

Open your own craft brewery!

FabJob Guide to  
**Become a  
Brewery  
Owner**



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## 1. Introduction

Congratulations on taking the first step toward starting up your own brewery. If you are like many successful brewery owners, you not only have an appreciation for good beer, you're probably also a hobbyist. If you have been brewing in small batches at home, you've probably had lots of positive feedback from everyone who has tried your beer. You've perfected your recipes, and you're ready to launch your beer on the beer drinking world, but you're not quite sure how to get it all together and get your brewery up and running.

This guide was written for people just like you. We recognize that there are lots of books about how to brew beer out on the market, but not for the sole purpose of helping you put together all the necessary elements and do the pre-planning for the ideal brewery you have in mind. You will find everything you need to get started with your brewery concept right here in this guide.

In this chapter, we'll look briefly at the industry and give you a brief overview of how running a commercial brewery is different from brewing beer at home for a limited audience. This chapter also covers the benefits of running your own brewery and outlines the steps needed to get started.

## 1.1 A Growth Industry

According to a Beer Institute/National Beer Wholesale Association report, the brewing industry accounted for more than \$35 billion dollars in sales during 2008. Compare that to sales in 2002 of around \$18 billion reported by the U.S. Economic Census, and that's an increase in sales of nearly 94% in just six years. Of course, these figures include the major breweries, but a significant portion of the sales numbers belonged to craft brewers and other small scale beer producers.

The Brewers Association reports that in 2008, the craft brewing industry generated \$6.3 billion. This represents a market share of 4% of beer production. In addition, U.S. craft brewers generated an impressive 6% of all beer sales in 2008.

There are other indications that the brewing industry is a vibrant one. For example, in the U.S. Economic Census in 2002, there were 379 breweries represented. Compare that with 1,525 breweries represented in the industry as of July 31, 2009, and you can see the number of breweries has more than quadrupled. Of course, these figures include the major breweries, but a significant portion of the sales numbers belonged to small scale beer producers or microbreweries (also known as craft breweries).

### Beer as an Economic Indicator

You've probably read a few discouraging stories in the news this year that beer sales are declining. Many media outlets have reported that sales have been hit hard by the recession. For example, one major news outlet reported in January that beer sales in the U.S. had increased in 2008 by only about half a percent over the previous year. However, by mid-year this year, most of the publicly-traded major breweries had reported increased revenues from last year.

Another factor in your favor as a new brewery owner is that domestic beers are becoming more and more appreciated as the economy has weakened. At the same time, or perhaps as a direct result, beer imports have been on the decline. The Brewers Association cites that sales of imported beers had declined by nearly 10% in the first half of 2009. That's good news for you! There has never been a better time to open your own brewery.

## Industry Trends

According to Paul Gatza, Director of the Brewers Association, which represents craft brewers, there are some trends to be aware of as a start-up brewery. Here are some of the trends the Brewers Association is noticing:

- A growth in hoppier beers like India Pale Ale
- Experimentation in seasonal releases
- More Belgian inspired sour beers and barrel aged beers
- A shift from contract brewing and brewpubs to microbreweries and regional craft brewers
- Savvier distributors who “understand the value proposition of craft brewed beers and the types of establishments that should focus on the beers and brands and customers”
- Greater understanding in the culinary world of good pairing with craft beers, as well as greater use and appreciation among culinary types in preparing meals with beer

We’ll look at types of breweries, distributors and how to find customers for your beer later in the guide.

## 1.2 Owning a Brewery

### 1.2.1 Home Brewing vs. Commercial Brewing

There are many similarities between home brewing and commercial brewing. For example, the brewing process mainly consists of turning a wort into a beer by adding yeast to it, fermenting and removing waste products of fermentation, and then bottling the finished product. However, there are some very distinct differences.

You’re probably coming into this industry having already produced some very nice home brewed beers and ales. You’ve likely experimented with flavors a little (or a lot). Maybe you invested in a bottling apparatus or two, and found some fancy bottles to put your brew into. You might even have gone so far as to produce your own label to let every-

one know that this is “your” beer. All of these activities have prepared you for opening your own brewery.

But there are differences when brewing at the commercial level. For example:

- You’ll need to produce beers and ales in mass quantities now.
- You’ll need to be able to reproduce those flavors you came up with or invent new ones.
- You’ll need to keep those flavors consistent batch after batch.
- You’ll need to insure that every step of the process is sanitary and safe in order to meet health and safety requirements demanded by regulatory agencies.
- You’ll need to insure that the alcohol content of your beers and ales meets levels prescribed by those same agencies.
- You’ll need to have your own bottling line and keg filling equipment.
- Your bottles will need professionally designed labels with a unique logo, theme, colors, text, etc., and you’ll need to make sure that all the information required by regulatory agencies such as where the beer is produced, ingredients it contains, and alcohol content are printed on the label.
- Finally, you’ll need a marketing plan to get your beer known to wholesalers, agents, restaurants, bars, and the general public.

We’ll look at all these points in detail later in the book.

## 1.2.2 Types of Breweries

You probably have a picture in your head of the type of brewery you want to run. It’s likely based on other regional craft breweries or on brewpubs you have visited. In fact, there are a number of different types of breweries that you can think about opening. We’ll look at these different niche or specialty breweries more in depth later on in this guide.

## **Specialty Craft Brewery**

A specialty craft brewery generally starts out with a few (as few as one) styles or types of beer. This is probably the most common brewery for new start-ups, because the specific processes that go into the beer are already familiar to the brewer. Later, many brewers branch out into more experimental brews.

## **Brew Pub**

Brew pubs are another popular choice among start-up brewers. Sometimes the owner of an existing restaurant or bar wants to add a unique feature to its business. A brew pub lets the owner create its signature flavors of beer and even build a menu around them. If this type of brewery appeals to you, you'll find plenty of information in this guide to help you get started.

## **Contract Brewery**

A contract brewery might be considered a "virtual" brewery. That doesn't mean that it exists online on the Internet, but that it doesn't actually own the brewing facilities with which its beers are brewed. Instead, the brewery owner contracts its production out to an existing brewery. To start this type of brewery all you need is a space in a building with room enough for your office. You could even start this type of brewery right from your home.

These are just a few of the different niche breweries you might consider starting. We'll look at them more in-depth later in the guide, and introduce you to a couple of other niche breweries. No matter what type of brewery you wish to start, you'll find many helpful tips and useful information in this guide.

# **1.3 Benefits of Being a Brewery Owner**

If you've been looking for a career that offers excitement, freedom, and financial independence, then this is the one for you. If bringing pleasure to others, personal freedom, or building a legacy through your own personal beer label appeal to you, then you've found the right business. Being a brewery owner offers these opportunities and more.

Here's how Ken and Bennett Johnston, owners of Fearless Brewing Company, characterize the benefits of owning their own brewery:

“Our primary objective was to create a lifestyle. We live on a river in the country, we report to no one, we make enough money to live comfortably, and we get to use business and creative skills we have developed over the years. Plus, our product brings joy to many, and, even better, we enjoy the heck out of it. What could be better?”

## **Bring Pleasure to People**

As a brewery owner you'll bring pleasure to countless thousands of people now and into the future. Imagine your label being available at restaurants far and wide, toasted at celebrations of all kinds, talked about and reviewed and desired by everyone who comes in contact with it. You'll be part of people's daily lives, bringing pleasure to them in ways you can't even begin to imagine.

## **Freedom**

Owning your own business will give you freedom in numerous ways. If you're coming into this industry from a full-time day job, think of the independence you will have by being your own boss. No more nine-to-five, and you can come and go as you please.

Once you're up and running and successfully producing your beer, you will experience the thrill of financial freedom. You'll also have the freedom to experiment with new beer styles, develop something truly unique, and express your creativity.

## **Benefit Your Community**

As a brewery owner you may also benefit your local community. Many breweries become popular tourist destinations because of the brewery tours they offer or that are offered through local or regional tourism companies. As a result, you will help to bring in extra income for other people in your area who are also involved in the local tourism industry. Restaurants, hotels and motels, bed and breakfasts and many other businesses that cater to tourists will all benefit from the presence of your brewery.

Many other businesses will also benefit as a result of your decision to become a brewery owner. You will do business with trucking companies, bottling companies, and distributors. As a result of all this activity centered on your brewery, you will contribute to the local job market and become a major part of the local economy.

## **Build a Legacy**

Many people are enchanted by the romantic notion of owning their own brewery. As you'll discover while reading this guide, starting and operating a brewery is a lot of work. But just imagine that you will have the opportunity to create a lasting legacy. Some breweries have been operating for a couple of generations. You will have the opportunity to make your brewery a lasting, respected part of the local community.

## **Income and Growth Potential**

And of course, we can't forget the potential for earning a great income. Many small craft brewers have gone on to become regional breweries. Some of them have gone on to sell their breweries to major brewing companies for millions of dollars. For example, Sleeman Brewery started out this way and was eventually purchased for \$400 million by brewing giant Sapporo Breweries.

## **1.4 Inside This Guide**

*The FabJob Guide to Become a Brewery Owner* is organized to help take you step-by-step through the basics you will need to open and operate your own store. The chapters are organized as follows:

Chapter 2 ("*Getting Ready*") explains how to learn the skills you will need as a brewery owner. It covers the basics of brewing in a commercial brewery then covers ways of learning from experts and through observation. You will also discover how to "learn by doing". You'll also find resources for learning more on your own.

Chapter 3 ("*Starting Your Brewery*") will help you decide what kind of brewery you should open. This chapter discusses different types of breweries to consider opening. It will also help you decide whether to buy an existing brewery or open a new one. It also explains what

you need to get started, including your business plan, start-up financing, brewery name, and other important matters. In this chapter you'll also find the information you need about legal and tax issues specific to breweries.

Chapter 4 ("*Setting Up Your Brewery*") offers the information you need to actually set up your brewery. It gives advice on how to choose a location, brewery software you can use to manage your brewery, and more. You will also discover what equipment and supplies you will need and who sells it.

Chapter 5 ("*Running Your Brewery*") takes you into the day-to-day challenge of running your brewery once it's open. It explains the brewing process and testing, bottling and labeling, health and safety considerations for breweries, and also covers financial management, and working with staff and customers.

Chapter 6 ("*Selling Your Beer*") will show you how to price your beers. We'll also introduce you to ways you can market your beer to potential customers. We'll look at ways you can make people more aware of your brand and offer some ideas about special events you can hold at your brewery to get people interested. Finally, we'll offer some advice about working with distributors and how to sell your beer online.

By following the steps in this guide, you will be well on your way to living your dream — opening your own successful commercial brewery.