

## **BILL ANALYSIS**

Senate Research Center

S.B. 1939  
By: Hancock; Perry  
Business & Commerce  
5/27/2019  
Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

#### Background

Rapid growth in the marketplace, drastic weather events, and the evolution of the Texas wine industry as a whole has edged wine growers into a volatile economic climate. Viticulture in Texas is the only commodity where farmers do not have the right to retain title to the grapes they produce after the grapes are harvested and stored at a custom crush facility or storage facility.

Currently, grape growers are forced to turn over the title of their grapes to a third party that contractually stores and/or processes wine yielded from the grower's grapes into bulk wine. This process creates an unfavorable market for Texas grape growers and forces the grower to often sell below market cost. A system for fluid transfers between growers, custom crush facility, and full-fledged wineries in the sale of bulk wine is needed if the wine industry is to expand in Texas.

#### Bill Analysis

S.B. 1939 will allow grape growers to retain title over their grape product at the grower's discretion. Currently, Chapter 14A (Other Public Warehouse Operators), Agriculture Code, requires a warehouse operator to issue a receipt to the produce deliverer or owner of the product that contains necessary details. The receipt is a record of the condition of the product, and holds the warehouse operator liable for the full value of the product that is represented on that receipt. The public warehouse operator is liable for the product that is on the receipt. If the operator does not properly maintain the product, the operator is required to reimburse the full value of the product to the farmer.

S.B. 1939 amends Chapter 14A, Agriculture Code, to include grapes in the public warehouse operator definition. S.B. 1939 also adds a section that states the necessary information that needs to be included on the receipt issued to the owner or depositor of the grapes. S.B. 1939 creates a receipt that holds the warehouse operator liable for the full value of the grapes that are represented on the receipt. (Original Author's/Sponsor's Statement of Intent)

S.B. 1939 amends current law relating to the storage of grapes in a public warehouse.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 14A.001(1), Agriculture Code, to redefine "public warehouse operator" as a person who stores certain goods, including grapes.

SECTION 2. Amends Chapter 14A, Agriculture Code, by adding Sections 14A.0065 and 14A.0115, as follows:

Sec. 14A.0065. RECEIPT FOR GRAPES. (a) Requires a public warehouse operator to issue a warehouse receipt to any person who deposits grapes in the warehouse operator's warehouse and requests a receipt.

(b) Requires the receipt to contain:

(1) all information required to be included on a receipt by Section 14A.005 (Receipts);

(2) the date on which the grapes were received in the warehouse;

(3) a statement that the grapes represented by the receipt are deliverable on return of the receipt properly endorsed and payment of charges for storage and insurance stated on the face of the receipt; and

(4) a statement of the varietal of the grapes represented by the receipt.

(c) Establishes that failure or neglect by a public warehouse operator to comply with the provisions of this section is a ground for revocation of a certificate to transact business as a public warehouse operator.

Sec. 14A.0115. GRAPE BYPRODUCTS. Provides that, notwithstanding other law, a natural byproduct of grapes stored in a public warehouse operator's warehouse is an agricultural commodity and is not subject to regulation under other law, regardless of the byproduct's alcohol content, until the byproduct is:

(1) removed from the warehouse; or

(2) mixed with another ingredient.

SECTION 3. Amends Section 14A.012, Agriculture Code, by adding Subsection (c) to provide that this chapter (Other Public Warehouse Operators) does not apply to a producer of grapes who stores in a warehouse owned by the producer grapes produced and owned by the producer.

SECTION 4. Effective date: September 1, 2019.