



SMALL GETS BIGGER

*The craft distillery
movement keeps growing*

BY JACK ROBERTIELLO



Opposite page, clockwise from top left: Robert Cassell of Philadelphia Distilling makes moonshine, vodka, gin and even absinthe; the showroom at House Spirits Distillery in Portland; spreading grain in the malthouse at Hillrock in New York's Hudson Valley; a copper still at Philadelphia Distilling. Below: Tim Welly takes a sample at Hillrock, which claims to make the world's only "solera aged" bourbon whiskey.

It may be a dark and chilly winter in most of the country about now, but for the small distillers of the country, things definitely have the feel of spring.

All over, little buds of growth are evident, as new ventures slowly emerge, and established small distillers expand their portfolios and survive to distill another day. The news of new small ventures is steady: in November in the Hudson Valley of New York, for instance, the Hillrock Estate Distillery welcomed nearly 600 visitors to an open house marking the release of its first spirits.

Other parts of the country are finding that once states and cities relax laws prohibiting distillation, small distillers flood in. The Greenbar Collective, for instance, maker of Tru organic vodkas, is the first LA-based distillery since Prohibition. Cities from Portland, Oregon, to Portland, Maine, now boast a handful of operating distilleries.

Where there were only about 70 craft distillers counted by the American Distilling Institute in 2003, today around 400 have TTB-issued licenses, with another 50 under construction, according to Bill Owens, president of ADI. Just two years ago, the group projected it would take until 2015 to reach that number. The Distilled Spirits Council of the United States (DISCUS) now boasts 63 members from 27 states in their Craft Distiller Affiliate program.

The small distillers have had a significant effect on the overall spirit business in at least one way. Witness the launch in November of Jack Daniel's Unaged Rye and Jim Beam Jacob's Ghost White Whiskey. Without the efforts of the many small distillers who started selling unaged spirit as a way to keep income flowing during the lag time it takes to age whiskey in barrels, it's doubtful even the modest market for unaged whiskey would exist. Who would have thought 10 or 15 years ago that moonshine would merit discussion as a craft distillate?



BIG FIRMS THINK SMALL

The major spirit companies have responded in some cases by taking on small brands in partnerships—most notably in the last two years William Grant and Sons buying the Hudson Whiskey range from New York-based Tuthilltown Spirits, and Destilería Serrallés making a long-term U.S. distribution and marketing agreement with Wisconsin-based Death's Door Spirits.

Seagram displayed foresight in buying Bulleit Bourbon back in 1997. Now part of Diageo, this brand fits the craft mold perfectly: it has a great backstory (1830s recipe of vanished distiller resurrected by great-great-grandson), serious chops (high rye content, 90 proof); and tiny production (plus an even tinier spin-off, Bulleit Rye). Brown-Forman was similarly ahead of the curve with Woodford Reserve, introduced in 1996.

Some larger companies have developed brands and divisions to participate in the new niche. Sidney Frank Importing Co.'s entrant, American Harvest, is an organic vodka with a proprietary blend of organic ingredients, produced at an independently owned distillery in Idaho.

Chatham Imports created something brand new from something very old, reviving Michter's Whiskey, whose original distillery was founded in Pennsylvania in 1753. (George Washington purchased some to fortify his men hunkered down at Valley Forge.) Now based in Kentucky, Michter's is making a focused range of single-barrel and "very small batch" bourbons, ryes and unblended whiskey.



Still other big firms are dipping into their inventory and putting on their thinking caps to introduce new high-end expressions of much-loved brands. At George Dickel, Master Distiller John Lunn singles out ten barrels at a time to craft George Dickel "Barrel Select," a smooth 86-proof super-premium whisky first released in 2003 with a eye-catching package.

Within the last decade, Heaven Hill Distilleries developed Bernheim (America's only all-wheat whiskey); launched the Trybox Series of "new make" (white) whiskey; and repositioned Evan Williams 1783 as a small-batch gem. In perhaps their "craftiest" move yet, this summer Heaven Hill released Larceny, a new bourbon based on the legend of John E. Fitzgerald, who was purported to be a famous distiller but was in reality a treasury agent who used his keys to the Kentucky warehouses to pilfer bourbon from the finest barrels.

More than one observer has compared the growth of micro-distillers to that of the craft beer boom and bust of the 1990s, when brands skyrocketed in public awareness and interest, with many only to fall to earth as they overextended or failed to deliver a consistent and profitable product over time. On the other hand, some craft labels have thrived and the category is hotter than ever today, prompting big brewers to respond by gobbling up small producers in some cases, or developing their own micro-sounding labels in others. Bottom line: the "small is beautiful" mindset has never held more status, in both beer and spirits.



3 RULES FOR RETAIL

➡ No matter how broad or deep a position a retailer takes in spirits made by small distillers, three rules seem to make the most sense:

BUY LOCAL. The farm-to-table movement that supports local vendors has become a significant part of the restaurant scene, and a farm-to-glass movement has emerged as well. Locally sourced spirits have been embraced in many restaurants. An easy first step would be starting with local products that offer a regional connection and rarity—two retail trends considered vibrant these days. Look for distillers within 100 miles and select from their products.

SELL BY HAND. Whether in a cocktail or a 500ml bottle, craft spirits don't tend to be bargains, so information and communication are essential to selling them successfully. While the hard-core spirit enthusiast can be counted on to look for the rare and unusual, the average shopper inclined to experiment still needs help. Small suppliers are not only happy to provide data sheets and selling information, but are especially eager to participate in-store presentations. In fact, it's often the person who actually makes or owns the brand who shows up.

DON'T BE SHY. With little or no advertising, marketing or merchandising support, promoting small-distiller products is up to the retailer. If there was ever a product category that screamed out for handmade shelf talkers, it's the shiny new bottling from a micro distiller, especially if it's local, but even if it's just quirky. Turn small into strength by playing up the community connection, the colorful backstory, the origin of its name, or simply the character that separates it from known brands. And don't be afraid to display it prominently—people appreciate the new, the small, the unique.

Retailers looking to create a point of differentiation will find craft distillery products can punch above their weight. Christian Krogstad of House Spirits notes: "Today's customers are open to having new and positive experiences, and if they try it and like it at your place, it increases your credibility."



CRAFT DISTILLING



Above: A single still was only piece of distilling equipment used for the first seven years of Tito's Handmade Vodka. Right: Aviation Gin coming off the bottling line. Below: Founder Adam Ford spreads word of his Atsby's New York vermouth.

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— Dave Pickerell, distiller and consultant

CALL IT A BOOMLET

Few micro distillers so far have experienced the market trajectory enjoyed by Tito Beveridge, who turned his "one man distillery" in Austin, TX, into a nationally recognized (and asked-for) vodka brand (called Tito's, of course). Another success story: Marko Karakasevic's Charbay, whose many flavored vodkas and other spirits appear in restaurants owned by Mario Batali and other high-profile operators. So far, the small distiller boom of the 2010s has been marked by a less ambitious, more localized and sustainable financial path. Most small distillers are still concentrating on building brand awareness, introducing their products to consumers, restaurants and retailers, and generally spreading the gospel of small and local when it comes to drinking.

Andrew Auwerda, president of Philadelphia Distilling, maker of Bluecoat Gin, XXX Shine and other spirits, notes he's lately been seeing a higher level of acceptance from all levels of the industry. "Distributors are creating selling teams to handle the small wares, and most importantly retailers and consumers are picking up on the concept after decades of buying only major suppliers," he says.

But there are only so many hipsters drinking gin cocktails on any given night, even in Brooklyn, he laughingly notes, pointing out the current challenge for the small distillers—getting more mainstream attention.

Expanding the market beyond the niche of craft cocktail bars is uppermost in the minds of most small distillers, especially those weary of driving around with a trunkload of samples, says Christian Krogstad of Portland, Oregon's House Spirits Distillery, source of Aviation Gin and Krogstad Aquavit. "You can do a couple of thousand cases a year with the cocktail community and small specialty retailers, but to get beyond that you need to appeal to a larger audience," he says.

TARGETING RETAIL

It's a tricky situation. While these locally produced products have an undeniable appeal to consumers looking for authenticity and more connection with what they eat and drink, retailers are faced with a problem: already swamped with line extensions and well-supported new products, they have precious little room for more.

But the restaurant business is now mostly a zero sum game, say distillers, as so many new niche producers are ramping up efforts and trying to get placement. The next step is focusing on retail.

Those that do decide to take a position in small-distiller wares find they can provide a great business advantage. "We've put in probably a couple hundred small distiller products in the past few years, because there's a tremendous interest in them," says Burt Notarius, managing director of one of the country's largest retailers, Premier Wine & Spirits in Amherst, NY.

The argument for taking on craft spirits is perhaps best made by Dave Pickerell, former Maker's Mark distiller who now runs his own consulting firm, working on projects including Hillrock Estate Distillery. "Most innovation in the U.S. spirits market is happening in the craft industry. There are a great many new products, new tastes and new twists that give more to work with in making cocktails, and more to discuss with the customer. Additionally, it gives the opportunity to address the trends of sustainability and buy local when they feature craft spirits made locally."

And those who've been in the field for a while are aware that for retailers, the flood of new products from both major and minor suppliers require support. "Retailers want to know, if they put your spirits on their shelves or create new space for you, that people will come in looking for them," says Krogstad.



Above: Re:Find Distillery founders Alex and Monica Villicana. Right: Ransom Spirits collection. Below: Bloomery Plantation Distillery features a greenhoused lemon grove and a main building that includes planks from boats that once ran moonshine by river into Virginia and Maryland.

SMALLNESS BREEDS UNIQUENESS

Call them craft. Call them micro. Call them artisanal. By any name, the small practitioners bring to the business an oversized sense of personality. Faced with tough odds, the little guys (and gals) are making things work by starting with and sticking to their unique angles.

Consider, for instance, Bloomery Plantation Distillery, a "farm-fresh fruit cordial" specialist that celebrated their first anniversary in September 2012. Inspired by the Italian tradition of limoncello, Baltimorean Linda Losey set up shop just over the Maryland border in Charles Town, WV. Why there? One reason: legal freedom—it's easier to have a tasting room and to source fruit more flexibly than in neighboring states. It also helped that she found a fixer-upper property with colorful history (the site of an 1840s log cabin that was once slave quarters and the first ironworks west of the Blue Ridge Mountains). What she calls "cellos"—Cremma Lemma, Lemon Ice, Raspberry Limoncello and more—have snagged awards in international competitions.



Then there is Ransom Spirits, based in Oregon's Willamette Valley. Founded by Tad Seestedt in 1997 "with a small life savings and a fistful of credit cards," the distillery did not even have a permanent home until 2004 (then it moved again in 2008). Ransom spirits are aggressively different from mainstream counterparts. WhopperSnapper Whiskey, for example, combines techniques used to make bourbon, Scotch, Irish whiskey and Dutch corenwyn. They also distill grappa from Gewürztraminer pomace; vodka designed to taste like its barley base; and two gins (one amber-colored).

A natural advantage of distilling over other types alcoholic beverage production is flexibility, both in terms of raw materials and final iteration. Re:Find Distillery, in Paso Robles, was spun-off by Villicana Winery founders Alex and Monica Villicana when they got the idea of re-purposing the free-run "saignée" bled off from their red wine grapes before fermentation. This otherwise discarded raw material makes their distillate like philosophical opposite of grappa (which utilizes what is left over after fermentation). The resulting spirit, technically brandy, is then left neutral or infused with botanicals.

And in the happy ending (or new beginning) department, Re:Find's unique, sustainable spirits recently landed a spot in Southern Wine & Spirits' statewide California portfolio—perhaps a harbinger of bigger and better things to come for small distillers everywhere. ■

