

Date of Hearing: April 27, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Chris Holden, Chair
AB 2303 (Aguiar-Curry) – As Introduced February 16, 2022

Policy Committee: Governmental Organization

Vote: 19 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill provides that only agave spirits produced entirely from California-grown agaves, without flavoring or coloring additives, can be labeled with the words “California agave spirits” or a similar combination of words. This bill authorizes the Department of Alcoholic Beverage Control (ABC) to seize and dispose of agave spirits in violation of the labeling standard.

FISCAL EFFECT:

ABC estimates minor and absorbable enforcement costs. However, this committee sees a wide array of bills that propose to modify the scope of alcohol laws. Generally, modest requirements such as those proposed by this bill do not generate significant new enforcement workload for ABC, but taken together, these proposals could lead to significant new costs and future budget requests. Three years ago, the Legislature acted to address ABC’s persistent structural deficit. SB 82 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2019, included fee increases that went into effect on October 1, 2019.

Although ABC does not anticipate receiving an overwhelming number of agave labeling complaints, it is difficult to predict as the agave spirits industry is still emerging in California. Additionally, according to ABC, California does not generally have its own mandates for labeling distilled spirits, outside of those consistent with federal mandates, which sets this bill’s spirits labeling requirement apart from existing wine labeling requirements. Thus, the fiscal effect of this bill could be potentially significant.

COMMENTS:

- 1) **Purpose.** According to the author, distillers and growers in California’s emerging agave spirits industry “are making significant investments and seek to protect the use of the word ‘California’ from those who, in the future, could take advantage of our reputation for high quality products and cause consumer confusion and unfair competition.” The author notes similar labeling standards have been established to protect other California products, such as wine and olive oil. This bill is supported by the California Agave Council and other agave businesses.
- 2) **California Agave.** Agave is a perennial succulent, with some species used in the creation of agave spirits such as tequila (which can only be designated if made in certain Mexican states). On April 2, 2020, the federal Alcohol and Tobacco Tax and Trade Bureau (TTB) published a final rule establishing a new category of “Agave Spirits.” Since then, more than

150 labels for domestic agave spirits have been approved in the United States, but the majority of businesses behind those labels still use imported agave syrup from Mexico. According to industry proponents, California is the only state producing agave spirits made from locally grown agave. This bill allows agave spirits to be labeled with a combination of the words “California agave spirits” only if made from 100% California-grown agave, without flavoring or coloring additives. Agave spirits that do not meet this standard can still be produced and sold; the spirits just cannot be labeled as California agave spirits.

- 3) **Prior Legislation.** AB 535 (Aguiar-Curry), Chapter 466, Statutes of 2021, required olive oil containers that include the term “California” and contain olive oil derived from olives grown outside California to disclose the minimum percentage of the container’s olive oil derived from California-grown olives. Such olive oil must also comply with quality and purity standards published by the Department of Food and Agriculture.

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