Division of Marketing
Agricultural Development and Diversification (ADD) Program

1996 Grant Final Report

Grant Number 11030

Grant Title Chequamegon Organic Malting & Brewing Co.

Amount Awarded $11,475.00

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MARKETING DIVISION

FINAL REPORT

CHEQUAMEGON ORGANIC MALTING & BREWING CO.

CONTRACT # 11030

A.

The original intent of the project was to do a feasibility study of a small scale farm owned and operated organic micro brewery. The small farms would grow the barley and hops, then create a custom specialty beer. The process would be to dry the hops and malt the barley, then cook and ferment the mixture creating beer, then add different ingredients into the beer such as berries and herbs. This would create added value to the barley and hops production while creating specialty beer which would draw tourists to the tasting bars.

B.

The project, being a feasibility study, experimented, tested and designed a variety of trials of barley and hops, ways of brewing beer in used agricultural milk handling equipment and processes for malting and smoking barley on a small scale. We also researched the governmental licensing process. This process turned out to be one of the major problems for us concerning creating a micro brewery.

C.

The evaluation of the results and benefits of the project are as follows. We developed a small scale barley smoker which smokes 150 lbs. of malted barley in 24 hours. We tested 9 different hops varieties in organic growing conditions. We developed a 1 barrel and a 3 barrel brewing apparatus to custom brew beers. We experimented with raspberries and cherries in the beer brew for flavoring. We have numerous other ideas for flavorings not as yet perfected. We have local approval and permits for starting a micro brewery, but not state and federal ATF because it involves to much paper work for us.

D.

Enclosed is a plan for building a 150 lb. barley smoker for the production of Rauch beer, a beer with a smokey flavor. Also enclosed is a process of licensing by the ATF and state and local government. Also a variety evaluation for the different varieties of hops.

E.

Our future projections resulting from the grant funds would be to start a small scale brewery if we can find an individual that has ability to brew beer and handle the book work necessary to satisfy the ATF. This would be a full time job for one person and an assistant.

FEDERAL AND STATE LICENSING INFORMATION:

You will need 3 addresses for Federal filing.

- Application goes to ($ Bond) ATF, 6525 Federal Office Building, 550 Main St. Cincinati, OH 45202-3263

- SS-4: Application for Employer ID number goes to IRS, Kansas City, MO 64999

- Annual Special Tax Registration & Return, goes to Bureau of ATF, PO Box 37196 Pittsburgh, PA 15250-7962

- For Wisconsin Permit, simply fill out Permit Application

PROCESS OF ESTABLISHING BREWERY:

1.) Obtain Federal Permit (Manufacturing)

* 2.) Federal Occupational Tax Stamp
(Apply at same time as permit)

* 3.) Municipal Wholesale Beer License

**4.) Wisconsin Permit (Manufacture)

* - Renew annually
** - Renew every 2 years - in mid-November, renewel papers will be sent.

BEER REGULATIONS COSTS:

25.91 & 25.93
1.) Federal Bond (insurance) collateral $1,000.00 (initial) annually renewable.
25.11
2.) Federal Occupational Tax (Stamp) $500.00 - 1 year. If in first year, operations run less than 12 months, the tax is $41.67/month (500 divided by 12)

3.) Municipal License - cannot exceed $25 by WI law.

4.) Wisconsin Security Bond (initial) $1,000.00

5.) Wisconsin Occupational Tax on Fermented Malt Beverages $2 on each 31 gallon barrel - File with monthly reports

6.) Wisconsin Permit Fee - $25.00
(There is no Wholesaler Tax- Brewers are exempt.)

7.) WI Application- $20.00 Business Tax Registration Fee for new applicants.

BEER REGULATIONS - FILING FORMS FOR FEDERAL PERMIT:

This is a summary of the many pages of regulations and steps and forms involved in obtaining a Federal approval for brewing beer. The numbers correspond to the pages and articles that are written in the Federeal Beer Regulations Guide by ATF (Alcohol, Tobacco and Firearms).

Subpart G

1.) Brewers Notice 513.10 *

25.61-25.652

2.) Power of Attorney filed for each person (if any) authorized to sign/act on behalf of brewer if those individuals are not authorized in notice 513.10

25.91

3.) Bond Form 513.22 Modified (for sole proprietorship) *

4.) Signed statement that brewer hasn't been convicted of offenses in section 25.101(a) (1) or 25.101 (a)(2)

25.98e

5.) Bond itself

25.99

6.) Power of Attorney (Power of Agreement & Attorney For Sole Proprietorship) filed with Bond, authorizing * Officer/Agent to execute the Bond (and with continuation certificates later.

25.111-25.119

7.) Annual Special Tax Registration and Return 5630.5 **

25.122-25.123

8.) Employer Identification Number Application (IRS) - SS-4 (Send to IRS Kansas City, MO

9.) Personnel Questionaire 5000.9

10.) Water Quality Form 1740.2 *

11.) Environmental Information 1740.1 *

* - File in duplicate.
** - Send to ATF, PO Box 371962, Pittsburgh, PA 15250-7962

* A new brewers notice must be filed if:
(form 5130.10) (within 30 days)

1.) There is a change in any of the information on the previous notice:
(Changes in):
- Partnership or proprietorship - 25.72 & 25.73
- List of stockholders 25.74
- Officers, Directors 25.75
- Statement of Process for Beverage other than beer, ale, lager,stout porter or malt liquor 25.76
- Location 25.77
- Premises (extension or curtailment of brewery)25.78

2.) Permanent discontinuance 25.85

3.) May have to file a new notice with a bond continuation certificate or with a new bond if the regional director requires it.

* A new brewers bond must be filed every 4 years, if you want to continue (25.91) OR you can submit a continuation certificate instead, which attests to the continuation of the bond. (25.97)

* If there is a change in firm name, an amended tax return should be filed (5630.5) AND attach the tax stamp.

* If there is a change in proprietorship, successor must file a return (5630.5) within 30 days (or be liable or special tax).

* The occupational tax stamp and all incorporated documents and approved brewers notice must be on premise, ready for inspection.

* Regulations on location and use of brewery are: Subpart C (25.21 - 25.25)

* Regulations on construction and equipment are: Subpart D (25.31 - 25.42)

* Variations from requirements are covered in 25.52

* Application for and certification/exemption of label/bottle approval (5100.31) can be sent in for label approval after permit is obtained.

* A form 5630.5 tax registration and return must be submitted annually - Due July 1.

HOPS VARIETY TESTS

The hops plants we tested are Liberty, Perle, Sazz, Nugget, Cascade, Tettnauger, Centenial, Nortern Brewer and Eroica.

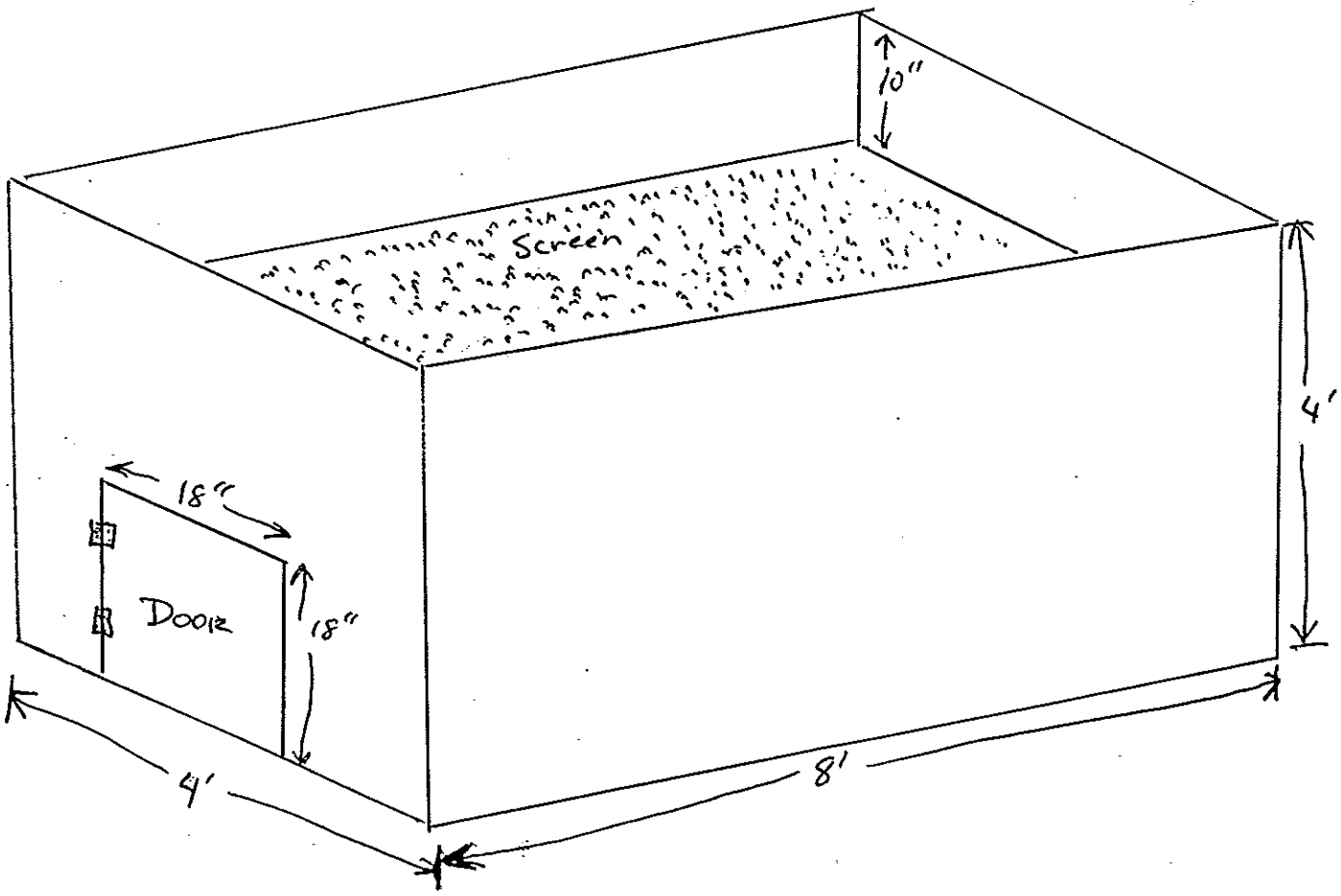
We tested for production, cone size and resistance to powdery mildew.

These plants were grown under certified organic growing conditions. We have rated them from the best plants to the least desirable according to our tests.

1. Nugget
2. Cascade
3. Northern Brewer
4. Liberty
5. Eroica
6. Centenial
7. Tettnauger
8. Sazz
9. Perle

These plants were grown on a 15 foot trells, 3 feet apart on sandy loam soil in field conditions with no wind breaks, three plants to each variety.

BARLEY SMOKER

Plywood box built on a concrete slab. 2x4's and 4'x8' (1/2") plywood.

A 2x4 lip 10" down from the top holds the screen frame built of window screen and 2x4 lumber. This holds the barley. A smokey fire is built directly in the box in a metal pan and a 4'x8' sheet of plywood is placed on top of box covering the barley. Leave a crack for smoke to escape. Smoke for 24 hours. Then shovel out with flat snow shovel.