

The ascent of Alaska breweries

2020 loss a likely blip, as we hadn't yet hit saturation

By NEAL FRIED

When we wrote about the dramatic growth of breweries in Alaska four years ago, we assumed the upward trajectory wouldn't continue much longer. Since then, it's become clear we still had room for more, even as the pandemic temporarily pinched the taps.

The state had 36 breweries in 2017, which grew to 44 by 2019. Annual jobs jumped from 397 to 503, peaking at 585 that August as record numbers of tourists joined residents to drink Alaska's home-crafted brew.

Alaskans' enthusiasm for locally produced beer intensified as well. According to the Brewers Association, Alaska ranked fifth for breweries per capita and fourth in gallons consumed per capita by the adult population in 2020. The same association estimated breweries' entire economic impact in Alaska at \$332 million the year before.

Pandemic briefly hit the brakes

When the pandemic brought on a downturn in

How types of beer are categorized

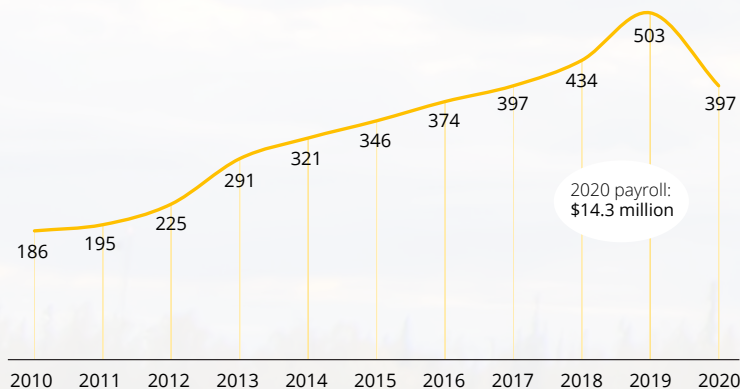
As a byproduct of its taxing authority, the Alaska Department of Revenue produces various statistics on beer sold. Beer sales fall into two categories, with two tax rates. One label is "malt beverage," which we call big beer here. The big beer category is taxed at a higher rate and covers the larger breweries, such as Coors or Miller.

The other is "qualifying beer," which this article calls craft beer, and its first 60,000 barrels of beer sold in Alaska annually are taxed at a lower rate that's meant to encourage local business.

Although all Alaska breweries and brewpubs fall into the craft beer category, so do many breweries from around the country that fit the lower production criteria and sell beer in Alaska. They also get the lower tax rate because legally, products can't be taxed differently based on where they're produced. However, the Department of Revenue can separate the craft beer category's data into beer produced in the state and beer produced elsewhere.

2020, Alaska's breweries were among the hardest-hit businesses. Although most brewery jobs fall under manufacturing, breweries feed directly into leisure and hospitality, which is mostly restaurants and hotels and is the sector the pandemic hurt most.

Brewery jobs down in 2020 after decade climb

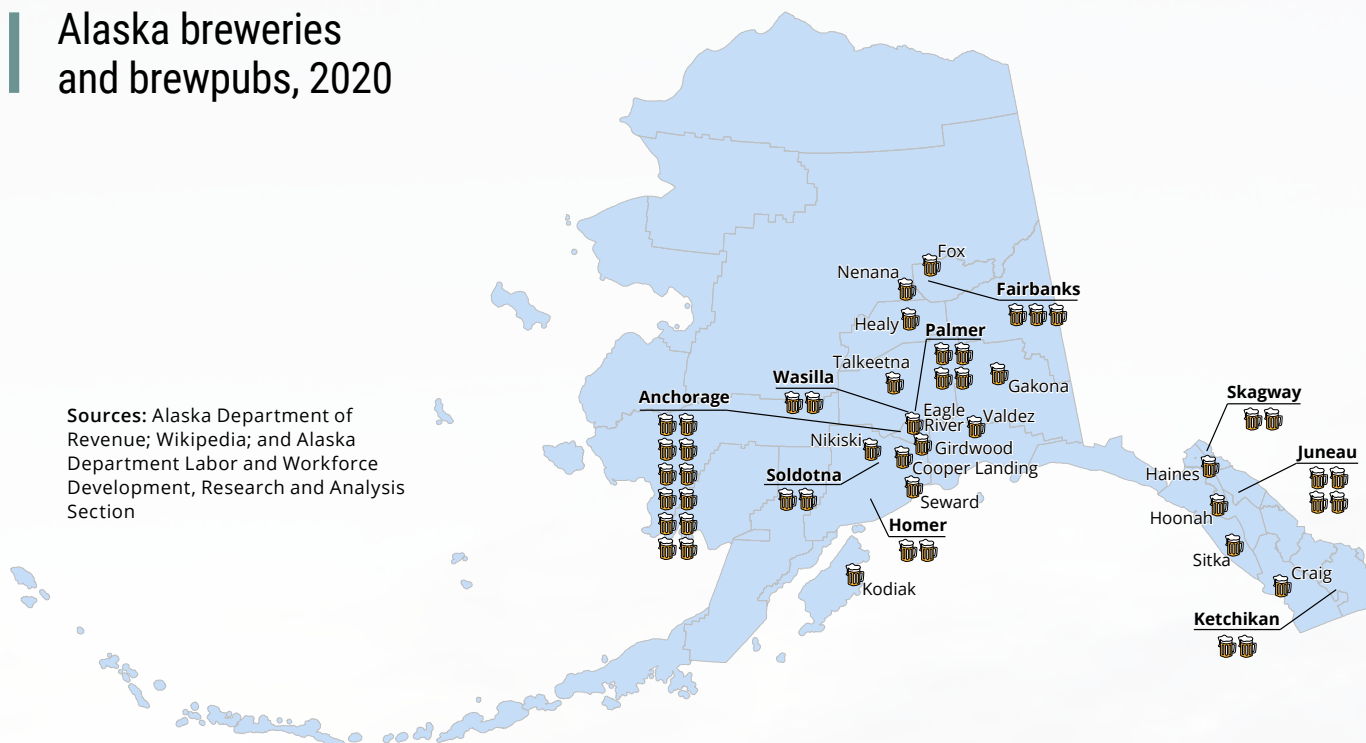


Note: Does not include brewpub jobs that are in food service
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Closures or limits on breweries and on bars and restaurants, where most of the product is consumed, combined with patrons' reluctance tanked consumption of Alaska's craft beer last year. The lack of a tourist season added insult to injury; the peak months for drinking craft beer are May through August, with more than a million gallons typically consumed each month. It's about half that in January.

Between fiscal years 2019 and 2020, locally brewed beer consumption fell 14 percent, or about 123,000 gallons.

Alaska breweries and brewpubs, 2020



Per capita, Alaska ranks fifth for breweries and fourth for gallons consumed.

Similarly, brewery employment decreased in 2020 for the first time in over a decade, dropping by about 100.

Breweries kept opening, and recovery looks promising

Despite the drop in demand, five more breweries opened in fiscal year 2020 — a record for any single year. Alaska now has 49, spread across 25 communities, although frequent openings and closures make this number a moving target. (See the map above.)

Anchorage has the most, but breweries and brewpubs have popped up in communities as small or remote as Hoonah, Gakona, and Cooper Landing. Several cater to the visitor industry and only operate seasonally.

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How breweries, brewpubs differ

Breweries fall into two categories: breweries and brewpubs. Alaska also has hybrids of the two. For this article, "breweries" refers to all of them unless otherwise specified.

Some breweries mainly produce beer for distribution. They sell kegs, bottles, growlers, and cans to individuals and to businesses such as restaurants, bars, and stores. These breweries and their employment usually fall under manufacturing. Many 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. An example is Onsite Brewing Company of Anchorage. The largest is Alaskan Brewing Company of Juneau, which is also the state's longest-running brewery. In 2019, Alaskan was the 19th-largest craft brewery in the nation and the 29th-largest U.S. brewery overall, according to the Brewers Association.

Brewpubs also brew beer, often on site, and serve a variety of foods. Like breweries, brewpubs often sell their beer to other restaurants and stores. They are usually classified as restaurants because most of their employees work in the food service part of the operation. The chart on the previous page doesn't capture some brewpub jobs for that reason, but brewpub employment totaled about 900 in 2020. Examples of brewpubs are Silver Gulch in Fairbanks, 49th State in Healy and Anchorage, and St. Elias Brewing Company in Soldotna.

NEW HIRES

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These industries represented the largest increases from the second-quarter low, but a handful of other industries picked up as well. By the fourth quarter, which is the typical low point, overall hiring was not that far below what it would normally be.

But while hiring levels had nearly recovered late in the year, the industry mix remained atypical. Accommodation and food services' new hires were still low in the fourth quarter — nearly 32 percent

below the previous year — as bars and restaurants found other ways to operate but remained at lower capacity.

While 2021's numbers will likely show improvement from the unprecedented lows of 2020, a recovery to full spring and summer hiring levels is unlikely this year. Still, tourism will pick up as vaccinations and travel increase and more businesses reopen. Large cruise ships, which bring the majority of the year's visitors to Alaska, are scheduled to return in July.

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ALASKA BREWERIES

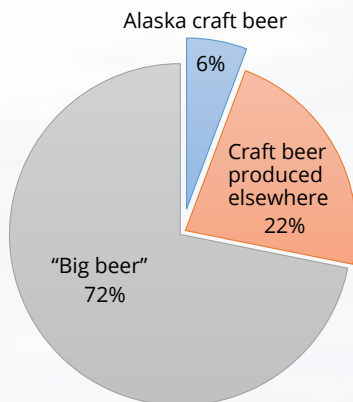
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Consumption hasn't fully rebounded yet, although it had risen right before the pandemic hit. In January and February of 2020, patrons consumed slightly more craft beer than during the same period the year before.

At the lowest point, in April, consumption was down 39 percent. The numbers began to improve through September, but then fell again through most of the winter.

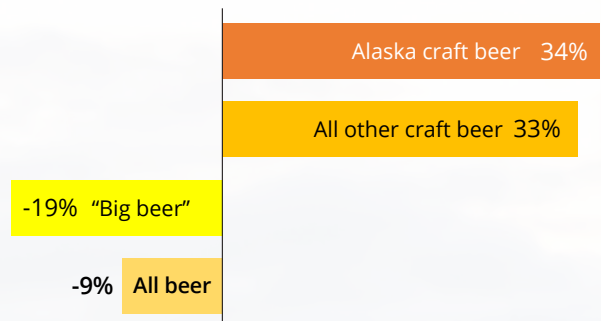
This year will undoubtedly be a better one for Alaska's breweries, as they — along with restaurants

Types of beer sold in Alaska, 2020



Source: Alaska Department of Revenue

Taste for craft beer grew over decade even as total beer consumption fell



Source: Alaska Department of Revenue

and bars — inch closer to full capacity and pent-up demand kicks in.

A busier visitor season, at least compared to 2020, will also help. The pandemic is still a factor, which makes a return to 2019 consumption levels a tall order this year. But more locals going out, some visitors returning, and the recent opening of several more breweries with more planned bode well for the industry's future.

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