

Alaska is Big on Microbrews



Sales, jobs in craft breweries have shot up in recent years

Alaskans have long been fans of beer, and lately they've become even bigger fans of small breweries and their locally produced brews.

In 2012, Alaska ranked fourth in the nation for breweries per capita (see Exhibit 1), and fifth in small or "craft" breweries per capita.

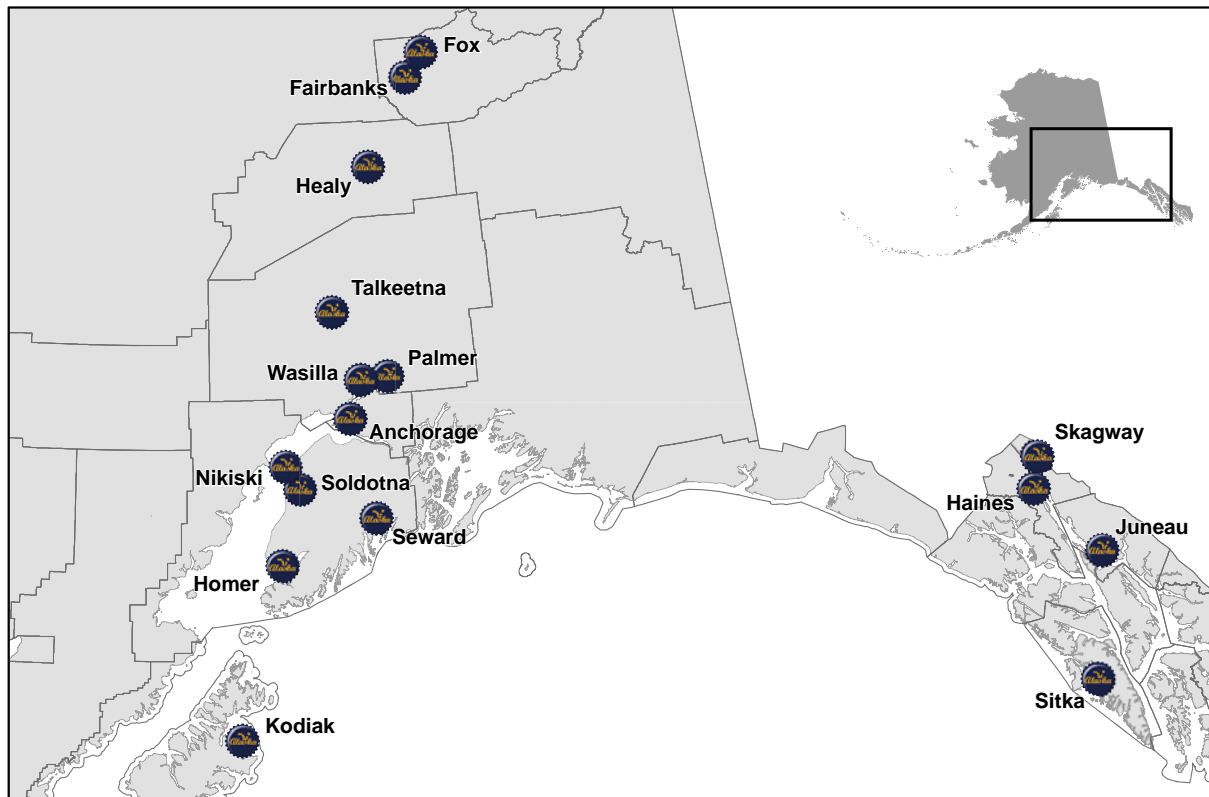
Though these brewing establishments are most concentrated in Anchorage, they're spread throughout the state in 16 communities from Kodiak and Juneau to Fairbanks and Denali Park. (See Exhibit 2.)

1 Brewers Per Capita Top-ranking states, 2012

- | Rank | |
|-----------|---------------|
| 1. | Vermont |
| 2. | Oregon |
| 3. | Montana |
| 4. | Alaska |
| 5. | Colorado |

Source: Brewers Association

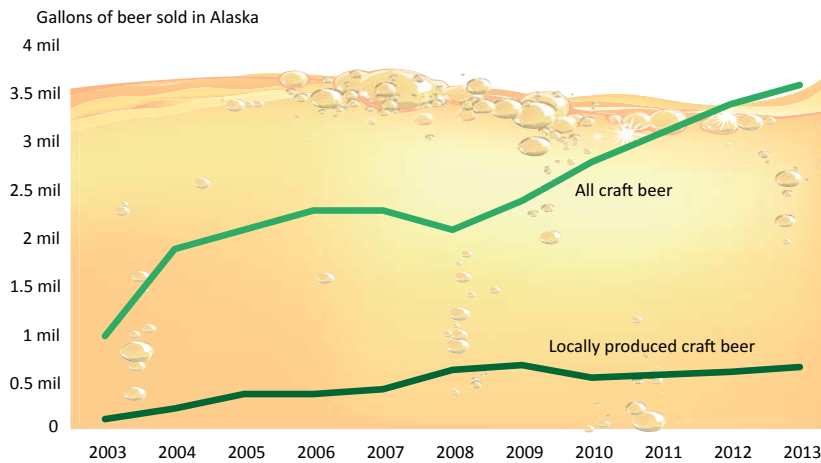
2 Alaska's Breweries and Brewpubs 2013



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

3 A Growing Market for Craft* Beers

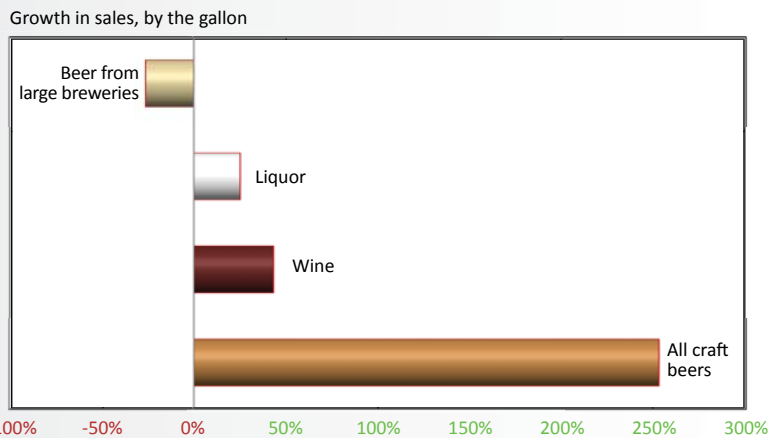
Gallons sold in the state, fiscal years 2003 to 2013



*Craft breweries produce less than 6 million gallons a year.
Source: Alaska Department of Revenue

4 Craft Beer Sales Have Grown the Most

Growth in alcohol sold in Alaska from 2003 to 2013



Source: Alaska Department of Revenue

Sales of craft beer skyrocket

Sales of craft beer, or beer that comes from breweries producing less than 6 million gallons a year, have more than tripled in Alaska over the past 10 years from a million gallons to 3.6 million. Sales of locally produced craft beer increased more than fourfold over the same period. (See Exhibit 3.)

Both greatly outpaced the sales of wine and liquor. In 2003, 6 percent of alcohol consumed in

Alaska was craft beer but by 2013, its share had grown to 20 percent. (See Exhibit 4.) This trend isn't unique to Alaska, either, as national consumers are also spending more on craft beer, commonly referred to as microbrews.

Alaskans buy less 'big beer'

Meanwhile, beer purchases from major breweries have declined significantly in Alaska. (See Exhibit 4.) These large companies are all from out of state, and their product, known as "malt beverage," is taxed at a higher rate. (For more on how these drinks are categorized, see the sidebar on page 13.)

Two types of brewers

Alaska's brewers fall into two categories: breweries and brewpubs.

Breweries sell kegs, bottles, growlers, and cans to shoppers and businesses such as restaurants, bars, and stores. They emphasize manufacturing over retail, but have a small retail component to display products and allow consumers to buy fresh beer in growlers.

Many breweries are open to the public for tastings and may often serve food; however, their public hours are limited by law and so is the amount of beer their customers can consume on-site. However, the amount of beer they can brew and sell is unlimited. Juneau's Alaskan Brewing Company is an example. The Brewers Association ranked Alaskan the 24th largest brewer in the country and the 16th largest craft brewery in 2012.

Brewpubs emphasize retail and are more like restaurants that brew their own beer, serving customers on site. They too often sell their beer to other restaurants and stores, but unlike breweries, there's a legal limit on how much beer they can produce and sell off site.

Besides making beer, an increasing number of these businesses also produce hard ciders and nonalcoholic products such as root beer.

Beer has two classifications, each taxed differently

The Alaska Department of Revenue produces a variety of statistics on alcohol sales as a byproduct of its taxation authority. The sales and volume numbers for liquor and wine are straightforward but the figures for beer are a bit more complicated.

Beer has two categories, taxed at different rates — “qualifying beer,” which is taxed at a lower rate, and “malt beverages,” which are taxed at a higher rate. To be eligible for the qualifying beer category, a brewery sells its first 60,000 barrels in Alaska annually and these are taxed at a lower rate; this is meant to encourage local business.

Though all Alaska breweries and brewpubs fall under the “qualifying beer” category, so do other national breweries that sell their first 60,000 barrels in Alaska — this is because it’s not legal to tax products differently based on where they’re produced.

The “malt beverage” category, taxed at a higher rate, typically covers the large national breweries.

More brewers, more jobs

With the increase in sales, the number of brewing establishments in Alaska has more than tripled since 2002. (See Exhibit 5.) Brewery jobs grew from 61 in 2002 to 290 by 2013. (See Exhibit 6.) In 2012, total brewery payroll was \$7.6 million, paying an average wage of \$33,829.

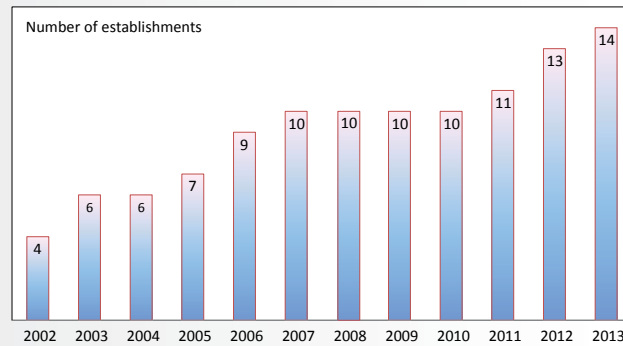
For brewpubs, total employment in 2013 was a little over 900, and total payroll in 2012 was nearly \$19 million.

More are in planning stage

More new breweries and brewpubs are apparently in the works, so this growth trend is likely to continue in the near future.

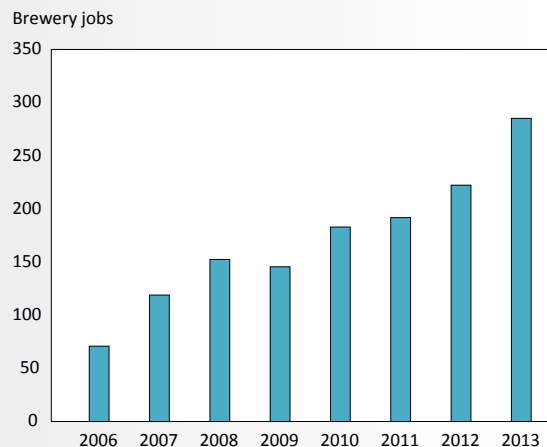
In a recent issue of the Anchorage Press, its long-time beer reviewer James Roberts said five new Alaska breweries were in the planning stages. And the national Brewers Association, which keeps a list of new possibilities by state, lists at least 12 in the planning stages for Alaska.

5 More Brewers Open in Alaska 2002 to 2013



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

6 Growth in Brewery* Jobs Alaska, 2006 to 2013



*These figures do not include brewpub employment.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section