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| *March 10, 2006* |

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**1. In News, Teens' Misdeeds Overshadow Heroism**

By John Carlson, Columnist - *Des Moines Register*

March 5, 2006

Read the news out of Muscatine and there's a good chance it will confirm some ugly thoughts you might have about teenagers.

After all, here's a 17-year-old boy who authorities believe is planning to blow up the city's high school. Police get a search warrant, go to his parents' home, knock down the door, and find some homemade explosives. Along with some notebooks that reportedly contain some white supremacy slogans and drawings.

The high school principal announces there had been a threat, but things are under control. Still, some students are afraid and go home early.

The arrest of Joseph Titus came after a woman in Knoxville alerted authorities about some disturbing e-mails she'd received. Chief among them was that Titus claimed he was planning a "Columbine-type massacre" at the school last Thursday.

Titus was taken to jail and charged with threats of terrorism and threats of arson.

A very nasty business, and, thankfully, nobody was hurt. But don't think we're all doomed because the teenagers of the world are irresponsible.

Just look to 14-year-old Marcus Blodgett, the second part of this tale of two teenagers.

The Clinton boy did himself proud last weekend when he went up against his mom and her boyfriend. Both adults were drunk and wanted to drive. Blodgett said no in the strongest possible terms.

It ended with the three of them rolling around in a kicking and gouging fight in the front yard.

According to Clinton police and court records, it began when Teresa Simmons, Blodgett's mother, agreed to drive him somewhere in the family car. The 37-year-old Simmons showed up with her boyfriend, Jerry Rasmussen, and told the boy they were headed to a bar.

Records filed in Clinton County court say Blodgett realized the adults were drunk, so he grabbed the car keys.

Rasmussen, 38, then knocked the boy down, and the two wrestled. Then Simmons joined in, and the three wrestled over the keys. Court records say that Blodgett's 78-year-old grandmother grabbed Rasmussen, trying to help the boy.

Rasmussen ran when another relative told him police had been called. Simmons ended up with the car keys. She picked up her boyfriend not far from the house. They then drove to a Clinton tavern, where police later arrested them.

They admitted that, yes, they were drunk, and, yes, Blodgett had the car keys, and, yes, they wrestled them away from him. Simmons said she'd had a half-dozen 16-ounce beers. Rasmussen admitted he'd had between a dozen and 18 beers.

He pleaded guilty of public intoxication and simple assault and was sent to jail for 10 days by Judge Arlen Van Zee. The mother pleaded guilty of aiding and abetting the assault and public intoxication. She was fined $100 on each charge plus court costs. She has two months to pay the court.

Blodgett, who told police he nearly passed out while being choked during the fight, had red marks on his face and neck.

He has the admiration of a senior officer at the Clinton Police Department.

"I don't know this young man, and I don't know his family, but it obviously isn't a good situation there," said Capt. Randy Meier, commander of the department's criminal-investigation division.

"I do know that what he did shows a pretty high degree of maturity. He obviously knows the consequences of what could have happened when his mom got behind the wheel of a car drunk. It took a lot of courage to do what he did."

They make movies and write long articles about teenagers who plot to kill their fellow students.

Not much is said or written about kids sticking up for their moms and younger siblings when a drunken dad or boyfriend starts slapping them around. Or about someone like Blodgett who tries to keep adults — including a parent — from driving drunk.

That's too bad. He sounds like a young man worth knowing.

**2. Underage Tobacco Use, Sales Bring Stiff Penalties**

Officer Tanya Zaglauer - West Des Moines Police Department

*Des Moines Register*

March 3, 2006

Do you know the law about underage tobacco use? According to the Iowa Alcoholic Beverages Division, 34 percent of Iowa teens have reported using tobacco products.

Iowa law states underage individuals who possess and/or use will face the following sanctions:

• First offense — $50 fine and eight hours of community service

• Second offense — $100 fine and 12 hours of community service

• Third or subsequent offenses — $250 fine and 16 hours of community service

Currently, 88 percent of Iowa retailers are in compliance with Iowa's tobacco sales laws — that means 12 percent of Iowa's retailers sold tobacco products to minors during the last round of compliance checks.

The sanctions for businesses that sell tobacco products to underage customers are more severe than individuals' fines. They are:

• First offense — $300

• Second offense within two years — $1,500 or 30-day suspension

• Third offense within three years — $1,500 or 30-day suspension

• Fourth offense within three years — $1,500 or 60-day suspension

• Fifth offense — Revocation (within 4 years)

There also are penalties for the clerks who sell the products:

• First offense — $100 fine

• Second offense — $250 fine

• Third offense — $500 fine

So what are we doing about it? The Iowa Pledge Program is a program that in conjunction with law enforcement provides education to local retailers. The program also encourages education within the schools to show consequences that result from tobacco use.

Studies have shown that with enforcement efforts and retailer education, illegal sales of tobacco to minors can be reduced. Similarly, studies support effective law enforcement as an essential component of a comprehensive statewide tobacco program.

**3. Big Tobacco Seeks $1.2 Billion Cut in Payments to States**

By Vanessa O’Connell - *The Wall Street Journal*

March 8, 2006; Page B1

State governments, addicted to billions in revenue from the tobacco industry, have begun to worry that they will have to cut back.

Forty-six states are expecting a total of $6.5 billion this spring, the latest in a series of annual payments stemming from the 1998 Master Settlement Agreement with major tobacco companies. But [Altria Group](http://online.wsj.com/quotes/main.html?type=djn&symbol=mo) Inc.'s Philip Morris USA and others say they expect to withhold $1.2 billion and are raising the possibility that they will seek similar cuts in years to come.

The 1998 agreement -- which requires big tobacco companies to pay $206 billion into state treasuries -- has been seen as a success by the states. At a news conference today in Washington, D.C., state attorneys general plan to release figures showing that U.S. cigarette consumption has dropped to a 55-year low. They credit the settlement, which, among other things, imposed sharp curbs on cigarette marketing.

![[Graphic]]()For budget-stretched state governments, the agreement has provided a windfall. So far, the tobacco companies have paid states $41.1 billion, with each year's payments based roughly on cigarette sales volume the previous year.

But the pact has also proved subject to interpretation. In the current dispute, Philip Morris, R. J. Reynolds Tobacco Co. and other major companies are citing an "adjustment" provision that allows them to cut their payments, after a two-year waiting period, if their collective market share drops below certain thresholds.

In 2003, the companies say, they hit such a threshold: The companies' collective share of the market dropped eight percentage points, from 99.6% in 1997 -- the year before the settlement -- to about 92% in 2003.

The companies inserted the adjustment provision into the agreement out of concern that they would lose market share to smaller upstart cigarette makers that would come into the market. The big companies have argued that, because smaller rivals -- such as S&M Brands, Inc., which makes Bailey's Cigarettes -- aren't subject to the marketing limits and cost burdens of the settlement, the small players can sell cigarettes at lower prices.

WALL STREET JOURNAL VIDEO

[![[Go to Video]]()](http://online.wsj.com/public/page/0%2C%2C8_0000-NjjW%7CQQd9aEY4C4oyLUFJN_8pQN%7CXCin-OrFRgKkgdO3qrVoN0uxIn3JrSZt3qtbq%2C00.html?mod=ARTICLE_VIDEO)

[WSJ's Vanessa O'Connell discusses](http://online.wsj.com/public/page/0%2C%2C8_0000-NjjW%7CQQd9aEY4C4oyLUFJN_8pQN%7CXCin-OrFRgKkgdO3qrVoN0uxIn3JrSZt3qtbq%2C00.html?mod=ARTICLE_VIDEO) the effects of declining smoking rates on big tobacco.

The states, in turn, argue that they have taken the steps required in the settlement to create a level playing field; they say they've enacted and enforced laws requiring the companies outside the settlement to set aside similar payments in escrow accounts. (Unlike the big companies' payments, the escrow money is refundable, but only after 25 years. Some of the smaller companies are suing the states over these laws.)

The provision also stipulates that the big tobacco companies must show that their market-share loss is significantly attributable to the burdens of the agreement and that the states didn't try hard enough to level the playing field.

The states have vowed to fight for the full payments. But they've already been hit with one setback: An independent arbiter's preliminary ruling, rendered March 1, found that the burdens of the settlement agreement were a significant factor in the market-share loss.

States have until March 13 to submit comments and arguments to the arbiter, the Brattle Group, whose final decision is due March 27. Meanwhile, the states aren't taking chances. Massachusetts, California and others have begun notifying the tobacco companies, as required under the settlement agreement, that they could sue the companies for the full payments. The states will argue that they have diligently enforced the settlement throughout the years.

"This is a long way from being final," said Tom Dresslar, spokesman for California Attorney General Bill Lockyer. California, which expected about $826.8 million in payments this year, could get roughly $158 million less.

A loss of revenues could be bad news for many states that have come to count on the billions flowing from the tobacco companies. The money has helped finance health-care programs, education and public works, and increasingly, general operating expenses. Many states have floated bonds secured by the payments. For fear that the money could stop, some states have passed laws to protect the cigarette companies from bankruptcy if they lose tobacco lawsuits.

![[Graphic]]()"It's important money -- and it's perpetual money -- and at this point, it is part of states' ongoing budgets," says Joy Johnson Wilson, director of the health committee at the National Conference of State Legislatures in Washington. "A major reduction that's not planned for would require some juggling."

Some observers think this fight could actually lead to a stronger agreement by making the two sides renegotiate. "Overall, we're not convinced that the major manufacturers will succeed in getting the $1 billion...but this battle could lead to another settlement [and] an ironclad partnership between the states and tobacco manufacturers," Bonnie Herzog, a tobacco analyst for Citigroup, said in a March 6 report.

The feud could resonate in the bond markets too. At least ten cash-strapped states and many cities and counties have issued almost $32 billion in bonds that are explicitly backed by the future flow of settlement money, according to Fitch Ratings. If the bonds are viewed as riskier, the states would be forced to pay higher interest rates.

Moody's Investors Service rates most tobacco securitizations as low investment-grade bonds "under review with direction uncertain." Moody's declined to comment on whether the latest dispute might trigger a downgrade.

The tobacco companies are optimistic. "We fully expect the final determination will be the same as the preliminary determination," Phillip Morris assistant general counsel Robert Buell said in a March 2 letter to PricewaterhouseCoopers. He wrote that Philip Morris "made an overpayment" for 2003 and thus is entitled to a dollar-for-dollar offset for what it overpaid, plus interest, totaling $1.1 billion. Thomas McKim, deputy general counsel at Reynolds, sent a similar letter.

Antitobacco health groups are skeptical. "The evidence is strong that the states have gone to great lengths to live up to their obligations under the master settlement agreement," said Matt Myers, president of the Campaign for Tobacco Free Kids, an antitobacco advocacy group.

**4. Bacardi CEO Sees More Consolidation**

By William Spain, *MarketWatch*

March 7, 2006

LAS VEGAS (MarketWatch) -- Bacardi USA is growing at a near double-digit rate, outpacing most of its competitors, according to the CEO of alcohol giant, who also said he expects further consolidation in the fast-compressing spirits industry.

After a speech at the annual Nightclub and Bar Show Monday, Eduardo Sardina told MarketWatch that closely-held Bacardi, best known for its eponymous rum, is growing revenue "at a 9% to 10% organic rate."

"If that is not leading the industry," Sardina said, it is close.

Sardina noted that in addition to its rum, the company's Bombay Sapphire gin and Dewar's scotch brands are also seeing volume gains, bucking trends in their respective categories, while Grey Goose vodka, which the company acquired in 2004 continues to grow as well.

He said the company continues to focus on growing its brands and declined to comment on whether it is in or on the market.

But Sardina did say that further consolidation in the business, like last year's buy-out and break-up of Allied Domecq by Pernod Ricard (FR:012069: news, chart, profile) , Fortune Brands and Diageo is inevitable. "Another shoe will drop," Sardina said.

For the last several years, Bacardi, and Wall Street, have made occasional noises about the 140-year-old company going public. But Sardina said there is no short-term plan for the No. 3 spirits company to launch an IPO.

"There have been no conversations at the board level recently [about an IPO], he said.

**5. Miller CEO: Beer at a Crossroads**

By William Spain, *MarketWatch*

March 6, 2006

LAS VEGAS (MarketWatch) -- In another public acknowledgement of domestic beer's woes, the chief executive of Miller Brewing told a crowd of bar owners Monday that the industry is at a "critical crossroads," as it faces flat growth and surging competition from other alcoholic beverages.

After decades of innovative marketing that brought beer's share of the market to about 61% in the mid 1990s, brewers fell into a pattern of "sameness in message, sameness in look and sameness in our products," Norman Adami told attendees at the annual Nightclub & Bar Show here.

Companies like Miller, a unit of SABMiller (UK:SAB: news, chart, profile) , and archrival Anheuser-Busch (BUD : Anheuser-Busch Companies, Inc.) were once among the country's "ideal marketers, right up there with the Nikes and the Apples," he added.

But as consumers began to look for more personalization and sophistication, Adami noted, the business failed to catch on quickly enough. Brewers stuck to the formulas that had worked before: mass-advertising campaigns with lots of bikinis and bad jokes.

"We were promoting sameness and increasingly going lowbrow. It is as if we were promoting beer as the official beverage of the knuckleheads," the executive said. Yet the consumer "was looking for more diversity and style."

As a result, the growth of wine and spirits is "significantly outpacing the growth of beer," Adami asserted, with the exception of imports and microbrews, which continue to grow at a good clip.

To fight back, Miller is overhauling the packaging and marketing of its big domestic brands, including Lite, Genuine Draft and High Life, while heavily promoting imports including Pilsner Urquell and Peroni.

After some very tough years, "Miller has basically been able to stabilize its portfolio and we feel we have established a platform for sustainable growth," Adami told MarketWatch after his speech.

He added that he sees some signs of "a reawakening in the American beer business. I believe the industry is going to get its marketing mojo back."

**6. RUSSIA: Heineken Brings Budweiser to Russia**

Source: *just-drinks*

March 6, 2006

Anheuser-Busch is to enter the fast-growing Russian beer market after securing a brewing and distribution deal with Heineken.

Heineken is to handle A-B’s flagship Budweiser brand in Russia with brewing set to begin at the Dutch brewer’s St Petersburg brewery in the next few months.

Budweiser will enter Russia’s international premium beer segment, a category in which a number of global brewers, including Heineken, have a presence.

Nevertheless, Heineken insisted that Budweiser would complement its existing Russian portfolio and could be sold alongside the Heineken brand.

"We are sure that the Bud brand will fit perfectly within our existing brand portfolio. It will allow us to strengthen our position in the fast growing licensed segment of the Russian beer market," Heineken Russia CEO Roland Pirmez said today (6 March).

The deal is not the first time that the two brewers have joined forces. Heineken brews Budweiser in Italy and distributes the brand in Poland and the Canary Islands.

Andrew Day, vice president for international operations at Anheuser-Busch International, told just-drinks: "Bud will appeal to Russian beer drinkers who appreciate its crisp, clean refreshing taste and its American image. Heineken is a different style of beer. Marketing and distribution plans for Bud in Russia will be announced at a later date.

"Heineken has excellent marketing and distribution systems in Russia and shares our commitment to building the Bud brand in this country. We have a strong partner to help us expand our business in this fast-growing international beer market."

**7. Alcohol Sales Surge 'On Premise'**

By William Spain, *MarketWatch*

March 3, 2006

**Importance of bars, restaurants increasing for industry**

CHICAGO (MarketWatch) -- Catching the bartender's eye has never been so important. As thousands of drink pourers, tavern owners and chain executives arrive in Las Vegas for the annul Nightclub & Bar show this coming week, Big Alcohol will be pulling out all the stops to get their attention with everything from lavish parties to new products designed to their jobs easier and/or more lucrative.

And for good reason: If the sales made at restaurants and bars still account for a relative fraction of all the alcohol consumed by volume, "on-premise" has increasingly become the place where beverage brands old and new will rise -- or fall.

"The on-premise channel is critical to getting brand exposure, trial and even brand imaging," said Marty Birkel, president of Barton Brands, a unit of Constellation Brands Inc. "With our high-end Effen vodka, the whole strategy revolves around on-premise. And we doubled the size of the brand last year."

The percentage of beer, wine and liquor consumed in bars and restaurants as opposed private settings varies greatly by beverage and brand -- and from company to company. That makes an exact figure difficult to determine although most estimates put it at roughly one-quarter of the total.

While most alcohol products are growing at a lively clip across the board, on-premise sales are growing faster still.

In spirits, on-premise volumes grew an estimated 6.3% in 2005, according to David Ozgo, chief economist of the Distilled Spirits Council, a trade group. That compares to overall growth of 3.9% while on-premise revenues grew by 11% vs. 7.5% in all channels.

"The trend we see across the spectrum, a shift to toward high-end super-premium brands is even stronger in the on-premise," Ozgo said.

Hudson Riehle, head of research for the National Restaurant Association, sees the same trend, with 3 out of 4 of the group's members reporting that alcohol made up a greater proportion of sales in 2005 than it did two years before.

The percentage currently stands at a median 16% across all restaurant categories, he said, "but as the check per person increases, the proportion of [drink] sales also increases."

That has gone hand-in-glove with another movement: As Americans eat out more often, they are also doing much of their drinking the same way.

"The incidence of people going out for a meal has grown, and the on-premise spirit business has picked up with that -- and at an even more rapid rate," said Bill Anderson, vice president of sales for privately held Bacardi USA, the No. 3 spirits company.

Bacardi has shifted more marketing resources into the area as a result of that and several other factors, Anderson said, and it now sells about 30% of its total U.S. volume on-premise, with even higher percentages for its top-end brands like Grey Goose vodka, which is closer to 50%.

The company makes no more money on a bottle of rum or gin sold by the glass than one moved through a supermarket, he said, but higher on-premise sales keep one key constituency very happy.

"It is more profitable for our distributors," he said, because the generally smaller nature of the accounts means that "discounts aren't so deep."

That is at least partly because consumers aren't looking for them. As opposed to a retail store setting, where a shopper is more apt to factor in price when choosing a liquor or beer brand, the "call," or brand, is the thing when he or she bellies up to the bar.

When just buying a cocktail, "there is a lower financial outlay," said James Thompson, president of Diageo's Global Smirnoff unit. A $10 drink costs less than a $50 bottle, he noted, making even the most expensive tipples "more affordable, more accessible," he said.

"Someone may not be able to able to afford to stay at the Four Seasons but they can afford to drink at its bar," Thompson said. "And it's an opportunity for people to taste the products first before they buy them later."

Aggressive on-premise marketing is often cited for the distilled spirits industry's success at stealing market share from beer. After decades of reliable year-over-year growth, domestic brewers have more recently seen their volumes flatten out, or even drop. And they have responded by stepping up their efforts in the arena, rolling out new products and pushing harder behind old ones.

"We will never be left behind. You know that," said Steve Uline, vice president of geographic marketing for Anheuser-Busch "We got more aggressive at the start of 2005. On-premise is where we make one-on-one connections through trial and sampling. The loyalty we build on-premise translates into off-premise," sales.

The advance by spirits companies "is not so much making us play catch-up... but they are doing some things we need to take a look at -- they are making us become more innovative," said Greg Miller, manager of national on-premise marketing for the Miller Brewing unit of SABMiller

Miller sells more than half its beer on-premise "and we need to hit this channel of business to be successful."

It spends a lot of time and effort pushing blind taste tests that pit its Miller Lite brand against Bud Light, "and we have had a pretty successful 80% constantly," Miller said

With the stakes so high, it is not a cheap place to play, noted Tim Laird, director of trade marketing for Brown-Forman which makes Jack Daniel's whiskey and Finlandia vodka, among other spirits and wine brands.

Promotional programs can involve training wait staff or hiring people to go out and get folks to try a particular brand. At the same time, the rules governing what an alcohol company is allowed to do on-premise vary wildly from state to state. That can mean far greater outlays of time and money than are required for retail programs.

"If you look at the cost per case it's a little alarming," Laird said, although there are multiple payoffs.

"That's where you want to be to get trial and consumer awareness. Compared to retail, it is definitely more costly but it is almost like a commercial. I am also getting impressions -- brand impressions," Laird said.

**8. The Return of Riesling**

Source: *Wall Street Journal*

March 3, 2006; Page W8

**Why a Great German Grape Is Big in the U.S. Again; A Small Margin for Error**

U.S. wine imports from which of these countries increased almost 30% by volume last year?

a. France,

b. Germany,

c. Australia, or

d. Italy.

Surprise: The answer is Germany. France rose a bit, after two years of declines, according to figures from the U.S. Department of Agriculture. Australia was up more than 10%, but still didn't outstrip No. 1 Italy, whose imports rose almost 9%.

The jump in German wine imports has been a long time coming. Imports dropped by half between 1989 and 1994 and then flatlined until 2000, when they began to creep up. Given the history, last year's boost was extraordinary, though the total amount of German wine imported into the U.S. is still relatively small: around 2.7 million cases, about a tenth of Italy's.

In a tasting of German Kabinett Rieslings from recent vintages, these were our favorites.Americans have been lukewarm toward German wines for years because they associate them -- and Germany's great grape, Riesling -- with the sweet, simple wines of their youth (the wines that probably accounted for a great deal of the imports back then). But there has always been a gulf between regular wine drinkers, who shun German wines, and wine merchants and wine writers, like us, who never tire of beating the drum for these wines, which we find highly drinkable, beautifully made and great with all kinds of food.

Finally, it seems like someone is listening. Asked if he has been selling more German wine in the past year, Bob Gorman, partner at the Wine Warehouse in Tallahassee, Fla., answered with two words: "Big time." He added: "Initially this took a patient hand-sell to bring the person over and say, you want this bottle." Now, it's much easier. "You know how the pendulum is and how trendy we are," he told us. "We are always looking to be on the cutting edge. People are looking for new things."

Sales of German wine have doubled in the past year at the Vintage Wine Shoppe in Birmingham, Ala. "We have worked hard to make that happen," says owner Patti Davidson. She has brought in German winemakers for tastings, for instance. "You've got to let people taste to appreciate wines, especially ones that they're afraid of," she says. She also says that, with America's growing interest in wine, "the White Zinfandel people are trying new things and Riesling is the first place they go." She says they first try one of the increasingly available American Rieslings, perhaps from Washington, and then make the jump to German. "Washington is the bridge to Germany," she adds.

In Zionsville, Ind., Doug Pendleton of the Grapevine Cottage agrees about the growing interest, partly because wine merchants' hard work in the German aisle is paying off. "On Saturdays, the number of people who come into the doors of a wine store with a menu in hand is daunting, and when the word 'spicy' comes out, that is where they're led," he says.

Paul Provost, general manager of Table & Vine in Northampton, Mass., says interest in German wines is rising for a simple reason: price. "In part, the price point of German Riesling has remained pretty constant while the rest of the world has been going up," he told us. "So it looks more and more like the value it has been for three decades."

German vintners also are finally making simpler, more attractive labels, and some are using informal screwcaps. And Sherwood Deutsch, owner of Century Liquors in Rochester, N.Y., offers another explanation: The wines are better. He says a new generation of German winemakers has raised the bar, which has also helped to wake up some long-time winemakers who had gotten complacent. "Wine techniques got better elsewhere and the Germans fell behind," he says. "They're coming back now."

**9. A-B Reveals Upturn in Domestic Beer Volumes**

Source: *just-drinks*

*February 24, 2006*

Anheuser-Busch has said domestic volumes are beginning to grow again as it looks to bounce back from a disappointing 2005.

"We have restored the volume growth momentum of our domestic beer company," Anheuser-Busch president and CEO Patrick Stokes told the Consumer Analyst Group of New York Conference yesterday (23 February).

"We are in the process of restoring revenue per barrel growth through the implementation of our 2006 price plan, and are working to restore cost stability through a number of cost reduction programmes."

Stokes pointed to rising US volumes in the second half of last year, growth that boosted A-B’s domestic market share in the face of growing competition from Miller Brewing.

That momentum has carried over into 2006, he added, with wholesalers’ sales-to-retailers until the middle of February up 2.9%.

A-B has moved to raise prices again after becoming embroiled in a price war last year with Miller. Stokes said he expects to see "a more favourable pricing environment" in the US this year with prices increasing across the industry.

W. Randolph Baker, A-B’s vice president and CFO, said the brewer was targeting average annual earnings per share growth of 7%-10% but could not give specific guidance for this year.

**10. Beer Baron Buffett Goes Light on Bud**

By Christopher Tritto - *St. Louis Business Journal*

February 26, 2006

Since raising his glass and becoming Anheuser-Busch Cos. Inc.'s largest shareholder last year, Warren Buffett has backed away from his investment a bit. The nation's largest brewer has seen its share price continue to slide over the past year, and it appears the Oracle of Omaha -- better known for his interest in Coke than Bud -- is trying to minimize a hangover.

Buffett's holding company, Omaha, Neb.-based Berkshire Hathaway Inc., held about 9.5 million Anheuser-Busch shares at the end of 2004. Berkshire made its big move early last year, apparently taking advantage of the brewer's softening stock price. Buffett increased his stake to 40.5 million shares by March 31, before peaking at 46.5 million shares by June 30, according to filings Berkshire Hathaway made with the Securities and Exchange Commission (SEC).

Anheuser-Busch's share price fell gradually during that period from about $50 a share to about $45 a share. Since mid-2005, it has continued to slip, closing Feb. 22 at $41.70 a share.

Despite his typical long-term investment position, Buffett began to temper his beer binge last summer. Between June 30 and Sept. 30, he sold more than 1.8 million shares. He divested another 856,800 shares during the last quarter of 2005. After soaking up 37 million shares of suds in six months, Buffett dumped nearly 2.7 million shares as Anheuser-Busch's stock price continued to decline.

When Anheuser-Busch first disclosed on April 21, 2005, that Berkshire Hathaway had become a "significant" shareholder, the brewer's stock price enjoyed a spike. Shares jumped $2.94, or 6.52 percent, to close at $48.04 a share with 12.9 million shares changing hands.

Buffett's stock sales haven't generated a clear reverse reaction, but his moves are receiving at least preliminary attention by investors and analysts. Observers will be focused on whether Buffett is simply tweaking his position or beginning a larger sell-off.

"I think it's worth noting, but our initial take is that it's more about fine tuning than about a major change in opinion," said Mark Swartzberg, a beverage industry analyst with Stifel, Nicolaus & Co. in New York. "He's known as a long-term value investor."

Buffett remains Anheuser-Busch's largest shareholder. With nearly 43.9 million shares valued at about $1.8 billion, he owns 5.6 percent of the company. Barclays Global Investors of San Francisco is the second-largest owner with 42.7 million shares, or 5.5 percent, of Anheuser-Busch under its control, according to Anheuser-Busch's preliminary proxy statement filed Feb. 17 with the SEC.

By comparison, Chairman August Busch III and his son, brewery President August Busch IV, control 11.5 million Anheuser-Busch shares, including options, combined. That represents about 1.5 percent of the company. Chief Executive Patrick Stokes controls about 6.3 million shares, or 0.8 percent. All 30 of Anheuser-Busch's directors and executive officers as a group control 29.5 million shares, or 3.8 percent of the company.

Anheuser-Busch has struggled with flat beer sales and increased competition from wine, spirits and rival breweries. Anheuser-Busch's estimated domestic market share for 2005 was 48.7 percent, down from 49.6 percent in 2004, according to its most recent earnings report. Anheuser-Busch's net sales grew less than 1 percent to $15 billion last year from $14.9 billion in 2004. Net income fell nearly 18 percent from $2.2 billion in 2004 to $1.8 billion in 2005.

Over the past two years, Anheuser-Busch's stock price has steadily fallen from about $55 a share to around $41 a share today.

To turn the tide and regain momentum, Anheuser-Busch has introduced and market-tested a variety of new products, including Budweiser Select, Tilt caffeinated malt beverage and Spykes flavored malt beverages. It also has introduced innovative new packaging, including plastic labels for its glass bottles and aluminum beer bottles. During the Super Bowl, the company also used one of its commercial slots to launch a nonbranded campaign called "Here's to Beer" designed to enhance the overall image of the beer industry.

As import and high-end specialty beers remain a bright spot in the industry, Anheuser-Busch announced Feb. 22 a deal that will make it the U.S. importer of the Netherlands-based Grolsch lineup of beer brands. The U.S. import category represents about 12.4 percent of the total U.S. beer market and accounted for about 25.6 million barrels sold last year. The category grew about 7.2 percent in 2005 and has experienced an average annual growth rate of 5 percent over the past five years.

**11. SABMiller Ready for "New Challenges"**

Source: *just-drinks*

February 24, 2006

SABMiller has revealed it faces "new challenges" in the US, three years after it entered the market.

The brewer, which entered the US beer market in 2002 when South African Breweries bought Miller Brewing, said it had achieved its objectives in "stabilising" the business.

However, Miller Brewing president Norman Adami said the company faced "new challenges" to grow sales further.

"The Miller business is now moving into what we are referring to as the ‘step up’ phase, in which we will begin to demonstrate that we can indeed restore our overall portfolio to growth," Adami told the Consumer Analyst Group of New York (CAGNY) annual conference yesterday (23 February).

Adami said the brewer would look to "strengthen" the brand positioning of Miller Lite, while establishing a "clear and bold brand position for Miller Genuine Draft".

He added: "(We will) ensure that Miller High Life and Milwaukee’s Best weather the likelihood of ongoing price pressure within the economy segment led by the industry leader."

SABMiller chief executive Graham Mackay told the CAGNY conference that he believed the brewer’s exposure to the world’s emerging beer markets would stand the company in good stead in the long-term.

"In most markets, we see strong trade up trends across most consumer product categories. Here in America and in other developed markets, that means growth in wine and spirits, and a move to premiumisation within the beer market.

"In the rest of the world however, the opportunity is far greater, as consumers trade up from lower quality, cheap beer, into modernised mainstream products and then on into what we refer to as ‘worthmore’ brands.

"Consumers are also moving into beer as an aspirational mainstream alternative to cheap spirits, or other types of local indigenous alcohol. This is increasing beer’s share of total alcohol across the emerging market landscape and there is a long way to go."

**12. What Wal-Mart Wants, Wal-Mart Gets for Its Shelves**

Source: *International Herald Tribune*

March 8, 2006

Last year, Coca-Cola was preparing to introduce a new diet soda, to be called Coke Zero. But executives at Wal-Mart Stores, the largest U.S. retailer, thought they had a better idea.

They wanted a drink that contained Splenda, an artificial sweetener that had been selling extremely well at Wal-Mart, especially to women. Coke Zero was sweetened with aspartame, an older, low-calorie sweetener.

So Coke executives went back to the drawing board and in May introduced a new drink called Diet Coke with Splenda. The company used the name Coke Zero on another new drink a month later.

Coke's new game plan underscores Wal-Mart's growing power in the grocery business. With nearly 2,000 supercenters in the United States and plans for 280 more this year, Wal-Mart is the country's largest food retailer, according to Retail Forward, a research firm in Columbus, Ohio. Figures from food and beverage companies indicate that Wal-Mart represents 14 percent to 18 percent of all food and beverage sales.

**As Wal-Mart hunts for ways to take costs out of its grocery business and offer popular items that can help lure customers into its stores, the company has become more involved in creating the products it sells and deciding how those products get onto Wal- Mart's shelves.**

Wal-Mart has a similar collaboration with Pepsi, and has even pushed Coke to change the way it distributes its sports drink, Powerade, to Wal-Mart.

This approach mirrors Wal-Mart's general strategy of urging vendors to provide the products Wal-Mart wants, at the price it wants.

In the laundry detergent business, for instance, Wal-Mart has been pushing manufacturers to make superconcentrate versions that require less packaging and shelf space. Wal-Mart would not comment for this article.

Other supermarkets typically collaborate with large food and beverage manufacturers to promote products and create in-store displays, though they rarely play a role in new product offerings or distribution.

But Wal-Mart is special. "Wal-Mart is the 800-pound gorilla," said Ted Taft, managing director at Meridian Consulting Group in Westport, Connecticut. "You're going to want to do more things for a customer who is growing as fast as Wal-Mart is."

Food and beverage makers are finding that playing ball with Wal- Mart is wise. If they cooperate, they stand to do more business with Wal-Mart, get better and larger space on Wal-Mart shelves and increase sales. "If you don't respond," Taft said, "your competitor will."

The enormous leverage Wal-Mart has with its vendors is evident in Bentonville, Arkansas, where Wal-Mart is based. The vendors, including Coke and Pepsi's largest bottlers and other food and beverage makers, occupy nearby office buildings. The migration has turned Bentonville's once-quiet rural landscape into a booming metropolis. Kraft and Kellogg, for instance, both get 14 percent of their total sales from Wal-Mart. General Mills gets 16 percent.

Pepsi, Coke's rival, has responded similarly to a Wal-Mart product request. Wal-Mart executives asked Pepsi sales representatives in Bentonville to come up with a new diet soda in flavors not widely available.

PepsiCo, which gets 11 percent of its North American sales from Wal-Mart, said that after the request from Wal-Mart, the company quickly set about creating a new diet soda line called Slice One, initially to be sold only at Wal-Mart, starting this month. The beverage contains Wal-Mart's preferred sweetener, Splenda, and comes in orange, berry and grape flavors.

A Pepsi spokeswoman, Nicole Bradley, said that if the test of Slice One in Wal-Mart was successful, the soda would be sold by other retailers. "Pepsi is willing to undertake similar efforts for any retailer interested, provided it makes economic sense," Bradley said.

After milk, eggs, bread and bananas, soda is the highest-volume item in grocery stores. In recent years, sales of regular soda have been declining, while sales of diet soda have boomed. But even more recently, diet soda sales have tapered off, with unit volumes up just 0.4 percent for the 52 weeks that ended Jan. 28, according to ACNielsen.

Bill Bishop, president of Willard Bishop Consulting, a retail consulting firm in Barrington, Illinois, says Wal-Mart's product ideas are often inspired by sophisticated product sales data from Wal-Mart stores. "It's a collaborative process, where Wal-Mart gives vendors all this data and then they help Wal-Mart analyze it," Bishop said.

Diet Coke with Splenda, which is sold at other retailers as well, has sold between 20 million and 25 million cases in total, said John Sicher, the publisher of Beverage Digest. Sicher said that was a "modest" performance for a new soda.

Sometimes Wal-Mart's demands can cause unhappy ripple effects for a supplier. When Coke agreed to Wal-Mart's request to change its delivery system for Powerade, some of its smaller bottlers felt burned.

Coke and its largest bottler, Coca-Cola Enterprises, say Wal- Mart asked them to start delivering Powerade directly to Wal-Mart warehouses. Wal-Mart declined to explain its reasons for the new distribution system. But a bottling executive, who requested anonymity for fear of alienating Wal-Mart, said the retailer thought it could do a better job of stocking and promoting Powerade in its stores than the bottlers could.

"They're saying, 'I've got better ability to execute it through my stores with my people. So if you can fit into my world, I can help you,'" the executive said.

Another beverage industry executive who also did not want to be named said that Wal-Mart executives were upset because when Powerade Option, a diet drink, was introduced last September, not all of its stores were initially able to obtain the product. Unlike Coke's soft drinks, which are produced by 75 bottling companies around the country, Powerade is made at Coke-run facilities and then distributed through the many bottling companies.

A group of Coca-Cola bottlers has filed suit to block a national introduction of the new distribution system, saying the arrangement violates their contract.



**13. 2 Will Serve 10 Days For Giving Alcohol To 14-Year-Old**

*KETV.com*

March 9, 2005

**Girl's Father Reports Alcohol Poisoning Of His Daughter**

PACIFIC JUNCTION, Iowa --Two Iowans will serve jail time for giving 100-proof alcohol to a 14-year-old girl.

The Pacific Junction girl became violently ill over the weekend and was rushed to a local hospital. Just after 10 p.m. Friday, Ralph Gale called the Mills County Sheriff's Office to say his daughter was showing signs of alcohol poisoning.

"You better get the sheriff down here," Gale said in a 911 tape.

The officer on scene reported that the girl "could not speak due to her level of intoxication. Victim began to vomit in her bed and I requested rescue."

Further questioning revealed that two young men had given her Ice 101 -- a strong type of peppermint schnapps. The product is more than half alcohol by volume, which is more than vodka or whiskey.

On Wednesday, Terrence Urwin, 20, admitted providing alcohol to a minor. Christopher Corbett, 19, has also pleaded guilty. Corbett admitted giving alcohol to Urwin, who gave it to the young girl. Both men are serving 10 days in jail.

Mills County Attorney Marci Prier said she's frustrated by that sentence because the pair could be serving up to two years. Because Urwin and Corgett themselves are underage, the lighter sentence is mandated by law.

Officers said they're still looking for whoever helped the young men get the alcohol.

The victim's brother said she is doing better and has been released from the hospital.

**14. Americans Buy Fewest Cigarettes Since 1951**

By Kevin Dobbs, Staff Writer – *Des Moines Register*

March 10, 2006

### A new report also finds a 21 percent decrease in smoking since 1998.

The perils of cigarettes have burned smoking out of public favor.

The number of cigarettes sold to Americans last year — 378 billion — was lower than in any year since 1951, despite a doubling in the U.S. population since that time, the National Association of Attorneys General says in a new report.

The group analyzed federal data on cigarette sales and found a 4.2 percent drop last year, continuing an eight-year decline that dates to the legal settlements Iowa and other states reached with big tobacco companies in 1998. Since then, smoking has dropped 21 percent.

Iowa Attorney General Tom Miller, co-chairman of the association's tobacco committee, touted the drop as "a huge public health success." He called it evidence that higher cigarette costs, strict limits on tobacco advertising to youth, and quit-smoking campaigns work. States have spent part of the money received from tobacco companies to launch those campaigns.

The Campaign for Tobacco-Free Kids, however, issued a report last year that found most states do not spend as much on anti-tobacco programs as the federal government recommends. Iowa spent about $5.6 million, or about a third as much as recommended, according to the nonprofit group's report.

Tobacco-Free Kids ranked Iowa 30th among states in its spending. It concluded that Iowa and other states are reliant on cigarette tax revenue and can't afford to cut tobacco sales dramatically.

But Miller said the new report shows the opposite.

"The continuing long-term decline shows that we are winning the battle against cigarette smoking," he said.

Tobacco nevertheless remains the nation's leading cause of preventable death, killing more than 400,000 Americans each year.

One in five Iowans still smokes, and the Iowa Department of Public Health estimates smoking costs the state about $617 million every year in medical bills and lost earnings.

**15. For Whom the Trade Show Tolls**

By William Spain*, MarketWatch*

March 9, 2006

**Commentary: Wine, spirits and weird drinks in Las Vegas**

LAS VEGAS (MarketWatch) -- Of all the trade shows in all the towns in all the world, Big Alcohol has to walk into this one.

Part product showcase, part training seminar and pretty much Carrie Nation's worst nightmare, the Nightclub & Bar Show drew about 40,000 souls from all facets of the beverage business to Sin City this week.

And on display were some of the trendiest, weirdest (and occasionally superlatively tasteless) drinks and drinking accessories to be found anywhere. The annual event features pretty much everything a saloon keeper could ever need, from fog machines to fake I.D. detectors; confetti guns to cognac; shot glasses to scotch; dance floors to dark beer.

While beverage companies of all kinds exhibit, the preponderance of the floor space is given over to the hard stuff. Most the major brewers and distillers, and plenty of minor ones, spend enormous amounts of time and money marketing to the "on-premise" trade, and this is the one place they can reach thousands of bar owners and chain executives in one fell swoop.

The big players were joined by dozens and dozens of smaller outfits like Vampire vodka (a red, viscous version of the popular hooch) and Scorpion mezcal (which puts its namesake arachnid, rather than the more traditional worm, in its bottles).

Particularly hot this year: Cachaca, a Brazilian version of rum made with the first squeeze of the sugar cane instead of molasses; mojitos, the sugar, mint and rum cocktail favored by Ernest Hemingway; and anything to do with high-end tequila.

The show is a popular place to launch new products, which are usually made - or broken - in bars and restaurants. Anheuser-Busch, for instance, used it to debut its new Peels line of fruity malt-based beverages targeted at women, along with Jekyll & Hyde, its first-ever distilled spirit offering

Meanwhile, Coca-Cola was serving up Blak, a coffee-infused version of its classic soda pop and Heaven Hill touted Pama, a pomegranate-flavored liqueur it hopes will to tap into a current obsession with the once-obscure fruit.

"There were over 200 new pomegranate products of all kinds launched in the first nine months of 2005," said Heaven Hill's Reid Hafer, but her company has the only liqueur, at least for now. Designed to be sipped straight, mixed into other cocktails - or even cut with champagne - Pama will likely only have the field to itself for a short time. "We are counting the months," until an imitator arrives on the scene, Hafer said.

Among the other more unusual products available at the show:

Catalyst, a malt-energy drink hybrid that is not only 6% alcohol, but packs the caffeine punch of two large cups of Starbucks.

Ntidote, a Thailand-made hangover cure complete with guava leaf and dandelion extracts.

Suck & Blow, which as the "first and only beverage designed for two" is a wine-based beverage in a plastic cylinder with a mouthpiece on each end.

Celebrity vodkas, including those carrying the monikers of basketball coach Jerry Tarkanian and Johnny Carson sidekick Ed McMahon, both of whom were on hand to sign autographs.

Shooter Buddy, which claims to replicate the power of the earth's magnetic field to age one's favorite tipple "10 years in 10 seconds."

Voyant Chai Cream liqueur, perhaps best described as the tea-drinker's answer to Kahlua.

Gel-Shotz, shelf-stable invidually packaged jello shots made with neutral grain spirits, with new flavors due out every 4 to 6 weeks.

Little Krugy, a single serving of German cream liqueur in a see-through plastic shot glass made to resemble a sperm.

The Flea-Flicka, a combination ring and bottle opener that comes in brass, brass with gold plate or solid silver.

The sample sizes handed out were generally tiny sips of spirits or a few ounces of beer, but there were literally hundreds on offer. And while staggers were rare in this crowd of industry pros, few if any were feeling much pain as the day wore on.

That is until they got to the Diageo booth. Alone among its competitors, the maker of Smirnoff, Johnnie Walker, Guinness and a multitude of other alcohol was pouring not a drop to drink. Instead the company opted to simply show photographs chronicling the devastation wrought by last year's hurricane while soliciting donations for its victims. About the only "branding" in evidence was a bust of Captain Morgan it was auctioning off for the same purpose.

But the British alcohol behemoth was not the only one to conjure up the killer storm. Scant yards away, the New Orleans-based National Fruit Flavor Company hawked a "Hurricane Katrina (Category 5)" drink mix.

