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I am testifying today on behalf of North Branch Vineyards, Due North Vineyard, Montpelier Vineyard, Vermont Vines on the River, Lucky Bugger Winery and Brook Farm Vineyards. The container redemption bill as written and passed by the house will financially strain small VT wineries.

The bill as passed by the house mandates that producers hire a third party contractor to pick up our bottles from redemption centers and return to the producers. The cost to hire a third party vendor to pick up and process wine bottles for a VT winery selling 30k bottles per year is estimated to be $2258-$2663 according to Lauren Hierl, VT Conservation Voters (see Table 1 on page 2). The $.15 deposit and the estimated third party contractor maximum fee of $2663 will reduce our current small profit margin.

Vermont is a wonderful place to live and do business. However, small VT wineries like North Branch Vineyards are constrained to do business within our border unless we hire a distributor in another state. If we were to hire a distributor in VT or another state we have to sell the wine at 50% the retail value. Most VT wineries are self-distributors and can sell to VT retail locations at 75% of the retail value.

North Branch Vineyards current COGS is $8.53 per bottle. Our retail value ranges between $16.95 and $18.95 per bottle. This means our profit margin is roughly $8.50-$9.00 per bottle. This profit does not include vineyard costs or winery consumables. Adding an additional $.25 for the container redemption cost seems marginal until all costs associated with operating a vineyard and winery in a small state like VT are added up. We are asking this committee to add an exception to the container bill to remove small producers under 25,000 gallons.

According to the Dept. of Liquor and Lottery, there are 65 active vinous manufacturers. This includes both wine and cider. The Vermont Wine Merchants Company currently carries over 2,000 wines from over 300 producers, both domestic and internationally. Calmont Beverage carries 192 producers. Farrels Distributors carries 429 producers. These are the top three distributors in Vermont and combined carry 921 producers. This number does not include ciders. Wine producers in Vermont are less than 7%, less if you subtract the cider producers. By adding the exception, it would be a win win to keep Vermont green and protect small businesses.

Table 1

Annual Bottle Bill Costs for North Branch Winery in VT				
	Today (10k bottles sold per year)		Future Goal (30k bottles sold per year)	
	78% Redemption Rate	90% Redemption Rate	78% Redemption Rate	90% Redemption Rate
Containers redeemed	7,800	9,000	23,400	27,000
HF at 3.5c	$273	$390	$819	$945
HF at 5c	$315	$450	$1,170	$1,350
Pickup and processing cost	$350	$400	$1,034	$1,193
Glass charge	$35	$40	$105	$120
TOTAL annual bottle bill fees to distributor	$658 - $700	$830 - $890	$1958 - $2309	$2,258 - $2663
Profit margin including labor ($8.53 per bottle)	$85,300	$85,300	$255,900	$255,900
Annual profit margin including labor after deducting bottle bill costs (Range provided to show cost of joining a choosing to not join a commingling gropu and pay a lower handling fee)	$84,600 - $84,642	$84,410 - $84,700	$253,591 - $253,942	$253,237 - $253,642

EXPAND EXCISE TAX CREDIT FOR WINERIES

HTTPS://WWW.WINEGRAPEGROWERSOFAMERICA.ORG/

Under present law, wine is subject to a Federal excise tax of between $1.07 and $3.40 per gallon, based on alcohol content and carbonation level. Qualifying small domestic wineries producing 250,000 wine gallons or less are eligible for a tax credit generally equal to 90 cents per gallon on the first 100,000 gallons produced, with that benefit phasing out between 150,000 gallons and 250,000 gallons. Hard cider is taxed as wine, subject to lower rates and a reduced credit amount. VT can use this same model to exempt small wine producers.

Here is my recommendation to modify the bill as passed by the house.

1)(A) “Beverage” means all drinks in liquid form and intended for human consumption, except for milk, dairy products, plant-based beverages, infant formula, meal replacement drinks, nonalcoholic cider, or wine produced by wineries with production rates under 25,000 gallons annually.