

HOUSE BILL REPORT

SSB 6812

As Passed House - Amended:

March 3, 2000

Title: An act relating to contract brewing by domestic brewers.

Brief Description: Allowing contract brewing by domestic brewers.

Sponsors: Senate Committee on Commerce, Trade, Housing & Financial Institutions
(originally sponsored by Senator Prentice).

Brief History:

Committee Activity:

Commerce & Labor: 2/23/00.

Floor Activity:

Passed Senate: 2/11/00, 44-0.

House Amended.

Passed House: 3/3/00, 98-0.

Brief Summary of Substitute Bill

- Exempts domestic breweries that contract with a brand owner who is licensed as a domestic brewery to manufacture beer from the requirements to file contracts and other memoranda with the Liquor Control Board.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority/Minority Report: None. (Bill removed from committee on 3/1/00).

Staff: Pam Madson (786-7166).

Background:

Beer and wine distributors must file with the Liquor Control Board the wholesale prices they charge to retailers. Distributors may not modify these prices without prior notice to the board and must have the board's approval.

Beer and wine manufacturers, importers and distributors who sell to other distributors must file all contracts and memoranda with the board that reflect the schedule of prices and other charges and discounts used in dealings with distributors. Prices must be uniform to all distributors and the charges cannot differ from those filed.

Current law defines brewer as any person engaged in the business of manufacturing beer and malt liquor. Domestic brewery is not defined under the liquor laws.

Summary of Bill:

The sale of beer produced under contract by a domestic brewery for a brand owner is a transaction that is not subject to price-posting requirements. The brand owner must also be a licensed domestic brewery but may not act as a distributor for its contract-produced product and may exercise only the privileges of storing, selling to beer distributors, and exporting beer from the state. A brand owner is a licensed domestic brewery that holds a federal brewer's notice for production of beer outside the state

The definition of "brewer" is modified to include a brand owner whose malt beverage is brewed under contract with another domestic brewery. "Domestic brewery" is defined as a place where beer and malt liquor are manufactured by a brewer in the state.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Miller Brewing is involved in producing beer under contract for Pabst which is an out-of-state manufacturer and an in-state distributor of beer. Miller purchased the brewery from Pabst and continues to brew beer for them under contract. Under the brewing contract, certain information including the price that Miller charges Pabst is considered proprietary information and may not be disclosed. This arrangement conflicts with certain state laws regarding price posting and filing of contracts with the Liquor Control Board. Sixty percent of Miller brewing is currently done as contract brewing. This is an industry trend and the state needs to look at a long term solution to this problem.

Testimony Against: None.

Testified: Steve Gano, Miller Brewing; Dick Ducharme, Washington Beer and Wine Wholesalers Association; and Rick Garza and Heidi Whisman, Liquor Control Board.