The tasting room is packed at Orpheus Brewing. The heady aroma of hops and barley hangs in the warm evening air as casually dressed 20- and 30-somethings gather around highboy tables and spill out onto the wood-planked patio overlooking Atlanta’s Piedmont Park. Already there’s a gentle buzz, although it’s hard to tell whether the buzz is a side effect of the artisanal brews on tap or simply the excitement surrounding the latest addition to the city’s burgeoning craft beer market. Scenes like this are becoming more common across the Southeast as craft beer takes hold in a region long dominated by national brands and light lagers.
Can Big Beer Be Craft Beer?

“At its heart, the craft beer movement is a quest by a band of Davids to bring down the Goliaths,” writes Brooklyn Brewery cofounder and author Steve Hindy in *Craft Beer Revolution*. Indeed, for decades, industry dynamics have pitted the small, ragtag craft brewers against the big multinational beer companies.

The growing popularity of craft beer, set against waning demand in the overall beer market, has introduced a new thread to the storyline. Craft beer is booming, and big beer wants a taste.

Consequently, the country’s two largest beer companies have set up separate ventures to brew craft-inspired beers. Tenth & Blake—a division of MillerCoors—brews the popular Blue Moon, a wheat beer marketed as “artfully crafted.” Meanwhile, Anheuser-Busch introduced its own Belgian-style wheat ale called Shock Top. (In 2008, Belgium-based InBev purchased Anheuser-Busch. The company name is now Anheuser-Busch InBev, or AB InBev.)

The big beer companies have also invested in existing craft breweries in an attempt to capture a piece of the market. For instance, Anheuser-Busch purchased Chicago’s Goose Island Brewery in 2011, and MillerCoors owns a minority stake (less than 25 percent) in the Athens, Georgia–based Terrapin Brewery.

Beer market analysts suggest this trend of consolidation will continue as more craft breweries enter partnerships with big brewers. But what does that mean for craft beer? Can big beer be craft beer?

“I’m torn on this one,” said Monday Night Brewing’s Jonathan Baker. “The capitalist in me is like, ‘Hey, if it’s good beer and you can make money selling it, sell it.’ But as a consumer, I do want to know more about the story behind the product and what goes into it and where the profits are going,” he said.

Ultimately, what defines a craft beer “is completely consumer perception,” Baker said. And with success comes changing perceptions. “You’re going to get some pushback if you’re successful. Where the line is, I don’t know. I think it’s different for every brewery.”

Luckily, the definition of craft brewing has continued to evolve along with the industry, noted Lazy Magnolia Brewery’s Leslie Henderson. As a result, success doesn’t necessarily mean outgrowing the craft beer niche.

“Pockets of craft beer geeks throughout the Southeast started the booming craft beer culture, and this trend has now spread to other groups,” explained Owen Ogletree, a beer columnist and founder of two popular Georgia craft beer events. “Everyone is now realizing that craft beer has flavor, personality, and a huge amount of appeal,” he added.

Indeed, the emergence of handcrafted brews to sip and savor—a craft beer renaissance—has elevated this humble beverage to a status on par with wine and cocktails. The benefits of craft beer are also spilling over into the region’s economy, contributing billions of dollars in economic impact and thousands of jobs.

A hopping scene

As the Southeast’s palate for craft beer has developed, a wave of new breweries has sprung up to satisfy growing demand.

At the end of 2013, the region boasted nearly 160 craft breweries and brewpubs, up roughly 20 percent from the previous year, according to the Brewers Association (BA), a national trade group (see charts 1 and 2). Add to that figure the astounding array of innovative beers being brewed across the United States, and beer connoisseurs have more options than ever to quench their thirst.

The BA defines craft breweries as “small, independent, and traditional,” which translates to a 6-million-barrel cap on annual production and less than 25 percent ownership by a noncraft brewer. Last year more than 2,700 breweries and brewpubs nationally fit that definition, up 15 percent from the previous year. Together, those small breweries sold more than $14.3 billion worth of beer in 2013, accounting for a growing
first in the nation for breweries per capita. The Beaver State counts 6.3 breweries per 100,000 drinking-age adults and has nurtured a thriving beer tourism industry. In those states and others, craft beer is woven into the cultural tapestry, much like coffee in Seattle or wine in the Sonoma Valley.

Craft beer has yet to achieve that distinction in the Southeast, although a few early entrants have built a regional presence (SweetWater, Lazy Magnolia, and Abita, for example). “The Southeast always seems to lag a few years behind regions like the Northeast and West Coast, but eventually food and beverage trends become ingrained here as well,” noted Ogletree.

Accounting for just over 4 percent of U.S. craft beer production, the region’s industry is still in its infancy. But for an idea of what it could become, look no further than the West Coast. California boasted 381 craft breweries in 2013—more than any other state—generating an economic impact of nearly $4.7 billion. Meanwhile, fellow beer mecca Oregon ranked first in the nation for breweries per capita. The Beaver State counts 6.3 breweries per 100,000 drinking-age adults and has nurtured a thriving beer tourism industry. In those states and others, craft beer is woven into the cultural tapestry, much like coffee in Seattle or wine in the Sonoma Valley.

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Several complementary trends are propelling the industry’s growth, including the local farm-to-table food movement and people’s desire to know the story behind the products they consume. From specialty cheeses to cured meats, locally sourced and artisanal products are taking a larger share of the consumer dollar, and beer is no exception.

“People are curious about how their beer is made and what’s in it, and they want a story connected to it. And if it’s local, that’s even better,” said Jonathan Baker, the self-proclaimed “marketing guy” at Monday Night Brewing, an Atlanta-based craft brewery.

Mark and Leslie Henderson, owners of Lazy Magnolia Brewery, also take a local approach to beer. Since 2003, the pair has been incorporating distinctly southern ingredients such as pecans and sweet potatoes into their brews. Like many of the region’s businesses, they’ve found their local-ness to be a strong selling point. Lazy Magnolia was Mississippi’s first production brewery since 1907—that alone piqued many people’s curiosity. In addition, residents were eager to support a homegrown enterprise, Leslie explained.

Craft beer packs an economic punch
The region’s burgeoning craft beer industry is more than a win for local taste buds—it’s also a boon to the Southeast economy. According to the BA’s calculations, craft beer’s economic impact in the Southeast topped $2.8 billion in 2012. That figure accounts for economic activity at the brewery, wholesale, and retail levels and includes nonbeer products for sale in brewery taprooms and brewpubs, such as food and tasting glasses.

The Southeast’s share amounted to just 8 percent of the national economic impact of $33.9 billion. Across the United States, craft breweries directly employed 108,440 people, according to the BA. Meanwhile, small brewers in the Southeast were responsible for about 31,000 jobs and nearly $1 billion in labor income.

The craft beer craze has also spawned a host of companies catering to beer-loving locals, including specialty beer retailers and pubs, growler shops, and even beer ice cream in flavors such as Peach Lambic and Honey IPA.

Small brewers confront a complex brew of challenges
Would-be brew masters looking to open a brewery often face a series of challenges, from securing funding to navigating the region’s stringent alcohol regulations.

According to a 2014 article in the Atlanta Business Chronicle, the average cost to start a brewery ranges from $1 million to $2.5 million. Financing can be difficult to come by, especially in the Southeast.

When the Hendersons started Lazy Magnolia 10 years ago, their local banks had little experience funding breweries. Lenders were used to dealing with restaurants, but no one was trying to start a brewery back then, Leslie explained. She pins much of their initial success on good timing, which allowed them not only to make a few mistakes along the way but to get their equipment at a discount. (A previous craft beer boom and bust in the 1990s meant plenty of used equipment on the market.)

The region’s antiquated alcohol regulations present another set of challenges for small brewers. Although states have slowly eased some of the more stringent laws in recent years, such as bans on home brewing in some states and strict alcohol by
Monday Night’s Baker points to at least 10 breweries scheduled to open this year in Georgia alone, with more likely in 2015. Meanwhile, the BA expects more than 1,000 new breweries to open nationwide in 2014.

In the Southeast, however, insiders say there is still plenty of room for growth. The region still ranks near the bottom in terms of breweries and production per capita. “I could see a scenario where the craft beer market in Georgia is double the size it is now,” Baker said. “Is everyone going to survive? Probably not, but there’s this kind of natural selection that occurs within the industry,” he said.

Even as competition heats up, the region’s craft brewers are, for the most part, a collegial bunch. “Brewing is definitely the most collaborative environment that I’ve ever seen. That’s not to say there’s no competition...but there is still a sense that we’re working together toward the same goal,” said Baker, who left a career in consulting to launch Monday Night Brewing. As an example, he recounted a recent incident in which his brewery ran out of a certain kind of hops. “We called up SweetWater, and they loaned us the hops we needed,” he said.

It’s that sense of community—both among brewers and enthusiasts—that will help sustain craft beer’s popularity long after the buzz has worn off. “Part of what drew us to beer was how communal a beverage it is,” Baker explained. “It’s really cool to be able to be friends with your competitors.”

This article was written by Lela Somoza, a staff writer for EconSouth.