



Beer-Hall Putsch:

March 7, 2013

Big Beer Drowns Small Competitors

Politicians Work Under the Influence of \$7 Million From Beer Distributors

A legislative package supporting Texas' fledgling craft brewery industry was as popular as a spring-break beer bong during a Senate hearing Tuesday. Everyone cheered the measures except for the sobersided Wholesale Beer Distributors of Texas, whose representatives declined to publicly defend their party-pooper position.¹

Overall beer sales have fallen flat, with the microbrewery sector showing the only signs of effervescence. A four-pack of bills to promote craft brewers introduced by Senator Kevin Eltife looks like a pro-business, job-creating slam dunk. Yet the outlook for Eltife's microbrew bills is more dismal if evaluated from the perspective of a more controlling business model—that of getting elected to public office.

Alcohol interests spent \$9 million on Texas' last two election cycles, with powerful beer distributors moving a stunning \$7 million. Meanwhile big brewery interests led by Anheuser-Busch doled out \$374,651. A hunt for microbrewer money turned up less than \$18,000. The top micro-contributor was Brock Wagner,

who owns St. Arnold's—the biggest little brewery in Texas.² Brock dispensed \$5,700.

The powerful distributors are split into two factions. The Beer Alliance of Texas worked with lawmakers and small brewers to craft the bills that Eltife introduced. Yet the Neanderthal Wholesale Beer Distributors group wields more clout. The list of the most politically active distributors on the next page records \$4.1 million affiliated with the Wholesale Beer Distributors. This trumps the \$2.1 million from the Beer Alliance and its top members.

Texas Alcohol Contributions (2009 through 2012)

Amount	Share	Interest
\$7,032,745	78%	Beer Distributors
\$1,551,836	17%	Liquor/Package Stores
\$374,651	4%	Big Beer Producers
\$20,018	<1%	Wine & Bars
\$17,924	<1%	Craft Beer Producers
\$8,997,174	100%	TOTAL

Top Beer Distributor Contributors (2009 through 2012)

Amount	Contributor (Affiliation)	City	Top Recipient
\$1,516,073	John/Barbara Nau (Silver Eagle Dist.)	Houston	Associated Republicans of TX
\$1,049,242	Wholesale Beer Distributors of Texas	Austin	Rick Perry
\$786,186	Barry G. Andrews (Andrews Distrib.)	Dallas	David Dewhurst
\$721,602	Joe V. LaMantia (L&F Distrib.)	McAllen	Texans for Economic Development
\$563,552	Beer Alliance of Texas	Austin	House Dem. Campaign Com.
\$325,075	J. Robert Brown (Desert Eagle Distrib.)	El Paso	Kay Bailey Hutchison
\$251,950	Steve LaMantia (L&F Distrib.)	Laredo	David Dewhurst
\$247,950	Greg LaMantia (L&F Distrib.)	McAllen	Texans for Economic Development
\$204,500	Anthony/Jennifer LaMantia (L&F Distrib.)	Corpus	Texans for Economic Development
\$173,358	J. Dan Brown (Brown Distrib.)	Austin	Rick Perry
\$124,250	Bennett Joe Glazer (Glazer's Distrib.)	Dallas	Rick Perry
\$81,350	Barkley J. Stuart (Glazer's Distrib.)	Dallas	David Dewhurst
\$76,976	John K. Gillis (GLI Distrib.)	San Antonio	Joe Straus
\$66,000	Michael Glazer (Glazer's Distrib.)	Dallas	Joe Straus
\$62,500	Silver Eagle Distributors, LP	Houston	Associated Republicans of TX

Note: Above contributors equal 89% of distributor money (colors show distributor trade-group alliances).

Beer distributors' power stems from Texas' prohibition on brewers selling their wares to retailers. An exception to this rule allows small Texas producers to self-distribute some of their beer.³ Yet Texas prohibits out-of-state microbrewers from self-distributing, a discriminatory practice ripe for judicial challenge. Distributors fear a court decision like the U.S. Supreme Court's 2005 ruling that opened up and invigorated the wine industry.⁴ Both distributor trade groups fear the courts. But they approach the threat differently.

The Beer Alliance endorses Eltife's [S.B. 516](#) and [517](#), which would extend self-distribution rights to microbreweries on either side of Texas' borders. These bills would increase the total amount of beer that self-distributing microbreweries can produce.⁵ Attempting a delicate dance with the powerful distributors, however, the same bills would roll back the amount of beer that craft brewers can self-distribute.⁶ Eltife's bills, then, reserve a significant share of the craft-brew market for distributors.

Top Microbrewery Contributors (2009 through 2012)

Amount	Contributor (Affiliation)	City	Top Recipient
\$5,700	Brock Wagner (St. Arnold's Brewing)	Houston	House Dem. Campaign Com.
\$4,875	Frederick 'Fritz' Rahr (Rahr & Sons Brewery)	Fort Worth	Wendy Davis
\$2,370	Brad Farbstein (Real Ale Brewing)	Blanco	Greg Abbott
\$1,667	Hoyt McElroy (Live Oak Brewing Co.)	Austin	Greg Abbott
\$1,000	Chip McElroy (Live Oak Brewing Co.)	Austin	Michael 'Tuffy' Hamilton

Note: Above contributors equal 87% of all microbrewery money.

Top Recipients of Alcohol Money (2009 through 2012)

Amount	Top Recipients of Alcohol Money	Top Alcohol Contributor(s)
\$829,294	Gov. Rick Perry (R)	J. Dan Brown (Brown Dist. Co.)
\$603,747	Attorney General Greg Abbott (R)	John L. Nau (Silver Eagle Dist.)
\$587,138	Lt. Gov. David Dewhurst (R)	Barry Andrews (Andrews Dist. Co.)
\$564,957	Speaker Joe Straus (R)	Wholesale Beer Distributors
\$397,369	Kay Bailey Hutchison (R)	John L. Nau (Silver Eagle Dist.)
\$365,121	Associated Republicans of TX	John L. Nau (Silver Eagle Dist.)
\$358,409	Texans for Economic Development	Joe V. LaMantia (L&F Dist.)
\$227,962	Comptroller Susan Combs (R)	John L. Nau (Silver Eagle Dist.)
\$170,581	House Democratic Campaign Com.	Joe V. LaMantia (L&F Dist.)
\$135,000	*Sen. John J. Carona (R)	Barry Andrews (Andrews Dist. Co.)
\$130,500	Texans For Lawsuit Reform	John L. Nau (Silver Eagle Dist.)
\$125,000	Republican State Leadership Com.	Peter Coors (Molson Coors Brewing)
\$125,000	TX Republican Party	Anheuser-Busch Cos.
\$118,750	*► Sen. John Whitmire (D)	Beer Alliance of TX/John Nau
\$117,965	Rep. Dan Branch (R)	Barry Andrews (Andrews Dist. Co.)
\$110,283	Rep. Charles L. Geren (R)	Barry Andrews (Andrews Dist. Co.)
\$90,118	Sen. Juan 'Chuy' Hinojosa (D)	Joe V. LaMantia (L&F Dist.)
\$89,365	*► Sen. Kirk P. Watson (D)	Wholesale Beer Distributors
\$74,801	Rep. Todd A. Hunter (R)	Barry Andrews (Andrews Dist. Co.)
\$73,060	Rep. Michael 'Tuffy' Hamilton (R)	Joe V. LaMantia (L&F Dist.)
\$65,500	Mex. American Legislative Caucus	Anheuser-Busch Cos.
\$65,350	Rep. Senfronia Thompson (D)	Beer Alliance of TX
\$64,500	TX Democratic Party	Anheuser-Busch Cos.
\$58,903	*► Sen. Leticia Van De Putte (D)	Beer Alliance of TX
\$57,551	Rep. Pete P. Gallego (D)	Joe V. LaMantia (L&F Dist.)
\$55,500	Elizabeth Ames Jones (R)	John L. Nau (Silver Eagle Dist.)
\$54,600	Rep. Edmund P. Kuempel (R)	Licensed Beverage Distributors
\$51,303	► Sen. Wendy R. Davis (D)	Joe V. LaMantia (L&F Dist.)
\$51,040	Sen. Kelton G. Seliger (R)	Wholesale Beer Distributors
\$50,527	► Sen. Tommy Williams (R)	Wholesale Beer Distributors
\$46,500	Land Com. Jerry E. Patterson (R)	Joe V. LaMantia (L&F Dist.)
\$44,595	Sen. Jose Roberto Rodriguez (D)	J. Robert Brown (Desert Eagle Dist.)
\$43,065	Rep. Jim R. Pitts (R)	Barry Andrews (Andrews Dist. Co.)
\$42,500	HDCC Incumbent Protection Fund	Beer Alliance of TX
\$41,250	TX 2020 PAC	Joe V. LaMantia (L&F Dist.)
\$40,229	Rep. 'Roland' Gutierrez (D)	Licensed Beverage Distributors
\$38,350	► Sen. Jane Nelson (R)	Barry Andrews (Andrews Dist. Co.)
\$37,950	Hispanic Republicans of TX	John L. Nau (Silver Eagle Dist.)
\$37,920	Sen. Carlos I. Uresti (D)	Wholesale Beer Distributors
\$37,524	Rep. Garnet Coleman (D)	Joe V. LaMantia (L&F Dist.)
\$37,055	Sen. Jeff Wentworth (R)	Joe V. LaMantia (L&F Dist.)
\$37,038	*► Sen. Kevin Eltife (R)	Beer Alliance of TX
\$36,125	Rep. Jose Menendez (D)	Licensed Beverage Distributors

► Author or sponsor of Sen. Eltife's legislative package.

* Senate Business & Commerce Committee member.

Note: Above contributors equal 71% of alcohol money (colors show distributor trade-group alliances).

All Big Brewery Contributors (2009 through 2012)

Amount	Contributor (Affiliation)	City	Top Recipient
\$218,700	Anheuser-Busch Cos.	St. Louis MO	Texas Republican Party
\$100,000	Peter Coors (Molson Coors Brewing Co.)	Golden CO	Rep. State Leadership Com.
\$42,951	August Busch III (Anheuser-Busch)	St. Louis MO	Rick Perry
\$13,000	Carlos Alvarez (Gambrinus Co. [Shiner])	San Angelo	Rick Perry

Eltife’s [S.B. 518](#) would partially repeal Texas’ prohibition on breweries selling suds onsite. It would let small brewers sell up to 5,000 barrels a year to brewery visitors to drink on the premises (a barrel holds 31 gallons).⁷ Deferring to the Beer Alliance (Eltife’s top alcohol contributor), the reforms would continue to prevent microbreweries from selling carryout beer. Eltife’s last beer bill, [S.B. 515](#), would let beer pubs sell beer offsite for the first time.⁸

Rival legislation endorsed by the Wholesale Beer Distributors favors a more reactionary response to any judicial makeover of Texas’ huge beer market. Under [S.B. 639](#), if a court finds part of Texas’ Alcoholic Beverage Code unconstitutional the state would salvage as much of its current regulatory structure “as is constitutionally permissible.”

Reading like a distributor’s wet dream, this bill would prohibit giant breweries from leveraging market power to sell distributorship rights (Anheuser-Busch InBev and MillerCoors produce *two-thirds* of all U.S. beer).⁹ It also would prevent big brewers from charging distributors abusive fees.

Senate Business and Commerce Committee Chair John Carona, who sponsored the Wholesalers bill, has consumed more alcohol money than any lawmaker other than House Speaker Joe Straus. Carona’s top alcohol donor is distributor Barry Andrews, who backs the Wholesale Beer Distributors.

Yet even Carona distanced himself from his bill, which was derided at the hearing by everyone but the Wholesale Beer Distributors. Carona said he filed his bill “to ensure that we have all the interests at the table.” He threatened to delay craft-beer legislation until session’s end unless the parties cut a deal by Monday, March 11.

Nobody at the recent hearing addressed the \$4.1 million question: When all other affected parties have reached a deal, why are lawmakers coddling an intransigent trade group? With troves of political dollars pushing backroom agendas, keep a watchful eye on Carona’s deadline threat—and how he executes it. If Monday passes without a deal and Carona slides craft beers onto the back burner, who would benefit—other than the powerful Wholesale Beer Distributors of Texas? •

Top Wine & Bar Contributors (2009 through 2012)

Amount	Contributor (Affiliation)	City	Top Recipient(s)
\$8,775	Karla Barber (wine educator)	Dallas	Annie's List
\$2,220	Ed/Susan Auler (Fall Creek Vineyards)	Austin	Rick Perry
\$4,623	Cheryl Johnson (CJ’s on the Park)	Kingwood	Kingwood Area Rep. Women
\$2,000	Gene Estes (Post Oak Vineyards)	Burleson	Rob Orr
\$1,250	Gabriel Parker (Homestead Winery)	Ivanhoe	Mark Homer/John Carona

Note: Above contributors equal 94% of all Wine & Bar money.

Top Liquor Contributors (2009 through 2012)

Amount	Contributor (Affiliation)	City	Top Recipient(s)
\$357,233	Licensed Beverage Distributors PAC	Austin	Joe Straus
\$322,750	BG Distribution Partners PAC	Houston	Rick Perry
\$204,300	TX Package Stores Assn. Beverage Alliance	Austin	Susan Combs
\$138,143	John/Lindy Rydman (Spec's Liquor)	Houston	John Whitmire
\$104,500	Republic Beverage Co.	Houston	David Dewhurst/Rick Perry
\$96,450	Alan Dreeben (Republic Nat'l Distrib. Co.)	Schertz	Greg Abbott
\$38,880	Dick Trabulsi Jr. (Richard's Liquors)	Houston	Rick Perry
\$37,937	Diageo, plc	Stamford CT	Texas Republican Party
\$27,797	David/Sylvia Jabour (Twin Liquors)	Austin	Kirk Watson
\$26,000	David/June Trone (Total Wine & More)	Potomac MD	John Carona

Note: Above contributors equal 87% of all liquor money.

Jester Kings:

Just How Dumb Are Texas' Alcohol Laws?

Fed up with brain-dead alcohol laws, plaintiffs who included Austin's Jester King Craft Brewery sued the state just before the 2011 legislative session. In a 2011 First Amendment ruling, federal Judge Sam Sparks overturned Texas laws that prohibited Jester King from advertising the alcoholic content of its products or telling potential customers where its beer is sold. Sparks also overturned a law that required brewers to misleadingly differentiate between "ales," "malt liquors" and "beer" based on alcohol content rather than the brewing process.

Notes:

¹ While the trade group's representatives did not testify on the craft-brewery bills, one of its spokesmen did testify in favor of competing legislation (S.B. 639). Rep. Mark Strama's lobbyist brother, Keith Strama, represents this trade group.

² Wagner testified that St. Arnold's produced 49,000 barrels of brew last year. He said he could quadruple his business if Texas liberalized beer laws to allow him to sell beer to the more than 100,000 people who visited his brewery last year.

³ Producers of less than 75,000 barrels currently have self-distribution rights (a barrel holds 31 gallons).

⁴ The U.S. Supreme Court ruled that it was unconstitutional for states to let consumers order wine from in-state vineyards but not out-of-state competitors. See *Granholm v. Heald*, 544 U.S. 460 (2005).

⁵ The bills would increase the production cap on breweries that qualify for self-distribution rights from 75,000 barrels to 125,000 barrels.

⁶ The bills would cut the amount of beer that craft brewers can self-distribute from 75,000 barrels to 40,000 barrels a year.

⁷ The bill would allow such sales at breweries that produce less than 225,000 barrels a year.

⁸ The bill would let brew pubs expand production from 5,000 to 12,500 barrels a year. It also would permit them to sell beer offsite through traditional distributors or to self-distribute up to 1,000 barrels.

⁹ The U.S. Justice Department recently filed an anti-trust challenge to Anheuser-Busch's proposal to swallow another 7 percent of the market by buying Corona producer Grupo Modelo. "Batling Big Beer: Justice Depart. Sues to Block Anheuser's Deal for Modelo," *New York Times*, February 1, 2013.