

NH's

BOOZE

BOOM

BY CINDY KIBBE

When Anheuser-Busch opened its Merrimack facility in 1973, commercial beer brewing was practically nonexistent in NH. Less than a dozen humble craft beer brewers and wineries even existed until the mid-1990s, and there were no distillers. The popularity of craft beers and spirits though, has changed all that, and NH is experiencing a booze boom. Today there are some 35 breweries, microbreweries, nano breweries and brew pubs across NH—15 opening in the last two years alone—and nearly 30 licensed wineries and meaderies, as well as five distillers, with a sixth soon to be operational.

Alcohol has long been an important economic driver for NH, well known for its state-run liquor stores. Net sales for the NH Liquor Commission in FY2013 rang in at \$588.7 million, according to its annual report, up more than 6 percent from FY2012. And local wines and spirits are contributing more to that bottom line. The commission estimates sales of NH-produced wine and spirits will reach \$800,000 at the NH Liquor & Wine Outlets by the close of FY2015, an 18 percent increase from FY2014.

The state's fledgling alcohol industries are gaining traction, thanks in part to the buy-local movement. In a 2011 report, researchers at the Institute for NH Studies estimated NH winery sales reached \$6.3 million. And while time will only tell if the wave of new breweries will survive, it signals a sea change in NH's beer market. "For every 100 beers sold in Vermont, 10 are brewed in Vermont. But for every 100 beers sold in New

Hampshire, only about one is brewed in New Hampshire," says Peter Egelston, CEO of Smuttynose Brewing Co. in Hampton. "I do think this is changing. The embrace by the consumer of craft beers is now a full-on love affair."

Sudsational Growth

Let's face it; NH was primed for a beer bonanza. In 2012, consumption in NH was 43.9 gallons per capita, ranking second nationally for most beer consumption, according to the Beer Institute, a Washington, D.C.-based organization representing the nation's beer industry.

The recent explosion in NH breweries started with a slow burn. Portsmouth Brewery opened the doors of its brewpub in 1991 as NH's first commercial craft brewery. Smuttynose Brewing Co., then also located in Portsmouth, followed in 1994. "I've seen more changes in the industry as a whole in the last two years than I have in the previous 25," says Egelston. "The biggest difference in both New Hampshire and the country is the tremendous proliferation of small breweries."

One of those small breweries is Able Ebenezer Brewing Co. in Merrimack, which opened to the public in June. Carl Soderberg, along with co-founders Mike Frizzelle, Zach Rand and Jim Wilson, are brewing about 310 gallons a week. Soderberg calls NH a "very beer-friendly state," and attributes its relatively easy licensing laws as a reason for the explosion in the number of beer-making operations in the last few years.

Elm City Brewing Co., a brewpub in Keene, began production in 1995, making it another early entry into NH's craft beer industry. "I made about 600 barrels last year. My biggest challenge is keeping up with demand," says Benjamin Mullett, head brewer. There are no plans to expand at this point, he says, because the owners want to remain small and local. Smuttynose, however, opened a new facility in Hampton in May, increasing capacity from 42,000 barrels per year to 60,000 barrels, says Egelston. "We also wanted to make the new facility more visitor friendly. We now have a place designed for tours and tastings," he says. Egelston estimates sales have grown by double digits "for years," and he expects 2014 to close with sales 10 percent above last year's.



The tasting area at Smuttynose Brewing Co. in Hampton.

Let the Vino Flow

Wineries were practically unheard of in NH, but at least 20 now compete for business, including 13 commercial vineyards. Peter Oldak planted his first grape vines in South Hampton in 1982 as a diversion from his work as an emergency room physician. This "diversion" morphed into Jewell Towne Vineyards in 1994, one of NH's oldest wineries. "I think New Hampshire's alcohol industry has broadened from just domestic wine," says Oldak. "It started primarily with vineyards growing grapes, now there's more fruit wines and mead. And some are expanding into distillation."

Amy LaBelle, owner and winemaker at Amherst's LaBelle Winery, began operations in 2006 and is perhaps one of the state's biggest success stories in the wine industry (making its second appearance on *Business NH Magazine's* 10 Companies to Watch list this year. See page 59). She started with \$5,000 and a tank in a small barn in the backyard of her home. Today, LaBelle is the state's largest by volume, with a production capacity of 80,000 gallons at a facility that opened just a year and half ago. The winery began with just three employees and now employs some 50 people. "We are projected to break even this year, with \$3 million in gross revenue," LaBelle says.



Peter Oldak, owner of Jewell Towne Vineyards



From left, Zach Rand, Carl Soderberg and Mike Frizzelle, co-founders of Able Ebenezer Brewing Co. in Merrimack.

Getting into the Spirits

Distilling is new to NH, with just a handful of operations currently producing spirits. Flag Hill Winery and Distillery in Lee was not only one of the first wineries in the state—with vintages

dating back to 1995—it was also a pioneer in NH's distilling industry, says Heather Houle, general manager.

Distilling operations began with the winery's North River Port in the early 2000s. Its General John Stark Vodka followed in 2004. Today, Flag Hill distills several spirits ranging from gin to liqueurs to moonshine, a corn-based white whiskey. "We saw the growth in the wine industry in New Hampshire and wanted to be unique," Houle says. Spirits also provided a good way to diversify revenue albeit a long return on investment. "Investment costs were \$400,000. Ten years later, we are now at break even," she says.

Smoky Quartz Distillery in Seabrook opened in May, with a capacity of 2,000 bottles per month. "There's an expensive barrier to entry, so I focused on starting small," says owner and distiller Kevin Kurland. Named for the state gemstone, Kurland produces his Solid Granite Vodka from corn. "We don't distill it as many times, so it has a sweeter taste and doesn't burn like others do," he says. He sells his vodka, and soon Granite Lightening Moonshine and Gin, from the distillery but is expanding his reach. "I just delivered product to the state warehouse and [NH Liquor & Wine] Outlets. There's also been tremendous interest from restaurants," Kurland says.

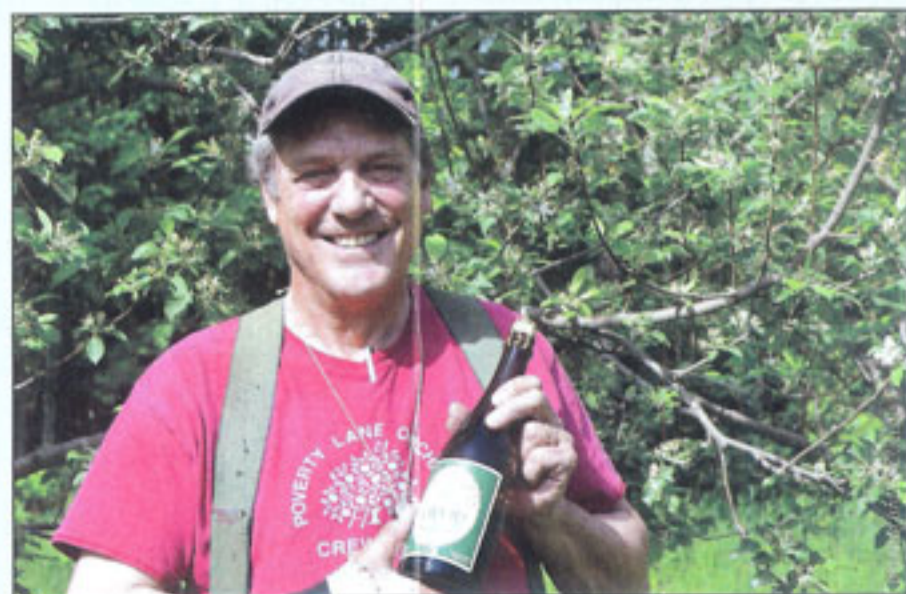
Bring on the Mead and Cider

Mead, essentially honey wine, is another libation taking hold in NH. Londonderry's Moonlight Meadery, founded in 2010, makes 70 different types of mead. "Mead is starting to become incredibly popular," says CEO Michael Fairbrother. He is on track to produce 30,000 cases and generate \$2 million in sales this year.

Cider is made similar to wine but uses cider apples specifically grown for fermenting. Stephen Wood, who has made cider at Farnum Hill Ciders at Poverty Orchards in Lebanon since 1995, says the industry has "exploded" across the country in recent years, growing nationally by 60 percent to 80 percent annually. "I think it reflects the work that a handful of folks like us have been doing for years. People are starting to look for the real stuff," he says. Wood thinks the cider industry in NH is "just taking off" as people move from mass-produced ciders to artisanal brands. "It's also another market for apple growers," he adds.

A Wobbly Local Supply Chain

The booze boom is indeed creating new opportunities for farmers in the state. Alyson's Orchard in Walpole and Apple Hill Farm



Stephen Wood of Farnum Hill Ciders at Poverty Orchards



Brian Ferguson, distiller and winemaker at Flag Hill Winery & Distillery, inspects the alcohol exiting the still.

in Concord have long-standing relationships with Granite State libation producers. Alyson's Orchard served as an incubator for LaBelle when she began testing her winemaking skills and still provides apples for some of LaBelle's wines. Apple Hill Farm provides pressed apple concentrate to Flag Hill for its distilled spirits as well as cider apples to Farnum Hill.

Apple Hill's relationship with NH alcohol producers is something of a win-win. The apple pressings use fruit that has dropped to the ground and that "we would otherwise have a hard time selling," says Chuck Souther, who owns Apple Hill Farm with wife Diane. But while this business is "not high profit," Souther says there is potential for expansion. "Using these apples is a good way to further diversify our markets," he says.

New Hampshire brewers have difficulty finding local ingredients. There are few, if any, barley and hops growers in the state. Able Ebenezer and Smuttynose purchase hops from the Northwest and malted barley from New York or the Mid-West. The lack of NH-grown hops has not gone unnoticed. Inginglass River Hops Exchange in Somersworth started a crowdsourcing campaign in June through Indiegogo to support the production of locally grown hops.

NH's distilleries are also finding some ingredients—and processors—hard to come by within state borders. "Corn for mash is relatively easy to find," says Smoky Quartz's Kurland, who procures corn from within a 125-mile area. "But there are no good organic grinding mills in New Hampshire." For that, he uses Maine Organic Milling, outside of Portland, Maine, which he says will mill in the quantities he needs. Flag Hill took another approach

and built its own mill and boiler. "We knew we had to bring operations here," Houle says.

Control Issues

New Hampshire is one of 18 "control" states where the state acts as the wholesaler, not a private corporation. The NH Liquor Commission wholesales and warehouses wine and spirits but not beer. "There has been talk about offering craft or New Hampshire-made beers only at the Outlets, but the Legislature ultimately decided not to do that," says Joseph Mollica, chairman of the NH Liquor Commission. "I would say, however, that discussion is not over but on hold."

New Hampshire wine and spirits are also warehoused without bailment in the Concord facility that is privately owned by Exel Inc., the Ohio-based company contracted by the state to provide warehousing services for the state's liquor operations. Local wines and spirits are also shipped to stores from the warehouse for free, he adds.

The NH Liquor Commission also allocates display space specifically for NH-made wine and spirits near check-out areas at the Outlet stores. "This gives every winery or distiller in the state the opportunity to display their products to the public," Mollica says.

Most importantly, the state allows NH producers to sell directly to an in-state licensee without having to use a private distributor, a practice known as direct distribution, Mollica says. All the NH producers interviewed say direct distribution is key to their success. "It allows us to build relationships directly with businesses in a way we couldn't in other states," Soderberg says.

Some, however, see the growth trend as having a shelf life. Jewell Towne's Oldak says he feels space at grocery stores is quickly becoming a premium for local wines. "We are approaching a saturation point in the number of wineries in the southern part of the state, but there's room in the north."

Kurland, too, foresees market saturation in micro-distilleries. "We'll have crazy growth in the next four or five years, then new ones might be difficult to open," he says. ■

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