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COPPERSEA: EMERGENCE OF THE MICRODISTILLERY MOVEMENT

We wanted to be a model distillery for the industry to look at and say, "That's how you do things."
—Michael Kinstlick, Coppersea, CEO

In 2010, Michael Kinstlick decided that it was time to leave the finance industry. He had been working at an asset management firm for several years, and since the global financial crisis hit in 2008, had held onto his job through various rounds of layoffs. Back in 2006, Kinstlick and longtime friend Angus MacDonald had started putting together a business plan to launch a spirits distillery. The pair had shelved the venture due to the financial crisis but Kinstlick sensed that it was time to revisit their plan. His take was that “over the next cycle, things were going to do a lot better than paper, particularly artisanal food. There was just this long arching trend where people want to know where the stuff they are putting in their body is coming from.”

By spring 2013, Kinstlick and MacDonald had been running their distillery for less than a year. Located in New York’s Hudson Valley, the two founders named their distillery Coppersea, a reference to a time when the region was dotted with small farms, each growing both fruit and grain that farmers distilled in small copper stills—the landscape resembled a “sea of copper.” Despite the fact that Coppersea was working out the kinks to develop a stable and consistent production process, it was already receiving attention for the fruits of its experimental runs.

The attention included being contacted by Jack Daniels (no relation to Jack Daniel’s Tennessee Whiskey) about a possible distribution partnership. While seemingly a great solution to the

Davina Drabkin and Professor Glenn Carroll prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. This case is based on the following sources unless otherwise noted: Interviews with Michael Kinstlick, June 26 and September 18, 2014; Michael Kinstlick, “The U.S. Craft Distilling Market: 2011 and Beyond,” http://www.coppersea.com/wp-content/uploads/2012/04/Craft_Distilling_2011_White_Paper_Final.pdf; and Coppersea Distillery Business Plan, Version 5.4 April 1, 2011.

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extremely complex world of alcohol distribution in the United States, Kinstlick was unsure that Coppersea was ready to make the commitments that a partnership would require.

SPIRITS

The global spirits market was estimated to be worth almost \$263 billion in 2010.¹ Spirits included vodka, gin, whisky, rum, brandy, and others such as eaux de vie, cordials, and liqueurs. World wide, whisky was the leading segment, generating \$70 billion in sales and accounting for approximately 27 percent of the market.² In the U.S., the 2012 spirits market totaled just over \$72 billion on 202 million cases and was dominated by large established companies such as Diageo, Pernod Ricard, Brown Forman, Remy Cointreau, and Fortune Brands.³ The top 10 brands in whisky represented over 80 percent of the domestic market (by volume), with Jack Daniel's and Jim Beam together claiming 50 percent.⁴ According to the Distilled Spirits Council, spirits represented 34.1 percent of alcoholic beverage revenue in 2011, up from 28.7 percent in 2000.⁵

Craft Distilling

The craft distilling industry was launched in 1982 when two California firms began small-scale distillation of spirits. Loosely defined as distillers that produced 50,000 cases or less of spirits annually,⁶ craft distilling began to experience tremendous growth, going from about 25 distilleries in 2000 to roughly 500 in 2014.⁷ Much of the growth was attributed to more relaxed state laws that made it easier to set up distilleries. Despite the explosion of craft distilleries, in 2014 they still represented less than one percent of the U.S. spirits market.

Although many new entrants made for a crowded space, there were a number of well-known and successful distilleries. St. George Spirits, launched in California in 1983, was often described as "America's original craft distiller." Its founder, Jörg Rupf, according to the distillery, "trained, mentored, and inspired many other distillers who went on to establish thriving distilleries of their own...."⁸ Tito's Handmade Vodka was Texas' first and oldest legal distillery and was described as "the only one man booze business licensed by the feds."⁹ It had gained recognition as a

¹ "Spirits Industry Market Research And Statistics," *ReportLinker*, <http://www.reportlinker.com/ci02016/Spirits.html> (September 11, 2014).

² Ibid.

³ Mike Ginely, Next Level Marketing, "U.S. Beverage Alcohol Forum," Wine and Spirits Wholesaler of America, <http://www.usdrinksconference.com/assets/files/agenda/U.S.%20Beverage%20Alcohol%20Trends.pdf> (September 11, 2014).

⁴ Ibid.

⁵ Allison Linn, "Artisan Craze Helps Drive Boom in Craft Booze," *Today Money*, July 2, 2012, <http://www.today.com/money/artisan-craze-helps-drive-boom-craft-booze-857734> (September 15, 2014).

⁶ Wayne Curtis, "Has Craft Distilling Lost Its Spirit?" *The Atlantic*, May 21, 2014, <http://www.theatlantic.com/magazine/archive/2014/06/has-craft-distilling-lost-its-spirit/361619/> (June 27, 2014).

⁷ Michael Kinstlick, personal communication, September 29, 2014.

⁸ Amy Hopkins, "Top 10 Most Pioneering US Craft Distilleries," *The Spirits Business*, April 29, 2014, <http://www.thespiritsbusiness.com/2014/04/top-10-most-pioneering-us-craft-distilleries/2/> (September 15, 2014).

⁹ Meghan Casserly, "The Troubling Success of Tito's Handmade Vodka," *Forbes*, July 15, 2013, <http://www.forbes.com/sites/meghancasserly/2013/06/26/haunted-spirits-the-troubling-success-of-titos-handmade-vodka/> (September 15, 2014).

breakout success, selling over one million cases by 2014. Ole Smokey Tennessee Moonshine sold a wide variety of moonshine and boasted that its distillery, “The Holler,” was America’s most visited.¹⁰ In August 2014, it announced a multi-year partnership with Harley-Davidson that would feature year-round events and co-branded product offerings. Lastly, Tuthilltown Spirits was New York’s first whisky distillery since Prohibition and one of its founders, Ralph Erenzo, was credited with spearheading the legal change that opened the floodgates for small distillers—the new law allowed them to operate under the designation of “farm distillery.” Kinstlick summarized that while there was “certainly competition [by 2014], the market is growing faster than the entrants’ ability to supply it.”

LAUNCHING COPPERSEA DISTILLERY

In 2006, Angus MacDonald posted something online that got Kinstlick’s attention. MacDonald asked if anyone was interested in helping him get a distillery off the ground. The two had known each other for almost 15 years and during that time Kinstlick had sampled some of MacDonald’s distillations. MacDonald had learned the art of distilling from his uncle—it was somewhat of a family tradition that had been handed down from one generation to the next. He reflected:

I became fascinated with distilling when I was a kid. My family, which was sort of an old New York/Tammany Hall/Irish gangster family, talked about it a lot. The old guys used to talk about how their dad had been a whisky runner during Prohibition. I was living in Upstate New York in the 1970s and there was moonshine around. I was curious and tried to figure out who was making it and how to make it. I was probably 15 when I first stood by a still and watched it run and carried buckets of water.¹¹

Kinstlick was familiar with the research that Professor Glenn Carroll and Anand Swaminathan had conducted in the 1990s on the development of the microbrewing market.¹² The work provided an overview of how the U.S. beer industry had evolved over time—it largely had been in various states of decline since a peak of about 2,500 breweries in 1880. It was not until about century later, in the early 1980s, that craft brewers reappeared and the industry began to steadily grow. The research also revealed that about two decades prior, in the 1960s, a similar rebirth had occurred in the domestic wine industry as well. In both the brewery and winery revivals, Kinstlick noted that consumers were turning to hand-crafted, small scale producers.

Considering himself to be somewhat of a trend spotter, Kinstlick suspected that craft distilling was about to mirror the wine and craft brewing industries—it was in the early stages of a revival. Intrigued by opportunity, Kinstlick responded to MacDonald’s post. After a few exchanges,

¹⁰ Ole Smokey Tennessee Moonshine, <http://olesmoky.com/about/distillery> (September 29, 2014).

¹¹ Jeff Crane, “Coppersea Distillery: Lively Water,” *Chronogram*, November 1, 2013, <http://www.chronogram.com/hudsonvalley/lively-water/Content?oid=2209809&showFullText=true> (July 31, 2014).

¹² Glenn Carroll and Anan Swaminathan, “Why the microbrewery movement? Organizational dynamics of resource partitioning in the U.S. brewing industry,” *The American Journal of Sociology*, Nov 2000; 106, 3; ABI/INFORM Global, pg. 715, <http://isites.harvard.edu/fs/docs/icb.topic741392.files/Microbreweries.pdf>

Kinstlick realized that MacDonald “was not really a business guy” and offered to develop a business plan, solicit investment, and find a partner with whom MacDonald could run the business. According to Kinstlick, “That was the first step on the slippery slope.”

In 2010, when Kinstlick decided to leave his asset management position, he took another look at the business plan that he and MacDonald had put together. It turned out that the craft distilling market was continuing to grow rapidly. Public distilled spirits companies were experiencing net margins around 25 percent, demonstrating that the industry was highly profitable. Kinstlick observed that the real barrier to entry for craft distilled spirit market was knowledge—people simply did not know how to distill. That presented a clear opportunity: “Having someone like Angus [MacDonald] on board who actually knows all the stuff, you can’t replicate that.” Kinstlick concluded, “You have a growing market with high profit margins, barriers to entry, that is undergoing a renaissance. It was just a no-brainer at that point.”

In late 2010, Kinstlick began speaking with investors and in February 2011, incorporated the company. Angel financing closed in July and three days later, Kinstlick gave notice to devote himself full-time to his venture with MacDonald. MacDonald, who assumed the title of master distiller, had previously begun conversations with the owners of a commercial space that was the former print shop of the Holy Cross Monastery in the New York Hudson River Valley. An 80,000-gallon cistern, fed by an on-site well, made the location uniquely qualified to house a distillery. The building provided ample space to construct a “traditional methods” production facility, a large barreling loft, and a separate front of the house to greet visitors and have products available for sale.

THE PRODUCT

Coppersea’s long-term focus was super-premium whisky. Whisky is made from grain—it is distilled beer. Like beer, malted barley and other grains provide the sugars needed for the fermentation process—the grains are steeped in hot water to release the sugars. Once the sweet liquid mixture cools, yeast is added, converting the sugars to alcohol and creating beer. The beer is then distilled, capturing and concentrating the beer’s more unpredictable components, including the alcohol.¹³ Distillers use two main types of stills for distillation, either a continuously operating column still or a batch-run copper pot still, which can be column free (“Alembic”) or have a distillation column attached. Some whiskies were unaged and released for immediate consumption. Others were put in oak barrels and set down to age, sometimes for 10 to 20 years.¹⁴ The types of grain employed, method of distillation, and barrels used for aging gave each whisky its distinct flavor.¹⁵

¹³ Distilled beer is different than brewed beer in that it does not include hops, the female flowers of the hop plant.

¹⁴ Katy Waldman, “5-Hour Distillery,” *Slate*, December 10, 2012, http://www.slate.com/articles/life/luxury_explainer/2012/12/starting_a_new_whiskey_company_how_long_do_you_have_to_wait_for_your_spirits.html, (October 14, 2014).

¹⁵ John Hansell, “Understanding Whiskey,” *Whisky Advocate*, <http://whiskyadvocate.com/whisky-101/> (July 15, 2014).

Kinstlick looked to the factors driving growth in craft brewing—trends such as locavore, slow food, and simplification—anticipating that these same factors would drive growth in craft distilling as well. Coppersea would adhere to the ethos of these movements by working with local growers to use locally sourced organic raw materials and generally incorporating the concepts of localism and sustainability into their processes. The distillery planned to work with the local farming community to produce pure-grain varieties such as rye and oat whiskies.

Heritage-Methods Distilling

Coppersea produced hand crafted spirits using Heritage-Methods distilling, a term the company coined to describe its unique process employing techniques little used over the past 300 years. MacDonald explained, “We want what we’re doing to be incredibly traditional.”¹⁶ The entire process was modeled on methods and practices of nineteenth century distilling. The first step was to source local ingredients by working with farms throughout the Hudson Valley. According to Kinstlick, “we source all of our grains and fruit within probably 30-40 miles of the distillery.” In some cases, farms with names such as Tantillo’s Farm, Lazy Crazy Acres, and Blooming Hill Farm grew custom grains directly for Coppersea—the Coppersea label denoted the contents of such spirits as “Single Farm SourcedTM.” The goal was to capture the essences of seasonal produce, particularly the distinctive terroir of partner firms.¹⁷

Once harvested, grains were malted to convert starch into fermentable sugar. Most malt was made from commodity grain at industrial malting centers and then sold in bulk. Coppersea, however, was one of four distilleries in the United States and one of 15 in the world to malt its own grains. Through the ancient technique of floor malting, a layer of germinating grains was spread across the floor to sprout over the next five days. The grains, or green malt, were then dried in a kiln oven (see **Exhibits 1-2**). Distillery manager, Christopher Williams, explained, “There’s an ideal moment in time when the enzymes become fully bio-available, but they haven’t gone to work on the starch. When you kiln it to different degrees to arrest this process, you get different flavors. We can use any grain—if you don’t malt your own grain, you’re limited to what’s available.”¹⁸

To make the most of variation, Coppersea kept the rest of the process in house. It milled the green malt itself using a meat grinder, mixing the mash with water from the on-site well in its American-made wood fermentation tanks (see **Exhibit 3**). As the mash fermented, the tanks were deliberately left open to the air to benefit from the many Hudson Valley wild yeasts that added character to the eventual spirit. The fermented mash was then sent downhill to the direct-fired stills. Kinstlick reflected, “Most distillers would use a brewing fermentation tank, a closed steel tank that is a sterile environment and gives you the advantage of consistency. We’re flipping that. We do sour mashing where we reintroduce some spent mash [from a completed distillation] back into the new batch to retain flavor.” Although most modern stills were sophisticated steam-heated feats of engineering, Coppersea used a direct-fired hand-hammered Alembic copper-pot still.

¹⁶ Kara Newman, “Whiskey & History: Turning Back The Clock with ‘Heritage Distilling,’” *Edible Manhattan*, January/February 2014,

¹⁷ Terroir refers to the type of soil, weather conditions, and source crops in a particular region that gives wines or spirits a unique personality.

¹⁸ “Coppersea Distilling,” op. cit.

According to Williams, “Almost all other distilleries use a steam jacket. The risk you run is burning the mash, and we’ve got that figured out. But when we clean out the still, there will be a layer that didn’t quite burn, which will give a completely different character to the product.”¹⁹

The Spirits

The result became Coppersea’s flagship product, Raw Rye Whisky. MacDonald explained, “the Raw Rye is what you would have gotten if, around 1825 to 1880, you walked into a bar in upstate New York, and said ‘whisky’.” It was supposed to be enjoyed unaged.

Reflecting on the Raw Rye, Williams noted, “We knew it was good, but we thought it would take more of a learning curve to catch on.” Coppersea began selling at the Saturday Kingston Farmers Market and quickly became a staple. The expectations were modest—Williams’ intent was “to communicate the brand, learn to talk about it properly, and see if we sell three bottles in one day.” Instead the Rye Raw began selling out in those first few weeks and the Coppersea team had to miss three subsequent markets just to build the stocks back up. Williams went on to say, “The demand is there and the product is great, so it’s difficult to put it aside...one of the reasons we haven’t filled too many barrels for aging is the popularity of the Raw Rye.”²⁰

MacDonald and Williams had to develop a rotation to distill mashes that were intended for barreling. The plan was to release about a third of their production unaged, barrel a third to be released in less than two years, and barrel the last third for aging longer than two years. Although the perception did exist that the longer a whisky aged, the better it was, that was not necessarily true. Coppersea intended to age some spirits for many years but most of its aged spirits would be barreled for one to four years. The green malt production method is what distinguished Coppersea’s products (as opposed to kiln-dried malt)—too much time in the barrel would destroy what made green malt spirits unique.

Coppersea also produced a number of eaux de vie, brandy made by distilling fermented fruit. Flavors included cherry, peach, and Slivovitz (plum traditionally from Central and Eastern Europe). In April 2013, peach eau de vie became Coppersea’s first award winning spirit, beating out 60 competitors to win “Best in Category, Eau de Vie” at the American Distilling Institute (ADI) Spirit Competition.²¹

THE STORY

Kinstlick was not looking to scale up Coppersea. He observed that while others entering the craft distilling industry had neither distilling nor business experience, Kinstlick and MacDonald brought both to the table. He decided to pursue differentiation, commenting, “If we’re going to differentiate, we need to differentiate as hard and as far as we can.” Coppersea’s approach and practices—Heritage Methods Distilling, Single Farm Sourced, custom built equipment—went into creating the high-end quality products that the team envisioned. They also were what made

¹⁹ Ibid.

²⁰ Jeff Crane, op. cit.

²¹ Ibid.

Coppersea unique. According to Kinstlick, “All of the production methodologies have a purpose and that is how we are differentiating, through those production methodologies. Nobody else is doing that...it is our story.”

Another unique piece of the story was that Kinstlick wrote a white paper. It was on the craft distilling industry and he presented it at the 2012 American Distilling Institute (ADI) conference. Frustrated with all the numbers that people were throwing around, Kinstlick put together what quickly became the definitive source on the emerging market, surveying existing distillers, segmenting the market, and analyzing growth trends. What particularly stood out was how closely craft distilling was tracking the craft brewing industry. Kinstlick explained, “Once I gathered all of that data and really started playing with it and studying it closely, the analogy [between the two industries] really popped out.” If the analogy held, “despite the [microdistilling] market having doubled every three years for six years running, there was still plenty left to come. We were still in the early innings.” (See **Exhibit 5**).

Putting out the white paper opened doors for Coppersea. According to Kinstlick, “Writing that white paper could not have gone better.²² I became sort of the expert on the craft distilling market, putting that information out there for anyone to access just as this whole boom was happening. It established credibility for us even before we [Coppersea] had entered the market. All of the sudden, I had the press coming to me for information.” That provided a big opportunity. As reporters were talking to Kinstlick about the industry, they asked about Coppersea: “So that got Coppersea into the press and we just had to give them something to write about. We were actually doing something interesting.” By 2012, Coppersea and its age-old techniques were enjoying considerable coverage in both industry media such as Modern Distillery Age and Whisky-Drinker.com as well as broader publications including The Atlantic Magazine and MSNBC.

Kinstlick used every opportunity to tell Coppersea’s craft and artisanal story. The website highlighted Heritage Methods Distilling, featuring an Indie-like five minute video that emphasized the mystical atmosphere involved in distilling whisky and the passion of Coppersea’s team. Various artistic photos of source farms and grains in the malting, milling, and mashing stages adorned the website, surrounded by descriptions of the Hudson Valley and Coppersea’s philosophy. Kinstlick and MacDonald also provided thought leadership within the craft distilling community, for example, helping to lead a panel discussion on “Traditional Methods Distilling” at the 2013 ADI conference.

DISTRIBUTION

Distribution of alcohol in the United States followed a three-tier system that was put into place after Prohibition was repealed in 1933. States were given the power to regulate and control the alcohol industry, and they sought methods to levy and collect taxes as well. The three tiers were production, distribution, and retail and while specific regulation varied by state, almost every state entirely or partly prohibited ownership of all three tiers by one party. Eighteen states were

²² Michael Kinstlick, “The U.S. Craft Distilling Market: 2011 and Beyond,” Coppersea, http://www.coppersea.com/wp-content/uploads/2012/04/Craft_Distilling_2011_White_Paper_Final.pdf

“control states” where the state government maintained a monopoly on the distribution of spirits.²³ The result was that distribution was a state-by-state process—a producer needed to sign with distributors in each state to get its products to retailers.

As Coppersea began producing unaged spirits and laying down whisky to age, Kinstlick was thinking about how to tackle distribution. Beyond the Kingston farmers market, New York customers could already purchase Coppersea spirits at a dozen locations up and down the Hudson River. Coppersea’s farm license allowed it to distribute directly in New York, but only in New York. Kinstlick explained:

My thought was, if we were going to go it on our own, the first thing we were going to do was hire someone to represent us in New York, hire our own sales person in New York City 10 to 15 hours a week, probably some bartender at one of the big cocktail revival bars who knows the market really well to come on as a rep for us. And that was going to be the model, that we would sort of build out in New York first, then worry about out of state, take that on after we’d saturated New York.

Wilson Daniels

In April of 2013, Kinstlick received an e-mail from Jack Daniels (no relation to Jack Daniel’s Tennessee Whiskey). Daniels was a principal founder and CEO of Wilson Daniels, a family-owned sales and marketing company that described itself as “representing a highly selective portfolio of the world’s most distinctive wines and spirits.” Wilson Daniels pursued long-term relationships with family-owned producers that “possess profound respect for terroir.” Kinstlick, who had started to receive periodic solicitations from distributors, wondered, “alright, who are these guys?” Looking into Wilson Daniels, “it was clear that they represented some of the most exclusive wines in the world. I began to wonder about what they were doing in the spirits area.”

Wilson Daniels had a network of relationships with distributors in all 50 states. A sales team of 27 people nationwide worked alongside distributors in each state to represent the wines and, beginning in about 2010, spirits in their portfolio. Sales people called on accounts directly in addition to working with local distributors to handle end fulfillment of the products. Wilson Daniels wanted to negotiate a distribution arrangement to bring Coppersea into their portfolio. Lisa Cleaver, vice president of Spirits and New Brand Development, explained, “the growth of brown spirits in the U.S. is really off the charts.” One reason that Coppersea caught the attention of Wilson Daniels was because:

Storytelling is really important to us. Not only does the proof have to be in the bottle, but the story of how it got there has to be compelling and relevant. Everything about Coppersea has a sense of being hand-crafted. I like the idea that if you took a distiller from 1750 and transported him to the Coppersea Distillery, he would have no idea that he was not still in 1750....It’s something that is very

²³ “Alcohol Beverage Control Boards,” Alcohol and Tobacco Tax and Trade Bureau, <http://www.ttb.gov/wine/state-ABC.shtml> (August 1, 2014).

appealing to Wilson Daniels, to be at the forefront of reintroducing a lost art back into the United States.²⁴

The Third Leg

Thinking about his approach to Coppersea, Kinstlick explained:

There're sort of three legs to the stool, as I call it. One is the product. You have to have the right product for the market you're targeting. It doesn't have to be the best product in the world, but it has to be the right product for the market you're targeting, right? The second is the story. How are you telling the story? What are you saying? How are you presenting that product? And the third is the distribution. How are you getting the product to market? How are you putting it in front of people? Where is it going?

Kinstlick evaluated each leg of his stool. The first leg, the product, was on track and he felt "confident with Angus [MacDonald] that we were going to make a kick-ass product." The second leg, the story, was about Heritage Methods and differentiating as much as possible. No one else was differentiating to the same extent as Coppersea. Kinstlick was aware, however, that "you have to walk the walk. If we were doing all that stuff [to differentiate] and our products were not very good, then it would not be worth it." But the validation was starting to come in: Best in Category for its peach eau de vie, winning hard-to-get shelf space for its Whisky Raw Rye at the venerable Manhattan wine and spirits merchant Astor Wine and Liquors, and regularly selling out at the Kingston farmers market.

With the first two legs of the stool in solid position, Kinstlick knew that it was time to build the third—distribution. A partnership with Wilson Daniels seemed to solve many problems: "They already have the network of relationships with distributors in all 50 states. It was like an opportunity for us to outsource our sales and marketing and not have to hire sales people, not have to deal with the logistics of managing distributor relationships." Kinstlick also considered an important trend: "The other thing that was happening was that all the kids under 30 were drinking booze [spirits]. The share of alcoholic beverage for spirits has been growing mostly at the expense of beer, and most of that has been in brown spirits—whisky."

Wilson Daniels already represented a number of exclusive brands. According to Kinstlick, "Most of their brands are imported wines. Half a dozen or so of their 30 to 35 brands are U.S. wineries, maybe more. There's some in Oregon, a bunch in Napa—their bread and butter are these sorts of luxury brands." Due to the increasing preference for spirits, however, Wilson Daniels was expanding its portfolio to include premium spirits as well. Kinstlick saw how Coppersea could indeed be a good fit.

As promising as a potential partnership seemed, it did pose some significant risks. Daniels had initiated the conversation in April of 2013, just after Coppersea had won an award for its eau de vie. Despite that milestone, Kinstlick explained why a distribution partnership was premature:

²⁴ Lisa Cleaver, vice president of Spirits and New Brand Development, Wilson Daniels, interview, September 11, 2014.

We had hardly produced anything. We had gotten our license in July of 2012 and spent the fall doing some preliminary runs of peach eau de vie, a run of the raw rye, an unaged rye whisky, very small, fermented in 55-gallon barrels, not in the big fermenter. So we did those experimental runs, tested some recipes, and then we rebuilt [to make adjustments]. There's this cycle, the learn-build-do cycle that we were going through at that time.

So, we were pounding on the equipment, figuring out where the pain point was, how we solve that problem. Okay, now what's the next problem?

We're making this green malt rye. Nobody else is making this product because you have to malt your own rye or grain, then we mash it while it's still wet, while it's still green. Nobody else is doing that. Why? Because it's impossible to do! So, we try mashing it through a 1930s Hobart meat grinder. Is that going to work?

And then how do we deal with spent mash? Where does it go? How do we get it out of the distillery?

We were still solving problems. All this stuff demands some kind of weird solution and we were still just figuring things out.

A partnership would mean obligating Coppersea to supplying a certain amount of product. Although that amount might be not overwhelming, it certainly would be more than the distillery had made to date and at a higher run rate. Kinstlick's approach since launching two years prior was to test everything out: "Okay, let's get this up and running, let's make some product, and let's see where we're at, right? The mentality was measure, pace, take it easy, let's do one thing at a time, not overextend ourselves." Working with Wilson Daniels would mean changing the approach to "accelerate as fast as possible." Kinstlick thought about the problems that Coppersea was having with its still: "We had this self-designed still oven that turned out to be poorly vented, and so the platform that the still was sitting on was this metal plate that was starting to deform from the weight and heat combination." How fast could Coppersea really accelerate?

A BIG DECISION

Kinstlick appreciated just how important distribution was: "Solving the distribution puzzle was, up to that point, what kept me up at night. That third leg of the stool, getting shelf space in a consumer products business, that is what makes or breaks you." Wilson Daniels was a very attractive partner offering an opportunity to solve that entire problem. And Coppersea had a lot to offer Wilson Daniels as well:

Why are we on their radar screen? Because of the story we're telling, because of the notice we've gotten in the press already, because they are representing ultra exclusive wineries and family wineries and estates, so we fit their story. And here's the other reason: If we were already established in the market and had several

distributor relationships already, it wouldn't be worth it to them. The fact that we didn't have any distributors signed yet, that's what makes it attractive.

The question was whether Coppersea was ready for the obligations and shift of focus that a partnership would require. The distillery was still solving some very basic production issues—could Coppersea really commit to delivering more than ever before when something as fundamental as its still was not yet figured out? Kinstlick wondered about what kind of trouble the company would be in if they could not produce what they had promised. Until the production process was hammered out, a partnership would indeed be premature.

Kinstlick was keenly aware, however, that such an opportunity was unlikely to come around again. He and MacDonald needed to make a decision that could either make or break Coppersea.

Exhibit 1
Floor Malting Rye



Exhibit 2
Angus MacDonald at Alembic Pot Still with Custom Still Oven



Exhibit 3
Mashing in Wooden Fermentation Tank



Exhibit 4
Angus MacDonald Inspecting a Field of Rye in the New York Hudson Valley



Source (all photos): Coppersea, <http://www.coppersea.com/process/> and <http://www.coppersea.com/ingredients/>

Exhibit 5

Craft Distilleries and Craft Brewers from Industry-Founding Date

