

Volume 76, Number 6, 2017 / 2018

THE MUNICIPAL LIQUOR STORE

OFFICIAL PUBLICATION OF THE
MINNESOTA MUNICIPAL BEVERAGE ASSOCIATION
www.municipalbev.com



Mexico Finds More Fake Tequila and Why the US Rarely Faces this Issue

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MUNICIPAL LIQUOR STORE

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Official publication of the Minnesota Municipal Beverage Association. Published six times annually: September/October, November/December, January/February, March/April, May/June, July/August. For advertising and editorial inquiry contact Paul Kaspszak, Editor, Box 32966, Fridley, MN 55432. Phone 763-572-0222 or 866-938-3925. Advertising rates available upon request. Change of address: List both old and new address.

ON THE COVER

Last year there were numerous reports of tourists blacking out after drinking at high-end Mexican resorts due to tainted alcohol.

Incidents like this remind us of the safety of the US system.

However, this could change!

See page 6 for more.

DIRECTORS

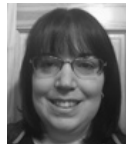
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MMBA President's Message



GARY BUYSSE
President

This is my final President's column. I promise?

I have served two consecutive terms as your President and am extremely grateful for the opportunity to do so.

I was the president of the association when Sunday sales passed last legislative session; I assume full responsibility. I was also president in a few of the previous years when it didn't pass and I assume full responsibility for that also.

Many of legislative questions are revisited every year, that's why it's so important to take part in the political process on a consistent basis. Some don't believe we should exist at all, that the revenue we generate for our cities and ultimately the State isn't important.

Other legislators choose the needs of special interests that favor a chosen few over the greater good, in direct conflict with their oath of office. We need to diligently protect our interests in government at both the State and Federal level. The fate of your community and your personal growth depends upon it.

I think it's ironic I'm the person to ask for more youthful participation on our Board of Directors. I've been asked with greater frequency when I plan to retire, but haven't been accused of being irrelevant. Please tell me if you think I am, I'm not sure I'd be aware.

New products are the lifeblood of our industry; I mean really new products not just another rose' with a different label.

Correspondingly, our association needs new leadership. If our association and our member cities are going to continue, we need new ideas, contemporary vision and dynamic personalities to lead us.

Nobody is going to give you permission

to lead, that needs to come from inside. If leadership scares you, you won't be the first. The reward greatly outweighs any of the potential downsides. Most things rewarding require a little fear and sacrifice; try having a child. I've learned more life lessons from people much younger; I have two sons.

Cities in greater Minnesota need to their powerful voices heard. Many of our metro legislators no longer have our best interest in mind. Their interests favor the free market; if unregulated, leads to dominance by big business.

Business doesn't have to be dishonest but it often is. As our business climate continues to change, it is increasingly important you educate yourself and your staff. Long term strategies aren't fully developed on bar napkins; that only happens on Netflix. Plan for what you know and assume that it won't always happen that way. Lennon said, "Life is what happens when you're busy making other plans," or something like that.

I perceive a shift in emphasis toward big business with a lack of concern for many of the small businesses that built the liquor companies in Minnesota. The deal structures hammered out with house accounts have always resulted in a tilted playing field favoring larger stores with greater sales profiles; that's simple economics.

The disparity grows however when local distributors and national suppliers provide free labor to a select few who demand special treatment above and beyond the limits of legal and ethical measurement. Deal structures that are not approachable to some of our smaller members' further favors big business. I've lost my discounts with Great Lakes Coca Cola due to the size of our orders; Target across the parking lot sells their Coke products to consumers at a retail price lower than my wholesale cost. That's how an unregulated free market works!

Your liquor department may be the only enterprise fund available to your community. Your stewardship directly impacts each resident daily; you have a big job. You need to take advantage of every available opportunity to make a buck for your city

and you need to look for options every day. MMBA has countless resources for cities of any size, it's your responsibility as department supervisor to take advantage of any opportunity to enhance your success.

I've met managers who've decided to retire in place. If this is your career path, you should seriously consider finding something else. Your selfish ineptitude has no place in your community or this association. The big picture doesn't need to include you if you're not ready to accept the responsibility.

Educate your council, your staff and your community about the value you bring. Make changes to your department regularly; your customers deserve it. The bottom line is that the market is changing and will continue to do so. You need to constantly change with it.

Be proud of who you are and what you do! You work in consort with law enforcement to ensure the continued safety of your community and give them money in the process! Be aware those close to you may not be operating in your best interest. Your continued success depends on doing a great job and not providing opportunities for division or dissent in your community as it relates to your liquor store. Nobody is safe when unbridled self interests take precedent over the greater good.

If you think you know it all and can't use any help, you need to reevaluate that thought. Don't be afraid to ask for assistance, that first question makes all the rest much simpler to answer. Don't be afraid to disagree, the resulting discourse could change the world.

Thank you for the opportunity to serve as your President and Director. I have been greatly blessed to know most of you and look forward to my continued opportunities in this great association. Stay active, look for opportunities to succeed, assist those who need it and enjoy each day. The support system available to you is unequalled if you have the good sense to use it.

Thanks again, I know I'll see you around.

BREWED THE HARD WAY



THIS BUD'S FOR YOU

The Safety of the US Alcohol Distribution System Could Change!

By Former Oregon Liquor Control Commission Executive Director Pam Erickson

With Spring Break on the horizon it seems like a good time to talk about alcohol product safety.

After numerous reports last year of tourists blacking out after drinking at high-end resorts in Mexico, more stories came to light about drownings, assaults, falls, and other injuries from tourists who drank even small or moderate amounts of alcohol.

This led the US Government to issue travel warnings and recommendations that travelers drink moderately, never go out alone, and seek medical attention if they begin to feel ill.

Following these reports and some pressure from US lawmakers, Mexican health authorities raided 31 resorts, restaurants and nightclubs and seized 10,000 gallons of illegal alcohol. At the end of February, Mexican authorities announced they found another black market tequila distillery and shut it down. Tests revealed that 235 gallons of the product contained dangerous levels of methanol, an extremely toxic substance.

A 2015 report by Euromonitor International found that about a quarter of alcohol consumed in Latin America is illicit, meaning it could have been manufactured without health and safety standards and could contain substances not approved for human consumption. Beyond the tragic human cost, counterfeit alcohol has enormous financial impact in the form of revenue lost by governments, and an uneven playing field among businesses.

Incidents like this remind us of the safety of the US system. We have few

problems with counterfeit and tainted alcohol because of our state-based, three-tier alcohol regulatory system. The Constitutional amendment that repealed Prohibition gave states the authority to regulate alcohol. Most adhere to an effective system that requires alcohol to be sold through three separate market tiers: manufacturers/suppliers, wholesalers and retailers. This closed distribution system helps prevent adulterated and contaminated products from reaching consumers because alcohol is required to go from a licensed manufacturer to a licensed distributor to a licensed retailer.

The three-tier system also helps ensure consumer confidence in the alcohol industry. Even the best, licensed manufacturers can mistakenly produce a tainted batch or have an issue with packaging. In today's market, minor problems with product quality can cripple a company or disrupt a commodity market. This is much less likely to happen in the US alcohol marketplace because licensed alcohol wholesalers must track every bottle and can. This minimizes harm and can save a business.

But we are gradually moving away from a closed system by granting small brewers, wineries and distillers the ability to "self-distribute."

Self-distribution involves selling out of a tasting or tap room, selling at festivals, direct shipment to customers, and direct selling to retailers (stores, restaurants, bars). All but 13 states allow this kind of distribution.

With all of these products skipping steps in the regulatory system, testing and tracking may be more difficult to monitor. According to their 2016 report, the US Alcohol and Tobacco Tax and Trade Bureau (TTB) only tested 450 products. Some companies and states

do product testing, but it is not widely known which, and for what purpose.

In contrast, Ontario, Canada has an extensive testing program. In a 2016 presentation to the National Alcohol Beverage Control Association Board, Dorina Brasoveanu, Manager of the Liquor Control Board of Ontario's Quality Assurance Laboratory, revealed that they tested 24,000 products from their 650 stores. They also have a complaint system which resulted in testing of spirit products that had a higher alcohol content than what was stated on the label. The products were quickly pulled and there were no known ill effects from consumers.

Because alcohol is primarily regulated at the state level, state regulators need to review their systems to determine whether the needs for adequate testing and tracking are being met. Some discussion with the federal TTB may also be warranted. Whenever states change laws, they should determine whether product safety will be impacted. Not only could tainted products harm consumers, but publicity about the products' problems could hurt business. In addition, there are other enforcement and administrative costs in permitting alcohol products to flow outside of the three-tier system. Staff is needed to monitor the special privileges to ensure that the conditions are met, that taxes are collected and that product safety is ensured.

Sales are contingent upon the attitude of the salesman - not the attitude of the prospect

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2018 MMBA Conference Schedule of Events (Subject to Change)

Saturday, April 28

Noon – 6:00 PM = Registration Hosted by Anheuser Busch

11:45 PM– 12:45 PM = Beer Tasting Lunch Hosted by Third Street Brewing

1:00 PM – 2:30 PM = *Succeeding in the 2018 Competitive Environment*

3:00 PM – 5:00 PM = *Wine Basics and High End Wines* by Paustis (Separate Sessions)

6:00 PM – 7:00 PM = Cocktail Hour

7:00 PM – 8:30 PM = Dinner Served Family Style with World Class Wines

Sunday, April 29

8:00 AM – 1:00 PM = Registration Hosted by Anheuser Busch

8:30 AM – 10:00 AM = *Alcohol Awareness Training* by MLBA and Illinois Casualty

10:00 AM – 1:00 PM = Brunch & Vendor Showcase

1:15 PM – 2:15 PM = WCCO's *Mike Max Presentation*

2:30 PM – 3:45 PM = *How Customers Shop a Liquor Store*

2:30 PM – 3:45 PM = *Improving Bar Operations*

4:00 PM – 5:30 PM = *It's All About the Numbers*

6:30 PM – 7:30 PM = Cocktails

7:30 PM – 9:00 PM = Around the World Dinner with Trinchero

9:00 PM – 11:30 PM = Casino Night hosted by Pabst

Monday, April 30

7:00 AM – 8:15 AM = Breakfast

8:30 AM – 9:45 AM = *Mike McKinley Presentation*

10:00 AM – Noon = *Shoplifting & Bar Fights, Active Shooter and Everything in Between*

Noon – 1:00 PM = Beer & Wings Lunch hosted by Schell's

1:15 PM – 2:45 PM = *ADA Compliance Issues*

3:00 PM – 5:00 PM = Relationship Building by MillerCoors

6:00 PM – 7:00 PM = Cocktail Hour

7:00 PM – 8:30 PM = Kentucky Derby Celebration featuring 14 Hands Wine and Beam Brands Mint Julips

8:30 PM – 9:30 PM = Awards & MMBA's Got Talent by MillerCoors

Tuesday, May 1

7:00 AM – 8:30 AM = Breakfast

9:00 AM – 11:00 AM = *MMBA Annual Meeting, Elections, Awards & Industry Discussions*

11:00 AM = Home (*Trains, Planes & Automobiles*)

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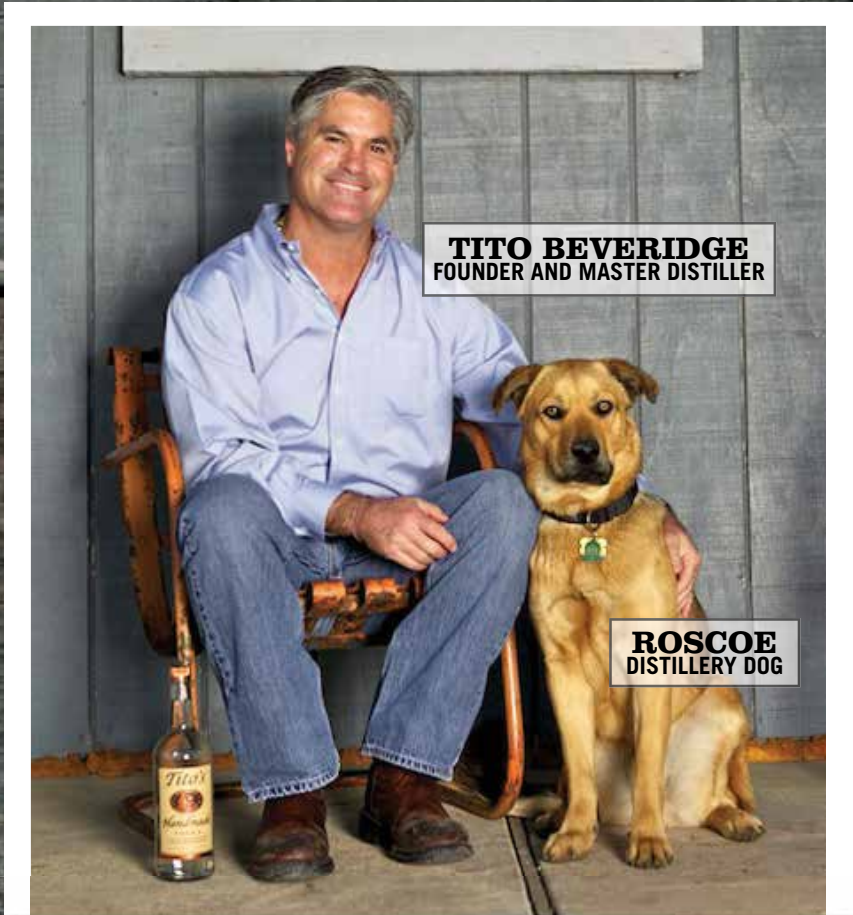
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MMBA Gives Third Crossing Bar & Grill **a Roadmap to Success**

By: Barbie Porter, Frazee-Vergas Forum

Frazee's municipal liquor store may be turning a corner.

Frazee Councilman Mark Flemmer said a month ago he didn't believe the on-sale operation was going to make it. After being appointed to the liquor store committee, he worked diligently to determine if his hunch was correct.

"Our goal is to stabilize the store's finances," Flemmer said. "I feel like we are on the right track now and I'm feeling positive about it, more than I was a month ago."

The turnabout came after asking for help from the Minnesota Municipal Beverage Association (MMBA), which Flemmer said provided the business with a "roadmap to success."

The city pays dues to belong to MMBA, and in turn receives free assistance. Michael Friesen, a representative of MMBA, came to Frazee recently. His focus was getting the businesses software running properly and training the manager how to use it and understand all the information that can be gleaned.

The Frazee City Council purchased new software for the business at the end of March. Frazee's municipal store manager Meghan Eastman said the \$10,015 expense included the software, printers, three monitors and two new iPads.

MMBA members are working with Eastman to get the software to track inventory and ensure all products are priced correctly in the system, and showing actual costs as well as profit of each item. The work is ongoing, and will take time as there is a lot of information to input into the system.

Eastman said once the information is in the system a major change will be the ability to easily find a product by name, track past prices paid to distributors and to know how much product needs to be on the shelf to meet customer demand based on past sales.

She explained the old way of doing things tracked products by quantity of items, which made it difficult to locate specific items.

Eastman is also learning how to utilize the software to see the profit made on each sale, which will assist in pricing products.

"Some have said our prices are higher than other stores, but we looked at neighboring stores and we are right in line," Eastman said.

The software also shows how much the store needs to make each day to be profitable. Knowing the target number will tell management if measures need to be taken to make the budget balance, Flemmer explained.

The new software also brought the option of paying with a credit card at the bar, as well as opening a tab.

"We also sell gift cards now," Eastman said.

The confusion over providing liquor products to the Frazee Event Center bar staff during weddings and other celebrations may finally be corrected.

While handwritten notes were used to track what was used by the event center in the past, generally resulting in a loss for the liquor store, the new process requires the products to be purchased like all off-sale items, only with a minimal upcharge.

The first visit from the MMBA focused on the off-sale, but the bar and grill is also getting valuable input from a successful operation in Buffalo Lake.

Eastman is working with the manager of a similar sized operation to get pointers and recommendations to improve sales.

One change already made to the bar and grill was removing the city-run ATM machine and replacing it with one brought in by an ATM company.

Eastman said the municipal store used to provide cash for the machine, which in turn appeared to be a loss on the financials even though the cash was in the machine.

She added using a company for cash services now results in a pure profit for the store, as the ATM company pays a fee to the store for each transaction.

Eastman also started hosting events at the bar and grill throughout the week, as well as weekends.

Check the newspaper's weekly ad for more information on the specials, which include a free meal for children with the purchase of an adult meal from 5-9 p.m. Mondays.

"We're trying to make sure the word gets out that we are family friendly, and kids are welcome to come in and enjoy a meal here," Eastman said.

The table-side restaurant service was added several months ago, which means kids and teenagers are welcome.

While the cost of upgrades have been questioned and unreported for months, Flemmer dug into the books and provided a list of improvements made to the operation that totaled about \$51,000.

In addition to adding a kitchen to the facility, the interior of the Third Crossing Bar & Grill got a makeover that included painting the walls a brighter color, purchasing new chairs and tables and installing projector screens.

While the cost of the upgrades have been questioned and left unreported for months, Flemmer dug into the books and provided a list of improvements made to the operation that totaled about \$51,000.

Flemmer noted that total included everything from bathroom signs, entrance alerts, training and oven gloves to the big ticket items of software, an oven and fryer.

From the upgrade expense sheets provided by Flemmer, purchases that cost \$1,000 or more were:

- Computer software, \$10,015.
- AutoFry, \$5,742.
- Bar restoration, pull tab area, \$4,565.
- Bar stools, \$1,373.
- Restaurant chairs, \$1,575.
- HHB oven, \$1,500.
- Freezers, \$11,658.

Assignment

Make it a point to be the most informed and up to date in the industry.

Provide your staff with the tools, and insist they use them.

Make your sales staff the people with the latest industry knowledge and trends.

Your customers will learn you can be depended on to have the most up-to-date information in the industry

- Advertising for a manager on JobsHQ website, \$2,246.

MMBA members returns for liquor store committee meeting

Three MMBA members attended the liquor store committee meeting Friday, Feb. 2 and the message was fixing the bookkeeping and inventory problems will take time.

Technical support from a similar municipal store in Buffalo Lake was set up, so the manager there could work remotely with Eastman.

Other ideas for consideration from the MMBA board included:

- Deciding if the event center should be treated as part of the entity, or if it should remain separated.
- Consider council approval to pay liquor store bills twice a month. Municipalities have 30 days to pay liquor-related bills, but the council does not always meet in that time frame, causing

the store to be refused any further purchases until the bill is paid.

- Review the credit card processing fee. It was noted anything above 3½ percent should be reviewed for a better rate.
- Discussed removing the beer bottle decal on the front entry door.
- Considered tracking and charging each event center happening, instead of having a monthly bill.

Three-course meal by candlelight offered in Frazee Valentine's Day

Third Crossing Bar & Grill recently offered a three-course meal complete with candlelight on Valentine's Day.

The venue served up salad, jumbo shrimp and barbecue ribs with a twiced baked potato and dessert. For those 21 and older, the meal also included a bottle of Beringer wine.

Manager Meghan Eastman said the establishment wanted to offer a local, yet romantic, dining option for the international day of love.

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_____ Sunday Dinner (\$45.00)

_____ Monday Breakfast (\$20.00)

_____ Monday Lunch (\$20.00)

_____ Monday Dinner (\$45.00)

_____ Tuesday Breakfast (\$20.00)

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Finding Profits Through the Back Door

By MMBA Conference Presenter Tom Shay

Examining expenses to increase the bottom line

The topic for today is increasing profitability. When we ask retailers for input, we will most likely hear two traditional suggestions: increase sales and increase margins. While true, they are two of the hardest ways to increase profits. Let's take a look at 10 other possible ways to increase the overall profitability of your business.

1. Examine your employee schedule. After inventory, wages are the largest expense your business has. If you have the data to review your sales history, you should see a pattern by day and month indicating when you need your sales help.
2. While you are reviewing pay roll, ask your workers compensation insurance sales rep to help you review how you have categorized your employees. You may find you have employees in higher-risk categories than necessary.
3. Advertising. If you consider advertising a necessary expense rather than its being a method of drawing customers, you are probably wasting money. Your advertising should be calculated as a percentage of monthly or annual sales. Of this figure, you should set aside approximately 10 percent for last minute opportunities and advertising expenses that are over budget. You will often get a better rate by making an annual commitment rather than simply buying advertising time or space when the sales rep calls on you.
4. Insurance. You should put your insurance coverage out for bid

at least biannually to make sure the price you are paying is in line. As you visit with prospective agents, ask them where you can save money. Many policies allow seasonal fluctuations of up to 25 percent. If this is the case for yours, you can consider calculating your highest inventory level, subtract 25 percent, and buy inventory coverage for this amount. If your business is renting space, make sure you are not buying coverage for something that the landlord owns.

5. Review your utilities expenses. Your cooling and heating systems have filters which should be checked each month and, if necessary, replaced. These systems should have at least an annual checkup to make sure they are operating at

peak efficiency. You should also shop your long-distance service. Check your water usage by making sure all faucets and toilets are functioning properly. In many communities, your sewer disposal rate is tied to water usage, so if you are wasteful with water, you are paying twice. Check with your garbage disposal company. You may find savings by deciding to recycle the large amounts of cardboard and paper you use.

6. Are you utilizing your bank? If all you do with a bank is deposit funds and write checks, you should consider doing business where it will cost less. One dealer reported saving over \$100 each month by changing banks after he took copies of his recent statements to other banks and asked what their fees would be.

Platinum Member

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With just one call to the Shamrock Group, we'll assist you with a variety of products and services you need. With our expert *Attention to Detail*, starting — and remaining — with us sets you up for business success.



MinneMixer. Minnesota's 'Local' mixers for making great-tasting drinks. Available flavors:

- Grenadine
- Lime Juice
- Raspberry
- Bloody Mary
- Triple Sec
- Strawberry
- Mango
- Sweet & Sour
- Margarita
- Pina Colada
- Peach
- Pickle Juice

1L and Big Batch



Kelly Koolers. Custom designed to meet your every requirement. Air-tight, durable construction + custom refrigeration. Quality guaranteed for peace of mind.



Ace Ice. Find us throughout the Twin Cities, including Lunds/Byerlys, Walgreens, Kowalski's and numerous liquor stores. 'Purefect' ice in 5lb and 18lb bags, made locally. Also available:

- Custom ice sculptures
- 10lb and 300lb blocks
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- Dry ice
- Cocktail Cubes (2in. squares)

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Contact Steven Kelly
steven@shamrockgroup.net



Minnesota Independent Ice
Manufacturers Association



Minnesota Municipal Beverage
Association Member since 2002



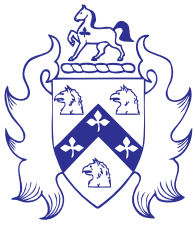
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Partner with us! We welcome new product distributors. Call Steven.

7. Outside services is a category that is often a catch-all for the miscellaneous expenses of business. However, an annual review of what you are categorizing as outside services is a mandatory step in keeping expenses controlled. You may also find certain tasks you or an employee are doing, such as payroll, could be better or less expensively done by an outside service.
8. Accounting and legal expenses are usually grouped together. While you hopefully have a minimum amount of legal expense, the accounting service is always suspect. Review what you are getting from your accountant each month and ask other retailers what they are spending for these services. Too often a retailer pays an accountant several hundred dollars each month for a financial statement that he does not fully understand and does not use to make decisions. If the accountant is not helping with this, it may be time to look for a replacement.
9. As a category, Supplies usually contains all the paper goods used in operating a business. The first place to reexamine supply expenses is the various places you buy forms. Anyone who has ever ordered a printed form has found that the difference in price between 1,000 and 5,000 copies is minimal. The expense-watching business will calculate the number of forms used within a year and order quantities that will not only cut down the frequency of ordering, but also save valuable dollars for the business.
10. Repairs and maintenance are often hard to control. After all, if something breaks, you must have it fixed. However, many companies offer service contracts, which can work to your advantage. You may be able to negotiate a maintenance contract for your heating, cooling, delivery vehicles, computer system, and other equipment. On the other hand, if a piece of equipment rarely has a problem, you may want to consider canceling a maintenance contract and paying for repairs as necessary. Cutting expenses is not a cure-all for a business. It takes a joint effort of increased sales, working to improve margins, and cutting expenses to maximize a business. However, as the old adage says, "If you don't spend it, you don't have to sell something to cover the expense."¹⁰ Repairs and maintenance are often hard to control. After all, if something breaks, you must have it fixed. However, many companies offer service contracts, which can work to your advantage. You may be able to negotiate a maintenance contract for your heating, cooling, delivery vehicles, computer system, and other equipment. On the other hand, if a piece of equipment rarely has a problem, you may want to consider canceling a maintenance contract and paying for repairs as necessary. Cutting expenses is not a cure-all for a business. It takes a joint effort of increased sales, working to improve margins, and cutting expenses to maximize a business. However, as the old adage says, "If you don't spend it, you don't have to sell something to cover the expense."

Try to Say One, Some, or All of These Everyday

- | | | |
|------------------------|--|--|
| ✓ Yes! | ✓ I Like It! | ✓ I Appreciate Your Effort! |
| ✓ I Can! | ✓ Sounds Good! | ✓ I Know You Can Do It! |
| ✓ You Can! | ✓ I Agree! | ✓ Good For You! |
| ✓ That's Great! | ✓ Great Job! | ✓ I Never Would Have Thought of That! |
| ✓ Let's Try It! | ✓ I'm Glad You Thought of That! | ✓ I'm Happy for You! |



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A TRADITION OF EXCELLENCE SINCE 1953



INGREDIENTS FOR SUCCESS

MINNESOTA COMPANY

- Local, family owned and operated since 1953
- Employing over 900 Minnesota team members and 2,500 across the US

WORLD CLASS PORTFOLIO

- Representation of the leading wine, beer, and spirits suppliers in the industry
- Largest, most comprehensive collection of local craft spirit and beer brands

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- 91 Certified Specialists of Wine (CSW)
- 25 Certified Specialists of Spirits (CSS)
- 16 Cicerone Certified (Beer)
- 5 Certified Sommeliers (MN)
- Trained Mixologists

SERVICE & DELIVERY

- Delivery five days a week, including Monday
- Covering the entire state of Minnesota with next-day delivery

JB GRAPHICS

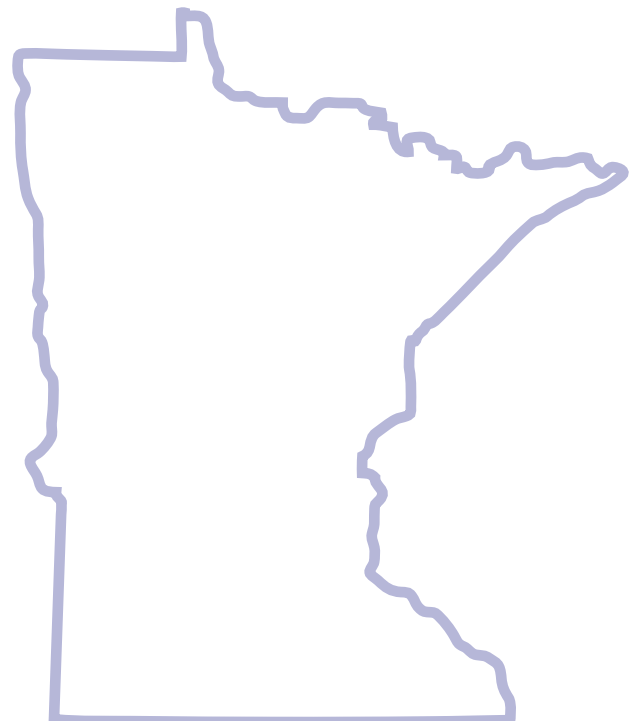
- In-house, full service graphic capabilities with timely turn around

GIVING BACK

- Provides college scholarships to students whose parents work in the Minnesota alcohol beverage industry

CONTACT US

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