



The Barleycorn Press

Monthly Newsletter Published by the Green Mountain Mashers of Vermont

September, 2002

Volume 13 Issue 6



Malternatives pour it on this summer: Rash of beer-based products fly under liquor brands

By Steve Gelsi, CBS.MarketWatch.com

Hardly a week goes by without another so-called malternative drink hitting the market.

First came Smirnoff Ice and Mike's Hard Lemonade. Then came Skyy Blue and Bacardi Silver.

Many more are debuting: Captain Morgan Gold, Jack Daniel's Hard Cola, Sauza Diablo, Stolichnaya's Citrona.

With an estimated \$400 million in advertising support for the summer, it'll be hard to miss these new products.

The drinks are making waves in the media business and the beverage industry

as the biggest rollout since ice beer or wine coolers.

Harder to discern amidst all the noise is that these drinks are actually a type of beer, or more precisely a malt beverage.

These sudsy beverages have always been around, a la Colt 45. Zima, a sweeter type of malt liquor produced by Coors (RKY), is roughly 10 years old.

Then last year, Miller teamed up with Diageo (DEO), lord of the venerable Smirnoff vodka brand, to produce Smirnoff Ice.

The drink took off and helped popularize the industry term, "malternative" as

part of a new breed of malt beverage with licensed names from big name liquor brands.

The category now comprises about 5 percent of the roughly \$60 billion that American spend each year on beer -- roughly the same as microbrew.

For the year ending in April, Smirnoff Ice had about a 43 percent market share of the category, followed by 23 percent for Mike's Hard Lemonade, 13 percent for Zima, 6 percent for Anheuser-Busch's Doc Otis drink, 5 percent for Hooch, and about 3 percent for Bacardi Silver made by Anheuser-Busch (BUD).

"Consumers are looking for something

different, something new," said Michael Bellus, CEO of Beverage Marketing, which tracks the industry. "It's going to be an interesting year. We'll likely see a doubling of the category and the question is, where does it go from here?"

Synergy

Miller, a unit of Philip Morris (MO) is in the midst of a sale to South African Breweries. See full story.

The merger to create the world's second largest brewer next to Anheuser-Busch may give the company deeper pockets to support its stable of six malternatives.

Besides Smirnoff Ice, Miller is making Captain Morgan's Gold, Skyy Blue, Jack Daniel's Hard Cola, Stoli Citrona and Sauza Diablo.

Anheuser-Busch's David Peacock, vice president of high-end brands, said the beer maker is looking to boost volume with Bacardi Silver by appealing to a new audience with a \$60 million ad campaign.

Granted, some of the drinkers come from the beer crowd, but plenty are initial customers.

"It's unknown at this point what the cannibalization rate is because we only have one year of good data behind us," Peacock said in a recent interview at the Beverage Forum, an industry event. "It's important for us to participate. Even if the (cannibalization rate) is 50 percent -- and we're not sure it is -- there's still 50 percent that's incremental, so that's new volume to our system."

Bacardi Silver is being positioned as the only malternative with the flavor of rum. Its packaging emphasizes the liquid's clear appearance, compared to the more cloudy looks of others.

(Continued on page 3)

In This Issue!

Malternatives	Pages 1, 3-4
Next Meeting Info	Page 2
Staff Box	Page 2
Masher Calendar	Page 3
Freeze Dried Beer	Page 5

NEXT MEETING At Bob Genter's On September 16th

The next Green Mountain Masher meeting will take place on Monday, September 16th at the home of Bob Genter. The business meeting will commence at 7:30 P.M. Masher time.

To get to Bob's from Essex take Route 15 east to Jericho. Pass Joe's Snack Bar. Follow the bend in the road, and go 1.3 miles. Bob's house is on the right (southside of road). It is the only one with a street light over the illuminated driveway. It follows a house on the right with a wood-post fence and 178 is on the mailbox .

From Richmond take Brown's Trace Road north. Turn left (west) on Route

15. Pass the Merchants Bank (on right) and Packard Road (on left) and Bob's is the fourth house west of Packard on the left (south side of road). It is the only one with a street light over the illuminated driveway. 178 is on the mailbox along the road and on the red door.

Come in the front door, and go up the short stairway. He lives in the upstairs apartment. The phone number is 899-5160.



F.Y.I.

Here's the URL to a web site of what appears to be a pretty cool homebrew club in Culver City, CA. Pacific Gravity Homebrewers Club.

<http://www.pacificgravity.com/>



Grape Harvest in Grand Isle by Bob Livingstone

At the Masher picnic at Maarten and Sarah's a few weeks ago, there was interest expressed by some of the attendees to help in the grape harvest at my vineyard, which happens to be directly behind Maarten and Sarah's house.

At this point it appears we will be harvesting on Saturday, September 21, 2002. We will provide lunch and a bottle of homemade wine for anyone there. Pruners are needed to harvest grapes, so if anyone has a pair, please bring them. I have about 12 pair of pruners, so if anyone does not have pruners, we can supply them. The plan is to get say 15 to 20 people (not all Mashers, we have friends and relatives too!) and get

it done in 2 to 3 hours. We will be starting about 9 AM. Please note: The date is subject to change depending on the brix level (sugar content). As of Monday it was 14.5 and needs to get to 18. Shelburne Vineyard is running just ahead of this level and plans to harvest in the September 17 to 20 time frame, so I think 21 should be a good date.

Hopefully this will turn out to be a fun activity for the Mashers, and maybe something we can build on in the future. If you have any questions, please contact me either by email or phone as listed below. It would be helpful to have those interested to respond to my email address so we can get a head count for food and beverage as well as have a list so if the brix fails to hit 18 by Sept. 21, we can notify them of the change.

Thanks for your help!
434-5524 (ph)

Livingrape@aol.com (email)

Staff Box



The Barleycorn Press is a monthly publication of the Green Mountain Mashers Homebrew Club. The Barleycorn Press appears in the final week of each month. **Contributions are due by the 25th of the month of publication or two Thursdays prior to the next meeting (which ever comes first).** Please send contributions via e-mail (preferable) or send on a 3.5" IBM compatible diskette (hard copy as a last resort) to:

Tim Cropley
235 East Main St., Richmond, VT 05477
(802)434-7293 (hm)
t_cropley@yahoo.com

Contributions on any subject even remotely associated with the brewing and/or enjoyment of beer and related beverages are happily accepted by the editors. The editors reserve the right to edit any contribution as a function of available space, while making every attempt to maintain its integrity. The views expressed by contributors to the Barleycorn Press are not necessarily those of the editors or of the Green Mountain Mashers Homebrew Club.

This publication is made available free of charge to all dues paying members of the Green Mountain Mashers. Subscriptions are available to all other interested parties at \$7.00 yearly (US funds).

Note: The yearly dues of \$10 should be paid by the end of January. Please mail your check or money order made out to the "Green Mountain Mashers" to Treasurer Lewis Greitzer at the following address:

Lewis Greitzer
33 Harbor View Road #1201
South Burlington, Vermont 05403
(802)658-2621
lewis@together.net

Advertising space is available to non-profit and for-profit organizations wishing to offer beer related items or services to the readers of this publication. The editors reserve the right to accept or reject any advertiser. For advertising rates, availability and deadlines please contact the editor.

No rights reserved. Any part of this publication may be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise. No prior permission, written or otherwise, is needed from anyone.

View the Official Web Page of the Green Mountain Mashers at:

<http://www.mashers.org>

Officers not listed above:

President - Rich Evans, Ph # (802) 899-3006
"Evans, Rich" <evansrj@us.ibm.com>
Secretary - Ernie Kelley Ph # (802) 434-3674
"Kelley, Ernie" <epopmafs@together.net> OR
"Kelley, Ernie" <erniek@dec.anr.state.vt.us>



Green Mountain Masher Calendar of Events

Date	Event	Information
9/16/02	Green Mountain Masher September Mtg at Bob Genter's in Jericho	Bob Genter (h) 899-5160 (email) genterb@together.net
9/21/02	Grape Harvest - Grand Isle	Bob Livingstone (h) 434-5524 (email) Livingrape@aol.com
10/7/02	October Mtg - Location TBA	

Please contact Tim at the phone # or email address noted below to add items to the Masher Calendar

Please contact Tim Cropley at (802) 434-7293 or by email at t_cropley@yahoo.com if you have any beer events that you think the membership would like to know about. It is our hope that we will also list other regional competitions as they are announced. We also hope to list AHA sponsored Club Only competitions in an effort to remind people to consider bringing beers that fit the competition style to club meetings so that the membership can pick one for entering.

(Continued from page 1)

Acknowledging that Bacardi Silver is Anheuser-Busch's biggest launch in years, Peacock said he's focusing on the product's attributes to help it cut through the competition. He's not yet sure how malternatives will fare overall in the long run.

"It's hard to say with these kinds of things," he said. "What's important is if you've got a good brand, and you market it effectively, and you've got a good liquid and a good product, ultimately no matter how big the category gets, you'll win."

Liquor boost

Besides getting money from the beer makers for allowing their brands to be used in malternative products, the liquor companies get their brands prominently on network TV advertising for the first time.

For decades, the liquor industry has followed a self-imposed ban on network TV ads, but that's starting to evaporate as companies tentatively eye the mass medium. See full story.

While sorting out the thorny issue of

liquor ads on TV, spirits makers are benefiting from malternative ads, which skirt around the rule because the liquid inside the bottles is technically beer.

It's an old Madison Avenue trick in the brand extension game. For example, tobacco can't advertise on TV, so brands such as Virginia Slims and Winston sponsor televised sporting events with their brands visible.

John V. Allen, senior partner at branding firm Lippincott & Margulies, a unit of Marsh & McLennan (MMC), said this back door approach helps win entry-level customers to distilled spirits.

"A big component of brand strength is awareness -- almost 60 percent of it," he said. "Just having that name on network television in the right place, and also being able to wrap it up with a right-brained psychological atmosphere does a lot for the parent brand."

He cautioned that the strategy could backfire, if the new batch of malternatives taste bad and make the corresponding liquor bands lose luster.

Already, federal regulators have gotten into the act.

Recently, the Bureau of Alcohol, Tobacco and Firearms has mandated that direct spirit references must come off of the malternative labels. For example, if the label says it contains vodka, or even the flavor of a spirit -- those terms must go.

In an effort to defuse any criticism about marketing liquor on TV, malternatives are airing their own responsible drinking ads.

Taste testing

On a recent trip to the Hard Rock Café in New York City, a host of drinkers said they were familiar with malternatives.

"I've seen guys drinking Bacardi Silver, that's when I tried it," said Sarah Looney, a sales coordinator for the Hard Rock. "They said, 'I know we look stupid drinking this, but it's really good.' So I tried it and it was good."

Waitress Rhonda Gdasi agreed that many customers think the drinks contain distilled spirits.

"They taste like a mix between a mixed drink and a cooler, so it's kind of like

(Continued on page 4)

(Continued from page 3)
drinking a beer, but you're not," Gdasi said.

Pam Way, a teacher, sipped a regular beer and said Bacardi Silver is "too sweet" and the Smirnoff Ice is "a little bit lighter."

Bartender Lydia Real said people seem to reorder the malternatives after trying them, so she considers them a success thus far.

"I think they'll be around for a while," she said.

Naval officer Scott Kessler said he doesn't buy malternatives on a regular basis because they're more expensive than many beers he picks up at the supermarket.

"It has to grow on you a little, but I like it overall," Kessler said.

Bartender Matthew Stauffer said he offers tastes to customers who are curious about the drinks and he compares them to Zima, already a familiar name.

Rather than college students or other 20-something-year-olds, the drinks seem popular with a 30- to 50-year old crowd, he said.

Looking ahead

With all the new drinks rolling out, predicting which ones become hits is difficult if not impossible. It's even harder to tell if it's a fad or a long-term trend.

Wine coolers were the rage for a short time and faded, but a few are still around. Ice beer didn't fare as well after the initial hype died down.

Zima is still out there. Coors is weighing whether to come out with another malt drink called Vibe.

Meanwhile, beer makers such as Anheuser-Busch are touting their new malternative drinks in their quarterly earnings reports and on conference calls to analysts in an attempt to cash in while the category is hot. But no one knows how long it'll last.

"What'll ultimately happen is that if they do go away, there's going to be some fallout among brewers that tried to play in the space," said Jeff Kanter of Prudential Securities. "And if that should occur, Anheuser-Busch with a 50 percent share of the (beer) market is probably going to come out a stronger company."

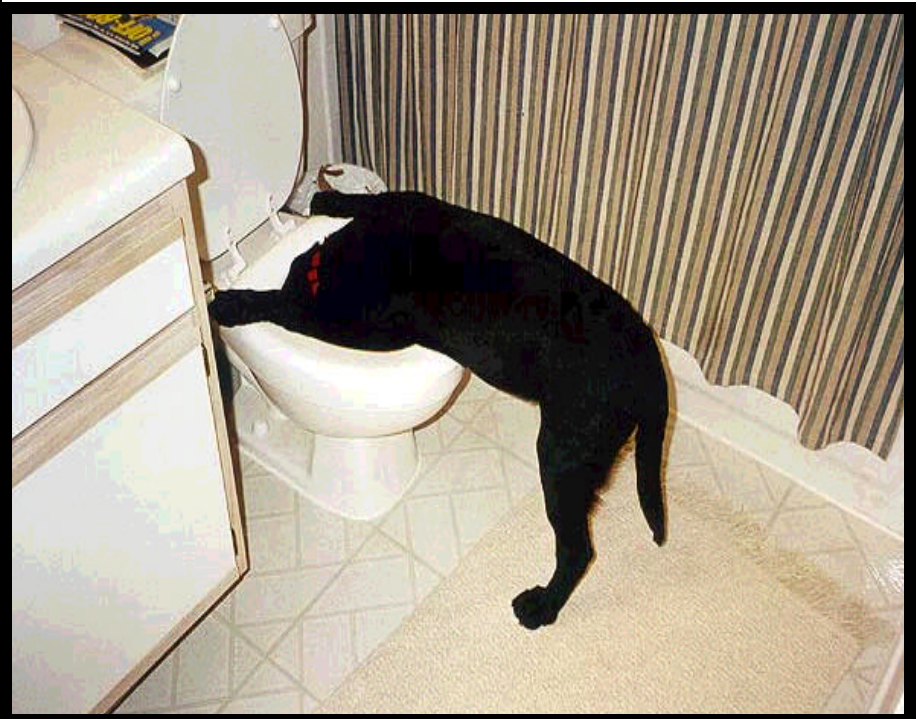
It's always safe to bet on the biggest player, but so far Miller is ahead in terms of the success of Smirnoff Ice.

Upstart contender Mike's Hard Lemonade, the only independent brand in the top tier, is also making head way with its edgy ads.

Although the future is uncertain, some thirsty work definitely awaits both marketers, and consumers.



Looks like Mel and Jim's puppy Josie had a little too much beer and cider at the Green Mountain Masher's Picnic



Purdue students brew up idea for freeze-dried beer spice

by Steve Tally - Purdue News
May 20, 2002
WEST LAFAYETTE, Ind.

For those who can't get enough of the flavor of beer, two Purdue University students have just the thing: beer spice.

The non-alcoholic, freeze-dried beer isn't intended to make instant beer as simply as instant tea, but rather as an ingredient in foods.

"It could be used for dips, sauces, in breads or batters, or sprinkled on popcorn or potato chips," says co-developer Michelle Kelly.

Kelly, of Westerfield, Ohio, and Luke Meyers, of Fort Wayne, Ind., both 2002 spring graduates, developed the product as their senior research project for the class Agricultural and Biological En-

"The flavor is more concentrated and sweeter than regular beer," Kelly says. "It's sweeter because the process leaves the sugars but removes the alcohol and water."

"It was surprising how close the flavor is to that of real beer," Okos says.

Meyers says fellow students like the idea of beer as a spice.

"They see it as something that would be pretty useful," he says. "Although there were one or two who said they'd rather just drink it."

According to Okos, eventually soldiers or hikers could use the product to make beer in the field.

"To reconstitute the beer you would need three components," Okos says. "You would need carbonated water, and alcohol in addition to the freeze-dried beer. It might be possible to encapsulate

gineering 556: "Food Plant Design and Economics."

The course is taught by Martin Okos, professor of agricultural and biological engineering, who says the class is meant to be the capstone experience for students in the food process engineering program.

"The senior project gives the students a chance to bring together all of the things they've learned in their classes here," Okos says. "I tell the students to act as if I were their manager and I asked them to come up with a new product. Then they take it all the way from the concept to actually developing the final product and the process to manufacture it."

Freeze-dried beer has been developed before for non-commercial uses, but this is thought to be the first freeze-dried beer developed as a spice.

So far the students have created freeze-dried versions of both light and dark beers. The lager version is a cream color and the dark beer powder is a darker

shade of brown.

"The idea started as kind of a joke, but then Professor Okos said he liked the concept because it was original," Kelly says. "As we researched it we were surprised to find out that no one had developed it before."

The students devised a multistep process to freeze-dry the beer. Working in Purdue's food process pilot plant, the students first removed part of the moisture from the beer in a process similar to that used to create frozen orange juice concentrate. Then they used a food freeze dryer to get the crystalline powder.

The students encountered a few missteps along the way, but Okos says that was to be expected. "Dehydrating beer can be complicated, but I kept telling the students it could be done," he says.

Although scientific taste testing has yet to be conducted, the students say the informal consensus is that the dehydrated beer tastes even better than the real thing.

the carbon dioxide and alcohol so that it would not have to be added separately, but more work on that needs to be done."

Kelly and Meyers both graduated May 11. Kelly received a bachelor of engineering degree in agricultural and biological engineering. Meyers graduated with a double major in agricultural and biological engineering and biochemistry.

Despite the excitement, Kelly herself has yet to hoist a mug of powdered cheer.

"I don't like the taste of beer," she admits. 🙄

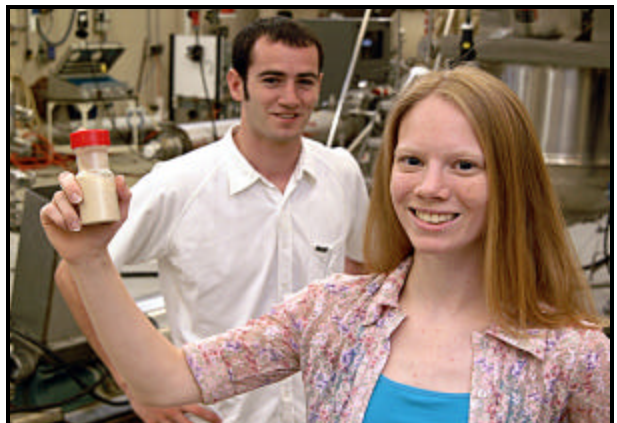


PHOTO CAPTION:

Purdue University students Michelle Kelly and Luke Meyers hoist a shaker of freeze-dried beer in the Purdue food science pilot plant. The students say the powdered beer could be used as a spice in sauces or batters, or sprinkled on popcorn or potato chips. Kelly and Meyers created the new spice for their senior research project in food process engineering. (Purdue Agricultural Communication Service Photo by Mike Kerper)



**Barleycorn Press
Green Mountain Mashers
c/o Tim Cropley
235 East Main St.
Richmond, Vermont 05477
U.S.A.**

Place Stamp Here
Post Office will
not deliver
without sufficient
postage