

May 15, 2019

Representative John Lively
Chair of the House Committee On Economic Development
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

Chair Lively & Members of the House Committee on Economic Development:

Thank you for the opportunity to come before the committee today.

Our farm has been in the family since the mid-1800's. When our uncle passed away, he left the farm to my husband and me with the thought of keeping it in the family and making the over 200 acres a more productive farm. We partnered with our neighbor behind us, a small grape grower. This allowed us to tap into their know-how, since, up until this time, we had solely been hazelnut farmers. Each year we have planted between 10 and 18 acres of grapes, depending on what we could afford and accomplish. By June this year, we will have 60 acres of grapes— 2/3 Pinot Noir and the next largest planting Muscat (a non-exempt grape). Our inspiration was the love of Oregon wines, to support brand Oregon and of course Pinot Noir as the corner stone. We were motivated by the interest on the part of Willamette wineries who wanted more of our high-quality grapes. As you know, the vast majority of Oregon wineries reside in Willamette Valley and we understood their demand for Pinot was growing. We planted our grapes specifically with the amount, clone, rootstock, spacing, slope, etc. prescribed by our customer wineries. Now one of our customer wineries is already asking to wind down our new contract on the heels of last year's first harvest off our little growing grapes.

So, we join the many Southern Oregon growers who established vineyards specifically for Willamette Valley customers. These bills make it harder to sell those grapes. Many members of our coalition would not have put in southern Oregon vineyards for the Willamette Valley demand if we knew this bill was being planned. That is why all Southern wine grape associations oppose these bills.

I come before you as a grower in opposition to SB 830 and 831 for three main reasons:

1. Quality and Flexibility are compromised for customers
2. An Unfair and Unlevel Playing Field is Created
3. A Perfect Storm for Grape Growers Impacting our Markets

Quality and Flexibility Compromised for my customers:

Today Oregon Law is the strictest in the nation requiring 90% varietal standard and 95% AVA, or "location" standard. 100% must be from Oregon. SB 830 takes the varietal standard from 90 to

100% and SB 831 takes the AVA from 95 to 100%. The rest of the US abides by federal varietal law which is only 75%.

Southern Oregon grapes are fuller, deeper in color, and ripen with a higher sugar content than Willamette Valley grapes. Our grapes are used to mix and develop flavors consumers want. In wet and cold years, southern grapes can be a lifesaver for our partners up north. These bills take away the wine-makers flexibility and ability to craft wine. For this very reason, opposition to these bills is coming from Willamette Valley Wineries as well. To this point, as I understand it, the proponents took a straw poll that was not without peer pressure. It became obvious in chatting with one customer, there was a lot of strong arming. Furthermore, if you took the poll with a weighted average based on case volume, I think the results would be very different. Sure, some small wineries who only use Willamette Valley fruit might feel this is a good thing, but the wine industry that is trying to compete on a global scale and further advance Oregon is against this. These wineries and growers are investing in Oregon, especially in rural areas where the state desperately needs well-paying jobs. The outfall of this legislation has been a huge split in the wine industry. Instead, we should be united to promote our fabulous Oregon product!

Unfair and Unlevel Playing Field:

I don't understand why SB 830 allows for one of the biggest wineries in the state to be exempt from being subject to the restrictions imposed on the rest of the industry. This is unfair and creates a competitive advantage for that winery. This same exemption language was proposed for SB111 and it was rejected.

SB 830 Section 2, sub 7:

(7) A wine label that bears all or part of the name of an American viticultural area as a brand name is not subject to subsections (2) to (5) of this section if the brand name has been in continuous use since December 31, 1990.

This carve out is to exempt one business from all legislation the proponents are trying to pass on to the rest of the Oregon wine industry. Why do the proponents allow this carve out for one of Oregon's largest wineries?

This is a huge fairness issue!

Unnecessary Legislation which Causes More Problems than it Solves:

Both SB 830 and 831 are unnecessary. Under current law, Winemakers and Wineries in Willamette Valley can choose to use 100% of Willamette Valley fruit today. The Willamette

Valley Vintners Association could create a stamp that states "Willamette Pure" or "Pinot Pure" just as many wineries include for Salmon Safe, Live Certification, BioDynamic etc. This is basic marketing. In a free market society, we should let the consumer decide which wines they like best. Because there are plenty of other ways to market your wines at 100%, this leads us to ask the real reason behind this legislation. Is it to eliminate competition? Free markets allow anyone to come in and create large brands that have consumer appeal. The Willamette Valley is the second largest AVA on the west coast next to the Central Coast of California. If this bill is about protecting the image of the Willamette Valley, why aren't the proponents focusing on the growers in the Willamette that are not growing the best grapes, or wineries that are making bad wine. If this is really about purity and quality, why not dictate what you can grow where and how you can make the wines like France does?

The wedge created by forcing wineries into this restrictive statutory requirement of 100% creates a division in what has, up until now, been very collaborative relationships between grape growers and wineries across the state. Wine making and grape growing are both an art and a science. These restrictions will hamper the Oregon wine industry as a whole and possibly actually impact the quality and reputation of the wine which currently proudly carries "Willamette" on the label. Label laws are supposed to create clarity and these bills continue to be confusing even to those of us in the industry. The new enforcement restrictions in play under SB 111 with an up to \$25,000 penalty per violation would devastate a small winery and would apply to SB 830 and 831 if all bills were to pass.

There are also UNINTENDED CONSEQUENCES. SB 830 creates new hurdles for brand new exciting varietals that are being produced in Oregon. The list of the 18 exempt varietals took much bloodletting to create years ago. New varieties like Viognier, Gruner Veltliner and the variety I grow, Muscat, will have to abide by at least 95% content or up to 100% if this bill is passed. The increased restrictions would require an opt out for these other varietals which in the past has been onerous.

A Perfect Storm for Grape Growers Impacting our Markets

The furor surrounding SB111, 830 and 831 are based on deceptive information, or, at best, lacking information. There are no counterfeit wines with Oregon labels. The federal TTB has settled all labeling cases. The labeling issues are a direct connection to SB111 where proponents are trying to punish one out-of-state winemaker who is in competition with the proponent at the expense of the rest of the industry. Some will say that it's about fairness in collecting the wine tax and that \$400,000 is not being collected from grape sales to out of state wineries. OWA has been discussing this potential problem for years and SB 111 falls short of any fix of this alleged issue. There is no evidence to back up loss in grape taxes. We just don't know. Time would be better spent in discussions bringing the industry together to first

understand the issue and then seek solutions. This was the consistent message sent in the recent OWA sessions in Willamette, Rogue and Umpqua. Instead, the legislation and unfortunately, our own state association are driving the industry apart. As a new grape grower SB 830 and 831 hamper my sales to the biggest Oregon market – Willamette Valley while SB 111 hampers my potential sales out of state by creating barriers for out of state buyers. Yes, this is the perfect storm.

In the last public hearing, one of the proponents stated that only 150-200 hundred tons of Southern Oregon fruit is making it into Willamette Valley wines. This is pure conjecture. We know that currently about ten times more or 1500-2000 tons from my neighbor's farms in the central Umpqua Valley alone are purchased by Willamette Valley wineries. The Oregon grape report has less than 50% of the Vineyards and wineries reporting in every year, this means there is no data that shows what fruit is going where and how they are being used. You would not have seen such an outcry from growers if we were not being impacted by this legislation.

I thank the committee for holding this work session and hope that the information provided helps describe why this legislation has created huge controversy and division in the Oregon Wine Industry.

Thank you.

A handwritten signature in black ink, appearing to read 'Elin D. Miller', written in a cursive style.

Elin D. Miller