

The Virgin Islands Consortium

Diageo Importing Offshoot Of Foreign Rum, Mapp Confirms, DOJ Investigation Underway

Business / **Published On November 25, 2015 12:35 PM /**

Ernice Gilbert **November 25, 2015**



CROIX -- Diageo USVI has been importing "what appears to be some offshoot of rum from some foreign source," Governor Kenneth Mapp confirmed while speaking on talk radio AM 1000 with Liston Davis yesterday morning. Mr. Mapp had begun to say that the rum was coming from Guatemala, but he immediately rephrased his statement.

The Consortium first reported on what has now turned into a major investigation into Diageo, which sources within the Department of Justice told the publication could have far-reaching implications, and that "all hell could break loose."

Between the hours of 9:00 a.m. and 10:00 a.m. on Monday, November 9, Department of Licensing and Consumer Affairs, along with DOJ officials descended on the Gordon A. Finch Molasses Pier located on the south shore of this island and west of Tropical Shipping, to take samples from 12 tanks of what was supposed to be molasses used to produce rum at Diageo USVI's Captain Morgan Rum Distillery. DOJ and DLCA officials also took samples from two separate shipments at Diageo's rum distillery, located at the Renaissance Park development here.

In 2008 the GVI subsidized Diageo's move to the island, totaling an estimated \$2.7 billion over 30 years. Some of the subsidies include: a new \$165 million distillery, "[market support payments](#)" to keep prices low for molasses, 35 percent of what Diageo spends on advertising, a 90 percent income tax break, exemption from property taxes, environmental mitigation supports, and 47.5 percent of all tax revenue collected on Captain Morgan rum. By one estimate, [Diageo's net cost to produce rum is zero](#), according to [Tax Foundation](#), a leading independent tax policy research organization. The 30-year agreement received Senate ratification on July 9, 2008, with a 10-5 vote.

However, the rum-cover over funds are supposed to be for rum produced in the territory; not imported from elsewhere and reshipped out as if the products were made here.

On the talk show yesterday, Mr. Mapp said he sees nothing in the Diageo contract that allows it to receive subsidies on anything else but molasses.

"I don't see anything in the Diageo contract that permits the government to subsidize the import of foreign rum as a mixing source to rum that are to be made on the island of St. Croix for export to the U.S. market," the governor said. "The government has agreed to subsidize molasses."

Mr. Mapp said he read Diageo's response that said that the rum producer had spoken about a new distilling process using sugar cane intermediate with the governor, and that Mr. Mapp had given Diageo clearance. The governor, however, disputed those claims.

"The good thing about operating and communicating with a government, [is that] you have to do it on paper -- you could call me on the telephone and tell me my personal car is running down the hill by my house, but you can't do that" when dealing with the government, Mr. Mapp said.

The governor said Diageo sent a letter advising him that it had acquired some customers who were interested in buying bulk rum. And in its quest to meet its contractual obligations of selling 9 million proof gallons of rum on the U.S. mainland -- Diageo is roughly 2 million gallons shy of that amount -- the company sought the governor's assurance that the tax of the bulk rum would remain equivalent to that of the bottled product, which currently stands at \$13.25 per gallon. Mr. Mapp said he agreed to that; but fixed tax prices and bulk rum have nothing to do with subsidies being paid by the government on a product that is not molasses.

"Diageo did not advise me, nor did it seek my permission, to bring in any deviation of foreign rum into the Virgin Islands and then attempt to mix it and call it some deviation of the natural rum of the Virgin Islands, and sell it under some label," Mr. Mapp said. "And

so that issue is under investigation by the appropriate authorities and we will get to the bottom of that."

Acting Attorney General Claude Walker also confirmed to The Consortium that the investigation was underway. And Senators [Kurt Violet](#) and [Kenneth Gittens](#) encouraged the territory's leader to pursue the probe.

© Viconsortium 2026