

To the House Committee on Government Operations and Military Affairs,

I am Ashli Roberts, CFO for The Alchemist

Thank you for meeting with us today and hearing Jen Kimmich's testimony. After listening to the testimony of the Vermont Brewers Association, Vermont Distillers Association and DLL Commissioner Wendy Knight, I believe there are a few key points that should be more broadly considered.

****What defines a manufacturer? Is there an annual minimum volume of production to obtain a manufacturer license?*** As currently written there is not a minimum volume; simply a legitimate production business abiding by state and federal regulations is how to obtain a manufacturers license.

****Should there be a minimum volume of the manufacturers own product or percentage of annual sales of that manufacturers own product over the other products sold?***

Before I move on to my other points I'd like to demonstrate how this proposed model can be taken advantage of:

Ashli's Awesome Ale's opens a 1 barrel manufacturing operation that only brews 1 barrel or 31 gallons of beer per week, 330 12oz cans. With the funding I have, I am able to open 5 fourth-class licenses under the proposed changes. I can send 66 cans of beer to each of my 5 fourth-class tasting rooms per week for sampling under DLL 2oz pour regulation and off site sales. Minimal overhead, minimal product, minimal staffing required. But I don't need to make money off of my beer sales because manufacturers can sell its product to "any fourth-class licensee." I am able to partner with

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any or all of the Vermont manufacturers at the manufacturers pricing, which will be at a decreased price, due to eliminating the distributor, private or state run, and the distributing markup. Creating a margin that benefits me exclusively. This is no longer a tasting room as currently designed for a manufacturer to highlight and promote its product. This is a retail shop. This is Craft Beer Cellars, Winooski Beverage, The Local, the Montpelier Gulf gas station Parkers Quick Stop. Under the proposed changes because Craft Beer Cellars is not operating on a fourth class

(c)(1) ~~At only one~~ not more than 10 fourth-class license ~~location~~ locations, a licensed manufacturer or rectifier may sell by the unopened container or distribute by the glass, with or without charge, ~~alcoholic beverages;~~

(A) malt beverages, vinous beverages, or ready-to-drink spirits beverages produced by no other licensed manufacturers or rectifiers; and

(B) spirits or fortified wines produced by not more than five seven additional licensed manufacturers or rectifiers, provided these beverages are purchased on invoice from the manufacturer or rectifier.

(2) A licensed manufacturer or rectifier may sell its product to ~~no more than five additional manufacturers or rectifiers~~ any fourth-class licensee.

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license, they have to purchase all of their product from a distributor. Absorbing the distributing mark up and having to navigate a lower margin to stay competitive against their fourth class neighbor Ashli's Awesome Ale's. Also, I can serve by the glass but I don't have to, too much labor and overhead, I don't want to pay for that. Retail stores will be left with a competitive disadvantage being forced to operate on lower margins or having a Vermont product completely eliminated from their shelves.

*Malt beverage operations have far less restrictions than Distilling operations. Maybe they shouldn't be packaged together? Distilled spirits can only sell from their fourth-class license at their tasting room or a farmers market. The State of Vermont 802 liquor stores are their only option for distribution. They can not obtain a Wholesale Distribution license like a malt beverage manufacturer or partner with a distributor for sales in grocery stores, gas stations, country stores etc. Malt beverage manufacturers can do it all themselves with the proper license under the current laws. The Alchemist, Good Measure brewing, Foam did it and Distillers can not.

****Can the VBA provide data on Vermont manufacturing and their annual production?***

*Volume is worth clarifying: 1 barrel of beer is 31.5 gallons.

3,000 barrels of beer is 94,500 gallons, or...

756,000 16oz cans

1,008,000 12 oz cans

1 barrel of spirits is 53 gallons.

3,000 barrels of spirits is 159,000 gallons, or...

1,605,038 375ml bottles

802,506 750ml bottles

Thank you for your consideration.

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