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BREWING INDUSTRY GUIDE // QTR 1 2018

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Q&A: LARRY BELL

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1
— to —
20
BARREL
BREWHOUSES

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VALVE
TREE

ROTATABLE
KETTLE
PICK UP

GRAIN
OUT ASSIST

FRAME
MOUNTED
DESIGN

FERMENTERS
— and —
BRITE TANKS
— up to —

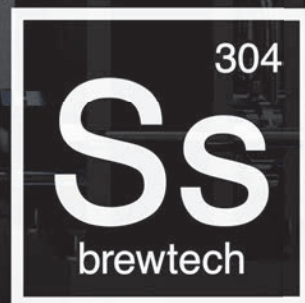
60
BARRELS

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ENGINEERING BETTER BEER

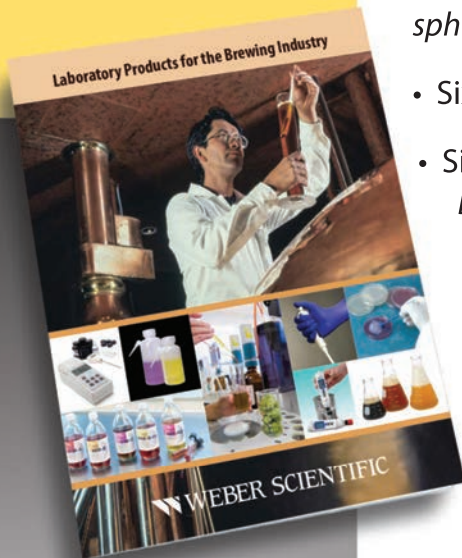


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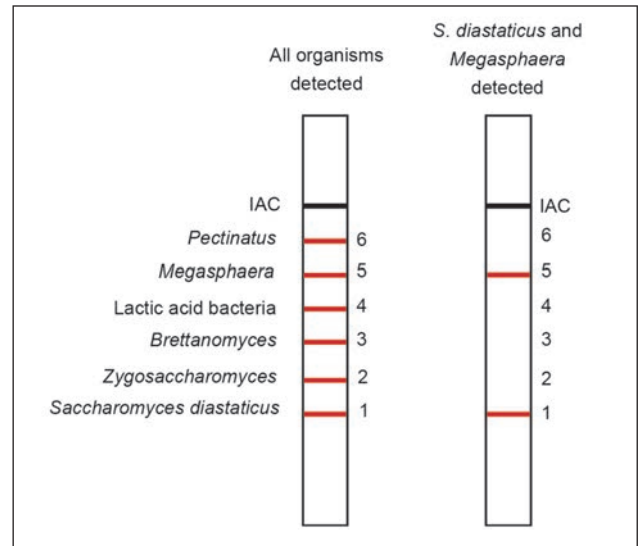
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CONTENTS

FEATURES

14 // QUESTION & ANSWER: BELL'S BREWERY FOUNDER LARRY BELL

Outspoken and opinionated, Larry Bell is living the best life of a former homebrewer. As the head of one of the country's largest craft breweries, he talks about the importance of independence, lessons learned along the way, and passing the reins to his daughter, securing Bell's place as a legacy.

20 // THE BARRISTERS: RISK MANAGEMENT 101

What a case involving a bar failing to properly rinse caustic from its beer lines can teach us all about limiting the amount of damages an establishment can suffer because of a misstep—and how, in some cases, to shift the financial burden to the responsible party.

26 // THREE TIERS: THE TAP ROOM AT SAMUEL ADAMS

After being in business for more than three decades, the makers of Samuel Adams recently did something for the first time: opened a taproom at its Boston brewery. Jennifer Glanville talks about the thought behind the space and what it means for the brand and its neighbors.

28 // THE MONEY TRAIL: M & A UPDATE

At the start of a new year and in the midst of a turbulent, tumultuous time in the U.S. craft-beer industry, it's a good idea to check in on some of the perceptions and realities of craft-brewery mergers and acquisitions.

36 // PRACTICAL ADVICE: FOOD SAFETY LABELING

As brewers push the boundary of acceptable beer ingredients, proper labeling of major allergens is more important than ever.

40 // SELLING BEER: TIPS, TRICKS, AND BEST PRACTICES FOR GETTING SOCIAL

Tips, tricks, and best practices for managing social media

46 // LIVE AND DIRECT: THE BUSINESS OF BEER WEEKS

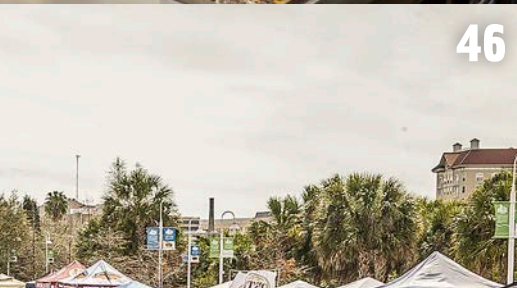
Quality experiences and community focus define great large-scale multiday beer events, but to sustain them year after year, smart financial decisions are paramount along with local support and long-term planning.



20



26



46



14

28



50 // BREWING REGIONALLY: GROWTH IN THE SOUTHEAST

While the Southeast was a bit behind the national curve in craft brewing, an effort among larger breweries and state and local governments helped the industry catch up. Now, six years after the growth started, we examine what has worked, what hasn't, and what the future might hold.

54 // GEARHEAD: FIRESTONE WALKER'S VENICE BEACH PROPAGATOR BREWHOUSE

Firestone Walker went small in a big way with their fully automated 8 bbl pilot brewhouse.

71 // ZEN AND THE ART OF CRAFT BEER SALES

77 // A SURPRISE IN THE YEAST

CASE STUDIES

58 // TWO ROADS BREWING COMPANY

Contract was once a dirty word in beer, but thanks to this Connecticut brewery founded by industry veterans, the perception is changing. With a brewery that turns out its own brands and specific beers for existing breweries, Two Roads has become a destination for both drinkers and brewers. With a new sour facility on the horizon, there are miles to go.

62 // BIERSTADT LAGERHAUS

Lagers without compromise made by brewers committed to tradition have created a brewery in Denver where fellow brewers want to hang out. The founders don't plan to get bigger than 5,000 barrels but have set their sights on some pretty serious competition, fighting the good fight one branded glass at a time.

66 // STARR HILL BREWERY

As one of Virginia's first craft breweries, Starr Hill has had time to grow, learn from mistakes, and make the kind of necessary moves that will ensure it stays competitive and growing in an increasingly crowded marketplace.

MORE

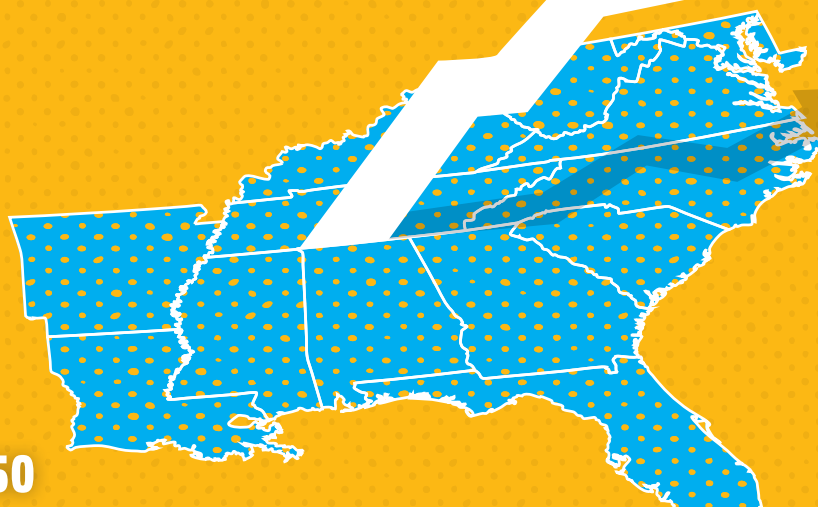
8 // CONTRIBUTORS

10 // EDITOR'S NOTE

13 // INFOGRAPHIC

30 // NEW AND NOTABLE BREWING PRODUCTS

79 // AD INDEX



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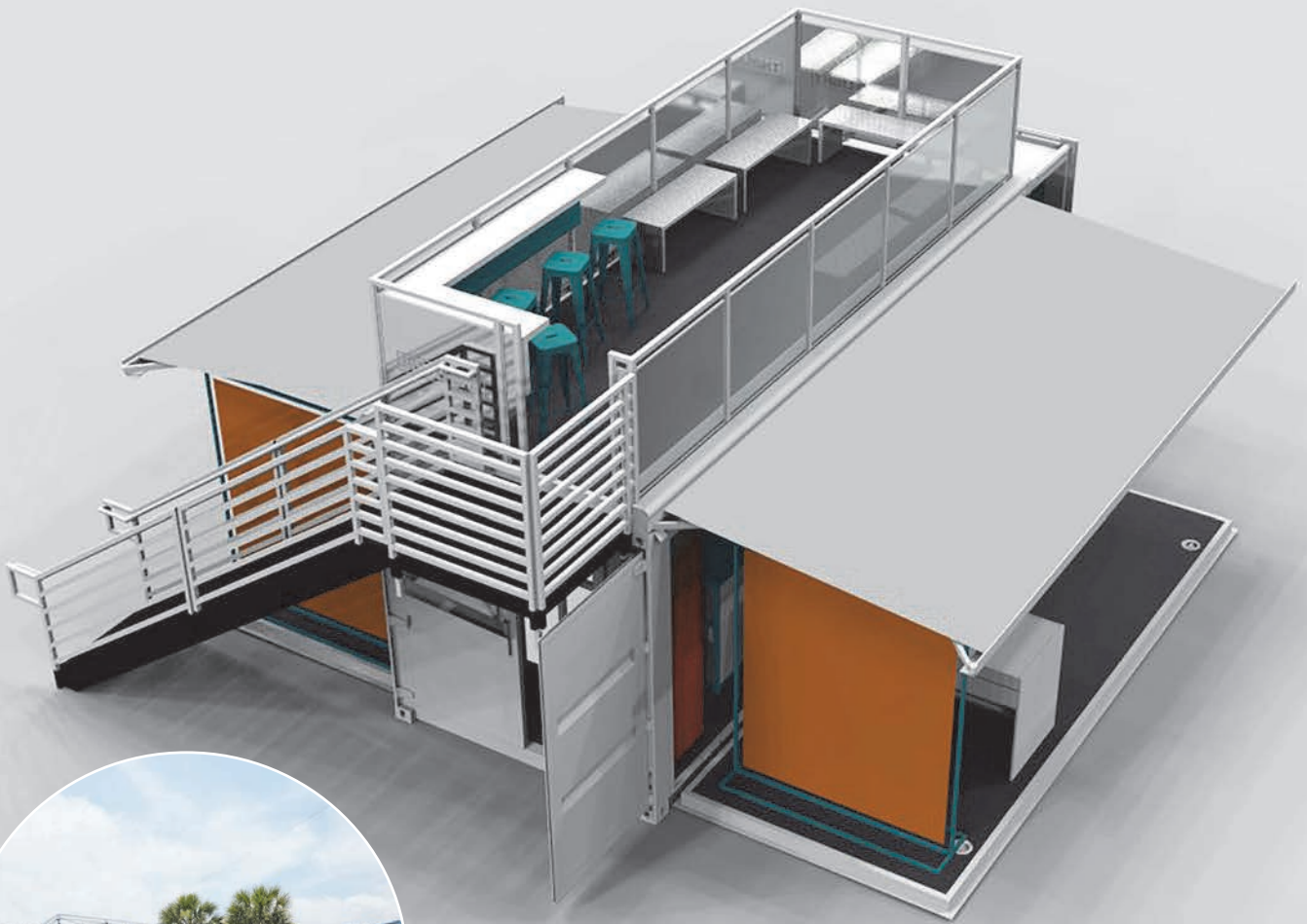
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MASON ADAMS has covered Appalachian and Blue Ridge communities since 2001. He writes from Floyd County, Virginia, where he lives with his family, dogs, cats, goats, and chickens. His work has appeared in *Politico Magazine*, *The Washington Post*, *New Republic*, *Vice*, and elsewhere.



RYAN LAKE is a managing director at OMAC Beverage Advisors, a specialty investment banking firm that provides beverage companies with sell-side, buy-side, merger, and capital advisory services. The OMAC deal team has closed more than \$1.5 billion in transactions and has represented more than fifty beverage companies, including fourteen craft brewers.



With nearly twenty-five years of experience, Verrill Dana attorney **JONATHAN DUNITZ** advises clients in the craft-beverage community to mitigate the risk of litigation at formation and throughout their growth, as well as litigating on their behalf in the event that becomes necessary. Jonathan is also a frequent author and speaker on the unique challenges that breweries face.



JESSE BUSSARD is a Montana-based writer, event planner, and homebrewer passionate about all things fermented, but most especially, beer. She's cofounder of Fermentana, an events promotions company focused on using fermented craft beverages to promote positive change in communities. Jesse's beer writing has also been featured in *All About Beer Magazine*.



JOHN HOLL is the senior editor of *Craft Beer and Brewing Magazine*®. A journalist since 1996, his work has appeared in *The New York Times*, *The Washington Post*, *The Wall Street Journal*, and *Wine Enthusiast*. His latest book, *Drink Beer, Think Beer: Getting to the Bottom of Every Pint*, will be released in September 2018. Reach him at johnholl@beerandbrewing.com or on Twitter @John_Holl.



JAMIE BOGNER, cofounder and editorial director of *Craft Beer & Brewing Magazine*® and the *Craft Beer & Brewing Magazine*® *Brewing Industry Guide*, has been drinking craft beer since 1995—the same year he launched his first self-published magazine, *Ska-tastrophe*, from his college dorm room. He has worked on the editorial, creative, and business sides of the media world for twenty-three years. Reach him at jbogner@beerandbrewing.com.

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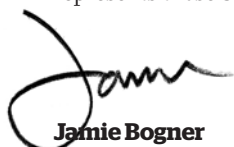
A DECADE OR MORE DOWN THE ROAD, when we look back at this era of craft beer's history, I suspect we may find ourselves quoting that classic Dickens line, "It was the best of times, it was the worst of times." Craft beer's explosive growth over the past ten years has been marked by both the unbridled enthusiasm of possibility and a concurrent Chicken-Little dread of its imminent collapse, creating a tension and disbelief as the more dire predictions failed to materialize.

But here we are now, more than a half decade past the start of the loudest "this bubble is going to burst" cries, with more than 6,000 operating breweries in the United States and at least another thousand in planning—almost four times as many breweries as existed back in 2008. It's been quite a wild ride, and while it may sound cliché, the only constant has been change.

When I look back at the Spring 2014 issue of *Craft Beer & Brewing Magazine*®, our first focusing on IPAs, I'm reminded of just how fast this change can happen. At least a dozen of the beers we reviewed, including blue-chip beers such as Stone IPA or New Belgium Ranger IPA, have been reformulated, rebranded, or retired. The beer drinker's love affair with West Coast IPAs that started in the mid 2000s and drove that early phase of growth has today yielded its energy and excitement to a diverse array of concurrently popular styles—sour and wild ales, hazy and fruity New England-style IPAs, barrel-aged beers, and all manner of adjunct-laden beers inspired by culinary flavors. Time will tell how much staying power these current trendy styles will have, but from a beer drinker's perspective, it's the best of times.

The business of making and selling beer is more of a mixed story. Modest market share goals gave way to bold predictions of 20 percent share by 2020, and while the craft sector in 2017 continued to eke out year-over-year growth, the single-digit growth levels have been cast by many as the start of the bust cycle. Brewers who took on debt based on 2013–2015 growth trajectories are facing real financial challenges that are, in some cases, causing ownership changes. Regional craft brewers who enjoyed consistent growth over the past decade face not only the traditional challenge of big beer, but also growing competition from alternative business models focused on hyperlocal own-premise sales. And those small and local breweries focusing on taproom sales (and cans and bottles sold through their own taprooms) face increasing competition from similarly scaled breweries and brewpubs, as the concept of "local" represents smaller and smaller geographic areas. There's more interest in craft beer than ever before but also more competition than ever. Best of times, worst of times.

This environment of tougher competition, savvier consumers, and fast-moving trends, can be a tough one to navigate, but success is still out there for those who seek it. We've designed this magazine, the *Craft Beer & Brewing Magazine*® *Brewing Industry Guide*, to study the practices of those breweries who are taking calculated risks, finding growth, and future-proofing their businesses by adapting quickly to changing circumstances. From topical departments to brewery case studies, we hope you find valuable insight in these pages that helps you improve your own brewing business so that your future represents those best of times.



Jamie Bogner

Cofounder & Editorial Director

Craft Beer & Brewing Magazine® *Brewing Industry Guide*

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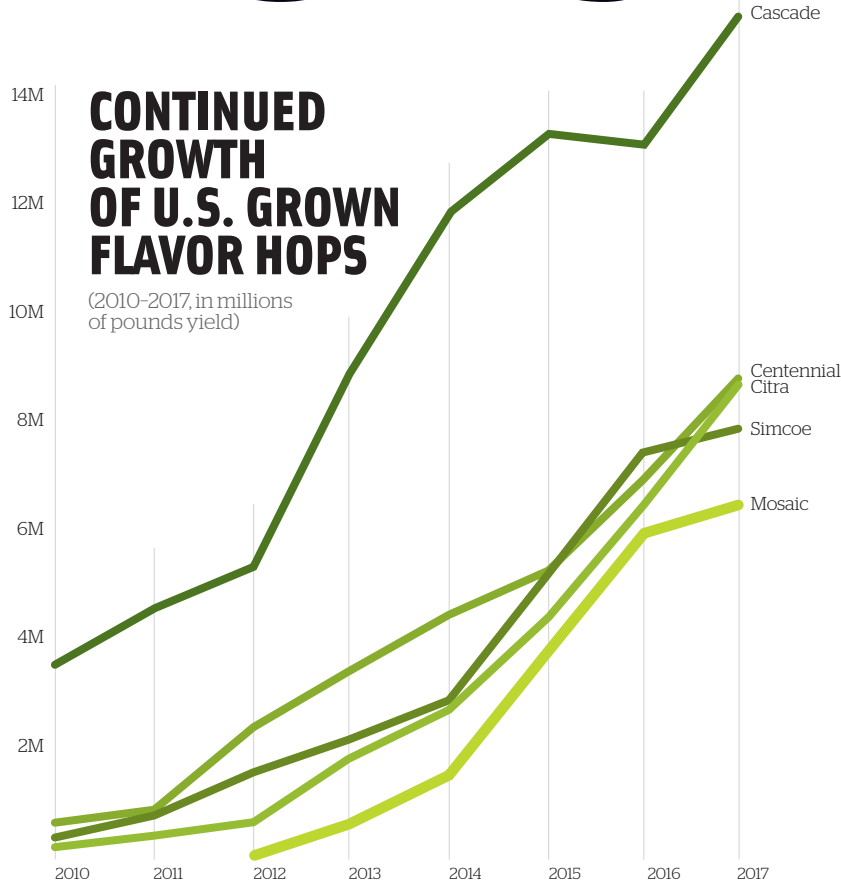
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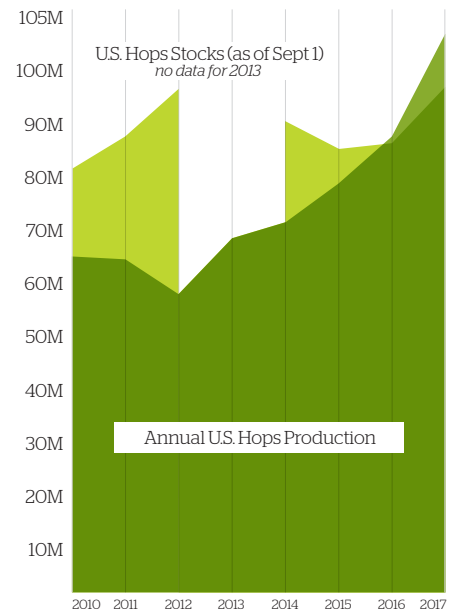
HOPS

The 2017 hops crop was by all accounts one for the record books, with an increase in yield and acres planted driving a roughly 20 percent year-over-year increase in pounds of hops harvested. Despite 17 million more pounds of hops on the market, the average price per pound continued to rise, albeit more slowly than in years past.



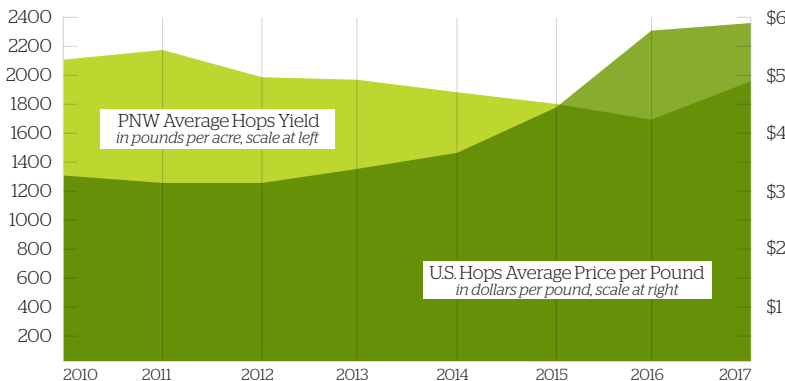
YEARLY HOPS PRODUCTION VS. STORED STOCK

(2010-2017, in pounds)



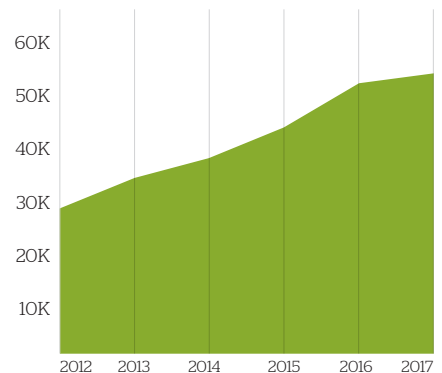
YIELD AND PRICE PER ACRE

The growth in popularity of low-yield flavor hops (such as Citra) has pushed the average yield of Pacific Northwest hops farms down by more than 400 pounds per acre over the past five years. This lower yield is one factor driving the average price per pound up more than \$2.50 per pound over the same time frame.



YEARLY U.S. HOPS ACREAGE HARVESTED

(2012-2017, in acres)





Q&A

BELL'S BREWERY FOUNDER LARRY BELL

As one of the pioneers of the craft-beer industry, Larry Bell has seen it all. From the early days of running a homebrewing shop to overseeing one of the largest craft breweries in the country, he's built a reputation of pulling no punches and telling it like it is, all while letting the beer speak for itself. **INTERVIEW BY JOHN HOLL**

CBB // What was the original plan for the brewery?

LB // I had taken a class with Bill Newman [a craft-brewing pioneer], and he said the rule of thumb was that you needed \$250,000 to open a brewery. We opened up with a total of \$39,000. We knew we didn't have enough money, so the original plan was to develop a product and a market for that product and then go out and secure some real financing. Originally,

when I was young and single, I thought I was going to move up north. I wrote a plan for the Traverse Bay Brewing Co. I wound up being around Kalamazoo, and it turned into Kalamazoo Brewing Co. By today's standards, our goals were relatively modest. I hoped to build the brewery up to 30,000 barrels. Some of the old timers I'd visited, some of the regional breweries, suggested that if you could get up to 30,000 barrels, you could have a nice

family business. That seemed reasonable at the time.

CBB // How long did it take to hit 30,000?

LB // Until 2001—sixteen years after opening. Last year we did 463,890 barrels. The number one question I get asked by media customers is, "Did you ever think, imagine, it would be like this?" And no, I didn't. If you talk to anyone else of my era—Jim Koch [of Boston Beer] or Ken Grossman [of Sierra Nevada] or Gary Fish [of Deschutes]—no one had a clue that what we were making was going to blow up the way it did. For me, things started slowly and small, and I'm flabbergasted when I talk to younger brewers who tell me that in their first year they made 8,000 barrels.

CBB // Was there a moment when you realized that you could go beyond 30,000 barrels and that this niche industry could become more mainstream and get to where it is today?

LB // That point was when we got to 30,000 barrels. We were in the old downtown brewery and were building a new brewery and green space. We hired John Mallett as a consultant, and I thought, "This is real brewing, this is real brewing equipment, and this is a real thing now. We're going to get noticed by the big guys." It was all changed then. We were beyond where our homebrewing days took us and were a real brewing company.

CBB // You're starting to step back a little bit, and your daughter, Laura Bell, is stepping up more and more. When you first started the brewery, did you have an exit strategy? Did you think about the end?

LB // One of the things that I probably did wrong was setting up stock in the company. I didn't have provisions for ways to get those shareholders out of the company. It became a problem for us. In 2006, some shareholders sued me for shareholder op-

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pression and for not having provisions for how to move forward. It was a problem because the bank had come to me and asked me to move people out and said they weren't going to finance me unless these people got out. So they stepped up and financed me in the process. It was contentious, and a lot of people thought I was doing that so I could sell to Anheuser or to a bigger company. Certainly that's what some of the [shareholders] wanted to do, and that's why I wanted to move them out. I never really thought about it.

And as Laura came on, I was very fortunate. She has a real passion and drive and a real acumen for the industry, and that became my exit strategy. We're going to become a legacy brewery, which, quite honestly, is the hardest way to do things. It's easy to take a check from someone or to do another deal. But to do all the accounting and to transfer the wealth takes a lot of accountants and lawyers and time, but for me it's all worth it.

CBB // If you didn't have Laura in the wings, had you thought about what you would do or what you wanted to do?

LB // Certainly. There was the looking at going public. I think it's interesting that since the earlier days of craft where you had some company, like Sam Adams, that went public, we haven't seen anyone going the IPO route. Ballast Point was flirting with it, but then they sold [to Constellation Brands]. But there is probably still a chance for someone at the right time to do an IPO, and it's something that I thought about doing. If I were ever going to have to sell to one of the big guys, just show me the money and I'm out of here. I don't want to stick around and see this. I think I would have difficulty with my independent nature working in a large corporate brewery structure.

We're probably one of the few breweries that uses our family name. There are so many breweries out there but not necessarily a lot of family names. It's personal—it's our name on the product. So to think about Bell's Brewery being led by Industrial Brew? Ugh! I thought that if I were going to do that deal that I'd separate out the bar [Bell's Eccentric Café in Kalamazoo, Michigan] because the bar contains so many things that I've collected

I THINK WE'RE IN STAR WARS EPISODE V: THE EMPIRE STRIKES BACK. WE'VE HAD A LOT OF SUCCESS IN THIS CRAFT-BEER MOVEMENT THAT WAS STARTED BY GUYS LIKE ME, BUT WE'RE GETTING TOWARD RETIREMENT. THERE ARE PEOPLE WHO NEED TO EXIT, SO YOU'VE GOT BIG GUYS GRABBING [BREWERIES]. I REMEMBER FRITZ MAYTAG [ANCHOR BREWING] BEING INTERVIEWED BY MICHAEL JACKSON AND FRITZ SAYING, "YOU KNOW, MICHAEL, THERE'S ONE GUY WHO'S GOT 50 PERCENT OF THE BUSINESS, AND HE WANTS 100 PERCENT OF THE BUSINESS," AND THAT HASN'T CHANGED. IT'S GOING TO BE DOG-EAT-DOG OUT THERE, AND THE BIG GUYS ARE COMING FOR THAT SHARE OF CRAFT BECAUSE THEY WANT IT ALL. THEY HAVE THE DEATH STAR, AND THEY ARE MOVING IT INTO POSITION. WE REBEL FORCES, WE CRAFT GUYS, HAVE TO KEEP STICKING TOGETHER AND KEEP ATTACKING.

during my travels—my art, artifacts, and whatnot that I've put on the walls. It's a personal place for me. So I would have had to keep that.

CBB // Even though you're one of the largest craft breweries in the country, you're still connected to homebrewing. Why?


LB // This summer, we'll celebrate thirty-five years of selling homebrewing equipment. I love it. Who better to sell homebrew equipment than a brewery? We have an annual homebrewing competition where the winner gets to come and brew on our 15-barrel system. And homebrewers continue to be the minor leagues of the beer industry.

It cracks me up. It was mentioned this morning in a meeting that there are professional brewers, commercially licensed brewers, in this town who come into the shop to buy things for their professional brewery. I was in the store a couple of months ago and heard the clerk say, "But sir, we've already sold you all the fifty-pound sacks of malt that we have. We don't generally stock that many." The brewer said he couldn't get his own [malt contract] account so he needed to buy from us.

[Homebrewing] is where we started, and it's part of our DNA. I think it keeps us honest in a way. There's still part of me that's a homebrewer—when I'm thinking up recipes.

CBB // What do you see as the biggest threat

to you and your brewery and your legacy?

LB // I think we're in *Star Wars Episode V: The Empire Strikes Back*. We've had a lot of success in this craft-beer movement that was started by guys like me, but we're getting toward retirement. There are people who need to exit, so you've got big guys grabbing [breweries]. I remember Fritz Maytag [Anchor Brewing] being interviewed by Michael Jackson and Fritz saying, "You know, Michael, there's one guy who's got 50 percent of the business, and he wants 100 percent of the business," and that hasn't changed. It's going to be dog-eat-dog out there, and the big guys are coming for that share of craft because they want it all. They have the Death Star, and they are moving it into position. We rebel forces, we craft guys, have to keep sticking together and keep attacking. 



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EUROPE – A CONTINENT WITH A LONG-STANDING BEER-BREWING TRADITION

The continent of Europe can be divided into separate parts with different alcohol traditions. While winemaking is popular in the southern parts of the continent, and vodka is popular in the east, beer-brewing traditions are strongest in the central part of the continent. Today, we can enjoy about 80 different types of European beers, and the breweries in Europe produce as many as 40,000 brands of beer. This diversity is the result of a rich history, a bold search for new flavours and experiments that have continued for many generations.

In the Middle Ages, the people in Europe lived in small enclosed communities and often had limited access to clean drinking water. By drinking contaminated water, these people were at risk of becoming infected with severe diseases such as cholera. For this reason, drinking the water was contraindicated and the population consumed beer instead – especially during epidemics. As the beer at that time was much weaker than the beverage we have today, it was consumed not only by adults but also by children. Some of the first brewers on the continent were monks. In the Middle Ages, monasteries were not only the centres of spirituality and science – the monks were also some of the largest landowners. In addition to their religious duties, the monks engaged in agriculture, as well as food and drink-making activities. The monks often treated travellers to their home-made beer during moments of rest. As the popularity of the beer began growing, the monks started selling it in local taverns to earn revenue for the maintenance of the monasteries. One of the best-known

brewers in Europe were the monks of the Trappist Order, as they apply very strict quality standards in their beer production. The Trappist beer has a characteristic flavour with a fruity aroma, and is enhanced with a variety of spices.

By the end of the Middle Ages, Europeans were making beer not only in monasteries, but also at home and in small local pubs. Interestingly, women were often the brewers. They used leaven to make bread, and also used it to make a higher fermentation beer (ale). Their secrets were often passed on only to members of the family. Therefore, if the brewer had no descendants, he or she would take these brewing secrets to the grave. There were many secrets to learn – without the technologically-precise devices that are used in modern laboratories, the brewers had to have a feel for the temperature required for the fermentation, as well as for the storage time in order to produce the most delicious beer. In the long run, the best brewers began to keep inns, taverns and barrel shops. In the 17th and 18th



centuries the brewer's profession became very popular in European cities. For example, there were as many as 15,000 breweries in London, the capital of the British Empire.

The greatest European inventions are often associated with one person who seems able to open up the eyes of everyone and take them along a special path. This was the case with the Bavarian brewer, Joseph Groll. In 1842, he made beer from a light malt, from the best hops growing in the foothills and from the soft water of the town of Pilsen. He called it Pilsner, and it later became known as lager. The bright and refreshing lager grew in popularity and became the number one beer in nearly all European countries. The water used for its production is first softened, although some areas in Europe have naturally soft water.

The biggest success of any brewer is making beer year after year, harvest after the harvest, with a constant and unchanging taste. Brewers from various German areas have become famous as having the best practices in Europe. The beer brewers from Germany even started to make beer in China – in 1903, a Germania-Brauerei (Germania Brewery) was created in Tsingtao, which later became the Anglo-German Brewery Co. Ltd. Here, the beer was primarily made for the people of German origin, who were seafarers; but later, the locals and then the whole of China became fond of this beer because of the consistently high quality. Similarly, an even earlier brewery was founded in 1784 by the Reinke sea merchants in a port of the Baltic Sea, in Klaipeda. Later, in the 19th century, their brewery was merged with the Preusso brewery of the German landlord, resulting in the Klaipeda brewery shareholding.



Beer brewing in the European Union has involved a constant struggle between conservatism and new ideas and creativity. For example, in the Soviet Union, it was known that Stalin loved the beer of Riga. However, enthusiastic brewers tried to improve the malt mixes, offering new types with the hope of becoming “all-union recipes”. In this way, the recipe for Baltijos beer, which corresponds to the German March beer (Märzen/Oktobertfest) or lager, was created in the Baltic sea port in Klaipeda in 1964. Later, this beer was also brewed in other factories within the Soviet Union.

The climate of Europe, with its crop-friendly soil and inexhaustible groundwater resources, was also helpful in creating a unique variety of beers. The mineral water resources in different European countries have their own distinct flavours, allowing many different kinds of beers that are typical of a particular region to be created. For example, in Ireland, the water is very hard and is suitable for dark porter with an expressive taste; while the soft water in the Czech Republic allows brewers to produce a light and refreshing lager. Using local raw materials, the monks refined the tastes of beer in the Middle Ages, and thanks to them we can continue selling and exporting beer today. The monks also began to use hops in beers that would be stored for half a year or even longer. Beer is still brewed in European monasteries today, although the majority of the production has moved to modern breweries where traditional recipes are combined with science and innovative production technologies. This has given birth to the high-quality, diverse tastes of European beers that are popular all over the world.





THE BARRISTERS

A GUY WALKS INTO A BAR... BUT IT WASN'T FUNNY: RISK MANAGEMENT 101

Proactive risk management can reduce the chances of a loss, limit the amount of damage you suffer as a result, and, in some circumstances, shift the financial burden to the responsible party. **BY JONATHAN DUNITZ**

HOW MANY JOKES START WITH “A guy walks into a bar?” A modest guess would be thousands, but in some instances, there is no punch line. In a recent New Jersey case, one sip of beer resulted in the customer being hospitalized for six days. Five years later a jury awarded him \$750,000 for the negligence of the establishment that served the beer and one of its vendors.

Now you may be asking, how can a sip of beer lead to a \$750,000 verdict? In this case, a seemingly minor misstep caused serious and lasting personal injury to the patron: On November 6, 2012, a retired police officer ordered a beer at a New Jersey restaurant while he was out celebrating a business deal. After just one sip, he immediately felt a burning pain. He

ran to the bathroom where he experienced multiple rounds of vomiting, including instances in which he vomited blood. He was hospitalized for six days with injuries to his digestive tract and lost 25 percent of his stomach lining; he faces a lifetime of medical treatment. The culprit turned out to be a caustic substance in his beer that was purportedly used to clean the tap lines but wasn't fully flushed during the process. Although the establishment said its vendor was to blame, each were ordered to pay half of the verdict amount.

A \$750,000 verdict should be an eye opener. Do not, for a second, believe it can't happen to your brewery or that the brewery has no risk. While the New Jersey case was the most recent, similar cases

have been reported in at least three other states. Moreover, there are many risks in a brewery that can cause a significant loss. These include risks that will result in lawsuits as well as losses that result from physical damage to the brewery due to internal or external forces.

LOSS POTENTIAL

It doesn't take a vivid imagination to come up with risks of loss in a brewery. Is the floor of your brewery, brewpub, or tasting room concrete or some other hard substance? It may be easier to clean, but if someone slips and falls and suffers a closed head injury, it can be a significant loss. Does your brewery bottle its beer? Imagine the damages that could occur if someone drinks a bottle with glass in it or if one explodes under pressure because of a defect.

Does the brewery have a large, flat roof in a climate with a lot of snow? At a recent event, a manufacturer told me that



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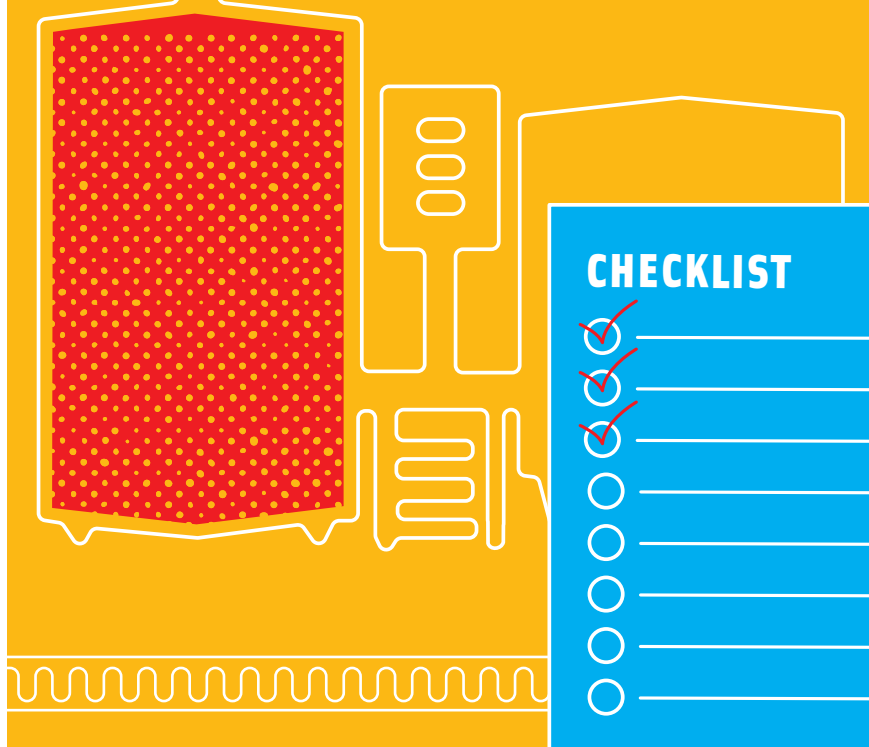
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IT DOESN'T TAKE A VIVID IMAGINATION TO COME UP WITH RISKS OF LOSS IN A BREWERY. IS THE FLOOR OF YOUR BREWERY, BREWPUB, OR TASTING ROOM CONCRETE OR SOME OTHER HARD SUBSTANCE? IT MAY BE EASIER TO CLEAN, BUT IF SOMEONE SLIPS AND FALLS AND SUFFERS A CLOSED HEAD INJURY, IT CAN BE A SIGNIFICANT LOSS. DOES YOUR BREWERY BOTTLE ITS BEER? IMAGINE THE DAMAGES THAT COULD OCCUR IF SOMEONE DRINKS A BOTTLE WITH GLASS IN IT OR IF ONE EXPLODES UNDER PRESSURE BECAUSE OF A DEFECT.

the roof of his facility collapsed under the weight of snow and ice. While the manufacturer wasn't a brewer, breweries are not immune to similar situations. Is your brewery in an industrial area? Do you know what the neighboring businesses manufacture? Before my days as an attorney for the beverage industry, I was involved in defending fire cases. In one case, my client's product allegedly caused a fire in one facility that spread to a neighboring factory via a *single* spark or floating ember. The neighboring factory made highly flammable products, and an inferno ensued. The factory practically burned to the ground, with claimed damages nearing \$20,000,000.

RISK MANAGEMENT

So, that's the bad news. The good news is that risks and their impacts can be minimized. Proactive risk management can reduce the chances of a loss, limit the amount of damage you suffer as a result, and, in some circumstances, shift the financial burden to the responsible party. The best news is that a solid proactive risk-management plan is typically far less expensive than the cost of defending a case, paying a settlement or jury verdict, or rebuilding out of pocket if the brewery suffers damage.

PROTOCOLS

The first line of defense is risk avoidance or mitigation—finding ways to minimize

the risk of something bad happening. A good risk-management plan includes protocols for everything the brewery does from the time the doors open until they shut. Guidance for developing protocols for brewery operations comes from a number of sources. The Brewers Association has some great resources for its members. State brewers guilds may also have resources. Often insurers will offer guidance. Other brewers surely have advice. Even your accountants and lawyers may have some recommendations that will lower your risks and/or position you to limit the damage or get you back up and running faster if an incident causes damage.

CHECKLISTS

Once you have the protocols, developing checklists is an integral part of risk avoidance. It sounds rudimentary, and perhaps it is, but checklists are important tools in the prevention of accidents. Dr. Atul Gawande, a surgeon, Harvard professor, and writer for *The New Yorker*, researched and wrote about the importance of checklists in *The Checklist Manifesto*. In the book, Dr. Gawande provides statistics that demonstrate the effectiveness of well-drafted checklists used by even the most experienced surgeons. In his research, Dr. Gawande discovered that checklists are used in a wide variety of industries, from aeronautics to building skyscrapers to cowboys herding cattle. While it is amazing that something as simple as a checklist can be so effective, a properly prepared *and used* checklist for draught-line cleaning in the case referenced at the start of this article would have highlighted the need for the 0.15 pH strip test of the water used to flush the cleaning solution from the tap lines before reconnecting them to the kegs. In other words, a brief checklist and a 0.15 pH strip might have avoided life-threatening injuries and a \$750,000 verdict.

Checklists for various operations in a brewery, brewpub, or tasting room are an inexpensive way to avoid an expensive mistake. Think of all that goes on in your facility and imagine how easy it is for a costly misstep to happen. It's busy, and there are a lot of things happening at once; people get distracted, multitask, and move to the next task before finishing the previous one.



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NO MATTER WHO DOES THE WORK, THE PUBLIC WILL PERCEIVE THAT EVERYTHING THAT HAPPENS AT YOUR BREWERY AND WITH YOUR BEER WAS PERFORMED BY THE BREWERY. THE PEOPLE WHO LOVE YOUR BEER ARE NOT GOING TO KNOW THAT SOMEONE ELSE CLEANS THE TAP LINES OR CANS THE BEER. SO, DO YOUR DUE DILIGENCE. ASK THE VENDOR ABOUT METHODS AND QUALITY CONTROL. DISCUSS ALLOCATION OF RISKS. GET (AND CONTACT) REFERENCES. REACH AN AGREEMENT ON THE TERMS OF THE RELATIONSHIP. ONCE YOU'VE CHOSEN THE VENDOR, AVOID DOING THINGS ON A HANDSHAKE. IF THERE IS A LOSS AND THERE IS NO CONTRACT AND NO WRITTEN UNDERSTANDING OF HOW LIABILITY WILL BE DEALT WITH, THE BREWERY MAY BE ON THE HOOK FOR A LOSS CAUSED BY SOMEONE ELSE.

Checklists will keep you and those working at the brewery from getting complacent with mundane activities and keep everyone focused on complex tasks.

DUE DILIGENCE WITH VENDORS

The next line of defense in risk management involves the vendors you work with—the bottle and can vendors, food trucks, draught-line-cleaning vendors, mobile-canning lines, anyone working in your space or with your product who is not your employee. Remember, no matter who does that work, the public will perceive that everything that happens at your brewery and with your beer was performed by the brewery. The people who love your beer are not going to know that someone else cleans the tap lines or cans the beer. So, do your due diligence. Ask the vendor about methods and quality control. Discuss allocation of risks. Get (and contact) references. Reach an agreement on the terms of the relationship.

Once you've chosen the vendor, avoid doing things on a handshake. Get it in writing. Have a lawyer review the contract with that vendor *before* you sign it. It is far easier to negotiate and sign a contract at the start of a relationship—when everyone is getting along—than it is to put things in writing when problems start to arise and tension creeps into the partnership. Even worse, if there is a loss and there is no contract and no written understanding of how liability

will be dealt with, the brewery may be on the hook for a loss caused by someone else.

INDEMNIFICATION PROVISION

To avoid that scenario, be sure the contract includes what is called an indemnification provision. This provision is intended to make sure that the responsible party reimburses the brewery for the loss it caused. For example, if a food truck causes patrons to become ill and the patrons sue the brewery, the brewery can look to the food truck for reimbursement of any losses.

The contract should also specify that the vendor will pay the costs of defending the case, including attorneys' fees. Not only does that help protect the brewery's assets, it also gives the vendor more incentive to use its best efforts to manage its own risks.


In addition, the contract should require the vendor to have and maintain insurance policies that cover its work in your brewery, including making the brewery an additional insured. That way, if there is a loss caused by the vendor, you can look to the vendor's insurer to cover it. Without that insurance, the indemnification requirement can be hollow if the vendor lacks the money to pay the lawyers and injured party.

When reviewing the contract with an indemnity provision, be wary of limits on indemnity. In many cases, vendors will attempt to limit the amount of indemnity to the amount the brewery has paid the vendor in a given year. In the case of a ven-

dor who cleans draught lines, it is highly unlikely that the annual fees it is paid will approach anything close to \$750,000. That could leave the brewery on the hook for the difference between the fees paid and the \$750,000 verdict. In many contracts, the vendor is unwilling to negotiate those caps away, but if you know about the cap, there could be other ways to protect the brewery.

INSURANCE

This brings us to the final step in risk management: insurance. The brewery needs to be sure it has adequate insurance of its own to cover the loss. With proper insurance, there is a backstop if the checklist fails, the vendor won't indemnify you, or there is no vendor required to indemnify the brewery. Make sure you have an insurance agent or broker who is well versed in breweries, brewpubs, and/or tasting rooms. Tell him or her which vendors you work with, and let the insurance agent or broker review contracts with vendors to see what insurance the contracts require. If your policies require you to obtain certain documents from vendors and subcontractors as a prerequisite to coverage, get those documents. Be sure to know and understand everything your policy requires before a loss and be sure that you have fulfilled those terms. Also, understand everything that must be done after a loss (perhaps make a checklist?) so that your claim goes as smoothly as possible, and you can continue brewing beer while others handle the fallout from the loss.

In the end, accidents happen, and they sometimes come from the most unexpected places. We've all heard that beer is safer than water, but that is only true if the beer is not contaminated with something caustic. Who would ever think that taking a sip of beer at a local watering hole could cause such catastrophic damage? Hopefully, it won't happen at your place, but it takes more than luck. It takes a proactive risk-management plan to limit the risk and to avoid calamity for your brewery if something unexpected happens. 

Keeping beer lovers safe and breweries operational is one of the reasons that Verrill Dana's Breweries, Distilleries & Wineries Group created a Risk Management Podcast series. In this three-part series, attorney Jonathan Dunitz discusses risk management in the context of breweries and brewpubs. To learn more, visit verrilldana.com/risk-management-for-breweries/.



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TAPROOMS

SAM ADAMS, AT HOME

In its thirty-four years, the Boston Beer Company has done a lot: it has made countless styles and won countless awards; it has developed an easily recognized global brand, thanks to Samuel Adams Boston Lager; it has partnered with celebrities and sports teams; and it has unleashed Utopias upon the world. Late last year, however, it did something it has never done: it opened a taproom at its iconic Boston location. **BY JOHN HOLL**

MOST SAMUEL ADAMS BEER IS made at breweries in Ohio and Pennsylvania, but Boston Beer Company calls Boston home. More than thirty years ago, the brewery rented space in the historic Haffenreffer Brewery—a renovated brick complex dating back to 1871, in the city's Jamaica Plain neighborhood—and began giving tours. A small brewhouse followed, along with packaging and expanded tour facilities. Then came a larger gift shop, a barrel-aging facility—home to the biannual Utopias—and staff training areas. An outside picnic area was added along with a research and development nano brewery and even more space for tour visitors, who had made the brewery one of the city's top-ten travel destinations. Throughout all this development,

the tour—an experience designed to keep people entertained for a short period of time with some education, some samples, and general merriment before turning them back into the world—was the focus.

It's not that the folks at Sam Adams didn't want a taproom; it's just that there wasn't room for one, brewery officials said. They talked about it for a while, but it wasn't until new space opened up in the Haffenreffer Brewery complex that they could entertain the idea.

Last summer, everything started falling into place, and in November the brewery opened its new Tap Room in a space that once held staff training. The education center moved across the complex to a building that now holds the Bier Keller,

where the brewery is aging experimental non-sour beer.

ALL KINDS OF EXPERIENCES

The brewery used the expansion to look at how it was serving its customers and to find new ways to keep people interested and engaged.

"Fifteen years ago, the tour was the most important thing from an educational point of view," explains Jennifer Glanville, the director of brewery programs for Samuel Adams. "Now craft drinkers have evolved quite a bit, so we've adjusted our location for that."

Some folks might want to come for a tour where they can learn about the history of the brewery and Founder Jim Koch, see how a brewery works, ask a question or two, and after a sample, exit through the gift shop. Some folks might just be interested in learning about the wild-beer program, home to Utopias, and they can do so as part of the "beyond the brewhouse experience." There's a

SOME FOLKS MIGHT WANT TO COME FOR A TOUR AND AFTER A SAMPLE, EXIT THROUGH THE GIFT SHOP. SOME FOLKS MIGHT JUST BE INTERESTED IN LEARNING ABOUT THE WILD-BEER PROGRAM AS PART OF THE "BEYOND THE BREWHOUSE EXPERIENCE." THERE'S A BEER-AND-CHEESE TASTING AVAILABLE IN THE BIER KELLER AS WELL AS THE OPPORTUNITY TO SAMPLE BEERS AS PART OF THE "SAMUEL ADAMS BARREL-AGED EXPERIENCE." OR FOLKS CAN JUST STOP IN FOR A PINT WITH FRIENDS WITHOUT ANY ADDED BREWERY SHOW.

beer-and-cheese tasting available in the Bier Keller as well as the opportunity to sample beers as part of the "Samuel Adams barrel-aged experience." Or folks can just stop in for a pint with friends without any added brewery show.

"We wanted to offer all kinds of experiences for all drinkers," says Glanville.

In designing the Tap Room, the brewery wanted to be true to itself and to the beer. Glanville, who has visited hundreds of breweries and taprooms around the world, started thinking about what she liked and what she didn't and how all the positives could fit in with the Samuel Adams philosophy.


Already being in a century-plus-old complex, they wanted to play off the nature of that place and let the structure speak for itself, so the walls are mostly clear. Also important was a big long bar where people can gather and have a conversation with a bartender. Equally important were long communal tables for friends and strangers to gather together. Leather couches are a comfortable touch, along with a shuffleboard table—not something too often seen in breweries anymore. While all of this is visually appealing, it's muted into the background to let the beer shine brightest.

"For us, it's about the beer. People come because they want to drink the beer, so it should be the star of the Tap Room," says Glanville. "Beer should be the star of *any* taproom."

There are risks in going from being a place where folks would stop in for a quick visit before getting back on the Red Line and on to other Bean Town activities to suddenly being a spot that could compete with neighborhood bars and be burdensome for neighbors. Glanville says the brewery took the necessary steps before making any moves, meeting with community groups and other local businesses.

As a result, they still steer folks to the area bars and restaurants and keep delivery menus (the Boston Brewery Tap Room doesn't serve food) from those places on hand. Hours are restricted (from 11 a.m. to 8 p.m. Monday through Saturday), and since the last brewery tour goes off around 3 p.m., in the evenings the Tap Room has become a local hangout, complete with local food trucks and events such as karaoke nights.

They've taken this approach because, while there will always be a good mix of visitors and locals, Glanville says it's important for any brewery taproom, regardless of size, popularity, or recognition, to remember where they are and who their neighbors are.

"We are asking [the neighbors] what they want," Glanville says. "They are here, hopefully a lot. We want them to be comfortable." 



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- Garrett Marrero, Maui Brewing Co.

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THE MONEY TRAIL

CRAFT BEER M&A UPDATE: PERCEPTION VS. REALITY

At the start of a new year and in the midst of a turbulent, tumultuous time in the U.S. craft-beer industry, it's a good idea to check in on some of the perceptions and realities of craft-brewery mergers and acquisitions. **BY RYAN LAKE**

WERE THERE FEWER CRAFT-BREWERY MERGERS and acquisitions in 2017 than in recent years? Has it become a buyer's market? Will there be more "creative" deals in the craft-beer industry going forward? Let's look at the perception and the reality of each of these three points.

MERGERS & ACQUISITIONS

Perception: After transacting and consolidating at a torrid pace since 2014, craft-beer merger-and-acquisition (M&A)

activity has slowed down dramatically in 2017 and into early 2018.

Reality: This is not true. There were thirty publicly known transactions in the United States in 2017, which is an increase over 2016. However, many of these were smaller transactions or minority sales, so the total *transaction value* was likely significantly lower than in 2016 or 2015, and the relative lack of notable, large transactions may have led to a perception of fewer deals.

For the near future, the pace of deals is hard to predict. There are currently many more brewery owners who would like to sell their businesses than there are buyers for those businesses (at least at the owners' current valuation expectations). The slowdown in the pace of acquisitions (as they've publicly stated) by the largest brewer in the world, AB InBev, could have a dampening effect on the market as they have closed the most U.S. craft-brewery purchases to date. Conversely, it could have the opposite effect if it encourages other buyers (both strategic and financial) to bid on deals that they would have previously abstained from for fear of being outbid by AB InBev. Similarly, private-equity buyers who were once very active bidders may become more selective due to slowing growth of the craft-beer category.

A BUYER'S MARKET?

Perception: What was a seller's market in 2014–2016 has now shifted to a buyer's market, and valuation multiples have come down significantly.

Reality: This is partly true and partly untrue. Sale valuations measured as multiples of the seller's barrel volume, revenue, or EBITDA (earnings before interest, taxes, depreciation, and amortization) for most of the notable publicly announced transactions rose to very high levels in 2015 and 2016. While 2017 brought about some distressed sales and other transactions that were consummated at multiples that were significantly lower than the median for the past 2 or 3 years, there were still breweries that sold for very high multiples. What is less publicly known and reported is that there were a significant number of transactions that failed to occur because the buyer and seller were too far apart on valuation, and there were a number of sale processes that failed to generate any reasonable offers at all. In light of the valuation gap between buyers and sellers, it's difficult to categorize the current market as a buyer's market, but it is certainly *not* a seller's market.

FOR THE NEAR FUTURE, THE PACE OF DEALS IS HARD TO PREDICT. THERE ARE CURRENTLY MANY MORE BREWERY OWNERS WHO WOULD LIKE TO SELL THEIR BUSINESSES THAN THERE ARE BUYERS FOR THOSE BUSINESSES (AT LEAST AT THE OWNERS' CURRENT VALUATION EXPECTATIONS). PRIVATE-EQUITY BUYERS WHO WERE ONCE VERY ACTIVE BIDDERS MAY BECOME MORE SELECTIVE DUE TO SLOWING GROWTH OF THE CRAFT-BEER CATEGORY.

I expect these recent trends to continue for the foreseeable future. Companies and brands that demonstrate high growth potential will still command higher valuation multiples. Even in this new era where both growth and profits are more difficult to generate, there will be breweries that stand out with high growth, quality of growth, and margin potential.

On the less fortunate end of the spectrum, the valuation gap will likely continue for breweries that have the financial wherewithal to withstand the current pressures on volume and profitability. In other words, those breweries that are solvent and stable enough to continue as standalone entities but aren't appealing enough to buyers to attract high valuations will likely hold off on selling. However, as pressures mount on an increasing number of breweries to grow or maintain profitability, some may choose (or be forced to choose) to accept full or partial buyouts at valuations that are lower than they would prefer in order to either better position themselves for the future or simply stay afloat.


CREATIVE DEALS

Perception: There will be an increasing number of more creative deals such as craft-on-craft acquisitions, mergers, and employee stock ownership plans (ESOPs).

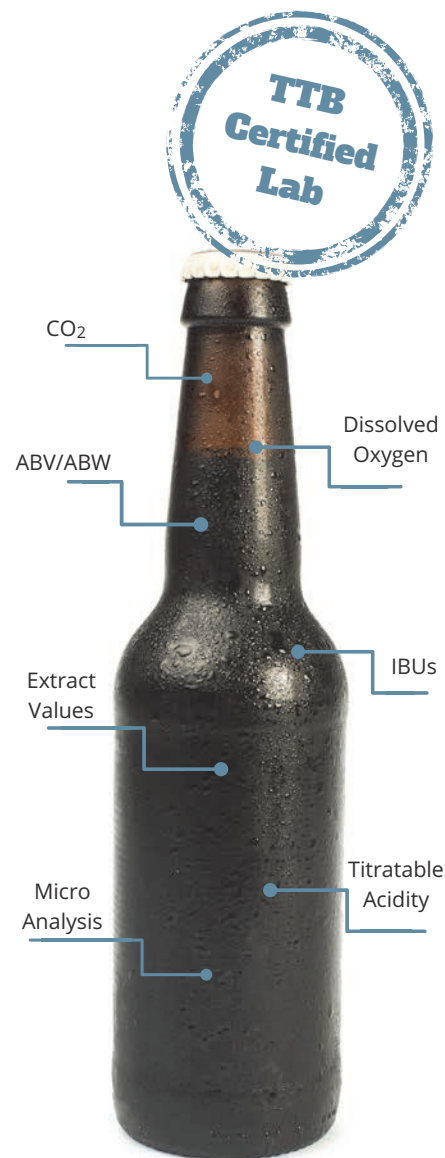
Reality: This is likely true. Strategic buyers (i.e., existing breweries) have slowed their pace of acquisitions, and the financial-buyer pool is somewhat limited due to slowing category growth and three-tier restrictions (particularly for private-equity firms with investments in restaurants that hold liquor licenses). This lack of depth in the traditional buyer pool and the sheer number of brewery owners who would like to find a partner or sell out completely right now should lead to an increase in the number of creative deal structures and transactions.

Many in the industry have predicted craft-on-craft mergers and acquisitions for some time, and these have picked up steam in the past year. The potential synergies and cost savings via shared sales forces, procurement savings, and back-office centralization combined with the good PR of selling to a craft brewery rather than "big beer" has powerful appeal to many craft-brewery owners. However, these transactions remain difficult to execute successfully for a few reasons:

- Craft breweries (even the very largest) don't have an unlimited amount of free capital, and many would struggle using what they do have to buy another brand rather than invest in their own brand or infrastructure in this difficult market.
- It is difficult to successfully achieve material cost savings in a combination of craft brewers. Cross-production is complicated, layoffs are ugly, and many breweries are loath to dilute their sales team's efforts by selling more than one brand.
- If potentially acquisitive craft-brewery owners have any inclination to sell their own brewery in the next few years, they are perhaps better off focusing on growing their own brand in that time rather than growing a brand that they acquire.

I don't claim to be an ESOP expert, but such plans may continue to gain traction because they can offer some enticing tax benefits, a good PR story, and additional incentive for employees. However, they are complicated to put into place and often result in an increased debt burden that can restrict future investments in sales, marketing, and capacity, so they may not be right for some breweries that expect to experience continued high growth. 

Is your craft under control?



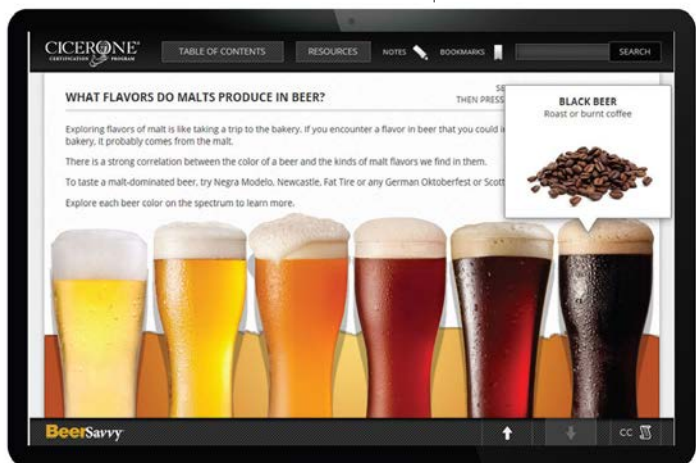
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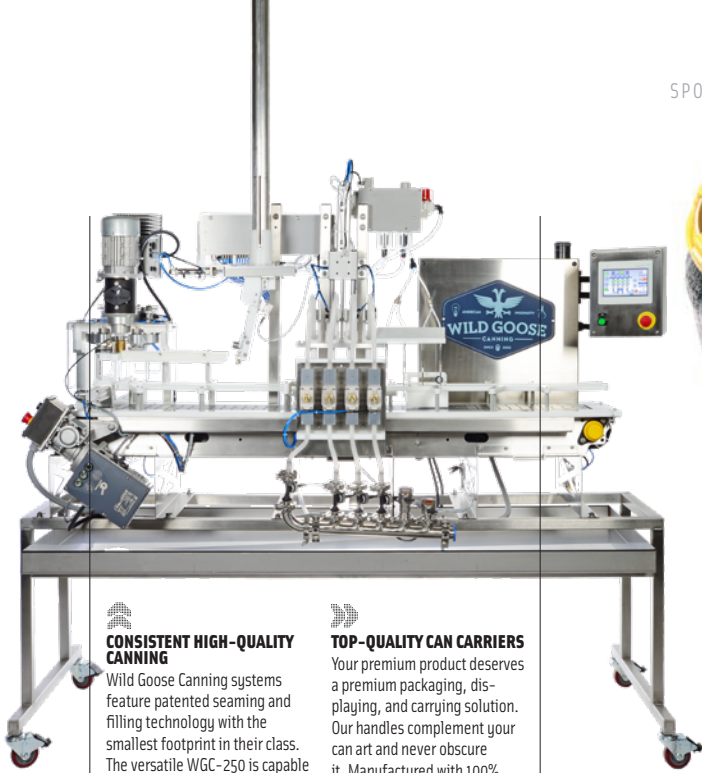
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PRACTICAL ADVICE

PROTECT YOUR CUSTOMERS (AND YOUR BUSINESS) BY LABELING MAJOR ALLERGENS

The explosion of adjunct ingredients in today's craft beer, combined with rising rates of food allergies in the general population, makes it more important than ever to be up front with customers about what's inside the beer you brew. While current TTB regulations do not require breweries to list major allergens on labels, proper disclosure can prevent both legal challenges and negative public opinion, and industry self-regulation can avoid potentially costly and onerous mandatory regulation. **By Jamie Bogner**

THERE WAS A TIME not so long ago when listing beer ingredients on labels was simple—water, malt, yeast, hops—but the unbridled creativity of brewers today has led to an increasing complexity in those ingredient lists. Compounding the issue, an uptick in food allergen sensitiv-

ity among the general population along with an increase in lifestyle choices such as veganism have made consumers more careful than ever about checking ingredients in the things they ingest.

A congressional study found that 2 percent of adults and 5 percent of infants and

young children suffer from food allergies, and around 30,000 people are admitted to the emergency room for treatment of food allergies every year. On average, around 150 people die every year as a result of reactions to allergens in food.

Still, many brewers remain behind the curve in disclosing potential allergens in their beer, and that may pose consequences in the legal realm as well as in the realm of public opinion. The good news is that proper labeling isn't difficult, and the TTB offers clear guidance for those who do opt to list allergens on their labels.

MAJOR ALLERGENS

Because beer is regulated by the TTB, and not the FDA, brewers have much more leeway in whether ingredients are listed. While Notice No. 62, issued in 2006, proposed rulemaking that would bring alcoholic beverage producers in line with requirements in the Food Allergen Labeling and Consumer Protection Act of 2004, the proposed regulation has not been enacted, and all labeling remains voluntary. In the meantime, interim rule T.D. TTB-53 offers clear guidance for which allergens should be labeled along with specific common language for identifying those allergens.

The eight major allergens, which Congress found to be responsible for 90 percent of all food allergy reactions, are milk, egg, fish, crustacean shellfish, tree nuts, wheat, peanuts, and soybeans. When labeling nuts, the individual nut variety

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must be named (for instance, “walnut, almond, pecan”). Similarly, specific fish and shellfish must also be named. In the event beer is made with a fish-derived fining agent such as Isinglass or fish gelatin, the interim rule allows for the generic use of the term “fish” on the label, and these processing agents (“incidental additives,” in FDA terms) must be listed if other allergens are listed.

It’s important to note that these allergen declarations are not governed by tests for threshold levels. Any use or presence of the allergen, or protein derived from the allergen, in the production process is cause for labeling it. While there are a few exceptions to this rule for highly refined oils and the like, as a general rule, all allergens used should be listed.

NAMING FORMAT

Per the TTB interim rule, the proper format for naming allergens is “Contains:” followed by a comma-separated list of all of the eight major allergens. This list must be complete, as the rule specifies, “If any one major food allergen is declared, all major food allergens used in the production of the alcohol beverage, including major food allergens used as fining or processing agents, must be listed.” Plural or singular is acceptable.

ALLERGY VS. INTOLERANCE VS. LIFESTYLE CHOICE

In specific beer terms, the presence of lactose alone does not require labeling as “milk,” because food allergies are tightly defined (by the FDA) as immune system responses to *proteins*. Because lactose is a sugar and not a protein, it is classified as an intolerance and not an allergy. As

a result, a brewer may label a beer as containing lactose without having to list major allergens.

Since lactose is derived from milk, typically as a by-product of cheese making, it is a significant concern to those who choose to live a vegan lifestyle. This form of strict vegetarianism eschews any consumption of animal-derived products, such as milk and eggs, and as such any beer made with lactose is not considered vegan. Failure to disclose the presence of lactose in beer may not constitute a legal failure, but may create ill will among vegan customers or at the very least cause staff to have to answer questions about its presence. All staff should be trained to answer such questions if products are not clearly labeled.

INDUSTRY SELF-POLICING TO AVOID REGULATION

The downsides of labeling allergens are obvious—erroneously omitting an allergen on a label that lists other allergens opens a brewery to potential legal action, incorrectly naming an allergen could slow down the label approval process, etc. So why bother labeling at all if it’s not mandatory? If the more philosophical answer of “because it’s the right thing to do” doesn’t resonate, consider these more pragmatic answers.

First, the absence of a legal requirement for labeling is not complete protection from litigation, and defending against litigation can be costly even if a brewery prevails.

Second, if a customer asks a staff member about the presence of an allergen and receives an incorrect answer or consumes a packaged beer that isn’t labeled for allergens and ends up in the hospital with a


TREE NUTS

The list below from the FDA outlines which nuts qualify as “tree nuts” for labeling purposes.

- » Almond
- » Beech nut
- » Brazil nut
- » Butternut
- » Cashew
- » Chestnut
- » Chinquapin
- » Coconut
- » Filbert/hazelnut
- » Ginko nut
- » Hickory nut
- » Lichee nut
- » Macadamia nut/
Bush nut
- » Pecan
- » Pine nut/Piñon
nut
- » Pili nut
- » Pistachio
- » Sheanut
- » Walnut

severe reaction, the public-relations optics can be quite negative for the brewery in question. Hiding behind an argument such as “we’re not legally required to list allergens” many not placate a social media audience seeking some sort of justice, and labeling is a way to get out in front of potential conflicts. More so, as conscientious entrepreneurs, few craft brewers want to send their own customers to the emergency room.

Third, proactive self-policing by the craft-beer industry limits the potential for high-profile incidents that might spur on mandatory labeling requirements. Mandatory labeling could have the effect of further slowing label approvals and could open breweries for additional liability in the event that allergens were not correctly identified. Self-policing is always preferable to regulation, and evidence of this can be found in the alcoholic beverage industry’s approach to self-regulating in areas such as marketing and advertising.

While labeling major allergens on packaging (or listing major allergens on taproom beer menus) is not a mandatory requirement, a voluntary and proactive approach to labeling by the brewing industry will go a long way toward keeping customers safe and happy while avoiding negative incidents that would invite further scrutiny or mandatory regulation. 

WHILE LABELING MAJOR ALLERGENS ON PACKAGING (OR LISTING MAJOR ALLERGENS ON TAPROOM BEER MENUS) IS NOT A MANDATORY REQUIREMENT, A VOLUNTARY AND PROACTIVE APPROACH TO LABELING BY THE BREWING INDUSTRY WILL GO A LONG WAY TOWARD KEEPING CUSTOMERS SAFE AND HAPPY WHILE AVOIDING NEGATIVE INCIDENTS THAT WOULD INVITE FURTHER SCRUTINY OR MANDATORY REGULATION.

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JEREMY DANNER
AMBASSADOR BREWER,
BOULEVARD BREWING CO.

(Kansas City, Missouri)

“As someone who’s often in the public eye representing our brewery and beers, I wrote a set of personal guidelines that instruct/inform the way I behave and engage with folks in public forums whether it’s online or in person:

“Sincerely celebrate beer. Talk about beers, breweries, events, and people that I think are awesome. Spread love for Boulevard and the craft-beer scene through positivity and friendly engagement. When possible/required, offer friendly, properly packaged advice and education.

“Let the haters hate. With greater audience size and more influence come haters, folks who just want attention for their negative behavior. I will ignore them and simply let them do their thing. Trolls can’t survive if you don’t feed them. There’s zero point in engaging folks who just want to spew negativity. At the same time, when beer drinkers do express concerns or share constructive criticism, it’s important to engage them to 1) thank them for caring enough to take the time to reach out and 2) do my best to address their concern. As a representative of Boulevard, I’m incredibly lucky to work in an industry that has such passionate consumers. When someone takes time out of their day to share his/her thoughts about our brewery, beer, events, or people, I absolutely owe him/her my time and respect.

“Consider the audience. Most of the people I talk to regularly on Twitter know that while I’m often sarcastic, I have huge love for all things Boulevard and craft beer. This causes me to forget that new followers or folks who don’t interact with me regularly might not get my sarcasm, especially when it comes across completely deadpan. This isn’t helped by the fact that text doesn’t offer the benefit of tone to cue someone in to the fact that I’m being

SELLING BEER

TIPS, TRICKS, AND BEST PRACTICES FOR GETTING SOCIAL

Social media is a wonderful way to communicate directly with customers, but it has its pitfalls. It seems that with so many new breweries opening and operating and a growing number of beer drinkers, there are more chances for conflict than ever before. How do you balance your message among the occasional criticisms? How can you keep things professional when the attacks feel so very personal? Senior Editor **John Holl** talked with social-media managers from breweries across the country and asked about tips, tricks, and best practices when it comes to managing social media.

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“WE STRIVE TO MAKE SURE THAT EVERYTHING WE POST WILL MAKE VIEWERS FEEL THAT IT WAS WORTH THEIR TIME TO SEE OUR MESSAGES. THAT CAN BE FUN, LIKE SLIPPING JOKES INTO OUR EVENT DESCRIPTIONS OR TACKING A PERFECTLY WEIRD GIF TO A TWEET. BUT IT ALSO EXTENDS TO SHOWING RESPECT TO OUR AUDIENCE, BE IT A ONE-TO-ONE CONVERSATION IN THE COMMENTS OR THE OVERALL TONE OF OUR VOICE. THERE IS MORE THAN ENOUGH PAIN AND ANGER IN THE WORLD TODAY WITHOUT EXTENDING IT TO BEER. IF WE CAN TAKE THE TIME TO BE RESPONSIBLE AND WELCOMING TO OTHERS, MAYBE PEOPLE WILL FOLLOW SUIT.”

sarcastic. It’s not always possible to imbue bursts of 280 characters with the required context/history/perspective. Each tweet lives on its own and should be analyzed as such before being sent.”

SAM ITZKOVITZ
BRAND MARKETING DIRECTOR
BROOKLYN BREWERY
(Brooklyn, New York)

“It’s called *social* media for a reason. It’s *supposed* to mimic the way we interact in person although we know that’s not often the case. Every scenario is different, so we try not to hold ourselves to any hard-and-fast rules when it comes to audience engagement over Instagram, Facebook, Twitter, etc.

“Similar to real life, sometimes you say something, and people react differently than you anticipated. When that happens, we ask ourselves, ‘Is there something positive we can contribute to this conversation or should we let this run its course?’ More often than not, it’s the latter, but we will jump in if something is factually incorrect and we need to set the record straight. We encourage conversation on our platforms, but it has to be based on the truth.

“It’s rewarding when our content sparks passionate discussions, and it’s important not to be scared of that. As soon as a brewery becomes afraid to ignite debate among its audience, the content becomes bland. Beer is edgy and irreverent. That’s why we all like it so much, right?”

“Craft-beer enthusiasts are incredibly passionate people, and there’s a lot going on in the industry right now. We’re a global brand, and our product and content

make their way into many homes and onto many devices all over the world. Of course people are going to have strong opinions about something we say, do, or brew. But we feel strongly that beer is supposed to foster a positive, safe, fun community where people can comfortably share, ask, and discover.

“There’s also the customer-service side. If someone is dissatisfied with our beer or an experience they had in our tasting room or at one of our events, we will always handle the matter privately. People want to be heard, and it’s important they know there’s another passionate, quirky, beer drinker on the other side of screen. We’re all just trying to bring honest, delicious beer to this world, and it’s important to remember that when egos can easily get in the way.”

TIM ROZMUS
COPYWRITER & DIGITAL COORD.
BROOKLYN BREWERY
(Brooklyn, New York)

“As a brewery and a global brand, we always keep in mind that the platform we occupy comes with tremendous responsibility to our fans and followers as well as the world at large. It is on us to communicate in a respectful manner, to know when to weigh in and when to stay out of cultural conversations, and, above all, to maintain the safe, inclusive community we aim to support.

“Craft breweries occupy a unique space in their drinkers’ minds. Their love of beer and all of its technical, social, and emotional aspects inspire a passion more similar to a sports team, music legend, or favorite poet than, say, a preferred brand

of dish soap. We focus on providing the sort of informative content they enjoy and taking the time to assure that each interaction is clear, genuine, and respectful. It’s not terribly difficult, really—it’s the same sort of stuff that we as fellow beer people appreciate just as much.

“We strive to make sure that everything we post will make viewers feel that it was worth their time to see our messages. That can be fun, like slipping jokes into our event descriptions or tacking a perfectly weird GIF to a Tweet. But it also extends to showing respect to our audience, be it a one-to-one conversation in the comments or the overall tone of our voice. There is more than enough pain and anger in the world today without extending it to beer. If we can take the time to be responsible and welcoming to others, maybe people will follow suit.”

JAVIER BOLEA
SOCIAL MEDIA AND CREATIVE DIR.
HI-WIRE BREWING
(Asheville, North Carolina)

“We blend organic ‘off-the-cuff’ coverage of the brewery and our events with curated and targeted photography/videos. Our marketing and events team meets weekly to discuss upcoming events, beer releases, and more, and then we develop both short- and long-term marketing plans based off those meetings and analytics from Facebook and our website.

“Hi-Wire is in an interesting place in regards to community engagement. We are extremely dedicated to the local Asheville, North Carolina, community while at the same time we distribute in six states, so we look for ways to serve multiple purposes at once. Targeted boosting efforts and narrowing demographics play a key role in this marketing effort. Juggling local events and taproom-only beer releases, specialty/sour beers with limited distribution, and year-round flagship offerings on store shelves can be a challenge, but we do our best to support everything we do and share it with our followers.

“Overall we like to keep it clean, simple, and vibrant. Responding to our audience and being engaged in our community is a huge focus for us at Hi-Wire Brewing. Social media isn’t an advertising platform; it’s a lifestyle platform. The goal is to create

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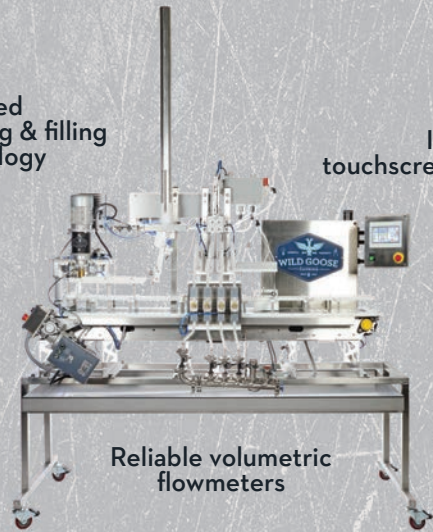
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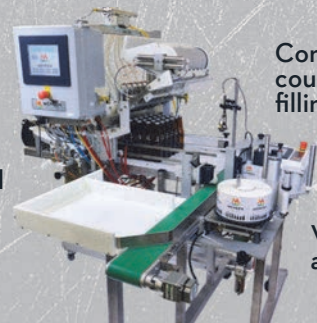
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"My advice is to approach everything with a sense of humor, especially social media. The Internet can be a mean place, and responding in kind to that meanness might be a knee-jerk reaction, but you're not changing any minds that way, and you're probably scaring away fans. If you see something that makes you want to start ranting, take a deep breath and maybe step away from the computer for a minute.


"When you come back, try getting to

"APPROACH EVERYTHING WITH A SENSE OF HUMOR, ESPECIALLY SOCIAL MEDIA. THE INTERNET CAN BE A MEAN PLACE, AND RESPONDING IN KIND TO THAT MEANNESS MIGHT BE A KNEE-JERK REACTION, BUT YOU'RE NOT CHANGING ANY MINDS THAT WAY!"

the heart of the issue and remember that sometimes people just want to be heard, and a simple response or follow-up question might be all they need. Plenty of times, we'll hear from people who might not like a particular beer, but after we respond, they admit that they're a huge fan of something else we do, which is great—not everyone is going to be a fan of everything you do. Plus you've got to remember that if someone is taking the time to complain, it's usually something they really do care about. A simple acknowledgement might change the conversation altogether.

"Other times, people are just out to troll, and you can follow the old adage of 'don't feed the trolls,' or you can have a little fun

and troll them right back. We've written the occasional satire in response to a bad review or—more recently—banned a politician or two in defense of our neighboring independent craft brewer, but we're not interested in berating anyone for having an opinion. And, sometimes, a little charm on Twitter can go a long way. It's been a while, but one of my favorite stories is when we convinced a critic to go out and buy more Rogue by simply being charming. Even on Twitter, a little charm—and just listening—can go a long way.

"It's just beer after all. It should be fun, and everyone should be able to have his/her own opinion. That's one thing that makes our industry so innovative. We shouldn't get angry about that." 

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Opposite Top » The Florida Brewers Guild's annual beer festival kicks off Tampa Bay Beer Week; **Opposite Bottom** » Attendees gather for an exclusive tasting event at The Rare Barrel as a part of SF Beer Week

LIVE & DIRECT

THE BUSINESS OF BEER WEEKS

Quality experiences and community focus define great large-scale multiday beer events, but to sustain them year after year, smart financial decisions are paramount along with local support and long-term planning. **BY JESSE BUSSARD**

WHILE GROWTH HAS CURBED SLIGHTLY in the overall beer market, craft beer has proven itself to be a mainstay in the alcoholic-beverage scene in recent years. From 2009 to 2016 alone, the number of operating U.S. breweries grew from only 1,596 breweries to almost 5,300, says a 2017 annual report released by the Brewers Association (BA). Likewise, the beer-drinking public's palates continue to become more refined with the greater availability of craft beer at breweries and establishments across the country.

To bolster this ever-growing trend and keep beer drinkers engaged, industry groups and cities are taking the idea of showcasing craft beer to a larger scale. From coast to coast, brewers' guilds and other organizations are putting on special multi-day themed events that place independently brewed craft beer front and center.

GREAT AMERICAN BEER FESTIVAL PAVED THE WAY

Among the first and most recognizable of these large-scale festivities to enter the scene was the Great American Beer Festi-

val (GABF). Charlie Papazian, BA founder and past president, brought this three-day annual festival to the United States in 1982. Inspired by a trip to the U.K.'s Great British Beer Festival, Papazian founded the GABF out of a desire to celebrate and strengthen what, at the time, was a struggling American beer culture. In 1982, only forty-four breweries were operating in the United States.

Held in Denver, Colorado, every fall, GABF has since grown and evolved into the largest collection of U.S. beer ever served in one location. In 2017, the festival featured an impressive 800 breweries and more than 3,900 beers in its line-up with almost 60,000 people in attendance.

"The main reason GABF has been so successful is the positive experience it's been for beer drinkers and our volunteers," says Papazian. "It's not necessarily the quality of the beers, but the fact we've been able to sustain the enjoyability of the event over all these years."

Despite GABF's storied history, Papazian points out, likely the most important

lesson he's learned over the years is not to fall prey to the illusion of success in the first few years of an event's life.

"When you grow an event, it's easy to get bigger and bigger, but it's harder to manage the profitability and make ends meet," says Papazian. "GABF was a break-even event up until the past fifteen years when we finally dialed in what we had to do in order to sustain it."

What works for the first several years of an event will not always work going forward, notes Papazian. Likewise, apparent success does not translate to sustainability. To create a truly successful event, he explains, organizers must be adaptable and committed to continually improving the experience.

"You really have to look behind the scenes at what's going on, as well as to the future," says Papazian.

AMERICAN CRAFT BEER WEEK INSPIRES LOCAL MOVEMENT

Similar to GABF, American Craft Beer Week (ACBW) also got its start with the Brewers Association. In 2006, the organization made the decision to change American Beer Month (traditionally in July) into a week-long coordinated effort. According to the BA's website, one week of national activities was found to be more manage-



THE VALUES BEHIND SUCCESSFUL BEER WEEK EVENTS

Anyone can throw a beer festival. But, to truly stand out in an increasingly crowded market, festival organizers need to offer more than just a local distributor's portfolio served in a baseball stadium in the off-season.

PERSONAL CONNECTION TO BREWERS

"Are you the brewer?" is a question you often hear of anyone wearing a brewery-branded shirt standing behind a table pouring beers. That's a good indication that consumers want to connect with the people making their beer. While not always possible, sending someone with hands-on experience goes a long way.

A UNIQUE EXPERIENCE THAT ISN'T TYPICALLY AVAILABLE

While it was once possible to create interest in beer enthusiasts just by offering a large number of different beers to sample, today's event-goers are looking for something more unique, special, behind-the-scenes, or personal. You can build successful events that draw attendance by tapping into this, whether it's a ticketed event with your head brewer to sample barrel-aged beers from the barrel, an epic party with exclusive take-home bottles, etc.

COLLABORATIVE EVENTS THAT HIGH- LIGHT CONNECTIONS BETWEEN BREWERS

Events that bridge the audiences from different breweries can be very successful as co-marketing generally provides a result greater than the sum of its parts.

OUT-OF-MARKET BREWER EVENTS

Some local beer weeks shy away from inviting in brewers from outside the market, but festivals and events that feature the same breweries and beers that locals can get any time just aren't as large a draw as they once were. Part of the allure of GABF is not just the number of breweries, but those from outside of Colorado who don't distribute regularly to Colorado but who send beer to small distributors for that one week of the year. Weeks organized by local or state guilds can fall victim to the "promote our local business first" mentality, but building excitement in the potential audience should be the first priority. Collaborations between local and out-of-market breweries is a great way to kill two birds with one stone!



"WE STARTED BEING MORE SELECTIVE ABOUT WHAT KIND OF EVENTS WE WOULD SPONSOR AND PROMOTE. THINGS LIKE A BEER PAIRING DINNER, GALLERY SHOW, OR FESTIVAL THAT YOU HAVE TO PUT SOME TIME, THOUGHT, AND CREATIVITY INTO ARE REALLY WHAT MAKE A GOOD BEER EVENT AND ELEVATE THE BEER COMMUNITY!"

able and in turn more effective than an entire month of events. In addition, adding the term "craft" helped to dial in the focus on independently brewed beers. Held in mid-May each year, ACBW continues to remain the largest national effort to promote American craft beer to date.

Since ACBW's introduction, many cities and communities have adapted this event idea to bring greater awareness to their own local beer scenes. Using a variety of events spread out across a town or region, local communities use these multiday (usually week-long) events to bring attention to their local beer culture and drive economic development during slower times of the year. Currently, 100-plus active beer-week style events exist in the United States and abroad.

CRAFT-BEER WEEKS GROW ALONGSIDE CONSUMER BEER SAVVY

Among the longest-running craft-beer weeks nationally, SF Beer Week is preparing to kick off its tenth year in February 2018 highlighting the San Francisco Bay Area's robust craft-beer scene.

"It's about raising awareness of the great breweries that are in our backyards," says Joanne Marino, executive director of the San Francisco Brewers Guild, which organizes the beer week. "We're in a unique area that holds a lot of gravitas when it

comes to its craft-beer credentials."

Since SF Beer Week's launch back in 2008, Marino explains she's seen the craft-beer climate evolve. A higher level of consumer appreciation and sophistication for craft beer has taken hold.

"People approach craft beer in a notably different way now," says Marino. "They know when you say this style is a sour or this is an IPA. Because of this, beer weeks have grown!"

HIGH-QUALITY EVENTS ARE KEY

In 2017, an impressive 900 events spanned the ten-day SF Beer Week with more than 200 Bay Area breweries, restaurants, bars, and retail stores participating. The secret to SF Beer Week's success, says Marino, is the thought, care, and attention that go into thinking up, planning, and organizing high-caliber events.

"Events have gotten better and better over the years," says Marino. "Part of that is from us tightening our guidelines to ensure quality events."

According to Marino, SF Beer Week doesn't accept run-of-the-mill events such as a happy hour or pint night. Instead, event hosts must craft unique, special experiences. The goal: provide attendees with exclusive chances to interact with venues, brewers, and craft beer in new and interesting ways.

Opposite» SF Beer Week includes special-release events, such as tapplings of Russian River's Pliny the Younger triple IPA.

In line with this thinking, Marino says, SF Beer Week also changes up themes annually.

"It's challenging on the logistics side because you're adopting new materials and a new look every year," says Marino. "But that's also what makes it so fun and playful, and that's also part of why SF Beer Week has been so successful."

In recent years, SF Beer Week has featured unique focuses from an arcade theme to a Super Bowl theme that featured dual collaboration beers brewed to battle out the week for best beer. Marino says that for 2018, SF Beer Week's theme will focus on the event series' ten-year milestone incorporating individual themes they have debuted over the past ten years.

In addition, Marino says pairing up beer with food at events will continue to be a big hit.

"Over the years, I've seen beer and food become featured in a lot more elevated events and beer taking the place of wine as part of that experience," says Marino.

KEEP THE FOCUS ON COMMUNITY

Similar to SF Beer Week, Florida's Tampa Bay Beer Week has also seen significant growth since its inception in 2012, says Sean Nordquist, cofounder and now director of the Florida Brewers Guild. A big part of that, Nordquist says, is also due to an increase in event quality.

"We started being more selective about what kind of events we would sponsor and promote," says Nordquist. "Things like a tap takeover or pint night don't qualify as high-end events. Things like a beer pairing dinner, gallery show, or festival that you have to put some time, thought, and creativity into are really what make a good beer event and elevate the beer community."

In March 2017, Tampa Bay Beer Week featured about 250 events over the course of its eight-day stretch and involved almost fifty breweries throughout the re-

gion. Along with higher-quality functions, Nordquist notes, a trend toward tying events to benefits for charitable organizations and local community projects has also had a positive effect.

"It just adds to the level of community involvement and engagement," says Nordquist. "It's helped us to raise beer week's reputation as an organization."

PLANNING TIPS

Marino admits that, at 900 events, planning SF Beer Week is a challenging task. To help make the planning process easier, she and her fellow organizers maintain a commitment to constant improvement of event guidelines and management, as well as clear communication. At the conclusion of each year's beer week, the organizers sit down together to look at what worked and what didn't. They then use these lessons to fine-tune things for the coming year.

In Florida, Nordquist says, organizers of Tampa Bay Beer Week form committees to handle specific beer-week tasks and use volunteers to help with various responsibilities before and during their event week. In addition, their board holds quarterly meetings to allow people to share input, ask questions, and discuss ideas for future beer-week events.

"Using all those things together has gotten us to a point where all of that now runs as a well-oiled machine," says Nordquist. "We've become more mature and discerning and a professional organization that is promoting our local beer culture and community in a positive way."

Looking forward, Nordquist says he thinks beer weeks and similar large-scale events will continue to grow across the country as the focus on drinking local keeps building momentum.

"Beer carries all the same class and depth as wine and cocktails," says Nordquist. "When events are done well, it can be a sublime experience!"

NOTABLE BEER-WEEK SUCCESSES

Some "beer-week" event approaches are more effective brand builders and revenue drivers than others. Here are a few particular successful programs employed by small craft breweries.

LIMITED BOTTLE RELEASES

The lure of acquiring limited-release bottles is a significant draw for beer tourists who otherwise might not consider a local or regional beer week a draw. Tampa Bay Beer Week has been anchored for years by Cigar City's Hunahpu's Day festival and bottle release, where festival goers receive bottles of the exclusive beer at the festival. Other local breweries, such as Cycle Brewing (St. Petersburg, Florida) and Angry Chair Brewing (Tampa, Florida) have piggybacked on that idea and amplified the draw by scheduling their own series of bottle releases during the beer week. As a result, more beer tourists from beyond the state travel to attend the beer-week events in order to bring home more of these hard-to-get bottles, and more bottle releases in turn generate even more interest. The week of releases has been a particular high point for Angry Chair Brewing, as they generated 30 percent of their yearly revenue in 2017 from the bottle releases scheduled during that one week. More breweries are taking notice of this strategy, and 2017 saw an explosion in special brewery-only releases at other major events such as the Great American Beer Festival.

NICHE MICRO-FESTIVALS

Most beer weeks are anchored by a large festival of some kind, but smaller niche festivals (scheduled to align with larger events) are growing at a significant rate. It could be tempting to look at events such as the Denver Rare Beer Festival (which takes place the Friday afternoon of GABF) as a competitor to the Great America Beer Festival, but the limited size and scope of the Denver Rare Beer Festival, timing, and very high ticket price means that it acts very much like a complementary draw to the main event. Similar niche-focused events such as Crooked Stave's "What the Funk?" festival create an additional reason for beer tourists to schedule longer visits, even if they're not officially sanctioned.

"USING ALL THOSE THINGS TOGETHER HAS GOTTEN US TO A POINT WHERE ALL OF THAT NOW RUNS AS A WELL-OILED MACHINE," SAYS NORDQUIST. "WE'VE BECOME MORE MATURE AND DISCERNING AND A PROFESSIONAL ORGANIZATION THAT IS PROMOTING OUR LOCAL BEER CULTURE AND COMMUNITY IN A POSITIVE WAY."

BREWING REGIONALLY

THE END OF THE BEGINNING OF SOUTHEAST CRAFT GROWTH

While the Southeast was a bit behind the national curve in craft brewing, an effort among larger breweries and state and local governments helped the industry catch up. Now, six years after the growth started, **Mason Adams** explores what has worked, what hasn't, and what the future might hold.

THE CURTAIN IS CLOSING ON the frontier days of craft beer in the southeastern United States.

Sierra Nevada Brewing Co.'s 2012 announcement that it would build an East Coast facility in western North Carolina launched the era of craft beer as economic development in both that state and Virginia. The Chico, California-based brewery was followed by other brewers who built production facilities in the two states amid a rapidly growing craft scene that included two local stars that were acquired by Anheuser-Busch InBev (ABI) as part of its High End division.

Six years later, the growth is beginning to slow, leaving a much more stable and entrenched craft-beer market. These structural changes come at a time of general decline for the beer industry.

"People are drinking less beer per capita," says Bart Watson, chief economist at the Brewers Association. "Total beer volume has been flat since ABI and Miller-Coors were formed. They've collectively lost 30 million barrels. If it were not for

craft, domestic production would be down even more."

North Carolina, which won the East Coast facilities for Sierra Nevada, New Belgium Brewing Co., and Oskar Blues Brewery, saw the closure of its Miller-Coors facility in Eden in 2016.

"I don't think it's just shifting deck chairs," Watson says. "If you weren't getting these craft-brewing investments, you'd still be seeing the loss of large brewers and wouldn't be getting the small-brewer growth."

Fifteen years ago, North Carolina and Virginia were hardly the beer destinations they are today, although both were beginning to loosen their approaches to alcohol. North Carolina's 2006 "Pop the Cap" law allowed state brewers to make beer with more than 6 percent ABV. Virginia was beginning to market its wineries and authorized the production of whiskey at George Washington's historic Mount Vernon estate.

In 2011, the states unexpectedly found themselves in competition to land Sierra Nevada's East Coast facility.

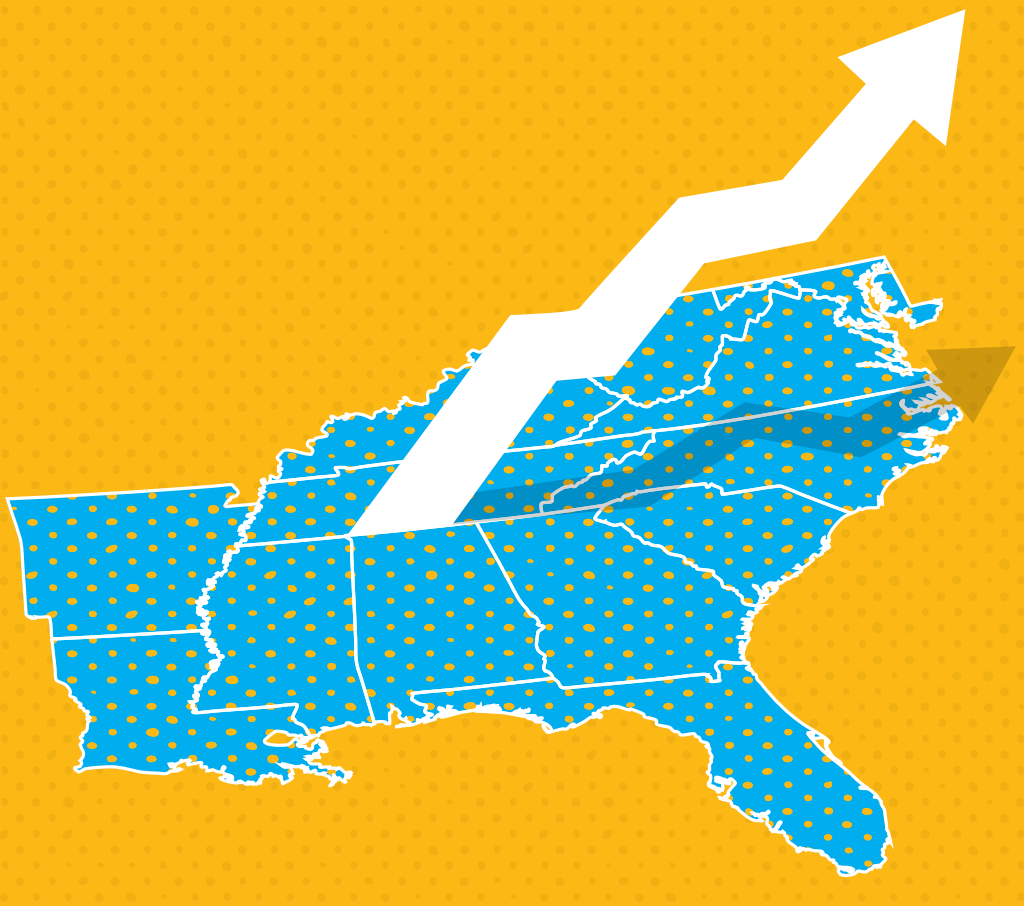
Based on geography, wastewater capacity, workforce, and cultural fit, the company chose Mills River, just outside Asheville, North Carolina.

It was soon followed into North Carolina by New Belgium Brewing Co. and Oskar Blues Brewery, both of Colorado, which landed in Asheville and Brevard, respectively. New Belgium built on an industrial brownfield previously home to an unlicensed landfill, fairground, and stockyard.

"We wanted to find a place where the life/work balance could be enhanced by its proximity to ample outdoor recreation opportunities," says New Belgium Asheville VIPer Ambassador Michael Craft. "We also wanted a location that was close enough to town so our employees could bike to work and our guests could visit using some form of sustainable transportation."

Virginia began aggressively marketing itself as a landing spot for West Coast brewers, eventually landing four breweries: Stone Brewing, which went to Richmond; Green Flash Brewing, which went to Virginia Beach; and Deschutes Brewery and Ballast Point Brewing and Spirits, both of which went to Roanoke.

Roanoke, a small city in mountainous western Virginia, had been shortlisted both for Sierra Nevada and for Stone,



“SIERRA NEVADA WAS THIS ‘AHA MOMENT’ ON THE EAST COAST OF WAKING UP TO CRAFT BEER. AND MAN, DID WE TAKE ADVANTAGE OF IT. WE DIDN’T KNOW WHAT WE WERE DOING ON SIERRA NEVADA, AND THEN THROUGH THE PROCESS WE REALIZED, ‘OH MY GOD, WATER AND SEWER REALLY MATTER TO THESE BREWERS.’ THAT’S WHEN WE STARTED AGGRESSIVELY CONTACTING BREWERIES.”

which caused it to rethink its marketing approach.

“Sierra Nevada was this ‘aha moment’ on the East Coast of waking up to craft beer. And man, did we take advantage of it,” says Beth Doughty, executive director of the Roanoke Regional Partnership, the region’s economic development agency. “We didn’t know what we were doing on Sierra Nevada, and then through the process we realized, ‘Oh my god, water and sewer really matter to these brewers.’ That’s when we started aggressively contacting breweries.”

The Deschutes and Ballast Point announcements both came in 2016 but couldn’t have been more different. News of the Deschutes search leaked months before its decision where to go, which resulted in a social-media campaign and

eventually a large press conference to announce that it would indeed build in Roanoke. Ballast Point’s scouting, however, never leaked, and the announcement was made by email from the governor’s office. Deschutes has held street pubs and opened a taproom in downtown Roanoke, but construction of its brewery remains a couple of years away. Ballast Point built in an existing shell building in an industrial park and already is up and running and producing beer.

State governments now clearly saw beer not as a vice but as economic development. As breweries arrived, agencies and elected officials became more sophisticated. Richmond officials wondered, for example, why it had spent \$33 million to land Stone, while Roanoke had needed only \$8 million in incentives to win Deschutes.

Homegrown breweries were awarded incentives for expansion as well.

Take the example of Hardywood Park Craft Brewery, which is about to open a new production facility west of Richmond. Eric McKay and Patrick Murtaugh first opened Hardywood in 2011, landing in Richmond after previously considering Charlotte for the brewery.

“My feeling was that the whole Southeast was a little behind the curve in terms of craft brewing nationally, but it was catching up,” McKay says. “The laws were becoming a lot more favorable. We felt that Richmond had all the makings of a great beer town.”

In 2012, the Virginia General Assembly passed Senate Bill 604, which allowed brewers to sell beer from taprooms without operating a restaurant. The legislation lowered the barriers of entry and sparked a flood of small-scale brewpubs, while also allowing larger brewers to create a destination for their fans.

Hardywood quickly hit capacity and began to explore building a new production facility. Aided by governmental grants and property tax abatements, it eventually selected an industrial park in Goochland County.

The burgeoning craft-beer scene also caught the attention of industry leaders such as AB InBev, which purchased Virginia’s Devils Backbone Brewing Company in 2016 and North Carolina’s Wicked Weed Brewing in 2017.

AB InBev’s 2017 acquisition of Wicked Weed sparked a major backlash, with several brewers pulling out of partnerships with the Asheville brewery and pubs such as Brawley’s Beverage discontinuing sales of its beer. At least forty-four breweries withdrew from its annual invitational competition in Asheville.

Officials at Wicked Weed did not return emails or phone calls requesting comment, but Devils Backbone COO Hayes Humphreys recalled a similar response when Devils Backbone was purchased.

“It sucked in all the ways I knew it would suck,” Humphreys says. “We knew what to expect, but knowing what to expect is not

"I THINK THE BUBBLE'S BURSTING; IT JUST FEELS DIFFERENT THAN PEOPLE THOUGHT IT WOULD. WHEN I TRAVEL AROUND TO DIFFERENT CITIES, IN EVERY CITY THERE ARE A COUPLE OF BREWERIES THAT HAVE CLOSED. MULTIPLY THAT BY ALL THE CITIES, AND THERE'S A LOT OF CHURN. OPENINGS ARE STILL EXCEEDING CLOSINGS, BUT MORE BREWERIES THAN ANYONE REALIZES ARE GOING OUT OF BUSINESS NOW!"

the same as feeling the brunt of it."

Devils Backbone was established in central Virginia in 2008, and four years later built its first production facility near the intersection of Interstates 64 and 81. Devils Backbone Outpost Brewery has continuously expanded ever since, with its original 30-barrel system giving way to a 120-barrel unit as the company churned out growing amounts of beer to satisfy demand.

Since AB InBev acquired the Virginia brewery, that growth has accelerated. In 2017, it expanded its distribution from six to twelve states and added a 52,000-square-foot packaging plant. Beer now flows from the brewery downhill through a 1,300-foot pipeline to the new plant, where a mechanized line fills bottles, and a robotic line packages kegs at a rate five times faster than the previous version.

"This brewery was built in 2012 with the dream of getting to 30,000 barrels in ten years," Humphreys says. "We did 10,000 our first year and 25,000 in our second year. We're to the point now where we're approaching 100,000 barrels in production."

By 2016, however, the company had reached the limits of what it could do with its own financing, and it began to seek new partners. The AB InBev High End acquisition allowed it to continue to grow, rather than just removing the financial risk of operating at the same level, Humphreys says.

Devils Backbone still is growing by double-digit percentages, but its market expansion has slowed amid new friction.

"I think the bubble's bursting; it just feels different than people thought it would," Humphreys says. "When I travel around to different cities, in every city there are a couple of breweries that have closed. Multiply that by all the cities, and there's a lot of churn. Openings are still

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exceeding closings, but more breweries than anyone realizes are going out of business now.”

The Southeast craft boom of the past several years appears to be coming to a close. Craft beer accounts for a larger percentage of market share than it did five years ago, but the sector has also become more stratified.


With small brewpubs nipping from the bottom and larger brewers pushing from the top, regional craft breweries are getting caught in an increasingly challenging competitive environment in between.

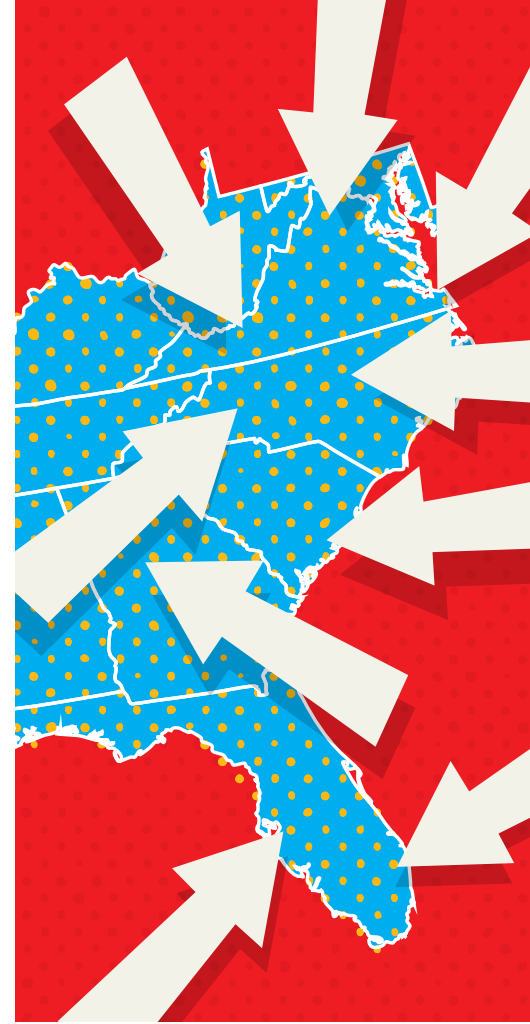
“The number of taprooms opening up across the country has just changed the landscape of restaurants and bars,” says Deschutes President and COO Michael LaLonde. “People can go down to their local craft brewery, know the owner, be able to have a beer. It’s a major change throughout the country. When you’re dealing with that and with large international brewers who have a huge presence

at retail, it’s hard for the middle-tier craft brewers to get placements. That’s been pretty tough.”

Watson, the Brewers Association economist, says regional craft brewers are increasingly forming partnerships, networks, and tie-ins to share resources and take advantage of scale in a way that allows them to reduce costs and maximize profit.

“Growth is still in the tail,” Watson says. “It’s already a very fractured market. Some of this will be driven by demographics and consumer preferences. Brewers will still be able to do okay in small local niches, as long as they’re scaled at the right level. That will nip at the business models of regional brewers, and I don’t see the large brewers getting out of this space any time soon. We’re in for more of the same. At some point, something’s got to give.”

Craft beer hasn’t reached the end, to paraphrase Winston Churchill. As he said, “It is not even the beginning of the end. But it is, perhaps, the end of the beginning.” 



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Opposite, clockwise from top» Firestone Walker's three-vessel automated Kaspar Schulz brewhouse in their new Propagator brewpub in Venice Beach, California; a yeast pitch from the production brewery in Paso Robles, California; grain awaits milling; Assistant Brewer Valerie Hicks adds hops to the boil.

GEARHEAD

GOING SMALL IN A BIG WAY

Thanks to tremendous growth, **Firestone Walker** is now accustomed to making large-scale batches. For its new Venice Beach, California, location, the brewery went small to foster creativity and collaboration. **BY JOHN M. VERIVE**

THE BREWHOUSE is the heart of a brewery. From a custom-fabricated one-barrel nanobrewery setup to the workaday turnkey systems from manufacturers such as Premier Stainless and BrauKon to large-scale multi-million dollar brewhouses that cook away at the country's largest craft breweries, there are no one-size-fits-all brewhouse designs. And with more than 5,000 breweries now operating in America, there is an example of every conceivable configuration of tuns and kettles. In the Los Angeles community of Venice Beach, there's one brewhouse that's unique in both configuration and in how it's used. The 10-hectoliter system at Firestone Walker's Propagator brewpub is as streamlined, as efficient, and even as stylish as a German luxury car, and it gives the lauded regional brewery a nimble vehicle for chasing trends, exploring new ground, and even revisiting some old favorites.

"Los Angeles is our fastest-growing market," Firestone Walker Cofounder David Walker says, and the Propagator gives the

brewery a permanent foothold in L.A., joining the taproom restaurants in Paso Robles (home of the main brewery) and Buellton (where the wild ale-focused Barrelworks is based). The Venice campus, a little more than a mile from the beach, is the base of operations for Firestone Walker in Southern California and includes a taproom restaurant, retail store, offices, and other support infrastructure. At the core of the compound is a cutting-edge brewhouse built by Kaspar Schulz—a 340-year-old manufacturer that's been family-operated in Bamberg, Germany, for ten generations. Kaspar Schulz is known for their brewpub-scale systems and advanced brewhouse automation.

"I find Schulz setups all over the world," says Firestone Walker Brewmaster Matthew Brynildson, and when the idea for a Los Angeles-area brewpub began to take shape, he knew he wanted a Kaspar Schulz brewhouse for the project.

The Propagator was originally conceived as a test bed for new Firestone Walker beers and as a training ground for Firestone Walker's brewing team. The Schulz system was configured as a fully automated brewhouse that mimics the controls and interface of the production brewery in Paso Robles, but its mission has changed.

"We're really pushing on experimental beers here," Walker says, and though the brewpub's output is comparatively small (just less than 1,000 barrels in the first year of brewing), he says the Propagator has a "profound effect" on Firestone's brewing culture. "We were piloting beers

**"WE WERE PILOTING BEERS 50 BARRELS AT A TIME,"
BRYNILDSON SAYS, AND THE 8-BARREL SCALE OF THE
PROPAGATOR MAKES FOR A MORE AGILE PILOT SYSTEM.**





Left » Hicks monitors the Brewmaxx automation software. **Opposite, from top** » While automated, the Schulz system allows for operator override and some manual involvement in the brew day; mashing out is simplified by a plow attachment that minimizes shoveling.

50 barrels at a time,” Brynildson says, and the 8-barrel scale of the Propagator makes for a more agile pilot brewing system. Beyond brewing test batches for projects in development, the Propagator makes a line of exclusive beers for service at Firestone Walker taprooms in Paso Robles and Buellton. The smaller system is also used for ingredient tests—including a line of single-hop beers—and a line of “throwback” brews that revisit some fan favorites that no longer fit into the production schedule in Paso. There’s also a steady stream of collaboration brews scheduled in the Venice brewery, now permanently staffed by two brewers: Head Brewer Evan Partridge and Assistant Brewer Valerie Hicks.

The pair works in the close confines of a brewery annex attached to the taproom and restaurant. The space is tight, but manageable, and the brewery is dominated by the three steel cylinders that comprise the skid-mounted brewhouse. A dual hot/cold liquor tun feeds the other vessels: a combination mash tun and kettle and a lauter tun stacked on top of the whirlpool. A maze of piping runs among the vessels, and everything is connected by a network of sensors and pneumatically actuated valves that control the flow of water and wort. At the top of the brew deck, mounted between the two main brewing vessels, is a computer terminal

where almost every aspect of the brew can be monitored and controlled. The Brewmaxx software—the same system used at the brewery in Paso Robles—is the key component of the Propagator’s mission. But don’t call the automation setup the brain of the system—the brains behind the beer are wearing boots and gloves.

“Eating lunch during vorlauf usually doesn’t fly,” joked Erik Mendoza during a recent brew day at the Propagator. The crew from local L.A. favorite Highland Park Brewery was collaborating with the Firestone Walker team on a hoppy lager. The brewhouse was quietly recirculating wort through the lauter tun, and the group of brewers and hangers-on, including Firestone Walker Brewmaster Matthew Brynildson, had some downtime to enjoy a leisurely lunch. Occasionally, a brewer would run back to check on the lauter, just to be cautious. Brew days are streamlined

and remarkably hands-off. Even grain-out is simplified by a plow attachment in the lauter tun that pushes the spent grain from the manway with minimal shoveling.

It takes two turns of the brewhouse to fill the 20-barrel fermentation vessels (there are four fermentation vessels currently, plus a bright tank), and the team brews twice a week on average. Much of the labor is collecting samples for quality testing, adding hops to the kettle or whirlpool, managing yeast, or setting up for transfers. Brews begin by milling grain in to the grist case the day before a brew. The next morning, grist is augered over to the brewhouse where an oversized grist hydrator preconditions the grain as it heads into the combo mash tun/boil kettle. The steam-jacketed vessel heats and stirs the mash as prescribed by the automation software and specific recipe. After mash out, the thick porridge is transferred into the lauter tun. Once the grain bed is set by recirculation, the lautering begins.

Software controls the frequency and depth of cuts made by the tun’s rotating rakes based on the flow rate and turbidity, and the runnings are pumped back into the combo tun/kettle. Wort is heated in the steam-jacketed kettle, and an external calandria (a tubular heat exchanger that heats wort quickly) increases efficiency. As with all the automated processes, the brewers can make adjustments on the fly or take over control manually.

“Sometimes there are still little hiccups,” Partridge says as he calls up an “instant replay” of another morning’s brew, a batch of Generation 1 IPA, on the Brewmaxx control panel. He switches the display from the brewhouse layout, with graphics representing each vessel in the system connected by colored pathways representing the flow of wort and water, to another colorful graph that logs the incoming stream of data. He isolates the yellow line

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denoting mash temperature and zooms in on the first hour after mash in. A hot spot had developed in the mash tun, and when he increased the spin rate of the radial agitator that stirs the mash, the yellow line angled sharply upward. The spike was followed by a swooping decline back toward the target mash temperature, then a second more pronounced downward plunge. Partridge had corrected the temperature with two cold-water additions.

Every detail of the brew is logged by the Brewmaxx software and supplemented by measurements and notes taken by the brewers. All this data, along with samples of finished wort and fermented beer, is sent for analysis at the main brewery. Twice a week, a bear-and-lion-emblazoned truck arrives in Venice from points north loaded with full kegs, material, and ingredients from Paso Robles. It returns to the main brewery with kegs of Propagator beer and samples of wort, yeast, and beer destined for the brewery's extensive quality lab.


Partridge can call up the Paso brewery if he needs a bag of grain or a box of hops or even a fresh yeast pitch, and Brynildson gets a low-drag brewery where he can test recipes (such as those for the series of Leo V. Ursus double IPAs) or audition new hops varieties. He says the Propagator's series of single-hop pale ales has helped him formulate the rotating hop bills featured in the widely distributed Luponion Distortion IPA. The Propagator both informs the direction the main brewery will take with new releases and fills in stylistic gaps in the company's taproom restaurants (as with Taproom Brown ale and a hefeweizen). It's a symbiotic relationship that benefits both the brewpub and the parent brewery.

The brew wraps up when the boil concludes and the hot wort is pumped into the whirlpool (often onto a fresh dose of hops), then through a heat exchanger and oxygenator and into a fermentation vessel. The yeast is pitched inline as the vessel fills, and the system is cleaned and prepared for the next day's brew. About thirty or forty kegs of beer are packaged per week: a quarter is served in Venice, and the rest gets trucked to the Buellton or Paso Robles locations. Partridge is working on a plan to ramp up production to allow for more experimentation, and Brynildson is eager to fit a few oak barrels into the Propagator space to begin exploring more "rustic ales."



The Propagator took longer to launch than Firestone Walker anticipated, and the cost was much higher than the initial estimates as bureaucratic delay and construction challenges dogged the project. Walker, ever the romantic optimist, quips that while the Propagator is the source of 90 percent of the brewery's headaches, he's still excited by the possibilities it offers. The brewpub's unique identity within the larger Firestone Walker family is beginning to emerge, and Walker wants the Propagator to be as identifiable and as respected as Barrelworks.

That aspect of the Firestone Walker brand demonstrates that the largest impact on the final beer isn't bacteria or

oak but the humans shepherding those wild cultures and mixed fermentations, and the Propagator will be most successful if it follows that model. Even with a computer-controlled system, it's people on the brew deck who have the biggest impact on what the final beer tastes like. Automation is no substitute for passion, and Firestone Walker is looking to their small-scale brewpub to help balance their brand expansion. 

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CASE STUDY

TWO ROADS BREWING CO.

Three beer-industry veterans with different backgrounds but the necessary complementary skill sets banded together five years ago to open Two Roads Brewing Company, a large and modern facility that not only turns out their own beers but also contracts recipes for some of the more celebrated and sought-after brands on the East Coast. **BY JOHN HOLL**

THERE WAS A TIME WHEN the word “contract” as associated with brewing was considered dirty. If you’re going to make beer, make your beer at your own location, some purists said. But there were some brewers with no other option and still others who just knew better.

The story of Two Roads Brewing Company (Stratford, Connecticut)—one of the few, but arguably the most successful, modern contract breweries in America—goes back a few years, to another contract-beer relationship. This one was between Southampton Public House and Pabst. In 2007, it was a chance for the then small brewery to work with Pabst for sales and marketing along with distribution support. The beer would be brewed at a third-party location.

Brad Hittle, now the CEO of Two Roads, was the chief marketing officer at Pabst at the time. He and Clement Pellani, the

sales director on the project, worked with Phil Markowski, the brewmaster of Southampton, to get the beer made and sold.

“The whole thing was completely run off the rails because we couldn’t find a satisfactory place to make the beers,” Hittle recalls. “Phil had crawled through every available brewery on the East Coast, and he knew what worked and what didn’t.”

Actually, some beer was made, but the program was largely short lived in beer terms.

“In that experience, though, we had the realization of a contract brewery where we could help customers tinker and improve their recipes, where we could do everything possible to be an amazing supplier to them. And to this day, I’m pretty sure that’s what we’ve done,” says Hittle.

MANAGING BOTH SIDES

Contract brewing is an interesting proposition, and it’s complicated because each

customer has different needs, wants, packaging demands, yeast strains, and more.

“From the very get-go, we invested heavily in equipment,” explains Hittle. “We didn’t start off with bare bones and add as we got customers.” The \$21 million brewery, which includes the purchase of land and a century-old factory, is a sight to behold. A combination of Old World industrial style and modern brewing equipment regularly brings to Stratford both contract partners and scores of fans who come to the on-site taproom that serves only beer under the Two Roads brand. Those offerings, which include Pilsners, IPAs, lambics, and more are made by Markowski, a partner and cofounder of the brewery.

On some days, Two Roads is where beers from breweries such as Carton Brewing Co., Notch Brewing Co., Lawson’s Finest Liquids, and more roll off the line. Other days, you’ll see beers like Two Roads Ol’ Factory Pils or Lil’ Heaven Session IPA being made.

“We had an advantageous position because we had versatility in packaging and brewing, and our customers are excited to come here because from an equipment standpoint, we were ready to go right out



HITTLE CALLS [AREA TWO] A LEAP OF FAITH BECAUSE THE COMPANY DELIBERATED OVER THIS FOR A LONG TIME BEFORE PULLING THE TRIGGER. "THERE'S VERY LITTLE DATA TO SAY [SOURS] ARE A GREAT THING SALES WISE. THERE'S NO IRI DATA, BUT YOU SEE SOME PLACES DOING IT WELL, AND THE ANECDOTAL EVIDENCE IS THE BEST TO RELY ON." MARKOWSKI KNOWS THE RISK WITH SUCH A BIG PROJECT BUT SEES A LOT OF THE LONG-TERM POTENTIAL, ESPECIALLY ON THE EAST COAST. HE NOTES THAT STATES SUCH AS CONNECTICUT, NEW YORK, NEW JERSEY, AND OTHERS IN THE REGION ARE A FEW YEARS BEHIND PLACES SUCH AS COLORADO AND THE PACIFIC NORTHWEST WHEN IT COMES TO WILD BEERS, SO LOOKING AT THOSE MARKETS AND SEEING WHAT'S BEEN VIABLE SHOULD BE A GOOD INDICATOR THAT THIS NEW PROJECT WILL WORK WELL.

of the gate. We spared no expense, and we hired good people in the brewery and in the lab," says Hittle. "We've retained a lot of our original customers because of that quality focus."

Hittle also attributes success to timing. "We had first-mover advantage, and that helped attract breweries like Evil Twin."

The Two Roads beer brand is able to thrive thanks to the contract side of the business. Hittle and others knew from experience that there was a need for craft contract brewing, but also knew that the margins were low. Having a brand of their own—one that makes clean, flavorful, and inventive beer that allows them to showcase their talents—can bring new contract customers to their doorstep. In turn, the contract brewing helps build the Two Roads brand.

Markowski, a well-awarded and respected brewer, admits it's sometimes a juggle between his beers and the beers he's making for contract partners, but that's not a complaint. It comes down to compartmentalization. "The people who we want to work with as contract customers have established brands; they have their recipe and way of doing things; and we have to, in some cases, simply execute. We don't want to be in the process of product development for people," he says. "For our

brands, I have an idea of what we want to do and what our beer wants to be."

Markowski says that one bonus to having other brewers around from time to time is the general brewing camaraderie that comes when professionals get together and the energy and passion shared. Another is the chance to see different ingredients that he might not use regularly. "It doesn't change the way I do things, but it is interesting to see how different brewers approach different things," he says.

Hittle says that last year Two Roads produced 56,000 barrels of beer and about 84,000 barrels for the contract partners. The brewery itself can max out at around 190,000 barrels. And should they ever get close to that capacity, they have a 35,000-square-foot space next to the existing brewery that they can get into and build out.

"We are way ahead of where we thought we'd be in terms of volume from the original business plan," says Hittle. "When you write a business plan, you want to beat it; you don't want to fall short. We've beaten it every year—we have happy investors."

AREA TWO

One arena that Two Roads will be entering in a big way later this year is the sour- and wild-ale market. While Markowski and his team have already

made and released beers brewed with *Brettanomyces*, yeasts harvested from hurricane winds, and all manner of fruit lambics and gueuze, they will now have a dedicated spot to ply their craft. Area Two is a \$12-million, 25,000-square-foot facility on the Two Roads property that will be home to what Markowski calls "all types of esoteric beers."

Hittle calls it a leap of faith because the company deliberated over this for a long time before pulling the trigger. "There's very little data to say [sours] are a great thing sales wise. There's no IRI (a firm that specializes in analytics) data, but you see some places doing it well, and the anecdotal evidence is the best to rely on."

Markowski knows the risk with such a big project but sees a lot of the long-term potential, especially on the East Coast. He notes that states such as Connecticut, New York, New Jersey, and others in the region are a few years behind places such as Colorado and the Pacific Northwest when it comes to wild beers, so looking at those markets and seeing what's been viable should be a good indicator that this new project will work well.

Area Two will be branded separately from Two Roads and have its own tasting room, giving visitors to the complex two very different experiences. The plan is to make the Area Two tasting room a cross between a brewery tasting room and a library. The two facilities will be connected by an 800-foot pipeline 22 feet in the air that will pump wort from the Two Roads brewhouse to Area Two and then back again for packaging.

"We're going to have a lot of fun over there," Markowski says. "We are going to do a lot of variation on themes and taste the same mother beer with different treatments, something I hope will be interesting to people. When you can taste the transformation in a beer that occurs over a year or two in a barrel, or even just after a month or two or three, there's a lot of education that we can do, and through these tastings, we will be able to talk about what makes beer special and why. People will leave with the stories behind [the beers]."

This isn't going to be just for beer geeks, either. Markowski sees this as a chance to introduce beers such as spirit barrel-aged

ON THE ROAD

Part of the growth of the Two Roads Brewing Company brand has been through entering new states and countries. Currently it's along the East Coast from Maine to Delaware and in Colorado and the United Kingdom. At each turn, the brewery has ensured that Two Roads staff works in the market to assist the distributors in selling the beer.

"Brands can be destroyed by distributors and also built up by distributors," says Brad Hittle, CEO. "You need someone there to build your brand and do it properly. The consumer touch is so important, and I've always felt this in my entire marketing career: sales can't just happen in the grocery aisle or because you have a distributor. Having a staff salesperson in the market is absolutely vital, and that's what is working so well here."

He cites Clement Pellani and the sales staff for having a culture that is not only supportive and fun but also open to talking about what could be best for the company over all, from a boots-on-the-ground perspective. That culture informs where the company is and should be going.

beers, extreme kettle sours, beers fermented in concrete, and other interesting things to Two Roads drinkers who have not yet branched out past the Pilsner or Oktoberfest.

This project will also allow the company to expand into new markets since many of the beers they plan to make have open-ended shelf life. What Markowski calls the "exploratory and contemplative" beers will hopefully bring people to come and visit. In addition to the tasting room, there will be a cool ship in a prominent location, a walking path through wetlands on the property, and a chance to see an orchard that has been growing over the past few years. It aims to be a wholly nature-immersive experience, all next to a busy Amtrak corridor and highway.

And in the existing Two Roads model, Markowski says that there will be a chance for contract customers to use Area Two. "It'll be for established customers who we feel have long-term potential."



Opposite, clockwise from top» Eye and Carter imported an eighty-five-year-old copper brewhouse from Germany to anchor their lager-focused brewery; horizontal lagering tanks are built into tiled walls; Bierstadt Lagerhaus's policy of only selling draft kegs to accounts who serve it in their branded glassware may limit potential growth but ensures that the beer is only served the way the brewers intend it.

CASE STUDY

BIERSTADT LAGERHAUS

The goal is an ambitious one, but not without precedent. In the same way Left Hand Brewing Co. took on (and largely beat) Guinness in its home state of Colorado, Denver's Bierstadt Lagerhaus is aiming to take on Stella Artois in Denver. **BY JOHN HOLL**

THE GREAT AMERICAN BEER FESTIVAL brings not only scores of beer fans to Denver each year but also thousands of professional brewers. They come to pour beer at the fest, judge the annual awards, and attend the awards ceremony in the hopes of taking home some hardware. Many also use the fest as an excuse for a working vacation—a chance to drink around town, catch up with old colleagues, and scope out what's new in the city's ever-evolving beer scene.

This past year, the place to go, be seen, and catch up was Bierstadt Lagerhaus. At almost any point during operating hours, if you looked around the bar, you saw a veritable Who's Who of brewing, from longtime industry leader Dick Cantwell to the celebrated Wayne Wambles of Cigar City. It was hard not to think of the prophetic line from *Field of Dreams* because when you talk to professional brewers, they'll tell you that in their down time they like drinking lagers, and that's all that Bierstadt serves.

Ashleigh Carter and Bill Eye built it. Everyone is coming.

NOT A NICHE BUT A DEMAND

At first blush it sounds crazy: a brewery that is producing only to-style lagers, draft only, each poured to order and served in a specifically branded glass. Or, rather, it sounds like a dream many brewers would like to embrace, but a dream that soon gets dashed by outside forces. For Carter and Eye, the brewmasters, their vision has long been clear and was never open to compromise. And while some of their other brewing colleagues might have plans for multistate dominance, they know how much they want to make and where they want it to go.

"We did about 1,200 barrels to close out 2017," Carter says. They did it on their existing system, a 30-barrel all-copper brewhouse built in 1932 and transported to the Rocky Mountains from a German brewery near Nuremberg, and tanks that can get up to about 2,000 barrels and

maybe one day 5,000, but it's "too early to look at that goal," she says.

For now, it's a near-even split between what's poured in the taproom—known as the Rackhouse—in Denver's River North Art District (RiNo) neighborhood (the brewery shares warehouse space with C Squared Ciders) and the forty-five static accounts that the brewery works with through their own distribution and single-man sales staff. If those places want the beer, they must commit to half barrels and the branded glassware.

"We don't do sixtels. It's not what we're about. We want to keep our high-quality small staff and want to know all the bars we're at so we can service our neighborhood and service our area," Carter says.

It's perhaps the branded glassware—and the absolute compliance the brewery demands—that has gotten the most attention. While it's not hard to find branded glassware at a brewery's taproom and while others such as Boston Beer have created specialty glassware for general use, the majority of draft beer in America comes in a pint glass. The thought of her beer being served in a "filthy Shaker pint with no foam on it" drives Carter up the wall. "People



“AS CRAFT BEER HAS BECOME MORE POPULAR, WE KEEP SEEING MONEY PEOPLE WHO HAVE NO LOVE FOR THE INDUSTRY COME AND GET INVOLVED, AND SADLY, THERE ARE SOME BREWERS WHO WILL MAKE ANYTHING FOR SHOCK VALUE. WE NEED TO EDUCATE CONSUMERS. IT LIES ON ALL OF OUR SHOULDERS TO CARE ABOUT THE PAST AND THE LONG-TERM FUTURE. WE LOVE BEER AND WHAT IT DOES FOR PEOPLE AND RELATIONSHIPS. WE MAKE TRADITIONAL LAGERS, SO WE SEE WHAT WE DO AS LESS FLEETING IN THE INDUSTRY.”

don't blame the bar for a shitty experience; they blame the beer, blame the brewery. I have an expectation for each of my beers. I care about our customers and want them to have the best beer experience possible.”

That's why each outside account that serves Bierstadt's beers—including Slow Pour Pils, Helles, Dunkel, and various seasonal offerings—must use specific glasses. Helles, for example, comes in a dimpled mug, and Slow Pour Pils in a stemmed stange-like glass. Carter doesn't buy the argument that bars don't have room for specialty beer glasses, especially when they seem to make room for different-sized wine glasses, martini glasses, and Moscow mule mugs. It's just that most bars haven't given beer glasses more than a passing thought beyond the easily stackable and relatively durable pint glass.

The idea for a branded glass came to them while working on the brewery plan at a local restaurant. Peroni was on tap and was being served in a brand-specific glass. “As soon as we ordered one, ten more went out in about twenty minutes,” Carter explains. “Just as in a restaurant where people look around to see what everyone else is eating, people also drink with their eyes.”

Having glassware conveys a message and reinforces what the brewery is and the experience they want to consumers to have. Carter and Eye see each external account as a partnership, and to that end, they want to make sure that their glassware is used only for their beers. Pouring someone else's beer into a Bierstadt glass is “a misrepresentation” and generally frowned upon. To date, Bierstadt hasn't pulled out of any accounts for glassware infractions, but they have conducted some

pretty firm conversations with places that haven't adhered to the rules. Social media and sites such as Untappd help Carter and others keep tabs on places.

The approach is extreme for some, yes, but in an age of 6,000+ breweries in the country with more places serving craft beer than ever before, brewers need to exploit each niche and every little detail that helps grow and maintain their business.

SIMPLE, COMPLEX, DELICIOUS

There's a reason brewers (and the majority of the beer-drinking public) drink lagers. They are refreshing, easy drinking, and, when well made, almost indescribably delicious. For Carter and Eye, it's the complexity yet simplicity of lager that is so appealing.

First, there are the lagering techniques and the relative small number of ingredients needed to make a flavorful beer. “With three malts, two hops, and one yeast strain, I can make just about everything in our portfolio,” Carter says. “We can make a variety of beer without soaring ingredient costs.”

While styles such as pastry stouts and New England-style IPAs are all the rage today and get the majority of the social-media love from beer consumers, Carter beats the drum that lagers are full of complexity, nuance, and character and deserve a closer look by today's craft consumers. There's a misconception—based on the size of the largest breweries in the country and the beer they produce, along with the way some craft breweries treat lagers—that these are simply gateway beers to getting into the “real craft.”

“I take offense that you need to drink [lagers] first to graduate to something

that is more complex,” Carter says. “I find quite annoying and aggravating brewers who are making lager because they think they need to have one.”

And in the making of lagers, she finds that American brewers are moving increasingly away from the traditions of the style, leaving newer drinkers confused as to what these beers should taste like.

“Take the Pilsner, for example. Don't go dry hopping it. I think that can hurt it. It's just not supposed to be overly hoppy. You want just enough hops to intrigue and to encourage another sip. But it shouldn't be in your face,” Carter says. “With a Pilsner, you want subtleties, the dryness of the carbonation, soft bitterness, and a nice malt that carries it from start to finish. All those things contribute to the drinking experience of a German Pilsner, and I do think taking creative liberties when it comes to a German Pils or a Czech Pils is bad for drinkers.”

As an example, she mentions the annual awards handed out at the Great American Beer Festival. She says her brewery won't enter because the beers that win in certain categories aren't exactly representative of the style in the historical (or guidelines) sense.

“I love Pivo, and I love Matt Brynildson, but that beer is no German Pilsner,” Carter says of the award-winning Firestone Walker beer and its brewmaster. “It's misleading to the public.”

It's why at the Rackhouse and through the accounts where Bierstadt beer is served, education is key. In some ways, it's reintroducing drinkers to lagers and Pilsners through easy interactions with staff and bartenders. It's also through to-the-point notes on menus and other posted items. Flavor descriptions go a long way toward getting important points across. Education is key, and staying true to historical tenants is something Carter and Eye won't compromise on.

“As craft beer has become more popular, we keep seeing money people who have no love for the industry come and get involved, and sadly, there are some brewers who will make anything for shock value. We need to educate consumers. It lies on all of our shoulders to care about the past and the long-term future. We love beer and what it does for people and relation-

From Top » Carter and Eye invested heavily in the brewhouse buildout, with stainless process piping connecting brewhouse and tanks for maximum efficiency; Lagers spend two weeks in the fermentation cellar before heading to lager tanks for 8 weeks; the adjoining Rackhouse Pub taproom utilizes traditional wood-handled faucets and trains bartenders in two-stage pours to achieve a perfect head on every beer served, because customers “drink with their eyes.”

ships. We make traditional lagers, so we see what we do as less fleeting in the industry.”

TAKING ON A GIANT

The beer that Carter and Eye looked at for inspiration is actually quite far from the lagers they so lovingly create. They see the popularity of Left Hand Brewing Co.’s Milk Stout Nitro as a local example of a smaller brewery taking on a larger one in the market and largely winning. The larger brewery is, of course, Guinness—makers of the iconic Irish stout. However, in Denver and throughout Colorado, Left Hand’s Milk Stout Nitro reigns supreme.

So it would make sense that the folks so committed to lagers would go after a ubiquitous brand, but it might not be the one you think.

“What is Stella doing in Colorado craft-beer bars?” asks Carter. “We’re all caught up in hazy IPAs and super-hoppy everything and pastry stouts and other fake styles, but people still drink a lot of lager. Lager is king, but why should a big-brewer lager exist in a state where there are hundreds of craft brewers?”

People drink the beers that are available because they are available, but give them a choice and hopefully they’ll make the one that focuses on locality and flavor. That’s the hope Carter and Eye have when talking about getting their beer, instead of Stella, on tap in places. And it’s important to mention that a brewery that could one day max out at 5,000 barrels knows that they will never fully compete with a global brand, owned by the world’s largest brewer with a multi-million-dollar advertising campaign behind it.

But, if Bierstadt is the lager brand found around Denver and surrounding areas, then at least they feel they’ve made progress. So far, the idea seems to be taking hold.

“It’s about bar perspective. If we can have our beer on tap at high-end bars that already have Stella or Carlsberg or Peroni, we can educate them on fresh, local beer made with high, exacting standards—beer they can serve with pride along with their food. It’s not about Stella and taking every handle; it’s about making a beer that means something to people, and if we can make a dent then we know we’ve made it.”



Below and opposite »

To stay relevant and identifiable in the retail market, Starr Hill not only redesigned their branding and packaging across the entire line, but reformulated the recipe for their flagship Northern Lights IPA. The old packaging is shown below, and the revamped package is shown opposite.

CASE STUDY

STARR HILL BREWERY

It can be difficult for an established craft brewery—especially one that served as an early pioneer in its home state—to stay relevant in an era of constant change and consumers seeking the next big thing. But a trio at Virginia's Starr Hill Brewery has come together to both rebrand the brewery and strengthen its existing relationships with grocery retailers, where it's currently seeing stable growth. **By John Holl**

IT WAS A SOLID IDEA back in 1999. Two friends, inspired by the growing brewery scene out West, decided to start their own brewery in Virginia. Starr Hill Brewery started as a brewpub and shared space with a music hall of the same name in Charlottesville. It was the second craft brewery to open in the Commonwealth and quickly grew in popularity thanks to its proximity to the music industry and making beers available at festivals such as Bonnaroo Music and Arts Festival. Awards soon followed from both the Great American Beer Festival and the Great British Beer Festival, and by 2005, Starr Hill moved into a former food plant in the nearby town of Crozet, where it gained the distinction of being the first production craft brewery in Virginia.

In 2012, state laws changed, making it easier for breweries to operate and get their

beer to the public. Starr Hill, which had enjoyed a relatively stable market, suddenly needed to rethink the way they did business, focus on strengths, and come to terms with the fact that nothing was sacred, from labels to recipes.

In 2015, brewery Founder Mark Thompson was ready to retire, and Robbie O'Cain, a banker turned graduate of the World Brewing Academy, became the new brewmaster. He, along with Josh Cromwell, the brewery's business manager, and Duke Fox, vice president of sales, spent months working on redesigns and recipe development that would help them strongly compete in the now crowded marketplace.

TODAY VS. THE PAST

Northern Lights IPA remains the flagship of the brewery. But when it was creat-

ed, those three letters—IPA—meant something different to the American beer drinker. In order for the beer to stand out, O'Cain knew that he would have to change things up.

"We didn't want the recipe change to be subtle; we wanted it to be stark," he says. "Beer drinkers moved away from these overly bitter IPAs to ones with huge hops aroma and flavor with only moderate bitterness." Growth and brewery size meant access to better hops contracts, so Starr Hill simplified the malt bill on Northern Lights and brought Simcoe, Centennial, and Falconer's Flight into the mix with the existing Columbus and Cascade hops. The hops received both the hop-bursting and late-addition dry-hopping treatment, something that was new at the time for the brewery. Samples of the older recipe and the newer ones were sent to media and influencers for review in advance of the formal release. Side-by-side comparisons were conducted at the brewery taproom for consumers as well, so by the time the rollout was ready, the brewery was able to give a proper send off to one and to introduce the other to the general public.





STARR HILL
BREWERY

STARR HILL
BREWERY

NORTHERN
LIGHTS
IPA

12 FLUID OUNCES / 6.2% ALC/VOL

FOUNDED 1999 CHARLOTTESVILLE, VA



Left, from top » When the state's laws changed in 2012 to allow direct sales, Starr Hill built a taproom at their Crozet, Virginia, production brewery; O'Cain, Cromwell, and Fox now lead the business after Founder Mark Thompson retired in 2015. For much of its history, Starr Hill has connected their brand to live music by sponsoring concerts and selling their beer at music festivals such as Bonnaroo.



At the same time some Starr Hill beers were retired, others were brought back for specialty releases, and the trio took a hard look at the home market in Virginia (accounting for 60 percent of sales) to respond to the consumer demands.

This was also the time that the brewery decided that it needed to step up its visual—on-the-shelf—game with a complete packaging overhaul. From the brewery's long association with the music crowd, O'Cain says there was a reputation of Starr Hill being something of a “hippie” beer (thanks, in part to names such as Grateful Pale Ale or Double Platinum Omperial IPA). The redesign kept the star logo inside a circle but took out much of the fill, making it cleaner. The beer logos also got scrubbed up. Picture label art was replaced with clean and easily readable text with corresponding colors.

If you want to be a grocery-store brand, Cromwell explains, you need to make sure that consumers can see what you are selling and that they know what they are purchasing. The earlier designs didn't help much with that. But you don't want to destroy what you've already built; you want to build off of it and help consumers either change a negative or nonexistent perspective or keep loyal folks coming back for more.

“Our owner invested in capacity well ahead of our time, so it wasn't that we just had to make beer. We had to make *good* beer and keep it fresh on the shelves,” says Cromwell, who worked in corporate finance for a public relations firm before joining the brewery. During the transition period, it was on him to get the business practices in order and to make sure everyone knew where costs were and should be all while making sure the beer never suffered.

It was also during this time that the brewery pulled out of some states it had entered, such as New Jersey and Florida, to focus on states closer to home. “We want to be part of the community,” Cromwell says, so they dialed into core markets to make it easier for existing customers and potential customers to have as much access to the beer as possible.

The relaunch was a “nervous time,” says O'Cain. “We didn't know what [the consumers] were going to say. We were banking on everyone liking the newer one better, but we didn't fully know.”



But the uncertainty was important. It led to more investment that led to high-quality products, and the risks in the marketplace coupled with an increase in the sales component of the business ultimately paid off.

“We can’t ever be everything to everyone, but we do a great job offering the grocery consumer an enormous amount of variety and consistency. That’s our focus. Creating value for the grocery-store buyer.”

GROCERY

The brand has been in grocery stores for a long time. Signing early with distributors meant you were likely to see Starr Hill beer on shelves from Kroger, Harris Teeter, Wegmans, and more.

Last year, the brewery made about 26,000 barrels of beer, not an insignificant amount.

“We just did a stout variety pack where we did almost 1,600 cases, 3,200 12-packs,” says O’Cain. “So, when we do something, we’re doing a significant amount of beer, and to do that large of a volume, we need a larger audience.”

“In the early days, there wasn’t a lot in the state, so we benefitted from that,” says Fox. About five years ago, the brewery personally and directly started calling on the beer buyers from the larger grocery chains and started adopting the standard retail practices of much larger breweries, such as standardized price promotions. Soon, in its home state, Starr Hill was able to start nipping away at some of the larger breweries.

The brewery spends a lot on the analytical side of sales because it’s important when selling in grocery. Fox knows that they are still reliant on draft-beer sales, but he thinks that increasingly there’s a “lack of any real loyalty,” a sentiment that is likely shared with brewers around the country.

“But we know that we’re always going to have distribution, and at the end of the day, people are going to buy beer when they go to the grocery store,” he says. Let’s say that the beer Customer X is going to buy is an IPA. He walks into the store and sees some that are made locally, some from national brewers such as Sierra Nevada Brewing Co. or New Belgium Brewing Co. Some, such as Goose Island, are owned by larger beer conglomerates. “First off, having your beer in the store is a win,” says Fox. “Then, being the local

THE BREWERY DECIDED THAT IT NEEDED TO STEP UP ITS ON-THE-SHELF GAME WITH A COMPLETE PACKAGING OVERHAUL. THE REDESIGN KEPT THE STAR LOGO INSIDE A CIRCLE BUT TOOK OUT MUCH OF THE FILL, MAKING IT CLEANER. THE BEER LOGOS ALSO GOT SCRUBBED UP. PICTURE LABEL ART WAS REPLACED WITH CLEAN AND EASILY READABLE TEXT WITH CORRESPONDING COLORS. IF YOU WANT TO BE A GROCERY-STORE BRAND, CROMWELL EXPLAINS, YOU NEED TO MAKE SURE THAT CONSUMERS CAN SEE WHAT YOU ARE SELLING AND THAT THEY KNOW WHAT THEY ARE PURCHASING. BUT YOU DON’T WANT TO DESTROY WHAT YOU’VE ALREADY BUILT; YOU WANT TO BUILD OFF OF IT AND HELP CONSUMERS EITHER CHANGE A NEGATIVE OR NONEXISTENT PERSPECTIVE OR KEEP LOYAL FOLKS COMING BACK FOR MORE.

guy, especially in Virginia, is another win. We’re a local brand that has 6-packs and 12-packs, and if we can convey who we are, it can be an easy sell in our market.”

That doesn’t mean that they don’t have a brand or a SKU that is underperforming or that doesn’t do well in a particular store. It just means that once the numbers present that way, Fox and his team have to adjust and figure out how and where to best turn the product.

One way they regularly engage consumers is through a “pretty aggressive” sampling program. It’s “almost as important as [retailer] beer sales.” They have an internal team that has been educated on the brand (although he acknowledges that they have used third-party firms from time to time, but finds that they aren’t always as passionate as the brewery hoped).

The samplings are rolled out when you’d expect: around new releases, major holidays, or at times when things look like they could use a bit of a boost. They have also seen some seasonable sales success through social-media promotions, ticket promotions, and other promotional plans.

“At the end of the day, my argument, and this is not unique to us, is the idea of getting people to sample our brands at events, at our taprooms, at our festival, and on premises so when they go out to buy their beer, we’re an option they consider because they like our flavor.”

He knows that the on-premise promo-

tions can be expensive, but that they are necessary to make sure the sampling gets done. “Otherwise you’re just another brand on the shelf.”

AN INCUBATOR

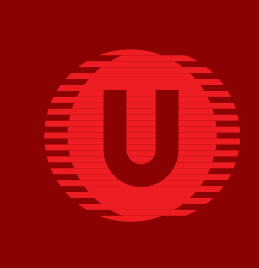
When the laws changed in 2012, Starr Hill didn’t have much of a taproom business but quickly saw the need to step up the game and compete with the smaller breweries that were suddenly selling pints from their own bars. The location in Crozet stepped up, naturally, but since it was never intended to be that kind of space, there were challenges. Taking advantage of the laws, Starr Hill opened a second brewery and taproom in Roanoke, a populated city with a thirst for local beer.

It would have been harder to open a retail establishment earlier in the brewery’s life because of the economic side of it, says Fox. But, almost as important as the financials is the ability to influence people, and this taproom was built just for that.

“The goal is to do a pilot batch a week in Roanoke for product development,” says O’Cain. “In the past, with the larger brewery only, we went through the same things as everyone, asking, ‘what’s new, what’s exciting,’ but we couldn’t go down those rabbit holes because we realized it’s unsustainable at a certain size and we couldn’t make money that way. So, we’ll use this small-batch system to help drive creativity to drive the future.”



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Q&A

ZEN AND THE ART OF CRAFT BEER SALES

Melvin Brewing Sales Director **TED WHITNEY** helped build craft brands from Colorado to California before jumping from Bay Area heavyweight 21st Amendment to Wyoming upstart Melvin Brewing. **JOHN HOLL** explores his holistic philosophy toward selling beer and positioning brands.

CBB // You're in sales, but how do you characterize that to people not in the beer industry if you're at a cocktail party? How do you say what it is that you do?

TW // I usually start with pornography and see where they want to go from there. And then I typically come back around to admitting that I help people buy the things they are already looking for. No one likes to be sold to, but everybody needs to buy. I help people buy stuff that's better than what

they would have chosen on their own.

CBB // That's counterintuitive to the way that I think a lot of consumers feel that they're treated. I mean, what brought you to that realization? What brought you to that approach to sales?

TW // The look on someone's face when I tried to sell them something. Standing in the beer aisle, I used to do a lot of hand sells and talked to people about beer. "Hey what are you looking for? How can I help

you out?" Everyone hates to have someone sell them something because it's an uncomfortable situation or people don't want to tell you no. They don't want to look right at you and say, "Well I'm not really that interested in what you're offering." Everybody wants to be nice, and they don't want to confront you. I learned real quick that you've got to figure out what it is that people are looking for and then show them how you offer what they're looking for. That's what sales is. It sounds like manipulation, but it isn't. It's better understanding what somebody wants, and if somebody wants something I don't offer, I'm happy to show them something else that I love. Like one of my favorite things—Melvin doesn't make a brown beer, but someone asked me for a brown—an American-style brown with nice flinty finish—so I said, "We'll find something for that."

CBB // Who is asking for that? I want to shake these people's hands.

TW // It's rare, but you can walk them over to the cooler and make a friend forever when you share your excitement for something that you really dig, like [Avery] Ellie's Brown Ale, which is one of my favorite browns ever. Everyone I turn onto that beer gets so excited about it, and when you have that person come back in and see

you in five weeks, they're like, "Dude, what else do you have? What else can you show me?" I love teaching staff how to do that as well. You don't sell to people; you just help them find stuff that you're stoked on.

CBB // The breweries that you've worked for—Avery, 21st Amendment, Melvin—you've seemed excited to work for them. But I also run into people who just treat it like a job, and you've treated differently.

TW // Why are you going to do something for 60–70 hours a week if you're not super excited about what you're doing? And for me, there's a deeper level to sales. It's not just about punching a clock and showing up—that's an important part of things, but I think what we do as an industry is we help people realize that there's more experience offered out there, and we share our excitement for what we do for a living. I remember walking into bars years ago, and they'd ask "What the hell are you doing, man?" "I'm selling beer." "We already have all three beers—Bud, Miller, and Coors." "Well you've got this little tiny flashlight on a humongous flavor map. And I'm here to help you back that flashlight up." There are IPAs and browns and goldens and so many more awesome beers out there. When we get to share that with people, it's really exciting for me, and I think it filters into the rest of their life too. We're here to help people realize that they shouldn't just swallow what they're being fed. They should seek out things that are worth being stoked about.

CBB // I think at this point it is helpful to sort of back up to 37,000 feet because people who might be reading this might be going, "Yeah we know that there's all this stuff out there, and we know that there's more than Bud, Miller, and Coors." But we also have to remember that the whole craft segment is still only 12 percent of the marketplace, so it's that 88 percent that I think you're trying to talk to. In the early days, when you came over from wine, what was the thing that surprised you that beer wasn't doing back then?

TW // The stunning lack of money paid to salespeople. It wasn't even a living wage. I couldn't have jumped over to beer if I didn't get a huge wine bonus that basically paid my salary for about three years. I think the other thing that we don't do in beer is, and it's a complement to beer that we don't, get pretentious about what we do. We try to be as inclusive as possible,

PEOPLE WHO HAVEN'T REALLY BEEN EXPOSED TO CRAFT AND WHO HAVEN'T REALLY BEEN EXPOSED TO HAVING A LOT OF CHOICE IN WHAT THEY CONSUME SOMETIMES TREAT WHAT WE OFFER AS AN AFFRONT TO HOW THEY LIVE THEIR LIVES. AND IT'S REALLY HARD TO BREAK IT DOWN. IT'S REALLY TOUGH TO TELL THEM, "I'M NOT HERE TO THREATEN YOU AND NOT HERE TO JUDGE YOU, AND I'M NOT HERE TO TELL YOUR CHOICES HAVE BEEN BAD. THEY'VE JUST BEEN LIMITED, AND I WANT TO OPEN THINGS UP." TO BREAK DOWN HOSTILITY THERE TAKES SOME TALKING.

and I think that the wine world has taken some cues from that, too. They started to realize that if you're an asshole, nobody wants to party with you.

CBB // Is that one of the reasons you jumped over?

TW // Honestly, no. I think that I enjoyed that little arrogant piece, that "I know stuff you don't know, and I get to hold it over you." And it wasn't until I grew up as a person that I realized that that's just not cool.

CBB // Backing up then—when you're out there and talking about beer for the first time and you're talking to the 88 percent, what do you find is the biggest hurdle to get over?

TW // People who haven't really been exposed to craft and who haven't really been exposed to having a lot of choice in what they consume sometimes treat what we offer as an affront to how they live their lives. And it's really hard to break it down. It's really tough to tell them, "I'm not here to threaten you and not here to judge you, and I'm not here to tell you your choices have been bad. They've just been limited, and I want to open things up." To break down hostility there takes some talking.

CBB // We've heard for a while that once you've seen the light of craft, it's time to make big beer the enemy. And I don't know if that's necessarily the right attitude to have. I know that there's this us-versus-them mentality that sort of permeates all of craft. But they are a beer company that makes and sells beer, and they do it successfully. On a personal level then, when you're out working for whatever brand you've been working for, what has formed your opinions?

TW // It's their disdain for consumers. It's their disdain for beer fans. It's their dis-

dain for the industry. You know, there are people who are in big beer companies that do great things for the rest of the industry, like Coors has gone out of their way to help craft brewers for years, and it's been amazing. They'll run samples for guys. They'll send their brewers over to say, "Hey, you recognized an issue, and we're here to help out. We can look at your stock fan, or whatever it happens to be, and help you guys out." And that's been incredible for craft brewers. Then there are people like the InBev guys who are limiting choice. They're kicking us out of chain sets. They're offering pay-to-play solutions. You know, one of my favorite phone calls in the past year was in San Francisco when the guys from InBev came in for a Super Bowl, and they were offering \$250 a handle to retailers to switch out to their items. I called them up—this was when I was at 21st Amendment—and said, "Hey, we've got ten handles on [in our taproom]. I'll take twenty five hundred. Come on by." They didn't think it was funny at all. We also immediately declared goose-hunting season. All our reps got Makita drills, and we went out there and every Goose handle we got we put a drill right through the head and got to wear the goose head around. But it's messed up. The pay-to-play stuff is rampant, and it goes on more than people realize. I think because the three tier system is kind of a Hogwarts—a kind of magical behind-the-scenes thing—a lot of beer fans don't realize how much they're being manipulated and how much they're limiting their own choices by supporting big companies who could care less about how good the beer is coming out.

CBB // So expand on that. You've teed it up, so now hit it off the mark.

TW // The three-tier system is a concession made after Prohibition that was meant to keep the mafia out of distributing beer. A lot of them just legalised up and said, "Cool, we can write legislation that makes sure that we'll always have a three-tier system and that limits the access of other distributors in the market as well as creates franchise laws so that we have to be selling these brands for life. We're married once a brand comes into house." Now that was all well and good when we had three beer brands in the country. But now with more than 5,000, it really limits the ability of a brand to access the market. We have to go through a distributor, we have to be sold in a book of thousands of other beers. We've got ten times more breweries in the country than we did ten years ago. We have half as many distributors as we had at the same time. And it's setting up a really difficult situation, but people are starting to turn it around, starting to take advantage of the opportunity in the market. And you have these small boutique distributors popping up with reps who are so excited to share this incredible book of craft beer. And I think we're going to see an interesting three to five years because the consolidation has reached a breaking point, and now we've got a lot of opportunity for people to come in the market and offer new beers, offer better options, and offer better pricing for everybody so that breweries can afford to pay their entire staff a living wage.

At Melvin, we're committed to having everyone who works for us retire a millionaire, if you save enough money. I would love to set up a pension fund, and we might do that too—that's still on the table—but we're able to do that because our beer costs a little more. We're not in a race to the bottom, and we're making decisions that ask our consumers to pay a little bit more for a better product. A better beer. And for the lifestyle that our staff can live so we can afford to buy our guys ski passes, and we can afford to pay everybody enough money that they can have health care and they can have a home and they can have a family. And I think that when you support a company like Melvin or support another independent craft brewer, what you're really supporting isn't just a great beer. It's also the lifestyle that they can offer their staff. And that's an important choice to make.

CBB // How do you convince the folks who are just saying, "Beer's beer"?

TW // By drinking a beer with them. That's that's the best way I've ever found to do it. You can also do things like we're doing here today, filming the commercial with Hacksaw Jim Duggan. You know we make a big splash. There are ways to get the name out there, and hopefully it gets people to select a Melvin when they're out in retail. But I think at the end of the day, the only thing that will ever convince somebody to come back is a great beer in a can or a bottle.

CBB // You were head of national sales when you were at 21st Amendment. And you guys had watermelon wheat. So basically you didn't have to do anything?

TW // My least favorite four words? "The beer sells itself." It's such a lame thing to say. But every now and then it's true. It sold itself.

CBB // Melvin is still small, with not as big a footprint as the places you've worked before, and somebody who might be looking at your resume might ask, "Why jump over? Why go?"

TW // The Great One always said, "Don't play too where the puck is, play to where the puck's going." And I think that Melvin is way ahead of the game. We're making great beers, and it really is some of the best beer I've ever had in my life (and I have had some really great beers). But we're doing it in a way that I'm really proud of: we're taking care of our staff. We're thinking forward about what's the market going to do and how can we have more fun with it. We really live by the tenet that if it's not madness, it's not beer. It's a lifestyle. We're very authentic, and I think that when you can have a job that allows you to live the life you want to live, it's not just about punching the clock. It's about getting paid to do the stuff you'd do for free anyhow. About 98 percent of my workday is something that I'd do for fun. The other 2 percent is expense reports, and I hate those.

CBB // Can a brewery change over time? Right now people are learning about Melvin like they learned about Avery in the early days of Avery and learned about 21st Amendment in their early days. But

I think those breweries have evolved and changed over time so that they're not the same as when they first started. And so from your position, as things evolve, how do you keep people interested?

TW // I think you need to start with a really good set of core values that always guide your decision making. And you need to honor those and be true to what you want to do. I don't want to say the magic just happens, but the magic just happens.

CBB // Well you know, I think that that's true. There are certain breweries that we can point to who do that quite well. I mean Sierra Nevada is probably the biggest example of that.

TW // I don't understand why we always have to measure growth as the sole indicator of health with someone like Sierra. They've got a great business. I mean they're not doing poorly—I'm pretty sure they're about paid off on that new brewery. At what point do you say, "We've got hundreds of millions of dollars in revenue and ends are meeting like a motherfuck-

er. We're doing all right. We don't need to show 15 points of growth." And they are a privately held company. I think stockholders need to be down prioritized as the [focus] of corporate America. Stockholders support companies, but their interest shouldn't be the only thing that we work toward, and that gets us in a lot of trouble nationally. As beer, maybe we can start up a movement where we say we can live a very comfortable life at 50,000 barrels in production, or 20,000, or whatever it is, and we don't need to grow further.

We're here to pay our employees a fair living wage; we're here to be good members of our community. We're here to put on charity events that are going to allow us to help other people out. It doesn't always involve growth. It doesn't involve whatever it takes to get ahead. It's about being satisfied, or just allowing yourself to be delighted. And you can always find ways to improve; it just doesn't need to be only focused on growth.

CBB // Shelves are a very difficult place to sell beer these days. As a consumer, I find myself intimidated by all of the choice that's out there. But one of the things that we've obviously seen is that brewery



taprooms are doing really well. You guys are now set to expand that concept, and it's funny to think of brewpubs as the next big thing in beer, but it's really becoming that way. It's where everybody started off, and then everybody immediately moved away from it. But now we're really headed back into more intimate settings where it is also about food and it's about community and it's about...

TW // It's a more personal experience. You can sit down at a brewpub and meet the person who made the beer and talk to the people who are most passionate about it, and it's hard to be more authentic than that. We're putting in brewpubs not to step on anybody else's business. In fact, most of our brewpubs will be focused on the beers that are brewed there, not on the Melvin [core] line. We're making a more personal experience for people who are beer fans. We're bringing it all back around, and we don't want to step on anyone else's business as we come into town. We want to create a more vibrant beer scene. As you identified, 88 percent of people aren't drinking craft beer yet. We shouldn't fight over crumbs. We want to fight over the pie.

CBB // I've had a tough time describing what it is that Melvin is. The brewery is very IPA-forward, very hop-aggressive, very punny. It's so different from a lot of the other breweries that are out there these days, and I imagine that has to help with sales on some level because you're going to speak to people who get it. But it also has to be difficult for the people who don't get it right off the bat.

TW // It scares the hell out of some people. It is frightening to break out of a comfort shell and to be asked to do something that puts you in a place where you're worried about being embarrassed or you're worried about making a bad decision. Every time we ask someone to buy one of our 6-packs, they're making a \$12 bet. I mean, I don't know about you guys but even like quarter slot machines I don't mess with. Ten years ago, I got so excited to find a new brewery and try their beers, but frankly now I'm scared half the time.

CBB // You understand, though, the leap of faith that folks are having to take these days.



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TW // When I was in the wine world, I used to write my own shelf talkers—those little tags that you hang up in front of wine. And I'd just write, "Five stars." Customers were like, "Holy crap, five stars," and they'd buy the wine. When you're reading a Yelp rating, when you're reading a review of a beer—half the time the person writing the review has no idea what (s)he is talking about. And I'm stoked that they're writing reviews. It's amazing. But I've had so many people tell me, "Dude, your IPA is great, but it's not very buttery for style." And that little thing breaks in your head, and you're like, "I'm usually not at a loss for words, but I peed a little, so I'm going to leave."

CBB // Do you give up at any point trying to help people?

TW // Oh god, I love it so much, and I'm a firm believer in the fact that you never lose until you quit. And that's the whole secret of life. Francis Ford Coppola said something that would really resonate with me—it was on *Fresh Air* with Terry Gross. Francis Ford Coppola is talking to her and she asks, "What's it like to be one of the most award-winning and most-loved directors of all time?" And he says, "You know, I'm constantly waiting for someone in the back of the room to stand up and say, 'That guy doesn't know what the fuck he's doing.' And I would just break down in tears and say, 'You're totally right. I totally don't know what I'm doing,' but I've always had the balls to go out and do what I believe in anyhow."

TW // I think that there's a lot of cognitive dissonance that's created by it, too. You know if people paid \$22 for a bomber of something super special from someone who has this great reputation, they don't want to admit that it actually tastes like sun-dried salmon.

CBB // A lot of the beers that should get good ratings, don't. And a lot of the beers that do...

CBB // It's the fraud complex.

TW // That's just such a beautiful idea that we should have enough faith in ourselves to go out and do what we believe in every day. And I think so often we witness the death of our own souls because we stopped doing what we believe. And isn't that just the essence of craft beer—that we believe in something so much that we're willing to mortgage our houses and are willing to put our entire livelihoods on the line every day to get something out there that we believe in?

CBB // And then as a consumer to make that \$12 commitment to try something new, to get out there and then to hopefully find something that we like.

TW // And to have enough bravery to settle on something you like, too. I see people so often get addicted to variety and addicted to what's next. And it's the equivalent of channel flipping when they go out to a multi tap.

CBB // There are three words that you call the most dangerous in the industry: "New, rare, and local."

TW // Those three have nothing to do with how a beer tastes. People get so excited about new, rare, and local, and not one of those three things has anything to do with what a beer tastes like. They're just ideas. And, my god, there's nothing that sells a beer better than "New, rare, and local," and I've played on it. You know, it is what it is. So let's all be honest about exactly what it is. It has nothing to do with beer quality. It's just a sheen on the outside of something you're about to consume.

CBB // Closing thoughts—at this point where do you see the future of beer in America?

TW // The future of beer is on the shoulders of the people who believe in excellence, on the shoulders of the consumer who recognizes his/her role in creating a better industry and a better world for people who work. I don't want to get too philosophical about it, but every choice we make as consumers, every choice we make as someone who can purchase anything, needs to be informed by how that company is treating the people who produced it. And I really hope that as beer continues to advance, we can continue to lead the charge toward creating a better world for people who do things for a living.



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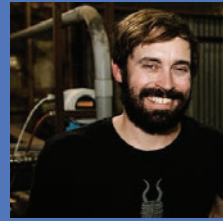
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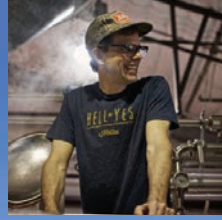
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A glass of beer with a thick head of foam, a petri dish, and a graduated cylinder, set against a yellow background.

BREWING SCIENCE

A SURPRISE IN THE YEAST

A brewing program in Philadelphia has come across a wild yeast that not only flocculates clear but also naturally produces lactic acid. Is GY7B the next big thing for sour beer?

By John Holl

UPON TASTING THE BEER FOR the first time, Matthew J. Farber was convinced that he had an infection in his fermentor. The assistant professor of biology and the director of the Brewing Science program at University of the Sciences in Philadelphia had made a pilot batch of beer on a SabCo system in the brewing lab using yeast harvested in the city.

Assuming that, and based on previous experiences, any yeast collected—if it was up to the task of fermentation—would be wild, the class regularly uses the Sour American recipe from Michael Tonsmeire’s book, *American Sour Beers*. It’s a simple lambic-like beer with German Pilsner malt, wheat, oats, and a small amount of Willamette hops.

The students use this recipe because they want to focus on the yeast flavor, says Farber.

The batch in question had a clear lactic-acid flavor, something that was not added in the brewing process and that had not shown up in any of the other pilot batches. Further confounding Farber was that the beer was the pale yellow he was expecting but completely clear.

“We spent a lot of time thinking there was a contamination and then spent so much

time checking for microbial contamination. When we kept getting the same results, by the fourth batch, we realized that there wasn’t a contamination and that the yeast was making lactic acid in fermentation.”

That’s right. There’s a yeast strain that exists that not only ferments beer but also produces lactic acid. Farber, a long-time homebrewer who has studied brewing for years, realized what a breakthrough this is—and that there will also be skeptics.

After he realized that the lactic quality in these batches of beer was coming from the yeast, it was tested and vetted at every level. Now, after months of examination, the university is seeking a patent on the application of the strain and is talking with some potential partners—they declined to say which ones—in order to get the yeast into the hands of homebrewers and professional brewers alike.

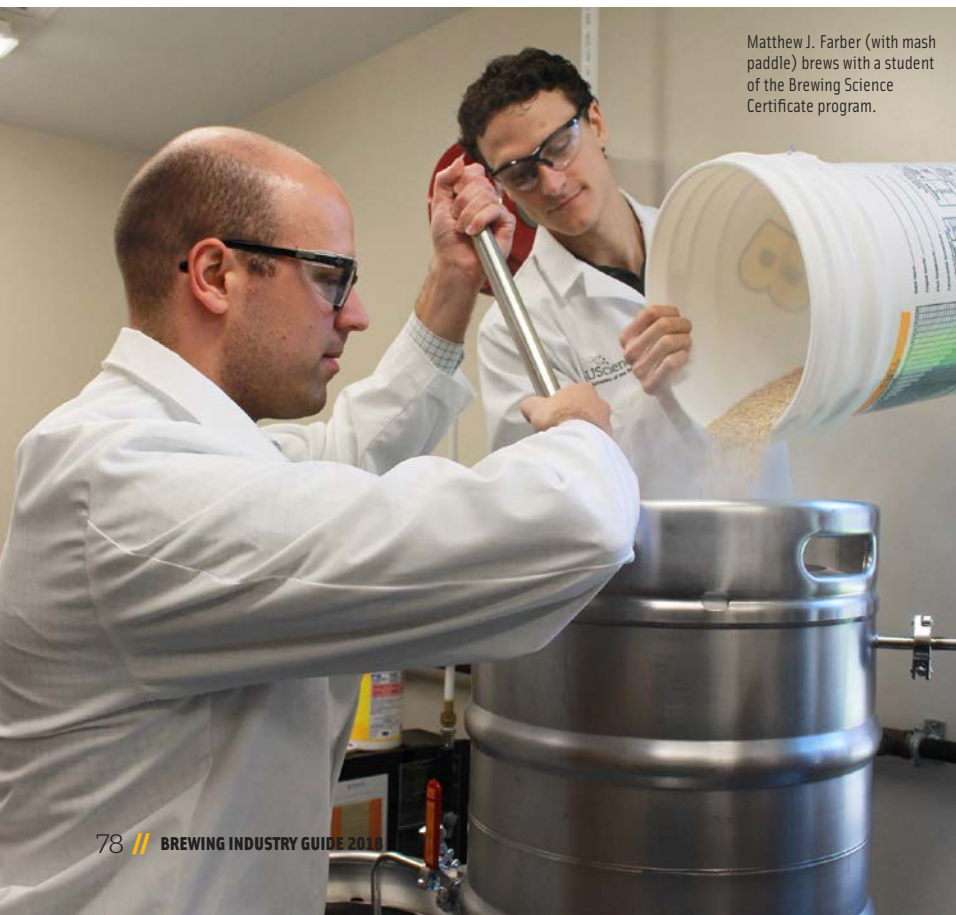
They call it GY7B for now, and it is, indeed, a novel lactic-acid producing yeast capable of acidifying beer to pH 3.5 in as few as five days with final attenuation at two to three weeks.

“It’s ready to go,” Farber says. “I want to share this with the world.”

A LUCKY FIND

Founded in 2015, the University of Sciences Brewing Science Certificate program is designed to teach the technical and microbiology aspects behind beer. It’s a team-driven teaching model with scientists and brewers teaching students both the practical and real-life scenarios and trends that go into brewing. The program culminates with an internship at a brewery.

During the Microbiology of Beer course, students head out into Philadelphia to find wild-yeast strains capable of fermentation. A research assistant in Farber’s lab found GY7B on a backyard tree in west Philadelphia. It was collected and brought back to the brewery’s lab along with other samples collected by the students. Each strain that is viable for brewing, says Farber, is put through the half-barrel fermentor rather than a coolship to let the students and researchers “dissect what grows.” Characterizing individual yeast for their fermentation character allows a brewer to be more consistent as opposed to the spontaneous fermentation in a coolship. Previously, as you’d imagine, various strains of *Brettanomyces* have been



Matthew J. Farber (with mash paddle) brews with a student of the Brewing Science Certificate program.

A QUICK PEEK AT GY7B

As GY7B works through the intellectual-property process, there are some things university officials can’t discuss, but Farber and the school offered up these specifics:

- » It is a highly attenuating strain (about 95 percent) that yields beers with bright lactic acidity balanced by a slight sweetness and mouthfeel from glycerol produced during fermentation.
- » Perfectly complementing the tartness of the beer is a pleasant bouquet of apple esters with no discernable off-flavors.
- » GY7B performs well by itself or in co-fermentation with other ale yeast.
- » GY7B’s high-flocculation character yields a brilliantly clear beer without filtration.
- » GY7B presents the opportunity to quickly brew a delightful sour beer without the limitations and risk of using bacteria.
- » GY7B fermentation stats:

Flocculation: High
Alcohol tolerance: Medium (4–8 percent)
Type: Sour beer
Attenuation: 95 percent
Optimum fermentation temperature: 68–72°F (20–22°C)

THAT'S RIGHT. THERE'S A YEAST STRAIN THAT EXISTS THAT NOT ONLY FERMENTS BEER BUT ALSO PRODUCES LACTIC ACID. NOW, AFTER MONTHS OF EXAMINATION, THE UNIVERSITY IS SEEKING A PATENT ON THE APPLICATION OF THE STRAIN AND IS TALKING WITH SOME POTENTIAL PARTNERS—THEY DECLINED TO SAY WHICH ONES—TO GET IT INTO THE HANDS OF HOMEBREWERS AND PROFESSIONAL BREWERS ALIKE.

harvested, imbuing the base beer with the telltale flavors associated with that wild yeast.

When new yeast samples arrive at the University's brewery, they are placed in a 10-milliliter tube where they are evaluated for CO₂ production. They're then stepped up to a half-liter quick-test fermentation. From there, the program chooses four samples to step up to the next level. As this lacto-producing yeast went through the tests, it "was particularly vigorous and flocculent" and after brewing and testing again was found to be "pleasantly acidic."

From there, the microbiologists took over, doing media plating to try to determine what was happening, and all along they kept brewing it over and over, getting the same results. The findings and application in beer were nothing short of a major innovation in brewing.

"It gives me goose bumps," says Farber.

THE TASTE

"We couldn't believe it because before this, we didn't know of anyone brewing with a lactic acid-producing yeast," Farber said last fall, standing in the brewery while offering a sample of the beer.


The beer has a soft wheat character and a richness from the oats. It's impossible not to notice the lactic-acid sour snap that is almost savory lemon, but there are also hints of melon and tart green apple that is more natural than an acetaldehyde flaw. The testing of the yeast also revealed glycerol in the mix, which adds sweetness and a full body to the otherwise highly attenuated beer.

The clarity is amazing in the 6 percent ABV ale. The beer flocculates clean, almost crystal clear, giving it the appearance that it has been filtered and centrifuged, something Farber says it has not undergone.

"This is a novel specimen making unique beer."

When it comes to all this yeast is capable of doing, "I wouldn't believe these things if I didn't have the data to support it," Farber says.

When the yeast is finally released and gets into brewing systems, it has the opportunity to open up new flavors in beers and, potentially, change the way brewers approach making sour ales.

"It's a faster, more reproducible yeast, meaning sour beer can be made faster and more consistently, leading to cost savings and making more sour beer available to drinkers," says Farber. 

This story originally appeared in the February-March 2018 issue of Craft Beer & Brewing Magazine®.

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CRAFT GROWTH STORIES

Data insight company IRI tracks retail sales through grocery stores, big box stores, convenience stores, drugstores, and similar mass market retailers. While a number of big craft brands experienced declines in 2017, the beers above were some of the biggest gainers in the world of craft beer. *Source: IRI, iriworldwide.com.*

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