washington wine institute

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Important information about how I-1100 will impact your winery

The future of the Washington wine industry will be in the hands of the voters come this November. Supporters of Initiative 1100 and Initiative 1105 each submitted enough signatures to qualify for the ballot. Both initiatives seek to privatize the sale of spirits in Washington, and in the case of I-1100, significantly impact the way you sell and distribute your wine. Here's our take on I-1100. Look for an overview of I-1105 in your inbox soon.

INITIATIVE 1100 DISMANTLES THE CURRENT DISTRIBUTION SYSTEM

In addition to turning over the business of selling spirits from the State to the private sector, I-1100 is a sweeping proposal that completely repeals the current distribution system. This would remove valuable legal protections wineries have always enjoyed, including the ban on credit and "pay to play" practices.

I-1100 came together without any input from our $ 4 billion industry and yet, if it passes, it will have immeasurable impact on our state's wineries. This new system will particularly disadvantage our smallest wineries that do not have the capital for a "pay to play" way of business.

WWI has always been driven by a philosophy that we can keep the laws that work in our industry's favor and change or repeal the laws that impede our ability to sell and market wine. Our industry has been well served by this thoughtful approach and we have successfully fought on your behalf for strategic changes that benefit your bottom line. We strongly believe that the way to continue fostering the industry's growth and vitality is to continue our aggressive but smart work, eliminating laws that don't work for wineries, all the while protecting your interests.

I-1100 is an extreme approach to modernizing wine law. Please take the time to talk with other winemakers and colleagues about this measure and the impact it would have on our industry if it were to pass. And as always, please continue to contact us with your questions and comments about the initiatives.

We've provided some pros and cons of key pieces of I-1100 below. WWI believes there is a way to achieve the benefits of I-1100 through the legislative process without being saddled with the cons of a broad repeal of liquor law.

I-1100 Discussion Points:

BAN ON CREDIT REMOVED

PROS:

- Allowing a retail account to take wine on credit may open up more opportunities to get into accounts that might not otherwise be accessible.
- Wineries would no longer have to wait around at a retail account for a check at time of delivery.

CONS:

- Could pose a serious cash flow problem while you wait to collect payment.

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- Introduces hassles associated with getting retail accounts to pay, similar to what wineries experience with distributors—where they pay anywhere from 1-6 months after delivery.
- Wineries risk retailers and restaurants going out of business without ever receiving payment for wine sold.

QUANTITY DISCOUNTS ALLOWED

PROS:

- Allows for more flexible pricing.

CONS:

- Quantity discounts could favor large wineries, as opposed to small wineries, because large wineries have the volume and financial flexibility to profit from quantity discounts.
- Smaller wineries will feel pressure to provide discounts and could be priced out of the market.

ADVERTISING RESTRICTIONS REMOVED –

Expands joint promotion between winery and retail accounts and removes restrictions on sharing costs of advertising.

PROS:

- Allows for more flexibility and innovation in advertising and takes the bureaucracy of the LCB out of the process.

CONS:

- Could increase pressure for wineries to pay for retail account's advertising costs, such as wine giveaways, sales incentives, underwriting of advertising, promotional material giveaways, exclusive marketing or printing menus.
- A retail account could make wineries pay for shelving space and/or placement.
- Removes current protections around joint advertising, for example:

  a.) Currently, wineries can pour at grocery stores, but the grocery store cannot charge you to do so.
  b.) Current law allows for cross promotion of retail accounts, but again, retail accounts cannot charge your winery for this.
  c.) Recent changes to law allow you to provide branded promotional materials of nominal value to retailers (like t-shirts, lighters, pens, etc) but cannot be a required term of doing business with your winery.

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