



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF AGRICULTURE  
AND RURAL DEVELOPMENT

GARY MCDOWEL  
DIRECTOR

**MICHIGAN CRAFT BEVERAGE COUNCIL**

**Draft Minutes**

October 9, 2019 – 1:00-4:00 p.m.

Camille's Prime Restaurant - 506 W Broadway St, Mt Pleasant, MI 48858

Council Members Present

Brian Lesperance, Fenn Valley Winery

Erin Walton, Meijer

Jim Holton, Mountain Town Station Restaurant & Brew Pub

Peter Anastor, Michigan Department of Agriculture and Rural Development (MDARD) on behalf of Director Gary McDowell

Richard Anderson, Iron Fish Distillery

Scott Graham, Brewers Guild

Zachary Owen, Temperance Distilling

Others Present

Jenelle Jagmin, MDARD

Johnathon Schweda, MDARD

Kerry Krone, Michigan Liquor Control Commission (MLCC) – left at 3:36pm

Sarah Weber, MLCC – left at 3:36pm

Council Members Absent

Brad Stevenson, Founders Brewing Company

Mike Beck, Uncle John's Cider Mill

Bob Jacobson, Leelanau Wine Cellars

Welcome and Introductions

The meeting was called to order at 1:05 p.m. by Peter Anastor, who chaired the meeting as the designee of Director Gary McDowell.

## Agenda for the October 9, 2019 Meeting

**MOTION: JIM HOLTON MOVED TO APPROVE THE AGENDA FOR OCTOBER 9, 2019. ZACHARY OWEN SECONDED. MOTION CARRIED UNANIMOUSLY.**

## Minutes of July 10, 2019 Meeting

**MOTION: JIM HOLTON MOVED TO APPROVE THE MINUTES OF THE JULY 10, 2019 MEETING. BRIAN LESPERANCE SECONDED. MOTION CARRIED UNANIMOUSLY.**

## Council Member Comments, Introductions, and Updates

Jim Holton: Glad to host the meeting in Mt. Pleasant, as it is centrally located in the state.

Erin Walton: She's the Director of Merchandising for DSE of alcohol businesses at Meijer; a family owned facility with deep roots in Michigan for 85 years. Meijer's interested in joining the Council is to ensure they support local businesses and local produce. It's an honor for her to be in this group and on this Council to represent the retailer segment of the industry.

Zachary Owen: Peter Anastor mentioned Zachary Owen was reappointed by the Governor for his second three-year term. Zachary Owen said they made a decent start in the first part of the year and looks forward to continuing the work and being more focused on all aspects of the business.

Scott Graham: Doesn't have a lot of news to report as it is the end of festival season at the end of another long and successful year. Peter Anastor asked if beer sales go up during Octoberfest days and Scott Graham explained sales are relatively steady.

Brian Lesperance: Said summer is a winery's busy season and is getting ready for harvest season in another week and he's heard from neighbors they've had a busy and successful season with broad-based sales and ecommerce. He explained this will be a small harvest due to a rough winter, although hybrid grape varieties were relatively unharmed. Peter Anastor asked if Brian Lesperance expects most growers in the South-west will replace the damaged vines and Brian Lesperance explained there will probably be more research proposals on the winter-hardiness of various vine varieties.

Jenelle Jagmin: Introduced herself as the new Council Director and reviewed her background with the Grape and Wine Council. She also thanked everyone for attending and their responsiveness in planning the meeting.

Johnathon Schweda: Introduced himself as a member of MDARD's Agriculture Development Division, who is supporting Jenelle Jagmin during Council meetings.

Kerry Krone and Sarah Weber: Introduced themselves as members of the MLCC

## Acknowledgement of Past Council Members

Peter Anastor explained the Council typically creates a plaque for each previous member of the Council and will do so again as a thank you to Dustin Stabile and Roz Mayberry.

## Public Comment (*on agenda items only*)

No public comment.

## FY19 Budget Update

Review FY19 Budget. Peter Anastor updated the council on the State of Michigan's budget approval process for FY20. For the FY19 budget, there was a carry-forward of \$354,000 from FY18 into FY19, with anticipation of FY19 revenues being \$620,000; as of September 5<sup>th</sup>, revenues were \$610,000. Expenditures included statutory expenditures, research grants for \$353,000, and several line items, including administration and operations. Several of those line items came in under budget. \$50,000 was allocated in FY19 for marketing and promotion, which was spent on designing and developing the website, logo, and other consultation. \$133,000 was unspent in the unallocated budget and will be carried over to FY20.

Zachary Owen requested a final FY19 budget review for the next meeting.

## Research Committee Report

Jenelle Jagmin discussed the grants funded by the Council and thanked Sherri Goodreau for her work on managing and maintaining the Council's grants. The FY20 grant program request for proposals is currently open and will close on October 17. Grants are typically applied for by universities, but that there are no restrictions on who may apply.

Richard Anderson arrived at 1:23pm, with introductions, and did not have any business updates.

Jenelle Jagmin talked about the Council's priorities and the Research Committee's top five priorities for grant proposals, including climate change impacts, crop quality, water management and wastewater practices, market research on sales production development opportunities, and new varieties of crop species and other agricultural inputs. Peter Anastor clarified incoming proposals are not limited to these five priorities.

The grants will be reviewed by the Research Committee and the Council will review funding recommendations at the next meeting.

Zachary Owen asked if there were any FY19 grants following through into FY20. Jenelle Jagmin stated there were a couple grants that noted they were multi-year projects. Brian Lesperance noted these continuing proposals would have milestones to review for continuing the project into the next year.

### *Discussion on Industry and Framework Research Grant Proposals*

Peter Anastor asked Richard Anderson to give background to the industry framework research proposal project. Richard Anderson discussed the background of the Council, merging the three large beverage sectors, and the development of a Research Framework Proposal, to help guide strategic, future research priorities.

The Michigan Craft Beverage Council received and were given the opportunity to review three RFPs for this grant request. Jenelle Jagmin compiled scores from individual Council members and provided average and high/low scores ahead of the meeting. Proposals were submitted by Michigan State University, New Growth Associates, and Michigan Manufacturing Technology Center.

Discussion on all three proposals resulted in the Council's decision to request an interview with two of the proposal candidates. Jim Holton recommended Richard Anderson head the sub-committee to conduct these interviews. Group discussion determined the Research Committee will be responsible for the interviews and that ad-hoc Council members may join the Committee for this purpose.

### *Committee Appointment and New Chair Appointment*

Peter Anastor mentioned that with new Council appointments, both Committee chair positions are vacant. After group discussion, Richard Anderson offered to chair the Research Committee.

**MOTION: JIM HOLTON MOTIONED TO HAVE RICHARD ANDERSON BE THE CHAIR OF THE COUNCIL'S RESEARCH COMMITTEE. ZACHARY OWEN SECONDED. MOTION CARRIED UNANIMOUSLY.**

### Promotion Committee Report

#### *Committee Appointment and New Chair Appointment*

Peter Anastor and Jim Holton recommended Erin Walton join the Promotion Committee. Brian Lesperance stated he would be willing to chair the Promotion Committee.

**MOTION: JIM HOLTON MOTIONED FOR BRIAN LESPERANCE TO CHAIR THE COUNCIL'S PROMOTION COMMITTEE. ERIN WALTON SECONDED. MOTION CARRIED UNANIMOUSLY.**

#### *Website and Social Media Update*

Brian Lesperance led the update mentioning the logo being created, the website being completed, the Council's social media presence increasing, and the guiding document created by LKF Marketing.

Jenelle Jagmin noted the efforts of LKF and Sarah Weber Morgan to get the website, logo, and brand completed by the October deadline. Jenelle Jagmin then demonstrated and displayed the website deliverable. Jim Holton congratulated the final product. Brian

Lesperance commented the website is a great start and that some pages are a bit long but understandably so as information is being aggregated from so many sources. Erin Walton asked who is maintaining the site and Jenelle Jagmin explained how she will be maintaining it. Richard Anderson asked if there were any efforts or plans to spread the word on the marketplace portion of the website. Brian Lesperance said the baseline is completed and now the Council needs to work to tell its story.

### *FY20 Plan and Budget Recommendation*

Brian Lesperance reported promotion committee activities for FY20 could include website enhancements, social media and traditional advertising, branding items, memberships and sponsorships, as well as a possible campaign with Pure Michigan or an equivalent opportunity. The activities for FY20 will have a heavy focus on brand awareness. The Promotion Committee recommends \$100,000 to be budgeted for marketing and promotion for FY20.

## Staff Reports

### *MLCC Commission*

Jenelle Jagmin noted the MLCC has two new commissioners, GERALYN Lasher and Patrick Gagliardi, and both her and Peter Anastor will be meeting with MLCC staff regularly.

### *Michigan State University*

Jenelle Jagmin stated MCBC staff has been in brief discussion with MSU Ag Bio Research and Doug Buhler would like to discuss possible distilling opportunities at MSU. Doug is expected to address the Research Committee at their next meeting.

### *FY19 Annual Report and FY20 Annual Plan*

Jenelle Jagmin explained staff activities for FY20 will include conferences, seminars, business visits, partner visits, continued work on website and promotions, data collection and media relations, grant program management. Discussion ensued about conferences and opportunities to move the needle with organizations such as EGLE and connections with universities.

There was also discussion about the importance of accurate and consistent data for the craft beverage industry.

## Approval of FY20 Council Meeting Dates and Structure

Jenelle Jagmin asked the Council what future dates they would like to hold meetings, along with the frequency and location of the meetings. Zachary Owen said quarterly meetings have been going well. Brian Lesperance agreed quarterly meetings are sufficient but is open to increasing frequency. Jim Holton and Scott Graham both agree quarterly meetings are working well. Jim Holton said he enjoys moving to different locations as it provides opportunities for the Council to see different locations and learn how other crafters operate.

Jenelle Jagmin asked if scheduling speakers at the meeting would be worth pursuing. Scott Graham, Brian Lesperance, and Richard Anderson agreed having a speaker would be distracting and they prefer hearing each other's updates, although an update on cannabis was of unanimous interest.

Zachary Owen asked about moving the July meeting forward a couple weeks to July 8<sup>th</sup>. The Council agreed this date would work.

Scott Graham recommended the 15<sup>th</sup> of January instead of January 22<sup>nd</sup>. There were no conflicts with this proposed date.

Zachary Owen recommended the Eastern Market for a location. Brian Lesperance asked if individuals may email Jenelle Jagmin to offer hosting. Jenelle Jagmin agreed to send calendar appointments to the Council members for each of the dates selected. Meeting dates for 2020 will be January 15, April 15, July 8, and October 7. Jim Holton offered to host the October meeting at Camille's Prime again.

### FY20 Budget Discussion and Approval

Peter Anastor reviewed the proposed budget for FY20 starting with the appropriation spending cap of \$894,000 and carry forward amounts. Peter Anastor talked about revenue and mentioned this would be the "high year" due to the licensing fees that are collected once every three years. Zachary Owen asked why the carry forward was higher than anticipated and Peter Anastor explained how some funds were not utilized and thus were included in the overall carry forward amount.

Brian Lesperance mentioned the Council is statutorily required to spend 50% of the budget on research grants, without counting the grant administration; to which Peter Anastor confirmed. Brian Lesperance asked if the potential RFPs would be budgeted out of the research budget and Peter Anastor stated the RFP language was set up as a research grant and thus the Council would be eligible to fund it out of the research budget. Peter Anastor finished reviewing the FY20 budget proposal and included an explanation of the breakdowns for each category, including the administration and staffing expenses.

The Council discussed including \$85,000 of carry forward revenue from FY19 to the un-allocated funds to provide greater flexibility for FY20. Peter Anastor stated it may be able to be utilized for a second RFP. Erin Walton asked if the funds are placed in the un-allocated bucket would they be able to be used for research and Brian Lesperance and Jim Holton said yes it would be able to be used for that.

Discussions continued on various options of utilizing a portion of the carry-forward funding for the FY20 budget.

**MOTION: BRIAN LESPERANCE MOTIONED TO APPROVE THE BUDGET BY MOVING \$50,000 OF CARRYFORWARD REVENUE INTO THE RESEARCH BUDGET AND \$30,000 (THE BALANCE OF THE REMAINING APPROPRIATION) OF CARRYFORWARD REVENUE TO THE UNALLOCATED BUDGET. ZACHARY OWEN SECONDED. MOTION CARRIED UNANIMOUSLY.**

### New Business/Council Priorities

No new business.

### Public Comment

There was no public comment.

### Adjourn

**MOTION: JIM HOLTON MOTIONED FOR THE COUNCIL MEETING TO ADJOURN. BRIAN LESPERANCE SECONDED. MOTION CARRIED UNANIMOUSLY.**

The Craft Beverage Council meeting adjourned at 3:47 p.m.

### Attachments:

- a. Approved Budget
- b. Delegation of Authority Letter

	Approved FY20	Actual FY20	
<b>Appropriation</b>	<b>894,700</b>	<b>894,700</b>	
<b>REVENUE - LICENSE FEES</b>			
Carry Forward	365,000		
FY20 Revenue	810,000		
<b>Total Funding</b>	<b>1,175,000</b>		
<b>EXPENDITURES</b>			
Grant Administration	80,000		
Statutory Research Grants	415,000		Includes \$50,000 from carry-forward
<b>Total Statutory Expenditures</b>	<b>495,000</b>		
Council Project Management (MDARD staff cost)	100,000		incl. 401(k) contributions, insurance, retirement
Department Assessments	20,000		civil service assess (1.8% of payroll), cost alloc, terminal leave, dept. retirement, workers comp, rent, computers, IT services
Staff Travel	5,000		
Administrative Expenses	20,000		phones, membership fees, postage, conferences, office supplies, printing, training, web maintenance
Board Expenses	4,000		Council member travel expenses
Marketing and Promotion	100,000		Actual expesne includes Branding project, Consulting, Web Transition
Unallocated Funding Available for FY20	145,000		Includes \$30,000 from carry-forward
<b>Total Non-Grant Expenditures</b>	<b>394,000</b>		
<b>Carry Forward at end of FY20</b>	<b>286,000</b>		