



Testimony on SB 1564
Senate Business & Transportation Committee
Submitted by Oregon Distillers Guild
February 5, 2018

Chair Beyer and members of the Committee, thank you for hearing this important legislation for Oregon's craft distilling community. And thank you, Senator Beyer, for sponsoring the Oregon Craft Spirits Tasting Room and Tourism Promotion Act.

Oregon has a young but vibrant craft spirits industry. Along with the local beer and wine producers, distillers are helping make "Brand Oregon" craft beverages recognizable worldwide.

Most Oregon distilleries have been around for less than 10 years, and now our products make up about 20% of all distilled spirits sold in Oregon. We make a premium, traded-sector product that sells at a higher price point compared to most of out of state producers.

For the most part, we buy local agriculture for our raw materials, employ Oregonians and have facilities in state that support communities through taxes and tourism.

Because Oregon is a control state, there are inherent challenges for our small distillers to market their premium products to drive larger sales volumes.

Oregon beer and wine producers have seen the expansion of tasting room activities as an effective way to market home grown products, drive up consumer sales and help grow Oregon's tourism and craft beverage economy.

Distillers licensed in Oregon are allowed to have tasting rooms, but the current statutory framework makes generating enough revenue to cover costs hard for these craft beverage producers. Just about all of us have small tasting rooms, but since they generally don't pencil out, most are open only a few days a week or by appointment. These tasting rooms average \$67,000 in total sales annually.

SB 1564 seeks to break down these economic barriers by allowing distillery tasting rooms to retain more revenue so financial incentives exist to grow tasting room activities. This in turn will enhance "Brand Oregon", help expand Oregon tourism opportunities and create new marketing opportunities for our craft distillers.

SB 1564 would make these modest changes:

- Allow distillery licensees to have a single tasting room that can sell the distillers' products to consumers, and keep 100% of revenue from bottle sales in that designated tasting room, but only up to \$250,000 in annual sales (currently roughly 66% goes back to the OLCC).
- Requires retail price in the tasting room to be the same as in OLCC stores to ensure that liquor agents remain on an even footing from the consumer's perspective.
- Monthly sales reporting to OLCC is required.



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The legislation is intended to help grow our craft spirits industry by creating new marketing opportunities for distillers and allowing greater tourism promotion. It also means greater sales of Oregon craft spirits through the traditional OLCC sales channels, which doesn't change with this bill. In fact, with the increased brand awareness for Brand Oregon spirits that will come with this proposal, we expect to see a net increase in sales through those traditional OLCC sales channels.

While the legislation means short term revenue loss for the OLCC, the longer-term prospect is greater state revenue from increased craft spirits tourism and greater overall spirits sales from financially stronger distillers. More sales of Oregon spirits mean more revenue for the state.

This legislation will only enhance Brand Oregon, and help Oregon small distillery producers drive growth, greater sales and increased tourism.

Thank you for supporting Oregon's craft spirits industry, and we ask that you pass SB 1564,

The Oregon Distillers Guild is a non-profit 501 c6 organization made up of Distilleries in Oregon. Our goals are to: 1). advance the general welfare of the Oregon Distilling Industry 2). collect and share information with our membership regarding pending and existing laws, policies and directives 3). Encourage and support increased diversity among the ranks of Oregon distilled spirits. We are entirely dues driven.