



The Economic Impact of Craft Brewing in Montana

by Colin B. Sorenson, Todd A. Morgan, and Shannon Furniss

Craft brewing has been around in Montana since 1859 – 17 years before Custer’s Last Stand, according to Steve Losar, who knows a lot of good stories about the history of beer in Montana.

Having a brewery meant you had a stable town, Losar says. It was part of the economic fabric and was tied to industries like mining and logging that produced “thirsty kinfolk.”

Losar has spent more than 40 years sorting through old newspapers and publications and gathering memorabilia for his beer museum in Polson.

It appears that Montanans are still pretty thirsty today. Montana’s 33 craft breweries (as of 2011) represent one of the fastest growing manufacturing sectors in the state. From 2010 to 2011, production increased by 18 percent, employment was up by 39 percent, and sales rose by 20 percent.

According to the Montana Brewers Association, Montana is second in the nation in the number of breweries per capita. With 30,919 people per brewery, Montana is only slightly behind Vermont. With the opening of a handful of new breweries in recent months, Montana is well on the way to being No. 1, with a total of 38 breweries.

To determine the economic contribution of craft brewing, BBER surveyed Montana brewers, collecting data on production, sales, employment, compensation, expenditures, and benefits. The response rate was 97 percent. Using a well-respected economic model, Regional Economic Models, Inc. (REMI), BBER was able to compare two scenarios – a Montana economy where the brewing industry never existed versus an economy with brewing – to find the economic impact.

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Survey Findings

From 2010 to 2011, production at Montana breweries increased from just over 87,000 barrels to nearly 103,000 barrels. Beer sales increased from just under \$22 million to more than \$26 million. Employment, including both full- and part-time jobs, increased from 231 to 320 from 2010 to 2011 – a 39 percent increase. Compensation (wages and salaries plus the value of benefits packages) increased from \$5.2 million to \$6.4 million from 2010 to 2011 – a 23 percent increase. Expenditures (excluding labor) increased from \$15.6 million to \$18.8 million from 2010 to 2011 – a 21 percent overall increase (Table 1).

As shown in Figure 1, brewers were asked what portion of their expenditures, other than employee compensation, occurred in Montana. Overall, expenditures rose by 21 percent, from \$15.6 million to \$18.8 million. The Montana portion of expenditures rose from \$6 million (38 percent of total expenditures) in 2010 to \$7.5 million (40 percent of total expenditures) in 2011. The percentage of expenditures made within the state varied widely among brewers, and brewers reported that anywhere from 2 percent to 90 percent of their expenditures were in Montana. Some brewers noted that they would prefer to buy more supplies from within Montana, but they were unable to obtain some of their products locally.

Providing health insurance and other benefits is clearly a high priority for many breweries in the state. Figure 2 shows the number of breweries that offer various benefits to their employees including health insurance, dental insurance, life insurance, retirement and disability, and paid vacation.

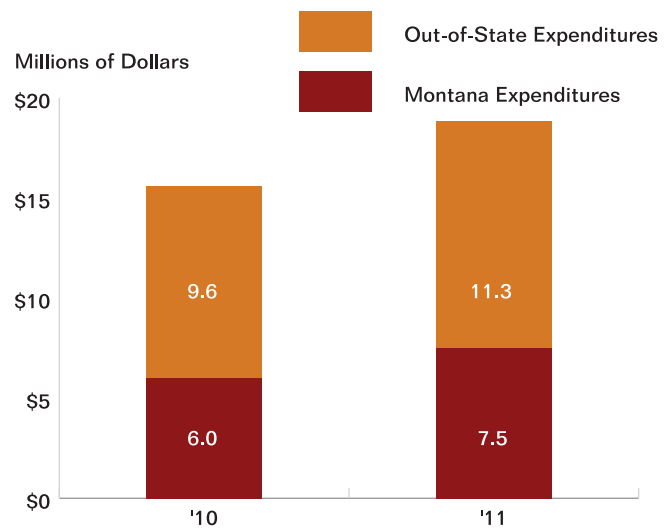
**Table 1
Montana Brewery Survey Data Summary**

Category	2010	2011	Percent Change
Production	87,442 Barrels	102,925 Barrels	18%
Beer sales	\$21.8 Million	\$26.1 Million	20%
Employment	231 Jobs	320 Jobs	39%
Compensation	\$5.2 Million	\$6.4 Million	23%
Expenditures*	\$15.6 Million	\$18.8 Million	21%

* Excluding employee compensation.

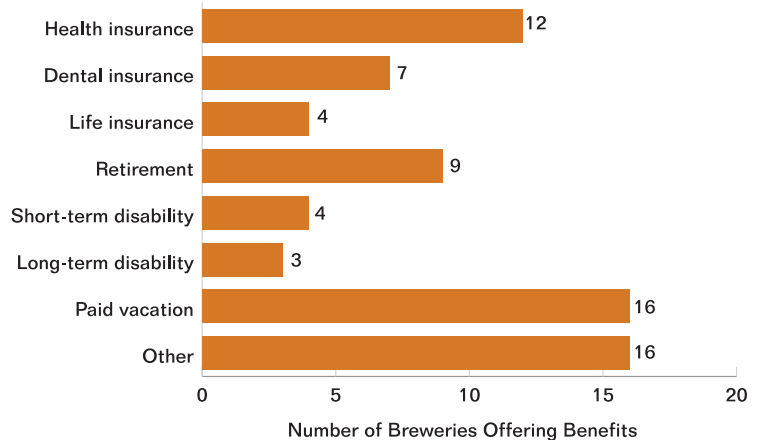
Source: Bureau of Business and Economic Research, The University of Montana.

**Figure 1
Montana Brewery Expenditures**



Source: Bureau of Business and Economic Research, The University of Montana.

**Figure 2
Montana Brewery Employee Benefits**



Source: Bureau of Business and Economic Research, The University of Montana.



Draught Works, Missoula, MT

Draught Works, Missoula

Want to buy your friend a beer? Pull out your wallet – or your iPhone. Through a new mobile app, beerfarmer.com, you can buy a pint of Scepter Head IPA or Quill Pig (classic style Pilsner) or whatever Draught Works is brewing up and send it to your friend via text message. Your friend can then claim and redeem his beer.

Connecting with customers is important to the management at Draught Works, and they've learned that their customers respond well to technology and social media. The brewery keeps their customers informed of new brews, live music, and other events via Facebook and Twitter. Reminders of "Growler Monday" where customers get a free pint for filling up their growler or "Chug for Charity," where 50 cents of each beer goes to a local nonprofit come in a steady stream through postings and tweets. Special promotions posted regularly – like ski to Draught Works (or show your skis/gear) and get a free pint – cater to Missoula's recreationally minded beer drinkers, keeping them tuned in and engaged.

Paul Marshall and Jeff Grant opened the brewery on Toole Avenue a little over a year ago. Located in Missoula's Westside neighborhood, the brewery is a

remodeled 5,000-square-foot warehouse that dates back to the 1930s. Red brick walls and a wooden bar made from a salvaged "boom" log from the bottom of Flathead Lake give the brewery a neighborhood kind of feel. And many of the customers who stop by for a brew live in the neighborhood.

Last year, Draught Works – Missoula's newest brewery – produced 700 barrels, but they expect that number to increase as the business continues to grow. The brewery keeps five beers on tap at all times, though they have 15 to 20 different recipes that they create for special occasions – like the Last Rites Mexican Chocolate Porter they brewed for Missoula's Festival of the Dead parade in the fall. Draught Works has 10 part-time employees who keep busy milling, mashing, lautering, brewing, whirlpooling, cooling, fermenting, and serving up their specialties in the taproom.

The business model of tasting and selling beer in the taproom works for now, Marshall says, but they may eventually get into distribution. It seems Missoulians are quite fond of Draught Works' product.

"I'd put Missoula up against any town in the nation for savvy and culture and palette," Marshall says.



Economic Impact Results

Results from the REMI economic impact simulation are summarized in Table 2. This study finds that because the craft brewing industry exists in Montana, the state economy is larger and more prosperous. Government revenues are also higher as a result of the industry. Because of the operations of the craft brewing industry:

- There is an employment impact of 434 jobs across various sectors of the state economy;
- In addition to the jobs in the manufacturing sector, there are significant impacts in the construction, health care, and retail trade sectors;
- There are employment and output (private sector sales) impacts throughout the five regions of the state, though they are concentrated in the northwest region;
- Because of the brewing industry, output (private sector sales) is \$48.4 million higher than would otherwise be the case;
- Private nonfarm compensation and government compensation are \$9.8 million and \$1.8 million

Table 2
Economic Impacts of Beer Brewing in Montana

Category	Impact
Total Employment	434 Jobs
Output (Private Sector Sales)	\$48.4 Million
Compensation (Private Nonfarm)	\$9.8 Million
Compensation (Government)	\$1.8 Million
State Government Revenues	\$1.5 Million

Source: Bureau of Business and Economic Research, The University of Montana.

higher, respectively, than they would be without the existence of craft brewing in Montana;

- State government revenues are \$1.5 million higher than they would be without the Montana craft brewing industry.

Beaver Creek Brewery, Wibaux

Out in far eastern Montana – on I-94 not too far from the North Dakota border – is Wibaux, population about 400. With not too much around but vast plains and open road, two billboard signs pull people into what has become known as a microbrew oasis, Beaver Creek Brewery.

Named after a creek that runs through Wibaux, Beaver Creek Brewery opened in the summer of 2008 with six beers on tap, plus root beer. The Paddlefish Stout won a “people’s award,” but beer connoisseurs also are fond of the Redheaded IPA and Rusty Beaver Wheat.

Why open a brewery in Wibaux? “We had too many pints and decided it was a good idea,” says Jim Devine, one of the partners at Beaver Creek Brewery. He and his partners, Sandy Stinnett and Russell Houk, took 18 months to remodel a historic downtown building that has been many things in its lifetime – a grocery store, a shoe store, a butcher shop. In 2008, the partners brewed about 68 barrels of beer. As the brewery grew in

popularity, so did its production. Last year, production was about 650 barrels.

A country western musician who spent 12 years recording in Nashville, Devine still has connections and brings in live music for his customers. Blind Pilot, an indie folk band from Portland, was one of the groups. Playing at the brewery, which holds only 100 people, is a unique experience for some of the bigger groups. Devine is not adverse to picking up his guitar and holding Sunday afternoon jam sessions.

One of the frustrations Devine shares with fellow microbrewers is the fact that taproom laws are restrictive, with limited hours, only a certain number of pints allowed, and other production limits. He recently opened a restaurant next door, the Gem, that will serve Beaver Creek’s beer through a beer and wine license held by a family member. Several other Montana brewers are looking into implementing this type of business model.





Big Sky Brewing, Missoula

Who could resist trying a beer called Moose Drool? Or Scapegoat, or Powder Hound, or Trout Slayer? With catchy names and tasty beers, Big Sky Brewing is the biggest brewery in the state with production of about 46,000 barrels of beer in the past year. That works out to around 630,000 cases or nearly 2.5 million six packs of beer that the brewery sold throughout Montana and in 24 states west of the Mississippi (except Arkansas and Louisiana) plus Wisconsin, Illinois, and Michigan.

Owners Neal Leathers, Bjorn Nabozney, and Brad Robinson brewed their first batch of beer, Whistle Pig Red Ale, in the summer of 1995, and it hit the market in time for the 4th of July weekend. When they first started thinking about names of beers, they decided they wanted to use big Montana animals as their theme. The most famous of the company's brands, Moose Drool, has a label with a moose lifting his head from a pond with water streaming off his muzzle.

Big Sky Brewing was a draft-only brewery for the first few years. They soon realized that they were growing rapidly and becoming a



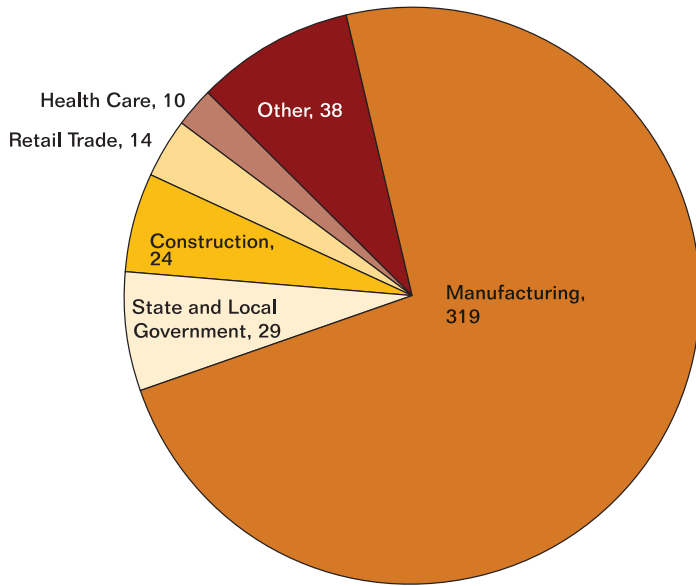
regional player. The owners decided to start bottling and distributing their beer. In 2002, they moved into a larger site (24,000-square-foot) near the Missoula airport to accommodate their growing operation. The brewery has a gift shop and hosts concerts at its outdoor venue. Some of the concerts have included Bob Dylan, Brandi Carlile, the Decemberists, and Modest Mouse, with the proceeds of beer sales going to local area nonprofits. Missoula's Glacier Ice Rink was one of the beneficiaries, receiving more than \$30,000 to construct new locker rooms.

The brewery started out as a four-person operation. Now it has 45 employees with a payroll of about \$2.35 million. Big Sky Brewing offers employees health insurance, 401K plans, and paid vacation.

According to Big Sky Brewing President Neal Leathers, the owners' future plans include continuing to expand their territory and getting their beers into more stores, restaurants, and taverns.

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**Figure 3
Employment Impacts by Industry
(Number of Workers)**



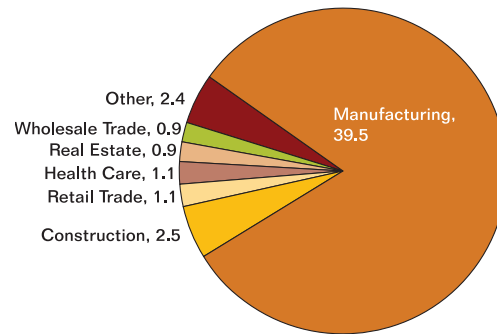
Source: Bureau of Business and Economic Research, The University of Montana.

Impacts by Industry Sector and Montana Region

Economic impacts of the brewing industry are spread across several industry sectors and also dispersed across the state. Clearly, the manufacturing sector, which includes the brewing industry, holds the largest share of the employment impacts, as shown in Figure 3.

However, the employment impacts of the brewing industry are revealed in several other sectors as well. This includes 29

**Figure 4
Output (Gross Sales) Impacts by Industry
(Private Sector, Millions of Dollars)**

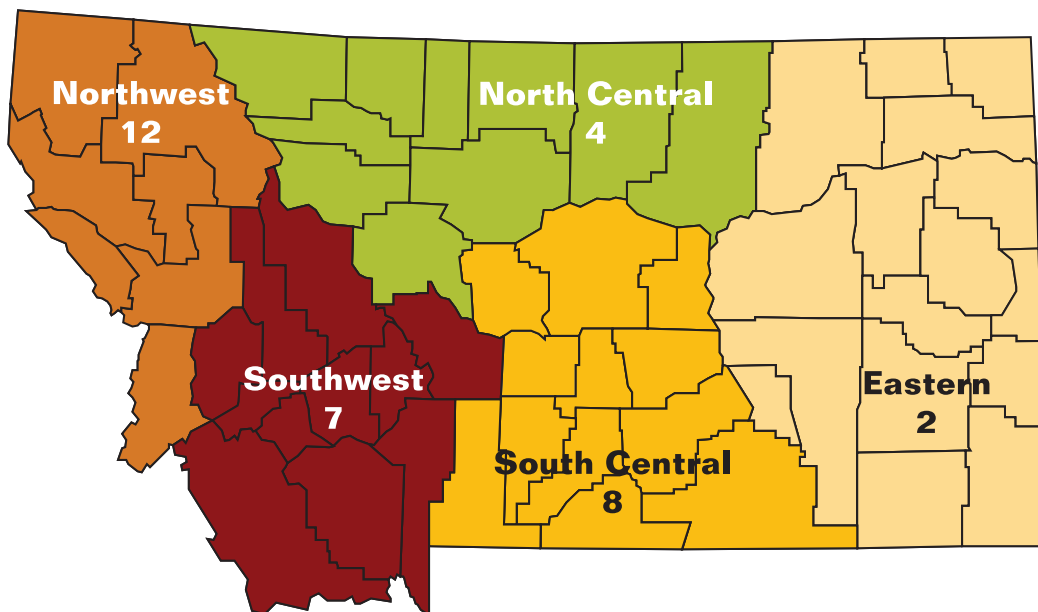


Source: Bureau of Business and Economic Research, The University of Montana.

jobs in state and local government, 24 jobs in construction, 14 jobs in retail trade, 10 jobs in health care, and 38 additional jobs in other sectors. Output impacts (Figure 4), measured by private sector gross sales total, are \$48.4 million, \$39.5 million of which can be attributed to manufacturing.

While concentrated in the more populous regions of the state, economic impacts due to craft brewing extend into each region of the state. For the purpose of the analysis, impacts were split into five Montana regions (Figure 5). At the end of 2011, there were 12 breweries in northwest Montana, seven in southwest Montana, four in north central Montana, eight in south central Montana, and two in eastern Montana.

**Figure 5
Economic Regions and Number of Active Breweries, 2011**



Source: Bureau of Business and Economic Research, The University of Montana.



Bozeman Brewing Company, Bozeman

Montana breweries should work together to promote quality local hand-crafted beer that is brewed in the state, according to Todd Scott, president of Bozeman Brewing Company and board member of the Montana Brewers Association.

“It’s likely we’re working toward the same goals, and there is strength in numbers,” Scott says. “We are one voice during the legislative session.”

From the time of Prohibition when alcohol was banned, the craft brewing industry has faced challenges. Whether it’s fighting increasing taxes or competition from international corporations that dominate markets, brewers should share information with each other, he says.

Scott, who calls himself and his wife, Lisa, check signers/ chief keg and bottle washers/maintenance specialists aka owners, opened the brewery in 2001 after having worked as head brewer for 10 years at Spanish Peaks, a trendy Bozeman brewery that moved production to California. To

get their start, they bought the brewing equipment from Spanish Peaks. It wasn’t long before they developed Bozeman Brewing’s flagship beer, Bozone Select Amber Ale.



A whimsical name for the Bozeman area, Bozone seems to be well-liked by most customers in the tasting room, who range from cowboys to patchouli-wearing hippies to university professors, Scott says. Last year, the brewery, with a handful of employees (water enhancement specialist aka head brewer, sellerman aka manager, lab rat aka brewer, to name a few), produced 3,400 barrels. They also started to can Bozone beer and sell it in a few markets outside of Bozeman. The cans were designed for Bozeman’s recreationally oriented community – bikers, hikers, and skiers – who could carry them easily in backpacks.

Future plans include continuing to expand and offering IPA, Porter, and Hefeweizen in cans. “We may not ever be the biggest, but we’ll have smart, controlled growth and try to fill everyone’s need for beer.”

Figures 6 and 7 show output and the employment impacts by region, respectively.

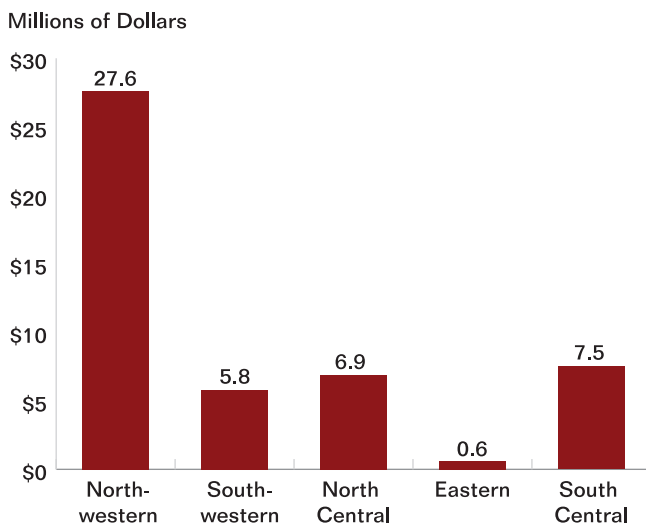
Conclusion

Based on the data collected from Montana breweries, the industry grew rapidly from 2010 to 2011. This analysis has developed a baseline economic impact of the brewing industry on Montana’s economy and established that it is a healthy and growing sector. In the future, additional research could

be conducted to monitor changes in the economic impact of the industry over time. Furthermore, the effects of legislative changes could be modeled to inform policymakers on the impact of changing legislation on the Montana economy. □

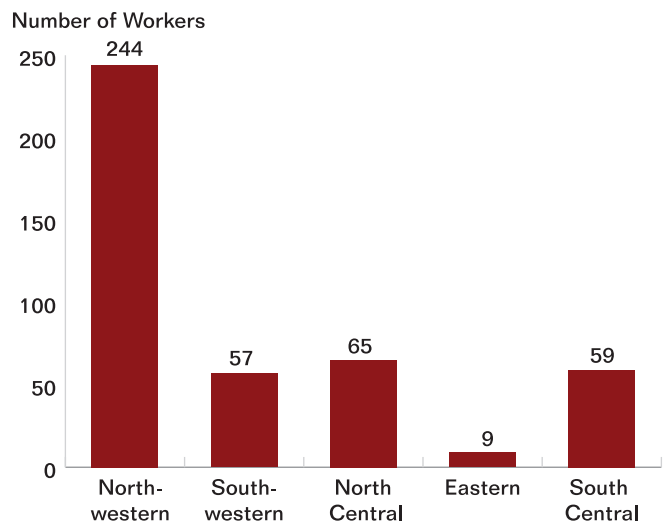
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Figure 6
Output (Gross Sales) Impacts of Montana Brewing by Region



Source: Bureau of Business and Economic Research, The University of Montana.

Figure 7
Employment Impacts of Montana Brewing by Region



Source: Bureau of Business and Economic Research, The University of Montana.