AB InBev offers DoJ more remedies

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Anheuser-Busch InBev has proposed more remedies to address the US Department of Justice's antitrust division's concerns over its acquisition of Mexican brewer Grupo Modelo.

The proposed AB InBev and Grupo Modelo tie up would unite two of the world's biggest beer companies *(Credit: Mateusz Stachowski)*

In Wednesday's announcement, AB InBev agreed to sell its "state-of-the-art" brewery in Piedras Negras, Mexico, to Constellation Brands, a partner of Grupo Modelo in the US beer import business. It will also sell Constellation perpetual licences for the Corona and Modelo brands in the US for US$2.9 billion.

This adds to existing remedies, in which AB InBev agreed to sell its 50 per cent share in Crown Imports – the US importer of Corona beers – to Constellation for US$1.85 billion, giving Constellation full ownership rights. The brand licensing rights are also extended; AB InBev previously only agreed to grant Constellation a 10-year exclusive licence to import Modelo beers into the US.

AB InBev, the largest brewer in the US, already owns a non-controlling stake in Mexico-based Grupo Modelo and plans to acquire the company's remaining shares for US$20 billion. The DoJ believes the three-to-two merger would harm competition and in January sued the companies to block the deal, in the first major enforcement action by the new assistant attorney general William Baer.

Under the deal, Crown would become the third-largest beer producer in the US.

AB InBev and Constellation say they have forged a three-year "transition agreement" to ensure the Piedras Negras brewery changes ownership smoothly. The brewery currently supplies 60 per cent of Crown's US demand, but Constellation says it plans to invest approximately US$400 million to ensure the brewery meets all of the demand.

Carlos Brito, chief executive officer of AB InBev, says the deal "has always been about Mexico and making Corona more global in all markets other than the US". Constellation president Rob Sands says the revised agreement will make the company a "fully independent competitor" to Grupo Modelo.

The DoJ said previous remedies failed to solve its concerns over the deal's effect on competition. In a lawsuit filed at the district court in Washington, DC, in January, the division says the merger would combine two of the three largest beer companies operating in the US and would give the combined company control of about 46 per cent of all annual beer sales in the country.

In an already concentrated US beer market, AB InBev often acts as a price leader, implementing annual price hikes in three major beer sectors, the government alleges.

The department declined to comment on AB InBev's revised commitments, but according to reports, it previously demanded that the company sell off at least one of the production facilities it would obtain in the deal to solve its competitive concerns.

A spokesperson for the DoJ declined to comment on the specifics of the proposal but said the division would give it "serious consideration" at the same time as "continu[ing] to prepare for litigation".

However, we would give any proposal serious consideration and at the same time we would continue to prepare for litigation."

Mexico's Federal Competition Commission unconditionally approved the deal in November, after finding the transaction would not have any adverse effects on competition in Mexico, as it was only a consolidation of AB InBev's existing influence.

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