

TCBG TABC Sunset Testimony
Label Approval
December 13, 2018

Thank you Mr. Chairman and Commissioners for having me here today. My name is Michael Graham and I'm one of four owners of Austin Beerworks. During our 7 1/2 years of being in business, we have received TABC approval for 126 different malt beverage labels (with a few more currently pending), and it is that process that I'm here to speak about today.

I commend the Sunset Staff for recognizing the need to modernize Texas's malt beverage label approval process, as outlined in Issue 3 of their review of the TABC. I strongly agree with the Staff's recommendation to accept a federal Certificate of Label Approval (COLA) or adopt a file and use system for all malt beverages sold in Texas, as most other states in the country already do. The current approval process hinders the ability of Texas breweries to satisfy evolving consumer demands and serves no benefit or protection to the public.

With over 7,000 breweries now operating in the United States, around 300 of which are in Texas, beer consumers are more discerning and demanding than ever before. Freshness and innovation are two of the primary ways for breweries to stand out in this crowded marketplace. Texas's current label approval process does not allow for either.

For a beer to be sold in Texas, finished samples must be tested by TABC or another certified lab to have its alcohol content tested and label inspected for compliance. This process currently takes 4-6 weeks for error-free applications, during which time the beer's quality diminishes by the day and it is unable to generate revenue for manufacturers, wholesalers, or retailers.

Although alcohol content is tested, it is not required to be shown on the label. Instead, TABC allows the words "Beer" for anything below 5% ABV and "Ale" for anything above. Texas consumers purchasing a bottle labeled "Ale" can expect anything between 5% and 29% ABV (currently the highest approved malt beverage ABV, although there is no limit to what is considered a malt beverage).

I would like to add the TABC staff has always been helpful in correcting errors or answering questions about the label approval process. But they are stuck with a system that is woefully outdated, to the detriment of their agency and any company wishing to sell beer in Texas.

One final point on a file and use system, which would be the best possible outcome for us. Truth in labeling is in a brewery's best interest. The real cost, brand diminishment, and loss of customer or distribution partner goodwill associated with a product recall far exceeds the current penalty associated with not receiving a timely label approval or a theoretical TABC fine. This is a simple example of a case where government doesn't need to try and achieve what basic market economics already dictate far more efficiently.

Thank you very much, I'm happy to take any questions you might have.