



**MEMBERSHIP/BOARD OF DIRECTORS MEETING**

(California Room, Sutter Club)

(1220 9<sup>th</sup> Street, Sacramento, California)

March 10, 2020

9:00 a.m.

- A G E N D A -

1. Guest Speaker: **Gabriel Petek** – Legislative Analyst  
*Critical Issues facing California*
2. Roll Call
3. Corporate Business:
  - (a) Approve Minutes of Meeting Held December 10, 2019 — **Board Action Required**
  - (b) Bank of America Line of Credit Resolution — **Board Action Required**
4. Board Changes — **Board Action Required**
5. Member Relations – Ian Blue  
Election of New Members — **Board Action Required**
6. Chairman’s Report
7. President’s Report
8. Committee/Departmental Reports
  - (a) Finance & Administration - Hank. Wetzel / Steve Hayes
  - (b) Public Policy - John Sutton
    - (i) California State Relations - Tim Schmelzer  
*California State Relations Update - Board Action Required*
    - (ii) Federal Relations - Charles Jefferson
    - (iii) Public Policy Committee Report - Tracy Genesen / Tim Ryan  
*Public Policy Update*
    - (iv) State Relations - Steve Gross
  - (c) Technical Advisory Committee - Tim Ryan / Tracy Genesen
  - (d) International Marketing - Honore Comfort
  - (e) International Public Policy - Rick Tigner / Charles Jefferson
  - (f) Communications - Suzanne Groth / Nancy Light
  - (g) Environmental Affairs - Chris Savage / Allison Jordan  
*Environmental Committee & CSWA Updates*
9. Political Action Committee (PAC) Update - Rick Tigner
10. Guest Speaker: **Rob Gutierrez & Tony Russo** - Californians to Save Prop 13 and Stop Higher Property Taxes  
*November’s Split Roll Initiative*
11. Guest Speaker: **Senator Ben Allen** – 26<sup>th</sup> Senate District  
*2020 Legislative Agenda*
12. Guest Speaker: **Jon Moramarco** - Managing Partner, BW 166 LLC  
*The U.S. Wine Market – Past, Present and Future*
13. Unfinished Business
14. New Business
15. Adjournment

# Wine Institute

## MINUTES OF MEETING

### BOARD OF DIRECTORS

December 10, 2019

Pursuant to written notice heretofore given, a meeting of the Board of Directors of Wine Institute was held at 9:00 a.m., Tuesday, December 10, 2019, at The Lodge at Pebble Beach, Pebble Beach, California; Harry H. Wetzel, Chairman, presiding.

### ATTENDANCE

The following directors were noted present: Kaj Ahlmann, Earl Ault, Steven Chen (Alternate of Giancarlo Bianchetti), James E. Coleman, Hugh Davies, Cindy L. DeVries, Michael Drobnick, David R. Duncan, John G. Franzia, Suzanne Groth, Stephen Kahle(District No. 7 Alternate), Randall Lange, Peter N. Larson, Eric Lent(District No. 2 Alternate), Lawrence T. Lohr (District No. 5 Alternate), Steven MacRostie, Michael Maher (District No. 3 Alternate), Mark Malpiede (District No. 2 Alternate), Nicholas Miller(District No. 6 Alternate), Steven Millier, James A. O'Malley, Maeve Pesquera(District No. 6 Alternate), Michael Reynolds, Gretchen Roddick, Steven Schafer, Karen Steinwachs, John Sutton, Brian J. Vos, Michael Walker, Christine Wentte, Harry H. Wetzel, Carolyn Wasem (Alternate of Jeff Wesselkamper), Jolene Yee.

**Absent Directors:** Corey Beck, Joseph S. Franzia, Matthew J. Gallo, Tobin A. Ginter, Sam Glaetzer, Rick Tigner, Robert R. Torkelson.

**Alternate Directors Present:** Robin Baggett, William R. Cooper, Amy Hoopes, Cheryl Indelicato, Daniel J. Leonard, William J. Nakata, David Phillips, Delia Viader.

**The following ex officios were noted present:** Dennis D. Groth, Margie Healy, Christopher D. Indelicato, Jasper A. Indelicato, Jerome J. Lohr, Steven W. Lohr, Eric P. Wentte.

**Absent ex officios:** Raymond S. Chadwick, Arthur A. Ciocca, Gregory J. Coleman, Paul E. Dolan III, Margaret L. Duckhorn, Fred T. Franzia, Joseph E. Gallo, Robert J. Gallo, Gary B. Heck, David B. Kent, Thomas B. Klein, Walter T. Klenz, Richard L. Maher, James H. Niven, Dianne S. Nury, M. S. Nury, Jeffrey B. O'Neill, Bertram Silk, Louis (Bob) Trincherro, Carolyn Wentte, Philip R. Wentte.

**Wine Institute Staff Present:** Katherine Bedard, Tyler Blackney, Ian Blue, Honore Comfort, Michele Famiglietti, Maluri Fernandez, Tracy Genesen, Steven J. Gross, Stephen W. Hayes, Gladys Horiuchi, Charles Jefferson, Jenni Jennions, Allison Jordan, Adam Kotin, Nancy Light, Tim Schmelzer.

Chairman Harry H. Wetzel commenced the meeting by announcing that John Giumarra of Giumarra Vineyards, one of our industry's most admired and accomplished men, passed away on June 30, 2019. John was a former Wine Institute Chairman and president and owner of Giumarra Vineyards. He served as Wine Institute Chairman in 1992 and 1993 and will be remembered as a talented and charismatic leader who was dedicated to his family, Giumarra vineyards, as well as the success of our industry.

A native of Kern County John held a law degree from Stanford and practice law in Southern California before moving to Bakersfield to serve as in-house counsel at Giumarra Vineyards. John helped his company become one of the nation's largest growers of table grapes. He had marketing vision, successfully negotiating many sales contracts for the company and focusing on opening new markets for exports. He helped establish a strong breeding program for many varieties that are still in the ground, today.

Because John had grown up on his father's winery, he became involved in the winemaking process, as well as the sales and marketing of bottled and bulk wine. He was on the wine tasting panel of the Los Angeles Times for many years.

Perhaps one of John's greatest legacies were his contributions to the table grape industry through his role on many industry boards and committees, including the California Grape and Tree Fruit League and the California Table Grape Commission as chairman for 33 years. He was awarded the National Italian American Foundation's Special Achievement Award in Business.

He had a passion for grapes and the wine industry. He will be remembered as a true gentleman to those who had the pleasure of knowing and working with him. Please join me in a moment of silence to honor John's memory.

#### APPROVAL OF MINUTES

On motion made, seconded and carried, the minutes of the meeting held June 11, 2019, were approved as mailed.

#### BOARD CHANGES

On motion made, seconded and unanimously carried, Matt Deegan was elected an At-Large Alternate Director to Sam Glaetzer on the Board of Directors to replace Nicole Malec.

#### ELECTION OF NEW MEMBERS

At each Board meeting new members are presented for election to membership. Because a September Board meeting was not held, new members could not be elected. In order to officially add them to the membership list, a ballot vote was conducted of the Board of Directors which needs to be ratified.

On motion made, seconded and unanimously carried, the September 26, 2019, mail ballot of the Board of Directors to elect the following firms to active membership in Wine Institute effective October 1, 2019, was ratified:

Alejandro Bulgheroni Estate  
Chanin Wine Company  
FAETHM  
McFadden Vineyard  
Morlet Family Vineyards  
Nichelini Family Winery  
Rewa Vineyards  
Senses Wines  
Shifflett Family Wine Company

On motion made and seconded, the following firms were unanimously elected to active membership in Wine Institute effective January 1, 2020:

California Wineries & Vineyards  
Coursey Graves  
Eagle Ridge Vineyard  
Gamble Family Vineyards  
Hersly Wines  
J Dusi Wines  
Julietta Winery  
Martellotto Winery  
Moraga Bel Air  
Paul Lato Wines

On motion made and seconded, the following firms were unanimously elected to active associate membership in Wine Institute effective January 1, 2020:

Baril Compliance Service  
(Application sponsored by Harlan Estate; Ladera Winery)

Parker Sanpei  
(Application sponsored by Hope Family Wines and J. Lohr Vineyards & Wines)

#### GUEST SPEAKERS ADDRESS ON "NABCA YEAR END UPDATE"

In addition to updates by Wine Institute staff and officers, there were two informative presentations to the Board.

Dan Noble: Dan Noble spoke to the Board about the sale of wine in Wyoming, noting the upward trends for both dollar volume of sales as well as the number of wine suppliers who are selling into the state. He noted the importance of the supplier marketing efforts across multiple media forms, including the use of tastings to educate consumers. He also noted the importance of premiumization of product lines and the availability of more products in their system. In closing, Dan outlined the ongoing success and growth of the Direct-to-Consumer shipping channel into the state, noting the 64% increase in value in this segment.

Tim Holden: Tim Holden began his presentation with a discussion of their flexible pricing program which began with the implementation of Act 39. Tim acknowledged that Wine Institute is opposed to this program but stressed that it is an evolving process under which they hope to provide more "fair and competitive prices for consumers" and an "optimized revenue for the PA General Fund". He noted that he would be working with our local representatives to keep them abreast of proposed changes. He also spoke to the expansion of wine sales by Wine Expanded Permit holders (WEPS) who are primarily the grocery stores having a deli section that can now make limited wine sales, noting that there are now more than 1,000 such licensees in the state. In closing, Tim outlined how a winery goes about doing business with the state, either through the regular listing process or via the special order platform.

#### CHAIRMAN'S REMARKS

See below.

Harry H. Wetzel Remarks  
Chairman of the Board of Wine Institute  
Board of Directors Meeting  
December 10, 2019

2019 has been an eventful year for all of us and especially me. Fire, once again challenged us. This time with the Kincaid fire in Sonoma County. And yet we have much to be thankful for. This was a huge fire and yet nobody died.

The First Responders that were on the scene have honed their craft and did a tremendous job of protecting property throughout Northern Sonoma County over a long stretch of time. It's amazing that there was no loss of life. Only two wineries that I know of were damaged severely but they are open for business. Soda Rock Winery across the street from me, opened two days after the fire with a picnic table and wine set up out the front. In our case, at 2 o'clock in the morning on October 27<sup>th</sup>, the fire came over the Mayacamas Mountains to our east and rolled down into the valley. We didn't lose any major buildings because of the firefighters that were there. There were a handful of trucks on site

to protect the winery and the houses that were in our wine making compound so late. It's amazing that we did not have greater loss of buildings. To give you an example of the winds and the fire, the embers actually blew from the foot of the hills, then half a mile across the valley to the river towards the woodlands area along the Russian River and started fires. It was were very intense.

One of our biggest challenges as an industry is to move past this and let the public know that we are open for business. I feel that that was the case with our winery. We had great attendance in our tasting room once we got back into the area and reopened for business. November was one of our biggest retail months ever at the winery. But there are some wineries that I've heard stories of that business is down. The hotels in in Sonoma County are off a bit. So, be sure to spread the word that the wineries are back open for business.

I can't say enough about the work the Wine Institute has done on the Craft Beverage Bill. They are working hard negotiating to extend the bill. I'm fairly confident there will be an avenue to vote on for the extension of the bill. The Wine Institute created the bill two, three, four years ago and during that time period, we've done extremely well. The fact that the table wine was taken from 12% to 14% has been a huge benefit for everybody in this room. I've taken that savings and used it to remodel our Winery offices. We will be moving in on December 22nd. We're excited because it doubles our office space and brings us up to modern standards in our 50 year old space.

I have to mention too, that 2019 has been a lean budget year for Wine Institute because of flat sales, flat collection of dues from members, corresponding with decreasing dues coming in from the large wineries. There is a bit of a concern there by Bobby and some of the staff. It's important that we reached a thousand members and we are bringing in more membership funds, but I ask that all of you reach out to wineries that you may know that are not members. There are so many of them getting a free ride and should be sharing in the cost since they are enjoying all the benefits that we pay for.

Wine Institute is working every day to meet the many challenges we face: the expiration of the Craft Beverage Bill, trade disruptions impacting our exports, direct-to-consumer shipping bills, which is a monumental task and is slowly but surely opening the market to all of us, but especially our small and medium-sized members. The anti-business bills that seems to exist now in Sacramento also takes a lot of work from our staff. I don't know how they keep up with all these bills. There are a lot that impact us and our success there are actually quite impressive.

We can provide you with information about membership. If you have somebody that you'd like to talk to, I know that Ian would be glad to help with that effort and any of our officers would also be glad to help you with that.

Thanks, so much for your support. It's really appreciated.

POLITICAL ACTION COMMITTEE (PAC): Chairman Harry H. Wetzel made the following remarks.

I want to touch on the political action committee funds that we receive. The political action committee is one of the best tools we have to advance our priorities with Federal lawmakers in Washington. It allows us to educate & support lawmakers about the challenges we face as wineries. Last year, the chairs of our political action committee worked hard to rebuild support and make it easier for both board members and rank-and-file members to contribute. We can now accept checks or credit card payments. This new option seems to have paid off. Nearly half the contributions we received this year came from these forms of payment. As of this morning, our political action committee has received \$220,000 in contributions, a 10% increase over 2018.

On behalf of our officers, I'd like to thank all of those who participated. There's a list that you all have that shows who contributed to the political action committee. I'd especially like to thank The Wine Group for their cumulative \$90,000 in funds to the political action committee. Thank you.

And I also like to applaud our staff. I've looked through the list and checked off all the staff members that are involved in this political action committee. I can't thank them enough for helping with this.

## PRESIDENT'S REPORT

Bobby Koch Report  
Board of Directors Meeting  
December 10, 2019

John Giumarra was a wonderful gentleman. As Hank mentioned John was Chair in 1992 and 1993 so his tenure overlapped with the Administrations of both President Bush 41 and President Clinton. Right off the bat, President Clinton made healthcare reform his top priority, putting Mrs. Clinton and a gentleman by the name of Ira Magaziner in charge. And in the first health care proposals floated by the White House, raising the tax on wine and beer and spirits were proposed as funding options.

So in 1993, we decided to move up our Washington Week to February. Cold, cold February. I was your brand-new DC person and lucked out securing a meeting with President Clinton on day 37 of his being on the job. February 26, 1993. It was our opportunity to make our case to the President. My predecessor, John DeLuca, opened with some great remarks and then John Giumarra made an elegant and thoughtful presentation to the President on why raising the tax on wine and alcohol was not sound public policy.

At the end John's remarks, President Clinton said, "I know about wine, wine is good for you, it's good for your heart." And then he said, "I also know, liquor is quicker!". John then said how wonderful it was to be able to take his wife, Pamela, to the White House to meet our new President on her 50th birthday! President Clinton found that line to be hilarious and then welcomed and wished Pam a Happy Birthday.

It was also abundantly clear that President Clinton was, well, smitten with Pamela, big time! And at that moment, I knew we were good, our excise taxes were not going to go to pay for healthcare reform or anything else, any time soon! Jerry Lohr was there. So was Carol. And Margie.

1,000 members of Wine Institute is great news. But we still have way too many free riders. Especially some big ones. There are a handful that we must get in to help with our budget squeeze. I know we can get some of them.

I, too, appreciate all those who have helped the Political Action Committee (PAC). And the Wine Group does take it to another level with their participation. If you want to know how they do it and why they do it, I know that Brian and John would be happy to share their thinking. If you, your family members and winery partners have not contributed this year, please do by the end of December.

We're going to get the Craft Bill extended and it may happen in the next few days. And if it elapses, we will get work to make it retroactive and at some point, made permanent. There is just too much support for this not to get done. Over 300 House members and 70 Senators have signaled their support. Again, we're looking at an extension at this point. We have a lot to cover this morning with many presenters. All of the information and the ways in which we're getting things done is important for you to know because it impacts your winery and likely your bottom line.

For example, Tim is going to address what we're now doing on the single use packaging issue. Adam Gray talked about this last night. We were engaged and helped stop the bill at the end of last session

but that will not be an option in 2020. A bill is going to get done. And it will not just have ramifications in California. Other states will follow suit which is why Steve Gross and his team are also engaged.

Tracy is going to address the elimination of standards of fill rulemaking. Defeating this proposed rule is going to be difficult and what may be coming our way is not outright elimination but instead, approval of multiple sizes. Michele secured over 50 Members of Congress to sign a letter supporting our position to not eliminate standards of fill for wine. There is significant opposition to what the Treasury department has proposed, so this is not quite over yet. There are few other issues Tracy will cover. And we also have our cannabis policy principles up for Board approval. It has already been approved by the legal subcommittee and public policy committee.

Tim Ryan will update us on the work of the Technical Committee and Chris Savage will do the same for the Environmental Committee. They do a great job along with their colleagues from other wineries.

Charles will update the current trade challenges we have in China and the European Union (EU). With all the trade disputes, the playing field for Charles and Katherine and all of us continues to get more complex and uncertain. But we have a new trade agreement with Japan which will lead to the elimination of tariffs, we have made great progress in BC and in Ontario, with government expanded sale of imported wine to more grocery stores. And the United States-Mexico-Canada Agreement (USMCA), North American Free Trade Agreement (NAFTA) 2.0, will get done. And at our urging, the United States (US) government has reached agreement with the United Kingdom (UK) to roll the US-EU Wine Trade Agreement to cover the UK post-Brexit so that there will be no disruption in US exports when Brexit happens.

Honore will cover how we're dealing with the markets where these new trade impediments have developed as well as with the other more stable markets.

And Nancy will give an advanced look at our new website which we will announce in early January. It's been an amazing effort by the Communications Team. Jenni Jennison has done a fantastic job. And she and Ian were masterful in getting our new member database platform powered by Salesforce up and running on time and under budget.

Allison will present in March. It is noteworthy that more than 85% of California wine is now made in a Certified California Sustainable Winery and over 1 million certified wine cases bear the new wine logo/certification claims. We have the most comprehensive, widely adopted sustainable winegrowing program in the world. And we also have the most talented sustainable team in the world as well.

State Relations had a great year. State excise taxes remained at the forefront of their work. The most serious threat was in Illinois with the Governor's proposal to increase the wine tax from \$1.39 to \$2.05/gal as a part of the \$42 billion Capital Improvements Plan. That plan, along with all other state excise tax increase proposals were defeated except Connecticut. The Connecticut bill, which was supported by the local retail and wholesale industry, was a 10% increase from \$0.72 to \$0.79/gal that replaced the Governor's earlier proposal calling for a 15-cents per bottle deposit fee on all wine and spirits bottles.

I appreciate that Hank took the time to come to DC to address the Wine & Spirits Wholesalers of America (WSWA) Board of Directors with Steve and me.

No year is complete without a successful audit which we had thanks to Steve Hayes.

Maluri, Shin, and Ian, do great work to make our Board meetings successful.

I'd like to wish everyone all the best for the holidays.

Now we hear from our talented department heads and committee chairs. Thanks so much.

## UPDATE ON CALIFORNIA STATE RELATIONS

Tim Schmelzer reported on the single-use packaging bills, SB54 and AB1080, being considered by the legislature this session. Schmelzer emphasized the importance of Wine Institute's engagement on the issue of single-use packaging and recycling and presented the Board with an outline for how Wine Institute can be effective in developing a recycling program that works for the wine industry. The Board voted to approve the approach as outlined.

## UPDATE ON PUBLIC POLICY COMMITTEE

Tracy Genesen reported on Wine Institute's comments on NRM 182 Standards of Fill including WI's rationales for opposing the elimination of federal standards of fill requirements, the comment was filed in October 2019. Further, Tracy recapped discussions from the November 2019 Public Policy and Legal Subcommittee Meetings which were held in Sacramento. Tracy updated the Board on the Cannabis Policy Principles which are a responsive set of health and safety-based policy principles. The Public Policy Committee voted in a closed session to approve the Cannabis Policy Principles. Tracy discussed the California Consumer Privacy Act (CCPA) and its implication on wineries. This act will go into effect in January 2020. Lastly, Tracy Genesen's request for the board to ratify Wine Institute's approval of the Cannabis Policy Principles was unanimously passed.

On motion made, seconded and carried, Wine Institute's approval of the set of health and safety based Cannabis Policy Principles as a responsive document for policymakers and regulators was unanimously passed by the board.

## UPDATE ON TECHNICAL ADVISORY COMMITTEE

Tim Ryan reported on Wine Institute's comments on NPRM 176 Parts 4,5, and 7 Modernization of the Labeling and Advertising which was filed in June 2019. Tim informed the Board of the Technical Advisory Committee's November meetings with TTB in Washington, D.C. which focused on strengthening Wine Institute's relationship with the technical side of TTB. Lastly, Tim updated the Board on the five Technical Advisory Committee working groups. Tim discussed each group's successes in 2019 and their goals moving forward in 2020.

## UPDATE ON ENVIRONMENTAL COMMITTEE

Chris Savage reported on priority areas for each of the Environmental Committee Working Groups. 1) The Water Working Group is monitoring and/or providing input on the Statewide Winery General Order, Agricultural Discharge Order and Sustainable Groundwater Management Act (SGMA), 2) The Air Working Group is focusing on Fermentation Emission Controls, Toxic Emission Inventory Plans and CERs administration change. 3) The General Regulatory Working Group has added Safety and Health issues as a defined area of focus (e.g., smoke exposure implementing guidelines and minimum lighting requirements for ag operations) and is addressing Ammonia and SO2 Process Safety Management. 4) The Market Issues Working Group continues to focus on sustainable winegrowing communications and monitoring of supply chain sustainability efforts in the marketplace. In addition, through the Crop Protection Steering Committee, the Environmental Committee is working jointly with the Wine Institute Technical Advisory Group on a proactive strategy to address crop protection issues.

## INTERNATIONAL PUBLIC POLICY UPDATE

Charles Jefferson provided an update on the current environment with respect to ongoing free trade agreement negotiations and retaliatory tariffs on wine. The US-Mexico-Canada Agreement is on track for ratification by the US Congress in the near future. The recently announced US Japan Trade agreement includes the phase out of tariffs on US wines exported to Japan with the tariff reductions scheduled to begin on January 1st of 2020. Charles also updated on the status of retaliatory tariffs on US wine exports to China and also US imports of certain EU wines. Wine Institute continues to advocate for elimination of all tariffs on wine in disputes unrelated to the wine trade.



## COMMUNICATIONS UPDATE

Nancy Light reported on the planned launch of the new industry and members only website at Wine Institute.org in January which will provide comprehensive background on the organization, California wine industry, policy advocacy at the state, federal and international levels as well as member resources in an updated and accessible format. She also reported on results of the California Wine Month 2019 campaign which generated a record 1 billion media impressions in print, online and broadcast media and on growth of the Discover California Wines U.S. social media presence which reached 1.8 million in combined impressions on FB, Instagram and Twitter in 2019.

## ADJOURNMENT

There being no further business, the meeting was adjourned at 11:30am.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. Fernandez', written in a cursive style.

Maluri Fernandez, Assistant Secretary

BANK OF AMERICA LINE OF CREDIT RESOLUTION

RESOLVED, That in the event that interest or principal of the business loan with Bank of America is not paid when due, the Board will (a) immediately increase assessments in an amount sufficient to pay any past due interest or principal to the bank, and (b) collect the proceeds of the increased assessment prorated on previous year's dues and apply them to pay the bank in full.



Agenda Item No. 5

## MEMBER RELATIONS REPORT MEMBERSHIP/BOARD OF DIRECTORS MEETING March 10, 2020

### **Membership**

New Members in Q3: We have received ten new winery member applications and one new associate member applications since the last board meeting. The applicant winery members are: Carboniste, Cobblestone Vineyard, Imagination Wines, Maitre de Chai, Sierra Vista Vineyards and Winery, Stephen & Walker, Terre et Sang, Villa San Juliette, Vino Vargas, and Wolfe Heights Estates. The applicant associate member is: Arthur J. Gallagher & Co.

### **Membership/Board of Directors Meetings**

December 2019: The December Board Meeting at The Lodge at Pebble Beach was well attended. Ten new winery members and two new associate members were approved by the board. Special guests included Assemblymember Adam Gray, who addressed our Monday evening dinner, and James Sgueo (NABCA), Tim Holden (PA Liquor Control Board), and Dan Noble (WY Department of Revenue), who addressed our Tuesday Board Meeting. The Monday night reception and dinner were attended by more than 155 guests and the Tuesday Board Meeting was attended by more than 120 members.

June 2020: The 86th Annual Membership & Board of Directors Meeting will be held on June 7-9, 2020 at The Ritz-Carlton, Half Moon Bay. Wine Institute has negotiated a room rate of \$365/night.

December 2020: The 2019 Winter Board of Directors Meeting will be held on December 6-8, 2020 at The Inn at Spanish Bay. Golf will be at Spyglass Hill Golf Course.

### **2020-2021 Board of Directors Election**

The 2020-2021 District Director Board seats were calculated based on our membership list as of February 1, 2020. The distribution of District Director seats remains unchanged for the coming upcoming election:

D1 (Northern): 1  
D2 (Sonoma): 4  
D3 (Napa): 5  
D4 (SF Bay): 1

D5 (Monterey Bay): 1  
D6 (Central Coast): 4  
D7 (Southern California): 1  
D8 (Sierra): 1  
D9 (Northern Interior): 1  
D10 (Southern Interior): 1

All current At-Large Directors, District Directors, and Alternate District Directors must be re-nominated to continue serve on the Wine Institute Board for the 2020-2021 term beginning during our June Board Meeting. District Director candidates must be nominated by their local regional vintners' association or by self-nomination. A notice of election and nomination forms were emailed to each Regional Association and each WI member on March 5<sup>th</sup>; nominations are due back no later than April 15<sup>th</sup>. Ballots will be mailed by Deloitte & Touche on April 20<sup>th</sup> and must be returned to by Deloitte by May 20<sup>th</sup>. Deloitte & Touche will announce and confirm the results of the election at the June Board Meeting.

### **Industry Events, Member Outreach & Member Benefits**

Member Relations had a presence at industry events this quarter, including the Unified Wine & Grape Symposium, the Direct-to-Consumer Wine Symposium, and Export 2020. Member Relations and Communications are partnering with CAWG to host our fifth annual Regional Leadership Forum on March 9<sup>th</sup> with the leaders of winery and grower associations across the state. Key topics include Federal and California legislative and regulatory updates, cannabis and land use issues, sustainability, and California wine marketing.

Recruitment letters were mailed and emailed to more than 2,700 non-member wineries in February. The mailing included a cover letter from Bobby Koch highlighting our work and a request to become members along with our Year in Review report.

So far in 2020, 14 wineries have applied to enroll in our FedEx discount program. We currently have nearly 750 accounts of Wine Institute members linked to the FedEx discount program, where members continue to enjoy discounts on shipping and a full waiver of the Adult Signature Required fee. Members continue to save over \$16,000 per year on average from participating in the program.

Wine Institute members who license with BMI are eligible to access up to 20% off their music licensing fees. Currently, 150 members are receiving discounted license fees thanks to their membership with Wine Institute.

Member Relations continues to oversee the implementation of our new Salesforce-based association management system (AMS). Contact information, memberships, committee management, events, and more is beginning to be handled by our new AMS.

### **Wine Institute Calendar**

#### 2020

March 9-10	Sacramento Board Meeting
June 7-9	86 <sup>th</sup> Annual Membership and Board of Directors Meeting, The Ritz-Carlton, Half Moon Bay
December 6-8	Winter Board Meeting, The Inn at Spanish Bay



Agenda Item No. 5

### **1. New Members to be Approved for Membership**

- |   |                                  |
|---|----------------------------------|
| 1. <b>Carboniste</b>                        | Napa (Napa Co.)                  |
| 2. <b>Cobblestone Vineyard</b>              | Los Angeles (Los Angeles Co.)    |
| 3. <b>Imagination Wines</b>                 | Lodi (San Joaquin Co.)           |
| 4. <b>Maitre de Chai</b>                    | Napa (Napa Co.)                  |
| 5. <b>Sierra Vista Vineyards and Winery</b> | Placerville (El Dorado Co.)      |
| 6. <b>Stephen &amp; Walker</b>              | Healdsburg (Sonoma Co.)          |
| 7. <b>Terre et Sang</b>                     | Lompoc (Santa Barbara Co.)       |
| 8. <b>Villa San Juliette</b>                | San Miguel (San Luis Obispo Co.) |
| 9. <b>Vino Vargas</b>                       | San Miguel (San Luis Obispo Co.) |
| 10. <b>Wolfe Heights Estates</b>            | Sacramento (Sacramento Co.)      |

### **2. New Associate Members to be Approved for Membership**

1. Arthur J. Gallagher & Co.  
Lafayette, CA  
Sponsors: Baldacci Family Vineyards; Regusci Winery  
Summary: Full insurance and risk management services and consultation, wine insurance programs, and industry expertise



# Financial Statements

**For The Seven Months Ended January 31, 2020**

*Includes approved budget for fiscal year 2019/2020*

If you have any questions regarding these statements please contact  
Steve Hayes at (415) 356-7529  
[shayes@wineinstitute.org](mailto:shayes@wineinstitute.org)

Wine Institute  
Balance Sheet  
As of 1/31/20

**Assets**

Cash	
Petty Cash	300.00
Cash - WI	463,763.09
Cash - Interational	0.00
Cash - Free the Grapes	<u>390,085.34</u>
Total Cash	854,148.43
Inventory	
Wine Inventory	<u>38,333.31</u>
Total Inventory	38,333.31
Investments	
Investments - Comm. Paper	4,505,533.33
Rabbi Trust - Deferred Compensation	<u>455,584.81</u>
Total Investments	4,961,118.14
Receivables	
Members Accounts Receivable	699,469.16
Associate Members A/R	33,750.00
Allowance for Doubtful A/C	(24,670.87)
Miscellaneous A/R	2,315.99
Int'l Program Fees A/R	448,650.00
Int'l Tradeshows A/R	0.00
Allowance for Doubtful A/C - MAP	(4,750.00)
Grant Receivable	33,751.40
MAP Receivable	<u>0.00</u>
Total Receivables	1,188,515.68
Deposits & Prepays	
Deposits	378,550.25
Prepaid Insurance	67,254.44
Prepaid Rent	102,928.76
Prepaid Expenses	<u>0.00</u>
Total Deposits & Prepays	548,733.45
Fixed Assets	
Furniture & Fixtures	657,854.00
Leasehold Improvements	278,786.81
Accumulated Depreciation	<u>(648,195.76)</u>
Total Fixed Assets	<u>288,445.05</u>
Total Assets	<u><u>7,879,294.06</u></u>

**Liabilities**

Accounts Payable	
Accounts Payable - WI	<u>43,637.98</u>
Total Accounts Payable	43,637.98
Other Liabilities	
Sales Tax Payable	0.00
Unearned Mem Dues Revenue	422,011.87
Bank of America Line of Credit	0.00
Accrued Expenses	6,792.62
Vacation Accruals	616,290.34
Deferred Rent	413,227.00
Wages Garnishment Payable	0.00
Flexible Spending Account	12,776.97
Dependent Care Assistance Program	7,077.53
Free the Grapes	390,085.34
Deferred Compensation	455,584.81
Payable to Wineries	0.00
Payable to FAS	177.66
VAT	11,813.73
2018 Event Income	143,528.28
Security Deposits	<u>0.00</u>
Total Other Liabilities	<u>2,479,366.15</u>
Total Liabilities	<u>2,523,004.13</u>
<b>Net Assets</b>	
Beginning Net Assets	
Net Assets	<u>4,726,238.69</u>
Total Beginning Net Assets	4,726,238.69
Change in Net Assets	<u>630,051.24</u>
Total Change in Net Assets	<u>630,051.24</u>
Total Net Assets	<u>5,356,289.93</u>
Liabilities & Net Assets	<u><u>7,879,294.06</u></u>

Wine Institute  
Statement of Revenues and Expenditures - From 7/1/2019 Through 1/31/2020

<b>Statement of Earnings</b>						
	Prior Year Actual	2019/2020 Budget	2019/2020 YTD Budget	Current Period 1/31/20 Actual	2019/2020 YTD Actual	YTD Budget Variance
<b>Revenue</b>						
Member Dues	14,069,605	<b>13,729,165</b>	8,008,679	1,227,253	7,878,395	(130,284)
Associate Member Dues	162,750	<b>160,000</b>	93,333	2,250	159,375	66,042
Interest Income	103,774	<b>100,000</b>	58,333	0	44,235	(14,099)
Miscellaneous Income	1,059	<b>1,000</b>	583	45	210	(373)
Total Revenue	14,337,188	<b>13,990,165</b>	8,160,929	1,229,548	8,082,215	(78,715)
<b>Expenses</b>						
Executive	2,102,713	<b>1,957,773</b>	1,142,034	191,057	1,078,357	63,677
S.F. State Relations	686,810	<b>713,890</b>	416,436	53,081	446,261	(29,825)
S.F. Legal	441,587	<b>453,194</b>	264,363	45,454	304,606	(40,243)
Washington D.C.	1,317,701	<b>1,280,121</b>	746,737	101,526	684,703	62,034
Regional State Relations	2,834,971	<b>2,956,342</b>	1,724,533	805,575	1,828,850	(104,318)
Sacramento	933,887	<b>978,728</b>	570,925	75,510	519,015	51,909
California PAC Fund	265,029	<b>275,000</b>	160,417	100,250	208,565	(48,149)
International Public Policy	616,572	<b>671,387</b>	391,642	51,659	302,273	89,370
Supp. Fund, Tech. & Environmental Committees	273,700	<b>520,950</b>	303,888	10,721	113,852	190,035
Communications	1,287,498	<b>1,097,929</b>	640,459	71,939	587,669	52,790
Environmental Affairs	740,224	<b>735,567</b>	429,081	40,864	419,430	9,651
Finance & Administration	2,654,152	<b>2,665,602</b>	1,554,935	174,916	1,252,090	302,844
Total Expenses	14,154,844	<b>14,306,483</b>	8,345,448	1,722,552	7,745,673	599,775
Net Excess/Deficit Before International Marketing	182,344	<b>(316,318)</b>	(184,519)	(493,005)	336,542	521,061
<b>International Marketing</b>						
Revenue	2,041,922	<b>1,210,000</b>	705,833	363,175	1,028,600	322,767
Expenses	(2,041,922)	<b>(1,210,000)</b>	(705,833)	(170,040)	(735,090)	(29,257)
Total International Marketing	0	<b>0</b>	0	193,135	293,510	293,510
Net Excess/Dedicit with International Marketing	182,344	<b>(316,318)</b>	(184,519)	(299,870)	630,051	814,570





Agenda Item No. 8(b)(i)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**2020 Priority Legislation by Subject**

**Alcoholic Beverage Control:**

**Additional Duplicate License:** Wine Institute has introduced SB 1187 by Senator Steve Glazer (D-Livermore Valley) and AB 2752 by Assembly Member Rebecca Bauer-Kahan (D-Orinda) which are identical bills that would allow a winery to have two duplicate licenses for the operation of an additional off-site tasting room. The last two years, this legislation has been held by the Assembly Appropriations Committee. By introducing the legislation in each separate house, we hope to overcome this obstacle this year.

**Beer and Wine Wholesalers:** SB 420 by Senator Bob Archuleta (D-Pico Rivera) would remove the beer and wine importer, the beer and wine importer's general, and the beer and wine wholesaler licenses and replace them with a separate beer or wine license. The bill would make conforming changes throughout the Alcoholic Beverage Control Act to reflect this separation. Wine Institute has expressed concern to the author regarding this bill due to the potentially numerous unintended consequences of such large-scale license changes.

**Beer Franchise Law:** AB 1541 by Adam Gray (D-Merced) was introduced late in last year's session and is eligible to be considered this year. The bill would provide that a beer manufacturer shall not cancel, terminate, reduce, not renew, or cause any of the same, an agreement with a beer wholesaler for the distribution of beer and malt beverage products, unless the beer manufacturer has complied with specified provisions. The Legal Subcommittee recommended an oppose position on this legislation.

**Hours of Sale:** Last year, SB 58 by Senator Wiener (D-San Francisco) was introduced to extend the hours for selling alcohol in specific cities to 3am. The bill is eligible for reconsideration this year after failing on the Assembly Floor last year.

**Spirits: Off-Sale Privileges (Allen):** Beer and Wine may currently be purchased unopened from on-sale general licensed premises (Type 47 or 48) for consumption off premise. SB 1114 by Senator Ben Allen (D-Santa Monica), sponsored by DISCUS, would extend this privilege to spirits. Our Legal Subcommittee recommended a support position on this legislation.

**Refillable Wine Bottles:** Assembly Member Robert Rivas (D-Salinas) has introduced AB 2957, sponsored by the Monterey Vintners Association, which would allow wineries to refill customer provided containers at their duplicate license location.

### **Cannabis:**

**Model Ordinance:** Assembly Member Phil Ting (D-San Francisco) has introduced AB 2456, which would require the Bureau of Cannabis Control to develop a model local cannabis ordinance for local jurisdictions to consider.

**Medical Cannabis Employment Discrimination:** AB 2355 by Rob Bonta (D-Oakland) would make it unlawful for an employer to refuse to hire, employ, or discharge a person from employment, or to discriminate against an employee, because of the employee's status as a qualified patient, for purposes of medical cannabis. The bill would additionally grant people who use medical cannabis while employed the same rights to reasonable accommodations as are provided to workers prescribed other legal drugs.

### **Environmental;**

**Single-Use Packaging/Recycling:** While Wine Institute was successful in defeating two problematic single-use packaging waste reduction bills last year, SB 54 by Senator Ben Allen (D-Santa Monica) and AB 1080 by Assembly Member Lorena Gonzalez (D-San Diego), we are working with the Legislature and Administration to correct the flaws in those bills and to enact additional legislation to reform the bottle bill in a manner that will make economic sense for our packaging. Both Senator Bill Dodd (D-Napa) and Assembly Member Phil Ting (D-San Francisco) have introduced placeholder bills, SB 1132 and AB 1840 respectively, that can be amended to enact bottle bill reforms. Senator Allen has additionally introduced SB 1332, which is a placeholder bill intended to incentivize the establishment of additional recycling infrastructure in the state. Finally, Assembly Member Brian Mainschein (D-San Diego) has introduced AB 2612 to fund recycling projects that specifically produce greenhouse gas emission reductions.

**Plastics:** AB 3141 by Laura Friedman (D-Burbank) would require all retailers to accept their plastic packaging for purposes of recycling from their customers.

**Fermentation Emissions:** AB 1714 by Assemblymember Cecilia Aguiar-Curry (D-Napa) would require an Air District to make findings to ensure that the installation of emission control equipment to capture fermentation emission does not harm wine quality. Wine Institute is sponsoring this legislation.

### **Labor Relations:**

**Agricultural Employee Overtime:** Assembly Member Jim Cooper (D-Lodi) has introduced placeholder legislation (AB 2758) aimed to provide relief to employers that pay overtime for their agricultural employees. Assembly Member Robert Rivas (D-Salinas) introduced AB 2956, sponsored by the California Farm Bureau Federation, that would allow employers to claim a tax credit in an amount equal to the overtime pay furnished to their agricultural employees.

**Independent Contractors:** 34 bills have been introduced to repeal, amend, or add additional exemptions to AB 5, which was enacted into law last year and established stricter criteria for determining if an independent contractor should be classified as an employee.

**Predictive Scheduling:** Senator Connie Leyva (D-Chino) has introduced SB 850 which would require an employer to provide its employees with a 21-day work schedule at least 7 calendar days prior to the first shift on that work schedule. The bill would additionally require an employer to pay its employees modification pay for each previously scheduled shift that the employer cancels or moves to another date or time, for any previously unscheduled shift that the employer requires an employee to work, or for each on-call shift for which an employee is required to be available but is not called in to work that shift.

**Private Right of Action:** Senator Bill Dodd (D-Napa) has introduced legislation, SB 1129, as a placeholder for making business-friendly revisions to the Private Attorney General Act, which allows individuals to bring actions against employers for alleged violations of labor law.

**Employee Leave:** A host of measures have been introduced to expand existing employee leave programs and create new employee leave programs. Examples of leave programs impacted include family leave and bereavement leave.

### **Litigation Liability:**

**False Claims:** Assembly Member Mark Stone (D-Monterey) introduced AB 2570 to create a private right of action for making false claims under the tax code.

### **Taxation:**

**Headcount Tax:** Assembly Member Kansen Chu (D-Milpitas) has introduced AB 2843, which would require businesses, when applying for a local business license, to pay a per employee tax for “affordable housing assistance.” Businesses with fewer than 50 employees would not be subject to the tax. Businesses with 200 to 999 employees would pay \$75 per employee, and businesses with more than 999 employees would pay \$150 per employee. The bill does not indicate what would happen to employers with a workforce of 50 to 199 employees.

## **Regional and Statewide Regulatory Issues**

**Statewide Winery WDR:** The State Water Board has drafted a ‘Statewide Winery General WDR’ which would regulate process water treatment and disposal at all California wineries that discharge to land, subsurface (e.g. septic, leach field) or tank and haul systems. We have been heavily engaged on this issue, leading a coalition of statewide and regional wine industry groups. In October and November, we worked with our Environmental Committee and Kennedy/Jenks Engineers to submit a set of detailed technical ‘alternative’ proposals on six key topics. We have since learned that Water Board work on this issue is delayed due to staff changes, but the Board still tentatively intends to move forward with the WDR in the coming months. We will continue to track closely and remain engaged with the industry coalition.

**Napa and Sonoma Vineyard Erosion Order (Region 2):** Most vineyards in the Napa River and Sonoma Creek watersheds must develop ‘Water Quality Farm Plans’ by July 2020. Our work to assist growers continues on two fronts: we are assisting CSWA with its ‘Third-Party Program’ for compliance, and we are working with researchers at Common Futures (a company based in Oregon) to satisfy a portion of the group monitoring program. Work on the group monitoring effort continues to move forward; we are surveying a sample of Napa vineyards to inform the soil erosion model the researchers have developed.

**North Coast Vineyard Order (Region 1):** The North Coast Regional Board plans to develop a Vineyard WDR for similar purposes as the Region 2 (Napa/Sonoma) permit. We recently shared

with them the methodology and preliminary results from our soil erosion modeling project discussed above. The Water Board's Executive Officer and staff were intrigued by our proposed approach, which could limit the scope of the permit and/or lower the reporting requirements, and we will continue to engage with them on this issue.

**Central Coast Ag Order 4.0 (Region 3):** The Central Coast Water Board has released a draft update to its existing Agricultural Order, which includes vineyards. The Order must be adopted by January 31, 2021. We are leading a coalition of companies and industry groups in the Central Coast Region and intend to submit extensive comment on the draft Order in early April. We are encouraging regulatory recognition of voluntary sustainability certification programs and will work with CSWA and other programs to engage on this topic. The precedent set by this Order could be very consequential to Water Board regulations around the state.

**Central Valley Salinity Coalition:** The Central Valley Salinity Alternatives for Long-Term Sustainability (CV-SALTS) plan is now officially in effect. This effort will provide wastewater dischargers (including vineyards and wineries) with voluntary 'alternative compliance' approaches to address salinity and nitrate impacts. Informational postcards were mailed to all impacted businesses in January and Wine Institute is assisting with outreach. Depending upon their location in the Central Valley, wineries will have the option of joining a 'Nitrate Management Zone' and/or contributing funds for a study on salts remediation, rather than complying with more restrictive permit conditions. Our Environmental Committee is tracking CV-SALTS implementation and received a detailed update from longtime CV-SALTS advocate Tess Dunham (of Somach, Simmons and Dunn) at its last meeting in Sacramento.

**Bay Area Diesel Engine Assistance Program:** Some agricultural operations have stationary diesel engines that are not registered or otherwise out of compliance with existing state laws and air district rules. These operations may be subject to fines and back fees and are often ineligible for engine replacement incentives. Members of our Environmental Committee worked with the Bay Area Air Quality Management (BAAQMD) and Sonoma County Farm Bureau to develop an innovative program that will allow operations to come into compliance without fear of penalty. Farm Bureau recently held workshops on this effort and Wine Institute is sharing information for interested members.

**ABC Responsible Beverage Service Training Program:** In 2017, the Legislature passed, and Governor Brown signed, AB 1221 which requires the Department of Alcoholic Beverage Control (ABC) to develop, implement and administer a mandatory training and certification program for all alcohol servers in the state, including wine tasting room personnel, managers and supervisors. Under the Act, ABC has until Jan. 1, 2020, to develop regulations for the operation of the training and certification program, and all ABC licensees should begin training employees by July 1, 2021, with training and certification renewal every three years. WI Submitted comments on October 11. On October 18, ABC released revised regulations and opened a comment period on those changes. On Monday, November 4, WI submitted comments on the revised regulations reiterating our continued concerns with the extent to which the regulations detail the server training requirements, and the lack of guidance on how the proposed requirements interact with existing local training programs. We are awaiting a new draft of the regulations from ABC.

**Nighttime Lighting Regulations:** The Occupational Safety and Health Standards Board within Cal/OSHA approved regulations for nighttime lighting in agricultural operations. The regulations are aimed at improving the lighting of outdoor workspaces for employees. While the regulations were not ideal, they have been substantially amended due to extensive lobbying from Wine Institute, the California Association of Winegrape Growers, and other agricultural associations and are now determined to be workable. The regulations are likely to take effect in July.



Agenda Item No. 8(b)(ii)

FEDERAL PUBLIC POLICY  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**CRAFT BEVERAGE MODERNIZATION AND TAX REFORM ACT (S. 362 / H.R. 1175)**

Congress approved a one-year extension of the Craft Beverage Modernization and Tax Reform Act (S. 362 / H.R. 1175) in December along with several additional tax provisions as part of a comprehensive package that provided funding for the federal government in FY 2020. Language was included and makes clear that producers who transfer wine in-bond to a bonded wine cellar or fulfillment center are eligible for the excise tax credit. TTB will soon be releasing guidance that will eliminate the alternate procedure and additional paperwork put in place in 2018 to address this issue.

Wine Institute will continue to work aggressively to make the legislation permanent in the months ahead. Together with our association partners representing brewers, distillers, cidermakers, and mead producers, we have developed a strategy that includes addressing the outstanding issues related to the collection of excise taxes on imports; broadening cosponsor support; expanding engagement from supply chain partners; and escalating grassroots advocacy by hosting facility tours with members of the tax-writing committees who are critical to our success. Bipartisan support for making the tax benefits permanent continues to grow. The legislation now has support from 74 senators and 343 representatives. Wine Institute will continue to encourage regional associations in California and other groups from major wine-producing states to join our efforts in reaching out to key legislators.

The following provisions are included in the Craft Beverage bill:

- **Applies the excise tax credit to all wineries** - All wineries regardless of production size will continue to claim a credit between \$.535 and \$1 per gallon on the first 750,000 gallons of production. The total value of the full credit is \$451,700 per year, based on producing the full 750,000 gallons. Wineries that transfer wine in-bond to another bonded winery or bonded wine cellar that acts as a fulfillment center can claim the tax credit.
- **Allows sparkling wine to qualify for the tax credit** - Sparkling wine will be eligible to claim the tax credits listed above.
- **Taxes wine containing up to 16% Alcohol by Volume (ABV) at \$1.07 per gallon**  
- Wines with 14% to 16% ABV were formerly taxed at \$1.57 per gallon.

- **Increases the carbonation threshold in low alcohol wines** - (8.5% ABV or less) from .392 to .64 grams of carbon dioxide per hundred milliliters.

## **GOVERNMENT FUNDING FOR FY 2021**

Wine Institute is pressing congressional appropriators to ensure adequate FY2021 funding for key programs critical to the industry's continued growth and success.

### **Alcohol and Tobacco Tax and Trade Bureau (TTB)**

The Administration released its budget proposal for FY 2021 on February 10<sup>th</sup> and requested a modest 5% increase to the agency's budget at \$125.8 million. Wine Institute and industry partners have sent a joint letter to congressional leaders requesting approval for \$145 million, which would include additional funding for permit, label, and formula approvals and avoid commercial disruptions in the case of a government shutdown.

### **Market Access Program (MAP)**

Wine Institute is working to boost the overall budget for the Market Access Program beyond the current level of \$200 million, which has remained flat for nearly a decade. Additional funding will address the expansion in cooperator participation and allow California vintners to expand marketing promotions around the world.

### **Specialty Crop Research Funding**

Wine Institute will be advocating to retain the current annual funding level of \$192 million for the Specialty Crop Pests Program, which provides funding to mitigate damage from invasive pests and damage from Pierce's Disease, European Grapevine Moth, and Powdery Mildew. Wine Institute will also be collaborating with California Association of Winegrape Growers (CAWG) in support of \$5 million for research to assess risk from smoke exposure from wildfires.

## **H. RES. 285 - WHOLESALER RESOLUTION SUPPORTING STATE-BASED ALCOHOL REGULATION**

Wine Institute continues to closely watch H. Res. 285, a non-binding resolution promoted by the wholesalers that seeks to strengthen the ability of states to discriminate against out of state producers. After hearing from constituents and stakeholders representing supplier and retail segments of the industry, Rep. Derek Kilmer (D-WA) has advised that he does not plan to actively seek support for the resolution or move it to the floor for consideration in light of industry disagreement over the text of the legislation. No additional cosponsors have been added since last summer. Wine Institute is tracking advocacy by the wholesalers and will continue to be actively engaged in any discussions about the bill text or efforts to advance the legislation.

## **WINE AND HEALTH - 2020 DIETARY GUIDELINES**

The Scientific Advisory Panel along with senior staff at the U.S. Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) have held four public sessions to date. Review of research and issues specific to alcohol has been limited, which makes it difficult to predict what will be included in the final report. A discussion of current research and a recommendation specific to alcohol consumption and mortality is expected at the next public meeting in Washington, D.C. on March 12 – 13<sup>th</sup>. Wine Institute will continue to track the work of the scientific advisory panel as it works to finalize recommendations later this spring.



Agenda Item No. 8(b)(iii)

**PUBLIC POLICY COMMITTEE REPORT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020**

Please refer to Charles Jefferson's report on Federal Relations, Steve Gross' report on State Relations, Tim Schmelzer's Sacramento report on California state legislative issues, Charles Jefferson's report on International Public Policy Issues, and Allison Jordan's report on Environmental Affairs.

**1. Public Policy and Legal Subcommittee Meetings**

The Public Policy and Legal Subcommittee Meetings took place on February 19 at The Prisoner Wine Company in St. Helena.

At the Public Policy Meeting, topics of discussion included current Federal matters such as the Craft Beverage Modernization Act, the 2020 Dietary Guidelines, and upcoming Washington, D.C. meetings. The committee also discussed ongoing international topics such as retaliatory tariffs, Brexit and free trade, and the World Health Organization's alcohol and health agenda. Lastly, the committee covered matters arising out of California legislation, including fermentation emissions (AB1714) and Wine Institute Recycling Working Group's proposal regarding single-use packaging (SB 54/AB 1080) which the committee voted to adopt. In a closed session, the Technical Advisory Committee presented on nutrition labeling.

At the Legal Subcommittee Meeting, the first topic of discussion was an update from the February 11 meeting with TTB, in which Wine Institute leadership met with TTB to discuss their current interpretation of health claims related to consumption of alcoholic beverages as discussed in the 1/28/2003 TTB Press Release (TTB TD-1). Next, there was an update regarding California Legislation. The committee voted to oppose the Beer Franchise Law (AB 1541) and to support the DISCUS Off Sale Privilege Proposal (not yet associated with a bill number). Further, the committee briefly discussed the Monterey Vintners Wine Growler Proposal and decided to postpone further discussion on the subject due to time constraints. Further, the committee discussed a request for information from the Office of Management and Budget which is seeking additional reforms to ensure adequate due process in regulatory enforcement and adjudication; the committee determined not to comment using this vehicle. Finally, Matt Botting, General Counsel of California ABC, presented to the committee. He discussed updates from the California ABC, including the Responsible Beverage Server Training Program and guidelines around winery charitable donations.

## **2. Wine Institute Meets with TTB to Clarify Health and Curative Claims (TTB TD-1)**

Wine Institute has been focused on the importance of strengthening our relationship with TTB and facilitating ongoing dialogue. Continuing with this initiative, Wine Institute leadership met with key members of TTB to begin a dialogue on their current interpretation of health claims related to consumption of alcoholic beverages as discussed in the 1/28/2003 TTB Press Release (TTB TD-1).

Wine Institute focused on responsible product stewardship as it relates to consumer safety, marketing and compliance with government regulations.

In the future, we hope to continue meeting with TTB to discuss important industry issues, as we feel it is helpful and benefits the industry as a whole.

## **3. Monitoring Uniform Law Commission**

The Uniform Law Commission (ULC) is an organization that seeks “to provide states with non-partisan, well-conceived and well drafted legislation that brings clarity and stability to critical areas of state statutory law.” This commission is composed of lawyers, judges, law professors and legislators and their staff from around the country.

The ULC has begun working on a proposed act to create uniform direct wine shipping laws across the country. We are concerned that this will negatively impact the industry and that individuals with anti-direct shipping agendas are interested in disrupting our current framework. Wine Institute is actively opposing this act and met with the Chair of the committee and the lead drafter on December 18 to discuss our concerns.

The first committee meeting will be held in Chicago in March 2020 and Wine Institute staff will attend and participate.

## **4. California Automatic Renewal Law and California Consumer Privacy Act Webinars**

The California Automatic Renewal Law (CA ARL) establishes requirements for subscription-style purchasing plans. The CA ARL imposes five requirements for any business that makes such offers to a California consumer. CA ARL has been the subject of recent litigation involving wine club subscriptions. In the wake of this legal action, Wine Institute worked with Amanda Morgan and Paul Hall, partners at DLA Piper, LLP, to host an informative webinar discussing best practices for compliance. The webinar was hosted on January 21.

The California Consumer Privacy Act (CCPA) went into effect on January 1, 2020, with enforcement likely to begin in July. The CCPA gives consumers new rights to control their personal information and imposes new business obligations on many California businesses. In order to assist with CCPA compliance, Wine Institute worked with Gerry Stegmaier, partner at Reed Smith, LLP, to host a CCPA webinar. This webinar focused on CCPA as it relates to the wine industry and was hosted on January 30.

Both webinars were recorded and are available for viewing on the Wine Institute member website.





Agenda Item No. 8(b)(iv)

STATE RELATIONS DEPARTMENT REPORT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020  
(Current Information as February 24, 2020)

**Overview**

2020 has started out quickly with hundreds of new bills being introduced across the country. We now have over 750 bills in our member tracking system on StateNet, with another similar amount being monitored by our team for possible amendments that would make them important to us. No adverse bills have passed, but we have been able to defeat several troubling measures already.

Following is a report that highlights some of the bills that we are tracking and pointing out some of the themes and trends we are seeing. Clearly, there is an increase in focus on environmental policy issues this year, with the discussions going beyond the traditional threats of bottle bill expansion to become debates about broader recycling and sustainability programs impacting all facets of packaging. Taxes are of course under discussion, with efforts to expand local taxing authority continuing to be a pressure point. There will be a vote in Anchorage, Alaska on April 7<sup>th</sup> that would impose a 5% retail tax on alcohol sales; we are a part of the coalition fighting that measure.

In the wake of last summer's spike in sales of "hard seltzers", we are seeing many bills that would create a new category of "low-proof spirits drinks" as that sector tries to find ways to compete with products like Truly and White Claw for market share. We are engaged in these bills to ensure that changes to tax policy don't put sales of wine at a tax disadvantage going forward. We are even dealing with tax policy now related to a "Keurig type" dispenser that will serve beer, wine and spirits-based drinks. With every new invention comes potential new challenges on how to regulate and tax, and we track these debates to make sure our interests are protected.

We continue to pursue positive DTC shipping laws in the states where there are restrictions in place, to improve existing laws, and to protect the shipping privileges wherever they are challenged by our opponents. With media reports that this sector is now \$3.2 billion in sales and capturing as much as 10% of the off-premise sales market, the attention to it is greater than ever. Enforcement is increasing, and it is important to make sure that we keep members informed of the many changes.

Our team of 6 regional staff and their contract lobbyist in 48 states this year are all working to make sure these issues are being addressed appropriately on behalf of the membership.

***Following is a summary of the major legislative and regulatory actions that we have seen in the states this year, with emphasis on those that have occurred since the June Board meeting. A complete listing of key legislation we are tracking is available to all members through the StateNet portal on the WI Member's Only Website, or you may obtain a printout of the bills at any time by contacting Steve Gross at [sgross@wineinstitute.org](mailto:sgross@wineinstitute.org)***

## Taxes and Fees

We are working on a number of different types of tax and fee bills around the country. Below are some of the highlights of what we are seeing so far this year.

### Wine Excise Taxes:

We haven't seen any new bills in 2020 so far to simply increase excise taxes, but we do have a few carryover bills from 2019 that we are still watching in states like **Hawaii, Massachusetts, Nebraska** and **New York**. The Governor of **Rhode Island** has proposed that they roll back changes made in 2016 when they raised their excise tax and removed their sales tax on alcohol. That proposal was done with an eye to decreasing cross-border sales to Massachusetts where there is no sales tax on alcohol. It has proven to be a money loser for Rhode Island, and the Governor's budget calls for the old rates to be reinstated, which we support.

One definite new trend we are seeing this year are efforts to create new tax categories for low-proof spirits drinks. In an order to better compete with malt-based "hard seltzers" that are taxed as beer, wholesalers and manufacturers of spirits-based coolers are pushing to reclassify such products, with many different approaches under consideration. Currently we are working bills on this topic in **Hawaii, Missouri, Mississippi, New Hampshire, New Jersey, Oregon, Vermont** and **Washington**. Our positioning on these bills centers around the proposed ABV levels of the new category (which have ranged from under 4% ABV to under 16% ABV depending on the states) and how they align with the current tax levels for wine. If the proposed definition puts wine at comparable ABV's at a tax disadvantage, we are opposing the bills. Some of the proposals, especially in the control states, would specify that these new products would be "distributed and taxed like wine", which is being done to move them out of the state control system and into private distribution.

We have just learned of a unique tax proposal in **Iowa** that would allow for the sale of "alcohol-based pods" to be used in a Keurig-type machine that would dispense beer, wine and cocktails. The legislation proposes to tax all of the pods as beer, but we have concerns since the base alcohol in the various pods come from beer, wine and spirits and we believe the tax rates should correspond to the alcohol-base in the products. These new innovations often bring new challenges.

### Local Option Taxes:

The ability of local jurisdictions to impose alcohol taxes and fees remains an ongoing challenge. We are currently engaged with other industry groups in fighting an April 7<sup>th</sup>, 2020 ballot measure in **Anchorage, Alaska** that would impose a 5% retail tax on alcohol sales. The proponents of that campaign are focusing their campaign on a slogan of "tax alcohol like marijuana, it's only fair"; Anchorage already imposes a local tax on recreational marijuana sales. We were successful in blocking a bill in **New Mexico** that would have extended local option taxes to all counties (currently just one county has that authority). Similar bills are still pending in **Kentucky** and **Virginia**, while in **New Jersey** there is a proposal to allow a 25-cents per drink tax in all cities with at least 200 liquor licensees.

### Fees / markups / Other taxes:

In **Washington** state a bill that would have exempted wineries producing less than 50,000 gallons from paying excise taxes on their first 20,000 of sales in the state failed to pass out of committee. We were opposing that bill because of the discriminatory capacity cap.

## Monopoly Protection / Wholesaler Issues

We are continuing our efforts to move a bill in **Georgia** that would repeal the monopoly protection ("franchise") law there. We are currently working with leadership to garner their support for the legislation. An effort by Southern/Glazer's to repeal the monopoly protection law in **Tennessee** is been set aside for now, and the author has announced the bill will be withdrawn. There are two bills in **Michigan** that we

are opposing which are part of a 16-bill package introduced by the Beer and Wine Wholesalers there. These bills deal with successor language that we feel is unnecessary and impose new language regarding terminations that we oppose. On a positive note, the **Oklahoma** Supreme Court ruled in January that the legislation passed last year requiring “the top 25 brands” of wine and spirits to be made available to every wholesaler in the state to be unconstitutional. Wine Institute had joined with other industry groups to file amicus briefs throughout the process of that case.

## Privatization in Control States / Other Control State Issues

**Mississippi** is control state that is the focus of the most activity on wine legislation this year. After years of struggling to expand their warehouse, the DOR is now looking to other methods to try and streamline their operations. A bill to change the structure of the alcohol division from a state agency to a free-standing entity (somewhat like what Virginia did last year when they changed from an Agency to an Authority) is being proposed to allow them more flexibility in contracting, hiring, purchasing and other business activities they feel their state agency status has constrained. Additional proposals such as allowing for the sale of wine in grocery stores, allowing suppliers to ship such wines directly to retail outlets, and allowing for DTC shipments to retail premises are all part of the DOR proposals. They have also introduced a bill that would make the entire state wet. We can support some of these measures but do have objections to others.

**Pennsylvania** continues to address bills related to flexible pricing, and we are working with the spirits-based trade associations in an effort to get this practice overturned. We are also working on bills that would continue to expand the places where wine can be sold beyond just the current Wine Expanded Permit (WEPs) holders and the state stores, as well as working to increase the amount of wine that can be sold in each transaction at those locations.

## Direct-to-Consumer (DTC) Shipping

We are continuing to try and open five the remaining DTC shipping states, make improvements to existing statutes, and protect the shipping privileges in legal states against challenges from our opponents.

### Positive DTC change efforts:

Bills have been introduced this year to open **Alabama**, **Mississippi** and **Kentucky** to DTC shipping, and we are still working on a carryover bill in **Delaware** from 2019. While we would like to support a bill in **Utah** as well, the two bills that are under consideration there are special order procedures that we feel are unworkable, so we are opposing them both.

We are supporting bills that would put in place workable permits in **Alaska** and **Rhode Island** this year. We are also working on bills in **New Jersey** and **Ohio** to repeal the 250,000-gallon capacity caps there with the support of FreeTheGrapes! that has engaged PR agencies to assist us in both states. In **Indiana**, we are again supporting a bill that would remove the provision that blocks any winery having a distributor in Indiana from getting a DTC shippers permit.

### Common Carrier focused bills:

Legislation that would prevent carriers from being able to ship into the states have already been defeated in both **New Mexico** and **Oregon** this year, while similar bills in **Oklahoma** and **Wisconsin** are still pending. We appear to be making progress on amending a bad shipping bill in **Massachusetts** so that it could be something we can support. We are working on a number of bills that attempt to set rules for “delivery” from a retailer, and here we are working to make sure that these rules for same-day delivery are not done in a way that adversely impacts “shipping” via a common carrier such as our members do under their DTC permits. We are working on such bills in **Hawaii**, **Illinois**, **North Carolina** and **Washington**.

### **Retailer to Consumer DTC, etc.:**

In the wake of last summer's Supreme Court Decision in the *Tennessee Wine Retailer's* suit, we have seen a flurry of litigation filed on retailer DTC shipping. Currently, cases are pending in 8 states, with **North Carolina** having joined the party last week (while the **Texas** case was dropped in January). There is legislation on this topic as well with new bills having been introduced in **Rhode Island** and **Illinois** in recent weeks, with carryover bills pending elsewhere including in **New York**. In an interesting twist, the **New Hampshire** Liquor Control Commission is running a bill that would allow them to ship DTC both within the state and out-of-state where legal. In **Mississippi** the State Supreme Court heard arguments on the retailer's novel UCC defense approach there in January as well. We are tracking all of these actions to make sure nothing detrimental to wine shipping laws arises in any of the impacted states.

### **Bottle Deposit Laws / Environmental Legislation**

We have seen a definite uptick in the number of environmental-focused bills that we are dealing with around the country, with broader programs of product stewardship and overall recycling programs gaining momentum across the country. We are still dealing with bottle-deposit proposals as well, but these broader alternative programs are definitely getting more attention than they have in the past.

#### **Bottle Deposit laws**

A number of states are looking at bills that would enact new bottle deposit laws that would include wine, or to expand an existing program to include wine. We are opposing such efforts in **Hawaii, Illinois, Maryland, Michigan, New York, Tennessee** and **Vermont**. Bills to alter the existing programs where wine is already included in **Iowa** and **Maine** are being monitored so that they don't become more onerous for our members to comply with.

#### **Advanced Disposal Fees (ADF), Product Stewardship, etc.:**

One of the biggest changes this year has been the scope of legislation dealing with product stewardship programs, Extended Producer Responsibility programs, and programs mandating particular post-consumer recycling content in packaging. We are dealing with these measures in **Connecticut, Hawaii, Maine, New York** and **Washington**, and we anticipate a number of other states will weigh in soon. A great deal of the focus of these bills is on the use of plastics (such as in 187ml bottles and/or in bag-in-the-box containers), but some go so far as to include all packaging materials such as glass, cardboard, Styrofoam, plastic closures, capsules, shrink wrap, etc. We are working with the WI Technical Advisory Committee to help develop appropriate responses to these proposals as much of this is new territory for us at the legislative level.

#### **Other Environmental bills:**

Despite the Federal preemption language that was included in the Food Safety Act related to GMO labeling, we continue to see some activity on these bills as well. Both **Hawaii** and **New York** have bills under consideration this year dealing with state-level labeling requirements that we are opposing.

### **Licensing, Trade Practices and Market Access**

As always, the bulk of the bills that we review and monitor deal with licensing issues. While most of these are very locally based, some do have direct implication for our members, and we weigh in on those as needed.

#### **Wine in food stores:**

Legislation to allow for the sale of wine in food stores is currently pending in **Colorado** (additional licenses), **Minnesota, Mississippi, New York** (carryover from 2019), **Pennsylvania** (additional licenses), and **Tennessee** (wines over 14% and those with flavorings).

### **Sunday sales:**

Extended hours for Sunday Sales continue to be a trend, with “brunch bills” gaining favor in many states. This year we are supporting such efforts in **Kansas, Minnesota, Missouri, New York** and **Ohio**.

### **Licensing:**

As always, we are seeing a multitude of licensing bills dealing with all types of subject matter. Some key examples would be:

- An effort to allow for wine corkage in **Colorado** that we were supporting has failed to pass.
- Bills to increase the number of licenses that can be held by a single entity are under consideration in **Colorado, Connecticut, Georgia, Massachusetts, Michigan, Minnesota, New Jersey** and **Tennessee**.
- We are opposing a bill that would allow for the filling of wine growlers by retailers and restaurants in **Iowa**.
- We are supporting a bill to allow the use of a bonded wine warehouse in the state of **Idaho**.
- In the wake of the *Tennessee Wine Retailers* case at the Supreme Court last summer, a number of states are passing bills to remove their residency requirements (which were declared to be unconstitutional by the court). These include **Indiana, Maryland, Michigan, Oklahoma, Virginia** and **West Virginia**.

### **Trade Practices:**

A number of states continue to review their trade practice rules, while others are taking the legislative route. We appreciate the time and attention that members of our **Rules Review Working Group** give to these proposals, and their input is key in our formulating our responses to regulators on these matters. Some examples of recent work would include:

- Wine Institute provided comments recently on two different proposals from the **Illinois** Liquor Control Commission. In January we provided comments to the Joint Committee on Administrative Rules in their hearing on Cooperative Purchasing and other promotional programs. And this month we commented yet again to the ILCC on our opposition to the use of supplier funded IRCs and Scanbacks by retailers.
- We are supporting tasting and sampling legislation in **Georgia, Minnesota, New York, Oklahoma, Virginia** and **Vermont**.
- We are supporting bills to allow for centralized warehousing that are under consideration in **Iowa** and **Missouri**.

### **Advertising Practices:**

We are opposing a number of bills that would limit the placement of outdoor advertising in **New York**.

### **DUI / BAC**

We are continuing to work to prevent the lowering of the BAC level from .08 to .05. There are currently 8 bills under consideration in **Hawaii**, with two of them having moved out of committee so far. We are also watching similar bills in **Delaware, Michigan, New York, Vermont** and **Washington** this session.

## **Outreach and Administrative**

Since the December board meeting our primary focus was on preparation and implementation of work for the new year. We have also had opportunities during this period to meet with key policymakers and industry groups to advance our work. Following is a sampling of the types of events we have participated in during the quarter:

- ALEC Winter Policy Summit
- WI Board of Directors Meeting (We hosted 3 NABCA officials as our guests at the December meeting)
- Uniform Law Commission (working on their proposed DTC model bill)
- NABCAs Winter Board Meeting
- Meeting with our New England Lobbying Team
- DTC Symposium (Provided one of the Keynote addresses)
- SSU Wine Business Institute Board of Directors
- FreeTheGrapes! (Board meetings and annual strategy session)
- Public Policy and Legal Subcommittee Meetings

We provided member updates via the News Briefs and our website, as well as providing input for additional Wine Institute publications. Bi-weekly reports were shared with members and staff, and weekly departmental update calls for members were held throughout the quarter.



Agenda Item No. 8(c)

TECHNICAL ADVISORY COMMITTEE REPORT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
MARCH 10, 2020

Please refer to Charles Jefferson's report on Federal Relations, Steve Gross' report on State Relations, Tim Schmelzer's Sacramento report on California state legislative issues, Charles Jefferson's report on International Public Policy Issues, and Allison Jordan's report on Environmental Affairs.

**1. NABCA Product Testing Issue**

Wine Institute became aware that the National Alcohol Beverage Control Association (NABCA), the nationwide organization representing the interests of control states, is considering testing protocols for spirits and wine to ensure consumer safety. Members of Wine Institute Technical Advisory Committee (WITAC) have met to formulate our response to this proposed project. WITAC members agreed that as an initial response, it will be helpful to compile relevant documentation (i.e. FIVs papers and excerpts from FSMA) to exhibit that further testing is not required. The plan is to demonstrate to NABCA that wine safety is an issue that has been well researched and substantiated by experts in the field.

**2. Nutrition Labeling Project**

Voluntary nutrition labeling remains a topic of discussion among many in the alcohol beverage industry. Members of WITAC and consultant, John Thorngate, have been working to address technical and regulatory topics surrounding nutrition labeling. The committee members began their work by focusing on Wine Institute's comment to NPRM 73, which was filed in 2008 and set forth Wine Institute's key arguments regarding nutrition labeling. The committee members analyzed these arguments, as well as the current regulations, to determine any adjustments that need to be made to conform the regulations with wine. The group then put together a presentation regarding regulatory changes needed in order to accurately and efficiently apply nutrition labeling to wine for the February 19 Public Policy Meeting and discussed possible next steps for the industry.

### **3. Continued Work with Napa Valley Vintners on NPRM 176**

Wine Institute has met with Napa Valley Vintners several times over the last few months to discuss our comments on NPRM 176, which addresses regulations governing the labeling and advertising of alcohol beverages. Our meetings focused on areas in which our two comments differ, specifically the topic of secondary geographical references. The goal of these meetings was to be able to align our positions moving forward. The two associations were able to find common ground in most key areas and are working to submit a joint supplemental letter to TTB that will demonstrate unity in a handful of key areas. Napa Valley Vintners will meet with TTB on March 5 to discuss the rulemaking, and we aim to have the joint letter finalized by that time.





Agenda Item No. 8(d)

INTERNATIONAL MARKETING &  
CALIFORNIA WINE EXPORT PROGRAM REPORT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**Global Initiatives & Branding Campaign**

- **Export 2020 Speakers Highlight Trade Opportunities:** On February 18, 2020 Wine Institute's Export Program hosted a one-day conference exploring current issues and opportunities for California Wines in the global wine trade and featuring speakers and guests from across UK/Europe, Asia, and North America. The conference opened with comments by Wine Institute President & CEO, Bobby Koch on recent accomplishments in international policy. The Keynote Session featured Jancis Robinson, MW in conversation with Elaine Chukan Brown discussing the perception of California wine in global markets and what vintners can do to build export sales. A Keynote Panel discussion followed and was led by Andrew Catchpole, Editor, *Harper's Wine & Spirit* featuring speakers George Soleas, President & CEO, LCBO; Ken Ohashi, MW from Japan; Sara Norell, VP of Assortment, Purchasing, & Procurement, Systembolaget; and Troy Christensen, CEO of Enotria & COE a major UK importer. The panel delved deeper into market trends and opportunities by sales channel. In the afternoon, WI's International Representatives led breakout sessions on a range of topics and included vintners and key buyers from their markets as speakers. The event was very well received with a sold-out crowd of over 250 guests.
- **Costco Global Wine Promotions:** Wine Institute's pilot promotion Costco in December exceeded sales expectations with programs in Taiwan and the UK showing a 13-15X lift and 6X lift in sales respectively. The program will feature a California wine promotion with in-store demo's in 13 Costco Warehouse stores in Taiwan and 28 Costco Warehouse stores in the UK. We have a proposal for promotions through the end of the year in markets around the globe including: China, South Korea, Australia, Iceland, Taiwan, Japan and the UK.
- **COVID19 Impact on Asia Programs:** The COVID19 coronavirus outbreak led to postponement of several key programs in China and Hong Kong, including the Tangjihui Wine & Spirits Exhibition, the New World Showcase, and VinExpo Hong Kong. In line with current government guidelines, WI trade and media visitors from Mainland China are subject to travel restrictions. At this time, all WI programs and activities in Mainland China, other than communications programs, will be postponed until a later date.
- **China NGO Process:** The Wine Institute NGO application has been approved and is complete, except for the final in-person signing and confirmation in Shanghai. Once the COVID19 related travel restrictions are lifted, then WI Asia Representative Christopher Beros will be able sign the documents and complete the process.

- **California Wine International Education Program:** Following an extensive RFP and proposal review process, we have selected Full Circle Wine Solutions, led by principals Evan Goldstein, MS and Limeng Stroh to develop and launch the comprehensive California Wine Education program for international markets. The program will include educational content provided by a team of leading global wine educators, wine writers, Masters of Wine, and Master Sommeliers integrated into existing educational resources that will be refreshed and updated. The program will include a certification program with four levels, culminating with a California Wine Ambassador certification that qualifies instructors to lead seminars and workshops on California wines. The program will include digital resources, videos, study guides, presentations and tasting guides along with materials for in-person seminars. The first phase of the project is slated to roll out in Summer 2020, with subsequent phases being released over the following 18 months.
- **Dream Big: UK/EU Trade Event Scheduled for September 10, 2020:** A one-day conference for 500 importers, buyers, sommeliers, and media, this event is designed to simultaneously disrupt the notion of traditional wine trade events and re-invigorate the brand image of California Wine in the UK and Continental Europe. Key influencers, vintners, and industry leaders will illustrate the innovation and fresh thinking that is shaping California wine today. The event will be centered around CA's commitment to sustainability while featuring wine regions across the state. We completed an RFP process to select a London-based production and design agency for the event and have secured Elaine Chukan Brown as Education Director to develop Master Classes and content for interactive educational experiences, including the 500 person General Session tasting.

<b>USDA/Foreign Agriculture Service/Market Access Program/SF Office</b>
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- **International Marketing Senior Accountant changes & succession plan**
  - Jason Kuh will be leaving Wine Institute on Feb 20 to pursue new opportunities in high tech.
  - We are working closely with Bryant Christie and outside resources to create a plan to ensure a smooth transition after Jason's departure
- **MAP reimbursement threshold increases approval**
  - Recently received approval from FAS of up to 300% MAP allowance for hotels and M&IE for trade and media visits to CA to cover the difference between federal per diem rates and regional hotel rates
- **Wine expense to be reimbursable starting MAP year 20/21**
  - Per FAS Webinar, alcohol expenditures will be reimbursable given the expenses pass the two following restrictions:
    - Alcohol expense must be for promotional purposes – such as wine seminars

<b>Trade &amp; Media Groups in California:</b>
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**2020**

- **Mexico Chef & Sommeliers Group** – week of March 22<sup>nd</sup>
- **Nordic Media Group w/ Sonoma County Vintners** – week of April 22<sup>nd</sup>
- **German Importers Group** – Week of May 9<sup>th</sup>

- **UK Trade & Media Group hosted by CA/WA/OR** – June 20-23
- **European Emerging Markets Importers Group** – Early November
- **Japan Trade Group** – November

## In-Country Activity Highlights

*For more detailed descriptions of current and future programs by region, please see the Export Program Monthly Update report.*

- **UK – London Spring Trade Events** – March 2020
  - Seeking California: New to Market Wines Tasting – March 11<sup>th</sup>
  - Essential California Trade Tasting & Consumer Event – March 12<sup>th</sup>
- **European Spring Tour** – March 2020
  - **Hamburg** – March 9<sup>th</sup>
  - **Denmark** – March 10<sup>th</sup>
  - **ProWein Dusseldorf** – Sunday, March 17<sup>th</sup> – Tuesday, March 19<sup>th</sup>
    - **Regional Pavilions:** NVV, SCV & Lodi
- **Japan – California Wines Annual Trade Tasting & Seminar**
  - Osaka – Monday, March 11<sup>th</sup>
  - Tokyo – Thursday, March 14<sup>th</sup>
- **Japan – California Wine by the Glass Promotion** – April & May
- **Canada – California Wine Fairs 2020**
  - **Vancouver** – March 31
  - **Calgary** – April 2
  - **Toronto** – April 6
  - **Montreal** – April 8
- **Mexico – California Wine Trade Tasting** – February 11



Agenda Item No. 8(e)

INTERNATIONAL PUBLIC POLICY REPORT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**International Agreements**

**US-Mexico-Canada Agreement (USMCA):** Following Congressional approval earlier this year, the U.S. has now completed the process for ratifying the new USMCA trade agreement. This leaves Canada as the only country yet to formally approve the agreement. Canadian Prime Minister Justin Trudeau's government has begun the formal process for approval, and it is expected that this will be completed, and the agreement will come into force later this spring.

**Trade Issues**

**Brazil:** Several wineries reported stuck shipments to Brazil, due to confusion over certificate of analysis requirements. Brazil's Ministry of Agriculture changed their mind three times in one month. While Brazil lauds the reduction in the number of analyses required, they include unnecessary and expensive testing for methanol and chlorides. In addition to the certificate, certain wines are tested *again* in market with additional analysis for sulphates and ash. Brazil has not provided any scientific or technical rationale for the duplicative procedures. The U.S. government is raising the issue with Brazil at the February 26-27 WTO Committee on Technical Barriers to Trade. We will also address this with Brazil at the upcoming World Wine Trade Group meeting in Brazil and are exploring other avenues to raise concern about these costly and unnecessary requirements.

**Canada Market Access:**

**Australian WTO Case** – In initial decision is expected from the WTO Dispute Settlement Panel later this summer. The panel is considering the Australian complaint against several remaining discriminatory market access policies in Ontario, Quebec and Nova Scotia. The U.S. government and USTR are actively engaged in the case as a formal third party. Wine Institute is working closely with Australian industry colleagues and USTR to provide assistance as the case proceeds. Fearing that Canada may lose significant portions of the case, the Canadian wine industry is actively pressuring its government to seek a negotiated settlement with Australia ahead of any decision from the dispute settlement panel.

**BC Grocery Store Access** – The British Columbia provincial government has taken the necessary steps to comply with the side letter [agreement with the U.S.](#) regarding grocery store access for California wines. The province has changed its regulations to allow the

sale of imported wine in grocery stores that have licenses to carry wine. It is our understanding that Loblaws, a major grocery chain in Canada, expects to have imported wine on the shelves of its authorized stores by the end of March 2020.

**China: Retaliatory Tariffs** - The current tariff for U.S. wine exported to China remains at 54%, up from 14% since the “trade war” between the USA and China started in April 2018. The total tax and tariff on U.S. wine stands at 93%. Wine Institute listed retaliatory tariffs as the biggest threat to exports in its 2019 submission to the National Trade Estimate comments to the U.S. government and this continues to be the case. The Trump Administration announced a Phase One trade agreement with China in December; however, this agreement is not likely to reduce the tariff on U.S. wine or lead to any increase in exports. As a part of the agreement, China committed to make significant additional purchases of U.S. agricultural products, but wine is not likely to be included in these purchases. Wine Institute continues to highlight and raise concerns over the damage being caused by the tariffs with Congressional and Administration officials active in trade policy.

**European Union: Retaliatory Tariffs on EU Wine** – USTR recently announced a new list of retaliatory tariffs as a part of its enforcement action relating to the Airbus WTO case. The new list maintains the existing 25% retaliatory tariff on bottled table wines (under 14% abv) from France, Spain, Germany and the UK that has been in place since October 18<sup>th</sup>, 2019, but it did not expand the list to include other wines such as sparkling or increase the tariff in any way. Given the circumstances, this was the best possible outcome for wine. USTR will have the ability to review and change the list again after 180 days. It is clear that the significant outreach generated by Wine Institute and the broader wine community impacted this decision not to expand the list to additional wine targets. We continue working closely with the leading European wine trade group, Comité Européen des Entreprises Vins (CEEV), on a coordinated wine industry response to the wine tariffs and possible future retaliation by the EU. As a part of this effort we have signed a joint Statement of Principle on Trade that outlines our broader policy objective of complete tariff elimination (a copy of the Statement is attached). We are currently working to add additional signatory organizations to the Statement from a broad cross section of the wine sector to demonstrate unanimous support for the position.

**European Union: Crop Protection Substances** - The U.S. government continues to question the EU's regulations of crop protection products. Every three years World Trade Organization members must undertake a review of regulations and laws that affect international trade, and with the EU's review happening during the week of February 17<sup>th</sup>. The U.S. [government's response](#) to the review classified the EU's hazard-based assessments of crop protection substances is an unjustified barrier to U.S. and global agricultural exports. The disagreement with the EU's system is the first concern mentioned, above other trade irritants receiving more attention in the news such as the Digital Services Tax. We continue to review upcoming substance renewals by the EU to ensure that U.S. wines can comply when the EU eliminates use of priority substances.

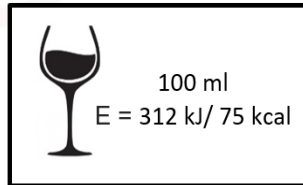
**European Union: Nutrition and Ingredient Labeling** - The CEEV is in the process of putting forward a proposal to the European Commission that, if enacted, would require mandatory calorie and ingredient disclosure for all EU wines in the near future. The proposal would require the calorie information to be on-label but would allow for the ingredients to be disclosed digitally off-label.

Here are a few of the key points included in the EU industry proposal:

- Mandatory, on-label energy/calorie disclosure using linear text or E= symbol

- Energy/calorie info can be from actual analysis of wine or from generally accepted data based on “typical values”
- Producers may choose to disclose additional nutrition info
- Calorie and nutritional info will be based on 100ml serving size for table wine
- Ingredient list may be disclosed off label
- Processing aides and natural substances used to adjust grape composition are not treated as ingredients

Proposed disclosure symbol for standard table wine:



Proposed linear disclosure: *100ml: E= 312 kJ/ 75 kcal*

CEEV is working through the ongoing EU Common Agriculture Policy reform process to create new regulations on labeling requirements. CEEV is pursuing this proposal because of concerns that if industry does not propose a mandatory regime, the EU will come up with its own labeling requirements that are more burdensome. The CAP reform process is expected to be completed in spring of 2021 and after a twelve-month transition, calorie labeling requirements could come into effect around April 2022.

In addition to CEEV, European beer and spirits producers are also moving forward with new voluntary proposals outlining industry commitments on nutrition and ingredient labeling. The **Brewers of Europe** recently announced that their members had committed to on-label energy and ingredient disclosure by the end of 2022. Currently, 60% of beers in the EU already have calorie information on-label, and 85% have ingredient list. **Spirits Europe** has also made a similar commitment, though this differs slightly from the beer commitment in that ingredients may be disclosed off-label.

**United Kingdom: Brexit Update** – After several delays, the United Kingdom is separating from the EU and its common market. Currently the UK is following all EU laws, rules and regulations until December 31, 2020. The next year will be complex for the UK government since they will create their own agricultural and wine policies, while negotiating their future trade relationship with the EU and creating a free trade agreement with the USA. Wine Institute ensured that California wine exports will benefit from the current EU rules via the [US-UK Agreement on Trade in Wine](#). We are proactively working to improve the trade relationship with the UK by encouraging a free trade agreement, the elimination of tariffs, and targeting the UK to join the World Wine Trade Group.

**United Kingdom: Wine Excise Duty** - Since 2010, duty on wine has increased by 39%. In comparison, duty on beer, spirit and cider has increased by just 16%, 27% and 27% respectively. The UK Wine and Spirits Trade Association (of which Wine Institute is a member) has launched a campaign to push for fairer excise treatment for wine due to fear that spirits interests are again pushing to for “equivalence” with respect to the duty on wine. It is expected that the new government of Prime Minister Boris Johnson will call for a complete review of all alcohol excise duties in its upcoming Budget. We expect this to be announced around March 11<sup>th</sup>.

**South Korea:** Due to Wine Institute and others' efforts, South Korea has exempted wine glass bottles from a recycling law. As originally proposed, wines exported to South Korea would have needed a packaging evaluation including a rating as "easy" or "difficult" to recycle, based on the least recyclable element in the package. Without an exemption, we would have expected costs of exporting to increase. South Korea had originally exempted domestic beer and soju bottles, but not wine.

## International Organizations

**International Wine Technical Summit (IWTS):** We are pleased to announce that the next International Wine Technical Summit (<https://www.iwts.org/>) will take place on June 2-3, 2020 in Napa. This is an important effort led by Wine Institute and the U.S. Departments of Commerce and Agriculture to remove highly technical export barriers. We are targeting attendance of officials from the markets of Brazil, China, India, Indonesia, Kenya, Malaysia, Mexico, Nigeria, Peru, Philippines, Thailand, and Vietnam.

**WHO Global Alcohol Strategy Review and industry consultation:** The WHO Executive Board met in February to consider a review of the global alcohol strategy (GAS) to reduce harmful use. The outcome of the meeting was generally positive with the EB reiterating the need to keep the focus on harmful use and not general per capita consumption. The EB adopted a significantly modified proposal from Thailand calling on WHO to take steps to significantly accelerate implementation of the GAS. The original version of the proposal had included specific language calling on the WHO to study the need for a "global framework for alcohol control." Wine Institute worked informally with industry colleagues and IARD to engage the US government and other governments to seek the removal of this language. These efforts were successful and the concept of a framework convention on alcohol control (similar to what exists for tobacco) was removed entirely from the proposal. The WHO will now spend the next two years working on a plan to accelerate implementation of the existing GAS. It is expected that further consultations with alcohol producers will be a part of this process.

**World Wine Trade Group (WWTG):** The next WWTG meeting will take place in Brasilia, Brazil on April 22-23. One of the main goals for this meeting is for the group to have a coordinated strategy to get the United Kingdom to join. We plan to address concerns with Brazil's certificate of analysis (see above). Approximately 25% of the wine imported into the UK by value in 2019 comes from WWTG countries.





Agenda Item No. 8(f)

COMMUNICATIONS COMMITTEE REPORT  
DISCOVER CALIFORNIA WINES U.S. PROGRAM  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**Media and Member Outreach**

**Press Releases/Statements/News Alerts:**

- Feb. 18, 2020: Press Release -- [Export 2020 Speakers Highlight Trade Opportunities](#)
- Feb. 18, 2020: News Alert -- [Wine Institute 2020: Priorities & Issues](#)
- Feb. 13, 2020: Press Release -- [Attend the Export 2020 Conference by Livestream](#)
- Feb. 12, 2020: News Alert -- [Wyden Lunch Invite Reminder](#)
- Feb. 11, 2020: News Alert -- [RSVP for Washington Meeting 2020](#)
- Feb. 10, 2020: News Alert -- [Compliance Webinars on CCPA & ARL Now Available Online](#)
- Feb. 5, 2020: News Alert -- [Wyden Lunch Invite](#)
- Feb. 5, 2020: News Alert -- [Submit Events Now for Down to Earth Month in April](#)
- Feb. 5, 2020: Newsletter -- [Cheese & Wine Love Fest](#)
- Feb. 4, 2020: Press Release -- [CSWA Releases CERTIFIED SUSTAINABLE 2019 Report](#)
- Jan. 29, 2020: News Alert -- [Reminder: Compliance Webinars on CCPA & ARL](#)
- Jan. 20, 2020: News Alert -- [California Consumer Privacy Act Webinar](#)
- Jan. 17, 2020: News Alert -- [Export 2020 Reminder](#)
- Jan. 14, 2020: Press Release -- [Leading EU & US Wine Trade Groups Sign Landmark Statement on Tariffs](#)
- Jan. 13, 2020: Press Release -- [New Wine Institute Website Highlights Policy Work & Member Resources](#)
- Jan. 7, 2020: Newsletter -- [California Wines Blog, Easy Crab and Avocado Tostadas](#)
- Dec. 30, 2019: News Alert -- [2019 Highlights](#)
- Dec. 23, 2019: Press Release -- [Wine Excise Tax Reduction Extension Becomes Law](#)
- Dec. 19, 2019: News Alert -- [Congress Passes Craft Beverage Bill](#)
- Dec. 18, 2019: News Alert -- [Important Winery Compliance Information: Wine Club Renewals & California Consumer Privacy Act](#)
- Dec. 17, 2019: Press Release -- [Update: House Passes Extension of Wine Excise Tax Reduction](#)
- Dec. 16, 2020: News Alert -- [In Memoriam John Giumarra](#)
- Dec. 12, 2019: Press Release -- [California Wine Country Beckons for Winter Getaways](#)



- Dec. 9, 2019: News Alert -- [Global Wine Industry Experts to Present at California Wines Export 2020 Conference](#)
- Dec. 6, 2019: News Alert -- [Registration Open Now for Export 2020](#)
- Dec. 5, 2019: News Alert -- [Join Wine Institute's Day of Action: Urge Congress to Make Craft Beverage Modernization & Tax Reform Act Permanent](#)
- Dec. 4, 2019: News Alert -- [Wine Country Table Book Offer](#)

**Media Response** – We responded to 72 media inquiries since the December board meeting and worked with a dozen more at the Exports 2020 conference. Other inquiries included questions regarding the Craft Beverage bill, China tariffs, the USMCA trade deal, EU tariffs, failed passage of the bottle recycling bill. The Wall Street Journal called about 2019 sales and we arranged an interview with BW166's Jon Moramarco. Associated Press & LA Times called about SB 372 recycling bill. CNN, KQED, KCBS Radio & Press Democrat called about EU tariffs. Nikkei News, Japan's largest daily, inquired about the Japan Free Trade Agreement.

**News Briefs/Wine Briefs** – Since the December Board Meeting, we have issued five editions of News Briefs to members, staff and regional associations and Wine Briefs to select media and Washington DC congressional offices.

**New Wine Institute Websites** – We launched our new [www.wineinstitute.org](http://www.wineinstitute.org) industry website and companion members-only site on January 13 and issued a [news release](#) to media on new public content and a News Alert to members on new features and the single log-in for all websites. The site features a fresh design, intuitive navigation and mobile responsiveness in order to make content on Wine Institute public policy activities, regulatory compliance, statistics, member resources and benefits easily accessible. User data from the first month shows increased engagement and increases in time spent on site and number of pages visited.

**Wine Institute Brand Standards** - Work is underway on a new style guide based on the recent website redesign and as part of a broader project to streamline communications. Jenni has been supporting other departments in creating templates and using new digital tools to make internal and external communications more consistent and effective.

**Wine Institute 2020/Year in Review** – The annual publication highlighting key accomplishments and priorities was mailed to members, regional associations and non-member wineries the week of Feb. 10<sup>th</sup> followed by an eblast with downloadable PDF and link to a recap [webpage](#) on wineinstitute.org to facilitate sharing.

**Wine MarCom 2020** – The sixth annual workshop hosted by Wine Institute's Communications Committee has been rescheduled to Friday, April 24 at The Inn at Carneros. The agenda, now being finalized, will include morning sessions on social media, public relations and related topics followed by a tasting and panel discussion on "natural" wines and a new afternoon session, SusCom, on best practices in communicating sustainable practices. Registration and details to be announced soon. See details on last year's event [here](#).

**Regional Leadership Forum 2020** – Ian and Nancy worked with CAWG to plan the agenda and sessions for the March 9th event which brings together executive and industry leadership from regional winery and grapegrower associations across the state to share information and discuss current issues. Representatives from 10-12 associations will attend and have been invited to join Wine Institute’s Sacramento Legislative Reception afterwards. This is the fifth year we’ve held the joint meeting.

**Export 2020**– We issued several [news releases](#) and member alerts, and extended invitations to media to encourage attendance and coverage of the Feb. 18 event and Livestream video of the keynote and opening sessions. More than a dozen media attended the event or viewed the Livestream sessions and the key message that we are reinvigorating California wine exports with a new goal and programs was successfully delivered in media coverage reflecting a well planned and executed event.

**New Photo Archive** – Given the importance of images and video to organizational communications, we are in the process of moving our media library to a cloud solution so that photos can be more easily shared with staff and consultants.

## Issues Management

**Issues Communications** – We responded to numerous queries, among them an LA TV anchor pursuing a spurious story from the “natural wine industry” promulgated by a firm selling “wellness” video and products. We monitored social media on key issues and requested that several outlets remove links to outdated, erroneous news stories related to wine. We prepared presentation materials for a meeting with TTB requesting clarification on health claims and directional statements to provide guidance for Wine Institute and member activities and continue to work with our legal counsel and external advisors on this important issue.

## Discover California Wines (DCW) U.S.

**Down to Earth Month 2020** – Planning for the 6th annual statewide celebration of [Down to Earth Month](#) in April is underway. We sent a [News Alert](#) about the D2E toolkit to the membership and regional associations requesting winery and region events by March 6th. Three television interviews have been booked to date featuring a chef influencer, and the Legislative resolution should be available first part of April.

**DCW Lifestyle Publicity** – Our Dec. release on [Wine Country Winter Getaways](#) received good pick-up and a visually-oriented release on Seven Reasons to Love California in Spring was issued in late February. Releases on Down to Earth Month 2020 (March), a second eBook on wine cocktails for spring (April) and national parks and camping near wine regions (pre-Memorial Day) are planned.

**DCW U.S. Social Media** – We prepared content for social media posts on Facebook, Instagram and Twitter and reviewed and approved new video segments that will be shared on social. We are working on a Spring Wine Cocktails eBook to be released in April during Down to Earth Month 2020 that will generate emails for our blog.

**Wine Country Table** – The book received an excellent [review](#) in Wine Spectator.com and was also included in a number of other food and wine holiday gift guides in December.

**Discover California Blog** – We issued three editions of Wine Institute’s monthly blog “*Discover California*,” covering wine, food, sustainability and lifestyle since the last report. Geared to consumers, trade and media globally, the blog provides a direct line of communication with California wine audiences. The latest [blog](#) featured a Valentine’s Day grazing platter, sparkling wine and beneficial insects.

**Sustainable Summit East** – We worked with the Environmental Affairs/CSWA team on plans for the trade and media tastings and several sessions for this [conference](#) in May.

**SCBG 2020 Proposal** – Nancy submitted the full proposal for a 2020 grant to promote California wine as part of a well-balanced (active, outdoors, produce-driven cuisine, valuing sustainability) California lifestyle. If awarded, the grant will provide \$448K for DCW lifestyle communications activity from Nov. 2020 – April 2023. Awards are announced in Oct.



Agenda Item No. 8(g)

ENVIRONMENTAL AFFAIRS DEPARTMENT  
MEMBERSHIP/BOARD OF DIRECTORS MEETING  
March 10, 2020

**Environmental Committee**

The **Environmental Committee** held a Q3 Environmental Committee Meeting in Sacramento on Feb 3. Agenda items included regular Committee Business; updates from the Technical Committee, Crop Protection Steering Committee, CSWA and Sacramento; Fermentation Emissions Controls (closed session); Working Group Reports; Climate Change and other topics. The guest speaker was Tess Dunham from Somach, Simmons and Dunn, providing insights on CV-SALTS. Held Environmental Committee Meeting

In addition to regular conference calls of the **Water, Air, General Regulatory and Market Issues Working Groups**, staff helped onboard new Environmental Committee members, assisted members with Basecamp, tracked responses to a survey for the General Regulatory Committee for the purposes of providing more support on Environmental, Health & Safety issues, planned for a 2020 Vendor Webinar, and reviewed sustainability aspects of the draft statewide winery general permit, among other activities.

The **Crop Protection Steering Committee** – a joint effort with the Wine Institute Technical Advisory Committee, met on Dec 5, Feb 4 and Feb 27 – and continued to implement its strategy to proactively and cohesively address issues related to crop protection materials. We also participated in several meetings of a Wine Institute working group focused on developing a recommendation to address **Single Use Packaging Recycling** legislation in a way that is most favorable for the industry.

**California Sustainable Winegrowing Alliance (CSWA) Board of Directors**

The CSWA Board of Directors met at J. Lohr's San Jose Wine Center. The board approved FY 2019/2020 audited financial statements, reviewed 2<sup>nd</sup> quarter financials and other board housekeeping issues. Other agenda items included the 4th edition Code review, 3 existing grant projects and a new climate smart winegrowing proposal that was submitted to the Specialty Crop Block grant program and certification-related issues, among other topics. Guest speaker Honore Comfort discussed international interest in sustainable winegrowing and climate change mitigation, as well as the Wine Institute International Marketing Team's plans for promoting California Wine's sustainability leadership. The next CSWA board meeting will be held via webinar in July.

## WORKSHOPS/MEETINGS/EVENTS

Staff represented Wine Institute at meetings of the **National Grape Research Alliance Board of Directors** (NGRA), the **NGRA Executive Committee**, **FIVS Environmental Sustainability Committee** and the **California Environmental Dialogue**. Over the past quarter, we also participated in meetings of **Wine Institute's Public Policy, Communications, Technical Advisory, and Environmental Committees** and provided briefings on Environmental Affairs and CSWA activities. In addition, we represented CSWA on the **Stewardship Index for Specialty Crops** and participated in numerous calls and meetings.

Since the last board meeting, CSWA has hosted **six (6) self-assessment/certification webinars** for **40+ participants**.

In addition, Wine Institute and CSWA staff participated in the following **workshops, meetings and events**:

- Dec 5 – Hosted a CSWA booth at the WIN Expo North Coast Conference in Sonoma
- Dec 9 – Presented to a Fresno State viticulture class about sustainability winegrowing in California and best practices
- Dec 16 – Held a call with the International Life Sciences Institute Research Foundation about their climate adaptation and mitigation project for fruits and vegetables
- Jan 10 – Met with CSWA team to update goals and plans for 2020
- Jan 16 – Attended the Sonoma County Winegrowers and Sonoma County Vintners joint Dollars & Sense event in Santa Rosa
- Jan 28 – Attended the Wine Market Council Wine Data 2020 presentation at SF MOMA
- Jan 31 – Met with Sonoma County Winegrowers to discuss their sustainability and climate smart agriculture activities
- Feb 4 – Hosted a roundtable meeting with other statewide sustainability programs and regional associations to discuss current projects and opportunities for collaboration ahead of the development/release of the 2020 Wine Community Sustainability Report (Napa Green, Sonoma County Winegrowers, Lodi Rules and The Vineyard Team)
- Feb 4-6 – Hosted booth at the Unified Wine & Grape Symposium, featuring the 2019 Certified Sustainable Annual Report, new banners and new give-away bookmarks with key messaging
- Feb 18 – Attended Wine Institute's 2020 Wine Export Conference
- Feb 19 – Attended Systembolaget's meeting focused on their new supply chain sustainability mapping and benchmarking requirements
- Mar 9 – Attended the Wine Institute/CAWG/Regional Association Leadership Forum, and moderated session focused on California's sustainability landscape

## Certified California Sustainable Winegrowing (CERTIFIED SUSTAINABLE)

### Vineyard, Winery & Wine Stats (as of February 2020):

- Number of CERTIFIED SUSTAINABLE vineyards: 2,101
  - 184,819 acres (29% of the 637,000 statewide acreage)
  - An additional 15% are certified to Lodi Rules, Napa Green and/or SIP-Certified
- Number of CERTIFIED SUSTAINABLE wineries: 149
  - 255.8 M cases (85% of the 301 M statewide cases)\*
- Number of wine cases that will use the CERTIFIED SUSTAINABLE circular logo:
  - 3.5 million cases (2017, 2018, and 2019 vintages)
- For an updated list of the certified wineries, vineyards and a newly developed wine list, visit: <http://www.sustainablewinegrowing.org/certifiedparticipants.php>.

*Note: Winery/case numbers will be discussed during the November 18 board meeting.*

### Other Certification Activities:

- Released the [2020 Certified Sustainable Annual Report](#) and [Appendix](#), and worked with Wine Institute Communications to issue a [news release](#).
- Dec 3 – Prepared for and hosted an auditor training for 12 new auditors and an afternoon webinar training for existing auditors (e.g., interviewed new auditor applicants; prepared slides, Auditor Handbook, Certification Guidebook, Auditor Webpage updates, and online competency exam; follow-up on next steps for accreditation; new profiles for [accredited auditors](#)).
- Feb 12 – Hosted an SWP & Certification Renewal Webinar for 8 participants.
- Continued to work with FivePaths and SureHarvest to update the database to prepare for the new Salesforce database and administration tool.
- Finalized design and continued to work on content and development of the new Certified California Sustainable website for trade and consumers, which will include a searchable database of vineyards, wineries and wines.
- Updated the public lists of [Certified California Sustainable list for vineyards, wineries and wines](#).
- Reviewed label proofs and Wine Label Notification Forms for participants planning to use the logo for the 2019 vintage.
- Disseminated participant survey for the annual certification program evaluation Board Report and continued to develop the Strategic Plan.
- Worked with SureHarvest to improve the Certification Audit Checklist Reports and other online system enhancements to streamline the certification process for auditors, participants and CSWA staff.
- Worked on recommendation based on the SIP/CERTIFIED SUSTAINABLE pilot program which would provide a simplified path for vineyards that are SIP-Certified to be CERTIFIED SUSTAINABLE while reducing work and redundancies. A similar path could be created for vineyards certified to Lodi Rules.
- Processed Certification Applications, fielded questions and provided technical assistance to growers, vintners and auditors.
- Processed and reviewed Audit Reports for the March 2020 deadline.

## Grant Projects

CSWA has three current grant projects funded by CDFA Specialty Crop Block Grants.

1. A **2.5-year \$220,000 2017 CDFA SCBG**, awarded in Nov 2017 for a project entitled, “Increasing Viability of California Winegrowers through Targeted Sustainability Education”. The grant funds educational workshops/webinars and hands-on technical training for winegrowers on sustainable practices that positively impact the triple bottom line, as well as new educational resources, case studies, and videos. Over the past quarter, CSWA conducted the following activities:
  - Continued development of the new Online Resources Library.
  - Dec 19 – Held a call with consultants who drafted a new DIY energy audit for wineries to discuss next steps to finalize.
  - Worked with consultants to develop a new DIY Energy Audit Checklist, Energy Management Plan and Equipment Inventory Tools
  - Worked on corrective actions that need to be completed following an in-depth financial audit of the project, which include amending contracts and revising the project’s scope of work.
  - Began planning for two new water workshops and a communications workshop (SusCom, to follow Wine Institute Communication’s MarCom event on Apr 24 in Sonoma) as we head into the final 3 months of the grant.
  
2. A **2.5-year, \$300,000 multi-state project** entitled “Sustainability Research, Education and Promotion to Enhance U.S. Winegrowers’ Competitiveness” was funded by a 2018 SCBG. The project will help underwrite trade and consumer research, information sharing via U.S. Sustainable Winegrowing Summits, and development of new promotional materials and events. Project partners include CAWG, Wine Institute, Long Island Sustainable Winegrowing, New York Wine and Grape Foundation, Oregon Wine Board, LIVE Certified, Washington Winegrowers Association, and Washington State Wine. Over the past quarter, CSWA conducted the following activities:
  - Finalized the joint U.S. Sustainability Principles for use in project communications, and began development of a project brochure, webpage and other communications.
  - Continued planning for the agenda and speakers for the 2nd [U.S. Sustainable Winegrowing Summit](#) in Long Island (May 5-6) and the trade tasting (May 4) at Riverpark in Manhattan.
    - Confirmed speakers include *Food & Wine’s* Ray Isle as moderator of a winegrower panel at the trade tasting and *Wine Spectator’s* Dana Nigro as keynote for the Summit.
  - Received final report from Full Glass Research of Trade survey and focus group results, and developed plans for news release and dissemination to project partners and Wine Institute members/CSWA participants.
  
3. A **2.5-year, \$234,889 2018 SCBG regulatory compliance and recognition project** to fund training workshops, outreach and resources to promote adoption of sustainable winegrowing best management practices; to assist winegrowers in staying compliant with the myriad of current and upcoming regulations; and to seek alternative compliance pathways for growers participating in sustainability programs. Over the past quarter, CSWA conducted the following activities:
  - Promoted Napa RCD LandSmart workshops held Dec 11 & Feb 5 in Napa and Jan 8 & March 4 in Calistoga.
  - Co-hosted SWEEP webinar on Nov 20 with Sonoma RCD to assist growers with SWEEP applications that were due on Dec 16.



- Held several planning calls with Kennedy Jenks to discuss the regulatory compliance module and identification of BMPs that can assist with regulatory compliance/recognition.
- Assisted vineyard managers who are using the CSWA farm plan template for the Region 2 WDR compliance.

#### **Other Grant-Related Activities:**

- Completed and submitted a \$424,785 proposal for a 2020 Specialty Crop Block Grant focused on climate change mitigation and adaptation with project partners including SureHarvest, the USDA Ag Research Service's Climate Hub at UC Davis, regional winegrowing associations, Resource Conservation Districts, among others. If funded, the project will include a literature review/research synthesis on climate change impacts and guidance on mitigation/ adaptation strategies; enhancement of existing climate smart winegrowing tools; and dissemination of information about tools and resources to spur adoption of sustainable practices at workshops and online.
- Submitted quarterly invoices for all 3 grant projects for period ending Dec 31.
- Dec 11 – Participated in a USDA Agricultural Marketing Service Performance Measures feedback session and provided written feedback.

## **COMMUNICATIONS**

#### **2020 Green Medal: Sustainable Winegrowing Leadership Awards.**

- Drafted news release announcing [2020 Green Medal Awards](#) and worked with graphic designer on *Wine Business Monthly* ads and web banners.
- Continued planning for Green Medal Ceremony to take place at CDFA's office in Sacramento on Apr 13, 2020.
- Secured sponsors – Farm Credit, MCE, CoBank, Grow West, ETS, & Protected Harvest).
- Aggregated and disseminated applications in advance of the Judging Panel review and winner selection on Feb 27.

#### **4<sup>th</sup> Edition Code**

- Staff and consultants reviewed chapters and the Joint Committee met 6 times over the past quarter to review chapters as we prepare to publish the 4th edition California Code of Sustainable Winegrowing (to be completed by late 2020).

#### **Media Relations**

- Responded to media inquiries and conducted interviews on sustainability, certification and climate change for the following media outlets: [Good Fruit Grower](#), *I Grandi Vini* (an Italian wine magazine), *Wine Enthusiast*, *NPR*, *Sankei*, *Western Farm Press* and *Grape Encounters* (radio)

#### **Other**

- Created and disseminated the [CSWA 2019 Year End Review](#).
- Working with Tim Wilde of Wholefoods, who is working with *Women of Wine & Spirits*, to plan sustainability webinars for members (Allison will co-present with Steve Lohr on April 14).
- Worked with graphic designer to develop new bookmarks and banners for trade show exhibits.
- Reviewed draft of CSWA's 2018/2019 financial statements auditor report.



- Jan 20 – Met with Japanese PR team and Sankei journalist for interview regarding California’s sustainability initiatives and provided follow-up information.
- Jan 22 – Coordinated and facilitated a sustainability session for the Canadian Somm delegation at Louis Martini. Allison moderated and panelists included: Aly Wente (Wente, Domenick Bianco (HALL Wines), Charlie Tsegeletos (Cline Cellars) and Geoff Gatto (Frei Brothers).
- Jan 27 – Met with wine industry delegation from Argentina.
- Provided media/communications information to Wine Institute’s Canada team.
- Participated in meetings and calls with International Department to discuss a proposal from a consulting firm Navigant about a potential project to further our climate change work and related communications (on Jan 24 and Jan 29).
- Continued to work with Wine Institute to publish the [Discover California: Wine, Food, Farms & Finds](#) blog, a lively wine and food blog that replaced the Down to Earth newsletter. The blog is a combined effort between CSWA, Wine Institute, and the International Program.