

How Does I-1183 Affect Wineries?

Many wineries have asked us how Initiative I-1183, if passed, would affect Washington wineries. The summary below attempts to answer that question by examining the three principal wine-specific provisions of I-1183. Beyond the well-publicized privatization of spirits sales, I-1183 proposes changing state wine laws by: (1) repealing "uniform pricing" laws, (2) allowing centralized wine warehousing by certain retailers, and (3) permitting "retail to retail" wine sales.

Uniform Pricing Laws

Uniform pricing laws currently require the same wholesale price be offered to all retailers. In this way, uniform pricing effectively "levels the playing field" among wineries by prohibiting discounts in sales to the retail tier. Uniform pricing also prevents "pay-to-play" practices in alcohol distribution; in other industries, such as potato chips and pop, retailers look to producers to pay for advertising, marketing, and other costs in exchange for placement and shelf space.

Repeal of the uniform pricing laws would sanction retailers to seek volume discounts, special deals, and/or delivered pricing from those wineries willing or able to do so. The impact on Washington wineries will differ for each winery depending on its business model.

Central Warehousing

Washington law currently prohibits central warehousing of wine by retailers. Accordingly, retailers may not store wine off-site but must maintain it on their licensed premises. I-1183 proposes to allow central (off-site) warehousing by large retailers, thereby enabling retailers to store and distribute wine from their central warehouses to any individual licensed premises they operate.

While Washington wineries might benefit from local restaurant chains storing wines for distribution to the chain's local restaurant premises, I-1183 also would allow out-of-state wineries to ship directly to retail warehouses, which would provide them with convenient access to the Washington market.

Central warehousing consolidates the number of brands—whether potato chips, pop or wine—that can be stored and distributed from the warehouse. So some retailers who utilize central warehousing may see a reduction to the number of wines offered at their locations.

“Retail-to-Retail” Sales

I-1183 would repeal the current prohibition on "retail to retail" sales. As the name suggests "retail to retail" sales are sales by a retailer to another retailer. This change would enable larger outlets to be the principal sellers in "retail to retail" sales and to sell their wines to smaller retailers, so wineries in the larger outlets would have more convenient access to smaller retailers.

Finally, you should note that I-1183 does NOT impact a Washington winery's right to sell direct to retailers. Wineries can already sell directly to restaurants and grocery and wine stores without using a distributor in our state, a right WWI fought hard to create and an activity it continues to fight hard to protect.

If you have questions regarding I-1183, please feel free to contact us. For more than 20 years, the Washington Wine Institute has been the industry's voice on legislative and regulatory issues impacting our state's wine industry, acting as a powerful advocate for wineries and helping shape policies that have supported the tremendous growth of the Washington wine industry. For more information, please see www.washingtonwineinstitute.org.