

Legal pot trade not siphoning sales from Colorado brewers, distillers

By Thad Moore

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Recreational marijuana's legalization sparked some corporate worries about softer sales of beer, wine and hard liquor, but so far, the booze business hasn't been dented.

In fact, many say, alcohol sales are on the rise in Colorado, and experts say legal weed has appealed to tourists and black-market buyers instead of bringing new users to the drug.

Bars and liquor stores in Denver logged \$7.8 million in sales taxes from January to April, a year-over-year increase of 6.7 percent, according to figures provided by the city. By comparison, they grew by 0.3 percent in the same period of 2012 and by 3.9 percent in 2011.

Seven breweries and distilleries in Denver, Boulder, Fort Collins and Breckenridge said their sales growth — both in state and out — has held steady or increased since legalization.

Statewide, the Beer Institute said sales from January to April were up 2 percent this year, compared with 0.6 percent nationwide. Spokesman Chris Thorne said the Washington, D.C.-based trade group is "neutral" on the potential spread of legalization.

"It has not hurt us a bit," Boulder Beer Co. spokesman Dan Weitz said.

But that hasn't kept concern about legalization's effects from trickling into parts of the alcohol industry.

Brown-Forman Corp., which owns Jack Daniel's, said last month in its annual report to investors that the spread of legalization could hurt its sales. It's the largest publicly traded company to list legal pot as a business risk.

Recreational sale and use of cannabis are legal in Colorado and Washington state. Medical pot is legal in 23 states and the District of Columbia.

Brown-Forman is particularly conservative, but more companies may well follow its lead in listing legal weed as a business risk, SunTrust analyst Bill Chappell said, especially if bigger states, such as California, move toward legalization of recreational pot. The concern was shared late last year by some in the industry in Colorado, said Breckenridge Distillery's master distiller Jordan Via.

Daniel Rees, an economics professor at the University of Colorado Denver who studies legalization, said his research shows that access to legal medical marijuana leads to a drop in how much alcohol people drink, especially beer.

New Belgium spokesman Bryan Simpson conceded that markets for the two overlap some.

"They're smart to worry about it," Rees said of officials at Brown-Forman. "The best they can hope for is no impact."

A separate study, by researchers at Emory University in Atlanta, found that medical marijuana was tied to more binge drinking, suggesting that people drink less often but consume more when they do.

But as for how that research translates to recreational marijuana?

"That's the \$64 million question," said Jason Hockenberry, a health policy professor at Emory who co-wrote the study.

Rees said whatever effect legalization had on Colorado's alcohol industry — known for its abundance of craft breweries — probably happened before recreational pot went on the market Jan. 1. Medical marijuana, he said, served as de facto legalization for recreational use.

"I think there's just going to be a little ripple," Rees said. "I don't think we're going to see much."

Great Divide founder Brian Dunn said the markets for marijuana and beer aren't mutually exclusive — and that legalization isn't creating new weed consumers.

A study released Wednesday by the state Department of Revenue agreed, finding that recreational pot consumers are mostly tourists and former black-market buyers. Purchases by visitors made up 44 percent of sales in the metro area and 90 percent in mountain towns and other tourist areas.

Marijuana tourism could end up working to Colorado alcohol companies' advantage. Like many breweries and distilleries, Leopold Bros. in Denver and Breckenridge Distillery are set up in industrial districts, where nearby dispensaries may have led visitors to have a drink too.

"If they're curious enough to come to Colorado (and) take advantage of the weed industry," said Taryn Kapronica of Leopold Bros., "chances are they're exploring beer options (and) spirits options."