

Vodka Tops Sales At ABC Stores

by JOHN COIT
Financial Times Writer

*Rye Whiskey, Rye Whiskey,
Rye Whiskey, I cry
If I don't get Rye Whiskey,
I surely will die.*

RALEIGH—Some folks sure do like their booze, as the old ballad says. In North Carolina last year, Alcoholic Beverage Control stores sold over \$204 million in liquor, with vodka taking the lead over the old Southern favorite: Bourbon.

Apparently Tar Heels, like the boys down at Georgia Tech, like their whiskey clear.

For the past couple of years, conforming to national trend, vodka—particularly, Smirnoff—has led in sales. That's because it's cheap (Smirnoff 80 proof is \$4.95 a fifth) and as any Russian will tell you, the stuff gives the drinker a nice buzz for the buck.

Through March of this year, Smirnoff 80 proof sales in North Carolina had risen 8,161 cases over the same period last year. The state's No. 2 favorite, Canada Dry vodka, was up 9,541 cases over 1975. Canada Dry sells for \$3.85 a fifth.

Ancient Ancient Age, for years North Carolina's leading liquor, has dropped to third place and is still falling. Case sales dropped 976 for the first three months of 1976.

Smirnoff 80 proof sold 48,428 cases through March, Canada Dry vodka 24,597 and Ancient Age 24,379 in North Carolina, according to the

National Alcoholic Beverage Control Association.

Smirnoff's 80 proof sales were 202,675 for the last 12 months ending in March, almost double the next closest competitor.

Liquor sales were apparently affected by the 1975 recession—case sales dropped 2.5% for the year ending in March. And case sales have risen only modestly since 1971—about 5.7%.

Contrary to popular belief, the state is not in the liquor-selling business. It does what the name of the board implies—control. The counties, however, are in the business of selling spirits and they use profits from their ABC stores as they see fit.

Some towns also have their own ABC stores. For a municipality to get into the package store business, a special law must be enacted by the General Assembly. Counties approve liquor sales by referendum.

The state actually acts as a distributor and warehouseman—although even those functions are contracted out to private business.

What the state does is collect the taxes—and they are substantial. Best estimates are that it costs the manufacturer about 50 cents a gallon to produce liquor—the rest of the retail cost is state and federal taxes and the retail markup.

The state tells the counties what the markup will be. It is usually about 10%, said Wiley Ruth of the ABC Board here. The federal government taxes liquor at a 22% rate and the state uses a complicated formula to get

its share—between 20%-25%. The federal tax is at least \$10.50 per 100-proof gallon.

Most ABC profits go into a county's general fund. The cities may do almost anything they want with the money. Mostly it goes to public schools.

Against a gross income of \$204,053,948.07 for the fiscal 1975, the ABC system made a net profit of \$26,116,391.2.

Mecklenburg County, the largest urban area in the state, grossed the most with \$21,947,931.

ABC officials say that some of the stores make a small profit or even take losses because they are in direct competition with another outlet down the road or are in poor geographic position. Store location is controlled by the local boards, and the state can do little about it.

While case sales are up only modestly in recent years, the state's liquor market has had some big gainers, and losers. Smirnoff 80 proof, which had only 2.8% of the liquor market in April 1971, had 6.8% in March 1976.

Relska vodka has climbed from 37th place in liquor sales in 1971 to fifth through the first quarter of 1976 and Canadian Mist whiskey from 25th to fourth.

But Old Crow bourbon fell from fifth to 34th and Kentucky Gentleman bourbon from third to 16th.

Tar Heels may be drinking more than they have in the past—but they obviously are not consuming the same brands.

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