

# I-1100 – Understanding the Impact on Washington’s Wine Industry

On November 2 voters will be asked to decide on Initiative 1100, which will dramatically alter the way wineries do business in Washington. I-1100 goes much further than any other State in the country to deregulate the sale and distribution of wine and beer. *In response to member requests for clear, concise information the Washington Wine Institute has prepared the following summary:*

The WWI opposes I-1100 because the organization and its members believe radical deregulation is potentially very damaging to the state's \$4.7 billion wine industry. Our current framework of laws levels the playing field and enables small wineries to gain access to markets and compete based on their quality – that's critically important to both consumers and winemakers in Washington State.

- The current wine laws provide equal access to the marketplace for small artisan wineries, rather than requiring deep pockets needed to compete in a pay-to-play environment.
- In a deregulated market, wineries could be asked to pay for shelf space in grocery stores, to reprint restaurant menus to get on a wine list, or to pay for promotional or advertising costs in order to be carried by a retailer.
- No other state has totally deregulated wine distribution; in fact, no state with a wine industry has come even close.
- I-1100 would help large big-box retailers and large out-of-state wine brands by legalizing quantity discounts and centralized warehousing, which could make it very hard for small wineries to compete.
  - Quantity discounts would favor larger operations that could more easily absorb the costs, increasing price point pressure on small wineries.
  - Centralized warehousing would result in a smaller selection for consumers as large retailers would deal in wine by the pallet, decreasing the number of SKU's on the shelf.
- A repeal of the prohibition of credit terms would disadvantage smaller wineries that are less able to operate without immediate cash flow or to absorb the cost of collections and lost revenue for non-payment.

The Washington Wine Institute opposes I-1100 because it will negatively impact the small family-owned, artisan wineries that are the heart and soul of the state's wine industry. WWI and its members believe that our industry, 90 percent of which is made up of small, artisan wineries, benefits from the current system that allows equal access to market, regardless of a winery's size or the amount of funds behind its operation.

The WWI supports strategic changes to Washington laws that benefit our industry while keeping laws that work in our favor on the books. Our membership, which largely consists of small family winemakers, understands that many wineries are frustrated with the complexity and compliance issues of dealing with a myriad of regulations in 50 states. However, as attractive as it may sound to throw out our state's current regulations, we believe we would be doing our industry a great disservice by ignoring the gains achieved in our current system and opting for a deregulation experiment untested in any other wine producing state.

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Over the past several months, WWI members have traveled across the state and talked with many winemakers who are concerned about the potential impact of I-1100 on their businesses. Many people have asked us what they can do to help defeat the initiative.

In response, we are developing materials that you can distribute to your customers to help them understand the negative impact that I-1100 will have on your business. We also can help you answer specific consumer and legal questions about I-1100 that may come up in your conversations about the issue. In short, we are here for you as a resource.

In return, we ask that you continue to talk to other members of the industry about this initiative. Whatever side you fall on in the debate, it is crucial that thoughtful discussions about the impact of this initiative take place and that our industry and our constituents, particularly our consumers, are well educated about the issues.

Please don't hesitate to contact us with your questions and comments. Additionally, if you would be willing to act as a regional spokesperson to the media on this initiative, please let us know. Thank you for your time and support, and we look forward to speaking to you soon.