

Northern New York Craft Beverage Industry Report

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Introduction:

The craft beverage industry is growing in Northern New York with over 30 licensed craft beverage establishments and several others in the works. Among the beautiful peaks, rivers, and lakes the region is known for, lies huge potential to increase tourism and local revenue with well-made and locally sourced beers, hard ciders, and spirits. This potential has not gone unnoticed, and more people are looking into investing in this business. In the summer of 2018, nine craft beverage companies were interviewed on their product development, sales, marketing, and equipment. This report aims to objectively look at the costs of starting and growing a brewery, hard cider operation, or distillery in Northern New York.

Northern New York Craft Beverage Sales and Marketing

Sales:

After interviewing Northern New York Craft Beverage companies, it was determined that they utilize a combination of both retail and wholesale markets to distribute their products. This is a significant factor to consider when starting up a craft beverage business and is something to be considered when deciding what to license your business under.

- **Brewing:** Most current North Country breweries are selling the majority of their products at their tasting room. On average, this accounted for well over half of the sales.
- **Distilling:** North Country Distilleries are also focusing more on the local market and retail sales. Since the distillation and aging processes take significantly longer for varieties of liquor, many distillery operations do not see an immediate return on their investments. It can take as long as 10 years or more to see return on investment.
- **Hard Cider:** North Country hard cider operations are also more geared toward the local market and on-site sales. There are a few that distribute locally in retail stores.

Marketing:

With today's advances in communications, some North Country craft beverage establishments have found new ways to reach customers. A common theme is some form of social media promotion. However, despite the great opportunities the internet has to offer, some companies have found that newspaper/TV advertisements, merchandise, word of mouth or only a good product have been very helpful in bringing in customers.

Cost of a Bottle: When you look at a bottle of any craft beverage, you might see: a bottle, label, and alcohol. However, there is a lot more to be considered when looking at that bottle. The bottle also includes the labor, cost of raw materials (apples, grain, hops), total investment of the operation (building/ equipment), insurance, taxes, and much more.

Do market research: It is important to do market research prior to jumping into any potential investment. Consider the customer base in our area and what they are willing to pay for a locally made beverage. Locally made craft beverages tend to be priced higher than a commercially produced

beverage. However, more craft beverages are being found on the market with the larger commercial beverage companies making specialty craft beverages. In order to determine what to charge per bottle, glass, growler, ect. you'll want to look at what your overall overhead (equipment, building, labor, bottles, rental, taxes, licensing, etc.)The cost establishment spreadsheet can help you get estimated cost to allow you to break down how much you'll need to charge. If you determine that you must charge a price much higher than the customer base is willing to pay, your sales may be limited, and you may not have enough income to support a successful operation.

Venues

Prospective brewers, distillers, and hard cider makers will be happy to know that Northern New York has plenty of opportunities to sell and advertise their products at several different events and esteemed tourist destination across the area. From weddings, craft beverage festivals, and farmer markets there is no shortage of gatherings to get people to taste your products. Some ways to connect to these different opportunities are listed below:

Weddings: Many craft beverages have venue sits that can host weddings. Another option is to connect with local venues, chefs, and wedding coordinators to promote the craft beverage.

Craft Beverage Festivals: Northern New York has a number of craft beverage festivals thought the year. To find out upcoming festivals it is suggested to connect with local craft beverage associations, NYS craft beverage associations, and chamber of commerce.

Farmer Markets: Northern New York has many farmer markets that are run by different agencies. If you contact your local Cornell Cooperative Extension office, they can help provide a list of farmer markets in your area.

Licensing:

The types of craft beverage licenses can be reviewed on the New York State Liquor Authority website: <https://www.sla.ny.gov/>. Some licenses require the use of a certain percentage of New York State materials. Craft beverage licenses also have different production gallon capacity per year and distributing guidelines. Licensing application can be found on the New York State Liquor Authority website. An online federal permit is found on the Alcohol and Tobacco Tax and Trade Bureau website: <https://www.ttb.gov/>. The federal process should begin before the New York State licensing. Licensing times are dependent on the number of applications under review and completeness of the application but may take from 6 months to two years. Empire State Development has a One Stop Shop to ask questions regarding craft beverage licensing application and regulations: <https://esd.ny.gov/industries/craft-beverage>. However, licensing guidelines are ever changing so check the website or call before you make your decision on what license is best for you.

New York State has several product-specific craft beverage licenses available:

Brewing:

- Brewery
- Micro-brewery
- Farm Brewery
- Restaurant Brewer (Brew-pub)

Hard Cider Making:

- Cider Producer
- Farm Cidery

Distilling:

- Distiller
- Rectifier
- Brandy Producer
- Farm Distillery

Craft Beverage Building:

Depending on if an existing structure can be renovated or if a new facility needs to be built, startup costs will vary. It is important to do research on the cost of a building and get multiple quotes. Here is a list of questions to consider:

1. Will the building be used to strictly produce the craft beverage under your license?
2. Will the building be used for production and offer tastings?
3. Will the building be used to produce your craft beverage in, offer tastings, and be a venue location?
4. How large should the facility be?
5. Is there room at this location to expand the building?
6. If the craft beverage company does not work out as a viable business, what is the backup plan?
7. Will you be doing the renovations/building the building yourself?
8. What do I need for building permits? (This includes local permit and potential Adirondack Park Agency). Permits may take a while to obtain so plan ahead on when you'll need your permits. Be aware if you apply for your permit ahead of time and the project is not completed then an extension on the permit may be needed.
9. What is your total occupancy of the building?
10. What are the codes for a building? (Your local enforcer will have this information.)
11. When will the renovation/building be completed? (Set a realistic goal for opening your business, leaving an allowance for building/renovation delays.)

Potential Financial Help:

Building a craft beverage business can be a small or large investment depending on the situation. Several agencies can help by providing financial information about loan and grant opportunities. Additionally, your local community may offer grants or incentives for starting a business. Here are some possible sources of information and financial assistance:

- USDA Farm Service Agency <https://www.fsa.usda.gov/>
- Local Industrial Development Agency
- Farm Credit East <https://www.farmcrediteast.com/>
- Yankee Farm Credit <https://www.yankeeaca.com/>

- North Country Regional Economic Development <https://regionalcouncils.ny.gov/content/north-country>
- Empire State Development <https://esd.ny.gov/>

Craft Beverage Equipment:

It is no secret that getting into the craft beverage industry is a significant investment both in capital and time. It is important that people are looking at the costs and establish the potential return on investment. Most of the equipment is bought brand new to ensure longevity and function of the equipment. The exception is hard cider operations, where cider makers have been known to piece together equipment to minimize cost. Reinvestment and continual upgrades are a part of the business for any craft beverage maker that underestimates the success and scale of their operation. Listed below you'll find equipment to consider when establishing a brewery, hard cider operation, or distillery.

Getting Started: Brewery Establishment and Expansion Costs

Equipment to consider when starting a brewery:

Equipment	Use
Scale	Weigh grain and hops before beverage production.
Pallet Jack	Move around heavy equipment.
Malt Mill	Crushes grain and dumps in into the mash tun of the brewhouse.
Mash Paddle	Used to help stir the grain when it is added to the water.
Grist Case	Holding tank for milled grain
Grist Hydrator	Adds temperature-controlled water to milled grain on the way to the mash tun.
Flexible Auger	Used to transport grain for mill.
Brewhouse	Consists of a mash tun and a brew kettle where the beer is at the wort stage, hops are added to the brew kettle after a rolling boil. The barrel size, or bbl, is the capacity of the system. A single barrel of beer is 31 gallons. A 5 bbl system holds 155 gallons of beer/mash/wort in each batch.
Fermentation Tank	A vessel where yeast is added, and the beer is left to ferment to increase the alcohol content.
Hot Liquor Tank	Where brewing water is heated and salted.
Cold Liquor Tank	Where brewing water is chilled and salted.
Brite Tank	Where brewed beer is stored and tapped for the pub or moved to kegs.
Keg	Portable storage/distribution containers for beer. A standard keg is ½ bbl, or 15.5 gallons.
Glycol Chiller	Used to chill cold storage rooms for beer.
Keg Washer	Machine that washes kegs.

Portable Pump	A pump that can be moved around to transfer beer/water from fermentation tanks to any other tank.
Stationary (wort) Pump	A pump to move the wort to the fermentation tank.
Cleaning Supplies	Used to periodically clean tanks and equipment.
Carbonated Beverage Filler	Used to bottle the beer in glass bottles.

Getting Started: Hard Cider Operation Establishment and Expansion Cost

Equipment to consider when starting a hard cider operation

Equipment	Use
Scale	Weigh apples before cider production.
Pallet Jack	Move around heavy equipment.
Apple Grinder	Crush apples to create the mash.
Roller-Inspection Table	Used to transport apples from storage to grinder and visually inspect them.
Press	Press the mash into juice to be refined.
Fermentation Tank	Containers to ferment juice into hard cider (yeast added here).
Glass Carboy	Small container for cider storage and aging.
Stainless Steel Tank	Containers for cider fermentation, storage, and ageing.
Tri Clamps and Tasting Valves	Additions to stainless steel tanks to make cider tasting, cleaning, and movement easier.
Oak Barrels	Container for cider storage and ageing.
Oak Alternatives	Chips, cubes, sticks that are made of oak (alternative to oak barrels)
Plastic Tanks	Alternative to stainless steel tanks for fermentation
Must Pump	Helps to move mash from grinder into tank or press.
Transfer Pump	Transfers the cider from tank to tank and storage vessels.
Hoses	Used with the must and transfer pump to move product. The size and length vary due to product transferring and transfer length.
Refractometer	Tool used to determine the amount of sugar in the apples.
Wine Thief	Remove a small amount of cider from a fermentation device for testing.
SO ₂ , pH, and TA Testers	Tools used to test the levels of SO ₂ , pH, and TA.
Filtration System	Remove sediments from cider before the final product is ready to bottle.

Bottles	Store cider for consumption.
Corker	Used to cork the bottles.
Heat Capsule Shrinker	Heating device to shrink capsules on to the cider bottles.
Label Applicator (semi-automatic)	Used to apply wine labels to bottles.
Corks	Seal the cider bottle.
Capsules	Cover the cork at the top of the cider bottle.

Getting Started: Distillery Establishment and Expansion Costs

Equipment to consider when starting a Distillery

Equipment	Use
Pot Still	A large kettle or pot which is heated from the bottom, boiling off the alcohol and allowing the vapors to be sent to a condenser and separated.
Whiskey/Vodka Colum	A device connected to the pot still to make the distillation process more refined/ efficient for different types of liquor.
Boiler	Provides heat to the still.
Glycol Chiller	Use to cool vapors and for cold storage.
Botanical Basket	Used to infuse flavors for spirits like gin.
Spirit Safe	allows the distiller to analyze and manage the spirit coming out of the pot still without coming into contact with the spirit itself
Mash Tun	Where grain and water are mixed/heated to create mash.
Lautering Option	This option allows conversion of your mash tun into a lauter tun.
Fermentation Tank	Container where yeast is added, and fermentation occurs.
Pumps/Hoses	Used to transfer mash/ liquor/ water to different containers
Whiskey Thief	Small device use for tasting product during the distillation process.
Forklift	Used to move around heavy equipment/ materials.
Volumetric Bottle Filler	Used to fill bottles for consumption.
Labels	Used to label bottles for consumption.
Labeling Machine	Used to label bottles for consumption.
Bottles	Used to store product for consumption.
Oak Barrels	Used to store product for distribution and aging.

Spreadsheet Instructions:

Several excel spreadsheets have been developed to help determine the costs of establishing and expanding a brewery, hard cider operation, or distillery. These interactive spreadsheets are available for your use in conjunction with the instructions provided below.

Product Establishment and Expansion Costs Spreadsheet: [Add link](#)

The Product Establishment and Expansion Costs Spreadsheet is an interactive spreadsheet intended to help determine the cost of production equipment, supplies, and additional costs to consider. The list of equipment was created from working breweries, hard cider operations, and distilleries. A variety of sizes are listed since operations vary in size. The cost of equipment comes from a variety of commercial craft beverage suppliers and is an industry average so actual prices may vary. Shipping costs are not included and should be factored into your budget.

Conclusion:

All new business ventures come with risks. Using the previous spreadsheets can help reduce this risk by calculating start-up costs, potential yield and revenue. Be sure to research all options before investing in a craft beverage company. Connect with existing establishments and other owners in the area to determine where they see the industry heading and what obstacles you can anticipate.

Here are some things to consider about the future of the industry:

1. Is the market flooded with too many breweries, hard cider operations, or distilleries or is it developing to become a craft beverage concentration area?
2. Do I want to invest in a farm-based craft beverage license with the increasing percentages of locally sourced grain or would I a micro-license be better suited to what I want my business to become?
3. How much of an investment am I prepared to make?
4. What type of market do I see for my company (retail sales, wholesale, farmers market, weddings, agro-tourism, etc.)?
5. Is my business in a location that gets regular traffic? If not, how will I market my business to become a destination that people will search out to visit?

Links:

<https://www.governor.ny.gov/news/governor-cuomo-announces-more-1000-craft-beverage-manufacturers-now-operating-new-york-state>

<https://www.governor.ny.gov/news/governor-cuomo-announces-record-number-breweries-new-york-state>