

# Massive growth in Illinois craft beer predicted with new law



Hugo Jimenez loads cans of beer on a pallet at Revolution Brewing's production facility in 2014. The brewery would benefit from the proposed law on increasing production limits. (Chris Walker, Chicago Tribune)

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Brewers and distributors come together to help craft law that will bring you more beer.

Revolution Brewing is one of the nation's fastest-growing breweries, but its blistering growth has knocked it out of compliance with Illinois' liquor law.

The problem: Revolution's massive production brewery on Kedzie Avenue, and its brewpub on Milwaukee Avenue, constitute two different types of brewing facilities. State law currently says that cross-ownership of various types of breweries — meaning a production brewery and a brewpub — is only legal for breweries that make less than 30,000 barrels of beer per year.

Because Revolution surged past 50,000 barrels of production last year, the brewery has operated outside the letter of the state's liquor laws.



The state of Chicago craft beer

"We've been taking a lot of risk and investing a lot of money with an unclear future," Revolution founder Josh Deth said. "But we didn't slow down because we felt good about our chances for a change in the law."

That change seems poised to arrive. In an agreement hailed by both sides that negotiated it — brewers and distributors — an updated law is expected to come before the Illinois General Assembly this week that clears up a patchwork of rules that brewers have long criticized as stymieing growth and innovation. The new legislation would allow a brewer to make 120,000 barrels of beer per year — well more than almost every brewery in Chicago — while operating as many as three retail facilities, such as brewpubs and taprooms. Current law, which has been cobbled together over years of negotiations, limits brewers to 30,000 barrels of production if they own multiple types of breweries.

"A lot of people stand to benefit," Deth said. "This creates flexibility brewers need for innovative business models."

John Barley, co-founder of Solemn Oath Brewery and the president of the Illinois Craft Brewers Guild, hailed the pending legislation, saying that it "will

allow for a lot of very cool customer-friendly concepts that we haven't seen in the state of Illinois that are happening across the country."

Retail beer location comes in various forms in other states, such as Stone Brewing Co.'s retail shops in the San Diego and Los Angeles areas that feature a combination of tasting rooms, growler filling stations and merchandise for sale — even though beer isn't brewed at most of them. A production brewery would be hesitant to open such shops — or even a brewpub, as Solemn Oath plans to do in Chicago — if it wasn't able to grow past 30,000 barrels a year, Barley said.



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The legislation was hammered out after close to a year of negotiation between the Craft Brewers Guild (representing people who make beer in Illinois) and the Associated Beer Distributors of Illinois (which represents the businesses that distribute that beer to bars, stores and restaurants). Both sides admit that their relationship has not always been productive, resulting in the patchwork of laws that brewers have said restrained their ability to grow.

Both also agree that the compromise was helped by a change in the conversation; whereas brewers had long made the right to self-distribute their primary issue — something the distributors wanted to rein in — explosive growth in the industry has changed the brewers' interest more toward the ability to grow. The new legislation doesn't touch the amount of beer that breweries are able to self-distribute: up to 7,500 barrels, provided that it is a

brewery that makes less than 30,000 barrels annually. Breweries making more than 30,000 barrels cannot self-distribute.

Barley said it was important to the Brewers Guild for small breweries to be able to self-distribute, but that their interest has changed.

"It's really about allowing this industry to grow in a way that we see the market pushing for it — cross-tier ownership of brewpubs and production breweries," he said.

Bob Myers, president of the Associated Beer Distributors of Illinois, called the legislation a long-term fix between the sometimes-dueling interests of the people who make beer and the distributors whose role in selling that beer is codified by the state's three-tier system. That system prohibits breweries from both making and selling their own beer (with the exception of in a tap room or brewpub, and those who qualify for self-distribution).

"We were obviously concerned about preserving the three-tier system," Myers said. "On the other hand, we also want to sell more beer. We want to elevate breweries to a level where they can explode while maintaining that three-tier system. This is a bill that's pro-small business and pro-craft beer."

Rep. Sara Feigenholtz, D-Chicago, who is the House chief sponsor of the measure, said she expects a vote and successful passage this week.

"All parties are very, very happy with this and it reflects the market," she said, adding that it is important for legislators to modernize food and drink regulations "in a way that's both consumer and business friendly."

"We have to conform to what the public wants and what the market is telling us," she said.

The law that stands to be changed thwarted a plan by St. Louis' Schlafly brewery to enter the Chicago market last year by opening a brewpub in the

West Loop. The problem, as ruled by the Illinois Liquor Control Commission, was that Schlafly made more than 30,000 barrels of beer per year. Dan Kopman, a co-founder of the 24-year-old brewery, said the ruling was deeply frustrating, and forced Schlafly to change tactics and distribute in the traditional manner — bottles, cans and kegs — instead.

"There's no doubt about it," Kopman said. "But for those of us who were here at the beginning of craft beer in the 1980s and '90s, overcoming legal and legislative hurdles has always been part of the industry. If we got overly frustrated about these barriers back in the '80s and '90s, none of us would be here today."

Because Schlafly has begun distributing beer in Chicago, the plan for a brewpub is on hold even if the updated law allows for it.

"This is great progress, but now we're going to have a 120,000-barrel limit to consider," Kopman said. "So does the law answer the ultimate question? If we go back and consider a brewpub in Chicago and we sign a lease, what happens if we get over 120,000 barrels?"