



2014 Oregon Craft Beverage Council Presentation



# Dynamic Industries

---

We have a great story to tell.

**63 Distilleries | 214 Craft Breweries | 545 Wineries**

**Oregon's craft beverage makers lead the nation in  
quality, craftsmanship and affordability.**



# Dynamic Industries

---

We create quality, family wage jobs.

## Employing Oregonians:

- Breweries: ~ 6,500 jobs
- Distilleries: ~ 350 jobs
- Wineries: ~ 13,500 jobs



# Dynamic Industries

---

And support jobs across Oregon.

## Our industries support jobs in:

- Tourism
- Restaurants
- Agriculture
- Retail and manufacturing



# Dynamic Industries

---

We have room to grow in Oregon, which would spur economic development.

## Percentage of sales of Oregon products in Oregon:

- Breweries: 18%
- Distilleries: 12%
- Wineries: 13%



# About OCBC

---

We want to share our story in Oregon.

## *It all began in 2011*

Mission:

- Encourage Oregonians to buy Oregon products
- Educating Oregon's decision-makers about our industries



# About OCBC

---

We believe a rising tide raises all ships.

**Our members are some of Oregon's largest producers of:**

**Craft Beer | Craft Spirits | Craft Wine**



# Members

---

## Brewers





# Members

---

## Distillers

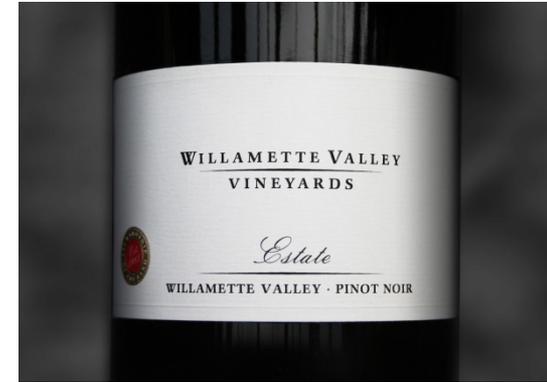




# Members

---

## Wineries





# OCBC Priorities

---

Let's make a bright future for craft beverage makers.

## Together, we work to:

- Educate decision makers
- Rapidly respond to emerging issues
- Increase in-state sales of Oregon products



# Buy Oregon

---





# Cheers Oregon: October

---





# Cheers Oregon: October

---





# Cheers Oregon: October

---

— HERE'S to OREGON —





# Responding to Issues

---

We share industry perspectives and needs.

**We help inform policy and decisions on many issues:**

- Land use
- Workforce
- Privatization



**Thanks for supporting our great industries  
every time you raise a glass!**

**[www.oregoncraftbeveragecouncil.com](http://www.oregoncraftbeveragecouncil.com)**



OREGON  
WINE  
BOARD

# OLCC Commissioners Meeting

Presented by:

Steve Thomson: Oregon Wine Board of Directors

OWB Marketing Committee Chairman

# OWB Establishment and Purpose

The **Oregon Wine Board** was created in 2003 as a semi-independent state agency. It is funded by a tax on all Oregon wineries and grape growers. OWB is distinguished from the **Oregon Winegrowers Association** which focuses on public policy and regulatory issues relating to our wine industry and is funded entirely by membership fees.



*“The Oregon Wine Board shall operate for the purpose of supporting enological, viticultural and economic research to develop sustainable business practices for wine grape growing and wine making within Oregon and supporting the promotion of Oregon’s wine grape-growing and wine-making industries.”*

Over the past decade, Oregon has built on a foundation of pioneering spirit to achieve a global reputation for exceptional wine quality, sensible farming, collaboration and innovation.



The results have made Oregon the envy of those around the world who follow wine. The esteem in which Brand Oregon and our viticultural areas are held is the reason talent and investment capital migrate here.

# Oregon Wine: A Decade of Success

	<u>2003</u>	<u>2012</u>
Wineries	201	545
Vineyards	673	905
Tons Harvested	24,000	50,186
Acres Planted	13,400	25,440
Case Sales (million)	1.2	2.4



*2003 Data Source: Oregon Winery & Vineyard Report prepared by USDA*

*2012 Data Source: Oregon Vineyard & Winery Census Report prepared by SOURCE*



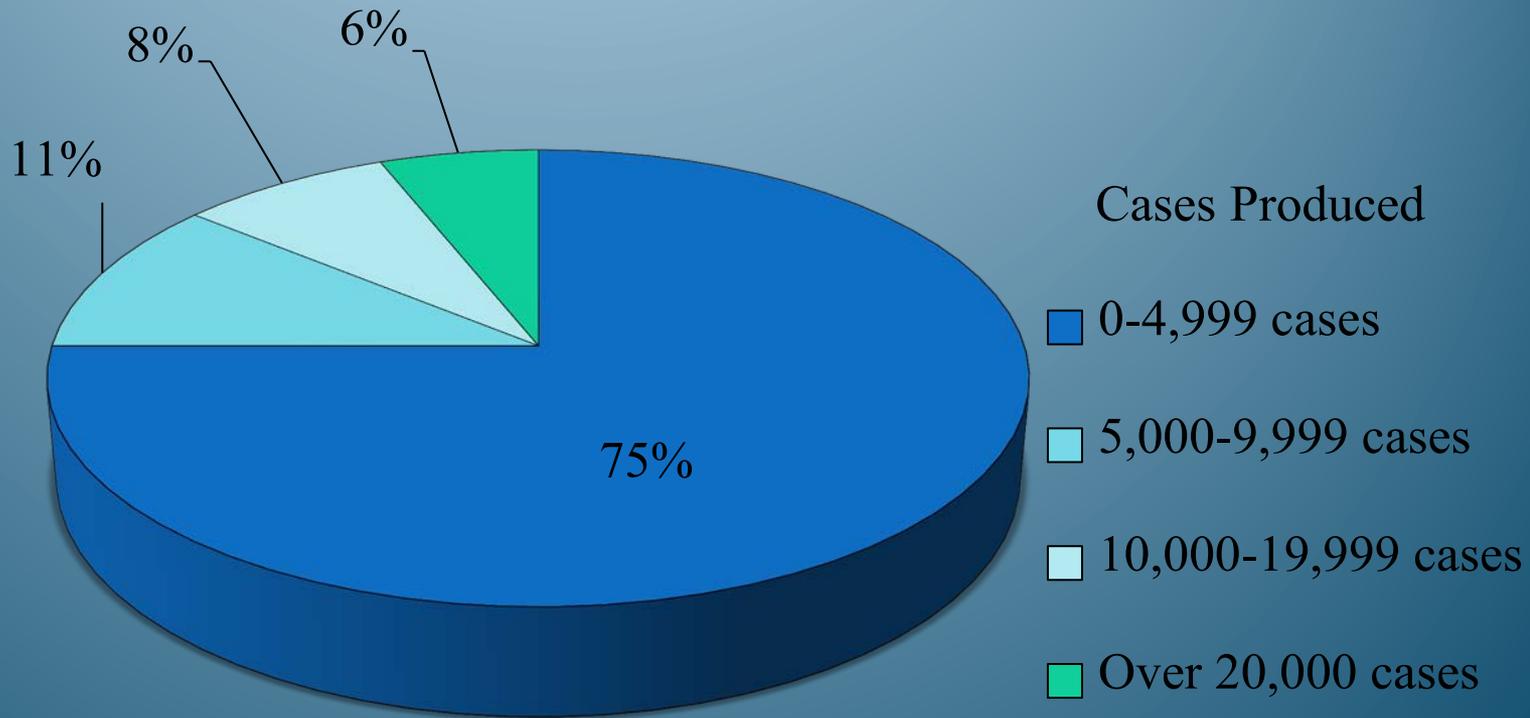
# Oregon vs. Washington Wine Industry Comparison



	Number of Wineries	2012 Harvest Tonnage	2012 Case Sales (Millions)	Annual Economic Impact (\$Billions)
	545	50,186	2.4	\$2.7
	740	188,000	12.0	\$8.6

Source: Southern Oregon University & Washington State Wine Commission

# Oregon Wine Industry: Segmented by Annual Production

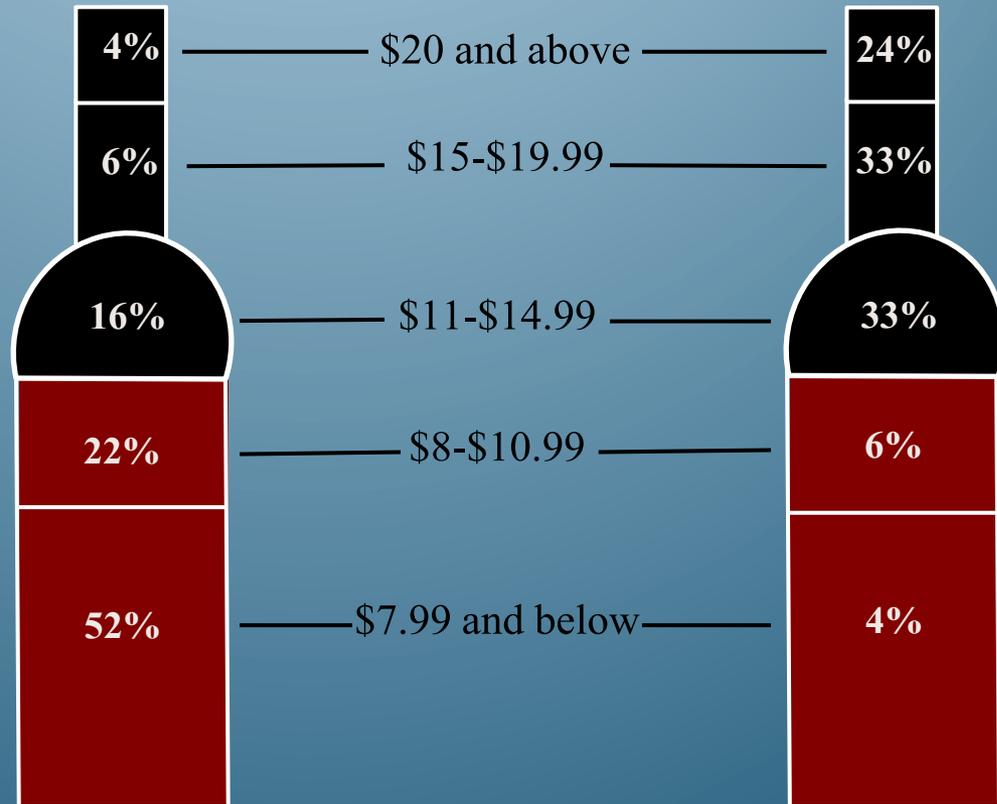




# Wine Sales by Bottle Price

All U.S. Wine

Oregon Wine



Source: Nielsen All-channel Volume as of 6/16/13

# Oregon Wine Reputational Attributes

- Handcrafted, artisan wines
- Small, family farms
- Organic, sustainably made
- Value for the price



928 Total Respondents

Source: 2013 Oregon Wine Reputation Study

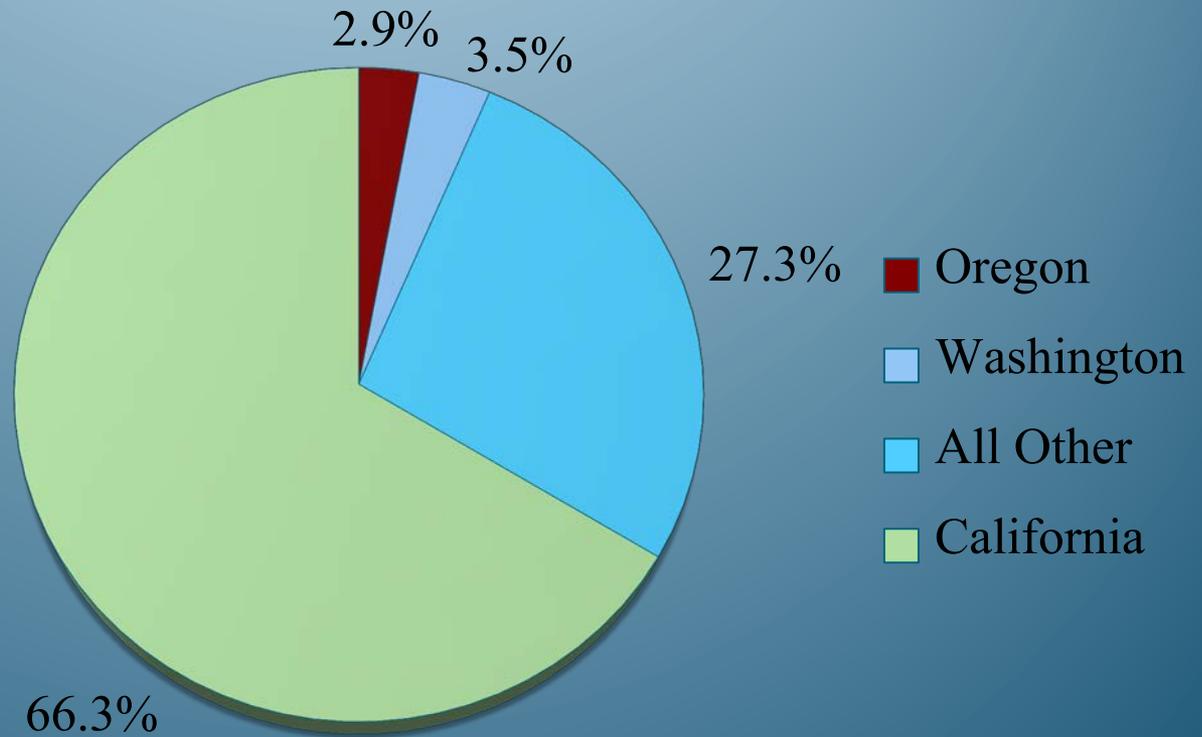




<u>Region</u>	<u>Percentage of Wines Rated 90+ Points</u>	<u>Avg. Price of 90+ Rated Wines</u>
Oregon	46%	\$48
California	40%	\$71
France	41%	\$78
New Zealand	16%	\$35

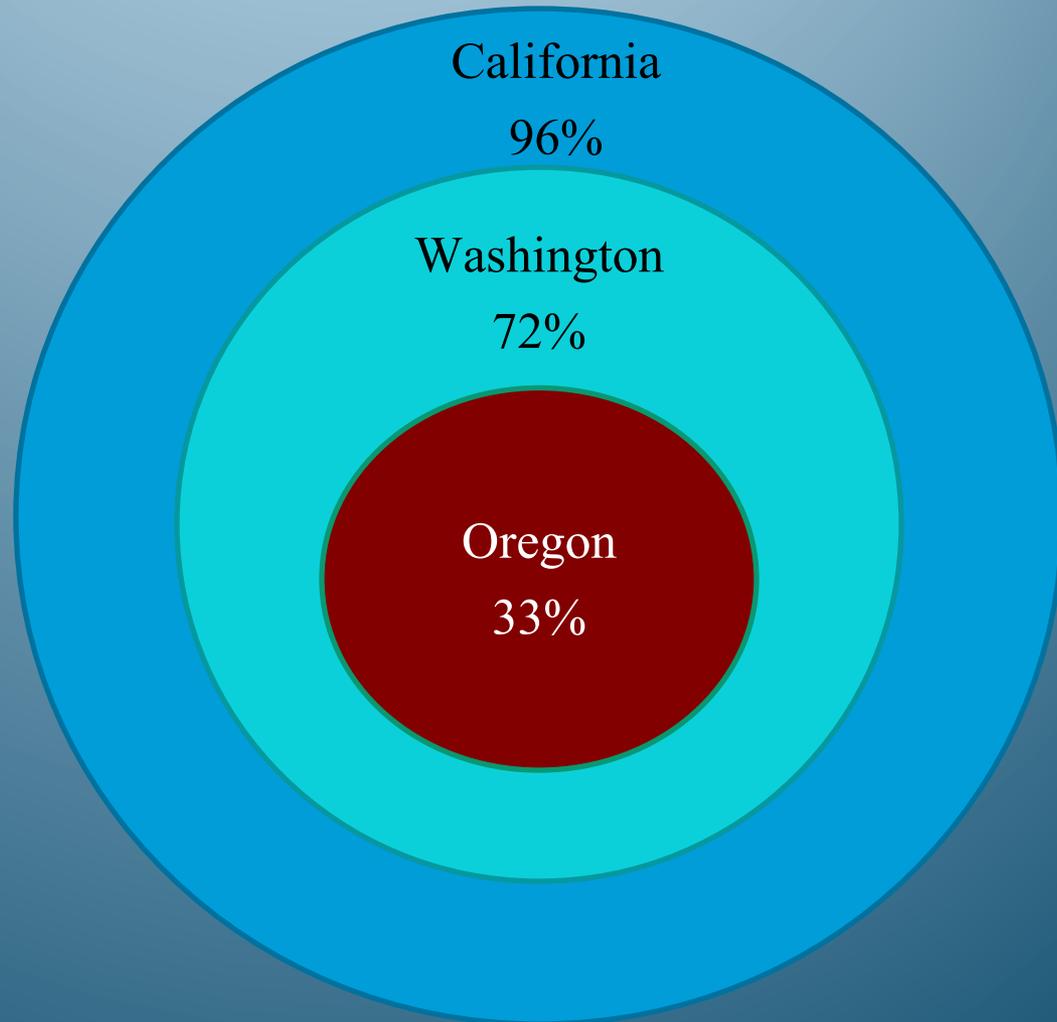
Source: Wine Spectator Magazine 2011

# Regional Market Shares for U.S. Wine Sold at \$11.99+/Bottle



Source: Nielsen All-channel Scanner Volume Report for 52 weeks ended 6/22/13

# U.S. Wine Market Penetration



# Oregon's Wine Economy

- \$2.7 billion statewide economic impact
- 13,500 jobs



*Source: Full Glass Research, 2011 OWB Economic Impact Study*

# Oregon's Wine Tourism Economy

- \$158 million contribution to tourism.
- 1 million of Oregon's overnight visitors visited a winery.
- 1.1 million say that “taking a winery tour” was a trip motivator.

*Source: Full Glass Research, 2011 OWB Economic Impact Study*

*Source: Longwoods International, 2011 Oregon Visitor Report*

*Source: MMGY Travel Horizons , Wave II, April 2013*

# Oregon

# W C 000000

MONTH  
STICKER

# WINE COUNTRY

YEAR  
STICKER

09102013



11202013

**OREGON  
WINES**

**FLY  FREE**

*Alaska Airlines*

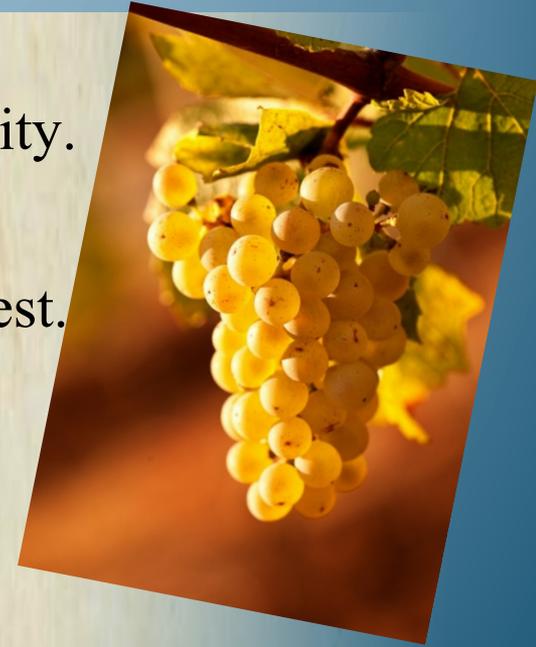


OREGON  
WINE  
BOARD



# A Look Ahead for Oregon Wine

- Continued investment in research supporting quality.
- Increasing Oregon wine sales outside the Northwest.
- Penetrate market channels where consumers will pay for quality.
- Take advantage of expanded wine tourism to fuel direct-to-consumer sales.





# OLCC and Oregon's Wineries: Partnering for Success

- Further dialogue & guidance about tasting room "sting" operations
- Exemptions to "drinking on duty" rules so that winemakers can sample or inspect a wine before pouring at a tasting or event
- Include wine production survey questions in OLCC's current annual documentation requirements
- Work together and make the privilege tax audit & investigation process more collaborative with wineries



OREGON  
WINE  
BOARD



# Oregon Brewers Guild

Non-Profit Trade Association for Oregon's Craft Breweries

Brian Butenschoen  
Executive Director since 2005  
Oregon Brewers Guild

**DID SOMEONE  
SAY BEER?**





# Oregon Brewers Guild

Greater Oregon Brewers Association forms on July 20, 1992 as an Oregon Non-Profit.

Changes Name to Oregon Brewers Guild on March 18<sup>th</sup>, 1994.

1994 - The Oregon Brewers Guild receives a grant from the State of Oregon Department of Economic Development to produce a brewery/brewpub brochure for distribution.

1995-Become a 501(c)(6) Non-Profit Trade Association



# Membership

118 Brewing Companies

90 Associate or Allied Trade Members

3500+ Supporters of Native Oregon Beer

**WE'RE HERE FOR  
THE BEER**



**WE'RE HERE FOR  
THE BEER**





# Board Members-2 year Term

## Officers

Ben Edmunds, Breakside Brewery-President  
Josh Grgas, Commons Brewery-Vice President  
Michael Moscarelli, F.H.Steinbart Co.-Secretary  
Chad Kennedy, Worthy Brewing Company-Treasurer

## Board Members

Irene Firmat, Full Sail Brewing Company  
Gary Fish, Deschutes Brewery  
Jamie Floyd, Ninkasi Brewing Company  
Van Havig, Gigantic Brewing Company  
Kurt Widmer, Widmer Brothers Brewing Company

**WE'RE HERE FOR  
THE BEER**



## **Craft Beer Industry Successes in Oregon**

- 214 Breweries operated by 170 Companies in 70 cities
- 30 year history of working with Oregon's legislature to make changes to encourage positive growth of the industry and avoid changes that would be damaging to the industry.
- Strong community impact in small and rural communities while developing businesses in what are/were underutilized urban areas.
- Partners with agricultural producers, specifically Hop Growers to spark a nationwide trend of using hops from the hop harvest to make beers-7 Hop Harvest Beer Fests in Oregon in Independence, Hood River, Sisters, Silverton, Portland, Eugene and St. Paul.
- Oregon's prominence in the beer industry has led to the Craft Brewers Conference (2015), Hop Growers of America Conference and the World Brewing Congress being held in Oregon in the last two years.

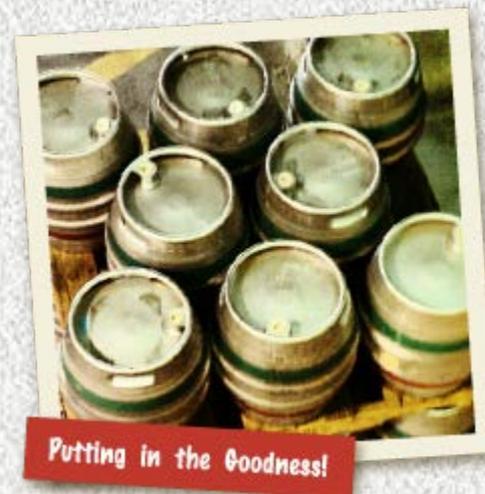
## **Craft Beer Industry Successes in Oregon**

- The first state to have all Congressional members be co-sponsors of the Small Brewer Reinvestment and Expanding Workforce Act to reduce the federal excise tax for small brewers.
- Worked with Oregon's Congressional delegation on the reduction of paperwork and frequency of tax payment for small brewers.
- Worked with Oregon's Congressional delegation to increase the ingredients and processes that are exempt from Certificates of Label Approval
- Working with Travel Oregon and Oregon's DMO's to promote Beer Tourism in Oregon including 750,000+ brochures distributed of our Brewery/Brewpub guide over the last 10 years.
- Oregon leads the US in a number of metrics based around economic impact, breweries per capita, % of dollars spent on craft beer

## Regulatory

State/Federal:

- Changes to statutes to allow same privileges as wine
- Reduction in paperwork at state and national levels.
- Decreased regulatory approvals needed for COLA's + S.O.P.'s
- Continued support of Legislature and Congress as needs arise to make changes to regulatory structure



## Rural Employment

- Of the 74 cities that have a brewery-44 are in rural areas.
- Breweries in all Oregon counties but 7: Wasco, Gilliam, Morrow, Wheeler, Jefferson and Lake
- Donations of dollars or product to local communities:\$700,000
- Number of Jobs:1,741 FT+PT
- Number of Jobs: 776 FT
- Number of Jobs in Brewing: 233
- Total Barrels Produced: 278,233
- Represents 1%+ of the Private Sector Jobs in Central Oregon, the Coast and Mt.Hood/The Gorge.



## Craft Beer Industry Stats

- In State Retail Sales of \$400,000,000
- \$130,000,000 in Payroll-Direct
- \$600,000,000 (EST) in Payroll-Direct and Indirect
- Economic Impact(EST):\$1,600,000,000
- Total Jobs Direct and Indirect(est): 19,000
- Impact per capita – 1<sup>st</sup> in the US
- Gallons produced per adult – over 15.0 G – 2<sup>nd</sup> in the US
- Barrels produced: 1,401,000 – 3<sup>rd</sup> in the US
- Breweries per Capita: 1/18,365 people – 1<sup>st</sup> in the US
- Rank for Craft Beer Markets in the US: 3<sup>rd</sup>
- Rank for % of Dollars Spent on Craft Beer in Grocery Stores: 1<sup>st</sup> in the US



## **Craft Beer Industry Stats**

- Oregonians consumed 2.803 million barrels of beer in 2013, of that more than 18 percent or 507,500 barrels of the total beer consumed in Oregon, was made in Oregon. US craft beer consumption is 7.8 percent by volume.
- Oregon's brewers made 1.401 million barrels of beer in 2013 up 8% over 2012
- 53% Percent of all draft beer consumed in Oregon is brewed in Oregon.
- 56 breweries in Portland, 76 in the Portland metro area, 21 in Bend and 30 in Central Oregon and 12 in Eugene.
- Portland currently has the most breweries of any city in the world.
- Hood River has 5 breweries or 1 per every 1458 people
- Portland continues to lead the US for % of dollars spent on craft beer with a 36.6% share for Q-4 2013 and for Q-1 2014-the Portland market recorded a 38.7% share per IRI Worldwide. Craft Beer has been the largest category for dollars spent on beer in Grocery Stores continuously in the Oregon market since October, 2010 and Oregon leads the US in dollars spent on craft beer in the US with 35.4% spent on Craft Beer in the first half of 2014.

## **Tourism-Bend is from summer 2013/Portland is from 06/2014**

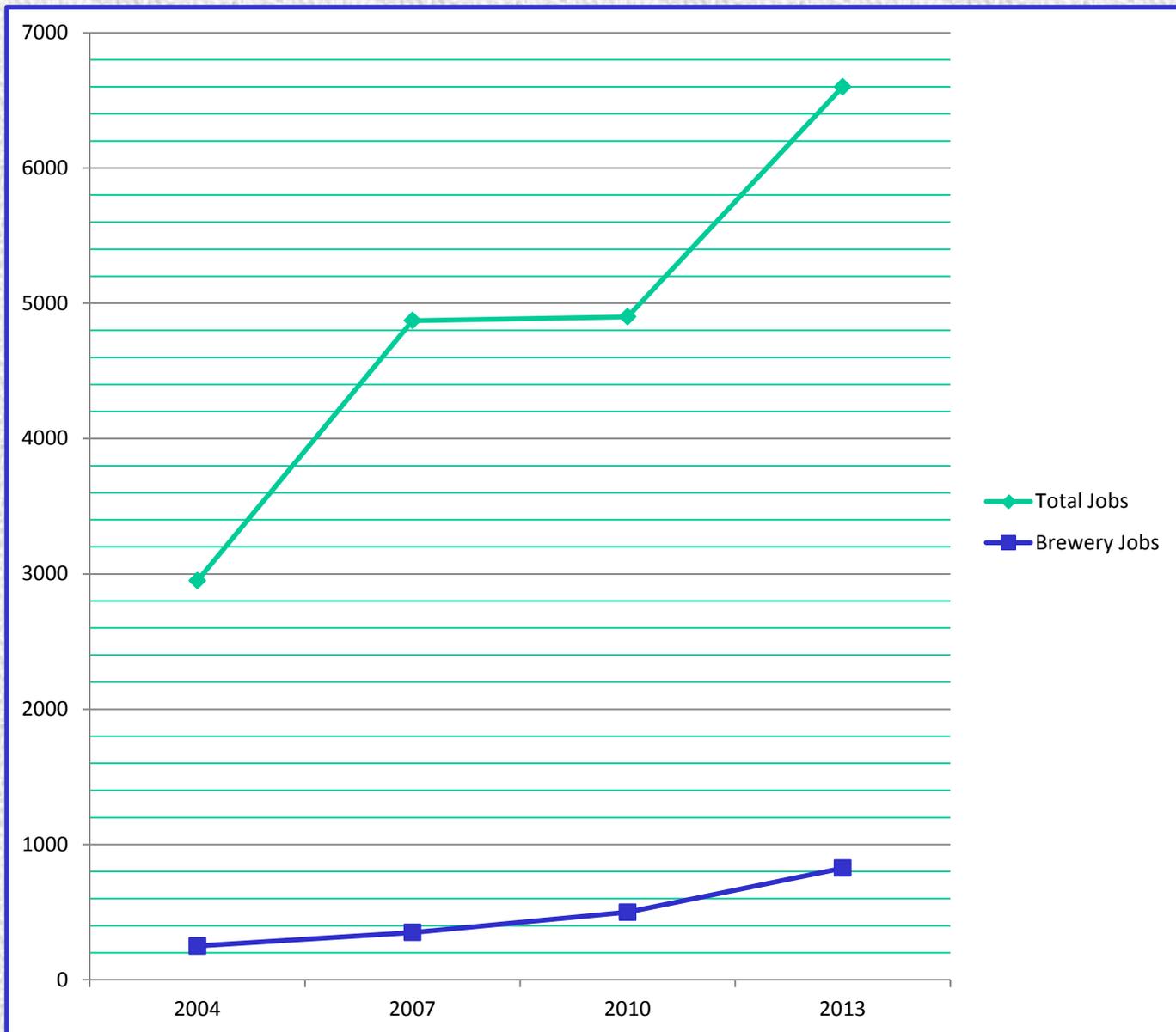
**Bend**-6% said Ale Trail/Brewery Tourism was primary reason for visit. 45% of people said visiting a Brewery/Ale Trail was an activity they did-#3 overall in Bend. Breweries are the #1 Tourism Attraction in Bend with 54% of people visiting/plan to visit during their trip to Bend. These numbers went from not being measured in 2008, to 29% in 2009, 40% in 2012 and 45% in 2013.

**Portland** Visitors: 81% planned to have a craft beer experience / 68% had a craft beer experience while they visited-of that total 34% said it was a primary reason for their trip. 45% Visited a Brewery, 40% Took a Brewery Tour- We have Ale Trails in Bend, Southern Oregon, Eastern Oregon, North Coast and Eugene

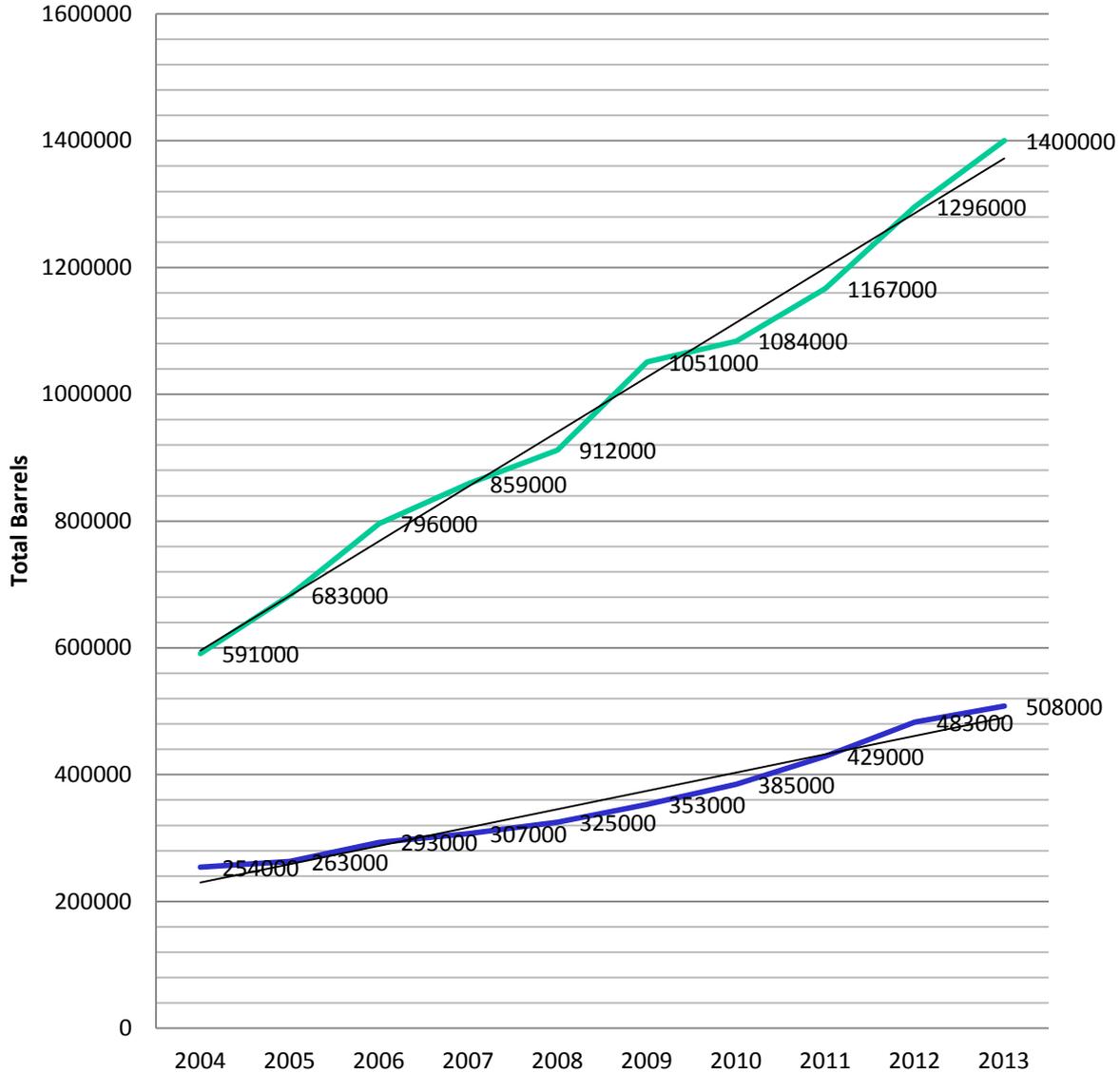
## **Exports**

Oregon's Craft Brewers Exported 19,500 Barrels of Beer in 2013 to 29 Countries including 6 Canadian Provinces.

# Total Jobs by Oregon's Craft Brewers



# Oregon Craft Beer Production: Total / Sold in State





# OREGON

*Distilled*

---

**Craft Board Panel  
OLCC Economy Meeting  
September 12<sup>th</sup>, 2014**

**Presented by Ted Pappas  
President, Oregon Distillers Guild**



# Oregon's Distillers Guild

*Founded in 2007, the ODG has 31 active member distilleries*

## Our Goal

- ✦ Help foster an environment where Oregon's DSP's can thrive

## Our Objectives

- ✦ Evolve governing laws & rules
- ✦ Educate the public
- ✦ Educate channels of distribution
- ✦ Develop & promote the brand Oregon



# Oregon's Distillers Guild



- ✦ To qualify, members must either have a DSP with products distributed in the state or in the process of applying
- ✦ The ODG represents ~half of the spirit producing DSPs in the state
- ✦ Governed by a Board of Director
  - ✦ Ted Pappas, President – Big Bottom Distilling
  - ✦ Mike Higgins, Vice President – Rogue
  - ✦ Meghan Zonich, Secretary – Northwest Distillery
  - ✦ Michelle Ly, Treasurer – Vinn Distillery

# Oregon's DSPs

Oregon  
DSPs (63)

ODG  
Members (31)

- |                                   |                                     |                                     |                                       |
|-----------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| 1. <b>4 Spirits</b>               | 17. Dolmen Distillery               | 32. Industrial Row Distillery       | 48. Sinister Distilling               |
| 2. Alchemical Solutions           | 18. <b>Eastside Distilling</b>      | 33. Lil-Bit Distillery              | 49. Stein Distillery                  |
| 3. <b>Bendistillery</b>           | 19. <b>Edgefield Distillery</b>     | 34. Moon Rock LLC                   | 50. <b>Still Life Spirits LLC</b>     |
| 4. <b>Big Bottom Distilling</b>   | 20. <b>Elixir, Inc.</b>             | 35. Neal Creek Distillery           | 51. Stillwagon Distillery             |
| 5. Black Rock Distillery          | 21. Erath Vineyards                 | 36. New Basin Distilling Co.        | 52. <b>Stone Barn Brandy Works</b>    |
| 6. <b>Brandy Peak Distillery</b>  | 22. Evans-Healy                     | 37. <b>New Deal Distillery</b>      | 53. Superfly Distilling Co.           |
| 7. <b>Bull Run Distilling Co.</b> | 23. Flooded Fox Den Distillery      | 38. Northcoast Distilling           | 54. Tabe Rock Distillery              |
| 8. Camp 1805 Distillery           | 24. <b>Glaser Distillery</b>        | 39. <b>Northwest Distillery</b>     | 55. Thantchers Eating & Drinking      |
| 9. Cannon Beach Distillery        | 25. <b>Hard Times Distillery</b>    | 40. <b>Oregon Ryegrass Spirits</b>  | 56. Thomas & Sons Distillery          |
| 10. Cascade Alchemy               | 26. Harris Bridge Spirits           | 41. <b>Oregon Spirit Distillers</b> | 57. Torii Mor                         |
| 11. <b>Cascade Peak Spirits</b>   | 27. Hillcrest Vineyard              | 42. Pacifick Distillers             | 58. <b>Tualatin Valley Distilling</b> |
| 12. <b>Clear Creek Distillery</b> | 28. <b>Hood River Distillery</b>    | 43. Pure Lush Spirits               | 59. <b>Vinn Distillery</b>            |
| 13. <b>CPR (McMenamins)</b>       | 29. <b>House Spirits Distillery</b> | 44. <b>Ransom Spirits</b>           | 60. <b>Vivacity Spirits</b>           |
| 14. <b>Crescendo</b>              | 30. <b>Immortal Spirits</b>         | 45. <b>Rogue Ales Public House</b>  | 61. Wild Roots Vodka                  |
| 15. Distilling Head               | 31. <b>Indio Spirits</b>            | 46. <b>Rogue House of Spirits</b>   | 62. Wine By Joe                       |
| 16. Dogwood Distilling            |                                     | 47. <b>Rolling River Spirits</b>    | 63. Ye Ol Grog Distillery             |

*Spanning 20 Counties and 32 Cities*

# Our Many Pioneering Stories

- ✦ Cascade Peak's organic spirits
- ✦ The countless women working in production
- ✦ Big Bottom's Calhoun Bros packaging
- ✦ Oregon's multiple spirits-focused events
- ✦ House Spirits Portland Airport kiosk
- ✦ Ransom Spirits historically accurate Old Tom Gin
- ✦ Vinn Distilleries traditional Chinese Baijiu
- ✦ The cross collaboration in and outside our industry
- ✦ 4 Spirits Distillery dedication to US war veterans
- ✦ **The country's 1<sup>st</sup> Distillers Guild and one of its few distillery trails**



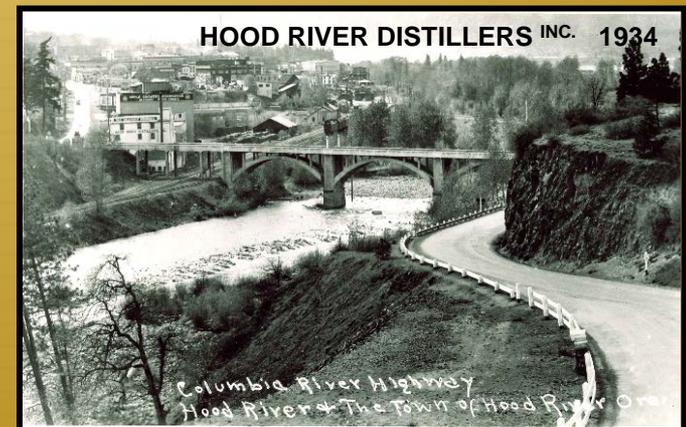
# Highlights of Regulatory/State Benefits

## The ability to get our product into the hands of consumers

- ✦ Distillery tasting rooms – up to five locations
- ✦ Distilleries can sell products from tasting rooms
- ✦ Samples at events and liquor stores
- ✦ Products can be sold at events such as farmers markets
- ✦ Cocktails can be sold to the public with appropriate approval

## Distilleries experience operational benefits as well

- ✦ Sample removal from bonded to non-bonded
- ✦ Single location distribution (OLCC Warehouse)
- ✦ Access to retail stores
- ✦ One stop shop for licensing



# Industry Needs – Federal



## Federal Excise Tax Reduction

- ✦ Legislation designed to reduce the federal excise tax burden on small distillers and create tax parity for distillers with our colleagues in brewing and winemaking has been filed in Congress
- ✦ Senator Kirsten Gillibrand (D-NY) and Representative Chris Gibson (R-NY) have—in their respective chambers—introduced S. 2169 and H.R. 4083, — The Distillery Excise Tax Reform Act of 2014
- ✦ The legislation seeks to level the playing field for small distillers by creating a tiered tax structure similar to that already in place and supporting small businesses in the beer and wine industry
- ✦ Specifically, the proposed law would reduce the current tax rate to \$2.70 per proof gallon for the first 100,000 proof gallons produced annually. Any production over that amount would then be taxed at the current rate of \$13.50 per proof gallon.

# Industry Needs – State

## Surcharge



- ✦ Though the ODG supports approval of the \$.50 surcharge becoming permanent, we will not support additional surcharges placed on our products

## Operations

- ✦ Combined tasting room option for distilleries
- ✦ Current markup makes it difficult to expand number of tasting rooms. Sharing expenses for space and staff would help alleviate the financial burden and allow access different areas of the state.

## Compensation

- ✦ Distillery Outlets are in the same category as non-exclusive agents
- ✦ Combined Distillery Outlets annual sales don't equal average sales of one store
- ✦ Compensation needs to incentivize and compensate accordingly without hitting a financial wall (\$10K) – ***Sell more, earn less***

## Long term marketing partner for our industry

- ✦ Spirits Board

# Distillery Outlets Sales Vs. Retail Store Sales

For distilleries that sell from tasting rooms and retail stores



% represents the percent of Distillery Outlets sales to Retail Outlet sales

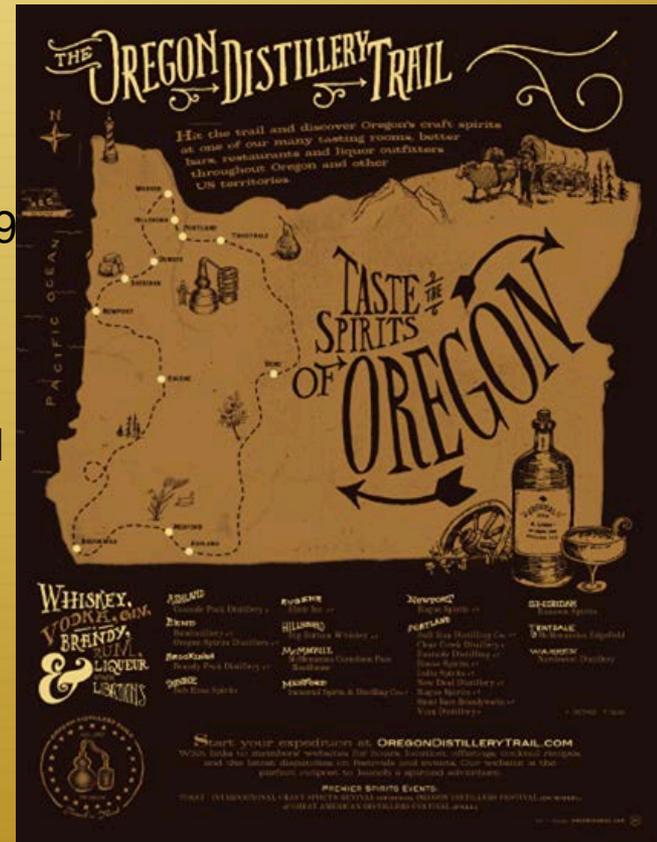
# Oregon Distillery Trail Campaign

## Promoting

- ✦ Distillery tours, tastings & sales / OLCC retail sales / Bar & restaurant sales

## Promotion Channels

- ✦ Magazine: Travel Oregon/Travel Portland/1859
- ✦ Website: [OregonDistilleryTrail.com](http://OregonDistilleryTrail.com)
- ✦ Facebook: [facebook.com/OregonDistilleryTrail](http://facebook.com/OregonDistilleryTrail)
- ✦ Twitter: [twitter.com/oregonspirits](http://twitter.com/oregonspirits)
- ✦ YouTube: <http://bit.ly/1g5mBWh>
- ✦ Direct: Guide Book & Posters



# Oregon's Key Consumer Events

## **TOAST (The Original Craft Spirits Tasting)**

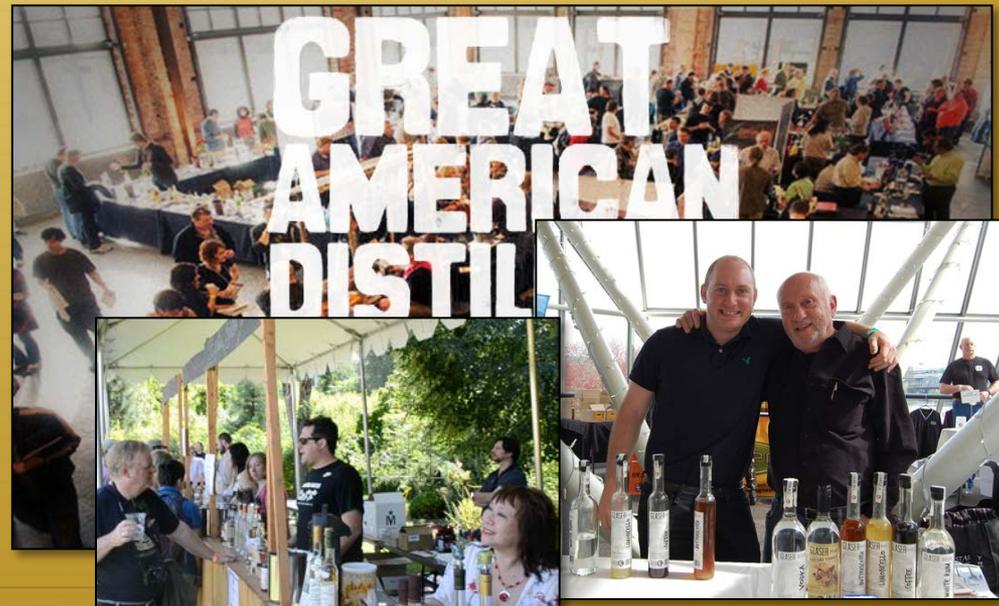
- ✦ Largest & Oldest Event of its Kind
- ✦ 50+ Producers / 150+ Spirits
- ✦ International Craft Spirits Producers

## **Great American Distillers Festival**

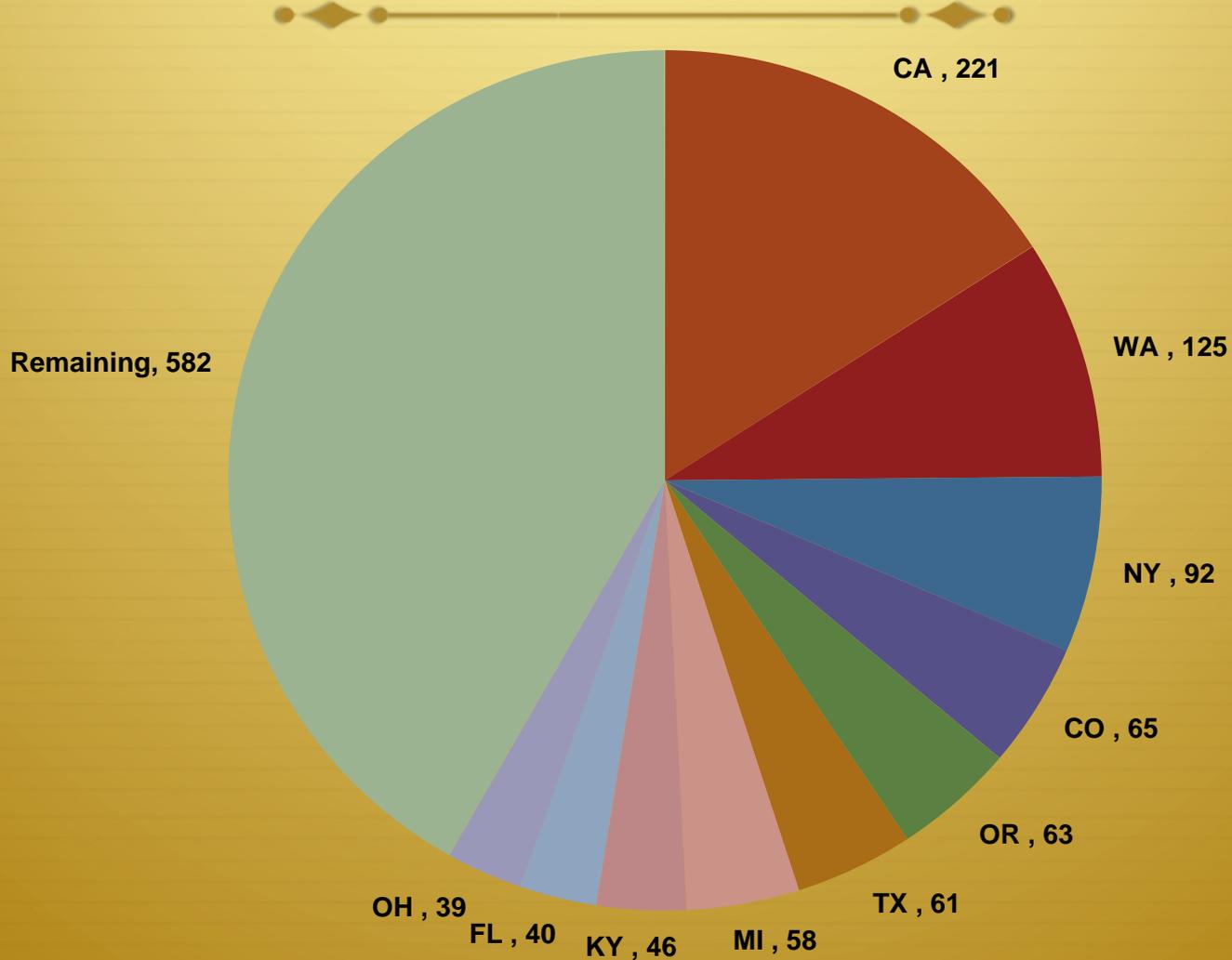
- ✦ Oldest Event of its Kind
- ✦ 40+ Producers / 125+ Spirits
- ✦ Domestic Spirits Producers

## **Oregon Distillers Festival**

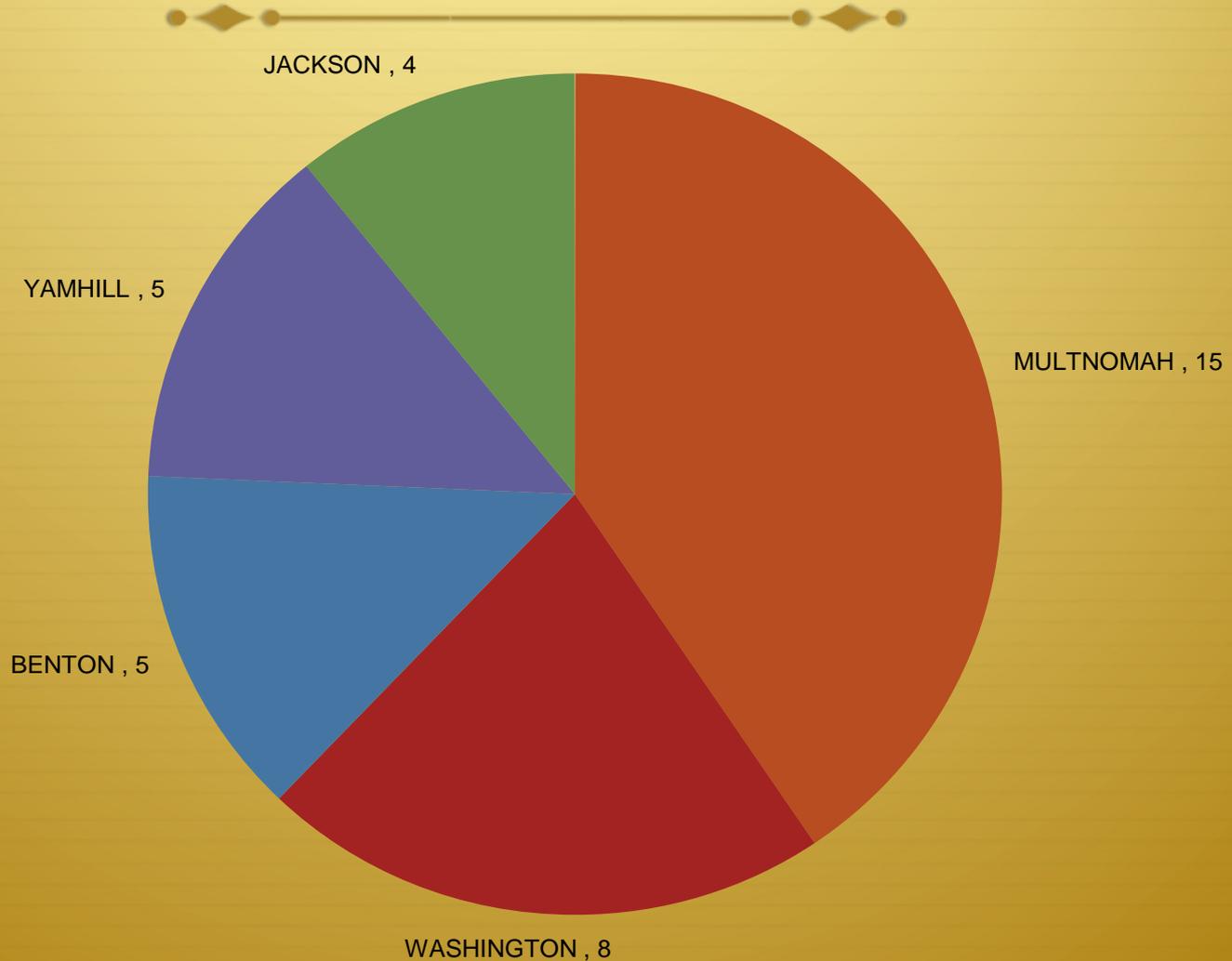
- ✦ Largest Event of its Kind
- ✦ 25+ Producers / 100+ Spirits
- ✦ Oregon Spirits Producers



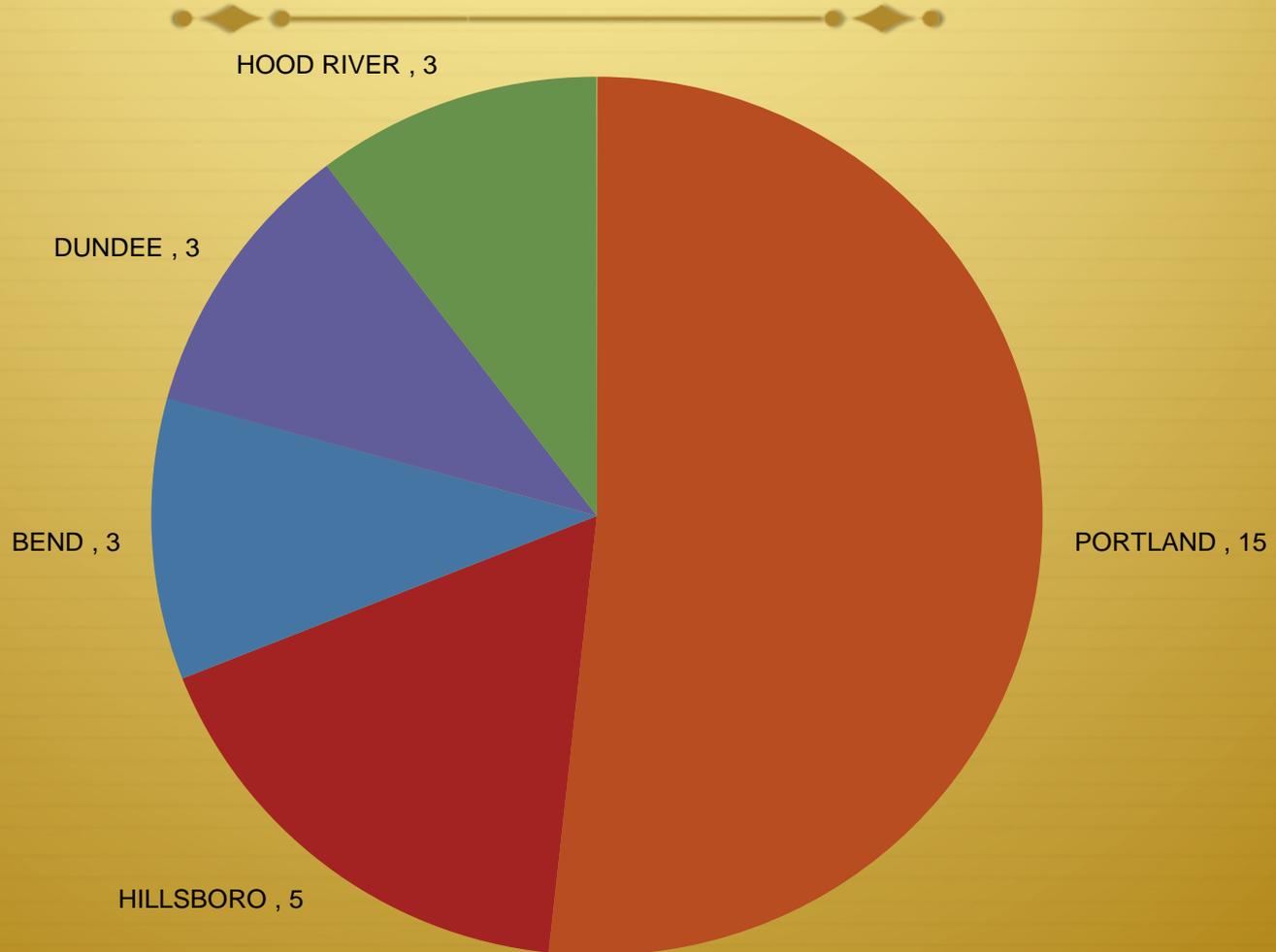
# Number of DSPs as of July 2014



# Top 5 Oregon Counties by Number of DSPs



# Top 5 Oregon Cities by Number of DSPs



# Oregon Over the Years



# In closing...

## Why Oregon...Why here...Why Now?

- ✦ Thriving foodie and cocktail culture and a “Buy Local” mentality
- ✦ Supportive distribution & retail environment (OLCC)
- ✦ National industry leader
- ✦ Deep talent pool
- ✦ Quality raw ingredients
- ✦ Oregon DIY heritage
- ✦ Award winning products
- ✦ Producer cooperation





# OREGON

*Distilled*

## Thank You!

---

Your Oregon Distillers Guild

[www.oregondistillerytrail.com](http://www.oregondistillerytrail.com)



# NWCA Craft Cider



# Who are you?

- Pete Mulligan
- Vice President Northwest Cider Association
- Co-Owner of Bull Run Cider
- Orchardist ( Apple and Pear Grower )
- 27 years of distribution / logistics management



# How you came together?

The Northwest Cider Association was started in 2010 by several craft cider companies that wanted a greater and collective effort made in promoting hard cider made in the Pacific Northwest.



NORTHWEST  
CIDER ASSOCIATION

# Scope of NWCA Membership

- 44 Cider Companies
- 27 Allied Supply Members
- 12 Associated Business Partners
- 9 Orchard Members

# Decision Making and Governance

- The Northwest Cider Association is a 501c3 nonprofit organization . Formed in 2010, the Northwest Cider Association brings cideries and cider lovers together to share knowledge, experience and live the Northwest cider culture. We are a trade organization formed by cider producers throughout the Pacific Northwest to promote awareness of regional artisanal ciders. We sponsor classes and workshops, and created new cider-themed events, including Oregon Cider Week, Summer Cider Day, Washington Cider Week, and an annual cidermakers' dinner. The board of directors for the Northwest Cider Association are voted into office to serve two year terms. All board the positions are non paid .
- We work with local , state and federal government in addressing issues that have a direct or indirect impact on the cider industry.

# Accomplishments

- Recognized as a model association by USACM ( United States Association of Cider Makers ) for the promotion of Hard Cider.
- Growler Bill Legislation change in Oregon and Washington
- 29% growth of cidermakers association membership over the last two years.
- 2005 to 2013 42% sales Increase with import and domestic cider in Oregon 2005 7M total gallons 2013 grew to 36M total gallons.
- Regulatory meetings with OLCC to educate cidermakers on compliance and reporting.

# Accomplishments

- Regional Cider companies on national platform in partnership with Muscular Dystrophy Association NW Ciderfest October 2014 in Portland Oregon
- Awarded \$50K block grant from Oregon Department of Agriculture for 2015.
- Partnering with Travel Oregon, Travel Portland and Washington County Visitors Association for Cider awareness.
- 2011 Awarded \$130,000 block grant from Washington State Department of Agriculture.

# Future

## Immediate Needs-

### Regulatory – **The passage of the Cider Act ( H.R. 2921 ) and ( S. 1531 )**

- Under current federal tax law, the definition of hard cider only allows for up to 7% alcohol by volume before it is taxed at the more expensive rate for wine, and only a certain level of carbonation before it is subject to the extremely expensive champagne tax (\$3.30 or \$3.40/gallon).
- Because many cider producers are small, craft operators, who rely on natural raw materials, they often have little ability to predict and control the precise alcohol content and carbonation level of their product. Meanwhile, cider consumers expect a somewhat high level of carbonation equivalent to that of most beer.
- These bills would amend the section of the Internal Revenue Code (26 USC Section 5041) to allow cider makers to produce cider using the natural products available without the possibility of facing increased tax liability. Specifically, the legislation would (1) increase the carbonation level for hard cider, thereby meeting customer expectations, (2) include pears in the definition of "hard cider," and (3) align the alcohol-content standard for hard cider with the natural sugar content of apples.

# Immediate Needs

## OLCC – Simplify Privilege tax reporting.

- Cidermakers have challenges in reporting accurately due to the percent of alcohol of ferments and blending these which changes the final percent of Alcohol By Volume.
- Cidermakers will often back sweeten their ciders (adding juice after fermentation) This changes the percent of alcohol level. This is not done by winemakers. Thus as a cidery working under a winery license; It is believed by cidermakers that state regulators at the OLCC don't fully understand our challenge with privilege tax reporting.
- For Cider Category support and the need for accurate tax reporting this legislation change must be addressed.

# Returns Expected

- Rural employment - Cidermakers ideally want to farm as their main ingredient is apples and not enough of the right Bittersweet & Bittersharp apples are currently grown. So block grants, land use and state legislation that supports orchardists economically will add jobs.
- Industry Revenue to Oregon will continue to rise. Cidermakers have tasting rooms, farms and employ staff to harvest and press apples, bottle and sell cider. The impact with revenue to Oregon cannot be under estimated in the cider category, which continues to climb locally, regionally and nationally.
- Contribution to tourism by bringing the world to Oregon -This is evident with the agritourism that we are seeing, being part of the wine routes and scenic highways that stretch across Oregon. Attending both local and Regional festivals with cider tastings and pairings along with participating in national and international events such as Portland International Cider Cup, and the Great Lakes International Cider and Perry Competition all help to promote Oregon as a place to visit.
- Expansion and Growth – We see the positive trending in this category with the growth of Oregon cider companies more than doubling from 14 in 2010 to 30 in 2014. More Cidermakers thirsting for apples and growing their own adds to the Oregon agriculture base.

# Marketing Oregon Products to the World

- Opportunities for international distribution are on the rise. Regulatory education and support at the state level would help bring more Oregon Craft Cider Products to the world.

# Growing

- Food and Beverage – Educating consumers about cider continues to be part of our mission at the NWCA. As Cidermakers we often collaborate with local chefs who help plan and arrange Cidermaker dinners.
- Reputation and Opportunity – The reputation of Craft Cider and the NWCA is critical in growing the Cider category in Oregon. We seek to continue to lobby for legislative changes that have a direct impact on the category and consumers. These changes only add value to making great products. Recently we have been awarded a \$50,000 Block Grant from the Oregon Department of Agriculture. These funds will help support our mission to promote cider and educate consumers about craft cider standards .



Questions?