



*June 6th, 2023*

## **SURCHARGE INCREASE WILL HIT CRAFT OREGON DISTILLING HARDER THAN NATIONAL BRANDS**

- Most of Oregon's distillers are small businesses creating premium craft spirits that are expensive to produce because of the time involved and the high-quality, locally sourced ingredients. At the same time, distillers are mindful of consumer sensitivity to price and in order to be competitive with national brands, Oregon distillers typically offer their products at a wholesale cost to OLCC that leaves a very thin margin of profit for the producer.
  - **NOTE: individual distillers should highlight how this is true for their businesses with specifics.**
- Because Oregon spirits producers are trying to offer their products at a retail price that allows them to remain competitive (not wholly out of reach for the average consumer), an increased markup or surcharge would likely need to be absorbed by the distiller, rather than seeing the retail price for those products go up for the consumer. This \$.50 per bottle reduction for the small craft distiller is much harder to absorb from a business standpoint that it will be for the larger national brands. This will force many in the Oregon distilling industry to cut costs in a variety of ways and become less economically viable.
  - **NOTE: give examples of how you would handle this kind of increase within your business, i.e. Cut jobs? Source ingredients differently? Limit your product inventory? Close?**

## **OREGON SPIRITS ALREADY TAXED AT SECOND HIGHEST RATE IN COUNTRY**

- It is important to note that distilled spirits in Oregon are already taxed at the second highest rate in the country behind only Washington. More than 50% of the retail price paid by the consumer in Oregon is the markup and surcharge that goes to the state.

## **INCREASING CONSUMER PRICES MAY WEAKEN CURRENT CONTROL STATE MODEL**

- The current control state model in Oregon provides much benefit to the state, including the 3rd largest source of revenue for the state and the ability to limit the number of outlets where distilled liquor is sold.
- The control state model in Oregon also provides a more level playing field for smaller producers to access shelf space in a way that does not exist in privatized markets.
  - **NOTE: distillers should talk about how this is true for them outside of Oregon**
- There is growing pressure in Oregon to move to a privatized model for sale and distribution of distilled spirits and increasing prices to both restaurants and bars and to consumers will drive the demand for a change to the current system. Consumers will be left with more access to alcohol and less consumer choice.