

Confidential

LIQUOR INDUSTRY LETTER

Circulated Privately to Businessmen Engaged in Distributing or Retailing Liquors

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May 24, 1944

Dear Sir:

The picture is brighter this week. The shortage-plagued, tax-ridden Industry, of which we are a part, has now officially requested a "holiday"; during which distillers will be allowed to take off some time from making industrial alcohol for the purpose of making additional whiskey available.

Step taken to avoid bootlegging, black-marketing and kindred evils. Distillers and leading wholesalers are pointing out to the government the difficulties of control under present situation. In spite of a whole-hearted effort by wholesalers and retailers, high-jacking, bootlegging, and black-marketing do exist in some parts of the country. Are being fostered by present shortage. It is the belief of the Industry that these conditions can be offset only by a resumption of some beverage distillation.

The plea for this "holiday" has been made by the Distilled Spirits Institute in a letter to Sen. Patrick McCarran (Dem., Nev.), chairman of the Senate Judiciary Committee. According to Tide Magazine of last week: "The Industry ... hopes the Government may be able to permit a resumption of beverage distillation at an early date ... even on a partial and temporary basis ..."

A very small portion of the grain production of the country would be required. A considerable portion of the grain that was used would be available later as feed material.

The government is coming around to the trade's viewpoint. This was indicated last week when WPB Chairman Nelson told the Senate Committee investigating the liquor situation that beverage alcohol will be rated as an essential civilian product eligible for limited production, just as soon as war supplies reach a safe level.

If "holiday" should be granted it would probably allow for making about 25,000,000 gals. of alcohol for civilians ... and distillers would be allowed to make beverage whiskey for about a month only.

Don't expect relief too soon. This information is given to you just as a bit of cheerful news. An indication that shortage will not be permanent. It will continue throughout this year in all probability.

Meanwhile, the Government is cracking down on black market liquor deals and price violation. Everything from Grand Jury indictments to license suspensions are in store for those who violate the laws. Few in Colorado are in trouble. This state is shining light of country. More legitimate business men with a desire to run clean places accounts for our position.

Taxes still complicate the Liquor Industry's current woes. Taxes take 45¢ out of every dollar spent on whiskey. The remaining 55¢ must be divided many ways: The manufacturer, laborer, storekeeper and tavern-keeper get only a reasonable profit, plenty goes for excess profits, real estate, pension, gasoline, and licensing taxes.

Liquor taxes have increased 300% since 1939. Retailer has no choice but to add new Federal Tax increases to his bottle price. He is merely collecting this tax for the Government.

20,000 package stores throughout the country are faced with the problem of explaining higher prices: All these stores are being asked to pledge themselves to distribute available stocks fairly. We've preached the necessity for this practice here for several weeks.

Do not buy or sell contrary to fair practice. No wholesaler should force a dealer to buy unwanted merchandise in order to obtain a supply of whiskey. No retailer should offer to take such a deal from a wholesaler's salesman. Buy only what you need, and distribute it fairly. Don't force merchandise on your customers in combination deals. Play fair all along the line and you'll be treated more fairly. If you have reason to question the sales tactics of your wholesaler ... investigate.

You'll find wholesalers will cooperate, they are conforming to the letter and spirit of existing regulations. They do not want you to buy anything you don't need. Wholesalers, as a group, know the laws, know the value of operating on a legitimate basis. Most of them have large investments to protect, want to raise standards of the Industry.

Courtesy growing in importance. It may be old-fashioned, but it's important for tavern operators and package store dealers to be "polite". A pleasant smile and a courteous answer will often overcome a customer's wrath. Because customers are easy to get

today does not mean that they can be insulted. When peace comes, you may have to beg for buyers ... why not cultivate a good trade now? It's the wisest policy.

Our last letter warned of impending beer shortage. Last week the New York Times reported that only ten states would have enough beer this year. R. H. Hopkins, executive manager of the National Beer Wholesalers, gave the following as states in which beer would meet demand: Illinois, Pennsylvania, New Jersey, New York, California, Missouri, Wisconsin, Ohio, Michigan and Indiana. Less and less beer will be shipped from the East to the West Coast. Railroad congestion is part of the trouble. Insufficient supplies account for most. Colorado breweries will be hard-pressed.

State monopoly again raised its ugly head last week. Reports have come to us that the professional Drys have made an attempt, in a western slope community, to get petitions signed in favor of state monopoly. Whether or not this is a movement of the United Drys we do not know as yet. Our first report indicates that dealers are turning down such solicitations. If you have been called on by anyone with a monopoly petition, please write us. This dangerous activity should be discouraged by you and every other sane-minded dealer. Any further developments will be reported in this letter after we have checked all available information. In the meantime, don't sign any petition unless you know it is favorable to you and the Industry. Don't deal with irresponsible solicitors seeking to put you out of business.

A setback for Congressional prohibitionists was reported in an Associated Press dispatch Monday night. At least half of a house judiciary committee considering wartime anti-liquor legislation voted against consideration of the bill. The bill under consideration was that introduced by Rep. Bryson (Dem.) of South Carolina. Probably no more hearings will be held on the bill until after election. It's "too hot to handle", according to leading politicians. Over 2000 petitions against the consideration of prohibition legislation have recently been sent to Washington from Colorado.

Representative Celler (Dem.) of New York, a leader of the anti-prohibition forces on Capitol Hill warned that "dry pressure will force additional hearings" (on similar bills).

We may send you petitions to be signed. In the event that the Drys try to force legislation which would result in wartime prohibition, we may send petitions to you with this letter for your signature. Drys are dangerous, they would like to take advantage of wartime

absences to get across their measures. They don't want the soldiers and sailors now fighting for them to have a part in the decisions of the legislature.

Remember, our best defense against dry action -- is to run a clean and orderly place, never serve or sell to a minor or drunk, CONFORM WITH STATE AND FEDERAL LAWS. The Industry as a whole wants this ... will cooperate with all authorities to get it. We are in a legitimate business and we're going to keep it that way.

New rulings of OPA will be mailed soon regarding the pricing of Vodka and high-proof spirits. Amendments, corrections and revisions are delaying instructions. We will try to give you full information in our June 5th letter.

Reports from enforcement authorities are encouraging. State and city authorities report a general lack of violations, say we "must be" running better places. Closing hours and serving minors are major problems. May result in an intensive drive by city and state if individual violations continue. Most trouble is with "slightly" underaged. Many tavern owners say it's hard to tell how old they are. Best answer for that is again: DON'T SERVE THEM IF YOU ARE IN DOUBT.

The Federal Alcohol Tax Unit may investigate in connection with your recent tax returns. This does not mean you have violated any law, or that you are under suspicion. Always conducted, these are routine investigations. If you should be called on, give all desired information. If you have found an error in your inventory or tax remittance, you should file a supplemental return.

Tax as separate entry on package store invoices is not now possible. Requests from package stores for this service have been carefully considered by leading wholesalers. Practically an entire revision of their bookkeeping systems would be necessary to accomplish desired result. However, a simplification of handling this difficult item is in sight. The Alcoholic Beverage Wholesalers Industry Advisory Committee has met in Washington with OPA officials and has made recommendations for a very definite improvement in the handling of taxes which if accepted by the OPA will relieve present troubles of retailers in computing tax.

Yours very truly,


LIQUOR INDUSTRY LETTER

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P. O. BOX 2250
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