

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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Boston Beer Depletions Off 7%, Shipments Ease 1.1%, Revenue Up, Net Down

Boston Beer Co. reports for the second quarter, ended June 25, depletions fell 7%, shipments eased 1.1%, net revenue increased 2.2% to \$616.2 million, but net income slipped to \$53.3 million, or \$4.31 a share, from a year earlier.

The drop in depletions reflected decreases in Boston Beer's **Truly Hard Seltzer, Angry Orchard, Samuel Adams, and Dogfish Head** brands, partially offset by increases in its **Twisted Tea** and **Hard Mountain Dew** brands.

Excluding the Truly declines, the Company's depletion volumes for the remainder of its business in the second quarter increased 14%.

Shipment volume for the second quarter was approximately 2.4 million barrels, a 1.1% decrease from the prior year, reflecting decreases in the Company's Truly Hard Seltzer, Angry Orchard, Samuel Adams, and Dogfish Head brands, partially offset by increases in its Twisted Tea and Hard Mountain Dew brands.

The Company believes distributor inventory as of June 25 averaged about four weeks on hand and was at an appropriate level for each of its brands except for low inventory levels for certain Truly brand packages. The Company expects distributors will keep inventory levels for the remainder of the year below 2021 levels in terms of weeks on hand.

Gross margin of 43.1% decreased from the 45.7% margin realized in the second quarter of 2021, primarily due to higher materials costs and higher returns and scrap, partially offset by price increases.

Advertising, promotional and selling expenses decreased \$6.7 million or 4.2% from the second quarter of 2021, primarily due to a net decrease in brand investments of \$11.3 million, mainly driven by lower media costs, partially offset by increased freight to distributors of \$4.6 million primarily due to higher freight rates.

General and administrative expenses increased by \$5.9 million or 17.9% from the second quarter of 2021, primarily due to increased salaries and benefits costs and increases in services provided by third parties.

"Over the last three years we experienced unprecedented growth in the hard seltzer category largely driven by the success of our Truly brand. I continue to be optimistic about the long-term growth outlook for Boston Beer's diversified beverage portfolio, despite the greater than expected continuing decline in demand in the hard seltzer category that we have seen year to date. Based on our first-half performance and our view on the remainder of the year we have reduced our fiscal year 2022 volume and earnings guidance," said Chairman and Founder **Jim Koch**. "Our company has strong brand building and innovation capabilities, the top selling organization in beer, and a strong balance sheet to support long term growth, even as we navigate some challenges in the near term."

"In the second quarter we delivered revenue growth driven by pricing and strength in Twisted Tea shipments, helping us make sequential progress on gross margin and generate over \$100 million of operating cash flow," said President/CEO **Dave Burwick**. "We remain focused on building on the momentum of Twisted Tea and Hard Mountain Dew while we work on improving our gross margin trajectory. We're also working to turn around the trends on Truly Hard Seltzer, starting by optimizing our core original flavors with real fruit juice. We will continue to execute against our long-term strategy of creating a broad, relevant beverage portfolio that enables many pathways to growth."

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Tanduay Sells More Than 23.7M Cases in 2021, Is World's No. 1 Rum for 5th Year

That's according to *Drinks International Magazine* which collected annual data on 154 million-case brands from public company reports and directly requested results.

The leading Filipino rum brand, according to the results of *Drinks International's* latest research, sold more than 23.7 million 9-liter cases last year. **Tanduay** also ranked as the sixth best-selling spirit brand in the world across all categories.

"Tanduay has stayed ahead of the game because of the diligence of the people behind it -- the local farmers who harvest the heirloom sugarcane we use for our rums; the people working at our distillery bottling plants; our research and development group; and our marketing team. Together, they have continued Tanduay's winning legacy," said Tanduay President and COO **Lucio Tan III**.

Tanduay is present in 12 U.S. states and the territory of Guam; China; the United Arab Emirates; Singapore; Germany; Belgium; the Netherlands; Luxembourg; and the United Kingdom. Plans are also underway to expand distribution to Canada and Costa Rica.

Imports Now 21.9% of Total Beer On Premise

Imports now represent 21.9% of Total Beer in U.S. on-premise dollar sales, a 1.7 percentage point increase from a year earlier, according to **CGA by NielsenIQ** research.

Both package and draft formats have contributed to this growth in share of the category. Import packages grew +1.3 percentage points, while Import draft grew +0.96 percentage points over the last year.

As the Total Beer category continues to stabilize and return to pre-COVID-19 numbers, Import Beer's share demonstrates a significant impact on overall sales. A read into On Premise Total Beer shows it is up +0.86 percentage points comparing the most recent 52-week period ending in May versus the same year period ending in May of 2020.

Mexico, the fourth-largest beer-producing country in the world, represents a significant 67.6% of all Import Beer sold in the US On-Premise market. Mexican imports' volume growth year-to-date is up significantly compared with the mid-COVID-19 period in 2021, showing +106% volume versus the same period last year. Year-to-date, Mexican imports have increased by + 26,433,313 CEs as sales in the On Premise.

While they represent a much smaller percent of total US On Premise imports, four countries also posted triple digit growth in the year to date: Argentina (+178%), Japan (+147%), Brazil (+121%) and Columbia (+118%).

The popularity of Mexican imports is reflected in **CGA by Nielsen's** most recent On Premise User Survey (OPUS). Of all Import countries of origin, Mexico ranks the most likely to be ordered by respondents, with 53.8% of beer drinkers saying their beer orders come from the country. Germany (41%), Belgium (32%), and Ireland (27%) maintained the next most popular spots when it came to consumers' likelihood of ordering.

Overall, Total Beer in the US On Premise continues to show a fairly even split between Package and Draft serves -

remaining at 51% and 49% respectively, **CGA** found. However, further analysis of Import Beers across different channel types shows a stark contrast in how Imports are split in their respective serving formats. When assessing Draft versus Package breakdown for Total US Imports shows a split of 33% on draft and 67% in packaging.

Although Chain venues follow the Total Beer trend of a near 50/50 split of draft versus package, Independent venues show a greater divide in format. Import Beer in packaged format holds nearly 70% of share compared with 30% for draft within the Independent channel. The greatest volume for Imports is driven by package in the Independent channel, representing nearly 59% of all Import beer sold in the US On Premise. Overall, the Independent channel represents 84% of all imports sold in the On Premise, reporting nearly \$7.3 billion in sales over the latest 52-week period.

Patrick Bannon, **CGA** Client Director, Americas, said: "As consumers continue to expand their beer repertoires, it will be intriguing to see if Mexican imports can continue to maintain their lead within the Import Beer subcategory. Suppliers should also take into consideration the venue in which their Import Beer offerings are being sold – with our research demonstrating a clear preference in Independent venues for packaged formats when it comes to Imports – while Chain venues tend to see more of a balance between the two formats. At **CGA** we'll continue to explore the Beer category and how it continues to evolve through our OPM read, alongside our dedicated consumer research solutions."

Total U.S. On-Premise Dollar Velocity Up 1%, Check Value Up 7%: CGA

With the US removing all significant COVID-19 restrictions this time last year, the latest data from **CGA by NielsenIQ's** BeverageTrak solution marks the first time the report can compare true year-over-year trends since early 2020. Total US On Premise dollar sales velocity (+1%) is still keeping pace with the pent up demand of last summer. In the most recent period to July 16, check value was up +7% while traffic was down -6% versus 2021.

With many people heading home for the July 4 weekend, the weeks to July 2 and July 9 saw more negative trends in Chicago and New York City versus the rest of the state, driven by a reduction in velocity in the cities.

Daily trends have been variable over the latest two weeks – all key states were positive on Independence Day, with Total US up +21% versus the previous Monday, driven mainly by traffic (+17%).

"With the country having removed all significant COVID-19 restrictions last year, we can now more confidently compare trends directly with 2021," said **Matthew Crompton**, **CGA** Regional Director–North America. "Last summer saw consumers returning to the On Premise in droves to make up for lost time, but a year on from that pent-up demand we're seeing velocity matching the levels we saw in 2021.

"However, a year on it's clear that consumer behaviors will continue to evolve – and the channels that consumers frequented pre-COVID-19 have changed, a topic we will explore in our upcoming Channel Strategy Report which

will deep dive into 11 unique On Premise channels, and is designed to optimize brand strategy for unique outlet types.”

Shand Import Launches Spirits Wholesale Distribution in Calif.

Shand Import LLC, an experienced importer of brands such as Duncan Taylor Scotch Whisky and Black Bull Blended Malt Whisky, launches **Shand Import Distribution** in California. Based in Los Angeles, Shand has cultivated a catalog of rare and specialty boutique spirits, imported from around the world, and now available for distribution to retailers throughout the state of California.

With the continued consolidation of alcohol wholesale distribution across the US, it has become increasingly more difficult for suppliers to enter the market through the three-tiered system. Due to limited options, many new and small suppliers, retailers, and consumers have been unfortunately left with a homogenized selection of spirits and a reduction in choices.

Duncan Taylor is best known as an independent bottler of rare and hard-to-find single cask whiskies and rums from highly sought-after, current, and past distilleries, as well as the producers of the Black Bull line of blended malt scotches.

A-B Closing Oakland, Calif., Distribution Center

Markstein Sale Co. and Matagrano Inc. are to occupy the warehouse in September. A-B will lay off 142 workers. The closure and layoffs were first reported by *Brewbound*.

Nosotros Tequila Releases Madera Collection

[Nosotros Tequila and Mezcal](#) released **Nosotros Madera**, the first member of the brand's **Madera Collection**, which will feature Añejo tequilas aged in unique ways.

The Nosotros Madera Collection is an ultra-premium line of unique expressions of our tequila. Drawing on the signature Nosotros tequila blend of highland and lowland agave, Madera is aged in white oak barrels for 21 months, creating a sipping experience that features a dried fruit and light butterscotch nose with a balanced cinnamon-toffee finish. Each bottle of Madera includes the unique batch number and is presented in an engraved box, perfect for adding to a true aficionado's shelf.

With an ABV of 40%, Nosotros Madera retails for \$140 USD (750 ml) and can be found in California retail stores such as Bristol Farms and select Alberstons, Vons, and Pavilions locations immediately, and on the [Nosotros website](#).

Teliani Valley Taps Benson for Marketing

Teliani Valley, Georgia's top-producing winery and the No. 1 Georgia winery in terms of sales in the U.S., signed **Benson Marketing Group** to boost its U.S. sales. **Georgian Wine House**, Washington, is its importer.

The U.S. is Teliani's largest western market with a

presence in 23 states. It has the longest tenure of any Georgian wine company on the American market. According to data from the **American Association of Wine Economists**, U.S. imports of wine from Georgia jumped nearly threefold in 2019, when measured in total dollar amounts. The category continues to increase in 2022.

Teliani's core products in the US are the Teliani Saperavi, Teliani Amber Blend, Glekhuri (traditional Georgian Winemaking Technique in Qvevri) and Teliani Tsolikouri.

BuzzBox Adds Production Capacity, Offers Co-Pack Capability

BuzzBox premium cocktails said it expanded its production capabilities to offer wine and malt-based beverage companies the only alcohol-licensed co-manufacturing facility in North America offering Tetra Prisma Aseptic 200 mL and 250 mL cartons with plant-based, resealable DreamCap as well as in-line 4-pack and 6-pack production.

The 65,000-square-foot facility opened in April 2021. includes a new automated cross-flow membrane filter system that delivers longer filtration, improves production, and significantly reduces production costs and environmental impact. After six months, the zero-waste production system in the heart of the Coachella Valley has provided sizable environmental value including saving over 100,000 gallons of water and emitting 80% less emissions than a standard plant of similar size.

“This new format gives wineries and malt-based new options when taking a product to market. Prior to our BuzzBox expansion, the Tetra Prisma Aseptic 200mL and 250mL sizes with resealable DreamCap had not been available to alcohol-based beverages in North America,” said **Bob Lienhard**, vp-strategic partnerships.

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Tetra Pak cartons offer a packaging solution for brands seeking an environmentally conscious alternative to glass, plastic bottles and aluminum cans. Tetra Pak cartons are primarily plant-based, which allows for a move away from traditional fossil-based materials, minimizing the carton's carbon footprint and environmental impact.

Additionally, cartons are shipped for filling as large rolls of flat packaging material for maximum efficiency in transportation and distribution. Finally, once a product has been enjoyed, Tetra Pak cartons are recyclable and contribute to the development of new products made from recycled cartons, like writing paper, tissues and sustainable building material.

"Building our own sustainable facility for the production of BuzzBox premium cocktails was always part of the plan," said **Rod Vandenbos**, BuzzBox founder/CEO. "As a purpose-built company, our vision includes sharing our innovative technology with other beverage categories striving to deliver sustainable solutions that today's consumers demand."

Besides the unique capabilities of producing alcoholic beverages in Tetra Prisma Aseptic 200ml and 250ml cartons with the resealable DreamCap closure, the company recently added a new automated cross-flow membrane filter system that delivers longer filtration, improves production, and significantly reduces production costs and environmental impact. "With this announcement, we are welcoming the wine and malt-based beer industries into our facility as we expand our ability to provide a packaging approach with a number of sustainable benefits," added Vandenbos.

"BuzzBox has been a leading example of sustainable packaging solutions in the spirits category and continues to innovate with us to deliver quality products to their consumers," explained **Pedro Goncalves**, vp-Marketing for Tetra Pak U.S. and Canada. "Our packaging not only supports buzzbox's efforts to protect the environment, but also protects the premium ingredients in BuzzBox cocktails better than anyone else."

U.S. Chamber Assails Biden Plan To 'Fix' Beer Market

Tim Wu, a White House Special Assistant for Technology and Competition Policy, has been traveling the country lately extolling the virtues of craft beer. Nothing wrong with that, per se, except that Wu says small breweries represent a "return to American tradition prior to mass production" and "those are the things we want the entire rest of the economy to look like."

That attracted the attention of **Sean Heather**, senior vp-international regulatory affairs and antitrust at the U.S. Chamber of Commerce. Does Wu "propose handcrafted cars and tailor-made airplanes?" Heather writes in a blog post, adding: "There is no doubt that consumers benefit from a variety of choices and price points, but consumers also benefit from the types of low prices and national consistency that comes from scaled production.

"We don't want our federal enforcers" to go after "small technical violations," he said. "We want them to take

on the big cases against the entities that have market power' and the ability 'to make big arrangements that have large anti-competitive effects.' Stadium deals of particular interest, he suggested...But in process, he suggested that small-scale pay-to-play — like a craft brewer buying a tap handle at the local bar — would not trigger enforcement," Heather said.

"Viewed most charitably, one might agree that regulators should use their limited resources to tackle the most serious violations of law, but it is truly bizarre for a senior White House official to suggest that certain violations of the law should not be enforced. The law should apply across the board to players of any size," U.S. Chamber's Heather noted.

New Luxury Wine Brand, Juliet, Launches

The wine is housed in a first-to-market cylindrical container deemed the "Eco-Magnum", which holds two standard bottles of wine (1.5L). Developed by female entrepreneurs with women in mind, Juliet is intended to deliver an elevated day-to-day experience for discerning wine drinkers who prioritize sustainability. It's available online and in New York, California and Florida. SRP: \$45.99.

"We recognized the unmet need for a sustainable wine that didn't sacrifice on quality, taste, or design. Boxed wine offered an eco-friendly packaging solution but hadn't yet reached its full potential, so we took the opportunity to innovate the category with an elevated aesthetic and truly superior wine," said **Lauren De Niro Pipher**, Co-Founder and Co-CEO.

From winemaking practices to packaging, sustainability is at the core of Juliet's mission that paves the way for mindful consumption. The wines are made in a facility that is certified by the **California Sustainable Winegrowing Alliance** (CSWA) and packaging is crafted with recycled materials to set the stage for real environmental impact. Juliet is also pioneering the first at-home wine refill system in the U.S. where customers can reuse the paper containers and reorder just the inner wine pouches at a discount.

The Eco-magnum is multi-faceted and developed for convenience with superior design. The large format stays fresh for up to 6 weeks after opening and the proprietary, glass-free design with handle is ideal for on-the-go occasions, picnics, the beach, or at home fitting nicely on a refrigerator shelf. The airtight spout provides an "on tap" experience wherever you are, making Juliet a portable and durable choice for day-to-day drinking occasions.

"When we discovered that boxed wine presents an 84% lower carbon footprint compared to wine in conventional glass bottles, we were inspired to act. Juliet is here to reshape consumers' perspectives on boxed wine with a luxury product that not only shifts the culture of wine drinking but sets a new standard for sustainability in the industry," said **Allison Luvera**, Co-Founder and Co-CEO of Juliet.

California Mulls Adding Deposit To Wine, Spirit Bottles

The deposit would be 10 cents a bottle. Consumers can get their dime back if they return their bottle. According to the Center for Environmental Studies at San Jose State University, California's container recycling rate is 75%.

The deposit tax would include all 1.3 million alcohol containers -- glass and plastic bottles, aluminum and boxes. Supporters say less than one-third of wine and spirits bottles are recycled. The measure is backed by the Wine Institute, which says it is the fastest way to "achieve our recycling goals." Government officials are interested in the idea not only for whatever environmental benefits there may be, but also because of the additional revenue it may generate for the state.

Lagier Meredith Vineyard Sells for \$0

Owners **Steve Legier** and **Carole Meredith** want to retire from winemaker and farming their small vineyard on Mount Veeder. But they want to keep living in their home on their property. So their friends Aaron and Claire Pott will take control of their vineyard and use the fruit for their Pott Wines. And yes, that sale price of \$0 is real. It's a steal in an era when other wineries have sold for \$250 million to \$725 million.

Arson Suspected in Wildfire In French Wine Country

The fires, fanned by searing heat and strong winds spread across 75 acres surround Bordeaux since July 12, according to Reuters. Some 34,000 people have had to evacuate their homes. The Bordeaux Public Prosecutor said a man was in custody in connection with an investigation into a probe into one fire which has burned 31,629 acres. So far there hasn't been any reports of damage to vines.

Meanwhile, in Britain, temperatures were expected to top 104 degrees F after the warmest night on record.

Beat Box Punch Claims 110% Sales Growth YTD

BeatBox Beverages, the No. 1 fastest-selling single serve Tetra 500ml wine brand in the U.S., says one reason for that 110% sales growth is that it's now in 34,000 total accounts. That's a 70% gain from 2021.

New placements include 2,700+ Circle K locations, 3,500 7-Eleven locations, Walmarts in Florida and South Carolina, and Dodgers Stadium. BeatBox claims to be the fastest-growing brand on social media with over 8 million impressions in May.

While it says it has locked in key sponsorships with key partners like USA Softball, Oklahoma State University, AEG, Live Nation, Heartland MotorSports Park, Texas Motorplex and many Minor League Baseball teams, BeatBox said it is continuing to focus on the wider music festival sector.

BeatBox has invested more than \$1.5 million into sponsoring music festivals across the country in 2022 - Including EDC Vegas & Orlando, Sunset Music Fest, Barefoot Country Music Fest, Day Trip, Lost Lands, Decadence, Rocklahoma and many more!

At each festival BeatBox is committed to engaging with consumers through authentic experiences some include blender bikes, body paint artists, roller discos; resulting in

many product sell-outs.

BeatBox - Beat Boring Summer Retail Campaign is giving consumers the chance to win VIP tickets to over 30 music festivals.

"BeatBox was born out of genuine love for going to music festivals. So rather than approaching these festivals as an "advertiser," we aim to add to the overall festival experience. These special moments with our community are what separate the BeatBox brand," says **Brad Schultz**, CMO & Co-Founder.

BeatBox, which raised \$1million from Mark Cuban on *Shark Tank*, got its start through its founders' shared love of music. They have an entire focus on RTDs, which is currently the fastest growing category in alcohol, and BeatBox is one of the top selling brands in the category.

Fresh Vine Wine Releases 6th Varietal

Fresh Vine Wine, Inc. released its sixth varietal, a Sauvignon Blanc. The newest varietal will be available throughout the U.S. With this launch, over the last 120 days, Fresh Vine Wine has added nearly 2,770 new Points of Distribution (PODs) for its premium wines.

"Our new Sauvignon Blanc enables us to add to one of the top five selling varietals of wine in the U.S. and elegantly complements our growing product line, appealing to the growing market of health-conscious consumers who value premium taste with our Fresh Vine Wine Varietals. As retailers add Sauvignon Blanc to their shelves, we expect to see PODs correspondingly increase," said **Rick Nechio**, Interim CEO of Fresh Vine Wine, Inc. "The introduction of our latest varietal represents further progress in leveraging our rapidly expanding footprint aiding acceleration of our growth in the \$69 billion wine category."

"Fresh Vine Wine's Sauvignon Blanc is available now at retailers nationwide, at the two largest online wine markets, Vivino and wine.com, and on our website at www.freshvinewine.com. Sauvignon Blanc is always a summer-time favorite," continued Nechio, "So we feel the timing of this release is well-positioned to capitalize on our momentum with a seasonal favorite that will help grow our brand."

Fresh Vine Wine's Sauvignon Blanc is characterized by its light, golden straw color and aromas of key lime, fresh melon, and California citrus blossoms. It has a juicy palette of white peach, ripe Meyer lemon, and pomelo as well as a luscious, refreshing finish of ruby red grapefruit. Fresh Vine Wine Sauvignon Blanc has just 98 calories, 0.1 gram of sugar, 2.8 carbs and an ABV of 12.5% on average per five-ounce glass.

Continued Success,
KANE'S BEVERAGE WEEK



JOEL WHITAKER, Editor