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

**1. Vodka World Shaken, and Stirred, by Fruit Spirits**

[By Dan Bilefsky](http://www.iht.com/cgi-bin/search.cgi?query=By+Dan+Bilefsky&sort=publicationdate&submit=Search) – *New York Times*

November 26, 2006



http://img.iht.com/images/dot_h.gifRIGA, Latvia: Polish lore has it that vodka was distilled from coal during Communist times after efforts to use chickens backfired. In Sweden, vodka was once produced from paper-mill residue. But vodka purists of today have little patience for alternative ingredients.

"Real vodka can only be made from grain or potatoes," says Rolands Gulbis, head of Latvijas Balzams, the largest vodka distiller in the Baltics, whose vodka making tradition dates to 1900 when Czar Nicholas II of Russia built a vodka storage house here. "If vodka can be made out of grapes, then we might as well call an apple an orange and rename brandy as beer."

But the definition of vodka is no longer as clear as the transparent spirit.

Behind the bar at Hedonia, a hip Riga nightspot, Ansis Ansovs, 29,

says he believes that vodka should only be made from grain.

(Ilmars Znotins/ Northfoto for the IHT)

A vodka war has broken out in Europe. On one side are traditionalists - in Poland, Finland, Sweden and the Baltic countries - who argue that only spirits made exclusively from cereals, potatoes and sugar-beet molasses are worthy of the name "vodka." On the other are distillers - in Italy, France, Britain, and the Netherlands - who are fighting for a more liberal definition of vodka. They contend that vodka's taste does not derive from its ingredients. After all, James Bond specified that his vodka martini should be "shaken, not stirred." He never insisted it be made from grain or potatoes.

Finland, current holder of the European Union's rotating presidency and a country where vodka has long been a tonic for chilly Nordic nights, is pressing for EU legislation that would require vodka made from nontraditional ingredients like grapes, fruit, or even maple syrup, to mention the fact in large bold letters on the bottle.

But rival vodka makers, including Britain's Diageo, the world's biggest spirit maker and owner of the popular grape-based vodka brand Ciroc, say this is little more than a cynical ploy by the Nordic and Baltic countries, recent EU entrants, to lay claim to a tradition that isn't theirs while trying to monopolize the global vodka market.

"The claims that vodka can only be made in a certain way are groundless," says Chris Scott-Wilson, spokesman for the European Vodka Alliance, which is lobbying against the Finnish proposal on behalf of Diaego and other large vodka makers. "Saying that vodka's taste derives from its ingredients is especially ridiculous when most consumers use vodka as a flavorless mixer with something else like tonic or orange juice."

Traditionalists scoff at such remarks, arguing that good vodka has its own distinct flavor.

But Scott-Wilson retorts that tests show that few consumers discern a taste in vodka. As for those who do, a recent survey by the Alliance found, 2 percent of Britons said vodka tasted like paint stripper; 4 percent in Spain said it tasted like cologne.

***There is more than taste or tradition at stake. The global vodka market is worth $12 billion in annual sales. Critics of the proposed EU legislation warn that it risks spurring a global trade war with the United States, where novelty vodkas like Vermont Spirits Gold vodka - made from maple sap - are growing in popularity.***

***The United States is the world's fastest-growing vodka market and accounts for €560 million, or $724 million, in European vodka exports.***

***"If the EU tries to expel American vodka from Europe, then the U.S. will retaliate at the World Trade Organization," said Alan Butler, head of government affairs at Diageo, which produces Smirnoff, one of the world's best-selling vodka brands. The United States "would restrict European vodka imports into the U.S., and then we will have a trade war on our hands."***

The vodka-belt countries of central and eastern Europe and Scandinavia argue that they are merely fighting to preserve a vodka-making tradition that stretches back centuries. "You don't expect grapes in your beer, you don't expect grapes in your vodka," Gulbis said. "You buy beer because it is beer; you buy vodka because it is vodka."

The origins of vodka, however, are hotly disputed. Russians will tell you that they invented vodka - so basic a drink there that the word itself is a diminutive of "water." They point to distilling techniques that emerged in Russia in the 12th century.

But Poland, one of the countries most actively lobbying for the EU legislation, also claims to be a vodka pioneer. As early as the eighth century, Polish peasants are said by vodka historians to have made crude alcoholic spirits by freezing wine, based on a secret recipe believed to have been brought to Poland by Italian monks. These early spirits were used both as medicine and as cologne. The first written record of vodka in Poland dates from 1404 in the Sandomierz Court Registry.

<http://www.nytimes.com/2006/11/26/world/europe/26vodka.html?ref=world>



**2. ABL Reaffirms its Opposition to Drunk Driving**

*American Beverage Licensees*  
November 29, 2006

Bethesda, MD (11/29/06) – With the Holiday Season now in full swing, the American Beverage Licensees (ABL) is reaffirming its opposition to drunk driving and reminding the tens of millions of adults who legally and safely choose to drink prior to driving, to do so responsibly.

By calling for the implementation of reasonable and effective strategies to combat drunk driving, such as the “Drink Responsibly, Drive Responsibly.” campaign, ABL is helping to prevent incidents of drunk driving each and every day. Along with its affiliate associations in states across the country, many of which provide SafeRide options and promote other responsibility programs during the holidays, “America’s Beer, Wine & Spirits Retailers” support judicial discretion and swift adjudication of drunk driving offenses.

As a majority of alcohol related highway tragedies are caused by those drivers whose blood alcohol content (BAC) is more than twice the legal limit and chronic drunk drivers, ABL feels that these offenders should be targeted with rapid and firm consequences that remove them from the road.

“If we can get these most blatant and harmful offenders off American roads, we can protect our loved ones,” said ABL Executive Director Harry Wiles. “Those who responsibly sell alcohol beverages know that they play a major role in preventing drunk driving not just this holiday season, but throughout the year.”

ABL believes that reasonable approaches to targeting hardcore and chronic drunk drivers can be achieved with tools such as DUI courts, roving patrols and intensive supervisory probation programs. All of these strategies have been shown to yield great reductions in recidivism and do not inconvenience or endanger those that choose to drink responsibly prior to driving.

ABL is currently working with the entire alcohol beverage industry to determine how it can strengthen its “Drink Responsibly. Drive Responsibly.” campaign and increase public awareness of drunk driving and how it affects the lives of all Americans.



**3. The Deadliest Drunk-Driving States**

By Catherine Arnst – *Business Week*

November 30, 2006

**A doctor-led group ranks the states with the highest and lowest rates of drunk-driving fatalities**

The holiday season brings with it not just joy, but a spike in drunk driving. That's particularly scary if you live in one of the 15 states (including the District of Columbia) in which 41% or more of all traffic fatalities are alcohol-related. Even worse, according to the doctor-led advocacy group End Needless Deaths on Our Roadways (END), is that 10 of the so-called Fatal 15 states have made the list for three years in a row.

Chicago-based END, in announcing its annual ranking of alcohol-related fatalities on Nov. 30, said that nearly 17,000 motorists were killed nationwide last year in such traffic accidents, and 4,300 of those deaths were in the fatal 15 states. Topping the list is Washington, D.C., where drunk driving was implicated in 54.17% of all traffic fatalities, followed by Hawaii with 50.71%. The rankings are based on data drawn from the National Highway Traffic Safety Administration's reporting system.

**Repeat Offenders**

The 10 repeats in the top 15 are Connecticut, Hawaii, Illinois, Montana, Rhode Island, South Carolina, South Dakota, Texas, Washington, D.C., and Wisconsin. The other five at the top are Alaska, Delaware, North Dakota, Texas, and Washington.

Progress in eliminating drunk driving and related fatalities has been difficult in recent years. In 1982 the number of people killed in car crashes was 43,945, and 60% of those, or 26,173, lost their lives in accidents in which at least one of the drivers was impaired by alcohol, according to the National Highway Traffic Safety Administration. The number and rate of alcohol-related fatalities declined steadily until 1997, when 16,711 people died in drunk-driving accidents, or 40% of all auto accident fatalities.

However, since then, the rate has hovered right around 40%, despite the efforts of organizations such as Mothers Against Drunk Driving (MADD) and even responsible-drinking campaigns from alcohol purveyors like Anheuser-Busch (BUD), Diageo (DEO), Brown-Foreman (BFB), and Constellation Brands (STZ). Last year, 38.87% of traffic fatalities nationwide were caused by drunk driving, compared with 39.15% in 2004.

**An Ounce of Prevention**

Dr. Thomas Esposito, co-chairperson of END, recommended that doctors and other health-care workers take a larger role in identifying patients with alcohol abuse problems, then intervening before they get behind the wheel of car. The screening process recommended by the group involves asking patients a few questions about drinking habits and consumption, and counseling those who respond positively to one or more of the questions. He said studies have determined that 5- to 15-minute counseling sessions have proven effective in decreasing consumption among at-risk drinkers.

The group also recommends that states consider increasing the penalty for motorists who refuse to submit to a sobriety test; raising fines for first-time and repeat offenders; and long prison sentences for those convicted of drunk driving and vehicle forfeiture.

***The state with the lowest alcohol-related fatality rate proves the advantages of beefing up legal oversight of drinking. In Utah, where the drinking laws are the strictest in the nation (it is illegal to get drunk "to a degree that the person may endanger himself or another" in Utah), only 13.12% of fatal car accidents involved alcohol last year. That's half the rate of the next lowest state, Iowa, at 26.22%.***



**4. U.S. Rules Keep Vintners Silent Over Red Wine Health Benefits**

*New York Times*

November 26, 2006

NAPA, Calif. - The wine industry certainly has welcomed the recent disclosures that a compound in red wine improves the health and endurance of laboratory mice. So why no hoopla?

Because the industry can't. It has long been handcuffed by state and federal laws that discourage touting the benefits of wine, with some of those restrictions dating to the repeal of Prohibition in 1933.

"Yes, we'd all like to make hay of this, and we'll do what we can, but we are very constrained," said Michael Mondavi, founder and president of Folio Fine Wine Partners, a producer and importer of wines here.

As an industry that is closely regulated by the Alcohol and Tobacco Tax and Trade Bureau, Mondavi said, "it is blatantly against the law for any alcoholic beverage producers to make any health claim regardless of the facts."



**5. The Best International Stock for 2007: Diageo**

By Todd Wenning – *The* *Motley Fool*

November 24, 2006

Earlier this month, I argued that American investors are [overlooking some great international companies](http://www.fool.com/news/commentary/2006/commentary06111409.htm) and thus missing out on some great growth opportunities. One of these companies is London-based beverage company Diageo [(NYSE: DEO)](http://quote.fool.com/uberdata.asp?symbols=DEO).

**Dee-ah-who?**

You may not have heard of Diageo before, but you certainly know some of its brands: Smirnoff, Jose Cuervo, Guinness, Tanqueray, Captain Morgan, just to name a few.

So you know some of the brands it manages, but there are myriad other reasons why you should get to know Diageo, including:

* Its 3.8% dividend yield
* Its 32% return on equity
* Its 30% EBIT (earnings before interest and taxes) margin

If these metrics don't compel you to at least do further research, I'm not sure what will.

There are only three other U.S.-listed mega-caps with a dividend yield greater than 3%, 30% ROE, and 30% EBIT margins -- CNOOC [(NYSE: CEO)](http://quote.fool.com/uberdata.asp?symbols=CEO), Petroleo Brasileiro [(NYSE: PBR)](http://quote.fool.com/uberdata.asp?symbols=PBR), and GlaxoSmithKline [(NYSE: GSK)](http://quote.fool.com/uberdata.asp?symbols=GSK) -- and, interestingly enough, all three are foreign companies.

Diageo's largest competitors are Constellation Brands and Fortune Brands [(NYSE: FO)](http://quote.fool.com/uberdata.asp?symbols=FO), but neither company can compete with Diageo in terms of scale, dividends, margins, or ROE.

**Second round's on me**

Despite such excellent financials and a large competitive advantage, only five Wall Street analysts actively follow Diageo's stock. Some of the big firms like Morgan Stanley [(NYSE: MS)](http://quote.fool.com/uberdata.asp?symbols=MS) and Merrill Lynch [(NYSE: MER)](http://quote.fool.com/uberdata.asp?symbols=MER) keep their eyes on Diageo, but because the stock only trades about 300,000 shares per day on the New York Stock Exchange, there isn't strong investor demand for a large Wall Street following ... yet.

This isn't the case in [Motley Fool CAPS](http://caps.fool.com/?source=icaedilnk9950149), our new community-investing database, where 210 investors have rated Diageo to either "outperform" or "underperform" the S&P 500.

CAPS investors are overwhelmingly bullish on Diageo -- fully 98% of those following the stock rated it outperform. And, if the past offers any prologue, the bulls will win in a landslide. Over the past 10 years, Diageo has returned 15.1% annually versus the S&P 500's 8.6%. To put that in real dollar figures, a $1,000 investment in Diageo in November 1996 would have left you with $4,080 today, while the S&P would have netted you a still-respectable $2,281.

**International player**

Diageo is a true multinational company with assets and revenue streams diversified across the globe. For instance, the company generated 31% of its fiscal year 2006 revenues in North America, 16% in Great Britain, 25% in Europe, and 28% in the rest of the world. Revenue growth has been particularly strong in the North America and Asia Pacific markets.

If you're interested in learning more about Diageo, read what other investors are saying right now on [Motley Fool CAPS](http://caps.fool.com/?source=icaedilnk9950149). While you're there, I also invite you to rate Diageo outperform or underperform and add your thoughts to the vibrant discussion.

<http://www.fool.com/news/commentary/2006/commentary06112426.htm>



**6. Rémy to Drop Fortune Brands Venture**

**[By Meera Bhatia and Ladka Bauerova](http://www.iht.com/cgi-bin/search.cgi?query=By+Meera+Bhatia+and+Ladka+Bauerova&sort=publicationdate&submit=Search)** - *Bloomberg News*

November 23, 2006

LONDON: Rémy Cointreau, one of the largest liquor producers in Europe, announced Thursday that it would withdraw from a venture with Fortune Brands of the United States to gain more control over distributing its cognac and champagne in Asia.

Rémy's shares jumped on speculation that the exit could make Rémy a bid target as it competed with Pernod Ricard and Diageo, both of which are more than seven times its size.

Rémy, the maker of Louis XIII cognac, said in a statement that it would leave the Maxxium Worldwide venture in 2009. Maxxium was formed in 1999 by Rémy, the Scottish distiller Edrington Group and Fortune, the maker of Jim Beam whiskey, aiming to secure sales as rivals expand through mergers. Maxxium generates 40 percent of Rémy's sales, a company spokeswoman, Joëlle Jézéquel, said.

Rémy has sold units and focused on more expensive products to fend off rivals. Its chief executive, Jean-Marie Laborde, said Thursday that the company would create its own Asian distribution network.

"Some people may read this exit as a prelude to the sale of a majority stake by the family controlling Rémy Cointreau," said Laurent Vallée, a fund manager at Richelieu Finance in Paris.

The Heriard-Dubreuil family controls Rémy, based in Paris, through holding companies. "Cognacs, champagne and Cointreau have huge potential in China and southeast Asia," Laborde said. "We want to have total control over all our brands. The market for cognac in China and southeast Asia is growing 25 to 30 percent a year. Our objective is to grow at least as much."

Rémy's total sales rose 6.7 percent to €798.3 million, or $1 billion, in the fiscal year that ended March 2006. Its net profit rose 56.2 percent to €77.8 million. Revenue in the Americas advanced 14.9 percent, led by the United States. Sales in Europe fell 0.1 percent, while sales in the rest of the world gained 1.6 percent.

Louis XIII cognac, Rémy's most prestigious brand, is aged in barrels that the company says are several hundred years old. A 700-milliliter, or 23-ounce, bottle sells for 2,099 Canadian dollars, or $1,838, at the Liquor Control Board of Ontario, the world's biggest wine and spirit buyer, according to the board's Web site.

The stock added €1.46, or 3.4 percent, to close at €44.40 in Paris. Its market value is about €2 billion compared with Pernod's €15.8 billion and Diageo's £27.5 billion, or $52.6 billion.

"The current system is not able to build the premium brands in emerging markets," a Morgan Stanley analyst, Alexandra Oldroyd, said. "This removes one of the barriers to Rémy's participation in mergers. The main barrier, family control, remains in place."

The company will have to pay penalties and will incur higher distribution costs from the withdrawal, "diluting" earnings from 2010 onwards by 5 to 10 percent, she said.

"We will pay compensation to our partners, though I can't say how much at this point," Laborde said, adding that more details would be made available when Rémy reports six-month results on Dec. 12. Leaving Maxxium is "expensive in the short term, but profitable in the mid- to long-term."

"It's not at all our intention" to seek a takeover, Laborde said.

<http://www.iht.com/articles/2006/11/23/bloomberg/bxremy.php>



**7. Remy/Global Drinks**

Source: *London Financial Times*

November 23, 2006

Alcohol dependency can entail a loss of control. But Rémy Cointreau is determined to wrest it back. Six years ago, the French liquor company pooled its distribution assets outside the US with Scotland's Highland Distillers and Fortune Brands of the US. Vin & Sprit, the Swedish state-owned producer of Absolut vodka, joined soon after. It was essentially a defensive move against Asia's 1998 economic crisis and the rise of industry behemoth Diageo.

Now Rémy says it will withdraw from the joint venture, Maxxium Worldwide. Since this will force it to take on the burden of distribution itself and pay a penalty to the other shareholders, **why do it?** The market thinks Rémy is preparing to sell itself: the shares jumped by as much as 9 per cent on Thursday.

Certainly, Maxxium is a complication for any potential acquirer. But the estimated ?200m-?300m penalty, while sizeable, is hardly a deal-breaker. Arguably, if Rémy's controlling family shareholders really wanted to sell out, they ought to do so now - the company already trades at a big premium to the sector - and leave the risks of restructuring to a buyer.

In fact, there are good strategic reasons for Rémy to pull out. One is the rapid growth in consumption of cognac and other "brown spirits" in Asia. Rémy accounts for a third of China's cognac market and may prefer to take advantage of this alone - or with new partners. Then there is the probable privatisation of V&S, which would almost certainly involve its withdrawal from Maxxium. And if Fortune bought V&S (it is touted as a potential suitor), Maxxium's holding structure would be unbalanced. The industry is being shaped by the growing power of premium brands, the scramble for Asia's increasingly affluent drinkers and the expectation of more consolidation. In this context, **Maxxium may simply have outlived its usefulness.**



**8. Brown-Forman's Jack Daniel's Quenching a Global Thirst**

By Alex Davis - *The Courier-Journal*

**Seeing room to grow, company improves efficiency, expands marketing**

When Brown-Forman Corp. bought the Jack Daniel's distillery for $18 million in 1956, the Louisville company got a regional brand with annual sales of fewer than 200,000 cases.

George Garvin Brown II, then the company's president, predicted that the sour-mash whiskey from Lynchburg, Tenn., would not compete with Brown-Forman's bigger brand, Old Forester bourbon.

Fifty years later, few would argue that Jack Daniel's and Old Forester are in the same league. Jack Daniel's sold 8.4 million cases last year, far more than any other American whiskey. The same sour-mash product now has 40 salespeople just in China, and it was a driving force behind the $1.3 billion profit that Brown-Forman recorded for the year ended April 30.

But according to Paul Varga, chief executive at Brown-Forman, there is still plenty of room to grow.

"We are so small," Varga said this week in an interview at his office on Dixie Highway. "People have an unusual attachment to Jack Daniel's."

As demand continues to grow, Brown-Forman officials in Louisville and Lynchburg are working to improve efficiency for their flagship product, and to deal with the complexities of a global brand.

Michael Keyes, managing director for Jack Daniel's, said cultural attitudes about responsible drinking vary widely in the more than 120 countries where the whiskey is sold.

Marketing needs also are different. Keyes said, for example, that many consumers in China are drawn to products that are sophisticated and urban. In the southeastern United States, whiskey advertising takes on a more traditional tone. Think middle-aged men in overalls and aerial views of the distillery nestled in the hills of rural Tennessee.

At Brown-Forman's cooperage in Louisville, a staff of 200 workers hammer together 460,000 white oak barrels a year, with more than 80 percent going to Lynchburg. Barrel production for Jack Daniel's is up 50 percent from a decade ago, but even so Brown-Forman recently stopped supplying barrels to other companies so it can keep up with its own brands.

Chris Morris, the master distiller for Brown-Forman, said barrel manufacturing also has been refined. The process of charring barrels, which produces the whiskey's amber color, is now timed to the second to ensure consistency. Outside the cooperage, stacks of oak boards sit in a 13-acre drying yard, carefully spaced under a strategy that produces ideal air flow.

"You can smell the aroma," Morris said, standing between the stacks. "Notice the wood is gray. It's aging."

Brown-Forman operates its own stave mills, and wood from Ohio or Indiana gets a different label from the oak from Arkansas or Tennessee. Staves from different climates are later blended together so the chemistry of the barrels doesn't vary.

In Lynchburg, Jack Daniel's workers found a way this year to squeeze an extra case of whiskey out of each of the Louisville-made barrels.

In years past, they rinsed out the empty barrels with purified water, which brought out an extra half-gallon of marketable whiskey that had leached into the barrel's wood.

This year, they started adding 20 gallons of purified water to the empty barrels and letting them sit for three or four weeks. Now they get 2½ gallons of whiskey from each empty cask.

"Each one of these barrels represents an extra case for us," Jeff Arnett, who oversees the company's warehouse and bottling operations, said during a tour of the bottling plant Tuesday.

The distillery has 75 warehouses in and around Lynchburg, and it is adding two warehouses per year, at a cost of $8 million to $9 million each, Arnett said.

By adding a foot-long piece of angle-iron to the end of each of the dozens of racks inside warehouses, the company can squeeze in the equivalent of an extra warehouse full of barrels.

The bottling plant has five production lines running during the day. Another two run for the second shift, and occasionally a third shift is needed.

"Probably by 2010 or 2011, all of these main lines will be running (during second shift) and we'll be running one or two lines on a third shift," said Doug McKenzie, bottling plant supervisor.

The greatest potential for Jack Daniel's in years to come lies outside the United States, with Varga pointing to China, Brazil, Mexico, Russia and India as countries of particular interest.

Even if it hits the low end of its projected annual growth rate of 4 percent to 6 percent for the next decade, Jack Daniel's could reach 13 million cases by 2016.

Varga said the keys to the brand's success have been the simplicity of the whiskey's packaging, its rich history dating to 1866, and several well-timed shots of free advertising from stars such as Frank Sinatra and Jackie Gleason.

"Jack Daniel's has become ubiquitous around the globe in terms of an American whiskey product," said Frank Coleman, vice president of the Distilled Spirits Council of the United States. "They've made it resonate in many different languages, and obviously consumers have reacted to it."

Reporter Bush Bernard of The Tennessean in Nashville contributed to this story.



**9. 42 Below Optimistic Solution Found to US Distributor Issue**

**Source: *Stuff***

November 24, 2006

Vodka company 42 Below is optimistic it has managed to head off any risk of court action from its United States distributor that could be a hurdle to Bacardi's $139 million takeover bid.

Bacardi's offer was mailed to 42 Below shareholders this month and at last count it had gained acceptances for 72.41 per cent of 42 Below's shares.

The offer closes on December 15 and is conditional on Barcardi reaching a 90 per cent shareholding.

Today The National Business Review said Shane McKillen, director of US distributor Panache International, had increased his shareholding in 42 Below from 4.7 per cent to 7.8 per cent on October 30 after exercising warrant entitlements.

Mr McKillen had said he could "easily build" a 10 per cent blocking stake.

On October 31, Panache International was granted an interim injunction against 42 Below at the Auckland High Court, preventing it divulging Panache's trade secrets to Bacardi during the sale process.

42 Below chief executive Geoff Ross confirmed the parties were near to reaching an agreement that would see Panache's distribution interests upheld, NBR reported.

AdvertisementAdvertisementIt was unlikely any action would be taking place in the courts, and nothing was expected to get in the way of Bacardi's offer, Mr Ross said.

Mr McKillen said the issue between Panache International and 42 Below had not yet been resolved, but was close.



**10. All but Lost, Rye Is Revived as the Next Boutique Find**

By Eric Asimov - *New York Times*

November 29, 2006

LET me get straight to the point. Rye whiskey is the world's great forgotten spirit, distinctive, complex and delicious. It offers a tactile pleasure unlike any other whiskey in the world.

Yet it nearly disappeared from American barrooms and from the national consciousness.

It used to be the signature whiskey of the United States. George Washington distilled it. Men fought over it in the Whiskey Rebellion of 1794. Classic cocktails like the manhattan, the Sazerac and the Ward 8 were invented for it. Humphrey Bogart swigged it. But the rise of vodka, bourbon and single-malt scotch, along with the decline of the distilling industry in the Northeast, the stronghold of rye production, turned rye into a relic.

For decades, it clung tenuously to life, barely preserved by a couple of distilleries that would not let it lapse. A dedicated search might have turned up no more than a few dusty bottles lingering on the bottom shelves of downtrodden liquor stores. Many people came to believe that Canadian whiskey was synonymous with rye, though Canadian generally contained a smaller proportion of rye than American rules mandate.

Now though, in a turnabout, the prospects for rye have brightened considerably. Fueled by the same sense of curiosity and geeky connoisseurship that gave birth to the microbrew industry, the single-malt avalanche and myriad small-batch bourbons, rye has been resurrected by whiskey lovers who want to preserve its singular, almost exotic essence.

Unlike bourbon, which is characteristically sweet, smooth and rounded, rye has a dry, jangly, brash nature. Its spicy flavors practically dance their way through the mouth. In its simplest form, rye is a little grassy and sour, much like rye bread. With age, it becomes more complex and subtle, weaving spice and caramel flavors over and through the grassiness. Yet it retains its angularity, never quite losing its edginess. A manhattan, made as originally conceived - with rye instead of bourbon - is a completely different cocktail, dynamic rather than soothing, more Harley-Davidson than Cadillac.

You can still find the scant brands that kept rye going in the dim-and-smoky rye-and-ginger years - Old Overholt, Jim Beam, Wild Turkey, Rittenhouse and a few others. But the real fun now is in the high-end, small-production whiskeys aged for a decade or two that cost $100 a bottle or more.

Finding these whiskeys is another matter. For a recent rye sampling, we barely managed to scrape together 15 bottles. You could collect 15 bottles of Scotch simply by selecting brands beginning with the word "glen."

Yet the small number out there ensured that our tasting would include most of the great rye whiskeys of the world. Florence Fabricant and I were joined for the tasting by David Wondrich, drinks columnist for Esquire magazine, and Lew Bryson, managing editor of Malt Advocate magazine.

If rye has been reborn, why is so little of it available? For the simple reason that whiskey, like great wine, takes time to make well. To put it another way, the whiskey producers were caught with their pants down. In the last decade, the thirst for rye began to rise but production did not keep pace, so demand now far outstrips production.

"You have to age the stuff," Mr. Wondrich said. "Six years ago, when they should have been putting it in barrels, they didn't. They're just getting to it now."

As a result, finding the best rye whiskeys has become something of a detective game, not only for parched consumers but on the selling end, too. Two sources account for most of the rye brands sold today: distillers, of course, who age and bottle their own production, and independent bottlers, who scour the countryside looking for stray barrels of whiskey, which they acquire, bottle and resell under brands that they own.

Our No. 1 whiskey, for example, the 18-year-old Black Maple Hill Single Barrel, came from CVI Brands, a distributor in San Carlos, Calif., that forages among the world's distilleries, looking for well-aged barrels of whiskeys that have been set aside for some reason and that the distiller is willing to sell. But even with CVI's connections, it's not easy to turn up aged barrels of rye.

"It's becoming impossible now," said Paul Joseph, CVI's president, who guards his sources carefully. He refused to say who produced the Black Maple Hill, a complex, rich whiskey that combines fruity ginger and caramel aromas with a spicy Sichuan peppercorn quality. "If I told you, I'd have to kill you," he said.

Fair enough. Aficionados spend an enormous amount of time trying to trace the origin of whiskeys sold by independent bottlers like CVI. Fortunately for their search, not that many distillers make rye whiskey, nor did they 18 years ago, and most of those distilleries are in Kentucky, where rye is but an afterthought to the big-business bourbons.

One significant exception was our No. 2 rye, the Old Potrero Straight Single Malt, intense and grassy enough to be reminiscent of Irish whiskey, but with an overlay of peppermint, spice and fruit. Old Potrero comes from Anchor Distilling in San Francisco, an offshoot of the Anchor Brewing Company, which lovingly recreates historic whiskey styles, like this, aged in what Old Potrero calls the 19th-century style, using charred oak barrels. For its 18th-century style, Old Potrero uses lightly toasted barrels instead. Old Potrero's 18th-century was the only whiskey in the tasting that we didn't much care for. We found it oddly sour and very hot.

Old Potrero is unusual in another regard. It is distilled only from 100 percent rye malt. To be called rye whiskey, Federal law requires that no less than 51 percent rye be used, malted or unmalted. The rest of the blend can come from corn, wheat, barley or other grains. Theoretically, rye and bourbon can be very similar, with rye being 51 percent rye and 49 percent corn, and bourbon the reverse. Typically, though, producers use a higher proportion of rye in their blends, or split the difference in the remainder among corn and barley. To be called straight rye, the whiskey must be aged at least two years in new charred oak barrels.

In our top 10, we had three 21-year-old ryes. These were also the most expensive bottles in the tasting. We especially liked the complexity of the Classic Cask ($110) and the Hirsch Selection ($120). The Rittenhouse Single Barrel ($140) was also complex, but had an eye-searing heat that required the addition of a little water to mellow it out. By contrast, Rittenhouse's standard $17 rye was deliciously pure and a great deal. Our best value, though, was the six-year-old Sazerac for $30, an exceptionally smooth whiskey that accented rye's grassy side. It would be great, naturally, in a Sazerac cocktail. Sazerac has also issued a superb 18-year-old rye, which we were not able to find for the tasting.

Incidentally, while the more expensive whiskeys did best in our tasting, we also very much liked the old standbys Old Overholt ($21) and Jim Beam ($20). Both are fine ryes, though they couldn't crack our top 10.

Because specialized rye production has essentially been dead for so many years, very little aged rye exists anymore. While companies like CVI, Sazerac and Michter's are still looking to scare up a few barrels here or there, for the most part when the supply of, say, 13-year-old Van Winkle Family Reserve runs out, that's it.

"Rye is very, very precious at this point," said Joe Magliocco, president of Chatham Importers, which owns Michter's with Kentucky Bourbon Distillers.

It is also still a microscopic category, compared with bourbon, vodka or Scotch. Jim Beam, which produces both Old Overholt and Jim Beam ryes, shipped 32,000 cases of rye in 2005. By contrast, it shipped 3.9 million cases of bourbon.

Nonetheless, the rye seed has been replanted. "People are gearing up," said Mr. Joseph of CVI. "There will be an overabundance of whiskey in five years, but not aged whiskey, young whiskey."



**11. Anheuser-Busch: Outlook Remains Positive**

By Jim Salter, Business Writer - *AP*

November 28, 2006

**Anheuser-Busch Says Earnings Outlook Remains Positive As Revenue Offsets Slower Volume Growth**

ST. LOUIS (AP) -- Anheuser Busch Cos. Inc.'s earnings outlook remains positive as improving revenue per barrel is offsetting a slowdown in volume growth, executives of the St. Louis-based maker of Budweiser and Bud Light told investors and analysts Tuesday.

Speaking at a gathering in New York, Anheuser-Busch vice president and chief financial officer W. Randolph Baker noted that sales and earnings were up in the first nine months of 2006 over the same period in 2005.

"While volume growth for Anheuser-Busch and the industry has slowed in the second half of the year, improving revenue per barrel and cost of goods sold results have contributed to an acceleration in domestic beer profit growth," Baker said.

Anheuser-Busch shares rose 75 cents, or 1.63 percent, to close at $46.89 on the New York Stock Exchange.

The company said price increases are expected to take place in early 2007. It projects revenue per barrel growth to rise next year and cost of goods sold per barrel to be less than in 2006, due in part to lower energy costs.

"Enhancing volume growth will continue to be a major focus next year and we have a number of marketing initiatives, supported by increased marketing spending, to grow our trademark brands and increase our participation in the high-end segment," Baker said.

He reaffirmed full-year 2006 guidance except for international beer profit, warning those earnings were now expected to decline somewhat for the year due to unfavorable revenue mix in Britain. The company expects long-term earnings per share growth between 7 percent and 10 percent.

Baker highlighted Anheuser-Busch's international beer segment, calling it an increasingly important contributor to earnings growth. The company has 50 percent ownership of Grupo Modelo in Mexico. Its Corona brand is the leading Mexican export to the U.S.

Anheuser-Busch said the Corona export business will be significantly enhanced by Modelo's new 10-yer joint venture with Constellation Brands Inc., and will positively impact earnings beginning next year.

Baker also cited growth in China.

"With our wholly-owned Budweiser and Harbin operations, plus our strategic partnership with Tsingtao, Anheuser-Busch is very well-positioned to capitalize on the substantial long-term growth opportunities in the Chinese beer market," he said.



**12. Anheuser-Busch Ups Ad Spending, but Broadcast Will Miss Out**

By Jeremy Mullman – *Adage.com*

November 28, 2006

**More Dollars Shift to Cable; Digital Outlay to Double**

CHICAGO (Adage.com) – Anheuser-Busch Cos.’ 2007 media plans call for significant increases in marketing spending, but network TV shouldn’t expect to see any of the No. 1 brewer’s expanding largesse.

"We will be significantly increasing our total spent, with revisions in our media mix to reflect the viewing habits of our consumers," Chief Financial Officer Randy Baker told investors in New York this morning. Those revisions, Mr. Baker went on to explain, include a "significant shift into cable," and a doubling of digital spending.

**Following the audience**

Mr. Baker didn't provide specifics about how much spending cable would gain -- and how much network would lose -- but he did note that A-B's target audience now spends about two-thirds of its TV-watching tuned into cable, compared to only one-third a decade ago. He also said that the brewer's heavy advertising during sporting events would also remain unchanged, meaning the likely victim of network-TV cuts would be prime-time programming.

Anheuser-Busch spent $287.2 million on network TV during 2005, about 47% of its overall media spend, according to TNS Media Intelligence.

The No. 1 brewer's plans to beef up its internet spending have been public since the summer, when the brewer announced plans for Bud.tv, an internet-based eight-channel TV network. At the time of the announcement, Anheuser-Busch executives said Bud.tv might eat up as much as 10% of the brewer's media budget.

And Mr. Baker's comments made it clear that the budget will be expanding during 2007 for the brewer's trademark brands -- Bud Light, Budweiser and Bud Select -- as well as for smaller brands.   
  
**Michelob's new look**

The Michelob brand family, for instance, is getting new package designs and increased ad support as Anheuser-Busch hopes to use it to tap the "trading up" phenomenon that is pushing sales of pricier crafts and imports skyward while domestic macrobrews have generally languished. For the same reasons, Mr. Baker explained, Anheuser-Busch is also boosting support and changing packaging for its Dutch import lager Grolsch.

Rolling Rock, the Latrobe, Pa.-based brand acquired by A-B earlier this year (and now brewed by Anheuser-Busch in Newark, N.J.), will also see a significant increase in spending. A new campaign for Rolling Rock features a fictitious chief marketing officer for the brand apologizing for tasteless ads unworthy of Rolling Rock's "tradition." The scuttled ads -- like the CMO -- are fictitious, but curious drinkers will be able to view them online.

**Struggling to grow**

The increased investment comes as Anheuser-Busch and other brewers are struggling to find growth as they continue to lose share of the alcohol market to wine and spirits, and, within beer, to craft and import brewers.

During the first nine months of 2006, A-B managed to grow shipments 2.2%, and smaller rival Coors Brewing Co., the No. 3 brewer, grew by 1.5%, according to estimates by trade journal *Beer Marketers Insights.* No. 2 brewer Miller Brewing Co. saw shipments slip 2.2%, and No. 4 Pabst Brewing Co. continued its long, downward spiral, falling 7.2%.

<http://adage.com/article?article_id=113496>



**13. Anheuser-Busch to Distribute InBev’s Imported Brands in U.S.**

By Jeremy Mullman *– AdAge.com*

November 30, 2006

**Deal Includes Promotional Responsibility for Stella, Bass Ale, Other Brews**

CHICAGO (AdAge.com) -- Anheuser-Busch Cos. has cut a deal with InBev USA to distribute its stable of imported beer brands, including Bass Pale Ale, Beck's and Stella Artois, within the U.S.



Beck's, Stella and Bass are among the imported InBev brands A-B will distribute and promote domestically.

The deal gives A-B and its network of distributors access to an import portfolio that is the world's largest by volume at a time when import sales are badly outpacing domestic macrobrews. And Stella Artois -- which InBev executives this summer said was up 65% during the first half of 2006 -- is among the hottest brands in the space. Beck's, on the other hand, has generally lagged the category.

**Rumored since the summer**

According to *Beer Business Daily,* InBev USA President Doug Corbett made the announcement to employees this afternoon. Speculation about an A-B/InBev partnership was running high over the summer, but Mr. Corbett shot it down then. "We firmly believe that our current platform, including our people, our import brands and our wholesaler distribution system, is the best option for future growth," Mr. Corbett wrote in July to InBev distributors following a spate of media reports on the rumored talks.

But in a statement today, InBev CEO Carlos Brito said Anheuser-Busch's "world-class" distribution system was simply too good to pass up.

**Promotional responsibility**

The deal gives Anheuser-Busch U.S. promotional responsibility for the InBev brands, although it was not immediately clear what that means for their advertising agency relationships. Beck's U.S. creative advertising is at Publicis Groupe's Leo Burnett, Chicago; Stella Artois is handled by Interpublic Group of Cos.' Lowe Worldwide; and Bass is at Interpublic's McCann Erickson, New York.

"This agreement gives us highly valued brands that appeal to beer drinkers looking for sophisticated imports in their beer choices," said August A. Busch IV, president-CEO of A-B. "We live in a world with diverse cultures and lifestyles, and his provides additional variety for our consumers. This is consistent with our stated strategy of enhancing our participation in the U.S. high-end beer segment."

The deal does not include InBev's Canadian brands, Labatt and Brahma, which will continue to be run out of InBev USA's Buffalo, N.Y., headquarters.

<http://adage.com/article?article_id=113524>



**14. Sapporo Bolsters Takeover Defenses**

By Mariko Sanchanta in Tokyo

November 30 2006

Sapporo Holdings, Japan's third-largest brewer, strengthened its poison pill defenses Thursday in the wake of Steel Partners' unsolicited takeover attempt of a Japanese noodle-maker.

Steel Partners, the activist US-based hedge fund, is Sapporo's single-biggest shareholder, with an 18.6 per cent share in the company. It is unclear whether Steel Partners has any bigger ambitions for Sapporo. The hedge fund declined to comment Thursday.

But Sapporo's move is more evidence of how rattled Japanese companies have been by Steel Partners' mounting earlier this year of a hostile takeover attempt for noodle-maker Myojo, even after the bid ultimately failed.

The Steel Partners move on Myojo revived the perceived threat of foreign buyouts. Activist funds in Japan have gone quiet since Yoshiaki Murakami, Japan's best-known activist shareholder, was arrested earlier this year for insider trading.

Sapporo said Thursday that Steel Partners was "a very important shareholder".

In February, the company adopted an anti-takeover measure that requires any investor owning at least 20 per cent of its shares to disclose information. If any major shareholder refuses to do so, the brewer can issue stock warrants to investors other than the potential acquirer, thus diluting the acquirer's shares.

After a board meeting Thursday, Sapporo introduced an additional measure that shortens the period before it can issue the warrants to ten days from 25 days, so that it can respond to a takeover attempt more quickly.

Steel Partners made history in Japan three years ago by becoming the first overseas hostile bidder for a Japanese company when it sought control of Yushiro Chemical. Since then, it has kept a low profile but quietly ratcheted up its stakes in undervalued Japanese small caps.

"Domestic food companies, in particular, are adverse to hostile takeovers," said one analyst at a foreign investment bank. "But consolidation in the food industry is inevitable as retailers are beginning to merge, increasing their purchasing power and squeezing margins at food companies."

Besides its core beer and beverage business, Sapporo has attractive real estate assets on its books that have benefited from a surge in Tokyo property prices in recent years.

Separately, Steel Partners has raised its stake in Nissin Food, Japan's leading instant noodle maker, to 7.4 per cent from 6.2 per cent. Nissin launched a white knight bid for Myojo in an effort to fend off the unsolicited offer from Steel Partners. Steel Partners last month conceded and said it supported Nissin's bid, at Y870 for each Myojo share.



**15. SABMiller to Invest Big in India**

Source: *Bhavna Rathore*

November 29, 2006

SABMiller is planning to invest US$125m in the expansion of its brewing capacities in India.

An executive with the brewer in India confirmed to just-drinks today (29 November) that the money will be used on four large projects, which will be rolled out over the next six months. The executive would not be drawn, however, on what the four projects were, but noted that the move should add around 4.5m hectolitres to the company's total capacity.

"Part of the investment is also likely to fund an acquisition in South India," the SABMiller India spokesperson said. Significantly, SABMiller does not have a presence in the southern state of Tamil Nadu.

SABMiller is in the process of increasing capacity at its breweries in Aurangabad, Haryana and Rajasthan.

Earlier this year, the brewer bought the Indian brewing assets of Foster's Group for US$120m. SABMiller expects Foster's old products to add 4.5m cases annually, taking total production to 35m cases per year. Foster's will probably be produced at at least three breweries across the country, and these will have to be expanded.

A spokesperson with SABMiller's head office in London said separately today that the investment will be a mix of capital expenditure, capacity increases and possible acquisitions: "We've got a spend dependent on continuing deregulation, which is what is driving fairly substantial market growth at the moment."

SABMiller is the second largest brewer in India - behind United Breweries - holding around 31% of the market.



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

**16. Vineyards Making Rapid Return to Rural Landscape**

By Hannah Fletcher, *Iowa Farmer Today*

November 21, 2006

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| http://www.iowafarmertoday.com/content/articles/2006/11/27/top_stories/02wine.jpg |
| **TOP LEFT: A vineyard view features rows of vines and neighboring countryside. BOTTOM LEFT: Many Tabor Home Wines are award-winners at international competitions. The winery produces 19 wines. ABOVE: Paul Tabor hoists a basket full of Foch grapes. This year, Tabor Home harvested more than 17 tons of grapes. IFT photos by Hannah Fletcher** |

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BALDWIN -- In the Grant Wood-esque rolling hills of Jackson County, one wine maker senses a new agricultural opportunity for Iowa is brewing or, one might say, fermenting.

For 10 years, Paul Tabor has been making wine at his vineyard and winery, Tabor Home Wine. The vineyards are on his family’s Eastern Iowa Century Farm.

The winery is in the heart of about four acres of Marechal Foch, one acre of La Crosse and small plots of Catawba, St. Croix and Seyval grapes.

Tabor experimented with growing grapes and wine recipes before launching Tabor Home. His father was an amateur wine maker, and he frequently helped a friend on his home operation.

Tabor’s background in microbiology also aided his winemaking skills.

Dedication and patience are instrumental in producing quality grapes and wine, he says.

“There is a lot to viticulture management. There are fungal, insect and pest problems, and it’s labor-intensive. A lot of folks don’t realize that,” says Tabor, snipping purple-skinned Marechal Foch grapes during a busy fall harvest.

“It’s a long-range process. We’re still not finished with our wine-making style.”

Nevertheless, he says there is big potential for interested farmers.

While grape-growing areas need to be deliberately selected, there are several areas on farms that might be better suited for grapes rather than traditional crops, Tabor says.

“Some farmers are interested in planting grapes as a diversification idea,” he says. “I know of several areas in Jackson County alone that would be suitable for grapes because it is too rocky or too hilly (for crops).”

Iowa State University Extension Value Added Agriculture Program’s data collected from the Alcoholic Beverages Division of the State of Iowa shows the potential for Iowa’s wine industry is growing, literally.

The number of licensed native wineries increased from 13 in July 2001 to 51 today. Annual wine production increased from 51,500 gallons in June 2002 to 133,728 gallons in December 2005.

An increase in wineries could mean increased need for grape growers, Tabor says.

Tabor Home contracts with about 20 Eastern Iowa growers to supplement its vineyards. This frees time for Tabor to make wine.

“Grape growers are only a benefit to us, and it is a benefit to them to market it here. It’s a trade-off,” he says.

Grapes are Iowa’s fastest-growing alternative crop, notes Paul Domoto, horticulture professor at Iowa State University.

“A lot of people are looking for an alternative crop,” he says. “Right now, we are just hoping to keep up with the demand.”

Domoto, who grew up on a California vineyard, is studying grape varieties’ viability in Iowa.

He says most of the grapes suitable for Iowa are French-native American hybrids. Because the plants must be hardy enough to withstand Iowa’s cold winters, he is researching grapes that are native to the northern Midwest and Iowa.

After all, Iowa was once a primary grape-producing state.

Iowa ranked sixth in grape production in 1919 in the United States, producing more than 12 million pounds, according to ISU’s Leopold Center for Sustainable Agriculture.

However, the collapse of Iowa’s grape industry by the mid-21st century was a result of three major events, Tabor says.

Prohibition in the 1920s forced many operations out of business.

Then, what some consider the biggest menace to grape growing came with the introduction of 2, 4-D in the 1940s.

Also, the Armistice Day Blizzard on Nov. 11, 1940, killed most Iowa vineyards and orchards.

The combination of events left Iowa with less than 20 acres of commercial grapes by 1970.

But, a regeneration of Iowa’s once-thriving grape and wine industry could be on the horizon, Domoto says.

The key is selection of hardy, wine varieties and location.

However, the future of Iowa’s wine and grape industry depends on its market, Domoto explains.

He says grape growing has really taken off in Warren County, where there are “a lot of hobby farms.”

“Wineries that are successful are the boutique wineries, even in California. They have probably honed in on a clientele, have a nice tasting room and offer events,” Domoto says.

With 10 years of making wine notched in his belt, Tabor has realized the connection between selling wine and an experience.

The winery encourages visits, offers wine-tasting events and hosts live music on some Sundays. Also, the tasting room and gift shop overlook the winery and often Tabor hard at work.

With a number of wineries popping up around the state, Tabor says he is not worried about competition.

He supports the Iowa wine industry in general and believes, if the Iowa wine industry thrives, his business thrives. Plus, every wine is different due to grape selection, recipe and regional influences.

Tabor and other wine makers in the northern Mississippi River area have applied for a federally-approved appellation, or regional identity, label similar to California’s Napa Valley label.

Tabor says establishing Iowa wine’s identity could put Iowa back on the map as wine and grape-producing center.

“That’s what’s really exciting,” he says.

<http://www.iowafarmertoday.com/articles/2006/11/27/top_stories/02wine.txt>



**17. State Democrats Renew Anti-Tobacco Focus**

By Tony Keys, Staff Writer – *Des Moines Register*

November 27, 2006

The change in control of the Legislature means new potential for a cigarette tax increase and a ban on smoking in public places.

Smoking opponents hope this month’s elections increase the prospect of higher cigarette taxes and more smoke-free restaurants and bars in Iowa.

Anti-tobacco activists have been frustrated for years in the Iowa Legislature, where Republican leaders kept their bills stuck in committee.

Now, Democrats will control both houses of the Legislature. “Politics is a team sport, and when your team has more players than the other team, your team gets to call the plays,” said state Sen. Herman Quirmbach, an Ames Democrat. Quirmbach, who opposes smoking, advised anti-tobacco activists on strategy during a recent meeting of the state Tobacco Use and Prevention Commission. He warned tem not to get overconfident because bar owners and cigarette smokers vote, too.

The proposals are sure to face tough opposition from people like Rich Bartlett, owner of Southside Tobacco and Liquor in Des Moines.

Bartlett agrees that a cigarette-tax increase is more likely after the Democrats’ victory. “You know politicians,” he said. “If they sniff a dollar, they’ll follow the money trail.”

He hopes the state avoids aggressive proposals, such as one to add a dollar to the current 36 cent tax. That proposal would nearly quadruple the tax, which he said would be an injustice. “We used to shoot redcoats over a lot less than that,” he joked.

Bartlett said such a measure would cost him several thousand dollars in taxes he would have to pay on the big stacks of Marlboros, Camels and other cigarettes he keeps in stock. He doubts a tax increase would cut smoking much, but he said it might encourage more people to break the law by driving to Missouri, where the tax is 17 cents per pack, and returning with trunks of cigarettes.

Democrats in the new Legislature said it’s too soon to preduct what will happen.

Sen. Mike Gronstal, who will be the Senate majority leader, acknowledged that anti-tobacco proposals were sidetracked under the previous regime. “I certainly think lots of things are possible now that weren’t possible before,” he said.

Gronstal, D-Council Bluffs, said many members of both parties want to consider raising cigarette taxes, but he’s unsure by how much. He also said he personally favors allowing cities to ban smoking in public places.

The new House Speaker, Pat Murphy, D-Dubuque, has said legislators’ zeal for a cigarette-tax increase might have cooled in recent years as the state budget improved and the need for new revenues declined.

Gov.-elect Chet Culver, a Democrat, has vocally backed higher cigarette taxes and local control of smoking bans, saying they’d help cut smoking and protect non-smokers.

In the past, the issue has not been strictly partisan. Although Republican leaders grounded anti-tobacco proposals, some Republican legislators voiced support for the measures.

Smoking opponents disagree over whether they should try for a statewide ban on smoking in public places, or whether they first should seek permission for cities and counties to institute local bans.

At least 15 states have imposed smoking bans, and 33 states allow cities to impose local bans, smoking opponents say. Some ativists fear that if legislators try to pass a statewide ban, tobacco interests could lobby to have it filled with exemptions and loopholes. “If we don’t get it right, we will have a very crappy law on the books for a very long time,” said Jane Miller, who represents the American Lung Association of Iowa.

Threase Hams-Hassoun, an anti-tobacco lobbyist, said tobacco companies would have a harder time blocking or watering down local ordinances. Ames and Iowa City already passed smoking bans, which were overturned by the Iowa Supreme Court. If the Legislature changed the law to allow local bans, Harms-Hassoun said, “I guarantee you, right out of the chute you would have 10 or 12 communities ready to go.”

State Rep. Janet Petersen, D-Des Moines, favors a statewide ban. She says businesses are more likely to oppose local bans, which could leave them open to competitors in other cities without bans. But she said she has asked legislative staff members to draw up versions of both types of bills for legislators to consider.

Any smoking-ban bill would be opposed by the Iowa Restaurant Association. “We’d like the government not to tell us how to run our business,” said member Susanne Summy.

Summy is general manager of Trostel’s Greenbriar Restaurant in Johnston, which allows smoking in the bar but not in dining areas. Her company owns two other restaurants. One, Trostel’s Dish in Clive, doesn’t allow smoking. The other, Chips in Ankeny, allows smoking in the bar.

Summy said her company is responding to what people want, which is how it should be, she said.

<http://www.dmregister.com/apps/pbcs.dll/article?AID=/20061127/NEWS09/611270342>



# 18. Smoking Critics Call for Schools to be Tobacco-Free for All

By Megan Hawkins, Staff Writer – *Des Moines Register*  
November 28, 2006

### Students need protection from smoke, group says

Anti-tobacco forces want to step up their fight against teen smoking by targeting adults.

"We want to provide safe and healthy environments for students," said Kerry Wise of the Central Iowa Tobacco-free Partnership. "Anywhere they're going to be, they should have protection from secondhand smoke."

Most schools prohibit students from smoking, but Wise's group wants administrators to ban tobacco for everyone, including adults and visitors, at all times, even during events that are outside the regular school day.

The group has asked Urbandale educators to toughen that district's policy and will soon join with a student group to address the issue in Winterset.

###### TODD ERZEN/THE REGISTER

**Des Moines police resource officer Ray Carrington**

**(right, in uniform) mixes with Hoover High School**

**students in a church parking lot across from the**

**school. Neighbors who live near the school have**

**complained about some students who leave behind**

**cigarette butts.**

"Just because they turn 18 and are adults, that doesn't all of a sudden make it right," Wise said. "Anyone young wants to look like an adult, and model adult behavior. If it's right in front of them, they think it's acceptable."

The anti-smoking group surveyed 24 school districts in Polk, Dallas, Warren and Madison counties and found that almost half do not ban smoking by adults.

It's the newest battlefront in the war of teen tobacco use.

The number of Iowa teenagers who regularly smoke cigarettes has declined in recent years. About 20 percent still use tobacco regularly, according to the 2004 Iowa Youth Tobacco Survey.

Anti-tobacco organizations say it is key to discourage smoking at an early age, because the teen years are when most smokers get hooked.

"Before they graduate, most have certainly tried cigarettes, and the majority of smokers began by age 18," said Joel London of the U.S. Centers for Disease Control and Prevention's office on smoking and health.

Many students who light up say they know smoking can cause health problems. They also know they can get ticketed if they are caught with tobacco before they turn 18.

"It doesn't matter. They're going to find a way to do it anyway," said Justin Gilbert, 19, who recently graduated from Des Moines Lincoln High School and still hangs out with students in the area. "I started at age 15 and haven't quit yet. Whether kids get a ticket or not, they're going to keep smoking anyway."

Ashley Clark, 15, who attends Walnut Creek Campus in West Des Moines, said she started smoking about three weeks ago for "the buzz." She said that all of her friends smoke and that she now smokes about three cigarettes a day. She said she'll quit when she's ready.

"A lot of my friends are like, 'Don't worry, you'll be addicted.' Me, I don't think I will," she said.

Lana Reeser, 53, probably said the same.

She started smoking at 18, before the prevalence of anti-tobacco campaigns. So when she noticed a few of her cigarettes missing and found a pack in her daughter's room, she talked with 16-year-old Ashley Reeser and told her to stop while she still can.

"My friends offered me a cigarette, I coughed, then once I stopped coughing, I started inhaling and it got to be a habit," Lana Reeser said. "If I can save her from not smoking, I will. I would like to quit."

Ashley, a sophomore at Johnston High School, said she "tried it a couple of times, but my mom just didn't want me to get started."

"A lot of my friends smoke," she said. "I think some do think it is bad for them, but they also think it's cool."

Johnston police have cracked down. Records show 28 citations issued since Jan. 1 this year, most of them at the high school. The first offense costs up to $5, but the second offense can cost up to $100 and the third up to $250.

Yet some Des Moines-area students say teachers and school officials can do little to stop them.

"I go back to class smelling like cigarettes all the time. The teachers don't really care because they can't do anything about it," said Roosevelt High School student Mitch Johnston, 17, who goes off campus to smoke at lunch.

School principals and police officers say smoking is a difficult problem to crack down on. When cigarettes are outlawed on campus, students cross the street, puff behind neighbors' houses, or go to convenience stores. Then neighbors complain about cigarette butts and loitering. Police, meanwhile, say it's difficult to catch young smokers in the act when they are off campus.

"It's really hard being in uniform in a marked patrol car to catch students smoking," said Tim Peak, East High School's resource officer.

Connie Cook, Hoover High School's principal, said "when you chase it out of one area, it goes to another." Neighbors around Hoover recently complained about students who leave butts behind.

Added Vince Lewis, principal at North High School: "Smoking is probably not the most paramount concern we have during the school day."

Teen smoking was most prevalent in the late 1970s, according to researchers at the University of Michigan. Cigarettes' popularity rose again in the mid-1990s. Since then, the habit has been on the decline, although it's leveling off. Experts credit a number of well-financed anti-smoking campaigns, such as Just Eliminate Lies, which now has chapters in more than 20 schools.

Laticia Biggerstaff, 17, the president of Sioux City's East High chapter, said some of the group's activities make lasting impressions on peers.

Like the pig lungs. One is clean and the other has been exposed to secondhand smoke.

"A lot of people smoke and freely admit they smoke in high school," Laticia said. "They come and see the lungs and say, 'Oh my gosh, do you think mine looks like that?' They get really concerned, but I don't know if it changes their ways, it's so addicting."

She said when the Just Eliminate Lies chapter opened at the school, about 60 students showed up. She had expected only a dozen.

"When I heard JEL works toward getting laws passed so cigarette prices go up and stuff to prevent people from smoking, it was something I wanted to join," she said, adding that cigarettes are "absolutely ridiculous."

"I don't like it, and there's nothing good about it," she said.

*This article includes reporting by Todd Erzen, Elizabeth Owens, Juli Probasco-Sowers, Jason Pulliam and Jared Strong.*

<http://desmoinesregister.com/apps/pbcs.dll/article?AID=/20061128/NEWS02/611280386/1001/NEWS>



**19. Shootings at Nightclub Spur Complaints**

By Amber Bryant-Tapper, Staff Writer – *Des Moines Register*  
November 26, 2006

**Police, fire crews have responded to 62 calls from Club City in six months.**

Residents of Des Moines' Bloomfield Allen neighborhood who complained to city officials about an after-hours club in their area are upset in the wake of another shooting at the venue.

Des Moines police are investigating a shooting at Club City, 1820 S.E. Army Post Road, that happened about 4 a.m. Saturday. Richard Walker, 18, of Des Moines was shot in the arm while he was on the stage inside the club, police said. Walker was taken to Mercy Medical Center and is listed in good condition.

Witnesses told police the shooter was a man dressed in black who had black, braided hair and gold front teeth. No arrests have been made.

Police Sgt. David Coy said police and fire departments have responded 62 times in the past six months to calls from Club City.

Brian Meyer, a member of the Bloomfield Allen neighborhood group and an assistant district attorney, said the group sent a letter asking city officials to regulate the club after a shooting there on Sept. 23. He said in the two months after he sent the letter, he received one response from a council member.

Meyer said he thinks city officials could do more.

"I am not satisfied at all. I think the City Council has let us down on this issue," said Meyer, who is running for the vacant Ward 4 City Council seat.

Des Moines City Attorney Bruce Bergman said the city is not able to regulate businesses that don't have a liquor license, like Club City, which encourages patrons to bring their own alcohol. For example, establishments that have a liquor license are required to close by 2 a.m. and allow customers that are age 21 or over, but businesses like Club City are not held to those requirements, Bergman said.

He said a liquor license is one of the differences between Club City and Loco Joe's Nickel Arcade, a bar that closed earlier this month after a string of violent incidents in its parking lot. The owner of Loco Joe's closed down the Merle Hay Road location after the city threatened a lawsuit saying the business was a nuisance because patrons were bothering other establishments and people in the area, Bergman said.

The phone number listed for Club City has been disconnected. According to the Polk County assessor's Web site, the property is owned by Melody Petry, who could not be reached Saturday for comment.

Bergman said the city is working with Des Moines police to draft an ordinance that would require businesses like Club City to be licensed or regulated. He said the ordinance would need to be passed by the city council.

Bergman said he's not sure where the draft is at this point, but said there is a new urgency after Saturday's shooting.

"I can tell you this, I'll be taking a look Monday morning to see where we are on this," he said.

Bergman said another option is asking the Legislature to look at a statewide bill allowing cities to regulate after-hours clubs as they do other establishments or to prohibit such businesses altogether.  
  
"If we can take care of it ourselves we should do that, but if we find that state law prevents us from doing what we need to do then we would appreciate their support," Bergman said.

Rep. Kevin McCarthy, the incoming House majority leader and a legislator for Des Moines' south side, said he doesn't approve of after-hours businesses like Club City. He said such businesses have been causing problems in other cities around the state.

"Their sole existence is to allow people to bring in alcohol and party all night long. I'm not supportive of that, period," McCarthy said.

He said neighborhood leaders in the Club City area have contacted him with complaints about the business, but he said he wants to wait and see if local governments, including the city of Des Moines, can successfully find a way to regulate after-hours clubs on their own.

"It looks like the city will be able to accomplish this through ordinance," he said. "My position is I'm going to defer to what the neighborhood leaders want. I'm ready and willing to sponsor legislation if it's needed.”

Meyer said at the very least his neighborhood wants to see businesses like Club City be required to have a permit.

"Then I think they should make the permittees responsible for security on their premises. It's like the wild, wild West over there, and we need to get it under control," Meyer said. "If that were to happen, you'd see these things close down, and it wouldn't bother me a bit to see them go."

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=2006611260343>



**20. Tighter Rein Weighed on After-Hours Clubs**

By Jason Pulliam, Staff Writer – *Des Moines Register*

December 1, 2006

**A proposed Des Moines ordinance would make the nightspots subject to the same rules as bars.**

A string of violent incidents and complaints from residents has Des Moines officials trying to clamp down on after-hours nightclubs that don't have liquor licenses but allow patrons to bring their own alcohol and party into the wee hours.

The City Council on Monday will consider an ordinance to impose tighter regulations on after-hours businesses after last weekend's shooting at Club City, 1820 E. Army Post Road.

Richard Walker, 18, of Des Moines was shot in the arm while inside Club City during the early-morning hours of Nov. 25. Walker was taken to Mercy Medical Center after the shooting. His condition is unavailable to the public.

Sgt. Todd Dykstra, public information officer for the Des Moines police, said Walker was cooperating with investigators, but no arrests have been made in connection with the shooting.

The ordinance would allow city officials to control after-hours clubs in a way similar to restaurants and bars with liquor licenses, said City Attorney Bruce Bergman.

Establishments like Club City allow patrons to bring their own wine and beer and can stay open past 2 a.m., when bars and restaurants that serve alcohol must close.

The proposed ordinance, which must be passed three times by the council before taking effect, would require after-hours clubs to meet zoning laws like those for liquor-licensed establishments. Under the proposal, the businesses would be subject to police, fire and health inspections and would have to provide adequate security, Bergman said.

Members of the Bloomfield Allen Neighborhood Association, which is near Club City, have pressed the city to rein in after-hours clubs. "Anything we can do to get these clubs under control is a step in the right direction," said group Secretary Brian Meyer.

Police and fire department officials have responded to more than 60 calls at Club City in the past several months, including a late September incident that included gunfire, records show.

City officials are considering taking legal action against Club City, Bergman said.

"If, in our judgment, we can make a case that Club City is a nuisance under city ordinance, we'll move forward on that as well," he said.

Club City's telephone has been disconnected.

The Polk County assessor's Web site lists Melody Petry of Council Bluffs as the administrator of the estate that owns the property. She did not respond to a request for comment regarding Club City's recent violence.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20061201/NEWS05/612010365/1001/NEWS>



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

**21. Minnesota Grocers Again Try for Right to Sell Alcohol (Minnesota)**

*Associated Press*

November 28, 2006

ST. PAUL - Grocery stores are resuming a decades-old push to get permission to sell wine, a fight that pits them against liquor stores.

Grocers want the Legislature to relax a Prohibition-era law prohibiting food and alcoholic beverages from sharing shelf space. They point to a recent legislative audit that says limiting where liquor is sold costs consumers millions of dollars.

Some store owners are waging a public lobbying campaign, spelling out the proposal on grocery bags and on the Internet, and they have asked shoppers in some stores for written comment.

Minnesota is in the minority when it comes to wine in groceries; 33 states allow food stores to sell wine.

Shannon O'Donnell, 37, who was shopping at a Kowalski's market last week, said changing the law would mean one-stop shopping with her young daughter.

"I don't have to go back out, put her in the car seat, drive to the liquor store, take her out of the car seat," she said.

But history isn't on the grocers' side. The proposal has been around since the 1970s, and the liquor industry has come out on top each time.

The retail liquor industry argues that allowing food stores to sell wine will increase overall alcohol consumption and jeopardize health and safety. They also raise concerns about competition.

Wine carries high profit margins, so it accounts for a disproportionate share of all liquor store income.

"Wine is where you make your money," said Jim Farrell, executive director of the Minnesota Licensed Beverage Association.

The state legislative auditor concluded in a report released earlier this year that Minnesotans pay more for wine than residents of some other states. After adjusting for different taxes and other costs, auditors said wine prices are 5 percent to 7 percent higher in Minnesota than in Wisconsin, which allows grocers to sell it along with beer and spirits.

Some supermarket chains - such as Rainbow, Costco and Byerly's - have tried to work around the current restriction by running liquor stores attached to their biggest stores, with separate entrances.



**22. Pennsylvania Free Liquor Bill Signed**

November 30, 2006

HARRISBURG, Pennsylvania - Governor Edward G. Rendell today signed House Bill 446 amending the Liquor Code allowing for special occasion liquor permits. The Governor sent a signing message to the legislature to explain his support for this bill.

Under current law, liquor licensees, as well as holders of licenses that permit them to sell malt and brewed beverages, may sell liquor and brewed beverages between 11 a.m. Sunday and 2 a.m. Monday if they purchase a special permit; however, in cities of the first class, only such licensees whose sales of food and nonalcoholic beverages are equal to 30 percent of the combined gross sales of food and alcoholic beverages may sell liquor between 11 a.m. Sunday and 2 a.m. Monday. This bill removes those provisions, so that there is no minimum food sales requirement in cities of the first class to sell liquor or brewed beverages on Sundays.

Also, under current law, a restaurant licensee or a retail dispenser licensee located in a city of the first class must obtain a permit from the board every two years to sell malt or brewed beverages off-premises. This bill provides that after Oct. 31, 2007, such licensee must only obtain a permit from the board once. Currently, the governing body of the city of the first class is to hear request for these permits; this bill provides that the city of the first class must create a hearing board within its department of licenses and inspections to hear requests from licensees seeking to sell liquor off-premises. The hearing board must be made up of three people appointed by the mayor, subject to the approval of the city council. The hearing board has 90 days to issue its decision (as opposed to the current 45 days for the governing body). Permits to sell off-premises expire upon transfer of the license to a new entity or a new location, or when the underlying license expires.

The bill allows a holder of a restaurant license who is also approved to hold a slot machine license or a conditional slot machine license to give liquor free of charge to persons engaged in playing slot machines.



**23. New York Merchants Can Buy Direct From Wineries – Almost (New York)**

Howard G Goldberg in New York

November 28, 2006

Licensed retailers and restaurants in New York State can now buy directly from out-of-state producers on the internet, a state lawyer says.

Thomas Donohue, the lawyer for New York's State Liquor Authority, has given the nod to the use of newly-developed technology that enables New York to hand middlemen a new commercial benefit without essentially changing the state's three-tier system.

A store or restaurant interested in buying, say, six bottles of a boutique's limited-edition wine will be able to order the wine on the internet by visiting a site listing all wineries participating in the program.

Instantaneously a transaction takes place in which the order goes to a prearranged wholesaler, whom the winery's computer bills for the purchase.

The wholesaler's computer sets aside taxes on the purchase, bills the retailer or restaurateur and, deducting its margin, pays the winery. The producer sends the bottles directly to the buyer.

For a nominal extra outlay, the system gives middlemen additional business because previously they had declined to carry the wine in question on the grounds that supplies were too limited and demand too small to warrant the costs of buying, shipping, warehousing, selling and delivering the wine.

All this has been brought about by the Liquor Authority's lawyer, who has advised the Inertia Beverage Group, a Californian company, that its technology can be used to automate sales this way.

Paul Mabray, Inertia's chief executive officer, calls New York's approval 'groundbreaking.' He is in talks with five wholesalers and two have expressed interest in coming aboard.

After debuting his system in New York, Mabray hopes to enter California, Arizona, Washington State, Texas and Florida next year.



**24. Governor Signs Alcohol Testing Bill into Law (Michigan)**

By Ranji Sinha, Reporter - *WWMT*

November 28, 2006

Governor Jennifer Granholm has signed a bill that would require anyone convicted of an alcohol offense who's under the age of 21 to submit to mandatory random alcohol tests.

The bill was sponsored by State Sen. Alan Cropsey (R-DeWitt). It dictates that any minor convicted of buying, drinking or having alcohol would have to take regular breathalyzer tests. The law is meant to be a deterrent for repeat offenders.

But some experts who work with underage drinkers say a lot more than just random screening needs to be done to curb the problem. Cheryl Parente-Roggow is an outpatient therapist at the Elizabeth Upjohn Community Healing Center, and says prevention has to start with a combination of steps, well before kids get caught with alcohol, "treatment, education, group therapy... just a real understand of how alcohol is an influence on our culture."

Parente-Roggow adds that many drinkers are socialized to the habit at an early age, often picking it up at home, "It can be progressive, particularly if there is alcoholism in the family, some people believe it's in a gene that gets inherited. It can be habitual where kids get used to drinking every weekend, they start expanding to football games. So every activity they have involves using alcohol."

The new law says that screenings would be done by the "substance abuse coordinating agency." This could include health department or counseling service, but the law doesn't specify whether there is specific funding for this from the state.



**25. Revision on Liquor License in Michigan Passed in State House (Michigan)**

*Wood TV*

November 30, 2006

LANSING, MI -- A bill was passed Wednesday in the state House that will revise the way existing liquor licenses are handled.

Current law states that a place of business is liable for any owed taxes or pending judicial action by the state Department of Treasury.

The new legislation would require the Michigan Liquor Control Commission to notify a business of tax debts accumulated by the previous owner of the license.

"When someone starts a small business they purchase a liquor license out of escrow only for the ability to sell alcohol," said state Rep. Jerry Kooiman (R - Grand Rapids). "The history of the license should not be forced upon current owner if there was previous misuse of the deed because they were not involved with the wrongdoing."

Art of the Table, a Grand Rapids business, purchased an existing liquor license this year and they were met with an unpleasant surprise. The Department of Treasury notified them they were liable for taxes owed be the previous owner of the license.

Kooiman got involved after Target 8 stories about what Art of the Table was going through.

"This is a problem that has to be addressed for the good of the state and I am happy Rep. Kooiman is taking an active role to ensure the bill is passed," said Art of the Table owner Amy Ruis said. "What should have been a simple transaction has turned into months of legal red tape."



**26. Fresno Aims to Cut Down Underage Drinking (California)**

*KFSN-TV*

November 28, 2006

Fresno city leaders want stiffer penalties for parents. The ordinance would make it illegal for adults to allow minors to drink on their property.

It's against the law for bars, restaurants or other establishments to serve alcohol to those under 21.

"But if they are somewhere else on their own and need a place to drink there isn't an ordinance in place that actually prohibits that," said Fresno City Councilmember Mike Dages.

Councilman Dages tells Action News that a lot of parents allow their teenagers to have party's where alcohol is consumed, thinking its okay because it's the home owners private property.

Dages presented the ordinance to the council who approved it by a five to one vote. The Social Host Ordinance makes it illegal for adults to allow those under 21 to consume alcohol on their property or at any of their gatherings.

"Its so hard for me to go to those things because I feel like they are the adults and have the power to say no. And they should be held responsible because they are adults and I'm a minor," said Malaysia Ricco of Fresno Youth in Action.

Young adults ages 17 to 20 -- some in high school -- voiced their support of the ordinance at the Fresno City Council meeting.

According to resent studies more and more Fresno kids between the ages of 12 and 17 are drinking on a regular basis.

"They don't get this by walking into a liquor store and buying it," Dages said. "They get it because somebody supplies them with it, which they shouldn't. And somebody allows them to drink in a place that they shouldn't, whether its a house or a party or whatever."

But not everyone is in favor of a social host ordinance.

"I can understand if there was an ordinance for unruly parties or people that are really loud. But to look for people who responsible, and to find those people, because that's a real issue for the police department," said Fresno City Councilmember Tom Boyajian.

"I don't know how you would enforce it," Boyajian said. "How would you know that an individual was doing it. That is why I didn't enforce it."

Those found in violation of the ordinance face fines and will have to pay for police response calls. The Social Host Ordinance will be presented to council again in 30 days and if approved it will become law sometime early next year.

