

**HR 5034 PRESENTS TANGIBLE THREAT TO CONSUMERS,
AS WELL AS WINEMAKERS, WINE MERCHANTS, BREWERS AND DISTILLERS**

Wholesalers Attempting to Dupe Congress

June 8, 2010, Napa, CA – The nation's winemakers, brewers, and distillers have each issued statements urging Congress not to consider House Resolution 5034. Meanwhile, wine wholesalers cynically claim the bill would have no effect on current laws.

Drawing from producer statements, HR 5034 presents significant, tangible threats to thousands of businesses – most of which are family-owned and operated – and millions of consumers who enjoy wine, beer and spirits. More specifically:

- **Winemakers: HR 5034 Will Decrease Consumer Choice, Increase Prices:** States could pass laws that discriminated against interstate wine commerce and, if HR 5034 passed, make it nearly impossible to overturn them in federal courts. This would turn the clock back on consumer choice from the nation's 6,000+ US wineries. Over the past 12 years, the number of states that allow legal, regulated winery-to-consumer shipments has grown from 17 to 37; these states represent 83% of wine consumption. Additionally, states could pass laws allowing wholesalers to fix prices and, if HR 5034 passed, these laws would be immune from challenge on federal antitrust grounds.
- **HR 5034 Will Bankrupt Wineries:** Only 17% of wineries are distributed nationally, and 54% of them were unable to find a wholesaler in states where they actively sought representation, according to a survey by Wine Institute, a public policy trade association representing more than 900 California wineries. As a result, many wineries now rely on direct sales to survive. If a winery cannot secure distribution, but is prohibited from selling to its customers directly, the winery will be locked out of the market.
- **Brewers: HR 5034 Intended to "Protect In-State Interests."** In its May newsletter, the Beer Institute warned of "unintended consequences" of HR 5034 and that, if passed, "...imposes a virtually insurmountable burden on anyone challenging an unfair, anticompetitive or even unconstitutional state law regulating alcohol beverages." The Brewers Association warned that the bill would allow states to enact new laws to "heighten discriminatory treatment of out-of-state brewers (and beer importers) or to limit or ban commercial activities that wholesalers do not like."
- **Distillers: State-Imposed Price Fixing:** The Distilled Spirits Council of the U.S. wrote Congress that HR 5034 has been misrepresented as "no big deal, but it is in fact a big deal." States could "set their own labeling requirements," impose price fixing, give tax advantages and consumer convenience measures such as Sunday sales only to in-state distillers and companies. According to the Kentucky Distillers Association, the bill would allow states to establish their own formulas, labeling and bottling standards for Bourbon, concocting their own whiskey and calling it 'Bourbon,' thus overriding uniform federal requirements and 200 years of American heritage.

"Contrary to wholesaler claims of solving a 'problem,' HR 5034 is a legal distortion and full-scale attack on the balance of federal and state laws that prevent monopoly protections for wholesalers in each state," said Jeremy Benson, executive director of Free the Grapes!, a national grassroots coalition of consumers, wineries and wine retailers.

Wineries

Representing wineries across the U.S., a joint statement by Wine Institute and WineAmerica was issued May 17: "Oppose H.R. 5034 – Wholesalers Monopoly Protection Bill."

<http://www.wineinstitute.org/files/Wine%20Institute-WineAmerica%20Opposition%20Letter%20to%20H.R.%205034.pdf>

Brewers

The Beer Institute's May newsletter is available at

<http://www.beerinstitute.org/BeerInstitute/files/ccLibraryFiles/Filename/000000001053/BI%20Newsletter%200510.pdf>

The Brewers Association statement in opposition to H.R. 5034:

http://www.brewersassociation.org/pages/government-affairs/ba-position-statements#hr_5034

Distillers

Separately, the Distilled Spirits Council of the United States, and the Kentucky Distillers' Association issued statements in May.

Discus: Controversial "State-Based Alcohol Regulation" Bill Will Undermine Longstanding Framework of Alcohol Control (H.R. 5034). See www.discus.org/media/press/article.asp?NEWS_ID=591

Kentucky Distillers Association: "Bill Could 'Wipe Out Centuries of Kentucky Craftsmanship, Quality and Heritage.'" http://www.discus.org/media/press/article.asp?NEWS_ID=593

Since April 20, wine lovers have sent more than 35,000 letters through www.freethegrapes.org to Congress in opposition to HR 5034. For more information on Free the Grapes' response to HR 5034, visit http://www.freethegrapes.org/index.php?q=content/media_updates.

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