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

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| *December 23, 2004* |

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**1. Meet Alcohol Beverages Division Administrator Lynn Walding**

By: Jerry Fleagle, President, *Iowa Grocery Industry Association*

*December 2004*

Sell tobacco? Sell alcohol? Sell liquor? Nearly every IGIA retailer sells at least one of these regulated products to the public, and falls under the regulatory enforcement umbrella of the Iowa Alcohol Beverages Division (ABD). The ABD Administrator is an appointed position by the Governor. Lynn Walding was appointed ABD Administrator in 2000, after serving as the Division’s General Counsel for 19 years out of the Attorney General’s office.

Many changes have taken place with the ABD since Walding assumed the Administrator role just four years ago. Indeed, this is not the “good old boys” division perception of the past. Preaching retailer education, training, and enforcement; ABD has taken a more activist role in enforcement than previously. ABD also became one of the state’s charter agencies last year, which gives them more freedom from bureaucratic procedures, in return for potentially returning more money to the state treasury. ABD is “taking back” tasks and jobs into state government that were previously handled by Jones Co., a private contractor that declared bankruptcy. Not without controversy, the move is designed to save the state over $1.5 million the next 18 months.

Leading the charge is ABD Administrator Lynn Walding. A Burlington native and graduate of Burlington High School, he had early experience in the retail industry, working at the Hy-Vee store in Burlington part-time. His work for the Burlington Hawkeye newspaper gave him exposure to government, raising his interest in public service. Walding received his BA degree and Masters in Public Administration from the University of Iowa. He also received his law degree from Iowa, and went to work in the Attorney General’s office in the farm division. Within a year, he went to the administrative law division of the AG’s office, assigned as general counsel to the Alcohol Beverages Division. In 2000, Jack Nystrom retired as ABD Administrator, and Lynn Walding was appointed by Governor Vilsack as the new Administrator.

The years of experience doing alcohol enforcement actions for ABD gave Lynn Walding a unique perspective and ideas on how to streamline and improve the division. And within a year of assuming his new position, the state’s budget tightened.

Early on with budgets trimmed and positions cut; Walding looked for ways to make the department more efficient, responsive and professional. He provided more detailed information in board packets to the five people appointed to the Alcohol Beverages Commission, sought out opinions on how to serve Class E liquor licensees better and implemented necessary changes. The “spirits side” of ABD, sold more products, made more money for the state, with no drop off of service, despite cutting positions.

With alcohol law enforcement his background, Walding has continued to push for education, training and firm enforcement. Believing that voluntary training is a better alternative than mandatory training, he instituted a program in Iowa City that allowed an affirmative defense for an underage serving violation, provided the server underwent the voluntary training beforehand. The program was wildly popular, with over 600 trained in underage alcohol sales compliance. Later, with that belief confirmed, Administrator Walding worked with retailers to design the Affirmative Defense underage tobacco training program.

The ABD undertook the underage tobacco compliance enforcement and training soon after Walding’s ascension to the Administrator position.

ABD was assigned underage tobacco enforcement through an agreement with the Iowa Dept. of Public Health, and has been aggressive in increasing underage tobacco compliance from under 70% four years ago to 91% this year. Walding enlisted the support of the retail community, reaching out to tobacco retailers who had low compliance rates, by offering more compliance training, and looking for ways to continue to improve compliance. “For example, Casey’s and Hy-Vee stepped forward on training and made it a priority,” said Walding, “and dramatically improved their compliance numbers.”

Not content to sit behind a desk, he often went out on tobacco stings to see for himself what clerks experienced and how they could be better trained. On one of those “stings” was the observation that clerks often asked for ID, but still sold to underage purchasers because the license was not easy to read or compute. Out of this came his support for changing licenses of underage drivers to a vertical license, along with other changes. He also was one of the first to go “against the crowd” by not thinking electronic verification devices (EVA’s) were the answer. “The clerk can still over-ride most systems out there,” said Walding. “Retailers would be better off spending their money elsewhere.”

“The reality is that Iowa now has one of the highest tobacco compliance rates on underage sales in the country,” said Walding. “It’s better than I thought it would be, especially at the start when it was tough to get buy-in from retailers. But it has turned out well.”

Walding has also taken a leadership role in the Responsible Retailing Forum, where Iowa is one of four states participating (Alabama, New Mexico and Missouri the others) in pilot projects to determine the best practices and methods for controlling underage sales of alcohol to minors. “So far, we have been disappointed in that we would like to have more retailers participate,” said Walding. “We are still looking for more.”

Back to the ABD liquor distribution system brouhaha last spring. When Jones Co. had declared bankruptcy, Walding had evaluated the system and felt that if properly structured, inmates from the women’s prison in Mitchellville could be utilized for warehouse jobs, with savings in labor to the tune of $1.5 million over the next 18 months.

Overcoming a few minor problems at the start, the inmate program has worked reasonably well. What met with a firestorm of criticism was converting former Jones Co. truck drivers to state employees. Without putting the job out for competitive bid, Walding had decided to convert the Jones drivers to state employees, raising the ire of the Iowa Motor Truck Association, several trucking firms, and legislators.

ABD is now looking at re-doing the truck routes, which had not been changed in over a decade. With no adjustments made for stores that have closed, or new stores that open, inefficiencies had developed. Walding is looking at reducing the number of routes from the current 38 to 32, saving 2300 wasted miles a week. Criticized earlier because government truck drivers do not have to comply with new DOT regulations, Walding has pledged that ABD will still trim costs and comply with federal DOT guidelines. Re-doing the routes will also eliminate overtime, resulting in another $200,000 a year in savings. “We will also bid the new routes out,” says Walding. “Doing it after the restructuring will result in the state getting the big dollar savings.”

ABD sales in dollars through September 1 were up over 10%, and by the gallon up 7.5%. ABD is also testing the Variable Markup Rate (VMR) on the vodka category. VMR is applied to the category in a 40-60% markup range, instead of a straight 50% markup. The goal of the program is to reduce markup on the higher end vodka, and increase the markup on the lower end vodka category, which is hoped to result in more consumers buying “up” in the category, resulting in more profit dollars for the state. Currently consumers are “buying up from low to mid-range products, but not higher end products,” said the ABD chief. Walding stated that the state is making more money with the program, and is looking at the whiskey category next, or possibly the tequila category.

As ABD Administrator, he is also responsible for proposing legislation. Walding has firm beliefs in what he thinks the state needs concerning alcohol laws, but has shown a willingness and ability to work with retailers on legislation that will help them, or make the system fairer.

Looking ahead to the 2005 session, he believes that beer keg registration will be brought forth by advocates, and that the beer excise tax may be considered for an increase (Iowa is 25th in the country in beer excise tax). He would like to see the civil penalty fund from alcohol violations (approximately $160,000 a year) designated for alcohol training, very similar to how tobacco training is done. And he would also like to have the ABD allowed to sell to military installations in the Midwest (currently they cannot by state law).

Under Walding’s direction, ABD is continuing to work on streamlining renewals. He hopes to have on-line renewals available in early 2005, and would like to synchronize renewals for multiple store operators, as much the same information is required for each form. He has worked hard on improving communications with the licensees buying liquor, implementing e-newsletters on a weekly basis, and hosting “Coffee with the Administrator” meetings around the state to communicate with liquor store owners, and in turn hear their concerns, suggestions and feedback. His goal? “Make dealing with ABD as painless as possible,” laughs Walding.

“Seriously, anything we can do to improve, I’ll look at.”

*Lynn Walding*

*Hometown: Burlington, IA*

*High School: Burlington High School*

*College: University of Iowa, BA, MA, JD*

*Professional Experience: Iowa Attorney General’s Office 1981-2000*

*Iowa ABD Administrator 2000 to present*

*This article appeared in the Iowa Grocer magazine, 2004 Iowa Products issue.*

**2. For Daniel's Descendant, Job is All About Tradition**

By Tom Suk – *Register Staff Writer*

December 21, 2004

DES MOINES, IA -- A little background: Jennifer Motlow Powell is the great-great-niece of Jack Daniel, who founded the country's first licensed distillery in 1866 in Lynchburg, Tenn. The company still produces the whiskey that bears his name. Powell was in Des Moines last week to visit Hy-Vee stores.

*Q. What brings a nice Southern lady to Iowa in mid-December?*

A. I'm on a promotional tour for the Gentleman Jack Rare Tennessee Whiskey style of our whiskey in six states - Iowa, Illinois, Missouri, South Dakota, Nebraska and Minnesota. We have visited 67 Hy-Vee stores in those states where the promotions are being held. It is my first trip to the Midwest. I have met a lot of fun folks - cold weather, warm people. We did already make our calls in Minnesota. They were predicting it would go down to minus 17 degrees. Fortunately, it didn't get that cold.

*Q. How are you related to Jack Daniel?*

A. I'm his great-great-niece. Jack Daniel never married. He was sort of a ladies' man. After he died he left the distillery to his nephew, Lem Motlow. Lem was my great-grandfather. He had four sons; one of them was my grandfather, Conner Motlow.

*Q. What was it like growing up with the Jack Daniel's heritage?*

A. Going back to Lynchburg wasn't business. It was to see our family. We were raised to appreciate our family as people. It was just a visit to our family or a holiday gathering.

*Q. Lynchburg is a town with an official population of 361. Do you know most of them?*

A. My mother grew up in Lynchburg, but our family moved to Mobile, Ala. I live in Louisville, Ky. But I still get down to Lynchburg quite a bit, especially with my job. Those are special folks in Lynchburg, most of them carrying on a tradition of working at the distillery. They are very proud of the quality of the product they make. They are very hospitable. Lynchburg has about 200,000 visitors a year.

*Q. What is your job?*

A. I oversee public relations for Jack Daniel's. Being a part of the Jack Daniel's family immediately makes you approachable because everyone has a story to share or something they associate with Jack Daniel's - a memory, an experience, a tale. That is one of the best things about being a part of the Jack Daniel's tradition: Everyone knows you. There are no strangers.

*Q. Is Jack Daniel's going to sponsor a NASCAR racing team?*

A. We have reached an agreement with the Richard Childress Racing Team to sponsor an 07 car (signifying the Jack Daniel's label) . It is still being designed but it will be in the traditional Jack Daniel's colors - black and white. Dave Blaney will be the driver. The car will carry the message "Pace yourself. Drink responsibly." It is an opportunity to get our message out to the 75 million NASCAR racing fans out there.

*Q. Can you explain the different types of whiskeys Jack Daniel's sells?*

A. Our brands are the Old No. 7 Black Label, Gentleman Jack and Single Barrel. There is also Green Label, but that is only available in a handful of states now.

All Jack Daniel's Whiskey is charcoal-mellowed. That makes it a Tennessee whiskey instead of a bourbon. Every drop is filtered through 10 feet of sugar maple charcoal. Gentleman Jack is double-filtered through the charcoal, making it a bit mellower. Single barrel is just that. Every bottle is from a single barrel resting at the top floor of our warehouse. They call it the Buzzard's Roost. It is usually aged a little longer and subject to more temperature extremes. It gets warmer in the summer. It gives the whiskey more opportunity to mature.

*Q. What is your favorite?*

A. My favorite is Jack Daniel's Old No. 7. I like it on the rocks (over ice). But it depends on what you like. More and more people are drinking with mixers like water and cola. We also make premixed Lynchburg lemonade.


# 3. Police Unit to Focus on Drunken Driving

By Tom Alex – *Register Staff Writer*
December 21, 2004

#### The group will also target speeders and work to ensure freeway safety in Des Moines.

DES MOINES, IA -- A special police unit targeting drunken drivers hit Des Moines' streets Monday night.

Four officers and a supervisor are working from 8 p.m. to 4 a.m. in an effort to get more impaired and reckless drivers off the streets.

Police Capt. William Jones said officers stopped 25 suspected drunken drivers last December and 16 last January. Higher numbers are expected in weeks to come.

During the 1990s, the department commonly made 60 to 90 drunken-driving arrests in a month. In 1996, for example, Des Moines police charged 1,068 people with driving under the influence.

Bill Shackelford, spokesman for the Polk County chapter of Mothers Against Drunk Driving, said, "Proper law enforcement works, so we do encourage it."

He said reallocation of resources to fight methamphetamine has probably had an impact on several law-enforcement programs.

"People have a tendency to drink more, drive more and die more during the holidays," Shackelford said. He said this is a good time of year to put a special traffic unit on the streets.

Drunken-driving arrests in Iowa increased from about 4,000 per year in 1974 to some 20,000 in 1993. Arrests have abated since then, with about 17,000 reported in 2003.

Jones said Des Moines police efforts to target drunken driving have eased, particularly in the past three years with the growing emphasis on airport and homeland security.

Even without much federal grant money available, Police Chief William McCarthy decided to give the special drunken-driving unit a 90-day trial. It will be evaluated at the end of that time and could become a permanent unit if successful.

"Our focus is going to be on drunken driving, speed enforcement and freeway safety," Jones said. "We'll be running radar and looking for signs of drunken driving on the freeway and elsewhere in the city."

**4. Magazines Sort Drinking-Age Readers for Ads**

*The Wall Street Journal*

December 23, 2004

When Tim Murphy, brand manager for Absolut, was placing new ads for the distiller's flavored vodkas, he considered ESPN The Magazine because its youthful readership would provide the 21-to-29-year-old drinkers he wanted to reach.

He worried, though, that too many underage readers would see the ads, a violation of industry advertising codes prohibiting liquor companies from marketing to minors. To win advertising from Absolut's maker, V&S Vin & Sprit AB, the sports magazine suggested an option it devised last year: issues of the magazine containing the ads would be mailed only to subscribers ESPN had determined were of legal drinking age. Absolut accepted.

ESPN isn't the only magazine offering special print runs designed to reach only subscribers at least 21 years old. The magazines -- typically sports, music and entertainment publications -- say the extra cost and effort of screening their subscribers are worth it as a way to help insulate liquor advertisers from accusations that they are targeting minors.

Otherwise, they fear a rerun of the precipitous drop in tobacco advertising they endured a few years ago when cigarette makers, once a mainstay for magazines, scaled back advertising after coming under fire for targeting young consumers. Moreover, publishers are trying to ensure that liquor companies, which are advertising more on TV, don't outright defect to other media.

"Liquor is a very important category. We are trying to find ways for them to remain in the magazine," says Rolling Stone magazine Publisher Steve DeLuca.

Advertisers who are using the 21-plus editions include Boston Beer Co.'s Sam Adams and Heineken NV. Diageo PLC has placed ads for its Smirnoff vodka, Jose Cuervo tequila and Crown Royal Canadian whiskey in music magazines Vibe, Spin, Rolling Stone and ESPN The Magazine this year. When Allied Domecq PLC's Courvoisier cognac, a drink that has become hot among young urban consumers, launched a new campaign for its XO Imperial brand early this year, it advertised for the first time in Vibe, thanks to its 21-plus option, says Simon Hunt, Allied Domecq's marketing chief for North America.

The magazines' approach for the liquor companies borrows a practice from general-interest magazines like Time Warner Inc.'s Time and Sports Illustrated, which sell advertisers various editions of the same issue with ads targeting readers according to income, job title, age, sex, and geographic area. They use U.S. census data and credit-rating agencies to cull information about their readers.

 For the 21-plus editions, publishers start with the names and addresses of their subscribers and run them against up to three outside databases, including that of the credit-rating agency Equifax, to find readers who are 21 and over. For instance, Spin has identified a group of 256,000 subscribers, out of a total subscriber base of 478,000, who turn up in a database showing that they are at least 21. Vibe developed its program from a similar offer it had created for Kool cigarettes several years ago, according to Publisher Carol Watson. Magazines charge a premium of 10% to 20% of an ad's price to cover the extra production costs and database search.

While it's not an exact science -- some subscribers who are over 21 don't receive the targeted editions because they couldn't be matched in the databases -- liquor companies say they've made a big effort to match readers with the right issues.

The spark for the booze-friendly editions came after two industry trade groups, the Distilled Spirits Council of the United States and the Beer Institute, both tightened their advertising codes in the past 18 months to make it tougher for liquor ads to reach minors.

Now, alcohol companies can advertise only in publications with at least 70% of readers over the legal drinking age, up from the 50% threshold that some companies had imposed on themselves. As a result, some youth-oriented magazines saw a fall in alcohol advertising.

With the new rules, liquor companies were particularly concerned about not having their ads appear in newsstand copies, which typically have younger readers than subscriber copies. While a bit more than 30% of the 1.3 million people who buy Rolling Stone -- subscribers and newsstand purchasers -- are under 21, that figure is higher in areas like college campuses, where more students buy the magazine and pass it around rather than subscribe, says the publisher, Mr. DeLuca.

At the same time, spirits companies -- traditionally big print advertisers -- are increasing their TV ad budgets faster than their ones for magazines. These companies have for decades abided by a self-imposed ban on advertising on network television. In recent years, however, a number of the bigger companies have run commercials on cable stations and the broadcast networks' local-affiliate stations.

Spirits companies' TV spending jumped to $40.3 million last year from $3 million in 1999, according to TNS Media Intelligence/CMR. During that time, their spending on print advertising rose 48% to $173 million from $117 million, providing a rich substitute for tobacco, whose print advertising fell 49%. Altria Group Inc.'s Philip Morris USA cut magazine advertising by 94% from 1998 to 2003, for example.

The 21-plus editions, while still a niche, are showing early success. Absolut also advertises with Rolling Stone, Vibe and Spin in such special runs. ESPN The Magazine had planned to offer a 21-plus version eight to 10 times a year when it first launched in September 2003, but it now offers it for all 26 issues per year.

As the liquor makers come under increasing pressure to demonstrate that they are not marketing to minors -- several lawsuits have been filed in the past year accusing some beer and spirits companies of intentionally targeting underage drinkers -- more magazines are likely to offer a 21-plus option to keep jittery advertisers, say publishing and liquor industry executives. Such nervousness was evident recently when Brown-Forman Corp., owner of Jack Daniels, pulled ads for the Tennessee whiskey from the October issue of music magazine Blender because teen star Hilary Duff appeared on the cover.

Since then, a number of spirits companies, including Brown-Forman and Allied Domecq, now require that they get a head's up on any cover models or editorial content that might attract underage readers.

Blender publisher Malcolm Campbell says that more than 70% of Blender's readers are over 21 and he doubts that a single cover would skew the readership significantly. Nonetheless, he says he may need to eventually offer a 21-plus edition just to ease the concerns of advertisers.

"It's the trend of the future," Mr. Campbell says. "It may not be a question of pure numbers. The need to do it may be based solely on demands from advertisers."

**5. Winery Owners Find Encouragement in Numbers**

By Erin Morain – *Business Record*

December 6, 2004

After years of planting, pruning, mixing and fermenting, two Newton-area families hopped on the winery bandwagon this year, contributing to a statewide boom in the industry. Though many businesses see increased competition as a threat, most winery owners subscribe to the philosophy of “the more, the merrier.”

Paul and Jean Groben opened Jasper Winery in June with five wine varieties, the fruits of their six acres of grapevines and years of work. Steven and Collette Hill’s Sugar Grove Grange and Gathering Place opened Oct. 29 as a location they hope will be a country retreat that inspires tranquility and togetherness.

With just six miles separating their wineries, the two families are working together to create a destination that provides wine, cheese and entertainment to wine connoisseurs, curiosity seekers and weekend travelers in Central Iowa and throughout the state.

“If you’re coming from Des Moines or Ames, you’re more apt to come to a location where you can visit two wineries,” Jean Groben said. “As more wineries come on board in Central Iowa, we hope to develop a wine trail and people can go from one winery to the next. It gets people out into the rural areas and we can help each other.”

The Grobens planted about 60 grapevines on their rural Newton farmland in 1999 as an addition to their existing garden. They claim they knew nothing about grape growing at that point, and Jean says they were “probably pretty naïve.” Their first batches of wine, produced in the basement of their home, were poured down the drain.

“I guess we got the bug after that and decided to start a commercial winery,” she said.

Over the next several years, they tended to their growing vineyard, imported pricey Italian-made equipment and purchased California grape juice to supplement their harvest. They gutted and renovated a building near Maytag Corp. headquarters that they rent from the city of Newton, which now includes tasting and fermentation rooms.

In the meantime, their son Mason also got the bug and enrolled at the University of California, Davis where he earned degrees in viticulture, the science of grape growing, and enology, the science of winemaking. In between stints at wineries in New York, California, New Zealand and Australia, he has served as a consultant to his parents.

“We’re on the phone quite a bit when I’m not here,” Mason said. “I need to make sure they’re doing everything right so when I come back everything’s not screwed up.”

During the winter and spring, they produced five wines – two whites, two reds and a rose – with Mason working on a third red wine for next year. He has also introduced barrel fermentation at the family winery to add a “toasty oak flavor” through fermentation and aging.

“Everywhere I go, I work with different varieties and see various techniques,” Mason said. “Definitely everything I do is a result of what I’ve seen, and I make them work here at home.”

Along with retail sales to winery visitors, the Grobens are beginning to establish a wholesale wine business, with their wines available at several stores in Newton, which they see as a great opportunity for future growth.

They will continue to add to their vineyard, which can be quite costly. Iowa State University Extension says it costs $3,000 to $5,000 per acre the first year to establish a vineyard, and full production of approximately 3 to 4 tons per acre starts around the fifth year. It takes about nine years to pay the start-up costs and begin to net a return of $1,500 to $2,000 per acre per year.

“Next year, more of our vineyard will be in production and our yields will be greater,” Jean Groben said. “I think it will be a long time before we’re really able to have 50 percent of our juice from our vineyard.”

A $1,000 ton of wine grapes should produce approximately 150 gallons of wine, or 750 bottles at an average price of $10 per bottle, or $7,500. Start-up costs are estimated at $250,000, though gross revenues for a native winery and vineyard in Iowa will run approximately $30,000 per acre per year.

Steven and Collette Hill did not have dollar signs in mind when they first planted grapevines in 1999, but did so rather because of Steven’s concern over sustainable agriculture and his desire to find the best way to use their 120 acres of rolling land.

“It started as an interest in developing our land, and as time went on, and then through our involvement with the Iowa Grape Growers Association, we decided that creating a value-added product would be more beneficial,” said Collette Hill.

They renovated the 130-year-old Sugar Grove Grange building after relocating it onto their rural Newton property. With wine production in the basement, the main floor consists of a tasting room and a gathering place, which Collette says has been booked for five parties in December with interest for several wedding rehearsal dinners and anniversary parties in the spring. Works by Iowa artisans are also available for purchase at the winery.

“I think that’s going to be a part of the business that’s really going to grow because it’s just a unique setting and it’s quiet and tranquil,” Collette said. “Having the wine available is nice, but my part of it is very much in hospitality.”

Without a wine expert in the family, the Hills hired a full-time vineyard manager and full-time winemaker to work their 12 acres of grapes and continue production on their wines.

The Hills' two sons have been a part of the business and its start-up. Nate, 13, will be the winery’s Web site designer, having taught himself programming and Adobe Photoshop skills. Jacob, 9, has shown an interest in gardening, which has inspired his parents to create a children’s garden next summer.

The two families have been part of an explosion in the Iowa wine industry over the past five years. Prohibition from 1919 to 1933, the Armistice Day Blizzard in 1940, and the extensive use of a corn herbicide that can damage grapes all contributed to the decline of the Iowa grape industry in the first half of the 20th century. By 1999, the state had only two native wineries and approximately five wine-grape vineyards.

Dozens of Iowans joined the grape-growing industry following an initiative led by three winery owners to encourage more people in the state to grow grapes. Iowa now has 25 wineries, with five more slated to open in 2005. There are currently 236 wine-grape vineyards in the state, and White expects there to be 275 by the end of next year.

“The typical winery and vineyard person is 50-plus years of age, highly educated, has made a small stash of money, they’re professional, and now they’re going to take some of that money and invest it in something they like to do,” White said. “Often they’re looking for a way to augment their retirement fund.”

Despite the dramatic growth of the wine industry within the state, White said Iowa is about five to 10 years behind other Midwestern states. According to the most recent statistics available to him, there are 52 wineries in Missouri, 42 in Illinois, 30 in Wisconsin, 12 in Minnesota and nine in Nebraska.

And though Iowa’s wine industry is growing at a faster pace than those in surrounding states, White anticipates a shakeout, with about 30 percent of wine-grape vineyard owners leaving the business after finding that grape growing is simply too much work. The wineries, he said, will likely continue to move forward.

“I think the huge, huge growth that we’ve seen in the last four years we probably will not see again,” White said. “It was like everybody caught on and away they went.”

**6. Fifty Stores Reject Bottles Despite Law**

By Lynn Campbell – *Register Ames Bureau*December 22, 2004

DES MOINES, IA -- Anger and frustration are building among Iowans whose grocery stores have stopped collecting empty bottles and cans, but state officials say they have little power to do anything about it.

"It's so unfair because it's the law," said Bobbie Omvig of Eagle Grove, where Fareway stopped taking empty containers even though the state has yet to approve an alternate redemption site. "If I was breaking the law, I'm darn sure that someone would come after me. They're getting away with it."

Twenty-three Fareway and Hy-Vee stores in towns including Atlantic, Carroll, Centerville, Le Mars and Storm Lake received state permission in the past month to reject empty beer, soda and liquor containers. About 50 additional stores have stopped taking the empty containers even though they lack state permission.

"It's happening so widespread, it's an epidemic," said Dewayne Johnson, executive director of the Iowa Recycling Association. "They're thumbing their nose at the law and the Legislature every day."

Iowa lawmakers are likely to take up the issue in January.

Iowa's bottle deposit law requires grocery stores to accept beverage containers covered by the law or to have a redemption center approved by the state.

Recycling advocates fear the bottle bill may soon be meaningless. The 1978 anti-litter law has been popular with the public but has long been opposed by grocers. Iowa is one of 11 states that has such a beverage container redemption law.

"The policy shift by these supermarkets is out of step with the opinions and actions of Iowans," said Jim O'Loughlin, treasurer of the Black Hawk County Green Party. He said Iowa recycles 90 percent of redeemable containers, while states without a bottle law recycle 30 percent.

A 2002 Des Moines Register Iowa Poll found substantial support for the law, with 42 percent wanting to keep the law as it is, and 25 percent wanting to expand it.

Iowa Department of Natural Resources officials have no power to levy fines or put store officials in jail, said Theresa Stiner , a state environmental specialist. She said it's up to county attorneys to enforce the law. So far, no legal action has been taken.

Johnson, of the recycling association, said he was told by the Iowa attorney general's consumer protection division that the issue is not in its purview because simple misdemeanors are prosecuted by county attorneys.

Omvig and her husband, Mike, said they tried to file a complaint with Eagle Grove police after Fareway, the only grocery store in town, stopped taking bottles and cans last month.

"They advised me to go and get my own attorney," Mike Omvig said. "I'm kind of disappointed in the overall police department. It is an Iowa law, and they should be fighting it for me."

Wright County Attorney Eric Simonson, whose area includes Eagle Grove, said Tuesday he didn't know what action would be taken if a complaint was filed.

"I haven't heard a single word about it," Simonson said. "It's not an issue I've come across as of yet."

Fred Greiner, vice president of Fareway Stores Inc., said at least three-fourths of Fareway's 83 stores - including ones in Ankeny and south Des Moines - are now sending customers to a redemption center to get their deposit back. He said the chain is working toward that policy for all of its stores.

"It's a sanitation issue for us," said Greiner, adding that Fareway stores have only stopped taking cans and bottles where there's an approved redemption center. "We want to maintain a cleaner environment. We're in the food business."

State officials have the power to reject a redemption center that isn't convenient for customers. Patterson Redemption Center at 810 Raccoon St. in Des Moines was rejected Monday by state officials, who said it was not an acceptable alternative for the Fareway store at 3000 S.E. 22nd St.

"The department didn't think it was a convenient option for the consumers," said Jeff Geerts, a program planner with the Department of Natural Resources. "It's approximately 31/2 miles from the store."

But Larry Patterson, owner of Patterson Redemption Center, argued that his center is 21/2 miles away from the south-side Des Moines Fareway store.

"I do plan on taking it to court," Patterson said Tuesday. "They've approved others that were further away. Now that they fear it's going to happen in the metro, DNR is trying to put their own 2-mile rule in effect."

About seven or eight of Hy-Vee's 103 supermarkets also have stopped accepting cans and bottles, said Hy-Vee spokeswoman Ruth Mitchell. More stores are scheduled to make the change in January, she said.

The Boone Hy-Vee stopped accepting empty cans and bottles Monday. Black plastic covered the room that had been the redemption area. Signs and a DNR certificate dated May 6 directed customers to Good Connections Inc., a redemption center that's a little more than a mile away.

"There isn't much we can do about the thousands of dirty, sticky, contaminated beverage containers that come into the store each week," store director Mark Halbmaier said in a letter to customers . "Introducing this kind of garbage into a grocery store setting compromises the safety of the food you buy."

But DNR officials said Good Connections has not yet been approved by the state as the redemption center for the Boone Hy-Vee. Each approval comes on a store-by-store basis.

When asked about the Boone Hy-Vee, Mitchell said: "It's really up to the redemption center to get that approval. . . . We're encouraging all stores to make sure they have those approvals in place."

The Ames Fareway is also among those that have stopped taking empty containers. Sen. Herman Quirmbach, an Ames Democrat, criticized the timing of the change. The holiday season brings a larger number of parties and entertaining, and a larger number of empty beverage containers.

"Basically, what Fareway and Hy-Vee are doing is raising people's property taxes," Quirmbach said. "Without convenient places to return bottles, some fraction will be thrown away as litter."

"I think that it's sad," said LouAnn Gordon of Boone. "We're going to see them again in our landfills and not see the recycling anymore."

Greiner, the Fareway official, said not all customers are upset. "We've heard a lot of positive things, too. We've received letters from customers saying it's the right thing to do."

Hy-Vee's 14 stores in Polk County will probably continue taking empty cans and bottles, Mitchell said. She said there doesn't appear to be enough redemption centers in the metro area to allow Hy-Vee to stop taking the containers.

Some lawmakers predict the issue will be taken up by the Legislature, which convenes Jan. 10.

"I would expect that some effort would be made to look into this situation," Quirmbach said. "I don't think Hy-Vee or Fareway are going to be winning any friends in the Legislature by taking unilateral action."

**7. Steady Volume, Sales Growth Across Spirits Categories Continued in 2004**

Source*: DISCUS Press Release*

December 17, 2004

**Cultural Acceptance, Responsibility, Sustained Interest in Cocktails Fuels Gains**

NEW YORK— After careful review of the latest company reports, the Distilled Spirits Council of the United States (DISCUS) reported today that overall supplier level U.S. spirits sales for 2004 grew 3.1% in volume and 5.8% in dollars. That translated into 164.2 million 9-liter cases and $14.7 billion in revenue.

The distiller’s organization stated that the growth was solid across the various spirits categories and price points, and was driven by expanding market access opportunities and the continuing adult interest in premium beverages and cocktails.

Further, the Council said it anticipated a gain to 29.7% of the beverage alcohol market by volume, up from 29.3% in 2003 and projected a record $655 million of exports of U.S. spirits products citing the weak dollar but also increasing efficiencies related to global consolidation and open markets in the developed world.

DISCUS CEO Peter H. Cressy, reporting the results to reporters and analysts, stated that increasing market access opportunities for spirits products, with eleven more states permitting Sunday sales (for a total of 32) in the past several years, had contributed significantly to spirits growth in the beverage alcohol market. He also pointed to the industry’s success in defending the hospitality industry from tax increases as well as more equal opportunities in the marketplace.

DISCUS chief economist David Ozgo, who developed the data, stated that the industry had posted the second straight year of 3% plus gains for the first time in many years. He noted the steady growth across the price points but said the high end and super premium products were the fastest growing segments. He also pointed out that Brown Spirits (whiskies) are growing again with Irish up 11.7%, Single Malt Scotch up 5.4%, Bourbon up 3.5% and Canadian up 1.7%. Among all Brown Spirits, High End Premium products were up 5.9% and Super Premium were up 7.1%. Vodka continued to lead all categories with 25% of the spirits market with volume up 4% to 43.5 million cases and revenue up 7.5% to $3.2 billion. Other categories showing steady growth include Rum and Tequila, Ozgo said.

Looking forward, Ozgo projected continued steady growth for 2005 based on strength of the economy, favorable adult demographics, and the variety of brands for every taste, budget and occasion.

**8. Judge Decreases Award in Et Cetera Bar Stunt**

By Jane Slusark *- The Daily Iowan*

[December 17, 2004](http://www.dailyiowan.com/main.cfm/include/displayIssueArticles/issue_date/20041217.html)

A 6th District judge reduced the compensation to former UI student and Et Cetera burn victim Deanine Busche by 33 percent on Thursday, a "routine" action based on her role in the April 2002 bar stunt, her lawyer said.

Judge Amanda Potterfield decreased the award to $935,651.50 from nearly $1.4 million for the Schaumburg, Ill., woman who accused Et Cetera, 118 S. Dubuque St., and then-bar manager Troy Kline of negligence for igniting Everclear in a crowded bar. The stunt injured seven patrons; three others have sued and settled outside of court.

Busche will actually receive $1,109,662.73 and puniteve damages are added, when two years' interest, said her attorney, Mark McNabola.

Busche, who originally sought $2.1 million in compensatory and punitive damages, suffered burns to 13 percent of her body and a broken nose and torn shoulder ligament when bar patrons stomped on her to extinguish the flames.

A jury determined on Wednesday that Busche was 33 percent to blame for her injuries. Defense witness and Maryland-based scientist Michael Klassen said spitting the 190-proof grain alcohol into the blaze would be the only way the fireball could have bounced back in her face during the fire.

"I assume the judge applied the jury's finding of the plaintiff's own fault," said Cedar Rapids defense lawyer Terry Abernathy.

McNabola, an attorney from Chicago, said the decrease was routine and the judge did "exactly what the jury wanted her to do."

In addition to the compensation, Busche will receive 25 percent of the punitive damages Et Cetera and Kline are required to pay. Et Cetera will pay $250,000 and Kline $25,000.

The remaining 75 percent will go to the state, specifically to a reparations trust fund.

Juror Stanley Giudici did not understand why the amount was lowered because he did not understand the process when going into deliberations.

"We were confident with the fixed percentage of blame, but we're not confident with the dollar sign," Giudici said.

Kline was charged in August 2003 with reckless use of fire and later filed an Alford plea, netting him probation and 100 hours of community service. The plea is not an admission of guilt but means there may be sufficient evidence to convict

him.

The bar was charged and fined $500 after it was found guilty of violating city fire codes. Et Cetera is now under new ownership.

**9. Council Wants Stiffer Alcohol Fines**

*By Jessica Seveska - The Daily Iowan*

[December 17, 2004](http://www.dailyiowan.com/main.cfm/include/displayIssueArticles/issue_date/20041217.html)

In hopes of decreasing the amount of underage and binge drinking in Iowa City, the Iowa City City Council will ask state legislators to raise fines for alcohol-related violations in Iowa

City.

"The current fines are not a deterrent," said Iowa City Mayor Ernie Lehman, adding that cities with high fines for alcohol violations have fewer alcohol-related problems with. The council will not propose a specific raise, he said.

The mayor said he hoped councilors would meet with state legislators from Iowa City in early January. If the lawmakers are behind the proposal, it would then be up to them to decide whether to bring the issue to the Legislature's attention.

"It's their call," Lehman said. "They might agree with us; they might not."

He was not sure how the city would use the additional revenues from an increase in ticket prices.

"The city could spend it as it chooses," he said.

Councilor Connie Champion said she thought a fine increase would help reduce underage binge drinking in the bars but would not decrease the total amount of underage drinking.

For the past few years the council has battled underage and binge drinking in Iowa City, attempting to raise the bar entry age to 21 but later settling on a compromise - a 19-ordinance that admits 18-year-olds into bars only before 10 p.m.

During the vote on a possible ordinance change in October, all councilors agreed that "the drinking problem" was something that needed to be changed. Many said they were not happy with the 19-ordinance and thought moving to a 21-ordinance would solve the drinking problems. The majority of council decided to keep the 19-ordinance until May, when the council will review the issue again.

UI freshman Ellen Gogerty, who received a violation for underage drinking this fall, said she thinks the fines are already high, adding that she hasn't been downtown much since her violation.

Regarding the increase in fines, she said, "I would probably still go out, though."

**10. Higher 'Sin Taxes' are Possible**

By Jonathan Roos – *Register Staff Writer*

December 20, 2004

**Many other states have already tapped alcohol, tobacco sales for extra revenue**

Iowa taxpayers, take note. In nearly half of the states, residents are paying more in taxes and fees this year for everything from a pack of cigarettes to a bottle of liquor.

There's even a new $2.50-a-year "flush tax" for sewer users in Maryland as part of an effort to clean up Chesapeake Bay.

Iowa is one of 11 states that reduced selected taxes this year, while 24 states increased taxes or fees. But that could change in 2005 if the Legislature chooses to debate an increase in the cigarette tax, currently 36 cents a pack, or considers other tax adjustments.

Gov. Tom Vilsack says he hasn't decided whether to recommend a tobacco tax increase. But he and some legislative leaders agree it's likely to be considered as an option for covering the escalating cost of Medicaid, the state-federal health care program for the poor, or supporting other health programs.

"I think it's going to be discussed, " Vilsack said in an interview last week. "Some of what's driving health care costs in this state are those who smoke."

Many states are yielding to the temptation of raising so-called "sin taxes," according to a new nationwide survey of the states' financial health.

"With broad-based tax increases largely politically impossible, most of the enacted fiscal 2005 increase is in cigarette and tobacco taxes - an area many states have turned to in recent years," say the authors of the latest annual Fiscal Survey of the States.

Oklahoma increased its cigarette tax by 80 cents a pack; Michigan and Rhode Island, by 75 cents; Alaska, by 60 cents; Nevada, by 45 cents; New Jersey, by 35 cents; and Alabama, by 26 cents.

A few states have also boosted taxes on alcoholic beverages. Nevada led the way with a 75 percent increase.

Iowa, unlike most states, has continued to reduce selected taxes rather than impose higher taxes while digging out of budget holes left by the 2001 recession.

Iowa continues to phase out the state sales tax on residential heating bills and an insurance premium tax. In September, the Legislature approved a one-time, $58 million business tax break, allowing businesses to more quickly write off the cost of machinery and equipment purchases.

Twenty-four of the 50 states - including Illinois and Minnesota - raised certain taxes or fees in fiscal 2005, producing a net revenue increase of $3.5 billion, according to a survey by the National Governors Association and National Association of State Budget Officers.

Tobacco tax increases accounted for $888 million in additional revenue, followed by $711 million from sales tax increases.

In a sign of improving fiscal health across the country, tax collections in fiscal 2004 exceeded revenue projections for the year in 35 of the 50 states.

"After several years during which collections failed to meet targets, seemingly no matter how low states set their sights, a measure of revenue stability has returned," the report says. However, "the margin of revenue security is narrow, even more so considering the spending pressures states are under. And states still face fundamental challenges regarding how they collect taxes and on what."

Vilsack, a Democrat, has proposed sales and income tax changes that he says would make Iowa's tax system more fair and economically competitive. He says the state would not collect more taxes under his proposals than it does under current laws.

Republican legislative leaders contend Vilsack's income tax proposals would leave some taxpayers with higher bills, which they say is unacceptable.

Last winter, Vilsack proposed increasing the state tax on cigarettes by 60 cents a pack to support an assortment of health care programs.

