

# **Economic Contributions of the Florida Craft Brewing Industry to the Florida Economy**

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***Sponsored Project Report for the Florida Brewers Guild***



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## Executive Summary

The Florida Brewers Guild (FBG) commissioned this study of the economic impact of the Florida craft brewing industry on the state's economy, which was conducted using the University of Florida's Food and Resource Economics Department, Economic Impact Analysis Program. The University of Florida developed and conducted an online survey of the members of the FBG to: (1) estimate the total economic contribution of the craft brewing industry to the Florida economy, including sales revenues, employment, labor and property income, indirect business taxes to state and local governments, and the associated indirect and induced economic activities; (2) provide a statistical analysis of existing market data and survey research results to assess the current structure of the Florida craft brewing industry; and (3) provide an assessment of the prospects for industry growth, as well as growth in economic contributions to the Florida economy.

**Structure and Characteristics of the Industry:** Florida is a latecomer to the craft-beer industry, but recent growth has been very rapid, with the number of craft breweries increasing from six in 2007 to over 50 in 2013 and another 28 in the planning stages. The number of brewpubs has more than doubled from 13 to 33 in the same time frame. Based on survey responses and extrapolations, industry production volumes are estimated to be 172,632 barrels for 2012 and 259,419 barrels for 2013. Total sales of craft beer at the brewery stage are estimated to be \$69.1 million in 2012. Direct industry employment is estimated at 633 full-time and 275 part-time jobs in the Florida craft brewing industry in 2012, or 908 jobs all together.

The craft-beer industry is bifurcated into distinct groups: a small number of large firms with production in excess of 1,000 barrels per year (15 firms accounted for 78% of total production) and a large number of small firms (67% of total firms) with annual production of less than 500 barrels, accounting for 15% of total production. Almost half of all firms produced less than 300 barrels. Craft brewing is truly a cottage industry. Distribution of firms by annual revenues provides further evidence of the predominance of small firms, as two-thirds have annual revenues of less than \$500,000. The largest expense for surveyed firms was salaries and benefits, accounting for 43.7%, followed by purchases of ingredients (19.3%) and depreciation of capital investments (13.4%).

**Total Contributions to the Florida Economy:** Total economic impacts (including direct, indirect and induced effects) were estimated at \$301 million in 2012 and \$432 million in 2013. These impacts represent the total change in revenues to all craft brewery-related business in Florida, including wholesale and retail distributors. The total value-added impacts, equivalent to change in Gross Domestic Product (GDP) for Florida due to the craft beer industry, were estimated at \$177 million for 2012 and \$255 million for 2013. Impacts to labor income, representing the sum of employee and proprietor incomes, were estimated at \$99 million in 2012 and \$143 million in 2013.

Other property-type income impacts, including rents, royalties, interest, dividends, etc., were estimated at \$43.4 million for 2012 and \$62.4 million for 2013. Indirect business taxes on production and imports, including sales, excise and property taxes, as well as fees and licenses paid by businesses, but not federal income taxes, were estimated at \$34.0 million in 2012 and \$49.7 million in 2013.

Employment impacts, including both full-time and part-time jobs, were estimated at 2,793 jobs in 2012 and 4,080 jobs in 2013. The production (brewery) stage of the industry generated about 73% of the total economic impacts for the state, or \$222 million (of \$301 million in output impacts) in 2012, and \$326 million (of \$443 million) in 2013.

Total tax impacts from Florida's craft brewery activities were estimated at \$53 million in 2012 and \$78.5 million in 2013, of which 59% went to state and local governments in Florida.

**Prospects for Growth:** The Florida craft brewing industry has grown rapidly over the past few years. The number of planned breweries and industry optimism suggest that growth will continue. Based on capita-per-brewery data from states with mature craft-beer industries (California, Colorado, Oregon and Washington), Florida's population could support almost 550 craft breweries, roughly 10 times the current number. At that level, the total output contribution of craft brewing in the state could reach \$2.5 billion and more than 40,000 jobs. The growth potential for the craft brewing industry in Florida is immense.

Despite this optimism, survey participants identified three regulatory/legislative barriers which could be lessened or alleviated so as to facilitate industry growth and profitability: growler size restrictions; distribution regulations; and state excise taxes. The reason Florida has been relatively slow in developing a craft brewing industry is an unintended consequence of a 1965 bottle-size law passed by the Florida Legislature to punish Miller Brewing for not locating a brewery in Florida, which still prohibits sales in containers between 32 and 128 ounces. The most popular container sizes in many top craft-beer states are the 64-ounce growler or bottles in the 40-ounce range.

As in most states, Florida has a three-tier (brewer, distributor, retailer) system for beer distribution, dating to the end of prohibition in 1933 (when many large breweries were vertically integrated from production to the ownership of taverns), which prevents ownership in more than one segment of the system. This system has been problematic for Florida craft brewers, particularly microbreweries which dominate the industry in Florida. Some distributors have exclusive sales territories that grant them considerable market power when dealing with craft brewers who lack the volume of large national brands. Penalties for terminating a contract are prohibitive, imposing significant additional distribution costs on small craft brewers. Many in the industry feel that the ability to distribute their own products, at least during their start-up phase, would enhance their prospects for success.

Florida has the 5<sup>th</sup> highest excise tax rate among the 48 contiguous states, at \$0.48 per gallon of beer, nearly double the 48-state average of \$0.25 per gallon. The rate in leading craft brewing states (CA, OR, WA, CO) is \$0.155 per gallon, less than one-third of the Florida rate. As a result of these excise-tax-rate differentials, Florida craft brewers believe they are at a competitive disadvantage with craft brewers in other states, and would benefit from lower Florida excise tax rates on craft beer.