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

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|  | e - NEWS |
| *February 25, 2005* | |

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**1. Opposition Mounts to Alcohol Inhalers**

By Lynn Campbell – *Register Ames Bureau*

February 21, 2005

**An Iowa legislator has drafted a bill that would prohibit the devices.**

An Iowa lawmaker is among those nationwide looking to ban a device that allows people to inhale alcohol instead of drinking it, even though it appears the product hasn't made its way into Iowa.

"I'm trying to assess whether it's a passing fad or something that has the potential to hit Iowa," said Rep. Rob Hogg , a Cedar Rapids Democrat and lawyer who has drafted but not yet introduced legislation to ban the device.

**SPECIAL TO THE REGISTER**

Under review: Legislation has been proposed in at least 13 states to ban alcohol-mist machines, such as those above. Rep. Rob Hogg of Cedar Rapids has drafted legislation to ban the device in Iowa.

Alcohol Without Liquid, or AWOL, mixes oxygen with alcohol to produce a mist that's inhaled with a hand-held vaporizer.

The product was introduced in the United Kingdom a year ago and in the United States last summer, and was slated to make its Iowa debut last fall. Promoters tout it as a low-calorie, low-carbohydrate way to consume alcohol without a hangover.

But opponents fear the effects of vaporized alcohol. They say it's 10 times more potent than drinking the same amount of alcohol and can cause a person to get drunk faster, creating greater potential for addiction and overdose.

"My instinct is that we ought to prohibit it until it's been shown not to cause these problems," Hogg said.

Legislation introduced this year in at least 13 states would make vaporized alcohol illegal. A bill called the "Alcohol Without Liquid Machine Safety Act of 2005" was also introduced earlier this month in Congress.

The device - billed as "the ultimate party toy" by promoter Spirit Partners Inc. of North Carolina - arrived at a Clive bar in mid-November.

Miss Kitty's Dance Hall & Cyber Saloon was set to become the first in Iowa to let people inhale alcohol instead of drinking it. But owner J. Michael McKoy said he shipped the machine back to the manufacturer before anyone could try it.

"I couldn't get comfortable with the machine," McKoy said. "There were too many ways people could hurt themselves and too much liability."

McKoy said he still likes the concept of vaporized alcohol and had received clearance from city officials to test the product, but added that the machine he received was a joke. "We didn't even run it," he said. "It was embarrassing."

Lynn Walding , administrator of the Iowa Alcoholic Beverages Division, said he is unaware of anyone else having the machine in Iowa. "AWOL, to my knowledge, has not made it into the state yet," he said. "No one's wasting their breath on this."

If legislation doesn't quash the product, market forces may. It was a flop in New York, where it made its debut last summer, and some Iowans said using a vaporizer for 20 minutes would simply take the fun and appeal out of drinking.

"It's probably not a real attractive thing to be snorting your beverage," said Clive City Manager Dennis Henderson. "It doesn't sound like a real Valentine's Day activity to me."

Jeff Wiese, 33, of Winterset said he read about Alcohol Without Liquid in the newspaper, but wouldn't be disappointed if he never got to try it. "Don't drink much," he said.



**2. Italy's Campari Buys Further 30% In Skyy For USD157M**

*Dow Jones Newswires*

February 25, 2005.

MILAN -- Italy's Davide Campari-Milano SpA (CPR.MI) said Friday that it has exercised options to buy a further stake of 30% in Skyy Spirits LLC, maker of the SKYY vodka brand, in a deal valued at $156.6 million.

The acquisition, paid for in cash, takes Campari's stake in Skyy to 89%.

Companies belonging to Maurice Kanbar, who founded the U.S.-based flavored vodka maker in 1992, sold the stake. Skyy managers own the residual 11% stake in the company, although Campari has an option to buy it after 2007.

Skyy has doubled its sales volume in the past five years.

Campari said the price paid reflected a 30% share of 10 times the pretax profit reported by Skyy Spirits last year.

Campari's shares closed Thursday down five cents at EUR49.95, giving the maker of its namesake aperitif a market capitalization of EUR1.45 billion. Campari is also the owner of Cinzano vermouth and the Sella & Mosca wine brand.



**3. Diageo Creates Reserve Brand Group**

February 24, 2005

**Will Lead Marketing and Commercialization of Luxury Brands**

STAMFORD, Conn., Feb. 24 /PRNewswire-FirstCall/ -- Diageo, the world's leading spirits, beer and wine company, announced the formation of a new team to lead the marketing and commercialization of its luxury brand portfolio. This new group will focus solely on developing and driving the marketing and commercialization around Diageo's luxury brands: Ciroc, No. TEN by Tanqueray, Don Julio, Bulleit Bourbon, the Johnnie Walker luxury marques, including Green, Gold and Blue Label, Godiva, The Classic Malts of Scotland and other innovations as they are launched.

Ivan Menezes, President and CEO of Diageo North America said, "We're creating this group in response to consumers' growing passion for super premium and luxury spirits." Continued Menezes, "The capabilities required to build luxury brands are fundamentally different from the rest of Diageo's premium portfolio and, as such, we're creating a dedicated team to focus on meeting and exceeding our customers' and consumers' expectations."

Katherine Nicholls will lead the group as Vice President of Marketing, Reserve Brands, and will report directly to Norma Drew, Senior Vice President of Marketing. Nicholls will work closely with Diageo's Vice President of Scotch, Chris Parsons, the Vice President of North America Whisky, Richard Nichols, and the Vice President of Gins, Jennifer Van Ness.

Ms. Nicholls has more than sixteen years of experience in the wines and spirits industry serving most recently as Director of Marketing, Key Markets, for Diageo. Her wealth of experience in luxury brand marketing and sales includes 9 years with Moet et Chandon and Dom Perignon in both Canada and the US, and made her the most desirable choice for the position. Said Ms. Nicholls, "Americans from all ethnic and socio-economic backgrounds are enjoying luxury goods at a rate unimaginable just ten years ago. This trend is alive in the fashion, automotive, electronics and spirits categories. I look forward to capitalizing on this trend with Diageo's unrivaled luxury portfolio."

Ms. Drew added: "The Reserve Brand Group will develop effective strategies that speak to our customers and consumers. This includes relationship marketing to luxury consumers, amplifying Diageo's high image event reach, developing relationships with leading luxury brands, and optimizing strategic alliances with media partners."

Reporting directly to Nicholls is Efren Puente, who has been appointed Director of Marketing, Reserve Brand Group. Mr. Puente brings more than ten years of outstanding industry and luxury brand experience to this new role having directed the No. TEN by Tanqueray and Ciroc brands for the last three years as Director of Marketing, Super Premium White Spirits.

Also reporting into Nicholls is Glen Philpott, who has been appointed Commercial Director, Reserve Brand Group. Mr. Philpott joined Diageo in 2004 from Schieffelin & Somerset where he served as Market Director for Northern California. Having also come from Moet Hennessy in Europe, Philpott brings more than nine years of experience in the marketing and sales of luxury spirits brands.

Larry Schwartz, President of U.S. Spirits, said "This team brings unmatched energy and passion for this new endeavor and I'm confident that their proven leadership will lead to tremendous success for the Reserve Brand Group." Continued Schwartz, "The Reserve brands represent an incredibly robust business for Diageo, with tremendous profit and volume opportunity for our customers, our distributors and our shareholders. Ivan and I expect outstanding results from this team as they strengthen and grow these world- class trademarks through industry leading and socially responsible marketing."



**4. Others May Merge But We'll Drink Alone, Says Diageo**

By Simon Bowers – *The Guardian*

February 18, 2005

Diageo chief executive Paul Walsh yesterday said the spirit and wine group would not take a lead role in the next wave of consolidation expected to sweep through the spirit and wine industry in the coming months.

"To view us as a driver of consolidation would be incorrect," he said. "We believe we have already carved out the best position in the market and it is perfectly understandable that others would [want to consolidate] ... We would be an observer."

His comments came after rival French group Pernod Ricard said it had appointed JP Morgan and Morgan Stanley to look at potential acquisition opportunities. This has sparked speculation that the sector could be transformed by a major corporate deal.

Among potential participants are American groups Brown Forman, Fortune Brands and Bacardi as well as European rivals Allied Domecq and Pernod. Most merger combinations would require some brands to be sold off to get past competition regulators.

Diageo, which makes Smirnoff vodka, Cuervo tequila and Guinness, recently completed the bolt-on acquisitions of Chalone wines in the US and Ursus vodka in Europe.

The world's biggest spirits group reported a decline in underlying pre-tax profit to £1.24bn for the last six months of 2004, reflecting the sale of about two-thirds of its 20% stake in US cereal maker General Mills.

Growth was particularly strong in North America, where Diageo's reorganisation of its distribution is now complete. Volumes rose 5%, with Captain Morgan rum up 12% and Cuervo tequila up 10%.

By contrast, the group's performance in Europe continues to be sluggish, with volumes declining 1%. In Britain, Ireland and elsewhere in Europe, Diageo has been cutting costs and putting up prices in response to slowing sales.

Sales of alcopops continued to be particularly disappointing in Europe. Mr Walsh blamed this on the waning fashion for nightclubs.

Finance director Nick Rose said: "We need to put investment behind the growth markets - North America, parts of Latin America, India and China - and not to chase the really difficult markets.

He said some of the money for investment would have to come from Europe, though he drew a distinction between mature west European territories and growth countries such as Poland and Russia.

Mr Rose said the group would continue with share buybacks. Some 48m shares were purchased for cancellation at a cost of £353m in the first half and the group expects to spend a similar amount in the current half.

Shares in Diageo closed down 5p at 740p.



5. Tavern Owner's Attorney Will Appeal Judge's DecisionBy Peter Rugg - *Muscatine Journal*

February 21, 2005

MUSCATINE, Iowa -- The attorney representing Herky's Tap owner Teresa Blanchard said Wednesday he will appeal an administrative law judge's decision not to allow renewal of Herky's liquor license.

Attorney John Wunder's decision came less than a week after the Ankeny judge's decision on Feb. 10 upheld a Muscatine City Council decision in November.

Wunder declined to comment further.

The license was denied after Blanchard was charged with miscellaneous prohibition, bootlegging (allowing the sale of alcohol outside permitted grounds) and allowing public indecent exposure. The charges stem from an August 2004 celebration at the tavern.

Wunder has 30 days from the Feb. 10 decision to appeal to Lynn Walding, administrator of the Iowa Alcoholic Beverages Division. If the appeal is denied, another appeal can be made to district court for a judicial review.

Herky's remains open for business during the appeal process.



**6. US: Jim Beam Donates Funds to NASCAR Campaign**

Source: *just-drinks.com editorial team*

February 21, 2005

Jim Beam Bourbon has donated US $100,000 to 2005 NASCAR Nextel Cup team Robby Gordon Motorsports (RGM). The funds will be used to promote responsible drinking.

Throughout the 2005 NASCAR season, RGM will make donations from this fund to local universities in various race markets for the purpose of alcohol education. The US $100,000 total will help to fund Alcohol 101 Plus educational programming produced by The Century Council, a not-for-profit organization dedicated to eliminating underage drinking.

Gordon presented the first donation of US $10,000 to the University of Central Florida at the Daytona International Speedway on Friday (18 February).

Throughout 2005, Robby Gordon Motorsports will present one local university in various sNASCAR markets this season each with a US $10,000 check on behalf of his organization and Jim Beam. The donations will help fund each school’s implementation of The Century Council’s Alcohol 101 Plus education program and alcohol education activities.



**7. American-Made Tequila Takes Shot at Market**

By Daisy Nguyen - *Associated Press*

February 23, 2005

TEMECULA, Calif. - J.B. Wagoner planted blue agave around his 25-acre property as an inexpensive landscaping alternative to water-loving citrus or avocado groves.

But now he's found another use for the plants.

After years of research and experimentation, Wagoner plans to use the 1,000 agaves to produce tequila in hopes of cashing in on the distilled spirit's growing popularity.

"I figure in the worst case, I'll have a nice landscape," said Wagoner. "In the best case, I'll create a new market for American-made tequila."

Tequila consumption increased 5.8 percent in 2004, with Americans downing 8.5 million cases or about $1 billion worth, according to the Distilled Spirits Council of the United States.

Despite the demand, there is an obstacle to Wagoner's plan. Tequila is as sacred to Mexico as champagne is to France, and international trade laws forbid use of the name tequila unless it's made from blue agave in the Mexican state of Jalisco.

Wagoner, who claims to be the first maker of blue agave liquor in the United States, came up with a solution. He labels his liquor "Temequila," after the city of Temecula, 85 miles southeast of Los Angeles, where it's produced.

**Wagoner also put an American flag design on the 750-milliliter bottles, scheduled to hit the market in April.** The $58 price tag is aimed at sophisticated consumers who are driving the luxury spirits industry.

"We've already gotten a surprising level of demand for the product from people looking for something new and different," he said.

Shawn Kelly, spokeswoman for the distilled spirits council, said demand for high-end liquor is being driven by a stronger economy, a re-emerging "cocktail culture" and new laws in several states allowing liquor stores to stay open longer.

Although tequila sales in the United States ranked ninth in 2004 behind vodka, rum, gin, whiskey and other liquors, high-end tequila brands saw big growth at 15.4 percent.

"People are drinking less beer and more vodka, whisky and rum," said Tom Pirko, president of Bevmark, a beverage consulting firm in Santa Barbara. "It's a great time to be in the spirits business."

Wagoner said he spent six years learning to grow and process blue agave, which involves fermenting its sweet nectar into wine, then distilling it into liquor.

Pirko warned that Wagoner will face challenges in trying to gain a share of the market.

"Authenticity is a real issue," he said. "Tequila is made in Mexico, by people who have made it for many years."

Wagoner seemed unconcerned.

"There are some 50 different kinds of tequilas from Mexico," he said, "but there's only one that's 100 percent agave tequila, made in the USA."



**8. Brown-Forman Puts Lenox up for Sale**

By David Goetz - *The Courier-Journal*

February 23, 2005

**Liquor sales are growing faster than consumer goods**

 Brown-Forman Corp. is trying to sell its Lenox subsidiary so it can concentrate on its faster-growing liquor business.

The company is actively seeking a buyer, Brown-Forman spokesman Phil Lynch said, but is also holding out alternatives such as a spinoff, joint venture or other arrangement for the consumer-products company it bought in 1983.

Lenox makes and sells fine china, crystal, collectibles and giftware. It includes the Dansk brand of tableware and giftware; Gorham silver, crystal and china; Kirk Stieff silver and pewter products; and the English collectibles company Brooks & Bentley.

Its major facilities are in New Jersey, Pennsylvania, North Carolina and Maryland. A sale would have little or no effect on the company's Louisville work force, Lynch said. Lenox is the major part of Brown-Forman's consumer-durables business, a group of brands it began assembling two decades ago as a hedge against lagging alcohol sales. Lenox does not include Brown-Forman's Hartmann luggage business. Consumer durables reported $557 million in sales in fiscal 2004 and represented about 4 percent of the company's operating income.

A consumer trend back to whiskey and gains in foreign markets have made Brown-Forman's top liquor brands -- including Jack Daniel's, Southern Comfort and Finlandia vodka -- more reliable moneymakers.

"There's tremendous potential for continued results there, and this will allow us to really, really focus on the beverage business," said Paul Varga, president and chief executive of Brown-Forman Beverages.

Wholesale volume sales of Jack Daniel's were up 8 percent in the United States and 14 percent in foreign markets in the first three quarters of the current fiscal year, Varga told investors and analysts yesterday. The calendar year 2004 "was one of the best years in memory for Jack Daniel's," Varga said.

Global volumes in the first three fiscal quarters are up 6 percent for Southern Comfort, Varga said, and 7 percent for Finlandia, including a 4 percent rise domestically.

Those results led Brown-Forman yesterday to project full-year earnings per share of up to $2.45 after special gains and charges, slightly ahead of the forecast of analysts surveyed by Thomson First Call. Brown-Forman said yesterday its profit climbed 19 percent in the latest quarter. For the quarter ended Jan. 31, the company reported net income of $96.1 million, or 78 cents a share. A year earlier the company earned $80.5 million, or 66 cents a share. Sales rose 9 percent to $758.3 million.

Consumer durables once accounted for nearly a third of Brown-Forman's sales and a fifth of its operating income. Changing tastes, economic uncertainty and department-store consolidation have chipped away at sales.

Brown-Forman spent $17 million on cost-cutting at Lenox in 2002, closing several plants and squeezing expenses. It commissioned patterns from popular designers and expanded its retail outlets.

In January 2004, James Hanauer, Brown-Forman's former head of spirits production, took over as chief of Lenox. He made organizational changes and moved to create a single line of popular items.

With those strategies in place, "now is the ideal time to explore alternatives so Lenox can thrive and grow and attract investment in its own right," said Phoebe Wood, Brown-Forman's chief financial officer.

Stock analyst and Brown-Forman investor Thomas Russo said he was "delighted" that Brown-Forman would be able to concentrate all its energies on growing its spirits brands.

Generating strong cash flow, investing it to grow its liquor brands and returning the rest to investors in dividends and stock buybacks had been a winning formula for Brown-Forman, said Russo, a partner in Gardner Russo & Gardner, which holds shares in Brown-Forman.

Brown-Forman shares fell 7 cents yesterday to close at $49.13 per share in a down day for the stock market.



**9. Spring Break is Potentially Life Threatening**

*About.com*

February 19, 2005

**Parents Concerned About Drinking, Unprotected Sex**

Spring break is no longer an innocent respite from the rigors of college academics, it’s potentially life threatening, according to the American Medical Association, which published a survey that shows 91 percent of parents say it’s time to stop spring break marketing and promotional practices that promote dangerous drinking.

“The tourism and alcohol industries promote heavy drinking and sex, creating an environment that can lead to rape, fatal injuries and death by alcohol poisoning. We agree with parents that we must put an end to these promotions that target students, most of whom are underage.” Said J. Edward Hill, MD, AMA chair-elect in a news release.

The “Matter of Degree” poll indicated that a majority of parents (56 percent) were completely unaware that tour companies market spring break destinations directly to college students, emphasizing heavy drinking and sex.

In addition to U.S. spring break destinations, American tour companies, in partnership with alcohol producers, promote destinations outside the country where the drinking age is 18 – a key attraction.

Of the 500 parents surveyed, 91 percent say it’s time to stop spring break marketing and promotional practices that promote dangerous drinking.

Other findings of the poll include:

■ More than 80 percent of parents said they were concerned about college students drinking alcohol during spring break. Topping the list of concerns were students having unprotected sex (71 percent), students driving while intoxicated or with a drunken driver (70 percent), and female students getting raped (68 percent).

■ Eighty-eight percent of parents said they think that spring break is primarily a problem of underage drinking, because many college students are younger than the legal drinking age of 21, and 61 percent believe that underage students are more likely to drink than 21-year-olds.

■ 77 percent of adults and 68 percent of parents say that alcohol companies are using spring break in Mexico to introduce underage students to their products.

■ The beer and liquor industries say that they are not promoting underage drinking by encouraging alcohol use at spring break locations in Mexico, but 64 percent of parents agree that this practice takes advantage of American youth under 21 and influences them to drink.

■ 70 percent of parents say they are unwilling to pay for their child’s spring break.

“Parents and students need to recognize that there is a dark side to the spring break madness they see on MTV,” said Frank Guglielmi, whose 19-year-old son died after falling off a balcony following a day of partying in Panama City Beach, FL.

