

The Monthly Mash

Volume 1.2

Member Owned, Industry Driven



ACSA Mission:

To elevate and advocate for the community of craft spirits producers.

Today is **Repeal Day**, the anniversary of the Ratification of the Repeal on Prohibition. We've made 80+ years of progress in overturning these prohibition-era laws, and yet 80+ years later, we're still fighting many of the outdated legislations that challenge our nation's craft distillers. Still there is plenty to celebrate. For the first time, the number of distilleries here in the U.S. is at an all-time high since before prohibition.

In this month's issue: Hear from our Executive Director, learn why you should register for ACSA's annual convention in Nashville, find some of the hot topics trending in the industry, and discover some of the ACSA member benefits.

From the Desk of Margie A.S. Lehrman, Executive Director

I'm preparing for the annual ACSA Board of Directors retreat, taking place this very week in Austin, Texas. Lucky to be working with thoughtful leaders -- DSP members elected by you who give countless hours to represent your interests -- we will gather to sort through a renewed collective vision and update our strategic plan. (In the event you forgot or never knew, ACSA's Vision is: The greatest spirits are universally recognized as coming from our member producers, and they are enjoyed responsibly everywhere in the world.) A big SHOUT OUT to the ACSA Board members who volunteer their time, give of their talents, and attend

meetings at their own expense. They've more than earned my respect for helping shape our industry; and, isn't it fitting that we are meeting on this day of December 5th: REPEAL DAY!

So, besides the Board retreat, what's new?

Are you taking advantage of the Craft Spirits Classroom? Quenching Your Thirst for Knowledge? What have you missed?

Take a look at the Q&A with three of our founding Board members to learn how they see the industry...and, how a guidance counselor influenced one of our Board members!

Think about how you'll structure your time in Nashville during our Distiller's Convention and Vendor Trade Show. Pay close attention to the newest convention social offering: a closing party with a live band! Do not book your return flight too early! And, don't miss the chance to have your own product packaging evaluated by Nielsen. Are you eligible to participate? [Click here](#). You won't know unless you try. Moreover, if you are coming to Nashville look at the education schedule found [here](#).

Discover what a new Administration means for the current state of the fight to reduce the FET.

And, learn why a few select judges from the spirits competition believe YOU should submit your spirits.

See what discounts we negotiated with the IWSR with a product that greatly enhances the Craft Spirits Data Project (c) 2016 ACSA/Park Street/IWSR.

Don't forget to welcome new members who recently joined!

Finally, be reminded of a bit of our industry's history in the Did You Know feature.

Read on...and...if we don't speak before the new year of 2017, wishing you peace, joy, and health. Here's to raising SPIRITS during this holiday season.

Cheers,

Margie



In December, ACSA Continues its *Craft Spirits Classroom* Winning Streak



Clockwise from top left: Gary Spedding, Amber Weygandt, George Manska, Dan Gasper.

Over the past several months, ACSA's Craft Spirits Classroom, a monthly webinar series of education programs by and for craft spirits producers, has educated hundreds of industry professionals. Monthly programs -- ranging from a technical chemistry class to terrific pointers on gaining sales traction to the nuances of glassware when diagnosing spirits quality -- have generated plenty of buzz.

October's webinar -- the one-and-a-half hour "Continuous Chemistry" program that featured Gary Spedding and Amber Weygandt of [Brewing & Distilling Analytical Services](#) -- was incredibly well received and you can expect to hear more from this talented duo in Nashville come February.

Dan Gasper's "Go Deep, Not Wide: Gaining Traction in One Market" was eye-opening in its message: nail it in one market before getting distracted and spreading yourself too thin in multiple markets. This concept may be contrary to what many might have believed, but Dan believes this strategy has winning results.

In November, we featured George Manska, who shared the story of how a unique glass came to be (based on a "failed" glass-blowing experience plus extensive research at UNLV). George's olfactory overview and "myth busting" message certainly gave plenty of webinar participants food for thought -- or, should we say, plenty of sniffing to ponder?

Feedback from the many recent Craft Spirits Classroom participants is extremely positive, and it's clear that the series is rapidly becoming a win-win for ACSA's membership and the industry. With comments ranging from "The presenters clearly know their stuff!" to "What he shared was REALLY REALLY REALLY insightful," to the fact that 100% of the survey respondents agree that a webinar is a good education format AND that they will sign up for a future webinar tells us we are definitely doing something right. (And, yes, if you've missed any of these webinars, they were all recorded and are available for purchase. Email our education manager, Libby O'Malley, [here](#) to get details on accessing this helpful content.)

Mark your calendar now for the Wednesday, December 14th webinar (3pm EDT). This month it's a FREE webinar. Consider it a holiday token of ACSA's appreciation to you, a valued member of the craft spirits community. And, then, take note. The topic this month comes to us from the folks at TTB. Always a hot topic, "Spirits Labelling: Avoiding COLA Pitfalls" will provide the lowdown on mandatory labeling, what causes labels to be returned for correction, and, more importantly, what compels overall rejection. You can register for December's webinar online now [via this link](#).

Here's to another great program brought to you by the Craft Spirits Classroom and here's to 2017! Won't you allow us to satiate your own thirst for knowledge?

Register for the Annual



ACSA Convention

Convention Highlights:

Keynote: Ken Grossman, Founder Sierra Nevada. If you've ever wondered how Ken did it, don't delay. Register NOW to hear him tell his story.

Education: Check-out the full schedule [HERE](#). Isn't it time you took your distillery to The Next Level? Let us help you.

Closing Party: B.B. King's Blues Club Nashville will have you kicking up your heels. Don't miss it! Live music. Great Drinks. Best time to chat with your fellow distillers and suppliers!

[Register here!](#)

ACSA's 2017 Spirits Competition

Randy Hudson, owner and distiller of [Triple Eight Distillery](#), shared a few words with us about winning a medal at last year's ACSA Spirits Competition.

"We were immensely proud and honored to be a category winner, but I may have been most proud of the fact that I survived Matt Hoffman's "coronation"- he threw me into Lake Michigan while it was snowing!

I will be entering more spirits this coming year, most assuredly. Our marketing guys really love having a little something special like this award to hang their hats on, and it definitely helps to establish our place as one of the leading producers in our nascent industry. And to that end we're aiming for a repeat!"

Triple Eight's Notch Nantucket Island Single Malt Whisky was selected Best in Category for Malt Whiskey. To find all of the previous winners click [here](#). See if you can take home the gold!

[SUBMIT YOUR SPIRITS NOW!](#)

Early-bird deadline is December 17, 2016. Do NOT DELAY!



What's Happening on Capitol Hill?



We just had a very spirited election. So what does this mean for the craft spirits industry?

The election brought mixed results in the very short term for our industry, but on balance, we think it will be positive. Our two legislative champions, Senator Roy Blunt (R-MO) and Congressman Erik Paulsen (R-MN) were in close races and both were re-elected. Also, Senator Ron Wyden (D-OR) was easily re-elected and he will remain the most senior Democrat on the all-important Senate Finance Committee. This bodes well for 2017 since the line-up of key proponents for our industry will largely remain the same. Also, Senator Chuck Schumer (D-NY) will be elevated to Minority Leader in the Senate. He was an early supporter of our industry and has visited many distilleries in New York. Senator Mitch McConnell (R-KY), the Senate Majority Leader, has long been a champion of the spirits industry.

The bills to reduce the FET have never had more support than in the current Congress. H.R 2903 has nearly 300 co-sponsors in the House and the Senate companion bill S. 1562 has 51 co-sponsors in the Senate. As a reminder, the legislation we are referencing would reduce the FET for craft distillers from its present \$13.50 to \$2.70 for those producing under 100,000 proof gallons. This would provide our industry parity with craft brewers and small vintners and unleash new investments in our small businesses. ACSA helped draft this legislation and introduced it in this Congress.

With the election of Donald Trump as President and Republicans controlling both House and Senate, our hopes for a robust lame duck where tax legislation might be considered were dashed. As we all know, it was a result not predicted by the polls, and, not unexpectedly, GOP leaders essentially decided to hold all major tax and spending decisions until 2017 when a new Congress convenes and a new President is in office. While this is not good news in the short term, many opportunities lie ahead for our industry in the long term.

The good news is that there is a near certainty that major tax legislation will be considered in 2017 and likely passed and become law. There has never been a clearer opportunity for our industry to be included in a tax bill. Our industry will be challenged in 2017 to include the FET reduction and parity because we will not likely have this opportunity again in the near future. We will have to rise to the occasion and work with the Congress and new Administration to ensure that tax fairness for our industry is included. These issues will likely be decided between January and June of 2017. During this period we expect to launch a grass-roots effort and a Washington fly-in.

ACSA is also looking to work with the new Treasury Department about the direction of the TTB. President-elect Trump has nominated Steven Mnuchin as Secretary of Treasury. The election will usher in a fresh look at regulations and the potential to reduce regulations for small businesses. We hope to form an agenda around this set of issues.

2017 promises to be an active and interesting year for our industry and we will be working with our members to make sure it is a success for craft distillers. We thank the many distillers that have hosted members of Congress during this year and look forward to working with all you in 2017.

Welcome Newest Members!

ACSA extends a warm welcome to a few of our newest members:

- [Twisted Path Distillery](#) (WI)
- [Witherspoon Distillery](#) (TX)
- [Sethness Products Company](#) (IL)
- [Tattersall Distilling](#) (MN)
- [Detroit City Distillery](#) (MI)
- [North Fork Spirits LLC](#) (NY)
- [Mingo Creek Craft Distillers](#) (PA)
- [Tailwinds Distilling Company](#) (IL)
- [Republic Restoratives, LLC](#) (DC)
- [Lockhouse Distillery](#) (NY)

Find out more about becoming a member [here](#).

Regional Focus: Nashville



Nashville's pedigree is quite obvious in the worlds of music and food; honky tonk and BBQ are untouchable. But, Nashville has very recently risen to be one of the top places to find a drink. And that rise might be attributed to the culture already surrounding the city. Colton Weinstein, the head distiller of Corsair's Nashville facility, recognized that the craft community in Nashville has been greatly influenced by the sounds and tastes of Music City. But, Weinstein also noted that the industry didn't just happen. Corsair was instrumental in getting local legislation passed to ferment the type of boom happening now. A community of craft producers has developed around this boom and Weinstein mentioned how the collaboration between distilleries has bred success. "We're one big family," Weinstein said of the local spirits scene.

A big part of that family are the local bars and restaurants. Weinstein explained that bars offering robust cocktail programs and bartenders who actively engage with customers play a big role for Corsair. Education can take place beyond the walls of the Corsair tasting room and the skilled local bartenders are important for the growth of craft spirits. The success of distilleries and breweries in and around Nashville has certainly encouraged the country to shift their focus to Music City, but recognition from the James Beard Foundation and attention from national press and media outlets has highlighted the local craft spirits industry.

Weinstein offered some suggestions for a fun night in Nashville. "Strategic Hospitality has a lot of great restaurants and bars, like [The Paterson House](#), with some really talented bartenders." Weinstein also spoke highly of M Street restaurants, including [Whiskey Kitchen](#) and [Tavern](#).

Matt Tocco, the beverage director at Strategic Hospitality, shared a few words about how he

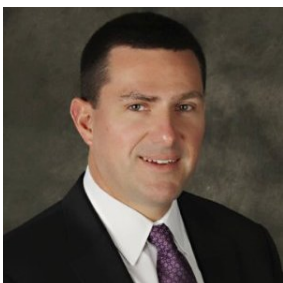
selects spirits to stock his bars. Tocco explained, "First and foremost I want the staff to be excited about the products they use. For the most part my focus is on cocktails and I work with the bartenders to create their own cocktails for the menu. I try to empower them to make decisions about what products they use by including them in tastings and educational opportunities. Once they become excited about a product we try and design a drink around that. Obviously relationships with suppliers, distributors, and manufacturers also play a part in the products we use as well." Tocco has had to find a balance between supporting local producers and offering a wide selection. He says, "of course flavor is always the dominating factor for the products we carry as well as what the guests want whether they know it's what they want or not."

Tocco also elaborated on what makes a successful bartender at his restaurants and bars, "I use the term 'integral' bartender a lot when I train. There are many different skill sets useful to have as a bartender. Work ethic, hospitality, creativity, attentiveness to the needs of your guest, technique, being a team player are all things that one should work at to be a well rounded or 'integral' bartender."

Tocco takes great pleasure in supporting the local distilleries and pushing his bartenders to engage with the products. As beverage director, he plays a big role in educating consumers. He has witnessed the growth of Nashville as a cocktail destination and the bars and restaurants of Music City are critical to that success.

ACSA will provide a full list of restaurants for our foodies. Don't worry, cocktail meccas will also be included on that list!

A Q&A with Your ACSA Board



We asked three of our Board members to answer a few questions about their experiences in distilling, marketing their products, and what stresses them out. Read below to find out more about Tom Mooney, Co-owner and CEO of [House Spirits](#) (OR); Nicole Austin, Master Blender of [Kings County Distillery](#) (NY); and Ted Huber, Master Distiller of [Starlight Distillery](#) (IN).

Do you have an undergraduate degree and if so, how did you select it? Does it have any application to your work in the distillery today?

TM: "Yes, I have an engineering degree with an emphasis on operations research, and I chose to go that route because I have always loved math.

After years of jobs in which I didn't really use what I learned in college, I now use it every day at the distillery. Examples include scheduling, materials requirement planning, evaluating and right-sizing new process equipment, and of course the grand daddy of them all, building a new distillery that overlays the production process of different spirits in one space. "

NA: "My undergraduate degree is in Chemical Engineering, which is probably the second most applicable degree to running a craft distillery, behind a business marketing degree! I had no idea when I was 18 that I would want to be making whiskey for a living; I chose that major because I was told it was the most difficult and I was feeling defiant towards my Guidance Counselor, who implied that I might not have the discipline to be successful in such a challenging program. It ended up being the perfect program for me, and I'm so glad I stuck with it. This is exactly what I want to be doing with my life and career, and I can't imagine trying to do it without the benefit of the in depth understanding of fluids, thermodynamics, reaction control, and distillation."



What challenges do you believe are up ahead for small craft distillers?

TM: "The answer is in the question – we're small. In most cases, too small to be viable businesses. The craft sector is growing by leaps and bounds, but much of the growth is driven by new distillers, and more growth must come from year-on-year sales increases at existing distillers. If we ranked the 20 largest craft distillers and compared that list to the 20 largest craft brewers, we would find that distillers are two orders of magnitude smaller.

Another challenge is that we have lobbied so successfully for a favorable environment in our home states that we have made it difficult for any of us to expand nationally or even regionally. In other words, one distiller's home field advantage turns into every other distiller's barrier to expansion. The next few years will determine whether we are an industry of craft brands that travel well across markets, or a hyperlocal industry of small players serving home markets."

NA: "As we grow, the greatest challenges I see are related to all of the non-TTB regulatory obligations. Almost everyone is aware that they are regulated by TTB, as well as a state beverage alcohol agency, and that they have to do some work to comply with their requirements. However, many are not aware of the numerous other agencies that also regulate. Federally you have OSHA, EPA, FDA, and then you have state and local agencies on all manner of topics: environmental, health and safety, building and fire codes, food safety, etc. etc. The regulatory environment is complex, extensive, and tends to be easily ignored until the moment it becomes an absolute disaster. The level of involvement that each of these agencies has in your lives is totally dependent on the mood of the agency employees and directors, which can change at any moment. As our industry grows, more regulators are going to take note of us and want a piece of the action. I think a lot of people are taking the "well it hasn't been a problem yet so why would it be a problem in the future?" approach, and that is a big risk. And beyond the risks of fines and stopped work, are we confident as an industry that we are doing the right thing? Are we putting our employees and visitors at risk? Are we harming the environment by releasing solids, COD, cleaning chemicals, and copper? I think the transition from a brand new "start up" industry to a group of long term sustainable businesses is going to be challenging, and the devil will be in the details."

TH: "One of the greatest challenges that I see developing very quickly in this industry is an over-crowded marketplace and how to distinguish your product from the thousands of other craft style products. Craft distillers should always be focusing on ways to uniquely identify themselves in the marketplace which can be accomplished in many ways depending on your distilleries personality."



If ACSA is successful in reducing the FET, how will that impact you personally? What could you do with that extra money you would not be paying in taxes?

TM: "A reduction in FET would immediately free up cash to invest in new inventory, as well as sales and marketing efforts to generate new demand. This, in turn, would lead to new hires at the distillery and in the field. Personally, FET reduction would allow me to avoid further equity dilution because I could fund the growth of my company internally instead of relying on additional capital from outside investors."

TH: "For our distillery, Starlight Distillery, it would be an easy answer and choice on how we would allocate the extra capital. The priority and mission of our distillery is to always reinvest in both personnel, equipment, and infrastructure. As a co-owner of a seventh generation family business started in 1843, this principle did apply with past generation leadership and still applies today – over 170 years later."

What is the greatest marketing tip you'd be willing to share?

TM: "Generating awareness and trial for a new spirits brand is extraordinarily difficult, so it's important to do this in the most favorable environment. Off premise, people walk in with a specific brand in mind, and they want to get out of the store as quickly as possible. On premise, people walk in with an open mind and a desire to learn something new, and they're open to suggestions. Marketing dollars spent to change behavior off premise are largely wasted, whereas on premise investment is very effective. This is difficult for most of us to accept because selling a bottle at an in-store tasting is such a tangible win, while behavior that is influenced on premise is impossible to track and takes longer to develop."

TH: "The key to marketing in my mind is consistent and constant branding and to always allocate a portion of gross sales to marketing every year. We have also found that by employing full time marketing & graphic artist positions, we have been able to accomplish our priority of consistent branding while saving time, frustration through coordination of external marketing resources, and money."

What keeps you up at night -- and -- how do you deal with that stressor?

TM: "I feel that getting our products into the hands of consumers who want them is more difficult than ever. Consolidation in the wholesale tier, and the proliferation of craft distillers and brands in the supplier tier, have made it very difficult (and expensive) for us to achieve broad distribution. The wine industry has the same wholesaler challenge (in fact, the very same wholesalers), and there are many more wineries than craft distilleries, but small wineries are allowed to ship directly to consumers while craft distillers are forced to go through a three-tier system that works well for larger brands but doesn't make sense for products that sell a few hundred cases a year."

TH: Our growth is both an opportunity as well as a challenge and definitely something that keeps my mind active and up at night. Keeping up with the demands of growth of our retail sales area as well as the marketplace can be challenging. I have to balance demands for our brand on property where we hosted over 550,000 visitors in 2016, a record year of visitation, along with a 27% growth in our outbound distribution in the marketplace in 2016. With over 150 full time and part time employees, this can be a challenge."

Hot Topics in the Craft Industry

By Ryan Malkin, Attorney, Malkin Law, P.A.

ACSA Pro Bono Counsel

Election day brought legalization of marijuana for recreational purposes in California, Maine, Massachusetts, and Nevada, and medicinal purposes in Arkansas, Florida, Montana, and North Dakota. The majority of U.S. states now have some form of legal marijuana. According to news reports, major suppliers are carefully eyeing how to become involved in the industry. For now, because marijuana is illegal federally, marijuana-infused alcohol beverage products are a long way off but stay tuned.

The trend of apps that promote or support the alcohol beverage industry continues. Major apps, like Drizly, continue to add markets. Meanwhile, other apps are offering services that allow craft distillers to easily and economically provide coupon fulfillment, sweepstakes and contest administration, and even the ability to purchase drinks for consumers at bars and restaurants in some markets.

Alcohol beverage lawyers are regularly advising clients against pay-to-play and slotting fee activities because of the possibility of state or federal enforcement actions. Recently, Massachusetts beer distributor Craft Beer Guild paid TTB a \$750,000 fine for alleged slotting fee violations. According to TTB, "Craft Beer Guild, LLC allegedly paid 'slotting fees' to retailers in exchange for favorable product placement and shelf space." TTB said the industry will see "further investigations" in this area.

Did You Know?

- Alcohol plays a significant role in history, touching on cultural, social, and manufacturing roots. Men and women were enjoying alcohol as long ago as 5400-5000 BC. In an area called the "Fertile Crescent," a geographical area stretching between the Mediterranean and the Persian Gulf, anthropologists reveal Neolithic settlement jars once held wine. (Gately, Iain, DRINK: A Cultural History of Alcohol (Gotham Books, Penguin Group 2008).
- The TTB has proposed some amendments to Wine Treating Materials and Related Regulations, find them [here](#).
- Oftentimes, it doesn't take an elected official long to make his/her mark. Politics aside, look at the

speed of this US President. FDR took office on March 4, 1933. On FDR's eighth day in the Oval Office, he wrote his proposal to Congress, directing it to legalize alcohol sales (known as the "Beer Bill"). After nearly 14 years of prohibition, on April 6, 1933, the House passed this measure. Although it took many more months for final repeal, FDR lit the fire and the Twenty-First Amendment, rescinding the Eighteenth Amendment, was ratified on December 5, 1933. McGirr, Lisa, The War on Alcohol: Prohibition and the Rise of the American State (W.W. Norton & Company 2016).

- The TTB has issued more than 2,100 DSP permits, find them all [here](#).
- Contrary to what you may think, UTAH likes its alcohol. Utah became the 36th state to ratify the 21st amendment, the necessary number to repeal prohibition. Utah also is the home to nearly a dozen craft distilleries.
- [FDA Publishes Biennial Uniform Compliance Date for Food Labeling Regulations To Be Issued In 2017-2018](#) and the FDA offers [Clarification on Menu Labeling Compliance Date](#).

ACSA Member Benefits: IWSR



Your ACSA Membership entitles you to substantial Sponsor discounts, such as this one:

All ACSA members receive 20% off all products from The IWSR (International Wine & Spirits Research). Learn about your industry, American craft spirits, through a newly released authoritative and comprehensive report, **IWSR 2016 U.S. Craft Spirits Report**.

This ground-breaking report shares results from the Craft Spirits Data Project, a collaborative exercise led by ACSA, Park Street, and the IWSR enhances it with global perspectives on craft from the team of IWSR analysts. If you care about trends, understanding the economic impact, and gaining knowledge that may help you expand your own business, this report is not to be missed.

Contact Brandy Rand, brandy@theiwsr.com or 646-830-2616 for more information or to order the report at a special craft distiller price + 20% discount.

Survey

[What is your favorite holiday cocktail?](#)

[Let us know to have your recipe featured in our next newsletter!](#)

Participate in a Nielsen Research Study



ACSA's Education Committee is excited to announce an opportunity for those of you interested in getting consumer feedback on your product packaging.

Nielsen will be presenting at this year's ACSA Distillers Convention and Vendor Trade Show. During that session, Nielsen will be presenting select results from a complimentary (free) research study that is only available to ACSA members!

For this research, Nielsen is looking for distillers who make unflavored bourbon that is sold off-premise. Let Nielsen know you're interested in participating by filling out [this short survey](#) before December 6. Please note there are no costs associated with participating: this research is complimentary because Nielsen is collaborating with the ACSA. The select, high-level findings will be shared at our upcoming event.

Those of you who participate in the research will be able to find out how your product's package design stands out against others and if it holds consumer attention effectively. You'll also discover what consumers like and dislike about your design and receive feedback to help you identify areas for design improvement. If you want to know what the findings might look like, check out Nielsen's recent craft beer audit [here](#).

Filling out the above survey doesn't lock you into anything, it's just a way for Nielsen to find out who might want to participate. If you have any specific questions feel free to contact [Laura Richardson at Nielsen](#) with any questions.

Take [the short survey here](#) now!

Social Media

Do you have a new spirit release, an upcoming event, or some news to drop?

Follow our social media channels and [Tweet at us \(@craftspiritsus\)](#) or post to our [Facebook Page](#) and we'll be sure to share it! Make sure to use the hashtags #ACSA and #CraftSpirits!

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