

# THE ROLE OF CRAFT BREWS IN ECONOMIC DEVELOPMENT

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As economic developers, we often discuss retail leakage, supply chains, and industry clusters — and what more engaging way to explore these topics than through the lens of craft beer, cider, and spirits.

It's hard to imagine small, craft alcohol businesses being a significant force in economic development — until you realize how integrated this industry is with agriculture, tourism, and urban revitalization. Many states are trying to leverage these linkages and the current interest in craft alcoholic beverage production to promote economic development, New York being one of them. Over the past several years, New York has been working to promote its micro-alcohol industry by enacting legislation to incentivize the creation of new breweries, cideries, and distilleries; streamline regulations; and reinforce linkages with agriculture and tourism.

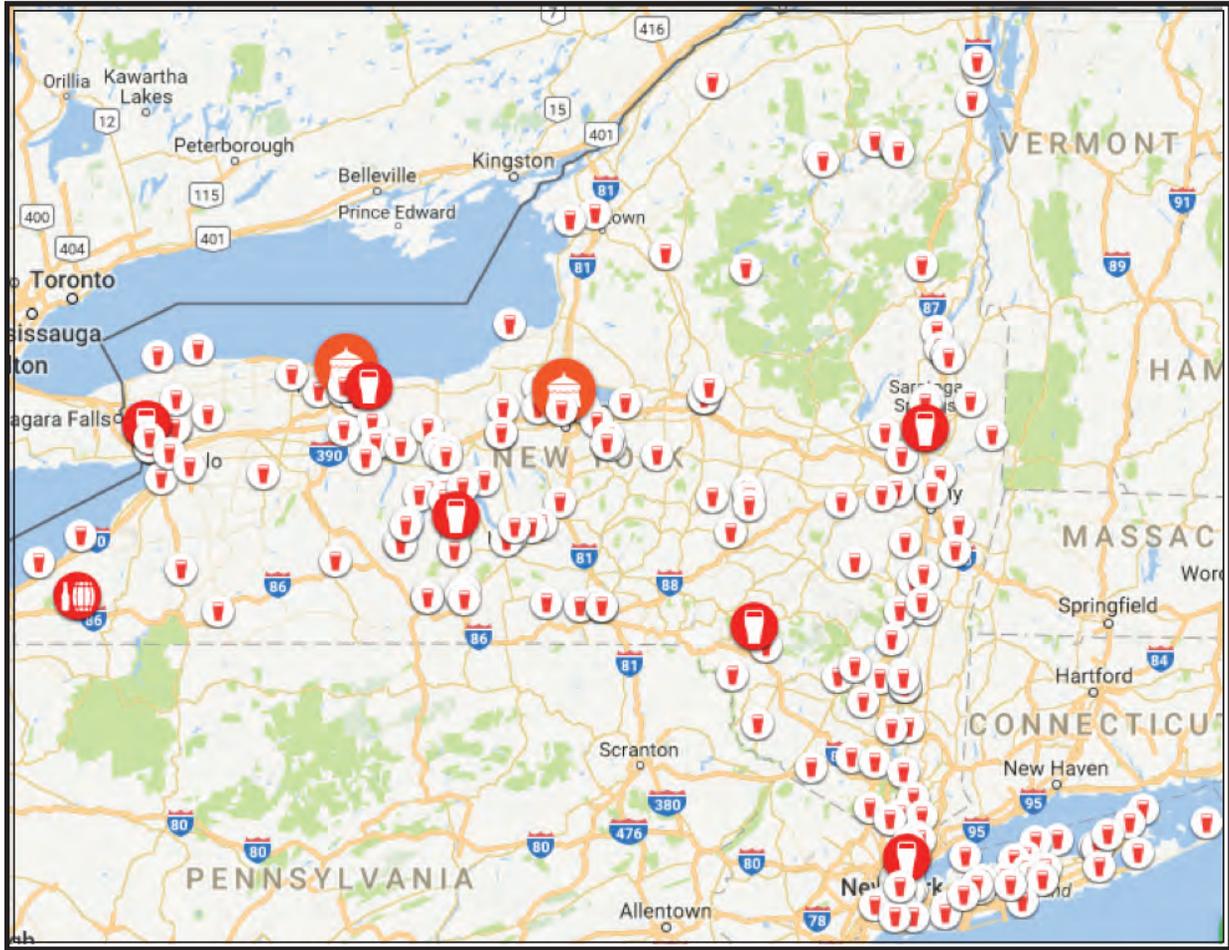
New York's 2014 Craft Act<sup>1</sup> represents one way in which the State is attempting to capitalize on the growth of craft alcohol producers. The Act created farm cidery, brewery, and distillery licenses that are designed to reduce some regulatory burdens on these small producers while encouraging them to reinforce and support the State's craft beverage ecosystem and local agriculture. To hold one of these licenses and produce a New York-labelled product, the beverage must meet quotas for locally sourced ingredients. "Farm ciders" are already required to source 100% of their apples from New York orchards. For breweries, this requirement is beginning at 20% of hops and 20% of all other ingredients sourced in New York and gradually increasing over the next 10 years to allow New York farmers to catch up to this new demand. By 2024, at least 90% of the hops and 90% of the other ingredients used in a "farm brewery" must be sourced from within New York. Additionally, since the passage of the Craft Act, New York State has created an Alcohol Beverage Control Law Working Group to identify additional ways to support the craft beverage industry.<sup>2</sup>

As craft beverage producers shift to locally sourced ingredients, farmers in the State are ramping up hop production to meet this new demand. In the 1880s, New York State led the country in hop production, accounting for about 90% of the hops on the market. Since this peak, however, hop production in the State dwindled to less than 50 acres State-wide, due to a fatal combination of drought, disease, and depressed demand during Prohibition. Hop production has since migrated to the Pacific Northwest, which now accounts for upwards of 95% of US hop production. However, New York farmers are staging a comeback. Between 2011 and 2014, the number of acres devoted to hop production in New York State doubled annually, to approximately 250 acres in 2014.<sup>3</sup> The growth of craft breweries and the statutory changes have created a new opportunity for a valuable crop that can be grown throughout the State.

New York and other states are also capitalizing on the benefits that craft alcohol production can have for the tourism industry. Craft alcohol production enhances the tourism possibilities in a community, providing unique experiences to a tourist that cannot be replicated elsewhere. To enhance the value of the beverage industry to tourism, New York has initiated the Taste NY campaign. Taste NY markets the State's local food and beverage industry through a combination of traditional marketing and strategic promotion. Local products are on display at locations with high tourist traffic, such as along major highways and at airports. Additionally, communities and regions across the State have used their craft beverage industry to attract visitors, creating craft beverage "trails" and hosting festivals showcasing beverages from around their region.

However, New York's interest in craft alcohol production extends beyond supply chains, linkages, and tourism. The craft alcohol industry has been recognized for its ability to rehab abandoned spaces, creating a place that draws in the com-

# Map of breweries, craft bars, hop farms and malt houses in NYS



Source: NYS Brewers Association (<http://newyorkcraftbeer.com/beer-finder/>)

munity and tourists and sparks a larger urban revitalization. Communities across the United States are actively encouraging breweries to occupy abandoned urban spaces in hopes of revitalizing neighborhoods. The list of neighborhoods and communities that have been transformed as a result of (or in conjunction with) the establishment of a brewery range from Cleveland and Brooklyn to much smaller, rural communities. Breweries and other craft alcohol producers can attract residents and tourists who may not visit otherwise, leading to the potential for complementary businesses to start in the area.

According to the National Brewer's Association, New York's 208 craft breweries generate nearly \$3 billion of economic impacts statewide.<sup>4</sup> Our State is one of the national leaders in craft beer production, with over a million barrels produced annually. However, it ranks 21st for number of gallons per capita, suggesting that New York's craft beer market

is not yet saturated and that there continues to be room for growth. With the benefits of this potential growth to agriculture, tourism and urban areas, it will be exciting to watch how this industry continues to affect New York State.

#### Endnotes

1. "Legislation" New York State Brewers Association. NYS Brewers Association, Web. 15 Aug. 2016.
2. "Governor Cuomo Announces New Legislation to Modernize New York's Alcoholic Beverage Control Law." Press Releases. NYS Governor, 18 May 2016. Web. 15 Aug. 2016.
3. Angel, Karen. "New York Farms Get Hoppy." Bloomberg.com. Bloomberg, 23 Oct. 2014. Web. 15 Aug. 2016.
4. "New York Craft Beer Sales Statistics 2015." Craft Beer Sales by State. Brewers Association, n.d. Web. 15 Aug. 2016.