



February 3, 2021

Tami Perriello
Acting Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Acting Administrator Perriello:

Thank you to you and your colleagues within the U.S. Small Business Administration (SBA) for your tireless efforts to support small businesses during the COVID-19 pandemic. Relief programs like the Paycheck Protection Program (PPP) and SBA debt relief have served as economic lifelines to distilleries, breweries, wineries, cideries, and meaderies, but many of these businesses now face challenges in accessing critical relief intended for members of the hospitality industry.

We respectfully request the SBA take modest and appropriate action to recognize multiple North American Industry Classification System (NAICS) codes that would broaden eligibility for expanded hospitality industry assistance programs to include businesses with tasting rooms, brewpubs, taprooms, and licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products. These entities largely function just as those who are currently eligible for expanded relief and are a part of the hard-hit hospitality industry in communities across the United States.

As fewer Americans gather to prevent the spread of COVID-19, beverage alcohol producers that depend on on-premise services have struggled. Enclosed is an addendum with additional information about the links between distilleries, breweries, wineries, cideries, and meaderies and the hospitality industry and economic duress brought on by COVID-19.

Because beverage alcohol producers both create and serve a product, many are finding themselves ineligible for assistance intended for the hospitality industry by nature of their NAICS codes – despite functioning like other NAICS code 722410 businesses. NAICS code 722410 businesses are “primarily engaged in preparing and serving alcoholic beverages for immediate consumption” with many “also [providing] limited food services”¹ – a description that also applies to many distilleries, breweries, wineries, cideries, and meaderies.


¹ “2017 NAICS Definition: 722410 Drinking Places (Alcoholic Beverages).” *North American Industry Classification System*. U.S. Census Bureau. <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=722410&search=2017%20NAICS%20Search>.


Congress generously provided additional relief for the hospitality industry in the form of higher amounts for second draw PPP loans and additional months of SBA debt relief. Allowing tasting rooms, brewpubs, taprooms, and licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products as part of NAICS chapter 72 for the purposes of SBA COVID-19 relief is critical for the overall recovery of the hospitality industry.

As the deadline for PPP applications approaches for those first-time, second-time, and revised loans permitted by SBA, we appreciate your prompt attention to this matter and efforts to support the hospitality industry during this challenging time. Please do not hesitate to reach out if you have any questions or would like to discuss further.

Sincerely,


Jim McGreevy, President & CEO
Beer Institute


Robert D. Pease, President & CEO
Brewers Association


Robert P. "Bobby" Koch, President & CEO
Wine Institute


Jim Trezise, President
WineAmerica


Chris Swonger, President & CEO
Distilled Spirits Council


Margie A.S. Lehrman, Chief Executive Officer
American Craft Spirits Association


Michelle McGrath, Executive Director
American Cider Association


Sergio Moutela, President
American Mead Makers Association

ADDENDUM: Impact of COVID-19 on Craft Beverage Producers

Tasting rooms, brewpubs, taprooms, and licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products serve a vital purpose for producers. These spaces function in many cases like other drinking establishments in NAICS code 722410, enable adult visitors to learn more about products, serve as an event space, represent a critical revenue space, and are an integral part of the overall business plan.

Throughout COVID, distilleries, breweries, wineries, cideries, and meaderies that depend on on-premise services have struggled during the COVID-19 pandemic. Orders from key accounts like restaurants and bars have declined or been suspended. Facilities have reopened and reclosed. Businesses struggle to reopen with limited seating capacity. Countless events at facilities – like weddings and parties – have been cancelled or postponed.

IMPACT ON REVENUE

- Craft distilleries have reported a 41% decline in revenue as a result of closed tasting rooms, cancelled events, and reduced or suspended orders from restaurants and bars (DISCUS/ADI survey). Distillers reported that tasting rooms pre-pandemic accounted for 47% of revenue (ACSA survey). With craft distillers forced to close tasting rooms, 36% report sales down 25% or greater (DISCUS/ADI survey), but recent surveys have shown many distilleries have experienced even greater losses. Half of craft distillers surveyed report cutting production (ACSA survey).
- The Brewers Association data forecasts that brewery taprooms and brewpubs, the majority of whom rely on direct to consumer/on-premise sales, saw an average revenue reduction of at least 40%. Over 3,500 breweries got PPP loans under NAICS code 31212 (Breweries). The median barrelage for those breweries in 2019 was 661 barrels, and the majority saw volume declines in 2020. The median percentage volume sold onsite for those breweries was 53%, and 71% of those breweries sold at least 25% of their beer volume onsite. These breweries don't fall under code 72 because their revenue is from beer they produced, even though that beer is not sold into distribution but directly into their own taprooms and brewpubs in a similar fashion to many code 72 businesses.
- American wineries reported a 44% decline in on-premise sales. That, combined with a loss in winery event revenue and tasting room closures proved devastating for many wineries, which are primarily small, family-owned businesses.
- The pandemic put a stop to direct to consumer sales and 80% of U.S. cideries experienced a decrease in overall revenue as a result. Half of the U.S. cideries saw a decrease of 50% or more in their on-premise sales in 2020.

- Meaderies, most of which are small operations with no distribution whom heavily rely on on-premise sales, have reported as high as 51% loss in revenue due to having tasting rooms closed for months.

IMPACT ON EMPLOYMENT

- Craft distilleries reported laying off or furloughing 31% of their employees (DISCUS/ADI survey). Half of craft distillers surveyed report cutting hours for current employees (ACSA survey).
- A preliminary estimate, based off of breweries that reported employment levels in both 2019 and 2020, shows an employment decrease of 18.5% (Brewers Association Beer Industry Production Survey).
- More than half of U.S. cideries also saw a decrease in the number of jobs they were able to support.