



Sonoma County Craft Beverage Report

An overview of the local brewery, distillery, and cidery industry

Industry Briefing, Economic Impact, Tourism Impact, Impediments to Growth 2013

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June 2013

The Sonoma County Economic Development Board (EDB) is pleased to present the *Sonoma County Craft Beverage Report*. This report offers economic insight on Sonoma County's craft brewery, distillery, and cidery businesses and identifies opportunities for growth.

The craft goods industry is typified by a national shift in consumer preferences towards small production, local-ingredients, and high-quality, labor intensive goods. In terms of beer, this means more American consumers are sampling ales, porters, and wheat beers while moving away from mass-produced beers. Sonoma County's craft beer, spirits, and cider businesses are well situated to take advantage of these nationwide trends. Local award-winning craft breweries are experiencing rapid growth and leveraging their reputation to attract tourists from around the nation. Sonoma County distilleries and cideries are eager to increase output and employment, but face unique challenges to growth.

Some highlights and concerns faced by these local businesses include:

- As of 2013, there were *18 craft breweries in Sonoma County, with eight having opened in the last two years*. The total economic impact of Sonoma County's brewery industry was estimated to be \$123,000,000 in 2012.
- Sonoma County craft distilleries report they have several competitive advantages, such as access to a wide variety of local ingredients, a general appreciation of artisanal goods, and a well-established tourism industry. However, *state regulations regarding tasting and on-site sales make it difficult for distilleries to engage tourists through tours and tastings*, features which are essential to marketing and growth.
- Cider sales were up 70 percent nationwide in 2012, which followed a 31 percent jump in 2011. *The renewed nationwide interest in cider is having an impact on Sonoma County's cider industry*. Two additional local cideries have opened in the past two years, one of which has quadrupled their production in that time.
- Permits and local regulations are recognized as the highest impediment to growth for the brewery, cidery and distillery industry, with 72% of businesses ranking it the first or second most important issue that they face. Many businesses stated the high cost of permits and the slow processing time as impediments to expansion.

Through reports such as this, the EDB gathers essential data so that businesses and policy makers can identify problems, engage in discussion, and partner to resolve issues that stand in the way of economic success for our region. The EDB is committed to working with our partners to take the actions necessary to build on our strengths and to address our deficiencies – to improve economic opportunities for all Sonoma County residents.



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Industry Briefing - Craft Breweries

National Trends

Dynamics in the U.S. beer market have been driven by a growing consumer preference for craft beer. Craft brewing makes up 10% of the national beer market and was responsible for much of the overall beer industry growth in 2012. National beer sales by volume rose just 0.9% in 2012 while U.S. craft brewing sales increased 15% by volume in 2012 in addition to a 13% increase in 2011. While established breweries struggle to keep up with demand, new breweries enter the market with 409 openings nationally in 2012. The number of U.S. craft breweries totaled 2,347 in 2012, the most in 125 years.

How is Sonoma County doing?

The first craft brewery in the U.S. since Prohibition, New Albion Brewing Company, opened in the city of Sonoma in 1976. While New Albion was in business for only six years, its legacy is seen through Sonoma County's exceptional craft breweries. As of 2013, there were 18 craft breweries in Sonoma County with eight having opened in the last two years. Lagunitas Brewing Company, located in Petaluma, had a 40% increase in sales from 2011-2012 and is the sixth-largest craft brewer nationwide. (For more information on the economic impact of Lagunitas Brewing Co., see page 7.)

Craft breweries have found a home with the creative culture of Sonoma County that emphasizes exceptional artisanal products. Sonoma County breweries have won numerous awards and have a regular presence at national competitions such as the World Beer Cup and Great American Beer Festival. The annual release of Russian River Brewing Co.'s Pliny the Younger, a beer which is consistently ranked as one of the top beers in the world, draws thousands of tourists from across the nation. (For more information on the tourism impact of Pliny the Younger, see the case study on page 8.)

Impediments to Growth

The most common issue identified by craft breweries as an impediment to growth was the local permitting process. Breweries are anxious to meet growing demand for their product, and the extended time it takes to apply for a permit and have it reviewed may result in lost opportunities. For new breweries, permitting fees themselves can be a significant barrier.

The second biggest concern for smaller craft breweries, those with revenue less than \$2 million, was lack of working capital, which has prevented them from hiring additional workers and expanding production to meet demand. For well-established breweries, state and federal regulations were found to be their second biggest impediment to growth. (For a complete discussion of these impediments to growth, see page 5.)



By the Numbers...

15% Increase in craft beer sales by volume in 2012 - Nationwide

41% Increase in craft beer sales by volume in 2012 - Sonoma County

0.9% Increase in overall beer sales by volume in 2012 - Nationwide

18 Number of Sonoma County craft breweries in 2013

8 Craft breweries in Sonoma County founded since 2011

Overview of hops in Sonoma County

For 100 years hops were just as important to Sonoma County's economy as grapes are today. From the mid 1800s through 1950, hops were the most valuable crop in a county whose agricultural industry ranked in the top 10 in the nation. Hops grew well in the rich soil along the Russian River, and the annual harvest season brought workers from across the state. Around 1950, a combination of supply, demand, and technological changes ended the hop industry in Sonoma County. Of these changes, the invention of a hop picking device by Santa Rosa resident Florian Dauenhauer in the 1940's had the most lasting impact. The picking machine worked well in Washington State and Oregon, where fields could be made much larger than Sonoma County. Today Washington and Oregon remain the top producers of hops in the U.S.

Industry Briefing - Craft Distilleries

National Trends

The number of craft distilleries across the U.S. has increased fivefold in the past five years from 52 in 2005 to 234 in 2011. This rapid rise has been aided by a change in consumer preferences over the past two years from value spirits to those classified as premium, super premium, and high-end premium. For example, vodka, which accounts for 32 percent of spirits volume in the U.S., saw a 10% increase in super premium sales by volume from 2011 to 2012. At the same time value vodka (e.g. Smirnoff) grew by just 1.7 percent.

Those states that have overturned the remnants of certain prohibition-era laws have seen a booming craft distillery industry. The ability to offer on-site tastings and sales, and the marketing benefits that come along with that, has been particularly beneficial. In 2008, Washington State passed a law allowing on-site tasting and sales for distilleries that met requirements on output and on the sources of ingredients. Over the next four years, the number of craft distilleries jumped from 0 to 40. As of Jan 2013, just four states, including California, specifically do not allow tastings and direct sales for distilleries.

How is Sonoma County doing?

California's diverse agriculture industry, including Sonoma County's exceptional wine, offer a great opportunity for craft distilleries that embrace locally sourced ingredients. For example, Sonoma's Prohibition Spirits uses Pinot Noir wine barrels to finish bourbon that won "best small batch bourbon" in the 2012 Spirits International Prestige Awards.

Sebastopol-based Spirit Works Distillery is an example of a distillery that follows a "grain to glass" philosophy. This means each stage of production is performed on-site using California grain. Beginning with grain and transforming it to gin through mashing, fermenting, and distilling is a time and labor-intensive prospect, and some businesses choose to sidestep this by purchasing intermediate products. Spirit Works is among a handful of distilleries in the U.S. that performs the entire process in-house. This dedication to quality reflects the artisanal spirit of all craft producers in Sonoma County.

Impediments to Growth

Sonoma County craft distilleries report they have several competitive advantages such as access to a wide variety of local ingredients, a general appreciation of artisanal goods, and perhaps most importantly, a well-established tourism industry. However, state regulations regarding tasting and on-site sales prohibit distilleries to engage tourists through tours and tastings, features that made wineries successful. In 2012, there were three craft distilleries in Sonoma County with one opening in 2011. Revisiting these state level prohibition-era laws will be crucial in allowing Sonoma County businesses to remain competitive in the nationwide craft distilling boom.



By the Numbers...

- 5-fold** Growth of craft distilleries in the United States in the last 5 years
- 3** Number of craft distilleries in Sonoma County - 2013
- 0** Number of craft distilleries in Washington State before legalization of tastings and in-store sales in 2008
- 40** Number of craft distilleries in Washington State four years later

Prohibition's lingering effect on the distillery industry

At the beginning of the 20th century, U.S. distilleries in the numbered about 5,000, twenty years later, barely a dozen remained. The era of Prohibition not only devastated the distillery industry of the early 1900s, it brought about restrictive, Federal and local laws that persist today. The regulations regarding in-store sales and tastings is one of the more onerous laws for California craft distilleries. Additionally, unlike beer and wine, spirits may not be made at home for personal use. Distilleries also face a federal tax excise tax regardless of their size. Will the number of distilleries ever return to pre-Prohibition levels? Future growth will be influenced by how governments revise their prohibition laws, and ultimately, the pace of consumer demand.

Industry Briefing - Craft Cideries

National Trends

Craft cider sales were up 70 percent nationwide in 2012 on top of a 31 percent jump in 2011. With the small production and locality niche established by craft beer, businesses including major beverage producers Anheuser-Busch InBev and Heineken are investing in the possibility that cider could follow in the same direction. In addition to similar principles driving the craft beer and spirits boom, businesses see the opportunity to reach new audiences with craft cider. The beer market is overwhelmingly male (80 percent) while craft cider is reported to be gender-neutral. Cider is also able to command a higher price at \$35 per case on average, \$2 higher than for craft beer. The potential for cider growth in the U.S. market is high, with cider making up just 0.2 percent of combined beer and cider sales in the U.S., compared to 17 percent in the U.K.

How is Sonoma County doing?

The renewed nationwide interest in cider is having an impact on Sonoma County's cider industry. Two cideries have opened in the past three years, Tilted Shed Ciderworks and Apple Sauced Cider. Since opening in 2010, Tilted Shed Ciderworks has quadrupled their production. They join two established cideries founded in the 1900's, California Cider Co. and Murray's Cyder.

California Cider Co. took home three medals from the World Beer Championships in 2010 for its Ace Cider. It was founded in 1994, making it the oldest cidery in Sonoma County of those currently in operation. It has grown to become the largest family owned cidery in the United States. In 2012 its sales rose 52% from the previous year.

Impediments to Growth

One of the largest concerns of local cideries is the availability of cider apples, as not every variety of apples can be used to create cider. The same qualities that make great cider apples, such as tannins and acids, are also qualities that are avoided in common eating apples. The main threat to the supply of apples is the competition for land acreage. Those Sonoma County cideries that wish to source their apples locally must compete with the many other interests.

Access to capital is also a concern for cideries. Relative to the market for craft beer and spirits, the cider market is new. It is also growing at an even faster rate. Cideries that have opened in recent years are already looking to increase capital to expand production and hire additional employees. Permitting fees, an additional barrier for small businesses, have prevented at least two cideries from opening tasting rooms.



By the Numbers...

31% Nationwide increase in cider sales in 2011

70% Nationwide increase in cider sales in 2012

4 Cideries in Sonoma County - 2013

2 Local cideries opening in the last three years

80% Percentage of beer market that is male, showing the benefit of marketing cider as a gender-neutral drink

History of Sebastopol Gravenstein Apple

Sonoma County's very own apple variety is the Sebastopol Gravenstein. Having sweet, tart, and crispy characteristics, the Gravenstein makes a great eating apple and is highly regarded in pies and applesauce. First brought to the area by Russian trappers in 1811, the Gravenstein grew in popularity to number 15,000 acres in Sonoma County in 1940. During this time an entire apple processing industry was supported in Sonoma County, and during World War II, the apple variety of choice for supplying soldiers was the Gravenstein. Since 1940, land that was used to grow apples has greatly diminished due to land development and grape production. In 2008, the number of acres devoted to apples in Sonoma County was just 2,800 with only a third of producing Gravensteins.

Local cideries have stepped in to help preserve the Gravenstein by raising awareness and making it a showcase ingredient in some of their ciders. One new cidery from Sebastopol, Apple Sauced Cider, makes a 100% Gravenstein apple cider.

Key Industry Concerns and Opportunities

Current Growth in Sonoma County

Sonoma County's craft brewery industry has been growing at an exponential rate since the early 1990's. In the last 5 years, the number of breweries has doubled.

The brewery, cidery and distillery business in Sonoma County also have a strong growth outlook, with 95% of survey respondents expecting to expand production in the next year, 85% expecting to invest in locations and equipment, and 65% expecting to increase the number of full-time workers.

Permits and Local Regulations

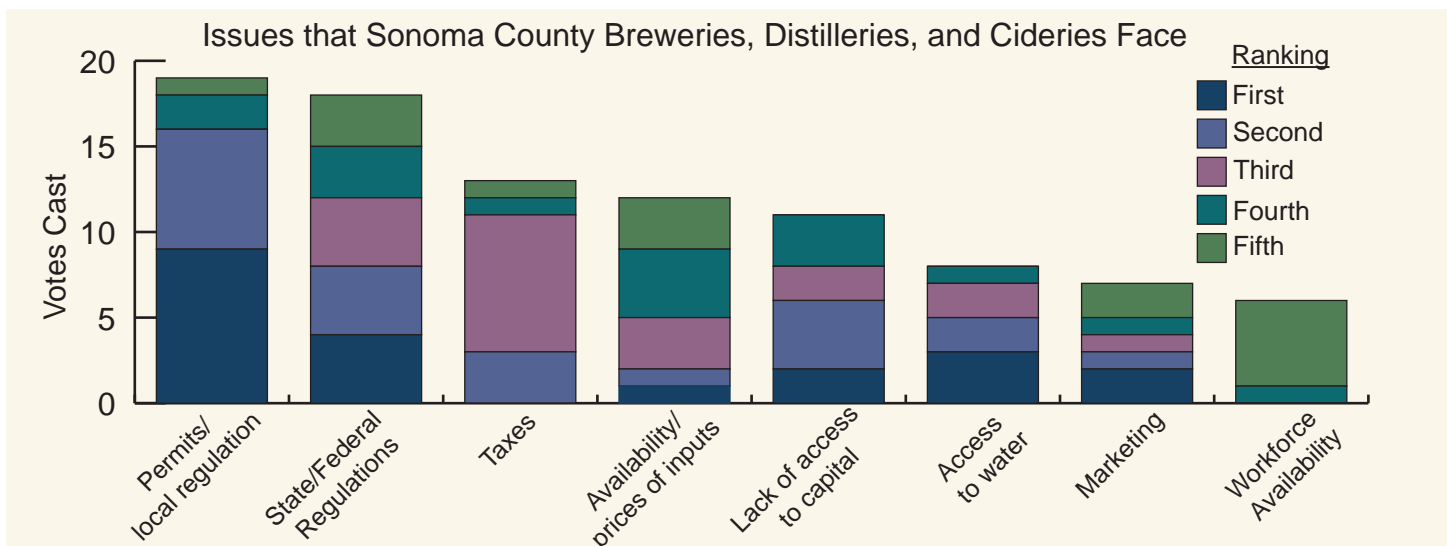
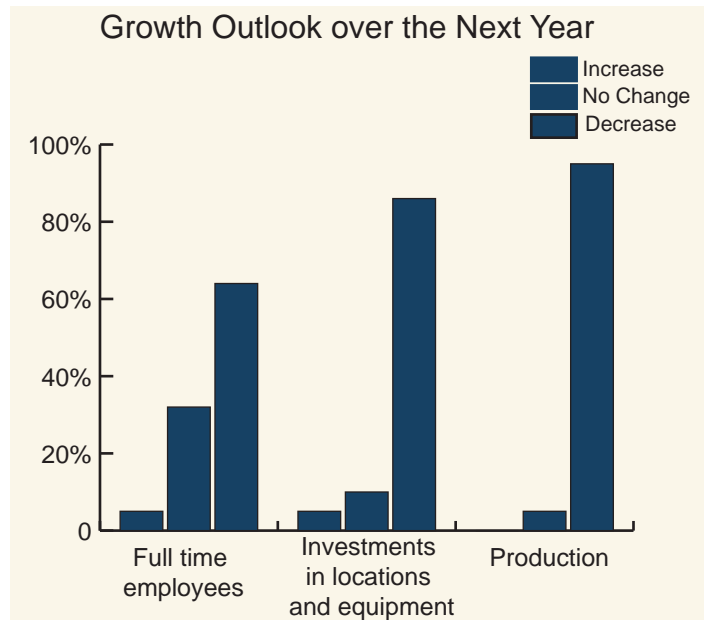
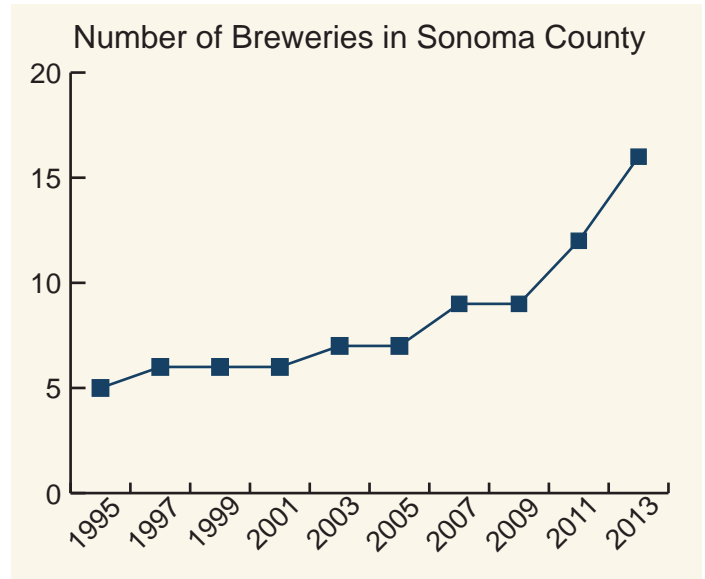
Permits and local regulations are recognized as the highest impediment to growth for the brewery, cidery and distillery industries, with 72% of business executives who responded ranking it the first or second most important issue that they face. Many respondents quoted the high cost of permits and the slow processing time as problems they are facing in expansion.

Access to Water

Access to water remains a high concern for the larger producing breweries in Sonoma County. A constant local supply of water is necessary to ensure long term growth of Sonoma County's brewing industry. Coupled with waste water constraints and sewer line capacity, water management can be viewed as a current and future major impediment to growth.

State and Federal Regulations

State regulations are currently impeding the growth of distilleries in Sonoma County. Prohibition-era laws disallow distilleries from operating tasting rooms to showcase their product, unlike wineries and breweries. Furthermore, these laws prevent distilleries from selling directly to the consumer. California remains one of four states in the United States that restricts tasting and direct-to-consumer sales for distilleries. This regulation impedes the ability of distilleries in Sonoma County to market themselves to consumers on a competitive level.



Economic Impact Analysis - Craft Breweries

Premise

Craft breweries are a unique asset to Sonoma County which can be seen through their nationally awarded beer, tourism (page 8), community outreach (page 10), as well as their impact on the local economy. Sonoma County breweries employ 500 individuals with total sales of \$96 million. Comparison of the percentage of brewery employment relative to the labor force shows that employment in the brewery industry is 13 times more concentrated in Sonoma County compared to the U.S.

In 2012, the California Craft Brewers Association released a statewide study and found the brewing industry created \$3 billion in economic impact. As many impediments to growth exist at the local level, the Sonoma County Economic Development Board performed an economic analysis on the county's craft brewery industry.

Economic Analysis

The total economic impact of Sonoma County's brewery industry in 2012 is estimated to be \$122,807,840. This figure includes both the output of the breweries themselves and the economic multiplier effects associated with their output. The indirect effect measures the additional income to the breweries' supply chain. The supply chain itself is then able to use that income to support additional jobs and output. The induced effect refers to the additional income to employees who in turn support the local economy. The magnitudes of these effects were \$18,075,722 and \$8,681,310, respectively. In order to calculate the multiplier effects, the EDB utilized IMPLAN (Impact Analysis for Planning), a modeling software widely used by government organizations and nonprofits for analysis. A detailed methodology of the analysis can be found in Appendix B.

Labor-Intensive Brewing is an Economic Gain

An economic benefit of craft breweries is their focus on small quantity production. The high output-per-worker strategy of large-scale breweries such as Anheuser-Busch comes at the cost of relatively smaller employment and diminished beer quality. Anheuser-Busch operated at about 2,080 barrels per employee in 2012, while the four largest Sonoma County craft breweries averaged 626 barrels per employee in 2012. While less-efficient production is not typically economically desirable, the ability of craft breweries to capitalize on surging demand for artisanal products is a boon to Sonoma County's economy.

By the Numbers...

499 jobs directly created by craft brewing

179 jobs indirectly created by craft brewing

\$123,000,000

estimated total economic impact of craft brewing in Sonoma County

2,080 barrels per employee Anheuser-Busch

626 barrels per employee avg. for Sonoma County's four largest breweries

Top Industries Affected by Brewing

Description	Total Output Attributed to Breweries
Wholesale trade businesses	\$3,225,469
Management of companies and enterprises	\$2,586,211
Transport by truck	\$1,681,255
Real estate establishments	\$1,551,210
Management, scientific, and technical consulting services	\$1,042,277
Food services and drinking places	\$679,719
Accounting, tax preparation, bookkeeping, and payroll services	\$446,990
Employment services	\$271,452
Grain farming	\$234,419

Economic Impact - Lagunitas Brewing Company

Sonoma County's Largest Brewery

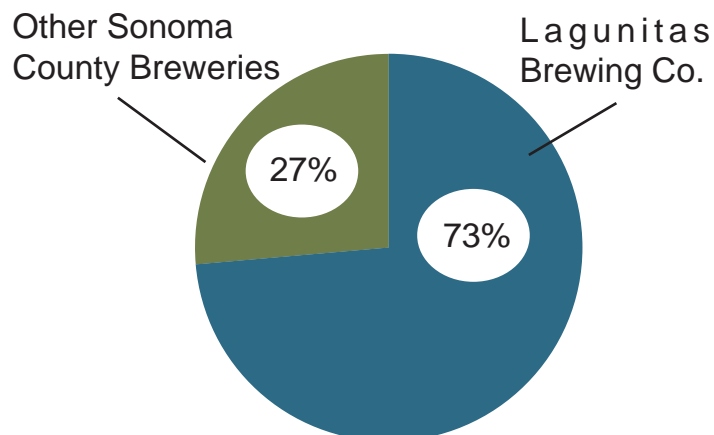
Lagunitas Brewing Company is the largest craft brewery in Sonoma County, and is the sixth largest nationwide. In 2013, the Petaluma-based brewery produced 73% of Sonoma County's craft beer and employed 52% of the industry. The growth of Lagunitas Brewing Co. is having an impact on the local economy. Year-over-year sales grew by 40% to \$60 million from 2011-12, making it one of the nation's fastest growing breweries. Its Petaluma headquarters has added 100 jobs in the last 12 months to bring total employment to 350.

Years of successive growth have been accompanied by plans to further target a national customer base. Lagunitas Brewing Co. currently distributes to 34 states and has been undertaking a series of capital investments to increase output. A brewing facility in Chicago capable of producing 1.7 million barrels will be opening in the summer of 2013 and will allow Lagunitas Brewing Co. to effectively market to the East Coast. The Chicago brewery will begin output at 300,000, slightly more than the 254,000 barrels it produced in Sonoma County in 2012. Furthermore, Lagunitas Brewing Co. is increasing the capacity of its Petaluma brewery to 520,000 barrels with a \$9.5 million expansion that began in 2011.

Waste Water

The rapid growth of Lagunitas Brewing Co. has been accompanied by some infrastructure problems in Petaluma. The city's new waste water treatment facility, built in 2009, is unable to process the brewery's high-density waste. The waste is instead trucked to Oakland, which Lagunitas Brewing Co. estimated will cost \$1.5 million in 2013. In the years leading up to the water facility's final design, Lagunitas Brewing Co. was small enough that it was not anticipated to require high-density waste treatment. A solution to treat waste water within Petaluma would be a boon to the growing local breweries, as well as the other food processing businesses in the area such as dairies. Clover Stornetta Farms also trucks its high density waste water to Oakland.

Sonoma County Craft Beer Production



By the Numbers...

52% Percent of Sonoma County's craft beer industry employed by Lagunitas Brewing Co.

40% Lagunitas Brewing Co. year-over-year sales growth from 2011-12.

254,000 barrels Lagunitas Brewing Co. 2012 production

2.2 million barrels Brewing capacity after completion of the Petaluma and Chicago expansions



Tourism Impact - Pliny the Younger

Sonoma County: A Premier Destination for Craft Beverages

Premise

Sonoma County tourism is the third-largest among neighboring counties and it has long been an integral part of its economy. Tourists in 2011 brought \$1.47 billion to the economy and supported 17,000 jobs. Continued growth in this industry will depend on successful marketing of Sonoma County's local assets. Sonoma County breweries have a national reputation for their innovation and award-winning beer. However, a potential problem is that while beer is readily associated with a brewery's name, the location of the brewery is not. This is a lost opportunity to market a strong asset as there is potential for building Sonoma County as a craft beverage destination.

One way to determine if there is an interest for beer tourism is to gather both quantitative and qualitative evidence through a case study where tourists can be surveyed on their spending habits. The annual release of Pliny the Younger beer draws thousands of beer lovers from around the nation to Santa Rosa, the largest city in Sonoma County, and provides an audience for performing this case study.

Why Pliny the Younger?

In 2009, the beer community website BeerAdvocate.com ranked Pliny the Younger, a triple IPA brewed by Russian River Brewing Company, as the "best beer" in the world. Since then, this beer has gathered a cult-like following among beer enthusiasts. Compared to a standard IPA (India Pale Ale), a triple IPA has roughly triple the amount of hops and more than twice the alcohol content. While Russian River Brewing Co. is not the only brewery that brews a triple IPA, it enjoys the most publicity through Pliny the Younger.

Contributing to the allure of this beer, unlike other Russian River Brewing Co. beers, you can not pick Pliny the Younger up at the store. The only way to sample this beer is on-site or at a few select Bay Area locations during its two-week annual release in February. Thousands of beer lovers from around the nation, and even a few who make the trip from abroad, line up outside the brewpub in Santa Rosa every day during its release. On opening day in February 2013, the most enthusiastic attendees waited up to seven hours in a line that wrapped around blocks for a chance to sample the brew.

Quotes from Release Day

"I came to Sonoma County just for Russian River [Brewing Co.] and the Pliny the Younger release."
- James, Los Angeles, CA

"We came for the Pliny the Younger release and also to do some wine tasting."
- John, Chicago, IL

Results

The 2013 release of Pliny the Younger drew 12,500 attendees to Russian River Brewing. According to the survey results, 8,140 of these attendees, or 65 percent, were tourists who traveled specifically to try the beer. Their aggregate expenditure within Sonoma County, also known as their direct impact, totaled \$1,440,151. In addition, the money that tourists spent in the local economy had multiplier effects in similar ways as discussed in the industry economic impact section on page 6 of this report. The indirect impact and the induced impact are estimated to have been \$421,467 and \$495,991, respectively. The total tourism related impact of Pliny the Younger was \$2,357,609.

Survey results indicate that tourists spent a large portion of their money at restaurants, breweries, and bars during their visit. In addition to visiting Russian River Brewing, tourists reported arriving early or staying an extra day to visit other breweries in the area. Tourists spent an average 1.6 days in Sonoma County, and 44 percent stayed in a local hotel or lodging during their stay.

At least 26 states and 5 foreign countries were represented at the 2013 release of Pliny the Younger. The majority of tourists, 83.6 percent, were from California. Other domestic tourists made up 15.2 percent of the visitors with the remaining 1.1 percent traveling internationally.

A complete discussion of the survey methodology is available in Appendix A: Tourism Case Study Methodology



Attendees wait for Pliny the Younger in lines that at times spanned 3 block lengths

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Community Contributions

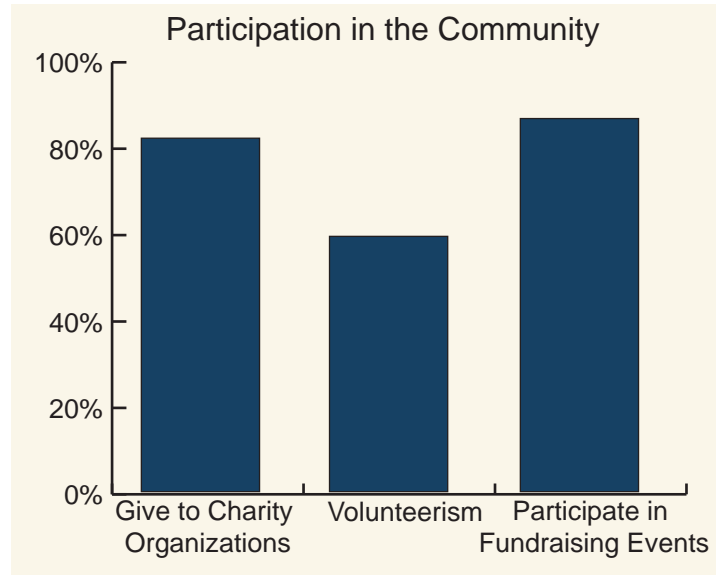
Involvement in community philanthropy is an important aspect for Sonoma County's breweries, cideries and distilleries. The majority of these businesses are involved in creating a positive community impact in one way or another.

Fundraising and Charity

Almost 90% of the survey respondents reported that they participated in fundraising events. The majority of Sonoma County breweries and cideries participate in beer festivals and events that raise money for local charities. "Beerfest - The Good One" is an example of this type of event. The festival is held annually in early June as a fundraiser for Face to Face, Sonoma County's AIDS Network.

The new Petaluma River Craft Beer Fest scheduled for September 2013 will be curated by Petaluma resident Ken Weaver, author of The Northern California Craft Beer Guide, and co-sponsored by Petaluma Valley Rotary and Petaluma Area Chamber of Commerce. This fundraiser benefits non-profits and projects on the Petaluma River.

Furthermore, fundraising is done by breweries for different causes. Russian River Brewing Company holds a month-long fundraiser in October to raise money for breast cancer research. In 2011, the company raised over \$67,000 that they donated to the Sutter Breast Care Center. Additionally, Lagunitas Brewing Company reported they donated beer or money to over 2,000 non-profit organizations in 2012. Almost all of the breweries, distilleries and cideries reported that they have done fundraising within their business to support local organizations.



Bear Republic Brewing Company, Inc. donated to about 200 Non-Profit organizations in 2012, totaling about \$40,000-\$70,000 between 2012-2013.



The annual "Sonoma County Beerfest - The Good One" raises \$8,000-\$10,000 for Face to Face, Sonoma County's AIDS Network.

Organizations that are supported by Sonoma County Breweries, Cideries and Distilleries

Face to Face	Petaluma - Keeping Music in the Schools
Sutter Breast Care Center	Windsor High Sports
Boys & Girls Club	Lifeline
Healdsburg Performing Arts	School Garden Network
Surfrider Foundation	Big Brothers Big Sisters of the North Bay
Ales for Autism	The Children's Village of Sonoma County
Cinnabar Theatre	SchoolsPlus
Gravenstein Apple Fair	Committee on the Shelterless
Kiwanis	Sutter Pacific Medical Foundation
Rotary	
Pet's Lifeline	And many more!

Acknowledgements

The Economic Development Board would like to thank the following businesses for their time and input in completing the industry survey

Breweries

101 North Brewing Company
Bear Republic Brewing Company
Dempsey's Restaurant and Brewery
Divine Beer
Healdsburg Beer Company
Henhouse Brewing Company
Lagunitas Brewing Company
Moonlight Brewing Company

Old Redwood Brewing Company
Petaluma Hills Brewing Company
Russian River Brewing Company
Ruth McGowan's Pub
Sonoma Springs Brewing Company
St. Florian's Brewery
Third Street Aleworks
Warped Brewing Company

Distilleries

HelloCello
Spirit Works Distillery
Stillwater Spirits

Cideries

Apple Sauced Cider
California Cider Inc
Tilted Shed Ciderworks

Thank you

The Sonoma County Economic Development Board would like to thank the following people for their support and help with this report.

Natalie and Vinnie Cilurzo and the staff at Russian River Brewing Company for allowing the EDB access to their brewery during the Pliny the Younger release for surveying, videotaping and interviewing. Their enthusiasm for this report ensured a robust sample size during the two-week surveying period.

California Craft Brewers Association for providing their list of breweries in Sonoma County.

Community Media Center of the North Bay for their time, guidance and editing of the accompanying Pliny the Younger video.



The Sonoma County Craft Beverage Report was managed by the Economic Development Board's project coordinators.

Matt Liedtke wrote the industry briefings, the economic impact sections for the craft brewing industry and Pliny the Younger release, and the appendices. He was also responsible for acquiring data and carrying out the economic impact analysis.

Audrey Bendowski wrote the industry concerns and opportunities section, and the community contributions section. She was also responsible for the design of the Pliny the Younger survey.

Both Matt and Audrey oversaw the production of the Pliny the Younger video.

Appendix A: Pliny the Younger Survey Methodology

Premise

The Economic Development Board developed a strategy to survey patrons at Russian River during the two-week release of Pliny the Younger from February 1 to February 14. The survey was conducted through brief survey cards which asked, among other questions, their group size, spending habits, and place of origination. The survey was constructed using best practices with the following specific intentions

- Identify whether the survey respondent was a Sonoma County resident
- Identify whether the survey respondent visited Sonoma County specifically for Pliny the Younger
- Structure questions without revealing the intentions of the survey
- Offer a small incentive to encourage responses from both locals and tourists
- Ensure survey questions regarding spending habits are aligned with IMPLAN sector categories

The purpose of the first two points was to calculate the tourism related economic impact related strictly to the release of Pliny the Younger. *Those tourists who where in the area and casually showed up to the event should not have their spending attributed to it.*

The third point refers to reducing respondent bias. For instance, the survey asks "What attraction best describes your reason for visiting Sonoma County?" instead of "Did you attend Sonoma County for Pliny the Younger"? While the survey card had the EDB logo on it, there was no indication in the text that it was an economic impact study.

The fourth point was to provide an additional incentive besides altruism to complete the survey. The survey participants were entered in a raffle to win a Russian River Brewing sweatshirt.

Tourist Spending

The economic impact analysis was conducted using the IMPLAN software which required tourist spending to be allocated to respective industry sectors. The fifth point refers to structuring spending habit related questions so that they correspond directly to an IMPLAN sector.

Survey Card Spending Category	Corresponding IMPLAN Sector
Restaurants, takeout food, and bars	413: Food services and drinking places
Hotel (Lodging)	411: Hotels and motels, including casino hotels
Retail shopping	329: Retail stores – General Merchandise
Local transportation (including rental)	336: Transit and ground passenger transportation
Airfare (if applicable)	332: Transport by air
Gasoline	326: Retail Stores – Gasoline stations
Winery Visit	72: Wineries
Spa/Personal services	419: Personal care services
Souvenirs and other expenses	319: Retail stores – Clothing and clothing accessories

Surveying Procedure

The EDB coordinated with staff at Russian River to distribute the survey cards to patrons. Each group of attendees was given a single survey card to fill out immediately upon sitting down. The timing of the survey mitigated possible intoxication bias. Each survey card represented the spending habits of one group of attendees. Survey cards were distributed throughout the event.

Calculations

The EDB tallied 736 survey cards that represented the input of 2,532 attendees (number of survey cards * average group size = $736 * 3.44 = 2,532$). The 736 survey cards excluded approximately 30 cards that were unusable. The total number of patrons at Russian River Brewing Co. throughout the release of Pliny the Younger was determined through point of sale records and totaled 12,500.

Of the 736 survey cards, 541 indicated they were filled out by individuals who were from outside of Sonoma County. Of the 541 tourist survey cards, 62 indicated their group did not attend for a Pliny the Younger related reason (e.g. wine, family, left blank). Therefore, the EDB received 479 cards from tourists strictly traveling for Pliny the Younger. The ratio of tourists to visitors was calculated as $65\% = (479/736)*100$.

When calculating the average spending per visitor throughout their entire stay for each spending category, any spending question that received no response was given a value of 0. The average spending per visitor throughout their entire stay for each spending category was then multiplied by the total number of visitors $8,141 = .65*12,500$. These resulting values, the estimated total expenditures for each spending category, were the final inputs for IMPLAN.

Survey respondents were asked to indicate their method of transportation to get to Sonoma County so that airfare spending to be allocated only to only those who flew into the Charles M. Schulz - Sonoma County Airport as opposed to the San Francisco International Airport. Six groups from the survey sample indicated they flew into the Sonoma County. Due to the small sample size, average airfare spending was not included in the final economic impact total. On a related note, 54 groups indicated they flew into an airport other than Sonoma County's.

Appendix B: Economic Impact Methodology

Premise

The EDB surveyed Sonoma County breweries, distilleries, and cideries in order to assess their impact on the county and identify impediments to growth. This survey was partially motivated by recent economic reports on the brewery industry for Larimer County, Colorado (The Economic Impacts of Breweries on Larimer County, Colorado State University, 2011), Colorado State (Craft Brewers Industry Overview and Economic Impact, University of Colorado, 2012), and California State (California Craft Brewing Industry: An Economic Impact Study, University of California, Berkeley, 2012). The major similarity between all three reports is the use of the IMPLAN modeling software to perform the economic impact analysis. In producing an economic impact analysis for Sonoma County, the EDB used these reports as a model to develop its own survey.

While distilleries and cideries were surveyed, and their responses show up throughout the report, the EDB was unable to perform an economic analysis in the same way as it did with breweries. Due to a small sample size, the EDB could not report their impact without compromising their anonymity. Suppressing sensitive business data because of this circumstance is a common practice among data providers such as the BLS and California EDD.

Survey

An effort was made to include the input from all Sonoma County breweries, distilleries, and cideries. A list of Sonoma County businesses that were classified as a manufacturer of beer, spirits, or cider was created using information from the California EDD, InfoGroup, press articles, and the California Craft Brewers Association. The survey itself was two pages and was distributed to each of the 18 breweries, three distilleries, and four cideries on this list. Responses were received from 16 breweries, three distilleries, and three cideries for an overall response rate of 88%.

Analysis

The IMPLAN software models the impact of an event on a given economy which is referred to as input-output analysis. An extensive database of industry specific economic data allows IMPLAN to generate a Social Accountability Matrix. This matrix is used to track the interactions between different sectors of the target economy, and in doing so, provides the basis for calculating an event multiplier.

Survey recipients were asked to indicate their number of full-time and part-time employees in 2012, along with their total sales in 2012. The aggregate brewery sales and employment were allocated to IMPLAN sector 71 to run the analysis. Since all beer production takes place within Sonoma County, the local purchasing percentage was 100%.

Appendix C: Sources

Advertising Age, (www.adage.com)

Cider Seen as Next 'Craft' Brew as
Sales Climb 25% This Year (11/28/11)

Anheuser-Busch InBev, (www.ab-inbev.com)
2012 Annual Report

Ark of Taste, (www.slowfoodusa.org)
Sebastopol Gravenstein Apple

Brewers Association, (www.brewersassociation.org)

Distilled Spirits Council of the United States, (www.discus.org)

Hard Cider News, (www.hardcidernews.com)
Featured Cider Company: California Cider Company (2/9/13)

North Bay Business Journal, (www.northbaybusinessjournal.com)
Lagunitas completes \$15M expansion (9/10/12)

Prohibition Spirits, (www.prohibition-spirits.com)

SONOMA, (www.sonomanews.com)
Craft distillers push for tasting rooms (1/7/13)

Spirit Works Distillery, (www.spiritworksdistillery.com)

Technomic, Inc. (www.technomic.com)
2012 BeerTAB (Trends in Adult Beverage)

The Economist, (www.economist.com)
Prohibition hangover (9/8/12)

The New York Observer, (www.observer.com)
New York's Beer Debt to California (2/3/1)

The Press Democrat, (www.pressdemocrat.com)
Beer fans to line up for Santa Rosa brewery's once-a-year ale (1/1/13)
Four North Coast craft brewers among 50 largest in U.S. (4/11/13)
Hops, once king of county's crops, helped put region on map (6/29/08)
Lagunitas Brewing Company tasting success (4/27/13)
The cider sensation (2/5/13)

The San Francisco Business Times, (www.bizjournals.com/sanfrancisco)
Expansion on tap (3/22/13)

The Seattle Times, (www.seattletimes.com)
Craft distilleries win state-fee break (4/13/12)

The Wall Street Journal, (www.wsj.com)
After Long Downturn, Beer Sales are Back (10/3/12)

The EDB believes all data contained within this report to be accurate and the most current available, but does not guarantee its accuracy or completeness. Use of data from an outside source does not represent an endorsement of any product or service by the EDB, its members or affiliates.

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