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|  | e - NEWS |
| *April 8, 2005* | |

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**1. Bar Mates: Pernod Is in Talks to Buy Allied Domecq**By Deborah Ball, Christopher Lawton and Jason Singer, staff writers – *The Wall Street Journal*

April 6, 2005

It's getting close to last call for spirits makers.

In the last decade, the global liquor industry has changed from a collection of family-run firms to a handful of major companies. That consolidation took another big leap yesterday when [Pernod Ricard](http://interactive.wsj.com/pj/q-quote.cgi?sym=12069.fr&type=company) SA of France said it is in talks to buy [Allied Domecq](http://interactive.wsj.com/pj/q-quote.cgi?sym=AED&type=company) PLC of the U.K. after months of informal discussions between the two. The companies haven't settled on a price but analysts predict Pernod could pay as much as £7 billion, or $13 billion.

A combination of the two companies, which are about the same size in sales, would bring together Chivas Regal scotch, Beefeater gin and Jacob's Creek wines in one liquor cabinet. More broadly, a deal would represent one of the last possible major combinations in the global spirits business, analysts say. If the purchase goes through, the industry would be dominated by a combined Pernod and Allied and global No. 1, [Diageo](http://interactive.wsj.com/pj/q-quote.cgi?sym=deo&type=company) PLC of the U.K., with the rest far behind. Diageo makes Johnnie Walker scotch and Smirnoff vodka, among other well-known brands.

The purchase also would set off a chain reaction affecting other well-known consumer names. Allied owns fast-food restaurants Dunkin' Donuts and Baskin Robbins, which would be put up for sale because Pernod isn't interested in that business. The chains, which will probably be sold together, would likely fetch more than $1.5 billion, most likely from private equity firms, people close to the situation say.

Representatives of both companies declined to comment beyond their companies' statements confirming the talks.

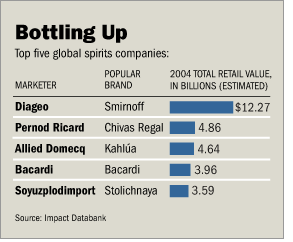
In many ways, Pernod is an unlikely driver of consolidation in the spirits industry since it used to typify the family-run, specialist spirits maker that increasingly is a thing of the past. The company still is led by a descendant of the Ricard family, which started the company in Marseilles in 1933 when Paul Ricard made an anis-flavored aperitif, pastis, in his cellar.

But beginning in the 1980s, Pernod expanded aggressively, buying up Irish whiskey brands in the late 1980s and then spending $3.2 billion in 2001 for about a third of the portfolio of Seagram Co. (Diageo bought the rest.) That gave Pernod global brand names.

It also put the company in a strong position to both foster, and benefit from, changing tastes in spirits consumption world-wide. Rather than favoring national drinks -- pastis in France, grappa in Italy, bourbon in the U.S., for instance -- drinking trends have become much more international, as witnessed by the global popularity of such cocktails as cosmopolitans.

Diageo in particular has ratcheted up spending on marketing to promote its spirits world-wide, especially in the key U.S. market, and Pernod has tried to follow suit. Its purchase of Allied, based in Bristol, England, is expected to see that effort increase.

After a Pernod-Allied hook-up, analysts see little room for further consolidation, leaving other sizable spirits makers far behind the top two. [Brown-Forman](http://interactive.wsj.com/pj/q-quote.cgi?sym=bfa&type=company) Corp. of the U.S., maker of Jack Daniel's whiskey, and rum maker Bacardi Ltd., in particular, are global companies that risk being outranked in terms of sales and marketing clout by the two giants. They are unlikely to combine because each is controlled by family shareholders who are unlikely to cede control. And there aren't any other potential partners that would bring either of them close to Diageo and a combined Pernod and Allied, analysts say.

Pernod is unlikely to be able to buy all of Allied's business. It would unload some of Allied's drink brands on [Fortune Brands](http://interactive.wsj.com/pj/q-quote.cgi?sym=FO&type=company) Inc. of the U.S. Fortune, which has diverse businesses, including Jim Beam bourbon, will contract with Pernod to buy some brands before a deal is launched, and the money it pays will be used for the takeover.

A takeover offer could be ready in about two and half weeks, but the deal could stumble on the issue of price, people familiar with the talks say. Pernod plans to finance any potential bid mostly with cash and some stock. The stock component is likely to represent less than 20% of the overall purchase price in order to avoid diluting the Ricard family's shareholding.

As long as Pernod stock is a relatively small part of the deal, it isn't expected to be a problem that Paris-based Pernod shares are listed in France and Allied is listed on the London Stock Exchange, people familiar with the matter said. Analysts expect few antitrust problems.

In anticipation of a successful purchase, though, investors bid up Allied shares 19% yesterday to close at 636 pence in London trading. In Paris, Pernod Ricard's shares rose €5.5, or 5.1%, to close at €113.20.

Patrick Ricard, Pernod's 60-year-old chief executive, has made little secret of his ambition to take on Diageo some day. He has said for the past several years that the Ricard family would be willing to own a smaller share of Pernod in order to grow the company through acquisitions. His hands were tied for several years by the hefty debt the company took on to buy the Seagram's brands, but the French spirits mogul has cut debt recently.

Diageo, with 2004 sales of $16.7 billion, would still be about twice the size of a combined Pernod and Allied. Pernod had wine and spirits sales last year of $4.46 billion, up 5.8% from the year before. Allied had wine and spirits sales of approximately $4.21 billion.

Mr. Ricard, the CEO, is the second youngest of five siblings. He started working in the family business as a teenager and took over the company from his father in 1972. Just three years later, he took over rival Pernod. At first, he worked to expand pastis internationally, but quickly moved to diversify Pernod Ricard.

While Pernod has grown in the spirits industry through acquisitions, Philip Bowman, chief executive of Allied, passed on chances to buy spirits brands like Seagram's. Instead, since taking over in 1999, he has sold businesses like Allied's pubs division. He has also made a big bet on wine in a $1.3 billion shopping spree of wineries world-wide.

Allied has been viewed as an acquisition target because it is one of the few big spirits companies without a controlling shareholder. Yet it still has many local brands that global companies don't want and which Pernod will have to figure out how to either grow or sell.

"With Allied, you're buying a mixture of the good, bad and indifferent," says Nigel Popham, an analyst at London-based Teather & Greenwood. "They've got quite a lot of local brands and not too many real world beaters."

Pernod is being advised by Morgan Stanley and J. P. Morgan Chase & Co. Allied is being advised by Goldman Sachs Group Inc. Fortune is being advised by Credit Suisse Group's Credit Suisse First Boston.

*---- Michael J. McCarthy contributed to this article.*



**2. Rivals Have Their Eyes on Allied Domecq**

**By: Heather Timmons – *New York Times***

**April 3, 2005**

LONDON, April 3 - It's not easy being second. As chief executive of the wines and spirits maker Allied Domecq, Philip Bowman lives in the shadow of Diageo, the London-based giant that is four times his company's size. Allied is also one of the few big beverage companies whose stock is not controlled by a family, which means it is perennially regarded as a takeover target in an industry where consolidation is viewed as inevitable.

Earlier this year, Allied's stock spiked after a rival, Pernod Ricard, based in Paris, hired investment bankers to look at the possibility of making a run for the company. And on Monday, Allied's shares jumped again on a report that another rival, Fortune Brands, which is based in the United States, hired bankers to look at deals in Europe. A show of interest in Allied could ultimately increase competition, or set off a combined Pernod-Fortune run for Allied, which is based here. But Mr. Bowman, an Australian who started his professional life as an accountant, appears sanguine about the situation.

"Every six months we see some smoke rising from Paris," Mr. Bowman said in an interview in his London office, referring to Pernod. "After five years, people have seen it so many times" they have started ignoring it, he said.

That is not to say that Mr. Bowman thinks a suitor will never materialize for Allied. "In time, the industry will consolidate," Mr. Bowman said. Because Allied is a public company, a determined rival could win it whether a bid made strategic sense or not, he said.

"If someone came along and put a silly price on the table, I'd be obliged to consider it," Mr. Bowman said, adding, "It's not the outcome that one devoutly desires."

Pernod and Fortune declined to comment.

Mr. Bowman could be excused for not wanting to surrender control of the company. Since he took over in 1999, Allied has undergone a metamorphosis, selling its pubs business and other assets, buying brands like Malibu rum and investing heavily in wine, even as profits sank in some parts of that industry and executives from Diageo mocked the moves.

But Mr. Bowman's wheeling and dealing has created a cohesive company from what was a group of poor performers, analysts say. Sales increased steadily from 2000 to 2003, but dipped slightly in 2004, to £3.2 billion ($6 billion) from £3.3 billion in 2003, mostly a result of the weak dollar. That has not damped Allied's stock price, though. Shares of the company, which trades on the New York Stock Exchange and in London, have doubled since 2003, outperforming Diageo last year.

Along the way, Mr. Bowman has earned fans, but with the success comes new pressure. "He has done an excellent job at Allied, and overseen the transformation of the company," said David Liston, the senior global analyst with Barclay's Investment Services. He said the question was, Where do they go now?

"There is quite a bit more ambition left in Philip Bowman," Mr. Liston said. "He would have loved to do a deal with Bacardi, for instance. Ultimately, he would like his company to be the same size as Diageo."

Mr. Bowman, however, played down any desire to make big acquisitions. The company needs to buy a major vineyard in Australia, he said, and might make some small purchases.

Allied's stock price could support an acquisition. The stock has been so strong, in part because of takeover rumors, that some analysts have expressed caution about it. In January, J. P. Morgan lowered Allied's stock rating to neutral, from overweight, saying that the share price had risen as much as was justified by the company's fundamentals. Allied would need to accelerate its growth in the United States or Europe or improve profits in its emerging areas to earn an improved rating, the investment bank said.

There are challenges to growth in the United States. Three years ago, Diageo began to wield its influence in the United States, forcing distributors to create Diageo sales teams that handle only the company's brands. Allied does not have the size or the products to insist on its own sales teams, analysts say.

Mr. Bowman said he was not feeling the pinch. "The jury's still out" on Diageo's sales teams, he said. Allied has gained market share in the United States every six months since then, though it faltered in the most recent Christmas season, he said. That was not because of Diageo's sales teams, he said, but was a result of deep discounts offered by Diageo.

Diageo executives declined to comment.

Mr. Bowman conceded that Diageo, which owns 9 of the world's 20 most recognized brands of liquor, including Johnnie Walker and Smirnoff, had a great portfolio, but added that he was saying that "through gritted teeth."

Allied's Quick Service Restaurant business, which includes the Baskin-Robbins and Dunkin' Donuts franchise chains, could also has be the subject of a deal. Allied reorganized and streamlined the business in 2003, leading to speculation that it might be spun off.

The unit had £226 million ($425 million) in revenue in 2004.

"I'm not looking to sell" the restaurant business, Mr. Bowman said. "If I had a dollar for every time I got a phone call from a banker telling me it was time to sell that business, I'd be retired by now. We see an opportunity to continue growing the business in the United States and internationally," he said.

Despite the pressures, Mr. Bowman said he was enjoying himself. Allied "has moved a long way in the right direction" since 1998, he said, adding, "I've had enormous fun doing this."



**3. United Kingdom Lawmakers Call For Minimum Alcohol Prices**

*Dow Jones Newswires*

April 5, 2005

LONDON -- Local authorities should be able to use their powers to set minimum prices for alcoholic drinks in bars to help cut anti-social behavior, U.K. members of parliament have said.

The home affairs select committee wants to end cheap drinks promotions thought to encourage binge-drinking, the BBC reports on its Web site Tuesday.

The government estimates binge-drinking costs the U.K. about GBP20 billion a year and lawmakers want pubs to pay more towards policing drink-fuelled disorder.

Home affairs committee chairman John Denham said: "The attention on 24-hour licensing misses the point - problems of disorder are occurring now.

"The underlying problem is of too many people drinking heavily in small geographical areas."

The committee's report said there was "no clear-cut evidence" on whether round-the-clock drinking introduced by the government would reduce the number of alcohol-related problems.

Differing closing times may reduce some problems but may cause other difficulties for the police, it said.

Mark Hastings of the British Beer and Pub Association, which represents over half the pubs in the U.K., rejected the proposal for minimum alcohol prices, saying such a move would be illegal.

"The Office of Fair Trading has consistently stated that price fixing or minimum pricing is prohibited under U.K. and European law", he said.



**4. US: College TV Attacked Over Beer Ads**

*Source: just-drinks.com editorial team*

April 5, 2005

The National Collegiate Athletic Association (NCAA) is being lobbied over beer adverts during televised college sports events in the US. The non-profit Center for Science in the Public Interest in Washington has attacked the ads, saying they conflict with efforts to reduce underage and binge drinking on US campuses.

The NCAA has also been accused of being too close to Anheuser-Busch because of the brewer’s financial support.

At a news conference late last week, Jay Hedlund, director of the centre’s Campaign for Alcohol-Free Sports TV, said that the fundamental issue is to reduce youth exposure to alcohol adverts during televised sports events.

The NCAA defended its position on the adverts, saying that existing restrictions, which allow only one 60-second or two 30-second spots for each hour broadcast, were sufficient.

“I doubt an individual seeing one or two beer ads in the course of an hour would be led down the road (to abuse),” NCAA spokesman Bob Williams told the Philadelphia Inquirer.



**5. US: Beringer Launches Women-Targeted Wine**

*Source: just-drinks.com editorial team*

April 5, 2005

Beringer Blass Wine Estates (BBWE), the Napa-based wine company, is to launch a wine a California wine “designed by women expressly for the US female consumer”.

White Lie Early Season Chardonnay is low in calories, sugar and alcohol and will be on store shelves across the US in May 2005.

“More than 60% of wine drinkers are female and women buy 80% of the wine sold in the U.S, yet the wine industry has largely ignored them,” said Tracey Mason, BBWE’s director of innovation.

“So our all-female team started with the question: What do women want?” Through research, the team discovered that an astounding 80% of women are dissatisfied with their appearance and that 45% are on a diet on any given day. And because of the increased demands of career and home, women have less time than ever for themselves or their friends.

With this premise in mind, the company said it developed a technique for making the wine that involved harvesting the grapes relatively early in the picking season when they have lower Brix (or sugar content). This technique, dubbed Early Season, results in a wine that is low in alcohol, sugar, and calories.

BBWE plans a marketing campaign to support the launch of White Lie Early Season Chardonnay.



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| **6. City May Skip Bouncer Training**  By Jane Slusark – *The Daily Iowan*  April 4, 2005  The Iowa City City Council may pass up on another piece of state legislation that allows cities to mandate that its bars train security personnel, saying they don't believe bouncer-patron altercations are a problem in the downtown bar scene.  The nonpartisan bill, signed by Gov. Tom Vilsack on March 21, gives cities the authority to pass ordinances that force commercial liquor establishments to train their bouncers in mediation techniques, fair civil-rights practices, and proper physical restraint of combative customers.  In 2001, Iowa City declined to act after a similar law was passed. The new law expands "employees" to include any contracted security help. Des Moines bars were taking advantage of a loophole in the earlier act by not training bouncers who were employed through security contractors.  Des Moines is the only city in the nation with the ordinance, and Iowa City did not participate because "it was not considered a problem," said Rep. Wayne Ford, D-Des Moines, who drafted the legislation.  "Bouncers off and on have been killing young men, often Latino, black, and Asian," he said. "My son went to the University of Iowa, and I'm well-aware of college towns.”  He said that next year, he will for push for legislation that would make training mandatory statewide  Iowa City Mayor Ernie Lehman said the sheer number of bars in Iowa City does not have mean the bouncers need training. He thought that some training is probably done by individual establishments.  But Brandon Daves, a bouncer for 808, 121 Iowa Ave., said he was not trained in restraint techniques.  "We just try to suppress them and get them out as quickly as possible," said Daves, who has worked at the bar since August 2004. "Some guys, you just put them in a full nelson if they're really fighting back.”  Bouncer Jon Ellis of the Sports Column bar, 12 S. Dubuque St., said he also had no formal training, and "it's your own judgment" when dealing with combative customers. |
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Although City Councilor Connie Champion said the council will not discuss the option of adding an ordinance unless the Alcohol Advisory Board brings it to the council's attention, Iowa City police Sgt. Doug Hart said his department would support "any efforts to make the downtown or bars safer.”

Leah Cohen, the Alcohol Advisory Board chairwoman and owner of Bo-James, 118 E. Washington St., said some bars participate in a state-funded program, which teaches employees how to responsibly serve patrons. It briefly covers checking for fake identification and handling rowdy customers.

"I don't feel the need to do additional training," she said. "I think there is more of a problem with bar staff drinking while working.”

Cohen said Bo James has a policy against employee consuming alcohol while on duty, but not all bars do. The alcohol board has discussed this with city councilors.

When a situation turns violent, Hart said, it is up to the bouncer to determine whether to call the police. He said the police are often called to remove combative bar patrons.

"We are called when customers are [being] removed and already had a physical altercation with a bouncer," Hart said.



# 7. Alcohol Advertising During College Games a Burning Issue

By Robert Dvorchak - *Post-Gazzette*

April 4, 2005

This is the second of two reports on alcohol and sports.

Yesterday: A jury verdict prompts some professional sports venues to curb beer sales

Today: Some critics want college sports officials to rethink the long and lucrative relationship with beer advertisers.

The equation is as common as it is embarrassing -- a big college game coupled with $1 beer specials at sports bars ignites a celebration that spills into the streets for the overturning of cars and the torching of couches.

It happened in Morgantown during the NCAA basketball tournament, and West Virginia University officials acknowledge that alcohol helped fuel the misconduct.

"It probably played a large role," said Ken Gray, West Virginia's vice president for student affairs. "It's a challenge for all of us to figure out how to prevent these things from happening in the future.

"Lots of fans celebrated, but a small group did so irresponsibly, setting fires and doing other destructive things. The spotlight should be on the team, not on the few people who are doing destructive things."

West Virginia is hardly the only school where sports fanaticism and youthful indiscretion blends with alcohol and leads to spontaneous combustion. In February, 14 people were arrested and a student was shot in the face with a police pepper ball after University of Maryland fans celebrated a win against Duke.

Last April, when the University of Connecticut won the NCAA men's basketball title, 35 people were arrested after fans started fires and overturned cars. Administrators at the schools competing tonight for the national title are nervously hoping that there won't be a repeat on their campuses.

"They don't turn over cars and set them on fire or burn their couches and break store windows if they were sober," said George Hacker, alcohol policies director at the Center for Science in the Public Interest.

Ohio State University created a task force on preventing celebratory riots in 2002 after experiencing 19 riots or disturbances in six years. The "celebrations" often were associated with sporting events, almost always included a high volume of alcohol consumption and were an embarrassment to 88 percent of the student body polled.

The NCAA also convened a summit on sportsmanship and fan behavior in 2003, with alcohol cited as a frequent catalyst for out-of-bounds behavior. The general consensus is that no campus can escape the issue.

On April 28, the board of directors for the NCAA's Division I schools will review all alcohol policies -- from beer ads for televised events to direct sponsorships to the sales of beer in stadiums and arenas at the local, conference and national levels.

Robert Hemenway, the chancellor at Kansas University and chairman of the board of Division I directors, doesn't expect any formal action at the meeting and conceded the overall issue is a complicated one because tournament games are usually at off-campus facilities. But he strongly believes that beer should not be sold at college games.

"I don't know of any president or chancellor who thinks selling beer at an intercollegiate athletic event is a good idea," Hemenway said.

At Pitt, alcohol is not sold at the Petersen Events Center but it can be brought in by those who have luxury boxes. For football games at Heinz Field, beer is not sold except in the premium seating areas. At the Carrier Dome in Syracuse, beer is sold during football and basketball games.

Tim Delaney, chief of police on the Pitt campus, said a city ordinance that bans open containers acts as a deterrent when it comes to student drinking. And police address incoming students to inform them of the rules on accepted behavior.

"You try to teach responsibility and where the lines are. I call it straight talk," Delaney said.

When the NCAA tournament came to Pittsburgh four years ago, Delaney recalled that one couch was set on fire after a Pitt win.

"The kids put it out themselves," Delaney said. "I've heard students from other schools call it a tradition. But setting a fire isn't a rite of passage. It's arson."

Ads for beer are receiving a lot of attention, particularly with the climax of the NCAA basketball tournament tonight. According to the Campaign for Alcohol-Free Sports TV, the makers of alcoholic beverages spend $58 million annually on commercials during college sports programs. Of that, $28 million is spent on ads during the NCAA basketball tournament, which has more beer ads than the Super Bowl, World Series, Monday Night Football and college football bowl games combined.

Last month, U.S. Rep. Tom Osborne (R-Neb.), a former football coach at Nebraska University, introduced a non-binding resolution in the House to eliminate alcohol ads during radio and TV broadcasts of college sports events. He introduced a similar resolution last year.

Osborne pointed out that the ad policy in the Division I manual is designed to exclude commercials that are not in the best interests of higher education. Yet alcohol is the leading health issue on college campuses, resulting in 1,400 deaths per year from binge drinking.

"I think there's a feeling of hypocrisy about the policy," Osborne said. "I just think the mission of the university is to educate and create sound values. Alcohol doesn't belong in that mix."

Among the supporters of the resolution is Penn State football coach Joe Paterno.

Whether it comes to a vote or not is another matter. Osborne said 380 of his congressional colleagues receive an average of $11,000 a year in campaign contributions from the alcohol lobby.

"You realize what you're fighting," he said. "But I think there is a growing awareness."

Those who study the issue say administrators are caught between principle and profit.

"Alcohol is the oxygen of college sports," said Murray Sperber, a retired professor at Indiana University and author of "Beer and Circus," a book about the connection between alcohol and college athletics.

"The system could not breathe without the money from beer ads on the broadcast of games, and the NCAA and the colleges embrace the money even though binge drinking is at epidemic proportions on many campuses," he said.

Pioneering research on the relationship between alcohol abuse on college campuses, including its relationship with athletics, was done by Dr. Henry Wechsler of the Harvard School of Public Health.

He titled his research on binge drinking "Dying to Drink" and decried the marriage of drinking and college sports through sponsorships.

"Sports is mired in an ocean of alcohol. It's cheaper to get drunk than go to the movies. It's cheaper to buy beer than water," Wechsler said. "You're never going to get college students not to drink, but you can decrease how much they drink. We're throwing it at them. We don't need to throw it at them. The first thing colleges need to do is divest themselves of being sponsored by alcohol producers."

One death by binge drinking occurred in September at Colorado State University. Samantha Spady, a 19-year-old sophomore, posted a message on the Internet about her intention to drink heavily.

"I'm also going to get extremely wasted this weekend, not just because it's Labor Day, but because Colorado State plays Colorado in football tomorrow," she typed.

Spady didn't make it to the game but watched it on TV, and she apparently drank herself to death. She was found dead Sept. 5 in the Sigma Pi fraternity house with a blood alcohol content of 0.43, more than five times the legal limit for driving.

Attempts at changing the campus culture, including curbs on tailgating, are often met with resistance.

When Michigan State announced in 1998 that it was banning alcohol at what was a traditional tailgating site, police in riot gear had to use tear gas to quell a riot by several hundred students who lit fires in protest.

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**8. Deja Vu**

By Cynthia Crossen, staff reporter – *The Wall Street Journal*

April 6, 2005

**Why We'll Never Know If Imbibing Really Rose After Prohibition Began**

No amount of historical scholarship can ever definitively answer this question: Did Americans drink more or less alcohol during Prohibition than before it?

When the 18th Amendment to the Constitution (and its enforcement apparatus, the Volstead Act) took effect in early 1920, the country was recovering from a wartime shortage of, among many things, alcohol. The consumption of alcohol in beer, wine and spirits had declined considerably since 1913, when Americans drank roughly 1.6 gallons a year. By 1919, they were drinking less than half that. (Today's annual per capita consumption of alcohol is about 2.2 gallons.)

For the first few years after "intoxicating liquors" were outlawed, America's drift toward sobriety seemed to continue. But because the amendment had taken a typically lumbering path through state legislatures, serious drinkers had plenty of warning. (Twenty-seven states had already become dry before federal Prohibition.) Many drinkers stockpiled alcohol in private basements, garages or even safe-deposit boxes. Others with less foresight or cash did go cold turkey -- but only for as long as it took to assemble a small wine- or beer-making operation in their basements. Still others knew a seditious doctor. "A staggering increase in liquor prescribed as medicine occurred during the first five months," wrote John Kobler in "Ardent Spirits." In other cases, a merciful priest or rabbi beefed up his usual order of wine.

Gradually, consumption of alcohol during Prohibition seems to have risen. To what level is a matter of dueling statistics. Pre-Prohibition estimates of drinking didn't include homemade liquor, a hoary tradition among rural Americans. And once drinking became a federal crime in 1920, those who imbibed had good reason to lie about it. Meanwhile, the temperance movement was manufacturing or massaging its own statistics to show that America without alcohol was practically paradise.

"The economic claims and statistics of wets and drys were as multitudinous as they were inaccurate," noted Andrew Sinclair in his history, "Prohibition." Clark Warburton, in his statistical review, "The Economic Results of Prohibition," warned, "No study of the results of Prohibition can claim high precision and unquestionable proof."

It was obvious that many Americans were drinking despite the law at home, at speakeasies and at private clubs. "Men were drinking defiantly, with a sense of high purpose, a kind of dedicated drinking that you don't see much of today," wrote Henry Lee in his 1963 memoir, "How Dry We Were." Segments of the population that traditionally hadn't imbibed much -- particularly women and young adults -- were introduced to the illicit kick of intoxication. "There was an almost immediate, nationwide change in drinking habits," wrote Edward Behr in "Thirteen Years That Changed America." "It became the thing to do among students, flappers and respectable middle-class Americans all over the country."

Statisticians did find a few measures of drinking that didn't involve asking people to incriminate themselves. For example, grape production in Napa Valley increased 10-fold between 1920 and 1933. Many of the grapes were processed into raisin cakes, which were sold with a warning label: "Caution: will ferment and turn into wine." Based on grape sales, in 1921 home vintners produced 56 million gallons of wine; in 1924, they turned out 137 million gallons. "Few things are more easily made than alcohol," concluded the report of the Wickersham Commission, empaneled by President Hoover to assess Prohibition enforcement.

But the retail cost of alcohol, inflated by expenditures for smuggling and bribery, jumped, leaving many poor and working-class people priced out of the market. They drank antifreeze, embalming fluid or rubbing alcohol, and some died as a result. In 1927, the few states with comparable statistics reported a 317% increase in deaths from alcoholism compared with 1920.

The affluent adjusted to the law by changing their drinking habits. While it was once considered namby-pamby to mix liquor with juice or soda, now the cocktail became a popular way to disguise the taste of inferior alcohol. In 1922, there were some 5,000 speakeasies in New York. Five years later, there were more than 30,000 -- twice as many as all the legal bars, restaurants and nightclubs before Prohibition. The Wickersham Commission complained, "People of wealth, businessmen and professional men and their families ... are drinking in large numbers in quite frank disregard of the National Prohibition Act."

Eventually, widespread flouting of the law attracted the notice of the nation's politicians. In early 1933, both houses of Congress approved the 21st Amendment, which invalidated the 18th, and was sent to the states for ratification. Eight months later, liquor was legal again.

"In Prohibition," Mr. Lee concluded, "there is a deep and timely lesson for this new era that increasingly relies on laws and crash governmental programs to achieve immediate moral and social goodness." If nothing else, he continued, "the 13 sad years of Prohibition proved beyond argument that we have an enormous ineptitude for organized social reform."

That's also true of measuring reform.



**9. Drinking To the Dollar**

By: Matthew Swibel - *Forbes*

April 8, 2005

**How distiller Brown-Forman gets rich by exploiting the greenback's fall--and pushing its brands abroad.**

Bar patrons in the southern Chinese city of Shenzhen love the free guitar-shape plastic cigarette lighters, the watches that look like drums and the die-cast miniature hot rods. Such gewgaws would not bring tingles of excitement to Western pub crawlers, but they have helped Brown-Forman, maker of 29 booze brands, including Southern Comfort and Canadian Mist whiskey, push 75,000 cases of its leading spirit, Jack Daniel's bourbon, in China last year. That's up from 11,000 only four years ago and zilch in 1994.

In Britain the Louisville, Kentucky beverage maker created something called the Student Broadcast Network and fed music programming, sponsored by Jack Daniel's, to London college radio stations. "We had bands come on the show and do a live set," says Garvin Brown IV, the brand director for Jack Daniel's in Europe, Africa and Eurasia, and great-great-grandson of the founder. "The legal drinking age in the U.K. is 18, you know." (Last month, across the pond, the liquor lobby in Washington, D.C. was pummeled by Congress for exposing America's youth to excessive alcohol advertising in magazines.)

But such shenanigans abroad make for very good business--particularly if boozers are paying in pounds sterling or euros or yen or practically anything besides U.S. dollars. Thanks in no small measure to the weak dollar and the company's recent volume gains abroad, Brown-Forman's earnings for the fiscal year ending Apr. 30 should be near $302 million, or $2.47 a share, the latter figure a 48% gain over three years. Brown and his relatives own 73% of the company's voting shares. Since 2002 their total stake in the company has ballooned in value from $4 billion to $6 billion.

Serendipitously or not, Brown-Forman started pushing sales abroad--across Continental Europe, South Africa and Russia--around the time the dollar started dipping in early 2002. Led by the U.K. and Australia, overseas sales are approaching 30% of the total, a ten-point surge from the April 2002 fiscal year. (Besides booze, Brown-Forman sells luggage and china dishes under such brands as Hartmann and Lenox. These diversions account for 23% of sales but only 4% of pretax net.)

With hard-liquor sales in the U.S. just coming out of a coma, most of the future growth lies in developing regions abroad. Yet 135-year-old Brown-Forman--toward the bottom of the world's ten largest spirits producers by sales--didn't take international markets seriously until the last decade. It spent most of the 1990s hiring bodies on the ground on every continent. Sales reps educate bartenders the way drug companies "detail" doctors. On the whole they tend to get more out of throwing parties than airing TV ads.

Most distillers expand abroad by scooping up established labels in new markets. Brown-Forman has taken a different tack, what you could call the Marlboro approach. It is promoting its mainstay, Jack Daniel's, which contributes 65% of beverage revenue, as an American label. The decision carries risk, though. Cowboys are one thing. Would the rest of the world cotton to a distinct--and older--U.S. brand, with its hints of pickup trucks and dungaree-clad folks lounging on the front porch?

Yes and no. In America-friendly Romania, Brown-Forman stirred a following last September with a new company-sponsored event celebrating the birthday of Jack Daniel. (There is debate about whether this historical figure actually established the oldest registered distillery in the U.S. in 1866 at age 17; the company insists that he did.) Well-known Romanian actors entertained a crowd in Bucharest by dressing up as the Tennessee backwoodsman and performing theatrical monologues. In a Prague art gallery last year the company set up an exhibit of 50 years of Jack Daniel's advertising. When Rockwell--London's first bourbon bar, featuring more than 100 brands--opened in the chic Hilton Trafalgar in 2002, Brown-Forman billed as a special guest its own master distiller and southern charmer, Jimmy Bedford, for a rooftop launch party that drew a big turnout.

But the company had hell to pay last year when TV ads touting a similar type of folksy image soured Jack Daniel's with Thai consumers. The spots suggested that drinking the Tennessee export made you laid back, even lazy--a message that clashed with Thailand's work ethic. Brown-Forman killed the ads after just a few weeks.

In some overseas markets Jack can't go it alone. Brown-Forman has to depend on rival Bacardi to distribute bourbon and other liquors in the U.K. On the Continent and elsewhere it co-owns and operates various distributors and sometimes sells directly. Complex though it is, Europe's system is a lot simpler than booze-handling in the U.S., where middlemen still stock retailers' shelves, a vestige of post-Prohibition regulation. The mix of looser distribution deals across the globe cuts costs, "a very important component of how much money we net," notes Phoebe Wood, Brown-Forman's chief financial officer.

Advertising, though, has not been a place to cut costs. The company's beverage advertising has lately been growing at a faster rate than revenues, led by a $27 million worldwide budget for Jack Daniel's, notes Corey Horsch, an analyst at Credit Suisse First Boston. Horsch is impressed by Brown-Forman's penchant for finding what he calls "high-return brand investment ideas," including sponsorships and on-premise giveaways. Of course, it's easier to take the long view with the fourth and fifth generations of the Brown family at the helm. (Garvin Brown's uncle, Owsley Brown II, is chief executive.)

A portion of the ad budget supports research that tells the company how the natives take their Jack Daniel's. In Japan, for example, a dinner group of four or five might split a bottle. But in Australia folks often like to do their drinking at home and seldom prefer Jack Daniel's neat. Hence the creation of a prepackaged mix called Jack and Cola; the 12-ounce bottles and cans are ubiquitous in Aussie food stores. Last year sales of the ready-to-drink concoction surpassed 1 million cases.

But what moves the spirits Down Under would be a slow dance in the U.K. Many Brits drink Jack and some form of cola but prefer to have bartenders do the mixing. You won't find Jack and Cola in Spain, either, where most people drink bourbon straight. In China Brown-Forman learned to adjust to a different habit. Perhaps it's a by-product of an emerging ownership society: Bar-goers buy Jack by the bottle, slap their names on the bottles and leave them behind the bar so they can return and polish them off whenever they feel like it. "It's definitely an image issue," says Yang Jian, 41, owner and manager of Base Bar in Shenzhen. This in a country where 90% of hard-liquor consumers still drink baiju, a cheap distillate made from sorghum.

Being popular has a dark side, of course. "Counterfeit bottles are a huge problem in China," acknowledges Stuart Beck, head of Asia and Pacific operations for Brown-Forman. The problem will probably worsen even as tariffs on imported spirits, which last year fell to 37.5% from 56%, continue to drop in the Middle Kingdom. Only the elite can discern a blended whiskey from a single malt. If the masses can't taste the difference, it's harder for Brown-Forman to crack down on faux Jack.

Knockoffs can be found in the most unexpected places. An online story on Peru from Inside Out Travel magazine pointed out last summer that capital city Lima "was a bucket o' fun due to the fact that street markets sell everything from imitation Jack Daniel's whiskey to knockoff Nike sweatshirts." In India only 10% of the spirits imported and retailed come through duty-paid channels, according to a 2003 study by market research firm IMRB International, a unit of ad agency WPP. Things got so bad that Brown-Forman struck the equivalent of a plea bargain with consumers in New Delhi: a free bottle of Jack Daniel's to anyone who returns three empty bottles of the brand. The move was intended to help the company learn about how the bourbon was smuggled in. Brown-Forman declines to say what, if anything, it learned.

With nearly half its Jack Daniel's business coming from overseas, Brown-Forman is pushing hard to take advantage of the cheap dollar. Countries like Poland are a perfect target, in part because adoption of the euro is just four years away. Never mind that Poland is now a tiny whiskey market where vodka accounts for 99% of distilled alcohol sales. Just how eager is Brown-Forman? Last year a reduction of tariffs and excise taxes, related to Poland's entry into the EU, effectively reduced the price of Jack Daniel's by 30%--with the effect of goosing demand. (When rival Altia Corp. of Finland slashed prices on Old Smuggler nine months earlier, sales leaped 500% off a small base.) That the Polish zloty recently traded at its highest level in two years against the euro makes lower prices somewhat easier for Brown-Forman to swallow.

How long can its currency buzz last? In a recent conference call with investors Brown-Forman's Wood said the company placed hedges for only a third of its foreign currency exposure in fiscal 2006. She later confided she thought the record U.S. budget deficit would sustain the dollar's weakness. No doubt Brown-Forman's shareholders would drink to that.



**10. Once-a-month Naltrexone Successfully Used to Treat Alcohol Dependence**

**April 8, 2005**

Long-acting injections of the drug naltrexone, combined with psychotherapy, significantly reduced heavy drinking in patients being treated for alcohol dependence, according to a study in the Journal of the American Medical Association by a Yale School of Medicine researcher.

"The decision to take medication can wane over time," said Stephanie O'Malley, professor of psychiatry and director of the Division of Substance Abuse Research at the Connecticut Mental Health Center at Yale. "This provides coverage for an entire month."

Acohol dependence ranks as the fourth leading cause of disability worldwide, as reported by the World Health Organization's Global Burden of Disease project. Nationwide, it is believed to contribute to more than 100,000 preventable deaths a year.

Naltrexone belongs to a class of drugs called opioid antagonists. Although many clinical trials have shown that oral naltrexone can be effective in treating alcohol dependence, its use in clinical practice has been limited, in part patients have to take the pill daily.

In this trial conducted at 24 sites, 627 alcohol dependent patients were randomly assigned to receive either an injection of long-acting naltrexone or a placebo injection; 624 ultimately received at least one injection. All participants received 12 counseling sessions during the six-month study in addition to the medication. Long-acting naltrexone was associated with a reduction in heavy drinking within the first month of treatment, and this response was maintained over the six month treatment period.

The lead author was James Garbult, M.D., of the University of North Carolina School of Medicine.

The study was funded by Alkermes Inc., a biotechnology company based in Cambridge, Mass., that manufactures the long acting naltrexone formulation.

