

Hello,

My name is Ryan Chaffin, Director at Farrell Distributing, and a member of the Vermont Wholesale Beverage Association. It's an honor to be here with you. I appreciate the opportunity to provide you with some information on what wholesalers do and how we play an integral part in the Vermont beverage industry. I will also provide some feedback on H.672.

I started in this industry back in college in Burlington and have over 25 years of experience, much of it in leadership and senior leadership roles across the brewery and wholesale industries. This puts me in a unique position, as I have worked throughout and hold great respect for all parties in the three-tier system. I also taught two courses at the UVM Business of Craft Brewing program: Wholesale Management and Annual Business Planning for small breweries.

Farrell is an independent beer distributor, licensed by both the federal and state governments, to get bottles, cans, cases, and kegs from a brewer or importer to the shelf at stores, local restaurants, and neighborhood bars all through a safe, transparent, and accountable system. There are 3,000 independent beer distribution facilities, local businesses that service every corner of the United States. We, here locally, serve a few thousand licensed retailers and some non-traditional (non-licensed) locations.

Independent beer distributors do more than buy, store, sell, and deliver beer. They are small-business owners, civic leaders, parents, and philanthropists who are active in their communities. Beer distributors also value their role in the state-based system of alcohol regulation that works to keep communities and citizens safe while encouraging healthy competition and a robust marketplace.

General adherence to regulation, sanitation, and safety protocols is critical. Other benefits include the broad selection of products consumers can choose from at retail, because at the end of the day, we serve our retail partners, and they serve their consumers. We don't look like the soda aisle; we have more choices for consumers to consider everywhere you shop

The system also ensures that beer is traceable; so, if there were a suspected problem with a product, distributors could act swiftly to track the identified product and pull it from the marketplace. This regulated distribution system also helps protect American consumers from counterfeit and poisonous alcohol that is prevalent in many other countries that lack an effective regulatory structure. American consumers enjoy unequaled safety thanks to the three-tier alcohol distribution system.

To Provide context – the three-tier system consists of the following:

Suppliers: They produce beverages at breweries, distilleries, and wineries across the nation.

Distributors: They transport beverages, ensuring safety and freshness, market to consumers, and collect taxes for state and local governments.

Retailers: Vermont bars, restaurants, supermarkets, convenience stores, and liquor stores sell beverages from suppliers of all sizes directly to consumers.

Farrell Distributing was the first licensed distributor in Vermont after Prohibition. We have been in our South Burlington location since 1980 and added Rutland a few years after that. Our philosophy remains the same: Quality, Service, and Community.

In May 2016, we completed a major renovation project at our South Burlington facility, expanding our overall square footage, adding more climate-controlled zones, and providing much-needed new office space.

When you think of a beverage distributor, you might picture delivery trucks and warehouse shelves—but here at Farrell Distributing, and at other distributors, we're proud to show there's so much more brewing beneath the surface. At our Rutland facility, we've just completed a major overhaul of the refrigeration system. When our Rutland warehouse refrigeration system started showing its age, we didn't just patch it up. We made the bold choice to go all-in on a state-of-the-art, environmentally forward system that sets a new standard in our industry. Efficiency Vermont recognized our efforts with an Energy Leadership Award which proudly hangs in our operation today!

Our 290+ employees live all over Vermont. Our industry spans from skilled workers (Vehicle Maintenance, Delivery Drivers) to roles with less formal certifications/training (Merchandiser, Load Builder). We also regularly offer training opportunities to upskill employees (e.g., on the sales side, cider, WSET, and cicerone training; on the delivery side, assisting with CDL schooling components. In house sign making, temperature-controlled warehouses, and daily maintenance to our fleet are just some of the large capital projects we must manage, including very costly data, and cyber security to run the systems. There may be fewer wholesalers than there were a few years ago, but the number of products and retailers we must manage has not gone down, and with the costs of managing these operations it should not come of any surprise consolidation has occurred, not just with distributors, but also with brands.

Throughout our long history, we have always believed in giving back to our community and partnering with local organizations to help those in need. Let me share with you what happened to 7000 kegs we dumped down the drain during the pandemic (speak to this incredible partnership.)

We belong to the core chambers across the state, lending support when they need us and engaging to help improve the business communities. We give back to non-profits across the state, some long-standing, some new, when needs come up, and we partner with event producers and community efforts on a weekly basis.

With this overview of our business in mind, I'd like to speak to the current market and some of the challenges we face.

We operate in a challenging market. 2025 was a tough year for everybody in our industry, across all three tiers nationwide, and especially in VT. Our current population demographics and housing shortages are headwinds, as we rely heavily on the tourism sector, riding that wave each season, which can be a challenge to forecast and maintain adequate levels of inventory. The cost to manage, maintain, and curate a portfolio with hundreds of employees, two large warehouses, massive levels of perishable inventory, insurance, and rising healthcare, all within a very rural state that requires a massive fleet to satisfy, with margins that are compressed each year, and in most cases out of our control creates a challenging environment for us to navigate. Deciding who we are partnering with is very important, as you can imagine.

Our breweries face the same challenges, just on different scales. I know this well, as I have worked for and managed a few local Vermont breweries. I know what it's like to manage COGS, payroll, and promotions for a small business.

All of us want to support local manufacturers across multiple segments and categories as sustainably as we can. VT has a significantly higher local craft beer market share than most states; and we should be proud of that. I also want it to be clear this success is shared amongst all three tiers of the ecosystem we work within, as we are all part of it. An economic survey I conducted years ago for Peter Welch had the Farrell Made in Vermont part of the portfolio: totaled over 500 jobs and over 500 mutual VT businesses we collectively purchased from that year, and that was just our group.

It's a very small market here across our state in the grand scheme of things, but incredibly expensive to operate within. We can't take every brand; we must make our bets, and those bets are determined by multiple touchpoints, including how the portfolio fits, the quality, and the brand's commitment to working with us. Are they willing to provide us with appropriate margins for our work? Do they have a QC department? Do they have a brand roadmap and the financial ability to scale up, or are they looking to stay the same size? Do they have social and digital marketing plans to help generate consumer and retailer awareness? Are there ready files for signage and art we can plug and play, and do their portfolio of styles reflect what's happening in the market, or are they trying to create a new

category? Will they need training on compliance? What is their expectation for our year-over-year performance? Do they plan to assist us with relationship building out at retail? Have they gone out to “introduce themselves” to buyers and managers to ask what they may want to see?

We are stewards of their brand and plans, so partnering must feel like we are on the same page. Are we aligned on goals? Do we agree with their forecasts? And can we, at the end of the day, say we have a realistic chance of being successful with their business model and plans? If we are honest, most cases have a successful story attached to them. The expansion of a brand bringing their products to retail is a business decision, and a commitment to uphold the same standards wholesalers do is critically important to the system. Our hospitality partners have suffered greatly over the last few years; they need us now more than ever to help them get creative to encourage consumers to get out and support our retailers.

But that's not it, local is important for all of us, but we also represent some of the most recognized brands in the world, which all have a massive local impact. Anheuser-Busch is one of them. They have consistently spent hundreds of thousands of dollars in the VT market on safe and responsible drinking campaigns, trade dollars to host occasions and events at bars and restaurants across VT, access for all our employees at state fairs, media campaigns, and have been partners with the Burlington Marathon for decades. Deutsch Winery supported our local Cancer Center; Clean Cause Yerba Mate has provided many Vermonters with support and access to recovery centers for alcohol and drug addiction; and Gallo Winery was a major sponsor of the Burlington Discover Jazz Festival for decades. All of which drives economic activity in our small state and benefits non-profits, who have all appreciated the support, something wholesalers do daily.

With this overview in mind let me speak to H.672:

I want to start by saying that we have no major concerns with H.672 and understand the desire to remove burdens for smaller brewers, given the challenges to the market I've described and that we all face. We want smaller brewers to be successful, and we encourage and support their right to self-distribution. We see value in breweries starting off on their own to better understand the market and have direct relationships with retailers. We cannot represent everybody, as those are business decisions we must make. We wish them well and cheer them on, even as competitors. But it's important to know that we provide a lot of services and merchandising where we can with our retailers, and we also clean our draft lines regularly to ensure safety. We would encourage all self-distributed breweries to do the same.

We also think 5k barrels is excessive; the national average for a craft brewery is under 1k barrels. You can see that in the Vermont breakdown shown by the VBA. Brewing and selling that much is a lot of work; it won't fit in a Subaru. At that smaller level, you are starting to get into real logistics with big capital, and that's when we typically see opportunities to partner. There were many years when folks went right to distro, and years when more wanted to build their brand; both scenarios worked at the time. Starting a business is risky, and it's not a guarantee that anyone will secure distribution, just as it's not a guarantee that, if we partner, we will be mutually successful. There are many factors that lead to all three tiers being successful with a brand. In general, we already have a framework where small breweries can distribute, and we have no intention of getting in the way of that, whether you decide to allow them to skip the current process of establishing a separate business. We ask that they understand all the regulations and laws in [\*\*Title 7: Alcoholic Beverages\*\*](#).

**We also ask that it be clarified that this exemption applies only to eligible brewers who are not under contract with a distributor. It is our understanding this is the intent and we would like that to be spelled out in the law.**

Being a large employer in Vermont comes with many challenges; you hear about them all day, and we feel them all as a statewide organization that needs people and equipment. This is not an industry where AI and atomization replace people, it may create efficiencies, and those are important, but we need a strong Vermont work force, and we are proud to have hundreds of folks here at Farrell doing their part in so many ways to participate in the opportunities the state provides, but as importantly voices and resources for the challenges we face, and we intend to stay engaged in those as you all make important decisions on where the state is headed, and how to get back to real growth across a handful of metrics. We need more consumers to live here, and we need them to have housing. Our portfolio of partners and our hundreds of employees are encouraging you all to find ways to get our state moving in the right direction so we can continue to support and invest in our businesses. Our doors will always be open to new opportunities and entrepreneurs in this space, but, as you can see, it requires thoughtful planning and strategic direction to succeed.

At Farrell Distributing, we proudly provide high-quality beer, wine, non-alcoholic beverages, and snacks to retailers throughout the Green Mountain State, as our competitors do. As mentioned, with facilities in both South Burlington and Rutland and a large workforce, we are equally equipped to serve the needs of retailers of all sizes – from national corporations to large and small independent stores to dining establishments, big and small. We are pleased to bring variety, value, and choice to our customers, regardless of their location.

To close,

The core strength of our organization is our incredible community of teammates. Their hard work and dedication to serving our customers is what make us successful. As an employer, we are dedicated to their well-being, creating a welcoming workplace, and fostering a sense of family. We are not just a warehouse that provides logistics to get beer, wine, and other products to shelves; we are a full-service business that serves our retailers as much as a consultant as a service provider to our partners.