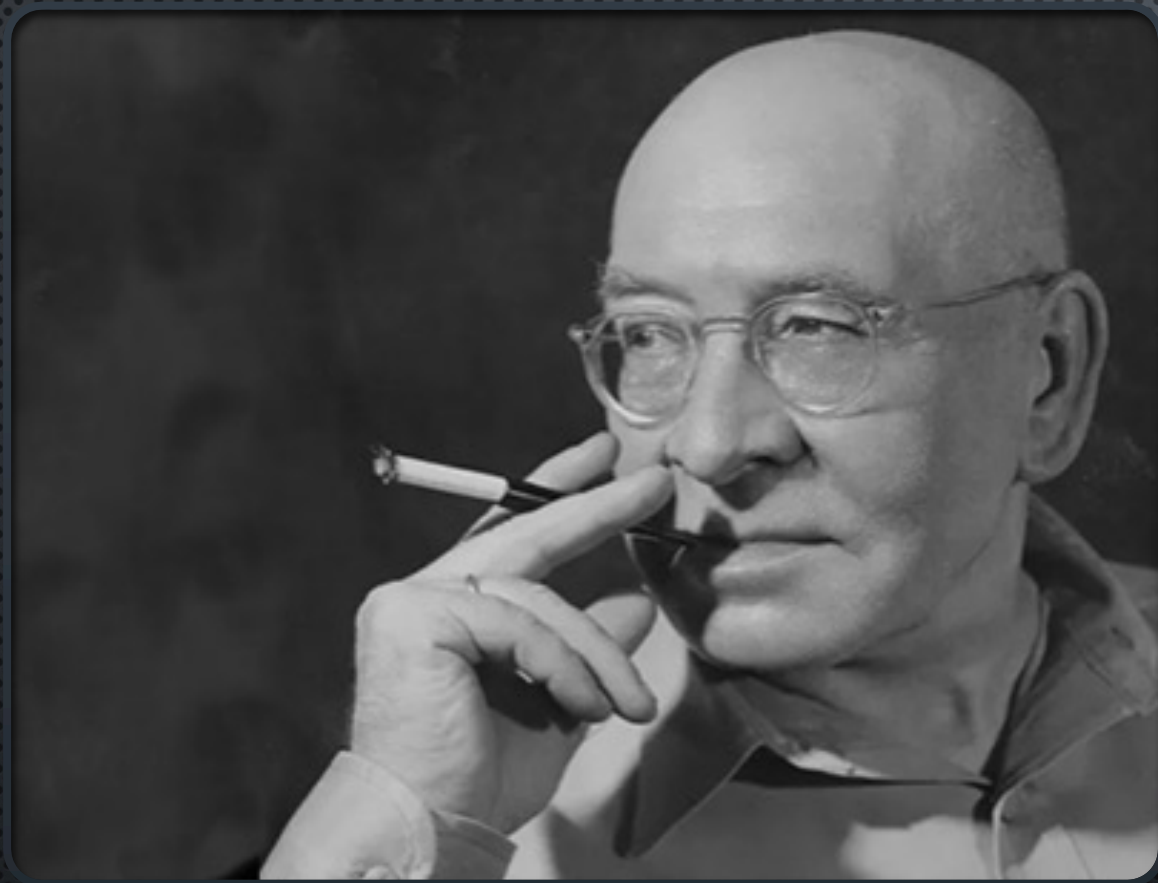


# THE PROS & PERILS OF CONTRACT BREWING

BRIAN BUCKMAN, CO-OWNER & HEAD BREWER ILLUMINATED BREW WORKS





ALFRED  
KORZYBSKI

ARCTIC OCEAN

“THE MAP IS NOT THE  
TERRITORY”

Pacific

Atlantic ocean



South America

Indian ocean

Australia



- Licensed in 2015
- Bombers only
- Grew to 65bbbls Capacity
- Q4 2017 market forced us to cans



- Instantly grew from 500bbls/year to 1500bbls/year
- Moved to cans
- No added assets, staff & limited vulnerabilities

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WHY CONTRACT?

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Brewing is capital intensive



To grow from 10bbl brewhouse producing 65bbls of bombers monthly to producing *only* 100bbls of 1 sku of canned beer would have required:

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- 12 turns or 3 production weeks
- Adding 40bbls capacity
- Canning machine
- More staff
- New location
- ETC.!!!

To grow from 10bbl brewhouse producing 65bbbls of bombers monthly to producing *only* 100bbbls of 1 sku of canned beer would have required:

- 12 turns or 3 production weeks
- Adding 40bbbls capacity
- Canning machine
- More staff
- New location
- ETC.!!!
- Approx \$40k
- Approx \$25-\$40k
- Approx \$60-\$75k
- Production & Canning (see line 1)
- At least \$500k
- ETC.!!!

Roughly \$200k before we even start to think about a new location

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At least \$60 - \$80k of that is going to be up front.

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At least \$60 - \$80k of that is going to be up front.

And that only gets me 1 sku.



Contracting costs approx. \$30/bbl  
+ hops (YMMV)



## What You Get:

- Aggressive savings on grain & yeast
- QC Lab
- Grows brew staff from 2 to 5 – 8
- Plus the capacity & equipment already mentioned

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FINDING THE RIGHT  
CONTRACTOR

## 2 Options for Contract Brewing:

1. Fellow brewery that wants to help, needs the money or both.
2. Dedicated Contracting Facility

# FELLOW BREWERY

- Less structured, more flexibility
- Friends are often easier to communicate with
- Better collaboration and idea sharing
- More access
- Very often there's no contract, no lawyers

# FELLOW BREWERY

ALWAYS GET A CONTRACT WRITTEN & SIGNED!!!!

# FELLOW BREWERY

## Contract “Do’s”

- Cost structure
- Who is responsible for what materials (ie yeast, hops, etc)
- Terms (deposit & NET15 from last beer picked up ideally)
- Timeline for when beer must be gone
- Curing processes
- Reasonable margin for either party to exit contract

# FELLOW BREWERY

## Contract “Do Nots”

- Auto-renew
- Payment before beer is delivered
- Monthly production minimums
- Timeline for when beer must be gone
- Curing processes
- Reasonable margin for either party to exit contract



# DEDICATED CONTRACTOR

- Great Central, Octopi, Brew Detroit, etc
- Larger operations = Better funding
- Better equipment
- (Often) Better talent
- Understand needs more (ie shipping)
- Better pricing on grains & yeast sharing
- Can have relationships to help develop your business
- Larger capacity
- Better scheduling
- QC labs tend to be more robust & informed

# DEDICATED CONTRACTOR

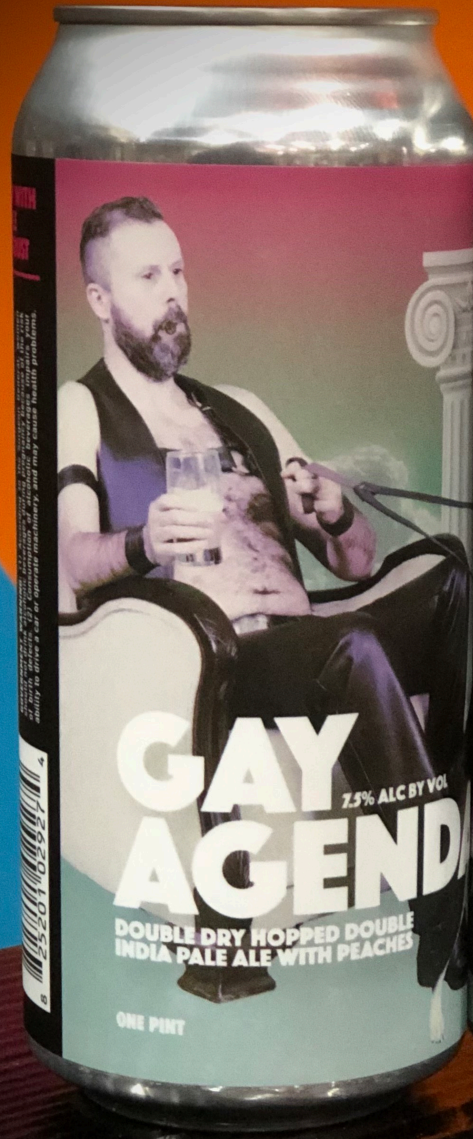
- Less flexibility
- Less access to equipment & staff
- Requires more organization on scheduling and labels
- One amongst sometimes 10, 15, 20 breweries
- Higher turn over rate
- Staff can get run pretty hard, exhaustion runs downhill

# FIND YOUR BEST FIT

- Think about your needs clearly, don't be persuaded by fantasy
- Options can be limited
- How much flexibility vs. How much volume & frequency
- Be aggressive to have your needs represented
- ALWAYS GET A CONTRACT!!!!!! AND HAVE IT SIGNED!!!!!!
- If possible, keep at least 2 contract relationships going simultaneously

# SO WHAT ARE THE PERILS?

A couple few horror stories...



# GAY AGENDA

7.5% ALC BY VOL

DOUBLE DRY HOPPED DOUBLE  
INDIA PALE ALE WITH PEACHES

ONE PINT



10% of all profits from the Agenda will be donated to our friends at Howards Brown Health to help in their efforts to eliminate the disparities in healthcare experienced by gay, bisexual and transgender people through research and the provision of services that promote health and wellness.  
<https://howardsbrown.org>





ILLUMINATED BREW WORKS  
**JUNIOR  
ASTRONAUT  
JUICE** DOUBLE IPA

CHICAGO IL

**ENJOY WITH  
PEOPLE YOU  
TRUST.**

Brewed and packaged by Great Central Brewing Company Chicago, IL  
for Illuminated Brew Works.

**GOVERNMENT WARNING:** (1) According to the Surgeon General, women should not  
drink alcoholic beverages during pregnancy because of the risk of birth defects. (2)  
Consumption of alcoholic beverages impairs your ability to drive a car or operate  
machinery, and may cause health problems.



*Enjoy* +

**TRUST**

**ILLUMINATED  
BREW WORKS**  
LAGER BIER

**A PREMIUM LAGER YOU CAN TRUST • ONE PINT • 6% ALC BY VOL**



# WHERE WE'VE HAD TROUBLE

- Scheduling – equipment goes down, things get backed up
- Shipping – crummy warehouse staff, crummy freight
- Ordering labels, flats, etc gets dropped
- Label approval doesn't happen
- Cross-contamination from diastaticus
- Hop Creep (the trickiest demon of all!)
- COMMUNICATION!!!!



ALWAYS DO WEEKLY CALLS!!!

ALWAYS ACTIVATE A  
CONTRACT!!!

KNOW WHEN/WHAT TO FIGHT  
FOR & WHEN TO ROLL OVER

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QUESTIONS?

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