

Fact or Fiction?

The Truth about Michigan's Wine Industry v. The Wholesaler Monopoly

House Bill 4959, as written, is bad for Michigan and only serves special interests. The Legislature should require all parties to sit down and compromise on limited, controllable and accountable direct shipping legislation that will comply with the Supreme Court decision, place us among progressive states, serve Michigan consumers while protecting against underage access, and help build our rural economies.

Fiction:

HB 4959 won't put Michigan wineries out of business.

Fact:

Michigan's 42 wineries are located in rural areas of the state and depend heavily on their right to ship their product directly to customers across the state – up to 30 percent of business for some. HB 4959 would ban any Michigan winery from direct shipping. Wineries who make much of their profit through direct shipping will have no choice but to close their doors.

Fiction:

Direct shipments by Michigan wineries will increase underage access.

Fact:

In over three decades, a Michigan winery has never been cited for shipping wine to a minor. HB 4959 would still allow retailers, including the hundreds cited each year for underage access to ship wine, beer and spirits. As cited by the U.S. Supreme Court, a recent study by the FTC found that the 26 states currently allowing direct shipments reported no problems with minors' increased access to wine. The rights of thousands of responsible consumers should not be taken away due to the irresponsible actions of a few.

Fiction:

Direct shipping of wine would lead to direct shipping of beer and spirits.

Fact:

Direct shipping of wine from out of state wineries has been happening in 26 states for years with no request by out of state breweries and distillers for the same rights. They simply do not want those rights. It could not be so ordered by the court in any case as in Michigan there is no direct shipping allowed in state by breweries and distillers. There is no discrimination, the Legislature has already acted to protect the wholesalers.

Fiction:

Michigan lawmakers shouldn't be concerned with taking a "bad vote" in favor of HB 4959, despite its anti-business nature & unpopularity among Michigan residents.

Fact:

Over 15 major daily newspapers in the state have editorialized against HB 4959, saying Michigan is moving in the wrong direction. At a time when Michigan leads the nation in unemployment, lawmakers should be passing legislation to encourage business investment to grow Michigan's \$75 million wine industry and the 1,000 workers it currently employs – not destroy it.

Fiction:

Michigan is just following the trend of the rest of the nation.

Fact:

This statement couldn't be further from the truth. Thirty-nine states allow their in-state wineries to ship directly to their residents, while 26 states allow out of state wineries to ship directly to consumers. While the Legislatures of other states like New York, Connecticut, Ohio and Texas have all recently found a compromise solution for limited, controllable and accountable direct shipping of wines, Michigan would move in the complete opposite direction away from the rest of the nation. Once again we would be at a serious disadvantage to compete with neighboring states in this growing tourism and agriculture industry.

Fiction:

The MBWWA spent hundreds of thousands of dollars defending Michigan wineries rights to ship.

Fact:

Michigan wineries did not fight for the exclusive right to allow only Michigan wineries to ship their product. Michigan wineries are not afraid of competition from out-of-state wineries and joined the case as interveners on the side of the consumer plaintiffs. The Wholesalers' investment in the court case was only to protect their monopoly – Michigan wineries welcome this competition, as it will open up other states to us and further our economic growth in the wine industry.

Fiction:

Wholesalers have tried to carry Michigan wines but the wineries would not let them.

Fact:

Wholesalers cannot possibly carry all of the wines introduced each year in Michigan – especially brands from smaller, lesser-known wineries. More than 30 percent of Michigan wine production currently is not carried by a wholesaler and retailers do not, will not and cannot handle all Michigan wines. The only path to building a consumer following for these smaller Michigan brands is through direct shipment. That's why Legislatures in 40 states including Michigan have granted direct shipment rights of wineries for years.

Fiction:

Delivery drivers won't ask for photo ID.

Fact:

The Legislature can and should require that no wine shipments be made unless by a delivery company approved by the MLC and require an ID check be performed at delivery. Most Michigan wineries already pay additional costs for the delivery company to require photo ID upon delivery. The Supreme Court recommends an ID check at delivery to solve any underage access concerns. Who would you trust more to provide age verification - a professionally trained, career delivery driver or an underage, part-time retail store clerk selling to his friends?

Fiction:

"All the whining is about 160,000 gallons of wine and three percent of Michigan's grape crop" – from a recent Wholesalers' letter to lawmakers

Fact:

While 160,000 gallons of wine may not be much for the Michigan Beer & Wine Wholesalers, those gallons are responsible for contributing \$75 million to Michigan's economy and mean everything to Michigan's 1,000 workers employed by the wine industry. They're also huge to thousands of workers employed in tourism-related businesses and smaller, rural communities who have seen major tourism growth because of the success of Michigan's 42 wineries – such as Leelanau Peninsula and Old Mission Peninsulas.

Fiction:

Michigan consumers will have plenty of wine labels still available to them.

Fact:

150,000 different wine labels are available today in the United States. The Beer & Wine Wholesalers have admitted they only handle 15,000 of those wines – giving Michigan consumers limited choice and access to only 10-percent of wines available. Is it fair that small wineries are discriminated against as wholesalers and retailers only handle big, well-known winery brands? The large number of wines is what makes wine so different to beer and spirits and why the Legislature for 30 years allowed direct shipments for Michigan wines and now should do so for limited quantities of out-of-state wines.

Fiction:

Michigan retailers should serve consumers – wineries shouldn't be involved.

Fact:

Unfortunately, retailers are not obligated to handle any wine they do not carry. The fact that the wine is not available now in retail is why the consumers have to go to the trouble to request direct shipment from the winery. Retailers would need to charge high fees for such special services of finding, obtaining, packaging and shipping the wine to the consumer even if they agreed to do so. They might do it for one or two wineries they cannot and will not do it for many more than that. The winery is the only one with the vested interest in making direct deliveries work from their retail stores.

Fiction:

There would be numerous job losses for wholesalers and loss of tax revenue for the state.

Fact:

These are classic "chicken little" claims. How many jobs would be lost if Michigan wineries lost 30% of their sales? Requiring all wineries who direct ship from outside the state to collect and remit Michigan taxes will increase revenue to the state not decrease revenue. In addition Michigan wineries will finally be able to build their business in other states thus creating more business tax proceeds for Michigan.
