



Testimony on SB 316A
Joint Subcommittee on Transportation & Economic Development
Submitted by the Oregon Winegrowers Association
June 28, 2017

Co-Chair Johnson, Co-Chair Gomberg, and members of the subcommittee, thank you for hearing SB 316A, the Oregon Wine Market Access and Research Strategy (MARIS), which is a priority for the Oregon Winegrowers Association this session.

The Oregon wine industry has seen unparalleled growth over the past ten years that has brought on new challenges and opportunities. Oregon now has 702 wineries and 1,052 grape growers – a 500 percent increase over the past 15 years. Around 70 percent of these wineries produce fewer than 5,000 cases per year, which means they are small businesses, usually family-owned, primarily operating in rural Oregon.

The most recent estimate of annual industry economic impact in our state stands at \$3.3 billion with more than 17,000 jobs attributable to Oregon’s wine economy. Wine tourism is thriving, contributing \$225 million in annual economic impact.

Oregon wines have always made a name for themselves because of quality not quantity. Oregon consistently outperforms US and international competitors by producing superior wines sought out by consumers throughout the world.

This has created a “perfect storm” of sorts. At the same time these family-owned producers are making award-winning wines and have large inventories from recent harvests, they find themselves navigating narrow pathways to market through a declining number of qualified wine distributors and global importers, requiring more direct-to-consumer marketing efforts. In 1995 there were 2,600 wineries and 3,000 distributors. In 2015 there were 8,800 wineries and 700 distributors, or .08 per winery.

The numbers are telling. We are well behind our wine neighbors to the north and south as it relates to wine market share. Even in Oregon, our retail market share is behind California, Washington and even overseas imports.

Wine Market Share (source: Nielsen 2016 data)

US retail sales – US domestic wines	
California wines	90%
Washington wines	6%
Oregon wines	1.5%



Oregon retail sales – All wines	
California wines	55%
Washington wines	17%
Imports (International)	15%
Oregon wines	12%

Oregon has seen record harvests in 2014 and 2015. Our wineries are positioned as never before to satisfy expanding global demand at a consistently impressive quality threshold which the world’s fine wine critics and buyers recognize and demand. A window exists now to create more market access points that compliment the growing trend of more consumer-branded, value-added, tourism-generating agriculture. Unfortunately, without sufficient funds this window of opportunity may abruptly close and the industry’s hard-won gains may be short-lived.

The critical marketing need is to enhance and extend the reach, frequency and impact of the industry’s distribution and promotional programs. These efforts must target prospective wine consumers, encouraging tourism spending in Oregon and ongoing purchases of Oregon wine when our guests return home.

The Oregon wine industry does not seek to match California or Washington in case production, nor can it. The focus is to continue crafting premium Oregon wines and building strong, enduring brands that command shelf space and generate sustained consumer demand. But the future of the Oregon wine industry depends on enhanced scientific research to ensure the quality of our wines is not compromised as changing environmental factors, disease pressures and farming practices create new uncertainties.

Our neighbors to the north and south invest significant state resources in wine industry research, most notably through UC Davis and Washington State University. More specifically, our neighbors to the north spend about \$1.6 million annually on scientific research projects and facilities versus Oregon’s \$350,000. Oregon wine industry research at select Oregon universities and community colleges are making great strides, but greater leveraged resources are needed to ensure our industry stays competitive from a quality and sales standpoint.

Legislative proposal

SB 316A, with the proposed (-4) amendment, would allocate \$500,000 to a specialized program that seeks to create new, worldwide market access opportunities for Oregon wineries, especially smaller ones, and enhance research that will benefit the entire industry. These funds would be directed to the Oregon Wine Board to implement MARIS. The infusion will fund initiatives focused on:



- **Increasing US and global market penetration & expanding consumer access** to Oregon wines;
- **Stimulating** profitable **Oregon food and wine tourism** leveraging productive alliance relationships with *Travel Oregon* and the state's regional destination marketing organizations while also forging new partnerships;
- **Scientific research** to insure continued advances in grape and wine quality while addressing serious viral and climate-change threats across the state.

The Oregon Wine Board would be charged with developing and executing a special plan for spending MARIS program funding.

The broad program areas would be focused on developing new market expansion opportunities especially for smaller wineries, increasing awareness of Oregon wines targeting domestic and overseas customers, leveraging greater research investments and enhancing existing local promotional events statewide.

The Oregon Wine Board would ensure that these new MARIS programs would be in collaboration with efforts of stakeholder partners including Travel Oregon, Business Oregon, Oregon Department of Agriculture, Oregon State University's Wine Research Institute, Southern OR University's Research Center, regional Destination Marketing Organizations, and Oregon's regional wine associations.

It also is our hope that these MARIS funds can leverage federal matching dollars, specifically economic development grants through the U.S. Commerce Department. We will pursue these federal matching grants once the Oregon Wine Board puts together a specific MARIS funding plan. The Commerce Department has a history of previously supporting the Oregon wine business through assistance to finance portions of the Southern Oregon Wine Institute on Umpqua Community College's campus, as well as the NW Wine Studies Center on Chemeketa's Eola campus.

The Oregon Wine Board is a semi-independent state agency managing marketing, promotion, research and education initiatives that support and advance the Oregon wine and grape growing industry. It receives around \$4 million per biennium from self-imposed taxes placed on grapegrowers and wine producers. An estimated \$11 million per biennium goes to the General Fund from wine taxes.

Oregon Wine Industry Facts

- Since 2000, wineries across the state have multiplied from 139 to 702;
- Vineyard operations now number 1,052, up from 480 in 2000.
- Over just the past decade, Oregon wineries, and the corresponding number of wine-related jobs, have each more than doubled creating an annual wage base of nearly a quarter billion dollars;
- The most recent estimate of annual industry economic impact in our state (2013) stands at \$3.3 Billion with 17,099 jobs attributable to the Oregon's wine economy (direct + related industries) that now touches every Oregon county;
- Within that total are about 7,000 industry-generated jobs located in Oregon's rural areas where the wine sector supports living wages, community revitalization and new tourism revenue;
- Market research on tourism confirms our judgment that a visit to Oregon is one of the most reliable leading indicators of a fine wine consumer's tendency to seek out, buy and share Oregon wine when they return home;
- In 2015, Oregon accounted for just less than 1% of the U.S. wine sold across the country (Nielsen scanner data). However, Oregon wines represented **20%** of the country's 2,160 highest-rated wines as scored by editors at the #1 U.S. enthusiast publication, *Wine Spectator*;
- The 2014 and 2015 vintages are the largest on record. Total tons of grapes crushed increased 33% from 2013 to 2014. In 2015 the harvest was 5% higher than 2014;
- Wine tourism is thriving in Oregon and now approaches \$225 million in annual economic impact;
- As a rapidly emerging segment of the fine wine market fueled by tourism, direct commerce between wineries and their consumers across the country represents a \$100 million business channel (annual retail). At that level, Oregon wineries generate +59% more than Washington state in direct sales despite WA harvesting three times as much grape tonnage;
- ODA's latest summary of *Ag. Facts and Figures* lists wine grapes 9th among Oregon's most highly-valued crops;
- Oregon's wine community has made a six-decade commitment to farming for quality and can now position its wines near the top of the fine wine market;
- Underpinning the state's wine enterprise is a bedrock commitment to farming principles and winemaking practices that reflect deeply-held Oregon values and sustain the ecosystem in which it exists. Oregon regularly reports certified-sustainable acreage levels which are twice those of other U.S. wine grape growing regions, and the Willamette Valley was just named the #1 American Viticultural Area (AVA) for biodynamically-certified wine grapes.