



Massachusetts Package Stores Association, Inc.

30 Lyman St. - Suite #2 / Westborough, MA 01581
Phone: (800) 322-1383 - www.masspack.org

JUNE 2018 NEWSLETTER

MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear MassPack Members,

The beverage alcohol three-tier system in Massachusetts is once again under pressure. Nothing appears to be off limits when it comes to division and disruption. Therefore, it is important for the independent package store community to be informed.



Spring and the early summer are an active time on Beacon Hill. Spring is the time of year when state budgets are amended and provisionally accepted. Early summer is where budgets and end of session omnibus bills get conferenced and approved. Because so much is at stake during the spring-summer legislative season, it can be a time for mischief. There is a lot of mischief afoot that is connected to the alcoholic beverage industry in Massachusetts.

Anticipating that recommendations from the Treasurer's Alcohol Beverage Taskforce Report might get introduced during the end of the legislative session, MassPack was watchful as industry related amendments mysteriously appeared within the House FY2019 budget. One of the amendments, if adopted, would have allowed manufacturers of alcohol beverages to sell at retail to off-premises consumers. Another amendment would have expanded the ability of brew pubs to sell alcoholic beverages off premises. MassPack worked overtime to ensure that these additions to the House budget were withdrawn. MassPack was successful.

While seeking the withdrawal of disruptive budget amendments, MassPack also learned of House Bill 4377. HB 4377 was problematic because it pitted retail package stores against one another by allowing a discounting and pricing advantage to some at the expense of others. HB 4377 was sent to committee for further study. Workable alternatives are also being considered.

In May, the Senate introduced their funding bill. MassPack was again successful in fighting back against a second attempt to allow manufacturers of alcohol beverages to sell at retail to off premises consumers. There was also another effort to let brew pubs sell at retail off premises. MassPack was successful in securing the removal of both amendments from the Senate budget.

An additional amendment to the Senate budget was S4-824. S4-824 would have allowed chain store retailers the ability to combine their buying power in order to discount to consumers in a manner that was similar to what had been sought through HB 4377. It can be reported that Amendment FY2019-S4-824 was rejected.

While working for the benefit of all independent package stores, MassPack also improved the business climate in Massachusetts by helping to secure relief for businesses having to pay the new EMAC medical assessments. MassPack is pleased to report that an amendment was adopted within the Senate budget that creates a tax credit intended to ease the fiscal sting for businesses that must pay both state and federal employee health care assessments. The double assessments have caused extreme hardship and frustration to many small businesses including package stores.

MassPack will be advocating for adoption of the Senate proposal within the budget conference committee.

Next on the legislative calendar is the Governor's omnibus economic development bill. Note that it was in the 2016 economic development bill that an amendment allowing package stores to be opened on Memorial Day was adopted. Please know that MassPack is paying close attention to actions on Beacon Hill. We will continue to keep you informed about further developments.

Respectfully,
Rob Mellion, Esq.
Executive Director and General Counsel

Senate Okays Biz Tax Credit to Ease Sting of Double Assessments

MassPack can report that the Massachusetts Senate voted unanimously on Wednesday, May 23, 2018 to create a tax credit that is intended to ease the fiscal sting for businesses that have to pay both state and federal employee health care assessments. This action was advocated for by MassPack to provide some relief from the unfair requirement put upon small businesses that must pay the new state Employer Medical Assistance Contribution (EMAC) supplement and the federal Employer Shared Responsibility Payment. The tax credit would allow an employer to claim a credit if they are subject to the federal assessment as well as the state assessment. In this manner, the credit, if adopted by the Conference Committee, ensures employers are not being doubly penalized in the same tax year.

Double assessments have caused extreme hardship and frustration to many small businesses including package stores. The amendment would allow any business taxpayer that pays both the EMAC supplement and the employer shared responsibility payment in the same taxable year to take "a refundable credit against the tax liability ... in an amount equal to \$750 times the lesser of: (i) the number of Massachusetts employees for which the taxpayer pays the employer shared responsibility payment in the taxable year, or (ii) the number of full-time employees on ConnectorCare for which the taxpayer pays the EMAC supplement in the taxable year. The tax credit would apply for tax years "beginning on or after January 1, 2018 and before January 1, 2020" and would not be transferable.

The fiscal year 2018 budget imposed a two-tier employer assessment to help pay for rising MassHealth costs. Tier one boosted EMAC from \$51 to \$77 per year. The second-tier hits employers with penalties of up to \$750 per employee if their workers choose MassHealth coverage even though they have access to private insurance through their employers.

MassPack will be advocating for adoption of the Senate proposal within the budget conference committee. We will keep the membership informed about further developments regarding the EMAC assessments.

When Suppliers Morph into Retailers

When Suppliers Morph into Retailers Source: Public Action Management by Pamela S. Erickson May 22, 2018 When I started as an alcohol regulator, Oregon had many small wineries producing good wine--some of which was world class. But most wineries were very small and sometimes had difficulty "getting their product to market." These wineries felt they needed to develop a market before a distributor would be interested in partnering, and/or they feared getting lost in the portfolio of larger wine and spirit distributors. One method they pursued was selling their products at local festivals.

Some of these festivals got out of control. It turned out that wineries were inexperienced and unskilled in responsible serving practices. Attendees got intoxicated after having too many "tastes" and minors were served.

Eventually, we developed rules for festivals that included limits on servings and the size of a "taste", requirements for server training and other responsibility measures. As a result, these events became less of a problem.

Responsible retailing of alcohol is exceptionally important. We rely on our retail licensees to prevent sales to minors and intoxicated persons. This takes skill in observation, judging age, checking ID, knowing the signs of intoxication, and handling very delicate situations.

But now we face another situation where suppliers are entering the retail business, sometimes without the training or skills needed for good retailing. Today, we have over 6,000 breweries, the majority of which are small microbreweries or brew pubs. They may perceive similar challenges "getting their product to market," or have developed a business model selling their product direct to consumers from a tap room. It is not uncommon for these tap rooms to become full-fledged restaurants and entertainment venues. Rather than have some people come in and taste the product for possible future sale, their model entails large numbers of customers drinking substantial amounts of product.

To accomplish this evolving business model they often approach policy-makers to add license privileges as a way to increase their business success. And, sometimes, training on good serving practices was not included as a requirement.

Conflicts with other licensees - Because most wineries grow grapes, their tasting room is usually in a rural area. This generally means the customer base is not large enough to operate a full-scale restaurant. While some wineries have sought to become competitors for tourism and weddings, most now rely on "tasting fees" to offset tasting room costs.

The situation is different with breweries. The tap rooms that morph into pubs and restaurants are usually located in urban areas. This makes them direct competitors with local bars and restaurants. In some cases, the retail licensees paid a lot of money for their license. In other cases, a business could not get an alcohol license because the state had a quota and none were available. Brewpubs or tap rooms often evolve into full-scale retail premises by getting changes to their license type which gives them special privileges. Sometimes there is no increase in the license fee nor did the premise have to pay to acquire a license.

This issue recently erupted in Alaska where bar owners objected to the special privileges for small operators. A news article stated, "{retailers} see the current laws that allow breweries and distillers to serve alcohol as disturbing what was once an even playing field, turning it into one that's unfair. That's because bar owners have to pay many thousands of dollars for their licenses."

Cracks in the Three-tier System We rely on licensed, independent wholesalers to prevent the kind of market domination which created major social problems before Prohibition. The wholesale tier is the key to preventing the vertically integrated businesses which created these problems. That is why our Tied House Laws don't permit manufacturers to be in the retail business. Some policy makers have reasoned that it won't hurt the three-tier system if just a few small manufacturers operate differently.

But, several large beer companies have now purchased "craft" breweries with one or more tap rooms. This puts them instantly in the retail business with a greater ability to compete due to their access to large amounts of capital and extensive distribution systems. Another issue involves tax collection and product tracking. In most states, this is the wholesaler's job. Allowing some licensees

to operate outside this system means a state must set up a separate method to collect taxes and track product. Our three-tier system has worked well for decades. If we allow too much operation outside of this system, we run the risk of weakening it to the point of collapse.

It is also important to recognize that most of the small suppliers are successful because of the three-tier system. Not only does the middle tier prevent domination by large companies, trade practice regulations prohibit many strategies that would squeeze out the small guys. Large companies can't pay retailers for favorable shelf space nor can they work with a retailer to sell their product exclusively. Some states require that all products be sold to all retailers at the same price. These are common practices for other commodities and prevent small companies from "getting their product to market."

Suggestions:

So, what can a regulatory agency do about this situation? Here are some ideas: Understand the marketplace, the alcohol industry and your local market. According to the Gallup Poll, the national rate of alcohol consumption seems pretty flat. The percent of people who drink declined slightly from 2016 to 2017, but the mean number of drinks per week increased slightly. In addition, the "craft" category is now crowded and revenue generation isn't what it has been in the past.

So it's important to consider the impact of more alcohol outlets on existing businesses and public health. During the process of license creation or modification, regulators should be a reliable resource to legislators and other policy-makers. While legislators may not accept all recommendations, they are likely to make the best decisions when presented with all of the facts. Therefore, it would be helpful to point out potential conflicts with other licensees and impacts on the three-tier system.

Regulators should also remind everyone about the critical importance of retailing responsibilities and the skills required.

It would be helpful to bring up the issues of the cost and need to maintain a separate method to collect excise taxes and to track products for safety reasons. And, it would be good to note that there may be additional costs for enforcement and licensing.

Finally, it is important to emphasize that regulations are there to protect public health and safety. It may be a good idea to enlist the help of public health and law enforcement to make the case for doing everything possible to reduce the high cost of alcohol harm to our youth and citizens.

MassPack's Grand Tasting and Buying Event Was a Great Success

MassPack's Grand Tasting and Buying Event once again brought together the entire alcohol beverage three tier-system in Massachusetts. This year's event at Lombardo's on May 9th built on the success of past years by offering outstanding show day purchasing discounts, hundreds of tastings, great food, and the advice of many industry experts. Attendees also got to hear from Jim Koch, the co-founder and chairman of the Boston Beer Company that produces Samuel Adams beer. Someone also walked away with a bottle of Pappi Van Winkle and another attendee won the \$1000 Cash Prize giveaway.

MassPack's Grand Tasting and Buying Event could not happen without the many exhibitors, associate members and sponsors. MassPack wishes to express our sincere gratitude for their participation and support of our industry and membership. Thank you for helping to make this event so successful.

A big thank you also goes out to all of the attendees for taking time out of your busy schedules. Thank you very much for coming. Finally, it is important to acknowledge the people who worked so hard for many months to produce the Grand Tasting Event. Special recognition goes to event

chairman Steve Rubin, President Ben Weiner, the entire show committee, MassPack's Director of Operations Robyn Seymour, and all of our board members. Together you made this MassPack's best Grand Tasting and Buying Event ever. Next year's event is already being planned!

Brewers Association Encouraging Retailers to Use Independent Brewers Logo

April 30, 2018 By Walt Williams

The Brewers Association is stepping up efforts to have retailers showcase beers with the group's "independent craft" logo as a way to drive up sales for smaller brewers.

BA recently debuted a "microsite" on its website where retailers can download materials about how to more prominently display beers carrying the logo in their stores. The logo was unveiled in June 2017 and made available free to BA members and non-members alike, as long as the companies met the association's definition of a "craft brewer."

BA claims that advertising the availability of craft beers is good business for retailers.

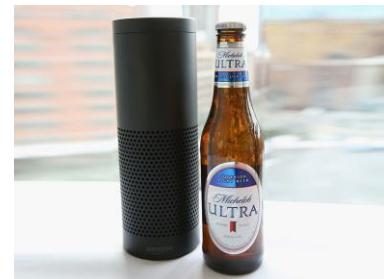
"Data shows that independent craft outperforms Big Beer-acquired brands on a number of metrics," said Julia Herz, BA's craft beer program director. "There are many reasons for retailers to seal the deal to support and differentiate independent craft brewers at the point of purchase."

Small and independent craft brewers represent 99 percent of the more than 5,300 breweries in the U.S. but make up only 12 percent of the beer sold in the country, according to the association. BA defines a small brewery as one that produces less than 6 million barrels of beer in a year. It defined an independent brewery as one where less than 25 of the business is owned or controlled by a beverage alcohol industry member that is not a craft brewer.

Alexa, bring me a beer.

March 22, 2017 - Mike Pomranz

It's the dream of every couch potato on planet Earth: the ability to simply announce "Get me a beer!" and have a frothy brew brought right to whichever hand is not currently holding an Xbox controller. Well, Amazon may not have yet perfected all the steps to solve this problem, but the online superstore announced it has conquered one of the most difficult steps. Starting this week, Alexa users in three markets can now simply say, "Alexa, order beer," and the digital assistant will have beer (or wine or maybe even spirits) delivered right to their door.



Amazon's Alexa – the voice-activated digital assistant that is probably best known for being used with Amazon's Echo speaker – has plenty of tricks up its sleeve, also known as "skills," with new ones being added all the time. The latest addition allows customers of Amazon's "Prime Now" two-hour delivery service to use "voice shopping." Though Prime Now is available in over 30 cities, three of those markets are getting a very cool perk: Seattle, Columbus and Cincinnati will also be able to voice shop for alcohol. (Why does Ohio always get to have all the fun?!) Seattle will be privy to beer, wine and spirits; meanwhile, residents in the Ohio cities will only be able to get beer and wine. And of course, everyone has to be at least 21 years of age.

"We're excited to offer the full Prime Now catalogue with Alexa, including tens of thousands of items, which allows you to refill everyday essentials you've just run out of like diapers or dish soap, or cater to unexpected guests with merlot and ice cream, all without ever leaving your house or even getting up from the couch," Assaf Ronen, Vice President of Voice Shopping, said in a statement. As for

voice-activated two-hour alcohol delivery specifically, Amazon suggests the service can help users “re-stock their party while watching the game, playing cards or dancing to their favorite song.” Though keep in mind that, come on, people, I have work tomorrow!

As if booze delivery wasn’t exciting enough regardless, USA Today also says that beer and white wine will arrive already chilled in a refrigerated bag, meaning you’ll be able to drink as soon as it shows up. So granted, you still may have to get up off the couch and answer the door, but seriously, what more could you want? Maybe Amazon to hangout and watch the game with you? Hopefully Alexa will one day get a skill to discuss whether or not she thinks this will finally be Gonzaga’s year to reach the Final Four.

American Beverage Licensees Returns to Las Vegas for 2019 Annual Meeting

BETHESDA, MD – MAY 23, 2018 – American Beverage Licensees (ABL) announced today that it is returning to Las Vegas, Nevada for the 2019 ABL Annual Meeting, taking place March 24-26, 2019. The meeting will be held at Bally’s Las Vegas Hotel & Casino, and will include a program full of informative speakers, topical issue discussions, industry networking and a series of hospitality events.

Marking the association’s 17th anniversary, the 2019 ABL Annual Meeting will bring together beer, wine and spirits retailers from across the country – as well as representatives from the three tiers of the beverage alcohol industry. The meeting program will examine the key issues of the day facing independent beverage retailers and explore what lies ahead in the ever-evolving beverage alcohol marketplace.

“We’re excited to bring the ABL meeting back to Las Vegas” said ABL Executive Director John Bodnovich. “It is a great hospitality industry backdrop for discussing and learning more about the important issues that face America’s bars, taverns and package stores.”

Additional information – including registration and room rates, speakers, schedules, and hospitality events – will be announced in the coming weeks and months. For the latest updates and information on the 2019 ABL Annual Meeting, be sure to visit www.ablusa.org. The latest updates can also be found by following the #ABLMeeting19 hashtag on Facebook, Instagram and Twitter.

Special Thanks to Our New Associate Members

MassPack would like to welcome and thank our latest Associate Members. Please take the time to check out their websites by clicking the links below.

CONNECTPAY PAYROLL SERVICES – www.connectpayusa.com

PROTASTINGS – www.protastngs.com

TREASURY WINE ESTATES – www.tweglobal.com

We invite you to support those businesses that support your association.

MASSACHUSETTS PACKAGE STORES ASSOCIATION

**We acknowledge those suppliers who have shown their support
for the package store industry in Massachusetts by becoming...**

2018 ASSOCIATE MEMBERS

3 x 3 Insights	J Polep Distribution
Abacus Distributing LLC	Latitude Beverage Co.
Alberta Payments	Lemate of New England, Inc.
American Insulated Panel Co.	Martignetti Companies
Anheuser Busch, Inc.	MA Beverage Business Journal
Association Members Insurance	Merrimack Valley Distributing
Atlantic Beverage Distributors	Miller Coors
Atlas Distributing, Inc.	mPower Beverage Software
Bacardi USA	M.S. Walker, Inc.
BayState Business Brokers	Narragansett Brewing Co.
Baystate Wine Co. Inc.	Payment Alliance International
Black Lab Alarm, Inc.	PC Solutions
Burke Distributing Corp.	POS Advisors LLC
Carolina Wine & Spirits	Protastings
Charles River Wine Co.	Quality Beverage Ltd.
CheckWriters Payroll	Retail Control Systems
Classic Wine Imports	Ruby Wines Inc.
Colonial Wholesale Beverage	Seaboard Products Co.
Commercial Distributing Co.	Squizzero, Carp & Associates
Commonwealth Wine & Spirits	Summit Ice Inc.
ConnectPay Payroll Services	The Business Exchange
CoveRisk Services, LLC	The Tap Brewing Co.
Craft Brewers Guild	TOMRA of North America
Distilled Spirits Council	Treasury Wine Estates
Drync	Tri Wine Company
ENVIPCO	Truro Vineyards of Cape Cod
First Data	Turn-Key Distrib. Systems
Forbes Snyder - dba Advanced Business solutions	United Liquors
George & Co. Business Brokers	WB Mason Co., Inc.
Harold Levinson Associates	Westborough Books Inc.
Horizon Beverage Co.	White Lion Brewing
HUB International NE	Williams Distributing Co.
Intellilcheck ID	Winebow Boston
	Yiannis Distributing

THANK YOU FOR YOUR SUPPORT!