

The Sonoma Index-Tribune

Vintners celebrate court decision

Removal of state barriers means millions in wine sales

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“The walls are coming down!” read the flyer posted at the front counter of Charles Creek Vineyards’ Sonoma tasting room yesterday as vintner Bill Brinton reacted to the news that the United States Supreme Court struck down laws that kept wineries from shipping their product directly to consumers in New York and Michigan.

Another local vintner, Vic McWilliams, whose Castle Vineyards and Winery receives many out-of-state visitors at its Spain Street tasting room just off the Plaza, said that the decision has the potential to increase his annual sales by more than \$60,000.

McWilliams said that up to now his winery has had to turn down an average of 20 to 30 requests per month from people who want to purchase wine through Castle’s wine club but could not due to anti-shipping laws in their home states.

The Supreme Court decision declared the laws in New York and Michigan unconstitutional because they were discriminatory and anti-competitive. “States have broad power to regulate liquor,” Justice Anthony Kennedy wrote for the majority. “This power, however, does not allow states to ban, or severely limit, the direct shipment of out-of-state wine while simultaneously authorizing direct shipment by in-state producers.”

“If a state chooses to allow direct shipments of wine, it must do so on evenhanded terms,” he wrote in an opinion joined by Justices Antonin Scalia, David H. Souter, Ruth Bader Ginsburg and Stephen G. Breyer.

Erin McClary, director of sales and marketing for Castle, said that it is still not clear how the decision will affect the anti-interstate- shipping laws of 22 other states not named in the suit.

She suggested that it depends on how those states change their laws with respect to wine shipments within the state.

Alan Wastell, tasting room manager for Charles Creek, said that he hopes the other state laws start falling “like dominoes.”

McWilliams and Brinton both said that direct shipping to consumers is important business to smaller wineries in Sonoma Valley.

Those that produce fewer than 10,000 cases per year usually do not have contracts with national wholesale distribution companies, and only those wineries with such distributors had access to consumers in the 24 states with prohibitions against out-of-state shipments of wine.

McWilliams added that the decision would improve the marketing and sales potential for at least 20 Sonoma Valley wineries. Assuming the 20 have volume of out-of-state consumer requests similar to Castle’s, the economic benefits could easily exceed \$1.2 million per year for the Valley’s smaller wineries.

Don Chase, of Kunde Winery and current president of the Sonoma Valley Vintners and Growers Alliance, said that the figure could easily be twice that amount, when one adds in the shipments that larger wineries would now be allowed to send.

He pointed out that even those companies which have wholesale distribution in all 50 states have an interest in direct shipping to consumers.

Chase said that this was a big win for all of Sonoma Valley wineries, many of whom donated money to the Napa-based “Free the Grapes” consumer advocacy group that raised the cash to hire lawyers who pressed the suit.

Until the court’s decision, states based their position on the 21st Amendment, which ended Prohibition in 1933 but gave states the authority to regulate liquor. Many passed laws that required wineries from out of state to sell through licensed wholesalers. These wholesalers, who generally do not buy wines from smaller wineries, have consistently lobbied against any change in state laws that gave them a virtual monopoly on wines brought into those states for sale.

But another part of the Constitution protects interstate commerce and bans states from passing laws that discriminate against out-of-state business.

Chase said the decision to not allow discrimination against out-of-state wineries was a big first step, but that changes in other states that ban all wine sales will take longer.