

# Brewing Balance

*With the opening of a new facility in Hampton, New Hampshire, Smuttynose Brewing Co. aims big while maintaining its craft character*

BY BETH LAMONTAGNE HALL

When Smuttynose Brewing Co. finished the first batch of beer in its new 40,000-square-foot state-of-the-art brewery in Hampton, New Hampshire, at the end of February, it wasn't just an inaugural run on new equipment. This batch had been nearly 10 years in the making.

Smuttynose founder and president Peter Egelston began searching for a new location in 2004 to replace the original 25,000-square-foot Portsmouth brewing facility, an inefficient, dark and cramped space tucked away in the depths of a light industrial development. Egelston's first choice was a crumbling riverside mill building in nearby Newmarket, a popular off-campus hub for college students attending the University of New Hampshire. He approached the town leaders and was welcomed with open arms—at first. Once the plans for refurbishing the building and surrounding site took shape, Egelston realized the disorganization and territorial disagreements within the town government wouldn't allow him to build the brewery as he wanted it. "It would have been extremely difficult to turn the mill buildings into what we have here," says Egelston, referring to the Hampton brewery, seven miles from the former facility.

After pulling out of Newmarket, Egelston turned back to Portsmouth, a small port city with a thriving downtown and tourism industry. Changes to local zoning and a new economic development initiative made the idea of a new facility in Portsmouth seem promising, but once plans became public, they were met with local resistance. Fearing heavier traffic and an influx of intoxicated visitors, nearby residents fought hard against the development, which included a brewery and brewpub.

"I didn't anticipate that not everyone would be as enthusiastic about the project as the people I talked to were," Egelston says. Portsmouth had seen rapid development in the past decade, which became a sore point for many

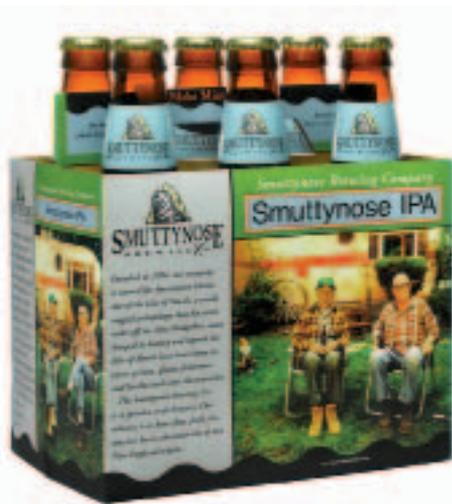
long-time residents. "Everything we were planning came to symbolize everything they hated about what their city had become," he says.

Egelston threw up his hands a second time and gave up on the Portsmouth location. It was a tough lesson in local government, but it also forced Egelston to look harder for a location that met all of the company's needs. "I feel like it was a long, expensive and painful but ultimately necessary journey to take because it led us to where we are, which is where we should have been all along," Egelston says.

## New Beginning

Shortly after the Portsmouth defeat, Smuttynose purchased a 14-acre historic farm in the seaside town of Hampton, known more for its beaches, bars and souvenir shops than for craft beer. The facility is far from the nightlife, located in a quiet neighborhood between the town's residential and industrial districts. Next to the brewery, a 19<sup>th</sup> century farmhouse is being turned into a new brewpub. The property also includes a small field that was once an apple orchard and an enormous pre-Civil War-era wooden barn, which Egelston envisions as an events venue.

Building this new home required a \$24 million investment, funded in part by a Small Business Administration loan and the New Hampshire Business Finance Authority. The facility includes new bottling and packaging equipment that will drastically cut down on packaging times, as well as a retail store where visitors can watch the bottling mechanism in action as they browse Smuttynose T-shirts and beers. The LEED-certified building utilizes LED and solar lighting. The chilling tanks, which stand tall in front of a floor-to-ceiling window that overlooks the brewery's entrance, will take heat from the beer, transfer it into the building's heating system, and use it to keep the plant and offices warm in the colder



*Smuttynose Brewing Co. offers six year-round brews, including its flagship Finestkind IPA, which accounts for 43 percent of sales.*

months. From the tanks to the truck, Smuttynose's new brewery is more efficient than the old one was every step of the way.

The new facility has become a symbol that big changes are ahead for Smuttynose. The company produced 43,000 barrels in 2013 and expects to produce 50,000 barrels this year. It has a 60,000-barrel capacity, which Egelston says the brewery will likely reach in two years. Part of that growth will come from adding its seasonal Vunderbar Pilsner to its list of five year-round beers. The company also plans to continue expanding within its existing markets and is contemplating the addition of new markets.

This production increase was already underway before Smuttynose brewed the first beer in the new brewery. Trying to convert a manufacturing operation as production demands rise has been challenging, Egelston says. "We're shipping more beer out in January on a weekly basis than we were three years ago in the middle of the summer at the height of our production cycle," he explains. "We're just really busy. It keeps our attention divided between doing the necessary planning to transition into the new facility and keeping beer going out the door in Portsmouth."

## Quality Control

Smuttynose produces six year-round beers (\$9 a six-pack of 12-ounce bottles), and its flagship, the Finestkind IPA, accounts for 43 percent of the company's beer sales. The other year-round beers are Shoals pale ale, Old Brown Dog ale, Star Island Single pale ale and Robust porter.

There are also seven seasonal and "Now & Then" beers (\$9 a six-pack or \$8 to \$11 a four-pack), including the popular Pumpkin ale. Smuttynose's Big Beer Series (\$6 a 22-ounce bottle) features 13 rotating brews, and its Short Batch Series consists of experimental 20- to 30-barrel batches that are sold to select establishments on the East Coast. Smuttynose is distributed in 23 states, as well as Washington, D.C., and Sweden, and the company has earned a number of awards, including a spot on Ratebeer.com's list of "The Top Brewers in the World" in 2013, as well as the website's honor for "Best Brewer in New Hampshire" that same year.

Smuttynose's first batch in the new facility was a smaller-run beer from the Big Beer Series in order to avoid shocking the regular drinkers of one of Smuttynose's better-known beers.



*Peter Egelston founded Smuttynose in 1994 in Portsmouth, New Hampshire. The company has recently relocated to nearby Hampton and expects to produce 50,000 barrels this year.*

"Because we're using a new brewhouse, a new centrifuge and new packaging equipment, we wanted to work some things out before we started brewing the biggest-selling beer here," Egelston says. The next step will be to slowly transition the production of other beers to the new facility, though Egelston admits the plan is still in progress.

Concern about consistency is understandable, since the move isn't just a change in venue, but a shift in the way the beer is made. The new brewhouse, manufactured by Kronen AG of Germany, is computer-run in an office on the brewery floor—a vast improvement from the old system of adjusting temperature by hand. Another downfall of the old system was loss. Roughly 20 percent of the beer was wasted during filtration, but Smuttynose has added a new centrifuge filter that will reduce loss and maintain more of the beer's inherent flavor. "The equipment we're now working with will allow the skills of our brewers to really



The new 40,000-square-foot state-of-the-art brewery in Hampton, New Hampshire, will allow for increased distribution in the coming years.

<b>SMUTTYNOSE BREWING CO. AT A GLANCE</b>	
<b>Founded</b>	1994 in Portsmouth, New Hampshire
<b>Headquarters</b>	Hampton, New Hampshire
<b>Key Executives</b>	President and co-owner Peter Egelston, partner Joanne Francis, director of brewing operations David Yarrington and head brewer Greg Blanchard
<b>Annual Volume</b>	43,000 barrels in 2013, with an increase to 50,000 barrels this year
<b>Flagship Brand</b>	Finestkind IPA, which comprises 43-percent of sales
<b>Distribution Markets</b>	23 states on the East Coast and in the upper Midwest, as well as Washington, D.C., and Sweden
<b>Website</b>	Smuttynose.com
<b>Future Plans</b>	The company will continue to expand production, with the goal of reaching 60,000 barrels in two years.

manifest themselves in the finished product,” Egelston explains. “Their abilities won’t be limited by the equipment they’re using.”

Smuttynose drinkers shouldn’t worry about the character of the beers being lost in the high-tech equipment. The new process is more efficient, produces more beer and allows for easier use of techniques like dry hopping. “It’s somewhat of a misconception that having more automated equipment somehow takes away from the brewer’s ability,” Egelston adds.

### Craft Pioneer

Egelston founded Smuttynose Brewing Co. in 1994, three years after launching Portsmouth Brewery with his sister Janet Egelston and business partners Cora Lee Drew and Mark Metzger. The group had previously founded Massachusetts’ Northampton Brewery, which opened in 1987 and is considered the oldest brewpub in New England. The Egelstons bought out their partners in 1992 and then they bought each other out in 2000, making Janet owner of Northampton and Egelston the owner of Portsmouth. Today, Portsmouth and Northampton are considered “sister breweries” to Smuttynose.

PHOTO BY ROBERT LUSSIER



*The new state-of-the-art brewing facility features upgraded equipment, such as a new centrifuge and packaging line. The computer-run system is more efficient, reduces loss and maintains consistency.*

When he unveiled Portsmouth Brewery, Egelston moved to New Hampshire, and over the years, he has arguably become the most influential brewery owner in the state. He was instrumental in loosening a number of New Hampshire's restrictive alcohol laws, including raising the 4-percent alcohol-by-volume limit on beer sold in the state. This legislation opened the market to a huge new crop of craft beers brewed both in New Hampshire and elsewhere. Even today, Egelston continues to promote new laws that make operating small breweries easier.

He sees the growth in upstart beer producers not as competition, but as an opportunity for people to taste new and different beers. "There's never been a better time to be a beer drinker," Egelston says.

Part of the challenge of this golden era of brewing is the demand to maintain a small-batch feel while making thousands of barrels a year. "We are getting bigger in the sense that we built a new facility, but at the same time we're also getting smaller because we're making more specialty brews, cask beers and wood-aged offerings," Egelston says. "We speak to consumers and retailers who are seeking out small-scale products and we work with wholesalers, but we're also speaking the language

of the big chain store buyers who need to know that the products we bring in will sell. It's been an interesting challenge to develop both sides of the business."

Advertising focuses on print and invests in corporate sponsorship of local organizations like the Portsmouth Music Hall. Smuttynose has an active presence on Facebook and Twitter, including pages for Smuttynose chapters in Boston and New York City. The staff posts regularly about new beers, info on availability, happenings at the brewery and other news. Smuttynose also features the Imperial Pint Club, which offers members discounts on Smuttynose events and merchandise, as well as the Big Beer Series subscription (\$485 for a full year) that includes selections from the series and other discounts. The Portsmouth Brewery brewpub heavily promotes Smuttynose beers as well.

In addition to hosting beer dinners, Smuttynose participates in events like Portsmouth Beer Week and the Seacoast Winter Beer Festival. The brewery sponsors the Will Run for Beer race series, which culminates in the Smuttynose 5K, and the Rockfest Half Marathon in Hampton. Egelston hopes the new brewery will allow the company to host more beer events that include music and feature food from local chefs.

Egelston believes in the importance of being a good community member. His business and staff make it a priority to give back to the Seacoast region of New Hampshire through non-profits and sponsorships. "The brewer is important to the social capital of the community," Egelston says.

## Moving Forward

As the company considers how it will grow in the coming years, Egelston is constantly thinking about ways to advance fresh ideas without disturbing those elements that Smuttynose beer drinkers find familiar and comforting. There's always the risk of getting too big and losing some of the company's character—a balance that Egelston has long struggled with, especially as he approaches the 60,000-barrel mark, above which the excise tax for small brewers increases from \$7 to \$18 a barrel. "It's a funny line of demarcation in the beer business," he says.

Although the new Smuttynose brewery configuration has a 60,000-barrel capacity, there is room to increase capacity to 120,000 barrels. Smuttynose had avoided expanding too heavily into new markets, but with the potential of the new brewery, Egelston has reconsidered this strategy. He sees opportunities in moving into a few key markets, though he's reluctant to say exactly where he's looking next.

"I've had to reassess my goals: If there's a market out there and people want to buy our beer, why not?" Egelston says. "We really need to take the lead from our customers and the wholesalers and what the market is calling for. Saying that's all we want to make has the potential of alienating the customers whose business we depend on. If they want more of our beer, who are we to say they can't have it?" 

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