



Maine Grocers &
Food Producers
Association
PO Box 5234
Augusta, ME 04332
207.622.4461
info@mgfpa.org

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IN OPPOSITION - LD 1695 'An Act to Provide for the Direct Shipment of Spirits to Consumers'

Dear Senator Hickman - Chair, Representative Supica - Chair, and the Committee on Veterans and Legal Affairs,

My name is Christine Cummings and I am the Executive Director of the Maine Grocers & Food Producers Association (MGFPA). The Maine Grocers & Food Producers Association is a business trade association representing Maine's food community; Main Street businesses, including independently owned and operated grocery stores and supermarkets, food and beverage producers and processors, manufacturers, wholesalers, distributors, and supportive service companies.

MGFPA formed a 'Spirits Subcommittee' in the Fall of 2021 and have discussed a potential direct-to-consumer model throughout many of our meetings. Our subcommittee, in total, represents almost 100 licensed agency stores including independent stores and supermarkets. We had meetings with the proponents leading up to LD 1358, prior to it becoming a resolve, to openly discuss the intent and details but ultimately cannot support a model that bypasses retail. Our retailers are opposed to manufacturers/distillers shipping their product directly to consumers in the state of Maine. This new policy would sidestep our state's retailers who are *the* responsible partners and backbone of the state's three-tier system.

Maine's retailers have made capital investments to serve as the avenue for the large-scale sale of spirits, wine and malt beverages. They pay significant property taxes, employ their communities' residents, and many are participants in the bottle redemption business. Our grocery stores who operate on a 1-2% profit margin rely on alcohol sales to remain viable. The state's retail agency stores are the essential partners in the consumer sales portion of Maine spirits. They perform many crucial duties to ensure the product reaches the vetted end-consumer. This includes stocking the shelves, inventory management, age-verification and intoxication screening, ensuring product is maintained and displayed well, while investing in their physical stores, all while maintaining staff to execute the sales.

There are significant concerns from our brick-and-mortar storefronts as we look at the current and future trends of e-commerce sales. Our agency retail partners are and will be diligently working to compete in the online space and they do not need outside entities cutting off the demand for goods in their storefronts. The number of licensed retailers who are allowed to sell spirits is limited based on municipal population thresholds and we question why we would continue to limit the right of retailers to sell liquor while allowing for unlimited licenses for those who can ship directly to Maine residents. Our agency stores have committed dedicated shelf space and made financial commitments for the exclusivity to sell spirits and we stand opposed to licensing out of state entities without an equivalent investment in the state's spirits economy.

Agency stores source local, Maine spirits and take pride in specialty customer orders. During the LD 1358 stakeholder discussions, we heard specifically from the bureau that they work with stakeholders to ensure products are reaching consumers and that they assist with unique fulfillment requests. If the intent is for small boutique brands to enter the Maine market, then we ask the Committee to consider reviewing the listing and brokering process. If it's market access that is the problem, then we as stakeholders, are happy to engage in conversations and policy that eases the system in which we operate.

This proposed policy creates significant concern that small-batch or limited product will bypass the listing process and be sold directly to consumers (bypassing retailer). At times, it is these elusive and sought after products that drive consumers into the store. We question what would trigger or force an out of state producer to actually list the product with limited enforcement capacity.

Maine's current wine DTC program is not yet refined enough to add spirits and we should not lead the effort. While there are six states that permit DTC spirits, we do not support Maine as the first control state (other than West Virginia which has a unique DTC model via retail) to pioneer DTC for spirits. Furthermore, in review of the testimony from LD 846, which seeks to ensure DTC wine is incorporated into the bottle bill, current participants note there is not currently a method to properly remit the deposits so we question how adding another product line and additional bottles into the bottle bill program will seamlessly occur.

Within the *Direct To Consumer (DTC) Shipping Assessment of State DTC Laws, Scope of Enforcement by States, Participation in Beverage Container Laws, and Input from Maine Stakeholders Report (April 1, 2023)* there is consensus amongst stakeholders that "BABLO needs greater enforcement and oversight capacity." As noted in the report's conclusion, "Many states express concern that they have limited capacity to be able to adequately oversee DTC shipping in their states in addition to their other oversight responsibilities." It is premature for Maine to move forward without adequate capacity both human and technological to fully monitor and understand the impact on both underage access and illegal business within the state.

Thank you for the opportunity to provide testimony.



Christine Cummings
Executive Director