

KANE'S BEVERAGE WEEK

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

Volume 82, No.40

Copyright 2021 Whitaker & Company, Publishers, Inc. All Rights Reserved.

November 26, 2021

The Inside Story

| | |
|---|---|
| WSWA: There's No Competitive Problem When It Comes to W&S Wholesalers | 2 |
| Bad News for Brewers, Distillers: Spring Wheat Crop in Poor Condition | 3 |
| RNDC Expands into 5 New Control States | 3 |
| Top Drinks Brands Dominate On-Premise As Consumers Opt for Familiar Choices | 3 |
| Drizly: RTD Cocktails Soar 60% from 2021 | 3 |
| Beer Institute Estimates Shipments Fell 6.4% | 4 |
| Breakthru Beverage Group Expands With CBD and Relaxation Beverages | 4 |
| Jack Daniel's Launches Its 1st Age-Stated Whiskey in Over 100 Years | 4 |
| Michelob Ultra Commits \$100 Million To Support Gender Equality in Sports | 4 |
| Divvy-Up Announces the First Wine-Sharing Shopping Cart App | 4 |
| Delicato Names 1st 2 Recipients Of Winemaker Scholarships | 5 |
| Wilson Daniels Sponsors Master Somm, Master of Wine Scholarships | 5 |
| Responsibility.org Launches Program To Change College Drinking Behaviors | 5 |
| Beam Intros DtC Whiskey Membership | 6 |
| Brockmans Gin Offers 'Ultimate Gift Pack' | 6 |
| Lucas Bols Launches DTD Cocktails | 6 |
| And Much, Much More | |

Jury Awards Major Brands Inc. \$11.75 Million In Franchise Law Dispute

Major Brands Inc., Missouri's largest independent bev/al distributor, sued **Mast-Jägermeister** and **Southern Glazer's Wine & Spirit** after Mast-Jägermeister replaced Major Brands as its Missouri distributor with SGWS.

Jägermeister terminated the contract because Southern Glazer's offered it \$10 million, then increased the amount to \$25 million, said **Richard Walsh Jr.**, an attorney who represented Major Brands. An attorney representing Jägermeister and Southern Glazer's denied that, adding Jägermeister sales with Major Brands had been declining for 10 years, and Mast-Jägermeister wanted a national distributor.

"It is a very, very good thing for the good people at Major Brands," said CEO **Sue McCollum**. "It's very good for the Missouri franchise law and it's very good for Missouri companies that play by the rules."

CEO Sue McCollum told a federal court jury that "It affects Major Brands's reputation when we lose a brand and we are terminated, because the presumption is in a franchise state you've been terminated for good cause."

The attorney for Jägermeister denied McCollum had been "surprised" by the termination, saying Major Brands filed a 70=paragraph, nine-count lawsuit within 34 minutes after Jägermeister's CEO told McCollum of the termination. Sales of Jägermeister represented just 2% of Major Brands revenue from 2008 to 2017, he added.

Eastside Distilling Sales Plunge 22%, Widening Loss

Eastside Distilling inc., Portland, Ore., reports gross sales plunged 22% to \$3.3 million, primarily a result of less canning and bottling business. The company's net loss widened a bit, to \$1.9 million from \$1.8 million.

The canning and bottling problem is simple: As industry supply chain operations became less impactful and on-premise accounts reopened, brewers shifted sales to on-premise bottle and keg packages, resulting in mobile beer canning to decrease.

Sales of spirits were down from last year due to Azuñia supply chain constraints, California distributor management of Portland Potato Vodka and slower distribution expansion outside Oregon due to distributor issues. Sales of spirits were primarily down from last year for three reasons: 1) Azuñia supply chain constraints, 2) California distributor management of Portland Potato Vodka and 3) slower distribution expansion outside Oregon due to distributor issues.

During the third quarter, the Company delivered 9,725 cases of spirits, excluding Redneck Riviera. Azuñia benefitted from the slow recovery of the on-premise business. Burnside distribution outside of Oregon decreased in part due to distribution changes. The rollout of both Burnside, Portland Potato Vodka and Eastside Brands have been slower than anticipated as the Company has had to restructure its distribution strategy. These brands have also faced tougher comparisons to the prior year due to the surge of "at-home" consumption.

Despite the slight loss, the company said it continued improving its cash position and reducing debt. It also issued 900,000 common shares as a result of exercise of warrants, resulting in \$2.4 million of cash, allowing the company to fully fund a key component of its strategic plan, the company said. It also issued

KANE'S BEVERAGE WEEK

14305 Shoreham Dr, Silver Spring, MD 20905-4481

Donna Whitaker, Subscriptions Manager

subs@bevnewsonline.com

Phone: 301-384-1573; FAX: 301-879-8803

JOEL WHITAKER, Editor and Publisher

editor@bevnewsonline.com

Phone: 301-384-1573 (New number!)

Subscriptions: \$799, 47 issues a year

ISSN: 0882-2573

900,000 new 5-year warrants with a strike of \$3.00 per share. In addition, the Company issued 718,225 shares of common stock for net proceeds of \$1.9 million..

Diageo Sees Organic Sales Jumping 16% in 1st Half, Growth of 5%-7% from 2023 to 2025

Diageo plc said it expects organic sales to jump 16% in the fiscal first half of 2022 and to advance 5% to 7% for fiscal 2023-2025. And it said it has a desire to achieve a 50% increase -- to 6% from 4% --in total beverage alcohol market share by 2030. Following the announcement the company's shares rose to a record, \$206.61, a 0.49% gain.

The projections were issued an advance of the company's capital markets day.

"Our culture of everyday efficiency is embedded in our business and we continue to challenge ourselves to achieve more," said **Ivan Meneses**, chief executive officer. In fiscal 21, despite the challenges created by Covid-19, we delivered strong organic net sales growth, drove an improvement in organic operating margin and delivered strong cash flows, while continuing to invest in long-term sustainable growth.

"We believe our sales growth trajectory has accelerated, underpinned by the strength of our advantaged position across geographies, categories and price tiers. TBA is a large, growing and attractive sector of which Diageo currently has a 4% value share. With continued investment in marketing, digital capabilities and our people, we have significant headroom for growth. This gives us the confidence that we can grow Diageo's value share of TBA from 4% in 2020,¹ to 6% by 2030," he added.

"Our focus on everyday efficiency enables us to continue to increase investment in our brands and strategic growth initiatives, while underpinning organic operating margin improvement," said **Lavanya Chandrashekar**, chief financial officer..

This self-sustaining growth model gives us confidence that we can accelerate our organic net sales growth within a range of 5% to 7% for fiscal 23 to fiscal 25. This compares to growth of 4% to 6% in fiscal 2017 to fiscal 2019. While we expect inflationary pressures to increase, we also expect to benefit from operating leverage, premiumisation, revenue growth management and productivity gains. As a result, we expect organic operating profit to grow sustainably in a range of 6% to 9% for fiscal 23 to fiscal 25.

As we announced in our AGM statement, we have made a strong start to fiscal 22. We are delivering organic net sales growth across all regions, as we benefit from resilience in the off-trade and continued recovery in the on-trade. This is benefitting organic operating margin, despite rising inflationary pressures, which are partly due to supply chain constraints. We expect organic net sales growth of at least 16% in the first half of fiscal 22 and organic operating profit growth ahead of organic net sales growth. We expect the strong growth momentum in the first half of fiscal 22 to continue through the remainder of the fiscal year. However, in the second half of fiscal 22 we will be lapping a tougher comparator."

Splash Beverage Revenue Soars, But Net Loss Soars Even More

Splash Beverage Group reports net third quarter sales of \$2.8 million, up from \$692,974 a year earlier. The company reported a net loss of \$12.2 million, dramatically larger than its \$2.1 million loss a year earlier. Splash makes and sell both alcohol and non-alcohol beverages.

Splash recently went public through a Special Acquisition Company (SPAC), which essentially is a blind pool of money that looks for a company into which to merge.

LibDib Enters Maryland

The announcement follows LibDib's recent expansion into Texas and Connecticut.

"It's an exciting day for LibDib and the industry at large, as three-tier distribution is now available to ANY wine or spirits Maker in 9 states," said **Cheryl Durzy**, founder/CEO of LibDib. "Maryland is a key East Coast market and with the addition of Maryland, Makers can now easily work a larger region, making sales and marketing even more efficient for their brands."

LibDib's three-tier compliant, web-based distribution is now available in California, Colorado, Connecticut, Florida, Illinois, Maryland, New York, Texas, and Wisconsin. While Connecticut and Maryland are all now open to Makers, web and mobile app purchasing by restaurants, bars and retailers will be available in those states in early 2022.

The expansion announcement comes just a few weeks after LibDib launched LibDib@RNDC TX, a new sales division at RNDC within the state of Texas. The new model provides a distribution option for both established RNDC suppliers, as well as new and emerging brands. As partners, LibDib can incubate and graduate brands to RNDC.

LibDib, LLC, is a technology provider and a licensed wholesale distributor of alcoholic beverages. Via a proprietary marketplace, LibDib is available to any wine or spirits Maker for three-tier distribution. Using LibDib, restaurants, bars and retailers can easily and efficiently purchase thousands of unique and small batch wines and spirits. The company was founded in 2016 and is based in San Jose, Calif.

Victor George Spirits Gets \$2.45 Million Funding for New Distillery

Black-owned **Victor George Spirits** said the Fort Lauderdale Community Redevelopment Agency (CRA) board voted unanimously to provide \$2,450,000 to help fund construction cost of a 15,000-square-foot facility that will house a distillery, restaurant, cigar bar, whiskey lounge, co working space and a rooftop bar and lounge located on historic Sistrunk Boulevard.

Victor G Harvey, owner of nationally distributed Victor George Vodka "VG", through his development company, **Northeast 6th Development** will use the forgivable loan alongside his own investment and financing provided by a local bank to help transform a once vibrant area back to a destination where neighborhood residents, out of town visitors and other locals can dine, drink, and tour the distillery, tasting new and unique craft spirits.

This new building will be named The Victory Building after the historic Victory Theatre once located on Sistrunk. This was the mecca of entertainment for Black people in Fort Lauderdale and the only theatre they could attend up until the end of segregation in 1964.

"As our core brand VG continues to grow nationwide, we are committed to helping our own city grow, particularly the Sistrunk corridor. This has been a long process, but we stayed the course," said Harvey. Through these difficult times our focus was to keep all of our employees working and get to this point, which we were able to do. This building will allow the creation of several more job opportunities, with most of the hiring coming from within the neighborhood."

Maker Wine Raises \$2.3 Million to Bring Canned Wine Across The Country

Maker, a Marin County producer of canned wines, said it raised \$2.3 million from over 30 angels and operators including Pear VC, Marcy Venture Partners, The Chainsmokers, Odell Beckham Jr., Rachel Mansfield, Charles Hudson, Mariam Naficy, Bryan Mahoney, Henry Davis, Inflection Capital, Context Ventures, Matt Kanness, Nikil Viswanathan, Daniel Kan, Bridgette Lau, Alyssa Rapp, James Beshara, Leah Culver, Tyler Eliston, and Chris Fanini, to triple production, build out their team, and bring premium canned wine across the country.

Maker's initial production sold out in 2020.

Maker is the highest-rated canned wine company on the market today having received 90+ point ratings from *Wine Enthusiast* and 15 Gold medals from top bottled wine competitions like NY Int'l Wine Competition, Sommeliers Choice Awards, and Sunset Mag Int'l Wine Competition.

"Antiquated liquor laws make it hard for the best small production wineries to get their products out there. And "Big Wine" just isn't delivering what modern drinkers want. We're excited to can wines from the best independent wine producers in the country, and make wine more accessible for everyone." said Sarah Hoffman, co-founder at Maker.

"With the expansion and new funding, we're ushering in a new era of small wineries, transparency, and approachability for the wine industry. Modern drinkers want a high quality, better-for-you option that fits into their lives and lifestyles. We're here to provide an eco-friendly, portable way to enjoy premium wine, any damn time."

Every wine that Maker sells is vegan-friendly, gluten-free and keto-friendly and is made by their partner wine-makers who believe in sustainable farming practices and low intervention winemaking. Each 250 ml can is from a different small production winery and comes with the "maker's" unique story and signature. All wines are dry, with zero grams of sugar, less than five carbs per serving, and minimal sulfur additions.

A-B Buys Hoop Tea

Anheuser-Busch acquired Hoop Tea, an Ocean City, Md., based beverage company known for its iced tea infused malt beverages and tea-infused seltzers, inspired by the founder's love for beach culture.

Hoop Tea will join Anheuser-Busch's rapidly growing Beyond Beer portfolio which is a major growth driver within the industry. Terms weren't disclosed.

"The team at Hoop Tea has created an incredible brand with an even better product offering," said Fabricio Zonzi, Beyond Beer President, Anheuser-Busch. "I look forward to working alongside Hoop Tea's founder, Danny Robinson, and vice president, Billy Gillman, to develop and grow the brand to its full potential."

With leading brands that include Cutwater Spirits, BABE Wine and more, Anheuser-Busch's Beyond Beer portfolio has captured more than \$1 billion in revenue over the last three years through a combination of organic brand building, strategic acquisitions, and innovative partnerships

Sagamore Spirit Releases 4-Year-Old Bottled in Bond All-Maryland Rye Whiskey

Sagamore Spirit released its first-ever Bottled in Bond rye whiskey at 50% ABV (100-proof) made entirely at its Baltimore distillery and barrel-aged for four years at its nearby rickhouse. It marks a milestone for the brand, established nearly a decade ago with a mission to revive Maryland's centuries-old reputation for rye whiskey distilling.

Sagamore Spirit Bottled in Bond blends two straight rye whiskies, one with a high-rye mash bill, the other low-rye, adhering to the same proprietary recipe that has defined all of Sagamore Spirit's award-winning releases since 2016. The result is true to Maryland's style of rye, first enjoyed in colonial times: approachable, versatile, and notably complex. The final profile showcases flavors of rye spice, toasty caramel, and fruit and floral notes.

Sagamore Spirit's Maryland-style rye was originally distilled by MGP, then expertly blended by Sagamore Spirit

Use This Coupon to Subscribe Or Renew

To: Whitaker & Company, Publishers, Inc.
 14305 Shoreham Dr, Silver Spring, MD 20905-4481
 YES! Begin (or renew) my subscription to KANE'S BEVERAGE WEEK.

- Daily and Weekly by e-mail - \$823 (1 yr/233 issues)
- Weekly by First Class Mail — \$823 (1 yr/47 issues)
- Maryland residents — add 6% sales tax
- Check enclosed
- Charge my VISA/MasterCard/Amex

 Expires _____ Security Code _____
 Signature _____
 Name _____
 Firm _____
 Address _____
 City _____
 State _____ ZIP+4 _____
 Phone _____
 FAX _____
 e-Mail _____

For Fastest Service: FAX TO 301-879-8803

distillers to make the brand's proprietary, award-winning high rye-low rye mash bill. Over the next few years, as more Maryland-distilled rye fully matures, it will comprise a higher share of whiskey within Sagamore Spirit releases, before reaching 100% by 2025. Within another few years, Sagamore Spirit's rye whiskeys will be almost entirely made with Maryland-grown grains. The brand is partnering with local farmers and growing its own rye and corn at Sagamore Farm.

"Today marks an important moment for Sagamore Spirit, with proof of our original concept fully realized and now here for the tasting," said **Brian Treacy**, Sagamore Spirit's co-founder and president of distillery operations. "Bottled in Bond is a testament to our entire team's hard work, incredible talent and perseverance, a tribute to Maryland's legendary distillers, and one heck of an amazing rye whiskey."

A limited quantity of Sagamore Spirit Bottled in Bond is available across the country for an approximate retail price of \$59.99, and at the brand's Baltimore waterfront distillery while bottles last.

3 Mavins' Craft Beer Introduces Encore, a Flavorful, Balanced Session IPA to Florida

3 Mavins', one of South Florida's fastest-growing craft beer companies, introduced **Encore**, a crisp, session style IPA that will be available to craft beer drinkers across the state of Florida beginning on Nov. 29. This marks the second company varietal introduction this year following the highly successful launch of 3 Mavins' American Style Lager in January 2021.

3 Mavins' American Style Lager and Encore are brewed in Lakeland, Florida. The company was born out of the idea that simple clean ingredients should take precedence over the infinite supply of craft beers that are either too fruity, sour, bitter or hoppy for the average beer consumer. The American Style Lager with notes of honey, agave nectar, and maple syrup, is the perfect refreshment to pair with meals and share with friends and family to celebrate happy occasions.

3 Mavins' also believes in giving back to its loyal consumer base and supporting the community at large. Each month the company selects a different inspiring charity to support. Beer drinkers can participate by scanning a special QR code on each can of 3 Mavins' and one lucky beer drinker will be selected to receive a \$120 e-gift card.

Additionally, 3 Mavins' will make a donation of 3% of that month's profits to the winner's charity of choice. Beer drinkers also can earn the chance to win an exotic, two-week vacation anywhere in the world valued at \$10,000 by downloading the 3 Mavins' app found at Apple or Android app stores and scanning the QR code on the can for a chance to win.

Craft Spirits Outpace Growth Of Non-Craft Spirits in US

Craft spirits are set to vastly outperform the mainstream U.S. market in the coming years, IWSR Drinks Market Analysis predicts.

Despite the turmoil caused by the coronavirus pandemic, in 2020, craft spirits in the US registered a volume gain of close to +8%, while non-craft spirits volumes posted about

5% growth. This allowed the craft segment to achieve a 5% volume share of the total US spirits market, and a 7% value share.

The growth gap between mainstream and craft spirits is set to widen in the coming years, with IWSR analysts predicting a +21% CAGR in US craft spirits for 2020-2025, while US non-craft spirits is expected to register a +4% CAGR for the same period. This demonstrates that the trend for premium, artisanal spirits is gaining significant traction statewide.

Still, growth over the next five years will decelerate compared to the previous five years, due to increasing market maturity and competition.

Craft distilleries faced numerous challenges throughout the pandemic – including forced closures of tasting rooms and a lack of access to bars and restaurants, both key revenue drivers for smaller producers – but the impact on sales was less severe than expected.

Lockdown measures forced distillers to diversify their sales channels – a move aided by the loosening of alcohol legislation – by pivoting to ecommerce and direct-to-consumer, and investing in growing their

outdoor entertainment spaces. Brands also more aggressively sought to expand distribution and implemented successful social media campaigns that enhanced their connection with local communities. These are strategic changes that will continue to pay dividends in the longer term.

"While there was a substantial deceleration in growth, craft producers and indeed the total US beverage alcohol market as a whole, performed better than projected last year due to consumption switching to the home-premise," says IWSR analyst Ryan Lee.

In fact, while there was a record 56 distillery closures in the U.S. in 2020, the craft segment saw the opening of 33 more distilleries than in 2019. While this represents a significant deceleration of new openings compared to previous years, it is a testament to the buoyancy of the sector in a time of heightened turmoil.

The number of new craft distilleries is set to significantly ramp up in the next four years, with a predicted 265 set to open in 2025 alone.

In both value and volume terms, the craft spirits sector is projected to continue to take share of total spirits, with craft's value share reaching the double-digit milestone in 2024, at 12%, a dramatic improvement from 2% in 2015.

"The craft category has benefited from premiumization as higher average prices help U/S. consumers become accustomed to premium-plus offerings," says Lee.

By 2025, craft spirits are forecasted to increase their volume market share to nearly 10%, and over 13% in market share value. Driving this will be brands' national distribution expansion, some of which will be the result of acquisitions by larger groups.

Dominant craft categories

All craft spirits categories are predicted to post growth in the years to 2025. Even categories that are seeing declines in the total market are forecasted to post positive gains in craft. Rum is a prime example – the total US rum category is expected to see a 2020-2025 CAGR volume decline of 1%, while craft rum is forecasted to grow +12% in the five-year

period.

The biggest category in U.S. craft spirits is U.S. whiskey, which has a 36% share. Sub-categories such as Tennessee and blended whiskey are expected to hold the greatest volume growth potential within total U.S. whiskey. However, craft gin is forecasted to post the greatest growth in total spirits over the forecast period. In 2020, craft gin only possessed a 9% share of the total US craft spirits market, but the category is forecasted to register a CAGR of +23% from 2020 to 2025. This compares to a +2% CAGR for total gin in the U.S. over the same period.

Craft gin benefits from a significant price premium: while the average retail price of a 750ml bottle of gin sold in the US last year was \$16.77, the average craft gin retails for more than \$30. "Brands are also driving up their popularity with consumers by leveraging regional botanicals, aged expressions, flavors and other innovations," says Lee.

SipSource Finds Spirits Kept Growing in 3Q

"One of the largest takeaways from the Q3 report is the continued, steady growth of spirits," said **Dale Stratton**, SipSource Analyst. "The impressive performance of spirits categories continues to be strong and is leading the total alcohol growth over the long term, with no signs of slowing down. However, wine is still facing an uphill battle — let's hope the holiday season gives it the boost it needs."

SipSource Q3 data shows how in an ever-changing landscape, the strength of spirits continues to remain consistent — especially when compared to wine. According to 12-month rolling numbers ending in September 2021, spirits are showing an overall volume growth of +5.9%. When looking at the year-to-date nine-month period, it's even stronger, up +8.3%. SipSource data anticipates a strong year-end close for spirits, estimated to finish above the current +5.9% trend.

Premixed Cocktails continue to lead spirits growth, up a staggering +45.1% — representing the seventh-largest product class in spirits, with 6.9% share of volume. Tequila and agave spirits also continue to see growth, up +18.3%. Cordials and Liqueurs are up +8.9%, followed by Irish Whisky, up +7.1%.

On the other hand, wine continues to struggle and is down -5.4% for the 12-month period ending in September. But the bad news for wine doesn't end there: when looking at the latest nine-month period, wine is down -6.7%, and down -8.9% in the latest three-month period. The wine trends continue to be concerning. While Sparkling Wines are experiencing growth, up +11.8%, Table Wine is down -7.2%. Wine is expected to follow spirits in having a strong holiday season but will most likely not see a positive trend before the new year.

"As we head into the holidays, it's important to look back at last year's comp period," said Stratton. "During October to December of 2020, depletion trends were soft, down -2.2% in total. This means we should see elevated trends during October, November and December of 2021."

The upcoming holidays will be an important time for the industry — specifically wine. While the on-premise channel is seeing great recovery, it is not without complica-

tions. Because comps are so unstable, trends in the on-premise are of little to no help. To aid in this, SipSource created the Channel Shifting Index (CSI), delivered monthly, which tracks the progress for wine and spirits compared to the base share in February 2020. View the latest CSI report [here](#).

SipSource by Wine & Spirits Wholesalers of America (WSWA), the first and only source for wine and spirits distributor depletion data that covers sales to hundreds of thousands of on- and off-premise accounts

Demand for Wine Reflects Uncertainty As World Emerges from Covid: Ciatti

In its latest market report, **Ciatti** notes that wine production in all Northern Hemisphere countries are lighter than average. Italy and Spain are down 9%, OIV estimates, which is pocket change compared to France's 27% drop since 2020. California's production, Ciatti estimates, will be "average."

"These short crops north of the equator have ensured this year's global wine production will be -- according to OIV -- 'extremely low' at 247.1-253.3 million hectoliters." Production had been projected to be around 2652 million, itself 7% less than the 20-year average.

Add to the woes: The shipping mess. Transport costs have more than doubled -- and that's when vintners can book shipping at all. Blame port backlogs and a shortage of shipping containers.

40% of Large Wine M&A Was in U.S.

Of the 20 global wine M&A deals tracked by Zenith Global, more than 40% were done in the U.S., **Rabobank's** lead beverage strategist, **Steven Rannekleiv**, notes in the latest *Rabobank Wine Quarterly*, which went out to clients Tuesday (11/23). Typical was the sale of Chateau Ste. Michelle, Delicato Family Wines acquisition of the Francis Ford Coppola Winery and the sale of WX brands.

Rannekleiv and Stacie Wan, the lead beverage analyst at Rabobank, say they expect the U.S. to remain the focus of most M&A activity, given the continuing trend toward premiumization.

Meanwhile, imports by China, which has been the hope of the global wine market for most of the last century, are in a slump.

China Skump

From a demand perspective, the volume of wine in China in 2020 was dramatically reduced compared to previous years, with wine imports for the first seven months of 2021 down 5.3% compared to the same period last year.

"The import slump can be attributed to several reasons. First, there was an overall slowdown in the pace of wine imports due to the recurring epidemic, disruptions in the global shipping market, severe shortages of containers, delays in shipping schedules, and rising shipping costs," explains Stephen Rannekleiv, Global Strategist – Beverages at Rabobank. "Second, current policies have led to a plunge in Australian imports, and it will take time to fill this share." In addition, a large number of Australian wines imported into the country are still in the restocking stage, and the market

takes time to digest them.

But while the Chinese wine market has faced considerable challenges in recent years, the fundamentals for ongoing growth in the future remain strong. Younger consumers are still interested in wine, so Rabobank believes consumption should soon return to growth.

But "it is clear that the market will not return to the pre-pandemic status quo. The competitive positioning of suppliers in the market – both foreign and domestic – is being completely rearranged," says **Stacie Wan**, Industry Analyst at Rabobank in China.

Australian Wine

Australian wines, which had gained a dominant position among imported wines in recent years due to the free trade agreement, now face anti-dumping duties ranging from 117% to 218.4%, which directly resulted in an 88.6% drop in imports in the first seven months of 2021.

Following the tariffs imposed on Australian wines, wines from other countries have gained ground to varying degrees. French wine, as one of the biggest beneficiaries, has seen strong growth, both in value and volume. Chile is also on the rise with competitive advantages and is likely to gain further share to become China's second-largest supplier of wine by 2025. Italy and Spain benefited from the drop in Australian imports as well, and are expected to further expand their share in the Chinese market.

"The assumption that France, Chile, and other countries have a long-term opportunity to gain market share in China is based on the current relations between China and Australia. The longer the anti-dumping duties remain in place, the harder it will be for Australia to reclaim all of its former share," says Rannekleiv.

Production of domestic wine in the first seven months of 2021 saw a slight increase of 0.7% compared to the corresponding period of last year. Leading Chinese wine companies experienced strong revenue growth in the first half of 2021, he says. "Domestic wines are benefiting from Chinese wine consumers' rising confidence in local products in terms of quality and brand itself," concludes Wan.

Thirstie Brings First and Only Bev/Al Branded Gift Cards To Market

A recent Thirstie survey of over 2,000 adult Americans found there is an overwhelming interest in liquor branded gift cards. Given the choice, nearly two times as many consumers would give a gift card for alcohol over a bottle, the survey found. Additionally, high-income consumers' demand for a top-selling vodka brand gift card is 84.4%, exceeding the demand for leading retail gift cards such as Apple at 76.9% and Starbucks at 76.5%. The survey also showed that 77% of consumers prefer premium and value branded gift cards, criteria that many liquor portfolio companies represent.

The beverage alcohol and gift card industries have seen significant gains year over year and are both expected to continue growth. According to ResearchAndMarkets.com, the global beverage alcohol market is expected to reach \$736 billion. Exceeding that market size and growth is the global gift cards industry which is projected to hit \$1,922.87

billion by 2027, according to Allied Market Research.

Digital behaviors around gifting in both industries continue to accelerate. Across all Thirstie powered storefronts, 12% of all e-commerce orders were gifts from October 2020 - October 2021; that number jumped to 22% in December 2020. Within the gift card sector, online purchases of gift cards more than doubled in 2020, outperforming the growth in 2019, according to ResearchAndMarkets.com.

Thirstie powered gift cards will enable liquor brands to connect with their consumers through a full omnichannel approach. Brands now have the ability to offer gift cards through both their online storefront and in-store while driving traffic to their digital stores, as cards can only be redeemed through their Thirstie powered sites.

"Liquor branded gift cards will undoubtedly transform not one, but two, multi-billion dollar industries," continued Southworth. "Our mission at Thirstie has and always will be to redefine the way consumers are interacting with their favorite brands.

By putting brands in a position of control where they have the ability to directly connect with their fanbase, we have been able to solve a major pain point within the beverage alcohol industry. We are excited to take one step further by bringing this innovative solution to the market and helping brands drive consumer adoption to their e-commerce sites and meeting consumer demand while doing so."

How a 'Natural Experiment' Explains Policy Failures During Covid

When I put on my academic hat, I become an ethnographer. That's essentially a fancy term for a journalist, a story teller. It's the opposite of what most people consider "science," but it is probably very useful for explaining large phenomena, such as the Covid-19 pandemic, in close to real time.

Recall what happened: The disease came roaring out of China, exploded in Italy and what we learned was two things: First, it was exceptionally deadly, and, second, older folks were at the most risk of dying. That, essentially, is all we knew as the U.S. began to grapple with stopping the spread.

Public health officials and the politicians who relied upon them stumbled badly early on, using "the science" to explain what was happening and how to stop it. The problem was the "science" they quoted was not about *this particular virus* but was generalized from other viruses. So, we were told initially, that we had to wash our hands, thoroughly sanitize all surfaces, etc. When that didn't stop it, politicians decided to shut down much of the economy. Except that didn't stop the spread of the disease. (Forbes reported more people have died of Covid thus far that in all of 2020.) But it did, we believe, set the stage for a dramatic acceleration of inflation which will last for years.

Not everyone stumbled, of course. Five countries in Asia, including China, Japan, Korea, Singapore and, I believe, Thailand, adopted a radically different approach, doing massive testing, mandating masks. but allowing bars and restaurants to operate at full capacity, sports events to proceed, etc. That approach was adopted by a relatively

handful of U.S. colleges and universities that did extremely rapid testing.

For instance, according to *The Wall Street Journal*, 108 New England colleges and universities tested students twice a week, got results back in less than 24 hours and isolated or quarantined those who had the disease. Those schools had a positivity rate of 0.2%. Indiana University initially tested all students weekly and had a positivity rate of 0.3%. IU's campuses became known as the safest places in Indiana to be.

Relying upon the standard "scientific" approach that's used, for instance, to test new drugs didn't work. What did work was to observe the results of a great "natural experiment," which involves "using situations in which chance events or changes result in groups of people being treated differently." The three economists who explained this received this year's Nobel Prize.

We've seen natural experiments before. For instance, the famed [60 Minutes "French Paradox"](#) episode was a report on a natural experiment: Frenchmen who ate everything the U.S. Government said they shouldn't eat but also drank red wine had lower cardiovascular death rates than other nationalities. We've seen something similar in research that demonstrated [dramatically lower death rates](#) among people who avoided eating meat.

It turns out, we think, that natural experiments are a great way to explain *what* happens. But to understand *why*, we need the tools of modern science. Why do wine drinkers have fewer deaths from heart than others? Likewise, to determine which possible vaccine is best for preventing Covid-19 requires the sort of double-blind studies that the Food & Drug Administration relies upon.

What does all this mean for wine, beer and spirits? *Wine Intelligence* notes that "the past 20 months have, very unexpectedly, given the world possibly the largest *natural experiment* that we've ever seen – collectively, a global shutdown on the way we were living pre-2020. We have been able to track and monitor, via this enforced natural experiment, how consumers have changed their behaviors. What happens when you can't go to a store in the way you used to? What happens when you don't *want* to go to a store in the way you used to? What happens when you limit socializing and access to the on-premise?"

"For beverage alcohol in general, and wine in particular, where much of our consumption is done in social settings, it's critical to understand the impact of this *natural experiment* – what's happened in the past, what's happening now, and how can this help us understand what will likely happen in the future. Below are two observations so far.

"Large segments of wine drinkers who occupy the middle ground in most markets – interested enough in wine, but not obsessive – have had less in-person exposure to a range of wine brands. The resulting impact has been a reduction in awareness of mainstream wine brands, although market data suggests that this decline has often not impacted sales volumes, as the brand's core consumers have doubled-down on volume purchases, and those losing awareness were typically peripheral consumers of the brand to begin with," *Wine Intelligence* says. It adds:

"This has meant that the average number of wine brands

consumers are aware of now compared with 2019 has decreased. The most acute example is Australia, where most of the top ten brands saw a marked decline in awareness in the second half of 2020. In this instance, other factors may be at work, such as retailer ranging policies, and the growth of online wine purchases direct from the producer (which, in Australia's case, is more likely to be a niche estate rather than a big brand)."

In the UK, *Wine Intelligence* adds, "Covid encouraged nervous consumers to switch out of major supermarkets, with attendant queues and more chances to catch the virus, in favor to convenience stores, which in the UK typically offer a small selection of best-selling brands, actually bolstered mainstream brand awareness."

George Dickel, Social Hour Release Seasonally Inspired Whiskey Sour Offering

George Dickel and **Social Hour** are teaming up to release a new autumn-inspired premium prepared offering - the **Harvest Whiskey Sour**.

Harvest Whiskey Sour is made using 13-year-old George Dickel Tennessee Whisky (from distilling season Spring 2007) and makes it easy to enjoy a seasonal cocktail on the same level as one ordered from a cocktail bar. With this release, fans of craft cocktails don't have to sacrifice quality for convenience, as this offering exemplifies the high standard both brands are known for.

"As the prepared cocktail market continues to reach new heights, we couldn't be more excited to officially collaborate with Tom and the team over at Social Hour to release something that's a first for us," said **Nicole Austin**, General Manager and Distiller at **Cascade Hollow Distilling Co.** "For the perfect whiskey sour, you need a bold, complex whisky that's able to stand out among all of the other flavors. The whisky we chose for this pairing has been aged 13 years so it's bringing a level of maturity people typically don't see in prepared cocktail offerings. On top of that, the liquid really is accented by the hints of apple, cinnamon and cardamom that come through."

"Fall-centric spins on the whiskey sour were always one of the most popular seasonal cocktails when I was bartending. The Harvest Whiskey Sour is designed to give adults a craft cocktail experience from the comfort of their home," said **Tom Macy**, co-founder/CEO, **Social Hour Cocktails**. "You don't need to be a mixologist to whip this up. You can enjoy it straight from the can, or if you're looking for more of a true cocktail experience, you can pour it over ice and garnish with your favorite seasonal touches."

The new Harvest Whiskey Sour boasts a delicious combination of honeycrisp apple, Meyer lemon, cinnamon, maple and a touch of cardamom. SRP: \$28 for a 4-pack. At 250 mL, the Harvest Whiskey Sour includes three servings per can.

A-B Brings Back Its Original Flagship Brand

St. Louis Lager was the flagship brand for **Anheuser-Busch** when it was first founded in St. Louis more than 160 years ago. This darker, lager style beer which began as a regional beer was ultimately distributed all over the world –

earning gold medals at tasting competitions in Philadelphia, Paris and Amsterdam.

More than 115 years since it was last produced, the iconic beer is being brewed for a limited time at the company's Research Pilot Brewery in St. Louis based on the original recipe from the Anheuser-Busch archives and will be available at the Anheuser-Busch St. Louis Biergarten while supplies last.

Gifts 10% of Sales on Drizly

And Drizly says that's likely to double, based on previous years' experience, as the holiday season takes off. Drizly sees Champagne, premium red wine, and high-end spirits as top sellers this year. In the past 12 months, Champagne and sparkling wine have accounted for 30% share of gift orders on Drizly and in December of 2020, Champagne was the top-gifted subcategory with 24% share of orders.

Whiskey accounted for 26% share of gift orders over the last 12 months, and while bourbon leads overall whiskey sales, gifters have been slightly more keen to opt for Scotch. Together, Scotch and bourbon have comprised 73% of whiskey gift orders this past year.

In recent years, many consumers have shifted from entry-level options towards higher-end, single malt Scotch whiskeys, Drizly says. It expects premium Scotches like The Macallan Double Cask 12 Years Old and Lagavulin 16-Year-Old Islay Single Malt to be frequently purchased gift items alongside classic consumer favorites like Johnnie Walker Blue Label Blended Scotch Whisky. Other whiskey styles, like Angel's Envy Kentucky Straight Bourbon and Hibiki Japanese Harmony Whisky, have made the top 10 gifted whiskeys list for several years in a row and are poised to be popular as well.

Red wine has the highest share of sales overall on Drizly, it's unsurprising that red wine is also a go-to item for gifters (in the past year, 14% of gift orders were for red wine). Prestigious, well-known Napa Valley Cabernet Sauvignons or Bordeaux blends like Caymus Napa Valley Cabernet Sauvignon and Stag's Leap Artemis Cabernet Sauvignon rank among the most-gifted red wines year after year. In fact, five of the top 10 gifted red wines on Drizly hail from Napa Valley — and all 10 come from California.

Tequila has been one of the fastest-growing spirits categories on Drizly over the last few years and the spirit has accounted for 10% of gift order share in the past 12 months.

In Seattle, Urgent Care Isn't So Urgent On a Saturday Afternoon

I had occasion to travel to Seattle last week, about 20 years after I attended a NABCA event there that led me to vow never to return. I'd be happy to go back, although I will say that to a Midwesterner now living on the East Coast, Seattle is a bit of a strange burg.

Let's start with the positive stuff: Downtown is walkable; I never felt in danger. There's excellent mass transit -- a light rail link from the airport to the downtown hotels,

a monorail, buses, etc. The central business district is clean. Food is decent. People are friendly.

But, a poor mattress in the Westin Seattle hotel resulted in me incurring a serious soft tissue injury, and when the pain got to be greater than I could bear, I sought medical treatment. With one exception, all the urgent care facilities within walking distance of either the Westin or the Washington State Convention Center were closed on Sunday. And that one exception was operating by appointment only -- and there were no appointments in the Seattle area until Monday.

So I called my insurance company, and they found me an urgent care clinic about 45 minutes from the Westin. The PA in charge was helpful and competent and wrote a prescription for a pain killer. And that led to the discovery of the second strange thing about Seattle: Almost all the pharmacies close at 6 p.m. Saturday, including those downtowns near the major hotels and convention center. You would think that some operator would see opportunity here: The only pharmacy in all of downtown would find an unserved market; one has to wonder if the fact there are almost no pharmacies open after 6 p.m. on Saturday is a legacy of the riots following the murder of George Floyd in 2020. The PA was helpful, though, and found me a 24-hour Bartell's that was perhaps 20 minutes from the Westin.

The other strange thing about Seattle, which I noted on the bus to the urgent care place, is that one block can obviously be well maintained, and an immediately adjacent block could be loaded with homeless people, drug dealers, etc.

I found the toleration for the homeless to be a bit strange; Seattle is known to be a liberal city. During the entire time I was there, the high temperature never exceeded 45, and locals told me that blasts of air from Alaska are fairly common during the winter. One would expect a liberal city to be compassionate, but compassion for street people does not appear to be part of the culture.

Traveling through the airport was a much better experience. It took almost exactly 20 minutes to navigate the TSA checkpoint, which has been largely [automated](#) to be able to accommodate a large crowd. I haven't flown for about 10 years, and I found the TSA operation much more pleasant than that of 10 years ago.

I found a direct flight to Seattle on Alaska Airlines. It was a great experience. Returning to Washington, I flew Delta. Because of the pain from the soft tissue injury, it wasn't so great, but I am sure that was strictly the result of the injury. The staff accommodated my needs and I would willingly travel Delta again.

Continued Success,
KANE'S BEVERAGE WEEK



JOEL WHITAKER, Editor