Testimony of Pine State Trading Co.
Before the Veterans and Legal Affairs Committee

In Reference to:
LD 2160, *An Act to Modify Provisions of Law Affecting Small Distilleries*

Testimony Neither For Nor Against

Public Hearing: Wed., Jan. 28, 2026 10:00 AM

Senator Hickman, Representative Supica, and distinguished members of the Veterans and Legal Affairs Committee, my name is James Bass, I live in Augusta, and I represent Pine State Trading Co.

As many of you know, Pine State Trading Co. is Maine's partner in the State's spirits business and began a second 10-year relationship in late 2024. Pine State and BABLO have worked hand-in-glove over the past 12 years responsibly growing the business.

It is because of this expertise that Pine State testifies Neither For Nor Against LD 2160. Our hope is this testimony helps explain the current landscape, while raising issues of concern with the bill.

For the committee's newer members, Maine is a control state when it comes to spirits. That means that the state is the wholesaler and manages the distribution and pricing of spirits to control consumption and generate revenue. In practical terms, that means BABLO manages what is sold in the state and how much different spirits cost. Pine State helps BABLO administer the business by warehousing, delivering, and marketing what BABLO approves for sale. Because Maine is a control state, all of this is built on the foundation that state law has carefully created over the years. This system of spirits management has delivered for consumers, agency liquor stores, spirits suppliers, and the State.

What is problematic about sections of this bill is that they seek to work around the current system and be exempted from its costs—but still benefit from its advantages.

A good example is found in Sec. 1 of the bill. There is no "spirits administration services fee" or "spirits trade marketing services fee" charged to small distilleries. But while these fees do not exist, the likely effect of this language would result in exempting small distilleries from contributing to the current system's maintenance and effectiveness.

Another example is found in Sec. 2, 3 and 5 of the bill. As drafted, all sections would allow small distilleries to evade BABLO's system of spirits management. In Sec. 2, the language would permit a bar or restaurant to purchase spirits directly from a small distillery without purchasing the *same spirits* from a licensed reselling agent. Right now, bars and restaurants purchase what they need and want—including any spirits licensed for sale in the state by small distillers—from reselling agents. This provision would allow small distilleries to bypass their partners in the spirits system and sell directly. And under this proposal, how would spirits from small distilleries be transported to bars and restaurants? Would they deliver it themselves, or would they use the system's infrastructure to move it—all without contributing to those costs?

In Sec. 3, a small distillery would now be permitted to purchase spirits from another small distillery and sell them for on-premises consumption at its own facility. Much like in Sec. 2 above, this sale would skip, and weaken, the state system. The same issue regarding transportation of spirits relates here. Would these spirits be moved by the selling or buying distillery outside of state control?

In Sec. 5, a small distillery would be permitted to sell its products to any licensed retailer like a bar or restaurant. And the bill would allow "...the holder of a small distillery license [to] sell its products directly to a retail license under this paragraph *without selling to a wholesale licensee.*" (Italics added). Again, this bill would allow small distilleries to bypass the state system in favor of a carveout that benefits them alone.

Lastly, because the committee has many new members, I want to provide some background on how small, in-state distillers are already favored under Maine law in two ways. The first concerns the margin agency liquor stores earn when they sell spirits. That margin is currently 18% of the retail price of that spirit. This is called the "discount rate" because it is the percentage off the retail price. That discount rate is true whether the product sold is from an out-of-state distiller or a Maine distiller. But to aid small craft distillers, the Legislature increased the discount rate for small Maine distillers when they sell directly to consumers. Instead of earning 18% of the retail price, small distillers who sell over their own counter now earn 22.75% of their retail price. No other distiller, out-of-state or international, has that increased discount rate. But in all the provisions of the bill seeking exemption from the state system, the increased discount rate is untouched. Put together, this bill seeks to avoid the costs of the system that has benefited small distillers while maintaining the higher margin.

The second way small Maine distillers are favored relates to their products' costs on the shelf at agency liquor stores. Right now, if a national brand's supplier cost is $20.00/bottle, BABLO's markup, let's say, is 88%, or $37.60 at retail. But wanting to aid small distilleries' sales, BABLO markups a similar product from them at a lesser percentage, say, 76% for a $35.20 retail price. This allows for the small distillery to have higher product costs *but* be lower at retail than a national brand. This is BABLO working with Maine's distillers to make sure they are ultra-competitive at the retail level.

In addition, it used to be that before small distillers could sell their own products directly to consumers, the product first had to physically be transported to Pine State's warehouse in Gardiner and then sold to the state, only for the product to be driven back and purchased by the distillery. The VLA Committee wisely corrected this problem years ago and now spirits from small distilleries do not undergo this overly complicated process.

Thank you for the opportunity to describe the spirits landscape and BABLO's and Pine State's role in it, along with raising our concerns with the bill as drafted.