Original craft brewery back in business

By Devin Leonard, Bloomberg Businessweek

There wasn't much in the beer aisle back in the 1970s when Jack McAuliffe went to the local supermarket, just the usual Budweiser, Miller, Coors, Falstaff and maybe some Pabst Blue Ribbon. The limited selection didn't seem to bother the typical American drinker. But it wasn't enough to suit McAuliffe.

A former naval submarine electrical technician, McAuliffe had fallen in love with full-bodied ales and stouts while serving in Scotland. He started brewing his own when he returned to San Francisco. His friends thought they were pretty good. McAuliffe didn't disagree.

"I said to myself, 'Man, what I need to do is build a brewery and start selling this stuff. I can get rich doing this,'" he recalls. In 1976, McAuliffe opened the New Albion Brewing Co. in Sonoma, one of the earliest American craft breweries.

It's difficult to overstate what a radical notion this was at the time. Today there are 2,360 craft breweries, many of them started by entrepreneurial home brewers like McAuliffe. The Brewers Association, the craft beer industry's trade group, boasts that its members sold $10 billion worth of beer in 2012. An entire ancillary industry has arisen to provide them with everything from organic hops to fermentation tanks to specially tailored financial consultation.

None of this existed, of course, when McAuliffe started New

Albion. He remembers talking to brewery suppliers who struggled to suppress their mirth when he told them of his plans for his tiny operation: “They said, ‘You’re going to do what?'” These, after all, were people accustomed to doing business with corporations like Anheuser-Busch. McAuliffe ended up welding together his artisanal brewery out of used dairy equipment and Pepsi-Cola syrup drums.

McAuliffe made what is considered to be the first modern American pale ale. “I invented that,” he boasts. He also produced a porter, a stout and a draft ale.

He sold them all quickly. But McAuliffe was a better brewer than a businessman. He started out too small. Then he spent all of the brewery’s cash on an expansion plan only to discover that no investor would finance something as fanciful as a microbrewery. In 1982, New Albion filed for bankruptcy, and McAuliffe turned his back on the beer business.

“It wasn’t the best experience of my life,” he says. He left California and spent the next three decades designing industrial control systems for sewage treatment facilities and factories that produced aluminum car wheels.

Still, McAuliffe inspired other amateurs with high opinions of their home brews to turn professional. The result was a revolution in American brewing. The author Maureen Ogle calls New Albion “the most important failed brewery in the industry’s history” in her book “Ambitious Brew: The Story of American Beer.” “McAuliffe provided penniless entrepreneurs and ambitious home brewers with a model of how to build a small, functional, affordable brewhouse.”

Other aspiring craft brewers simply learned from McAuliffe’s mistakes. One of them was Jim Koch, founder of Boston Beer, who calls New Albion’s demise “a cautionary tale.”

He realized he needed to brew a lot more beer if his company was to survive and prosper. Early on, Koch also contracted

with a Pittsburgh beer maker to make Sam Adams American Lager, his flagship product, rather than building his own brewery right away. Boston Beer became the country's largest craft brewer with 54 different styles of beers.

"I made mistakes," Koch says, "but I didn't make the same ones Jack made."

Three years ago, Koch got a call from one of his sales representatives. She had run into an odd character who claimed to have been the first microbrewer in America. The sales rep thought he was a little daft. The guy's name was Jack McAuliffe.

"Holy s-," Koch said. "He's not a crazy guy. He was the original."

Koch got in touch with McAuliffe and told him he had purchased the trademark to New Albion some years before. He wanted to know if McAuliffe was interested in reviving New Albion Ale with the help of Boston Beer.

"The idea was we would give him all the profits," Koch says. "Hopefully, that would make the rest of his life a little better because a lot of us have done very well following in his footsteps."

It wouldn't be difficult either. The UC Davis fermentation science program had preserved some of the yeast originally used in the ale in a cold storage facility. All Koch and McAuliffe had to do was resuscitate the yeast, add ingredients like hops and malt, and New Albion Ale would be reborn. Surely there would be demand for one of the original craft beers now that offbeat brews were trendy.

Yet McAuliffe wasn't interested. It bugged him that other craft brewers had come along after his flameout and become millionaires.

“He was angry for a lot of years,” says John Holl, a beer blogger and author of the forthcoming “The American Craft Beer Cookbook: 150 Recipes From Your Favorite Brewpubs and Breweries,” who befriended McAuliffe. “He really held a grudge against the industry.”

But Koch kept nudging, and McAuliffe eventually relented. He appreciated that some of the industry’s biggest names like Koch and Sierra Nevada Brewing’s Ken Grossman were finally giving him credit for his contribution to the craft beer movement. He also needed the money.

In July, McAuliffe traveled to Boston to produce the first batch of New Albion Ale in 30 years. Typically a fan of his own recipes, he was satisfied with the results. “I thought it would sell pretty good,” he says.

Once again, McAuliffe was prescient. In January, Boston Beer shipped about 6,000 barrels of New Albion Ale, more than its namesake brewery had made in its entire existence. No sales figures are available yet. But McAuliffe has made $200,000 so far. Once Boston Beer has sold its entire shipments, it will be up to McAuliffe to carry on. Koch turned the New Albion trademark back over to McAuliffe, who can do whatever he wants with it as long as he doesn’t sell it to a large brewer like AB InBev. McAuliffe is grateful. But he has no plans to go back into beer making.

“I’m transferring all of that to my daughter Renee who lives in Cleveland,” he says. “She’s got the ball.”

At 68, he says, he has better things to do than go on publicity tours and be fawned over by beer geeks at conventions.

“The PR stuff was never my favorite part of running a brewery,” he scoffs. “I belong in the back with a red rag and a three-quarter-inch wrench in my back pocket, fixing machinery.”