



## **Brewers Association Economic Impact Study**

### **Methodology Overview**

This study is based on two national surveys conducted by the Brewers Association: the annual Beer Industry Production Survey (BIPS) and the bi-annual Benchmarking and Best Practices Survey (BBPS). The data obtained in these surveys were then entered into an IMPLAN software input-output analysis in order to examine the broader ripples of craft brewers in the national and state economies.

### **Scope**

The study measures the contribution of craft brewers. An American craft brewer is small, independent, and traditional.

**Small:** Annual production of 6 million barrels of beer or fewer. Beer production is attributed to a brewer according to the rules of alternating proprietorships. Flavored malt beverages are not considered beer for purposes of this definition.

**Independent:** Less than 25% of the craft brewery is owned or controlled (or equivalent economic interest) by an alcoholic beverage industry member who is not themselves a craft brewer.

**Traditional:** A brewer who has either an all malt flagship (the beer which represents the greatest volume among that brewer's brands) or has at least 50% of its volume in either all malt beers or in beers which use adjuncts to enhance rather than lighten flavor.

Brewers that do not fall under this definition were not included in this study.

### **Outputs**

The economic contribution of the craft brewing industry was calculated using an input-output analysis that breaks economic output into three parts: direct, indirect, and induced impacts.

The direct impact looks at the industry itself, including craft breweries, craft beer wholesalers, and retailers that sell craft beer. The data for this portion was gathered via two surveys: BIPS and BBPS. BIPS, an annual survey conducted by the Brewers Association, seeks to obtain production data from the entire population of American craft breweries. Once this production data is compiled, it is turned into revenue using data from the BBPS, a more detailed analysis of the business of craft beer. This survey gathers data on revenue for breweries, broken down by brewery characteristics, such as size and type. Revenues for breweries that were not a part of BBPS were estimated using a revenue model based on this empirical foundation.

To calculate the rest of the direct value chain, estimates of the national and state retail markets for craft beer were calculated using pricing and sales volume data across both on- and off-premise channels from a variety of sources, including the IRI Group, GuestMetrics, the Beer Institute, and the Brewers Association. Using a margins approach, value was subsequently assigned to both wholesalers and retailers using data from industry and government sources.<sup>1</sup>

In addition, the value of non-beer, such as food sales at brewpub restaurants, was assigned to a separate direct channel (to account for different multipliers inherent brewing versus other services).<sup>2</sup> These revenues were calculated in a similar fashion to beer revenues, using a combination of BIPS and BBPS.

Once these direct activities had been defined, the indirect and induced portions of the model were calculated using an input-output model from the Minnesota IMPLAN Group. First developed by the U.S. Forest Service, this model looks at the interconnections between sectors of the economy, tracing flows of dollars and employment both nationally and at the state level. These interactions are based on industry-specific multipliers derived from government data and the econometric calculations of the model.<sup>3</sup>

The indirect economic contribution measures the connections between direct industry participants (breweries, wholesalers, and retailers) and their suppliers, including raw materials like glass and malted barley, as well as building materials, marketing firms, and brewing equipment. Induced impacts are the final connections in the economy as workers in the industry use their wages to purchase additional goods and services.

Given the specific regional nature of the multipliers used to calculate the indirect and induced figures, the total national contribution reported is an aggregate of the state reports.<sup>4</sup>

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<sup>1</sup>One limitation of the margins approach in the IMPLAN model is that for the beer sector (sector 71), retail margins can only be assigned to off-premise retailing. Given craft brewing's proportionally larger share of on-premise volume and dollar sales compared to all beer, the wages and employment of IMPLANs outputs were adjusted slightly to account for variations in employment/sales ratio and employee wage levels between on- and off-premise retailers.

<sup>2</sup> IMPLAN Sector 413 (Food services and drinking places)

<sup>3</sup> Learn more at: [www.implan.com](http://www.implan.com)

<sup>4</sup> As a check, a national model produced a similar, though slightly larger estimate of craft's economic impact. State models also looked at the impact of the rest of the national craft brewing industry on each state's economy through the multi-regional analysis option in IMPLAN (MRIO model). In this way, state figures should be seen as reflecting the economic contribution of the national craft beer industry in each state, rather than the contribution solely of each state's individual craft brewers. Because of the much larger value of direct contributions, states with larger "domestic" production tend to have larger proportional impacts than states that rely more on indirect/induced contributions.