

HOUSE BILL REPORT

HB 1176

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to the alcoholic beverage mead.

Brief Description: Concerning the alcoholic beverage mead.

Sponsors: Representative Muri.

Brief History:

Committee Activity:

Commerce & Gaming: 1/26/17, 2/13/17 [DPS].

Brief Summary of Substitute Bill

- Defines the alcoholic beverage "mead."
- Excludes the production of the alcoholic beverage "mead" from the agricultural commodity assessment that applies to the production of wine, and which funds the Washington Wine Commission's promotion of Washington wines.
- Authorizes liquor retail licensees with privileges to sell beer or cider to customers in a container supplied by the licensee or a sanitary container brought to the premises by the customer and filled at the tap at the time of sale, for off-premises consumption, to similarly sell the alcoholic beverage "mead" in such containers.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Jenkin, Kirby and Young.

Minority Report: Do not pass. Signed by 1 member: Representative Ryu.

Staff: Peter Clodfelter (786-7127).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Washington Wine Commission and Agricultural Commodity Assessments.

The Washington Wine Commission (Commission) is an agricultural commodity commission composed of 12 voting members: five of the members are growers; five are wine producers; one is a wine distributor; and one is the Director of the Department of Agriculture or the Director's designee. The Commission advertises and promotes Washington wines, educates people about Washington's wine industry, and generally fosters the economic growth of Washington's wine industry.

In order to fund the Commission, agricultural commodity assessments are levied on wine producers and growers. The assessment on wine producers is 2 cents per gallon on sales of packaged Washington wines. The assessment on growers of Washington vinifera wine grapes is \$3 per ton of vinifera grapes harvested. Those assessment rates may be changed pursuant to a referendum conducted by the Commission that is approved by a majority vote of wine producers or wine growers, whichever group's assessment rate is affected by the referendum. In 2015 the Legislature permanently excluded the production of cider from the agricultural commodity assessment levied on wine producers.

Sales of Beer and Cider in Sanitary Containers for Off-Premises Consumption.

Different liquor retailer licenses issued by the Liquor & Cannabis Board (LCB), or endorsements to liquor retailer licenses, authorize the holder to sell beer and cider to a purchaser in a container supplied by the licensee or a sanitary container brought to the premises by the purchaser and filled at the tap at the time of sale, for off-premises consumption. Licenses or endorsements with this privilege include the following:

- hotel license;
- spirits, beer, and wine restaurant license (endorsement);
- beer and/or wine specialty shop license (endorsement);
- grocery store license (endorsement); and
- beer and wine retailer's license (combined license with the beer and/or wine restaurant license or the tavern license).

Liquor Definitions: Wine, Cider, Malt Beverages, and Mead.

"Wine" means any alcoholic beverage obtained by fermentation of fruits (grapes, berries, apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during, or after fermentation, and containing not more than 24 percent alcohol by volume. Any beverage containing no more than 14 percent alcohol by volume when bottled or packaged is referred to as "table wine." And, with certain exceptions, any beverage containing alcohol in an amount more than 14 percent by volume when bottled or packaged is referred to as "fortified wine."

"Cider" means table wine that contains not less than 0.5 percent alcohol by volume and not more than 8.5 percent alcohol by volume and is made from the normal alcoholic fermentation of the juice of sound, ripe apples or pears. Cider includes, but is not limited to, flavored, sparkling, or carbonated cider and cider made from condensed apple or pear must.

"Malt beverage" means any beverage such as beer, ale, lager, stout, or porter obtained by the alcoholic fermentation of an infusion or decoction of pure hops, or pure extract of hops and

pure barley malt, or other wholesome grain or cereal in pure water containing not more than 8 percent alcohol by weight and not less than 0.5 percent alcohol by volume. Any such beverage containing more than 8 percent alcohol by weight is referred to as "strong beer."

"Mead" is not defined in state law. Generally speaking, mead is an alcoholic beverage created by fermenting honey with water, and may contain hops, fruit, spices, grain, and other agricultural products or favors. Mead can be still, carbonated, or naturally sparkling.

Summary of Substitute Bill:

The Washington Wine Commission and Agricultural Commodity Assessments.

After January 1, 2018, the agricultural commodity assessment that applies to the production of wine may not be levied on the production of mead.

Sales of Beer, Cider, and Mead in Sanitary Containers for Off-Premises Consumption.

Liquor licensees with privileges to sell beer or cider to a purchaser in a container supplied by the liquor licensee or a sanitary container brought to the premises by the purchaser and filled at the tap at the time of sale (e.g., a growler), for off-premises consumption, may similarly sell mead to a purchaser in such a container. However, any mead sold in such a container must have an alcohol content equal to or less than 14 percent alcohol by volume.

Liquor Definitions: Mead.

"Mead" is defined as a wine or malt beverage of which honey represents the largest percentage of the starting fermentable sugars by weight of finished product and that is derived from a mixture of honey and water, which may contain hops, fruit, spices, grain, and other agricultural products or flavors, and that is sold or offered for sale as mead.

Substitute Bill Compared to Original Bill:

A requirement is added that any mead sold by a liquor licensee to a purchaser in a container supplied by the liquor licensee or a sanitary container brought to the premises by the purchaser and filled at the tap at the time of sale (e.g., a growler), for off-premises consumption, must have an alcohol content equal to or less than 14 percent alcohol by volume.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Mead, which is made from fermented honey, is the world's oldest alcoholic beverage and has a distinct history. The mead industry is the fastest growing adult beverage market in the United States. There are at least 17 mead producers in Washington. Mead can range from 5 percent alcohol by volume up to 14 percent alcohol by volume, or more. Under state and federal regulatory schemes, mead falls into the broad classification of wine. However, mead is different than wine, as well as beer. Having an accurate definition of mead in state law will help the mead industry grow and work with regulators. Mead producers should also be free from paying the Commission assessment, because the Commission does not represent the mead industry. If mead producers choose to do so, they can form their own marketing group to advertise their own unique industry. Additionally, people would like to be able to purchase mead in growlers, similar to beer or cider.

(Opposed) None.

Persons Testifying: Representative Muri, prime sponsor; Chris Webber, Washington Mead Alliance; Glenda Downs, Sky River Mead; and Gary Gross, Ethereal Meads.

Persons Signed In To Testify But Not Testifying: None.