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|  | e - NEWS |
| *April 15, 2005* | |

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**1. Drinking Investigations Too Slow, Families Say**

By Jennifer Jacobs – *Des Moines Register*

April 10, 2005

While they applaud Des Moines police for their exhaustive detective work in tracing the source of the liquor 17-year-old Nick Bisignano drank before his death, some Iowans say it's frustrating that charges aren't filed in more teen drinking cases.

"We don't know who we should be more upset with: the adults who bought the alcohol or the law enforcement who did nothing and let them get by with it," said Marguerite Nielsen, whose daughter, Kristy, was killed in a 2001 drunken driving crash.

Kristy Nielsen and friends were on their way to the Iowa-Iowa State football game in Ames one Saturday morning when a 16-year-old driver, whose blood-alcohol level was .139 after a night of partying, crossed the center line and rammed their van.

The investigation was complicated because the drinking happened in Story County, the crash happened in Greene County, and the 16-year-old girl was from Sac County.  
  
"All the highway patrol had was rumors," said Russ Reineke, whose son, Dale, was one of the five killed. "People said, 'No, I didn't do it,' and there's no proof."

In Altoona, no one was charged for supplying the beer for a February teen party on 14th Avenue Northwest. Eight Southeast Polk High School students were cited for underage possession of alcohol, and three athletes were suspended from the winter sports seasons.

The teens got beer from a well-stocked fridge belonging to the homeowner, but he wasn't home, and didn't give anyone permission to drink it, Altoona Police Chief John Gray said.

"We found from past experience," Gray said, "that it isn't very successful to go before a judge and say someone who wasn't even in the home was providing alcohol to minors."

And no charges have been filed since a 15-year-old Ames boy was found dead Feb. 5 near a Webster County bridge where teenagers had partied the night before.

The investigation into the alcohol source moved slowly - not just because the teens were tight-lipped, but because their parents were, too, Webster County Sheriff's detective Kevin Kruse said.

"They say they're worried if they cross their kid, he's not going to be their friend anymore," he said.

Kruse has tracked multiple trails of alcohol sources, but said the tricky part is being able to prove a connection to the death of the 15-year-old boy, William Charles Clark.

As for the Nick Bisignano case, some have questioned whether the fact that his father, Tony, is a former state legislator influenced Des Moines police to investigate that case more rigorously.

"History has kind of told us this relates to the simple power of money and influence," said Bill Shackelford of Mothers Against Drunk Driving in Polk County. "We've noticed that in other states, too - that when the case is connected to a powerful person, it does result in greater attention, sometimes to the benefit and sometimes not to the benefit of the victim."

Des Moines Police Chief William McCarthy said, "I don't think we did any more than any other case where there's a death."



**2. Student Liaison Cited for Alcohol**

By: Abilgail McWilliam, Iowa City Press-Citizen

April 15, 2005

**Council to discuss future of candidate**

The University of Iowa student chosen to serve as a liaison to the Iowa City Council was cited for alcohol possession while underage in October and is on one year of probation.

Jeremy Schreiber, who turned 21 in November, was chosen by a 15-student nomination committee earlier this week. University Heights police issued a possession of alcohol under the legal age to Schreiber on Oct. 2 2004, online court records show. The senior finance major pleaded guilty and received a deferred judgment, meaning the case will be erased after the one-year probationary period.

Alcohol was one of the significant topics to discuss with a student liaison, Councilor Bob Elliott said. Elliott said he'd have to look at all the facts to see whether the alcohol charge makes a difference on his decision when the council confirms the appointment at its Tuesday meeting.

"It's almost the luck of the draw whether that happens to you these days," he said about being ticketed for underage drinking.

Lauren McCarthy, UI Student Government vice president, said Schreiber was chosen because of his political involvement and knowledge regarding Iowa City government.

"We were not aware of (the charge) and didn't ask those questions in the interview," McCarthy said. "It didn't occur to us to ask."

Candidates were questioned about their knowledge of the City Council, ideas to collaborate with the council and on other qualifications determined by the city, she said.

McCarthy said nomination committee members need to decide if the simple misdemeanor is grounds to dismiss Schreiber's appointment. UISG was slated to confirm his appointment after it was approved by the Iowa City Council.

"We certainly hope they will look beyond that," McCarthy said. "Unfortunately, we didn't know."

After speaking with Schreiber on Thursday, McCarthy said he admitted to tailgaiting and was caught with a beer in his hand. Schreiber said he took the deferred judgment option because he wanted the infraction off his record.

"I made a mistake, tried to learn from it as best I could and mostly, I think it's a non-issue," he said.

Mayor Ernie Lehman said that, while regrettable, he did not expect the citation to pose a problem.

"My guess is that, all things being equal, we would probably prefer that he didn't have that charge," Lehman said, "and I bet he feels the same way. ... But I don't think that is going to prevent council from accepting him as a student representative."

Lehman added that, however, that Schreiber's comments on the subject likely would carry less weight with the community as a result of the alcohol infraction.

McCarthy said there was potential to put the alternate liaison, Austin Baeth, a junior in his place. An online search showed Baeth has no criminal record.

The Iowa City Council approved a student liaison resolution at their March 22 meeting. The liaison is to begin the one-year term May 1. The student will receive a college credit for attending every council meeting and work session and will bring issues of concern back to the student government.



**3. Constellation Climbs on Revenue Jump**

By William Spain - *MarketWatch*

April 8, 2005

CHICAGO (MarketWatch) -- Shares of Constellation Brands were reaching for the stars Friday, climbing nearly 7 percent the day after the beverage company posted strong jumps in revenue and adjusted profits, as well as announced a 2-for-1 stock split.

Constellation (STZ: news, chart, profile) got at least one analyst's upgrade to boot.

After the bell Thursday, Constellation said that brisk wine sales, currency benefits and an acquisition drove its fiscal fourth-quarter revenue up 18 percent to $1.04 billion -- high enough for the company to crack the $4 billion annual mark for the first time.

In addition, the wine, spirits and beer business posted adjusted earnings -- backing out some acquisition costs -- of $73.2 million, or 62 cents a share. That figure is also up 18% from the year-ago quarter and 4 cents ahead of the average estimate of analysts polled by Thomson First Call.

Looking ahead, Constellation said that it expects to earn between 56 cents and 60 cents a share on a comparable basis in the current quarter, up from 52 cents in the year-ago period.

Constellation gained $3.48 to close at $57.95 after touching a 52-week high of $59.50 earlier. The stock was at $32 in April 2004 and has been rising steadily ever since.

In a note to investors, J.P. Morgan's John Faucher bumped his rating on the stock to overweight from neutral, even setting aside that recent run on the shares.

Among the factors cited for the ratings boost were improved fundamentals, the expectation of continuing strong wine results -- a category that accounts for 73 percent of the company's revenue -- and "a high level of confidence" that Constellation can beat a "conservative" fiscal 2006 profit forecast.

The company's "wine strength should be driven by improving industry pricing and [by] share gains behind its large portfolio of brands, which we believe gives [Constellation] a big competitive advantage versus smaller brands in a fragmented industry," he wrote.

Spirit sales are also strong, driven by ongoing industry trends and new products, Faucher added. Although beer results "have been softer than expected driven by difficult comparisons and weak industry trends, we still think Corona brand equity remains solid."

Trading in other diversified alcohol players was more sedate, as market leader Diageo (DEO: news, chart, profile) slipped 9 cents to $59.52 while Allied Domecq (AED: news, chart, profile) added 7 cents to $48.26.

Fortune Brands (FO: news, chart, profile) gained 2.1 percent to $85.98 and Brown-Forman (BFB: news, chart, profile) slipped 34 cents to $55.26.



**4. Pernod Bid for Allied Domecq May Come Within Weeks, Bank Says**

***Bloomberg***

April 8, 2005

Pernod Ricard SA and Fortune Brands Inc., the liquor makers mulling a joint bid for larger distiller Allied Domecq Plc, may announce an offer in a matter of ``weeks rather than months,'' Dresdner Kleinwort Wasserstein said.

Paris-based Pernod and Fortune Brands, the U.S. maker of Jim Beam bourbon, have been planning an acquisition of Allied Domecq for about **two years**, Dresdner Kleinwort Wasserstein's research department in London said today in a note to investors, citing the bank's undisclosed ``trade sources.''

An acquisition of Allied Domecq would help Pernod gain greater bargaining clout with retailers and accelerate sales growth in the U.S., where demand for spirits and cocktails is rising faster than beer. Pernod and Fortune Brands may bid as much as 7.35 billion pounds ($13.7 billion), or 664 pence a share, for Allied Domecq, according to the median estimate of six analysts surveyed this week by Bloomberg.

``We stick with our 620 to 670 pence valuation,'' Dresdner Kleinwort Wasserstein said. ``Some expect a higher bid, but Pernod has stated it wants to cover the cost of capital in the third year of any deal it does.''

The bank cut its recommendation for Allied Domecq's shares to ``hold'' from ``add.'' The stock was unchanged at 642.5 pence at 11:58 a.m. in London, valuing the company at 7.12 billion pounds. Allied Domecq's shares surged 18 percent on April 5, when the potential offer was announced.

**Pernod and Fortune Brands may make a formal bid by April 21,** the Times of London reported today, without saying where it obtained the information. The drinks makers are rushing to finish looking over Allied Domecq's books in the next two weeks in an attempt to reduce the chance of a counter-bid from competitors, the newspaper said.

Bristol, England-based Allied Domecq, the maker of Malibu rum and the U.S. distributor of Stolichnaya vodka, may command a bid price of as much as 7.75 billion pounds, or 700 pence a share, Lehman Brothers estimated on April 6. The British company had a market value of 5.94 billion pounds on April 4, the day before Pernod and Fortune Brands made their announcement.

Fortune Brands, based in Lincolnshire, Illinois, and Pernod may carve up Allied Domecq's brands between them and sell others if the bid is successful, according to Lehman Brothers.

When Pernod teamed up with Diageo Plc, the world's largest liquor maker, in 2001 to buy Seagram Co.'s drinks business for $8.1 billion, they split up the brands. Diageo kept Crown Royal whiskey and Captain Morgan rum, while Pernod got Martell cognac and Chivas Regal scotch.



**5. You Must Be Over 21 to Drink in This Living Room**

By Michele Oreckin – *Time.com*

April 11, 2005

A crackdown on house parties stirs up a debate about privacy.

Officials in Stratford, Conn., convened a group of middle and high school students last year to quiz them on their attitudes toward alcohol. The officials were dismayed, if not surprised, when the teens reported that they thought alcohol, unlike tobacco and other drugs, was largely harmless, that binge drinking among their peers was habitual, and that drinking enough to pass out was funny. But the officials were perhaps most displeased to hear that the place kids most often got drunk was their own or their friends' homes and that some parents either provided alcohol or looked the other way if teens brought it to drink in the backyard or basement.

Spurred in part by that information, the Stratford town council is considering an ordinance that would allow police to enter a private residence if they suspect someone under 21 is consuming liquor, even if adults are present. Dubbed the house-party ordinance, it has been adopted in 43 of the state's 169 municipalities, but in Stratford it has split neighbors between those who see the measure as a way to curb underage drinking and those who argue that it undermines parental authority and violates privacy rights.

Most teens still do their drinking when adults aren't around. But many parents have concluded that teen drinking is inevitable, and given the options, they prefer to have their kids drink at home under adult supervision rather than in a park or parking lot. Some parents even play host to "tent" parties, at which they confiscate car keys and provide a place for kids to spend the night. Public opinion, however, seems to be against that approach, and state and local governments are beginning to enact laws designed to stem underage drinking by targeting adults. Adults face six months in jail, for example, under a law passed in Kansas in 2003, if they allow anyone under 21 to drink in their home (an exception is made for giving one's child beer). A similar bill is pending in Wyoming. In Connecticut, enthusiasm for house-party ordinances is picking up momentum, with 22 towns jumping on the wagon in the past 11/2 years alone. Legislation has also been proposed to adopt a statewide law.

Proponents of the Connecticut ordinances say they address a loophole in the state law that makes it a crime for anyone under 21 to drink on public property but does not prohibit drinking in private homes. "If police go to a home and look through a window and see a kid drinking beer, there's nothing they can do unless they're invited in," says Craig Turner, vice chair of the Connecticut Coalition to Stop Underage Drinking (CCSUD), which has been a major force in pushing for the ordinances. "And even if they manage to get invited in, the only thing they can do is ask the kids to pour the liquor out or nab a kid if he creates a disturbance when he leaves the house." Under the house-party law, drinking by anyone under 21 on private property is a crime. Police can enter a home and issue citations and fines to both minors and any adults present whether or not they provided the alcohol. The provisions differ slightly from town to town, but the fines generally range from $50 to $100, with a first offense considered an infraction and the second a misdemeanor. Exceptions are made for kids who drink when their parent or legal guardian is present, but even if teens have their parents' permission to drink at a friend's house, they are in violation if that parent is not on the premises.



**6. Cooperation, Not Confrontation, the Answer to Booze Problems**

By Editorial Board – *Daily Iowan*

April 12, 2005

As suggested by an April 11 Daily Iowan article, other colleges and universities across the nation are taking initiatives to address the ubiquitous problem of binge drinking without necessarily alienating underage students from downtown social scenes, encouraging unsupervised house parties, and putting a dent in local economies. Iowa City can follow suit, but to do so, the various organizations on and around campus need to work together with each other and the university to effect change.

The Stepping Up Project has lobbied aggressively to restrict Iowa City drinking establishments to those aged 21 and older, an initiative that has historically seen support from university officials. The Iowa City Alcohol Advisory Board has taken a different stance, maintaining that local bars continue to allow entry to 19-year-olds and employ alternative strategies to fight excessive and illegal alcohol consumption. Furthermore, there's UI Student Government, an organization that has actively fought against a 21-only ordinance for years, and the Iowa City City Council, whose members have voiced mixed opinions on the subject.

The presence of all these interested parties has the potential to stall the matter rather than make progress on it. If the university and community have any hope of making headway, three things need to happen. First, these groups need to cooperate with each other instead of wasting time disputing the best course of action to take. Likewise, university officials need to recognize the efforts and ideas of all the groups, not just those that advocate the UI's position. Finally, the community needs to work together to produce fresh ideas, not dwell on old ones that have already been proposed and discussed without result - most notably the 21-ordinance.

In looking for new solutions, the work of other alcohol advisory boards around the country provides valuable insight, and to its credit, Iowa City's board has looked to them for ideas. The Liquor Advisory Commission of Champaign, Ill., has implemented one of the best options we've seen. That city, which also permits 19-year-old patrons in its bars, enacted a policy enforcing a 2 a.m. last-call at bars and a 2:30 a.m. closing time. This is a plan we've already endorsed, and again we call for it to take shape in Iowa City. The problem with allowing bar patrons to buy alcohol until just 10 minutes before closing time - at which point all intoxicated patrons spill out onto the streets at once, only to proceed to after-hours parties where they drink even more - should be self-evident.   
  
That's just one idea to combat alcohol abuse without closing the doors of Iowa City bars to so much of the student population. It's not a perfect plan, but nothing is. Indeed, numerous reforms will need to occur before we begin to see a change in the UI's drinking culture. But nothing is accomplished by continuing to discuss old ideas that have already fizzled while bickering about feasibility of alternatives. Ideally, we would like to permanently put to rest debate over a 21-only law, and we'd like the issue of binge drinking to stop rearing its ugly head in this newspaper almost weekly (and daily, in the arrest blotter). But before that happens, cooperation and creativity needs to take place between community groups and members.

We hope to see more of that.



**7. Beer, Bio-ag Don’t Mix, Brewer Says**

*Des Moines Register*

April 13, 2005

Anheuser-Busch, the nation’s biggest beer maker, says it won’t buy Missouri rice if genetically modified, drug-making crops are allowed to be grown there. The St. Louis-based company fears contamination if 200 acres of rice engineered to produce human proteins for drugs is grown.

Iowa Gov. Tom Vilsack views such crops as a vital part of the state’s economic future. Critics argue that it will be difficult to ensure bio-engineered crops stay out of the food system.



**8. Federal Government: Miller Ads Don't Violate Regulations**

*Dow Jones Newswires*

April 13, 2005

The Alcohol and Tobacco Tax and Trade Bureau has ruled that Miller Brewing Co.'s advertising campaigns don't violate regulations against "false, misleading and disparaging statements," as Anheuser-Busch Cos. (BUD) had contended.

"After a thorough review of AB's complaint and Miller's response, we find that Miller's advertising campaigns do not violate the regulations relating to comparative advertising," Stephen G. Taylor, assistant chief of the Advertising, Labeling and Formulation Division, wrote in a letter to Miller.

"We also find that Miller's advertising campaigns discussed in AB's complaint do not violate ... regulations against false, misleading and disparaging statements," Taylor said.

Anheuser-Busch had argued that Miller's "more flavor, more taste" advertising is false and disparaging.

Miller, a unit of SABMiller PLC (SAB.JO), had responded that the ads, which claim Miller beers have more flavor, color and aroma than Anheuser-Busch beers, are based on consumer taste tests. In addition, Miller said consumers understand that its advertising is humorous and not misleading.

Miller spokesman Peter Marino said: "We will continue to remind consumers that they have choices and assume that A-B will continue to complain."

Mike Owens, vice president, sales and marketing for Anheuser-Busch, said: "We disagree with the TTB's decision. We continue to believe negative attack advertising turns off consumers, and it appears consumers agree. Bud Light, the world's best-selling light beer, continues to be the fastest growing beer in America, gaining 1.7 share points in convenience store and supermarket sales combined for the first three months of this year."



**9. Alcohol Industry Accused of Marketing to Minors**

By Patrick Danner – *Miami Herald*

April 14, 2005

**A lawsuit claiming that alcoholic-beverage makers promote underage drinking is similar to the one brought against the tobacco industry.**

Some of the country's largest alcoholic-beverage makers have been accused in a Broward Circuit Court lawsuit of marketing booze to underage drinkers with images like the Budweiser frogs and Captain Morgan.

The action follows lawsuits filed in six other states and the District of Columbia, and appears to model claims that were brought against the tobacco industry -- think Joe Camel -- for promoting smoking to children.

The Broward suit seeks to force the companies -- including Bacardi, whose U.S. subsidiary is based in Miami; Diageo, which makes Captain Morgan; Anheuser-Busch; and Coors Brewing -- to give up billions in alleged profits from illegal sales to minors.

Several experts in product-liability litigation said industry executives have expressed concerns that they are going to become targets in courts across the country -- just like major tobacco companies in recent decades. But the experts would not comment on the Broward suit and said it's premature to say whether these types of cases will gain momentum or be dismissed as frivolous.

Industry officials blasted the 80-page suit that was filed March 30.

''This action seeks to reward teenagers and their parents with the money the teens spent drinking illegally and would censor constitutionally protected free speech,'' wrote Lisa Joley, Anheuser-Busch's general counsel, in an e-mailed statement. ''That's wholly inconsistent with Florida law.'' The St. Louis company's beverages include Budweiser and Bud Light.

Waging the legal battles against the industry is David Boies III of the Fairfax, Va., law firm of Straus & Boies. He is the son of David Boies II, the lawyer who led Al Gore's challenge of the 2000 presidential election in Florida.

The younger Boies couldn't be reached by phone. Greg A. Lewen of Hollywood's Miller, Schwartz & Miller, which is serving as local counsel, referred inquiries to Boies.

The sole plaintiff in the Broward suit is Craig Konhauzer, a Cooper City interior designer and president of Davie's David Posnack Jewish Community Center. He couldn't be reached for comment. His lawyers want the suit certified as a class action, which would include parents or guardians of minors who purchased alcoholic beverages from 1982 to the present.

The suit describes Konhauzer as a parent whose children 'have consumed one or more of the defendants' products while still underage.'' The suit doesn't provide any additional personal details.

'Defendants' marketing efforts directed at minors generate a substantial portion of their revenues and profits and are crucial to their overall corporate strategy,'' the suit states. It seeks relief under Florida's Deceptive and Unfair Trade Practices Act.

The suit cited a Journal of the American Medical Association report, which said, ``Conservatively, underage drinkers drank 19.7 percent of the alcohol consumed in the U.S. in 1999.''

Konhauzer recounted in the suit numerous examples of what he contends is marketing geared to minors. They include Budweiser's animated frogs and lizards and the Spuds McKenzie dog. The suit also referred to the Coors Light twins appearing in Scary Movie 3, which was rated PG-13, and magazine ads featuring ''young snowboarders'' to promote Captain Morgan rum.

The suit also attacked Bacardi's website for offering a ''selection of arcade games designed to appeal to minors.'' The games mentioned include a drinking game called ``virtual quarters.''

''These lawsuits are without merit and they should be dismissed,'' said Patricia Neal, a spokeswoman for Bacardi USA. ``Bacardi USA does not target underage consumers.''

Neal added that the industry reviews its own advertisements through the Distilled Spirits Council of the United States. Distillers also fund the Century Council, a not-for-profit organization that combats underage drinking, a spokeswoman for the group said.

''The federal government has looked into this issue of alcohol advertising three times within the past five years, and after each review, [it] concluded that alcohol advertising is directed to adults,'' Neal said. The Federal Trade Commission, which issued the reports, couldn't be reached by phone.

The lawsuits have drawn comparisons to those brought against the tobacco industry, for, among other things, ads like the Joe Camel cartoon used to promote Camel cigarettes.

Tobacco companies agreed to pay $246 billion to states, including Florida.

Former Florida Attorney General Bob Butterworth, who helped Florida secure $13 billion in the litigation, couldn't be reached for comment.

Konhauzer's suit seeks unspecified damages but claims the alcoholic-beverage industry's profits exceed $1 billion a year. None of the eight Boies suits has gone to trial yet, said Mark Dover, a Kansas City, Mo., lawyer representing Miller Brewing, which is a party to five of the cases, including the one in Broward County.

A California judge in January threw out a similar lawsuit that accused brewers of promoting underage drinking. The suit was brought by the parents of a 20-year-old killed by a teenage drunk driver. Boies was not involved in the case, however.



**10. SABMiller, Anheuser Use Models, Free Beer to Stem Liquor's Rise**

*Bloomberg*

April 15, 2005

At a Friday night ``happy hour'' in Manhattan, two models in referee uniforms challenge Patrick McCall to choose between Miller Lite beer and Bud Light on the basis of color, smell and taste. He orders neither, a response that's transforming the $82 billion U.S. beer industry.

SABMiller Plc's Miller Brewing is using the contests to intercept drinkers like McCall who have abandoned low-calorie beers for even less filling mixed drinks. ``I'm watching my weight,'' says McCall, 32, patting his stomach and stirring a mixture of vanilla Stolichnaya vodka and club soda at Remedy bar.

U.S. beer sales have grown at a slower rate than demand for spirits and wine for five straight years as Americans switch to lower-calorie alcoholic beverages or imported brews. The shift is intensifying a classic U.S. beverage-market battle, Miller versus Bud, as the beermakers try to hold market share. Miller Brewing is adding more aggressive marketing to counter new beers from Bud Light brewer Anheuser-Busch Cos.

``They're not just competing with Anheuser-Busch, they're competing with the spirits market,'' says Jose Costa Buck, an analyst in Buenos Aires at T. Rowe Price International Inc., which holds shares of London-based SABMiller. ``The light segment is a growing segment in the U.S., and that's what they've been focused on.''

Liquor's share of U.S. alcohol spending rose to 32 percent last year from 30.8 percent in 1999 and wine climbed to 14.9 percent from 14.3 percent, while beer fell to 53 percent from 55 percent, says Adams Beverage Group, a Norwalk, Connecticut-based research firm.

**Raspberry Vodka**

Consumers have been drawn to spirits as liquor companies including London-based Diageo Plc have offered more new flavors and variety than brewers in the past few years, says Tom Pirko, president of Bevmark LLC, a consulting firm in Santa Barbara, California.

Diageo's Smirnoff vodka, the biggest-selling vodka in the U.S., comes in flavors including vanilla, raspberry and green apple. Alcohol companies are also selling more premium products, including Bristol, England-based Allied Domecq Plc's Stolichnaya Elit vodka, which retails for $60 a bottle.

Makers of wine and hard liquor are intruding on a longstanding rivalry. Anheuser-Busch and Milwaukee-based Miller Brewing, both founded in the mid-1800s by German immigrants, have been the No. 1 and No. 2 U.S. brewers by sales since the 1970s, when Miller vaulted to second place on the strength of its ``Miller Time'' advertising campaign. St. Louis-based Anheuser- Busch says it has been the largest U.S. brewer since 1957.

**Lost Ground**

Miller lost ground to Anheuser-Busch through much of the 1990s. Miller's market share fell to 19 percent in 2002 from 22 percent in 1993, while Anheuser-Busch's share rose to 49 percent from 44 percent, according to Beer Marketer's Insights Inc., a Nanuet, New York-based research company.

The dynamic changed in 2002, when South African Breweries Plc acquired Miller from tobacco company Altria Group Inc., then known as Philip Morris Cos., and created SABMiller. The Miller purchase let South African Breweries enter the U.S. and rely less on its home market, where a falling rand contributed to a two- year profit decline.

SABMiller moved Norman Adami, managing director of its South African unit, to Milwaukee from Johannesburg in February 2003 to stem the decline. He replaced John Bowlin, who resigned as chief executive of Miller Brewing. Adami, 50, a native of South Africa, joined South African Breweries as a project manager in 1979 and spent nine years managing the South African unit, where its market share of the beer industry was 98 percent.

**Retooled Advertising**

Under Adami, Miller Brewing began airing ads to let drinkers know there was an alternative to Bud Light and Budweiser. The company's ``Amazing Facts'' campaign, begun in August 2003, pointed out that Miller's best-selling beer, Miller Lite, had half the carbohydrates of Anheuser-Busch's top seller, Bud Light, as interest in low-carb diets was rising.

The efforts show signs of paying off. Miller's beer sales rose 1.6 percent in 2004, better than Anheuser-Busch's 0.4 percent gain, Beer Marketer's Insights says. SABMiller's net income for the six months ended Sept. 30 more than doubled to $699 million from a year earlier, while Anheuser-Busch's net income in the second half rose 6.1 percent to $1.07 billion.

Companies such as Diageo and Allied Domecq have stepped up U.S. ads to win customers aged 21 to 27, a group most open to trying new beverages, according to the Distilled Spirits Council of the U.S., based in Washington. Radio and television ad spending will rise to $110 million this year, the trade group estimates, a more than fourfold increase from $25 million in 2000.

**Headquarters Bar**

SABMiller shares climbed 32 percent to 815 pence in London in the 12 months through yesterday, outperforming a 9.3 percent decline to $45.99 in Anheuser-Busch stock in the same period and a 0.6 percent rise in the Bloomberg World Beverages Index.

The shares of Diageo, the world's largest spirits company, with brands including Johnnie Walker scotch and Captain Morgan rum, rose 7.1 percent to 788 pence in the year through yesterday. Allied Domecq, the No. 2 spirits maker, gained 40 percent to 640 pence, while shares of Louisville, Kentucky-based Brown-Forman Corp., distiller of Jack Daniel's and the biggest U.S. alcohol producer, climbed 14 percent to $54.81.

Adami is trying to instill a product focus at his company. On a sunny afternoon, he shows a visitor to the Fred Miller pub at Miller's Milwaukee headquarters. Adami had the pub built near the front entrance to encourage employees to linger on their way home. He also holds award and retirement parties there, amid African teak furniture and an outdoor terrace overlooking the 30- building complex on the outskirts of the city.

**`Bumped Into Them'**

Adami explains that Miller's slipping market share when he arrived left him with little choice but to go head-to-head with industry leader Anheuser-Busch through ads.

``Our choice was not to take on Anheuser-Busch for the sake of a ruckus and a jolly,'' he says. ``Wherever we looked, wherever we went, Anheuser-Busch was so big we bumped into them.''

Anheuser-Busch is responding with new beers such as B(E), pronounced B-to-the-E, which features caffeine and fruit flavors. The beer is a bid to capture drinkers at bars who order cocktails mixed with energy drinks such as Red Bull, made by Austria's closely held Red Bull GmbH, said Bill Pecoriello, an analyst at Morgan Stanley.

Anheuser-Busch introduced Budweiser Select on Feb. 21. The beer has 99 calories and 3.1 grams of carbohydrates, comparable to Miller Lite's 96 calories and 3.2 grams of carbohydrates. Both have about the same amount of calories as a 1.5-ounce glass of vodka or gin, which have no carbohydrates.

**Beer Handouts**

Beyond advertising, Miller and Anheuser-Busch are taking their battle directly to drinkers. The taste-test challenge in the Manhattan bar was part of Miller's ``Make the Call'' program. About 85 percent of drinkers pick Miller Lite, says Laurie Ferdman, strategic marketing team leader for Team Enterprises, a Cooper City, Florida-based company that Miller hired to conduct the taste tests.

To bolster its ``Fresh Beer Tastes Better'' advertising campaign, Anheuser-Busch is giving out samples of beer, bottled hours earlier at local breweries, at sporting venues including opening day at National Football League stadiums and the Daytona 500 auto race.

Beer companies are realizing they need to be more aggressive to stem losses to liquor makers, says Bob Lachky, vice president of brand management at Anheuser-Busch.

``We used to have this area more to ourselves and now we have a lot more competition,'' he says.

The handouts, new beers, taste tests and ads from beer companies may be having an effect, as reflected in SABMiller's sales. At Remedy bar on Manhattan's East Side, McCall finishes his drink and says he may be lured back to beer, complimenting the taste of Miller Lite.

``Right now I'm in my Stoli-vanilla-and-soda phase,'' McCall says, surrounded by customers two and three deep at the bar. ``That could change.''



**11. Stock Watch: Anheuser-Busch**

Source: *Wall Street Journal Online*

April 13, 2005

Anheuser-Busch, maker of Budweiser and Bud Light, calls itself the "King of Beers." Could its reign be in jeopardy?

The St. Louis brewer holds more than 50% of the U.S. beer market but faces challenges from the wine and spirits industry and from increased competition from archrival SABMiller PLC, maker of the Miller Lite and Miller High Life brands. What's more, Anheuser's new Bud Select line may be chipping away at sales of the company's existing products, causing many analysts to cry "cannibalization."

When Anheuser unexpectedly "pre-announced" disappointing first-quarter earnings, Bear Stearns said the news confirmed its "worst fears." Anheuser shares, near $55 in June, have languished for almost a year, hitting near a three-year low of $45.45 after the earnings warning April 5. But the beer maker, along with several analysts, sees potential in international growth, particularly through an ambitious push into China's burgeoning market.

Bulls and bears break down Anheuser's outlook.

**What the Bulls Say**

Hopping to It: Anheuser's profit forecast of between 63 cents and 64 cents a share, while disappointing, mostly was in line with analysts' expectations and unchanged from year-earlier profit. "There should be few surprises in Anheuser-Busch's first quarter 2005 earnings release," noted Prudential analyst Jeffrey Kanter, who has a "neutral" rating on the stock. A 2.7% drop in first-quarter sales to wholesalers, part of an industrywide lag in domestic beer sales, doesn't worry Corey Horsch at Credit Suisse First Boston, a unit of Credit Suisse Group. "Despite weak overall first-quarter volume performance, retail sales of the BUD family increased," wrote Mr. Horsch, who rates the stock at "neutral" with a $52 price target. He said the worst is now behind Anheuser.

Going Long: Anheuser may be in position to outpace rivals' growth by the end of 2005. "Longer-term, we think that BUD can grow slightly ahead of the overall beer industry, which we forecast growing at 0% to 0.5%," Mr. Horsch at CSFB wrote. Other analysts expect Anheuser's results to improve as comparisons to past, tough quarters become easier and recently hatched strategies play out. "The tactics being pursued to regain share momentum -- increased on-premise promotion, more innovation and greater flexibility with its wholesaling partners -- represent a sound course of action, in our view," Marc Greenberg of Deutsche Bank wrote. Mr. Greenberg, who has a "hold" on the stock with a $49 price target, said the "courageous BUD fan" may be rewarded for purchasing shares around $45.

Taste for China: China, with more than a billion people and a growing thirst for beer, has become a prime target for Anheuser. The company recently tripled its stake to 27% in Tsingtao, China's leading national brewer with 13% market share, according to Merrill Lynch. "This transaction was expected to transpire by October 2009 and we believe that this early conversion indicates a level of comfort in the relationship between the two brewers," wrote Merrill analyst Christine Farkas, who rates Anheuser at "neutral." The Tsingtao move will bolster Anheuser's existing presence in China; it already owns the profitable Wuhan International Brewing Co. and the Harbin Brewery Group, the country's fourth largest brewer. These moves, especially the heated 2004 acquisition of Harbin over SABMiller, are central to Anheuser's now-crucial overseas strategy. "We project 3% revenue growth in 2005," wrote J.P. Morgan's John Faucher, who is "overweight" on the stock. "The consolidation of Harbin should boost international beer-segment sales growth in the mid-20% [range]."

**What the Bears Say**

'Our Worst Fears': After Anheuser forecast earnings more than a penny below already-revised figures, Bear Stearns said the company "realized our worst fears." This followed a previous downgrade March 30 from Bear Stearns to "peer perform" from "outperform." Anheuser also said it is guiding "low single-digit" [earnings per share] growth for 2005, also weaker than expected. "With U.S.-driven earnings growth elusive, Anheuser could come under pressure to face the strategic international transactions that it has long shunned as too costly," Bear's Anthony Bucalo wrote. "But if it's going to continue growth, Anheuser's risk tolerance for transactions may well have to rise." Legg Mason also downgraded Anheuser to "sell" from "hold," though it waited until after the company's announcement. "We regret not anticipating the extent of industry- and company-specific volume challenges," wrote Mark Swartzberg. "Nonetheless, we think the shares are most likely heading to the low $40s, all else being equal."

Which Bud's for You? In February, Anheuser launched Bud Select, a low-carbohydrate and low-calorie beer. The new offering is catching on, but could end up just cribbing from its own share of the market. "Although Bud Select has only been in the market for a short period of time, it has taken over 1% market share. However, this most likely has come at the expense of some of Anheuser's other key brands such as Bud, Bud Light and importantly Michelob Ultra," an already-popular low-carb beer under the Anheuser umbrella, noted Smith Barney's Bonnie Herzog, who has a "hold" rating and $49 price target. "We continue to question whether the national rollout of Bud Select was a good decision, especially if it's cannibalizing Michelob Ultra significantly since it is a higher-priced beer, thereby hurting the company's mix. Also, we aren't convinced the position of Bud Select in the marketplace has been very clear for the consumer." This has hindered Anheuser as it is forced to ramp up marketing to maintain its market-leading position over Miller, Ms. Herzog wrote.

Wine and Spirits: The biggest challenge for Anheuser could be one facing other brewers -- increasing consumer demand for alternative alcoholic drinks. A recent Morgan Stanley report based on a survey of 1,400 alcoholic-beverage drinkers concluded that sales of wines and distilled spirits will continue to take business from the beer industry. Analyst William Pecoriello, who rates Anheuser "equal-weight," wrote in a recent note, "We still see a downward revision risk as the company faces a litany of challenges for the full year as underlying consumer demand is weak [and] the company is still losing share in supermarkets despite more aggressive pricing… ." Mr. Pecoriello lowered his year-end price target on the stock to $50, but said his "bear case" scenario for Anheuser puts the stock as low as $38. Banc of America's Bryan Spillane, who is "neutral" with a $48 target, wrote the "impact from increased competition within wine and spirits will likely cause BUD [and the beer industry] to spend more in 2005, and it is expected to take several quarters to determine how effective these initiatives are."



**12. Stolichnaya Maker Takes Shot At Dated Ads for Grey Goose**

By Christopher Lawton – *Wall Street Journal*

April 15, 2005; Page B5

Taking a direct advertising poke at a competitor -- a method lately exemplified by the Bud-vs.-Miller beer scuffle -- is back on the top shelf.

Allied Domecq, the United Kingdom-based importer of Stolichnaya vodka, is joining the fray with a print campaign that slaps rival Grey Goose's marketing stance as dated. Full-page newspaper ads in Tribune Co.'s Los Angeles Times, New York Times Co.'s New York Times and Gannett's USA Today highlight the fact that Bacardi's Grey Goose uses results from a 1998 taste test to claim it is the world's best-tasting vodka.

Allied Domecq says its campaign doesn't represent an attack on Grey Goose. "We are just putting out factual information to vodka consumers that is more up to date," says Simon Hunt, executive vice president of marketing for Allied Domecq Spirits, North America. "We think the category has moved on and the consumer has moved on."

Patricia Neal, a spokeswoman for Bacardi, declined to comment.

Mr. Hunt says Allied will pay $30 million in its current fiscal year, ending in August, to advertise and market Stolichnaya vodka. It spent $1 million on the initial newspaper ads.

When it was introduced in 1997 by Sidney Frank Importing, Grey Goose shook up the vodka category with its fancy packaging and higher price. Prior to that, Absolut, owned by Sweden's V&S Vin & Sprit, dominated the market with a hip image and clever print ads. Grey Goose's success helped kick off a super-premium vodka segment in the U.S. Its sales volume quickly increased to more than one million cases in 2002, thanks in part to a campaign that cited a taste test administered by the Beverage Testing Institute, based in Chicago, that rated Grey Goose the world's No. 1 vodka.

When liquor giant Bacardi paid $2 billion to purchase the brand last year, it continued to use the same advertising strategy. It seems to be working: Grey Goose last year moved closer to eclipsing Stoli. Grey Goose's volume grew 27% to 1.78 million nine-liter cases in 2004, according to Impact's 2005 Distilled Spirits Study, from 1.4 million a year earlier. By comparison, Stolichnaya volume grew 4.3% to 1.94 million cases in the same period. According to Beverage Marketing Corp., Absolut was the leading imported vodka in 2004 with 4.4 million cases sold.

Liquor company Pernod Ricard of France confirmed this month that it was in talks to buy Allied Domecq. Pernod plans to team up with Fortune Brands, Lincolnshire, Ill., to buy the British spirits house.

Consumers have grown accustomed to seeing rivals smack each other in public through advertising. Budweiser brewer Anheuser-Busch and SABMiller's Miller Brewing have traded punches for months, and even once-staid companies such as FedEx's FedEx Kinkos and Deutsche Post's DHL have come out swinging in the recent past.

Stolichnaya's print ad, crafted by Publicis Groupe's Publicis USA, features a bottle of Stolichnaya and a martini with a twist on ice. The ad's text lists a few highlights from 1998: "Monicagate begins," "Gas is $1.06 per gallon" and "Grey Goose is rated best-tasting vodka." The ad goes on to note, "Sure seems like a long time ago," and cites Stoli's first-place finish among vodkas in the 2005 San Francisco World Spirits Competition. The effort comes under a larger $12 million campaign with the tagline "Best Chilled."

