

Craft Breweries



Alaska brewers continue to grow, increase market share

By **NEAL FRIED**

Just three years ago, we reported that Alaska brewing had grown dramatically. That trend has continued, with new breweries continuing to pop up and more Alaska consumers choosing craft beer.

Alaskans' consumption of locally crafted beer has increased another 35 percent since 2013, even as overall beer consumption has continued to decline. Alaskans still drink a lot of beer, though. According to the Brewers Association, Alaska ranks third among states for gallons consumed per capita by the population 21 and older, and seventh for breweries per capita.

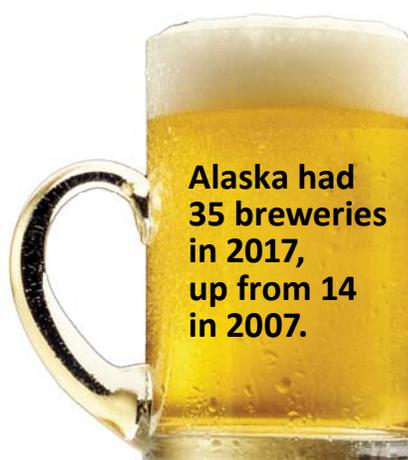
Alaska's breweries and brewpubs are scattered across the state, from Sitka to Fairbanks, in 24 communities of all sizes. Anchorage has the largest number, but communities as small as Skagway and Gakona have their own craft breweries, some of which cater to tourists and only operate seasonally.

Unscathed by state recession

The number of Alaska breweries and brewpubs mushroomed by over 150 percent from 2007 to 2017, and there's no sign the state recession has hit Alaska's brewers. New establishments continued to open and employment increased even as the overall eating and drinking industry began to lose jobs.

Brewery employment grew from 121 jobs in 2007 to 340 in 2017. (See Exhibit 1.) Brewpubs have also grown considerably over the last decade, reaching total employment of 921 in 2017.¹

¹Earlier comparable data aren't available for brewpubs, which are typically categorized as restaurants.



7 breweries:
Anchorage

3 breweries:
Wasilla

2 breweries each:
Palmer, Talkeetna, Homer, Soldotna,
Juneau, Skagway, Fairbanks

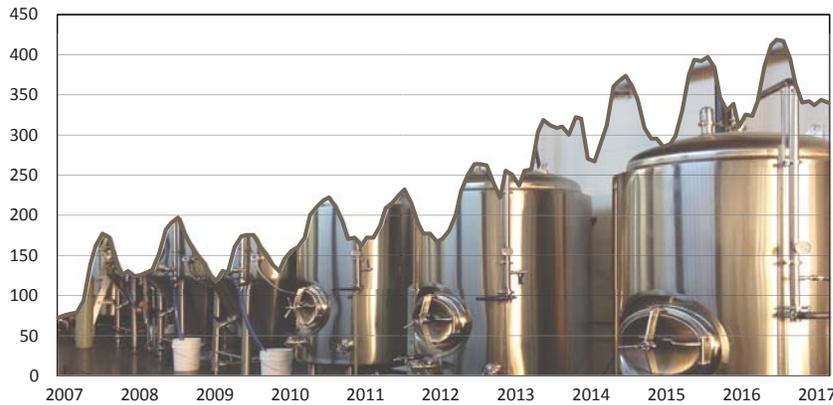
1 brewery each:
Eagle River, Girdwood, Kenai, Seward,
Sitka, Hoonah, Haines, Gakona,
Healy, Kodiak, Cooper Landing

Breweries vs. brewpubs

The Brewers' Association defines a craft brewer as an establishment that produces 6 million gallons of beer or less per year. Alaska's brewers fall in two basic cat-

1 Brewery Employment Continues to Climb

ALASKA, EXCLUDES BREWPUBS,* 2007 TO 2017



*Brewpubs are typically categorized as restaurants because more of their employment is in serving food. Brewpub employment was 921 in 2017.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska is fifth among states for brewery earnings per capita, at \$239 million in 2016.

egories: breweries and brewpubs, with others classified as hybrids.

Breweries produce beer mainly for distribution. They sell kegs, bottles, growlers, and cans to people and businesses such as restaurants, bars, and stores. Brewery jobs are mainly in the manufacturing industry, and the employment numbers in Exhibit 1 encompass most of these players.

Most breweries are open to the public for tastings and some serve food. However, by law, their public hours are limited and so is the amount of beer customers can consume on site.

Hoodoo Brewing Company of Fairbanks is an example of such a brewery. The largest — and oldest — is Alaskan Brewing Company of Juneau. In 2016, Alaskan was ranked the 19th largest craft brewery in the United States and the 24th largest brewery overall.

Brewpubs also brew beer, often on site, and often sell beer to other restaurants or stores and serve customers on site. Brewpubs typically serve a large variety of foods as well, and they're usually classified as restaurants because most of their employees work in food service rather than brewing.

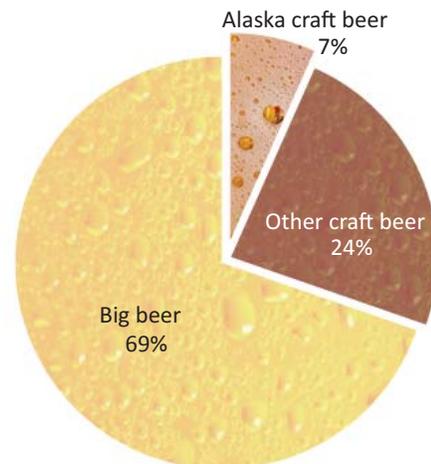
Examples of brewpubs are Glacier Brew House in Anchorage and St. Elias Brewing Company of Soldotna.

Beer types and taxation

As a byproduct of its taxation authority, the Alaska Department of Revenue produces a variety of statistics on beer sold. Beer sales fall into two categories with two tax rates. The first is "qualifying beer," which this

2 'Big' Beer Sales Still Dominate Market

ALASKA, 2017



Sources: Alaska Department of Revenue; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

article calls craft beer, and it is taxed at a lower rate. The other is "malt beverage," called big beer here. The big beer category is taxed at a higher rate and covers the large breweries such as Pabst Blue Ribbon and Budweiser.

In the craft beer category, a brewery's first 60,000 barrels of beer sold in Alaska each year are taxed at a lower rate to encourage local business. Although all Alaska breweries and brewpubs fall into this category, so do many from elsewhere in the country that sell beer in

Alaska. They also receive this lower tax rate because the state can't discriminate based on production location. However, the Department of Revenue can still break the craft beer category down into beer produced in Alaska and that produced elsewhere. (See Exhibit 2.)

Sales and production of local beer double

Between 2007 and 2017, the amount of locally produced craft beer sold more than doubled, from 454,000 gallons to 919,000 gallons. The percentage of Alaska-produced beer sold in the state also more than doubled, from 3 percent to 7 percent.

During that same period, the amount of craft beer consumed in the state grew from 2.3 million gallons to 4.2 million gallons per year. At the same time, consumption of big beer fell from 11.9 million gallons to 9.6 million gallons, a 25 percent drop. (See Exhibit 3.)

Breweries: \$12.5 million in payroll, 340 jobs

Brewpubs: \$23.4 million in payroll, 921 jobs

Big beer still holds nearly 70 percent of the market, but most literature on the subject predicts the declining trend for big beer will continue. And if Alaska-produced beer also continues to absorb a larger share of the existing market, overall beer consumption wouldn't need to increase for Alaska brewing to continue to grow.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

3 We're Consuming More Craft Beer

ALASKA, 2007 TO 2017



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section