

WineAmerica: Future Challenges & Opportunities

**Annual Meeting of the
Iowa Grape Growers Association
February 1, 2003
Marshalltown, Iowa
Presentation by David Sloane**

Key Discussion Points

- **The miracle of the American wine industry**
- **The reality of the American wine industry**
- **Why WineAmerica's time has come**
- **The policy challenges we must overcome and the opportunities we must seize**

U.S. Industry Profile

- **6th Largest Crop (2/3rds winegrape)**
- **1985, \$955 Million; 2000, \$3.1 Billion**
- **10 percent of world production**
- **Only one of two crops not requiring subsidy (the other is hay)**
- **Annual Economic Contribution**
 - **\$45 Billion**
 - **Jobs: 556,000**
 - **Wages: \$12.8 Billion**
 - **State & Local Taxes: \$3.3 billion**

Economic Contribution of Wineries in 2002

(Selected States)

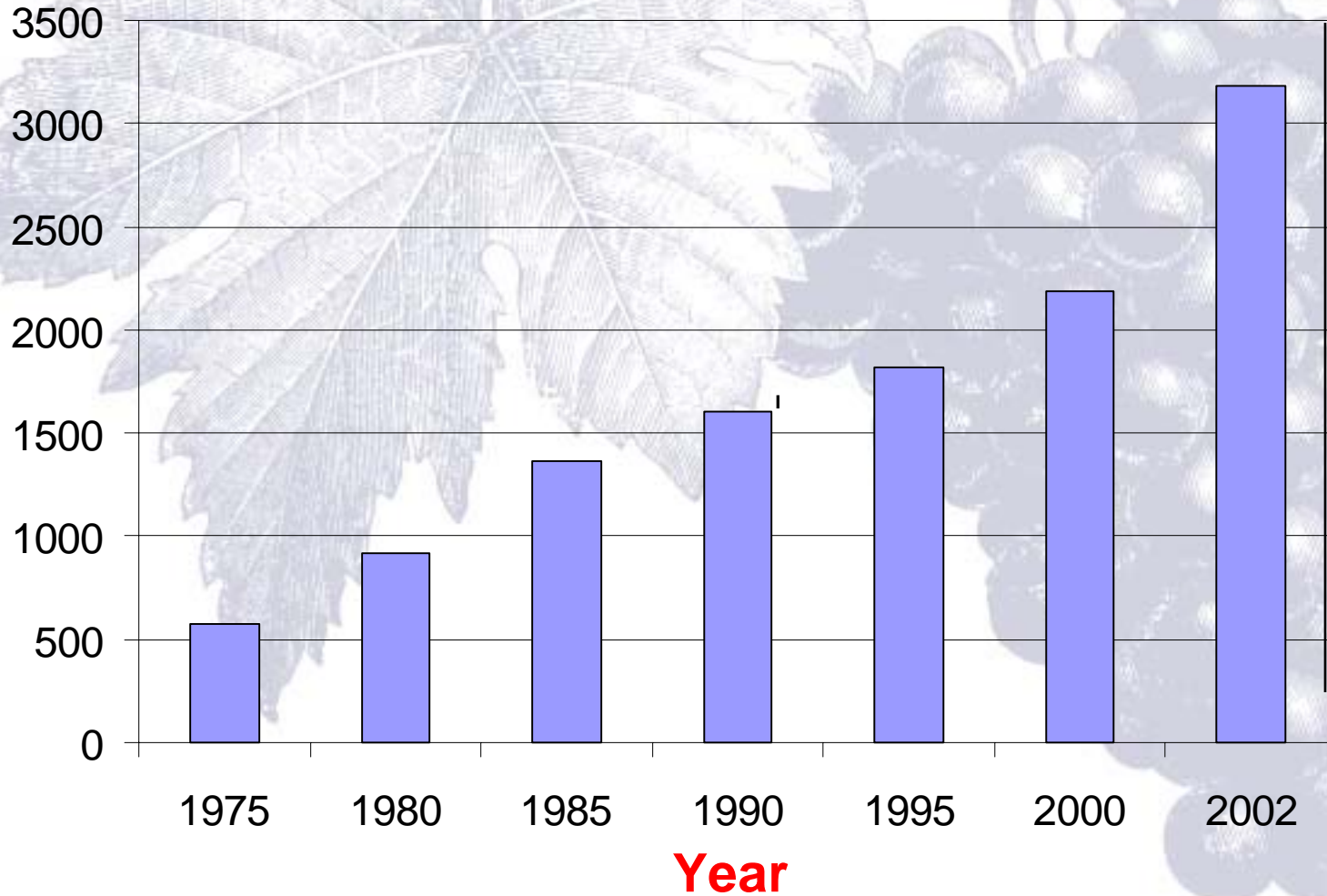
California = \$33 Billion

Michigan = \$75 Million

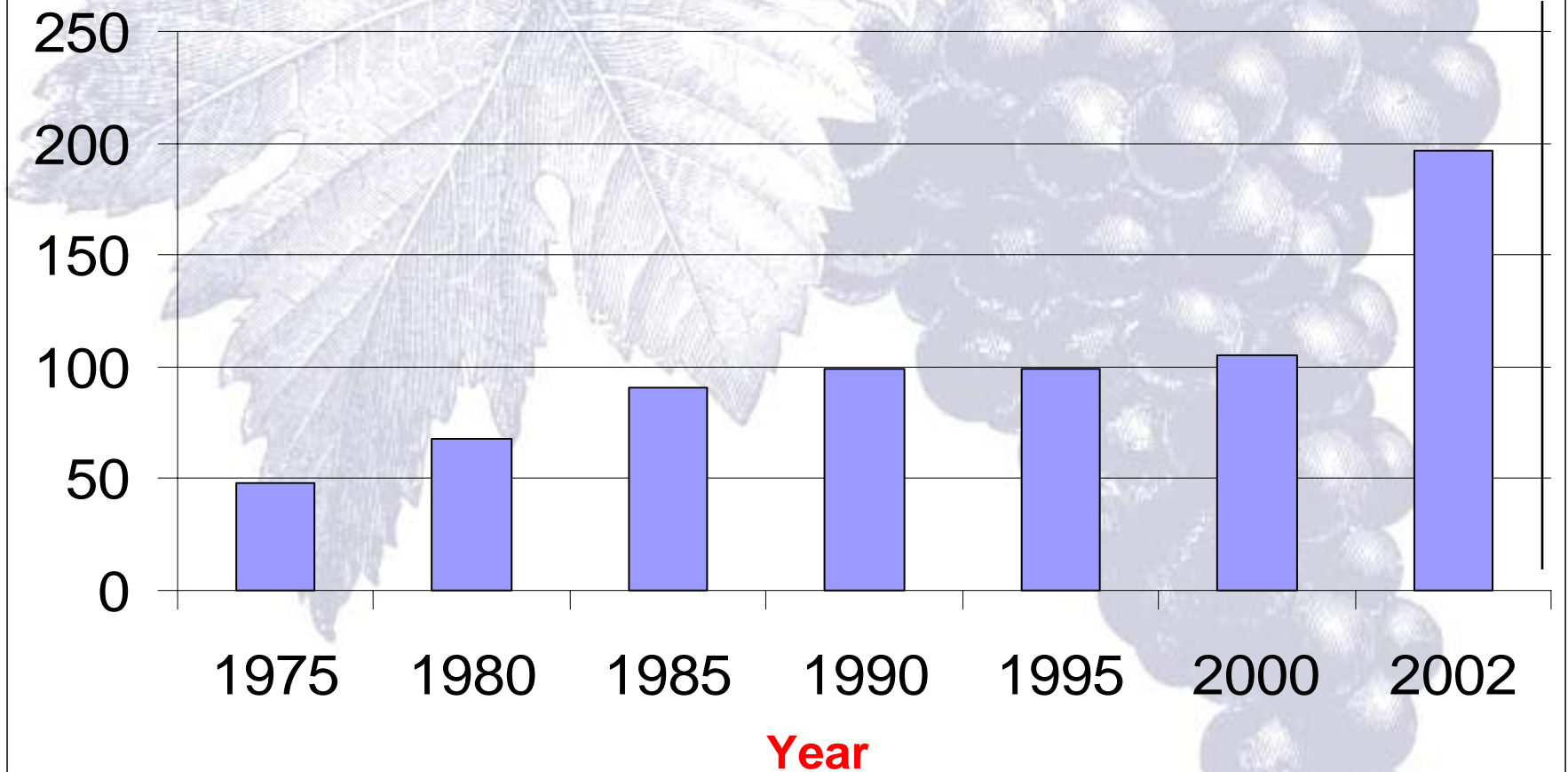
Virginia = \$96 Million

Washington = \$2.4 Billion

Number of U.S. Wineries



**Number of Wineries
IA, MO, NE, IL, IN, MN, WI**



Economic Development Engine

- **Promotes tourism/state branding**
- **Creates new source of revenues**
- **Synergistic effect on other local products**
- **Provides stable jobs in rural communities**
- **Economic benefits remain in local communities**

Value-Added Agriculture!

Tasting Room Sales

- **\$1.00 spent on grapes yields \$5.50 on wine sold in the tasting room**
- **From \$15,000 - \$75,000 per acre in gross annual sales**

Three-Tier Sales

- **\$1.00 spent on grapes yields \$2.00 through wholesalers.**

Authority	# of States	Iowa
Tasting Room Sales to Consumers	50	Yes
Sales to Retailers (Wholesaling)	39	Yes
Wine Sales by Glass	32	Yes
Charging For Samples	19	No
Samples	50	Yes
Sales of Other In-State Wines	22	No
Additional Tasting Rooms	27	Yes
Special Event Licenses	26	Yes
Restaurant License	37	Yes
Direct Shipment – Remote Sales	25	Yes
Signs on Interstates	19	Yes
Signs on State Highways	35	Yes
Signs on County Highways	30	Yes
State Promotion Program	23	Yes
Viticulture Faculty	33	Yes
Enology Faculty	10	No
Research & Extension	16	No

Winery Establishment Costs

Establishment Costs	Per Acre	Per Bottle
Winery	\$50,000	\$16.67
Working Capital	\$50,000	\$16.67
Vineyard	\$15,000	\$5.00
Total	\$115,000	\$38.33

20 Acre Winery/Vineyard = \$2.3 Million

**4 Tons Per Acre @ 150 Gallons Per Ton = 12,000 Gallons
or 60,000 Bottles**

Impediments to Wine Industry Development

- **Antiquated state winery laws**
- **Excessive regulatory burdens**
- **Market barriers**
- **Apolitical culture**
- **Lack of state and federal support**
- **Neo-prohibitionism**
- **Capital formation**

WineAmerica Profile

- **Founded in 1978 by eastern winery interests**
- **650 + members in 48 states**
- **Most are family-owned and operated, producing less than 10,000 cases per year**

Member Benefits

- **ATF Label Facilitation**
- **Federal government relations advocacy**
- **Customized Winery Insurance**
- **Technical and legal assistance to allied state associations and member wineries**
- **Timely communications on public policy developments**

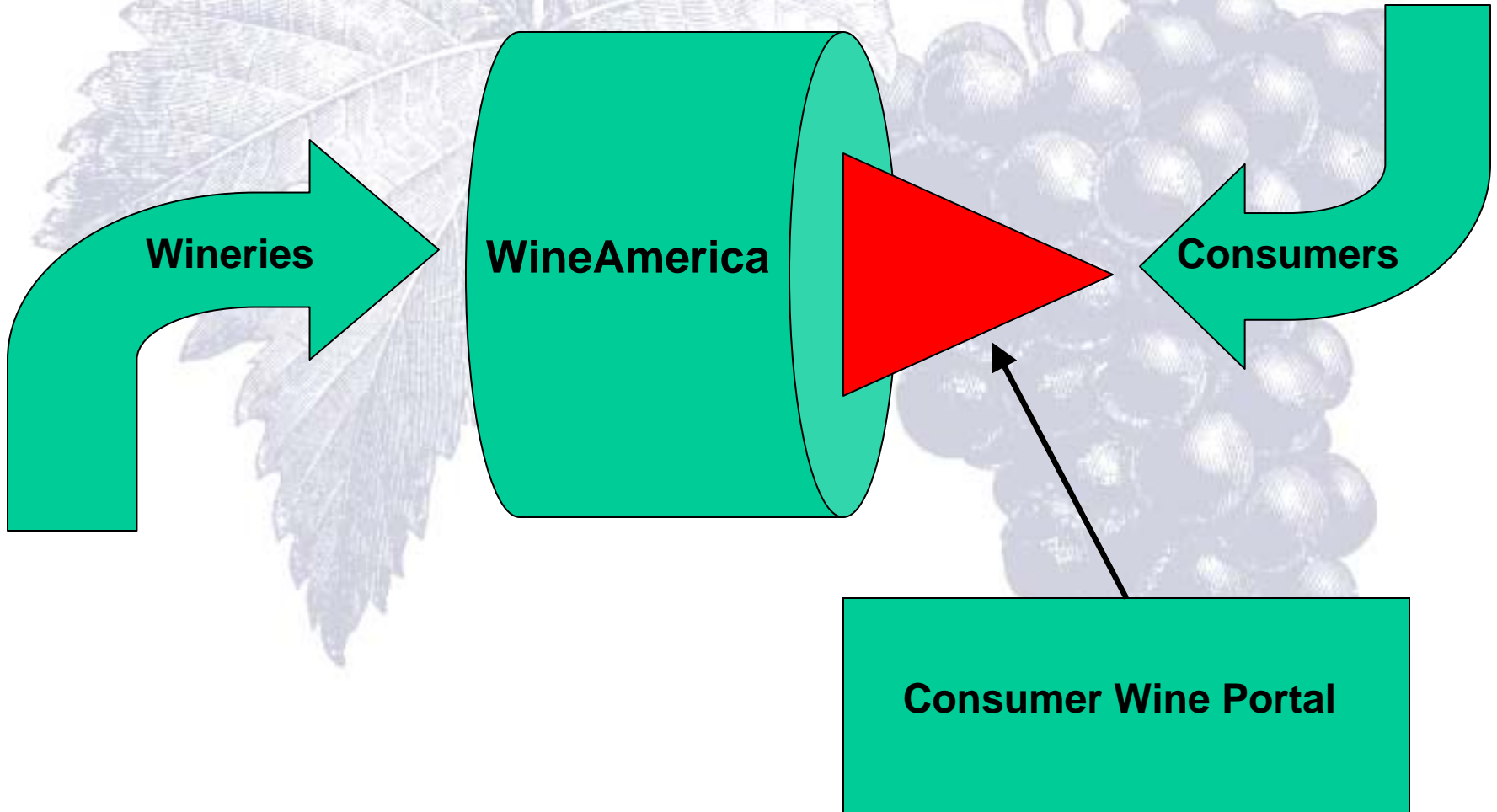
WineAmerica: What's New

- **State Associations Council to promote collaboration and collective action**
- **New Director of Grassroots**
- **Emphasis on providing technical assistance, developing policies and educating policymakers and media**
- **Providing timely and relevant communications to membership**
- **Closing in on consumers**

Forging An Alliance With Consumers

- To establish a new “Consumer” class of membership within the Association;
- To strengthen membership value in WineAmerica, and to encourage more wineries to join;
- To establish a promotional alliance with consumers, to invest them in the policy welfare of the industry, and to augment our grassroots/political capabilities.

Consumer Initiative: The Concept



Key Public Policy Issues

- **Market access/direct shipping;**
- **Federal appropriations (viticulultural research, Pierce's Disease, MAP, etc.)**
- **Federal tax issues;**
- **State tax increase threat;**
- **Strengthening state winery laws.**

Direct Shipment

- Arkansas
- Connecticut
- Florida
- Indiana
- Maine
- Massachusetts
- Michigan
- Montana
- New Jersey
- New York
- North Carolina
- Ohio
- Texas
- Virginia

Litigation states underlined

Justice Department Authorization Act (H.R. 2215)

- **President signed on November 2;**
- **Authorizes air travelers to ship back what their state personal importation laws allow them to carry back;**
- **AVA working with shipping community;**
- **Expect state litigation.**

Federal Tax Issues

- **Estate Tax Relief;**
- **Special Occupational Tax Repeal;**
- **Increase Section 179 Expensing Limits;**
- **Expensing of Replanting Costs After Disaster - Section 263A (H.R. 2354)**

Alcohol Tax Increases in 2002

- Increases Approved: Alaska, Puerto Rico and Tennessee.
- Threats Averted: Arizona, California, Connecticut, Hawaii, Indiana, Kansas, Louisiana, Maryland, Massachusetts, Nebraska, New Mexico, N. Carolina, Oregon, Washington.

2003 Expected Tax Battles

- Arizona
- Arkansas
- California
- Connecticut
- Florida
- Georgia
- Idaho
- Indiana
- Kansas
- Kentucky
- Maryland
- Massachusetts
- Minnesota
- Nebraska
- Nevada
- New Jersey
- New Mexico
- North Carolina
- Ohio
- Oklahoma
- South Dakota
- Tennessee
- Texas
- Virginia
- Washington
- Wisconsin
- Wyoming

WineAmerica Model State Winery Law

- **Marketing**
- **Promotion and Research**
- **Signage**
- **Shipment**

Longer Term Farm Policy Goals

- Significant new federal commitment to the states for viticulture/enology research and extension
- Expansion of Value-Added Grants Program
- Hybrid familiarization/education program for key states
- State grants for wine industry development