



Feb 11, 2026

My name is Chris Kesler, Founder of Black Flannel Brewing & Distilling Co. in Essex, VT. I'd like to thank Chair Birong, Vice Chair Hango, and this committee for inviting me to participate in this discussion today.

Black Flannel is the state's first and only Brewery/Distillery combination. We operate an event space and a full service restaurant occupying 20,000 sf, both indoor & outdoor. We opened during the pandemic in July 2020 but still managed to create 45 high paying jobs supporting our local community that contribute significant tax revenue to the state.

I have served on the VBA Gov't Affairs committee for the last 5 years and have been the Vice President of the Distilled Spirits Council of Vermont for the last 3 ½ years. In 2022, I testified in favor of privatized distribution of RTD canned cocktails (passed and went into effect 7/1/22).

Today, I am here in support of 2 alcohol bills – H.672 and H.832.

Previous testimonies and committee questions on these bills point to confusion on the finer points of Alcohol licensing & permit types in Vermont. I'd like to spend a few minutes discussing the licenses & permits Black Flannel buys annually to effectively do business in Vermont.

Referring to the handout, in the framework of the 3-tier system, Vermont has 6 license types:

1. Tier 1 - Suppliers > requires a **MANUFACTURERS LICENSE**
 - *Annual cost: \$285/category - we need 2, 1 each - brewing & distilling*
2. Tier 2 - Distributors > requires a **DISTRIBUTORS LICENSE**
 - *Annual cost: \$1,245 - we purchased this until 2024 for a separate company*
 - *Vermont being a Control State, the State is the distributor for Spirits*
3. Tier 3 - Retailers > 4 types of licenses:
 - **CLASS 1** for bars & restaurants to sell & serve beer & wine by the glass
 - Annual cost: \$230 - we buy 1 for our restaurant*
 - **CLASS 2** for retail stores
 - Annual cost: \$140 - not applicable to Black Flannel*
 - **CLASS 3** for bars & restaurants to sell & serve spirits in cocktails
 - Annual cost: \$1,095 - we buy 1 for our restaurant*
 - **CLASS 4** so manufacturers can do sample tastings + sell unopened packages direct-to-consumers
 - Annual cost: \$70/location - we buy 1 for our Essex Distillery tasting room*



There are 2 Permit types that I'd like to mention:

1. **SAMPLE EVENT PERMIT** - Allows manufacturers to:

- Serve sample tastings at an event location not covered under another license
- Sell their products in closed packages to go
- Per event cost of \$35 | Allowed 4 per year - maximum span of 4 consecutive days
- **REQUIRES** the prior approval of the municipality

This permit type **IS NOT** relevant to bill **H.832**

2. **BEVERAGE TASTING PERMIT** - Allows manufacturers to:

- Serve sample tastings up to 8oz/person (no spirits) at a 2nd Class license location
- NO direct to consumer sales are allowed under this permit
- Per permit cost of \$25 | Allowed up to 48 per year - normally spans 2-3 hours
- **DOES NOT REQUIRE** the approval of the municipality.

This permit type **IS** relevant to bill **H.832** (5 days to 1 business day)

The total annual cost for licensing and permitting for Black Flannel to effectively do business in Vermont approaches **\$3,500**. There are many other permit types and it took years to navigate the laws, rules, & regulations to discover how to best operate as a VT alcohol producer.

In support of H.672:

For the first 4 years of operation, we ran a separate company to distribute our beer and low alcohol RTD products. Given the challenges of this experience, I believe it is critical for Vermont to allow small brewers the freedom to self-distribute their own manufactured products to Class 1, 2 & 3 licensees. Combined with the proposed class 4 changes in H.832, small brewers would then be able to solicit any class 4 licensees that might wish to carry their products.

When we opened in 2020, we met with 3 distributors including Farrell Distributing. 2 of the 3 wanted to distribute our product, but Farrell determined our brand was too young & unproven. We decided to set up the infrastructure & licensing required to get our products to market which required starting another business. The annual distributors license was the same required by Farrell & Baker – 2 vastly larger organizations compared to this tiny start-up. Though we had the right to do so with this costly license, we had no desire to distribute other brands.

Over the next 3 years, we built momentum and a strong brand reputation. In the spring of 2023, Farrell Distributing came back to us and expressed interest to distribute our products. We sold our beer distribution rights that summer, followed by RTD distribution rights the next spring.



In 2020, if we had the option to self-distribute without building the business infrastructure and licensing required of a separate company, it would have made things much easier and significantly less expensive, allowing us to meet our business goals much sooner.

There appears to be solid support across the board for this “self-distribution” bill. The VBA proposes to allow up to 5000 barrels/year, which we believe is appropriate. Some breweries may not plan to ever produce 5000 barrels. Others will need room for growth to support their business model without having to rely on a larger distributor’s willingness to bring them on.

If Black Flannel were looking for a distributor today, one could ask the question, “would a 3rd party distributor still be interested to take us on given the economy, downturn of alcohol consumption, and distributor consolidation?” This is the dilemma small Vermont breweries face. If they can’t find a distributor willing to take them on, they have no other way to get their product to market without incurring the costs associated with starting a new business - something that is more costly and complicated than it needs to be.

As of March, there will be only three 3rd-party distributors left in the state. Understandably, they must be very careful taking on new brands. Small breweries are being dropped from distributor portfolios so distributors can strengthen their commitment to core performing brands. Allowing small breweries that don’t have a distributor franchise agreement in place to self-distribute, with the ability to grow to 5000 barrels per year, will give them a chance to grow, create more local jobs, and increase state tax revenue.

In support of H.832:

Any category of Vermont alcohol manufacturer can set up a tasting room and purchase a Class 4 license. For this conversation, I’ll focus on Vermont Spirits manufacturers.

The cost for consumers to purchase a bottle of high proof spirits is much higher than beer or wine. Giving customers the ability to try a small sample of a spirit before they make a purchase decision is a responsible and effective way to ensure they will be happy with their purchase.

As a holder of a Class 4 license, Spirits manufacturers are bound by certain rules:

- No more than ¼ ounce of a spirit with a total of 1 ounce per customer – OR – up to 4 mixed drink samples, containing a combined total of no more than 1 ounce of spirits
- Samples can be delivered to customers with or without cost
- Full bottle sales are allowed for off-premise consumption in unopened containers
- Class 4 locations must be staffed with employees of the distillery
- Licensees can only sell products they manufacture
 - Exception: 1 class 4 location may sell up to 5 Vermont manufacturer's products
- Servers must hold appropriate alcohol server certifications given by DLL certified trainers.



To reiterate, Class 4 locations are only allowed to serve up to 1oz of spirits per person. This is 1/3 less volume than 1 standard shot of spirits served at Class 3 licensed bars and restaurants. The 1oz Class 4 limit mitigates the risk of overconsumption while supporting Direct-to-Consumer sales.

In addition, all servers are required to take the state training and hold certification which means they are trained to identify anyone that exhibits signs of intoxication. Even if they are ordering their first drink and they exhibit signs of intoxication, servers will deny service. Failure for businesses to comply with training & certification rules, put their licenses at risk.

Being in a control state, Distilleries have 3 options to get their products into the hands of consumers: 1.) 802 Spirits Stores, 2.) Bars & Restaurants (Class 1 & 3 Licensees), and 3.) Direct to Consumer (Class 4 license).

There are less than 90, 802 Spirits stores compared to over 2,000 stores where beer & wine can be sold in Vermont. It takes a major investment in a sales team to solicit bars & restaurants. The DTC option (Class 4) gives Vermont Distilleries a greater chance to maintain a stable financial base of operations. With Vermont being a control state, there is unequal market access. Beer & wine can sell their products to 25 times more retail stores than Spirits have access to.

A rising tide raises all ships. There is camaraderie among Vermont producers. What we're asking for in H.832 are 2 changes that will allow Vermont manufacturers (across ALL categories) **to support each other** in a small, intense, and challenging marketplace:

- 1.) First: Remove the limitation of only 1 Class 4 location, and allow ALL Class 4 locations to sell products from other Vermont manufacturers
- 2.) Second: Remove the limitation of only 5 other Vermont manufacturers, and allow Class 4 locations to sell products from ANY other Vermont manufacturer

Setting up and running a Class 4 location is costly & labor intensive. Being limited to carrying 1 VT manufacturer's product line, adds unnecessary restrictions to an already tough business model.

Black Flannel operated 3 Class 4 tasting rooms from 2020 until early 2025. We chose to close down 2 locations due to difficult staffing challenges and low ROI. Through trial and error, our Distilling community has discovered that Class 4 locations are most effective in tourist destinations. This is a much different demographic than 802 Spirits stores. Expanding the ability to sell other Vermont manufacturer products at all Class 4 locations addresses a completely different demographic, and does not compete with 802 Spirits stores.



PERMIT LEAD TIME:

The other item we propose in bill H.832 is to change the lead time to apply for BEVERAGE TASTING PERMITS, which as previously mentioned, are different from SAMPLE EVENT PERMITS, namely tastings take place on Class 2 licensed locations, there are no DTC sales, and Beverage Tasting Permits DO NOT require the approval of a municipality.

We have run into situations where a Class 2 retailer asks us to do a tasting within a 5-day window because someone dropped out at the last minute. The current 5-day lead time is leftover from when all permitting was done by paper. When the DLL online portal was launched, it allowed application submissions within 5 days. We were impressed that permits were usually approved the same day (in one case, 15 minutes). The 5-day lead time is now enforced on the portal and the ability to submit an application within a 5-day window disappeared leading to this request.

DLL's implementation and effective use of the online portal illustrates their continued support for Vermont alcohol beverage manufacturers, Vermont businesses, and economic growth in general. This commitment helps everyone move at the "speed of business".

We understand there will be circumstances preventing a 1 business day approval. But reducing the requirement to 1 business day will give manufacturers a better chance to support last minute requests from Class 2 retail stores that benefit from in-person tastings.

Thank you for your time. I'd be happy to answer any questions.

Sincerely,

Chris Kesler

Founder / Advanced Cicerone / National BJCP Beer Judge
Black Flannel Brewing & Distilling Co.