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New Report: Everyone Benefits if NJ Adopts Free the Grapes Legislation

TRENTON (April 7, 2021) — Passage of bills A 1943 and S 2683, which would allow US wineries that produce more than 106,000 cases of wine per year to ship directly to New Jersey consumers, would be a win for consumers, retailers and state government, a new report shows.

Key findings from the study on winery direct-to-consumer (DTC) shipments:

- **New Jersey would gain $3 to $4.4 million in tax collections per year in the short-term, and up to $6 million annually in the longer term.**
  The state would gain new fees from winery licenses and wine label registrations, as well as sales and excise tax remittances from wineries. (Note: Since the current limited law was adopted in 2012, New Jersey has *lost* nearly $30 million in potential wine tax and license fee collections.)

- **New Jersey consumers would enjoy wider choice at a broader price range.**
  Under existing NJ law, consumers are denied DTC shipments from wineries that produce more than 90% of domestic wine, which includes quality wineries offering a wide range of prices, and smaller wineries owned by larger ones. No NJ liquor store can accommodate all wines available on the market. While the average liquor store stocks 2,000 wines, wineries applied for 120,000 federal label approvals in 2020. Additionally, the average bottle of wine shipped DTC into NJ in 2020 cost $45.51, while the national average price for direct shipped wine last year was $36.83/bottle. With more winery shipping, NJ consumers have access to more value-priced wines.

- **Local liquor retailers would not be affected.**
  Only 30% of revenue for NJ liquor retailers comes from wine sales and, of that, 80% is from wines priced under $15/bottle or in cans, boxes, etc. Therefore, the majority of liquor store overall sales would not be affected by more wine shipping. This is consistent with research in Maryland and retail sales growth rates in other states showing that expanding DTC winery shipping causes no harm to local businesses. Additionally, a robust online marketplace that does not exclude larger wineries benefits both wineries and local retailers by increasing consumer comfort with online channels, which are used heavily by both wineries and retailers in NJ.

The study was conducted this year by veteran wine researchers Danny Brager and Dale Stratton, and was commissioned by Naked Wines, a California winery. The report is available here: https://freethegrapes.org/press/

Background

A New Jersey state law passed in 2012 arbitrarily bans U.S. wineries producing more than 250,000 gallons a year (about 106,000 cases — a medium-sized winery), and smaller wineries owned by these wineries, from shipping through common carriers like FedEx and UPS to New Jerseyans' homes and offices. Wineries making less than that amount are allowed to ship directly to New Jersey consumers.

This "capacity cap" limit applies to both in-state and out-of-state wineries. It denies New Jerseyans direct-shipment access to more than 90% of wine made in the U.S. Of the 46 states and DC that allow winery direct shipping to consumers, only Ohio and New Jersey limit the size of the winery that can ship. Massachusetts and Arizona removed capacity caps several years ago. (NOTE: the report says 45 states allow DTC because it was written before Kentucky became the 46th state)

New Jersey ranks sixth among states in overall wine consumption, yet is only ranked 21st in volume of winery DTC shipments in 2020.

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