

Interested Party Testimony
Alan Szuter
Wolf's Ridge Brewing

House Bill 306

December 5, 2023
House Commerce and Labor Committee

Chairman Johnson, Vice Chair Manchester, Ranking Member McNally and committee members, thank you for the opportunity to testify on Repeal Day in support of House Bill 306. It is an ideal day to discuss the modernization of a law that no longer upholds its intended purpose. My name is Alan Szuter. I am the owner of Wolf's Ridge Brewing in Columbus and Board President of the Ohio Craft Brewers Association.

Craft brewers create products and experiences that bring people together. As a group, we care deeply about the state and the communities we work and live in. Our small businesses are responsible for \$1.27 billion in economic output and support 12,000 Ohio jobs. We take an incredible amount of pride in our work, our beer and the role we play in our communities.

However, as our craft breweries continue to change the landscape of the industry, we need Ohio law to keep pace.

In 1974, none of Ohio's 429 craft breweries existed. At the time, lawmakers had no idea what craft beer was, let alone that our small businesses would become integral parts of hundreds of Ohio communities. Ohio's Alcoholic Beverage Franchise Act was created in 1974 to protect small, family-run, local beer wholesalers from the influence of large, consolidated brewing corporations. Now nearly 50 years later, beer wholesalers are the large, consolidated corporations and craft breweries are the small, family-run local businesses.

Left untouched, franchise law protects large companies and hurts small businesses, which is exactly the opposite of why it was created in the first place.

A contract between a beer manufacturer and a wholesaler under franchise law is virtually unbreakable by design. In 1974, if a mega-brewery pulled their beer from a wholesaler, that small business would be out of business. In 2023, a small brewery is expected to sign the same, unbreakable contract with a wholesaler. The brewery has no recourse if the wholesaler doesn't meet the terms of the contract. The brewery's business is left to suffer until the wholesaler decides to let them out, sells them off, or the brewery sells or folds.

A small, growing brewery must seriously consider the ramifications of being permanently "married" to a wholesale partner due to franchise laws. If a wholesaler

stops our beer from making it to customers, we have no way to compete and grow our businesses. I am here today speaking not only for my brewery, but the dozens of others in distribution contracts who are afraid of upsetting their wholesalers and impacting the critical relationship that they depend on to deliver their beer to retailers.

We ask the Ohio Legislature to carve out craft brewers from this franchise law that was never meant for us. Allow our small business owners to take control of our business and sign equitable and enforceable contracts. We are not asking for special protection under the law as the wholesalers did in 1974. We simply want a fairly negotiated contract between a brewery and wholesaler to be subject to established contract law, just as our contracts with every other supplier and service provider are.

We can make this common sense, reasonable change without disrupting the existing three-tier system. Brewers and wholesalers should be equal partners in the determination of how and where beer goes to market, but the franchise law has created an imbalance of power and inequitable relationship.

This small reform will have big impacts for Ohio craft breweries, allowing us to sustainably grow our businesses and provide more avenues for us to supply our customers.

As our state changes, our laws have to keep up. Ohio is a great place to live and do business for so many, but we need to make sure that it's a good place to do business for everyone. Please help us repeal the impact of franchise law on Ohio's small and independent breweries.

Thank you for the time and consideration, I'm happy to answer any questions.