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ABD e-NEWS

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1. California Wineries Soak Up Iowa Ag Lessons

By Jerry Perkins, Farm Editor – *Des Moines Register*
May 29, 2005

HEALDSBURG, CA. -- Among the vineyards and wineries that dot the green hills of Northern California, Nick Frey and Bob Anderson are Mr. Inside and Mr. Outside for Sonoma County's wine industry.



Both Frey and Anderson are former Iowa farm boys who have traveled a long way from the cornfields of their home state to the vineyards of California.

Growing grapes and making wine are not the same as raising corn, say Anderson and Frey, but many of the issues facing California's grape growers are the same as those that Iowa's farmers deal with every day. Agriculture is agriculture, Frey and Anderson say, no matter where you are.

Lots of labor: Fred Peterson inspects vines in the Dry Creek Valley of Sonoma County, Calif. He owns Peterson Winery north of Healdsburg, Calif.

Both Anderson and Frey are graduates of Iowa State University - Frey in 1970, Anderson in 1972 - but they didn't know each other until Frey came to the Golden State in 1999.

Frey, 57, was an executive at Pioneer Hi-Bred International Inc. before tiring of the corporate grind and Iowa's weather. He had visited relatives in California many times and went looking for a job there when he read an ad for executive director of the Sonoma County Grape Growers Association, which represents about a third of the county's 1,100 grape producers.

He applied for, and landed, the job.

As Mr. Outside, Frey and the grape association promote Sonoma County wines to the rest of the world and help grape growers hone their management practices.

In the past two years, Frey said, Sonoma County grape revenues have been down, but there are encouraging signs the county's grape sales will rebound to about \$400 million this year.

Anderson, 54, has been executive director of the United Wine Growers of Sonoma County since 1986. Known in local government circles as "the grape guy," Anderson works "inside" on the political issues facing the Sonoma County wine industry.

Land use, water use, spraying of chemicals and pesticides, urban encroachment and a host of other issues all fill Anderson's plate. Like many Iowa farmers, Sonoma County grape growers think excessive regulation of their industry is the No. 1 threat to their businesses and their way of life.

Anderson worked in Washington, D.C., for Tom Harkin before Harkin became a U.S. senator and for former Minnesota Congressman Tim Penney.

Sonoma County's grape growers found out about Anderson's four years in Washington and hired him to watch the local political scene for them.

"Public perception is a problem for agriculture nationwide," Anderson said. And, said Frey, the public's worries about agriculture are often overblown.

Just 6 percent of Sonoma County's land area is planted to grapes, but environmental groups have been very vocal in their criticism of grape growers for their effects on the environment. The charges, Frey said, are based on misunderstanding and fear, not fact.

To meet the criticism, Frey has taken government officials and environmentalists on tours of wineries so they could meet the grape growers and see their operations. When the tours were finished, he said, the criticism turned to praise.

"Our growers are conscientious about their practices," Frey said. "That's why the criticism stings."

The same basic rules apply to California and Iowa agriculture, Anderson said.

Globalization and the spread of free trade have made California wine producers as attuned to the international scene as an Iowa farmer. It's just that California wine makers look at the wine industries in Europe, South America and Australia, while Iowa farmers watch soybean crops in Brazil, corn crops in Thailand and South Africa, and markets in China.

Wine producers must think globally, but local issues often dominate their lives, as in Iowa.

In November, a referendum that seeks to ban genetically modified crops in Sonoma County will be on the ballot. Similar initiatives have met with mixed success in other California counties.

Frey and Anderson said it costs \$35,000 to buy an acre of Sonoma County land suitable for planting grapes. Another \$20,000 to \$40,000 an acre is needed to put the vines in the ground for production. Then it can take three years for grape vines to start to produce.

An acre of grapes will gross \$6,000 to \$8,000 in sales, they said.

"This is a true specialty crop," said Frey. "People are willing to pay the difference for really good grapes and wine."

Fred Peterson's first experience with Sonoma County wine was not very special.

Peterson, 55, owner of the Peterson Winery in the Dry Creek Valley of California's Sonoma County, was hitchhiking in 1971 to see a Navy buddy when he got a ride from a guy looking to buy a case of wine.

"He stopped at a winery here and the wine cost \$1 a bottle with a label and 90 cents without a label," Peterson said. "There was nothing fancy back then in Dry Creek Valley."

Peterson returned to Dry Creek Valley, one of Sonoma County's major wine-producing regions, in 1983 with a viticulture degree from the University of California, Davis. He opened Peterson Winery in 1987.

His winery produces 4,000 cases of wine a year. A bottle of Peterson Winery wine costs between \$12 and \$52 - and all come with labels. His son, Jamie, 24, is the winemaker.

Fred Peterson also manages vineyard properties for others and owns his own vineyards.

As Peterson talks about growing grapes and making wine, he mixes the science of agronomy with the art of making wine.

"We are growing for quality, not quantity," he said. "We're trying to increase the return per acre."

Growing grapes is very labor intensive, Peterson said, and the cost of producing grapes is high because of that. It costs \$4,000 to \$5,000 to raise an acre of grapes, he said; 60 percent of that is for labor.

A vintner does not want too much growth to go into the leaves or the roots of the grapevines, he said. Some of the energy needs to go into the fruit to produce flavorful grapes. Often, Peterson said, you can get the best grapes grown from the worst soil.

The key is the California climate; its dry and hot days are followed by cool night air from ocean breezes.

And yet, for all the art and science, Peterson knows that the success of his winemaking depends on marketing.

Iowa, Minnesota and Illinois are his biggest markets outside California, Peterson said. To sell his wine, he spends a lot of time in Iowa and other Midwestern states.

"My wine is sold in 66 of the 99 Iowa counties," said Peterson, who has poured his wine at the Des Moines Winefest in previous years, but won't be coming this year.

Competition is heating up in the California wine industry, Peterson said. "It all comes back to: Can you make it work by producing a quality wine that will sell for a premium price?"

Sonoma County has developed a reputation for producing quality wines, say those who watch the world wine scene, but it still plays second fiddle to Napa Valley, its more famous wine-making neighbor to the east.

Mark Reed, owner of Okoboji Wines in Spirit Lake, Ia., said his company works with a lot of smaller wineries in California, like the Peterson Winery in Dry Creek Valley.

Okoboji Wines sells about 2,000 different wines, foreign and domestic, in Iowa and South Dakota.

"Napa Valley is better known, but Sonoma County has good wines and is coming on," said Reed, who takes his sales staff to California for wine tasting tours twice a year.

Howard Bernstein, owner of the Casa di Vino in Johnston, said he prefers Sonoma County wine to Napa wine.

"Sonoma County wine is a lot more interesting," said Bernstein, who has visited Sonoma County several times in his world travels tasting wine.

Todd Wernstrom, executive editor of Wine News in Coral Gables, Fla., said Sonoma County's wine industry is less commercially oriented than Napa's.

"Napa has always been ground zero for wine in California, but Sonoma can hold its own with Napa and always has," Wernstrom said. "Napa wine makers are gentry; Sonoma County wine makers are guys in boots driving pickups."



2. ISU President Opposes 19- and 20-Year-Olds in Bars

By Lynn Campbell – *Register Ames Bureau*

June 2, 2005

AMES, IA -- Iowa State University President Gregory Geoffroy indicated Wednesday that he opposes allowing 19- and 20-year-olds into nightclubs in Ames as is done in Iowa City, home to the University of Iowa.

"I think the Ames city ordinances are the right ordinances, which are different from Iowa City's," Geoffroy said in a meeting with Des Moines Register reporters and editors.

In Iowa City, 19- and 20-year-olds can enter bars, although they cannot drink alcoholic beverages.

ISU students with the Campustown Student Association in March called for a similar policy in Ames to provide alternatives to off-campus parties for underage students. The idea was intended as a way to prevent riots like the one at the end of last year's Veishea, ISU's annual spring celebration.

But Tony Borich, 21, an ISU senior who's the student ex-officio member of the Ames City Council, said students aren't trying to advocate for Iowa City's policies - just a compromise that would allow an estimated 10,000 underage students at ISU into some venues.

"Iowa City's policies result in a lot of negative consequences . . . and a lot of illegal activity going on," Borich said. "What we're advocating for is basically allowing underage adults into some types of venues that are a compromise between what is traditionally thought of as a bar. Maybe its main purpose is something else, such as a dance club or a pool hall or a live music venue."

Geoffroy acknowledged the importance of addressing the issue. He said when students return in the fall, ISU will re-evaluate Veishea's no-alcohol policy, which has been in place since a stabbing death at the end of Veishea 1997.

"Alcohol is probably the No. 1 student life issue," Geoffroy said. "It is less of an issue at Iowa State than most places, but even so, too many students drink too much. Veishea creates a reason for students to party and also a reason for out-of-towners to come to town."

Geoffroy said he has encouraged students to include as part of Veishea weekend next April some "large, late-night programming," such as a big concert. "I did tell our students leaders, 'You've got to make sure the concerts end late, like 2 a.m.,' " he said. "You want to keep the students engaged, rather than wandering off to big parties."



3. Study: Tobacco Firms Wooed Female Smokers

By Michael Kunzelman - *The Associated Press*

May 31, 2005

BOSTON -- Tobacco companies did elaborate research on women to figure out how to hook them on smoking _ even toying with the idea of chocolate-flavored cigarettes that would curb appetite, according to a new analysis.

Researchers at Harvard University's School of Public Health said they examined more than 7 million documents _ some dating back to 1969, others as recent as 2000 _ for new details about the industry's efforts to lure more women smokers.

Carrie Carpenter, the study's lead author, said companies' research went far beyond a marketing or advertising campaign.

"They did so much research in such a sophisticated way," she said. "Women should know how far the tobacco industry went to exploit them."

The report, published in the June issue of the journal *Addiction*, says tobacco companies looked for ways to modify their cigarettes to give women the illusion they could puff their way into a better life.

One of the documents, a 1987 internal report from Philip Morris, extolled the virtues of making a longer, slimmer cigarette that offered the false promise of a "healthier" product.

"Most smokers have little notion of their brand's tar and nicotine levels," the report states. "Perception is more important than reality, and in this case the perception is of reduced tobacco consumption."

A Philip Morris spokesman declined to comment on the report, saying the company hasn't had a chance to fully review it.

The Harvard researchers spent more than a year sifting through an online database of internal documents made public following the 1998 settlement between tobacco companies and 46 states.

Carpenter said they found at least 320 documents that focused on women's smoking patterns, including a 1982 report from British-American Tobacco Co. that said women buy cigarettes to help them "cope with neuroticism."

"We can safely conclude that the strength of cigarettes that are purchased by women is related to their degree of neuroticism," the report stated.

Other internal studies showed that companies explored adding appetite suppressants to cigarettes.

In 1980, for instance, R.J. Reynolds Co. proposed creating a cigarette with a "unique flavor that decreases a smoker's appetite, including brandy, chocolate, chocolate mint, cinnamon, spearmint and honey."

However, researchers didn't find any evidence they followed through with that idea. Officials at R.J. Reynolds didn't respond to requests for comment.



A woman smokes a cigarette on World No Tobacco Day with in the background a banner showing a pack of cigarettes with the text 'Dead' in Spanish in Cordoba, Spain, Tuesday May 31, 2005. The World Health Organization says nearly 5 million deaths each year are tobacco-related.

Paul Bloom, a marketing professor in the business school at the University of North Carolina at Chapel Hill, noted that cigarettes aren't the only "sin product" marketed specifically to women.

"For a long time, they just marketed beer to men. Then they discovered women would drink it, too," Bloom said. "Now binge drinking on campus is just as big a problem with women as it is with men."

Worldwide smoking rates among women are expected to increase 20 percent by 2025, "driven by the growth of female markets in developing countries," while men's smoking rates are steadily declining, the Harvard report says.

Jack Henningfield, a professor of behavioral biology at the Johns Hopkins University School of Medicine, said he hopes the report serves as a "call to action" for government officials to focus their anti-smoking efforts on women, particularly in developing countries.

"It's a time bomb," said Henningfield, director of the Innovators Combating Substance Abuse Program at Johns Hopkins. "They've got to act now to prevent the time bomb from exploding."

Carpenter said there is no evidence in the trove of documents that suggests tobacco companies have stopped targeting women.

"Without regulation from government agencies, we don't know what they're doing today," she added.

The Harvard research project was funded in part by the National Cancer Institute.



4. Abercrombie's Naughty Tee's Get Axed

CNN/Money
May 26, 2005

NEW YORK, NY -- In response to complaints from the media and advocacy groups across the country, clothing designer Abercrombie & Fitch announced that it will withdraw its t-shirt line with alcohol-related taglines.

The t-shirts displayed messages such as "Don't Bother, I'm Not Drunk Yet," "Bad Girls Chug. Good Girls Drink Quickly," "Candy is dandy. But liquor is quicker," "I Give to the Pour," and "Filler Up."

Abercrombie & Fitch was not immediately available for comment.

A number of public interest organizations claimed the t-shirts glorified alcohol use and binge drinking, which was particularly problematic for a brand closely affiliated with teenagers.

Earlier this week, Abercrombie & Fitch discontinued sales of the short-sleeve "humor" t-shirts.



5. Brown-Forman Announces Next Step in Succession Plan

Source: *Brown-Forman*

May 30, 2005

Paul Varga Named New CEO; Owsley Brown Remains Chairman

LOUISVILLE, KY, May 27, 2005 – Brown-Forman Corporation Chairman and CEO Owsley Brown II announced today that the company's board of directors has unanimously approved the next stage of the firm's leadership succession. The duties of chief executive officer of Brown-Forman Corporation, which Brown has performed since 1993, will transfer August 1 to Paul C. Varga, while Brown will continue as the company's chairman.

"Paul Varga is a great brand builder whose career and accomplishments have paralleled the evolution and strengthening of our company's brand-building capabilities," stated Brown. "He has a keen strategic mind and is a visionary with appropriately challenging growth goals for Brown-Forman.

"By its actions, the board is expressing its strong confidence that Paul is an excellent long-term choice for CEO of Brown-Forman," said Brown. "The board is also reaffirming its unceasing belief in Brown-Forman's great future as an independent, growing company of unsurpassed quality in our industry, led by a strong and highly capable senior leadership team."

Varga's appointment as CEO continues Brown-Forman's long-standing tradition of entrusting the leadership of the company to the people of the highest ability who have a distinguished record of success at the firm. Upon assuming the CEO position

on August 1, Varga will be the third leader of the company to come from beyond the Brown family, the others being Daniel L. Street and William F. Lucas, who successively and very ably led the company from the mid-1960s through the mid-1970s.

The promotion of Varga to chief executive officer of Brown-Forman Corporation will make him the highest-ranking member of management and he will have the ultimate decision-making authority and responsibility for the company's performance and long-term prosperity. Varga will report to the board of directors, chaired by Owsley Brown, and will have all divisions and areas of the company reporting to him. He will continue to serve on the board as a director.

"I am truly honored to be entrusted with leading this great American brand-building company," said Varga. "I have always respected and been inspired by our company's wonderful brands, its incredible 135-year history, its deep Louisville roots, and our people throughout the world who create its success. I believe strongly in our company's strategy and in the long-term prospects for our business. Fortunately for me, and for all stakeholders, Brown-Forman has a superb team of executive leaders and employees who are well prepared to seize the vast opportunities which lie ahead of us."

As chairman, Brown will remain fully engaged strategically in the company's affairs. As the chief advocate for all shareholders' long-term interests, he will also work to ensure the company builds on its tradition of creating value by paying proper attention to the interests of all of its long-term shareholder base – institutional, individual, as well as family. In addition, Brown will continue to take the lead in managing the affairs of the board.

"These changes will permit me to alter how I spend my working time," stated Brown. "Although I will continue to stay 100% engaged strategically in the business, I will reduce my daily workload in the months and years following the change, with an appropriate reduction in my compensation."

Brown will continue to play a leading role on the Brown-Forman team that is working with a consortium considering a possible bid for Allied Domecq. "I will be working very closely on this critical matter with Paul, who is deeply involved now and who will, after August 1, ultimately be responsible for building the brands that Brown-Forman will secure, should the consortium make a successful bid for Allied Domecq," said Brown.

Varga, 41, joined the company over 18 years ago while working on his MBA at Purdue University. After earning his degree, he became a full-time employee in 1987. He progressed through a series of increasingly responsible sales, marketing, and staff positions, including several years as a key member of the Jack Daniel's marketing team as well as two years as director of the office of the CEO. In 1996 Varga was named senior vice president and director of the entity which helped create global brand development strategies for Jack Daniel's and Southern Comfort and which provided him with a solid international business foundation. In 1998 he became director of marketing for Brown-Forman's spirits business in North America, and in 2000 was promoted to

global chief marketing officer for the company's spirits brands. In 2003 he was named CEO of Brown-Forman Beverages, by far the corporation's largest operating segment, and was thereafter elected a director of the corporation. Varga will continue to perform the duties of CEO of the company's beverage business.

"In recent years, Paul Varga has exemplified the skills and abilities we seek in the company's leader," said Brown, "quickly grasping his new responsibilities as well as increasing his involvement in shareholder, investor, and strategic industry relationships.

"In addition, our earnings growth rate over the last few years is one of the strongest in the wine and spirits industry, and this is a testament to the excellence of our management team as well as the quality of our brands," stated Brown. "About two years ago, as our corporation's respected President Bill Street was preparing to retire, we moved some very talented individuals, including Paul Varga, into positions of significantly increased responsibility. This executive team has worked diligently, collaboratively, and brilliantly to capitalize on the enormous opportunities that exist for our portfolio of premium wine and spirits brands around the world."

6. Busch Beer is Going Retro, Without Any Hint of Bavaria

By Gregory Cancelada, *Post-Dispatch*

May 27, 2005

To mark the 50th anniversary of Busch beer, Anheuser-Busch Cos. has resurrected the brand's vintage packaging. It's the brewer's latest effort to grab the attention of nostalgic consumers.

The commemorative cans and bottles are based on designs used when Anheuser-Busch launched Busch in 1955, the first new brand introduced by the brewer after Prohibition was repealed in 1933.

That year, August A. "Gussie" Busch Jr. touted the brand to television viewers, the first time a member of the Busch family appeared in a TV ad, A-B said.

The only modification to the vintage design was to not use the name "Busch Bavarian," the brand's original name. "Bavarian" was dropped in 1979, said Danny Scott, director of marketing, tactical brands, at A-B's domestic brewing unit.

"Even after we told (consumers) in research that it's the same Busch beer, when they saw that 'Bavarian', they thought it was a different beer," Scott said.



The commemorative packaging began rolling out this month and will be available through August.

The vintage design will please those who remember the old label, Scott said. "It brings back memories of their dad and granddad."

But the commemorative design also will appeal to consumers ages 21 to 25 who like old things, Scott said. "The hot trend is retro, what is old is new," he said.

Anheuser-Busch already has resurrected a number of vintage package designs this year. In February, A-B first kicked off a retro campaign for Budweiser, offering the beer in cans with vintage designs. The brewer expanded to vintage packaging to include a 1918 bottle design, hoping to draw attention to it in bars and clubs.

Busch beer is the country's seventh most-popular brand, while Busch Light is the eighth most-popular, according to Beer Marketer's Insights, a trade publication.

Budweiser or light "value" brands, such as Busch Light and Natural Light.

Last year, A-B shipped 6.7 million barrels of Busch, down 5.7 percent from a year earlier, according to Beer Marketer's Insights.

7. Sales of More Expensive Wines Are Booming

By Libby Quaid - *The Associated Press*

May 29, 2005

WASHINGTON -- Wine drinkers are developing more extravagant tastes. Wines priced \$11 and higher are selling much more strongly than others, according to the marketing information company ACNielsen.

Sales of those wines have risen by 19 percent from last year, said Danny Brager, vice president of ACNielsen's alcohol beverage team. Research shows that a 6 percent increase in sales of wine costing \$7 to \$11 and a gain of 1.4 percent for wines costing less than \$7.

He said there is excitement in the industry about new wines, new packaging and new contemporary-looking labels.



"Along with the economy improving over the last couple of years, it's helping to move the price up that consumers are willing to pay," Brager said.

That makes sense to Phil Hein, who used to stick to \$8 to \$10 wines but now spends as much as \$15. His tastes got more expensive as he learned more about wine.

"Finances kick in with that. If you're making more money, you're able to afford better wine," said Hein, 36, who works in sales in Washington.

Carol Nadworny likes a good bottle of wine. She's had inexpensive wines that were nice, but she gets more satisfaction from wines that cost about \$15.

"I just relax. It's an end-of-the-day thing," Nadworny, a 49-year-old fitness trainer, said while shopping at Total Wine in Alexandria, Va.

When it comes to wine sales, it is impossible to dismiss the impact of the movie "Sideways," about two buddies on a road trip through California wine country.

The movie appears to have boosted pinot noir sales in particular. In one scene, the character Miles, a pinot noir aficionado, threatens to leave a double-date if anyone orders merlot and declares he will not drink any.

Pinot noir sales jumped 55 percent in the first three months of the year, according to ACNielsen. It tends to be a more expensive varietal, which may be helping to drive the growth in expensive wines, Brager said.

The movie was like an ad campaign for the wine industry, said Jon Fredrikson, an industry consultant based in California's Bay area. Wine makers spend relatively little on advertising compared with the beer and liquor industries, he said.

"Any kind of national attention wine gets seems to boost consumption," Fredrikson said. "In this case, it was prolonged advertising generally for wines, and especially pinot noir."

Consumers have been moving upscale in general, Fredrikson said, "but of late, it seems to be accelerating."

Merlot's growth has slowed, but it remains the second most popular variety behind chardonnay, according to ACNielsen. Other varieties _ pinot noir, syrah and shiraz and pinot gris _ grew by double digits over the past year.

Enthusiasm for better wines goes beyond learning more or advertising, said Paul Dolan, owner of Mendocino Wine Co. in Ukiah, Calif. Some wineries are discounting their \$25 bottles of wine, Dolan said.

"People look and say, 'This was \$27 and now it's \$17; that looks pretty good,'" Dolan said.

Wineries also see potential to boost sales in a Supreme Court ruling this month that paves the way for more direct wine shipments to consumers.

Once people try a slightly pricier wine, they tend to keep buying wines at that price, said Pete Belisle, an Air Force retiree who works at Total Wine. People will say they want to spend \$10 on a nice Chianti or other variety, he said.

"I say, 'Well, you can't quite do it at \$10. Can you go \$11, maybe \$12?'" he said. "A lot of times, they'll come back to that."

