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|  | e - NEWS |
| *January 5, 2007* | |

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

**1. Spirits: Trends for '07 Include Sparkling Spirits, Return to Basics**

By Bill Toland *- Pittsburgh Post-Gazette*

December 28, 2006

You love the delightful, dance-on-the-tongue carbonation of champagne or a good sparkling wine, but not the sweet aftertaste that comes with it. So what's a cocktail lover to do on New Year's Eve?

Solution: sparkling vodka, perfect for bringing a bit of the bubbly into otherwise bubble-free mixed drinks.

Problem: You'll have to wait until New Year's Eve 2007, since the brand of vodka, known as Vodka O2, won't be released for sale to American consumers until the first quarter of next year. For now, its limited release has been confined to Canada and Europe, mainly in the U.K., distributed by International English Distillers in London. Marketing and trademarking problems have delayed the international release of the spirit for two years.

Liquor distributing giant Diageo, meanwhile, is working on a similar spirit, as well as a sparkling gin, which we suppose would make the cocktail known as the Gin Fizz kind of redundant.

Diageo -- the holding company that distributes Smirnoff, Captain Morgan, Crown Royal, Seagram 7, Johnnie Walker and many more -- hopes to win a patent for a process that naturally carbonates gin, vodka, rum and other spirits using yeast. (Vodka O2 uses a different process, basically a type of oxygenation as opposed to carbonation.)

British newspapers have been reporting the Diageo news for a few weeks, suggesting that the company wants to capitalize on the market of imbibers who prefer fizz with their mixed drinks, while Vodka O2 is generating an Internet buzz on bartender and liquor review Web sites.

The point, it seems, is that by this time next year, your martinis may be dry and fizzy if you wish, and that's a good thing, say those who have tried the stuff so far.

"I can see how a bartender might like to have this on his shelf," said Rick Dobbs, a former San Francisco bartender who now runs the alcohol-devoted Web site known as "Martini Lounge."

"It tastes like a vodka and soda. It could save a mixing step." With new vodka products released each month, it helps to have a feature that lets your brand stand out in a crowd.

"The market's flooded for vodka," he said. "I can't imagine being a bar manager right now" trying to pick from the list of products being pushed by distributors. Most managers will pick from a handful of mainstays -- Grey Goose, Belevedere, Absolut and so on -- and might select one novelty item.

And fizzy vodka might be it.

Or it might not.

It's one of many trends that may or may not come to pass in 2007. Predicting what's going on a year from now can be a tricky business -- who saw Red Bull and vodka coming? -- but here's our best shot, based on the collective wisdom of industry regulators, liquor purveyors, spirits writers and your truly, for whatever that's worth.

Jonathan Newman, chairman of the Pennsylvania Liquor Control Board, envisions a 2007 that gives Pennsylvania consumers more choice than ever before, mainly via the Web.

Currently, the PLCB has an online catalog of about 1,100 products, both wine and spirits. Mr. Newman hopes that, by the end of 2007, an online buyer will have access to every product that the PLCB has access to -- all 11,000 items, including hundreds that have typically been reserved only for restaurateurs.

"Pennsylvania has access to an amazing amount of product selection" because its state-operated liquor stores make it the largest buyer of wine and spirits in the United States, he said.

Mr. Newman also said that, in 2007, he hopes to better leverage the quantities of liquor into lower prices.

Pennsylvania, for example, is the world's most prolific buyer of California wines, and ought to be able to negotiate lower prices for consumers, considering how much product it orders.

In the bars, Ray Foley -- the bawdy-mouthed publisher of Bartender Magazine and author of Bartending for Dummies -- sees bars getting back to basics, after years of experimenting with chocolate martinis and exotic drinks that feature "puree of apricots," as he suggested between swear words.

"I think it's going to get real again -- giving good service and products that are accessible," he said. "Enough with the master mixologists," who can puree an apricot but can't tend bar.

"Those drinks have never been big sellers. They're just showoff drinks," a novelty that doesn't generate enough profit for the time that's put into it.

Mr. Foley, along with Mr. Dobbs, also predicts a big year for gin.

Most gin lines, with the notable exception of Bombay Sapphire, have been declining in the United States for a decade, having suffered from the popularity of endless vodka permutations.

But Tanqueray brand gin has poured a ton of money into advertising over the past year or so, with the fictional Tony Sinclair as the brand's pitchman, and when one brand makes a big push, it can lift sales for other lines of gin. Tanqueray sales jumped immediately after the North American Sinclair ads began running, and this might be the year that the rising tide lifts other lines.

Mr. Foley also sees Scotch, especially the single-malt variety, growing in popularity. "Single-malt Scotch has not reached its limit -- [it's a] big collectors' item, as much as a drinking item," he said.

The Scotch whisky industry has been evolving for a decade now, with new production and marketing techniques positioning the spirit for greater American market share.

Along those lines, here's one more local trend -- if the smoking ban goes into effect in Allegheny County, you can probably expect the county health department to issue permits for a few more boutique bars like the one that just opened in Mt. Lebanon.

Mike Donohue, owner of Jernigan's Scotch and Cigar Bar in the Galleria, Connor Road, says he hopes his former cigar shop can capitalize on the smoking ban by offering a limited menu, plenty of high-end Scotch and, of course, cigars.

"It's a new concept," he says. "Most places nowadays discourage smoking, particularly cigar smoking."

The bar has state-of-the-art ventilation, a few desserts and appetizers, and seating for 32.

**grapes**

**2. China Confronts Price of its Cigarette Habit**

By Gordon Fairclough, The Wall Street Journal

January 3, 2007; Page A11

**An Economic Pillar, Tobacco Now Exacts Heavy Toll on Health**

KUNMING, China -- On the outskirts of this provincial capital stands a massive sports complex, built by state-owned cigarette manufacturer Hongta Group. Outside, a grand frieze depicts a progression, from farmers harvesting tobacco to high-rise buildings and jet airplanes.

The blunt message: Tobacco is responsible for bringing modernity to this poor corner of southwest China. Tobacco money has built highways, railroads and hydroelectric dams. Hongta has branched into businesses ranging from hotels and real estate to securities trading. It's provided capital for biotech firms and paper and cement companies.

"Tobacco is a pillar of the economy," says Liu Ruisheng, deputy director of the Yunnan branch of Hongta's parent company, China National Tobacco Corp., the world's largest cigarette maker and a government-owned enterprise.

[Global Smoke Out]GLOBAL SMOKE OUT

[[[Global Smoke Out]](http://online.wsj.com/article/SB116654547698954603.html?mod=Leader-US)](http://online.wsj.com/article/SB116654547698954603.html?mod=Leader-US)

See [where cigarettes have been stamped out](http://online.wsj.com/article/SB116654547698954603.html?mod=Leader-US), in Europe, Asia and the U.S.

But now, five decades after the state went into the tobacco business, China is in the early stages of an epidemic. Rising rates of smoking-related diseases are one of the human costs of the Chinese government's often single-minded focus on economic development.

More than a million Chinese people die of smoking-related diseases each year, according to official statistics, compared with 400,000 in the U.S. And that's just the beginning. China's economic boom and more sophisticated cigarette-marketing efforts have been leading people to smoke more, and to start smoking at younger ages.

China's annual death toll is expected to more than double by 2025. If current trends continue, epidemiologists say, one third of all Chinese men now age 29 or younger will end up dying prematurely from tobacco-related diseases.

The World Health Organization and some voices in China's own public-health agencies are warning of the looming crisis. China has more smokers -- 350 million -- than the U.S. has people. "The costs to society are enormous," says Henk Bekedam, director of the WHO's Beijing office.

At the Shanghai Chest Hospital, which specializes in respiratory diseases, surgeons and oncologists are scrambling to keep up with the rising number of lung-cancer cases. About a hundred people a day visit the hospital's outpatient clinic for intravenous chemotherapy treatments. "We just don't have enough beds for all the patients," says Liao Meilin, the physician who heads the hospital's lung-cancer center.

• **The Issue:** Revenue from cigarette taxes boosts China's economy, but smoking -- and smoking-related illnesses -- are on the rise.

 • **What's at Stake:** China's annual death toll from smoking is expected to more than double by 2025.

 • **What's Next:** Tobacco-control experts hope economic changes will force the government into greater action.

 The rising cost of smoking-related medical care and lost productivity is forcing China's policy makers to weigh the economic and social consequences of promoting cigarettes against the financial benefits.

Some parts of the government are starting to argue that it is trading citizens' future health for a near-term boost to the economy. Planners at the powerful National Development and Reform Commission, which sets the nation's industrial policy, have been debating smoking's pros and cons, public-health officials say.

**'Biggest Problem'**

Smoking "is our biggest public-health problem. It should be our first priority," says Yang Gonghuan, deputy director of China's Center for Disease Control and Prevention. "But many in the government and the public don't think so." She adds: "Some officials think tobacco control is good. Many are still opposed."

So far, tobacco is still in the driver's seat. Three of China's 10 largest taxpayers in 2005 were cigarette-making units of China National Tobacco, including Hongta. Tobacco taxes contributed $30 billion, or about 8%, of total central government revenue that year, according to the State Tobacco Monopoly Administration.

In Yunnan, tobacco taxes contributed nearly half of government revenue. Even Shanghai, with its large and diverse economy, gets 10% of its tax revenue from cigarettes.

"The government still puts more emphasis on the financial contributions and the development impact," of the tobacco industry, says Zhao Xiao, a former government economist now at the University of Science and Technology Beijing. "The influence of public-health advocates is very weak."

One reason is that, under China's largely pay-as-you-go health service, the government doesn't feel the full burden of the costs of caring for sick smokers. People who can't pay cash for medical care often don't receive it, and die at home. The other reason is that tobacco revenue is especially important for some of the country's poorest provinces, where Beijing is intent on driving economic growth in order to contain political discontent.

"Without the speedy development of the tobacco industry, Yunnan's economy can't keep growing at a fast and healthy pace," Bai Enpei, the Communist Party's top official in the province, said in a speech last year. "We should unswervingly develop it and make this pillar of industry bigger and stronger." Yunnan's per capita economic output is about $875 a year, less than one-sixth that of Shanghai or Beijing.

Mr. Bai himself is a smoker. In an interview with Chinese state-run television, he said that tobacco is so important to the economy that "I wouldn't dare to not smoke."

At the same time, China's state-run cigarette makers are becoming increasingly sophisticated, using marketing tactics that boldly associate their products with luck and good health.

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| [Photo] |
| Smokers relax in the Melting Pot Bar in Shanghai in June. |

Popular brands include "Good Fortune" and "Double Happiness." Appeals to nationalism are also common, such as the "China" and "Panda" brands. Prices range from about 25 cents for a pack of 20 cigarettes to as much as $15 for high-end smokes.

Hongta's sports complex, which serves as a training center for some of the country's national teams, is also open to the public. It has an indoor swimming pool with a towering water slide, a bowling alley, tennis courts, ice rink and soccer stadium. Banners that hang in the entry hall say: "Meet with Hongta. Health will go with you forever."

Billboards around practice fields used by a soccer camp for teenagers tout the latest addition to the company's line-up, a cigarette called "New Power." "Ignite the passion of youth," ads say. "Hongta will go with you."

Smoking has become deeply ingrained in Chinese society. At weddings, it is common for the bride and groom to give cigarettes to their guests as gifts. The bride then lights a cigarette for all the men attending the ceremony, in a rite that is supposed to augur well for the couple's ability to have children. About 36% of all Chinese adults -- the vast majority men -- smoke, compared with 21% of adults in the U.S. and about 29% in Europe.

And as incomes rise, the average daily cigarette consumption per man is skyrocketing, from four in 1972 and 10 in 1992 to the current rate of nearly 15. The average age when people start to smoke has declined, too, falling from 23 in 1984 to 20 in 1996. Now, about 10% of middle-school students smoke, recent surveys have found.

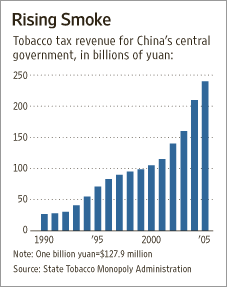
Zhang Rong, a 16-year-old high-school student in Shanghai, says he started to smoke about two years ago, and now goes through about a pack a day. "Many of my friends also smoke," says Mr. Zhang. "It's fun." Mr. Zhang says he is too young to have to worry about getting sick. "I don't need to consider the health question yet," he says.

**Spotty Enforcement**

Antismoking forces, which have curbed many cigarette-marketing initiatives in the U.S. and Europe, have little presence. Indeed, until Beijing signed onto an international tobacco-control treaty backed by the WHO in 2003, tobacco-control activists had practically no voice. In that treaty, ratified by China in 2006, the country agreed to take steps to limit tobacco advertising, improve warning labels and take other steps aimed at discouraging smoking.

Tobacco-control efforts are in their early stages, and enforcement is spotty. Antismoking activists have extremely modest aims. One pilot project in three counties is focused, in part, on persuading parents not to smoke in the house with their children. Other programs are directed at urging doctors not to smoke, at least while in hospitals or in front of their patients.

The Chinese government became a cigarette maker after it took control of the country in 1949 and began to nationalize cigarette plants owned by private companies. The company that became Hongta was set up as a tobacco-drying firm by the local government in 1956. Within years, the company started producing its own cigarettes.

The cigarettes, like other consumer products in the days of central planning, were then doled out by the government to workers, soldiers and farmers under a ration system.

Then in the late 1970s and early 1980s, the Chinese government started to loosen restrictions on agriculture in an effort to jump-start economic growth. The government also established the current tobacco-monopoly system and began to invest in foreign cigarette-making equipment, improving the quality of locally made smokes and greatly increasing production capacity. As the Chinese economy started to grow and disposable income increased, demand for cigarettes climbed.

Mao Zedong, the first leader of Communist China, was an avid smoker, and propaganda images of him -- one of the most common sights in China during his rule from 1949 until 1976 -- frequently showed him smoking. The longevity of Mao, who lived to be 82, has led many to discount the dangers of smoking, tobacco-control experts say.

By the mid-1990s, tobacco was a cornerstone of China's economy and a critical source of funds for the government. Hongta was the top of the heap. In 1996, the company, which now produces about eight billion packs a year, was the largest taxpayer in China.

Hongta began using its earnings to fund infrastructure projects in Yunnan and elsewhere. The company built hotels in Kunming and Shanghai. It built a six-lane expressway from Kunming south to Yuxi, where its headquarters are located. The company also invested in some of the province's largest hydropower stations.

**\*Please visit the link listed below to read the rest of the story**

<http://online.wsj.com/services/article/SB116778198681465366-search.html?KEYWORDS=Cigarette&COLLECTION=wsjie/6month>

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**3. Tequila Creates Strange Alliances**

By Alex Davis – *The Courier-Journal*

December 20, 2006

**Brown-Forman, Patron are rivals in U.S., partners in Asia**

Brown-Forman Corp. will soon add the Patron line of tequilas to its distribution network in Taiwan, even as it gears up to compete with Patron in the United States.

The agreement in Taiwan, announced yesterday, isn't unusual in the spirits industry.

Phil Lynch, a spokesman for Louisville-based Brown-Forman, pointed to its similar relationship with Bacardi in parts of Europe. Brown-Forman already sells Jack Daniel's whiskey and Woodford Reserve bourbon in Taiwan, so he said the deal with the Patron Spirits Co. made sense.

"It's a strategic decision, but it's handled on a market-by-market basis," Lynch said.

So while Brown-Forman and Patron are forging a partnership in Asia, they will be competing for customers in North America.

Brown-Forman announced plans this year to buy Casa Herradura, a Mexican company with a line of ultrapremium tequila brands.

The estimated $876 million deal, expected to close in the next couple of weeks, will give Brown-Forman a new way to tap into the high-end U.S. tequila market.

Patron accounts for about 70 percent of the world's ultrapremium tequila sales, and it already is a category leader in the United States.

Herradura is best known in Mexico, but Brown-Forman hopes to expand the brand's U.S. following. Herradura and Patron are both made in the Jalisco state in Mexico.

Lynch said it's possible that Herradura could be added in Taiwan alongside Patron, because the two products will have different price points in that market. A 750-milliliter bottle of Patron, for example, will sell for about $60 in Taiwan, while Herradura would retail for $35 to $40.

Patron is a privately held company based in Las Vegas. John McDonnell, the firm's chief operating officer, predicted that Brown-Forman's marketing experience and track record of brand building in the United States will ultimately help domestic tequila sales, even if Herradura and Patron are in competition.

McDonnell said the deal in Taiwan will put Patron on the shelves of high-end hotels and restaurants, where Brown-Forman already has established contacts.

"Brown-Forman has an ultrapremium mind-set," McDonnell said, "and we both have the same vision for where the brand should be placed."

<http://www.courier-journal.com/apps/pbcs.dll/article?AID=/20061220/BUSINESS/612200498>

grapes

# 4. Toyota Developing Alcohol Detection System

*MyFox by The Associated Press*

January 2, 2007

TOKYO -- Toyota Motor Corp. is developing a fail-safe system for cars that detects drunken drivers and automatically shuts the vehicle down if sensors pick up signs of excessive alcohol consumption, a news report said Wednesday.

Cars fitted with the detection system will not start if sweat sensors in the driving wheel detect high levels of alcohol in the driver's bloodstream, according to a report carried by the mass-circulation daily, Asahi Shimbun.

The system could also kick in if the sensors detect abnormal steering, or if a special camera shows that the driver's pupils are not in focus. The car is then slowed to a halt, the report said.

The world's No. 2 automaker hopes to fit cars with the system by the end of 2009, according to the report. Calls to Toyota's headquarters in Nagoya rang unanswered on Wednesday, a public holiday.

Nissan Motor Co., another Japanese car manufacturer, has already been experimenting with breathalyzer-like devices that could detect if a driver is drunk. Similar technologies, such as alcohol ignition interlocks, are in use in the U.S. and elsewhere.

Concerns over drunken driving have surged in Japan following a series of alcohol-related accidents last year. In August, a drunken driver collided with another vehicle carrying a family of five, plunging them off a bridge and killing three children.

The incident prompted stepped-up roadside spot checks by police, who also plan to stiffen penalties for drunken driving.

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**5. Vin & Sprit (Excerpt)**

*The Wall Street Journal*

January 3, 2006

From the land of snow and reindeer comes a gift for the world's big distillers. Vin & Sprit, the maker of Absolut vodka, last month was put on the official list of Swedish state-owned companies set to be privatized. A sale in 2007 could prove one of the year's hottest consumer-sector auctions.

Vodka is a fast-developing category, especially in the U.S., where key brands like Smirnoff, SKYY and Absolut are growing at a 7% to 11% clip. What's more, V&S has a certain scarcity value. The spirits sector's other obvious targets, family-owned Bacardi and Rémy Cointreau, seem determined to go it alone for now.

It isn't hard to get a sense of V&S's value. It should make around $336 million in earnings before interest, taxes, depreciation and amortization, or Ebitda, this year. On the multiple of 23 times that LVMH paid for Glenmorangie, its value would be ?5.8 billion ($7.7 billion). Take off ?1.3 billion for net debt and V&S's stakes in distribution joint ventures, and the equity is worth ?4.5 billion.

So who could buy it? Diageo, the big cat of the drinks sector, already owns Smirnoff, which gives it 20% of the U.S. vodka market. Another big brand could bring antitrust problems. Brown-Forman is still highly indebted from buying Herradura tequila. And Pernod Ricard is busy fighting for the rights to rival vodka brand Stolichnaya.

That leaves Bacardi and Fortune Brands as the most likely buyers. Bacardi could position Absolut as a lower-priced foil to Grey Goose. And Fortune already shares V&S's two key distribution ventures. Either combination might generate cost savings worth around 3% of the companies' combined sales, judging by previous deals -- or ?100 million a year.

Of course, there's an outside chance V&S's voluptuous cash flows could even catch the eye of a private-equity bidder. True, they would find no industrial synergies. But they might hope to sell Absolut at an even higher price later.

Look at Hicks Muse, which bought champagne brand Perrier Jouet in 1999. It flipped it just 18 months later to Allied Domecq -- and quadrupled its money in the process.

grapes

**6. Pernod-Ricard USA, Inc. Reaches Settlement With TTB**

Source*: TTB*

December 21, 2006

Washington, D.C. - The Alcohol and Tobacco Tax and Trade Bureau (TTB) announced its acceptance of a $220,000 Offer-in-Compromise to resolve alleged violations of the Federal Alcohol Administration Act and the Internal Revenue Code. The Offer-in-Compromise stemmed from TTB's position that Pernod-Ricard USA, Inc., and its tenant brewery did not operate bona fide alternating brewery operations in that they represented the tenant brewery as being the brewer of malt beverages when in fact Pernod-Ricard USA was the actual producer of the malt beverage products in question.

TTB alleges that as a result of this failure to operate bona fide alternating brewery operations, Pernod-Ricard USA improperly removed malt beverages without paying the required taxes, improperly labeled the beverages, and failed to keep the proper records of production.

Pernod-Ricard, USA, Inc., has taken steps to ensure that future activities will comply with the Federal Alcohol Administration Act and the Internal Revenue Code.

grapes

**7. Territory Strikes Deal on Rum Sales**

*The Associated Press*

December 21, 2006

CHARLOTTE AMALIE, U.S. Virgin Islands - The maker of Cruzan and Conch Republic brand rums will boost advertising in the U.S. mainland under an agreement requiring the U.S. Virgin Islands' government to share tax revenue from any increase in sales.

St. Croix-based Virgin Islands Rum Industries Ltd. must invest more than US$61 million (euro46.5 million) in marketing as part of the five-year deal approved Monday by Gov. Charles Turnbull.

The Caribbean territory's government collects US$13.25 (euro10.07) from a federal excise tax levied on each proof gallon of Virgin Islands rum. A proof gallon is equivalent to a gallon containing 50 percent alcohol.

Under the agreement, the rum manufacturer will receive 35 percent of that revenue on sales exceeding US$77 million (euro58.5 million). The company currently has roughly US$75 million (euro57 million) in annual sales on the mainland.

The government, which collects more than US$70 million (euro53 million) from the excise tax each year, uses the money to support bonds and finance infrastructure improvements.

grapes

**8. Number of US Wineries Tops 5,600**

*Daily News Links*

January 2, 2007

As of November 2006, the number of wineries in the United States has increased to 5,645, according to the latest Wine Business Monthly proprietary database research. This figure includes 4,383 bonded grape wineries and 1,587 "virtual," or non-bonded, wineries. The data excludes mead or non-grape wineries.

The number of wineries in the U.S. has grown 26 percent since WBM's first study in 2004. At that time, WBM found there were 4,740 wineries in the U.S. In 2005, that number jumped 13 percent to 5,364, and jumped 11 percent again in 2006 to the current 5,645 figure.

WBM analyzes federal basic permit holder data from the Alcohol and Tobacco Tax & Trade Bureau (TTB), while also researching non-bonded wineries through proprietary methods.

The WBM count includes 1,587 virtual wineries, 171 fewer than in 2005. Virtual wineries are wineries that do not hold their own bond. A virtual winery has a physical location (which may be at another winery), produces at least one brand, and has its own management and winemaker, although the winemaker can be a consultant or work for multiple wineries.

It is not uncommon for a bonded winery to have begun operations as a virtual winery, and then eventually grew large enough to invest in their own bonded facilities. This is one reason why Wine Business Monthly tracks virtual wineries. In 2006, 153 virtual wineries received a bond and are now counted among the bonded wineries. Of these, 78 are located in California, 14 are in Oregon, 10 are in Washington, eight in Virginia and the rest are located throughout the U.S.

WBM includes virtual wineries in the final count for several other reasons. In many cases, a virtual winery acts in much the same way a bonded winery would act, differing only in that the virtual winery has to use an outside bonded facility to physically make and bottle the wine. By definition, all virtual wineries have complete control over decisions regarding the wine, from vine to bottle.

WBM finds the virtual wineries through detailed research methods: cross-referencing the WBM database with press mentions, competition awards and winery association memberships, as well as investigating virtual wineries through other proprietary methods.

The WBM data collection methods and research eliminates bonded non-grape wineries, such as meaderies, sake houses or other fruit wineries from the total wineries database. They are not considered in the final analysis. Bonded winery information is sourced from the TTB.

See the full text of "Number of U.S. Wineries" in the February 2007 Wine Business Monthly.

grapes

**9. Investors Shun Constellation**

By Joshua Lipton - *Forbes*

January 4, 2007

Executives at Constellation Brands (nyse: STZ - news - people ) may need to pour themselves a stiff drink after the world's biggest winemaker reported earnings on Thursday that missed Wall Street's expectations and lowered its earnings outlook for 2007.

For the three months ended Nov. 30, Constellation Brands reported net income of $107.8 million, or 45 cents per share. Excluding acquisition-related integration costs and other charges, the company said its earnings were 58 cents per share. Analysts were looking for net income of 60 cents per share.

In the year-ago period, the company reported earning of $106.5 million, or 46 cents per share.

Looking ahead, Constellation also trimmed its guidance. The company now expects earnings per share of $1.65 to $1.70, down from its previous estimate of $1.72 to $1.76. Wall Street was looking for an annual profit of $1.75 per share.

Shares of the company nose-dived 11.4%, or $3.25, to $25.15 in Thursday trading.

While net sales of branded wine in North America climbed close to 30%, the company said, net sales in Europe of branded wine dropped 3% on a constant currency basis.

"We continue to be very optimistic about our portfolio's long-term growth potential, although our third quarter results reflect ongoing softness in our U.K. branded wine business as very challenging market conditions persist," said chief executive Richard Sands in a statement.

The decrease in the U.K., the company said, reflected lower volumes and the impact of large retailers benefiting from a highly competitive environment, particularly given the availability of low cost bulk Australian wine.

Stifel Nicolaus analyst Mark Swartzberg told his clients to hold onto the stock for now, although he did report in a client note that the pressure sources are proving greater than expected.

Growth in the company's North America businesses, representing 63% of revenues and slightly more of profits, continues to be healthy, Swartzberg wrote. "However, most of the remaining regions, especially the U.K. (approximately 30% of revenues), are seeing greater revenue and margin pressure than expected," the analyst noted.

Swartzberg advised clients to adopt a "wait-and-see approach." Although he did note that fiscal 2007 is turning out to be the first year in at least five years that the company has lowered its earnings outlook for the year. He lowered his fiscal 2008 earnings estimate by a dime to $1.84 per share.

grapes

**10. Warm Weather Endangers Ice Wine Grape Harvest Across Northeastern U.S. and Canada**

By Michael Cowden, Associated Press Writer – *Star Tribune*

December 30, 2006

PITTSBURGH -- Ice wine makers across the Northeast and Canada are in dire straits because of this winter's mild weather, and some fear there will be no product at all if January doesn't bring icy temperatures.

The sweet, dessert-style drink cannot be called "ice wine" unless the grapes used to make it are harvested and pressed while frozen, according to federal regulations. Stricter Canadian standards that many growers follow call for temperatures below 17 degrees Fahrenheit.

"We can't pick 'em and then freeze 'em," said Bob Mazza, owner and president of Mazza Vineyards in North East, Pa. "If we don't produce anything this year, we won't have anything to sell (next year)."

Tony Debevc, owner of Debonne Vineyards, in Madison, Ohio, predicts a smaller harvest even if the weather turns cold.

"No one that I know of in the whole eastern United States and Canada has harvested any ice wine," he said.

The origins of ice wine can be traced back to the late 1700s in Franconia, Germany, where "eiswein" was discovered after an early freeze. One frozen grape yields but a few drops, but they are rich, sugary and, according to ice wine loyalists, unmatched for winemaking.

Freezing temperatures concentrate the natural sweetness and acidity of the grapes, as does the added time the grapes spend on the vine. Grapes for most other wines in the northeastern U.S. and Canada are harvested in September and October.

On the Brix scale, used to measure wine's sweetness, ice wines regularly register about double to triple the average for a typical bottle of wine, Mazza said. Ice wine lovers sometimes pay more than $80 for a half-bottle of what is sometimes called "honey in a bottle" or "nectar of the gods."

It takes four times as many grapes to produce a bottle of ice wine, growers said. Two tons of grapes may produce just more than 100 gallons of wine.

Ice wine grapes are usually harvested in December, often in the middle of the night -- before the warmth of the sun damages the delicate fruit.

"They're sort of like vampires," said Harry Weaver, 60, part of a group of friends that helps to harvest grapes every year at Galen Glen Vineyard and Winery in Andreas.

Often working in the snow and wind, members of the "fellowship of the ice wine" wear miners' flashlights as they snap bunches of grapes from vines whose delicate, frozen tendrils make shears unnecessary, he said.

Growers can sometimes wait until mid-January or early February for a cold snap, but current forecasts don't look promising, said Sarah Troxell, winemaker at Galen Glen.

"Only the bravest, the most pure of heart, will come out to pick with us," she said, half-jokingly. "It's a magical experience, and I dread the thought of not having to do it this year."

Growing ice wine grapes is a risky business, even when the weather is right, said Brad Knapp, owner of Pinnacle Ridge Winery in Kutztown. Because the grapes stay on the vine longer than other grapes, they are more apt to fall off or be eaten by foraging birds, deer and even bears, he said.

Despite hungry wildlife and warm weather, all isn't lost -- at least not yet, said Mazza, whose winery has been producing ice wine since 1984.

If the weather does suddenly turn cold, this year's crop could be even sweeter and more complex than those of past years, he said. But as the grapes age and sweeten, they also risk becoming too dry, effectively turning into raisins.

"There comes a point of no return ... and we're rapidly approaching it," Mazza said.

<http://www.jacksonholestartrib.com/articles/2006/12/30/news/national/d9bfe2ff78b8daa2872572530080d406.txt>

grapes

**11. Adults Penalized for Teen Drinking**

By John Ritter – *USA Today*

January 5, 2006

More cities and counties across the USA are cracking down on underage drinkers with laws that give police authority to bust home parties and fine adults who permit them, including parents.

These "social host" ordinances, some carrying fines of $2,500 or more, have been enacted in hundreds of locales, according to the Underage Drinking Enforcement Training Center in Calverton, Md. Many were passed after a 2003 federal study warned of the health risks of teenage binge drinking and urged tougher enforcement.

In recent months, cities in Oklahoma, California, New Jersey, Wisconsin and elsewhere have passed such laws.

Every state prohibits furnishing alcohol to minors; 32 have specific social host laws, according to Mothers Against Drunk Driving (MADD). But typically they're criminal laws and often not enforced aggressively, says Dan Hicks of Ventura County Limits, an initiative to curb underage binge drinking.

"A criminal offense makes it an ordinance that sits on the shelf," Hicks says. "It clogs the courts, requires more burden of proof, takes more time and energy and costs taxpayers a lot more money."  
  
An appeals court threw out San Diego County's law in 2004 because the county couldn't prove that a host knew underage drinkers would be present. The county revised its ordinance last year to include civil penalties.

Civil ordinances can be handled administratively. They permit police to respond to complaints, break up parties and fine adult "sponsors" if they see minors drinking alcohol or possessing it.

"We get reports almost daily about a new city looking at a law or about to pass one," says Stacy Saetta of the Center for the Study of Law and Enforcement Policy in Felton, Calif. "We've seen increases in the New York area, in California certainly. In Illinois, I see many communities involved in passing laws."

No group keeps track of the proliferation of these laws, but MADD says they've spread rapidly as communities see them used successfully. Alcohol is a factor in several of the leading causes of death among America's youth.

"Communities feel that state laws aren't fully equipped to deal with their local situations, so they want to go above and beyond," says MADD'S Nicholas Ellinger. In a Marin County, Calif., survey, 75% of underage youth said they did most of their drinking at house parties, says Gary Najarian of the county health department.

Fines under most ordinances rise when police have to break up parties at the same home more than once. In Ventura and Marin counties, for instance, adult hosts are required to pay law enforcement costs of busting repeat offenders, including officers' pay.

Parents don't get off the hook if they're out of town or are unaware of an underage drinking party. Parents often can be cited if they knew or "should have known" teens might drink illegally at home.

<http://www.wzzm13.com/news/local/grmetro_article.aspx?storyid=68031>

grapes

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

**12. Bar Theft is First Case Reported in 2007**

By Tom Alex, Staff Writer – *Des Moines Register*

January 2, 2007

Why do they call it fifth-degree theft? Keep reading.

The first police case in Des Moines of the new year was: Theft of liquor.

Police were called to Tequila Tom's, 208 Third St., about 12:15 a.m., Monday. Witnesses said Eric Christopher Pitzen, 21, of Stacyville, had taken a pair of bottles from behind the bar.

He was charged with fifth-degree theft for allegedly attempting the theft of two fifths of liquor valued at $28.

Pitzen's case is numbered 07-01; the first case of 2007. There are likely to be at least 50,000 additional police cases in Des Moines this year.

With six hours remaining in 2006, Des Moines police cases topped 53,000 for the year.

<http://www.dmregister.com/apps/pbcs.dll/article?AID=/20070102/NEWS/70102006/1001>

grapes

**13. New Year’s Reveler Doesn’t Remember Theft**

By Tom Alex, Staff Writer – *Des Moines Register*

January 2, 2007

Blame it on the booze.

Billy Smith, 48, was charged with third-degree burglary Monday after footprints in the snow led authorities to a champagne bottle and eventually to Smith.

Officials said Bret Roberts was out of town when someone broke into his residence in the 4200 block of 50th Street in Des Moines.

When police finally made contact with Smith, of 4116 50th St., he admitted drinking. Police wrote in a report that Smith, "said that while he was drinking he apparently 'blacked out' and took property belonging to Roberts. (He) stated he had the property but didn't remember taking it."

The stolen property included a bottle of champagne, a laptop computer and controls and cables for a video game.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20070102/NEWS/70102005/1001/NEWS>

grapes

**14. More Iowans Ordering a Shot of Rye**

B*y* Dar Danielson *– Radio Iowa*

January 1, 2007

An old-time drink is one of the hottest selling new products at the state liquor warehouse. Alcohol Beverages Division Administrator Lynn Walding Templeton Rye whiskey made in the tiny town of Templeton in Carroll County in western Iowa gained famed in the 1920's prohibition era. Walding says Templeton Rye reportedly was the favorite drink of notorious Chicago gangster Al Capone. But Templeton Rye was recently revived as a legal product and Walding says "their sales have been startling everyone." Walding says as soon as they get the Templeton Rye in the warehouse, it goes right out. Walding says the resurgence of the Iowa based booze is surprising. Walding says it's interesting because it is an Iowa product, and it's a rye whiskey, which used to be the favorite type of whiskey in America. Walding says the whiskey from the small Iowa town seems to have unlimited potential. Walding says the Iowa whiskey is getting interest from an out-of-state supplier too, and it could eventually go national. Walding says Templeton Rye has the potential to be a top 25 seller for the state out of the 12 to 14-hundred items in the state inventory, something he says is "pretty impressive" for a new product. Walding says people are drinking the whiskey and some people are giving it as a gift because it's and Iowa product.

grapes

**15. Alcohol-Related Arrests Dominate New Year’s Eve**

*KTIV – Channel 4*

January 2, 2007

New Year’s Eve was a busy night for the Sioux City Police Department…even with extra law enforcement on duty. Police say they made about two dozen arrests. Officials say about 90% were alcohol-related.

Officers say the weather and the holidays both play a big role on the number of arrests made. “Good weather is usually more than bad weather cause more people are out, and holidays, depending on the holiday, ramps it up too,” said Sgt. Bill Enockson, Sioux City Police Dept. “So, due to the holiday, and since the weather calmed down a little bit in time for them to feel comfortable going out, then we had quite a few going.”

But, police say there was a large number of vehicles still parked in down town Sioux City Monday morning. They say that’s a good sign more people are using designated drivers.

<http://www.ktiv.com/News/index.php?ID=8581>

grapes

**16. Robbers Threaten Clerks Over Bud and Bud Light**

By Tom Alex, Staff Writer – *Des Moines Register*

January 2, 2007

Thieves threatened to kill Kum & Go clerks over a couple cases of beer Monday, Des Moines police reported.

Two men attempted to leave the store at 3104 University Ave., without paying for two 12-packs of Budweiser and two 12-packs of Bud Light.

Confronted by two store clerks in the parking lot about 7 p.m., the men dropped the beer or had it knocked out of their hands, police said. One of the men pulled a knife, threatened to kill the clerks and then attempted to cut both clerks. One of the clerks, Myles Byrnes, 47, suffered a cut to his left hand, police said.

The robbers fled.

Officers later arrested Rodolfo Ramon Guadalupe Martinez, 28, and Randy Benjamin Gonzalez, 19, both of Des Moines, on charges of first-degree robbery.

<http://www.dmregister.com/apps/pbcs.dll/article?AID=/20070102/NEWS/70102008/1001>

grapes

**17. DM Men Charged With Stealing $1,000 in Beer**

By Tom Alex, Staff Writer – *Des Moines Register*

January 5, 2007

Two Des Moines men have been arrested in connection with a jumbo beer theft.

An employee of Plaza Lanes, 2701 Douglas Ave., reported the theft Wednesday of $1,000 worth of beer, police said.

A tipster gave police an address, which eventually lead officers to Tracy Allen Smith, 37, of Mesa, Ariz.; and DeMarco Eugene Daniels, 35, of 3700 Martin Luther King Jr. Parkway. Smith and Daniels were charged with third-degree burglary for taking beer from the Plaza Lanes coolers.

Smith also was charged with first-degree burglary after being identified as one of the men who allegedly invaded a home at 2829 Douglas Ave., on Dec. 15.

The victim of that crime, James Dinnen, told police he answered a knock on his apartment door early that morning. He was pushed to the floor and robbed of his wallet and $389 in cash.

Smith is being held in the Polk County Jail on $41,750 bond; Daniels is being held on $9,750 bond.

<http://www.dmregister.com/apps/pbcs.dll/article?AID=/20070105/NEWS/70105009/1001>

**grapes**

**18. Meskwakis to Consider Alcohol Sales at Casino**

By Jenna Johnson, Staff Writer – *Des Moines Register*  
January 5, 2007

### The possibility of selling alcoholic drinks at the Meskwakis' gambling site near Tama is a delicate topic.

The Meskwaki tribal council will begin discussing the possibility of selling alcohol at the tribe's casino near Tama during a closed-door meeting Tuesday night.

The topic is a delicate one, proponents and opponents agree, and the decision could ultimately come down to a vote by the council's six members.

One side of the debate focuses on business. Right now, the Meskwaki Bingo Casino Hotel is the only one of the state's 19 casinos - including two tribal casinos in western Iowa - that prohibits alcohol sales on site. That makes it difficult to attract customers and severely limits potential revenue, said casino general manager Dan Stromer.

"I don't think there is any question that from a revenue perspective, adding alcohol would attract more people," he said.

Most of that revenue would not come directly from alcohol sales. It would come from having a larger number of visitors dining in the restaurants and gambling, he said. Profits could trickle down to benefit all members of the tribe.

Stromer said the casino could put restrictions on alcohol sales and train bartenders to monitor the amounts patrons drink.

The other side of the debate focuses on the history of alcohol on reservations. Some tribal members worry that alcohol sales at the casino could worsen the alcoholism and poverty problems the tribe is trying to overcome.

Ray Young Bear, a member of the tribe, launched a petition against the proposal, saying it is a "last, desperate attempt" to pay off a recent casino expansion, and "booze shouldn't be the answer."  
  
"My hope is that a sense of reason will prevail," Young Bear said, adding that the casino should promote its alcohol-free environment to vacationers who would rather golf, hike, hunt, fish, bike and gamble than become intoxicated.

But tribal council member Leodean Peters is worried that he could be the only member voting against the proposal.

Although the issue could appear on a special election ballot this month, Peters said the council will most likely make the decision on its own. And he said he worries that the allure of money will outweigh social responsibility.

"It would hurt the tribe, and I wouldn't want it," Peters said. "This tribal council doesn't take care of all of its members. I believe (a majority of the council) wants the drinking at the casino."

Other tribal council members did not want to comment, could not be reached for comment or did not return messages

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20070105/NEWS08/701050351/1001/NEWS>

**grapes**

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

# 19. Newman Quits Liquor Board (Pennsylvania)

*Associated Press via Philadelphia Daily News*

January 4, 2007

HARRISBURG - Jonathan H. Newman resigned yesterday as chairman of the Pennsylvania Liquor Control Board, saying its authority had been undermined by the hiring of a chief executive officer to run the state's liquor-and-wine monopoly.

Newman used the agency's buying power to offer more and better wines at attractive prices and oversaw introduction of Sunday liquor sales and expansion of Wine & Spirits shops into supermarkets. He said his last day would be Jan. 12.

"This was a labor of love for me... because I thought I was making a difference in people's lives," he said in an interview after telling the other two board members of his decision at their meeting yesterday.

Gov. Rendell issued a statement praising Newman's performance as chairman and quickly appointed board member Patrick J. Stapleton III to replace him.

The board approved the creation of the $150,000-a-year position and the hiring of former state Sen. Joe Conti to fill it - changes that Rendell orchestrated behind the scenes - on Dec. 13, by a 2-1 vote, with Newman opposed.

Newman, chairman since August 2002, yesterday renewed his criticism of Rendell for failing to conduct a national search for a CEO.

Conti, Newman said, would handle most of the duties that he had previously performed and that he couldn't justify accepting his $65,572 salary for the limited regulatory and policy role that is left for the board. He also said he hoped the General Assembly would review the process used to hire Conti.

Stapleton, a lawyer from Indiana County, took issue with Newman's comments, saying the idea of hiring a chief executive had been under consideration for at least five years. He also defended the decision to hire Conti, who has management experience from running his family's restaurants in Bucks County and who served on legislative committees that deal with issues involving the liquor board.

Hiring a CEO to oversee the agency "is an absolute necessity," Stapleton said.

The state liquor stores do about $1.6 billion a year in sales. The board has about 4,500 employees and bills itself as one of the nation's largest purchasers of wine and liquor.

Both Newman and Stapleton were originally appointed to the board in the late '90s by then-Gov. Tom Ridge and reappointed by Rendell.

Newman, 44, a lawyer from Bryn Mawr, is the son of former state Supreme Court Justice Sandra Schultz Newman.

He said he hasn't decided what he will do next.

<http://www.philly.com/mld/dailynews/news/nation/16379717.htm>

grapes

**20. Ruling Expected on Wine Shipping** **(Kentucky)**

By Alex Davis - *The Courier-Journal*

December 22, 2006

**Restrictions set to take effect Jan. 1 challenged**

Kentucky wine enthusiasts may learn next week if they'll be able to ring in the New Year with a case of their favorite merlot purchased over the Internet.

A state law regulating wine shipments is set to take effect Jan. 1, but a lawsuit in U.S. District Court in Louisville claims the legislation would put small out-of-state producers at a competitive disadvantage because it would only allow them to sell to customers visiting their wineries in person.

U.S. District Judge Charles R. Simpson III ruled in August that portions of Kentucky's existing law were unconstitutional. The state appealed, and the focus of the case has since shifted to the state's new law, enacted last spring.

The initial plaintiff, Huber Orchard and Winery of Starlight, Ind., has dropped out of the lawsuit and has been replaced by an Oregon winery, Cherry Hill Vineyards LLC. James Tanford, an attorney for Cherry Hill, said Simpson has indicated he will rule on the case by the end of the year.

If Kentucky's new law is declared unconstitutional, Tanford said wineries in Indiana and across the country could start taking Internet and telephone orders from Kentuckians almost immediately. Tanford, a law professor at Indiana University in Bloomington, has been involved in similar cases in about 18 states. Of the half-dozen cases that have been resolved so far, he said his side has won all but one.

Louisville resident Richard Lee, who was shopping yesterday at Liquor Barn on Fern Valley Road, said he would favor easing restrictions on wine shipments, although he wasn't sure how often he would buy wine over the phone or online.

Doris McGrew, of Leitchfield in Grayson County, said she also would support legalizing direct shipments of wine. McGrew and her husband, Ed Clark, frequently drive to Louisville to buy liquor because they live in a dry county.

"People will find a way to get it," McGrew said of alcohol, regardless of state regulations.

The Kentucky office of Alcoholic Beverage Control is the main defendant in the Cherry Hill lawsuit. In court filings, the agency has argued that direct wine shipments would open the door to illegal purchases by minors and those in counties that prohibit liquor sales.

Dan Meyer, executive director of Wine and Spirits Wholesalers of Kentucky Inc., predicted that direct shipments also could reduce the approximately $100 million in alcohol-related taxes that he said Kentucky collects annually.

The new law is fair, Meyer said, because it treats small wineries in Kentucky and in other states the same. If properly licensed, both would be able to ship wine to customers so long as the buyer visits the winery in person.

While the state's wholesalers strongly support the new law, vineyard owners are divided on the issue.

Jerry Kushner, co-owner of Broad Run Vineyards in southeastern Jefferson County, said he disagrees with Kentucky winery operators who fear that better-established California wineries would cut into their market share if direct shipping was allowed.

If the judge's ruling leads to easier shipping regulations, Kushner said he'd be able to meet the many requests from out-of-state tourists who visit Broad Run and ask to ship his wine back to their homes.

Tanford, the IU law professor, argued that Kentucky's tax revenues would not be hurt by interstate wine shipments. In states such as New Hampshire where interstate shipping is allowed, he said, alcohol taxes have increased because new revenue is being collected on shipments that previously were sent illegally.

The eight-member wholesaler group has joined the state in the wine-shipping case as a defendant, but Meyer said he didn't know how much in legal fees the group has paid so far. Kentucky taxpayers will have to pick up the tab for the defense, and if Cherry Hill wins, they'll pay for the plaintiffs' side too.

Steve Humphress, an attorney for the Alcoholic Beverage Control office, said the Lexington firm of Sturgill, Turner, Barker & Moloney is the state's primary legal counsel.

Phone messages left for officials with the firm were not returned yesterday.

Humphress said there have been numerous motions and procedural disagreements in the case.

"A lot of paper has been filed, and a lot of trees have died," he said.

Tanford said the two sides have "degenerated into juvenile bickering," resulting in large amounts of paperwork and delays. The case was filed in May 2005.

Tanford said he and fellow attorney Robert Epstein are funding their side of the case with fees collected from states where they have won similar cases.

grapes

# 21. In Utah, You Can't Find an Ad to Find a Drink (Utah)

*Ksl.com*

December 21, 2006

SALT LAKE CITY (AP) -- Where do you find liquor stores in the phone book?

In the Salt Lake City area, they're in small type, just below the Air National Guard recruiting office.

The state operates liquor stores in Utah, so locations are in the government listings, which is not the first place that comes to mind when people want to find alcohol for the holidays.

"It's stupid," said Larry Lunt, chairman of the state alcoholic-beverage commission.

The Department of Alcoholic Beverage Control has been receiving many calls from people asking where they can buy booze for Christmas and New Year's Eve.

Staff members have been asked to find new ways to make store addresses, phone numbers and hours easily available to the public. Utah law prohibits the department from advertising the sale of alcohol.

"The Yellow Pages, by definition, is advertising," Commissioner Nicholas Hales said Wednesday. "We're prohibited from advertising."

Some staff and other commissioners said the department's goal is to better inform the public, not promote alcohol.

"To be able to find a liquor store is a reasonable accommodation," Lunt said. "People don't look in the blue pages for liquor stores. They shouldn't have to call this office to find out where a liquor store is."

Commissioner Mary Ann Mantes suggested a line in the Yellow Pages referring people to the government section of the phone book if they want information on liquor stores. Commissioners will discuss the issue again in January.

grapes

**22. 7 Liquor Stores Hit With Big Fines (Excerpt) (New York)**

By Michael Beebe, Staff Reporter - *Buffalo News*

December 30, 2006

Seven of the area's largest liquor stores will pay fines totaling $150,000 and agree to refrain from longtime illegal buying schemes under a final agreement announced Friday by state Attorney General Eliot Spitzer.

The local retailers are among 31 liquor stores across the state that will pay more than $700,000 in penalties as Spitzer's crackdown on liquor and wine purchases comes to a close before he becomes governor on Monday.

That brings to $4.6 million the total amount of penalties levied in Spitzer's investigation, which began after a Buffalo News series outlined kickbacks and illegal pricing by suppliers and wholesalers, and a flagrant disregard of liquor laws by the State Liquor Authority.

Spitzer said he launched the investigation into practices by liquor retailers, wholesalers and suppliers because illegal pricing had prevented a free market that would lead to lower prices for consumers.

Liquor suppliers had earlier agreed to pay $2.3 million in penalties, and wholesalers agreed to pay $1.6 million under court orders obtained by Spitzer.

Besides Spitzer's investigation, Gov. George E. Pataki ordered an overhaul of the liquor agency, forcing its chairman to resign and appointing a new chairman, new executive director and authority commissioner.

"Some people had an extraordinary advantage in selling and buying wine and spirits in New York State," said Kenneth A. Schoetz, Spitzer's bureau chief in Buffalo. "And the whole mess that had developed over decades needed to be cleared up."

As with the wholesalers and suppliers earlier, the retailers did not admit wrongdoing, but agreed to pay the fines and signed court stipulations that future violations could carry a loss of their liquor licenses.

Dennis Rosen, an assistant attorney general in Buffalo who led the statewide investigation that began 14 months ago, said top State Liquor Authority officials had for so long looked the other way in enforcing the state's liquor laws that "people lost track of what the laws were."

"There was a general sense of lawlessness," Rosen said. "We wanted to take into account that people had not been operating in an environment where the SLA had enforced the laws."

That said, the fines levied against the retailers were the maximum $10,000 for each violation.

grapes

**23. New Law Allows Free Beer Samples at Bars (California)**

***17-KGET***

**January 1, 2007**

SACRAMENTO (AP) - New Year's Eve is usually the holiday associated with alcohol. But it's New Year's Day in California when you'll have a better chance of getting free beer.

A new state law goes into effect tomorrow allowing beer makers to give free samples at restaurants and bars. The practice was previously banned in the state.

Beer giant Anheuser-Busch backed the bill as a way of fighting back against the growing wine and liquor industries -- which can already offer free tastings in California.

Beer tastings can't exceed eight ounces per person per day under the new law. The beer must be served in a glass -- not in a bottle or can.

Some religious groups worry the new law could lead to out-of-control drinking.

<http://www.kget.com/news/state/story.aspx?content_id=dca04d0c-47ab-4254-8ca5-295d772598c2>

grapes

**24. New Law Beefs up Alcohol Penalty (Hawaii)**

By Edwin Tanji, City Editor – *The Maui News*

December 30, 2006

WAILUKU - Juveniles and other underage drinkers will face new penalties if they are caught even with just the smell of alcohol on their breath under a "use-and-lose" law that goes into effect Monday.

"We like the law," said Sgt. David Silva with the Maui police Juvenile Section. "I think it makes our job easier because of the fact that, even though they don't have the alcohol in their hands, just the smell, the odor makes them responsible and we do have enough where we can bring them in."

The use-and-lose law, one of several new laws involving public safety taking effect Monday, focuses on preventing drinking by inexperienced drivers by suspending a driver's license for any underage drinker - or blocking a juvenile from getting a license if caught in any alcohol violation.

Silva noted that Lt. Gov. James "Duke" Aiona, a former Family Court and Drug Court judge, was a strong advocate for the law approved by the 2006 Legislature.

"The lieutenant governor knew what the juveniles are getting into and wanted to be proactive in dealing with the problem," he said.

The law applies to anyone younger than 21, who is found to be in illegal possession of or who consumes any alcohol, including any underage person who attempts to purchase liquor. Individuals convicted of a violation will have their driver's license suspended a minimum of six months or, if they don't have a license, will not be allowed to acquire a license for six months.

A juvenile 16 or younger will not be allowed to apply for a driver's license until age 17 and after a minimum six-month wait.

All offenders also will be required to perform 75 hours of community service and attend eight to 12 hours of classes or counseling on alcohol abuse.

"The use-and-lose law makes it very clear to teens that if they drink, they will lose their driver's license and the freedom that comes with it," said Aiona, who signed the bill into law in June.

It will align with other laws that apply stiffer penalties on underage drinkers who are caught driving. Anyone younger than 21 with any amount of alcohol in their system can be charged with driving under the influence of an intoxicant and face special penalties, including an immediate six-month license suspension. If a juvenile younger than 18 is arrested as a DUI, the juvenile's parents also will be required to attend an alcohol abuse education and counseling program.

Police are more likely to apprehend underage drinkers during regular enforcement sweeps conducted in parks and other public areas where juveniles are known to congregate in groups.

Silva said the number of juveniles picked up for underage drinking has increased because of the enforcement efforts, but he said he hoped the new law will be a deterrent to juveniles drinking.

"I think it is a good law," he said.

<http://www.mauinews.com/story.aspx?id=26355>

grapes

**25. Nightclubs Get Reprieve From Liquor Authority (New York)**

December 31, 2006

NEW YORK (AP) - Three Manhattan nightclubs have been given a New Year's Eve reprieve after a judge blasted state liquor officials for refusing to let them keep taps flowing late to ring in 2007.

State Supreme Court Justice John Stackhouse ruled Friday that the State Liquor Authority "abused its power" by rejecting extended-hours requests from the Guest House, Pascha and Webster Hall.

New York's New Year's Eve celebration has long been an all-night affair for many revelers, and clubs have accommodated them by getting permission to keep serving alcohol after the usual 4 a.m. last-call time. The liquor authority rarely refused requests from Manhattan clubs before.

But the agency said last week that it was taking a tougher look at the applications this year. It turned down at least 29 applications from New York City establishments, or about 1 in 10 of those that applied.

Chairman Daniel Boyle said the agency was rejecting requests from establishments with histories of liquor code violations.

But club representatives said the liquor authority was making it unfair for nightspots that had long since planned an all-night bash.

grapes

**26. High-Priced Gamble: Soaring Cost of Liquor License Ups the Ante (Montana)**

By Ed Kemmick *- The Gazette*

December 31, 2006

**Demand in Montana's cities has pushed prices for alcohol permit to nearly $1 million**

Sometime soon after World War II, John Blair's father, Bob, paid $16,000 for a state liquor license so he could open a bar, the Reno Club.

That was a lot of money - about $170,000 in today's inflation-adjusted dollars.

"You still had to have a lot of intestinal fortitude to go into the business then, just as you do now," John Blair said.

Actually, it takes a bit more fortitude these days, because the market value of a liquor license has been subject to more than merely inflationary pressure. Thanks to a quota system imposed by the state of Montana, and because you must have an alcohol license to offer gambling, the scarcity of licenses in the state's big, booming cities has driven the price to nearly $1 million. Bozeman developer Doug Braham found that out this fall when he joined with Burke Moran, a Louisiana restaurateur who had already opened a Montana's Rib & Chop House in Livingston and two in Wyoming and wanted to establish another one in Billings. The new restaurant is being built as part of the Bighorn Resort off the Shiloh Road interchange.

Braham found an existing license holder in Billings who is willing to sell and he has a contract to buy it for almost $900,000, which might be the most money ever paid for such a license in Montana. Braham said Moran only wanted to have a full-service restaurant with beer, wine and mixed drinks, and he wasn't interested in gambling. Neither was Braham, but he says they have no choice but to put in at least a few poker and keno machines.

"We will be de-emphasizing those machines, but with almost $900,000 for a liquor license, any source of associated revenue cannot be ignored," Braham said.

Prices for the licenses vary greatly across the state. Braham said a full-beverage license in Livingston would cost only about $100,000 right

now, which is what his partner, Moran, paid for his license when he opened his first Montana's Rib & Chop House in Livingston five years ago.

Because it was so much cheaper to open a full-service restaurant in Livingston, Braham said, Moran didn't need to have gambling at his business there. He still doesn't have it, even though his license allows him to. Braham doesn't know how many machines they'll need in Billings.

"We'll see how big a role gaming will have to play to make the restaurant work," he said.

Don Charleson, a Billings real estate agent who has brokered many liquor license sales, said he has pending contracts for two clients who have agreed to pay $850,000 each for their licenses. Charleson doesn't see how that kind of market can be sustained, and he doesn't see many Montanans being able to afford such prices.

"You can imagine how many people there are with that kind of money - darn few," he said.

Charleson said the steep rise in prices occurred very quickly. He remembers full-beverage liquor licenses going for $350,000 just a couple of years ago. A short time later, two other licenses went for more than $550,000 each.

"There had been nothing at near that number - and then bam! They just took off," Charleson said.

Wine and beer licenses with gambling attached have also become more valuable of late and are now selling for $400,000 to $450,000 in Billings, Charleson said.

Several factors made the market go wild. One was that a state judge last year struck down Montana laws prohibiting out-of-state residents from owning state alcohol licenses. Charleson said he has seen few out-of-staters snapping up licenses since then, mostly because of the state's 20-machine limit, but Steve Arntzen, a co-owner and chief operating officer of Century Gaming in Billings, said just the knowledge that the market is open to all increases the prospect of price inflation, making the licenses a more attractive investment.

Also, Arntzen said, there are always people who are convinced they can run a bar or casino better than someone else, giving them the chance to make money while waiting for the value of the license to appreciate.

Mark Staples, a Helena attorney and lobbyist for the Montana Tavern Association, said the price of liquor licenses has more to do with the "speculation wave" washing over Montana than with gambling. State statistics have shown a slow, steady increase in gambling over the years, he said, while the value of licenses has increased dramatically and rapidly.

He said it's similar to the escalation of real estate prices in Montana, and it's being driven by the same forces: out-of-staters who want a piece of Montana. Staples said condominiums at Big Sky that were selling for $60,000 a decade ago are selling for $600,000 now. The same kind of speculative inflation is hitting the market for liquor licenses, he said.

And as with any kind of speculation, Staples said, there's no guarantee that prices will continue to increase. "That speculation can turn around and bite them," he said of liquor-license holders, just as it did to investors during the dot-com meltdown.

Staples said the investment can also look attractive because you can sit on a license for a few years while running a bar or restaurant, which many people assume will be a snap. People know better than to assume they could just slip into a career in engineering or manufacturing with no training, he said, but lots of folks think they could run a great bar or restaurant.

grapes

# 27. Easing a Pinch, City Set to Issue 55 Liquor Licenses (Massachusetts)

*Boston Globe*

December 28, 2006

Boston officials plan to issue the first of 55 new liquor licenses to restaurants next week, ending a logjam that has driven the cost of existing licenses to record levels, stalled some restaurant ventures, and hurt sales at others.

The Legislature granted the city the authority to issue more liquor licenses, raising the cap to 1,025 and breaking an 18-month-long stalemate with Beacon Hill.

The new licenses are unusual in that they are not transferable, and most of them are restricted to four specific areas in the city. Boston licensing officials, however, say they have the flexibility to issue licenses across most of the city.

Mayor Thomas M. Menino said the battle to raise the cap on the number of liquor licenses will pay huge economic dividends. "It's great for the small mom-and-pop restaurants in the neighborhoods," Menino said. "It's really part of the economic growth of our city."

Daniel Pokaski, chairman of the Boston Licensing Board, said he expects to begin issuing new licenses next week, specifically mentioning Salvatore's and Potbellies Kitchen in South Boston and Seiyo in the South End. Some of the restaurants have been waiting close to a year for a license.

Peter Irving, the owner of Potbellies, a 20-seat restaurant serving American comfort food, said he had applied twice for a wine and beer license. He said it was "scary" opening without one on Nov. 18, but now he hopes to get a license next week.

"It's going to double my business right off the bat," he said.

Joe Hanley, an attorney who represents the 40-seat Himalayan Bistro in West Roxbury, said the restaurant has applied three times for a license over the past year and will re-file again now. He said the bistro couldn't afford to purchase an existing license.

"It's critical to the operation," Hanley said. "Patrons stay longer, they return more frequently, and you're going to have more revenue as a result."

The law, signed by Governor Mitt Romney last week, authorizes 55 new licenses -- 25 all-alcohol licenses and 30 wine and beer licenses. The city currently has 970 licenses -- 650 all-alcohol and 320 beer and wine licenses.

The new licenses, unlike the existing ones, cannot be sold to another owner or transferred to another establishment. They must be returned to the city if they are revoked or no longer in use.

Of the 55 licenses, 40, including all of the beer and wine licenses, are restricted to areas designated by the Boston Redevelopment Authority as "main streets districts, urban renewal areas, empowerment zones, or municipal harbor plan areas."

Pokaski said the only areas of the city off-limits for new licenses are the North End and Back Bay, although he said the board will probably arrange license swaps to satisfy the needs of restaurants in some of those areas. He said Panificio in the Back Bay, for example, is likely to receive a beer and wine license as part of a swap with a restaurant trading up to an all-alcohol license.

Pokaski said the city could also assign a license to a restaurant outside the areas designated in the legislation by having the BRA enlarge one of the covered zones.

Beacon Hill has regulated the number of liquor licenses Boston can hand out since 1906, a vestige of a time when Yankee lawmakers held strong puritanical beliefs and distrusted Boston's Irish elected officials. In most other cities in the state, the number of licenses is tied to population growth, triggering automatic increases.

Boston restaurants have been clamoring for liquor licenses since the spring of 2005, when the city reached its previous 970-license limit. The shortage has driven the cost of purchasing a license from another restaurateur to record levels, with an all-alcohol license going for $200,000 to $300,000, and beer and wine licenses selling for as much as $70,000. The new licenses will cost $200 for the application, plus an annual fee of $1,500 to $2,000.

Charlie Perkins, owner of the Boston Restaurant Group Inc., a commercial real estate broker specializing in the sale of restaurants, said he didn't think the higher cap would dampen demand for licenses.

"Boston is a super-hot market," he said.

Pokaski said the 55 new licenses should be enough for the next one to two years, but Perkins and other industry officials said they expected the new licenses to be gobbled up quickly.

Boston's new liquor licenses didn't come easy. The city revised its legislative proposal numerous times, starting out with 60 transferable beer and wine licenses in any part of the city. But Senator Michael W. Morrissey of Quincy wanted any new license to be nontransferable and tied to specific locations to protect the value of existing licenses. In addition, he wanted to include some licenses to sell hard liquor to accommodate the expected development along the South Boston waterfront. The senator could not be reached for comment yesterday.

"There was an incredible amount of give and take on both the city side and state side," said Patricia Malone, Boston's commissioner of consumer affairs and licensing.

Legal Sea Foods purchased a liquor license from Jimmy's Harborside restaurant several months ago for about $200,000 for a new bar and grill, according to Rick Heller , senior vice president and general counsel for the chain.

Heller said he's not worried about Legal's purchase because the new licenses are not transferable and therefore worth considerably less. "We don't lose the value of that asset," he said.

<http://www.boston.com/business/globe/articles/2006/12/28/easing_a_pinch_city_set_to_issue_55_liquor_licenses/>

grapes

**28. Pressure Building Against State Liquor License Cap (South Dakota)**

*Aberdeen News*

December 28, 2006

Some groups hoping legislature removes population limit.

The state Legislature might be asked to consider changing the way on-sale liquor licenses are distributed to cities and counties in South Dakota.

The number of licenses a city or county may have is tied to population.

Dave Owen, president of the South Dakota Chamber of Commerce and Industry, said some consider the issuance of liquor licenses a quality-of-life issue.

"More and more cities are finding the kind of restaurant chains they want to attract won't come in unless they can offer a full-beverage menu," Owen said.

grapes

# 29. Minnesota Ethanol Plant Taps Thirst for Vodka (Minnesota)

*Washington Post*

December 27, 2006

As distilleries for premium vodka go, the behemoth in Benson is surely one of the most unlikely.

Sprouting towers and tanks, the cavernous compound rises from the plains of western Minnesota. Industrial trucks come and go as heat from giant boilers puffs into the winter sky. The largest letters on the sign say not Grey Goose or Stolichnaya, but Chippewa Valley Ethanol Company.

The machinery here hums around the clock to churn out 45 million gallons of ethanol a year, part of the heartland's replacement-fuel boom. But the Chippewa Valley folks do ethanol with a twist, or perhaps an olive: On the side, they produce premium vodka.

The name is Shakers, and it comes from Minnesota wheat and rye, grown nearby. Packaged in an art deco bottle and marketed as an American original, the brand routinely collects accolades from aficionados. A company executive reports sales in the past 12 months of 15,000 cases at $33 a bottle.

To the local farmers and the Benson collective that stands behind Shakers, the sales contribute profits and pride, not to mention an occasional buzz of an earthier sort.

"Oh, yes, we drink a lot of it," affirmed Chuck Willis, 67, as he finished breakfast at the Whistle Stop Diner. "Sitting up on the lake, having a glass with ice cubes is all." Until Shakers came along in 2003, Willis was a whiskey man.

The story of vodka in Minnesota starts with another form of alcohol, the potent fuel-grade stuff that Chippewa Valley Ethanol began making 10 years ago, an early entrant in the alternative-fuel push. The cooperative raised capital from local farmers and small investors and soon began converting local corn to liquid energy.

It was not hard to see there is a certain similarity between ethanol and potable spirits. Bill Lee, recruited from Williamsburg, Va., to manage the plant, recalls dreamily placing on his office wall an advertisement for Grey Goose, the popular French vodka.

But that's all it was, a notion, until Lee received a call in 2002 from one of the brewmasters and marketers behind Pete's Wicked Ale. They had made money, and some good beer, in the early stages of the American microbrewery phenomenon. They had sold their stake in Pete's and were looking around for the next bibulous score.

"We all kind of went our separate ways for a few years and did different things, kept in touch, and started noodling how we could get the band back together," said Pat Couteaux, Minneapolis-based master distiller for Shakers. "We started looking at the vodka market.

"All the vodkas were imported. It was the same thing in the beer market in the late '80s and early '90s, when all the better beers were imported. We said: 'Well, hey, we can do that. We can do that better. We have the greatest grain in the world here.' "

Couteaux, who imbibed many a valuable lesson while earning a degree in fermentation science at the University of Munich, figured it would be a cinch. He and his friends reasoned that the right ethanol plant with the right new equipment would be just right for reasons of capacity and marketing.

"The process diverges at a certain point," he said, "but fermentation's fermentation."

In Benson, Lee at first pushed the Pete's men away, but they came back.

Then they had to figure out what made vodka, well, vodka. It was not a lesson they could learn nearby.

"One of my partners and I went to Poland. We wanted to find out what vodka was really about and what the vodka culture was really like," Couteaux explained. "It opened up a whole palette of colors to us. We came back with that in mind and started futzing around."

To make sure their Chippewa Valley partners got it right, Couteaux and friends decided they needed to make another pilgrimage. Two workers took the next trip to Poland, sampling potato vodka and studying equipment from Gdansk to the country's southern reaches.

"It's all about degree of purity," said Lee, who said that making smooth vodka meant distilling the liquid repeatedly to remove unwanted flavors and chemical compounds. "You have some of that in bourbon. You don't want that in vodka." The Benson brew is distilled six times, one more than Grey Goose.

The vodka, launched in 2003, was a phenomenon in Benson, population 3,400, and quickly caught on in Minnesota. Before long, critics and commentators were remarking that Shakers was something special. Infinite Spirits, created by the Pete's veterans, began counting revenue by the million.

"It's something to be proud of, to hang your hat on. It makes it so much easier to send Christmas gifts to relatives out of state," said Dennis Rustad, a shareholder, worker and proud sipper who monitors computers at the ethanol plant. "It's a lot better than being from the place where they have the biggest ball of twine."

The town claiming that would be Darwin, Minn., farther east on U.S. 12.

Benson, marooned in a region where it has proved hard to preserve jobs and morale, appears to be a pint-size success story. The ethanol plant employs 45 full-time workers, has delivered an average 25 percent annual return to its original investors, and plans to nearly double its capacity, said Lee.

Across the road, a $140 million power plant developed by Fibrominn is rising from the flat ground. The first of its kind in the United States, the facility is expected to generate 30 jobs and 55 megawatts a year from 700,000 tons of turkey droppings and other biomass. Similar plants are planned for North Carolina and Maryland's Eastern Shore.

Producing heat from turkey litter is one thing, but it ain't vodka.

"I've been doing this for 30 years," said Pat McGeary, manager of Benson's city-owned liquor store, "and this is the biggest thing that's ever happened to me."

Shakers bottles flew off the shelf -- the top shelf, of course.

The challenge now is to keep them flying in a field so competitive that scores of vodka labels have been launched since Shakers got its start, something Couteaux said the team did not foresee. The brand's five flavors are on sale in about 18 states, mostly in the Midwest.

A new label is planned, and the team is working on its strategy. The price in Benson has dropped to $24.99 a bottle, but Willis, as a shareholder, hopes marketers will maintain a provocatively high price.

"You don't want to get it down to $11 . . . or nobody will like it," Willis said. "You get that price on the East Coast or West Coast and nobody will buy it."

<http://www.washingtonpost.com/wp-dyn/content/article/2006/12/26/AR2006122600752.html>

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# grapes

# 30. Colorado's Last Dry Town Is Dry No More (Colorado)

*Associated Press*

December 27, 2006

They still can't stop in at a bar for a cold one after work, but in a few months residents of this small western Colorado town will be able to have a glass of wine when they dine out or pick up a six-pack at a liquor store.

Orchard City, believed to be the only dry town left in Colorado, voted overwhelmingly last month to allow licenses for restaurants and liquor stores, but not bars or taverns.

Kevin Bommer of the Colorado Municipal League said Wednesday he knew of no other dry towns left in the state.

It probably will take months to draw up regulations for licenses, Town Manager Ike Holland said.

So far, businesses have expressed little interest, he said.

"I've been surprised," Holland said. "I thought as soon as the vote passed that we'd get at least a couple of calls of interest, but we've had no calls."

Orchard City, with about 3,100 residents, is 170 miles west of Denver. Town Trustee Don Suppes, who initiated the ballot question to allow liquor sales, said the fast-growing town could support a restaurant that serves alcohol, and that many residents believe less regulation is better.

"Orchard City is a good place to live and people are going to want to move here. There are no viable options but to accept growth, to try and see the changes coming and make decisions that help growth in a manner that doesn't hurt you in the future," Suppes said.

Holland and two town trustees are working on the license regulations but first want to study how other towns do it.

A draft version could be ready for public comment by mid-February, and the entire process could take up to six months, Holland said.

Some residents worried that allowing liquor stores would lead to more underage drinking, Holland said, but he doubts it.

"It will be a real shock if over 2007 we develop these businesses and see a climbing crime rate," he said. "I don't see that happening."

He said town officials would deal "proportionally" with any problems that develop.

<http://cbs4denver.com/business/local_story_361140324.html>

grapes

# 31. Teen Liquor Law in Effect as of Monday (Hawaii)

*Honolulu Advertiser*

December 28, 2006

A new law to crack down on underage drinking will take effect Monday.

Act 203, dubbed the "use and lose" law, will suspend the driving privileges of any person under age 21 who illegally purchases, possesses or consumes alcohol. The violator's driver's license will be suspended for at least 180 days.

If the individual is not licensed to drive, a judge would have the discretion to postpone eligibility to obtain a license for 180 days or until age 17.

In addition, violators will be required to perform 75 hours of community service and undergo eight to 12 hours of alcohol education and counseling.

Thirty-six other states already have in place some form of a use-and-lose law.

"The use-and-lose law makes it very clear to teens that if they drink, they will lose their driver's license and the freedom that comes with it," Lt. Gov. James "Duke" Aiona Jr. said in a news release.

"The use-and-lose law serves as a reminder to children and adults that underage drinking is unsafe and unhealthy, and will not be condoned in our community."

<http://www.honoluluadvertiser.com/apps/pbcs.dll/article?AID=/20061228/NEWS03/612280340/1007/NEWS>

grapes

# 32. Teens ‘Stick It' to Underage Drinking (Kentucky)

By Ronica Shannon, News Writer – *Richmond Register*   
December 29, 2006

Sixteen-year-old Tiffany Littamore began her day Thursday with a trip to Monty’s Liquor, followed by stops at Liquor Mart II and Liquor World.

Littamore, a Madison Southern student, is just one out of the 53 Madison County teens to be trained for the Youth in Action initiative to combat underage drinking.

Groups of students visited area liquor stores Thursday to put approximately 500 bright yellow warning stickers on boxes of beer before the New Year’s holiday.

The stickers remind customers of the consequences of purchasing alcohol for those who are underage.

The Youth in Action program called “Sticker Shock,” which is in coordination with MADD (Mothers Against Drunk Driving), is warning customers that an unlawful transaction with a minor and/or providing alcohol to a minor is a Class A misdemeanor punishable by 90 days to one year in jail and a $500 fine.

Madison County Teen Court Coordinator Jennifer Webb, who also serves as a paralegal for District Judges William G. Clouse and Brandy Oliver Brown, learned about the Youth in Action program during a 2005 training conference.

“This is the first time this campaign has been done in this area,” Webb said. “Our kids were looking for another avenue to be leaders in the community outside of the classroom. They seemed very interested in the Youth in Action program, so I arranged for a state coordinator to do the training.”

The Youth in Action training teaches students the seriousness of underage drinking and how it affects the brain. They also are able to see nationwide and statewide results of studies and surveys documenting the negative impact of underage drinking.

Littamore said young adults need more education about the negative effects of alcohol and that she knows several students her age who use alcohol and can see how it effects them.

“They’re just throwing their lives away,” she said. “Their grades suffer and it can mess up their whole life.”

Leandra Campbell, 16, also a Madison Southern student, has been through Youth in Action training and helped Thursday to place the stickers on the beer boxes.

“I know a lot of people who drink and I would say that probably the majority of students at school have tried alcohol at least once,” she said.

The availability of alcohol to Kentucky teens was measured in a study completed by a local prevention group.

According to the 2003 Kentucky KIP (Kentucky Incentives for Prevention) survey, 83 percent of 12th graders and 70 percent of 10th graders said it was “Sort of Easy” or “Very Easy” to get alcohol.

“(Underage drinking) is quite a big issue and the reason for it is that there’s a lot of adults out there who, either out of lack of concern or care, don’t see it as a problem to give a beer or two to a minor,” said Berea Police Chief Dwayne Brumley, who helped students disperse the stickers Thursday. “But, it is against the law and can lead to a lot of problems down the road.”

Youth in Action students also were assisted by Capt. Ken Clark, public information officer for the Berea Police Department.

“I think this is a great community service project,” Clark said. “I think it’s fantastic that these kids are out doing this early in the morning when they could still be at home in bed. It shows that they care about the community and want to do something to get involved.”

As a liquor store owner, Monty Brock at Monty’s Liquor, also wanted to help the initiative by allowing students to disperse the stickers in his new store located at 113 Spirit Drive.

“Hopefully, this will make people more aware,” Brock said. “If someone comes in and tries to buy something for a minor, the stickers might make them stop and think about how they may get into trouble.”

<http://www.richmondregister.com/homepage/local_story_363102014.html?keyword=leadpicturestory>

grapes

**33. The Virginia Wine Industry Hopes This Year's Bill Won't Get Killed (Virginia)**

By Chris Flores - *Daily Press*

January 2, 2007

Virginia's wineries, vineyards and retailers hope the Virginia General Assembly will listen this year when the state's wine industry tells lawmakers it desperately needs help.

Virginia wineries were allowed to sell directly to stores and restaurants - a privilege not extended to out-of-state wineries, which are forced to sell through distributors - until a court ruling in 2005. The court said all wineries must be treated the same.

The state legislature decided in 2006 to force all wineries to sell their products through distributors. The move caused small Virginia wineries and vineyards to lose business, and their products are now harder to find or more expensive.

A coalition of supporters tried to open Virginia up in 2006 so wineries nationwide could sell direct, but distributors got the bill killed. The wineries' supporters hope a bill being submitted today by Del. Christopher Saxman, R-Staunton, will restore the right to sell direct in 2007.

"The wineries are in a bind, and they need a solution," said Terri Cofer Beirne, lobbyist for the Virginia Wineries Association.

Last year's Saxman bill would have allowed wineries that produce less than 100,000 cases to self-distribute. The median Virginia winery produces about 2,500 cases a year. The distributors argued that the 100,000 size would allow way too many wineries nationwide to self distribute.

When states started allowing the sale of alcohol after the repeal of Prohibition, complex rules were crafted to oversee a system that separates alcohol and wine producers, distributors and retailers.

The system set up a series of checks and balances to ensure orderly tax collection, discourage excessive market and political power by any one player, and regulate consumption. Virginia gave the special exemption to its wineries in 1980 to encourage growth in the industry.

Saxman's bill in 2007 will allow a winery to self-distribute up to 3,000 cases a year. If a winemaker wanted to deliver 4,000 cases, for example, the winery would need to pay a distributor to deliver the final 1,000 cases.

Most wineries that would self-distribute about 3,000 cases also would sell about 2,000 to 3,000 cases directly at the tasting rooms. Once a winery gets to that size of roughly 5,000 cases, it typically needs a distributor and can afford to use one. "That's kind of a tipping point where you're not in the business of distributing wine anymore - you're just making wine," said Cofer Beirne.

In Virginia, a winery can only hire one distributor for each region and wouldn't be allowed to self-distribute to areas where a distributor has been hired. That means any large winery that already uses distributors can't start self-distributing even if the new bill passes.

Last year's bill was killed in a subcommittee headed by Del. Tom Gear, R-Hampton. But some of the groups that supported the wineries didn't lobby very hard, which Cofer Beirne believes was because it was such a new issue.

This year the farm groups have elevated the issue from an area of concern to a priority, she said. She also expects stronger support from the state retail and travel groups. Additionally, consumers have signed petitions at the state's wineries this fall. Those names will be used to start a database that will be used for spurring consumer action.

Another key difference is that this year wineries and vineyards can testify about how they have been affected by the law change.

"Last year, it was just the threat of the loss," said Cofer Beirne. "This year, there's real loss."

grapes

**34. D.C. Smoking Ban Extends to Bars, Businesses Fear Customers Will Move to Virginia (District of Columbia)**

**By Brett Zongker, AP - *Contra Costa Times***

January 1, 2007

WASHINGTON (AP)--Smokers are being forced out of bars and nightclubs in the District of Columbia beginning Tuesday, and some businesses are worried about losing dollars to Virginia, which has strong ties to tobacco.

"A lot of people are just going to drive closer to home (in Virginia)," said Jody Taylor, manager of the Black Rooster Pub in downtown Washington. "For a lot of people, it's hard to have that cold beer in one hand without a cigarette in the other."

The smoking ban, which passed a year ago by the D.C. Council, took effect in April for restaurants and offices and extends to bars and nightclubs after New Year's Day.

Mayor-elect Adrian M. Fenty does not believes businesses will be hurt.

"We really painstakingly reviewed every city, especially major cities, that enacted a smoking ban, and there was no evidence whatsoever that enacting a smoking ban sends business elsewhere," Fenty said.

In fact, smoke-free bars and restaurants may attract Virginia customers to Washington, said Arlington County, Virginia, board chairman Paul Ferguson.

The nation's capital follows 21 states and more than 2,300 municipalities that have mandated smoke-free workplaces, according to Americans for Nonsmokers' Rights.

California was the first state to ban smoking in bars in 1998, and voters this year in Arizona, Nevada and Ohio overwhelmingly approved bans. Britain is banning smoking in pubs on July 1.

Around Washington, Maryland and Virginia do not have statewide smoking bans for restaurants and bars. Maryland counties may have local bans, but Virginia - a tobacco-growing state -doesn't allow counties and cities to enact their own smoking bans.

Smoking is still allowed outside the U.S. House chamber in the ornate Speaker's Lobby and in the offices of senators and representatives. Incoming Democratic House Speaker Nancy Pelosi has signaled she may move toward a ban on smoking.

<http://www.contracostatimes.com/mld/cctimes/news/16365433.htm>

grapes

**35. Beer Buyers Beware (Vermont)**

WCAX-TV – Channel 3

January 1, 2007

Winooski, VT -- Buying beer just got more expensive in Vermont. Starting January first, the state's six percent sales tax will be levied on beer. It's impacting consumers and the stores that sell beer.

Employees take inventory at the Beverage Warehouse in Winooski.  And with the New Year, also comes new beer prices.

"People are going to have a little sticker shock tomorrow," said Jennifer Swiatek of the Beverage Warehouse. "Something that cost you $9.29 yesterday will be $9.85 tomorrow."

The price of beer is rising as a result of a law passed three years ago. Now beer, like wine, will be taxed 6-percent.  It means costly computer upgrades at the Beverage Warehouse. They're programming the new prices.

"We're finding ourselves suddenly spending $10,000 to $12,000 in new software," said Swiatek.

The store owners admit higher beer prices shouldn't affect their bottom line.

"No one is going to stop drinking beer. No one stopped drinking wine when that happened," said Swiatek.

But they worry about Vermont's mom and pop operations in the Upper Valley.

"It's an unfair situation for them," said Swiatek.

That's because tax-free New Hampshire is just a stone's throw away. No beer tax -- no deposit fees either.

So, New Hampshire beverage retailers, like Jake's in Lebanon, welcome the news.

"Once people start realizing that they are paying more, I think people will tend to shop here before they go home," said Jacqui Camp of Jake's.  "In New Hampshire, especially working here, they will make sure they stop at a store before they head back to Vermont."

Some analysts say the new beer tax could raise more than $7 million a year in Vermont.

It might raise some eyebrows too, when Vermonters pay for that next six pack.

<http://www.wcax.com/Global/story.asp?S=5878257&nav=4QcS>

grapes

# 36. MIP is Not a Minor Offense (Michigan)

*Daily Press*

January 2, 2007

ESCANABA — Minor in possession is a well-defined offense in Michigan. Public Act 63, established in 2004, revised Michigan’s MIP law into one of the strongest in the country.

The law states “A minor shall not purchase or attempt to purchase alcoholic liquor, consume or attempt to consume alcoholic liquor, possess or attempt to possess alcoholic liquor, or have any bodily alcohol content.”

In other words, anyone under 21 cannot have alcohol for almost any reason. Exceptions are granted only for those consuming alcohol legally in Canada (with a drinking age of 19) before crossing back into Michigan or involved with a sacramental church service as well as those transporting closed bottles for their licensed places of work.

The 2004 revision defined possession of any blood alcohol content as illegal. When a person drinks, alcohol will enter the bloodstream and remain for several hours. That blood-alcohol content is now considered possession for those under 21.

A person convicted on an MIP charge faces several consequences, according to Delta Country Magistrate Kim Sanville.

For a first offense, Sanville explained, an offender may choose to enter a diversion program. In the diversion program, the person will pay a $140 fine and be placed on six months of non-reporting probation. He or she will also attend a victim impact panel and write a five-page report regarding alcohol.

In exchange for successful completion, the conviction will be dropped from the official record.

If the person receives another MIP conviction, the original conviction is put back on the record, Sanville added.

As an alternative to the diversion program, the offender may pay a fine of $160 with six months non-reporting probation. The conviction will stay on the record permanently.

For a second offense, the fines and costs increase to $240. Another six months of probation must be served, but there is no diversion program available. In addition, the Secretary of State’s office imposes driver’s license sanctions as well.

A total license suspension is in effect for 30 days, followed by the availability of a restricted license for the remainder of 180 days, Sanville said.

On a third offense, the cost is $540 and probation may be extended to a full year. A driver’s license may be suspended for 180 days to one year with restricted license not being available for the first 60 days.

In addition, jail time may be imposed on the second and third offenses if the person is on probation for another offense. Second offense may lead to 30 days, third offense, 60 days.

Not all sanctions are within the court system though.

“With the way that employers are being more strict,” Sanville said, it could affect the way a person is hired compared to someone with a clean record.

Also, if later on, Sanville said, a person with an MIP conviction is charged with another crime, such as drunk driving, that person could receive a second offense violation for the drunk driving because of the related MIP on record.

<http://www.dailypress.net/stories/articles.asp?articleID=6903>

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# 37. State of Georgia May Crack Down on Unlicensed Liquor Sales (Georgia)

*WTOC*

January 3, 2007

Could your favorite watering hole be drying up? Stricter enforcement by the State of Georgia could force some bars to close down.

All this has to do with annual state liquor license renewals.

As of December first, businesses were supposed to have their license renewal applications sent to the state. However, if a business waited until the last second, they probably don't have their license yet. And, unlike previous years, there is no more grace period. No license, no alcohol.

The beer may be flowing right now, but businesses in liquor license limbo, still serving alcohol, may soon feel the wrath of the State of Georgia.

"They are really tightening down on it," William Bennett told WTOC.

William has been in the alcohol retail industry for 35 years, 10 years with Habersham Beverage. He says stores and bars have different types of licenses, but they all have a common bond. Businesses must get their annual state and city liquor license renewal applications submitted on time.

"There used to be an extension, but not anymore," William said.

WTOC spoke with state officials. They say late filers have a big problem. In the past, businesses were allowed to sell alcohol, as a sort of unwritten rule, while their license application was being processed.

Not anymore.

"Absolutely, no more grace period," William said.

Now, the state is preparing to crackdown on unlicensed establishments still serving drinks.

"Oh yeah, absolutely," William said. "The state will close them down if they get caught doing it."

William says his store gets their application in early to avoid any problems. No liquor license, no liquor.

"You are out of business until you get it," he said.

The state has received several complaints from businesses. State Revenue officials say renewal packets for bars and restaurants went out back in September and were due on December 31st.

If a business is found serving alcohol without a license, they will first get a warning. Then, they could be shutdown.

The City of Savannah liquor license applications are due by January 31st.

<http://www.wtoctv.com/Global/story.asp?S=5887577>

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# 38. Efforts To Curb Underage Drinking Paying Dividends (Utah)

*KCPW*

January 2, 2007

Underage drinkers in Utah are finding it much more difficult to get their hands on their beverage of choice. Utah Department of Alcoholic Beverage Control Chairman Larry Lunt says their "EZ Plan", aimed at eliminating alcohol sales to underage buyers, is having a profound effect. Part of that plan includes increased compliance checks on convenience stores. The results show clerks are taking greater care in checking the age of their customers. Compliance now sits at 86 percent, up from 68 percent a year ago.

The Department also hopes to further educate parents on the dangers of underage drinking and is asking for one million dollars a year from the state liquor profits to help fund those educational efforts.

<http://www.kcpw.org/article/2545>

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# 39. SHS Students Tag Underage Drinking (Oregon)

*The Daily Astorian*

January 01, 2007



SEASIDE - Giving alcohol to minors is a crime and carries a fine of $350.

Seaside High School students Melissa Sofge, 18, and Shina Saxton, 17, put 2,000 tags with that message on alcohol containers Thursday to remind adults not to give alcohol to minors during the New Year's Eve celebrations.

Saxton doesn't like underage drinking. "I find it stupid," she said. "Not very fun."

She knows 10 or more high-school students who drink. "Some are pregnant."

Seaside Police Chief Bob Gross pointed out the Diego Colin drinking fatality in April as an example of what underage drinking can lead to.

The police and the Clatsop County Reduce Underage Drinking Task Force sponsored the bottle tagging. As part of their Pacifica community service project, Sofge and Saxton helped design the tag and contacted stores in Seaside asking them to allow bottle tags on their alcohol. Seaside Stop N Go, Safeway, Trucke's 1-Stop, The Turnaround Market and The Wine Haus allowed their alcohol to be tagged.

Melissa Sofge, 18, holds up one of the

2,000 tags she and Shina Saxton, 17,

put on alcohol containers Thursday to

discourage giving it to minors.

LAUREL EDDY — The Daily Astorian

"These stores were eager to help in reducing underage drinking in Seaside," Gross said in a press release. "According to a survey of Clatsop County youth, 75 percent say it is easy to get alcohol in their community. In Oregon, 156,000 youth say they drank last year, and underage drinking cost the citizens of Oregon $724 million in 2005. Those costs were for traffic crashes, violence, property crimes, injury, high-risk sex and youth alcohol treatment."

Sofge and Saxton are participating in the task force and will continue to work to reduce underage drinking.

<http://www.dailyastorian.com/main.asp?SectionID=2&SubSectionID=398&ArticleID=39199&TM=62120.29>

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**40. Ex-Alcohol Regulator Becomes Industry Adviser (California)**

By Nancy Vogel, Staff Writer - *Times*

January 5, 2007

SACRAMENTO - California's former top alcohol regulator has taken a job advising lawyers for the industry he regulated until his retirement in August.

Jerry Jolly, a 31-year veteran of the California Department of Alcoholic Beverage Control, began work this week as a consultant to the wine, beer and spirits-industry practice of Pillsbury Winthrop Shaw Pittman, a San Francisco law firm with offices worldwide, including Sacramento.

Watchdogs who monitor the industry called Jolly's career move common for alcohol regulators - and regrettable.

"This is the usual practice and it's really unfortunate, this revolving door between regulators and the alcohol industry," said James Mosher, director of the Center for the Study of Law and Enforcement in Felton, which tracks alcohol industry marketing and sales practices. "It certainly creates the impression that the industry has additional ways of influencing the regulators."

Jolly, who by law cannot lobby the alcohol agency for one year after his August retirement, said he saw no conflict in working as a Sacramento consultant for lawyers who help beer, wine and liquor companies navigate state regulations. His former department regulates the manufacture, sale, purchase, possession and transportation of alcoholic drinks in California.

"If it's done right," Jolly said, "there shouldn't be any problems at all."

James M. Seff, head of Pillsbury's wine, beer and spirits group, credited Jolly with a "can-do" attitude. "It's very, very helpful to have someone who sat at the top and knew what was going on," said Seff.

As top alcohol regulator, Seff said, Jolly was "always protective of the state's prerogatives."

grapes"He never gave us anything we didn't deserve," said Seff. "But he was willing to work with industry to get to yes on a lot of issues where we were going to get there anyway but it would have taken a good deal longer."