Privatizing Cocktails in a Can: Lower Revenue, Higher Costs, Negative Impacts to Public Health

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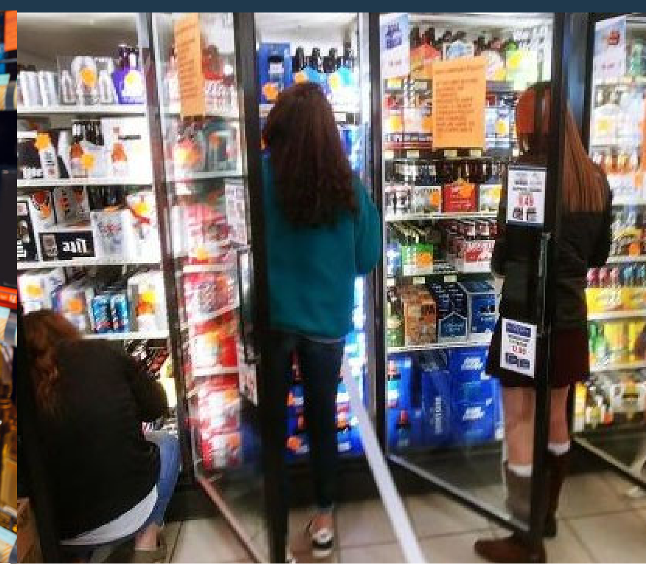
October 16, 2025



Presentation Overview

I. Current System

II. Privatization Proposal

What are Cocktails in a Can?

- Referred to as Ready to Drink (RTD) cocktails.
- They have a distilled spirits base (e.g. rum, tequila, vodka).
- Are between 10 and 28 proof (5 – 14% alcohol by volume).
- They typically come in single serving cans or bottles.

Market Growth

Fiscal Year	Gallons Sold	Total Sales	Year-over-Year Growth
2020	16,596	$748,031	58%
2021	75,102	$2,727,946	73%
2022	133,152	$4,842,917	44%
2023	199,262	$6,988,835	31%
2024	244,752	$8,124,982	14%
2025	297,497	$9,406,055	14%

Robust growth that peaked during the pandemic.

Significant Revenues for our Communities

Fiscal Year	Total Sales	General Fund	Cities	Counties	Total Public Distribution
2020	$.75M	$.17M	$.07M	$0.39M	$.26M
2021	$2.73M	$.59M	$.28M	$1.12M	$.95M
2022	$4.8M	$1.01M	$.53M	$1.11M	$1.7M
2023	$7M	$1.58M	$.79M	$1.46M	$2.6M
2024	$8.1M	$1.81M	$.9M	$1.57M	$2.97M
2025	$9.4M	$1.77M	$.86M	$1.41M	$2.88M

Cocktails in a can sales have raised significant revenues to keep our state's communities beautiful, prosperous, and safe.

Privatizes the sale of cocktails in a can by allowing them to be sold in 792 grocery stores statewide.

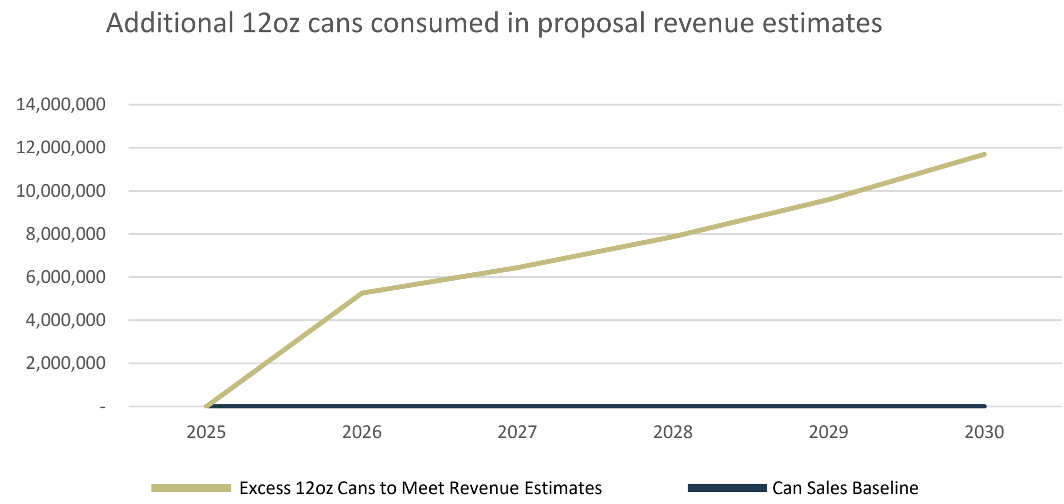
Mandates a new $8/gallon tax.

Assumes 180% growth in volume in the first year and 19% each year thereafter.

Forecasts $8.2 million growth in revenue.

Privatization Proposal

Assumptions Out of Sync with Market Trends



The privatization proposal depends on an **180% volume increase** in the first year and 19% annually thereafter.

Privatization Revenue Impact

Fiscal Year	Actual Revenue Distributed	Privatization Revenue	Privatization Shortfall
2020	$ 261,811	$ 132,574	49%
2021	$ 954,781	$ 599,959	37%
2022	$ 1,742,859	$ 1,063,699	39%
2023	$ 2,596,695	$ 1,591,819	39%
2024	$ 2,973,062	$ 1,955,219	34%
2025	$ 2,883,519	$ 2,376,583	18%
TOTAL	$11,412,727	$7,719,853	32%

Existing Revenue compared to Revenue at Proposed $8/gallon Rate

Between 2020 and 2025, Oregon’s way of distributing and selling cocktails in a can raised $11.4 million for our communities.

Over this same time, privatizing cocktails in a can would only have raised $7.7 million. That is a 32% decrease and a loss of **$3.7 million**.

Privatization Revenue Impact

Fiscal Year	OLCC Projected Revenue	Privatization Projected Revenue	Privatization Shortfall
2026	$ 3,324,100	$ 2,709,305	18%
2027	$ 3,789,474	$ 3,088,608	18%
2028	$ 4,320,000	$ 3,521,013	18%
2029	$ 4,924,800	$ 4,013,955	18%
2030	$ 5,614,272	$ 4,575,908	18%
TOTAL	$21,972,646	$17,908,789	18%

Projected OLCC revenue compared to projected privatization revenue at $8/gallon rate

The shortfall in revenue would continue in the future. If we project current sales trends, we see that over the next five years, privatizing cocktails in a can would only raise $17.9 million dollars as compared to $21.9 million in our system. That would be an 18% decrease and a loss of **$4 million to the state**.

Privatization Cost Impact

New Tax

- Privatization proposal assumes cocktails in a can will be taxed like beer, wine and cider.
- This will require manufacturers and distributors to pay privilege tax on these beverages.
- The proposed new $8/gallon tax is much higher than the $.07 to $.77/gallon taxes on beer, wine and cider.

Higher Administrative Costs

- To administer this new tax, the OLCC will need to upgrade its online privilege tax system and other IT infrastructure at a cost of $1.25 million.
- The agency will also need additional staff to ensure the new tax is administered efficiently. This will increase costs by $660,000 in the next biennium.

Consumer Choice Constraints

Slower growth in a saturated market.

National manufacturers crowding out Oregon-based distillers.

Trend would accelerate under privatization.

RTDs could also crowd out Oregon beer and wine.

With new warehouse, plenty of capacity to serve market and support Oregon distillers.

Minor Access to Liquor

Distilled spirits-based cocktails much higher proof than malt-based products.

792 new outlets under privatization.

Currently, access to liquor is highly regulated. Minors are not allowed in liquor stores without an adult.

Privatization makes regulation harder.

New burdens on OLCC compliance and local law enforcement resources.

Thank you