

The American brewing industry since repeal: large and small brewers

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The Repeal of Prohibition was 72 years ago. The current American brewing industry looks radically different from the one that emerged in the first days after the passage of the 21st amendment. The path to the current industry has not been a linear one and is a story with many twists and turns. To bring us up to the present requires following several story lines at the same time.

One story of never ending consolidation and merger is essentially the story of Anheuser-Busch. This company is over 150 years old and is no longer an American owned concern. In 2008, Anheuser-Busch merged with InBev.

From its origins in 1852 St Louis, Anheuser-Busch and its trademark beer, Budweiser, has become the nation's largest brewer and one of the world's largest. Over the years, competition between Anheuser-Busch and other top tier companies such as Pabst, Coors and Miller continued to cause a decrease in the number of breweries. The net result of over 70 years of competition was that the numbers of breweries steadily declined from 756 in 1934 to 44 in 1984.

Today there are two large breweries in the United States - Anheuser-Busch and MillerCoors. The third largest brewer is Pabst, which is not actually a brewer. Pabst does not brew any of its beer; all of its brands are contract brewed. The company is essentially a marketing concern, selling beloved brands from the mid-twentieth century such as Old Milwaukee, Schlitz, Old Style and Pabst Blue Ribbon.

Fortunately, for beer drinkers, the story of consolidation is not the only story that helps us to understand the current American brewing industry.

In 1977, Jack McAuliffe, a former Navy electrician, started New Albion Brewery in Sonoma, California. Most industry observers consider New Albion to be the country's first craft brewery. Today America has the greatest number of breweries since 1900. Some craft brewers produce as little as 2,500 barrels a year. This resembles production levels from the 1870s.

The emergence of craft brewing as a significant and growing part of the brewing industry represents part of a larger

phenomenon in the American economy, which seeks to create recognizable commodities with a specific identity. Beer, coffee, tea, bread, cheeses, and whiskey are all products that very large companies manufacture. However, Americans seem to want the producers of these products to be recognizable individuals who brew beer, distill whiskey, or make cheese on a much smaller scale.

American craft brewers, by and large, have presented beer drinkers with a wide variety of choice in taste and flavor. Many try to brew styles of beer that are different from the lager beer that the macro brewers brew. The local aspect of craft beer is what is appealing to drinkers. Craft beer is not only growing but its drinkers are more upscale.

The current American brewing industry has a two-tiered structure with the top three brewers in one and the many, many craft brewers in the other. Boston Beer, which brews Sam Adams and other beers, is by far the largest brewer in the second tier. The marketability of craft beer and the fact that the macro beer business is stagnating makes craft brewers vulnerable to takeover and merger. It remains to be seen whether a round of consolidation will occur in craft brewing.

Home brewing has been legal since 1978. Today there are at least two million home brewers and several hundred home brewing clubs. The founding father of home brewing is Charles Papazian.

Papazian is the author of *The Complete Joy of Home Brewing*, and the founder of home brewing associations.

Sam Calagione, 'Homebrew rendezvous' imagines a meeting between Charles Papazian and Woody Guthrie. For Calagione such an interaction confirms the roots of home and craft brewing in American individualism and populism.

The other contributors look more factually at some of the details that flesh out the broad outline of the story I have presented.

Timothy J Holian, 'The Hudepohl Brewing Company of Cincinnati, Ohio: a case study in regional brewery prosperity and decline' studies one brewery and its path following Repeal.

Hudepohl survived during Prohibition while the larger Christian Moerlein did not. Advertising was the biggest hurdle that a small brewery like Hudepohl could not overcome. Hudepohl eventually developed a niche marketing strategy that has subsequently become the hallmark of craft beer marketing.

Herman Wiley Ronnenberg, 'Consolidation in Post-Repeal American Breweries: the Atlantic Brewing/Bohemian Club example' is also a case study of how a small/regional brewer tried to survive in the era of consolidation. Like many other regional breweries, Atlantic and Bohemian Club tried to solve their market problems by merging. They failed.

Doug Hoverson "Please give this matter your immediate attention." the complexity of brewing in Minnesota and Wisconsin - 1933-1952' illustrates the impact of Prohibition and Repeal on two large brewing centers. Hoverson shows the economic nature of Repeal and details the effect on jobs and trade. Businesses as diverse as railroads and pickled pig's feet benefitted from the reinstatement of brewing. Farmers also benefitted, particularly barley and malt producers.

When Prohibition ended, the brewing industry had to recreate itself. Martin Stack and Myles Gartland, 'The rise of packaged beer and the reordering of the US brewing industry' looks at one aspect of this process. They document the dramatic shift from sales of draught beer to sales of packaged beer. The increase in the sale of packaged beer led to the creation of a different kind of beer, which was standardized and consistent but less flavorful than draught, locally produced beer. Stack and Gartland argue that brewers created the consumer demand for this product through advertising rather than producing such a product in response to consumer demand.

The taste of packaged beer eventually led some consumers to seek other types of beer. This search is part of the roots of the craft brewing industry. Fred Eckhardt's, 'Brewing in Oregon and the Pacific Northwest' is a survey of relatively recent history from 1980 on and documents the development of craft brewing. The passage of a law in 1985 allowing

brewpubs in Oregon enabled small brewers to sell their own beer and made Oregon a craft brewing center.

The article gives a picture of the craft beer industry in this area and the many levels that it operates on. Home brewing, breweries, brew pubs, bars and beer festivals are all part of marketing and distributing craft beer.

Anheuser-Busch has partial ownership of several of the breweries. This may become more prevalent as the macro brewers attempt to gain a share of craft beer. A recent example of this was Anheuser-Busch's purchase of Goose Island, Chicago's premier brewery. The deal will allow Goose Island to increase its distribution nationally. However, the connection with the hated Anheuser-Busch and the possibility that the sale will decrease the quality of Goose Island's beer has its customers upset.

This drama played out on a new arena - the internet. Another aspect of beer production and consumption that has changed in the last 78 years is the existence of many, many beer geeks and bloggers. This provides additional marketing for craft brewers. Craft beer has very intense, committed followers.

As a whole, these articles provide much needed detail and analysis of how the American brewing industry developed its present shape. They also provide new direction for further research.