BREWING RESULTS
In review of the year

20—18
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We are honored to present you with the 2018 Annual Report, which provides a snapshot into the Beer Institute’s work over the last year—including our events, our programs, and our milestones as we advocate for America’s brewers, beer importers, and beer industry suppliers. This report helps tell the story of our nation’s vibrant beer industry, which today consists of more than 5,600 active breweries supporting more than 2.2 million good-paying jobs.
We are grateful for your interest in the Beer Institute. Your partnership is critical as we advocate for beer—America’s most popular alcohol beverage.

We continue to accomplish important policy successes that benefit the beer industry. Last year, Congress passed historic federal excise tax reform for all brewers and beer importers, providing more than $125 million in tax relief to brewers and importers. The federal government also adopted menu labeling requirements reflecting the Beer Institute’s position that impacted restaurants should disclose the complete calorie information for all affected alcohol beverages.

But we still have much work to do. The new 10% tariff on primary aluminum is significantly increasing costs for brewers and putting jobs at risk. We work every day to convince the administration to reverse the tariffs or mitigate their effect on the beer industry, we also partnered with a bipartisan coalition of members of Congress to encourage and ensure the federal government has the necessary authority to investigate irregularities in the Midwest Premium, which is part of what brewers and beer importers pay for cansheet.

Although much has changed since our founding in 1863, beer remains one of America's most iconic industries with a unique place in our nation’s culture and history. The beverage alcohol marketplace is highly competitive, and the beer industry is responding by producing more brands and more styles of beer than at any time in American history.

We hope this report is useful, and we look forward to continuing to work with you in 2019.

Cheers,

Michel Doukeris
CEO, Anheuser-Busch
Beer Institute Board Chairman
and Senior Director

Jim McGreevy
President and CEO
OUR TEAM:

BOARD OF DIRECTORS

Michel Doukeris
Anheuser-Busch
Chairman & Senior Director

Ronald den Elzen
HEINEKEN USA
Director

Brett Joyce
Rogue Ales
Director

Gavin Hattersley
MillerCoors
Vice Chairman & Senior Director

Bill Hackett
Constellation Brands Beer Division
Director

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BOARD OF DIRECTORS

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John I Haas, Inc.

Rick Goddard
The Southern Brewing Co.

Phil Rosse
Mike’s Hard Lemonade

Larry Bell
Bell’s Brewery, Inc.

Michael Hranicka
MicroStar Logistics

Adrian Lachowski
North American Breweries

Robert Budway
Can Manufacturers Institute

Marla Jeffrey
Gusmer Enterprises

Andy Thomas
Craft Brew Alliance

Kenneth Escoe
ITW

Nick Matt
F.X. Matt Brewing Company

Shawn Welch
O-I

L.S. Gimbell III
S.S. Steiner
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President and
Chief Executive Officer

Dani Murray
Executive Assistant

Sandra Castro
Senior Manager
Administration

Dan Roth
Senior Director
Public Affairs

Ramsey Cox
Director
Media Relations
& Public Affairs

Mary Jane Saunders
Vice President and
General Counsel

Travis Gibbons
Senior Director
Health Policy
& Regulatory Affairs

Michael Uhrich
Chief Economist

Susan Haney
Vice President
Operations

Jordan Zuccarelli
Staff Assistant

Joe Heaton
Director
Federal Affairs
**January**
New federal excise tax rates for all brewers and beer importers went into effect, providing about $130 million per year in overall federal excise tax relief for all brewers and beer importers.

**February**
In partnership with the National Barley Growers Association, the Beer Institute hosted the annual Barley, Brews and Boots reception on Capitol Hill—featuring the wide variety of beer brands and styles that Americans can choose from today. The event drew several hundred attendees and celebrated the unique connection between barley and beer.

**March**
President Trump implemented a 10% tariff on all imported aluminum. The Beer Institute was a leader in actively opposing the tariff as a new $347 million annual tax on brewers that puts more than 20,000 American jobs at risk.

**April**
To commemorate National Beer Day, the Beer Institute released the coffee table book, “Home Life In America: Depictions of Domestic Life from the Art Collection of the Beer Institute”, celebrating the 1945 to 1956 national advertising campaign depicting men and women enjoying beer in numerous occasions.

On National Tax Day, the Beer Institute welcomed Speaker Paul Ryan (R-WI) to our office to discuss the important role that brewers and beer importers play in supporting the nation’s economy and why it was important to include federal excise tax relief for all brewers as part of the Tax Cuts and Jobs Act.

**May**
New menu labeling requirements went into effect mandating chain restaurants list the calories for each individual brand of beer, glass or bottle of wine, and each mixed drink made with hard liquor listed on an alcohol drink menu. The Beer Institute has long advocated for this requirement. In order to help restaurants comply with these new standards, the Beer Institute in 2016 launched the Brewers’ Voluntary Disclosure Initiative where brewers and importers are including a serving facts statement, including calories on their products as well as disclosing ingredients.

**June**
Representative Ken Buck (R-CO) along with a bipartisan coalition of 31 members of Congress sent a letter to Attorney General Jeff Sessions asking for the Department of Justice to investigate aluminum pricing irregularities.

At our annual meeting the Beer Institute presented Tim Scully, Vice President of Government Affairs at MillerCoors, the 2018 Jeff Becker Beer Industry Service Award for his leadership and dedication in the beer industry and America’s beer drinkers. Bridget Brennan, bestselling author of “Why She Buys: The New Strategy for Reaching the World’s Most Powerful Consumers,” discussed how companies are successfully marketing to women, and Jorge Vazquez—Founder and Managing Director of HARBOR Aluminum Intelligence Unit LLC and a recognized expert on aluminum, provided insights on the impact of the Trump administration’s 10% tariff on aluminum.
July

Military commissaries across the continental United States began selling beer. In announcing this decision, the Department of Defense stated selling beer “will increase customer satisfaction and convenience and align with common commercial grocery store practices.”

August

The Beer Institute staff provided congressional offices with press kits and facts about the economic impact of the beer industry in their home states and districts as well as information on the negative impact of the aluminum tariffs for members of Congress to use for brewery visits while home during the August recess.

September

Representatives Ken Buck (R-CO) and Jim Costa (D-CA) introduced bipartisan legislation to provide the Commodities Futures Trading Commission (CFTC) the clear jurisdiction to conduct oversight – and investigate as needed – price reporting and price setting entities within aluminum markets.

At a Capitol Hill reception, the Beer Institute honored Senators Tammy Baldwin (D-WI) and Rob Portman (R-OH), as well as Representatives Ken Buck (R-CO) and Scott Peters (D-CA), as the Beer Institute’s “2018 Beer Champions” for their leadership in championing policies that allow brewers and beer importers to reinvest in their businesses, hire new employees and continue to innovate and create America’s favorite beers.

October

Senator Cory Gardner (R-CO) introduced Senate companion legislation to the Buck-Costa bill to provide greater price reporting and price setting entities of aluminum markets.

November

The Beer Institute partnered with The Hill to host an event for both newly elected members of Congress as well as returning members, drawing several newly elected and returning members of Congress as well as several hundred Capitol Hill staff and reporters.

December

The Beer Institute released the biennial “Commitment to Responsibility White Paper” detailing our member “companies” efforts to reduce drunk driving and underage drinking. As part of our responsibility commitment, 96 members of Congress participated in the Beer Institute’s public service announcement campaign urging their constituents to drink responsibly during the holiday season.
THE NUMBERS

NOV 1 2017 - NOV 1 2018

TOTAL MEDIA HITS:
14,469

BLOG MENTIONS:
827

FORUM MENTIONS:
237

TWITTER MENTIONS:
10,005

SOCIAL & DIGITAL MEDIA IMPRESSIONS:

FACEBOOK
10,375,662

TWITTER
6,951,783

DISPLAY
6,007,412
Trump's tariffs squeezed Canada. Now American beer is feeling the pinch.

Will Trump's Trade Policy Fit Into a Can of Beer?

Trump's aluminum tariff may cost beer industry 20,000 jobs: The Beer Institute CEO

Why Beer Could Get More Expensive Under Trump's Tariff

Trump's massive new tariffs could have distressing consequences for your beer purchases

Trump's tariffs on aluminum may affect how much you pay for beer

Beer Institute Launches Video Campaign Highlighting Brewers' Voluntary Disclosure Initiative
Federal Affairs
The Beer Institute worked tirelessly to build support in Congress for the Craft Beverage Modernization and Tax Reform Act. We were able to garner support for the bill from 304 House members and 57 Senators — a remarkable accomplishment for any bill. In a significant victory for brewers and beer importers, Congress included federal excise tax relief for brewers and beer importers as part of the Tax Cuts and Jobs Act, marking the first beer excise tax cut in a generation.

The law provides two years of fair and equitable tax relief for brewers and beer importers of all sizes.

Specifically, the law:

- Reduces the federal excise tax to $3.50 per barrel on the first 60,000 barrels for domestic brewers producing fewer than 2 million barrels annually;
- Reduces the federal excise tax to $16 per barrel on the first 6 million barrels for all other brewers and all beer importers; and
- Keeps the excise tax at the current $18 per barrel rate for barrelage over 6 million.

Following the passage of the bill, we worked with the Alcohol and Tobacco Tax and Trade Bureau (TTB) and U.S. Customs and Border Protection (CBP) to quickly implement the law.

We still have work to do. This tax relief is set to expire on December 31, 2019. We are working with Congress to extend this tax relief or make it permanent.
In another victory for beer, the federal government agreed to expand the sale of beer and wine in military commissary outlets. Before this change, only "Class 6" stores sold beer. The Department of Defense restricted the expansion to beer and wine, not hard liquor, because beer and wine are different from hard liquor. One of the reasons for the Department of Defense’s decision was that the majority of private-sector grocery stores don’t sell hard liquor, so neither should military commissaries.

The Beer Institute has long argued beer is different from hard liquor, and policy makers should treat beer and hard liquor differently. As the Department of Defense continues to implement this new policy, the Beer Institute will monitor progress.
In March, President Trump announced a 10% tariff on primary aluminum imported into the United States. America’s brewers purchased more than 36 billion aluminum cans in 2017, and more than 60% of the beer manufactured and sold in the United States comes in aluminum packaging.

The Beer Institute was a leader in urging the president not to impose these tariffs, and actively engaged the media, members of Congress, and other stakeholders so they would understand that a 10% tariff on aluminum will add a $347 million annual tax on brewers and put at risk more than 20,000 jobs that rely on the nation’s beer industry.

We are also working to address aluminum pricing irregularities around the Midwest Premium. We worked with Representative Ken Buck (R-CO), who in June led 31 of his bipartisan colleagues in sending a letter to U.S. Attorney General Jeff Sessions asking the Department of Justice to examine aluminum pricing irregularities so unfair market practices do not disproportionately harm end users, such as the beer industry.

In September, Representative Buck and Jim Costa (D-CA) introduced bipartisan legislation to ensure a fair and free market for the pricing of aluminum in the United States. The Aluminum Pricing Examination (APEX) Act grants the Commodities Futures Trading Commission (CFTC) the statutory authority to conduct oversight of the aluminum market and to investigate price setting, benchmarking, and reporting entities. At the same time, the bill enables the Department of Justice to consult with the CFTC to be sure all regulatory and oversight actions align with antitrust statutes. In October, Senator Cory Gardner (R-CO) introduced companion legislation in the Senate.

The Beer Institute continues to advocate for a repeal of the aluminum tariffs and will push to ensure the price brewers pay for aluminum reflects market fundamentals.
Regulatory Affairs

BREWING RESULTS
The Brewers’ Voluntary Disclosure Initiative (BVDI) represents the commitment to quality and transparency by America’s brewers and importers. BVDI participants have committed to include a serving facts statement and freshness dating on their labels and will disclose ingredients on the same label, secondary packaging, or make such information available via electronic means (such as a website).

Beer industry leaders including Anheuser-Busch, MillerCoors, HEINEKEN USA, Constellation Brands Beer Division, North American Breweries, and Craft Brew Alliance—which together produce more than 81% of the volume of beer sold in the United States—have committed to follow these guidelines.

Much of this information is available to consumers today. An independent survey in January found 75% of the beer brewed by these members is consistent with the BVDI, and more products are updated daily. Participants have committed to adopting these guidelines across their product lines by the end of 2020.

The Brewers’ Voluntary Disclosure Initiative is a prime example of the Beer Institute’s leadership in the beverage alcohol industry. This initiative provides consumers with meaningful information and will ultimately empower their decision making regarding the beverages they choose. Additionally, it will be helpful to restaurants as they implement the Food & Drug Administration’s menu labeling requirements, which went into effect in May 2018.
Dietary Guidelines for Americans

The Dietary Guidelines for Americans (DGA) report is the cornerstone of nutrition policy in the United States. Mandated by Congress to be reviewed and updated every five years, the DGA provides food-based nutrition guidance for Americans aged two years and older, to help promote overall health and reduce the risk of chronic disease and obesity. The U.S. Departments of Agriculture (USDA) and Health and Human Services (HHS) update the DGA based on recommendations from an expert scientific “Dietary Guidelines Advisory Committee” (DGAC), which issues a committee report after evaluating the scientific literature in various nutrition categories.

In 2015, the Beer Institute, along with America’s brewers and beer importers, led the effort to update the DGA so they do not rely on a standard drink definition for alcohol. Beverages containing 14 grams or 0.6 fl. oz. of pure alcohol are now one “drink equivalent.” The DGA provides examples of beverages that are either more or less than one drink equivalent, such as a light beer (0.8 drink equivalents) and a large glass of wine (9 oz. of 14% wine is 2.1 drink equivalents). This change was an important gain for the beer industry to differentiate beer from hard liquor.

The DGA also indicates moderate alcohol consumption can be incorporated into the calorie limits of most healthy eating patterns. Knowing what the Guidelines state will assist consumers with responsible consumption of alcohol, as well as understanding the differences in the alcohol content of beer, wine, and hard liquor.
As parents and neighbors, we recognize any misuse of our products is unacceptable. That’s why the Beer Institute supports programs helping parents talk to children about making smarter, safer choices. We promote designated drivers and safe rides home while providing tools to servers and retailers that promote responsible sales, helping prevent sales to minors.

This year, the Beer Institute released its biennial “Responsibility White Paper,” which details the many efforts of brewers and beer importers to encourage responsible consumption of beer, reduce underage drinking, and eliminate drunk driving.

Since 2011, the beer industry connected consumers to mass transit, offered free or discounted rides, or engaged in other safe ride programs over 6.4 million times. Beer Institute member companies follow a self-regulated advertising and marketing code to ensure only adults of legal drinking age are the targets of beer advertising. The latest audit of beer industry advertisements found 85.4% of the aggregate audience for alcohol advertising consisted of adults who are 21 years old or older, well in excess of the 71.6% of the population that is of legal drinking age.

As technology changes the way Beer Institute members reach adult consumers, the Beer Institute updated the advertising and marketing code in 2018 to reflect these innovations, particularly with social media.

The beer industry’s collective efforts are bearing results. According to research conducted by the federal government and academic institutions, drunk-driving fatalities and underage drinking have significantly declined over the past three decades. While these successes are encouraging, more work remains. We will continue our work to eliminate driving under the influence and underage drinking.

We continue to engage members of Congress in our responsibility efforts. In 2018, 96 members of Congress participated in the annual public service announcement campaign. These elected officials joined with America’s brewers and beer importers to urge Americans across the country to drink responsibly during the holiday season.
The U.S. beer industry continues to evolve in reaction to ongoing changes in consumer demographics and preferences, which present both challenges and opportunities.

Although beer remains the nation’s most popular alcohol beverage, overall beer category performance was relatively soft in 2017. Differences in performance among beer segments and retail channels indicate a growing consumer preference for experience, value, and convenience.

In on-premise channels, the steepest volume declines were in traditional, independent bars without food service. Brewpubs and taprooms are growing, with volumes in these channels increasing 24% during 2017. This growth did not outweigh the declines in other on-premise channels, and overall on-premise lost share as a result. Beer industry performance was considerably stronger in chain off-premise channels, especially grocery and convenience stores and mass merchants.

### Economic Update

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### Retail Beer Volume

<table>
<thead>
<tr>
<th>Retail Channel</th>
<th>2016</th>
<th>2017</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar/Tavern</td>
<td>13,856</td>
<td>13,482</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>13,909</td>
<td>13,695</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Recreation</td>
<td>4,828</td>
<td>4,760</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Concessionaire</td>
<td>3,105</td>
<td>3,120</td>
<td>0.5%</td>
</tr>
<tr>
<td>Other On-Premise</td>
<td>130</td>
<td>133</td>
<td>1.9%</td>
</tr>
<tr>
<td>Total On-Premise</td>
<td>35,828</td>
<td>35,189</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Grocery</td>
<td>47,988</td>
<td>47,703</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Convenience</td>
<td>57,444</td>
<td>56,801</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Package/Liquor</td>
<td>39,893</td>
<td>38,952</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Mass Merch</td>
<td>15,263</td>
<td>15,369</td>
<td>0.7%</td>
</tr>
<tr>
<td>Drug</td>
<td>4,488</td>
<td>4,248</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Other Off-Premise</td>
<td>1,144</td>
<td>1,120</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Total Off-Premise</td>
<td>166,220</td>
<td>164,193</td>
<td>-1.2%</td>
</tr>
<tr>
<td>All Channels</td>
<td>202,048</td>
<td>199,381</td>
<td>-1.3%</td>
</tr>
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### Retail Beer Spending

<table>
<thead>
<tr>
<th>Retail Channel</th>
<th>2016</th>
<th>2017</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar/Tavern</td>
<td>$18,345</td>
<td>$18,290</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>$25,858</td>
<td>$26,087</td>
<td>0.9%</td>
</tr>
<tr>
<td>Recreation</td>
<td>$10,368</td>
<td>$10,474</td>
<td>1.0%</td>
</tr>
<tr>
<td>Concessionaire</td>
<td>$9,478</td>
<td>$9,760</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other On-Premise</td>
<td>$149</td>
<td>$156</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total On-Premise</td>
<td>$64,200</td>
<td>$64,768</td>
<td>0.9%</td>
</tr>
<tr>
<td>Grocery</td>
<td>$15,541</td>
<td>$15,730</td>
<td>1.2%</td>
</tr>
<tr>
<td>Convenience</td>
<td>$18,377</td>
<td>$18,503</td>
<td>0.7%</td>
</tr>
<tr>
<td>Package/Liquor</td>
<td>$14,452</td>
<td>$14,368</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Mass Merch</td>
<td>$4,293</td>
<td>$4,402</td>
<td>2.5%</td>
</tr>
<tr>
<td>Drug</td>
<td>$1,295</td>
<td>$1,248</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Other Off-Premise</td>
<td>$302</td>
<td>$301</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Total Off-Premise</td>
<td>$54,260</td>
<td>$54,551</td>
<td>0.5%</td>
</tr>
<tr>
<td>All Channels</td>
<td>$118,460</td>
<td>$119,319</td>
<td>0.7%</td>
</tr>
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</table>
Premiumization, the constant trend toward trade-up, looked a little different in 2017 compared to previous years. Whereas craft beer had been growing at double-digit rates throughout most of the last decade, the segment has slowed to mid- and low-single-digit growth in 2016 and 2017. Imports continue to be the fastest growing segment, with Mexican imports accounting for 92% of the import segment’s growth in 2017.

Thus far in 2018, we have seen signs, including solid performance among imports, flavored malt beverages, and hard seltzers that beer is beginning to turn around and stem the long-running trend towards share loss to wine and hard liquor. Performance among all beer segments improved throughout the summer, as wine and hard liquor each began to show softening in scan data on consumer sales.
The Beer Institute hosted our annual meeting in June in Milwaukee. Hundreds of beer industry executives from across the country representing brewers of all sizes, beer importers, beer industry suppliers, and beer industry press gathered at the Beer Institute’s annual marquee event. Attendees heard from a wide range of speakers, including thought leaders on aluminum pricing, effective marketing to women, the future impact of marijuana, and Washington, D.C.’s political climate.
At a reception in the U.S. Capitol, the Beer Institute honored U.S. Senators Tammy Baldwin (D-WI) and Rob Portman (R-OH), as well as U.S. Representatives Ken Buck (R-CO) and Scott Peters (D-CA), as the Beer Institute’s “2018 Beer Champions.” Other members of Congress and hundreds of Capitol Hill staff joined us in toasting these members for championing policies that allow brewers and beer importers to reinvest in their businesses, hire new employees, and continue to innovate and create America’s favorite beers.
WELCOME BACK, CONGRESS!

ENJOY ONE OF OUR HAND-SELECTED BEERS.

BLUE MOON BELGIAN WHITE
MillerCoors

BUDDYBURGER
Rheinlander Bier

CAPE MAY IPA
Cape May Brewing Company

COMMODORE PEAK IPA
Great Lakes Brewing Company

CORONA LIGHT
Constellation Brands

GOOSE IPA
Goose Island Beer Company

HEINEKEN
Heineken USA

MILLER LITE
MillerCoors

SCULPIN IPA
Ballast Point Brewing Company

SUMMIT EASY
Lagunitas Brewing Company
This year, the Beer Institute welcomed more than 25 members of Congress to our office bar. These events allow us to educate members of Congress about the critical role beer plays in our nation's economy and culture, and to serve them beer brewed by our member companies.
On National Tax Day, the Beer Institute hosted Speaker Paul Ryan (R-WI) at our bar to toast the passage of excise tax relief for all brewers and beer importers. Along with other representatives from multiple organizations that worked to pass comprehensive tax reform legislation, we highlighted the critical work brewers and importers are doing to support good-paying jobs across the country.
WE’RE Here FOR BEER

BEER INSTITUTE