Investment Firm 3G Capital Eyes Next Targets

With New $5 Billion From Investors, Brazil's Buyout Kings Start to Shop Around

Source: WSJ
By Anupreeta Das, Luciana Magalhaes and Liz Hoffman
Jan. 6, 2015

Brazilian investment firm 3G Capital Partners LP has used relentless ambition and big-name connections to become one of the world's biggest acquirers of companies, including H.J. Heinz Co. and Tim Hortons Inc.

Now the firm is setting its sights on potential new targets that could give it control of even more of the world's best-known consumer brands. In the past several weeks, investors have pledged about $5 billion to a new takeover fund being formed by 3G, according to people familiar with the matter.

3G hasn't publicly disclosed the amount raised or what it plans to do with the money, but 3G usually seeks only what it needs in equity for individual deals, using borrowed money to at least quadruple the firm's buying power.

In a sign of the investment firm's aspirations, executives are discussing the possibility of trying to buy a food or beverage company such as Campbell Soup Co. , worth about $14 billion, or even PepsiCo Inc., which has a stock-market value of $140 billion, say people familiar with the situation.

People close to 3G, led by former professional tennis player Jorge Paulo Lemann, caution that no decisions have been made. 3G often studies targets for years before making a move.

And because a PepsiCo deal could be four times as large as Heinz and Tim Hortons combined, 3G might pursue only pieces of PepsiCo or try to join forces with Anheuser-Busch InBev NV, these people said. Mr. Lemann, his two partners and a group of Belgian families own a controlling stake in the beer maker. PepsiCo, Campbell and AB InBev declined to comment.
Some analysts have speculated that 3G also might be interested in Kellogg Co. and Kraft Foods Group Inc., each with more than $20 billion in stock-market value. Kraft's board of directors replaced the packaged-food giant's chief executive last month, signaling impatience with a turnaround there, while Kellogg cut the size of payouts to some executives if the cereal maker is sold.

Some analysts saw Kellogg's move as positioning for a possible sale. A spokeswoman says the change was made "to better align with evolving market practices." A Kraft spokeswoman declined to comment.

The swirling interest in 3G's next big deal is a sign of how far the firm has come in the past decade-and especially during the past few years. The purchases of Heinz and Tim Hortons for a combined $36 billion rank as the second- and fifth-largest takeovers in the consumer and retail sectors since the start of 2013, according to Dealogic.

"These guys have global ambitions," says Warren Buffett, whose Berkshire Hathaway Inc. teamed up with 3G to buy the ketchup maker. Berkshire Hathaway also provided $3 billion in financing last year for the Tim Hortons purchase by Burger King Worldwide Inc. 3G owns a 51% stake in the combined company, Restaurant Brands International Inc.

Mr. Buffett says he would work with 3G on another friendly takeover if the opportunity looks right.

3G is considered a private-equity firm but doesn't raise money the same way most of them do. Rather than getting a huge pot of money from a large number of investors, the 75-year-old Mr. Lemann and his partners, Carlos Alberto "Beto" Sicupira and Marcel Herrmann Telles, turn to roughly three dozen of the world's wealthiest families and individuals.

In addition to Mr. Buffett, recent investors include hedge-fund manager William Ackman, members of Colombia's Santo Domingo family, seven-time Wimbledon men's champion Roger Federer of Switzerland and JAB Holdings, which manages assets for Germany's Reimann family, according to people familiar with 3G's operations.

An investor meeting at Burger King's headquarters in Miami after 3G took the fast-food chain private in a $3.3 billion buyout had more than 40 people, including executives from the two companies, says a person who was there. Many of the investors were people "you wouldn't have heard of. Many of them don't speak English," this person adds. The group included a slice of Latin America's wealthiest businessmen, heirs and heiresses.

Mr. Ackman, who made his reputation and fortune by agitating companies through his Pershing Square Capital Management LP hedge-fund firm, invests his personal money with 3G, where he says he is happy to keep his mouth shut.
"This is a management team that does not require shareholder activists," Mr. Ackman says. Pershing Square owns 19% of Restaurant Brands.

Messrs. Buffett and Lemann met in 1998 as directors at Gillette Co. before the razor maker was acquired by Procter & Gamble Co. The two men stay in touch by email, occasionally have dinner in Mr. Buffett's hometown of Omaha, Neb., and spend much of their time talking about subjects other than deals and investments, such as tennis.

"I've always liked him, and the more we do together, the more I like him," Mr. Buffett, 84, says about Mr. Lemann, who he calls "Georgie."

Mr. Lemann played at Wimbledon in 1962, losing in the first round of men's singles and mixed doubles, was on Davis Cup teams for Brazil and Switzerland, and still plays regularly. At a September book signing in São Paulo for Brazilian tennis player Gustavo Kuerten, the lanky, white-haired Mr. Lemann had a purple sweater tied around his neck and hung back among the well-wishers. Few people seemed to recognize him.

The Brazilian investment firm, with offices in Rio de Janeiro and New York, also has a reputation for aggressive cost-cutting at companies it acquires. Job cuts and tax wizardry boost profits and threaten rivals. Using "zero-cost budgeting," each division of a company must justify its costs from scratch each year, not simply nudge the prior year's budget higher.

The strategy is similar to an approach used by Mr. Lemann after he took over Brazilian brokerage firm Garantia in the 1970s and then built it into one of the country's biggest investment banks. Credit Suisse Group AG bought Garantia for $675 million in 1998.

Mr. Lemann, who graduated from Harvard University, instituted a merit-based culture where employees could expect to advance if they excelled—but would be fired if they didn't. He closely studied companies he admired for their operational efficiency, including Wal-Mart Stores Inc. and General Electric Co., according to an unofficial biography about Mr. Lemann and his partners called "Dream Big."

The three men still go spearfishing together regularly and own homes in the same São Paulo neighborhood. Their combined net worth is estimated at more than $40 billion.

They formed 3G in 2004, partly to test business principles developed at Garantia. Few investors knew much about the men behind 3G until Mr. Lemann helped engineer Brazilian-Belgian brewer InBev's takeover of Budweiser-maker Anheuser-Busch Co. in 2008 for $52 billion. Anheuser-Busch InBev now sells nearly one-fifth of the world's beer.

"Jorge Paulo plays at the end of the tennis court, with extreme patience. He waits to see the weakest side of his rival," says Luiz Cezar Fernandes, a former partner of Mr. Lemann's at Garantia. "He doesn't improvise."
At Burger King, which 3G bought in 2010, franchisees have complained about "field coaches" from the investment firm who prod franchisees about everything from cost-cutting tricks to cooking techniques. The company also has curbed small expenses such as color photocopies.

Under 3G, Burger King has shifted more profits out of the U.S. and into lower-tax countries. While 57% of the company's revenue from 2011 to 2013 came from the U.S., just 21% of its pretax income did. Burger King's effective tax rate averaged 26% in the same period, lower than McDonald's Corp. and Starbucks Corp.

Tax experts say Burger King likely allocated overhead costs such as technology and personnel that would typically be spread across all of its financial statements to the U.S. The move is legal and can help businesses avoid the U.S.'s higher tax rate. Burger King wouldn't comment.

After buying Heinz, already considered one of the food industry's most efficient operators, 3G eliminated more than 1,000 jobs and closed factories in South Carolina and Canada. Heinz had about 32,000 employees at the time of the takeover.

The moves have led to big returns for 3G and its investors. Those who were part of the firm's Burger King buyout have gained at least four times their original investment, people familiar with the matter say.

According to an estimate by Trian Fund Management LP, an investment firm that pushed Heinz before the takeover to slim down, the ketchup maker cut $700 million in costs in the year ended June 30 under 3G's ownership and improved profit margins to 25% from 18%. Berkshire Hathaway owns half of Heinz but has left oversight of the business to 3G.

Before being replaced by Kraft, CEO Tony Vernon told analysts and investors that the maker of Jell-O and Cool Whip needed to do more to improve margins "with the likes of 3G now in our space."

Analysts expect the takeover of doughnut and coffee chain Tim Hortons of Canada to result in substantial savings because Canada's tax system is generally more favorable to multinational companies than the U.S.

Messrs. Lemann, Sicupira and Telles aren't well-known to Brazilians outside the finance industry. In 2012, the collapse of Eike Batista's oil and infrastructure empire made Mr. Lemann the richest man in Brazil, but he told investors he dreaded the title because it would attract more media scrutiny.

He rarely speaks to reporters and hasn't lived full-time in Brazil since 1999, following an unsuccessful attempt by someone to kidnap three of his six children. He splits his time between Brazil, the U.S. and Switzerland, where he has citizenship.
3G attracts "an elite club" of rich families and individuals because the firm's executives are seen as "one of their own," according to Kevin Martins da Silva, a partner at investment bank Three Ocean Partners who works with wealthy families in Latin America.

Even though Mr. Lemann and his partners are rich enough that they could buy big companies on their own, about half the cash in 3G's deals comes from outside investors, partly to build future "deal flow" through their investors' contacts, people familiar with the matter say. In addition, 3G sometimes asks investors to become directors at companies acquired by the firm.

"I have had partners all my life and it has helped me a great deal," Mr. Lemann said in "How to Make a Company Succeed in an Uncertain Country," a book published in Brazil in 2005. "The three of us have been able to do much more than we could have done separately," he said, referring to Mr. Telles, 64, and Mr. Sicupira, 66, who have known each other for decades.

Investors say Mr. Lemann comes across as patient and thoughtful. He inspires loyalty and silence among investors, who often refuse to discuss 3G even privately out of worries they might be evicted from the investment group.

3G likes to invest for much longer than the five- to seven-year time horizon typical of most private-equity firms. Investors say the approach is similar to how merchant banks in Europe used to invest capital alongside wealthy families, whose top goal often is creating wealth for younger generations, not short-term profits.

Investors often get just days to write their check, sometimes for as little as $10 million, say people close to 3G, and officials seldom give any clues about possible acquisition targets.

Some people close to 3G say it got more secretive after an insider-trading scandal related to Burger King. In 2012, the Securities and Exchange Commission alleged that a former broker at a Wells Fargo & Co. unit learned about the pending sale from a brokerage customer who had invested in a 3G fund.

The broker, a Brazilian citizen, allegedly bought Burger King shares before the deal was announced. 3G wasn't accused of wrongdoing. The broker was ordered to pay $5.6 million but fled the U.S. Wells Fargo paid a $5 million fine and admitted failing to maintain adequate controls to prevent an employee from insider trading based on nonpublic information.

Investors aren't fazed by 3G's secrecy. One investor in the 2013 takeover of Heinz got a call from Alexandre Behring, who runs 3G on a day-to-day basis and is responsible for promoting the firm to American investors.
Mr. Behring didn't tell the investor the name of the target, but the person signed up without even reading confidential documents offered to potential investors, according to someone familiar with the matter.

"Their thing is not investing the money for a fee," a longtime investor says. "They choose to invest with people they know and [who] know what they do."

Mr. Buffett said no when Mr. Lemann asked him to invest with 3G in the Burger King acquisition, but Mr. Buffett kept an eye on what 3G was doing.

When Mr. Lemann called last February to see if Mr. Buffett wanted to invest in the Tim Hortons deal, Mr. Buffett says he didn't hesitate before saying yes.

The two men have become so close that Mr. Buffett traveled in August to Harvard for a party to celebrate Mr. Lemann's 75th birthday.

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**Heineken silent on United Breweries stake hike rumours** *(Excerpt)*

Source: Just-Drinks  
By James Wilmore  
7 January 2015

Heineken has declined to comment on reports that it is looking to raise its stake in India's United Breweries.

India's CNBCTV 18 today cited unnamed sources suggesting that the Dutch brewer is preparing to make a move for a larger stake in UB. When contacted by just-drinks today, a Heineken spokesperson said the company does not comment on "rumours and speculation in the market".

Heineken currently holds a 38.9% share in the brewer, having upped its stakeholding last August. The Dutch brewer is UB's largest shareholder, ahead of Indian entreprenuer Vijay Mallya.

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**Jackson Family's Banke: 'I'd love to buy in Burgundy'**

Source: Decanter  
by Chris Mercer  
Wednesday 7 January 2015
Jackson Family Wines chairman Barbara Banke is determined to purchase an estate in Burgundy to sit alongside a growing list of properties around the world, she said in an exclusive interview for the latest issue of Decanter magazine.

Barbara Banke has embarked on a spending spree since taking the reins at California-based Jackson Family Wines in 2011, following the death of her husband, Jess.

One of her principal moves has been a push into Oregon, where the firm has bought the Zena Crown vineyard and Solena Estate as part of a plan to produce 'world class' Pinot Noir.

But, Banke still dreams of a foothold in Burgundy, considered by most wine critics to be the spiritual home of Pinot Noir.

'I would love to buy in Burgundy,' she told Adam Lechmere for an interview published in the February issue of Decanter magazine.

'But, it's a difficult proposition. You really have to be on the inside to get what there is available. Eventually, we'll get something. We have friends there.'

Burgundy also contains some of the most expensive vineyards in France. A single hectare of grand cru vineyard, if it can be found for sale, costs up to 9.5m euros, according to French agricultural land agency Safer.

While she waits for an opportunity to arise, Banke has the job of consolidating Jackson Family's recent acquisition of Fijnbosch farm, which includes eight hectares of vines, in South Africa's Stellenbosch region.

Despite that deal emerging just before Christmas, after Decanter had gone to press, Banke said her acquisition drive has slowed down.

The firm will not seize upon every opportunity that presents itself. 'I'm trying to be more strategic in terms of what we need,' she said.

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**Texas Lawyer Pleads Guilty In Vodka Investment Fraud**

Source: Law360
By Rebecca McCray
January 07, 2015

A Dallas attorney pled guilty on Tuesday to mail fraud for sending fake emails to investors who accused him of misusing funds they entrusted to his company Dynasty Spirits LLC for vodka production as he planned a stock offering for the business.
This was the second guilty plea before Judge Irma C. Ramirez from Andrew Lee Siegel, who also pled guilty to criminal copyright infringement in July for replicating the logos and letterhead of The Northern Trust Co. and the Federal Reserve Bank to cover his tracks, bringing his total potential prison sentence up to 25 years, along with a potential fine of up to $500,000.

Siegel established Dynasty Spirits along with Dynasty Spirits Inc. and Speakeasy Distillers LLC in 2010, then received authorization in 2012 to sell up to $2 million in common stock shares of Dynasty.

According to the U.S. Attorney's Office for the Northern District of Texas, Siegel proceeded to profit unlawfully from his misguided investors.

"From September 2011 through July 2012, Siegel collected approximately $1,595,000 from 35 investors for the sale of Dynasty stock certificates. Siegel concealed from Dynasty owners that he unlawfully used up to $410,000 of that amount for his personal benefit," said the office in its announcement of his second guilty plea.

When investors began to suspect their money wasn't going where they intended it to go, Siegel sent fake bank emails to reassure them that he had tried to wire $185,000 in investor funds to the Dynasty account, but the wire had been misrouted.

Siegel's unlawful use of investor funds included taking $175,000 to issue 700,000 shares of Dynasty to himself in July 2012, according to the U.S. Attorney's announcement.

In 2013, he became a registered agent of Vanguard Spirits LLC, which was created to establish "Vanguard Vodka." He later disbursed more than $200,000 from a client's escrow account to pay off part of a legal settlement in a suit related to Dynasty.

The U.S. Attorney's office did not immediately respond to a request for comment on Wednesday.

Counsel information for Siegel was not immediately available on Wednesday.

Assistant U.S. Attorney David L. Jarvis is in charge of Siegel's prosecution for the Department of Justice, and Acting U.S. Attorney for the Northern District of Texas John Parker issued the announcement.

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**Diageo To Settle Korean Tax Evasion Dispute**

Source: IBT
By Shuan Sim
January 07 2015 6:39 PM
One of the world's largest liquor makers, Diageo, has decided to pay what it owes the Korea Customs Service (KCS) in back taxes totaling 200 billion to 300 billion won ($181 million to $272 million). The British-based company has been engaged in a six-year dispute with the customs agency for supposedly avoiding tariffs by underreporting the import prices of its whisky products, local reports said.

The maker of Johnnie Walker and Guinness said on Wednesday that it will opt for a settlement with KCS mediated by the Seoul Administrative Court, according to the Korea Times. The customs agency had previously imposed 500 billion won ($454 million) in back taxes on Diageo during the dispute, and the court recommended last August that to make Diageo more amenable to settlement, it should reduce that amount by 40 percent to 50 percent. KCS had indicated that it would accept the court's recommendation.

"We decided to settle the case once and for all because we want to put it behind us and move forward," said a Diageo official who declined to be named to the Korea Times. "We have reached an agreement in principle with the customs agency to close the case outside of court. It will take about two months for us to estimate exactly how much taxes we will pay."

KCS said in 2009 that Diageo falsified its custom reports on its imported whisky prices, underreporting prices as low as 50 percent that of other liquor firms in order to pay less in customs duties, according to the Korea Times. Diageo protested that claim in 2010 and filed a complaint with the Seoul Administrative Court.

In 2011, the U.S. Securities and Exchange Commission also found Diageo guilty of violations of the Foreign Corrupt Practices Act for more than six years of improper payments to government officials in India, Thailand and South Korea.

The SEC said Diageo's South Korean unit paid more than $86,000 to a customs official, as well as hundreds of small payments to other officials, who helped with transfer-pricing negotiations with the South Korean government in 2004. Diageo agreed to pay more than $16 million in fines to the SEC for those violations back then, according to the Wall Street Journal. "As a result of Diageo's lax oversight and deficient controls, the subsidiaries routinely used third parties, inflated invoices and other deceptive devices to disguise the true nature of the payments," said Scott Friestad, associate director of the SEC's Division of Enforcement in a press release.

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The Presidents' Forum of the Distilled Spirits Industry announced today that it opposes the sale of powdered alcohol products in the United States

Source: Presidents' Forum
JANUARY 7, 2015
The Presidents' Forum of the Distilled Spirits Industry, a national trade association representing distilled spirits producers and importers, announced today that it opposes the sale of powdered alcohol products in the United States:

For decades, our industry has strongly supported effective and proven measures to control the responsible sale and use of beverage alcohol. Presidents' Forum members invest millions of dollars a year to ensure the responsible use of our products and have seen our private-public partnerships achieve historic successes in reducing drunk driving fatalities and alcohol abuse.

For this reason, we are very concerned about the potential problems that will surely arise if the sale of powdered alcohol is allowed to proceed. As the name suggests, powdered alcohol is simply alcohol in crystalline form that, once added to water or other liquids, becomes an alcoholic beverage. The possibility that this product could be snorted or abused in other ways gives our members very grave concerns. We think the inherent and obvious potential for abuse of powdered alcohol far outweighs any legitimate use claimed.

We are pleased that several states have already banned the sale of powdered alcohol and that many other states are currently considering legislation.

As responsible members of the industry, Presidents' Forum will continue to do our part in supporting reasonable laws that protect our children and prevent the availability of alcohol products that have a higher potential for abuse.

Presidents' Forum Members
Campari America
Castle Brands, Inc.
Destileria Serralles, Inc.
E & J Gallo Winery
Florida Caribbean Distillers
Heaven Hill Distilleries
Hood River Distillers, Inc.
Infinium Spirits
Jacquin's
Laird & Company
Luxco, Inc.
M.S. Walker, Inc.
McCormick Distilling Company, Inc.
O'Neill Vintners & Distillers
Palm Bay International
Proximo Spirits
Sazerac Company
Shaw-Ross International Importers
Sidney Frank Importing Co, Inc.
Pennsylvania: Koch Bros-backed group to push "3 P's" - pensions, paycheck protection and booze privatization: Wednesday Morning Coffee

Source: PennLive
John L. Micek
January 07, 2015

Good Wednesday Morning, Fellow Seekers.

The American Future Fund, an advocacy group founded by ex-Mitt Romney campaign aides that has ties to the billionaire Koch Brothers, has come to play in Pennsylvania.

The group plans a statewide multimedia and advocacy blitz during the coming legislative session aimed at "[reminding] legislators of their commitments to support "3 Ps:" pension reform, paycheck protection, and liquor privatization," according to a statement posted to its website.

"The people of Pennsylvania have delivered Republicans and conservatives a wider majority, and now they have every right to expect bigger results on the issues important to them," the group's Political Action Chairman Nick Ryan said in the statement. "Through this campaign, the American Future Fund is providing voters a voice to hold conservatives accountable to follow through in Harrisburg on the promises they made on the campaign trail."

Republicans expanded their majorities to 119 in the House and 30 in the Senate. During swearing-in ceremonies on Tuesday, senior leaders in both chambers said they hoped to reach compromises with incoming Gov.-elect Tom Wolf, who takes the oath of office on Jan. 20.

More astute readers will recall that a vote on the so-called "Paycheck Protection" bill, which would ban the state from deducting dues and money used for political purposes
from employees' paychecks, failed in the Senate last year. Votes on liquor privatization and pension reform never saw the light of day.

York County Republican Sen. Scott Wagner has said he wants to see another vote on the union bill this session, while the top Republicans in each chamber (Senate Majority Leader Jake Corman and House Speaker Mike Turzai) will respectively push on pensions and booze during the coming budget debate.

According to data compiled by OpenSecrets.org, the Iowa-based group reported spending more than $25 million in the 2012 election on ads and "other communications benefiting Republicans," and it received more than 92 percent of its 2012 revenues from two Koch-linked organizations.

According to the group's annual tax form, filed with the IRS in mid-November and obtained by the OpenSecrets Blog in 2013, the PAC's "income came to $67.9 million last year - a sharp increase from the $2.6 million it registered in 2011, a nonelection year. AFF is a 501(c)(4) tax-exempt organization that is supposed to spend most of its resources for social welfare purposes, not politics."

This isn't the first time that conservative astroturf groups have injected themselves into the legislative debate. Both Americans for Prosperity (corporate tax reform) and FreedomWorks (school choice) have made appearances on the statewide stage during the last few years.

Nor has the appearance of such groups on the statewide stage been restricted the to the political right. Liberal-leaning groups, including the Mike Bloomberg-spearheaded Mayors Against Illegal Guns and the Soros-funded Center for American Progress, were similarly active in Pennsylvania during the Rendell era.

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**Virginia: UVA Tells Sororities, Fraternities to Monitor Alcohol Use, Parties**

UVA President Authorizes New Guidelines Following Magazine's Alleged-Rape Report

Source: WSJ
Associated Press
Jan. 7, 2015

Kegs of beer and pre-made mixes of liquor and punch will be banned from fraternity parties at the University of Virginia under proposed new rules aimed at stamping out sexual assault on campus.
Greek organizations have until Jan. 16 to sign the agreement as a condition to lifting a temporary ban on social activities by fraternities and sororities at the Charlottesville campus.

The ban followed a Rolling Stone magazine report on an alleged gang rape at a fraternity house in 2012. The magazine has since apologized for what it calls discrepancies in details of the account.

The new rules were authorized by University of Virginia President Teresa A. Sullivan on Tuesday and agreed to by the Inter-Fraternity Council, which is comprised of members of each fraternity on campus.

"We seek to achieve a safe environment at fraternity events by addressing high-risk drinking, sexual misconduct, and unhealthy power structures. These changes aren't comprehensive-nor do they claim to be. Instead, we submit these reforms as the next step in the IFC's commitment to guaranteeing a baseline of safety for fraternity members and our guests," the IFC said in an addendum to the agreement.

Organizations representing sororities also agreed to various new safety measures, including adopting new bystander intervention training for new members.

Each fraternity and sorority must have an agreement with the university to participate in official university events; failure to sign the agreement would put the relationship with the university in jeopardy.

It wasn't immediately clear Wednesday exactly how the agreement would be enforced. Fraternity houses at the university are privately owned and the new rules make no mention of independent or university-provided monitors.

"Should violations be brought to the University's attention, the Dean of Students Office will investigate, and any appropriate next steps would be based upon the details of each case," UVA spokesman Anthony P. de Bruyn said in an email to the Associated Press.

There is also no mention of underage drinking or how to prevent it in the new fraternal organization agreement. Sullivan has previously said about half of the university's entering class already drinks when they arrive on campus.

"It has always been the expectation that fraternities and sororities abide by the law and University's Standards of Conduct, in addition to the requirements outlined in the Fraternal Organization Agreement prior to the new addenda authorized yesterday," de Bruyn wrote.

Sullivan said in a statement that the changes will enhance the safety of fraternity and sorority members, as well as guests.
Among other things, the new agreements call for requiring at least three sober fraternity brothers at each party to monitor alcohol distribution and the stairways to residential rooms. The person stationed at the stairway to the rooms is also supposed to have keys to each room.

At large parties, a hired security guard will monitor the entrances to fraternity houses and ensure only those on a printed guest list gain access. A fraternity brother will take on that role at smaller functions.

Beer can still be served at fraternity parties, as long as it is unopened in its original can. Wine can also be served as long as it poured visibly at the bar by a sober brother. When there are more guests than brothers at a party, liquor can only be served by a third-party, licensed bartender. At smaller parties, liquor can be brought by individuals and placed at a central bar, which is overseen by a sober brother.

Fraternities will also be required to have bottled water and food available. The spring semester at the university begins Monday.

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Kentucky: Meth more prevalent in dry counties, UofL study says

State's dry counties had more meth lab seizures from 2004-2010

Source: The Lane Report
Jan. 6, 2015

Methamphetamine is more common in places where it's illegal to sell liquor, according to a study by University of Louisville economists Jose Fernandez, Stephan Gohmann and Joshua Pinkston.

The trio presented a paper titled "Breaking Bad: Are Meth Labs Justified in Dry Counties?" this week at the American Economic Association annual meeting in Boston.

In an analysis of Kentucky data from 2004 to 2010, researchers found dry counties had two more lab seizures per 100,000 residents each year than wet counties.

Researchers wrote: "Local alcohol bans increase the costs of obtaining alcohol, which reduces the relative price of illicit drugs."

Bans on selling liquor also "flatten the punishment gradient" and encourage people who are willing to obtain alcohol illegally to also obtain illicit drugs, they found.
Industry has 'failed' to reduce alcohol harm

Governments should make health warnings on alcohol labels a mandatory measure to combat harm since the drinks industry's own voluntary efforts have "failed", according to the CEO of one research centre.

For Michael Thorn, chief executive of Australia's Foundation for Alcohol Research (FARE), warnings about the short and long-term harms of alcohol should be clearly included on all alcohol labels as mandatory practice.

"The public have the right to know about the harms associated with the products they consume. The very point of warning labels is to alert people to those dangers," he said.

"Unfortunately, in Australia, after two and a half years, the current voluntary alcohol industry initiative has failed, with too few products carrying weak consumer messages that are hard to find, and even harder to read."

Thorn added that any possible industry objection that such a measure is unnecessary and may damage sales, should be ignored.

"That industry would cry foul because its sales might suffer, is the very reason why alcohol warning labels must be mandatory and government led, and makes very clear why industry's own voluntary efforts have failed," he added.

The issue of alcohol health warnings has been running for some time, as various health organisations and politicians enhance their calls to make the practice statutory.

In August this year, the UK's All-Party Parliamentary Group on Alcohol misuse proposed that all alcohol products should carry graphic "evidence-based" health warnings similar to those on tobacco packets.

Meanwhile, the chair of the group, Lord Brooke of Alverthorpe, said the drinks industry's "immensely powerful lobby" is keeping British political parties from taking alcohol misuse seriously.

However, according to Rosemary Gallagher, spokesperson for the Scotch Whisky Association (SWA), making alcohol warning labels a statutory measure would be "disproportionate".
"Alcohol is not tobacco. The majority of consumers in the UK drink responsibly and we believe the responsible consumption of alcohol is not incompatible with a healthy lifestyle," she said. "Such a measure would therefore be disproportionate."

Furthermore, a group of EU ambassadors, MEPs and producers argued at a summit in Brussels that increasing alcohol labeling requirements and excise tax may not be the answer to tackling health issues.

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Fine wine: glass half full?

Source: the drinks business
by Gabriel Stone
7th January, 2015

As speculations mounts over whether Bordeaux will play the en primeur game in 2015, Gabriel Stone weighs up what we can expect from the fine wine market in the year ahead.

THE PAUCITY of Bentley drivers in the wine trade suggests, if any proof were needed, that correctly predicting the next big thing in this industry - and then making a financial success of it - is an elusive talent. At the fine wine end of the market, any pockets of excitement in 2014 have been largely overshadowed by a third successive year in the doldrums for Bordeaux. After all, despite headlines touting a record breaking sale in Burgundy or growing interest in Piedmont, Bordeaux's combination of volume and prestige makes it the staple diet of most fine wine traders. As we gaze towards the horizon of 2015, it is worth pausing to take stock of events or shifts that shaped this year and consider what glimpses they offer of the road ahead.

Certainly the combination of inflated Bordeaux prices with a global economy that remains uncertain has not left the fine wine market unscathed. "When you have a market that has gone down four years in succession that has quite an impact on the people involved," observes Justin Gibbs, director of Liv-ex. "We've seen companies go bust and funds close - there's been a fair amount of pain. The market is stretched and stressed and that's largely due to Bordeaux."

Wine-Glass-Close-Up One area where Bordeaux continues to shift quietly is the auction sector, where Richard Harvey MW, global head of wine for Bonhams reports: "There are buyers for most things if the price is right, particularly in terms of younger vintages of Bordeaux where there is still stock on the market." While confirming that the 2009 and 2010 vintages are moving through, he concedes: "You have to be realistic with estimates." Indeed, remarks Harvey, "I suspect that the secondary market is maybe more realistic than the place de Bordeaux."

MERCHANTS AND PRODUCERS
Among the merchants themselves, who have after all been left most exposed by the drop off in Bordeaux trading, the outlook appears reassuringly sanguine, if hardly ebullient. Describing the fine wine market as "pretty stable", Mark Pardoe MW, buying director of Berry Bros & Rudd, remarks: "We're keeping other opportunities up our sleeves but nothing is going to replace Bordeaux." However, he emphasises BBR's efforts, especially one assumes in recent years, to diversify its business into other areas, insisting: "We're not dependent on the fine wine market." Nevertheless, acknowledges Pardoe: "There are certain merchants out there who will need Bordeaux to come back into the market."

One individual with the perspective required to venture an informed prediction as to the likelihood of this happening is Charles Sichel, export director of Bordeaux producer and négoçiant Maison Sichel. However, even he admits: "At the moment I have no idea what is likely to happen." That said, Sichel is able to offer analysis of why so many cha^teaux chose to hold their recent en primeur prices at a level that made little sense to the wider market. Noting the sudden surge of interest from China that peaked in 2011, he reports: "They literally robbed Bordeaux of all its back vintages in most cha^teaux covering most AOCs so stock levels in Bordeaux were at an all time low." As a result, explains Sichel, "One of the reasons prices didn't come down as much as the trade would have liked is that the cha^teaux needed to rebuild stocks." Indicating that this replenishment is now largely complete, he also pointed to the weakened Euro, which means that even the same release price as 2013 would in fact represent a 12- 15% saving for foreign buyers. What's more, reports Sichel on the 2014 vintage, "the wines are going to be good, probably not great but good - definitely up on 2013, but also 2012 and 2011." Add to these factors the slowly brightening economic outlook in evidence among some of Bordeaux's key markets and Sichel concludes: "Altogether the 2015 calendar is looking quite promising."

A TENSE TIME

The Bordelais may have their own reasons for withholding that price drop required to resuscitate en primeur - and with it the fine wine market as a whole - but Gibbs warns that playing hard to get with one more campaign may change the playing field altogether. "Bordeaux 2014 really is a very important point in deciding whether or not people give up on en primeur and it loses a generation of buyers," he suggests. After all, other wine regions may not account for anything like the turnover of the Bordeaux behemoth, but the latter's price hikes have made top producers in regions such as California, the Rho^ne, Piedmont and Tuscany look rather enticing value.

Confirming that these areas "have all stepped up to plug the gap of a weak Bordeaux market in the last three years," Pardoe nevertheless adds: "none of them, with the possible exception of Piedmont, have the lure for a cellar planner to buy them every year in the same way that they will probably buy Bordeaux every year. They're more of a seasoning than the backbone of a collection." As for Piedmont, Pardoe describes a "sea change" as he outlines a situation "not dissimilar to Burgundy in the early 1980s when a whole new generation took over and became very terroir-focused."
And what of Burgundy? Its supply and demand challenge is the polar opposite of that currently faced by Bordeaux and, even if volumes are too small for its fortunes to really trouble the wider market, the strain is starting to show on the region's producers. "It's not good for Burgundy," remarks Pardoe. "Three short harvests on the spin have made the economics of it difficult, not just for merchants but for smaller producers. There's just not enough wine to sell."

For Jason Haynes, director of Burgundy specialist UK merchant Flint Wines, allocation pressure on top names such as Cathiard, Dujac and Rousseau has led on the one hand to an "incredibly inflationary" secondary market. However, he suggests that the most interesting result of this trend is being felt further down the hierarchy, specifically "the speed with which new domaines or winemakers are making a name for themselves and quickly attracting the attention of big buyers." Drawing a parallel with the London housing market surge forcing people to hunt further afield, Haynes observes: "Ten years ago it might have taken three or four vintages for a new operation to make a name for itself; now it can happen in six months."

DEMAND FOR LAND

This thirst for Burgundy has not only made its wines expensive and difficult to come by: just try buying a vineyard. The rise of external investors, from LVMH to US and Macau businessmen, has inflated prices and stoked controversy among frustrated locals. Pointing to the rise of the "micro-ne?gociant", Haynes explains: "with vineyard prices reaching prohibitive levels we are now seeing almost two separate businesses - land- owning and winemaking." Citing the £20 million per hectare price tag that a grand cru site in the Co^te de Nuits is now rumoured to command, he observes: "The profits from winemaking will never yield an adequate return on the cost of the land". As a result, continues Haynes: "Young winemakers and even established domaines can't afford these kinds of prices and are therefore having to buy grapes if they want to augment their portfolios. So there will be more and more domaines operating a ne?gociant business on the side, often managing the vineyards from which they take the grapes."

FURTHER RISE IN THE EAST?

You only have to look at the way China's explosive arrival distorted the market to recognise the importance for any forecast of identifying which countries are likely to engage in the fine wine game next year. "Now the Hong Kong and China market is oversupplied, it is up to the Bordelais to re-engage with traditional buyers in the US and UK," maintains Gibbs, who predicts: "en primeur 2014 will not be about China."

Wine-Glasses-CheersThe picture is less clear cut for Sichel, who suggests: "If the rest of the world turns to Bordeaux in 2014 then China will turn as well." Certainly there are signs that Chinese wine lovers put off by the lack of perceived value in Bordeaux are following more mature markets' lead by considering alternatives. Reporting strong Chinese interest in a recent Cha^teauneuf du Pape sale, Harvey confirms: "They do their research, they
look at Parker points, certainly they buy Italy - there's a lot of interest in Italian wine in the Far East."

It's a still broader picture in Japan, where Berry Bros for one has stepped up its activity this year. "Japan is a very mature market with a slightly different dynamic to Hong Kong or Singapore," remarks Pardoe. "They have an appetite for the esoteric and there's much more willingness to experiment, especially with restaurants. Certainly Singapore and Hong Kong are more traditional."

For all their understandable caution, it's possible to detect an irrepressible whiff of optimism from the trade about the year ahead. After the over-indulgence of '09 and '10, Bordeaux's prices and share of trade have corrected themselves to pre- boom levels. Meanwhile evidence is mounting that the world's big financial centres are recovering confidence, whetting the appetite of major fine wine buyers who not unreasonably decided that there were better returns to be had elsewhere. The rest of the team is ready for action so - as Gibbs concludes - "we just need Bordeaux to play the game."

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2014 a 'year in reverse' for Liv-ex (Excerpt)

Source: the drinks business
by Tom Bruce Gardyne
6th January, 2015

With a decent vintage on offer in the forthcoming en primeur campaign, there are faint traces of optimism among merchants, despite a four year decline on Liv-ex.


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Bordeaux and Rest of the World stay afloat in December

Source: the drinks business
by Rupert Millar
7th January, 2015

The Bordeaux and Rest of the World sub-indices of the Liv-ex 1000 were the only two to see increases in December.

FineWineCellarAs reported by Liv-ex, the overall index closed on 242.74 in December, 0.25% down on November, dragged under by the other composite parts: the Bordeaux Legends, Burgundy, Champagne, Rhône and Italian sub-indices, which are all down month-on-month and over the course of the year.
Strangely, Champagne accounted for 5% of trade in December yet still declined 1.28% over the course of the month.

The Bordeaux Legends sub-index - covering exceptional mature Bordeaux vintages from 1982 onwards - only declined 0.71% during the month but is down 7.75% on the year.

Meanwhile, Penfolds Grange topped the Liv-ex Fine Wine 100 in December and the Aussie and Napa-dominated Rest of the World index continued to hold strong and despite only posting a modest 0.03% gain in December, is the only sub-index showing a positive year - up 2.85%.

The Bordeaux first growths are having some success at the moment and even if the 2009s across the region continue to struggle, interest in the 2005s and 2003s among others is growing.

The Bordeaux 500 was up 0.58% in December although it is still down 4.81% year-on-year.

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**King of the auction house?**

Source: the drinks business
by Tom Bruce Gardyne
7th January, 2015

Acker Merrall & Condit claims to be "head and shoulders" above its rivals in the two most important auction markets, but not everyone agrees.

With estimated sales of US$62 million in 2014, Acker Merrall & Condit claims to dominate the global wine auction market. "The key markets are New York and Hong Kong, and if you combine them we're 40% ahead of anybody else which is a great feeling. They're clearly the most important markets in the world, and we're clearly head and shoulders above everybody else," the firm's CEO, John Kapon, told the drinks business. He attributed the success to "a lot of hard work and a lot of great relationships" - not least with the American importer, Martine Saunier whose personal collection is about to be sold in Hong Kong.

Yet claims of dominance were quickly dismissed by rivals. "Acker's privately held and can put out any numbers they like," said Jamie Ritchie, CEO and President Americas & Asia, Sotheby's Wine. "It looks to me we did about US$65 million between London, New York and Hong Kong. Our internal stats look as though we're number one in Asia, number one in the UK and number one worldwide." He described Chicago's Hart Davis Hart as "the leading house in the US," with sales of around US$40 million.
Kapon also claimed to have "the most accurate estimates in the business," though Acker Merall were unwilling to supply evidence to back this up, saying it was "simply a competitive advantage we cannot share," and Sotheby's certainly contest the claim. On the thorny issue of provenance, Kapon said: "I think the market's never been better as far as quality and what's been offered." He refused to be drawn on the Rudy Kurniawan scandal which has been described as 'the tip of the ice-berg', saying: "For us, that's long in the rear-view mirror."

Not for Jamie Ritchie however. "The issue with the Rudy Kurniawan wines is that they were spread throughout the marketplace, mostly through the Acker auctions, and they are still out there. I don't know if they've been recycled back into the market, but we continue to see wines from Kurniawan that we would not sell, and in many consignments throughout the year." Ritchie believed it was incumbent on the auction houses and sellers to weed out the fakes. "If the consumer doesn't care about the reputation and integrity of the wines that they're selling, then people are always going to get away with being unscrupulous."

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**Italy's prosecco makers go to war against British pubs selling it on tap**

A group of prosecco makers, with the support of the Italian government, threatens legal action against British pubs for serving the fizzy wine from kegs

Source: The Telegraph  
By Nick Squires, Rome  
07 Jan 2015

For a growing number of Britons it is a well-earned and seemingly harmless aperitif at the end of a long day in the office, but Italian wine makers have declared war on pubs and wine bars selling prosecco on tap.

A consortium of prosecco makers, backed by the government in Rome, is threatening British pubs with legal action and fines unless they stop serving the light, dry fizzy wine from kegs.

The group, which guards the image of prosecco as jealously as the French protect Champagne, has contacted the UK's Food Standards Agency and Intellectual Property Office, asking them to crack down on the "illegal" trade in prosecco on tap in wine bars and pubs across the country.

Outlets which refuse to buckle under could be taken to court under European Union trading regulations, the Italians say.
Serving prosecco from a keg, as though it was mass-produced lager or cider, is not only illegal but unforgivably gauche, they insist.

"If prosecco is sold on tap then it is no longer prosecco - it needs to be served directly from the bottle," Luca Giavi, the director of the consortium of winemakers in the Valdobbiadene-Conegliano area of the northern Veneto region, told The Telegraph.

The principle is enshrined in a European law from 2009 which states that "prosecco wine shall be marketed exclusively in traditional glass bottles".

"We're just trying to protect consumers - if they order a glass of prosecco, then that it what they should be getting. We're safeguarding the reputation of prosecco - the producers of Champagne or Chianti or Barolo would do the same for their wines," said Mr Giavi.

The row may seem like a storm in a tea cup, but the commercial stakes are high - last year Britain surpassed Germany as the top export market for prosecco, buying millions of pounds' worth of Italian fizz, with sales spiking dramatically over Christmas and New Year.

"The UK market is growing tremendously and along with that we have seen a big increase in the number of locales selling prosecco on tap. We don't want to sue but we need to find a solution to this," said Mr Giavi.

Stefano Zanettin, president of the consortium, said bars found to be serving prosecco on tap could be prosecuted for "fraud" and fined up to 20,000 euros.

The Italian government also weighed into the row, promising to back the winemakers to the hilt.

"The government will act immediately, in conjunction with the EU, against the United Kingdom and the incorrect serving of prosecco in British pubs," said Michele Anzaldi, an MP from the Democratic Party of Matteo Renzi, the prime minister.

"We will find out if sanctions have already have been applied and if not how best we can discourage further violations that are damaging a valuable sector of our economy," said Mr Anzaldi, who sits on the government's agricultural commission.

Passing off fizzy wine on tap as prosecco was "a very serious abuse, perpetrated not by just any country but by one of the principal states of the EU," the MP added.

"It's one thing to drink prosecco, a protected brand, but quite another to drink pseudo-wine pumped with carbon dioxide, as seems to be served in some British pubs."

Marcus Hilton served prosecco on tap from his wine bar in Wakefield, West Yorkshire, until he was paid a visit by officers from the Food Standards Agency, who told him he was
in breach of EU regulations. "They were quite aggressive about it. They said they were acting on complaints they had received from Italy," he told The Telegraph.

Serving prosecco by pump had been popular with the many customers who did not want to order a whole bottle.

"We get a lot of professionals stopping by on their way home for a quick drink and they don't want to buy a whole bottle. Selling it by the glass made it much more accessible to Joe Public," he said.

Mr Hilton still imports prosecco from northern Italy, selling it wholesale to more than 200 bars in the UK.

But he has had to change the name from "draught prosecco" to "DP 1754", with the "P" the only remaining allusion to prosecco. It sells for £3.95 a glass.

"We import it in casks but we can't call it prosecco. I understand that the Italians want to protect the quality and image of prosecco, but on the other hand it seems to be going against the principle of free trade in Europe.

"There are other companies importing fizzy wine - in all I reckon they are selling it to 1,000 outlets. I don't know exactly what they call it but people fly as close to the wire as they dare. "If you call it 'frizzante' (Italian for 'fizzy'), people have no idea what it is."

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**Washington Wine Institute Names New Executive Director**

Source: Washington Wine Institute
January 6, 2015

The Washington Wine Institute (WWI) has appointed Josh McDonald as its Executive Director, effective January 5.

He will be responsible for managing the complex policy and regulatory issues facing Washington winery owners who make up the second largest wine industry in the U.S., after California.

Marty Clubb, WWI President and owner of L'Ecole No 41 winery, in Walla Walla, stated "With the exciting growth of our industry in the past few years, the timing is right to build on our legislative and regulatory successes in Olympia with a full-time Executive Director who can provide critical outreach to our winery members." He added, "Josh has the association background, organizational development skills, and political experience that will help take WWI to the next level so wineries can realize even more value for their membership."
Prior to joining the Washington Wine Institute, McDonald was the State and Local Government Affairs Manager for the Washington Restaurant Association. There he was responsible for building the association's local government program and for managing the association's interests on issues including tourism, food safety, the environment, immigration, taxation and regulation, in Olympia.

"The Washington Wine Institute has been the industry's leading advocate before the Legislature and Liquor Control Board for many years," said McDonald. "I am looking forward to continuing this legacy while at the same time strengthening our presence in Olympia and around the state."

Vicky Scharlau, Executive Director of the Washington Association of Wine Grape Growers (WAWGG), said that McDonald's appointment would bolster how all facets of the industry are able to work together.

"WAWGG welcomes Josh to the Washington Wine Institute. Working together over the past decade, WWI, the Washington State Wine Commission and WAWGG have made huge strides on behalf of grape growers and wineries. We look forward to adding Josh to the team as his hiring can only strengthen our partnership as we meet the needs of a quickly expanding industry," Scharlau said.

Mr. McDonald holds a bachelor's degree in Politics and Government from the University of Puget Sound. He was born and raised in rural Northwest Montana. He lives in Tacoma with his wife, Chelsea Levy, and their son, Liam.

The Washington Wine Institute is the leading advocate for Washington wineries. WWI unites wineries big and small to make sure the collective voice of the Washington wine industry is present and strong in Olympia.

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**Shares at Majestic Wine fall as Christmas discounting hits margins**

Source: FT
Kadhim Shubber
January 7th

Shares in Majestic Wine fell more than 17 per cent on Wednesday as analysts cut profit forecasts after fierce discounting over the Christmas period hit margins.

The UK's largest specialist wine retailer said gross margins fell 50 basis points as its discounting hit sales of full price wines more than the company expected. Steve Lewis,
chief executive, defended the decision to discount heavily in the face of "particularly tough" pricing pressure from supermarkets.

"We anticipate this competitive pricing environment will continue throughout much of 2015," he said.

Majestic faces competition from both high-end supermarkets such as Waitrose and discounters, who have put pressure on prices across the UK retail market. This Christmas Majestic had to contend with competition from Lidl, which introduced a line of premium wines in July 2014.

Price competition in the groceries sector looks set to intensify in 2015. Asda has said it will invest £300m into lower prices while Tesco is set to announce new discounts on Thursday.

Mr Lewis said Majestic did not currently have plans to discount further.

House brokers Investec cut full-year profit forecasts by 6 per cent to £22m on the news and downgraded the shares to hold. Shares fell 17.29 per cent to 328p in London trading and have fallen in value by more than a third since the beginning of 2014.

"With yet another downgrade, strategic concerns and a question over growth prospects is likely to weigh on the share price," wrote Kate Calvert, analyst at Investec.

Like-for-like store sales rose slightly by 1.1 per cent for the 10 weeks to January 5, well behind Investec's 2.2 per cent forecast for the second half of the year.

The downgrade follows a profit warning in March after sales failed to pick up following a strong performance over Christmas 2013. Mr Lewis said the retailer had been "tripped up" last year, but was ready for an "extremely competitive" fourth quarter this year.

He added that Majestic's year-to-date sales growth of 2 per cent was ahead of the 0.8 per cent growth it achieved at the same point last year.

Nick Bubb, an independent retail analyst, said the company deserved credit for delivering like-for-like growth in the face of strong competition from supermarkets.

"I thought it was a pretty good performance. Obviously the margins were a bit weak but they still delivered like-for-like growth," he said.

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**Tesco confirms wave of price reductions**

Source: FT
Tesco will on Thursday ratchet up the supermarket price war with cuts of up to 25 per cent on hundreds of branded grocery products, as it begins a wave of reductions to stem an outflow of shoppers.

The lower prices come ahead of an announcement by Dave Lewis, chief executive of the chain, on his plans for turning round Britain's biggest supermarket, which has been plunged into turmoil by a £260m profit overstatement.

Tesco said that it was cutting the prices of about 380 branded products by an average of 25 per cent.

The reductions, which represent a move to simpler, lower and more stable prices, would be implemented across all of Tesco’s formats - including its smaller convenience stores, where prices have traditionally been higher than big out-of-town stores.

Tesco said that the new approach included lowering the cost of Farley’s Rusks by 36 per cent to £1.48, Kellogg’s Cornflakes by 20 per cent to £1.98 and Hovis Best of Both Medium white loaf from £1 to 78p.

"Customers told us they wanted prices which are simple, lower and more stable. They said they want prices which are competitive, consistent and which they can trust all the time. So in response, we're bringing down prices on many of the brands customers buy every day," said Jill Easterbrook, chief customer officer at Tesco.

However, Tesco did not put a figure on the amount it would invest in the price cuts.

Tesco's move, which the Financial Times signalled on Tuesday, steps up the price competition between the big four grocers as they battle the German discounters, Aldi and Lidl.

Tesco is expected to fund the lower prices in part by significant cost cuts, including head-office job losses.

Clive Black, analyst at Shore Capital, expected the cuts to be funded by Tesco, rather than suppliers.

However, one senior retailer said that some of the money that suppliers had previously contributed to fund promotions would be put into the new lower prices, so reducing Tesco's investment.

Mr Black said that the price cuts could put pressure on Aldi and Lidl as they sold largely private-label products, rather than well-known brands.
"That really does represent another notch in the fight back against the discounters," he said.

He said that the reductions could also be painful for J Sainsbury, which on Wednesday pledged to compete "toe to toe" with rivals on price.

Tesco's move follows that of Asda and Sainsbury. Asda said on Tuesday that it would pump £300m into pricing, while Sainsbury said that it would cut prices on 700 popular lines, spending some of the £150m that it said it would dedicate to price cuts every year.

Steve Dresser, who runs the Grocery Insight Consultancy, said that he expected Tesco's price cuts on branded products to be followed by further waves of reductions in other categories, such as fresh produce and Tesco's own-label goods.

John Rogers, finance director of Sainsbury, said on Wednesday that the supermarket had left some firepower to fight back if the price war escalated.

"We have kept some capacity in our balance sheet to be able to invest further in price should we need to," he said.

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**Restaurant groups seek to change definition of 'full time'**

Source: NRN
Jan 7, 2015

A coalition of restaurant, retail and franchise groups has expressed confidence that they could push changes in the Affordable Care Act's definition of full-time workers in the new Republican-led House and Senate.

Industry groups seek to revise the ACA's definition of a full-time workweek from the current 30 hours to "the more historic standard of 40 hours per week," said the National Restaurant Association, which noted that there are 7.5 million hourly workers at U.S. restaurants and bars.

The workweek definition has been a longstanding priority for industry groups. The ACA's current "employer-mandate provision" requires certain companies with 50 or more full-time equivalent employees to provide healthcare coverage to their full-time employees and dependents, or potentially be penalized. The ACA defines an employee working 30 hours a week as full time.

"It is a good sign to the industry that one of our issues is among the first issues that this Congress will address," said Scott DeFife, the NRA's executive vice president for policy and government affairs, in an interview Tuesday. "That's an important signal to the
industry that there is hope we can make some changes to mitigate the impact of the law on restaurant operations."

The NRA is working with the U.S. Chamber of Commerce, the American Hotel & Lodging Association, the International Franchise Association and a number of other retail groups to affect the ACA changes in an umbrella campaign called "More Time for Full Time." Link: MoreTimeForFullTime.org

House members are scheduled to vote Thursday on an ACA workweek bill, H.R. 30, to raise the definition to 40 hours. The House passed the bill, introduced by Rep. Todd Young, R-Ind., and Rep. Dan Lipinski, D-Ill., twice last year, but it was not considered in the Senate.

This year, however, a companion bill in the Senate, sponsored by Sens. Susan Collins, R-Maine, and Joe Donnelly, D-Ind., was reintroduced Wednesday.

Jack Crawford, the NRA's new chairman, and president and CEO of the Ground Round Independent Owners Cooperative, appeared with Collins and Donnelly at a press conference in Washington, D.C.

"With a workforce of over 13.5 million, restoring the definition of a full-time workweek to the traditional 40-hour model is critical now more than ever," Crawford said in prepared remarks. "As it stands, the 30-hour definition under the current healthcare law forces employers to restructure our workforce and unwantedly reduce employee hours."

Robert J. Green, executive director of the National Council of Chain Restaurants, a division of the National Retail Federation, on Wednesday expressed his group's "strong support" of the House legislation.

"H.R. 30 aligns the Affordable Care Act's current definition of full-time work - 30 hours per week - with the definition found in most other workplace rules - 40 hours," Green said. "The 40-hour workweek is a time-honored American tradition ingrained in our laws and culture; the ACA's 30-hour per week threshold is a peculiar, restrictive and detrimental provision of the law."

Green said the 30-hour definition led to "difficult and complicated calculations required for chain restaurant businesses to be in compliance" with the act's requirements.

"The 40-hour full-time workweek definition in H.R. 30 will allow business owners to make rational decisions about staffing levels in their restaurants and will provide employees additional and needed opportunities to work additional hours," Green said.

The timetable for the Senate's companion bill remains unclear, the NRA's DeFife said. "There are more procedural issues in the Senate that have to be worked out, but we hope
those will be worked out shortly," he said. "It's more a matter of when and how, not if, in the Senate. It will happen."

DeFife said restaurant operators have made changes in the workweek definition a top priority for their industry representatives in the capital.

"The 30-hour definition is so contrary to other parts of their operations in terms of workforce planning," DeFife said. "And there is no other labor law that gears anyone toward 30 hours a week as full time. This arbitrary limit on hours for part-time to full-time is a barrier to management's operation of the restaurant and to workers' earnings."

While President Barack Obama's administration has indicated it would veto any ACA workweek changes, DeFife said bipartisan support in Congress would strengthen the industry's arguments.

"The signal to look for is if we have enough Democratic support that the administration should take this issue seriously and work with us on making this change," DeFife said. "This is not a fundamental thread to the core of the administration's purpose for providing healthcare. This is a definition of full time that has had a lot of unintended consequences on workplace management and hiring that don't have anything to do with healthcare."

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Kentucky: Bill would allow wine sales at Kentucky grocery stores

Source: Louisville Business First
David A. Mann
Jan 7, 2015

A bill pre-filed in the Kentucky General Assembly would allow grocery stores in Kentucky to sell wine.

The legislation is sponsored by Rep. Larry Clark, D-Louisville, and was submitted last month. It would allow stores that sell fresh produce and meats to also sell wine for off-premises consumption.

Clark said he introduced a similar bill about 10 years ago but that it never got a hearing at the time. He decided to try again because it has a lot of support from the grocery industry and many states have passed similar legislation.

So why stop at wine? Why not hard liquor?

Clark said he thinks allowing liquor sales at big-box grocery stores would put a lot of mom-and-pop liquor stores out of business.
"There's a place for neighborhood liquor stores," he said.

The issue of wine sales has come up several times in Kentucky in recent years. Other states, including Indiana, allow wine and liquor sales at grocery stores. And just last year, this issue was the subject of court action in Kentucky.

"Wine is by far the item most requested by our customers, so Kroger and the entire Kentucky grocery industry is supportive of House Bill 90," said Tim McGurk, public affairs manager for Cincinnati-based The Kroger Co. (NYSE: KR) "If passed, this bill would eliminate the ancient and unfair regulations against grocery retailers and the inconvenience it causes our shoppers."

The bill has not been assigned to a committee for a hearing. Clark said it would go to the House Committee on Licenses, Occupations and Professions. The Kentucky General Assembly reconvened its short 2015 session today.

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**Indiana: Bill filed to allow Sunday alcohol sales in Indiana**

Source: IndyStar
Tony Cook
January 6, 2015

A bill that would allow Sunday alcohol sales at groceries, pharmacies and liquor stores has been filed in the Indiana House, but the man who will decide whether it gets a hearing is not the author.

Some, including the Indiana Chamber of Commerce, had hoped that House Public Policy Chairman Tom Dermody, R-LaPorte, would author the bill and in doing so signal his support for the measure.

That would have been a big victory for those who want to overturn the Prohibition-era ban, because the bill must pass out of Dermody's committee to get a hearing in the House.

Instead, Rep. Sean Eberhart, the Shelbyville Republican who has carried similar legislation in the past, is listed as author of House Bill 1026. Rep. Terri Austin, D-Anderson, is co-author.

Dermody said Tuesday he probably won't decide for a few weeks whether to give the measure a hearing.

Eberhart, however, said he's optimistic.
"We have a chairman that seems to be willing to look at the issue, we have a speaker that's willing to look at the issue, and we have a public where a majority is in favor of the change," he said. "I wouldn't be surprised if Rep. Dermody had his own bill."

Similar efforts to legalize Sunday carryout sales in recent years have met stiff resistance from the state's powerful liquor store lobby, which fears the measure would increase costs without generating additional revenue. As a result, past measures have not even received a committee vote.

But supporters hope this year will be different. National grocery chains such as Kroger are leading what they hope will become a grass-roots effort to overturn the restriction. The Chamber also is supporting the effort.

The 2015 legislative session runs through April 29.

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Ohio: Boutique liquors hard sell in Ohio

'Control' states a challenge because approval is required

Source: Columbus Dispatch
By Jim Weiker & Jeannie Nuss, Steve Stephens
January 3, 2015

Kyle Dynes would love to buy a bottle of High West Rendezvous Rye whiskey in Ohio.

High West, a Utah distiller, would love to sell Dynes a bottle.

But Ohio liquor regulations prevent the union.

Other High West whiskeys have been approved for sale in Ohio, but Rendezvous Rye has not. The drink joins a long list of coveted spirits that are available in neighboring states but not Ohio.

Amid the explosion of boutique bourbons, ryes and other liquor, Ohio consumers such as Dynes have been left high and dry. They must leave the state to find their spirit of choice.

"If you really want the stuff, you've got to travel - to Indiana, Kentucky," said Dynes, 34, a mortgage-loan officer who lives in Dublin. "We're losing out here in Ohio."

Ohio is one of 17 "control" liquor states that dictate the sale of distilled spirits. Every liquor label for spirits higher than 42 proof is subject to the approval of the Ohio Division of Liquor Control, which also sets the price.
By contrast, in open states such as Kentucky and Indiana, the private market determines price and availability.

"In Kentucky, all you need is a licensed wholesaler and you can sell," said Mat Garretson, High West's sales manager. "Control states are more of a challenge."

The enormous growth in the number of distillers nationwide has heightened the challenge for control states such as Ohio. In 2008, about 100 craft distillers dotted the country; six years later, more than 500 do, according to the American Distilling Institute.

"The growth has been exponential," said Andrew Faulkner, vice president of the institute and editor of the organization's Distiller Magazine.

The list of whiskey brands unavailable in Ohio has grown lengthy and includes prized labels such as Corsair, Breckenridge, Wasmund and Redemption.

Larger distillers such as Willett, Heaven Hill and Buffalo Trace sell some of their everyday brands in Ohio but not their premium or small-production liquors, which are available in Kentucky and Indiana.

"We have people ask us for stuff daily that we can't get," said Jan Wilson, director of wine, beer and liquor at the Hills Market in Worthington. "When you can drive two hours and go across the river and get lots of stuff you can't get here - to a real bourbon lover, it's worth the trip."

Liquor that is available in Ohio sometimes sells for more here than in neighboring states.

A basic bottle of Jim Beam priced at $19.05 in Franklin County can often be bought in Kentucky for less than $15. And a bottle of Maker's Mark selling for $30.10 in Franklin County often costs a few dollars less in Indiana.

Under Ohio's system, the state approves spirits sold in the state and serves as middleman. Ohio warehouses the liquor and tacks about 44 percent onto the price (in markup, taxes and fees). The manufacturer is paid after the liquor is loaded on trucks destined for store shelves.

The system generated profits of $214 million during the past fiscal year. Since 2011, such profits have been used to fund the private JobsOhio development agency.

Bruce Stevenson, superintendent of the Division of Liquor Control, said his office has done its best to accommodate the growth in the liquor industry and requests from Ohioans.

"Everything people ask us for, we try to get," he said. "We try to satisfy the consumers of the state."
The division, Stevenson said, sometimes even tries to persuade distributors to bring liquors into Ohio when consumers ask for them, instead of waiting to be approached by the distillery or its broker. Two examples: Larceny, a whiskey made by Heaven Hill Distilleries in Kentucky, and WhistlePig, a craft rye made in Vermont.

In neither case, Stevenson said, was the distillery interested.

He also said that many coveted brands missing from Ohio store shelves have been approved for sale but are unavailable from the distiller. Included are labels such as Sazerac Rye and Ciroc peach and pineapple vodka.

In seeking brand approval in Ohio, distillers must demonstrate to the Division of Liquor Control a demand for their product in Ohio and their capacity to meet that demand.

For smaller distillers, who prefer to start with trend-setting stores and restaurants, the process can be prohibitive.

"For little guys like us, it's tough to go into control states," said Jason Ingram, director of sales for Corsair Distillery, which has operations in Nashville, Tenn., and Bowling Green, Ky.

"Generally, we are the ones who have to pay for the shipping. We have to front the product . . . and we don't get paid until the product gets sold."

Ingram said he had an email exchange with a broker interested in bringing Corsair's spirits to Ohio but learned that "it would be costly to us to get in there."

The costs, he said, become a disincentive: "Ohio is not exactly at the top of our radar."

Greg Lehman and Dave Rigo, co-owners of Watershed Distillery in Grandview Heights, said Ohio liquor laws kept them from landing some of the investors who initially showed interest in their business.

They had to spend money for a building lease, equipment, supplies and a federal permit before they knew whether they'd even be allowed to sell their product in Ohio.

"We even had to have our product labels approved first," Rigo said.

The owners met with a small group of state officials, including Stevenson's predecessor, for a decision on selling their product in the state.

"I had to give them a five-minute marketing spiel on why we should be given shelf space," Rigo said. "Fortunately, I wasn't even finished with my pitch before they said we were OK."
It didn't hurt that Watershed is based in Ohio.

"The state seems to support local distillers," Lehman said. "If you're a distillery in Ohio, it's like they're going to give you a shot in Ohio. But if you're a distillery in Indiana or Maine?"

On Sept. 8, Utah-based High West made a pitch to the Division of Liquor Control to sell four whiskeys. Three were approved; the premium Rendezvous Rye was not.

"Their rationale was that our Double Rye is similar to Rendezvous," Garretson said.

Stevenson said Liquor Control officials thought the three products approved offered a good opportunity for High West to test the Ohio market.

"They can certainly come back and ask for others whenever they want," he said.

Garretson said Ohio's approval process is no more difficult than other control states, such as Pennsylvania or Virginia, but he knows firsthand that Ohio's rules drive consumers to other states for liquor.

"When I do events in northern Kentucky, I guarantee you I see a lot of people from Cincinnati," he said. "We have definitely heard from consumers in Ohio."

George Keller, a bourbon fan who with his wife, Anita, owns the Downtown restaurant Hungry Soul Cafe, has himself sought out hard-to-find whiskeys.

He once drove to Kentucky to await the opening of a Party Source outlet that had announced it would be selling a limited amount of distiller Buffalo Trace's prized Antique Collection.

"It was like waiting in line for rock-concert tickets," he said.

The store opened at 8 a.m.; Keller got there before 6 - and wasn't first in line. (He was fifth, he said, with dozens of others behind him by the time the store opened.)

Keller scored a bottle of the coveted George T. Stagg bourbon and a Sazerac Rye.

"That was before I knew about the liquor business from (the restaurant) side," Keller said. "But even then, I knew I wasn't going to be able to get these (brands) in Ohio."

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COLANGELO & PARTNERS ANNOUNCES GLOBAL EXPANSION
New Offices and Affiliate Partnerships in Spain, Italy and California Expand Agency’s Reach

2014 Growth, New Client Wins Also Announced

Source: Colangelo & Partners
January 7, 2015

Colangelo & Partners (www.colangelopr.com), a leader in marketing communications for wine, spirits, food and lifestyle companies, announces today the opening of a Madrid office, as well as affiliate agency partnerships in Italy and California.

"We're expanding our network both within the US and globally to better serve our existing clients and develop more opportunities in markets that are strategic for our business," said Gino Colangelo, president, Colangelo & Partners.

Madrid native Gonzalo Gutierrez, a two-year veteran of Colangelo & Partners' New York office, will run the Madrid office. He returns home to help build the agency's business in Spain and support the firm's current clients, including Wines from Spain and the Wine Foundation of Castilla La Mancha.

Colangelo & Partners also formalizes an affiliate agency relationship with Trefoloni & Associates, a leading Italian public relations agency with offices in Milan and Florence. The two agencies have collaborated on client services in Italy and the US over the past year, and agreed to formalize the relationship going into 2015.

"This partnership will allow us to better serve our existing clients and develop new business opportunities," said agency president Dante Trefoloni. Clients on which the agencies have already collaborated include Vias Imports and The Damilano Wine Company.

In Los Angeles, Colangelo & Partners teams up with Please the Palate, an agency with which Colangelo has collaborated for several years on events for clients including Slow Wine, Wines from Spain, Wines of South Africa and others.

"This affiliation formalizes a relationship that has been going on in practice for years," said Allison Levine, president of Please the Palate.

In addition to the new offices, Colangelo & Partners announces several new account wins, including Distell's Amarula; Ornellaia; Qupé and Trinity Hill from Terroir Selections; Vermouth Royale from EuroWineGate; Sapporo Beer; Tariquet (a wine and Armagnac producer from Gascony) and Wines of South Africa. The complete list of current clients can be viewed at colangelopr.com/clients.
"Our growth curve the past two years has been steep," said Colangelo. "In 2014 our revenue increased by over 60% to over $5 million and our client base increase by over 20%. We expect the global expansion to position us for continued growth."
3G Capital Inc, the buyout firm controlled by Brazilian billionaire financier Jorge Paulo Lemann, is raising between $8 billion and $10 billion to finance an acquisition of a global consumer goods firm, a Brazil-based blog said on Tuesday. Brazilian Jorge Paulo Lemann, co-founder and board member of 3G Capital, a global investment firm, speaks to students from scholarship foundation "Fundacao Escolar", in Sao Paulo, Brazil, August 1, 2016. Investors have long speculated what the next target for Lemann, who is worth $28 billion according to Forbes Magazine, and 3G could be Oreo cookies maker Mondelez International Inc (MDLZ.O) or General Mills Inc (GIS.N), which owns Pillsbury and Betty Crocker.