Exhibit F - Letter from Dan Farber

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Steve Frost
Uniform Law Commission

Dear Steve,

Let me thank you for your work as chair of the Direct to Consumer Sales of Wine, Beer, and Distilled Spirits Study Committee for the Uniform Law Commission. We have not previously participated with the Uniform Law Commission, but this thorough process has been insightful, thoughtful and I have come away knowing much more than when we began.

While it might seem that we as producers are at odds with or at least argue against the 3-tier system, I don't think this is in fact the case. My sense is, that small producers inhabit a very different space within the system than distributers do, thus the divergent perspectives. Here if just to clarify our perspective, I wanted to outline a bit of the modern business environment that small producers experience.

Over the past decades, the landscape of wine and spirits producers as well as the distribution system has been drastically transformed. For instance, in 1995 the United States had about 1,800 wineries and only a few craft distilleries yet, there were ~3,000 distributors (Wines & Vines, 2017). Today, while there are more than 9,200 wineries and 1,835 craft distilleries, the number of distributors has dropped to ~1,200 (Craft Spirits Data Project, 2019; Wines & Vines, 2017). Also, during this timeframe there has been considerable consolidation of market share on not just the distributer side but the producer portion of the supply chain as well, with the top 10 producers and wholesalers controlling a 72% and 74% market share respectively (Park Street, IWSR and ACSA). Thus, for the major portion of the market, the present 3-tier system is healthy and

effective (for the few large producers), while still falling short of serving the majority of small businesses.
This small business sector continues to grow at a rapid pace, for instance: In the case of wine, small wineries make up 96% of the number companies and today DtC sales of wine is an over 3 billion dollar per year industry (ShipCompliant-Wines and Vines, 2019). With DtC sales of wine - unlike distributer based sales where more than 75% is controlled by 10 companies - small wineries make up 61% and 73% of volume and value respectively (ShipCompliant-Wines and Vines, 2019). In 2018 the U.S. craft spirits market volume reached nearly 7.2m cases (growth rate of 23.7%) and $3.7 billion in sales (annual growth rate of 29.9%). The market share of U.S. craft spirits reached 3.2% and 4.6% in value in 2018, up from 1.2% (volume)/1.4% (value) in 2012 and 2.6% (volume)/3.8% (value) in 2017. However, for small producers, DtC sales at the site of production represents ~40% of sales (Craft Spirits Data Project, 2019). Thus, one can clearly see the importance of the DtC route for small business.

Indeed, for small producers direct sales on and off the site of production are arguably the most important element to growing these businesses. For the most part, this is due to both the lack of regional and national representation for these small brands, as well as consumer desire to participate in experiential sales. In fact, DtC sales represent the critical mechanism for building small businesses, growing employment in the small producer sector as well as providing the necessary path forward to attracting attention from the increasingly more consolidated distribution system. Thus, for those states that wish to adopt it, DtC sales of wine and spirits has been shown to be a safe and effective way to support small business growth in this sector.

Sincerely,

Daniel Farber

References Cited

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