#### 2012 Craft Brewers Conference San Diego, California

Cost Analysis of Draught and Bottled Beer for a Small Brewery David Logsdon, Tom Moench, Van Havig Moderated by: Audra Marotta

#### Cost Analysis for a Small Brewery

- We are going to show and compare the cost of start up and operations of three different breweries, in different markets, with different products, packages, and price points.
- We will show and compare the cost to produce a barrel of beer and determine how long and how much beer is to be produced and sold to break even.

#### Cost Analysis Overview

- Brewery Purchase Price
- Bottling Line Costs Contract bottling
- Kegging Equipment Keg Options;
- Purchasing, Leasing • Cash Requirements fees
- Real Estate and Overhead • Purchase, lease or
- monthly rents Insurance
- Utilities
- Licensing and related

### Cost Analysis Overview

- What is your beer worth?
- What does it cost to produce?
- What is your break even point?
- How many kegs, or bottles to operate?
- How long to reach the break even point?

# Cost Analysis Overview

- What price will your market bear?
- Price of beer to wholesaler
- Price of beer to retailer
- Suggested retail price to consumer
- On premise, off premise.

# 2012 Craft Brewers Confernce

- David Logsdon, Logsdon Farmhouse Ales
- Tom Moench, Orange Blossom Pilsner
- Van Havig, Gigantic Brewing Company
- Audra..... Moderator

#### Logsdon Farmhouse Ales

- A farm brewery operating since February 2011. The brewery operates as a cooperative with 6 members.
- Organic Certified farmhouse style ales.
- Primary package: 750 ml bottle
- Draught: Small quantities of 1/2, 1/4 and 1/6 barrel kegs.

#### Logsdon Farmhouse Ales

- Start up Capital:(cash & in kind) \$325,000
- Brewery Cost: (used 15 bbl) \$75,000
- Bottling Line: (used 12 head filler, crowner, labeler, sparger) \$40,000
- Start Up Expenses for retooling, small parts and repairs: \$50,000
   Licensing and Legal Fees: \$10,000
- Operating Cash: \$150,000

Logsdon Farmhouse Ales		
• Rent:	\$1000	
• Utilities:	1000	
• Insurance:	250	
<ul> <li>Accounting &amp; Legal</li> </ul>	250	
<ul> <li>Organic Certification</li> </ul>	100	
<ul> <li>Distributions: (labor)</li> </ul>	<u>11,000</u>	
<ul> <li>Monthly Overhead Expenses:</li> </ul>	\$13,600	
<ul> <li>Annual Fixed Expenses</li> </ul>	\$163,200	

#### Logsdon Farmhouse Ales 300 bbl annual production

<ul> <li>Malt &amp; Fermentables:</li> </ul>	\$13,500
• Hops	1,600
<ul> <li>Bottles, Labels &amp; Pkg.</li> </ul>	21,000
<ul> <li>Repairs &amp; Maintenance</li> </ul>	13,000
<ul> <li>Advertising &amp; Marketing</li> </ul>	7,000
300 bbl Annual Variable Costs	\$56,100
<ul> <li>Monthly Variable Costs</li> </ul>	\$ 4,675

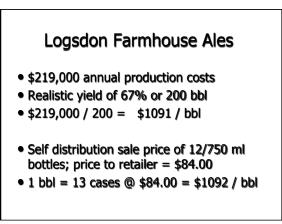
#### Logsdon Farmhouse Ales 300 BBL Annual Production

<ul> <li>Fixed Costs</li> </ul>	\$163,200
Variable Costs	<u>56,100</u>
<ul> <li>Total Costs</li> </ul>	\$219,300
100% Vield	\$219 300 / 300 bbl

- 100% field \$219,300 / 300 bbi
- Total Cost per BBL = \$731

# Logsdon Farmhouse Ales • Pricing Structure – 750 ml bottles • Price to Wholesaler (\$60/cs) \$5 / bottle • Price to Retailer (\$84/cs) \$7 / bottle • Suggested retail price \$10 / bottle

Logsdon Farmhouse Ales				
<ul> <li><u>Pricing Str</u></li> </ul>	<u>ucture - Draug</u> <u>Wholesale</u>	<u>ht Beer</u> <u>Retailer</u>		
• ½ bbls	\$245	\$330		
• ¼ bbls	\$130	\$175		
• 1/6 bbls	\$85	\$115		



# Logsdon Farmhouse Ales

<ul> <li>1<sup>st</sup> year barrels production</li> </ul>	300
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- Cost per barrel / bottles \$1091
- Selling price per barrel (bottles) \$1092
- Cost per barrel / draught \$ 990
- Selling price per barrel (draught) \$ 660

# Logsdon Farmhouse Ales

 Projected cost per barrel of bottled beer based on annual production increases

• 300 bbl / year	\$1091
<ul> <li>1000 bbl / year</li> </ul>	\$270 - 320
• 2000 bbl / year	\$185 - 235
• 3000 bbl/ year	\$160 - 210

# **Gigantic Brewing Company**

• Something really big is about to happen!

#### **Gigantic Brewing Co.**

A small production facility in an industrial area with a 20 person tasting room.

Just started brewing in April.

One year round beer – IPA. Everything else is seasonal specialty.

Primary package 22 oz bottle – 75% of production Draught primarily in 50 liter kegs

#### **Gigantic Brewing Company**

- Start up capital \$630,000
- Brewery Cost (new 15 BBL brewery, etc.) \$250,000
- Bottling line \$0 using a local mobile bottling firm
- Start up expenses salaries and construction costs \$215,000
- Licensing and Legal fees \$30,000
- Operating cash \$135,000

#### Gigantic Brewing Company

- Rent \$2300
- Utilities \$1350
- Insurance \$435
- Vehicle \$750
- Distributions (labor) \$11000
- Monthly overhead expenses \$15835
- Annual fixed costs \$190,020

#### **Gigantic Brewing Company**

- 1000 BBLs per year annual production
- raw materials \$68600
- bottling costs (inc. labels and bottling fees) \$70,500
- Repairs and maintenance \$6000
- Marketing \$30,000
- Total annual variable costs \$175100

#### **Gigantic Brewing Company**

- Fixed costs \$190,020
- Variable costs \$175,100
- Total costs \$365,120
- Total cost per BBL at 1000 BBLs/yr \$365.12

#### **Gigantic Brewing Company**

- Pricing structure for 22 oz bottles.
- Two tiers of beer pricing
- Price "a" to wholesaler (\$30/case) = \$2.5 // bottle
- Price "a" to retailer (\$39 / case) = \$3.25 / bottle
- Suggested retail price "a" = \$5 / bottle
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- Price "b" to wholesaler (\$48 / case) = \$4 / bottle
- Price "b" to retailer (\$62 / case) = \$5.17 / bottle
- Suggested retail price "b" = \$8 / bottle

#### Gigantic Brewing Company

- Pricing structure for draught beer
- Two tiers of beer pricing, both sold in 50 liter kegs
- Wholesale "a" = \$97 Retailer "a" = \$124
- Wholesale "b" = \$112 Retailer "b" = \$143

#### **Gigantic Brewing Company**

- Total costs per BBL = \$365.12 (at 1000 BBLs / yr)
- Revenue per BBL (1 BBL = 15 cases, or 2.35 501 kegs)
- Bottle price "a" = \$450
- Bottle price "b" = \$720
- Draught price "a" = \$227.95
- Draught price "b" = \$263.20
- Bottles generate profit, draught is an advertising expense.

#### Gigantic Brewing Company

- Projected cost per BBL as production increases.
- 1000 BBLs / yr = \$365.12
- 2000 BBLs / yr = \$287
- 3000 BBLs / yr = \$262
- 4000 BBLs / yr = \$249
- 5000 BBLs / yr = \$241

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#### **Orange Blossom Pilsner**

- Contract brewed honey beer with wide appeal designed for the timid Florida palate.
- Plan was to establish brand, distributor network, fan base and sales record to justify a physical brewery.
- OBP is currently working on funding for Unique Brewing Company.

# Unique Brewing CompanyStart Up Capital: includes buildout,<br/>startup, operating expenses and<br/>lease down payment<br/>30bbl brewhouse with 5, 60 bbl<br/>unitanks (with space to expand to<br/>30, 60bbl unitanks or 25k bbls +/-<br/>a year)\$ 520,000\$ 475,000 Lease\$ 475,000 Lease75 Case Per Hour Canning Line\$ 100,000 LeaseTotal Investment\$ 1,095,000

# Unique Brewing Company Monthly Bills Liability Insurance \$1,200

Lease on Brewery Equipment	\$6,500
Rent	\$6,000
Water	\$1,100
Power	\$4,500
Payroll	\$ 22,000
	\$41,300

Unique Brewing Company Beer Cost Breakdown			
Cases (Cans 4/6 Pac	ks, 12 oz cans	)	
MATERIAL Cans Trays	Price 0.107 0.0125	000011	Cost \$ 2.57 \$ 0.30
rolls perfpak rings (4500 per roll)	0.0096	Per Can	\$ 0.23
Liquid Cost Indirect Cost (annual avg.)	1.25		\$ 2.81 \$ 5.62
Total Cost Price Gross Profit			\$ 11.53 \$ 19.50 \$ 7.97

Unique Brewing Company Beer Cost Breakdown			
1/6 BBL Cost			
MATERIAL	Price	Unit	Cost
Keg Rental (Local)	\$8.600	each	\$8.60
Keg Collar	\$0.180	each	\$0.18
Liquid Cost	\$6.44	each	\$6.44
Indirect Costs (annual avg.)	\$12.91	each	\$12.91

Total Cost Price

Profit Margin

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\$28.13

\$43.25 **\$15.12** 

#### Unique Brewing Company Beer Cost Breakdown

1/2 BBL Cost			
MATERIAL	Price	Unit	Cost
Keg Rental (Local)	\$10.860	each	\$10.86
Keg Collar	\$0.180	each	\$0.18
Liquid Cost	\$19.33	each	\$19.33
Indirect Costs (annual avg.)	\$38.72	Each	\$38.72
Total Cost			\$69.10
Price			\$ 88.00
Profit Margin			\$18.90

Target: 5,400 bbls at end of Yr 1				
Unit	Avg Annual Gross Profit (per unit)	Units Sold (bbls)	Gross Profit	
Cases	\$7.97	27,600 (2,003)	\$220k	
1/6 bbi	\$15.12	5,680 (947)	\$85.9k	
V2 bbl	\$18.90	4,900 (2,450)	\$92.6k	
		Total Gross Profit	\$398.5k	
		SG&A expenses*	\$298.2k	
		YR 1 Operating Income	\$100.3k	
*(sales & marketing, general overhead, etc)				

# Target: 10,800 bbls at end of Yr 2

Unit	Avg Annual Gross Profit (per unit)	Units Sold (bbls)	Gross Profit	
Cases	\$9.56	59,520 (4,320)	\$568.8k	
1/6 bbi	\$18.75	12,960 (2,160)	\$243.1k	
1/2 bbl	\$29.81	8,640 (4,320)	\$257.6k	
	Total Gross Profit SG&A expenses*		\$1,069k	
			\$408.2k	
		YR 2 Operating Income	\$661.2k	
*(sales & marketing, general overhead, etc)				

Tasting Room			
Pints (Per Day)		Growlers (Per Day)	
Pints Sold	150 (18.75 gallons)	Growlers Sold	12
Cost	\$23.43	Cost	\$15
Revenue	\$637.50	Revenue	\$225
Gross Profit	\$614.07	Gross Profit Daily Gross Profit	\$210 <b>\$824</b>
		Monthly Gross Profit	\$21,426
		Annual Gross Profit	\$257,110*