

Smitka notes on Beer/Whiskey panel

2018 Entrepreneurship Summit

- 30,000 new SKUs so distribution system "constipated"
 - vertical foreclosure [AB sales person tries to leverage their newly-acquired brands].
 - number of distributors has shrunk, significantly
 - "NC best distributor system in the South" ⇒ shouldn't boast about being best of the worst!
 - production limit 25,000 barrels ←→ 50,000 full-sized kegs to put in perspective, AB distributor in Raleigh – not whole of NC – sells 1 mil bbl.
- = 7% distrib 7% brewpub remainder own internal staff. but "incubator system" only up to 25K bbl, number picked out of the air. 106,421 bbl proposed new limit. deliberately arbitrary. working on issue, as can sell more than that within 30 miles of city. lawmakers said fine, as long as wholesalers signed off on it. and their response was "over our profit line" - any increment has to go through them. so stalled for 4-5 years as generous bipartisan donors for 50 years. so now taking to Supreme Court as *de facto* eminent domain, a taking from one private party for the benefit of another.
- = in Md 97% through distributors, self-distributing not encouraged plus not what he wants his business to be about. legislative issues now coming up with "franchise law" where rights assigned to distributor (in NC any assignment is permanent – have to buy back).
- whiskey: focus end-consumer. bar staff is key. booming with lots of craft distilleries. they get lost in the shuffle.
 - DC has interesting quirks: a Costco that sells 1,000s of cases of Fireball and in turn they get 80% of the good stuff at \$60-\$200 but can go up to \$2,000 per bottle on black market. draws whiskey purchasers to Costco.
 - most whiskey is blend of casks for consistency.
 - Buffalo Trace "Fireball" (\$1 bil) and many other brands.
 - Elijah Craig and (Compass Box) Glasgow Blend. chose this barrel to have their name on this particular bottle. "blended scotch" is grain and malt combination. grain is standard column still in 70:30 combination. theirs is 34:66. 35% was ex-sherry butt. then peaty "lafroid"? then French oak barrel 2 yrs. hogshead = 250 l = 192 bottles. but not standardized.
- = EC father because commercial innovation: reused barrels. to facilitated charred the inside to get rid of legacy flavors of cheese or fish or whatever. but was a Baptist pastor. charring tends to create a vanilla flavor. 2nd time to do a barrel pick for EJ, sold out instantly with first. picked 9 year on basis of taste. warehouse C, 9th rack. independent 2nd time was 4 numbers off: same day, same rack, 1 year older. so this one is a 10 year. "age statement" now infrequent: youngest whiskey in "batting". for Scotch, has to be at least 3 years old.
- "whiskey" is generic for grain. then geography and recipe: bourbon has to be 51+% corn but typically 70% with some rye and malted barley. KY is big, of course formerly known as VA. Scotch has to be physically in Scotland. [KY has more barrels aging than people + horses] supply curve: gone to extra shifts, etc and to increase further requires shortcuts. EJ can't do 12 year as demand exceeded their schedule / old inventory. BR "Pappy" uses wheat, very few used so old very scarce. Weller/Pappy hype. 7 yrs ago a \$9 bottle.

= have retailers increased the number of "facings"?