

Rutgers' Study: New Jersey Restriction on Wine Direct Shipping Costs State \$4 Million

Tax collections and consumer choice hurt by arbitrary cap

May 8, 2017, Napa, CA – New Jersey's current ban on direct-to-consumer wine shipments from certain wineries costs the state \$4 million each year in lost fees, as well as lost sales and excise tax collections, according to a study released today by the Eagleton Center for Public Interest Polling, part of the Eagleton Institute of Politics, at Rutgers (ECPIP), The State University of New Jersey.

Consumer choice in buying wine has never been better. In 2012 New Jersey became the 44th state to allow direct wine shipments. However, it put a limit in the law to allow some, but not all, wineries to participate. New Jersey and Ohio remain the only states banning winery-to-consumer shipments from larger wineries producing more than 250,000 gallons (or 106,000 cases) each vintage by imposing a "capacity cap" on the size of wineries eligible for a license to direct ship wine. Capacity caps also prohibit smaller wineries owned by larger wineries from shipping directly to consumers in those states. Arizona and Massachusetts recently eliminated such restrictions. According to Free the Grapes New Jersey, consumer choice in New Jersey is limited by excluding direct shipments from wineries that produce more than 90% of U.S. wine.

The Rutgers-Eagleton Center for Public Interest Polling study, commissioned by Wine Institute, concludes:

"Based upon current revenue estimates of direct-to-consumer wine shipments in 2016 totaling approximately **\$3,324,923**, an analysis conducted by ECPIP's research staff estimate the removal of the capacity cap would result in revenues of approximately **\$7,400,257**, an increase of 123% over 2016. Implementation of the law has been reported as successful by the Department of Law and Public Safety in statements submitted to the New Jersey Office of Legislative Services. Finally, a study conducted in a state comparable to New Jersey {Maryland} after a direct shipping law without a capacity cap was passed found **no negligible impact on revenues at its brick and mortar liquor stores.**"

In addition to losing tax revenue, the capacity cap reduces consumer choice for the state's wine lovers. There are more than 9,000 wineries in the country, at least one in each state. But only 366 wineries – or 4% of all wineries nationwide – held New Jersey direct shipping licenses in 2016. And while New Jersey ranks #5 in the U.S. for consumption of table wine bought from shops and restaurants, it ranks much lower (#13) in volume of winery-to-consumer shipments according to the study. In short, purchases by New Jersey's wine lovers are limited largely by what wholesalers choose to distribute and promote, not by what is actually available from U.S. wineries.

Free the Grapes New Jersey is a chapter of the national consumer, winery and retailer movement, Free the Grapes! which seeks to expand consumer choice in wine with legal, regulated direct-to-consumer shipping. Through the New Jersey chapter, local wine lovers are encouraging state legislators to introduce a bill similar to those working successfully in the majority of U.S. states.

"This study, as well as the experience of states like Maryland, Massachusetts and Arizona, supports bringing New Jersey in line with the rest of the country," said Jeremy Benson, executive director of Free the Grapes! "Barriers in the New Jersey law limit choice for no good reason. The simple solution is to

remove the capacity cap. We encourage consumers to take two minutes to write their states legislators through our website at www.freethegrapes.org/."

About Free the Grapes!

Founded in 1998, Free the Grapes! is a national movement of consumers, wineries and retailers seeking to expand consumer choice in wine with legal, regulated direct shipments. To receive email updates visit www.freethegrapes.org or follow Free the Grapes New Jersey at www.facebook.com/FreetheGrapesNewJersey/

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