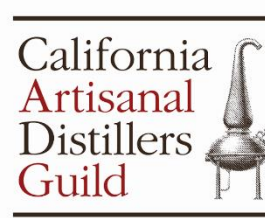




**American
Distilling
Institute**



**DISTILLED
SPIRITS
COUNCIL**
OF THE UNITED STATES

December 16, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol Building
Sacramento, CA 95814

RE: EXTEND ABC's DIRECT TO CONSUMER SHIPPING AUTHORIZATION FOR CALIFORNIA DISTILLERIES

Dear Governor Newsom,

In March 2020, your Department of Alcoholic Beverage Control (ABC) provided regulatory relief allowing distillers in California to ship direct to consumer (DTC). This rule, which is set to expire on December 31, has made it possible for consumers to safely shop for spirits products and for producers to have an alternate revenue stream during COVID-19 closures. The spirits industry is immensely grateful for this emergency order which has allowed distillers to continue to reach their customers in a way that consumers have come to expect, often while adding jobs in a rapidly growing industry that was decimated by tasting room closures. For the last year and a half, the distilling community has safely and responsibly exercised this new privilege, ensuring shipping only to consumers of legal drinking age, with ID checks and signatures required prior to and at point of delivery.

And consumers are supportive of the change. In fact, a survey conducted in March 2021 by IWSR Drinks Market Analysis found that more than 75 percent of Californians surveyed agreed they should be able to order spirits directly from distillers, and that distillers should have the same privileges as wineries to ship directly to consumers. DTC shipping is an important tool for spirits producers and consumers.

The California legislature is considering a permanent solution to this issue with SB 620 (Allen). SB 620 proposes to bring parity to the market making DTC shipping permanent for all distillers, as has been the case for wineries that have been safely shipping wine to consumers since 1986. This bill will benefit California consumers who are looking for unique bottlings or products not geographically available to them or only offered through the distillery. For small producers, DTC shipping represents a critical on-ramp to the distribution system, allowing distillers to demonstrate success in the market with the goal of winning the attention of a mainline wholesaler.

The current emergency order will sunset at the end of 2021, and the legislative process will not have time to take its course before the order expires. Allowing the order to lapse would be a

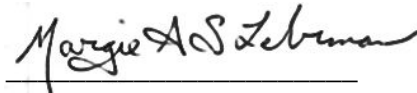
grave threat to the distilling industry in California. Further, the loss of DTC shipping would induce confusion in the marketplace where consumers have now become accustomed to being able to purchase spirits, similar as they do with wine via DTC. Removing DTC shipping of spirits now has the potential of triggering new jobs losses and would be a fundamental threat to the viability of spirit producers in California.

As we continue to contend with the great challenges of the COVID-19 pandemic, we ask that you extend the emergency order granting distillers DTC shipping privileges for one additional year to December 31, 2022. An extension will provide vital support to California distillers, especially in light of the recent extension of the state's COVID-19 emergency order and renewed indoor mask mandates. This extension will also allow sufficient time for the state legislature to address this important issue. We appreciate your attention to our request.

Best regards,



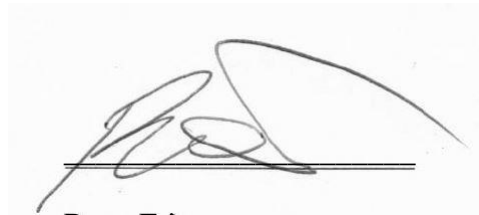
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