

Economic Impact of Craft Breweries in San Diego County

2021



California State University
SAN MARCOS



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Executive Summary

This economic impact report (EIR) was produced by the Office of Business Research and Consulting (OBRC) of California State University San Marcos (CSUSM) on behalf of the San Diego Brewers Guild (SDBG). The purpose of this report is to estimate the economic impact of the craft brewing industry on the local economy of San Diego County. Economic impact, in terms of revenue and employment, were estimated using IMPLAN®, a leading economic impact analysis software. Analyses show that the craft brewing industry contributed between \$290 million and \$360 million to San Diego County's economy in 2020.

However, no reasonable economist could contend that 2020 was a typical year for the world economy. Faced with a once-in-a-century pandemic, no country, state, or county, nor any industry remained unaffected by COVID-19 as travel ceased, businesses and schools shuttered, and millions of workers were displaced. The San Diego craft brewing industry was no exception and sales and employment experienced significant declines even as small brewers scrambled to package and sell their beer off premises through alternative distribution channels. The industry was also affected by concurrent social and environmental forces, such as increased attention to sexual harassment and a strong desire for more diversity, equity, and inclusion. The effects of both COVID-19 and these social forces -- and the local craft brewing industry's responses to them -- are included in this report.

This research suggests that the local craft brewing industry is recovering and confidently moving into the future as pandemic restrictions ease. Recent assessments included in this report indicate that local craft brewers remain optimistic about their businesses and the future of the industry. However, the craft brewing industry, like all other industries, faces new economic and employment challenges in a post-pandemic era.



Addendum to 2019 CSUSM EIR

The 2019 economic impact report (EIR) study conducted by CSUSM's Office of Business Research and Analysis (OBRA), which measured 2018 data, had stated that the craft brewing industry in San Diego County contributed \$1.2 billion to the local economy. This confirmed that the industry played a vital role in San Diego's vibrant economy. These impressive numbers were widely disseminated and celebrated.

This year, OBRA, now renamed to the Office of Business Research and Consulting (OBRC), was asked to assess the effects of the COVID-19 pandemic on the craft brewing industry. Like all segments of the economy, craft brewing did not escape the pandemic unscathed.

However, benchmarking 2020 revenue against 2018 revenue -- since there was no report calculating 2019 impact -- revealed a greater-than-expected drop in revenue. A closer analysis showed that earlier analyses were based upon over-inflated revenue-per-barrel estimates for some large segments of the local craft brewing industry.

This year's research team has recalculated previous revenues using correct information. This has shown that the \$1.2 billion economic impact was overstated. The adjusted numbers still demonstrate the impressive contribution of craft brewing to the local economy. After adjusting the 2018 numbers, the OBRC team calculates that the craft brewing industry had a total impact of between \$480 million and \$590 million to the San Diego economy in 2018.

The 2018 and 2017 reports used the same methodology and are also likely incorrect. The research team is unable to provide updated economic impact estimates for those years because data is not available.

While greatly disruptive, the COVID-19 pandemic provided an opportunity to take a backward look at the past and a chance to update and sharpen baseline numbers. These more accurate historical numbers provide a new baseline from which the industry can project a promising future.





About This Report

This report analyzes the economic impact of craft brewers in San Diego County. It was produced by the Office of Business Research & Consulting at California State University San Marcos, which is a joint effort between the College of Business Administration, the Department of Economics, and the University Library. This report was published in conjunction with the San Diego Brewers Guild.

Data

The data supporting this report were collected from several sources during the third and fourth quarters of the 2021 calendar year. A combination of primary and secondary sources were used. The different data sources have varying effective dates, and every precaution has been taken to ensure relative comparability.

IMPLAN®

To properly measure and quantify the flow of dollars through the San Diego economy, OBRC used a leading economic impact software, called IMPLAN®. IMPLAN® is an advanced input-output modeling software with regional data and economic multipliers built into it. IMPLAN® extracts and measures data from local sources, rather than extrapolating regional data from national averages, to properly incorporate regional trade-flow assumptions and economic multipliers into customizable models to view economic impacts.

InDesign

InDesign was used to construct the layout of this report. This software is often used to create posters, brochures, newspapers, and ebooks. InDesign publishes content in conjunction with Adobe Digital Publishing Suite and exports to multiple platforms. The primary users of InDesign include graphic designers, production artists for publications, and print media professionals.

Reference Solutions

Reference Solutions is a product of Data Axle that hosts an online database containing information about businesses and consumers throughout the nation. Since its founding in 1992, Reference Solutions has collected revenue and employment data from businesses through a combination of surveys and direct phone call verification. For those businesses unable to provide complete data, Reference Solutions uses advanced economic modeling techniques to create figures based on aggregated data from the U.S. Department of Commerce.

Photographs

The photographs used for this report are from well-known breweries in San Diego County. All photographs were provided by the San Diego Brewers Guild, Ballast Point Brewing Company, Belching Beaver Brewery, Booze Brothers Brewing Company, Coronado Brewing Company, Rouleur Brewing Company, and The Lost Abbey.

Acknowledgements

The OBRC team would like to thank and acknowledge both Bart Watson from the Brewers Association and Judith Downie from the CSUSM Brewchive® for their help throughout the course of this project. Both of these individuals devoted their time to speak with the OBRC team on multiple occasions, and both of them provided resources that were crucial to the development of this report. The 2021 SDBG EIR could not have been accomplished in its current form without their guidance and direction.

Disclaimer

Every effort has been made to verify the findings provided in this report to the best of the ability of CSUSM researchers, including a focus on consistency and clarity of the information provided. Any feedback or corrections may be forwarded to obrc@csusm.edu.

Further, the information provided in this research document does not, and is not intended to, constitute legal or financial advice; instead, all information, content, and materials provided are for general informational purposes only. Readers of this document should contact their attorney and/or financial professional to obtain advice with respect to any particular legal or financial matter. No reader or user of this document and its content should act or refrain from acting on the basis of the information provided without first seeking advice from their own trusted professionals with relevant expertise.

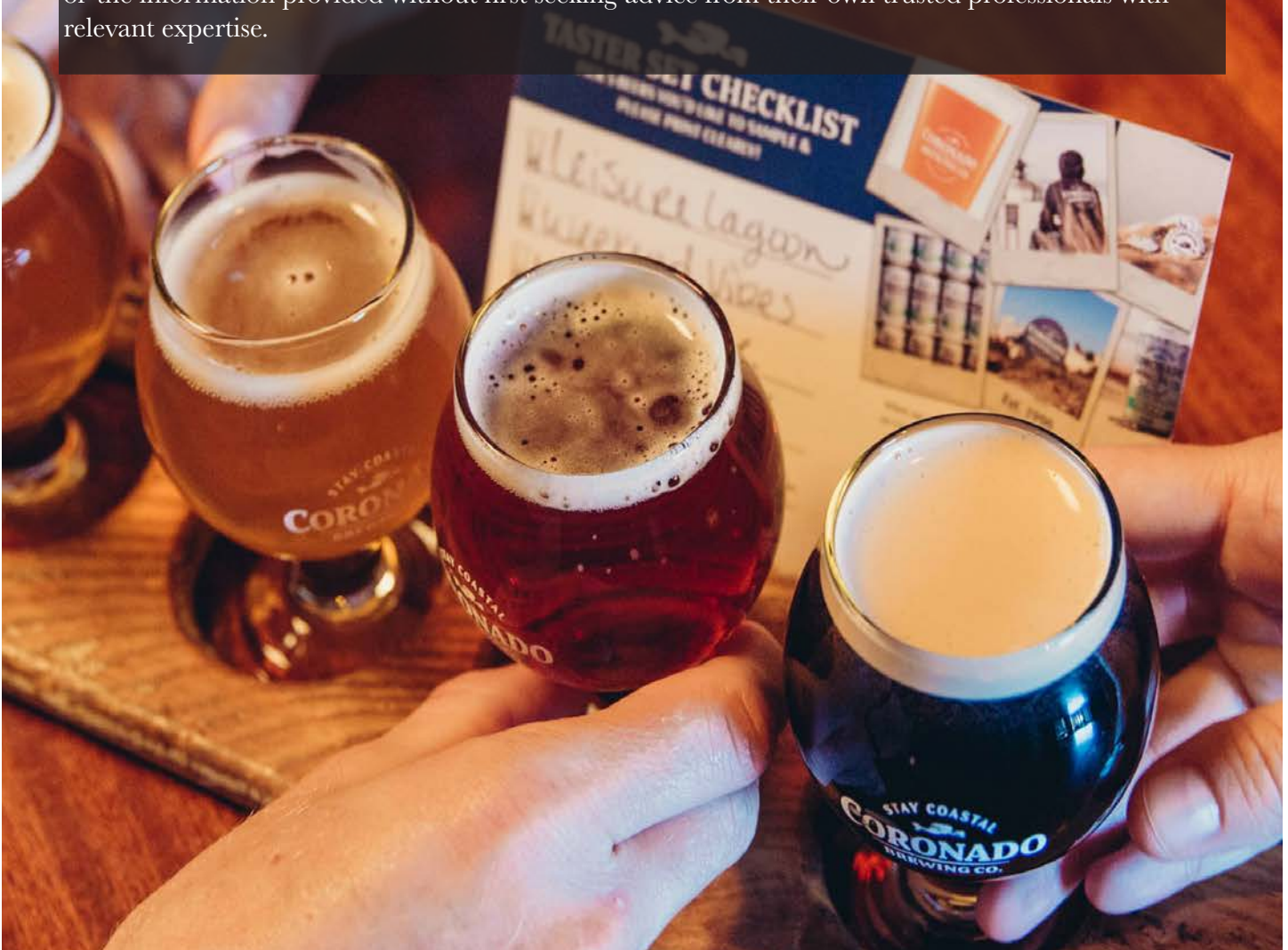




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The Craft Brewing Industry

Craft brewers, as defined by the national Brewers Association (BA), are small and independent brewers. This means that they produce less than 6 million barrels of beer annually, have an Alcohol and Tobacco Tax and Trade Bureau (TTB) Brewer's Notice, and that 25% or more of the business is not owned or controlled by a non-craft beverage alcohol industry entity.³ In 2020, the craft brewing industry provided more than 400,000 jobs and contributed \$62.1B to the U.S. economy, with California being the top state, generating an estimated \$7.6B.⁴ It should be noted that the \$7.6B generated by California represents the impact of the national industry on California, whereas the analysis of this report simply measures the impact of San Diego brewers on the San Diego economy (B. Watson, personal communication, November 4, 2021; see figure 7).

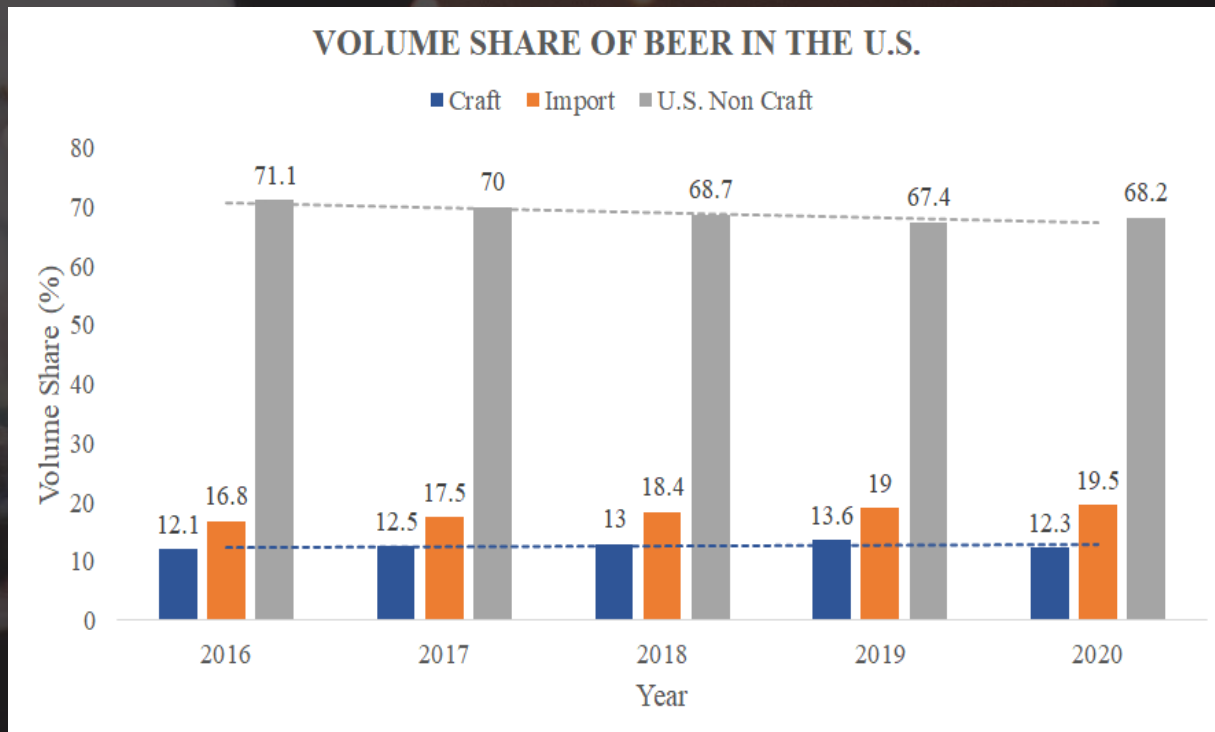


To differentiate between craft and non-craft brewers, The Brewers Association created, in 2017, a Craft Brewer Seal which allows brewers to visually distinguish their independent craft beers from other brewers' products. Adding the Seal to their products clearly guides consumers to beers associated with small and independent breweries in the U.S.⁷

Craft beer production in the United States experienced a decline in 2020 for the first time in two decades due to COVID-19. On a national level, demand for craft beer products has remained relatively high during the global pandemic and the ever-changing environment. There was, however, trouble reaching end consumers in on-site bars, tasting rooms, and restaurants during this time because they were unable to open or, if they were open, could only operate at a limited capacity. In total, there were 716 craft brewery openings and 346 craft brewery closures in 2020 nationally. Small brewing jobs totaled 138,371 in 2020 which represents a 14% decrease compared to 2019.¹²

Figure 1 shows comparisons between U.S. craft beer, imported beer, and U.S. non-craft beer based on the percentage of sales volume. Craft beer sales volume increased slightly from 2016 to 2020, and U.S. non-craft beer showed a slight decrease.

FIGURE 1: VOLUME SHARE OF BEER IN THE U.S. (2016-2020)

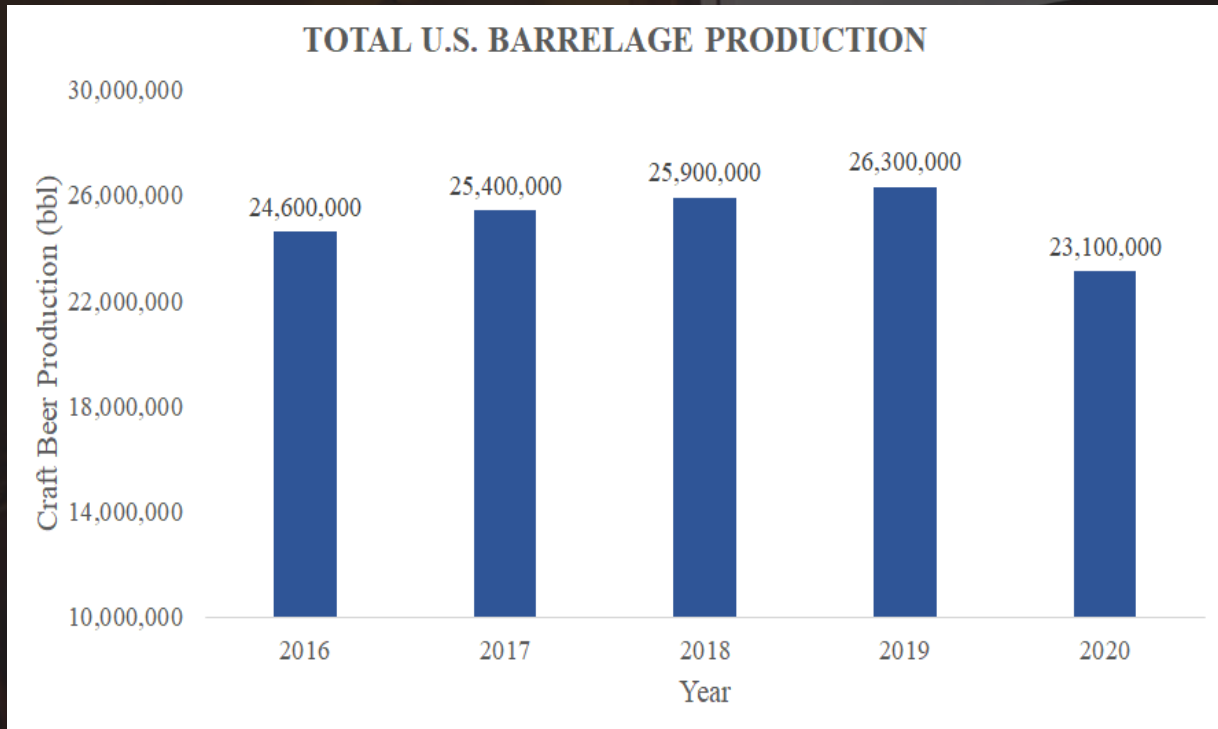


Source: Brewers Association. (2021a). Brewery data (xls)



In 2020, craft brewers produced 23.1 million barrels of beer, which represents a 9% decline since 2019.¹² This ultimately decreased craft beer's market share by volume to 12.3%, which is 1.3% lower than the previous year. Figure 2 shows total U.S. craft beer production from 2016 to 2020.

FIGURE 2: TOTAL U.S. BARRELAGES PRODUCTION (2016-2020)



Sources: From Brewers Association. (2017, March 28).; Brewers Association. (2018, March 27).; Brewers Association. (2019, April 2).; Brewers Association. (2020, April 14). & Brewers Association. (2021, April 6).

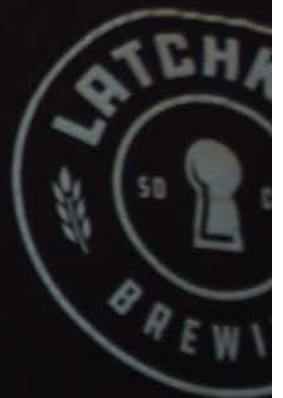
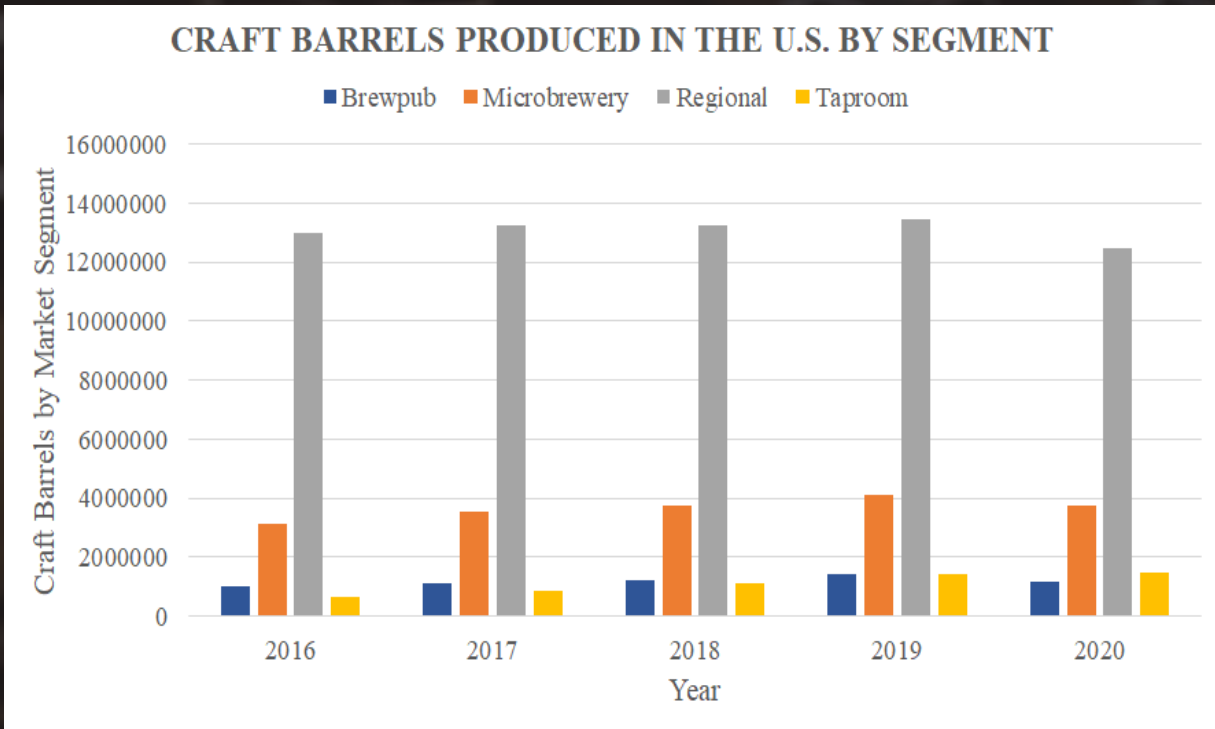


Figure 3 illustrates the total number of craft barrels produced in the U.S. since 2016. These numbers were then categorized into four craft beer industry market segments: brewpubs, microbreweries, regional breweries, and taprooms.

FIGURE 3: CRAFT BARRELS PRODUCED IN THE U.S. BY SEGMENT (2016-2020)



Source: Brewers Association. (2021b). Brewery production

Size and Growth

The U.S. Department of Treasury's TTB grants states the authority to oversee alcohol and beverage control. The California Department of Alcoholic Beverage Control (ABC) regulates manufacturers and purveyors of alcohol via licensing within California. The three types of ABC licenses discussed in this report are:

Type 1: Beer Manufacturer (Large Brewer)

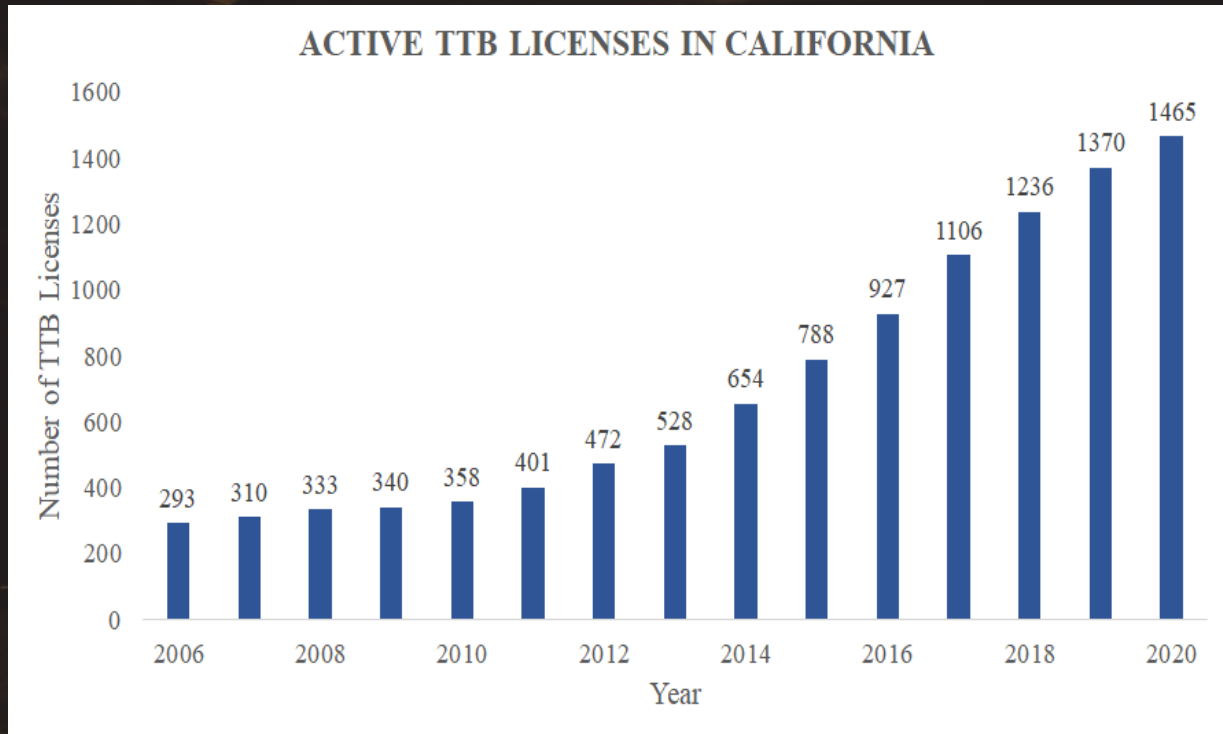
Type 23: Small Beer Manufacturer

Type 75: On Sale General (Brewpub)

Although the TTB count does not solely reflect active brewers in the marketplace, it is a good indicator of the size and relative growth of the industry in terms of the number of firms operating in the marketplace. According to the BA, there were 8,764 breweries operating in the U.S. in 2020. Even though the number of new brewery openings -- which are classified as small and independent brewers that opened for the first time -- decreased approximately 30% compared to the previous year, half of this decline was due to the effects of COVID-19.¹² The number of TTB licenses in California has had continual growth since 2006. According to the Alcohol and Tobacco Tax and Trade Bureau, there were 1,465 active California TTB licenses in 2020, which represents a 6.9% growth rate compared to 2019.

Figure 4 shows the number of active California TTB licenses since 2006.¹⁰

FIGURE 4: ACTIVE TTB LICENSES IN CALIFORNIA (2006-2020)



Source: Brewers Association. (2021a). Brewery data (xls)



Craft Beer Taxes & PPP Loans

In 2017, Congress passed the Tax Cuts and Jobs Act. This piece of legislation included a Craft Beverage Modernization Act (CBMA) provision to temporarily reduce the excise tax on beer from \$7/barrel to \$3.5/barrel.¹⁴ This 50% tax reduction only applied to breweries producing fewer than 60,000 barrels per year. These changes went into effect on January 1, 2018, and were due to expire on December 31, 2019.²⁶ The Further Consolidated Appropriations Act extended these provisions until December 31, 2020.²²

However, on December 27, 2020, this change to the lower tax rate was made permanent with the passage of the Taxpayer Certainty and Disaster Tax Act. This piece of legislation does not include all of the provisions of the aforementioned Tax Cuts and Jobs Act of 2017 or the Further Consolidated Appropriations Act of 2020, but it does make the federal excise tax reduction permanent.¹⁴

According to the Brewers Association, this Act also includes a “\$900 billion bipartisan COVID relief package with additional Paycheck Protection Program (PPP) funding.”²⁷ PPP loan forgiveness is also available for both first draw and second draw PPP loans. Brewers may qualify for full loan forgiveness if the following criteria are met during the “8- to 24-week covered period following loan disbursement:

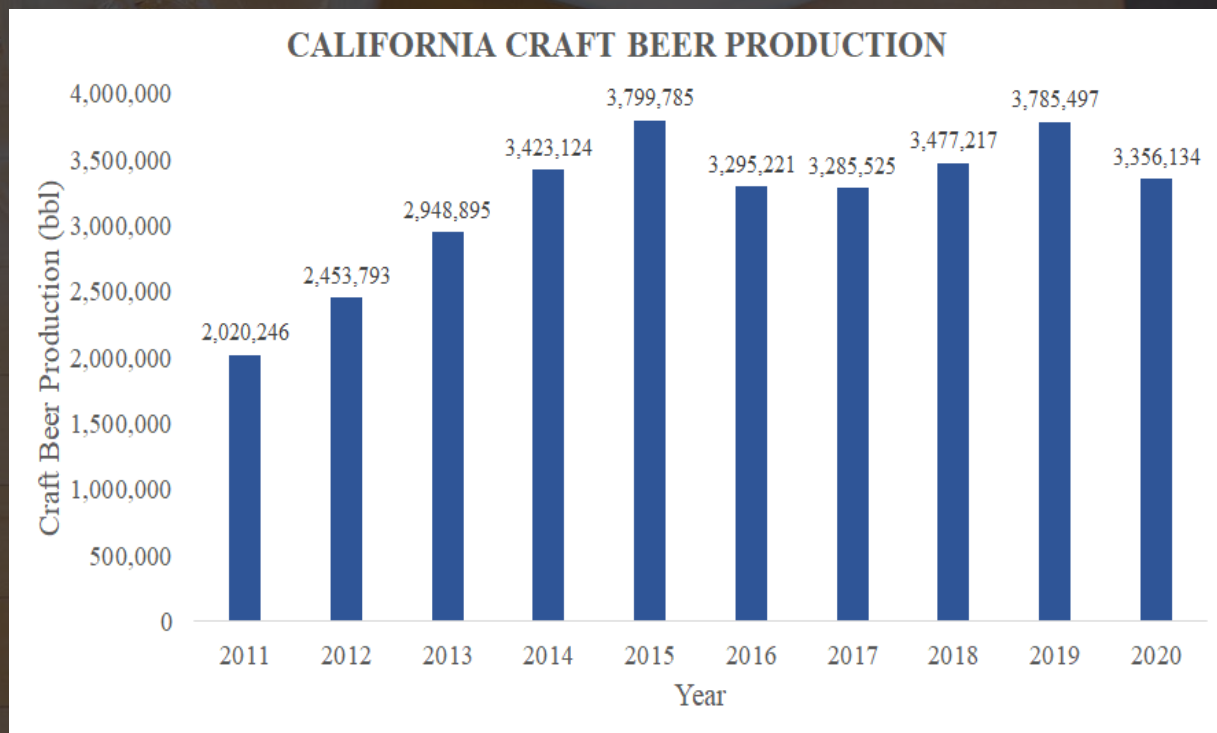
- Employee and compensation levels are maintained [if applying for First Draw PPP loan forgiveness, or] in the same manner as required for the First Draw PPP loan [if applying for Second Draw PPP loan forgiveness]
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60% of the proceeds are spent on payroll costs.³⁴

California

The number of craft breweries operating in California has gradually increased every year over the past 10 years. In 2020, there were more than 950 craft breweries operating in the state. These breweries produced a cumulative total of 3,356,143 barrels of craft beer in 2020, which averages about 3.6 gallons of craft beer for every adult of legal drinking age residing within the state. This is the highest production level of any state in the country.¹³

Figure 5 shows the craft beer production in California every year from 2011 to 2020. The drop in production from 2015 to 2016 can be explained by a change of ownership in multiple California craft breweries.¹⁰ According to the BA, in order to be considered a craft brewery, less than 25% of the business can be “owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer.”³ As a result, the beer that was produced in 2016 no longer met the requirements to be considered “craft beer” and was removed from craft beer production data.

FIGURE 5: CALIFORNIA CRAFT BEER PRODUCTION (2011-2020)



Source: Brewers Association. (2021b). Brewery production

San Diego County

In July 2021, Judith Downie, curator of the California State University San Marcos Brewchive®, provided the OBRC team with a list of currently operating craft breweries within San Diego County. Using this list, in conjunction with BA production data and Reference Solutions employment data, it was estimated that a total of 158 craft breweries were operating in San Diego County in 2020 (J. A. Downie, personal communication, July 8, 2021).

Figure 6 below shows San Diego craft brewery beer production from 2016 to 2020.¹¹ These numbers are general estimates according to what was reported to the BA and do not represent definitive production numbers. When breweries report barrelage production to the BA, they can select “do not publish” so that their production data is not made publicly available. When this happens, the result is that less beer production is stated within public BA data sources than was actually produced in any given year. This means that, contrary to what is depicted in Figure 6, beer production in 2019 might have been higher than beer production in 2018 because a greater number of breweries might have chosen not to publish their production in 2019.

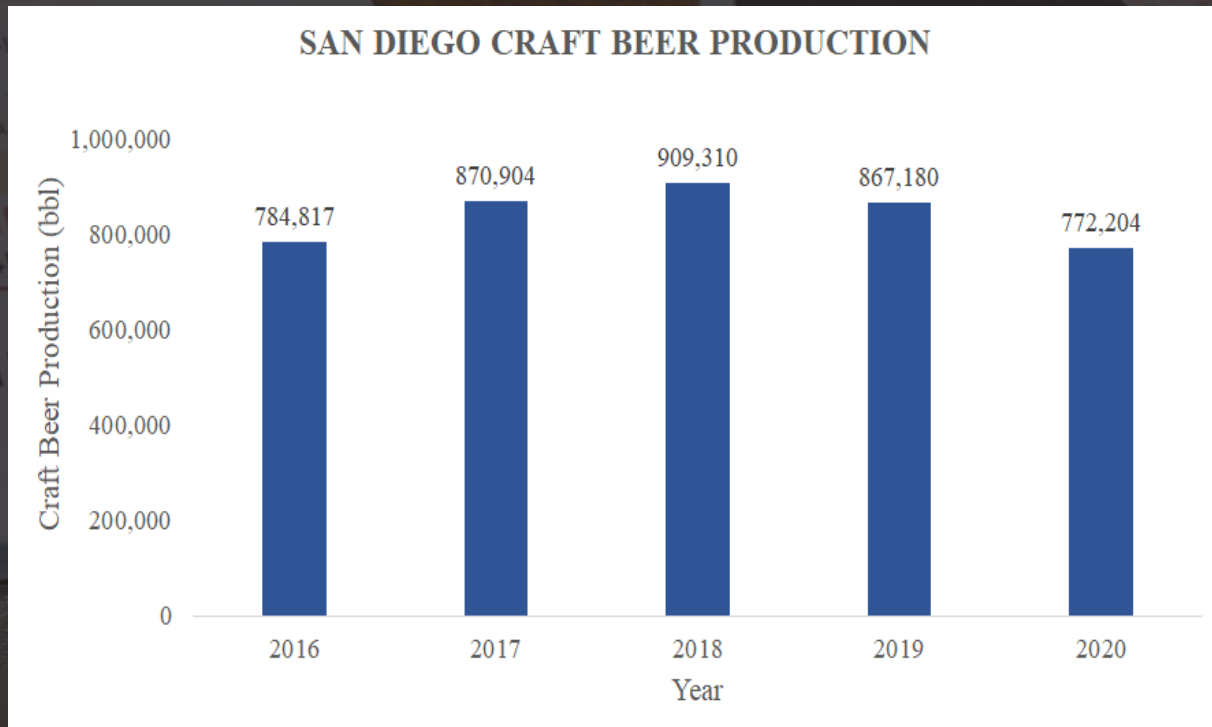
Conversely, the production numbers may be inflated for any given year. When breweries report barrelage production to the BA -- specifically San Diego brewers that have locations outside of San Diego County which produce beer -- that production is usually reported as a total. Additionally, there is no way to determine with any certainty, based on a brewery’s total production number, how much of that beer was produced specifically within San Diego County. When this happens, the result is that more barrelage production is attributed to San Diego production than was actually produced in San Diego. In summary, there is no definitive way to determine the exact total production for craft beer in San Diego without conducting a survey and collecting actual production numbers directly from San Diego brewers.



According to the BA, California craft beer production dropped 11% from 2019 to 2020 (see Figure 5). Using available BA data, craft beer production also dropped an estimated 11% in San Diego from 2019 to 2020 (see Figure 6 below).

The estimated drop in production is not attributable to any single cause.

FIGURE 6: SAN DIEGO CRAFT BEER PRODUCTION (2016-2020)



Source: Brewers Association. (2021b). Brewery production

Economic Impact of Craft Breweries in San Diego County

The economic impact analysis generated for this report was conducted using IMPLAN®, which requires two primary inputs: employment data and revenue data. Employment data were retrieved using Reference Solutions (formerly known as ReferenceUSA), which is a product of Data Axle. Establishments post either a stated number of employees or a range of employees (e.g. 10-19). For establishments with a range listed, the median within the stated range was used. Some establishments had employment entries which had not been updated in several months or, in some cases, many years. The total estimated employment for each craft brewery location was then summed and used as the employment input submitted to IMPLAN®. In Figure 7 below, this number is considered Direct Employment.

A number of breweries that are based in San Diego also have locations outside of the county. However, as mentioned above, breweries with multiple locations rarely report production data separately for each location when reporting to the BA. As a result, total San Diego production, including beer produced outside of San Diego County, was included in the analysis for this report. This total production number had to be used because there is no method for determining how much of a brewery's total production was produced at any given location without contacting the brewery directly.

In order to attribute an appropriate employment number given the amount of beer that was produced, total employment was also used, which includes employment for breweries outside of San Diego County. Choosing not to include total employment when total production numbers were being used would result in an analysis using two incompatible values; a smaller employment number would be associated with a production number not equivalent to what that number of employees were capable of producing.

This additional employment accounted for less than 10% of the total employment number used for analysis and likely resulted in a more accurate estimate of actual 2020 San Diego employment, given that changes in San Diego employment from 2019 to 2020 are in line with what the BA has seen nationally (B. Watson, personal communication, November 8, 2021).

There is no direct way to gather revenue data for breweries in San Diego County, which is the second input required by IMPLAN® to create an economic impact analysis. Instead, revenue data were estimated using two sources. The first data source was the Brewers Association’s Brewery Production Report. This report was used to determine the barrelage production reported by individual craft breweries in San Diego County in 2020. The second data source was a set of weighted revenue per barrel multipliers, which were provided by the BA. Different weighted multipliers were applied to different breweries based on how much beer each brewery produced. The resulting computations represent the estimated total beer revenue for each craft brewery in San Diego County in 2020. These numbers were then summed to arrive at the estimated total beer revenue for the entire craft brewing industry in San Diego County in 2020. In Figure 7 below, this total represents Direct Output.

The total estimated employment (Direct Employment) and total estimated revenue (Direct Output) figures were then entered into IMPLAN® software as inputs for analysis. IMPLAN® then generated every other figure in this chart based upon these two inputs. Figure 7 below shows the corresponding output.

It is important to note that these revenue estimates are only for San Diego craft brewery **beer** revenue; they do not include revenue estimates for food sales, merchandise sales, or for anything other than the sale of craft beer. This differs from the methodologies used in CCBA and BA reports regarding the economic impact of the craft brewing industry.

FIGURE 7: IMPLAN® ANALYSIS OUTPUTS FOR 2020

Impact	Employment	Labor Income	Value Added	Output
Direct	3,600	\$31,003,747	\$87,919,411	\$239,611,607
Indirect	238	\$18,008,722	\$29,690,764	\$55,670,616
Induced	201	\$11,429,137	\$21,821,231	\$34,921,614
Totals	4,039	\$60,441,606	\$139,431,406	\$330,203,837

Source: IMPLAN Group LLC. (n.d.). IMPLAN 2021.

Employment

In order to correctly interpret the economic impact analysis for this report, it is important to explain how to interpret each cell of the output. For the employment column, IMPLAN® defines these numbers as “job years.” For example, one job year is a single job that lasts 12 months, two jobs lasting 6 months each, or 3 jobs lasting 4 months each.²¹

The Direct Employment figure of **3,600** in Figure 7 is simply the estimated employment for all craft breweries in San Diego County in 2020 based on the data available from Reference Solutions at the time of this report.

The Indirect Employment figure suggested by IMPLAN® estimates that **238** job years were supported by the business-to-business transactions that took place in the craft brewing industry in San Diego County in 2020. These were jobs performed by businesses that support the craft brewing industry, primarily its suppliers. Some examples may include businesses operating within the hops farming industry, the wheat, barley, and sorghum farming industry, as well as businesses that provide label printing, corrugated boxes, production equipment, and trucking services. This category also includes the impact on the suppliers of those suppliers, like the glass product manufacturing and aluminum manufacturing industries.²⁴

The Induced Employment figure suggested by IMPLAN® estimates that **201** job years were supported by household spending in San Diego County as a result of the economic activity of craft brewers last year. This includes spending on things like rent, groceries, restaurants, health care, and real estate.¹⁸ This household spending applies only to money spent after the “removal of taxes, savings, and commuter income.”¹⁶

Based on the Total Employment figure of **4,039**, IMPLAN® estimates that **3,873** of these job years were full-time positions. The remaining **143** job years were part-time positions. These figures were computed using IMPLAN®’s 546 FTE & Employee Compensation Conversion Table (2019).¹⁷

The total employment in the craft brewing industry in San Diego County in 2020 was estimated to be 3,600. This employment represents a decrease of about 24% compared to the 2018 estimated employment of 4,708 (2019 CSUSM EIR). The national brewing industry saw an employment decrease of about 15% from 2019 to 2020 (B. Watson, personal communication, September 27, 2021).

The revenue estimates in this report are derived only from brewery production. In contrast, the employment numbers in this report represent total industry employment, which includes labor associated with beer production as well as other business activities such as food sales, merchandise sales, etc. This may lead to the erroneous conclusion that wages from San Diego breweries were unusually low in 2020.

Labor Income

The Direct Labor income figure of **\$31,003,747** represents the sum of what was paid to each employee in San Diego County in 2020. This includes both Employee Compensation (EC), including wages, salaries, payroll taxes, and all benefits, as well as Proprietor Income (PI). Thus, this figure encompasses both employee wages as well as business owner(s) earnings.¹⁵

The Indirect Labor income figure of **\$18,008,722** represents the EC and PI that business-to-business transactions supported in the craft brewing industry in San Diego County in 2020.

The Induced Labor income figure of **\$11,429,137** represents the EC and PI supported by the household spending of both the Direct and Indirect Labor in the craft brewing industry in San Diego County.

Value Added

The Direct Value Added figure of **\$87,919,411** represents what IMPLAN® estimates as the Gross Domestic Product (GDP) produced by the craft brewing industry in San Diego County in 2020. It is important to note that this figure includes the Direct Labor income figure of **\$31,003,747**. This Direct Value Added figure also includes Taxes on Production and Imports (TOPI) and Other Property Income (OPI).

The Indirect Value Added figure of **\$29,690,764** represents the Value Added, or GDP, of business-to-business transactions and includes the Indirect Labor Income figure of **\$18,008,722** from the adjacent cell. This includes TOPI and OPI.

The Induced Value Added figure of **\$21,821,231** represents the Value Added, or GDP, of household spending and includes the Induced Labor Income figure of **\$11,429,137** from the adjacent cell. This includes TOPI and OPI.

Output

The Direct Output figure of **\$239,611,607** in Figure 7 is simply the estimated Output, or revenue, for all craft breweries in San Diego County in 2020. This figure was generated by taking the reported barrelage of each San Diego craft brewery -- which was found in the Brewers Association's Brewery Production Report -- and then multiplying it by a weighted multiplier appropriate for the brewery in question. This particular figure was an input for the IMPLAN® analysis and was generated by the OBRC research team for this report; this is not an output of the IMPLAN® analysis. It is important to note that Output, or total production value, includes Value Added, and Value Added includes Labor Income. Output also includes unsold production.

The Indirect Output figure of **\$55,670,616** includes the Indirect Value Added figure of **\$29,690,764**, and represents the total production value which resulted from the business-to-business transactions between San Diego craft breweries and their supported industries.

The Induced Output figure of **\$34,921,614** includes the Induced Value Added figure of **\$21,821,231**, and represents the total household spending by employees of craft breweries, employees of craft brewery suppliers, and employees of the suppliers to those suppliers in San Diego County in 2020. This does not include any household spending by the employees of any entity -- whether a first-tier supplier or a second-tier supplier -- that occurs outside of San Diego County.¹⁸

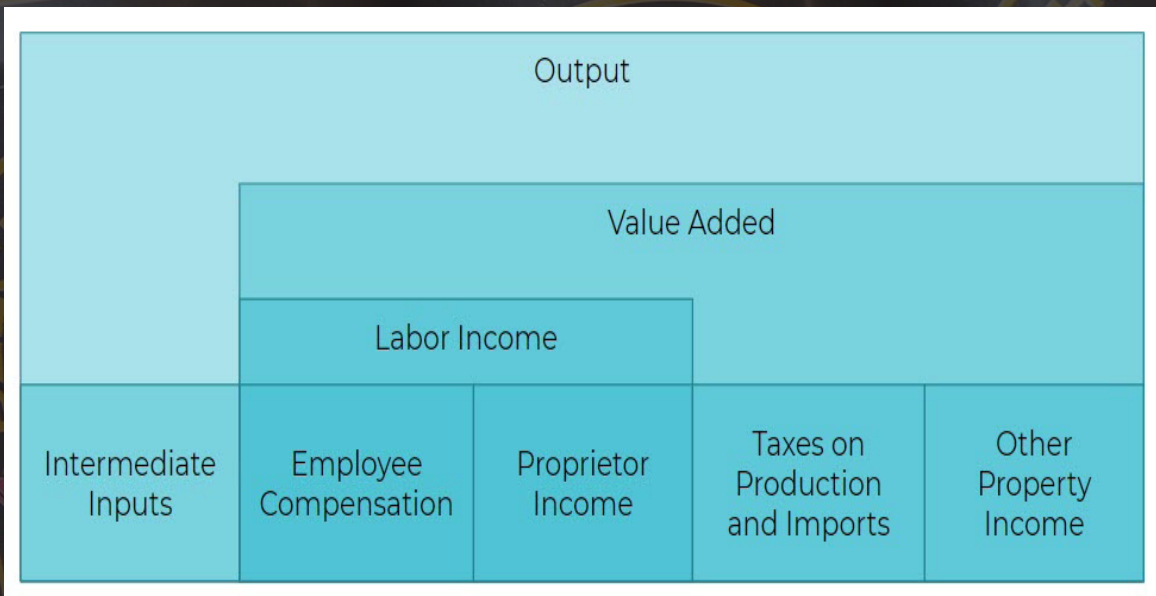
The data entered into IMPLAN® for this analysis were based on employment and brewery beer revenue estimates, which were then extrapolated further to produce an estimated economic impact. Given the error inherent in any economic impact analysis, it is best to view total economic impact as a range, rather than a set number.

The total economic impact of the craft brewing industry in San Diego County in 2020, based on beer sales, was estimated to be between \$290 million and \$360 million. The total economic impact of the craft brewing industry in San Diego County in 2018, the most recent year this report was conducted, based on beer sales, was estimated to be between \$480 million and \$590 million (please see the addendum to the 2019 EIR).

Given the substantial detrimental impact that COVID-19 has had on nearly every industry, it stands to reason that the estimated drop in total output between 2018 and 2020 were undoubtedly affected by the impact of COVID-19 on other, supporting industries.

To visually demonstrate the full range of what is included in IMPLAN®'s Output calculation, please see Figure 8: Understanding Output.

FIGURE 8: UNDERSTANDING OUTPUT



Source: Lucas, M. (2020, February 26). Understanding Output.

Looking Forward

Craft Brewer Confidence Index

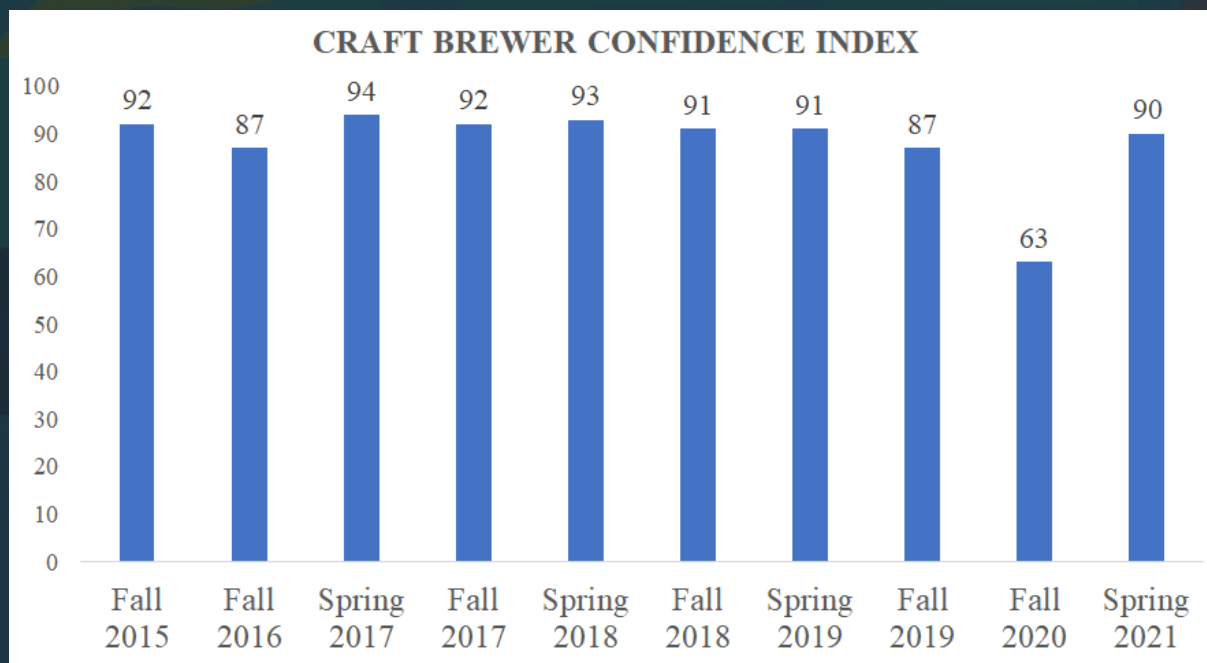
Since 2015, teams of students in the Senior Experience program at California State University San Marcos (CSUSM) have generated a craft beer confidence index study, which is published in partnership with the San Diego Business Journal. This study is conducted twice every year, excluding the Spring 2016 and Spring 2020 semesters, and focuses on identifying trends by measuring brewers' confidence in the business environment in which they operate. Historically, craft brewing confidence indices have measured employment, distribution, barrelog production, and capital expenditures.

The Senior Experience program matches final-year College of Business Administration students with local businesses, supervised by a CSUSM faculty advisor. The purpose of the program is to give students the opportunity to take part in a professional business project, allowing them to apply their undergraduate education in meaningful ways. In this case, the objective of the San Diego Business Journal's biannual survey is to measure and assess the overall confidence level of craft brewers in the county. The CSUSM Senior Experience team used a confidence diffusion index, which measures the dispersion of change, according to the Bureau of Labor Statistics. An index rating above 50 indicates that the values being measured increased, and an index rating below 50 indicates that values being measured decreased.

The craft beer industry confidence has been optimistic in San Diego County since it first began in Fall of 2015. A recorded number of above 50 indicates optimism within the industry while a recorded number below 50 indicates lack of confidence within the industry. Although still considered a positive outlook, Fall 2020 recorded a confidence index of 63. This is a significant drop when compared to other years that had been largely due to the effects of COVID-19. During this time period, restrictions on nonessential businesses were in effect which could have been a factor as to why predictions in the craft beer industry were not as high as historically documented. Spring 2021 recorded a confidence index of 90.68 from the 34 responses that came from San Diego brewers. This suggests an optimistic outlook for the craft brewing industry in the county over the next 12 months.

Figure 9 represents San Diego County's confidence indices from Fall 2015 to Spring 2021.

FIGURE 9: CRAFT BREWER CONFIDENCE INDEX (2015-2021)



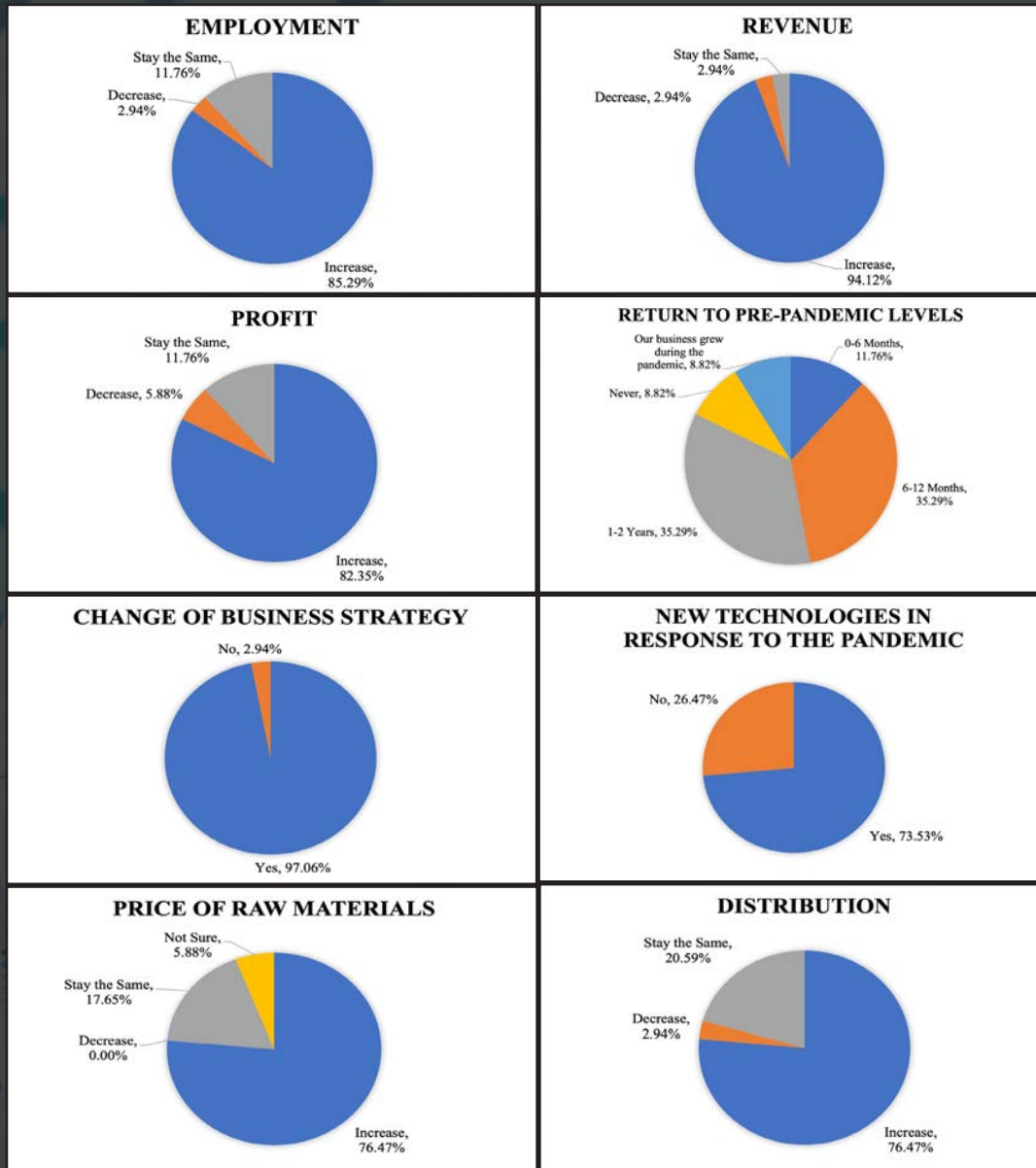
Source: Richards, L., Sellin, K., Evans, E., Kojok, T., & Samaan, M., (2021, May). The San Diego Business Journal: San Diego business confidence index - Spring 2021.



Craft Brewing Business Indicators

The craft brewer confidence index respondents were asked to indicate forward-looking confidence over a 12-month period regarding employment, sales revenue, and expected profits. As shown in Figure 10 below, these values indicate that craft breweries in San Diego are optimistic about the future growth and development of their businesses despite the challenges they faced during COVID-19.

FIGURE 10: CRAFT BREWER BUSINESS INDICATORS



Source: Richards, L., Sellin, K., Evans, E., Kojok, T., & Samaan, M., (2021, May). *The San Diego Business Journal: San Diego business confidence index - Spring 2021.*

California Craft Brewers Association (CCBA) Fall 2021 Survey Results

The CCBA (California Craft Brewers Association) conducted a survey of SDBG members which included questions about future predictions with their business in the craft brewing industry. The CCBA survey received 31 responses from brewers across San Diego County that answered questions regarding employment, distribution, production, and other industry metrics. According to survey results, there seemed to be an alignment between the outcomes of the CCBA survey and the San Diego Business Journal's (SDBJ) biannual survey results. Below are the responses for some of the selected survey questions.

- **Employment:** 23 out of the 31 survey respondents marked that their employment prediction will increase within the next 6-12 months. The remaining 8 respondents marked that they predict their employment will remain the same over the course of 6-12 months.
- **Distribution:** 18 out of the 31 survey respondents marked their distribution prediction will increase within the next 6-12 months. 10 survey respondents predict their distribution will remain the same, while 3 survey respondents predict their distribution will decrease within the next 6-12 months.
- **Production:** 24 out of the 31 survey respondents marked their production prediction will increase within the next 6-12 months. 6 survey respondents predict their production will remain the same, while 1 survey respondent predicts their production will decrease.

The CCBA survey results of San Diego respondents seem to correspond with the SDBJ confidence indices. Based on the positive sentiment expressed by these survey results, the craft brewing industry in San Diego County can look enthusiastically toward the year ahead.

Brewery Shifts in Operations

Most craft breweries depend upon two sources of on-premise sales: restaurants/bars, and their tasting rooms. Bart Watson, chief economist for the Brewers Association, estimates that before the pandemic, sources of on-premise sales accounted for 45 percent of craft beer volume.²³ The loss of these avenues of revenue due to restrictions and closures that happened during the start of COVID-19 has had a significant impact on craft brewing businesses.

Many breweries shifted to packaging more of their beer in cans and bottles, and sold them to wholesalers or directly to consumers to try and make up for on-premise losses. However, this was not an easy pivot and many breweries faced challenges in the process of this shift, one challenge being trying to sell their beer in grocery stores.²⁸ The complicated impact of COVID-19 on the craft beer industry. According to Watson, successfully selling craft beer to wholesalers proved to be difficult before the pandemic and continued to be challenging during COVID-19. Even if brewers were fortunate enough to get their beer in stores, trying to get consumers to buy it was also an obstacle.



Pre-COVID Operations vs Current Operations

COVID's Impact on Staffing

Staffing in San Diego's craft brewing industry faced major challenges as a result of COVID-19. Many of the brewing businesses had to shut down, leaving many workers without jobs. Other breweries were forced to lay off a number of their staff in order to reduce costs and stay open during the pandemic. Others found creative ways to transition into a seamless strategy to generate more revenue. Here are some examples:

- Tomme Arther, Co-Founder and Chief Operating Officer for Port Brewing and The Lost Abbey, furloughed 34 of his employees to get his staff to a more manageable size.³¹ However, according to Adam Martinez, Director of Media and Marketing for The Lost Abbey, staff were only furloughed for around 2 months. According to Martinez, as employees returned to work, the brewery then faced the additional problems of employees reevaluating continuing to work in an industry that requires such close contact with other people, given the communicability of COVID-19, as well as the issue of employees "wearing more hats" and taking on more responsibilities than they had prior to the pandemic. Additionally, some employees took on the role of delivering beer directly to consumers, as The Lost Abbey chose to pivot to a beer delivery service to supplement the loss of revenue (A. Martinez, personal communication, October 21, 2021).
- AleSmith Brewing Company, and other breweries fortunate enough to have a flexible staff, adjusted labor differently. Peter Zien, owner of AleSmith Brewing, reduced employee hours to avoid dismissals. Zien transferred employees that worked in the taproom to jobs inside his brewery.³¹
- Doug Constantiner, owner of Societe Brewing Company, stated that his beertenders took on the role of packaging line while others took on new responsibilities that included fixing up areas of the brewery that were put off pre-COVID.³⁰

Despite the ups and the downs, there seems to be a strong dedication to the craft beer industry in San Diego that helps them persevere during difficult times.

Diversity, Equity, and Inclusion

Business does not exist in a vacuum but rather in the broader socio-political environment. Even before the COVID-19 pandemic, businesses were turning more focus to diversity, equity, and inclusion (DEI). Likewise, the SDBG formed a DEI Committee at the end of 2019. The SDBG defines **diversity** as “the end result of equitable efforts, not the efforts themselves” and **belonging** as “creating an environment where people feel as though they genuinely belong [which] is the foundation for a more diverse and equitable industry and world.” With these definitions in mind, the SDBG DEI Committee exists as a “resource for Guild Brewery and Affiliate members looking to implement diverse, inclusive, and equitable practices into their business practices; to spearhead outreach in communities currently underrepresented in craft beer; and to educate craft beer consumers on how to be agents of change in the community.”³²

The SDBG DEI Committee published a DEI recruitment, hiring and retention guide in March of 2021 to help members attract, retain, and support more diverse hires in San Diego. In addition, as part of its DEI efforts, the SDBG has been proactive in establishing guidelines to prevent and combat sexual harassment in the industry to help build and maintain a safe workplace for everyone. The SDBG partnered with Jackson Lewis, a law firm that helps employers develop proactive strategies to build a more equitable workplace that focuses on inclusivity and respect for every employee.²

Sexual harassment continues to be a challenge in society and across all industries. Social media has increased awareness of its ongoing prevalence by providing a platform for reporting accounts of misogyny, discrimination, and assault. In early 2017, a viral tweet by actress Alyssa Milano ignited a world-wide movement to raise awareness of sexual harassment in the workplace. The movement came to be known as #metoo, a phrase first coined in 2006 by activist Tarana Burke.¹⁹



In May of 2021 and continuing to this day, craft beer has been confronted with its own #metoo movement. Originating with Brienne Allan, an East Coast brewer, who asked on her Instagram account, “What sexist comments have you experienced?,” thousands of women from across the world have told stories of discrimination, harassment, and violence experienced in the craft beer industry. A number of these women were from San Diego and shared stories ranging from bosses allowing stalking by customers to showing little concern about sexist comments directed to female employees. For instance, workers from a local San Diego brewery reported a working environment where upper management would disregard complaints made by staff and withheld shifts and promotions in retaliation. These complaints ultimately led one brewery founder to step down as CEO. Since the founder’s resignation, it was announced that the craft brewery has made changes with its complaint process, added extended employee training and education, and plans to hire a Diversity, Equity, and Inclusion (DEI) expert.³³

At the outset of this #metoo movement, the SDBG’s DEI Committee started a taskforce to draft an industry-wide Code of Conduct. It consists of 10 dos and don’ts and explanatory material that can change with the times. With these changes, the SDBG is taking the steps needed to help establish a safe workplace for everyone in their industry.

About the Publishers

Office of Business Research and Consulting

Founded in 2018, the Office of Business Research and Consulting (OBRC) is a joint partnership between California State University San Marcos' College of Business Administration (CoBA) and the Department of Economics in the College of Education, Health and Human Services (CEHHS). OBRC works directly with the local community in creating a suite of research services, including economic impact reports, industry analyses, and business plans.

California State University San Marcos

Building on an innovative 32-year history, California State University San Marcos (CSUSM) is a forward focused institution, dedicated to preparing future leaders, building great communities, and solving critical issues. Located on a 304-acre hillside overlooking the city of San Marcos, the University is just a short distance from some of Southern California's best beaches and an hour from the US-Mexico border. CSUSM enrollment is over 16,000. The University is fully accredited by the Western Association of Schools and Colleges (WASC). The College of Business Administration is additionally accredited by the Association to Advance Collegiate Schools of Business (AACSB).

CSUSM enjoys a special relationship with the local craft beer industry. Stone Brewing is nearby and grew alongside the University. Numerous alumni have started breweries in the region. The University offers its EngiBeering™ program which trains students to brew craft beer at scale, and how to establish and run a brewery. In addition, the University has a registered archive, called Brewchive®.

San Diego Brewers Guild

Founded in 1997, the San Diego Brewers Guild is a nonprofit 501(c)(6) organization of allied brewery members, tradespeople, and other providers supporting the production and distribution of craft beer. Since its founding, SDBG's mission is to promote local small businesses and entrepreneurs of craft beer via education, events, and community involvement. The San Diego region (aka The 'Capital of Craft™'), which is home to more than 150 independent craft beer manufacturers, continuously garnerws attention for its medal-winning beer styles, craft beer tourism, economic impact, and positive international reputation. For more information about the San Diego Brewers Guild and its members, visit sdbeer.com or follow @SDBrewers on Twitter, Instagram and Facebook.

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