

Dear Senators:

I am the owner of NW Wine company and Hyland Estate; we crush approximately 4000 tons a year and have over 600 acres of vineyards under our control. We are located in Dundee, Yamhill county and the majority of our vineyards are located in Marion and Yamhill counties.

I am writing this letter in opposition of SB 111 together with all members of our coalition

Our coalition represents roughly half of the grape and wine production in Oregon. We appreciate the efforts that the proponents of SB 111 have made to improve the fairness of the bill and prevent business impacts to responsible Oregon winegrowers doing business with out of state wineries.

We continue to question the need for this legislation, however, and are concerned that the rulemaking provisions of the -4 amendments will generate regulatory uncertainty, create conflict within the Oregon wine industry and divert OLCC resources from more significant matters.

The following comments respond to the specific sections of the proposed -4 amendments.

Sections 1 and 2, wine “content standards” rulemaking: These provisions appear intended to accomplish through OLCC rulemaking what the proponents sought to achieve through statutory changes in earlier versions of the bill. “Content standards” is a vague term and it is unclear how this would relate to the grape varietal purity standards and wine labeling rules that have been proposed in SB 829, 830 and 831.

The amorphous rulemaking mandate in SB 111-4 would harm the Oregon wine industry by placing a cloud of regulatory uncertainty over our businesses. Section 2 requires OLCC to catalogue labeling complaints for two years and then consider certain specific rule changes based on complaints. This encourages those wineries that desire the labeling rule changes mentioned in this section of the bill to complain about other wineries in order to manufacture demand for the rules. This is a recipe for conflict and would damage the collaborative environment that is one of the hallmarks of the Oregon wine industry.

Sections 3 and 4, grape tax: We continue to support full and fair collection of the grape tonnage tax. On its face, the -4 version of the bill appears to narrow the applicability of the tax, because it specifies that out of state wineries with OLCC self-distribution and direct shipper permits must pay the tax, rather than explicitly mandating tax payment from all wineries that use Oregon grapes. The existing statute requires all wineries to pay the tax.

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We understand that there may be practical collection issues associated with the existing tax, but we believe that OLCC is the best position to determine how to effectively collect the tax. We do not believe that new legislation is needed for the tax to cover all wineries and we question whether the -4 amendments achieve anything in terms of tax collection.

Section 4 may actually undermine tax collection because this section specifies that the changes to the tax statute in Section 3 of the bill do not take effect until 2021. This implies that wineries with self-distribution or direct shipper permits are exempt from the tax for the next two years. Again, we support the grape tax, but are uncertain as to the need and the effectiveness of this legislation for the purpose of collecting taxes.

Section 5, interstate enforcement agreements: We support enforcement of existing federal

and state wine labeling laws and are not opposed to OLCC entering into agreements with other states for this purpose. Oregon winegrowers, however, should not be penalized by new labeling rules if the State of Oregon is not successful in reaching desired interstate agreements. That was the effect of the -3 amendments to SB 111, and could also be the case under the -4 version depending on the results of OLCC rulemaking required by the bill. This creates an uncertain regulatory environment that harms our industry.

Section 6, additional OLCC rulemaking authority: Existing OLCC rules prohibit false and misleading alcohol advertising. See OAR 845-007-0020. We are against deceptive wine labels and support enforcement of existing federal and state laws. SB 111 is not needed for this purpose, however.

Sections 7-8, enforcement of state law on out of state wineries with direct shipper/selfdistribution

permits: Again, we support enforcement of state law but are not sure that new legislation is needed for this purpose.

Section 9, protection of wholesalers and retailers: This section protects wine wholesalers and retailers for labeling violations “alleged against the manufacturer of the wine.” This relates to the complaint system in Section 2 of the bill and highlights the danger of encouraging wineries to file labeling complaints against one another.

Sincerely

Laurent Montalieu