



March 11, 2016

To: House Committee on Commerce, Labor and Economic Development  
From: R.E. "Tuck" Duncan  
Kansas Wine & Spirits Wholesalers Association  
RE: HB2718

I appear today in opposition to HB2718. This bill is a bad idea, simply because it proposes a solution for a problem that does not currently exist. The proponents would have you believe that Cereal Malt Beverage is on the verge of elimination. *"The state will be bone dry like the 1800's, and all this will happen before the Kansas Legislature convenes in January 2017."* Not so.

Last month, a similar bill was introduced in the Senate Federal and State Affairs Committee. At that time, one of the committee members asked the proponent whether a manufacturer would be required to state that they are ceasing production of a brand of CMB for the entire United States, or simply for the State of Kansas. They said their intent was to require that the manufacturer is ceasing production for the entire U.S before the "trigger" is pulled. Unfortunately, the language in this bill does not make that clear, and that must be resolved.

This bill does not provide for on-premise sales in non-liquor-by-the-drink counties. Once low-point beer is gone, the taverns will be out of luck.

This bill means thousands of new access points for high point beer. Let there be no doubt, allowing strong beer to be sold in lieu of CMB in grocery and convenience stores will decimate retail liquor stores. The number of retail outlets for wine and spirits will be greatly reduced. This bill is a disservice to Kansas consumers.

In the most recent study of the *"Economic Impact of Replacing 3.2 Beer Sales With Full Strength Beer Sales"*, Summit Economics, LLC, conducted in Colorado, a state with a similar system to Kansas, it was concluded:

- 1) Colorado liquor stores will lose 50% of full strength beer sales to grocery and convenience stores in the first year alone.
- 2) Liquor stores will lose 70% of beer sales within 3-5 years.
- 3) It is estimated that 40% of the liquor stores will close within the first 3 years.

Obviously those findings are most alarming to those of us who sell wines and spirits.

Many legislators have been told there will be a vote in Oklahoma in November on this issue. If indeed there is a vote, all the proposals being considered in Oklahoma have an effective date of October 2018, and the outcome is far from certain. We have lots of time to make whatever may prove to be the right decisions for Kansas. To paraphrase a famous industry tag line: *"We need not legislate any new law before it's time"*.

