

Mark Ewald
Owner VT Beer Shepherd
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My name is Mark Ewald and I have written a statement of support to changing the franchise laws in VT. I have a unique experience and perspective when it comes to these laws as I have experience in almost all areas that these laws effect and I would like to share my experience with you all.

I have seen this issue from all sides. I have been a brewer at one of VT's largest breweries, a brewery consultant, a brewer for a small VT brewery, craft beer portfolio manager for one of the large 4 distributors in VT, and now the owner of VT Beer Shepherd, a boutique small craft beer distribution company here in VT.

Franchise laws were written just after this country experimented with the prohibition of alcohol. At that time the business landscape was so much different than today. When these laws were implemented there were a few large powerful brewers and literally thousands of small distributors nationwide. These laws were enacted to protect these small distribution companies from the large predatory brewers. This ratio of brewer to distributor has been turned upside down over the past 20 years. Today there are over 6000 brewers and fewer and larger distributors that have had the benefit of hiding behind protectionist franchise laws. In effect creating small monopolies in each state for these large brands. For example how many Budweiser distributors are there in VT? One! There has also been consolidation among the distributors through purchases and mergers, (Which the brewers had no say) ultimately eliminating a great deal of competition and consolidating market share for a few companies. This is really important for VT as we have the most brewers per capita of any state in the country and many of them are small brewers who are the most disadvantaged under the current laws.

These laws stifle competition on so many levels that really protect the big beer brands. To understand how the market works and how these laws eliminate competition, it is important to understand the larger market of beer that includes big macro brands and smaller craft brands. Macro brewer AB/ IN-BEV not only controls three of America's largest brewers, Anheuser Busch, Miller and Coors they now have been purchasing small craft brands, thus blurring the lines between the two sectors. They even own an increasing number of beer distributors as well, effectively controlling all three tiers that these laws were to protect against. Why is this important you may ask? The answer lies in that AB/Inbev effectively dictates to their distributor networks by basically paying rebates of large sums if the distributors sells a massive percentage of AB/Inbev products compared to the other small craft brands and this eliminates many small brands in their portfolio from competing.

As franchise law is written today, there are barriers that are in place to eliminate a brewer from moving beyond a bad business situation. To understand this I would like to give you an example of what this looks like.

I have witnessed this situation first hand. Brand X was sold by distributor Y for a few years and over time the brand wasn't being promoted by Distributor Y and 2 years went by with no orders to Brand X. Brand X found a new distributor that wanted to start selling Brand X. Distributor Y refused to let the brand leave to another distributor and immediately placed a small order to keep franchise law in effect. Brand X was stuck with a distributor that they didn't want to work with and potentially have lost sales as the new distributor could have potentially sold a greater quantity of Brand X. Basically Brand X was forced to stay in a business relationship that they clearly wanted out of. This is a basic example but this story plays out over and over again with the brewer basically not having any remedy or relief to change their situation.

I also am concerned by some of the previous testimony on behalf of not changing these archaic laws. These laws have nothing to do with delivery, quality or out of code beer as previously mentioned. The statement that franchise laws allow distribution to be freely independent from large and powerful suppliers and stimulates competition, improves variety, value, access and availability is far off the mark. These large brewers and distributors play franchise to their advantage and many times are very effective at shutting the small brewer out of the marketplace and then locking them up eliminating the brewers possibility to grow in those markets. The statement that this would decimate those established distributors is laughable. AB/Inbev pays the bills, as they pointed out themselves, that craft is only about 20% of these large distributors sales. To say that territory, reach and access will shrink is also unrealistic. AB/Inbev would never allow a distributor to reduce the territory nor shrink their market share. I am certainly not sure how this would lead to reduced number of employees either. If you are doing good business with your brands why would they want to leave in the first place.

At VT Beer Shepherd, we have always given the brewer the option to go to another distributor with a fair negotiated price for both parties. We are proud to be a company that values our relationships and are not making all decisions based on what franchise laws could do for us. I also would like to say that when franchise laws change, the landscape of responsibility will need to shift to represent this transfer of assets or brand control back to the brewer. Brewers will need to step up and pay more for promotion of their brand and they will need to participate and help in the costs associated with managing out of code beer. The grass is not always greener on the other side of the fence. Changing distributors is certainly not the answer to many of these situations but what is important is that the brewer has the ability to make these decisions unencumbered by these outdated laws.

I have had the opportunity to consider these laws and how they effect all parties involved over the years in different professional roles, and I am here to say that these laws are archaic, outdated and stifles competition in the beer world. However, my biggest reason for supporting these changes are really due to my views that ALL American business owners deserve the right to control their brands and their business relationships as they see fit. This Freedom of Choice is an American right and these old laws impinge on these freedoms. Brewers need distribution not franchise. It is time to emancipate the brewers from the chains of the past and let them have the freedom of choice to do business with whomever they want.