

NINA MOINI: I'm Nina Moini. Thanks so much for tuning in to *Minnesota Now*. It's the fine print of federal laws that has made, and potentially unmade, the hemp-derived THC industry. Most recently, the US Senate voted to delay a nationwide ban on these products from November 12 to December 12. The House still needs to approve the delay when it returns from recess at the end of this month.

One of the businesses watching this closely is Bent Paddle Brewing in Duluth. The brewery started selling hemp-derived THC drinks in 2022, and now has a countdown clock for the ban on its website. It's set to the November date as of now. Bent Paddle Co-Founder and CEO Bryon Tonnis is on the line to talk about what the uncertainty means for his business. Thanks for being with us, Bryon.

**BRYON
TONNIS:** Thanks for having me.

NINA MOINI: Well, it's hard to imagine how much stress you all might be under with this countdown and just kind of not knowing the future. But for some background, you were able to start selling these in 2022, right? And that was before Minnesota legalized recreational cannabis. It's a separate market.

And then last fall, Congress passed the ban as part of a deal to end a government shutdown. So how has your brewery changed over the last four years with this rise of THC drinks?

**BRYON
TONNIS:** Well, it's definitely allowed us to diversify a little bit. It's no secret that the beer industry is having some issues right now through people drinking a little bit less, some demographic things going on. And so it allowed us to diversify and continue to keep our operations where they were just following the pandemic. So it's definitely helped us keep the doors open. It's allowed us to keep employees and allowed us to fill some of the open production volume that we've had available.

NINA MOINI: Do you have a sense for how much of an impact this has made? I'm seeing here 45% of your revenue this year?

**BRYON
TONNIS:** Yeah. Every year, the percentage of beer that we produce drops a little bit. That's happening across the board, across the US, for a lot of breweries currently. And so it allows us to make up some of the loss in volume. And so, yeah, last year, it was roughly 45% of our revenue. And we're about the same this year, may even be a little bit closer to 50% of our revenue this year.

NINA MOINI: Wow.

**BRYON
TONNIS:** So it's a really big deal if this ban goes through.

NINA MOINI: Yeah. And just such a short amount of time, in a few years. Proponents of the ban, though, are just tougher controls on THC products say they've really become too easy for children, in particular, to access, including at places like gas stations, even, around the country. What do you think of that argument?

BRYON There's definitely something to be said about certain states where things aren't as regulated as they are in Minnesota. Luckily for us, the OCM in the state of Minnesota has released a lot of regulations for sales of this product. And we come from the viewpoint that if we're able to produce alcohol and sell alcohol at all these different establishments, we can produce THC beverages just as safe, have them regulated very similarly to keep it out of the hands of children, because that is definitely a problem I see a little bit more on the edibles side rather than the beverage side, just based on how they're made and everything.

But, yeah, it's definitely a concern. But the state of Minnesota, I think, is doing things pretty right when it comes to the regulation side, trying to keep it out of children and people under the age of 21 as well.

NINA MOINI: Yeah. You mentioned the OCM-- the Office of Cannabis Management, right?

BRYON For sure. Yep.

TONNIS:

NINA MOINI: So how are you preparing for the possibility that these products could become illegal once again? What are you seeing as your backup options?

BRYON Well, backup options, we can definitely scale down our operations a little bit. With it being 45% of our operations, there's only so much you can cut. We do have three different facilities that we maintain when it comes to warehousing, production, and our taproom. So we can minimize that footprint a little bit. We are allowing attrition to thin our staff a little bit.

Like any business, we used to have 45, 46 employees. And now we're down to 37 or 38. So, as people leave, we're choosing not to replace those positions currently. And so that's what we're doing.

We're trying to trim costs, trying to get prepared for what's happening. Luckily, we do still have a good amount of business on the THC side coming through. We are starting to see a little bit of a drop in some of our contracted products that we make for other people.

We do ship products to about 24 different states for other people currently. So we are starting to see those tail off a little bit. We're just hoping that a federal fix can come down the pipeline sooner rather than later so we don't have to cut down to the bone as a business.

NINA MOINI: You mentioned a couple times that there has been this nationwide trend of breweries closing and beer sales really declining in recent years. Do you see a returned focus to beer as a viable option at this point? Or would you think you'd have to start providing other things as well?

BRYON Well, we've already started providing other things. We have a wide list of NA options that our taproom currently. We do make some other NA beverages as well. So we are looking at that.

We're looking at adaptogens. We're looking at many different types of beverages that we can make. Luckily, we're set up to produce many different types of beverages.

Luckily for us, we never really lost focus on our beer. Beer is still predominantly what we produce. And so we're still concentrating on innovation, and bringing new beers to the taproom, and releasing new beers into the market. So we're going to continue to do that. But if the ban goes through, we're definitely going to look very different.

And a lot of breweries in Minnesota, specifically, will look very different, if not closed, moving forward. So that's the biggest thing we're trying to avoid doing is closing the doors.

NINA MOINI: How about breweries maybe teaming up or businesses consolidating? Is that something you've seen happen or considered? Or have you even considered, perhaps, changing to recreational cannabis and getting more into that market?

BRYON TONNIS: Changing over to recreational cannabis is something we've discussed. At this point, we've decided not to do that. There are some underlying tax ramifications that can happen. Based on our exemption, producing hemp, you lose that exemption. And so 100% of your revenue that you bring in from cannabis production is taxed on a federal level. And so that changes the math quite substantially for us.

There is also some concern, being a federally licensed facility, that the feds won't look kindly upon facilities producing cannabis beverages out of those facilities as well. We're getting a little bit of positive news on that front. But that's kind of what we're looking at. We're not truly looking at getting into cannabis at this point. But things may change in the future, depending on how the tax issues are addressed and what happens with the rescheduling of Cannabis in the long run.

NINA MOINI: I feel like it was about a decade ago that we started to see so many more breweries popping up. There was this boom. And so there's just been a lot of instability, it feels like, in the past decade or so for all of you. But, like we mentioned, the Senate has passed this one-month delay to the ban, that still needs House approval, by the way. But how much of a difference would that month make, from your perspective? And how do you hope that lawmakers will use that month?

BRYON TONNIS: I think overall, for me, personally, it just shows more of a signal that they are willing to work on this issue and that a lot of people in both parties are looking at it as a problem. And so it's more of a signal to us. Hopefully it'll allow a little bit of time after the midterms during the lame duck session for them to start addressing the issue a little bit. I think one of our biggest fears is that nothing will happen prior to the lame duck session ending and there will be a three-month ban on beverages before it gets fixed, hopefully, in the next Congress.

So that's more where we're looking at. It's more of a signal. It is sending out signals to retailers that there is, possibly, a fix coming down the pipeline. So we're hoping they keep these products up on the shelf. And it gives us an extra month to produce for some of our co-packing partners that we have out there. So it's a positive move. It's not a fix. But it's definitely a step in the right direction.

NINA MOINI: What would you see as a workable sort of compromise? We're talking about different fixes, but what do you hope to see?

**BRYON
TONNIS:**

We hope to see common sense regulation coming down the pipeline. State of Minnesota has a lot of really good regulations when it comes to keeping synthetics out of the supply stream, making sure you're using peer products, making sure dosage is proper, making sure you're following proper manufacturing techniques, making sure you're keeping it out of kids' hands, making it 21-plus. Those are some of the regulations that we would like to see coming through on a federal level.

If we could regulate it very similarly to alcohol, that would be a best case scenario for everyone. We've been regulating alcohol for a very long time in this country. And being in the alcohol business and being a brewery, we're used to regulation like that. We're used to being a very highly regulated industry, which is, I think, why we stepped so easily into it, specifically in the state of Minnesota, being early adopters of these types of beverages.

A lot of us beer manufacturers were set up really well to be able to transition into making these beverages. And we're all trained in how to do them safely and keep the product safe on the shelves. And so I think that's why we moved into it pretty easily. And so if we could see regulation like that moving forward, I think that would be a best case scenario.

There's also probably going to be a taxation piece as well, which is another thing that we're concerned about when it comes to this. There's a lot of jobs, over 300,000 jobs, across the country that would be affected by this ban. A lot of tax revenue, specifically in the state of Minnesota, would be affected as well.

And so there are a lot of different facets to this. It's not just breweries and manufacturers. It's wholesalers. It's liquor stores, grocery stores, convenience stores, trucking, farmers, and also the extractors that are out there in the market that would all be affected by this. And so it's a much bigger issue than I think a lot of people think it is.

NINA MOINI:

Bryon, thank you for coming on *Minnesota Now* and telling us about your experience. And we hope you'll check in with us again.

**BRYON
TONNIS:**

For sure.

NINA MOINI:

Thank you. Bryon Tonnis is Co-Founder and CEO of Bent Paddle Brewing in Duluth.