

UTAH DEPARTMENT OF ALCOHOLIC
BEVERAGE CONTROL

BUSINESS AND LABOR INTERIM COMMITTEE

JUNE 21, 2017

HISTORY OF 3.2 BEER

- **VOLSTEAD ACT**

- A) ESTABLISHED PROHIBITION

- B) “INTOXICATING LIQUOR” DEFINED AS ANY BEVERAGE CONTAINING MORE THAN 0.05% ALCOHOL BY VOLUME

- **CULLEN HARRISON (1933)**

- A) CHANGED DEFINITION OF “INTOXICATING LIQUOR” TO ANY BEVERAGE CONTAINING MORE THAN 3.2% ABW

- B) LEGALIZED 3.2 BEER

- **UTAH LIQUOR CONTROL ACT (1935)**

- A) DEFINED ANY BEVERAGE CONTAINING MORE THAN 3.2% ABW AS LIQUOR

- B) ALL LIQUOR SOLD IN STATE STORES AND PACKAGE AGENCIES; 3.2 BEER SOLD IN GROCERY AND CONVENIENCE STORES

NATIONAL 3.2 BEER MARKET

MARKET SHARE: 1.8% OF ALL BEER BREWED IN THE US

STATE	PERCENTAGE
COLORADO	4%
KANSAS	7%
MINNESOTA	3%
OKLAHOMA	56%
UTAH	29%

CHANGING 3.2 BEER LANDSCAPE

❖ **COLORADO - SB 16-197** (EFFECTIVE **JAN. 1, 2019**)

- A) CHANGED FERMENTED MALT BEVERAGE DEFINITION BY REMOVING MAXIMUM ALCOHOL CONTENT OF 3.2% ABW OR 4% ABV
- B) ALLOWS LICENSED FERMENTED MALT BEVERAGE RETAILERS TO SELL BEER WITH ALCOHOL CONTENT IN EXCESS OF 3.2% ABW OR 4% ABV

❖ **KANSAS - SB 13** (EFFECTIVE **APRIL 2019**)

- A) “CEREAL MALT BEVERAGE” = BEER (3.2) IN UTAH
- B) ALLOWS CMB RETAILERS TO SELL CMB AND BEER UP TO 6% ABV (4.8% ABW)

❖ **OKLAHOMA - SB 383** (EFFECTIVE **OCTOBER 2018**)

- A) “LOW POINT BEER” = BEER (3.2) IN UTAH
- B) MODIFIED DEFINITION OF BEER (HEAVY BEER IN UTAH) TO INCLUDE THE LOWER LIMIT
- C) CREATED BEER LICENSE ALLOWING SALE OF BEER UP TO 8.99% ABV

CONCERNS FOR UTAH

- 67% OF NATIONAL 3.2 BEER MARKET AFFECTED BY STATUTORY CHANGES
- MARGINALLY LESS COST-EFFECTIVE FOR BREWERIES TO PRODUCE BEER OTHER THAN WHAT THEY PROVIDE TO THE GENERAL BEER MARKET
- IF SWITCHING PRODUCTION IS NOT COST EFFECTIVE, LIKELIHOOD OF BREWERIES DISCONTINUING PRODUCTION OF 3.2 BEER INCREASES

WILL BREWERS DISCONTINUE MAKING 3.2 BEER

- ANHEUSER-BUSCH STATEMENT – “WE ARE PREPARED TO CONTINUE TO PROVIDE UTAH BEER DRINKERS WITH PRODUCTS THEY DEMAND”
- MOVEMENT TOWARDS PRODUCTION OF MALT BEVERAGES WITH LOWER ALCOHOL CONTENT
- DISCONTINUATION BY NATIONAL BREWERS CREATES AN OPPORTUNITY FOR LOCAL BREWERS
- OF 21 UTAH BREWERIES CURRENTLY IN THE MARKET, 14 PRODUCE HEAVY BEER AND 20 PRODUCE 3.2 BEER

UTAH MALT BEVERAGE MARKET

MALT BEVERAGES SOLD IN UTAH			
TYPE	GALLONS	PERCENTAGE	NUMBER OF OUTLETS
HEAVY BEER & FMB*	2,000,362	5.8%	175 (130 PA + 45 STORES)
BEER	32,468,377	94.2%	2000-3000

* SOLD IN STATE STORES AND PACKAGE AGENCIES WHICH ARE SUBJECT TO QUOTA

POSSIBLE IMPACTS OF DISCONTINUED PRODUCTION OF 3.2 BEER

287 ON PREMISE LICENSEES AUTHORIZED TO SELL ONLY 3.2 BEER

- 26 TAVERNS
- 116 BEER ONLY RESTAURANTS
- 145 ON-PREMISE BEER RECREATIONAL

CURRENTLY ONLY 3 BAR AND 31 LIMITED RESTAURANT LICENSES ARE AVAILABLE.

SHORTAGE OF LICENSES FOR THOSE CURRENTLY HOLDING TAVERN AND BEER ONLY RESTAURANT LICENSES IF THEY WANTED TO CONTINUE TO SELL ALCOHOL.

NO COMPARABLE LICENSE EXISTS FOR ON-PREMISE BEER RECREATIONAL

POSSIBLE IMPACTS OF DISCONTINUED PRODUCTION OF 3.2 BEER

CONSUMERS

- HIGHER PRICES (STATUTORY MARK UP)
- LIMITED ACCESS AND LOSS OF CONVENIENCE
- LESS PRODUCT VARIETY

MUNICIPALITIES

- POSSIBLE LOSS OF SALES TAX REVENUE

POSSIBLE IMPACTS OF DISCONTINUED PRODUCTION OF 3.2 BEER

DABC OPERATIONS

A. PURCHASING DIVISION

- LIMITED NUMBER OF 3.2 MALT BEVERAGES IN MARKET WOULD MOVE TO DABC
- INCREASE WORKLOAD
 - A) IN MALT BEVERAGE LISTING APPLICATIONS
 - B) INCREASE MALT BEVERAGE PRODUCT EVALUATIONS
 - C) INCREASE MALT BEVERAGE DE-LIST RATE

POSSIBLE IMPACTS OF DISCONTINUED PRODUCTION OF 3.2 BEER

DABC OPERATIONS

B. WAREHOUSE AND TRANSPORTATION

- INCREASE WORKLOAD
- SIGNIFICANT IMPACT ON WAREHOUSE STORAGE SPACE AND HOME LOCATIONS
- INCREASE WEAR AND TEAR ON EQUIPMENT
- INCREASE TRANSPORTATION COSTS
 - A) INCREASE LOAD AMOUNT/WEIGHT
 - B) INCREASE DELIVERY FREQUENCY (DABC & BEER DROP SHIP)

POSSIBLE IMPACTS OF DISCONTINUED PRODUCTION OF 3.2 BEER

DABC OPERATIONS

C. STORES AND PACKAGE AGENCIES

- INCREASE WORKLOAD
 - A) INCREASE TRANSACTIONS
 - B) INCREASE FREQUENCY OF RECEIVING
 - C) INCREASE NUMBER OF PRODUCTS TO STOCK
- PHYSICAL CAPACITY OF SOME STORES EXTREMELY LIMITED
- INCREASE PACKAGE AGENCY COMPENSATION