



OPPOSITION LETTER

Senate Bill **S2496** & Assembly Bill **A3867**

ESTABLISHES LICENSE TO ALLOW WINERIES THAT PRODUCE MORE THAN 250,000 GALLONS PER YEAR TO DIRECT SHIP TO NEW JERSEY CONSUMERS

It took only ten days after STAR LEDGER Guest Columnist Jeremy Benson's Editorial Opinion was published on April 7th for Senate Bill S2496 and Assembly Bill A3867 to be introduced on April 17th. Mr. Benson is the Executive Director of FREE THE GRAPES! proclaimed to be a national grass-roots coalition of wine lovers, wineries and retailers. They are also the same group that heavily advocated for passage of the 2012 Winery Direct Ship legislation that in five full years since implementation has delivered "nadda thing" in the form of promised revenue from increased excise taxes, internet sales tax collections, out-of-state winery licensing fees or new agricultural jobs from our State's beckoning wine industry.

Prior to 2012 FREE THE GRAPES lobbyists were telling legislators that Winery to Consumer Direct Shipping would lead to a Gold Rush from out-of-state consumers craving access to our Jersey based wines! A reality check from many of our State's largest wineries reveals that internet wine sales never materialized. In fact, most would tell you their brick'n'mortar winery outlets combined with our State's retail licenses has been the only aspect of their primary business model that is genuinely supporting the direct sale of wine. The only aspect of the internet helping wineries is the marketing of special events and winery tours.

Regardless of the pros and cons relating to the passage of the 2012 legislation it is apparent that out-of-state wineries far larger than any winery in our State want internet access to our consumers. Mr. Benson claims in his April 7th Editorial Opinion that "*New Jersey wine enthusiasts aren't the only ones who would gain*" because our State "*stands to gain millions of dollars a year from excise taxes wineries would collect and remit, and the license fees they would pay for the right to ship directly to consumers here*".

The bottom-line of this second-generation legislation is that we cannot find a single winery in this country that produces over 250,000 gallons that is not already selling their wines in our State through our exemplary three-tier system that guarantees 100% tax compliance at every level in our tightly regulated state based industry. We would like to know who are those wineries producing over 250,000 gallons that FREE THE GRAPES claims to be representing? Our concern is that they are some of the same wineries whose products are already readily available among the more than 50,000 products currently registered in our state.

New Jersey is by far one of the most diverse and touted marketplaces in our country with more full-service beer-wine-liquor licenses per capita than any other State in our nation. Ironically, since the passage of the last Winery-to-Consumer direct shipping legislation our once robust off-premise internet retail sector has been seriously downsized and is stagnating. A quick run-down of the aftermath from the first-generation direct ship legislation would reveal the following:

- Prior to passage our gallonage tax revenue was trending up for each of the previous five years and now it is down to flat for each of the last five years.
- Prior to passage we were the #1 State in our nation for selling fine wines over \$25 per bottle – now we are not even in the top 5.
- Post passage has led to scores of sought after allocated wines are no longer even available in stores as they are only sold via the internet from out-of-state wineries at significantly higher prices to consumers!
- Post passage has led to many of our country's top internet wine retailers who were based in our State have shuttered their websites or dramatically downsized their operations due to competition from out-of-state wineries!
- Post passage it would cost our Jersey wineries tens of thousands of dollars per year in licensing fees to ship to every State in our Country...

The last thing our State needs to do is double down on another losing proposition that would leave our consumers with less choice, less access and higher prices for something that was already readily available in our State. And if for some reason a wine was not available that was because the winery wanted it that way and not because they were denied access to our three-tier system, which has been upheld as the most efficient cost-effective means for selling wines to our consumers!