

Date: 3/9/25

To: Senate Industry, Business and Labor Committee

From: Shiloh K. Perry, Marketing Director for Big Dog Beverages LLC.

Subject: Testimony in Support of House Bill No. 1466

Chairman Barta and members of the Senate Industry and Business Committee,

I am Shiloh K. Perry and I represent Big Dog Beverages LLC. My colleague and I are here to express our support for House Bill No.1466.

House Bill No.1466 adds several amendments to sections 5-01-01 through 5-01-02 of North Dakota century code in reference to domestic and manufacturing distilleries operating within the state of North Dakota. The purpose of this bill is to clearly define a manufacturing distillery and adjust how we account for our yearly production.

This bill has gone through many changes since its inception. The most recent one is in my opinion one of the most important, the changing of production value from wine gallons to proof gallons. I'm hoping in this testimony to showcase just how important this change is as well as the imminent need for this bill to pass. The current century code caps both domestic and manufacturing distilleries at 25,000 gallons (wine gallons) of distilled spirits per calendar year. As there is already one operating distillery in this state over that cap, the need for House Bill No.1466 to pass is imminent.

To begin with I'd like to focus on the importance of counting production in proof gallons. Currently all production is accounted for in wine gallons. This has become a problem due to the rising popularity of ready-to-drink canned cocktails. Henceforth in this document, I will be referring to all ready-to-drink canned cocktails as RTDs. According to The

Rise And Future Of The Ready-To-Drink Beverage Industry by Forbes Magazine, the RTD industry was the only category of alcohol beverages to see any significant growth in 2023. To ensure continued success in the distillery industry many well known distillers such as Jack Daniels and Jim Beam are also flocking to the RTD market. Prior to RTDs, most distilleries would produce bottles and those bottles being accounted for as wine gallons wouldn't have made much of a dent in the total amount of product they could produce a year. Under current century code, counting only one production run of our 12 fl oz. RTD would account for almost 5,000 gallons of product. Based on the current century code we could only do this production roughly four more times. How are we expected to keep up with demand for our product if we are capped to four RTD production runs a year? The amendment added allows for the same run of RTDs to only be counted as roughly 700 gallons of what would be our allotted 40,000. Obviously this will make a big difference as far as how much our distillery and the others in the state can produce while still remaining compliant to ND state century code. As RTD's are only on the rise in popularity it is more important than ever to change distillery production from wine gallons to proof gallons. As a representative of the distillery industry in this state I am confident this amendment will have the full backing of our community as a whole.

The larger issue this bill addresses on the whole would be the lack of clear cut definitions to the classification of distilleries and the privileges allotted to them. As I stated previously, under the current century code both domestic distilleries and manufacturing distilleries are capped at 25,000 gallons without any clue as to what would happen as the distilleries of this state hit that cap. Again we currently already have a distillery over that cap. House Bill No.1466 aims to allow all parties to continue operations while also increasing the efficiency of reporting production to the state. Without the changes this bill introduces we will see a definite closure of distilleries operating in this state. The theory behind alcohol law is that if it is not expressly written it is not allowed. Under that line of thinking, the small business I work for that is owned and operated in this state will have to close upon hitting that cap and the distillery currently over that cap should

close its doors and cease operations today. Thus the change to this section of century code is in dire need.

With these thoughts in mind I hope you will support House Bill No. 1466. The effects of this bill will have immediate results across the distillery industry as a whole. Thank you very much for your time and the opportunity to testify on behalf of craft distillers in this state.