



May 11th, 2021

To: House Committee on General, Housing, and Military Affairs

Subject: Direct to Consumer Spirits Shipping

Dear Chair Stevens and Committee,

The COVID-19 pandemic has decimated the revenues of craft distillers across the nation. Our tasting rooms have been closed for most of the last 14 months, and all sampling events are cancelled. In addition, our restaurant industry has been devastated. So many of our leading avenues to attract customers have virtually disappeared. Meanwhile, shoppers in nearly all consumer categories have shifted to purchasing products online.

For the sake of modernizing, building resilience, and providing parity for our distillers, it's imperative that we allow direct to consumer spirits shipping in Vermont. A study from the American Craft Spirits Association (ACSA) revealed that over 50% of craft distillers are suffering major revenue declines. There are currently as many as 30 states researching DTC shipping, with 11 states already allowing DTC shipping. Oregon, for example, made this change in the beginning of the pandemic (April '20). Many distillers accredit the swift action of the State of Oregon as the reason they are in business today.

For the following reasons this legislative change is necessary immediately, and should not wait until next session:

1. Consumers are currently ordering spirits online and shipping to the State of VT, with no visibility and no control over the transaction from the State Liquor Authority or Vermont's distillers. With the rapid shift in consumer behavior, numerous 3rd party marketing firms have emerged which coordinate the sales of spirits via online transaction. Due to the three tier system, distillers/producers have no visibility on the transaction. The results of these transaction is lost revenue to the State of VT.

2. Our distillers are begging for help. Many of Vermont's distillers depend on tasting room sales. For the majority of our State's distillers, tasting room revenues are more than 50% of total revenue. With the nature of the pandemic, these businesses are threatened. Many of which may not survive. Meanwhile, our web traffic and social media outlets are seeing more traffic than ever before, yet the spirits business is uniquely locked out of the opportunity to sell products using the internet.
3. This is revenue positive for the State of Vermont. All direct to consumer shipping sales will be taxed and marked up like in-store sales. This will allow distillers to sell products to customers who make their first introduction to a product online. These are often spur of the moment decisions, first introductions to products, limited releases, or associated with a virtual tasting. Similar to tasting events, farmer's markets and other remote Class 4 licensing events, an online order will serve as a new introduction to the great spirits distilled here in Vermont. The repeat purchase from the satisfied customer will most often happen in the local Vermont spirits retail outlet.
4. Distillers deserve parity. The language we've proposed only levels the playing field with beer and wine.
5. The pandemic is not over yet. This is our opportunity to build resiliency while modernizing our outdated shipping rules. This is fragile times for our industry. All it takes is a COVID variant or vaccine hesitancy to cost us our entire industry.

Direct to consumer shipping is a short term need, a long term trend, and has virtually no opposition. Missing this opportunity leaves our distillers at risk, with illegal shipments of spirits entering the state without an ability to control, and unexplained missing State revenues. I thank you for understanding how urgent this matter is.



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