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|  | e - NEWS |
| *July 29, 2005* | |

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**1. Iowa Lauded for Good Government**

By [Tim Higgins, Staff Writer –](mailto:thiggins@dmreg.com?subject=Iowa%20lauded%20for%20good%20government) *[Des Moines Register](mailto:thiggins@dmreg.com?subject=Iowa%20lauded%20for%20good%20government)*

July 27, 2005

It is the bureaucratic equivalent of an Oscar. And the winner is . . . Iowa.

State officials today will accept Harvard University's "Innovations in American Government Award" for a program that cuts red tape for employees who save taxpayer money.

Organizers say the result has been "more creative, assertive, and entrepreneurial" government.

"By cutting the bureaucracy, Iowa- government is better able to serve its customers and owners. This is an effort that governors across the country should find very appealing," said Gowher Rizvi, director of the Ash Institute for Democratic Governance and Innovation, part of Harvard's Kennedy School of Government.

Iowa beat out more than 1,000 applicants.

Iowa's program, called Charter Agencies, began in 2003 and includes the departments of revenue, corrections, human services and natural resources; the Alcoholic Beverages Division; and Iowa Veterans Home.

As part of the award, Iowa wins a $100,000 grant to help replicate the program elsewhere.

Gov. Tom Vilsack's chief of staff, Cynthia Eisenhauer, will accept the award. She helped implement the program in her former job as the state's top financial officer, along with outside consultant Public Strategies Group.

"The old bureaucratic approach holds departments accountable for playing by the rules, and the new Charter Agencies deal holds agencies accountable for getting results," Eisenhauer said Tuesday. "It's really shifted from rules to results."

• The Department of Human Services implemented a preferred drug list for Medicaid prescription drugs and saved $1.7 million in the first three months.

• The Alcoholic Beverages Division increased revenue by nearly $10 million, primarily through new initiatives such as better management and variable markup rates to encourage the sale of higher-end products.

• The Department of Natural Resources reacted more quickly to requests for certain permits and was quicker on some corrective action decisions.

The agencies had been required to find $15 million in savings the first year.

Carl Fillichio of the Council for Excellence in Government in Washington, D.C., said Tuesday that other states could benefit from Iowa's approach. "This is not a sexy program. But it is what government does, which manages," he said.

"Every governor should look at this because every governor is struggling with these same challenges," he said.



**2. Battling Brewer Miller Gets Set to Turn 150**

By Ryan Nakashima, AP Writer *– Des Moines Register*

July 26, 2005

MILWAUKEE, WI – Miller Brewing Co., the company that gave the world light beer, celebrates its 150th birthday next month, a milestone along its up-and-down path.

Three years after being taken over by South African Breweries, the company, now called SABMiller, faces yet another dip in that path. Miller, the nation’s second-largest brewer with an 18.5 percent share of the market, faces stagnant industry volumes, ficle consumers – who increasingly choose wine, cocktails and spirits instead of beer – and a price war with market leader Anheuser-Busch.

Starting in late 2003, SABMiller took on Anheuser-Busch with ads that promoted Miller Lite. The campaign reversed a 15-year sales decline last year and caused Anheuser-Busch, which commands half the American market, to give up market share for the first time in nearly three decades.

“Now our challenge is to translate that success from Miller Lite and re-establish our other core brands,” said Norman Adami, a former SAB executive who became Miller president in February 2003.

Miller was founded in 1855 when Frederick J. Miller bought a defunct local brewery. It survived Prohibition and a plane crash that killed the company president in 1954, and then grew under Phillip Morris after being bought in 1970.

The tobacco gian poured millions into expanding Miller’s capacity. In new ads, “Miller Time” was dubbed a time after work for the common man to enjoy a beer.

Sales surged, but the beer that really catapulted Miller was Miller Lite. The brewer launched the low-calorie beer nationwide in 1975 with the mock “tastes great” vs. “less filling” debates. Lite took Miller from seventh in the nation in 1970 to second in 1977 behind Anheuser-Busch.

But over the last two decades, Miller has stagnated and industry growth has slowed. Adami said the challenge remains how to make beer drinking relevant to U.S. consumers who face an array of choices.

Over the last 18 months, Miller has tried TV spots with some 4 million theme-related blind taste tests at bars around the country, pitting Miller Lite and Miller Genuine Draft against A-B’s Bud Light and Budweiser, respectively.

The company also focused less on blanket TV ad coverage and more on sponsorship of events that hit their target audience, such as the World Series of Poker this month.

“Consumer demographics are changing radically, consumption habits are changing dramatically, the old television model is no longer the same . . .We’ll develop a marketing model that’s relevant to the new, emerging situation,” Adami said.



**3. US: Diageo to Release Ultra-Rate Johnnie Walker**

Source: *just-drinks.com editorial team*

July 25, 2005

Diageo is marking the 200th Birthday of its whisky founder John Walker with the release of what it claims to be some of the rarest whisky in the world.

The makers of Johnnie Walker have planned to mark Walker’s 200th birthday in a number of ways, the centerpiece of which will be a gala birthday celebration in New York City on 25 July.

Diageo will also release an ultra-limited blend of Johnnie Walker. The John Walker 1805 Pack is a cask-strength blend of selected whiskies that are predominantly from distilleries no longer in existence. All are more than 45 years old; some as old as 70, the company said.

Only 200 Packs will be available worldwide, each with an estimated value in excess of US$20,000; however none will be for sale. Bottles will instead be presented to individuals from around the world judged to have made a significant impact on modern life.

There will also be a limited release of the Johnnie Walker Blue Label Anniversary Pack, a cask strength edition of the flagship blend, Johnnie Walker Blue Label.

Approximately 700 will be sold at select spirit stores in the US and will retail for approximately US$3,500 each.



**4. 19-Ordinance Created to Combat Underage Binge Drinking**

By Jessica Seveska *— The Daily Iowan*

[July 26, 2005](http://www.dailyiowan.com/main.cfm/include/displayIssueArticles/issue_date/20050726.html)

For almost five years, the city and UI students have been battling a subject that seems never to disappear.

The problems associated with underage and binge drinking prompted the city to create an ordinance in 2003 that makes it illegal for those under 19 to be in bars after 10 p.m. For years, Iowa City's bar-entry age was 18.

"The 19-ordinance was created to combat underage binge drinking," Iowa City Mayor Ernie Lehman said.

The City Council voted again in November 2004 to keep the 19-ordinance rather than change the bar- entry age to 21.

Lehman has always supported the 21-ordinance and has previously said that by staying with the 19-ordinance, the council is "just delaying the inevitable."

A slim majority of the council decided to stay with the 19-ordinance in order to keep music and entertainment options open to those under 21 and to take more time to see the results the 19-ordinance may have.

Iowa City residents packed City Hall to debate an alcohol ordinance before the council voted. Some demanded a 21-ordinance; others argued the entry age should stay at 19.

Many who praised the 19-ordinance said the number of house and apartment parties increased dramatically after the 19-ordinance passed. They said the situation would only get worse if the 21-ordinance passed.

To prevent a 21-ordinance from passing, a group of local bar owners, students, and residents created the Iowa City Alcohol Advisory Board. The group pledged to promote an environment in which only 21-year-olds can drink and younger customers can socialize.

The group also said it would talk to bar owners in attempts to limit alcohol advertisements and train bar staff to combat underage drinking.

"I just think it's safer than house parties," said Leah Cohen, the owner of Bo-James. "As a parent, I would much rather see any of these kids in my bar than at someone's random house party."

After the council voted to stick with the 19-ordinance, councilors told the alcohol board that they would review the board's actions in May and decide whether its actions and the ordinance have been effective.

Before the 19-ordinance, many of the downtown bars originally had rules that allowed 18-year-olds in their establishments. Discussion over the ordinance surfaced when councilors started noticing high levels of underage and binge drinking in Iowa City, said Councilor Dee Vanderhoef.

"Many residents approached us about the drinking in this town," she said. "And we decided to do something about it."

After the ordinance passed in 2003, UI students under 19 who frequented downtown bars were forced to leave at 10 p.m.

"A lot of people I know use fake IDs," said UI junior Katie Olson. "People still go out, but the fines are really expensive if you get a ticket."

Tickets for possession of alcohol under the legal age cost $250; if the person is under 19 and in a bar after 10 p.m., there is an additional charge and fine.



**5. Beer Wholesalers See 'Price War' Looming -Citigroup Survey**

***Dow Jones Newswires***

July 25, 2005

ST. LOUIS (Dow Jones)--Beer wholesalers surveyed by Citigroup Smith Barney believe their industry is on the verge of a price war that could last seven months or longer.

"The major brewers continue to discount and roll back prices," analyst Bonnie Herzog said in a note to investors. "We believe a price war is looming," and "82% of the wholesalers we surveyed agreed and on average believe a price war could last at least seven months."

Citigroup didn't say what exactly constitutes a price war.

The firm said it "received responses from wholesalers that own 69 warehouses and distribute to just under 100,000 retail locations across the U.S." The survey was conducted during the second quarter.

Herzog fears that a price war, with further discounting, will reduce the brewers' profits, even though it will likely increase the volume of beer sold.

"Furthermore," she said, "these things typically play out over several quarters and don't just 'magically' stop, restoring profitability."

Anheuser-Busch Cos. (BUD), St. Louis, said earlier this year it is willing to sacrifice short-term profits to increase volumes and maintain market share. SABMiller PLC's (SAB.JO) Miller Brewing Co., Milwaukee, has indicated it is willing to go toe-to-toe in price discounting, if necessary. Molson Coors Inc. (TAP), Golden, Colo., also has been discounting.

Herzog said discounting is "a Band-Aid for a much more serious trend in the industry," that is, growing consumer preference for wine and mixed drinks.

The survey also found that 69% of the wholesalers "have seen more growth" in sub-premium brands compared with a year ago. Those brands include Anheuser-Busch's Natural Light, Molson Coors' Keystone Light and Miller's Milwaukee Best.

In addition, 80% of the wholesalers said they "saw an increase in marketing and promotions behind these brands during the second quarter," Herzog said.

If consumers are "trading down" to less expensive beers, she said, that also could hurt profits.

Citigroup has done investment banking work for Anheuser-Busch, Molson Coors and SABMiller. Herzog doesn't own shares.

The brewers had no immediate comment.



**6. Happy Hours for Jim Beam Brands**

By William Spain – *MarketWatch*

July 26, 2005

**Close of Allied deal doubles size of Fortune Brands unit**

CHICAGO (MarketWatch) – Tom Flocco is in for one hell of a happy hour.

With some $5 billion worth of new wine and liquor under his belt as of the wee hours Tuesday, the CEO of Jim Beam Brands is now running an operation that just doubled in size, valuting from seventh to fourth in the global spirits category.

The increased scale comes courtesy of the break-up and sell-off of Allied Domecq’s alcohol lines to a trio of France’s Pernod Ricard, Jim Beam parent Fortune Brands and British beverage behemoth Diageo. Final closure of the complex $14 billion deal, which was first announced in april, came early Tuesday, long before U.S. equity markets (let alone liquor stores) were open for business.

Beam is getting some of U.K.-based Allied’s crown jewels, among them Sauza tequila, Courvoisier cognac, Canadian Club whiskey, Clos Du Bois wines and – pending final regulatory approval – Maker’s Mark bourbon. The acquisitions join Beam’s already impressive stable, which includes its eponymous bourbon, Vox vodka, Dalmore scotch, De Kuyper cordials and Starbucks liqueur, the last a joint venture with the coffee chain.

Swallowing so many brands – and a different corporate culture to boot – is apt to cause some headaches, particularly when the amount of information Beam could get on them in advance is limited by securities regulations. Buy on the eve of the close, Flocco laid out some of the company’s immediate priorities and future hopes for the new arrivals.

“We have to make sure we can take and ship orders and let people know how they fit in and who their bosses are,” he told **MarketWatch** on Monday afternoon. “We are looking for a seamless transition [to] maintain the momentum these brands have.”

And that is unlikely to include any of the mass firings that typically accompany 21st century mergers.

“We are doubling in size and are going to be a significantly larger company both inside and outside the U.S.,” he said. “There is no way we could just overlay the brands we are buying onto our existing price structure.”

That is not to say there will be no economies of scale, as a larger Beam will be able to leverage its buying of everything from glass to media more efficiently.

“But we need Allied’s people to make this work,” he said.

While Jim Beam will still be the company’s largest brand by volume, Sauza takes over its No. 2 slot and the new acquisitions will account for three of its top five.

Flocco has tried and liked all the new tipples from the standpoints of both barroom and balance sheet, he said, but he does have one particular favorite: “They all have good growth tracking into the acquisition, but if you look at where the category development is really strong, you would have to go with Sauza.”

Tequila is one of the world’s fastest growing spirits at home in Mexico, here in the U.S. – and all over the world. Sauza is No. 2 in the category behind Diageo’s Cuervo, but it is “very well positioned to take advantage” of that growth.

Purchase of the brands represented a huge investment in alcohol for Lincolnshire, Ill.– based Fortune, which also owns a dizzying array of other consumer products – everything from padlocks to golf balls to kitchen cabinets. And it is a big bet that a recent drinking trent towards spirits and wine and away from beer will not only continue but that it hasn’t even peaked.

“The last heyday of spirits [from the 1960s into the early 1980s] lasted close to 20 years,” he said. “As consumer tastes [in alcohol] shift, they do over long periods.”

And the most recent shift, he noted, only “started about 1997 or 1998.”

*William Spain is a reporter for MarketWatch in Chicago.*



**7. US: Brown-Forman Loses Glenmorangie Distribution**

Source: *just-drinks.com editorial team*

July 26, 2006

Brown-Forman and LVMH Moet Hennessy Louis Vuitton have concluded the contracts through which Brown-Forman acts as the US importer of the Glenmorangie brands. The agreement includes Brown-Forman’s distribution of Glenmorangie in Canada, Continental Europe and certain Asian countries.

The contracts will conclude at the end of this month.

Brown-Forman has distributed Glenmorangie brands in the US since 1992 and served as marketing agent in Continental Europe and certain Asian markets since 2000. At that time, Brown-Forman purchased slightly less than 3m Class A shares in Glenmorangie plc for approximately US$15m. Late last year, Brown-Forman sold its shares in Glenmorangie plc to LVMH for $95.5m. Under long-term contracts with Glenmorangie plc, however, Brown-Forman continued to have distribution and marketing rights in those markets for several years to come.

In the new agreement announced yesterday (25 July), Brown-Forman has agreed to terminate those distrubtion and mareting rights in favor of LVMH, which purchased all the outstanding shares of Glenmorangie plc last year, in exchange for consideration.

“We are proud of the work done by both Brown-Forman and our distributor partners in building Glenmorangie in the US and key global markets into a premier single malt Scotch brand,” said Paul Varga, president and chief executive officer of Brown-Forman Beverages. “However, we understand LVMH’s desire to consolidate thiese excellent brands into their own distribution system.”

Christophe Navarre, CEO of Moet Hennessy, said: “Brown Forman has been a very good partner for The Glenmorangie company over the years and the brands have prospered through this association. Now that Glenmorangie is part of Moet Hennessy it is natural that the brands should be distributed through our companies in all the markets where we operate.”



**8. To Reduce the Cost of Teenage Temptation, Why Not Just Raise the Price of Sin?**

By David Leonhardt – *The New York Times*

July 25, 2005

When you look back on all the attempts to curb teenage drinking, smoking and drug use over the last couple of decades, you start to ask yourself a question that countless parents have asked: Does anybody really know how to change a teenager’s behavior?

Sometimes the government and advocacy groups have used straight talk, like Nancy Reagan’s “Just Say No” campaign. Other times they have tried to play it cool. They drop an egg into a sizzling frying pan and announce, “This is your brain on drugs,” or they print mock advertisements that pretend to market cancer. It all feels like a delicate exercise in adolescent psychology.

Much of this back and forth is unnecessary. There is in fact a surefire way to get teenagers to consume less beer, tobacco and drugs, according to one study after another: raise the cost, in terms of either dollars or potential punishment.

In just about every state that increased beer taxes in recent years, teenage drinking soon dropped. The same happened in the early 1990’s when Arizona, Maryland, New Jersey and a handful of other states passed zero-tolerance laws, which suspend the licenses of under-21 drivers who have any trace of alcohol in their blood. In states that waited until the late 90’s to adopt zero tolerance, like Colorado, Indiana and South Carolina, the decline generally did not happen until after the law was in place.

Teenagers, it turns out, are highly rational creatures in some ways. Budweisers and Marlboros are discretionary items, and their customers treat them as such. Gasoline consumption, by contrast, changes only marginally when the price of a gallon does.

“When people think about drugs, alcohol, even cigarettes, they think about addiction and this strong desire to consume them. They don’t think price has an effect,” said Sara Markowitz, an economist at Rutgers University in Newark, who studies public health. “That’s just wrong. And it holds among kids even more so than among adults.”

Not only that, but unprotected sex tended to become less common after the changes in the law, according to studies. Gonorrhea and H.I.V. rates dropped. So did drunken-driving deaths and, for boys, suicides. Whatever the policies’ downsides – and they are not insignificant – they have some of the clearest benefits of any government action.

They are also a useful reminder of how often the power of incentives is underestimated. Taste, style, trendiness and advertising all do affect human behavior. A study in the Archives of Pediatric and Adolescent Medicine this month, for example, found that anti-tobacco television ads do seem to reduce smoking. But nothing has quite the sway that an economic carrot or stick does.

When a big superstore moves into town, many shoppers who claim to prefer the coziness of mom-and-pop stores trek out to the megamall for the lower prices. (You know who you are.) When the government cut welfare payments in the 1990’s, many people who had been receiving them went back to work.

Even when inscrutable teenagers and addictive substances are involved, the basic dynamic does not change.

Tax increases on alcohol and tobacco have been fairly common in recent years, allowing researchers to look for the crucial before-and-after effect that helps separate correlation from causation. Alaska, Nebraska, Nevada, Tennessee and Utah have all increased alcohol taxes since 2002. Georgia, Kentucky, Tennessee and Virginia – tobacco-growing states all – are among those that have raised cigarette taxes.

Just because states with higher taxes have lower teenage drinking and smoking rates does not mean that one caused the other. An outside force – like a highly educated population, which might tend to eschew beer and cigarettes but vote for higher taxes – could instead be the underlying cause.

But if drinking or smoking always seems to fall after a tax increase, then the case becomes far stronger. Looking across the states and taking into account all the other factors that can be measured, researchers have found that a 1 percent increase in the price of beer leads to a drop in teenage consumption of between 1 and 4 percent, Dr. Markowitz said. For cigarettes, a 1 percent price increase causes roughly a 1 percent decline in smoking.

Using the same method, researchers can also answer a question that has long occupied public health specialists. It is generally accepted that youngsters who drink, smoke and use drugs are also more likely to take dangerous risks, like having unprotected sex. But does not lead to the other? Or as Christopher Carpenter, an economist at the University of California, Irvine, puts it, are there simply “bad kids” given to misbehaving in all sorts of ways?

Depending on your definition of misbehavior, the answer is both. When alcohol taxes rose, the number of teenagers who reported having had sex in recent months did not change, according to a study by Michael Grossman of the City University of New York and Dr. Markowitz. Nor did the number of partners they had.

But fewer teenagers had unprotected sex. The number of new gonorrhea cases and - though the evidence on this was weaker – new H.I.V. cases also dropped. Since teenagers get these diseases at far higher rates than the rest of the population, any decline can be a big deal.

The enactment of zero-tolerance driving laws also appeared to lead to a fall in sexually transmitted diseases. For boys between the ages of 15 and 20, suicide rates fell 7 percent to 10 percent after a law was put in place, Dr. Carpenter found. (The fact that the effects seem to be concentrated among boys and whites is a mystery that awaits future research.)

“When zero-tolerance laws were being debated, it wasn’t like, “Let’s reduce drunk-driving deaths – and gonorrhea and suicide,’” he said. “This is an unintended, surprising consequence.”

Zero-tolerance laws also have the advantage of being aimed specifically at teenagers. New alcohol taxes, on the other hand, take money from millions of people who do not spread venereal diseases or drive drunk.

But zero tolerance is now the law of the land in all 50 states, Dr. Carpenter said. There is no more public health uptick to get from it. So until somebody comes up with a smart new incentive, another “Don’t Drink and Drive” campaign might be the best tool out there.



**9. NCAA Recruiting Young Audience for Beer Ads**

*CSPI Newsroom*

July 27, 2005

**CSPI Says Alcohol Advertising Incompatible with Outreach Efforts that Target Kids as Young as 6**

The National Collegiate Athletic Association (NCAA) is actively building brand loyalty among young people in order to get them interested in sports and to boost the attractiveness of NCAA telecasts to advertisers. But those recruitment efforts may deliver more and more young viewers to Anheuser-Busch and other beer marketers which advertise heavily on college sports. In a report released today, the Center for Science in the Public Interest (CSPI), which has been waging a Campaign for Alcohol-Free Sports TV, said the NCAA’s otherwise-admirable youth outreach efforts should continue, but the beer ads on its telecasts should not.

“The NCAA can play a positive role in society by getting kids interested in athletics and physical activity, and by getting kids excited at the prospect of continuing their education at a college or university,” said CSPI alcohol policies project director George A. Hacker. “But beer advertising is totally inconsistent with those youth recruitment efforts. We’re all for the NCAA expanding interest in its brand. But it shouldn’t be serving up potential underage drinkers to Anheuser-Busch and other brewers.”

The NCAA executive committee will consider the issue of alcohol advertising at its meeting in Indianapolis on August 4. Current NCAA policy purports to exclude those ads that “do not appear to be in the best interests of higher education.” The policy prohibits alcohol ads but makes a specific exemption for beer.

“What kind of crazy policy would promote beer drinking to young NCAA fans, among others, when drinking problems—violence, unwanted and unprotected sex, alcohol poisoning, school dropouts, and property damage—are the most pressing issues on college campuses?” asked Hacker. “You don’t need a college degree to understand that hawking beer to young fans is not in the best interests of higher education.” (over)

Each year, 500,000 students suffer alcohol-related injuries, including 70,000 students who are victims of alcohol-related sexual assault or date rape. 1,400 college students die each year in alcohol-related deaths.

In 2003, beer advertisers spent $52.2 million on televised college sports. Bud Light led the way with $11.4 million, followed by Miller Lite, Budweiser, and Coors Light. That year the NCAA tournament concentrated $21.1 million in beer ads into three weeks of games watched by more than 6 million children and teens.

“While beer advertisers claim that they’re targeting only consumers of legal drinking age, the NCAA is reaching out aggressively to widen its audience of teens,” Hacker said. “Some of its programs are designed to attract kids as young as six. Again, we’d have no problem with those programs, if only they weren’t drawing millions of children and teens to clever and seductive enticements to drink beer.”

CSPI’s Campaign for Alcohol Free Sports TV has aligned some 228 NCAA-member schools against the current policy. One of the coaches who leads the Campaign for Alcohol-Free Sports TV is Dean Smith, who coached the University of North Carolina men’s basketball teams from 1961 to 1997, including two NCAA championship teams. “We need to understand that children start following athletics at the age of nine or ten,” Smith said. “These beer ads are highly appealing to them. When beer companies say their ads aren’t directed at young people, I find it hard to believe.”

The NCAA runs at least 10 different youth recruitment programs at the national level, including a kid-friendly web site with games; an all-ages fan festival called Hoop City; a take-a-kid-to-a-game program, and a cartoonish mascot named J.J. Jumper. The NCAA promotes sportsmanship through contests and classroom materials, and runs various education and mentoring programs geared to young people.

CSPI had previously raised concerns about the NCAA’s coziness with Anheuser-Busch, notably several large donations the brewer gave in the 1990s, and the hiring of a former Anheuser-Busch marketing executive to oversee the NCAA’s educational programs. CSPI said that when the NCAA executive committee’s review of alcohol policy is conducted in August, it should reflect the values of its member schools.



**10. US: AB Price Strategy Queried by Analyst**

Source: *just-drinks.com editorial team*

July 22, 2005

Bear Stearns has downgraded its rating for Anheuser-Busch and questioned the brewer’s price-cutting policy. The analyst shifted its recommendation on the company to ‘underperform’ from ‘peer perform’ yesterday (21 July) and said that it is “highly skeptical of the company’s aggressive price discount strategy.”

Following a tour of beer markets in Texas and Florida, Bear Stearn’s Carlos Laboy said: “We are not convinced that AB’s initiatives will provide adequate revenue lift, support EPS expectations, or correct the domestic beer category’s image problems.

“We are unconvinced that undercutting AB’s long-held price advantage over Miller is working or is in any domestic brewer’s long-term interest,” Laboy added.



**11. Anheuser-Busch Earnings Fall**

By Jim Salter *- The Associated Press*  
July 27, 2005

ST. LOUIS -- Anheuser-Busch Cos. Inc. earnings fell nearly 10 percent in the second quarter, its second consecutive quarterly decline after years of profit growth often reaching double digits. The nation's biggest brewer cited slumping U.S. beer sales and increased cost pressures, and its stock price fell nearly 4 percent to a three-year low.

But the maker of the nation's best-selling regular-calorie and light beers, Budweiser and Bud Light, offered some good news for beer drinkers - it will hold off on price increases in most of the U.S. until early 2006.

Anheuser-Busch earned $607 million, or 78 cents per share, in the quarter ended June 30, down from $674 million, or 83 cents per share, a year ago.

Gross sales remained flat at $4.6 billion, while net sales after excise taxes rose to $4.02 billion from $4.01 billion.

The earnings fell short of Wall Street projections of 81 cents per share on net sales of $4.1 billion. Its first-quarter earnings had fallen 6.7 percent from a year earlier.

Anheuser-Busch shares declined $1.78, or 3.9 percent, to close at $44.12 on the New York Stock Exchange, the lowest point since July 19, 2002, when the price was $44.

Eric Shepard, executive editor of Beer Marketer's Insights, said the earnings decline "was steeper than expected.

"It's not pretty," he said. "The beer industry is soft and it's going to hit the number one player with a 50 share harder than the other folks."

Tom Leritz of Argent Capital Management in suburban St. Louis said Anheuser-Busch's problem is two-fold: Increased competition, mostly from Britain's SAB Miller PLC, and a move by drinkers to other types of alcohol.

"The trend from drinking beer to drinking spirits is their major problem now," Leritz said.

For the first six months of 2005, Anheuser-Busch earned $1.12 billion, or $1.43 per share, down from $1.22 billion, or $1.50 per share, in the first six months of 2004. Six-month net sales rose 1.3 percent to $7.58 billion from $7.49 billion.

The company estimated its share of the domestic beer market dropped a full percentage point, to 48.8 percent from 49.8 percent a year ago.

"Anheuser-Busch had a challenging first six months in its domestic beer business," president and chief executive officer Patrick Stokes said. "Both the company and the domestic beer industry experienced volume declines and higher cost pressures."

Stokes said the company has begun several initiatives to improve beer volume and market share growth \_ new products and packaging, increased investment in marketing, increased on-premise sales efforts and targeted price promotions.

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The company said that as part of its effort to restore volume and market share momentum, it will hold off on additional price increases in most of the U.S. until early 2006, when a single-phase increase is planned.

The decision to hold the line on prices surprised Shepard, who said an October price hike "has been sort of like clockwork.

"Certainly it wasn't a positive message for the street on pricing and I suspect earnings are acting accordingly."

Domestic beer volume declined 3.7 percent to 26.3 million barrels for the quarter, and declined 3.2 percent to 50.8 million barrels for the six months.

Domestic beer sales-to-wholesalers decreased 3.7 percent for the second quarter, and wholesaler sales-to-retailers declined 0.2 percent. The company said its Budweiser family sales-to-retailers increased in the second quarter and first six months on the growth of Bud Light and the national introduction in February of Budweiser Select.

International beer volume was up sharply \_ up 115.6 percent to 4.9 million for the quarter, and up 122.5 percent to 9.3 million barrels for the first half of the year.

Much of the increase resulted from Anheuser-Busch's acquisition of China's Harbin Brewery in the third quarter. Excluding Harbin shipments, international beer volume increased 3.5 percent for the quarter and 1.2 percent for the six months.

Anheuser-Busch also said it raised its regular quarterly dividend by 10.2 percent to 27 cents per share from 24.5 cents.



**12. Local Bars Struggle Against Under-aged Drinking**

By Raymond Carlson *— Special to The Daily Iowan*

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As the Airliner prepares to take off once more, its flight plan will take it through a local conflict between police and minors in search of alcohol.

In the last few decades, the Iowa City Police Department has been making a consistent effort to combat this issue; however, "the amount of minors arrested for possession of alcohol has increased in the past 10 years," the police force's Public Information Officer Doug Hart said.

"In the past year, exactly 1,372 arrests have been made in Iowa City for possession of alcohol under the legal age, a smaller figure than we have seen in past years," Hart said.  
  
In comparison, only 77 arrests have been made in Davenport in the past year for possession of alcohol under the legal age, according to the Davenport Police Department's records.

According to Hart, Iowa City police "check local bars on a daily basis," and have arrested nearly four minors every day for possession of alcohol in the past year. He warns bars that they "jeopardize their liquor licenses if frequent violations of this law occur on their premises."

To protect themselves, local bars have implemented more measures to prevent minors from purchasing alcohol from them. Many bars, such as College Street Billiards, "use the stamp system or don't serve people," general manager Tom Lenoch said.

Bars that use the stamp system check for IDs at the door, then mark patrons so bartenders can easily recognize the age of the customer.

Some students claim that this isn't enough. Mandey Hatler, a UI junior , explained, "Most bars here don't check IDs closely. I have handed my ID to my friends so they can get stamped. Students can use any one else's ID to get into bars, and they do."

Fake IDs are another common student access key into bars in Iowa City.

"Police say there are likely millions of fake IDs in circulation throughout the country today," the Christian Science Monitor recently reported.

Local bars have sought different solutions to these tough problems. Jim Bell, owner of Deadwood Bar on Dubuque Street, has joined the Iowa City Alcohol Advisory Board. Lenoch has "begun to train the guards in front to spot fake IDs," but he admits he's not seeing many minors now.

The real difficulties may only be caused by a handful of bars. Bell said that "only 10 bars in Iowa City are really a problem."

Seven local bars saw the arrests of over 20 minors in the first quarter of this year, according to the newest city records. Sports Column was the site of 187 arrests for under-aged possession of alcohol in 2004, the most of any bar in the entire city for the year.

Sports Column's owner Brett Sawyer said he has seen "an increasing amount of police in the last year," but he insists, "We don't serve minors."

Statistics and students tell a different story.

"A fair amount of University of Iowa students drink at bars, and most bars only check ID sometimes," said Brian Wernimont, a UI senior.

In a town where minors have a thirst for alcohol, students and bars beware. Police make daily checks at bars around the city, ready to hand out a $147 fine or a liquor license revocation. As the Airliner prepares to open in a matter of weeks, its manager since 1970, Doug Tvedt, reminds everyone, "Go by the law: adult beverages should only go to adults."

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