

# Distillery modern Age



JANUARY 27, 2017 | MODERN DISTILLERY AGE

VOLUME 8 | NUMBER 4

## Parker Beam – Master Distiller Emeritus, Heaven Hill Brands

Parker Beam, Master Distiller Emeritus at Heaven Hill Brands in Bardstown, Ky., died on January 8. The following is a statement from Heaven Hill Brands President Max L. Shapira:



Parker Beam

"I, along with our entire Heaven Hill family, am saddened to share that our Master Distiller Emeritus, Parker Beam, passed away last night after a long and valiant battle with Amyotrophic Lateral Sclerosis, or ALS. All of us within the company, and the general public, watched with awe and admiration as Parker and Linda waged a much publicized war against this terrible disease, using their courage, his standing as one of the industry's great Master Distillers and his wide sphere of influence to generate international awareness, and millions of dollars, for ALS research and treatment.

"Starting in 1960 when he joined his father Earl here, and continuing through his appointment as Master Distiller in 1975, succeeding his father, Parker's leadership established the foundation for our company and our bourbon heritage. It was Parker who saw us through bourbon's first golden age in the 1960s, its subsequent decline in the 1970s and who led us to today's new Golden Age, helping pioneer our first premium small batch and single barrel bourbons and paving the way for Heaven Hill to be the category leader we are today. There are no awards Parker has not won — charter member of the Kentucky Bourbon Hall of Fame, *Whiskey Advocate* Lifetime Achievement Award winner, *Whisky Magazine* Hall of Fame — they go on and on, but what we will remember most about Parker was the leadership, the can-do attitude, and the kind and selfless mentoring he did to his son Craig and a whole new generation of bourbon distillers.

"At this time, however, our thoughts and prayers first go out to his family."

## Distilling Tax Credit Opportunities

*Special to Modern Distillery Age by David Natan, Partner and Certified Valuation Analyst at Newburg & Company, Certified Public Accountants*

As the specialty distillery market expands, many distilleries are investing resources and time toward improving processes and developing new products. Unfortunately, many distillery operators might not realize that their efforts to continually improve might not only grow their business, but they could also offer dramatic tax savings thanks to the R&D tax credit. Recently made permanent through federal legislation, application of the R&D tax credit has also been enhanced by not limiting it to Alternative Minimum Tax (AMT). Given that the R&D tax credit also offers a potential payroll tax credit offset opportunity, distilleries would be wise to get rewarded for their efforts in research and development.

Specifically, the R&D credit is a dollar-for-dollar benefit-against-tax meant to encourage efforts that advance U.S. companies. Although a federal credit, some states offer varying versions. While computation of R&D is fairly complex and entails several different elections, the credit is primarily derived from an allocation of employee time, consultant expense and related R&D supplies.

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## The New War on Moderate Drinking

*Special to Modern Distillery Age by Rick Berman, American Beverage Institute*

In the last 12 months, we have witnessed an unprecedented and coordinated attack on moderate drinking. The "health halo" that has long provided some measure of protection against attempts to put alcohol in the same category as tobacco has been targeted and diminished by the public health community over the past year.

Now we are dealing with new and multiple claims of moderate drinking causing cancer of the colon, rectum, breast, oropharynx, larynx, esophagus and skin as well as the traditional concern of liver cirrhosis, which is more related to heavy drinking. The pace of these reports being released is without precedent. I doubt it is a coincidence. These health-related reports are evidence of a shift away from the traditional narrative surrounding DWI. Over time, we

*continued on page 7*

## Simple Serve Formed as Drinks Marketing Company

Drinks industry experts Chris Patino and Erick Castro have formed Simple Serve, a trade-focused boutique agency “aimed at filling the void in the ‘one-size-fits-all’ world of spirits, beer and wine marketing,” according to a company statement. “Simple Serve aims to provide brands with insider access to the drinks industry, an asset corporate marketers and entrepreneurs often lack, while crafting tailor-made, advocacy-focused strategies that build the emotional connections needed to engage bartenders and deliver consumers.”



L-R: Erick Castro and Chris Patino of Simple Serve

“Think of us like strategic brand concierges,” said Patino. “With the multitude of new offerings coming to market and a shift in the industry’s trends, it’s easy for brands to get lost in the shuffle.”

“It’s equally important to identify who your product is best suited for, and then focus on helping them realize why it makes sense,” added Castro.

Together, Patino and Castro have over 30 years of industry experience along with nominations, awards and invitations to speak at high profile events and judge international events and competitions.

## Wholesalers Merge to Create Northwest Beverages

Click Wholesale Distributing and Click Distributing East, craft and specialty spirits, beer and wine distributors throughout the Pacific Northwest, have sold their company, pending supplier approval, to Craig Stein Beverage (CSB), which will simultaneously partner with the Odom Corporation to form

Northwest Beverages, owned equally by C. Stein, Inc. and The Odom Corporation. The closing is scheduled to take place March 31.

“The ownership teams believe the benefit from the combined organization will enhance the resources and expertise to better serve the growing needs and competitive challenges of this regional market,” according to a company statement, “from Seattle to Vancouver to Boise to Coeur D’Alene to Spokane. The existing Click organizations will continue to operate independently for the foreseeable future. Click will offer its highly successful personnel and best practices to the overall Odom and CSB organizations and vice versa. This unique combination will make the whole greater than the sum of the parts.”

Click management and substantially all of the Click staff will continue with the new organization including Jim Florio as Vice President/General Manager of the Western Washington Click operation, and Terry Nichols as Vice President/General Manager of the Eastern Washington/North Idaho Click operation. Rick Steckler and Josh Davis will provide consulting services for the overall group.

“We are excited that the strength of Odom and CSB combined with the addition of the Click organizations will create a larger and stronger Northwest distribution network,” said Craig Stein. “We are confident this will lead to increased market service and penetration capabilities that would be an additional benefit to the suppliers and customers of all the involved companies.”

## Jose Cuervo IPO

*Bloomberg* has reported that the Beckman family, Mexican owners of Jose Cuervo Tequila maker, will go ahead with plans for an initial public offering. The IPO was planned for last year, but was postponed over uncertainty over U.S. trade policies — especially towards Mexico — and the value of the Mexican peso by a presumably anti-Mexican Trump presidency.

The IPO may begin as early as February 8. Last year, when the idea of an IPO was first discussed, a sale of as much as \$1 billion was planned, but that’s now likely to be \$700 million. CNBC has reported that Aranda, a subsidiary of Temasek in Singapore, has committed to subscribing to 20% of the offer — about \$175 million — as long as the price per share remained within the range. Approximately 15% of the IPO will

be dedicated to an “overallotment option” set aside for international investors based on demand.

*Bloomberg* reported that the most recent plans come after a recovery in Mexico’s benchmark stock index, which has gained 2.7% this year. Jose Cuervo may benefit from the 15% decline in the peso since the U.S. ballot took place, which makes prices of Cuervo’s products more compelling in the U.S., according to *Bloomberg Intelligence* analyst Julie Chariell. The distiller gets about 60% of its sales volume from North America.

## Beam Suntory Signs Long-Term Distribution Agreement with Southern Glazer’s Wine & Spirits

Southern Glazer’s Wine & Spirits has signed a new 37-state corporate distribution agreement with Beam Suntory. With the new performance-based agreement, Beam Suntory’s portfolio of brands will be distributed across Southern Glazer’s U.S. network in 21 open markets through 2030. Southern Glazer’s, which also represents Beam Suntory’s brands in 16 Control States, is Beam Suntory’s largest distribution partner in the world.

“Beam Suntory has had very long and successful relationships with both the Southern and Glazer’s families,” said Tim Hassett, President, Americas, Beam Suntory. “Working with the combined Southern Glazer’s organization, we are confident that we will continue building on our historical strong performance together with a common commitment to further accelerating the growth of our brands on- and off-premise.”

“We are excited to extend our business relationship and represent Beam Suntory’s world-class brands across our unmatched national network,” added Wayne Chaplin, CEO of Southern Glazer’s Wine & Spirits. “This long-term strategic alignment will enable us to deliver even more value with a more efficient and effective route to market.”



## Aligned Beverage Solutions Formed

Aligned Beverage Solutions (ABS) has been formed as a sales and marketing company for alcoholic beverage brands in the U.S. The company is a collaboration between Hans Christian Holst, Chairman, and Jay Harkins, CEO. Collectively, they have nearly 50 years of industry experience across several facets of the business.



**ALIGNED**  
BEVERAGE SOLUTIONS

"The new company's business model and philosophy is based on a flexible, brand-centric approach that is unique to each of their partner companies," according to a company statement. "The ABS team will put a laser focus on individual brands, providing a 360 analysis and developing defined structures and strategies to ensure success in the current marketplace."

ABS said it will be "a more forward-thinking and dynamic alternative to more traditional route-to-market options" offering capabilities and services including executive brand and project management, dedicated sales infrastructure, distribution network management, U.S. market validation, business planning, brand development and trade marketing.

"I've known Hans for several years, and I'm excited to be working closely with him in this endeavor," said Harkins. "With consolidation on both the supplier and wholesaler levels at an all time high, the industry continues to present countless challenges for brands trying to penetrate the barriers of entry. By utilizing our experience and knowledge of the marketplace, we're dedicated to creating great value and results for our current and future partnerships."

"We're very pleased to introduce Aligned Beverage Solutions to the wine and spirits industry," added Holst. "In this rapidly

evolving market, we've seen a great need in the U.S. for a firm that is more adaptive and flexible in focusing on the precise needs of individual brands. This is a need we're ready to answer."

Holst has 25 years of brand-building experience with companies including Conjure Cognac, The Island Rum Co. and Arctic Beverage Group, where he co-founded Beso Del Sol Sangria. He's currently Global CEO of Arctic Beverage Group in Norway and also serves as Chairman for Black Tears by Vigia, a Cuban rum.

Harkins has over two decades of experience including senior positions with Southern Wine & Spirits of New York and Domaine Select Wine Estates. In 2012, he co-founded Blackheath Beverage Group, which grew to represent a portfolio that generated nearly \$20 million in annual revenues within 18 months.

## Indian Authorities Investigate Takeover Code Violations at United Spirits Ltd.

*Business Standard* has reported that the Securities and Exchange Board of India (Sebi) may issue an order against Diageo and United Spirits Ltd. in India for violation of the country's takeover code.

Apparently, Sebi believes that the \$75 million severance package Diageo paid to former United Spirits CEO Vijay Mallya was in violation of the securities law, as it was not part of the agreement at the time of making the open offer.

The severance package could warrant another open offer by Diageo to United Spirits shareholders, because Sebi feels it has resulted in a change of ownership from joint control by Mallya and Diageo to sole control by Diageo.

In 2012, Diageo entered into an agreement with United Spirits to buy a 53.4% stake in United Spirits. The move triggered an open offer required by the takeover code. The \$75-million severance package for Mallya was announced in February 2016.

According to the Financial Times, Indian authorities have charged Mallya with criminal conspiracy, dishonesty and corruption following months of investigation in an effort to secure the billionaire industrialist's extradition from the U.K. The charges claim that Mallya dishonestly induced the delivery

of property and illegally obtained pecuniary advantage. The charges can carry a sentence of up to seven years in prison.

Other reports from India state that Sebi has restrained Mallya from trading in securities markets and barred him from holding directorships in any listed company.

## Eastside Distilling Chooses Sandstrom Partners for Spirits Branding & Marketing

Eastside Distilling of Portland, Ore, has engaged Sandstrom Partners, also of Portland, with the goal of increasing Eastside's brand value and accelerating sales. Eastside intends to use Sandstrom's full range of brand development services including research, strategy, brand identity, package design, environments and advertising as well as digital design and development.



Sandstrom Partners' spirits brand development work has appeared in nearly every national and international design competition. Some of its current and past spirit branding clients include St-Germain, Brown Forman (Chambord and Old Forester), Stillhouse Distilling, Aviation Gin, Diageo, Bulleit Bourbon, Miller Brewing, Pernod Ricard and Bacardi's Oakheart.

"We think it would be impossible to find a better firm anywhere to grow our brands," said Melissa Heim, Executive VP of Operations for Eastside Distilling. "Although we've gained strong recognition within the craft industry for our Burnside Bourbon, Barrel Hitch, Marionberry Whiskey and Portland Potato Vodka, we dream about seeing our brands gain the national recognition of St-Germain and our fellow Portland spirit, Aviation Gin. We're honored that Jack Petersen and the Sandstrom team was confident enough in our potential to take us on, and we have high hopes of joining their illustrious list of branding successes."



## Irish Distillers to Invest €10 Million at Midleton Distillery

Pernod Ricard's Irish Distillers will invest €10.5 million at Midleton Distillery, Cork, which will see the company increase its single pot still Irish whiskey production capacity by over 30%. Three new copper pot stills will be installed at Midleton Distillery, which will support the Irish Whiskey Association's target of global growth of 300% by 2030. Sixty jobs will be supported during the construction phase.



Midleton stills delivered through the sleepy town at night

Since 2012, Irish Distillers has invested €120 million in the Midleton Distillery, €20 million at its Fox and Geese bottling facility in Dublin and is currently investing €100 million at its Dungourney maturation site. In August 2016, the company also announced an €11 million redevelopment project at the Old Jameson Distillery in Smithfield, Dublin, for the 600,000 whiskey tourists that come to Ireland every year.

"Irish whiskey continues to enjoy phenomenal global growth, led by Jameson with sales of 5.7 million cases in 2016," said Jean-Christophe Coutures, Chairman and CEO of Irish Distillers. "Irish Distillers has been driving the growth of the category since 1988, a commitment further underpinned by investments of over €230 million since 2012. With this additional investment of over €10 million at Midleton, the home of Irish whiskey, we will ensure that we are positioned to meet growing global demand and support the growth of Irish whiskey in the international spirits category.

"We're seeing growth accelerating across Jameson and the wider single pot still Irish whiskey range, and we'll continue to direct our focus for growth here. With our increased production capacity, we're confident that the category will hit the ambitious targets set by the Irish Whiskey Association — increasing

exports to 12 million cases by 2020 and 24 million cases by 2030."

The three copper pot stills, handmade by master coppersmiths Forsyth's of Scotland and weighing a combined 24 tons, were recently delivered to Midleton Distillery. Installation has begun, and the stills will be operational by this June.

## Diageo Report Details Key Trends Shaping 2017 Drinks Market

Diageo has released a report titled *The Changing Face of Socialising (sic)*, which tracks global trends "that will set us apart from the crowd in 2017," according to a company statement. This first Future Series trend report is intended to "reveal the shape of socializing in the year ahead."

In the report, the team responsible for innovation and "future-gazing" at Diageo isolates three main social trends expected to accelerate into the mainstream in 2017. Diageo worked with a team of cultural ethnographers to study social scenes from around the world and define three trends that will influence how we'll spend our time this year:

- "Exceptional becomes the rule" — socializing is becoming increasingly spontaneous and experimental
- "In with the 'in' crowd" — the home is turning into a place to create extraordinary experiences for friends and family
- "Optimize not compromise" — consumers want greater control and choice over what goes into their body without compromising on excitement and experience

"At Diageo, we're passionate about creating drinks of the future and helping people celebrate," said Zoe Lazarus, Global Future and Culture Planning Director at Diageo. "We've been innovating for hundreds of years and have a strong history as industry pioneers in identifying and responding to trends. Innovation drives our company forward, and for us it means staying ahead of trends, continually creating new products, categories and experiences for people to enjoy around the world. Our success relies not only on understating our consumers today, but also on tracking and responding to emerging socializing trends and behaviors that will become the mainstream of tomorrow."

## TTB Increases Penalty for Violations of ABLA

The TTB has published a Federal Register notice adjusting the civil monetary penalty imposed for violations of the Alcohol Beverage Labeling Act of 1988 (ABLA). The ABLA requires the labels of alcohol beverages sold in the U.S. to include the ubiquitous Government Warning Statement.

When first enacted, the maximum civil penalty for violations was \$10,000 per day. TTB has raised the penalty to \$20,111 per day beginning with all penalties assessed after January 10, 2017.



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## Alcohol Advertising Lawsuit in Missouri

The U.S. Circuit Court of Appeals has unanimously revived the Missouri Broadcasters Association's (MBA) lawsuit that challenges a Missouri statute and two Missouri regulations that the MBA believes illegally limits alcohol advertising.

The MBA has protested the inability of retailers to advertise price discounts and promotions on alcoholic beverages in radio, TV and newspaper ads, even though these can be advertised on-premise.

"Just as with news, listeners and viewers learn about the availability of goods and services through radio and TV advertising, and a restriction on advertising truthful information only keeps relevant and useful information from consumers," according to a MBA statement. "The state contends that the restrictions are intended to discourage binge drinking, but binge drinking is more likely to be encouraged by promotions inside a bar than from media advertisements heard or seen in one's living room. Additionally, because advertising of special pricing is allowed in all our bordering states, we believe that these laws create an unfair competitive disadvantage to Missouri businesses."

## Campari Red Diaries

Campari has created Campari Red Diaries, a companion to its annual Campari Calendar. Instead of a calendar format of photographic stills, Campari Red Diaries is a series of short films that showcase how "every cocktail tells a story." The series debuted in Rome and can be viewed exclusively on Campari's YouTube channel.



The lead story in the series, *Killer in Red*, stars Clive Owen and was written

and directed by Paolo Sorrentino. Set in a luxurious bar, the noir film shows Owen's transformation from an ordinary man to a notorious bartender of the early 1980s as he recounts the story behind the creation of a cocktail called "Killer in Red." The film jumps between the past and present using original costumes from the 1980s and a cast of more than 170 people to portray the era's energy and style.

The series of 12 cocktail stories from leading bartenders around the world were filmed by emerging Italian director Ivan Olita. The U.S. bartender featured is Julie Reiner, co-owner of Clover Club, Leyenda and Flatiron Lounge.

Accompanying the films is the Campari Red Diaries Calendar Book with images by Argentinian photographer Ale Burset. Only 9,999 copies have been printed, and they will not go on sale but will be shared among friends of Campari around the world.

## Mamont Vodka – Official Vodka of the 52<sup>nd</sup> Annual Petroushka Ball

Mamont Vodka, imported by Niche Import Co., has been chosen as the official vodka of the 52<sup>nd</sup> annual Petroushka Ball benefitting the Russian Children's Welfare Society, which takes place February 10 at the Plaza Hotel in New York City. The Petroushka Ball is a traditional Russian ball, which was first held at the now defunct Delmonico Hotel in 1965.



Mamont Vodka (40% ABV) was first made in 2002 in Siberia when Dr. Fredrick Paulsen discovered the legendary Yukagir Woolly Mammoth entirely preserved, frozen in the tundra. Paulsen chose a mammoth

tusk-shaped bottle for the vodka, which is distilled with Siberian ingredients including glacier water from the Altai Mountains and malted Siberian winter wheat. It's distilled six times and triple filtered through Siberian silver birch charcoal. A 750-ml bottle sells for about \$40, and Mamont Vodka is currently available in New York, California, Illinois, Massachusetts and Connecticut with Washington State and Oregon coming soon.

## Koval Distillery – Illinois Exporter of the Year

Koval Distillery in Chicago was recently named Illinois Exporter of the Year as part of the Illinois 2016 Governor's Export Awards.



As a member of the Distilled Spirits Council, Koval has successfully leveraged its Market Access Program (MAP) in conjunction with the USDA Foreign Agricultural Service to significantly expand its brand abroad. Koval currently exports to Europe, Australia, New Zealand and Japan and will begin exporting to Taiwan, Korea and China in 2017.

The Governor's Export Awards are Illinois' highest recognition of export achievement honoring Illinois companies that have achieved excellence in exporting as well as organizations that provide export assistance.

Koval sells its spirits in 41 states and 25 countries. The portfolio includes Bourbon (47% ABV, about \$52 for a 750-ml bottle), Four Grain (47%, about \$52), Rye (40%, about \$49), Millet (40%, about \$49), Oat (40%, about \$49), White Rye (40%, about \$49), Dry Gin (47%, about \$35) and Barreled Gin (40%, about \$49).



# International Wine & Spirit Competition Opens for Entries

The International Wine & Spirit Competition is now in its 49<sup>th</sup> year and is open for 2017 entries at [www.iwsc.net](http://www.iwsc.net) with a 10% discount before January 31.



New this year are Whisky & Ginger, Rum & Cola and Rum & Ginger Competitions supported by Fever-Tree, which have been added to the Spirits Mixers category and will evaluate mixed whiskies and rums in a blind tasting with no ice or garnish. The introduction follows the success of the Gin and Vodka & Tonic categories in recent years and the continued global popularity of whisky and rum around the world.

After the largest medal-haul ever last year, the IWSC Spirit Tasting 2017 is expecting another record-breaking competition this year. While Scotch dominates the segment, taking 427 medals in 2016, emerging categories are driving the growth of the medal table with World Whiskies (+67%), Tequila/Mezcal (+67%), Irish Whiskey (+55%) and Rum (+42%).

The IWSC Wine Tasting 2017 is also expecting a record number of entries from across Europe, South Africa, South America, New Zealand, Australia, the U.S. and the rest of the world. French wines dominated the Northern Hemisphere in 2016 with 45 Gold and Gold Outstanding medals, but there was room for English wine to shine — with seven Gold medals — a trend that is expected to continue.

“It is a great honor to announce the launch of the 2017 International Wine & Spirit Competition,” said newly-appointed IWSC 2017 President, Chris Blandy, CEO of the Madeira Wine Co. “It is the most esteemed wine and spirit tasting competition in the world, and we are

delighted to welcome new producers, businesses and people into the fold each year.”

The IWSC Achievement Awards ([www.iwsc.net/achievement-awards](http://www.iwsc.net/achievement-awards)) are open for nominations until February 5. Each of the four accolades recognize the success of a person or company in the drinks industry, and the list of past winners includes Joe Wadsack, Wine Communicator of the Year 2016; Alice Lascelles, Spirit Communicator of the Year 2016; Dawn Davies (buyer for Whisky Exchange), Julian Brind Memorial Trophy for Outstanding Achievement in the Wine Industry 2014; and David Stewart (William Grant & Sons), Outstanding Achievement in the Scotch Whisky Industry 2005.

## Tullamore D.E.W.’s “D.E.W. and a Brew Tour”

Tullamore D.E.W. Irish whiskey has begun a nationwide D.E.W. and a Brew Tour, a multi-city adventure sponsored by *Time Out North America* “that will seek to introduce consumers to the classic combination of sipping an Irish whiskey alongside a beer,” according to a company statement.



Led by Tullamore D.E.W. Brand Ambassador Jane Maher, the tour will include consumer D.E.W. and a Brew events sponsored by *Time Out*, special brewery collaborations, bartender education and Tullamore D.E.W. promotions with local beer partners at participating bars and retailers across the country.

The D.E.W. and a Brew tour begins in Los Angeles with Santa Monica Brew Works at Resident in Downtown LA’s Arts District and finishes in Chicago on St. Patrick’s Day with a celebration co-hosted with BuckleDown Brewing. Additionally, on St. Patrick’s Day, select breweries from the tour will release special beer releases specifically made to

be enjoyed with various expressions of Tullamore D.E.W.

The tour schedule is available at [www.dewandabrewtour.com](http://www.dewandabrewtour.com), on Twitter and Instagram. There will be special announcements and giveaways via Tullamore D.E.W.’s social media channels, and consumers can enter a sweepstakes for a chance to win a trip to Ireland to celebrate the distillery’s third anniversary.

## Canadian Whisky Awards

Whisky of the Year: Masterson’s 10 Year Old Rye Batch PSA3

Connoisseur Whisky of the Year: Domestic: Gooderham & Worts

Connoisseur Whisky of the Year, Export: Masterson’s 10 Year Old Batch PSA3



Connoisseur Whisky of the Year, Multiple Markets: Lot No. 40

Connoisseur Whisky of the Year Best New Whisky: Stalk & Barrel Rye Cask Strength

Sippin’ Whisky of the Year, Domestic: Wiser’s Double Still Rye

Sippin’ Whisky of the Year, Export: Crown Royal Hand Selected Barrel

Sippin’ Whisky of the Year, Multi-Market: Crown Royal Northern Harvest Rye

Value Whisky of the Year, Export: Throttle 2 Bottle

Value Whisky of the Year, Multi-Market: Crown Royal Fine Deluxe

Value Whisky of the Year, Domestic: Twelve Barrels

Flavored Whisky of the Year, Domestic: Forty Creek Cream

Flavored Whisky of the year, Multi-Market: Crown Royal Vanilla

Award of Excellence, Canadian Whisky Profile: Canadian Club Chairman’s Reserve 100%

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# Distilling Tax Credit Opportunities

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Since January 2016, eligible small businesses (\$50 million or less in gross receipts) can claim the R&D tax credit against the Alternative Minimum Tax (AMT). For those closely held businesses and their shareholders who used to defer some or all of their credit as a result of AMT limitations, this is a significant benefit. Even smaller businesses (\$5 million or less in gross receipts) can take advantage of offsetting the credit-against-payroll tax liability (capped at \$250,000 for up to five years).

In order to qualify for the R&D tax credit, distillers must show that their research and development work is technical in nature (relying on the principals of engineering, physics, biology or computer science), has a permitted purpose (such as processes, functions, products, quality increases or substantial cost reductions) and demonstrates a process of experimentation (by producing and testing a hypothesis). Based on these criteria, some examples of R&D activities within the distillery industry include:

- Adding new equipment pertaining to process improvement
- Developing new or improved distillation and fermentation processes
- Developing new or improved distillation or bottling
- Developing new or improved bottle designs
- Developing new or improved water recycling or waste management techniques
- Developing new or improved product formulations or improved ingredient mixing methods
- Developing new or improved prototype batches or product
- Testing of new or improved designs to ensure shelf life or longevity
- Testing of product and developing flavor and aroma profiles

While the R&D tax credit offers substantial benefits to small distilleries, the applicability of the law is complex. Keeping detailed records of research and development activities and consulting with a CPA firm that understands the credit can alleviate challenges and maximize the credit opportunity.

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# The New War on Moderate Drinking

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have successfully convinced enough policy makers that the DWI problem was a much smaller problem today than texting, cell phones and the newest issue of marijuana use prior to or while driving.

Having said that, Utah just announced it will entertain a bill to lower the legal BAC limit to .05. While we do not expect it to get traction, Utah was the first state to go to .08, and any low BAC level accident could quickly fan those flames-leading to “copycat” state laws.

Specific evidence of our concern:

The Centers for Disease Control is telling women on birth control to abstain entirely from drinking. There is a series of new studies tying low levels of alcohol consumption to cancers.

Women, specifically, were targeted in a number of 2016 studies that highlighted their increased rates of alcohol consumption and linked even moderate drinking to breast cancer. A *Washington Post* analysis showed that alcohol-related death among white women aged 35-54 have more than doubled since 1999. Researchers at Columbia University are calling it a “looming health crisis.”

And there is a renewed push, thanks in part to a series of recommendations in the Surgeon General’s November report, *Facing Addiction in America*, to raise alcohol taxes prohibitively, put tobacco-style warning labels on bottles and cans, limit access through restrictions on retailer density and ban or further restrict alcohol advertising and marketing.

Any feelings of optimism that things will change with the new administration should be entertained cautiously. Republicans are often just as bad or worse on issues related to alcohol, and President Trump is a teetotaler with his own personal biases against drinking.

There is a tendency to ride out the storm given that any corporate pushback is fraught with legal and public relations consequences. But to do nothing is to accept a fate of tobacco-like proportion.

We concede that any one study or headline can generally be dismissed or debunked. However, it is nearly impossible to play whack-a-mole with this deluge of bad PR. The new “noise level” is creating an environment that supports anti-alcohol legislation as well as a consumer fear of even moderate consumption. Few people are willing to accept the heightened risk of a series of cancers. And as Baby Boomers grow into their senior years, that huge cohort is susceptible to these studies that counsel abstaining from ANY drinking. In short, the cultural permission to drink any alcoholic beverage on- or off-premise is being set up for a change. We should not suffer from the conceit witnessed in other industries where negative trends were dismissed as a fad.

The American Beverage Institute was formed for several reasons. Responding in this anticipated environment was one of them. We are already aggressively countering the public health narrative. However, a coordinated and more serious industry response to this heightened activity is required. To learn more about the problem and how we can fight it together (without your brand being compromised) come to the ABI meeting in San Diego on February 27 where we will be developing our strategy options.

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# Canadian Whisky Awards

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- Award of Excellence, Line Extension: Still Waters – Stalk & Barrel Rye
- Award of Excellence, Innovation: Corby Northern Border Collection
- Artisanal Distiller of the Year: Still Waters – (Toronto)
- Lifetime Achievement Award: John K Hall – Forty Creek
- Distillery of the Year: Alberta Distillers (Calgary)
- Flavored Whisky of the Year, Multi-Market: Crown Royal Vanilla
- Flavored Whisky of the Year, Domestic: Forty Creek Cream

The list of all the winners is available at [www.canadianwhisky.org](http://www.canadianwhisky.org)



## Martine Honeysuckle Liqueur

Empresario Brands has released Martine Honeysuckle Liqueur (20% ABV), a cane-based liqueur made in Austin, Texas,



using orange blossom honey, vanilla, honeysuckle and other botanicals. A 750-ml bottle sells for about \$30, and Martine is currently available in Texas.

## Mark and Digger's Hazelnut Rum

Sugarlands Distilling in Tennessee has released Mark and Digger's Hazelnut Rum (40% ABV), named after Digger Manes from



the TV series *Moonshiners*. A 750-ml bottle sells for about \$25, and Mark and Digger's is currently available at Sugarlands Distilling and online, with national distribution to follow.

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## Union Horse Barrel Strength Reunion Rye Whiskey

Union Horse Distilling in Kansas has re-released Barrel Strength Reunion Rye Whiskey (56.15% ABV). Previously offered as a limited release in 2014, the whiskey will now be included as one of the distillery's primary spirits.



Barrel Strength Reunion Rye Whiskey is distilled from a locally-sourced, 100% rye mash and aged in oak barrels. A 750-ml bottle (non-chill filtered) sells for about \$52.

Other Union Horse spirits include Reserve Straight Bourbon Whiskey, Reunion Straight Rye Whiskey, Long Shot White Whiskey and Rider Vodka. All are sold in Kansas, Missouri, Nebraska, Iowa, Connecticut, New Jersey, New York, Oklahoma and California (San Francisco and Los Angeles).

## Florida Double Cask Bourbon

St. Augustine Distillery in Florida has released Florida Double Cask Bourbon (46.9% ABV), aged for 16 to 28 months in new 25-gallon and seasoned 53-gallon barrels. A 750-ml bottle sells for about \$50.



Jake Norris, Founding Distiller of Stranahan's Colorado Whiskey, developed the mash bill, and Dave Pickerell, former Master Distiller of Maker's Mark, designed the production facility and guided the final blending. Flowdesign was then hired to develop the branding for Florida Double Cask Bourbon.



## Spytail Black Ginger Rum

Biggar & Leith has released Spytail Black Ginger Rum (40%-42% ABV). Spytail is based on a 19<sup>th</sup> century French recipe of aging Caribbean rum with fresh ginger and spices in the barrel. The rum is distilled in the Caribbean and then aged, spiced and blended at a small family distillery in the Cognac region of France (La Compagnie Bathysphere).



The name Spytail comes from the legendary submarines of old and the bottle's round shape is based on a bathysphere (a primitive form of submarine). The bottle has a porthole embossed on the front and back and hidden within it are the coordinates of the final resting place of Jules Verne. The navy blue and orange striped label, based on a French naval signal flag, is adorned with engineering details from original submarine designs. The heavy stopper is made from metal and embossed with the words "Voyages Extraordinaires" as a nod to underwater adventurers.

A 750-ml bottle sells for about \$23, and Spytail is available in the U.S., Canada, France, Italy, U.K., Ireland, Belgium, Holland, Austria, Hong Kong, Japan, New Zealand, Australia and South Africa.

Biggar & Leith also imports Malfy Gin from Italy.



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## Revivalist Solstice

Brandywine Branch Distillers in Pennsylvania has released Solstice (46.5% ABV), its winter expression in The Revivalist Gins Portfolio



As a small-batch grain-to-bottle series, each new batch release of The Revivalist Gins Portfolio will be slightly different from the last. For Solstice, Master Blender Riannon Walsh used infusions of dried cherry, anise, orange peel, ginger and juniper. It aged in Hungarian oak barrels (before that French oak was used) previously used for aging Zinfandel.

A 750-ml bottle sells for about \$48, and Solstice is available in Pennsylvania, New Jersey, New York, and Michigan.

## Zmaj Artisanal Absinthe

Copper & Kings American Brandy Co. in Kentucky has released Zmaj Artisanal Absinthe (65% ABV). The double-distilled Muscat brandy base aged for 18 months in Serbian juniper wood barrels and was bottled non-chill filtered with no post-distillation infusion of flavors or essences.



The absinthe's name comes from the mythological Balkan dragon legend Zmaj (or Zmej, Zmey, Zmeu or Zmiy depending on region) and is pronounced "Zm-eye." Zmaj is legendary folklore with deep historical roots across the Balkans.

A 750-ml bottle sells for about \$60, and Zmaj is available by request to bars and retailers across the Copper & Kings 28-state distribution footprint as well as at the distillery. The label features original art by Louisville artist Damon Westenhofer.

## Edrington New Leadership Appointments

Edrington in Scotland has announced that Bill Farrar, Managing Director Super Premium, will leave the company this



**Paul Ross** **Chris Spalding**

June to pursue new business interests. Paul Ross will succeed Farrar as Managing Director Super Premium, transferring from his current assignment as President of Edrington Americas. He'll be succeeded as President of Edrington Americas by Chris Spalding, who was involved in the creation of Edrington Americas and is currently Commercial Director, North America.



**Aristotelis Baroutsis** **Igor Boyadjian**

Aristotelis 'Tellis' Baroutsis will become Edrington's Managing Director of the Regional Power Brands business unit, which is responsible for The Famous Grouse and Cutty Sark blended Scotch whiskies and Brugal rum. Baroutsis joined Edrington as Managing Director of Edrington Nordics before transferring to Singapore to establish the company's Global Travel Retail business.

Igor Boyadjian replaces Baroutsis as Managing Director of Edrington Global Travel Retail in Singapore. Boyadjian was co-owner of the Edrington Fix joint venture, based in Dubai.

## Constellation Brands Appointments

Constellation Brands has named Bill Newlands Executive Vice President, Chief Operating Officer, a new position within the company. A 30-year industry veteran, Newlands joined Constellation in 2015 as Executive Vice President and Chief Growth Officer and is currently President of the Wine & Spirits Division.



**Bill Newlands** **Chris Stenzel**

In his new role, Newlands will oversee the Beer Division, Wine & Spirits Division and Growth organization. He'll report to Rob Sands, President and CEO, and he'll focus on advancing strategic growth opportunities for the company.

Chris Stenzel has been promoted to Executive Vice President and President - Wine & Spirits Division. He has over 18 years of beverage alcohol experience, joining Constellation Brands in 2008. Since that time, Stenzel has held a number of senior roles including leading the Wine & Spirits finance division and most recently as Senior Vice President Finance for the Beer Division. Stenzel and Paul Hetterich, President of the Beer Division, will both report to Bill Newlands.



**Ben Dollard** **Jared Fix**

Ben Dollard will transition to the role of Senior Vice President, Chief Marketing Officer and International for the Wine & Spirits Division and report to Stenzel. Dollard came to the company in 2001 and most recently served as Chief Growth

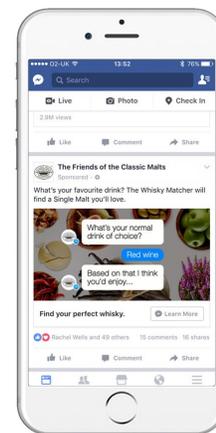
Officer and previously led the Canadian wine business.

Jared Fix will assume the role of Senior Vice President, Chief Growth Officer with responsibility for driving the company's growth strategy across both the Beer and Wine & Spirits Divisions. He'll report to Newlands. Fix joined Constellation in 2015 as Senior Vice President and Chief Marketing Officer, Wine & Spirits Division.

All executive appointments are effective January 30.

## Diageo's Whisky Matcher

Diageo has released The Whisky Matcher — accessible via Facebook messenger — a chatbot function to enable users to find a suitable whisky. The artificial intelligence technology asks consumers a series of questions in order to establish which single malt best suits their tastes.



"Scotch is all about flavor. No other spirit offers the same breadth and depth of flavors as Scotch, and certainly no other liquid is as versatile," said Sam Maguire, Diageo's Innovation Marketing Manager - Futures. "The technology used to build Whisky Matcher makes it easy to find the Diageo Scotch for you."

Diageo Futures is the company's experimental and new business arm, which includes initiatives such as Distill Ventures and Technology Ventures.



## Modern Distillery Age Tasting Panel

In this week's tasting panel we tasted American bourbons and whiskies. *All spirits are tasted blind. The panelists know only the style and ABV.* The notes are a distillation of the panelists' comments. The panelists vary with each panel but often include: Tom Jensen (Millstone Spirits), Dave Schmier (Producer of the Independent Spirits Expo), David Talbot (Ultimate Beverage Challenge), John Henry (El Buho Mezcal), John Heffernan (Senior Master of Whisky), Renzo Kian-Kubota (Harry's Wine & Liquor Market), Olie Berlic (spirits & wine sales), Frank Whitman (Silvermine Tavern), Linda Kavanagh (MaxEx PR), Paul Zocco (Zok's Homebrewing & Winemaking Supplies), Ernie Adamo (Legislative Liaison for the State of Connecticut), Steve DeFrank (attorney), Dave Sokoloff (spirits lover), Phil Simpson (PMS Graphics), Melissa Dowling (Editor of *Cheers*), Pete Reid (Publisher/Editor of *Modern Brewery Age*), Michael Anstendig (*Modern Distillery Age*) and Gregg Glaser (Publisher/Editor of *Modern Distillery Age*).

### Jefferson's Old Rum Cask Finish Bourbon, 45.1% Kentucky Artisan Distillery, Crestwood, Ky., ~\$80

aged for eight years in Kentucky prior to being finished in barrels that once held Gosling's Family Reserve Old Rum; the rum barrels held bourbon for four years, then held Gosling's for 16 years before being sent back to Jefferson's where the bourbon was aged for 15 more months

Amber with an aroma of caramel sweetness, bananas and "mushy fruit." In the taste are corn, maple and fruit sweetness, dried fruits, cherries and spice. A full body. Finishes with sweetness, spice and alcohol warmth. Well made. A bourbon for rum lovers. A successful marriage of the best of both bourbon and rum — maybe even "rhum."



### Boondocks Cask Strength American Whiskey, 63.5% Boondocks Spirit Co., owned by Royal Wine Corp., Bayonne, N.J., ~\$60

a mash of corn, rye and malt; aged for 11 years in American white oak barrels in Kentucky

Light amber with a rich aroma of caramel and vanilla sweetness and lots of alcohol — almost like a Highland scotch. A big, powerful whiskey with lots of alcohol warmth, oak, hay, straw, honey and spices. A big body. Finishes with more alcohol warmth, sweetness, oak and spices.



### Woodford Reserve Master's Collection Brandy Cask Finish, 45.2% Brown-Forman, Versailles, Ky., ~\$100

Amber with aromas of Granny Smith apples, pears, butterscotch, maple, oak and spices. In the taste are sweetness, toffee, light fruits, dry oak, nuts and alcohol warmth. A thin body. Finishes with caramel sweetness and alcohol warmth.



### Boondocks American Whiskey, 47.5% Boondocks Spirit Co., owned by Royal Wine Corp., Bayonne, N.J., ~\$40

a mash of corn, rye and malt; aged for 11 years in American white oak barrels in Kentucky

Light amber with a clean, sweet corn aroma plus fruit, spices and oak. Sweet and spicy in the taste from the rye plus oak, spices and alcohol warmth. A full, creamy body. Finishes with sweetness, spices and alcohol warmth.



The *Modern Distillery Age Tasting Panel* meets once or twice a month. Samples are sent by distillers and importers and are tasted blind. Samples can be sent to:  
**Modern Distillery Age**  
228 Silvermine Avenue  
Norwalk, CT 06850

# Tasting Events & Competitions



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### Calendar of Events

- February 16-17, 2017:** ACSA Convention, Nashville, TN, [www.americancraftspirits.org](http://www.americancraftspirits.org)
- March 1, 2017:** Whisky Live, New York City, [www.whiskylive.com](http://www.whiskylive.com)
- March 2, 2017:** WhiskyFest, Washington, D.C., [www.whiskyadvocate.com](http://www.whiskyadvocate.com)
- March 11, 2017:** Whisky Live, Washington, D.C, [www.whiskylive.com](http://www.whiskylive.com)
- March 12-14, 2017:** NABCA Annual Symposium on Alcohol Beverage Law & Regulation, Arlington, Va., [www.nabca.org](http://www.nabca.org)
- March 13-15, 2017:** Women of the Vine & Spirits Global Symposium, Napa, CA, [www.womenofthevine.com](http://www.womenofthevine.com)
- March 29-April 1, 2017:** Fifth Annual Whiskey Obsession Festival, Sarasota, Fla., [www.whiskeyobsessionfestival.com](http://www.whiskeyobsessionfestival.com)
- April 3-6, 2017:** ADI Conference, Baltimore, MD, [www.distilling.com](http://www.distilling.com)
- April 18-21, 2017:** WSWA Annual Convention & Exposition, Orlando, FL, [www.wswa.org](http://www.wswa.org)
- April 21, 2017:** WhiskyFest, Chicago, IL, [www.whiskyadvocate.com](http://www.whiskyadvocate.com)
- May 22-25, 2017:** NABCA Annual Conference, Marco Island, FL, [www.nabca.org](http://www.nabca.org)



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