

*Think Global  
Drink Local  
Support Alabama Wineries*

State regulation of alcohol distribution is an important and necessary regulation. There are elements in Alabama's ABC regulations that have not kept pace with changes in the alcohol industry.

The current three tier system for sales of alcohol is restrictive to "in-state" wineries and inhibits free trade.

Alabama's ABC regulations support wholesalers which creates a physical and economic barrier between wineries and retailers. With the current system of assigned territories to wholesalers, the state enforced regulations guarantee the wholesalers market position.

In the past 20 years, there has been a significant shift in the alcohol industry. There are more suppliers, specifically local suppliers, in the market. In Alabama, as in other states, new wineries are being permitted each year.

While the industry in Alabama has grown, it has not kept pace with neighboring states or other states across the country. It is our opinion that the current three tier system is one of the barriers to growth in the wine manufacturing business.

1. The current regulations cause tax revenue to be lost. Small wineries are unable to grow their business because they are unable to increase their sales. This is tax revenue that is lost.
2. Current regulations give wholesalers an unequal advantage over other economic groups. We concede that there may be some economic disparity between manufacturers and wholesalers because of state regulations, however, regulations should create a fair and equal environment to operate.
3. Current regulations inhibit a grape grower from being able to market their Alabama Grown product. "Buy Fresh, Buy Local" does not apply to grape growers.

According to a 2007 comprehensive study by MKF Research LLC of Napa Valley, "The Impact of Wine, Grapes, and Grape Products on the American Economy: Family Businesses Building Value" wine, grape, and grape products industries contribute more than \$162 billion annually to the U. S. economy.

Another point made in this study is the enormous value added component as a "capital intensive and labor intensive industry which also generates wine country tourism". The tourism aspect has an economic multiplier effect. The infrastructure, employees, and tourism expenditures are three examples of why wine sales are only part of the picture

in terms of total economic impact. This study also found tremendous growth of wine tourism in rural areas of every state.

Since 2014, at our farm, we have planted 4 acres of grapes with the plan to plant up to 10 acres by 2016. This will enable our farm to produce approximately 45 tons of grapes, with a market value of approximately \$0.60 per pound (\$54,000). These grapes will yield 160 gallons of juice per ton of grapes, which will produce approximately 3,000 cases or 36,000 bottles of wine. Creating a market value of approximately \$432,000 (at \$12 per bottle).

The tax revenue generated from the wine is:

\$14,400	State excise tax (\$1.70 per gallon)
\$17,280	State sales tax (4%)

Grapes alone generate \$0 in tax revenue because it is a farm product.

Under current regulations, if a small winery is required to sell through a large wholesaler, the grower's gross revenue is reduced by one-third (1/3). After operating expenses and capital investment, the grower does well if they are able to break even.

### **SOLUTION:**

Enable local growers and small wineries to self-distribute their wine products, while complying with ABC regulations.

This will enable the grower to increase wine production and sales, which increases tax revenue for Alabama. The grower can make capital investment, create jobs, and generate local sales tax with the increase in wine sales.