State of Sustainability in Craft Brewing

2016 Craft Brewers Conference in-depth: progress, challenges and what’s next for the industry’s business sustainability movement

By Adam Freedgood

Production, exports and brewpub startups are growing at double digit rates.

Is the craft industry toasting responsible growth?

It’s good to be a brewer. A craft brewer that is. In 2015 the industry’s 4,200+ breweries continued to capture market share from Super Bowl beer brands at a voracious pace. Sales grew 12.8% according to the Brewers Association. At the Craft Brewers Conference (CBC) in Philadelphia last week, a spectrum of craft brands -- some hyperlocal and others major international exporters -- came together to celebrate success, build business knowledge for future growth and share sustainable growth tactics.

Craft may be synonymous with small but the industry’s changemakers consider it to be a disproportionately large platform for promoting sustainability in business and culture.

What “responsible growth” means for craft brewing

When companies (and industries) grow at double digit rates, it can be difficult to find time to think about abstract external environmental and social impacts like climate change. Even internal measures like energy and water efficiency can take a back seat to more pressing concerns.
For craft brewers, sustainable growth is part of the essence of craft. At CBC this year we focused on identifying what brewers are doing well and where there is room for improvement in order to “walk the talk” on responsible growth.

Our participation in CBC revolved around the conference’s “sustainability track,” including a number of events, learning sessions and over a dozen one-on-ones with green business leaders at breweries in the weeks leading up to the conference.

The unique craft culture creates a number of sustainability bright spots which deserve recognition.

**CRAFT BREWING SUSTAINABILITY HIGHLIGHTS**

**At the industry level**

**Collaborative Benchmarking**
79 breweries shared resource consumption data in 2015. The goal is 150 participants in 2016. This level of sharing is unprecedented for most industry groups. Breweries that submit data benefit from seeing their efficiency level relative to peers in their size category. Overall, the benchmarking results suggest millions of dollars in unrealized cost saving opportunities industry wide.

**High-quality sustainability manuals**
A trio of technical manuals outline strategies to minimize energy, water and waste. Craft brewers can access best practices, case studies and the financial rationale for making efficiency retrofits and smart design decisions. Coming soon: manuals on buildings and wastewater.

**Water resources**
CBC boasted an impressive number of learning sessions, vendor solutions and overall buzz around the critical topic of water stewardship. Joel Beauvais, head of the EPA Office of Water gave the industry a role in “protecting water from source to tap.”

**At individual breweries**

**“Brew The Change” a B-Corp Collaboration Beer**
Ten Certified B-Corp breweries and their supplier partners collaborated on “Brew The Change,” a beer which launched at CBC. After sampling the product at the packed launch party, we agree it’s a tasty success that raises the bar on sustainable sourcing. The brew features a batch of thoughtfully sourced ingredients. Each one has a fascinating story of positive impact, including Salmon Safe certified hops, organic and sustainable honey, and more.

**D-I-Y bottle return program in Montana**
Bayern Brewing cheekily claims they’ve brewed up the “ideal green beer.” Faced with the lack of a state run bottle deposit system, Bayern took matters into their own hands. The brewery made a substantial capital investment in a bottle washing line. But the real magic is in the local collection program that keeps bottles coming in their door. The brewery boasts reduced packaging costs, landfill diversion, and greenhouse gas reductions.
Green teams create value: do you have one?
Breweries benefit from tapping the ingenuity of their own staff before exploring capital intensive projects. Cross-functional “green teams” provide a competitive advantage in the form of low-cost innovation from within. Before they became leaders, the craft breweries most often credited with pioneering sustainability were blazing the trail internally, one project at a time.

Teams can be as small as two members and as large as 17 (looking at you New Belgium). A clear mission is more important than team size. A seven member green team at Brooklyn Brewery drives a diverse array of impact projects across three distinct operational areas: beer, facilities and community.

INNOVATION OPPORTUNITIES

Fast growth, ever expanding distribution and the large number of small businesses that define the craft industry create challenges for responsible growth. Third Partners identified areas where innovation and continuous improvement will drive efficiency, reduce risk and help preserve traditional craft values.

At the industry level

Adopt a modern sustainability definition
Craft has internalized a narrow set of resource efficiency tenets of sustainability. This approach was passed down from larger brewers who practiced water, energy and waste management, primarily to reduce costs. The problem is, many costs are not internal or even financial. This becomes more important as small businesses grow up into national or even international operators.

The fast-growing craft industry would benefit from a more comprehensive definition of sustainability based loosely on the GRI framework used by leading sustainable brands. Such a definition would give breweries a more structured way to assess and take action on their most significant impacts -- not just from an internal efficiency perspective but also in a broader social and environmental sense.

Industry sustainability resources that focus primarily on operational ROI are appealing but they fall short of efforts by many craft brewers, including the B-Corps, to address extended impacts.

Bring alcohol responsibility into the industry sustainability calculus
Craft industry involvement in traditional alcohol impact mitigation programs has been rather limited. The subject of alcohol responsibility is largely missing from craft’s consumer and B2B sustainability dialogue, despite ABVs that trend higher than mass-produced beer. As craft market share continues to rise, the benefits of a more proactive stance also rise.

Craft leaders committed to responsible growth will do more to acknowledge alcohol responsibility. This may involve messaging campaigns or industry guidelines to raise awareness of how craft beer fits into established health and impairment guidelines.

Set greenhouse gas targets according to international standards
At least 12 of the largest 50 craft breweries and dozens of the top 200 have signed on to the CERES Climate Declaration expressing a commitment to curbing dangerous climate change. An industry wide greenhouse gas (GHG) emissions target would give brewers a critical yardstick to assess whether current efforts are actually moving the needle on climate change impact.
Example of GHG targets in action: New Belgium forecasts the impact of key efficiency measures on the firm’s long-term “carbon footprint.”

All breweries need a consistent way to measure progress against globally significant goals.

For example: what would it take for your brewery to reduce absolute emissions by 20% below a 2005 baseline by 2020?

Create centralized resources to demystify renewable energy
Reducing GHG emissions requires sector leaders to figure out how to grow up on clean energy, not default fossil fuel grid electricity and natural gas. The craft industry consists of thousands of small producers, making the transition to renewable energy difficult. Third Partners is presently working one-on-one with breweries to develop solutions that work. Our goal is to help the sector formalize best practices in clean power procurement that apply to breweries in a range of situations.

Give craft brewers a stronger voice for change with large suppliers
Supply chain sustainability standards, goals and tools are in their infancy in the craft industry. Any single craft brewer has a small voice. Purchasing volume may equate to less than 1% of total sales for a typical ingredient or equipment supplier. Acting together, the industry can more effectively track indirect impacts from agriculture, transportation and packaging -- which account for a greater share of craft beer’s environmental “footprint” than brewery processes alone.

Better data is essential to empowering craft brewers to drive reforms. As a first step, Third Partners is teaming up with select partners from the Brewers Association sustainability committee to pilot a supply chain mapping program. In the future, breweries will have better visibility into indirect impacts, cost saving measures and supplier performance in areas that matter most.

At individual breweries

Delve into supply chain impacts
For the larger regional breweries, understanding impacts beyond the walls of the brewery leads to further cost savings and impact reduction. Deschutes is assessing suppliers in one of the industry’s early supply chain engagement efforts.
In addition to industry-level efforts to map brewery supply chains, Third Partners is looking to forge relationships with forward-thinking operations managers and procurement directors. The same techniques that allow breweries to visualize environmental impacts are also able to identify cost savings and risk reduction opportunities.

**Reap the rewards of going beyond the low-hanging fruit**
Benchmarking results show a major efficiency gap between small producers and larger regional breweries. Both cohorts can capture cost savings exceeding tens of thousands of dollars annually by taking energy management to the next level. After lighting, insulation, and air sealing tactics are covered, the next frontiers include HVAC, brewery process heat recovery, cold storage efficiency, and wastewater.

**Greenwashing alert: spent grain**
We’ve encountered dozens of examples of spent grain practices being spun into sustainable business claims. The practice of shipping spent grain to farms or feedlots is an economically motivated standard practice that has been around as long as brewing. Is it a beneficial relationship? Yes. Is it innovative or sustainable? Not especially. Brewers touting the eco benefits of spent grain reuse should tone it back to avoid greenwashing.

**Brewpubs are energy and water hogs requiring targeted effort**
According to benchmarking results, the presence of restaurant operations multiplied brewers’ energy and water usage per unit of output by over 500% compared with similar sized beer-only producers. We are helping existing facilities capture rebates and incentives for retrofits. New construction projects can maximize ROI by involving us in their design and construction planning to cover all the bases.

**CRAFT BREWING SYMBOLIZES SUSTAINABILITY**
Craft beer is what you get by marrying an ancient art form to a dynamic market thirsty for a return to traditional values. In this way, craft is a symbol of the broader sustainability movement. It stands for quality over quantity, variety over homogeneity and brand storytelling that is unapologetically local.

Many introductions at CBC begin with “I am a former (fill in the blank).” The craft industry is a magnet for people eschewing traditional business roles or jobs at bigger breweries to join a movement that is by definition “small, independent and traditional.”

Brewers have created bandwidth to make complex environmental advocacy issues part of their mission, for example, fighting industrial water pollution or the effects of agricultural runoff on marine ecosystems.

As craft continues to grow, brewers will get better at confronting and reducing environmental externalities. Programs like benchmarking and supply chain transparency create shared accountability. When everyone participates, everyone wins.

For us, attending CBC inspired a slate of solutions to develop in 2016 and beyond with people who are actually building businesses for the long haul. Perhaps our most important takeaway: talking about shaping a positive future is simply more encouraging, creative and meaningful while sipping a craft beer with the people who made it.
ABOUT THIRD PARTNERS

We are the sustainability advisory team that consults with owners, operations and marketing leaders at craft breweries and other fast-growing brands. Based in New York and Chicago, we help brewers achieve their goals for cost efficiency, positive brand recognition and environmental innovation.

Three examples of how we can work together:

**1. Building a new facility?**
Get us on your team to bake ROI opportunities into your project based on industry best practices.

**2. Need better data on which of your processes waste the most energy and resources?**
Let’s talk.

**3. Would your staff “green team” benefit from increased focus on bottom line results?**
Introducing us to your green team (or inviting us in to help set one up) is the most efficient way to improve, without capital investments.

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<tr>
<th>Training</th>
<th>Gain the focus to turn one-off projects into a strategic roadmap.</th>
<th>➔ We help your ops staff or “green team” get more done ➔ Training plus outsourcing where it makes sense</th>
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<td>Communications</td>
<td>Enhance loyalty by telling positive product stories</td>
<td>➔ Reporting, disclosure and “green marketing” advisory ➔ We curate new partnerships that increase your sales</td>
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<tr>
<td>Supply Chain</td>
<td>Spot new cost-saving opportunities and reduce risk.</td>
<td>➔ Gain new insights through mapping and data analytics ➔ Find &amp; fix environmental and social impact blind spots</td>
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<tr>
<td>Green Buildings</td>
<td>Expanding? Let’s reduce operating costs and impact.</td>
<td>➔ Third party advice: solar, energy efficiency, sub metering, rebates/incentive programs ➔ Embed us with your design/build team early on</td>
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Let’s discuss cost-saving innovations

We’re the flexible, low-overhead consulting team built for craft brewers, not big business. Ask us about our “train and do” approach.

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