|  |  |
| --- | --- |
| *www.IowaABD.com* | *Lynn M. Walding, Administrator* |

|  |  |
| --- | --- |
|  | e - NEWS |
| *April 30, 2004* | |

1.   [Cognac and a Splash of Controversy](#First)

2. [US: AD Seals Distribution Deals](#Second)

3. [Barton Up 11% for Quarter and Fiscal Year](#Third)

4. [Lex: Allied Domecq](#Fourth)

5. [Anheuser-Busch Refutes Diet Claim](#Fifth)

6. [Wagons Circling Around Food, Alcohol Marketers](#Sixth)

7. [Seagram Cooler Turns 20](#Seventh)

8. [US: Coors Completes Aspen Edge Nationwide Rollout](#Eighth)

9. [Dominant in U.S., A-B Now Sees Itself Battling Wine, Spirits](#Ninth)

10. [US: Anheuser Reports Another Record Quarter](#Tenth)

**1. Cognac and a Splash of Controversy**

By Ellen Byron, Staff Reporter – *The Wall Street Journal*

April 29, 2004

Perhaps some things are more easily discussed over drinks?

In one of the first mainstream pitches to directly address the controversy over gay marriage, Grand Marnier, a French cognac, will launch print ads that read, "Your sister is finally getting remarried. Her fiancée's name is Jill."

The work, created by [Omnicom Group](http://interactive.wsj.com/pj/q-quote.cgi?sym=OMC&type=company)'s Tracy Locke, Dallas, will run in June issues of Vanity Fair, the New York Times Magazine and Atlantic Monthly as part of a $15 million "Conversations That Matter" campaign intended to spur discussion of current social issues. Other ads in the campaign, notably less pointed, include "You need to tell your boss you're taking a new job. Full-time dad." Yet another says: "Maybe it's time to experience reality, without the TV." Each ad concludes with the tagline "The conversation is waiting. Go there."

Grand Marnier's sally comes as more companies are using gay celebrities as spokespeople in mainstream campaigns. The Target discount chain, for example, has spotlighted Todd Oldham and Isaac Mizrahi in commercials featuring their product designs, and Pier 1 Imports' new spokesman, Thom Filicia, is a decorating expert from the TV show "Queer Eye for the Straight Guy."

|  |
| --- |
| [Image] ***Grand Marnier's new ad takes on gay marriage.*** |
|  |

But the Grand Marnier ad is one of the first to raise the issue of gay marriage for the sake of argument. "We're not taking a position on any of the issues in the campaign," says Steve Luttmann, senior vice president and group product director for liqueurs at Schieffelin & Somerset, which handles Grand Marnier's U.S. distribution and marketing. "What we're saying is that these are conversations that matter and we should have more of them." Schieffelin & Somerset, based in New York, is a joint venture between LVMH Moët Hennessy Louis Vuitton and Diageo. In July, Diageo will take over management of its brands and Schieffelin will continue managing Moët Hennessy brands. Grand Marnier is owned by closely held French company Marnier-Lapostolle.

The "Conversations" campaign is intended to target educated and affluent drinkers, Mr. Luttmann says, and while the gay-marriage ad will be placed solely in mainstream publications, the company also hopes to snare gay consumers who likely read these publications. The estimated 15 million gay consumers in the U.S. are widely considered to be fiercely loyal to gay-friendly brands, and currently represent about $485 billion in annual buying power, according to a study done by market researchers Witeck-Combs and Packaged Facts. Grand Marnier has previously targeted the gay market through small campaigns in gay-oriented magazines and promotions at gay bars and events.

Mr. Luttmann says the company isn't concerned about any negative publicity the ads may cause, and adds that when focus groups were asked which conversations they most wanted to discuss, homosexuality scored top marks. He also denies the ads are meant for shock value. "We're not trying to throw a cheap shot out there to get attention on something that's controversial," says Mr. Luttmann. "This is something that people want to talk about."

Shawn Thomson, co-founder and creative director for Osmosis Medialab, a New York-based gay-market ad agency, says companies are usually more willing to take risks in print campaigns than on TV. "You're able to target your message more effectively, giving you more leeway to be edgy," he says.



**2. US: AD Seals Distribution Deals**

Source: *just-drinks.com editorial team*

April 27, 2004

Allied Domecq Spirits & Wine North America has announced two new distribution deals. The drinks group has agreed to give two different companies exclusive distribution rights in different areas of the US.

Southern Wine & Spirits of America, Inc. (SWS) will have the exclusive distribution rights to Allied Domecq’s full portfolio of spirits and wine brands in the states of Arizona, Kentucky and Pennsylvania, while providing a contract extension in South Carolina. National Distributing Company (NDC), meanwhile, has been granted exclusive distribution rights to Allied Domecq’s spirits and wine ranges in Colorado.

In a joint statement, Jim Clerkin, president of Allied Domecq Spirits, North America, and Bill Newlands, president of Allied Domecq Wines, USA, said, "SWS was selected because it is the best in market with the best business assets for our brands. We selected NDC to exclusively represent our portfolio based on the strong performance and consistent track record established by NDC in previous years."

"Allied Domecq’s dynamic portfolio of spirits and wine brands generate significant value to our business," said Wayne Chaplin, president of SWS. "Allied Domecq is one of the leading spirits and wine suppliers in the industry and this long-term relationship will allow our focused sales force to represent a terrific portfolio of brands."

Jay Davis, chairman and CEO of NDC, said: "Allied Domecq is one of the leading spirits and wine suppliers in the industry and this long-term relationship will allow our committed sales force to represent a terrific portfolio of brands. More importantly, Allied Domecq and NDC have a longstanding relationship built on integrity and loyalty. The continuation of this strong relationship ensures no disruptions for our entire customer base."



**3. Barton Up 11% for Quarter and Fiscal Year**

*Vol. 6 / No. 15 Beer Marketer Insights*

April 8, 2004

Modelo brand shipments kept on truckin’ even as parent co Constellation faced tuffer environment in fiscal yr ended Feb 29. Barton Beers revs jumped $86 mil, 11% to $863 mil for 12 mos. That’s an acceleration from 7% gain in prior yr. Includes $18 mil, 11% gain in 4th qtr as Barton shipped in advance of its price hike. But expect flat or slightly down Barton beer shipments in fiscal yr that began Mar 1, Constellation ceo Richard Sands told analysts. Since price hike "went into effect" in many mkts Mar 1, he forecast " a temporary change in sales momentum." Barton will up ad spending on Corona and Corona Light, which "should help rebalance" sales. In short-term, sales-to-retailers could decline slightly too.

Asked about further acquisitions, Richard acknowledged opportunities "in all categories" tho Constellation "staying away from any big growth acquisitions." He mentioned beer 3d, after spirits and wine: "Strengthening our beer business in the Eastern portion" of US "through an acquisition would be very beneficial." For 12 mos, Barton Brands (including spirits brands) had revs of $1.15 bil and oper income of $252.5 mil, up $35 mil 16%. Recall Constellation paid just a little more than $100 mil to buy Barton in early 90s. Now that’s a good deal.



**4. Lex: Allied Domecq**

*London Financial Times*

April 22, 2004

LONDON -- Allied Domecq's stock market performance over the past year has certainly been refreshing. It has beaten the alcoholic beverage sector by 25 per cent. At least against this background, results for the six months to February look rather stale.

Given its sustained marketing spending, it is no surprise that its core brands delivered solid growth and further gains in market share, notably in the US. In Spain, it also experienced a lift after last year's de-stocking. In much of the rest of Europe, however, it continues to suffer from subdued consumer spending, while the credit squeeze in South Korea led to an 8 per cent decrease in underlying sales in Asia.

Add it all up, and the organic volume growth of 1 per cent in wines and spirits hardly looks thirst-quenching. The main positive surprise came from its doughnut, ice-cream and sandwich shops. While Allied seems to have made further progress in earning decent returns in its capital-intensive wine business, this only makes the sharp decline in cash generation more puzzling. Even after adjusting for last year's Mexican excise rebate, net cash from operating activities fell by 24 per cent.

The 10 per cent increase in its interim dividend gives some credence to Allied's claims that factors such as the timing of value added tax charges were to blame. It may well make up for the shortfall in the second half and should offer some value in the longer term. But this could take time to crystallise, given that the discount to its peers is now slight on most measures.



**5. Anheuser-Busch Refutes Diet Claim**

**April 23, 2004**

MIAMI, FL -- St. Louis, Mo.-based Anheuser-Busch is refuting claims made by the author of the best-selling book, "South Beach Diet," that beer is high in maltose, a form of sugar. The brewing giant has affirmed that there is in fact no maltose in beer.

Maltose, from barley malt, is found in beer only in its brewing stages and is eliminated when yeast converts it to alcohol and carbonation. Budweiser, Bud Light, Michelob, Michelob Ultra and all major-selling Anheuser-Busch beers contain no maltose, according to a company release.

"The notion that beer contains large amounts of carbohydrates is simply untrue," said Dr. Sam Klein, director for the Center for Human Nutrition at Washington University' School of Medicine. "Furthermore, the carbohydrates in beer are not sugar. Basically all of the sugar is converted to alcohol during fermentation."

In fact, most light beers contain fewer than 7 grams of carbohydrates per serving, which is defined as low-carb by the Alcohol, Tobacco, Tax and Trade Bureau, which regulates the alcohol industry. Regular beers contain about 10 grams of carbohydrates per 12-ounce serving.

In "South Beach Diet," Dr. Arthur Agatston advises dieters to "avoid white wine, spirits, or, worst of all, beer"; calls maltose in beer "even worse than table sugar"; calls maltose "the king of all sugars" that leads to a "beer belly"; and says "guzzling this beverage" encourages "storage of fat around the midsection."

Despite the fact that Agatston and his online nutritionists have since partially acknowledged the truth about carbohydrates, they have done so only to the limited audience in the diet's chat room and have not changed the information on beer in the "South Beach" books or Web Site.



**6. Wagons Circling Around Food, Alcohol Marketers**

By Wendy Melillo - *Adweek*   
April 26, 2004

When a New York woman sued McDonald's, arguing her kids were overweight because of its food, the case was widely seen as just another frivolous suit, good for a few laughs. Such skepticism seemed justified when the judge dismissed the case last year.

Since then, trial lawyers have made no secret of their intention to use strategies learned in the tobacco wars to take food and alcohol marketers to task. And after a recent spate of cases that show how these consumer-protection lawyers intend to win, no one in those industries is still smiling.

By suing under consumer-protection laws, trial lawyers can argue that a marketer trumpeting the fact that a product is, say, low in fat is guilty of deceptive advertising for failing to disclose that the product is high in calories. Lawyers are eyeing kids-marketing practices as an especially fruitful area of opportunity.

"Consumer-protection suits brought under state laws against unfair or deceptive acts and practices provide the most promising basis for such litigation," noted Richard Daynard, chair of the Obesity and Law Project at Northeastern University School of Law's Public Health Advocacy Institute. "Particularly relevant are marketing practices designed to encourage kids to overconsume junk foods or to fool adults into thinking that high-calorie-density foods would assist them in dieting." Daynard, also chair of the university's Tobacco Products Liability Project, is encouraging private lawyers to pursue these types of suits.

(A California lawyer took up the torch and filed suit to prevent Kraft from selling Oreos to kids because of the trans-fat content. But he dropped the suit last May when Kraft announced it was working to reduce trans fats in Oreos.)

Federal regulators are also watching food marketers. Earlier this month, at the American Association of Advertising Agencies' management conference, Surgeon General Richard Carmona said obesity-related diseases are now second to tobacco-related illnesses and called on the agency community to help combat the trend.

Given the legal and regulatory climate, industry reps fear no product is immune. "Soon they will be carding for cupcakes," joked Dan Jaffe, evp of government relations for the Association of National Advertisers.

Clients are responding with caution. This month, Procter & Gamble agreed to discontinue a Pringles spot after the Children's Advertising Review Unit, the industry's self-regulatory arm for ads aimed at kids, said it violated guidelines by encouraging overconsumption. The spot, out of Grey Global Group's Grey in New York, showed four friends in their late teens eating out of multiple Pringles cans.

"By conveying the impression that the four are not sharing out of a single six-serving container when they are shown together eating Pringles, the spot could be viewed as encouraging excessive consumption," CARU argued. (A P&G rep said the spot ran through its rotation and did not convey "any inappropriate messages regarding consumption.")

Other marketers are taking a proactive stance. Last week the Grocery Manufacturers Association hired Publicis Groupe's Leo Burnett in Chicago to create a logo, tagline and communications effort that food marketers can use to educate consumers about diet and nutrition.

The ad efforts of alcohol marketers are also on the firing line. This month, Coors Brewing Co. was sued in Washoe County, Nev., by a mother whose 19-year-old son died in a car crash after drinking the company's beer. The suit alleges that the Colorado-based company is negligent by "glorifying a culture of youth, sex, and glamour" and "unduly influencing the underage youth of America with their directed advertisement campaigns."

Coors denies any irresponsible marketing practices. "Very simply, our ads are directed to lawful consumers and not those under 21," said rep Laura Sankey. Interpublic Group's Foote Cone & Belding in Chicago and Deutsch/LA in Marina del Rey, Calif., are the $180 million advertiser's primary agencies.

Meanwhile, a lawsuit filed in December in Denver District Court alleges that several alcohol marketers—including Bacardi, Coors and its Zima unit, Heineken and Mike's Hard Lemonade—appeal to underage consumers in their creative work or media placement. The suit seeks class-action status for parents of children who have purchased alcohol illegally.

Although the Federal Trade Commission has found no evidence in the course of three investigations during the past five years that alcohol makers target kids, lawmakers are stepping up their scrutiny of the industry. In Congress, Rep. Tom Osborne, R-Neb., introduced a resolution last month that calls on the National Collegiate Athletic Association to stop accepting alcohol ads during radio and TV broadcasts of NCAA events. (In an April 1 letter to Congress, the Beer Institute said its members all follow the Beer Institute Advertising and Marketing Code, which requires that ads be placed only on programs where at least 70 percent of the audience is "reasonably expected" to be of legal age.)

And last week, alcohol-industry reps met for the first time with a committee ordered by Congress to take an inventory of federal underage-drinking programs. Separately, the Department of Health and Human Services is developing a strategy to prevent underage drinking.

Ad industry lawyers are unnerved. "You are creating a situation where you're making it impossible to target a proper audience because there is a spillover into an audience that may not be appropriate," said ANA attorney Doug Wood. "Advertising can't be so targeted."

Countered George Hacker, director of the Alcohol Policies Project at the Center for Science in the Public Interest: "Clearly, you can't always target audiences with absolute precision, but we are saying the marketers can do a much better job than they now do. There is substantial spillover with beer advertising that you don't see with wine ads."

If recent tobacco cases are any guide, Wood said, companies have good reason to worry. The 2002 decision fining R.J. Reynolds $20 million for placing cigarette ads in magazines with a large percentage of readers 12-17 sets a troubling standard, he argues. In the case, brought by the California attorney general, the judge ruled that "testimony by media experts suggested that if a specific age group like young adults was targeted, other age groups closest to the targeted age group would also be reached in higher proportion than groups more distant in age from the targeted group."

That, Wood said, sets a precedent that companies should be able to buy media that targets an 18-year-old but not a 17-year-old. "I don't know any media buyer on earth that has the ability to do that," he said.



**7. Seagram Cooler Turns 20**

*The Cincinnati Post*

April 26, 2004

CINCINNATI, OH -- While former TV pitchman Bruce Willis has moved on to a movie career, Seagram's distillery in Lawrenceburg, Ind., on Thursday marked the 20th anniversary of its famous wine cooler.

Seagram cooler owner Pernod Ricard said it was unveiling two new flavors -- Mango Passion Paradise Punch and Green Apple Apple-Licious -- to mark the occasion. The company also recently introduced Orange Pineapple Bahama Mama. The company said it would brighten up the beverage packaging as well.

The coolers are one of the distillery's top U.S. products for its Paris-based owner, as are Seagram's gin and vodka. The facility also produces Seagram's 7 Crown whiskey. It also bottles and distributes Captain Morgan rum for London-based Diageo.

The Seagram Co. was split up by Pernod Ricard and London-based Diageo PLC in 2001, with the Paris company collecting 39 percent of Seagram's assets in the $8 billion deal. Pernod Ricard's worldwide sales were roughly $4 billion in 2003, including more than $900 million in North and South America.

Spanning more than 177 acres over a 20-mile radius, the Lawrenceburg plant is the largest beverage alcohol distillery in the world and employs roughly 600 workers. The distillery produces more than 9 million cases of liquor each year.

Built in 1847, it was originally called the Rossville Distillery and owned by George Ross.

Largely destroyed by fire in 1932, Joseph E. Seagram and Sons bought the facility a year later.



**8. US: Coors Completes Aspen Edge Nationwide Rollout**

Source: *just-drinks.com editorial team*

April 27, 2004

Coors Brewing Company has announced that Aspen Edge - its super-premium, low-carb light lager - will be available to consumers nationwide by 3 May at on- and off-premise outlets.

Aspen Edge is Coors' first entry into the low-carb beer category and was rolled out last month.

In the first three weeks of availability, Coors' Aspen Edge became the second-largest-selling low-carb beer in supermarkets, garnering a 0.4% market share of overall beer sales in its initial markets, according to ACNielsen.

“Aspen Edge is being wholeheartedly embraced by distributors and retailers across the nation,” said Ron Askew, chief marketing officer of Coors Brewing Company. “This is not only based on anecdotal evidence, but also distributor orders that were higher than forecasted when Coors first launched Aspen Edge in March.”

Aspen Edge has 2.6 grams of carbs and 94 calories and is available in 6- and 12-pack bottles.



**9. Dominant in U.S., A-B Now Sees Itself Battling Wine, Spirits**

By Gregory Cancelada - *the Post-Dispatch*

April 28, 2004

ORLANDO, FL - Anheuser-Busch Cos., known for its ability to take market share from rival brewers, is focusing on a new set of competitors: the wine and spirits industries.

The St. Louis-based brewer, the world's largest, said Wednesday that it would step up marketing of beer products in bars, taverns and other on-premise markets.

"I think that this is where (spirits) have been able to make real competitive moves," Patrick T. Stokes, A-B's president and chief executive, said after the annual shareholders meeting, held at the company's Sea World park.

The beer industry languished last year for a variety of reasons, including colder-than-normal weather, a major shift to low-carbohydrate diets that restrict the consumption of beer and the increased popularity of liquor.

Last year, domestic beer industry volume declined 0.4 percent compared with 2002. On the other hand, the Distilled Spirits Council has estimated that the volume of spirits sold in the United States last year grew by about 4 percent.

Despite the overall decline in beer industry sales, A-B last year increased its volume by 0.8 percent.

"Aggressive competition from spirits and wines is hitting us at all levels," August A. Busch IV, president of A-B's domestic brewing unit, told shareholders.

Although Anheuser-Busch holds 50 percent of the U.S. beer market, it has only 30 percent of the U.S. alcohol market, which includes wines and spirits, Busch said. "This is the world we compete in now."

Competing in this market doesn't mean offering competing wine and spirits products, however.

"We're going to put more resources in terms of on-premise marketing to make sure that ... we have beer properly represented and fully competitive" in bars and taverns, Stokes told the Post-Dispatch. "So I think that is going to be one of the first things we do."

A-B has benefited from its partnership with rum-maker Bacardi, rolling out their malt beverage Bacardi Silver in February 2002. Rum-flavored Bacardi Silver, which does not contain spirits, has done well in the malt beverage, or malternative, market. Most recently, A-B launched a lemon-flavored Bacardi product called Limon.

While the beer industry last year saw its volume decline, A-B again posted record sales and volume, allowing it to report double-digit growth in per-share earnings for the fifth consecutive year. It expects 2004 per-share earnings to grow 12 percent.

Some analysts are worried that Miller Brewing Co., which has reinvigorated sales of Miller Lite by touting the brand as a low-carbohydrate beer, may slow down A-B's volume growth this year.

However, Anheuser-Busch has fought back through aggressive advertising campaigns that were launched recently.

At the meeting, shareholders saw an example of the "Choose on Taste" campaign, which says that all light beers are low in carbohydrates and that drinkers should choose what they like.

Miller appears to have made some inroads by highlighting the fact that Miller Lite has only 3.2 grams of carbohydrates, while Bud Light has 6.6 grams. A-B's Michelob Ultra, which has skyrocketed in sales due to low-carb diets, has 2.6 grams.

A-B also has targeted diets that it believes unfairly depict beer as incompatible with a low-carb lifestyle. Last week, the brewer kicked off a campaign to correct what it says are inaccuracies in the South Beach Diet.

Although Anheuser-Busch recently announced plans to sell its 20-percent stake in Chilean brewer Compania Cervecerias Unidas SA, the brewer continues to look for other investment opportunities abroad.

The company is eyeing the beer market in Vietnam, where it held very preliminary discussions.

The Vietnam Investment Review reported that A-B met this month with Hanoi Brewery Corp. and Saigon Brewery Corp., according to Bloomberg News.

Stokes declined to identify the Vietnamese brewer or brewers, but said, "I wouldn't expect anything to be coming out of that in the near future." He described the discussions more as get-to-know-you meetings.

"We do this with a lot of brewers around the world, because we need to know these people," Stokes said. "That is why we have preliminary discussions."

Meanwhile, Anheuser-Busch said that it posted a first-quarter net income of $550 million, up 13.4 percent from a year ago.

The brewer's domestic beer sales to wholesalers during the first quarter grew 0.8 percent compared with a year ago, which was slightly lower than the beer industry's growth estimated at 1.3 percent. This meant that A-B's market share slipped to 51.7 percent from 52.0 percent a year ago, though the brewer faced a tough comparison. The market-share gain in the first quarter of 2003 was greater than expected.

The brewer said it still expects to increase its market share for the full year. It held a 49.8 percent share of the U.S. beer market last year, which was up 0.6 percentage point from 2002.

Board members are approved

Meanwhile, A-B shareholders approved by more than 96 percent the re-election of five board members and the reappointment of auditor PricewaterhouseCoopers LLP, despite the opposition of the California Public Employees' Retirement System, or Calpers.

The nation's largest public pension fund wants corporations to prohibit their auditors from doing non-audit work. Calpers worries that auditors may not be able to scrutinize companies if they are also receiving lucrative consulting contracts.

To push this effort, Calpers had objected to the re-election of two A-B board members because they sit on the audit committee and the reappointment of PricewaterhouseCoopers. It had taken a similar position with two other St. Louis-based companies, Ameren Corp. and Emerson.



**10. US: Anheuser Reports Another Record Quarter**

Source: *just-drinks.com editorial team*

April 28, 2004

The US beer giant Anheuser-Busch reported today its 22nd consecutive quarter of double-digit earnings per share growth, with EPS reaching US$0.67, up from the US$0.57 reported in the same period last year.

"Anheuser-Busch had another excellent quarter and continued its track record of delivering consistent and dependable earnings growth. The company has now achieved 22 consecutive quarters of solid double- digit earnings per share growth. We remain confident in our ability to consistently achieve our double-digit earnings per share growth objective over the long-term and our 12 percent earnings per share growth target for 2004, excluding the benefit of the commodity hedge gain," said AB CEO Patrick Stokes.

In a statement, the company said that strong growth in domestic revenue per barrel drove a continued enhancement in profit margins in the quarter. Gross profit margin improved 60 basis points to 40.4% compared to the first quarter 2003, while operating margin increased 30 basis points to 23.6%.

Domestic revenue per barrel grew 3.1% in the quarter as the company implemented pricing actions on around two-thirds of its domestic volume in two phases - October 2003 and February 2004, and continued consumer trading up to the super premium Michelob family.

International volume increased 6.1% for the first quarter. Total Anheuser-Busch beer sales volume rose 1.2%, to 27.0m barrels.

In total net sales reached US$3,477m, compared to US$3,281m last year. Net income was US$550m, up from US$485 last year.

