Breweries

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At Sunriver Brewing, with most of the company's sales only in Oregon, the nine-year-old brewery sold slightly less sudsy brew in 2020 than the year before, according to the OLCC beer report. The company hopes to sell more than 16,000 barrel this year, said Ryan Duley, Sunriver Brewing director of sales and marketing. A barrel of beer is about 31 gallons.

It's been a big unknown when draft sales would ramp back up, Duley said. But since restaurants and bars have reopened, draft sales have been steadily increasing in Sunriver, Duley said. The brewery sells about 60% of its beer in cans and 40% in kegs, he said.

One of the biggest challenges for breweries has been finding employees as demand has grown, he said. It's not a quick turnaround to make beer and get newly hired employees on board.

"We've actually been on an upward growth since before COVID," Duley said. "Obviously sales dipped down early on, but we're now staffing coming out of COVID."

Because of the employee shortage, Sunriver is shorting a couple of distributors for draft beer to maintain production in cans. The rationale is that they can get on tap in a month or two especially since tap handles are generally rotated. Keeping shelf space in front of the consumer is important to maintaining sales.

"There's strength in both draft and can sales," Duley said. "We have an opportunity right now to get another product in a can. It was strategic in a way for us to release our rotation of seasonal beers in a can."

The rotational beers are recipes the brewery had been developing for draft in the pubs, Duley said. Now it's in a can, a decision made in part because of COVID-19, but also a way to increase capacity.

"The pandemic hasn't affected too much," Duley said. "We have always been able to zig and zag. We're definitely set up for crisis aversion now and are prepared for something like that. We know we can maneuver when a disruption happens."

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COVID-19

Wave of expected bankruptcies fell short

BY LAURENCE DARMIENTO
Los Angeles Times

The pandemic produced the kind of fallout that gives economists nightmares. An initial drop in economic output that exceeded the Great Depression. Sudden job losses that outpaced modern records.

But there's one economic bellwether that has seemingly painted an even rosy picture: bankruptcies, which have so far lagged behind their total in the year before the pandemic.

Yes, the number of personal and business bankruptcies filed last year in the country fell by nearly 30% from 2019 despite COVID-19. The decline was largely driven by a roughly 31% fall in personal bankruptcies but also a nearly 5% slide in filings due to business debts, according to U.S. Bankruptcy Court statistics.

The different outcomes are hardly atypical: Big companies that died have tended to go to Bankruptcy Court, while an unknown number of smaller businesses simply shut down.

Business filings would have been even lower if not for a rise in Chapter 11 cases, which allow companies to reorganize. And many of those cases were filed in a handful of courts favored by large corporations with complicated businesses that required separate filings for individual subsidiaries. Two-thirds of U.S. Bankruptcy Court districts saw no increase in Chapter 11 filings.

The biggest bankruptcy last year was Hertz, which had amassed some $23 billion in debt after business and personal travel screeched to a halt early on in the pandemic. Other notable bankruptcies included retailers J.C. Penney and Neiman Marcus — two retailers already struggling because of online rivals — and Chesapeake Energy, a victim of depressed demand for oil and gas.

There was one record set last year, which was by the 62 public and private companies that had assets of $1 billion or more before filing for bankruptcy. That topped the 58 in 2009, according to New Generation Research, a Boston firm that operates the BankruptcyData website.

However, a broader measure of corporate distress was less dire: There were only 110 publicly traded companies — including smaller ones not traded on major exchanges — that filed for bankruptcy. That was more than the 64 in 2019 but well under the 211 in 2009 amid the Great Recession or the 263 in 2001 after the tech bust, the BankruptcyData numbers show.

David Tonelson/Dreamstime

After the pandemic hit, Garden Fresh Restaurant Corp., owner of the Souplantation chain, decided to file for federal bankruptcy protection, selling off its assets and handling its creditors in court.

"For a while, I was very convinced that (filings) were going to pop down the line, but 12 months into this they haven't," said Ed Flynn, a consultant with the American Bankruptcy Institute, who notes national filings were still down in the middle of March by some 45% compared with the same period last year when the pandemic-related shutdowns started.

"They are down to levels we haven't seen since the mid-1980s," he said.

There are some obvious reasons that help explain the counterintuitive trend, especially the deluge of cash the U.S. government has pumped into the economy to help keep entire industries and businesses afloat — and put money directly into consumers' pockets through higher unemployment benefits, as well as stimulus checks showered on even middle-class families, including the $1,400 that landed this month.

Other measures to protect individuals from the pandemic turmoil also have probably lowered the rate of personal bankruptcies, including eviction bans, foreclosure moratoriums and federal student-loan payment freezes — which were extended by the Biden administration but are still set to expire this year.

"Clearly people, mainly through government actions, have not yet felt the pain, and have not had the type of event that would precipitate a bankruptcy. They may not be paying their rent or their mortgage, but they are not being foreclosed on yet," Flynn said.

And for those debts not subject to any governmental restraint on collections there have been practical considerations, including a pandemic-related backlog in California state courts that have made it challenging for creditors to get judgments, L.A.-area bankruptcy attorneys say.

Unless debtors are facing an immediate threat — such as a seizure of assets or garnishment of a wage — they will often avoid bankruptcy, which is costly and time-consuming in itself.

Still, that doesn't mean there hasn't been economic pain that has stretched for months.

However, the damage was mostly felt at the lower end of the labor market, as 80% of 9.6 million net jobs lost were occupied by workers in the bottom quartile of wage earners, according to a report by the Economic Policy Institute.

Those are the kinds of jobs offered by the hard-hit hospitality and restaurant industries, where workers typically don't file for bankruptcy. Flynn notes that personal bankruptcy filings are often made by middle-class people seeking to protect homes and other assets, as opposed to those with less wealth, who may have few assets to protect and less ability to cover the costs of the process.

The National Restaurant Association estimated in December that more than 110,000 restaurants had closed either temporarily or permanently. Coresight Research reports there were 8,736 announced store closures last year and only 3,300 announced openings — with about 1,500 of the new stores in the dollar store category.

Yet, there has been a well-documented boom in online sales, and new business formation dropped only 14% during the first year of the pandemic, according to Yelp, with about 487,500 new business openings from March 11, 2020, through March 1 of this year. About 76,000 were restaurant and food businesses, while nearly 287,000 were professional, local, home and auto businesses, down only 1%.

Comprehensive numbers on total business closures, either permanent or temporary, are hard to come by for some of the same reasons that Bankruptcy Court filings may not reflect the true extent of the damage suffered by business owners.

Economist Chris Thornberg, founder of Beacon Economics in L.A., thinks a key reason there has been no bankruptcy tsunami is simply that the extent of the economic damage has been overstated.

Unlike the lead-up to the Great Recession, when the housing market collapsed amid unsustainable debt loads, he notes that personal debt loads were at historic lows early last year, even for low-income workers. He estimates that perhaps 7 million people have been absorbing the brunt of the economic pain during the pandemic, while the huge stimulus has thrown off so much cash that better-off Americans have paid down debts or dumped it into the stock and housing markets, which have taken off.

"The vast majority of people who are screaming 'End of the world,' 'Sky is falling' were using the lens of the Great Recession," he said, noting that slow-down dragged on for years.

By contrast, 12 months after the pandemic started, the forecast this year is for strong economic growth, with the Federal Reserve this month boosting its estimate to 6.5%, up from its 4.2% forecast in December.

In December, Mark Zandi, chief economist at Moody's Analytics, figured that the government's support to the economy was simply kicking the problem down the road. He went so far as to say it was like "morphine that will wear off at some point" and that "there will be pain."

He expects bankruptcies will rise and credit problems will emerge once the moratoriums are lifted and the government support is depleted, but strong economic growth should return bankruptcies to normal levels.

"It will be very modest in the grand scheme of things," Zandi said.

Whiskey

Continued from C1

American whiskey makers have been caught up in the trans-Atlantic trade dispute since mid-2018, when the EU imposed tariffs on American whiskey and other U.S. products in response to Trump's decision to slap tariffs on European steel and aluminum.

Since then, American whiskey exports to the EU are down by 37%, costing whiskey distillers hundreds of millions in revenue between 2018 and 2020, the council said. American whiskey exports to the UK, the industry's fourth-largest market, have fallen by 53% since 2018, it said.

The tariffs amount to a tax, which whiskey producers can either absorb in reduced profits or pass along to customers through higher prices — and risk losing market share in highly competitive markets.

Amir Peay, owner of the Lexington, Kentucky-based James E. Pepper Distillery, said American whiskey has become "collateral damage" in the trade disputes. It's cost him about three-fourths of his European business, and the looming 50% EU tariff threatens to drain what's left.

"That could possibly end our business in Europe as we've known it over the years," Peay said in a phone interview Thursday.

He's already curtailed some whiskey shipments to Europe as a hedge against the potential doubling of the EU tariff. His distillery's signature bourbon and rye brand is James E. Pepper 1776.

Peay spent years and significant money cultivating European markets, especially in Germany, France and the UK. He was planning to double his European business before the trade disputes hit.

"The way things are going, everything that we invested to date looks like it could be destroyed," he said.

The tariffs have hurt spirits industry giants as well.

"We estimate that our company … has borne roughly 15% of the entire tariff bill levied against the U.S. in response to steel and aluminum tariffs," Lawson Whiting, president and CEO of Louisville, Kentucky-based Brown-Forman Corp., said recently. "They have become a big problem for us and it's imperative that we get it resolved as soon as possible."

Brown-Forman's leading product is Jack Daniel's Tennessee Whiskey, a global brand.

For Kentucky bourbon producers, tariffs slashed their exports by 35% in 2020, with shipments to the EU plummeting by nearly 50%, the Kentucky Distillers' Association said.

The EU had traditionally been the largest global market for Kentucky distilleries, accounting for 56% of all exports in 2017. It's now about 40%, the association said.

"Our signature bourbon industry has sustained significant damage for more than two years because of a trade war that has nothing to do with whiskey," KDA President Eric Gregory said. "And it will get much worse if we can't deescalate this dispute."

Kentucky distilleries craft 95% of the world's bourbon supply, the association estimates.

The thaw in the U.S. disputes with the EU and UK were part of an effort to resolve a longstanding Airbus-Boeing dispute. The tariff suspensions applied to duties that had been imposed on some spirits producers on both sides of the Atlantic. But the breakthroughs left plenty unresolved, including disputes that led to the retaliatory tariffs still hitting American whiskey.

The suspended tariffs mean some European spirits producers can ship their products into the U.S. duty free, while American whiskey makers are still subject to tariffs, Whiting said.

"We just want a level playing field for American whiskey," he said.