



Oregon Distillers Guild

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February 3, 2014

Senate Committee On Business and Transportation

Chair: Senator Lee Beyer

Vice-Chair: Senator Bruce Starr

Member: Senator Chris Edwards

Member: Senator Fred Girod

Member: Senator Rod Monroe

Member: Senator Chuck Thomsen

via email

RE: SB 1559

Senators,

The Oregon Distillers Guild has been an active participant in the OLCC's Innovation Committee and has been given the opportunity to provide input on how we can make our system better. From the beginning, we have made our voice clear on areas that could use improvement and those that benefit our industry. We have reviewed SB 1559 and its effect on our industry, the retail community and the consumer. We have concluded that this proposed bill will hurt our industry, put the retail agents' business in jeopardy and increase shelf prices for the consumer.

We have supported the idea of increased access for liquor in Oregon but in a manner that will continue to support the various aspects of the industry. An automatic expansion to 650 grocery stores in one motion will hurt the existing retail agents because the common liquors that account for the majority of their income will be sold on grocery store shelves, sometimes in the same strip mall as themselves. The liquor store agents strategically picked their location to give the consumer convenience. If this bill passes, it will hurt their business. The requirements for promoting Oregon products, though with good intention, will not provide the same level of promotion that the current retail agents give our industry. Grocery stores today can already become retail agents – why give them an automatic license and abandon the current density requirements?

Minimum selling price is very problematic for our distillery outlets (tasting rooms). Our distillery outlets do not make the same net commission as retail agents (8.88%) because of the compensation cap that exists for all of us – majority of distillery outlets either don't hit the cap or don't hit the cap until towards the end of the month. Over half of the distillery outlets make 22% while the remaining make 21-15%.

Because our distillery outlets are classified as a type of retail outlet, our compensation would change as a result of this bill. We have no firm numbers or method on how the new methodology with a minimum selling price will work but even a raise in commission to the retail agents could still be detrimental to the distillery outlets. We do want the compensation mechanism to be improved but not at the expense of our tasting room revenue. Making the the initial product sale from our tasting room fosters increased repeat sales of our products in liquor stores. Hurt the tasting rooms and it will downstream to the retail agents.

In addition, the bill has several fee assessment capabilities to recover costs of implementation which will eventually get added to either the retail price causing them to go up or will be factored into the wholesale price causing the producers to get less for their goods. Restrictions on bottle sizes as outlined will limit several brands currently being produced in the state.

At the last innovation meeting on January 24th, no other group present supported this bill and the Oregon Distillers Guild does not either. Any questions concerning this response should be directed to Ted Pappas, ODG President (ted@bigbottomwhiskey.com, 503-729-2974).

Thank you,

Board of Directors, Oregon Distillers Guild

Ted Pappas, President

Meghan Zonich, Secretary

Michelle Ly, Treasurer

Mike Higgins, Board Member

cc:

Committee Administrator: Patrick Brennan

Committee Assistant: Nicole Babnick