

Tuesday February 15, 2022

Good afternoon. Thank you for the opportunity to speak with you today.

My name is Allen Van Anda, co-owner of Lost Nation Brewing. We are a family owned, independent brewery and restaurant located in Morrisville Vermont. Today I speak on behalf of the Vermont Brewers Association with support from the National Brewers Association.

The Vermont Brewers are not wholly against “low alcohol spirit beverages” commonly referred to as Ready to Drink Cocktails, (RTD’s).

We do however have concerns with the structure and unforeseen consequences of H.178 as it is introduced. Therefore, I respectfully provide you my testimony today in hopes to highlight our concerns and delay passage of this bill, so Vermont distillers have the opportunity to fully capitalize on this emerging segment of the alcohol market.

*Before I dive into our concerns, as a point of clarity I feel it important to highlight the term “Low Alcohol”, as used in H.178. As defined at the Federal level, the Tobacco and Trade Bureau states, *the terms “low alcohol” or “reduced alcohol” may be used only on malt beverages containing less than 2.5 percent alcohol by volume*

*It is important to note that H.178 was written by the wholesaler’s lobby in conjunction with DLL Commissioner Knight. To the best of our knowledge, Vermont distillers did not bring this bill to the forefront.

*From what we understand, Vermont distillers are not unified in support of H.178 and the *majority* of Vermont distillers are not ready to bring product to market on July 1, 2022 if this bill passes. Passage of H.178 in this legislative session would mostly benefit multinational corporations and wholesalers while leaving Vermont distillers behind.

*The assumption has been made that RTD’s are a new growth category, and the State can increase revenue by relinquishing control of these products to wholesalers.

We do not believe this to be accurate on many levels.

Historical rates of alcohol consumption, based on percent of population have remained relatively consistent over the years.

The variation we see is within individual categories of the alcohol segment. For example, wine consumption might be up one year, where beer is down. Or, spirits might be up where wine is down. However, the percent of the alcohol consumption pie is essentially the same size, the slices of the pie cut out to each segment are what vary year to year. The belief that RTD’s will create revenue that did not exist is not accurate. RTD’s, if accepted by the public will simply take market share from wine, beer, and spirits sales at 802 stores, offsetting already existing revenues, not generating additional revenue.

The second consideration related to revenue is the impact of relinquishing a product that is currently under State control to wholesalers. The State enjoys roughly 80% profit plus sales tax on the sale of RTD’s which as we all know, alcohol sales contribute millions of dollars to the General Fund each year.

In February of 2020, the DLL Board discussed a mirror bill to H.178. Former Commissioner Delaney stated the RTD business made up roughly \$650,000 in sales, generating approximately \$300,000 in net profit for the State. If you allow RTD’s to be privatized and shifted out of State control, the State is left

with tax revenue of 6%, which based on \$650,000 in gross sales is only \$39,000. A difference of \$261,000.

The claim has been made that by privatizing this product, the tax revenue from increased sales would offset the \$261,000 loss. For this to happen, gross sales receipts would need to increase from \$650,000 to \$4.5 Million. This certainly seems unachievable; however, I'll leave the hard math up to the Ways and Means committee as I believe they will have a field day with this one.

*Regarding public health, Vermont has been an alcohol control state since 1933. The 2020 802 spirits Annual Report has a very poignant statement and I quote, *Studies prove that regulating sales reduces consumption, thereby limiting the physical and social damage caused by the misuse of alcohol. States with less alcohol regulation in general, have more issues with alcohol abuse, higher prices, and less selection of products than our state.*

I am left asking, in the light of public safety, is our key motivation in H.178 to grow the alcohol segment? To increase the size of the pie and have more people consuming? If so, that motivation contradicts 90 years of policy and our approach to alcohol control.

In sheer statistical data, history shows us that an increase in the pie so to speak is highly unlikely and current trends show alcohol consumption declining among younger generations rather than increasing

If we look beyond public safety, do we simply see a revenue opportunity here? A revenue opportunity that the math has yet to support and bears consequence of eroding our control State model that has served our State well since the end of prohibition.

*Lastly, included in our testimony which is posted on your committee page under my name, we have submitted a 2019 letter from former DLL Commissioner Delaney to Claire Buckley of the wholesale lobby. Also included are the February 2020 DLL Board meeting minutes in which the Board voted unanimously to oppose the bill, just two years ago.

While the printed minutes of this meeting do not provide much insight, the audio recording is highly informative. Former Commissioner Delaney lays out many reasons why the DLL opposed this bill. I implore you take a moment to listen back to this audio, the RTD conversation begins at the 26-minute mark.

Note in the audio that former Commissioner Delaney highlights his concerns about privatizing a portion of Liquor sales and says, "this year it is RTD's, next year it will be fortified wine, the year following something else." And just two years later we are here today discussing the privatization of both RTD's and fortified wine.

The Vermont Brewers, along with myself look forward to remaining engaged with this committee on this matter. We respectfully request you consider pausing H.178 for this session so all key players have a chance to come to the table and draft a bill that protects revenues to the State, supports Vermont businesses, and maintains the high standards of public health and safety that we as Vermonters strive for and have come to expect.

Thank you for time and consideration. Please do not hesitate with any questions.

Respectfully,

Allen Van Anda