

Thank you Chair Birong, Vice Chair Hango, and the Committee for your time today.

My name is Daren Orr. I am co-owner and brewer at Two Heroes Brewery & Public House in South Hero, in Grand Isle County. I am here to support Bill H.672 introduced on behalf of The Vermont Brewer's Association and sponsored by Representative Lucy Boyden.

My personal journey into craft beer began as a consumer, then a home-brewer, then a student, and now a business owner running a brewpub in a small town. Back in my college days I would scour liquor stores and craft beer markets for the best regional, national, and imported beers on the shelf, learning the industry through my tastebuds. It was at that same time that I decided to make beer at home, or should I say, my tiny college apartment amongst roommates with very little space. After years of tasting and home-brewing, in 2017, I formed a plan to start a brewpub with a good friend whom I had been homebrewing with, Matthew Bartle. Matt came from the restaurant industry, and I was more of the beer geek, so it was a perfect match. I lived in Colchester, and Matt lived and ran a bagel shop and deli in South Hero, and he was very connected to the community there. We recognized the dire need for a restaurant and community space in the Champlain Islands, and what better way to fill that gap than with a brewpub. To support our business plan I applied to and attended brewing school at the Siebel Institute of Technology in Chicago, the oldest brewing school in the US. Matt and I drew up designs for a brewery in 2018, secured local investment that same year, and finally acquired bank financing in 2021. We began in a pilot space on the corner of Route 2 and Ferry Road while anticipating a daunting construction schedule, supply chain delays, increased costs, and general covid madness. This allowed us to start getting beer out on a pilot scale which helped build up a great local customer base, creating anticipation for the opening of the new building. Construction was a bear and we finally opened the new brewpub in the summer of 2023.

From the very beginning, we never planned on becoming a distribution brewery. The goal was always (and still is) to be a local brewpub in a small town and only wholesale a minimal amount of beer because margins on draft beer poured in-house are far better than distributed beer. That being said, we realized the value of having beer on store shelves; it reminds people that you exist. The marketing aspect alone made it worth getting some beer off-site and eventually into peoples homes. The hope is that as they are staring at the can label on their coffee table, they imagine themselves someday eating a hamburger at the brewpub. Being small, conscious of profit margins, concerned about proper representation in the marketplace, and obsessed with detail and control, we decided to self distribute, EASY RIGHT? We learned this was not at all easy. The three tier system as it currently stands in Vermont does not allow beer manufacturers to self-distribute, something that small brewers can do in all of our neighboring states. Here in Vermont we have to start another company. We had already formed two companies to operate the real estate separately from the brewpub, and now the distribution company would be the third. Needless to say, I am forever grateful that Matt can do accounting. OVER 60% of the states in the nation allow some form of self-distribution for beer manufacturers, and ALL of Vermont's neighboring states allow self distribution for brewers. I realized we, as a state, were late to the party, and only getting later as time passed. The detriment to us as business owners was mounds of unnecessary paperwork and an additional \$1200 per year fee to the Vermont

Department of Liquor Control to hold a wholesalers license. We currently pay \$1200 per year to distribute under 100 barrels of beer annually. The large Vermont distributors also pay \$1200 per year, pushing millions of barrels annually.

So what does it take to sell your own beer in Vermont? Obviously, first you must produce and package the product, then the three-tier system demands that we sell that product back to ourselves. Well, by "ourselves" I mean our distribution company, that by the way can legally have no financial interest in the manufacturing company, that by the way shares the same owners and by default does have financial interest in the manufacturing company. Upon the sale of beer from the manufacturer to the distributor, or "from ourselves to ourselves", the beer must be moved to a separate legally designated area or removed from the brewery entirely. The beer can only be moved by owners or employees of the DISTRIBUTION company, usually forcing owners to do the delivering themselves unless they want to deal with payroll for a whole second (or third) company. This pass-through company must be insured, has an entirely separate set of books and yearly tax filings, costing us thousands of dollars per year to operate. All of this happens only after we actually secure these sales by convincing local retailers to put our product on their shelves. This system is an undue burden for small Vermont businesses that neighboring competitors don't face.

I want to mention that this bill will benefit all Vermont brewers, and the entire Vermont craft beverage industry as a whole, including larger established distributors. Simplifying wholesale operations on behalf of Vermont craft beverage manufacturers will allow them to focus on their retail customers with more care and detail, offer a wider variety of products to those retailers if desired, and streamline invoicing and bookkeeping significantly. Alcohol distributors have always grappled with how to deal with smaller local beverage brands, as they are less profitable when compared to national or large regional brands. As mentioned by Jessee, we have recently seen the closure of two Vermont beverage distribution companies that specifically had a focus on smaller local brands. This shocked the Vermont beer world, and left plenty of breweries scrambling for quick solutions to continue to fill wholesale accounts. The breweries that were left behind were essentially forced into undesirable contracts years earlier because they did not have the time and resources to start and run their own distribution company. Then, those same contracts were dissolved upon the closures of those companies they were forced into working with, leaving many brewers in the dust. This type of system is totally unsustainable, and the majority of the country and all of our neighboring states realized this years ago. So I ask you, as a constituent, a business owner, a regular guy, and most importantly a Vermont brewer, please vote to pass Bill H.672, because it's always better to be late to the party than to not show up at all.

Thank you all for your time. Your dedication and service is vitally important to all Vermonter's, and the future of this state's success.