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| *March 4, 2005* |

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**1. Another Marketing Barrier Falls**

By Stuart Elliott

March 1, 2005

Liquor ads, like the Grey Goose vodka commercial that CNN broadcast last night, must include a message that promotes drinking responsibly.

CNN is to become the first national cable television news network to accept commercials for distilled spirits, by running a spot for Grey Goose vodka.

The spot was to have run last night during "News Night With Aaron Brown," but did not appear.

The policy change also affects a CNN sibling, CNN Headline News, although that network has no liquor marketers scheduled to run commercials yet.

In rewriting its policy on liquor advertising for the first time since it began operating in 1980, CNN joins a growing list of national cable channels that run such spots. The rest, focused on entertainment, financial and sports programming, include BET, Bloomberg, Bravo, E, FX, Fox Sports, Golf Channel, Spike TV, Sci-Fi Channel, Style, USA and VH1.

CNN and Headline News are also joining those cable networks in imposing rules for liquor commercials that are stricter than those for many other advertising categories. For instance, the spots will run only after 9 p.m. and must include a message that promotes drinking responsibly.

The policy shift at CNN and Headline News, owned by Time Warner, is emblematic of how much in flux are the traditional standards that media companies use to judge advertising acceptability, particularly as competition proliferates in the form of additional cable and digital-cable channels.

Although the big national broadcast networks - ABC, CBS, Fox and NBC - hew to their decades-old policies of refusing to run liquor commercials, the spots are being embraced by more than two dozen national cable networks, hundreds of local cable systems and more than 600 local broadcast stations, all of them eager for new sources of revenue.

"This is something that we've been discussing for quite some time," Sal Petruzzi, a spokesman for CNN in New York, said yesterday, adding that the network "thought now would an appropriate time to move in that direction."

Critics like the American Medical Association and the Center for Science in the Public Interest have long complained that opening the powerful medium of television to liquor marketers will more easily expose the pitches to children and teenagers and further glamorize drinking among impressionable younger viewers.

Mr. Petruzzi said that the audience for cable news is concentrated "in the 25-to-54-year-old age range," and that the internal restrictions CNN and Headline News are imposing will help ensure viewers see nothing they would consider untoward.

As for CNN's becoming the first news programmer to run liquor commercials, Mr. Petruzzi said the move came only after "a number of other cable networks" accepted the spots. "We look at the entire television marketplace as our competition," rather than just the news networks, he said.

At Fox News Channel, part of the News Corporation, "it was a News Corp. policy not to take distilled spirit ads when we launched," a spokeswoman in New York, Irena Briganti, said yesterday, "and we don't see a reason to revisit it now."

CNBC and MSNBC, part of NBC Universal, do not accept liquor commercials and have no plans to change their policies.

The fight for ad revenue and ratings among the cable networks has become increasingly heated, especially as Fox News Channel has pulled ahead of CNN in ratings and CNN trumpets what it calls its superiority in reaching more affluent, better-educated viewers.

The Grey Goose commercial is one of four created by DeVito/Verdi in New York that have been appearing for several months on cable networks like E, Golf Channel and VH1; local cable sports networks; and local cable systems. The spot, 15 seconds long, depicts a bartender making wry comments about Grey Goose, which was introduced in 1997 by the Sidney Frank Importing Company and was acquired last June by the spirits giant Bacardi for an estimated $2.3 billion.

The Grey Goose commercial is part of a scheduled eight-week, 60-spot buy being made on CNN by the brand's media agency, KSL Media in New York, which declined to discuss the budget.

**2. French Whine - Vintners Lament Falling Sales as American Tastes Turn Toward 'New World' Wines**

By Sarah Nassauer and Christopher Lawton – *The Wall Street Journal*

March 2, 2005; Page B1

After 20 years of doing brisk business selling their Cote du Rhone wines in the U.S., Jean-Claude and Beatrice Bouche are suddenly reeling: their American sales have crashed 30% since 2001.

In an attempt to reverse the decline, the Bouches, who own a 124-acre vineyard in Camaret, in the south of France, called Domaine du Vieux Chene, have done everything from lowering their prices to traveling to several U.S. cities to promote their wines -- with little effect. Left with few options, the couple has planted olive trees alongside its vines to diversify its revenues. "The wine used to sell itself," sighs Mrs. Bouche.

French wine sales in the U.S. are plunging overall, driving the French wine industry into a deep crisis. Exports of French wine to the U.S., excluding champagne, dropped 17% by volume in 2003 and a further 4.1% in 2004, according to the French Federation of Wine and Spirits Exporters.

***French winemakers Jean-Claude and Beatrice Bouche at their vineyard, Domaine du Vieux Chene.***

The dollar's weakness against the euro has hurt not only French wine sales but also all kinds of European imports to the U.S., from silk scarves to truffle oil. Political boycotts sparked by France's stance against the Iraq war have certainly played a role, but a more fundamental shift is at work. The average U.S. consumer just isn't drawn to French wine anymore. France's complicated labeling system, which obscures what casual drinkers want to know most about a wine -- its grape variety -- is one reason.

Another is taste. Melissa Wright, wine director at Bello Vino Grocery, an upscale wine merchant in Ann Arbor, Mich., says that even her relatively "educated" customers find French wine to have "a bizarre taste" after growing "accustomed to these big production wineries" in California, Australia, New Zealand and Chile that offer fruitier flavors.

To the dismay of French vintners, these "New World" wines are showing robust growth in the U.S., helped by their simple labels, modern production techniques and savvy marketing of their corporate owners. Australian wines, in particular, now outsell French wines in the U.S.

New World wines "offer both a taste profile and quality-value trade-off that is superior to some of the Old World countries," says Richard Sands, chief executive of Fairport, N.Y.-based Constellation Brands Inc. Constellation, the world's biggest wine company, has invested heavily in New World wines: it bought Australia's BRL Hardy Ltd. for $1.4 billion in 2003 and Napa Valley's Robert Mondavi Corp. for $1.36 billion last year.

In the meantime, America's consumption of wine keeps rising. Although still behind France and Italy, the U.S. is expected to become the world's biggest wine consumer in terms of both volume and value by 2008, according to Bordeaux-based wine fair organizer Vinexpo. That makes the U.S. market of increasingly vital importance to the French wine industry.

Ironically, French consumption of the national drink is declining, largely due to healthier lifestyles and the growing popularity of other drinks. From 1970 to 1999, France's wine consumption fell 34%. From 1999 to 2008, it is expected to drop a further 16%, according to Vinexpo. The result has been rampant overproduction and a growing number of vintner bankruptcies.

Late last year, thousands of vintners took to the streets to vent their frustration, prompting the government to announce a €70 million ($91 million) aid package for the industry. As part of the rescue plan, the agriculture ministry said it would allow the destruction of vines to reduce production, which, in turn, could boost prices, and the distillation of excess wine into industrial alcohol.

French winemakers Jean-Claude and Beatrice Bouche at their vineyard, Domaine du Vieux Chene.

One small group of high-end estates has managed to buck the crisis, thanks in part to Robert Parker, the hugely influential American wine critic. Mr. Parker grades wines like school tests, from 50 to 100, and provides descriptive text. The numeric ratings became immensely popular with Americans and now are used by many wine critics. Some French vineyards have thrived thanks to his reviews, but detractors say his preference for fruity, wood-flavored wines has an homogenizing effect on the industry and leaves most of France's winemakers out in the cold and off U.S. store shelves.

Twenty minutes down the road from the Bouches at Domaine de Beaurenard in the prestigious Châteauneuf du Pape wine region, Frédéric Coulon is one of the beneficiaries of the Parker system. Flipping through his vineyard's press clippings, he stops at the page with Mr. Parker's rankings and reviews. "He likes Châteauneuf du Pape. That's good for us," Mr. Coulon says, noting that Mr. Parker comes to the region nearly every year for tastings. Mr. Coulon says "2005 looks good" for his estate.

Failure to make Mr. Parker's short list might be overcome with good marketing, but that's the French wine industry's other Achilles' heel. Production in France remains fragmented among thousands of small family-owned vineyards that are no match for giant corporations like Constellation. Marketing is also hindered by France's system of appellations d'origines controlées, or controlled names of origin, which mandates that a wine's label emphasize the region and subregion from which it originates, rather than its grape variety.

An American company, E.&J. Gallo Winery has found its way around that by teaming up with a local cooperative in the sunny Languedoc Roussillon region. The Languedoc is one of the few places where the AOC system mostly doesn't apply because it was deemed low-quality wine-growing land when the AOC lines were drawn in 1935. Gallo branded its new French wine with the catchy name "Red Bicyclette" and adorned its yellow label with a Frenchman on a bicycle. Introduced in the U.S. last year for $10 to $12 a bottle, it was a runaway hit: Gallo shipped over 120,000 cases in the first five months of 2004. The Bouches' wine, by comparison, costs about $15.

Unable to match the marketing prowess of companies like Gallo, the Bouches have tried more-modest tactics. In early 2003, they lowered their prices by 10% for the U.S. market. Mr. Bouche made trips to Atlanta, Ann Arbor and Detroit -- his first-ever trips to the U.S. -- to promote his wine to importers and store owners.

But the Bouches' U.S. sales continue to decline. Of the couple's six U.S. import partners, only one has placed an order in the past 12 months. "Illinois, that's all," says a frustrated Mr. Bouche, gazing out at his sunbathed vines from their stone house's kitchen window.

The Bouches aren't convinced that their wine business will turn around anytime soon. In addition to producing olive oil, they're also thinking of investing in one of the Grands Crus vineyards, which are the highest-ranked in a complicated, 150-year-old classification of French wines created by Napoleon III. Often graded highly by Mr. Parker, the prestigious Grands Crus continue to sell well all over the world, especially in the U.S. But they represent only a sliver of French wine country.

The investment wouldn't be "for us -- we'll be retired -- but for Bruno," says Mrs. Bouche, gesturing to her 17-year-old son, who hopes to continue the family business. Mr. Bouche nods in agreement and adds: "We can work harder on marketing and selling, but Grands Crus are the future."

**3. "Malternatives” Appeal to Girls Too Young to Drink**

By Margaret F. Bonafide, Staff Writer, *Asbury Park Press*

February 27, 2005

They may look and taste like beverages that you might see on the table at dinnertime: lemonade, iced tea, soda. But the devil is in the details — in this case, an alcohol content level that often is stronger than beer.

They are called "AlcoPops," but probably are better known by the names on some of the labels: Bacardi Silver Black Cherry, Smirnoff Ice, Zima, Hooper's Hooch, Rick's Spiked Lemonade, Mike's Hard Lemonade and Doc Otis' Hard Lemon Flavored Malt Beverage. They can contain 5 percent to 7 percent alcohol. Because of their sweet flavor, they often appeal to girls who do not like the taste of beer.

To groups such as the American Medical Association, that is bad news. But it is not just the AMA saying that teen drinking is a problem.

"There are not a lot of kids who drink a whole lot, but there are a lot of kids who drink," said Adria Chamas, 16, of Bradley Beach, who attends Red Bank Regional High School. "I know of a few kids who drink a lot."

There seems to be no doubt that AlcoPops appeal to girls. The debate is over the reason why. Two nationwide studies conducted by the AMA say it is advertising that sways teen girls to drink the sweet-flavored malt beverages. Studies by the Federal Trade Commission disagree.

"The percentage of girls who drink is on the rise faster than boys, and the average age of their first drink is now 13," said J. Edward Hill, president-elect of the AMA, in a December news release announcing the study's findings. "These troubling trends make the aggressive marketing of so-called AlcoPops even more dangerous."

The ads are seen during TV shows popular with teens, in magazines and on billboards. But the FTC said those ads are not responsible for teen drinking.

"The commission's investigation found no evidence of targeting underage consumers in the marketing of (flavored malt beverages)," wrote the FTC in the conclusions and recommendations of its study.

**"Easy to drink, tasty"**

Many agree that underage drinking by girls is on the rise, and flavored malt beverages are the drink of choice for these beginning drinkers.

AlcoPops or "malternatives," as they are sometimes known, average 5 percent to 7 percent alcohol, almost double the alcohol of wine coolers. By comparison, table wines average 8 percent to 13 percent alcohol. Beers average 3 percent to 6 percent alcohol.

"The malternatives definitely have a little more of a kick to them, and they even make them now in low carb and low calorie," said David Korba, a manager at Forbes Liquors in Brick. "Zima has a line that is orange and black cherry flavored. Since they came back with flavors, we sell a ton of them."

Jena Forman, 21, of Jackson, said her "drinking days" are behind her. More girls prefer sweet drinks rather than beer — but advertising is not the reason, she said.

Guys prefer beer because "everyone always says the Smirnoff Ice and other stuff like that are "girlie drinks,' " Forman said. They are "something similar to beer. But, it is easy to drink and fairly tasty," she said.

It is also a beverage most people she knows, including herself, tend to outgrow, Forman said. Now, on rare occasions when she goes to a club or bar, she will order a Malibu Rum and pineapple, or a Malibu Bay Breeze.

"I don't drink much, but when we were younger we would drink," Forman said of her girlfriends' past gatherings. Drinking when you are young leads to trouble, she said.

"Especially for girls," she said.

The term AlcoPops originated in Britain, where the beverages first started getting negative press as being responsible for a rise in underage drinking, according to the Web site [www.worldwidewords.org](http://www.worldwidewords.org). The term is a blend of alcohol with pop in the old sense of a sweetish, effervescent fruit drink, the Web site says.

Eric Shepard, executive editor of Beer Marketer's INSIGHTS, an industry newsletter based in Nanuet, N.Y., said he has not seen a trend indicating that underage drinking is a marketing issue.

Shepard said that, twice, the industry's marketing was scrutinized by the Federal Trade Commission, which did not fault advertising for underage drinking. Despite increased advertising, sales declined in 2003, Shepard said.

Malternatives made a 2.5 percent share of total volume of beer and malternative products sold, Shepard said.

"I don't think it behooves (alcohol producers) to have anybody abuse these products and/or have underaged people drink these," he said.

**Pressure on girls**

There are different standards for girls than boys when it comes to drinking, said Kevin Flynn, student assistance counselor at Freehold Borough High School in Freehold.

If a boy gets "fall-down drunk," he can clean up and move on, and it won't follow him forever, Flynn said. But if a girl does the same, "she is marked."

Life in general can be harder for girls, especially those of high school age, said Kim Perks, 28, who lives in Toms River and is a high school teacher in the Toms River Regional district. Her husband, Dennis Perks, 37, is a high school teacher in Jackson.

"For girls, it is tough," Kim Perks said. "There is so much pressure being in high school. There is pressure on all ends: their weight, their hair, the brand of their clothes."

Kathleen Stonaker is the Ocean County Alcoholism and Drug Abuse Services coordinator. The department oversees the Intoxicated Driver Resource Center and the county's prevention and treatment efforts.

"The decisions girls make about the places they go, while under the influence, are different," Stonaker said. "Even if they are a little drunk.

"Ultimately, we are talking about death here," Stonaker said. "It is not on their minds. Especially when they are using."

"The danger is in the decision-making when they are under the influence," Dennis Perks said. A teen who has been drinking may think it is OK to chance getting in a car with an intoxicated driver rather than risk calling home and dealing with those consequences.

**Permissive parents**

The lure of alcohol is strong among underage drinkers. The alcohol industry spends millions of dollars on campaigns fighting underage drinking.

The Century Council in Washington, "funded by America's leading distillers," leads campaigns to fight underage drinking. It carried out a study that shows that 65 percent of kids who drink get the alcohol from family and friends.

Parents are often seen as part of the problem. There is lack of enforcement and a relaxed attitude toward alcohol from many of the parents, Stonaker said.

"They make excuses for their kids," she said. "If I had a 16-year-old who was busted for drunk driving, I would be very concerned. But some of them don't look at it seriously."

In the intoxicated driver program, there is an increase in young offenders both male and female, Stonaker said.

"Many of the offenders are falling below 21," Stonaker said.

Georgeann Chamas, 45, of Bradley Beach, who is Adria's mother, said she has spoken with her daughter about drugs and alcohol. Parents who wait to address or enforce the issue have problems, she said.

"I don't go back on my word. Not from Day 1," Chamas said. "You can't start enforcing at age 16."

**Heightened crime risk**

Drinking among youths works as a "gateway to other things," Flynn said.

Warnings to youths about alcohol use are often mistrusted by kids because, generally, they don't see immediate repercussions, Flynn said.

Law enforcement sees its share of intoxicated kids, and the number of girls under the influence is on the rise, said Point Pleasant Beach Police Chief Daniel DePolo, who also is president of the Ocean County Police Chiefs Association. Females are much more likely to become a victim of another crime while intoxicated, DePolo said.

"When her senses are diminished, it increases the chances of an assault, sexual assault, molestation, groping or whatever you want to call it," he said.

**4. Study: Lenient Laws Produce Binge Drinking**

By Samantha Hart *- The Daily Iowan*

[March 2, 2005](http://www.dailyiowan.com/main.cfm/include/displayIssueArticles/issue_date/20050302.html)

IOWA CITY, IA -- Iowa City drinkers can now blame the state's lenient drinking laws for their habits as they wobble down the Pedestrian Mall's brick path toward home - or the nearest food vendor - after a hearty night of imbibing.

A study published in the March 2005 issue of the American Journal of Public Health found a connection between a state's alcohol statutes and its citizens' rate of binge drinking. The study's authors defined binge drinking as five or more drinks in a row for men and four in a row for women during a two-week period.

Keg-registration laws, stricter blood-alcohol limits for driving, and restrictions on happy hours, open containers, and beer sold in pitchers protect college students from binge drinking, the study found.

"Our alcohol laws are really liberal," said Connie Champion, an Iowa City city councilor. "I think [alcohol] is much more available the way the Iowa City campus is geographically set up."

The state has no keg-registration law, although a bill has been introduced in the Iowa House. Iowa follows the national standard of a 0.08 blood-alcohol level for operating while intoxicated, but it has no restrictions on happy hours or beer sold in pitchers, said Lynn Walding, the executive director of the Iowa Alcoholic Beverages Division.

But even with stricter laws, many said binge drinking would remain in vogue, at least for some alcohol enthusiasts.

"Drink hard, drink fast, drink heavy," said Mike Porter, the owner of the Summit, 10 S. Clinton St., and One-Eyed Jakes, 18-20 S. Clinton St., describing the drinking habits of UI students.

"Strictly enforcing laws hasn't stopped students from drinking, it has changed the way they drink," he said. "For example, an underage person will tend to drink more shots so the cop around the corner won't arrest them."

Jim Clayton, the co-coordinator of Stepping Up, said the results of the study are not surprising.

"We know we are in part of the country predisposed to abuse alcohol," he said. "We may not be No. 1 on other things, but we are No. 1 with drinking."

**5. Proposal Would Allow People Under 21 in Bars**

By Lynn Campbell – *Register Ames Bureau*

March 2, 2005

#### A report says underage ISU students need alternative social venues.

Ames, IA -- Nineteen- and 20-year-olds would be allowed into some nightclubs under one of several proposals by Iowa State University students who want to prevent future riots like the one that occurred last year as Veishea ended.

"Our plan represents what students feel is fair and what will be effective," said Kalvin Grabau-Keele , president of the Campustown Student Association. The proposal does not recommend that underage students be allowed to consume alcohol.

The student report, which will be presented tonight to the ISU student senate, was created by those unhappy with recommendations made so far. In the report, students say the Veishea riot is "an embarrassment" to ISU students, the university and Ames.

Veishea is ISU's annual spring student celebration.

"While constituting just a fraction of the student population, many students were involved, and the student body as a whole must take responsibility for these actions," said the Campustown Student Association.

But students argue that city and university policies also contributed to the riot. They said without alternative social venues for underage students, there will be more large off-campus parties like the one that led to the riot.

About 10,000 ISU students are underage, they said. That's about 40 percent of the student body and 20 percent of Ames' population.

"It is unclear where the city of Ames believes these students should socialize instead," the plan said.

The proposal is similar to what occurs in Iowa City, home of the University of Iowa. There, 19- and 20-year-olds can enter bars, although they cannot drink alcoholic beverages. Iowa City leaders last fall considered a proposal banning minors from bars and nightclubs but eventually decided against it.

Other recommendations by the Campustown Student Association include:

• Change the city's nuisance party law to increase fines for extremely large parties.

• Cut fines in half for small parties.

• Use nonconfrontational law enforcement tactics.

• Add enhanced riot penalties to student disciplinary regulations.

• Build a pedestrian mall on Welch Avenue, and build connections between student and resident organizations in Campustown.

• Form personal connections between the Ames City Council and the ISU student government.

• Excuse ISU students from Friday classes to increase Veishea involvement.

• Have a Veishea party on ISU's central campus that would serve alcohol to those 21 and older. The party would begin at midnight on the Friday and Saturday of Veishea and include a big musical act one night, and a dance party the other.

Ames Mayor Ted Tedesco, who hadn't seen the report Tuesday, welcomed the recommendations. A public meeting about the future of Veishea will be held at 7 p.m. Monday at the Memorial Union.

**6. Students Rally for Keg Labeling Bill**

By *The Associated Press – Iowa City Press Citizen*

March 2, 2005

DES MOINES, IA -- Two dozen students from Keokuk County rallied at the Statehouse on Tuesday in support of a bill requiring labels on all beer kegs sold.

The bill also would require anyone who buys a keg to provide their name, address and driver's license or other identification.

"Because there are no identification labels on kegs in Iowa, the adult who purchases the keg for minors is often not held responsible for doing so," said Tim Carr, 15, of Lamoni.

"If we as a state are truly committed to ensuring a bright future for our youth, then we will work tirelessly to curb the consumption of alcohol."

Keokuk County was the first county in the state to pass a local ordinance requiring the registration of kegs, said Susan Conroy, member of the Keokuk County Community Health Action Partnership.

Without a statewide law, keg buyers can simply travel to the next county to buy, she said.

Story County Attorney Stephen Holmes encouraged the students to continue their fight for the bill.

"When you purchase a keg and take it home with you, you essentially become a bar, and I think the purchaser of that keg should be responsible just as the bar owner, and they should stick by it and make sure that no juveniles get their hands on alcohol," he said.

Story County has passed a local ordinance through two readings and has scheduled a public hearing on the Iowa State University campus before the third and final reading is held, Holmes said.

He said he has experienced the devastation caused by underage drinking when teenagers die in auto accidents.

"I have to look into the eyes of the parents and loved ones who have lost someone and that's a tough thing to do," he said.

House Majority Leader Chuck Gipp, R-Decorah, said the bill has not been passed out of a House subcommittee and he doesn't expect that to happen this year.

"I applaud young people for getting involved in this issue, but will it accomplish what they want?" Gipp said.

"It's already illegal to provide beer for minors. It's already illegal for people to purchase beer if they're not of legal age. It's already in the law."

**7. Madison School Nurse Files Suit Against Brewers, Distillers**

*Associated Press*

February 26, 2005

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| http://www.duluthsuperior.com/images/common/spacer.gifMADISON, WI **-** A Madison school nurse is suing national brewers and distillers, claiming they have engaged in a "long-running, sophisticated and deceptive scheme" to sell alcohol to underage drinkers and reap billions a year in unlawful revenue.The lawsuit is one of several filed nationally against the alcohol industry and its advertising agencies. It seeks class action status and asks for what could amount to billions of dollars in refunds, along with punitive damages and other costs.Jacquelyn Tomberlin's lawsuit joins similar actions pending in Ohio, North Carolina, Colorado and Washington, D.C., which claim that alcohol makers have reaped billions in "ill-gotten gains" by aggressively marketing their products to young people on television and in magazines.Another similar class action lawsuit was dismissed earlier this month in Los Angeles but has been appealed.Miller Brewing spokesman Mike Hennick said the Wisconsin lawsuit fails to discuss how underage drinkers are getting alcohol or the role of parents in preventing underage drinking. He defended Miller's advertising as appropriate. Miller is among the companies named in the suit."We advertise and we market to adults," he said. Hennick also cited a 2003 study by the Federal Trade Commission that found that beer advertising was correctly aimed at adults and that the industry's self-policing was working.Tomberlin's Madison-based attorney, Susan LaCava, referred calls to David Boies III, a Virginia lawyer whose firm has been involved in some of the other alcohol-related lawsuits. His office was closed Saturday.Tomberlin's suit was filed Thursday in Dane County Circuit Court and lists more than 100 defendants, including Milwaukee-based Miller and its subsidiary, the Jacob Leinenkugel Brewing Co., as well as mega-brewers Anheuser-Busch and Coors and imports Heineken and Guinness.Among the spirit-makers in the lawsuit were Bacardi, Jim Beam and Hiram Walker.The Dane County lawsuit cites the growth of so-called "alcopops," sweeter, fruitier beverages that mask the taste of alcohol, as especially popular among underage girls and women.A similar strategy was used by lawyers in lawsuits against tobacco companies, which led to a $246 billion settlement in 1998, said Gerald Thain, a University of Wisconsin-Madison law professor who specializes in consumer law."They believe that they can get people interested in their brand at a young age, and they can get people to continue to do that," Thain said.But unlike the tobacco lawsuits, he said the underage drinking claim is a hard case to make. And the U.S. Supreme Court has, in the past, supported commercial speech as entitled to free speech protection.The lawsuit alleges that up to 20 percent of all alcoholic beverages sold in the U.S. are consumed by underage drinkers, "resulting in billions of dollars per year in illegal profits for the defendants."The lawsuit cites the Wisconsin Youth Risk Behavior Survey, which found that nearly half of the state's high school students say they drink alcohol.The liquor industry, the lawsuit states, engages in "active, deliberate and concerted efforts" to reach young drinkers by advertising in youth-oriented media, using advertising that appeals to young people and designing Web sites for their products that appeal to underage drinkers. |

**8. NBWA Urges Congress "Not to Put the Cart Before the Horse" on New Legislation**

**February 28, 2005**

ALEXANDRIA, VA – National Beer Wholesalers Association (NBWA) President David Rehr recently wrote to members of the U.S. House of Representatives requesting that they refrain from cosponsoring duplicative and premature legislation introduced as a response to the controversial 2003 National Academy of Sciences (NAS) study.

In a letter addressed to all representatives Rehr wrote:

"H.R. 864 has been introduced as a legislative response to the controversial 2003 National Academy of Sciences (NAS) study that was originally intended as a review of existing underage drinking programs.

At this time, we respectfully request that you refrain from cosponsoring this initiative. While we share a strong commitment to reducing and preventing illegal underage purchase and consumption, H.R. 864 as a means of addressing this mutual goal is redundant and premature.

The creation of an interagency committee and the funding of an Ad Council media campaign, the two core provisions of the bill, have already been implemented by Congress in PL 108-199 (conference report 108-401).

As instructed in PL 108-199 the Secretary of the Department of Health and Human Services (HHS) established an interagency coordinating committee on the prevention of underage drinking (ICCPUD) within the Substance Abuse and Mental Health Services Administration (SAMHSA). The current committee has convened and prepared its interim report, summarizing federal agency activities and highlighting the areas that will soon be addressed in the final report.

An attempt to establish a new committee, made up of essentially the same agency representatives with essentially the same goals of the current committee, is unnecessary; and creating another committee before the current group has been allowed adequate time to respond to Congress would result in a waste of government time, money and resources.

The bill also seeks additional funding for the Ad Council.

NBWA supported the Ad Council funding of $800,000 appropriated in PL 108-199 for the development of a public service announcement (PSA) to fight underage drinking. The Ad Council is currently on track, but has not yet completed the development of the PSA. Therefore, additional funding is premature at this time.

Due to the duplicative nature of this legislation, we respectfully request that you do not cosponsor H.R. 864 at this time. Please wait for the interagency committee that Congress previously established to complete its valuable work and allow for the initial Ad Council development to be completed."

NBWA and its members sponsor numerous programs to fight illegal underage drinking, including public service announcements, publications that help parents talk to their children about not drinking, educational speakers in schools that encourage students to stand up to peer pressure, and alcohol-free prom and graduation parties. These efforts, along with those of teachers, parents and community leaders, have contributed to the steady decline of underage drinking over the past twenty years.

**9. Spirits Groups Mix a Tasty Takeover Cocktail**

Source: *London Financial Times*

February 28 2005

It will take a thirsty chief executive with deep pockets and unquenchable ambition to launch a takeover for Allied Domecq.

Any serious offer for the world's second-biggest spirits group would need to be at a significant premium to its current market capitalisation of £5.8bn before Philip Bowman, chief executive, and his management team deign to enter into talks.

But last month, Pernod Ricard, whose products include Jacob's Creek, Jameson whiskey and Chivas Regal, looked to be the first to take up the challenge.

The French drinks group has appointed investment bankers to look for potential acquisitions and has Allied Domecq at the top of its shopping list. No talks between the two have yet taken place, but Pernod is analysing the logic of a takeover.

For Pernod, the logic in pursuing Allied is clear. It wants to acquire white spirits, such as vodka and gin, and new world wine brands to add to its product range.

Allied owns Stolichnaya vodka and Beefeater gin and has wine assets across the globe, including in the US, Argentina, Spain and New Zealand, and so would easily plug the gap in Pernod Ricard's drinks portfolio.

One of the biggest drivers for further consolidation in the spirits sector has been distribution. Extra bulk brings more clout with distributors and retailers and therefore more opportunities to reach consumers. It can also yield significant cost savings.

Matthew Jordan, analyst at Dresdner Kleinwort Wasserstein, says: "The big prize in taking over Allied is the cost savings. There are five global distribution networks and that is at least one too many in the spirits industry. Further consolidation would yield cost savings between 3 and 6 per cent of combined net sales."

But while a deal may make sense on paper, executing it will take more than a handshake between Pernod's Patrick Ricard, chairman and chief executive, and his counterpart at Allied.

For starters, Pernod's enterprise value is €9.4bn (£6.5bn), including €1.8bn net debt, while Allied has an enterprise value of £7.6bn, or about €11bn.

Analysts estimate that to take over Allied, Pernod would have to issue equity of at least €5.7bn.

Mr Jordan said: "The primary obstacle to a takeover of Allied is financial. You have industry giants like Diageo who are unable to use their balance sheet because of antitrust issues, and any other potential bidder would have to team up and structure a complex carve-up of the brands."

Alternatively, Pernod could consider a merger of equals - much like Grand Metropolitan and Guinness did in 1997 to create Diageo, the world's biggest spirits brand.

"This would ensure that the value created would be shared equally between the two sets of shareholders," the consumer team at Goldman Sachs points out in a research note.

Potentially, Pernod could ease the financial burden of financing a takeover by joining forces with another strategic buyer such as Fortune Brands or Diageo.

Indeed, three years ago, Pernod teamed up with Diageo to buy Seagram's drinks business for $8.1bn and divided up the brands between them.

But last week, Paul Walsh, Diageo chief executive, ruled out any new transforming acquisitions, although he said the group would be interested in cherry-picking spirit brands that should come up for sale as part of the ongoing consolidation of the industry.

Another option would be for Pernod to team up with a financial buyer for Allied's Quick Service Restaurants division, which includes Dunkin' Donuts and Baskin Robbins. A sale of QSR could raise about €1.5bn.

Analysts also point to the potential antitrust issues between some brands, namely Pernod's Martell and Allied's Courvoisier cognac brands. But Pernod could get around this problem by arranging to sell some brands to rivals such as Brown-Forman, which owns Jack Daniel's Tennessee whiskey or Fortune Brands, which owns Jim Beam Bourbon.

But Mr Bowman can afford to play hard to get. Allied's shares reached 535p last Friday - a lifetime high - compared with a low of 405p on January 15 2004, giving him the upper hand in any forthcoming negotiations. But given the complexity of such a large takeover, shareholders should not break out the bubbly just yet.

**10. Binge Drinking on Campus Lower in States with Stronger Alcohol Control Laws**

*Press Release - College Alcohol Study*

*Department of Society, Human Development and Health Harvard School of Public Health*

February 25, 2005

Binge drinking on college campuses, a significant public health factor linked to deaths, injuries, rapes, assaults and poor student performance, is significantly lower in states where fewer adults are binge drinkers and where laws discourage excessive consumption, according to a new study from researchers at the Harvard School of Public Health and the Centers for Disease Control and Prevention (CDC).

The study, which appears in the March 2005 issue of the American Journal of Public Health, makes it clear that college location may play a role in determining their drinking behavior and suggests that states can be strong partners in helping colleges reduce binge drinking.

The rate of binge drinking among college students was about 32 percent lower -- 36 percent compared to 53 percent -- in the 10 states with the lowest rates of adult binge drinking compared to the ten states with the highest. Furthermore, campus binge drinking rates were 31 percent lower --33 percent compared to 48 percent -- in seven states that had four or more laws targeting high volume sales of alcohol versus states that did not.

"What we discovered is that a student who goes to school in a state with fewer adult binge drinkers is less likely to be a binge drinker," said Toben F. Nelson of the Harvard School of Public Health College Alcohol Study (CAS), a project funded by the Robert Wood Johnson Foundation.

"These states also tended to have well-developed alcohol control policies.

The good news is that if more states and communities take relatively straightforward actions -- such as enacting laws that discourage high volume sales -- they could see fewer drinking problems on college campuses and in their broader populations as well."

Nelson and his colleagues compared binge-drinking behavior on college campuses, as documented by the CAS survey, to state-specific data on binge drinking in the general population collected by CDC as part of its Behavioral Risk Factor Surveillance System (BRFSS).

They also considered whether states had enacted laws that specifically target high volume sales. These laws include statutes that mandate registering kegs, make it illegal to drive with blood alcohol levels of 08 percent or higher, and place restrictions on happy hours, open containers, beer sold in pitchers, and billboards and other types of alcohol advertising.

"We have previously found that environmental factors such as low price, special promotions of alcohol, and high density of alcohol outlets near the college campus support heavier drinking by college students. In this study we have also focused on the pattern of drinking by adult populations and state control laws," said Henry Wechsler, Ph.D. a co-author of the paper and director of college alcohol studies at The Harvard School of Public Health.

"Most alcohol purchases and consumption occurs off campus anyway, and so it's not surprising that laws and policies that seek to limit consumption amongst the general public would also play a role in limiting binge drinking among college students," said Timothy S. Naimi, M.D. of the Alcohol Team in the CDC's National Center for Chronic Disease Prevention and Health Promotion. "Basically, having programs to reduce binge drinking on college campuses in the absence of broad-based community interventions to do likewise may be a bit like rearranging deck chairs on the Titanic," Naimi said.

"Overall, we recommend that states and communities implement effective prevention strategies for binge drinking, including increasing state alcohol taxes, enforcing minimum legal drinking age laws, and enforcing laws prohibiting alcohol sales to already-intoxicated persons," said Robert D. Brewer, M.D., a co-author of the paper and Leader of the Alcohol Team in the CDC's National Center for Chronic Disease Prevention and Health Promotion.

The pay-off in terms of lives and dollars saved could be large.

Excessive alcohol consumption accounts for 75,000 deaths and $184 billion in economic costs in the U.S each year. As for its effect on college students, alcohol is a factor in the deaths of 1400 college students each year. College students currently spend $5.5 billion a year on alcohol, more than they spend on textbooks, soft drinks, tea, milk, juice and coffee combined.



**11. Launching 'Budweiser Select': Will Anheuser's New Brew Confuse?**

By Christopher Lawton - *The Wall Street Journal*

March 1, 2005

Anheuser-Busch is introducing a new beer with some of the trendiest characteristics in the business -- it's low in both carbohydrates and calories. But for a company that's deeply dependent on low-calorie Bud Light and low-carb Michelob Ultra, marketing new Budweiser Select poses a quandary.

St. Louis-based Anheuser-Busch describes the brew, which it introduced to the public in an ad during this year's Super Bowl, as a "new kind of beer," brewed for a "crisp taste with no aftertaste." It has 3.1 grams of carbohydrates and 99 calories, putting it squarely in the beer industry's low-carb and light realms, but those numbers appear only in small print on bottles and in ads -- and Anheuser certainly isn't trumpeting them.

Anheuser says it expects Bud Select to be particularly appealing to women and other occasional beer drinkers. Those drinkers commonly pass up beer because of its lingering aftertaste, according to the company's research.

"We don't want to introduce another low-carb or light beer," says Michael Owens, vice president of sales and marketing for Anheuser-Busch. The company calls the carb and calorie counts a "secondary proposition" of the beer.

The nation's largest brewer is eager to find a new growth engine without cannibalizing its existing brands. Its iconic Budweiser brand family, which includes Bud Light and Budweiser, has lost market share, slipping to 32.8 percent of the beer market by volume in 2004 from 33.5 percent in 2002. But Bud Light remains America's top-selling beer, Budweiser still sells in huge volume as well and Michelob Ultra is one of the company's high-growth successes. That leaves Anheuser with a delicate positioning dance for Bud Select.

"I think there is a significant chance that (drinkers) will find (Select) confusing," says Marc Cohen, an analyst at Goldman Sachs. "The advertising message has to be very clear, and Miller is going to do everything they can to capitalize on this." Anytime Anheuser asks its Budweiser drinkers to consider a new Bud product, rival Miller has an opportunity to gain share, he says.

Miller Lite, owned by SABMiller's Miller Brewing, has grabbed market share in part by telling drinkers it is lower in carbs than Bud Light. Miller Lite sales rose 10 percent by volume in 2004, according to Adams Beverage Group, a consultancy in Palm Springs, Calif. Bud Light was up 2.9 percent in the same period. Michelob Ultra surged 37 percent in 2004, according to Beverage Marketing, a New York consultancy.

Bud Select would seem well-positioned to challenge Miller Lite, but Mr. Owens says that isn't the company's goal. "People are getting a little silly saying that this brand targets that brand," he says. "We are targeting consumers, and we are trying to grow the beer industry."

A shelf-distribution strategy document that Anheuser sent to its wholesalers tells a different story, however, instructing distributors to place Bud Select next to Miller Lite. The document also tells them to place Select away from Bud Light, suggesting that Budweiser be placed in between as a buffer. Mr. Owens says consistent with Anheuser's retail strategy, most retailers want to place the largest-selling brand family first on their shelves. Bud Light and Budweiser, the two largest-selling brands in the U.S., would be set first. Budweiser Select would be positioned third, adjacent to the next largest competitive brand. In many cases, that brand would be Miller Lite.

Even though Anheuser expects women to be a key market for Bud Select, the ads created so far don't feature women. The introductory ad aired during the Super Bowl -- designed by Omnicom Group's DDB Chicago -- showcased the brown bottle and told drinkers to "lick your lips, pucker up and kiss your aftertaste goodbye."

**12. Anheuser-Busch Ranks No. 1 in Beverage Industry in FORTUNE Magazine 'America's Most Admired Companies'**

Press Release *-  PRNewswire*

February 28, 2005

American Brewer Leads Industry in Quality of Products and Services; Among all Industries, Anheuser-Busch Scores among Top 10 in Six Categories

ST. LOUIS, Feb. 28 /PRNewswire/ -- Anheuser-Busch ranked first among its peers in the beverage industry in FORTUNE magazine's 2005 "America's Most Admired Companies" and first in all eight categories measured, including quality of products and services and employee talent.

"This accomplishment two years in a row is gratifying," said Patrick Stokes, Anheuser-Busch president and chief executive officer. "It's a testament to the dedication to quality that our employees uphold every day. It's the basis of our company's success."

Each year, FORTUNE surveys 10,000 executives, board members and financial analysts and asks them to evaluate the largest companies in their industries according to eight criteria: Quality of products and services, employee talent, quality of management, innovation, social responsibility, financial soundness, long-term investment and use of corporate assets.

Among the nearly 600 American companies from all industries evaluated by FORTUNE, Anheuser-Busch scored in the top 10 in six categories, including quality of products and services and employee talent.

The nine companies evaluated in the beverage sector include many global players. However, SABMiller was excluded because FORTUNE considers it a foreign company. Anheuser-Busch is nearly 100 percent American-owned, which makes it unique among the largest brewers competing in the U.S. beer market.

In the ranking that considered foreign companies, FORTUNE's 2005 "Global Most Admired Companies" list, Anheuser-Busch once again ranked in the top 50 companies world-wide (No. 28); no other brewer, foreign or domestic, made the list.

Based in St. Louis, Anheuser-Busch Cos. Inc. is the leading American brewer holding 50 percent of the U.S. beer market. The company is American- owned and brews the world's largest-selling beers, Budweiser and Bud Light. Anheuser-Busch Cos. Inc. also holds a 50 percent share in Grupo Modelo, Mexico's leading brewer. The company also is one of the largest theme park operators in the United States, is a major manufacturer of aluminum cans and is the world's largest recycler of aluminum beverage cans.

