



# Department of Justice

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## **JUSTICE DEPARTMENT REACHES SETTLEMENT WITH ANHEUSER-BUSCH INBEV AND GRUPO MODELO IN BEER CASE**

### ***Divestitures of Piedras Negras Brewery, Perpetual Licenses to Modelo Beer Brands, and Other Assets Will Maintain Competition in the Beer Industry Nationwide***

WASHINGTON – The Department of Justice announced today that it has reached a settlement with Anheuser-Busch InBev SA/NV (ABI) and Grupo Modelo S.A.B. de C.V. that requires the companies to divest Modelo’s entire U.S. business – including licenses of Modelo brand beers, its most advanced brewery, Piedras Negras, its interest in Crown Imports LLC and other assets – to Constellation Brands Inc., in order to go forward with their merger. The department said the proposed settlement will maintain competition in the beer industry nationwide, benefitting consumers.

Today’s proposed settlement was filed in the U.S. District Court for the District of Columbia. If approved by the court, the settlement will resolve the department’s competitive concerns.

On Jan. 31, 2013, the department filed an antitrust lawsuit against ABI and Modelo alleging that ABI’s \$20.1 billion acquisition of the remaining interest in Modelo that ABI did not already own, as originally proposed, would substantially lessen competition in the market for beer in the United States as a whole and in at least 26 metropolitan areas across the United States. The department alleged that the transaction would result in consumers paying more for beer and would limit innovation in the beer market.

“Before the merger, there were two competitors – Modelo and ABI – and ABI owned a substantial stake in Modelo. The companies’ proposed merger would have reduced those two competitors to one – ABI. The proposed settlement announced today will create an independent, fully integrated and economically viable competitor to ABI. This is a win for the \$80 billion U.S. beer market and consumers,” said Bill Baer, Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “If this settlement makes just a one percent difference in prices, U.S. consumers will save almost \$1 billion a year.”

The settlement requires ABI and Modelo to divest Modelo’s entire U.S. business to Constellation or to an alternative purchaser if for some reason the transaction with Constellation cannot be completed. Specifically, the settlement requires ABI and Modelo to divest: the Piedras Negras brewery, Modelo’s newest, most technologically advanced brewery; perpetual

and exclusive licenses of the Modelo brand beers for distribution and sale in the United States; Modelo's current interest in Crown – the joint venture established by Modelo and Constellation to import, market and sell certain Modelo beers into the United States; and other assets, rights and interests necessary to ensure that Constellation is able to compete in the U.S. beer market using the Modelo brand beers, independent of a relationship to ABI and Modelo.

The licensed brands include all seven brands that Modelo currently offers (through its distributor, Crown) in the United States – Corona Extra, Corona Light, Modelo Especial, Negra Modelo, Modelo Light, Pacifico and Victoria – as well as three brands not yet offered in the United States, but currently sold by Modelo in Mexico – Pacifico Light, Barrilito and León. The licenses include rights that will give Constellation the ability to adapt to changing market conditions in the United States.

Constellation has committed to expand the capacity of Piedras Negras in order to meet current and future demand for the Modelo brands in the United States, and that commitment is a condition of the proposed settlement. The settlement also sets milestones for the expansion of the Piedras Negras brewery. In order to enable Constellation to compete in the United States during the time it takes to expand the Piedras Negras brewery's capacity to brew and bottle beer, the settlement requires ABI to enter into interim supply and transition services agreements with Constellation. These agreements are time-limited to ensure that Constellation will become a fully independent competitor to ABI as soon as practicable.

ABI and Modelo originally proposed selling Modelo's stake in Crown to Constellation and entering into a 10-year supply agreement to provide Modelo beer to Constellation to import into the United States. The department rejected that purported fix because it would have eliminated the Modelo brands as an independent competitive force in the United States beer market. Unlike the companies' original proposal, which left Constellation with no brewing assets and beholden to ABI for the supply of beer, the proposed settlement ensures that Constellation, or an alternative purchaser, will have independent brewing assets and the ownership of the Modelo beer brands for sale in the United States in perpetuity. As a result, Constellation will fully replace Modelo as a competitor in the United States.

ABI is a corporation organized and existing under the laws of Belgium, with headquarters in Leuven, Belgium. ABI brews and markets more beer sold in the United States than any other firm, with a 39 percent market share nationally. ABI owns and operates 125 breweries worldwide, including 12 in the United States. It owns more than 200 different beer brands, including Bud Light – the best-selling brand in the United States – and other popular brands such as Budweiser, Busch, Michelob, Natural Light, Stella Artois, Goose Island and Beck's.

Modelo is a corporation organized and existing under the laws of Mexico, with headquarters in Mexico City. Modelo is the third-largest brewer of beer sold in the United States, with a seven percent market share nationally. Modelo owns Corona Extra—the top-selling beer imported into the United States. Its other popular brands sold in the United States include Corona Light, Modelo Especial, Negra Modelo, Victoria and Pacifico. Crown imports, markets

and sells Modelo's brands into the United States. ABI currently holds a 35.3 percent direct interest in Modelo and a 23.3 percent direct interest in Modelo's operating subsidiary Diblo.

Constellation, headquartered in Victor, N.Y, is a beer, wine and spirits company with a portfolio of more than 100 products, including Robert Mondavi, Clos du Bois, Ruffino and SVEDKA Vodka. It produces wine and distilled spirits, with more than 40 facilities worldwide.

The proposed settlement, along with the department's competitive impact statement, will be published in the Federal Register, consistent with the requirements of the Antitrust Procedures and Penalties Act. Any person may submit written comments concerning the proposed settlement within 60 days of its publication to James Tierney, Chief, Networks and Technology Enforcement Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 7100, Washington, D.C. 20530. The comments will be published in the Federal Register. At the conclusion of the 60-day comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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# Beer Merger – U.S. Competition Before and After

