



BI Update

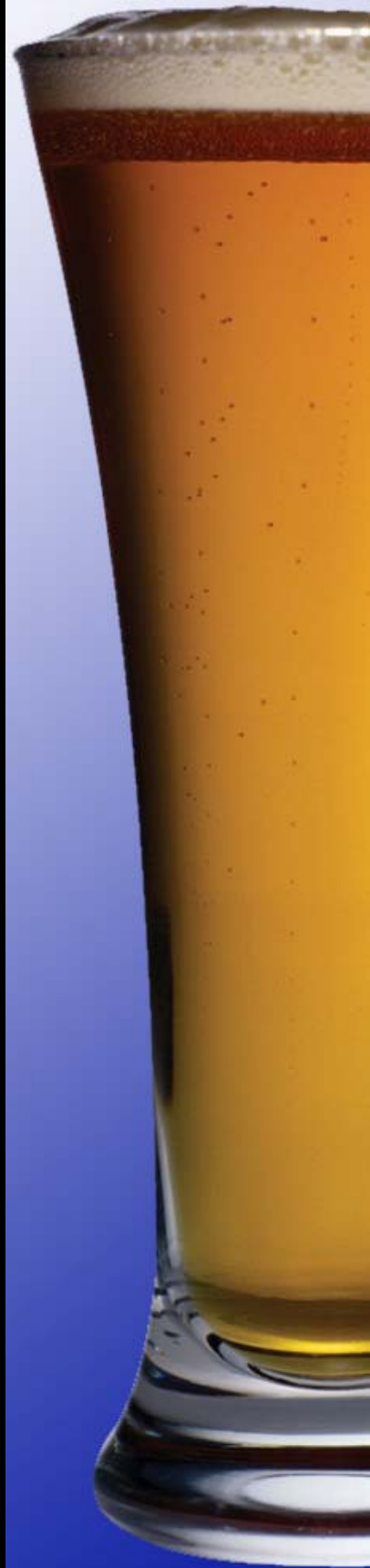
December 2008

“... that dawn which I see in the sky is not the rising of the sun, although it may go before it ... Future things, therefore, are not as yet; and if they are not as yet, they are not. And if they are not, they cannot be seen at all; but they can be foretold from things present which now are, and are seen.”

This quote from a great philosopher of the 5th Century is a reminder change is constant and the issues and challenges of today must be instructed by our knowledge of the past and guided by our imagination so that we can move forward with confidence.

At our annual meeting in August, the Beer Institute was at the intersection of two evolving mosaics, the global beer industry and the American political landscape. Four months later, both works are still in progress. We now know the main characters, but we are just beginning to discern the complexities of the tasks they have undertaken. In the same period, we have also witnessed one of the most tumultuous periods in economic history. What was widely viewed earlier this year as a bump in an otherwise strong business cycle has now supplanted all other challenges articulated by President-elect Obama and others who ran for office last fall. Those challenges came into sharper focus at a pivotal time for members of the Beer Institute. The formation of Anheuser-Busch InBev was pending and the MillerCoors joint venture was two months old when the recession indicators became all-too apparent. Some brewer executives can share their experiences with our new President as he navigates newly formed organizations in the economic trough in which we find ourselves.

Leaders of the Beer Institute's largest members have all made extraordinarily difficult decisions within their respective companies in the fourth quarter, and we have bid a grateful farewell to numerous colleagues and friends who have contributed to our success over the years. With the consolidation of 2008, brewers in the United States have followed the lead of many other industries, achieving a truly international presence. Traditional functions of the Beer Institute will be examined and refined in the coming months to reflect the new structure of our industry, and we have no time to waste.



In Washington, just the interim measures undertaken by Congress and the Bush Administration since September are unprecedented in terms of involving government in the private sector. In addition to increasing our tab as the world's largest debtor by borrowing \$1 trillion, the federal government is now the largest shareholder and lender in major sectors of the U.S. economy. Decisions of many corporate leaders will now be subject to constant scrutiny in the political process. Simultaneously, new layers of government regulation are likely to be imposed. The staggering cost of government commitments already made or pending will be borne for generations and individual demands for government assistance continue to grow. Several major federal programs also require matching funds from states placing pressure on excise taxes, sales taxes, and other traditional sources of state revenue.

Brewers entered the fourth quarter of 2008 as one of the most highly taxed and regulated industries in the United States. One of our initial challenges in 2009 is educating lawmakers and agency officials of that fact. Beyond the fundamental issues of taxation and regulation, we will have to be vigilant as issues arise in the months ahead as "change" takes hold in Washington and state capitals throughout the nation.

