
Commerce & Labor Committee

SB 5994

Brief Description: Removing suppliers and distributors of wine from the provisions of chapter 19.126 RCW.

Sponsors: Senators Hewitt, Reardon, Honeyford, Haugen, Rossi, Hale, Mulliken and T. Sheldon.

Brief Summary of Bill

- Removes wine manufacturers, suppliers, and distributors from the provisions of the law that define the business relationships between beer and wine suppliers and distributors.

Hearing Date: 3/27/03

Staff: Matt Cooper (786-7106).

Background:

Wineries, wine suppliers, and wine distributors must be licensed by the Liquor Control Board (Board). A *wine supplier* is a winery or wine importer that supplies wine to a wholesale distributor. Domestic wineries and any winery producing less than 300,000 gallons of wine per year are excepted from the definition of wine supplier. A *wine distributor* is a business that buys wines at wholesale from wineries and wine importers and resells the wine to wine retailers. A *wine manufacturer* is a winery that makes or bottles wine.

The relationship between beer and wine suppliers and distributors is governed by Chapter 19.126 RCW. Agreements between wine suppliers and distributors must be in writing.

Wine suppliers must reimburse the costs of distributors if they fail to deliver the product agreed upon. Wine suppliers may not force a distributor to accept any product that it has not ordered.

Wine distributors must use their best efforts to distribute the supplier's wine effectively and in a manner that maximize sales and ensure the quality of the wine. Any changes in the agreement between the parties must be in writing with prior notice to the other party.

In *Mt. Hood Beverage Company vs. Constellation Brands*, No. 7288-8, (Wash. Feb. 20, 2003) an out-of-state wine supplier alleged that Chapter 19.126 RCW violates the Commerce Clause of the U.S. Constitution because it favors in-state wineries and discriminates against out-of-state suppliers. On February 20, 2003, the State Supreme Court declared Chapter 19.126 RCW unconstitutional because it violated the Commerce Clause.

Summary of Bill:

Wine manufacturers, suppliers, and distributors are removed from the provisions of Chapter 19.126 RCW.

Rules Authority: The bill does not address the rule-making power of the Board.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.