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## Anheuser sale won't change much for local distributors

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WOODSTOCK – Duane Muehler has seen it all before, but it is the taste that concerns him most.

The owner of Duffy's Bar Inc. in Woodstock said a tough economy had taken a toll on more than the automobile and airline industries – it is starting to hit people in the gut – literally.

Belgian brewer InBev SA's announcement that – pending regulatory approval – it would buy Anheuser Busch, is the latest example of ongoing mergers in the industry. He said repercussions from South African Breweries Ltd.'s takeover of Miller Brewing Co. in 2002 were ongoing.

"It entirely comes down to the consumer," Muehler said. "When the ... company took over Miller the first year, there was no difference. But by the second year, Miller products were sliding down. Consumers are going to other products. I suspect a few devoted Americans won't drink Budweiser products anymore."

The \$52 billion takeover of U.S.-based Anheuser, will bring Budweiser and Bud Light into a lineup that includes Stella Artois, Beck's and Bass under a combined company called Anheuser-Busch InBev. It would be the world's third-largest consumer products company by market cap, after Procter & Gamble of the United States and Nestle SA of Switzerland.

InBev is the world's second-largest beer-maker, narrowly behind SABMiller. Shareholders will receive \$70 a share, a \$5 increase over the offer Anheuser-Busch rejected in June. Both companies' shareholders must approve the deal, as must U.S. and European Union antitrust regulators. The deal is expected to close by year-end.

Donald J. Lewis, vice president of L&V Distributors, Inc. of Crystal Lake, anticipates few changes for local beer distributors because there was a distribution agreement already in place between the two companies.

"It's part of the consolidation going on around the whole world – whether it's beer or cars or whatever," Lewis said. "When the South African brewing company bought Miller a few years ago, there was a little bit of rumbling that they were not an American company anymore, but I don't think that regular consumers changed their opinion and stopped buying it."

Ted Stilling – vice president of Charles Herdrich & Son Inc., an SABMiller distributor based in McHenry – agreed. But he also anticipates the merger will not be pain free. The brewery workers should keep their jobs – InBev said it planned to use St. Louis as its North American headquarters, and that it would keep open all 12 of Anheuser-Busch's North American breweries. But what about office and marketing staff?

"Anheuser-Busch will not control any more of the American market than it already does," Stilling said. "But what it may do is eliminate jobs in America. That is an ugly thing to see."

The joint company anticipated “at least \$1.5 billion” of duplicated costs by 2011 that could be eliminated. It also anticipated that 40 percent of the combined company’s revenues would be generated in the U.S.

But Muehler is skeptical.

“The type of beer we drink is a lighter beer; it’s not a heavy lager,” he said. “If they try and push that on Americans, they’ll fail.”

Customers already are cutting back, he said, switching from bottles to drafts. They are choosier, especially at a time of such upheaval in the liquor industry. Pabst Blue Ribbon, the “Beer that made Milwaukee famous,” now is brewed by CBR Brewing Co. with its American headquarters in Beverly Hills, Calif.

Rising sales of beer are contributing heftily to the U.S. economy – nearly \$190 billion, according to an economic impact study commissioned jointly by the Beer Institute and the National Beer Wholesalers Association. The beer industry also contributes more than 1.7 million jobs paying almost \$55 billion in wages annually.

The average beer distributor has annual sales of about \$11.8 million and employs 36 workers, the Associated Beer Distributors of Illinois said. But its president, William Olson, isn’t about to predict the future.

“The largest American brewer left is Pabst, and they have less than 3 percent of the market,” Olson said, “and they don’t even own a brewery. ... I don’t think you’ll see any immediate effect, but who knows what will happen down the road?”