

THE  
ECONOMIC  
CLUB OF  
CHICAGO

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On Tuesday, May 15 the Club held its annual Fifth Night Celebration centered on “The Evolution of Craft Beer.” The program was held at Theater on the Lake and featured two optional panels with representatives from nine breweries offering tastings that night. Beers from each brewery were paired with a menu item from the buffet stations catered by Blue Plate.

The first panel covered the history and current state of craft beer in Chicago while the second covered the business of beer. Both were moderated by Goose Island Brand Activation Manager and Brewery Educator Jesse Valenciana. The panelists who participated were:

The History & Current State of Craft Beer

- **Mary Bauer**, Plant Manager, Lagunitas Brewing Company Chicago
- **Greg Hall**, Founder, Virtue Cider
- **Phil McFarland**, Senior Director of Sales and Strategic Planning, Half Acre Brewing Company
- **Jacob Sembrano**, Brewmaster, Cruz Blanca Brewery & Taqueria

The Business of Beer

- **Stephen Bossu**, Co-Founder, Hopewell Brewing Company
- **Richard Leinenkugel**, President & Chief Beer Merchant, Jacob Leinenkugel Brewing Company
- **Ed Marszewski**, Co-Founder, Marz Community Brewing Company
- **Curtis J. Tarver II**, Co-Owner, Vice District Brewing Company and Club member

During both panels, the speakers shared how they each became involved in the craft beer industry, with experiences ranging from family businesses to lucky coincidences. Greg Hall previously worked as the brewmaster of Goose Island Brewing, which his father John Hall started in 1988. During the first panel on the history of craft beer in Chicago, he explained how Goose Island was the first craft brewery in the city and was part of a new wave of craft American beer that gained momentum in the 1980s. Mr. Hall recalled the challenges the brewery faced in first convincing bars and restaurants to sell their beer.

“The old school European beers were thought to be the most premium beers out there. The American beers were the most popular. Nobody knew how to categorize us in the late 80s, early 90s,” he said. “We weren’t the redheaded step child. We were the stray cat the redheaded step child found in the alley.”

Even so, Goose Island found success and now is part of an industry that has grown from 200 breweries in the United States in the 1980s to over 6,000 breweries today. With so many breweries in the United States, panelists were asked whether they thought the craft beer “bubble” was going to burst. Phil McFarland of Half Acre and former owner of legendary Chicago beer bar Smallbar, acknowledged the sheer number of options available to customers and how that affects Half Acre’s business strategy.

“There’s a lot of supply, so we’re cautious with our business planning. We talk a lot about keeping control of our beer and not letting our beer control us,” he said. “We want to have goals that are realistic and understand the market – not just a shoot-for-the-moon approach.”

Much of the growth, as Mr. Hall attested, is due to hyperlocal breweries popping up in each neighborhood to serve that specific area, joking that breweries are “like dry cleaners now – you go to the local one because it’s closer and more convenient.”

Jacob Sembrano of Cruz Blanca Brewery & Taqueria however emphasized the positives of these hyperlocal breweries that are not owned by larger corporate entities like Anheuser-Busch InBev or MillerCoors.

“We have the privilege of 100 percent control over our product and it never leaves our sight because we sell it on site,” he said. “When you’re as small as we are, you have the flexibility to take risks and do things that build a very creative and entertaining beer program.”

Mary Bauer of Lagunitas Brewing alluded to that point when she spoke to the ways the more than 200 breweries in Chicago alone have led to greater creativity in the industry.

“It drives innovation to stay competitive, to entice consumers, and we all look to each other to see what other people are doing, to see if we can do something a little different, or to develop a new process,” she said. “I think in general breweries now really inspire each other.”

During the second panel on the business of beer, panelists discussed founding and owning breweries and ventured into a deeper discussion of advantages and disadvantages of smaller, independently-owned and larger, corporately-owned breweries.

Stephen Bossu, who co-founded Hopewell Brewing Company two and a half years ago, explained that he had always wanted to start his own business but was intimidated by the responsibilities that come with ownership.

“It’s an easy starting point to think beer is fun, but it’s a much longer journey to actually build a company and a brand, he said. “The more rewarding part of the process was thinking, if we’re going to start a business that’s putting something out into the world, what are our values? Our brand at Hopewell, we’re really clean, bright and modern. We like to make our beers that way and we try to keep our company values the same way.”

Ed Marszewski of Marz Community Brewing also spoke to a strong sense of purpose in owning a brewery and sustaining this business for the good of a community.

“My mother purchased a bar in Bridgeport back in the day when we called Bridgeport the community of the future – if the future is the apocalypse,” he joked. “It’s been my goal for that last 20 years to make that South Side neighborhood a real community of the future through the activities we’re involved in, which includes a family bar, a Korean-Polish street-food restaurant and of course, Marz Community Brewing.”

Mr. Marszewski, who recently opened a Marz Brewing taproom in Bridgeport, spoke to the difficulties that come with opening businesses in Chicago due to the various regulations, licenses and permits required. These real estate complications, in addition to the various laws around alcohol creation and distribution, are hurdles for small breweries that do not self-distribute. Curtis Tarver of Vice District Brewing and Club

member attested to the difficulties smaller breweries experience in distributing their products compared to much larger, corporately owned breweries.

“I think distribution and the three tier system in Illinois is more of an issue than larger brewers. Where we’ve had [issues] is a more level playing field for smaller breweries to get their product out there and create jobs. I don’t know what larger breweries do, but we hire people that need a second chance, that are re-entering the system from prison, so us being able to sell has some broader effects.”

Richard Leinenkugel of Jacob Leinenkugel Brewing Company experienced the difficulties of distribution when he first expanded Leinenkugel products to Chicago in the 1970s. The company was sold to Miller Brewing Company in 1988 and is still owned by the MillerCoors conglomerate. Despite his family’s success with the brewery, Mr. Leinenkugel does not see the future of craft beer as corporately owned or nationally distributed and advises a different path for young entrepreneurs.

“I think the craft beer scene is going to get increasingly competitive and I think you’re going to have to be hyper local to succeed, so I would look for what’s going to be the next fermented, or not fermented, beverage and try to get ahead of the curve,” he said.