

Craft brewers insulate farmers from global beer titan merger

Experts examine proposed combination of AB Inbev and SABMiller

By MATEUSZ PERKOWSKI
Capital Press

The proposed merger of two global beer titans isn't likely to harm hop and barley producers, who are increasingly selling to craft brewers, experts say.

Anheuser-Busch InBev, a Belgium-based brewer with \$21.5 billion in annual sales, recently confirmed that it has proposed a union with SABMiller, a brewer based in the United Kingdom that generates \$26.3 billion in annual revenues.

The combined entity would control roughly 70 percent of the U.S. beer market, which is bound to spark antitrust concerns with federal regulators, said Bart Watson, economist for the Brewers Association, which represents craft brewers.

Worries about the influence this behemoth would have over beer ingredients are tempered by the competition from craft brewers, Watson said.

While craft brewers only produce about 11 percent of the beer consumed in the U.S., they use a disproportionately large amount of hops and barley — particularly specialty varieties that are largely ignored by industrial brewers, he said.

"It's hard for a large brewer to use market power when they're not participating in that market," Watson said.

As the number of major companies in an industry shrinks, the remaining buyers have every incentive to wield their power and try to reduce prices for ingredients, said Peter Carstensen, a law profes-



Mateusz Perkowski/Capital Press

A worker cuts hop vines in preparation for harvest in this Capital Press file photo. Hop and barley growers aren't likely to suffer from a proposed merger between two major beer companies due to competition for ingredients from craft brewers, experts say.

sor specializing in agricultural antitrust at the University of Wisconsin.

However, this phenomenon is less of a concern when producers have alternative sales channels, he said.

"If there are a lot of other outlets, then it won't have as much effect on them," Carstensen said.

Large brewers traditionally used a quarter pound or less of hops per barrel, but craft brewers use an average of nearly 1.4 pounds — roughly sixfold more, said Ann George, administrator of the Hop Growers of America trade group.

Historically, about two-thirds of U.S. hop production consisted of "alpha" hops, which are used to impart bitterness and are favored by large brewers, said George.

Now, roughly two-thirds of the hops grown are "aroma" varieties that are popular among craft brewers, she said.

These specialty cultivars are responsible for the upswing in hop production, which has grown more than 50 percent since 2012 to 45,500 acres, George said.

"That buildup in acreage has been attributable to the demand from the craft sector," she said. "It makes a huge impact on our hop industry."

Craft brewers also have an outside footprint in the market for malt, which is produced from barley, said Watson. About 1.4 billion pounds of malt are used in craft brewing, which is 35 percent of the total amount.

Large brewers aren't as reliant on barley malt because they also use brewer's rice and corn syrup, he said.

"These beers are not the ones that are going to be heavy demanders of hops and premium ingredients," Carstensen said of the most popular brands produced by AB InBev

and SABMiller.

Nonetheless, the combination of the two companies is problematic from the perspective of consumer choice, he said.

A telling sign is that the stock price for all major breweries rose after the merger proposal was announced, Carstensen said.

This increase may indicate that these companies are expected to collude more effectively after the merger, he said. "The market is expecting to see less competition in the beer industry."

Given these concerns, it's likely U.S. antitrust regulators will block the merger unless the combined company divests its stake in MillerCoors, a joint venture between SABMiller and Coors Molson, said Watson.

"Everyone's assumption is they'd be forced to sell their stake here," he said.

E. Idaho festival lauds spud harvest

By JOHN O'CONNELL
Capital Press

SHELLEY, Idaho — This small Eastern Idaho town doesn't take its favorite cash crop for granted, centering its major community event around the potato harvest.

For the 87th time, the City of Shelley hosted Idaho Spud Day on Sept. 19.

The community of about 4,400, a few miles south of Idaho Falls, typically draws around 18,000 visitors for Spud Days, estimated Mayor Stacey Pascoe.

"It's a small community, but a couple of times a year we get a lot of people here," Pascoe said.

Just about every farm in the area produces potatoes, Pascoe said.

"The farming community is very important to our community," Pascoe said. "Even though they don't live in city limits, they bring a lot to the city."

Pascoe recalled Spud Days used to feature boxing matches. Nowadays, it centers on family activities.

Volunteers from local schools served about 6,500 complimentary loaded baked potatoes, donated by Basic American Foods.

The festival, sponsored by the local Kiwanis Club, also includes a foot race, a pancake breakfast, a children's parade that's bigger than the community's Fourth of July parade, a street dance, games, food vendors, live music and acts, an old-fashioned harvesting competition and a tug-of-war over a pit of instant mashed potatoes.

During the week leading up to the event, Shelley High School crowned Miss Russet, who appears at various community events, including tasting the mashed potatoes before declaring that the Spud Day tug-of-war can commence.



John O'Connell/Capital Press

Children compete in the World Spud Picking Championship during Idaho Spud Day in Shelley, Idaho.

Shelley youth Hanna Hoskinson said the local children have developed their own tradition following the tug-of-war.

"After the tug-of-war over the potato pit, all of the kids go and play in (the potatoes). I did it last year," Hoskinson said.

Miss Russet also receives a \$1,000 college scholarship.

Shelley High School students have long taken great pride in their school's mascot, the Russet, explained Margy Blackburn, a member of the organizing committee for the Class of 1970 reunion, hosted during the celebration.

In Shelley, students still get a two-week break to assist local growers with potato harvest. When Margy Blackburn worked potato harvests during school breaks, she recalled students had to dig spuds by hand.

The reigning Mrs. Idaho, Natalie Jangula, also has ties to Shelley and attended the event wearing a potato sack dress adorned with costume jewelry that she made. Jangula explained Mrs. Idaho is also expected to have a community service platform. Jangula chose to serve as a wish granter with the Make-A-Wish Foundation, which strives to meet the desires of children with life-threatening medical conditions.

Iowa company gets first USDA license for bird flu vaccine

By DAVID PITT
Associated Press

DES MOINES, Iowa (AP) — The first license to develop a bird flu vaccine has been awarded by the U.S. Department of Agriculture, a crucial step toward preventing another devastating outbreak like the one that led to the destruction of 48 million chickens and turkeys this spring.

The conditional license given to Ames, Iowa, company Harrisvaccines authorizes it to continue testing the vaccine's effectiveness and stand ready if the USDA gives the order to begin manufacturing. The license does not mean the vaccine has

been approved for responding to the bird flu yet.

Here are some questions and answers about what the vaccine licensing means:

What was developed?

The vaccine targets the H5N2 virus that circulated earlier this year by using the genetic code of the virus to grow it in specialized cells, extract and purify it and formulate it into a vaccine. The company's process, licensed last year by the USDA for the porcine epidemic diarrhea virus that wiped out millions of pigs, eliminates the need to handle live viruses, making the vaccine safer.

Harrisvaccines will be able to update the vaccine quickly

if the H5N2 virus mutates, as viruses often do. It's also detectable in poultry as a vaccine, which means trade partners can tell the difference between an infected animal and one that has been vaccinated, possibly preventing some countries from shutting off all U.S. poultry imports during another outbreak.

How effective is it?

Testing shows a single dose

is 95 percent effective in adult hens and 93 percent effective in day-old chicks, Harrisvaccines Vice President Joel Harris said Monday. Testing continues on chickens and turkeys.

What does it mean?

Another widespread outbreak could drive chicken, egg and/or turkey costs up higher than they already are. Egg prices more than doubled this year

after about 10 percent of the nation's egg-laying chickens were destroyed by the H5N2 outbreak, while some cuts of turkey meat are expensive and in short supply.

Why is the government involved?

Vaccine development is part of the USDA's preparation plans should the bird flu virus return this fall as wild birds mi-

grate south. The federal agency began accepting bids for vaccine development last month.

Why did the company receive a conditional license?

A conditional license is issued in circumstances where rapid development of a vaccine is necessary, allowing the company to continue research and prepare for rapid production if needed.

**BUYING 6" and UP
Alder and Maple
Saw Logs, Standing Timber**

Chehalis, WA

<p>Darrell Alvord 360-431-0421 • WA</p>	<p>Ken Jones 360-520-6491 • WA</p>	<p>Tom Layton 360-880-2656 • OR</p>
--	---	--

www.cascadehardwood.com

“We want to understand each business and become a partner, so we can do every aspect of their banking and help them truly succeed.”

Brad Plaster
Commercial Team Lead, Washington Trust Bank

Commitment

COMMERCIAL BANKING | PRIVATE BANKING | WEALTH MANAGEMENT

Our goal is simple: develop a deeper understanding of our clients and how their business works. Then work tirelessly to help their business thrive.

watrust.com/commitment

39-2/#14