

Lee Wood, Co-Founder  
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Public comments on DTC shipping of distilled spirits in the State of Colorado.

I wanted to comment in support of allowing direct-to-consumer shipping privileges for distilled spirits in Colorado. This is based on my own experience as a distillery owner but through discussions with many of my peers, my concerns are common to many of the small distilleries in Colorado.

- 1) Wine currently has this privilege and the distilled spirits industry in Colorado should have parity with wine.
- 2) Distilleries in Colorado are required to have a wholesaler permit and are allowed self-distribution and expanding to allow a DTC option in no way circumvents the current three-tier system.
- 3) We are committed to supporting a robust regulatory program. Shipping can be done safely and legally using appropriate technology and licensing. Studies done on DTC wine shipments on compliance with under-age access to alcohol purchasing show compliance rates as high or higher than retail compliance rates. Technology is readily available to manage compliance, correct collection and remittance of Colorado sales tax.
- 4) **DTC is not a replacement for our products reaching customers through our off-premise retail partners.** However, our retail partners have limited shelf space for the thousands of products available and simply can't carry all our products. Adding a DTC option allows us to offer all SKUs of our products to our customers. The products that do well are positioned to move onto our retail partners' shelves with an established customer base.
- 5) Further, DTC is not a replacement for sales through our retail partners because it is not a scalable solution due to high shipping costs. We will continue to encourage our customers to buy at retail, when possible, however, the option should be available for those who are willing to pay shipping costs for products they can't get through retail.
- 6) The implementation of Prop 125 on March 1, 2023, has had a significant effect on our sales through distribution. Spirits are shut out of thousands of retail stores where full-strength beer and wine are now available. As a result, many of our retail partners have been forced to close or pare down their purchasing due to the hit on their cash flow from decreased wine sales. It seems that a fair response would be to open DTC as a legal route-to-market.
- 7) As a rural distillery based in central Colorado we are heavily dependent on tourism. We lose many sales simply because tasting room visitors need the convenience of being able to ship.
- 8) Many of our visitors are from areas of Colorado (e.g. Fort Collins, Eastern Plains, Grand Junction, etc.) where we do not have a retail presence and no wholesaler support. In those areas customers are not able to buy our products from a local retailer. An option to ship from our facility would have a material effect on our ability to profitably run our business.

The Liquor Advisory Group was formed, as I understand it, to make suggestions that modernize, simplify, and rationalize Colorado's existing liquor laws. Consumers now have an expectation that products that they want should be available online and for delivery. Allowing DTC shipments of all types of beverage alcohol would continue to keep Colorado at the forefront of supporting our local craft beverage manufacturers while offering convenience and choice to consumers – all done in a safe, legal framework.

Thank you,

Lee Wood,

Co-Founder, Wood's High Mountain Distillery