

VA CRAFT BREWER FOR A DAY

Grass Roots Advocacy Program

Program Overview

The Virginia Craft Brewers Guild (VCBG) “VA Craft Brewer for a Day” program is focused on getting Virginia Congressional and State elected officials to your brewery for an educational experience. The goals of the program are to:

- Facilitate an understanding of the challenges and priorities of small, independent craft brewers
- Clarify our industry’s goals, interests and economic impact to the community and Virginia
- Build long-term relationships between craft brewers and a coalition of elected officials

VCBG will help you identify your elected officials if you do not know them. If you have a unique relationship with an elected official, the VCBG wants to maintain that information to utilize as part of its “grass roots” mobilization efforts. This program guide will help you create a professional and rewarding experience for elected officials to better understand what it takes to be a “VA Craft Brewer for a Day.”



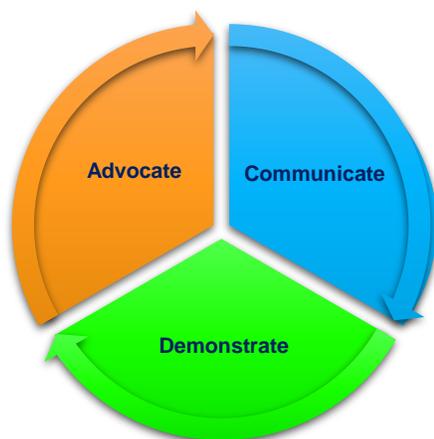
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PROGRAM GUIDE

This program guide contains the basic tools to get you started: Communicate, Demonstrate and Advocate.



Communicate

Legislators have many competing interests, especially in an election year. Getting them to participate may depend on how willing you are to make the event work on *their* schedule. Some considerations include:

- *Timing:* Advise the legislator's staff of your operation's production schedule so that the visit may be timed with an experiential opportunity such as hops additions, spent grain removal, packaging or laboratory analysis. Always prepare a written schedule. Be realistic about how many should be involved in the tour/experience and communicate with the legislator's planner about limiting participants to a safe and manageable number. You should plan to have no more than 90 minutes with your legislator.
- *Accommodation:* Stick to your schedule, prepare your staff in advance, and give the legislator a proper welcome. Start promptly and be flexible if the legislator is late. Have all required personal protective equipment (PPE) available for distribution to the legislator and staff upon arrival. Though legislators are considered public servants, they will appreciate a private area for them to talk with you or leave any items behind that are not needed on the tour, such as a conference room, office, or staff break room. If your brewery is often crowded with the public, or parking is difficult to access, please consider these factors and take steps to eliminate them.

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You will find included in this guide a sample invitation letter that you can edit and send (email preferred) to your legislators. Please follow-up by phone within 72 hours if you have not received a response. The more personal interactions with the legislator and/or key staff, the better. Remember in your planning discussions with the legislator's staff to cover brewery visitor rules (e.g., only closed toe shoes, no jewelry, no photos in brewhouse, etc.).

Feel free to extend a lunch invitation or other hospitality in accordance with state entertainment and gift laws (see Compliance section of this guide) but keep in mind that this is intended to be an experience not just a meeting. [*Please note that VCBG cannot cover the costs of this event or any additional goods or services that you extend to your guests.*]

Demonstrate

Good preparation will demonstrate to the legislator that you want them to remember the “VA Craft Brewer for a Day” experience. So, please make sure that your brewery is looking its best, you and your staff are prepared, and all safety equipment, signage and precautions are in place and functioning.

- Be prepared for basic questions such as, “Where does your malt or hops come from?” Or “How much of each is required to brew a keg of beer?” Or “Why did you name your brewery or a beer x?” Consider putting signage on any ingredients, packaging and/or supplies detailing where and from whom they were sourced as well as their value.
- Be sure that your tasting room and brewhouse signage is educational and visually appealing. Use handouts and visual media to educate participants such as these BA resources below:
 - Describe beer styles
 - Deconstruct craft beer
 - Describe the beer manufacturing process (a.k.a., brewing)
 - Beer tasting & description
 - Beer ingredients & their flavor contributions
- Be proud of your employment and capital investments. Tell them how much your real estate and machinery/equipment costs and approximately what you pay annually in taxes on them. Tell them how much you spend on machinery, equipment, supplies, energy and packaging and how important it is that Virginia does not charge sales taxes on these brewery costs due to the VCBG HB859 legislation in 2016. Tell them if the recent Federal tax law change allowing for immediate expensing of capital equipment is valuable to you and how the reduction in the Federal excise tax on beer helped your profitability. Jobs are a top issue for all legislators, so give details about your full-time employees, part-time employees, and contractors but avoid discussions about wages – this is competitive information that can negatively affect your employees’ morale if mismanaged.

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- During the tour and experience, be certain to allow for questions from the legislator and their staff. Offer well considered responses or feel free to say, “I don’t know the answer to that question, but I will get back to you.”
- Please note that this experience is a private interaction with your elected official and you may have “off-the-record” conversations about legislation, your sales/production numbers, etc. but you must identify those “off-the-record” discussions/issues for the legislators or they will assume that they can share the information.
- Please do not include media in the tour/experience. However, you should schedule a photo op so that the legislator can post to his/her social media accounts.
- Please be flexible. A call or text could change your participants’ priorities immediately, potentially knocking the event off schedule or ending it, so you want to move efficiently through the schedule but remain a gracious and accommodating host. Don’t take it personally.

Advocate

Remember that you are hosting someone that makes decisions that may impact your staff and/or your brewery. Don’t lecture the legislator on the problems of state policies and regulations that frustrate you. A successful rapport with your legislator will inevitably present those opportunities to “speak your mind.” This experience is intended to educate incumbent legislators and/or open seat candidates about the VCBG top legislative priorities, the Strengths Weaknesses Opportunities and Threats (SWOT) of Virginia’s craft beer industry, convey details about your business and build long-term personal relationships. This guide will prepare you to be articulate on the issues (see pages 6-7).

- Define “Craft Brewer” for your guests. An American craft brewer is a small and independent brewer. Small is defined as annual production of 6 million barrels of beer or less. Beer production is attributed to a brewer according to rules of alternating proprietorships. Independent is when less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer. Finally, a craft brewer has a TTB Brewer’s Notice, VA ABC Brewery License and manufactures beer.
- As opportunities present themselves, please look for practical openings within the discussion to illustrate VCBG legislative priorities. For example, when touring the brewery, let the legislator know that a 30 BBL would cost you \$14,000 and the sales tax is 5.3%-7% depending upon which region you live and this would have cost you \$742 - \$980 in additional taxes if you opened in other states. However, you also pay essentially 1% of the

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purchase price forever to your local government for the machinery and tools tax (except for VA Beach which does not tax machinery and tools) which costs you \$140 per year just to operate that fermenter.

- Select issues from the “VA Craft Beer SWOT Analysis” and “VCBG Top Craft Beer Priorities” to integrate into your conversation (see pages 6-7).
- Never, never, never, ever “endorse” a candidate for office using this program.

A representative from VCBG will attend every experience depending upon availability.



VA CRAFT BREWER FOR A DAY PROCESS

STEP 1: Pre-Event

Use the template letter & invitation to reach out to your incumbent elected officials or both candidates for an open seat after the primary (email is best). Do not use this program in association with challengers to incumbents no matter what your personal politics.

Follow up with the legislator/open seat candidate and his/her team within three days of emailing the invite.

Once there is a commitment, determine the best day and time.

Invite VCBG staff to attend and post to VCBG events.

Share directions to your business.

Coordinate a photographer to be onsite.

Prepare your "talking points" using the "VA Craft Beer SWOT Analysis" and "VCBG Top Craft Beer Priorities."

Hang your VA Craft Beer Cup medals and post your VCBG tin tacker.

Post your BA "Independent Seal" on your front door.

STEP 2: During Event

Be sure all areas are neat/clean.

Wear logo/branded clothing. Wear appropriate safety equipment (PPE) and insist that guests wear PPE as well.

Greet the legislator and his/her team at the door.

Give the legislator and his/her team a hands-on experience: safety protocol - explain confined space and other safety regulations; analyze hops; analyze malts and yeasts and the fermentation process; bottle a beer or fill a growler/crowler/can/keg; remove spent grains and discuss agricultural impact; discuss beer names and introduce him/her to as many employees as possible.

Share your business growth plan, successes, new beers and future investments. Show your VA Craft Beer Cup, Great American Beer Festival and other medals.

Distribute "VCBG Top Craft Beer Priorities" section of this program guide.

Discuss your business challenges but remain positive and constructive. This is meant to build relationships and not be a "hard sell" on politics. Besides, they will repeat what you share with others.

STEP 3: Post-Event

Send VCBG your "VA Craft Brewer for a Day Report" to share information you learned and/or advice the legislator shared.

Post positive images of the elected officials or open seat candidates on social media. Politics are tricky - so be careful to not "endorse" anyone.

Share photos, videos, etc. with the elected officials or candidates and their staff.

Send a "Thank You" email to the legislator the day after the event.

Send an invitation to join you at the VCBG Craft Beer Caucus during the General Assembly session.

****Disclosure: Portions of the VCBG “VA Craft Brewer for a Day” materials were adapted from the Brewers Association of Maryland and Brewers of Pennsylvania programs. Thank you, BAM and BP!**

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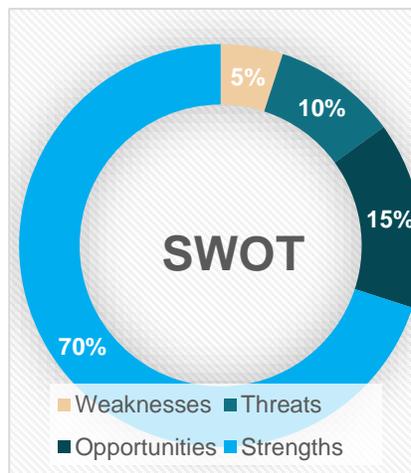
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VA CRAFT BEER SWOT ANALYSIS

STRENGTHS

- No Brewery Retail Sales Limits (On or Off-Premise)
- No Brewery Hours of Operation Regulations
- No Sales Tax on Beer MFG Equipment, Supplies and Packaging
- Brewpub 3-Tier Exemption
- Brewery-to-Brewery Transfer
- Contract Brewing
- Brewery Outdoor Advertising, VDOT and Tourism Road Signage
- Growler and Crowler Sale Flexibility (On & Off-Premise)
- Retail Sampling w/o Wholesaler
- Manufacturer's and Multi-Manufacturer's Event Licenses
- Banquet Licenses
- Brewery Tour Tastings
- Regulatory Flexibility by ABC and VDACS Including Pet Friendly Statute
- Regulatory Limits on Point of Sale Displays and Trade Spending
- Virginia Tourism Corporation – Craft Beer Promotion
- Alternating Proprietorship
- "Happy Hour" Advertising
- Farm Brewery Statute



OPPORTUNITIES

- Improve Use of Existing "Hybrid Self-Distribution" Options
- Expand Distribution Contracts That Voluntarily Waive Select Provisions of the VA Franchise Act
- Increase Number of Small Independent and/or "Arms-Length" Distributors of Independent Craft Beer
- Economic Development Incentives (state and local) for Technology Investments
- Regulate CBD Ingredients by TTB, FDA, VA ABC & VDACS

WEAKNESSES

- Social Media Regulations
- Duplicative VA Dept of Health Regulations in Select Cities
- Inconsistent ABC Regional Regulatory Interpretations
- Meals Tax on Beer in Select Cities
- Local Machinery and Tools Tax on Beer MFG Equipment
- ABC Technology – Inadequate Electronic Capabilities
- ABC Label Approval Process – Duplicative & Inadequate Electronic Capabilities
- ABC Taxes and Fees - Inadequate Electronic Capabilities

THREATS

- "Crafty" Beer Confusion
- Retail Market Saturation
- Distribution Tier Capacity Limitations
- Distribution Tier Mergers
- VA Franchise Act – Performance & Conflicts with Contract Law
- Other Alcohol Segments
- Trade Spending Limit Removal
- Reform & Consolidation of ABC Brewery Licenses
- Excise Tax Increases



VCBG TOP CRAFT BEER PRIORITIES

The craft beer market continues to grow, but it is getting more challenging due competition, “crafty” brand confusion, other alcohol category competition, and distribution and retail challenges. As such, the VCBG top priorities are to:

- 1. Defend Virginia’s “Hybrid Self-Distribution” Laws**
 - a. Independent craft beer tasting room retail sales privileges – no retail sales limits (On or Off-Premise) and no regulated hours of operation
 - b. Expansion breweries - no limits on the number of breweries with retail tasting rooms
 - c. Brewery In-State and Out-of-State Delivery Permits
 - d. “Brewpub” exemption from “3 Tier System”
 - e. Eight (8) Manufacturer’s Beer Event Licenses per year
 - f. “Arms-length” independent craft beer distributors
 - g. Alternating proprietorships
- 2. Defend current unlimited brewery-to-brewery transfer privileges**
- 3. Defend current unlimited contract brewing privileges**
- 4. Improve the performance of the distribution tier**
 - a. ABC to regulate voluntary waivers of VA Beer Franchise Act terms in temporary distribution agreements
 - b. Expedite distribution agreement termination process including reforming ABC uniform prehearing scheduling orders involving VA Beer Franchise Act disputes
 - c. Expand the number of small independent craft beer distributors in operation
 - d. Improve brewery to distributor communications and sales planning, and assure that any beer sold by a brewery is delivered by its distributor
- 5. Expand craft beer tourism and market growth particularly through the VCBG marketing and tourism programs and Virginia Tourism Corporation programs**
- 6. Expand authentic independent craft beer branding with consumers through the BA’s “Independent” label, and VCBG’s distributor, retailer, farm brewery and craft beer fest programs**
- 7. Increase retail tier recognition of independent Virginia craft breweries and promotion of their Virginia Craft Beer Cup and national award-winning beers**
- 8. Improve the workforce development system to create a diverse and industry certified talent pool for breweries. Specifically, improve lab, brewing, quality and safety industry credentials earned by brewery staff**
- 9. Create regional quality networks for brewers to share best practices**
- 10. Ensure the economic growth of independent craft beer and move Virginia’s ranking into the “Top 10 U.S. States for Breweries Per Capita by 2020”**



BACKGROUND INFORMATION

Independent VA craft breweries continue to grow and innovate. There are now 274+ independent craft breweries operating in the Commonwealth. Further, 83% of brewers plan on expanding production in the next 12 months¹. Over 85% of Virginia's craft breweries produce less than 1,000 barrels per year. Nearly all the new breweries will remain that size. Virginia's unique "microtrend" is expansion breweries, whereby, a small brewer will open another small brewery in another city or town rather than expand on-premise. Another "microtrend" is that new brewpubs are starting to grow in Virginia. This is directly related to the "farm to table" interests of consumers that drive them to independent brewers. The VCBG's 2012 legislation (SB604) allowed for unlimited on-premise and off-premise retail sales of craft beer through licensed brewery tasting rooms. Hardywood Park Craft Brewery even brewed an SB604 English Bitter to commemorate the legislation. This is a unique privilege that not all states enjoy and it is the industry's top priority to protect (see CT, GA, MD and TX challenges).



Tourism is integral to the craft beer industry's growth. Over 11% of VCBG member tasting room patrons visit from outside the city, town or state where our breweries are located. In some regions that total exceeds 26%²! The VCBG and VA Tourism Corporation (VTC) have worked together to celebrate VA Craft Beer Month every August for the last five years. The hottest invitation of the month is to the Craft Beer @ the Governor's Mansion event to celebrate craft beer month and enjoy Virginia Craft Beer Cup Gold Medal beers being served by VCBG members. VTC's craft beer promotional information is at www.virginia.org/craftbeer. For more information on messaging around tourism and the craft beer industry, please use the *Virginia is for Lovers Craft Beer Toolkit* at this link <https://conta.cc/31KagAT>.

¹ VCBG Annual Marketing & Tourism Survey, 2018.

² Ibid

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The VCBG continues to invest in the Virginia Craft Beer Cup which is the largest state Guild beer competition of its kind in the United States. This is one way that the VCBG contributes to increasing craft beer market opportunities and improving quality. The VCBG's Quality & Safety Certificate was developed in partnership with the Manufacturing Skills Institute and the VCBG's Quality Committee has set a goal of getting all brewery employees certified by the end of 2020. VCU's Craft Beer Certificate has even integrated the VCBG's Quality & Safety Certificate into its program. The VCBG also partners with WestRock on the development and commercialization of innovative craft beer packaging by hosting the annual WestRock-VCBG Packaging Innovation Challenge. This is the only award of its kind in the U.S.



Brand awareness is critical to the industry. In partnership with the BA, the VCBG and its members are helping to distinguish truly authentic independent craft beer with the "Independent Seal" and label on all packaged beer. The VCBG manages an aggressive beer event program focused on introducing craft breweries to non-craft consumers, including one of the only state fair partnerships of its kind in the U.S. and the new Virginia Craft Beer Cup Gala and Virginia Craft Beer Conference which are the largest independent craft brewer events in the Commonwealth of Virginia. The VCBG also just launched its new "Legendary Brewery Award" to recognize remarkable contributions to the craft beer industry and the award was named in honor of its first recipient and founding VCBG member, that celebrated its 25th year in operation in 2019 - Legend Brewing Co.



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COMPLIANCE

Complying with Virginia's "gift laws" are a critical part of legislative advocacy involving elected officials. The laws are clear, and every member must adhere to them or risk legal action from the state. It is the responsibility of each member to understand these laws (see <https://law.lis.virginia.gov/vacode/title2.2/chapter31/section2.2-3103.1/>).

The "bright lines" that members should be aware of are as follows:

- **Gifts valued in excess of \$100 are illegal**
- **Only give gifts valued at less than \$20**
- **Have at least 25 people participate in an event where food and beverage are provided**
- **Designate events in the name of the company and the VCBG**

SUMMARY

The key to the VCBG "VA Craft Brewer for a Day" experience is to Communicate, Demonstrate and Advocate. This requires a substantial amount of preparation and attention to detail, but the effort will pay dividends in the future. Building a solid legislative caucus that supports VCBG and its members' priorities is essential to the future of the independent craft beer industry.

If you need an introduction to your legislator, please contact the VCBG because we are committed to your success!

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SAMPLE LETTER

DATE

The Honorable **FIRST & LAST NAME**

ADDRESS

Dear **DELEGATE or SENATOR LAST NAME**,

I hope this correspondence finds you well.

The independent craft beer industry is growing in the Commonwealth of Virginia. The Virginia Craft Brewers Guild membership accounts for nearly \$1.37 billion in economic impact and Virginia now ranks #18 in the nation for craft breweries per capita. On behalf of **BREWERY NAME** and our team of # employees, you are invited to participate in our “VA Craft Brewer for a Day” program to learn about the independent craft beer industry and brew some amazing craft beer with our team.

As a member of the Virginia Craft Brewers Guild, we have carefully crafted an informative and engaging program of activities. Our goal is to increase your knowledge of the industry and our specific brewery while providing you with a newsworthy outreach opportunity. The entire experience will take about 90 minutes, but it will entirely depend upon how much you enjoy yourself!

Please join us for our “VA Craft Brewer for a Day” program and celebrate independent Virginia craft beer. I look forward to working with your staff to identify a mutually convenient date for your visit. Feel free to contact me if you have any questions.

Cheers!

NAME

TITLE

PHONE, EMAIL

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VA CRAFT BREWER FOR A DAY REPORT

Date of Experience:

Brewery:

Host Name and Title:

Delegate/Senator/Open Seat Candidate Name:

Names, Titles, Contact Information for their Participating Staff:

Check all that apply:

<input type="checkbox"/>	<i>Provided a brewery tour for legislator/candidate</i>
<input type="checkbox"/>	<i>Required legislator/candidate to wear PPE</i>
<input type="checkbox"/>	<i>Legislator/candidate performed a brewery function (e.g., brewing, packaging, serving)</i>
<input type="checkbox"/>	<i>Legislator/candidate sampled beer</i>
<input type="checkbox"/>	<i>Reviewed "VCBG Top Craft Beer Priorities" with legislator/candidate</i>
<input type="checkbox"/>	<i>Incorporated "Virginia Craft Beer SWOT Analysis" into talking points used with legislator/candidate</i>
<input type="checkbox"/>	<i>Sent pics to legislator/candidate and VCBG</i>
<input type="checkbox"/>	<i>Invited legislator/candidate to the VCBG Craft Beer Caucus</i>

Please provide specific feedback on the comments shared by the legislator/candidate, his/her response to VCBG priorities, and his/her experience with craft beer industry:

Please send completed report and pics to barnold@vacraftbrewersguild.com.