

MODERN Brewery Age



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As banking problems spread, analysts scrutinize Inbev bid

InBev has been assuring all and sundry that they have their A-B bid in order, but some analysts say that credit market turmoil spreading across Europe could make it difficult for some of InBev's bankers to access capital.

Morningstar analysts increased their fair value uncertainty rating to "extreme" for six European banks last week, including Barclays, Deutsche Bank and the Royal Bank of Scotland, three of the banks that are providing funding for InBev's bid for Anheuser-Busch.

Another of InBev's bankers, Fortis NV, had to be bailed out by Belgian, Dutch and Luxembourg authorities last week. The three governments took a combined 49% stake in the company for \$16.4 billion.

Morningstar analyst Erin Davis said in a note last week that if confidence in the global banking system is not restored soon, banks with exposure in the U.S. could face problems. She noted that global banks are more exposed than most U.S. banks to institutions that would not be eligible to participate in a Federal bailout and

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Hansen and Coca-Cola announce distrib deal

Coca-Cola and Hansen Natural have announced a joint distribution agreement. The deal covers certain parts of the U.S., six countries in Western Europe and Canada. Analysts had expected that Coke would also take an equity stake in Hansen, but this was not part of the agreement.

Analysts said that the deal gives Hansen opportunity for international growth.

Anheuser-Busch distributors that have been handling the brand may have to deal with some adjustments, but will most likely keep it. "We don't expect Bud houses to lose the brand on-premise," said Kaumil Gajrawala of UBS. "And most should keep it on-premise as well, given their quality of execution in the C-store channel."

Louis Glunz hosts Culinary Council Dinner

Chicago's Hot Chocolate restaurant was the site of an industry only beer dinner on September 22, co-hosted by Louis Glunz Beer, Inc. and the urban café's chef/owner Mindy Segal, who is among eight chef members of the Glunz Beer Culinary Council. The dinner was the first in a series designed to educate other local chefs, culinary experts and food media, on how to successfully pair beer with fine food and apply beer as a culinary ingredient. Guests included Lucy Saunders, author of *Grilling with Beer*; Jim Javenkoski, Ph.D., culinary attache for La Brasserie Unibroue; and, Mike Roper, co-owner of The Hopleaf Bar in Chicago. "We are excited to bring together some of Chicagoland's top chefs and beer experts, as the premier distributor that brings the world of beer to their kitchens, to promote the growth of the beer and food pairing trend," said Jennifer Faulk, director of marketing for Glunz Beer and Culinary Council attache. Toasting the event above (left to right) were Glunz Beer's general manager, Jerry Glunz; chef Mindy Segal; sales manager Wendy Adams, and Imports, Micros and Specialty Brands manager Anthony Norkus.

Anheuser-Busch posts strong 3rd quarter

Anheuser-Busch said Friday its U.S. beer volume rose in the third quarter. The company credited the national launch of Bud Light Lime with helping boost domestic beer volume growth. U.S. beer shipments to wholesalers increased 2.3 percent, and sales to retailers rose 3.6 percent.

The company also said pricing in the domestic beer market is "favorable," forecasting revenue per barrel will rise nearly 4 percent in the third quarter on price increases implemented in late September.

Goldman Sachs analyst Judy E. Hong
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Constellation says Crown volume flat or up slightly

Constellation's sales of vodka and high-end wines jumped in its latest quarter, but this was overshadowed by a cut on last week in its outlook for its distribution of Mexican beer in America. The company

said sales by volume for the year ending in February at its Crown Imports joint venture, which sells Grupo Modelo beer in the United States, should be flat to up slightly.

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InBev says costs are higher than expected

AP—InBev SA said Friday its costs will grow more than expected this year as third-quarter prices for beer ingredients barley and malt climb and wages increase in line with high inflation.

The company said it will accelerate cost-cutting efforts, using its global muscle to keep supply costs down, and hedge on commodities price exposure. The company said it expects the situation to ease in the fourth quarter as prices for basic ingredients start to calm.

InBev forecast that total volumes of the beer it sells will increase in the "low single digit percentage range."

"We expect that North America, Latin America North, Latin America South and Asia Pacific will report growth in total volumes, while in Western Europe and Central and Eastern Europe small declines in volumes are expected to occur," the company said in a trading update.

Sales are falling in Russia and Ukraine where InBev is shifting away from low-end brands toward premium beer that costs more to package. Higher margin and premium brands have "not yet fully offset the decline in the more affordable brands," it said.

In Great Britain, InBev said that efforts to tackle a negative brand image for the company's high-alcohol Stella Artois lager are starting to pay off with "some signs of stabilization" and the launch of a lower-alcohol version.

A-B chalks up strong 3Q....

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said Anheuser-Busch's third quarter indicates a robust domestic beer market and believes consumers are choosing beer instead of other beverages because of value and increased marketing.

Consumers are still unlikely to stop drinking beer even in a recession, said Juli Niemann, an analyst for Smith Moore & Co. in St. Louis. "The last thing anyone gives up is their beer," Niemann said.

Anheuser-Busch will also record charges in the third quarter and fourth quarter of \$400 million to \$525 million because of a previously announced decision to cut jobs. But the St. Louis-based brewer said the cost-cutting measures are helping offset higher commodity costs.



Fred Matt, vice president of the F.X. Matt Brewing Co., of Utica, NY, now more commonly referred to as the Saranac Brewery talks to us about the company's operations. See interview starting below.

Interview with Fred Matt of Saranac Brewery

After college, Fred Matt went to work in the advertising business. But when the F.X. Matt Brewing Co. was teetering on the brink of closure in the late 1980s, Fred returned to Utica, NY, to join his late father F.X. and Uncle Nick in a successful effort to save the brewery.

They focused their efforts on the emerging specialty beer market with the Saranac craft-style beers, and found a market for value-priced craft. Fred was an early and vocal proponent of the Saranac brand family, and he helped build the franchise through energetic sales efforts with wholesalers.

Today, the F.X. Matt Brewing Co. is one of a handful of America's old-line breweries that is still controlled by the founding family.

Unfortunately, the brewery suffered a setback this spring, when a devastating fire ravaged the bottle shop. Brewery executives have spent much of the summer juggling operations and working to rebuild. We spoke with Fred last week.

Modern Brewery Age: Fred, how are you recovering from the fire?

Fred Matt: We are off and walking, would be a great description of what we are

doing. The keg line is working fine, the bottling line is at about 60%, but we have new packaging machinery coming in and being installed as we speak. I hope that by November 1st, the bottling line will be running at optimum speed. In terms of the canning line, we're at the final stages of the insurance settlement, and once we have that, we'll move forward. The settlement will probably come in the next three weeks, and once we know what that is, we have about 2-3 different plans we are looking at, and we'll pull the trigger and decide. I think we are in pretty good shape. This has been a challenging summer, but there are good things that come out of it. What will happen, when we get the settlement, we decide whether we rebuild the old buildings, which are very costly to rebuild, or we go to something more efficient for today's world. The brewhouse is seven stories, we have warehouse space that is 4-5 stories, and if we could do part of the rebuilding project as a one-story building I think that would be a good thing.

We are seeing the onset of another big wave of wholesaler consolidation, how

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Key Category & Segment Dollar Sales **IRI Data, U.S. Food 4-week and 13-week periods ending Sept. 7, 2008**

Category/Segment	Dollar Sales	\$ sales % Chg YA	\$ shr of Cat	\$ shr of chg YA	Avg \$ per cs.	Avg. \$ cs chg YA	13-week dollar sales	13-week dollar sales chg YA
CATEGORY - BEER	\$685,860,900	3.4	100.0	0.0	\$18.71	\$0.39	\$2,309,273,000	4.5
TOTAL REGULAR	\$307,364,500	2.8	44.8	(0.3)	\$20.68	\$0.52	\$1,028,179,000	3.6
TTL LIGHT (INCL PAB LIGHT)	\$337,665,200	5.0	49.2	0.8	\$16.85	\$0.40	\$1,136,968,000	6.4
TOTAL GLASS	\$368,131,700	2.4	53.7	(0.5)	\$23.24	\$0.61	\$1,247,289,000	3.9
TOTAL CAN	\$312,781,400	5.4	45.6	0.8	\$15.21	\$0.35	\$1,045,084,000	5.7
DOMESTIC SUPER PREMIUM	\$65,200,500	25.7	9.5	1.7	\$23.11	\$1.25	\$223,215,700	30.9
DOM SUPER PREMIUM REG	\$24,094,250	16.7	3.5	0.4	\$24.86	\$1.92	\$81,331,910	19.6
DOM SUPER PREMIUM LT	\$41,036,160	31.5	6.0	1.3	\$22.18	\$0.98	\$141,694,700	38.3
DOM SUPR PREM 12/12OZ CN	\$2,183,131	17.2	0.3	0.0	\$21.43	\$0.90	\$7,785,022	20.6
DOM SUPR PREM 6/12OZ GLS	\$23,007,330	25.2	3.4	0.6	\$26.15	\$1.12	\$79,685,700	31.3
DOM SUP PREM 12/12OZ GLS	\$29,717,430	28.7	4.3	0.9	\$22.37	\$1.36	\$101,335,600	34.0
DOMESTIC PREMIUM	\$286,626,500	1.5	41.8	(0.8)	\$16.89	\$0.25	\$963,739,500	2.2
DOMESTIC PREM REGULAR	\$68,151,380	(1.4)	9.9	(0.5)	\$17.09	\$0.30	\$229,440,700	(0.9)
DOMESTIC PREMIUM LIGHT	\$218,475,100	2.4	31.9	(0.3)	\$16.83	\$0.23	\$734,298,800	3.2
PREMIUM 6PK 12OZ CAN	\$5,548,323	(6.3)	0.8	(0.1)	\$22.16	\$0.47	\$18,647,360	(5.9)
PREMIUM 12PK 12OZ CAN	\$28,803,580	0.1	4.2	(0.1)	\$18.97	\$0.36	\$99,138,210	0.6
PREMIUM 18PK 12OZ CAN	\$42,367,240	(0.3)	6.2	(0.2)	\$16.95	\$0.49	\$145,002,600	4.5
PREMIUM 24PK 12OZ CAN	\$54,639,770	4.8	8.0	0.1	\$15.35	\$0.00	\$180,975,400	2.2
PREMIUM 30PK 12OZ CAN	\$34,338,180	5.4	5.0	0.1	\$14.67	\$0.51	\$116,273,300	7.4
PREMIUM 6PK 16OZ CAN	\$3,960,441	6.2	0.6	0.0	\$17.42	\$0.06	\$12,918,290	4.6
DOMESTIC SUB-PREMIUM	\$99,719,540	3.6	14.5	0.0	\$12.43	\$0.36	\$327,347,800	3.1
DOMESTIC SUB-PREM REG	\$48,515,600	4.3	7.1	0.1	\$12.63	\$0.35	\$159,446,100	3.6
DOMESTIC SUB-PREMIUM LT	\$51,203,950	2.9	7.5	(0.0)	\$12.24	\$0.36	\$167,901,700	2.7
SUB-PREMIUM 6PK 12OZ GLS	\$1,842,091	(4.2)	0.3	(0.0)	\$16.36	\$0.29	\$6,094,169	(4.6)
SUB-PREM 12PK 12OZ GLS	\$7,508,746	(5.7)	1.1	(0.1)	\$14.03	\$0.55	\$25,154,790	(2.6)
SUB-PREM 24PK 12OZ GLS	\$232,507	7.0	0.0	0.0	\$13.65	\$0.90	\$863,171	23.5
IMPORT	\$141,817,900	(1.0)	20.7	(0.9)	\$26.55	\$0.04	\$481,496,700	0.9
IMPORT REGULAR	\$118,561,700	(0.8)	17.3	(0.7)	\$26.68	\$0.11	\$401,215,400	1.0
IMPORT LIGHT	\$23,091,900	(2.3)	3.4	(0.2)	\$25.88	(\$0.30)	\$79,756,790	0.4
IMPORT 6PK 12OZ CAN	\$1,588,113	(15.5)	0.2	(0.1)	\$27.80	\$0.11	\$5,476,578	(14.2)
IMPORT 12PK 12OZ CAN	\$8,757,066	17.5	1.3	0.2	\$23.73	\$0.46	\$29,972,100	20.7
IMPORT 24PK 12OZ CAN	\$1,246,437	3.3	0.2	(0.0)	\$16.88	\$0.10	\$4,231,106	3.6
IMPORT 6PK 12OZ GLASS	\$33,270,290	(4.7)	4.9	(0.4)	\$31.54	\$0.59	\$113,260,700	(3.9)
IMPORT 12PK 12OZ GLASS	\$68,944,140	(3.9)	10.1	(0.8)	\$26.50	\$0.24	\$234,812,200	(2.1)
IMPORT 24PK 12OZ GLASS	\$6,115,895	32.0	0.9	0.2	\$23.28	(\$0.88)	\$20,405,200	31.0
IMPORT MINI-KEG 169OZ	\$1,892,457	(39.3)	0.3	(0.2)	\$33.13	\$0.29	\$7,064,479	(21.0)
ALL OTHER IMPORTS	\$2,107,614	3.5	0.3	0.0	\$28.01	\$1.20	\$7,474,032	11.0
ASIAN IMPORTS	\$1,531,964	4.4	0.2	0.0	\$29.11	(\$0.46)	\$4,650,109	(3.6)
AUSTRALASIAN IMPORTS	\$2,720,309	(8.5)	0.4	(0.1)	\$23.75	\$0.71	\$9,134,845	(7.6)
BELGIAN IMPORTS	\$5,180,638	34.6	0.8	0.2	\$35.98	(\$0.32)	\$16,620,280	40.3
CANADIAN IMPORTS	\$9,232,959	(1.3)	1.3	(0.1)	\$18.62	\$0.19	\$31,189,170	(1.4)
EUROPEAN IMPORTS	\$57,361,680	(2.1)	8.4	(0.5)	\$29.51	\$0.36	\$191,143,200	0.5
GERMAN IMPORTS	\$7,862,148	1.5	1.1	(0.0)	\$28.03	\$0.71	\$25,456,980	0.8
HOLLAND IMPORTS	\$31,319,540	(7.2)	4.6	(0.5)	\$28.09	(\$0.13)	\$106,524,700	(3.3)
LATIN AMERICAN IMPORTS	\$1,307,640	(2.7)	0.2	(0.0)	\$18.87	(\$0.61)	\$4,383,919	(1.6)
MEXICAN IMPORTS	\$67,507,700	0.0	9.8	(0.3)	\$26.08	(\$0.25)	\$233,377,900	1.8
UK IMPORTS	\$5,523,289	(5.4)	0.8	(0.1)	\$31.58	\$0.98	\$18,022,950	(3.7)
TOTAL IMPORT NA	\$1,325,242	1.8	0.2	(0.0)	\$25.88	\$0.29	\$4,439,922	2.5
CRAFT	\$49,804,130	10.2	7.3	0.4	\$29.66	\$1.36	\$162,608,000	9.9
CRAFT 6PK 12OZ GLASS	\$27,204,410	6.7	4.0	0.1	\$31.15	\$1.55	\$88,702,880	6.5
CRAFT 12PK 12OZ GLASS	\$20,236,930	12.7	3.0	0.2	\$27.19	\$1.08	\$66,339,500	12.3

Category & Segment Totals, continued next page

Key Category & Segment Dollar Sales IRI Data, U.S. Food 4-week and 13-week periods ending Sept. 7, 2008

Category/Segment	Dollar	\$ sales	\$ shr	\$ shr of	Avg \$	Avg. \$	13-week	13-week dollar
	Sales	% Chg YA	of Cat	chg YA	per cs.	cs chg YA	dollar sales	sales chg YA
CRAFT 6PK 12OZ CAN	\$134,214	40.8	0.0	0.0	\$27.86	\$3.23	\$441,925	33.1
CRAFT 12PK 12OZ CAN	\$32,481	96.2	0.0	0.0	\$28.26	\$3.79	\$85,199	14.7
PROG ADULT BEVERAGES	\$27,447,920	(6.3)	4.0	(0.4)	\$29.93	\$0.16	\$100,037,000	(4.8)
PROG 6PK 12OZ GLASS	\$18,694,700	(9.0)	2.7	(0.4)	\$30.59	\$0.51	\$68,446,000	(6.3)
PROG 12PK 12OZ GLASS	\$5,743,105	3.8	0.8	0.0	\$27.85	(\$0.15)	\$21,156,330	(0.3)
PROG ENERGY BRANDS	\$1,662,938	7.5	0.2	0.0	\$25.92	\$1.21	\$5,631,000	12.7
PROG LEMON FLAVORED	\$6,446,405	10.5	0.9	0.1	\$30.99	\$0.01	\$23,486,650	10.7
PROG SPIRITS BRANDS	\$13,844,790	(10.0)	2.0	(0.3)	\$29.67	\$0.17	\$50,949,060	(7.8)
PROGRESSIVE TEA BRANDS	\$1,118,015	(33.4)	0.2	(0.1)	\$28.58	\$0.12	\$4,075,422	(31.4)
PROG A/O BRANDS	\$4,262,164	(11.9)	0.6	(0.1)	\$31.56	(\$0.25)	\$15,490,840	(12.5)
CIDER	\$2,061,350	10.8	0.3	0.0	\$29.25	\$1.58	\$6,724,842	11.0
CIDER 6PK 12OZ GLASS	\$1,951,581	12.7	0.3	0.0	\$29.17	\$1.59	\$6,343,549	12.8
CIDER 12PK 12OZ GLASS	\$34,993	68.1	0.0	0.0	\$27.25	\$0.15	\$108,075	57.2
NON-ALCOHOLIC	\$7,003,251	(4.9)	1.0	(0.1)	\$18.07	\$0.51	\$23,767,410	(3.4)
NON-ALCOHOL 6/12OZ CAN	\$637,774	(9.9)	0.1	(0.0)	\$15.41	\$0.28	\$2,183,155	(7.3)
NON-ALCOHOL 12/12OZ CAN	\$2,514,620	(4.5)	0.4	(0.0)	\$15.47	\$0.50	\$8,413,638	(4.0)
NON-ALCOHOL 12/12OZ GLS	\$12,022	(2.1)	0.0	(0.0)	\$20.10	\$0.88	\$42,156	(2.4)
NON-ALCOHOL 6/12OZ GLS	\$3,768,501	(4.1)	0.5	(0.0)	\$21.23	\$0.51	\$12,889,010	(2.2)
LIGHT 6PK 12OZ CAN	\$4,500,905	(6.1)	0.7	(0.1)	\$20.53	\$0.46	\$15,098,040	(6.0)
LIGHT 6PK 12OZ GLASS	\$28,155,180	7.1	4.1	0.1	\$25.02	\$0.55	\$97,912,940	10.9
LIGHT 12PK 12OZ CAN	\$35,346,490	0.6	5.2	(0.1)	\$17.00	\$0.48	\$120,325,700	1.1
LIGHT 12PK 12OZ GLASS	\$59,005,350	6.0	8.6	0.2	\$21.12	\$0.72	\$202,612,200	8.8
LIGHT 18PK 12OZ CAN	\$40,076,000	2.1	5.8	(0.1)	\$16.68	\$0.40	\$136,902,800	5.9
LIGHT 24PK 12OZ CAN	\$56,894,150	3.7	8.3	0.0	\$14.54	\$0.23	\$187,963,800	1.4
LIGHT 24PK 12OZ GLASS	\$8,363,414	3.6	1.2	0.0	\$17.17	\$0.76	\$25,997,140	15.9
LIGHT 30PK 12OZ CAN	\$44,745,780	10.6	6.5	0.4	\$13.18	\$0.45	\$149,612,900	12.3

Excepted from Monthly IRI InfoScan Data

Flavored malt beverages become expensive and scarce in Utah

AP—Welcome to Utah—land of quirky alcohol laws—where a six pack of flavored malt beverages now costs \$10 or more. If you can even find one, that is. A state ban on the sale of FMBs in grocery stores and convenience stores took effect last week in an effort to keep minors from buying them.

Utah is now the lone state where the only place to legally buy them is in state-controlled liquor stores—and at an 86 percent markup. And forget about buying them cold; there are no refrigerators in state liquor stores.

But even finding the drinks there is difficult. While Utah has always sold higher-alcohol content flavored malt beverages in liquor stores, it isn't ordering any new shipments until manufacturers put larger labels on bottles saying how much alcohol the drinks contain in bold capital letters.

"The basic premise of that requirement is that they wanted to make sure people were apprised of what products contain alcohol,

because there are so many lookalike products on the market," said Utah Department of Alcoholic Beverage Control spokeswoman Sharon Mackay. "There were actually minors getting ahold of [these] and their parents didn't know what they were."

Some suppliers have already said they're not going to bother selling the drinks in Utah because it's too expensive to create labels for one state. State liquor officials say it could take weeks for companies that want to continue selling their products here to get their labels approved and in stores.

The ban on grocery store sales and lack of products in state liquor stores has authorities here banking on high gas prices to serve as a deterrent to would-be bootleggers crossing into Idaho, Nevada and Wyoming for the drinks. It is illegal to transport alcohol into Utah for personal use, although it is commonly done.

A state stamp indicates that a product was purchased from a liquor store in Utah

and the Highway Patrol isn't shy about asking where someone bought their alcohol when they're pulled over near a state line.

Utah is home to some of the nation's strictest liquor laws, a byproduct of a predominantly Mormon population. The Church of Jesus Christ of Latter-day Saints counsels its members not to drink and is highly influential among lawmakers.

Some Senate Republicans suggested earlier this year banning the sale of refrigerated beer—the only alcohol left that's sold in grocery stores and convenience stores—but eventually decided against it.

Republican Gov. Jon Huntsman said banning FMBs from grocery stores would harm Utah's image, but agreed to it in exchange for increasing the amount of liquor allowed in shots and standard cocktails to 1.5 ounces, up from 1 ounce.

Huntsman has pledged to make Utah's liquor laws "more reasonable" when the Legislature convenes in January.

Interview with Fred Matt

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will that impact your brewery?

That's a good question. We have very good relationships with our wholesalers. We tend to be in MillerCoors houses, but we are also in a few Bud houses.

What do I worry about? I worry that further consolidation, while it may be very practical in the longer term, in the short term the smaller brands will pay a price. That's because there is a fair amount of turmoil when you meld these bigger guys together. They focus on the 80-20 rule, and try to get volume stuff out. I am not being judgemental, because I would do exactly the same thing. But the smaller volume brands are easy to overlook, and they feel the pain during those transition periods. So we try to have more salespeople in those markets during those periods. I'd like to avoid these situations, but it will probably get worse before it gets better, and we will just have to deal with it.

You really embraced specialty beer early on. In your view, why have the Saranac brands have been so successful?

People perceive Saranac as really great beer. In most situations we have a slight price advantage over many of our competitors. The comment I often get, is that "you guys make really great beer, and the 50 cents a six-pack or dollar a twelve-pack I save is really nice."

You have maintained a good price differential against other super premium beers. Can you continue to be able to maintain it as materials costs go up?

Yes, because everyone else is going up, and in some markets we have not. We are experimenting in some markets in taking our prices right up. But I think the consumer does care about value. I think the consumer likes a value when they think they can get it. I want Saranac to be the brand, that a consumer who really knows beer says, "That's a really great beer, and I'm getting a better value by buying it." The consumer likes to feel like they are in the know.

At the same time, over the years, we may have been giving money up that we didn't have to, because in many situations the specialty beer consumer is willing to pay a higher price. But with what is happening on

Wall Street, and prices going up across the board, I think more consumers will be looking at price again.

How do you maintain that differential? Are you taking less margin, or is it that you are a larger, more efficient brewery?

We do run a more efficient brewery than many of our competitors, and we also have virtually no debt, while a lot of craft brewers have significant debt. Also, I think we buy very well. Do we work on less margin in some situations? Yes, possibly.

Would you revive any of the old retro F.X. Matt brands?

Interestingly, the Utica Club brand, the first beer brewed after Prohibition, is growing nicely. I'm often been quoted that Utica Club has become so bogus that it's hip. That's true. Utica Club is a neat little brand. In upstate New York, it's the brand that your grandfather drank, and that makes it cool. There's no advertising, it is purely discovered. When people discover it, they say "Man, that's a cool brand." There is a lot of history and mythology around it, and it is growing in the high teens. We're not doing much with it, just trying to get the price higher. And we're testing in other markets to see if the interest we're seeing in Upstate New York can translate to other markets. Outside Utica, we're pushing it to premium pricing. In our home market, it is premium beer pricing, and off-premise, it's in that no man's land between premium and popular. Where Keystone 30s would sell for \$11.99, we'll be \$12.99 for 24.

How has your year been, and do you see craft-type beers continuing to grow?

If we hadn't had that fire and lost the month of June, we'd be doing really well. We've had a good year, but we'd be having a huge year.

As everyone always says, people are drinking less but better. Beyond that, there is great and increasing interest in beer. We're getting more people into the category, as more people get interested in food pairings. People are seeing beer differently than they did in the past. It's not about chugging a six pack, it's about savoring 2-3 beers instead, and complimenting it with good food. I see a lot of room left to grow. I think all of us smaller brewers are working to do this, to make beer a compliment to food, and more a social beverage than

chug-a-lug.

What was your opinion of the Anheuser-Busch/InBev deal?

My one regret is that we weren't the ones to buy them [laughs]

Who knew it was for sale?

Yeah, exactly [laughs]. Seriously, I think the A-B situation is kind of sad. They have been a great company, and they make good beer. They have been a good corporate citizen over the years. I'm an American through and through, and I hate seeing American icons like Anheuser-Busch bought by foreign interests. Some people say the family made that decision years ago when they sold all their shares. I guess that's true. My financial friends say that if they really wanted to hold onto it, they should have held it all, not just 4 1/2% or whatever. We will never be in that situation, I will tell you that.

Any new products in the pipeline?

We are always working on new things. We are working on a variety of different beers that I can't really talk about. Some beers for Saranac, and some ideas that we've developed in the market. Saranac will remain our main focus. We are also going to introduce a new line of organic soft drinks.

Is "value craft" a good place to be?

Yes, I think so. I don't like to use the word "value" because it can also be perceived as cheaper. I always stress that we have a line of award-winning beers. For years, we never entered any of these competitions. But in recent years, we've been more focused on that, and we have done exceedingly well. For us that has been very gratifying, because I think it proves that we truly are making the great beers we have always said we made.

But there is something to be said for perceived value. When I go to a wine store, and the owner says to me, "Fred, this bottle of wine is \$12 but it really should be a \$40 bottle."

That's how I look at us. If we're \$6.99, I can imagine the store owner saying "this beer is only \$6.99 a six, it should be \$8.99."

If you can get that buzz out there, it helps. But it comes down to the beer. The consumer isn't stupid. They know good beer when they taste it.

Thanks for your time, Fred.

WEEKLY MARKETPLACE

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Wholesaler Events

September 26-27—Minnesota Beer Wholesalers Assoc. Fall Conference, Tower, Minnesota

Contact: MBWA, 612-604-4400

October 6-7—The Associated Beer Distributors of Illinois' Annual Convention will be held at Oak Brook Hills Marriott Resort in Oak Brook, Illinois. For more information, contact Carol Z. Shirley, v.p. admin & ops, Associated Beer Distributors of Illinois. 217-528-4371, carol.shirley@abdi.org.

November 5-7—California Beer and Beverage Distributors 61st Annual Convention at the Hyatt Regency Embarcadero in San Francisco, CA. For more information contact Rhonda Stevenson at 916-441-5402.

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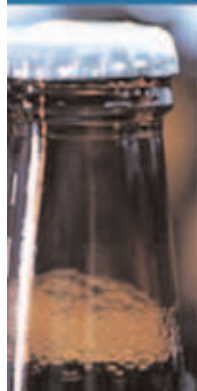
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Brew Notes-malty seasonals

By Pete Reid, editor of *Modern Brewery Age*; with regular panelists Gregg Glaser, editor of *Yankee Brew News*, and Tom Conti and Robert Lachman of the *Yankee Brew News* tasting panel. Joining us each week is a rotating cast of tasters, to include Dr. Steve Victor, formerly of Yale University; Lieut. Von Bair, USN, ret.; expat-Briton Gerry Nicholls, graphic designer Phil Simpson, videographer Paul Lin; Neil Balkun, beer buyer for Ancona's Wines & Liquors, Redding, CT, Greg Zannella, field sales director for Northeast Beverage of Orange, CT, and Michael Anstendig, a writer for *New York Magazine* on-line. Since taste is subjective, we include descriptive comments from each taster. We rate a top beer in each tasting, and rank it "Five Mugs." Beers that are almost on the same plane are "highly recommended" and get four mugs. Other beers are recommended based on their strong points, but don't get a mug rating.



= Top beer of the tasting, superb in every respect.

Permission is hereby granted to excerpt any comments for promotional purposes.

Full Sail 21 Doppelbock Full Sail Brewing Co. Hood River, OR



Superb



All malt and a yard wide. This is a beautiful beer in every sense. Gorgeous color, fluffy white head, rich warming malt aroma. Very rich malt flavors, but not overly sweet. A very quaffable 8% abv double bock. "Rich nose, and very malty," said Dr. Steve Victor. "Malt nose is big, round, and sweet," said Gregg G. "nice chewy middle." "This is sweet, full and malty, but perfectly balanced," said Von Bair. "Many double bocks are caramel sweet, but this is very clean. They must have used a nice yeast. This is remarkably drinkable for a beer this big." "Not at all cloying, you could have several pints," said Pete Reid. "Very nice," said Phil Simpson. "You can almost feel the viscosity. There is a thickness to the body, but it is not all syrupy and sugary. Well done!"

Terra Ryz'ed Imperial Roggen Schwarz Lager Left Hand/Terrapin Brewing Longmont, CO/Athens, GA



Superb

This is a collaborative effort between Left Hand and Terrapin that turned out just right. Left Hand knows how to brew with rye (Their Rye Bock as been a favorite of this panel) and they have turned out another wonderful beer.

The rye seems to give it a rich breadly, grainy aroma and body—welcome proof that malty beers can be just as complex as hoppy ones.

"This is nice, you can even smell the rye," said Dr. Steve Victor. "Has a mouthfilling roundness, and no harshness."

"Great nose, rich with dark malts," said Gregg Glaser. "There is some breadiness from the rye, and that also comes through in the taste. Full malt flavors and roast grains give it a great grainy texture."

"Pleasing dry finish from roast malts and grain bitterness," said Von Bair.

"All sorts of malt flavors here," said Greg Zannella, "this is great."

"Excellent," said Phil Simpson.

"There is a lot of complexity and depth."

"They really made full use of their malt and grain bill," said Pete Reid, "a perfect autumn harvest beer."

Bell's Consecrator Doppelbock Bell's Brewery Galesburg, MI



Recommended

A robust and complex American doppelbock, but is it a doppelbock? The alcohol presents strongly in this 8% abv beer. It's brewed with a Bohemian lager yeast, but has so much rich fruit and alcohol complexity that several of our tasters likened it to an old ale.

"Smells like a barley wine," said Greg Zannella.

"Aroma like fresh baked bread," said Michael Anstendig.

"Fresh, sweet malt nose," Robert Lachman added.

"Alcohol in the nose, real strong alcohol esters," said Gregg Glaser. "Light in color for a doppelbock."

"Aroma like a young old ale, on the edge of being sherry-like," said Phil Simpson.

"A lot of sweetness going on," said Tom Conti, "tastes like an ale, maybe a light version of old ale."

"It has more going on than your typical doublebock," said Pete Reid. "There is a fruit character that overshadows the simple sweetness you expect, but it's a very tasty beer."

"They could rename it," said Gregg Zannella, "It's good, but seems out of character for a double bock."



MBAA district Rocky Mountain president Jeff Biergert (New Belgium Brewing Co.), with speakers Paul Schrock (Rocky Mountain Metal Container), Matt Luhr (Dillon Dam Brewery), Troy Casey (MillerCoors Brewing Co.) and technical chairman Finn Knudsen (Beverage International, Inc)

Rocky Mountain MBAA meets in Dillon, Colorado

MBAA District Rocky Mountain held its annual out-of-town technical meeting in late September in Dillon, Colo. Fifty members, spouses and guests attended the meeting. The three-day event involved social gatherings and beer tastings at the Dillon DAM brewery and Pug Ryan's Brewpub along with a half-day technical session and barbeque.

The technical meeting convened at the Dillon Dam Brewery. Speaking at the meeting were Mr. Paul Schrock, production manager, Rocky Mountain Metal Container End Plant, and MillerCoors Brewing Co. research brewer, Mr. Troy Casey. Paul presented an overview of the conversion process of ends manufacturing as a way to highlight the efficiencies of breweries small and large utilizing the aluminum can for their production needs. Troy's two-fold presentation dealt first with his Master's thesis work at the University of California, Davis on how the brewing process affects a beer's silicon content and its nutritive value. He followed it with an overview of the creation of the AC Golden Brewing Company and the development of its first release—Herman Joseph's Private Reserve. Both speakers' talks generated several questions that were discussed within the group. Following the talks, the group went on an in-depth tour of the Dillon Dam Brewery

given by Head Brewer, Matt Luhr. The DAM Brewery, as it is affectionately called by locals, opened in 1997. The original JV Northwest brewing equipment is still in use producing an annual sales volume of 2100 barrels. Two-thirds of the brewery's volume sells on-premise. The remainder of its production is packaged in bottles and kegs for sale mostly in Colorado. At the conclusion of the tour, the entire group reassembled for lunch at Dillon's Town Park. Entertainment chairman Steve Woodward, manager, Fort Collins Feed, organized the event and barbecued tri-tip steaks. Members played horseshoes and conversed as they sampled special beers from Anheuser-Busch, Avery Brewing Co., AG Golden Brewing Co., Bristol Brewing Co., Dillon Dam Brewing Co. and New Belgium Brewing Co.

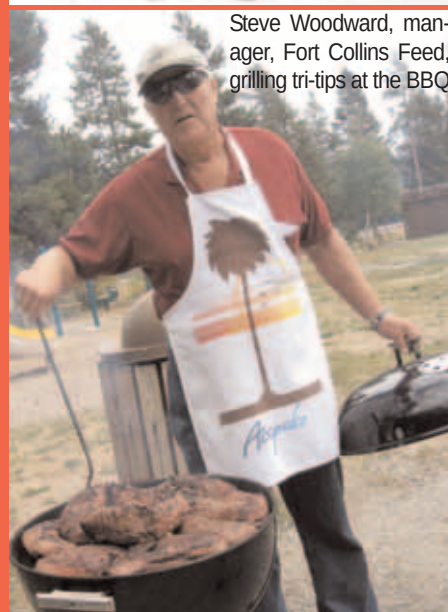
"The District's Executive Board members and the event's attendees are all grateful to Head Brewer Matt Luhr and the brewery's partners for their hospitality, their generosity and their friendship," said publicity chairman Steve Presley. "The beers and food served at their brewery and restaurant are well worth sampling should one find oneself in the area."

The district's next meeting is planned for November 6, 2008 at the MillerCoors Brewing Company in Golden, CO.

Rocky Mountain district members assembled outside of the Dillon Dam Brewery.



Steve Woodward, manager, Fort Collins Feed, grilling tri-tips at the BBQ



Continuing four-year MBAA Rocky Mountain horseshoe tournament champions Steve Presley and Gary Dick of Anheuser-Busch.



Crown opens beer kitchen

Crown Imports' new "Beer Kitchen" program, which is running in off-premise accounts in September and October 2008, draws on the popular trend of pairing beer with food.

"Beer Kitchen" features "The Art of Cooking and Pairing Food With Beer" recipe booklet, which offers recipes and beer pairing ideas that complement the Crown Imports portfolio of imported beers. To supplement to program, the Crown portfolio has teamed up with the food partners to offer coupons on products like guacamole, cheese and hot sauce. "Beer Kitchen" easel cards with booklet holders are also available for Crown Imports Beer displays.

Foster's could be next M&A target

Foster's Group has appointed advisers to help with a takeover defense, leading analysts to speculate that the company could be the next big consolidation target.

Foster's beer business has a 52 percent market share in a duopoly in Australia.

Analysts say Molson Coors may be interested in Foster's, on its own or together with SABMiller, which has the license to brew Foster's for the U.S. Analysts also pointed to Heineken NV, which owns the Foster's brand in Europe.

Constellation says Crown volume flat or up slightly

(Continued from page 2)

Its prior estimate had called for growth in the mid-single-digit range. Even though the company's results were slightly above analysts' expectations, investors fled, sending Constellation shares sinking 8.8%.

"We are lowering our topline estimates for spirits from 11% to 4% and Crown from 3% to 1%," analyst Kaumil Gajrawala of UBS wrote in a note to investors. "We expect spirits growth will continue to slow as consumers shift from on to off-premise."

Credit turmoil could disrupt InBev's acquisition of A-B...

(Continued from page 8)

would be damaged if credit markets continued to deteriorate.

"Should the credit environment deteriorate further, the proposed \$52 billion takeover of Anheuser-Busch could fall apart," Morningstar analyst Ann Gilpin warned. "At this point we think the deal is likely to go through, but with new uncertainties unfolding almost every day, we think it is important to be cautious."

Mark Swartzberg of Stifel Nicolaus also said he expects the deal to go forward. "Reasons include InBev's continued statements that financing and other transaction elements remain in place (e.g. fully committed financing [is] in place)," and our belief that A-B's cash flow characteristics (predictable, stable) combine favorably with the profile and breadth of lenders participating in the transaction."

Juli Niemann, an analyst for Smith Moore & Co. in St. Louis told the AP that Anheuser-Busch's excellent cash flow made the deal's completion likely. "None of the banks will back out. All buyouts are shaky in terms of financing, but this is one of the deals that will go through," she said.

One other possible obstacle has also surfaced. Grupo Modelo has said it plans to seek arbitration regarding the deal, claiming that it has the right to consent to InBev's planned purchase of A-B. Modelo's notice of arbitration claims that the transaction would violate provisions of the investment agreement between A-B and Modelo. A-B has said that Modelo's claim is without merit. Analysts have also said Modelo's legal position appears weak, and the end result of arbitration could be an InBev purchase of Modelo one or two years down the road.

Crown continues to face challenges [notably] Bud Light Lime, despite lapping easier comps. Our new EPS estimate for FY09 of \$1.72 reflects STZ's 2Q beat, which is partially offset by our new lower estimates for spirits and Crown."

He added that "Fundamentals in the US wine industry are weak but remain solid, despite shifts from on-premise to off-premise...We remain on the sidelines due to weakness in the UK and Australia, poor trends at Crown and potential macro risk."



Rogue uses own hops in ale

The Rogue Department of Agriculture and Rogue Ale Brewery have announced the release of Independence Hop Ale (80 IBU, 77 Alpha Acid) the first beer brewed with hops from Rogue's hop yard in Independence, OR, an area that was once called the "hop capital of the world."

Independence Hop Ale is a limited-release "fresh hop" beer, that was brewed in two 50-barrel batches, following the harvest cycle of the hops. The first batch was brewed with 500 pounds of fresh, unkilned Centennial hops. The second was brewed a week later with 750 pounds of wet Cascade hops picked, stuffed into sacks, driven 77 miles to Newport and tossed in the brew kettle before they had a chance to start drying. After fermentation, the two batches were blended together. The brewers say the result is a light copper-colored, unfiltered ale with the distinctive hop characters of each batch.

Independence Hop Ale is brewed with 8 ingredients: Two-row, Munich, Caramel Wheat and Carafoam malts, fresh, unkilned Centennial and Cascade hops, Rogue's proprietary Pacman yeast and "free range coastal water."

In May of 2008, Rogue entered into an alliance with heritage hop growers the Coleman family. Rogue planted 22 acres of hops and will add 20 more this fall on the former John I. Haas Alluvial Hop Farm just south of Independence. The land is part of a historic hop farm called the Wigrich Ranch, that in the 1920s boasted the largest hop yard under a single trellis in the world.

Rogue says that its hop yard puts the brewery in the position to be able to brew beer with proprietary hops, much like wineries are able to make estate wines. Rogue hops will be picked, kilned and baled on site.

In 2009, Rogue will add proprietary malted barley from Rogue Farms' newly acquired barley farm near Tygh Valley, Oregon for a beer made with all-Oregon ingredients to celebrate Oregon's 150th birthday.

Independence Hop Ale will be available in Oregon and Washington in serigraphed 22-ounce bottles and on draft.