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| *September 29, 2006* | |

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**[I. NATIONAL NEWS.](#I)**



**1. Tobacco Makers Lose Key Ruling on Latest Suit**

By David Cay Johnston and Melanie Warner – *The New York Times*

September 26, 2006

In a legal blow to the tobacco industry, a federal judge in Brooklyn ruled yesterday that people who smoked light cigarettes that were often promoted as a safer alternative to regular cigarettes can press their fraud claim as a class-action suit.

Judge Jack B. Weinstein of Federal District Court in Brooklyn found “substantial evidence” that the manufacturers knew that light cigarettes were at least as dangerous as regular cigarettes.

The decision, coming at a time when the tobacco industry felt it was on a legal winning streak, raises the possibility that so-called lights cases will become a major threat to the companies and expose them to potentially significant damages.

The case, first filed in 2004, is against Philip Morris USA, R. J. Reynolds Tobacco, British American Tobacco, Liggett Group, Brown & Williamson and Lorillard Tobacco. It differs from many previous tobacco lawsuits in that it does not claim that smokers suffered personal injury. Instead, the case — called the Schwab case after the lead plaintiff, Barbara Schwab — claims that the industry defrauded consumers beginning as early as 1971, when Philip Morris began selling Marlboro Lights, the first light cigarette.

Because some 45 percent of smokers currently smoke light cigarettes, potentially vast numbers of people nationwide could be involved.

Michael D. Hausfeld, a partner at Cohen, Milstein, Hausfeld & Toll who is representing the plaintiffs, has said that the class could reach tens of millions of people and involve damages of up to $200 billion. The racketeering law being cited would allow any damage award to be tripled.

Investors yesterday drove down the price of tobacco stocks.

But before the case can proceed to a jury trial, the class-action ruling would have to be upheld by the United States Court of Appeals for the Second Circuit. Some litigation experts expressed strong doubt that it would survive such an appeal.

William S. Ohlemeyer, associate general counsel of Altria, whose Philip Morris division makes half the nation’s cigarettes, said “the judge is wrong on the law and wrong on the facts.”

Mr. Ohlemeyer said that the government, not tobacco companies, promoted the idea that lights were a safer alternative cigarette.

He added that Supreme Court decisions and court rules prohibit treating fraud cases as class actions because each individual claim of reliance on false statements must be proved.

Still, yesterday’s ruling is a setback to what tobacco companies have previously described as an “improving legal environment” for the industry.

Tobacco companies in recent months had won a string of victories. In July, the Florida Supreme Court upheld a decision to toss out a $145 billion judgment in a class-action suit. In December, the Illinois Supreme Court threw out a similar $10 billion judgment against Philip Morris.

Then last month, Judge Gladys Kessler of Federal District Court for the District of Columbia issued a scathing decision in the Department of Justice’s landmark racketeering lawsuit. She concluded that the tobacco industry had engaged in a 40-year conspiracy to defraud smokers about the health dangers of tobacco, including deceptions about lights and low-tar cigarettes.

But while Judge Kessler ordered tobacco companies to stop labeling cigarettes as “low tar” or “light” to convey that they were less hazardous than full-flavor cigarettes, she said an earlier ruling prevented her from awarding what could have amounted to $10 billion in damages.

Yesterday’s ruling also throws uncertainty into long-running plans by Altria, the parent company of Philip Morris, to separate its [Kraft Foods](http://www.nytimes.com/redirect/marketwatch/redirect.ctx?MW=http://custom.marketwatch.com/custom/nyt-com/html-companyprofile.asp&symb=KFT) unit from its domestic and foreign tobacco businesses. After several decisions favorable to tobacco companies within the last year, investors had driven up the price of Altria’s shares in anticipation that it would spin off Kraft in the coming months.

Shares of Altria fell 6.4 percent yesterday to $77.06.

David Adelman, a tobacco analyst at Morgan Stanley, said in a conference call with investors that Judge Weinstein’s ruling would probably delay a restructuring. He said he expects that if tobacco companies are successful in their efforts to get a review of Judge Weinstein’s decision before the trial begins, which could be as early as January, a Kraft spin-off could take place by the end of the first quarter of 2007.

Mr. Adelman said that based on past rulings and what he called the “conservative” nature of the Second Circuit appeals court, he expected such a review to be granted. If it is not, the Schwab case will proceed to a jury trial.

While plaintiffs’ lawyers have been filing such class-action suits against cigarette makers since the early 1990’s, this is the first lights case to be certified as a class action in a federal court. Currently, three other lights cases have received class certification, all in state courts and encompassing fewer numbers of smokers.

Judge Weinstein rejected the defense claim that the case was so “enormous in scope and time and in diverse persons affected” that there was no reasonable and inexpensive way to try the case.

The judge said that a central theme of American justice was that “each right has a remedy” but that it was impractical to try individually the fraud claims of tens of millions of smokers.

The judge took note of past court decisions limiting class-action cases and expressed doubt that litigation has done, or can do, much to reduce the damage done by smoking.

“Nevertheless,” Judge Weinstein ruled, “where a cigarette smoker can demonstrate that he or a group of smokers has been damaged by the cigarette industry, the help of the court in resolving the claim and defenses is mandatory.”

Judge Weinstein also took note of the agreements the tobacco companies reached with the state governments, suggesting the companies could end up paying damages twice.

“The independent political-economic arrangement” the tobacco companies made with the states “to pay them billions of dollars over many years has not compensated smokers for the individual damages they have allegedly suffered,” the judge wrote. He also wrote that widespread “partial acknowledgments” by tobacco companies that cigarettes are dangerous, and their efforts to reduce smoking by children and others “does not negate any liability for past” misconduct.

Judge Weinstein has a history of decisions that favor class actions and proposing novel solutions to settle cases. In an earlier tobacco case, the Second Circuit Court of Appeals overturned his certification of a class.

Professor Geoffrey P. Miller, who teaches class-action litigation at New York University Law School, was among the lawyers who said they expected the Second Circuit Court of Appeals to overturn the class-action certification.

“It is important to remember that it is not a crime per se to lie, nor is it a violation of law to lie,” Professor Miller said. Proving fraud requires showing both that the companies lied and that customers relied on those lies, which means that “technically each individual class member has to show reliance on the fraudulent statements,” he added.

Victor E. Schwartz, general counsel for the American Tort Reform Association, which seeks major limits on class actions, said that “the flaw in Judge Weinstein’s decision is the idea that there is always a remedy for every alleged injury, which simply is not true.”

Trying cases one smoker at a time has resulted in a few victories for smokers, but many more victories for cigarette makers.

Philip J. Hilts, author of the 1996 book “Smoke Screen,” which relied on internal cigarette industry documents to show that the companies knew cigarettes were addictive and dangerous but did not alert consumers, said that cigarette makers have good reason to fear a class-action lawsuit.

“With a class action you get higher legal firepower and you get the principle discussed, not that this person quit smoking a while ago or says he smoked more than he did or whatever detail diverts from the principle,” Mr. Hilts said.

Cigarette smoke contains thousands of chemicals, some of them known carcinogens. Some lights are advertised as having less nicotine, a highly addictive substance.

Light cigarettes are manufactured differently from regular cigarettes. They have microscopic holes that the companies say dilute the smoke. Medical researchers have found that people draw harder and deeper on lights, often filling their lungs with more toxic material than they would get from regular cigarettes, said Dr. Stanton A. Glantz, a cardiologist at the University of California, San Francisco medical school who is a longtime antagonist of the cigarette makers.

Matthew L. Myers, president of the Campaign for Tobacco-Free Kids, an anti-tobacco group, said he thought the latest ruling could embolden plaintiffs’ lawyers to file new lights cases.

Judge Weinstein and Judge Kessler’s legal decisions have also heightened calls for federal regulation of cigarettes. Senator Frank R. Lautenberg, Democrat of New Jersey, introduced legislation on Sept. 7 that would ban the use of the terms “light’’ and “low tar.’’

While Mr. Lautenberg is one of 28 Democratic and Republican sponsors of another bill that would give the Food and Drug Administration authority to regulate tobacco, Dan Katz, chief counsel for Mr. Lautenberg, said that this new bill is needed as a more immediate stop-gap measure.

<http://www.nytimes.com/2006/09/26/business/26tobacco.html?_r=1&pagewanted=2&ref=business&oref=slogin>



**2. Sweden Gets Into the Spirit of Privatizing**

By Deborah Ball and Jason Singer in London and Joe Hallinan in Chicago - *Wall Street Journal*

September 26, 2006; Page C1

A change in the government of Sweden could uncork one of the liquor industry's hottest brands: Absolut vodka.

The center-right opposition party defeated Sweden's ruling Social Democrats, and in its first week in office, it is talking about selling off and privatizing many state-owned companies, the crown jewel of which is Vin & Sprit AB, owner of Absolut.

The vodka brand would be one of the biggest trophies to come on the market in the liquor industry. Absolut is the world's third-largest premium liquor by volume, after Smirnoff vodka and Bacardi rum. Vin & Sprit could be valued at ?4.3 billion ($5.5 billion), analysts say.

Any sale could be a year or more away. Still, liquor-industry executives are talking about potential buyers.

Pernod Ricard SA's chief executive, Pierre Pringuet, said the world's No. 2 liquor maker by volume could be a possible bidder. "You would be surprised if I were to say that there was no interest on our part in such a brand," he said last week. "If the privatization of V&S is started, there is no doubt that all of the industry will be there."

Absolut would help Pernod expand in the U.S., where it is currently the No. 4 competitor by volume, and just one-third the size of market leader Diageo PLC. However, Pernod would have to give up the distribution rights to Stolichnaya vodka, because Pernod's contract with Soyuzplodimport, the Russian producer of Stoli, blocks it from owning rival vodkas. Pernod is in talks with SPI to buy the brand outright.

Other possible bidders could include Constellation Brands Inc., Fortune Brands Inc., Brown-Forman Corp., all of the U.S., and Bermuda-based Bacardi Ltd. Bacardi spent about $2 billion in 2004 to acquire boutique vodka brand Grey Goose.

"We look at all opportunities in the beverage alcohol space," said a spokesman for Constellation, who declined to elaborate about Absolut. Representatives at Fortune, Brown-Forman and Bacardi declined to comment.

Analysts regard Fortune as a potential front-runner because it already distributes Absolut in the U.S. and is part of a joint venture with Vin & Sprit to distribute the vodka overseas. If any other player buys Absolut, it will have to pay a penalty to break the distribution agreements. Dresdner Kleinwort estimates that could cost as much as ?300 million. Since Fortune wouldn't have to pay such penalties, it could potentially afford to pay a higher price for Vin & Sprit.

Beer maker Anheuser-Busch Cos., which has indicated an interest in entering the spirits market, also could consider making a bid. The company has test-marketed a liqueur product, Jekyll & Hyde, in the U.S., and is known to be unhappy with the growth of spirits at beer's expense. A spokeswoman for the company declined to comment.

Diageo, the world's biggest liquor company, likely couldn't bid for Absolut because it owns Smirnoff vodka and would face antitrust issues, analysts said.

If an auction develops, analysts said, the price could soar. "It would be negligent of the Swedish government not to try to create an auction," said Andrew Holland, an analyst with Dresdner Kleinwort. In such a case, he said, the price could go above ?4.3 billion.

A sale of Absolut would advance the continuing consolidation of the global liquor industry. Over the past two years, Allied Domecq PLC, Grey Goose and Glemorangie Scotch have all sold out to bigger rivals. With the spirits market showing strong growth, sale prices have been high. Last month, Brown-Forman bought Mexican tequila maker Tequila Herradura SA for $876 million, a price that came in well above initial expectations.

Vodka is particularly attractive because it is the fastest-growing area of spirits. Sales rose an average of 6.8% annually for the past five years, according to Impact, the liquor-industry market researcher. Absolut revolutionized vodka in the 1980s when its slick ads made vodka a fashion statement, rather than a boring, flavorless drink.

More recently, new vodkas such as Grey Goose have beaten Absolut at its own game, using sleek bottles and flashy advertising to draw younger drinkers and persuade them to pay higher prices for vodka. Last year, smaller brands Grey Goose, Ketel One, Skyy and Finlandia each had double-digit sales increases. Skyy is owned by Campari SpA of Italy, Finlandia is owned by Brown-Forman, and Ketel One is made by the Nolet Distillery of the Netherlands.

Absolut's global sales rose 9% from a year earlier in 2005, while the brand's sales in the U.S. were up just 2.4%, according to Impact. Since 2004, Absolut has tried to kick-start U.S. growth with its first cable-television ads as well as four new flavored varieties, which are posting double-digit sales growth, according to Ketil Eriksen, president of the Absolut division. Absolut also reorganized its sales force and is doubling the number of U.S. managers this year, particularly in marketing. Absolut also has plans to launch new products, he says.

"Absolut has about 10% of the U.S. vodka market, and Grey Goose has about 5%," Mr. Eriksen said. "There is plenty of room for both of us to grow."

The brand grew 18% last year outside the U.S. The concept of trendy vodkas is only now taking hold in markets beyond the U.S. Absolut is focusing on a dozen non-U.S. markets, including Canada, Mexico and the United Kingdom, Mr. Eriksen said. He declined to comment on the prospect of a sale of the brand. A spokeswoman for Vin & Sprit declined to comment.

The new Swedish government hasn't decided how to sell Vin & Sprit, which has smaller brands in addition to Absolut. The government could split up Vin & Sprit between international brands and Nordic brands, a person familiar with the early discussions said. Or it could opt for an initial public offering of shares to keep a major Swedish company out of the hands of a foreign group.

The government has a list of 57 companies valued at about 200 billion Swedish kronor, or about $30 billion, and might choose to first sell stakes in other state-owned companies, according to people familiar with its thinking. Complicating any decision is the fact that the new government is an alliance of various parties that will each have a say.



**3. August Busch IV Inherits a Shrinking Beer Kingdom**

By Jeremy Mullman – *AdAge.com*

September 27, 2006

**Acquisition Buzz Trails Brewery Scion's Ascension to President-CEO Post**

CHICAGO (AdAge.com) -- August Busch IV was named president-CEO of Anheuser-Busch Cos. today, capping an ascension that did not always appear certain for the brewery scion.

August Busch IV has been groomed for the top spot since a young age.

Mr. Busch -- who had been president of the U.S. brewery since last year -- replaces Patrick Stokes, 64, as CEO of the No. 1 brewer. The promotion places him squarely in the footsteps of his father, August Busch III, the company's current chairman, who will be replaced in that role by Mr. Stokes in December.

**The kingdom is shrinking**

Mr. Busch, 42, inherits the reins of a company that dominates the U.S. beer business with a nearly 49% market share, but is losing ground in the overall alcohol market to spirits and wine.

The transition appears much smoother than the last Busch family handoff at A-B, when August III led a boardroom coup to oust his father. "Anheuser-Busch is ready for the next generation of leadership," the older Mr. Busch said in a statement today. "August IV has successfully prepared himself by leading the U.S. beer company through a period of great change and challenge. He brings with him the new thinking of his generation, yet appreciation for the great traditions and values of this company."

Mr. Busch brings a strong marketing background to the executive suite, having led the company's marketing efforts. He was responsible for the agency's memorable Budweiser frogs and "Whassup?!" campaigns, and also for the unsuccessful push behind Bud Dry. More recently, he's starred in ads for the upscale "Budweiser Select" light beer brand.

The younger Mr. Busch -- a trained brewmaster who legend has it was fed a thimbleful of Busch beer at 1 day old -- has been groomed for the top spot from a young age, sitting in on meetings even as a child.

**Dogged by reputation**

But out-of-the-office issues have long dogged him, raising questions about his ability to run the company. He first entered the public eye in 1983, when as a 19-year-old student at the University of Arizona his car ran off the road after he left a bar and his passenger, Michele Frederick, was found dead at the scene. The police found him at his townhouse. Blood and urine samples taken from him were lost or damaged. No charges were ever filed. Mr. Busch claimed he didn't remember what happened during the accident and denied alcohol was a factor.

As he grew older, he developed a playboy reputation that reportedly worried people around the company and its wholesalers. But those concerns appear to have eased now that Mr. Busch recently married, although good-natured jokes about "going clubbing with Augie" were hard to avoid at the National Beer Wholesalers Association convention in Orlando, Fla., earlier this month.

He generated far more buzz at that convention during a private meeting with A-B wholesalers in which he outlined the continuing threat the inroads spirits companies have made with younger drinkers posed to all brewers, and A-B in particular. Several wholesalers in attendance left convinced that he was laying the groundwork for a major spirits acquisition, and much of the speculation since has centered on Absolut vodka parent Vin & Spirit, which is owned by the Swedish government and could be sold soon. Past speculation has linked A-B to a major joint venture with Bacardi.

**'Proactive, nimble company'**

"We believe that under Busch IV's direction, A-B will become a more proactive, nimble company," UBS analyst Kauml Gajrawala wrote in a note to investors today. "According to industry insiders, Busch IV could be more amenable to bigger, more transformational deals. In our view, A-B will likely engage in additional transactions, and possibly even consider a large acquisition in the spirits and wine industry."

Mr. Busch has "got to worry about not only Miller and Molson Coors, but also Diageo now," said veteran beverage industry analyst Manny Goldman. "But I think he has the experience and knowledge to be up to the task."

<http://adage.com/article?article_id=112129>



**4. Anheuser-Busch Returns to Family Leadership - Additional Insight**

By Andrew Ward in Atlanta - *Financial Times*

September 28 2006

Anheuser-Busch's appointment of August Busch IV as chief executive on Wednesday could clear the way for the US brewer to diversify into wine and spirits, according to analysts.

Mr Busch, great-great grandson of Anheuser's founder, has spoken publicly about the possibility of expanding beyond beer if the shift by consumers towards rival beverages is not reversed.

The brewer of Budweiser and Michelob has been losing market share to imported beer and wine and spirits over recent years, putting the company under pressure to change strategy.

Mr Busch, previously head of US beer operations, will replace Pat Stokes, who became the first person outside the Busch family to run the company for 142 years when he took the job in 2002.

Shares in Anheuser closed down nearly 1 per cent following the announcement, reflecting disappointment among some investors that the company was returning to family leadership.

But Kaumil Gajrawala, analyst at UBS, said Mr Busch was viewed in the industry as an agent of change who was likely to consider "bigger, more transformational deals", including a large acquisition in the wine and spirits industry.

Speaking at a conference earlier this year about weakness in the beer market, Mr Busch said: "If this trend continues, we at Anheuser-Busch will have to re-evaluate our business model going forward in terms of expanding beyond beer and broadening our position within the total alcohol industry."

Investors had long assumed that Mr Busch was being groomed to become chief executive, having worked his way up through various management and marketing positions since joining the company as an apprentice brewer in 1985.

UBS's Mr Gajrawala said he expected a "smooth transition".

Mr Stokes, 64, will become non-executive chairman, replacing August Busch III, his predecessor as chief executive and father of Mr Bush IV.

"Anheuser-Busch is ready for the next generation of leadership," said Mr Busch III, who will remain on the board in a non-executive capacity.

He said his son "brings with him the new thinking of his generation, yet appreciation for the greater traditions and values of this company."

Anheuser is the largest US brewer, commanding nearly half the domestic market, and also owns large stakes in Mexico's Grupo Modelo, maker of Corona, and Tsingtao Brewery, China's largest brewer.

Some investors have criticised Anheuser for remaining too focused on the US rather than building a truly international presence to rival those of Belgium-based Inbev and UK-listed SABMiller.



**5. Bacardi Denies Its 151 Rum Caused Bar Burn Injuries**

*Associated Press*

Monday, September 25, 2006

**MIAMI —** [**Bacardi**](javascript:siteSearch('Bacardi');) **says its** [**151-proof rum**](javascript:siteSearch('151-proof%20rum');) **was not the cause of burns suffered by three women who sued the spirits company and alleged that their injuries were caused when a bottle used to pour shots turned into a "flame thrower."**

Bacardi, in a motion to dismiss the lawsuits, said their injuries sustained by the women were caused after a bartender poured rubbing alcohol on the bar of the **"**[**Secrets**](javascript:siteSearch('Secrets');)**"** adult club and ignited it as part of a promotion for flaming drinks in 2002.

Quoting from Miami-Dade County police and fire reports, the company said another drunken patron placed a paper menu in the fire and then "pulled it up in the air," causing the fire to spread and injure the women.

"Indeed, rubbing alcohol is the sole named source of the fire," Miami-based Bacardi USA Inc. said in the motion filed last week in federal court. "Bacardi had nothing to do with this misfortune."

Danielle Alleyne, Antonette Hernandez and Agata Macierzynska claimed in their lawsuits that Bacardi's 151-proof rum is inherently dangerous and defective because of vapors that are prone to ignite in a "flame thrower effect" and that a bottle cap used to guard against that possibility was too easy to remove.

The lawsuits contend that a flaming menu was stuck into a stream of 151 rum being poured into shot glasses, igniting the bottle and causing the injuries.

"This same defect in the bottle has been injuring people around the country for years and they have done nothing to make this bottle safe when they know of the dangers," Robert Dickman Jr., attorney for the women, said Monday. "Justice will have its day."

Bacardi, however, said the women are improperly seeking a financial "windfall" by suing the company after already receiving payouts from others blamed for their roles in the Aug. 8, 2002, incident.

"It was not Bacardi that staged a fire show at Secrets ... It was not Bacardi that poured rubbing alcohol on the bar and set it on fire," the company said in its motion.

Bacardi also said its 151 rum contains warning labels about its flammability — one says "Do not use this product for flaming dishes or drinks" — and features a "flame arrester" to prevent it from accidentally igniting.

The lawsuit and motions are pending before senior U.S. District Judge William Hoeveler, who has not issued a ruling on Bacardi's dismissal request.

<http://www.foxnews.com/story/0,2933,215565,00.html>



**6. Anheuser-Busch Stock Downgraded Over Slowing Beer Sales**

***Associated Press***

September 22, 2006

ST. LOUIS: Investment firm Stifel Nicolaus downgraded Anheuser-Busch Cos. to "hold" from "buy" Friday, citing slowing beer sales. Anheuser-Busch's sales to retailers grew 1.8 percent in the first half of the year but slowed to 0.5 percent in July and August and were flat excluding the Rolling Rock brand, which it acquired earlier this year.

"We expected the slowdown, but the magnitude has been greater than expected," said Stifel Nicolaus analyst Mark Swartzberg said. "We no longer see risk of positive earnings revisions over the next 12 to 18 months."

Stifel reduced its 12-month target price to $50 from $52.

Anheuser-Busch shares fell 65 cents, or 1.4 percent to $46.97 in morning trading on the New York Stock Exchange. The 52-week high of $50 was set Aug. 29; the low of $40.15 was set Oct. 27.

The five-year sales trend also is discouraging, Swartzberg said. The St. Louis-based brewer's domestic volume has grown from 101.7 million barrels in 2001 to 102.5 million barrels in 2006, an average annual growth of 0.2 percent.

Higher-priced import and craft beers, as well as wines and distilled spirits, have been cutting into the sales of traditional beers, such as Budweiser and Bud Light.

"Anheuser-Busch is big (nearly 50 percent share), and the majority of its sales come from segments that consumers are leaving in favor of 'better booze,' beer and otherwise," Swartzberg said.

Stifel Nicolaus seeks to do business with the companies it covers; the analyst doesn't own shares.



**7. Lehman Gives "Negative" Outlook on Beer**

Source: *just-drinks*

September 22, 2006

The outlook for the US beer industry remains "negative", according to analyst Lehman Brothers, after the publication of ACNielsen data for the four weeks to 9 September.

The data showed that total volumes in the US beer industry were down 4.7% with domestic beer volumes down 6.2%.

Lehman said that SABMiller had "under-performed" in terms of domestic beer sales volumes and the price/mix ratio of its portfolio.

The bank said, however, that Heineken had "outperformed again" in the buoyant import segment with the Dutch brewer's sales in the US being driven by the performance of Heineken Premium Light.

Industry beer sales over the last three months have dipped 2.2% on the corresponding period last year, although in the 12 months to 9 September, beer sales volumes in the US have inched up 0.6%, according to the ACNielsen data.



**8. Beer Institute Supports New S.T.O.P. Legislation**

*PR Newswire*

September 25, 2006

**Revised Bill Provides Millions for Public-Private Partnerships to Combat Illegal Underage Drinking**

The nation's brewers and beer importers today pledged their support for a revised bipartisan House bill to combat illegal underage drinking. Brewers have long supported the basic tenets of S.T.O.P., the Sober Truth on Preventing Underage Drinking Act (H.R. 864/S.408). **The revised bill highlights and enhances the traditional role of states, which are responsible for regulating alcohol beverage distribution and administering prevention and treatment activities in communities.**

"Brewers are very pleased that a broad consensus has been reached with beer distributors, other industry allies and Congressional sponsors on this important legislation," said August A. Busch IV, Chairman of the Beer Institute. "We recognize the importance of fighting illegal underage drinking at the state and community level and are happy to now have a bill that effectively assists in this effort."

Other industry groups that contributed to this effort include the National Beer Wholesalers Association (NBWA), Brewers Association (BA), the Wine Institute (WI), the Wine and Spirits Wholesalers of America (WSWA), the Distilled Spirits Council of the United States (DISCUS) and others.

"Fighting illegal underage drinking is critically important to brewers both as business leaders and as parents. We applaud the efforts of the bill sponsors and our industry allies that resulted in this agreement," said Beer Institute President Jeff Becker. "The revised House bill more effectively addresses illegal underage drinking issues and reinforces the constitutional authority of each state to license and oversee all three tiers of our industry -- brewers, wholesalers, and retailers."

The S.T.O.P. Act was first introduced in the House and Senate in 2004 by a bipartisan group of lawmakers and then again in the current Congress.

Among some of the other elements included in the newly revised bill is authorization to continue funding the Ad Council's national adult-oriented public service campaign and formally establish and enhance the efforts of the Interagency Coordinating Committee on the Prevention of Underage Drinking (ICCPUD). In addition, the legislation empowers the Secretary of Health and Human Services (HHS) to report to Congress annually on the programs and policies of federal and state agencies charged with preventing underage drinking, adding an important layer of accountability to the process. HHS will devote particular attention to the role of the states in law enforcement to prevent underage persons from obtaining alcohol from commercial and non- commercial or social sources, including parents, older siblings, and other adults.

Brewers already spend millions of dollars annually fighting illegal underage drinking and other forms of alcohol abuse. In addition to working with Congressional and Administration officials and the government agencies highlighted in the bill, brewers will also continue to support programs that are proven, targeted, and effective, working with law enforcement, retailers, parents, educators, community groups and others to truly make a difference in this fight.

The Beer Institute, established in 1986, is the national trade association for the brewing industry, representing both large and small brewers, as well as importers and industry suppliers. The Institute is committed to the development of sound public policy and to the values of civic duty and personal responsibility: [http://www.beerinstitute.org](http://www.beerinstitute.org/).

<http://biz.yahoo.com/prnews/060925/dcm067.html?.v=2>



**9. Statement on H.R.864 'The Stop Act' by Craig Wolf Interim President & CEO, General Counsel Wine and Spirits of America, Inc.**

***US Newswire***

September 25, 2006

*WASHINGTON -- The following is a statement by Craig Wolf, interim president and CEO, Wine & Spirits Wholesalers of America, Inc., on H.R.864--The Stop Act:*

The Wine & Spirits Wholesalers of America, Inc. (WSWA) urges Congress to pass The STOP Act (H.R. 864), before it adjourns this week. The STOP Act recognizes that the three-tier system and continued state regulation of the sale and distribution of alcohol are critical to preventing access to alcohol by persons under 21 years of age.

We applaud the work of Representative Lucille Roybal-Allard (D-Calif.) and her efforts to ensure that this bill included input from coalitions and advocacy groups, as well as concerned members of the alcohol beverage industry. We also salute our industry partners-the National Beer Wholesalers Association, the Distilled Spirits Council of the United States, Inc. and the Beer Institute-for their actions in support of The STOP Act.

We are pleased the alcohol beverage industry has voiced their support for The STOP Act. Now, it's time for Congress to take action.

WSWA is a national trade association representing the wholesale tier of the wine and spirits industry and supports government policies that ensure sales and deliveries of alcohol are conducted only by those licensed by the state and in compliance with state and federal law.

*Contact: Kim Brock of the Wine & Spirits Wholesalers of America, Inc., 202-371-9792, ext. 305*



**10. Major Distiller Opposes Partnering with NASCAR**

Source: *CPSI*

September 27, 2006

**Pernod Ricard USA Says it Will Leave Trade Group Over Dispute**

WASHINGTON-A major distiller, Pernod Ricard USA, opposes mixing liquor promotion with auto racing, and may leave the Century Council trade group in protest. That principled position is winning praise from the nonprofit Center for Science in the Public Interest (CSPI), which has been calling on NASCAR and the liquor industry to sever their lucrative sponsorship ties.

"Marketing alcoholic beverages of any kind on race cars sends the wrong message about drinking and driving-especially to teenagers who are at highest risk of death or injury in drunk driving crashes," wrote George A. Hacker, director of CSPI's alcohol policies project, in a letter to Pernod Ricard head Alain Barbet. Hacker also urged the world's second biggest distiller to consider withdrawing from another trade group, the Distilled Spirits Council of the United States, whose code permits racing sponsorships.

According to a recent MarketWatch report, Pernod Ricard told the Century Council that the company "firmly believes that it is inappropriate for the distilled spirits industry to engage in sponsorship of motor sports," and that the Century Council should cease its involvement with racing.

According to government data, alcohol-related motor vehicle crashes in the United States cost the public an estimated $114.3 billion per year. Alcohol-related crashes kill someone every 31 minutes and injure someone every two minutes. More than 2,200 teens between the ages of 15 and 20 die in alcohol-related traffic crashes each year.

CSPI recently called on the Federal Trade Commission (FTC) to closely examine alcohol sponsorship relationships with NASCAR in the context of the agency's upcoming review of the the industry's self-regulation systems. Since 2005, liquor companies have joined beer companies as NASCAR sponsors-making the alcoholic beverage category the leading sponsor of the nation's premier driving sport. NASCAR is the second most popular televised sport among 7-to-11 year-olds, behind NFL football.

<http://cspinet.org/new/200609271.html>



**11. Brown-Forman Labels NASCAR a Winner Deals Considered for More Brands**

By Alex Davis - *The Courier-Journal*

Two years after Brown-Forman Corp. entered the pricey world of NASCAR sponsorships, the Louisville company is pleased with its results, even if the effort hasn't yielded a spot in the Chase for the Nextel Cup.

The Jack Daniel's racing initiative, announced in December 2004, remains the most expensive marketing deal in the whiskey brand's history. It was created just weeks after NASCAR lifted a ban on sponsorship deals with liquor companies.

David Stang, director of sponsorships and events for Jack Daniel's, said the relationship has been a good fit so far, providing a way to build customers and sell merchandise ranging from cigarette lighters to racing hats and twill jackets.

"You have a base of 75 million people that watch this sport," Stang said, noting that NASCAR fans also consume more alcoholic beverages than the general public. "That's a heck of a lot of people."

Brown-Forman doesn't disclose the amount of money it spends on sponsorship, or sales figures for merchandise. But Phil Lynch, a company spokesman, said motorsports sponsorships are being considered for other Brown-Forman brands, partly due to the success of the Jack Daniel's deal.

Other liquor companies heavily involved in NASCAR include Jim Beam, which has a distillery in Clermont, Ky., and Crown Royal.

Zak Brown, a former race-car driver who is chief executive officer of Just Marketing International, handles the Crown Royal sponsorship for the brand's owner, Diageo. Brown said the deal with Jack Daniel's, which covers most of NASCAR's 36 championship races, likely costs about $13 million per season. Including additional money spent on TV commercials and track publicity, Brown-Forman's investment is "well north" of $20 million, he said.

NASCAR sponsorships have worked "fantastically on many fronts," Brown said, despite a few minor controversies.

Last year, for example, the racing team backed by Crown Royal replaced its driver, Kurt Busch, after he was involved in an altercation with police in Phoenix.

This summer, spirits company Pernod Ricard announced that it was planning to drop out of an industry group called the Century Council over concerns about the group's support of liquor sponsorships in NASCAR.

Lynch said Brown-Forman is disappointed with Pernod Ricard's decision and hopes the company will reconsider.

"Alcohol is alcohol is alcohol," Lynch said in an interview, adding that there is "no reason for the spirits industry to be limited" from sponsoring NASCAR events when beer companies have been doing so for years.

Brown-Forman also strives to use its sponsorship to promote responsible drinking, Lynch said, noting that Jack Daniel's set an example for the industry by selling merchandise at tracks only to fans 21 years or older.

Brian Sudano, managing director for the consulting arm of Beverage Marketing Corp. in New York City, said that there has been little negative feedback from the three initial liquor sponsorships. He predicted NASCAR will eventually draw spirits brands beyond whiskey.

Some brands wouldn't necessarily fit with NASCAR's blue-collar image, such as those with an urban or extremely high-end customer base. But Sudano said Southern Comfort would be a "natural fit" for Brown-Forman if the company expands sponsorships.

The initial one-year deal between Jack Daniel's and North Carolina-based Richard Childress Racing was renewed earlier this year for multiple years, although Lynch declined to say how many.

The No. 07 Jack Daniel's car, a Chevrolet Monte Carlo, is being driven this year by rookie Clint Bowyer, who is ranked 16th heading into the final stretch of the season. That puts him out of the top 10 drivers who participate in the Chase for the Nextel Cup, but Lynch pointed out that two drivers in the Childress stable, Kevin Harvick and Jeff Burton, are still in it.

Regardless of where Bowyer finishes, Stang said, the relationship has "turned out very well." The Jack Daniel's name is plastered all over the car, and its logo adorns everything from the driver's helmet to his protective fire suit. At tracks around the country, 50-foot tractor-trailers crammed with Jack Daniel's paraphernalia promote the whiskey and its roots in Lynchburg, Tenn.

And Stang said fans are warming to the message.

"Beer has been the product advertised to them in the past, and liquor and wine have not been marketed to them," he said.

"From a track perspective, those consumers never had an opportunity to buy Jack Daniel's merchandise."



**12. Alcohol Companies Have High Spirits for Holidays**

September 28, 2006

WASHINGTON, Sept. 28 (Reuters) - A pullback in U.S. consumer spending should not dampen holiday parties or sales of distilled spirits in the liquor industry's biggest season, executives of several companies said this week.

A sluggish housing market and what until recently were soaring oil prices have weighed on consumer sentiment and sparked concern about the strength of holiday sales. While some drinkers may trade down to cheaper choices, executives said, others, who see it as a luxury they can afford, will stay loyal to their favorite brand.

Speaking after a dedication ceremony for the reconstructed whiskey distillery of first U.S. President George Washington, Michael Keyes, managing director of Brown-Forman Corp.'s (BFa.N: Quote, Profile, Research) (BFb.N: Quote, Profile, Research) Jack Daniel distillery said high gas prices hurt sales of its bourbon whiskey, but that things were looking up.

"We broach a very broad demographic," Keyes said in an interview. "I think the price of gas for some of our franchise actually does impact their buying decisions. So if the economy slows down, we have the potential to also slow down."

Keyes said U.S. sales growth of Jack Daniels had slowed by a few percentage points, from growth in the mid- to high-single digit range over the past few years to the mid-single digit range this year. He guessed that some Jack Daniels drinkers were reaching instead for Fortune Brands Inc.'s (FO.N: Quote, Profile, Research) Jim Beam, which he said was about two-thirds the price of Jack Daniels in the United States.

"At-home consumption with the slowing economy is something that worries us," Keyes said. But "it's rebounded a little bit in the last couple months, so we're guardedly optimistic now about the U.S.A. business."

December accounts for about 13 percent of the year's total sales volume, Keyes said, compared to a range of 6 percent to 9 percent for the other months.

Paul Walsh, chief executive of Diageo Plc. (DGE.L: Quote, Profile, Research), maker of Smirnoff vodka, Johnny Walker whiskey, and Tanqueray gin, said his company was not immune to a consumer slowdown but was more insulated than other sectors because spirits are an infrequent purchase that serve as an "affordable indulgence," even when times were tough.

"Given all the pressures and all the stuff you read in the press about this horrible consumer slowdown and how times are getting tougher," Walsh said, consumers sometimes feel that they deserve to splurge on a bottle of their favorite spirit.

"This is your drink and you're going to keep drinking it," said Alain Barbet, president and chief executive of Pernod Ricard USA (PERP.PA: Quote, Profile, Research) when asked at a lunch in New York if he expected consumers to rein in holiday spending.

Bill Samuels, president of Fortune Brands' whiskey Maker's Mark, said the holidays always boost sales and that this year was shaping up similarly. In general, Samuels, whose parents developed the recipe in 1951, said the brand was gaining traction with new customers.

"Seems to me that with the interest growing overseas, interest emerging in the West(ern United States) in urban centers and among professional women ... that we're just starting to gallop."

Wine and spirits companies have been growing at a decent clip as U.S. consumer tastes have shifted away from beer toward cocktails and wine.



# 13. Seniors Warned of Alcohol Dangers

By George R. Wollfe - *Star-News Online*

September 27, 2006

Senior citizens might be surprised to learn they can have problems with alcohol even if they are just moderate drinkers.

It is not so much the drinking, but the inability of older people's bodies to handle the effects of alcohol, Dr. Marsha Fretwell recently told an audience of retirees at Plantation Village, where she is the medical director.

"As we age, we tend to lead more sedentary lives and not exercise as much," she said. "This leads to reduced muscle mass, which reduces the body's ability to process the alcohol in the bloodstream."

At the same time, she said, most senior citizens are taking medications for some ailment or another.

Virtually all of these prescriptions interact adversely with alcohol.

Fretwell provides lectures to Plantation Village residents each month as part of her contract with the facility.

Plantation Village is a community with an average age of 83, but whose members live independently.

According to an informal survey she conducted, at least 50 percent of the residents drink regularly. They lead active social lives and often get together at one another's homes for cocktails or fellowship before dinner.

Fretwell said such social interaction is healthy, but she warned that moderation is required.

Her survey also showed that perhaps 15 percent of those who imbibe regularly may be experiencing health risks, while 2 to 4 percent showed signs of abuse or dependence.

Fretwell asked the audience to ascertain for themselves whether they are in a at-risk category. In the low-risk category are those who have no more than one drink per day and a maximum of two drinks on any occasion. They also needed to answer "no" to all the following questions:

● Have you ever felt you should cut down on your drinking?

● Have people ever annoyed you by criticizing your drinking?

● Have you ever felt guilty about your drinking?

● Have you ever had a drink in the morning to get rid of a hangover?

You are in the high-risk category if you answer "yes" to any of those questions and average more than one drink a day, more than seven drinks a week or more than three drinks on heavier drinking occasions.

While middle-aged adults in good physical condition might find these restrictions unnecessary, senior citizens would do well to adopt the guidelines, Fretwell said. The elderly frequently have problems with balance, and even a small amount of alcohol in the bloodstream makes them susceptible to falling, which can often lead to hospitalization for a hip replacement or shoulder separation.

Dr. Fretwell knows hers is a tough sell for those people who for years have enjoyed a drink or two in the evening and feel entitled to relax at the end of the day. They can readily accept the fact that they can't hit a golf ball as far or see as clearly as they once did, but realizing that advancing years cause alcohol to have a greater impact on their bodies is more difficult to accept.

"Most people are not conscious of the negative effects of alcohol," she said. They regard it as a stimulant, which it is at the outset, but it becomes a depressant if the quantity imbibed becomes too much for the body to process.

Another downside to alcohol is that it decreases inhibitions and can lead to aggressive behavior resulting in verbal or even physical abuse in otherwise even-tempered people.

"A good guideline is to ask yourself, 'How am I functioning?' " Fretwell said.

If that second drink affects your balance or causes drowsiness, it is a good indication that your body is not coping with the amount of alcohol you have imbibed.

Fretwell is not advocating abstinence, but she said older people need to come out of denial if they want to live healthier lives.

Indeed, studies have shown that abstainers or those people who have quit drinking have a greater average decline in cognitive functioning than those who have developed a pattern of minimal to moderate drinking.

Dr. Richard Desjardin, who before retiring to Plantation Village had established a clinic to combat alcoholism among the employees of Great Northern Paper Co. in Millinocket, Maine, said that moderate drinking is not a bad thing.

"It can have a salubrious effect on a person," he said, but added that drinking in moderation should be the rule for everybody.

Just where the line should be drawn on the amount of alcohol a person consumes on a daily or weekly basis is very much an individual matter, Fretwell said. Such factors as an individual's health, general physical fitness, level of exercise, amount of muscle mass and the medication he or she is taking all enter into the equation.

For men and women 65 years old and older, the National Institute on Alcohol Abuse considers one drink per day to be the maximum amount for moderate alcohol use.

The institute defines this as 1.5 ounces of distilled spirits, 12 ounces of beer or 5 ounces of wine. That is as good a guideline as any, Fretwell said.

When a member of the audience suggested that one was entitled to a drink at the end of a busy day, Fretwell responded: "A drink a day is a privilege, not a right. Alcohol, unlike Social Security and Medicare, is not an entitlement."

<http://www.wilmingtonstar.com/apps/pbcs.dll/article?AID=/20060927/NEWS/609270347/1002/business>



**14. American Syrah Makes a Name for Itself**

*Wall Street Journal*

September 29, 2006; Page W7

**We Try the Stateside Spin on an Aussie Favorite; Doing a Balancing Act**

*SCREAMING BARGAINS.*

Did we get your attention? We just completed a tasting that certainly got ours. It was a tasting of American Syrah, which is suddenly all over the wine store. Syrah is the great grape of the Rhône Valley of France. In the past couple of decades, some American winemakers became very taken with it, as part of a general surge of interest in Rhône varietals, from Viognier to Mourvèdre. Then Americans fell in love with Australian Shiraz, which is the same grape, and the race for the shelves was on. Just since 2000, the Syrah acreage in California has tripled, and it has tripled in Washington state, too.

THE DOW JONES SYRAH INDEX

[[[Syrah]](http://online.wsj.com/services/article/SB115949449037777615-search.html?KEYWORDS=American+Syrah&COLLECTION=wsjie/6month#TABLE#TABLE)](http://online.wsj.com/services/article/SB115949449037777615-search.html?KEYWORDS=American+Syrah&COLLECTION=wsjie/6month#TABLE#TABLE)

In a tasting of American Syrah that cost up to $50, [these were our favorites](http://online.wsj.com/services/article/SB115949449037777615-search.html?KEYWORDS=American+Syrah&COLLECTION=wsjie/6month#TABLE#TABLE).

But Syrah is hardly America's sweetheart. Americans drink only about 1.2 million cases of California Syrah a year, according to Impact Databank, which is about the same as, say, White Merlot consumption (yes, White Merlot). Hmmm, let's see: more supply, not a lot more demand. That should add up to value, right? We conducted a broad blind tasting to find out. We bought almost 60 Syrahs that cost under $50 from stores in five states. We included some familiar names but also quite a few of the small producers who are specializing in Syrah and other Rhône varietals. We made a point of including a good selection from Washington, where it's a specialty. Indeed, in our last tasting of Syrah, our best of tasting was Dunham Cellars 2001 from Columbia Valley, which rated a Delicious.

Syrah should be a wine of personality, with big, wintry tastes that require big, wintry dishes and, indeed, it was clear from the beginning of the tasting that Syrah remains a winemaker's wine, with distinctive features shining through. While many of the best had similar characteristics -- blackberries, blueberries, black pepper, a splash of lemon, maybe some blue flowers and herbs -- there were easy-to-taste differences of vision among them: more intensity here, a lighter package there. Some had hints of black olives while others had a touch of cola, smoke or mint and still others showed just a dash of vanilla. In other words, while too many wines these days have become the same, American Syrah retains its personality and distinctiveness. (They have retained excessive alcohol content as well, in some cases. We tasted quite a few that were over 16%, including one wine from Fess Parker that weighed in at 16.4%. Perhaps that's appropriate -- Daniel Boone was a man, yes, a big man -- but too many of the higher-alcohol Syrahs lacked balance and tasted hot and alcoholic.)

**The Best Thing**

But here's the best thing: Some of these very good wines were also very good deals. Our best value, Sobon Estate, cost only $9.99, which is just about criminal (the winery made 530 cases that were distributed in more than 30 states. The 2004 has just been released, but we didn't see it). An excellent, distinctive Syrah by Andrew Murray, always a good name in Rhône varietals, was $14.99. And a highly personal, kick-butt Syrah from Rosenblum Cellars was $16.99, truly a great deal for a wine that took us back to the heady days of late-harvest Zinfandels. Wine after wine made us yearn for osso bucco, veal and peppers or a rich ratatouille, something sensuous and delicious.

Of course, not all of our favorites were inexpensive, but all of them were good values because we felt we got a seriously big bang for the buck. "Black as night," we wrote about one. "Balanced fruit, oak, pepper and acids. Big yet balanced. 'I love the purity of this. It has everything. And it's so effortless,' Dottie says. Lemony acidity but not too much; black-cherry/blueberry fruit, but it's not sweet; nicely dry and earthy." This turned out to be our old friend Dunham, this time from 2003. But we had a wine we liked even better. Get this: "Great nose of fruit, blue flowers and pepper. Intense, roasted, elegant and powerful, a real blockbuster. Weight and intensity. Blackberry-blueberry fruit. Not shy with the pepper. Dry, with just a hint of vanilla. Pure and sensuous. The total package." Well, darn if this didn't also turn out to be Dunham Cellars, this time from 2002. Gee. We guess it would be fair to say we have a favorite American Syrah.

The winery says it made 1,500 to 2,000 cases of each vintage and they were distributed in 15 to 20 states (we got ours in Missouri). We paid $44.99 for the 2002 and $39.99 for the 2003 (it's more commonly around $45) and we'd consider each a bargain.

It is impossible to know which American Syrah you might see on shelves. But our tasting indicates that it's hard to go wrong with one if you're looking for a distinctive, cold-weather wine to serve with hearty food tonight.

• Look for our new [Wine Notes](http://online.wsj.com/article/SB115896385228571763.html?mod=Tastings) column every Saturday in the Pursuits section of the Journal's Weekend Edition. If you have a question, drop us a note at [wine@wsj.com](mailto:wine@wsj.com). Be sure to include your full name, city and state.

### The Dow Jones Syrah Index

In a tasting of American Syrah that cost up to $50, these were our favorites. Good Syrah will age beautifully for at least a few years. In general, these are good with red meat and hearty winter food. When you buy Syrah, be sure to look at the alcohol content; 16% or more is not uncommon, though our favorites are usually below 15.

|  |  |  |  |
| --- | --- | --- | --- |
| **VINEYARD/VINTAGE** | **PRICE** | **RATING** | **TASTERS' COMMENTS** |
| **Dunham Cellars 2002 (Columbia Valley)** | $44.99 | Delicious | Best of tasting. This has it all: concentrated blackberry-blueberry fruit, black pepper, intensity, weight and a long, dry finish. The 2003 is also excellent, and the 2001 was our favorite in our last tasting. |
| **Sobon Estate 2003 (Amador County)** | $9.99 | Very Good/Delicious | Best value. Smooth, with more elegance than brawn. Earthy, with pepper, herbs and some structure. Tastes expensive. |
| **Neyers Vineyards 'Hudson Vineyards' 2004 (Napa Valley)** | $39.98 | Very Good/Delicious | Interesting, with spiky acidity, lilacs and a surprising amount of mint. Soulful. Perennial favorite. |
| **Rosenblum Cellars 'Rominger Vineyard' 2003 (Yolo County)** | $16.99 | Very Good | Like Port, or the late-harvest Zinfandels of old -- massive, gutsy and earthy. Great for a cold night by the fire, maybe with some cheese. A wine for the adventurous. |
| **Andrew Murray Vineyards 'Tous les Jours' 2004 (Central Coast)** | $14.99 | Good/Very Good | Fun and so easy to drink, with charming fruit, a dash of pepper and a slice of lemon in a lovely package. |
| **A Donkey and Goat 'Vidmar Vineyard' 2004 (Yorkville Highlands)** | $31.99 | Good/Very Good | Blackberries, pepper and earth. Great fruit. Nicely balanced, with a medium weight. More drinkable, less intense than some. |
| **Ridge Vineyards 'Lytton West' 2003 (Dry Creek Valley)** | $34.99 | Good/Very Good | Black as night. Rich, earthy and classy, with a nice shake of pepper. Interesting blend: It's 9% Viognier. |

NOTE: Wines are rated on a scale that ranges: Yech, OK, Good, Very Good, Delicious, and Delicious! These are the prices we paid at wine stores in California, Missouri, Texas, New Jersey and New York. Prices vary widely.

<http://online.wsj.com/services/article/SB115949449037777615-search.html?KEYWORDS=American+Syrah&COLLECTION=wsjie/6month>



**15. Noted. . . .**

*Wall Street Journal*

September 29, 2006; Page B5

[ANHEUSER-BUSCH](http://online.wsj.com/quotes/main.html?type=djn&symbol=BUD) Cos. (St. Louis) -- This brewer announced that Joseph P. Sellinger, 60 years old, chief executive and president of Anheuser-Busch Packaging Group Inc.; and James F. Hoffmeister, 62, group vice president, procurement, logistics and agricultural resources; are retiring effective Nov. 30. Both served on the company's strategy committee. Robert C. Lachky, David A. Peacock and Michael S. Harding were named to the strategy committee. Mr. Peacock, 38, vice president of business operations for Anheuser-Busch Inc., will assume Mr. Hoffmeister's procurement and agricultural duties. Mr. Peacock will also assume responsibility for the corporation's information technology group. Mr. Harding, 55, will succeed Mr. Sellinger. Peter J. Kraemer, group director of corporate brewing, is succeeding Mr. Harding as vice president of operations. The packaging subsidiary will move under Douglas J. Muhleman, group vice president of brewing operations and technology for the company's U.S. and international breweries. Mr. Muhleman will assume Mr. Hoffmeister's responsibility for the company's logistics functions. Gary R. Welker, 63, vice president of distribution systems and services, is retiring. Timothy E. Armstrong will succeed him and become vice president of transportation and logistics. He was senior director of transportation and logistics services.

<http://online.wsj.com/services/article/SB115949578127477646-search.html?KEYWORDS=Anheuser-Busch&COLLECTION=wsjie/6month>



**[II. IOWA NEWS.](#II)**

**16. Downtown Braces for Storm of Fans**

Ben Fornell - *The Daily Iowan*

September 28, 2006



While cash registers at City Hall and bars on the Pedestrian Mall ring in thousands in beer, fines, and shots of Hawkeye vodka on football weekends, Matthew Theobald is just glad he hasn't had to replace his store's front window - yet - this season.

"Game days are rough," he said. Theobald manages the Soap Opera, 119 E. College St., a soap, lotion, and fragrance store his parents have owned since 1971. In talking about the recent Hawkeye-Cyclone game, he said, he cleaned urine and bits of broken beer bottles from the store's front doorway in addition to "throwing out" drunken customers who demanded to use the bathroom.

"We're only open until 5:30 p.m.," he said. "This is happening in the middle of the afternoon. Customers are shocked - and shocked customers don't come back."

The Soap Opera represents a Ped Mall anomaly - new businesses that open on the drunken playground of Iowa City's youth are more likely to sell their suds in a mug than in an embossed box.

But for protection against crowds of rowdy revelers this weekend, local citizens such as Theobald are calling for increased police enforcement.

"There'll be a large police presence this weekend," Iowa City police Sgt. Doug Hart said. Some officers will be specifically assigned to the Ped Mall, but he declined to quantify the number as anything more than "a lot."

"I like to think [Hawkeye fans and Iowa City residents] are above any excess activity, other than watching the game and having a good time," Hart said. Though Iowa City law-enforcement agencies are generally optimistic about the weekend, there have been collaborative efforts among the Iowa City police, UI police, and Johnson County Sheriff's Office to keep potential problems under control.

Sheriff Lonnie Pulkrabek said the Johnson County Jail usually swells in occupancy whenever there are a large number of visitors to Iowa City, especially on a game day.

"Iowa State came to town, and we had 83 arrests in a 24-hour period," he said, adding that he expects the 7 p.m. kickoff time of the Hawkeye-Ohio State game to keep his officers even busier than two weekends ago.

"People have a lot more time to enjoy tailgating," Pulkrabek said. "Not many people drink heavily at 6 a.m., but it may be that more people drink heavily at 6 p.m."

Shawn Sharp, a UI police officer who coordinates university policing efforts on game days and at Kinnick Stadium, agreed with Pulkrabek.  
  
"Historically, we have found that the later the kickoff, the more arrests we make," he said. "We even notice a big difference between an 11 a.m. kickoff and a 2 p.m. kickoff. We're trying to prepare for anything."

Sharp said medical calls to the police, along with arrests, will increase significantly on game days. "If someone gets arrested at football, it's either because they're causing problems or because they're too drunk to take care of themselves," he said. He added that the police won't allow any postgame tailgating on Saturday, as they have atprevious games.

Even though the tailgating areas will be closed immediately after the game, Hawkeye fans should be able get their fill of booze and brats with the additional eight hours before the 7 p.m. contest.

"We did a study, actually," said Hans House, a UI clinical assistant professor and emergency-medicine physician at the UI Hospitals and Clinics. "Hawk fans tend to start their tailgating at the same time no matter what time the kickoff … we're expecting a busy day."

House, who will run the emergency medical station at Kinnick Stadium for the Iowa-Ohio State game, encouraged all partiers to eat something with their alcohol and to drink plenty of water.

"The last thing you want to do is pass out and miss the game," he said.

While fans in Ohio and Iowa eagerly await the opening kickoff of Saturday's much-hyped game, Emily Schulz at the Soap Opera is glad that it's her day off.  
  
Those who will be on the clock just hope the damage will be limited.

"The police do what they can with the resources they have," Theobald said. "At some point, people have to police themselves."

<http://www.dailyiowan.com/home/index.cfm?event=displayArticlePrinterFriendly&uStory_id=dd756758-06e9-4415-bd00-da493d72367a>



**17. Education Seen as Key in Smoking Fight**

By Obaid Khawaja, staff writer – *Fort Dodge Messenger*

September 23, 2006

**Police, Sheriff’s Department offer free classes for tobacco retailers**

WEBSTER CITY — For more than three years, law enforcement agencies in Hamilton County have been working to reduce the sale of tobacco to minors. The two agencies pledge to continue their work with the Iowa Alcoholic Beverages Division, which trains police officers and sheriff’s deputies to administer the program.

The Iowa Pledge Tobacco Education and Enforcement program was started in 2000 to help enforce Iowa’s tobacco laws and educate tobacco retailers and clerks.

Webster City Police Chief Mike McConnell said participation in the program is voluntary for retailers or clerks but it was important to educate them about tobacco enforcement laws, how to calculate a customer’s age and ways of refusing sales.

‘‘It’s up to them ... (but) you encourage them so they know how to read a driver’s license,’’ he said. ‘‘Every law enforcement agency in Iowa has the opportunity to partner with the ABD.’’

State, county or local law enforcement agencies are reimbursed each time they check a retailer for compliance with Iowa law.

‘‘In exchange for some funding ... we will pledge to do the compliance checks,’’ he said. ‘‘We use our manpower and they reimburse us for overtime.’’

He also said the added benefit for retail clerks was that they aren’t penalized for their first violation after successful completion of the program.

‘‘If they come it’s a way for them to opt out of a civil fine (once),’’ he said. ‘‘(It) will give the license holder one freebie.’’

The Hamilton County Sheriff’s Department and Webster City Police Department alternate the training for the sessions, which take place once a month and last about an hour.

According to the Iowa ABD Web site, 12 percent of Iowa businesses sold tobacco products to minors last year. Penalties for clerks that sell tobacco to minors range from a $100 fine to a $500 fine for a third offense. Retailers can have their licenses suspended or revoked for repeated violations.

Retailers or clerks interested in attending a certification class can register at [www.iowaabd.com.](http://www.iowaabd.com.)

<http://www.messengernews.net/News/articles.asp?articleID=3868>



**18. Bicyclist Dies After Being Hit by Car**

By Kate McGinty, Staff Writer – *Des Moines Register*

September 25, 2006

**John Maxwell was riding his bike to work before dawn when he was hit by a drunk driver, police say.**

A Dallas Center bicyclist was killed early Sunday after being hit by a car allegedly driven by a drunk driver who will be facing his second operating-while-intoxicated offense.

John Maxwell, 45, was riding his bike at 5:18 a.m. when he was struck by a car at County Road 16 and 270th Street, about two miles south of Dallas Center, according to the Dallas County sheriff's office.

Maxwell was pronounced dead at the scene.

The driver of the car, Matthew Merical, 22, of Urbandale, was arrested and charged with driving while intoxicated a second time, according to the sheriff's office.

Merical was charged Dec. 28, 2003, and convicted of operating while intoxicated, according to court documents.

Maxwell had been riding his bicycle to work at the Heartland Co-op in Waukee, said Dallas County Chief Deputy Kevin Frederick.

If Maxwell were headed to work, he would have been going to 529 Ashworth Drive in Waukee, said Larry Petersen, chief executive of Heartland Co-op.

Petersen said he had been informed of Maxwell's death but did not have any details about the incident.

The accident occurred in a rural area about two hours before sunrise.

At the time, Maxwell was about six miles away from Heartland Co-op.

Maxwell's body was taken to Brandt Funeral Home, 1301 Ash St. in Dallas Center.

The Dallas County sheriff and the Iowa State Patrol are investigating the accident.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20060925/NEWS01/609250336/-1/archive>



**19. Student at Party Injured in Fall**

*Des Moines Register*

September 27, 2006

Dubuque, IA -- A University of Dubuque student was seriously injured early Sunday when he fell 22 feet from a second-story overhang and landed face first on a concrete patio, police said.

Authorities said Shane Frederick, 18 of Page, Ariz., a wrestler, was at an underage drinking party Saturday night and when officers arrived to break up the party, several students, including Frederick, tried to escape.

Assistant Police Chief Terry Tobin said Frederick was taken to a Dubuque hospital and then transferred to University Hospitals in Iowa City. No information about his condition was being released.

Forty-two people were charged with possession of alcohol under the legal age. One person was charged with interfering with official acts for allegedly giving a fake name.



**[III. OTHER STATE NEWS.](#III)**

**20. Alcohol/DUI Bracelets Implemented in South Dakota (South Dakota)**

*Dakota Voice*

September 25, 2006

**Monitors alcohol consumption through sweat emissions**

PIERRE, S.D. - Attorney General Larry Long said today that his office will begin implementing the use of a special ankle bracelet to expand his 24/7 Sobriety Project to rural areas of South Dakota.

SCRAM, or the Secure Continuous Remote Alcohol Monitor, is an 8 oz. leg bracelet that monitors alcohol consumption by analysis of the emissions from the wearer's sweat glands. Tests are random and the subject has no idea when the testing will take place. The information is transmitted though a modem placed in the subject's home via conventional phone line and emailed to the agency assigned to testing. The testing agency has the ability to customize testing schedules and monitor subject tests at any time.

Many 24/7 Project defendants have difficulty traveling to a testing site to submit twice-a-day breath tests," said Long. "The bracelets would play a key role in filling the void for those counties that do not have jails and allow defendants from remote areas of South Dakota to benefit from this program."

The State has received 25 of 100 bracelets purchased by the National Highway Traffic Safety Administration. The cost of daily use will be $4.30 per day per user. State officials will charge wearers for part or all of the related costs. Major alcohol distributors have donated monies to help defray some of the costs. Those distributors include: Anheuser-Busch, $10,000; Brown-Forman Corporation, $5,000; The Century Council, $10,000; Coors Brewing Company, $3000.

The State has distributed the first 25 bracelets as follows: Pennington County 10, Minnehaha County 10 and the Department of Correction 5. The bracelets are currently being used in 37 states and a product of Alcohol Monitoring Systems (AMS), a Colorado based company. AMS manufactures the world's only continuous alcohol testing system that uses Transdermal Analysis to measure alcohol consumption.

<http://www.dakotavoice.com/200609/20060925_1.html>



**21. Hubris Doesn't Change Flawed Law (Kansas)**

*Kansas City Star*

Sept 20, 2006

If you aren't laughing at yourself on a regular basis, you probably aren't paying attention.

In my July column I insisted that the press wasn't to be trusted to get the whole story right. And in castigating the Kansas Legislature for its timidity in narrowly drafting new alcohol shipping laws, I presented what turned out to be a decidedly incomplete picture.

Ah, hubris.

Let's take another look at Kansas' new shipping rules. To recap, if you find yourself physically present at a winery, you can arrange for the wine you buy there to be shipped to Kansas. In fact, Kansans can have that wine shipped to their homes. But if you are not physically present at the winery, direct purchase and direct shipping to your home still isn't allowed in Kansas.

The new law does allow wineries that produce fewer than 31,250 cases (that's 100,000 gallons) per year to make telephone and Internet sales and ship into Kansas if those wineries first purchase a permit.

Those wineries must first ship the wine to a retailer, then the consumer must pick up the wine at that retail store. Hardly direct, but at least a path exists.

Even so, the new law is not likely to open the floodgates of direct shipping.

The director of the Kansas ABC, Alcohol Beverage Control, said that as of the end of July, only five wineries had submitted permit applications. At least four of those are Kansas wineries. California's wineries just don't seem to be jumping at this opportunity yet.

Incidentally, consumers are required by statute to self-report the sale and pay all applicable taxes. But the form to enable this doesn't exist yet.

Further complicating matters, larger wineries, those that produce more than 31,250 cases per year (that would include virtually every well-known winery), have to apply for a separate permit.

Those wineries would have to ship to a distributor (only a handful are in the state); then it can be shipped to a retailer and finally picked up by the consumer. Any winery would have to fill out five forms and pay Kansas tax on each shipment.

As I noted in my earlier column, this is a rather confusing law. But as several readers pointed out, a confusing law is better than no law. And there is no question that this is an improvement. But while a car with two flat tires is better than no car, it's still not going very far.

Unique wines, especially cult wines, those wines that many wine lovers want to buy and enjoy, are still not going to be available under these new regulations. There is no scenario I can imagine in which a winery with highly sought wines is going to bother buying a Kansas shipping permit when its wines can be sent to customers in less demanding states.

If you like to explore wines from other countries, you've probably noted that neither Kansas nor Missouri has many of the most lauded brands. If you live in Missouri, you can pick up the phone and call a retailer in another state and buy your bottles to be shipped to your home.

As some e-mail writers noted, with the new law, Kansas (unlike Missouri) doesn't limit a consumer's annual purchases. But Kansas (unlike Missouri) doesn't allow its citizens to buy from non-Kansas retailers, and that's pretty much the only way to access many of the most prized brands.

I can already see the letters being typed in response to this column. Yes, there are great retailers in Kansas and, yes, there are many, many great wines available to Kansans.

But, as someone who is passionate about wines made throughout the world, my life isn't going to change now that the new Kansas wine shipping law allows me to buy from a West Coast winery if I happen to be physically present there.

As a few other letter writers noted, to open the door wider to wine shipping would endanger the solvency of many of Kansas' retail stores. Jim Scott of Scotty's Wine and Spirits in Fort Scott correctly notes that Kansas retailers operate under very stringent rules of conduct and that wineries allowed to ship into Kansas operate under no such oversight.

He points out that Kansas retailers are giving up potential profit under this new law, and I would add that retailers are taking on a potential truckload of paperwork. Each forgotten, damaged or refused shipment must be reported to the Kansas ABC in writing and then the retailer must wait for the ABC to remove the contested wine.

The citizens of every other state ought to be able to buy wine from whomever they want. But they can't. If Kansas laws change and, for instance, warehouse wine and spirits stores become commonplace in Kansas, I recognize that good businesses may disappear. That's not an ideal outcome, but globalization is difficult for many businesses.

I have nothing against those small retailers. Driving across town or ordering over the Web to save a few dollars is pretty silly. Instead of buying slavishly based upon wine scores, you should buy wine based upon what you like.

And the best way to find a wine you like is to know a retailer who knows what you like and who wants to turn you on to other similar wines. That retailer might be only a block away; I doubt you'll receive the same service by e-mailing a winery in another state.



**22. Tax Returns Mailed To Online Cigarette Shoppers (California)**

*CBS*

September 26, 2006

*(CBS)* *LOS ANGELES, CA --*  Some 12,000 Californians are being mailed tax forms this week asking them to pay taxes on cigarettes they may have purchased online or by mail.  
  
State tax authorities say that when consumers go online for untaxed cigarettes and other tobacco products, they incur a tax liability by purchasing and shipping the merchandise into California.   
  
With tobacco and cigarettes are sold at licensed brick-and-mortar stores, the appropriate state excise and sales taxes would have been paid.   
  
Officials say the tax liabilities range from $45 to $8,000, but that the larger amounts are suspected to be due from unlicensed businesses rather than individual consumers.  
  
The state's cigarette excise tax is 87 cents per pack, the tobacco excise tax is 46.76 percent of the product's wholesale price, and the state use tax rate is 7.25 percent. That means a California consumer who bought eight cigarette cartons online at $15 each -- for a total of $120 -- will owe $69.60 in excise tax and $8.70 in use tax.   
  
"Evading the law covering cigarettes and tobacco purchases endangers millions of dollars in critical funding for public programs," said John Chiang, chairman of the state's Board of Equalization.  
  
The BOE will continue to contact several thousand taxpayers statewide each quarter, and estimates the mailings will result in collections of $50 million over the next two years.

Taxpayers will receive two returns, one for the excise tax on cigarettes and tobacco, the other for "use" tax; a variant of the sales tax that applies to many out-of-state purchases.

For taxpayers who receive returns in September, the excise tax portion is due Oct. 25 and the use tax portion on Oct. 30.

<http://cbs2.com/topstories/local_story_269212211.html>



**23. Marsh *Seeks Liquor* Permits (Indiana)**

By Keith Roysdon - *The Star Press*

MUNCIE -- Marsh Supermarkets is getting into the liquor business, following competitors Wal-Mart and Meijer.

The supermarket chain -- whose sale to Florida investors Sun Capital Partners was finalized last week -- has applied for permits that would allow it to sell liquor. Marsh already sells beer and wine, but the new drug store-based permits would allow the sale of "hard" liquor like whiskey and vodka.

"All of the Marsh stores that have drug stores in them are going for the drug store [liquor] permit," Shirley Kirby of the Indiana Alcohol and Tobacco Commission told The Star Press. "It's pretty much statewide."

The first Delaware County permit application -- for the Marsh store at McGalliard Road and Wheeling Avenue -- will be heard by the local Alcoholic Beverage Commission at its next meeting, at 8:15 a.m. Thursday, Oct. 5, in the commissioners courtroom on the third floor of the Delaware County Building.

"It's part of a process that's been ongoing within the system," said Marsh spokesman Myra Borshoff Cook. "In stores with drug stores, they are applying for a three-way [beer, wine and liquor] permit. It's happening where there's demand in whatever area they're serving to have a larger variety of beverages."

A few months ago, Wal-Mart's application for a permit to sell liquor at its new southside Supercenter prompted protests.

Sarah Beach, president of the local ABC board, said she was uncertain if Marsh's application would spark similar complaints.

"I'll be curious to see the response to that," Beach said. "I have not heard a thing on it. I would assume, judging from the Wal-Mart meeting, that they will speak out against it."

Beach -- who cast the only vote against the Wal-Mart permit, citing the store's proximity to Southside High School -- said she didn't know if Marsh's decision to apply for liquor permits was related to the embattled grocery chain's sale.

"That was the first question that came to my mind," Beach said. "They've operated this long without it, is it coincidental that they ask for the permit now?"

Borshoff Cook told The Star Press that about 13 Marsh stores chainwide sell liquor and another four are in the process of applying.

One outspoken critic of Wal-Mart's liquor permit, local liquor store owner Mike Kilgore, did not return a message seeing comment on Tuesday.

In the Wal-Mart permit meetings, Kilgore expressed concern about the lack of security and screening for minors at large stores where liquor is openly displayed and sold, compared to the controlled environment of package liquor stores.

Beach said she had not made up her mind about Marsh's application.

"Marsh was a huge part of the community for a long time," Beach said. "But I don't know who these people [the new owners] are and what their commitment to the community is. I'll have to ask some questions."



# 24. Morrissey Comes Out Against Wine Sales Initiative (Massachusetts)

By Jon Chesto - *The Patriot Ledger*

September 26, 2006

Sen. Michael Morrissey yesterday took a public stance against a ballot initiative to expand wine sales in supermarkets, saying the measure would hurt mom-and-pop liquor stores and increase the likelihood that wine could fall into the hands of minors.

By taking such a position, the Quincy Democrat aligns himself with two constituencies that support his political campaigns - the state’s package store owners and major liquor distributors. Donors from the distribution industry contributed at least $4,200 to Morrissey’s war chest this year, while people from the retail industry gave him at least $1,800, and two liquor industry committees gave $1,000.

But Morrissey also winds up snubbing one of his home city’s largest employers: Quincy-based Stop & Shop Supermarket Co.

New England’s largest grocery chain has been the biggest corporate backer of the ‘‘Yes on 1’’ campaign to expand wine sales, pumping more than $1 million into the effort this year.

The state’s supermarket companies have long been frustrated by a state law that prohibits any retail company from selling alcohol at more than three locations.

Their ballot question would create a liquor license - that allows supermarkets to sell wine.

If it passes in November, municipalities would be allowed to award a minimum of up to five such ‘‘wine at food store’’ licenses, with an additional license for each 5,000 residents in a community.

Morrissey, the Senate chairman of the Consumer Protection and Professional Licensure Committee, said the ballot question risks doubling the locations where wine would be available, possibly putting many independent retailers out of business. He says it also would devalue existing licenses.

He said liquor store owners are more likely to pay attention to the age of alcohol buyers, especially because they risk a temporary shutdown if caught selling to minors.

Morrissey downplayed the initiative’s potential benefits to consumers. ‘‘I’ve never heard anyone say they’ve had a hard time getting a drink around here,’’ Morrissey said.

He said the issue has been before his committee for many years, and that he has tried to find a compromise. One proposal he said he has made would raise the current cap on liquor licenses per company.

‘‘I’ve paid great deference to Stop & Shop and tried to work with them on this issue,’’ Morrissey said. ‘‘(But) I don’t want to create a whole new class of licenses.’’

Morrissey downplayed the role that the opponents’ donations played in his position, saying that his stance is consistent with other decisions he has made in the Legislature.

‘‘I know small store owners throughout the (Senate) district,’’ Morrissey said. ‘‘I’m sympathetic to them.’’

A spokesman for Stop & Shop referred questions about Morrissey’s position to the ‘‘Yes on 1: Grocery Stores and Consumers for Fair Competition’’ campaign.

Kim Hinden, a campaign spokeswoman, said politicians such as Morrissey are hurting consumers by fighting ‘‘Yes on 1.’’

‘‘It’s unfortunate that politicians have become political allies of the liquor store lobby ... to prevent competition in the grocery stores,’’ Hinden said. ‘‘This is not a public safety threat (and) it’s not about who gets the most money from the liquor lobby.’’

The grocery stores had been easily outgunning the package stores in raising money for their campaigns - until a couple weeks ago. Between Sept. 2 and 15, the Question 1 opponents raised more than $2.1 million, with $1 million coming from the Beer Distributors of Massachusetts.

As of Sept. 15, the opponents had about $1.5 million in cash left after paying Pro Media Inc. of Newton $1 million for a TV ad campaign.

Meanwhile, the supermarkets pitched in $256,000 to their cause from Sept. 2 to 20, and spent $14,000 in that time, leaving the ‘‘Yes on 1’’ campaign with $2.4 million as of Sept. 20.

<http://ledger.southofboston.com/articles/2006/09/26/business/biz02.txt>



# 25. Attorney General Joins Beer Company in Underage-Drinking Effort (South Carolina)

*The Associated Press*

September 27, 2006

COLUMBIA, S.C. - South Carolina Attorney General Henry McMaster said Wednesday he's working with Anheuser-Busch to cut underage drinking.

McMaster sent a letter this week to 145,000 homes with children between ages 12 and 17, urging parents to talk with their kids about the dangers of underage drinking. The beer company paid for the mailing and other materials.

"Talking with our children about the danger of illegal underage drinking not only helps keep our children safe, but also sends our children the right message by showing responsible role modeling," McMaster said.

The letter notes that 86 percent of children between 12 and 17 in South Carolina don't drink.

Five years ago McMaster was criticized for joking about drinking with 800 high school seniors at Boys State at The Citadel.

McMaster, who was chairman of the state Republican party at the time, was speaking to the students with then-state Democratic Party Chairman Dick Harpootlian about a new state lottery scholarship of $4,500. That, Harpootlian said, "can buy a lot of beer and girls."

McMaster followed by saying "Democrats are for beer and girls. Republicans are for cold beer and hot girls." McMaster soon apologized for what he called an ill-advised attempt at humor.

That was a case of one-upmanship gone bad, McMaster spokesman Trey Walker said.

Since taking office, McMaster "has a record of working with law enforcement to prevent underage possession of alcohol that is unmatched by any political official in the state," Walker said.

<http://www.thestate.com/mld/thestate/news/local/15623250.htm>



# 26. Wine Initiative to Get Round at Ballot Box (Massachusetts)

By Mary Ford

September 29, 2006

Want to buy a bottle of Chardonnay with your chicken at the market? How about some Merlot with your filet mignon?

If the "Yes on Question One" backers have their way, then Massachusetts will join some 34 other states nationwide in offering wine at supermarkets and grocery stores.

Touting customer convenience as key, supermarket officials say it’s time for the Bay State to get up-to-date.

Judy Chong, spokesperson for Shaw’s, which has more than 90 stores in the state, says the supermarket chain’s customers lead busy lives.

"Our customers would have an opportunity to pick up a bottle of wine which is a complement to dinner," Chong says. "It’s a matter of convenience."

Voters on both sides of the issue will be able to weigh in on Election Day Nov. 7 by voting "Yes" or "No" on Ballot Question One, dubbed the Wine at Food Stores Initiative. A "Yes" vote would seek to allow the sale of wine in qualified grocery stores that must carry fresh or processed meat, poultry, dairy products, eggs, fresh fruit and produce, baked goods, baking ingredients, canned goods and dessert items.

Justine Griffin, spokesperson for the "Vote No on Question 1" campaign that is working with a group of package stores, liquor distributors, and a number of public safety and other public officials, says the food requirements are minimal. She says many convenience stores and gas stations with markets could easily qualify.

"They (supporters) want to you think its about picking up a bottle of wine with your chicken for dinner," Griffin said. "But the initiative would more than double the number of liquor licenses allowed."

But Kim Hinden, spokesperson for the "Vote Yes on One" campaign, which is supported by the Massachusetts Food Association, said statements to the effect that the number of liquor licenses in the state would double are exaggerated. "There are only 1200 grocery stores in Massachusetts," she said. Hinden also stressed that the local licensing board (ie., selectmen) has the discretion whether to issue a license and there is no appeal.

"What this does is create a new class of wine only licenses," she explained.

Holbrook’s senator, Michael W. Morrissey, (D-Quincy) announced his support for the "No On Ballot Question 1" campaign that asks voters to approve the sale of wine at grocery stores, convenience stores and gas stations.The ballot initiative would nearly double the number of retail outlets in the state that can sell alcohol. The petition only requires that the store sell grocery type products in order to be able to sell wine.

"In many cases, clerks are not trained and are often underage and it will present a difficult enforcement problem," said Morrissey. "The ability of being able to buy gas and wine at a gas station strikes me as a public safety hazard."

Massachusetts currently has about 2,500 liquor licenses either issued or available. Question 1, if passed, would increase the number of licenses the state by almost 3,000. The number of available licenses are governed by the municipality’s population and determined by state law. "The alcohol business is already extremely competitive," said Morrissey.

"The majority of alcohol licensees are small business owners and if Question 1 passes it will place a greater hardship on these local employers."

Current law allows any corporation or entity to hold no more than 3 licenses. Morrissey likened the potential impact of Question 1 to the demise of neighborhood pharmacies following the surge in big box nation.

At about 20,000 people - Hingham, which has a total of 10 package store all-alcoholic and wine & malt licenses (not counting restaurant and club liquor licenses) - would be allowed eight new licenses.

To Police Chief Steven Carlson the clear choice is to "vote no" over concerns about public safety and not the business environment and competition. Question One proponents say with the option of grocery story purchases, consumers would have more choices and pay lower prices.

"As the police chief it is my business to keep people safe enough to do their own business," Carlson said. He said he would not support an effort that would nearly double the availability of alcohol in Hingham.

"There are already dozens of places for responsible adults to obtain their beverage of choice," he said.

While State Sen. Robert Hedlund, R-Weymouth, said his constituents do not need him to tell them how to vote, he would be voting "no."

Hedlund, who said he supports consumer choice and the free market, said he is opposed to carving out this small exception in the current liquor laws. He said he would support a comprehensive review of the state liquor license distribution system that he described both as confusing and "somewhat unique."

Currently, towns are allowed a certain number of liquor licenses based on a formula that takes population into account. If a municipality needs more than the allotted number, it can file a home rule petition. For example, Hingham, which had no more licenses available, filed a home rule petition for liquor licenses at Derby Street Shoppes that was supported by the Legislature.

Hedlund, who represents the Plymouth-Norfolk District that includes Hingham, said the reason the question includes only wine and not beer is because supporters think that would be more palatable to the voters. He also expects that large retail outlets like Walmart and BJs would try to get into the wine business.

Joe Ierardi, who owns Hingham Liquors in Hingham Square and another package store in Holbrook, said Walmart is the biggest retailer of alcohol in the country. Ierardi keeps "Vote No" literature next to the cash register and has dropped off informational packets at the Hingham Selectmen’s Office.

Ierardi said the proliferation of new wine licenses would put small stores out of business. He also questioned whether the larger retail stores and small convenience stores would be as vigilant in insuring no underage customers buy wine.

"This would about double the amount of licenses in the state but there is zero funding to police it," Ierardi said.

He also said although selectmen in Hingham’s case would still be the licensing authority, it is difficult not to award available licenses. "You cannot deny a license just because you want to," Ierardi said.

State Rep. Garrett Bradley, D-Hingham, is also opposed to Ballot Question One. He too is concerned that allowing supermarkets to sell wine could put smaller liquor stores out of business. He disputes the argument that other states have liquor stores that remained in business despite liquor being sold in grocery stores.

"You can’t compare one state to another, without asking if that was always the way it was," Bradley said.

Bradley, who represents the Third Plymouth District that includes Hingham, said if Question One passes, it would only be a matter of time before carrying beer was also allowed.

Griffin of the "Vote No" campaign agreed. "It’s only adding two words ’and beer’ to the act," she said.

But Hinden of the "Vote Yes" campaign said grocery stores realize that food and wine go together. "As far as the public safety issue goes, wine is not the drink of choice for minors," said Hinden. She said studies show 7. 7 percent of kids who drink, drink wine, and 72.9 percent drink beer.

Hinden said the claim grocery stores will sell to minors is unfounded. "We believe grocery stores with their vast security systems in place will do as good or better job than package stores in preventing sales to minors."

Robert Keane, spokesperson for Stop & Shop that supports Question One, described the effort as the end result of customer requests.

"When people come in from out of state and ask for our wine section, we have to say ’we don’t have one,’" said Keane, who stressed the supermarket is customer-focused and customer convenience is the crux of the issue.

Stop & Shop has 119 supermarkets across the state. Under current state law, any business - including a supermarket - can only have a total of three liquor licenses. Super Stop & Shop in Hingham has a full liquor license. Keane said that would not change if Question One should pass.

<http://www2.townonline.com/holbrook/localRegional/view.bg?articleid=584807&format=text>

