

January 18, 2017  
House Federal & State Affairs  
HB 2411 (2017) & HB 2470 (2018)-Proponent

My name is Sean Willcott. I'm an entrepreneur currently working to open a microbrewery in Holton, KS. Rather than investing in the infrastructure and equipment to open a restaurant with my microbrewery, I will be investing in packaging equipment to package product in 12 oz. glass bottles and will be selling my product through Kansas distributors to ultimately be available for retail and on-premise sales to the public. Unlike most other industries, members in the craft beer industry do not act as competitors, but rather operate more like a fraternity, where members in the industry help each other out. This behavior has proven to strengthen the local industries, and ultimately helps all members.

One of my personal objectives with my brewery is to promote our local craft beer industry and help other microbreweries strengthen the community. One unique activity I would like to be able to provide, is the utilization of my packaging equipment assets to help other microbreweries expand their market reach and offer their products at more locations. Under Federal law, this activity is legal by means of contract brewing, where one brewery hires the services of another brewery to produce and package their product. Unfortunately, Kansas law currently does not allow microbreweries to contract brew, and restricts the use of packaging assets to be used by more than one establishment.

By amending the existing law to allow contract brewing by microbreweries, the current craft breweries in the state of Kansas without packaging capability would have a means to bring their products to multiple new markets without the significant capital investment needed. I believe providing existing microbreweries this avenue to expand their markets will increase their volume demand, resulting in more production by Kansas microbreweries. With enough increase in volume by in state producers, the industry will require more jobs to meet the demand.

Another benefit of allowing contract brewing by in state microbreweries, is it allows operating microbreweries who are running at maximum equipment capacity an avenue to increase their production for their existing markets without the capital investment of more production equipment. If a microbrewery or pub is currently at capacity with their fermentation or brewhouse arrangement, and does not have any additional space in their facility to add more fermentation tanks or increase their brewhouse, their only option today is to undertake the large investment of adding onto their facility, and purchase the new equipment needed to produce more product. For a small microbrewery looking to add modest volume, this large investment may not financially make sense. By allowing contract brewing, a brewery at capacity would have an avenue to contract with another microbrewery to produce the volume needed to bridge the gap during the time where volume growth does not justify the capital investment.

The Brewer's Association recorded an increase from 26 to 31 craft breweries throughout the state in 2016, and had Kansas ranked 40th in the nation for craft beer volume. The State has struggled to match the growth rate that other states and the nation have recently experienced. By amending current Kansas law to allow contract brewing by in state microbreweries, the craft beer industry in the state of Kansas will have an option that will allow a new avenue to support organic growth throughout the industry.

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