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Sen. James Arnold
Rep. Mark Messmer, Co-Chairperson
Rep. Dan Forestal
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Chris Lowery
Dr. Raymond Golarz
Dr. Vidya Kora
Tom Easterday

LSA Staff:

Michael Landwer, Attorney for the Committee
Dan Paliganoff, Attorney for the Committee
Heath Holloway, Fiscal Analyst for the Committee
Lauren Sewell, Fiscal Analyst for the Committee

Authority: IC 2-5-31.8

INTERIM STUDY COMMITTEE ON ECONOMIC DEVELOPMENT

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

MEETING MINUTES[1]

Meeting Date: August 21, 2013
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., 431
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. James Buck, Co-Chairperson; Sen. James Arnold; Rep. Mark Messmer, Co-Chairperson; Rep. Dan Forestal; Eric Doden; Jeff Quyle; Dr. Raymond Golarz; Dr. Vidya Kora; Tom Easterday.

Members Absent: Art Evans; Mark Becker; Mayor Shawn Girgis; Danita Rodibaugh; Chris Lowery.

Sen. Buck called the meeting to order at approximately 10:00 a.m.

Sen. Buck started with opening remarks concerning the topics that the Committee has been charged to review by statute and the Legislative Council, and he noted that the Committee may need to meet five to six times to cover all the topics.

He announced that the next Committee meeting is September 4th, at 10:00 a.m.

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[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

Committee members and staff were introduced.

Sen. Buck then introduced Lisa Hays, counsel for the Indiana Winery and Vineyard Association, who presented testimony on the following topics:

- Whether a holder of a farm winery permit should be entitled to sell wine to holders of wine retailer's permits issued under IC 7.1-3-14 or wine dealer's permits issued under IC 7.1-3-15.
- Current options that Indiana farm wineries have in getting the farm wineries' products to Indiana retailers.
- The cost and effectiveness of the options for getting farm winery products to manufacturers, distributors, and retailers of alcoholic beverages in Indiana.
- The effect that allowing Indiana farm wineries to sell directly to retailers and dealers would have on the efficiency of collecting wine excise tax and on out-of-state wineries.

Ms. Hays said that in 2006, the General Assembly passed a law that repealed a small winery's ability to directly distribute to dealers and retailers and that the Association's proposal is to reinstate the ability to directly distribute with an annual 5,000 gallon limitation.

Ms. Hays played a video documentary made by WTIU Public Television and Indiana University showcasing Indiana wineries. It covered topics such as creating and operating a vineyard, wine festivals, the establishment of a signature wine for Indiana (which is Traminette), wine making, and wine distribution.

Larry Satek, Satek Winery in Steuben County, then spoke about Indiana wineries. He said that there are 70 wineries in Indiana. He informed the Committee that there are 2.4 gallons of wine per case. He stated that the 2006 legislation has had an economic impact on small wineries. He estimated that wineries have an annual economic impact in Indiana between $100 million to $300 million. He noted that the Oliver Winery is the largest winery east of the Rockies and that wineries operate using several business models. He explained that before the 2006 legislation, a winery had three distribution choices: (1) Sell directly to the public at the winery; (2) sell to a wholesaler, and (3) directly distribute to dealers and retailers. Mr. Satek told the Committee that all wineries are harmed by the $100 micro-winery wholesaler permit created by the 2006 legislation. He explained that the 2006 law allows a winery with such a permit to annually sell up to 12,000 gallons and pay a permit fee of $100 (versus the normal $2,000 fee). Mr. Satek explained that, in addition, a federal license is required and the ownership of the micro-winery wholesale business cannot be the same as the wine producer. He added that it takes about $3,600 to start up a micro-winery wholesale business plus $1,200-$1,800 in annual costs and that it takes 350 cases per year to cover these costs. He said that a winery would have to produce about 5,000 cases to justify the permit so it is not helping the smallest wineries. He provided an example of how the margins are not sufficient to make it cost effective for a small winery to get the permit or to deal with a regular wine wholesaler. He asked that small wineries be given a limited ability to directly distribute, noting that some states have unlimited direct distribution for small wineries.

Dr. Kora asked about the reasons for the 2006 legislative change. Mr Satek responded that it resulted from the United States Supreme Court case of *Granholm v. Heald (Granholm),* which held that a state could not discriminate between in-state wineries and out-of-state wineries.

Dr. Kora asked about the downside to direct distribution. Mr. Satek said that small wineries produce only one million gallons of the 12 million gallons sold annually in Indiana and that the downside was minimal. He noted that wine dealers prefer dealing with a wholesaler versus dealing with several wineries.

Rep. Forestal asked about a winery needing to achieve a 5,000 case level for a micro-winery wholesaler permit to be practical. Mr. Satek explained that a winery selling less than 5,000 cases cannot justify the costs for the micro-winery wholesaler permit, while a winery that achieves the 5,000 case threshold will likely need to use a wholesaler.

Rep. Messmer asked Mr. Satek what cap he might recommend for direct distribution. Mr Satek suggested a 2,500 case cap. Rep. Messmer noted that sales at the winery, at wine festivals, and at shows are the first level of sales for most small wineries.

Dr. Golarz asked why there are limits being proposed and who is hurt by allowing unlimited direct distribution. Mr. Satek remarked that he would support unlimited direct distribution, but the 5,000 gallon limit is an attempt at compromise.

Sen. Buck asked about the winery business failure rate. Mr. Satek answered that the failure rate is less than the average business failure rate. He noted that it takes three to five years to establish a winery business and therefore the failures are in the four to five year time frame, whereas in many businesses the failure is in the first year. He commented that a winery often fails because it can not achieve 90% good wine and a winery that makes good wine 75% of the time, for example, is not going be a successful winery. He added that of the 42 commercial wineries that were in Indiana in the 1970s, about one-half are in business today - not just because of business failures as there were retirements and other reasons for these wineries to close.

Sen. Arnold asked how many wineries there are in the United States, and Mr. Satek responded that there are about 7,000 to 8,000.

Patti Clutter, owner of the Mystique Winery near Evansville, testified before the Committee. She said she and her family run the winery but also work at Toyota. She added that they are a very small winery with two tanks. The winery held its grand opening in 2012. She informed the Committee that the winery has requests from local restaurants and caterers it cannot fill and that all of them are within 25 miles of the winery. She added that wholesalers were contacted but they want 54-108 cases per month and it is not cost effective logistically for a wholesaler to travel more than she would have to travel to make deliveries.

Sen. Buck asked Ms. Clutter when they planted their grapes for a 2012 grand opening and Ms. Clutter said in 2008.

Ms. Clutter then read from written testimony submitted by the Shady Creek Winery (Exhibit 1).

Rick Black, owner of the Wildcat Winery in Lafayette, spoke about how 58 wineries in Indiana are small family-owned businesses that attract visitors from all over the United States and from around the world. He added that these businesses support the community, pay taxes, employ individuals. Mr. Black's written remarks are attached (Exhibit 2).

Sen. Buck asked how long he had been in business, and Mr. Black stated that he started in 2008 but it took years to find land, buy equipment, etc.

Mr. Black then read from the written testimony of Jim Pfeiffer, owner of the Turtle Run Winery (Exhibit 3).

Eric Harris, owner of the Two EEs Winery, which is near Huntington and Roanoke, stated that folks have told him Indiana is not the place to start a small winery because of the prohibition on direct sales to dealers and retailers. Nevertheless, he said that his winery was started and opened about three months ago. The winery has a vineyard using part of 40 acres and has sold 2000 gallons in three months. He plans to plant about one additional acre per year. He noted that he has been approached by dealers and retailers wanting to buy his wine. He reiterated that the cap was a compromise and that once a winery gets to a certain size, it will need to associate with a wholesaler.

Rep. Messmer asked how many gallons are produced per acre, and Mr. Harris replied that it was about 150 gallons.

Dr. Golarz asked if allowing direct distribution would make Indiana wineries more competitive with wineries located in other states, and Mr. Harris answered that it would make them more competitive. He gave an example of a Michigan grocer that can sell local wines by directly buying from a winery while an Indiana grocer cannot.

Gary Humphrey, owner of the River City Winery in New Albany, described the decline of downtown businesses in New Albany since the 1970s and how he restored an historic building in downtown. He explained that his interest was in the history of New Albany and that he became interested in wine as a consumer, sometimes driving 100 miles to find a winery. He opened River City Winery in 2009 and had 200 customers on the winery's first day. He owns vineyards and also buys from other wineries. Today, there are 12 restaurants in a four block area in New Albany. He said that these 11 other restaurants cannot sell his wine. He added that a power point presentation he had prepared would be distributed to the members after the meeting.

Dr. Kora commended the entrepreneurial efforts of Mr. Humphrey.

John Soltan, V.P. Sales & Marketing for Carroll Wine and Spirits in Fishers, Indiana, provided his background to the Committee. He explained that Carroll is a wholesaler of wine and spirits, has 35 employees, and ships throughout Indiana. He informed the Committee that it costs $5 to $6 per case to ship wine from the east or west coast. He added that Carroll is not getting calls from small Indiana wineries. He explained how the three-tiered system in alcoholic beverages makes wholesalers the tax collectors for the State. He added that if Indiana small wineries are allowed to directly distribute then out-of-state wineries would be entitled to do so as well under the *Granholm* case. He noted that wineries from California are illegally selling direct now, circumventing the law, and not collecting taxes. He said that the current micro-winery wholesaler permit law is fair.

Sen. Buck asked about the volume of cases Carroll purchases from a particular winery, and Mr. Soltan responded that the low end is about 500 cases per year.

Dr. Kora asked whether removing the direct distribution restriction would grow the winery industry and therefore help wholesalers in the long run. Mr. Soltan said it would not because the out-of-state wineries could sell direct too.

Rep. Messmer asked a follow up question about the volume range for Carroll's customers, and Mr. Soltan explained that it runs from 500 to 10,000 cases per year and that there is a wide range of quality, too.

Dr. Golarz wondered if in the big picture Indiana would gain from allowing direct distribution even though some wholesalers may be harmed. Mr. Soltan said that the major problem would be an enforcement problem with respect to direct sales from out-of-state wineries.

Eric Doden asked Mr. Soltan whether he believed, generally speaking, regulations hurt or help economic development, noting that most wholesalers would benefit in having regulations that restrict distributions to some. Mr. Soltan noted that policing out-of-state winery sales and making sure that taxes are collected is the benefit of the three-tiered system. He said that the micro-winery wholesaler permit is a good option and he does not know why only nine wineries have the new permit.

Rep. Messmer asked why an out-of-state winery would not still need to use a wholesaler and Mr. Soltan responded that they know who is buying from the wholesaler and it would not that be that difficult to set up direct sales if it were permitted.

Jim Purucker, executive director of the Wine and Spirits Wholesalers of Indiana, then briefly reviewed the history of alcoholic beverage laws and explained that unregulated alcohol sales led to Prohibition. After the 21st Amendment to the United State Constitution was passed, the three-tiered system was adopted in most states. The wholesaler is a key to policing in the three-tiered system. He noted that there are 10,000 retailers in Indiana. He added that since the 2006 legislation, local wineries have been growing. He discussed the *Granholm* case and explained a mechanism he believes could be used by small wineries to form their own wholesaler using an association. He said that there are 75 wine wholesalers in Indiana. He emphasized that alcoholic beverages are unique and reiterated that policing and tax collection are duties of the wholesaler in the three-tiered system. He added that it would be easy for a small winery to drop a wholesaler as the small winery could directly distribute because the small winery has its customer list. He added that the policing function performed by the wholesaler would be lost. He explained how comparing state laws is difficult as each state has unique laws, noting that the Indiana definition of a farm winery at the one million gallon sales level (Indiana sales only) takes into account the Oliver Winery, whereas in other states the cap is as low as 10,000 gallons. He added that he knows of only one farm winery that has gone out of business since the 2006 law change and that the General Assembly directs tax money to winery marketing and helping the industry.

Rep. Forestal asked if there was any time line or sunset date discussed regarding the 2006 legislation and Mr. Purucker said there was not.

Sen. Arnold asked whether it is really just a $100 permit fee that allows a small winery to sell direct, and Mr. Purucker responded that in addition to the $100 permit fee, a winery would need a federal permit and it must meet the separate ownership requirements.

Dr. Kora asked how direct distribution would harm the industry and Mr. Purucker reemphasized that out-of-state small wineries would begin to directly distribute to customers.

Jeff Quyle asked if a geographic limit to direct distribution was workable and Mr. Purucker said that such a limit would address many concerns (Ms. Hays commented later that a geographic limit would be constitutionally suspect).

Dr. Golarz asked what benefit the restriction provides, and Mr. Purucker said the main benefits are the policing function and tax collection for a socially sensitive product. He noted that it was the State that put the wholesaler in this role, thus relieving the State from

these duties.

Tom Easterday asked if allowing direct distribution would create jobs, and Mr. Purucker stated that he did not know, but with the restriction in place there has been growth since 2006.

Robert Kraft, director of state government relations for the Indiana Farm Bureau, testified that the Indiana Farm Bureau supports the farm winery industry because it is part of the important agricultural sector of the Indiana economy. He noted that locally grown consumer products comprise a growing part of the agricultural industry. He mentioned that local products encourage agri-tourism, which gets folks off the interstate and into the local economy. He added that the Indiana Farm Bureau wants to enhance opportunities for wineries and create an environment that has minimal legal gymnastics or red tape.

Lisa Hays made closing remarks about the issues, noting that most states allow direct distribution by small wineries. She said that a limited direct distribution law would not be attractive to out-of-state wineries as feared by other witnesses. She emphasized that Indiana wineries have been paying taxes directly to the Indiana Department of State Revenue since the 1970s. She said that out-of-state wineries will not risk their license by not paying taxes and with new online tax collection requirements being put in place, cross checking with retailers will become easy.

Tom Easterday asked if the 2006 law is limiting job growth, and Ms. Hays said the law is definitely limiting job growth. She added that most of the current wineries grew before the law change when they had the ability to directly distribute.

Dr. Golarz asked how the proposed 5,000 gallon limit was arrived at, and Ms. Hays explained that while it is a compromise proposal, it is also practical because once a winery gets to the 5,000 gallon size they will likely need a wholesaler relationship.

Sen. Buck announced that the next Committee meeting will be on Wednesday, September 4th at 10:00 a.m. in Room 431 of the State House.

The meeting was adjourned at 1:15 p.m.

ICED
Exhibit 1
Aug. 21, 2013

SHADY CREEK WINERY

Shady Creek Vineyard Inc. d/b/a Shady Creek Winery • 2030 Tryon Road • Michigan City IN 46360 • (219) 874-9463

August 20, 2013

RE: Interim Study Committee on Economic Development

Honorable Committee Members:

I apologize for my inability to attend this meeting in person and have asked Lisa Hayes to read these prepared remarks on behalf of Shady Creek Winery and other similarly situated wineries within the state.

Shady Creek Winery opened in the fall of 2009 in Michigan City about a mile south of the Lake Michigan shore. Our family invested nearly 1 million dollars in property, equipment and a building to house our winery; we have grown our revenue at about 20 percent per year and have production of about 2500 cases of wine at this point, with all but a tiny fraction coming through our single tasting room. We will have a significant payroll this year and we support our community, and it supports us as well. I suspect we are similar to many of the family owned small wineries within the state. Our ability to grow further is severely limited as we can only sell our product at our tasting room at the winery, distributing the product locally and regionally can provide the next leg of growth for our business but that has proven to be very challenging.

Any small winery seeks to have their product in the marketplace for a variety of business reasons, including but not limited to the following examples:

- Customer satisfaction with the availability of product at different geographic locations as well as increased days of the week and times of the day
- Visibility and awareness of the brand
- Credibility of the brand
- Supporting 'buy local' themes at stores and restaurants

Shady Creek Winery has been fortunate enough to have a distributor relationship for the last 12 months; this relationship was formed by a large destination attraction in Michigan City wishing to support 'the local winery'. Most wineries are not going to have this opportunity and circumstances. While we have been fortunate to have the opportunity to work with a distributor, it has also been a tremendous learning experience. The distribution relationship has NOT proven to a be a fruitful one to date, as we have learned that our brand does not represent enough volume, market pull through, or profit opportunity for the distributor to focus on selling it. As it turns out, the real problem is the economics of the distribution model.

As a small emerging business we are typically not the low cost producer and we certainly don't represent a customer pull through the marketplace where end-customers are clamoring for our products yet in high volume. At the very moment in our company development there is emerging brand recognition and demand from local and regional shop owners and restaurants, we must have a distributor in order to provide the product. Typically those same shop owners are also small businesses wishing to support the community and they need sufficient profit margins in order re-sell the product. The distributor requires significant margins on the product in order to represent it and carry inventory and pay staff, etc.. These factors, taken together create a Lose,

SHADY CREEK WINERY

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Lose, Lose environment for all involved as there is not enough demand, volume, or margins to satisfy each business in the supply chain. The winery producer must cut prices for the wholesaler, the wholesaler must provide resources to a low volume niche product, and the retailer must pay higher prices to support their desires to help the local business and carry the product. The current system creates a 'catch-22' where the producing winery is not big enough yet to have the attention of a distributor and at the same time has a legitimate barrier to continued rapid growth without the ability to sell to on and off premise retailers.

It seems that there is naturally a point in the business growth where professional, dedicated distribution creates a Win, Win, Win for the businesses involved and therefore the business development of each entity. The self-distribution of a small amount of a winery's production will help it gain the critical momentum and volume needed to transition to third party distribution models. Small businesses need to be able to meet the demand of their customers without artificial limitations. Without this flexibility the growth of the small family winery is 'capped' and will not realize its' full potential and economic impact in the community.

Thank you for your attention to this matter.

Sincerely,

Tim Anderson
President and Owner Shady Creek Vineyard, Inc
d/b/a Shady Creek Winery

ICED
Exhibit 2
Aug. 21, 2013

Thank you Mr. Chairman, and members of the committee

My name is Rick Black and I am the Winemaker and Co-Owner, with my wife Kathy, of Wildcat Creek Winery, in Friendly Lafayette, Indiana.

I am the reason we are all here today. Me and 57 other small Business-People like me (The Small Family-Owned Wineries).

I would like to characterize the businesses that are the focus of this study today, using Wildcat Creek Winery as an example.

We opened a little over 4 years ago.

We are an **Agri-Tourism Business** that, within the first 5 months of operation during the January thru May winery off-season, drew visitors from 44 States in the U.S. and 12 countries throughout the world.

Since that initial period, our winery has welcomed visitors from **Every** State in the U.S. and **Numerous** Countries throughout the world.

Needless to say, we are a "**Gateway Attraction**" for our Lafayette, Indiana Community.

Our winery **embodies all that is Indiana**; from our down-home Hoosier Hospitality, to our Award-Winning Indiana wines made from mid-western hybrid grapes.

We **support our local community** by participating in local charitable events, and through our generous charitable contributions.

We are a **Good Corporate Citizen**, of the utmost integrity, paying Sales Taxes, Excise Taxes, Income Taxes, Real Estate Taxes, etc, that support our Lafayette Community and our State of Indiana.

Most importantly, we are an **Indiana Employer**. In point of fact, my wife, Kathy, a Lafayette, Indiana School Teacher, has spent the past several months hiring new employees to the point that we now employ 3 full time

and 6 part time employees in addition to my full-time and her part time involvement.

As one of 58 wineries that produce less than 10,000 gallons (we produce between 4,000-5,000 gallons), we are proud to be among those that have successfully survived today's economy.

However, merely surviving is not our goal. As with every other Indiana Business, we small wineries would like to have the opportunity to see our businesses grow.

Currently, our growth is being stemmed, by our inability to self-distribute to Local Retailers.

In our particular case; we have had numerous requests for our wines from:
D & R Fruit Market
The Other Pub
Main Street Wine and Cheese
Adelino"s
Purdue University
Lafayette Country Club
Numerous Caterer's
# of Brides through restaurants etc.

And we are powerless to satisfy those requests, and grow our business.

This Study Promises to help prevent such lost opportunities, and allow our Small, Family-Owned Indiana businesses to grow.

I would now like to explain how our small winery has been impacted by the removal of "self-distribution to retailers."

Wildcat Creek Winery

HB1017 economics
Talking points for 8/21/13

It is important to note that my wife, Kathy, and I have not taken a wage from our small winery since opening in December 2008.

We actually began our involvement with the wine industry in the year 2000.
At that time, wineries were unrestricted in their business activities within the Indiana borders. As is true with most businesses of any kind, all of the wineries had enjoyed the freedom to select the channels of distribution and sales that they wanted to use.

There were three channels of distribution available to wineries at that time:
1) Direct to customer (thru tasting room visitations).
2) Shipment direct to customer.
3) Direct to retailer (wholesale, self-distribution)

Of course there has always been the avenue of employing the use of commercial wholesale distributors. However, this means of distribution has historically been the most costly and the avenue of choice for the large manufacturers, the companies without retailing locations, and looking for wide distribution.

We determined that our business would build from a base of "direct to customer" (tasting room) sales. As demand increased at the tasting room, and our production capacity was neared, we would use the "direct to retailer" sales to leverage an expansion of our winery. The expectation was that, local demand would gradually increase our capacity needs thereby forcing a step-up in building and equipment investment to the next level.

After the capital expansion, we would then probably need to look to a broader wholesale distribution than we could effectively handle ourselves. At this juncture we would strongly consider utilizing a commercial wholesale distribution company.

For the first 5 years of our involvement in the wine industry, Kathy and I worked hard to learn all the facets of the wine industry, winemaking, and wine itself.

Then the whole landscape of the Indiana wine industry changed abruptly, with the Indiana Legislature passing legislation that took away the ability of the small winery to PROFITABLY sell their wares direct-to- retailers.

If we want to grow our business beyond the confines of the tasting room walls, we must now pay a significant penalty for the privilege. We are given the choice between a self-funded wholesale distributorship, with a fixed cost of about $2,000/year, and trying to

attract representation by a reputable wholesale distribution company. It is a little like the condemned man being allowed to choose his method of execution. Both alternatives are unprofitable for our small business. Our ability for leveraged growth has dissolved.

Even at higher levels of production, it is very difficult for wineries to be profitable, using commercial distributors. Our small Indiana wineries are forced to compete with the huge West Coast Mega-Wineries with their volume-based-discounting from the wholesaler. Smaller volumes mean less prominent shelf-positioning at the retailer, given to the wholesaler for our products.

Instead of providing our Indiana artisan agri-tourism business's, accommodations for growth within our state, we are blocking market opportunities from the Indiana Wineries.

The growth of the Indiana Wine Industry is being stifled by oppressive, market-controlling legislation.

It should be allowed to operate in a free market as it did 7 years ago.

If the return of the self distribution privileges is not accommodated, then some measure of remediation to the fee structure/discounting by the commercial distributors, should be made, to level the playing field for In-State Wineries.

Thank you all for your kind consideration.

ICED
Exhibit 3
Aug. 21, 2013

Turtle Run Winery

Exceptional quality wine enjoyed with both food and friends in every glass

To the Indiana State Senate,

I am writing this letter in support of HB-1017. I wish I could be there today to speak on behalf of the bill, but as a grape grower, at this time of the year, I need to stay focused on our vineyard.

In looking at the pro's and con's of the bill, I will focus on the aspect which is most important, economics, and how both wineries and the wholesalers would benefit from the bill's passage.

Many of Indiana's wineries are less than 5 years old. If I was a wholesaler, I would be hesitant to pick up a new winery's brand. Here are some questions I would consider. Does the winery have name recognition? How many customers do they have? How will my customers, the liquor stores, feel if my reps are trying to sell these new brands that may not have name recognition? Does the winery have any track record for quality? And, will they be in business for the long term?

By allowing a winery to direct wholesale, they can develop traction and market share in the wholesale market without any risk to the wholesalers. The wholesalers have the ability to see the sales of these new brands, so if some of them gain traction, at that point, they become attractive targets for the wholesalers. The main purpose for when businesses buy businesses is to gain market share either through absorbing the purchased company's customer base or through a technology purchased. Allowing a winery brand to establish itself takes the risk away from the wholesaler and allows the winery to build the customer base for the wholesaler.

Our winery was allowed to directly sell in the wholesale market up to, I believe, 2006. We directly wholesaled wine from 2001 through, I believe, 2003 or 2004. As soon as the wholesale business got big enough, I wanted out. I wanted a wholesaler, who provides value-added services to take over the business. I handed off our business to Vinture Wine Group, and today we are partnered with Monarch Beverage. My relationship with Monarch is wonderful, and I have absolutely no desire to ever get into the direct wholesale market ever again. I am more than happy to go out on sales calls with them, do events with them, etc. I just

don't want to deal with the paperwork of billing so many customers and distributing wine to them.

There is some thought that if this bill goes into law that wineries across the nation would leave their wholesalers en-masse and sell directly. I simply cannot see that happening, especially considering the value-add Monarch provides us. First, what retailer is going to want to expand their accounts receivable department, their receiving department, for what used to be condensed orders to many hundreds of small orders? None. What winery outside of Indiana who will be strapped for logistics issues, be able to handle that customer, specifically restaurants, who call on Thursday to say they need wine this weekend? UPS next day air is simply not a profitable way to move wine around. How is it going to make economic sense for a winery to hire a sales rep to call on the customers the wholesaler currently does, especially considering the volume restrictions in the bill? It doesn't. And what retailer is going to want to see many hundreds more sales reps? I can tell you in one big word - NONE! They simply won't have time for that.

In conclusion, I simply think the bill opens opportunities for everyone. Markets can be established then when the brand becomes attractive, then deals can be made between wholesalers and wineries. Any winery who is currently wholesaling and tries to do it on their own afterwards will find it a tough road to go, and would reconsider within a year , thus making a return partnership with the wholesaler ever stronger.

Sincerely,

Jim Pfeiffer
Owner
Turtle Run Winery
Corydon, Indiana
812-952-2650
Cell: 812-225-1717
Email: jim@turtlerunwinery.com