

Jim Koch: on the hop

Jim Koch, founder and today chairman of the Boston Beer Company, is something of a legend on the American brewing landscape. He is lauded for his continued experimentation with styles, pushing the envelope on what constitutes beer with his stronger alcohol creations, starting with the Samuel Adams Triple Bock in 1993, and for the establishment of a truly national craft brewer.

Koch, who began brewing Samuel Adams lager in his kitchen 24 years ago, today presides over the first craft brewer to become a national player. In 2007 its production of 1.8 million barrels slotted Boston

Brewers' Guardian: The auction of 20,000 pounds of hops at cost. From the Samuel Adams website, it appears you had a lot of entries.

Jim Koch: Yes, the hop sharing programme was very gratifying for us as a brewer and really was a statement about what it means to be a craft brewer in the United States which is that you help each other out, you compete in the marketplace but you also view each other as colleagues. And that's really been a part of the craft brewing movement since I started in it many years ago and I thought it was very important to remind a lot

“For \$8 you can buy six bottles of really great beer or one bottle of mediocre wine”

in fifth place in the US industry, behind only Anheuser-Busch, Miller, Coors and Pabst and ahead of well-established regional presences such as Yuengling and Matt Brewing. As has been noted, Boston is shelling out tens of millions to refit the Lehigh Brewery in Pennsylvania, a 1.4 million barrel plant to partner its first industrial-scale plant, in Cincinnati, Ohio.

Yet Boston Beer remains true to its roots, most recently in the extraordinary gesture of staging a “hop lottery”, inviting fellow craft brewers to enter their name for a share of 20,000 pounds of 2007 crop hops, 10,000 pounds each of East Kent Goldings from England and Tettnang Tettnanger from Germany. Brewers were asked only to pay Boston's cost price rather than the inflated spot rate, and that they only ask for what they needed, up to a maximum of 528 pounds (six 88 pound boxes).

Brewers' Guardian editor Larry Nelson caught up with Koch at the recent Craft Brewers Conference in San Diego, to ask about the outcome of the hop lottery and the state of Boston as a champion of the craft brewing movement.

of the younger, newer brewers who joined us in the last few years that we share. There's a horrific shortage of hops in the US, particularly higher quality aroma hops. A lot of the small brewers here in the United States aren't used to contracting for their hops.

We felt like we could take some risk on our hop inventories and share some of the hops that we had with brewers who needed them much more than we did.

BG: To what extent were you able to satisfy people who came to your door?

JK: I wish we were able to do more. We had 20,000 pounds of hops to share and we had 100,000 pounds of requests. What I thought was very indicative of the honour and integrity of small brewers was the fact that brewers only asked for what they really needed. We did it on the honour system. We said we're not going to evaluate who needs them more than others. We're going to do it on a lottery but if you don't need them, don't ask for them.

As a rule people did exactly that; they asked for only what they needed and we had a lot of requests for 88 pounds, 176 pounds. We had a maximum of 528 pounds and we had very few brewers who asked for the max and when I looked at the ones that did that, they were ones that I knew were in particularly desperate straights. It was very honourable on the part of the 350 brewers that came to us.

BG: With 20,000 pounds out of your inventory, is Boston Beer still secure for hop supplies in 2008 and beyond?

JK: Well, we're not secure because nobody's really secure in these days but if there's a normal crop in 2008 and 2009 we'll be OK. If there's another bad crop we will struggle but we're giving hops to people who had nothing so better for us to struggle a little than for people to have to close a brewery or not be able to start one or not be able to make the beers that they always made.

BG: You've got roughly 1% of the market yet quite clearly you still see yourselves as craft brewers.

JK: I'm hoping to get to one per cent of the market. It's been my life's work to go from brewing Samuel Adams in my kitchen when we were invisible to getting up to infinitesimal and now we've finally reached tiny. Someday if we continue to succeed and struggle we might get to small, we might get to one per cent.

BG: Under (craft brewer trade body) Brewers' Association rules there's a two million barrel ceiling. Would you not face a dilemma under BA rules to remain defined as a craft brewer or will they find a way to keep you in?

JK: We probably won't make two million this year but hopefully at some point we will make that

milestone and I think as craft brewers we will all have to ask ourselves that question. I don't want to predict the outcome but for us we're always going to be a craft brewer; that's what we do. That's who we are. We began that way; we stayed very true to our roots and our identity as a craft brewers and numbers don't really reflect who you are and what you do as well as they might.

BG: You're buying a second brewery.

JK: We made a down payment to our good friends in London at Diageo and in June we're looking forward to closing on a wonderful, very traditional brewery in Pennsylvania where we brewed Samuel Adams during the '90s and the first part of this century.

With so many brewery closures it's very gratifying to be able to open up a brewery again and make great beer there once more.

BG: Once you are in Lehigh and you have 800,000 barrels in Cincinnati does that mean that you are self-sufficient, or are you still contract brewing elsewhere?

JK: That will make us pretty much fully self-sufficient though there may be the odd incidental opportunities if we need capacity on a very short-term somewhere else. But it makes us virtually completely self-sufficient.

BG: Regarding raw material price increases, we've heard a lot about how this is a structural change. Do you agree with this or might one day we return to what might be termed normalcy?

JK: With malt and hops there's never been a normal so we'll return to abnormality once again because the supply-demand balances have certainly swung wildly over the last 25 years. I would say that brewers have benefited from 15 years

of overcapacity in hop acreage. I think we got used to an unsustainable condition and thought it was sustainable.

The reality is that farmers have to make money and make a livelihood from their crops and certainly hop growers have been under a lot of economic pressure because there was too much acreage as high alpha hops came in, downstream hop products came in and brewers reduced the hopping levels of the mass-market beers, there was a chronic oversupply of hop acreage. But I think the last years have reminded us that that couldn't last forever and I think that the pendulum has swung the other way and hop prices have reflected scarcity of supply and inelasticity of demand.

We need to get very special varieties of hops to make Samuel Adams and if they cost more we're not going to use cheaper hops or put less in there; we're just going to have to charge more money for our beer which is what happened.

BG: You were talking about a 5% price increase; can this be implemented?

JK: It's already done. We have increased our prices five per cent. We had to since our costs went up, I believe its 10 to 12 per cent, so we couldn't pass through all of our cost increases but we absolutely had to pass through some of them. It's too early to tell what impact that will have but I don't think it's going to be a major impact. I think a beer like Samuel Adams is not only a very affordable indulgence for the average beer drinker but in a time of a weaker economy in some ways it's one of the few world-class experiences that the average guy can have. A six-pack of Sam Adams in the US costs about \$8 for six bottles of truly wonderful beer. For \$8 you can buy six bottles of really great beer or one bottle of mediocre wine.

BG: The higher-strength beers that you've experimented with over the years, does that work continue?

JK: Oh, absolutely. That's very much a labour of love and for

me as an American brewer it's very much a statement of identity and conviction to try to push the boundaries of beer because part of being an American brewer is to want to build on the traditions of brewing and ultimately to add something to the world of beer that didn't exist before.

I remember having a group of small brewers from Germany who came to our brewery and they tasted (25% abv) Utopias and it blew their minds and to them it was, "Well, this is not beer. This cannot be beer!" And I said, "Well, it is beer; it is fermented grain, it's just taken to the extreme."

But you have to remember that pilsner and porter and stout and even champagne and cognac, they didn't exist when God made rocks and dirt and trees. Humans invented them from their own living hearts and who's to say that every wonderful thing that can be done with the fermentation of grain has already been discovered? I refuse to believe that and I think there's as many great new beers to be created as exist today.

BG: Will we see something new unveiled for the 25th anniversary of Sam Adams?

JK: We're always making new beers over the last 24 years we've made well over 100 different, unique beers. Some of them are in the market, some of them aren't – I mean, if you're a brewer, you always want to have another beer.

There are a lot of things that we're playing around with, some of them having grown out of the techniques that we brought into brewing back in 1993 with the Triple Bock.

BG: Are you still doing double fermentations, using champagne yeasts, all those good things?

JK: Yeah, plus, I mean after 15 years we've got multiple generations of alcohol-tolerant yeasts. ... At Samuel Adams we're only one small part of this tidal wave of creativity that is really just begun in American brewing.



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