

KANE'S BEVERAGE WEEK

The marketing, regulatory and financial news that matters . . . when it matters
for bev/al executives and their advisers

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The Inside Story

Gallo to Build \$423 Million Facility For Production, Distribution in S.C.	2
US Total Bev/Al Consumption in 2020 Saw Largest Volume Gain in Nearly 20 Years	2
On-Premise Velocity Surged 43% For Memorial Day in Week: NielsenIQ	2
New Bill to Tackle Abuse of Multiple Substances Is Introduced in Congress	4
NJ Senate Panel Backs Equalizing Tax on Spirits-, Malt-Based RTDs	4
Legislative Move Ends Cocktails to Go in Pa.	5
Zamora Americas Names Bill Corbett CEO, Makes Other Organizational Changes	5
Underground Cellar in \$12.5 Million Funding	5
Diageo Becomes First Official Spirits Sponsor of NFL	5
Global Irish Whiskey Market Seen Growing 9.2% to 2027	6
Cooperstown Distillery in \$430,000 Expansion	6
Ballast Point Marks 25 Years With an Anniversary Mix Pack	6
Yuengling Launches a 99 Calorie Lager	6
7-Eleven Intros Plot + Point Wine	6
Ritual Zero Proof Debuts a Rum Alternative	7
Tröegs Rolls Out Nimble Giant DIPA	7
El Bandido Yankee Tequila Debuts	7
And Much, Much More	

Copper Cane Can't Use TTB COLA to Avoid Class Action Suit

Joseph Wagner's Copper Cane Wines & Provisions, Rutherford, Calif., can't use an Alcohol & Tobacco Tax & Trade Bureau Certificate of Label approval to avoid a class action lawsuit claiming its labels deceptively gave consumers a false impression that its pinot noir was made in three prominent winemaking areas.

Wagner had sought to argue that the federal label approval pre-empted any state claim. To claim a wine comes from a particular state, TTB requires at least 75% of the wine be derived from fruit grown in that state and at least 85% of grapes be grown in the winemaking region advertised on wine labels.

Copper Cane's 2016 Eluonan pinot noir called the "coastal hills" of Oregon "an ideal region to grow wine grapes", and its 2017 bottles also referred to the Oregon "coast" and included a map of Oregon with leaves denoting the Willamette, Umpqua and Rogue Valleys.

TTB ordered Copper Cane to change those labels in 2018 after concluding they were misleading. Many of the earlier bottles are still in stores and, in a suit filed last year, said they would never have purchased bottles of Elouan or paid a higher price had they known the wine was processed and bottled in California and didn't meet Oregon's standards for claiming it came from Oregon's prominent tri-valley wine region.

In rejecting Copper Cane's bid to dismiss the case, U.S. Judge Richard Seeborg wrote, "Copper Cane offers no evidence that the TTB specifically reviewed for falsity its particular labels.

Copper Cane also argued its labels weren't misleading because the back label clearly stated "vinted and bottled" above the words "Napa, CA." But, Seeborg said, the word "in" is missing and thus "whether the graphic design of the two lines of text are sufficiently clear such that no reasonable consumer would be deceived is thus a question of fact not properly resolved at this juncture."

In 2018, Oregon Liquor Control Commission revoked Copper Cane's license to sell wine in Oregon for allegedly violating the state's labeling law.

Molson Coors to Resume Quarterly Dividends

Molson Coors Beverage Co. said it would resume paying quarterly dividends now that it has paid off \$1 billion of 2.1% Senior Notes due July 15.

The first resumed dividend will be 34 cents a share on Class A and B common stock, payable Sept. 17 on stock of record Aug. 30.

Molson Coors had suspended its quarterly payout on May 21 because of uncertainty related to the coronavirus pandemic.

The company also reaffirmed its financial guidance for 2021 as follows:

- **Net sales revenue:** mid-single digit increase versus 2020 on a constant currency basis.
- **Underlying EBITDA:** approximately flat compared to 2020 on a constant currency basis.
- **Deleveraging:** We intend to maintain our investment grade rating as demonstrated by our continued deleveraging. We expect to achieve a net debt to underlying EBITDA ratio of approximately 3.25x by the end of 2021 and below 3.0x by the end of 2022.

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- **Underlying depreciation and amortization:** approximately \$800 million.
- **Consolidated net interest expense:** approximately \$270 million, plus or minus 5%.
Underlying effective tax rate: in the range of 20% to 23% for 2021.

Willamette Valley Gains Global Protection of Its Name

The European Union (EU) granted Protected Geographical Status to Willamette Valley.

The action "offers legal security and added protection in Europe and worldwide against fraudulent wines and outside producers looking to profit from the revered Willamette Valley name. As wine regions develop global recognition for quality, their success often carries with it the threat of tangential producers looking to capitalize on their marketing cachet, **Willamette Valley Wineries Association**, a trade group, said.

"As a registered Protected Geographical Indication, the Willamette Valley name is secured throughout the EU market of 27 countries counting 450 million consumers. Any operator seeking to sell non-originating wine using the registered Oregon name, or using labelling devices to evoke 'Willamette Valley' in the mind of the consumer will be stopped," said **Stavros Lambrinidis**.

He added, "for the EU consumer, the PGI is the guarantee of authenticity: that every bottle meets the quality standard set by the Willamette producers."

The federal AVA system focuses solely on wine growing regions, without attention to other agricultural products' name registrations and protections, as included by EU Geographical Indications, WVWA said.

Alcohol Caused 741,300 New Cancer Cases Globally in 2020: Study

Globally, an estimated 741,300 of all new cases of cancer in 2020 were attributable to alcohol consumption, according to a just-released study in *The Lancet Oncology*. That's roughly 4.1% of all new cancer cases.

Males accounted for 568,700 of all alcohol-attributable cancer cases last year. Cancers of the esophagus accounted for 189 700 cases; liver, 154 700 cases, and breast, 98 300 cases contributed the most cases. Heavy drinking was responsible for most of the cases -- 346 400 cases, while risky drinking was attributed to 291 800 cases, the study found. Moderate drinking contributed 103 100, or 13.9%, of all cases, and drinking up to 10 grams, roughly four ounces, per day contributed 41 300 cases.

Alcohol consumption per capita has decreased in many European countries, especially those in eastern Europe, whereas alcohol use is on the rise in Asian countries, such as China, India, and Vietnam, and in many countries in sub-Saharan Africa.

The study noted that there is low public awareness of the link between alcohol and cancer among the general public and suggested adding warnings similar to those used on tobacco products, might deter purchase of bev/al and increase awareness of the link of alcohol to cancer. This

could increase public support for alcohol policies, the study opines. It notes the **World Health Organization** advocates for increase taxation, limit purchasing availability, and reduce marketing of alcohol brands to the public.

The study's authors say it is possible that some of the alcohol-related cancers in their study could have been caused by tobacco or triggered by hepatitis B or hepatitis C virus infection or aflatoxin exposure.

U.S. Wine Exports Rose 1.1% in Volume But Slipped 6.5% in Value in 2020

U.S. wine exports, more than 95% from California, reached \$1.29 billion in winery revenues and 377 million liters (41.9 million cases) in 2020, according to Wine Institute using Trade Data Monitor. The global pandemic, retaliatory tariffs, trade agreements providing tariff free access for competitors and a strong dollar were all factors in the 2020 outcomes.

"Exports have experienced a 13% growth in the last decade and in 2020 we saw consumers continue to choose California wine despite the need to shift their wine purchases from restaurants and bars to grocery and wine stores, given the pandemic lockdowns," said **Robert P. Koch**, president and CEO, **Wine Institute**. "Wine Institute continues ongoing efforts to increase exports by working closely with the U.S. government on reducing tariffs and trade barriers, and through strategic marketing."

"With the recent launch of Wine Institute's '[Golden State of Mind](#)' campaign, we are aiming to exceed \$2.5 billion in export sales of U.S. wines by 2030, with California wines making up 95% or more of that total," said **Honore Comfort**, vp-international marketing. "We remain focused on global expansion, with a continued emphasis on enhancing market opportunities and seeking to connect with a broader audience. Consumers are attracted to California wines because of the exceptional quality at every price point and the state's vast and diverse options."

The top export markets for California wines in 2020 were: Canada, \$424 million; United Kingdom, \$236 million; the European Union's 27-member countries, \$191 million; Japan, \$80 million; Hong Kong, \$64 million; South Korea, \$50 million; China, \$21 million; Mexico, \$17 million; Norway, \$15 million; Switzerland, \$14 million; and Singapore, \$13 million.

Here's how Wine Institute experts in key export countries describe last year:

Canada Sales Rise 7.4% in Value

"California wine continues to thrive in Canada, despite the challenging conditions of this past year. We shifted the California Wines marketing strategies to focus on retail and online sectors and as a result, the California wine category grew faster than any other wine region with a 7.4% increase in sales by value. This was a remarkable achievement, as it more than doubled the growth of the total table wine category," said **Danielle Giroux**, director, California Wines Canada.

"Canadian consumers remain loyal to California wine as they recognize the great quality and consistency of our wines and embrace new offerings at all price

points.”

Continental Europe: Sales in Germany Up 9%, Sweden Jumps 14%

“Despite the global pandemic, 2020 was a good year for exports of California wine to Europe. Retail sales, especially online, saw a strong increase. In Germany, Europe’s largest wine market, U.S. wine imports were up 9%, to 5.5 million cases. In Sweden, U.S. wine sales, 95% from California, increased by 14%,” said **Paul Molleman**, director, California Wines Europe.

United Kingdom and Ireland Up 10.7%

“The 10.7% volume growth of U.S. wine exports to the U.K. from 2019 to 2020 equated to over 15 million cases of California wine enjoyed by British consumers in 2020 and demonstrates how important the U.K. market remains to driving the growth of California wine exports,” said **Damien Jackman**, director, California Wines U.K. and Ireland. “Following three years of volume growth, the U.K. market now represents 38% of total global exports of U.S. wine.”

Japan: U.S. Exports Decline in Volume and Value

“In 2020, U.S. wine exports to Japan showed decline both by volume and value, signaling the influence of COVID-19, particularly in on-premise sales, which have long supported the penetration and growth of California’s premium wine business,” said **Hiro Tejima**, director, California Wines Japan.

“The negative effects of COVID-19 restrictions still linger, but leading hospitality business leaders predict a strong comeback and expect the 2022 turn-overs to exceed the pre-pandemic 2019 results.”

Asia Sees U.S. Exports Decline Thanks to Covid

“Wine Exports to Asia were negatively impacted by the global pandemic, especially in countries with largely on-premise consumption and less-developed retail channels such as Mainland China.

Countries with well-developed retail channels benefitted from increased home consumption with Korea showing the strongest growth of any market globally for US wines with an 85% in sales by value, along with Taiwan and Singapore, which showed positive increases of 11.5% and 2.2%, respectively,” said **Christopher Beros**, director, California Wines Asia.

“A rebound of exports to China and Hong Kong and a continuation of the strong performance in Korea and Taiwan during the first quarter of 2021 bode well for a successful 2021. Exports to China, which reached a peak of \$88.3 million in 2016 have suffered significant declines in recent years due to the retaliatory tariffs placed on U.S. wines.”

Mexico: Rose Up 10%, But Red Wine Still Leads

“With younger, more demanding wine consumers in Mexico, we are seeing new considerations among selection in wines, in addition to affordability. Certified sustainable wines, organic wines and wines with less alcohol are all growing trends that we expect to remain throughout 2021,” said **Adriana Cadena**, director, California Wines Mexico.

“Rosé is also on the rise, experiencing a 10% growth in 2020, while red wine still leads at 60% consumption in Mexico.”

TTB Okays Lomanto Grape Variety for Labels

As long as they meet all [requirements for using a grape varietal name](#), wine bottlers may now use **Lomanto**, as well as [other names granted administrative approval](#), as the type designation on American wine labels pending the results of our next rulemaking to revise the list of grape variety names approved for use in designating American wines found in 27 CFR 4.91, **Alcohol & Tobacco Tax & Trade Bureau** said.

Wine Retailers Urge High Court To Hear Challenge to DtC Ban

The **National Association of Wine Retailers** (NAWR) has [submitted an amicus brief](#) urging the Supreme Court of the United States to grant Certiorari to *Sarasota Wine Market v Schmitt*, a retailer wine shipping case brought to challenge Missouri’s ban on out-of-state retailers shipping to consumers in Missouri.

The Eighth Circuit Court of Appeals [recently upheld](#) a lower court ruling that dismissed the lawsuit on the grounds that the Missouri ban constitutes an “essential element” of the “three-tier system” and is therefore not subject to judicial scrutiny under the Commerce Clause.

In urging the Supreme Court to grant Certiorari to the Sarasota Wine Market case, NAWR argues that the Eighth Circuit badly misunderstands the nature of the three-tier system and what constitutes its “essential elements”, as well as misstating the relationship between consumers’ rights and retailers. The amicus brief also says the Eighth Circuit failed to undertake the well-established, Supreme Court-endorsed analysis that requires the Court to evaluate state-produced, concrete evidence showing that its discriminatory law is necessary to advance the state’s interest in protecting the health and safety of its citizens and that there is no other

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non-discriminatory alternative to the discriminatory law.

"After 15 years of courts, wholesalers, alcohol regulators, lawmakers and other opponents of consumer access to wine arguing that the non-discrimination principle embedded in the 2005 *Granholt v Heald* Supreme Court decision did not apply to the retail tier, the Supreme Court ruled in 2019 (*Tennessee Wine v Thomas*) that the non-discrimination principle does in fact apply to retailers," notes **Tom Wark**, executive director of NAWR.

"Wine retailers are urging the Supreme Court to take this important case so as not to let another decade and a half pass before reiterating that purely discriminatory bans on wine retailer interstate shipping under the guise of completely unsubstantiated health and safety concerns are unconstitutional and may not stand," he added.

Altria to Sell Ste. Michelle To Private Equity Group

While we were on vacation, **Ste. Michelle Wine Estates** was sold by Altria, the huge tobacco firm, to **Sycamore Partners Management**, a private equity firm specializing in consumer, retail, and distribution investments. The transaction is an all-cash, \$1.2 billion deal plus assumption of some debt.

Altria said it expects the sale to close during the second half. As is typical in private-equity deals, Sycamore apparently doesn't have the cash on hand, because the sale announcement says it is subject to Sycamore Partners "obtaining the necessary financing."

Altria said it will use the net proceeds "for share buybacks to boost shareholders' wealth." Sycamore will undoubtedly load the company with debt. Sycamore also said the transaction is subject to antitrust regulatory clearance.

The sale of Ste. Michelle is part of Altria's plan "to transition adult smokers from cigarettes to potentially less harmful choices."

That's corporate spin. The plain truth is Ste. Michelle may make good wine, but it has trouble selling it. It wrote off \$292 million in unsellable wine inventory and saw its sales slip even farther last year, dropping 11%.

Ste Michelle posted a \$360 million in 2020, which paled compared to the \$4.1 billion that Altria had to write off from its investment in Juul, the tobacco vaping device. **Ted Baseler**, Ste. Michelle's longtime CEO, took early retirement in 2018. His replacement, a human resources executive, was ousted in November 2020, replaced by David Dearie, the former Treasury Wine Estates CEO who was forced to destroy \$35 million in cheap TWE wine. Ste. Michelle's longtime head winemaker, **Bob Bertheau**, was dumped in February along with other employees.

Spirits Groups Unite to Push DtC For Spirits

It's an equity issue, **Ryan Friesen**, head distiller, **Blinking Owl Distillery**, Santa Ana, Calif., says. Wineries and breweries can ship direct to consumers in most states, but distilleries can't.

"We're 10 minutes south of Disneyland," he says, "and we get a lot of visitors from there who don't understand why a California winery can ship wine direct to their home, but

we can't."

Right now, California distilleries are able to ship spirits to consumers who visit their tasting rooms under an emergency order signed by Gov. Gavin Newsom (D). That order expires Jan. 1, 2022. It's been a lifeline during the Covid pandemic, Friesen says. "We estimate it has had a \$65,000 impact, which is equal to the cost of a worker on the payroll."

That, as much as anything, explains why **Distilled Spirits Council of the U.S. (DISCUS)**, **American Craft Spirits Association (ACSA)** and **American Distilling Institute (ADI)** are banding together to make passing spirits direct-to-consumer laws a top priority for their organization.

"In states where craft distillers have been permitted to ship their spirits products direct-to-consumer, they report it has been a saving grace and a much-needed source of revenue during the hardships of the pandemic," said ADI President Erik Owens pointing to an [ADI survey](#) from earlier in the year.

"Let's face it. The pandemic has completely changed the way consumers shop, and there is no going back. It's time to do away with antiquated DTC shipping bans so distillers can meet consumer expectations and compete in the rapidly changing marketplace."

"There is overwhelming consumer demand for direct-to-consumer shipping of distilled spirits, similar to wine," according to a national survey released during a media briefing by DISCUS.

The survey of more than 2,000 spirits consumers was conducted for DISCUS in March 2021 by IWSR Drinks Market Analysis.

According to the key findings presented by DISCUS Chief Economist **David Ozgo**:

- ✓ Eighty percent of consumers surveyed believe distillers should be allowed to directly ship their products to legal-age consumers in any state.
- ✓ At least 76% of consumers would consider purchasing spirits online shipped directly from distillers to them from outside or within their state.
- ✓ Seventy-five percent of consumers agree wine and spirits should be subject to the same laws pertaining to DTC across states.
- ✓ Close to one in two (45%) have purchased alcohol online direct from a brewery, winery or distillery.
- ✓ Thirty-eight percent of respondents report having purchased alcohol online from a producer that was shipped from outside of their state.
- ✓ The pandemic accelerated the ability and expectation to shop online. Seventy-three percent of all households surveyed shopped online for groceries, and 47% said they are shopping online more frequently than in the past year.
- ✓ Sixty-two percent of consumers have purchased beverage alcohol online (either through DTC or other e-commerce platforms) and consumers are equally likely to have purchased spirits (32 percent), wine (33%) or beer (31%).

"The goal of this survey was to get a better understanding of the buying behavior of spirits consumers and determine if current state laws restricting direct shipping of spirits

are hampering distillers' ability to meet the needs and expectations of their customers," said Ozgo.

"These findings underscore that there is a very high level of interest among spirits consumers in purchasing products directly from a distiller located within or outside of their state, and having it shipped to them."

During the briefing, DISCUS Chief of Public Policy **Christine LoCascio** noted that 46 states plus D.C. allow direct shipments of wine, but only 9 states plus D.C. permit DTC shipping of distilled spirits.

LoCascio added that, as a result of the pandemic, an additional seven states temporarily allowed distillers to ship to in-state consumers. The temporary measures in New York and Montana recently ended, and there are bills in some states, including California, to make the measure permanent.

"We fully support the three-tier system and view direct-to-consumer shipping as an enhancement to the evolving and modern marketplace," said LoCascio. "Consumers agree that distillers should be able to ship their products directly to them in a safe and responsible way, just as wine has done for decades."

Sugarlands Installs Largest Pot Still in U.S.

The new still has capacity to distill 4,500 gallons of whiskey mash and will be used to make Sugarlands Distilling Co.'s celebrated **Roaming Man Whiskey**.

The still is part of Sugarland's new Kodak facility that will include a 32,364-square-foot distillery as well as a 26,500-square-foot barrelhouse. The total facility will feature 58,864 square feet of space to distill, bottle and age whiskey.

Sugarlands will support Tennessee farms and employ more than 40 new production staff at the Kodak location, including distillers, blenders, bottlers, barrel warehousemen, maintenance, and programming personnel. The company currently employs more than 100 team members in Tennessee.

The new facility will complete phase one of Sugarlands' Kodak footprint, and will serve as one of the largest distilleries in Tennessee.

The copper cap was bolted into place during a Pot Still Capping Ceremony Sunday (7/11).

Sugarlands Roaming Man Tennessee Straight Rye Whiskey is bottled twice a year, and the whiskey has historically sold out within hours of release. The new distillery and barrelhouse will enable distribution of Roaming Man Whiskey to be expanded nationwide over the coming years.

During the ceremony, master distiller Greg Eidam provided a guided tour through the new distillery, which is expected to open in late 2021 and will offer a retail component along with tasting and tour experiences in the coming years. Made possible with grant support from the Tennessee Department of Agriculture, the facility will use raw materials like Tennessee grown white corn, rye, and malted barley to make its Roaming Man whiskey.

"When we opened Sugarlands Distilling Co.y back in 2014, I had no idea what a ride we were in for," said **Greg**

Eidam, master distiller. "I feel like we grabbed ahold of a rocket ship and there is no telling how far it will take us. I am absolutely honored to be surrounded by this amazing team as we've grown Roaming Man into the nationally recognized and celebrated Tennessee Rye whiskey it is today."

Nielsen CGA Predicts 'A Really Good Summer' for Food, Beverage Places

While 7.95 of all on-premise outlets failed during the Covid pandemic, sales have bounced back and are now exceeding 2019 levels, says Matthew Crompton, Nielsen CGA's public relations director. "Demand is up and supply is down—and when that happens we see a huge increase in velocity," he says. "The market's recovered a lot quicker than we thought... I think we're in for a really good summer."

CGA's surveys of consumers in various states have tracked a rise in numbers planning to go out to eat over the next two weeks—to 74% in New York, for example, compared to just 34% in December 2020. Frequency is rising fast too, and 43% of US consumers plan to visit venues more often than they did in 2019—nearly twice the number who will go out less (22%).

Enthusiasm for getting back to bars and restaurants is translating into higher spending. Average check value is up by 20% from pre-COVID-19 times, and younger adults are spending particularly freely. But it's worth remembering that while some people have cash in their pockets and want to treat themselves, many have been hit financially by COVID-19 and will be more cautious. "We'll see a polarized market—people going for luxury brands, but value brands doing well too," Crompton said.

It's not just young people driving sales in US. After the rapid roll out of vaccines, there has been a particularly sharp increase in numbers of older people in the On-Premise too. Four in five (81%) of those aged 55+ plan to eat out in the next two weeks—nearly three times as many as in December (29%). Since many of these people have a lot of disposable income, this is a valuable group to target.

After months in lockdown, consumers are tending to choose drinks options they knew and enjoyed before COVID-19, CGA's data shows. Nearly half (45%) have *only* chosen drinks brands they are familiar with and trust since COVID-19 hit.

A side-effect of this return to trusted brands is that craft beer has lost a little market share. However, there is still a big appetite for new beer brands, and volumes should pick up again as the market settles back down. "I expect the more experimental categories to come back," said Crompton, who emphasized the need for brands to stand out. "Craft is more competitive than ever before... showing what your brand can bring to the table is key."

Hard seltzers have picked up where they left off when the pandemic hit—in rapid growth. They have gained 1.3 percentage points of drinks volumes in the last 12 months alone, and increased their penetration into menus. "We're really seeing hard seltzers taking hold in the On Premise... they're almost ubiquitous now," Crompton said. Another growth area could be packaged cocktails, said **Andrew**

COVID-19 triggered an increase in remote, app-based ordering in the US On Premise. But as restrictions ease, many guests want to return to physical service. More than two thirds (69%) of consumers say it is still their preferred method, compared to 9% who want to order through their phone. While many younger people have embraced digital order and pay, older ones haven't. "The majority are still uncomfortable ordering digitally," Hummel said.

COVID-19 brought a similar shift from paper to digital menus—but two-thirds (65%) still prefer the former, and many of them are turned off by digital lists. "We think the best approach to reach the broadest audience is some sort of physical menu, supplemented by digital menu," Hummel said.

With so many bars and restaurants packed out with returning consumers, partners have a chance to step up their support and share their knowledge and resources. "Customers need the help of suppliers and distributors more than ever at the moment," Crompton said.

Beam Suntory, Boston Beer Partner To Expand RTD Reach

Beam Suntory and **Boston Beer Co.** said they formed a long-term, strategic partnership to extend select iconic brands into some of the fastest-growing beverage alcohol segments.

As part of this partnership, the company plans to expand Truly Hard Seltzer, the fastest growing hard seltzer on the market, into bottled spirits and will benefit from Beam Suntory's distilling expertise and robust distribution network.

And Beam Suntory's **Sauza** tequila brand, will expand into additional RTD formats by leveraging Boston Beer's expertise, production capabilities and distribution footprint.

The first new products resulting from this partnership will be available across consumer retail channels in the U.S. by mid-2022, with plans to expand across more key brands in the future.

"Our industry is rapidly evolving, and consumers are looking for new and exciting options that suit a wide variety of occasions, and we couldn't be happier to have found the perfect partner to extend our brands into the spirits category," said **Dave Burwick**, Boston Beer CEO. "Beam Suntory shares our pioneering, entrepreneurial spirit, and the obsession with delivering high-quality products. This unique, win-win collaboration opens a new frontier for our industry-leading Truly Hard Seltzer brand as we expand into bottled spirits and also allows us to bring a great tequila brand into our best-in-class wholesaler network."

"We are each tapping opportunities in adjacent categories by unleashing our shared creativity and respective distribution strengths in spaces that resonate with consumers," said Albert Baladi, Beam Suntory president/CEO. "We're expanding the reach of loved, iconic brands that have tremendous equity, credibility, and consumer loyalty. Beam Suntory and Boston Beer understand brand building, and as pioneers in premium spirits and craft beer, our combined possibilities are limitless."

Maryland Investment Firm Takes Stake in Pepin Distributing

Redwood Capital Investment, the private equity unit of Baltimore billionaire **Jim Davis**, cofounder of Allegis Group, the largest staffing firm in the U.S., is taking a stake in **Pepin Distributing**, the **Anheuser-Busch** distributor in Tampa for five decades. Terms weren't disclosed.

Is it a sale? CEO Tom Pepin, whose father founded the distributorship in the early 1960s, strongly denies that. He describes the transaction as an infusion of capital to fund growth. "This was done to strengthen our competitive position in the market," he told the *Tampa Bay Times*.

Redwood Capital has invested in at least two other beer distributorship: **Silver Eagle Distributors** of Houston, at the time the nation's largest independent A-B distributor, and **Lakeshore Beverage** of Chicago.

Pepin will remain CEO of Pepin Distributing.

XED Beverage Co. Raises \$4.5 Million

XED Beverage Co. (XED) said it completed its second seed round of funding. In the past year, XED has raised a total of \$4.5 million which will be used to grow XED's flagship brand SESH and launch XED's second disruptive brand, which is currently in stealth mode.

Founded by **Zeke Bronfman** and **Nate Medow**, best friends and former college roommates, XED was conceived as the antidote to what the two young entrepreneurs identified as lacking in the alcohol industry.

Bronfman, carrying on his family legacy of spirits titans **Samuel Bronfman** and **Edgar Bronfman Sr.** of **Seagram's** fame, developed a refined taste for beverages early on and yearned to craft a beverage with authentic and robust flavor.

Medow, a star athlete and Type 1 diabetic, needed alternatives to beer and cocktails without the sugar, carbs or calories. Nate and Zeke realized there was nothing on the market that combined the rich flavor they wanted in the better for you format they needed. So, they started mixing in their dorm room until they created delicious cocktails with zero sugar and all-natural ingredients. SESH: Cocktail Meets Seltzer was born, and XED Beverages began to build its platform to launch brands.

Additional investors include:

Bob Hurst, Former Vice Chair & Head of Investment Banking at Goldman Sachs

Edgar Bronfman, Former CEO of Seagram

Ilan Sobel, Founder and COO of WeissBeerger

Strauss Zelnick, Founder of Zelnick Media Capital, CEO of Take Two Interactive and Former CEO of BMG Entertainment

Randi Zuckerberg has also joined Edgar Bronfman, Strauss Zelnick, Barbara Bernstein, Dan Schwab, Adam Zoia, Steven Edelson, Susan Greene and several others on XED's Board of Advisors. SESH is currently on shelves in New York, New Jersey, Illinois and Ohio, and is also available direct-to-consumer across 36 states at www.drinkshesh.com.

Additionally, XED Beverage Company has also expanded its Board of Directors to include **Jared Kash**, Man-

aging Partner of Surround Ventures, and DisPact Ventures' **Andrew Merinoff**, along with Bronfman and Medow.

Competition Heat Up as Line Between Hard Seltzers, RTD Cocktails Blurs: Drizly

Ready-to-drink cocktails and other new canned drinks are playing off of hard seltzer's innovation, and in the process, taking some of its some growth momentum. Year to date, RTDs share is growing at 15 times the rate as hard seltzer on Drizly. And quite surprisingly, consumers know little about what makes hard seltzer...hard seltzer...and what differentiates it from its newer competitors.

The fine print matters to some in alcohol purchase decisions, and the most to Gen Z, Drizly says. With the pandemic came a growing thirst for knowledge about how products are made, who makes them and what brands stand for. Drizly's consumer survey found that it's no different with alcohol, whether scrutinizing ingredients on a can, researching a brand's ownership or gaining an understanding of sustainable practices. However, which factors matter most differ across generations.

The pandemic brought drinking occasions home. How did behaviors change and which will stick around? Changes in consumption behaviors as a result COVID-19 were perhaps rivaled by only those wrought by Prohibition. Virtually overnight, after work drinks, dinners out and weekend brunches were replaced with virtual stand-ins and at-home occasions. The question is no longer just which behaviors were created during the pandemic, but which have staying power beyond the pandemic

A majority of consumers are ready to get back to "normal," but for some, pandemic impacts are lasting. It is no secret that the pandemic had a significant impact on where and how consumers socialized and celebrated occasions throughout 2020 and into 2021. However, halfway into the year, the impact is shifting as restrictions lift and the on-premise fully reopens across the US. While about half of consumers are ready to return to "normal," the other half are split.

While the pandemic fueled alcohol e-commerce, it is poised for long-term growth, Drizly says, adding that like many categories, online sales and delivery of alcohol skyrocketed over the past year and half as consumers looked for ways to shop from the safety of their own home.

As we move beyond the pandemic, not only will online ordering continue, Drizly predicts, but a majority of consumers expect to order alcohol online more than they did during the pandemic. As demand for online alcohol purchasing has grown, so have the channels in which consumers can do so. From ordering directly from retailers or producers to shopping across retailers and brands on marketplaces - where are buyers shopping for drinks online?

Is hard seltzer's bubble about to burst? While the breakout drink of 2019 and 2020 is still growing, it's not what 21-plussers say they will reach for first this summer. Ready-to-drink cocktails and other new canned drinks are playing off of hard seltzer's innovation, and in the process, taking some of its some growth momentum. Year to date, RTDs share is growing at 15 times the rate as hard seltzer on Drizly.

Asked which factors are important when considering an alcohol brand to purchase, 39% of respondents said that perceived "healthiness" mattered to them, good for the first place spot among major consideration factors when taking traditional drivers like price and availability out of the equation.

When asked which health factor is the most important in the purchase decision, transparency of ingredients and calories count rose to the top, each selected by 20% of respondents. Family ownership, size and local-ness matters too, 34% of survey takers ranked these factors second.

Asked where do they plan to drink alcoholic beverages most regularly this summer and fall? According to IWSR, historically the split between on-premise and off-premise alcohol sales is 20% vs 80%, respectively. Drizly's 2021 consumer survey shows signs of moving back towards this "normal" split after nearly a year and a half of the pandemic's impact causing a significant decline in on-premise consumption. Some 16% of respondents to Drizly's survey say plan to drink most regularly in bars and restaurants this summer and fall. 69% plan to sip at their own and friend's or family's homes, while 14% expect to drink most regularly at outdoor locations like parks and beaches.

Estralla Jalisco Expands Line of Canned Micheladas

Featuring a 3.5% ABV, the Classic Michelada is made by blending a Mexican-style lager with Clamato and lime juice to create a refreshing balance of sweet, savory and spicy that tastes just like a traditional michelada should.

To celebrate the new flavor, Estrella Jalisco is teaming up with modern media company, [Tastemade](#), and a lineup of award-winning chefs to introduce 'Michelada Mondays,' a chance for fans to win prizes and enjoy delicious new recipes.

Over the next few months, Estrella Jalisco will pay five lucky fans to take a Monday off work – and deliver a Michelada-inspired feast curated by Tastemade partner, TV star and cooking competitor, Chef Maria Mazon. Winners will also receive exclusive access to a virtual cooking class hosted by Chef Mazon.

Korbel Sponsors American Century Golf Tourney for 17th Year

For the 17th consecutive year, **Korbel California Champagne** sponsored the American Century Celebrity Golf Tournament in Lake Tahoe, Nev.

A new event this year, Korbel hosted a Long Drive Competition on Thursday, July 8th. Taking place on Hole 16 with a lively atmosphere filled with music and Korbel bubbles, 46 players competed. Kansas City Chiefs Quarterback, Patrick Mahomes' mighty swing of 347 yards had the longest drive winning \$5,000 to his charity of choice - 15 and The Mahomies Foundation.

Twelve of the most popular names in sports and entertainment joined together on Friday, July 9.

Actor Michael Pena slammed it home with a powerful swing, landing just 16 feet 4 inches from the hole, taking home first place. In honor of his win \$5,000 was donated to the Lake Tahoe Wildlife Care.

Finishing in second and third place respectively was Korbel distributor representative, Steve Ziner with a distance of 16 feet 6 inches, and Actor Alfonso Ribeiro who landed 17 feet 5 inches from the pin.

PGA Tour, A-B Extend 3-Decade Partnership

The PGA Tour and Anheuser-Busch extended their longstanding marketing relationship that continues Michelob Ultra's position as the "Official Beer Sponsor of the PGA Tour and PGA Tour Champions" through 2024. Additionally, O'Doul's will continue to serve as the "Official Non-Alcohol Beer of the PGA Tour and PGA Tour Champions."

As part of the multi-year extension, Anheuser-Busch will add Michelob Ultra Organic Seltzer as the "Official Hard Seltzer of the PGA Tour," a new official category for the PGA Tour.

Anheuser-Busch's partnership with the PGA Tour began in 1994, and Michelob Ultra became an official sponsor of the Tour in 2002. Michelob Ultra will continue to have a substantial activation footprint at tournaments across the PGA Tour and PGA Tour Champions schedule.

Yakima Chief Hops Partners with K9s For Warriors for their 4th Annual Veterans Blend

Each year, [Yakima Chief Hops](#) (YCH), a global hop supplier for the brewing community, celebrates 4th of July by launching the presale of their annual Veterans Blend. Currently in its 4th year, this hop blend supports and celebrates U.S. military Veterans while collaborating with brewers to create something bigger than beer.

NC's Largest City Running Short of Spirits

North Carolina Alcoholic Beverage Control Commission spokesman attributed it to strains on the global supply chains of a variety of products throughout the entire pandemic, and not just here in North Carolina," Strickland said. "Many businesses have reopened over recent months, creating additional demand as well," a spokesman said.

A similar shortage does not exist in South Carolina.

Flor de Caña Launches Global Zero Waste Month Campaign

The month-long initiative invites eco-conscious bars, restaurants and consumers to address the issue of food waste, one sustainable cocktail at a time.

In collaboration with Food Made Good, a global non-profit that promotes sustainability within the foodservice industry, Flor de Caña has partnered with notable mixologists in over 30 countries, including Julio Cabrera (USA), Nicole Lebedevitch (USA), Mario Farulla (Italy), Remy Savage (UK), Antonio Naranjo (Spain) and Jesse Vida (Singapore), to create delicious sustainable cocktails made with Flor de Caña rum and repurposed food waste from their local communities.

As part of the campaign, Food Made Good helped participating venues design their sustainable cocktails and adopt meaningful sustainable practices into their everyday operations. Flor de Caña will also share zero waste inspired tips

and recipes on social media for consumers to enjoy and implement at home.

"Working with an ambitious, outward-looking and creative partner like Flor de Caña is the most effective way we can accelerate progressive practice across hospitality, making bars and restaurant a part of a global sustainability solution," said Simon Heppner, CEO of Food Made Good Global.

The official Zero Waste Month website (www.zerowastecocktails.com) includes a locator of participating bars in the U.S., videos of world-renowned bartenders sharing their original sustainable cocktail creations, practical tips to reduce food waste in daily life and information on how bars and restaurants can join this cause.

Virginia Distillery Taps Wine Warehouse For Distributor in California

"As a family-owned whisky producer, we're proud to be working with **Wine Warehouse**, a multi-generational, family-owned and operated company dedicated to supporting boutique brands," said **Virginia Distillery Co.**'s CEO, **Gareth H. Moore**. "Our **Courage & Conviction** line sets a new standard for American whisky and now Californians will have access to each expression, as well as our VHW series through our partnership with Wine Warehouse."

Virginia Distillery produces a few thousand cases of their award-winning whiskies annually, including its flagship American single malt **Courage & Conviction**. Aged a minimum of three years, **Courage & Conviction** is distilled on-site using 100% North American malted barley and mountain spring-fed water. The flagship whisky is matured in old world sherry casks, traditional bourbon barrels and re-coopered cuvée wine casks which adds intensity and complexity to the spirit. The distillery released solo bottlings of each **Courage & Conviction** cask this spring.

Who & What —

HIRED: **Leena Jain** as Chief Marketing Officer of **Coravin**, a the wine technology company. She joins from **Humanscale**, where she was CEO for three years. Earlier she had been with **L'Oreal**.

JOINING: **William Grant & Sons** joins the **Distilled Spirits Council of the U.S.** and **Responsibility.Org**. **Paul Basford** is President and Managing Director, U.S., **William Grant & Sons**.

Continued Success,
KANE'S BEVERAGE WEEK



JOEL WHITAKER, Editor