



BREW PUBS

Bucking the Trend

BY STAN HIERONYMUS

At 6 o'clock on a Saturday evening in February, the wait for a table at Turtle Mountain Brewing in Rio Rancho, N.M., is 45 minutes. On this day the restaurant will sell 550 meals, about 60 percent of them after 5 o'clock. Friday night was even busier.

The year has begun well, with revenues up 6 percent in the first two months, after a 2009 that could have been worse. The brewpub made a couple more batches of beer than in 2008, boosting production to 1,192 barrels. That's an important number, but owner Nico Ortiz is at least as interested in how many meals are headed out of the kitchen on a good night and the color of the ink on the bottom line.

In 2009, business declined a half of a percent. "I considered that a huge victory," Ortiz said. At chain restaurants that flank the mall a few miles away, business was down much more. One went out of business, and there are rumors another may soon.

2009 TOP 10 BREWPUB GROUPS

Rank	Company		Sales (bbls)	% change	# of stores*
1	BJ's Restaurant & Brewery	(a)	46,267	1	10
2	Rock Bottom Restaurants	(b)	42,156	-5	38
3	Gordon Biersch Brewery Restaurants	(c)	30,189	-6	33
4	McMenamins Breweries		23,571	-3	24
5	RAM/Big Horn Brewery	(d)	18,603	-3	20
6	Granite City Brewing Co.		15,970	-4	25
7	Hofbrauhaus		7,170	133	2
8	Rohrbach		6,697	40	2
9	Moylan's/Marin		6,679	-6	2
10	Iron Hill Brewery & Restaurant		5,950	11	8

* store count excludes non-brewing restaurants.

(a) includes contract barrels.

(b) includes Walnut Brewery and Chophouse brewing locations.

(c) includes Big River Grille & Brewing Works, Rock Bottom Brewery of Charlotte, A1A Alehouse, Ragtime Tavern and Seven Bridges Grille & Brewery.

(d) includes C.B. & Potts/Big Horn Brewing Co. and C.I. Shenanigans Chophouse & Brewery.

Food sales account for two-thirds of revenue at Turtle Mountain, but beer grabs an out-sized share of attention. "People know there's only one place they can get our beer and that is a huge deal," he said.

Brewpubs across the country produced 2 percent more beer in 2009 than in 2008, following a decrease of 3 percent the year before. Compare that to beer sales in restau-

rants, down 7 percent according to the National Restaurant Association, or wine sales that tumbled almost 30 percent.

The growth of sales at brewpubs and for craft beer overall decoupled long ago, but 2009 illustrated that brewery-restaurants are among those better positioned for economic hard times and provided hints that when the economy gets better and consum-

ers change their habits—both are givens—brewpubs will be well-suited to serve the next generation.

The National Restaurant Association predicts 2010 will be better than 2009, with sales up about 2.5 percent, or essentially flat after accounting for inflation. Restaurant visits in 2009 declined 3 percent, according to NPD Group, a market research company. The drop was the first since NPD began tracking data in 1976. "In 2008, consumers appeared to trade down some full-service visits for fast-food visits. In 2009 they made fewer visits to restaurants overall," said Bonnie Riggs, NPD's restaurant industry analyst.

"Fast-casual dining" chains such as Chipotle Mexican Grill, Panera Bread Co. and The Cheesecake Factory have been the outliers, expanding both in number of stores and sales at individual operations. Panera Bread, with nearly 1,400 outlets and plans to add 80 in 2010, reported sales up 8.4 percent in the fourth quarter in stores open more than a year.

In fact, Panera is the best-performing major-restaurant stock of the last decade, with annualized growth of 31.5 percent. "Panera is proof that, in suburbia, there's a hunger for real food," according to an article in *Fast Company* magazine. "Unfussy ingredients moved from farm to plate quickly and affordably. And the company has combined that menu with an unpretentious atmosphere."

"Panera's on-trend with what consumers are asking for: fresh, customizable, convenient, won't break the bank," said Darren Tristano, executive vice president of food-industry research firm Technomic.

Unlike brewpubs, Panera offers neither beer nor table service, but there are plenty of similarities. The restaurant puts freshness up front, handing out samples of baked goods to those standing in line, with bread and ovens on display behind the counter. A growing number of brewpubs are finding ways to use local ingredients in their menus, but fresh beer is already a given.

STILL SMALL AFTER ALL THESE YEARS

Restaurant sales have always depended on economic conditions, although in the 1990s it wasn't quite as clear that eventually the brewery-restaurant business would as well. From 1991 through 1997 the number of brewpubs in the United States increased from 155 to 845 (growing about 5.5-fold). Those pubs brewed 112,154 barrels of beer in 1991 and 691,879 in 1997 (increasing 6.2 times over). Continuing to grow at that rate, which was of course impossible, in 2009 more than 25,000 brewpubs would have made 26.5 million barrels. In 1998 production turned flat and in 1999 it decreased for

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the first time, although the number of brewpubs continued to climb until 2000.

In 1991 each brewpub produced 723 barrels on average. That increased to 839 barrels in 1993 and it stood at 818 in 1997. Today the average is 715, but a single number does not represent the range of businesses. Many brewpubs package their beer and produce far more than nearby microbreweries, while others have established they may thrive brewing far less than average.

For instance, today there are 240 brewpubs (that's how many there were total in 1993, when the average production was almost 820 barrels) making between 400 and 725 barrels. One is the Calistoga Inn & Brewery in Napa, which has been brewing beer since 1987 and went through its "growth spurt" in the first half of the 1990s, boosting production from 320 barrels annually to 420. In 2009 the 7-barrel brewery made 450 barrels.

The Alchemist Pub & Brewery in Waterbury, Vt., celebrated its sixth anniversary in November and owner-brewer John Kimmich figures that 450 barrels a year is plenty for a restaurant that seats 60. "We're limited by the number of people we can move through the pub," he said.

He sells no beer "to go," not even growlers, and not only because Vermont law makes growler sales difficult. He'll occasionally fill a growler to drink himself at home. He first purges it with CO₂, caps it on foam and usually drinks it not long after filling. "Me, I can taste the difference, just that once, being poured..." he said, explaining why The Alchemist will stick to draft beer.

Although the number of brewpubs has changed little in the past 10 years (in fact, it is down from the peak of 2000, although that can be attributed almost entirely to the fact that the Hops Grill & Brewery chain shrunk from 73 to 3), the diversity of establishments and what they offer has grown considerably. For instance, Kim-

2009 TOP 10 INDIVIDUAL BREWPUBS BY REGION

Pacific Northwest Region (AK, OR, WA)

Rank	Company	State	Sales (bbls)	% change
1	Boundary Bay Brewery	WA	5,738	1
2	Laurelwood Brewing Co.	OR	4,825	16
3	Elysian Brewing Co.	WA	4,481	-1
4	Hopworks Urban Brewery	OR	4,441	47
5	Scuttlebutt Brewing Co.	WA	4,088	5
6	Glacier Brewing Co.	AK	3,352	-3
7	Silver City Restaurant & Brewery	WA	2,700	67
8	Skagit River Brewing Co.	WA	2,200	100
9	Double Mountain Brewery	OR	2,075	-1
10	McMenamins Brewery - Crystal Ballroom	OR	1,825	-1

Pacific Region (CA, HI)

Rank	Company	State	Sales (bbls)	% change
1	Moylan's Brewery & Restaurant	CA	3,945	-5
2	Russian River Brewing Co.	CA	3,067	5
3	Coronado Brewing Co.	CA	2,795	11
4	Marin Brewing Co.	CA	2,623	-4
5	Tied House Cafe and Brewery - Mtn View	CA	2,150	0
6	Rock Bottom Restaurant & Brewery - San Jose	CA	1,996	3
7	Pizza Port Carlsbad	CA	1,680	11
8	Rock Bottom Restaurant & Brewery - La Jolla	CA	1,603	4
8	Rubicon Brewing Co.	CA	1,603	11
10	Sacramento Brewing Co.	CA	1,500	-37

Northeast Region (CT, DE, DC, ME, MD, MA, NH, NJ, NY, PA, RI, VT, VA, WV)

Rank	Company	State	Sales (bbls)	% change
1	Hofbrauhaus - Pittsburgh	PA	4,200	NA
2	Opa Opa Steakhouse & Brewery	MA	3,926	22
3	Gritty McDuff's - Freeport	ME	3,770	18
4	Rohrbach Brewing Co.	NY	3,700	50
5	Rohrbach's Railroad St. Brewery	NY	2,997	29
6	Capitol City Brewing Co. - Arlington	VA	2,565	4
7	Brewers Art/Old Line Brewery	MD	2,000	9
8	Church Brew Works/Lawrenceville Brewery Inc.	PA	1,950	-3
9	Cambridge Brewing Co.	MA	1,920	1
10	Otto's Pub & Brewery	PA	1,765	13

South Region (AL, AR, FL, GA, KY, LA, MS, NC, OK, SC, TN, TX)

Rank	Company	State	Sales (bbls)	% change
1	Foothills Brewing	NC	3,898	24
2	Hofbrauhaus - Newport	KY	2,970	-4
3	Krebs Brewing Co.	OK	2,536	25
4	Big River Grille & Brewing Works - Chattanooga	TN	2,257	-7
5	Asheville Pizza and Brewing	NC	2,000	0
6	Carolina Brewery and Grill - Pittsboro	NC	1,905	16
7	Natty Greene's Pub and Brewing Co.	NC	1,850	0
8	Bluegrass Brewing Co.	KY	1,705	-8
9	Smoky Mountain Brewery (#3) - Pigeon Forge	TN	1,500	-17
10	Top of the Hill Restaurant & Brewery	NC	1,500	1

mich brews a wide variety of beers, offering as many as 10 at a time and including one fermented only with *Brettanomyces*, other wild concoctions, ultra-hoppy beers, Belgian-inspired beers and even gluten-free beers (that won gold and bronze at the 2009 Great American Beer Festival). Not surprisingly there's pent-up demand for his beers among beer traders, but he's content to sell only to locals and tourists who flock to the region for many attractions, including the nearby Ben & Jerry's ice cream factory.

"By no means was it chance it happened this way," said Kimmich, who served as head brewer at the Vermont Pub & Brew-

ery before he and his wife started the Alchemist. "I want to make beer and be able to lead my life. I would never want to chase that grow, grow, grow model."

AND STILL A DESTINATION

Change is constant. The Calistoga Inn might be selling the same amount of beer as 15 years ago, but now the restaurant has a Facebook fan page, uses Twitter and has staked out a spot on Foursquare, the location-based social networking application. Whether a pub has a long history like Calistoga or is almost new, like Freetail Brewing Co. in San Antonio, these new tools allow brewpubs

to remain both destinations and gathering spots for locals.

Founder Scott Metzger did not pick the best of economic times to open Freetail, yet the brewpub sold 644 barrels of beer in its first full year of operation. "The economy seemed to affect us a little later than the rest of the country, and it wasn't as bad as some places," he said.

"If there is a silver lining, when people do go out, they are putting more into where they are going," he said. "They are thinking, 'We're going out, let's make it worth it.'"

Metzger uses Twitter and Facebook to broadcast information about new beer releases, special events, specials in the pub ("Date Night tonight! Medium 1-topping pizza and a pitcher for \$16!") and other topics that might interest customers. The plurality (43 percent) of Facebook followers is 25-to-34 years old, but Facebook followers 45 and older are more likely to interact with the brewery.

That's the sort of information pub owners had to work much harder to collect not long ago. Twitter provides two immediate sources of feedback. "We can check to see what people are retweeting and if there are complaints it gives us a chance to respond immediately," Metzger said.

After a little more than a year in business, he already started to see younger drinkers in the pub. "The 25-to-34 year olds are still our core demographic, pretty traditional," he said. "But we're starting to get more college age kids, more young professionals. They value local, independent businesses. And we're getting more women, groups of women coming in together."

Jeff Jinnett understands better than most that no business plan can accurately account for such intangibles. He's president of Santa Fe Dining, which operates both high-end and casual restaurants in Santa Fe and Albuquerque, and is also president of the Marble Brewery, a microbrewery that opened in 2008 in Albuquerque. The economic slowdown was a double whammy for the fine dining spots in Santa Fe because the city is heavily dependent on tourists, and they stayed home.

Business at brewpubs in Santa Fe and Albuquerque held up better. When the company first built a Blue Corn Café & Brewery in Santa Fe in 1996, followed by one in Albuquerque in 1998, the plan was to start a chain of brewery-restaurants specializing in New Mexican cuisine. That never happened, and although beer sold well at the Blue Corn in Albuquerque, the business was not profitable.

The company remodeled the restaurant in 2005, changing the name—to Chama



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River Brewing—and the menu. “People told us if they wanted to get enchiladas they could go someplace in their own neighborhood,” Jinnett said. Chama River sits next to a Texas Land & Cattle Steakhouse and competes with dozens of nearby chain restaurants. The menu is “upscale casual,” that is between fine and casual dining, and Chama River has become a profitable destination restaurant itself. “We learned a lot having to evaluate a single location,” Jinnett said.

That didn’t make the success of the pub at Marble Brewery any less surprising. The owners picked the location not far from downtown Albuquerque because the building was well suited for a brewery. When it opened in April 2008, nobody could have predicted that in 2009 the brewery would sell about 2,000 barrels of beer—40 percent of its overall production—in the smallish pub adjoining the brewhouse. It has no kitchen and a limited menu.

“The first complaint we got (after opening) was that we didn’t have enough bicycle parking,” Jinnett said. That was the first hint that those in the immediate area would embrace Marble. “I didn’t have any idea how much of a neighborhood pub that it would become.”

Across the Rio Grande in Rio Rancho, you wouldn’t call Turtle Mountain a neighborhood pub, though it is a destination. Most customers drive, although surprisingly—since the setting is basically suburban—parking can be scarce. When the brewpub opened in 1999, the kitchen consisted mostly of a wood-fired oven for pizzas and calzones and there were 70 seats. A new restaurant, built a few blocks from the original in 2006, has a full menu and seating for 250 when the patios are open.

Preparing for an 11th anniversary party, Ortiz calculated that Turtle Mountain’s core customers are, as they were at the beginning, 25 to 45 years old. Of course some of the first customers from 1999 are now in their 50s or older. Ortiz sees them more often at Fat Squirrel, a pub with 20 beers on tap that opened in the same spot as the original Turtle Mountain (Ortiz and his wife, Liz, are partners in that operation as well).

Meanwhile many of those who were barely of drinking age in 1999 come in today with their children. The beat goes on when there’s beer you can’t get on tap “down by the mall.”

Stan Hieronymus is the author of *Brewing with Wheat: The ‘Wit’ and ‘Weizen’ of World Wheat Beer Styles*, now available from Brewers Publications. A frequent contributor to *The New Brewer*, he blogs at <http://appellationbeer.com/>.

2009 TOP 10 INDIVIDUAL BREWPUBS BY REGION

Mountain West Region (AZ, CO, ID, MT, NV, NM, UT, WY)

Rank	Company	State	Sales (bbls)	% change
1	Ellis Island Casino and Brewery	NV	3,345	-1
2	Wynkoop Brewing Co.	CO	2,850	NA
3	Great Basin Brewing Co.	NV	2,561	29
4	Gordon Biersch Brewery Restaurant - Las Vegas	NV	2,560	7
5	Rock Bottom Restaurant & Brewery - Denver	CO	2,276	-16
6	Southern Sun Pub and Brewery	CO	2,130	14
7	Red Rock Brewing Co.	UT	2,000	-8
8	Phantom Canyon Brewing Co.	CO	1,950	26
9	CooperSmith’s Brewing Co.	CO	1,920	-8
10	Gordon Biersch Brewery Restaurant - Glendale	AZ	1,807	-18

North Central Region (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI)

Rank	Company	State	Sales (bbls)	% change
1	Empyrean Ales	NE	4,730	9
2	Dark Horse Brewing Co.	MI	3,841	174
3	Fitzgers Brewhouse	MN	2,550	2
4	The Brew Kettle, Taproom & Smokehouse	OH	2,521	35
5	Free State Brewing Co.	KS	2,513	-4
6	Rock Bottom Restaurant & Brewery - Chicago	IL	2,439	-3
7	Great Dane Pub and Brewing Co. - Madison	WI	2,265	-6
8	Mad Anthony Brewing Co.	IN	2,028	11
9	Great Dane Pub and Brewing Co. #3 Madison	WI	1,809	1
10	Grizzly Peak Brewing Co.	MI	1,680	6

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