Beer Institute

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FROM THE PRESIDENT

I have to admit, it’s a fun job to get out on the road, meet new people and talk up the virtues of beer. We have more than just a great product – we have a great industry, and we have a great story to tell. Our companies contribute significantly to economies at the national, state and local levels, generating $224 billion annually in economic impact. Directly and indirectly, we employ 1.8 million Americans. And beer has a special place in American culture, enhancing our national identity while helping big cities and small towns alike identify their own.

But we have a great deal of work ahead of us to deal with the challenges facing our industry. Election-year debate over the national debt and the poor economy has left room for little else in Washington, DC, with the exception of the threat of an increase in beer taxes. And we continue to see a rise in the acceptance of the dangerous myth that “a drink is a drink.” This so-called “equalization” argument ignores the reality of how people drink hard liquor, and how beer is served. Yet more and more agencies at state and federal levels are adopting this language.

However, you can be assured that whatever the challenge, the BI professional staff is working hard every day on behalf of brewers, importers and our supply-chain partners. To bolster that voice, this year, we welcomed aboard our Vice President of Communications, Chris Thorne, a seasoned veteran of Capitol Hill and a former reporter, who will lead the BI’s strategic communications initiative to tell beer’s positive story to policymakers, the public, media and the rest of the alcohol beverage industry.

Chris will also help lead the effort to advance our strategic effort to strengthen beer’s positive story among influential political leaders and general consumers by articulating the unique characteristics and qualities of our product. This concept is central to our efforts to engage lawmakers, regulators and those whose decisions impact the environment in which our businesses operate on a daily basis.

A couple pillars of beer’s brand — the fact that it is the preferred alcohol beverage of Americans, as well as an economic driver in communities across the country — were on full display in the BI’s first-ever study on total annual beer retail sales. Despite a still-struggling economy, 2011 saw a 2 percent increase in retail sales over 2010, surpassing $98 billion in retail revenue. The data, compiled by Lester Jones, our chief economist, was the focus of a media push earlier this year, which drew positive stories in both mainstream and trade press. Led by restaurant sales in the on-premise category, and convenience stores in the off-premise category, the growth in retail sales highlighted beer’s strength within the alcohol beverage sector. While many of our core consumers are still impacted by a slow economic recovery, the bump in sales gives us reason for optimism.

As we look forward to the rest of 2012 and beyond, we know these challenges — taxes, regulatory changes and the economy — aren’t going anywhere. But in this situation, the best defense is a good offense in the form of a consistent, persistent and effective strategy. I look forward to talking to all of you, over a beer, about what we have in store for the future.

Cheers,

Joe McClain
As I conclude my term as Chairman of the Beer Institute, one of the most encouraging developments I see in our industry is the level of cooperation and consensus toward public policy, regulation and the general reputation of beer. While our individual companies are all fierce competitors in the marketplace, the Beer Institute serves a crucial purpose as the vehicle by which we can work together on our common goals — whether that is preventing an increase in the federal excise tax on beer or demonstrating our industry’s leadership on responsibility and sustainability.

During my tenure as Chairman, I have been particularly proud of our efforts to strengthen the BI’s capability to take on new tasks for the industry.

We launched a major initiative, “Brand Beer,” to re-establish beer’s rightful advantage over hard liquor because of its lower alcohol by volume. Ninety percent of all beer sold in the U.S. has a weighted average ABV of 4.6 percent, which is a far cry from 80-proof or stronger hard liquor. Our message to policymakers, regulators and consumers is simple because it’s a fact: hard liquor and beer are very different, and they should be treated accordingly. By re-framing the issues and arguments around beer, brewing and importing, Brand Beer will help us meet our regulatory, legislative and reputation objectives.

We’ve also welcomed new additions to BI, the most recent being Chris Thorne as VP of Communications. A Capitol Hill communications veteran, Thorne will be integral to shaping and managing our new campaign and will lead the BI’s overall communications strategy directed at policymakers, the alcohol beverage industry, the media and other stakeholders.

We’ve undertaken a major effort to prevent an increase in excise taxes. Many Americans don’t know that taxes are the most expensive ingredient in their beer. Forty-five cents of every dollar spent by consumers on beer in 2010 went toward taxes, according to BI calculations. Part of the Beer Institute’s mission is to tell the story of how brewers and importers not only produce a great product in beer — one of life’s simple pleasures — but also support jobs in our communities, responsibly advertise and market beer, and yes, pay more than our fair share in taxes.

This spring, the BI organized its second Brewers’ Day fly-in to Capitol Hill, where we reminded Members of Congress that beer is a job-creating industry that pays a significant amount of taxes. Our signature initiative on this front is the Brewers Excise and Economic Relief (BEER) Act, which would roll back the federal excise tax.

This is precisely the kind of work that BI was made to do, and for which I am gratified to see accomplished in my time as Chairman. There are many other challenges ahead of our industry, but I strongly believe the BI is well poised to address these issues and meet the industry’s goals.

It has been my special honor to have served each of you as Chairman of the Beer Institute. It is a job I revered, because of the hard-working, smart and creative people in this industry. I will miss you all. And as you tend to your day-to-day business, I’d ask that you keep in mind the special role that the Beer Institute fulfills — as guardian, as guide and as advocate. We are fortunate to have such a powerful resource working on our behalf.

All the best,

Dave Peacock
OUR MESSAGE: 
BEER IS THE RIGHT CHOICE

Over the last year, Beer Institute’s Board of Directors and President Joe McClain have assembled the resources to put our industry in a more aggressive posture — which we will all need as the pressure builds in Washington, D.C., to deal with deficit spending. As we know from history, debate over the national debt puts all industries, including our own, at grave risk for increased taxes.

The BI is building a “foundation” for re-framing the debate in Washington, D.C., and elsewhere, by communicating what makes beer special — not just as a beverage, but as an industry. When lawmakers consider policies that impact brewers and importers, for example, we want them to consider the 1.8 million jobs our industry directly and indirectly supports. When they consider raising taxes, we will remind them of the $44 billion in business personal and consumption taxes our industry contributes to governments at the federal, state and local levels. We will educate consumers on the fact that taxes are the most expensive ingredient in their beer — as much as 45 percent of consumer cost, in the most-recently available data.

Our new Vice President of Communications, Chris Thorne, whose 20 years of experience as a newsman and a Capitol Hill media strategist, is leading the effort to create the narrative of our industry. When we face so many challenges — from a sluggish economy to a pending tax fight to the alarming adoption of the “equalization” myth — we cannot let a day go by without taking the initiative to promote the right story about beer to the press, to the public, and to policymakers.

You will see in this report and over the course of our annual meeting how the BI is reframing the debate over beer in Washington, DC, from new insight on public opinion to revitalized efforts to promote beer.
2011 Brings Retail Resurgence

This year, the Beer Institute embarked on an ambitious new project — compiling the total retail sales data from the previous calendar year. Chief Economist Lester Jones pored over the data and we were pleased to see that once the numbers were crunched, the total retail sales in 2011 approached $99 billion and surpassed the 2010 sales by 2 percent.

The data was divided up into two categories — on-premise and off-premise. Sales in restaurants led the on-premise category earning $24.24 billion, representing 24 percent of the on-premise share of dollars. Overall, on-premise retailers earned $55.16 billion in beer sales in 2011. For the off-premise category, convenience stores led the way by earning $16.70 billion, good for 17 percent of the off-premise share. Total off-premise retail sales amounted to $43.78 billion.

According to the Nielsen market research firm, the increase in sales can be attributed to the high-end beer business. The sale of imports, crafts and above-premium beers sold off-premise was up nearly 3 percent. Beer sales far out-paced our competitors within the alcohol beverage sector. The accompanying chart has a complete breakdown of the sales data and highlights the leaders in each category.

While many of our core consumers are still impacted by a sluggish economy, the bump in sales inspired confidence. Not only does the boost mean good news for brewers and importers, but it also helps our allies such as wholesalers and the 900,000 hard-working men and women who make up the beer retail industry in this country, whether they work at supermarkets, convenience stores, restaurants, bars or stadiums.
In order to get the word out about the positive growth in retail sales, the BI developed a media plan to roll out the data in three parts — overall sales, on-premise sales and off-premise sales. Over several weeks, we issued press releases on each category and pitched both traditional media as well as trade press. For the off-premise sales press release, we were joined by our partners at the National Association of Convenience Stores.

The release of the data resulted in stories running in mainstream outlets like MarketWatch and the Los Angeles Times, as well as trade publications. The data also made some ripples throughout the “Twittersphere.” Darren Rovell, a well-respected reporter with CNBC with more than 221,000 Twitter followers, and Evan Benn, a reporter with the St. Louis Post-Dispatch known who is well-known throughout the beer industry, were among the high-profile reporters who Tweeted about the data, helping the good news find its way to the masses through social media.

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<tbody>
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<td>Share of Dollars</td>
<td>Volume</td>
<td>Share of Volume</td>
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<td>Total CHANNEL</td>
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<td>192.53</td>
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Responsibility Efforts Paying Off

For years, the Beer Institute and its members have advocated the responsible consumption of our product and have helped fight abuses including underage drinking and drunk driving. Through designated driver programs, training for retailers, and education campaigns aimed at helping families talk about responsibility, brewers and importers have been leaders in reducing abusive and illegal behavior. For example, the BI and its members were once again vocal supporters of the federal government’s “We Don’t Serve Teens” program, which was launched in 2007 to provide parents and other adults with educational tools to help reduce illegal teen drinking. And the Beer Institute maintains the industry’s Advertising and Marketing Code, which is an effective self-policing tool for ensuring responsible advertising messages in mass media.

Our members continue to partner at all levels with law enforcement, community groups, schools, parents, and government to address underage drinking and drunk driving. Study after study indicates these and other efforts are headed in the right direction, with record-low rates of underage drinking and drunk driving. But there is always more to be done, and the beer industry will continue to do everything it can to ensure our products are consumed responsibly.

Record-Low Rate of Drunk Driving Fatalities

Last December, the U.S. Department of Transportation released 2010 data that showed drunk-driving deaths fell to their lowest rate since tracking began in 1982. Drunk-driving fatalities — defined as crashes involving a driver or motorcycle operator with a blood alcohol concentration of .08 or greater — dropped 5 percent in 2010 from 2009, and 52 percent between 1982 and 2010. In fact, 2010 marked the fifth consecutive year of declines in drunk-driving fatalities.

Record-Low Level of Teen Drinking

Numerous federal government and academic research studies show steady declines in and record-low rates of underage drinking. For example, last September’s Health and Human Services National Survey on Drug Use and Health showed the rates of underage drinking declining to all-time low levels. According to the report:

- The rate of current alcohol consumption among youths aged 12 to 20 declined 3 percent since 2009 and 9 percent since 2002 to 26.3 percent, a record low.
- The rate of current alcohol consumption among youths aged 12 to 17 is also at a record low. The rate was 13.6 percent in 2010, down 7 percent from the 2009 rate of 14.7 percent and 23 percent lower than the 2002 rate.
- Youth binge and heavy drinking rates in both the 12 to 17 and 12 to 20 age groups were also at their lowest rates in 2010.

Similarly, the University of Michigan’s latest “Monitoring the Future” study found that alcohol consumption reached historically low levels in 2011. The annual study found that all grades showed a drop in all measures of alcohol consumption — lifetime, annual, 30-day, daily, and 5+ drinks on one or more occasions during the prior two weeks.
**Engaging Lawmakers**

During our annual Brewers’ Day visit to Capitol Hill, BI members educated lawmakers on the industry’s efforts to curb irresponsible consumption of alcohol. In advance of the meetings on the Hill, the BI equipped its members with the recently-compiled “Commitment to Responsibility” brochure, which was then shared with lawmakers and staff.

The brochure clearly articulates our industry’s firm commitment to helping ensure our products are enjoyed responsibly. Legislators were left with information about our Advertising and Marketing Code, and how we proactively updated it following the 2010 Census. The brochure also outlined each company’s efforts to collaborate with families, schools, law enforcement and community groups on a wide variety of initiatives. From helping parents talk with their kids about the dangers of underage drinking — an incredibly effective tool, as we find in studies that prove parents are the main influence on their children’s behavior — to encouraging the responsible enjoyment of beer at a sporting event, BI members demonstrate to the public on a daily basis their commitment to responsibility.

**Alcohol Policy — International Developments**

Over the past year, Beer Institute and its member companies, along with other alcohol beverage trade associations and companies, continued to be active in the international alcohol policy arena. Specifically, the efforts are aimed at promoting the alcohol beverage industry’s role in discouraging excessive and underage drinking, while defending the moderate consumption of alcohol. This is done through regular communication with the Health and Human Services and State Department personnel who are the United States representatives to the United Nations (UN) and World Health Organizations (WHO). Work continues on two separate but related tracks as the UN, WHO and their regional entities implement the industry-supported Global Strategy to Reduce the Harmful Use of Alcohol and to address the health impacts of non-communicable diseases (NCDs).

**Global Strategy**

Implementation of the Global Strategy has become more regionalized, but as WHO prepares to formally review implementation efforts in 2013, many eyes are on its progress. The Pan-American Health Organization (PAHO) adopted its own regional strategy in September 2011. While we were not successful in achieving all of the changes we would have liked, some important revisions were made thanks to US government intervention. Most notably, the plan was edited to maintain a focus on the harmful use of alcohol instead of all alcohol consumption, as was originally intended in the Global Strategy.

To showcase the brewing industry’s global commitment to continue playing a positive role in efforts to reduce the harmful consumption of alcohol, the Worldwide Brewing Alliance (WBA) — an informal trade federation of brewers — launched a new public-facing website in June 2012.
Notably, the site contains a searchable database of corporate social responsibility initiatives, funded by the brewing sector worldwide, to help encourage only the responsible consumption of beer and reduce the harmful use of alcohol. Information about the new website was shared via press releases from the international members of the WBA and via letters from WBA members to their in-country health ministries and Geneva-based missions. Letters announcing the site’s launch were also sent to key personnel at WHO and its regional entities. As these bodies assess the implementation of the Global Strategy, we are hopeful that the site will be a useful resource for them.

Non-communicable Diseases
The United Nations took up Non-communicable Diseases (NCDs) in a September 2011 high-level meeting (HLM) meeting – only the second such meeting devoted to a health issue in UN history. Along with poor diet, tobacco use and physical inactivity, harmful consumption of alcohol was identified as a top risk factors for the highest priority NCDs — cancer, cardiovascular diseases, chronic obstructive pulmonary disorder and diabetes. The 2011 meeting resulted with attending countries signing a political declaration supporting global and country-based actions to achieve a 25 percent relative reduction in overall mortality from NCDs by 2025, with 2010 as the baseline. Early drafts of the declaration suggested that countries pursue a “best buys” policy approach, advocated by non-governmental organizations (NGOs), to reduce consumption of alcohol. These so-called “best buys” include increased alcohol excise taxes, alcohol marketing restrictions and bans, and alcohol availability restrictions. Members of the alcohol industry worldwide, including the BI and its membership, raised awareness of this ill-conceived approach. The US government was among those that opposed the inclusion of the “best buy” reference; ultimately this reference was removed, but WHO documents continue to include “best buys.” When BI and its allies participate in WHO consultations and engage members of the US government involved in these issues, we are able to remind decision makers that the participants in the HLM rejected “best buys:”

Another key issue for BI in these WHO development documents is a recommendation to reduce overall alcohol consumption by 10 percent. Since both the risk factor related to alcohol regarding NCDs and the focus of the global strategy is the harmful use of alcohol, this target is inconsistent with the goals set out for these efforts. Several Member States, including the US, fully recognize this fact, and joined a successful effort to remove that goal from the next draft document. However, much like “best buys,” despite the 10 percent target being rejected, it continues to appear in some WHO documents, including a recent draft PAHO regional plan. At a PAHO Executive Committee meeting in June 2012, all specific targets, including the one for alcohol, were dismissed over a legitimate concern that PAHO was ahead of WHO in the NCD process and should instead be following WHO. The “best buys” notion also reappeared in the same PAHO draft plan. The final plan will be considered for approval at a September 2012 PAHO meeting.

BI will continue to monitor these moving targets and engage the US government and other entities as often as necessary to ensure they are fully apprised of our position.
Brewers’ Day

Brewers’ Day 2012

The Beer Institute is dedicated to developing sound public policy that helps its members contribute to the economy and job creation. On Brewers’ Day 2012, member companies of the Beer Institute descended on Capitol Hill to work the halls of Congress, making the case for the brewing industry and reminding lawmakers that our industry makes great economic and responsibility contributions to the communities they represent.

In our Brewers’ Day message, the BI’s membership told Congress that our industry is made up of more than the people who brew, import and distribute beer, but also includes the people in our supply industries such as farming, package manufacturing, warehousing, and the more than 535,000 establishments that serve beer. All in all, our industry directly and indirectly supports more than 1.8 million American jobs in communities in every corner of the country.

We also reminded Congress how we are already contributing significantly through taxes. According to the most recent Beer Serves America study, the beer industry pays $44.36 billion in taxes annually, including $5.3 billion in excise taxes and $5.8 billion in sales, gross receipts, and other taxes. This is a significant contribution; it is also the reason why suggestions to raise taxes on beer are dangerous. According to the most recent data, 45 percent of the retail cost of every beer was comprised of taxes, making taxes the most expensive ingredient in beer.

Also discussed with lawmakers during Brewers’ Day 2012 was the growing concern about proposals that would eliminate the Alcohol and Tobacco Tax and Trade Bureau (TTB) by shifting its responsibilities to other agencies like the Internal Revenue Service (IRS) or Food and Drug Administration (FDA). The BI opposes any efforts to expand the role of the IRS and FDA into alcohol regulation. Rather, we encouraged members to pass legislation that will fully fund TTB and maintain its existing responsibilities in regulating beer.

In-person lobbying was supported by a media blitz both inside the Beltway and in the home media markets of lawmakers. As you’ll read in the “Beer in the Media” section, BI successfully placed op-eds in the home-town newspapers of several members of Congress with whom we met. That allowed our BI members to bring with them to their meetings examples of what voters back home were reading about the positive impact of the beer industry. We also placed full-page color ads promoting our position in The Hill, Roll Call and CQ Today, all of which are read by members of Congress and Capitol Hill staff, to ensure our message flooded the Hill on Brewers’ Day.
An Eye on Taxes

With the current fiscal crisis as a backdrop to the elections for both the White House and Congress, the Beer Institute is keenly aware of the threat of increased taxes. Conventional wisdom in Washington, D.C., is that serious debate over handling the budget and debt crisis won’t come until after Election Day – but already, as suggested in the opinion pages of The New York Times and the Wall Street Journal, there is discussion of using beer taxes to plug the budget hole.

The best defense for the beer industry is a strong offense. The BI is not only pushing back against argument to raise the federal excise tax on beer; we are urging Congress to lower them. Our argument is framed in S.1111, the Brewers Excise and Economic Relief (BEER) Act; this legislation would roll back the federal excise tax on beer to its pre-1991 level. The bipartisan bill was introduced in the Senate by Sen. Mark Udall (D-Colo.) and co-sponsored by nine of his colleagues, while a companion bill, H.R. 1675, was introduced in the House by Rep. Tom Latham (R-Iowa) and co-sponsored by 96 members.

The BI and its members lobbied for the bill during our annual “Brewers’ Day,” reminding members of Congress that the beer industry pays more than its fair share in taxes, and that additional taxes would not only hurt our industry, but our partner industries across the agriculture, transportation, manufacturing and other sectors.
THREE-TIER SYSTEM

Defending the Three-Tier System

The three-tier system of alcohol distribution, which the Beer Institute works day in and day out to protect, continues to come under attack. Last year at this time, we were in the midst of a debate over H.R. 1161, the Community Alcohol Regulatory Effectiveness Act, otherwise known as the “CARE Act.” On this issue, unfortunately, we found ourselves on opposite sides of our distributor partners.

Under the CARE Act, state laws would no longer need to embody the values of fairness and commercial equity required for all other laws for goods and services. States would be free to enact protectionist laws and restrict interstate commerce, threatening brewer and importer access to out-of-state markets. And as the Wall Street Journal said in its editorial opposing the bill, CARE would “reduce choices and raise prices for consumers.”

Though the CARE Act is not being proactively pushed at this time, we will remain vigilant throughout the next year, so we are prepared for any new legislation that may arise.

While our disagreement with the distributors over the CARE Act was difficult, the BI worked to rebuild our relationship with distributors. One good example is BI’s decision to work with wholesalers in opposing Washington Liquor State Licensing Ballot Initiative 1183, which sought to change the state regulatory structure. Unfortunately, our side lost in that Washington vote. But our support for the distributor’s position helped fortify our important strategic relationship and we will continue to join our partners in support of the three-tier system in the future.
**Regulatory Watch**

In conjunction with our member companies, the Beer Institute’s professional staff maintains a steady watch over federal and state regulators that have jurisdiction over the distribution of our product, and who can impact the growth of our industry.

**“Equalization”**

There is no doubt that one of the greatest challenges to our industry is the dangerous and misleading argument that “all drinks are equal.” Despite the long list of reasons why this argument is wrong, the “equalization” concept has begun to creep into regulatory language at all levels – from state Department of Motor Vehicle brochures to federal agency dietary guidelines. Historically, regulators have treated different alcohol beverages differently for good reason. While the amount of alcohol in any given beer remains the same wherever you go, the amount of hard liquor in a mixed beverage changes from bar to bar, depending on the bartender’s pour. In fact, many standard cocktail recipes call for hard liquor amounts that are two or three times the amount of alcohol in one beer. This is why the concept of equalization — that a drink is a drink is a drink, no matter the type of alcohol — is dangerous.

As part of our initiative to shape the regulatory environment to promote the continued growth of the beer market in the U.S., the Beer Institute will be engaging with legislators and regulators to educate them on the dangers of the “equalization” argument. We will be doing this through a variety of means, including traditional lobbying, comments on new rules and testimony.

**Maintaining proven means of regulation**

Another issue that has been on our radar recently was the proposal from some quarters to eliminate the Alcohol and Tobacco Tax and Trade Bureau (TTB). This is exactly the wrong approach.

The TTB has a proven history of maintaining balanced regulations that support the needs of both consumers and industry. As a highly regulated industry, we’re always concerned about actions that could impact the ability of our members to produce, import, transport and sell their products efficiently and responsibly. If the recent reports are accurate, we will work with Congress and the Administration to ensure that as an industry, we continue to have certainty in terms of regulation, without greater expense or burden, and maintain our proven track record of responsible sales and marketing practices and creating quality American jobs. We have opposed eliminating the TTB in the past, and will continue to do so.

**NIDA-NIAAA Merger**

There is still an effort in Washington, DC, to push for a merger of the National Institute on Alcohol Abuse and Alcoholism (NIAAA) and the National Institute on Drug Abuse (NIDA). It is the position of the Beer Institute that this is a mistake, because it will create a research environment in which legal alcohol and illegal drugs are deemed the same, when in fact, they are very different. A NIAAA-NIDA merger could lead to negative policy implications for beer – and would cost more than $1 billion in taxpayer funds, with no evidence of cost savings.

Beyond its work on alcohol abuse and alcoholism, NIAAA supports research into the health effects of moderate drinking as well as drunk driving, college binge drinking and fetal alcohol syndrome. There is risk that this important research could be lost if there was a single institute devoted solely to addiction research. The Beer Institute has maintained a position with Congress – in conjunction with other alcohol beverage trade associations — in opposition to the merger. We have written to Congress and the Administration stating our argument against the merger and pointing out that NIAAA and NIDA already collaborate. If this issue advances, the BI professional stage will take further steps, in engagement with our membership, to attempt to halt the merger.
**Beer Briefs**

**Commercial Data and Research**
Beer Institute seeks to be a one-stop-shop for our members in search of industry-related data. Our in-house economist, Lester Jones, pores over data and makes sure BI members are regularly updated of market trends, sales data, shipment information, global importing figures and other information integral to their businesses. The information is compiled annually into the Brewers Almanac, which offers BI members the latest data impacting the beer industry and is searchable on the BI’s website at www.beerinstitute.org.

**Consumers Getting “Drafted”**
The beer industry is committed to improving draft beer quality for consumers. As restaurants led the way in sales revenue amongst on-premise retailers, they were helped by the continued growth of domestic and imported draft beer sales.

Overall, beer retail sales in restaurants jumped from $21.6 billion in 2010 to nearly $24.2 billion in 2011 and accounted for 24 percent of the on-premise share of dollars. As the total US beer industry volumes contracted by 2.5 million barrels in 2011, the draft beer segment managed to add more than 156,000 barrels and reach 10 percent share of volumes earning the distinction as the only packaging segment to increase volume.

<table>
<thead>
<tr>
<th>National Package Mix</th>
<th>2010 vs. 2011 (1,000s Barrels)</th>
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<tr>
<td></td>
<td>Year / Volume</td>
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<tr>
<td></td>
<td>2010</td>
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<tr>
<td></td>
<td>2011</td>
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|                     | Year / Share                     | Cans       | Bottles   | Draft      | Plastic    | Total      |
|                     | 2010                             | 52.1%      | 37.8%     | 9.8%       | 0.3%       | 100%       |
|                     | 2011                             | 52.5%      | 37.2%     | 10.0%      | 0.2%       | 100%       |

The recovery of the draft beer segment in the US has been a slow. It has taken more than 10 years for market share to grow from 9 percent to 10 percent. The additional barrels in 2011 are attributed to growth in domestic, imports and brew pub volumes. The continued success of beer-centric bars and consumer interest in beer food pairings will continue to drive growth in this important segment of the industry.
Beer Institute in the Media

The Beer Institute advocates on behalf of the hundreds of thousands of Americans who show up for a job every day that is supported by the beer industry. To advance our message, we work with media in all forms and in all places. Whether it is a small daily newspaper, an industry-focused blog or a major cable news network, we aim to be the authoritative voice in the media on all things beer.

The hiring of Chris Thorne as our Vice President of Communications is part of our ongoing effort to streamline and sharpen our message. As a former reporter, Chris has an institutional knowledge of the media. He understands a reporter’s thinking, and how we can engage with him or her to yield the best results. And with years of experience on Capitol Hill under the microscope of an aggressive press corps, he knows how to build relationships with reporters and effectively advance a message.

Over the past year, we have sought to proactively advance the “Brand Beer” message, which includes beer’s place as the dominant force in the alcohol beverage sector. To help buttress our argument, the BI developed a media strategy for the release of our 2011 retail sales data. In three separate press releases pitched to media over the course of several weeks, we garnered media coverage in traditional press, as well as trade press. Outlets including The Los Angeles Times, Huffington Post and MarketWatch ran stories on the data. The story also gained traction via social media, with well-known reporters from CNBC, the St. Louis Post-Dispatch and elsewhere pushing the story via Twitter.

Another way we pushed “Brand Beer” in the media was with strategically-timed op-eds. We look for opportune times, such as current events or specific calendar dates, which add context to our message. This year, we used President’s Day in February as a backdrop for our “Brand Beer” message and successfully placed an op-ed in Politico, a political newspaper and website widely read throughout Washington D.C., discussing the unique historic role beer has played in the relationship between the president and the people he serves, evoking beer’s brand as part of our American culture.
Another good example came last fall, when noted filmmaker Ken Burns released his latest documentary, this time focusing on the Prohibition era. The release of the film gave us an opportunity to use it as a teachable moment for those who would repeat the mistakes of Prohibition by advancing misguided regulations that could easily backfire. In an op-ed for The Hill, another widely-read publication targeting members of Congress and their staffs, BI President Joe McClain wrote about some modern-day initiatives such as the so-called CARE Act and proposed excise tax increases, and how those hurt small businesses and the three-tier system of distribution that has worked so well for generations.

While seeing our message in print is great, our job is not done there. We use media stories as a tool to help influence lawmakers and help them understand the positive impact of our industry on the communities they serve. This year, as BI members descended upon Capitol Hill for our annual Brewers’ Day, they were armed with op-eds that appeared in lawmakers’ hometown papers, which demonstrated how our message was reaching voters in their district.

In addition to advancing our Brewers’ Day message through opinion pieces, we also used strategically-placed advertising. On the day of our grassroots lobbying effort, we ran ads in Capitol Hill publications, which helped create a pro-beer backdrop as our members engaged their local lawmakers on the issues important to our industry.
### On Behalf of Beer...

Engaging with organizations and industries who share our goals, or whose mission affects our industry, is a critical component of advancing the interests of the brewing and importing community. Over the past year, Beer Institute staff has attended conferences, meetings and other events where we fostered new relationships, strengthened existing ones and spoke on behalf of beer industry.

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<table>
<thead>
<tr>
<th>Month</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>August</strong></td>
<td></td>
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<tr>
<td>• National Conference of State Legislators Trade Show – San Antonio, TX</td>
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<td><strong>October</strong></td>
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<tr>
<td>• 37th International Medical Advisory Conference - Montréal, Québec, Canada</td>
<td>• National Association of Manufacturers Winter Conference – National Harbor, MD</td>
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<td>• National Beer Wholesalers Association Annual Convention – Las Vegas, NV</td>
<td>• National Barley Growers Association Board Meeting – Washington, DC</td>
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<td>• Center for Alcohol Policy Convention – Chicago, IL</td>
<td>• National Alcohol Beverage Control Association (NABC) Meeting – Naples, FL</td>
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<td><strong>November</strong></td>
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<tr>
<td>• Beer Marketers Insights – NYC, NY</td>
<td>• Excise Tax Summit – Miami, FL</td>
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<td>• Beer Industry Electronic Commerce Coalition (BIECC) – Austin, TX</td>
<td>• Beer Business Daily Beer Summit – San Diego, CA</td>
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<td><strong>December</strong></td>
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<tr>
<td>• Prairie Grains Conference – Grand Forks, ND</td>
<td>• Crown Imports National Wholesaler Meeting – Fort Worth, TX</td>
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<td>• Association Committee of 100 Winter Meeting – Las Vegas, NV</td>
<td>• MillerCoors Distributor Convention – Las Vegas, NV</td>
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<tr>
<td>• Techniques of Effective Alcohol Management (TEAM) Winter Meeting – Washington, D.C.</td>
<td>• HEINEKEN USA National Distributor Conference – Atlanta, GA</td>
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<td></td>
<td>• National Alcohol Beverage Control Association (NABC) Legal Summit – Alexandria, VA</td>
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* Denotes conference/meetings at which BI staff spoke.  
+ Denotes conference/meetings at which BI displayed its trade show booth
Beer Institute Officers 2011-2012

David A. Peacock
BI Chairman & Senior Director;
Anheuser-Busch Companies, Inc.

N. Thompson Long
BI Vice Chairman & Senior Director;
CEO
MillerCoors

Dolf van den Brink
BI Director;
President & CEO
Heineken USA, Inc.

Stephen K. Indy
BI Director;
Chairman & President
Brooklyn Brewery

José Pares
BI Director;
Grupo Modelo S.A. B. de C.V.

Michael F. Roche
BI Chairman of the Management Committee and Treasurer;
Vice President, National Affairs
Anheuser-Busch Companies, Inc.

Timothy H. Scully
BI Vice Chairman of the Management Committee;
Vice President, Government Affairs
MillerCoors

Joseph S. McClain
President
Beer Institute

Mary Jane Saunders
Vice President, General Counsel & Secretary
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Kim Jordan  
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New Belgium Brewing Company

Brett Joyce  
President  
Rogue Ales

Jim Koch  
Founder & Brewer  
Boston Beer Company

Gary V. Lee  
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Richard Lozyniak  
CEO  
North American Breweries

Nick Matt  
President  
Matt Brewing Company

Phil O’Neil  
President  
Mike’s Hard Lemonade