

Breweries & Distilleries

SPECIAL REPORT



Breweries & Distilleries

Original craft beer play

The state's craft beer industry is going from strength to strength, but some of the oldest brewers still dominate the scene.



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6-PAGE FEATURE

THE term 'craft beer' wasn't used in Australia when Nail Brewing's John Stallwood started out in the business.

That's despite Western Australia having led the craft beer charge with the opening of the Sail & Anchor in Fremantle in 1984.

Back then, beers of the type produced in Freo were known by a more high-end, top-shelf moniker, far from the earthy, crafty appeal of today's creations.

Mr Stallwood began selling his brews in 2000 from Bobby Dazzler's at the corner of Murray and Williams streets in the Perth CBD, competing for market share with giants Carlton & United Breweries and Lion Nathan.

"Back then it was two big breweries that were powerful, and they still are today, but craft beer wasn't," Mr Stallwood told *Business News*.

"The name craft beer didn't actually exist, it was called 'boutique beer' back then.

"Everyone drank lager, no-one really knew anything about craft beer."

He said the growth of the market was spurred on by Fremantle's hosting of the America's Cup in 1987, which brought a lot of international beers to the port city's bars.

According to website *Craft Beer Reviewer*, 86 breweries opened

nationwide between 1984 and 2000, while 37 closed.

In WA, *Business News'* Data & Insights lists 13 breweries that opened during that time period that remain in operation in 2021.

Finlays Kalbarri opened in 1989, Billabong Brewery sold its first beer in 1993, and Bush Shack Brewery followed in 1999.

Along with Nail Brewing, several well-known breweries opened in 2000, including Little Creatures, which was sold to Lion Nathan in 2012, and Duckstein Brewery.

The *Craft Beer Reviewer* said annual brewery openings doubled between 2001 and 2004, with an average of nine opening each year.

In all, 36 breweries opened during that period, including WA's Colonial Brewing Company and Feral Brewing Company, while 10 closed.

In 2005, 22 breweries were established in Australia, including Gage Roads Brewing Company, now called Good Drinks, which has become WA's largest brewery, ranked by production capacity, according to Data & Insights.

Good Drinks managing director John Hoedemaker said the craft beer industry was in its infancy when he started the brewery.

"Everyone was doing the same thing, which was creating interesting craft beers with stronger hop characters and different malt characteristics, and basically trying to sell that up against lager," Mr Hoedemaker told *Business News*.

"That's what the business was all about 18 years ago, which was convincing all consumers of Australia that there was something better than lager, give it a crack, see what you like and don't like; that's how our business grew.

"The biggest change nowadays is that the craft beer market has



NEW: John Hoedemaker says Good Drinks is planning to open a hospitality venue at Victoria Quay for next summer.

“ [W]e are no longer trying to get consumers to swap from lager to craft beer, but we are now starting to compete with all the other craft beer brewers in the country - John Hoedemaker

grown strongly, and as a business we are no longer trying to get consumers to swap from lager to craft beer, but we are now starting to compete with all the other craft beer brewers in the country.”

From 2014 to 2016, *Craft Beer Reviewer* calculated the average rate of openings to be around 68 per year nationally, with only seven breweries closing.

Data & Insights lists about 100 active breweries in WA, 32 of which started in the past five years (see page 30).

Several WA breweries have closed in recent years, including The Monk in 2020, Albany Brewing Co and Blue Mile Brewery in 2019, and Brew 42 in 2018.

A majority of the top 10 were established in the early 2000s,

with the notable exceptions of Blasta Brewing Company (2018) and Otherside Brewing Co (2016).

Feral Brewing Co, which started in 2002 as a brewpub in the Swan Valley, is now the state's second largest brewery.

It teamed up with Nail Brewing in 2012 to buy a shared production facility and was purchased by Coca-Cola Amatil in 2017.

General manager Rob Brajkovich said Carlton United & Breweries and Lion Nathan had the contracts to supply most of the tap points in venues as recently as a decade ago.

Now, he said, venues were a lot more likely to choose WA beers, given the growing number of local breweries to choose from.

"I'm finding venues are more open to keeping more of their tap

ers still growing



CHANGING: Rob Brajkovich says Feral's beers have changed to meet evolving tastes.
Photo: Gabriel Oliveira

points flexible to cater for that local offering or consumers 'changing tastes, knowing that's what they are looking for," Mr Brajkovich said.

Feral's beers had changed as people's tastes evolved, he added.

Mr Brajkovich said Feral White beer had launched the business and the brand, but now that product contributed just 3 per cent of sales.

The release of its Hop Hog beer in 2008 was a gamechanger for the business, as it won several awards and contributed significantly to brand recognition.

Mr Brajkovich said the commercial release of canned Biggie Juice in 2019 was another defining moment for the brand.

"One of our most popular products is a product called Biggie

Juice, which is a New England IPA so it's a hazy beer," he said.

"We only conceptualised and brought that product to market 18-20 months ago and that's become our biggest seller," he said.

Mr Brajkovich said the growing competition between craft brewers in recent years had encouraged producers to find a point of difference.

"It's good, it pushes everyone to keep driving quality, looking for unique styles or offerings or flavours to bring to market, because unfortunately not everyone can be on every shelf," he said.

"With craft, though, we feel like there is space for all of us and where we would probably rather get our volume from is actually getting drinkers into craft who aren't already in it."

Growth plans

Nail Brewing's Mr Stallwood said the company made a profit for the first time in its history last year.

"All that time we have struggled financially because growing a brewery costs a lot of money," he said.

"After 20 years, last financial year Nail's volumes lifted quite a lot and I finally started to make a profit."

Mr Stallwood said he planned to use the brewery's recent financial success to invest in the company and expand but was yet to plan his next move.

Feral's Mr Brajkovich said recent growth had led the company to upgrade and expand elements of the brewery.

Recently closed WA breweries

Name	Year
The Monk	2020
Albany Brewing Co	2019
Blue Mile Brewery	2019
Brew 42	2018
Moody Cow	2018
Blacksalt Brewery	2018
Naked Monkey Brewing Co	2018

He said the brewery was getting six new fermenters, upgrading its boiler and installing a centrifuge to increase brewing capability.

Feral was also considering new locations for a hospitality venue in the long term.

"We just think that potentially there's a little bit of a disconnect between where the brand is now in market; on tap at festivals, in your bottle shops and what it represents compared to where we started," Mr Brajkovich said.

"So, we think there's an opportunity to get a CBD or CBD fringe venue and get more people through and interacting with the brand."

Good Drinks is planning to open several new venues over the next few years.

The ASX-listed brewer announced plans to open a flagship hospitality venue at the historic A Shed building at Victoria Quay mid last year.

The venue will include a working brewery, restaurant, bar and an alfresco area with a children's playground, with plans to open for next summer.

Mr Hoedemaker said the company was designing and planning the venue and was expecting to start construction towards the end of February or early March.

He said the fitout was estimated to cost between \$6 million and \$10 million.

In September last year, Good Drinks opened the Atomic Beer Project in the inner-city Sydney suburb of Redfern.

Mr Hoedemaker told *Business News Good Drinks* was also investigating opening venues in Queensland and Sydney.

"That will most likely be a venue that supports the Matso's brand and we would like to see Matso's be a brand that's synonymous with the northern parts of Australia," he said.

A Good Drinks venue on Sydney's Northern Beaches was also on the cards, Mr Hoedemaker said.

Another big change for the brewer in recent months has been its name.

Known for years as Gage Roads Brewing Company, the change to Good Drinks was made in November last year.

Mr Hoedemaker said the management team made the decision as the company acquired more drink brands, including Matso's and San Miguel.

"We wanted to change our business name from Gage Roads to Good Drinks, so we became a house of brands rather than a brand, being Gage Roads, controlling or owning all these other sub brands," he said.

The company also owns the Alby, Atomic and Hello Sunshine brands.

Mr Hoedemaker said the company's half yearly results had vindicated the decision to manage a portfolio of brands.

"We have had a strong first half of the year and we are expecting to have a very strong full year for our business," he said.

New brewers target fresh market



FAMILY AFFAIR: Shelter Brewing Company directors (from left) Asher Packard-Hair, Matt Credaro, Chris Credaro, Zeb Packard-Hair, Mike Credaro and Jason Credaro opened in the Busselton venue in November. **Photo: Stephen Norman**

Business News spoke to three new WA breweries to learn about the message behind the brand.

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THE reasons why Western Australia's growing legion of craft brewers get into the business are as many and varied as the beers they produce.

Behind it all, however, is a passion for WA and the process of brewing.

Market research firm IBIS World calculated the Australian craft beer industry grew an average 4.4 per cent from 2016 to the end of 2020 and estimated a further 4.5 per cent growth in 2021.

This accounted for a slight fall in market size due to COVID-19 and the closure of hospitality venues in some parts of the country for a majority of the year.

IBIS World expects craft beer revenues nationally to reach \$842.6 million in 2021, almost matching 2019 figures.

While the pandemic meant people could not enjoy a beer at the pub, online beer store Beer Cartel's 2020 Australian Craft Beer Survey found people were buying less mainstream Australian and international beer and more local (and Australian) craft beer.

The survey found the COVID-19 pandemic had made people more aware of the need to back Australian producers, with 93 per cent of respondents agreeing local breweries needed more support than ever.

The pandemic has not stopped some WA brewers' plans to open hospitality venues.

Bremer Bay Brewing opened its venue in March, Swan Valley's

“Brewing was Jas's passion, even though he did his winemaking degree, he went towards brewing - Matt Credaro

Bailey Brewing Company and Busselton-based Shelter Brewing Company started serving beers in November, while Running with Thieves launched its brewery and distillery in December.

Asahi (CUB)-owned Pirate Life's brewery in the Perth CBD is due to open this summer, and ASX-listed Good Drinks announced plans to open its Gage Roads hospitality venue at A Shed for summer 2021 (see page 29).

Other breweries, including Spinifex Brewing Company and Dingo Brewing Company, started canning beers in 2020.

Business News spoke to some of the new players to find out how (and why) they got started.

Shelter Brewing Company

Shelter Brewing Company's hospitality venue, which opened on the Busselton foreshore in November, took eight years of planning.

Matt Credaro, who is operations manager at his family's vineyard, Credaro Family Estate, and his brother, Jason, who used to brew for Little Creatures and founded Blue Mile Brewery (now closed), began planning a brewery on the foreshore site in 2012.

“Our thought was to try and create a legacy business and bring all of the family members in, but we can also add to the business,” Matt Credaro told *Business News*.

“Brewing was Jas's passion, even though he did his winemaking degree, he went towards brewing; so that was the intent of us looking at it.

“We always thought the foreshore was a site with a lot of potential, even though back then there wasn't much there.”

Matt Credaro said the process was drawn out by council approvals.

As the plans progressed, the project became bigger and the Credaro brothers decided to bring in partners.

Another set of brothers from the South West, Zeb and Asher Packard-Hair, became involved in the project in 2019.

The Packard-Hair brothers already manage several properties in the South West, including The Par 3 golf course, a residential estate, and wedding venue Old Broadwater Farm.

After years of planning, the 650-seat venue opened last year to large crowds of South West holiday makers and locals.

“The projections when we opened, compared to where we have actually got, are significantly different,” Zeb Packard-Hair told *Business News*.

“We have come out swinging and I think the timing with the whole COVID thing ended up being really good.

“We have a lot of people in WA who are coming south instead of going east or to Bali like they normally would.”

While some hospitality businesses in the regions had struggled to secure staff, Shelter hadn't found it a problem.

“We were fortunate to be the ‘new business,’” Matt Credaro said.

“You always have your honeymoon period ... but there's definitely constraints with the current situation and staffing.

“At the end of the day, we still managed to build a team of around 140, quite a strong team.”

Dingo Brewing Company

Dingo Brewing Company began with the acquisition of the rights to the popular Dingo Flour sign.

Farmers Mathew Walker, Mike Shields and Spinner Brennan negotiated for the use of the sign and decided they wanted to create a beer.

segments



LAUNCHED: Steve Jansen (left), Adam Barnard, Michael Little and John Gibbs sold Spinifex Brewing Co’s first beer in February 2020. **Photo:** Madeleine Stephens

The trio recruited beer judge and writer Ross Lewis to help them set up the brewery.

“We had a great idea and a great identity, but we needed a brewery,” Mr Lewis told *Business News*.

“That’s when we worked with the team at Whitelakes in Baldivis, who were already established as a microbrewery down there.”

The Whitelakes Brewing team includes publican John Gastev and head brewer Sean Symons, who is a former head brewer of Swan Brewery.

“It seemed to make sense that if we wanted to make a lager, Sean was our guy,” Mr Lewis said.

He said the Dingo Brewing Co founders wanted to make a lager instead of a craft beer to tap into WA’s roots.

“Even while a lot of people have been drinking heavy IPAs or barrel-infused stouts, there’s still been a critical mass of people who have been drinking lagers; they like the lager taste,” Mr Lewis said.

Dingo’s beer has been well received, winning gold for its Dingo Lager in the lager-draught Australian-style lager category at the Perth Royal Beer Awards.

After launching its beers in March, a week before pubs were closed due to the COVID-19 pandemic, Dingo Brewing Co was put on pause for a few months before starting to can in July.

Its beer is now available in more than 200 bars and retail locations across WA.

Mr Lewis said it was challenging to find tap points, but Mr Gastev’s hospitality connections helped open doors.

“It’s been a steady process, but I think we have been pretty successful in getting around to a fair few [tap] points in the state,” he said.

“In a little more than six months since we have been in full operation, it’s been a pretty good reach.

“He’s roaming a bit of territory, the old Dingo.”

New breweries opened

Name	Year
Shelter Brewing Co	2020
Bremer Bay Brewing Company	2020
Dingo Brewing Company	2020
The Sophisticated Beast	2019
Fantom Brewing Co	2019
Freestyle Brewing	2019
Spinifex Brewing Co	2019
Terra Forma	2019

businessnews.com.au/bniq/microbreweries

Source: Data & Insights

Spinifex Brewing Co

Spinifex Brewing Co has used its unique points of difference to find space in a crowded market.

The brewery uses native Australian ingredients, contracts Aboriginal businesses in its supply chain, and donates 50 per cent of

profits raised from its F88 lager to veterans’ charities.

Yamatji man and managing director Michael Little, master brewer John Gibbs, and director Steve Jansen began brewing in 2017, while chief executive Adam Barnard brought capital into the business in April 2019.

The brewery was launched in late 2019 and sold its first beers in February 2020.

COVID-19 forced the team to pivot from beer to hand sanitiser in a joint venture with Limestone Coast Brewing in Malaga.

“We are now the largest manufacturer of finished product [hand sanitiser] in WA in a separate company,” Mr Barnard said.

The company now supplies WA Police and big businesses, including Crown Perth.

Spinifex began producing beer again in September.

Mr Barnard said the company’s gypsy brewing business model (it doesn’t own its equipment) had worked well at the beginning.

“It’s allowed us to focus on building the brand, rather than the mechanics behind it of actually making the beer,” he said.

However, as Spinifex beers began to take off, the gypsy brewing model meant it was hard to keep up with demand.

“Our greatest challenge was really trying to predict how quickly this would take off,” Mr Barnard said.

“I think we were always chasing our tails; we were running out of beer continuously, we underestimated how quickly this beer would take off.”

Spinifex has recently completed a \$750,000 capital raising and welcomed several high-profile investors to the team: lawyer Dan Mossenson, sports commentator Karl Langdon, and managing director of Elevate Accounting, Shane Crommelin.

Mr Barnard said Spinifex was planning to focus on the events space, after purchasing a mini truck that would be converted to have beer taps.

It is also planning its first hospitality venue, which will be opened in 2021.

One of the main goals for Spinifex was export, given its use of native Australian ingredients and Aboriginal businesses in its supply chain, Mr Barnard said.

“Australia hasn’t had a really successful beer export since Foster’s and we think we have the right brand, the right story, [and] the right product to become a major player in the international space,” he said.

Distilling points of difference in

Republic of Fremantle is betting a commitment to its location and the finer points of distilling will set it apart in a crowded market.

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IT took some convincing to get Jason Townes on a plane to London to discuss a new business opportunity.

That was about five years ago when he, alongside friends John McVeigh and Matt Giudice, had taken a keen interest in the art of distilling.

Their interest was a natural progression for three builders-cum-publicans, whose business interests span three high-profile Fremantle outlets: artisanal bakery Bread in Common, cocktail bar Strange Company, and Ronnie Nights (in homage to the British gangster).

Mr Townes was slow to warm to Messrs McVeigh and Giudice's new interest, however.

For one, gin had amassed remarkable popularity in the 2010s owing to its low cost of production, but Mr Townes had concerns about long-term viability.

More than half a dozen distilleries had opened in Western Australia in the first half of the decade, accounting for close to 20 per cent of all distilleries and spirit producers in the state, according to *Business News's* Data & Insights.

While many local outlets boasted institutional knowledge – such as Margaret River Distilling Company's founder, award-winning distiller Cameron Syme – the low barrier to entry meant anyone could conceivably buy some ethanol and juniper and start their own distillery.

If the likes of Pernod Ricard or Diageo could simply ramp up production and crowd out the market, what was the point of starting up another gin joint?

"I was a little cynical before we went," Mr Townes told *Business News*.

"There's such growth in craft spirits; how long can that be sustained?"

"To me, a lot of the brands were not of any substance; they were marketing exercises, spirits made by third-party distillers.

"When you looked behind the curtain of some of these distilleries there wasn't much substance there."

Mr Townes had reason for skepticism.

Unlike dark liquors or bourbon, gin distilling is not closely monitored or regulated, and the product does not require ageing before being bottled or served.

These distilleries are subsequently more attractive from a commercial standpoint as they can provide immediate profit and return on investment.

The consequence of this has been more Australians drinking more gin. Research from Roy Morgan published in March 2020 indicated nearly one in 10 Australians drank gin in a single month, with the growth in popularity concentrated among those aged 50 to 64.

Add to that a bevy of distilleries already in WA's market – 20 distilleries have opened across the state since 2015, according to Data & Insights – and Mr Townes' concerns of market saturation appeared well founded.

The trip to London merely confirmed this view.

One visit to Thames Distillers, located about six kilometres south of the capital, left the men in awe of an operation that manufactured hundreds of gins under licence that were then stored in drums and sent off in batches.

Rather than putting a dent in their plans, however, the London experience led to an epiphany of sorts, whereby the men realised an oversaturated market could prove a blessing if they focused on an artisanal experience.



REFINED TASTES: Republic of Fremantle's master distiller Oliver Kitson, (left) with founders Matt and John McVeigh

“If you truly are about the craft, then you need to be in control of the process from beginning to end” – Jason Townes

"What insulates you from falling off?" Mr Townes asked.

"If only the best is going to survive, what is that?"

To this end – creating a high-quality, unique product that stands above the competition – Messrs Townes, McVeigh and Giudice launched Republic of Fremantle.

Based out of the port city's west end, the venue is premised on the embrace of craft in all aspects of operations.

Instead of engaging wholesalers, the trio has instead sought out partnerships with artisanal manufacturers and producers to retain complete control of production.

That has entailed everything from the design of the bottles, which was inspired by UK-based Silent Pool Distillers, through to the still itself, which was built on commission through international engineering outfit Seymourpowell.

So close has the operation's attention to detail been that the group hired Oli Kitson, formerly of UK-based outfits Dorset Brewing Company and Sipsmith, to serve as master distiller.

Mr Kitson, who holds a bachelor's degree in pharmacology from the University of Edinburgh and studied brewing and distilling at Heriot-Watt University, oversees a process that extends to the manufacturing of ethanol used in the end product.

"If you truly are about the craft, then you need to be in control of the process from beginning to end," Mr Townes said.

"Most gin distilling happens by going and buying industrial spirit

WA craft spirits



Giudice, Jason Townes



from an industrial manufacturer, bringing it to the distillery, putting it into a small gin still, putting the botanicals in there, and bang, off comes the gin.

"It is basic and easy ... all the hard work is done because the base spirit is the important thing.

"What is much harder but more interesting to do is to make the base spirit; to make the ethanol ourselves.

"We figured being in control of that aspect gives us true credibility in the craft area."

Republic of Fremantle's still, which backs out onto the venue's dining space, is a visibly imposing reminder of the group's ethos.

With that decision comes greater cost to the business's bottom line, given the return on dining is generally marginal, but it is one Mr Townes said the trio had thought was worth bearing.

"It shows the integrity of the product, that it's not happening behind closed doors," he said.

"We're completely open and transparent about what's happening here.

"I think that's much more interesting for our patrons."

Maintaining that point of difference will be instrumental to Republic of Fremantle, given it is one of six distilleries to open in WA since 2019.

Some, such as Esperance Distillery Co, have embraced the

small business ethos that comes with operating a 30-litre still in a town of 10,000 people.

Others, such as Running with Thieves, have diversified their offering and embraced whiskey distilling, purchasing hundreds of oak barrels in aid of the long-term process.

And while half of the distilleries that have opened in WA over the past two years have been within a 15-minute drive of Fremantle's city centre – a reflection of falling vacancies and increased retail presence – Republic of Fremantle has embraced the locale as a fundamental part of its identity.

Its name, a play on the city's separateness from greater

metropolitan Perth, has served as a clever marketing tactic, with pre-purchasers receiving their bottles alongside a letter conferring citizenship upon them from the so-called republic.

The venue, meanwhile, tucked away on Pakenham Street near The University of Notre Dame and Fremantle Ports' sheds and ferry terminal, is intentionally removed from popular thoroughfares to attract discerning patrons.

None of which should underplay the ambitions of Mr Townes and co; their distillery was built to be scalable, and their ambition is to eventually open an offsite facility to help

produce up to 400,000 bottles per annum.

Still, for these Fremantle locals, their fondness for their city and a good drink remains paramount.

"We didn't have anywhere where we really liked drinking in Freo," Mr Townes said.

"The strip's become a little bit more for the visitor to Fremantle, so it was natural we wanted to build something on the back strips that suited our needs and that of the residents.

"We do get people coming from the western suburbs, but I'd say most patrons are discerning locals after a little bit better experience and something they can call their own."

Breweries & Distilleries

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Showing 6 of 674

\$10 million grants for Agrifood businesses

Fremantle brewery Running with Thieves received a \$703,000 grant.

Photo: Gabriel Oliveira By ...

Spinifex attracts high-profile investors

brewery's production to meet increasing demand. Mr Mossenson, a well-known liquor-licencing lawyer, invested ...

United Malt Group unveils \$70m upgrade

acquired malt producer Kirin Australia, which owned the Welshpool asset, from Japan's Kirin Brewery back in ...

Good Drinks volume, revenue up

the venue would cost about \$10 million. It is also exploring potential sites for a Matso's brewery in ...

Shelter opens cafe ahead of brewery

Shelter Brewing Co has opened a cafe on the Busselton foreshore, ahead of its brewery launch expected later in the year. ...

Gage Roads to open Freo brewery

Gage Roads Brewing Company is opening a harbourside hospitality venue in Fremantle, after securing the lease for the A Shed building in Victoria Quay. ...

