

HIGH PLAINS DISTILLERY

HAND CRAFTED MOST WANTED SPIRITS

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Testimony to the House Commerce, Labor and Economic Development Committee

February 12, 2015

Re: HB 2200

Dear Chairman and Committee:

My name is Seth Fox and I am the owner/operator of High Plains Distillery in Atchison, Kansas. High Plains Inc. is proud to be in Kansas, we are a family owned and operated company and the first bottling distillery in Kansas since 1881. High Plains has federal permits for distilling, rectifying, bottling, warehousing, wholesale and Importing.

My wife Dorcie and I decided to start a distillery in 2005 and now with my daughter Sierra and son Hunter, and other extended family members, this idea has grown into a great but hard business. The Fox family has been in the distilling business for 7 and now 8 generations and the 9th just showed up, we are the first to turn it into a legitimate business. What started with Most Wanted Vodka and has grown to 21 Kansas made products packaged in 5 sizes this includes private label products for brands that are sold nationally. The spirits industry is one of the most competitive markets I have ever been in and is quite hard to make a sustainable and growing business in. I frequently have other distilleries tell me "I wished my business was in Kansas".

House Bill 2200 creates concerns for our business in a number of ways.

First: the bill is designed to move the majority of retail alcoholic liquor sales into corporate chain grocery, convenience, and other retail stores in the upcoming years. This transition will move the majority of consumer transactions into venues where the smaller producers are at a disadvantage when it comes to gaining shelf space and featured product positioning. While this legislation does not address practices such as paying for shelf space or volume discounts, the change over of retailers will bring those issues into question - meaning that the Legislature will either need to change those laws or provide additional enforcement to prevent those practices which are considered standard operations among the big retailers nationwide.

Second: some say that our spirits are a little higher price than Missouri, if this is the concern then abolish the liquor tax, problem solved... we know this will not happen so lets look at HB2200 adding conservatively 2,000-4,000 more locations to enforce, you will need to add more tax to pay for the enforcement making product even more expensive completely eliminating any gain you might even see in a diluted market. You will not get any more tax on current sales because there is only "X" amount of alcohol sold in Kansas, this will not change regardless of how many stores you put in, it is just a trade off. I do not think the intentions of

this committee is to get Kansans to drink more, lets not even go down that road.

Third: the bill does not seem to consider the possible effects on other tiers of the regulated industry. It is likely to be very difficult to get our products on the big store shelves, but this legislation has the potential to make it even more difficult for me to get my products into the restaurants and other on-premise establishments which is a key marketing component in supporting our brand sales.

Fourth: If the House Bill 2200 decides to turn this bill into a beer and wine only debate then please read my first point addressing Kansas made products sales in stores if you think selling spirits is hard then you just piled much more on the beer and wine producers of Kansas. The Retail stores do an excellent job of educating people about the products that they sell, I can not stress this enough the Retail liqueur stores of Kansas are experts at what they do best and not a minimum wage minor explaining to you about spirits, wine or beer in a large box store or grocery if you can find someone.

Please do not pass House Bill 2200 as is, Kansas Retail Liquor laws are not broke so don't fix them. Our products will not be as available to Kansas consumers, as the liquor business will be dominated by retailers that focus on large national brands and have very limited shelf space. While liquor laws are unique in most states, Kansas is not alone in having a three tiered liquor system designed to allow private retail sales, while still having effective regulation. The state would also start to see deterioration of Kansas Products and Jobs and the control in the environment that HB 2200 would create. Please believe me when I say that Kansas has a good system in place.

Thank you for your attention to our concerns. I look forward to the opportunity to visit with you further about this Issue. Please feel free to contact me at 913-773-5780. please stop by High Plains for a visit.

Sincerely,



Seth Fox

president High Plains Distillery and employees.