



Dear Senator Brenner, Representative Gramlich, and distinguished members of the joint standing committee of Environment and Natural Resources,

I am sending this testimony in favor of LD 1910 and strongly oppose LD 1909. We are still calculating the impact of recent passage the legislature enacted and the Governor signed LD 134 “An Act to Increase the Handling Fee for Beverage Containers Reimbursed to Dealers and Redemption Centers.” This adds an additional \$.01 to every can we sell. Currently that is 3,600,000 cans we typically use which is now increasing to \$36,000 or \$396,000. This isn’t a line item that we charge, it is part of the laid in cost to our distributors. It comes out of the margin of our beer that we sell. This differs from the \$.05 deposit that retailers charge consumers and get back at redemption. We essentially pay the wholesalers for picking up the bottles and cans. We are willing to help maintain the bottle and redemption system but we cannot bare the burden of the costs and we need to reform the system to be fair for everyone while being as efficient as possible. The emergency passage of LD 134 forced legislators to pick the winners of this problem and this time they picked the redemption centers of which there are too many.

Increased handling fees have exponential effects on beer prices. Unlike the 5 cent container deposit which is passed through as exactly 5 cents at each level of the transaction, the handling fee has to be baked into the pricing model and distributors and retailers expect to receive their respective margin of 28% to 32% on the increased cost of handling the product. Accordingly, the 36 cents a case increase that has already been signed into law will result in a 50 cents to \$1 per four pack increase in the shelf price for my beers. A \$1 increase in a 4 pack of beer is a tremendous increase. It will lead to reduced sales and smaller profit margins for small businesses already operating on fragile margins. Imposing an additional handling fee increase (on top of the one just passed) is simply unsustainable and unfair. It will lead to catastrophic cost increases on the shelf that will reduce Maine craft beer sales.

Additionally, clawing back unclaimed deposits will lead to exponentially higher costs to the system. Unclaimed deposits go to distributors who use this money to offset the costs associated with pick up and transportation of redeemable containers that they are responsible for. This use of unclaimed deposits is part of the fundamental economics of the program and has been for two decades. Distributors and craft brewers alike rely on it in our pricing models. Without that money – the system collapses or the money comes again from brewers and consumers.

LD 1909 also proposes an automatic cost of living increase to the handling fee. That concept – considered and rejected in LD 134 – is deeply unfair. Additionally, it disincentivizes all parties from engaging in discussions around structural reform. Heaping on additional costs year after year creates an unpredictable and precarious business model for my brewery.

Maine breweries and distributors are very much in favor of improving the redemption process and reducing the amount of sorts needed. We have been advocating for years that the current system is broken. LD 1910 provides a smart reform model that we believe would make important and impactful changes to the system. Reforms to the system are critical to its long term survival – we cannot simply rely on raising the handling fee and put off desperately needed restructuring.

The financial impact of LD 1909 severely threatens Maine breweries. LD 1910 provides a reform framework that will provide real modernization of the system. I urge you to reject LD 1909 and the additional financial burdens on the beverage redemption system, and ask you to support LD 1910. Thank you for your time.

Sincerely,

Kai Adams
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