

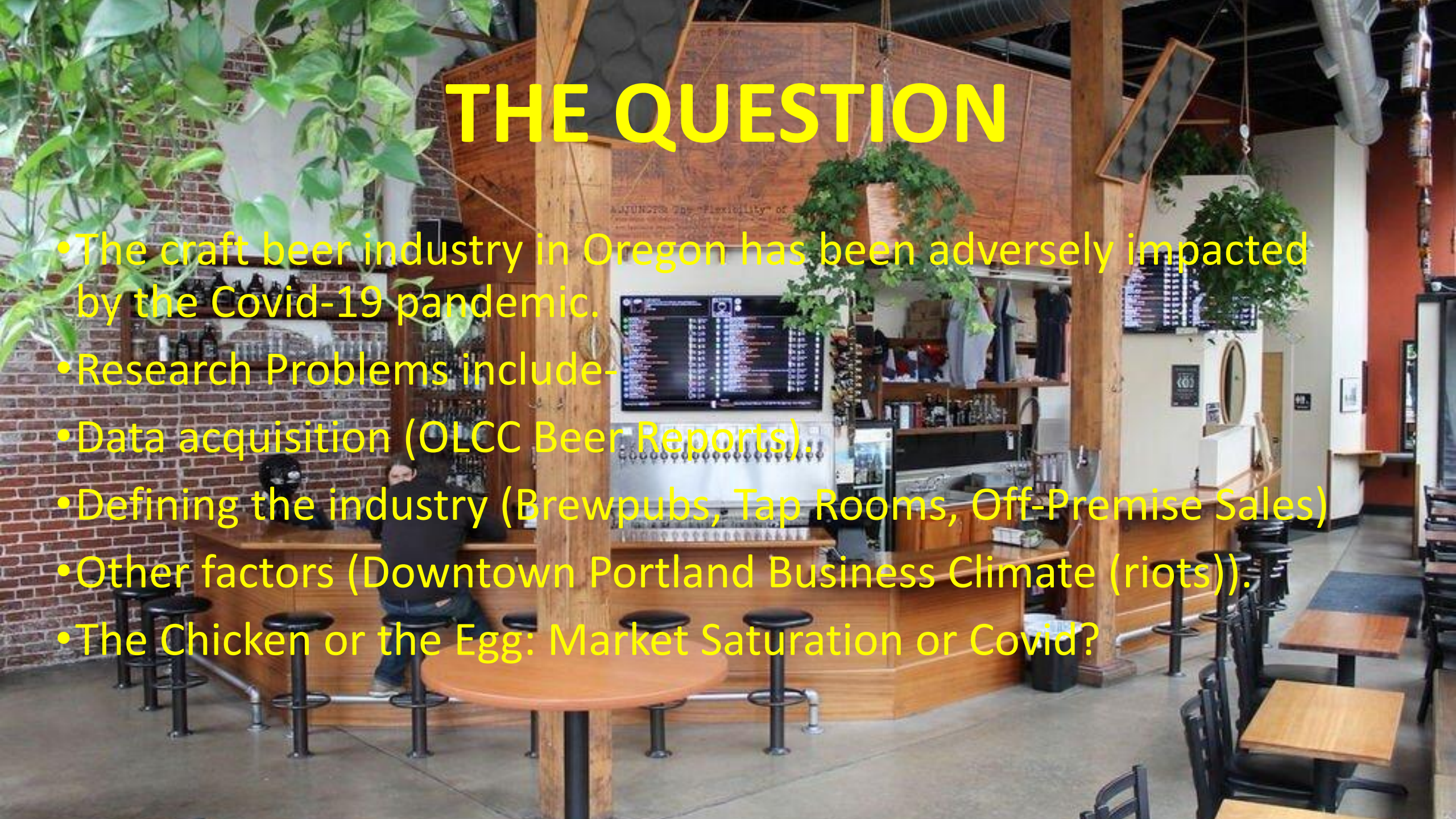
# TROUBLE IN BEERVANA: THE ECONOMIC IMPACT OF COVID-19 ON THE CRAFT BEER INDUSTRY IN OREGON



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# THE QUESTION

- The craft beer industry in Oregon has been adversely impacted by the Covid-19 pandemic.
- Research Problems include-
- Data acquisition (OLCC Beer Reports).
- Defining the industry (Brewpubs, Tap Rooms, Off-Premise Sales)
- Other factors (Downtown Portland Business Climate (riots)).
- The Chicken or the Egg: Market Saturation or Covid?





# OREGON

[FIND A BREWERY ▶](#)

[STATE LAWS ▶](#)



**9.6** Breweries per Capita\*

(RANKS 7<sup>TH</sup>)

\*per 100,000 21+ Adults

**\$**  
ECONOMIC IMPACT  
(2019)

**2,201**  
Million Economic Impact  
(RANKS 13<sup>TH</sup>)

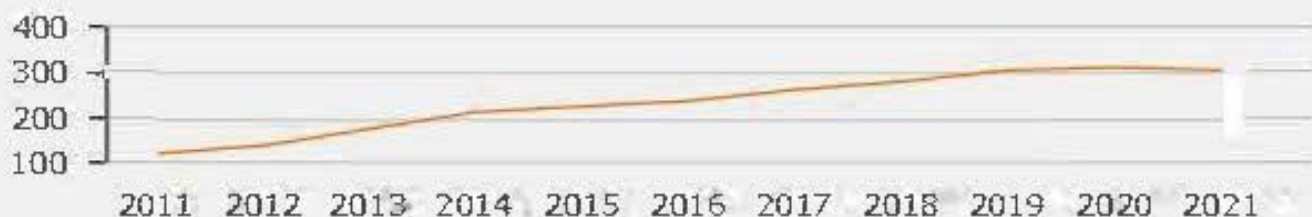
**694.72**  
Impact per Capita  
(RANKS 3<sup>RD</sup>)

  
PRODUCTION

**897,473**  
Barrels of Craft Beer Produced  
per Year  
(RANKS 9<sup>TH</sup>)

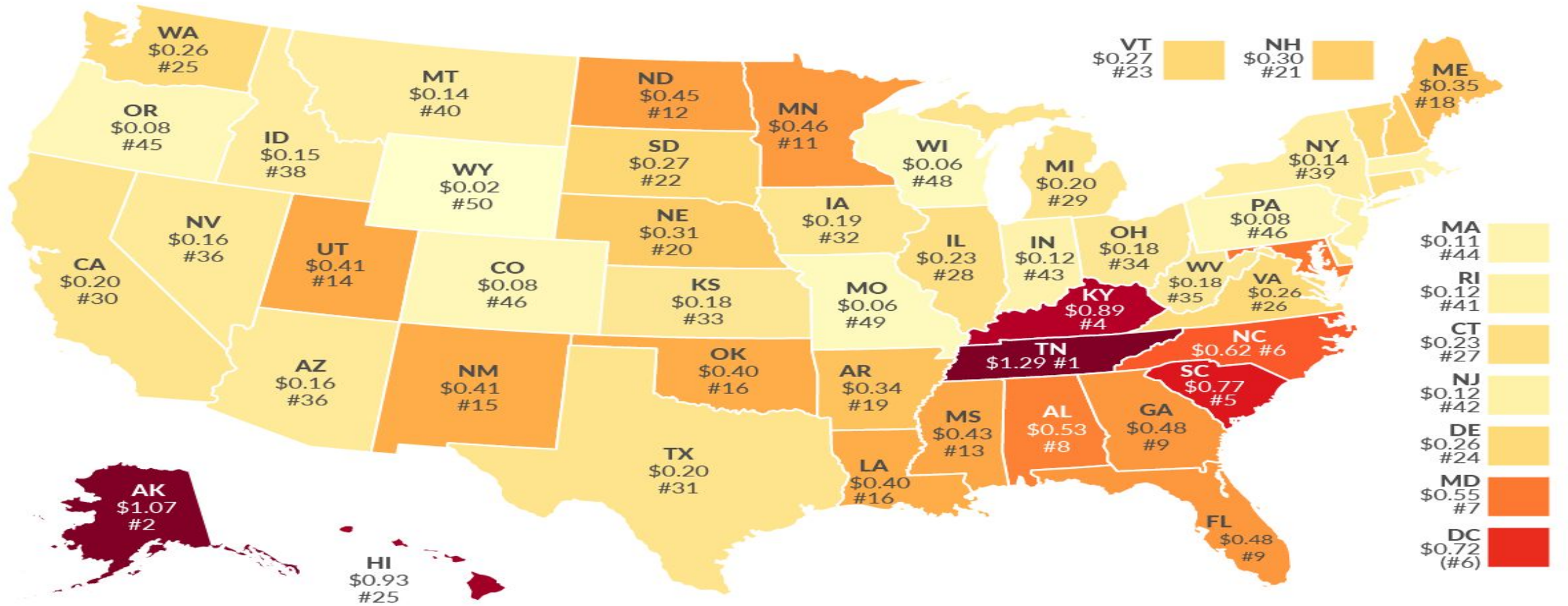
**8.6**  
Gallons per 21+ Adult  
(RANKS 6<sup>TH</sup>)

NUMBER OF CRAFT BREWERIES OPERATING PER YEAR



# How High are Beer Taxes in Your State?

State Beer Excise Taxes (Dollars per Gallon), 2021



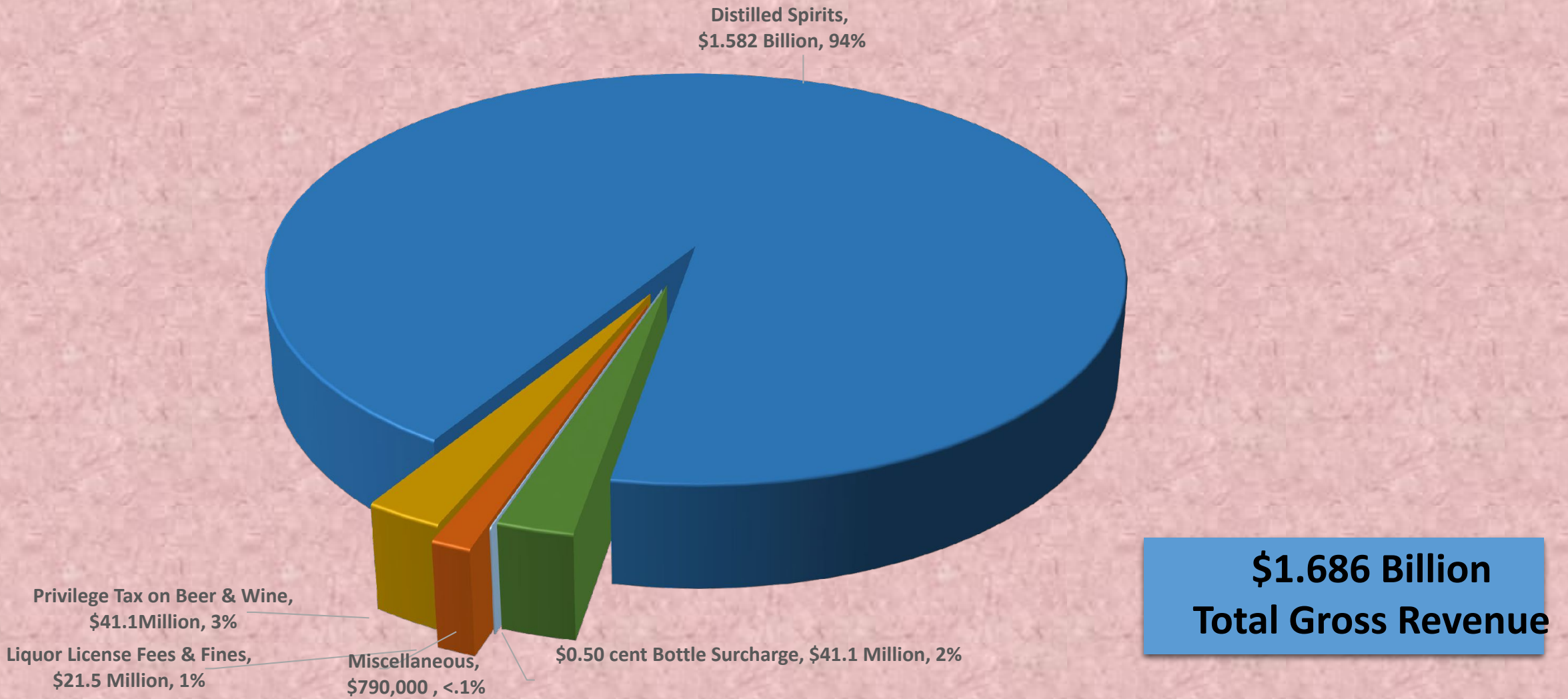
Note: Rates are those applicable to off-premise sales of 4.7% alcohol by volume (a.b.v.) beer in 12-ounce containers which have been imported from outside the state. At the federal level, beer is subject to differing tax rates. Small domestic brewers are taxed between \$0.11/gallon and \$0.516/gallon. All other brewers are taxed at rates between \$0.516/gallon and \$0.58/gallon. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Different rates are also applicable in FL, GA, HI, ID, IA, KS, MN, NC, ND, OH, OK, TX, UT, VA, WA, and WI according to alcohol content, place of production, size of container, or place purchased (on- or off-premise or onboard airlines). Rates include the statewide local rates in AL (\$0.52/gallon) and GA (\$0.53/gallon). They include sales taxes specific to alcoholic beverages in AR, MD, MN, and D.C. Rates in AR and RI include case fees and/or bottle fees which may vary with the size of container. Rates include the wholesale rate in Kentucky (10%) and Tennessee (\$35.60/barrel), converted into a gallonage excise tax rate.

Sources: Distilled Spirits Council of the United States; Alcohol and Tobacco Tax and Trade Bureau; state revenue departments.

State Beer Excise Tax Rates, Dollars per Gallon



# PROJECTED GROSS ALCOHOL REVENUE SOURCES



# POLITICS AND BEER

- The short-term survival of the craft beer industry is directly linked to several government programs, including-
- Restaurant Revitalization and Funds Replenishment Act (\$28.6 Billion)
- Paycheck Protection Program (\$953 Billion)
- SBA Covid Economic Injury Disaster Loan (\$345 Billion)
- National Beer Wholesalers Association (NBWA) PAC and Electoral Politics
- You can't separate beer from politics!



# COVID-19 & CRAFT BEER

- 2020: 21 Oregon Breweries Close\*
- 2021: 8 Oregon Breweries Close
- The above totals don't include, Taprooms, Bottle Shops, etc.
- Nationally-
- 651,000 jobs supported by the beer industry were lost due to Covid
- Retail beer sales down \$22 Billion
- Small Brewers down 7-8%
- On Premise Sales down >25%



# INNOVATIVE SOLUTIONS TO COVID

- Conducted in-person interviews with 20+ brewery and brewpub owners, tap room operators, brewmasters
- Queries focused on what parties felt were the primary challenges linked to Covid-19 pandemic and how they 'solved' these problems
- While there was a wide range of responses, several patterns emerged
- Let's examine top three challenges and their associated 'solutions'





# BREW PUBS & LABOR SHORTAGE

- A significant number of former staff have left the hospitality/beer sector
- Solutions include-
- Increased wage costs
- Limited hours of operation
- Counter only ordering/limited table service
- Modified food menu
- Is this 'the new normal'?



# SELLING CRAFT BEER

- The closure of taproom, brewpubs, tasting rooms, etc., due to Pandemic led to new methods of selling beer to consumers
- Direct to Consumer (DTC) (Drizly, Tavour),
- Curbside (Contactless) Sales
- Breweries delivering product to local patrons
- PROBLEM-Aluminum can shortage, limited retail shelf space, increased competition in supermarkets, etc.
- Given hodge-podge of state distribution laws, out-of-state sales growth is problematic.



# THE FUTURE OF CRAFT BEER

- The days of double digit growth may be over
- Increased Competition for the Alcohol \$
- Big Beer, the 600 lb. Gorilla
- Changing consumer preferences, especially among young people
- New product development, including-
- Rise of Canned Cocktails
- Hard Seltzers
- Low/No alcohol beers
- The future of the industry is unclear, at best.



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# QUESTIONS?

- This presentation is dedicated to the memory of Armand Debelder, 'Opa Gueze', brewer, publican, blender, passionate advocate for the craft beer industry, and a kind, generous and thoughtful man. He will be remembered forever!
- [jdense@eou.edu](mailto:jdense@eou.edu)
- Thank You!!!

