Washington State
Liquor Control Board

Liquor Control Board Interim Policy #BIP-03-2010

Subject: Craft Distilleries Contract Producing Spirits

Effective Date: June 10, 2010

Ending Date: Upon adoption of rules to implement this policy.

Approved:

Sharon Foster, Chairman

Ruthann Kurose, Board Member

Linda Bremer, Board Member

Purpose:
SSB 6485 created an allowance for a craft distillery to contract produce distilled spirits for holders of a distiller's liquor license, a manufacturer's liquor license, or a grower's liquor license. Rules are needed to clarify this legislation.

Policy Statement:
This policy clarifies the language for contract production found in RCW 66.24.145. Contract production is when one craft distillery, referred to as the "contractor," produces distilled spirits for a distillery licensed under RCW 66.24.140, manufacturers licensed under RCW 66.24.150, growers licensed under RCW 66.24.520, referred to as "contractee". This distilled spirit is referred to as the "product."

The contractee is the product owner. The contractee may handle the product under its license as RCW and WAC allow.

The contractor is required to physically transport all contracted product to the contractee. The contractor is not allowed to distribute or retail the product.

The craft distiller licensee must meet the following criteria in order to contract produce distilled spirits for holders of a distiller's liquor license, a manufacturer's liquor license, or a grower's liquor license:

- The contractor must submit a copy of the contract to the board prior to production. Any changes in the contract must also be submitted to the board prior to subsequent production. The board may require additional information.
- The contractor and contractee are required to obtain any federal approvals.
- Maintaining qualification as a craft distillery. Each craft distillery, whether in the capacity of a contractor or contractee, is allowed to produce sixty thousand gallons or less of total product per year. Total product, in this instance, includes:
    - product owned and produced by the craft distillery;
    - product owned and produced by the craft distillery for export from the state;
    - product owned by the craft distillery but produced by another craft distillery;
    - product produced by the craft distillery on behalf of another craft distillery; and
    - product produced by the craft distillery on behalf of a manufacturer or grower.
- Reporting and recordkeeping:
    - The contractor must include all product produced, including contract production, when it reports its monthly production to the board.
    - The contractee must include product contract produced under contract by a craft distillery when the contractee reports its monthly production to the board.
    - The contractor's and the contractee's recordkeeping documents must include the product information for each contract. The information must show the quantities produced.