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JUNE 2006

PRESIDENT'S COLUMN

It's time to fire up the grill and open up a cold one - summer is here! There is no more exciting season for the beer industry, typically accounting for almost 30% of total beer sales for the year. So far, good weather across most of the country has given brewers and retailers great optimism for a strong Fourth of July holiday, which ranks as the highest holiday period for beer sales followed closely by the Memorial Day and Labor Day weekends. As we celebrate summer and look forward to a strong and healthy third quarter, it's also an important time to redouble our efforts and encourage responsible consumption of our products so that everyone enjoys the summer months safely.



According to AAA's annual travel projections, an estimated 37.6 million Americans will travel this summer, with 84 percent of them traveling by car. As active members of our communities sharing the roadways, I urge our members to continue doing their part this summer in encouraging the use of designated drivers. Brewers helped launch and promote the concept of designated drivers, and our good work is having a positive impact. In 2004, the number of drunk driving incidents declined three percent, bringing the total down to 39 percent since 1982, according to the National Highway Transportation Safety Administration.

One way the BI has helped raise awareness of designated driver programs is through organizations such as the TEAM (Techniques for Effective Alcohol Management) Coalition. This summer, the BI and TEAM, along with its brewer members, will work together to promote responsible alcohol consumption and designated drivers at major sporting events, including the Major League All-Star Game in Pittsburgh, PA.

Whether enjoying a beer at a baseball game or at a holiday barbecue, our message is the same: we all have a role to play in ensuring that our products are enjoyed responsibly.

Enjoy a relaxing and safe summer season.

Sincerely,

Jeff Becker

NBWA / Brewers Joint Legislative Conference

Over one thousand beer industry professionals gathered in the nation's capital May 8-10 to participate in the 16th Annual NBWA / BREWERS Joint Legislative Conference.

The conference was kicked off by receptions on Monday evening. The first, sponsored by the Brewers Association, was followed by the NBWA/BREWERS Welcome Reception. Attendees at both receptions enjoyed a wide array of beers produced by the associations' members.



Left to right: Craig Purser, NBWA; Charlie Papazian, BA; Bob Maxwell, NABI; Dan Tearno, Heineken USA; Jeff Becker, BI.

During Tuesday's breakfast briefing, a series of speakers highlighted the contributions of brewers and distributors to the national economy. They also addressed some of the most pressing issues facing the malt beverage industry.

The meeting began with welcoming remarks from Phil Short, current NBWA Chair. Then, Beer Institute President Jeff Becker and newly-elected NBWA President Craig Purser presented a "Beer Is Back" talk. Purser attributed beer's comeback to the dynamic leadership of producers, importers, and distributors who collectively have made it a priority to roll out new products and develop unique and creative concepts to market them. He recognized craft and small brewers for opening consumers' eyes to hundreds of new tastes, types, and styles of beer. Additionally, Purser spoke to the need for a vigorous defense of the

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Majority Leader John Boehner

second tier, reminding the audience that distributors are a creation of the marketplace. "Distributors are a grassroots force, servicing over three quarters of a million alcohol beverage accounts. Neither brewers nor independent retailers are equipped to fill the role of beer distributors if the system as we know it were to disappear tomorrow," he said.

In his remarks, Becker highlighted beer's new-found momentum and the impact of imports and craft beer in the overall growth of the beer category. Becker said that beyond the 4.5% total industry growth reflected in the first quarter of 2006, beer has seen positive gains in unexpected states, such as Florida, South Carolina, Colorado, Nevada, New York, and even Washington, DC. Becker also addressed the need to protect the three-tier system, a key element of the long-term viability and success of the beer industry. Becker said: "The three-tier system is integral to providing quality products and services to retailers, and ultimately, to our consumers. It also promotes a healthy competition and a wide selection of brands in the marketplace, something that embodies our American spirit."



Senator George Allen

Then, Becker made a brief presentation on behalf of all of the associations present to Bob Maxwell, president of the National Association of Beverage Importers (NABI) as Maxwell will be retiring before the next Joint Legislative Conference. Becker thanked Maxwell for his service to the entire industry and presented a token of appreciation.

This was followed by Heineken USA Vice President for Corporate Affairs Dan Tearnio, who spoke on behalf of NABI. Tearnio described NABI, discussed its major activities over the past year, and highlighted how NABI, BI, and NBWA work together in representing their respective membership on critical industry policy issues. Next, Charlie Papazian, president of the Brewers Association, reviewed the positive statistics enjoyed by the craft sector and outlined the issues

that are receiving the Brewers Association's attention, including equalization.



Craig Purser

Next, Craig Purser and Jeff Becker returned to provide the key points and potential questions and answers for each of the five conference issues: the three-tier system - balancing commerce and regulation; ensuring appropriate controls for malt beverages; equivalency - not all drinks are created equal; the beer industry's commitment to responsibility; and permanent death tax relief.

In his keynote address, House Majority Leader John Boehner recognized the industry's local presence, reflecting on his family's business in Ohio. He sincerely thanked members of the beer industry for their longstanding commitment to the betterment of their communities. He also spoke of the importance of keeping the US economy on track and specifically mentioned permanent relief from the death tax. Congressman Boehner then reviewed the status of many of the nation's pressing issues, including the war in Iraq and energy costs.



Eric Jensen, WI Beer Distributors Assoc.; Lynn Walding, NCSLA; Mike Lashbrook, MI Beer & Wine Wholesalers Assoc.; Marc Carmichael (speaking), IN Beverage Alliance.

The last item on the busy Tuesday morning agenda was a panel entitled, "Embracing Reasonable Regulation." The panel was chaired by Wisconsin Beer Distributors Association Executive Director Eric Jensen, and the panelists were Indiana Beverage Alliance President Marc Carmichael, Michigan Beer and

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L to R: Rick Goddard, BI; and Mario Buenrostro, Grupo Modelo

Wine Wholesalers Association President Mike Lashbrook, and National Conference of State Liquor Administrators President Lynn Walding. Jensen, Carmichael, and Lashbrook each provided a detailed review of how, when

faced with proposed legislation that would have served to skirt the three-tier system, they were able to forge compromises that preserved the three-tier system while still being acceptable to the parties calling for direct shipping in certain scenarios. Walding presented concrete ideas from a regulator's perspective of how members of the industry can collaborate to create sound public policy with people and entities that may have previously been considered adversaries.

that the Bush tax cuts have worked to improve the economy and stated his strong support for permanent death tax relief.



Bill Young, Coors; Liz Tobin, BI; Stan Tretiak, Coors; Diane Wagner, Miller

The Conference wrapped up on Wednesday evening after a day of Hill visits. Hundreds of congressional staff and Members of Congress attended the annual event which has become a hallmark of the Conference's success. The reception provided an opportunity for brewers and distributors to interact in a less formal setting with Members of Congress and their staff.

Mark your calendars now for next year's Joint Legislative Conference – April 22-24, 2007. We hope to see you there as your participation is vital to Conference's success.



Congressional Staffers enjoying Conference Reception

The rest of Tuesday was filled with state coordination meetings, an informal luncheon, brewer meetings with their distributors, and well-attended brewer receptions hosted by Anheuser-Busch, Miller, and Coors.

After breakfast on Wednesday morning, Senator George Allen (R-VA) addressed the assembled. He complimented the beer industry on being one of the few that consists of many family businesses that are passed on to the next generation. He discussed the need for free enterprise in the US and its role in recharging the competitiveness of the country. He also expressed his belief



Art DeCelle, BI; and Terry Micek, Coors



Rick Goddard, BI; John Bressler, Rep. Kuhl (NY-29); Gary Fish, Deschutes Brewery; Brian Fitzpatrick, Rep. Kuhl.

Legal and Regulatory Update

Fifth Class Action Lawsuit Dismissed

On May 19th, the United States District Court Eastern District of Michigan dismissed with prejudice a class action lawsuit filed against the Beer Institute and individual brewers and distillers. The dismissal marks the fifth separate occasion on which a state or federal court has found that cases attacking alcohol advertising are completely without merit. In her decision, District Court Judge Marianne O. Battani writes, “not once in the almost seventy-four page Complaint does Plaintiff set forth facts in support of her claim which would entitle her to relief against a single defendant. ... Without factual allegations the Complaint is nothing more than a diatribe against the advertising practices of the alcohol industry as a whole.” The court once again confirmed that regulation of alcohol advertising and marketing is a matter of legislative and regulatory bodies, not courts. Other cases filed by the same national law firm have previously been dismissed in Colorado, Ohio, Wisconsin, and the District of Columbia. Motions to dismiss are pending in similar cases in West Virginia and North Carolina. Similar cases against one or two brewers were also dismissed were also dismissed in California and Oregon.

FTC Advertising Study

The Federal Trade Commission (FTC) recently published a notice in the Federal Register indicating that later in 2006, the agency would collect information from members of the alcohol beverage industry on advertising practices. The notice invited public comment on the FTC’s plan to request information on the following topics:

- Sales data
- Advertising and promotional expenditures in measured and non-measured media
- Product placement standards
- Third party review processes to address complaints concerning compliance with voluntary industry advertising codes

The FTC has conducted two similar information-gathering efforts in 1999 and 2003. The FTC has also investigated a number of specific alcohol advertising complaints in recent years. In all cases, industry members have cooperated with these government inquiries.

Communications Update

CASA Study on Illegal Underage Drinking

In May, the Beer Institute responded to a report by the National Center on Addiction and Substance Abuse at Columbia University (CASA) attempting to quantify money spent on underage drinking and calling for increased federal regulation of alcohol advertising. A statement from President Jeff Becker reinforcing brewers’ commitment to fight illegal underage drinking and highlighting significant flaws in the research methodology used in the report was included in stories that appeared in the *North Jersey Bergen Record* and the *Washington Times*. Additionally, Becker explained that the CASA study contained no new data, and by its own admission, the study had “several limitations” and “several assumptions” in the research.

Attorneys General and Alcohol Advertising

Also in May, the Beer Institute commented on the National Association of Attorneys General Youth

Access to Alcohol Committee’s response to a recent Federal Register notice from the Federal Trade Commission (FTC) regarding the ongoing review of alcohol advertising practices. In response to media inquiries from *Advertising Age*, *Marketwatch*, *TV Week*, and the *North Jersey Bergen Record*, Jeff Becker provided a statement highlighting brewers’ long history of working closely with Attorneys General and other government officials to address underage drinking.

Jeff Becker Appearance on CNBC

On May 26, Jeff Becker made an appearance on CNBC’s “Street Signs” program with Erin Burnett. Becker discussed the current economic outlook of the beer industry and consumption during the Memorial Day weekend. The segment highlighted numerous positive trends within the industry including the success of imports, crafts, and light beer as well as the strong response of consumers to different brands and innovative styles.

Legislative Update



Jeff Becker, BI; Rep. Paul Gillmor; Rick Goddard, BI

A key component of the Beer Institute's governmental affairs outreach is to maintain steady communication with policymakers and legislative staff on Capitol Hill. As part of this effort, the Beer Institute hosted the first in a series of Meet & Greet events featuring Deputy Majority Whip Paul E. Gillmor (R-OH) on June 15th. These events are designed as networking gatherings during which industry members and allies can discuss public policy, such as the beer excise tax rollback and labeling issues, with elected officials.

The Beer Institute's efforts have successfully attracted new co-sponsors to the Beer Excise Tax Rollback bills in the House and Senate. There are now nearly 200 members in the House co-sponsoring H.R. 1306, and a record-setting 13 members in the Senate supporting S. 722. These numbers surpass the total cosponsors in the 108th Congress. The Beer Institute continues to pursue cosponsors to H.R. 1306 as the second half of the legislative session comes to an end.

Annual Meeting Schedule

The 2006 Annual Meeting is just around the corner!

**July 30th – August 1st 2006
Vail Cascade Resort and Spa
Vail, Colorado**

The meeting kicks off with a Welcome Reception on Sunday evening and is followed by two days of informative briefing sessions, meetings, and receptions. Don't miss the opportunity to meet with fellow Beer Institute members at this annual get together.

Sunday, July 30, 2006

7:00-8:00 a.m.	Registration/Breakfast for Golfers Only
8:15 a.m.	Bus Departs for Golf Outing
10:00 a.m.	Golf Outing, Eagle Ranch Golf Club <i>An Arnold Palmer Course in the Brush Creek Valley</i>
2:00 – 5:30 p.m.	Registration Open for all Attendees
5:30 – 7:30 p.m.	Welcoming Reception

Monday, July 31, 2006

9:00 a.m.	Registration Open for all Attendees
12:00 Noon	Buffet Luncheon
1:15 – 4:00 p.m.	Annual Membership Meeting
5:00 p.m.	Transportation to Dinner Reception at Blue Moon Restaurant
8:45 p.m.	Return to Hotel

Tuesday, August 1, 2006

7:30 a.m.	Buffet Breakfast
9:00 a.m.	Public Affairs Conference
12:00 noon	Annual Meeting Adjourned
12:00 noon	Buffet Lunch

*** Event times are subject to change!*