



MEMBERSHIP/BOARD OF DIRECTORS MEETING

ZOOM Webinar

March 9, 2021

9:00 a.m.

- A G E N D A -

1. Roll Call
2. 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**
3. Board Changes — **Board Action Required**
4. Member Relations – Ian Blue
Election of New Members — **Board Action Required**
5. Guest Speaker: Eric Hirata – Alcoholic Beverage Control(ABC) Director
ABC's Experiences During The Pandemic.
6. Chairman's Report
7. President's Report
8. Committee/Departmental Reports
 - (a) Finance & Administration - John Sutton / Steve Hayes
 - (b) Public Policy - Suzanne Groth
 - (i) California State Relations - Tim Schmelzer
California State Relations Update
 - (ii) Public Policy Committee Report - Tracy Genesen / Tim Ryan
 - (iii) State Relations - Steve Gross
State Legislative Update
 - (iv) Federal Relations - Charles Jefferson
Federal Relations & International Public Policy Update
 - (c) International Public Policy - Randall Lange / Charles Jefferson
 - (d) Technical Advisory Committee - Tim Ryan / Tracy Genesen
 - (e) International Marketing - Honore Comfort
 - (f) Communications - Rick Tigner / Nancy Light
 - (g) Environmental Affairs - Chris Savage / Allison Jordan
Environmental Committee & CSWA Updates
9. Unfinished Business
10. New Business
11. Adjournment

Wine Institute

MINUTES OF MEETING

BOARD OF DIRECTORS

December 8, 2020

Pursuant to written notice heretofore given, a meeting of the Board of Directors of Wine Institute was held virtually on Tuesday, December 8, 2020 at 9:00 a.m.; John Sutton, Chairman, presiding.

ATTENDANCE

The following directors were noted present: Kaj Ahlmann, Robin Baggett, Corey Beck, David Bowman, Dennis Cakebread, Steven Chen (Alternate of Giancarlo Bianchetti), William R. Cooper, Jeffrey Dubiel (Alternate of Brian J. Vos), Cindy L. DeVries, Matthew J. Gallo, Tobin A. Ginter, Suzanne Groth, Stephen Kahle, Randall Lange, Daniel J. Leonard (Alternate of John G. Franzia Jr.), Eric Lent (District No. 2 Alternate), Michael Maher, Steven Millier, William J. Nakata (District No. 10 Alternate), Julie Pedroncelli St. John, Michael Reynolds (District No. 3 Alternate), Gretchen Roddick, Scott Scheid, Karen Steinwachs (District No. 6 Alternate), John Sutton, Rick Tigner, Michael Walker, Christine Wentte, Jolene Yee.

Absent Directors (11): James Coleman, Matt Deegan, Michael Drobnick, Gary Eberle, Joseph S. Franzia, Sam Glaetzer, Peter N. Larson, Nicholas Miller, Steven MacRostie, James A. O'Malley, Robert R. Torkelson

Alternate Directors Present: Hugh Davies, Amy Hoopes, Chris Hall, Cheryl Indelicato, Lawrence T. Lohr, Linda McWilliams, Kenneth Minami, David Phillips, Carolyn Wasem.

The following ex officios were noted present: Gregory J. Coleman, Dennis D. Groth, Margie Healy, Jasper A. Indelicato, David B. Kent, Steven W. Lohr, Bertram Silk, Carolyn Wentte, Eric P. Wentte, Harry H. Wetzel

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

Wine Institute Staff Present: Katherine Bedard, Tyler Blackney, Ian Blue, Honore Comfort, Noelle Cremers, Michele Famiglietti, Maluri Fernandez, Tracy Genesen, Susan Gregory, Steven J. Gross, Stephen W. Hayes, Gladys Horiuchi, Charles Jefferson, Jenni Jennions, Allison Jordan, Shin Kao, Nancy Light, Ted Rose, Mary-Claire Rotticci, Tim Schmelzer.

APPROVAL OF MINUTES

On motion made, seconded and carried, the minutes of the meeting held June 9, 2020, were approved as mailed.

BOARD CHANGES

On motion made, seconded and unanimously carried, Cate Hardy was elected an At-Large Director on the Board of Directors to replace Brian Vos.

On motion made, seconded and unanimously carried, Erik Olsen was elected an At-Large Director on the Board of Directors to replace Cindy DeVries.

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 28, 2020, mail ballot of the Board of Directors to elect the following firms to active membership in Wine Institute effective October 1, 2020, was ratified:

AvinoDos Wines
E16 Winery
Fresh Vine
Herzog Wine Cellars
Lodi Vintners
McBride Sisters Collection
Napa Appellations Company
Skinner Vineyards
ToyMaker Cellars

On motion made, seconded and unanimously carried, the September 28, 2020, mail ballot of the Board of Directors to elect the following firms to active associate membership in Wine Institute effective October 1, 2020, was ratified:

Benchmark Vineyard Management
(Application sponsored by Scheid Winery; Hope Family Wines)

Uncorked Compliance, LLC
(Application sponsored by Zenaida Winery; Barr Estate Winery)

On motion made and seconded, the following firms were unanimously elected to active membership in Wine Institute effective January 1, 2021:

Donald Patz Wine Group
Lindquist Family Wines
Littorai
Terrill Cellars
Theopolis Vineyards
Treasury Wine Estates (Beaulieu Vineyard, Beringer Vineyards, Cellar 360 Paso Robles, Cellar 360 Sonoma, Chateau St. Jean, Etude Wines, Provenance, Stags' Leap Winery, Sterling Vineyards)

On motion made and seconded, the following firms were unanimously elected to active associate membership in Wine Institute effective January 1, 2021:

Donahue Fitzgerald LLP
(Application sponsored by Lynmar Estate; Joullian Vineyards & Winery)

Union Bank
(Application sponsored by HALL Wines; Amicus Cellars)

GUEST SPEAKER ADDRESS: MIKE THOMPSON – CONGRESSMAN FOR CALIFORNIA'S 5TH CONGRESSIONAL DISTRICT

Rep. Mike Thompson (D-Napa Valley), Co-Chair of the Congressional Wine Caucus, was a special guest speaker during the Board Meeting. Rep. Thompson was in Washington participating in the lame duck Congressional session and provided an overview of what he hoped to accomplish in the remainder of the legislative session. He discussed his efforts to make the Craft Beverage bill permanent and how he thought this effort was progressing. He also discussed his efforts to help his district and the state recover from the recent wildfire season. In particular, he highlighted his work to reauthorize the Wildfire and Hurricane Indemnity Program (WHIP) which would provide direct payments to winegrape growers who suffered losses as a result of the fires.

CHAIRMAN'S REMARKS

See below.

John Sutton Remarks
Chairman of the Board of Wine Institute
Board of Directors Meeting
December 8, 2020

Good morning everybody. Thank you participating in our December virtual board meeting and for your continued support of Wine Institute. I want to thank Congressman Thompson for joining us this morning. The Congressman has been very supportive of Wine Institute over the years and we are grateful for all of his efforts on our behalf.

Normally, I would be welcoming you from Pebble Beach after speaking with many of you at breakfast and socializing at our reception and dinner the nights before the board meeting. It is fair to say that the first six months of my Chairmanship have not gone the way I had envisioned four years ago when I became an officer. But we've all learned in 2020 to expect the unexpected and react to whatever challenges come our way. This applies to my term as chairman as well.

This has been a year unlike any other we have experienced. But we have made it work and we have adjusted by holding monthly virtual meetings with our officers and strategic working group and pivoting to host our committee meetings and board meetings virtually. I said back in June that it is truly an honor to serve as chair during 2020 and I feel that way even more so today.

2020 has obviously been a challenging year for our industry. First COVID-19 hit in March. Jon Moramarco has estimated that the pandemic will result in close to \$6 billion in revenue losses for the US Wine industry in 2020.

Next came the tragic wildfires during harvest which disrupted not only our ability to bring in the crop but the viability of our grapes due to possible smoke exposure. Jon recently estimated the damage from wildfires, over time, could amount to \$3.7 billion.

While wildfires are a natural part of California's landscape. The fire season in California and across the west is starting earlier and ending later each year. The length of the fire season is estimated to have increased by 75 days. There are fire warnings even as we sit here this morning.

In 2020, almost 4.2 million acres of land burned in California and 10,500 structures have been damaged or destroyed. This compares to 260,000 acres burned and 732 structures damaged or

destroyed in 2019. Wildfires are having a devastating impact on our industry and Wine Institute is committed to supporting wildfire relief efforts on behalf of our industry.

Now we are in the midst of a COVID-19 resurgence and another forced shutdown of tasting rooms and restaurants through at least early January. It is likely going to be a rough and rocky road until a vaccine is widely available in the spring or early summer.

It has been one crisis after another in 2020 and the one thing that is abundantly clear is that the work of Wine Institute in helping our members navigate these challenging times and representing our interests has never been more important than it is right now.

Government is responding to these crises at the local, state and federal levels and Wine Institute has been working tirelessly from the beginning of the pandemic to positively impact the ability of wineries to continue to sell wine during these unprecedented times, and for government support to speed the recovery of our industry.

With all of this uncertainty, Wine Institute is working harder than ever to make the Craft Beverage Bill permanent or at least get it extended for another year. The tax savings provided by the Craft Beverage Bill are essential to allow our wineries to rebuild their businesses.

We now face the challenge of largely unworkable Cal/Osha emergency regulations to which Wine Institute has expressed strong opposition with a coalition of other businesses.

While some of these crises may affect some wineries more than others depending on your sales channel, location and size, we all have an interest as an industry in banding together to ensure a long-term vibrant California wine industry. That is the mission of Wine Institute and it has never been put more into focus than now.

You will be hearing more about the 2020 challenges and how Wine Institute is addressing them in the presentations from the Wine Institute team this morning. You will also hear about exciting progress on issues that are very important to the long-term health of our businesses, including new nutrition labeling guidelines that will significantly reduce the burden on wineries that choose to voluntarily provide nutrition labeling, and plans for a new global strategy to promote California wines and an exciting California wine brand refresh for international markets.

We are also very excited to add 23 new winery members today. We greatly appreciate that these new members have recognized the value of Wine Institute membership and we must all continue to spread the word and recruit more wineries to join Wine Institute even during these tough times. In today's advocacy environment, there is strength in numbers and we need all wineries participating in our efforts.

Speaking of participation, you will be receiving a letter from the Wine Institute-PAC Co-chairs in the coming days and I strongly urge you to contribute whatever you can to Wine Institute-PAC. Any amount contributed can make a big difference. Now more than ever we need to support the efforts of our team in Washington DC to make the craft beverage bill permanent and lobby for relief for our industry. A modest contribution will pale in comparison to the savings retained if we can successfully extend the craft beverage bill.

I want to make sure that I end my remarks on a positive note. I am truly amazed at the resiliency of our industry and many of our businesses. I've heard countless stories of wineries quickly pivoting to ecommerce and in many cases actually selling large amounts of wine on-line to make up for all or a significant portion of tasting room losses. I've heard several stories of unique virtual tastings and

creative digital marketing campaigns to engage new consumers. Many wineries have creatively found opportunity to drive new growth in this challenging business environment.

Uncertainty can force change and change is often beneficial. I have no doubt that our industry will come out of the pandemic better and stronger and more prepared to handle the industry challenges that lie ahead in future years.

I want to thank Wine Institute staff for all of their hard work – we appreciate and value everything you do on our behalf. I wish you all a Merry Christmas, happy holiday and most importantly, a safe and successful 2021. I look forward to meeting again in-person in the near future.

Let me now turn it over to Bobby to give his President's Report. Thank you.

PRESIDENT'S REPORT

Bobby Reported as follows:

Bobby Koch Report
Board of Directors Meeting
December 8, 2020

Good morning everyone. Thanks for attending.

Six months ago, John said when accepting the Chairmanship that it is more important than ever that Wine Institute take the lead in serving the membership and our industry as a whole. And that the value of Wine Institute has never been more obvious and critically important. And finally, that people tend to pull together during tough times and that has never been more evident with Wine Institute's actions during the pandemic.

What John said back in June was spot on. At that time, we were only 3 months into the pandemic. We're now 9 months in and WI has continued to lead, and work on your behalf.

In June, we were coordinating with the Governor's office on tasting rooms reopening. It was some good news, and bit more upbeat.

Today, we're going back to "stay at home" orders. We know the next few months are going to be very difficult.

But it's so important to remember that things are going to get better.

Like you, every day, I try and stay positive, and remind myself, my family and friends and work colleagues, that things are going to get better.

The pandemic for all, and the wildfires for too many, have taken a toll, to varying degrees, on everyone one of us.

So we need to continue to help one another, check on one another and be patient with one another.

We will be getting together again at some point, and hopefully it will be in 2021.

We continue to work on important, value added initiatives that will make it easier for you to conduct business and improve your bottom line.

I am confident that the Craft Beverage Bill is going to be extended or made permanent. It's been in effect for 3 years now and already provided a quarter of a billion dollars in tax relief for California wineries.

I am confident that the Dietary Guidelines Advisory Committee's proposal to change the definition of moderate consumption from no more than 2 drinks a day for a man to no more than one drink will not be adopted by USDA (U.S. Department of Agriculture) and HHS (U.S. Department of Health and Human Services) because the science does not support this change.

And we are now in a position to voluntarily provide caloric and other nutrition information in a way which will not be prohibitively expensive or burdensome for wineries.

These were three priorities that John shared with the Board upon becoming Chair.

Great work is being done by every department and these successes are outlined in the Board packet.

We're going to cover COVID 19, wildfires, the Craft Beverage Bill, providing nutritional information in labeling and advertising, and our International Marketing brand refresh which comes at the right time because we have more funding to invest in export promotion than ever before.

The coordination among all departments is noteworthy and a testament to department heads working together. And I'm very proud of this fact.

At the state level, the legislative and regulatory work changed dramatically over the past nine months.

As you know, in-person meetings, travel and conferences were curtailed and we shifted to virtual events and other outreach methods.

Steve and the team were able to navigate these changed conditions and provide good coverage on all fronts. Our regional team, along with our contract lobbyists were able to maintain contact with all key decisionmakers across the country.

- We created and maintain resource pages on our website on all closures and subsequent reopening procedures across the country.
- We created and maintain a listing of all guidance documents issued by the states on relief measures and policy changes.
- And we obtained approval for virtual tastings via existing state DTC (direct to consumer) shipping rules in 38 states.

- No states passed an excise tax increase in 2020. Many states are facing massive budget deficits, so we anticipate some pursuing excise tax increases next year.
- Recently, Governor Brown in Oregon announced her new budget, which did NOT include a call for beer and wine excise taxes to be increased, despite her own agency and public health groups pushing for an increase of approximately \$1 per bottle of wine to fund addiction and prevention programs. We have been part of a coalition working to oppose the tax increase, which will likely now go before the legislature in 2021.

- Kentucky became the 46th state to authorize DTC shipments. Our team is continuing work to clear up the issue of allowing fulfillment houses to ship on a winery's behalf and secured legislative support to get this done in the upcoming legislative session.
- Good progress is being made in New Jersey and Ohio to remove the 250,000 gallon capacity cap, with legislative efforts moving forward in both states with support in the media and FreeTheGrapes.

- Our team saw an increase in legislation focused on bottle deposit expansion, plastics, and Expanded Producer Responsibility (EPR) programs. A bill in Washington that would have included wine bottles was vetoed by the Governor because of expense during the COVID-19 crisis, but the issue will be back there and in other states, in New England and the far West (OR, WA and HI).
- An Environmental Legislation Working Group has been formed to help staff develop timely responses to such bills in the future.

We have our hands full next year in the states next year.

Allison, the Environmental Affairs department and the California Sustainable Winegrowing Alliance team have been implementing projects and securing funding to help the industry address environmental and sustainability issues.

- The Alliance managed three existing Specialty Crop Block Grant projects totaling \$755,000, to provide targeted education, tools to assist wineries and vineyards with regulatory compliance, and to jointly promote sustainable winegrowing with the New York, Oregon and Washington wine industries.
- The department also submitted 2 new proposals on behalf of the Alliance and Wine Institute, one focused on the sustainability attributes of wine packaging and another focused on setting industry-wide goals for key sustainability areas to help better communicate the industry's leadership.
- And the department worked with the DC office and Crop Protection Steering Committee to submit a third proposal to the Technical Assistance for Specialty Crops (TASC) program for funding to assist with MRL monitoring, communication, research and education.
- The California Code of Sustainable Winegrowing was first published in 2002, and recently the Alliance undertook a significant review process in preparation for publication of the 4th edition California Code of Sustainable Winegrowing.
- On the certification front, the number of certified vineyards continues to grow – now over 2,200 vineyards covering 204,122 acres are Certified California Sustainable Vineyards (32% of acreage with another 15% certified to Lodi Rules, Napa Green and/or SIP-Certified. And over 80% of California wine is made in a Certified California Sustainable Winery.

We have a great story here.

And Nancy and the communications team continue to do an exceptional job. Communications keeps our members informed, as well as the media and trade. The team works to support all departments, particularly international since communications are global. Accurate information about our industry, such as the impact of the fires and our 2020 harvest report released last month helped change the narrative of the story of the 2020 vintage here at home and abroad.

Our DCW Lifestyle Publicity and Social Media work bolsters our public policy efforts. Core messages about the families, our culture, and our commitment to sustainability helps us in the public policy arena and our collaboration with CA Grown and Visit California continues expands our network of agriculture and hospitality allies.

Communications was awarded a 2020 Specialty Crop grant to fund a campaign highlighting California wine as part of the active, well-balanced California lifestyle. The grant provides \$448,000 in matching funds for domestic lifestyle communication activities that support Wine Institute's public policy goals.

On the international trade front, we are engaged in the US/UK free trade talks. As you know, the UK is our second largest export market after Canada, and with the UK leaving the EU, a free trade agreement will help ensure we can continue to expand market access there. Charles and Katherine have been reviewing draft text and sharing feedback with USTR on a regular basis.

Steve Hayes, our VP of Finance and Administration announced his retirement. And I'm so pleased to welcome Ted Rose as Steve's successor which we formally announced a few weeks ago. We'll have a smooth transition and proper sendoff for Steve at our next meeting.

I also want to thank Brian Vos, and Cindy Devries for their help and support over the years. Both believe in the work of Wine Institute, and for that, I am grateful. And we welcome Cate Hardy and Erik Olsen to the Board.

We have added 23 new winery members and 4 associate members today and we welcome them all. And it's great to have Treasury Wine Estates rejoin. I appreciate all that Ben Dollard has done to make this happen.

Back in October, Mike Thompson asked us to help one of his colleagues, Peter DeFazio, from Oregon, who was in a very tough re-election. We hosted a virtual fundraiser with Mike for Congressman DeFazio. I want to thank. . .

- John Sutton, Wine Group
- Hank Wetzel, Alexander Valley Vineyards
- Katie Wetzel Murphy, Alexander Valley Vineyards
- Rich Richardson, Turley Wine Cellars
- Larry Turley, Turley Wine Cellars
- Dave Phillips, Michael David Winery
- Randy Lange, Lange Twins Winery
- Chris Indelicato, Delicato Family Wines
- Jay Indelicato, Delicato Family Wines
- Jim O'Malley, Brown Forman PAC
- Joy Sterling, Iron Horse Vineyards
- Eric Wente, Wente Vineyards
- Roger Trincherro, Trincherro Family Estates
- Robin & Michelle Baggett, Alpha Omega Winery
- Keith Rutz, Domaine Rutz
- Carolyn Wasem, Jackson Family Wines
- Michael Walker, Constellation Brands
- Steve Lohr, J. Lohr Vineyards Vineyards and Wines

for helping on this event and making it a great success. Congressman DeFazio was grateful and he won his race!

Earlier, John mentioned the importance of the PAC. What he didn't mention is the Wine Group has contributed over \$100,000 this year. Yes, over \$100,000. Thank you John and Brian and all of those at Wine Group who once again, stepped up on the political action front in a big way.

Charles, Tracy, Tim and Honore are now going to present. All the WI departments are engaged on the topics they'll cover. And they're only covering a few.

So I encourage you, if you haven't already, to review the entire Board packet. And if there's a non-member that you think we should send the materials to, for recruitment purposes, let us know.

And lastly, I hope everyone stays well and that the holidays are safe and restful for you and your families. Thanks so much.

UPDATE ON CALIFORNIA STATE RELATIONS

Tim Schmelzer reported on wildfire and COVID-19 issues. With regard to wildfire Issues, Tim addressed smoke exposure, relief efforts, prevention and risk reduction. On COVID-19, Tim addressed the updated statewide orders and discussed Cal/OSHA's newly adopted workplace prevention regulations. Finally, Tim reviewed Wine Institute's communication efforts regarding both wildfire and COVID-19 issues.

FEDERAL RELATIONS UPDATE

Charles Jefferson provided an update on federal advocacy efforts in several key areas including Wine Institute's ongoing efforts to make the Craft Beverage Modernization Act permanent. Wine Institute and the Craft Beverage coalition are working to ensure the bill is extended or made permanent during the current lame duck session of Congress. Additional COVID stimulus legislation is also expected and could contain key provisions around programs such as the Paycheck Protection Program. Charles also updated on Wine Institute's work to preserve the current definition of moderate alcohol consumption in the US Dietary Guidelines which is expected to be released by the end of 2020. Lastly, Charles gave a brief overview of the federal election results and what were expected to be key priorities in the new Biden administration.

UPDATE ON PUBLIC POLICY COMMITTEE

Tracy Genesen reported on Wine Institute's successful advocating efforts which led to TTB Ruling 2020-1. Importantly, this ruling allows for broader ranges when generating nutrition information for wine labels and advertising. This enables wineries to provide nutrition information to consumers in a cost-effective way and levels the playing field between the wine industry and competitors.

In response to TTB's ruling, Wine Institute launched a new nutrition calculator which generates TTB-compliant information. This calculator provides members an easy and efficient way to calculate nutrition information for voluntary advertising and labeling.

UPDATE ON INTERNATIONAL MARKETING

Honore Comfort, Vice President of International Marketing, presented an overview of the new California Wines branding program. Development of the program began in June 2019 with analysis and workshops led by EatBigFish, a team of brand strategists based in the UK. With input from Wine Institute's international representatives, Export Program member wineries, and Wine Institute staff the International Marketing team developed the campaign which includes a new brand position, brand advertising, point of sale materials, a brand video and a new logo for California wines. The brand campaign will launch in January 2021, and has been developed specifically for international markets. The new California Wines logo will be used for consumer facing communications including the Discover California Wines website and related programs. A new global digital advertising and communications campaign will launch later in spring 2021 to build awareness for California wines and drive purchase at retail and restaurants in key markets around the world. The campaign will reach both established and emerging California wine

drinkers in leading markets in Canada, Germany, Sweden, Denmark, the UK, Mexico, Japan and Hong Kong. Advertising will be timed to support other in-market programs and promotions for a fully integrated strategy with an emphasis on spring and fall flights. Digital media will be central to the campaign, although a mix of advertising media along with retail and restaurant promotions will vary market. In addition to the new brand campaign, the International Marketing team will continue to expand their digital marketing programs and events and Comfort presented a brief overview of recent programs and their results including new virtual winery tours, dedicated online television programming, and the culmination of the Behind the Wines series of winemaker webinars.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:36am.

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. 4

MEMBER RELATIONS REPORT MEMBERSHIP/BOARD OF DIRECTORS MEETING March 9, 2021

Membership

New Members in Q3: We have received seven new winery member applications and one new associate member application since the last board meeting. The applicant winery members are: Center of Effort Wines, Cimarossa, eStCru, Gramm Vineyards, Little Ridge Vineyards, Pacific Wine Services, and Sloughhouse Vineyard. The applicant associate member is: GHD Group.

Membership/Board of Directors Meetings

December 2020: The Winter Board Meeting was held virtually on December 8, 2020. More than 150 people attended the meeting, where 27 new members were elected, including 11 members from Q1. We were honored to be joined by Congressman Mike Thompson (D-CA), who delivered remarks and answered questions from members. Our preexisting contract with The Lodge at Pebble Beach was moved to December 2021 without penalty.

June 2021: The 87th Annual Membership & Board of Directors Meeting is currently scheduled to be held on June 6-8, 2021 at The Ritz-Carlton, Half Moon Bay. If we are not able to meet in-person, the meeting will move to a virtual format.

December 2021: The 2019 Winter Board of Directors Meeting will be held on December 5-7, 2021 at The Lodge at Pebble Beach. Golf will be at Pebble Beach Golf Links.

2021-2022 Board of Directors Election

The 2020-2021 District Director Board seats were calculated based on our membership list as of February 1, 2021. 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 2021-2022 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 will be emailed to each Regional Association and each WI member in March; nominations are due back no later than April 15th. Ballots will be mailed by Deloitte & Touche on April 20th and must be returned to by Deloitte by May 20th. 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 virtual presence at industry events this quarter, including the Unified Wine & Grape Symposium and the Direct-to-Consumer Wine Symposium. While we are not hosting our annual Regional Vintner and Grower Association Leadership Forum this March, Wine Institute staff has been meeting virtually on a near-weekly basis with the regional associations since the start of the pandemic. Member Relations joined a recent meeting with the heads of regional associations to offer to meet with their membership to discuss WI initiatives and membership benefits. In February, Member Relations and California Relations presented on WI priorities and membership to the membership of the Lake County Winery Association.

In the current Fiscal Year, 24 members have enrolled in our FedEx discount program. 832 WI members have FedEx accounts enrolled in the program and 603 of those accounts are active. Members saved an average of more than \$8,700 on shipping last year thanks to WI discounts, in addition to savings from the full waiver of the Adult Signature Required fee (currently \$6.70 per shipment).

Wine Institute Calendar

2021

June 6-8	87 th Annual Membership and Board of Directors Meeting, The Ritz-Carlton, Half Moon Bay
December 5-7	Winter Board of Directors Meeting, The Lodge at Pebble Beach



Agenda Item No. 4

1. New Members to be Approved for Membership

- | | | |
|-----|-------------------------------|-------------------------------------|
| 1. | Center of Effort Wines | Arroyo Grande (San Luis Obispo Co.) |
| 2. | Cimarossa | Angwin (Napa Co.) |
| 3. | eStCru | Santa Rosa (Sonoma Co.) |
| 4. | Gramm Vineyards | Santa Rosa (Sonoma Co.) |
| 5. | Little Ridge Vineyards | Capitola (Santa Cruz Co.) |
| 6. | Longboard Vineyards | Healdsburg (Sonoma Co.) |
| 7. | Pacific Wine Services | Paso Robles (San Luis Obispo Co.) |
| 8. | Red Car Wine | Sebastopol (Sonoma Co.) |
| 9. | Sloughhouse Vineyard | Sloughhouse (Sacramento Co.) |
| 10. | Terra Sávia | Hopland (Mendocino Co.) |

2. New Associate Members to be Approved for Membership

1. GHD
Fresno, CA
Sponsors: The Wine Group; Lava Cap Winery
Summary: Full service engineering, including traffic/transportation, compliance, permitting, planning, and more.



Financial Statements

For The Seven Months Ended January 31, 2021

Includes the approved budget for fiscal year 2020/2021

If you have any questions regarding these statements please contact

Ted Rose at (415) 356-7533

trose@wineinstitute.org

Wine Institute
Balance Sheet
As of 1/31/21

Assets

Cash	
Petty Cash	300.00
Cash - WI	2,894,335.99
Cash - International	0.00
Cash - Free the Grapes	<u>354,496.54</u>
Total Cash	3,249,132.53
Inventory	
Wine Inventory	<u>50,879.97</u>
Total Inventory	50,879.97
Investments	
Investments - Comm. Paper	2,499,557.71
Rabbi Trust - Deferred	<u>379,842.81</u>
Total Investments	2,879,400.52
Receivables	
Members Accounts Receivable	917,826.90
Associate Members A/R	57,750.00
Allowance for Doubtful A/C	(41,496.89)
Miscellaneous A/R	7,540.75
Int'l Program Fees A/R	386,750.00
Int'l Tradeshows A/R	0.00
Allowance for Doubtful A/C - MAP	(2,625.00)
Grant Receivable	65,682.35
MAP Receivable	<u>41,122.38</u>
Total Receivables	1,432,550.49
Deposits & Prepays	
Deposits	211,321.62
Prepaid Insurance	59,096.57
Prepaid Rent	102,274.46
Prepaid Expenses	<u>122,513.21</u>
Total Deposits & Prepays	495,205.86
Fixed Assets	
Furniture & Fixtures	723,204.56
Leasehold Improvements	278,786.81
Accumulated Depreciation	<u>(752,491.37)</u>
Total Fixed Assets	<u>249,500.00</u>
Total Assets	<u><u>8,356,669.37</u></u>

Liabilities

Accounts Payable	
Accounts Payable - WI	<u>94,826.25</u>
Total Accounts Payable	94,826.25
Other Liabilities	
Sales Tax Payable	0.00
Unearned Mem Dues Revenue	705,260.56
Bank of America Line of Credit	0.00
Accrued Expenses	6,792.62
Vacation Accruals	720,704.83
Deferred Rent	360,096.00
Wages Garnishment Payable	0.00
Flexible Spending Account	13,584.07
Dependent Care Assistance Program	6,856.91
Free the Grapes	354,496.54
Deferred Compensation	379,842.81
Payable to Wineries	0.00
Payable to FAS	0.00
VAT	11,813.73
2019 Event Income	17,158.48
Security Deposits	<u>0.00</u>
Total Other Liabilities	<u>2,576,606.55</u>
Total Liabilities	<u>2,671,432.80</u>

Net Assets

Beginning Net Assets	
Net Assets	<u>4,835,720.40</u>
Total Beginning Net Assets	4,835,720.40
Change in Net Assets	<u>849,516.17</u>
Total Change in Net Assets	<u>849,516.17</u>
Total Net Assets	<u>5,685,236.57</u>
Liabilities & Net Assets	<u><u>8,356,669.37</u></u>

Wine Institute
Statement of Revenues and Expenditures
7/1/2020 through 1/31/2021

Statement of Earnings						
	Prior Year	2020/2021	2020/2021	Current Period	2020/2021	YTD
	Actual	Budget	YTD Budget	1/31/21 Actual	YTD Actual	Budget Variance
Revenue						
Member Dues	13,791,118	13,298,384	7,757,391	1,297,874	7,717,820	(39,570)
Associate Member Dues	168,750	155,000	90,417	1,500	162,750	72,333
Interest Income	65,892	75,000	43,750	600	2,294	(41,456)
Miscellaneous Income	425	1,000	583	0	40	(544)
Total Revenue	14,026,185	13,529,384	7,892,141	1,299,974	7,882,905	(9,236)
Expenses						
Executive	1,878,776	1,823,051	1,063,446	141,862	1,130,439	(66,993)
S.F. State Relations	680,752	681,509	397,547	51,531	334,931	62,616
S.F. Legal	598,765	526,338	307,031	61,157	367,114	(60,083)
Washington D.C.	1,167,235	1,188,365	693,213	82,120	619,865	73,348
Regional State Relations	2,822,498	2,830,361	1,651,044	720,842	1,656,005	(4,961)
Sacramento	914,945	925,862	540,086	59,526	491,421	48,666
California PAC Fund	220,326	215,000	125,417	660	211,941	(86,524)
International Public Policy	543,416	618,477	360,778	46,704	282,446	78,332
Supp. Fund, Tech. & Environmental Com	362,799	343,450	200,346	16,932	167,612	32,734
Communications	1,113,287	1,079,005	629,420	101,147	546,616	82,803
Environmental Affairs	752,384	721,260	420,735	38,300	384,402	36,333
Finance & Administration	2,861,521	2,593,279	1,512,746	251,347	1,313,930	198,816
Total Expenses	13,916,703	13,545,957	7,901,808	1,572,126	7,506,722	395,086
Net Excess/Deficit Before International Marketing	109,482	(16,573)	(9,668)	(272,152)	376,183	385,851
International Marketing						
Revenue	1,173,828	1,165,000	679,583	414,400	1,007,550	327,967
Expenses	(1,173,828)	(1,150,157)	(670,925)	(59,006)	(534,217)	136,708
Total International Marketing	0	14,843	8,658	355,394	473,333	464,675
Net Excess/Deficit with International Marketing	109,482	(1,730)	(1,009)	83,242	849,516	850,525



Agenda Item No. 8(b)(i)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY
BOARD OF DIRECTORS MEETING
March 9, 2021

2021

As we enter a new Legislative Session, little has changed with regard to the make-up of the Legislature. Democrats continue to dominate with 2/3 majorities in both houses, which renders Republicans largely powerless. Regardless of the makeup of the Legislature, after a cursory review of legislation that has been introduced for consideration this year, it is apparent that many legislators have intentions to address the harm felt by many businesses during the pandemic and due to wildfires. In particular, there has been an extraordinary amount of legislation aimed at wildfire prevention, a subject with which we will be very actively engaged. The issue of recycling is again expected to take center-stage as well, though specific proposals have yet to be unveiled. We will be working to ensure that the interests of our industry are at the forefront in those deliberations.

As of this writing, signatures are being counted for a possible recall of Governor Newsom. Should the recall qualify, it will be placed before voters this Fall. This is likely to temper policy positions of the Administration, as we've already been made aware that the Governor does not wish any measure that increases personal or corporate taxes to make it to his desk.

On the regulatory front, we continue to be engaged in significant regulatory matters regarding wineries and vineyards impacts on water quality. The State Water Resources Control Board, after years of consideration, adopted its General Winery Order in January. While we were disappointed in the inclusion of several measures in that Order, we nonetheless are proud of the changes we achieved through the process, particularly those that provide relief to smaller wineries. We are actively engaged at present with the Central Coast Regional Water Board as they consider adoption of a new order regulating discharges from irrigated lands.

2021 Legislative Issues

Alcohol Policy

AB 61 (Gabriel) – Business Pandemic Relief: This bill would, among other things, authorize the California ABC to issue a third-party delivery license for delivery to a consumer of an alcohol beverage, and require ABC to extend the COVID-19 outdoor alcohol service allowance by a minimum of two years, extend the allowance for the sale of alcohol beverages to-go, and adopt permanent rules to remove barriers for outdoor alcohol service.

AB 239 (Villapudua and Rivas) – Refillable Wine Containers at Duplicate Premises: This bill is a reintroduction of a bill from last year sponsored by the Monterey County Vintners & Growers Association to allow wine containers to be refilled at a Duplicate-02 premise. Under current law, containers can only be refilled at the Master-02 premise (i.e., winery). Wine Institute did not take an official position last year on the bill.

AB 376 (O'Donnell) – Alcohol Service in Arts and Crafts Workshops: This bill would allow service of wine or beer at an arts and crafts workshop, if there is no extra charge or fee for the beer or wine, the servings be restricted to specified amounts, and that the wine or beer only be provided during business hours and no later than 10 p.m.

AB 929 (Levine) Extension of Licensed Premises: Would grant the extension of a licensed premises to on-sale licensees that received such extensions as part of ABC's COVID relief program and create a process whereby on-sale licensees could apply for an extension of their premises.

AB 1070 (Irwin) – Gift Exception: Advertising Umbrellas: This bill would authorize beer, wine, and spirits licensees to give up to 12 retail advertising umbrellas to an on-sale retail licensee, per licensed location, each calendar year for use at the licensed location. Each retail advertising umbrella would not be able exceed the value of two hundred and fifty dollars (\$250) per unit.

AB 1242 (Bauer-Kahan) To-go Alcoholic Beverages: This bill would authorize alcoholic beverages to be sold for off-sale consumption by an on-sale licensee if they are sold in conjunction with meals prepared for pickup or delivery either by the licensee or by a meal provider and they are packaged in a container with a secure lid or cap in a manner designed to prevent consumption without removal of the lid or cap.

AB 1267 (Cunningham) – Charitable Promotions and Sales: The California ABC has taken the position that connecting a charitable contribution to the sale of an alcohol beverage (i.e., 20% or \$5 of the sale of a bottle of wine goes to charity X) is a violation of law as a premium, gift, or free good in connection with the sale of alcohol. While Wine Institute does not agree with the general interpretation that this type of activity is a violation of law, the WI Legal Subcommittee and Public Policy Committee approved the introduction of the legislation to make clear charitable promotions and sales are allowed under the Business and Professions Code. This is a "spot bill" to serve as a placeholder for this legislation.

SB 19 (Glazer) – Additional Tasting Rooms: Wine Institute has been working with Senator Glazer (D-Livermore) for several years to allow 02-Winegrowers to have an additional duplicate license for a total of two. This would give wineries the opportunity to have three tastings room – one at their production facility and two offsite at their duplicate premises. The WI Legal Subcommittee and Public Policy Committee both voted to approve this legislative proposal, and the WI Board has unanimously supported this proposal in past years. WI staff is working with the author's office to put forward our strongest arguments to ensure passage this year.

SB 220 (Skinner) – Craft Distiller DTC: This bill, sponsored by the California Artisanal Distillers Guild, would permit a licensed craft distiller (less than 150,000 gallons in annual production) to sell and ship distilled spirits directly to a resident of California. The Distilled Spirits Council of the United States (DISCUS) is seeking to amend the bill to apply to all distilled spirits manufacturers. The bill is expected to meet strong resistance from the wholesaler community.

SB 314 (Wiener) Bar and Restaurant Recovery Act: This bill would enact numerous provisions intended to make operation of bars and restaurants less cumbersome, including making permanent the temporary expansion of premises, allowing different license types to operate at the same location, limiting the appeal and protest deadline for a license, allowing expanded use of a catering license, creating a new entertainment venue license, and authorizing cities and counties to create open container entertainment zones.

SB 386 (Umberg) – Tied-House Exception: This bill would create a tied-house exception to allow alcohol manufacturers to sponsor events and purchase advertising with on-premises retailers at the mixed-use Honda Center (ocV!BE) district in Orange County.

SB 389 (Dodd) – To-go Alcoholic Beverages: This bill would authorize alcoholic beverages to be sold for off-sale consumption by an on-sale licensee if they are sold in conjunction with meals prepared for pickup or delivery either by the licensee or by a meal provider and they are packaged in a container with a secure lid or cap in a manner designed to prevent consumption without removal of the lid or cap.

Cannabis Policy

AB 725 (Ward) Cannabis Taxes: Penalty: This bill would remove the monetary penalty imposed upon a cannabis licensee that fails to pay their excise or cultivation tax.

AB 1256 (Quirk) Employment Discrimination: Cannabis Testing: This bill would prohibit employer from discriminating against a person in hiring, termination, or any term or condition of employment on account of the fact that a drug screening test has found that person to have THC in their urine.

SB 398 (Skinner) – Local Ordinances: Would allow local jurisdictions to rely on the State's licensing system and remove the requirement that local jurisdictions adopt their own ordinance to regulate or license cannabis.

COVID-19 Policy

AB 80 (Burke) – PPP Loans: State Tax Deduction: This bill would businesses to deduct up to \$150,000 of business expenses that were paid for using forgiven Paycheck Protection Plan (PPP) funds.

AB 83 (Budget Committee) – ABC License Fees: This bill would allow wineries, among other ABC licensees, to apply for a waiver license fees for licenses that expire between March 1, 2021, and February 28, 2023.

AB 84 (Ting)/SB 95 (Skinner) COVID-19: Extended Paid Sick Leave: This bill would (1) require all employers, regardless of size, to provide up to 80 hours of paid sick leave per calendar year to all employees for COVID-19 related reasons. This bill applies retroactively to January 1, 2021, and additionally expands the reasons for which an employee can take leave.

AB 743 (Ramos) – Business Interruption Insurance: This bill would provide that with respect to coverage for business interruption due to an order of civil authority, a rebuttable presumption applies that COVID-19 was present on property located within the geographical location covered by the order of civil authority and caused physical loss or damage to that property which was the direct cause of the insured's business.

AB 1074 (Lorena Gonzalez) - COVID-19 Rehiring: This bill would require an employer to offer employees who were laid-off for reasons related to the COVID-19 pandemic positions that become available for which they are qualified.

AB 1313 (Bigelow) – COVID-19: Civil Liability: This bill would exempt a business from liability for an injury or illness to a person due to COVID-19 based on a claim that the person contracted COVID-19 while at that business, or due to the actions of that business, if the business has substantially complied with all applicable state and local health laws, regulations, and protocols.

SB 87 (Caballero) COVID-19: Small Business Relief Grants: This bill would establish the California Small Business COVID-19 Relief Grant Program to provide grants to qualified small businesses (annual gross revenue < \$2.5 million) affected by COVID-19 in order to continue to support their operations.

Employment Law Policy

AB 73 (Rivas) – Ag Worker Safety: Wildfire Smoke: This bill would require the Division of Occupational Safety and Health to create an enforcement strike team to ensure safety regulations are followed for air quality in wildfire events and to establish guidelines for the acquisition of N95 respirators for ag worker safety.

AB 616 (Stone) – Card Check: This bill would permit agricultural employees, as an alternative election procedure, to select their labor representatives through a representation ballot card election by submitting a petition to the board supported by representation ballot cards signed by a majority of employees in the bargaining unit.

AB 995 (Lorena Gonzalez) – Paid Sick Days: Accrual: This bill would provide that an employer provides no less than 40 hours of accrued sick leave or paid time off to an employee by the 200th calendar day of employment or each calendar year.

AB 1028 (Seyarto) Flexible Work Schedule: This bill would permit a nonexempt employee to request an employee-selected remote work flexible work schedule providing for workdays up to 10 hours per day within a 40-hour workweek and would allow an employer to implement this schedule without the obligation to pay overtime compensation for those additional hours in a workday, except as specified.

AB 1033 (Bauer-Kahan) Family Leave/Mediation Pilot Program: This bill would include care of a parent-in-law under the State’s protected unpaid leave Program. The bill would additionally create a small employer family leave mediation pilot program whereby employees would be required to attempt resolution of alleged violations of the family leave program through the State’s dispute resolution office prior to bringing a civil action. That program would terminate on January 1, 2024.

AB 1041 (Wicks) Family Leave: This bill would expand the State’s protection unpaid leave program to include any individual related by blood or whose close association with the employee is the equivalent of a family relationship.

AB 1179 (Carrillo) Employer Provided Benefit: Backup Childcare: Would require employers to provide backup childcare benefits of up to 60 hours for employees who work 30 or more days per year.

Environmental Policy

AB 284 (Rivas) – Climate Goal for Agriculture: This bill would require the Air Resources Board to establish a climate goal for agriculture to be met by 2045.

AB 315 (Stone) – Stream Restoration Projects: This bill would require the state to indemnify and hold harmless a landowner who voluntarily allows land to be used for a stream restoration project.

AB 377 (Robert Rivas) – Water Quality: This bill would prohibit state and regional water boards from allowing any waste discharge that contributes or causes an exceedance of water quality standards. The bill would additionally prohibit an implementation plan for achieving water quality standards after January 1, 2030. This bill is sponsored by the Coastkeeper’s Alliance and is strongly opposed by agricultural and manufacturing entities for usurping the discretion of state and regional water boards.

AB 842 (Cristina Garcia) - Recycling/Single-Use Packaging: This bill is currently a spot bill for the renewed effort to pass a single-use packaging program.

SB 38 (Wieckowski) – Bottle Bill Reform: This bill proposes to reconfigure the Bottle Bill program to be a distributor run and operated program, like the Oregon Bottle Bill program. The bill does not currently propose to expand the program to include wine and spirits

SB 54 (Allen) – Recycling/Single-Use Packaging: This bill is currently a spot bill for the renewed effort to pass a single-use packaging program. WI staff expects the bill to remain applicable to plastic packaging only and is working with the author’s office and similarly situated stakeholders to work on a solution for impacted wine packaging.

SB 260 (Weiner) – Climate Corporate Accountability Act: This bill requires CARB to adopt regulations by 2023 requiring all public and privately held companies doing business in California with annual revenues in excess of \$1 Billion to analyze, compile, have independently verified by third-party auditors, and publicly disclose all greenhouse gas emissions on a yearly basis. These businesses would also be required to develop emissions targets and make them publicly available. The California Chamber of Commerce (CalChamber) is compiling information on the bill’s potential impacts.

SB 451 (Dodd) – Bottle Bill Reform: This bill is a placeholder for the modernization of the State’s Bottle Bill program.

Tax Policy

AB 71 (Luz Rivas) – Corporate Taxation/Homeless Program Funding: This bill would impose several significant tax increases on California businesses and individuals to fund homelessness programs. Of principle concern to our industry, the bill would raise the the corporate tax rate for businesses with taxable income over \$5 million from 8.84 percent to 9.6.

AB 281 (Burke) – PPP Loan Taxation-Federal Conformity: This is a spot bill intended to provide that PPP loans are not considered taxable income in California, mirroring the treatment they receive under federal law. This measure is being considered in an emergency budget package (see below).

Tourism and Hospitality

SB 285 (McGuire) – Tourism Recovery Act: This bill would require the California Travel and Tourism Commission to implement a strategic media and jobs recovery campaign known as the “Calling All Californians” program for the purpose of reversing the impact of the COVID-19 pandemic on the travel and tourism industry in California.

Wildfire

AB 642 (Friedman) - Wildfires: This bill takes numerous actions to increase the use of prescribed burning, including the creation of a prescribed burning training center. The bill also requires identification of areas of moderate and high fire hazard severity zones and requires the adoption of fire protection building standards in areas designated as high hazard zones.

AB 792 (Flora) – Prescribed burning agreements: This bill would allow Cal-Fire to conduct prescribed fires on private lands for training purposes. Currently these activities are limited to lands owned by non-profit organizations or public agencies.

AB 1103 (Dahle) - Agricultural Pass Program, disaster access to farmlands: This bill would allow counties to create an “ag pass” program that would allow authorized farmers, ranchers, or their employees to enter an area closed due to natural disasters to care for livestock or irrigate crops.

AB 1255 (Bloom) - Department of Forestry and Fire Protection, grant programs: This bill would create a grant program at Cal-Fire to assist with fire risk reduction, prevention, and restoration activities. Some funding is prioritized towards counties housing unit densities above 200 units per square mile and other funding is allocated through existing land conservancies.

AB 1458 (Frazier) - Lake and streambed alteration agreements: This bill would exempt fuel reduction projects from the Department of Fish and Wildlife’s lake and streambed alteration agreement program.

AB 1500 (Garcia) - Safe Drinking Water and Wildfire Prevention Bond: This bill would place before voters a \$6.7 billion general obligation bond to fund fire prevention, safe drinking water, drought preparation, flood protection, and heat mitigation.

SB 45 (Portantino) – Wildfire Prevention Bond: This bill would place before voters a \$5.5 billion general obligation bond to fund fire prevention, safe drinking water, drought preparation, and flood protection.

SB 332 (Dodd) – Prescribed Burn Liability: This bill would exempt from liability, unless conducted in a grossly negligent manner, a certified burn boss and a private landowner who performs, supervises, or oversees a prescribed burn.

SB 440 (Dodd) - Wildfire hardening: This bill would create a joint powers authority to administer a program to assist owners to retrofit their structures to protect against wildfire or create defensible space. The authority would be authorized to issue grants to structure owners to assist in hardening efforts and defensible space creation.

State Budget Issues

Wildfire Funding: The Senate Budget Subcommittee on Resources, Environmental Protection and Energy held a hearing on the Governor’s proposed wildfire and forest resilience strategy February 9th. Budget Committee staff raised numerous concerns with the proposal and the Committee held the item open, meaning they will delay action until the Spring. Wine Institute is

supporting \$1.5 billion in additional funds to reduce the risk of wildfires and protect communities from future wildfires and has urged quick action on this budget item to make funds available to communities before this year's fire season.

Small Business Grant Program and Tax Relief: Wine Institute joined a coalition of California business associations to urge the passage of financial relief legislation to help small businesses weather the continued impacts of the pandemic. In response, the Governor and Legislative leaders announced an agreement to add an additional \$2.1 billion to the state's COVID small business relief and non-profit grant program, and to provide \$2 billion in tax cuts by exempting the first \$150,000 in expenses paid by the federal Paycheck Protection Program (PPP) and federal Economic Injury Disaster Loan funds. The agreement is proposed to be included in an early action budget bill.

COVID-19 Employer Paid Sick Leave Extension: Wine Institute has signed on to a coalition effort opposing a proposal to require businesses to provide an additional two weeks paid sick leave unless the state is willing to pay for the leave. Businesses are struggling and California's response to COVID-19 cannot continue to be subsidized by the business community, especially considering the new paid time off and testing requirements required under the California Occupational Safety and Health Emergency COVID Regulations.

Crop Protection Materials – Mill Fee Adjustment and Increase: The Department of Pesticide Regulation (DPR) has proposed to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment, where higher toxicity pesticides are assessed a higher fee. Once fully phased in by 2024- 25, the tiered mill assessment is anticipated to generate approximately \$45 million in additional revenue annually to the DPR Fund. The additional revenue will fund various DPR and CDFA programs and will increase support to the County Agricultural Commissioners (CACs) for local pesticide use enforcement activities.

Regional and Statewide Regulatory Issues

Winery Order: The State Water Board voted unanimously on January 20th to adopt the statewide Winery Order after eight hours of public testimony and discussion. Wine Institute presented concerns to the Board and organized other winery representatives to testify before the board. The adoption starts the clock on implementation of the Order for wineries that discharge between 10,000 and 15 million gallons of process water annually. Wine Institute was successful at achieving a simplified compliance pathway for wineries that produce between 10,000 and 30,000 gallons of process water annually. Wineries that are not already permitted under an individual WDR or a regional winery order will have three years to notify their regional board of their intent to get coverage under the Winery Order. Those currently permitted under regional General Orders or Conditional Waivers will be transitioned to the Winery Order when the existing waivers expire, or the regional board cancels its regional General Order.

The Winery Order requires monitoring and reporting for all wineries subject to the Order and creates compliance standards for the discharge of winery process water and solids to subsurface disposal areas, ponds, and land application areas. The greatest costs created by the Order is the requirement that wineries with subsurface disposal systems meet effluent limits. The effluent limits will require most wineries with subsurface disposal systems to install expensive pretreatment systems. We estimate these pretreatment systems will cost wineries subject to the Winery Order a total of over \$400 million to install.

We have created a list of consultants available to assist wineries in complying with the Winery Order. We are also working on documents to assist wineries in understanding and complying with the Winery Order.

Ag Order 4.0: The Central Coast Regional Water Quality Control Board released a revised Ag Order 4.0 this week that will expand regulations for vineyards and other irrigated agriculture in the Central Coast region (Southern San Mateo County to Santa Barbara County). The draft Order will place nitrogen application limits on irrigated agricultural lands and create additional planning, monitoring, and reporting costs for irrigated agricultural lands on the Central Coast. The revisions moved the permit in a positive direction by adjusting some of the monitoring requirements and removing much of the riparian protection requirements. We worked with the Water Working Group to develop comments and submit comments on the revised order by the February 25th comment deadline.

CV-SALTS: A webinar was held in February to provide information to permittees in the Central Valley that are subject to CV-SALTS compliance. Entities with water quality permits are subject to the CV-SALTS program to address concerns around salts and nitrates. Permittees will need to decide their compliance pathway by July 15, 2021. Compliance is possible either through participation in the P&O Study by paying fees, which will fund the study to determine possible salt control solutions, or completion of an anti-degradation analysis for the facility and immediately bring discharge levels down to a set salt standard depending on the beneficial uses of the area where the discharge is occurring.

Criteria Pollutant and Toxic Emissions Reporting (CTR) and Emissions Inventory Criteria and Guidelines (EICG): The California Air Resources Board (CARB) held a workshop in February on proposed changes to the CTR and EICG regulations that were adopted by CARB last November. At the CARB hearing the regulations were adopted, but staff was directed to make further changes to the regulations. Informal comments were accepted until February 25, 2021 and the formal revisions based on the informal comments will be released in mid-March. These regulations will create additional emissions reporting requirements for any entities that hold permits from their local air districts and emit over a set threshold of emissions. Wine Institute is reviewing the changes with the Air Working Group to determine the impacts on our members.

CA ABC Administrative Emergency Decisions: Wine institute drafted comments in opposition to California ABC regulations that would grant ABC the authority to issue an emergency decision temporarily suspending a license, temporarily suspending specific privileges, or temporarily imposing conditions on a license in situations defined by ABC as involving an immediate threat to the public health, safety, or welfare. In response to Wine Institutes comments, ABC amended the regulations to satisfy most of our major concerns.

Cannabis Appellation Regulations: In legalizing cannabis for recreational use, Proposition 64 also required the California Department of Food and Agriculture (CDFA) to create a process through regulations to allow cannabis cultivators to apply for and register cannabis appellations. Wine Institute has been engaged with a group of regional wine associations to ensure that these regulations adequately protect winery interests and prevent the unjustified use of American Viticultural Area names by the cannabis industry. The regulations were scheduled for adoption on January 1, 2021, but adoption has been postponed at WI's request. WI staff is confident the final regulatory draft will reflect and satisfy our major concerns.

COVID-19 Response

Indoor Operations: After the Governor lifted the 5 Region Stay-at-Home order in mid-January, the state moved back to the “Blueprint for a Safer Economy” four level colored tiered system for counties reopening business operations. The vast majority of counties remain in the most restrictive “purple” tier, which limits tasting room operations to outdoors only with health and safety protocols in place. However, there has been movement by some counties, including Napa and San Luis Obispo into the less restrictive “red” tier, which allows for a winery to host indoor tastings at up to 25% capacity, provided meal service is provided. An issue that was recently resolved at the request of Wine Institute is the allowance of live music, which is now clearly allowed in the winery tasting room guidance under all tiers, so long as certain protocols are followed and the winery is not operating as a concert, performance, or entertainment venue, dance floors are closed, and the entertainment is not encouraging large gatherings.

Cal/OSHA COVID-19 Emergency Regulations: In response to a petition submitted by Worksafe and the Labor and Employment Committee of the National Lawyers Guild, the Cal/OSHA Standards Board drafted an Emergency Temporary Standard (ETS) for workplace COVID-19 prevention. The ETS was made public on November 12 of last year, the Board unanimously adopted the regulations on November 19, and the regulations went into effect on November 30. Given the potential impact on WI members and the legally deficient process by which the board adopted the ETS, Wine Institute joined a group of California business interests, in addition to a group of national retail organizations, to develop legal strategy for challenging the regulations. Unfortunately, the San Francisco Superior Court judge denied our preliminary injunction to enjoin the ETS, but an appeal is being considered. Additionally, Cal/OSHA has proposed minor, but generally helpful, amendments for the Board to consider at their April or May public hearing.

COVID-19 Vaccines: Wine Institute remains active in ensuring that food and agriculture workers, including vineyard and winery workers, remain a high vaccination priority. The vaccine schedule places food and agriculture employees, including vineyard and winery employees, in Phase 1B Tier 1, with some counties moving into this phase earlier than others. The Governor over the last several months has shifted course back and forth on the prioritization of food and agriculture employees. This has led to great uncertainty and frustration, but the latest change reestablishes food and agriculture employees as a high priority. Given the disjointed roll out, and significant variance on eligibility across counties, in addition to a limited vaccine supply, a lot of confusion remains, resulting in the vaccination rollout moving much slower than originally anticipated.

COVID-19 “Hero Pay”: The latest trend around the state is for cities and counties to implement ordinances requiring certain grocery and drugstores to provide workers \$4 to \$5 extra an hour in COVID-19 hazard pay, which has been labeled as “Hero Pay.” This has been a major issue in Los Angeles, Long Beach, Oakland, San Jose, and other jurisdictions, with Kroger closing two grocery stores in Long Beach. A group of California legislators, including the Assembly Speaker, wrote a letter supporting the efforts. In addition to grocery and drug stores, the City of Coachella issued an ordinance to include certain hospitality and agriculture workers. While nothing has been introduced to make this statewide, staff is monitoring the situation locally and is prepared to engage with other business interest should this effort expand.

COVID-19 Working Group: Wine Institute created a COVID-19 Working Group near the beginning of the pandemic to discuss relevant issues in the ever-changing COVID-19 landscape. Early on, the Working Group worked to develop guidance documents and advise staff on policy issues related to worker and public health and safety. The Working Group remains active in advising staff and on vaccination issues.



**PUBLIC POLICY COMMITTEE REPORT
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021**

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. Legal Challenges to Cal/OSHA COVID-19 Prevention Emergency Regulations

On November 12, Cal/OSHA released draft COVID-19 Prevention Emergency Regulations which imposed unnecessary and burdensome regulations in the areas of expanded employer obligated COVID-19 testing, employer investigation of COVID-19 cases and expanded employee quarantine, pay and benefits provisions. Wine Institute, along with other affected businesses, submitted comments to Cal/OSHA and California OAL objecting to the proposed regulations. Despite these efforts, the regulations were approved by California OAL on November 30 and went into effect immediately.

In response, Wine Institute actively worked with the National Federation of Retailers to file for a temporary restraining order and coordinated with the California Agricultural Coalition to file for preliminary injunction.

The two actions were heard together on January 28 in San Francisco Superior Court. In spite of a tentative ruling denying the plaintiffs' motions, attorneys persuaded the court to allow additional briefing on narrowly focusing and legally supporting the bases for striking down individual provisions of the emergency regulations. Judge Schulman set a hearing on the motion to complete the record for February 11. The February 11 hearing was not focused on the merits of the case, but rather on plaintiffs' motion requesting that the Cal/OSHA board complete the record with two important documents:

1. The OSHA staff report which found no necessity for the emergency regulations and
2. The Worksafe CA petition requesting that OSHA promulgate the regulations

On February 26, 2021, San Francisco Superior Court Judge Ethan Schulman issued a ruling denying two motions for preliminary injunction challenging the ETS stating that the plaintiffs had not shown a likelihood of ultimately prevailing on the merits of the claims.

Judge Schulman found that the board did not exceed its authority by promulgating the ETS and that the Board had not violated the Administrative Procedure Act by adopting the regulations on an emergency basis. Judge Schulman also rejected plaintiffs' arguments that the ETS

Regulations violated due process. Plaintiffs' attorneys are currently evaluating whether to appeal Schulman's ruling.

2. Continued Monitoring of COVID-19 Requirements and Updating Member Resources

Wine Institute has been working closely with members of the COVID-19 ad hoc Working Group to update the COVID-19 resource page to reflect experiences drawn from member companies.

In late January 2021, the California Department of Public Health ended the COVID-19 Regional Stay at Home Order for all regions statewide. The Legal Department updated information on our COVID-19 resources page to reflect these changing circumstances.

Wine Institute continues to host webinars to keep our members well-informed of the developing circumstances surrounding the COVID-19 pandemic. In January 2021 Wine Institute hosted the First Transatlantic Symposium on Wine Law and Policy to discuss regulatory and commercial realities in the age of COVID-19 and a webinar to discuss legal issues related to the COVID-19 vaccine, including employee vaccination policies and other workplace related issues.

3. Proposition 65 Clear and Reasonable Warning Amendments

In January 2021, OEHHA posted a Notice of Adoption of Amendments to Proposition 65. The amendments relate to approved methods for providing warnings for alcoholic beverages purchased over the internet or through mobile apps. Importantly, no additional action is required for wineries that follow Wine Institute's prior advice issued in [August 2018](#) regarding internet sales.

Wine Institute quickly distributed messaging to our members to clarify no additional action is required for wineries that follow Wine Institute's prior advice and updated our Proposition 65 resource page on the members' site to reflect this update.



Agenda Item No. 8(b)(iii)

STATE RELATIONS DEPARTMENT REPORT
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021
(Current Information as February 22, 2021)

Overview

The 2021 legislative sessions have started in almost every state at this point, with only Florida and Louisiana waiting to begin. In almost all cases work is being done either entirely remotely, or through a combination of socially distanced legislative meetings and remote hearings. Our lobbying team has pivoted quickly to working in each state to facilitate both remote and in-person meetings as required, working to ensure that our message is delivered by whatever means is deemed safe and appropriate in each state.

COVID-19 responses continue to dominate the actions at the state level. A focus on the hospitality sector is happening across the country, with a myriad of proposals being introduced to provide relief to licensees and their employees. At the same time, states are grappling with major budget shortfalls which are leading to some calls to raise taxes. We are partnering with others in the hospitality industry to urge that such efforts are set aside, especially due to the already struggling restaurant sector and the negative impacts any tax increases would have on them. Much of the tax pressure moving forward will be dependent on the final Federal COVID-19 Stimulus Package, and the funding allotment that will go to each state. We are hopeful that these funds will remain in the final package, which will help to alleviate the pressures to increase state taxes at this juncture. More information on the tax proposals can be found in the tax section below, and information on other COVID-19 related efforts such as home-delivery and licensing relief will be found throughout the report.

Several new themes that emerged in recent years have taken greater focus this year. In order to address the many environmentally-focused proposals that are emerging, last November we created an Environmental Working Group (SR-EWG) within the State Relations Subcommittee. These members have been helping us to evaluate proposals dealing with bottle deposits, single-use plastics legislation, advanced disposal fees (ADF) and Extended Producer Responsibility (EPR) programs. We also created a working group to focus on efforts to reclassify low-proof spirits and other ready-to-drink beverages for both tax and distribution purposes. This Ready-to-Drink Working Group (SR-RTDWG) has been helping as we evaluate the many bills seeking to legislate in this new area.

We continue our work to expand DTC shipping access for wineries, as well as working to protect the existing shipping privileges from challenges promoted by our opponents. Recent focus has been on ensuring that fulfillment houses are allowed to continue shipping on behalf of wineries and ensuring that common carriers are able to comply with new rules and regulations

being proposed around the country. We have also been dealing with delivery issues in many states where restaurants are seeking a permanent ability to include wine, beer and spirits with their food orders for takeout, curbside pickup and delivery.

Our traditional work on taxes, monopoly protection legislation, licensing and trade practice rules continues as always, and you will find below a summary of the highlights of all of these efforts. While very few bills have passed at this early point in the legislative sessions, there is a tremendous amount of activity. Our team of 6 Regional Counsels/Directors and the contract lobbyists they are supervising in 48 states outside of California (excluding only North Dakota this year) are all working to represent the interests of our membership in this very challenging environment.

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 Wine Institute's last Board of Directors 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

Taxes and Fees

As noted above, much of the pressure on tax increases in 2021 will depend on the size of the COVID-19 Stimulus Package, and the amount of funds allotted to each of the states. Below you will find a summary of some of the key tax issues we are following at this time.

Wine Excise Taxes:

Eleven states have already introduced legislation dealing with excise taxes. We are currently most concerned with proposals that are pending in **Hawaii, Illinois** and **Oregon**. In **Hawaii**, a pair of bills were introduced that would have initially imposed a 1-cent per drink tax on all alcohol, effectively raising the table wine tax by approximately \$0.256/gal. The Senate version of that bill was then amended to increase the tax to 10-cents per drink, meaning a new total tax rate of approximately \$3.94/gal. Currently, the House has deferred their version of the bill, but we remain very concerned. In **Illinois** the Governor, along with new leadership in the House, have voiced support for increasing excise taxes to fill their budget deficit. And in **Oregon**, both the Department of Health and members of the public health community are pushing competing measures to increase wine and beer taxes that would be earmarked for prevention and treatment programs. We are working with local interests to address these proposals, along with other bills across the country.

Local Option Taxes:

We were relieved to learn that neither the **City of Chicago** nor **Cook County** included a tax increase in their 2021 budgets when introduced. In light of the **Illinois** budget matters noted above, we remain focused in both cases to fight any such proposals. We are also fighting a bill that would expand the local taxing authority in **Virginia**, allowing them to impose such taxes without requiring a vote of the people as is now the case.

Fees / markups / Other taxes:

We are watching **sales tax nexus** bills in **Florida** and **Missouri** that could impact wineries holding DTC shipping permits. In each case, a winery going over the \$100,000 threshold (or

simply 200 shipments in the case of Florida) might be subject to collecting and remitting local sales taxes, which is not currently required. We are also working to determine if recent changes to the **Texas Franchise Tax** may ensnare more of our members in meeting their tax thresholds by including sales through the 3-tier system in the calculations. Conversations with the Texas Comptroller's office are ongoing on this matter.

Twelve states are currently considering legislation that would change **how low-proof spirits and/or other RTDs are regulated, distributed and taxed**. We are working with members of SR-RTDWG to help us evaluate each of these proposals to determine our lobbying position. Typically, the effort is to define these drinks in such a way as to allow them to be sold by beer and wine wholesalers (especially in control state systems), to provide them with more consumer access via more points of sale, and to tax them at a rate nearer to beer and/or wine than to spirits. Our goal is to ensure that wine is not disadvantaged through either the tax or distribution changes being proposed. As this category continues to see strong growth, we anticipate to that we will be seeing more such bills in the future.

More than half a dozen states are currently considering **bills that would exempt on-premise licensees from the collection and/or payment of sales taxes and other fees as a COVID-19 relief measure**. These typically entail allowing for some type of tax holiday, or allowing a licensee to keep a portion of the sales tax collected, in order to offset losses due to closures and enforced lower capacity sales activity. Many more states are also offering relief on license renewal fees and other recurring fees. We are supporting the bulk of these measures as they will be of key assistance to our restaurant and bar industry partners.

Monopoly Protection / Wholesaler Issues

We have not seen any freestanding legislation that would expand **monopoly protection ("franchise") laws** in any of the states at this point. In **Alabama**, a bill has been amended so that it now includes our model DTC shipping language, as well as provisions that would do away with all of the county-by-county monopoly protection laws and replace them with one state-wide monopoly protection law. Currently, all of Alabama's major metro areas other than Huntsville are already covered under such a local law, and the bulk of the population in wet counties is also already covered. This change in how monopoly protection is handled in the state is something we have discussed pursuing for several years within the State Relations Subcommittee so long as the provisions from the local laws are not changed, as is the case in the current proposal.

We are again seeing an effort in **New York** to pass "**at rest**" legislation. In **North Carolina**, a rulemaking by the ABC last fall dealing with their existing "at rest" legislation is now on hold after objections were raised to the legislature by groups, including Wine Institute, opposed to the way the rule is being proposed.

Privatization in Control States / Other Control State Issues

Mississippi has seen the most activity this year related to privatization. A bill authored by a leader in the House would privatize the wholesale system, but the state would keep an 18% markup on the wholesale price of wine for itself in addition to any private wholesaler markups, a proposal which we believe to be unworkable. That bill passed the House quickly, but it is now stalled in the Senate where the key author of a competing bill is pushing a more modest plan that would upgrade the ABC warehouse and contract out the operations of the warehouse to a private party.

Direct-to-Consumer (DTC) Shipping

During the past year during the COVID-19 crisis, the importance of the DTC channel has been proven as it became a lifeline for many wineries, especially those who had limited access to sales in off-premise retail. It was recently reported that winery to consumer DTC shipments increased to over \$3.7 billion this year, showing the importance of this channel.

Positive DTC change efforts:

Legislation to pass a new DTC shipping bill has been introduced in **Alabama** and **Mississippi**. The **Mississippi** bills died in committee as was expected; we were giving the flawed special-order law passed in 2020 a year to fail before making a concerted push again on DTC there. In **Alabama**, however, we are making progress. As noted above in the monopoly protection section, a deal to blend DTC with a statewide monopoly law (both of which we can support) may get this over the finish line in 2021. Our legislation from 2020 in **New Jersey** to remove the 250,000-gallon capacity cap there has carried over to this session, and we continue to make headway on that bill with the support of FreeTheGrapes. We now have a similar bill in legislative drafting in **Ohio** which would remove that limit as well. Of note is that we have garnered the support of the local wholesalers for the Ohio effort, which bodes well for its passage this time. A bill in **Nebraska**, supported by the ABC, would cut the DTC licensing fee in half, taking it from \$500 to \$250 per year. There is legislation in **Oregon** that would increase the monthly limit from 2 cases to 5 cases for each consumer for DTC wine shipments. And finally, in **Wyoming** the Governor recently signed a bill that will increase the per-consumer DTC limit there from 4 to 12 cases effective on 7/1/21, although the restriction on wines already sold through the control system unfortunately remains in place.

Common Carrier/ Fulfillment House focused bills:

States have continued to focus both their enforcement and regulatory efforts on common carriers and fulfillment houses. We are supporting a bill in **Kentucky** that will fix the flaw in last year's bill so that wineries will now be able to use a fulfillment house to ship into the state. At the same time that positive bill was introduced, two bills in **Tennessee** were introduced that would prohibit any winery from using a fulfillment house to ship into that state. We are opposing these bills, hoping to at least work out some compromise related to reporting. In **Kansas** there is a bill that would set up a licensing and reporting system for fulfillment houses which we hope to be able to support if minor amendments are made. **Oklahoma** is the only state other than Kentucky that currently prohibits fulfillment houses from shipping, and we are supporting drafted legislation that would fix that again this year, after failing to pass such a bill in 2020.

Retailer to Consumer DTC, etc.:

In the wake of the **US Supreme Court failing to take up the appeal in the 6th Circuit case out of Michigan** that was being sought by the wine retailers, a number of other courts have just recently sided with states in supporting their laws that allow in-state retailers to ship to consumers, but that prohibit out-of-state retailers from doing so as well. Like in **Michigan**, in-state only retailer shipping statutes in **Missouri**, **Kentucky** and **Ohio** were recently upheld in the courts. Other states continue to debate this issue in their legislatures, however. Several bills are currently pending in **New York** to allow retailer DTC shipping. In New Hampshire, a bill that would allow the **New Hampshire Liquor Control Commission** to itself become a DTC shipper from its own retail stores is now pending.

We are seeing increased activity across the country by both spirits and beer producers seeking DTC shipping privileges. Eight states are considering legislation at this point to allow for spirits shipping. One of the bills in **Hawaii** has moved out of committee, and a bill in **South Dakota** on this topic has passed the Senate and is now under consideration in the House. In **Virginia**, a bill to allow ABC stores and local distillers to ship to consumers has passed the Senate and is now in the House.

Delivery, Take-Out and Curbside Sales by On- and Off-Premise Retailers:

In the wake of the COVID-19 crisis, the ability of restaurants, bars and off-premise retailers to provide new forms of customer access has been a huge issue across the country. Prior to the pandemic approximately half of the states allowed for a restaurant to include factory-sealed bottles or cans of wine with a food delivery. Now that privilege has expanded into almost all states under emergency orders from Governors and local regulatory officials, while the types of products allowed have also expanded to include mixed drinks, beers and wines by the glass in individual containers with rules about how they must be closed/sealed and labeled. We are supporting efforts across the country to make these kinds of sales legal on a permanent basis. **There are currently 84 such delivery bills pending in 32 states**, giving you an idea of how important this issue has become to the retail sector. We are optimistic that many of these bills will pass as there is good support for the on-premise industry in the wake of all of the closures and restrictions they have experienced during the downturn, and legislators are interested in creative ways to assist them.

On a related matter, we are also tracking state and local legislation that seeks to **regulate the relationships between 3rd party delivery services and the on- and off-premise licensees that they service**. During the early months of the pandemic as delivery app use surged, many cities and states began to place limits on the percentages that such apps could charge restaurants, as well as regulating how such fees are shown on customer receipts. While not directly impacting wineries, we have worked to make sure that none of these provisions creep over into the area of requiring disclosures on receipts related to DTC and winery tasting room sales.

Bottle Deposit Laws / Environmental Legislation

As noted above, we have created a new **State Relations – Environmental Working Group (SR-EWG)** within the State Relations Subcommittee to assist our team with analysis of environmental proposals. We are seeing a dramatic uptick in the number of EPR proposals along with other forms of product stewardship and single-use packaging legislation. At the same time, traditional pushes for bottle deposit law expansion also continues. Details of some of the major issues can be found below.

Bottle Deposit laws

Seven states are currently considering bills that would expand an existing bottle deposit law to include wine bottles, or else creating an entirely new deposit program in which wine would be included from the start. The states considering expanding an existing program are **Connecticut, Oregon and Vermont**. **Illinois, Maryland, Rhode Island and West Virginia** are the states looking to create new programs in which wine would be included. We are also tracking other bills to expand bottle deposit laws that would add products like sports drinks, teas, and 50ml spirits bottles, but that would not include wine at this point.

Another area of focus in bottle deposit legislation is **reform of the existing programs**, primarily focused on when, how and by whom returns are handled. These bills often include proposed increases to the handling fees on covered containers as squabbles over the costs of redemption center operation and who gets to keep the escheat are common themes in these states. Of most interest to wine are multiple bills in Iowa on this subject, as well as a perennial bill that would do away with the Iowa bottle deposit law (which includes wine bottles) entirely. We are supportive of several bills calling for a thorough study of state bottle deposit laws in lieu of simply expanding their programs, such as those being proposed in **Hawaii, Vermont and Oregon**. It is clear, however, that in states like these three there is still a concerted push to expand their laws to include wine containers that we must continue to fight.

Advanced Disposal Fees (ADF), Extended Producer Responsibility (EPR), Product Stewardship, Single-Use Packaging Restrictions, etc.:

In many states there is now momentum to move beyond simple deposit return programs, and to focus more on holistic recycling and product stewardship type programs that involve the producers more closely. Attention has also shifted somewhat from glass and aluminum recycling to a focus on single-use plastics. As a result, we are working with the SR-EWG to review a number of complex new proposals in order to better understand our member winery's needs in this emerging area of legislation. **EPR-style bills that hold producers primarily responsible for the life-cycle of the products and waste they produce are currently pending in Hawaii, Maryland, New York, Oregon and Washington**, and we are aware of proposals in the drafting process in other New England and western states. A coalition of state legislators from these states is now working together to try and implement such programs in at least ten states. While we are generally supportive of such approaches as an alternative to bottle deposit laws, the programs introduced to date all contain a regimen of fees to the state and regulatory oversight that are quite a stretch beyond what are considered traditional EPR programs such as those in use in other industries and around the world.

In addition to these broad EPR proposals, we are also seeing discussions of **Advanced Deposit Fees (ADF)** again, with **Hawaii** being at the forefront on this issue. There, a proposal to increase the existing 1.5-cent per container ADF to 5-cents per container has garnered some support. We are also seeing legislators and industry groups in other states (particularly in New England) urging a change to broad-based ADF rather than expanding their bottle deposit laws. This comingling of ADF and bottle deposit law proposals appears to be a trend we will see in the future.

The third type of legislative focus in this area we are seeing is on regulating the production, sale and use of single-use plastics containers. The primary focus here is on regulating the recycled content in such containers, with proposals ranging from as low as 50% (last year's vetoed bill in **Washington**) up to 100% (bills under consideration this year in **New York**). Industry has numerous concerns about the availability of enough recycled plastic content to keep adequate supplies of these products available. While some states have agreed to exclude bag-in-the-box items from these proposals, others have not done so. All of the proposals continue to include 187-ml PET wine bottles as they consider such content bills.

Other Environmental bills:

Despite the passage of Federal preemption on **GMO labeling rules several years ago**, **Hawaii, New Jersey and New York** have such state-level labeling requirements pending. We are also seeing bills that would prohibit the use of plastic as a "connecting device" between beverage containers. And finally, in **New York they have introduced a bill that would require a glyphosate warning**, despite recent efforts by the Federal EPA to quash such state labeling requirements.

Licensing, Trade Practices and Market Access

As always, the bulk of the bills that we see are related to local licensing and regulatory issues. While many of these proposals don't directly impact our members, they do impact the ability of our retail partners to sell wine, so we track them closely to determine potential areas where we need to impact the legislation.

Wine in food stores:

We currently have legislation pending in six states related to grocery store sales of wine. In **Connecticut**, there are four bills that would allow for the sale of wine in food stores, with one of those having a unique proposal to require that 10% of wine shelf space be allocated to CT wineries (despite concerns there may not be enough CT wine to supply that much product). In **Maryland**, the MD retailers Association and a group called Marylanders for Better Beer and Wine Laws have joined to push a bill to allow wine in grocery in "underserved areas" of the state. In **Minnesota**, there is a bill to allow grocery and convenience store sales with a requirement for local referenda. In **Pennsylvania**, there is a proposal that would allow the Wine Expanded Permit holders, along with restaurants and bars, to buy product at a 15% discount rather than the 10% discount currently allowed. And finally, in **Mississippi** two bills that would have allowed for wine in grocery died in committee earlier this month. While we maintain a "neutral" position on wine in grocery legislation in line with past board positions, we do follow all of these proposals closely, weighing in when there are things in the bills that would be clearly detrimental to our membership if they were to pass.

Sunday sales, blue laws:

Efforts to expand Sunday sales hours and to allow for the sale of wine on holidays continue to make progress in a number of states. Nine states are seeking to either allow Sunday sales for the first time, or to expand their Sunday sales hours to earlier in the day. Two states, **New York** and **Tennessee**, are seeking to allow wine sales on Christmas day. We are supportive of these efforts.

Licensing:

The area of licensing is the place, in addition to the delivery issues mentioned above, where most of the remainder of the COVID-19 attention and remediation has been focused. **The majority of the states have seen some form of legislation introduced that would create extensions or grace periods on license renewals and fees for those licensees who have experienced shutdowns and curtailed occupancy and hours rules during the pandemic.** Wine Institute has been supportive of these efforts, which are taking many forms. We are currently following almost 400 licensing bills to make sure none of them have a detrimental impact on our members. While there are traditional bills that would expand licensure to new venues like movie theaters and create new license categories in some states, this type of legislation is a bit less common this year than in years past because of the focus on assisting existing licensees.

One non-crisis area of licensing law where we have seen an uptick in legislative activity this year is the repeal of **residency requirements**. In the wake of the *Tennessee Wine* ruling by the US Supreme Court, a number of states are now moving to remove residency requirements for licensees in order to come into compliance with that decision.

Trade Practices:

Due to the focus on COVID-19 related aid to licensees as mentioned in the previous item, it seems that we are seeing less Trade Practice legislation that we would see in a typical legislative session. There are, however, some of the traditional issues again on the table. We are again opposing **cooperative purchasing** proposals in **New York** that would allow licensees to join together in order to obtain quantity discounts from suppliers and wholesalers. Primary American Source proposals are also appearing again in **New York**, and the concept is being included in various types of legislation in other states. In **Oklahoma** we are supporting bills to allow off-premise retailers to conduct tastings of wine, beer and spirits.

Advertising Practices:

There has been some activity around advertising regulation this year, but most of the bills seem to be reintroductions of bills that have failed in the past. The bulk of the bills are related to **billboard advertising**, with most seeking to either put a moratorium on new billboards, or to limit alcohol advertising to be more than 1,000 ft from schools, playgrounds, day-care centers and/or churches. We continue to oppose these types of restrictions, supporting instead the voluntary 500-foot limit that the Outdoor Advertising Association currently follows. Legislation related to **social media** is under discussion in several states that want to emulate the bills recently passed in California and Washington, but none of those have yet been acted upon.

DUI / BAC

This year legislation to decrease the BAC limit from .08 to .05 has once again been introduced in **Hawaii**, **New York** and **Oregon**. While none of these bills passed last year, we remain concerned about them as there are some powerful interests supporting the bills. We are also seeing a few more states looking to change their laws to specifically address drivers who are impaired through a combination of alcohol and drugs. This has taken on more significance as states continue to legislate in response to newly enacted marijuana legalization programs.

COVID-19 Related Actions

Last spring at the outset of the COVID-19 pandemic our department quickly responded with a number of initiatives to help keep members informed of changes at the state level, and to do what we could to positively impact the ability of wineries to continue to make sales in the midst of the dramatic changes that were taking place across the country. We are continuing to update the following resources to assist members in navigating these issues.

COVID-19 Restaurant & Bar Reopenings: We have been tracking the closures and subsequent reopening status for restaurants and bars in all of the states. This tool has been used by members to keep their sales teams informed of actions on this front in the states. During this most recent quarter states have gone from increased shutdowns and restrictions between Thanksgiving and Christmas, to what is once again a slow relaxing of restrictions as infection rates go down and vaccination rates increase. The majority of states are once again allowing limited indoor dining with capacity caps and mandatory social distancing protocols still in place. The matrix outlining these changes can be viewed by following this link: <https://wineinstitute.org/covid-19-reopenings>

COVID-19 State Guidance Documents: Last March we also began the process of reaching out to state regulators seeking specific relief and guidance for wineries during the crisis. This

work has continued throughout the year. We asked regulators to consider relief such as extensions of tax payment deadlines, forgiveness of penalties and interest on late payments, extensions for licensing renewals and other similar forms of regulatory help that the states could provide to licensees. We also encouraged that ABC agencies, working with their local governors, consider creative solutions such as the allowances for on-premise licensees to provide wine, beer and spirits with food orders for take-out, curbside pickup and delivery. Over the course of the crisis the states have issued numerous Executive Orders, ABC Guidance documents and media updates on these and many other topics. All such resource documents that we have been able to gather have been posted in one easy to locate webpage that has been made available to the entire industry. This matrix can be viewed by following this link: <http://wineinstitute.org/covid-19-state-guidance>

Outreach and Administrative

Our team has continued to work remotely throughout the most recent quarter, and all conferences have taken place on-line. Steve Gross made a keynote presentation at the **DTC Wine Symposium** in January. He also participated in the **NABCA Winter Board Meeting**, two **NABCA Industry Advisory Committee** meetings, and a **Sonoma State University Wine Business Institute Board Meeting**. Steve also presented to the **Public Policy Committee** and participated in the **Legal Subcommittee** meetings during the quarter. We have continued to meet with the leadership of other state winery associations through the **SRAAC of Wine America**, and with leaders from **Washington and Oregon's wine industry** alongside other WI colleagues. Our team has begun meetings on an as needed basis with both the **SR-EWG** and the **SR-RTGWG** as outlined above in the report.



Agenda Item No. 8(b)(iv)

FEDERAL PUBLIC POLICY
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021

CRAFT BEVERAGE MODERNIZATION AND TAX REFORM ACT (CBMTRA)

Congress voted to make all of the federal excise tax benefits in the Craft Beverage act permanent when it approved the Consolidated Appropriations Act for FY2021 at the end of last year. These benefits, which had been in place temporarily since January of 2018, were scheduled to expire on December 31st of last year had Congress not acted. TTB will be issuing guidance for tax filers that will include new instructions for submission of documents by importers along with other reporting items. The legislation secures a cumulative annual savings of over \$75 million for wineries across California. The following provisions are now permanent:

- **FET Tax credit now applies to all wineries regardless of size** - All wineries regardless of size can apply for a tax credit of between \$.535 and \$1 per gallon on the first 750,000 gallons of wine production. The total value of the full credit is \$451,700 per year based on producing the full 750,000 gallons.
- **Sparkling wine** is eligible to receive the tax credits listed above.
- **Wine containing up to 16% Alcohol by Volume (ABV)** is taxed at \$1.07 per gallon, down from \$1.57 per gallon.
- **The carbonation limit in low alcohol wines (8.5% ABV or less)** has been increased to .64 grams of carbon dioxide per hundred milliliters. It was previously .392 grams/liter.

COVID-19 ECONOMIC ASSISTANCE

COVID-19 Relief Legislation – Congressional leaders are pressing to pass another significant pandemic relief package by mid-March that could total as much as \$1.9 trillion in additional economic stimulus. Wine Institute is advocating along with the Craft Beverage coalition for inclusion of key provisions. The following measures for businesses and their employees are being considered for inclusion:

- \$25 billion in direct support payments to restaurants and winery tasting rooms through the RESTAURANTS Act. This would provide payments to certain wineries who have incurred losses in tasting room sales due to the pandemic.
- An extension of the Employee Retention Tax Credit through December 2021.

- An extension of paid leave and sick leave benefits for employees AND extension of the tax credit for employers with 500 employees or less to cover the employee leave costs through September 2021. The cap on wages per employee is raised from \$10,000 to \$12,000. The tax credit would also cover time off to obtain a COVID vaccination.
- An extension of unemployment benefits through August 2021, and an increase in the weekly benefit from \$300 to \$400.
- It's uncertain whether an increase in the minimum wage from \$7.25 up to \$15 will be part of the final package as negotiations continue.

Restaurants Act (S. 255 / H.R. 793) – Wine Institute along with industry partners from beer and distilled spirits trade associations are continuing to advocate for full funding of \$120 billion (in addition to the \$25 billion referenced above) in grants made available to restaurants, bars, tasting rooms. The legislation is now cosponsored by 6 senators and 131 House members and we will continue advocating for expanded funding for the program in future legislation.

Expanded Access to Small Business Administration (SBA) Loans – Representative Jennifer Wexton (D-VA) introduced legislation entitled the “Fairness for Craft Beverage Producers Act” that will give alcohol producers access to more capital in the Paycheck Protection Loan Program (PPP) similar to loan thresholds made available for restaurants last December. The bill would change the terms of PPP loans and allow alcohol producers to apply for loans equaling up to 3.5 times their monthly payroll. Under current rules, the loans are capped at 2.5 times monthly payroll. The legislation would also make alcohol producers eligible for extended loan forgiveness terms available in SBA 7(a) loans, which were designed for small businesses to finance expansion and capital improvements. These loans do not require a borrower to show financial loss from the pandemic. We are working to identify a senator to introduce a companion bill and build support for the legislation in the next round of COVID relief.

U.S. DIETARY GUIDELINES FOR 2020-2025

USDA and the Department of Health and Human Services (HHS) have published the newest edition of the US Dietary Guidelines for Americans and have maintained the longstanding definition of moderate alcohol consumption for men. Wine Institute worked with other producer groups to advocate for maintaining this guidance and rejecting the recommendation of the Dietary Guidelines Advisory Committee which had recommended reducing the daily recommended consumption for men from no more than two drinks per day to no more than one drink per day. Wine Institute opposed the recommendation because of the lack of a clear preponderance of scientific evidence supporting the change.

STANDARDS OF FILL

TTB issued new regulations regarding the standards of fill for wine in late December. The updated regulations authorize new container sizes for wine including 200ml, 250ml, and 355ml but importantly leave in place the comprehensive regulations regarding standards of fill. Wine Institute had opposed the initial TTB proposal to do away with all standards of fill out of fear that a complicated patchwork of state regulations would be created in its place. Wine Institute successfully advocated directly with TTB leadership and also sought the engagement of the Congressional Wine Caucus in support of our position.

USPS SHIPPING EQUITY ACT

Wine Institute is closely monitoring developments around [HR 2517 – USPS Shipping Equity Act](#) (as introduced in 116th Congress, not yet reintroduced in current Congress) which would allow the US Postal Service to deliver beverage alcohol. In the wake of significant media coverage around the USPS financial crisis, comprehensive postal reform legislation has gained momentum in the new Congress. Rep. Jackie Speier (D-San Francisco) has previously attempted to attach the USPS Shipping Equity Act to postal reform legislation and we expect her to do so again this year.

USPS shipment of alcohol raises numerous concerns that have been expressed by various state level regulators relating to the fact that USPS is not a licensed common carrier similar to FedEx or UPS. States have reasonably questioned their ability to enforce DTC requirements on an independent agency of the federal government. Numerous states require that common carriers apply for licenses before completing DTC shipments and also file regular reports of their wine shipments. States are concerned that they won't be able to impose on the USPS these basic reporting requirements that have become commonplace for the existing carriers to file in the states and that are essential to ensuring tax and regulatory compliance.

Some states have penalties in place for any violations of delivery and reporting laws. These include (but are not limited to), fines, suspensions of service, and arrest of drivers who make certain violations. While a state can tell FedEx or UPS they can no longer deliver packages into their state, they are concerned that they cannot do the same of the USPS. If states don't feel that they have the ability to regulate the carriers of the products, then our fear is that they will seek to restrict DTC altogether. Additionally, in an effort to force USPS compliance with state regulations, states may seek to amend their DTC statutes which could allow opponents of DTC to impose further restrictions.

This issue was discussed at the recent Public Policy Committee meeting where members voted to support the staff recommended position of opposing the legislation as it is currently drafted. The issue will be raised again at the next Legal Subcommittee meeting before being placed on the agenda for the next board meeting.

WILDFIRE ASSISTANCE AND PREVENTION

Wildfire Relief Legislation - Reps. Mike Thompson (CA-5), Jimmy Panetta (CA-20), Barbara Lee (CA-13), Dan Newhouse (WA-4), and Pete DeFazio (OR-4) have reintroduced legislation to reauthorize the Wildfire and Hurricane Indemnity Plus Program (WHIP+). The legislation is identical to the bill introduced late last year and provides direct relief to grape growers who sustained financial losses from wildfires in 2020 and does not change the payment calculations. Wine Institute is working closely with the bill sponsors and industry partners at WineAmerica and the California Association of Winegrape Growers (CAWG) on potential modifications to make the program more amenable to growers and winemakers.

Smoke Exposure Research Funding – Congress authorized an additional \$3.5 million for FY 2021 to continue the ongoing research on smoke exposure to wine grapes by scientists at UC Davis, Washington State University and Oregon State University. The researchers spent their initial grants on staffing and equipment purchases for their labs as well as a review of smoke intensity and sensory evaluation on grapes collected last fall. Wine Institute and CAWG plan to submit a similar request for federal funding for FY 2022.

SPECIALTY CROP PEST MITIGATION

The USDA office of Animal & Plant Health Inspection Service (APHIS) recently advised that they had not detected any instances of the European Grapevine Moth (EGVM) in the U.S. in 2020 but will continue to monitor closely. They also advised that pest invasion from outside the U.S. decreased last year presumably from the steep decline in international travel as a result of the pandemic. The agency is coordinating closely with the California Department of Food and Agriculture to prevent infestation from the spotted lantern fly. APHIS advised that USDA approved the following budgets for pest mitigation in 2021:

- \$21.1 million for the Glassy Winged Sharpshooter (an increase of \$5.1 million from 2020);
- \$5 million for the European Grapevine Moth;
- \$16 million for the Spotted Lantern Fly (The majority of funds will be spent on treatment and surveys in the field to understand how “drift” affects its spread); and
- Still working internally to allocate funding for the Light Brown Apple Moth.

CANNABIS LEGISLATION

Congressional leaders including Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chair Ron Wyden (D-OR) and Senator Cory Booker (D-NJ) will soon introduce comprehensive legislation that federally legalizes cannabis and creates a regulatory structure to manage the marketplace.

In an effort to reform cannabis policies, interested stakeholders launched the U.S. Cannabis Council last month. Their mission is to speak as one voice for legalizing cannabis at the federal level as well as offering social justice and economic opportunities to communities most affected by the War on Drugs during the 1980’s. The goals of the council are to:

- Enact comprehensive federal legislation for cannabis legalization;
- Secure the release of current felons and expunge the records of past offenders accompanied by a presidential pardon; and
- Transfer cannabis from Schedule I Controlled Substance List.

The legislation will also address the taxation, distribution, and administration of cannabis. Oversight may closely resemble what is in place for alcohol products with regard to permitting and labeling but create a phased-in excise tax rate schedule to capture the gray market and allow for flexible distribution. The legislation may also provide a framework for FDA to regulate cannabinoids (CBDs) as pharmaceutical, food, or supplemental products. Restrictions on use and marketing to minors as well as impaired driving measures are also expected to be addressed. It is unclear whether the legislation will include regulatory oversight of growing and production similar to what is in place for other agricultural products by farmers.

Wine Institute will analyze all aspects of the legislation upon introduction and seek input from winery members on potential concerns.

IMMIGRATION REFORM

Wine Institute is closely tracking regulatory and legislative immigration policies. Changes to guest worker rules are under review by senior officials in the Biden Administration. New rules for temporary H-2A ag workers initially released on January 15 that would have mandated

electronic filing of job orders and applications as well as offered flexibility by staggering entry of workers into the U.S. are now frozen pending further review.

Last month Senator Bob Menendez (D-NJ) and Representative Linda Sanchez (D-CA) introduced the U.S. Citizenship Act in support of President Joe Biden's immigration proposal. The centerpiece of the legislation would create a pathway to earned citizenship for the 11 million undocumented immigrants currently in the country, including those in the agricultural workforce. It is not yet clear if this comprehensive reform proposal can gain bipartisan support in the Senate or leaders will attempt to break up the bill and pass key components separately.

If this is the case, farm workforce legislation is likely to be one of the first measures to move forward along with legislation addressing the so-called Dreamers, immigrants brought to the US as minors. The bipartisan Farm Workforce Modernization Act, which passed the House last year, is expected to serve as the basis for any legislation this year. We will be seeking further input from winery members once a proposal is introduced.



Agenda Item No. 8(c)

INTERNATIONAL PUBLIC POLICY REPORT
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021

International Agreements

US-UK Free Trade Negotiations: Trade negotiations between the United States and the United Kingdom continue to advance. Wine Institute continues to advocate for expanded market access in this critical export market. In addition to elimination of tariffs on wine, negotiators are discussing a Wine Annex, using the text of the US-Mexico-Canada agreement as a base. The Annex could include agreements on mutually recognizing of wine making practices, common labeling elements and more. President Biden has nominated Katherine Tai for U.S. Trade Representative and the confirmation hearing is scheduled for February 25, 2021. We expect negotiations to start soon after the appointment is confirmed and are urging the administration to finalize an agreement as soon as possible.

Trade Issues

United Kingdom: For wines exported to the UK and re-exported to the EU, we are aware of an issue involving the UK's Defra's issuance of certificates. In order to re-export U.S. wines into the EU-27 a Defra certificate is required in addition to the self-certified VI-1 certificate which is provided by wineries. Currently a "wet" signature is required on the Defra certificate, but Defra officials can only go to their office with a negative COVID test. In addition, the EU did not suspend the wet signature requirement for wine certificates, despite doing this for other commodities. Since the Defra certificate cannot be signed, and there is no electronic option, several EU countries are detaining wine shipments. We are working with a U.S. government team, including the Office of the Trade Representative, to sort out the situation between the EU and the UK and liberate stuck shipments in several European countries.

Canada: Market Access – Canada and Australia continue to discuss a mutually acceptable resolution to the outstanding issues in the Australian WTO complaint against federal and provincial market access policies for wine in Canada. The outstanding issues relate to provisions in Quebec relating to which wines may be sold in grocery stores and "bottled in Quebec" requirements. It is expected that a resolution could be reached by later this spring, if not then the WTO dispute panel will release a report on its findings. Canada and Australia had previously announced a favorable settlement agreement addressing the federal excise tax exemption and discriminatory policies in Ontario and Nova Scotia which will expand market access for imported wines. Wine Institute has been an active participant in the WTO process.

China: Retaliatory Tariff Exclusions – The Biden administration has announced an internal review of the Phase One trade agreement entered into with China during the previous administration. However, it appears unlikely the new administration will act in the near future to remove any of the retaliatory tariffs that have led to the targeting of US wine by China. In the meantime, wineries report that their Chinese importers have received tariff relief after applying to China’s tariff exclusion process. Importers may request relief of 25% ad valorem of the total current 54% ad valorem tariff. If your winery is exporting to China, please contact Charles and Katherine for more information on how importers can apply. China implemented this system after the Phase 1 agreement as a way for China to fulfill its promise of importing more American agriculture.

European Union: Retaliatory Tariffs on Wine – The Biden administration has also announced a complete review of the trade policies put in place by the previous administration including the retaliatory tariffs targeting certain wines imported from the EU. This review is expected to take at least until the end of March. The administration did announce in February that USTR would not be making any changes to expand the current tariffs as a result of the regular tariff review process required by law. This was viewed as an effort to de-escalate the dispute and set the stage for a settlement. The EU is pressing the administration to move quickly to re-engage in negotiations to resolve the current dispute and end the tariffs targeting wines and spirits.

European Union: New Labeling Requirements – Wine Institute continues to closely monitor progress on *new nutrition and ingredient labeling regulations* for wine in the European Union (EU). The EU wine industry has proposed a framework for the new mandatory labeling regulations that the EU is likely to adopt with the following key components:

- 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” as now allowed by TTB
- Disclosure of additional nutrition information is optional
- Calorie and nutritional info will be based on 100ml (3.4 oz) serving size for table wine
- Ingredient list must be disclosed, but may be done off label via an e-label
- Processing aides and natural substances added to wines may be required to be listed

The new regulations are expected to be finalized later this summer when the EU enacts its updated Common Agriculture Policy (CAP). While the transition period has not yet been set, the new labeling regulations are expected to come into force for all wines sold in the EU (including US wine exports) by the beginning of 2023.

The EU Commission has also recently announced a *new health warning label requirement* for all alcohol sold in the EU. The announcement was made as a part of the Commission’s Beat Cancer plan and while the content and rules for the warning have not yet been determined, there will be an effort by health advocates to seek a link between alcohol and cancer. The new label requirement is expected to go into force by the beginning of 2024. Wine Institute will follow this process closely and update members as the new rules are developed.

Crop Protection Substances: USDA has approved Wine Institute’s grant application to help manage changes to Maximum Residue Limits (MRLs) in winegrapes for key export markets including the EU where they aim to reduce the use of crop protection substances by 50% by 2030. The funds will include monitoring of changes in key export markets by Bryant Christie International. Also included are funds for research projects to determine the economic impact of lowered MRLs and into alternate substances or practices when an important crop protection material is no longer available. Additionally, it will cover workshops to instruct the U.S. wine and winegrape industries about the changes. The project’s timeline is 5 years, with funding of

\$650,000 of the period of the grant. An in-kind contribution by Wine Institute of \$475,000 in the form of staff time and resources will bolster the grant funds. We are finalizing the contract which will be signed soon.

International Organizations

World Health Organization: Global Alcohol Strategy – The WHO’s work to adopt an Action Plan to Accelerate the Implementation of the Global Alcohol Strategy is progressing, and a first draft of the Action Plan is expected to be released later this spring. The plan is likely to try and further shift the WHO’s focus away from reducing the harmful use of alcohol to simply reducing per capita consumption overall. Additionally, the WHO is likely to further emphasize the “best buys” – higher taxes, restricted marketing, and restricted sales – as the only successful tool for accomplishing its goals. As a part of this effort, the WHO is holding consultations with producers in the beverage alcohol sector and Wine Institute is participating in this process through our engagement with **IARD** and **FIVS**. IARD member companies (12 large, global beer and spirits companies) are working on a set of commitments they are expected to make as a proactive effort to shape the WHO process. These commitments are expected to center around ensuring a safe e-commerce marketplace, providing greater on-label health information, and sports sponsorships. We are following this process closely and will continue updating members as needed.

2021 International Wine Technical Summit (IWTS): Wine Institute continues work to plan for the ninth annual IWTS which will be hosted virtually this year due to COVID-19 travel restrictions. The IWTS is a joint Wine Institute/U.S. Department of Commerce partnership to encourage export markets to adopt good regulatory practices for wine. The virtual IWTS is scheduled for the week of May 24th. The USDA grant that supports the project has been extended until September 30, 2021. Please contact Katherine Bedard if you or a colleague are interested in participating.



Agenda Item No. 8(d)

TECHNICAL ADVISORY COMMITTEE REPORT MEMBERSHIP/BOARD OF DIRECTORS MEETING March 9, 2021

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. Smoke Exposure Task Force

In an effort to guide industry response to the recent wildfires, the Technical Advisory Committee has spearheaded a task force to provide information related to smoke exposed grapes. This project will focus on long term goals to help the industry through future wildfires. Efforts will be focused on three key objectives: mitigation techniques, measurement, and prevention. The Technical Advisory Committee is considering hiring an expert to provide substantive input and serve as the project manager on behalf of the California wine industry.

2. Resources for Nutrition Labeling and Advertising Best Practices

In November 2020, Wine Institute Technical Advisory Committee introduced the new Nutrition Calculator for labeling and advertising which provided members with an efficient and cost-effective way to generate nutrition information. This new tool eliminates the need for expensive testing and allows members to focus on nutrition information in their advertisements.

With all of this in mind, Wine Institute felt it was important to remind members of the regulations and restrictions related to nutrition advertising. Tracy Genesen gave an in-depth presentation at the February Legal Subcommittee and Public Policy Meetings to provide members with nutrition advertising best practices and watch outs. In an effort to distribute this information to as many members as possible, the legal department compiled a list of "Frequently Asked Questions" related to nutrition labeling and advertising which is posted on the members' site.

3. Focus on Voluntary Ingredient Labeling for Wine

Members of Wine Institute Technical Advisory Committee have created a working group to evaluate ingredient labeling for wine. The Ingredient Labeling Project will focus on technical definitions and analysis as well as labeling practicalities in the context of the current regulatory landscape.

Recently, the working group has focused on international regulatory changes which may impact the United States. Specifically, European label changes related to off-label ingredient declarations. Ignacio Sanchez Recarte spoke at the most recent Wine Institute Technical

Advisory Committee Quarterly meeting to give an overview of the latest developments in ingredient labeling in the European Union and to answer member questions related to the topic.

4. Collaboration Efforts with Industry Enological Suppliers

Wine Institute Technical Advisory Committee has formed a task force for the purpose of working collaboratively with industry suppliers to gain a mutual understanding of industry enological needs and innovative products being offered by suppliers.

The task force has been meeting regularly since November 2020 to gain mutual understanding of current developments and industry needs. The suppliers presented at the January 2021 quarterly meeting of Wine Institute Technical Advisory Committee to give an overview and update on US regulation of materials used in wine.



Agenda Item No. 8(e)

INTERNATIONAL MARKETING &
CALIFORNIA WINE EXPORT PROGRAM REPORT
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021

Global Initiatives & Branding Campaign

- **Golden State of Mind Campaign Launch** – On February 2, 2021 launched the global Golden State of Mind campaign including a new logo and brand position of California Wines. The campaign will run for a minimum of two years starting in Spring 2021 and will comprise multiple elements including a digital consumer advertising campaign starting in April 2021. The brand work was initiated in August 2019 with a Challenger Brand strategy workshop led by UK-based consulting group EatBigFish. The launch included rolling out the [new logo](#) for California Wines along with a new [brand video](#) that outlines the principles behind the Golden State of Mind positioning and campaign. The [Discover California Wines website](#) has also been updated and refreshed with the new brand look. The media release for the new campaign had strong exposure to an estimated global audience of 125+ million readers with coverage running in both digital and traditional print media outlets in Canada, Denmark, Germany, Japan, Mexico, Netherlands, Poland and the UK in addition to a range of leading business publications in the US.
- **Global Digital Agency** –Sacramento-based digital advertising agency [Mering](#) has developed the global digital media campaign strategy for the Golden State of Mind campaign. The digital campaign will roll out to nine global markets including Canada, Denmark, Germany, Hong Kong, Japan, Mexico, Netherlands and the UK. The consumer-focused campaign will build awareness of California wines to drive trial and engagement, leading to increased retail and online sales. Campaign metrics will include market specific goals for audience growth and engagement. The campaign will launch with 12-week flights starting in April and May, followed by a second flight in the fall and will tie in with planned retail and restaurant programs, along with existing social media campaigns in key markets. The campaign creative is in development and will include robust images, video and storytelling.
- **Capstone: California Wines Education & Certification Program** – Preparing to launch the first phase of the new California Wines Education & Certification Program with an initial Train the Trainer session for a select group of wine educators in the EU on March 5. The EU launch of the program exclusively for the trade will take place during the week of March 22 with sessions each day and a combined audience of 1,500+ attendees. The program includes a rigorous 4-tier certification program with quizzes and exams that culminates in a Certified Ambassador of California level that requires a trip to California and a written exam to pass. Certified Ambassadors will be credentialed to teach on behalf of California Wines anywhere in the world. All educational content for the program has been developed exclusively for Wine Institute by a global Education Panel comprised of renowned wine writers, wine educators, and leaders in the global wine industry. The Capstone program will

continue to launch in other markets through the spring and as a fully translated program in Asian markets in the fall.

- **Global Costco Partnership** – The first year of the global partnership with Costco concluded with successful programs in eight of the originally planned markets including Australia, China, France, Japan, Spain, South Korea, Taiwan and the United Kingdom. Despite needing to adapt to COVID, the program yielded strong results and exceeded sales expectations in every market. Programs in Japan and South Korea drove sales increases of 36% for the period, 70% in China, and 84% increase in the UK. Plans for 2021 are in development with an emphasis on integrating promotions with in-market programs, increased advertising, and additional sku's. Upcoming programs include advertorials, in-store displays, category promotions, and road-show style programs.
- **Round Two Brand Health Tracking Study** – Wine Intelligence delivered the 2020 results of the Wine Origin Brand Health Tracking Study. The second round of the five year consumer study showed progress for awareness and affinity with California wines in relation to other competitive wine regions in key markets. The research was conducted in October in nine leading international markets – Canada, China, Germany, Hong Kong, Japan, Mexico, South Korea, Sweden and the United Kingdom. Conducted each year for five years, the study will measure changes in awareness, intent to purchase, conversion, and attributes associated with California wine. While change in consumer perception moves slowly in the wine category, there were several positive indicators of early growth in markets including Canada, the UK and Mexico. In several markets consumers have started to associate qualities such as “sustainable”, “environmentally friendly”, and “fresh” with California wines which aligns with the strategy behind the new Golden State of Mind campaign. The study will be conducted again in October 2021 to track progress of the campaign in all markets.

USDA/Foreign Agriculture Service/Market Access Program/SF Office

- **ATP Funding Deadline Extended** - FAS announced that Wine Institute's Agricultural Trade Promotion (ATP) grant will be able to be extended to 2024 if needed. The amount of the \$15.9 million grant is unchanged. Due to the COVID19 crisis, Wine Institute will be able to extend programs funded by ATP and ensure that all ATP funds are fully used during the grant period. Initially, the program was considered a three year program that was expected to conclude in 2022. These ATP grant funds are used to supplement current MAP programming, develop new programs, and extend programs into new markets.
- **Virtual Export Program All-Member Meeting Planned for March 4** - The California Wine Export Program will hold a virtual meeting for all Export Program members on March 4, 2020. The meeting will feature a presentation on Capstone, the California Wines Education Program, in addition to updates on the Golden State of Mind campaign roll-out, Costco partnership details for 2021, and other program updates.

International Market Updates

- **Essential California at Home, London, March 24 & 25** - Finalizing preparations for the upcoming Essential California at Home. This year one of the largest trade events of the year for California wines in London will be virtual, and trade participants will have the opportunity

to taste through a range of California wines in their own environment. Short videos on California's wine growing regions created in partnership with the regional associations will provide an educational context for tasters, and customized tasting kits will give buyers the opportunity to select the wines that they would like to taste and focus on specific varieties and producers.

- **Brexit Backlog and Re-export of Wine from Great Britain to Ireland, Northern Ireland, or EU** - Many UK importers are dealing with a multitude of issues in relation to Brexit. In addition to the paperwork issues, there are reports of significant logistics shortfalls out of Europe with many shippers avoiding routes to the UK due to uncertainty surrounding customs. Potential freight delays for wines coming out of the US could also pose issues, so we would be grateful to any Export Members who may have insights on this that they could share with us. Additionally, if US wine originally shipped to Great Britain via the EU is to be re-exported from Great Britain to Ireland or Northern Ireland, those shipments will need to be accompanied by a completed EU VI-1 pro-forma along with a copy of the EU VI-1 that accompanied the wine when it first entered the EU. The additional paperwork is causing delays at ports.
- **EU Retail Initiatives: Vivino & More** - A new support program for Vivino is being developed across European countries (Netherlands, Belgium, Denmark, Sweden, Germany and Switzerland) to boost sales of California wines. During the whole month of February, leading Denmark retailer Salling, is conducting a nationwide promotion of California wines across its 120 Fotex and Bilka outlets. Four California brands and 12 SKUs are included. In Russia, and in partnership with the Embassy in Moscow, a US wine promotion is underway during the months of January and February, including 310 specialized wine outlets on. The list of wine outlets can be found on the official event website.
- **SAQ California Sunshine Brigade, Quebec** - Outdoor activation at two SAQ stores (Atwater and Angrignon) for two weeks in February. The Sunshine Brigade will provide patio heaters and promotional giveaways from a California-themed Volkswagen Westfalia campervan complete with surfboards and beach umbrellas to provide some sunshine from the Golden State while customers wait outside in line to shop at the SAQ stores.
- **California Wines in Big Brother Celebrity Edition, Quebec** - From January through March, California Wines is a featured sponsor of the hit weekly reality TV show Big Brother Celebrity Edition, airing on channel NOOVOO Quebec. Viewer numbers have been high (330,000 adults aged 25-45 watching the series launch on Jan. 10), exceeding expectations.
- **'Sense of Place' Japan Trade/Consumer Webinar in partnership with Sonoma County Vintners** - To celebrate Sonoma County as this year's Themed Region for the 27th annual California Wines By The Glass Promotion in April and May, this webinar will look at six AVAs within Sonoma County with six different vintners. More than 340 consumers, media and members of the trade have registered for the webinar. The first 100 people who registered received a mini tasting kit prepared locally in Tokyo with the wines featured in the seminar. Featured wineries have been invited and selected by Sonoma County Vintners.



Agenda Item No. 8(f)

COMMUNICATIONS COMMITTEE REPORT
DISCOVER CALIFORNIA WINES U.S. PROGRAM
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021

Media and Member Outreach

Press Releases/Statements/News Alerts: We issued 34 member and media communications since the last Board Report for the December meeting in addition to developing and updating numerous webpages, talking points, statements and other background documents.

- 02/19/2021 – [March Board of Directors Meeting Invitation & Registration](#)
- 02/18/2021 – [Join Our Down to Earth Month Member Webinar](#)
- 02/16/2021 – [News Alert: Prop 65 Update - Clear & Reasonable Warnings](#)
- 02/09/2021 – [News Release: Winter Salads & California White Wines Offer a Lighter Twist on Winter Fare](#)
- 02/04/2021 – [News Briefs: Second Round Opens for COVID-19 Relief Grant](#)
- 02/02/2021 – [News Release: California Wines Launches “Golden State of Mind” Campaign in International Markets](#)
- 02/01/2021 – [News Alert: Applications Open for 7th Annual California Green Medal](#)
- 01/29/2021 – [News Alert: 2020 Year in Review](#)
- 01/27/2021 – [News Alert: COVID-19 Vaccine & the Workplace Webinar Now Online](#)
- 01/26/2021 – [News Alert: Regional Stay at Home Order Lifted Statewide](#)
- 01/22/2021 – [News Briefs: Water Board Adopts Statewide General Winery Order](#)
- 01/20/2021 – [News Alert: Register for Friday's Webinar on COVID-19 Vaccine & the Workplace](#)
- 01/15/2021 – [News Alert: COVID-19 Vaccine & the Workplace - Jan. 22 Webinar](#)
- 01/13/2021 – [News Alert: 2020 News Highlights & Resources](#)
- 01/12/2021 – [News Alert: Don't Forget to Register for the Wine Law & Policy Symposium](#)
- 01/12/2021 – [News Alert: Expanded Paycheck Protection Reopens](#)
- 01/07/2021 – [News Alert: Register for the Wine Law & Policy Symposium](#)
- 01/05/2021 – [News Alert: COVID-19 Relief Grant Program for CA Small Businesses & Nonprofits](#)
- 12/29/2020 – [News Alert: U.S. Dietary Guidelines Preserve Guidance on Moderate Alcohol Consumption](#)
- 12/23/2020 – [News Briefs: FAQs on Workplace Implications of a COVID-19 Vaccine](#)
- 12/22/2020 – [News Alert: California Wines Social Media Recap](#)
- 12/22/2020 – [Kentucky & Illinois DTC Shipping Updates](#)
- 12/11/2020 – [News Alert: TTB's Top Label Application Errors](#)
- 12/10/2020 – [News Briefs: 37 New Members Elected at Virtual Winter Board Meeting](#)

- 12/08/2020 – [News Release: California Wines Offers Free Holiday E-Cards,](#)
12/08/2020 – [News Release: CEOs of Major Beverage Alcohol Associations Send Letter to Congress Urging Immediate Passage of Craft Beverage Modernization and Tax Reform Act](#)
12/04/2020 – [News Alert: Regional Stay Home Order Announced](#)
12/03/2020 – [News Alert: REMINDER: Join Our Craft Beverage Day of Action to Save Tax Benefits](#)
12/02/2020 – [News Alert: Register for Dec. 4 COVID-19 Webinar](#)
12/02/2020 – [News Alert: New Stay-at-Home Order May Occur](#)
12/01/2020 – [News Alert: Cal/OSHA COVID-19 Prevention Emergency Regulations Approved](#)
12/01/2020 – [Act Now: Join Wine Institute's Day of Action to Save Craft Beverage Tax Benefits](#)
11/30/2020 – [News Alert: Dec 1. Day of Action to Save Craft Beverage Tax Savings](#)

Media Response – We responded to three dozen media inquiries in the last quarter among them the impact of COVID-19 on the wine industry, including tasting room shutdowns, travel and the economic impact. Decanter and New York Times called about tariffs on EU imports. Press Democrat called about the Dietary Guidelines and tariffs. Santa Barbara Independent, Practical Vineyard and Winery and Ag Alert called about the State Water Order, and News Statesman inquired about the impact of climate change on the wine industry.

Year in Review – The 2020 Year-in-Review report was sent to membership on Jan. 29 in a new [webpage](#) format providing a comprehensive overview of Wine Institute work by month highlighting key long-term projects and accomplishments. We are developing a recruitment communication to prospective members with a link to the YIR and adapting the report to a brief, printed version to accompany the dues renewal mailing.

Wine Institute Presentation and Brand Guidelines – We finalized the new template for Wine Institute presentations and provided best practices to staff to ensure consistency across all departments. An adaptation was developed for International Marketing to reflect the new global CA Wines branding.

Issues Management

Glyphosate Resources – We updated content and design of Wine Institute’s webpage on glyphosate and wine and created a template for additional issues webpages that are available when topics are searched. We are finalizing a streamlined webpage on arsenic based on the new template working with members of WITAC and Legal to review all final content.

Wine Processing Materials – We continue working with WITAC Wine Components group to identify materials on the current TTB list that require explanation of purpose and status in finished wine to update reference and response documents.

Wildfire Response – We documented procedures and best practices for responding to wildfires impacting California wine s to be used internally and shared with staff, regional associations and members when future events arise.

Discover California Wines (DCW) U.S.

Down to Earth Month 2021 (D2E) – The tenth annual D2E Month campaign in April will include livestream events on social media, a slate of broadcast interviews, trade and association partnerships and a D2E press release and landing page featuring winery virtual events and offers highlighting sustainability. We developed and shared a member toolkit and hosted a March 4 webinar for members and regions on how to communicate and promote sustainability practices .

Lifestyle PR – We issued a January news release on seasonal, produce-driven recipes from our website paired with CA winter white wines. Sommelier Tonya Pitts of One Market is quoted in the release. We also updated our fact sheets including statistics on key CA wine varietals.

DCW U.S. Social Media – Social media posts on U.S. Facebook, Twitter and Instagram highlighted California wines, wineries and regions throughout the state and reached combined impressions of 1.18 million for the first six months of FY20/21 with 39,101 engagements (comments, likes, shares). Total followers were 63,545. Pinterest continues to be an effective platform for our content with 1.67 million impressions, 71,540 engagements, up 42%, from an audience of 44,000. Our newly optimized YouTube channel, including both U.S. and International content, broke 1,000 followers (a threshold metric for YouTube) and exceeded 2,500 watch hours with 18,600 views.

International Brand Refresh – We worked International Marketing communications on launching the California Wines International brand refresh campaign including a Feb. 2 news release and digital [press kit page](#) with the new brand content. We also adapted our consumer website and social media channels reaching global and consumer-focused communications channels to the new branding and continue to phase in updates to brand assets to support the campaign.

International Education Guides – We continued to provide review and edits to the extensive content on California wine regions, wines and winegrapes to support the upcoming launch of the new website.

Discover California Blog - We issued six editions of the monthly [blog](#) incorporating food, lifestyle, sustainability and wine messaging and adapted the blog posts and page to reflect the new California Wines logo and branding which we use in the U.S. for consumer-focused lifestyle communications.

Canto (Photo Archive) – Work continues on providing training, addressing questions and labeling and categorizing the collection of 26,000 visual assets, a shared resource for Communications, Int'l Marketing and EA/CSWA. We uploaded new content for the portal for Int'l Reps and are now working with our social media consultant to manage this content going forward.

Staffing

Retirements and Staff Changes – Gladys Horiuchi, Director of Media Relations, retired from Wine Institute after 25 years on Feb.15. She is continuing to support the department through the transition. Jenni Jennions, Communications Manager, departed Wine Institute after two-and-a-half years based on an out of state move. Nancy Light will depart Wine Institute after 24 years on April

30th to pursue a new part-time endeavor. She is assisting in recruitment of a successor who will be involved in hiring a new team and will remain available as a resource.



Agenda Item No. 8(g)

ENVIRONMENTAL AFFAIRS DEPARTMENT
MEMBERSHIP/BOARD OF DIRECTORS MEETING
March 9, 2021

Environment, Health & Safety Committee

The **Environmental Committee – newly renamed the Environment, Health & Safety Committee** – held its 3rd quarterly meetings via Zoom on February 1. Agenda items included regular Committee Business; approval of a new 3-year strategic plan; updates from the Crop Protection Steering Committee, CSWA and Sacramento; Working Group Updates, with an emphasis on the newly adopted Winery Water Order; guest speaker Tess Dunham; and a new vendor process was finalized with input from the Committee. The next meeting will be held on May 3, 2021.

In addition to regular conference calls of the **Water, Air, General Regulatory and Market Issues Working Groups**, staff assisted members with Basecamp, participated in the COVID-19 Health & Safety Working Group, reviewed and submitted comment letters on the sustainability aspects of the draft statewide winery general permit and Region 3 vineyard order, implemented CSWA's Third-Party Program for the Region 2 Vineyard WDR, and continued to monitor the EU Farm to Fork initiative among other activities.

The **Crop Protection Steering Committee** – a joint effort with the Wine Institute Technical Advisory Committee – met several times to implement its strategy to proactively and cohesively address issues related to crop protection materials. We worked with the DC office to secure a Technical Assistance for Specialty Crop Block Grant for \$650,000 to monitor, communicate, research and educate about MRL issues, which was approved by USDA in February.

California Sustainable Winegrowing Alliance (CSWA) Board of Directors

The **CSWA Board of Directors** held its quarterly board meetings via webinar on February 10. Prepared materials and hosted the quarterly CSWA Board of Directors meeting. Agenda items included welcoming new CSWA Legal Counsel, Steven Lee, approved the FY 2019/2020 Audited Financial Statements and Ted Rose as Assistant Treasurer, discussed fundraising and the 5-year Strategic Plan and Work Plans (for CSWA overall and for certification), demoed the new certification website, and reviewed CSWA's activities including events and grant deliverables. The next meeting will be held on May 4, 2021.

Workshops/Meetings/Events

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

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

- Jan 14 – Attended Sonoma County Winegrowers' Dollars & Sense event
- Jan 15 – Met with Sustainable Conservation to discuss the connection between soil management practices and water resources
- Jan 19 – Met with [Sustainable Wine](#) to discuss Global Sustainable Wine Roundtable concept
- Jan 20 – Joined D.C. office for a meeting with the Risk Management Agency to discuss grant programs, crop insurance, and other topics of mutual interest
- Jan 25 – Met with staff at Sustainable Winegrowing British Columbia to share information on educational tool development and auditing
- Jan 25 – Attended CDFA Call with Secretary Ross who announced upcoming stakeholder meetings regarding "Farmer and Rancher Led Climate Solutions"
- Jan 26-29 – Hosted CSWA's 2021 Virtual Unified Booth, attended Unified sessions and participated in the trade tasting for research and insights for our Summit tasting
- Feb 3 - Met with Karissa Kruse of Sonoma County Winegrowers to hear about their latest plans related to sustainability
- Feb 4 – Interviewed by consultant working with New York Wine & Grape Symposium to develop business plan for sustainability certification
- Feb 5 - Met with Aster Global to share information about the industry's environmental and sustainability initiatives and to learn more about their services
- Feb 22 – Provided Wine Institute/CSWA and NGRA updates to the ASEV Technical Liaison Committee
- Feb 23 – Presented a CSWA update to CAWG's Industry Affairs & Sustainability
- Feb 24 and 26 – Presented on a climate change and "the future" for the Wine Future 2021 conference
- Mar 4 – Presented for the Communication Department's Down to Earth workshop for Wine Institute members
- Mar 8 – Presented for a Systembolaget webinar on human rights issues for U.S. importers and producers

Certified California Sustainable Winegrowing

Updated Participation Statistics as of December 2020

Total Vineyards Certified: 2,247

Total Wineries Certified: 171

Total acres of Certified California Sustainable Vineyards:
204,122 acres (32% of 635,000 total California acres*)

Wine cases produced by Certified Wineries:
255 million (80% of 316 million total statewide cases**)

Wine bearing the wine logo or certification claims
9,425,916 cases (2017, 2018, 2019, & 2020 vintages)

*The California Department of Food and Agriculture provides estimated totals of the state's reported and unreported acres based on a statistical sample for 2019.

**The total CA case production estimate is based on TTB reports from the calendar year 2019.

For an updated list of the certified wineries, vineyards and a newly developed wine list, visit:
<http://www.sustainablewinegrowing.org/certifiedparticipants.php>.

Other Activities:

- Prepared for and held the 2020 Auditor Training on Dec 9, and followed up with all auditors to inform each of them of the steps required to maintain their accreditation. Updated the 2020-21 Auditor Handbook (Auditor Resources page) on the CSWA website.
- Prepared for and hosted a Renewal Webinar on Feb 2 for 70+ current participants.
- Prepared new slide deck and hosted the SWP and Certification Overview Webinar on Feb 9 (15 registrants).
- Distributed a Certified Participant Survey to seek program feedback from certified participants.
- Worked with consultant to finalize the new certification website and address ADA compliance, Google Analytics, and other issues. The certification website is scheduled to launch in early March.
- Held numerous meetings to address Salesforce reporting needs and procedures, and conducted quality assurance checks to ensure data accuracy.
- Notified participants and auditors of changes in the 4th Edition Code and how they will impact the SWP Online System, and worked with participants on cloning and accessing the 3rd Edition self-assessment.
- Updated the Dual Certification Pathway resources and notified participants and LODI RULES and SIP Certified of the announcement and resources.
- Finalized Annual Certification Report and Appendix and launched news release highlighting this along with the release of the 4 Edition Code.
- Worked with SureHarvest on the Online Certification Application and Audit Report Cover Page template report in the SWP Online System.
- Prepared for and hosted a Pest Management Technical Advisory Group (TAG) meeting on Feb 22 to review the Red and Yellow List Materials for any needed updates.
- Processed applications, Chain of Custody Audits and Wine Label Notification forms; made requested updates to participant accounts in the SWP online system; responded to auditor and participant questions; and provided one-on-one support for several growers, auditors and winery staff who are preparing for the 2021 certification cycle.
- Logged and began reviewing Audit Reports for the March 2021 deadline group.
- Continued working with auditors on their accreditation steps, including logging/tracking completion of the steps.
- Worked with our financial Auditor and Accounting to plan for new accounting protocols for FY 2020-21 and to clean up the aged receivables report (removing anyone who has dropped from certification) and continued outreach to participants with outstanding certification fees and other past due balances.
- Mailed certification signs to new participants.

Grant Projects

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

A **2.5-year, \$300,000 Multi-State Project** titled “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:

- Developed agenda and promotional materials for the [2nd U.S. Sustainable Winegrowing Summit](#), a virtual 3-day event that will take place April 19-21 and include a tasting, winery and vineyard tour, a keynote, communications workshop, climate resiliency panel and diversity and equity conversation. Evan Goldstein, MW, Ray Isle, Esther Mobley, Julia Coney and Elaine Chukan Brown are among the featured speakers.
- Solicited Summit sponsors, including *American Vineyard Magazine*, Napa Green, Protected Harvest, and Master the World.
- Created event website, invitation, and worked on webinar logistics.
- Worked on a brochure and website featuring common definition and principles of sustainable winegrowing.
- Developed ad and article to be featured in *American Vineyard Magazine*.

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:

- Participated in a CDFA audit of the grant administration and financials, including an entrance and exit conference.
- Reviewed and offered feedback on the integrated winery water tool website and design.
- Met with project consultants to outline remaining deliverables including finalizing tools, case studies and a webinar.
- Began working on a new climate smart report for the online system.
- Provided comments related to recognition of sustainability programs for the Winery Water General Order and Region 3 Order 4.0.
- Met with Wine Institute staff, members and Sonoma County Winegrowers staff to discuss the potential for the Code/CCSW to help with compliance to SGMA in Sonoma and other wine regions.

Project Development/Other:

- Submitted a full proposal for the CDFA Specialty Crop Block Grant program for a \$321,393 project titled “Enhancing Sustainable Winegrowing Education and Communications through Industry-Wide Goals for Key Sustainability Areas.” The proposal included letters of support from Sonoma State’s Wine Business Institute, Paso

Robles Wine Alliance, Napa Valley Vintners and Allied Grape Growers and collaborators from California sustainable winegrowing programs (SIP, LodiRules, Napa Green, Sonoma Sustainable, LandSmart).

- Provided letters of support to for a UC Davis/USDA ARS soil health project and a Napa Resource Conservation Service cover crop project.

Communications/Other Projects

2021 Green Medal: Sustainable Winegrowing Leadership Awards:

Opened applications for the 2021 California Green Medal: Sustainable Winegrowing Leadership Awards, and distributed a [news release](#). Made additional updates to Green Medal website including the banner recognizing new sponsors and the final list of judges. (See greenmedal.org; Applications due April 1.)

4th Edition Code:

Over the past year, CSWA undertook a significant review process in preparation for publication of the 4th edition *California Code of Sustainable Winegrowing*. Each chapter was initially reviewed by staff and consultants, reviewed twice by the Joint Committee during 15 webinars and reviewed by subject matter experts upon request. The final draft was also available online for public comment for more than 30 days. The 4th edition Code was approved by the CSWA Board of Directors at the November 2020 board meeting and was released at the end of the year.

Sustainable Ag Initiative Benchmarking Project:

CSWA worked with SureHarvest to benchmark CCSW to the Farm Sustainability Assessment, a tool from the Sustainable Agriculture Initiative ([SAI Platform](#)), an internationally-recognized ag assessment that helps standardize international assessments and certifications. The benchmark allows CSWA to make the following claim: “Certified California Sustainable Winegrowing has FSA Silver Level Equivalence, demonstrating that it is highly aligned with SAI Platforms Farm Sustainability Assessment.” In addition, certified wineries could make the claim that they are a Certified California Sustainable Winery (and/or Vineyard), a certification program that has FSA Silver Level Equivalence.”

Communications:

- Published CSWA 2020 Year in Review in December (included in board packet).
- Finalized 2020 Certification [Report](#) and [Appendix](#), highlighted alongside the 4th Edition Code in a [Feb. 3 news release](#).
- Regularly review the sustainable winegrowing section of the monthly *Discover California Wine Blog* and provided input into the blog planning calendar.
- Met with Communications and International Marketing teams and external consultants numerous times to coordinate messaging and plan for Down to Earth Month 2021.
- Responded to questions from a writer for Vinomonolet’s customer magazine, Vinbladet, about sustainable wine certifications. (Vinbladet has a circulation of around 60,000, and is also available in our stores and online <https://www.vinmonopolet.no/publikasjoner>.)
- Interviewed by journalist for New Statesman Media Group on the industry’s climate change initiatives.
- Submitted “What is Sustainable Winegrowing?” article for publication at “Sustainable, Secure Food Blog”: <https://sustainable-secure-food-blog.com/>
- Prepared layout of and content for CSWA’s Virtual booth at UNIFIED 2021.
- Continued organizing photos on Canto and began planning for next two photo shoots involving sustainability leads who work with our certification participants.

- Worked with the International Marketing on Tasting Climate Change events in Canada and California, and to finalize plans for a climate change project to review past activity and to chart next steps.