



What's At Stake?

The Vermont distilled spirits industry is little more than 20 years old and has an outsized impact on Vermont's identity as a destination for farm-to-table dining and craft beverages. Distilled spirits present an opportunity for Vermont farmers and food businesses to have their products showcased as part of a premium drink's narrative, for Vermont's agricultural sector to access new buyers via shipment of spirits to export markets, and to build craft-spirits tourism on the shoulders of established beer tourism. While growth opportunities exist for distilling, and the industry can be an asset for developing Vermont's economy, brand value, and working landscape, supporting and expanding the industry further will require regulatory reform, capital and marketing investment, and supply chain coordination between Vermont farmers, food businesses, and distillers.

Current Conditions

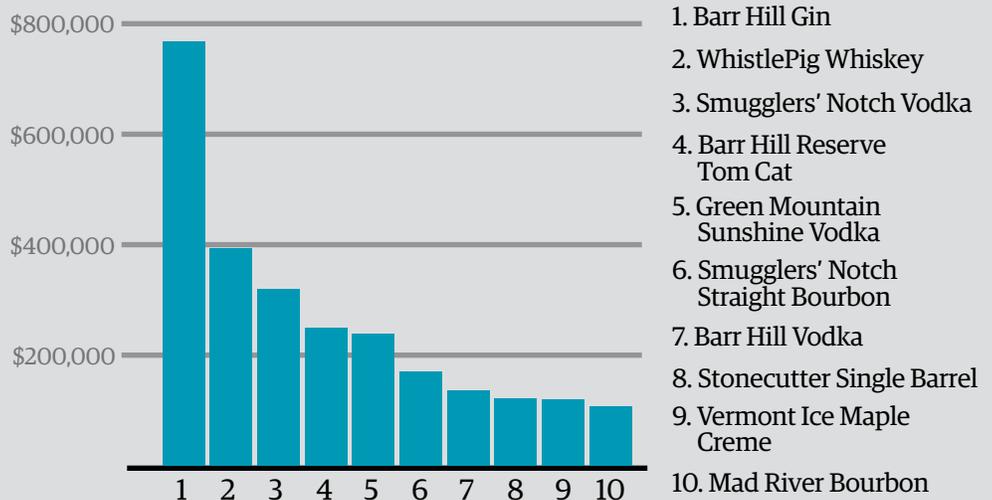
Distilling is the craft of taking alcohol generated from fermentation and concentrating it through evaporation and condensation. The number of licensed distilleries in Vermont rapidly increased from a single distillery in 2000 to over twenty distilleries in 2020¹. Some Vermont distilleries purchase a base alcohol ingredient—typically high-proof neutral grain spirits—and develop craft alcohol products from that base alcohol, while others produce their craft product from scratch, fermenting and distilling the sugars in grains, maple, and fruit before any finishing processes. While some are interested in sourcing their base sugars from locally grown products (particularly grains, including corn, rye, and malted barley), there is additional opportunity for other agricultural products to be added back to the spirits as flavoring agents after fermentation and distillation.

The state of Vermont has made efforts to promote the distilling industry when possible. Generally speaking, Vermont's "control state" liquor laws do restrict liquor sales, including requiring bars and restaurants to pay full retail price for each bottle of alcohol. But the control state model also allows Vermont to support and protect our Vermont distilling industry. Vermont has worked to foster the local spirits industry by allowing direct sales of spirits at distilleries, farmers markets, and off-site tasting rooms, and is lenient in keeping in-state spirits listed and available through their state-contracted liquor stores. Therefore, distillers in the state are ambivalent about a transition to a free market model for sales of distilled spirits.

Of the 103 new products added to Vermont state liquor stores in 2019, 21 were Vermont-made.



Top-Selling Vermont-Made Spirits at Vermont Liquor Stores (750mL), 2019



Bottlenecks & Gaps

- Spirits sales must reach both tourists and out-of-state markets; in-state sales alone will not support the industry.
- Costs of production for distilleries making their own base alcohols are substantially higher and these distilleries are challenged to compete on price with national brands.
- Major financial hurdles stand in the way of new distilleries opening, with reported up-front capital investments of \$250,000 to \$500,000. The growth stage of a distillery business is costly, due to marketing expenses and holding aging inventory. In some cases, start-ups will require independent wealth, or angel investment, to sustain expenses for several years.
- The complex production process involves significant up-front cost, specific equipment, stringent regulation, and quite a bit of knowledge and is therefore not something easily added to a farm as a new enterprise.
- Vermont's "control state" model for sales of spirits protects local distilleries as they build their brands and product lines but also makes expanding to unrestricted markets beyond our borders challenging.

Opportunities

- Farms interested in value-added processing into liquor can turn \$500 of corn and other grains into whiskey worth over \$10,000 in full retail value.
- Financial success can be achieved with either a low-volume, direct-sale business model or high-volume production paired with a national marketing campaign.
- It is not practical for many distilleries to source their primary ingredients from Vermont, but there is an opportunity to showcase Vermont-grown elements of a product, and an opportunity for distilleries and farms to co-market and gain significantly more value from crops that are used on a limited basis.
- Numerous distilleries have established supply chain relationships with Vermont producers. Examples include gin and vodka using honey, rum using local maple syrup, and other local spirits including barley, lavender, cucumbers, hot peppers, and elderflowers, to name a few.
- Grains and apples, both sources of sugar for base alcohols, could be significant Vermont-grown ingredients in a future expansion of Vermont distilled spirits.

Recommendations

- Develop best practices and guidelines to help distilleries forge supply relationships with local farmers, and develop in-state infrastructure (e.g., a centralized mill and quality testing lab) for standardizing and processing specific products for use in distilling, including Vermont-grown grain (see [Food-Grade Grains](#), [Beer](#), [Bread](#) briefs).
- The State of Vermont should invest in marketing for Vermont-made and Vermont-grown spirits, and spirits-related tourism. The Departments of Liquor and Lottery (DLL) and Tourism and Marketing could partner with the Distilled Spirits Council of Vermont (DSCV) to improve the quality of support and information around tourism. DLL could promote Vermont spirits with a Vermont-Made Spirits Month based on successful models in other states. DLL could raise its own revenue by creating an e-commerce portal for Vermont-made spirits, with fulfillment based out of its Montpelier warehouse, creating a new FTE and quickly recouping investment costs. (See [Major Metropolitan Markets](#) brief.)
- Vermont Technical College should partner with DSCV to develop better training opportunities for young Vermonters interested in fermenting, brewing, and distilling careers.
- The Vermont Legislature and DLL should update state policy to reduce the influence of corporate liquor interests and advance the interests of small businesses. A good incentive program would not necessarily increase total liquor sales in the state, but would shift the volume of sales towards local producers. This would generate more state revenue and build the strength of this industry.
- The COVID-19 pandemic State of Emergency helped us question the way we do things and identify clear priorities. Convenience and public safety can both be served by allowing alcohol delivery, relaxing alcohol take-out rules, and providing other safe outlets for buying distilled spirits (see [Beer](#) brief).

Farm to Plate is Vermont's food system plan being implemented statewide to increase economic development and jobs in the farm and food sector and improve access to healthy local food for all Vermonters.

The Vermont Agency of Agriculture, Food & Markets (VAAFAM) facilitates, supports, and encourages the growth and viability of agriculture in Vermont while protecting the working landscape, human health, animal health, plant health, consumers, and the environment.

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