

Testimony HB 2731

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In 1933 the 21st Amendment gave states the right to regulate malt beverage sales. The federal government gave the right to ship malt beverages to a brewery subject to the various states' laws for direct to consumer shipping and sales on the internet. Currently, the State of Oregon allows wine and cider to be shipped direct to consumer, however not malt beverages. Furthermore, malt beverages would like the same privilege as wines and ciders for out of state manufacturers, shipping into Oregon.

As of today, Oregon breweries can ship direct to Oregon consumers intrastate, but are limited interstate. The purchase of malt beverages online is in high demand, but not allowed due to prohibition-era legislation that has gone unquestioned for more than 80 years. In furthering the growth of the Oregon craft brewing industry, the challenge will be the new brands entering the market in small quantities. The opportunity for online merchandising is vital to the small craft brewer in Oregon. We see direct to consumer beer sales as analogous to a brewpub: a way to connect with a relatively small segment of passionate beer consumers, but in this case over a larger geographic area. Due to the craft brewers with limited production of annually produced brands, such as barrel aged sour beers by Cascade Brewing, we establish a market presence by appealing to the most knowledgeable beer consumers nationwide. This organic and authentic accumulation of customers is craft brewing's alternative to the massive marketing campaigns of larger breweries. The economics of interstate direct to consumer sales is self-limiting, as the cost of shipping is prohibitive for all but beer priced at a minimum of \$14 per 750ml champagne-style bottle. This price per bottle represents a very small percentage of all craft beer sold today. Interstate direct to consumer sales will allow Oregon's craft brewers to establish broader geographic markets for their limited production specialty brands.

Ultimately, these brands may develop a demand as a result of the shipping interstate direct to consumer. That demand will allow the Oregon brewers to align themselves with distributors in certain areas where demand has been created by direct to consumer and customers who want local retail availability. We do not see a short-term economic threat to distributors or retailers. There is more likely a longer-term benefit for distributors as they partner with the craft brewers to support direct to consumer shipping. The shelf space and distributor storage is limited, whereas the virtual inventory of Oregon craft beer that could be available online is limitless. This could serve the small craft brewers in remote locations throughout the state of Oregon to the world! I ask for your support for the passage of HB 2731 in continuing to have Oregon as one of the leading state in the craft brewing industry.