



# 2018 Annual Report



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**James Montero**  
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**Molly Troupe**  
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*Greenbar Distillery (CA)*

**Jake Holshue**  
*Old Trestle Distillery (CA)*

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**Kirstin Brooks**  
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**Courtney McKee**  
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**Amber Pollock**  
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*The Pennsylvania Avenue Group*

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*Helms Briscoe*

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**Jeff Cioletti**  
*The Drinkable Globe*





# The Year In Review

## Our Journey Continues

We are very excited to present the American Craft Spirits Association's 2018 Annual Report. It's been a remarkable year for the craft spirits community, with the number of operating craft producers in the U.S. topping 1,800, as reported in our annual Craft Spirits Data Project (CSDP). We've included many of the highlights from the CSDP in this report, which gives you a comprehensive picture of the state of the craft spirits industry.

ACSA also stepped up its government affairs activities in 2018, particularly in the halls of Congress as we continued to fight to make FET relief permanent. To that end, we launched the ACSA-PAC early last year.

We invite you to read the 2018 Annual Report and let us know what you think. Your insight is critical as we move forward as an organization and as an industry.

## Who We Are:

The American Craft Spirits Association is the only registered non-profit trade group representing the U.S. craft spirits industry. Members vote for the fifteen member-elected representatives who make up the Board of Directors, and this Board collectively works to govern the ACSA in a transparent and responsive manner, in accordance with our bylaws. On January 14, 2019, ACSA voted to update our bylaws. We will notify our membership of these slight changes shortly.

## Member Owned:

Membership in ACSA is open to anyone, although voting members must be independent licensed distillers with a valid Distilled Spirits Permit (DSP), subscribe to ACSA's Code of Ethics, have more than a 75% equity stake and operational control of the DSP, and have annual volume under 750,000 proof gallons removed from bond (the amount on which federal excise taxes are paid). In case terms, 750,000 proof gallons equals 315,451 9-liter cases (12 750 ml bottles) of 100 proof spirit. A DSP may not be a Voting Member if another producer of distilled spirits whose combined annual production of distilled spirits from all sources exceeds 750,000 proof gallons removed from bond has more than 25% equity stake and has operating control over the DSP. "Operating control" for purposes of this Section means access to and management of the distillery operations.

## ACSA Political Action Committee

In early 2018 ACSA established a Political Action Committee after it became clear to the Board of Directors that a formal part of the association was necessary to focus exclusively on advancing the membership's legislative goals through greater political engagement. Stephen Johnson, President of Vermont Spirits, chairs the ACSA-PAC. An advisory board helps the PAC meet its goals.

The funds raised by the ACSA-PAC are being used exclusively for the purpose of supporting candidates and sitting legislators that are known to be in support of permanent FET reduction, as well as ACSA's other legislative priorities.

ACSA-PAC made its first donation last year where ACSA Executive Director Margie A.S. Lehrman presented a check to Rep. Erik Paulsen (R-MN) on behalf of the PAC. Rep. Paulsen was the leader of the House legislation, with more than 300 co-sponsors, to make the FET reduction and parity permanent for craft distillers.

Shortly thereafter, the PAC donated to Sen. Ron Wyden (D-OR), the leader and author of the FET parity bill in the Senate with more than half of the Senate in support. Our Oregon members made a special effort to make an in-person presentation to him. In the fall of 2018, Margie also attended a lunch in support of Sen. Roy Blunt (R-MO), the chief GOP supporter in the Senate. ACSA-PAC will continue on a bi-partisan basis to support key legislators that want to help grow our industry.

Acting as a unified voice, we, the industry members, must consistently convey our message to legislators that we are hiring additional staff, investing in new equipment and expanding our distribution base wherever possible as a result of the reduced federal tax burden. Under federal guidelines, the PAC's fundraising efforts are legally restricted to our members. We continue ACSA-PAC's ongoing outreach through events and campaign support, as well as through the network of state guilds.



# 5th Annual ACSA Distillers' Convention & Vendor Trade Show

Last year ACSA celebrated a major milestone when more than 1,000 members of the craft spirits community gathered in Pittsburgh for the annual Convention & Vendor Trade Show—the event marked ACSA's fifth full year as an organization.

Attendees represented more than 300 DSPs from 44 states and four different countries, with visitors from Canada, the United Kingdom and Guatemala, as well as the United States. Fifty-three speakers presented 27 education sessions and 117 of the industry's top vendors showcased their equipment, ingredients and services on the trade show floor.

Fawn Weaver, best-selling author and founder of the Nearest Green Foundation—dedicated to preserving the history of the man who taught Jack Daniel how to make whiskey—was the esteemed keynote speaker at the convention. She inspired the room full of entrepreneurs with four key recommendations:

- Do stuff that scares the crap out of you every single day.
- Find a story worth telling and don't let anyone shut you up.
- Never be the smartest person in the room. Surround yourself with better, smarter, more awesome people than you.
- Let love and purpose lead you...screw everything else!

The 2018 convention came right on the heels of the passage of the Craft Beverage Modernization and Tax Reform Act, which lowered the federal excise tax (FET) for two years (set to expire at the end of this year). ACSA's then-President Mark Shilling, of Treaty Oak Distilling, moderated a panel on Tax Parity for Small Distillers. Panelists including Nicole Austin, formerly of Kings County Distillery and now of Cascade Hollow Distilling; Paul Hletko of FEW Spirits, Ted Huber of Starlight Distillery and ACSA Public Policy Advisor Jim Hyland, each took a moment to celebrate the accomplishment, but, more importantly, stressed the need to keep the fight going to ensure the FET cut becomes permanent—or at least, for the time being, to achieve further extensions.

*Attendees represented more than 300 DSPs from 44 states and four different countries, with visitors from Canada, the United Kingdom and Guatemala, as well as the United States.*



## 2018 Awards

The Pittsburgh convention concluded with the annual awards dinner, during which craft spirits producers took home a total of 16 Gold, 84 Silver and 209 Bronze medals, as well as Best in Class and Best in Show honors. Republic National Distributing Co. (RNDC) sponsored the evening's festivities, with RNDC's corporate mixologist, Sly Cosmopoulos, presenting Best in Show to Arizona's Elgin Distillery for its Regalo de Vida rum (which also won Best in Class in the rum category).

Other Best of Class winners included 5 Year RallyPoint Straight Rye Whiskey from Still 630 (Whiskey), Wigle Organic Ginever from Pittsburgh Distilling Co. (Gin), Tiny Cat Vodka from Fainting Goat Spirits (Vodka), Starlight Distillery Reserve Brandy (Brandy), and Tattersall Distilling's Bitter Orange Liqueur (Specialty Spirits).



# BRIDGING *the* FUTURE





## Judging for 2019 Awards

In October 2018, Greenbar Distillery in Los Angeles generously hosted the latest round of judging for this year's awards, presented at ACSA's 6th Annual Distillers' Convention and Vendors Trade Show. Special thanks to ACSA Vice President Maggie Campbell of Privateer Rum, who served as Spirits Judging Chair, as well as to Artisan Spirit Magazine and all of the judges and support staff.



## The Pennsylvania Toast

Pittsburgh also played host to the Pennsylvania Toast, a grand spirits tasting event that took place on the second night of 2018 Convention at the Heinz History Center, and was co-hosted by the ACSA and the Pennsylvania Distillers Guild. Sixteen Pennsylvania distilleries showcased their spirits right upstairs from the Heinz History Center's (gloriously on-brand) temporary exhibit, American Spirits: The Rise and Fall of Prohibition. The exhibit was open to attendees, offering a perfect counterpoint to the states, illustrating just how far we've come as an industry since Prohibition.

Participating distilleries included Bella Bambini Cello, Bluebird Distilling, Cart/Horse Distilling, CJ Spirits, Liberty Pole Spirits, Maggie's Farm Rum, Manatawny Still Works, Luminary Distilling, Mountain Laurel Spirits (Dad's Hat Rye), New Liberty Distillery, Pennsylvania Pure Distilleries (Boyd & Blair Potato Vodka), Philadelphia Distilling, Port of Pittsburgh Distillery, Quantum Spirits, Social Still and Wigle Whiskey. The event featured a silent auction of gift baskets donated by various distillers. Fifty-percent of the auction's proceeds supported the Pennsylvania Association for Sustainable Agriculture.





# CRAFT SPIRITS DATA PROJECT

In 2018, ACSA once again partnered with Park Street and the IWSR to conduct the third annual Craft Spirits Data Project. We are grateful for the assistance of the key organizations and agencies which enabled us to quantify the number, size and influence of craft spirits producers in the U.S.: U.S. Alcohol Tobacco Tax and Trade Bureau (TTB), the National Alcohol Beverage Control Association (NABCA), American Beverage Licensees (ABL) and the Wine & Spirits Wholesalers of America (WSWA). ACSA, Park Street and the IWSR presented the 2018 findings at the Third Annual Craft Spirits Economic Briefing at Fine & Rare in New York City last September. The report defines a craft spirits producer as one that has not removed from bond more than 750,000 proof gallons, markets itself as craft, is not openly controlled by a large supplier and has no proven violation of the ACSA Code of Ethics.


park  street

IWSR  
drinks market analysis



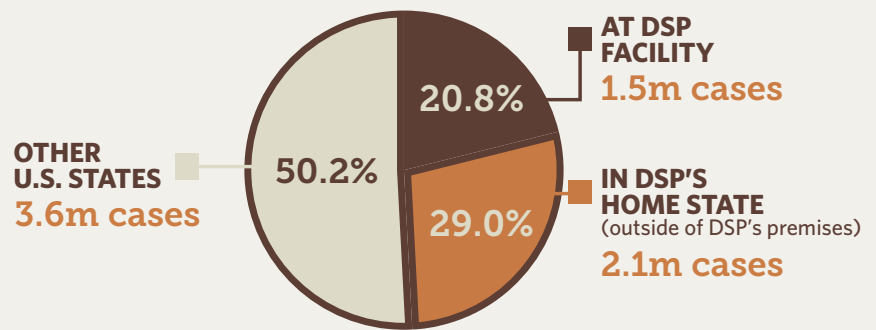
## CRAFT SPIRITS VOLUME TREND



 = 1,000,000  
9L cases

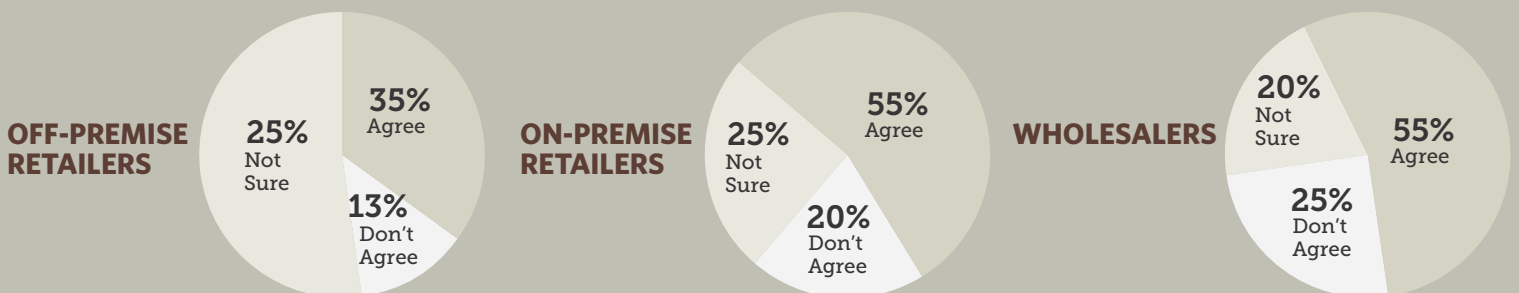
Volume jumped 23.7 percent in the most recent calendar year. When the 598,000 cases of exported spirits are added, total volume increases to nearly 7.8 million cases.

## SOURCE/LOCATION OF CRAFT SPIRITS SALES



## Craft vs. Craft: What Do Retailers and Wholesalers Say?

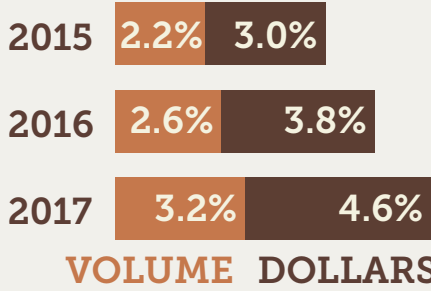
Statement 1: "Craft Spirits Will Perform in Line with Craft Beer Over Time"





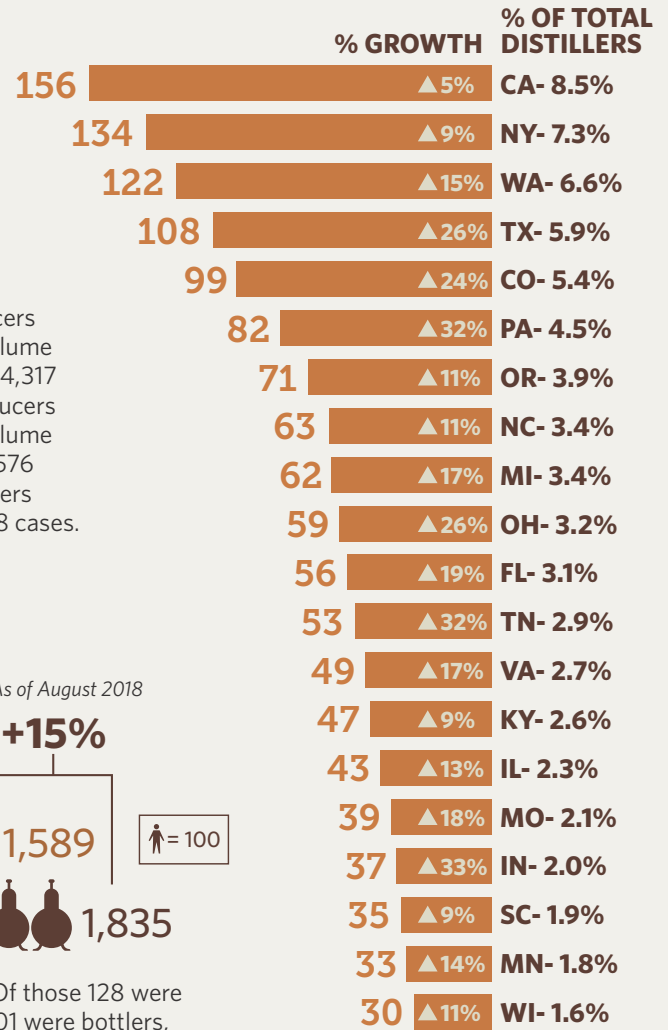
# CRAFT SPIRITS MARKET SHARE

Craft share of total case volume rose 0.6 share points to just over 3 percent. Revenue share is about to surpass 5 percent.

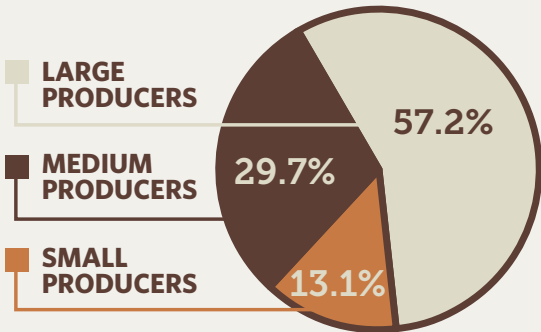


# TOP 20 STATES WITH ACTIVE CRAFT DISTILLERS

With 13 more operating distilleries in August 2018 versus August 2017, Tennessee climbed two spots on the list. But Pennsylvania experienced the most significant surge, adding 20 new distilleries last year and climbing one spot from No. 7 to No. 5.



# SHARE OF CRAFT CASE VOLUME BY PRODUCER SIZE



We define Large Producers as those with annual volume between 52,576 and 394,317 9L cases; Medium Producers as those with annual volume between 5,258 and 52,576 cases and Small Producers with volume up to 5,258 cases.

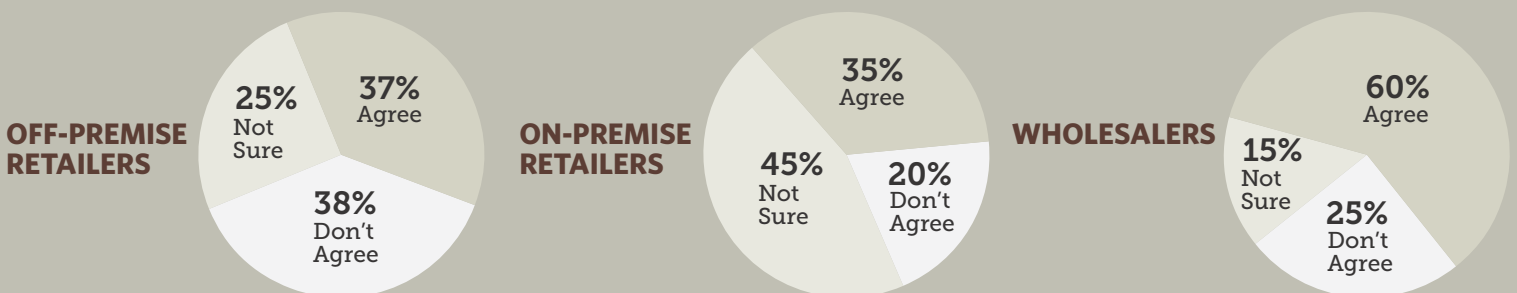
# NUMBER OF ACTIVE CRAFT DISTILLERS



As of August 2018, there were 2,741 total licensed DSPs in the United States. Of those 128 were duplicate or multiple locations of single suppliers, 35 were leading suppliers, 101 were bottlers, 324 were not in operation or non-craft and 318 were still in planning. So, the remaining 1,835 were true, operational craft distillers.

\*As of August 2018

## Statement 2: "Craft Spirits Will Become More Relevant to the Spirits Category than Craft Beer Has Become for the Beer Category."



# 2018 Public Policy Conference

Last May ACSA joined forces with the Distilled Spirits Council in Washington, D.C. for a three-day joint Public Policy Conference. Members of the craft spirits community were among the 100 industry professionals who flew in from across the country and converged on Capitol Hill, as part of the ongoing effort to ensure that the reduction in the Federal Excise Tax (FET) passed in December 2017 is made permanent.

The Craft Beverage Modernization and Tax Reform Act (CBMTRA)—passed as part of Congress's broader tax reform bill at the end of 2017—reduced the tax burden on the first 100,000 proof gallons of distilled spirits from \$13.50 to \$2.70 per gallon. The reduction is set to expire at the end of 2019 and members of The American Craft Spirits Association (ACSA) and the Distilled Spirits Council made preventing that from happening priority No. 1 at the D.C. Conference.

ACSA Executive Director Margie A.S. Lehrman said, "it's okay to take a bit of a 'victory lap' for CBMTRA's passage, but it's also time to refocus on the battle ahead. Now is our time to take that same energy—that same vision of where we can go—to Congress and make that happen again."

ACSA debuted a video demonstrating all of the ways craft spirits producers have been reinvesting the savings from the FET reduction back into their businesses. The video was distributed to all of the legislative sponsors of the CBMTRA.

The attendees were heartened by the words of some allies from the Hill, as Senators and Senatorial staff offered their support in the fight.

## Legislative Allies

The group greeted Senator Ron Wyden (D-OR), who co-sponsored the bi-partisan Senate version of the bill with Senator Roy Blunt (R-MO), with a rousing ovation as he entered the conference room at the Dirksen Senate office building.

"You were clapping for me, but just put it on the Congressional record that I am clapping for you," Wyden told attendees. "This is a product that is on the right side of history."

Wyden pledged to continue to push to ensure the benefits of the CBMTRA do not expire. "We're going to keep it," Wyden said, "until we make the law you all worked so hard for permanent."

Attendees welcomed Blunt with equally enthusiastic applause, underlining the bi-partisan nature of the tax reform effort. Blunt reminded the audience that the greatest tool they have is their own authentic stories.

"[FET reduction] is a good idea and it would be much better to have it as a permanent idea," Blunt said. "Make a case for why this matters, make a case for how it allows you to compete, make a case for what this does for you."

Senator Todd Young (R-IN) also stressed the importance of a good story.

"I went to business school where they tell you all businesses are basically the same," Young said. "I never really bought into it. I find that some businesses are more fun than others, and I find your business fun. Telling your story has made it easy for me to be a key player in this."

For example, it will be critical for small distillers to emphasize how the FET reduction is enabling them to hire more staff and re-invest in their companies, spurring economic growth in their home states.



Mark Isakowitz, chief of staff for Senator Rob Portman (R-OH) also offered some insight for spirits producers. Portman was instrumental in getting CBMTRA included in the broader tax reform bill at the eleventh hour. The future of FET reduction, he noted, depends greatly on support from both sides of the aisle. "We thought it was a great victory to get [FET reform] in the law and we'll keep fighting for it," Isakowitz said. "We're going to have to make this a bi-partisan to keep it."

Distillers also heard from Liz Strimer, legislative assistant to Senate Majority Leader Mitch McConnell, who called the larger tax bill—officially, the Tax Cuts and Jobs Act of 2017— "a once in a generation opportunity."

## TTB Talk

Earlier in the day, spirits producers heard some encouraging words from the regulatory side of the government. John Manfreda, Administrator of the U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB), expressed a desire to see all spirits producers succeed.

"I'm a real believer that the regulators and the people they regulate should get to know each other," Manfreda said. "The more we interact, the better we understand each other. And the better we understand each other the better we understand each other's needs... We're here to help you comply, we're not here to put you out of business."

As the clock is ticking on the temporary FET reduction, ACSA will be working harder than ever in Washington to make tax relief permanent for everyone in the craft spirits community. We hope you will join us in that fight.



# Regional Education Program: Distillery Safety 101

In 2018, we kicked off “Distillery Safety 101,” Regional Education series of two-day classes in partnership with Industrial Safety & Training Services (ISTS), covering topics including:

- Introduction to OSHA
- Record keeping (injury and illness)
- Differences between first aid/OSHA recordable injury or illness
- Requirements of written policies (what OSHA expects)
- Hazard recognition
- Elements of a safety management program
- Regulatory training requirements
- Auditing and assessment skills
- General OSHA compliance

We launched “Distillery Safety 101” in Cincinnati last June and followed it up in September in Long Beach, California. Sam Bielawski, head distiller at FEW Spirits in Evanston, Illinois who attended the Cincinnati event with a colleague, said, “we both came away from it extremely impressed. The ISTS guys were really good presenters.” One of the key takeaways was the need to create a safety culture within a distillery. “Even though craft distillers don’t have nearly as much money as the big guys—a lot are bare bones—we all have to be making an effort and realizing that we can get better at implementing safety protocols,” Bielawski said. “It’s really about going above and beyond and stressing safety to your employees.”



Jake Holshue, head distiller at Old Trestle Distillery in Truckee, California attended the Long Beach edition, called the class “one of the best professional advancement classes I have ever taken.” Holshue added that he was expecting a dry, boring class, but he was pleasantly surprised to find that ISTS’s Gary and Kevin Yurt were “very engaging and funny guys who convey how important safety truly is. Stop what you’re doing, right now. Whether you are a distiller, blender, operator, DSP owner, interested in owning a DSP, assistant, or anything in between, this class is as essential as the still that makes your distillate.”

Our Regional Safety Education Program continues in 2019. Next stop: Orlando, Florida, March 7 and 8. Register for “Distillery Safety 101” in the Education section of the ACSA website under “Regional Programs.”

## Craft Spirits Classroom Webinars: Quenching Your Thirst for Knowledge

In 2018 we expanded our education program to include webinars on a range of topics relevant to a wide array of professional functions throughout the craft spirits industry. The year’s webinars included:

- 5 Key Performance Indicators for Distillers, presented by Maria Pearman, CPA
- Ripple Effects (a webinar on legal issues) presented by attorneys Daniel Hays, Aaron Wais and Blake Baron of Mitchell Silberberg & Knupp (MSK), LLP
- Tips for Successful Distribution Amongst Rapid Changes and Consolidation in the Three-Tier System, presented by Cheryl Durzy, founder and CEO of LibDib
- The New Tastemakers: How to Use Sensory Perception to Increase Brand Enjoyment, presented by Cynthia Sterling, Sterling Creativeworks.
- The Letter—and the Spirit—of the Law for Distillery Websites and Social Media, presented by Corey M. Day, attorney at Murphy, Campbell, Alliston & Quinn
- Roundtable Talk and Q&A on Workplace Safety, presented by John McKee of Headframe Spirits, Colleen Moore of Dalkita Architecture and Construction, Lance Simons of Haskell, Ryan Quinlan of Bently Heritage and Jason Lippa of Five X 5 Solutions.
- Cannabis Legalization: How Will It Impact Beverage Alcohol? Presented by Jessica Lukas, BDS Analytics
- Tasting Room Webinar Series: Moving Beyond the Mule, Tasting Rooms That Build Cocktail Culture, presented by Amber Pollock, Backwards Distilling, Co.
- Lockout Tagout Essentials, presented by Todd Grover, Applied Safety Solutions
- Important Considerations When Negotiating a Distillery Lease, presented by Cozette Tran-Caffee, attorney, Lane Powell
- The Extraction of Wood Compounds During Aging in Wood Barrels and in contact with Wood Pieces, presented by Andrei Prida, R&D manager, Seguin Moreau
- Grain Storage & Handling in the Distillery, presented by Aaron MacLeod, Director, Hartwick College Center for Craft Food and Beverage.

Don’t worry if you missed any of our webinars. They’re archived at the ACSA website. Find the “Education” menu and toggle down to “Webinars.”



## ACSA Members Take the Show on the Road



ACSA members enjoyed face-time with the bar business community on both coasts in 2018, seizing on opportunities to expand their distribution footprints and open new markets. In June, six member distilleries shared their spirits and stories with bar and restaurant managers and owners, bartenders, beverage directors and distributors at the inaugural edition of Bar Convent Brooklyn (BCB), the U.S.-based version of Europe's largest bar industry trade show, Bar Convent Berlin:

- Appalachian Gap Distillery (Middlebury, Vermont) poured Mythic Gin, the agave-and-maple-syrup-based Papilio, Ridgeline Barrel-Aged Whiskey and Ridgeline's unaged version, Snowfall.
- Copper & Kings American Brandy Co. (Louisville, Kentucky) mixed cocktails with Floodwall Apple Brandy, American Brandy, Butchertown Brandy, American Dry Gin and Orange Curaçao.
- Du Nord Craft Spirits (Minneapolis) sampled Mixed Blood Blended Whiskey, Fitzgerald Gin, Apple Liqueur and Frieda Coffee Liqueur.
- Hamilton Distillers (Tucson, Arizona) presented Del Bac Dorado Mesquite-Smoked Single Malt, Del Bac Clear Mesquite-Smoked Single Malt, Del Bac Classic Unsmoked Single Malt and Del Bac Distillers Cut Cask Strength Single Malt.
- Maggie's Farm Rum (Pittsburgh, Pennsylvania), showcased its Spiced and Queen's Share Rums, as well as its Coffee and Falernum rum-based liqueurs.
- Round Turn Distilling (Biddeford, Maine) poured its Hemingway-inspired Bimini Gin.

In August, a number of ACSA member distilleries spotlighted a diverse array of innovative products at BevCon, which relocated from Charleston, South Carolina to Los Angeles for its 2018 edition. Here's a list of some of the participating members:

- Backwards Distilling Co. (Mills, Wyoming)
- Blinking Owl Distillery (Santa Ana, California)
- Caledonia Spirits (Hardwick, Vermont)
- CALI Distillery (Los Angeles, California)
- Copper & Kings American Brandy Company (Louisville, Kentucky)
- FEW Spirits (Evanston, Illinois)
- House Spirits Distillery (Portland, Oregon)
- Osocalis Distillery (Soquel, California)
- Wigle Whiskey (Pittsburgh, PA)
- Republic Restoratives (Washington, D.C.).

*ACSA members enjoyed face-time with the bar business community on both coasts in 2018, seizing on opportunities to expand their distribution footprints and open new markets.*





## 2018 Board of Directors Fall Retreat

In November, the ACSA Board of Directors gathered at House Spirits Distillery in Portland, Oregon to discuss our strategic plan for 2019, as well as develop ideas to enhance the long-term trajectory of the organization.

The location of the retreat meant we were able to welcome a very special guest: U.S. Senator Ron Wyden (D-OR; pictured, center), co-sponsor of the Craft Beverage Modernization and Tax Reform Act. Senator Wyden will play a key role in our fight to ensure permanence of federal excise tax relief.

## Statement of ACSA Financial Activity

### THREE-YEAR COMPARISON

*change from 2016*    *change from 2016*

	\$ 2016	\$ 2017	\$ 2018	\$ CHANGE	% CHANGE
<b>REVENUE</b>					
CONVENTION, JUDGING & EDUCATION PROGRAMS	691,642	881,582	754,732	63,090	9%
MEMBERSHIP	199,550	225,800	325,250	125,700	63%
<b>TOTAL REVENUE</b>	<b>891,192</b>	<b>1,107,382</b>	<b>1,079,982</b>	<b>188,790</b>	<b>21%</b>
<b>EXPENSES</b>					
CONVENTION, LOBBYING & EDUCATION	298,879	564,478	443,310	144,431	48%
OPERATING	368,368	375,828	349,121	(19,247)	-5%
<b>TOTAL EXPENSES</b>	<b>667,247</b>	<b>940,306</b>	<b>792,432</b>	<b>125,185</b>	<b>19%</b>
<b>CHANGE IN NET ASSETS</b>	<b>223,945</b>	<b>167,076</b>	<b>287,551</b>	<b>63,606</b>	<b>28%</b>

## Thank You to Our Sponsors!

We would like to express our sincere gratitude to all of our donors and sponsors, whose generous support enables us to move the craft spirits industry forward.

**1000 Oaks Barrel**  
**Artisan Spirit Magazine**  
**Berlin Packaging**  
**Big Sky Packaging**  
**Briss Malt & Ingredients Co.**  
**Brooks Grain LLC**  
**BSG**  
**Cerco**  
**CF Napa**  
**Fisher & Co**  
**FIVE-5 Solutions**  
**Fort Dearborn Company**  
**Glencairn**  
**Independent Stave Co**  
**Malkin Law**  
**Malt Handling**  
**Moonshine University**  
**Park Street**  
**Saverglass**  
**Supercap Slr**  
**Tapi USA**  
**The Barrel Mill**  
**Top Shelf Logistics**  
**Ultra Pure, LLC**  
**Vendome Copper & Brass Works, Inc.**  
**Whiskey Resources**  
**Wright Global Packaging**  
**WSWA**



## A Toast to the Year Ahead

ACSA may be marking six years as an organization, but we're just getting started. The upcoming year will see a further expansion of our educational offerings, an even larger slice of U.S. spirits market share for craft producers and a comprehensive and robust enhancement of ACSA's communications outreach. This also likely will be the year that the number of operating craft spirits producers in the U.S. hits the 2,000 mark!

On the public policy side, we've got our work cut out for us, as the end of 2019 means the end of FET relief from the Craft Beverage Modernization and Tax Reform Act—unless the reduction is made permanent or its time frame is extended. Also, in late 2018, we solicited member feedback on TTB's proposed rulemaking changes for labels and advertising—potentially one of the biggest regulatory changes for years to come. We, as an organization, are submitting comments to TTB on behalf of craft spirits producers at the end of the first quarter of this year. Here's to a successful and productive 2019!



[www.americancraftspirits.org](http://www.americancraftspirits.org)

