

## Chairman's Letter

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2004 - 2005 Chairman, Beer Institute  
President and CEO, Miller Brewing Company



As I begin my first full year as Chairman of Beer Institute, we have a lot of new items to look forward to this year. A newly elected Congress is beginning its work; President Bush is starting a new administration; and the Beer Institute is making important changes in its structure to better serve its members.

One thing that remains the same, however, is the tremendous economic impact the brewers and beer wholesalers of America contribute to every state in this nation. Recently, the Beer Institute and the National Beer Wholesalers Association released an updated economic study that details the breadth and depth of this impact, which totals more than \$162 billion nationwide.

We measure our industry's impact in jobs, wages, and taxes paid, and since 2002, we have seen growth in all of these categories. The number of jobs directly or indirectly associated with our industry grew from approximately 1.7 million to 1.8 million. Wages increased from \$47.4 billion to \$54.0 billion. And consumption taxes paid have gone from \$8.7 billion to \$9.2 billion.

America's brewers and beer wholesalers remain committed to America's economic growth. Unlike most liquor companies, the impact of our industry is felt right here at home, not overseas. That is why our report is able to detail significant impact numbers in every state.

So while Americans continue to enjoy our products, we hope they understand that many of their friends, neighbors and even family members are proud to be part of this dynamic and growing industry.

Today, the beer industry makes significant contributions that go beyond just innovation and the economic impact of jobs, wages and taxes. As parents, neighbors and friends, we are committed to improving our communities and promoting the safe, responsible and legal use of our products. Some of the ways we do that are through alcohol awareness efforts, recycling programs, and countless examples of corporate philanthropy. Our many wholesalers have a presence in nearly every locality in the U.S. and are active community leaders. The same is true of the retailers who sell beer to consumers.

Most importantly, the beer industry understands the important role it plays in making a product for adults. Responsibility programs are a critical focus for the beer industry and include efforts to prevent all forms of alcohol abuse, including

## Beer Industry Makes Significant Contribution to U.S. Economy

America's beer industry contributes more than \$162 billion to the U.S. economy, according to a new report released this month by the Beer Institute and the National Beer Wholesalers Association (NBWA).

"We are proud to be an important part of the U.S. economy," said Beer Institute president Jeff Becker. "Our industry touches nearly every community across the country, from farmers to retailers to manufacturers."

According to the study, the industry employs about 1.8 million Americans directly and indirectly, paying them more than \$54 billion in wages and benefits. These employees include not only those who make and distribute the industry's products, but those who provide the raw materials, those who manufacture equipment and containers, those who ship across the country, and those who sell to the public. The result is an economic ripple effect that impacts communities in every state in the nation.

The industry also pays more than \$30 billion in personal, consumption and excise taxes to the federal, state and local governments. Excise taxes represent about \$5 billion of that total. The industry has been working to roll back a portion of that excise tax, which was doubled in 1990. A roll back of the federal excise tax would likely increase total jobs in the industry and result in even a greater contribution to the overall economy.

Nevertheless, the industry's contributions continue to grow in every category. Since the last study was done in 2002, for example, the total direct and indirect employees has grown by more than 100,000 workers.

While the economic impact of the industry is significant, brewers and wholesalers are also committed to ensuring the responsible use of their products and to improving local communities. After all, beer industry employees have their own families and are members of their own communities. The industry continues to lead efforts to encourage the legal, safe and responsible consumption of beer by sponsoring and supporting many programs that help prevent illegal underage drinking and drunk driving. In addition, employees are encouraged to take active roles as civic and community leaders.

For more information visit: <http://www.beerservesamerica.org>

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# External Affairs UPDATE

## Beer Institute Receives Award

On October 21, 2004 at the Washington Regional Alcohol Program's (WRAP) annual meeting, Jeff Becker accepted a WRAPPY Award for Corporate Sponsorship on behalf of the Beer Institute. WRAP is a public-private partnership with a 22-year history working to prevent drunk driving and underage drinking in the Washington-Metropolitan Area. WRAP is credited with helping to keep the Metro area's alcohol-related traffic deaths consistently lower than the national average. Through sponsorships by Beer Institute and other organizations, WRAP can offer programs like Safe Teen Season, the GEICO Student Awards, Moment of Silence, *SoberRide*, and more. Programs like *SoberRide* keep Washington area drivers safe; since 1993, *SoberRide* has provided almost 30,000 no-cost rides home to would-be drunk drivers. During the December 2004 holiday season alone, WRAP provided 2,723 safe rides home to residents of the Washington-Metropolitan Area.

## TEAM Announces Designated Driver Numbers

The Techniques for Effective Alcohol Management (TEAM) Coalition announced that 160,000 people signed up to be designated drivers at Major League Baseball games between the All-Star break and the end of the regular season as part of the Responsibility Has Its Rewards (RHIR) program. Two winning designated drivers were rewarded with tickets to a World Series game and one winning designated driver will be sent to this year's MLB All-Star game in Detroit, MI. The ballclub with the most designated drivers signing up for the program was the Milwaukee Brewers. TEAM also coordinated the RHIR program with the NFL, for the second consecutive season. Over 80,000 fans pledged to be designated drivers at NFL stadiums throughout the 2004/05 season. Two winning designated drivers enjoyed the Super Bowl in Jacksonville, and a third traveled to the Pro Bowl in Honolulu.

## In the News

Richard Bell has recently retired as President and CEO of Riceland Foods, Inc. Karl D. Kennedy is the new President and CEO. Riceland provides marketing services for rice, soybeans and wheat grown by its 9,000 farmer-members. Riceland is the world's largest miller and marketer of rice and a major Mid-South soybean processor. Riceland also holds a seat as one of the ex-officio representatives to the Beer Institute Board of Directors.

## ICCPUD Report

The interim report of the Interagency Coordinating Committee on the Prevention of Underage Drinking (ICCPUD) was released to Congress on January 5. The substantive portion of the report was a draft plan for various federal agencies to better coordinate activities and grant programs to reduce underage drinking. A lengthy compendium of all existing programs related to underage drinking prevention or treatment was also included.

## Buckle Up America Press Conference

On December 15, 2004, the National Beer Wholesalers Association and Beer Institute unveiled an unprecedented new public safety campaign sponsored by the U.S. beer industry. At the behest of the National Highway Traffic Safety Administration (NHTSA), beer distributors and brewers teamed up to develop a new highway safety campaign encouraging Americans to "buckle up" and drive safely. Through this campaign, beer delivery vehicles will proudly display bumper stickers urging Americans to wear their seat belts. Tens of thousands of bumper stickers have already been distributed throughout the country with more on the way. According to NHTSA, a safety restraint, such as a lap belt, lap/shoulder belt, child safety seat, etc., was not used in 56% of the highway fatalities in 2003. Speakers at the press conference were NBWA President David Rehr, Beer Institute President Jeff Becker, Representative Jack Quinn (R-NY, who retired when the 109th Congress began in January), and Betty Buck, President of Buck Distributors and a member of the NBWA board. "America's brewers have demonstrated a tremendous commitment to highway safety through designated driver programs and other initiatives, and we're pleased to be further extending our efforts to encourage safe, responsible behavior on the roads," said Jeff Becker. "From now on when you see a beer delivery vehicle, you'll also see an important reminder – that drivers and their passengers should buckle up for safety." Beer Institute member companies and their employees are encouraged to display the bumper stickers on their company and personal cars. If you would like Buckle Up America bumper stickers, please contact Liz Tobin.

From left to right: Rep. Jack Quinn, Jeff Becker, David Rehr, and Betty Buck



## Member PROFILE



International Malting Company - United States/Canada

*International Malting Company-US, formerly Froedtert Malt, is an original member of the Beer Institute, joining the association when it was established in 1986.*

The history of the company goes back to the end of the 19th century when William and Jacob Froedtert, two brothers, started a brewery with an adjacent malthouse in Milwaukee, Wisconsin. Froedtert Malt is now named International Malting Company - US to better reflect the global resources of the company. IMC-US operates three domestic plants in Milwaukee, Winona (MN), and Chicago (IL) and produces 30.5 million bushels of malt per year. In 2003, the construction of a state-of-the-art new unit started in Great Falls, Montana, and the unit will be operational in June of this year, bringing the total annual production of IMC- US to 42.5 MBu's.

"Our organization continues, as it has been for numerous years, to build and develop a real partnership with its customers and all the actors of the supply chain" said Dale West, COO of IMC-US and President of IMC Canada. "The brewing and malting industries have been going through a great deal of changes and IMC has been able to adapt to these changes, keeping in mind that customer satisfaction is the most important aspect of a business" he declared. "We are not only a malt supplier. We strive to deliver not only the highest quality malt products, but also outstanding service and technical support to better serve our partners' interests. IMC's technical, barley and malt experts are a fantastic asset in that matter. The new unit under construction in Great Falls shows the company's commitment to this industry and will help us to serve our customers/suppliers relationships even better".

The IMC Group is jointly owned by Lesaffre and ADM, two agri-businesses, and is the 5th ranked malt producer worldwide. In addition to North America, production units are located in France, Canada, Australia, and New Zealand for a total worldwide production of 62.5 million bushels (end 2005).



## Legal and Regulatory UPDATE

### New Dietary Guidelines Released

HHS and USDA released the 2005 dietary guidelines on January 12. Much of the Alcoholic Beverages chapter is consistent with the 2000 guidelines, and these guidelines will remain in effect until 2010. Following are highlights from the chapter. Access the chapter here:

<http://www.health.gov/dietaryguidelines/dga2005/document/pdf/Chapter9.pdf>

and the full guidelines here:

<http://www.health.gov/dietaryguidelines/dga2005/document/pdf/DGA2005.pdf>

- The Departments repudiated the idea that there is a "standard drink" and instead used "example servings" for the purposes of discussing moderation.
- At Beer Institute's request, light beer was included in the table of calories in selected beverages, which provides consumers with the calorie content of different alcohol beverages.
- The guidelines acknowledge that drinks containing hard liquor mixed with soft drinks, fruit juices, cream, and other beverages increases the calories.
- That chart also compares the calories in one ounce of beer, wine, and hard liquor, demonstrating the significant differences among the beverage categories with 9 calories in one ounce of light beer and 64 calories in one ounce of gin, rum, vodka, and other liquors.

### State Responses to Federal Malt Beverage Standard

The Beer Institute anticipates that several states will be taking legislative or administrative action to clarify their laws as a result of the January 2005 federal decision to adopt a new standard for malt beverages. The so-called "51-49% standard" was adopted by the Alcohol and Tobacco Tax and Trade Bureau (TTB) after a lengthy rulemaking process. A hearing was held in Lincoln, Nebraska on February 7th to discuss legislation in that state. Brewers submitted proposed revisions to the definition of beer and malt beverages that would permit the sale of flavored malt beverages. Representatives of the Beer Institute have been meeting with other industry colleagues to present a unified industry position in any future legislative or regulatory proceeding.

### Class Action Lawsuit Update

Briefing and procedural actions continue on the four lawsuits pending against the Beer Institute and a number of brewers and distillers in Ohio, Colorado, North Carolina, and the District of Columbia. New suits have been filed in Wisconsin and New York. A similar lawsuit filed against two brewers in the state of California was dismissed by a Los Angeles trial court in late January. An appeal in that case is possible. Please contact Beer Institute General Counsel Art DeCelle if you have any questions or concerns on these matters.

### Beer Institute President Addresses Attorneys General Task Force

On January 24th, Beer Institute President Jeff Becker addressed the first meeting of the Youth Access to Alcohol Task Force established by the National Association of Attorneys General (NAAG). Becker stressed the industry's longstanding commitment to a variety of programs to address illegal underage drinking. As the top law enforcement officers in each state, attorneys general are natural allies in efforts to improve voluntary compliance with the law and to effectively enforce laws intended to prevent sales to persons under 21 and to prohibit adults above the legal drinking age from providing alcohol beverages to those under the legal drinking age. Brewers and state officials have worked together for decades, and the NAAG task force is an important opportunity to further those efforts.

# State of the Industry

Preliminary data for 2004 show the Malt Beverage Industry took modest steps to recover. Overall, the industry's total production grew 0.6% with the major segments of Domestic Production and Imports showing mild growth for the entire year. As seen in the table below, Domestic Production of malt beverages ended the year up 0.5% by adding approximately 900,000 barrels. Quarter-to-quarter detail shows Domestic Production grew in the first and second quarters of the year but turned down in third and fourth quarters. A similar story plays out for Imports, where strong gains in the second and third quarter were lost to a significant drop off at the end of the year. Overall, Imports ended the year over 330,000 barrels higher than last year. The industry's third major category, Exports, showed positive growth for the first time in over five years registering a 2.4% increase in volume over 2003.

## Malt Beverage Production 2004 (31 gallon barrels)

Segment	Percent change from same period in 2003					Total Volume
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	
Domestic Production	1.0%	2.2%	-0.4%	-0.7%	0.5%	180,950,000
Imports	2.0%	4.6%	4.2%	-5.7%	1.4%	23,849,825
Exports	-3.9%	11.0%	3.4%	-1.0%	2.4%	3,747,418
Domestic NA	-8.4%	-6.7%	-8.2%	-5.3%	-20.6%	1,172,170
Import NA	-1.0%	7.9%	13.6%	-6.7%	1.6%	148,574
Export NA	-10.8%	-44.3%	-34.4%	2.6%	2.6%	66,487
Industry Total	0.9%	2.5%	0.1%	-1.4%	0.6%	209,934,474

Measuring malt beverage consumption in 2004 on a state-by-state basis reveals an increase of 0.6% or 1.2 million barrels in total volume. Despite this absolute increase in consumption, the US population grew at a slightly faster rate of 1%. The net result is a drop in per capita consumption from 21.6 gallons in 2003 to 21.5 gallons in 2004.

# 2004

# State of the Industry Continued

## Malt Beverage Consumption 2004 (31 Gallon Barrels)

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total Year	Per Capita Consumption
2003	46,196,858	54,377,366	54,340,417	47,671,375	202,586,016	21.6
2004	46,576,066	55,460,050	54,530,428	47,260,514	203,827,058	21.5
% Change	0.8%	2.0%	0.3%	-0.9%	0.6%	

Across the country, 36 states registered increases in consumption in 2004 compared to only 25 states in 2003. Among the states with above average growth rates, Alaska, Delaware, Kentucky, Nevada, Florida, and Arizona all posted over 3.5% growth in 2004. In addition to strong percentage growth trends, several states added over 100,000 barrels in total volume including North Carolina, Georgia, Tennessee, New York, and South Carolina.

The industry will continue to face many of the same market challenges in 2005 as it did in 2004. Overall industry performance is not expected to be different in 2005 compared to 2004. Competition from the hard liquor industry encouraging new and existing beer drinkers to try hard liquor will continue in 2005 with increased advertising and new product rollouts. An aging baby boom generation will also continue their move towards the wine category encouraged in part by increased supply from domestic and foreign sources and an overall flat pricing environment.

Against these challenges, the Malt Beverage Industry has the opportunity to hold the line against the competition with its own new and innovative product rollouts, innovations in packaging, and continued market presence through traditional advertising. Measured in terms of total volume or total sales, beer will continue to be America's beverage of choice and moderation within the alcohol beverage segment.

# 2004

# Daniel Bradford

## – A True Beer Advocate

It is impossible to discuss the growth of brewers in America over the past 20 years and not mention Daniel Bradford. Since the early 1980's, Mr. Bradford has reported on, advocated for and helped unite the diverse members of this industry.

Interestingly, Bradford started out pursuing a career as a professor of history. While this career track was short lived, it was his love of teaching and the process of analysis that launched him into working on behalf of brewers and the industry.

Bradford entered the beer world in 1982 as marketing director for the Association of Brewers. He quickly made his mark by helping start and run the Great American Beer Festival and by managing conferences for craft brewers. Serving as director of the Festival for most of the '80s, his passion early on was to publicize and celebrate the diversity of beer and the many styles of the craft practiced by brewers of all sizes.

This was highlighted with the adoption of the Professional Panel Blind Tasting at the Festival in the late 1980s. The blind tasting format provided a way to both demonstrate the quality and diversity of beer as well as recognize excellence in brewing at every level of the broader industry.

In 1993, Bradford switched gears and took the helm of "All About Beer" magazine. He grew the

magazine from a small, narrowly-focused publication into a strong and active consumer-based circular that provides information and education to beer aficionados and the general public. His articles have been published in every beer periodical, and the magazine is distributed in at least 41 countries.

His expertise on everything beer-related, including a clear track record of advocacy on behalf of small brewers, led to the offer to run the Brewers Association of America in 1999. For the next several years, Bradford restructured the association, implementing a strong committee system and building closer relationships with other major beer associations, including Beer Institute and National Beer Wholesalers Association.

Under Bradford's leadership, the small craft brewers began to take a more active role with state and federal policy issues. The association also expanded its services in helping small breweries better run their businesses.

His biggest contribution, however, is his success in unifying the small brewers into one strong voice. Bradford spent a great deal of time as the head of the association visiting and learning from its members. All told, he visited more than 400 small brewers.

When BAA merged with the Association of Brewers, Bradford took the opportunity to return to his magazine. Today, he is back home doing what he does best – telling the world about beer. The entire beer industry salutes his contributions and wishes him well in his latest endeavors.



## Chairman's Letter

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illegal underage drinking, campus alcohol abuse, and drunk driving.

We are doing the right things, and it is incumbent on us to tell our story loudly, because if we do not, than it will fall to our critics and competitors to define us.

So how do we do this?

First, we need to be united in our commitment to our story. We need to understand our mission and be ready to act proactively. This year, Beer Institute is re-launching the Beer Serves America campaign.

The economic impact study we just released is the first phase of this effort, but it is only one third of the story. Our community service and responsibility programs represent the other two-thirds. As a whole, Beer Serves America contains all the key message points we need to proactively tell our story and reactively defend our industry.

Second, we need to tell this story over and over and over again to everyone who matters. For example, each of you has a major presence in a state and district with a Senator and Member of Congress. How many times have you visited their offices in the last year? How many times have you told them how many jobs you are responsible for or how much you pay in taxes?

Our senior executives often go to Washington to see policymakers, and you will, too, during the NBWA/BREWERS Joint Legislative Conference this April; but you also need to bring the policymakers to see you, to see your employees and to see the good works you are doing in their districts, cities and towns.

Third, we need to recognize the value of our association. The Beer Institute is a voice for the industry as a whole. The economic impact study is just one of the many ways we are working to tell the beer story.

As our critics have grown louder, the Beer Institute has worked to expose the biases in their

studies and the true advocacy motives behind their work. The work of the Beer Institute helps balance the news coverage, helps keep level the regulatory and legislative playing fields, and provides our allies with the clear facts to ensure our industry is defined accurately.

Fourth, we should be working to increase unity with other brewers who aren't members of our association. The craft brewing industry has grown tremendously in the past decade or so. We should embrace this growth and recognize that we are all members of a great industry and as such we must stand together.

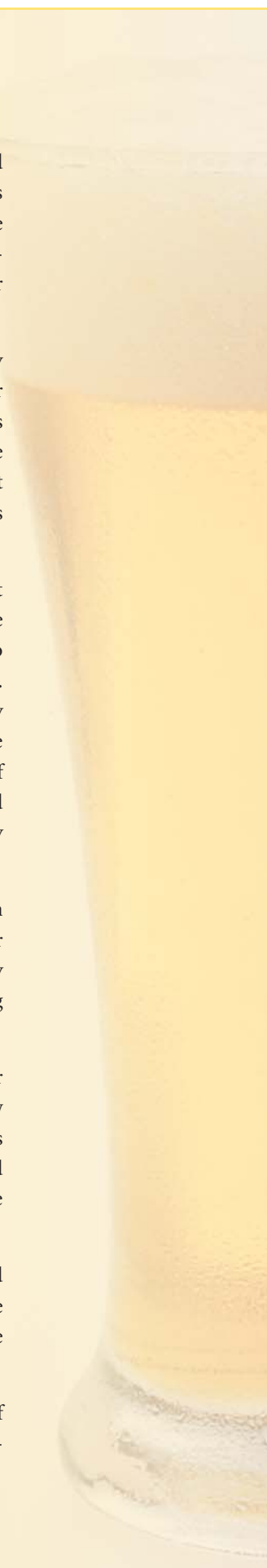
Finally, we cannot overlook one of the most important allies for our industry: retailers. We need to recommit ourselves to a renewed effort to strengthen and solidify those relationships. Retailers are the front line for our industry. Many of the policies that affect how our products are sold reside with our retailers. They are the face of our industry to the individual consumer. And their decisions are critical to our success in policy forums and the marketplace.

Hard liquor companies are more aggressive than ever in seeking to wed themselves to our retailer friends at the federal and state level. But any objective analysis makes clear that beer has long been a profitable product for the smart retailer.

And policies that distinguish beer from liquor make sense. We can't expect retailers to know how much better a value proposition for them beer is if we do not tell them so, and we cannot depend on the fact that we told them yesterday, because today is a brand new day.

In the year ahead, I believe a strong, unified and vocal industry will not only meet and overcome our challenges, but also collectively create the environment to allow our industry to grow.

The key, as always, starts with the commitment of Beer Institute members and the rest of our colleagues in the industry.



## Leo Kiely Honored



Leo Kiely, President and CEO of Coors Brewing Company, was recognized as Business Person of the Year for 2004 by the Rocky Mountain News. According to Rob Reuteman, business editor for the newspaper, Leo was chosen for his leadership in the greater Denver area, noting lightheartedly that “Leo is the business person who has had the most impact on the local business community this year. And, besides that, we all really like him.”

Leo was honored to receive the recognition and felt that it was a reflection of what a great company Coors Brewing Company is and the bright future ahead.

The Rocky Mountain News Business Person of the Year is selected through a nomination and voting process among the newspaper’s business editors and reporters.

# SAVE THE DATES:

## NBWA/BREWERS Joint Legislative Conference

April 10-13

Hyatt Regency Washington on Capitol Hill  
– Register Soon!

## Annual Meeting

August 7-9

Pfister Hotel – Milwaukee, Wisconsin  
– More Information Soon

