**Craft Brewing In America**

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**Introduction**

"*I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts, and beer"* Abraham Lincoln[[1]](#footnote-1) (Warner).

A quaint village charm radiates from all corners of Bob Jones’s brewery. The tiny taproom has long polished bar, tables made from thick beaver kill wood, and a rustic eco-friendly charm. Around the corner, half dozen plastic chairs forlornly encircle a Ping-Pong table in the middle of an unfurnished room. Bob thoughtfully examines the room and casually explains, “We just ran out of money” (Jones). Bob’s brewery, named Pateros Creek in honor of a nearby stream, opened its doors a few months ago. The company began when Steve, Bob’s son and an avid home brewer, lost his job. Rather than look for other work, Steve called his father and asked for help opening a brewery. Bob jumped at the chance. Nearly two years after the call, they have a brewery, a taproom, and an ever-expanding list of outlets that sell Pateros Creek beer. Bob is betting on the quality of his son’s beer and the recent upswing in public interest that has produced two straight years of 15% growth in the craft brewing industry. Despite their progress, the Jones’s American dream is incomplete; Pateros Creek makes only a few thousand barrels of beer a year, falling into the high-risk category of brewers that could easily lose it all should public interest in craft brewing fade (Sullivan).

Just a few miles away in a neighborhood dominated by trailer parks and warehouses, another brewer, Brad Lincoln, presides over a packed tasting room of customers buying four and five dollar glasses of beer. Brad’s brewery, Funkwerks, led by its flagship beer, Saison, is a rising star in the industry. Saison is antithetical to your average indistinguishable lager like Budweiser or Coors. It is strongly spiced and brewed seasonally so no two batches are ever the same. The distinct flavor has won over critics. At the 2012 Great American Brewing Festival, the annual Denver based bacchanal of American craft brewers, Saison took home a gold medal. Within the brewery’s brightly colored walls, the success has generated a palpable sense of enthusiasm and optimism. Despite Funkwerks’s yearly production of only a few thousand barrels, Brad talks fervently about expanding distribution to other states. Brad too is gambling on the hope that his quirky and expensive product can win over the hearts and taste buds of the American beer drinkers.

What Bob and Brad are betting on is the recent prodigious upswing in American interest in an esoteric market called craft brewing. Craft brewers as defined by the American Brewers Association are those breweries that make at least 50 percent malt beers[[2]](#footnote-2), have less than 25 percent of the company owned by a large brewery, and produce fewer than 6 million barrels year. Craft beers contain flavors and styles that include everything from cherry-flavored ales to chocolate stouts. The extensive use of ingredients like malt or wheat give craft beers a heavy full flavor. Generally, these beers are more caloric, alcoholic, expensive, and variable than the typical light golden lager. Yet, the light lagers dominate the American beer market with InBev, the corporation that produces Budweiser, and SABMiller controlling close to 80 percent. The entire craft beer industry holds a measly six percent (Wright). But, beer drinking is changing. In 2010, Americans drank 1.3 percent less beer than they did year before, but craft brewers we able to increase the amount of beer they made by nearly 13 percent (Brewers Association). This begs the question: why now? What is so special about the last four or five years that has caused the number of US breweries to hit a 125-year high? What sort of legal, cultural, economic, or other conditions precipitated this massive growth? Perhaps more importantly, can we guess the future of the industry will look like? Can we assume craft beer will continue being profitable or is this simply a cultural fad? If Brad and Bob have their way, American beer drinking could change drastically, with substantial consequences for our mugs and our country.

**A Short History of Beer in America**

Since the revolution, beer has been intertwined with the American experience. The founding fathers were known patrons of local breweries and the industry was robust for full century. In the 1870’s America contained almost 3200 separate breweries that produced a plethora of local recipes and styles. As industrialization trundled forward, brewing giants like Anheuser-Busch emerged. The introduction of technologies like pasteurization, refrigerated railroad cars, and the automatic bottler allowed a few companies to become established as nationally sold beer brands (Warner). In the 1920’s this came to an abrupt halt, as the Prohibition banned alcohol completely. The Prohibition would be more than just a failed experiment with sobriety; many legal and cultural precedents set down during this time period, such as laws banning self-distribution and home brewing, crippled small beer brewing for decades to come. “Mom and Pop” breweries were shuttered, never to reopen, and the local and diverse culture that had so characterized American beer was discarded.

In 1933, things changed with the signing of the Volestead Act, which ended the Prohibition. Beer production was legal again, but it would take nearly 70 years to approach its former glory. Local breweries did not have the capital to reopen and repopulate the industry. Rather only those large companies with substantial resources were able to survive the Prohibition and reopen. The industry was further concentrated as drinkers moved toward more packaged and regulated tastes. Food production became increasingly industrial and beer reflected the times. Consumers simply didn’t want all of their local beer back, as Edgar and Neighbors write, “The post-Prohibition trend to homogenize and, by the 1970’s, to lighten the flavor profile of beer made good business sense at the time” (Neighbors). The amount of malted barley, which is known for giving beer its body; fell from 36 to 24 pounds per barrel. “Fermentables”, the ingredients that give beer its alcohol content, dropped from 49 to 35 pounds per barrel. Hops, the plant that provides beer’s distinctive bitter flavor, plummeted from .65 to .22 pounds per barrel (Warner). As beer lost its flavor and variation, American breweries decreased in number from their post prohibition high in 1935 to a low in the mid 80’s with forty-one firms operating eighty-nine breweries. (Warner) The industry had become efficient, clean, and cheap, but it lacked local engagement and authentic flavors. American brewing had become corporate, industrial, and homogenous.

In the early 90s, American attitudes and tastes began to change. The former fascination with uniform products was diminishing and consumers began to seek diversity in their beer. For the first time since 1935, the number of breweries in the Unites States increased as beer lovers set up new breweries wherever they could find space. Popular microbreweries like Boston Brewery (the producer of Sam Adams), New Belgium, and Sierra Nevada opened during this turbulent time. This rapid proliferation was entirely unsustainable. The transition from home or small brewing to full brewery capable of producing a few thousand barrels a year is daunting. In commercial batches it is easy for homebrew recipes to not scale correctly and for equipment to be misused (Warner). These new brewers had no precedent to learn from and were left to experiment on their own; the results were disastrous. In 1996, Consumer Reports stated that many craft beers were “sulfury tasting” and the beer drinkers appeared to agree (Leonard). Many of the breweries open in 1996 were closed by 1998 and of those that survived a further ten percent had closed by 2001 (Swinnen 153). The collapse of many of these breweries, while devastating for many small brewers, laid the necessary groundwork for our protagonists Brad and Bob to open their own breweries and revitalize the idea of craft beer.

**Why Craft Brewing? Why Now?**

Beer brewing is a notoriously difficult industry to survive in. Seemingly unmovable monoliths named Budweiser and Coors dominate the market for beer drinking. Laws on production and distribution are painfully restrictive and can vary drastically from state to state making expansion a nightmare. Convincing restaurants and stores to sell your brand is a tedious and time-consuming process. On top of it all, prices for basic ingredients are egregiously high (Heerwagen). With these obstacles it would seem impossible to carve out a niche in the market. But, thanks to some particularly perspicacious lawmaking the last few years, this has not been the case. In 1978 President Jimmy Carter signed H.R. 1337 eliminating a Prohibition era holdover that made home brewing illegal. The significance of this act cannot be underrated as home brewing and home brewers clubs serve as incubators for future craft and large-scale breweries. Both Pateros Creek and Funkwerks grew out of the same home brewing club (Jones). Other legal precedents such as state laws banning self-distribution are being relaxed or eliminated across the country. Laws allowing alcohol sales directly from the brewery are proliferating and have been crucial in craft brewing’s recent growth (Brewers Association). Brock Wagner, the owner of the Saint Arnold brewery, has stated that he can make as much selling six bottles on site as he does selling 60 with a distributor (Wright). By eliminating the legal requirement for these middlemen, breweries are able to develop a loyal following and can test the market without having to invest heavily in distribution or advertising. Bob Jones pointed out that a recent law passed in Texas that allows breweries to sell alcohol without selling food will be a huge boon to the industry and will likely attract many prospective brewers to the region (Jones).

For entrepreneurs looking to get into to industry, it is simply becoming logistically easier to open a brewery. In the early nineties it was not easy to find equipment, advice, and suppliers for a small brewery. Now, new breweries have other established craft brewers to look to for guidance, supply catalogs to find equipment, and preexisting infrastructure off which to work. In 2005 a collection of small brewers created the American Brewers Association, a vocal and effective lobbyist group to advocate and support small brewers. Thanks in part to this group’s efforts, recent legislation introduced by Senators John Kerry (D-Mass) and Mike Crapo (R-ID) has proposed cutting the tax charged to the breweries on each barrel of beer in half. (Maltby) States all over America are reconfiguring their alcohol laws to cultivate the industry. Craft brewing was primarily a western phenomenon, but states like Texas and Georgia have been moving to encourage local brewing. In 2004, Georgia allowed the sale of beer with 6% alcohol by volume opening the door to craft beer, which consistently falls into this category. In 2011, Sunday alcohol sales were allowed for the first time in Georgia, only reinforcing the liberalizing mood. As Bob Townsend for the Atlanta Chronicle writes, “Almost daily, I’m reminded how far brewing in Georgia, and the South, has come” (Townsend).

What impetus is behind this wave of legal and social change? One answer lies in America’s recent demographic and sociological changes. The growth of a well-educated, well-paid, white-collar meritocracy in the 1990s can be directly linked to a growth in the desire for craft beer (Warner). Craft beer drinkers are disproportionately white, male, urban, and college educated (Kleban). This group of people, Warner argues, rejects conspicuous consumption instead preferring to spend extensively on necessities. The average craft beer drinker earns about 75,000 dollars a year, compared to the 50,000 dollars a year earned by the average Budweiser drinker (Swinnen 145). With substantial incomes to spend and a focus on inconspicuous consumption, the meritocracy has a dramatic impact on the beer market and beyond. Trends “towards richer, fuller flavored varieties [are] also visible through other consumer products as well, such as coffee, bread, and ice cream” (Neighbors). Economic data backs this up conclusively showing that in the 90’s and through the early 2000’s the rise in demand for more expensive beer can in part “be attributed to growing affluence in the US” (Swinnen 143).

The demand for individually focused, inconspicuous consumption results in a distinct and new type of industry supplying these products. Chris O’ Brian, a self-proclaimed “beer activist” declared, “American craft brewers are the country’s unlikely revolutionaries, and their adoption of sustainable business practices helps fight globalization and break the market control of major beer companies” (Kleban). Craft beer companies are consistently more locally and environmentally oriented than any large brewery. Green energy, water conservation, and recycling all play pivotal roles in the identity of craft breweries. Many of them host or sponsor local activities and donate extensively to causes they identify with. New Belgium Brewery, the paragon of a successful craft brewery, employs extensive green technology to reduce coal usage and to preserve water. As a spokesman for the company said, “Environmental stewardship has always been one of our core values and even more so today as we grow” (Gilliland). To support the communities it operates in New Belgium hosts the “Tour de Fat”, a colorful and exuberant bicycle parade, in a few select cities to raise money for local charities that support bicycling. It also donates “philanthropic dollars to organizations in every market in which [it does] business” (Gilliland). The meritocracy has not chosen the corporation driven lifestyle of 20th century, but rather is attached to socially and environmentally conscious consumption. The local and sustainable focus of craft brewing is a manifestation of these ideals.

**The Future of American Beer**

Why, we might ask, should we care about a few companies that make up a tiny portion of the beer market? The simple answer is that despite its relatively small size, craft brewing’s local infrastructure and remarkable growth are having significant impacts on the beer industry and the American economy. In 2011 alone, the craft brewing industry is said to have brought 446 million dollars and 4170 jobs to the Colorado economy (Raabe). In Montana, a state with only 33 craft brewers, the industry generated nearly fifty million dollars in private sector sales (Study). When a small brewery is run locally it requires intensive centralized infrastructure. It needs local farmers to grow the grain and hops that are essential for brewing. It needs a brewery, staffed by professionals to ferment and produce the beer. It needs a bottling plant that carbonates and prepares the beer for sale. Finally, it needs bars, restaurants, and stores to distribute its product (Jones). These production steps are resource and labor intensive, making them good sources of local employment. It is no surprise that in the last year both New Jersey Governor Chris Christie and New York Governor Andrew Cuomo signed legislation making it easier for craft brewers to operate in their state. New York brewers now enjoy tax credits while New Jersey brewers are now allowed to sell their beer directly from the brewery (Brewers Association).

The giants of brewing have taken notice of the shift to local expensive beer and are positioning themselves to reap its profit. Popular brands like Blue Moon, produced by Coors, and Shock Top, produced by Anheuser Busch, are known as “stealth brands”. These beers appear to be locally sourced and produced by craft breweries, while not mentioning the actual parent company on the label in an attempt to lure unsuspecting craft beer drinkers (Swinnen 158). Bob Odell, the owner of Odell Brewing Co, isn’t concerned. In his opinion, craft beer drinkers will only buy real craft beer because these “entry level beers” lack complexity (Odell). While perceived as competition, these stealth beers may actually be a boon to the craft brewing industry as they act as a bridge between the light taste of the traditional lager and the stronger flavors of a full craft brew. These brands introduce new market segments to the idea of craft beer and help broaden its overall customer base. Another tactic these companies have taken is to buy out successful microbreweries. Anheuser Busch has purchased large portions of Old Dominion, Widmer Brothers, and Redhook, three large craft breweries scattered across the nation (Heerwagon). The aggressive response of these leviathan breweries to the craft beer’s popularity provides an indication of its potential as an industry to have an impact on American drinking.

Many craft brewers are not yet entirely safe, as competition increases and the market saturates itself with local breweries it will be difficult for the industry to maintain such high rates of growth. If individual breweries want to sustain their growth and compete against other brewers they have to expand their customer base (Leonard). As David Peacock, the president of Anheuser Busch declared, “The pie isn’t growing enough. You’re going to have some level of shakeout” (Esterel). There is no evidence that this shakeout will look like the dramatic drop in the 90s. These new brewers are more sophisticated and prepared than their predecessors and less likely to fail (Sullivan). The combination of business savvy and an enthusiastic public could produce a gradual and healthy slow down, allowing craft brewing to entrench itself in American minds and refrigerators. Julia Hertz of the Brewers Association is optimistic enough that she proclaims a “Ten percent market share is not unrealistic. It’s just a matter of when” (Leonard).

The idea of aggressive competition clashes uncomfortably with the craft brewing business model centered on being locally involved and connected. Most brewery owners are ostentatiously not in the business for the profit. Mr. Calagame of Dogfish Head Craft Brewery boldly proclaimed, “We care a lot more about IPAs than IPOs”(Esterl). Yet, to remain competitive, companies have been forced to look outwards. Both New Belgium and Sierra Nevada are planning on spending close to 75 million dollars building new production facilities east of the Mississippi. Whether they are able to maintain the same of level of environmental, social, and community engagement after the expansion remains to be seen. Opinions on the matter are mixed; Bob Odell believes that these values are “a major part of Craft Brewing appeal” that won’t be “changing anytime soon” (Odell). Bob Jones has his doubts, saying it would be “extremely difficult to maintain the sort of local support and presence” if your beer is spread all over the nation (Jones). Bob has a point, the direct local support and involvement that is present with most craft breweries may be slightly diminished, but this loss is outweighed by benefits of a sustainable, engaged, and quality industry expanding its footprint to other parts of the country.

American tastes are permanently changing. Rather than selling homogenous light lager, breweries are demonstrating again and again that seasonal ales, the most temperamental and variable of all varieties produced, are the best sellers (Lincoln). The success of a beer like Saison is testament to the increasing sophistication and depth today’s beer consumer. Brad thinks that as craft brews become more and more prominent we will see a migration away from hops, the most common and easily tasted ingredient in beer. It is no longer the norm to consume mass quantities of beer, bur rather to taste, appreciate, and savor the drink. As a result, we will see styles will move steadily into more exotic and subtle ingredients. Americans are also drifting towards businesses that create diverse high quality products, are locally involved, and maintain high standards of environmental safety. Craft brewing thrives on these principles. As long as the meritocracy maintains its purchasing power and continues to demand unique quality products, craft breweries will exist to fill their demand.

**Conclusion**

Companies like Pateros Creek and Funkwerks live and die by the quality of their local support. Their recent success provides ample evidence of a public shift towards increasingly local and unique products. Yet, as these breweries ride this wave of local enthusiasm, they will have to carefully guard the community, environmental, and social values that have propelled their growth. They now stand as an example for all other industries to follow. To throw that away in search of higher profit margins would be a waste of an opportunity. If they can maintain their core values, an increasingly supportive American public will help them fend off competition from large, corporate brewers. With any luck we have many years full bodied, locally sourced, hand crafted beers ahead of us--that’s something we can all drink to.

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*This paper represents my own work in accordance with University regulations.*

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1. There is some debate on this quotes validity. Its appearance in several reputable sources was sufficient to warrant its present usage. [↑](#footnote-ref-1)
2. Malt is a type of treated grain. It is known for giving beer its “body”. [↑](#footnote-ref-2)