



CRAFT BEER INDUSTRY IN THE PACIFIC NORTHWEST:

Jeff Dense

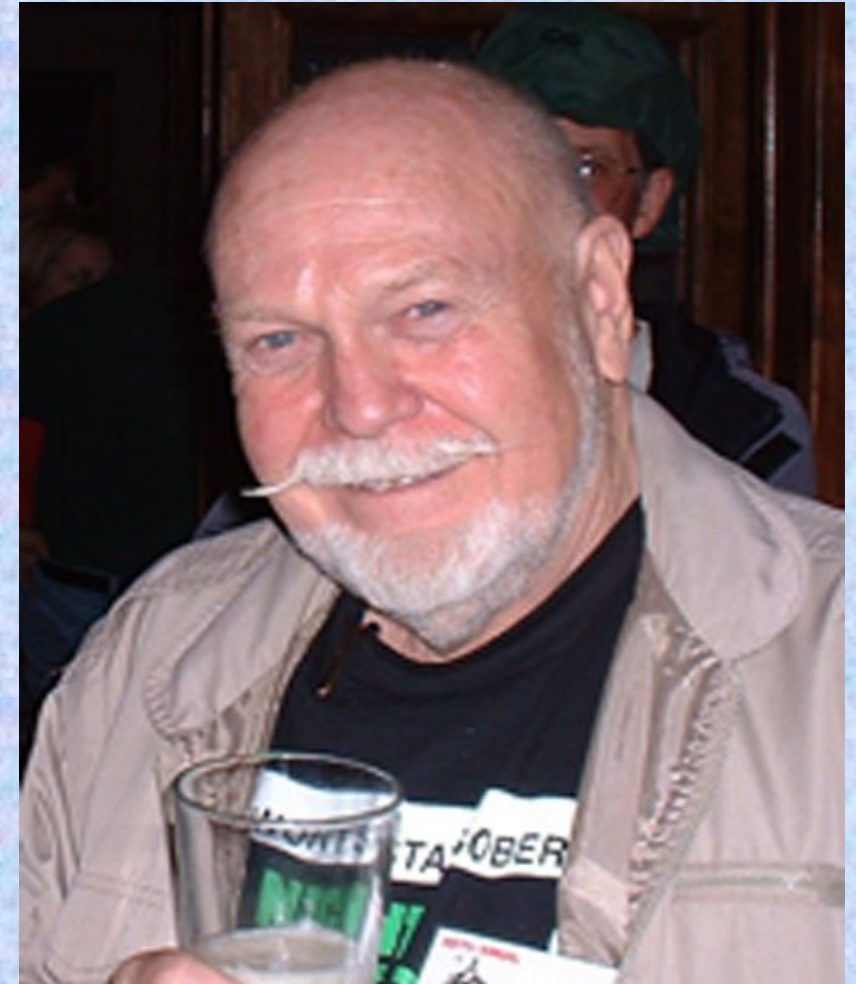
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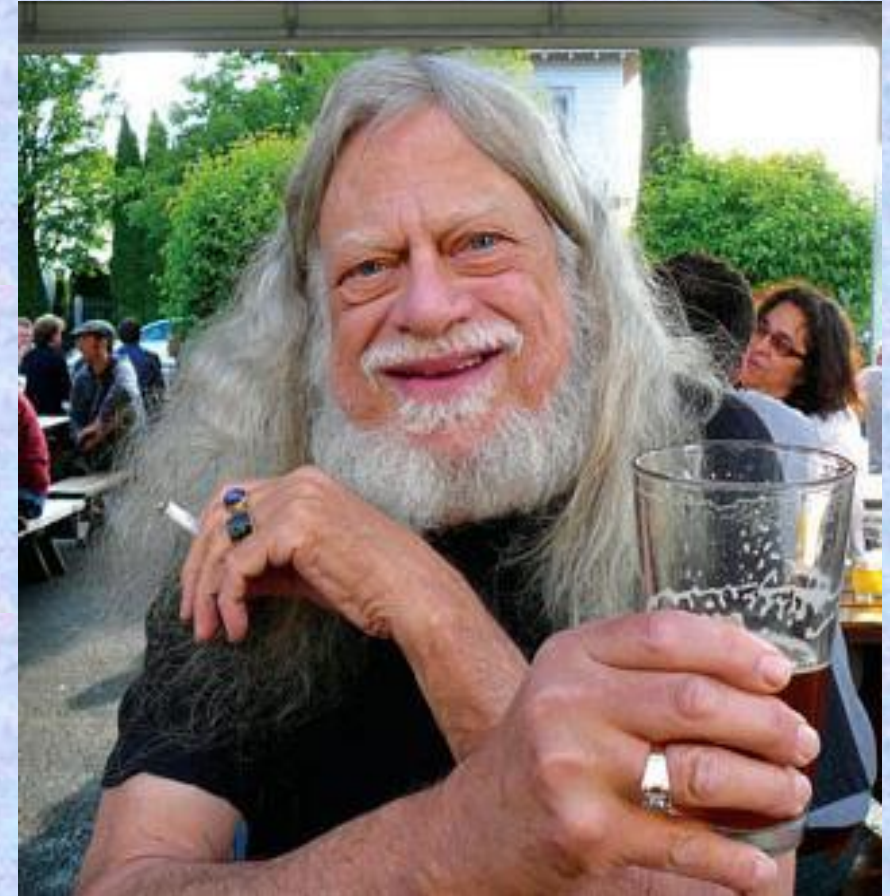
ECONOMIC IMPACT

- Craft beer has a substantial economic impact in the PNW
- On a per capita basis for 2022-
- Idaho \$198.09
- Washington \$223.53
- California \$226.08
- **Oregon \$428.32**
- This number does not include beer tourism (festivals, spending by out-of-state visitors, f.e.)
- “Listen to your beer”-Fred Eckhardt



FUTURE TRENDS

- The primary challenges confronting the craft beer industry in Oregon are-
- **GOVERNMENT REVENUE & EXCISE TAX 'REFORM'**
- **MARKET GROWTH & SATURATION**
- **CHANGES IN DISTRIBUTION LAWS**
- "It's not about the beer, it's about the beer"-Don Younger



FEDERAL EXCISE TAXES

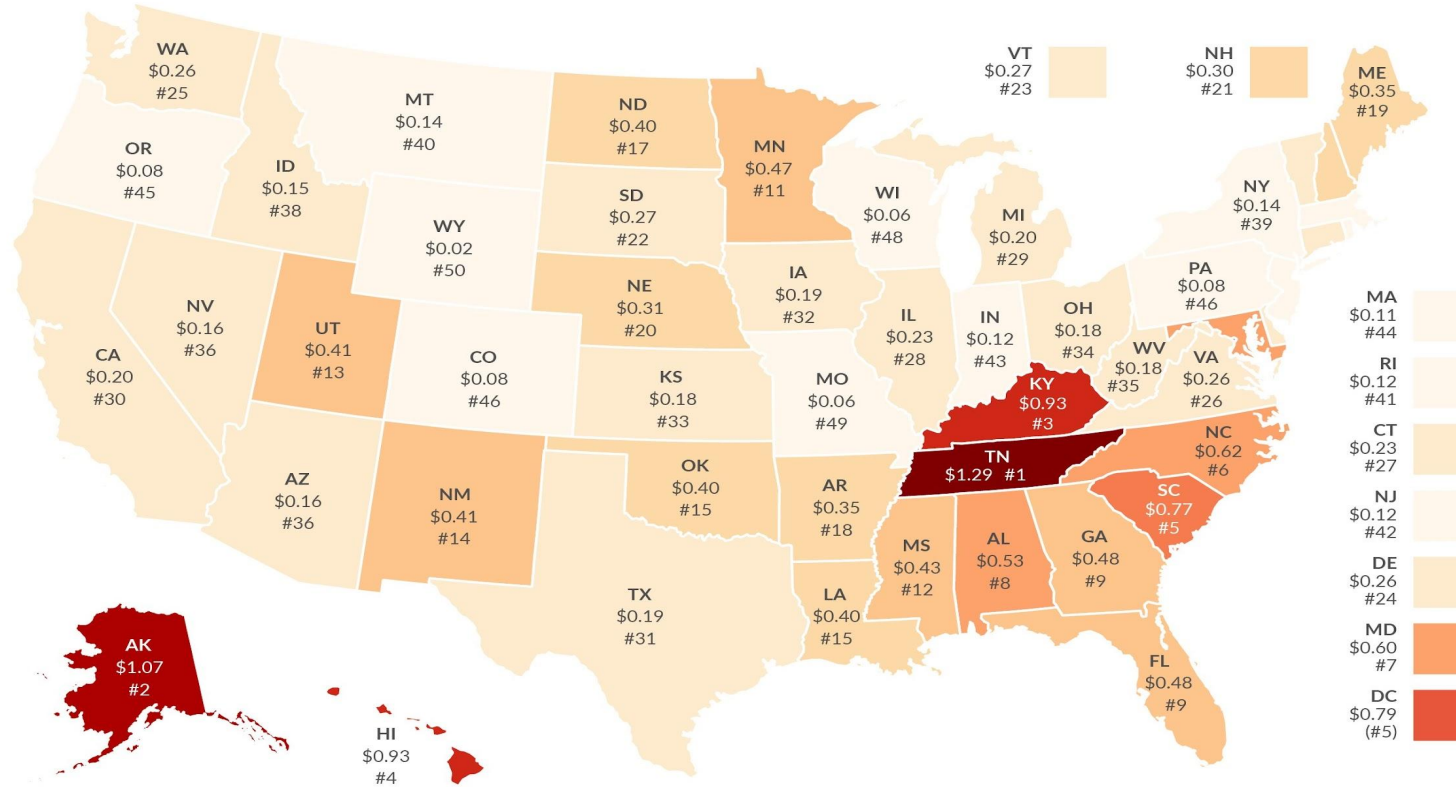
- Malt Beverage Excise Taxes are paid at both the federal and state level.
- Craft Beverage Modernization Act reduced federal excise taxes on beer.
- Breweries producing less than two million barrels=\$3.50/bbl 1st 60,000 barrels, \$16/bbl 60k-2 million.
- Senator Ron Wyden (OR) Chief Co-Sponsor of bill.
- Legislative Politics and Excise Taxes
- Ex: National Beer Wholesalers Association



OREGON EXCISE TAXES

- Oregon: HB 3296 (2021) would have raised rates from \$2.60/bbl to \$72.60 bbl. The bill never received a committee hearing.
- HB 3610 (2023) created Task Force on Alcohol Pricing and Addiction Services, which studies additional funding options for alcohol addiction treatment, including
 - (1) modifying current distribution of alcohol tax revenue
 - (2) increasing (excise) taxes on alcohol, and
 - (3) the potential economic impact of tax increases on relevant industries.
- OHA “Buried” Study: Higher taxes don’t curb excessive alcohol use.
- I anticipate legislation being introduced to increase excise taxes.
- Q-What economic impact will this have on craft beer industry?

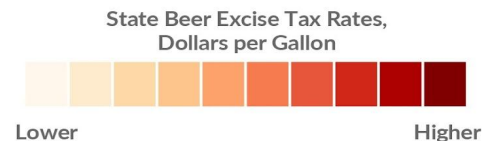
STATE EXCISE TAXES (\$ PER GALLON), 2023



- OR: \$0.08
- ID: \$0.15
- WA: \$0.26

Note: Figures are rounded to the nearest cent, but ranks reflect unrounded figures. Rates are those applicable to off-premise sales of 4.7% alcohol by volume (a.b.v.) beer in 12-ounce containers which have been imported from outside the state. At the federal level, beer is subject to differing tax rates. Small domestic brewers are taxed between \$0.11/gallon and \$0.516/gallon. All other brewers are taxed at rates between \$0.516/gallon and \$0.58/gallon. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Different rates are also applicable in FL, GA, HI, ID, IA, KS, MN, NC, ND, OH, OK, TX, UT, VA, WA, and WI according to alcohol content, place of production, size of container, or place purchased (on- or off-premise or onboard airlines). Rates include the statewide local rates in AL (\$0.52/gallon) and GA (\$0.53/gallon). They include sales taxes specific to alcoholic beverages in AR, MD, MN, and D.C. Rates in AR and RI include case fees and/or bottle fees which may vary with the size of container. Rates include the wholesale rate in Kentucky (10%) and Tennessee (\$35.60/barrel), converted into a gallonage excise tax rate.

Sources: Distilled Spirits Council of the United States; Alcohol and Tobacco Tax and Trade Bureau; state revenue departments.



MARKET SATURATION

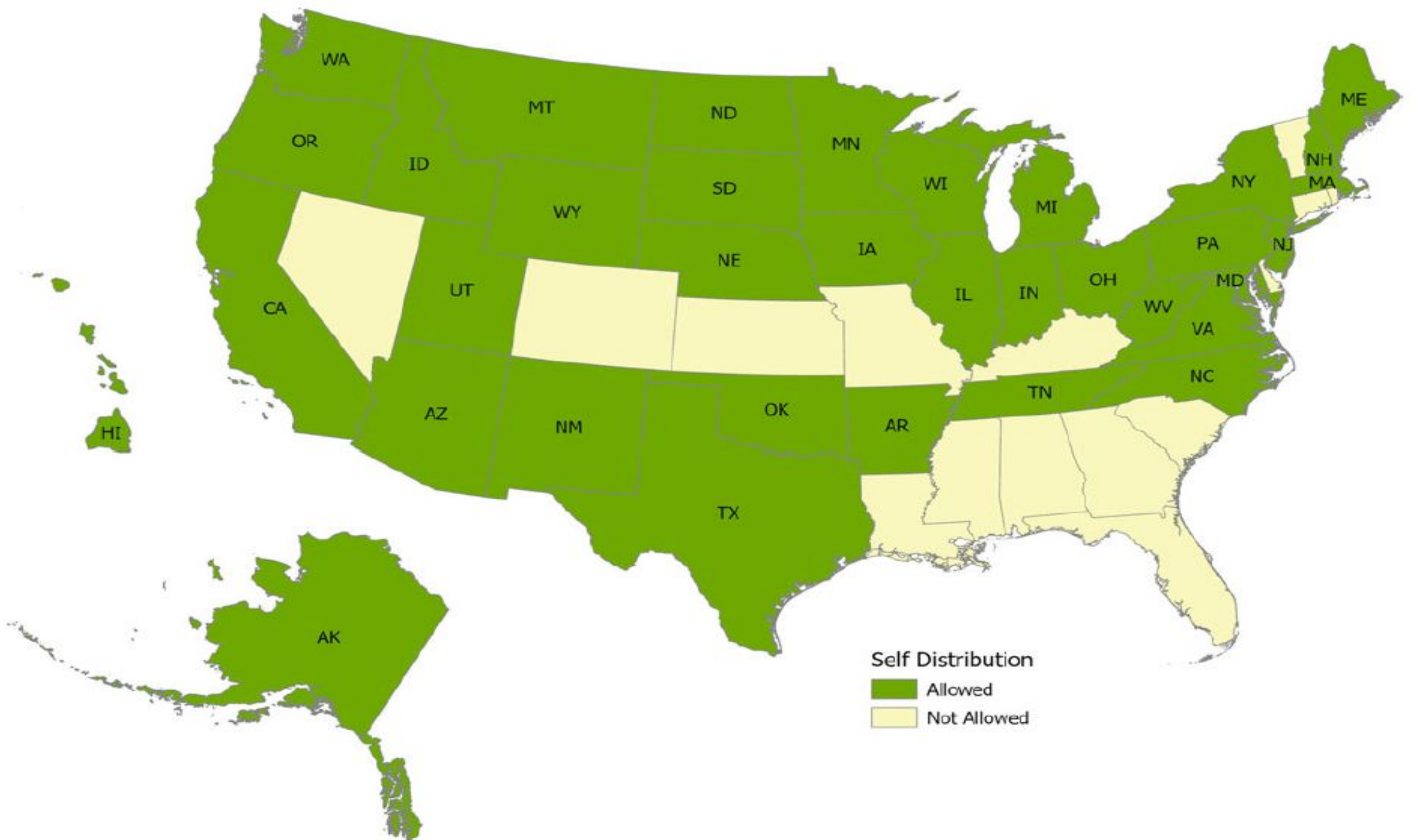
- According to the Brewers Association, in 2023 nationally
- 420 brewery openings
- 385 brewery closings
- OR: 30 brewery closings in 2023
- Doesn't count taprooms, bottle shops, etc.
- Increased competition for shelf space, taps
- Ecliptic Brewing as a cautionary tale
- What are the reasons for market saturation, and subsequent brewery closings?

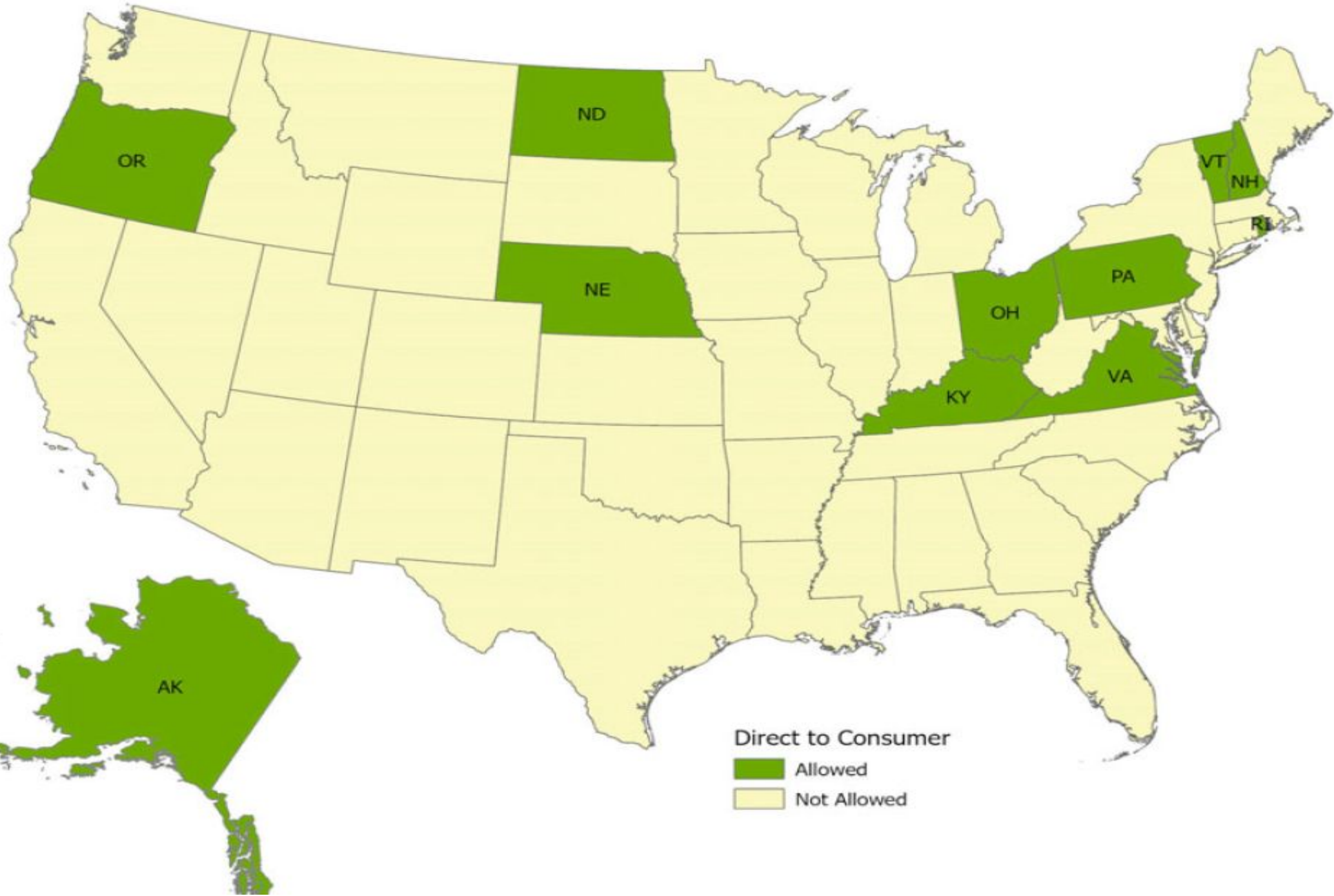


CHANGES IN DISTRIBUTION LAWS

- Garden Path Fermentation LLC v. Oregon (2022)
- Settled with OLCC to avoid litigation
- Allows WA breweries to self- distribute in OR
- Direct-to-Consumer (DTC) sales
- Contrast out-of-state wine vs. beer sales
- A new model: One Day Distributing
- Is increased competition good for Oregon breweries? Consumers? Government revenues?







Direct to Consumer

Allowed

Not Allowed

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