



# **OREGON DISTILLERS GUILD**

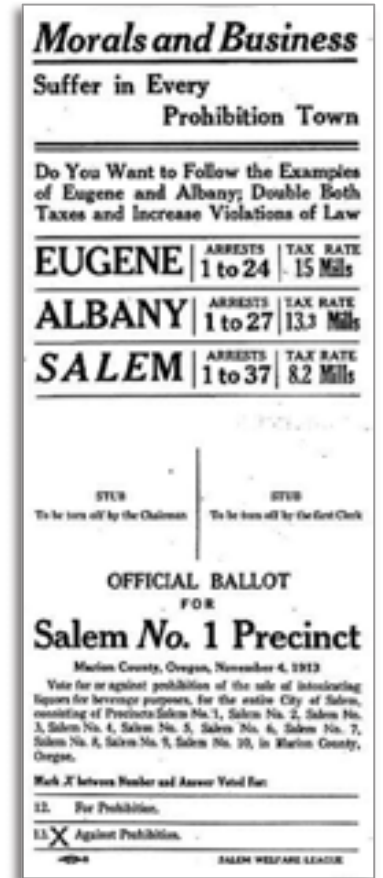
## **Background & Legislative Proposal**

**Joint Ways & Means  
Transportation & Economic Development  
Subcommittee**

**March 18, 2019**

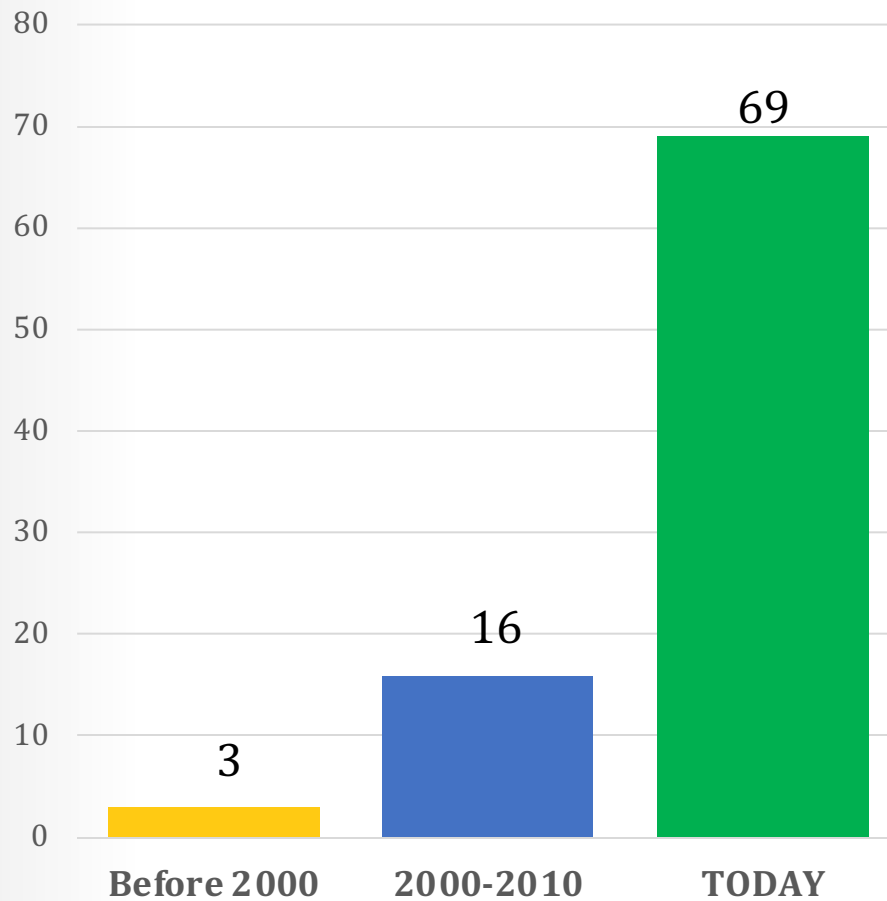
# Oregon Distillers History

- 1889 Saloons allowed to operate in Oregon
- 1904 Oregon municipalities allowed to vote themselves “wet or dry”
- 1916 The Anderson Act prohibited alcohol sales in Oregon
- 1919 National prohibition begins with 18<sup>th</sup> Amendment (Volsted Act)
- 1933 Prohibition repealed on December 5; OLCC recreated four days later
- 1934 Oregon gets first licensed distiller making apple and pear brandies
- 2007 Oregon Distillers Guild formed





# Licensed Oregon Distillers





**Oregon Distillers operate across the state**



# 2017 Oregon Spirits Production



Oregon Distillers \$63+ million state sales

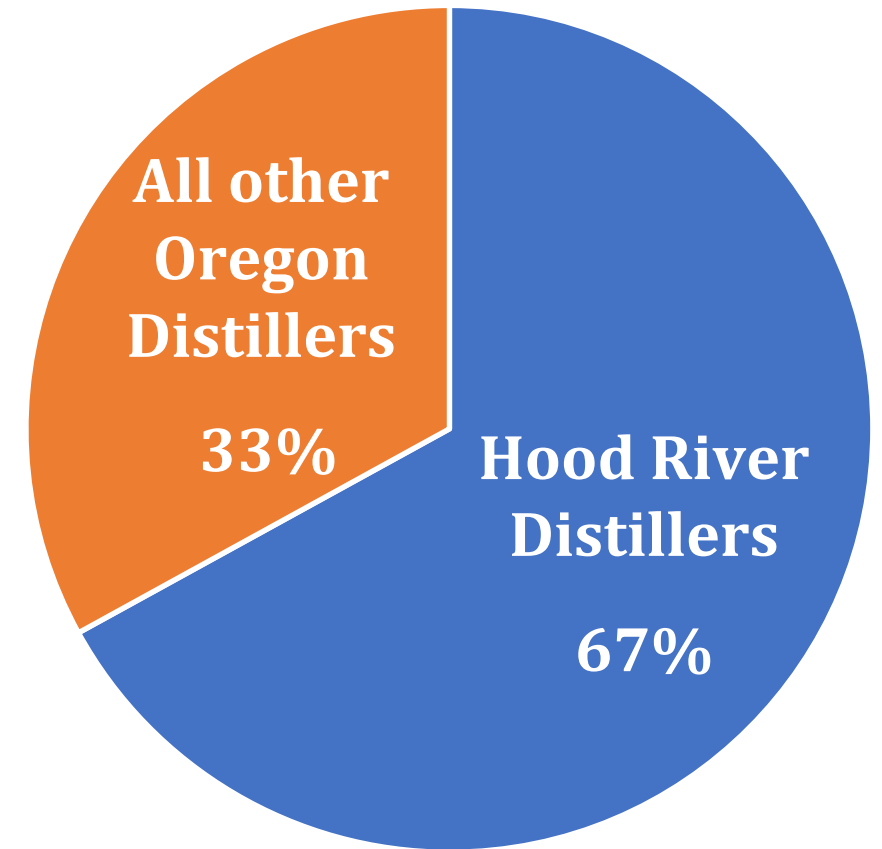
Only **14%** of overall state spirit sales



\* Data from OLCC, Portland Business Journal

# 2017 Oregon Spirits Production

- One large distiller – *Hood River Distilling* – accounts for 2/3 of in-state sales among Oregon distillers
- Next highest is at 10%; all others are much smaller





# Oregon Distillers Economic Impact

Data from the Distilled Spirits Council

**16,737**

Jobs  
Supported

**\$1.26B**

Out-of-State  
Export

**\$1.41B**

Economic  
benefit to  
Oregon



# Distillers Key to Oregon Food & Beverage Play

- Oregon Distillers are a key part of state's Food and Beverage (F&B) focus
- F&B manufacturing one of Oregon's 6 Target Industry Groups
- F&B is Oregon's fastest growing manufacturing sector; **91% employment growth** over 10 year period
- Business Oregon recognizes Oregon Beverages as "core piece of the state's image"

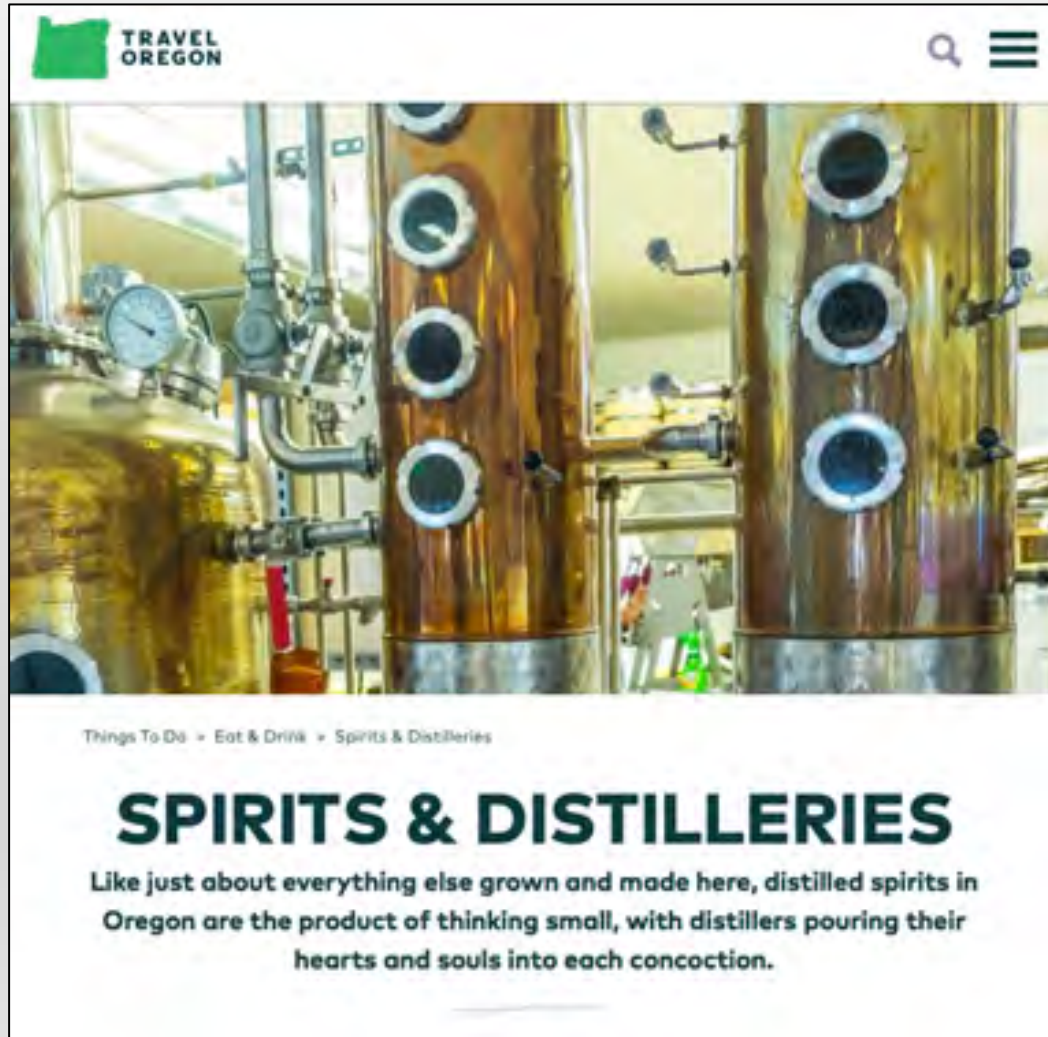




# Local Distillers Support Oregon Ag

- **Grain** from Wasco, Jefferson, Sherman, Gilliam, Morrow and Umatilla Counties
- **Orchard fruit & nuts** from Hood River, Yamhill, Marion and Linn counties
- **Cranberries** from Coos County
- **Apricots** from Grant County
- **Grapes** from Willamette Valley

On any given weekend, visitors to Oregon tour a distiller, visit a distiller tasting room or a farmers market event



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## SPIRITS & DISTILLERIES

Like just about everything else grown and made here, distilled spirits in Oregon are the product of thinking small, with distillers pouring their hearts and souls into each concoction.



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## Cocktails & craft spirits

Small-batch distilleries and creative bartenders make truly local (and delicious) cocktails a reality.

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Inspired by their fore-runners in the beer and wine scenes, industrious distillers are making the city the center of a new artisan distillery movement.

Sampling spirits at Southeast Portland's New Deal Distillery



### WOMAN-RUN DISTILLERIES IN PORTLAND

The liquor industry has long been considered a boy's club, but several local women are changing that outdated narrative with their own lines of spirits and bitters.

7,000 "passports sold" to date to Portland Distillery Row



# Distiller Tasting Rooms

- Focus on customer “experience” rather than sales
- Place where distillers show off new product offerings
- Usually includes tours of Distilling process
- Food requirements when offering cocktails, per OLCC rules
- Often tourist-focus or part of larger tourism campaign (i.e., Portland’s Distiller Row)



Our goal is to encourage consumers to buy higher-priced premium Oregon spirits, replacing national brands, resulting in **increased revenue to the state over time**





# Typical Oregon Distiller Tasting Room Compensation

For each bottle sold in a tasting room:

- 50% Cost of Goods (cost to distiller to produce bottle)
  - 33% OLCC transfer (OLCC admin, pass through to local governments & General Fund)
  - 17% What distillers keep (OLCC tasting room compensation)
- 
- 100% Price per bottle (set through OLCC system)

**Compensation can't adequately reimburse distiller for tasting room costs**



# 2018 Figures – Current Model

\$8.48 m. Oregon distiller Tasting Room sales

\$2.8 m. transferred back to OLCC  
(33% on average)





# Tasting Room Challenges

- Low volume of sales
- Cost per sale is higher (i.e. staffing, samples, food requirements)
- Compensation for tasting rooms sales locked into OLCC system, with inability to set own price
- No credit card fee reimbursement



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Oregon Distiller  
Tasting Rooms  
**CLOSED** last year

**Despite growth of industry, increased sales and more tourists, Oregon distillers find it harder to make tasting rooms profitable**



# Additional Challenges this Session

- Governor proposes 5% mark up on all distilled spirits
  - With higher price points compared to national brands, Oregon spirits sales likely will drop as customers look for less expensive products
  - Or consumer will move to beer, wine or cannabis
- OLCC licensing fee increases
- Revenue reform which could mean new taxes on craft spirits businesses





# ODG Legislative Request – SB 5519

- Split compensation pool currently combined for Oregon Distiller Tasting Rooms and OLCC Liquor Stores
- Reduce transfer back to OLCC from 33% to 5% for Tasting Room sales
  - Increases compensation pool for Oregon Distiller Tasting Rooms by \$2.4 million
- Budget note instructing OLCC to revise compensation formula for tasting rooms



# Benefits of supporting Oregon's craft distillers

- Profitable tasting rooms allow small distillers to better market & promote Oregon craft spirits
- Furthers state's "Brand Oregon" strategies
- More jobs for Oregonians, greater use of Oregon ag products, and increased tourism dollars
- Fosters increased production, leading to sales at higher price points compared to national brands
- More revenue over time for local governments and state (General Fund)