

⁹Note: this figure represents total baseball game attendance for the September 2012 Padres game, not the total number of patrons who participated in the Beerfest promotional event.



The largest craft brewing event in the region is San Diego Beer Week, which features more than 500 events and lasts from early to mid-November. Beer Week brings more than 20,000 participants to San Diego County. An analysis of the 2011 San Diego Beer Week found that approximately 3,612 room nights were created due to industry events, yielding \$469,307 in additional hotel revenue.¹⁰

While no visitor profile of San Diego brewery tourists has been compiled, some existing literature sheds light onto the subject. A 2012 study from the University of North Carolina found that among brewery patrons surveyed, 38 percent were tourists. Investigators also found that brewery tourists were mostly married, highly educated men with jobs and disposable income. Among brewery tourists, 75 percent had completed a bachelor's degree or higher level of education, 71 percent were employed full-time, and 51 percent have a household income of \$80,000 a year or higher. The study also found that most tourists travel with either friends or a spouse, and made plans to visit 2.08 breweries. Of particular interest to the hospitality industry, the majority of brewery tourists indicated in their responses that they were staying overnight (58.5 percent) for an average of 3.16 nights, mostly with either friends or family (28.1 percent), or at a hotel or motel (28.1 percent).

¹⁰ VisionQuest Wealth Management. "2011 San Diego Beer Week Room Night Analysis."





CONCLUSION AND NEXT STEPS

Craft brewers are creating jobs, tourism visits, and tax revenue at a time when the region continues to slog through its economic recovery. While the industry's meteoric growth rate isn't expected to continue indefinitely, stronger partnerships and greater research may yield more economic benefits for both San Diego and the brewing community.

According to other industry studies, few brewery tourists learn about craft breweries from visitor bureaus and other tourist outlets. More collaboration between the San Diego Brewers Guild and the San Diego Tourism Authority could increase investment and energy in promoting craft brewers alongside other major regional destinations. Moreover, understanding who is visiting breweries, as well as what motivates their visits, could help tourism proponents market the industry more effectively to prospective patrons. A visitor survey could provide findings about brewery tourists and local patrons that would be useful to brewers as well.

ABOUT THE NATIONAL UNIVERSITY SYSTEM INSTITUTE FOR POLICY RESEARCH

The National University System Institute for Policy Research (NUSIPR) is a nonpartisan, nonprofit organization that formulates and promotes high-quality economic policy and public opinion research to improve the efficiency and effectiveness of local governments in San Diego County and to improve the quality of life enjoyed by the region's residents.

NUSIPR regularly publishes independent research and analysis for the public on a range of topics, including unemployment, business growth, and the San Diego housing market. The Institute also works collaboratively with clients to develop high-quality research products that are tailored to their policy needs.

