

## MYTH VS. FACT

### HOUSE BILL 168 & Kentucky's "Beer Battle"

**MYTH:** *"This legislation is about protecting craft brewers from Anheuser-Busch."*

- **FACT:** This legislation has nothing to do with ensuring the availability of craft beers. This legislation was conceived by distribution competitors to Anheuser-Busch who want the state government to attempt to take AB's property away and drive them from the state. If this was about craft beers, there would be a provision to allow small brewers to self-distribute, but that's not in the bill. This bill helps a narrow band of greedy special interests who want the government to provide them additional privileges and protections not afforded to others
- **FACT:** There have never been more choices for beer consumers – including those in Kentucky. According to the Brewers Association, at the end of 2012, there were 2,336 U.S. breweries, the most since the 1880s. There are significantly more brewers in Kentucky now compared to when Anheuser-Busch purchased its Louisville distributor nearly 40 years ago. In Louisville, in fact, there are stories published routinely about the booming craft beer market, leading the Mayor of Louisville to declare that craft beers are "red hot" in his city. Clearly, AB's ownership in that market has not hurt small and craft brewers.
- **FACT:** Many craft brands are actually doing better in Louisville compared to other parts of the state, based on state-specific data from IRI. Anheuser-Busch's operation as a distributor in Louisville has done nothing to slow down the state's booming craft beer market. The local media is flooded with stories about craft beer festivals and microbreweries – just Google it.
- **FACT:** The handful of people who support HB 168 have never offered one shred of evidence that craft beers cannot find routes to market in Louisville and Owensboro, where AB owns facilities. The truth is there are multiple distribution channels in both markets. In fact, Country Boy is distributed in Louisville by Dauntless Distributing and in Lexington by Kentucky Eagle, Inc.
- **FACT:** You can get a Country Boy beer at numerous places in Louisville and on tap at the TGI Friday's in Owensboro. Kentucky's craft beers are finding routes to market; don't be fooled.

**MYTH:** *"The little guys have next to no chance of holding AB In-Bev from buying anything they want."*

- **FACT:** Of the more than 500 independent Anheuser-Busch distributors across the country, Anheuser-Busch owns and operates 18 of them, or 3.6%.
- **FACT:** Since the Anheuser-Busch InBev merger in 2008, there have been 73 distributor transactions. Of those, AB has only purchased six nationwide. In all instances, they were willing sellers. At the same time, since 2008, AB has sold a distributor and divested partial ownership interests in four other distributors. That's a net change of AB owning two additional distributors, or 0.4% of all distributors nationwide.
- **FACT:** Competition in the middle tier will make the distribution system more robust and efficient. An open and competitive distributor market will be more responsive to retail customers and better for Kentucky consumers.



**MYTH: “Anheuser-Busch hurts local jobs” and “a lot of jobs have been lost” in Louisville.**

- **FACT:** AB supports local jobs! AB purchased its distributor in Louisville in 1978. It had 19 employees and was struggling at the time. Today, AB has nearly 200 employees in Kentucky, and has invested millions in its facilities, equipment and people. AB enjoys a good relationship with the local Teamsters Union in Louisville, and pays its workers better than other distributors in the state.
- **FACT:** If HB168 passes, nearly 200 workers could be out of a job. This bill attempts to put Anheuser-Busch out of business, and the fate of these workers is unknown should that happen.
- **FACT:** Anheuser-Busch has owned a distributorship in Louisville for almost four decades. During that time, not only has there been an explosion of craft brands available but AB expanded its operation significantly.
- **FACT:** Currently, Anheuser-Busch employs nearly 200 Kentuckians and pays \$9.3 million in payroll, a number that will grow after a year of ownership in Owensboro.
- **FACT:** In 2013, Anheuser-Busch paid \$10.7 million in total Kentucky tax dollars.
- **FACT:** Anheuser-Busch invests heavily in local events and sponsorships in Louisville, including the Kentucky Derby, University of Louisville Athletics, Kentucky State Fair and Yum! Center, among others. These local sponsorships represent an average investment of \$1.17 million annually. AB is a robust corporate citizen in Kentucky.

**MYTH: “HB168 is just closing a loophole.”**

- **FACT:** The law allowing Anheuser-Busch to own a distributor in Kentucky has been on the books since Prohibition ended, and was upheld in court rulings in 1978 and 2014. There is no loophole; this is the law, and the beer distribution system in Kentucky works just fine.
- **FACT:** As a licensed distributor, Anheuser-Busch follows the same rules and acts in accordance with local, state and federal regulations as any other distributor would. We have done so successfully in Louisville for nearly 40 years.
- **FACT:** HB168 is a “solution” in search of a problem that does not exist. The beer system in Kentucky works fine, and Anheuser-Busch is a good corporate citizen, investing in workers, paying taxes, and contributing to the state’s universities and events.
- **FACT:** HB168 is not about loopholes; it is about greedy special interests who want the government to put another competitor out of business.

**MYTH: “...Anheuser-Busch could distribute only its products, leaving retailers such as liquor stores and restaurants with limited or no access to the brands they want to carry.”**

- **FACT:** Consumers in Owensboro and Louisville enjoy access to all kinds of products, made by brewers large and small.
- **FACT:** Competition in the middle tier will make the distribution system more robust and efficient. An open and competitive distributor market will be more responsive to retail customers and better for

Kentucky consumers. There are 5 distributors operating in Owensboro and 6 in Louisville; clearly, there are routes to market for all products.

- **FACT:** This claim comes from a handful of distributors who fear competition in the middle tier. Independent beer distributors are highly successful enterprises who enjoy advantages few businesses receive, such as perpetual distribution rights, exclusive distribution areas, and significant marketing and other incentives.

**MYTH: “...the Kentucky Chamber of Commerce, filed a letter of concern about the possible negative effects ...”**

- **FACT:** The Kentucky Chamber of Commerce has rescinded their protest letter and do not object to the transaction. (*September 18, 2014 letter from Chamber President Dave Adkisson to Kentucky ABC*)
- **FACT:** Further, the Owensboro Chamber of Commerce supported the distributorship purchase in Owensboro, and Greater Louisville, Inc. opposes HB168.

**MYTH: “Anheuser-Busch owning a distributor blurs the lines in the state’s three-tier system ...”**

- **FACT:** Anheuser-Busch supports Kentucky’s three-tier distribution system, and its ownership does nothing to harm it. Anheuser-Busch will continue to work with nine independent distributors in Kentucky that we do not own to get our products to market.
- **FACT:** As a licensed distributor already, Anheuser-Busch follows the same rules and acts in accordance with local, state and federal regulations as any other distributor would. We have done so successfully in Louisville for nearly 40 years, and are proud to be doing so in Owensboro.
- **FACT:** It is just the opposite. Kentucky law has been well-established for nearly 60 years that a brewer may hold a distributors’ license. In 1978, the Kentucky Court of Appeals reaffirmed this fact by striking down a regulation enacted by the Kentucky Alcoholic Beverage Control Board that attempted to prevent Anheuser-Busch from purchasing its distributorship in Louisville. Those who are attempting to block this transaction are the ones that want to change the rules.
- **FACT:** Anheuser-Busch is not asking for a thing. It needs no new laws or regulations. It just wants to continue to operate in Kentucky, to employ nearly 200 workers, to pay its taxes, and to continue to be a good corporate citizen.



*Anheuser-Busch*