



Alcohol Industry Trends

Small is BIG in California

CDTFA administers over \$71 billion (FY 2017-18) of California's state budget from 37 tax and fee programs. This edition analyzes trends in California's alcoholic beverage industry. A CDTFA team analyzed consumption and new permit trends of beer, wine, and distilled spirits over a ten-year period.

In FY 2017-18, Californians consumed a total of 903 million gallons of alcohol, which is approximately five percent more than ten years prior. Total excise tax collected from California alcohol accounts in FY 2017-18 was approximately \$350 million, which includes beer and wine importers, beer manufacturers, wine growers, and distillers.

Key takeaways:

1. While per capita beer consumption has decreased, wine and distilled spirit consumption has soared;
2. Wine consumption rose most in high-end dessert and sparkling wines;
3. Most new alcoholic beverage manufacturers are small, suggesting boutique and specialty products.

1. While per capita beer consumption has decreased, wine and distilled spirit consumption has soared

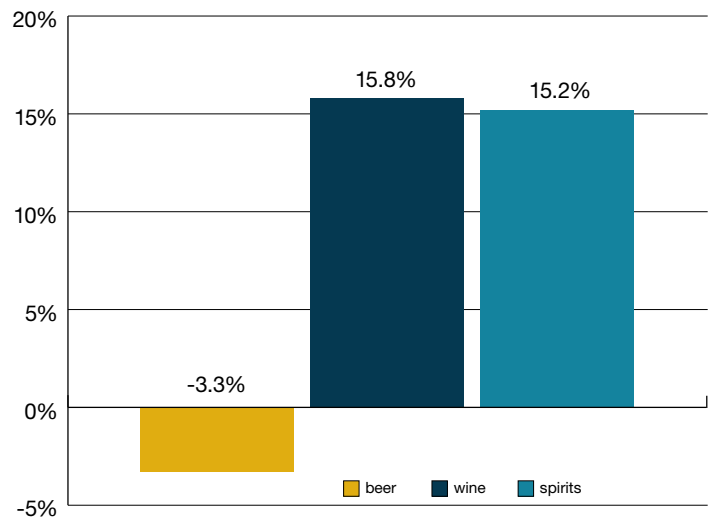
Beer consumption per capita in California from FY 2007-08 to 2017-18 decreased by approximately three percent, according to CDTFA data. However, over the same period, consumption of wine and distilled spirits increased by approximately 16 and 15 percent, respectively.

The state's population over the same period grew by approximately five percent¹, ruling out population as a major cause. This suggests a marked shift in consumer taste.

¹ California Department of Finance.

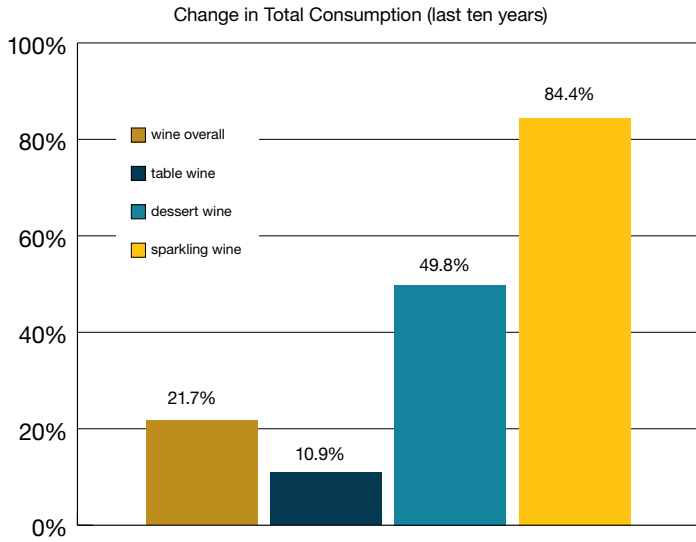
² Dessert wine has an alcohol content of greater than 14 percent by volume.

Change in Per Capita Consumption (last ten years)



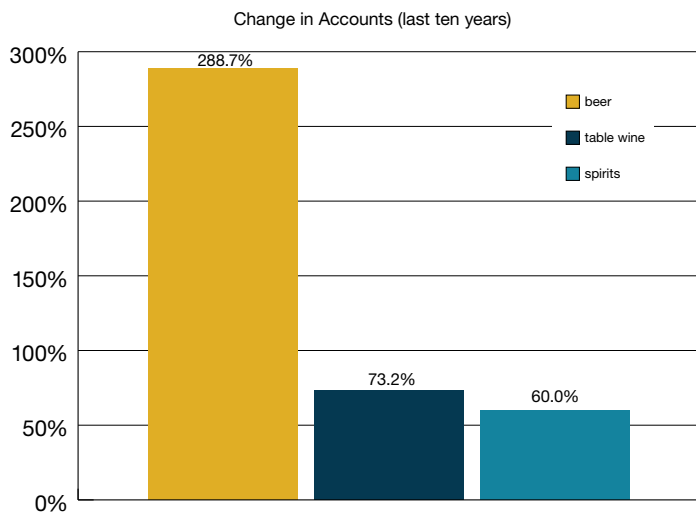
2. Wine consumption rose significantly, especially in high-end dessert and sparkling wines

In the last ten years, consumption of higher-end dessert² and sparkling wines has increased dramatically. Dessert wine consumption increased by almost 50 percent, from about 20 million gallons in 2007-08 to almost 30 million in 2017-18. The change in sparkling wines is even greater, with consumption increasing by over 84 percent, from almost seven million gallons in 2007-08 to well over 12 million gallons in 2017-18.



3. Most new alcoholic beverage manufacturers are small, suggesting boutique and specialty products

Though beer consumption per capita has dropped in the last ten years, the number of beer manufacturing accounts³ has actually increased. Permitted breweries grew from 212 in FY 2007-08 to 824 in 2017-18, an increase of approximately 289 percent.



This trend is echoed in the rest of the country. IBISWorld reports that the number of U.S. craft breweries⁴ has grown by an average annual rate of approximately 14 percent since 2008. This increase in market entrants in the face of decreased volume demand per capita confirms a shift in consumer taste from traditional large brewery beer to boutique and specialty products.

The number of small wine and distilled spirit manufacturers has increased as well. The number of small wine grower⁵ accounts in California increased 73 percent, from 1,859 in 2007-08 to 3,235 in 2017-18. Similarly, small distillery⁶ accounts increased by 60 percent, from 379 to 609 for the same period, according to CDTFA data.

Outlook

Industry research indicates that overall alcohol consumption is expected to grow with the GDP. This is due to a number of reasons, including:

- A shift in taste to premium products as income increases;
- Perceived health benefits of moderate consumption, and the current trend in low carbohydrate diets, which precludes beer; and
- A balance of political influence on both sides of the issue creates a stable legislative climate, with no indications of major changes to fees or policy.

Contact Us

Please contact us if you have questions or comments: Email the Research and Statistics, Financial Management Division at research@cdtfa.ca.gov, or telephone 1-916-445-0840.

Current and past issues of this publication are on our website: www.cdtfa.ca.gov.

Note: The information provided in this newsletter is for general informational purposes only. The information is not advice, and should not be treated as such. The CDTFA does not assume any legal liability or responsibility, either express or implied, for the accuracy, completeness, or usefulness of any information discussed in this newsletter.

³ An account represents an alcoholic beverage manufacturing location licensed by the state.

⁴ The Brewers Association defines as “craft” those manufacturers producing less than 180 million gallons per year.

⁵ Less than 250,000 gallons annually.

⁶ Less than 100,000 gallons annually.