THE ECONOMIC IMPACT OF CRAFT BREWERIES IN SAN DIEGO

One of the fastest growing business sectors in San Diego this decade has been craft brewing. Since 2011, the total number of craft breweries in the region has more than doubled. In addition, San Diego’s craft brewers contribute to the region’s tourism industry dollars by hosting year-round events, festivals, and facility tours. The National University System Institute for Policy Research (NUSIPR) evaluated labor data from San Diego’s craft brewery industry and measured its economic impact within the region.

EXECUTIVE SUMMARY

- **Craft breweries have a significant regional economic impact.** In 2011, brewers and brew pubs generated a $299.5 million direct economic impact in San Diego County. By the end of 2013, we estimate this figure increased to more than $500 million.

- **The economic contribution of craft brewers is more than 1½ times greater than the economic impact of Comic-Con International, San Diego’s largest annual convention.** NUSIPR also found that in 2013 the industry made $781.5 million in sales and employed 2,279 workers.

- **San Diego’s craft brewing community is growing rapidly.** More than half of the brewery licenses in the region have been issued since 2011. Larger, more established brewers are also expanding and adding new locations.

- **In addition, brewery tourism is an important part of San Diego’s visitor industry.** Unlike seasonal attractions, brewery tourism occurs year-round, and most of the major industry events in the region occur during non-peak visitor months. Readers should note that because of data and methodological limitations, the figures above do not include the impact of beer-related tourism.
CRAFT BREWING

Craft breweries are small, independent brewers that produce less than six million barrels a year and mostly focus on all-malt beers.\(^1\) Craft beer is typically more expensive than the beer of major distributors and earns higher profit margins. Another hallmark of craft breweries is that they are experimental, often producing unique recipes and varietals, seasonal beers and limited release editions. Most breweries are small production enterprises with few employees. Tracing its roots back to the 1970s, today there are more than 3,000 craft breweries operating in the United States.

The State of California’s Department of Alcoholic Beverage Control (ABC) issues two main licenses to craft breweries. Type 23 licenses are for “small beer manufacturers” (brew pubs, micro-breweries) that produce up to 60,000 barrels per year. Type 1 licenses are for larger breweries that produce more than 60,000 barrels per year. The ABC data reveals just how extensive craft brewing is in California and how its epicenter is located in San Diego County. According to *West Coaster Magazine*, as of July 2014 there are 90 total operating breweries and brewpubs in San Diego County.


![Chart 1: Top Five Counties by Total Type 1 & Type 23 Licenses, June 2013](chart1.png)
CRAFT BREWING IN SAN DIEGO


Also important to the reputation of San Diego craft beer and brewing culture is the guidance of the San Diego Brewer's Guild. Founded in 1997, the mission of the San Diego Brewer’s Guild is to help educate new brewers and promote public awareness of local craft beer.

Over the last few years, commercial interest in craft brewing has skyrocketed throughout San Diego. In fact, more than half of all new brewery licenses in San Diego County have been issued in the last two years.

The region’s first breweries were established mostly within suburban and rural industrial areas. Newer breweries are drawing closer to San Diego’s urban core. Today, breweries are generally clustered in three main areas: the “North County” multijurisdictional region and the San Diego City neighborhoods of Mira Mesa and Centre City.
BREWRIES & THE SAN DIEGO ECONOMY

To estimate the industry’s economic impact, NUSIPR collected industry workforce information to estimate the number of employees at local breweries. For brewpubs and other eating establishments, we relied upon permit data collected by San Diego County’s Department of Environmental Health. In cases where jobs numbers were missing or unavailable, NUSIPR used the methodology created to calculate brewery and brewpub employment in prior craft brewery economic reports.

Overall, we found that in 2011, San Diego craft breweries generated a $299.5 million direct regional economic impact, as well as $680.9 million in sales. This translates to 1,047 direct brewpub and 497 direct brewery jobs in San Diego County. To put this figure in perspective, Comic-Con International, San Diego’s largest convention, generates a $180 million regional economic impact.

San Diego’s craft beer community continues to grow. Using survey data and a proprietary business database, we found that by December 2013 that figure had risen 40%, to 2,279 industry jobs. Most of this growth occurred in 2013 when a handful of large brewers (Stone, Karl Strauss, Ballast Point, Port Brewing) added hundreds of jobs while opening new brewpubs and breweries with adjoining restaurants.

Data limitations prevent us from updating our economic impact figure for 2013. Nevertheless, industry job growth and addition of new breweries and brewpubs allows us to make a conservative estimate that the industry had more than a $500 million economic impact by the end of 2013. NUSIPR will provide a new regional economic impact analysis for our 2015 report update.

In addition to permanent economic impacts, the craft brewing industry in San Diego likely generates a significant amount of short-term impacts through large capital investments, equipment purchases, and the construction of new manufacturing facilities and brew pubs. Recent multi-million dollar expansion plans include Stone’s new 22,000-square-foot brewpub at Liberty Station, Coronado’s new 14,000-square-foot facility in Linda Vista, and Green Flash’s 44,200-square-foot headquarters in Mira Mesa. As of the writing of this brief, half of the craft breweries in the county are located in redevelopment areas. This trend seems to be accelerating with 57 percent of the brewery licenses issued since 2011 locating in redevelopment areas.

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2 Figure has been adjusted to 2013 dollars.
3 Brewery jobs” include positions at brewpubs that directly involve brewing operations.
BREWERY TOURISM

In addition to the economic impact of breweries and brewpubs, San Diego’s brewing industry is an important driver of regional tourism. In October 2012, Greg Koch, Stone Brewery CEO and co-founder, remarked that Stone Brewery’s facility in Escondido is the third largest visitor destination in North County (after the San Diego Zoo Safari Park and Legoland).³

Many of the larger San Diego breweries offer facility tours, provide event space, and have active event calendars. Additionally, more than half a dozen independent tour guide companies provide brewery tours. Craft brewers also receive support from industry boosters. The San Diego Tourism Authority promotes brewery tourism under the “What to Do” section of its visitor website and provides a directory of local breweries.⁶ The San Diego Brewers Guild also provides an updated illustrated map of the region’s breweries and brewpubs on its website.⁷

Most large-scale industry events in San Diego are scheduled during the non-peak tourist seasons of autumn and early spring (see Table 1).

<table>
<thead>
<tr>
<th>EVENT</th>
<th>DATE</th>
<th>Est. Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego Winter Brew Fest</td>
<td>Early February</td>
<td>2,000</td>
</tr>
<tr>
<td>Epic Beer Festival</td>
<td>Mid-March</td>
<td>2,000</td>
</tr>
<tr>
<td>CityBeat Festival of Beers</td>
<td>Late April</td>
<td>2,000</td>
</tr>
<tr>
<td>Beerfest at PETCO Park</td>
<td>Early May</td>
<td>27,054⁸</td>
</tr>
<tr>
<td>San Diego International Beer Festival</td>
<td>Late June</td>
<td>9,700</td>
</tr>
<tr>
<td>San Diego Brew Fest</td>
<td>Early July</td>
<td>2,500</td>
</tr>
<tr>
<td>Stone Brewery Anniversary Celebration &amp; Invitation Beer Festival</td>
<td>Mid-August</td>
<td>-</td>
</tr>
<tr>
<td>Beerfest at PETCO Park</td>
<td>Early September</td>
<td>25,403⁹</td>
</tr>
<tr>
<td>San Diego Festival of Beer</td>
<td>Early September</td>
<td>5,000</td>
</tr>
<tr>
<td>San Diego Beer Week</td>
<td>Early November</td>
<td>20,000+</td>
</tr>
</tbody>
</table>

TABLE 1: ANNUAL CRAFT BEER EVENTS IN SAN DIEGO COUNTY

⁶Note: this figure represents total baseball game attendance for the May 2012 Padres game, not the total number of patrons who participated in the Beerfest promotional event.
⁷Note: this figure represents total baseball game attendance for the September 2012 Padres game, not the total number of patrons who participated in the Beerfest promotional event.
The largest craft brewing event in the region is San Diego Beer Week, which features more than 500 events and lasts from early to mid-November. Beer Week brings more than 20,000 participants to San Diego County. An analysis of the 2011 San Diego Beer Week found that approximately 3,612 room nights were created due to industry events, yielding $469,307 in additional hotel revenue.  

While no visitor profile of San Diego brewery tourists has been compiled, some existing literature sheds light onto the subject. A 2012 study from the University of North Carolina found that among brewery patrons surveyed, 38 percent were tourists. Investigators also found that brewery tourists were mostly married, highly educated men with jobs and disposable income. Among brewery tourists, 75 percent had completed a bachelor’s degree or higher level of education, 71 percent were employed full-time, and 51 percent have a household income of $80,000 a year or higher. The study also found that most tourists travel with either friends or a spouse, and made plans to visit 2.08 breweries. Of particular interest to the hospitality industry, the majority of brewery tourists indicated in their responses that they were staying overnight (58.5 percent) for an average of 3.16 nights, mostly with either friends or family (28.1 percent), or at a hotel or motel (28.1 percent).

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CONCLUSION AND NEXT STEPS

Craft brewers are creating jobs, tourism visits, and tax revenue at a time when the region continues to slog through its economic recovery. While the industry’s meteoric growth rate isn’t expected to continue indefinitely, stronger partnerships and greater research may yield more economic benefits for both San Diego and the brewing community.

According to other industry studies, few brewery tourists learn about craft breweries from visitor bureaus and other tourist outlets. More collaboration between the San Diego Brewers Guild and the San Diego Tourism Authority could increase investment and energy in promoting craft brewers alongside other major regional destinations. Moreover, understanding who is visiting breweries, as well as what motivates their visits, could help tourism proponents market the industry more effectively to prospective patrons. A visitor survey could provide findings about brewery tourists and local patrons that would be useful to brewers as well.
ABOUT THE NATIONAL UNIVERSITY SYSTEM INSTITUTE FOR POLICY RESEARCH

The National University System Institute for Policy Research (NUSIPR) is a nonpartisan, nonprofit organization that formulates and promotes high-quality economic policy and public opinion research to improve the efficiency and effectiveness of local governments in San Diego County and to improve the quality of life enjoyed by the region’s residents.

NUSIPR regularly publishes independent research and analysis for the public on a range of topics, including unemployment, business growth, and the San Diego housing market. The Institute also works collaboratively with clients to develop high-quality research products that are tailored to their policy needs.