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January 18, 2018

Please visit NABCA's new website at [www.nabca.org](http://www.nabca.org)

### SAVE THE DATE

Registration Is Now Open for the Legal Symposium! Visit [www.nabca.org](http://www.nabca.org) to register.

#### MARCH 18-20, 2018

**25<sup>th</sup> Annual Symposium on Alcohol Beverage Law & Regulation** at the Crystal Gateway Marriott in Arlington, VA.

Join government, legal and industry professionals for a symposium that offers the chance to hear the latest on legal issues related to alcohol beverages. Session topics currently planned include *Here Comes the Judge*, *The Lens of Time: 1st versus 25th NABCA Legal Symposium*, *Trade Practices: A Civil Matter?* plus many others. Watch for registration materials in the coming months! Continuing Legal Education (CLE) credit is available for many states. For more information, go to [www.nabca.org](http://www.nabca.org).

#### APRIL 11-13, 2018

**Alcohol Policy 18: Evidence To Action - Building an Evidence-Based Social Movement** Renaissance Arlington Capital View Hotel, Arlington, Virginia. For additional information on hotel, important dates and more, please visit the AP18 Conference website. **AP18 Registration Now Open!**

#### APRIL 30-MAY 1, 2018

**2018 RRForum National Conference** - hosted by the Michigan Liquor Control Commission and will be held in Detroit.

#### MAY 21-24, 2018

**81st Annual Conference** will be held at the Arizona Biltmore, Phoenix, AZ. **Theme: Bridging Divides;** For more information, visit [www.nabca.com](http://www.nabca.com) website.

#### JUNE 3-5, 2018

**2<sup>ND</sup> Annual Beverage Alcohol Retailers Conference** - Denver, Colorado  
Registration is open and sponsorship information is available at [www.BevRetailersConference.com](http://www.BevRetailersConference.com).  
Secure your early bird rate before prices increase on February 9.  
Seating is limited.

**JULY 18-20, 2018****8<sup>th</sup> Biennial Northwest Alcohol & Substance Abuse Conference**

Riverside Hotel, Boise Idaho

The Pre-Conference Sessions are on Wednesday. The official conference kicks off Thursday morning. Visit [NorthwestAlcoholConference.org](http://NorthwestAlcoholConference.org) for more information.

**NABCA HIGHLIGHTS****Native American Nations & State Alcohol Policies: An Analysis**

**Sunday Alcohol Sales** (July 2017)

**Alcohol Technology in the World of Tomorrow - (White Paper)**

**The Control State Agency Info Sheets.** Please view website for more information.

**NABCA Survey Database** – now available for members on the website.

[www.NABCA.org](http://www.NABCA.org)



## CONTROL STATE NEWS

### MT: Montana Historical Society presents Montana's micro-brewing history

KTVH

By John Riley

January 17, 2018

On January 17th historian Brian Shovers presented to the public "Seventy-five and Counting: The Origins and Evolution of the Montana Micro-Brewery Industry" at the Montana Historical Society.

The presentation was based on fourteen oral history interviews done last year that were conducted with some of Montana's first micro-brewers. The interviews were gathered for the Montana Brewery Oral History Project through the MHS.

After Great Falls Select closed in 1968, Montana went fifteen years without a brewery until Kessler Micro-Brewery opened in Helena's Sixth Ward in 1984.

Since then Montana has seen a resurgence of breweries and the industry has over 1,400 employees statewide.

Many of the early micro-brewery owners started as home brewers who dreamed of doing more than a few gallons of beer a year.

The biggest hurdle early craft brewers faced was distribution issues since the breweries themselves couldn't sell retail beer on premises.

This changed when the 1999 Montana Legislature passed HB 442 which allowed brewers that produced less than 10,000 barrels a year to sell up to 48 ounces of malt beverage a day to an individual.

The Historical Society says that this helped foster a friendly and community-focused atmosphere at local breweries.

Shovers added that local breweries have become tourist destinations with many planning trips around just visiting breweries since no two are alike.

"They're all brewing different kinds of beers so you have great variety in taste, flavor and strength," said Shovers, "And that's really attractive to a lot of people. "

Montana currently has 75 craft brewing facilities and there are another 7 slated to open later this year.

The state is also the top producer of malt barley for making beer in the country by acreage.

## LICENSE STATE NEWS

### MD: Franchot continues push for brewery reform

Frederick News Post

By Ryan Marshall

January 18, 2018

Peter Franchot is on something of a crusade.

The Maryland comptroller is pushing for a series of reforms to the laws regulating breweries, and painting himself as the champion of the state's beer makers.

Franchot has been a regular presence at events with Frederick brewers to push new legislation.

He came to Brewer's Alley in December to promote the potential reforms, and he made an appearance Wednesday at Rockwell Brewery on East Street, urging attendees to sign a petition of support for the "Reform on Tap Act of 2018."

A bill passed by the General Assembly last session increased the barrel limits for brewery taprooms from 500 barrels a year to 3,000, but also required brewers that sold more than 2,000 barrels to buy the extra 1,000 barrels from a wholesaler at a markup. That law also limits the hours that new breweries can keep taprooms open, while allowing brewery taprooms that were open before July 1 to keep their hours.

Opponents criticized the bill for creating an uneven playing field for the industry and unnecessarily restricting the future growth of brewery taprooms.

The fight over regulations for brewery regulations evolved last year when lawmakers wanted to increase brewery taproom sales and loosen other limits to try to accommodate a large brewery taproom in Baltimore County by the company that owns Guinness, Diageo.

Franchot's new proposal would remove all limits on beer production, taproom sales and take-home sales; allow counties to set guidelines for taproom operating hours; eliminate franchise law requirements; remove restrictions on contract brewing; and let smaller breweries distribute their own product.

Franchot is trying to get 6,500 signatures for his petition before it's unveiled in early February, representing the number of jobs the craft brewing industry creates.

He told the crowd at Rockwell that lobbyists for Budweiser and other big beer companies told the General Assembly what should be in the last bill, which he called a "knife in the back" of the Maryland craft brewing industry.

"I don't blame [the General Assembly] for this. It's the process more than anything," he said.

But he urged people to contact their legislators and demand the reforms, which he said are gaining momentum.

"It has now become a movement," Franchot said.

He also presented a proclamation to Rockwell, which opened in March 2017.

The new law hit the brewery hard, especially limits on "contract brewing," in which breweries have their beer produced to their specifications at another location because of capacity issues, said Paul Tinney, one of Rockwell's owners.

Their business model had been to let the money from the brewery fund its own growth, and they weren't brewing enough to be self-sustaining. They filled the void by contracting to other brewers to use Rockwell's recipes, then brought the kegs of beer to serve in their taproom.

Without the rules on contract brewing, they wouldn't have to worry about their next steps for growth, Tinney said.

"We would really just attack it," he said.

The bill did push them to buy more equipment, said Matt Thrasher, Rockwell's other owner.

It was sooner than they wanted to make that move, but it has worked out, he said.

Tom Barse, of Milkhouse Brewery, said he came to Wednesday's event to show his support for Franchot and Maryland craft beer.

Barse serves on the legislative committee for the Brewers Association of Maryland, and said the group plans to be prominent in Annapolis during this year's General Assembly session.

If all of Franchot's reforms pass, "First I would faint, then I would celebrate," Barse said.

Frederick County has a diverse craft alcohol culture. The county is home to more than 30 breweries, wineries and distilleries.

Other than Baltimore, Frederick is "the absolute center of Maryland craft beer," Franchot said after addressing the crowd.

Frederick Mayor Michael O'Connor said the city and Frederick County are "ground zero" of the craft brewing industry.

Businesses such as Rockwell contribute to Frederick's reputation as a thriving community, O'Connor said.

The thriving craft scene is an important symbol for Frederick because it signals to millennials that Frederick is a place they might want to live or visit, Franchot said.

The city is still analyzing the economic impact of the craft brewing industry, said Richard Griffin, the director of Frederick's Department of Economic Development.

It's been only a few years since the city changed its zoning laws to allow craft brewing in more areas, he said.

Once it has a few years of data, it will have a better picture of the industry's impact, he said.

But there are more immediate benefits.

In addition to the jobs the industry creates, the craft beer industry is helping to boost Frederick's tourism, Griffin said.

He said the city has 1.7 million visitors a year, and they spend a million dollars a day.

They dine downtown, and the area's breweries, wineries and distilleries are popular destinations, he said.

"We're gaining national notoriety" as a community that's supportive of the industry, Griffin said.

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## IN: Indiana Senate Panel Votes Against Expanded Cold Beer Sales

*An Indiana Senate committee overwhelmingly voted down legislation that would have allowed grocery stores, pharmacies and gas stations to sell cold beer.*

U.S. News

By Brian Slodysko, Associated Press

January 17, 2018

INDIANAPOLIS (AP) — Indiana will likely remain the only state that restricts who can sell cold beer after a Senate panel voted Wednesday to uphold a law that protects the interests of liquor stores.

A measure that would allow a broader swath of retailers to sell cold beer was voted down 9-1 by the Senate Public Policy committee, all but dooming the effort this legislative session.

It was the first time such a bill had been given a hearing in the committee, which oversees alcohol matters.

In Indiana, grocers, convenience stores and pharmacies can sell cold wine and warm beer. But the sale of cold beer is primarily restricted to liquor stores, whose owners have donated generously to lawmakers' campaign funds while battling fiercely to maintain the status quo.

"A vote to expand cold beer sales" is a vote to "put liquor stores out of business," testified Jon Sinder, who is a co-owner of Crown Liquors a chain of central Indiana liquor stores.

During Wednesday's hearing, both sides portrayed the other as greedy.

It pitted convenience store owners, purporting to stand up for consumer interests and free markets, against liquor stores that portrayed themselves as mom-and-pop businesses that are the state's trusted purveyor of alcohol.

Indiana's past embrace of temperance movement was an undercurrent that ran throughout, with opponents warning a change in the cold beer law would lead to social ills fueled by a proliferation of street corner alcohol stores.

"Alcohol and gas do not mix. So let's go ahead and use Hoosier common sense and be different from the other 49 states," said Knightstown resident Sarah Ward, who is president of the Women's Christian Temperance Union of Indiana.

Jay Ricker, the owner of the Ricker's chain of convenience stores, vowed to keep pushing the proposal this session, though he acknowledged it was an uphill fight.

"You know who gets left out?" asked Ricker. "It's the consumers in Indiana. And everybody seems to ignore that."

Ricker said he offered a number of concessions to lawmakers and liquor store owners. He proposed raising the age of cashiers to 21, mandating alcohol training and increasing fees that convenience stores would pay to help cover additional enforcement.

But supporters of the measure, including Ricker, said Republican committee Chairman Ron Alting would not allow any of their proposals to be heard during the committee.

An Associated Press review last year found liquor store interests have spent at least \$150,000 on lobbying in recent years while donating more than \$750,000 to lawmakers since 2010. Alting topped the list.

The cold beer measure is one of two major alcohol proposals before the Legislature this session. Earlier in the day, the House Public Policy committee approved a bill that would repeal Indiana's prohibition-era ban on Sunday carryout alcohol sales. That measure appears to have much broader support.

The added sense of urgency lawmakers are approaching alcohol matters with this session was touched off by Ricker last year.

He found a legal loophole and started serving burritos at two stores, enabling him to obtain an alcohol license typically reserved for restaurants. That set him up to sell carryout cold beer — until lawmakers intervened.

They passed legislation last spring that Ricker said will make it virtually impossible to renew his licenses.

"I have to sell what my customers want," he said "And my customers want cold beer."

## MN: How Republican tax reform eliminated special interest carve-outs — and created a bunch of new ones

MinnPost

By Sam Brodey

January 17, 2018

At Insight Brewing in Minneapolis earlier this month, 3rd District GOP Rep. Erik Paulsen was raising a glass to the Republican tax bill, signed into law by the president just weeks prior.

The assorted craft brewers and beer boosters in the room were, in turn, raising a glass to Paulsen: the Eden Prairie congressman successfully included a provision in the tax legislation that slashes the taxes that brewers — as well as winemakers and distillers — pay to the federal government.

For years, the alcohol industry had been lobbying for lawmakers to cut excise taxes, an additional sales duty they face. In prior sessions of Congress, Paulsen had introduced legislation that would have done just that. That the alcohol tax cuts got wrapped up in the Tax Cuts and Jobs Act, which permanently cuts taxes for corporations and makes other big adjustments to the tax code, is a victory for the booze business and for Paulsen.

But tax reform wasn't supposed to be like this: long before they introduced it, Republicans promised that their plan to overhaul the U.S. tax code would rest on making the system "flatter and fairer" — that it would remove special tax breaks and carve-outs for people and corporations, broadening the country's tax base in the service of greater efficiency and, crucially, economic growth.

In June 2016, Speaker Paul Ryan introduced his so-called "Better Way" blueprint for changing the tax code, which claims the system had become "completely and totally broken," and "delivers special interest subsidies and crony capitalism."

Eighteen months later, when Republicans celebrated the law's passage, they said the bill eliminates carve-outs and plum breaks for those pesky "special interests." But that same bill contains targeted advantages not just for the alcohol industry, but other groups, too, from Florida citrus growers to U.S. legacy airlines.

Booze industry advocates say the savings generated by the legislation will enable entrepreneurs to expand, hire, and innovate. But their break could undermine Republicans' arguments that their tax bill — which they will be touting during the crucial 2018 election — actually makes the tax code flatter, fairer, and freer from special interest influence.

### Boon for booze

In December, as the U.S. Senate was crafting its version of tax legislation, the provisions governing beer hitched a ride on the bill, and they were ultimately included in the bicameral compromise bill that passed just before Christmas.

The measure cuts the federal excise taxes that brewers pay, a tax burden that grows larger the more product a brewer moves. By dollar amount, the country's biggest brewers will slurp up most of the savings from the tax bill: operations that produce more than two million barrels a year will enjoy a \$2 tax cut on their first six million barrels, representing a potential savings greater than \$12 million a year.

But it's the country's smallest operations that may feel the tax cuts most: for businesses that produce under two million barrels a year, the federal tax burden drops to \$3.50 a barrel from \$7 for the first 60,000 barrels sold.

Advocates say that savings will make a huge difference for smaller operations looking to grow. Bob Pease, CEO of the Brewers' Association, a trade group for craft brewers, said that small brewers are leading a renaissance of manufacturing and enterprise in cities and towns across the country. "To me, the bill reflects a modernization of the tax code," he said. "It reflects the positive attributes that small brewers are bringing across America."

Lauren Bennett McGinty, Executive Director of the Minnesota Craft Brewers Guild, said in a statement that "Minnesota's craft breweries serve as strong, local economic engines, and this tax reform will help these small businesses continue to flourish and grow."

The tax bill's benefits flow beyond brewers: winemakers and distillers will see an excise tax cut under the legislation, too. Excise tax rates for liquor fall to \$2.70 per gallon — down from \$13.50 — for the first 100,000 gallons produced. More winemakers will have access to expanded tax credits, saving them money.

Overall, the Republican tax bill could save the beer, wine, and liquor industry as much as \$4.2 billion over two years, the time period for which the new excise tax cuts are authorized.

The language of the bill's alcohol provisions hews closely to the stand-alone legislation introduced previously in the House by Paulsen, and in the Senate by Sen. Roy Blunt, a Missouri Republican.

Paulsen hailed the successful inclusion of the language in a statement, saying the craft beer industry is "doing amazing things for local economies across the country, and Minnesota, in particular, is a prime example of what its success means for jobs and economic growth... Now, it will be easier for local breweries to focus on growing their business and the local economy by expanding, creating more jobs, and fostering a sense of community."

### **Simplification drive goes flat**

The merits of the alcohol tax reductions aside, how did they make it into a broader package that was supposed to curb — not add — to advantages enjoyed by specific industries?

On the floor of the House in December, just before the Tax Cuts and Jobs Act passed the chamber, a triumphant Speaker Ryan said that "for years now, the tax code has been skewed to the well-connected, full of special carve-outs and loopholes... Reform means we bring down rates at every level, and clear out loopholes."

Throughout the fall, as Republicans tried to sell the public on their tax plan, they argued in favor of cutting popular deductions and breaks enjoyed by individuals and corporations in service of this goal of reform.

This argument was employed as Republicans sought to do away with the state and local tax deduction — a significant money-saver for taxpayers in higher-tax jurisdictions — and the ability to deduct interest from mortgage payments, a break popular with homeowners and the home-building and real estate industries.

Defending the GOP's designs on the state and local tax deduction in October, Ryan said that "the general interest is going to have to trump over the special interest."

In December, arguing against retaining the SALT deduction, 2nd District GOP. Rep Jason Lewis said "the question is, do we want very high rates with some interests getting a carve-out and others paying higher rates, or do we want a fairer, level playing field?"

"When the tax code is filled with exemptions and carve-outs, vested interests continue rent-seeking and want to keep them," he said.

The Tax Cuts and Jobs Act did limit the SALT and mortgage interest deductions, but it enacted new provisions in addition to the tax cuts on alcohol, like one that gives a tax incentive for Florida citrus growers to replant trees after last year's hurricanes. The final version of the bill preserved other breaks — many of which were cut in the House plan — like one that eases the tax burden on pro sports owners looking to use public funds to build new stadiums.

To the Brewers' Association's Pease, the bill's provision on beer is not a break, but an overdue correction of an unfair policy. "I know people want to look at the craft beverage bill as a 'tax break,'" he said. "We don't look at it like that. We look at it like, the federal excise tax on beer was put in place in 1862 to help pay for the Civil War. It's an extra tax, that very, very few other businesses or industries are burdened with."

Lobbyists for the alcohol industry also proved persuasive in the fight over the tax bill last fall. In general, the tax bill was a lobbying bonanza: the nonprofit watchdog Public Citizen found in a report that the majority of Washington's 11,000 registered lobbyists reported working on the legislation.

In total, the alcohol industry's various trade groups spent \$22 million on D.C. lobbying in 2017, with much of that total bankrolling efforts on the tax bill. A report from the Intercept news site found that key Republican senators have deep connections to the alcohol industry: Blunt, the Missouri senator who sponsored the excise tax cut legislation in the past, has a son who is a registered lobbyist for MillerCoors, which pushed hard for provision. Additionally, Arizona Sen. John McCain's wife, Cindy, owns a major beer distributor.

### **All about that base-broadening**

To observers and tax policy experts, the inclusion of the alcohol tax cuts and other industry-specific provisions isn't inherently bad, but it does undermine Republicans' claims that their law constitutes real reform to the tax code.

Alan Viard, a tax expert at the American Enterprise Institute, a center-right D.C. think tank, the permanent cut of the corporate tax rate to 21 percent is the "heart and soul of this law."

"There's not that many new industry-specific tax breaks," he said, "but there's not the elimination of very many of them, either. It is a missed opportunity to broaden the tax base."

Marc Goldwein of the Committee for a Responsible Federal Budget, a nonpartisan think tank, told the New York Times that “The whole purpose of tax reform is to eliminate tax breaks to simplify the tax code and reduce rates... But from what I can see, they only repeal one significant tax break, and very few if any tiny ones.”

Viard says that actually doing the “base-broadening” of the tax code that Republicans talked about — the painful and politically unpopular work of eliminating deductions and advantages that some taxpayers and industries enjoy — is a sign of real tax reform.

The fact that not a lot of it was done in this bill, which had the backing of a Republican Congress and Republican president, suggests this work will be hard to do in the future, Viard explains. “Base-broadening is always hard. There are concentrated interest groups that will resist having their tax preferences taken away... having lower tax rates and a more efficient economy is a diffuse benefit that doesn’t draw concentrated lobbying support,” he said.

Viard says that any reform that truly eliminates loopholes and targeted provisions would need bipartisan backing to survive, as the last sweeping tax reform package did, in 1986. And it might happen only if the just-passed bill balloons the deficits and creates a crisis down the road.

“We’ve seen here now that a Republican-only tax bill is not going to do much in way of base-broadening,” he says. “In some sense, we shouldn’t be surprised.”

## INTERNATIONAL NEWS

### New Zealand: Low-alcohol project gathers momentum

Radio New Zealand  
January 18, 2018

New Zealand winemakers say they are more than halfway through a seven-year research project to naturally produce key export wines as low-alcohol drinks.

The \$17 million 'Lifestyle Wines' project is targeting growing markets overseas for wines with only 8 percent to 10 percent alcohol by volume.

The New Zealand Winegrowers marketing director, Chris Yorke, told guests at its annual tasting in London the project started with sauvignon blanc, but is also working on pinot gris and pinot noir.

The work uses natural production techniques, such as yeasts less effective at converting sugar to alcohol, and restricting exposure to sunlight to slash alcohol content.

## PUBLIC HEALTH NEWS

### Getting to Zero Alcohol-Impaired Driving Fatalities: A Comprehensive Approach to a Persistent Problem

The National Academies of Sciences, Engineering, Medicine  
January 18, 2018

- [Report Highlights \(HTML\)](#)
- [Key Facts and Recommendations \(HTML\)](#)
- [Social Media Toolkit \(HTML\)](#)

Alcohol-impaired driving remains the deadliest and costliest danger on U.S. roads today. Every day in the United States, 29 people die in an alcohol-impaired driving crash—one death every 49 minutes. After decades of progress, alcohol-impaired driving fatality rates plateaued and have increased for the past two years—making it a persistent public health and safety problem. Each alcohol-impaired driving crash represents a failure of the system. A coordinated, systematic, multi-level approach spanning multiple sectors is needed to accelerate change.

With support from the National Highway Traffic Safety Administration, the National Academies of Sciences, Engineering, and Medicine convened a committee to help identify promising strategies to reduce deaths caused by alcohol-impaired driving in the United States. The resulting report, *Getting to Zero Alcohol-Impaired Driving Fatalities: A Comprehensive Approach to a Persistent Problem*, highlights interventions and actions to reduce alcohol-impaired driving fatalities— including ways to



improve important existing interventions—and presents ideas for reviving public and policymaker attention, thereby turning concern into decisive action to address this tragic and preventable problem.

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## Harmful interactions between alcohol and cold medications

The Globe

By Jennifer Attila Substance Abuse Prevention Specialist

January 18, 2018

With the sound of coughing and sneezing down every hallway, the symphony of cold and flu season has begun. Not sick enough to stay home from work, often people are desperate to find anything to help relieve the seasonal congestion.

I'm sure I am not the only one to hear that a hot toddy or some other mystical alcoholic concoction will magically make your cold symptoms subside and help you get back on your feet a little faster. This, however, is only an urban legend.

Research done by Truman University identified that alcohol can affect your immune system in a way that makes you more susceptible to more than 200 viruses that are responsible for the common cold. Alcohol can actually prolong the illness because of its diuretic properties.

According to Dr. Robert Swift and Dr. Dena Davidson's study published in the American Journal of Psychiatry, drinking just two ounces of liquor will cause an individual to lose body fluid (i.e. you urinate more frequently with alcohol in your system than you do sober). Any diuretic has the potential to dehydrate you.

Another serious issue that can arise when drinking alcohol while you are sick is the potential for the alcohol to interact with the cold or allergy medication, if you choose to take it. There is usually a warning label on most medications to not mix them with alcohol. This is there for your protection.

The National Institute of Alcohol Abuse and Alcoholism released a list of allergy and cold medications that have harmful interactions when taken with alcohol. These medications are: Loratadine; Hydroxyzine; Diphenhydramine; Desloratadine; Brompheniramine; Chlorpheniramine; Cetirizine; Dextromethorphan; and Guaifenesin and codeine.

The interactions range from dizziness, to respiratory depression, to potential death. In general, it is never a good idea to mix alcohol with medication as the results have the potential to turn a cold into a coma.

Please take the time to read the label, follow the direction on your medication and use it appropriately because medication misuse is a slippery slope on the path to addiction.

## INDUSTRY NEWS

### The World's Most Valuable Distiller Is Running Out of Liquor

Bloomberg News

January 17, 2018

You know you're in Maotai when you smell it. The picturesque town of about 100,000 in southwestern China is home to the world's most valuable liquor company -- and the soy-sauce-like scent of the Chinese grain alcohol baijiu, made by the eponymous Kweichow Moutai Co., permeates the main street.

But inside the liquor stores along the road, the distiller's main brands are all sold out. Lines form wherever bottles are available. The buying frenzy -- and resulting inventory shortages -- extend nation-wide.

Moutai baijiu's fiery flavor and potential to appreciate in price is driving the blistering demand. That in turn has pushed its market value to more than \$145 billion, well past British whisky giant Diageo Plc. The Chinese firm sells each bottle of its main Flying Fairy brand to distributors for 969 yuan (\$150) and sets a suggested resale ceiling of 1,499 yuan, yet they routinely go for double online and off. Its website is out of stock. On shopping site JD.com, an 80-year bottle is listed for 196,888 yuan (\$30,000).

Chinese buyers say they like Moutai's baijiu for its complex flavor and a purity that prevents hangovers -- but its special manufacturing process also puts limits on its production. The grain and water used to make it must come from Maotai town and the brew must be buried in urns for at least four years before it's sold. As the state-owned giant grapples with shortages, smaller rivals like Wuliangye Yibin Co. are already starting to win more business.

All that's putting Moutai's chairman, Yuan Renguo, in the difficult position of having to sustain growth even as his company literally runs out of liquor. In a rare interview in December, he said the answer will lie -- at least partly -- in introducing more ultra-premium and customized products that capitalize on the Moutai brand.

"Two thousand years ago, the Chinese calling card was lions, 1,000 years ago it was Chinese porcelain, 500 years ago it was tea leaves and now it's local brands with their own intellectual property," he said. "I believe Moutai is one of these."

Moutai shares climbed as much as 2.3 percent in early trading on Thursday, outperforming the 0.7 percent rise of the Shanghai Composite Index.

### **Fiery Liquor**

Baijiu, which means white liquor, can be made from sorghum, rice, wheat or corn, and may contain as much as 53 percent alcohol by volume.

While few outside China buy the liquor, Moutai baijiu is baked into national myth as the drink of choice for Communist Party leaders. It's what Mao Zedong and his comrades toasted with at the founding of the People's Republic in 1949. Just four years ago, the distiller was battling a slowdown as an austerity drive in Beijing slashed demand from government officials. But purchases by ordinary Chinese have more than compensated since then.

Yuan, 61, wants to sell more customized lines, like the HK\$6,000 (\$767) bottles with the company's label that was created exclusively for a Macau junket operator. He's added more limited edition bottles like the ones Moutai created for the 70th anniversary of China's World War II victory over Japan. That one is listed for 1,999 yuan on the company's website, though it's also sold out. Then there's the opportunity to sell higher priced "mature baijiu" -- the older the baijiu, the more expensive (and profitable) it is.

"Since sales volume will stay constant next year, we think we can maintain revenue growth through this strategy," Yuan said, referring to the more premium products. Moutai expects revenue in 2017 to exceed 60 billion yuan, and to rise more than 10 percent in 2018.

Yuan, who has been at the company for four decades, is also attempting to increase production. But he said Moutai won't be able to produce more than 60,000 metric tons of its baijiu annually, based on the land it controls. While that's 53 percent more than last year's production of 39,313 tons, the numbers reflect the endpoint to potential expansion.

Analysts at Sanford C. Bernstein & Co. estimate Moutai will have to limit its supply growth to 4 percent annually for the next three to five years to be able to sell the Flying Fairy brand sustainably -- without using up too much of its stores of aging liquor.

They estimate Moutai boosted supply of Flying Fairy by 38 percent in 2017, implying it borrowed from the future in order to deliver a short-term result. "Continuing this pace of depletion is not sustainable," said Bernstein analyst Euan McLeish.

### **Price Hikes**

In the face of production limits, the easiest way to keep revenue growing is, of course, to raise prices. An 18 percent price increase announced by Moutai in December drove its shares up more than 8 percent. Still, Beijing puts restrictions on the prices of high-end liquor. And as a state-owned enterprise, Moutai is also expected to display a certain public spirit. So relying too heavily on price increases of its basic brands isn't sustainable. The company has said it has asked affiliates to keep prices stable and told retailers to prevent hoarding.

There's also the sense of social responsibility that Moutai must show, particularly as a profitable business in Guizhou, one of China's poorest provinces. Even as factories around the country embrace automation, its factory floor remains deliberately manpower heavy -- the ribbon on each Moutai bottle is still tied by hand. It's also just opened a non-profit university, Moutai University, the first in China to offer baijiu distillation as its core degree, to create even more experts on the luxury drink.

Wu Yuanjian, 20, who recently enrolled, sees a distillation degree as an entry ticket into a hot business. "I want to join the sales department of Moutai actually," he said. "You can make more money there."

### **Cash Pile**

Sitting on a massive cash pile of more than 69 billion yuan, the chairman's other plans include expanding the company's finance business through subsidiaries in insurance and asset management. He's also weighing public listings of three of its units: its e-commerce business, an agricultural arm and another that sells its less-expensive baijiu, known as Xijiu or Xi liquor.

Last year, Goldman Sachs Group Inc. upgraded its price recommendation on Moutai's shares 14 times, data compiled by Bloomberg show, and other analysts also issued bullish views. At the moment, there are 26 analysts with buy ratings, three withhold ratings and no sell recommendations.

But as the shares surged last year, the state-owned Xinhua News Agency urged investors to be more cautious, saying the stock should rise at a slower pace. The company issued its own statement saying analysts' share price targets and valuations in the market were "overly high."

After a brief decline, however, the shares resumed their surge and ended about 109 percent higher for 2017.

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## Spirits Europe calls for 'flexible' Brexit transition period

The Spirits Business

By Melita Kiely

January 18, 2018

Spirits Europe has welcomed the "early ambition" displayed by the EU during Brexit negotiations, but re-emphasised the need for a "flexible" transition period.

Spirits Europe highlighted that Brexit "will impact every corner of our supply chains and distribution networks", as numerous spirit categories rely on movement between the UK and EU-27, including material inputs such as agricultural raw materials, glass bottles and barrels.

The trade body said the transition of the UK leaving the European Union must be "dynamic", permitting EU legislation initiated and finalised during the period to apply to the UK during the transition period.

It noted particular importance in respect to the ongoing revision of the Spirits Drinks Regulation (Reg 110/2008), which outlines rules for the definition, production and labelling of all spirits made in the EU.

It continued that once finalised, the revision must be applicable to the EU-27 and the UK during transition, "thereby ensuring that consumers can remain confident of the quality of products and that the definitions it contains continue to underpin the sector's geographic indications (GIs)".

Spirits Europe also noted in its statement: "Our industry wishes to stress to the EU-27 the importance of showing flexibility on the length of the transition, ensure that all legislation initiated and finalised during transition applies to the UK during this time, and that the EU's current FTAs and bilateral spirits agreements, in place or initiated and finalised during the period, apply to member states and the UK until the end of the transition period.

"Undermining the integrity of the trading relationship that third countries negotiated with the EU could potentially endanger the continued trade benefits and protection of GIs for spirits drinks.

"Anti-counterfeiting actions which enforce these protections are central to our industry's ability to continue to prosper as a European export champion."

In December 2017, as Brexit negotiations progressed, drinks trade associations called for a "commitment to continuous full protection" of geographical indications and trademarks for wines and spirits.

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## Guinness Ireland announces first non-alcoholic beer Pure Brew

*In a recent independent taste test, over seven in 10 people were surprised to learn it was alcohol free*

Irish Mirror

By Anita McSorley

January 18, 2018

Guinness has created its first non-alcoholic lager which will be launched later this month.

With an ABV of 0.5%, Open Gate Pure Brew is the firm's first full flavoured, alcohol-free larger.

It will be sold in 330ml bottles and is set to be rolled out in pubs across Dublin this January ahead of wider distribution nationally from March.

Lead brewer John Casey said: "We're extremely proud of this beer. It's hoppy with lots of fruity aromas and a nice hint of citrus flavour, along with a smooth, malty finish.

"The overall taste is deliciously refreshing."

In a recent independent taste test, over seven in 10 people were surprised to learn it was infact alcohol free.

Mr Casey added: "Whether you're seeking alcohol or not, we think great-tasting beer is the goal.

"Many non-alcoholic beers are made by taking a conventional beer and boiling away the alcohol which can impact the taste.

"From the start, we were determined to brew a non-alcoholic beer with the same process we've perfected over the last 259 years.

"It has taken two years of experimentation, but we've come up with a way to fully brew beer using a special yeast strain that only produces a very limited amount of alcohol."

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## Johnnie Walker Has a Girlfriend

*It's Named Jane Walker and Could Be In Stores Soon*

Urban Daddy

By Hadley Tomicki

January 17, 2018

Johnnie Walker is hiding something. But the day may come soon when the scotch of international renown lets down its hair to reveal Jane Walker, the feminine counterpart to its Black Label whisky.

Labels and trademarks filed with the US Alcohol and Tobacco Tax and Trade Bureau were unearthed by TMZ, who note that the bottle will bear an image of a sharp-jawed woman in tails, tipping her top hat as she walks intently to go stomp the shit out of Scotland's version of Paul Haggis with her riding boots.

Although details on the bottle's exact contents still remain under wraps, the spirit was supposedly meant for a release upon Hilary Clinton's election to the presidency in 2016 that never happened due to an irreparable tear in the time-space continuum. So instead of giving us a drink anyway, because we really fucking needed it, brand owner Diageo may have held the stuff back for a later release.

Which brings us to the timing of Jane Walker. As support swells behind the #metoo and #timesup movement, it's hard not to see this as the whisky brand's own volley into the conversation as much as it is a marketing ploy to sell a shit-ton of scotch.

At the same time, it is tempting to see the launch of a feminine whisky as pandering to its female customers, who we imagine, are fully able to enjoy Johnnie Walker if desired without feeling that the name, taken from the spirit's founder, marginalizes them.

ScotchWhiskey.com reports that Diageo has a solid record on equality in the workplace and has awarded for gender parity in leadership and board roles, among other things. So hopefully, there's more to the story here than just putting Jane in Johnnie's drag, like perhaps placing women distillers at the forefront of this blend's creation. Time will tell.

Current expectations find that Jane Walker could possibly drop on March 8, which is International Women's Day.

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## DAILY NEWS

### This Tiny French Archipelago Became America's Alcohol Warehouse During Prohibition (Excerpt)

*Before the 21st amendment was ratified, remote islands off Canada's Newfoundland province floated on a sea of whiskey and wine*

Smithsonian

By Marc Wortman

January 17, 2018

The tiny islands of Saint Pierre and Miquelon—cold, fogbound and windswept specks in the North Atlantic midway between New York City and Greenland—lie far closer to polar bears and icebergs than the speakeasies and clubs where Americans tumbled during Prohibition. But thanks to quirks of geography, history and law, the French archipelago served up much of the booze that Prohibition was supposed to keep Americans from drinking.

The remote islands imported a total of 98,500 liters in all between 1911 and 1918. That was before Prohibition began on January 16, 1920. A decade later, with the ban on the production, importation and sale of alcohol in full swing, more than 4 million liters in whiskey alone flowed into the islands' warehouses—along with hundreds of thousands of cases of wine,

Champagne, brandy, and rum—and then flowed right back out. Almost every drop went aboard rumrunners—smugglers’ ships sailing south with their costly cargo to quench an insatiable American thirst for the prohibited booze.

During Prohibition, the port in St. Pierre, about a thousand nautical miles north of New York City, became a wholesale trading post for the alcohol Americans craved. Although 2,400 miles from the homeland, the French colonial possessions sit just 16 miles off Canada’s Newfoundland province; nonetheless, they remain the last vestiges of French territory from the wars that long ago divvied up North America. For centuries, the hearty islanders—about 4,000 inhabitants in 1920 and a little over 6,000 today— made their living off the sea, mainly by fishing for cod. Prohibition changed everything. Fishermen pulled their dories up on land and hung up their nets and lines while their home islands floated on a veritable sea of whiskey, wine and money.

Despite the ban on booze, millions of Americans still wanted to drink. Canadians were willing to supply their needs, and when the Canadian government tried to halt the bootlegging trade with its southern neighbor, the French citizens of St. Pierre and Miquelon sailed to the rescue.

Canadians actually faced a mixed bag of alcohol restrictions themselves; no laws prevented them from making liquor, just selling it, and when U.S. production ended, the volume of whiskey Canada’s distilling industry produced exploded. All of those millions of gallons of high proof alcoholic drinks should have remained in their distilleries, because, by law, nobody could purchase it almost anywhere in North America. Yet eager hands were willing to fork over lots of dollars to purchase the Canadian products and smuggle bottles and barrels of whiskey, vodka, bourbon and rye south over the border. The problem was how to get the valuable contraband across the line and into American drinkers’ hands. At first, the 3,987-mile boundary between the two countries proved little more than a line on a map. Smugglers departed Canada for the U.S. in cars and trucks with secret compartments filled with booze. Far more motored in fast boats plying the Detroit River from Windsor, Ontario, a major distilling center, through what became known as the “Detroit-Windsor Funnel.”

Big money was made bootlegging; north of the border fortunes were also being made. While entirely dependent on American gangsters like the notorious Al Capone for their delivery, distribution and sales networks, Canadian distillers flourished like never before. Many of today’s well-known brands became part of the American speakeasy scene during Prohibition, including The Hiram Walker Company’s immensely popular Canadian Club and Samuel Bronfman’s Distillers Corporation’s North American distribution of Scotland’s Haig, Black & White, Dewar’s, and Vat 69 whiskey brands and, after a 1928 merger, production of Seagram’s ’83 and V.O.

Nobody knows just how much booze flowed across the border, but many profited. Revenues from liquor taxes to the Canadian government increased fourfold during Prohibition despite statistics that suggest Canadians’ own drinking fell by half.

However, overland transport grew more and more risky as a result of crackdowns by federal agents and battles among gangsters for a piece of the lucrative trade. Bootleggers looked to the immense Eastern seaboard coastline, with its many ports, small inlets and hidden docks. A single “bottle-fishing” schooner could carry as many as 5,000 cases of liquor bottles.

Those ships sailed to just beyond the U.S. three-mile territorial limit, the “rum line.” Once there, by international law, they were outside the reach of the Coast Guard. They anchored at predesignated spots, “rum row.” Business was open at what Daniel Okrent, author of the lively and comprehensive *Last Call: The Rise and Fall of Prohibition*, describes as long rows of “wholesale liquor warehouses” anchored offshore. “Someone said,” Okrent told me, “that when viewed from the Truro Lighthouse on Cape Cod, rum row looked like a city out there because there were so many lights from the boats.” Rum rows flourished off virtually every coastal metropolitan center from Florida to Maine.

However, almost all of this illegal commerce came crashing down in 1924. That’s when St. Pierre and Miquelon took center stage in the Prohibition story.

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