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Entrepreneurial spirits dampened

> Growth in B.C.'s emerging artisan distillery industry being hampered by liquor distribution restrictions

> Distilleries lobbying for the same rules that allow small wineries in the province to sell directly to customers

By Andrew Petrozzi

Cocktail bars might be enjoying a renaissance in Vancouver, but antiquated laws governing liquor distribution are restricting the growth and agri-tourism potential of the artisan distilleries that are springing up around the province.

While updated regulations in Oregon and other states have helped cultivate a vibrant artisan distillery industry in the U.S., small-batch distillers in B.C. are at the mercy of the provincial **Liquor Distribution Branch (LDB)**.

Under current LDB regulations, distillers are prohibited from:

- distributing their products directly to customers;
- charging a fee for samples provided during tastings;
- hosting events at their distillery; and
- operating a lounge.

Distilleries can operate retail storefronts. But **Frank Dieter** said the industry must be allowed to distribute products directly to in-

dividuals, restaurants and hotels and private liquor stores if it's to become financially viable.

Dieter is the president of the **Artisan Distillers Guild of British Columbia** and owns **Okanagan Spirits**, which produces fruit liqueurs, grappa and Taboo absinthe. He said the rules governing B.C. wineries, which allow them to sell directly to customers, should be extended to the craft distilling industry.

Dieter, who opened Okanagan Spirits six years ago, has yet to turn a profit on his \$2 million investment.

"We're dealing with a very antiquated system that ... before craft distilling or estate wineries had its place in the province," he said. "It did not work for wine and therefore it got changed. Neither does it [work] for craft distilled products."

Distiller **Peter Hunt** of **Victoria Spirits**, which is best known for its premium Victoria Gin, said the LDB system favours large manufacturers with small margins.

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Hard sell: small artisan distilleries like Peter Hunt's Victoria Spirits are struggling to survive under what their owners say are the province's antiquated liquor laws

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LDB: Mark-up fees hurt small producers

from *Entrepreneurial*, 1

"There's no way of making a profit if you're only producing a small amount of product."

All spirits in B.C. must currently be sold through the LDB.

Restaurants or hotels that want alcohol from an artisan distiller must first contact the LDB, which in turn contacts the distiller. It must then ship the requested product to the LDB's distribution warehouse in Vancouver. The alcohol is subsequently shipped back to an LDB store, where the restaurateur must come in to pick it up.

Single bottles of Victoria Gin and Okanagan Spirits' Taboo absinthe are available at LDB stores.

But if the LDB has not previously agreed to distribute a distilled alcohol in its stores, customers must order it by the case. Hunt said the LDB also charges a "very hefty" mark-up fee for the service, which artisan distillers could avoid if they could distribute directly to customers.

Hunt added that the LDB charges the fee even if it doesn't stock a product in its stores and, in effect, is not sell-

ing or marketing the spirits to the public.

John Grayson of Island Spirits Distillery said that because artisan distillers are treated the same as large producers it's almost impossible for them to turn a profit.

"We would like to have the policies that are in place for B.C. wineries to be extended to the craft distilling industry"

- Frank Dieter.,
president,
Artisan Distillers Guild of BC

"It is ridiculous, but that's the way it is when you're a monopoly."

Pemberton Distillery's Tyler Schramm believes the government hasn't made the necessary changes because the industry is still in its infancy.

According to Schramm, the first micro-distillery in B.C. opened in 2002.

Allowing direct distribution would not only improve his bottom line, but it would

also help artisan distillers secure the financing needed to establish and expand their businesses.

The BC Chamber of Commerce identified artisan distilling in its 2010-11 policy and positions manual as "an opportunity to develop a new green, sustainable industry providing new jobs, enhanced agritourism and culinary tourism, while producing a product that is desired throughout world markets."

It also identifies it as a way in which B.C. raw materials and/or waste agricultural products can be processed to produce top-shelf merchandise. It has recommended that the provincial government "review the legislative and regulatory structure with respect to alcoholic beverage manufacture, distribution and sale in B.C. to ensure fairness and balance among components of the industry, including artisan distillers."

A Ministry of Housing and Social Development spokesman said the government is considering distribution options for craft distillers, "but no decisions have been made at this time." ■
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BRIEFS

Vancouver's Continental Minerals sold to Chinese group for \$432 million

China's Jinchuan Group Ltd. has signed a letter of agreement to buy Vancouver-based Continental Minerals Corp. (TSX-V:KMK) for \$432 million.

The deal, which was announced last Friday, came two days after Continental issued a tight-lipped news release saying its management team was in "advanced discussions" with a third party to sell the company.

Continental's board has recommended that shareholders approve the arrangement, which would result in the company being acquired for \$2.60 per share, a 13% premium on its September 14 closing price.

The deal gives Jinchuan, China's largest nickel-cobalt producer, access to the Xietongmen copper-gold property in Tibet.

The project, if built, could produce 1.6 billion pounds of copper, 2.3 million ounces of gold and 24 million ounces of silver over a 14-year mine life.

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