

North Carolina is, without question, the most progressive beer state in the South. We have an industry that stands out as the one of the fastest growing in the country with more than 100 craft breweries statewide, generating 10,000 jobs for North Carolinians. In op-eds over the past couple of weeks, we've seen two different perspectives of the North Carolina craft brewing industry. I am the Founder/CEO of Mystery Brewing Company in Hillsborough, NC, and the President of the North Carolina Craft Brewers Guild; allow me to lend a perspective from inside the industry.

When I first published *North Carolina Craft Beer and Breweries*, and toured the state giving talks about our industry, many people asked me: What is it about North Carolina that makes it such a great state for beer? My standard answer was simple: enthusiasm. We have a lot of it. We enjoy a huge base of fans that support the beer industry well and loudly. Quite simply, we wouldn't be here without them.

In thinking about this question over the past couple of years since the book was published, however, I've come to a new answer. The reason that North Carolina is such a great state for beer right now is this: we're finally starting to catch up.

Much of the rest of the country has had a robust brewing industry spanning the past 30 to 40 years, but here in North Carolina, until 2006, archaic Prohibition-era laws artificially kept the maximum allowable alcohol in beer harnessed at 6% ABV. With the passage of 2006's Pop the Cap bill, which raised the alcohol allowable in beer to 15% ABV, our state started the rapid growth pattern that we're currently experiencing. That simple change to the law has been an enormous boon to our industry, and we've seen the industry double in size twice since Pop the Cap was passed. It was a perfectly timed catalyst.

Per capita, in terms of breweries, we're still far behind the states that we're most often compared to: Colorado has 60% of the population of North Carolina but has 50% more breweries within its borders. Oregon has 30% of the population of North Carolina, but almost twice as many breweries as we have.

Clearly we have a long way to go.

The past two weeks, op-eds showed points of view that were both anti- and pro-regulation, but the real truth lies somewhere in between. We do enjoy a better suite of laws and regulations than other states in the South, but it hardly seems like a good time to rest on our laurels. We have an enormous amount of momentum and growth. Why would we limit ourselves to thinking regionally when the leaders are across the country? By thinking nationally, North Carolina can be a national leader in the brewing industry.

The North Carolina Craft Brewers Guild has identified two major areas of change that are good stepping stones into the future.

First, North Carolina breweries pay the 8th highest excise tax in the country at \$0.62/gallon, twice as high as the national average and much higher than the gasoline tax of \$0.38/gallon. If we reduce the state excise tax burden on our small brewers, we'll see immediate results in job growth, capital reinvestment, and more growth in our industry. Colorado and Oregon both pay only \$0.08/gallon in state excise tax; it's one of the key reasons that the brewing industry flourishes in those states.

Second, our state's breweries are limited in their ability to self-distribute. Our breweries can only self-distribute until they manufacture 25,000 barrels, at which point they must turn over all of their distribution and brand rights to a wholesaler in the state of North Carolina, regardless of where their beer is sold. For instance, if a brewery in Charlotte distributes 10,000 bbls of beer in North Carolina and 15,000 bbls of beer in nearby South Carolina, those local 10,000 bbls are required to be distributed through a North Carolina distributor, simply because that brewery

is making 25,000 bbls of beer. This is an unnecessary and artificial cap on the growth of our breweries. That the success of a small business would necessitate a change in the fundamental growth strategy of that same business seems counterintuitive at best. Neither Colorado nor Oregon have caps on self-distribution, and that has been instrumental in their thriving brewing industries, which both coexist with healthy and strong distribution industries.

Fortunately, our craft beer industry does have a great relationship with our state's distributors. Many of our state's most successful breweries use our state's distribution networks, even while self-distributed breweries thrive next to them. I am confident that the relationship between our brewing industry and our distribution industry will continue to grow and develop. I am also confident that, in an era of contentious relationships between breweries and distributors, especially in other Southern states, North Carolina can be a shining example: a business environment in which we show that we can work together as colleagues and friends combating outdated Prohibition-era laws that keep us all from reaching our full potential.