



April 21, 2020

To whom it may concern,

This submission responds to the Office of Management and Budget call for proposal to revise portions of the 2017 North American Industry Classification System (NAICS) for 2022. The Brewers Association welcomes to opportunity to provide comments. The Brewers Association is the national not-for-profit trade association representing the more than 8,000 small and independent breweries in the United States. Relevant to this proposal, the Brewers Association also has members in both Canada and Mexico, with 178 members across the two countries. This proposal is also supported by trade associations in both of those countries, with support from the Canadian Craft Brewers Association and La Asociación de Cerveceros Artesanales de México or Acermex (Association for independent breweries in Mexico).

The primary proposal in these comments is the creation of a new 6-digit national industry code that differentiates brewpubs, or brewery-restaurant hybrids, underneath the current 5-digit code of 72251 "Restaurants and Other Eating Places." This proposal falls under the "New and Emerging Industries" section of the call for proposals. It is likely that thousands of new establishments that would be covered under this code have opened/will open between 2017 and 2022.

- (a) Specific economic activities to be covered by the proposed industry, the proposed industry's production processes, its specialized labor skills, and any unique materials used. This detail should demonstrate that the proposed industry will group establishments with similar production processes that are unique and clearly separable from the production processes of other industries.

This proposal covers restaurant breweries, or brewpubs. These businesses have a mix of activities including those that overlap with both restaurants (7225) and breweries (31212). Although overlapping on many aspects of food preparation and service with other restaurant classifications, brewpubs are unique in that they are manufacturing-service hybrids, taking on the primary production of beer and malt beverages in-house. As such, this means a portion of their production is wholly differentiated from other restaurants, requiring specific licensing and regulation, the hiring of workers with specific skills, specialized manufacturing equipment, and the purchase of raw materials that would otherwise not be used in restaurants or food preparation.

Restaurants do produce many goods in-house, such as bread, but these products are primarily produced on the same equipment, with the same ingredients, by the same workers as other food production that occurs at the establishment. In contrast, breweries will be overseen by specialized workers hired for brewing alone, on specialized capital equipment with no other restaurant purposes, and with raw materials such as hops that have no other broader

application within the restaurant setting. They are also far more likely to sell that manufactured product, namely beer, outside of their four walls than restaurants are with any product.

As such the production of beer for onsite sale makes these businesses clearly differentiated from the larger classification, while the restaurant component keeps brewpubs distinct from the larger brewery sector (NAICS 31212). In addition, in most U.S. states, brewpubs will have separate licensing requirements, providing different manufacturing and sales rights than restaurants have more broadly. This is also true at the federal level, where brewpubs are required to obtain an Alcohol and Tobacco Tax and Trade Bureau (TTB) permit and follow rules and regulations set by the TTB.

(b) Relationship of the proposed industry to existing NAICS United States 2017 six-digit national industries.

Given the hybrid service-manufacturing nature of these businesses, this proposal suggests nesting brewpubs as a six-digit code under existing code 7225 "Restaurants and Eating Places." Given that the majority of the production function of brewpubs often aligns more with restaurants than with breweries, this meets the NAICS criteria to group similar activities using similar resources rather than grouping by the product output of beer manufacturing. In addition, since most brewpubs not already appearing under 31212 would appear under 7225, it allows time series continuity to be maintained at the four and five-digit code level.

(c) Documentation of the size and importance of the proposed industry in the U.S.

Small service-oriented breweries in general, and brewpubs in particular, continue to grow in number and in their importance for the U.S. economy. From 2014 to 2019, the number of active TTB brewery permits grew from 4,938 to 11,584, an increase of 6,646, or 135%. The current classification structure has only partially captured this growth. From Q4 2014 to Q2 2019, the number of brewery establishments in the Bureau of Labor Statistics Quarterly Census on Employment and Wages has grown from 1,616 to 4,651.

The Brewers Association, which tracks breweries by size and type independently from current NAICS classifications, currently shows 2,748 active brewpubs in our brewery database (as of 3/2/2020). These businesses are geographically spread across the United States, with double-digit brewpub establishments in 45 out of 50 states and brewpubs in all 50 states. Consequently, it would be quite feasible to produce data at the regional and state level without identifying individual firms, as well as in most metropolitan areas.

In addition to a growing number of establishments, brewpubs have become a large sector in terms of beer production. Based on 2018 production and benchmarking information, the Brewers Association estimates that the retail value of beer produced by brewpubs exceeded \$2.6 billion, more than 2% of the total U.S. beer market.

They are also strong employers, often with unique employment dimensions. Brewpubs employed an estimated 70,213 workers in 2018. BLS occupation data shows 1,320 restaurant workers in occupation 51-9012 "Separating, Filtering, Clarifying, Precipitating, and Still Machine Setters, Operators, and Tenders." The vast majority of those workers are likely brewers at brewpubs.

(d) Information about the proposed industry in Canada and Mexico if available.

This proposal has been developed in conjunction with the Canadian Craft Brewers Association as well as Acermex and has their support.

Overall, the Canadian brewing industry looks similar to the United States, though scaled downward in line with population. Brewery per capita numbers are roughly similar across the two countries, with wide variations province-to-province, similar to the state-to-state variations in the United States. There are now more than 1,000 breweries in Canada, not including brewpubs.

Analysis by the Canadian Craft Brewers Association suggests a lower ratio of brewpubs to total breweries, 16% in Canada, as opposed to 35% in the United States, but better statistical efforts through Statistics Canada with a new NAICS code might reveal more similarities. Growth in the number of Canadian breweries is similar to that in the United States, and both the total number of breweries as well as the number of brewpubs can be expected to rise through 2022. Mexico has seen similar brewery growth as Canada, rapidly approaching 1,000 breweries. Acermex doesn't specifically track brewpubs, but finds that more than 34% of the more than 900 independent breweries in Mexico are offering onsite sales.

In conclusion, the growth in small establishment brewery production is set to continue across the U.S., Canada, and Mexico through 2022. Although the current NAICS allows a partial framework for collecting data on this new and ongoing shift in the North American economy, an additional code measuring brewpubs will allow government policy analysts, the small brewing business community, the public, and researchers to better understand the changes in small scale beer manufacturing and its economic impact.



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