

# The Future of Minnesota's Craft Beer and Liquor Industry

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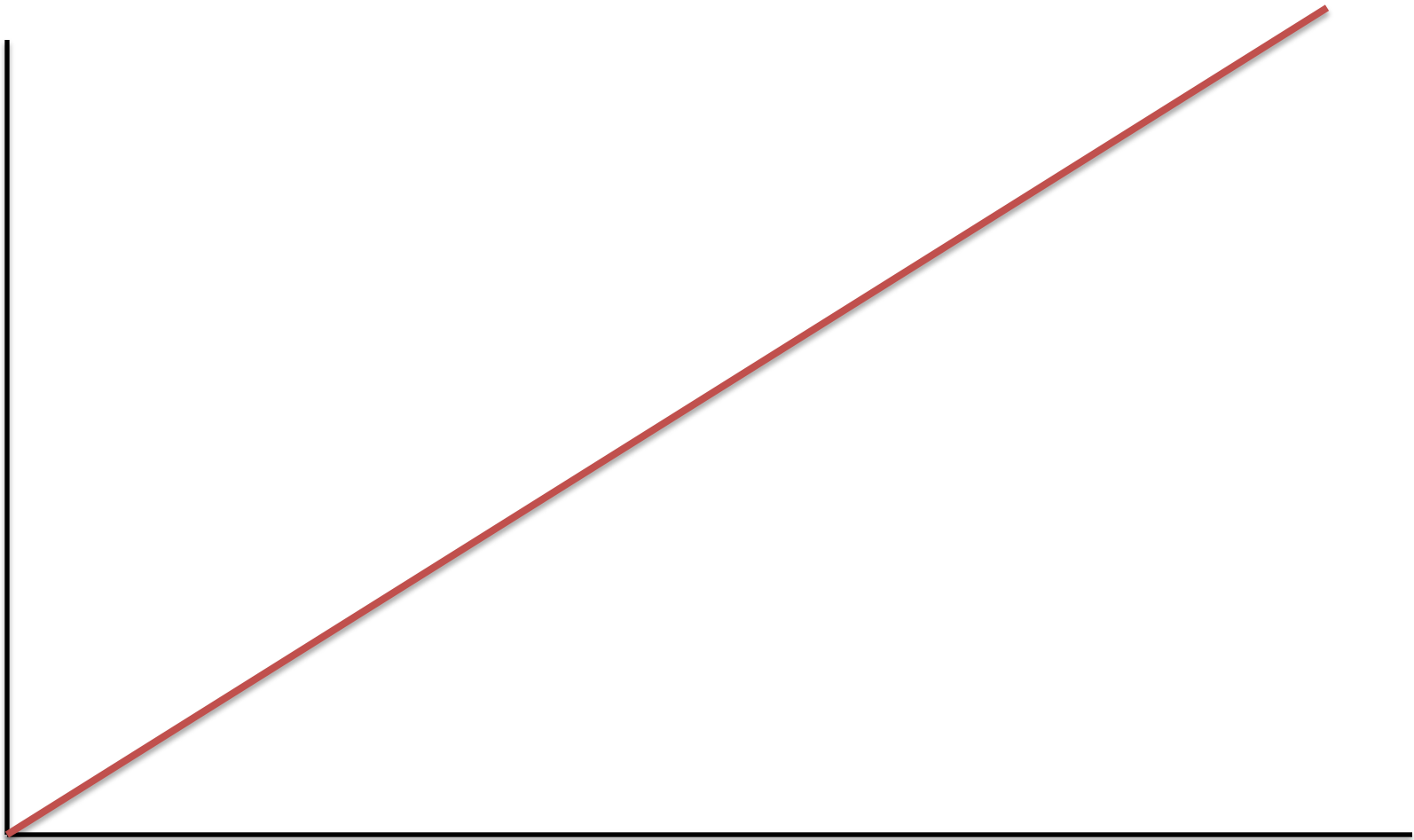
MSBA Convention

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# The Statistics:

Growth of Minnesota Brewing & Distilling Industries



Number of Outdated Prohibition Era Laws Repealed

# The Statistics - Breweries:

	2012	2013	2014	2015	2016	2017
Number of Breweries	134	155	183	212	222	318
Production (barrels)	105,034,614	107,105,614	227,520,158	235,147,518	166,915,759	N/A

Source: Minnesota DPS Alcohol and Gambling Enforcement

# The Statistics - Distilleries:

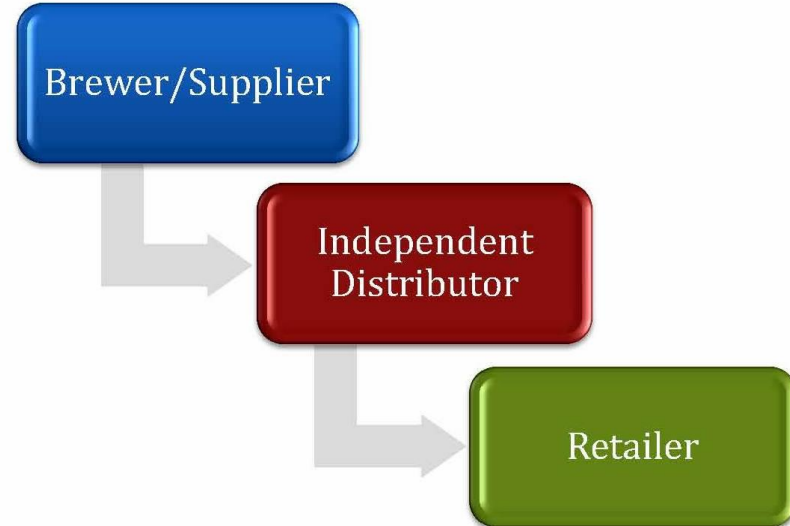
	2011	2012	2013	2014	2015	2016	2017
Number of Microdistilleries	0	1	4	13	15	21	27

Source: Minnesota DPS Alcohol and Gambling Enforcement

# Legislative changes and their effect on industry growth



# How a Liquor Bill Becomes Law:



# Recent Changes to Liquor Laws in Minnesota

Over the last five years, the Minnesota Legislature has taken important, incremental steps in modifying the state's liquor laws.

In 2011 the Legislature passed a bill dubbed the “**Surly bill.**” This legislation enabled breweries that produce fewer than 250,000 barrels a year to serve pints of beer on site.

(Source: Senator Roger Reinert)



# Recent Changes to Liquor Laws in Minnesota

Notable measures included in the 2013 Omnibus Liquor Bill passed by the Legislature were:

- **Microdistilleries are able to provide samples of their goods** to customers touring the microdistillery.
- **Small licensed brewers are able to get an off-sale brewer license.** This license authorizes the off-sale of beer that was produced and packaged in an amount not to exceed 500 barrels annually. Beer would be sold in growlers (64-ounce containers).





# Recent Changes to Liquor Laws in Minnesota

The 2014 Omnibus Liquor Bill passed by the Legislature included a number of provisions, including:

- **Taprooms can offer beer for on-sale on Sundays** if they receive municipal authorization;
- **Small brewers can re-fill any growler, including growlers from other breweries, for customers.** The bill did clarify, however, that they are not required to do so.
- **Microdistilleries can sell their product on-sale** if they have a cocktail room license.



# Recent Changes to Liquor Laws in Minnesota

Key changes including in the 2015 Omnibus Liquor Bill were:

- **Small breweries and brewpubs are allowed to sell growlers off-sale on Sundays**, provided they have local approval;
- A provision known as the “**Bloody Mary Bill.**” With this change, bars and restaurants that have an on-sale license can start selling alcohol at 8 am instead of 10 am on Sundays;
- **Microdistilleries are able to sell customers one 375 milliliter (mL) souvenir bottle of their product per day.**



# Recent Changes to Liquor Laws in Minnesota

NO omnibus liquor bill passed during the 2016 Legislative Session

- Opponents of Sunday sales legislation were very concerned about an amendment being introduced in an election year.
- Minnesota House did vote on a bill and an amendment to repeal the Sunday sales ban failed.
- Then Senate Majority Leader Tom Bakk, a staunch opponent of Sunday sales, instructed his members not to introduce any liquor bills so as to prevent the Sunday sales amendment from being introduced in the Senate.

# 2017:



**BUT:**

- No Sunday cocktail rooms for distilleries
- No increase in growler limits
- No increase in vessel sizes

# Future Legislative Efforts

- Growler Laws
- Distilleries & Cideries seeking parity with breweries (hours of operation for cocktail rooms, self-distribution, etc.)
- Wholesalers could push back on taproom growth and/or curtail sales of distribution rights

# The Coming Battle: Beer Franchise Laws



# Minn. Stat. Chapter 325B

- ❑ Agreement can be created without a written contract (M.S. § 325B.01, Subd. 2)
- ❑ Brewery can only terminate agreement for “good cause” (M.S. § 325B.04, Subd. 2)
- ❑ Brewery must provide wholesaler with 90 day written notice and wholesaler has opportunity to cure (M.S. § 325B.05)
- ❑ Several states have enacted “small brewer exemption” to level the playing field between breweries and wholesalers



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