



# Trending Now . . .

## America's Craft Beer Industry

Welcome to the inaugural issue of *Trending Now*, a publication of The Urban Affairs Center at the University of Toledo. Three to four times a year, in these pages, we will bring you what we consider to be cutting edge developments in the area of economic development and growth. Each issue will have a thematic focus and will cover an industry or an economic trend that we believe is new, exciting, and trending. Whatever the topic *Trending Now* will cover it from a variety of perspectives – national, regional, and local. The focus of this first issue is America's burgeoning craft beer industry. Commercial production of craft beer in one of America's fastest growing industries. As of June 2013 there were 2,538 commercial brewing establishments in the United States, of which 2,483 were regional craft brewers, microbreweries or brewpubs. In the late 1970s there were only 89 commercial breweries in the United States. The industry offers opportunities for small-scale entrepreneurs as well as a potential mechanism for local communities to create jobs and in some cases provide the catalyst for the revitalization of entire neighborhoods.

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### Market segments

The U.S. beer industry comprises four distinctive segments;

**Large Brewery:** A brewery with an annual beer production over 6,000,000 barrels.

**Regional Craft Brewery:** An independent brewery with an annual production of between 15,000 and 6,000,000 barrels of beer per year.

**Microbrewery:** A brewery that produces less than 15,000 barrels of beer per year with 75% or more of its beer sold off-site.

**Brewpub:** A restaurant-brewery that produces less than 15,000 barrels of beer and sells 25% or more of its beer on site. The beer is brewed primarily for sale in the on-site restaurant and bar.

**Note:** 1 barrel equals 31 U.S gallons.

**Source:** Brewers Association

### How big is the industry?

The craft beer industry directly employs nearly 110,000 jobs in the United States. In 2012 the industry grew by 15% by volume and 17% by sales. Growth of the craft beer segment compared very favorably with beer sales in general, which grew only 0.9% by volume in 2012. The craft share of the total U.S. beer market in 2012 was 6.5% by volume and 10.2% by dollars. The retail value of craft beer in 2012 was estimated at \$11.9 billion. While there are no national estimates of the economic impact of the craft beer industry there are a number of impact studies at the state level. For example, the total economic impact (direct, indirect, and induced) of the craft brewing industry in the state of California is estimated to be 30,591 jobs and \$3.8 billion in economic output. The future for the industry looks good. Demeter Group Investment Bank project that by 2020 the craft segment will comprise 20% of the market by volume.



## Industry Growth

In the late 19<sup>th</sup> century there were over two thousand breweries in the United States. As a result of a complex interplay of a number of socio-economic forces (e.g., changing consumer tastes, Prohibition, the advent of television that favored breweries that had large marketing budgets) a series of mergers, acquisitions, and closures resulted in the number of breweries falling to under ninety in the late-1970s. Since then the craft beer revolution driven by entrepreneurial home brewers who commercialized their hobby and a public who are increasingly demanding beer that is more flavorful, differently flavored, and innovative has resulted in the emergence of over two and a half thousand breweries.



## Brewery Structure - June 2013

Brewery Type	Number
Microbreweries	1,221
Brewpubs	1,165
Regional Craft Breweries	97
<b>Total Craft Breweries</b>	<b>2,483</b>
Large Non-craft Breweries	24
Other Non-craft Breweries	31
<b>Total Breweries</b>	<b>2,538</b>

Source: Brewers Association

## Openings and Closings, 2012

	Openings	Closings	Net Increase
<b>Brewpubs</b>	99	25	74
<b>Microbreweries</b>	310	18	292
<b>Total</b>	409	43	366

Source: Brewers Association



## Revitalizing Neighborhoods

Craft brewing establishments have the potential to be a catalyst for neighborhood revitalization. Lower Downtown Denver, an old manufacturing and warehouse, district, provides one example of where such neighborhood revitalization has occurred. Following the establishment of The Wynkoop Brewery in the old J.S. Brown Mercantile Building in 1988 there are now 12 craft brewing operations within a one mile radius. The industry is, to a large extent, the economic engine of the district that is now a bustling neighborhood comprising restaurants, bars, retail stores, loft apartments, etc. ([www.lodo.org](http://www.lodo.org)).



### Microbreweries and Brewpubs Are?

**Small:** they brew under 15,000 barrels of beer annually.

**Independent:** craft brewers maintain their integrity by what they brew and by their general independence from larger brewers.

**Local:** craft brewers often grew up in the region and tend to be involved in the local community via philanthropy, volunteerism, and sponsorships.

**Innovative:** a hallmark of craft beer is innovation. Craft brewers interpret historic styles with unique twists. While traditional ingredients such as malted barley are used interesting and non-traditional ingredients are often added for distinctiveness.

**Source:** Adapted from the Brewers Association



### The Top 10 - 2012

Rank	Microbrewery	Location	Output	Brewpub	Location	Output
1	Flying Fish	Somerdale, NJ	14,955	Hopworks Urban	Portland, OR	9,344
2	Natty Greene	Greensboro, NC	14,695	Double Mountain	Hood River, OR	7,800
3	Lazy Magnolia	Kiln, MS	14,508	Laurelwood	Portland, OR	6,766
4	Captain Lawrence	Elmsford, NY	14,500	Boundary Bay	Bellingham, WA	6,646
5	Mad River	Blue Lake, CA	13,597	Moab	Moab, UT	5,200
6	Santa Fe	Santa Fe, NM	13,510	Glacier	Anchorage, AK	4,536
7	Weyerbacher	Easton, PA	13,448	Moylan's	Novato, CA	3,883
8	Atwater	Detroit, MI	12,715	Wynkoop	Denver, CO	3,870
9	Foothills	Winston-Salem, NC	12,581	Ellis Island	Las Vegas, CO	3,863
10	Thomas Hooker	Bloomfield, C	12,500	Gritty McDuff's	Portland, ME	3,587

**Source: Brewers Association. Note: Output is number of barrels.**

### Who Drinks Craft Beer?

Craft beer appeals to a particular demographic. The typical craft beer drinker is male, has a college degree, works in the service industry, and earns over \$75,000 per year. Craft beer aficionados are often referred to beer geeks and are the beer industry's equivalent of wine connoisseurs. The craft beer industry is part of a larger neo-localism movement that is sweeping the country and is driven by consumers who have a desire to purchase goods and services that are superior in quality and have a connection to the local community.

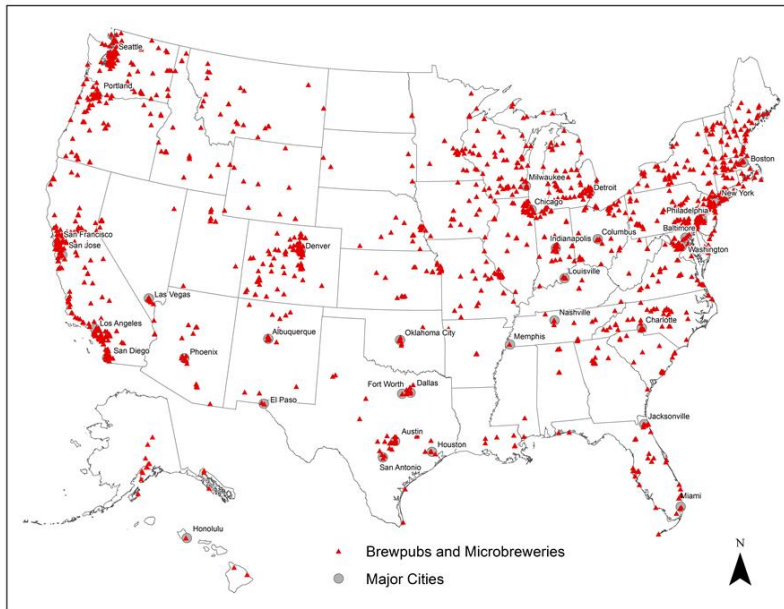
### The Hops Industry

The four main ingredients that are combined to produce beer are water, barley malt, hops, and yeast. The state of Washington is the country's leading hops producer. In 2013 Washington harvested nearly 55 million pounds of hops which accounted for 79% of U.S. hop production. Oregon and Idaho are also significant hop producers, harvesting 8.5 million and 5.8 million pounds respectively. In February, 2014 The Ohio State University held a workshop for growers who might be interested in moving into hops production. According to OSU Ohio beer manufacturers spend an estimated \$4 million annually on purchases of hop cones, or hops, to create craft beers.



## Where are the Craft Brewers?

Craft breweries can be found in every state. However, the industry tends to be geographically concentrated in particular parts of the country. The Pacific Northwest, California, Colorado, the Great Lakes Region (between Chicago and Detroit), and the North East are major production centers. In terms of individual metropolitan areas the largest number of microbreweries and brewpubs can be found in Seattle, WA and Portland, OR.



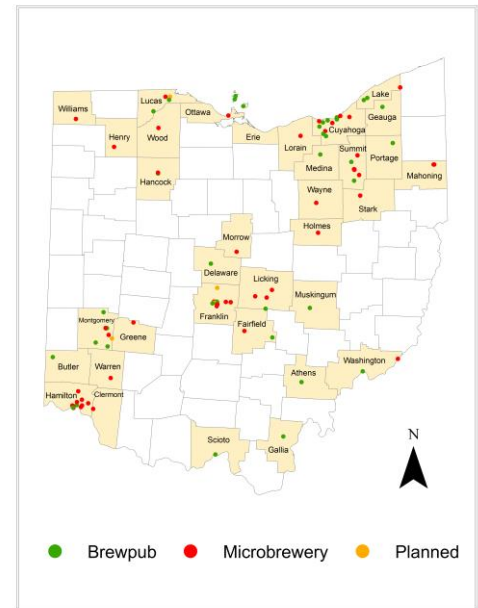
Source: McLaughlin, Reid, and Moore, 2014

Rank	MSA	Number
1	Seattle, WA	52
2	Portland, OR	48
3	Los Angeles, CA	37
4	Denver, CO	37
5	New York, NY	35
6	San Francisco, CA	33
7	Chicago, ILL	33
8	San Diego, CA	30
9	Philadelphia, PA	29
10	Washington, DC	27

Source: Brewers Association

## Ohio's Craft Beer Industry

There are 94 microbreweries and brewpubs in the state of Ohio. Of these, 50 are microbreweries and 44 are brewpubs. Columbus leads the state in the number of brewpubs and microbreweries with a total of 20, closely followed by Cleveland and Cincinnati with 18 and 13 respectively. There are 6 microbreweries and brewpubs in the Toledo MSA.



Sources: Various





Toledo MSA Microbreweries and Brewpubs	
Microbreweries	
<b>Catabawa Island Brewing Co.</b>	Port Clinton
<b>Sugar Ridge Brewery</b>	Bowling Green
<b>Great Black Swamp Brewing Co.</b>	Toledo
Brewpubs	
<b>Maumee Bay Brewing Co.</b>	Toledo
<b>Put-in-Bay Brewing Co.</b>	Put-in-Bay
<b>Saint Hazards Brewery</b>	Middle Bass
<b>Sources: Various</b>	

Ohio Microbreweries and Brewpubs in Major MSAs			
MSA	Microbreweries	Brewpubs	Total
<b>Columbus</b>	13	7	20
<b>Cleveland</b>	7	11	18
<b>Cincinnati</b>	11	2	13
<b>Akron</b>	5	4	9
<b>Dayton</b>	3	5	8
<b>Toledo</b>	3	3	6
<b>Sources: Various</b>			

## Educating Future Brewers

As the craft beer industry grows there will be increasing demand for formal education to train future brewers. In fall 2013 Asheville-Buncombe Technical Community College in Asheville, North Carolina began offering a two year degree in brewing, distillation and fermentation to teach the science and technical art of craft beverages. The degree will have a strong focus on STEM (Science, Technology, Engineering, and Math) education as well as a business track that will address marketing -. <http://www.abtech.edu/news/articles/craft-beverage-institute-southeast-formed-a-b-tech>.

## Want to know more?

Brewers Association - [www.brewersassociation.org](http://www.brewersassociation.org).

Brewers Association – [www.craftbeer.com](http://www.craftbeer.com).

Armon, Rick. 2011, *Ohio Breweries*, Mechanicsburg, PA: Stackpole Press.

Calagine Sam. 2011. *Brewing Up a Business: Adventures in Beer from the Founder of Dogfish Head Craft Brewery*. Hoboken, NJ: John Wiley & Sons.

Swinnen, Joshan F.M. (Editor), 2011, *The Economics of Beer*, New York, Oxford University Press.

Weiler, Stephan. 2000. Pioneers and Settlers in Lo-Do Denver: Private Risk and Public Benefits in Urban Redevelopment. *Urban Studies*, 37(1), 167-179.

## Got an Idea?

Do you have an idea for a topic that might be appropriate for a future issue of *Trending Now*? If so please contact UAC Director Neil Reid at [neil.reid@utoledo.edu](mailto:neil.reid@utoledo.edu)