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BEEN A LONG TIME A-BREWING: A HISTORY OF THE MINNEAPOLIS BREWING COMPANY, 1890-1975

by

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B.A., Moorhead State University, 1989

A Thesis

Submitted to the Graduate Faculty

of

Saint Cloud State University

in Partial Fulfillment of the Requirements

for the Degree

Master of Arts

Saint Cloud, Minnesota

March, 1993

This thesis submitted by Michael R. Worcester in partial fulfillment of the requirements for the Degree of Master of Arts at Saint Cloud State University is hereby approved by the final evaluation committee.

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BEEN A LONG TIME A-BREWING: A HISTORY OF THE MINNEAPOLIS BREWING COMPANY, 1890-1975

Michael R. Worcester

The art of beer brewing can be traced to the earliest vestiges of civilization, and began in Minnesota in 1848, making it one of the state's oldest forms of commerce. With a variety of motivations, brewing in Minnesota became a thriving industry. The Minneapolis Brewing and Malting Company--as the company was originally known--was formed in July, 1890, Through the merger of four small Minneapolis brewers, one of which had been founded in 1850. By hard work, persistence, and some good fortune, Minneapolis Brewing adapted to the numerous thrust upon the brewing industry. These included economic twists and turns, legal wranglings, two world wars and National Prohibition.

As other breweries closed around it, the Minneapolis Brewing Company steadily grew in stature, capturing larger and larger portions of the Upper Midwest beer market. As one of the country's largest regional brewers, Minneapolis Brewing was for many years a prime example of how a brewing company could exist within a limited market and maintain impressive prosperity. In the end, though, Minneapolis Brewing could not withstand powerful winds of change, particularly the growth of large national brewers such as the Anheuser-Busch and Miller Brewing companies, and was forced to close.

The purpose of this investigation is to trace and analyze the birth, life, and death of the Minneapolis Brewing Company and to evaluate the record of that company in the context of social, cultural, and economic circumstance at the local, regional, and national levels. In the end it is a history of one prominent regional brewer and the efforts of its owners and managers to chart a course for survival in a complicated environment dominated by giants in the industry. As such this work stands as an important case study.

March 1993
Month Year

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ACKNOWLEDGMENTS

A task as monumental as this thesis was something I could never have undertaken without the assistance of many persons, to whom I am sincerely indebted. First, to my committee, Dr. Donovan L. Hofsommer, Dr. John C. Massmann, and Dr. James C. Johnson for their time and dedication; to Mark A. Greene, Minnesota Historical Society and Dr. David H. Overy, St. Cloud State University, for arranging the use of the Grain Belt Brewing Company records; to Frank Vyzralek for pointing out some very useful sources; and the staffs of the Beer Institute, Morrison County Historical Society, Hennepin History Museum, Minnesota Historical Society, and St. Cloud State University Library for their assistance.

A thank you is also extended to the History Department at Moorhead State University, especially my former advisor, Dr. I. Kenneth Smemo, for steering me towards graduate study in public history. Special thank yous go out to my friends, who never seemed to lose interest in my endeavour. And finally, a very special thank you goes to my family, for their unwavering support. To all of you, I am unremittingly grateful.

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PREFACE

Of the many successful industries that have existed in Minnesota, brewing is certainly not the best-known. Now a mere shadow in comparison with its past glory, beer brewing is of the state's oldest forms of commerce. Indeed, the first commercial brewery was founded in St. Paul in 1848, when the area was still part of the Wisconsin Territory.

Yet over the years, names such as Orth, Schell, Fitger, and Hauenstein have taken a back seat to Hill, Washburn, Pillsbury, and Weyerhauser. Of all the states in the union, only seven have had more breweries than Minnesota. This thesis intends to trace the history of one of the most successful breweries that operated in Minnesota, the Minneapolis Brewing Company (popularly known as the Grain Belt Brewing Company).

Minneapolis Brewing's story will be chronicled beginning with the four small Minneapolis brewers that merged in 1890 to create the company. Minneapolis Brewing survived many variations that occurred in the brewing industry over the next eight decades. Two world wars, economic downturns, strikes, countless legal twists and turns, and not to mention National Prohibition, were just some of the pitfalls that the company encountered during its lifetime.

Minneapolis Brewing, like so many other breweries in Minnesota, became a victim of new challenges in late 1975, closing its doors after eighty-five years of business. This story of how Minneapolis Brewing weathered immeasurable changes, yet finally succumbing, sheds light on an important Minnesota industry and, specifically, on one of the state's best-known brewing firms.

Chapter I

A BRIEF HISTORY OF BEER

Webster's dictionary defines *beer* as "an alcoholic beverage usually made from malted cereal grain, flavored with hops, and brewed by slow fermentation." Malt beverages, commonly referred to as beer, are not an American creation by any means, and did not just suddenly appear in Minnesota upon the state's founding. In essence, the recipe for beer has remained virtually unchanged for over five thousand years, having been part of civilized society since ancient times. Although no specific origin for beer has ever been authenticated, its history can be traced well back into the ancient Middle East.

Beer In Ancient Times

The most definitive proof of brewing in ancient times was discovered in 1990, by archaeologists excavating a Sumerian trading post in western Iran. In the ruins they found several pottery jars that actually contained residue from a fermented drink. Upon analysis of the jars, which were dated at 3500 B.C., this remainder provided the earliest chemical evidence of brewing in ancient times.[1]

The Egyptians also had some of the earliest references to beer-like beverages. Although what was produced in those times under the guise of fermented beverages would in all likelihood not even come close to resembling modern beer, the basic principles utilized in brewing then are remarkably similar to those utilized in modern times.[2]

If an ancient Egyptian desired a beer, he would have asked for a beaker of *hek*.[3] With no hops in Egypt to give this barley drink the distinctive taste of beer, hek would have probably been very similar to older English ales.[4] Manathos, the High Priest of Heliopolis, described early Egyptian hek brewing in 2000 B.C. Manathos attributed beer to the goddess Osiris, stating that Egyptians had beer for "thousands of years."[5] A prayer to Osiris, credited to Pharoh Ramses IV (1200 B.C.), exemplified the Egyptian reverence for hek:

> And thou shalt give to me health, life, long existence and a prolonged reign; endurance to my every member, sight to my eyes, hearing to my ears, pleasure to my heart daily. And thou shalt give to me eat until I am satisfied, and thou shalt give to me beer [hek] until I am drunk. And thou shalt establish my image as king forever and ever.[6]

The use of barley by the Egyptians seems to indicate that this particular cereal has been the brewers grain of choice since earliest times. Brewing historian Stanley Baron agrees, stating that, "barley . . . in the period of ancient Egypt was preferred above all others, because of the superior beverage it produced."[7] How the Egyptians came to choose barley over other available cereals, such as wheat or corn, is not clear. Judging by the descriptions of brewing from this era, it seems clear that the process of brewing has remained primarily the same. Only the means of brewing, its efficiency and speed, has changed in any significant manner.[8] (For a brief description of the brewing process, see Appendix A)

Other ancient civilizations appear to have had beverages similar to beer. The renowned Code of Hammurabi (1700 B.C.), for example, prescribed stiff penalties for offenses committed at taverns.[9] Although not identical to Egyptian beverages, the Chinese made references to fermented spirits over three thousand years ago.[10] The Chinese sage in the Shoo-King (from about 3000 B.C., quoted in One Hundred Years of Brewing) advised his contemporaries:

> Spirits are what men will not do without. To prohibit them and secure a total abstinence from them is beyond even the power of sages. Hence, therefore we have WARNINGS on the ABUSE of them.[11]

The ancient Greeks learned the art of brewing from the Egyptians, although no approximate date for this transfer has ever been established.[12] The earliest references to beer by the Greeks start around 500 B.C. Sophocles described a fermented barley drink called *zythos* about 470 B.C. In the Retreat of the Ten Thousand (400 B.C.), Xenephon describes a beverage made from barley produced in abundance by the neighboring Armenians.[13]

The Romans also became consumers and producers of malted beverages during their empire's existence. Julius Caesar was noted as a strong admirer of Roman *cerevisia* (beer).[14] It was the Romans who would later introduce brewing to much of Europe during their various excursions across the continent.[15]

<u>Brewing In Medieval Europe</u>

The Roman general, Various, who had been dispatched by Augustus to conquer much of what is now southern Germany, ascribed his defeat by the Teutons to their strength and valor, which he attributed to their "liberal use of *bior*" (beer).[16] Various never stated how the Teutons gained their brewing skills, although they most likely learned it from the Romans. The French king Charlemagne, during his reign, took great care in selecting his brew-makers, for he was very cognizant of its distinction to his people.[17]

In parts of Eastern Europe, beer was also present. The Allemanni, who inhabited land between the River Main and the Danube, attached great distinction to their malted beverages. So important to them was their brew that it was produced under the supervision of priests, and before it was consumed, it was blessed with numerous solemn rituals.[18] Before looking at the development of brewing in the United States, particular attention must be directed at two countries, England and Germany.

Brewing In England

Brewing was most likely brought to England by the Romans during the third century A.D. The drink of choice that developed, with the help of the Saxons, became known as ale. This particular beverage did not contain hops. In this manner it was very similar to the Egyptian drink hek. Ale had a strong aroma, a more pronounced flavor, and a higher alcohol content than regular beer.[19] As beer historian John Watney described it, ale was so strong that "[o]ne tankard was often enough to send a Saxon warrior or his Danish rival reeling off into the night, a song on his lips."[20]

Like the Allemanni of Eastern Europe, the churchmen of England were active in the production and improvement of malt liquors. During the reign of Henry II (twelfth century A.D.) the best brewers were found in the country's monasteries.[21] In addition to religious leaders, poets, historians, and political economists in England extended a great deal of attention to malt beverages.[22]

Brewing in England remained virtually static until the early sixteenth century when it was altered largely by the influence of Flemish immigrants. Among this group, which began arriving from the Low Countries in mainland Europe around 1520, were numerous hop-growers. Some of these farmers combined hops with traditional English ale, producing a product called *bierre*.[23] By the start of the seventeenth century, ale and bierre (beer) were virtually interchangeable, and it was not until the introduction of *porter* in the 1720's that a real distinction was possible.[24] By this time, the production of malt beverages in the British colonies of North America, to be discussed shortly, had taken a firm foothold.

Brewing In Germany

Like the British, beer brewing likely was introduced into northern continental Europe by the Romans. Considering the diversity of the numerous Germanic tribes, there was probably some minor variations in the brewing that occurred. By the age of the Renaissance, Bohemians and Bavarians were producing what was considered the foremost beer of the Germanic clans.[25]

Many German brewers, like their counterparts in England, were monks, and spread their craft across much of northern Europe. The main distinction between German and English beverages was the use of hops in the brewing process, chiefly for flavor. This type of brew, developed explicitly by the Germans, was called *lager* beer.[26]

The term lager is derived from the German word "lagern," meaning to store or stock. Ales, which could be consumed in a relatively short time after being brewed, differed greatly from lager beer in this respect. Typically, lager beer was brewed in the fall and stored during the winter for spring consumption. In addition, this brew tended to be lighter, slightly more bitter in taste, and smoother than ale.[27]

Brewing In the United States

Malt beverages in some form were being brewed in the Americas before the arrival of the British colonists. The aboriginal peoples of Central America were found to have a potable drink made out of corn. The evidence is not clear to what extent this drink resembled European beverages, and it is not known how they acquired their brewing skills. Barley was not a native plant to the Americas, and many of the colonial settlers later found corn an acceptable alternative.[28]

Beer was part of British colonial America from its very beginnings. One of the Mayflower voyagers commented in their diary how they stopped at Plymouth Rock instead of further south because "[o]ur rituals are being much spente, especially our beere. . . ."[29] Evidence indicates that the first commercial brewery in the new world was founded by the Dutch West India Company in 1629, in the Dutch colony of New Amsterdam (now Manhattan Island).[30] Many of these early breweries existed largely to fill the gaps left by home brewing and importation, which was the preferred option.[31]

These seventeenth century brewers understood little about the technological aspects and finer details involved in brewing. As Baron describes it: "Everything about their brewing was inaccurate and capricious, they could not explain why one brew came out well and the next poorly."[32] It was not until well into the nineteenth century that technological advances allowed for much more precise and efficient brewing.[33] These decades of uncertainty are what likely precipitated the phrase, "the art and mystery of brewing."

Many of the more well-known colonists were avid home-brewers, producing the English-style ales and beers. William Penn, the founder of Pennsylvania, had as part of his estate at Pennbury a section for home brewing. George Washington recorded in his personal papers a recipe for home brew, now in possession of the New York Public Library.[34]

In 1700, the New York Provincial Legislature passed a law entitled, "An act for the Incouraging of the Brewing of Beer and making Malt within this province." Other colonies had similar statutes on their books. The rationale was evidently a desire to reduce the number of high-alcohol drinks available, such as rum.[35] As evidenced by the actions of the New York Legislature, and in many other respects, beer had become an integral component of colonial society.

The spread of beer westward was incidental as the white population pushed beyond the Appalachian Mountains.[36] For reasons of culture and geography (particularly a warmer climate), however, brewing never really caught on in the southern states to the same extent as in the northern and western sections. This was reflected in the relatively low number of breweries that evolved in these states, and in the staunch prohibitionist stances that eventually took root there.[37] By the mid-nineteenth century, brewing followed the expanding frontier and spread to the Upper Midwest. During the interceding years, however, another aspect greatly affected brewing's evolution.

The principal product of early American breweries was, of course, English-style ales and porters. With the beginnings of large-scale German immigration in 1840, a new type of beer, lager, was introduced. By most accounts, the first lager brewery was founded around 1842 in Philadelphia by John Wagner, a Bavarian immigrant.[38] Lager beer came to America with a long tradition of brewing from Germany, and was made with strict content purity standards (still adhered to in modern Germany). With this legacy of distinction backing it, lager beer grew to be tremendously popular in the United States.[39]

Within twenty-five years, this distinctly German brew had replaced ales and porters as the preferred beverage among American beer drinkers.[40] It was these German immigrants who, beginning in the late 1840's, journeyed into the region which was soon to become the Minnesota Territory. Bringing their lager-brewing erudition with them, they laid the foundation for what became another legacy of brewing excellence.

NOTES: CHAPTER ONE

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9. Solomon Katz & Fritz Maytag, "Brewing An Ancient Beer," Archaeology (Jl/Ag 1991), p. 26.

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11. Ibid.

12. Frank A. King. Beer Has A History (London, 1947), p. 12.

13. Salem, Beer, Its History, p. 16.

14. Ibid.

15. Ibid, p. 22.

16. Ibid, p. 17-18.

17. Ibid.

18. Ibid.

19. William L. Downard. Dictionary of the History of the American Brewing and Distilling Industries (Westport CT, 1981), p. 20.

20. Watney, Beer Is Best, p. 16.

21. King, Beer Has A History, p. 16-18.

22. Salem, Beer, Its History, p. 22.

23. Watney, Beer Is Best, p. 25-26.

24. Baron, Brewed In America, p. 15.

25. Salem, Beer, Its History, p. 22.

26. Downard, Dictionary, p. 47.

27. Ibid.

28. Baron, Brewed In America, p. 17.

29. Brewers Almanac, 1973, p. 6.

30. Ibid; Baron, Brewed In America, p. 19.

31. Baron, Brewed In America, p. 21, 31.

32. Ibid, p. 18.

33. Ibid.

34. Brewers Almanac, 1973, p. 6-7.

35. Baron, Brewed In America, p. 47.

36. Ibid, p. 162-199.

37. Donald Bull. American Breweries, (Trumbull CT, 1984), p. 6-10, 306.

38. Ibid, p. 176.

39. Ibid, p. 228.

40. Ibid.

Chapter II

DEVELOPMENT OF MINNESOTA'S BREWING INDUSTRY, 1848-1900

The brewing industry in Minnesota got its start very early. Anthony Yoerg built a brewery in St. Paul in 1848, when the area was still the Wisconsin territory. By 1860, there were over one dozen breweries in the two-year old state--spread out in cities and towns like Minneapolis, Winona, St. Cloud, St. Paul, and New Ulm.[1] This number by 1880 would reach over one hundred.[2] There were several motivating factors spurring the rapid growth of Minnesota's pre-twentieth century breweries. The most significant of these were: ethnicity, agriculture, geography, and technological advances.

Ethnic Factors

As the state's single largest ethnic group, the influence of German immigrants on the cultural and social landscape of Minnesota has been well documented. Their contribution to brewing in Minnesota has been one of this group's better-known legacies, and the establishment of the state's various breweries closely coincided with their arrival and disbursement in the state.[3] Of Minnesota's fourteen breweries operating in 1860, only one was run by a person of non-German ethnicity.[4] This pattern would hold firm throughout most of the nineteenth century.[5]

A good example of this close association was Ramsey County, which in 1878 counted among its citizenry 3,644 persons of German-born classification, and boasted eleven breweries. Other Minnesota counties with similar ratios included Stearns, Scott, and Brown counties, all of which had heavy concentrations of German settlement. Charles E. Dick, in his work, A Geographical Analysis of the Development of the Brewing Industry In Minnesota concluded, "Germans [were] the major ethnic group responsible for the founding of breweries in Minnesota between 1860 and 1880."[6]

The Germans, as historical geographer Hildegard Binder Johnson described them, had "an affinity for beer." In many of the cities where Germans concentrated, they even held the majority of liquor licenses that were issued.[7] This factor is significant since just being able to sell to fellow Germans was not necessarily enough to guarantee the success of a brewing venture.

The shifting tastes of American beer drinkers became an added advantage for German brewers. By the 1870's, a clear choice had occurred showing the preference for lager beer, with its lighter, smoother taste, as opposed to the more traditional English ales and porters, which tended to be darker in texture and had a heavier flavor.[8] It was the lager beer that German brewers were especially adept at making. A veritable art form in many parts of Germany, brewers took great pride in their product, and the quality of their beverage likely helped win over prospective beer drinkers.

A factor aiding this shift in beer tastes was the unfavorable attention being conferred on the distilled spirits industry. This adverse publicity was orchestrated largely by temperance and anti-saloon forces, who viewed distilled spirits as a social evil. Brewers organizations attempted to exploit the negative coverage by striving to convince the populace that beer was a much more virtuous beverage than whiskey.[9] For many years, the motto of the United States Brewers Foundation, an association founded by German-American brewers, was "Beer Against Whiskey."[10]

Well into the twentieth century, a majority of Minnesota's, and the nation's, breweries were run by persons of German heritage. This factor was used quite effectively, and with devastating effect, by prohibitionist forces in the early days of World War I.[11] Even in modern times, many of the country's largest brewing companies retain German names, such as Miller, Leinenkugel, Heileman, and Anheuser-Busch. Clearly, the development of Minnesota's brewing industry, especially in its formative years, came via the influx and distribution of German immigrants into the state.

Influence of Agriculture

Agriculture has been a vital component to Minnesota's economic well-being. The large milling companies, which came into prominence in the latter part of the century utilized the state's ability to produce vast wheat crops. Similarly, but to a lesser degree, Minnesota's brewers relied upon fields of barley to assist in their survival. As historian D. Jerome Tweton points out, however, "The formula, wheat therefore milling, does not follow to barley therefore brewing."[12]

Tweton stresses that other factors, including the availability of good-quality spring water, were necessary for the prosperity of a brewing venture.[13] In addition, barley was not the only crop that could be used in beer. Rice and corn were often utilized in place of barley for the brewing process. Regardless, brewers were willing to pay premium prices for good quality barley. Couple this with the typical ratio of one bushel of barley per barrel of beer, both farmers and brewers found the relationship beneficial.

Geographic Location

Minnesota provided more than just good agricultural products necessary for brewing. It also furnished early brewers with the means needed to properly age their beer. Most of the early brewers "cave aged" their beer. That is, they literally stored their brew in natural or man-made caves to ensure it was properly "lagered" (aged). This protected the beer from light and heat--very harmful to the aging process.[14]

Brewing companies often exploited the use of caves in touting their products. Anthony Yoerg's brewery was for many years known as "The Cave Brewery." His product labels proudly proclaimed the beer to be "cave-aged."[15] In many early city directories, the location of a brewer's beer cave would be listed along with the address of their plant. John Orth did this in the 1872 Minneapolis City Directory, showing his beer cave location to be on Nicollet Island.[16] These caves required more than just natural features to keep the beer cool, however.

The abundant supply of ice during the winter months was also of great importance for brewing. The brewers could buy, or cut their own ice, during the winter for use in summer for brewing and storage. Such easy access to ice in most northern states gave them a distinct advantage in developing strong breweries in comparison to southern states.[17] Ice was especially important when considering that artificial refrigeration was not used in earnest until the 1880's, and even then, many smaller companies could not afford the elaborate machinery required.[18] In this respect, Minnesota's geography was virtually tailor-made to accommodate developing a brewing industry.

Technological Developments

Beer was--and still is to a degree--a highly perishable product, and if it was not consumed expeditiously, the risk of spoilage grew tremendously. Therefore, brewers tended to ship their product limited distances, restricted usually by how far their horse-drawn carts could travel in a day. Because of this, direct competition between brewers, particularly in rural areas, was often very limited. These small town operators could essentially control a local market, without concern of other companies constricting their sales.[19]

This lack of competition was severely challenged by perhaps the single most important technological development in nineteenth-century brewing, which came as the result of work done by a French scientist whose name is usually associated with milk--Louis Pasteur. As early as 1857, Pasteur had been researching the causes of spoilage in beer, believing that bacterial agents were responsible, not spontaneous generation (of the spoilage itself), as some of his contemporaries contended.[20]

Pasteur went on to prove that a yeast free of bacteria provided a fermentation free of disease.[21] He also assisted in developing the process now called "pasteurization," where the finished product was heated at temperatures high enough to kill micro-organisms and bacteria.[22] Combined with improved yeasts developed by

French biochemist Emil Hanson, brewers found that the shelf life of their products could be greatly lengthened, lessening concerns of spoilage.

Pasteurization was employed on a wide scale beginning in the mid-1880's. The stability realized via pasteurization, and the increased shipping distances that resulted, greatly stimulated the bottled beer industry. Draught (keg) beer was not pasteurized and was still shipped limited distances. So if a local brewery desired to widen its market area, bottled beer was the only available alternative.[23]

With this shift to bottled beer, however, arose concerns with difficulties found in capping bottles. Cork, which was initially used for capping, was expensive, tended to break apart into the beer, and was also prone to leakage. The ceramic or rubber-type "bottle seal," which was wired directly to the bottle, replaced cork, becoming the most widely utilized method for several years. Even though the seals could be reused many times over, they required manual installation, preventing brewers from saving on labor expenses.[24]

The development of the bottle "crown" by William Painter in 1892 made bottling much more efficient.[25] The crown was a piece of metal, usually tin, that contained an inner ring of rubber or cork. This piece was fitted over the top of the bottle, creating a seal that prevented the product from going flat. Brand names of companies could be lithographed on the crowns. Most importantly, the crowns could be applied mechanically, allowing for faster and cheaper production.[26] This capping process has essentially remained the same since, with improvements being made largely in speed and efficiency of machinery.

In conjunction with these technological improvements, the use of refrigerated rail cars also helped to spur the early growth of brewing in Minnesota. As noted previously, brewers at first tended to ship their product very limited distances. With refrigerated rail cars, however, brewers found they could ship their pasteurized beer much further, greatly expanding their market area. Because of this expansion, many small-town brewers found themselves--for the first time--competing against breweries from other areas.

On occasion, the relationship between rail companies and brewers could become very tense. This was usually due to overloading of cars with ice by the brewers, or from accusations of price discrimination leveled against the rail companies.[27] In an attempt to ameliorate these intermittent disputes, some larger brewers, such a Pabst, Schlitz, and Anhueser-Busch, actually set up their own short-line rail companies.[28] Obviously, most smaller brewers could not afford to follow this example. Some leased or purchased their own cars and paid a fare to the rail company for being hitched to their trains. This allowed brewing companies to paint their company insignias on the sides of cars for name recognition. Out of economic necessity, however, most brewing companies simply paid the rental fee for using railroad-owned cars.[29]

Summary

The combination of the factors discussed above had a clear effect on Minnesota's brewing industry. From 1875, when the number of breweries in the state peaked at 112, the figure declined to eighty-five by 1900.[30] Yet during this same period, annual beer production rose by over 700,000 barrels.[31]

Smaller breweries were being forced out by the larger companies who were able to raise capital more easily, improve production levels, extend shipping distances, and undercut prices in local markets. At first, many of the breweries that closed were located in rural communities, where for many years competition had been virtually non-existent. But by the late-1880's, these changes had begun to affect brewing companies in larger cities as well.

What had begun in 1848 with one small, and almost inconsequential business, had by the turn of the century grown into a full-fledged, multi-million dollar industry. Brewing in Minnesota had matured far beyond Anthony Yoerg's first five-hundred barrel brewery. By 1900, two companies (Theodore Hamm and Minneapolis Brewing) were each operating plants capable of producing 500,000 barrels of beer annually. This amount was almost five times the *total combined output* of all the state's brewing companies that had existed twenty years prior.[32] It was during this rapidly changing economic climate that the Minneapolis Brewing Company realized its genesis.

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16. 1872 Minneapolis City Directory.

17. Baron, Brewed In America, p. 230-31.

18. Susan K. Appel. "Artificial Refrigeration and the Architecture of 19th Century Breweries," Journal of the Society For Industrial Archeology (1990), p. 21-25.

19. Baron, Brewed In America, p. 238-41.

20. Ibid.

21. Ibid.

22. Ibid.

23. Ibid.

24. Ibid, p. 242-45.

25. Bull, American Breweries, p. 9.

26. Baron, Brewed In America, p. 245.

27. Ibid, p. 259-60.

28. Ibid.

29. Ibid.

30. Bull, American Breweries, p. 306.

31. One Hundred Years of Brewing, p. 610.

32. Dick, Geographical Analysis, p. 98. [The total beer output in 1880 was 113,529 barrels]

Chapter III

THE ORIGINS AND EARLY YEARS OF THE MINNEAPOLIS BREWING COMPANY, 1850-1893

Minneapolis, circa 1890, was a thriving urban center. Its growth was steady and fast-paced, and it was quickly developing into *the* industrial center of the Upper Midwest. By most accounts, lumber and flour milling were listed as the city's greatest strengths. Minneapolis had also grown into a major financial center with its ascension as a market for grains raised all across the region. The existence of numerous railroad lines in and through the city were also vital to its emergence as an industrial rival to Chicago, St. Louis, and Milwaukee.[1]

These industries were not the only ones providing Minneapolis with its commercial base. Operating in the shadows of the city's mercantile giants were five brewing companies: John Orth Brewing Company, Heinrich Brewing Association, F. D. Noerenberg Brewing Company, Germania Brewing Association, and the Gluek Brewing Company.[2] Separately, these five breweries did not operate on the same financial level as the city's other industries. However, on 15 July 1890, four of the five companies, Gluek being the exception, merged to form a new, large industrial concern, the Minneapolis Brewing & Malting Company.[3]

John Orth Brewing Company

John Orth was born in the Alsace region of France in 1821. He learned the art of brewing during his travels in Europe, bringing that skill with him to America in 1849. Orth settled in the village of St. Anthony in 1850 and established his own brewery shortly after his arrival, making him the second brewer in the young territory, having followed St. Paul's Anthony Yoerg.[4]

In the 17 December 1850 issue of the Minnesota Democrat, Orth first introduced his brew to the people of the territory:

> MINNESOTA BREWERY, AT ST. ANTHONY FALLS--I am now ready to supply the citizens of this Territory with Ale and Beer, which will be found equal--yes, superior--to what is brought from below. I am now demonstrating that malt liquors of the very best quality can be manufactured in Minnesota. Try my Ale and Beer and you will be convinced of the fact.
>
> JOHN ORTH[5]

Orth had built his brewery on what is now Marshall Street in Northeast Minneapolis. Until the founding of Gottleib Gluek's Mississippi Brewery in 1857, Orth was the only brewer in the St. Anthony/Minneapolis area.[6]

During his life in St. Anthony, Orth was quite active in civic affairs. He was elected alderman to the first city council of St. Anthony in 1855, and later served on the first combined council after Minneapolis and St. Anthony merged in 1872.[7] A well respected member of the community, Orth was a loyal member of the Republican party, and was committed to the anti-slavery movement. In later years, he switched allegiances to the Democrats, likely due to the increasingly prohibitionist stance of the Minnesota Republicans.[8]

Although Orth was actually born in France, and stated as much on the 1857 and 1860 censuses of Minnesota, in later years (after 1870) he asserted that he had been born in Germany. This was likely done to reflect the political changes in Europe, which saw a renewed German Empire, and also served to solidify Orth's status as a member of the local German-American community, which could pose noticeable advantages in terms of marketing his products.[9]

Orth and his wife Mary (Weinel) had five children, three of whom, John W., Alfred H., and Edward F., would grow up to help operate the Orth brewery. John Orth died on 15 June 1887, while returning from a trip to Africa.[10] His sons took over the brewery until the merger in 1890, at which time officers were listed as: John W. Orth--President; Edward F. Orth--Secretary; Alfred H. Orth--Treasurer; and Conrad Birkhofer--Superintendent.[11]

<u>Heinrich Brewing Association</u>

Joining Orth and Gluek as part of the Minneapolis/St. Anthony brewing scene was the firm of Kranzelein & Mueller. The Minneapolis Brewery, as it was called, was founded in

1866 by John G. Kranzelein and John B. Mueller.[12] Due to incomplete and inconsistent stories in the histories of early Minneapolis, tracing the initial years of this brewery is difficult. The Minneapolis city directories for that time first show the Kranzelein & Mueller firm in 1867.[13] This date is confirmed in a biography of Mueller, which also states that he left the company for unspecified reasons in 1869.[14]

In 1874, Mueller returned with a partner, John Heinrich, and together they purchased the brewery from Kranzelein, and operated the company as Mueller & Heinrich--Minneapolis Brewery.[15] They were listed in the <u>1875 Minneapolis City Directory</u> as "Successors to J. G. Kranzelein."[16] Mueller's partner, Heinrich, was born in Germany in 1829, and came to Minneapolis in 1865 via Galena, Illinois, and Prairie du Chien, Wisconsin. He and his wife Minnie (Borchert) had five sons, Gustav J., Adolph C., Julius J., Christopher and Stephen. All of the Heinrich sons at one time or another labored in their father's brewery.[17]

Mueller sold his interest in the brewery to his son-in-law, Adolph C. Heinrich, in 1884.[18] The Heinrich's then took sole control of the company, renaming it the Heinrich Brewing Association. Officers in 1887 were: John Heinrich--President; Adolph C. Heinrich--Vice President; Gustav J. Heinrich--Treasurer; Julius J. Heinrich--Secretary; and

Sigmund T. Wiedenbeck--Superintendent.[19] John Heinrich died sometime in 1889, leaving behind his sons to manage the brewery until the merger.[20]

F. D. Noerenberg Brewing Company

In 1874, Anton Zahler founded a brewery on a bluff overlooking the Mississippi River near what is now 20th Street South in Minneapolis.[21] Little is known about Zahler himself, or the very early years of his brewing operation. Zahler in 1877 took as a partner Frederich D. Noerenberg, who had just moved from St. Paul where he had worked in the Christian Stahlman brewery, and had been a hotel keeper.[22]

Within two years, after making numerous improvements, Zahler & Noerenberg's brewery was the second-leading producer of beer in Minnesota at just over 9,000 barrels per year, trailing only Noerenberg's former employer, Christian Stahlman.[23] Zahler & Noerenberg's product, *Celebrated Pilsner Beer*, was bottled by Noerenberg's brother, August J., under the August J. Noerenberg Bottling Works.[24] The use of an outside bottler, who in this case also happened to be a family member, was not an unusual arrangement in the brewing industry at that time. Upon Zahler's death in May 1880, Noerenberg took full control of the company, serving as president until the merger.[25]

Germania Brewing Association

The youngest of the four companies that came together to form the Minneapolis Brewing & Malting Company was the Germania Brewing Association. Located on the shores of Kegans Lake (now Wirth Lake) in Minneapolis, Germania was founded in 1887 by John B. Mueller and Herman A. Westphal.[26] Mueller had formerly been a part-owner and officer at Heinrich Brewing. Prior to brewing, Westphal had run the City Ice Company and was also a wood dealer.[27] The two men built their brewery on a site adjacent to one of Westphal's ice houses.

Like Zahler & Noerenberg's brewery, little is known about Germania. It was a small company, with an output of around 2,000 barrels per year. The 1889-90 Minneapolis City Directory listed the Germania Brewing Company officers as: John Van der Horck--President; Westphal--Vice President; Mueller--Secretary; and Jacob Barge--Treasurer.[28] Mueller sold his interest in Germania in 1889, but remained as an officer. In the summer of 1890, shortly before the merger, Westphal returned to the ice and wood business, and Mueller committed suicide.[29]

The Minneapolis Brewing & Malting Company

The motivating factors that led to merger of the four brewers were never clearly articulated in the public arena. The corporate records of MBC also give no indication to what precipitated the consolidation. In the brewing industry at that time though, combinations of this type were a frequent phenomenon.[30] Mergers involving as many as eighteen separate breweries were taking place in cities like Pittsburgh, Milwaukee, New Orleans, and St. Louis.[31] The difficult realities of late nineteenth-century economics had created a deed-rooted apprehension among brewers. As brewing historian Stanley Baron asserts, these mergers were "a reflection of [this] anxiety within the industry."[32]

Amalgamations of this sort were taking place in other industries at the same time; railroads, mining, and steel--as examples--were all experiencing a parallel merger-mania.[33] This era, commonly known as the "Gilded Age," was a period that author Kevin Phillips terms "the zenith of laissez-faire," with widespread mergers and consolidations.[34]

For many small brewers, like those in Minneapolis, the convolutions that had been occurring in the industry were extracting a high toll. In all likelihood, Orth, Noerenberg, Germania, and Heinrich felt that merging was the only certain means of survival. In June 1890, by becoming the Minneapolis Brewing & Malting Company, this is precisely what transpired.

What went into the merger in terms of legal papers, financial considerations, etc., are not entirely clear. Articles of Incorporation were filed with the Secretary of

State's office on 15 July 1890.[35] The first recorded meeting of the new company's board of directors was on 17 July 1890, with the first act being Director Alfred H. Orth's report on the books of the Heinrich Brewing Association, finding them to be in "good condition."[36] Officers listed for the new company were: John W. Orth--President; Frederich D. Noerenberg--1st Vice President; Alfred H. Orth--2nd V.P.; Jacob Barge--Secretary; Gustav J. Heinrich--Treasurer/Manager; Titus Mareck--Assistant Manager; and Conrad Birkhofer--Superintendent.[37] Clearly, the officer assignments were spread out to represent all parties involved in the merger.

The new corporation issued stock certificates to the four merging companies. Totalling $1,000,000, it was spread out as follows: Orth--$500,000; Heinrich--$200,000; Noerenberg--$180,000; and Germania--$120,000.[38] This breakdown most likely reflected which of the companies had provided the largest amount of assets for the merger.

With legal considerations taken care of, the officers at Minneapolis Brewing & Malting set out to shape their company into a cohesive brewing concern. Establishing agencies in cities and towns outside Minneapolis was a topic of much discussion for the company's officers. Agencies were extensions of the main brewing company, owned by them, but run by a local person called an agent. The agents would act as salespeople to local taverns, and in some cases, agencies were bottling centers (i.e., they bottled the beer from barrels) for the main brewery. Some of the company's earliest agencies were established in St. Cloud, Duluth, Little Falls, and Staples, Minnesota.[39]

Charitable donations were also an interesting early activity undertaken by Minneapolis Brewing & Malting. These conferrals were often made to causes that the officers and directors felt some passion about. In many early meetings, a separate section in the minutes was devoted just to donations.

An example of this benevolence were donations made on several occasions to local Democratic Party Committees.[40] This is meaningful because it was the Democrats that many brewers felt best reflected their views on the temperance issue.[41] As noted previously, John Orth had switched loyalties from Republican to Democrat, a move that many other brewers made.

Civic pride also appears to have played a role in guiding some of the donations. In the 23 February 1891 board of directors meeting, $50 was given to a fund to defend the Minneapolis census enumerators. The enumerators had become embroiled in a legal quarrel with St. Paul over unethical practices in counting the city's residents.[42] Charity aside, Minneapolis Brewing & Malting's incorporated purpose was to brew beer, but for a time, logistics posed an obstacle.

Without a singular home for Minneapolis Brewing, the merged companies used their original plants as branches of the new brewing concern. Beer was produced for certain at the Orth and Heinrich branches, and at the Germania site until around August 1890, when Superintendent Birkhofer ordered it closed.[43] No beer seems to have been made by Minneapolis Brewing & Malting at the Noerenberg site, without reason given as why.

The use of the branch sites for beer production was acceptable as a temporary solution. However, if Minneapolis Brewing was to develop into a competitive company, it would require more than just four separate, and relatively small, brewing facilities. As a result, the need of a singular home for the company was of paramount concern. In January 1891, Assistant Superintendent Sigmund Wiedenbeck felt that the company must be prepared to produce, at minimum, 150,000 barrels of beer for 1891.[44] That amount far exceeded the combined capacities of the existing separate plants, highlighting the need for a single, high volume brewhouse.

Of the many decisions that were made concerning the new brewery's construction, almost none were transcribed to the company records. A Building Committee had been appointed by the board, and they apparently made most of the important determinations. Only two significant pieces of information are found in the records relating to the new brewery. The first was acceptance of a bid from Crown Iron Works of

Minneapolis for the building's iron, at $53,675. The other is a payment made to the De La Vergne Refrigeration Machine Company for $39,500, presumably for cooling equipment.[45] No figures are given the brew kettles, bottling and keg filling machinery, fermenting tanks, or any other items that a productive brewery would require.

While the new brewery was being constructed, Minneapolis Brewing attempted to conduct its business in as profitable a manner possible. The company continued to establish agencies in cities and towns across Minnesota, notably in those along established rail lines. This extended also to the building of cold storage units beside railroad rights-of-way in many smaller towns for ease of storage and access by local saloon keepers.

The company also continued to donate money to causes its officers felt worthy. Included, for example, was a $250 gift towards a new Catholic church in Northeast Minneapolis, $1000 to the Citizens Committee to assist in bringing the 1892 Republican National Convention to Minneapolis (which they did), and $2000 to the Minneapolis Industrial Exposition of 1893.[46]

One of the most distinctive aspects of Minneapolis Brewing's business during these early years, and in the brewing industry as a whole, was the practice of maintaining what were known as "tied-houses." A tied house was created when a brewing concern would loan to an individual money for, among other things, the procurement of a liquor license, purchase of saloon fixtures, or making improvements and additions to their existing businesses. In exchange, the individual's establishment would purchase and serve only products made by the company providing the capital.[47]

In modern business vernacular, this is called "placing" the product. As Stanley Baron describes it, this practice was "universal" among brewers throughout the country. It was a system imported from both Germany and Great Britain, and adapted to the American brewing industry.[48] A saloon keeper was not absolutely required to be "tied" to a brewing company, but in most instances the financial advantages involved were often too generous to pass up.

An example of how a tied-house is created was chronicled in Minneapolis Brewing's second recorded meeting. On this occasion, $500 was loaned to Molline & Florine, 21 Washington Avenue South, Minneapolis, for saloon fixtures. In return they would pay $10 per barrel weekly for Minneapolis Brewing products.[49] This example was typical of how MBC arranged tied-houses, with loan amounts ranging from $250 to over $1500. It would not be until after the repeal of National Prohibition in 1933 that this form of vertical integration would be outlawed, making it an important centerpiece to many brewery's corporate structures.

During the summer of 1892, the dilemma that had been posed by brewing at the branch sites was solved. The new permanent home of Minneapolis Brewing, built on the former site of Orth Brewing, at 1215 Marshall Street Northeast in Minneapolis, was completed. The MBC complex included a new brewhouse, along with a bottle house, warehouse, and office building. In the 1892-93 Minneapolis City Directory, an advertisement listed the new brewery's cost at $500,000, and its capacity at 300,000 barrels per year.[50] The accuracy of these figures, which seem reasonable in comparison to other breweries, is not entirely certain. The company did for several years afterward keep the branch sites in their ownership, but used them largely for storage and other miscellaneous purposes.

Even with these early achievements attained by Minneapolis Brewing, some internal problems were becoming evident. Treasurer/Manager Gustav Heinrich resigned his position in September 1892, and Assistant Superintendent Sigmund Wiedenbeck stepped down a few weeks later.[51] No specific reason was stated for these high-profile departures.

In late October, the directors called for a special meeting of the company's stockholders to be held on 19 November 1892. The purpose of the meeting was to discuss changes in the company's articles of incorporation and by-laws to greatly reorganize its internal structure.[52]

Although no express justification was given for this desired modification, there were forces at work within the industry which may have driven the issue.

Most likely, the directors of Minneapolis Brewing were reacting to the still unstable climate of the brewing industry. The "anxiety" that Stanley Baron alluded to earlier was continuing to cause numerous fluctuations for persons in the brewing trade. The continued mechanization of the brewing trade, for example, brought growing pains for many medium-sized brewers, and prompted the departure of numerous smaller brewers who could not raise the capital necessary to upgrade their operations.

Another conspiring factor may have been the unionization of breweries. The need for unionization was evident in the long hours, low pay, and sometimes dangerous working conditions that existed in many breweries. But for many brewery owners, closed-shop rules, minimum wage requirements, and reduced work weeks seriously cut into profits.[53] Unions eventually made significant in-roads into the brewing industry, but their success resulted in heavy financial burdens for some.

The combination of the factors discussed above had essentially extended the economic environment that surrounded the merger in 1890. Added to this volatile condition was the Panic of 1893, the Gilded Age's "crash."

As a likely result, the Minneapolis Brewing & Malting Company was completely reorganized in late March, 1893.

The Minneapolis Brewing Company

What this reorganization involved was essentially the transfer of all the assets of Minneapolis Brewing & Malting to a newly-created corporation called the Minneapolis Brewing Company, and cancellation of all 10,000 shares Minneapolis Brewing & Malting Company stock.[54] New articles of incorporation were written, new stock was issued, and many new faces were added to the company's board of directors. The most significant personnel change at the company was the departure of the entire Orth family from its operations.

This is especially ironic since it was the Orth site that the Minneapolis Brewing built its new plant on, and the Orth company that had put the most assets into the merger. The records are not specific in explaining why they decided to exit, or if they were forced out. The Orths soon afterward went into the real estate business as the Orth Brothers, and in later years operated the City Ice Company.[55] But now the Minneapolis Brewing Company, with some new faces, and a few old ones too, was ready to embark a new chapter in the company's saga.

NOTES: CHAPTER THREE

1. Blegen, Minnesota: A History of the State, p. 451.

2. Bull, American Breweries, p. 142-43.

3. "Brewers Combine," Minneapolis Tribune, 16 July 1890, p. 8.

4. Issac Atwater. History of Minneapolis and Hennepin County (Chicago, 1895), p. 1084.

5. R.I. Holcombe. Compendium History and Biography of Minneapolis and Hennepin County, Minnesota (Chicago, 1914), p. 92-93.

6. Minneapolis City Directory(s) 1850-57.

7. Marion D. Shutter (ed). History of Minneapolis: Gateway to the Northwest (Chicago, 1932), p. 101, 113.

8. Atwater, History of Minneapolis, p. 1085.

9. United States Federal Census, Minnesota, 1857, 1860, 1870, and 1880.

10. Atwater, History of Minneapolis, p. 1085.

11. 1889-90 Minneapolis City Directory.

12. Warner, History of Hennepin County, p. 421.

13. 1866-67 Minneapolis City Directory.

14. Heinrich, Mrs. Adolph C. Biography of John B. Mueller, (Minnesota Historical Society Collections, P939).

15. Ibid.

16. 1875 Minneapolis City Directory.

17. Warner, History of Hennepin County, p. 561. [Stephen's name might not be precise due to incomplete information contained in city directories and other sources]

18. Biography of John B. Mueller.

19. 1887-88 Minneapolis City Directory.

20. There is some dispute as to John Heinreich's precise year of death. The last city directory entry was in 1889. None of his sons' biographies mentions a date of death.

21. Warner, History of Hennepin County, p. 421.

22. Holcombe, Compendium of History and Biography, p. 113.

23. Salem, Beer, Its History, p. 219-222.

24. Feldhaus, Bottles, Breweriana & Advertising Jugs, p. 23.

25. Warner, History of Hennepin County, p. 421.

26. Biography of John B. Mueller.

27. Minneapolis City Directory, 1886 and 1887.

28. 1889-90 Minneapolis City Directory.

29. 1890 Minneapolis City Directory; Biography of John B. Mueller.

30. Baron, Brewed In America, p. 272.

31. Bull, American Breweries, p. 9.

32. Baron, Brewed In America, p. 272.

33. Ibid.

34. Kevin Phillips. The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath (New York City, 1990), p. 56.

35. "Articles of Incorporation, Minneapolis Brewing & Malting Company," Minneapolis Tribune, 15 July 1890, p. 2.

36. Minutes of the Board of Directors of the Minneapolis Brewing & Malting Company, 17 July 1890. (Minnesota Historical Society: "Grain Belt Breweries, Inc., Records, 1890-1975"). Hereafter known as: Board Minutes.

37. 1890-91 Minneapolis City Directory.

38. Board Minutes, 14 August 1890.

39. Ibid, July-August 1890.

40. Ibid.

41. Gary J. Brueggemann, "Beer Capital of the State: St. Paul's Historic Family Breweries," Ramsey County History (Summer 1979), p. 11.

42. Board Minutes, 23 February 1891; See Merle Potter, 101 Best Stories of Minnesota, p. 189-193 for a recounting of the Minneapolis-St. Paul census dispute of 1891.

43. Board Minutes, July-August 1890.

44. Board Minutes, 6 January 1891.

45. Ibid, 29 May ad 9 August 1892.

46. Board Minutes, July 1891-January 1893.

47. Baron, Brewed In America, p. 273.

48. Ibid.

49. Board Minutes, 18 July 1890.

50. 1892-93 Minneapolis City Directory.

51. Board Minutes, 21 September and 4 October 1892.

52. Ibid, 28 October 1892.

53. Baron, Brewed In America, p. 278-284.

54. "A Brewery Deal," Minneapolis Tribune, 30 Mar 1893, p. 5.

55. 1894 Minneapolis City Directory; 1904 Minneapolis City Directory.

Chapter IV

CONTINUED GROWTH--AN ABRUPT HALT, 1893-1919

The reorganized Minneapolis Brewing Company (MBC) featured several new faces, and some old ones too. Replacing John Orth as President was Matthias J. Bofferding, cashier at the Bank of Minneapolis.[1] Bofferding was also a brother-in-law to the Orths, and owned $200,000 worth of Minneapolis Brewing stock. Joining Bofferding as officers were F. D. Noerenberg--Vice President; Titus Mareck--Secretary; and Gustav J. Heinrich--Treasurer (returning after his previous resignation). Several prominent Minneapolis businessmen were added to the company's board of directors, including Albert C. Cobb, Jacob Kunz, and William W. Eastman.[2]

Financially, Minneapolis Brewing was significantly restructured. The capital stock of the company was set at $1.5 million (up from $1.0 million), consisting of 15,000 shares at $100 per share. The maximum debt the company could incur was raised to $2.0 million. Dividends were to be determined and declared by the directors, not paid automatically, as had been stipulated in the company's previous by-laws.[3] But the general business of the company was still to be the "manufacture of malt, lager beer, ale, porter, and other malt liquors [and] the sale of such articles."[4] A mere facelift and personnel change was not going to necessarily guarantee success in the still volatile brewing industry.

Minneapolis Brewing Comes Of Age

In the year of Minneapolis Brewing & Malting's creation, there were over 100 breweries scattered about Minnesota. By 1895, this number had shrunk to ninety-five, and by 1900 had slid to eighty-five. This drop reflected the national trend of vanishing breweries.[5] Competition was intense, particularly where local brewers were struggling to stay in business. Minneapolis Brewing, like many larger brewing concerns, found it easier to raise capital than could smaller brewers, gradually widening the gap between brewing companies.

Part of Minneapolis Brewing's response to the competition was to continue aggressively establishing agencies in cities and towns across the Upper Midwest. These agencies were typically established along existing rail lines, and as railroads expanded, so followed Minneapolis Brewing. Such was the case in January 1896, when the officers were given permission to purchase a lot in the "newly laid town at Leech Lake called Walker," which had just been platted along the Brainerd & Northern Minnesota

Railway Company line (later the Minnesota & International Railway Company, and Northern Pacific Railway).[6]

Agencies of Minneapolis Brewing were not limited to the United States either. An agency was established by MBC in Winnipeg, Manitoba in 1898.[7] Perhaps the most curious, and certainly most distant agency, was one arranged by Frederico Barretto. Mr. Barretto wished to distribute Minneapolis Brewing products in the Hong Kong and Philippines markets. How Barretto came to choose Minneapolis Brewing in not certain. What is known is that in December 1896, a carload of bottled beer was shipped to Barretto, and four months later Minneapolis Brewing shipped two more cars.[8] No further mention was made of Barretto after the second purchase, and the records are not clear if this international arrangement continued past this point.

Personnel changes at Minneapolis Brewing in the mid-1890's created a certain bit of consternation for the company. Chief among these was the suicide of MBC President Matthias Bofferding in September 1893. Bofferding's death was not motivated by any matter concerning Minneapolis Brewing. Instead, it centered on fiscal problems that existed at the Bank of Minneapolis, where he still held the title of cashier. (These difficulties were almost certainly caused by unstable pecuniary conditions resulting from the Panic of 1893.) Bofferding was only thirty-eight years old at the time of his death, and his departure was viewed as a major loss for the company.[9] The macabre headlines, such as "Cashier Bofferding's Mad Deed," and "Mystery Surrounds The Case," most likely did not sit well with company officials. Perhaps this was why they chose as Bofferding's replacement the well-known and respected businessman William W. Eastman.

William Wallace Eastman was one of the original settlers of Minneapolis, and had a long and colorful career in the area's business development. He helped found the Island Power Company, now known as Northern States Power (NSP). Perhaps Eastman's most memorable venture was his 1869 plan to dig a tunnel under the Mississippi River near the Falls of St. Anthony. Unfortunately, the scheme did not work out as planned as the tunnel collapsed, the river rushed in, and the falls were almost destroyed.[10] Despite this early setback, Eastman grew to be one of the area's most influential, and affluent, businessmen. Now, in the later years of his long career, he was called upon to bring stability to a company straddled with an uncertain economic climate.

Shortly after Eastman's promotion to president, in November 1893, one of the company's directors became embroiled in a controversy concerning a recently-passed Minneapolis city ordinance. The regulation in question was a Sunday closing law for city saloons. Although passed by the city council, it was vetoed by Mayor William M.

Eustis.[11] Minneapolis Brewing Director John DeLaittre, who had been Minneapolis' mayor sixteen years prior, stated in a Minneapolis Journal article:

> I disagree with the Mayor. He ought to close the saloons. It may be his personal opinion that the saloons should remain open on Sunday's [sic], but it is the people who make the laws through the legislature and council, and it is the Mayor's place to enforce that.[12]

The comments caused a bitter reaction among many Minneapolis Brewing stockholders, and was used by the company's competitors to cast MBC in a poor light. Complicating the situation was DeLaittre's relationship to Eastman, as his brother-in-law. Company directors, unsure of how to deal with this indiscretion by one of their own, continued to delay any official reaction until January 1894, when they formally condemned De Laittre for his comments. Two weeks later, De Laittre resigned from the board.[13]

The spring of 1894 also saw the departure of company Superintendent Conrad Birkhofer.[14] Birkhofer had held the same position at the former John Orth Brewing Company, and his exit left very few of the former Orth employees remaining at Minneapolis Brewing. Birkhofer left to form his own brewing company, which was later purchased and became the Purity Brewing Company of Minneapolis.[15] Even with so many smaller breweries closing, Birkhofer, as did many others, felt that starting up their own companies during this time was not a risky venture. Some were successful, but most were not. The instability of those years, however, did not prevent Minneapolis Brewing from earning a modest $16,500 profit for 1894.[16]

During the latter 1890s, Minneapolis Brewing, under Eastman's leadership, took steps to greatly expanded the company's markets. Indeed, MBC aggressively established agencies in cities and towns across the Upper Midwest. When possible, MBC took advantage of the misfortunes of smaller brewers. An example was the purchase of a cold storage unit in Granite Falls, Minnesota, from the Anthony Yoerg Brewing Company, which was leaving that market due to poor sales.[17] In addition, Minneapolis Brewing continued to build its tied-house network.

Definite figures are not available for the very early years of the company, but from 1894 to 1899 the number of tied-houses grew from 215 to 400.[18] An analysis of the 1899 loans show ninety-eight of the 400 made in Minneapolis alone.[19] At that time, the city contained approximately 320 saloons.[20] In effect then, almost one-third of the Minneapolis saloons were tied directly to Minneapolis Brewing. The tied-house numbers would peak five years later, reaching 600 in 1904.[21]

Minneapolis Brewing's attempts to establish and maintain agencies and tied-houses were not always successful. In May 1896, the company was forced to close its agencies in Billings and Butte, Montana due to serious competition from local brewers. These locals were selling their products for as much as 30¢ per barrel below cost. A similar situation developed in Rhinelander, Wisconsin, just three months later, causing Minneapolis Brewing to close that agency also.[22]

Local brewers would on occasion precipitate troubles for Minneapolis Brewing in Minnesota. The Cologne agent in early October 1896, requested a drop in price to $6 per barrel, or he would switch to an unspecified local brewing concern that was willing to beat MBC's current rates.[23] Despite this and other setbacks, the company's agencies remained valuable assets, generating profits of almost $34,000 in 1896.[24]

Other factors affecting Minneapolis Brewing's business were unfolding at the national level. In June 1898, the federal excise tax on beer doubled to $2 per barrel.[25] This increase was due almost exclusively to entry of the United States into the Spanish-American War, and the federal government's need for wartime revenue. The United States Brewers Association lobbied Congress to relent, but to no avail. The resulting price increases at taverns adversely affected beer sales nationwide.[26]

Although the tax rate was lowered to its original one dollar level by 1902, the brewing industry was still not pleased. Compounding the industry's frustration was the feeling, justified in many instances, that government personnel charged with enforcing liquor codes did not comprehend the brewing process and the intricacies of how a brewery operated. This often resulted in major disagreements between brewing companies and government.[27]

An example of these disagreements was the suspicion concerning the use of impure ingredients in beer. Although the main instigators of these rumors were temperance forces, the government carried out numerous investigations into the matter. This and the general misunderstanding of the brewing process led to fines levied against many brewing companies for ingredients such as corn and rice in their products. The United States Brewers Association responded by attempting to educate the public as to what the brewing process entailed, and what types of ingredients were utilized.[28]

The Pure Food Act of 1898, and its companion of 1906, promised to help ameliorate the situation by setting content standards for numerous products, including beer. These acts were the culmination of almost thirty years of agitation for the prevention of food and drug adulteration.[29] Ideally, this would mitigate much of the misdirected ire being aimed at the brewing industry. The directors at Minneapolis Brewing expressed their support for the act(s), stating they were "in sympathy of such a movement."[30] By 1900, American brewers were given a clean slate in terms of product content, but the production standards set for them were, according to Baron, still "very lax."[31]

Closer to home, business was still going well for Minneapolis Brewing. Profits for 1898 were listed at \$40,000.[32] This is two and one-half times larger than profits from just four years earlier. These good years had allowed MBC to retire a large portion of the \$1.5 million in bonds that had been issued to finance the company. In 1898 alone, the company was able to pay over \$92,000 toward the retirement of these bonds.[33] As the turn of the century approached, MBC began to find that its success was pushing the limits of the plant's capacity, and that expansion was an idea to be explored.

Entering The Twentieth Century

The new century started quite ambitiously for Minneapolis Brewing, as directors authorized the issuance of \$400,000 in Preferred Stock to supplement the existing \$1.5 million in Common Capital Stock. Much of the Preferred was issued to current stockholders, including all of the present officers and directors, various securities firms, and other individuals long-associated with the company. Revenue generated from the sale of this stock would help to finance improvements planned for the brewery.[34]

The expansion of the plant's capacity was the top consideration for company officials. This included enlarging the brewhouse, adding to the boiler and wash houses, and building a new racking (keg filling) room. All these projects promised a price tag in excess of

$150,000.[35] With business continually growing, and showing no signs of abating, the company found that financing the improvements was a relatively minor concern. In the end, this expansion would give the Minneapolis Brewing complex an annual capacity of approximately 500,000 barrels per year. This would leave only St. Paul's Theodore Hamm Brewing Company with a larger potential output.[36]

Whether Minneapolis Brewing produced at 500,000-barrel level obtainable is not clear. Figures for withdrawals (actual taxable beer production) from the plant do not exist. Even so, being able to boast a half-million barrel figure was always good for public relations, such as city directory advertisements. When looking at MBC's production potential, it also should be noted that just twenty years earlier (1880), the largest commercial brewery in Minnesota had a capacity of only about 10,000 barrels per year.[37]

As the main brewery grew, the question of what to do with the branch sites would arise more often. One answer was to lease the sites to other brewing concerns. The newly formed Imperial Brewing Company, for instance, leased the former Noerenberg plant from 1901-1905. During this time Imperial produced a popular brand called "Whale Beer," but this company was forced to close in 1905 after over 1,000 barrels of beer spoiled and had to be dumped into the Mississippi River.[38] Eventually, MBC demolished all of its former branch sites.

Even though Minneapolis Brewing had existed for little over a decade, there had been significant turnover in officers and directors. These former associates were not completely ignored by the company. Mary Orth, the widow of the Orth Brewing Company's founder, had since 1895 rented a building in downtown Minneapolis to the company, which then sub-leased it to an individual for a saloon.[39] In December 1901, MBC awarded its ice contract to the City Ice Company.[40] The owners of City Ice were former-MBC officers Alfred and Edward Orth. The Orth's, the Bofferding family, and many others who had been affiliated with MBC prior to the merger and reorganization were also stockholders in the company. These persons, along with the company's additional stockholders, benefitted greatly from the MBC's prosperity during the early Twentieth Century.

At regular intervals, Minneapolis Brewing declared dividends that certainly pleased stockholders. These rewards included declarations of up to three percent on the Common Stock, reaching $45,000 quarterly and divided up amongst the stockholders. Preferred Stock dividends averaged around the three percent level also, at semi-annual amounts that approached $12,000.[41] That Minneapolis Brewing was able to maintain these dividend levels, make continual improvements to the plant, and retire significant portions of their bonds was a testament to the business acumen of its officers and directors. Unfortunately, in the space of just two years, the company would lose two of its most valued and effective officers.

The death of company president William Eastman in July 1902 was a loss not only to the Minneapolis Brewing Company, but to the entire city of Minneapolis. Eastman's contributions to the city's industrial development had been well chronicled, and his stature as a community stalwart had given MBC much needed stability and respect. "The Minneapolis Brewing Company has lost a valued, wise, and prudent executive," proclaimed company officers, "whose sound judgements and conservative methods have contributed largely to the success of this company."[42] The Minneapolis Tribune agreed, calling Eastman one of city's "shrewdest businessman [and] a pioneer of Minneapolis."[43]

Just two years later, Minneapolis Brewing lost another of its best officers when Gustav Heinrich died in November 1904. Heinrich had been involved in the forming of the original Minneapolis Brewing & Malting Company, and except for one brief absence had served as MBC's treasurer since its inception. "Another blossom from the wondrous tree of life has fallen," memorialized Heinrich's fellow officers and directors.[44] He was "one of the best known businessmen in the state," proclaimed the Minneapolis Tribune, stating that there will be "many who sincerely regret his untimely death."[45] Heinrich was forty-three years old.

The replacements for Eastman and Heinrich show a great deal about how breweries operated at that time, and how nepotistic they could be. Shortly after Eastman's death, Frederick D. Noerenberg was elected company president. Noerenberg was one of Minneapolis Brewing & Malting's original founders. His election to president seemed fitting since Noerenberg's brewing company had been on the "short end" of the financial arrangements in the 1890 merger (see p. 33). Replacing Eastman on the Board of Directors (and Noerenberg as vice president) was Albert C. Loring, who also was a brother-in-law to Eastman.[46]

Loring was president of North Star Malting Company, whose business would soon be strongly bolstered by purchases of their barley malt by Minneapolis Brewing. Later, MBC secretary Titus Mareck would also serve as secretary of North Star.[47] In addition, director Jacob Kunz, a former business partner of Eastman, would replace Heinrich as company treasurer. Arrangements like these, particularly concerning family members and close business associates, were not uncommon in the industry, and continued to be the pattern at Minneapolis Brewing for many years.

Contention, Maturation & Cessation

As serious as competition could, and did, become between brewing companies in Minnesota, it was not entirely unusual to see cooperative arrangements made between rivals when the situation warranted. In January 1904, Minneapolis Brewing, along with the Hamm Brewing Company, jointly erected a cold storage unit, for their mutual usage, at St. Vincent (Kittson County), in northwestern Minnesota. These Minnesota rivals joined sides to counter expansion into the area by the G. Heileman Brewing Company of La Crosse, Wisconsin.[48]

In the same month of 1904, company agents in Little Falls and Staples expressed concern about the practices of the Jacob Schmidt Brewing Company affiliates in those towns. The agents complained that "their [the Schmidt agents] methods of doing business are not on strictly business principals [sic]."[49] Incidents like this one were much more common than the joint venture discussed in the preceding paragraph. The reality of the fierce competition that existed between brewing companies was often played out through company advertisements.

The various promotional campaigns used by Minneapolis Brewing, perhaps whimsical by modern standards, were none-the-less designed to appeal to many facets of society. For saloon-goers, there was "Zum-Zum-Zum: A Stein Song," which promoted MBC's premium brew, Zumalweiss. "A new achievement in the art of brewing," proclaimed a Zumalweiss ad.[50] Other pitches pursued the health-oriented crowd. "As a family beverage this beer is a perfect tonic promoting restful sleep and aiding appetite . . . . Will not cause biliousness," asserted an MBC bottle label.[51] (Biliousness is an over-production of stomach bile.)

Courting those not amenable to saloon-going was also a feature of Minneapolis Brewing ads. "Our Family Trade receives our particular attention," and "We make . . . the Weiner which has a malty taste and which is made for the use of families," were just two examples of sloganeering used to entice the non-tavern crowd.[52]

Indeed, much of Minneapolis Brewing's early advertising gives the impression that a concerted effort was being made to distance itself from the stereotypical saloon scene. This particular aspect appears throughout the brewing trade, as beer companies did not want to be lumped alongside the distilled spirits industry. The motto of the National Brewers Association for many years, one should recall, had been "Beer Against Whiskey." Scenes of happy get-togethers where beer was served; idyllic settings in, for example, a wheat field; and assorted characters wrapped in American flags (especially during the Spanish-American War) were quite common in items promoting beer, including those produced by Minneapolis Brewing.[53] The effectiveness of these efforts was evident in the company's continually thriving sales.

Sales increases would require Minneapolis Brewing to again expand its operations. In 1906, a new bottle house with capability of processing 450 barrels (approximately

14,000 gallons) of beer a day, was built at a cost of almost $140,000.[54] Other improvements included new boilers, storage units, and fermenting tanks, and various auxiliary services related to beer production. As breweriana historian Michael Hajicek described it, the MBC complex was now "like a small village in itself," with such village staples as a machine shop, wagon shop, and carpenter shop.[55] In addition, by 1906, Minneapolis Brewing employed over 250 persons at this ever-expanding complex.[56]

By 1910, this "village," valued at over $1.1 million, was the state's second-leading producer of beer, trailing only the Theodore Hamm Brewing Company.[57] During the previous year, the directors had voted to increase the value of the Common Stock from $1.5 million to $2.0 million.[58] In every way, the decade of 1900-1910 was very kind to Minneapolis Brewing and its investors.

Following reorganization in 1893, Minneapolis Brewing was able to stabilize its business in part through the strong leadership of William Eastman and Frederich Noerenberg. In keeping with the largely unregulated climate of the era, MBC was able to vertically integrate by building a strong "tied-house" network, and by affiliating with North Star Malting Company. The company's success was reflected in the steady profit margins it maintained. The decade of 1910-1920 appeared on the surface to be potentially as prosperous for Minneapolis Brewing as the previous one had been. But by 1920, the situation was probably not what company officials had envisioned.

After having experienced nearly fifteen years of steady growth, officers and directors of Minneapolis Brewing certainly had reason to feel that the new decade (1910-1920) would continue this paradigm of success. Their actions during the early years of the decade seemed to suggest this. Having increased the brewery's capacity to 500,000 barrels per year, other work was now needed for the company. During 1910-11, MBC officials authorized numerous changes to improve the plant's efficiency and bottling capacity.

Central to this particular renovation scheme was the enlargement of the bottle house. This new space, an addition of almost 10,000 square feet, and the equipment it was to house, would almost double the company's current bottling capacity.[59] The improvement was definitely necessary. Indeed, what good was a 500,000 barrel capacity brewery if the bottling unit could not handle such volume?

Complementing the bottling addition was the purchase of a 300-ton capacity vertical ice machine, at a cost of $30,000, from the De La Vergne Ice Company.[60] Artificial refrigeration had come into wide use during the 1880's and for many companies eliminated the need for caves and natural-cut ice that had been used to cool the brew. By 1911, when MBC made this purchase, artificial refrigeration had become such an integral part of brewing that even the architecture of breweries reflected its usage.[61]

Although the majority of Minneapolis Brewing's business came in Minnesota, the company also sold their products in other states. In keeping with the generally regional nature of brewing, most of these states were adjacent to Minnesota. Making headway into these markets was often difficult, but on occasion, meaningful progress was achieved.

A significant inroad to the South Dakota market was realized in late 1912. In previous years, the South Dakota market had been decidedly elusive. Until 1896, South Dakota had been a dry state, having had uniform prohibition as part of its state constitution.[62] After its repeal, MBC had established agencies in Aberdeen, Watertown, and Madison. But sales in the state had not been significant. However, an offer from the Sioux Falls Brewing Company held much potential in changing this situation.

In September 1912, the Sioux Falls Brewing Company decided to withdraw from the South Dakota market to concentrate solely on sales in Sioux Falls. No reason was given to explain why this decision was made. The distributorship network left behind was offered to Minneapolis Brewing at the nominal cost of $8,800. Company officers felt that this offer could enable MBC to sell between forty to forty-five rail cars of beer each year in the state.[63] Why Minneapolis Brewing was chosen for the offer is not clear. Motives aside, company officials without hesitation approved the plan put forth by Sioux Falls Brewing.[64] The proposition presented a tremendous potential market expansion for the company.

Minnesota's other western neighbor, North Dakota, had also entered the union in 1889 as a dry state. Enforcement of these laws was often inconsistent. This was especially true in the strong German-Russian areas of central and south-central North Dakota.[65] At various times, MBC set up agencies in towns like Glen Ullin and Fort Abercrombie.[66] The overall movement of Minneapolis Brewing Company products in North Dakota did not represent a major portion of the company's sales.

Other neighboring states that Minneapolis Brewing conducted business in included Iowa, Illinois, Nebraska, Wisconsin, and Michigan. In the big picture, these states also represented small percentages in MBC's total sales. Some local markets, such as Sault St. Marie, Michigan proved to be an exception, but the preponderance of MBC's trade came in Minnesota. This pattern, of course, was consistent with the nature of the industry nationwide at that time.

A small handful of "national brewers," such as Joseph Schlitz, Anheuser-Busch, and Valentin Blatz, could be found in many states, while larger regionals tended to dominate more localized areas. Minneapolis Brewing, Jacob Schmidt, and Theodore Hamm, for example, tended to loom large in

Minnesota and the Upper Midwest. Competition at the very local level depended upon the existence of the smaller independent brewers, such as August Schell and John Hauenstein in New Ulm, or August Fitger and Peoples Brewing in Duluth.

From 1900 to 1910, the number of breweries in Minnesota dropped from eighty-five to seventy-one, and by 1914 had fallen to sixty-six.[67] The closure of a local brewery often left a vacuum in that market, leaving other breweries to fill the void. As a result, MBC's sales sometimes grew in chunks as these smaller brewers exited markets.

Underneath this prosperity, though, trouble was approaching. During the decade of 1910-1920, the business climate for brewing companies became very hostile. The antagonists of this growing predicament were the numerous temperance forces. By 1914 these organizations had become major players at almost all levels of government, and were making life very difficult for the liquor and brewing industries. Yet, to most brewing historians, the industry behaved as if it was either totally oblivious to, or unwilling to accept, the challenge being put forth by the prohibitionists.[68]

Minnesota did not escape the effects of these organizations. With the passage of County Option in 1915, the enforcement of various Indian cession treaties, and the actions of the Minnesota Commission on Public Safety, the business of brewing companies in the state was considerably curtailed between 1915-1918. The final blow came in January 1919 with ratification of the Eighteenth Amendment to the United States Constitution. Heralding the onset of National Prohibition, this act brought brewing to a screeching halt. As will be shown in the next chapter however, this predicament had not arisen overnight. But it did mark the beginning of a fourteen year struggle, one that many breweries would not be able to survive.

CHAPTER FOUR

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Chapter V

THE PROHIBITION ERA, 1919-1933

National Prohibition officially began on 16 January 1920, in accordance with provisions of the Eighteenth Amendment to the United States Constitution.[1] More accurately, though, Prohibition was the culmination of over fifty years of efforts by a wide variety of individuals and groups who had made temperance their passionate cause. Some of the earliest voices were largely those of more fundamentalist protestant eastern religions, who as early as 1825 had taken on the cause of eliminating the evils spawned by alcohol. In later years, this religious tenor would be one of the central organizing factors in most of the anti-liquor groups. A prime example of this is the Women's Christian Temperance Union, founded in 1874.[2]

Many anti-alcohol forces saw their endeavors as divinely inspired, and carried them on with the energy of a religious war. The Anti-Saloon League, founded in 1893 by Reverend Howard H. Russell, was also indicative of this prevailing thought. Russell, in exemplifying the spirit behind the League, once stated: "As corporations, trusts, and conglomerates have succeeded by a union of forces in the commercial world . . . the powers of righteousness should be mobilized and federated for greater moral victories."[3] Many of these organizations were active in Minnesota, and affected the state in several waves.

Temperance In Minnesota

The first serious attempt at prohibition in Minnesota came in 1852, as the territorial legislature enacted a short-lived prohibition law, patterned after a similar law in Maine. The "Maine Law," as it was called, was struck down by the territorial supreme court, however, which held that the legislature had improperly delegated its authority in implementing the law. Subsequent attempts to pass similar bills all failed, and the temperance forces fell from the limelight for several years.[4] They came back to the forefront starting in the 1870's, striving to pass temperance laws in one form or another. The most serious challenge began in the 1890's, taking place under the mantle of Progressivism.

In his work, The Progressive Era In Minnesota, 1899-1918, historian Carl Chrislock points out that one of the major causes of the Progressive forces in Minnesota was a county option law.[5] Option laws would allow counties to decide for themselves if they wished to eliminate liquor traffic within their borders. Brewers found themselves fighting these laws as early as the 1890's. It had the effect of forcing many of them (John Orth, for example) to switch allegiances to the Democratic Party, which they felt best represented their views on the subject.[6]

The inability of the temperance groups to pass a county option law early on had, in part, the effect of lulling the brewers into an indifferent state, making them at times unable to see the real effect these forces were having. The other major reason for this ill-advised complacency was that during the period from 1890-1914, beer production steadily rose, making many brewers quite wealthy, enabling them to wield tremendous political power. As one writer described it, this was the era of the "beer barons."[7]

Not to be denied, the forces of abstinence continued to fight, particularly at the grass-roots level. They were able gradually to take control of the Republican Party in Minnesota, making it the driving force behind the county option movement. Success for the temperance groups finally came in April 1915, as the state legislature passed a county option bill, signed into law by Governor Winfield S. Hammond.[8]

This law, and its companion "Roadhouse Law," (which outlawed liquor licensed establishments outside incorporated village limits), was far from easy to implement. It required first a petition signed by at least 25% of all registered voters in the county calling for an election to consider making liquor trade illegal in that county. The election was then to be held within forty to fifty days of verification of the petition, and needed only a simple majority to pass. Once passed, a six-month grace period allowed for the expiration and annulment of existing liquor licenses in the county.[9]

Onerous as the requirements may have been, by June 1915, more than thirty counties had held referendums on county option.[10] By July, forty-six Minnesota counties had approved option referendums, out of a total of fifty-one attempts.[11] A good indication of how this was affecting MBC's business was reflected in the number of loans for tied-houses during these years. For 1915 alone, the number of loans from the previous year dropped by 100, from 426 to 326, falling by 1918 to just 103.[12] On the eve of National Prohibition, forty-six counties were dry, with most being in northern, southwestern, and the Red River Valley regions of Minnesota.[13]

County option alone did not precipitate the drop in MBC loans, however. Another factor was the enforcement of various Indian treaties across the northern part of the state, specifically in territories ceded by the Chippewa in 1854 and 1855.[14] This resulted in several counties, including Beltrami, Crow Wing, Cass, and Itasca, being shut off from liquor trade, and forced the closure in 1915 of breweries in Bemidji and Brainerd.[15] The other major component that should be discussed were the actions undertaken by the Minnesota Commission on Public Safety.

Established in 1917, the Minnesota Commission on Public Safety (MCPS), had been created to root out so-called "subversive" elements in the state that were deemed detrimental to the country's efforts in World War I. Many other states established similar bodies, which like MCPS had the specific function of preventing the subversion of America's war efforts. The Minnesota Commission enforced its often arbitrary dictums by issuing "orders," which held the same legal weight as a legislative statute. More than once this group took direct aim at the state's liquor industry. Of the fifty-nine orders executed by MCPS, twenty-one dealt specifically with Minnesota's liquor trade.[16]

Sometimes these orders seemed downright ludicrous, such as forbidding any woman from even being in a saloon. Although it was highly irregular in most areas of Minnesota for women to patronize saloons, the spirit of the order is what bothered many persons. But the Commission felt that this step was necessary to prevent the state's women from becoming unduly influenced by the saloon environment while "their men were away." Other types of orders regulated what hours saloons could be open in a county or city, often relegating them to daytime only. The Commission even went as far as to outright shut down saloons in a particular area, for reasons of "public safety."[17]

Historian Chrislock points out in Watchdog of Loyalty: A History of the Minnesota Commission on Public Safety, that the sheer number of liquor-related orders did not, however, accurately reflect the priorities of the commission. Instead, it showed the intense pressure put on the Commission by militant drys and wets. Although the Commission was dominated by drys, they did maintain a healthy respect for the power some of the wets could yield, particularly at the local level.[18]

It is not clear how the officers and directors at Minneapolis Brewing felt about the activities of the Commission. It would be hard to imagine that they were delighted with the unpleasant developments rapidly enveloping them. It was bad enough to lose the sales from an entire county due to dry activists. But to have a non-elected state agency arbitrarily restrict saloons hours in a town or county, or to shut them down altogether, could not have been well received by company officials.

The most accurate way in gauging the effects of the years leading up to Prohibition on Minnesota brewers would be to examine the state's per-capita-consumption statistics. Unfortunately, state-by-state figures before 1934 are not available. According to the Beer Institute, only national statistics exist prior to 1933 since most states did not enact their own excise taxes until after repeal of Prohibition.[19]

What the national figures show is from 1910-1914, per-capita-consumption held steady, around twenty to twenty-one gallons per person. In 1915, this fell to just under nineteen gallons, remaining between eighteen and nineteen until 1917. At this point, consumption fell to fifteen gallons. (This was the year that a number of states adopted their own prohibition statutes.) In 1919, consumption fell to just over eight gallons, signalling the onset of National Prohibition.[20]

These numbers are of little assistance in appraising the issue at either regional or local levels. Moreover, production reports for Minneapolis Brewing do not exist from this time. Thus it is impossible to see if local option's tightening grip caused a decrease in beer output. However, it can reasonably be argued that as counties dried up, overall demand dropped accordingly. The result was an almost certain downswing in the company's utilization of its brewing capacity. With the present situation at Minneapolis Brewing growing more precarious as each day passed, it must have been hard for company officials to comprehend that the worst was yet to arrive.

Without exception, the ugliest specter to the prohibition battle came with America's entry into World War I, as the dry activists markedly stepped up the use of anti-German propaganda to bolster their cause. With many United States breweries, Minneapolis Brewing included, run by

German-Americans, the prohibition forces attempted to take advantage of the anti-German hysteria sweeping the nation. At times, the attacks were really nothing more than smear tactics, but in the prevailing atmosphere, they had a predictably devastating effect.[21]

The brewing industry could not mount an effective counterattack. Rather they were forced to continually refute accusations, most of which were outrageous in tone, but were accepted as fact by many unsuspecting Americans.[22] The German-American Alliance, a loose federation of associations founded in 1902 as a counter-measure to the Anti-Saloon League, was never able to mount an effective defense either.[23] For those who truly believed that Prohibition was wrong, no organized, effective voice existed.[24] Considering the anti-German propaganda swirling around them, the brewers found themselves unable to provide that voice.

In the end, the years of fighting took its final toll as passage of the 18th Amendment and its enforcement arm, the Volstead Act (named after Minnesota representative Andrew J. Volstead) forced the entire country dry. What in many circles had once been an almost laughable concept was now a frightening reality. How Minneapolis Brewing adapted to the situation speaks a great deal about the perseverance, and ignorance, of the brewing industry.

<u>Surviving Prohibition</u>

For the next several years, the Golden Grain Juice Company was to be the vehicle in which Minneapolis Brewing would attempt to ride out Prohibition. MBC was not the only Minnesota brewer seeking survival by such an arrangement. The Kiewel Brewing Company of Little Falls became Kiewel Associated Products Company and the Duluth Brewing & Malting Company incorporated a shadow company called Rex Sobriety Company.[25]

The Golden Grain Juice Company (GGJ) was incorporated in February 1915, one day after the signing of the Minnesota County Option Law. Golden Grain Juice's articles of incorporation state that its business would be "the manufacture of, and the buying and dealing in, non-intoxicating beverages." The original officers listed for GGJ were Albert Hankey, Gustav Fischer, and Charles Brooks.[26] According to a 1915 Minneapolis directory, they had no connection what-so-ever with Minneapolis Brewing.[27] Perhaps they were associates of company officers, who used their names for incorporation purposes only.

On the same day incorporation was approved by the state, the three men resigned and were replaced by F. D. Noerenberg, Titus Mareck, and William Wright.[28] Shares of Golden Grain Juice stock, 125 total, were assigned to Noerenberg, Wright, and Jacob Kunz to signify ownership.[29]

No further activity was noted at Golden Grain Juice until one day after Prohibition officially began.

On that day, the Golden Grain Juice Company, for $1.00, purchased certain assets of Minneapolis Brewing in order to conduct business in exchange for 6000 shares of GGJ stock.[30] MBC still existed as a separate company, leasing portions of its brewing complex to Golden Grain Juice. This proposal was adopted by the directors of both companies who, save for one or two exceptions, were essentially the same people. The officers at Golden Grain Juice were listed as: Jacob Kunz--President; F. D. Noerenberg--Vice President; William Wright--Secretary; Fred Baumann--Treasurer; and Joseph Mathy--General Manager.[31] The 6,000 shares of GGJ stock were divided up by giving one share to each MBC officer, with the remaining 5993 held in the name of MBC.[32]

In order to manufacture products that would meet the government's specifications for near-beer (½ of 1% alcohol content by volume), MBC installed a ninety-foot still in its brewhouse, along with a de-alcoholizing unit. Near beer was brewed like regular beer, but then boiled down in the still to extract the alcohol to meet the government stipulations. The extracted alcohol was then stored in tanks under government seal.[33]

The cost of entering the near-beer business was tremendous. The equipment alone cost $120,000. A $50,000 operators license was needed, along with a $100,000 Industrial Distillers Bond.[34] The officers of Golden Grain Juice felt they were justified in the expenses because, like so many others in the industry, they did not believe that Prohibition would last very long.

Early on, the company directors had reason to be optimistic. General Manager Joseph Mathy reported that "the Beverage [sic] is now considered the best of its kind on the market and the demand . . . is rapidly increasing."[35] The "beverage" Mathy was referring to was *Minnehaha Pale*, the company's primary near-beer drink. Other near-beer labels being marketed nationally at that time included *Pablo* (Pabst Brewing Co.), *Famo* (Schlitz Brewing Co.), and *Vivo* (Miller Brewing Co.).[36]

No figures exist for sales of Minnehaha Pale, but at the national level 300 million gallons (about 9.7 million barrels) of near beer was produced in 1921. This pales in comparison, however, to the one billion gallons (32.5 million barrels) of real beer produced in 1918. But as Prohibition wore on, with no end in sight, production of near beer began to slip dramatically, falling to 85,750,000 gallons (2.7 million barrels) by 1932.[37] This slippage marked the demise of many brewing concerns, which ironically occurred during one of the largest boom cycles the country has ever seen, the "Roaring Twenties."

Abetting this downward slide was the rising popularity of soft drinks, whose value as an industry nearly doubled during Prohibition. In addition, the increase in bootleg whiskey and beer, and the relative ease by which it could be acquired, led many persons to ignore near-beer altogether.[38] Jacob Kunz complained bitterly about this to a Minneapolis Brewing Company stockholder:

> Business is very, very poor. The people are all making 'Home Brew', and as long as this keeps on the non-alcoholic beverage consumption will grow less, and the outlooks are very discouraging.[39]

The continuing slide in the industry had its effects on Golden Grain Juice. As a part of the (on paper) cooperative agreement with Minneapolis Brewing, GGJ would purchase brewing mash at a set fee, rent various portions of the MBC complex, and lease certain storage units across the state owned by MBC.[40] As sales slid, the amount of money owed to MBC (again, on paper more than anything) began to increase dramatically.

General Manager Mathy summed it up best in his resignation statement from January 1923:

> Knowing that for some years our company has been operating at a loss and that in spite of the heroic efforts on the part of all those affiliated with the company, the sales of our products are continually decreasing, [and I am] not seeing a change for the betterment in the near future.[41]

The Golden Grain Juice Company would continue to exist for several more years. In the meantime, Minneapolis Brewing was engaged in other activities.

Directors of Minneapolis Brewing recognized early on that near-beer, although perhaps an acceptable source of revenue, could not, and should not, be the company's only sales source. General Manager Jacob Kunz stated quite emphatically that the company needed to "spread out its business along other lines." After all, countless other breweries were diversifying their production activities to compensate for the loss of beer sales. Ice cream, candy, and root beer were just some of the products that brewers turned to in order to lessen the sting of Prohibition.[42]

For Minneapolis Brewing, the question of what to do with all the denatured alcohol that remained from near-beer distillation was a serious dilemma. The company attempted to resolve this by creating another shadow company called the *Kunz Preparations Company*. Named after General Manager Jacob Kunz, this enterprise manufactured from the left-over alcohol, toilet preparations, barbers supplies, and rubbing alcohols.[43]

A city directory advertisement touted the company products as "Wonderful Body Stimulants For Use After Golf, A Swim, A Bath, Any Exercise." Some of the company lines included *Koonz Vigoton* (odorless), and *Koonz Body Rub* (wintergreen).[44] The federal government enacted a heavy price from companies who used alcohol for such products. This included a $5000 fee just to apply for a permit to use the denatured alcohol in manufacturing.[45] Dealing with burdensome federal regulations was not the only predicament that officials at MBC confronted during these years.

During the early years of Prohibition, Minneapolis Brewing encountered some serious labor difficulties. Along with other Twin City brewers, MBC came to realize its revenue was not going to even approximate the levels enjoyed in pre-Prohibition years. This, coupled with and reflecting a growing national animosity towards unions, gave MBC reason to feel it could extract concessions from its unions, or drive them out altogether. The board of directors at MBC resolved to take a very hard stand against the unions in hopes of gaining public support.

The directors felt that public sentiment was not favorable towards unions, which were demanding, in their view, "extreme and unfair measures."[46] The company felt that it was in a better position than ever to declare the plant an "open shop," (employees are not required to join a union) and drive out unions. In addition, the company was willing to accept short-term loss that may come with the declaration, in order to see future profits rise.[47]

By 1921, company officials resolved to further harden their stand. The board did not seem afraid of a strike and the resulting plant shutdown. They worried instead that the rising wages would drive the company into an indefensible position. As Jacob Kunz described it, the company would be "forced into a position where we would be obligated to quit business."[48] Kunz's scenario never played out, but this would not be the last time labor troubles would afflict MBC during its lifetime.

As early as 1922, with the company losing money, discussion on whether to close the plant became a very real consideration for the board. Many stockholders felt that this was too drastic a step to take at that time; they felt that other options should be pursued. These steps would eventually include salary reductions for officers, reduction in dividend amounts, and the cancellation of the company's Preferred Stock. After some time, the dividends were paid not as a percentage of profits, but in lump sums of cash, usually $5-10 per share.[49] Through this and other steps, the company attempted to eliminate as much excess expense as possible.

All the cost-saving modifications were seen by Minneapolis Brewing as temporary measures, for a large majority of those in the brewing industry still viewed Prohibition as an aberration that would soon go away. Prohibition would not, however, be departing anytime soon, and by 1927, the situation at Minneapolis Brewing reached a critical level.

The failure of Kunz Preparations Company to turn even a modest profit on its denatured alcohol products was a very troubling signal to the directors at Minneapolis Brewing. According to company records, much of the difficulty was caused by various rules and regulations forced upon the company by the federal government.[50] In addition, products sold under the Golden Grain Juice Company mantle were also driving up the company losses. As a result, the directors of Minneapolis Brewing came to believe that they might not be able to ride out Prohibition.

The decision as to whether or not to discontinue operations of the plant must have been a difficult one. Yet there exists almost nothing in the company minutes to reflect this. One item was clearly stated: a special meeting of the stockholders was called for 21 November 1928 to "consider the question of whether or not Minneapolis Brewing Company will continue operating the plant as now engaged."[51] There is no account of this special meeting, but its result, noted in the 28 November 1928 board of directors meeting, was quite clear:

> You are hereby advised that at a Special Meeting of the Stockholders of the Minneapolis Brewing Company, held on November 21, 1928 . . . it was unanimously voted that the Directors [of MBC] be requested and directed to proceed to the discontinuance of the Company's business and the liquidation of its assets.[52]

Although it had not been a foregone conclusion at the beginning of the decade, the closing of Minneapolis Brewing was inevitable considering the large number of similar companies that had found surviving Prohibition an elusive or even impossible assignment. That they were able to stay in business much longer than a majority of Minnesota breweries became an advantage when Prohibition ended five years later.

But for now, with a very bleak immediate future on their hands, the directors of Minneapolis Brewing had to follow the one path furnished to them, liquidation.

Once the divestiture of assets began in earnest, a major benefactor was St. Paul's Hamm Brewing Company. Hamm quickly gobbled up a number of MBC-owned storage sites across the region, and at predictably low prices.[53] Early in January 1929, the directors entered into an agreement with W. E. Filson to attempt to sell the company buildings, machinery, and fixtures. Applying only to *the main brewhouse and one of the storage houses*, the price was set at $415,000, with listing to last forty days.[54]

There was no purchase of the plant, and it remained in company hands. It is entirely possible that the company directors, many of whom had been with MBC since its very early years, could simply not bear see something they had spent so many years building be destroyed by total liquidation. This may explain why the listing lasted for such a short duration.

It needs to be stressed that information in the company records is very sketchy for the period of 1929-1932. The board would go for two or three months without holding a meeting due to a lack of a quorum. When meetings were held, they contained very little beyond officers reports, and an occasional sale of an asset. It was not until late 1932 that meetings were held with some regularity. Because of this, it is difficult to gauge the motivations of the directors and officers during the closure years. One factor known to exist in the industry at large during these years was the continued belief, likely held by those at Minneapolis Brewing, that Prohibition would be ending soon.

There were many groups agitating for this goal, motivated especially by the perceived inability of government at all levels to enforce the existing prohibition laws. But hope was really all that the directors at Minneapolis Brewing could hang on to. The continued divestiture of company assets was the reality they faced.

In October 1929, a liquidating dividend of $5 per share was paid to all stockholders.[55] The company had not paid a regular dividend for some time, and this was to be its last payment for the next several years. Salaries of the officers had already been significantly reduced as the decade wore on. By this time, President Frederich D. Noerenberg's salary had been completely eliminated.[56]

Although no direct discussion of the Great Depression is made in company records, the economic downturn did eventually begin to show its mark on Minneapolis Brewing. An example was the need in January 1931 to renegotiate a lease agreement with Mr. Saul Rosenberg, who was having trouble making rent payments on a storage building, and required some deferments. Rosenberg's predicament was occasioned by "poor existing business conditions," and an abundance of other vacant buildings in the vicinity.[57]

Perhaps the most humorous arrangement entered into during the closure years occurred during the first half of 1931. A lease was executed with the Minneapolis Standard Garage Company for space in the bottling house to store automobiles at $2.50 a car per month. Where did these vehicles come from? They were automobiles that had been seized by the Treasury Department's Bureau of Prohibition.[58] It is hard to say if officers at MBC found any waggery in this arrangement. The need for cash flow likely took precedence over wit.

Bleak as the condition at Minneapolis Brewing may have been, there was still some money available for needed work. In February 1932, the company authorized the replacement of the roof on the bottling house for $1435, with the work to be guaranteed for ten years.[59] A reflection of optimism perhaps, but with Repeal still fourteen months away, this is only speculation.

The March To Repeal

The battle for Prohibition's repeal had gone on almost since its inception. Organizations opposing Prohibition, such as the Association Against the Prohibition Amendment and the Moderation League, had been founded as early as 1920. Wet Democrats had begun to campaign for repeal as early as 1924 by seeking to blame Republicans for the ineffective enforcement of Prohibition, and the social problems that had resulted.[60] Jacob Kunz reflected this anti-Republican sentiment during the summer of 1923, in a letter to an MBC stockholder:

> The Republicans have been very disagreeable, and it might be a good thing to get some of the Farm Labor [sic] candidates in. That would probably wake them up.[61]

This opposition reached a climax during the presidential campaign of 1932. Advocates of repealing Prohibition found the Democratic platform quite appealing. William Manchester described the Prohibition repeal plank of the 1932 platform as its "saving grace." With the condition of the national economy, though, this may be stretching things a bit. Even so, pro-repeal forces were greatly encouraged by Franklin D. Roosevelt's election in 1932.[62]

A major component in the pro-repeal arguments was the desire to raise tax revenue to fund impending New Deal programs. In addition, the possibility of reestablishing countless brewing-related jobs was also an important factor. By February 1933, the United States Congress was, in Manchester's view, "whooping through Prohibition repeal," orchestrating the demise of the "noble experiment."[63]

In March 1933, the directors at Minneapolis Brewing were faced with a very appealing offer. A special meeting of the board was called to consider a proposition made by local businessmen Harry A. Piper and Gerald H. Martin. They were offering, for the brewery plant, office building, and other unspecified MBC properties, the sum of $550,000 cash. The board directed the company president and secretary to call a special meeting of the stockholders to consider Piper and Martin's offer. The scheduled date of the meeting was to be 18 April 1933.[64]

However, on 7 April 1933, the 21st Amendment to the United States Constitution was ratified by fifteen states, marking the beginning of the process repealing the 18th Amendment.[65] National Prohibition was coming to its conclusion, arriving none too soon for everyone at Minneapolis Brewing. In the years that followed, the landscape for MBC and fellow brewers was to alter dramatically. This change would force those in the industry to adopt profoundly different approaches to running their companies. For many, it would be too much to ask.

CHAPTER FIVE

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42. Bill McAullife, "Prohibition In Minnesota," Minnesota Monthly (January 1989), p. 46.

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48. Ibid, 16 March 1921.

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52. Ibid, 28 November 1928.

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55. Ibid, 23 October 1923.

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57. Ibid, 14 January 1931.

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Chapter VI

YEARS OF UNCERTAINTY, 1933-1955

The repeal of National Prohibition arrived against the backdrop of the worst economic depression the country had even seen. After four years of inactivity, the Minneapolis Brewing Company complex was going to need considerable refurbishing to restore its pre-1929 capabilities. This task would require substantial capital. In addition, the landscape for conducting the brewing business had changed considerably, dictating the need for company officers to adjust their methods of managing commerce. These and other factors resulted in exceedingly uncertain times for Minneapolis Brewing.

Rising From Repeal

To facilitate the infusion of needed capital, directors reorganized the company into two separate corporate entities. The first was the Minneapolis Brewing Company (MBC), created to carry on the mission of its previous namesake--to "manufacture, sell, and deal in beers, ales, and other malt liquors."[1] The second was called the Minneapolis Shareholders Company. The Minneapolis Shareholders Company (MSC) was evidently created to own a large portion of Minneapolis Brewing stock. Directors of MBC and MSC were the same people. Stockholders of MSC were also these same people, along with a few other business partners and family members. Minneapolis Shareholders ended up owning 260,000 shares of Minneapolis Brewing Company stock. Apparently MSC did not issue its own stock for public sale, but it did provide token shares (usually two or three) to directors, signifying ownership.[2]

The reorganized Minneapolis Brewing Company elected Jacob Kunz as its new president. Frederich Noerenberg had resigned three years prior due to his age (he was 85), at which time Kunz became president.[3] Noerenberg's death less than one year later marked the passing of the last primary player from the merger of 1890.

Joining Kunz at the officers table was Charles E. Kiewel, who entered as the company's vice president and general manager, ascending to president in 1940. Kiewel was the son of Jacob Kiewel, founder of the Kiewel Brewing Company in Little Falls, Minnesota. Charles Kiewel had spent most of Prohibition in Canada, first working at Canada Bub Breweries, Toronto. Later he established the St. Boniface Brewery, St. Boniface, Manitoba, in 1924.[4] Kiewel had no ties with his former Little Falls employer as it was being run by several of his nephews.

During Prohibition, Minneapolis Brewing had sold numerous properties to keep cash flowing. With Repeal, it became necessary to reacquire some of those assets. Chief among these was the main company warehouse, which had been sold to Charles F. McGill in 1930. McGill offered to sell the warehouse back to MBC for $60,000. Considering that he had purchased the building for a mere $24,000, MBC officials balked at the offer. In the end, the company settled for $50,000 in payment to McGill as it was imperative to have the warehouse available for use.[5]

Minneapolis Brewing also found it necessary to retrieve the trademark for its *Minnehaha Ale* brand. This had been sold to Hamm Brewing Company in December 1929. Minneapolis Brewing would not reacquire the label until October 1940--for the sum of $1.00.[6]

How the state of Minnesota reacted to Repeal is important to note. Minnesota did not ratify the 21st Amendment, which allowed the production and sale of strong beer and hard liquor, until 6 January 1934.[7] But federal legislation passed in early April 1933--the Cullen Act--redefined the standard for non-intoxicating malt beverages, allowing the production of beer not exceeding 3.2% alcohol, up from the one-half of one percent (.05%) criterion that had existed under the Volstead Act.[8] Under Cullen, companies in many states, including Minnesota, resumed beer production prior to ratification of the 21st Amendment. County option was still in effect, leaving large sections of Minnesota dry. This did not deter numerous brewers who were struggling to retool their plants. In addition, the Great Depression had left countless persons jobless, leaving no shortage of potential employees.

By October 1933, Minneapolis Brewing was producing draught beer, and by December, bottled beer. Former MBC officer John P. Lampertz recalled years later how the delivery trucks stayed out for twelve to fifteen hours a day just to keep up with the demand.[9] Rehabilitation of the plant was nearly completed in April 1934 when Charles Kiewel reported to the board that 65-70,000 barrels of beer were being produced in "anticipation of a good summer."[10]

That Minneapolis Brewing did not produce beer until so late in 1933, was not uncommon within the industry. It was taking companies considerable time to rehabilitate their plants for beer production. In June 1933, only thirty-one breweries were in production nationwide. One year later this number had risen to 756. This was far less, though, from the almost 1200 breweries that had existed immediately prior to the beginning of Prohibition in 1919.[11]

The strength of the public's appetite for beer was reflected in the sale of 30,000 barrels of MBC beer for June 1934 alone; those sales generated a profit of over $19,000 for the month. President Kunz reported to the board that business grew so fast, in order to maintain production, a large (but unspecified) amount of money was borrowed to further upgrade facilities. The board felt that this was not an unsatisfactory situation since business was growing so rapidly.[12]

Even so, times remained tough, and the economic uncertainties of the period weighed heavily upon the company's managers. Less than two years after production had resumed, the salaries of the president, vice-president/general manager, and secretary/treasurer were reduced by twenty percent.[13] The revitalization of the brewing industry, a welcome prospect from a fiscal perspective, was not by itself going to lift the country from its economic doldrums.

Complicating the situation for the industry were several legal changes at the federal level that drastically altered how breweries could conduct their trade. One of the more significant changes was the abolition of "tied-house" networks. No longer could a company have ready outlets in which its products could be sold. Instead they found it necessary to operate in the open market through a network of independent local distributors who would sell the company's products to bars, taverns, restaurants, etc., and with off-sale retailers who catered to the home-drinking crowd.[14] This loss of vertical integration was a tough blow for many brewers to accept, but in reality they had little choice but to acquiesce.

Another major alteration for the brewing industry came in the payment of taxes. As part of the National Industrial

Recovery Act (NRA, 1933), the tax structure for business received extensive alterations. Some features included: the Capital Stock Tax, where a tax of $1.00 for every $1000 of net worth was paid, with the value to be set by the company; the Excess Profits Tax, which required that five percent of net income was paid in taxes; and the Surplus Accumulation Tax, under which "unreasonable accumulations of surplus capital" could be taxed at fifty percent.[15]

Between 1934 and 1942, when the Capital Stock Tax was rescinded, Minneapolis Brewing remitted over $73,000 in Capital Stock Tax payments. The United States Supreme Court decision in May 1935 that found almost all of the NRA's provisions unconstitutional did not prevent the tax from being collected. Congress considered the tax an excise tax, leaving it outside the reach of the court's decision.[16] In addition to legal modifications, advancements in technology altered markedly how brewers conducted trade.

From the perspective of brewing historians, the advent of canned beer was probably the single most significant development in the early years following Repeal. Many beer drinkers had lost the "tavern habit" during Prohibition, and the increase in the number of household refrigerators had expedited a significant surge in home-beer consumption.[17] Sales of draught beer fell steadily during these years, and the introduction of cans (these being the "cone-top" type) held three distinct advantages over kegs and bottles. The first was that cans were easier to ship and store. They were lighter, took up less space, and were less prone to breaking. Second, tavern owners liked canned beer, which kept longer than the non-pasteurized draught beer. Third, cans protected beer from sunlight, which could be very damaging to the product.[18] With an investment of just $15,000, Minneapolis Brewing added canned beer in October 1935.[19]

Business Through World War II

For brewing companies that had survived Prohibition, having to confront the economic realities of the Great Depression was also quite demanding. Over one hundred breweries closed their collective doors between 1935 and 1940. With the number of breweries declining, and per-capita consumption holding around twelve gallons per person, the business climate for brewers was not especially vigorous. World War II's outbreak would also create numerous difficulties for the industry. But by the war's end, the industry would also see tremendous growth.

Similar to the years prior to Prohibition, Minneapolis Brewing attempted to maintain its tradition of charitable giving into the 1940's. Recipients of this benevolence included the Minneapolis Symphony Orchestra, the Minneapolis Community Chest Fund, and the Minnesota Taxpayers Union.[20] A notable incentive for the company to appear philanthropic was provided by continued agitation emanating from temperance advocates.

Although the "drys" had lost on the Prohibition issue, they continued to inveigh against the liquor industry. For example, dry forces mounted a major (but unsuccessful) campaign to change the federal classification of non-intoxicating malt liquors from 3.2% alcohol back to just one-half of one percent (.05%), which had been the standard during Prohibition. This would have placed almost all beer under the same jurisdiction as hard liquor, strengthening regulatory control over that beverage.[21]

It was largely due to a strong effort by drys that county option laws had remained in force in several states, including Minnesota. The drys were also the principal advocates of a bill in the Minnesota legislature during 1939 that would have prohibited women from ordering beer or whiskey while standing at a bar.[22] Unlike on the county option issue, temperance supporters faltered on this occasion.

Although the prohibitionists were not always effective advocates for social change, there remained much anxiety within the brewing industry about their ability to attract attention and sway arguments. Evidence supporting this apprehension appeared in a Gallup Poll taken in January 1940, which outlined a public sentiment increasingly favorable towards prohibition. Lax law enforcement, particularly at the local level, of existing liquor laws, was cited as the primary impetus for the shifting viewpoint.[23] To counter this attitude, the United States Brewers Foundation launched several public relations campaigns espousing the merits of beer, with slogans such as "Beer Belongs," and "America's Beverage of Moderation."[24]

The onset of World War II presented more dilemmas for the brewing industry. The first relates again back to the temperance forces. Industry constituents were not at all eager to see a repeat of the anti-German propaganda utilized by prohibitionists, with devastating effect, during the previous war. As a result, virtually every brewing concern took great strides to ensure that their image was nothing less than completely all-American.

Minneapolis Brewing followed this example by donating generously to the Red Cross relief funds and local war chests, and purchased thousands of dollars in United States Savings Bonds. Officials at some companies, like those at Anheuser-Busch, took the extraordinary step of publishing the voluntary enlistments of family members.[25] Even though the extent to which anti-German feelings could have been used against the brewing industry was never entirely clear, Minneapolis Brewing and its associates did not want to risk a repeat performance.

More important during this period, though, was the scarcity of raw materials needed for doing business.

Rationing took its toll on brewers, especially in tin since that was the main element used in beverage cans. Many brewers shifted greater emphasis to bottled beer, but tin was also used for the bottle crown (cap). One solution was to try and reuse the cap. Another was to use more quart and half-gallon bottles, lessening the need for caps.[26]

Other federal government dictums that hampered the industry included a requirement, beginning in 1943, that breweries set aside fifteen percent of production volume solely for military use. During 1944-1945, brewers were allowed to produce canned beer only for those serving in the Armed Forces. Periodic rationing of malt and hops beginning in 1943 also tested the resolve of the industry.[27]

Like many other industries, brewing was forced, due to labor shortages, to hire women as plant workers. These women usually worked in the bottling houses (i.e., "Betty the Bottler"). According to brewing historian Will Anderson, women were assigned there largely because responsibilities incumbent with bottling were viewed as less essential to the total brewing process. Anderson also states almost no scholarship exists on this subject, and in his estimation, is a topic deserving further study.[28] To what extent Minneapolis Brewing utilized women in its operation has never been established.

Despite the obstacles encountered while doing business during the war years, beer production nationally actually rose--from 53,000,000 barrels in 1940 to almost 80,000,000 in 1945. Per capita consumption, which rose from just over twelve gallons per person in 1940, to nearly nineteen gallons by 1945, was the stimulus for the expanding production.[29] These dramatic increases have been attributed largely to the Depression's end, and the gain in disposable income consumers realized.[30] Indeed, business was so good for Minneapolis Brewing that in November 1945, company directors declared a 50¢ per share dividend, the largest figure since they MBC had reopened twelve years earlier.[31] Considering all the pitfalls the industry had undergone during the war, Minneapolis Brewing emerged in relatively good shape.

The war's end marked a major turning point for Minneapolis Brewing as personnel changes accompanied the marked shift in business practices of the post-Prohibition years. The death of board chairman Jacob L. Kunz on 24 June 1946, was an example of this turnover. The board eulogized Kunz as one "whose service had been tireless over all those years, and whose presence will be deeply missed."[32] Kunz, who had resigned the presidency to become board chairman in 1940, had joined the company in 1897, compiling a tenure of forty-nine years.

Kunz's passing served as a reminder that those who remained from the very early days of the company had dwindled to a precious few. The resignation three years later of secretary/treasurer Fred A. Baumann, who had also joined the company in 1897, diminished the ranks of the "old guard" even further.[33] Minneapolis Brewing was developing a second generation of brewers, however, and many of the persons who came aboard after Repeal would stay with the company into the 1960's and 1970's.

Taking Kunz's place on the board, though not as chair, was Frank D. Kiewel, Jr., the nephew of Minneapolis Brewing President Charles E. Kiewel. Also serving on the board was Dewey J. Kiewel (Charles' son), Frank L. Kunz (Jacob's son), and Harold K. Noerenberg, the son of Minneapolis Brewing & Malting Company founder Frederich D. Noerenberg.[34]

The need to improve and refurbish the company plant again became an important topic in 1946 as President Kiewel outlined to the board the need for renovations that could cost as much as $1.1 million. These improvements would not commence until 1948, when MBC borrowed $2.0 million to finance the projects.[35] Also looming on the 1946 horizon was the possibility of serious labor troubles.

During the late 1940's, Minneapolis Brewing employees were organized under six different unions. In the summer of 1946, the Drivers Union, and the Brewery Workers Union, were for reasons that are now clouded headed towards a major dispute between themselves, and the company. Kiewel warned that if this disagreement came to a head and a plant shutdown occurred, the company's losses could potentially reach $100,000 a month.[36] The dispute fortunately never materialized, and Minneapolis Brewing continued adapting to the ever-changing brewing industry.

The arrival of canned beer, and the continued drop in sales of draught beer, had created an entirely new facet for American brewers. With patrons increasingly choosing to consume beer at home instead of in taverns, brewers were forced to gear their advertising campaigns accordingly. Consequently, advertisements often depicted happy scenes where beer was served in social situations, such as entertaining friends, while exercising at the tennis court, relaxing in a swimming pool, or while listening to the radio.[37] A softening of beer's image was being sought, away from the saloon environment that had earlier moved the public consciousness in a negative way.[38]

Packaging of the product also became an important element in sales. Draught beer came in a metal keg, and no one really cared what that looked like. Packaged beer, especially cans, required catchy labels, with attention-grabbing slogans to lure potential customers. The labeling used by Minneapolis Brewing reflected in-part its traditional Upper Midwest roots, with slogans such as "Diamond Clear . . . Smoother Beer," "Brewed From Perfect Brewing Water," and "Been A Long Time A-Brewing."[39]

The use of billboard advertising also became a leading advertising medium for Minneapolis Brewing as the nation's population grew more mobile, highlighted later by the sprawling interstate highway system. It was this feature of company promotions that long-time Grain Belt wholesaler, Quinten Rubald, saw as the most creative and effective of MBC's advertising vehicles. On several occasions, the company received numerous industry awards for its exceptionally ingenious billboards.[40]

Without doubt, Minneapolis Brewing's most singularly recognizable piece of outdoor advertising is the neon Grain Belt Beer bottle cap sign on the west shore of Nicollet Island in Minneapolis. Situated adjacent to the Hennepin Avenue Suspension Bridge, the sign was built during the late 1940's. Even now, it can be seen at night for several blocks, and is a constant reminder of Grain Belt's roots in Minneapolis.[41]

The decade of the 1940's ended with the country experiencing the economic slowdown of the post-war years. Inflation was on the rise, diminishing the purchasing power of consumers and lowering overall beer consumption. The unwillingness of the Office of Price Stabilization to tinker with wage and price ceilings compounded the predicament.[42] These factors conspired in part to give the industry very difficult years for the first half of the 1950's.

<u>Turbulent Years, 1950-55</u>

The first half of the 1950's were not the best of years for Minneapolis Brewing, or the brewing industry in general.

Sales stagnated following the inflation-fueled economic slowdown of the post-World War II boom years. Frank D. Kiewel, Jr., who replaced his uncle Charles Kiewel as company president on 18 September 1951, described the year as "not one of the best years for the brewing industry."[43] Profits were falling, consumption was abating, and the industry faced a glut of product. The next few years would not provide any significant improvement either, prompting after-tax profits at MBC to fall from $468,884 in 1950 to just $48,375 by 1955.[44]

Stagnating markets conditions produced a considerable over-supply of beer across the country. Frank Kiewel reported to the MBC board that Anheuser-Busch plants were operating on only a three-day work week to compensate. Kiewel also stated that at this time (summer 1954), over forty brands of beer were being marketed in the Minneapolis area, many of which were dumped by other breweries for significantly lower prices than in their "home" markets.[45]

Sales lagged due to reduced consumption by the beer-drinking public. After reaching post-war highs in 1947 and 1948, consumption fell dramatically, hovering around seventeen gallons per person in Minnesota from 1950-54. Although this was slightly above the national average of sixteen gallons, it was almost three gallons less than the peak years that had immediately followed World War II. This drop in consumption was caused in large part by beer prices that increased on average more than liquor or wine. An increase in 1951 of the federal excise tax on beer--from six to nine dollars per barrel--was cited as the main impetus for the price hikes.[46]

The sluggish market also resulted in the departure of several more breweries from the Minnesota scene. During the first half of the 1950's, some of the state's oldest brewing companies were forced to close. Included in the group was the Falls Breweries, Incorporated, (Fergus Falls), and the Goodhue County Brewing Company (Red Wing).[47] The most notable departure during this period was the closing of the Yoerg Brewing Company of St. Paul in 1952. Yoerg Brewing, founded in 1848, was the state's oldest brewery. Yoerg's departure left the Gluek Brewing Company (Minneapolis), the Jacob Schmidt Brewing Company (St. Paul), and Mankato Brewing Company (Mankato), as Minnesota's only remaining pre-statehood breweries.[48]

With fortunes at Minneapolis Brewing sliding badly, serious efforts were required to preclude MBC from joining Yoerg and the others as a *former* brewing company. One small step Minneapolis Brewing took to control costs was switching can types. Canned beer, which had attained wide-scale use as early as 1936, had experienced steadily rising sales, and was slowly closing on bottled beer as a top seller. These cans, the "cone-top" style, although a significant boon for the industry, did have some imperfections. These revolved mainly around difficulties with filling machinery, and in storage, especially for retailers.[49] In early 1955, Minneapolis Brewing moved to eliminate these problems by switching to the now-familiar "flat-top" cans, which were easier on the machinery, cheaper to purchase, and easier to store.[50] Although the general savings from this switch were not extensive, when considering the instability of the beer market, any amount of conservation was beneficial.

Perhaps the most inopportune development for Minneapolis Brewing during this period came in July 1955, when the plant was shut down by a tough, two-week strike. This dispute centered not around wages, but on benefits and job-security.[51] The timing could not have been worse for the company, as July was traditionally the peak month of summer business.

Both Minneapolis Brewing and its neighbor, the Gluek Brewing Company, had attempted to avert the conflict by offering a package similar to what the St. Paul breweries had settled on. The unions rejected this offer, due largely to lost seniority clauses and adjustments in vacation days.[52] Federal mediation failed to bring the two sides together, and the strike ensued, lasting from 13 July to 27 July 1955, ceasing when the two sides were able to reach an accord that was mutually advantageous.[53]

The damage, however, had already been incurred. Minneapolis Brewing suffered a $54,000 net loss for January-

July 1955, and failed to declare a quarterly dividend for the first time since shortly after Repeal.[54] The year ended with Minneapolis Brewing posting its smallest after-tax profits since Repeal, $48,375.[55] Many company officials felt that MBC could not slide any lower, and in this respect, they believed that there was only one direction the firm could go--upward.

NOTES: CHAPTER SIX

1. Articles of Incorporation, Minneapolis Brewing Company, 23 May 1933.

2. Here and above see, Board Minutes for MBC and MSC, May-October 1933.

3. Board Minutes (MBC), 22 October 1930.

4. <u>Kiewel Brewing Company Files</u> (MCHS).

5. Board Minutes, 10 July 1933.

6. Transfer of trademark to Minneapolis Brewing Company from Theodore Hamm Brewing Company, 21 October 1940, "Grain Belt Records" (Box 16).

7. Bull, <u>American Breweries</u>, p. 311.

8. Downard, <u>Dictionary</u>, p. 46.

9. <u>Grain Belt Diamond</u>, (May 1970), p. 1+.

10. Board Minutes, 30 April 1934.

11. Bull, <u>American Breweries</u>, p. 306.

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18. Dick, <u>Geographical Analysis</u>, p. 138-39.

19. Board Minutes, 19 October 1935.

20. Board Minutes, 4 October 1933, 20 November 1933, and 21 September 1937.

21. <u>Minneapolis Star</u>, 5 April 1940 (Contained in a newspaper clippings file, "Grain Belt Records," Box 8).

22. Minneapolis Journal, 29 March 1939 (Newspaper clippings file, "Grain Belt Records").

23. Minneapolis Star-Journal, 21 January 1940 (Newspaper clippings file, "Grain Belt Records,").

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25. Board Minutes, 20 October 1942; A. M, McGahan, "The Emergence of the National Brewing Oligopoly: Competition in the American Market, 1933-1958," Business History Review (Summer 1991), p. 280-84.

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30. McGahan, "National Brewing Oligopoly," p. 259.

31. Board Minutes, 20 November 1945.

32. Board Minutes, 16 July 1946.

33. Ibid, 21 June 1949.

34. Board Minutes, 18 February 1947.

35. Board Minutes, 19 November 1946; "Minneapolis Brewery to Erect 5 Buildings," Minneapolis Star-Journal, 20 September 1948, p. 1.

36. Board Minutes, 19 November 1946.

37. McGahan, "National Brewing Oligopoly," p. 280-84.

38. Baron, Brewed In America, p. 328.

39. See various MBC products packages for slogan samples.

40. Quinten T. Rubald, Sr., CEO, Rubald Beverage Company, Interview; Grain Belt Diamond, various issues, 1957-1970.

41. Hajicek, "History of Minneapolis Brewing Company," p. 17.

42. McGahan, "National Brewing Oligopoly," p. 275, 284.

43. Minneapolis Brewing Company Annual Report, 1951, p. 2.

44. Ibid; Annual Reports, 1951-1955.

45. Board Minutes, 22 June 1954.

46. Brewers Almanac, 1964, p. 56; McGahan, "National Brewing Oligopoly," p. 268.

47. Bull, American Breweries, p. 139, 145.

48. Ibid, p. 136-149.

49. Board Minutes, 3 August and 19 October 1954.

50. "Design Changed," Minneapolis Tribune, 5 April 1955, p. 21.

51. "Strike Set Today At Two City Breweries," Minneapolis Tribune, 12 July 1955, p. 11.

52. "Brewery Strike Begins," Minneapolis Tribune, 13 July 1955, p. 24; Board Minutes, 22 and 29 June 1955.

53. "Strike Ends At Two City Breweries," Minneapolis Tribune, 28 July 1955, p. 11; Board Minutes, 27 July 1955.

54. Board Minutes, 16 August 1955.

55. Minneapolis Brewing Company Annual Report, 1955, p. 6.

Chapter VII

GOLDEN AGE OF THE MINNEAPOLIS BREWING COMPANY, 1956-1968

The years that followed Prohibition had been very difficult and uncertain for the Minneapolis Brewing Company. The combined effects of the Depression, World War II, and the slowdown of the early 1950's carried the company on a severe roller coaster ride of ups and downs. As a result, it was hard for many company officials to envision how MBC's future would progress. But through a mixture of perseverance, creative marketing, appealing products, and some good fortune, Minneapolis Brewing embarked on what would be the most spectacular period of growth in the company's history.

Swinging the Pendulum Back

The conflicts of 1955, both internal and external, had been very damaging to the Minneapolis Brewing Company. The July strike had harmed not only the company's sales, but its public image as well. In addition, an accusation of ineffective leadership directed at company officers precipitated talk of a proxy fight for control of the company. The antagonists of the threatened battle were a group of minority stockholders (who went unidentified), upset with the company's financial status.[1] The previous four years had been very difficult ones for MBC, and in 1955, dividends declared for the entire year were a mere 10¢ per share.[2] This takeover threat never materialized, due mainly to the efforts of company president Frank D. Kiewel, Jr.[3]

Frank Kiewel had become Minneapolis Brewing's seventh president on 18 September 1951. He had joined the company shortly after Repeal, coming from the Kiewel Brewing Company in Little Falls, starting in the personnel office. Kiewel moved quickly to Advertising Manager (1939-1946), and later Director of Sales and Advertising (1946-1951), before ascending to the top office.[4] Kiewel was also the nephew of his predecessor, Charles E. Kiewel. Having come out of 1955 bruised but still standing, Minneapolis Brewing was poised for a tremendous period of growth, and Frank Kiewel ready to preside over it.

The first major alterations of late 1955 were made to the company's image. In an attempt to implement a positive spin on the company's recent tribulations, Frank Kiewel hired Knox-Reeves, a local advertising agency, to help revitalize Minneapolis Brewing's standing with the public. One of the first tasks undertaken, with the assistance of new sales/advertising manager Luke Laskow, was to redesign completely the company's product labels. Although this change seemed cosmetic, it offered the company the opportunity to speak of themselves in a positive light.

Laskow, who Quinten Rubald described as one of the most brilliant salespersons he ever dealt with, took this task quite personally.[5] Along with Knox-Reeves, new labels for company products were designed that placed in the top three in several 1956 competition categories sponsored by the United States Brewers Association.[6] Minneapolis Brewing also embarked on a major advertising campaign, focused especially on billboards. The increased mobility of the country's population provided a potential audience of millions for the company's highway banners. Over the next twelve years, MBC billboards would win numerous awards for their creativity and originality.[7] Slick-looking labels and fancy billboards do not always guarantee increased sales however. Officers at MBC were continually exploring other options to help boost the company's status.

In late 1955, Minneapolis Brewing began test marketing a 3.2% Grain Belt Premium line in target cities in Minnesota and South Dakota, and the results were quite positive. "This product is going to be the answer to Minneapolis Brewing Company's sales problems in 1956," proclaimed vice-president J. Raymond Fox.[8] By June 1956, sales of 3.2% Premium in Minnesota and South Dakota increased by 20,000 and 70,000 cases respectively over the preceding month.[9] This was definitely welcome news. By summer's end, the board was pleased to find that while sales of Hamm's, Gluek's, and Pfeiffer's brands were down for the year, sales of all MBC brands had risen.[10]

The increased sales allowed Minneapolis Brewing to declare dividends for the first eight months in 1956 totaling 35¢ per share, dramatically higher than those of the previous year.[11] By the end of 1956, net sales (sales minus excise taxes) would be $1.0 million higher than 1955.[12] This caused net earnings to reach $240,000, up from less than $49,000 during 1955.[13] These figures were welcome news to company officers, who earlier in 1956 had found it necessary to borrow over $200,000 for working capital.[14] Another bad year would have left the company in a serious financial quandary.

The positive results of 1956 gave officers at Minneapolis Brewing reason to believe that the future held much promise. By the end of the 1950's, the Minneapolis Brewing Company had firmly reestablished itself atop the Minnesota brewing scene. How this was accomplished reflected the business acumen of Frank Kiewel and his fellow officers, and their ability to adapt to the changes that developed within the industry.

Ascending The Pyramid

The types of brew consumers partake in has always been one of the more mercurial aspects of the brewing industry. What future tastes in beer were moving towards was a concern that Frank Kiewel examined and articulated to the Minneapolis Brewing Company board in early 1956. Older beer drinkers, as Kiewel described them, preferred a brew heavier in hops, much like the older-style German beers. But younger beer drinkers, whom Kiewel characterized as the company's "best present customers," desired smoother, milder beverages.[15]

By adapting to reach these consumers, however, Grain Belt beer, in the view of one unnamed company official, became a "bland beer."[16] Minneapolis Brewing's officers nevertheless realized that in order to sell their products, and by extension ensure their company's continued survival, it was imperative to appeal to a significant portion of the beer-drinking public. This was especially true during the latter 1950's as beer consumption declined at both the state and national levels.[17] With a shrinking market, it was critical that brewers produce products attractive to this fickle populace. The most obvious way to attract their initial attention was via creative and innovative marketing.

It was the union of Knox-Reeves and Minneapolis Brewing that produced some of the most memorable advertising concepts for the company. Perhaps the most notable of these efforts were Stanley & Albert, a loveable pair of sign painters. These two first appeared on a Grain Belt billboard in 1957, and within a few short months, they were seemingly everywhere. They could be found in not only the traditional advertising mediums of print and radio, but also on numerous company promotional items, such as glasses, mugs, and mirrors. So popular were Stanley & Albert that they made (in the form of hired actors) regular personal appearances on the Grain Belt Beer float in numerous parades including the Minneapolis Aquatennial Parade.[18]

With the rapid growth of television during the 1950's, Minneapolis Brewing attempted to utilize this medium to fullest advantage. Along with Stanley & Albert, cartoon vignettes spoofing various historical figures were developed by the company's marketing gurus. Nero, Sampson, Napoleon, and an assortment of medieval kings, to name a few, were all featured as part of Grain Belt's witty commercials. Several of these spots utilized the vocal mastery of the late Mel Blanc, who was best-known as the voice of Warner Brothers Loony Tunes characters (Bugs Bunny, Sylvester, Yosemite Sam, et. al.). These campaigns were tremendously popular, and in 1958 were voted the best television ads in the country by the Brewers Association of America.[19] Incidentally, it was about this time that another famous cartoon beer salesperson made its debut, the Hamm's Bear.[20]

Sports-related advertising was also a major element in Minneapolis Brewing promotions. The scoreboard at Metropolitan Stadium, and its outdoor marquee (where the Mall of America now stands), boasted Grain Belt Beer signs for many years. Minneapolis Brewing in addition used numerous local sports figures to act as special sales representatives, motivational speakers, or spokespersons for MBC products. Minnesota Twins player/coach/manager Billy Martin, Vikings head coach Norm Van Brocklin, and North Stars radio broadcaster Al Shaver (whose column "Hockey Talk" appeared regularly in the Grain Belt Diamond) were just some of the personalities utilized by MBC.[21] Sports-associated promotions over time became an integral part of the company's advertising schemes.

Just because creative advertising attracted consumers to a product did not necessarily guarantee that they would become repeat customers. As Quinten Rubald stated, "You [need] a quality beer to keep your customers."[22] For Frank Kiewel and Minneapolis Brewing, the combination of creative advertising ($1.5 million worth in 1956 alone[23]), and most importantly, products that appealed to consumers, yielded MBC tremendous sales increases during the latter half of the 1950's. However, much of MBC's growth came at the expense of many smaller brewers in Minnesota.

During the decade of the 1950's, the number of breweries in Minnesota fell from nineteen to just ten. The rising mortality rate of breweries that had precipitated the closing of the Goodhue County Brewing Company and the Yoerg Brewing Company, noted earlier, continued as the decade wore on. Joining the growing casualty list was the Peoples Brewing Company (Duluth) in 1957, and the sale of the

Schmidt Brewing Company (St. Paul) to Detroit-based Pfeiffer Brewing Company in 1954. The sale of Schmidt left the self-proclaimed "Beer Capital of the State," with just one independently owned brewery.[24]

These developments did not go unnoticed at Minneapolis Brewing. Pfeiffer Brewing had in late 1954 made an offer to company directors for the purchase of Minneapolis Brewing. The offer was turned down, however, because the directors felt selling was not in the company's best interests.[25] By 1959, Minneapolis Brewing's changing fortunes had put the company in the position to make an acquisition of its own.

Kiewel Brewing Company

Located in Little Falls, Minnesota, the Kiewel Brewing Company had been founded in 1882 by Leo P. Brick. In 1893, the struggling company was purchased by Jacob Kiewel, becoming the Kiewel Brewing Company.[26] Jacob Kiewel was the grandfather of Minneapolis Brewing President Frank D. Kiewel. In this respect, MBC's acquisition of Kiewel was not without coincidence.

Some observers saw the acquisition as Frank Kiewel "bailing out his family."[27] On the other hand, Frank Kiewel had no direct financial relationship with Kiewel Brewing, as it was operated by his cousins who had decided to leave the brewing business. In 1958 had the company sold a mere 12,000 barrels of its *White Seal* beer.[28]

Timing of the Kiewel sale was also important for Minneapolis Brewing. For many years, MBC had been experiencing a sales dilemma with so-called "cheap beers" that other brewers used to hold or gain customers, often at the expense of MBC. Although not specific as to why, MBC Master Brewer Frank Mathes stated that the company's Minneapolis plant was "not properly equipped to take on the additional production of a secondary beer."[29]

The Kiewel Brewing Company plant at Little Falls, by comparison, was relatively small, with about a 40,000 barrel per year brewing capacity, and had an appraised value of $230,000. Its low operating (labor) costs were ideal for Minneapolis Brewing in the manufacturing of an inexpensive beer. The small number of employees at Kiewel, around twenty, did not have a union contract, so their job assignments could be shifted without violating any seniority rules.[30]

The agreement between the two companies, terms of which were never released to the public, centered on a two-year lease agreement. Minneapolis Brewing would pay a monthly rent of $1000 for the first year, and $1250 per month for the second year. Minneapolis Brewing would be responsible for all taxes assessed, and would purchase all kegs, cases, and bottles. A purchase option was also part of the package, at $40,000, or 60,000 shares of MBC stock (to be the choice of Kiewel Brewing's directors).[31] A lease, as opposed to an outright purchase, was negotiated because the officers were uncertain how long difficulty with "cheap beers" was going to persist.[32]

After the announcement of the lease in mid-February 1959, the Kiewel plant closed temporarily for upgrading and refurbishment. The improved plant was to have a 50,000 barrel per year capacity, and employment was expected to increase upon reopening. All of the former Kiewel products were retired, replaced by a new line, *White Label Beer*.[33] It was the company's hope that this lower-priced brew would help their distributors augment current sales, and provide more competition in the "cheap beer" market.

The new line of beer was unveiled on 6 May 1959, about one month later than planned, but with considerable fanfare nonetheless.[34] Officers of Minneapolis Brewing were very confident that White Label would move well. They did not expect their new label to be a major player, but they hoped it would at least be an active participant in the "cheap beer" market.

Unfortunately, sales figures for White Label are not available over a continuing period. The only reference to sales performance in company records came in August 1959, when board members were informed that sales from the Kiewel plant were averaging about 950 cases per day for the summer months.[35] In September 1959, company officials were informed that their Little Falls branch would lose money for a second consecutive quarter.[36] The following month, Minneapolis Brewing directors considered whether or not the new plant should remain open.[37] They decided that it was too early to make a decision of that nature, and that some more time should pass to see if sales improved.

Minneapolis Brewing continued to operate the Kiewel plant until January 1961. At that time a decision was made not to renew the existing lease, which was set to expire on 15 February 1961. Company officials stated that White Label sales had outgrown the capacity of the plant.[38] Was this an honest claim? If so, sales of White Label had to have exceeded the 40,000 barrel capacity of the plant. To accomplish this, over 276,000 cases of beer per year--an average of 756 cases per day--would had to have been sold. Since, as noted, no figures exist on White Label sales, this very dubious assertion can neither be confirmed nor denied.

The non-renewal of the lease resulted in the closure of Kiewel, and the displacement of about twenty workers. Production of White Label was then moved to the company's Minneapolis plant, under guise of the trade name, White Label Brewing Company.[39] Shifting White Label's production to Minneapolis, however, was precisely what company vice president Ray Fox had raised concerns about two years earlier, shortly before execution of the Kiewel lease. Specifically, Fox warned that many other companies that had produced secondary beers at their main plants found that over time, their sales and production emphasis deviated from their main product to the secondary brand.[40] It did not appear as the decade passed that this ever became a problem for Minneapolis Brewing.

The main brands of beer produced by Minneapolis Brewing were, of course, *Grain Belt* and *Grain Belt Premium*. These two lines accounted for a large portion of company sales (this included their 3.2% Grain Belt Premium). Like most breweries, Minneapolis Brewing also produced specialty beers, designed to appeal to specific target audiences.

During the latter 1950's, Minneapolis Brewing introduced a brew developed especially for the older beer-drinkers that Frank Kiewel had identified earlier. This beer was called *Wunderbar*, and its name belied its appeal to those who preferred a heavier, more traditional German-style drink. In addition to its taste, Wunderbar had genuinely interesting packaging.

In what might have been the earliest example of bilingual packaging in Minnesota, Wunderbar cans and six-pack cases were printed in two languages, English and German. In addition, television commercials for Wunderbar were spoken in German, with English subtitles.[41] Although Wunderbar never became, and was likely never intended to be, a major seller for Minneapolis Brewing, its specialty appeal was considerable.

In a unique reference contained in Minneapolis Brewing's corporate records, company officers in November 1959 sought federal approval of a label for a proposed line of beer to be called *Minnesota 13*. To those cognizant with the saga of Prohibition in Minnesota, the name was quite familiar. Minnesota 13 was the appellation given to a particular brand of moonshine produced in Stearns County that had achieved folklore status during Prohibition.[42]

Company officials stated that this beer was to be directed at "the tastes of a large segment of beer drinkers of Polish and German descent who live in a particular area of Minnesota designated by us as 'Area 13'."[43] No mention was made of the name's local origins, nor was Minneapolis Brewing specific where "Area 13" was.[44] This brand of beer was never produced, however, since the proposed trademark title was already owned by the Cold Spring Brewing Company of Cold Spring, Minnesota (located in Stearns County); thus the company's label request was denied.[45] Regardless, the prosperity Minneapolis Brewing was realizing from its main brands put them in the position of requiring some major plant renovations and improvements.

The year 1955 had marked the nadir of Minneapolis Brewing's business for the decade. By 1960, the financial stability of the company had significantly improved. Net earnings, which for 1955 had not even cleared $49,000, topped $460,000 in 1960.[46] These earnings came on sales of over $17.4 million, as compared to slightly over $12.2 million five years prior.[47] This tremendous growth provided the company with large amounts of working capital. Minneapolis Brewing used these funds to embark, beginning in 1956, on what eventually became a six-year, $4.5 million expansion program that made the company's Minneapolis plant one of the most modern and up-to-date brewing operations in the country.

The crowning jewel in this particular expansion scheme came in 1960 with a two-year $1.3 million plan to add a new fermenting cellar for the main brewing plant. The new cellar was to hold twenty-two fermenting tanks, each with a capacity of 1500 barrels. So large were these tanks that special arrangements had to be made for rail delivery.[48] Also included with the package was a new 550 barrel brew kettle, to replace one of the plant's aging kettles.[49] This improvement program, and others which had been enacted during the preceding years, were paid for with internally generated capital only, a considerable accomplishment considering the price tag for many of these improvements.[50]

With these renovations, Minneapolis Brewing not only vastly increased its own output, but helped in making Minnesota the ninth largest producer of beer in the country for 1960. The thirteen breweries in the state had a combined yield of 3,736,375 barrels. (This figure was actually slightly less--by about 8000 barrels--than 1959.) New York, with only five more breweries than Minnesota, ranked first with just under 11,000,000 barrels.[51] Minnesota's output accounted for approximately five percent of the nation's total beer production. Minneapolis Brewing contributed 640,000 barrels--about seventeen percent--of the state's total (less than 1% of the national total).[52]

The solid progress Minneapolis Brewing experienced during the second half of the 1950's came during a period of relative stagnation in the brewing industry. In 1955, MBC produced 470,000 barrels of beer, expanding by 1960 to 640,000 barrels, a thirty-six percent increase in output[53]. Total beer production at the national level, by contrast, grew only about nine percent during this period. Per capita consumption, however, declined by almost one gallon, both nationally and in Minnesota.[54]

Minneapolis Brewing's sales increases came largely in its traditional Upper Midwest markets; in particular, the states of Minnesota, North Dakota, South Dakota, and Iowa. Sales of Grain Belt Beer was usually at or near the top of beer sold in these states, which had always provided the company with its major sales figures. Grain Belt was sold in other states, including Wyoming, Colorado, Arizona, Nebraska, and Wisconsin. These states were dominated by other brands, and Grain Belt was largely a minor player.[55]

The strength of Minneapolis Brewing, along with Minnesota's other large regional brewers--Hamm Brewing Company, and Schmidt Brewing Company--was the principal reason huge national brewing companies had not found it possible to make significant inroads into the Upper Midwest. In 1962, as an example, MBC, Hamm, and Schmidt controlled over seventy percent of the Minnesota market. The next largest producer was the Gluek Brewing Company, with just under four percent.[56] Although not as pronounced, the other Upper Midwest states had similar sales concentrations.[57]

This collective customer loyalty, in effect, shielded Minneapolis Brewing, Hamm and Schmidt from the growth of the national brewers, such as Anheuser-Busch, Pabst, and Schlitz. This was not so in other areas. From 1955 to 1965, the number of breweries nationwide dropped from 283 to 182. Just twenty years earlier, there had been 462 breweries spread across the country.[58]

Unlike the difficulties other breweries faced, these were heady times for Minneapolis Brewing, and the confidence of company officials was understandable. Sales and earnings at MBC continued to climb in the early 1960's, with sales topping the $20 million plateau in 1963, and net earnings surpassing $1.0 million for each year since 1960.[59] "For more than eight years, Grain Belt [MBC] has experienced constant growth in a highly competitive industry," stated

MBC President Frank Kiewel in the company's 1962 annual report. As MBC looked ahead toward its continued upward climb through the ranks of the brewing industry, Kiewel expressed a sentiment felt by everyone at MBC: "We look ahead with confidence."[60]

Minneapolis Brewing's continued prosperity also provided the company numerous opportunities to show its gratitude to the citizens of Minneapolis. The tradition of charitable giving by MBC dated from the company's 1890 founding. In June 1963, company officials dedicated their latest philanthropic offering, the Grain Belt Park. Located adjacent to the company's main plant in Northeast Minneapolis, the ten-acre park Grain Belt Park had formerly been a junk-yard. With the assistance of Minneapolis Housing & Redevelopment Authority funding, the site was cleaned up as part of the larger renovation of old St. Anthony, the predecessor to Minneapolis. No longer a doleful eye-sore, the park featured an eighteen-foot water fountain, several large flower gardens, a wide variety of trees, and a Black Forest-style hostelry.[61]

Upon its opening, the park became very popular with the public as a site for casual get-togethers, picnics, wedding receptions, or for just "getting away" for a spell. By 1964, over 20,000 persons would visit the park during its summer season.[62] In later years, Minneapolis Brewing would help sponsor open-air concerts, and add tame deer to the park's amenities. It was, as Minneapolis Brewing officials conceded, a major advertising and public relations commodity for the company, and they never shied away from utilizing its appeal to their advantage.[63]

Ending the Boom Years

The extraordinary success that Minneapolis Brewing was enjoying was not reflective of all other Minnesota breweries. Ending operations in 1964 as one victim of the times was the only other brewer in Minneapolis, Gluek Brewing Company. Ironically, it was Gluek that had refused to join the merger that formed Minneapolis Brewing & Malting Company in 1890. For most of the twentieth century, Gluek, and Minneapolis Brewing, had been the sole brewers in the city. In announcing Gluek's decision, Charles Gluek II, company president, justified the closure because "it is becoming more and more impossible for a small brewery to actively compete with the price cutting by the national breweries."[64] Joining the casualty list during this period were the Ernst Fleckenstein Brewing Company (Faribault), and the Mankato Brewing Company (Mankato).

The mood at Minneapolis Brewing, however, remained distinctly upbeat. Instead of closure talk, Minneapolis Brewing officials were looking at further expansion. New building projects for 1963-64 totalling $450,000, were part of a now seven-year renovation program.[65] As was the case with previous renovation schemes, all the projects were paid for with internally generated funds. No bank loans were taken, leaving the company with minimal debt remaining from their expansions. Additional expansion talk reflected the company's desire to stretch its existing markets by acquiring other breweries.

Aside from the Kiewel Brewing Company lease of 1959-1961, Minneapolis Brewing officials had been reticent to discuss this aspect of their business. By the spring of 1966, however, the company was talking publicly about potential acquisitions. Negotiations were being held with two unidentified brewing concerns, both of which were outside MBC's primary sales area. Each also had smaller sales volumes, and were not large-capacity plants in comparison to Minneapolis Brewing.[66] One acquisition made the following year involved the Storz Brewing Company, in Omaha, Nebraska, to be discussed in the next chapter.

The growth experienced by the Minneapolis Brewing Company during the early 1960's continued well into the decade. By 1968, gross sales topped $31 million, and net earnings were approaching the $1 million.[67] By this time, though, signs of strain were beginning to show. For a company that had relished the sweet taste of affluence for almost fifteen years, a most difficult period was soon to come.

NOTES: CHAPTER SEVEN

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5. Rubald Interview.
6. "Label Contest Winners," American Brewer, October 1955, p. 36.
7. Grain Belt Diamond (January 1970), p. 2-3.
8. Board Minutes, 17 January 1956.
9. Ibid, 19 June 1956.
10. Ibid, 21 August 1956.
11. Minneapolis Brewing Company Annual Report, 1956.
12. Ibid.
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14. Board Minutes, 22 May 1956.
15. Ibid, 16 October 1956.
16. "Storz Spreads Grain Belt Beer Area," Omaha World-Herald, 28 May 1967, p. 6.
17. Brewers Almanac, 1964, p. 56.
18. See various issues of the Grain Belt Diamond, 1956-1964, for stories on Stanley & Albert.
19. Minneapolis Star, 22 October 1958, p. 15.
20. Moira F. Harris The Paws of Refreshment: The Story of Hamm's Beer Advertising (St. Paul, 1990), p. 31-35.
21. See various issues of the Grain Belt Diamond, 1961-1975.
22. Rubald Interview.
23. Minneapolis Brewing Company Annual Report, 1956, p. 4.

24. Bull, American Breweries, p. 138, 147; See also Gary Brueggemann, "Beer Capital of the State".

25. Board Minutes, 16 December 1954.

26. Bull, American Breweries, p. 141.

27. This sentiment was expressed by several persons, some of whom did not wish to be directly quoted.

28. Board Minutes, 20 January 1959.

29. Ibid.

30. Ibid.

31. Ibid.

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Chapter VIII

DOWNWARD SPIRAL, 1968-1975

For over twelve years, beginning in late 1955, the Minneapolis Brewing Company experienced extensive growth and prosperity. That MBC achieved this strength and affluence during a period in which many smaller, weaker breweries were forced to close, and when the so-called "national" breweries gained great strength, was a testament to the business acumen of Minneapolis Brewing's managers. By 1967, MBC ranked twenty-second in sales nationally, up from twenty-fifth in 1966, and twenty-eighth in 1965. Production in 1967 topped the 1,000,000-barrel mark for the first time company history.[1]

In April 1967, the Minneapolis Brewing Company attempted to discard its regional image by changing its name to Grain Belt Breweries, Incorporated. Company President Frank Kiewel felt the change was necessary to "shed the image of a long-ago local business."[2] Although only a cosmetic alteration, this event marked a definite turning point in the company's story, for it was not long after this event that the downward slide began.

As one of the strongest regional breweries in the country, Grain Belt regularly captured twenty-five to thirty percent of the Minnesota beer market during the 1960's.[3] However, the national brewers, which historically had not been able to establish a firm foothold in the Upper Midwest, were slowly gaining strength. Reflecting this trend was the ever-decreasing number of breweries nationwide, which by 1965 had fallen below 200.[4] Grain Belt was not immune from this trend. Indeed, the company would receive a grim insight into the power of the national brewers when it ventured into "foreign territory" through the acquisition of the Storz Brewing Company, in Omaha, Nebraska.

<u>Storz Brewing Company</u>

The Storz Brewing Company had been founded in 1876 by German immigrant Gottleib Storz, and a partner whom Storz bought out a short time later.[5] Storz had remained family-owned and operated. A regional brewery slightly smaller than Grain Belt, Storz gained a bit of national notoriety in 1904 when Pabst Brewing Company sued Storz for infringement on its *Blue Ribbon* trademark.[6] Aside from this brief brush with fame, Storz remained primarily a regional player, marketing its products mainly in Nebraska, Iowa, and Kansas. Like so many other smaller regionals, Storz had found the marketplace growing increasingly hostile during the late 1950's and early 1960's, and its owners were seeking an honorable exit from the brewing trade. Grain Belt provided that egress.

The arrangement reached between Storz and Grain Belt was a lease agreement containing several features. Duration of the compact was to be twenty-two months, commencing on 1 June 1967, and ending on 31 March 1969. Monthly rent of $13,000 was to be paid by Grain Belt, along with all property and excise taxes, and payment of all government bonds. Any new machinery that Grain Belt installed remained in their ownership and could be removed upon termination of the lease. A purchase option, good through 31 March 1969 was also included, at $1.05 million.[7]

In effect, Storz would become a branch of Grain Belt Breweries, Inc., similar to the arrangement with the former-Kiewel Brewing Company. This branch would continue to produce most of the former-Storz brands, which included *Storz Triumph*, *Storz Premium*, and *All Grain Lager*. The Omaha plant would also produce for sale in the Storz market area, which stretched from Arkansas to Wyoming, most of the Grain Belt labels.[8]

With over 200 employees, and a $2.0 million payroll at Storz, this was a very risky venture for Grain Belt. At first, the Storz undertaking was a profitable one for Grain Belt. This early success led to an extension of the lease to the end of 1969. Moreover, on 22 August 1969, Grain Belt President Frank Kiewel notified Storz that the purchase option was to be exercised by his company, with payment to be made before 31 December 1969.[9]

Grain Belt had also looked into acquiring the brand name, *Blatz*, from Milwaukee-based Pabst Brewing Company, in June 1969. The United States Justice Department expressed displeasure at this prospect, however, claiming Grain Belt's proposal contained too many conditions. This pressure forced the company to abandon pursuit of Blatz (it was eventually purchased by G. Heileman Brewing Company).[10] All of this reflected the general maneuvering in the extremely competitive beer trade. After all, St. Paul's Hamm Brewing Company had purchased the Rainer Brewing Company's plant in San Francisco several years earlier to capture a larger piece of the national sales pie. Grain Belt's purchase of Storz and its unsuccessful attempt to obtain Blatz were similar gambits.

Unfortunately, the Storz venture did not turn out as favorably as company officials had desired. A lack of complete corporate records from this time does not provide the entire picture, but after good returns in the early months of operating Storz, Grain Belt began to encounter a very volatile market in Omaha, where a significant portion of the Storz business had traditionally been. By spring 1972, the losses at Storz became severe, prompting Grain Belt directors to ponder if it was worth keeping the plant in operation. In April 1972, the directors voted unanimously to terminate operations at Storz and close down the plant.[11]

Some Omaha employees, including certain management positions, were relocated to Minneapolis. Production of some Storz brands were also transferred to Minneapolis, with the remaining labels discontinued. Properties that made up Storz in Omaha were sold in December 1972, to Con Agra, Inc., of Omaha, for the paltry sum of $360,000. Grain Belt officials blandly stated that financial losses incurred at the plant had necessitated its closure and sale.[12] The reasons for the losses and the subsequent closure of the Omaha facility became evident a few months later in a federal lawsuit filed by Grain Belt against two major national brewers.

In the suit, Grain Belt claimed that the Anheuser-Busch Brewing Company and the Schlitz Brewing Company, in collusion with three local distributors, had violated anti-trust laws by attempting to monopolize business and restrict free trade in Nebraska and parts of Iowa. The main accusations were that these two national brewers had engaged in price-fixing, and had unreasonably decreased prices (i.e., dumped products in this restricted market). In other words, Anheuser-Busch and Schlitz had sought to create localized monopolies.[13] Compensation being sought by Grain Belt was not released publicly, but considering that the company had taken a $518,000[14] loss on the Storz venture, the amounts were likely to be large. The wheels of justice, however, particularly in anti-trust matters, grind slowly. Settlement of the suit would not arrive for almost three years. And when it did, as will be shown later, the timing was not especially fortuitous for Grain Belt.

Entering the 1970's

The 1960's had been perhaps the most prosperous decade Grain Belt had experience since its inception in 1890. Sales increased every year, and Grain Belt steadily increased production as it strove to join the elite of United States brewing companies. For Frank Kiewel, who had experienced the worst times, and engineered some of the most prosperous times at Grain Belt, the 1960's ended on a distinctly positive note as his fellow directors Chairman of the Board of Directors of Grain Belt Breweries, Incorporated. This title, honorary in its duties, had only been bestowed upon two other individuals in Grain Belt's history--Jacob Kunz, and Charles E. Kiewel.

Frank Kiewel, now in his thirty-seventh year with Grain Belt, was facing some of the company's greatest challenges. One course Grain Belt utilized to meet these upcoming trials and to keep growth moving was to again expand. In early 1970, Grain Belt moved to purchase the labels, assets and other inventories of the Hauenstein Brewing Company of New Ulm, Minnesota.

Founded in 1864, the John Hauenstein Brewing Company was one of Minnesota's oldest breweries. Only Theodore Hamm, Jacob Schmidt, and New Ulm neighbor August Schell had been operating longer than Hauenstein.[15] Unable to keep pace with the changes taking place in the industry, Hauenstein President Roger Schmid made the decision to close shop. "Hauenstein was a casualty of automation, unable to compete with the volume of such major brewers as Grain Belt," said the Minneapolis Star in describing Hauenstein's predicament.[16] Grain Belt, Schmid noted, could fill 1200 bottler per minute, compared to Hauenstein's top capacity of 100 bottles per minute.[17]

Grain Belt President Frank D. Kiewel described the Hauenstein deal as "one small step in a widening plan to seek out acquisition possibilities in 1970, both in the brewing industry and elsewhere."[18] With a total price tag of just under $35,000, the Hauenstein deal was really just the addition of another label (along with a good number of empty kegs, bottles and cases) to the growing list of brands Grain Belt produced. The actual physical brewery plant in New Ulm was abandoned, with only a small part of it later to be used as a storage warehouse for Kraft Foods.[19]

Despite record sales in 1970, Grain Belt's earnings actually dropped for the year. Steadily increasing costs, particularly advertising and wages, were gobbling up much of the company's sales revenue. The first half of 1971 saw this pattern continue as earnings proceeded to drop below the level of previous year's.[20] This lackluster performance likely contributed to Frank Kiewel's decision in July 1971, to step down as company president. "Those of us that have held responsibility for many years know that this job is very demanding," stated Kiewel. "It is time for younger men to give their strength to the cause. We look forward to the future with optimism."[21]

Kiewel's replacement as president was E. L. "Lee" Birdsong. Having joined the company five years earlier, Birdsong came from the Storz Brewing Company where he had spent seven years as Director of Sales and Marketing, the same position he took upon arriving at Grain Belt.[22] Birdsong would need all of strength Kiewel referred to if he was to overcome the challenges Grain Belt was encountering.

The company realized a slight upturn in earnings during the second half of 1971, but as 1972 approached, the company's directors seemed to feel much uncertainty about the outlook at Grain Belt. Much of this apprehension could be attributed to the increasing strength of the national brewers. Firms such as Anheuser-Busch, Schlitz, and Miller were grabbing ever-bigger shares of the beer market across the country, including the Upper Midwest--Grain Belt's traditional stronghold.[23]

One of the key factors cited for this market shift was the abundance of money the nationals used for advertising.

For example, in 1973, the advertising budget for Grain Belt was about $2 million. This compared with about $34 million each for Anheuser-Busch and Schlitz, figures that nearly matched Grain Belt's gross sales revenue for 1973![24] Simply put, larger breweries were overwhelming the public with pitches for their products, and smaller breweries, like Grain Belt, could not keep pace.

Another factor cited for the nationals growing dominance was "dumping" (placing products in a market at artificially low prices). In many cases these companies "dumped" their products in certain target areas in order to influence negatively regionals such as Grain Belt.[25] The tight budgets many regionals had to maintain prevented them from employing this tactic themselves. Ironically, the predicament Grain Belt found itself in was similar to what happened to local brewers during the 1950's and 1960's as larger regionals, like Grain Belt, forced out smaller companies such as Yoerg, Gluek, and Hauenstein.

The federal government, particularly the Federal Trade Commission (FTC), had observed the growing power of the national brewers closely. The government's concern seemed to rest on the possibility that certain firms could create a monopoly in given areas. Early as 1960, for example, the United States Department of Justice had filed anti-trust lawsuits suit to block potential mergers of breweries. During much of the 1970's, the FTC ran a sporadic investigation of the brewing industry to determine if any illegal activity was taking place. The result of this activity, according to economist Stanley Ornstein, was that the nationals (in this case Anheuser-Busch, Schlitz, Pabst, Miller and Coors) were effectively blocked from expanding via merger, and grew solely by internal means.[26]

Ornstein pointed out, though, that the mergers did not entirely cease, despite high-profile litigation. Most acquisitions for the years 1971-1974 were of small "suboptimal size" plants, many of which subsequently closed. This factor was reflected in the ratio of plants to firms which in 1947 was 465 : 404, dropping to 137 : 74 in 1971, to just 108 plants operated by only fifty-eight firms in 1974.[27] A side note to this saga came in 1979, as the FTC issued its final report from the intermittent 1970's investigation. In it, no evidence of illegal competition within the industry was found.[28]

In August 1972, after only one year, Lee Birdsong tendered his resignation as President of Grain Belt to become an officer at the Pearl Brewing Company, San Antonio, Texas. The minutes of the August board meeting at which Birdsong's resignation was announced reflected the somber and apprehensive mood the directors felt about Grain Belts's future. Frank Kiewel took the opportunity to outline for the board the major problems facing Grain Belt. Namely, Grain Belt was experiencing a sales and earnings crisis brought on by the "intense price pressure of national brewers" in Grain Belts's primary market, coupled with excessive labor costs. The solution, according to Kiewel, was to increase sales, cut costs--especially in labor and advertising--and to adopt a willingness to accept a period of lower earnings and dividends as the temporary price for long-term survival.[29]

To accomplish these goals, Kiewel stressed that there would be "no easy or magic way." Grain Belt would need to be willing to defend its markets through anti-trust lawsuits, if necessary, and to hope for FTC intervention to thwart predatory pricing. Cutting the "fat" from both union and non-union employment was needed, as was finding a way to give Grain Belt distributors advantages in the marketplace. Kiewel concluded by stating: "I can do this only with absolute authority to direct and to hire and fire as I see needed. Further, I can do this only if you give me such authority--now--right now!"[30] Kiewel was granted the authority he requested, and became in effect, the acting president at Grain Belt.

Grain Belt was not the only area brewer experiencing difficulties during this period. New Ulm's August Schell was growing hydroponic (water-raised) tomatoes to help make ends meet. Theodore Hamm, which in 1963 controlled almost thirty percent of the Minnesota market, had by 1973, slipped to only ten percent locally, and even less nationally. Hamm was financially troubled, and could not reverse its slide.[31] Grain Belt's own precarious situation notwithstanding, explorations were made into possibly acquiring Hamm. However, the United States Justice Department did not look kindly on this prospect, and quietly informed Grain Belt that it would file suit to block any attempted merger. Eighteen months later, Washington-based Olympia Brewing Company purchased Hamm.[32]

The steps Frank Kiewel took to stabilize Grain Belt during his tenure as acting president are not entirely clear due to a lack of complete corporate records. Kiewel's 1972 year-end message to Grain Belt's employees reflected the somber mood of the company:

> This has been a difficult year for your Company [sic]. Many adverse factors of cost and selling price have combined to reduce earnings to a new low for recent years. . . . As the New Year begins, we look forward to better things.[33]

The first few months of 1973 did bring some "better things" for the company. Grain Belt's first quarter financial reports for 1973 showed a rise in earnings to $101,000, up from $34,000 during the previous year's first quarter. The company was, in addition, most certainly aided by the Minnesota legislature, which in May 1973, passed a reduction in the state's excise tax on beer for the first 40,000 barrels (both strong and 3.2%) a firm produced. This reduction held potential savings to Grain Belt of $120,000 for one year's production.[34]

Another positive development, in this instance taken by Grain Belt's officers, was the election of Gerald N. Meyer as the company's new president in April 1973. Meyer, ascending from the position of Vice President--Finance, had been with the company for the past six years.[35] At age thirty-seven, Meyer became only the fifth Grain Belt president since Repeal, and the ninth since the company's founding in 1890.

Meyer and Kiewel were publicly confident that Grain Belt would rebound from the problems of 1972. "Several regionals do have problems, of course, but some are going to survive and prosper, and we're one of them," declared Kiewel.[36] Despite this conviction, 1973, proved a marginal year for the company. Total earnings for the year were $561,965, compared to $482,880 for 1972.[37] Growth it was, but only at eight percent. And when contrasted to a decade earlier when earnings regularly exceeded $600,000, the figures left a bit to be desired.

Grain Belt finished 1973 in the black, and as the country's eighteenth-largest brewer, but the national economy was proving to be a major obstacle for the company. Factoring in inflation, fueled by skyrocketing energy costs, the numbers reflected a decidedly downward tilt. Perhaps it was fitting then that Frank Kiewel had in October resigned as chief executive at Grain Belt.

Kiewel's retirement marked the passing of an important era in the company's history. Having spent forty years with Grain Belt, Kiewel had seen many changes--some healthy, others harmful. "The top is a lonely place," intoned Kiewel, as he thanked his associates, many of whom had worked with Kiewel since the end of Prohibition, for their faithful service. Kiewel was to remain board chair, but would have no active role in operating the company.[38]

Regardless of Frank Kiewel's retirement, there remained much work to be done at Grain Belt. The year 1973 had been an acceptable one, but rising costs for supplies, especially corn and barley malt, were placing a serious financial strain on the company's structure as it entered 1974. A short strike in early January reminded Grain Belt management and stockholders that labor troubles were never very far away. Throughout 1974, losses mounted as sales stagnated and costs, fueled by rapidly growing inflation, rose steadily. The net loss for 1974 was almost $159,000.[39]

This was the worst year for Grain Belt since the Great Depression. Gerald Meyer's end-of-the year message reflected the disappointment of 1974, and attempted to provide some inspiration for his workers:

> At Grain Belt we have to look especially hard to be at all joyous about the past year. Yes, it has been a difficult year for the Brewery, with outlandish inflation in costs washing out profits and with new competitive factors creating a difficult sales environment. . . . The upcoming year is extremely crucial to all Grain Belt people. We have the necessary ingredients, so now everyone must give the

> 100% effort required. Then 1975 will be a truly joyous year.[40]

Unfortunately, 1975 did not turn out to be the joyous year Meyer wished for.

Final Countdown--1975

A disastrous first quarter in 1975 resulted in losses of over $240,000 for Grain Belt. It was not long after the release of those numbers in April, that local businessman Irwin W. Jacobs, vice president of the Northwestern Bag Corporation, formally offered to purchase Grain Belt. A Securities & Exchange Commission report in February 1975, noted that Jacobs had recently purchased over $81,000 worth of Grain Belt stock.[41] This made him the company's largest single stockholder, with about nine percent of outstanding shares. Now, Jacobs wished to buy Grain Belt outright, offering $4.1 million--about $4.70 per share.

Although the sale was approved by a wide margin of company stockholders, some were not pleased with the handling of the sale by Grain Belt officials.[42] Gerald Meyer stated that it had been common knowledge in the brewing industry for "the past four or five years," that Grain Belt had been receptive to any offer that may have come its way.[43] Indeed, the Consolidated Foods Corporation had, in April 1970, made inquiries to Grain Belt about a possible purchase.[44]

The Jacobs sale agreement was partially slowed by the anti-trust suit Grain Belt had filed against Anheuser-Busch and Schlitz. The presiding judge in the case ordered that $1.0 million of the purchase be set aside until a settlement was reached.[45] The judge's order did not halt Jacobs' procurement of Grain Belt, and the sale made Grain Belt a privately-held corporation, officially called I. J. Enterprises, Incorporated (most people, however, still called it Grain Belt).

The July 1975, issue of the Grain Belt Diamond, the company's inhouse newsletter, exuded the hope that Jacobs would reverse Grain Belt's sagging fortunes. "Heeeeeeeeere's Irwin!," proclaimed the magazine's cover. At the time of the purchase, Jacobs was a youthful thirty-four--six years younger than company president Meyer. "Irwin is devoting his full time to the future of Grain Belt," stated the Diamond.[46]

Shortly after Jacobs' purchase, an out-of-court settlement with the Schlitz Brewing Company was reached for $315,000, ending a portion of the now three-year-old suit stemming from the Storz Brewing Company debacle. Still pending, though, was litigation against Anheuser-Busch, which had in the interim counter-sued Grain Belt. This situation would not be resolved until October 1975, when Grain Belt again settled out-of-court--for $157,000 in damages--and with Anheuser-Busch dropping its counter-suit.[47] The awards, totalling $472,500, did not even come close to covering the losses (not to mention legal expenses stemming from the lawsuits) the company had incurred in closing the Storz branch.

One of Jacobs' goals was to reverse Grain Belt's sales slide, in part through more aggressive marketing. His first step was to move Grain Belt's $2.0 million advertising account from Knox-Reeves to Batton, Barto, Durstine & Osborne, Incorporated. Knox-Reeves had been affiliated with the company for twenty years, and had developed many of the award-winning campaigns that propelled Grain Belt's earlier success. Knox-Reeves later sued Grain Belt for breach of contract, but did not prevail.[48]

The new promotional tactics instituted by Jacobs carried on through the summer of 1975, and into the fall as well. These included new television commercials featuring three beer-drinking buddies called the "Grain Belt Guys," who utilized the slogan "Thirst Things First." Grain Belt sponsored the airing on the local public television channel (KTCA-TV) of the tremendously popular British comedy series "Monty Python's Flying Circus." A joint promotion with the University of Minnesota football program continued the company's tie-in with local sports.[49]

By late 1975, however, Jacobs realized that the revitalization of Grain Belt was not going to be possible. Despite the significantly increased advertising, sales remained poor throughout the year, causing escalated losses. Grain Belt's share of the Minnesota beer market in 1975, slipped to only twenty percent, down almost eight points from the year before. The plant's work week was reduced in October to just four days. In late November, Jacobs approached the G. Heileman Brewing Company of La Crosse, Wisconsin, with a proposal to sell Grain Belt.[50]

"He wants to sell the company and he came to us," stated Heileman Chief Executive Officer Russell Cleary, in reference to Jacobs' overtures. Heileman had a special desire for the company's Grain Belt name, inventories, and wholesale organization. Terms of the possible sale were not immediately disclosed, and was contingent upon approval of the United States Justice Department's Anti-Trust Division.[51]

With the federal government's approval, the transaction became a mere formality as the boards of both companies, in late December, approved the sale without reservation. Jacobs attributed Grain Belts's demise to increased competition from the national brewers, stating that "the [customer] loyalty didn't seem to be there." Heileman several weeks later revealed it paid up to $4.0 million for Grain Belt. Because of Heileman's revelation, Jacobs soon found himself vehemently denying accusations he had purchased Grain Belt only to liquidate it for personal financial gain.[52] It is doubtful, though, that a more timely release of this information could have prevented the company's sale. As the agreement was finalized, the announcement came that no one wished to hear--the Grain Belt plant was to be closed.

Of the nearly 400 persons employed at Grain Belt, only two brew masters, one supervisor, and nine salesmen were transferred to Grain Belt Beer's new home, the former-Jacob Schmidt plant (by now a branch of Heileman), in St. Paul. The remaining employees--bottlers, warehouse workers, and executives alike--were free to apply for work at the Schmidt plant. The last batch of beer at the Grain Belt brewery was brewed on Thursday, 25 December 1975. The headline of the Minneapolis Tribune proclaimed a fitting eulogy for the event: "After 82 years, Grain Belt's tap is dry."[53]

Epilogue

Several weeks after the sale became complete, about forty former Grain Belt workers learned that their pensions were to end in March 1976, because of a closure clause in their contracts--agreed to at a time when Grain Belt's demise was unthinkable. A Grain Belt spokesman stated that the company was merely "living by the agreements that were made."[54] Irwin Jacobs came under renewed scrutiny when press reports disclosed that the sale of Grain Belt to Heileman could provide him with over $4.0 million in profits, contrary to past denials. As he had done previously, Jacobs categorically denied the reports.[55]

As of 1992, only five independently-owned breweries remain in Minnesota, all of which are very small in total production. The former home of Grain Belt Beer still stands, empty and abandoned, on Minneapolis' northeast side, a silent testament to one of Minnesota's most impressive brewing ventures. Through the recently-formed Minnesota Brewing Company, which purchased the former-Jacob Schmidt plant from Heileman, Grain Belt Beer is again being brewed in the state. Chances are that Grain Belt Beer will never realize the popularity it once held in Minnesota, but for many loyal Grain Belt beer drinkers, the return itself is a most welcome development.

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APPENDIX

HOW BEER IS MADE*

Beer, ales, porters and stouts are brewed. They are beverages made by fermentation of malted cereals and hops infused in a decoction of water. Hops have a definite place and provide a pleasant bitterness and precipitate the albumen that arises in the process.

Contrary to the secrecy and mystery that enshrouds brewing, the process is simple. The complexities arise in attempting to improve quality and to bring down costs, and so there are different methods that result in a variation of taste or in type of beer.

The cereals used, barley, malt, rice, corn grit, etc., are run through crushers in order to break them up. They are sometimes semi-cooked in whole or in part before they are transferred to the mash tubs. A number of types and different manufacturers' devices are used as mashers. The basic principle, however, consists of circulating pumps, agitating devices and rotating blades that cut the grain in hot water.

Water used in making beer has a definite effect on quality. It sometimes requires treatment to remove undesirable chemicals and to add certain minerals or chemicals. It must be free of bacteria . . . [and] organic matter, because fermentation depends upon the delicate yeast which will not develop in the presence of elements that are unsuitable for them.

The mixture from the mash turns after going through a filtering process goes directly to the brew kettles. Hops are added at the brew kettle. After brewing is completed . . . the hops are separated out. The resultant liquid that remains is called wort. This wort or liquid is sent through coolers to chill it properly, and then after being brought down to pre-arranged temperature is sent to the fermenters, where the brewers' yeast is added and the fermentation process is carried out. . . . The process of fermentation takes several days. The subsequent drawing off or lagering requires many days and, therefore, storage tanks of large capacities.

[After lagering, the beer is again filtered, and goes over another cooler. After this it is piped ahead to be bottled, canned or racked into kegs.]

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*Excerpted from <u>Back to Work: An Old Industry Leads the Way</u>, p. 6-8, "Grain Belt Records," (Box 19).