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| *February 17, 2006* |

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**1. Keg Rules Don't Always Curb Alcohol Violations for Minors**

By Lisa Livermore and Eric Lund - *Register Ames Bureau*

February 13, 2006

### Only one Iowa county has seen notable decrease in past two years

Most counties in Iowa that recently created laws requiring adults who buy kegs to register their names with retailers have not seen a decrease in tickets issued for underage drinking, police and sheriff's deputies say.

However, many law enforcement officials and retailers said keg sales dropped or moved to other counties from places that have enacted the new rules. Other counties have struggled with carrying out simple provisions of a keg ordinance, such as finding identification stickers that don't slide off the wetness created by a keg full of cold beer.

###### GARY FANDEL/THE REGISTER

**Loading up:** Andy Smith of the Fred Nesbit Co. prepares kegs for delivery Friday at the Keg Shop in Ames. Next month, Story County will join several other Iowa cities and counties by enforcing its version of a keg ordinance.

The potential results of keg ordinances have been a hot topic in Story County, where its version of a keg ordinance takes effect next month. The issue is also getting attention from advocates who want a uniform law in Iowa designed to reduce binge drinking and crack down on adult suppliers who cross county lines to escape local regulations.

Twenty-seven states have also passed keg registration laws nationwide, according to research done by the Iowa KYDS (Keep Young Drivers Safe) coalition, the same group pushing for statewide keg registration in Iowa.

"It's one strategy," said Deborah Quintus, community coordinator with the Garner Asset Project, which aims to reduce substance abuse among students and adults in Garner, a town of about 2,900 in north-central Iowa. "It is not going to cure all underage drinking in Iowa, and no one that is working on this believes it will cure all our problems. This is an effort to hold adults who purchase kegs responsible."

In Iowa, the keg registration movement has attracted opposition from the beer industry, which insists that no studies have shown that the restriction eliminates people of age purchasing for underage drinkers.

Among the counties that adopted keg ordinances in 2004 and 2005, Palo Alto is the only one to see a notable drop in drinking tickets, from 120 issued in the county seat of Emmetsburg in 2004, the year its ordinance was adopted, to 107 in 2005.

**Differing views**

Tony Bisignano, a former state legislator and the father of Nick Bisignano, a Des Moines teen who was killed while driving intoxicated in a December 2004 crash, said kids are able to get large quantities of alcohol from beer kegs, as compared with other types of alcohol. Also, kegs put a much larger group of kids together than other types of alcohol.

But Poweshiek County Sheriff Tom Sheets said kegs aren't the problem.

"When the board (of supervisors) presented it to me, my comment to them was, 'Figure out how to register 18- and 30-packs so we can take care of a problem,' " he said.

Iowa Public Safety Commis- sioner Kevin Techau said it's difficult to research the impact of keg registration ordinances, saying there are many factors that go into the analysis, such as their impact on traffic fatalities.

"It's just another tool," he said of a statewide keg registration law.

**Student opposition**

At Iowa State University in Ames, many college students have opposed Story County's ordinance, saying they worry their peers will move to harder, unregulated liquor when keg sales are being tracked.

Chris Brubaker, an ISU sophomore, said if police break up a party, the of-age owners of the residence could be charged anyway even if the specific purchasers could not be identified.

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| Drinking tickets: Before and after |
|   |   | Many cities or counties that adopted a keg registration ordinance did not see significant drops in the number of underage drinking tickets they issued. **SIGOURNEY:** In the county seat of Keokuk County, which created the regulations in 2004, there were nine underage alcohol possession tickets issued that year and 11 issued in 2005, said Allan Glandon , the city's police chief.**ALGONA:** In the county seat of Kossuth County, where new keg rules were enacted last year, the city's police department wrote 34 alcohol possession tickets in 2005, compared with 28 in 2004. The Kossuth County sheriff's office reported a slight drop in tickets, with 34 for alcohol possession in 2005 , compared with 36 in 2004 .**POWESHIEK COUNTY:** Nine tickets were issued for possession of alcohol and minors driving under the influence of alcohol in 2003 , the year before a keg registration ordinance was enacted. Five tickets were issued in 2004 and seven were issued in 2005. |

"I don't think it really accomplishes very much," he said of keg registration.

However, Kimberly Hall , an ISU freshman, said she supports the regulations.

"I think it's a good idea," she said, adding that it would cut down on the number of keg parties where the hosts charge money for beer and could cut down on the number of places underage students can go.

The push to track keg sales has decreased the amount of times they are purchased in Garner, said T.J. Richardson, a store manager for Bill's Family Foods . He said he sold nine kegs in 2005 from Jan. 1 to Feb. 1, which is prime party season around New Year's and the Super Bowl, he said.

A new keg ordinance took effect in Hancock County this year, and only one keg has been sold during that time, Richardson said. At the same time, he sold more cans of beer.

"I'll tell you what — you really won't have a lot of people buying kegs for their kids anymore because they have to show a photo ID," he said.

Retailers in other counties haven't seen such results.

Kossuth County adopted its ordinance in March 2005 after it saw an increase of kegs distributed to people from a neighboring county that passed similar regulations, said County Attorney Todd Holmes.

Bill Weir, a manager at Hy-Vee Wine & Spirits in Algona, said he sells at least 100 kegs a year and hasn't seen it slow down since new rules took effect.

"I didn't even know it passed," he said. "I haven't been notified to be doing anything different than what we've been doing."



Holmes said part of the challenge of enforcing the keg ordinance is that the county has not been able to find a sticker that is supposed to identify a keg and stay on without falling off when it's soaked in icy water.

**Getting around the rules**

Law enforcement officials in Palo Alto County said they believe adults are buying kegs in other counties since they passed a keg ordinance, making it even more difficult to track down suppliers.

In March 2005, Cherokee 19-year-old Cole Runyan died after he failed to negotiate a curve and went into a ditch. He had just left a keg party in Emmetsburg and had alcohol in his system at the time of the accident, authorities said.

Emmetsburg Police Chief Eric Hanson said none of the four kegs recovered after a search warrant was served at the house of the college party had keg registration stickers, despite the fact the county had recently passed an ordinance requiring any keg bought in the county to be registered and identified.

"It was determined that (the) kegs had not come from Palo Alto County," he said. "If there's kegs that need to be bought, they are going out of county."


## 2. Registering Kegs on Tap

By Colin Burke – *The Daily Iowan*

February 16, 2006

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| An enthusiastic party-goer brandishes a finished keg at a house party on Melrose Avenue before the Iowa/Michigan game in Kinnick Stadium on Oct. 22, 2005. The party filled the backyard of the home, but the crowd quickly dispersed after the beer was gone and the game started.Media Credit: Nick Loomis/The Daily IowanAn enthusiastic party-goer brandishes a finished keg at a house party on Melrose Avenue before the Iowa/Michigan game in Kinnick Stadium on Oct. 22, 2005. The party filled the backyard of the home, but the crowd quickly dispersed after the beer was gone and the game started. |

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The Iowa House of Representatives will once again look into regulating underage alcohol use through keg registration, and one local law-enforcement official said he supports the effort.A study bill referred to a subcommittee Tuesday asks legislators to examine how keg identification numbers and purchasing records - already in place in some Iowa counties - could prevent underage drinking.In the past, some legislators have said tracking keg sales could hold accountable people purchasing alcohol for minors.Iowa City Police Chief Sam Hargadine said he supports regulatory efforts, and he dismissed contentions that providing a list of alcohol buyers would mean more work and dampened sales for vendors."Considering what they're making off the keg, I'm not very sympathetic," he said. "The alcohol industry has never had a bad year.”He said his force would not use registrations to direct them to parties where underage drinkers could be imbibing. Instead, the police will continue to rely on citizen complaints, he said."Just because they're listed as having a keg doesn't mean we're going to be stopping by," he said.Hargadine added that the department would use the records for investigative purposes, especially if the keg were in possession of a minor.But a local businessman has experienced this kind of debate before and said the state's approach may be misguided.Doug Alberhasky, the "Bier Guy" at John's Grocery, 401 E. Market St., said the Legislature's perspective on regulating underage drinking is outdated."They're trying to regulate the laws for the horse and buggy," he said.In terms of the store's profits, he said, keg sales represent a tiny margin, mostly because he believes few people throw large parties and because of changing keg prices over the last 10 years. With or without a law, the store could cooperate with police by giving investigators keg receipts and remaining tough on carding purchasers, he said.Rep. Cecil Dolecheck, R-Mount Ayr, sponsored a bill calling for similar oversight during last year's session at the behest of constituents concerned about underage drinking.Regulations already in place by local governments across Iowa need statewide applicability, because purchasers can simply buy the beer in an unregulated neighboring area, he said.Laurie Luettjohann owns T-N-T Liquor in Sigourney, Iowa, where a countywide keg-registration law requires her business to track keg buyers.She said she still supports the effort, even though "since that went into effect, we sell about half of what we used to." |
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## 3. Bill Targets Drunk Boaters (Iowa)

By Eric Pape – *The Daily Iowan*

February 16, 2006

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| A bill proposed by a member of the Iowa House of Representatives could change the way Johnson County boaters plan their day on the water.The bill, introduced by Rep. Mike May, R-Spirit Lake, would lower the current .10 blood alcohol limit for motorboat and sailboat operators to .08, consistent with the limit for motor vehicles.He said he is concerned about recreation aficionados who dock up and visit bars on prominent lakes, such as West Okoboji, and "get intoxicated and try to drive their boats back across the lake." "We think that there should be the same level of concern on the lake as there is on the road," he said on Wednesday.Randy Edwards, an assistant chief of law enforcement for the Iowa Department of Natural Resources, said boating while intoxicated arrests in Iowa are starting to "inch up" to 25-30 a year."We see no reason that [the blood alcohol level] shouldn't be the same," he said. Boaters under the .10 limit may continue drinking because they are not cited, and then they may eventually end up on the road, he said.Johnson County resident Roger Hardin, who frequently boats on the Coralville Reservoir using his Seadoo Jet Boat, said he supports the change."If it's going to make being out there safer for everyone on the water, then I'm for it," he said. "I don't think it should be any different from what the law is for drinking and driving in your car.”Hardin said he has encountered numerous people on the reservoir partying and drinking.Erika Anderson, a Johnson County conservation officer, said intoxicated boaters are "a consistent problem, especially on bigger waters, where there are coves where people congregate and party.”Patrolling and calls from other boaters that someone is operating in an unsafe manner helps identify drinkers, she said"For the most part, stopping the boat for violating the law in some other way and by talking to operators and checking for safety equipment in the boat is when you realize they have had too much to drink," she said.Anderson said there is "no certain target group of violators" but that certain lakes are more attractive to partiers than others.**4. Blog Helps Police Unravel ISU Hit-and-Run**By Lisa Livermore – *Register Ames Bureau*February 16, 2006Shanda Rae Munn went to a keg party with friends who used digital cameras or cell phones to document a night of fun in Ames on Dec. 2.But the night turned deadly, and photographs and messages posted about the party on Myspace.com and Facebook.com would wind up as important components of a police investigation.Around the time Munn left the party in her car, she appeared to be intoxicated, party-goers told police. Then, according to charges filed Saturday, she hit fellow Iowa State University student Kelly Laughery and kept driving.Police gleaned details of Munn’s activities at the party and other information by seizing her computer equipment and that of some other party-goers. The computers contained blogs, or online diaries, documenting the party in words and pictures, according to search warrants.The case shows how savvy police are to students’ inclination to share their partying activity online – and the inherent risks with public journals found on youth-oriented Web sites.“This is a phenomenon that is happening across the country, and it baffles me to no end that students in particular do not realize that what they put on Myspace can be anybody’s space,” said Michael Bugeja, the director of the Greenlee School of Journalism and Communication, where Munn, a junior, has indicated she wants to complete her major.“What they put on Facebook can be accessed by anyone, especially those investigating applicants for jobs, or suspected wrongdoing,” he said.In search warrant applications, investigators said Munn maintained a profile page at [www.facebook.com](http://www.facebook.com) and [www.myspace.com](http://www.myspace.com).They said the blogs and posted messages they saw provided valuable information regarding the party and the morning that Laughery was hit.Laughery, 20, a member of the Sigma Kappa sorority, was found lying on Mortensen Road at 4:27 a.m. on Dec. 3. The sophomore from Orient was taken to Mary Greeley Medical Center in Ames where she was pronounced dead. Police determined she was struck from behind while walking east along the street.Last wee, Munn, 20, of Lawler, was taken to Story County Jail on charges of homicide by vehicle, a felony, and failing to stop at the scene of an accident resulting in the death of another person, an aggravated misdemeanor.Police said they believe Munn attended a party before the accident, had been consuming alcohol at that party, and was under the influence of alcohol at the time that she struck and killed Laughery. The photographs taken at the party helped identify witnesses, investigators wrote, and a couple of pictures showed Munn holding what appeared to be a cup of beer.ISU Police Capt. Gene Deisinger said some information about the party was obtained and corroborated online. He said interviews and other information were used in addition to the blogs Certainly blogs alone are not sufficient, and certainly not in an investigation of this magnitude,” he said. Deisinger also confirmed that police had several photographs documenting Munn’s presence at the party.Munn’s attorney, Russell Schroeder of Charles City, said he has not seen the evidence that ISU police have.“I cannot comment on the evidence that law enforcement has until I have an opportunity to view it,” said Schroeder, who has also announced that Munn will plead not guilty in the case.The court papers also highlight a new wrinkle in the case: One witness told investigators Munn thought she had hit a deer the day of the accident.The woman said Munn was holding a disposable camera and told her that she hit a deer and asked if she wanted to see the damage.Police wrote that those pictures on the camera may have been developed in print or digital form; on digital form, they may reside on Munn’s computer.Munn’s attorney confirmed that statement.“What you’re telling me is that Shanda Munn supposedly told a person she thought she hit a deer,” Schroeder said. “I don’t disagree with that statement.”Bob Rigg, a Drake University criminal law professor, said a defense attorney will most likely use the argument that “you have to know you are committing a crime.”In a 1981 case, state vs. Miller, the Iowa Supreme Court held that in order to convict a defendant for failure to stop at the scene of a personal injury accident, prosecutors were required to prove that the defendant had knowledge of the accident.“You have to know – that’s what Miller says,” Rigg said. |

**5. Pernod Ricard has the Thirst**

By Christopher Redman - *Fortune Magazine*

February 12, 2006

**Pernod acquires the taste for greatness**

In his office overlooking the leafy Place des Etats-Unis in Paris, Patrick Ricard has hung landscapes of the Mediterranean region where he spent much of his boyhood and where his father founded the eponymous family pastis business in 1932. "They are," he says, "my little bit of Provence here in the city.

Other mementos and framed photos are scattered about, but nowhere is there a tribute to the two men who helped transform Pernod Ricard into a global wine and spirits behemoth: French business tycoon Jean-Marie Messier and Hollywood mogul wannabe Edgar Bronfman Jr.

In 2001 those two came up with the harebrained scheme of funding their media conglomerate, Vivendi Universal, by selling Seagram, the Bronfman family drinks business. British drinks giant Diageo and Pernod Ricard fell upon Seagram with all the gusto of alcoholics at happy hour, and although Diageo grabbed as many of the company’s assets as anti -trust authorities would allow, Pernod didn’t do too badly either, coming away with enough of Seagram to double its own size.

At a stroke, Pernod Ricard was transformed from a medium-ranked French company into a major global player with some of the most coveted brands in the business, including Chivas Regal Scotch, Martell cognac, and America’s favourite malt whisky, Glenlivet. Four years later it’s deja vu all over again. In a move last summer that surprised many who had expected the reverse scenario, Pernod Ricard paid $14.1bn (£7.9bn, E11.4bn) to acquire larger British rival Allied Domecq. The result: Pernod has doubled in size again, to become the world’s second-largest drinks company, with anticipated revenue this year of $6.8bn. It is now the third-largest producer of branded wines, the top spirits company outside the US, and the leader in such fast-emerging markets as Brazil, Russia, India, and China, where the greatest potential for growth lies. And since France is the world’s largest consumer of Scotch whisky, it’s fitting that this French company has become the second-largest purveyor of Scotland’s signature spirit, with 21% of the global market.

Not bad for a company that began life in Marseilles as a producer of pastis, the anise-flavoured aperitif whose wormwood-infused cousin, absinthe, was the mind-bender of choice for fin-de-siècle Paris. Not bad, either, for Patrick Ricard, the company’s 60-year-old chairman and chief executive who wasn’t even the favoured heir but has managed to transform Pernod Ricard into a global giant his father would hardly recognise. So what can Ricard do for an encore? "First we have to complete the integration of Allied," he says. Still, the question hangs in the air along with the faint aroma of expensive cigars that pervades Ricard’s office: can Pernod catch Diageo to become No 1 in the global drinks business? Unlike Messier, Ricard is a man who chooses his words carefully, and he isn’t about to be drawn into extravagant predictions about his destiny or that of his company. Yet there’s no equivocation in his reply: "If we continue the way we have been going, we will be able to challenge for first place."

Those are fighting words from someone who may have the build of a pugilist but is normally reticent to the point of shyness. Whether Ricard can continue the way he has been going is another question. So far the company has grown primarily through mergers and acquisitions, starting in 1975 when founder Paul Ricard saw the writing on the wall for pastis producers and persuaded rival Pernod to join forces with him to combat the challenge from competing spirits. The next two decades would see the Pernod Ricard drinks cabinet expand to include Scotch (Clan Campbell), bourbon (Wild Turkey), and Irish whiskeys (Jameson and Bushmills), as well as Australian wine Jacob’s Creek), Polish vodka (Wyborowa), and a cocktail of other spirits.

But after a period of consolidation in the drinks sector, almost all the low-hanging fruit is gone. What’s left of any size is nearly takeover-proof – family-owned companies like Bacardi-Martini and Brown-Forman (owner of Jack Daniel’s whiskey) or Jim Beam.

There’s also the small matter of the $12bn or so Pernod borrowed to fund the Allied take-over. Although Fortune Brands paid about $5bn for such former Allied assets as Courvoisier cognac and Canadian Club whiskey, which Pernod needed to sell for anti-trust reasons (and because it needed the money), and three US private equity groups recently bought Allied’s Dunkin’ Donuts business for $2.4bn, there’s still work to be done on the balance sheet. Pernod insists that synergies will squeeze out about $360m in annualised savings, but it may be some time before the company is in a position to propose, even if a beauty like Bacardi were suddenly to seek a suitor.

Diageo is also not about to stand still while Pernod Ricard plays catch-up. Although the gap between the two has now been narrowed by the Allied acquisition, it remains daunting: last year Diageo sold 91m cases of spirits worldwide, compared with 77m for Pernod Ricard (including the brands it bought from Allied Domecq). More important, Diageo is still the clear leader in the US, the largest and most profitable drinks market, especially for premium spirits, whose fatter margins make for greater profits. "Diageo should not be underestimated," says James Dawson, an analyst at Charles Stanley, a London brokerage. "It is extremely good at managing its brands and will have an opportunity to widen the gap in North America as Pernod Ricard rejigs its portfolio." Diageo is already limbering up to meet the French challenge. "It’s good to have a clear enemy," says chief executive Paul Walsh.

The coming conflict will most likely be a war of attrition rather than major advances. Pernod is counting on economies of scale to help generate faster organic growth that will win market share at its rivals’ expense. The broader drinks portfolio provided by the Allied takeover should also help the company adapt better to different markets. "We needed drinks people wanted to drink rather than those we wanted them to buy," says Richard Burrows, who recently retired as Pernod Ricard’s co-managing director.

At a time when cocktails are making a strong comeback, he’s pleased that Pernod Ricard now controls about 20% of the liqueur market with brands such as Kahlua, Malibu, and Tia Maria. It has also spent $122m to secure global distribution rights to leading vodka Stolichnaya.

But most of all Pernod Ricard is betting on a repeat of what it calls the "Seagram effect" – the boost the company got from its superior marketing muscle and distribution networks to goose up the Canadian company’s underperforming brands. Sales of Martell cognac, for example, are up 9% since its acquisition from Seagram. Most impressive has been the turnaround at Chivas Regal, rescued from terminal decline as the preferred tipple of ageing lounge lizards and now one of the most profitable brands in the super-premium drinks category, with sales up 19% globally and 215% in China, the world’s fastest-growing market for premium spirits. According to market researchers Impact Databank, Chivas and Pernod Ricard’s other popular scotch, 100 Pipers, accounted for almost 80% of overall global growth in Scotch sales last year. The aim now is to apply some of that magic to former Allied brands. Ballantine’s, for example, is currently the third-ranked Scotch, after Diageo’s Johnnie Walker Red Label and J&B, but sales are overly-concentrated in Europe. Pernod believes Ballantine’s can do better, as can Beefeater, the world’s fourth-ranked gin.

Not everybody agrees that the Seagram effect can be repeated. Diageo’s Walsh has described the Seagram purchase as the "bargain of the century," while the higher multiple paid for Allied’s assets points to much less upside potential. "Developing the newly acquired brands may not be as straightforward as its previous experience with Seagram," explains Parita Chitaksem, senior global spirits analyst at Euromonitor International. "Pernod Ricard turned Seagram’s brands around with huge success, but they had been underinvested." Deutsche Bank analyst Graeme Eadie agrees: "Seagram was a neglected business, which is not the case for Allied Domecq." Eadie points out that although the Allied deal boosts Pernod’s presence in the US spirits market, it has not produced a quantum leap forward: Pernod’s market share is only 8%, compared with Diageo’s 22%, a lead that has an impact on the latter’s bottom line, given the higher margins in the US. "Diageo is not double Pernod Ricard’s size, but it’s twice as profitable," says Eadie.

Nobody familiar with the Pernod Ricard success story, however, would bet against the French company or its chairman, who has a knack for prevailing against the odds.

Back when his father was building the family pastis business, Patrick was overshadowed by his more mercurial older brother, Bernard, the heir apparent. In such circumstances, younger sons often find themselves looking for careers elsewhere. But the quiet and unassuming Patrick stuck around, learning the business from the ground up and learning also to keep his head down as Bernard and Paul feuded about the direction of the company.

So when Paul and Bernard had their last quarrel and parted company, Patrick, the brother who knew the business inside out, became the dauphin. Paul retired in 1968, and after the merger the Pernod family took the helm (with Paul interfering from the sidelines). But in 1978 Patrick finally became chairman, restoring the company’s focus on wines and spirits (Pernod Ricard had acquired several fruit and soft drink companies like Orangina as well as a grocery-distribution business) and embarking on the growth strategy that has made Pernod the global drinks power it is today.

Over that time the value of the company’s stock has climbed steadily, hitting an all-time high in early January of E152.20. And industry observers are bullish about the growth outlook. "Pernod Ricard has a great track record, and the growth in its stock price has been more inspiring than Diageo’s," says Chris Brook-Carter of beverage market-research company Just Drinks. Ian Shackleton, an analyst with Lehman Brothers, agrees: "Investors have the sense that Diageo has lagged behind Pernod in taking advantage of emerging-market opportunities." A sense of dynamism generated by the Allied takeover has also been a plus for the French company, while a diminishing thirst for ready-to-drink products like Smirnoff Ice has taken the wind out of Diageo’s earnings growth.

But despite the bullish outlook, a bearish shadow looms over Pernod’s future, and it’s cast by le patron himself. Patrick Ricard has made it clear that he intends to retire in 2008 to spend more time hunting game than pursuing corporate quarry. Like a glass of pastis after water is added, the outlook is further clouded by Burrows’s retirement. A former rugby player and chief executive of Irish Distillers until it was acquired by Pernod in 1988, Burrows supervised Pernod Ricard’s operations in the English-speaking world and played a critical role in the Allied takeover. Although he will remain a member of the board, "there’s always a slight nervousness when a key player on a successful side decides to go," says Lehman Brothers’ Shackleton.

But it is Patrick Ricard’s departure without an obvious family successor (his children by his second marriage are all too young) that has the most potential to knock the company off its stride at a time when its size and diversity threaten an identity crisis. French employees now account for only 12% of Pernod’s workforce, and the company portfolio is dominated by non-French assets, particularly Scotch, which represents almost half the volume. In the near future the home market will account for only 10% of sales – almost the direct inverse of what it was when Ricard took over in 1978 and Pernod was still a pastis producer for domestic consumers.

On paper, at least, the family factor shouldn’t be important. These days Pernod is a public company listed on the Paris Bourse, and the Ricard family stake of 12% is far short of a controlling majority, even though each family share has double voting rights. But the family stake – plus the presence of a Ricard at the helm – has ensured what the French call a noyau dur (or hard core) and what Burrows terms "the stability provided by a large, committed, long-term shareholder". This, he says, has helped Pernod develop a credible long-term strategy. Important, too, has been the family tradition of decentralisation – started by Paul, developed by Patrick, and reinforced last month when Ricard restructured the company to create four regional businesses, the better to manage his far-flung empire.

"My father believed that to serve our customers best you had to be close to them," Ricard explains. "That meant being de-centralised, so that we got to know them better and could react faster." Although Pernod after the Allied takeover will have more than 18,000 employees, its Paris headquarters will grow by no more than 50 or so, to about 200. The rest will be out looking after their brands and their businesses. "We may be headquartered in France, but in Brazil we’re Brazilian and in Argentina we’re Argentinean," says Ricard. "What’s important is the perception of our products – that our Scotch is from Scotland and our cognac from France. More important still is that locally we have local teams. That’s where we’re strong. We operate globally, and few know there’s a big French company behind our brands."

It is this philosophy that will surely determine whether Per-nod Ricard can catch Diageo, which has a far more centralised approach to its global operations. "Pernod Ricard’s operational structure gives it an advantage over Diageo," says Euromonitor International’s Chitaksem.

"Diageo’s centralised approach distances it from local decision-making and makes it slower to respond to new opportunities."

Sitting in his office discussing the future, Ricard concedes that integrating Allied Domecq will involve a corporate cultural challenge. "We’ll have to see whose model prevails – ours or theirs," he says. Given that he’s le patron, the outcome doesn’t seem in doubt. Nor does his determination to claim the top spot for Pernod Ricard. "The reason we’re going to prevail," he says, "is because we’ll be more responsive to consumers in every country and on every continent in which we operate." His father, Paul, would surely say "D’accord" to that.

 <http://www.thebusinessonline.com/Stories.aspx?Pernod%20Ricard%20has%20the%20thirst%20&StoryID=FC519B99-66FF-44FA-936B-564740423B31&SectionID=F60D3E05-7185-44CB-BB45-97AC94420FD5>

**6. Letter to the Editor**

By *Des Moines Register* Reader
February 13, 2006

**Legislation woud discourage teen drinking**

Roses to the Register’s Jonathan Roos for his coverage of the teen drinking and the “Nick’s Law” issue recently.

At the same time, thistles to the Register and Reid Forgrave for the highly insensitive article in Datebook that implied the only way to enjoy the Super Bowl would be in a drunken stupor (“Party Like You’re Back in College,” Feb. 2).

I don’t think the Super Bowl has much in common with the drunken riots that have disrupted the wonderful Veisha celebrations in Ames in recent years. Or the eight alcohol-fueled riots at Ohio State over the past 10 years. Or the five college students across the country who died within a month in the fall of 2004 due to alcohol poisoning.

As Roos’ articles have pointed out, Iowa kids have died because of alcohol abuse. A federal study found 1,400 alcohol-related deaths on college campuses a year. This is hardly a matter that should lead up to a “return to the puke-prone drinking techniques of college.”

Forgrave’s article was irresponsible journalism in light of the tragedies alcohol has caused involving Iowa high school and college youth.

There is proposed legislation before the Iowa General Assembly (Nick’s Law” or the “Iowa KYDS” initiative) that proposes improvements such as a beer-keg registration and increased criminal and civil penalties for providing alcohol to minors. These solutions have earned the support of Gov. Tom Vilsack, the Department of Public Safety and Public Health.

***- Dr. Mary Mincer Hansen, director, Iowa Department of Public Health, Des Moines***

**7. Wine Popularity Rises Among Nascar Set**

By Beth Snyder Bulik – *Adage.com*

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**Bennett Lane Winery Sponsors Car, Ravenswood Winery Backs Three Races**

YORK, Pa. (AdAge.com) -- Ten years ago, when Nascar West team owner Randy Lynch traveled with his 12-member crew, he was usually the lone wine drinker at dinner. Today that same group of guys blows through a case or more of Mr. Lynch’s Bennett Lane appellation long before the weekend ends.

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| http://adage.com/images/random/nascar021406.jpg |
| **Nascar West team owner Randy Lynch outside the Bennet Lane winery that now sponsors his car.**  |

Wine-drinking Nascar crews? What’s next -- brie en croute instead of nachos at the concession stand?

Not quite. But trends are looking up at the track where the likes of Budweiser and Coors have long ruled the road. Not only are there some 75 million Nascar fans, a recent Gallup poll shows Americans prefer wine over beer.

**Sponsored car**

Indeed, Mr. Lynch’s racecar is emblazoned with the sponsoring logo of California's Bennett Lane Winery. And that's far from the only evidence that rose and chardonnay will be catching on with the Nascar set. Ravenswood Winery announced last week that it will partner with Brewco -- yes, Brewco -- Motorsports to sponsor a Nascar in the Busch League as primary sponsor for three races, and will create a tailored marketing campaign to push the association.

Signs of wine aren’t only on the cars. Nascar team owners and drivers are coming out of the oenophile closet to both promote and produce their own vintages. One of the most well-known Nascar team owners, Richard Childress (for whom the late Dale Earnhardt drove), opened Childress Vineyards two years ago in North Carolina. Superstar driver Jeff Gordon recently put his name on the first of what will be the “Jeff Gordon Collection,” an upscale set of wines bottled by August Briggs in California.

For this unique, and sometimes still acrid, blend of wine and Nascar, Infineon Raceway serves as ground zero. The Sonoma Valley track hosts the only Nascar Nextel Cup run in wine country and is one of only two Nextel Cup racetracks in California.

**Blue-collar, beer-drinking crowd**

“When I started here in 1998, it was mostly that stereotypical blue-collar, beer-drinking crowd, but over the last four or five years you see a lot more polo shirts and khaki shorts,” said John Cardinale, Infineon VP-media relations.

Infineon took notice of that, as well as the annual barrage of phone calls before the June Nascar race from fans asking for wine-tour recommendations for the weekend. This year, Infineon became the first, and so far only, racetrack to build its own vineyard. Some 661 pinot-noir vines were planted outside the front office at Infineon. The first wines, likely 80 to 100 cases annually, will be ready in three to four years, Mr. Cardinale said.

Stefanie Longton, Bennett Lane’s manager of hospitality and marketing, said the first year of the Infineon Nascar race the company didn’t notice a bump in visits, but by the second year, several Nascar fans started dropping by the small winery that houses the Bennett Lane Nascar in its tasting room. Year three proved to be the charm, with traffic more than doubling for the weekend. To help encourage both the locals and the visitors, Bennett Lane put up a big screen in the tasting room to watch the race action unfold farther south.

**Nascar-branded wines next?**

Still, the market has room to grow. None of the current wines are Nascar branded or have Nascar imagery on their labels. Some of the Childress wines carry checkered-flag swooshes, but those not aware of Mr. Childress’ association with Nascar might not get the connection.

Mr. Lynch has more ambitious plans, though. He has trademarked a name and idea for a mass-produced wine called “Turn Four,” named for the place where the most exciting action occurs on the track. Someday, he says, he may make that label a mass-market reality.

“Beer is losing market share to wine while sports are losing market share to Nascar,” he said. “I like to say we’re changing beer guzzlers to wine drinkers -- one race at a time.”

<http://adage.com/news.cms?newsId=47889>

**8. Beer Business Could Muddy Diageo-Investment Proposition**

Source: *Wall Street Journal*

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The Diageo investment proposition is straightforward. The U.K. drinks group is exposed to two benign trends: the growth of the spirits market, driven by globalization and the switch by drinkers in developed markets from beer; and "premiumization" within spirits, as drinkers opt for higher-status brands. As a result, Diageo offers steady growth in sales and earnings, a high return on capital and strong cash flow, allowing it to return large amounts of cash to shareholders. Since it was formed in 1997, the group has returned more than £5 billion ($8.7 billion) via dividends and buybacks.

Diageo's first-half results fully support this proposition. U.S. sales were up 7%, calming fears that U.S. spirits growth may be flagging. Meanwhile, emerging-market sales growth of 12% offset weakness in Europe, where sales fell 1% -- although even here operating profits were up 7%, thanks to cost-cutting. As a result, return on capital improved 1.2 percentage points to 16.8%, and Diageo is on track to reach its target of 7% operating profit growth this year.

The anomaly is Diageo's commitment to beer. True, beer sales weren't bad in the first half, growing 4%. But the global beer market is slower-growing than spirits, so beer is a drag on Diageo's growth and return on capital. Doubts about Diageo's ability to maintain Guinness's position in a globalizing industry have prompted suggestions it should exit altogether. That would allow Diageo to really spice up returns by gearing up the spirits business, which could easily support leveraged-buyout-style levels of debt.

Yet Diageo has chosen instead to yoke the businesses more closely together. What's more, its insistence on maintaining a single-A credit rating may indicate ambitions to get bigger in beer since there is little other need for this firepower, given antitrust issues mean it can't do much in spirits. But a beer acquisition would drive down returns, thereby altering the investment proposition. Diageo needs to address this confusion: The time has come either to get bigger in beer -- or get out.

**9. Cruzan Sets Date for Absolut Merger Vote**

**Source: *just-drinks***

***February 16, 2006***

A shareholders meeting to decide whether Cruzan International should approve a merger deal with majority stakeholder Absolut Spirits has been called by the company’s board of directors.

Florida-based Cruzan, which supplies rum, brandy and wine, has invited shareholders to vote on 17 March 2006, at 11:00 am.

Absolut, itself a subsidiary of Swedish company V&S Vin & Spirit AB, acquired its controlling 63.6% of Cruzan’s common stock from rum and bitter producer Angostura in September 2005.

If the proposed merger is approved, Cruzan Acquisition will merge with and into Cruzan and outstanding stock worth US$0.01 per share will be converted into $28.37 per share in cash, with Cruzan then becoming a wholly owned subsidiary of Absolut and, indirectly, V&S Vin & Spirit AB.

In a letter to the shareholders, filed by the US Securities and Exchange Commission on Wednesday (15 February), Cruzan CEO and president Jay Maltby urged shareholders to pass the merger, stating: "The board of directors and the special committee both unanimously approved the merger agreement and the merger and both recommend that you vote ‘for’ approval."

The company also mentioned a US$3m termination fee in the filings, to be paid by Cruzan to Absolut in specified circumstances. Should Absolut terminate the merger in specified circumstances, Cruzan would reimburse the company with up to $1.5m for out-of-pocket expenses it has incurred.

Five members of Cruzan’s board of directors resigned following the recommended merger agreement, on 30 September 2005, and four new directors were appointed in October, designated by Absolut.


# 10. Hy-Vee Voices Support for Keg Registration

By Tim Higgins, Staff Writer, *Des Moines Register*
February 17, 2006

Iowa's largest grocery store chain Thursday called for legislation aimed at better combating underage drinking.

Hy-Vee Inc. threw its support behind a proposed beer keg registration law, an idea that has failed to get through the Legislature in recent years because of opposition from beer distributors and industry groups.

The legislation would require a person purchasing a keg of beer to complete a form that is linked to the keg, which would allow police to track who purchased a keg found at an underage party.

Opponents say greater restrictions on beer could push minors toward drinking hard liquor. They also question whether such a restriction would actually keep minors from drinking and note that it is already a crime to supply them with alcohol.

Gov. Tom Vilsack, a Democrat, has include the registration in a much larger legislative package that deals with keeping teenage drivers safe.

Rose Kleyweg Mitchell, a vice president of Hy-Vee, issued a statement Thursday through the state Department of Public Safety stating the Iowa-based company's support.

"Hy-Vee has firsthand experience with such a law from our stores in Nebraska. We recognize that the Nebraska law has strengthened the enforcement of underage drinking laws in that jurisdiction. A keg registration is a common-sense approach and we are glad to work with Iowa law enforcement for passage," she said.

Supporters of keg registration see Hy-Vee's endorsement - the first from a major beer retailer - as a great aid, something that knocks down opponents' arguments that the requirement would be too much work for retailers.

"You've got a corporation that clearly is the largest employer in the state, that operates in every community in the state, that's saying, 'Look, we're the retailer here. We are the outlet for these kegs. We don't see this as onerous. We don't see this as something that's going to impact the cost of doing business. We see this as the right thing to do,' " said Sen. Matt McCoy, a Democrat who has long supported keg registration language.

Opponents disagree.

House Majority Leader Chuck Gipp, a Republican from Decorah who helps control the issues that are debated, said he believes the registration would be ineffective and would push minors to party with hard alcohol or cases of beer.

"It's whether it's an effective tool or not . . . is whether we are going to do these kinds of legislation. It has nothing to do with who is supporting it or who isn't supporting it," Gipp said.

McCoy said the issue will be spun off legislation in the Transportation Committee that deals with other issues regarding teenage driving and sent to the Judiciary Committee for work, along with other issues proposed by the governor to cut down underage drinking.

