ND Bill Would Allow Brewpubs to Distribute Beer

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FARGO, N.D. (AP) — North Dakota craft beer makers who have been foaming at the mouth for legislation that would allow microbreweries to peddle a certain amount of ale to restaurants and bars without paying a distributor may finally be tasting success.

A proposal shot down in various forms the last few years is now being supported by beer distributors, who are in favor of small brewers rolling out the barrels and helped write the bill.

"Once they're successful, I think, most brewers find that they need distributors because they just don't have the capacity to get it all to market," said Janet Seaworth, executive secretary and legal counsel for the North Dakota Beer Distributors Association.

The bill would create a brewer taproom license that would let companies produce up to 25,000 barrels of malt beverages a year. That's about 50,000 kegs, or 775,000 gallons, of beer.

"That's huge," Seaworth said, noting that few microbreweries in neighboring, craft beer-happy Minnesota have reached the 25,000-barrel mark. About 88 percent of all U.S. brewers come in under 7,500 barrels a year, she said.

Michael Frohlich, co-owner of Laughing Sun Brewing Co. in downtown Bismarck, said allowing brew pubs to deliver beer on their own is a "logical thing to do," and he believes the toast from distributors will make the bill a winner.

"It's happening in other states already, and all those states are booming in craft beer," Frohlich said. "Look at the middle of the country: North Dakota, South Dakota, Nebraska, Kansas, Oklahoma and Texas. They're all against self-distribution and a lot of those places don't have a lot of breweries."

Frohlich said if the bill passes, he would expect to sell about 10 kegs a month. But he said every bit helps when he doesn't have to pay someone else to carry the barrels across town.

"For us, it's only $25 or $30 a keg that we would make more, but we're only going to make $55 on the keg to start with. So that extra $30 is a pretty big number considering the volume we're working at," he said.

The brewer taproom license would allow craft beer makers to sell to licensed retailers within 150 miles of the brewery, provided the business uses its own equipment, trucks and employees to deliver the beer, and does not exceed certain limits to retailers.

Nick Holwegner, an owner of Souris River Brewing in Minot, which has been open a month, said his restaurant and pub has already seen "a lot of business and a lot of love," and would like to spread it out throughout the city and perhaps a couple of small neighboring towns.

"We have a tight-knit downtown group of people, and Minot in general, and we feel it's kind of unfair to give it to the distributor to take it across the street," Holwegner said.

He said the restaurant tries to use as many local products as possible, including bread from a Minot bakery.

"They bring their buns over and they don't have to go through a distributor to do that," he said. "We should be able to walk our beer over and supply them, you know, within reason."

One group that won't be using the self-distribution clause is Fargo Beer Co., which currently is brewing its beer in Wisconsin but plans to open a brewery in the city from which it takes its name. The company hopes to sell in several states and will need a distributor, company spokesman Aaron Hill said.

"We're excited to not have to distribute our product anymore. We can't wait to hand that over to a distributor and say we've had enough of that," Hill said. "We're in 40-plus accounts in Fargo, which is taxing enough. We're not going to drive to Bismarck to deliver beer."

However, the company should benefit from the proposed increases in production limits, Hill said. Fargo Beer Co. is hoping to reach 10,000 barrels within three years, he said.

Seaworth said while there are still "public policy, constitutional and regulatory issues" to iron out, the bill preserves the state's right to regulate alcohol.

"So it would be our hope that people don't think this is some sort of Christmas tree bill and try to amend it to maybe reflect their preferred business plan, when the intent is to allow some really good options for small brewers to get in the door and grow their products," she said.

Minot Republican Sen. Oley Larsen, chief architect of the bill, said his motivation for backing the plan has little to do with his taste buds.

"I don't drink much beer. It is more of a capitalism idea for me," Larsen said. "I want this business to be as least restricted as possible."

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