MERGER ANTITRUST LAW

LAWJ/G-1469-05
Georgetown University Law Center
Fall 2020

Tuesdays and Thursdays, 3:00-5:00 pm

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GRADED WRITTEN ASSIGNMENT

Instructions

Submit by email by 11:59 pm on Monday, November 16
Send to wdc30@georgetown.edu
Subject line: Merger Antitrust Law: Graded Homework Assignment

Assignment

Calls for a memorandum.

INSTRUCTIONS

This is an untimed *graded* homework assignment. You may consult any written source, including without limitation the class notes, cases, outlines (commercial or otherwise), books, treatises, the Internet, Westlaw, and Lexis-Nexis. You may not talk about the problem with any student or any other person until after class on November 17.

Present your analysis in a well-organized, linear, and concise manner. Think about your answer before writing. *Remember Pascal's apology*: "I am sorry that this was such a long letter, but I did not have the time to write you a short one." Clarity of thinking and exposition are much more important than throwing in the kitchen sink. Do not, for example, tell me things that you know that are not relevant to the answer; it will just cost you time and you will not get any credit. Penalties will be levied for excessive length, verbosity, or lack of organization.

The "facts" in the hypothetical should be complete in the sense that they present what is known at the time the analysis is requested. As in life, some information you would like to have may simply not be available. Analyze the facts as they are presented in the question.

It should go without saying that, outside of this assignment, you should not believe anything in the statement of any hypothetical fact situation. I have taken considerable liberties in fashioning the problems and have totally ignored reality whenever it was convenient. The only exceptions are propositions or data that is cited to a source.

This homework assignment is final. Do not expect any clarifications or corrections. If you believe there is an error or inconsistency in the exam, please state your assumptions about the issue within your discussion of that issue. You may email me if you wish, but I will either not respond or respond to the class as a whole. *For this reason, and more importantly because we will be continuing to work on cases that may further illuminate concepts that are relevant to the homework assignment, I suggest that you wait until shortly before the due time to submit your answer.*

You should assume that all demand and inverse demand curves are linear and that marginal costs are constant. You also should assume that the requisite effect on interstate commerce is present and that the transaction involves the acquisition of stock or assets, so that you do not have to address these elements in your analysis of a possible Section 7 violation.

Beer Bottles Merger

You are an associate in Gambini & Gambini LLP. Mass Glass Corporation (MGC), a client of the firm, is considering making an offer to acquire Bell Bottles, Inc. for $900 billion in cash. MGC and Bell both manufacture glass beer bottles, which they sell to breweries for packaging beer. Although MGC and Bell both have glass plants around the country, they overlap in beer bottle sales only to breweries in the southeastern United States (Florida, Georgia, Alabama, and South Carolina).

Mona Lisa Gambini, a partner in with whom you work, has been asked by MGC to provide them with a preliminary antitrust risk assessment of the transaction. Ms. Gambini has told MGC that the acquisition most likely would be reviewed by the Federal Trade Commission. MGC is seeking Gambini's advice whether the parties can successfully convince the FTC to close the investigation, either cleanly or with some mutually acceptable consent order. MGC also wants Gambini's advice as to what provisions it should anticipate Bell will require in the merger agreement to maximize the probability that the deal will close, whether MGC should accept or resist these provisions, and what, if any, provisions MGC should seek in return. Ms. Gambini has asked you to draft the memorandum to the client to provide this preliminary assessment.

The "loop" within MGC on this possible transaction is very small and the company has been able to provide you with only a limited amount of information and data. What follows is the information you have been able to obtain from the client as well as from public sources. Ms. Gambini asks that, for the purpose of your memorandum, you accept the estimates of the client as fact but be sure to note this assumption in your memorandum.

The U.S. beer industry

Among those who consumed alcoholic drinks, beer is the beverage of choice in the United States. It is preferred by 38% of consumers over wine (30%) and spirits (29%).[1] In 2019, the U.S. beer industry sold 203.1 million barrels of beer— the equivalent of more than 2.8 billion cases of 24-12 ounce containers or 406 million kegs worth of beer[2]—earning revenues of about $116.0 billion.[3] Based on beer shipment data and U.S. Census population statistics, U.S. consumers 21 years and older consumed an average of 25.9 gallons of beer per person during 2019.[4] Even so, over the last decades, aggregate beer consumption has been slowly but steadily

[1] National Wholesale Beer Association, Industry Fast Facts, https://www.nbwa.org/resources/industry-fast-facts (citing a Gallup Poll).

[2] *Id*. One barrel of beer contains 330 12-ounce servings. One 1 traditional keg in a bar equals half a barrel. *Id*.

[3] Brewers Association, National Beer Sales and Production Data, https://www.brewersassociation.org/statistics-and-data/national-beer-stats/.

[4] National Wholesale Beer Association, Industry Fast Facts, https://www.nbwa.org/resources/industry-fast-facts.

declining in the United States, reportedly as concerns about the amount of calories in beer are pushing consumers towards wine and spirits.[5]

Beer production in the United States is dominated by two "mass" brewers, Anheuser-Busch Inbev and MillerCoors, which together account for 62.5% of beer sales in the United States. Constellation (Modelo), Heineken, Boston Beer, and Yuengling are considered "mid-tier' brewers, which collectively account for another 17.9% of beer sales in the United States. The remaining brewers, whether domestic or imports, tend to be very small and are called "craft" brewers. Table 1 gives national market shares for brewers for 2019:

Table 1[6]
Brewer National Market Shares (2019)

	Share
Anheuser-Busch Inbev (ABI)	39.9%
MillerCoors, LLC	22.6%
Constellation (Modelo)	10.6%
Heineken USA	3.3%
Boston Beer (Sam Adams)	2.5%
Yuengling	1.5%
All Other Domestic and Imports	19.5%
Total	100%

Mass beer has been declining in recent years as mid-tier, craft and imports have grown. In 2019, there were 7,346 operating craft breweries in the United States, including 230 regional breweries, 4,522 microbreweries, and 2,594 brewpubs.[7] More than 95 percent of all breweries make fewer than 15,000 barrels per year and account for about 3 percent of total volume.[8]

Beer is packaged in glass bottles (30% by volume), aluminum cans (60%), and kegs (10%).[9] Only aluminum cans substitute for glass beer bottles. Many beer aficionados strongly believe that beer in bottles tastes better, stays cooler longer, and has a longer shelf life than beer packaged in cans.[10] Brewers and retailers like cans because they cost the brewer about 30% less

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[5] *See* Beverage Dynamics, *U.S. Beer Volume Continues Decline, According to 2019 Beer Handbook*, https://beveragedynamics.com/2019/10/24/beer-volume-continues-decline-according-to-2019-beer-handbook/; Craig Giammona & Carmen Reinicke, *Pour One Out for the Fading American Beer Industry,* Bloomberg.com, Mar. 1, 2019, https://www.bloomberg.com/news/features/2019-03-01/are-beer-sales-declining-carbs-push-drinkers-to-wine-tequila. Surprisingly, beer consumption, and alcoholic sales generally, are falling during the COVID-19 pandemic. See Leslie Patton *Americans Are Actually Drinking Less During the Pandemic*, Bloomberg.com, June 23, 2020, https://www.bloomberg.com/news/articles/2020-06-23/are-people-drinking-more-booze-during-coronavirus-apparently-not.

[6] National Wholesale Beer Association, Industry Fast Facts, https://www.nbwa.org/resources/industry-fast-facts. Yuengling's market share is estimated from press reports.

[7] Brewers Association, National Beer Sales and Production Data, https://www.brewersassociation.org/statistics-and-data/national-beer-stats/.

[8] National Wholesale Beer Association, Industry Fast Facts, https://www.nbwa.org/resources/industry-fast-facts.

[9] Brewers Association, National Beer Sales and Production Data, https://www.brewersassociation.org/statistics-and-data/national-beer-stats/. In our hypothetical world, beer is packaged only in glass bottles, aluminum cans, or kegs. We will ignore other packaging, such as aluminum and plastic bottles, that exists in the real world.

[10] A common criticism of beer packaged in cans tastes "metallic." This is a subject of intense debate. Since the 1930s, beer can manufacturers have lined their cans with plastic to prevent the beer from coming in contact with the metal. This technology has improved considerably over time. In blind taste tests where the beer is served in a glass, consumers are indifferent to whether the beer was packaged in a bottle or a can. Interestingly, there are not that many complaints when beer is packaged in an aluminum keg. *See generally* The Alcohol Professor, *Does Beer Taste*

or a delivered basis, are easier and less expensive to transport and store, and sustain less breakage. Moreover, beer degrades with exposure to ultraviolet light and oxygen, and, contrary to the belief of many consumers, cans keep beer fresher longer because they block all light and oxygen from reaching the beer, whereas all bottles are permeable to some extent to light and oxygen where the cap joins the bottle. As beer can technology has improved, consumers have become increasingly acceptant of cans, even in high-end craft beers. As a result, for more than a decade aluminum cans have been growing in its share of beer packaging. Over the last ten years, cans have grown from about 47% to 62% of all beer packaging at a relatively steady annual growth rate of about 3.1%—the same as the consumer acceptance rate.[11] This has been true even through the relative prices of glass bottles and cans has fluctuated over this period of time. The industry expects this trend to continue at this rate in the foreseeable future. However, given the strength of some consumer preferences, brewers of all types and sizes are reluctant to increase the percentage use of cans in the short-run in response to small changes in relative price. MGC estimates that overall an increase in the average price of glass beer bottles by 5% would result in only a 1% decrease in overall brewer demand for glass bottles.[12]

Beer bottles are a homogeneous product, which is sold almost exclusively on price. Plants that manufacture beer bottles are comprised of a furnace to make the glass from raw materials and bottle-forming manufacturing lines to produce the beer bottles.[13] Given the unique configuration of a beer bottle, the manufacturing lines, which are very expensive to build, can only manufacture beer bottles. Moreover, it is impossible to convert manufacturing lines for other types of glass bottles to beer bottles. Given the decline in demand for beer bottles over the last twenty or so years as brewers slowly shift to aluminum cans, no new beer bottle plants have been constructed and several plants around the country have been closed. The typical beer bottle manufacturing plant will have two furnaces and multiple beer bottle-forming lines, and short of closing a plant altogether some manufacturers (including Bell) have mothballed furnaces and/or bottle-forming lines.

Beer bottles are also expensive to ship relative to their purchase price, so beer bottles usually ship less than 500 miles from the manufacturing plant and typically much less. Shipping is by truck, and a 500-mile trip from the plant adds a little less $0.02 to the cost per bottle. MGC estimates that the marginal cost of production per bottle ranges from $0.10 to $0.12 (depending on the manufacturer), so shipping costs for a 500-mile trip can add between $16.6% and 20% to the delivered cost per bottle. Given the relative cost of shipment and the volume of bottles involved, there is no arbitrage in beer bottles—bottles purchased by a brewery are used in that brewery and not resold. Beer bottles are sold directly by the manufacturer to mass and mid-tier breweries and are sold to specialized beer bottle distributors for resale to craft breweries.

There are four beer bottle manufacturers in the United States: Owain-Dorning Corporation (OD), MGC, Bell, and Crystal Glass, Inc. Given the locations of their respective plants, MGC and Bell

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Better From a Bottle Or a Can?, alcoholprofessor.com, Sept. 5, 2017, https://www.alcoholprofessor.com/blog-posts/blog/2017/09/05/does-beer-taste-better-from-a-bottle-or-a-can

[11] *See* National Wholesale Beer Association, Industry Fast Facts, https://www.nbwa.org/resources/industry-fast-facts (growth from 47% to 62%).

[12] Since bottles and cans substitute one-for one, a 1% decrease in the demand for bottles results in a 0.5% increase in the demand for cans, since the total quantity of cans demanded is twice the quantity of bottles.

[13] For get a better free for the production of glass bottles, see New Age Media, Manufacturing process of a glass bottle || Machines and Industry, https://www.youtube.com/watch?v=A_M8WBJMcM0. The bottles being produced are not beer bottles, but the process is the same.

compete in the sale of beer bottles only in the four Southeastern states of Florida, Georgia, Alabama, and South Carolina. MGC has a plant in Jacksonville, FL and Bell has a plant in Macon, GA. OD also has a plant in Montgomery, AL. Crystal Glass, the other U.S. producer, also ships a small quantity of bottles into the Southeast from its plants in other states. Two importers that manufacture bottles in Mexico can cost-effectively ship beer bottles by boat to ports in Alabama, Florida, and Georgia (shipping bottles by boat is less expensive than shipping by truck), but import quotas that OD, MGC, Bell, and Crystal successfully lobbied to put in place severely limits on the quantities the Mexican producers can export to the United States. Although Mexican producers ship small quantities to the ports in Alabama and Florida, they prefer to fill their quota with shipments to Texas to minimize transportation costs.

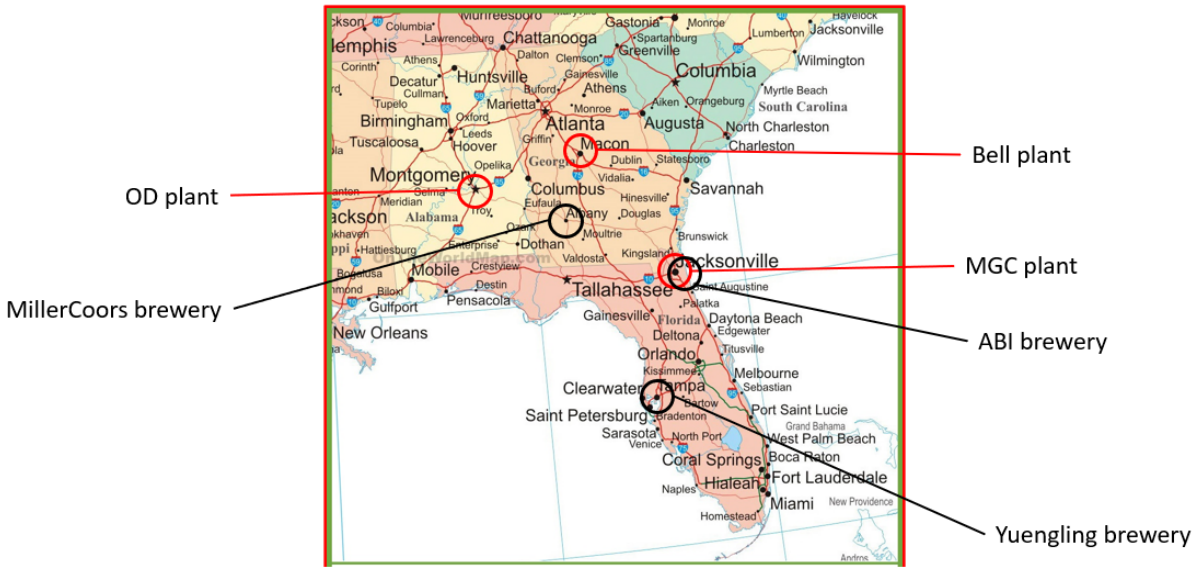

Table 2 gives the supply requirements of glass bottles and aluminum cans for the packaging of beer by breweries in the Southeast in 2019:

Table 2
Major Southeastern Breweries
(units in millions)

	Location	Bottles	Cans
ABI	Jacksonville, FL	742.5	1901
MillerCoors	Albany, GA	772	1871
Yuengling	Tampa, FL	183.15	257
Total mass beer		1698	4029

Correction 3 (11/11)

Southeastern Craft Breweries

	Number	Bottles	Cans
Florida	329	277	185
Georgia	111	101	67
Alabama	51	16	11
South Carolina	88	20	13
Total craft beer	579	414	276
TOTAL BEER		2112	4305

The mass and mid-tier brewers, including ABI, MillerCoors, and Yuengling, purchase beer bottles through three-year exclusive contracts for which they solicit bids from beer bottle manufacturers through Requests for Proposals (RFPs). ABI and Yuengling contract separately for each of their respective breweries. MillerCoors has one contract that covers all seven of its breweries, including the one in Albany, GA. In each case, the major brewers will award the supply contract to the one beer bottle manufacturer that bid the lowest price for bottles delivered to the brewery (inclusive of shipping). All contracts expire on December 31 of the same year. The next contract expiration date is December 31, 2021. Prebidding negotiations between the bottle manufactures and the brewers will begin roughly in January of next year.

Beer bottles for craft and other smaller breweries are sold through independent distributors that purchase on a "spot" basis at the beer bottle plant.[14] Wholesale prices paid by distributors are uniform are the same throughout a region across manufacturers. The margins on beer bottles sold to craft brewers permit a distributor to ship throughout the four-state southeastern region regardless of the manufacturing plant where that distributor obtains its beer bottles.

Table 3 shows the unit sales of beer bottles to the various breweries and craft beer bottle distributors in the southeastern United States by manufacturer:

Table 3
Beer Bottles Shipments into the Southeast
(millions of bottles)

	All Breweries		Major Breweries		Craft Breweries	
	Units	Share	Units	Share	Units	Share
OD	798	37.8%	772	45.5%	26	6.2%
MGC	970	45.9%	926	54.5%	44	10.6%
Bell Bottles	321	15.2%	0	0.0%	321	77.6%
Crystal Glass	18	0.8%	0	0.0%	18	4.3%
Importers (2)	6	0.3%	0	0.0%	6	1.5%
TOTAL	2,113	100.0%	1,698	100.0%	415	100.0%

In the Southeast, MSC and Bell compete to sell beer bottles to ABI's brewery in in Jacksonville, FL and to Yuengling's brewery in Tampa, FL. MSC and Bell also submit bids for MillerCoors' national contract for all of its breweries, including its brewery in Albany, GA, but OD's locational advantages has made it the winning bidder for MillerCoors' national contract for decades. Except for Yuengling, the other mid-tier brewers—Constellation, Heineken, and Boston Beer—all have their breweries outside of the southeast, and MGC and Bell do not compete for beer bottle sales to these companies. MSC and Bell also compete to sell to beer bottle distributors, which in turn sell to 580 small craft breweries in the Southeast.

The award of supply contracts by ABI and Yuengling for their respective Southeast breweries and MillerCoors for its national supply contract has been stable for the last 20 or so years. MGC believes that this stability is due to two factors: the winning bidder's locational advantages to the brewery to be supplied and differences in the production efficiency of the three Southeastern bottle plants.

[14] "Spot" purchasing occurs when the purchase is be made, literally, "on the spot." These purchases are made outside of any contract and usually made up of small orders, and often paid for immediately.

The bottling plants are roughly similar in their production capacities, which enables any plant to serve one mass beer brewery (ABI or MillerCoors, but not both simultaneously) plus Yuengling, with any residual production going to craft breweries. (See Table 6 below)

MGC, which has the closest plant to ABI's Jacksonville brewery and to Yuengling's Tampa brewery, consistently wins those contracts. Although OD is more distance the Bell to MillerCoors' Albany brewery, OD locational advantages generally throughout the country to MillerCoors' breweries has enabled it to win the MillerCoors' national supply contract. Although it always bids, Bell has not won any contracts to supply a major Southeast brewery since an old ABI brewery in Macon, GA closed in 1995, when the ABI Jacksonville plant was modernized and expanded. Bell built its Macon, GA bottle plant to service the ABI Macon brewery. When the ABI Macon plant closed, Bell mothballed half of its capacity (one glass furnace and two bottling lines) and used the remainder of its capacity to service smaller breweries in the rapidly emerging craft beer segment. Bell, however, can quickly reopen its mothballed capacity in the event it wins a supply agreement with a major brewery. See Table 4.

Table 4
Winning Bids to Major Breweries

Brewery	Location	Bottle Requirements (millions)	Producer	**Distances (miles)**		Bids
ABI	Jacksonville, FL	742.5	**MGC**	**Jax to Jax**	**0**	**$0.120**
			Bell	Macon to Jax	182	$0.135
			OD	Montgomery to Jax	268	$0.150
MillerCoors	Albany, GA	772.2	MGC	Jax to Albany, GA	148	$0.150
			Bell	Macon to Albany	80	$0.125
			OD	**Montgomery to Albany**	**120**	**$0.120**
Yuengling	Tampa, FL	183.15	**MGC**	**Jax to Tampa**	**149**	**$0.120**
			Bell	Macon to Tampa	300	$0.140
			OD	Montgomery to Tampa	332	$0.130

Note: All three bottle plants have enough capacity to serve one mass Southeast brewery plus Yuengling, with the residual production going to craft breweries

The three Southeast bottle plants also differ in their efficiency. MGC believes that the OD Montgomery plant, which has an annual production capacity of 1.1 billion bottles, operates at the industry average marginal production cost of $0.11 per bottle. Bell's older Macon plant, which has an annual production capacity of 1.15 billion bottles (including the mothballed lines), is one of the least efficient plants in the industry, with a marginal production cost of $0.12 per bottle. Although Bell has attempted on numerous occasions to increase its efficiency and lower its marginal costs, it has been largely unsuccessful. The MGC Jacksonville plant, with an annual capacity of 1.1 billion bottles, is very efficient, with a marginal production cost of $0.10 per bottle. The differences in efficiency among the plants depend on unpatented know-how trade secrets used to reduce raw material costs, reduce energy consumption, and increase "pack-to-

melt."[15] With a relatively minor investment, MGC believes that it can use its know-how and reduce the Bell Macon plant's marginal costs by a little over 8% to the industry standard of $0.11 per bottle if not lower.

Tables 5-8 provide MGC's estimates on delivered costs, bidding, excess capacity, and various measures of financial performance.

Table 5
Manufacturing and Shipping Costs

	OD				MGC				Bell			
	Manufacturing Cost	Miles	Shipping	Delivered Cost	Manufacturing Cost	Miles	Shipping	Delivered Cost	Manufacturing Cost	Miles	Shipping	Delivered Cost
ABI(Jacksonville)	$0.1100	268	$0.0096	$0.1196	**$0.1000**	**0**	**$0.0000**	**$0.1000**	$0.1200	182	$0.0066	$0.1266
MC (Albany)	**$0.1100**	**120**	**$0.0043**	$0.1143	$0.1000	148	$0.0053	**$0.1053**	$0.1200	80	$0.0029	$0.1229
Yuengling (Tampa)	$0.1100	332	$0.0120	$0.1220	**$0.1000**	**149**	**$0.0054**	**$0.1054**	$0.1200	300	$0.0108	$0.1308

Table 6
Excess Capacity
(millions of bottles)

	Capacity	ABI	MC	Yuengling	Craft	Excess Capacity
OD	1100		772.2		26	301.8
MGC	1150	742.5		183.15	44	180.35
Bell	1100				321	779

Table 7
Financial Performance

	OD		MGC			Bell		Others	
	MillerCoors	Craft	ABI	Yuengling	Craft	Major	Craft	Major	Craft
Price	$0.1200	$0.1500	$0.1200	$0.1200	$0.1500	$0.1200	$0.1500	$0.1200	$0.1500
Margin	8.3%	26.7%	16.7%	16.7%	33.3%	0.0%	20.0%		26.7%
Cost	$0.1100	$0.1100	$0.1000	$0.1000	$0.1000	$0.1200	$0.1200		$0.1100
Shipments (from Table 3)	772	26	743	183.15	44	0	321	0	24
Revenues	$92,640,000	$3,900,000	$89,100,000	$21,978,000	$6,600,000	$0	$48,150,000	$0	$3,600,000
$margin	$7,720,000	$1,040,000	$14,850,000	$3,663,000	$2,200,000	$0	$9,630,000	$0	$960,000
Revenue share (large)	45.5%		43.7%	10.8%		0.0%		0.0%	
Revenue share (craft)		6.3%			10.6%		77.3%		5.8%
Revenue share (all)		36.3%			44.2%		18.1%		1.4%

Correction 2 (11/11): Changes OD revenues, $margin, and many market shares

Correction 4 (11/12): Change to MGC's overall market share

Table 8
Industry Averages

Average price (large)	$0.1200
Average price (craft)	$0.1500
Average price (all)	$0.1255
Average margin (large)	12.5%
Average margin (craft)	22.2%
Average margin (all)	14.6%

[15] "Pack-to-melt" is a measure of a plant's efficiency that compares the amount of glass melted in the plant's furnaces to the amount actually packed for shipment to customers (in tons).

MGC says that the transaction is motivated by two factors: (1) manufacturing efficiencies that Bell can achieve using MGC's know-how, and (2) an ability to bid competitively for MillerCoors national supply contract, which both MGC and Bell currently lack.

First, as noted above, MGC has the most efficient beer bottle manufacturing operation in the country. With a company-wide average marginal cost of $0.10 per bottle, its marginal costs are 9% lower than the industry average of $0.11 per bottle. Bell's eight plants, on the other hand, have the least efficient beer bottle manufacturing operation in the country, with an average marginal cost of $0.12 per bottle. The physical equipment—the glass-making furnace and the beer bottle forming lines—are essentially the same in all beer bottle plants and differences in operating efficiencies result from differences in the unpatented trade secret know-how used to reduce raw material costs, reduce energy consumption, and increase "pack-to-melt." With a small investment to add some additional monitoring and testing equipment to Bell's plants, MGC believes that it can use its existing know-how and reduce the Bell average marginal cost to about $0.105 per bottle or about less than 5% below the industry average. Bell is confident that it can make the technology transfer work. In a recent acquisition of a beer bottle manufacturing business in Europe with plants similar in structure, age and operating efficiency to those of Bell, MGC was successful in reducing the marginal costs of the four acquired plants from $0.12 per bottle to $0.105 per bottle. With Bell's eight plants and nationwide annual production of 6 billion bottles, successfully making this technology transfer will yield annual cost savings of between $60 million and $90 million per year on the current level of Bell's sales.

Correction 3 (11/11)

Second, neither MGC nor Bell individually has the plant capacity or the plant locations to bid competitively for MillerCoors national supply agreement, which leaves the business to OD.[16] MGC plants are largely located in the east of the Mississippi River and Bell's plants are located mostly west of the Mississippi River. Together, the combined company would have plants competitively located with those of OD to supply each of MillerCoors' breweries. Moreover, with some reallocation of production among the combined plants, the merged company could free up the capacity necessary to satisfy the MillerCoors' requirements while continuing to service supply the ABI, Yuengling, and craft beer distributors the two companies supply premerger. Finally, after MGC's operational efficiency improvements have been put in place in the Bell's eight plants, MGC believes that it will have a material cost advantage over OD in bidding for the MillerCoors business. MillerCoors' national supply requirement is for 3.9 billion bottles. If the merged company could earn a dollar margin of $.005 per bottle on sales to MillerCoors—which should allow it to underprice OD's manufacturing margin cost, that would earn the company an additional $19.7 million annually.

For this reason, MGC believes that MillerCoors will support the deal. MGC also believes that Yuengling will largely be neutral, since OD postmerger could continue to be the second lowest-cost supplier and so constrain MGC's prices. MGC is more wary about ABI. ABI is known to be an aggressive complainer to the FTC about deals it believes have any prospect of anticompetitively affecting it. The merger will eliminate Bell as the second lowest cost supplier

[16] While MGC and Bell both bid for the MillerCoors supply agreement, their respective bids except certain MillerCoors' plants that each firm lacks the capacity to serve. Both are consistently outbid by OD, which has the plants, locations, and capacity to supply all of the MillerCoors breweries.

to ABI in Jacksonville (the only brewery for which MGC and Bell compete), and OD both lacks the capacity to supply both MillerCoors Albany and ABI Jacksonville and faces a significantly locational disadvantage (and therefore higher shipping costs) to Jacksonville compared to Bell. In an attempt to assuage any ABI concerns, MGC is in negotiations with ABI to extend the current supply agreement, which will expire on December 31, 2021, at current terms for another six years to December 31, 2027. MGC believes that craft beer bottle distributors and craft breweries in the Southeast will oppose the transaction, seeing it simply as the elimination of one of three significant beer bottle manufacturers that can now supply them and leaving them with only two realistic suppliers.