

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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Beam Suntory 2021 U.S. Sales Top 11% Global Sales Rise

Beam Suntory reports sales for 2021 were up 11% globally. These results also demonstrated strong growth versus the pre-pandemic year of 2019, with sales also up 11% over the past two years. Sales in the U.S. grew high-single digits, bolstered by robust demand for premium brands.

The company's 2021 results were led by sustained strength in off-premise sales, and very strong performance in markets where bars and restaurants reopened faster than expected.

Markets including Germany, Russia, Spain, emerging Asia and Global Travel Retail all grew at double-digit rates, as did China and India, key markets for Beam Suntory's future growth ambitions.

Sales in Japan, up mid-single-digits, benefited from strong demand for convenient ready-to-drink beverages like -196°, but were impacted by extended on-premise restrictions.

By brand, results underscore the strength of consumer interest in premium brands. Sales grew double digits for brands including Maker's Mark, Basil Hayden, Knob Creek, Booker's and Legent bourbons, Laphroaig, Bowmore and Auchentoshan scotches, Hibiki, Hakushu and Toki Japanese whiskies, Sipsmith and Suntory Roku gins, and El Tesoro and Hornitos tequilas, while On the Rocks (acquired in 2020) continued to show exceptional growth. Beam Suntory's flagship Jim Beam also demonstrated solid growth despite glass supply constraints affecting certain bottle sizes.

"We're immensely proud of the results our business has been able to deliver in the face of historical challenges related to the pandemic, including on-premise closures and supply chain constraints," said Albert Baladi, president & CEO of Beam Suntory. "Our results underscore the strength of our premiumization strategy that relies on exceptional quality, superior storytelling, and executional excellence across consumer touchpoints."

"Our confidence in the future is reinforced by the strategic moves we're making, with accelerated investment in our business -- including capacity, capabilities and our sustainability agenda -- the 2021 acquisition of our route to market in Spain, and our upcoming joint innovations with Boston Beer. The people of Beam Suntory look forward to delivering another year of outstanding performance in 2022."

Beam Suntory launched Proof Positive in 2021, the company's comprehensive sustainability strategy, representing a \$1 billion+ commitment to making a positive impact on nature, consumers and communities..

Boston Beer Posts \$52.8 Million Loss in 4th Quarter

What do you do when you post a whopping \$51.8 million loss in the fourth quarter, one which more than wipes out a year-earlier profit of \$32.8 million, or \$2.64 a share? If you are a market leader, you point to all your successes.

And that's just what **Boston Beer Co.** did during its fourth quarter earnings call. It acknowledged the loss, attributing it to "a more aggressive than expected wholesaler inventory reduction than expected," a reduction caused primarily because Boston Beer officials misjudged the demand for Truly Hard Seltzer in the first half of 2021. They acknowledged the loss, the gross overestimation of Truly's first half of 2021 sales prospects and moved on.

"While the hard seltzer category growth fell well short of our and the indus-

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try's expectations, dampening our overall performance, Truly did generate 57% of all growth in the hard seltzer category during the quarter and dramatically closed the market share gap with the largest player in the category," said **Dave Burwick**, president/ceo.

"Additionally, Truly grew its household penetration by 22% to make it the second-highest penetrated brand in all of beer. We have worked hard to level set our inventory levels and reset our growth model, and believe we are well positioned to benefit from future growth in this category, which we expect will be between flat to plus ten percent in 2022."

All of Boston Beer's brands grew depletions in the fourth quarter, said Chairman and Founder **Jim Koch**. "In fact, **Twisted Tea** was the fastest-growing of the top 25 brands in the fourth quarter with 31% growth in measured channels." Likewise, Koch said, **Samuel Adams**, with 8% growth in measured channels in the fourth quarter, "was the fastest-growing national craft brand.

"Our 27% depletions CAGR over the past three years demonstrates that we have a broad, advantaged portfolio of brands, and our innovation pipeline continues to ensure we can meet consumer taste trends as they evolve. The first major launch of our 2022 innovation pipeline, **Truly Margarita**, is generating tremendous results and already has a 5.3% market share of hard seltzer with limited distribution thus far.

"With three innovations for 2022 announced today – **Truly Vodka**, the limited summer offering **Truly Poolside**, and an exciting new collaboration between **Dogfish Head** and Patagonia to launch an environmentally conscious pilsner – we remain confident that we can grow full-year volume between 4% and 10% in 2022, as our inventory levels continue to recover."

The fourth quarter results include indirect volume adjustment costs of \$52 million, before the related tax benefit, Boston Beer said. These costs include unfavorable absorption impacts at Company-owned breweries and downtime charges at third party breweries of \$30.7 million, provisions for out-of-code or damaged products of \$13.8 million, increased materials sourcing and warehousing costs of \$5.7 million and other costs of \$1.8 million. These total indirect costs of \$52.0 million have been recorded in the fourth quarter financial statements as a \$9.2 million reduction in net revenue and a \$42.8 million increase in cost of goods sold.

Depletions for the 2021 fourth quarter increased 15% from the prior year, reflecting increases in the Company's Twisted Tea, Samuel Adams, Truly Hard Seltzer, Angry Orchard and Dogfish Head brands.

Boston Beer said it believes as of Dec. 25, 2021, distributors had about five weeks on hand. That's an appropriate level overall level, but included too much inventory for some packages and not enough for others. The company expects distributors will keep inventory levels below 2021 levels in terms of weeks on hand, as the need for peak season inventory prebuilds is greatly reduced due to the company's increased production capacity. As a result, the company expects shipments will continue to decline in the first quarter of 2022 and then grow in the second quarter compared to 2021.

For 2022, Boston Beer projects depletions and shipments will increase between 4% and 10% this year, that it will raise prices nationally 3% to 5%.

On-Premise Participants in 'Dry January' Grew to 35% in U.S. from 21% in 2019

On-premise sales of non-alcoholic spirits, beer and mocktails grew to \$295 million during "Dry January," with 35% of on-premise consumers participating, up from 21% in 2019, according to **CGA Research**. Of those who intended to abstain from alcohol, an impressive 74% claim to have succeeded versus the average 8-10% of consumers who stick to their New Year's resolutions.

CGA's consumer research highlights that of those taking part in Dry January, nearly three-quarters said they would continue drinking alcohol-free beer, spirits, and mocktails while 64% planned to drink alcohol-free wine.

"This is positive news for emerging brands in the non-alcoholic 'better for you' space and highlights the opportunity for Suppliers to introduce non-alcoholic brand extensions that keep consumers engaged with their brand family. It also presents a lucrative opportunity for on-premise Operators to adopt robust and exciting alcohol-alternative menu options that may capture an incremental occasion," CGA said.

Alcohol alternatives have never been more readily available, and are improving in quality, ensuring it's never been easier to forego alcohol while not making social sacrifices. In 2019, 61% of those who participated in Dry January drank out-of-home less than normal or not at all.

By contrast, 78% of consumers who committed to Dry January this year still visited the On Premise channel. This figure includes those consumers who may still be wary of COVID-19, or frustrated by restrictions, which suggests it could be seen as an even more profound uplift vs 2019.

Engagement with non-alcoholic beverages in bars and restaurants also increased by a staggering amount. Roughly 50% of those participating in Dry January consumed soft drinks during the month in both 2019 and 2022. However, non-alcoholic substitutes experienced massive growth this year – in 2019 just 5% of Dry January participants drank a non-alcoholic beer in the On Premise channel, while that number jumped to 29% in 2022.

Mocktails were the most preferred alcohol alternative in 2019, with 7% of consumers reportedly purchasing in a bar or restaurant. This year, 23% drank mocktails while 26% and 22% tried alcohol-free wine and spirits, respectively. Curiosity beyond a traditional mocktail indicates that there are more high-quality options available with compelling flavor profiles that can stand on their own.

MGP Ingredients Sets \$12 Million Barrel Warehouse Expansion to Meet Demand

MGP Ingredients, Inc. said it has begun a \$12 million barrel warehouse expansion to meet growing consumer demand for its American whiskey.

Construction of the new barrel warehouse facility has recently begun in Williamstown, Ky., and marks the company's second major investment in its distilled spirits opera-

tions in recent months. The warehouse expansion is about 50 miles south of the company's historic **Ross & Squibb Distillery** in Lawrenceburg, Ind. The project is slated for completion by the end of 2022.

In late 2021, **Luxco**, operator of MGP's branded-spirits portfolio, announced a \$4 million expansion of its **Lux Row Distillers** facility in Bardstown, Kentucky. Slated for completion in late 2022, the expansion will allow Lux Row Distillers to operate 24 hours per day and increase its capacity by 75%.

"With the increased demand we have been experiencing for our new distillate, aged whiskey and ultra-premium brands, these investments are necessary," said **Dave Colo**, president/CEO, MGP Ingredients, Inc. "When complete, the new barrel warehouse and Lux Row Distillery expansions position us well for continued, sustainable growth. It is an exciting time for our company and the spirits industry."

Marie Brizard W&S 2021 Sales Slip 1%

The gain was driven by sales in France, the company said, before an off-premise slowdown.

In the United States, 2021 net sales fell 8% versus 2020 under the impact of the first half 2020 change in distribution model. The fourth quarter saw a slowdown in **Sobieski** sales due to aggressive marketing strategies among competitors in the vodka segment (leading to a decline in category value) and the postponement of sales to 2022 due to logistical constraints (particularly sea freight). These adverse effects were partly offset by a strong performance from Cognac Gautier. Canada, fairly stable throughout the year, was impacted by anti-COVID restrictions in the first and last quarters.

Joe Fortune to Succeed Jeff Popkin As CEO at Mast-Jägermeister US

Fortune has been Chief Commercial Officer for the last two years. He joined the company in 2016 as Chief Financial Officer.

Popkin guided the company transition from Sidney Frank Importing Company to Mast-Jägermeister US in 2015. He implemented the strategic distribution alignment with **Southern Glazer's Wine & Spirits**, a multi-year sponsorship deal with the NHL, focused on innovation with **Jägermeister Cold Brew Coffee**.

Treasury Wine Finds Growth After China

When China doubled the tariff on Australian wine, it effectively closed that market to Australian producers. For Treasury Wine Estates, that move has proven to hurt just a bit, with reported EBITs down 7%. But excluding sales to Mainland China, EBITs is up 28%, driven by global distribution growth for Penfolds and growth in TWE's other Luxury and Premium portfolio brands.

Net sales revenue declined 10.1%, reflecting the divestiture of the U.S. Commercial portfolio and significant decline in shipments to Mainland China, partially offset by growth in the Premium portfolio. Net sales revenue per case was up 16%.

The Penfolds division reported a 19% decline in EBITs, which shipment to Mainland China having been

slashed, but partially offset by strong growth across global markets. Penfolds growth was particularly strong in Asian markets outside of Mainland China, where NSR grew 119%, supported by strong depletion trends. Increasing distribution in Asia, ANZ, Europe and the United States was a key execution highlight in the first half of 2022.

Treasury Americas reported a 19% increase in EBITs. The TWE priority portfolio continued its strong momentum, delivering 18.8% NSR growth, led by Luxury portfolio performance in the on-premise and DTC channels where progressive reopening trends continued.

In 1H22, Treasury Americas substantially completed its significant asset and portfolio optimization program with the divestment of Provenance, Chateau St Jean and surplus supply chain assets, in addition to the acquisition of Frank Family Vineyard.

Treasury Premium Brands reported a 19% increase in EBITs. Treasury Premium Brands continued its focus on innovation led portfolio growth, with the successful launch of the **Wolf Blass Zero** alcohol range and new multi-country of origin offerings for **Rawson's Retreat** and **Blossom Hill** key execution highlights.

Patterson Cellars Buys Former Tertulia Winery & Vineyard

Patterson Cellars announced the purchase of the former Tertulia Cellars winery and Whistling Hills Vineyard in the Walla Walla Valley and said it will move most of its production to the valley and open its fifth tasting room there. Terms weren't disclosed.

The purchase includes Tertulia's 9,200-square-foot production facility and tasting room space located in the southside of Walla Walla. It also includes a 14+ acre surrounding vineyard. A little over seven of those acres are

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currently planted, with room for an additional 1.4 acres. The Tertulia brand and inventory were not part of the sale.

Nevada Wine Cellars Files For Bankruptcy Act Protection

Nevada Wine Cellars Inc., which operates **Pahrump Valley Winery**, has filed for Chapter 11 Bankruptcy Act protection, which permits the company to reorganize the debt and restructure. The company said it owes more than \$1 million to its creditors.

In the fall of 2018, the Pahrump, Nev., winery completed a \$1.7 million expansion, adding more than 7,000 square feet to its facilities and, with a new automated production and bottling, had the potential to increase its production to 40,000 cases from 9,500 cases. It generates about \$4.3 million in sales, according to state records. Pahrump is about 62 miles west of Las Vegas.

South Korean Retailer Buys Shafer Vineyards for \$250.3 Million

The buyer, **Shinsegae Property**, has its own wine shop brand and is looking to add premium wine to their shelves. "We plan to further expand the group's wine business by creating synergy with its **Shinsegae L&B** that is in charge of the wholesale distribution of wine and liquor," said an official on behalf of Shinsegae Property.

"After long and careful consideration, our family has sold Shafer Vineyards to its new stewards, the wonderful team at **Shinsegae Property**," said President **Doug Shafer** in a message to the company's consumers. "Shinsegae is a luxury brand based in Seoul, South Korea, with department stores, shopping centers, golf resorts, hotels, and other interests, [and] it's been a real pleasure to get to know their team and I'm very excited about this new chapter for our vineyards and winery."

The winery produces about 33,000 cases a year, 85% of which come from the family's four estates.

Shafer and winemaker **Elias Fernandez** and the core winemaking and vineyard staff will remain with the winery, Shafer said.

Beer Pour Volume Soared 41% for Big Game

That's the national figure. In Los Angeles, the Super Bowl host city, pour volume increased 341%, according to **BeerBoard**.

The Big Game Pour Report found that after two years of flat volume, Light Lager show a 30% increase but still was down 3.9%. Since 2020, BeerBoard said, the style has lost 9.3% in share. Lagers, +42% in volume in 2022, were up a nominal +0.3% in share this year, but is up a solid +2.6% overall since 2020. Bud Light was the top brand nationally, and realized a nice bump of +18% in volume. Modelo Especial was the biggest mover among leading brands poured, climbing +70% nationally and an eye-popping +212% in Los Angeles, the Big Game's host city.

For the second straight year, the host city was also the home of a participating team. Los Angeles saw a massive spike of +341% in pour volume when compared against 2021, though it should be noted the city was under heavy

Covid restrictions at the time, Beer Board said. When looking at the date of the 2020 Big Game, LA was down -17.6%. Modelo Especial was the top brand poured in the city for the day.

Cincinnati, returning to the Big Game for the first time in 33 years, was up a healthy +55% over 2021 volume and +13% over 2020. Fans enjoying the game, at least until the end, made Bud Light the preferred draft beer in The Queen City.

Drizly's Big Game Sales More Than Tripled

Drizly's Big Game weekend sales more than tripled since 2020, Drizly says. Tequila SKUs were a winner among customers in the liquor category on Big Game Sunday. **Don Julio 1942** gained share from the #13 spot of Drizly's top-selling liquor SKUs in February to date to the #7 spot on Big Game Sunday, while **Espolòn Tequila Blanco** scaled from #12 to #10.

Certain vodka SKUs decreased in popularity on Big Game Sunday compared to February overall to date, with **Grey Goose Vodka** decreasing from #5 to #8 and **Ketel One** slipping from the top 10 list to #12.

Hard seltzer SKUs continue in popularity, with **White Claw Hard Seltzer Variety Pack No. 2** moving from #14 to the #10 best-selling beer/seltzer/cider on Drizly on Big Game Sunday compared to February sales overall to date. **White Claw Hard Seltzer Variety Pack No. 1** maintained the #2 spot, and **White Claw Hard Seltzer Variety Pack No. 3** jumped from #10 to #9.

Champagne and prosecco held strong as a consumer favorite for Big Game Sunday, mirroring a larger trend seen throughout February. **Meiomi Pinot Noir Red Wine** moved from the #8 spot in February overall to date to the #6 best-selling wine on Drizly on the Big Game.

On the 2022 Big Game (Feb. 13, 2022), beer's share of Drizly sales rose 8% compared to February 2022 sales to date, while liquor and wine slightly declined.

Compared to 2021 Big Game sales, liquor held the top-selling category on Drizly, while wine experienced year-over-year gains to 36% from 33%. Beer sales were down year-over-over to 23% from 26%.

Champagne Withstood Covid Crisis, Did Better Than Expected, Officials Say

No question about it: 2020 and 2021 were exceptional years, thanks to the Covid pandemic. Exceptional, but not in a good way, officials of the Champagne Bureau said in a Zoom press conference.

"Champagne sales collapsed during this difficult time," they said, blaming lockdowns around the world. They thought it would take seven or eight years for Champagne sales to recover but the sales did better than expected. The product, they said, was able to withstand the crisis.

The 2020 harvest was exceptional, completing a trilogy of good years. "It was the earliest harvest in Champagne history, and the quality was exceptional." The next year, 2021, "began almost normal, then, all of a sudden, there was an explosion in shipments," with shipments rising 8% from the 2019 level to 320 million bottles. Shipments to the U.S.

reached a record, shipments to the UK were almost back to 31 million bottles. Australia exceeded expectations, the officials said. There was only one down note: The harvest was only 73% of demand, “but we can meet demand because of reserves.”

Champagne growers and producers are working to reduce the environmental impact of the sector, and are aiming for a 75% reduction in CO2 emissions by 2075. With global warming appearing to be a fact, the producers are seeking to develop some climate-resistant varieties that will enable them to produce quality wine in the future, they said.

A-B Uses Zero Emission Trucks To Deliver Bud Light NEXT to Stadium

The special “zero-emission delivery” leveraged the technology of both partners to sustainably deliver beer from **Anheuser-Busch's** Van Nuys, Calif., brewery to bars and retailers in Los Angeles using only zero-emission vehicles.

The extended range **Nikola Tre** electric vehicle, which uses a hydrogen fuel cell, picked up a load of beer from the brewery and delivered it to the **Anheuser-Busch AB One** distribution facility in Carson, Calif. From there, a BYD battery-electric 8TT day cab tractor delivered the beer to local bars and retailers to be enjoyed by consumers during the big game.

This milestone delivery also marked the expansion of Anheuser-Busch's partnerships with both Nikola and BYD in California as part of the brewers' global net-zero ambition and commitment to reducing carbon emissions across their U.S. value chain by 25% by 2025.

In 2018, Anheuser-Busch entered a partnership with Nikola for an order of hydrogen-electric powered semi-trucks to help transition its entire long-haul dedicated fleet to zero-emission vehicles.

This month, Anheuser-Busch and Nikola began a three-month pilot by placing two Nikola Tre alpha FCEVs into daily service within the brewer's Southern California network. This pilot is a key step for both companies to refine the production specifications and features of the Nikola vehicles and to demonstrate the viability of fuel cell trucking and hydrogen refilling in beverage hauling.

At their distribution facilities, Anheuser-Busch is also adding an additional 20 BYD electric trucks into its California fleet this year. That's in addition to the 25 BYD trucks A-B currently operates across four California distribution centers, 21 of which were deployed in 2020 as part of the Zero- and Near-Zero Freight Facilities/Zero Emission Beverage Handling at Scale project.

Cutwater Spirits Honors 'Lazy Ones' In Big Game Spot

Cutwater Spirits (Anheuser-Busch) the most awarded canned cocktail brand in the U.S., announces its first-ever national commercial airing during the Big Game on Sunday, February 13. In Cutwater's breakthrough spot, “Here's to the Lazy Ones,” the brand redefines “lazy” as ingenious, because the ones who make the most of their time are the ones who are ahead of it.

With 30 and 60-second spots inspired by Apple's “Here's to the crazy ones” ad, the Cutwater spot celebrates the everyday ingenuity of those who work smarter, not harder, and enjoy the convenience of bar-quality cocktails in a can. Cutwater's commercial features several comedic vignettes highlighting smart life hacks including the use of a massage gun to tenderize meat, walking your dog on a treadmill during a rain storm, using a blowtorch to melt snow and more. Each vignette lightheartedly spotlights innovators who save time while still getting the most out of life with their favorite Cutwater canned cocktails.

Wine Retailers: For Competitiveness, State Laws Need Fixing

National Association of Wine Retailers called on state legislatures to “consider if the benefits of the three-tier system outweigh its costs to competition and study markets without a three-tier system’ for it is that very ‘three-tier system’ of alcohol distribution with its state mandate that alcohol flow through wholesalers that leads to thousands upon thousands of products being restricted from state markets.

The comments were in response to last week's Treasury Department report on ways to enhance competition in the bev/al business.

“The required use of wholesalers causes independent retailers to race to the bottom on price since all are selling the same wholesaler-provided products, rather than competing on unique inventory offerings that would better serve the customer and the health and safety needs of communities.

“The NAWR also appreciates the emphasis the report on competitiveness placed on Direct-to-Consumer sales and shipments, which has led to the huge increase in domestic wine, beer, and spirit producers by giving them a profitable path to market, rather than having to rely on wholesalers that too often ignore the needs of small, artisan producers,” the report said.

“It was disappointing, however, but not wholly surprising, to see no mention in the report of many states' protectionist and anti-competitive laws barring direct to consumer interstate shipments by retailers. These often unconstitutional bans on retailer direct shipping are the single greatest deterrent for consumers accessing the wines they want. However, we recognize that barring federal legislation, this obstacle to a fair and competitive marketplace must be addressed at the state level.”

Winebow to Rep Field & Sound in 14 Markets

Winebow will be representing **Field & Sound Bottled in Bond Bourbon** (SRP \$49.99) in California, Washington, Illinois, Wisconsin, Minnesota, New York, New Jersey, Connecticut, Delaware, District of Columbia, Maryland, South Carolina, Georgia and Florida.

The first batch is limited to 6,000 bottles. It is a maritime whiskey, influenced by maturation on Long Island Sound and made from a high rye mash, with most grain sourced within 10 miles and milled, mashed and distilled on site, and is sweet mash fermented, a process that uses only

fresh yeast.

It's produced by **Long Island Spirits**, which was established in 2007 as the first distillery on Long Island since the 1800's and became the 100th Distillery in the United States of America. Surrounded by centuries old of potato, corn and rye farms, the distillery is located on the bucolic North Fork of Long Island, in the heart of the acclaimed wine region. The North Fork boasts over 70 wineries and dozens of pre-revolutionary family-owned farms that have been blessed with a microclimate that is very similar to the Bordeaux region in France. Long Island Spirits is housed in a twin-cupola barn that has been repurposed into a state-of-the-art Craft Distillery.

Iowa Bill Lets Distillers Ship Direct

Iowa law currently permits only wineries and breweries to ship their products direct to consumers via third-party delivery services, but a bill pending in the Iowa Legislature would extend that privilege to distillers, too. **Iowa Beer Wholesalers Association** thinks that's a bad idea.

Delaware Makes Cocktails-to-Go Permanent

Delaware Governor John Carney (D) signed HB 290 making cocktails to-go permanent in the state. Delaware becomes the 17th state to make cocktails to-go permanent.

The new law became effective immediately on February 16, 2022. Cocktails to-go were allowed through temporary regulatory relief in response to COVID-19 which was set to expire on March 31.

"Gov. Carney supported Delaware restaurants and bars by allowing cocktails to-go during the pandemic," said **Jay Hibbard**, senior vp-state government relations at the **Distilled Spirits Council of the United States**. "Cocktails to-go provided a much-needed lifeline for struggling hospitality businesses and prevented the permanent closure of many. Now that this measure is permanent, Delaware businesses will have increased stability as they continue their long path to economic recovery. We applaud the legislature and Gov. Carney for supporting local businesses and providing increased convenience to consumers."

Fresh Vine Wine Adds 2 States, Moves to Speed Expansion

Fresh Vine Wine, Inc., a producer of low-carb, low-calorie premium wines in the United States, said it expanded distribution to two new states, Michigan and New Jersey. These new states add to Fresh Vine Wine's rapid, nationwide expansion, one of the Company's key strategic priorities. The Company also has a complementary, rapidly expanding direct-to-consumer distribution channel.

New Jersey joins New York and Connecticut when Fresh Vine Wine is distributed by **Opici Family Distributing Inc.** **Vintage Wine Co.** distributed the brand in Michigan.

Janelle Anderson, CEO, said, "Michigan and New Jersey are prime markets for our portfolio of affordable luxury wines that fit perfectly with today's healthy lifestyle. I am confident our unique collection of bold, crisp, and

creamy wines that embody deeper connection with active lifestyles will find a receptive market in these highly populated states. The speed of our expansion is remarkable, which clearly demonstrates that our sales and marketing strategy and organization are one of the finest in the industry."

Fresh Vine Wine was founded with the intent to fill a gap that exists in the current wine aisle – premium, delicious-tasting wines, low in calories and sugar, that appeal to today's large and fast-growing market of "Better For You" consumers. Produced and bottled in Napa, California, the Fresh Vine Wine collection features a California Cabernet Sauvignon, Pinot Noir, Chardonnay, California Rosé wine, and a Limited Reserve Napa Cabernet. Fresh Vine Wine's vision is to be the leading brand in the emerging "Better For You" category, capitalizing on the trend toward healthy living that is sweeping the food and beverage industry.

Drizly's Valentine's Day Sales 12% Higher Than Four Previous Mondays

With wholesale prices for long-stemmed red roses, the traditional Valentine's Day flower, up 30% from 2020, retailers have raised prices to \$110, or more, according to *The Wall Street Journal*.

Maybe that explains why Drizly sales were up 12% on Valentine's Day compared to the previous four Mondays. Drizly's gift orders represented 17% of its total Valentine's Day orders, nearly double the 9% share for the holiday in 2021 and triple the 6% in 2020. Here's how the individual segments performed in terms of share gains on Valentine's Day:

Wine: 46% share – Wine moved into the top category position over liquor which is currently the best selling category in 2022 to date and gained share over the 40% average share to date in 2022 for the wine category. Compared to Valentine's Day prior, wine was down 1 percentage point from 47% share in 2021 but up from 44% in 2020.

Liquor: 42% – Though liquor share was down 2 percentage points from the 44% share in 2022 to date due to the spike in wine on Valentine's Day, the category saw gains from V day on last year – up from 38% share in 2021.

Beer: 10% – On Valentine's Day 2022, beer share is down from the holiday in previous years from 14% in 2021 and 15% in 2020. Share was also down from the year-to-date average of 14% share of total sales on Drizly.

Extras: 2%.

Wine

Wine led gift sales on Valentine's Day 2022 with 20% share of wine sales attributed to gift orders, Drizly said. Red wine saw share gains year over year, accounting for 40% share of wine sales, up from 39% in 2021. Within the red wine category, the top-selling varietal on Drizly, Cabernet Sauvignon, saw gains year over year accounting for 44% share of red wine on Vday 2022 compared to 42% in 2021. White wine also saw gains year over year on Valentine's Day, accounting for 24% share of wine sales in 2022 vs 22% in 2021.

The Champagne and Sparkling wine category saw de-

clines year over year on the holiday, accounting for 28% share compared to 31% in 2021. Within the Champagne and Sparkling wine, the champagne subcategory saw significant gains year over year accounting for 65% share of the category in 2022 vs 52% on Valentine's Day 2021 while prosecco was down year over year from 24% share in 2021 vs 14% share in 2022.

At the product level, Veuve Clicquot Brut Yellow Label Champagne was the #1 wine SKU this year, up from #3 in 2021 and replacing La Marca Prosecco which drop from #1 to #2.

Distilled Spirits

Within the liquor category, the following shifts emerged on Valentine's Day:

- 18% share of liquor sales on Valentine's Day 2022 were gift orders, over-indexing slightly against the overall 17% share across Drizly
- Whiskey was the top-selling liquor subcategory on Valentine's Day as it typically is on Drizly but saw strong share gains over Vday 2021. This year it accounted for 42% of liquor share, up from 36% in 2021. Within the whiskey category, Bourbon, Scotch and Japanese whiskey all saw year over year gains.
- Tequila also saw year over year gains this Valentine's Day, accounting for 16% share of liquor sales this year compared to 15% last year. Meanwhile, vodka saw a decline from 22% share in 2021 to 21% in 2022.
- Liqueur, Cordials, & Schnapps saw a decline in share of liquor category this year, accounting for just 5% of sales compared to 7% in 2021 suggesting consumers may have been making fewer cocktails at home to celebrate the occasion than last year, potentially a result of less on-premise restrictions as a result of the pandemic.

At the product level, Tito's Handmade Vodka remained the #1 best-seller year over year.

Beer

Within the beer category, the following shifts emerged on Valentine's Day:

Beer under indexed on gift orders, with just 7% share of beer sales on Vday were gift orders

Light lager saw year-over-year share gains, accounting for 14% share of the beer category compared to 11% on Valentine's Day 2021. Meanwhile, IPA and cider each saw a 1 percentage point decline year over year. Hard seltzer remained the top-selling beer category year over year at 19% share.

While Wine Struggles, Spirits Connects with Key Consumers

bw166 says wine shipments in the U.S. rose 4.6% last year. Another, equally reliable source, SipSource, reports a 6.2% decrease. Both could be correct, Rabobank notes in its latest *Wine Quarterly*, because they measure different things: bw166 tracks shipment from wineries to wholesalers as well as direct to consumer while SipSource tracks shipments to retailers. Rabobank's conclusion: Wine was flat last year while distilled spirits surged.

Rabobank sees plenty of potential danger ahead: Every-

one is hoping Covid is moving from a pandemic to an endemic disease, one that is always present, similar to the flu or measles, but is controlled largely through vaccination. But, the "Spanish flu" outbreak of 1918 had a true nasty resurgence in its third year, and it's possible that new variants of Covid could cause further disruption this year.

Then there's the economy. The stimulus is coming to an end, after doing its job of preventing the economy from going into the tank: Household wealth is higher than at the start of the pandemic, it appears consumer demand will be healthy, unemployment is nearing the historic lows achieved during the Trump Administration, and consumer spending on food and beverages is up double digits. But all is not perfect: Inflation is now at a 40-year high. If you believe the Washington prognosticators in the White House and the Fed (which we do not), it will all calm down later this year. Inflation leads to higher household incomes, but lower spendable cash, and that's a threat.

Rabobank notes that on-premise "made an impressive comeback in 2021" and on-premise wine sales also recovered much of its pandemic losses. But — and it's a big but— wine sales lagged behind the on-premise recovery as a whole. Rabobank expects wine to continue to recover on-premise but perhaps not to the 2019 level.

More concerning to wineries is what has happened on-premise: There's been a shift to take-out/delivery, loss of business travel, loss of white tablecloth accounts, wine list reductions. Rabobank warns wine sales may not completely recover to 2019 levels.

Rabobank also sees the supply chain mess leading wineries, which initially avoided price increases, to take them. This will likely lead consumers to trade down, shift across brands, reduce consumption, shift to alternative categories, etc. Still, "we believe that for most wineries there is more risk from not taking price increases than from taking them."

As if that isn't enough, Rabobank notes that over the past five years, wine consumption has grown about 1% a year. But spirits shipments have consistently outperformed wine, the bank notes, and growth rates are accelerating. "While the wine industry generally struggles to attract younger consumers, spirits are aggressively capturing new occasions and effectively engaging a diverse consumer base across age groups." What should be alarming to wine operators is that spirits gains are accelerating. Rabobank warns it's likely to get worse before it gets better; the spirits industry is prioritizing direct-to-consumer and greater equivalency in taxation.

Eastside Distilling Sells 798 Barrels Of Surplus Whiskey for \$1.5 Million

Eastside Distilling, Inc. said it sold 798 surplus barrels of whiskey for \$1.5 million. These barrels of 95% rye whiskey ranged in age from three-year-old to eight-year-old and were in excess to Eastside's 5-year product release plan.

"The sale of these barrels addresses a surplus in our inventory and has the added benefit of freeing capital for other projects," said Eastside's CEO Geoffrey Gwin. "Fans of Eastside will be happy to hear that we currently have more 2,000 barrels aging our premium whiskeys for later bottling

and canning.” The remaining inventory of 2,391 barrels of various types and ages of whiskey are slated for its limited-edition spirits portfolio, Burnside Whiskeys aged in Eastside’s signature Oregon White Oak (*Quercus Garryana*) barrels, and a soon-to-be-released line of canned cocktails.

The 798 extra barrels sold were not intended to be part of any Eastside’s existing or upcoming products. The sale included 33 barrels of 8-year-old, 57 barrels of 7-year-old, 365 barrels of 5-year-old, 20 barrels of 4-year-old, and 323 barrels of 3-year-old 95% rye whiskey. The proceeds from the sale reduced debt outstanding with Live Oak as well as increased cash for working capital.

Maison Courvoisier Unveils New Look, Names Ambassador, Appoints Chief Blender

The new packaging rediscovers distinctive codes from centuries past that made Courvoisier iconic during the Belle Époque era, the opening of the Eiffel Tower and while gracing the royal courts of Europe during the 20th century.

The brand also appoints Yinka Ilori as its “Ambassador of Joy,” a role created exclusively for the London-based multidisciplinary artist who is best known for fusing his subject with his British-Nigerian background to create unique and memorable stories through contemporary design.

Inspired by Courvoisier’s unique embodiment of the French belief to savor life’s true pleasures, Ilori introduces “We Found Joy,” a fully immersive series of global events which brings the beauty of summer in Courvoisier’s home of Jarnac, France to life. It will kick off in New York City on March 3, 2022 and travel to cities worldwide later in the year.

Maison Courvoisier also announced the retirement of **Patrice Pinet** as chief blender. He will be succeeded by **Thibaut Hontanx**.

Splash Beverage Raised \$9.2 Million in Offering

Splash Beverage Group, Inc., a portfolio company of beverage brands, announced the closing of its previously announced underwritten public offering of 2.3 million shares of common stock, which included the full exercise of the underwriters’ over-allotment option, at a public offering price of \$4.00 per share, for aggregate gross proceeds of approximately \$9.2 million, prior to deducting underwriting discounts, commissions, and other offering expenses.

EF Hutton, division of Benchmark Investments, LLC, acted as sole book-running manager for the offering.

New Products

I.W. Harper Launches Ultra-Premium Cabernet Cask Reserve

Seven years after the brand’s relaunch, **I.W. Harper** (Diageo) is introducing this classic whiskey with exceptional style and substance. Celebrating the legacy and inspiration of the golden era combined with modern refinement, **Cabernet Cask Reserve** brings out the whiskey and wine-finished flavors in exquisite harmony.

Cabernet Cask Reserve is a Kentucky Straight Bourbon

Whiskey aged for four years in new charred American oak barrels, then perfected in luxury California Cabernet Sauvignon casks and bottled at **Stitzel-Weller Distillery**. This spirit takes the distinct character of fine Cabernet wine and pairs it with the brand’s bold bourbon to create a clean, dark fruit and wine-like aromatics, along with an exceptionally complex flavor.

Eastside Distilling Launches New Limited-Edition Premium Maraschino Cherry Whiskey

It’s crafted with Eastside’s rare whiskey blend and Italy’s premier Luxardo Maraschino Liqueur. This will be the second flavored whiskey in Eastside’s lineup, following the release of Marionberry Whiskey in fall 2021.

The famed Luxardo cherry liqueur is the original Maraschino, made from sour Marasca cherries since 1821 by the Luxardo family. It is distilled using the fruit’s skins, pits, leaves, and stems, giving it a distinct nutty flavor. Luxardo’s Marasca cherries are the gold standard, harvested at peak season during the summer, resulting in an aromatic, sweet-tart, and real fruit-tasting liqueur that is unrivaled. Eastside’s new Cherry Whiskey was made exclusively with permission from Luxardo.

Crown Royal Intros RtD Whiskey Lemonade

It’s the fourth in a series of ready-to-drink flavored cocktails from **Crown Royal** (Diageo). It comes as the original flavors — Whisky & Cola, Washington Apple, and Peach Tea — are available to consumers nationwide.

“The new Whisky Lemonade flavor is the latest innovation that fuses a familiar summertime staple with the boldness of our whisky, providing a fresh take on ready-to-drink cocktails,” said **Nicky Heckles**, VP at Crown Royal.

Who & What —

Chopin Imports Ltd. promoted **Bryan Tilbury**, most recently Western Regional Division VP, to VP of Sales, and hires **Shawn Hackbarth** to succeed him. Hackbarth recently served as Regional Sales Manager for the West Coast with Third Leaf Wines. Chopin also promoted **Joel Caruso** to director of education, **Tara Gray** to West Central Regional Manager, and **Lance Lorang** to Southwest Regional Manager.

Hair of the Dog Brewing Co., Portland, will close as its founder/brewmaster **Alan Sprints** retires this summer, the craft brewer announced in a video on its Facebook page.

Don Sebastiani & Sons, promotes **Kim Cotter** to Chief Financial Officer, effective Feb. 1. She had been Controller.

Continued Success,
KANE'S BEVERAGE WEEK



JOEL WHITAKER, Editor