



**CORPORATE OFFICE**

PO BOX 240  
116 3RD STREET, SUITE 321  
HOOD RIVER, OR 97031  
P 541.386.1588  
F 541.386.1534  
HRDSPIRITS.COM

**TO:** Senate Committee on Business and General Government  
**FROM:** Hood River Distillers  
**DATE:** April 2, 2019  
**RE:** **Opposition to SB 108-2**

Chair Riley and members of the Senate Committee on Business and General Government, my name is Hasina Wittenberg. Thank you for the opportunity to provide testimony in opposition to SB 108 -2 on behalf of Hood River Distillers.

**BACKGROUND**

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Hood River Distillers was established in 1934 shortly after the Oregon Liquor Control Commission (OLCC) was established in 1933. We are the oldest distillery in Oregon and have been in operation under OLCC longer than any other distillery in Oregon. From the fruit wines and brandy of Hood River Distillers' beginnings to the recent success of Pendleton Whisky, Hood River Distillers has thrived under the OLCC control state system.

HRD opposes the bill for the following reasons:

Setting the shelf price of products is a big advantage for manufactures selling in Oregon. Manufacturers can compete with comparable products in the marketplace by establishing monthly prices and determining reductions and sales. If this bill passes, HRD will lose that ability and will be subject to the retailer's setting of prices.

Section 5(1)(b) does not have the degree of price variance entered, so we can only speculate what it will be. The greater the variance, the greater ability liquor stores will be able to compete with one another on price. One community's local liquor store may not be able to price compete with one in a nearby neighborhood due to cost of rent and other expenses. This may drive the liquor store to close and discontinue serving that community.

The price variance changes the dynamic of liquor stores within the control state system. The increased autonomy of liquor stores distances the state from the liquor stores and the consumers from the state. Allowing retailers to set the retail price within a range opens the door for future increases to the range in subsequent proposals. Eventually the range will broaden to a point where retailers question OLCC's involvement as a wholesaler, bringing Oregon one step closer to privatization.

A victory in the ability to sell products at a retailer determined price may lead to the contention that retailers should also possess the ability to negotiate the purchase price of products from a wholesaler. This would cause the demise of OLCC's wholesaler position.



**HRD also submits the following comments regarding SB 108 -2:**

- The bill limits a liquor store's maximum price, but it does not prohibit a minimum price. We are not sure of the likelihood of this, but a liquor store could sell product at a loss to dump inventory, or as a competitive tactic to drive consumers to their store. The store will still owe OLCC the commissions at the wholesale price.
- OLCC sets the monthly prices. Will agents have to establish their prices for a month, or can they change them on a whim? Will regulations be changed to permit a retailer's ability to advertise pricing? Are retailer specific coupons permissible?
- Increased competition for high demand items. OLCC must be totally neutral in allocating items like high end/sought after bourbon, or other items that will surely be able to sold at the maximum retail price. These types of items will be big money makers for the stores.
- OLCC will need to spend more money and time to regulate compliance with the retail price. Where will this money come from?
- Less diversity of products and increased difficulty for Oregon distilleries to gain shelf space. The price increase may cause liquor stores to primarily stock items with the greatest return. This makes it harder for less established and local products to compete. The lack of product diversity does not serve the consumer.
- Oregonliquorsearch.com is a useful tool for consumers to find the product they are searching for and its price. With the price no longer being static, the website is less reliable.
- The price variance will encourage consumers to shop for lower prices and not solely rely on their neighborhood store. This in turn may cause liquor stores to cater less to their immediate community.
- Liquor stores may price compete to sell the products produced and sold by distillery outlets. Distillery outlets can be in close proximity of a liquor store because they are not established geographically by the OLCC. Distillery outlets will be in a delicate balance of competing with a nearby liquor store while wanting that liquor store to still stock and sell its product. The liquor store holds the greater advantage in the relationship because it does not only rely on that distillery's product for sales.

Thank you for the opportunity to provide testimony regarding this legislation. I would be happy to answer any questions the committee has.