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| *October 7, 2005* | |

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**1. US: Vintage Wine Agrees US $150m Credit Facility**

Source: Editorial team - *just-drinks.com*

October 7, 2005

Vintage Wine Trust Inc., the only real estate investment trust (REIT) in the US which focuses exclusively on the wine industry, has announced that it has entered into a US $150m term loan facility with a consortium of banks led by Bank of the West.

Vintage Wine said the facility will be used primarily to finance future vineyard and wine-related asset acquisitions and to refinance loans on existing properties.

The credit facility, secured principally by the company’s existing vineyards, carries an 11-year term and bears interest at a rate of LIBOR (London interbank offered rate) plus 1.25% to LIBOR plus 1.50% depending on the original lease terms underlying the company’s properties.

“This facility strengthens our capital structure by providing us with considerable financial flexibility to execute on our growth strategy of acquiring vineyards and other wine-related assets,” said Tamara Fischer, Vintage Wine Trust’s chief financial officer. “Along with the US$90m of vineyard properties we have acquired to date, this facility will allow us to fund up to an additional US$310m of wine-related assets, bringing our total capacity to US$400m. We are currently in active negotiations to purchase additional properties, and expect to begin drawing on this facility almost immediately.”



**2. College Binge Drinking Still Out of Hand**

October 3, 2005

**More than 7 million people under the age of 21 are current binge drinkers in the U.S.**

(PRWEB) October 3, 2005 -- While overall drug use among adolescents has continued to decline in recent years, there has been little change in the alcohol consumption of young people under the legal drinking age of 21.

The latest statistics from the National Survey on Drug Use and Health report that over 7 million young people under the age of 21 are current binge drinkers, which is defined as having five or more drinks on the same occasion in the past month.

In addition, the National Institute on Drug Abuse (NIDA) concluded that 30 percent of Americans aged 18-20 were binge drinkers in the past month. Frequent binge drinkers were eight times more likely than non-binge drinkers to miss a class, fall behind in schoolwork, get hurt or injured, and damage property.

College campuses have been notorious for heavy alcohol consumption, and last year several schools made national headlines because of deaths on campus due to alcohol poisoning.

According to the National Institute for Alcoholism and Alcohol Abuse (NIAAA), anecdotal evidence suggests that the first 6 weeks of the first semester are critical to a first-year student’s academic success. Because many students initiate heavy drinking during these early days of college, the potential exists for excessive alcohol consumption to interfere with successful adaptation to campus life. The transition to college is often difficult and about one-third of first-year students fail to enroll for their second year.

Lucas Catton, now a Certified Chemical Dependency Counselor at Narconon Arrowhead’s successful drug rehabilitation and education program, was one of those students nearly ten years ago who didn’t make it through their first year of college.

"I was a complete mess back then, a total failure," admits Catton, "I was lost in my alcohol abuse and threw away everything positive that I had going for me at the time."

After several years of abuse he wound up getting help through the Narconon program and he credits Narconon for helping him turn his life around. Like many other staff members at Narconon Arrowhead, Catton later decided to devote his life to helping others who have stay out of the trap of substance abuse.

Much of Mr. Catton’s time is now spent helping to educate people about the true dangers of alcohol and other drugs through the media and live presentations. Narconon Arrowhead’s education program works with young people from elementary school through college, working to combat the alcohol industry’s advertisements as well as the misinformation they get from alcohol- and drug-using peers.

A survey conducted by the Center on Alcohol Marketing and Youth claimed alcohol companies placed more than 760,000 commercials on television from 2001 to 2003 and spent over $2.5 billion. During those three years young people between the ages of 12 and 20 were nearly 100 times more likely to see an advertisement for an alcoholic beverage than a "responsibility" ad by the industry about underage drinking.

For more information about alcohol and other drugs, to schedule a presentation for your school or college, or to get help for a loved one in need, contact Narconon Arrowhead today by calling 1-800-468-6933 or visit [www.stopaddiction.com](dhtmled0:www.stopaddiction.com).

As one of the nation’s largest and most successful alcohol and drug rehabilitation and education programs, Narconon Arrowhead attributes its effectiveness to the application of L. Ron Hubbard’s drug-free methodology.



**3. UIHC Mulls Smoking Ban**

By Emileigh Barnes – *The Daily Iowan*

October 4, 2005

Cigarette in hand, Tiffany Stuflick stood outside the main entrance of the UI Hospitals and Clinics. Because her 21-month-old daughter suffers from cardiovascular disease, Stuflick can't light up with her daughter around.

But the stress of hospital visits every six months often has Stuflick, who has used tobacco for 10 years, stepping outside for a smoke.

A proposed ban could eventually prevent her from lighting up even outside hospital doors.

In a meeting several weeks ago, the Iowa Hospital Association asked the UIHC to enact a smoking ban on all hospital and clinic premises. The ban would prevent smoking outside in area walkways, parking areas, and other places. On Monday, UIHC eliminated one of its smoking areas to make room for expansion of the emergency-treatment center, leaving smokers with one fewer area in which to light up.

"The reason behind [the ban request] is to reduce exposure to secondhand smoke for patients, staff, and visitors," said UIHC spokesman Tom Moore. "But there are a lot of details to discuss before we move forward on this."

Because she deals with her stress by smoking, Stuflick said, a hospital smoking ban would be burdensome.

"I just wouldn't smoke," She said. "And it would be very nerve-wracking."

Perched on a concrete ledge sprinkled with cigarette butts, UIHC ophthalmic photographer Stefani Karakas said the ban as unfair.

"This is outside air," she said, taking out a second cigarette. "I think it's kind of ludicrous to ban smoking, because smoking is legal."

Karakas said she usually smokes twice during her work day - during her break and lunch. She said a smoking ban could leave patients and patient families who smoke unsettled.

"Some of these people are under extreme duress and stress," she said. "Smoking is not good for you, but smoking can help calm you down."

UIHC social-services secretary Randy Joslyn said the ban wouldn't stop him from smoking but could potentially be positive.

"Personally, I'd like to quit smoking," he said. "A ban is a good thing in the long run, but it would be hard to enforce."

St. Luke's Hospital in Cedar Rapids is one area medical center that decided to go ahead with the ban, and Jan. 1, 2006, was set as the target date for enforcement. The hospital is looking into alternatives for patients, such as smoking-cessation information and nicotine-replacement options, according to the St. Luke's website.

Moore said UIHC had several questions, such as where boundaries could be set, to answer before officials could make a decision on the ban.

"It was just very recently that we had our conversation with [the Iowa Hospital Association]," Moore said. "We're not in a position to make a final decision, yet; we're continuing to discuss it."



**4. Candidates Weigh In On Liquor Issue: Citizen Group Releases Its Survey Results (Iowa)**

 By Heather McElvain – *Iowa City Press Citizen*

October 7, 2005

The Citizens for a Safe and Healthy Downtown released the results of its survey of the six at-large candidates for the Iowa City Council on whether they would support five measures aimed at curbing underage and binge drinking.

Ralph Wilmoth, chairman of the group and director of Johnson County Public Health, said the group's goal was "to make sure that the excessive alcohol issue was not neglected by the candidates."

It's a subcommittee of the Alcohol Awareness Workgroup, a group Wil-moth helped form more than a year ago.

The survey asked whether the candidates support raising the age of entry to bars to 21, limiting the number of downtown liquor licenses, enforcing a keg registration law, raising the age of alcohol servers and restricting the use of alcohol at community events.

Mary Khowassah, director of University of Iowa Student Health, said in a news release that candidates Larry Baker and Rick Dobyns had the "best understanding of the scope of the problem of underage drinking and of the measures that would be most successful in addressing the problem."

Baker and Dobyns said they would support raising the age limit for entering bars to 21.

Candidates Amy Correia and Garry Klein said they would not support that measure.

Baker, Correia and Dobyns said they would support policies to limit the number of downtown liquor licenses. Klein did not reveal a position on that proposal.

The Citizens for a Safe and Healthy Downtown reported that the number of liquor licenses in downtown Iowa City has grown faster than the population or university enrollment.

According to the group, the number of licenses has grown by 450 percent since 1974, while the Iowa City population has grown by 25 percent and enrollment at UI has increased by 15 percent.

Baker, Dobyns and Klein said they would support local keg registration, raising the age of alcohol servers and restricting the use of alcohol at community events. Correia did not state a stance on those issues.

Councilman Mike O'Donnell and candidate Mitch Rotman did not return the survey.

Wilmoth said the group selected the five questions based on national research. He said Keokuk County, last year, passed a keg registration law, which records the name of keg purchasers.

"So later, if there's an alcohol-related incident that involves that keg, the party that purchased it is held responsible," Wilmoth said.

Wilmoth said he thought current efforts to reduce underage and binge drinking in Iowa City were not working.

"The binge drinking rate among University of Iowa students remains at about 70 percent," he said. "There are many things in place, but they're not succeeding at decreasing that rate."



**5. Study Finds Drinking Mirage**

By Michelle Brooks *- The Daily Iowan*

October 7, 2005

Your friends may drink less than you think.

More than 70 percent of U.S. college students overestimate the amount of alcohol their peers consume, according to a study of more than 76,000 students at 130 colleges and universities.

The study, conducted by the National Social Norms Resource Center, revealed that students' perceptions of the drinking norm on campus were the strongest indicator for their personal alcohol consumption.

Each one-drink increase in a student's view of normal consumption by fellow students on campus correlated with a half-drink increase in personal consumption, the study reported.

But Shelly Campo, UI assistant professor of community and behavioral health, said one's peers - especially those who are male - are the key factors that affect one's drinking levels.

"You have a lot more contact and stake in what your friends believe," she said. "These are the people whose opinions matter to you."

Campo, who has conducted similar research at Cornell University and the University of Georgia, added that another recent study reported people's situations in which they grew up can be another factor in alcohol consumption.

Roughly 69 percent of UI students engaged in some form of dangerous drinking in 2003, which is far above the national average of 44 percent, according to a survey conducted by the Harvard School of Public Health.

Some UI students, however, are astounded by the findings of the National Social Norms Resource Center.

"I think if anything, I underestimate how much my peers drink," said UI senior Bridget Moellers.

The study also found that at schools where four-drinks-per-party was the average, 37 percent of students overestimated that norm by one or two drinks, and another 34 percent overestimated by three or more drinks.

Even at a school with the highest percentage of nondrinkers, 61 percent of the students overestimated the norm, according to the study.

The chances of students drinking excessively and experiencing negative effects were much higher at schools without prevention programs designed to fight student misperceptions of drinking norms, the study stated.

Providing alternatives and support for those who choose not to participate in drinking activities is one approach, said Sarah Hansen, the associate director of Health Iowa.

"It needs to be a multi-faceted approach," she said. "You can't do just one thing."

Although Health Iowa, as a part of the Alcohol and Drug Assistance Program, provides several educational programs regarding high-risk drinking, she said no one specific remedy will solve the problem.

"There's a cultural change that needs to occur," Hansen said. "We need to keep plugging away at a variety of things."



**6. US: Consumer Groups Call for Alcohol Label Rules**

Source: Editorial team - *just-drinks.com*

October 7, 2005

US consumer groups, the National Consumers League and Shape Up America!, are to hold a joint press conference on 12 October to call for the Alcohol and Tobacco Tax and Trade Bureau (TTB) to introduce compulsory standardised labelling on alcoholic beverages.

The groups argue that standardised labelling is now mandated on other consumable products such as foods, beverages and over-the-counter drugs. Material that the groups plan to present at the conference will include the results of a national consumer survey which they say shows overwhelming public support for a standardised "Alcohols Facts" alcoholic beverages.

The two groups are also to call on the TTB to implement interim guidelines so manufacturers can provide labelling information on a voluntary basis until regulations go into effect.



**7. When Drunk Driving Deterrence Becomes Neo-Prohibition**

By Radley Balko, *Fox News.com*

October 5, 2005

**This fall Mothers Against Drunk Driving marks its 25th anniversary. The organization certainly has much to celebrate: Deaths from drunk driving are down more than 35 percent since the early 1980s. We no longer chuckle at the bumbling drunk who can barely get his key into the ignition — we scorn him. Hopefully, we arrest him, too.**

Unfortunately, MADD has come to outlive and outgrow its original mission. By the mid-1990s, deaths from drunk driving began to level off, after 15 years of progress. The sensible conclusion to draw from this was that the occasional drunk driver had all but been eradicated. MADD's successes had boiled the problem down to a small group of hard-core alcoholics.

It was at about this time that MADD began to move in a different direction, one not so much aimed at reducing drunk driving fatalities but at stripping DWI defendants of basic criminal rights. MADD also seemed to expand its mission to one of discouraging the consumption of alcohol in general — what critics call "neo-prohibition."

MADD's biggest victory on this front was a nationwide blood-alcohol threshold of .08, down from .10. But when two-thirds of alcohol-related traffic fatalities involve blood-alcohol levels of .14 and above, and the average fatal accident occurs at .17, this move doesn't make much sense. It's like lowering the speed limit from 65 to 60 to catch people who drive 100 miles per hour. In fact, the U.S. Government Accountability Office reviewed all the statistical data and concluded "the evidence does not conclusively establish that .08 BAC laws by themselves result in reductions in the number and severity of crashes involving alcohol."

Indeed, many critics of the .08 policy predicted that the new law could make matters worse by using up scarce law enforcement resources to go after these new "drunk" drivers who don't pose much of a threat to highway safety. This is primarily done through the use of highly-publicized roadblock sobriety checkpoints, in which 12 to 20 police officers stop every passing car to make sure the driver hasn't been drinking.

The Supreme Court gave its OK to the road blocks in 1992, despite conceding that they may violate the Fourth Amendment. Former Chief Justice William Rehnquist wrote that the threat to public health posed by drunk drivers was reason enough to set aside concerns about searches without probable cause. Given that they're usually publicized, the primary effect of these roadblocks is to deter social drinkers. The hard-drinkers, the real threats to highway safety, know to avoid them.

Sure enough, after former President Clinton signed .08 into law in 2000, drunk driving fatalities began to inch upward again — after two decades of decline — suggesting that the real drunk drivers were successfully avoiding the roadblocks. Thankfully, fatalities fell again last year, but that hardly proves MADD correct — deaths continued to go up in those states that employ sobriety roadblocks. The corresponding fall in fatalities in states that refuse to use the roadblocks more than made up the difference, suggesting that, freed from roadblock duty, law enforcement was able to work more effectively to catch drunk drivers.

Many local police departments have noted the inefficiency of roadblocks and given up the practice, despite the prodding from MADD and the federal funding that comes with them.

Of course, many states and municipalities still use roadblocks. But they use them under the guise of looking for drunk drivers, then ticket motorists for a variety of infractions, only a small percentage of which involve driving while intoxicated. In other words, they've become revenue generators. A newspaper account of one recent North Carolina checkpoint, for example, found officers ticketing motorists for more than 45 infractions. Only three involved driving under the influence. That's actually high. Nationwide, less than .02 percent of motorists stopped at road blocks are arrested for DWI.

MADD has also worked to undermine the criminal protections of accused drunk drivers — protections routinely granted to accused murderers, rapists and other felony crimes. MADD, for example, has pushed to impose tougher penalties on motorists who refuse to take roadside breath tests than on those who take them and fail — effectively turning the Fifth Amendment on its ear. The organization also favors "administrative license revocation," which means the revocation of the driver's licenses and, in some cases, the confiscation of the vehicles, of those accused of drunken driving before they're ever given a trial.

The organization is also pushing the widespread use of ignition interlock devices, in which a driver must blow into a tube to start his car, then blow again every 20 minutes or so while driving. Washington state recently passed a law allowing judges to mandate the devices in the cars of people merely accused of drunk driving, not convicted. And the states of New Mexico and New York have both considered legislation that would require the devices in every car sold in-state. The New Mexico bill is stalled in the state senate after being passed by the house. The New York bill was initially killed, but it gains more votes each time its determined sponsors reintroduce it.

MADD is also pushing its agenda onto family laws, including a zero tolerance policy for divorced parents. Under the bills MADD is trying to push through state legislatures, a parent caught consuming one beer or glass of wine before driving could face penalties that, [**according to MADD**](http://www.madd.org/news/0,1056,8918,00.html), "should include, but are not limited to" — "incarceration," "change of primary custody," or "termination of parental rights." This means that if you take your kid to the game, have a beer in the third inning, then drive home, you could very well lose your rights as a father.

Even MADD's founder, Candy Lightner, has lamented that the organization has grown neo-prohibitionist in nature.

"[MADD has] become far more neo-prohibitionist than I had ever wanted or envisioned ...," Lightner is quoted as saying in an Aug. 6 story in the Washington Times. "I didn't start MADD to deal with alcohol. I started MADD to deal with the issue of drunk driving," she said.

Unfortunately, the tax-exempt organization has become so enmeshed with government it has nearly become a formal government agency. MADD gets millions of dollars in federal and state funding, and has a quasi-official relationship with the National Highway Traffic Safety Administration. In some jurisdictions, DWI defendants are sentenced to attend and pay for alcoholic-recovery groups sponsored by MADD. In many cities, MADD officials are even allowed to man sobriety checkpoints alongside police.

On the occasion of its 25th anniversary, perhaps its time Congress revisit the spigot of federal funding flowing to MADD, and consider revoking the organization's tax-exempt status. Clearly, MADD isn't the same organization it was 25 years ago. It has morphed into an anti-alcohol lobbying organization. There's nothing wrong with that — it's certainly within MADD's and its supporters' First Amendment rights.

But taxpayers shouldn't be forced to subsidize them.



**8. Cheap Money Likely to Fuel Takeover Activity**

By Gillian Tett

October 5, 2005

When Pernod Ricard, the French drinks group launched a £7.4bn bid for the UK's Allied Domecq this year, it was not just the prospect of a heady new corporate brew that caused European bankers to blink.

Away from the spotlight, one of the most striking aspects of the bid was the ease with which Pernod Ricard raised a €9bn loan to finance the move. For though precise details on pricing are always opaque in loan markets, bankers say that Pernod paid on average just 75 basis points over Euribor to raise the funds - noticeably lower than the 85 basis points Bacardi had had to pay a few months earlier to buy Grey Goose Vodka, in the nearest comparable deal. Indeed, some bankers believe that for the drinks sector, the Pernod pricing was the tightest seen for almost a decade.

If so, it points to a much broader trend afoot in the corporate finance world. In the past couple of years, the cost of borrowing money has fallen steadily for most companies, even though the US Federal Reserve has repeatedly raised interest rates.

This decline partly reflects the fact that global financial markets are currently awash with funds because of the loose monetary policies in regions such as the eurozone and the excess savings held by many Asian central banks.

However, it also points to another striking trend: namely that in recent years, most mainstream companies have been highly reluctant to raise their leverage because they were busy repairing their balance sheets after earlier, value-destroying bouts of M&A. Thus, net new corporate bond issuance has been low and borrowing activity relatively muted - leaving plenty of cash chasing a home.

This has visibly driven down bond spreads, both for investment grade and high yield (or riskier) borrowers, notwithstanding a small wobble in the credit markets in May after the downgrading of General Motors and Ford. It has also lowered the cost of raising loans. Bankers say, for example, that investment grade companies in the US and Europe are now borrowing money at the cheapest level for eight years; meanwhile a survey from the European Central Bank shows that banks in the eurozone have relaxed their lending criterion recently to a remarkable degree.

History - and economic logic - suggests that the availability of all this cheap cash should eventually fuel more M&A activity. And in the world of private equity, at least, there is already ample evidence of this occurring. In the past couple of years, the scale of private equity activity has surged in both the US and Europe. Meanwhile, leveraged lending has risen sharply, both to fund these deals - and also refinance existing projects.

However, thus far, this dramatic burst of activity among buyout groups has not been matched by a similar frenzy among strategic or investment grade buyers. The overall level of syndicated lending has certainly risen over the past year: data from Dealogic, for example, shows that in the year to date, syndicated lending in the US was 6 per cent higher in 2005 than in 2004. Meanwhile, in the area of Europe, Middle East and Africa, loan volumes were 56 per cent higher.

However, much of this was driven by a desire to refinance loans - and take advantage of cheaper funding costs - rather than raise money for acquisitions.

"A large part of the recent activity in the M&A world has been by financial sponsors who have been making use of leverage. But there have been very few large strategic transactions that have required lots of debt," says Luca De Michelis, head of European Debt Corporate Origination at Lehman Brothers.

However, the crucial question is: Will this change? Most insist so.

"I think we will see more M&A activity going forward. At this stage in the cycle you would normally expect to see companies getting a bit more aggressive," says Mr De Michelis. And indeed, there are already some signs that private equity players are facing more competition from strategic groups. Data from Dealogic, for example, show that while refinancing remains a more common factor in raising funds than acquisitions, the proportion of acquisition-related loan syndications has been rising in the past couple of months.

As David Staples, a managing director at Moody's, echoes: "Everyone thought that a deal such as Auna [the Spanish telecommunications group] would go to private equity but in the end it went to a financial sponsor. I think in the telecoms world you are starting to see more M&A."

Nevertheless, thus far at least, there is certainly no sign that these hints of more M&A activity is leading to a pick-up in financing costs for investment grade companies. More remarkably still, even in the leveraged world, investors appear willing to fund ever-more risky private equity deals. A few massive deals have recently struggled in the markets, such as a leveraged buyout of the Italian telecoms group Wind, suggesting that investors are becoming a little more discriminating about which deals to back. But the overall cost of finance still seems stable - and bankers report that the cost of raising funds in many deals is still falling. The remarkable pricing feat achieved by Pernod, in other words, is unlikely to mark the peak of this current credit cycle.



**9. Challenges for Scotch**

By Gavin Hewitt, *The Herald*

October 4, 2005

You cannot open a newspaper or turn on the television today without hearing about the emergence of the Chinese and Indian economies. The message is clear – business faces major challenges in the global market as these countries develop.

However, as commentators look east they forget that Scotland has a world-beating industry with a product much coveted in these growing markets – today in Shanghai and New Delhi, Scotch is a fashionable drink among the aspiring middle classes.

Scotch whisky can only be made in Scotland. It is a legal fact that underpins Scotch's world-wide reputation and brings with it international prestige, jobs and revenue. Scotch whisky is one of Scotland's competitive advantages in the global market place.

More than £2bn worth of Scotch is exported annually, representing more than 20% of all UK food and drink exports. With such success, it would be easy to become complacent. However, continuing success and competitiveness cannot be taken for granted. Decisions taken at home today have a very real impact on industry sustainability in the future.

The Scottish Executive has said that growing the economy is its first priority. We applaud that commitment and have welcomed its partnership approach with the industry, as embodied by the Toast to the Future document published in 2000. We look to update this partnership in the coming months. Building on this relationship will be important to ensure the industry is equipped to deal with the challenges of the modern world.

Distillers are playing their part, investing in state-of-the-art production, bottling and tourism facilities, and developing a highly-skilled workforce. One need only watch a bottling line handling up to 600 bottles a minute to understand that distillers represent the best of modern businesses.

Innovative technology is being developed, for example, to help protect Scotch from counterfeiting and to improve energy efficiency. There is a huge investment in intellectual property which we need constantly to defend. Research into improving all aspects of the production process continues, while new products are being developed which appeal to a broad range of consumers.

Building a modern consumer understanding of a traditional product – whether that consumer is in Shanghai or Scotland – underlies industry proposals to define the various categories within the Scotch whisky market. Until now, category descriptions have been dictated by conventions. The aim is to codify these conventions into law to ensure consumers can have even more knowledge and information about what they are buying, by providing clear and consistent information about the different categories of Scotch.

Five categories have been defined – single malt, blended malt, blended, single grain and blended grain – and it would be compulsory for the category name to appear prominently and consistently on packaging.

The opportunity is also being taken to give added protection to traditional regional names, such as Highland and Speyside. We hope politicians of all parties will support our efforts to bring forward a new Scotch whisky law creating a modern legal framework that supports and protects our industry.

With nine out of every 10 bottles of Scotch sold overseas, the definitions will be communicated world-wide. Just as important to future success, we must continue to grow markets by proactively campaigning for the removal of trade barriers.

The industry is the only one to have secured a hat-trick of WTO rulings against tax discrimination – in Japan, Korea and Chile – and we continue to seek the removal of trade barriers in emerging markets, such as Brazil, Russia and Turkey.

That this is worthwhile is demonstrated by record growth in China, where exports soared by 165% last year. From nowhere, China has become one of our top 15 markets in five years. And, while economic growth increased demand for luxury goods, the industry was proactive in seeking the removal of trade barriers and was a trailblazer in the market.

Our current priority is India, a market of enormous potential but where access is unfairly restricted by an exorbitant federal duty burden of up to 525%, which makes Scotch unaffordable. We are working to persuade the Indian government to allow fair market access and are supporting a formal EU investigation of the tariff and tax regime.

Freedom to do business at home is also fundamental. New legislation in areas as diverse as water abstraction controls, duty stamps and labelling all impact on productivity. Like other businesses, we are not immune from rising input, energy and transport costs.

The Scotch whisky industry has much to offer. Policymakers and regulators should take the time to understand and support a successful indigenous industry and develop a holistic view of the environment in which it operates. By working together, economic growth, international competitiveness and sustainable development can be achieved.



**10. Is Rum the New Vodka?**

By Liza B. Zimmerman – *Seattle Weekly*

As if we didn't have enough tasteless, odorless, colorless, and overpriced superpremium vodkas, Moët Hennessy has launched 10 Cane, a rum sure to please the vodka crowd. It's innocuous enough to mix with anything and pricey enough (at $34.99 suggested retail) to impress the dim-witted.

According to Tonja Smith, senior brand manager for 10 Cane at Moët Hennessy USA, the impetus for the rum's launch was a perceived gap in the rum market in the superpremium tier. Rum drinkers, she says, "want to be able to trade up." Produced in Trinidad, 10 Cane's marketers boast that it is made from the first pressing of sugar cane, rather than cane harvested for sugar production and turned into molasses. It also has the distinction of being double distilled in small-batch alembic stills and then French oak barrels.

While it can be said that many of the high-end rums are dark (such as Barbancourt Five Star from Haiti, Matusalem Gran Reserva from the Dominican Republic and Pampero Anniversario from Venezuela), it should also be noted that many of them also don't have such large marketing machines behind them. Kevin Williams, a bartender at Salty's and Daniel's Broiler on Lake Union, where 10 Cane will be served when available, says, "You want support from a company. Co-branding, marketing is important." Small companies may import great rums, but they don't have the means to shower top restaurants and retailers with perks and freebies (none of which is legal in our beloved control state of Washington).

Many high-end rums have historically been consumed straight-up or on the rocks, a style of drinking that's not widely embraced by the masses. 10 Cane's clean and smooth flavor, which Volterra's owner Michelle Quinsenberry compares to vodka, makes it a ready cocktail partner. Tony Abou-Ganim, head of the cocktail consulting firm the Modern Mixologist, worked with Hennessy to develop 10 Cane. He recommends using it for everything from a Mojito to creamy fruit-based drinks.

Could a less odorous and more innocuous tasting rum be the key to creating more excitement about rum? I doubt it. As I read in the 10 Cane press release that "this is rum's redemption," I wondered where rum had gone astray.



**11. Maxxium Blow to Fortune Brands**

By Ian Fraser, Financial Editor - *Sunday Herald*

October 3, 2005

International sales of three leading spirits brands are expected to be disrupted over the next 12 to 18 months because they have been "locked out" by a drinks distribution alliance in which their parent firm, Fortune Brands, has a 25% stake.

Teacher’s whisky, Laphroaig single Islay malt and Courvoisier cognac were snapped up by Illinois-based Fortune in July as part of a £2.8 billion purchase from Allied Domecq.

Fortune had anticipated these brands would be channelled through Amsterdam-based Maxxium – of which its Jim Beam Brands unit is a founder member. But two other Maxxium shareholders – Glasgow-based Edrington Group, owner of The Famous Grouse, and Remy Martin, owner of the cognac of that name – effectively blocked their entry into Maxxium apparently fearing conflicts of interest with their own key brands, which are already distributed through the alliance.

"Fortune is now desperately trying to find a new home for Teacher’s, Laphroaig and Courvoisier," said a senior industry source. "Of course, this is going to be tremendously disruptive for them. They’re going to need to knock on five different doors in 50 different countries."

A drinks analyst said: "This is pretty serious for Fortune. They have been forced to piece together a patchwork of alternative distribution partners which could be very disruptive. The problem areas include distribution arrangements for Teacher’s in Latin America and for Courvoisier in the Far East.

"This could also potentially spell the end of Maxxium. There’s clearly been a lot of strain between the partners."

The analyst added that, if Fortune was to choose to exit the distribution joint venture it would have to cough up €50m-€100m under an "exit clause".

Deutsche Bank analyst Graham Eadie added: "Clearly, this has not worked out how Fortune would have liked, and could potentially strain relations between the Maxxium partners. But it is not an insurmountable problem."

In the UK, sales of Teacher’s, Laphroaig and Courvoisier is expected to be less severely disrupted than elsewhere. This is because Allied’s former sales and marketing division, which Fortune acquired as part of the deal and employs about 250 people in Horsham, Surrey, will continue to distribute former Allied brands as before. It is no longer to become a part of Maxxium.

Brian Mackie, Maxxium’s finance director, said it would be "a reasonable deduction" that Edrington had exercised its right of veto in the Scotch whisky market, while Remy Cointreau exercised one in cognac. "No-one exercises their right of veto without good reason. Clearly they have their own brands to protect," said Mackie. He believes, however, that Maxxium could be strengthened by the developments, since Fortune has agreed to inject other former Allied brands – including Sauza, Canadian Club and Clos du Bois and some strong local brands – into the Maxxium network. He added: "In Spain and Germany, the former Allied distribution operations are being merged with our existing operations."

Clarkson Hine, spokesman for Fortune Brands, said: "We are delighted with the outcome of the discussions with our Maxxium partners. This gives us the best of both worlds. One, it gives us a more robust Maxxium and two, it gives us the opportunity to maximise the growth prospects for Courvoisier ,Teacher’s and Laphroaig."

He said that three-quarters of Courvoisier’s volumes are in the UK and US and that Teacher’s largest market is the UK – where distribution uis unaffected. Fortune also owns the golfing brands Titleist and Pinnacle, while its home products division accounted for half its $7.02 billion sales last year.



**12. Agents Take Pickaxes to Still (Virginia)**

*KAJT8.com*

October 7, 2005

AXTON, VA (AP) –- AXTON, Va. It's a page from Prohibition.

Officials used pickaxes to destroy a still found hidden in woods behind a home in rural Virginia.

Officials say the illegal distillery, found in a shed, had been in operation for a "good long time." They say they also found more than 300 gallons of whiskey in plastic jugs.

The jugs were knifed, liquor and mash in the pots were poured out, and pickaxes were used on the still.

An official with Virginia's Illegal Whiskey Unit says the still was capable of producing from 800 to one-thousand gallons of liquor per week.

Two men were charged with making alcoholic beverages without a license. If convicted, each could receive up to five years in jail and a 25-hundred-dollar fine.Officials used pickaxes to destroy a still found hidden in woods behind a home in rural Virginia.

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