



**Senator Andrew O. Brenner – 19<sup>th</sup> District**  
**Senate Agriculture and Natural Resources Committee**  
**September 26<sup>th</sup>, 2023**  
**Senate Bill 138 – Sponsor Testimony**

Chairman Schaffer, Vice Chairman Landis, Ranking Member Hicks-Hudson and members of the committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 138. The substitute bill before the committee today made a few technical changes to ensure the intended results.

This legislation will modernize Ohio's alcoholic beverages franchise law to reflect the reality of the current brewery industry. This bill not only supports small businesses but promotes a promising, emerging industry in our state.

It's been nearly 50 years since the current franchise law for the brewing industry was enacted. State interference in distribution contracts between manufacturers and distributors, at the time intended to protect the small 100 beverage distributors operating in Ohio in 1974. The law made sense at the time. However, with no significant changes made to that language since its enactment, current law has become a constraint on small craft brewers that are forced to operate in a business model created before they were even thought of.

Many of you know that craft breweries have acted as economic drivers in both rural areas and urban cores. In many cases, they have been essential to the recovery and growth of commerce in places where few other businesses would operate. Today, there are over 400 craft brewers located across the state. These small, independent businesses are responsible for jobs, community development and commercial innovation in Ohio. We cannot hold them to the same limitations placed on large, nationwide manufacturers fifty years ago.

Senate Bill 138 will allow small breweries (those producing fewer than 250,000 barrels a year) to enter into contracts with their delivery services without state interference. This is an option that most small businesses in Ohio already have the opportunity to do. Currently, regardless of the terms written into the deal between a distributor and a craft brewery, the brewers are locked in an evergreen contract because of an archaic state law. Without this change, small breweries are effectively locked into the arrangement (unless both parties agree to sever the agreement) until the brewery gets a court to break the contract. This litigation can take well over a year while a brewery is legally required to continue to rely on delivery services from the same distributor they are suing. For almost every craft brewery in the state this burden is simply beyond their reach, leaving them with little to no recourse.

Put simply, the law in effect today was written for the market of 50 years ago. Today's market is very different and Ohio law needs to reflect that. These breweries make up less than 13% of grocery store sales and less than 3% of convenience store sales, this modification to Ohio law will not in any way jeopardize distributors business but instead provide the freedom for both parties to negotiate contracts and enforce those contracts like any other service agreement. Distributors worth hundreds of millions of dollars do not need protection from our local neighborhood breweries, and it's time state law reflected that.

Chairman Schaffer, members of the committee, thank you again for the opportunity to provide sponsor testimony on the substitute Senate Bill 138. I would be happy to answer any questions at this time.