

Sierra Nevada: A Californian pioneer of craft-brewing and sustainability

By **David W. Smith** - July 8, 2014



Sierra Nevada is the seventh largest brewer in the US with a turnover of US\$200 mil a year. But company CEO Ken Grossman has received as much praise for his advanced thinking on sustainability as for his award-winning beers. By David W. Smith

When Ken Grossman founded the Sierra Nevada brewery in California in 1980, he was forced to scrounge the equipment he needed to make beer because none of the banks would lend him a cent. Saving on energy costs was the only way to survive.

Now Grossman is worth an estimated US\$600 million and the company turns over US\$200 million a year, but his philosophy has not changed. Sierra Nevada has won multiple awards for its beers, but it has won just as many awards for its sustainability policies. Grossman was years ahead of his time in promoting the environment and is the mastermind behind everything that happens at Sierra Nevada.

"Ken is very hands-on," said Sierra Nevada's sustainability manager Cheri Chastain. "To give you some idea of how passionate he is about sustainability, I was putting food into our large composter at the weekend recently when he drove up with a gigantic box of squeezed limes and said he's been at a wedding where the guests were all drinking margaritas and didn't want to

hundreds of limes trashed. So he loaded them into his car and drove all the way out here.”

Grossman has never been conventional. When he was growing up with his divorced mother in Los Angeles, his greatest role model was a rocket scientist neighbour who was an accomplished home brewer. “His stove would always be bubbling over with beer and his wife would be screaming at him, but the smells and aromas got me interested in beer from an early age,” said.

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Grossman took up home brewing as a teenager, hiding the gallon jugs from his mother in a closet. “She just assumed the odours were the typical ones you get from a 15-year-old’s bedroom!” he joked.

After working in a bike shop for years in early adulthood, Grossman opened a home brew shop in Chico, in the northern Sacramento Valley. By this time he was married with a baby daughter named Sierra and began to have second thoughts about running the shop. “We were making US\$40 a day, which gave us US\$15 in profit so I had to keep working in the bike shop. My wife also decided it wasn’t a good idea to raise a new-born in a home brew shop,” he said.

Banks refuse finance

In 1978, Grossman decided to create the Sierra Nevada brewery, but the banks thought it was a crazy idea and refused to lend him money. Their logic was hard to refute. Before the Prohibition years, there had been 1,500 independent US brewers, but the number had dwindled to 45. A few survivors were closing at a rate of five to 10 a year. The advent of mass marketing on TV and radio, allied to a superior transport network, had allowed bigger, more aggressive brewers to dominate smaller outfits.

“Industry experts predicted there would be two craft brewers left by the year 2000. Beer ha

become a commodity like milk. You don't go shopping for a brand of milk. You just buy a product," Grossman said.

Grossman teamed up with one of his customers – Paul Camusi – and they put their limited finances together and formulated a plan. Grossman was the driving force. He enrolled in college so he could weld stainless steel and learn about refrigeration, then he set off on an epic journey in his flat-bed truck foraging for cheap machinery from defunct small dairies.

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"The small milking operations were struggling to compete with the giants just like the small breweries. I drove up and down California, Washington and Oregon asking at feedstores if a nearby dairies had closed. I scrounged all the equipment I needed," he said.

The Sierra Nevada brewery opened in 1980, but struggled to make a profit for a couple of years. Grossman would drive around California in a Chevy van loaded with beer drumming up interest from restaurants and stores. Progress was slow until he got a couple of breaks. An article in the San Francisco Examiner provided valuable free publicity, and a large grocery store chain began stocking the beers.

By 1983 Sierra Nevada needed to expand or die, and the frugal and resourceful Grossman had an idea. In Germany, the brewing industry was in crisis and there were many shuttered breweries. Grossman skipped across the Atlantic and bought a load of German equipment, including a copper boiler 10 times as large as the one he had, for the knock-down price of US\$15,000. He shipped it to California for US\$60,000.

Still, the banks would not lend him any money, so the German equipment sat in crates in California for years whilst Grossman figured out how to make more beer in the tiny plant. Eventually S

Nevada got capacity up to 12,000 barrels a year and in 1987 Grossman managed to borrow money from the banks, as well as family and friends.

From that point on, the business grew and grew even though there were a few problems along the way. Grossman had to endure an awkward and protracted separation from his business partner and then suffered burn-out after 30 years at the helm. Only his three children managed to persuade him to continue the business.

Thousands of beer drinkers are delighted Grossman changed his mind. The company is the largest privately owned craft brewery in America, producing one million barrels a year. Its pale ale is available in all 50 US states. Grossman has been one of the leaders in the renaissance of independent brewing in the US. Giants such as Anheuser-Busch InBev and MillerCoors still enjoy a large market share, but there are now more than 2,700 US breweries.

"On average, 1.5 breweries are opening each day. In one month there are more start ups than the total in existence when we began. We played a major role in the genesis of that revival," Grossman said.

'Doing the right thing'

Despite his success, Grossman has stuck close to his founding principles. Having had disagreeable employers when he worked at the bike shop, Grossman makes sure he takes care of staff. "The bike shop gave me an idea of what I didn't want to do. I try to run a company I would want to work at," he said.

That means providing good pay and generous benefits. Everyone gets free healthcare and there is an on-site doctor, a massage therapist and a wellness programme. Best of all, everyone gets free beer.

The sustainability policies are part of the ethos of doing the right thing. "When I started I had no money so I had to recycle everything and make do. Resourcefulness was part of our success that's stuck with us.

"It's not just about saving money. I've kept goats and chickens, and made my own cheese as an adult life. I live the natural lifestyle and Sierra Nevada's approach to sustainability was an extension of that," he said.

Sierra Nevada's energy policies go way beyond those of any other US brewery. There are 10 solar panels, the largest privately owned collection in the US, providing 20% of energy need

And Sierra Nevada is the only US brewery to use hydrogen fuel cells. The four cells produce of energy needs. The uniqueness of the facility earned Sierra Nevada a visit from Arnold Schwarzenegger when he was Governor of California.

Meanwhile, 99.8% of Sierra Nevada's solid waste is diverted from landfill using creative mea that encourage reuse, recycling or composting. And a private rail spur allows malt to be deli by train to the company dock two miles away, greatly decreasing the impact of transportatic

Water use is another key focus and Sierra Nevada has built an on-site wastewater treatment facility that pre-treats water from the brewery before sending it to the municipal supply.

Sierra Nevada recently opened a second brewery in North Carolina, which is built along simil lines. "From the ground up it has been designed with eco-efficiency and conservation at the forefront," said Chastain. "We have learned lessons in California over 30 years which we've applied to the new facility, including solar panels and a waste treatment plant generating Bic gas."

Grossman says Sierra Nevada has never used its successful sustainable initiatives as a mark tool. But he concedes that the focus has helped build up a positive image. "Our success and sustainability go somewhat hand in hand. Craft consumers are interested in dealing with producers that are responsible towards the environment and resources. It probably has help our growth even if we have not set out for it to do so," he said.

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