

Brewing behemoth sneaks into organics

- Carol Ness, Chronicle Staff Writer

Organic Budweiser. What's next, the hybrid Hummer?

That could be a Letterman riff but it's for real – the beer anyway. Anheuser-Busch, whose empire is built on Bud and Bud Light, is test-marketing its first organic beer in the North Bay, Santa Barbara and six other smallish cities around the country.

It's a lager that goes by Wild Hop, not organic Bud, and it's being cold-brewed in at the St. Louis-based company's Fairfield plant. A second organic beer, Stone Mill Pale Ale, is being brewed at Anheuser-Busch's Redhook brewery in Portsmouth, N.H., and will be here shortly.

The two represent Big Beer's first foray into the organic market, which is still the size of a speck of foam floating on a sea of fermented barley and hops. But it's growing, like all things organic, and Anheuser-Busch is dipping a finger into the waters of this potentially lucrative market.

Like Wal-Mart's recent decision to go big time into organic food, Anheuser-Busch's move obliterates any doubt that organic is now mainstream – and big business.

People who might buy Wild Hop and Stone Mill are "more affluent,

highly educated, more high-end shoppers" who buy organic, says Patrick McGauley, a vice president for product development at the St. Louis headquarters.

"I'm not describing a Bud Light drinker," he says. "I'm describing a new customer."

Like most microbrews, the organic beers are priced a couple dollars more per six-pack than Bud Light: \$7.99 for the Wild Hop and \$8.49 for the Stone Mill.

The Bay Area was a natural as a test market, because "California fits the demographics and the shopper psychographics," McGauley adds.

Wild Hop started trickling into stores in Marin, Sonoma and Mendocino counties about two weeks ago. A spot check turned up a few cases at Beverages & More stores in San Rafael, Santa Rosa and Novato.

The packaging offers no clues that it's a Budweiser relative. Nowhere does it say Anheuser-Busch -- instead it says Green Valley Brewing Co., a newly created business name.

Stores like Whole Foods Markets are a likely target, says Charlie Head, managing general partner



Wild Hop Lager's packaging gives no clue that it's an Anheuser-Busch product.

of Eagle Distributing in Santa Rosa, Anheuser-Busch's North Bay vendor. "We're not going for the Safeways of the world," Head says.

The marketing strategy is deliberately low-key. There will be no Bud Light-style barrage of TV commercials, according to McGauley. The company plans to depend on in-store displays and word of mouth, plus a donation to the Organic Farming Research Foundation in Santa Cruz, to drum up publicity.

If test-marketing is a success, Anheuser-Busch plans to take the beers national.

News that a beer giant had waded into the organic beer pool hit the organic beer pioneers at the Eel River Brewing Co. in Fortuna, Humboldt County, like a small but sharp earthquake.

"Those rat bastards," co-founder Ted Vivatson first said, semi-

seriously. "We consider them the evil empire."

Eel River is one of just a handful of American microbreweries who are bottling organic beer for the retail market, including Butte Creek Brewing Co. in Chico, Wolaver's in Vermont, and North Coast Brewing Co. in Fort Bragg. Popular organic imports include Coopers from Australia and Samuel Smith from England.

At Whole Foods, only about 15 beers out of 400 are organic, according to a recent count in the chain's store in San Francisco's South of Market neighborhood.

Craft beer made up just 3.5 percent of the total market in 2004, and organic beer is just a fraction of that, according to Ray Daniels, director of the Brewers Association, a trade group.

At Eel River, Vivatson and his then-wife, now-business partner, Margaret Vivatson, were among the first in the country to start brewing organic beer at their 12-year-old brewpub. He's seen the market slowly grow from infinitesimal to tiny – only to see Budweiser come in as the market shows signs of heating up.

"They're not doing this for the love of organics," he says. "They're just doing this for market share."

Big Beer can spell trouble for small breweries like Eel River because it dominates distribution networks. The microbreweries

depend on the big guys' distributors to get their beer to market, and if Bud distributors are busy pushing Wild Hop, they might not be pushing Eel River, Vivatson says.

But he realizes that organic Bud doesn't have to be a threat – and could even be a boon.

His own customers, he says, tend to be anti-establishment types who are into organic beer because of its populist, grassroots ethic – and they're not likely to jump to a corporate giant.

"If Budweiser comes out and does this, a whole lot more consumers are going to say hey, maybe there's something to this organic beer thing," Vivatson says. "And they'll buy more and that's good for me."

Organic beer is made the same way any beer is. But at least 95 percent of the ingredients have to be certified organic to earn U.S. Department of Agriculture certification.

Organic barley, the main ingredient, costs a little more than conventional but is in good supply. But organic hops, used to give beer its bitter edge, are harder to find and most have to be imported, mainly from New Zealand and Europe.

Brewers' flavor palettes are limited because only a few hop varieties are grown organically.

Wild Hop is 95 percent organic, and uses non-organic hops. Butte Creek uses some non-organic hops to preserve its taste options. Eel River is 100 percent organic.

The brewing process has to be certified as well, which mainly means strict limits on what cleansers can be used to sanitize the vats and machinery, Vivatson explains.

"We use a lot of steam because we can't use the chemicals. It's very labor-intensive," he says.

At Butte Creek, general manager Tom Atmore says he's already gotten feelers from Coors/Miller distributors looking to pick up a competitor for Wild Hop.

"I think it's going to open up a lot of awareness, and a lot of distribution channels for brewers like us," he says.

Anheuser-Busch came calling at Atmore's Chico brewery about six months ago, looking for advice on organic beer certification, he adds.

"I didn't send them out with much information," he says. "But I did tell them I thought they could afford it."

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