BUSINESS MEETING OF THE

MICHIGAN LIQUOR CONTROL COMMISSION

Held: Friday, May 21, 2021
Lansing District Office
525 W Allegan
Lansing MI 48933
(Held via Zoom)

Present: Pat Gagliardi, Chair
Dennis Olshove, Commissioner
Geralyn Lasher, Commissioner
Edward Toma, Commissioner

Absent: None

Staff: Kerry Krone, Business Manager
Pam Hamilton, Director of Finance Division
Julie Wendt, Director of Executive Services
Donald McGehee, Chief of Alcohol and Gambling Enforcement Division
Barb Subastian, Regional Supervisor Enforcement Division
Mary Anne Donley, Regional Supervisor Enforcement Division
David Marvin, State Manager, Executive Services Division
Brenda Whitford, Finance Division
Rianna Flores, Finance Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Chair Gagliardi at 10:05 a.m., noting a quorum was present.

Chair Gagliardi advised the meeting was scheduled to discuss the Commission's current delisting procedures and asked Ms. Hamilton to explain them.

Ms. Hamilton gave a brief description of the current delisting procedures and that the Commission has 13,000 SKU's in our price book. She advised that the Commission has sent out notices and will delete 2200 codes from the price book effective July 4, 2021. Ms. Hamilton stated they would like this to be completed before the next price book is sent out in August 2021.

Chair Gagliardi asked for comments from the attendees.

Auday Arabo from Benchmark Beverage thanked the Commission for holding the meeting and asking for comments. He advised he had sent an email detailing a phase in style approach. Mr. Arabo advised with the pandemic issues over the last year, it will be will difficult to have a good representation of the sales for the year in order to accurately delist products.

Rifino Valentine from Fish Hook Distillery advised they are a small distiller and the pandemic had a significant effect on his business. He made comments regarding the denial of products without specific reasons and how it was difficult for this business to know how to ensure their products would be approved.

Joshua McGrane from Moet Hennessey advised he understood the process and the needs of the Commission. He stated they have some old inventory and would need help to get it moved. He also discussed the VAPs for the holiday packs that are being denied with no clear guidelines. Mr. McGrane ask for guidelines for new VAPs and how to get rid of the old ones.

Conrad Haremza from the Michigan Spirits Association thanked the Commission for including everybody in the process and thought the current delisting procedure was working well. However, he stated with the past year's issues, he like the idea of a staggered approach for delisting products.

Scott Ellis from the Michigan Licensed Beverage Association thanked the Commission for listening to the industry. He advised that businesses liked to have the choice of different products to set up their bars and they have to be careful of pricing to maintain a decent profit margin. He advised some businesses will be raising their prices to help pay their workers and still make a profit. Mr. Ellis also discussed the small distilleries getting their products denied with no specific reasons given.

Joe Cekola from Imperial Beverage Company believes the State has done a good job and is the fastest growing control state. He further stated the Commission listens and gives great service. Mr. Cekola stated his company represents a lot of small distillers and thinks 12 cases could be a lot for the small companies to sell in a year.

Jon O'Connor from Long Road Distillers thanked the Commission for the opportunity to speak. He thinks that delisting may have an adverse effect on the small distillers and he likes the idea of a phased in approach. He spoke on the problems of products being denied with no specific reasons given.

Lynn Walding thanked the Commission for having the meeting and appreciated the opportunity to speak. He stated the delisting procedures are not a perfect system but

you are unable to please everyone. Mr. Walding echoed the concerns that the delisting process would have on the small guy. He asked if they could know in advance what would be delisted so that they would have time to move product. Mr. Walding questioned the denial of products and why are there no specific reasons given? He requested that some guidelines be set up so the suppliers know what to expect.

Juan Escareno from the Midwest Independent Retailers Association spoke on behalf of their distributors and suppliers. He wants to be sure the variety and multiple choices of products in Michigan would remain.

Jared Rapp from Traverse City Whiskey Company stated he mirrors the other comments and concerns about delisting. He spoke on getting delisted as he could not prove they had sold enough cases and having the right to appeal the decision. He suggested a different price tier to help the small guy. Mr. Rapp spoke on denials and the fact that they are given no information on the denials and no right to appeal. He stated they are sitting on product they cannot sell and it is problematic for them.

Tony Mitchell from Michigan Spirits Association stated some great things were said and that Mr. Auday offered a good plan. He stated an appeal process for delisting may help and that they understand the need for delisting products.

Justin Winslow from the Michigan Restaurant and Lodging Association advised they have over 2200 members and the majority of them are licensees of the Commission. He stated it has been a rough 16 months and they need as much opportunity as possible to overcome the issues faced by these businesses during the pandemic. Mr. Winslow asked that we not delist so their members can keep the current variety of products.

Chair Gagliardi wanted to remind everyone that we have over 13,000 SKU's and that other states do not offer as many. He spoke on the taxes to be collected and the revenue sharing program the state has.

Ed Kohl from Keepers Quest, Inc., in Chattanooga, Tennessee wanted to mirror Mr. Arabo's comments. He stated they are a new supplier to Michigan in the form of a small distiller. Mr. Kohl said they do not have a lot of inventory and would be punished because of the issues with the pandemic and not being able to market their products. He complimented the Commission and staff on his communications with us and how we are doing a great job.

Marty Rynne from Sazerac Company, Inc. thanked the Commission for having 13,000 SKU's and the variety of products. He said control states are a good thing and we need to work collectively to keep it that way.

Heidi Bolger from Iron Fish Distillery thanked the Commission for listening to their input. She advised they are excited about new products, however, sometimes when new products are created, they may not be promoted right away and may be delisted before they have time to market the products. Ms. Bolger suggested having a process whereby the supplier could be approved and placed in the price book when the product is ready to be marketed. She also suggested extra fees for the ADA's to hold these products.

Jamie Wright from Detroit City Distillery sympathized with the small distillers and advised they do not have a standard 12 pack case, that some of their products are 6 pack cases. She asked if maybe something could be changed to make it a delivered case and how the Commission looks at case sizes.

Chair Gagliardi stated all the comments were very helpful, that input is crucial and appreciated everybody taking the time to attend. He would like to set a date for written comments from those who could not attend or even from those who did attend and have more information for the Commission. Chair Gagliardi suggested a deadline of Friday, June 11, 2021 for the comments to be received. He stated he may have to extend out the delisting and give the Commission time to review the comments that were heard. Chair Gagliardi advised the Commission wants to be transparent and wants the input.

Ms. Hamilton advised the delisted products would have to be approved by June 4th, with an effective date of July 4th. She gave out her email address for written comments to be sent to her.

Chair Gagliardi advised we will look at the future delisting and talk about an appeal process. He stated the Commission will have to compile the comments, spoken and written, and then will make a decision. Chair Gagliardi will discuss this at one of the meetings next week and advise of the next meeting date to discuss the delisting procedure. He also advised the Commission will have a meeting in the future to discuss the listing issues.

With no further business, moved by Commissioner Olshove, supported by Commissioner Lasher, that the business meeting be adjourned at 11:33 a.m., motion carried by unanimous vote.

Pat Gagliardi
Chair