

# Testimony in Support of the Proposed Craft Distillery Bill

## Before the United States Virgin Islands Legislature

Good morning Madam Chair, Honorable Senators, and members of the Committee. Thank you for the opportunity to testify in support of the proposed Craft Distillery Bill. This legislation presents a strategic opportunity to strengthen agriculture, diversify our economy, expand agritourism, and preserve rural land — all while protecting neighborhood quality of life and environmental standards.

This bill is not merely about allowing small-scale distillation. It is about building a value-added agricultural economy that captures more revenue locally, supports farmers, and positions the Virgin Islands for long-term resilience.

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## Economic Development Through Craft Production

Across the United States, craft distilling has proven to be a powerful economic multiplier.

In Kentucky, the bourbon industry generates **over \$9 billion annually in economic output** and supports more than **22,000 jobs** statewide. The Kentucky Bourbon Trail alone attracts **over 2 million visitors per year**, with visitor spending estimated at **over \$350 million annually** in lodging, dining, retail, and transportation. Those dollars flow not only to distilleries but to hotels, restaurants, tour operators, and local farmers supplying grain.

In Napa Valley, the wine industry generates approximately **\$9–10 billion per year in regional economic impact**, with tourism accounting for more than **\$2.5 billion in visitor spending annually**. The integrated agricultural-tourism model has preserved tens of thousands of acres of farmland while sustaining high-paying hospitality and agricultural jobs.

In New York, farm distillery legislation has fueled the growth of more than 150 craft distilleries. The state's craft beverage sector overall contributes **over \$6 billion annually to the New York economy**. Farm distilleries are required to source a percentage of ingredients locally, channeling millions of dollars into New York agriculture each year and stabilizing rural economies that once faced decline.

The lesson is clear: when governments enable value-added agricultural production, the return is measured not only in product sales, but in broad-based economic activity.

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## Martinique: A Caribbean Neighbor with Measurable Economic Impact

For a model even more geographically and economically comparable to the Virgin Islands, we turn to our Caribbean neighbor, Martinique.

Martinique produces approximately **17 million liters of rum annually**, the majority of which is exported. The rum sector generates an estimated **€400–500 million (approximately \$430–540 million USD) in annual economic impact**, including direct production, exports, agricultural activity, tourism, and related services.

### Agricultural Value

Sugarcane cultivation in Martinique covers thousands of hectares and supports hundreds of farming families. Rum production represents one of the highest-value agricultural outputs on the island. By converting raw cane into premium *rhum agricole* under its AOC designation, Martinique captures significantly greater value per hectare than would be possible through raw commodity exports.

This linkage between farming and distillation stabilizes farmland. Instead of abandoning agricultural lands or converting them to non-agricultural uses, farmers maintain active cultivation because distilleries provide a reliable, premium-paying buyer.

If the USVI were to replicate even a fraction of Martinique's scale — for example, reaching **1 million liters annually across multiple small producers** — that could represent **\$20–30 million in direct production value**, depending on price positioning. When tourism, hospitality, and agricultural multipliers are included, the broader economic footprint could be substantially higher.

### Export Revenue

In Martinique, rum accounts for a dominant share of non-petroleum exports. Premium bottles retail internationally at \$40–\$80 and higher, demonstrating the power of geographic branding. Export earnings bring external capital into the island economy — a critical factor for small island territories.

The USVI already has global recognition in rum heritage. By empowering small producers to develop distinctive, premium-positioned brands, we could expand export revenue streams and reduce economic leakage.

## Tourism Integration

Martinique's rum distilleries function as major tourism attractions. Estate tours, tastings, and heritage museums attract hundreds of thousands of visitors annually. Rum tourism is deeply integrated into the island's culinary and cultural identity.

For the USVI — where tourism accounts for roughly 60% of GDP — the addition of craft distillery tourism could meaningfully increase per-visitor spending. If even 5% of our annual stay-over visitors participated in paid distillery tours averaging \$40 per person, that alone could generate several million dollars annually in direct tourism receipts — before accounting for related spending in restaurants and lodging.

Martinique demonstrates that a Caribbean island can leverage rum not just as a product, but as an integrated economic driver — supporting agriculture, exports, branding, and tourism simultaneously.

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## Agritourism Expansion in the Virgin Islands

Agritourism is among the fastest-growing segments in global travel. Travelers increasingly seek experiential activities — tastings, farm tours, culinary events, and educational workshops.

A structured USVI craft distillery sector could:

- Generate new paid tour experiences
- Increase farm-based event hosting
- Create annual festivals celebrating local crops
- Encourage partnerships with cruise lines and boutique hotels

If just three to five small distilleries were established across the Territory, each attracting 15,000–20,000 visitors annually, the combined visitor count could approach 75,000–100,000 specialty tourism visits per year. At conservative spending estimates of \$75–\$150 per visitor including tours and ancillary purchases, that represents **\$5–15 million annually in direct visitor spending** — with multiplier effects beyond that.

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## Preserving Farmland and Preventing Overdevelopment

Farmland preservation is not just environmental policy — it is economic strategy.

When agricultural land lacks viable markets, it becomes vulnerable to subdivision and development. Craft distilleries create stable demand for:

- Sugarcane
- Sorrel
- Tropical fruits
- Herbs and botanicals
- Honey and specialty crops

By vertically integrating farming and distillation, producers retain more revenue locally. Instead of exporting raw materials and importing finished goods, the Virgin Islands keeps value-added production within the Territory.

This model aligns with food security goals and strengthens rural land use.

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## **Responsible Regulatory Structure**

To ensure growth remains balanced, the Craft Distillery Bill should include:

### **1. Quality of Life Protections**

- Defined operating hours
- Noise and odor mitigation standards
- Traffic planning thresholds
- Community engagement requirements

### **2. Building Size and Setbacks**

- Tiered facility classifications (Micro, Small, Medium)
- Minimum 100-foot setbacks from residential property lines where applicable
- Scaled parking, buildings and infrastructure requirements
- Architectural compatibility standards in agricultural zones

### **3. Production Limits**

- Lower production threshold to encourage startups
- Upper annual cap (e.g., 100,000 gallons per license)
- Graduated licensing tiers
- Incentives for sourcing local agricultural inputs

These safeguards maintain the integrity of the “craft” designation while ensuring compatibility with neighborhoods and rural landscapes.

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## Conclusion

The proposed Craft Distillery Bill is an economic development strategy rooted in agriculture and culture. 30% of our USVI economy depends on rum-cover over taxes and this law can diversify the industry significantly as bond rating agencies have called for. Additionally, we spend \$40-70 million annually in molasses subsidy, buying molasses from Honduras, Nicaragua, and the Dominican Republic for two large multinational companies.

Let's invest that money in our people, our land, our products.

Kentucky demonstrates that spirits tourism can generate billions. Napa Valley shows that agriculture and hospitality can create a globally recognized brand economy. New York proves that farm-based distillery legislation strengthens rural regions.

And Martinique — our Caribbean neighbor — shows that even a small island can generate **hundreds of millions of dollars annually** through premium agricultural spirits, stabilize farmland, increase exports, and integrate tourism into a cohesive economic engine.

The Virgin Islands has the climate.

We have the heritage.

We have the tourism infrastructure.

With a thoughtful regulatory framework — including production caps, setbacks, and community protections — we can cultivate a responsible craft distillery sector that strengthens agriculture, diversifies our economy, and preserves our land for future generations.

I respectfully urge the Committee to advance the Craft Distillery Bill as an investment in the long-term prosperity of the United States Virgin Islands.

Thank you for your consideration.