

More Beer Please! Proposed North Carolina House Bill Increases Production Cap for Self-Distribution Limit



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Two bills have been proposed in the North Carolina House that, if passed, will have a significant impact on the craft brewing industry. These should be watched closely and supported as they broaden opportunities for the industry in terms of increased sales and better collaboration between breweries.

The first, House Bill 278, proposes to amend the current statute, NCGS § 18B-1104(8) by increasing the barrel limit for direct sales by craft brewers from 25,000 to 100,000 barrels a year. Qualifying breweries can sell beer at their brewery and up to three other retail locations within the state. If a qualifying brewery operates more than three other retail locations, it must make available for purchase a reasonable selection of competitive beers. This would be a drastic change from the current law that requires brewers to sell beer through a distributorship if they are selling more than 25,000 barrels annually.

The second, House Bill 625, takes the first proposed bill a step further, by exempting sales of beer at a brewery's main taproom from the 100,000 barrel limitation. If passed in conjunction with the first bill, this would mean that craft

breweries could sell an unlimited amount of beer directly to consumers at the brewery and then sell up to 100,000 barrels outside of those sold at the brewery.

House Bill 625 seeks to broaden the availability of products sold by breweries. It expressly allows breweries to sell beer produced at other breweries provided those beers have the brewery's name displayed on each bottle and are available for sale to wholesalers without discrimination. It also allows for the sale of unfortified wine at the brewery without requiring the brewery to serve food provided it has an ABC permit for the sale of wine. The bill also amends the wine permit statute to include breweries as retail businesses that can apply for the applicable permit.

Lastly, House Bill 625 clarifies the law pertaining to contract brewing and explicitly allows them provided there is no common ownership or affiliation between the breweries except for the contract brewing agreement. This would provide parity with wineries in North Carolina that are already authorized by statute to enter into contracting agreements for the production of wine. It also legitimizes the practice of leasing a brewing facility by a brewery permit holder to another holder of a brewery permit and assigns the responsibility of maintaining title, records, manufacturing, and label approval to the tenant brewer.

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