



Economic and Social Impact of LA County Independent Craft Breweries in 2017

Commissioned by the Los Angeles County Brewers Guild



Photos Courtesy of: Iron Triangle Brewing Company



Photo Courtesy of: MacLeod Ale Brewing Co.



Photo Courtesy of: Los Angeles County Brewers Guild



Photo Courtesy of: Frogtown Brewery



Photo Courtesy of: Boomtown Brewery



EXECUTIVE SUMMARY

This report was commissioned by the Los Angeles County Brewers Guild (LABG) to measure the economic and social impact that independent craft breweries have on LA County.

Craft breweries are contributing to the LA County economy through investment, production, sales, and employment. In 2017, LABG member breweries generated approximately \$96 million of economic impact, 796 jobs, and \$34 million of labor income in LA County. This economic impact represents a 45% increase relative to a 2015 study by the National University System Institute for Policy Research (NUSIPR). LABG member breweries' economic activity generated \$22 million in tax revenue, of which \$13 million went to state and local municipalities. In addition to their economic and tax impact, these breweries are active in supporting their communities through charitable giving, providing event space, and engaging with other local businesses.

With the growth of craft beer nationally and in LA County more specifically, expectations for the industry in the near term are high amongst LABG member breweries. The craft beer industry in LA County is nascent as compared to similar municipalities and there is still room for further customer penetration and growth.

2017

LOS ANGELES COUNTY CRAFT BEER

\$96M

Total Economic Impact

74

LABG
Member
Breweries

\$61M

Brewery Revenue

90k

Barrels Produced

\$13M

State and Local Tax Revenue

796

Jobs Created

\$34M

Labor Income Generated

1.8M

Brewery
Visitors



labrewersguild.org    [@labrewers](https://twitter.com/labrewers)

Figures based on survey results from 60 LABG member breweries.



WHAT IS A CRAFT BREWERY?

According to the Brewers Association, the national trade group of craft breweries, an American craft brewer is small, independent, and traditional:

- The craft brewery produces fewer than six million barrels of beer annually
- Less than 25% of the craft brewery is owned or controlled by an alcohol industry member that is not itself a craft brewer
- A majority of the craft brewery's total alcoholic beverage volume is beer, whose flavor derives from traditional or innovative brewing ingredients and fermentation. Flavored malt beverages (FMBs) are not considered beers

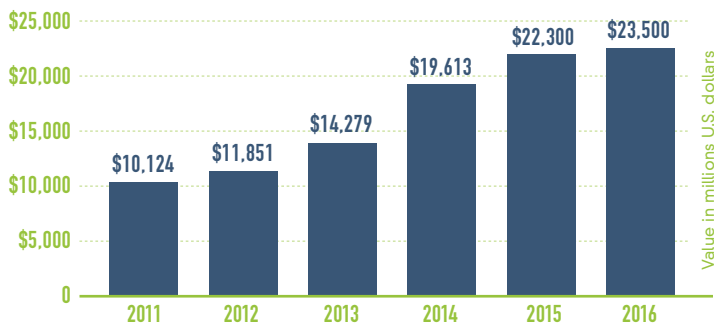
HOW IS CRAFT BEER GROWING ACROSS THE U.S.?

The American craft beer industry has grown rapidly over the last five years. Craft beer generated \$23.5 billion in retail sales nationwide in 2016 as compared to \$10.1 billion in retail sales in 2011, a 5-year CAGR of 18.3%. Craft beer now maintains a 21.9% market share of the overall American beer market by revenue.



LA Beer Week 2017 Photo Courtesy of Los Angeles County Brewers Guild

U.S. Craft Beer Retail Sales



As the craft beer industry grows, multi-national beer producers have acquired craft breweries that were previously independent. To educate consumers and provide transparency, the Brewers Association launched a seal in 2017 to identify beers produced by independent craft breweries. The seal has been adopted by over 2,700 craft breweries, representing 75% of domestic, independent craft beer production.

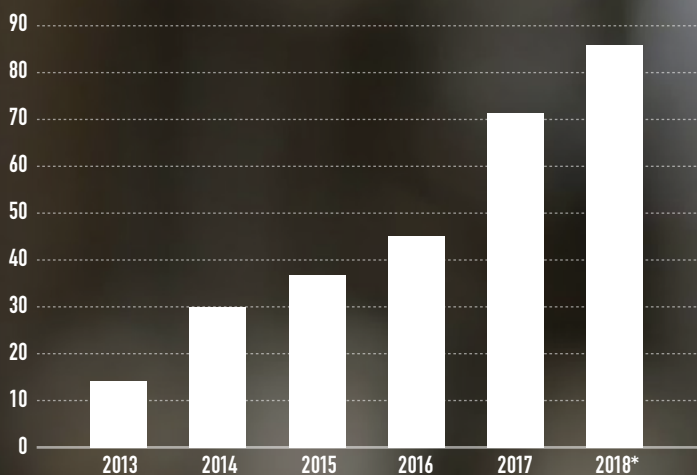


Brewers Association's Independent Craft Brewer Seal

WHAT IS THE LOS ANGELES COUNTY BREWERS GUILD (LABG)?

The mission of the LABG is to promote and protect local, independently-owned craft breweries and advocate for the strengthening of the craft beer industry in LA County. The Guild was founded in 2013 with 14 member breweries and has since grown to 74 as of February 2018. No LABG member breweries have closed since the formation of the Guild.

LABG Member Breweries



To qualify as an LABG member, breweries must produce at least 50% of their beer in LA County

*2018 growth projected by LABG

In addition to hosting member meetings and supporting members on legislative efforts, the LABG also organizes and sponsors events such as LA Beer Week and LA Beer and Food Festival. These events not only bring awareness and exposure to LABG breweries, but also draw over 3,000 visitors per year from inside and outside of LA County.





TOTAL ECONOMIC IMPACT OF THE LABG MEMBER BREWERIES

In 2017, LABG member breweries created \$96 million of economic output, 796 jobs, and \$34 million of labor income in LA County. The economic impact of craft beer in LA County has grown \$30 million, or 45%, since 2015, reflecting the increasing number of breweries in the county and the rising popularity of craft beer among LA County consumers.

LABG ECONOMIC IMPACT (2017)

	Economic Output (\$M)	Jobs	Labor Income (\$M)
Direct Effect	\$61	603	\$22
Indirect Effect	\$16	70	\$6
Induced Effect	\$19	123	\$6
Total Impact	\$96	796	\$34

- **Direct Effect:** This is defined as revenue and employment directly attributable to the focus industry. (i.e. Total sales of beer, food, and merchandise by LABG member breweries.)
- **Indirect Effect:** This is defined as the value of goods and services that were purchased as inputs to create a product. (i.e. LABG member brewery expenses on input materials that are sourced from LA County suppliers)
- **Induced Effect:** This is the multiplier effect that occurs as workers in the direct and indirect industries spend their earnings on goods and services within the region (i.e. LABG employee uses wages to pay rent)

Additionally, the LABG member breweries generated \$22 million of tax revenue, of which \$13 million went to state and local governments.

LABG TAX IMPACT (2017)

Tax Municipality	Tax Impact (\$M)
Federal	\$9
State	\$6
Local	\$7
Total	\$22



Photo Courtesy of: Alosta Brewing Co.



BREWYARD



GLENDAL, CALIFORNIA

BREWYARD



Sunday Morning Joe

Pale Ale'd Lager w/ Rocchio
Ethiopia Yirgacheffe Coffee
1 PT. 6 FL. OZ. ALC. 5.5% BY VOL



HOW DO LABG BREWERIES IMPACT THE LA COUNTY ECONOMY AND COMMUNITY?

REVENUE

In 2017, LABG member breweries produced 90k barrels of beer and realized \$61M in total revenue, averaging approximately \$1M per brewery. This total represents an increase of 46% from the \$46M of revenue earned in 2016.

Broadly defined, there are two main distribution channels for beer produced by breweries. Overall, 65% of beer sales are on-site for LABG breweries, and 35% are done through distributors.

According to LABG member brewery estimates, 67% of the beer that is distributed outside of the brewery stays within LA County. When combined with beer that is sold on-site, 90% of all LABG beer is sold within LA County.

INVESTMENT, EXPENDITURES, AND EMPLOYMENT

Since the re-establishment of the LA County craft brewing scene in 2009, LABG member breweries have invested \$65M in the building and expansion of their production and retail facilities.

In 2017, LABG member breweries spent \$44M on business expenses including cost of goods, labor, marketing and sales, distribution, and overhead. Of these expenses, 60% were paid to LA County businesses and employees.

LABG brewers directly employed 310 full-time workers and 583 part-time workers in 2017 for a total of 893 employees. This is equivalent to 603 full-time equivalents if each part-time worker is assumed to work 20 hours per week. These employees were paid a total of \$19M in salary and benefits in 2017. The average full-time annual salary was \$66,452 and the average part-time wage was \$13 per hour (does not include tips).

LABG MEMBER BREWERY EMPLOYEE TYPES	
Types of Employees	Number of Full-Time Equivalents
Brewery Production	183
Restaurant and Taproom	354
Other	66
Total	603



Photo Courtesy of: REV Winery & Brewery



Photo Courtesy of: Smog City Brewing Co



CHARITABLE GIVING

While the breweries are still young, the vast majority of LABG member breweries give back to their local communities through charitable donations.

A prime example of charitable giving was Iron Triangle's production of Land of Fire Red IPA – a collaboration beer with Fire Hogs Motorcycle Club. The beer was dedicated to the men and women of the Los Angeles City Fire Department and one dollar for every Land of Fire purchased was donated to the Widows, Orphans & Disabled Firemen's Fund. In addition to charitable donations, LABG member breweries also donate event space for local events.

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LABG MEMBER BREWERY CHARITABLE DONATIONS 2017

Donation to Community Charities/Non-Profits	Percentage of LABG Breweries Participating	Total Donations Across LABG Breweries
Funds	78%	\$365,000
Barrels	90%	\$455,000 <small>retail value</small>
Volunteer Hours	68%	7,100 hrs

Includes proceeds from sponsored nights or beers brewed for charity.



Photos Courtesy of: Iron Triangle Brewing Company



Photo Courtesy of: 8 one 8 Brewing



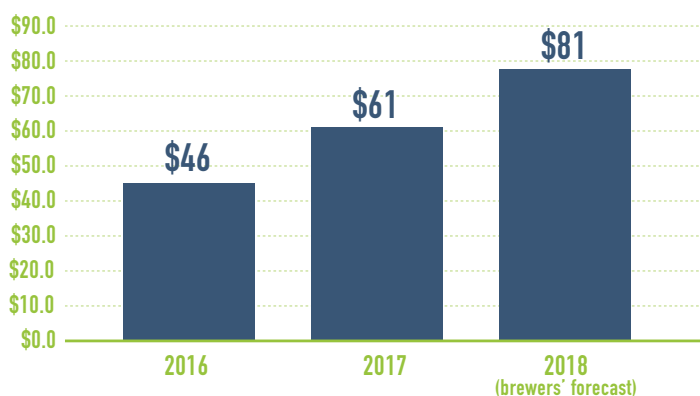


WHAT TO EXPECT FOR THE FUTURE OF THE LABG

In 2018, LABG member breweries expect production numbers to grow to 135k barrels and \$81M in revenue, a growth of 50% and 31%, respectively.

To achieve this growth, 88% of breweries plan to expand over the next two years, with the vast majority planning to expand within LA County. The breweries plan on investing \$15 million on these expansions.

LABG Member Brewery Revenue (\$M)



LABG Member Breweries' Planned Expansion in 2018-2019

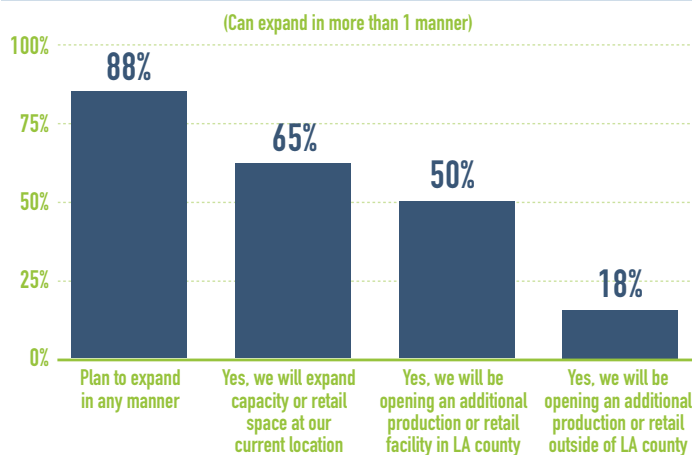


Photo Courtesy of: Three Weavers Brewing Company



HOW TO GET MORE INFORMATION?

Please contact the Los Angeles County Brewers Guild
or visit labrewersguild.org for a full copy of this
report that includes more details on the economic
and social impact of the member breweries.



Photo Courtesy of: Los Angeles County Brewers Guild



Photo Courtesy of: Three Weavers Brewing Co.



METHODOLOGY

To complete this study, the team conducted a variety of interviews with stakeholders in Los Angeles and national craft brewery communities. A survey was designed to gather key financial, production, charitable, and community information from breweries. The survey was sent to 69 breweries and the full survey was completed by 40 breweries, representing a 58% completion rate. The information from this survey was used to develop the economic impact measurement model, and to better understand the scale and scope of the LABG breweries. To complete the economic impact analysis, the team utilized the IMPLAN software, which is widely used in academia, government, and private industry to assess economic impact.

To supplement the primary research, the team also conducted secondary research on current news, brewery research (including other economic impact reports), and data provided by the Brewer's Association.

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Photo Courtesy of: Los Angeles County Brewers Guild

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ABOUT THE AUTHORS

This paper was authored by John Buckley, Neil Doshi, Samuel Prywes, Andy Schlichter, and Ankit Shah. We are all second-year MBA students at the UCLA Anderson School of Management and were thrilled with the opportunity to complete this project during our final year as MBA students. We look forward to a continuing education in Los Angeles County craft beer and are excited for future of the Los Angeles County Brewers Guild.

