

HOUSE BILL REPORT

HB 2118

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to the marketing of microbrew beer at farmers markets.

Brief Description: Authorizing approved microbrewers to sell beer at farmers markets.

Sponsors: Representatives Newhouse and Sullivan.

Brief History:

Committee Activity:

Commerce & Labor: 3/3/03, 3/5/03 [DPS].

Brief Summary of Substitute Bill

- Allows microbreweries and certain other small breweries licensed by the Liquor Control Board to obtain an endorsement to sell bottled beer at qualifying farmers markets.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Conway, Chair; Wood, Vice Chair; Chandler, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

Staff: Matt Cooper (786-7106).

Background:

A microbrewery license authorizes production of up to 60,000 barrels of beer per year. There are 81 licensed microbreweries in the state, 31 of which bottle their beer. Microbreweries may obtain an endorsement for on-premises consumption of beer and wine.

Federal law imposes a lower excise tax rate on small breweries (breweries producing not more than 2 million barrels of beer per year). Currently only one brewery in Washington producing more than 60,000 barrels of beer per year qualifies for this

reduced excise tax rate.

There is no specific authority allowing a microbrewery to sell bottled beer at a farmers market. Farmers markets are not regulated by statute, but a majority of markets belong to a voluntary association that sets guidelines regarding what kinds of products may be sold at a market. The association standards require that vendors at a market be predominantly Washington farmers selling their own produce.

Summary of Substitute Bill:

Licensed microbreweries and small breweries qualifying for a reduced federal excise tax may obtain an endorsement to sell bottled beer at qualified farmers markets. This endorsement would not allow sampling or on-premises consumption at a farmers market. The annual cost of the endorsement is \$75.

Before selling bottled beer at a qualified farmers market, the brewer must notify the Liquor Control Board (Board) monthly with the date, time, and locations of markets at which bottled beer may be sold. The brewery may not store bottled beer at a farmers market beyond the market hours. Breweries may not act as a distributor from a farmers market location.

A farmers market must be qualified by the Board before any brewer may sell bottled beer at the market. To apply for approval, a market must provide information about stall locations and the market manager. Before approval the Liquor Control Board must notify local jurisdictions of the application.

To be approved by the Liquor Control Board, a farmers market must be conducted primarily by Washington farmers selling their own produce or products and the gross sales by vendors who are farmers, processors, and resellers (other than breweries) must be greater than the combined gross sales of those vendors who are breweries.

Substitute Bill Compared to Original Bill:

The substitute bill includes small brewers who qualify for a reduced federal beer excise tax by producing not more than 2 million barrels per year in those licensees that may obtain an endorsement to sell bottled beer at farmers markets.

The substitute bill prohibits a brewery from acting as distributor from a farmers market location and establishes further guidelines concerning the vendors at farmers markets. In order to be a qualifying farmers market, the gross sales by vendors who are farmers, processors, and resellers (other than breweries) must be greater than the combined gross sales of those vendors who are breweries.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Washington is the largest hop producer in the country. Seventy percent of all hops grown in this country are grown in Washington.

The brewing industry has a long history in, and strong ties to, this state. There are numerous small brewers in this state that are looking for ways to successfully market their products. Allowing sales of bottled beer at farmers markets is a way for small brewers to market their product to the public. Broader exposure to small brewers will create a stronger market for their products and a stronger market for hop producers.

This bill will allow the same opportunity that was offered to small wine producers in another bill that recently passed out of this committee and the House. Small brewers want to be on equal footing with small wineries.

Testimony Against: None.

Testified: Representative Newhouse, prime sponsor; and Chris Cheney, Washington Brewers Guild.