Oregon Distillers' Tasting Room Profitability Act

Oregon's craft distilling industry is young but growing. Before 2000, Oregon had three licensed distillers. Ten years ago only 16, but today the number has grown to nearly 90.

Most Oregon distillers are small businesses with hopes of getting bigger by building strong brands that are recognizable in-state and throughout the nation.

One of the best ways for distillers to build brand awareness is to have sustainable tasting rooms to showcase their premium spirits to tourists and visitors who want a unique Oregon experience. This has been a successful model for our craft beer and wine industries, which are now thriving with recognized brands worldwide.

The challenge today is that the current economic model for selling spirits in tasting rooms is unprofitable for Oregon's distillers who want the opportunity to sell the spirits they make. These sales currently are treated the same as liquor store sales, which are about high-volume sales, with a focus on maximizing revenue for the state.

Since Oregon is an alcohol "control" state, distillers must be compensated by the OLCC for the spirits they sell out of their own tasting rooms. That compensation averages 17% for Oregon's distillers. Since distillery tasting rooms are more about showcasing products and creating brand awareness, this compensation amount doesn't allow any distiller to keep enough money to have a profitable tasting room. This has led some tasting rooms to close, downsize or cut back hours of operations.

For two years, the Oregon Distillers Guild has been working with the OLCC and lawmakers on a new economic model for tasting room sales. The goal is to have economically sustainable tasting rooms where a distiller can better market and promote their brands and premium products. It also would allow Oregon distillers to achieve a level of parity with beer and wine producers that don't pay special taxes for their tasting rooms sales.

We want to have a strong and thriving distilling industry. Oregon distillers employ local workers, buy Oregon ag products that go into their spirits and provide a unique tourism experience. All of which creates tax revenue and tourism dollars for the state and local communities.

The Oregon legislature has crafted policies over the years to allow Oregon's craft beer and wine industries to grow and thrive. Now is the time for policymakers to give tools to Oregon's craft spirits industry so it too can be competitive in-state and outside Oregon.

LC 26 establishes a new policy for spirits sales made by Oregon licensed Distilled Spirts Producers, DSPs, in their own tasting rooms (aka, compensation for distillery retail outlets):

- Tier one compensation - for the first $250,000 in annual total combined sales from all tasting rooms, distillers' compensation is 45% of the retail price set by OLCC. This means a distiller keeps 95% of the bottle price.
- Tier two compensation - for annual combined sales over $250,000, compensation is 17% of the retail price. Distiller keep 67% of bottle price, in essence, the current compensation model.

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