

MODERN Brewery Age



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Louis Glunz wins craft beer distributor award

Louis Glunz Beer CFO Janet Bischoff (center), displays the "Craft Beer Distributor Achievement Award" presented to the 119-year-old, family-owned company at the Great American Beer Festival in Denver by the National Beer Wholesalers Association and the Brewers Association. The first-time award recognizes Glunz Beer for doing the most to market, sell and promote craft beer in the Chicago market. Joining Bischoff to accept the honor were (from left) Ed Kane, on-premise sales manager; Anthony Norkus, specialty micro manager; Wendy Adams, sales manager; and, Jennifer Faulk, director of marketing. The National Beer Wholesalers Association (NBWA) and the Brewers Association presented Lincolnwood, Ill.-based Glunz with the award in recognition of the company's efforts in marketing, selling and promoting craft beer in the Chicago market. "All of us at Glunz Beer are proud to have our efforts to strengthen the craft beer segment recognized with this first-time award," said general manager Jerry Glunz, a fourth generation descendent of the company's founder. "We share this honor with our management and sales teams who have been the driving force in bringing this prestigious award to our company, along with the wonderful suppliers who have entrusted us to sell and promote their products, and with the many Chicago beer lovers trading up to craft beers who continue to inspire us to seek-out 'extreme brews.' We're excited and encouraged by the growth of craft beer!" NBWA President Craig Purser applauded Glunz. "Craft beers have seen double-digit growth in sales each of the past several years," he said. "One reason for this is the quality of product they are offering the consumer. A second reason for their success is the first class distribution network America's beer distributors provide their products. We are glad to recognize Glunz Beer as a distributor who has gone above and beyond to help strengthen the craft beer segment."

Governor Schwarzenegger signs SB 574 brand transfer legislation in California

California Gov. Arnold Schwarzenegger signed SB 574, the brand transfer bill, into law on October 9th. The bill, which was supported by the California Beer & Beverage Distributors (CBBBD), is intended to establish a simple distributor-to-distributor valuation process for the transfer of beer brands.

"Mergers and acquisitions are the future of the beer business," said CBBBD president

Victoria Horton. "Brewers and distributors have acknowledged that there needed to be a fair process in California that recognized the equity that beer distributors have in their brands and the interests of brewers in the timely transition of the acquired brands in their distribution networks."

Ms. Horton said that over the past two years, brewers have begun acquiring

Analysts take favorable view of MillerCoors deal

Key beer industry analysts see the MillerCoors joint venture as a positive for both players, and a natural evolution of the U.S. beer industry.

"I was pleased to see that the inevitable occurred," said Robert S. Weinberg of the Office of R.S. Weinberg, St. Louis, MO. "The new company will be in a better position than either Miller or Coors individually."

The deal was especially unsurprising for Mr. Weinberg, who has been beating the drum for a Miller Coors combination since the mid-1990s. "I don't think either company had a choice at this point," Mr. Weinberg said, "and the timing is pretty good. It would have been better if it happened some years ago, but it's not too late."

Bonnie Herzog, noted Citigroup analyst, was also unsurprised, and sees the deal as positive. "We have expected this combination for some time," she wrote in a note to investors, "especially considering that the two companies have distributed 60% of their volume in dual houses in the U.S. for some time now."

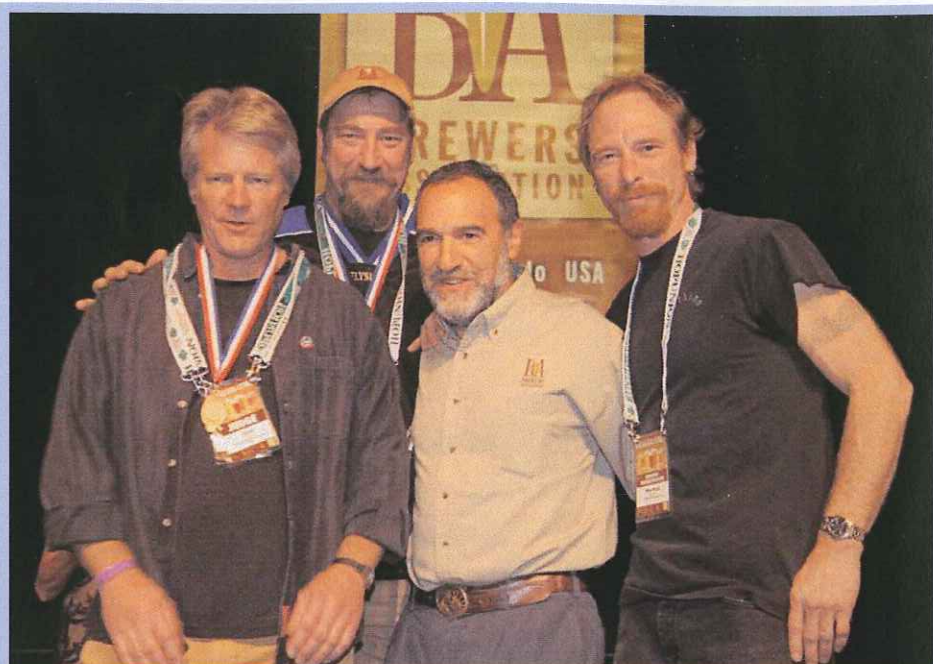
"Overall we believe this is positive news for Molson Coors," Herzog continued. "The combination of Coors and Miller creates a more rational and stronger number two player in the U.S. market, especially for the pricing environment."

Ms. Herzog also thinks management estimates of \$500 million in cost savings is on the mark. "Larger scales allow the two brewers to gain economies in the supply

(Continued on page 6)

brands to channel to their networks of distributors. "Often these brands [have already been] in distribution by competing wholesalers who have paid for the distribution rights and/or incurred capital costs based on those rights," she said.

The bill was supported by Anheuser-Busch, MillerCoors, and Diageo Guinness. The bill becomes law January 1, 2008.



Brewers gather in Denver for Great American Beer Festival

The Elysian Brewing Company of Seattle, WA, was among the small brewers claiming medals at the recent Great American Beer Festival in Denver. (From left to right, above) Dick Cantwell, president & head brewer; David Buhler, v.p. and director of sales; Charlie Papazian, president of the Brewers' Association and Markus Stinson, Elysian's lead brewer. The Elysian Brewing Company was awarded a Gold Medal for The Wise ESB in the Extra Special Bitter category, a silver medal for Dragonstooth Stout in The Other Strong Ale Category and a silver medal for The Great Pumpkin Ale in the Fruit and Vegetable Beer category. The 2007 Great American Beer Festival Competition winners were selected by an international panel of brewing experts from a field of 2,832 entries received from 474 U.S. breweries. More than 1,500 breweries were invited to compete. "The Great American Beer Festival is the premier judging event for the American craft beer industry," said festival director Nancy Johnson.

Iron City faces uphill battle to reclaim hometown market

AP—With new ownership in place, what should the makers of Iron City beers do to attract younger drinkers? "Make better beer," Bob McGrogan said. The 42-year-old manages Squirrel Hill's Kazansky's Deli, a vendor of six packs to the neighborhood's thousands of college-age residents and others stopping by on their way to Murray Avenue's many BYOB restaurants.

McGrogan said it's been years since he's sampled the hometown brew—although his dad was a staunch advocate of I.C. Light. Still, McGrogan stocks just one or two cases of Iron City's brands each week, compared with 20 cases of another Pennsylvania brew—Yuengling.

"It's more of a stigma," McGrogan said. "It's the same old brand. Try a craft beer. ... You've got a brewery. People are making beer in their basements, good beer."

In fact, change is afoot for the brewer popular with grandpaps across Western Pennsylvania. After the acquisition last week of the 146-year-old company by a Connecticut-based private-equity firm, new president Tim Hickman said \$4 million of

improvements are coming to the Lawrenceville plant. Along with a new boiler and kegging system, Hickman says he plans a stepped-up marketing and advertising campaign, and to "get aggressive in the craft (beer) market."

Scott Smith, owner—and sole employee—of East End Brewing Co. in Homestead, was gentler in his assessment of Iron City's charms. "It tastes like my youth," said Smith, 40, of Regent Square. "Honestly, one sip, and the taste and the smell snaps me right back."

His Big Hop India Pale Ale is on tap at locales such as August Henry's City Saloon, Downtown; Mr. Small's in Millvale; and Johnny's Wife's Place in Jeannette. He described Iron City as "a fantastic brand with fantastic brand identity. My hat's off to them for all the packaging innovation they've made through the years," he said. "But I'd like to see them focus their energy on what's inside the can. I'd love to see them dip their toe into the craft beer arena."

At Gene's Place in Oakland, I.C. Light

(Continued on page 5)

Small brewers smarting over supply shortages

AP—There's trouble brewing for small beer makers across the country.

The price of hops and barley, two of the essential ingredients in brewing, continue to rise, as do the costs of shipping and bottling. That means those looking forward to libation with craft beers likely will see their favorite brands rise in cost.

"We'll watch the market, and we'll try to move along with the market," said Russ Melton, one of the owners of Little Rock, AR's Diamond Beer Brewing Co. "We'll keep ourselves competitive."

Steve Mazylewski, brewmaster for the Hog Haus Brewing Co. in Fayetteville, AR, since August, said he was shocked when he called to reorder hops last month, only to find out they weren't available. Yakima, Wash.-based Hopunion CBS LLC, a big international supplier of hops, wasn't able to fill his order.

The reasons include storms, increased international demand as well as craft beer growth, Mazylewski said. Some farmers also abandoned growing barley for biofuel crops like corn.

Melton said Diamond Bear's sales have been growing 25 percent to 30 percent each year since its September 2000 opening. Last year, the brewery produced 2,000 barrels, or about 27,500 cases, of beer. This year, it expects to make 2,100 barrels.

Robert Kort, Diamond Bear's brewmaster, said the company has bought enough barley and hops in bulk that the brewery doesn't have to worry yet. The company plans it will be able to wait until next year to start adjusting the prices in line with the market. Mazylewski said prices for a pint of beer at the Hog Haus could rise 25 cents.

He said brewers who don't have hop contracts are out of luck. "Owners of breweries out in Portland, OR, grown men, are almost on the verge of tears," Mazylewski said. "That's how dire it really is for us."

Belgian Beer dinner in Portland, ME

The Vignola restaurant in Portland, ME, has announced a monthly Belgian Beer Dinner series. The first dinner in the series, which will showcase three special Belgian ales, will be held Wednesday, October 17th. Featured beers at the October 17th event will include Delirium Tremens, Gouden Carolus and Kasteelbeir. Bruce Wright of Wetten Importers will speak.

Saint Arnold will stick with "Christmas" Ale, political correctness be damned

Saint Arnold Brewing Co. says it will not hide its affection for Christmas. This year's supply of Saint Arnold Christmas Ale will ship from the oldest craft brewery in Texas on October 16, 2007. This is the 13th annual edition of Saint Arnold Christmas Ale, which was introduced by Saint Arnold as its first seasonal in 1995.

"We have never regretted naming it Saint Arnold Christmas Ale because it sets us apart from all the namby-pamby marketing types who tell people not to use 'Christmas,'" said Brock Wagner, founder of Saint Arnold Brewing Co.. "People of all religions and backgrounds make Saint Arnold Christmas Ale part of their annual celebra-

tions. In fact, we have yet to see anybody not drink this beer because of its name."

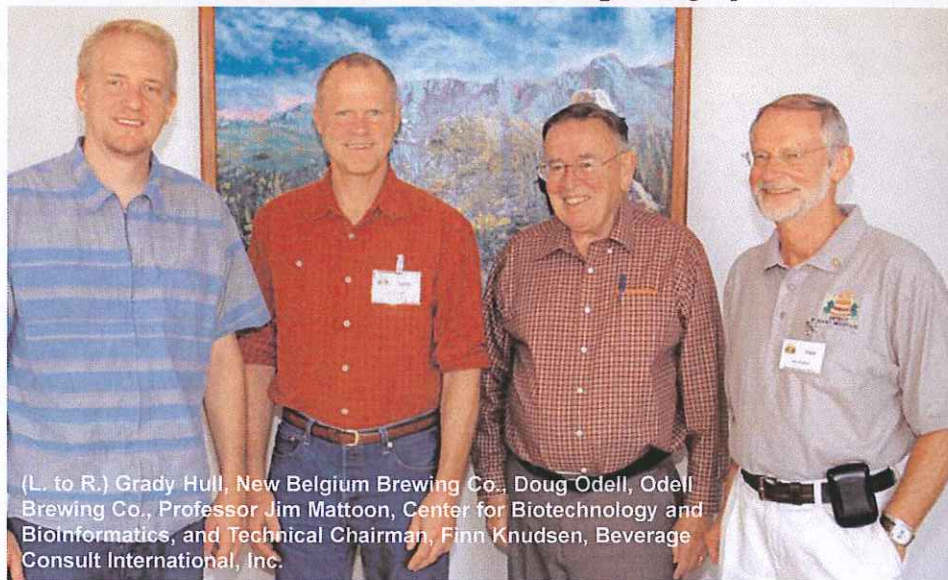
Beginning October 16th, Saint Arnold Christmas Ale will be available on tap and in 12-ounce bottles sold in six-packs and cases. It will be available throughout Texas at grocery and liquor stores, bars and restaurants.

Rocky Mountain master brewers meet in Colorado Springs, Colorado

By Steve Presley, past president, MBAA District Rocky Mountain—Members and guests of the MBAA's District Rocky Mountain gathered in Colorado Springs, Colorado in late September for their annual technical out-of-town meeting. The first night's welcoming event was held at the Bristol Brewing Company. The group was fortunate to be there during the introductory celebration for Bristol's seasonal "Winter Warlock" Oatmeal Stout.

Microbiologist Keith Andrews, and brewmaster, Joe Hull, led the group on a tour of the brewery. The group sampled many of Bristol's beers, including the award-winning "Laughing Lab" Scottish Ale directly from bright beer tanks. Mike Bristol, owner and founder, presented a brief history of his company which started in 1994 and sells over 7,000 barrels per year.

The following day's technical meeting convened at the Phantom Canyon Brewery. The technical portion of the meeting featured Mr. Grady Hull, Assistant Brewmaster, New Belgium Brewing Company and Emeritus Professor, Jim Mattoon, Ph.D., Center for Biotechnology and Bioinformatics. Mr. Hull's presentation, *Olive Oil Addition to Yeast as an Alternative to Wort Aeration*, reported on full-scale production tests conducted to study this unique yeast treatment. The study was undertaken to evaluate what effect the elimination of oxygen, normally added into the wort to foster yeast growth and health, has on long-term flavor stability. Olive oil was chosen, as its unsaturated oleic acid is very similar in structure to the linoleic acid that yeast uses to produce the needed nutrients glycogen and trehalose. The tested addition rate of olive oil was 1 mg/25 x 109 cells. The tests showed that beer of normal quality can be produced using this method. Organoleptically the test beers were judged to have a slightly higher ester and fusel profile, significantly less DMS and



(L. to R.) Grady Hull, New Belgium Brewing Co.; Doug Odell, Odell Brewing Co.; Professor Jim Mattoon, Center for Biotechnology and Bioinformatics, and Technical Chairman, Finn Knudsen, Beverage Consult International, Inc.

improved freshness after forced aging. Overall, the tests proved that the process of wort oxygenation could be replaced with the addition of olive oil to one's yeast!

Professor Mattoon's talk, *Yeast Biochemistry, Biology and Biotechnology*, started with a review of the beginnings of modern biochemistry, which had its roots in the study of brewers' yeast. He followed this with an in-depth description of how yeast has been an important tool in determining the role of vitamins in living cells. These studies also revealed that enzymes in yeast are similar to those in animal tissue. This led to the realization that all living things have a similar biochemistry and that yeast and human cells share numerous characteristics. Prof. Mattoon also spoke on how genetic engineering of yeast has led to improved production methods in the pharmaceutical industry. His story on an effort to cross-breed (genetic engineer) starch fermenting capability into brewers' yeast to improve light-beer-production highlighted the difficulties one encounters when trying to introduce a new characteristic into yeast.

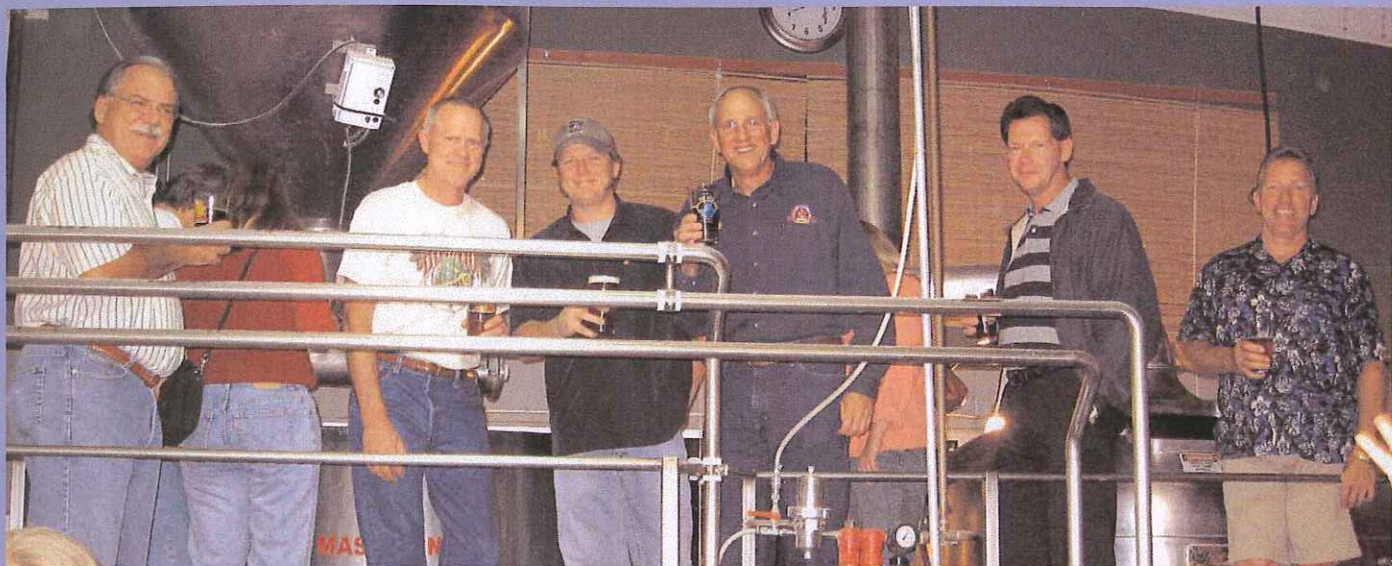
Both talks stimulated discussion and

technical interchange among the group and speakers. It is this type of exchange of ideas and knowledge between brewers and suppliers to the industry that makes the District's technical events relevant to and practical for the membership. Following the talks, the group was given a behind-the-scenes look at the Phantom Canyon's Brew Pub operation.

Phantom Canyon was started by Wynkoop founder, John Hickenlooper, in 1994. The 13-barrel system produces 12 beers for on-premise draft sales. Total yearly output is 1700 barrels. The District thanked Andy Bradley, head Brewer, for the tour and his generosity in providing members with full glass samples of his beers.

Following the technical presentations and Phantom Canyon tour, the membership reassembled with their family members for a barbeque lunch at Garden of the Gods Campground. Entertainment chairman Steve Woodward, manager, Fort Collins Feed, organized the event. The afternoon was filled with horseshoes, conversation, and sampling of special beers from Anheuser-Busch, New Belgium Brewing Co., and Odell Brewing Co.

MBAA Rocky Mountain chapter tours Colorado craft breweries



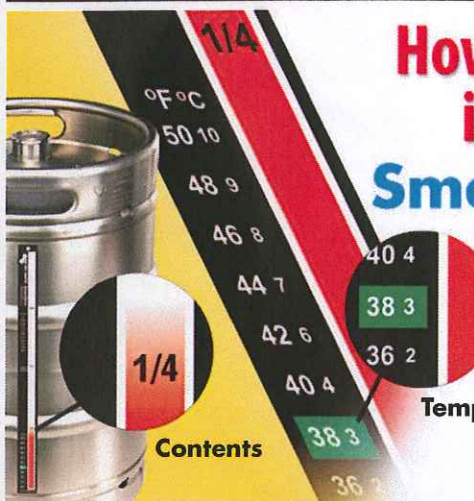
TOP: MBAA Rocky Mountain District members viewing the Bristol Brewing Company's brewhouse operation in Colorado Springs, Colorado. **AT LEFT:** Andy Bradley, Mark Clefe, Darwin Davidson, Mark Fischer, Doug Odell and Gary Dick in the Phantom Canyon release cellars.



BELOW: District Rocky Mountain members outside the Phantom Canyon Brew Pub in Colorado Springs, Colorado. See meeting story on facing page.



WEEKLY MARKETPLACE



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The image shows a SmartStrip gauge attached to a beer keg. The gauge has two scales: one for temperature in °F and °C, and another for contents in 1/4 kegs. The temperature scale ranges from 36 to 50 °F and 2 to 10 °C. The contents scale ranges from 0 to 1 1/4 kegs. The gauge is currently showing a temperature of 38.3 °F and 3.8 °C, and a contents level of 1/4 keg.



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The image shows a man in a blue shirt and dark shorts loading a large black bag onto a silver metal cart. The cart has four wheels and a handle. The background is a plain white wall.



The new message in a bottle

convert cans into bottles with the new

BottleAcan

The image shows a hand crushing a metal can into a bottle shape. The background is a beach scene with waves and a blue sky. The text 'The new message in a bottle' is written in a cursive font at the top. The text 'convert cans into bottles with the new' is written in a blue font on the right. The text 'BottleAcan' is written in white on a red oval at the bottom.

The new Modern Brewery Age Blue Book is available. The book has been completely updated, and includes a new international brewery directory. Get both books for \$450. Call to order at 203-663-7836

Brewers Events

October 11-13—The 26th Annual Great American Beer Festival. Denver, CO. Sponsored by the Brewers' Association. Check www.beertown.org for details.

November 12-15—Master of Beer Styles & Evaluation Program. Siebel Institute, Chicago, IL. Tel: 213-255-0705

April 6-11, 2008 - The Institute of Brewing & Distilling, 30th Asia Pacific Section Convention, SkyCity Convention Centre, Auckland, New Zealand. For information, check www.ibd2008.co.nz

Wholesaler Events

November 14-16— The California Beer and Beverage Distributor's 60th Annual Convention will be held at the Estancia Hotel and Spa in La Jolla, California. Contact: Rhonda Stevenson at 800-952-8308.

April 13-16, 2008—New York State Beer Wholesalers Association Spring Business Meeting. LaPlaya Beach & Golf resort. Naples, FL.

Editor's Note: To include your event in this calendar, please send date and contact information by e-mail to: pete@breweryage.com

IC has work cut out for it

(Continued from page 2)

draft is the No. 1 seller, reflecting the bar's student clientele. Owner Gene Ney said a pint sells for \$1.75, a pitcher for \$5.50—"and I never put it on special."

An economics professor by day at Carlow University, Ney said the loss of the Iron City brewery not only would hurt Pittsburgh's already struggling job market, but likely would drive up prices in a town known for the affordability of passing time on a bar stool. "Iron City's products tend to cost less, and that's probably keeping the other beers' prices down," Ney said.

Frank Fornsaglio, 25, a union asbestos-removal worker, said drinking Iron City is a rite of passage in his hometown of Steubenville, OH. "It's an old man's beer to some extent, but it's still very big," he said. But last weekend on the South Side, what was Fornsaglio drinking? A Yuengling.

Analysts see strength in Miller Coors combination

(continued from page 1)

chain, combine corporate operations and achieve nationwide distribution," she wrote. "We also believe there are significant opportunities to share best practices in innovation and selling techniques between the two companies which should yield revenue synergies."

Herzog said the greatest opportunities might involve sourcing, with a national network of breweries producing Coors brands allowing the company to "lower freight costs, optimize production locations and vertically integrate operations."

The family management at Coors has long had very strong ideas about the sourcing of their brands (from suitable water profile right down to the ideal altitude for brewing Coors brand) but these notions may fade before the exigencies of the Miller Coors combination.

Analysts Mark Swartzberg and Mark Astrachan of Stifel Nicolaus see numerous positives in the deal, including more vibrant competition in the mainstream beer sector.

"We expect the combination to create a better competitor potentially versus the market leader, Anheuser-Busch," they wrote in a note. "Top-line trends for the combined company have been similar to those of Anheuser-Busch, and the entity is positioned to get stronger financially and in terms of distributor influence."

On distribution, the Stifel Nicolaus analysts picked up on MillerCoors complementary geographies. "Management notes that their best-performing geographies are different," Messrs. Swartzberg and Astrachan wrote. "Miller's best performing geographies are in the Midwest, and Coors' best performing geographies are in the West and part of New England. This means that the new company can leverage

a given distributor relationship effectively for that portion of the portfolio that has been a relative underperformer, in our view."

The largest brand overlap, as Citigroup's Herzog points out, is between Miller Lite and Coors Light. "One of MillerCoors most important decisions ahead is how it will position Coors Light and Miller Lite that currently compete head to head in the mainstream light beer segment," she wrote. "One of the major challenges will be to differentiate the two brands."

Both Citigroup's Herzog and Messrs. Swartzberg and Astrachan at Stifel Nicolaus believe the deal will be approved by regulators. "With A-B continuing to hold 49% of the domestic beer market, we believe regulators will view this transaction as pro-competition," Herzog wrote.

Herzog, Swartzberg et. al. also pointed to a great probability of an A-B/InBev merger in response. "This announcement increases A-B's sense of urgency to combine with InBev, in our view," Herzog wrote. "A combination of the #2 and #3 domestic players could encourage A-B to reach its goal to regain its #1 global brewer status faster. Therefore, an alliance between A-B and InBev is more likely to occur, now more than ever."

Swartzberg & Astrachan agreed. "This transaction is added incentive, if not a catalyst, for A-B to explore strategic alternatives," they wrote.

Analyst Weinberg, who had been predicting this deal for years (and actually mentioned the probability in our Oct. 3rd edition) said the deal changes the landscape. "This is the final game, where we have a virtual duopoly," he said. "Will the companies be able to meld their strengths and reduce their weaknesses? That remains to be seen, but I wish them well."

SABMiller sales rose 11 percent in 1st half

AP—SABMiller PLC said Monday its first-half sales rose 11 percent on demand in South America and Eastern Europe.

SABMiller said sales in the six months to Sept. 30, excluding volumes for businesses acquired in the past 12 months remained in line with management's expectations.

In North America, SABMiller reported a 5.9 percent sales increase, marking a slight upturn from the first quarter where volumes in the U.S. beer market rose 4.6 percent. SABMiller has faced tough competition in

the United States from an aggressive discounting policy from Anheuser-Busch.

Analysts said North American revenue growth had possibly reached its peak. "It is difficult to see further upward progress," stockbrokers Collins Stewart said.

In Europe, sales growth rose by 12 percent, with Eastern Europe leading the way.

Africa and Asia showed organic lager volume growth of 20 percent, with a 22 percent rise in China. Latin America gained 8 percent in the first half.

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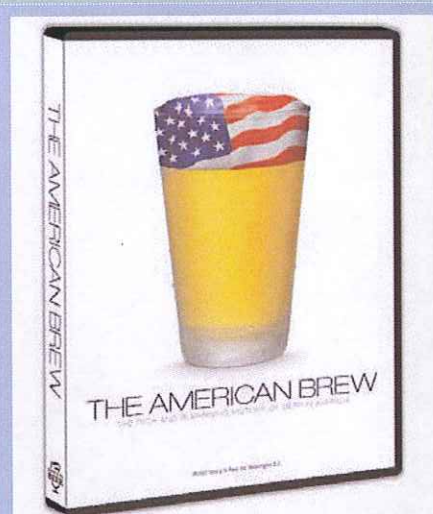
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"American Brew" Honored

Filmmakers Roger Sherman and Jesse Sweet were honored by the Brewers Association as recipients of the Beer Journalism Award in the 'Electronic Media' category for "The American Brew." The award was announced Saturday, Oct. 13 at the Great American Beer Festival. Commissioned by Anheuser-Busch's "Here's To Beer" industry development campaign, "The American Brew" is an hour-long film celebrating the history of American beer.

"The American Brew" represents the contributions and innovations of American brewers," said Bob Lachky, executive v.p. of global industry development and chief creative officer, Anheuser-Busch. "We're elated the Brewers Association has given this film top honors because it's exactly the type of program that embodies the mission of 'Here's to Beer' in romancing and elevating the image of beer while being educational."

"The American Brew" is available on DVD – with an additional 42 minutes of footage and interviews – for purchase at www.herestobeer.com.