

The Great Convergence of Beer and THC Drinks

Dispatch from the 2024 National Beer Wholesalers Conference



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The world of adult beverages is evolving rapidly.¹ The *traditionally sleepier* world of beer distribution is embracing THC drinks, creating unprecedented opportunities for savvy distributors, brands, and investors.

Transformational Leadership in a Shifting Paradigm

The beer industry is at a crossroads, facing challenges that demand a growth mindset and innovative solutions. As outgoing NBWA president Craig Purser correctly noted, hemp beverage suppliers are "*eyeing beer distributors as the best way to get to market.*" Clever beer distributors see the same thing; an estimated 10-20% of U.S. beer distributors are already engaged with THC drinks, per an NBWA survey.²

The conference opened with a focus on transformational leadership, emphasizing the need for distributors to adapt to a rapidly changing landscape:

"If not me, who? If not now, when?" - Hillel the Elder, as quoted by the motivational speaker at this year's conference

With declining beer industry sales, particularly in the traditional domestic segment, distribution leaders are being called upon to guide their organizations through uncertain times. Simultaneously, many of these leaders are reaching retirement age, and we're witnessing a "passing of the baton" to the next generation of beer distribution leaders.

Embracing the "Fourth Category"

The NBWA officially changed its mission statement to include “beer *and beverage*,” acknowledging the rise of a “Fourth Category” beyond beer, wine, and spirits. We also learned that earlier this year, the NBWA formed a THC drink working group.

The common thread here is the rise of a “Total Beverage” distributor mindset, which started in the off-premise trade and has now permeated on-premise establishments. Non-alcoholic beer and RTDs reflect this trend, and THC drinks are just another (high margin) case on the Total Beverage truck.³

The NBWA has yet to take an official stance on THC drinks. *Privately*, members tell us they can’t stand the idea of missing the next big thing in adult beverages. *Others* are more cautious. Such is capitalism!

Navigating Regulatory Waters

While the THC drink opportunity is immense, the category requires special care and risk management. During a legally-oriented morning seminar, 30-year beer industry attorney [Mike Madigan](#) offered tips on how distributors can manage risk with THC drinks:

- Keep it simple: Focus on CBD and delta-9 THC hemp products
- Remember Four Loko: Avoid products that blend with caffeine or alcohol
- Keep it safe: Implement strict sampling and retail guidelines. Protect yourself with proper insurance and indemnification

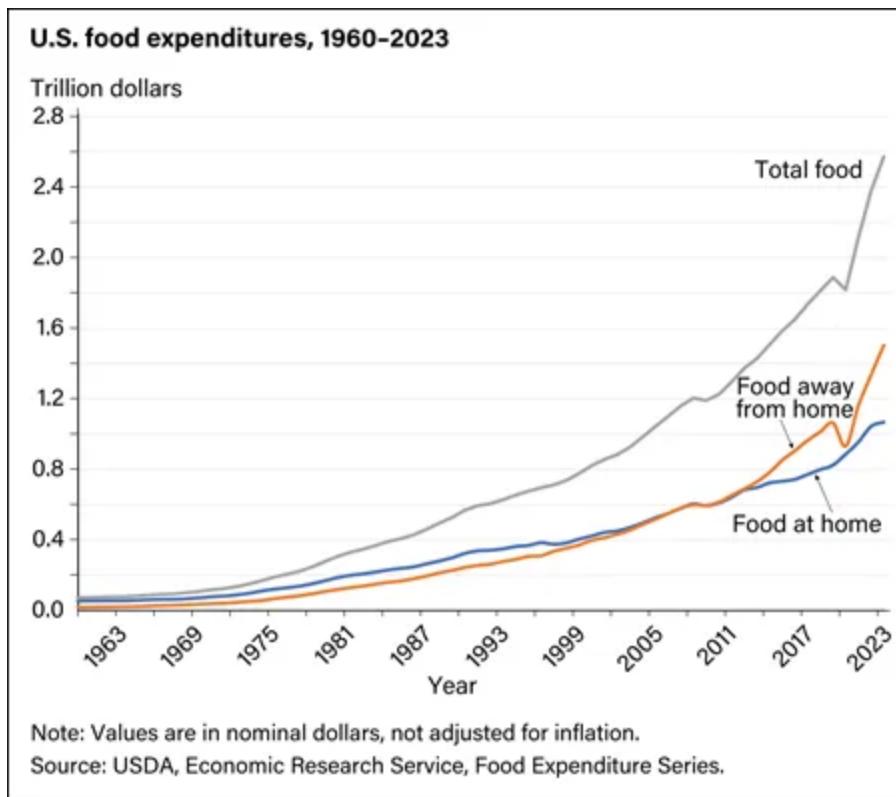
Our favorite line from this session (*definitely not legal advice*):

“Prosecution risk [of THC drinks] is low and there’s a compelling argument that it’s legal.”

The On-Premise Renaissance and How THC Drinks Play Their Part

The on-premise channel was a major theme this year. Many distributors admit that their on-premise segment has been neglected, *especially in recent years.*⁴ But there are at least two good reasons for distributors to redouble their efforts in bars, restaurants, and live entertainment venues.

For one, US consumer spending on food and beverages “away from home” has never been higher:



For another, THC drinks are *rolling out to the on-premise trade.*⁵ And yet, close students of THC drinks know that *up until now*, on-premise THC drink sales have been held back by a lack of adequate insurance coverage. *But not anymore!*

Major Insurance and Banking Unlocks for THC Drinks

Soon, we predict the first-ever US professional sports stadium will start selling THC drinks as a beverage concession. We hear this was made possible by a leading THC

drink brand, favorable state regulations, and a leading insurance company. *This is just the beginning.*

But the most bullish news we heard at this year's conference was this: one of the nation's largest banks is actively, and happily, banking beer distributors that are carrying THC drinks. If you want to know who, please get in touch.

Delta Emerald Invests Behind THC Drinks

The convergence of traditional beer distribution and THC drinks represents a once-in-a-generation opportunity for value creation.

Delta Emerald Ventures sits at the forefront of this transformation, offering unparalleled insights and actively deploying capital in this burgeoning market.

Please consider us a resource, and don't let this opportunity pass you by.

If not you, who? If not now, when?

- 1 The feeling can be summed up by the quote, apparently misattributed to Lenin, that “*there are decades where nothing happens and weeks where decades happen.*”
- 2 Note, THC drinks have only been in market for about two years!
- 3 For more on the history of seltzers and RTDs in this context, see [Bigger Than Alcohol, Part II](#). See below for more stats shared about the Fourth Category at this year's conference:
 - Non-alcoholic beers now account for 5% of six-pack sales nationwide, showing a growing appetite for alternative beverages.
 - Some retail accounts are already doing 30,000 cases in THC drinks, indicating significant consumer interest.
 - 30% of Athletic Brewing customers are new to beer, suggesting THC drinks could similarly expand the overall beverage market.
- 4 COVID certainly played a part in this.

- 5 Stay tuned for our Delta Emerald Unscripted video/podcast with [Trail Magic](#), true pioneers in on-premise THC drink sales from their very own Minnesota taproom.

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