

UNION WINE CO.

MADE IN OREGON

April 8, 2019

VIA EMAIL TO sjud.exhibits@oregonlegislature.gov

Oregon Senate Judiciary Committee
900 Court Street NE
Salem, OR 97301

Re: Oregon wine industry coalition response to SB 111-4

Dear Senators,

My name is Ryan Harms, I am the owner of Union Wine Company in Washington County, we are based in Tualatin, OR. I run the largest winery in the State of Oregon. We source and grow fruit all across this great state. I sell wine in all 50 states in the USA and export to 12 countries around the globe. I 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. I 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 purity standards that have been proposed for wine made from specific grape varieties in SB 829, 830 and 831.

The amorphous rulemaking mandate 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

UNION WINE CO.

MADE IN OREGON

specific rule changes based on complaints. This encourages those wineries who desire the specific labeling rules 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: I 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.

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

Section 4 actually appears to 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. Again, I support the grape tax, but am uncertain as to the need and the effectiveness of this legislation for the purpose of collecting taxes.

Section 5, interstate enforcement agreements: I support enforcement of existing federal and state wine labeling laws and am 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 case with the -3 amendments to SB 111, and could be the case under the -4

UNION WINE CO.

MADE IN OREGON

version too 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. I am 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/self-distribution permits: Again, I 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.

Thanks for your time and attention to this matter.

Ryan M. Harms

Ryan M Harms
President
Union Wine Company