

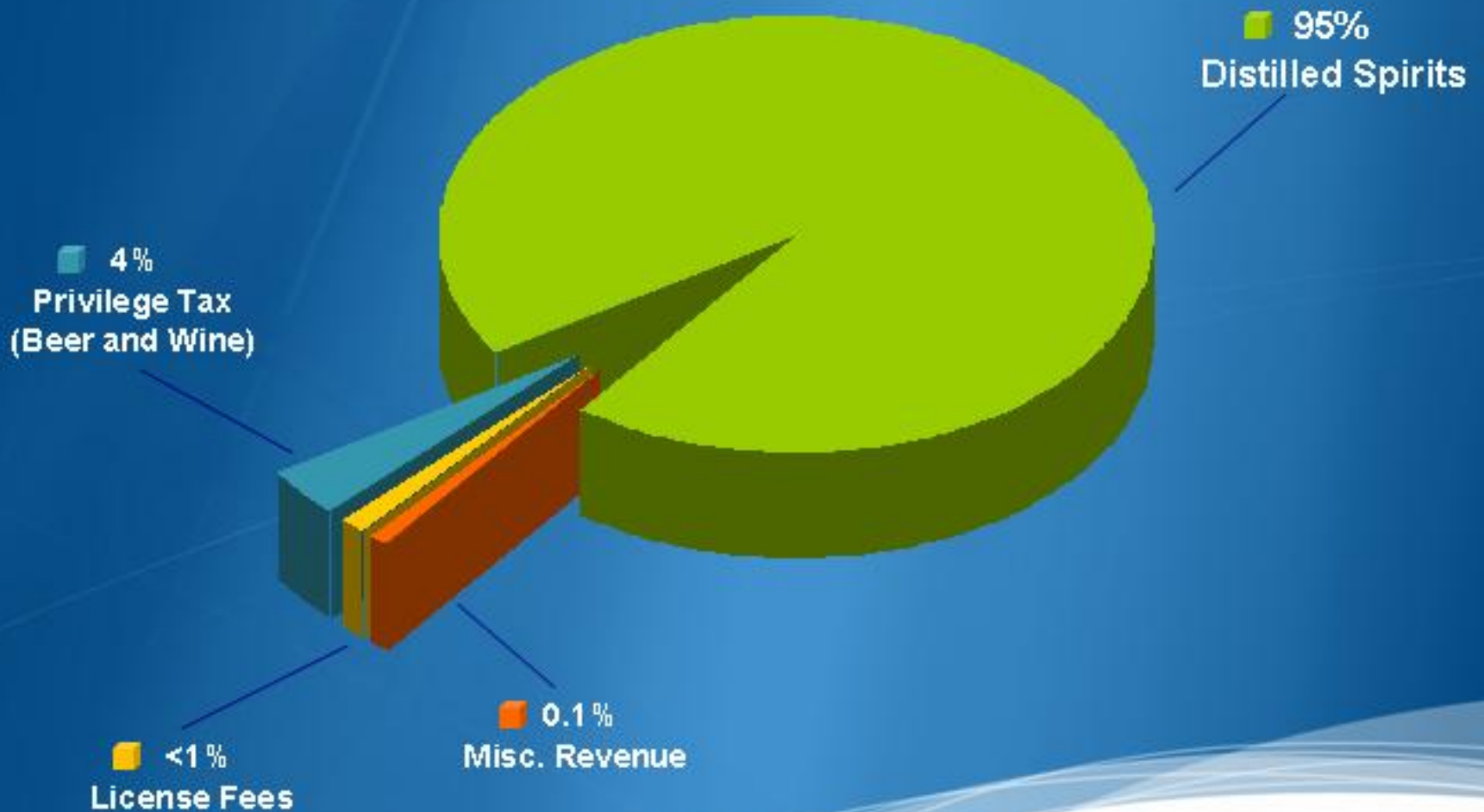


# **Oregon Liquor Control Commission**

**Revenue Presentation  
House Revenue Committee**

**February 14, 2013**

# Revenue Sources



# OLCC Generates FY 2012

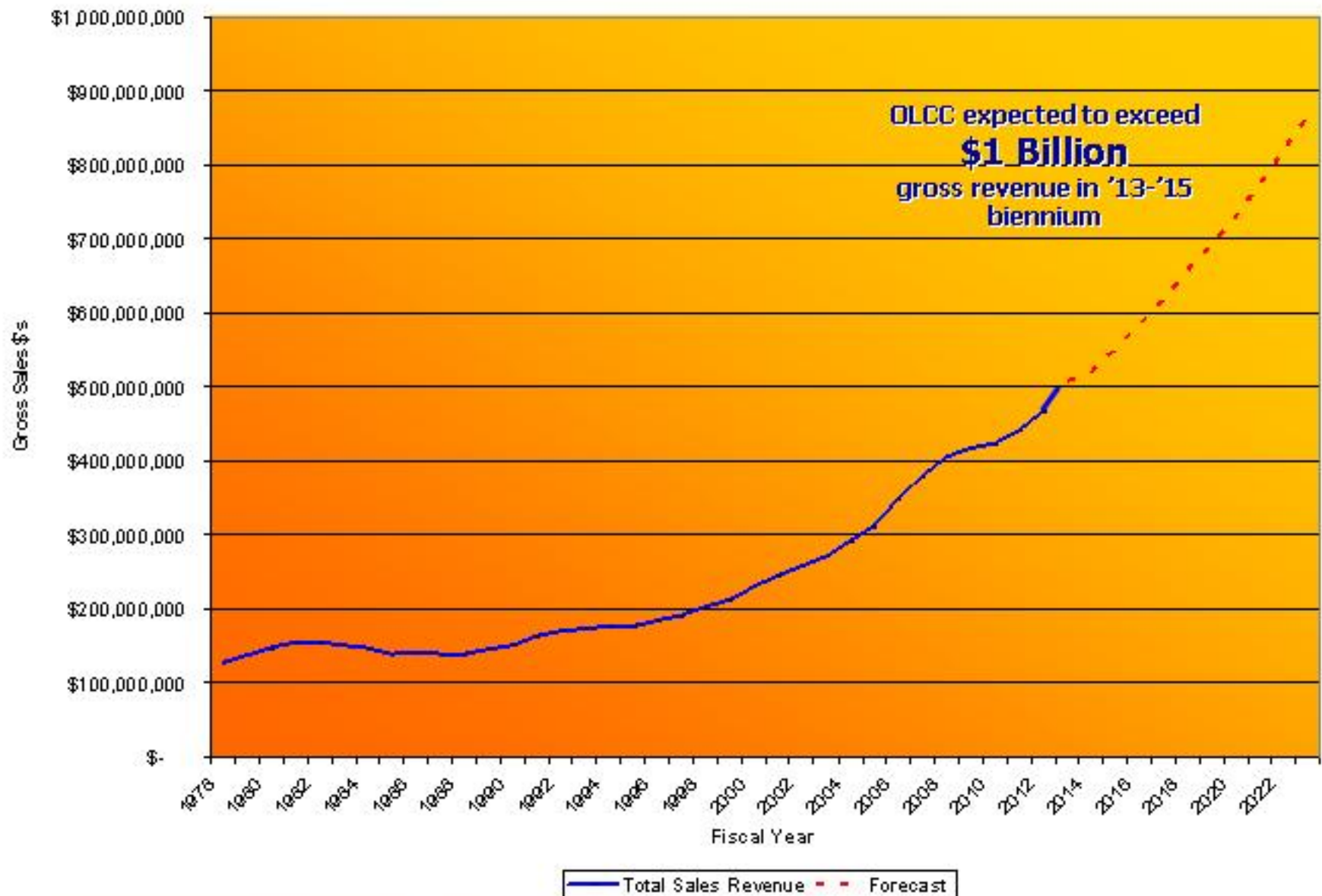
- \$465.4 million in gross distilled spirits sales
- \$16.9 million in taxes collected on beer and wine
- \$4.8 million in liquor license fees

# Current Liquor Sales Revenue

FY 2000 to FY 2011 Actual  
FY 2012 to FY 2013 LAB and Forecast



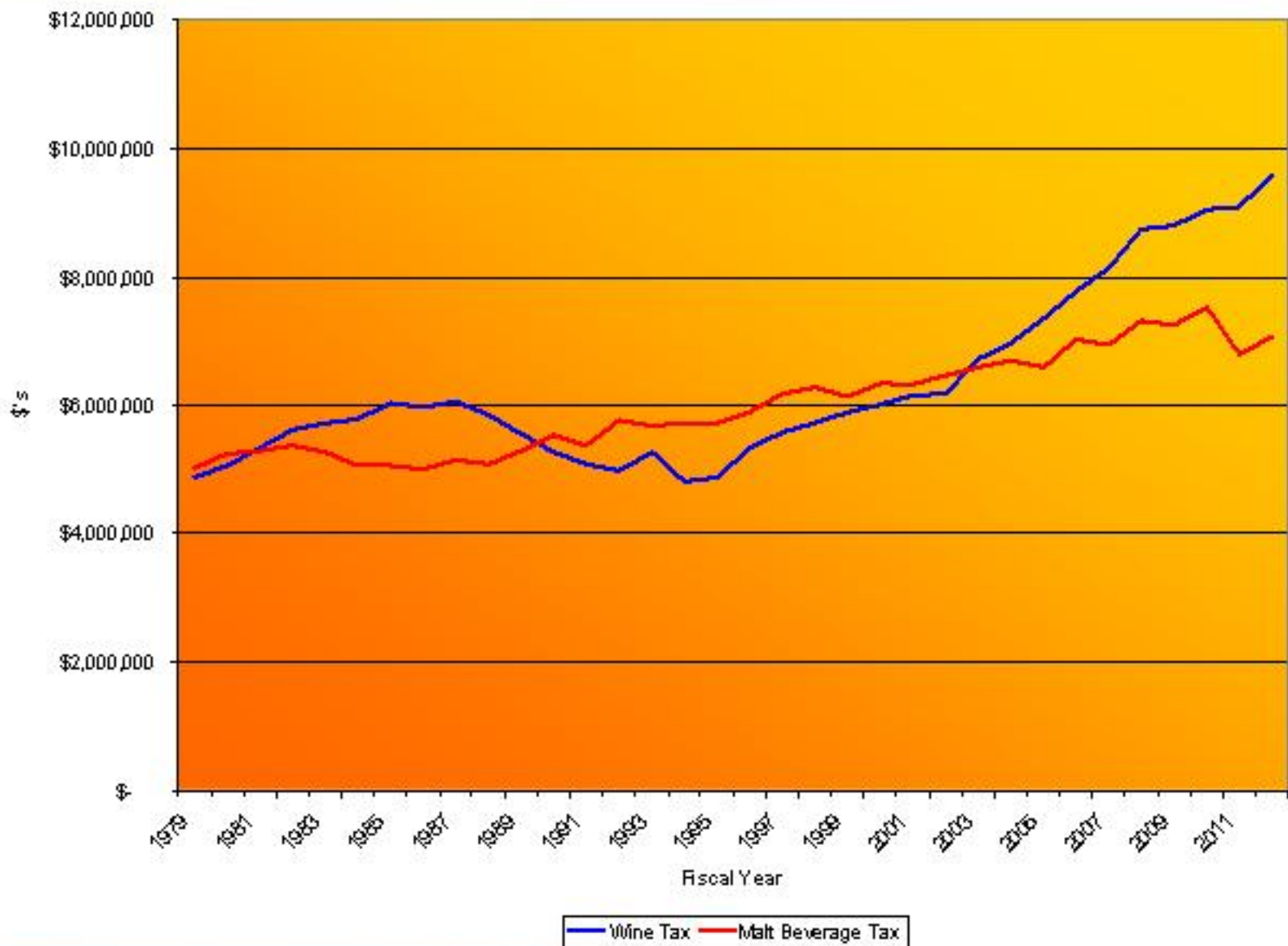
# Ten-Year Forecast of Liquor Sales



# Distilled Spirits Sales Increase

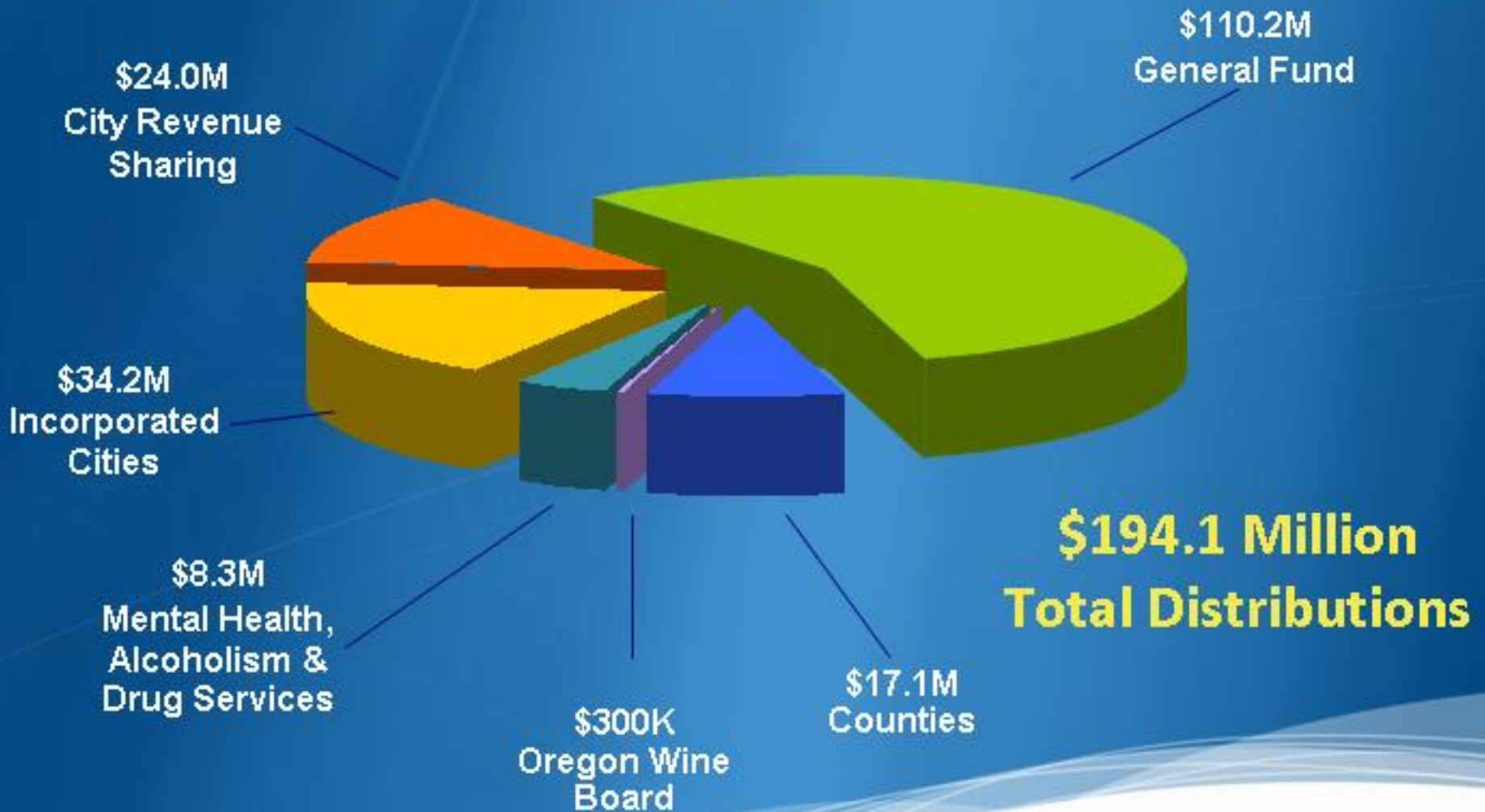
- 1/3 sales growth from customers buying up
  - Improving economy
- 2/3 sales growth from increased volume
  - Population increase
  - Licensee sales improving
  - Washington border sales

# Beer and Wine Tax Revenue



# Net Income Distribution

Fiscal Year 2012  
ORS 471.810





# Liquor Dollars

## Aged 10 years



# Looking Forward

10 years

*projected*

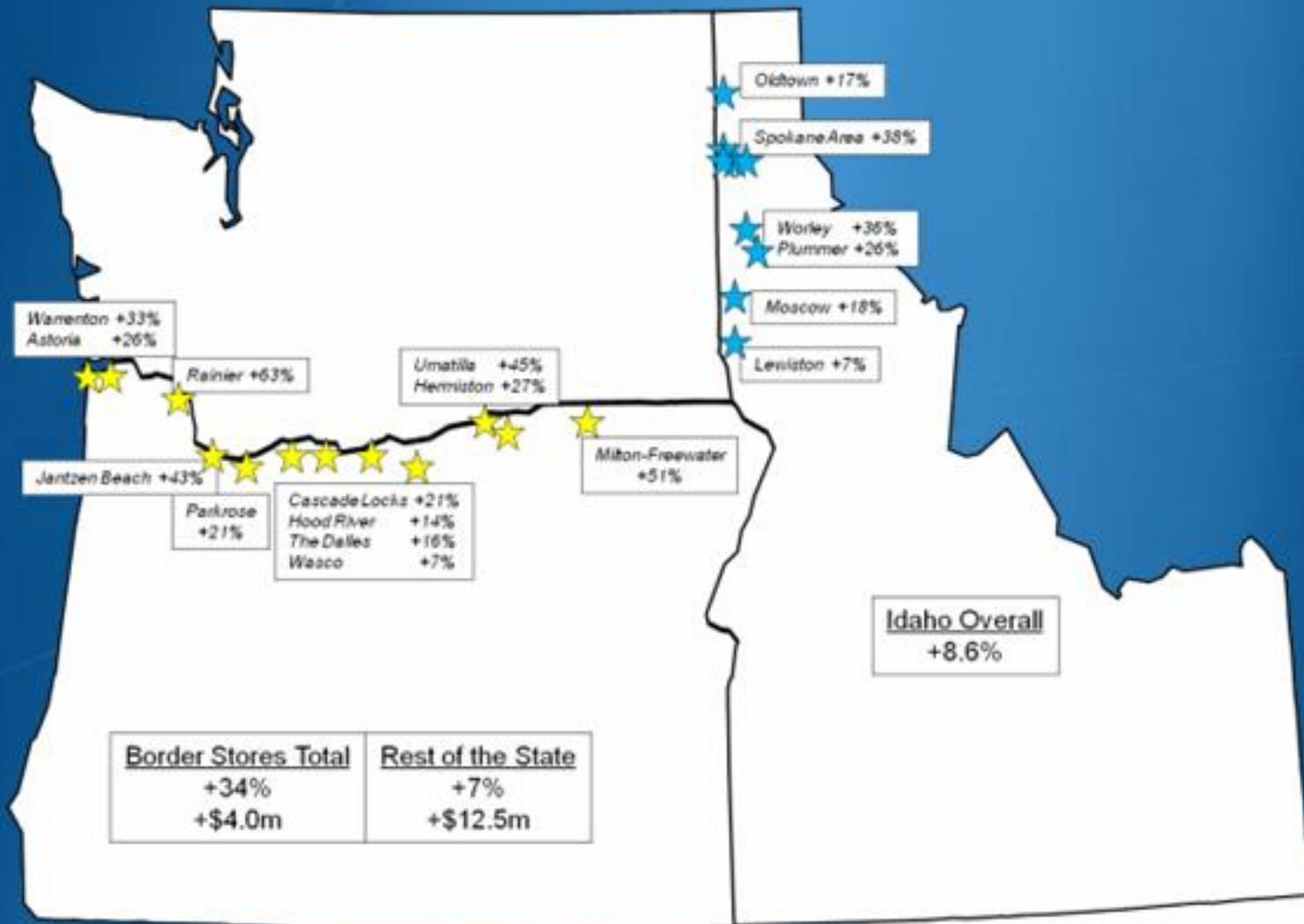
*distribution*



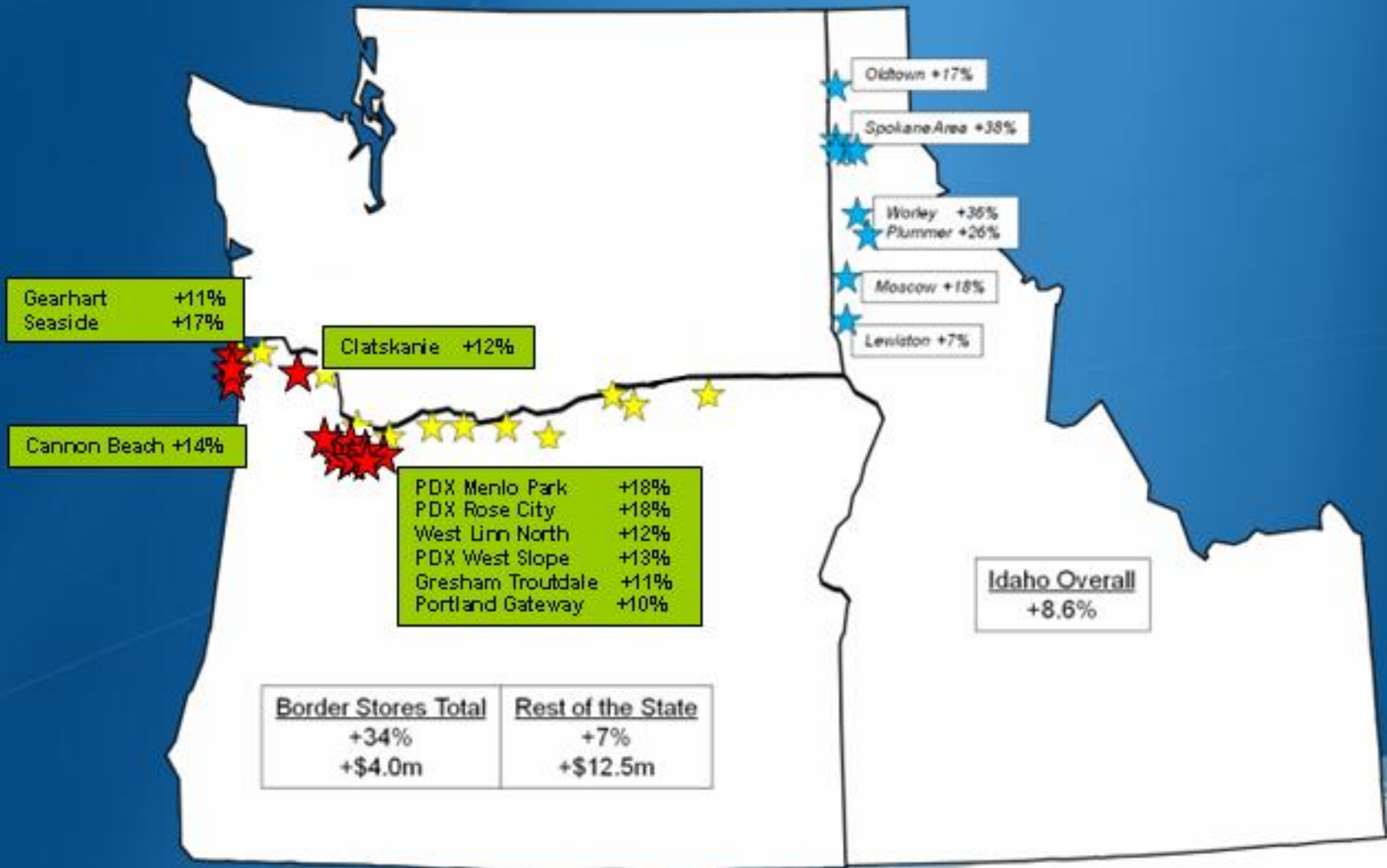
# Washington I-1183 Changes

- Closed WA state distribution center
  - Allows distilled spirits to be distributed privately
- Eliminated state owned or operated liquor stores
  - Allows private corporations 10,000 or more square feet to sell distilled spirits
- Instituted a fee structure to generate revenues
  - Distributors pay 10% fee of gross revenues from spirits first two years (5% after two years) plus an annual fee of \$1,320
  - Retail stores pay a fee of 17% of gross revenues from spirits sales, plus an annual fee of \$166

# Impacts of I-1183



# Possible I-1183 Impacts



# Border and Non-Border Store Sales Growth After I-1183

12 border stores

34%

Non-border stores

7%

Total statewide

8%

\*Gross Sales

Year over Year increase June 2012 – Dec. 2012

# Comparison Shopping

Snapshot of January 2013

	<u>Oregon</u>	<u>Washington</u>
<b>Jack Daniels Black Label</b>	<b>\$21.95</b>	<b>\$26.07</b>
<b>Makers Mark</b>	<b>\$28.95</b>	<b>\$40.53</b>
<b>Jameson Irish Whiskey</b>	<b>\$27.95</b>	<b>\$35.23</b>
<b>Absolut Vodka</b>	<b>\$22.95</b>	<b>\$27.27</b>
<b>Jose Cuervo Gold Tequila</b>	<b>\$16.95</b>	<b>\$20.64</b>
<b>Pendleton Canadian Whiskey</b>	<b>\$24.95</b>	<b>\$36.07</b>

All products are 750 ml

Washington Prices based on average of five WA retail outlets.

# Comparison Shopping

Average price per liter

Oregon Average Price	\$18.58
SW Washington Average Price	\$24.29
<b>Difference</b>	<b>31.0%</b>

July 2012 - November 2012



# Continuing Challenges

- Former state stores struggling to stay in business
- Lawsuits regarding implementation
- Increase in theft of distilled spirits
- Smaller distillers may have difficulty getting shelf space



# Product Selection

- OR carries 1,900 products every day
  - 400+ Oregon products
  - OLCC will special order any product that a U.S. manufacturer or importer will ship to Oregon
    - Approx. 1,200 different items have been special ordered in the last few years
- About 400 products carried in major WA grocery chains
  - Mostly major name brands and store brands
  - Artisan/local products may be difficult to find



# Oregon's Distilled Spirits Industry

48 licensed Oregon distilleries

480 Oregon items available

12% of all liquor sales revenue

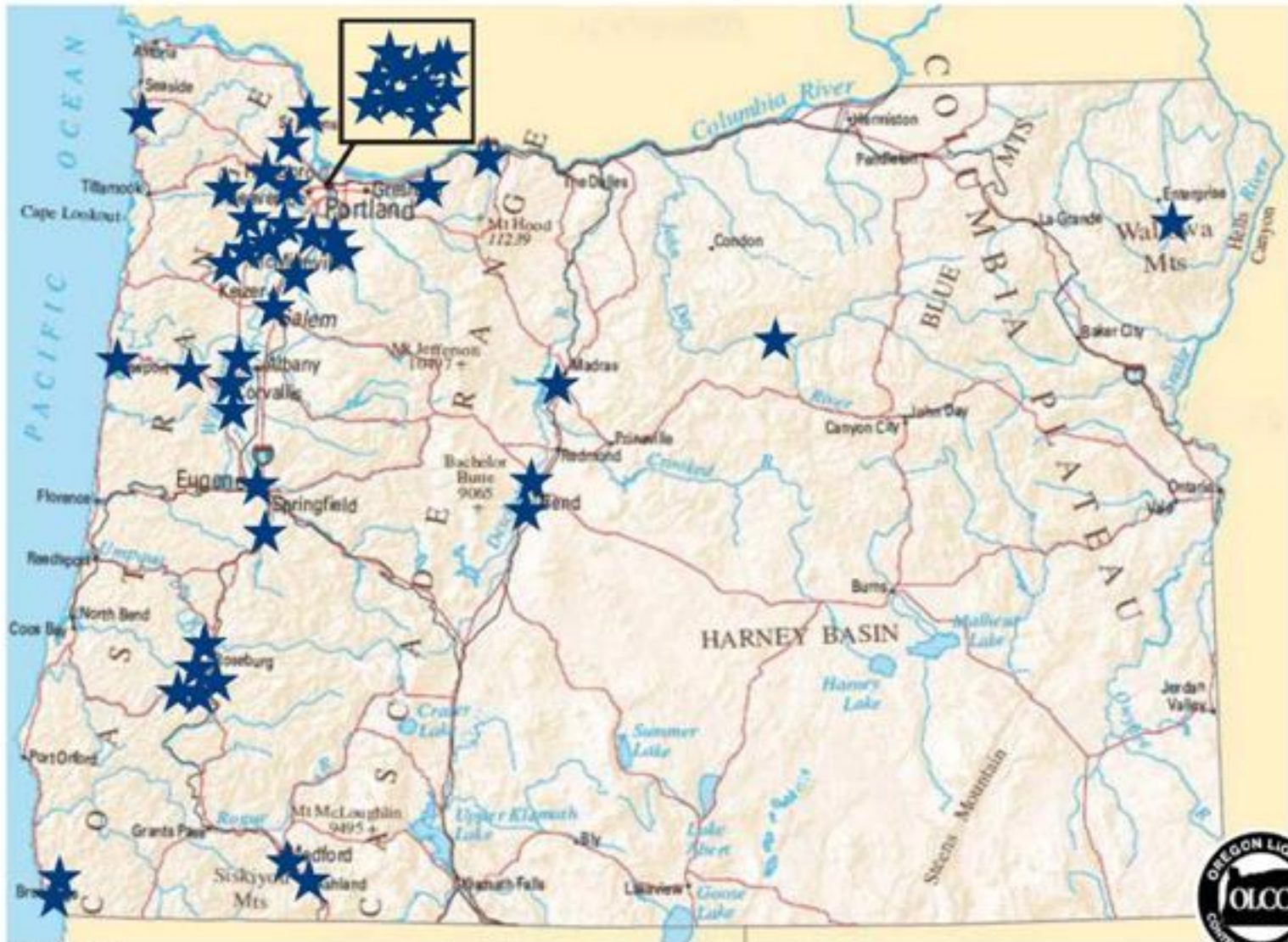
Easy entry into marketplace

Level playing field

Custom shipments allow liquor stores  
to offer local products



# OREGON DISTILLERIES



(JAN. 2013)



“Oregonians are witnessing these pioneering distillers **put the state into the national spotlight**, just the way Oregon winemakers defined the Willamette Valley as a world-class wine region in the late 1970’s, and the small breweries of the 1980’s and ‘90’s have put Oregon at the forefront of the craft brewing movement.

Premium spirit drinkers now have **truly local, handcrafted, small-batch alternatives** to the giant mass-marketed multi-national brands that currently dominate the liquor industry.”

~ Oregon Distillers Guild

“OLCC is a good friend. It’s why I started my first distillery in Oregon and it’s why I’m about to start my second here too,” –**Ryan Csanky, Martin Ryan Distilling, Portland**



MARTIN RYAN  
HANDMADE VODKA  
DISTILLED IN OREGON FROM GRAPES

“What is nice about state control is that it creates a level playing field. There’s all these hurdles you confront when you go out of state,” –**Lee Medoff, Bull Run Distilling Company, Portland**



“We think the OLCC is the best thing that ever happened to us. We could not have even started,”  
- **Diane Paulson, Cascade Peaks Spirits, Ashland**

# Distillery Retail Liquor Agents



- 25 distillery agents
- 30 contract locations
- Distillers able to sell their own products by the bottle from their tasting room & special events
- New market opportunity for small businesses

# Modernizing laws and requirements allow more options for doing business

- Direct sales to consumers from distiller's tasting room
- Expanded special event license criteria to allow distilleries to sell bottles at special events
- Modified auction criteria to allow distilled spirits raffles by non-profit groups
- Sampling rules updated to allow mixers with liquor for enhanced customer experience





# Summary

- \$487.4 Million Gross Revenue FY 2012
- Alcohol Industry Trends
- \$194.1 Million Net Distributions for State Programs FY 2012
- Impacts of Washington Privatization
- Growth of Oregon Distilling Industry

# Questions?

