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Dear Chair Birong and Members of Committee

Thank you so much for your consideration of a solution to the distribution problems that Vermont's small craft brewers face in getting their product to market.

We are writing today to urge you to keep the 5,000 barrel threshold that is currently in Sec. 6 of the [Omnibus Alcohol bill, draft 1.1](#). We believe this is the right number for the following reasons:

- Neighboring states allow small manufacturers similar direct access to markets.
  - [NH](#) – In NH if you hold a Beverage Manufacturers License and you produce no more than 15,000 barrels annually, you may self-distribute up to 5,000 barrels annually to New Hampshire retailers without getting any special license. [Title XIII, Sec. 178:12 \(IV\)\(b\)](#)
  - [ME](#) - In Maine, if you hold a small brewery license (producing up to 30,000 barrels per year), you can sell your beer directly to licensed retailers (restaurants & stores) without needing to get a wholesale licensee. [Title 28-A, Sec. 1355-A \(3\)\(B\)\(2\)](#) (no maximum limit).
  - Maintaining a 5,000 bbl threshold ensures that business are not placed at a competitive disadvantage in the region.
- If manufacturers were allowed direct access of up to 5000 barrels to 1<sup>st</sup> and 2<sup>nd</sup> class establishments (bars, restaurants and stores), they would have the opportunity to grow their brand, possibly to the extent that they would be attractive to one of the large distributors.
- Adding self-distribution to an already time-consuming manufacturing business is a lot of work, however, it is the most cost-effective way for small brands to intentionally grow their business.
- While it is true that most small Vermont craft brewers won't reach the 5000 barrel limit, most probably won't even come close, for the few that will, it could be decisive in their ability to grow enough to transition to a traditional distributor.
- While there is no "magic number" for a distributor to pick up a brand, 5,000 bbl is proof that a brand has the sort of production capability that could keep up with wider distribution.
- If there is further consolidation in the distribution marketplace, more Vermont brewers could find themselves without a distributor and would need the direct access that this bill offers. Over the past two years, three distributors have closed, leaving only three operating in Vermont (Baker, Farrell, and Vermont Wine Merchants). Should further consolidation

occur, more brewers could find themselves without distribution options. Setting the limit at 5000 barrels would allow these brewers to get their product to market without having to come back to the legislature for an adjustment to the threshold.

At its core, H.672 is a modest adjustment that reflects the realities of today's market. It gives small Vermont breweries a realistic way to access local accounts, grow their businesses, and remain viable in an increasingly consolidated distribution environment, while preserving the three-tier system.

Thank you,  
Emma Arian  
Executive Director, Vermont Brewers Association