

LEADING THE WAY

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This editorial is even longer than usual! I apologize for this, but I simply took advantage of the fact that we, at the time of the deadline for this issue, were informed that one of the articles planned for it would not make it in time. Along with a couple of other news stories, quoted later in the editorial, I have been inspired by the conference mentioned early in my piece to dig a little further into the current 'state of affairs' as regards our industry. Specifically, the current gradual, but quite fast, move from the 'craft beer revolution era' into the 'post-craft beer revolution era' with regard to brewery ownerships, the portfolio of beers produced by larger breweries and the changes in the marketplace this implies. And, not least, what all of this means to the relations between breweries and brewers.



In April, I attended the first 'Norwegian Brewers' Technical Conference' at the E.C. Dahls Bryggeri, the new microbrewery established inside the historic old brewery in the centre of Trondheim in Norway. The brewery is a joint venture between Carlsberg

Norway and Brooklyn Brewery, much along the same lines as Nya Carnegiebryggeriet established a few years ago as a joint venture between Carlsberg Sweden and Brooklyn Brewery at Saltsjöbaden in Stockholm. And as was the case at Nya Carnegie, where the brewery invited all the Swedish microbrewers to attend a technical conference hosted by the brewery a very short time after its opening, the E.C. Dahls people did the same. Only, the choice of E. C. Dahl was to partner up with the Norwegian Brewmaster Guild, so, instead of inviting only microbrewers, this conference was for all brewers and breweries, large and small, in Norway. The programme for the conference, which took place from the 6th through the 7th of April this year, was extremely broad (see page 6!).

It is no coincidence, of course, that these initiatives have taken place at breweries where Brooklyn Brewery is a partner. The legendary and iconic brewmaster at Brooklyn Brewery, Garrett Oliver, is a very active and stern proponent of the importance of cooperation, knowledge-sharing and camaraderie within the craft brewing community. This agenda has been a driving force for Garrett at home in the US for decades, and it is telling about Garrett's dedication that he has brought this with him into the new partnerships in our part of the world, and insisted on launching the initiatives so very soon after the openings. A time when, for most, there would be many other issues on the top of the agenda for management and brewers. The spirit of the conference was described very briefly by Garrett: 'We don't care whether your brewery makes 2 HL at a time or 200 HL at a time - if you make and sell beer for a living, you are one of us. Come and see your people.' His Norwegian – well, employed by Carlsberg, but actually also American with a German background – counterpart, the new E. C. Dahls head brewer, Wolfgang Lindell, added a few more words on this after the conference: 'We'd love to do this again next year if the interest is there among Norwegian brewers...For us at E.C. Dahls, this conference is part of our mission to be a resource to the entire professional brewing community in Norway. So if you have good ideas or you'd like to present something next time, please tell us! This whole thing goes nowhere without your participation...'



'Norwegian Brewers' Technical Conference', 6th – 7th April 2017, Programme

Roar Sandodden (Owner, Alstadberg Tradisjonsbryggeri, Skatval, NO)	Stjørdal Malt
Anders Kissmeyer (Master Brewer, Kissmeyer Beer & Brewing, DK)	New Nordic Beer movement
Christina Schönberger (Manager Technical Sales, Barth Haas Group, DE, Dr. Ing.)	Hop flavour stability in craft beer
Zoran Gojkovic (Director of Brewing Science & Technology, Carlsberg Research Center, DK, Ph.D. & Brewmaster)	Brett & Craft beer: Why work with anything else?
Garrett Oliver (Brewmaster, Brooklyn Brewery, Brooklyn, NY, USA)	Bottle Fermentation
Tomme Arthur (Co-Founder and Director of Brewery Operations, The Lost Abbey, San Diego, CA, USA)	Listening To The Wood – Methods and Techniques for Aging “Straight” and Sour Beers In Oak
Tore Hage (Ringnes Quality Dept, Oslo, NO)	Microbiological Contamination in a Craft Brewery, the use of non-lab methods and PCR to detect and trouble shoot.
Hege Ramseng (Project Leader, Bryggeri- og Drikkevareforeningen, NO)	Norwegian Brewers Association
Rune Lennart Andreassen (Chairman Norsk Bryggerlaug, Brewmaster at Macks Ølbryggeri, Tromsø, NO)	Norwegian Brewmaster Guild
Armin Hafner (Professor Refrigeration Technology NTNU Department of Energy and Process Engineering, Trondheim, NO, Dr. Ing.)	Sustainable Refrigeration Technology

We had actually hoped to be able to bring a full article on the conference in this issue of the SBR, but time did not permit Wolf, who had taken on the task as main author, to complete this in time before the deadline. But we will, of course, bring it to you as soon as it is ready. In any case, before I knew that the article would not be ready for this issue, I had decided to highlight the conference in my editorial. The title of this, ‘Leading the way’ obviously refers to my admiration for and gratitude towards Garrett and Carlsberg Norway and –Sweden with respect to the conferences.

I have on several occasions previously in my editorials in this magazine focused on the ongoing dramatic changes in our industry in the current era, which I think we might call the ‘post-craft-revolution-era’ as we call the preceding one the ‘craft-revolution-era’. Even though the growth of craft in our region and worldwide is still very strong and, in particular, the number of breweries in all other countries than Denmark has exploded during the past few years and this growth shows no sign of weakening just now, I still think my use of ‘post’ as regards the current era is justified.

Especially the relationship between the ‘big old’ and the ‘small new’ players on the brewing scenes has been and remains a

topic that interests me very much, and I feel convinced that this is true for most of the readers of the SBR as well. In order to refresh your memory, my belief is that the increasing blurring of the lines between ‘craft’ and ‘mainstream’ is inevitable. The more-established breweries, which previously only concerned themselves with brewing mainstream lagers of different sorts, have for decades now seen the market shares and total sales of these beers drop consistently while observing the dramatic growth of craft, in volume and not least in value. Thus, it is hardly rocket science that these breweries have had a serious look at their future strategies and beer portfolios, deciding that it was time to get a piece of the action where the action is.

Thus far, my simple analysis of the market is entirely uncontroversial – we can all observe this and the visible consequences of it in our beer markets. My outlook becomes controversial amongst some when I claim that it is a very positive development. Some craft beer geeks – those that are more concerned with the political aspects of the revolt of the ‘small and independent’ against the ‘big and evil’ forces in brewing – will, of course, disagree strongly. They will, a bit like, ironically, the founder and main owner of Boston Beer Company, Jim Koch, claim that this is ‘the end of the craft beer revolution’ resulting in a reduced variation in the number of

beers and beer styles available to the consumers and even to increasing beer prices. Using exactly the opposite argument – that the ‘post-craft-revolution-era’ will continue to bring us more beer variety and a much better overall ‘quality to price ratio’ for the average beer consumer – I stick to my praise of the current development. Yes, I obviously realize that the ‘barriers of entry’ into the beer markets for hopeful, prospective new craft brewers will increase due to the current development, and that life of newly started breweries will be harder as the market is more competitive. But I honestly feel that putting a bit more pressure on the newcomers with respect to carefully choosing a viable business model, including making sure that the beers brewed make a difference in a crowded market place, is an acceptable ‘sacrifice’. To some extent, it as if craft beers – craft brewers to be more specific – up until now have been living in a bubble. The fact that craft brewing for many years was so fundamentally different from mainstream brewing has, with many, created the illusion that there was and would be no overlap between the segments, and that craft brewers thus would be able to keep the craft beer markets to themselves indefinitely. On many markets, this illusion was strengthened by the rather primitive and unsuccessful attempts by big brewers to launch ‘crafty’ beers. But, in my view – supported

by the beauty of hindsight – it was incredibly naïve to believe that a segment of an industry can exist in a capitalist economy without having to suffer the consequences: If your idea and business model is highly successful, you will not be allowed to keep it to yourself!

I started this editorial by highlighting the example of the E. C. Dahls Norwegian conference as ‘leading the way’. This is because I strongly believe that only through increased cooperation, knowledge-sharing and mutual inspiration can we remedy the negative consequences of the ‘post-craft beer-revolution-era’, and we all – like the organizers of the conference and like what our national brewers associations are focusing on – must adapt to the fact that there are no iron curtains between craft and mainstream brewers anymore. No one will be able to prevent that it will be a lot harder in the future to establish a viable business model for a start-up-brewery entirely on your own. The need for formal and informal networks supporting start-ups and also smaller breweries having survived the first few years will grow as the current trends continue. But, in my view, the fact that there are also economic factors pushing for increased ‘camaraderie’ amongst brewers, large and small, is not a bad thing. →

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A closer contact between us is good for us all, and a feeling of friendship and solidarity between large and small breweries will potentially also be able to create an understanding of how we can all operate without competing unfairly. After all, there are not many people left who honestly believe that the intention of the big brewers is to strangulate and eliminate the small, independent craft brewers. There is a strong and important consensus that these brewers created the craft beer market and that the independent spirit and innovation that these brewers still bring to the brewing industry excite consumers and media and thus elevate the image of beer and brewing in general to the benefit of all.

In Denmark, the growth of the ‘specialty beer’ segment (sorry, but is such a ‘mixed bag’ that a more precise term is hard to find) where the craft-revolution started at least 17 years ago is no longer followed by a similar growth in the number of breweries. To me, this fact is no coincidence. It is quite simply a consequence of the ‘maturation’ of the specialty beer market. With more than 1000 new beers on the market year on year, the desire of even the most experimenting beer consumer is more than fully met, and the effects the fierce competition has on the prices make it quite a different task to enter this market now compared to 10 years ago.

Paradoxically, this is very different in the US, the mother of all craft beer markets, where the craft revolution has been going on for 3 decades now. Over there, the number of breweries has been growing at an incredible pace over the past 2 – 3 years and it shows no sign of slowing down just now either. But the craft scene is very different in the US compared to the Nordic region, as quite a few of these breweries have been so extremely successful over the years that they have grown to volumes over the million hectolitre mark. And even in the US, you cannot sell such volumes just locally, so these breweries – Boston Beer Company, Sierra Nevada and New Belgium as the prime examples – have long since gone national, selling their beer in all or almost all US states. Earlier, this was fuelled by the quality and innovativeness of these breweries, always offering their consumers something new, exciting and good beers. But, now, the megatrend of ‘local’ has hit the US beer market – the consumers now clearly prefer the beer brewed by the brewery down the street or just around the corner to even the best beers offered by the national craft brewers.

Above, I mentioned Jim Koch of Boston Beer Company. His company, being the biggest of them all, has also understandably been hit worse than any by this development in the beer

market. Mr. Koch is a powerful and opinionated man, and he will not quietly accept the new state of affairs. In an interview in the New York Times (edited by my idol, Ina Verstl of Brauwelt International) in April, Jim Koch is quoted as saying:

“The horizon [for craft] isn’t so bright. After years of 15 percent growth, the craft sector is down to the single digits. Part of that is to be expected in a maturing part of any market – but it’s also a result of a pushback by a handful of gargantuan global brewers, aided by slack government antitrust oversight.” Mr. Koch points out that this has led to an increase in beer prices and the end of a decades-long decline in real beer prices. Drinkers began paying almost USD 2 billion a year more for their beer. What he fails to mention is that this general price hike for beer has made craft beer economically viable. Why pay serious money for a six-pack of Bud or a Miller Lite if, for a few dollars more, you can get a craft beer?

He next mentions consolidation among the wholesalers, whose number has declined from 4,600 in 1980 to fewer than 3,000 today. *“These distributors are free to favour their primary suppliers over independent craft brewers when it comes to promotion, visibility, shelf space and marketing support,”* Mr. Koch says. But it’s equally beyond doubt that wholesalers have taken on craft beers in a big way, so much so that they are aching under the weight of carrying hundreds of craft beer SKUs. Just do the maths: there were 5,300 craft brewers at the end of 2016, all brewing at least a dozen brands each. Who on earth can possibly distribute them, even if they wanted to?

The argument which got Mr. Koch into trouble (again) with other craft brewers is his call for transparency. As he argues, *“drinkers buying cute-sounding brands like Goose Island or Terrapin or Ten Barrel are often unaware that these brands, some of them once independent, are now just subsidiaries of AB InBev or Molson Coors, which are not transparent about disclosing their true ownership anywhere on the bottle.”* That’s a bit much coming from Mr. Koch, who has famously refrained from disclosing his ownership of brands like Coney Island Brewing Co. on the packaging.

Mr. Koch concludes that *“craft brewers are headed for a time when independent breweries can’t afford to compete, can’t afford the best ingredients, can’t get wholesalers to support them, and can’t get shelf space and draft lines. The result: Beer lovers won’t have the broad range of choices they have today. ... We may be witnessing the beginning of the end of the American craft beer revolution.”*

Other craft brewers beg to differ. Of course, the going will get tougher, but there is no evidence that the number of craft breweries operating in the US cannot double or even triple in years to come, provided the newcomers stay local and small. After all, consumers already seem to favour local craft beers over national brands like Mr. Koch's "Sam Adams".

The quotes from Jim Koch obviously speak for themselves, but I find it thought-provoking that he chooses to lash out so fiercely and use such high-strung language in a situation where only his own company and few others are seeing flat or declining sales.

But the outbursts from Jim Koch are not the only signs that the honeymoon for craft brewers – not least for those having been taken over by the big brewers – is over. In another little recent piece from the Brauwelt Intl. (Ina Verstl) newsfeed I stumbled across the following:

'Who would have thought that craft brewers would react to the sale of Wicked Weed (Asheville, NC) to AB InBev in early May with anger, rather than quiet resignation? Wicked Weed is AB InBev's tenth acquisition in the US, not its first.

However, this time the repercussions were significant. Two craft breweries publicly stepped back from scheduled collaborations while the local brewers' guild immediately suspended its membership.

Not enough, the outcry forced Wicked Weed to cancel its annual Funkatorium, a sour beer fest, at least for its scheduled date (8 July 2017) and its current form.

This year's Funkatorium was scheduled to feature over 70 breweries when Wicked Weed announced on 3 May 2017 that it had been acquired by AB InBev.

Part of the fallout was that breweries immediately began backing out of the festival. By 9 May, nearly 50 breweries had confirmed they would no longer attend.

The same day, Wicked Weed felt compelled to cancel the event, effectively acquiescing to being ostracized from the community, as one commentator put it. Still, Wicked Weed said the festival will continue in some form, in part because the brewery doesn't want to let down the charity it supports. →

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“We will evolve the Funkatorium Invitational and host a reimagined festival to raise money for Eblen’s cause on 26 August 2017”, Wicked Weed said.

Why the sale of Wicked Weed has had such a fall-out is hard to fathom. After all, other AB InBev-owned craft breweries continue to hold their beer festivals. Only last month, New York’s Blue Point, which was bought by AB InBev in 2014, held its 14th Annual Cask Fest, featuring over 60 breweries.

Plenty of brewers will probably refuse to attend this event as well but others had no such objections.’

Food for thought... Is the extreme reaction against Wicked Weed a sign that more ‘traditional’ and independent craft brewers in the US are now beginning to actively distance themselves from and ‘blacklist’ those colleagues taken over by big brewers? Or is it just one of these increasingly frequent social media shitstorms that hit rather randomly from time to time? Only time will tell, but I hope it’s the latter. As I’ve argued in this editorial, the tide cannot be turned and it is in the best interest of us all if we focus on how we jointly can make the best

of it. We’re all in the game to create joy and great beer for our consumers and to make a difference in our local communities.

Please remember that we at the SBR very strongly encourage you to comment on the anything you wish to comment on in the magazine, but obviously particularly to the editorial. Please forward your comments to anders@kissmeyer.dk. ↴

Anders Kissmeyer

Technical Editor, Scandinavian Brewer’s Review

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