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| *August 11, 2006* | |

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**I. NATIONAL NEWS.**

**1. More Teens Shopping For Alcohol Online - Very Few Safeguards In Place**

August 3, 2006

MADISON, Wis. -- The ease of buying alcohol online hasn't changed over the years, but now more teens know about the practice.

With an Internet search engine, teens have access to arguably the largest liquor store, WISC-TV reported.

"It's a significant problem," said Attorney General Peg Lautenschlager. "We're not sure to the degree of the problem."

A 2003 National Academy of Sciences Report showed 10 percent of teens are buying their alcohol online, and the number continues to grow.

"Some places they're used to, like MySpace.com -- word travels fast through sites like that," said Mary Beth Manning from Aro Counseling.

A Web site named pointclickdrink.com shows how easy it is for teens to buy alcohol online. In a video on the site, an underage teen is seen ordering a bottle of liquor online, and it arrives days later without any questions asked.

"Our students, our young people are very computer-wise, so they know how to get at this and word travels fast," Manning said.

Lautenschlager said that hopefully Congress will recognize the importance of the issue and tackle it.

Lautenschlager, along with 34 other attorneys general across the country, have tried to ban these purchases. But a recent Supreme Court ruling found it violates the Dormant Commerce Clause.

"The bottom line is still unless we have the tools to limit, we really have an enforcement nightmare on our hands," Lautenschlager said.

Twenty-one states currently have laws on the books banning online sales of alcohol, but Lautenschlager said those likely would be tossed out in court due to the Dormant Commerce Clause.

Experts advised concerned parents to keep a watch on what their kids are doing online. They also suggested parents look at credit and debit cards statements and watch for a change in behavior, which can be a sign of drug abuse.

<http://www.channel3000.com/news/9626983/detail.html>



**2. Who is Minding the Internet Liquor Store?**

By Lea Thompson, Chief consumer correspondent - *NBC News*

August 9, 2006

**An NBC News investigation finds it easy for underage drinkers to buy online**

WASHINGTON - While watching the movie Eurotrip last summer, incoming college freshman Rich DiBella and his buddies had an idea.

"The people in the movie had like this trippy hallucination, [a] weird feeling, and we wanted to see if the drink would give us the same feeling," he says.

The drink was 136-proof absinthe, and so their parents wouldn't find out, the teenagers ordered it online with a Visa gift credit card they got at a local bank.

"It's a lot easier because there's no ID'ing," says DiBella.

According to a new survey to be released Thursday, one in 10 teenagers have an under-aged friend who has ordered beer, wine or liquor over the Internet - more than a third think they can easily do it - and nearly half think they won't get caught.

"There hadn't been the evidence and now we have the evidence," says Juanita Duggan, with the Wine and Spirits Wholesalers of America.

The survey was paid for by Duggan's trade group, whose members compete against online sales, but clearly there is a problem. Massachusetts, Texas and Virginia have launched undercover investigations of online sales to minors and they all found it very easy to do.

So did NBC News. Two packages were delivered to a state where mail order alcohol is illegal - one was delivered to a 15-year-old who happened to be standing in the front yard, no questions asked. Only one came marked as alcohol. The others came in brown paper wrappers. There is no indication anywhere wine is in one, grain alcohol in the other.

And some online sellers blatantly flaunt the law. One Web site says it ships "discreetly in plain packaging." It warns making absinthe is illegal, but adds: "Don't worry we don't think the Feds will shoot a stun grenade through your window for placing a little online order."

What about those kids and their bottle of absinthe?

"It was just more of getting drunk fast and very, very drunk compared to like a beer or something like that," says Rich DiBella.

But he won't be ordering absinthe again. Not because it's illegal, but because he didn't like the taste.

<http://msnbc.msn.com/id/14271378/>



**3. Teens Not Rushing Online to Buy Wine, Survey Shows**

**By Donna Leinwand, *USA Today***

August 9, 2006

A year after the Supreme Court made it easier for wineries to ship products to customers in a different state, a new survey indicates that teens haven't necessarily rushed to use the Internet to buy alcohol, as critics of the court's decision have feared.

The survey by Teenage Research Unlimited (TRU) in Northbrook, Ill., found that 2% of youths ages 14-20 reported having purchased alcohol online, and that 12% reported having a friend who had ordered alcohol online.

The survey was commissioned by the Wine & Spirits Wholesalers of America, a trade group that opposed the court's decision allowing direct shipments from wineries to customers in different states.

Such bans on interstate sales were part of an alcohol distribution system that has required wineries, breweries and distilleries to sell their products to state-licensed wholesalers, which sell the products to liquor stores. The wholesalers group argued that besides cutting its members out of such sales, the court's ruling allowing interstate sales online made it easier for teens to buy alcohol without having to go through face-to-face transactions that require them to present an ID.

It's unclear how many teens were buying alcohol online before the court's ruling, but the TRU survey suggests such purchases are rare. The survey of 1,001 people ages 14-20 found that nearly all of those surveyed had Internet access at home and that about one-third were aware that alcohol could be purchased online. Fewer than 10% of the youths surveyed said they had browsed a website that sold alcohol. By contrast, 80% reported having browsed a sexually explicit site.

Tom Riley, spokesman for the White House Office of National Drug Control Policy, said the survey indicates online alcohol sales to teens aren't a major problem, but he warned that could change. "While online sales of alcohol have not yet been a big part of the addiction problem, parents need to learn what teens already know: that the drug dealer who used to lurk in the seedy side of town is now just an e-mail or a URL away from your home."

However, Juanita Duggan of the wholesalers group called the survey results "shocking" and said she expects the number of teens ordering alcohol online to rise. "This is new, hard evidence that should really shake up this debate about direct sales. Every state has a policy choice to make."

Many states are revisiting their alcohol sales laws to comply with the court's ruling, which said New York and Michigan's bans on interstate sales illegally hindered commerce.

<http://www.usatoday.com/tech/news/2006-08-09-survey-online-alcohol_x.htm?POE=NEWISVA>



**4. Duty-Free Stores' Lament: 'Everything Here Is Liquid'**

By Christina Passariello and Vanessa O’Connell – *Wall Street Journal*

August 11, 2006; Page A7

LONDON -- The world of whisky at Heathrow Airport's Terminal One is usually brimming with passengers stocking up on big bottles of liquor before boarding their flights. Yesterday, sales slowed to a trickle. "Everything here is liquid," moaned a salesman, Michael Davis.

Duty-free and other airport retailers world-wide are bracing for a massive slowdown in sales, after U.K. and U.S. authorities yesterday banned liquids, creams and gels from passengers' carry-on bags, following a foiled plot to blow up U.S.-bound jetliners. The restrictions apply to many of the products that international air travelers often buy as gifts for others or themselves -- including duty-free perfume, wine and liquor.

While it isn't known how long the ban will last, the measure has the potential to reshape retailing's $26 billion duty-free sector -- a major source of revenue for companies such as French luxury-goods group LVMH Moët Hennessy Louis Vuitton SA as well as for airports that rent space to them.

As a rule, duty-free stores admit only international travelers. Often, the stores are located near the boarding gates and accessible only to passengers and employees who have cleared security -- but sometimes that isn't the case. Shoppers would make their purchases and then carry the items on board along with their other carry-on bags.

Alcohol, perfume and cosmetics make up a substantial portion of duty-free sales, says Michael Payne, executive director of the International Association of Airport Duty-Free Stores, representing as much as half of certain stores' sales.

Retailing contributes a big chunk of airport operators' income. Stores pay airports high rents and often fork over a small percentage of their sales. A drop in that income could pressure airports to increase landing fees -- a cost the cash-strapped airline industry will be hard-pressed to bear.

Industry executives say it is too early to draw conclusions about how bad the damage in the travel-retail sector will be. Officials in the cosmetics and spirits industries remained hopeful. "After this threat subsides, there are likely to be revisions to the current draconian rules," says Phil Lynch, spokesman for Brown-Forman Corp., whose top duty-free sellers are Jack Daniels and Southern Comfort.

Before Thursday, there weren't any limitations relating to liquids in carry-on bags. An ongoing ban of liquids remains a possibility, says Michael Schaefer, an analyst at market-research firm Euromonitor International. "Certainly the restrictions could stay in place, though there are a number of reasons why airports and consumers would campaign against it," he says. "This security measure is a lot more controversial than any that came before."

One option might be for stores to deliver customers' items to the airline, which would stow them in the baggage hold and hand them over to passengers when they debark. Another might be scanners capable of identifying dangerous liquids. "I believe we will be able to restore the ability to sell those product categories to departing passengers in a safe way again," said Ed Brennan, chief executive of DFS, LVMH's duty-free operation. "We have a strong partnership with airports around the world, and we will work together to find a solution."

At Heathrow, the ban's effects were unmistakable. At Boots drugstore, which stocks food for flights, sales evaporated because passengers weren't allowed to carry food onto planes, said Chanel Reeves, a cashier. The Body Shop also was quiet. One store with brisk sales was Rolling Luggage, where people bought bags to pack with the stuff they couldn't carry on.



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**5. Premiums Drive Tequila in the US**

Source: *just-drinks*

August 4, 2006

The US Tequila category continues to show strong growth, while the premium Tequila sector is booming, making it a highly attractive investment opportunity for major spirits companies. Dean Best reports.

The fact that Patrick Ricard could not hide his disappointment at having to give up Sauza Tequila to Fortune Brands last year, as part of the carve-up of Allied Domecq, speaks volumes not only for Pernod Ricard's ambitions but also for the health and growth possibilities of the Tequila sector.

Sauza would have been a great addition for Pernod, particularly in the US, where Tequila is a growing and vibrant category. According to Euromonitor International, the US Tequila market has grown by 5% a year since 2001, with consumption set to increase by 8% annually between now and 2010.

Sauza, which has around 14% of the market, is one of the two dominant brands in the US, alongside Diageo's Jose Cuervo, so it's easy to see why Fortune was so determined to snaffle it up in return for backing Pernod in the Allied takeover.

Nevertheless, while the category as a whole is growing, it is at the premium end where the real fun is. Tequila is following the trading-up trend seen in other categories, which in the case of Mexico's national spirit means 100% agave offerings.

Euromonitor's beverages analyst Brian Morgan believes the premium segment offers the most potential for other producers to challenge Cuervo's and Sauza's dominance. "The overall Tequila market is dominated by Cuervo and Sauza, and no-one's going to touch that," Morgan told just-drinks. "The premium segment is a much smaller segment right now but it's growing and driving a lot of the growth in the category."

This has not been lost on spirits producers outside the category, who see premium Tequila as the latest way - after the growth of top-end vodkas and rums - to tap into the burgeoning demand stateside for high-quality spirits.

Hence the reported scramble among multinationals for Tequila Herradura. Pernod, Brown-Forman and Bacardi have all been touted as possible buyers, and while all three are remaining tight-lipped, it's hard to imagine the brand not being of interest. However, some analysts remain unconvinced about Herradura's value to a company looking to gain a foothold in the Tequila category.

In addition to the "premiumisation" trend, the growing Hispanic population has also been a factor behind the Tequila boom. "There's a bigger Hispanic population in the US and it's continuing to grow," says Jeff Hopmayer, CEO of Blavod Extreme Spirits, which last year launched premium Tequila El Diamante del Cielo in the US. "As that happens, they're bringing their specialities, what they consume, what they drink, to the US."

However, Hopmayer insists that El Diamante, made by Diamante Spirits, Blavod's joint venture with Japan's Suntory, is a premium Tequila - and its selling point is its quality. "We have no intention of getting into the commercial type of Tequilas," Hopmayer says. "We want to be in the ultra-premium, luxury category."

Already performing strongly less than a year after its launch, Hopmayer believes there is a "significant opportunity" for El Diamante in the months ahead. However, his optimism may be short-lived. The premium segment is becoming more crowded as spirits producers catch on to the fact that there is growth to be had in high-end Tequila.

Pernod has launched two brands, Tézon and Tevado, in the US during the last year. And should a major company snap up Herradura, that brand stands to benefit from greater penetration in the US.

The premium Tequila segment is becoming more and more competitive, but while Diageo makes great play of its inroads into high-end Tequila with brands like 1800, it is actually an independent player which has carved out the strongest position.

Patrón Tequila, owned by The Patrón Spirits Company, was created in 1989. In 2000, the brand held just 0.1% of the Tequila market. Four years later, according to Euromonitor International, Patrón had already secured 4% of the entire market and was dominating the top end.

"We represent 70% of super-premium or ultra-premium Tequila segment in the US and this year, it looks as though we're going to be 1m cases in the US alone," says Matt Carroll, Patrón's vice president of marketing. "It was a slow build. We had a number of distribution companies who took on the brand and didn't have a lot of positive things to say about it. They would handle the brand but said they didn't see it growing.

"People were looking for an alternative instead of the same old vodka and rum brands; they were looking for different flavours. They became more aware of 100% agave Tequila, and found it had a very pleasant taste. Tequila has had a history of slamming it down or covering it up but once consumers discover 100%, they say "wait a minute."."

Last month, The Patrón Spirits Company launched a US$25m advertising push behind its booming Tequila brand in an attempt to keep ahead of its rivals. "That's an increase of 150% on its advertising spend last year," Robert van Brugge, beverage analyst at US investment bank Sanford C. Bernstein, observes. "I don't think there are any other brands that are big enough to afford that."

One area that Patrón has snubbed, however, is flavoured Tequila. Producers, including Cuervo, have been keen to try to imitate the success of flavoured vodka with the launch of flavoured Tequilas.

Carroll is dismissive of the potential of flavoured Tequilas. "We have flavoured Tequilas - silver, anejo and reposado," he quips. "I see flavours as just a way of getting shelf space basically. It may present an alternative where growth isn't really coming as easily as with a 100% agave Tequila. I don't see a significant future in it."

Brian Morgan agrees. "Flavours add to the versatility of Tequila and allow different mixed drinks (but) I can't imagine flavoured Tequilas will continue to drive the market beyond the short term."

Nevertheless, there is a high degree of optimism that the growth of the Tequila category will continue, given the popularity of margaritas. And industry watchers believe there is still room for rival Tequilas to attack Patrón's early dominance of the premium end of the market. "Within (the premium) category, while there are established brands, there is still a lot of room for competition," says Morgan.

Carroll appears unworried, not least because of the overall growth potential in the category. "I think the category will grow faster before it slows down. Even in the US, the category is very small; there is so much room."



**6. Bacardi Fires Up Float Plans**

Dominic Rushe - *London Sunday Times*

August 6, 2006

The rum giant Bacardi is weighing up a multi-billion-pound stock-market flotation that would end 144 years of family control.

Bacardi executives have recently spoken to several Wall Street banks and are said to be considering a listing on the New York Stock Exchange.

Both Bacardi and Merrill Lynch, one of the banks said to have been visited by the drinks group, declined to comment.

Bacardi is the world's largest privately held drinks company, selling more than 200m bottles a year. As well as the eponymous rum, Bacardi owns Bombay Sapphire gin, Grey Goose vodka, Dewar's whisky and Martini & Rossi.

It has tried and failed to go public in the past after disputes between family members about the direction of the company. Bacardi is owned by about 600 descendants of its Cuban founder Facundo Bacardi y Masso.

Family members have fought fiercely in the past, disinheriting wives and turning daughter against mother. The issue of a stock-market flotation is a fractious one at the tightly controlled company.

Last year it hired an outsider as chief executive, Andreas Gembler, a former Philip Morris executive. Gembler has since appointed another outsider, John Esposito, former president and chief executive of Moet Hennessy USA, to head up Bacardi's American business. He replaced Eduardo Sardina, who had run the US business for more than 10 years. Sardina's wife, Anne, is the great-great-granddaughter of the founder.

Family members now believe Bacardi needs to raise money to compete with its larger rivals. Drinks analysts have seen the outside appointments as the first step in that process.

The drinks industry has been consolidating rapidly since Diageo was created from the merger of Guinness and Grand Metropolitan in 1997. In 2001 Seagram, the Bronfman family's whiskey business, was sold to Diageo and Pernod. Last year Allied Domecq was taken over by Pernod Ricard.

<http://www.timesonline.co.uk/article/0,,2095-2300299.html>



**7. Bacardi Seeks Global Rights to Havana Club**

By Jenny Wiggins in London

August 9 2006

Bacardi plans to fight for the rights to the Havana Club rum brand in global markets after a US trademark ruling helped it re-launch the brand in the US following a long dispute with the Cuban government and Pernod Ricard.

The US patent and trademark office last week ruled that the Cuban government, which sells rum under the Havana Club brand name in partnership with Pernod Ricard in dozens of countries, could not claim any rights to the brand in the US because its registration of the brand had expired.

Bacardi claims that the ruling by the US trademark office means that it now owns the Havana Club brand, and that this will help it challenge the rights to the brand in globalmarkets.

"We will look at other [brand rights] challenges on a market by market basis," Bacardi said. The company owns the brand inKyrgyzstan, Croatia and Tajikistan; has rights pending in India, Nicaragua, the Bahamas and the US; and is challenging rights to the brand in Canada and Spain.

The ruling comes after 10 years of acrimony between the Cuban government and Bacardi. The Havana Club brand was created by a Cuban family, the Arechabalas, in 1935, and was sold in the US until the 1950s.

The family left the country during the Cuban Revolution under Fidel Castro in the 1960s, and sold the brand to Bacardi in the mid-1990s. Meanwhile, the Cuban government registered the Havana Club trademark in the US in 1976, and in 1993 formed a joint venture with Pernod Ricard to sell the brand internationally. It was not sold in the US due to the country's trade embargo with Cuba.

Bacardi, whose Bacardi rum vies with Diageo's Smirnoff vodka as the top-selling spirit in the US, started selling rum under the Havana Club name in the US in 1995, and was sued by Cuba and Pernod Ricard.

Bacardi stopped sales while it dealt with the litigation, which went to the Supreme Court.

The court ruled that the Cuban-French joint venture had no rights to the brand in the US.

Bacardi then entered a second set of lawsuits relating to the registration of the brand. It is still trying to register the Havana Club trademark in its own name.

Rum is one of the fastest growing spirits markets in the US, with annual sales volumes growing at between 5 and 7 per cent.



**8. Pernod Ricard to Bacardi: The Fight Over Trademark Rights Will Go On**

By Elaine Walker - *Miami Herald*

Don't expect the decadelong fight between Bacardi and Pernod Ricard over rights to sell Havana Club rum in the United States to end anytime soon.

Pernod Ricard said Tuesday it plans to appeal a decision made last week by the U.S. Patent and Trademark Office, which deemed the current registration on Havana Club trademark ''canceled/expired.'' The trademark is held by Cubaexport, a Cuban government company that has a joint venture with Pernod Ricard to sell Havana Club in Cuba and around the world.

The trademark's cancellation came as Bacardi U.S.A. this week launched its own version of Havana Club rum in Florida, with possible expansion in key U.S. markets.

''Bacardi has jumped the gun here,'' said Mark Orr, vice president of North American affairs for Pernod Ricard. ``No court anywhere has ruled that they're the rightful owner of the brand. There are many more scenes in this to play out. We're confident that ultimately the courts will rule that the registration is a valid one.''

Cubaexport has six months to file an appeal with the U.S. Patent and Trademark Office. The issue can also be appealed further in the U.S. courts. Orr says the registration will remain on the books while the company appeals.

Since the creation of the joint venture between Cuba and Pernod Ricard in 1994, Havana Club's sales have grown from 300,000 cases to 2.4 million cases in 2006. It is sold in Cuba, Europe and around the world, but not in the United States due to the trade embargo.

Bacardi's Havana Club, which will sell for $19.99, is made in Puerto Rico using the recipe developed by the Arechabala family who created the rum brand in 1935. Fidel Castro's government seized the family's plant and trademark on Jan. 1, 1960.

The family made a deal to sell the family's recipe and the Havana Club brand name to Bacardi in the mid-1990s. Bacardi also sold the product in the United States for a few years shortly after making the deal with the Arechabalas, but pulled the product from shelves after the fight erupted over the rights to the brand.

''We bought the rights from the legitimate owners,'' said Bacardi spokeswoman Patricia Neal. ``It's indisputable that the Arechabalas and Bacardi were the first ones to sell Havana Club in this country.''

The United States typically gives priority to the first entity to utilize a brand, not the first to register it.

''In the U.S., I can go ahead and use a trademark for a number of years without registering it,'' said Miami attorney Jim Gale, whose firm Feldman Gale specializes in trademark law. ``In the U.S., you can have a common law trademark that's just as effective.''

While a trademark in the United States holds no impact on operations in another country, Bacardi has also been taking steps to gain rights to use the brand elsewhere.

Bacardi already holds trademark registrations for the Havana Club brand in Croatia, Kyrgyzstan and Tajikistan. In addition to the United States, Bacardi has trademark applications for the brand pending in the Bahamas, Nicaragua and India. The company is also challenging the trademark registrations of the Havana Club brand in Canada and Spain.



**9. Beer Makers Rebound From Price War**

By Greg Edwards

August 9, 2006; Page B3A

What a difference a year has made in the U.S. beer industry.

Last summer, a price war among the major brewers devastated profits, which led to declines in the companies' shares. This summer, price increases that were implemented early in the year are holding -- even in the heat of summer -- and boosting company results.

More price increases are on the way, although other problems persist for big beer, including changing consumer tastes and lackluster sales volume.

Which brewer started last year's price war as a way of raising market share is a matter of debate. But once it was under way, Anheuser-Busch Cos. pledged to do "whatever is necessary" to regain share and protect its leading position -- even if that meant sacrificing short-term profits by further cutting prices.

Those days are over. At Anheuser-Busch, profits were up 7.4% in the second quarter, in part because of higher prices that have offset some rises in commodity prices such as aluminum. Anheuser-Busch stock hit a 52-week high of $48.81 on July 27. Last year, the St. Louis brewer's profits were down almost 10% in the second quarter and 24% in the third quarter.

"The pricing environment has been favorable this year, including the important Memorial Day and July 4 holidays," Randy Baker, chief financial officer of Anheuser-Busch, said during the brewer's second-quarter conference call late last month. "Promotional prices were significantly higher than last year."

Good news for investors, who see a stock sitting close to the year high. Not so good news for beer drinkers.

The King of Beers is not alone. Molson Coors Brewing Co. reported Aug. 1 that its second-quarter earnings quadrupled, although a big part of that improvement was due to a reduction in its Canadian income tax.

"The U.S. beer price environment so far this summer has been more positive than last summer," said Leo Kiely, Molson Coors's chief executive. He expects this will continue in the second half.

"Compared to last year, it's calm," said Art Friedman, president of Gold Coast Beverage Distributors Inc. in Florida, the fifth-largest U.S. beer wholesaler in dollar sales. "Last year at this time the coupon wars were really escalating."

The worst of the battles in this price war was in Florida, one of the largest beer markets and often among the most competitive.

Last year, $5 coupons to redeem on 18-packs of domestic beer were common, Mr. Friedman said. This summer there are some $2 coupons available, but for use on related merchandise such as chips and other snacks.

In addition, he said, the price per pack is higher: about $11.99 for an 18-pack of beer, compared with $9.99 to $10.99 last summer.

During the two weeks surrounding July 4, the average price per volume in supermarkets was up 2.4% for Anheuser-Busch, 2.9% for Molson Coors and 1.5% for SABMiller PLC's Miller Brewing Co., all compared with a year ago.

"This summer has been a much better pricing environment," Miller spokesman Peter Marino said. "Discounting last summer got to be very expensive for everybody."

Stifel Nicolaus analyst Mark Swartzberg estimates that Anheuser-Busch, for example, lost five cents in earnings per share as a result of the price war in fiscal 2005 and will add 13 cents a share in fiscal 2006 as a result of better pricing. Wall Street estimates fiscal 2006 earnings per share of $2.54.

Anheuser-Busch plans additional price increases in the fall, including in Florida, with more widespread increases early next year.

But problems remain. Anheuser-Busch, Molson Coors and Miller continue to lose market share as consumers shift to wine, liquor and import and craft beers.

Beer's market share was 55.1% in 2005, compared with 14.1% for wine and 30.8% for alcohol, according to Beer Marketer's Insights, a trade publication. Beer's share was 59.5% at its peak in 1995, based on absolute alcohol content.

"The image of domestic beer is still weak, and we believe it will take time and money to fix," Citigroup analyst Bonnie Herzog said in a recent report.

Even another price war isn't out of the question with Labor Day, another big beer-drinking holiday, on the horizon.

"A concern is that Miller, who's been losing share, will take its prices down in an effort to drive improvement in volume," Mr. Swartzberg said. But he considers that unlikely. Year to date, Miller's share in supermarkets has been off 130 basis points.

Anheuser-Busch says the promotional pricing in the major retail chains is pretty much in place for Labor Day and is comparable to what it was July 4.

"They're bumping up against the nastiest part of last summer, which was the couponing in Florida over the Labor Day weekend, and they're not expecting to see a replay," said Benj Steinman, editor of Beer Marketer's Insights.

"Miller knows Anheuser-Busch will match any discounting, and Miller is facing cost pressures, particularly on aluminum," Mr. Steinman said. "Anheuser-Busch has supposedly done more hedging on aluminum."

The risk of Miller initiating another price war also is lessened by its ultimate goal of selling Miller Lite at a price higher than Anheuser-Busch's Bud Light, not lower.

For wholesalers such as Gold Coast, which distributes most beers except Anheuser-Busch brands, the boom in import and craft beers has more than made up for the softness in domestic beers.

"The import and specialty category continues to go on a tear," Gold Coast's Mr. Friedman said. He had expected his case sales to increase 3% this year. They're up 10%. "We have not seen the beer business as healthy in a long time."



**10. Boston Beer Profit, Sales, Volume Soar**

By William Spain, *MarketWatch*

August 8, 2006

CHICAGO (MarketWatch) -- A big jump in volume, and a modest one in price, helped the Boston Beer Company push second quarter profit sharply higher -- and the company said during Tuesday afternoon trading that it looks to exceed its earnings targets for the year.

Boston Beer earned a hair under $8 million, or 56 cents a share for the three months ended July 1. That is up from $5.1 million, or 35 cents a share, and handily ahead of the 38-cent average estimate of analysts polled by Thomson First Call.

Revenue came in at of $79.3 million, an increase of 28.7% on a 22.8% increase in volume increase and a price hike of 2%.

Distributor sales of Boston Beer brands -- Sam Adams is the flagship -- to retailers were up about 17%, as the "craft" beer category continues to grow far faster than mass-produced brews form the likes of SABMiller.

Revenue per barrel was up 4.4% on the quarter.

"We currently expect that, if our volume gains continue for the rest of the year, we will be able to exceed our previously communicated earnings goals, despite the significant cost pressures, our increased brand support, and the costs associated with our evaluation of additional investments in brewery ownership," said CEO Martin Roper in the earnings report.

In addition, the company said it is still looking "the viability of brewery construction in New England and we intend to enter into a purchase and sale agreement for land as a potential site within the next few days."

The current estimated price tag for the new facility: Between $120 million and $160 million.

Recent trends on shipments and orders, the company said "suggest that core shipments for the third quarter 2006 appear to be up approximately 14%," the company said.

At the same time, it expects production and freight cost increases of between 6% and 9% depending on energy costs, which will drag its gross margin down a couple percent.

On the bottom line, Boston Beer is looking to earn $1.16 and $1.31 a share on the year, excluding stock option expenses, which should trim 6 cents to 11 cents off the final figure. The current Street view is for $1.07.

Shares of Boston Beer were down about 1.4% to $28.90 in the final minutes of the session.



**11. Academic Experts Refute Alcohol Study Linking Ads to Underage Drinking**

*Distilled Spirits Council of the United States*

August 8, 2006

Washington, D.C. – Two critiques published today in the August issue of the Archives of Pediatrics & Adolescent Medicine by experts in the field of advertising research challenged a widely reported study on alcohol advertising by University of Connecticut Communications associate professor Leslie Snyder, citing serious flaws in the study’s methodology, findings and conclusions.

The two critiques were published by Drs. Reginald Smart and Don Schultz, world renowned, academic experts who each have more than 30 years experience analyzing advertising effects.

Both experts concluded that Dr. Snyder’s study, touted by advocacy groups and by her as the first to show a causal link between alcohol ads and underage drinking, is scientifically flawed and contradicts decades of scientific research which have shown no causal link.

More Ads Led To Less Drinking, Study Showed

Dr. Reginald Smart, a frequent consultant to the World Health Organization on alcohol-related problems who spent more than 40 years with the Addiction Research Foundation and the University of Toronto, pointed out in his published critique that the study results show that those who saw the most advertising over time actually decreased their drinking, calling into question the entire hypothesis of the study.  Importantly, Dr. Snyder did not refute this point in her rebuttal letter, which was also published in the August issue of the Archives of Pediatrics & Adolescent Medicine.

Dr. Smart also noted major problems with people dropping out of the study with only 31 percent of the original sample staying in until the end.  He noted that while the study is called “longitudinal,” two thirds of the sample was not followed through the 4 interview periods.

He pointed out that the measurement of alcohol use in the study is not a standard one stating, “The reliability and validity of the measure have not been assessed and must be suspect.”  Further he stated, “There is no reference to experimental, economic, and advertising-ban studies, predominantly showing negative effects on alcohol consumption. This suggests a biased, 1-sided view of alcohol advertising effects.”

Dr. Smart concluded, “The study has limitations that make it impossible to understand or interpret the results.  It will not change thinking in the alcohol-advertising debate.”

Dr. Don Schultz, a professor at Northwestern University who has authored 18 books and over 100 research papers on advertising and marketing, challenged the study in his critique to the Journal stating, “The study refutes decades of very sophisticated advertising, marketing communication, and consumer behavior research” and relies instead on a “Hierarchy of Effects model (circa 1961).…this conditioned-response, behaviorist model has been challenged for years, most recently by new studies in cognitive science.”

Dr. Schultz also cited the startling attrition rate stating, ”Starting with 1872 respondents and ending with 588 respondents results in a massive attrition rate (68%). One can only wonder at the representativeness of the final group compared with the original sample.”

Further, he commented, “Assuming that certain levels of marketplace advertising expenditures result in certain levels of in-market advertising media weight; that then result in certain levels of message distribution; that then result in certain levels of consumer exposure; that then result in actual consumer behavioral changes is tenuous at best.”  Dr. Schultz concluded that, “These linkages simply cannot be made and no amount of statistical magic can make them appear.”

Dr. Monica Gourovitch, Distilled Spirits Council Senior Vice President for Scientific Affairs, said, “Decades of scientific research and literature do not show that alcohol advertising causes someone to drink, nor does this study.  It is incumbent upon those who are charged with developing public policy on underage drinking to carefully scrutinize the data and formulate policies based on unprejudiced, evidence-based solutions.”

<http://www.discus.org/media/press/press.asp?press_id=295>



**II. IOWA NEWS.**

**12. Energy Drink Distributor Settles Lawsuit With Iowa City Bar**

*Quad City Times*

August 7, 2006

IOWA CITY, Iowa - The distributor of the popular energy drink Red Bull has reached an out-of-court settlement with an Iowa City bar that allegedly advertised cocktails mixed with the drink but used imitation brands instead.

Red Bull North America Inc., sued the Sports Column in May, accusing the downtown sports bar of violating federal trademark protections. The company claimed bartenders mixed cocktails with a similar drink, called Roaring Lion, but led customers to believe Red Bull was used.

The agreement, reached last week, has yet to be approved by a federal judge. But it prohibits the Sports Column from selling or offering to sell drinks mixed with another manufacturer in response to orders for Red Bull. The bartender or wait staff must first tell customers that an imitation brand is being used and give them an opportunity to accept or reject the order, according to the deal.

Sports Column owner Brett Sawyer also must instruct employees how to handle Red Bull orders, and the deal prohibits the bar from using Red Bull logos to advertise a non-Red Bull drink.

In its lawsuit, the company claimed that on several occasions between 2003 and 2005, Sports Column employees served customers Red Bull drinks mixed with imitation brands of the energy drink after customers specifically requested Red Bull.

The lawsuit is similar to other filed by the company in courts across the country in an effort to protect the Red Bull label. Red Bull, originally developed in Austria, is a nonalcoholic, yellow-tinted drink that contains amino acid tuarine, B-complex vitamins, caffeine and carbohydrates and intended to counteract mental and physical fatigue.

The company reported more than $1 billion in sales worldwide last year.

http://www.qctimes.com/articles/2006/08/07/ap-state-ia/d8jblg8o1.txt



**13. Fair Soars Through Inspections**

By Jennifer Jacobs, Staff Writer – *Des Moines Register*  
August 10, 2006

### Majority of problems involve smoking, drinking

Before you chomp on that chicken-with-mayo sandwich at the State Fair, or buckle yourself into the Ring O Fire on the midway or take a stroll down the main concourse after dark, how do you know if it's safe?

The 16 food inspectors, four ride inspectors and 44 state troopers assigned to the Iowa State Fair this year are trying to make sure it is.

When it comes to crime, most of the misbehavin' at the fair is tied to two things: beer and cigarettes.

Dozens of people were kicked out of the fair last year for drunken hooliganism - for "harassing concertgoers," "spilling beer on others" and displaying an "uncordial or belligerent attitude," records show.

A 22-year-old man was busted for mooning fairgoers at 6:30 p.m. near the Pepsi Clock and kicked out of the fair, according to state troopers.

On the midway, a fairgoer smelled alcohol on the breath of a carnival worker operating the ride. Troopers determined he was drunk and arrested him for child endangerment because he was unloading children, according to a police report. The charge was later dropped.

Troopers meted out 33 tickets for minors in possession of alcohol and 64 tickets to youths under age 18 for tobacco violations last year.

The troopers have been paid overtime for the past few years to do two-hour patrols to hunt down underage smokers at the fair.

That won't happen this year. The state Alcoholic Beverages Division chose to route that money elsewhere.

There is little crime at the fair, said State Patrol Capt. Michael Metzger.

Last year's 28 public intoxication cases and 27 disorderly conduct cases "are pretty low numbers compared to 10 or 15 years ago," he said. "You may get a fight or two and somebody gets a nose broke or a jaw broke, but that doesn't happen much anymore."

For the 200 food vendors, 16 state inspectors are assigned to keep an eye on them.

During 600 inspections last year, the inspectors found few problems worse than an over-sanitized booth. Vendors were leaving too much disinfectant residue on their countertops. No fines were issued last year.

"I certainly eat the food, and I'm bringing my grandchildren Saturday," said Judy Harrison, chief of the Food and Consumer Safety Bureau of the Iowa Department of Inspections and Appeals.

Four state inspectors will examine all 40 midway rides for rusting and cracking, broken seat belts and other hazards. Those that pass are issued a sticker that is placed near the electrical disconnect.

No rides failed the inspection last year, records show. In the only incident, someone didn't follow rules and chipped a tooth on a ride.

This year's rides are safe, said Kathleen Uehling, an attorney for the Iowa Division of Labor. "I don't think we can 100 percent guarantee that nothing's going to happen."

http://desmoinesregister.com/apps/pbcs.dll/article?AID=/20060810/NEWS08/608100385/1010



**14. Altoona Businesses Sold Booze to Minors, Cops Say**

Staff Report - *Des Moines Register*

August 11, 2006

An unannounced alcohol sales test in Altoona earlier this week found seven businesses receiving a failing grade.

Police will file charges against employees who sold alcohol to an underage person.

The fine for an individual selling alcohol to a minor is $710. An additional $500 civil penalty is assessed to the business.

Altoona police said illegal sales were made at Applebee's, Claxon's Smoke House & Grill, Git-N-Go, Kin Folks Barbeque, Kum & Go, Olde Town Tap and Rich's Sports Bar & Grill.

Businesses that passed the test were Anthony's Lounge, Amoco, Casey's General Stores (three locations) and the Fireside Grille.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20060811/NEWS01/60811004/1001>



**III. OTHER STATE NEWS.**

**15. Liquor Panel Reconsiders Strict ID Rule (Hawaii)**

By Edwin Tanji - *The Maui News*

August 05, 2006

WAILUKU – It’s not just that consumers are complaining; it’s that they’re angry about it, Maui County Liquor Control Director Frank Silva says.

A Maui County liquor control rule that mandates every person purchasing alcohol be checked for proper identification may be eased by a proposal to amend county liquor rules.

“We notified the Liquor Control Commission that we have been having complaints about the ID card checking,” Silva said. “They’re taking it personal.

“It’s not that we’ve gotten a lot of complaints. But the ones who complain, they’re mad.”

Silva said the complaints have come from liquor customers who objected to being asked for personal identification when they are clearly over age 21, or in some cases have been refused service because they did not have proper identification.

Personally, he has no objections to being asked for an ID, he said.

“I went to Buzz’s (Wharf), and they asked me for my ID,” he said. “I don’t know if they recognized me.”

Still, Silva is proposing to the commission a revision of the rules that would eliminate the language holding liquor licensees responsible for checking personal identification of anyone asking to purchase alcohol. A hearing on the proposed amendments is scheduled for 9 a.m. Sept. 13 at the Liquor Control Department conference room. Written testimony may be filed with the director prior to the hearing.

In proposing the amendments, Silva noted that it also would eliminate an element of the rule that he said would be absurd if it were enforced. The section that would be repealed includes language that “licensees shall be responsible for proper checking of personal identification of any person seeking admission into the premises.”

“That would mean Longs and Safeway would have to check the ID of anyone entering the stores. If they need to check ID on entering the premises, it’s ridiculous,” he said. “That’s why we’re going through the process of revising the rules.”

Liquor licensees still are responsible for confirming the age of anyone who appears to be too young to be purchasing alcohol by asking for a valid identification document, he said.

“It’s still the law that they cannot sell to anyone under the age of 21, if the individual’s appearance is questionable,” he said.

The proposed revision would still mandate that a licensee cannot serve or sell alcohol to anyone under 21, and must examine personal identification such as a federal or state identification card, passport or international driver’s license. The amendments require that any identification document be unexpired, unaltered and undamaged, but the proposal deletes a requirement that IDs be laminated – another of the discrepancies that is an issue since passports are accepted but are not laminated.

Silva said the department is drafting additional amendments to the county rules for consideration by the commission, mostly as housecleaning measures, such as a rule to update procedures for allowing wineries in other states to ship to Hawaii under a state reciprocal agreement.

<http://www.mauinews.com/story.aspx?id=22150>



**16. Utah Alcohol Sales Way Up in Last Decade (Utah)**

*The Associated Press*

August 6, 2006

SALT LAKE CITY -- Despite Utah's reputation as a sober state, the amount of alcohol sold has increased significantly in the last decade, raising more tax dollars as well as questions about a cultural shift.

Experts said more tourists are a factor, especially since the 2002 Winter Olympics. The state's population also has risen more than 10 percent to 2.5 million since the 2000 census.

The amount of alcoholic beverages sold at restaurants or state liquor stores added up to 5.13 million gallons for the 12-month period ending June 30, compared to 3.17 million gallons in 1996 -- a 62 percent increase, according to the Department of Alcoholic Beverage Control.

"Now it seems like every day is the day before Christmas" at state-run liquor stores, said Kenneth Wynn, who heads the department.

Wine led by volume with 2.32 million gallons sold. The amount of rum and beer sold has more than doubled since 1996.

The statistics do not include low-alcohol beer, known as 3.2 percent beer, sold at grocery stores and other retail outlets. Those numbers would push beer consumption even higher.

"After the Olympics, we were discovered," Wynn said. "The Sundance Film Festival got bigger. It used to be that after Sundance, it would slow down here and my guys in the warehouse could take some time off.

"But it isn't that way anymore," he said.

State and local governments are benefiting from more booze. Sales taxes split between the two rose to $47 million in the 2006 fiscal year, compared to $22 million in 1996.

School lunch programs also get a 13 percent tax on sales at state liquor stores. The most recent figure was $20.5 million.

The Church of Jesus Christ of Latter-day Saints, the dominant faith in Utah, discourages alcohol use by its members. But the percentage of residents who are Mormon has dropped to 71 percent from 75 percent, and not all consider themselves "very active," according to poll data cited by the Deseret Morning News.

State tourism chief Leigh von der Esch said there has been an increase in the number of restaurants with liquor licenses.

"I enjoy an occasional glass of wine," she said. "The selection in most restaurants is much better than it was years ago, so maybe more people decide to enjoy a drink."

<http://www.ksl.com/?nid=148&sid=405126>



**17. Liquor Law Tussle is Brewing (Massachusetts)**

By David Liscio - *The Daily Item*

Monday, August 7, 2006

LYNN, MA - The owners of wine shops, package and liquor stores are galvanizing opposition to a Nov. 7 statewide ballot question that, if passed, would allow supermarkets to sell beer and wine like their counterparts in New Hampshire, New York and Connecticut.

Voter approval would still leave the option up to the town or city government, but opponents of the measure fear a domino effect once some communities sanction it.

The Wine Merchants and Concerned Citizens for SAFETY last week announced its opposition, telling voters the change would radically alter Massachusetts' liquor licensing laws, doubling the number of liquor licenses and expanding the sale of alcoholic beverages to grocery, big box retail and convenience stores.

"When they did this in Georgia, the small retailers lost 46 percent of their business," said Cliff Ansara, owner of Lynnway Liquors on the Lynnway in Lynn. "As it gets closer to November, we will be trying to tell people about this."

Ansara said the Massachusetts Package Stores Association typically "provides the ammunition" for the wine shops and liquor stores, arming them with information and material to publicly oppose the measure.

In Lynn, based on a population of 89,571, the measure would create another 22 liquor licenses within the city. About 2,800 new liquor licenses would potentially be made available statewide.

"The supermarket chains behind this multi-million dollar campaign want to dramatically increase the number of places where wine can be bought in Massachusetts," said Michael Cimini, a coalition member and owner of the Yankee Wine and Spirits in Sturbridge. "People need to know that it will double the number of liquor licenses in Massachusetts without providing any funding for increased enforcement. And it will take away each town's ability to control the sales of alcohol within its own borders."

Cimini said the idea that Massachusetts needs approximately 3,000 additional liquor licenses - 120 in Boston alone - is preposterous.

"Such change will not come without consequences," he said."Buying alcohol is not supposed to be convenient. Its sale is controlled in Massachusetts so that consequences of underage drinking and drunk driving are limited."

According to Cimini, the ballot question will also greatly limit the control that Massachusetts' cities and towns currently have over who can sell alcohol within their borders.

"Those towns that for years have opted to be dry no longer will have that option," he said, explaining that if approved, the ballot question will create a new class of license termed "wine at food store licenses" and the number of licenses granted would be based on population - towns with fewer than 5,000 people will be able to issue up to five licenses. Larger cities and towns will be able to issue one additional license for every 5,000 people.

The initiative was proposed last August by the Massachusetts Food Association for Consumer Convenience in Wine Sales, said Amber Rieg of Rasky Baerlien Strategic Communications, representing the coalition of package and liquor store owners.

Massachusetts law currently prohibits any one person, company, or chain from owning more than three retail liquor licenses statewide, she said.The new type of liquor license that would be created by the measure allows wine sales at retail establishments, including grocery stores and convenience stores, and would have no statewide limit.

"Chain stores and supermarkets would be able to sell wine in all of their stores," she said.

The measure was first presented to the Legislature in 2005, but no action was taken.It was then placed on the November ballot after proponents gathered an adequate number of signatures.

<http://www.thedailyitemoflynn.com/news/view.bg?articleid=12793>



**18. 29 Arrested in Alcohol-Buying Sting (New Mexico)**

*Channel 7*

ALBUQUERQUE Some 29 people have been accused of buying liquor for teenagers.

A teenager stationed outside a liquor store helped Albuquerque police run a sting that netted the 29 arrests (Saturday).

The teen -- who was told not to lie about her age or promise to pay the buyers extra -- would approach people outside the liquor store, asking them to buy her alcohol.

When adults delivered the alcohol, Albuquerque police would arrest them.

Buying alcohol for underage people is a felony.



# 19. ABC Enforcement Agents Axe Local Moonshine Production (Mississippi)

By Joseph McCain - *The Winston County Journal*

August 9, 2006

Agents of the Mississippi Alcohol Beverage Control seized and destroyed a total of twelve moonshine stills, with a record seven of those in June, during the fiscal year that ended June 30, 2006.

Of those stills, ABC seized and destroyed a 10 barrel distillery, 500 gallons whiskey mash, 200 gallon cooker, 200 gallon condensing vat, 28 gallons moonshine, Copper Thumper, and 2- 25 gallon butane bottles in Winston County alone.

Prentiss E. Graham was arrested June 1, 2006, in Winston County and charged with Possession of Liquor in a dry county and violation of MS code 97-31-27. The case is pending in Winston County Circuit Court.

Chief Mark Hicks, Director of ABC Enforcement said, "Finding a still takes more than just luck."

The methods used to conceal them from law enforcement are passed down just like the recipes for moonshine. Moonshiners will sometimes move indoors or stop production during the fall and winter when hunters are in the woods. During the spring and summer there is vegetation to conceal movement and less hunting and the stills fire back up.

Also, the warm summer months in Mississippi make it extremely hard to operate a still indoors. The cooking process can make a small building warm up to unbearable temperatures.

"Veteran agents know most of the tricks used by moonshiners and are usually pretty hot on their trail," says Hicks. Citizen complaints, informants, and the arrest of persons selling the illegal booze can initiate investigations. One way moonshiners get busted is when they pick up raw materials. "When you pull up to the back of the grocery store and ask for 500 pounds of sugar, most people might suspect you're making whiskey," said Hicks.

Hicks added the warning that moonshine can still be a public health issue.

Moonshine is made under extremely unsanitary conditions and lead poisoning is possible. The recent still destroyed in Winston County utilized a car radiator as a condenser.

In addition to these dangers, the State loses thousands of dollars in liquor taxes from even a small operation over a year's time. The total tax fraud for the stills destroyed this past fiscal year could have reached $1.8 million.

Persons arrested for moonshining can face up to three years for a first offense and longer for subsequent convictions. Despite the penalties, people still continue to manufacture "white lighting" in the South. It has deep roots in our culture and basically started the interest in auto racing, as moonshine runners would build high performance engines to outrun law enforcement.

They would routinely race the cars against each other when they weren't hauling whiskey. And, like racecar drivers, moonshiners don't seem to be slowing down. Agents have already busted the first still of the new fiscal year when a Yazoo City woman was arrested July 7 for making moonshine. A search of her residence uncovered a small still and over fifty gallons of moonshine and she faces additional charges for the 141 marijuana plants found growing in her backyard.

<http://www.winstoncountyjournal.com/articles/2006/08/02/news/news01.txt>



# 20. Man Charged with Illegally Selling Alcohol at His Home (South Carolina)

*WSOCTV.com*

August 7, 2006

CHESTER, S.C. -- A South Carolina man is accused of running a liquor store out of his home near Chester.

Investigators said 64-year-old James Mills was making and selling alcohol to underage drinkers for many years. They confiscated 96 bottles of gin, vodka and whiskey from the home, as well as more than 300 cans and bottles of beer.

Chester County Sheriff's Deputy Louis Nelson was one of the men who investigated Mills.

"The only thing I hate worse than this is dealing drugs," he said.

Nelson said Mills' house on Standback Road had plenty of traffic coming in and out until neighbors caught on and told authorities.

"People would go by after hours when liquor stores closed, and underage drinking -- that's basically where he gets his customer base from," Nelson said.

It's the thought of teens getting alcohol so easily that worries Terry Blackwell, who owns Patriot's Bar and Grill in Chester.

"If we sell to a minor, even if it's because they have a fake card, we get in trouble with SLED (South Carolina Law Enforcement Division) and police and can lose our license or pay a big fine," he said.

Also, deputies said, Mills was selling liquor and beer for two to three times what it costs in a store. He even had some moonshine in milk jugs, Nelson said, and he was doing big business.

Deputies said they arrested Mills after making an undercover alcohol buy from him. He is charged with unlawful storage and sale of liquor.

Deputies said their goal was to stop him, not to go after any of his customers or the stores that legally sold him the alcohol.

<http://www.wsoctv.com/news/9643155/detail.html>



21. Dakota Co. Gets 6 Alcohol Breath Testers (Nebraska)   
*Sioux City Journal*

August 8, 2006

The Dakota County Sheriff's Office has received six alcohol breath testing units from the Nebraska Office of Highway Safety.

The units, valued at $268 each, are part of the department's ongoing effort to prevent underage drinking and alcohol-related crashes, injuries and fatalities. They were awarded through a grant.

According to Highway Safety Administrator Fred Zwonechek, the units will help sheriff's deputies identify violations of law prohibiting minors in possession of alcohol, driving at .02 blood alcohol level and driving under the influence. Zwonechek said the.02 measure is Nebraska's equivalent of zero tolerance for anyone under the age of 21.

The portable units use the latest technology and display a digital reading of the blood alcohol level from a suspect's breath sample.

<http://www.siouxcityjournal.com/articles/2006/08/07/news/latest_news/12ccbd5aa075e37a862571c300715edd.txt>



**22. State Would Gain Revenue With Sunday Liquor Sales (West Virginia)**

By *The Associated Press*

LOGAN - West Virginia could fight off cross-border competition and increase revenue by $1.1 million a year if lawmakers approve Sunday retail liquor sales, a representative with a national trade association said Tuesday.

The state is one of 16 that bans Sunday liquor sales. Beer and wine can be purchased after 1 p.m. on Sundays.

Courtney Armour, legislative analyst with the Distilled Spirits Council of the United States, told a legislative interim committee that West Virginia is losing liquor sales because the five border states permit Sunday sales.

Liquor sales in those states increased by as much as 10.3 percent between 2003-2005. According to council figures, West Virginia's increased by 4.6 percent during the same period.

Banning Sunday sales puts liquor retailers in the border counties at a disadvantage because it allows states like Pennsylvania to market to West Virginia consumers, Armour said.

Allowing Sunday sales gives households with two working adults an extra day to purchase liquor, thus increasing sales. It's "not fair'' that liquor consumers do not have the same seven-day-a-week convenience as beer and wine drinkers, she said.

"It would give $1.1 million in new revenue without increasing taxes if you would just change the law,'' she said.

Ohio County Republican Sen. Andy McKenzie questioned the figure, saying tax revenue from beer and wine sales would drop if liquor sales increased.

Because liquor is taxed at a higher rate than beer and wine, any increase would offset any loss in beer and wine taxes, Armour said.

State excise taxes average out to about 18 cents per gallon of beer, $1 per gallon of wine and about $2 to $4 per gallon of liquor, according to the State Tax Department. Those averages do not include a 5 percent local sales tax and 6 percent state sales tax.

How much the state generates from all taxes on beer, wine and alcohol was not immediately available.

Armour said Sunday sales would "add to increased consumption and increased sales.''

The state got out of the retail liquor business in the early 1990s. It continues to supply all liquor sold in the state through a government-run warehouse system.

Last year, the state sold $63.5 million worth of liquor. If Sunday sales were approved, the additional day would have a "maximum effect'' of generating another $2.3 million in wholesale sales, said Keith Wagner, deputy commissioner for the Alcohol Beverage Control Administration.

The $2.3 million is based on several variables including liquor only being sold after 1 p.m. on Sundays and all 159 state-licensed liquor stores are open.

The ABCA has yet to take a position on the issue, Wagner said. Since the agency already has inspectors working on Sunday, expanding liquor sales to seven days a week would require staff scheduling shifts.

According to council figures, West Virginians drank 1.4 million gallons of liquor for the fiscal year that ended June 30, 2005. Only Utah, with its high population of alcohol-abstaining Mormons, consumed less per person.

New Hampshire led the nation that year, followed by Washington, D.C., and Nevada. With 1.2 million people, New Hampshire residents consumed 4.4 million gallons in 2005.

<http://wvgazette.com/section/News/2006080836>



# 23. New Regulations Make it Easier to Revoke Liquor Licenses (New Mexico)

By Walter Rubel - *Las Cruces Sun-News*

August 11, 2006

SANTA FE — Steven Judd's 21st birthday celebration at a Las Cruces bar turned deadly when, according to family attorney Paula Kahn, he was served 18 drinks in less than an hour.

It is tragedies such as Judd's that Gov. Bill Richardson said he was seeking to prevent in announcing changes Thursday to the state's Liquor Control Act that will make it easier to revoke the licenses of bars and liquor stores that serve alcohol to minors or those who have already had too much to drink.

The new regulations call for a mandatory liquor license revocation for any three convictions of either serving minors or those already intoxicated within a 12-month period.

Existing regulations, which require five convictions in either category during a 12-month period, have made it impossible for the state to shut down problem bars and liquor stores, said Ed Lopez, secretary for Regulation and Licensing, noting that each citation included due process before a conviction could be secured.

"The new regulations target licenses that chronically, habitually serve kids and intoxicated people," Lopez said. "The vast majority of the licensees who operate in New Mexico do so responsibly and have nothing to fear about these regulations."

Sgt. Keith McPheeters, commander of the Farmington Police Department Street Crimes Division, said of the 58 establishments in Farmington that have a liquor license, some will go all year without having an officer dispatched to their location, while others will average as many as 70 calls a month.

He said those few establishments that have refused to follow the rules have had a tremendous negative impact on the quality of life in that community.

But Jerry Harrell, general manager of the Double Eagle Restaurant in Mesilla, said law-abiding businesses are being punished because of a few rogue establishments.

Harrell said the liquor regulations in place prior to Thursday's announcement were already tough enough and there should be a greater focus on enforcement.

"To me, if there's a problem in the area, the police ought to be able to figure it out," Harrell said.

"Why can't they just enforce the laws that we have?" Harrell asked. "They just put the responsibility in the wrong place."

The regulations announced Thursday represent a compromise in several areas from what was originally proposed. Three public hearings were held on the proposed changes, including one in Las Cruces, with more than 650 people attending, said state DWI czar Rachel O'Connor.

The original proposal would have allowed for revocation after four convictions for serving minors or two convictions for serving those already intoxicated. Richardson said they had a final meeting Wednesday and decided to go with any combination of three.

"I asked my experts, what makes us strong with the surrounding states? And the unanimous view was three," he said.

A compromise was reached on the length of time after a person has been served that police can take a blood-alcohol test. The rule now is one hour, and the original proposal was for two hours. The new rule will allow a 90-minute window, which O'Connor said was necessary to allow for tests in rural areas of the state.

Proposals to change a positive test result from "presumptive" to "per se" evidence, and to allow the director of Alcohol and Gaming to refuse to renew a license for reasons of public safety will not be included in the new regulation.

Billy Baldwin, head of the New Mexico Hospitality Retail Association, said he had some concerns with the three-conviction standard, but wanted to see the final wording and meet with his members before deciding if they would seek to challenge the changes.

"The governor has definitely put the industry on notice that he wants more accountability," Baldwin said.

O'Connor said a new team within the State Police Special Investigations Unit has stepped up enforcement of liquor laws. Gary Tomada, director of Alcohol and Gaming, said every employee who serves alcohol in New Mexico is required to undergo training on things such as visible signs of intoxication.

<http://lcsun-news.com/news/ci_4165826>



# 24. Wine Sales Considered for Massachusetts Convenience Stores (Massachusetts)

*Convenience Store Decisions*

August 10, 2006

Bay State residents will be asked in November to vote on the measure.

Massachusetts residents will be asked to vote on a measure that would give convenience stores and gas stations the opportunity to sell wine. Proponents say approval would be a boon to consumers, who will find it easier to pick up their favorite wine. It would ultimately be up to each city or town to actually license individual stores.

But opponents, led by local liquor establishments, are warning that the change would likely increase teenage access to alcohol, make it far more difficult to enforce liquor laws, and be the first step toward doubling the number of stores that can also sell beer and hard liquor.

The ballot question would allow each city and town to issue at least five such licenses, with an additional license for every 5,000 residents. "We're looking at more than doubling the number of licenses out there," said Frank Anzalotti, the package store association official.

Liquor store operators are less than happy with the news and are assailing c-store owners as irresponsible marketers of alcohol. Scott Smith of Indian Springs Liquors told the Associated Press that studies have repeatedly shown that when convenience stores and supermarkets are allowed to sell liquor, it becomes easier for those under 21 to get their hands on it. Such stores, for example, routinely hire workers under 18, who would be under tremendous peer pressure to sell to their friends, he contends, but declined to identify the study.

<http://www.csdecisions.com/news/13910/>



# 25. State Plans Crackdown on Alcohol Sales to Minors (Maine)

*The Associated Press*

August 9, 2006

AUGUSTA, Maine --Seeking to curb alcohol sales to minors, state officials announced Wednesday a federally funded effort to conduct compliance inspections of all retail liquor licensees in Maine.

The inspections will be conducted under a contract with the Maine Sheriffs Association to assure that stores selling alcoholic beverages abide by laws requiring them to seek identification of anyone 27 and under, and to refuse sales to anyone who is under 21 or fails to produce valid ID.

Minors ranging in age from 18 to 20 will be dispatched to stores that sell beer, wine and liquor to attempt purchases. They will be supervised by a sheriff's deputy or an officer hired by the sheriffs under the contract and authorized to write up violations.

The contract calls for 1,450 compliance checks per year over two years, enough to target each licensee at least once. Funding for the $224,000 contract came from a grant from the Office of Juvenile Justice and Delinquency Prevention.

Officials noted that the Maine Sheriffs Association has undertaken similar inspections of tobacco sellers under a contract with the state Department of Health and Human Services. That program has been in place since 1997, a period in which youth smoking in Maine has declined by 50 percent.

The contract for the liquor licensee inspections will be administered by the state attorney general's office on behalf of DHHS.

"It is imperative that we keep alcohol out of the hands of children," Attorney General Steven Rowe said. "Maine has had great success in lowering underage tobacco use through similar enforcement efforts. We believe this initiative to prevent underage alcohol sales will be successful at slowing the flow of alcohol to our children."

Public Safety Commissioner Cantara said the new program complements efforts by his department and local police to address alcohol-related violations.

"Store owners and managers should take this effort seriously and train their employees to obey the law. Violators will face fines and could lose their licenses if they do not comply with the law," he said.

<http://www.boston.com/news/local/maine/articles/2006/08/09/state_plans_crackdown_on_alcohol_sales_to_minors/>

