



**VIRTUAL MALA
FORUM 2022**

Thursday, May 19, 2022

9:00am – 12:00pm

A ZOOM WEBINAR





MALA FORUM 2022
Thursday, May 19, 2022
Agenda

9:00am – 9:05am	Opening Remarks Mike Mohler: MALA President
9:05am – 9:30am	Legislative Update Thomas R. Akras, Esq.: Director – Legal and Legislative Division, Alcohol and Tobacco Commission
9:30am – 10:00am	Residency Requirements (Mike Mohler – Moderator) David Mister Founding Partner – Mister, Winter & Bartlett, LLC
10:00am – 11:00am	Local Manufacturers’ Roundtable Q & A (Kevin Atticks – Moderator) <ul style="list-style-type: none">▪ Judy Crow: Owner – Crow Farm Vineyards & Winery▪ Monica Pearce: Founder & “Boss Lady” – Tenth Ward Distilling▪ Judy Neff: Owner & Brewer Checkerspot Brewing
11:00am – 12:00pm	National Industry Trends Q & A (Kathie Durbin – Introductions) <ul style="list-style-type: none">▪ Chris Swonger: President & CEO – DISCUS (Distilled Spirits Council of the United States)▪ Lester Jones: VP, Analytics and Chief Economist – NBWA (National Beer Wholesalers Association)▪ John Bodnovich: Executive Director, American Beverage Licensees (ABL)
12:00pm	MALA Business & Adjournment Bylaw change vote – MALA members

LEGISLATIVE UPDATE



Thomas R. Akras, Esq.

Director – Legal Division

Alcohol and Tobacco Commission

Maryland Alcohol Licensing Administrators: 2022 MGA Session Review

Jeffrey A. Kelly
Executive Director
Alcohol and Tobacco
Commission



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Alcoholic Beverage Legislation

- **Statewide Bills – Passed the Maryland General Assembly**
 - **SB72/HB324** – This bill requires the Governor's Office of Small, Minority, and Women Business Affairs to conduct a study regarding minority participation in the State of Maryland's wineries, distilleries, and breweries industry. The study is to be performed and issued for the purposes of creating "legally supportable mechanisms to increase the participation of minorities in each tier of the alcoholic beverages industry" by "State set aside, by preference, by economic development assistance."
 - **SB476/HB550** – Direct shipping ability was granted to Maryland manufacturers (beer, wine, liquor) via emergency legislation in MGA 2021. This bill granted an extension to manufacturers to continue direct shipping to consumers until 6/30/23.
 - **SB569/HB924** - This bill will extend the termination date for the extension granted until 5/1/24 for a waiver issued to Class 4 limited wineries by the Secretary of Agriculture to specific license holders that do not meet the 51% rule for Maryland grown grapes.
 - **SB594** – This bill would create a Winery and Vineyard Economic Development Grant Program. This program would be to provide financial assistance to establish new wineries or vineyards in the State or complete capital improvements at an existing winery or vineyard.
 - **SB698/HB854** - This bill creates the Maryland Alcohol Manufacturing Advisory Commission (MAMAC), which is to replace the Advisory Commission on Maryland Wine and Grape Growing (ACMWG). The MAMAC advises and recommends to the Secretary of Agriculture for approval the allocation of money from a "Maryland Alcohol Manufacturing Promotion Fund" which is also created by this legislation. The Fund itself is to be a non-lapsing fund that is made an annual appropriation each year. The purpose of the Fund is to issue grants that promote the advantages and attributes of State Breweries, Wineries, and Distilleries.
 - **HB1253** - This bill provides clarifications within the Alcoholic Beverages and Business Regulation Articles that properly transfer over the duties and responsibilities to provide regulatory oversight over certain tobacco products, PACT Act submissions, and Fire Safe submissions to the State of Maryland. This bill also provides authority to the ATC and Executive Director to enter into MOUs/Agreements with other State, Federal, and/or local actors

Alcoholic Beverage Legislation

- **Statewide Bills – Did NOT Pass the Maryland General Assembly**
 - **HB506/SB603**– This bill, if passed by 3/5s of the legislature would propose that the general public would vote on a constitutional amendment during the 2022 general election to authorize the legislature to "provide a regulatory and policy framework governing the issuance of beer and wine licenses to retail grocery establishments." **This bill did not make it out of committee.**
 - **HB858** – This bill allows local boards across the state to issue Class A BWL licenses to grocery stores that meet certain requirements. The bill identifies three jurisdictions that have chosen to opt out of the grocery store exclusion legislation as stipulated in 4-205. **This bill did not make it out of committee.**
 - **SB793/HB867** – This bill would define a “ready to go cocktail” as a distilled spirit mixed with non-alcoholic beverage and may contain wine, which is less than 12% ABV and packaged in a 12 oz container. In doing so, this bill also applies an excise tax – a tax charged when a wholesaler sells product to a dealer – of 40 cents for each gallon or 10.57 cents for each liter. Currently, this product is taxed at \$1.50 for each gallon if spirits based and 40 cents if wine based. **This bill did not make it out of committee.**
- **Local Bills – Did NOT Pass the Maryland General Assembly**
 - **HB1117** – Washington County – This bill would have created a permit issued by the local board to allow Class B, Class C, and Class D licensees to purchase alcoholic beverages from a retailer. The bill was stripped of this language and outdoor café portion of bill was allowed to pass.
 - **HB239** – Montgomery County – Allowed MOCO liquor board to issue a Class D BW license to a Class 8 Farm Brewery.

Tobacco Related Legislation

- **Statewide Bills – Did NOT Pass the Maryland General Assembly**
 - **HB447/SB99** - This bill allows local jurisdictions in the State of Maryland to draft and enforce local laws as it regards to regulating the sale and distribution of cigarettes and ESDs. **This bill did not make it out of committee.**
 - **HB1227** – This bill defines for the purposes of regulation the term "synthetic nicotine." Specifically, the bill defines nicotine as "nicotine from any source, including synthetic nicotine." It does this in various provisions of State Law, including Business Regulation, Health, Criminal, and Local Government Articles. **This bill did not make it out of committee.**
 - Maryland Department of Health and Attorney General’s Office concur that current definition of “tobacco” covers “synthetic nicotine.”
- **Local Bills – Did NOT Pass the Maryland General Assembly**
 - **HB1341** – Prince George’s County – This bill empowers Prince Georges county to enact and enforce laws concerning the sale of OTP. It specifically, calls for laws that limit the issue of licenses, establishes requirements, and creates zones where OTP licenses may not be issued. Creates an automatic denial clause for the Clerk of Prince Georges County to issue an OTP retail license to a retail applicant, if certain conditions are met. **The bill did not make it out of committee.**
 - **HB442/SB249** - This bill allows Baltimore City to draft and enforce local laws as it regards to regulating the sale and distribution of cigarettes and ESDs. **This bill did not make it out of committee.**

Cannabis Related Legislation

- **Statewide Bills – Passed the Maryland General Assembly**
 - **HB001** - This bill places the following Constitutional Amendment to the voters on the November 2002 ballot: “Do you favor the legalization of the use of cannabis by an individual who is at least 21 years of age on or after July 1, 2023, in the State of Maryland?”
 - If Constitutional Amendment is approved by the voters the Maryland General Assembly shall “provide for the uses, distribution, possession, regulation, and taxation of cannabis within the State.
 - **HB837** – This bill contains several provisions that address cannabis in Maryland, however, most of these provisions are linked to the passage of the referendum set forth in HB001.
 - Requires the Maryland Medical Cannabis Commission to conduct studies on adult use
 - Provides for tax reduction on expenses related to Medical Cannabis grower, processor, and dispensaries for Tax Year 2022
 - Amends the Criminal Law Article regarding penalties for possession and distribution
 - Creates a Cannabis Business Assistance Fund, Cannabis Public Health Fund, and a Community Reinvestment and Repair Fund to fund various initiatives to support and develop businesses and impacted communities
 - Requires the ATC and MMCC to make recommendations to the MGA to transfer personnel and job function to allow the Office of the Executive Director of the ATC to become the successor agency to the MMCC.
- **Statewide Bills – Did NOT Pass the Maryland General Assembly**
 - **SB833 – Sen. Feldman** - This bill would have legalized cannabis, created various funds, amended criminal laws concerning cannabis, and regulated, taxed, and create policy for the distribution of cannabis. **This bill did not make it out of committee.**
 - **SB692 – Sen. Carter** - This bill would have legalized cannabis, created various funds, amended criminal laws concerning cannabis, and regulated, taxed, and create policy for the distribution of cannabis. **This bill did not make it out of committee.**
 - **HB1342 – Del. Acevero** - This bill would have legalized cannabis, created various funds, amended criminal laws concerning cannabis, and regulated, taxed, and create policy for the distribution of cannabis. **This bill did not make it out of committee.**



Questions?

RESIDENCY REQUIREMENTS



David Mister, Esquire

Founding Partner

Mister, Winter & Bartlett, LLC

WHAT WE'LL BE DISCUSSING

- I. The constitutionality of alcoholic beverages license residency requirements**
- II. Subsequent Maryland Remedial Legislation**
- III. Voter registration / U.S. Citizenship**
- IV. Opinion of the Maryland Attorney General**



FOR MORE INFORMATION

David F. Mister, Esquire

Mister, Winter & Bartlett, LLC

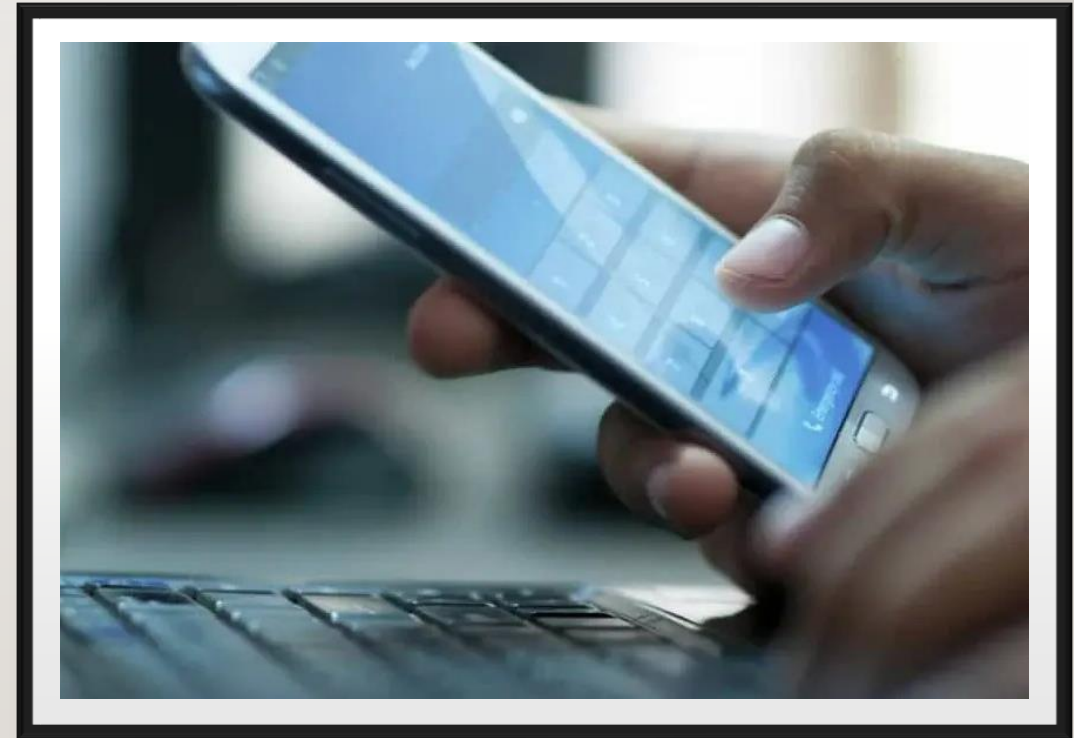
dmister@mwblaw.net

Co-Author:

Amy K. Finneran, Esquire

**Legal Counsel, Harford County Liquor
Control Board**

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LOCAL MANUFACTURERS' ROUNDTABLE

- **Judy Crow:** Owner – Crow Farm Vineyards & Winery
- **Monica Pearce:** Founder & “Boss Lady” – Tenth Ward Distilling
- **Judy Neff:** Owner & Brewer – Checkerspot Brewing

Moderated by Kevin Atticks – Founder
Grow & Fortify



MARYLAND
WINE



UPDATE ON MARYLAND'S CRAFT ALCOHOL PRODUCERS



Kevin Atticks, DCD
Founder & CEO

About Grow & Fortify

- G&F was launched in 2015 to create, build & strengthen organizations and the businesses they support
- Clients include craft beverage industry associations and various value-added agricultural businesses
- G&F team includes full-time operations, events, marketing and government affairs staff
- The team: Kevin Atticks, Janna Howley, Kelly Dudeck, Abby Casarella, Jim Bauckman & Jalita Boffman



Cultivating an environment where value-added agricultural producers, startups, operators and growers innovate and thrive.

But what do we do?

- Association managers
- Proponents of value-added agriculture
- Troubleshooters
- Promoters
- Advocates
- Small and busy!

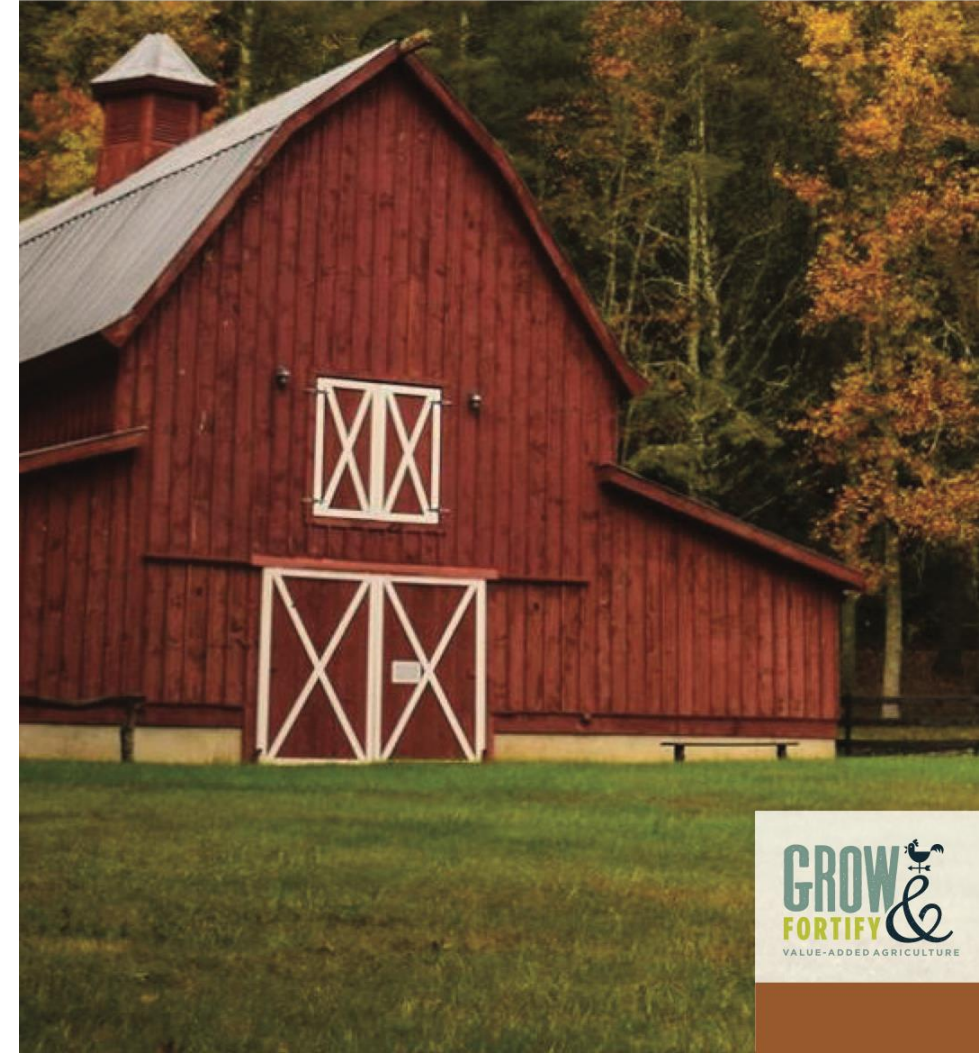


Economic Analysis

- Full report available at www.growandfortify.com
- Industry supports nearly 74,000 jobs and brings a total economic impact of over \$20.6 billion annually to the state's economy and \$875 million to the State's fiscal resources.
- Industries include agritourism, grain, fruits and vegetables, spices, hemp, forestry, nursery, animals and dairy, poultry, small and large animals, compost and manure, equine, seafood and aquaculture, wineries, breweries, distilleries, marketing characterizations and labeling.

Value-Added Agriculture in Maryland

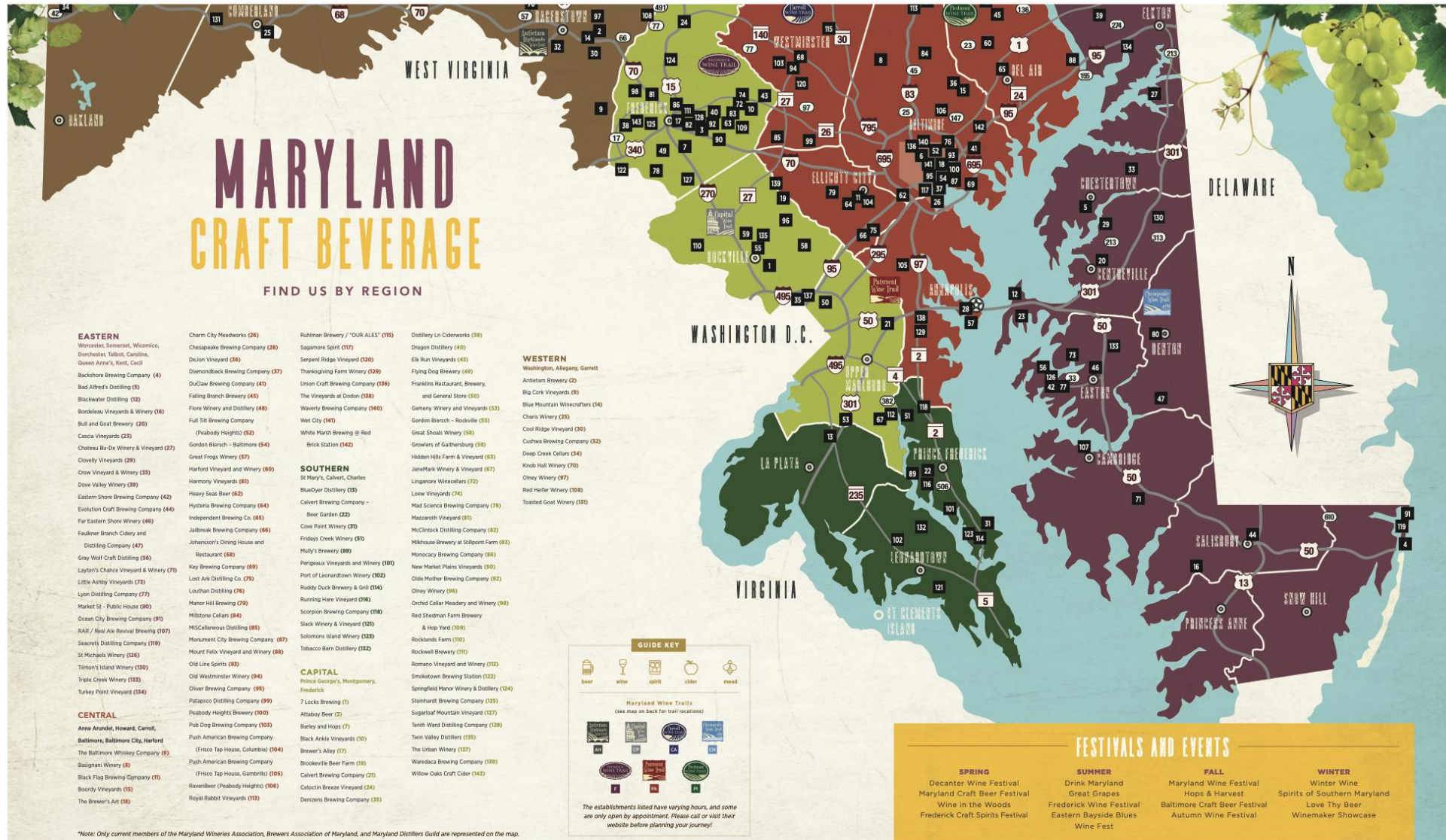
An Economic Analysis



What's an Alcohol Manufacturer in MD?

- An alcohol manufacturer—by definition in law—is a **manufacturer, wholesaler** and **retailer** of products it produces.
- May be located on a farm, in industrial/warehouse area or on main streets.
- Are incredible drivers of economic development, tourism, agriculture, jobs.





- EASTERN**
- Worcester, Somerset, Wicomico, Dorchester, Talbot, Caroline, Queen Anne's, Kent, Cecil
 - Backshore Brewing Company (4)
 - Bad Alford's Distilling (3)
 - Blackwater Distilling (32)
 - Bordeaux Vineyards & Winery (68)
 - Bull and Goat Brewery (20)
 - Cascia Vineyards (25)
 - Chateau Du-De Winery & Vineyard (27)
 - Clovelly Vineyards (29)
 - Cow Vineyard & Winery (33)
 - Dove Valley Winery (39)
 - Eastern Shore Brewing Company (42)
 - Evolution Craft Brewing Company (44)
 - Far Eastern Shore Winery (46)
 - Faulkner Branch Cider and Distilling Company (47)
 - Gray Wolf Craft Distilling (56)
 - Layton's Chance Vineyard & Winery (70)
 - Little Ainsly Vineyards (73)
 - Lyon Distilling Company (77)
 - Market St - Public House (80)
 - Ocean City Brewing Company (91)
 - RAR / Real Ale Revival Brewing (107)
 - Secret13 Distilling Company (119)
 - St Michael's Winery (126)
 - Timon's Island Winery (130)
 - Triple Creek Winery (133)
 - Turkey Point Vineyard (134)
- CENTRAL**
- Anne Arundel, Howard, Carroll, Baltimore, Baltimore City, Harford
 - The Baltimore Whiskey Company (6)
 - Basignan Winery (8)
 - Black Flag Brewing Company (11)
 - Boorly Vineyards (18)
 - The Brewer's Art (18)
- SOUTHERN**
- St Mary's, Calvert, Charles
 - BlueDyer Distillery (33)
 - Calvert Brewing Company - Beer Garden (22)
 - Cove Point Winery (37)
 - Fridays Creek Winery (81)
 - Mully's Brewery (89)
 - Parigaux Vineyards and Winery (101)
 - Port of Leonardtown Winery (102)
 - Ruddy Duck Brewery & Grill (114)
 - Running Hare Vineyard (116)
 - Scorpion Brewing Company (118)
 - Slack Winery & Vineyard (121)
 - Solomons Island Winery (123)
 - Tobacco Barn Distillery (132)
- CAPITAL**
- Prince George's, Montgomery, Frederick
 - 7 Locks Brewing (1)
 - Attaboy Beer (3)
 - Barley and Hops (7)
 - Black Ankle Vineyards (10)
 - Brewer's Alley (17)
 - Brookville Beer Farm (19)
 - Calvert Brewing Company (21)
 - Catoctin Breeze Vineyard (24)
 - Denizens Brewing Company (35)
- WESTERN**
- Washington, Allegany, Garrett
 - Andstem Brewery (2)
 - Big Cork Vineyards (9)
 - Blue Mountain Winemakers (14)
 - Charis Winery (25)
 - Cool Ridge Vineyard (30)
 - Cuduaa Brewing Company (32)
 - Deep Creek Cellars (34)
 - JaneMark Winery & Vineyard (67)
 - Lingmore Winemakers (72)
 - Loew Vineyards (74)
 - Mad Science Brewing Company (78)
 - Mazzarochi Vineyard (81)
 - McClintock Distilling Company (82)
 - Milwaukee Brewery at Stillpoint Farm (83)
 - Monocacy Brewing Company (86)
 - New Market Plains Vineyards (90)
 - Old Mother Brewing Company (92)
 - Olney Winery (93)
 - Orchid Cellar Meadery and Winery (98)
 - Red Shedman Farm Brewery & Hop Yard (109)
 - Rocklands Farm (110)
 - Rockwell Brewery (111)
 - Romano Vineyard and Winery (112)
 - Snowlinton Brewing Station (122)
 - Springfield Honor Winery & Distillery (124)
 - Stanhart Brewing Company (135)
 - Sugarloaf Mountain Vineyard (137)
 - Twin Valley Distillers (138)
 - The Urban Winery (137)
 - Wareback Brewing Company (139)
 - Willow Oaks Craft Cider (143)

*Note: Only current members of the Maryland Wineries Association, Brewers Association of Maryland, and Maryland Distillers Guild are represented on the map.

The industry has grown in scale and breadth...

with dozens of new entrants each year!

MARYLAND CRAFT BEVERAGES

POWERED BY GROW & FORTIFY



MARYLAND CRAFT BEVERAGES



MARYLAND CRAFT BEVERAGES



Generations Vineyard
Leonardtown, MD

CHECK IN

Directions Call

Activity Events

22715 Wheatley's Content Farm
240-298-2236



Generations Vineyard is a small family owned vineyard in Leonardtown, Maryland founded in 1980. The vineyard is part of Wheatleys Content Farm and has called home for four generations. Through our parents, grandparents, and great-grandparents...

Home Locations Passport Events

MARYLAND CRAFT BEVERAGES

1 Total Points
0 Points until next reward
Expiry Date: 05/14/2022

Leaderboard To Go Visited Rewards My Badges

Alphabetical Map

Search Location

- Big Cork Vineyards
Rohrersville, MD
- BirchView Vineyard
Manchester, MD
- Black Ankle Vineyards
Perry, MD

Some stats

- **Breweries:** ~120 licensed breweries. More than 25 in-planning.
 - In FY 2020, Maryland breweries sold 10.5M gallons, \$141 million in sales.
- **Wineries:** ~100 licensed wineries in Maryland. 15 in-planning.
 - In FY 2020, Maryland wineries sold 437,000 gallons. Annual sales of Maryland wine in 2020 estimated at \$45 million.
- **Distilleries:** 40 operating distilleries plus 15 in the licensing process.



Why we want to support the industry

- Skilled jobs
- Agricultural preservation
- Profitable agriculture
- Support other farmers
- Taxes (taxes, taxes)
- Tourism
- Economic Development
- Quality of life



Industry's Top Goals

- Create laws that bring parity among classes of manufacturers.
- Create parity with neighbor states.
- Do so while continuing responsible alcohol promotion, sale and service...



In other words...

- Our producers are currently restricted at a variety of levels, depending on license class... production, sale, distribution. Different classes have different restrictions.
- Our producers are currently restricted in ways that prevent growth and marketability.
- Evolution of the laws doesn't mean deregulation—all product sale and service would still be strictly regulated.



How you can help

- Support local producers
- Appreciate the current market/context when interpreting old law
- Visit, purchase, enjoy
- Download (and use) our Maryland Craft Beverages App
- Spread the word!



NATIONAL INDUSTRY TRENDS



- **Chris Swonger:** President & CEO – DISCUS
- **Lester Jones:** VP, Analytics and Chief Economist – NBWA
- **John Bodnovich:** Executive Director – ABL

Introduced by Kathie Durbin – Director,
Montgomery County Alcohol Beverage
Service & VP-MALA

DISCUS Background for MALA Meeting

Chris Swonger
President & CEO



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

WHO WE ARE

The Distilled Spirits Council of the United States (DISCUS) is the leading voice and advocate for the U.S. spirits industry.

- We are the spirits industry's top advocate in Washington, our nation's state capitals and around the globe.
- We are the voice of spirits producers, craft distillers and supply chain partners in the halls of power, making sure key policymakers hear their stories and know their policy agenda.

OUR VISION

Our vision is to enable a market in which consumers are:

- Making informed, responsible choices about distilled spirits
- Able to purchase what they want, when they want and how they want, while leveraging the collective responsibility efforts of the industry.



DISCUS Director Members & Board of Directors



Maribel Delgado
Senior Association
General Counsel
(EJ Gallo)



Rick Wilson
Senior Vice
President



Clarkson Hine
SVP, Corporate
Communications &
Public Affairs



Jim Perry
Senior Vice President
of Global
Government Affairs



***Ugo Fiorenzo**
Managing Director,
US



Matt Deegan
Senior Vice
President, Sales



Debra Crew
President Diageo
North America



Paul Ross
President & CEO
Edrington Americas



Dan Leese
CEO & President



***Jeff Popkin**
CEO Mast-
Jägermeister US



***David Colo**
President and CEO



**John
Beaudette**
President and Founder



Seth Kaufman
President &
CEO, NA



Robert Hall
President & CEO



Brian Chevlin
Senior Vice President &
General Counsel, NA



Ian McLernon
President and CEO
Americas



Paul Basford
President &
Managing Director



Jason Drook
VP Consumer &
Industrial



Philip McDaniel Co-Founder & CEO (Craft Advisory Council, Chair)



Mission and Strategic Goals

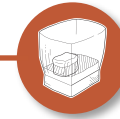
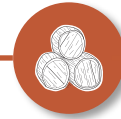


Mission

The Distilled Spirits Council of the United States (DISCUS) is the **unifying and leading** advocate for distilled spirits in the US.

Vision

Fair competition, satisfying consumers, social responsibility.



Consumer Convenience	Equal Treatment	Social Responsibility
<p>Goal #1:</p> <p>Adult consumers can access distilled spirits where they want, when they want and how they want.</p> <p>DISCUS advocates on legislative, regulatory and public affairs issues impacting the distilled spirits industry at the local, state, federal and international levels.</p>	<p>Goal #2:</p> <p>Spirits are treated fairly and equitably relative to beverage alcohol, cannabis and other regulated consumable products.</p> <p>DISCUS promotes the distilled spirits sector, raising awareness and opening markets in the united states and around the globe.</p>	<p>Goal #3:</p> <p>The distilled spirits sector is a leader in advancing responsible alcohol choices informed by evidence-based research.</p> <p>DISCUS encourages responsible alcohol choices based on evidence-based research and policy.</p>

Goal #4

Invest in the infrastructure needed to support the plan and organization

Organizational Strategy

Mission: The Distilled Spirits Council of the United States (DISCUS) is the unifying and leading advocate for distilled spirits in the US.

Vision: Fair competition, satisfying consumers, social responsibility.

Consumer Convenience: Adult consumers can access distilled spirits where they want, when they want and how they want.

- DISCUS advocates on legislative, regulatory and public affairs issues impacting the distilled spirits industry at the local, state, federal and international levels.

Equal Treatment: Spirits are treated fairly and equitably relative to beverage alcohol, cannabis, and other regulated consumable products.

- DISCUS promotes the distilled spirits sector, raising awareness and opening markets in the United States and around the globe.

Social Responsibility: The distilled spirits sector is a leader in advancing responsible alcohol choices informed by evidence-based research.

- DISCUS encourages responsible alcohol choices based on evidence-based research and policy.

Invest in the infrastructure needed to support the plan and organization.

UNITY EFFORTS & INDUSTRY PARTNERS



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Responsibility.org Overview



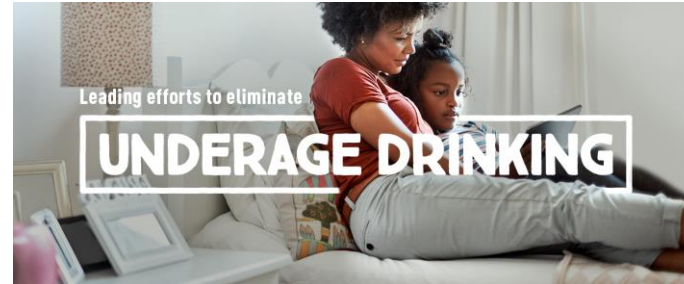
DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

COMMITMENT TO RESPONSIBILITY

Responsibility.org members have invested nearly \$300 million in policy development, educational programs and public awareness campaigns to fight drunk driving and underage drinking.



Leading efforts to eliminate drunk driving and working with others to end all impaired driving.

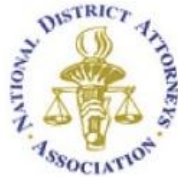


Leading efforts to eliminate underage drinking.



Empowering adults to make a lifetime of responsible alcohol choices as part of a balanced lifestyle.

RESPONSIBILITY.ORG PARTNERS





New coalition to address multiple substance impaired driving

- Advocate Members: Abbott, Alkermes, Drager, Ford Driving Skills For Life, Intoxalock, ONUS, Smart Start, US Cannabis Council (USCC)
- Allied Members: GHSA, AAA, AAMVA, ITSMR, National Sheriffs Association, National District Attorneys Association, MADD, MAAD Canada, RADD, SADD
- Managed by Responsibility.org
- Ongoing recruitment for members and funders, steering committee
- Leadership opportunity on emerging issue
- Formal launch: 2021 Summit July 29-30 in Arlington, VA + Adobe Connect
- Coalition activities to include:
 - Federal and state legislative efforts
 - Program development
 - Training, technical assistance, and thought leadership
 - Public awareness and education efforts



2021 Economic Overview

- U.S. revenue grew 12 percent
- U.S. volume grew 9.3 percent
- 12th straight year of market share gains
- Growth driven by gradual reopening of restaurants, and consumers trading up to super-premium spirits for at-home occasions
- Uneven economic impacts of COVID-19 on U.S. hospitality industry continue

Spirits industry is a major contributor to U.S. economy



Second largest market in the world



Generates \$200 billion in U.S. economic activity annually



Supports around 1.7 million jobs through the production, distribution and sale of distilled spirits in the U.S.



In 2020, used 2.2 billion pounds of grains in production of U.S. whiskey, brandy, rum, gin and vodka

Marketplace Trends

2021 strong industry growth, return of on-premise sales & rebounding hospitality industry



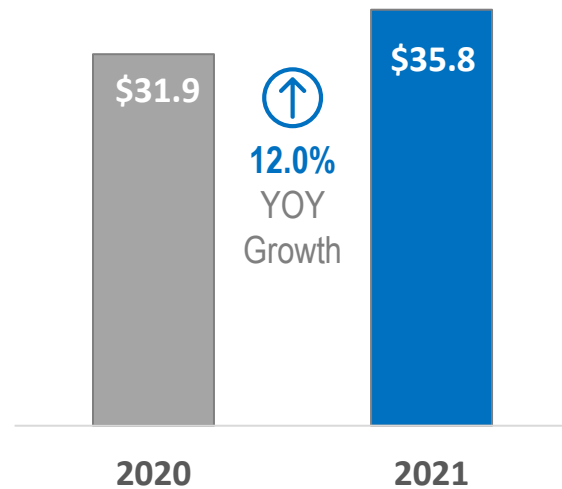
DISTILLED SPIRITS COUNCIL
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The U.S. spirits industry in 2021 continued growing in both value and volume



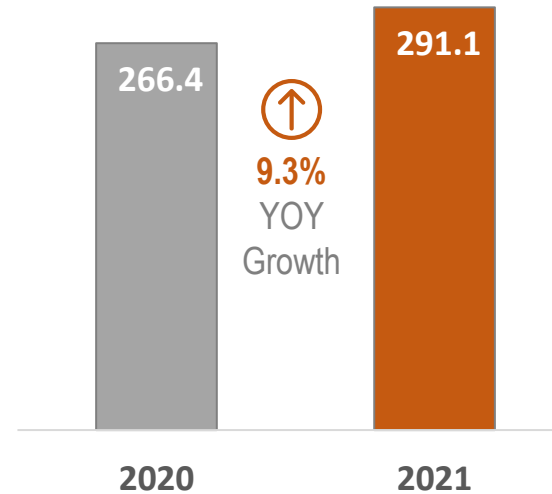
Revenue Increased by \$3.8B

Billions



Volume Increased by 24.7M

9-Liter Cases, Millions



3 Main Drivers of Spirits Growth

- On-Premise Sales
- Premiumization Across Categories
- At-Home Occasions

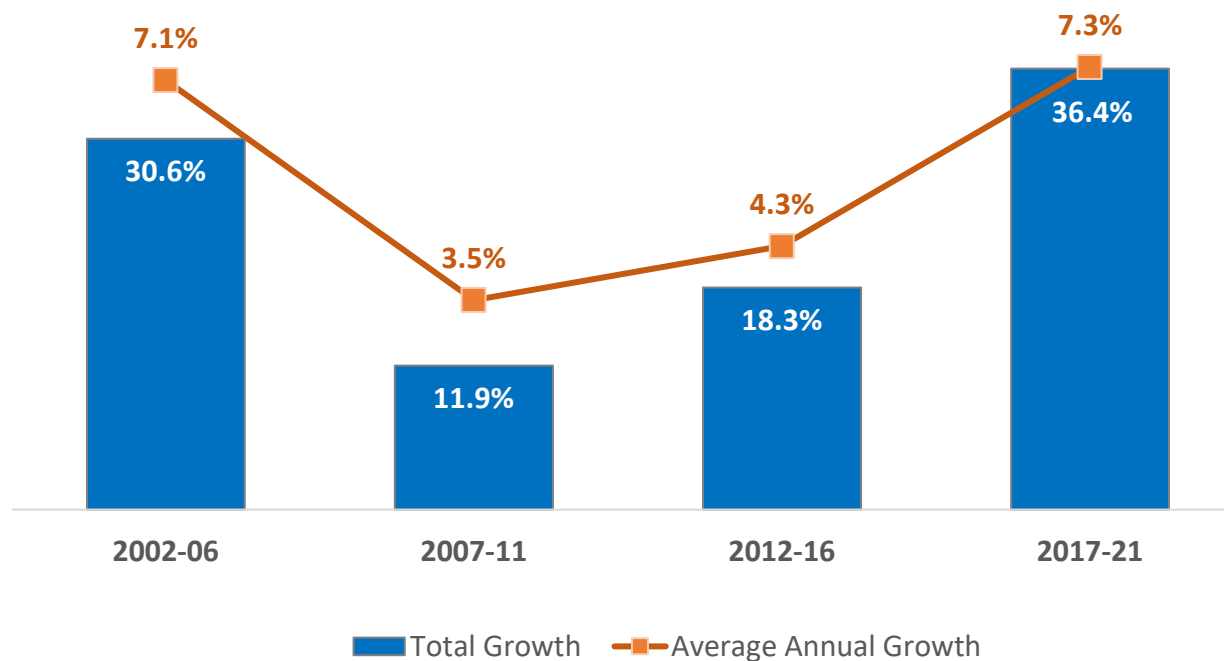
Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

Notes: 2020 spirits volume and revenue figures include revised Pre-mixed Cocktails, including spirits-based RTDs, estimates throughout this Annual Economic Briefing; Excluding Cocktails/RTDs, the spirits industry revenue grew by \$3.3 billion (10.9%) and volume grew by 11.6M 9-Liter Cases (4.8%).

Spirits revenue growth has accelerated in recent years

Spirits are experiencing their fastest growth in two decades

Spirits Revenue, Total and Average Annual Growth

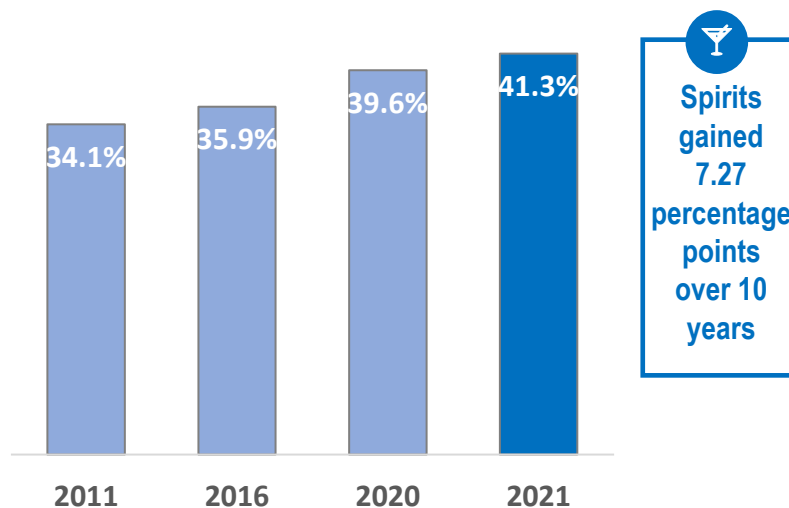



Over the past 20 years, the spirit industry's average annual growth was 5.5% compared to 7.3% in the past 5 years

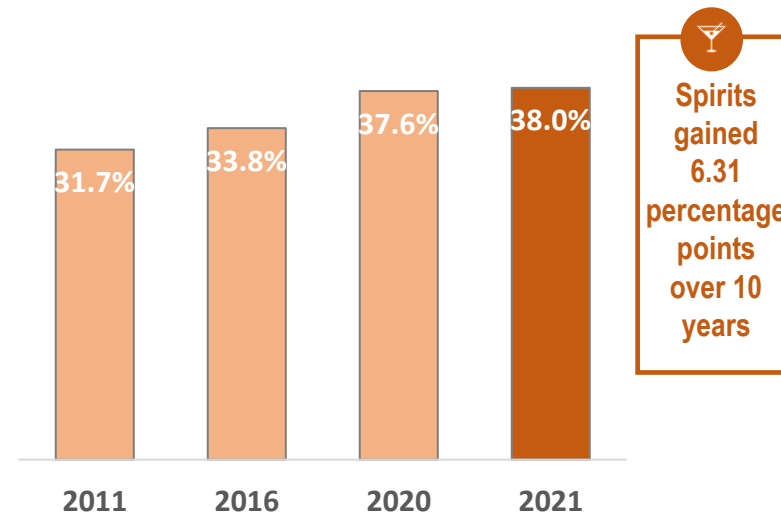
Spirits continue to increase market share in both value and volume



Spirits Account for Over 41% of U.S. Alcohol Industry Revenue in 2021



Spirits Account for 38% of U.S. Alcohol Industry Volume in 2021



Consumer Trends

Key trends continue as consumers embrace at-home cocktails, RTDs, premium spirits, convenience and return to dining out.



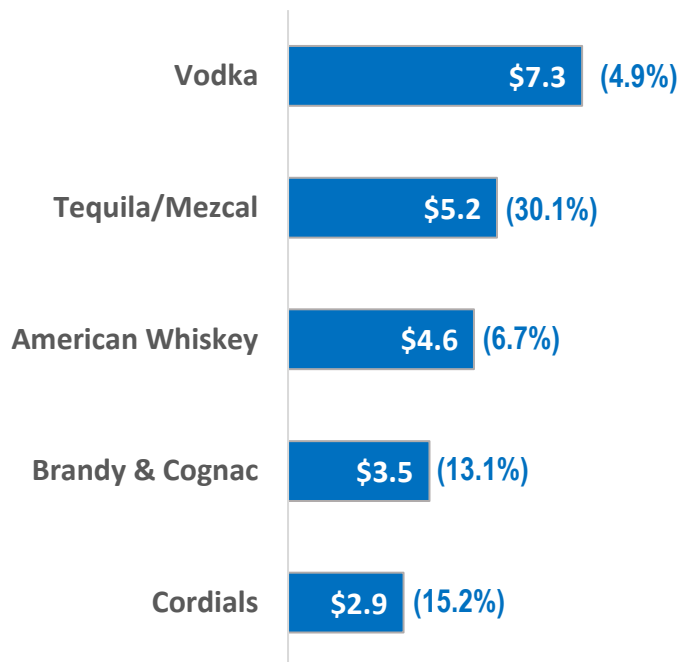
DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Vodka remains the top spirits category in 2021



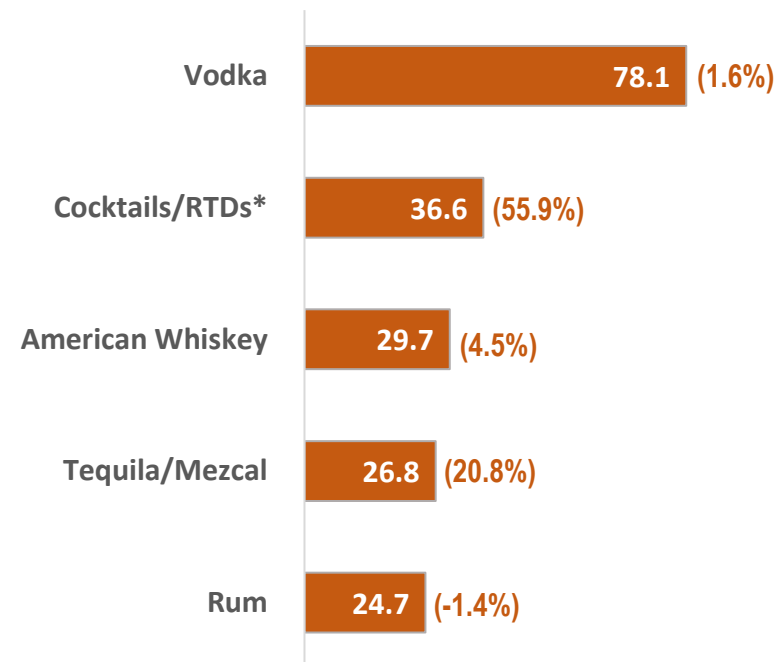
Top 5 Spirits by Revenue

Billions (2020-21 Growth)



Top 5 Spirits by Volume

9-Liter Cases, Millions (2020-21 Growth)



Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

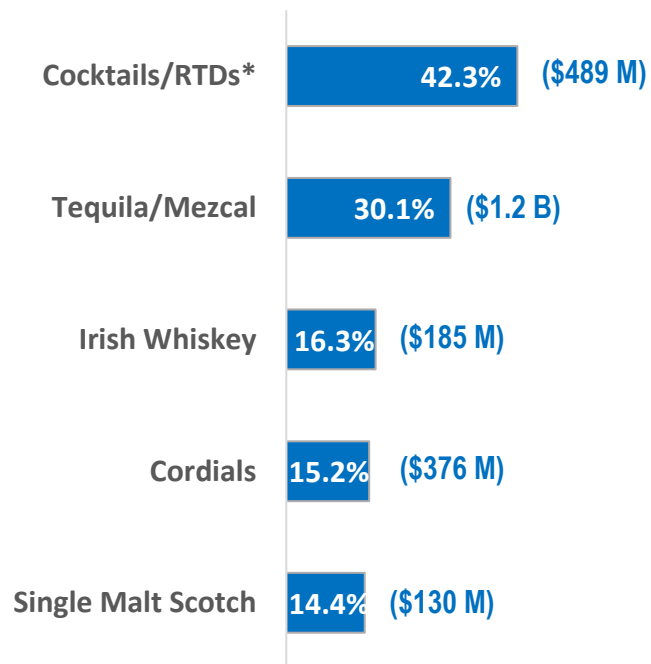
*Pre-mixed Cocktails, including spirits-based RTDs.

Cocktails/RTDs* is the fastest growing spirits category in 2021



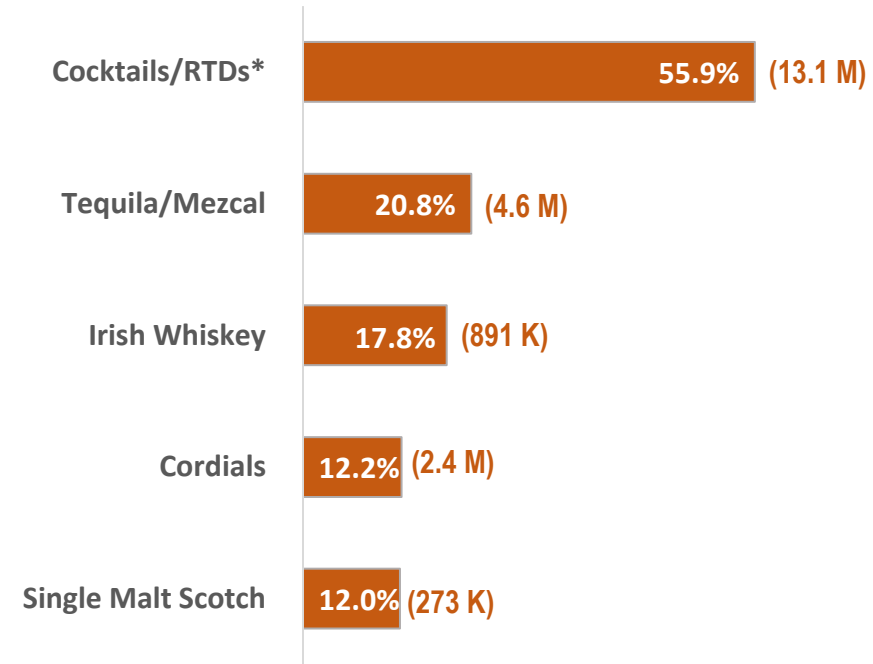
5 Fastest Growing Spirits by Revenue

2020-21 Growth Rate (Change in Revenue)



5 Fastest Growing Spirits by Volume

2020-21 Growth Rate (Change in 9-Liter Cases)



Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

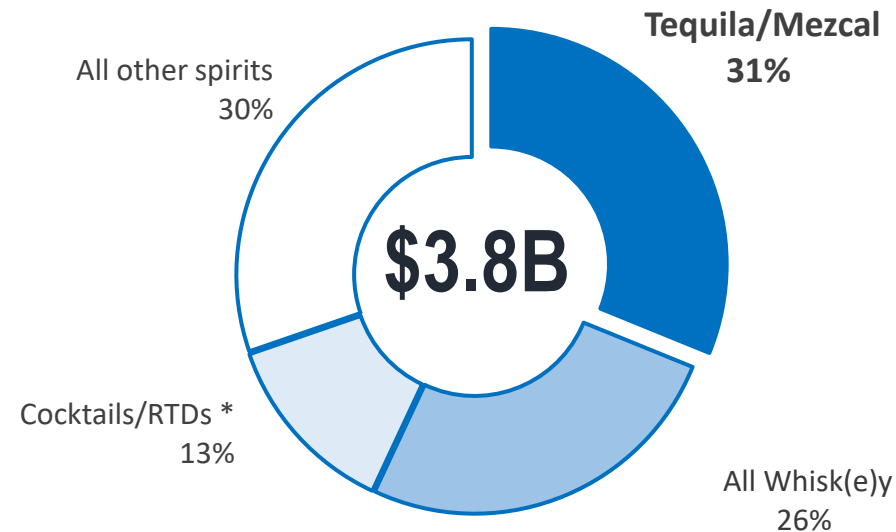
*Pre-mixed Cocktails, including spirits-based RTDs.

Tequila/Mezcal drove industry growth, accounting for nearly one-third of the total increase in spirits revenue



Tequila/Mezcal Revenue Grew \$1.2B

Contribution to Revenue Growth



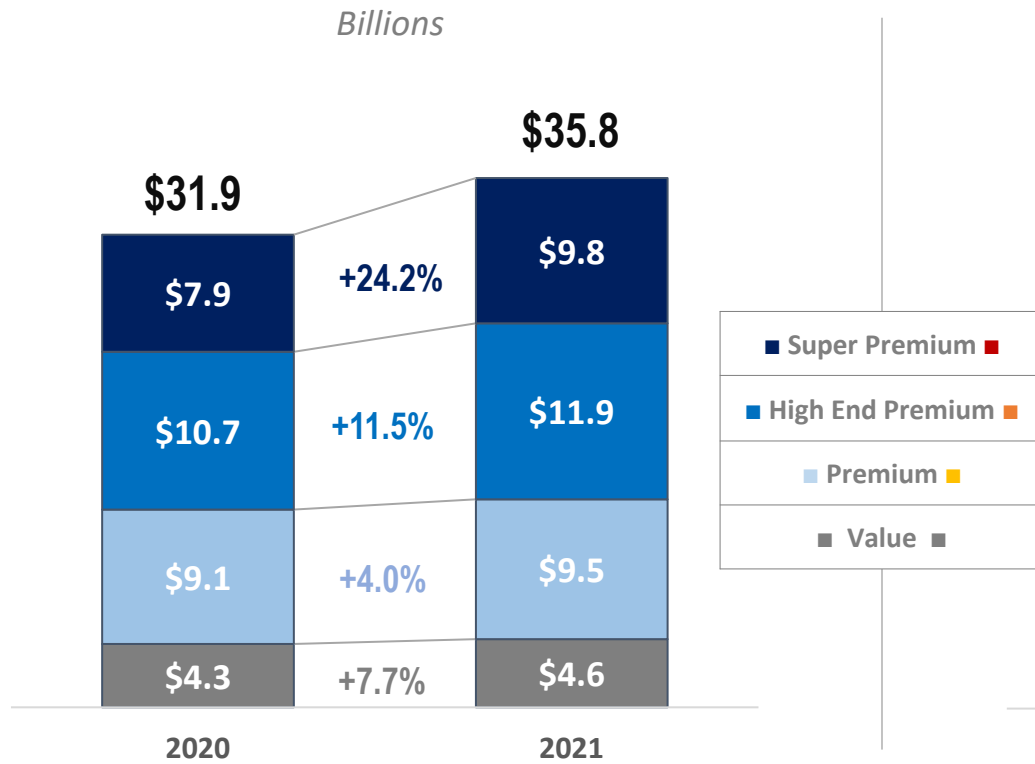
Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

*Pre-mixed Cocktails, including spirits-based RTDs.

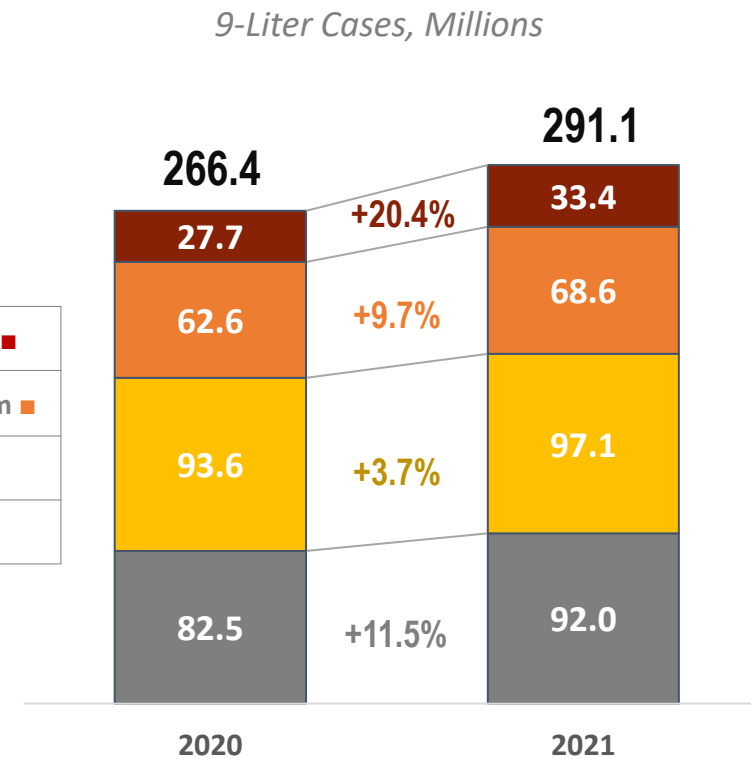
Super premium spirits are growing the fastest



Total Spirit Revenue Rose 12.0%



Total Spirit Volume Rose 9.3%



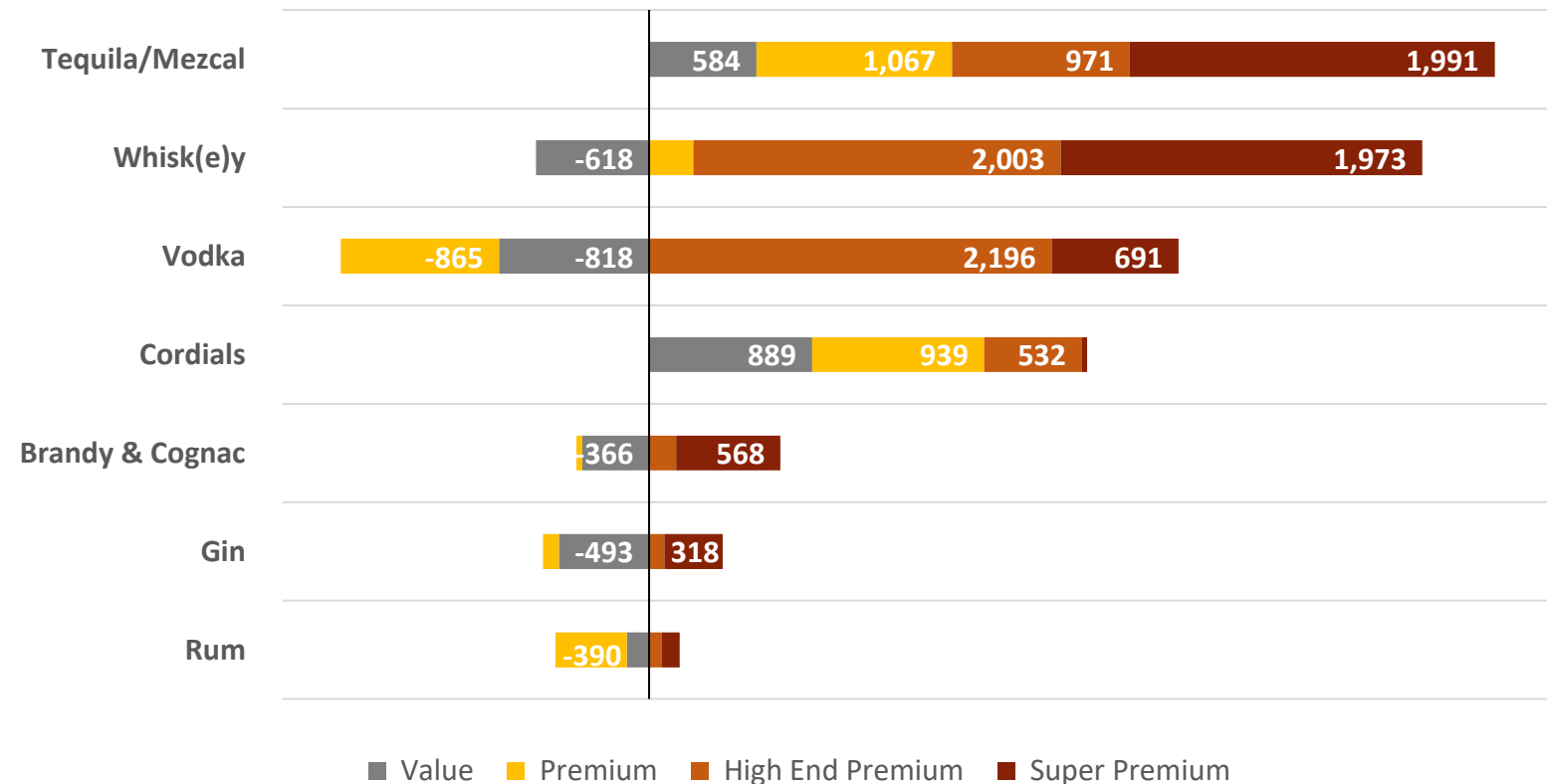
Source: DISCUS Market Segmentation Database, IWSR, and various industry publications.

Consumers are shifting to higher premium spirits



Premiumization is occurring across categories

2020-21 Change in Volume, 9-Liter Cases, Thousands



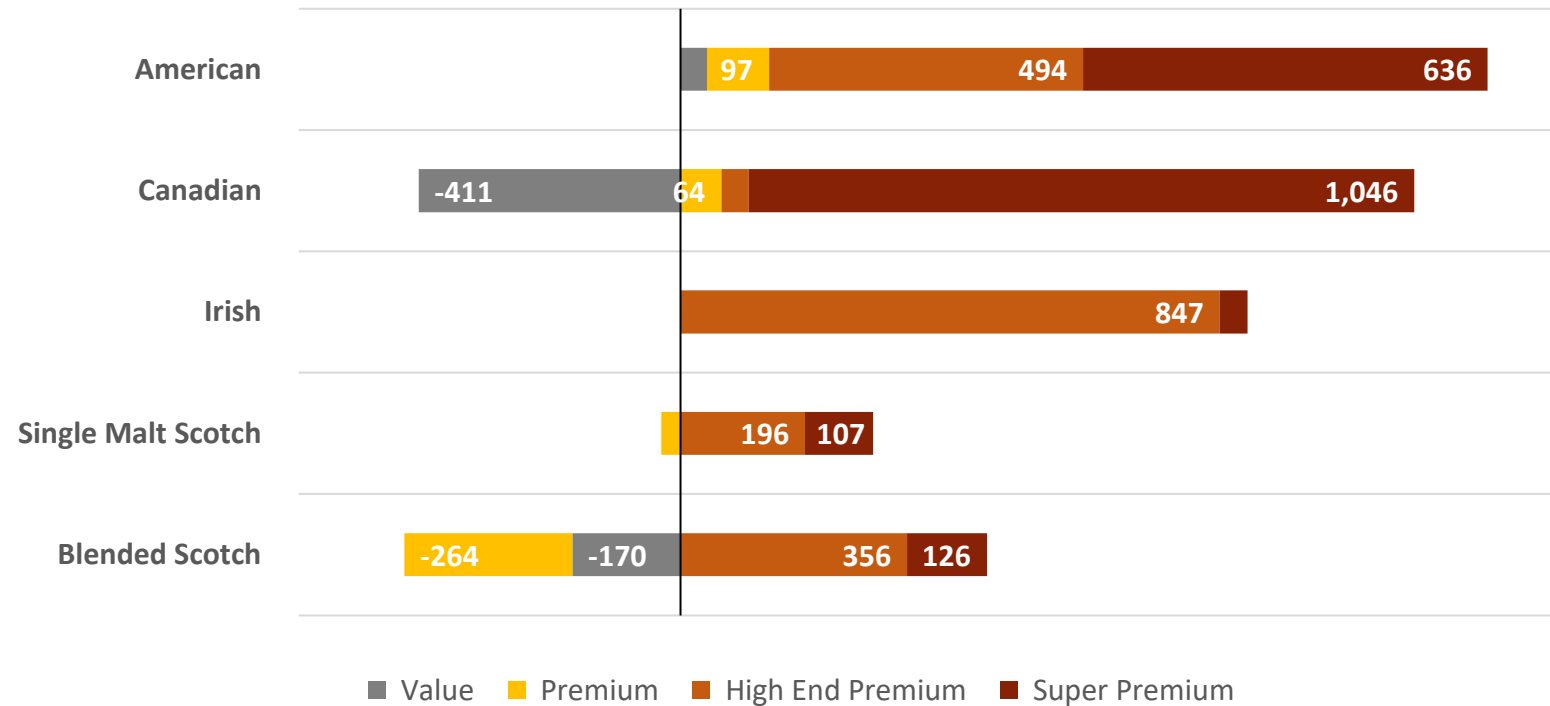
Source: DISCUS Market Segmentation Database
Note: Labels for values under 250,000 are not shown

Consumers are buying higher premium whiskeys



Premiumization within the whisk(e)y category

2020-21 Change in Volume, 9-Liter Cases, Thousands



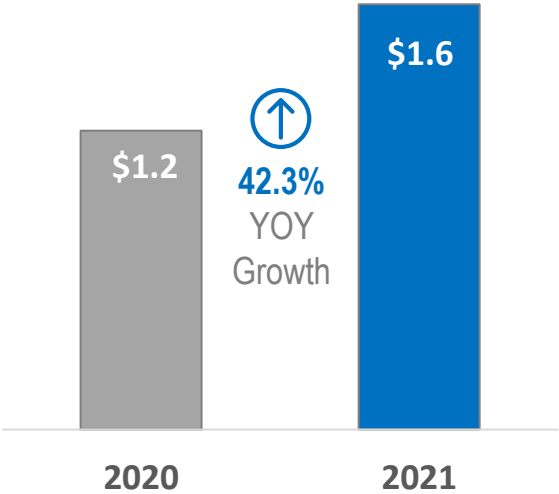
Source: DISCUS Market Segmentation Database.
Note: Labels for values under 50,000 are not shown.

Consumers choose authenticity & convenience with pre-mixed cocktails, including spirits-based RTDs



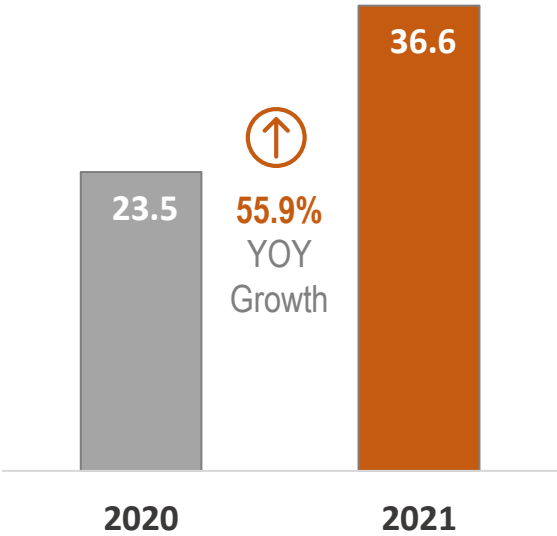
Cocktail/RTD* Revenue Rose \$489 M

Billions



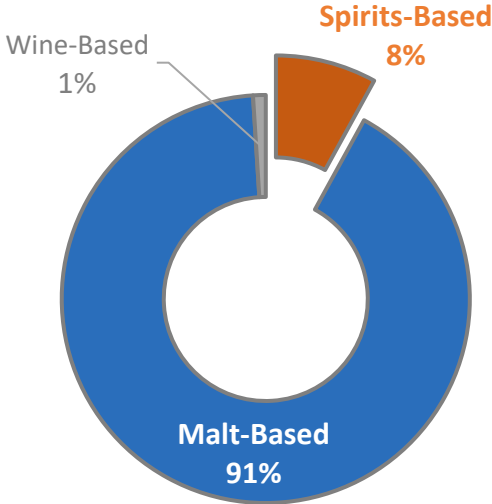
Cocktail/RTD* Volume Rose 13.1 M

9-Liter Cases, Millions



Spirits-based RTDs are a small portion of total RTDs

Share of Market Volume



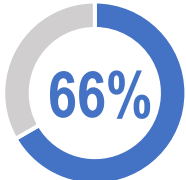
Source: DISCUS Market Segmentation Database, IWSR, and various industry publications; Market data from IWSR.

*Pre-mixed cocktails, including spirits-based RTDs.

Consumers are choosing e-commerce



The Pandemic Changed Buying Behavior

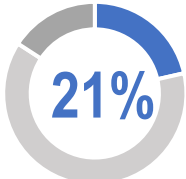


Two-thirds of shoppers who buy alcohol online made their first purchase during the pandemic. ([IWSR](#))

Online Alcohol Sales Are Growing Quickly¹

\$6.1B

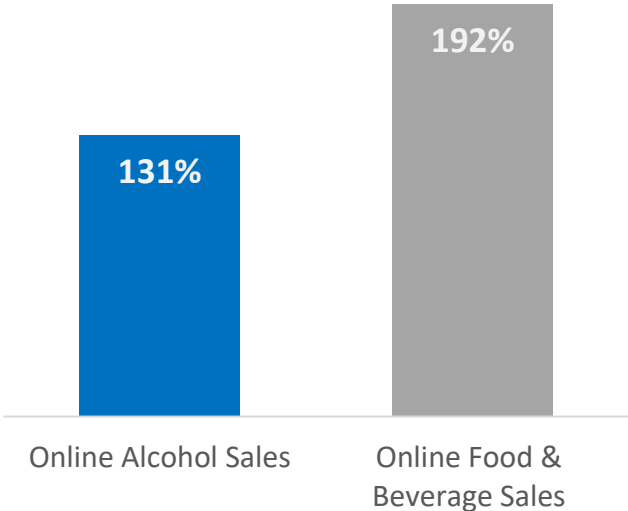
Online alcohol sales in 2021, accounting for 4% of off-premise sales. ([Rabobank](#))



Spirits accounted for \$1.3 billion (21%) of total online alcohol sales in 2021. Wine and beer accounted for \$3.8 billion and \$960 million, respectively ([Rabobank](#))

U.S. E-Commerce Sales Increased Sharply Since the Pandemic²

2019-21 U.S. E-Commerce Growth Rates



Notes:

- 1. Rabobank online alcohol /e-commerce sales include online grocery (e.g., Kroger & Walmart), online marketplaces (e.g., Instacart & Drizly), licensed specialty retail (e.g., omnichannel national, regional, and independent liquor stores, state-run liquor stores with e-commerce offerings, and “pure-play” stores like Wine.com), and DTC wine.
- 2. Online alcohol sales from Rabobank; Online food & beverage sales from Census and represents Q1-3 change from 2019-21 only; Q4 2021 data not yet released.



Maryland

Issues on the Horizon

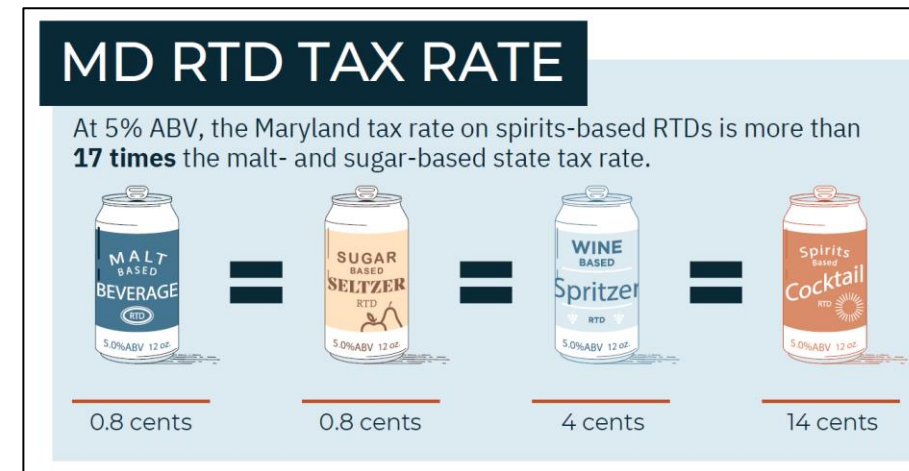


DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Maryland – Anticipated Legislative Issues



- DUI law reform/Noah's Law
 - Require ignition interlocks for all DUI offenders
- Fair taxation for spirits-based RTDs
 - 2022 bill would've lowered tax to the wine rate on spirits products 12% ABV or less
 - Our analysis shows \$8.6+ million in new state tax revenue over 3-5 years
 - ATC is studying the issue at legislature's request – report due Dec. 31, 2022
- Support recovering hospitality industry
 - Permanent cocktails to-go (expires June 30, 2023)
 - No tax increases
- Direct-to-consumer shipping
 - Priority for in-state distillers who have temporary DTC privileges (extension to June 30, 2023, pending Gov. approval)
- Ensure equal treatment for spirits in ongoing grocery store sales debate





AMERICA'S BEER & BEVERAGE DISTRIBUTORS

Alcohol Beverage Industry Review

Lester Jones, Chief Economist/VP Analytics

NBWA

ljones@nbwa.org

Twitter @joneslester

Shifting Consumer Demand Who, Where and What People Drink

Over 2,329 state alcohol laws have changed since 2012.

Fewer dry counties. Reverse Sunday sales ban (brunch bills) and more repeal efforts continue in 2022. Increased access for alcohol across grocery and convenience channels. Cocktails to Go, Beer to Go and home delivery services finding permanency in State Houses.



Cultural acceptance of alcohol sales spreading into main street, barbershops, beauty salons, laundromats, libraries, zoos, theme parks, retirement homes, and many other nontraditional drinking places. Mainstreet vs. Bourbon Street.

Shifting Consumer Demand Who, Where and What People Drink – Did we go too far?



100 years ago, the police were breaking up bootlegging operations around the country. Fast forward to today and the Washington, Post reports: The rise and fall of the Jack Daniel's committee: How D.C.'s police union lodge made thousands selling whiskey online. “The lodge bought a 53-gallon barrel of whiskey for \$11,000 at the Jack Daniel's distillery in Lynchburg, Tenn. The distillery put that whiskey into 240 bottles, and had them engraved with the D.C. lodge's logo...”

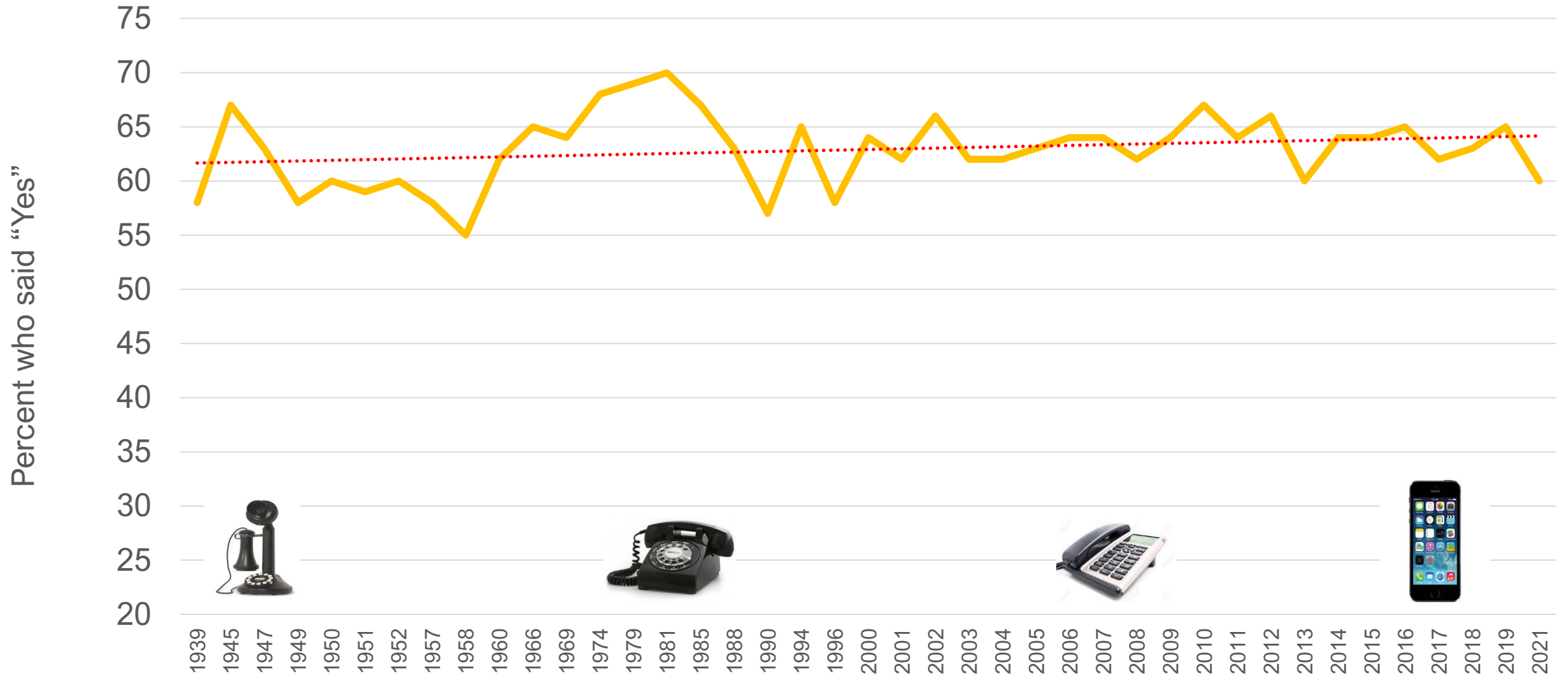


The FAA says its "investigations show that alcohol often contributes to this unsafe behavior," which is why FAA officials are calling for the end of to-go alcohol in airports around the country. They're also calling for airport police to arrest more people who are being unruly or violent.



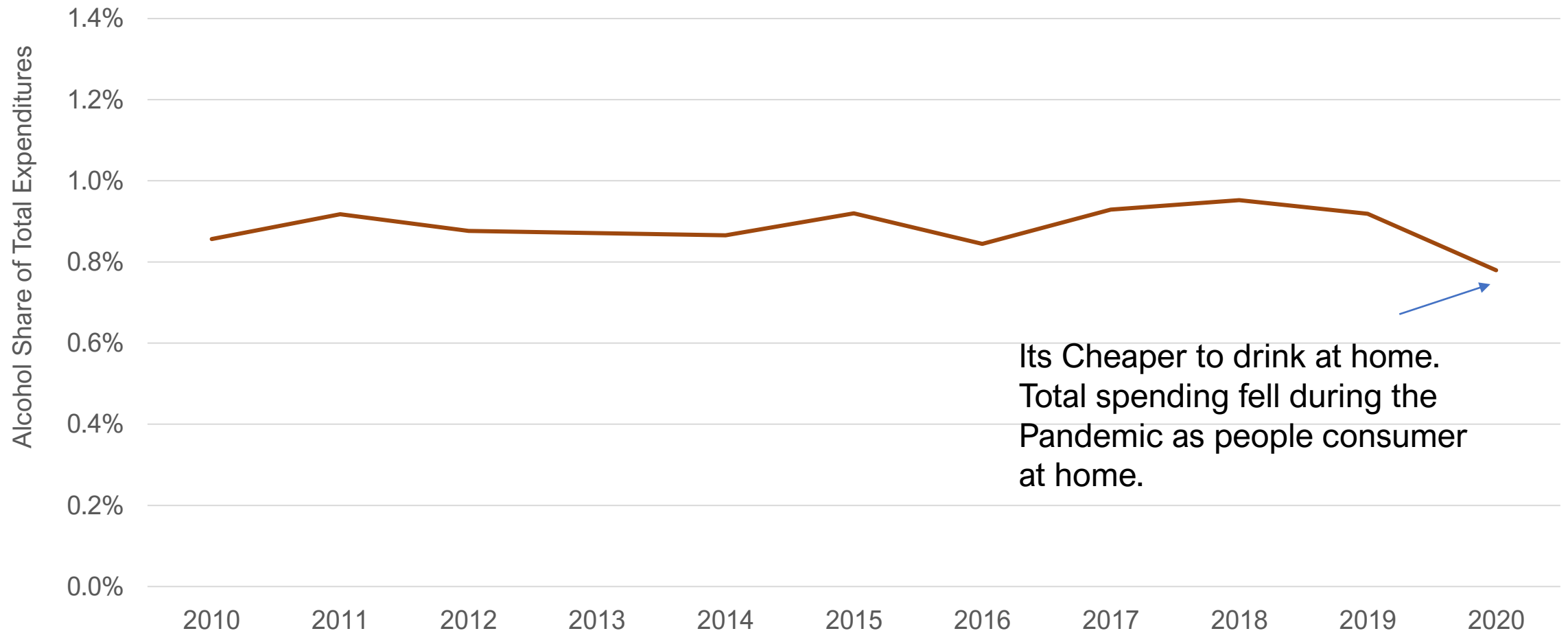
Alcohol Consumption Is Consistent Over Time

“Do You Have Occasion to Drink Alcohol?”

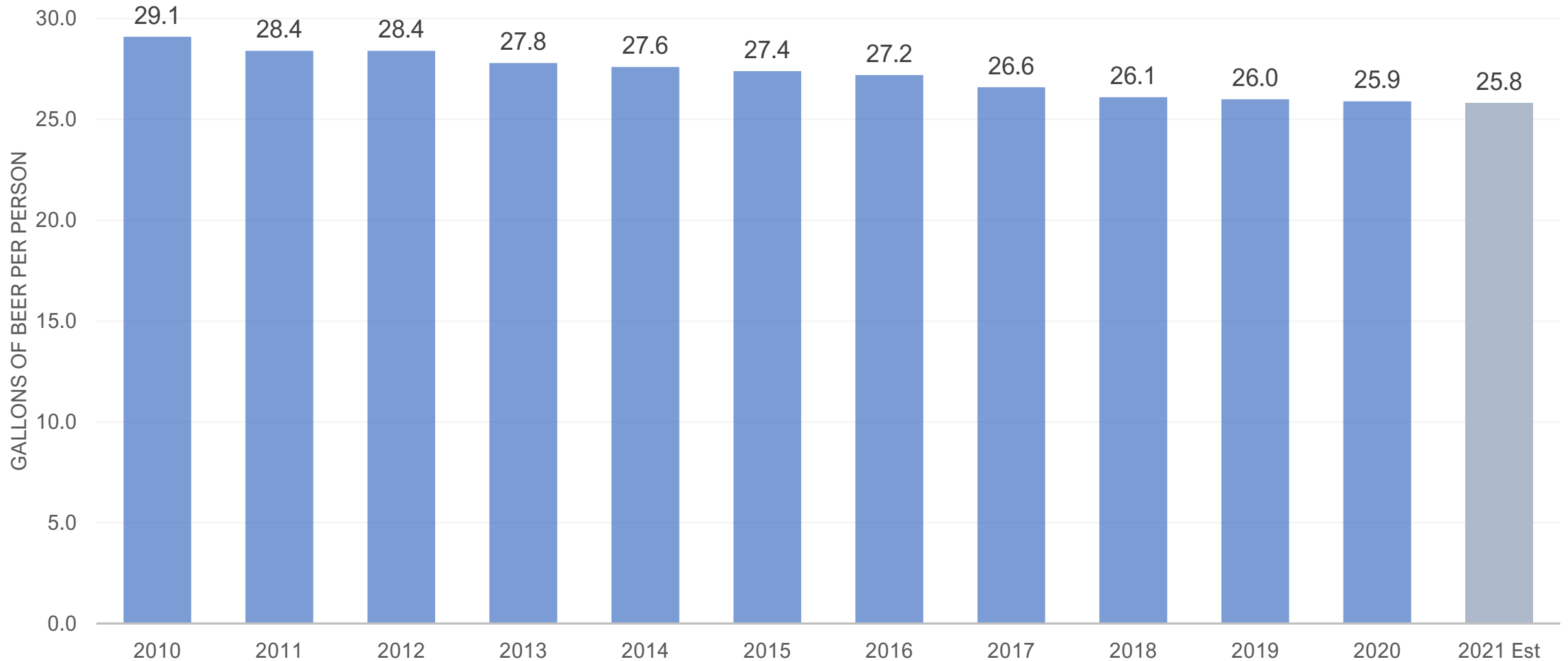


Source: Gallup Poll, 2021. (+/- 4% Margin of Error)

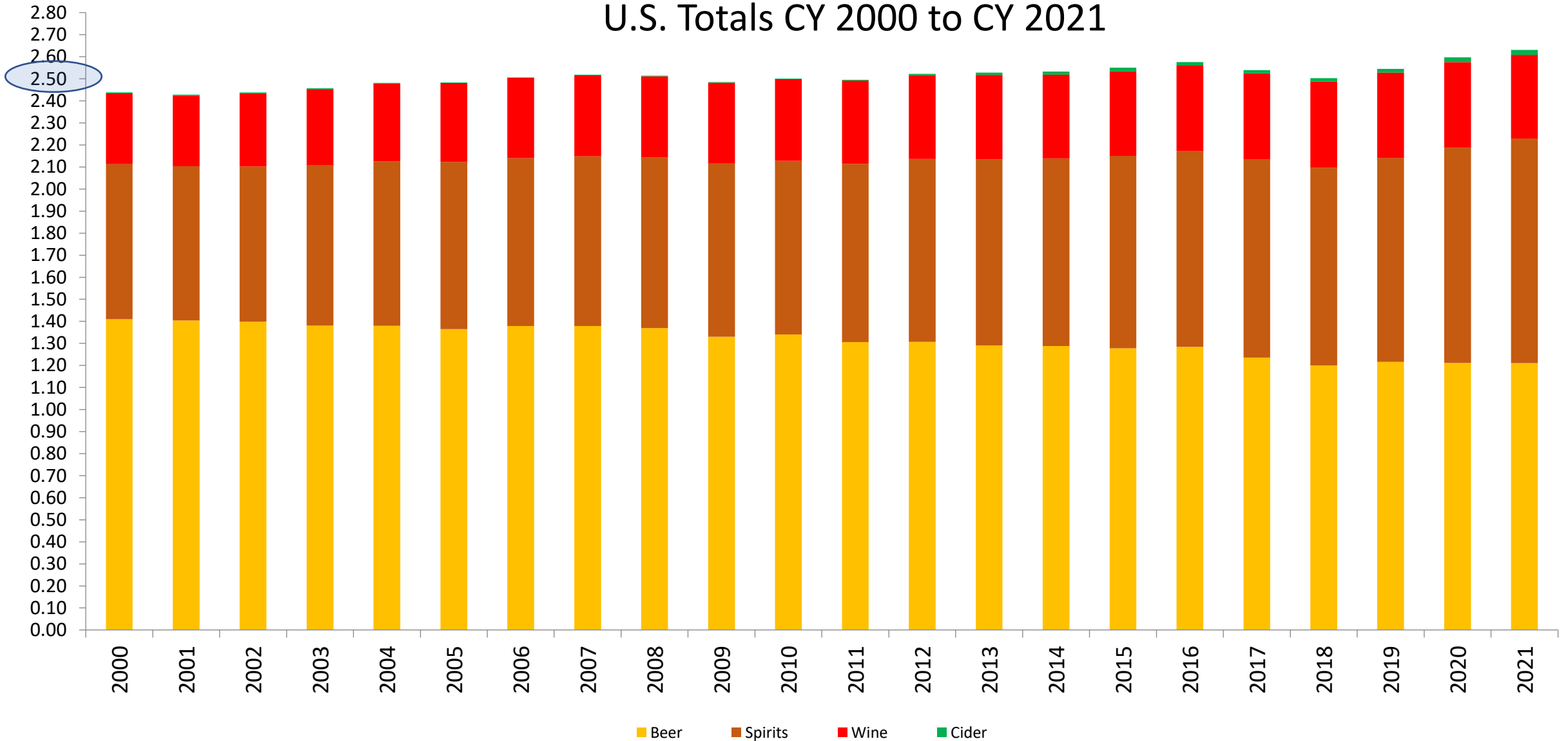
Alcohol Spending Share of Total Consumer Expenditures 2010 to 2020



U.S. Per Capita Beer Consumption 2010 to 2021Est Gallons Per Person (21+ US Population)



Gallons of Ethanol Consumed Per Capita 21+ U.S. Totals CY 2000 to CY 2021



Between 2020 and 2021 = 1 extra drink per person per month

Media and Public love “outrageous” alcohol news story

Does Dry January Dry Up Bar Sales?

The alcohol-abstaining month is over, but bars are still feeling the effects on their bottom lines

by Jaya Saxena | Feb 14, 2020, 11:30am EST

f t SHARE



INDY/LIFE

**MOTHERS WITH YOUNG KIDS
CONSUMED 300% MORE ALCOHOL
DURING PANDEMIC, STUDY REVEALS**

‘Policymakers should be prepared to respond to the public health consequences of such a sudden, sustained increase in alcohol consumption,’ health economist says

Americans Are Drinking 14% More Often During Pandemic, Study Finds

October 5, 2020 · 4:49 PM ET

REESE OXNER



WELLBEING AUGUST 19, 2021

U.S. Alcohol Consumption on Low End of Recent Readings

BY MEGAN BRENNAN

“Sixty percent of U.S. adults currently report drinking alcoholic beverages such as liquor, wine or beer, marking a decrease from 65% in 2019 when the measure was last tracked.”

Alcohol Use Among Older Adults

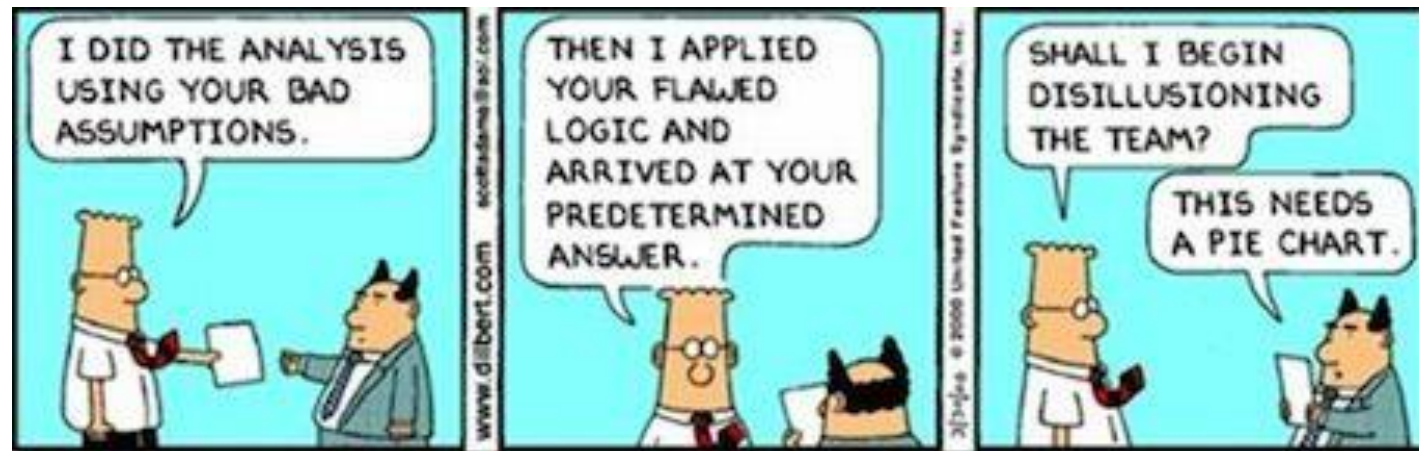
Poll finds risky drinking patterns in older adults during the COVID-19 pandemic

During the COVID-19 pandemic, 27% of older adults reported a decrease in their alcohol use, 14% an increase, and 59% had no change in their alcohol use.”

MOTHERS WITH YOUNG KIDS CONSUMED 300% MORE ALCOHOL DURING PANDEMIC, STUDY REVEALS

'Policymakers should be prepared to respond to the public health consequences of such a sudden, sustained increase in alcohol consumption,' health economist says

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8327759/>



More News Keeps Coming

By Ben Turner published March 10, 2022

Just one pint of beer a day can make the brain look two years older.



Just two units of alcohol a day are enough to make brains appear two years older. (Image credit: Shutterstock)

CNN health Life, But Better Fitness Food Sleep Mindfulness Relationships

LIVE TV Edition Q @

Need for liver transplants due to heavy drinking soared during the pandemic, study finds



By Jen Christensen, CNN

Updated 2:59 AM ET, Thu October 28, 2021



Researchers found the number of people who got a liver transplant or were put on a waiting list due to alcoholic hepatitis was 50% higher than what was forecast based on pre-pandemic trends.

(CNN) — The need for liver transplants because of heavy drinking soared during the pandemic, researchers reported Tuesday.

Sponsored Content

Psaki tests positive for Covid, last saw Biden Tuesday

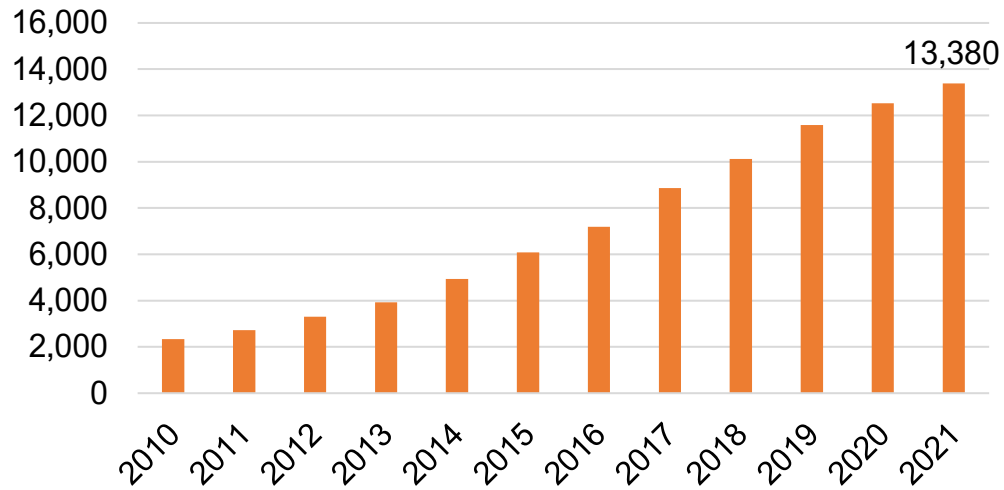
CNN witnesses 9-year-old being sold for marriage to 55-year-old...

USAA AUTO & RENTERS INSURANCE

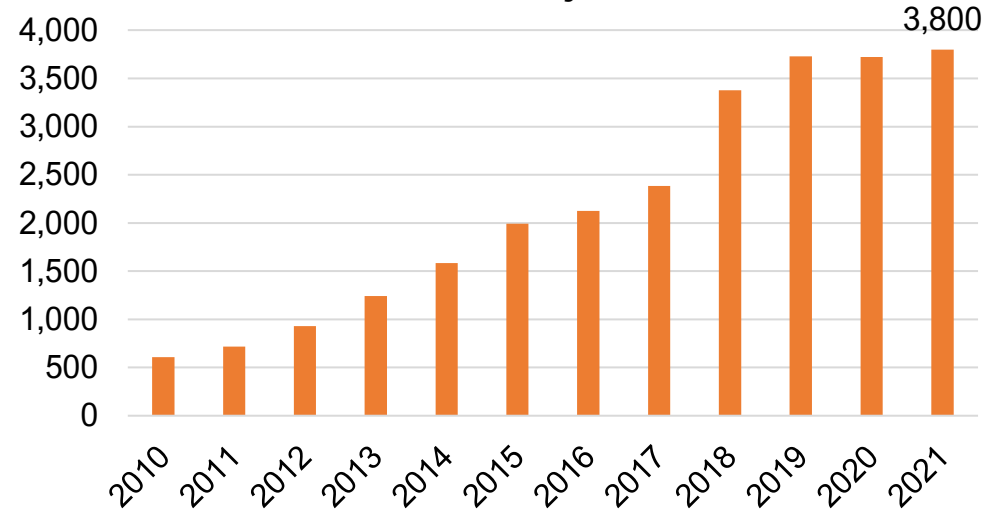
AUTO RENTERS

Total U.S. Alcohol Beverage Manufacturing Permits Continue to Grow Across All Segments

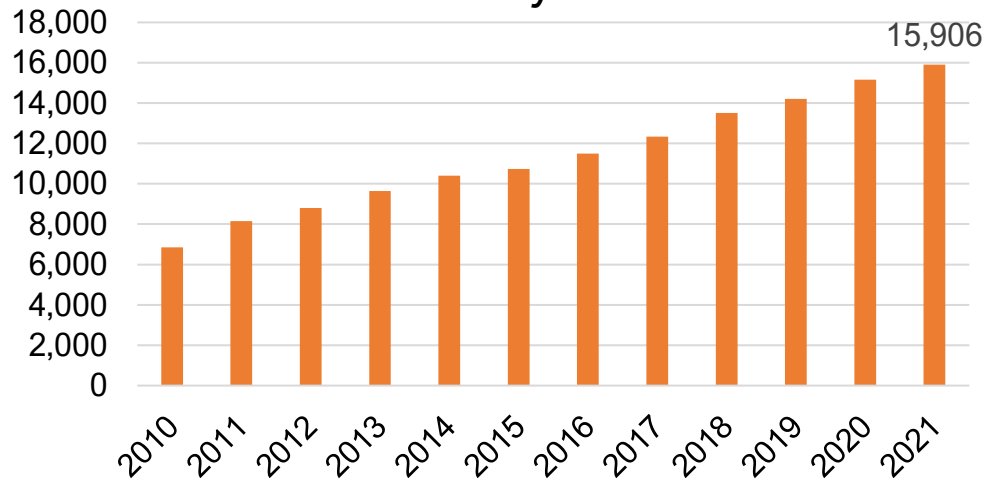
U.S. Brewery Permits



U.S. Distillery Permits



U.S. Winery Permits



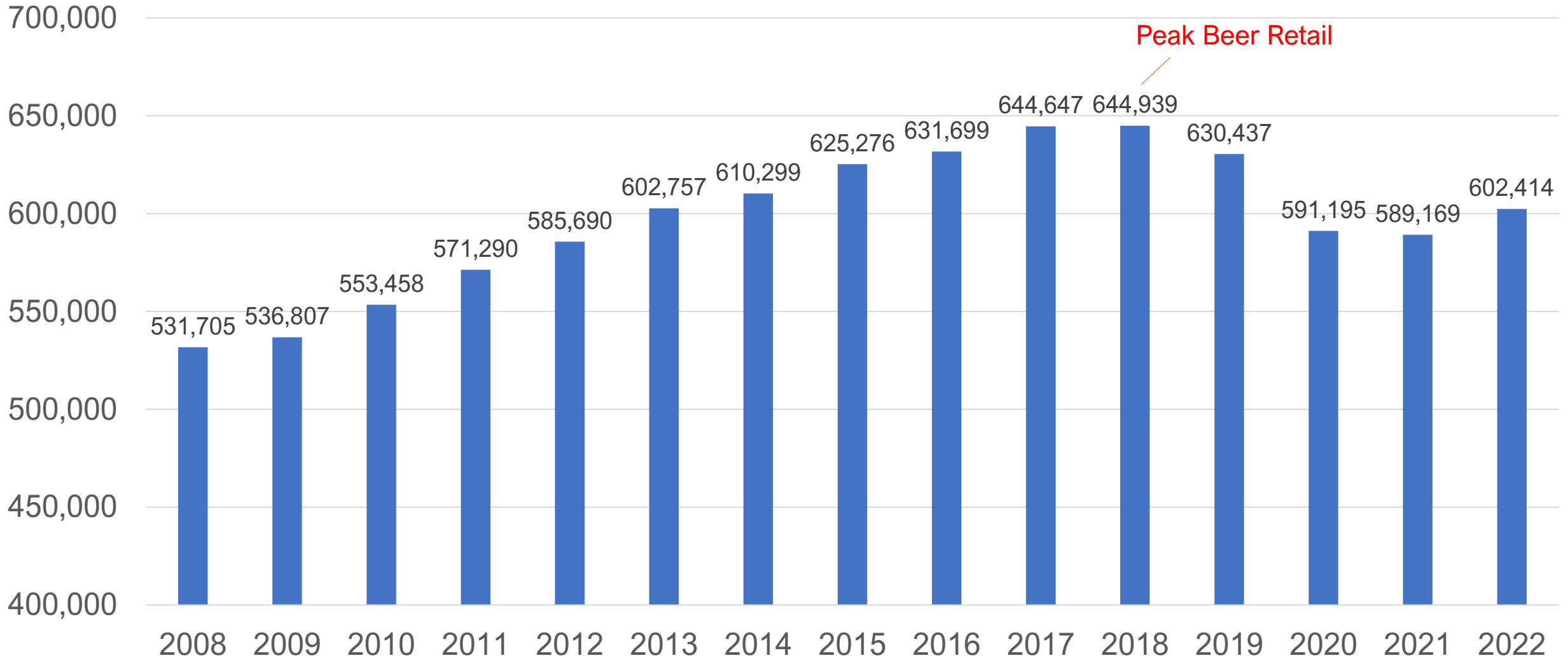
Over 33,000 alcohol manufacturers in U.S. Despite COVID-19. Policy changes, demographics and economics drive growth in a race to match innovation and consumer demand. Even DC now has 10 permitted wineries.

U.S. Tax and Trade Bureau Permitted Brewery Count

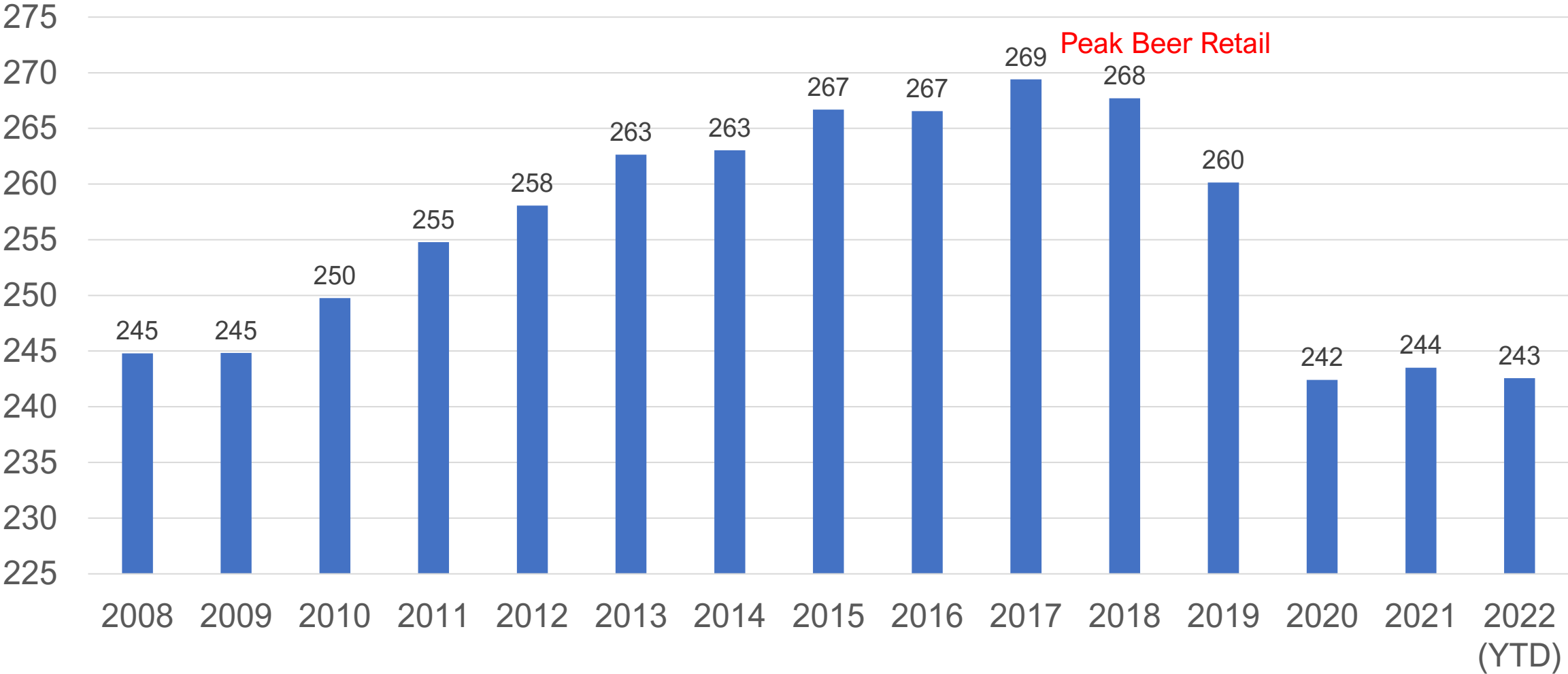
13,380 Total Permits CY 2021

State	Count	State	Count	State	Count
Alabama	77	Kentucky	128	North Dakota	34
Alaska	72	Louisiana	69	Ohio	525
Arizona	179	Maine	212	Oklahoma	95
Arkansas	76	Maryland	188	Oregon	441
California	1,524	Massachusetts	321	Pennsylvania	712
Colorado	586	Michigan	636	Rhode Island	52
Connecticut	172	Minnesota	301	South Carolina	149
Delaware	51	Mississippi	32	South Dakota	63
DC	19	Missouri	230	Tennessee	205
Florida	531	Montana	137	Texas	581
Georgia	208	Nebraska	78	Utah	55
Hawaii	50	Nevada	73	Vermont	111
Idaho	120	New Hampshire	140	Virginia	447
Illinois	418	New Jersey	198	Washington	667
Indiana	288	New Mexico	155	West Virginia	38
Iowa	154	New York	720	Wisconsin	374
Kansas	88	North Carolina	544	Wyoming	56

Total U.S. Retail Establishments Selling Beer Yearly 2008 to 2022 YTD (May)

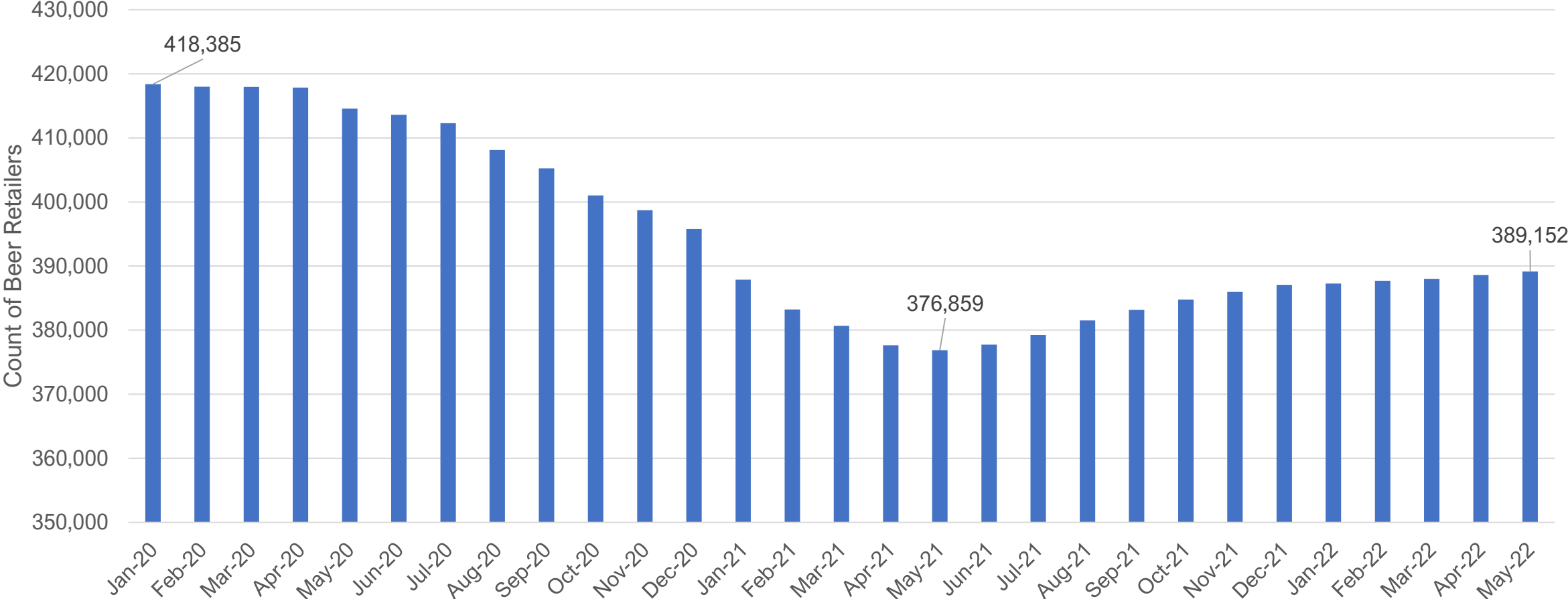


Total U.S. Retail Establishments Selling Beer per 100,000 LDA Consumers Yearly 2008 to 2022 (May)

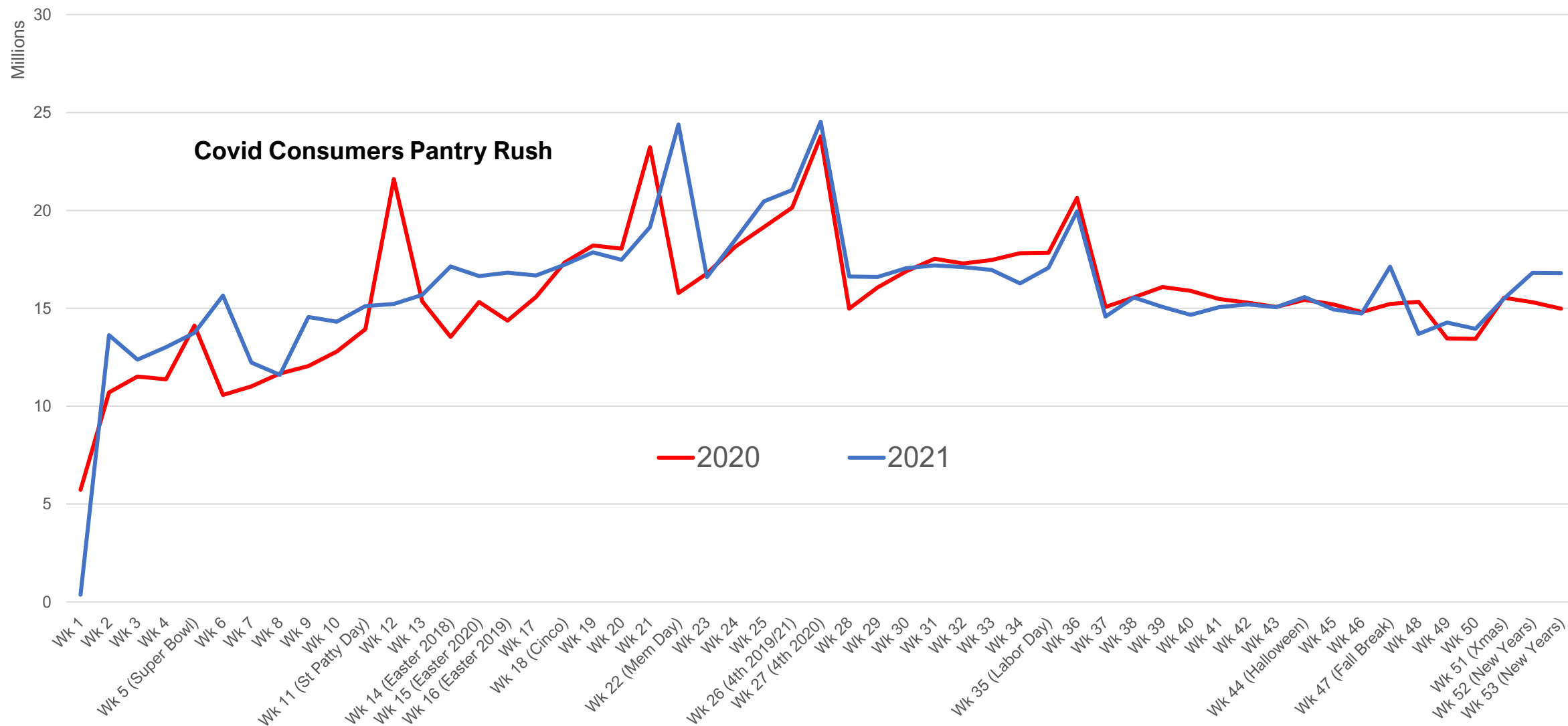


The Fall and Rise of Independence

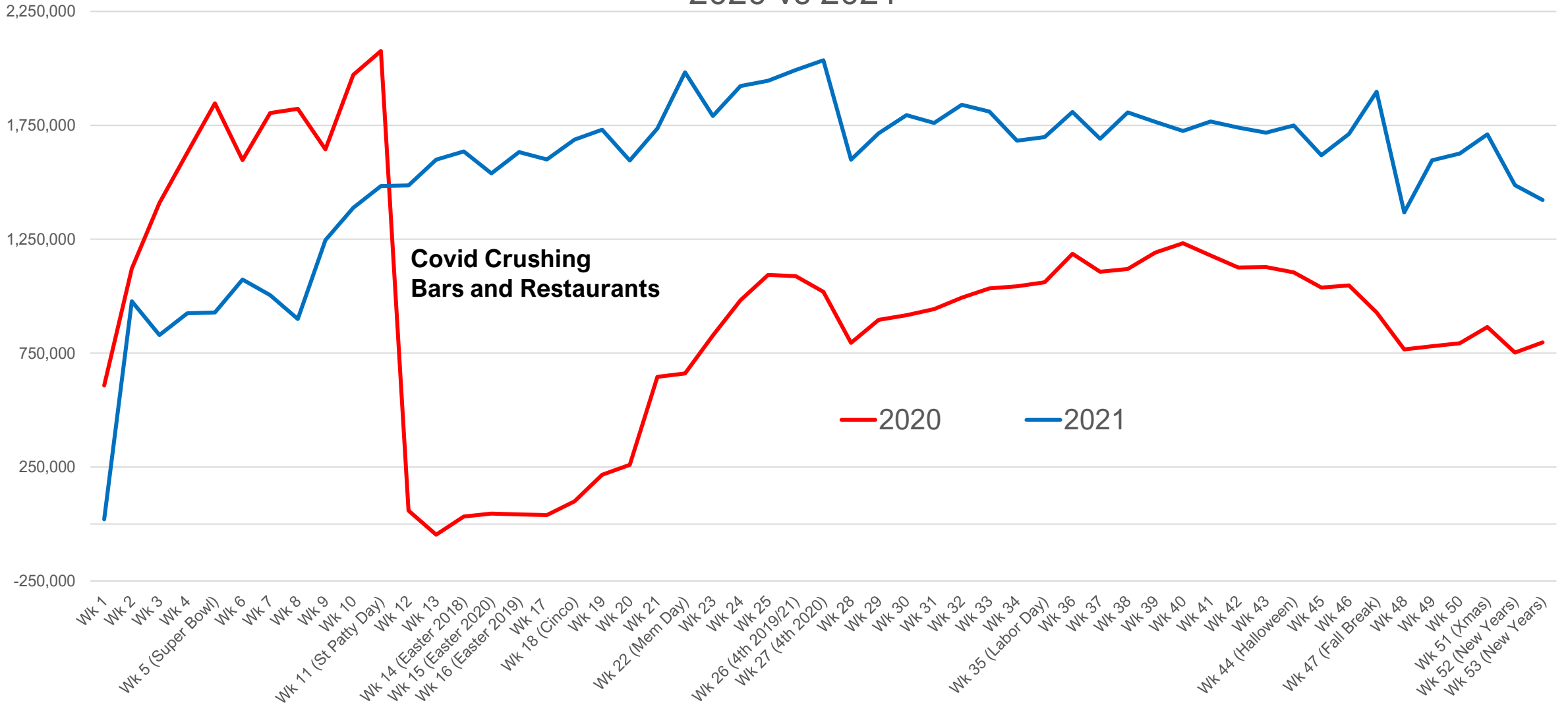
30K Fewer Independent Beer Retailers in Post Covid Economy



Total Industry Beer Sales to Retailers – Case Volume by Week (24/12 equiv) 2020 vs 2021



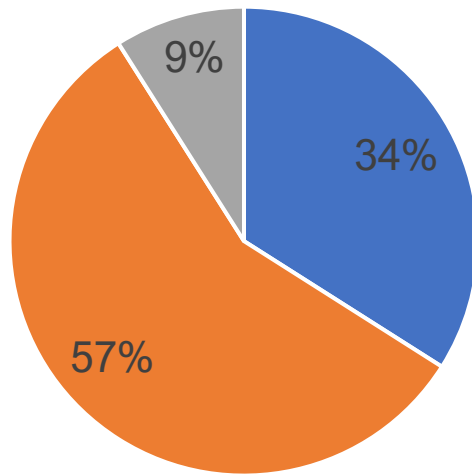
Total Industry Beer Sales to On Premise Retailers – Case Volume by Week (24/12 equiv) 2020 vs 2021



Beer Sold into Retail

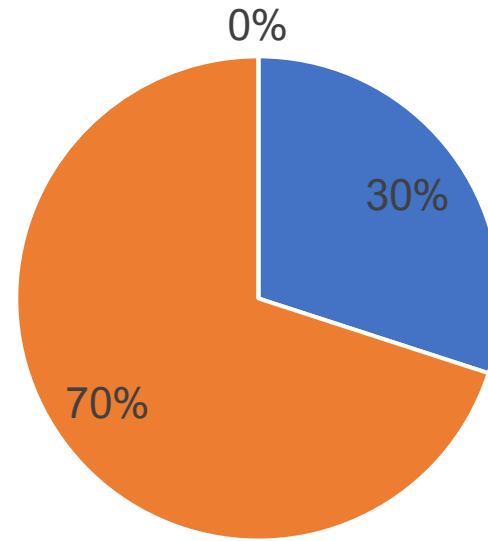
This is how supply chains break and rebuild.

Pre Pandemic (2019)



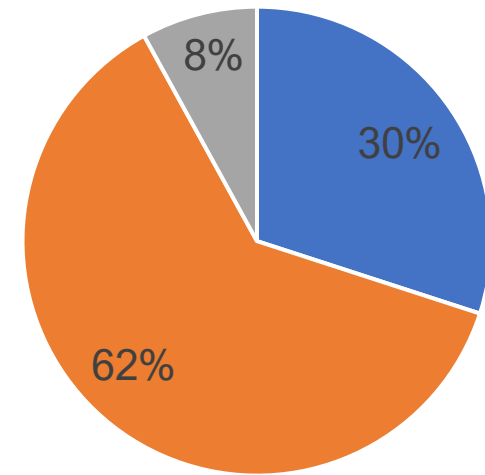
■ Bottles ■ Cans ■ Keg

Pandemic (March-April 2020)



■ Bottles ■ Cans ■ Keg

Post? Pandemic (YTD2022)

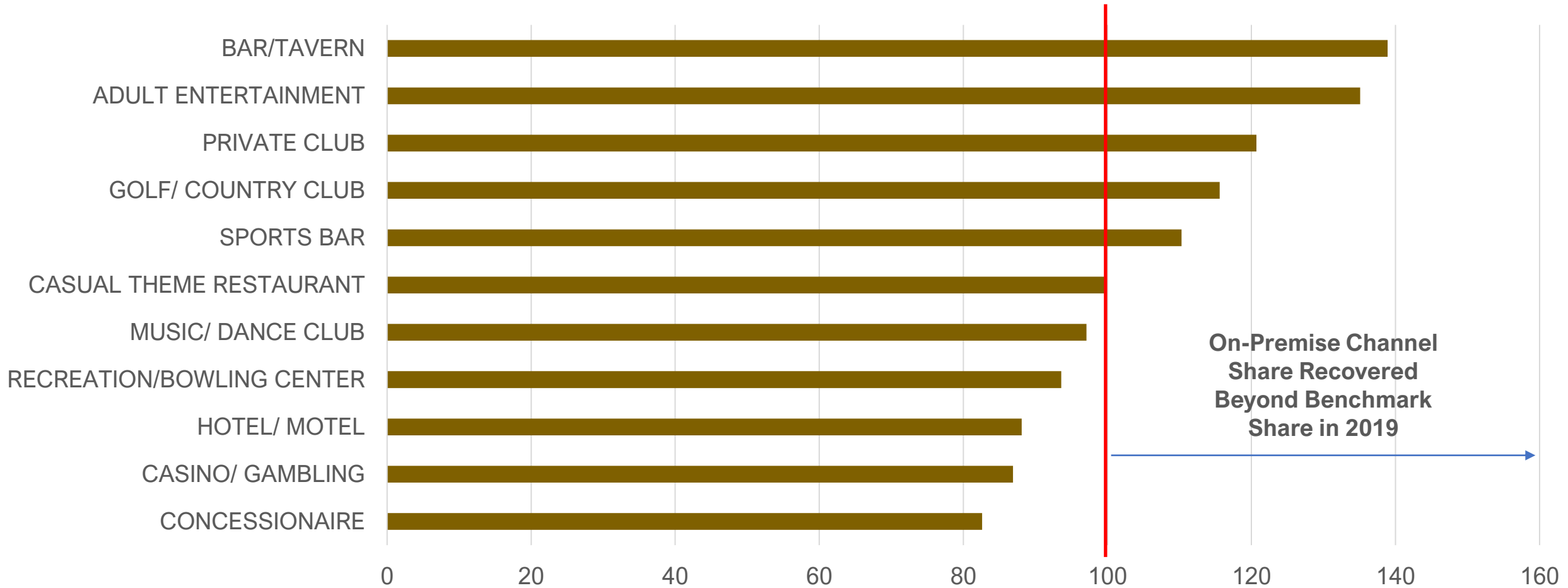


■ Bottles ■ Cans ■ Keg

With relatively the same level of demand, aluminum cans have giving up share to steel kegs in 2022. Aluminum can shortage will lessen as demand for cans consumer demand shifts to draft in the marketplace.

Sales to On-Premise Retailers

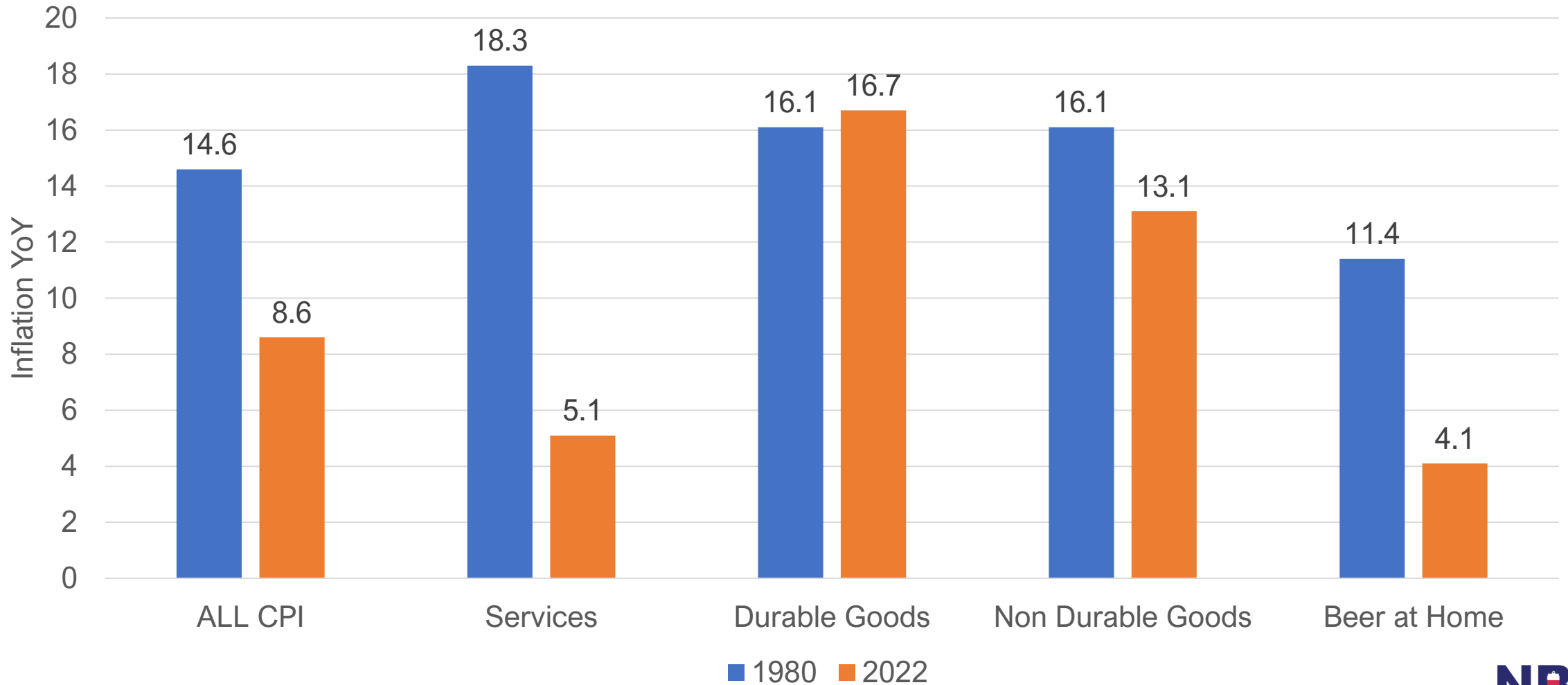
2022 Q1 On-Premise Channel Share Recovered Relative to 2019 Q1 Benchmark



Its All About the “Goods”

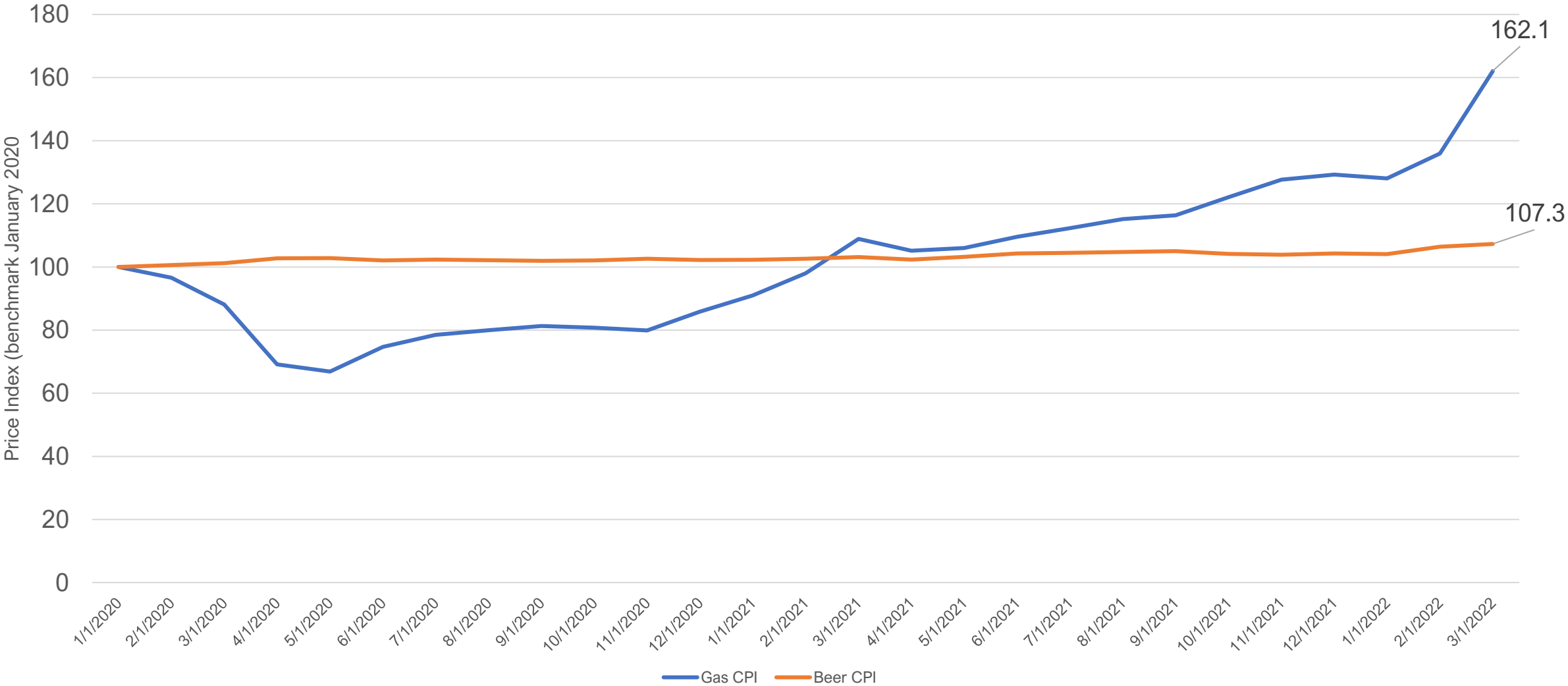
Durable Goods leading inflation in 2022

YoY Inflation 1980 (peak month) vs 2022



Gas vs Beer Prices BLS-CPI

January 2020 to March 2022



THE

Olympic Tavern

A RESTAURANT & BAR

**BEER IS NOW
CHEAPER THAN GAS
DRINK. DONT DRIVE**



AMERICA'S BEER & BEVERAGE DISTRIBUTORS

Thank You

Lester Jones, Chief Economist, NBWA

ljones@nbwa.org

Twitter @joneslester



National Industry Trends

John Bodnovich

Executive Director

American Beverage Licensees (ABL)

Maryland Alcohol Licensing Association

Conference

May 19, 2022

“Who are those guys?”

- **Bars & Taverns** - Independent, family-owned local hospitality businesses
- **Package Liquor Stores** - Independent, family-owned local hospitality businesses
- **ABL FOCUS**
 - Fighting for federal relief
 - Sharing helpful information/best practices
 - Providing economic impact data
 - Supporting small beverage businesses that have been built within effective state alcohol regulatory models and the positive impact they have in their communities



- Alcohol Policy – Slow but steady, incremental change
- *Tennessee Wine* fallout
- Trade & Tariffs; Standards of Fill; Craft Beverage Tax Reform; Music licensing Reform

BC (Before COVID)

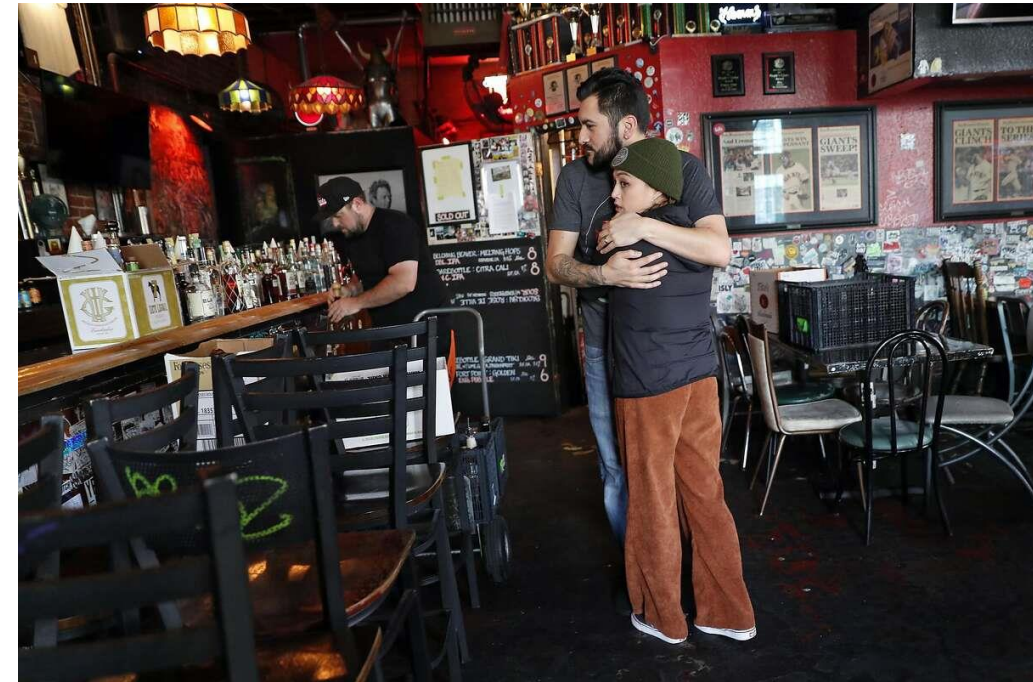


It feels like a decade ago, but the Nationals won the World Series in 2019.

COVID Impact on Beverage Retailers

Bars & Taverns

- Hardest hit; Shutdowns for up to 100 days; Takeout/Outdoor shift; Drinks-To-Go
- **March 2020 → March 2021: U.S. bar and restaurant sales of beer, wine and spirits declined by \$90 billion.**
- Uneven economic recovery; Ongoing operating challenges; Variant surge-related policy changes
- Labor shortages; Product availability; Debt; Lack of additional federal relief; Future uncertainty



Since March 2020, ABL has:

- Commissioned an **Economic Impact Study** for Members Harmed by COVID-19 (2020)
- Hosted Zoom meetings for licensees to discuss **how to fight state & local COVID-19 shutdowns** (2020)
- Lobbied for **Paycheck Protection Program (PPP)** (Enacted into Law, 2020)
- Lobbied for additional PPP funding (Enacted into Law, 2020)
- Lobbied for PPP eligibility for bars with gaming (Allowed, 2020)
- Lobbied for Supporting America's Workers Act to increase the **biz meal deduction** from 50% to 100% (Enacted, 2020)
- Lobbied for the RESTAURANTS Act (Passed House, 2020)
- Lobbied for the Safe to Work Act to **create a cause of action of liability for COVID claims** (Introduced, 2020)
- Lobbied for COVID-19 **Economic Injury Disaster Loan (EIDL) Modification** (Adopted, 2021)
- Lobbied for the **Restaurant Revitalization Fund** (Enacted into Law, 2021)
- Lobbied for the Restaurant Revitalization Fund Replenishment Act (Introduced, 2021-22)
- Lobbied for the **Perishable Food & Beverage Tax Credit** (Introduced, 2020-22)
- Created material and activated grassroots to support relief for bars and taverns (2020-22)

COVID Impact on Beverage Retailers

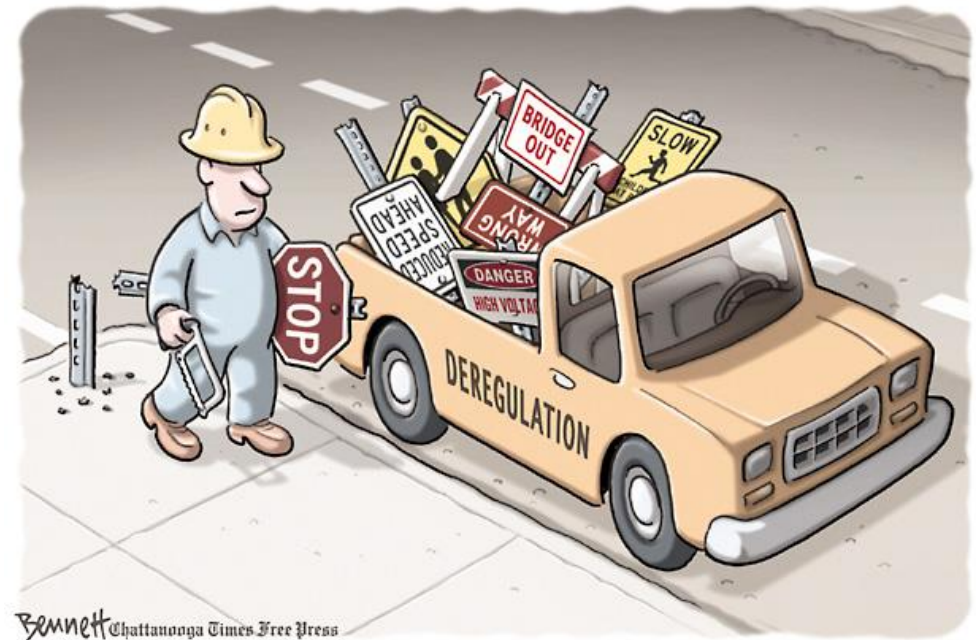
Package Liquor Stores

- Channel shift to off-premise forced a biz model pivot
- “Essential businesses” during shutdowns; Innovation and ingenuity
- eCommerce opportunities; Sales now back down to earth
- Now faced with opportunistic and overly-broad deregulatory fights



Industry Deregulation

- Campaigns to widely expand Direct-To-Consumer supplier sales via shipping; production site sales; private clubs; satellite bars
- Alcohol law enforcement resources not commensurate with plans for increased outlets and channels
- Threatens independent beverage retailers – and the consumers who rely on them – who build brands and ensure the safe and legal sale of alcohol
- Meanwhile, large producers are already enjoying record profits, and the growth of small producers remains unprecedented
- RTDs: A wedge for taxation, distribution & channel availability; The “Great Convergence”



What do consumers say?

Key findings from April 2021:

- Support remains overwhelming for individual state regulation of alcohol
- Most Americans reject the notion that alcohol is just like other consumer products
- 71% of Americans are satisfied with the alcohol regulations in their state
- 80% of respondents show support for states regulating through a three-tier system (consistent over the past decade)
- A majority agree that states should evaluate the impact of COVID-19 inspired deregulations before making them permanent.

Source: "[National Alcohol Regulation Sentiment Survey](#)"; New Bridge Strategy/Center for Alcohol Policy; April 2021

The COVID Legacy

- The pandemic should not be a license to dispose of thoughtful discourse and deliberative policymaking
- New policies for local business...Some temporary, some now permanent and being debated
- How has the pandemic highlighted competition issues?

BE HEALTHY, BE CLEAN					
CLEAN & DISINFECT					
SOCIAL DISTANCE					
PICK-UP & DELIVERY					
PHYSICAL FACILITY					

Treasury Report on Competition

- February 9, 2022: Treasury Department publishes 64-page report on competition in the alcohol industry:
 - **On the one hand:** interesting compilation of historical federal alcohol regulation and scope of current industry
 - **On the other hand:** mile-wide, inch-deep analysis of 85-year-old complex industry
- Acknowledges growth of corporate retail and limits of federal trade practice laws BUT implies that small producers should receive less trade practice scrutiny
- **Keep in mind:** part of a larger political effort; “the map is not the territory”
- **Important:** Will the report be used against sensible local alcohol laws?



The Gathering Storm: Attacks on Social Drinking

- **USDA: 2020 Proposed Dietary Guidelines: Up to 2 drinks a day for men → 1 drink a day for men**
 - USDA placed anti-alcohol advocates into the dietary guidelines review process; changed draft recommendations based on a single study
- **World Health Organization (WHO): Draft plan called for 20% reduction in ALL drinking by 2030**
 - “No safe level”
- **NHTSA: traffic deaths increased by 10.5% from 2020 to 2021**
 - Police-reported alcohol-related traffic deaths increased by 5% from 2020 to 2021. This follows a 14% increase in drunk driving deaths in 2020.



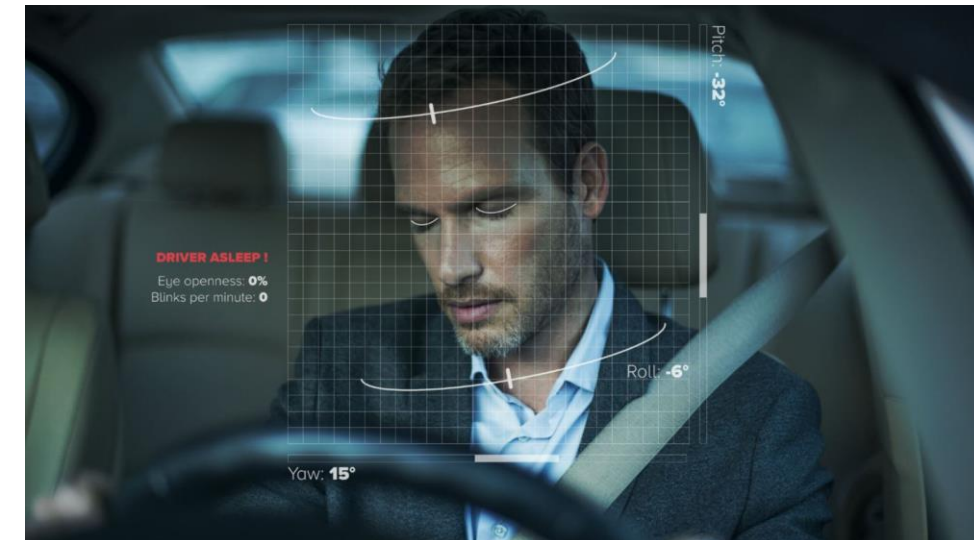
Impaired Driving

- **"BIF" Passes with Impaired Driving Technology Mandate**

- New focus...not on states and drivers, but on automakers;
- Consideration of all types of impairment: drunk, drugged, drowsy, distracted;
- Multi-year timeframe: 3-year rulemaking; 2/3-year implementation; contingencies for longer process
- Challenges: Liability; Technology; .08% BAC Standard; Privacy Concerns

- **.05 % BAC**

- Evidence that lowering BAC is the wrong approach



Legal Brief(ly)

- **Tennessee Wine (2019):** State durational residency requirements to hold a liquor license are not OK
 - **Wrong Takeaway from Tennessee Wine:** any state alcohol law that limits unfettered interstate commerce of alcohol is unconstitutional
 - **Right Takeaway from Tennessee Wine:** legitimate state alcohol laws that promote public safety should be understood, enforced and defended.
- **SCOTUS:** looking at the “predominant effect” of state alcohol laws and the purposes they serve; (Based on lower court cases, turns out that most states are getting it right)
- **REMEMBER:** The more loopholes created, the less legitimate laws become, making it easier for them disappear altogether
- **Circuit Cases:** NC, IL | **District Cases:** AZ, NJ, OH, RI



Big Picture & U.S. Regulation

- The Three-Tier System only works when it works. (Sorry for the tautology.)
- When one tier ceases to fulfill its role - or start's doing another tier's work - it breaks down
- Account service, product availability, purchasing opacity
- "Democracy is the worst form of government - except for all the others that have been tried."
- Winston Churchill
- WHO: 25% of alcohol consumed worldwide is unrecorded.
- Fake & Counterfeit: Not an issue in the U.S. Why?

International Headlines

- **Kenya:** "NACADA Warns of Counterfeit Alcohol"
- **Cambodia:** "7,000 litres of counterfeit alcohol seized"
- **India:** "Illegal liquor racket busted in Patiala, 3 held"
- **U.K.:** "Kings Norton shop caught selling counterfeit wine after tip off"
- **Dominican Republic:** "Deaths in Dominican Republic linked to tainted alcohol"
- **Cameroon:** "Cameroon Says Deaths from Consuming Fake Alcohol Spike During Pandemic"
- **Spain:** "Spanish Authorities Bust Pirate Rum Ring, Seize \$4.2 Million in Booty"



Questions & Discussion

THANK YOU

John Bodnovich

Executive Director

American Beverage Licensees

bodnovich@ablusa.org

MALA BYLAWS APPROVAL

Article II - Purpose

The purpose of the Association shall be to promote an understanding of **THE ALCOHOLIC BEVERAGE ARTICLE 2B** and the Criminal Law Article as related to the alcoholic beverages laws of the Annotated Code of Maryland, local laws and regulations relating to the sales of alcoholic beverages; to review and recommend legislation for the protection, health, welfare and safety of the citizens of the State; to establish communication and cooperation between license administrators, board members, inspectors and other state and local agencies in the administration and enforcement of alcoholic beverage laws, policies and other areas of mutual interest.

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Article III – Members

A. "Active members" shall consist of any elected or appointed official or employed person responsible for the administration of the alcoholic beverage laws of Maryland, including, but not limited to Board members, administrators, inspectors and representatives of the ~~Comptroller of the Treasury's Office~~ **OFFICE OF THE EXECUTIVE DIRECTOR OF THE ALCOHOL AND TOBACCO COMMISSION**. Only active members may vote and each agency, Board or Commission administering alcoholic beverage laws shall have only one vote.

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Article VI – Meetings ***Virtual Meetings***

The President shall endeavor to have all general membership and executive board member meetings in person; however, the President may at times need to conduct the meetings virtually. The President or Executive Board may call a virtual meeting of the members with sufficient days notice setting forth the date, time, and method of meeting. All members, or Executive Board members as appropriate, must have the ability to participate in any such meeting, ask questions, and be heard contemporaneously and without delay. The President shall verify each Executive Board member present to determine if a quorum is present, maintain minutes of the meeting, and record of any votes taken at such meeting.



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