Tuesday, February 4, 2020  www.nabca.org

TODAY’S HIGHLIGHTS

• Cincinnati City Council Member Asks City to Track Liquor Licenses by Race, Gender
• Proposed Washington Cannabis Bills 2020, Part 1
• UK grocers see slow start to 2020 as shoppers shun alcohol and meat
• John Hinman on the Consequences of Supreme Court Ruling on Nationwide Direct-to-Retailer Shipments
• Alcohol spills into unlikely beverages

NABCA NEWS

27TH ANNUAL LEGAL SYMPOSIUM

Registration is open for NABCA’s 27th Annual Legal Symposium. Please go to https://www.nabca.org/meeting/2020-legal-symposium-0 to register!

If you have questions, please contact meetings@nabca.org.

CONTROL STATE NEWS

NC: Next Century Spirits among key players helping scale and drive economic growth to North Carolina through Innovation

News Release
February 3, 2020

RALEIGH, NC, USA, February 3, 2020 /EINPresswire.com/ -- Next Century Spirits, an advanced technology company that specializes in the creation and processing of distilled spirits for private label, bulk, and craft markets continues to play a vital role in shaping the entrepreneurial landscape in North Carolina through innovative technologies.

Innovation in North Carolina is creating a buzz across the country as founders spin-out technologies from lucrative research and land-grant institutions which have boosted entrepreneurship programs. In fact, the state’s capital - Raleigh - hosts a higher density of venture-growth companies per capita than cities like NYC and Seattle. Forbes article, How North Carolina is Fueling Startup Success, recently highlighted North Carolina’s booming entrepreneurship ecosystem by pointing out the Research Triangle’s three tier-one universities: North Carolina State University, University of North Carolina at Chapel Hill and Duke University. Specifically, programs combining technology commercialization and entrepreneurship out of NC State facilitate links between university-born technologies and visionary founders to create high-growth startups.

NC State was recently ranked as a top 10 school for entrepreneurship curriculum. A total of 170 startups have spun out of the university, including Next Century Spirits, an advanced technology company blending tradition with science to create distilled spirits. Co-founders, Dr. Joel Pawlak, NC State’s Associate Professor of Forest Biomaterials and CEO, Scott Bolin (MBA ‘12) launched Next Century Spirits after a successful launch of Tethis. Tethis was founded from finding its company’s niche as a patented technology for biodegradable superabsorbents in the personal care industry. Once Tethis grew to 50 employees, the founders were ready to pivot into a new venture where Pawlak’s patents could once again be put to use in the technology of Next Century Spirits.

While universities in the area create a concentrated pool of skilled students to enter the workforce, the Research Triangle is also building future generations to be flexible and expansive thinkers. Future startup founders will
play a role in economic development for our state built around innovation.

For more information about Next Century Spirits and its co-founders, please visit www.nextcenturyspirits.com or contact:

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OH: Cincinnati City Council Member Asks City to Track Liquor Licenses by Race, Gender

With alcohol establishments booming, council member Tamaya Dennard says she wants the city to keep track of who is — and may not be — benefiting

City Beat
By Citybeat Staff
February 3, 2020

Cincinnati has seen a slew of new bars, breweries and restaurants that serve alcohol open over the past few years — a definite boon to the city's economy. But one elected officials says she wants the city to track who is benefiting from the boom.

Cincinnati City Council member Tamaya Dennard has introduced a motion asking the city's administration to track who receives state-issued liquor licenses by race and gender.

The State of Ohio's Division of Liquor Control handles applications for liquor licenses, but local officials have a say in whether one is issued, renewed or revoked.

Last year, a handful of Cincinnati bars came under scrutiny, with some community members and members of city council pushing to revoke liquor licenses at establishments they say have been the focal point of crime and violence. But there have also been questions about whether black-owned bars have been the subject of that scrutiny unfairly.

Meanwhile, a few spots in Cincinnati will likely see an influx of new liquor licenses soon after council approved new entertainment districts, which allow the city to green light more liquor licenses than the usual allocation set by the state. Camp Washington could get up to 15 new liquor licenses under a plan approved by council, while downtown around Court Street could see another 10.

"Bars and restaurants are a booming industry in our city," Dennard wrote in a Facebook post. "I’m asking that we take inventory of who currently holds these licenses and then begin taking this information during applications moving forward. We can't continue to fashion ourselves as valuing diversity and inclusion and we don't know who is participating in our growth."

Dennard says the motion is just to understand whether there are disparities along race and gender lines when it comes to liquor licenses in Cincinnati.

"Once we understand the landscape, we can move to enact policies if needed, if that be the will of Council," she wrote.

LICENSE STATE NEWS

NJ: Some Lawmakers Want NJ State Agencies to Get into the Business of Selling Online Ads

NJ Spotlight
By John Reitmeyer
February 4, 2020

Pilot program, to be overseen by Treasury, is seen as possible generator of revenue for cash-strapped Garden State

State agencies would be able to generate new revenue for the perpetually strapped New Jersey budget under legislation that calls for allowing them to sell ad space on their official government websites.

The bill proposing establishment of a pilot program within the Department of Treasury to oversee the state’s entrée into the business of selling online ads was passed unanimously by a key state Assembly committee on Monday.

The legislation calls for certain restrictions, such as requiring that any ads be “consistent with the business mission of the entity.” Ads promoting the use of tobacco products or alcohol would be
prohibited, as would any political advertising, according to the bill.

Proponents of the legislation are highlighting the state’s perennial budget problems, suggesting the sale of online ads presents an opportunity to bring in new revenue for the budget without putting a further burden on taxpayers. But others are speaking out against the proposal, saying it puts the state in direct competition with private businesses which also rely on ad sales while at the same time opening the state up to concerns that it could be endorsing the products that would be advertised on state-government websites.

**Current budget is largest in state history**

At $38.7 billion, the current New Jersey budget is the largest in state history. Yet several noteworthy line items are not being fully funded by Gov. Phil Murphy and lawmakers, including the annual public pension contribution and the state’s school-aid formula.

In addition, the dedication of revenue for specific purposes — such as the constitutional earmarking of all income-tax revenue to property-tax relief — has at times hurt efforts to provide robust funding for other priorities, including mass transit. A series of tax cuts that took effect in 2017, including a reduction of the sales-tax rate and the elimination of the estate tax in two phases, have also strained the budget’s General Fund in recent years.

Under the legislation (A-1126) that proposes letting state-government agencies begin selling ads on their official websites, the revenue generated would be deposited directly into the General Fund. Any agency that isn’t funded directly by the General Fund, such as the Economic Development Authority, would also have to turn over revenues from ad sales to the General Fund. Such agencies could hold onto revenues needed to cover the cost of selling the ads and up to 10% could be kept by the agency “for the purpose of innovation in operations, programs or services,” according to the bill.

An earlier version of the bill that stalled in the last legislative session named the EDA and the New Jersey Lottery as the two state agencies that could participate in the initial version of the proposed pilot program. But a new version of the bill that was introduced for the session that began earlier this month includes amendments that strip out the Lottery while also allowing for “any state agency with a dot.com, dot.org, or dot.net, top-level domain name to establish a pilot program.”

The proposed pilot program would be administered by the Department of Treasury, which would also oversee all “policies, style and content guidelines,” the bill says. In addition to banning ads for tobacco products and alcohol, as well as any “political advocacy,” the measure would also prohibit agencies from publishing on their websites any ads that are “antithetical to the mission of the agency,” the bill says.

Christopher Emigholz, the New Jersey Business & Industry’s vice president of government affairs for taxation and economic development issues, pointed to the state’s ongoing budget problems and concerns about already high level of taxes while testifying in favor of the bill on Monday during a hearing held by the Assembly State and Local Government Committee. He also compared the proposed state-agency ads to New Jersey Transit’s current practice of selling ad space on its buses as a way of generating revenue to hold down fares.

**Not everyone in favor**

“What we can do to avoid a future tax increase (and) avoid a future fee increase, if this will help, then that’s great,” Emigholz said.

But opposing the bill during the same hearing was attorney Lauren James-Weir, who was speaking as a representative of the New Jersey Press Association. (Full disclosure: NJ Spotlight is a member of the NJPA).

James-Weir raised a number of concerns about government entering the ad-selling market, including putting state agencies in competition with newspapers for ad sales. She also said the display of ads on a government website could create the appearance that any goods or services advertised on the websites have the
endorsement of the government agency, even if there is a disclaimer published alongside the ad.

James-Weir also challenged the comparison of selling ads on state-agency websites to the placement of billboards on the side of NJ Transit buses.

“These are sources of information for the public,” James-Weir said of the government websites. “When you’re reading an advertisement on a train or bus, you’re seeing an advertisement. Here, you’re going to a website for information about a state agency and you’re being directed or linked to these goods and services.

“I think there’s a distinction between the two,” she said.

Richard Vezza, editor and publisher of the Star-Ledger newspaper, also told committee members the bill could open state agencies to undue influence from advertisers. He cited his own experiences while suggesting advertisers could use the purchase of ads to seek favors from a government agency, or a threat to pull their ads whenever a government agency acts in way the advertiser doesn’t like.

“I understand the good intentions of this bill. Anything that can bring in revenue without raising taxes is something that is a good thing for the people of New Jersey,” Vezza said. “However, it has serious unintended consequences.”

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WI: Northwoods representative leading charge on new alcohol bills

WJFW 12
Story by Morgan Johnson
February 3, 2020

RHINELANDER - A package of four bills concerning alcohol consumption will soon be introduced in the state assembly.

Rep. Rob Swearingen (R-Rhineland) is among the lawmakers leading the charge.

One new bill would allow bars in the Milwaukee area to stay open until 4 a.m. during the Democratic National Convention this summer.

Another bill would require private vendors to buy a biennial $2,000 permit from the Department of Revenue and follow the same regulations as taverns.

"It’s about safety, so the public expects that if you’re giving away alcohol or serving alcohol that you are going to be regulated with a licensed bartender and that you have a requirement of when you open or close ,” says Swearingen.

Another piece of legislation would ensure that vendors at the Wisconsin State Fair have the proper permits to sell alcohol.

The Road America Elkhart Lake racetrack also has inconsistencies with its vendors permits that another new bill would target.

A final draft of each bill is expected to be released later in February.

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WA: Proposed Washington Cannabis Bills 2020, Part 1
The Pipeline: Cannabis Law Advisor
Lexology
Lane Powell PC
February 3, 2020

The Washington state legislature is currently in session, and legislators have introduced numerous bills relating to the cannabis industry. While it is too early to know which bills will advance and which will not, below is a summary of two noteworthy bills generating buzz that was discussed last month in the Washington State House Commerce & Gaming Committee. We will discuss more bills in the near future.

**HB 2361 – Concerning cannabis industry workplace standards**

HB 2361 would implement a point system when cannabis licensees are up for their annual renewal. It would require the licensee to accrue at least 100 points, as determined by the
Washington State Liquor and Cannabis Board (“WSLCB”), to qualify for license renewal. There are nine different categories in which licensees may accrue points, and all relate to worker standards. For example, having a labor peace agreement in effect would be worth 40 points, while a collective bargaining agreement covering the licensee’s employees would be worth 60 points. Failure to reach 100 points allows the WSLCB to put the licensee on a 6-month remedial period, and licensees will face non-renewal if the threshold is not met.

This bill is rather controversial. The bill has many licensees concerned over the economic impact of what could prove to be a de facto requirement to unionize. There may be some negotiation over exempting businesses small enough (based on the number of employees).

HB 2263 – Expanding opportunities for marijuana businesses by removing residency barriers and providing access to capital for minority and women-owned businesses through a fee on certain investments.

Another controversial bill, HB 2263, concerns additional opportunities for minority and women-owned marijuana businesses by providing access to capital and low- or no-interest loans. The bill would direct the Department of Commerce to establish a marijuana equity loan program that would be administered by a marijuana equity advisory board. The program would be funded by administering a transaction fee of 1% “from any investor or financier on any financial contribution made by the investor or financier to a licensed marijuana business[.]” It appears that these sections of the bill are an attempt to provide entrepreneurs with access to small business loans. Such access is lacking in the private sector, where banks and credit unions still largely do not engage with the cannabis industry.

Furthermore, the bill would completely remove the requirement that owners be a Washington resident, and it would not require owners with less than 10% of a license to be listed as a named party on the license. Simply put, this section would transform the Washington cannabis industry, so the bill has generated significant discussion within the industry.

The bill does not seem to adequately account for ways in which licensees would attempt to circumvent the transaction fee, which can be difficult to predict. Additionally, “minority” is not a defined term within the bill, though the Department of Commerce (named within the bill) could elect to follow the definition used by the Washington State Office of Minority & Women’s Business Enterprises.

The Bottom Line:
Aside from generating buzz, there’s a common theme with both of these bills: many within the industry support the goals in spirit but take issue with the implementation of the goals. Based on conversations from within the industry, it is unlikely that HB 2263 will advance, though the fate of HB 2361 is unclear. I have spoken with numerous smaller licensees who state that they broadly support unionizing labor, but forcing it on them would incur significant additional expense and ultimately put them out of business. The devil is in the details.

INTERNATIONAL NEWS

United Kingdom: UK grocers see slow start to 2020 as shoppers shun alcohol and meat

Yahoo News
Reuters
February 4, 2020

LONDON (Reuters) - Britain's grocery industry endured a subdued start to the year as consumers cut down on alcohol and meat, buying-in to "Dry January" and "Veganuary" campaigns, industry data showed on Tuesday.

Market researcher Kantar said total UK grocery sales rose just 0.3% in the 12 weeks to Jan. 26, with all of the traditional big four supermarket groups seeing year-on-year sales declines.

"Many people start the year with good intentions and pledges to make healthier choices following the excesses of the festive
period," said Fraser McKeivitt, head of retail and consumer insight at Kantar.

The market researcher said No. 2 player Sainsbury's was the least worst performer of the big four with a sales decline of 0.6%.

"While still declining, Sainsbury's performance is improving, and online sales were a bright spot — growing by 7% year on year," said Kantar.

Industry leader Tesco, Asda and Morrisons saw sales falls of 0.9%, 2.2% and 3.0% respectively.

All of the big four continued to lose market share to German-owned discounters Aldi and Lidl, whose sales rose 5.7% and 11.1% respectively, giving them a combined market share of 13.8%.

Shares in Sainsbury's were up 0.7% at 0830 GMT, Tesco was up 0.7% and Morrisons was up 1.2%.

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South Africa: Developments In Alcohol Advertising: How We Market Today, Will Determine If We Can Market Tomorrow

Mondaq
by Jenny Pienaar and Jeanette Visagie, Adams & Adams
February 4, 2020

On the 28th of January 2020, the Association for Alcohol Responsibility and Education (Aware.org) launched the new Code of Commercial Communications ("new Code"). It replaces the previous Code of Commercial Communication of Aware.org's predecessor, namely the Industry Association for Responsible Alcohol Use (ARA).

All members of Aware.org (which includes South Africa's leading alcohol beverage manufacturers, the wine producers' association VINPRO, and many other others), are bound by the new Code. Working in collaboration with various industry players and the Government, Aware.org, with the assistance of its members, believes that it has an important role to play in "implementing sustainable solutions to the potential harm caused by the misuse and abuse of alcohol" in South Africa. On this basis, members have committed to "maintain high standards of responsibility and ethical conduct in all their commercial communication activities". One of the key objectives of the new Code is to ensure that alcohol beverage advertising is directed only to adult consumers, and should not, in any way, appeal to persons under the legal drinking age.

The new Code is ancillary to the existing legislative requirements relating to alcohol beverage advertising in South Africa. Many of the principles of the previous Code have been retained, with modification or elaboration where appropriate, in the new Code.

It is also made clear in the new Code that alcohol-free or non-alcoholic variants of alcohol brands fall under the umbrella of the new Code and should only be marketed to persons above the legal drinking age.

The so-called underage statement has been amended, from "Not for Sale to Persons Under the Age of 18" to "Not for Persons Under The Age of 18", and certain requirements relating to the use of the underage statement have been amended. For example, where television adverts that are longer than 10 seconds, in addition to the display of the underage statement on-screen for the duration of the advert, it is now also required that it ends with a voiceover message of the underage statement, in the same language as the main advert. The new Code increases the minimum height of the underage statement to 15% of the advert height, instead of the 10% requirement in the previous Code. The flight times for alcohol beverage adverts on television and radio are also more restricted in the new Code.

The new Code requires that all commercial communications must include responsible messaging in a manner that is clearly visible and noticeable to the consumer. Examples of responsible messaging warning statements mentioned in the Code are "Don't drink and drive", "Not for Persons Under 18", "Pregnant Women should not Drink Alcohol", and "Drink Responsibly. Don't Drink and Drive". Brand owners have been given until the 28th of
January 2021 (i.e., twelve months) to amend their product packaging to include responsible messaging warning statements.

As a general rule, only persons that are, and appear to be, 25 years of age or older, may be shown in the act of drinking in an alcohol beverage advert. All members of alcohol brand promotions (in-store or otherwise), must be, and reasonably appear to be, at least 21 years of age or older.

In the area of sports, the new Code introduces a requirement that alcohol beverage adverts may not depict any person consuming alcohol before or during any athletic activity. In the case of sports teams with members under the legal drinking age, such teams may not be sponsored by alcohol product brands (or non-alcoholic variants of alcohol brands) in a manner that creates an association between the sponsor and the sports team.

Furthermore, no alcohol beverage advert may depict sportsmen or ex-sportsmen in the act of drinking. This restriction also applies to celebrities (including popular sports, music, or cinema personalities), and the use of celebrities that are under the legal drinking age is not permitted.

In the area of digital marketing, the new Code makes it compulsory to implement either an age verification mechanism, alternatively a registration process (including age verification) on websites. Brand owners’ websites and social media platforms must also include responsible messaging on all content material and posts (with the exception of retweeted posts), which should be displayed permanently on-screen.

Turning to the enforcement of the new Code, it provides that the Aware.org’s Marketing Sub-Committee, which will be chaired by a representative of the Advertising Regulatory Board (ARB), will be responsible for the monitoring and ensuring compliance of the Code.

The new Code also sets out possible sanctions for contravention of the Code, which include adverse publicity for offenders, the imposition of compulsory pre-clearance of future adverts, pressure on media companies not to act for offenders, and termination of membership with Aware.org. More severe sanctions listed include punitive fines, a three-month advertising suspension imposed by the Director-General of the Department of Trade and Industry (DTI), and recommendations to the DTI to suspend the liquor licence of repeat offenders.

The CEO of the ARB, Ms. Gail Schimmelp, has advised that the ARB is in the process of updating its Code of Advertising Practice to include the new Code and that Aware.org and the ARB will have "dual" authority to consider complaints lodged based on contraventions of the new Code. It appears that both consumers and competitors would, therefore, be able to lodge complaints relating to alcohol beverage adverts of Aware.org members with Aware.org or the ARB (once the Code of Advertising Practice includes the new Code). Only time will tell how this will work in practice.

At the launch of the new Code in Johannesburg, the CEO of Aware.org, Ms. Ingrid Louw, described the new Code as a "living document", as it will be reviewed and updated from time to time when necessary, in order to reflect changing circumstances in the industry, society, or otherwise. Aware.org members have been encouraged to implement internal processes to ensure compliance with the new Code. With the buy-in from the alcohol industry as a whole, responsible marketing and compliance within the area of self-regulation in this industry sector could potentially curb the need for Government to implement stricter advertising regulations in this country.

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Ireland: Scottish, Irish Spirits Associations Tackle Brexit at Annual Meeting

Food for Thought
By Mark Murphy
February 3, 2020

Drinks Ireland|Spirits hosted the Scotch Whisky Association (SWA) in Dublin for their annual bilateral meeting, on Saturday 1st February.
With Britain officially leaving the EU at 11pm on 31st January, the meeting was dominated by the challenges and opportunities faced by industries in both countries.

Brexit offers opportunities for Irish industry as Irish whiskey will now be the EU’s largest whiskey category, with the potential to grow in both new and established markets in the EU and in third countries that have trade deals with the EU.

Both industries, however, will continue to face mutual challenges on which cooperation will be key. For example, the US has imposed tariffs on Scotch whisky, on single malt Irish whiskey produced in Northern Ireland, as well as on Irish cream and other Irish liqueurs.

Given increased trade disruption, both organisations have agreed to greater cooperation to bolster more open trade for Scotch whisky, Irish whiskey and Irish spirits around the world.

To coincide with the meeting, Drinks Ireland|Spirits released figures highlighting the difference between the two industries in terms of relative size.

While Ireland is estimated to now have 31 distilleries either operational or under construction, Scotland now has an astonishing 133. Ireland’s export value is also eclipsed, coming in at €1.01bn compared to Scotland’s £4.7bn.

Pat Rigney, Chair of Drinks Ireland|Spirits and Managing Director of The Shed Distillery in Co. Leitrim, said: “While Scotch whisky is much more established and still dominates in the global market, the sale of Irish spirits products is growing faster than their various rivals, with Irish whiskey in particular retaining its place as the fastest growing premium spirit category in the world.

“While both industries compete against one another in many markets, Brexit and global trade uncertainties and disruptions mean that we also must work together, to do what we can to encourage more open trade agreements.”

INDUSTRY NEWS

The Beer, Booze And Bread Community Is Organizing A “Northeast Grainshed”

WBUR
by Andrea Shea
February 4, 2020

If you watched the Super Bowl maybe you caught the Michelob beer commercial that begins with a shot of a lone farmer standing in a field. His grain silos are looming in the distance. Then the voiceover tells beer drinkers how their dollars can help conventional American farmers become organic ones.

“If every football fan picks up a six pack it’ll change farmland forever,” we’re told. Anheuser-Busch — the largest brewing company in the U.S. — promises to convert six square feet of grain acreage to organic for every half-dozen bottles sold.

Turns out a regional group has been coming up with its own ways to connect beer back to farms — just on a much smaller scale. More than 200 craft brewers, farmers, distillers, malsters and bakers came together last week in part to figure out ways to show consumers how and why the beer and bread they buy can make a difference. And they welcomed the Michelob commercial’s timing.

“I never felt so validated in all my life,” Barry Labendz of Kent Falls Brewing Company in Connecticut said after seeing the ad online before it played live. He decided to screen it on January 30 at an inaugural symposium for the new “small grains” group in formation called the “Northeast Grainshed.”

Andrea Stanley, founder of Valley Malt in Hadley, Mass, dreamed up the Northeast Grainshed about a year ago. She said it’s a solution for actualizing conversations people have been having in small pockets across the industry.

“We’re trying to move the needle forward in continuing to support local farmers to grow grains in the Northeast,” Stanley told me, “And what we’ve realized over the years in doing this
work – where we’re establishing mills and malt houses and breweries and bakeries – that the real bottleneck at this point is consumer awareness.”

A full day of panels and discussions on everything from marketing to sustainability unfolded in Canton at the Trillium Brewing Company’s newly acquired 140,000 square foot facility slated to open in 2021. Addressing the disconnect between what people eat or drink and where ingredients originate was a dominant theme.

During his presentation, Labendz described a concept that echoes Michelob’s “6 For 6-Pack” campaign. He grows about 800-acres of grain at his farmhouse brewery and figured out that a single can of his 6% IPA uses four square feet of barley field. Labendz shares this tangible conclusion with his customers. “Consumers and drinkers aren’t used to sitting at home and talking about the Grainshed — but they sure as hell open a lot of cans of beer,” Labendz said.

As for the group’s name, Stanley compared the Grainshed to a watershed, “with a lot of tributaries flowing toward a larger body. Over the past decade people have expanded those tributaries,” she continued, adding it’s time to harness the rising industry’s momentum in an intentional, coordinated way.

Author, baker and self-described “Flour Ambassador” Amy Halloran concurred. “We’re here to have the business community conversation about fostering further change,” she told the group, “We need to prime the public’s imagination to understand the grain supply chain,” by drawing connections, “from the glass back to the ground and from the loaf back to the field.”

Halloran wrote, “The New Bread Basket,” which traces the local grain revival back to when the Pilgrims arrived with their own wheat and rye. She believes the modern grain community needs to tell stories about what’s happening now, but also about what’s been lost.

Back in the early 1900s small-scale mills could be found in every community. Then industrialization took commerce west and the farmers followed. Now infrastructure is returning to the northeast, with mills, malt houses, farms and retailers like Elmendorf Baking Supplies & Café in Cambridge sprouting up throughout the region.

But the flour and malt used by most craft brewers and bakers comes from industrial Midwest farms and are processed at massive flour mills and malting operations. Halloran wants everyone involved in the small grain ecosystem – including restaurateurs, chefs, and researchers – to unite and talk about moving forward.

Ingredients are important to craft beer drinkers, according to national Brewers Association chief economist Bart Watson. He suggested the Grainshed could take cues from hops, which American beer drinkers have fallen in love with over the past decade. “Beer consumers know the name of hops which they barely knew even existed 5-10 years ago,” Watson explained, adding the same could be done with different varieties of grain.

Allagash Brewing Company in Portland, Maine has embraced the “seed to glass’ ethos. Founder Jason Perkins said its “16 Counties” beer is made with 100% local grain, and he told the group about Allagash’s goal to use 1 million pounds of local grain by 2021. Brewing with small production grain costs more, but Perkins said beer fans don’t seem to mind paying an extra 20 cents for a 16-ounce taproom pour.

A few bakers shared their experiences with the group, including Tony Rosenfeld of One Mighty Mill in Lynn. He grinds grains grown in Linneus, Maine on-site and said when he and his business partner started making bagels with local wheat they needed a concise message that would inspire consumers. Now the phrase “Made with wheat you can eat” is on the packaging for One Mighty Mill bagels, pretzels and flour that’s sold at Whole Foods, along with words on the part it’s playing in a “small but mighty resistance against the homogenization and industrialization of food.”
Raising barley, wheat and other grains in the Northeast is also challenging. Researchers from the UVM, UMaine and Cornell have been trying to determine which “small grains” grow best in the region. Ellen Mallory of UMaine addressed the issue of scaling up.

“To make this work, we need enough growers, and enough production,” she said, “I’m really excited by this regional effort where we can create critical mass to move the needle.”

More than one person talked about the idea of grain production helping farmers find new sources of income, especially struggling dairy farmers.

Thor Oechsner of Oechsner Farms in Newfield, NY has been growing grains for beer, bread and spirits for more than 15 years and marveled at the symposium’s turnout. “I guess local grains have arrived,” he told me, “Granted, this is this incredibly small subset of the population – but a lot of people are touched by it. Now we’re really drilling down and focusing on how we get the word out that this is local and it’s supporting land.”

With more than 150 breweries in Massachusetts alone there’s a lot of potential for raising awareness about local grains in the beer community itself. Wormtown Brewery founder Ben Roesch challenged his peers to visit farms and pledge to use a certain percent of in their beers. In 2010 he made “Masswhole,” his company’s first beer with all local ingredients. Now all Wormtown beers have, “A piece of Mass in every glass,” Roesch said.

To highlight the Grainshed seven breweries collaborated to make a light, citrusy Grisette made with Northeast grains from a few different maltsters. It’s being poured at Clover Food Labs (which uses 30% local wheat in their pita bread) and Row 34 in Boston and at The Dirty Truth in Northhampton.

When asked about Michelob’s Superbowl ad Grainshed founding member Andrea Stanley mused, “The fact that an organization that has a multi-million-dollar budget for advertising came up with the same idea that we did in our little grassroots organization solidifies for us that we know what we need to do.” Just on a smaller, tastier level.

John Hinman on the Consequences of Supreme Court Ruling on Nationwide Direct-to-Retailer Shipments

Wine Industry Advisor
By Editor
February 3, 2020

Has the time come for small and medium wineries to move beyond the 3-tier distribution system? Should they build direct-to-retailer (DTR) networks across states just as they have developed direct-to-consumer businesses?

That’s what attorney John Hinman of Hinman & Carmichael, LLP., an expert in beverage law, believes the recent Supreme Court ruling portends.

In 2016, the state of Tennessee denied retail liquor licenses to Total Wine & More and a mom-and-pop liquor store in part because they didn’t meet a minimum two-year residency requirement. The two companies sued the state and won. Tennessee, however, wasn’t done. They believed that Section 2 of the 21st Amendment gave states the right to pass laws regulating the transportation and use of alcohol in their legal jurisdictions. Tennessee drew on the original purpose of the 21st Amendment to repeal Prohibition, claiming that their residency restriction advances temperance and an orderly market. Their appeal ultimately reached the U.S. Supreme Court, which last summer affirmed the lower court’s ruling. The Court’s decision referenced the Constitution’s Commerce Clause to assert that Tennessee’s two-year residency requirement “blatantly favors the state’s residents and has little relationship to public health and safety” and is therefore unconstitutional.

Hinman calls this a “landmark decision that could change the landscape” of alcohol’s three-tier distribution system for all three beverage types—wine, beer and spirits. “The Tennessee decision is the crack that opens that door,” he says. “Look at what happened with the 2005
decision on Granholm v. Heald—it opened the door to direct-to-consumer (DTC) shipping.” That Court’s decision also centered on the issue of discrimination against interstate commerce in violation of the Commerce Clause. As Hinman points out, “The Tennessee case affirms the Granholm principle that the state has to have substantial reasons for discrimination.”

In 2005, Michigan and New York laws were preventing out-of-state wineries from shipping their wines, while allowing in-state wineries to do so. The ruling enabled wineries to interact directly with their consumers across the country. As a result, DTC has been a key growth driver over the past decade and now accounts for 60% of a typical winery’s sales.

Industry consolidation was another major factor driving the transition to DTC. “When you have big wholesalers working with big wineries,” Hinman points out, “you’re squeezing the small guy because it’s all about margin.” With DTC profit margins higher than those through the wholesalers, most small and medium wineries can’t afford the margin cut to get into Costco, Walmart and large grocery chains.

“The challenge,” he says, “is that they have to change their route to market by making dynamic changes in how they build their customer base.” He recommends that winery owners, “Step back and look at the landscape holistically.”

Consolidation is happening on three tiers of distribution.

1. Mergers and acquisitions among alcohol producers have led to giants like Diageo, Pernod Ricard, AB InBev, Constellation and Gallo.  
2. S. distributors have consolidated to the point that two distributors—Southern Glazer’s Wine & Spirits and Republic National Distributing Company (RNDC)/Young’s Market—control over half of the industry. RNDC became the second-largest distributor after the FDC rejected their bid for Breakthru Beverage Group, citing market overlap, and they bought Young’s Market instead.  
3. Retailers have also consolidated their footprint across the U.S. marketplace, creating grocery store chains with more bargaining power, like Kroger, Albertsons, Trader Joes, Aldis and Whole Foods.

In the face of this continued consolidation, Hinman says, if a winery stops to consider what market it wants to serve, the logical solution is often to build a healthy DTR business across states. Yet today, 37 states ban out-of-state retailer shipping. The Tennessee ruling cracks that wall, creating the potential for out-of-state shipping by retailers, just as Granholm v. Heald did for wineries in 2005. It took 10-15 years for DTC to reach maturity, with all but seven states now permitting DTC shipping. Hinman anticipates that it will go faster for DTR.

He also points out another recent legal case that impacts the future of how wineries and other alcoholic beverage producers advertise their brands. The Missouri Broadcasters case lifted state bans on retail advertising on First Amendment grounds. The decision means suppliers and distributors can provide in-store advertising support to retailers, and retailers can offer coupons and price discounts on beer and wine (spirits were already allowed) inside and outside their stores.

Hinman draws on many other notable legal cases that point to a trend in loosening state restrictions in preventing wineries, brewers and spirit producers from marketing and selling their brands out of state. Often, these legal cases are decided against the states because their regulations are contradictory and not applied uniformly and lack the essential evidence to justify their restrict of a constitutional right.

Listening to him explain the legal rulings that are empowering small and medium wineries to go to market in new ways is a fascinating dive into the legal path to broader rights for wineries. He’s convinced that the way a winery can build a stronger brand is to build relationships with and ship directly to retailers—and, looking more broadly, wholesalers—in multiple states.

John Hinman will further examine The Future of Direct to Trade; The Evolution of Routes to
Market in the wake of the Supreme Court ruling and what opportunities it will present to producers looking to leverage the direct to trade channel at the 3 Tier Wine Symposium.

Harlem Brewer Mixing Things Up In The Craft Beer Industry
CBS New York
February 3, 2020

From grain to the glass, Celeste Beatty is making hops, and history, in Harlem—while honoring her roots.

Nearly 20 years ago, she started the Harlem Brewing Company.

“That comes with a lot of responsibility the way I see it because of the history here, because of this being the epicenter of African diaspora, African-American culture, music,” Beatty tells CBS2’s Lisa Rozner.

Her studio, which she calls a “brew-dio,” is located just off the historic Convent Ave.

It boasts an original dress from the late Ella Fitzgerald, while the company’s tap handle is a special nod to African American jazz greats like the late Duke Ellington of Harlem.

“It’s so much more than what’s in this glass. I just love this beverage. I had a chance to go to Africa to learn how original beers were made to really get deep into the origin of this product—this ancient beverage,” Beatty said.

The North Carolinian native followed the footsteps of family that moved to Harlem in the 1950s and 1960s. She originally wanted to mediate overseas political conflicts, but instead found she could bring people together at a different kind of table.

Eventually she ended up teaching beer making classes out of her own home.

“A friend of mine said you like cooking with all this stuff, why don’t you make your own beer,” Beatty explained.

Not only did she start brewing in Harlem, but each beer is a toast to the spirit and flavors of Harlem.

She described the brewery’s flagship brand Harlem Sugarhill Golden Ale, celebrates the 100th anniversary of the Harlem Renaissance this year.

She explained how Harlem 125th Street IPA is a celebration of one of the most iconic streets in the world.

She wants other black brewers, especially women, to join her in raising the bar.

“I was recently at beer festival, there were probably 25 black breweries there—and of those there were probably 4 or 5 women, black women brewers so it’s not a lot.”

Beatty says she’s challenged when she has to repeatedly tell people what she does or whenever she gets rejected. But she says that only motivates her more.

She just opened a brewery with another black brewer Briana Brake in North Carolina.

Mixing things up in the billion dollar beer industry is only the beginning.

Beatty says she’s still looking for a space in New York City, where she can brew and sell the beer outside of her home.

It’s currently bottled upstate and sold in partner restaurants and select stores.

DAILY NEWS

Tired. Stressed. Bored. Is this how students are feeling across U.S.?
SLive
By Annalise Knudson
February 3, 2020

STATEN ISLAND, N.Y. -- In a nationwide survey of high school students, 75% reported negative feelings related to school.

Researchers from the Yale Center for Emotional Intelligence and the Yale Child Study Center conducted a nationwide survey of more than 21,600 U.S. high school students. The study
appeared in the January edition of the Journal of Learning and Instruction.

“We know from talking to students that they are feeling tired, stressed, and bored, but were surprised by how overwhelming it was,” said co-author and research scientist Zorana Ivcevic, in a news release.

Students were recruited for the survey through email lists of partner schools and through social media channels from non-profits. The students represent urban, suburban and rural school districts across all 50 states at both public and private schools.

The researchers found all demographic groups reported mostly negative feelings about school, but girls were slightly more negative than boys.

“Overall, students see school as a place where they experience negative emotions,” said co-author Marc Brackett, in the news release.

In the first online survey, students were asked to think about the range of positive and negative feelings in school in open-ended answers. They also rated how often they feel various emotions: happy, proud, cheerful, joyful, lively, sad, mad, miserable, afraid, scared, stressed and bored.

The most common emotion students reported in open-ended responses was tired (58%). The next most-reported emotions -- all just under 50% -- were stressed, bored, calm and happy. According to the findings, nearly 80% of students reported feeling stressed and 69.5% reported feeling bored.

The researchers said the way students feel at school has important implications in their performance, as well as overall health and well-being.

“Students spend a lot of their waking time at school,” Ivcevic said. “Kids are at school to learn, and emotions have a substantial impact on their attention. If you’re bored, do you hear what’s being said around you?”

And while there has been a recent movement calling for later start times for high schools in the United States, Ivcevic said schools may not move start times due to concerns about athletic programs, extracurricular activities and transportation.

The American Academy of Pediatrics recommends that high schools start at 8:30 a.m. or later to give students the opportunity to get more sleep -- at least eight to 10 hours -- but most students start school earlier.

The Centers for Disease Control and Prevention (CDC) said not getting enough sleep is common among high school students, and it's associated with several health risks, such as being overweight, drinking alcohol, smoking tobacco and using drugs. A lack of sleep also leads to poor academic performance, the CDC said.

Alcohol spills into unlikely beverages

NWA Online
by Laura Reiley The Washington Post
February 4, 2020

Big alcohol brands are following, not leading. And where they are headed is alternative drink categories, many of them "hard" versions of nonalcoholic beverages.

Hard seltzer surpassed $500 million in sales in 2019, according to media and consumer research firm Nielsen, growing more than 200% in 2019. It took a bite out of light beer sales and contributed to a decline in the volume of wine purchases in the United States, the first drop since 1994.

For the Super Bowl, Bud Light debuted Bud Light Seltzer commercials, a 5% alcohol beverage offered in four fruity flavors. California wine giant Barefoot has made the biggest investment in its 55-year history to launch four white wine-based seltzers in the first quarter of this year.

While beer sales slumped 4.6% between October 2018 and October 2019, according to Nielsen, the winners have been in low-alcohol near-beer; "hard" kombucha, coffee and tea; mocktails and other low- and no-alcohol beverage categories. Millennials’ and Generation Z’s interest in health, wellness and a sober lifestyle has been well-documented, and
they are one part of why this trend is expected to continue.

Ross Colbert, managing director and global head for beverages for KPMG Corporate Finance, argues that big beverage companies have been slow to realize that millennials don’t trust big brands to manufacture authentic, transparent, sustainable products, particularly in beverage categories.

"Big brands did not recognize these behaviors," Colbert said, "and it enabled a whole ecosystem of craft brand owners to emerge. It wasn't until those artisan players started nibbling at the heels of the leaders that they said, 'We have a big problem.'"

Big food and beverage companies have started to get it right, he said, acquiring more authentic brands and products, supplementing their research and development teams, and adding on venture capital-like capabilities to build up their ability to screen, evaluate and invest in smaller, faster-growing craft brands and businesses.

"They are playing catch-up and it's working," he said. "Big brands are starting to get back on their front foot to deliver what a consumer is looking for."

And what they are looking for is something that didn’t exist just a few years ago. They are mash-ups, beverages that cross categories and boundaries, even blurring distinctions between energy drinks, recovery drinks, boozy beverages and those with "functional" benefits and health halos.

"The real interesting place to be is where these categories overlap or bump up against each other. Things get very blurry," Colbert said.

While these hard versions made their entry into the alcohol-based beverages market fairly recently, digital analytics firm LatentView Analytics concluded that hard versions of health drinks such as alcohol-infused kombucha are here to stay.

"Consumers seem to prefer these beverages because they are organic [which] helps them believe that it is still part of a 'healthy lifestyle,' a term that is not ordinarily associated with alcohol consumption," said LatentView's Midwest director, Shalabh Shalabh.

Some of these new mash-ups represent collaborations between brands. In September, MillerCoors teamed up with ready-to-drink cult coffee favorite La Colombe to debut La Colombe Hard Cold Brew Coffee.

It doesn't always work seamlessly, said Caleb Bryant, associate director of food and drink reports for market research firm Mintel, pointing to Pabst Blue Ribbon, which in July launched an 8% alcohol hard-coffee version of its signature beer, which experts like Bryant say might confuse the brand’s identity. PBR experienced a dramatic renaissance between 2005 and 2010 for appealing to hipsters with its "retro chic."

The hard seltzers, he said, are unusual because they appeal to all ages and both sexes.

"You don't see that anymore, products that have near universal appeal," Bryant said. "Growth in this area is only going to accelerate because it touches on the core consumer interest and unmet needs, especially with beer. There is this trend toward lower alcohol by volume, flavorful but lighter."

He said a third of Generation Z spirits drinkers say they have taken an extended break from alcohol in the past six months, and that underage drinking has fallen dramatically from previous generations. But there's another demographic change that may account for a shift away from higher-alcohol beverages: an aging population. Generally speaking, alcohol consumption and binge drinking decreases with age.

All this temperateness flies in the face of some recent data, however. A study last month from the National Center for Health Statistics indicates deaths from alcohol-related problems have more than doubled over the past 20 years. There were 73,000 deaths in the U.S. in 2017 because of liver disease and other alcohol-related illnesses, up from 36,000 deaths in 1999.
Jenny Zegler, associate director of food and drink for Mintel, may have an answer to this apparent paradox. It's not about drinking less, just smarter, she said.

"For the longest time, we really only had nonalcoholic beer to fulfill the need for moderation. You had to explain to your friends and endure the stigma that might come with it," she said.

"With these hard seltzers it's not moderation in the 'I'm not going to be drinking alcohol' sense, but more in the 'I'm going to be drinking for a long time and I don't want to be out of control' sense," Zegler said. "Hard seltzer has good positioning because you can drink it all day long and you aren't going to get bloated or drunk."