

## Suppliers in Craft Beer - All Three Breweries

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The cost per batch of beer varies greatly, depending on what we're making. Our cheapest batch of beer probably costs about \$400 in raw materials and, with our new brewing equipment, takes about seven hours of labor during the actual brewing process. Fermentation isn't labor intensive. The yeast is doing all the work, we just watch it. So total cost is probably under \$700 for the whole batch, start to finish.

The most expensive would be our Imperial Stout, and, in that, we have a massive increase in material cost. Right now, it's up around \$1,500 for materials in the batch. On top of that, we have-- If we lose the yeast strain, which costs us money to replace because we can't harvest off of something that, fermentation, that makes that much alcohol.

And then, we have the cost of barrels which, the little barrels are about \$160 apiece, and we'll fill nine to ten of those. And then, on top of that, when the beer comes out, it's a lot more labor intensive every step to get it served. So I would say those probably cost about \$3,000 a batch, start to finish, once you incorporate everything. They vary quite a bit.

Out of a full batch, we get, let's see, 14, like 1,500 beers, roughly. With the bigger beers, there's also a lot more loss involved. So your cost per barrel goes up quite a bit because it costs a lot of raw materials. And if you actually yielded seven barrels, it wouldn't be so bad, but you'll actually probably yield about five, five and a half, because the fermentation is so active. It flows off, you have more yeast. You make less beer for a lot more money, so that's why those beers cost more.

We know, basically, based on the cost of the grain-- They're pretty much set costs. Like some of the hops are more expensive than others. But, I mean, the cost of making a beer and selling a beer in here, it's a fantastic business model. I love the margins of the beers that we sell in here. I like the margins of the beer that we put in kegs to sell to the distributor. I get nauseous when I think about the margin we make when we have our product put into bottles, and then into cases, and those cases sold to retailers. I don't like that business at all. It's a really, really tough business, and I'm not sure even how some of the companies find it viable to do.

I know we're at, probably, production-wise, with taxes, probably around \$0.28 a pint of beer. So if we sell a pint in here for \$5.00, it's a pretty good margin. So that allows us to do some different things in the marketplace because we take that margin and reinvest into, could be, a bottling line-- We'll probably never be a bottling line, a canning line.

So those are good margins. Even a craft beer bar, we'll spend, on average for us, about \$1.05, \$1.10, for the beer and they'll sell it for \$5.00. So it puts us in a really good cost structure for us to invest those dividends back in the

business.

Our costs range, including the water or clean water or electricity, kind of the best to our knowledge, a round-about cost is around \$1,100 to \$1,200 per batch of beer. That would include us making it, and all the ingredients required, and all of that. And if you want to take it one step further, you could probably just say \$1,500 would be, nuts to bolts, pay for everyone around here to be here working. And, kind of, that's just a nice, round figure to think about.

I mean, we took our business plan to multiple owners of businesses, or multiple owners of breweries, and said, "Is this the right electrical cost? Is this how much you pay for electric each month?" "Oh, no. You need increase that. You're going to spend a lot more than that. My bill here is this." And we got, like, seven people saying what their bill was, so that's what we based it on.

So we were right on target with a lot of the numbers that we anticipated. You have to do that, or else you'd have no idea what to expect. So we did a lot of research on that business plan to get that monthly cost exactly where we thought it would be.