



SB130 Issue Brief: Direct-to-Consumer Shipping of Distilled Spirits

America's distilleries, especially craft manufacturers including those in South Dakota (SD), are facing challenges on multiple fronts in an increasingly complex and consolidated marketplace. Direct-to-consumer shipping (DtC) is a needed step forward to modernize the distilled spirits market benefiting distillers and consumers making it a win-win policy.

Senate Bill 130 Allows Limited Direct Shipping and Includes Public Safety as well as Revenue Safeguards

Currently there are 9 states plus Washington, DC that allow DtC for spirits. SB 130 will allow SD distillers to ship directly to SD consumers as well as SD consumers to purchase from out of state distillers who obtain a license. Specifics include:

- Distillers inside and outside SD need to obtain a license, pay fees, and register brands.
- Licensees limited to 12 liters(L) per legal drinking aged person per year and 60,000 L total into SD.
- All licensees required to pay SD's excise and sales taxes.
- Licensees can utilize common carriers and requires age verification.
- Shipping packages must be labelled that alcohol is being delivered.
- Licensees required to keep records and pay penalties for illegal shipments.

Direct-to-Consumer Shipping is a Necessary Tool for Distillers to Reach Consumers

The 2024 Craft Spirits Data Project (CSDP) reports the number of craft distillers reached over 3,000 nationwide including nine (9) in SD. Nationwide craft spirits sales declined by about 4% making 2023 the first time since 2016 the craft spirits category weakened. Despite the large number of craft spirits manufacturers, the market share for craft distilled spirits is less than 5% on a volume basis and less than 8% on a value basis. Current statistics released by the US Tax and Trade Bureau (TTB) indicate the number of distilleries is decreasing in 2024. Final numbers are forthcoming.

Up to 90% of all craft spirits sales occur within the home state of a distillery typically in tasting rooms. In most states, including SD, distilled spirits must pass through a 3-tier system involving manufacturers, wholesalers and retailers. Consolidation, especially in the wholesale tier, continues to accelerate making it difficult for craft manufacturers to find distribution partners. According to the April 2024 Shanken Impact Newsletter, the top 10 wholesalers now account for over 80% of the wine and spirits distribution market nationwide necessitating more market access options for distillers.

Direct-to-Consumer Shipping is Overwhelmingly Supported by Consumers Who Want Laws Changed

Direct shipping is a consumer freedom issue offering legal-aged customers an opportunity to purchase distilled spirits products of their choosing directly from manufacturers. A recent report developed by Sovos ShipCompliant and the American Craft Spirits Association (ACSA) based on a survey conducted by Harris, indicates 85% of craft spirit consumers support direct shipping. Additionally, over 80% of craft consumers and 65% of all Americans aged 21 and over support changing the laws to expand DtC.

Direct Shipping Enhances Wholesale and Retailer Partners as well as Agriculture and Tourism Industries

Direct-to-consumer shipping connects brands with consumers, which helps wholesalers and retailers. According to the 2024 Sovos ShipCompliant Spirits Shipping Report, over 80% of consumers would be more likely to try new brands if available via direct shipping. Additionally, over 90% of consumers who receive products through DtC indicate they are more likely to look for a product at a local retailer. This benefits wholesalers and retailers alike.

South Dakota manufacturers, like the majority of America's distillers, mostly utilize local agriculture for ingredients such as corn, wheat, barley, and other grains in their products making distilling a prime example of value-added agriculture. At the same time, craft distillers are integral to agritourism. The recent Sovos ShipCompliant Shipping report indicates 77% of consumers tried a distilled spirits product while traveling that they wish they could purchase when they got home.



February 13th, 2025

Senator Casey Crabtree
Chairman – Senate Committee on Commerce and Energy
500 E Capitol Ave
Pierre, SD 57501

Re: SB 130 (DeGroot) – An act to authorize the shipment of distilled spirits direct to consumers.

Dear Chairman Crabtree and Members of the Committee,

I am Jonathan Chowansky, Director of State Public Affairs for UPS covering the Mid-West Region and all regulated goods shipping, including alcohol, for the country.

UPS supports SB 130 - An Act to authorize the shipment of distilled spirits direct to consumers. Each year there is a growing list of states that have expanded their ability to ship alcohol directly to consumers greatly benefitting the alcohol industry, consumers, and state economy.

UPS follows well-established and appropriate measures to ensure compliance with state and federal laws to safely ship alcohol directly to consumers. We only accept and ship alcohol from licensed shippers who enter into a UPS-specific shipping agreement, and only deliver to those who can legally accept the direct shipments.

UPS takes the shipments of regulated goods very seriously, abiding by all regulatory requirements. Throughout our network, we expertly process high value shipments such as electronics and fine jewelry, critical healthcare packages like vaccines and medication, and already handle many regulated goods—including wine, liquor, and beer.

We urge you to support SB 130 and enable consumers to have greater access to a wider range of distilled spirits. By doing so, you will be bolstering the local economy and showcasing your commitment to modernizing commerce.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Jonathan Chowansky".

Jonathan Chowansky
Director – State Public Affairs
UPS
609-929-8302
jchowansky@ups.com

The State of Direct-to-Consumer Spirits Shipping in 2024

9 + D.C.

Number of locales that permit interstate DtC spirits shipping

47 + D.C.

Number of locales that permit interstate DtC wine shipping

Majorities want to see laws change to expand DtC spirits shipping

65%

of Americans 21+

81%

of regular craft spirits drinkers

DtC win-win for producers + wholesale/retail

Desire for purchasing craft spirits via DtC shipping has increased significantly

92%

would be likely to look at retail for brands enjoyed via DtC shipping

among regular craft spirits drinkers who are likely to purchase craft spirits via DtC

85%

in 2024, up from 80% in 2022

among regular craft spirits drinkers

Download the report to get more insights
dtcspiritsreport.com

Source: August 2024 Sovos ShipCompliant survey conducted online by The Harris Poll 2,032 U.S. adults ages 21+, among whom 641 drink craft spirits/liquor at least once per month.