



THE NORTHWEST'S LARGEST AND OLDEST DISTILLERY



House Economic & Small Business Development

January 19, 2023

Topics

- Who is Hood River Distillers?
- Our Backyard & Control States
- WA – Privatization Impact and Perspective from a Smaller Regional Supplier

Who is Hood River Distillers?

- Founded in 1934
 - Family Owned & Operated
 - Headquartered in Hood River, Oregon
 - Northwest's Largest & Oldest Distillery (DSP-OR-1)
 - Have been in current bottling facility since 1969
 - 44 North brokerage in 2012 – Formalized partnership in 2016
 - Acquired Lucid Absinthe in 2013, Clear Creek in 2014 and Big Gin in 2016
 - Created and developed Pendleton Whisky, which sold to Proximo in 2018
 - Our portfolio ranges from value brands to premium/super premium brands
- *We just released a LTO McCarthy's 6YO American Single Malt finished in PX Barrel that retails for \$150
- Hood River Distillers employs 71 Oregonians
 - In FY 2022, Hood River Distillers product sales were \$28.8M, or 39% of all Oregon product sales



Hood River Distillers Premium Portfolio Overview

Expertly curated selection of quality spirits at a great value.



Our Backyard & Control States

- We are currently in 43 states, and 7 countries with some part of our portfolio
- That said, our backyard is in the PNW – with our largest 3 markets being Oregon, Washington, and Idaho – OR is our home, and foundational to our business
- So, by the nature of where we are, and the importance of our backyard markets, Control States have been an integral part of our history and success. We are big supporters of the Oregon Control system and the OLCC
 - **Level playing field** – don't have to be a national brand or company to gain traction...brands must perform, but they get the opportunity to do so... merits and value that we and/or our brands bring stand on their own and are judged equally with all brands... being a PNW company means more... we can and do develop and build relationships and partnerships with the Boards and Commissions...we build brands with our partners
 - **RTM** – we can serve as our own brokers and sell/deliver to the state. We do not have to deliver to hundreds/thousands of accounts
 - **From retail perspective – one customer** –... easier to build the necessary infrastructure to compete. Being local – for us, clearer path to building trust, and bringing value
 - **Uniform pricing** – we hit competitive price points with the ability for every store to hit them



WA – Impact & Perspective of a Smaller Supplier

- **Playing field no longer level** – advantage large mfg.'s, larger retailers, and larger distributors
 - Regional/local is not as important to the new customer – national brands with mass and power (rightfully) leveraged that
- **RTM** – Hood River Distillers did not have the infrastructure to self distribute – thousands of delivery points, nor the \$ necessary to build one
- **No longer “one” retail customer** – fragmented and multiple, and large retail chains either big box or grocery added spirit sections – we can not get the access to these customers that national brands get. Not much interest in brand building – with limited sku's national brands have the big advantage
 - National relationships became competitive disadvantages
- **Uniform pricing being gone** – we can't afford loss leaders and selling below cost. Not easy to find impactful quantity levels for pricing when you are the smaller supplier – natural advantage to the larger mfg.
- **Access** to our products by consumers in WA was dramatically reduced
 - Avg WA store prior to privatization carried between 1200 – 1300 sku's
 - Now that avg is 150... much of which is locked up
- So, what was the net, net to Hood River Distillers over the 10 years since privatization?
 - Volume compared to pre-privatization has decreased by approximately 70% ... with case decreases in 6 figures