



JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS

June 8, 2021 - 9:00 a.m.

Zoom Webinar, California

John Sutton, Chairman of the Board Presiding

- AGENDA -

1. Roll Call
2. Corporate Business
 - (a) Approval of Minutes — **Action Required**
 - (b) Resolutions — **Action Required**
 - (c) Dates of Future Board Meetings
 - (d) Results of Election of Directors for 2021-2022
 - (e) Board Vacancies — **Action Required**
 - (f) California Sustainable Winegrowing Alliance (CSWA) Board Vacancies — **Action Required**
3. Member Relations – Ian Blue
 - Election of New Members — **Action Required**
4. Chairman’s Remarks
5. President's Message
6. 2020-2021 Proposed Budget – John Sutton/Ted Rose — **Action Required**
7. Guest Speaker: Dale Stratton from Wine Market Council
8. Committee/Departmental Reports
 - (a) International Marketing — Honore Comfort
International Marketing Update
 - (b) Public Policy — Suzanne Groth
 - (i) Committee.....Tracy Genesen
 - (ii) FederalCharles Jefferson
 - (iii) State Relations.....Steve Gross
 - (iv) California.....Tim Schmelzer*California State Relations Update*
 - (c) International Public Policy — Randall Lange / Charles Jefferson
 - (d) Technical Advisory Committee — Paul Huckaba / Tracy Genesen
Technical Advisory Committee Update
 - (e) Environmental Affairs — Chris Savage / Allison Jordan
Environment, Health & Safety Update
 - (f) Communications — Rick Tigner / Natalie Wymer
9. Unfinished Business
10. New Business
11. Adjournment

NEW BOARD MEETS IMMEDIATELY FOLLOWING THIS MEETING

Wine Institute

MINUTES

MEMBERSHIP/BOARD OF DIRECTORS MEETING

June 9, 2020

Pursuant to call and written notice in accordance with the bylaws of this corporation, the Annual Meeting of Wine Institute Members in joint session with the Board of Directors was held virtually on Tuesday, the 9th day of June 2020, at 9:00 a.m.; Harry H. Wetzel, Chairman of the Board, presiding.

QUORUM

Chairman Harry H. Wetzel commenced the meeting by asking Maluri Fernandez to determine quorum based on virtual meeting attendance. The attendance of Directors was reviewed and it was announced that a quorum was present.

APPROVAL OF MINUTES

On motion made, seconded and unanimously carried, the minutes of the Annual Membership Meeting held on June 11, 2019, at Solage Resort & Spa, Calistoga, California, were approved as mailed.

On motion made, seconded and unanimously carried, the minutes of the Board of Directors Meeting held on March 10, 2020, at the Sutter Club, Sacramento, California, were approved as mailed.

APPROVAL OF ACTIONS OF DIRECTORS AND OFFICERS

Harry H. Wetzel presented the following resolutions:

On motion made, seconded and carried, the following resolution was unanimously adopted:

WHEREAS, The officers of this corporation in the conduct of the business of the corporation since the last Annual Meeting of Members, have expended various sums of money, made contracts, and otherwise performed various acts;

NOW, THEREFORE, BE IT RESOLVED, By the members of the Board of Directors duly assembled this 9th day of June 2020 that all the acts and actions so taken, and all things done and performed by the officers and each of them, be and they are hereby in all respects approved, ratified, and confirmed as of the dates taken or done, respectively.

On motion made, seconded and carried, the following resolution was unanimously adopted:

WHEREAS, The officers and directors of this corporation, in the conduct of the business of the corporation since the last Annual Meeting of Members, have expended various sums of money, made contracts, and otherwise performed various acts;

NOW, THEREFORE, BE IT RESOLVED, By the members in Annual Meeting duly assembled this 9th day of June 2020, that all acts, actions so taken, and all things done and performed by the officers and each of them, the directors, be and they are in all respects hereby approved, ratified and confirmed as of the respective dates taken or done.

FUTURE BOARD MEETINGS

Harry H. Wetzel announced the dates of future board meetings for fiscal year 2020–2021 as follows:

September 8, 2020 *At the discretion of the Chairman of the Board, a 4th regular Meeting of the Board of Directors may be held on the second Tuesday of September.*

December 6 - 8, 2020
March 8 – 9, 2021
June 6 – 8, 2021

ELECTION RESULTS

Mr. Brian Harvey of Deloitte & Touche, Certified Public Accountant for Wine Institute, announced the names of those elected to the Board of Directors for the ensuing fiscal year.

The results of the election of directors in the various districts and at-large having been announced, the following were declared elected as directors of Wine Institute to serve for the ensuing year and until their successors have been duly elected and qualified.

<u>District Number</u>	<u>Director</u>	<u>Alternate</u>
1	Kaj Ahlmann	Vacant
2	Julie Pedroncelli St. John Louis M. Foppiano Steven W. MacRostie Katie Wetzel Murphy	Carmen Castaldi Eric Lent Vacant Vacant
3	Suzanne Groth David R. Duncan Michael Maher Dennis Cakebread Robin Baggett	Mike Reynolds Hugh Davies Delia Viader Chris Hall Paul Leary
4	William R. Cooper	Earl R. Ault
5	Scott Scheid	Lawrence T. Lohr
6	Gretchen Roddick Laura Booras Nicholas Miller Gary Eberle	Karen Steinwachs Maeve Pesquera Greg Martellotto Jean Pierre Wolff
7	Stephen Kahle	Linda McWilliams
8	Steven Millier	Vacant
9	Randall Lange	David Phillips
10	Steve Schafer	William J. Nakata

At Large Directors

Director

Alternate

Corey Beck
Giancarlo Bianchetti
David Bowman
James E. Coleman
Matt Deegan
Cindy L. DeVries
Michael Drobnick
John G. Franzia, Jr.
Joseph S. Franzia
Matthew J. Gallo
Tobin A. Ginter
Peter N. Larson
James A. O'Malley
John Sutton
Rick Tigner
Robert R. Torkelson
Brian J. Vos
Michael Walker
Christine Wentz
Jolene Yee

Ken Minami
Steven Chen
Carolyn Wasem
TBD
Sam Glaetzer
Rodrigo Maturana
Matthew Towers
Daniel J. Leonard
Chris Mifsud
Stephanie Gallo
Timothy Burgess
Roger J. Trincherro
David Perata
Keith Bauman
Katie Jackson
Anthony Torres
Jeffrey Dubiel
Tiffanie De Liberty
Amy Hoopes
Cheryl Indelicato

VACANCIES ON THE BOARD

On motion made, seconded and unanimously carried, William J. Nakata was elected an Alternate Director on the Board of Directors to fill the vacancy existing in District No.10.

ELECTION OF NEW MEMBERS

Harry H. Wetzel called on Ian Blue to present the following new members to be elected:

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

BoaVentura Winery, Livermore
Bodega de Edgar, Paso Robles
Boeger Winery, Placerville
Desire Lines Wine Co., Sonoma
Fairwinds Estate, Calistoga
Fults Family Vineyards, Lower Lake
Gandona Estate, St. Helena
Giornata, Paso Robles
Grey Wolf Cellars, Paso Robles
Guyomar Wine Cellars, Templeton
Heibel Ranch Vineyards, Angwin
J. Dirt Wines, Buellton
The Last Wynn, Fallbrook
Majuscule Wine, Napa
NABU Wines, Thousand Oaks
Naughty Boy Vineyards, Potter Valley

Poe Wines, Napa
Rancho Guejito Vineyard, Escondido
Stressed Vines, Santa Rosa
Urban Press Winery, Sonoma
Waters Edge Wineries, Rancho Cucamonga

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

AEB USA
(Application sponsored by Woodbridge Winery & Peltier Station)

CHAIRMAN'S REMARKS

See below.

Harry H. Wetzel Remarks
Chairman of the Board of Wine Institute
Membership/Board of Directors Meeting
June 9, 2020

My chairmanship over these last twelve months has been eventful, to say the least. When Chris passed me the gavel last June, it appeared that an office move, and a budget deficit, would be the big issues.

Fast forward to March, when the pandemic was just beginning to unfold in the U.S. We could not have anticipated the extent to which it would impact our world, our lives and our businesses.

What an unusual year this has been. If ever the value of Wine Institute has been apparent to me, and I hope to all members, it has been during these crises.

Wine Institute's response on Coronavirus has been immediate and impactful. Every area of the organization stepped up to provide essential resources, guidance, advocacy and information and continues to do so. Wine Institute's work kept us open and able to make, sell and ship wine. Weeks of work were spent developing health and safety protocols and making the case with Governor's office that wineries can reopen in a way that will be safe for guests and employees. And we finally received word last Friday that tasting rooms may reopen starting June 12, if their county laws permit.

In addition to providing the protocols to get us ready, Wine Institute prepared essential documents - liability waivers, employee health policies and more -- to help ensure that wineries won't be the target of lawsuits or become associated with the spread of the virus. Alexander Valley Vineyards opened to visitors in late May when Sonoma County approved the variance for wine tasting with dine-in meals. We've been offering wine tasting and a vineyard hike with lunch by appointment. We look forward to resuming more regular visitation but plan to take it slow with safety as the top priority.

In mid-March AVV quickly began working on increasing Direct to consumer sales. The years of work by Wine Institute in the DTC arena helped us achieve stunning sales increases, first with our existing customers and then, using facebook boosts and google ads, we added over 500 new customers. Of course, this was offset by steep declines in the tasting room and in more traditional three tier markets, especially the ones where we have historically done well in restaurants. And even through this pandemic, other important work has continued at Wine Institute as you'll hear in the department reports.

Craft Beverage savings is more important than ever. The savings from 2018 & 2019 were very significant for Alexander Valley Vineyards and we invested in remodeling our offices. We will be needing those savings this year and next. The WI budget challenges I mentioned earlier have grown more severe – not due to Coronavirus or its economic impacts, which may be coming -- but because of the unanticipated combination of a dues reduction and flat or declining wine sales.

Bobby and the advisory board must continue to work on this to ensure that Wine Institute has the budget it needs to support the key priorities we all agreed to in the recent strategic plan update. We need to recruit more members, and every Board member has a role in this. I will stay engaged in that effort in Sonoma County.

It has been a pleasure getting to know Bobby and the team over my five years as an officer. I have always appreciated how well California wineries are represented by Wine Institute, and that appreciation has only grown. I have greatly enjoyed working with the other officers, Board members and all of the Committees and members. You understand that if you want to have a voice, you need to take a seat at the table and contribute. It has been a privilege to do so.

I am excited to see John Sutton take over the reins as WI chair in the coming minutes. After working with him in the past few years I know he will be a great Chairman. Our officers are a dedicated bunch and they will serve you well. I know there are big challenges ahead, but I'm confident that we can meet them by working together as we always have.

I thank you for your support and friendship.

PRESIDENT'S MESSAGE

Bobby Reported as follows:

Bobby Koch Report
Membership/Board of Directors Meeting
June 9, 2020

Good morning. Needless to say, I hope this is the only Board of Directors meeting that we will ever have to do virtually. It's way better to be together.

We last met as a Board in Sacramento, on Tuesday, March 10, just as COVID-19 was heating up. And the following Sunday, March 15, Governor Newsom called for all bars, pubs and wineries to close and everything began to change for us.

Tim, Tyler, Tracy and I were on the phone with the Governor's office that afternoon letting them know our concerns on the impact this could have and how we planned to interpret and implement the closure announcement.

Wineries are essential businesses because we supply other essential businesses (grocery stores and food outlets). Our interpretation was that tasting rooms would close, curbside pickup would be allowed, and the day-to-day operations of wineries and vineyards would continue.

The next day, seven Bay area counties (Alameda, Contra Costa, Marin, San Mateo, Santa Clara, Santa Cruz and San Francisco) issued Shelter in Place orders.

These counties, and all others, embraced how we interpreted and implemented the Governor's announcement. The WI team did a fabulous job here and on all the other work that has been done since March 15.

COVID-19 has been a shock to the world, and our nation, and has impacted every single winery.

I know you have recognized how your respective work colleagues have stepped up, under enormous stress, and personal and family disruption and performed at a high level. The same holds true at Wine Institute.

I want to take a moment to let you know how proud I am of every single one of my colleagues, and how honored I am to lead this great organization.

We're going to hear from the department heads who will recap some of the work that was done the last three months and, equally important, take time to map out the work that lies ahead. Each report will go 5-10 minutes.

On a daily basis, we strive to help our members, all of our members. Since the Governor's announcement on March 15 and the pandemic's immediate impact on daily life, this simple desire has become a calling for us.

We have provided valuable information daily and we will continue to do so. We know that conditions will be challenging in the months ahead.

I appreciate the members who have taken the time to provide positive feedback on our work, which I in turn pass on to the team. It is meaningful to get and to share positive feedback.

I'm pleased that tasting rooms can reopen. And there's no doubt, on premise sales will come back.

I thought it was important early on in March for the entire story to be told, after reading headlines and articles in mainstream papers, not just industry newsletters, that wine sales were up close to 70% compared to same time period last year.

As you well know, the increase was off-premise, mainly grocery store sales, with a handful of wineries benefiting but that was only part of the story.

On-premise sales were decimated, tasting rooms were closed and the overwhelming majority of the 10,000 wineries in the US were suffering. And they still are.

We asked Jon Moramarco, managing partner of bw 166 and editor of The Gomberg-Fredrikson Report to do some projections for us. He provided a complete, balanced and very painful forecast of 6 billion dollars in lost sales for U.S. wineries this year.

It was important, and still is, for public policy makers in Washington, Sacramento and in all the states to know how COVID-19 is impacting the wine industry.

We are hospitality. Just like restaurants and hotels, and other attractions, this has been devastating for us.

If there is additional sector-specific support, wineries must be included in any travel/hospitality assistance.

And this is very important. What the industry is going through now is going to impact Wine Institute's budget moving forward.

Every June, we bring a budget forward for your approval. And rarely do I take much time to discuss it. But this year is different.

A little history first.

Prior to the start of FY17/18, the Finance & Administration Committee and, then the Board, adopted a 25% dues reduction in Formula A, which is based on percentage of sales. It is one of two dues formulas we have.

A 5% dues reduction per year, over 5 years.

We're entering year 4 of 5.

At the time, the assumption was that we'd have 3% annual sales growth so this would be sustainable.

It is not working out that way.

Four years ago, member dues totaled \$14 million. For the upcoming FY, member dues will be \$13.3 million.

The budget squeeze today is not because we lost a major dues-paying member. We have not lost a single major member and we've been adding new members over the last several years.

We are in this challenging financial situation because of the dues reduction. Member dues overall have been in decline since the dues reduction began.

Member dues for the upcoming FY will be \$400,000 less than this year and \$700,000 less than 4 years ago.

The COVID-19 pandemic has not impacted our revenue **whatsoever**. But it is going to.

Gomberg-Fredrikson recently projected that sales in 2020 will decline 14% in value. And FY21/22 dues, dues a year from now, will be calculated on 2020 sales.

And we're scheduled to reduce Formula A in FY21/22 another 5% for a fifth and final time.

While dues are being reduced, Wine Institute delivered a massive federal excise tax reduction in 2018 with **every single winery benefiting**. It is a far larger reduction than beer and distilled spirits were able to accomplish.

For 2018, 19 and 20, the federal excise tax reductions for CA wineries will total close to \$250 million, a quarter of a billion dollars in tax relief.

This translates into thousands, if not tens or hundreds of thousands, of dollars in annual excise tax savings for each member of Wine Institute. And for about 20 of our members, the annual excise tax savings are well over a million dollars per winery.

Domestically produced wine sales in 2019 totaled over \$51 billion, of which \$23.5 billion was winery revenue.

We're investing \$13.3 million this year to help protect and grow that \$23.5 billion in winery revenue.

And, again, that's \$700,00 less than four years ago.

Our head count is the lowest it has been in over 25 years. 33 full time employees.

At the same time, our work has gotten more complex and the stakes increase every year.

We are facing major policy challenges in many areas — alcohol and health, the attack on moderate consumption, nutrition and ingredient labeling, retaliatory tariffs, unfavorable trade conditions and increased environmental oversight — and the list is only going to get larger as a result of COVID-19.

States across the country are struggling with huge budget deficits and excise taxes are always at the top of the list as revenue sources.

Last year, we went through a strategic planning process. We identified our priorities. Public Policy, Communications, Environmental, Member Support, and International Marketing.

This is what we care about.

Moving forward, we need to ensure that we have adequate resources to accomplish what you've asked us to do in the public policy arena.

One of the actions we're taking, in order to have adequate resources, is to freeze all Wine Institute employee salaries in the next FY.

In the coming weeks and months, we need to focus on our budget situation.

The Officers and I will work to come up with options that we can discuss in September when we meet again.

With that all said, the Officers and I and the Finance & Administration Committee urge adoption of the FY20/21 budget. It is a balanced budget that will be presented later this morning for approval.

There is an important role for all members moving forward that is also budget related. And that is recruiting wineries to join Wine Institute.

There are many small, medium, and large wineries which are benefiting from all the advocacy work that you fund, that you pay for.

These wineries are on the sidelines, they are free riders.

It is far more effective for you to deliver the message that it's time get off the sidelines, **vintner to vintner**, instead of it coming from Wine Institute staff. And you can also highlight the great work that is being done.

It shouldn't be a hard sell. We have opened 46 states for DTC. This is the lifeline for thousands of non-member wineries.

We also know from public data the excise tax savings non-member wineries enjoyed in 2018 and 2019 because of the Wine Institute's work on the Craft Beverage bill. And 2020 savings will be similar.

In the coming weeks, we will be reaching out to everyone on the Board for help on this.

Because of our budget situation, this needs to be the **Year of Recruitment and New Members**.

I want to thank Hank for a great year as Chair. He's been through a lot this past year, yet unselfishly, devoted the time and attention to our work and helped us through the challenging budget process. He went above and beyond what is expected of a Chair and for that we are all grateful.

A virtual meeting is not really structured to give Hank the right kind of sendoff as Chair, so we are going to do this the next time we're all together in person.

I'd like to close with a few words about the events of the last two weeks. In the midst of a pandemic, unlike anything any of us have ever seen, we all witnessed, right before our eyes, the tragic, senseless death of George Floyd while in police custody on May 25.

What has transpired since then has been remarkable to take in. It has made us all pause and watch, and think, and listen and hopefully listen some more — and begin to determine how best to take action as individuals, as companies and as a community for positive change.

We all have a role.

We are going to begin that conversation at Wine Institute at a staff level. And I know all of you are doing the same. And I look forward to discussing and sharing our thoughts and listening to yours when we're all together again.

Thank you so much.

2020-2021 BUDGET

Harry H. Wetzel presented the budget after which the following action was taken:

On motion made and seconded, the following resolution was adopted:

BE IT RESOLVED, That a membership expense budget in the total sum of \$14,696,112 is hereby adopted for the period effective as of the 1st day of July 2020 and ending on the 30th day of June 2021; and

BE IT FURTHER RESOLVED, That said budget shall constitute and be an appropriation and be the authority for the expenditure during the aforesaid ensuing period of the total estimated revenue therein contained.

PUBLIC POLICY

Tracy Genesen reported on Wine Institute's response to the COVID-19 crisis. Wine Institute communicated daily with members to keep them up to date on COVID-19 guidance and provided members with tools to navigate the unprecedented circumstances. Wine Institute facilitated member engagement with legal experts through webinars and supplemental exemplars on workplace health and safety for production facilities, employment law and business disruption insurance. Further, Wine Institute worked closely with industry participants, member companies and legal experts to create the California Winery Tasting Rooms Reopening Protocols and accompanying webinar presentation, which focused on the practicalities of reopening winery tasting rooms as well as potential legal issues that could arise. In response to member requests, Wine Institute provided sample documents, such as a liability waiver and an infectious and communicable disease policy, for wineries to use as they begin to reopen doors to guests. Lastly, Tracy presented on Wine Institute's early advocacy efforts before TTB (Alcohol and Tobacco Tax and Trade Bureau) and CA ABC (Alcohol Beverage Control). Wine Institute's advocacy efforts led to critical regulatory relaxations for the industry during the COVID-19 crisis.

TECHNICAL ADVISORY COMMITTEE

Tracy Genesen reported on the Wine Institute Technical Advisory Committee's current work on the nutrition labeling initiative. The Technical Advisory Committee met with TTB leadership on May 21, 2020, to request that TTB revise their procedure for nutrition calculation. Specific requests were that TTB expand tolerances to match FDA (Food and Drug Administration) rule, approval to allow the use of calculators and/or databases, eliminate the carbohydrate by difference method. Further, at the May 21 meeting, the Technical Advisory Committee requested that TTB offer input into the FDA Citizen Petition for Carbohydrates in Wine, which was filed with FDA on June 8, 2020.

CALIFORNIA STATE RELATIONS

Tim Schmelzer provided an update on California State Relations. First, he reviewed the pre-pandemic legislative agenda that was expected to be expansive and has now been limited due to the Legislature shrinking the topics they are working on. Current issues include labor, taxation, and environmental issues. Next, regulatory issues were discussed, including those dealing with Water Quality, the ABC, and CDFA's (California Department of Food and Agriculture) cannabis appellation program. Tim also reviewed the COVID-19 activities the Sacramento Office engaged in to help wineries continue operations. Finally, Tim gave a brief preview of the November Election, specifically highlighting the Split Roll Initiative (Proposition 15).

STATE RELATIONS

Steve Gross reported on work the State Relations Department has been doing since the March board of director's meeting. He first outlined the work the team has done to create three resource documents: a State-by-State Closures for Restaurants, Bars and Off-Premise licensees; the Restaurant and Bar Reopening Rules; and the State-by-State ABC Licensee Guidance documents. Next, he summarized the Kentucky DTC (direct-to-consumer) shipping law that was passed recently, and then briefed the board on the 38 state approvals of the virtual wine tasting program that was begun to allow wineries to ship small format bottles (50ml and 100ml) to consumers via DTC shipments. A summary of recent work to expand the ability of restaurants to include wine along with food in order for take-out, curbside pickup and delivery was provided as well. Finally, he outlined the projected state budget shortfalls from across the country resulting from the COVID-19 crisis, highlighting the work that needs to be done to dispel false impressions that all wineries were able to make up for their lost sales in restaurants and tasting rooms via DTC and off-premise sales. He stressed how important this work will be, done in coalition with others in the hospitality sector, in avoiding the wine industry being targeted for excise tax increases to fill massive state budget deficits.

FEDERAL & INTERNATIONAL PUBLIC POLICY

Charles Jefferson updated on the federal response to the COVID-19 pandemic and Wine Institute's activities to ensure wineries benefit from federal assistance. This assistance has come in the form of the Paycheck Protection Program (PPP) and federal excise tax deferral which were discussed. Wine Institute's priorities for the upcoming stimulus legislation were also discussed, including efforts to extend or make permanent the Craft Beverage excise tax legislation. On the international trade front, Jefferson provided an update on the ongoing US-UK Free Trade Agreement negotiations and Wine Institute's efforts to secure greater market access through the agreement. A brief summary of the 9th annual International Wine Technical Summit (IWTS) was also provided. Wine Institute jointly hosts the IWTS each year with the US Department of Commerce to address technical barriers to trade in wine. Regulators from more than 20 countries participated in this year's virtual IWTS.

COMMUNICATIONS

Nancy Light reported on member and industry resources that Wine Institute created to assist wineries in response to the pandemic including a COVID-19 landing page and almost daily news updates. She also shared background on the economic impact analysis that Wine Institute commissioned from Jon Moramarco, bw166 and details on publicity and social media program that highlighted member wineries offers for Down to Earth Month in April and virtual wine experiences and tastings.

ENVIRONMENTAL AFFAIRS & CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE (CSWA)

Allison Jordan noted the work of the Environmental Committee; the Air, Water, General Regulatory and Market Issues Working Groups; and two ad hoc groups focused on Crop Protection and COVID-19 Health & Safety. She also described 3 grant projects focused on targeted education, sustainability research/education and promotion, and regulatory compliance and recognition. Currently, 92% of

California wine is made in a Certified California Sustainable Winery and over 45% of winegrapes are from certified vineyards (including CSWA's program, Lodi Rules, Napa Green and SIP Certified). Jordan recognized the 2020 Green Medal recipients: J. Lohr Vineyards & Wines (Leader), Bonterra Organic Vineyards (Environment), Clif Family Winery (Community) and Pisoni Family Vineyards (Business). In the coming fiscal year, CSWA will publish the 4th edition Code of Sustainable Winegrowing and the 2020 California Wine Community Sustainability Report, launch a new certification website for trade and consumers, and continue to work with International Marketing, Communications and other Wine Institute departments to promote the industry's leadership in sustainability.

INTERNATIONAL MARKETING

Honore Comfort, VP International Marketing, reported on the impact of COVID-19 in wine markets around the world, the success of recently developed webinars and virtual tastings in connecting with trade and consumers, the new California Wine Education and certification program, and plans for the upcoming year including global digital advertising campaigns and major retail promotions. Detailed international marketing plans for FY20-21 will be presented to Wine Institute members at the upcoming virtual Export Forum on July 15, 2020.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:53 am.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

Wine Institute

Agenda Item No. 2(a)

MINUTES MEMBERSHIP/BOARD OF DIRECTORS MEETING March 9, 2021

Pursuant to written notice heretofore given, a meeting of the Board of Directors of Wine Institute was held virtually at 9:00 a.m., Tuesday, March 9, 2021; John Sutton, Chairman, presiding.

ATTENDANCE

The following directors were noted present: Kaj Ahlmann, Robin Baggett, Corey Beck, Giancarlo Bianchetti, David Bowman, Dennis Cakebread, William R. Cooper, David R. Duncan, John G. Franzia Jr., Matthew J. Gallo, Tobin A. Ginter, Suzanne Groth, Cate Hardy, Stephen Kahle, Randall Lange, Eric Lent (District No. 2 Alternate), Lawrence T. Lohr (District No. 5 Alternate), Michael Maher, Nicholas Miller, Steven Millier, Erik Olsen, Julie Pedroncelli St. John, Maeve Pesquera (District No. 6 Alternate), Gretchen Roddick, Steve Schafer, Karen Steinwachs (District No. 6 Alternate), John Sutton, Rick Tigner, Michael Walker, Christine Wentte, Jolene Yee

Absent Directors (9): James Coleman, Matt Deegan, Michael Drobnick, Joseph S. Franzia, Peter N. Larson, Steven MacRostie, James A. O'Malley, Katie Wetzel-Murphy, Robert R. Torkelson

Alternate Directors Present: Earl Ault, Hugh Davies, Jeffrey Dubiel, Steven Chen, Cheryl Indelicato, Daniel J. Leonard, Linda McWilliams, Kenneth Minami, Michael Reynolds, Delia Viader, Carolyn Wasem

The following ex officios were noted present: Gregory J. Coleman, Dennis D. Groth, Margie Healy, Christopher D. Indelicato, Jasper A. Indelicato, David B. Kent, Steven W. Lohr, Dianne S. Nury, Bertram Silk, Carolyn 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, Thomas B. Klein, Walter T. Klenz, Jerome J. Lohr, Richard L. Maher, James H. Niven, M. S. Nury, Jeffrey B. O'Neill, Louis (Bob) Trincherro, Eric P. Wentte, Philip R. Wentte

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

APPROVAL OF MINUTES

On motion made, seconded and carried, the minutes of the meeting held December 8, 2020, were approved as mailed.

BANK OF AMERICA LINE OF CREDIT RESOLUTION

John Sutton informed the Board that Wine Institute's Line of Credit with the Bank of America needs to be renewed. As a condition of renewal, the bank requires a corporate resolution.

On motion made, seconded and carried, the following resolution was unanimously adopted:

BE IT 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.

BOARD VACANCIES

On motion made, seconded and unanimously carried, Aly Wentz was elected to replace Amy Hoopes as Christine Wentz's At-Large Alternate on the Board of Directors.

ELECTION OF NEW MEMBERS

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

Center of Effort Wines, Arroyo Grande (San Luis Obispo Co.)
Cimarossa, Angwin (Napa Co.)
eStCru, Santa Rosa (Sonoma Co.)
Gramm Vineyards, Santa Rosa (Sonoma Co.)
Little Ridge Vineyards, Capitola (Santa Cruz Co.)
Longboard Vineyards, Healdsburg (Sonoma Co.)
Pacific Wine Services, Paso Robles (San Luis Obispo Co.)
Red Car Wine, Sebastopol (Sonoma Co.)
Sloughhouse Vineyard, Sloughhouse (Sacramento Co.)
Terra Sávia, Hopland (Mendocino Co.)

On motion made and seconded, the following firm was unanimously elected to active associate membership in Wine Institute effective April 1, 2021:

GHD
(Application sponsored by The Wine Group and Lava Cap Winery)

GUEST SPEAKER ADDRESS: ERIK HIRATA – ALCOHOLIC BEVERAGE CONTROL DIRECTOR

Eric Hirata reported on ABC's experience with the regulatory relief provisions that were enacted during the pandemic. In addition, he noted ABC's role in ensuring compliance with public health orders and described what operations were allowed in counties dependent on their tier level. Director Hirata noted that wineries were not a significant enforcement concern this past year. Lastly, he mentioned that the Responsible Beverage Service (RBS) Program is beginning to roll out: Training Provider applications were already being accepted, and alcohol servers would soon be able to register for the training. Beginning July 1, 2022, any alcohol server and their manager must have a valid RBS certification from an ABC-accredited RBS training provider and pass an online ABC-administered RBS exam within 60 calendar days from the first date of employment.

CHAIRMAN'S REPORT

See below.

John Sutton Remarks
Chairman of the Board of Wine Institute
Board of Directors Meeting
March 9, 2021

Good morning everybody. Thank you for participating in our March virtual board meeting and for your continued support of Wine Institute. I want to thank Director Hirata for joining us this morning. We are grateful that he took the time to join us when he is right in the middle of preparing for a confirmation hearing.

It is hard to believe that our last in-person board meeting was one year ago in Sacramento. At that time, we had no idea how disruptive COVID-19 would become to our lives and the challenges it would present to our businesses. I am perhaps naively hopeful that we will have some form of an in-person meeting in June, and that I will at least get the opportunity to speak with many of you in person during my chairmanship.

2020 was obviously a challenging year for our industry with COVID-19 and the tragic wildfires during harvest. Wine Institute has done a tremendous job in helping our members navigate these challenging times and representing our interests. Wine Institute continues to focus on COVID-19 Economic Assistance and Wildfire Relief and Management from both State and Federal Governments which you will hear more about in the presentations later this morning. The issues of recycling, extended producer responsibility and single-use packaging in California and several other states are emerging issues to watch that will impact most of our businesses in the future.

Although the pandemic is not over, I'm now confident that we can see the "light at the end of the tunnel" with vaccinations rolling out across the country and restaurants and tasting rooms beginning to expand capacity. There is definitely reason for optimism as we head into spring and summer. Some are predicting the equivalent of the Roaring '20s will be upon us later in 2021 as the pandemic gets behind us. The undeniable pent-up demand all across America will be a boom for all of our businesses.

I hope you saw and reviewed Wine Institute's Annual Recap of 2020 accomplishments that serves as a strong tool for membership retention and recruitment. The recap highlighted a significant number of "wins" for our industry, particularly at the very end of 2020.

These wins included the passage of the Craft Beverage Modernization Act, which made lower wine excise tax rates for every single winery permanent after three years of temporary provisions. This capped a five-year effort of building support in congress for excise tax cuts. Congratulations to Bobby, Charles and team. These tax benefits have already saved Wine Institute members a quarter of a billion dollars in the last three years and they will continue to save the industry at least \$75m per year in the future.

At the state level, not a single state passed an excise tax increase last year due to Wine Institute's work with state legislatures throughout the country. Congratulations to Steve and team.

Wine Institute, along with the Beer Institute and Distilled Spirits Council, successfully convinced officials to retain past guidance on moderate alcohol consumption. Despite this big victory, we remain concerned about the long-standing efforts of health and anti-alcohol advocates to eventually get closer to their goal of global acceptance of "no safe level" of alcohol consumption.

Last fall, Wine Institute also successfully convinced TTB (The Alcohol and Tobacco Tax and Trade Bureau) to expand the tolerances for Voluntary Calorie Statements on labels and advertisements for wine. The ruling made requirements consistent with the FDA(Federal Drug Administration) Food Labeling Regulations.

TTB amended their regulations at the end of 2020 to include new standards of fill for wine for container sizes of 200, 250 and 355 milliliters. This was big news for wineries that are in the can business or plan to get into the can business.

While some of these accomplishments and COVID-19 related challenges 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 more important than now as we come out of the pandemic and business returns to a new normal.

We are also very excited to add eleven 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. In today's advocacy environment, there is strength in numbers and we need all wineries participating in our efforts. I was pleased to learn that we now stand at 1,021 members.

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 a safe and strong 2021 for all of you and your businesses and look forward to the day, hopefully in June, when we can once again meet in person.

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
March 9, 2021

Good morning. A year has passed since we were all together. And yes, things are getting better. Slowly but surely.

Spring is just about here, daylight savings time begins this weekend and we are all more hopeful.

I can't wait to get vaccinated. Not sure when that's going to happen. Soon I hope.

There was a flurry of activity right after the last Board meeting to close out the calendar year. John mentioned Craft Beverage Modernization Act becoming permanent.

Every single winery in California gets relief on their first 750,000 gallons produced. Annual tax savings are larger, and in most cases far larger than Wine Institute dues for every member less our 4 largest members.

There are over 100 wineries in California whose federal excise taxes have been reduced by \$300K or more every year since 2018.

Sparkling wine is eligible for relief, carbonation levels are increased for wine below 8.5% ABV (Alcohol By Volume) and the higher \$1.57 per gallon excise tax rate kicks in for wines above 16%, instead of 14%

Huge savings. And all these provisions were negotiated by Wine Institute.

New container sizes were approved by the Treasury Department: 200ml, 250, and 355. New sizes, new products, new packaging so this is a great development.

More importantly, the original proposal by the Treasury Dept. was to eliminate "standards of fill". In other words, any container size would be allowed for wine.

It was the previous Administration's effort to deregulate.

And we opposed this because it would have been a disaster for us in the states which rely on Federal standards.

Eliminating "standards of fill" would have meant having to go into states and modify state laws putting at risk direct to consumer shipping statutes which expressly recognize federal standards and sizes.

And future changes, like the recent 250ml cans, which we supported, would have required state by state approvals before they could be sold in each state, rather than a simple Federal approval recognized by the states.

Thankfully, and at our urging, this did not happen.

The 2020 Dietary Guidelines were released and the definition of moderate drinking remains the same as 2015.

The proposed change by the Dietary Guidelines Advisory Committee was to modify the definition of moderate consumption from no more than two drinks per day for a man to no more than one drink per day.

The science does not support this and the Secretaries of HHS (Health and Human Services) and USDA (United States Department of Agriculture) chose to not adopt the Advisory Committee's proposal for this very reason.

Wine Institute, Beer Institute, DISCUS (Distilled Spirits Council of the United States), WSWA (Wine and Spirits Wholesalers of America) and NBWA (National Beer Wholesalers Association) all worked together on this and we will continue to work together at home and abroad to counter the attack on moderate consumption by the anti-alcohol lobby which is entrenched both in and outside of government, in NGOs (non-government organizations), foundations and other places.

These were priorities that John listed with the Board upon becoming Chair last June. And I'm glad they're done.

In addition, at our request, TTB has made it less burdensome for wineries to provide voluntary nutrition information on labels and in advertising.

No longer do wineries have to engage in expensive, batch by batch testing to comply with TTB regulations, since this ruling harmonizes TTB's regulations with FDA's tolerance levels of plus or minus 20% for calories.

Winery members can now with ease utilize a Wine Institute nutrition calculator for labels and advertising as well as for menu labeling.

So a strong finish for the year. Our Year in Review on our website captures the great work of all the departments but there's more to do.

Janet Jackson, had a hit song back in 1985, 36 plus years ago. Titled "What Have You Done For Me Lately?" I can't believe that's 36 years ago.

And as dues paying members, you have every right to ask. What's new, what's next?

And, yes, what have you done for me lately.

And that's why this morning, we're going to hear from the Public Policy teams, Sacramento, State Relations, Federal and International Public Policy and Environmental Affairs to learn what we're working on now.

But before I turn it over to them, I want to mention just a couple of other items.

We're beginning to plan for our new Fiscal Year which begins on July 1. Dues forms were just sent out so please be on the look out and get them back to us at your earliest convenience.

We're hosting an important event with the new Chairman of the Assembly GO Committee, Governmental Organization Committee, Jim Frazer on Thursday at 4:00 PM. The committee has jurisdiction over the Alcohol Beverage Control Act. It's important for us to have good attendance for this Zoom event, so if you are able to attend or help with a check, please let Tim or me know.

We'll be doing a similar event for Bill Dodd next month, as well.

And lastly, we have two meaningful personnel matters to share:

- Steve Hayes is retiring on March 15, that's next Monday, after 24 years with Wine Institute.
- Nancy Light is also retiring on April 30 after 24 years with Wine Institute, as well.

These are two incredibly talented department heads, loyal to Wine Institute beyond belief, who we are going to miss very much.

And I'll stop here because it really doesn't work to try and appropriately honor these two great individuals over Zoom.

So we're going to do this in June. I'm hopeful and optimistic that we are going to be able to be together then.

Thank you for taking the time to attend our meeting today.

SACRAMENTO – CALIFORNIA STATE RELATIONS UPDATE

Tim Schmelzer previewed some of the legislation that was introduced in California to begin the Legislature's 2-year Session. Tim covered the following areas: Alcohol Policy, in which he noted bills introduced to continue regulatory relief provision allowed during the pandemic, such as expanded premises and "to go" alcoholic beverages. Covid-19 policies which ranged from extending business relief to extending/expanding labor provisions, such as expanded sick leave. Labor Policy, in which Tim noted that few bills of substance had been introduced, one exception being AB 616, a bill to enact card check. Finally, Tim reviewed several bills intended to improve the State's ability to prevent and defend against catastrophic wildfires. In addition, Tim provided an update on Wine Institute activities regarding wildfire policy. These areas include the pursuit of budget funding for prevention efforts, research to measure, mitigate, and prevent smoke exposure to grapes, and efforts to improve the availability of insurance in regions impacted by wildfires.

STATE RELATIONS – STATE LEGISLATIVE UPDATE

Steve Gross reported on recent activities undertaken by the State Relations team during the past quarter. Among the items covered were tax challenges in Oregon, Hawaii, Illinois and New Mexico. DTC shipping successes in Kentucky and Wisconsin were discussed, as were challenges and opportunities in other states on this topic. Steve outlined the creation of two new Working Groups within the State Relations Subcommittee, one dealing with environmental issues such as EPR, minimum recycled content requirements in plastics, etc., and the other dealing with attempts to reclassify Ready-to-Drink cocktails and other low-proof spirits drinks as wine and/or beer in order to gain distribution and tax advantages for those products. Finally, he covered a broad group of bills being considered this year to provide relief to the on-premise industry, including over a hundred bills dealing with allowing delivery of wine, beer and spirits along with food orders from restaurants and bars.

FEDERAL RELATIONS & INTERNATIONAL PUBLIC POLICY UPDATE

Charles Jefferson provided an International Public Policy update looking at the growing activity around the issue of wine and health. He outlined the ongoing work at the World Health Organization (WHO) to develop a new “Action Plan to Accelerate Implementations of the Global Alcohol Strategy” and the potential long-term implications of this work. Jefferson also highlighted the concerning shift within the WHO away from a focus on the harmful use of alcohol, to focus more broadly on alcohol consumption in general. The WHO continues to focus on the “best buys”—increasing the price of alcohol through taxes, restricting market access, and restricting marketing and advertising. Jefferson also touched on the influence the WHO work is having in certain markets that are adopting new labeling requirements around nutrition and ingredient labeling as well as health warnings.

ENVIRONMENTAL COMMITTEE & CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE UPDATE

Allison Jordan reported on recent progress of the California Sustainable Winegrowing Alliance’s sustainability programs, including publication of the 4th edition California Code of Sustainable Winegrowing and the 2020 Certified California Sustainable Winegrowing Annual Report, noting that 80% of California Wine is made in a CCSW-Certified Winery, 1/3 of the state’s acreage is CCSW-Certified, and nearly 10 million cases bear the certification logo on wine labels. Allison also reported on two current grant projects, which will help fund the 2nd U.S. Sustainable Winegrowing Summit (April 19-21), a new certification website featuring certified wineries, wines and vineyards and a new regulatory compliance tool and integrated winery water tool. The newly renamed Environment, Health & Safety Committee (EH&S) continues to monitor and work on a host of air, water, general regulatory and market issues. Allison announced that the Crop Protection Steering Committee, a joint effort between the EH&S and Technical Advisory Committees, received a new 5-year, \$650,000 TASC grant to monitor, communicate, research and educate about MRL issues that can impede exports. Finally, Allison mentioned the April 2nd deadline for the 2021 California Green Medal: Sustainable Winegrowing Leadership Awards, and encouraged members to apply at greenmedal.org.

ADJOURNMENT

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

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

JOINT MEETING OF MEMBERS AND BOARD OF DIRECTORS JUNE 8, 2021

Resolutions to be presented by Chairman John Sutton

(1) (RESOLUTION TO BE ADOPTED BY THE BOARD OF DIRECTORS)

WHEREAS, The officers of this corporation in the conduct of the business of the corporation since the last Annual Meeting of Members, have expended various sums of money, made contracts, and otherwise performed various acts;

NOW, THEREFORE, BE IT RESOLVED, By the members of the Board of Directors duly assembled this 8th day of June, 2021, that all the acts and actions so taken, and all things done and performed by the officers and each of them, be and they are hereby in all respects approved, ratified and confirmed as of the dates taken or done, respectively.

(move the adoption of this resolution)

(2) (SIMILAR RESOLUTION TO BE ADOPTED BY THE MEMBERSHIP)

WHEREAS, The officers and directors of this corporation, in the conduct of the business of the corporation since the last Annual Meeting of Members, have expended various sums of money, made contracts, and otherwise performed various acts;

NOW, THEREFORE, BE IT RESOLVED, By the members in Annual Meeting duly assembled this 8th day of June, 2021, that all acts and actions so taken, and all things done and performed by the officers and each of them, the directors, be and they are in all respects hereby approved, ratified and confirmed as of the respective dates taken or done.

(move the adoption of this resolution)

**WINE INSTITUTE
FUTURE BOARD MEETINGS
2021-2022**

DATE

LOCATION

SEPTEMBER 2021

AT THE DISCRETION OF THE
CHAIRMAN OF THE BOARD, A
FOURTH REGULAR MEETING OF
THE BOARD OF DIRECTORS MAY BE
HELD ON THE SECOND TUESDAY OF
SEPTEMBER.

DECEMBER 5-7, 2021

THE LODGE AT PEBBLE BEACH

MARCH 7-8, 2022

SACRAMENTO
Monday, March 7, 2022 –
Evening Legislative Reception
Tuesday, March 8, 2022 –
Legislative Briefings and Board Meeting

JUNE 19-21, 2022

The Ritz-Carlton, Half Moon Bay



Deloitte & Touche LLP
 555 Mission Street
 San Francisco, CA 94105-0935
 USA

Tel: 415 783 4000
 Fax: 415 783 4329
 www.deloitte.com

June 8, 2021

Dear Wine Institute:

The confidential balloting for the 2021-2022 Wine Institute District Directors and At-Large Directors has been concluded, the following members have been elected:

	<u>District</u>	<u>Director</u>	<u>Alternate Director</u>
1	Northern (1)	Kaj Ahlmann	Vacant
2	Sonoma (4)	Julie Pedroncelli St. John Katie Wetzel Murphy Tobin Ginter Steven MacRostie	Ana Keller Alan Ramey Christopher Lloyd Strieter Vacant
3	Napa (5)	Suzanne Groth Hugh Davies Dennis Cakebread Robin Baggett Mike Reynolds	Delia Viader Michael Maher Chris Hall Amelia Morán Ceja Paul Leary
4	San Francisco Bay (1)	Amanda Kent	William Cooper
5	Monterey Bay (1)	Scott Scheid	Vacant
6	Central Coast (4)	Nicholas Miller Laura Booras Gretchen Roddick Gary Eberle	Maeve Pesquera Karen Steinwachs Clarence Chia Vacant
7	Southern California (1)	Steve Kahle	Linda McWilliams
8	Sierra (1)	Steve Millier	Stuart Mast
9	Northern Interior (1)	Randall Lange	David Phillips
10	Southern Interior (1)	Kyle W. Ray	Vacant

At-Large Directors (alphabetically):

Directors

Corey Beck
Giancarlo Bianchetti
James E. Coleman
Matt Deegan
Ben Dollard
Michael Drobnick
Jeffrey Dubiel
Matthew J. Gallo
Cate Hardy
Cheryl Indelicato
Peter N. Larson
Daniel Leonard
Lawrence T. Lohr
Alex Ryan
Viviann Stapp
Rick Tigner
Robert R. Torkelson
Michael Walker
Christine Wente
Jolene Yee

Questions concerning this election should be directed to Ian Blue, Member Relations Director, at Wine Institute at (415) 356-7537. Thank you for your participation.

Very truly yours,

Debitte & Touche LLP



Agenda Item No. 3

MEMBER RELATIONS DEPARTMENT REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 2021

Membership

New Members in Q4: We have received eight new winery member applications and one new associate member application since the last board meeting. The applicant winery members are: AJA Vineyards, Burtech Family Vineyard, Hammerling Wines, Langtry Farms, Michael Brughelli Wines, Robledo Family Winery, Toshokan, and Voluptuary Wines. The applicant associate member is: California Soda Company.

Membership/Board of Directors Meetings

March 2021: Wine Institute welcomed ten new winery members and one new associate member at the virtual March Board of Directors Meeting. The meeting was attended by 126 individuals from member wineries, associate members, and WI staff, including 59 members of the board or their alternates. Governor Gavin Newsom gave recorded remarks and members heard from guest speaker Eric Hirata, Director of the California ABC.

June 2021: The 87th Annual Membership & Board of Directors Meeting is currently scheduled to be held virtually on June 8, 2021. We have moved our originally contracted meeting with The Ritz-Carlton, Half Moon Bay to June 19-21, 2022 for the 88th Annual Membership & Board of Directors Meeting to protect our deposit and avoid a large cancellation fee.

December 2021: The 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

Once nominations were received, ballots were compiled and sent to all members on May 4th. Deloitte & Touche LLP reported the election results on **June 7, 2021**. All members will be notified of the final election results the week of **June 7th**.

Industry Events, Member Outreach & Member Benefits

Member Relations continues to have a presence with our industry partners and has presented at meetings with the collective regional association executive directors, and directly with the membership of regional groups like the West Sonoma Coast Vintners and the Lake County Winery Association. Wine Institute has remained closely engaged with our regional partners throughout the pandemic and wildfires by participating in weekly regional calls.

Wine Institute members continue to enjoy significant savings through our discount shipping program with FedEx and the program is a strong driver of membership. Currently, 826 members are enrolled in our FedEx program and nearly 70% of those accounts are actively being used. The average member saves more than \$9,500 in rates each year, in addition to an average of \$15,700 per member in savings on the full waiver of the \$6.70 Adult Signature Required Fee. In FY 20-21, 34 Wine Institute members enrolled in the savings program.

Member Relations is working with the Finance & Administration Department to improve our renewal process and tie our membership records together more closely. Eventually, we aim to have the dues computation form renewals done primarily online and take online payments for dues. Improved membership records will enable Member Relations to quickly identify lapsing members and more effectively retain them.

Wine Institute Calendar

2021

June 8 87th Annual Membership and Board of Directors Meeting, Virtual
December 5-7 Winter Board of Directors Meeting, The Lodge at Pebble Beach

2022

March 7-8 Sacramento Board of Directors Meeting
June 19-21 88th Annual Membership and Board of Directors Meeting, The Ritz-Carlton,
Half Moon Bay (tentative)



1. New Members to be Approved for Membership

- | | |
|-----------------------------------|---------------------------------|
| 1. AJA Vineyards | Valencia (Los Angeles Co.) |
| 2. Burtech Family Vineyard | Encinitas (San Diego Co.) |
| 3. Hammerling Wines | Berkeley (Alameda Co.) |
| 4. Langtry Farms | Middletown (Lake Co.) |
| 5. Michael Brughelli Wines | Santa Maria (Santa Barbara Co.) |
| 6. Robledo Family Winery | Sonoma (Sonoma Co.) |
| 7. Toshokan | Berkeley (Alameda Co.) |
| 8. Voluptuary Wines | Sacramento (Sacramento Co.) |

2. New Associate Members to be Approved for Membership

1. California Soda Company
San Anselmo, CA
Sponsors: Pisoni Vineyards; Bacigalupi Vineyards
Summary: Winery sanitation supplies, including industrial cleaners, sanitizers, and application equipment



Financial Statements

For The Ten Months Ended April 30, 2021

Includes proposed budget for fiscal year 2021/2022

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 4/30/21

Assets

Cash		
Petty Cash	300	
Cash - WI	2,030,613	
Cash - International	0	
Cash - Free the Grapes	<u>322,650</u>	
Total Cash	2,353,563	
Inventory		
Wine Inventory	<u>50,560</u>	
Total Inventory	50,560	
Investments		
Investments - Comm. Paper	2,999,823	
Rabbi Trust - Deferred Compensation	<u>379,843</u>	
Total Investments	3,379,666	
Receivables		
Members Accounts Receivable	1,123,319	
Associate Members A/R	40,125	
Allowance for Doubtful A/C	(39,247)	
Miscellaneous A/R	9,260	
Int'l Program Fees A/R	61,375	
Int'l Tradeshow A/R	0	
Allowance for Doubtful A/C - MAP	(2,625)	
Grant Receivable	44,845	
MAP Receivable	<u>41,122</u>	
Total Receivables	1,278,175	
Deposits & Prepaids		
Deposits	583,725	
Prepaid Insurance	136,092	
Prepaid Rent	104,728	
Prepaid Expenses	<u>121,748</u>	
Total Deposits & Prepaids	946,294	
Fixed Assets		
Furniture & Fixtures	725,576	
Leasehold Improvements	278,787	
Accumulated Depreciation	<u>(781,332)</u>	
Total Fixed Assets	<u>223,031</u>	
Total Assets	<u><u>8,231,289</u></u>	

Liabilities

Accounts Payable		
Accounts Payable - WI		<u>9,441</u>
Total Accounts Payable		9,441
Other Liabilities		
Sales Tax Payable	0	
Unearned Mem Dues Revenue	766,472	
Bank of America Line of Credit	0	
Accrued Expenses	6,793	
Vacation Accruals	720,705	
Deferred Rent	360,096	
Wages Garnishment Payable	0	
Flexible Spending Account	15,005	
Dependent Care Assistance Program	9,207	
Free the Grapes	322,650	
Deferred Compensation	379,843	
Payable to Wineries	0	
Payable to FAS	0	
VAT	11,814	
2019 Event Income	17,158	
Security Deposits	<u>0</u>	
Total Other Liabilities	<u>2,609,742</u>	
Total Liabilities	<u><u>2,619,183</u></u>	

Net Assets

Beginning Net Assets		
Net Assets		<u>4,835,720</u>
Total Beginning Net Assets		4,835,720
Change in Net Assets		<u>776,386</u>
Total Change in Net Assets		<u>776,386</u>
Total Net Assets		<u><u>5,612,106</u></u>
Liabilities & Net Assets		<u><u>8,231,289</u></u>

Wine Institute
Statement of Revenues and Expenditures
7/1/2020 through 4/30/2021

Statement of Earnings												
	Prior Year	2020/2021	2020/2021	Current Period	2020/2021	YTD	2020/2021	2021/2022	2020/2021	2020/2021	Δ Proposed	Δ Proposed
	Actual	Budget	YTD Budget	4/30/21	YTD Actual	Budget	Projected Revenue & Expenses	Expected Revenue & Proposed Expenses	Projected vs Budget (\$)	Projected vs Budget (%)	Budget vs CY budget	Budget vs CY budget
Revenue												
Member Dues	13,791,118	13,298,384	11,081,986	1,367,146	11,246,273	164,286	13,594,238	13,821,527	295,855	2%	523,143	4%
Associate Member Dues	168,750	155,000	129,167	0	162,750	33,583	164,250	164,250	9,250	6%	9,250	6%
Interest Income	65,892	75,000	62,500	236	2,737	(59,763)	3,752	10,000	(71,248)	-95%	(65,000)	-87%
Miscellaneous Income	425	1,000	833	0	1,378	545	60	1,000	(940)	-94%	0	0%
Total Revenue	14,026,185	13,529,384	11,274,486	1,367,382	11,413,137	138,651	13,762,300	13,996,777	232,916	2%	467,393	3%
Expenses												
Executive	1,878,776	1,823,051	1,519,209	201,978	1,604,019	84,810	1,885,941	2,221,463	62,890	3%	398,412	22%
S.F. State Relations	680,752	681,509	567,924	64,663	476,152	(91,772)	595,148	687,523	(86,361)	-13%	6,014	1%
S.F. Legal	598,765	526,338	438,615	51,244	523,310	84,695	603,105	683,507	76,767	15%	157,169	30%
Washington D.C.	1,167,235	1,188,365	990,304	69,545	850,312	(139,992)	1,044,440	1,213,635	(143,925)	-12%	25,270	2%
Regional State Relations	2,822,498	2,830,361	2,358,634	196,722	2,374,391	15,757	2,734,718	2,845,371	(95,643)	-3%	15,010	1%
Sacramento	914,945	925,862	771,552	64,809	708,978	(62,573)	863,861	945,631	(62,001)	-7%	19,769	2%
California PAC Fund	220,326	215,000	179,167	0	216,623	37,456	216,623	240,000	1,623	1%	25,000	12%
International Public Policy	543,416	618,477	515,398	37,040	413,301	(102,097)	502,298	647,298	(116,179)	-19%	28,821	5%
Supp. Fund, Tech. & Environmental Committees	362,799	343,450	286,208	970	229,225	(56,984)	256,487	364,250	(86,963)	-25%	20,800	6%
Communications	1,113,287	1,079,005	899,171	101,599	825,061	(74,110)	1,023,363	1,077,424	(55,642)	-5%	(1,581)	0%
Environmental Affairs	752,384	721,260	601,050	28,472	637,409	36,359	706,826	744,308	(14,434)	-2%	23,048	3%
Finance & Administration	2,861,521	2,593,279	2,161,066	203,232	1,959,740	(201,326)	2,837,968	2,795,412	244,689	9%	202,133	8%
Total Expenses	13,916,703	13,545,957	11,288,298	1,020,272	10,818,521	(469,777)	13,270,780	14,465,822	(275,177)	-2%	919,865	7%
Net Excess/(Deficit) Before International Marketing	109,482	(16,573)	(13,811)	347,109	594,617	608,428	491,519	(469,045)	508,093	-3066%	(452,472)	2730%
International Marketing												
Revenue	1,173,828	1,165,000	970,833	1,175	1,015,125	44,292	1,014,975	1,212,000	(150,025)	-13%	47,000	4%
Expenses	(1,173,828)	(1,150,157)	(958,464)	(104,903)	(833,356)	125,109	(982,757)	(1,211,283)	167,400	-15%	(61,126)	5%
Total International Marketing	0	14,843	12,369	(103,728)	181,769	169,400	32,218	717	17,375	117%	(14,126)	-95%
Net Excess/(Deficit) with International Marketing	109,482	(1,730)	(1,442)	243,381	776,386	777,828	523,737	(468,328)	525,467	-30369%	(466,598)	26967%



INTERNATIONAL MARKETING &
CALIFORNIA WINE EXPORT PROGRAM REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 8, 2021

Global Initiatives

- **US Wine Exports Mixed in 2020:** U.S. wine exports, more than 95% from California, reached \$1.29 billion in winery revenues and 377 million liters (41.8 million 9L cases) in 2020, according to Wine Institute based on US Dept of Commerce data from Global Trade Atlas data. Total exports declined in value by 6.4% and increased in volume by 1.05%. The impact of the COVID-19 pandemic affected international wine markets in a variety of ways with several markets experiencing strong growth for US wine exports while others declined sharply. Exchange rates, retaliatory tariffs and increased competition in key markets due to government subsidies and trade agreements also had an impact on the year's results. Markets with strong retail environments showed the highest growth over the prior year in export value including South Korea with 85% growth, Norway with 44% growth, Denmark with 25%, and 8.5% growth in Canada. The largest export markets for California wines by value in 2020 were: Canada, \$460 million; the United Kingdom, \$236 million; the European Union's 27 member countries \$191 million; Japan \$80 million; Hong Kong, \$64 million; South Korea \$50 million; China, \$21 million; Mexico, \$17 million; Norway \$15 million; and Switzerland, \$14 million.
- **Launch of Capstone California Wine Education Platform:** The global launch of the new [Capstone California Wine Education](#) platform, the comprehensive guide to California wines for wine professionals and consumers, commenced at the end of March 2021. The rollout of the program continues with planned launches in Canada and the United Kingdom this spring, followed by Mexico, Japan, and China in the fall. The EU launch consisted of 10 webinars in nine markets led in the local language by leading wine educators with 1,600 wine trade participants. More than 900 attendees were able to participate in an online tasting seminar with mini-sample packs shipped directly to their homes. The core of the Capstone program is the four-tier professional wine certification course which culminates in achieving a California Wine Ambassador certification. Since the initial launch, 487 wine professionals have registered for the certification course with more than 30% completion to date for both Level 1 and Level 2 certification. In Canada, the Capstone program has been selected by the SAQ as the Employee Education program for fall 2021 with between 600-800 SAQ retail employees going through a customized California wine training program. The Capstone certification program and website will be translated into seven languages including Japanese, Simplified Chinese, Spanish, French, German, Russian and Polish. The roll-out of Capstone California will continue into 2022 with new content, features and certification levels added regularly.
- **Costco Global Partnership Year 2:** The global partnership between Costco and California Wines continues to expand as limitations on in-store tasting and promotions related to COVID19 start to ease. The prior year's program resulted in strong sales results for program and continued sales lift for the California wine category in all markets. Sales results ranged from a 16% increase in sales to 84% increase depending on the market. The program will continue through the 2021-2022 program year with activities in eight markets including Japan, United Kingdom, Taiwan, South Korea, Australia, China, France, and Spain. Several markets are looking to add more California wine brands to their

assortment. Programs will include in-store displays, California wines signage, and digital and print advertising.

- **Marketing Sustainability in International Markets:** The International Marketing team is launching two initiatives related to communicating California's leadership in sustainable winegrowing to the global wine community. Working in partnership with the California Sustainable Winegrowing Alliance and with internal WI staff, the two programs focus on different aspects of marketing sustainability. The first is a project designed to benchmark the California wine industry versus other global wine regions in terms of adopting sustainable practices. Led by John Heckman and the Anthesis Group, the program will establish a set of quantifiable measures and evaluate California's progress against them relative to other wine regions. The project will also identify opportunities to set longer term goals and objectives, and offer strategies for communicating these goals to global stakeholders. The second project is with Mark Barden of the global brand consultancy EatBigFish to use the Challenger Brand approach to develop a set of strategies that leverages California's leadership in sustainability as a competitive advantage in the market. The goal is to communicate sustainability in a relevant and distinctive way to consumers around the world. Both projects are expected to be completed by end of this calendar year.
- **Global Partnership with ASI (International Sommelier Association):** California Wines has become a Gold Sponsor of ASI, the global association for sommeliers with 38,000 members in markets around the world. ASI is the international body for national sommelier associations around the world and is committed to providing wine education and leadership development to individuals seeking to advance their professional wine service careers. As a Gold Level partner, California wines will have the opportunity to participate in ASI events and education programs around the world, including the Best Sommelier in the World competition every three years. Committed to education ASI will partner with California Wines to offer Capstone California certification courses to aspiring and certified sommeliers internationally. The first ASI program that California wines will participate in is the upcoming two-day ASI Bootcamp intensive program with 40 selected sommeliers invited from countries around the world. California Wines will lead a dedicated Master Class as well as serve wines at the gala dinner and invite participating sommeliers to a VIP tasting.

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

- **MAP Budget Allocation for FY21-22:** Wine Institute's Market Access Program (MAP) allocation from USDA for the new program year starting July 1, 2020 increased slightly over the prior year, essentially remaining flat. During the COVID-19 pandemic, FAS relaxed MAP funding regulations to allow for unused MAP funds to be carried over from the prior year. This resulted in an increase in available funds during the FY20-21 program year for Wine Institute and enabled the Export Program to develop new programs to replace in-person programs and events that had been canceled or postponed.
- **UES Annual Planning Process:** Wine Institute staff and International Representatives are in the midst of the annual strategic planning process required for our USDA MAP funding and have begun to write the "Unified Export Strategy" document for the July 2022 through June 2023 program year. The final application for all 25+ countries in which we conduct California Wines programs will be due to FAS in Washington, DC on June 26th. For the application, we collaborate closely with the team from Bryant Christie Inc. to assist with grant writing and data entry.
- **Regional Plans Presented at Virtual Export Committee Meeting:** Wine Institute International Representatives presented their regional strategic plans and program calendars for FY21-22 at the Export Programs Committee Meeting on May 20, 2021. More than 65 Export Program members participated and Wine Institute's International Representatives presented updates on their markets including the status of the COVID-19 recovery, and planned programs for the next 12-months based on input from key stakeholders including wineries, importers and trade partners.

- **Export Program Membership Remains Stable in FY20-21:** Wine Institute Export Program membership remained stable with 95% retention in FY20-21 despite challenges to international marketing efforts presented by the COVID-19 pandemic. New member recruitment efforts include revised member benefits and recruitment materials, the new Export Mentor program, and member outreach efforts with regional wine association information meetings including Santa Barbara Vintners Association, San Luis Obispo Vintners Association, West Sonoma Coast Vintners and Paso Robles Vintners and Growers association.



Agenda Item No. 8(b)(i)

**PUBLIC POLICY COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 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. Back to the Office Webinars

Committed to keep our members well-informed on evolving legal and regulatory policy in this COVID-19 era. Wine Institute is hosting a series of webinars to discuss important legal and policy considerations for California wineries. such as vaccination policies, Cal/OSHA and other employment-related regulations, remote or hybrid work considerations and best practices related to business travel and in-person conferences.

On June 4th, Employment Law attorney, Leila Narvid, Partner at Payne and Fears Law Firm, San Francisco will provide members with a roadmap on how best to manage the labyrinth of federal, state and local mandates as well as some best practices to insure a smooth transition back to the office.

2. Focus on International Wine Law and Policy Perspectives through the Transatlantic Law and Policy Webinar Series

Wine Institute has collaborated with international experts in multiple fields to host a series of webinars focused on the biggest challenges facing the wine industry. Partners in this collaboration include Comite Europeen des Entreprises Vins, FIVS, University de Reims, and many others.

In January, Wine Institute hosted the first Transatlantic Symposium which focused on COVID-19 and regulatory relief for the wine and spirits industry. The symposium covered COVID-19 commercial realities and regulatory relief focusing on the wine industry from both the EU and US perspectives.

In May, the second Transatlantic Symposium focused on a review of current climate science, followed by EU and US wine industry responses and initiatives. This symposium included presentations from Wine Institute's Vice President of Environmental Affairs, Allison Jordan, a

climate scientist from the NASA Goddard Institute for Space Studies, the Secretary General of Ceomite Europeen des Entreprises Vins, among others. Presentation topics included the impact of climate change and warming temperatures on regions suitability for growing grape varieties, the effects of climate change on the EU regulatory framework of the wine sector and future outlook for mitigation and adaptation methods.



Agenda Item No. 8(b)(ii)

FEDERAL RELATIONS REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8,2021

COVID-19 ECONOMIC ASSISTANCE

Restaurant Revitalization Fund / Restaurants Act (S. 255 / H.R. 793) – The Restaurant Revitalization Fund (RRF) was enacted under the *American Rescue Plan Act* earlier this year and is intended to replace on-site sales lost as a result of forced closings during the pandemic. Following its launch on May 3, the Small Business Administration received over 300,000 applications requesting \$69 billion in relief. The initial \$28 billion budget has been depleted, and the agency has temporarily suspended the program until Congress reauthorizes additional funding. The program offers winery tasting rooms, tap rooms, brew pubs, restaurants, bars, taverns, food trucks, bakeries, coffee shops, ice cream parlors, caterers and inns direct cash payments for lost sales. The tax-free payments are based on the difference between gross receipts collected in 2020 from those in 2019, and then reduced by any loans obtained through the Paycheck Protection Program. The grants can be used to cover normal operating expenses, including payroll and employee benefits, mortgage and rent, utilities, supplies, personal protection equipment and cleaning materials, construction of outdoor seating and debts to suppliers. Vintners, brewers and distillers must provide documentation proving at least 33% of gross revenues in 2019 were generated from on-site sales of alcohol, food, merchandise or event and catering expenses. Wine Institute and other associations representing the hospitality sector are pressing Congress for an additional \$120 billion in funding. The legislation has the support of 52 senators and 217 representatives and provides a critical lifeline to food and beverage operators looking to stay afloat until consumers feel comfortable drinking and dining in public establishments. Additional details about the program can be found on SBA's website: [Restaurant Revitalization Fund](#).

Fairness Act for Craft Beverage Producers (H.R. 1035) - While a significant number of wineries, breweries and distilleries have benefitted from loans made available by the Paycheck Protection Program (PPP), Wine Institute and associations representing alcohol producers are pressing Congress to make adjustments to the terms of these loans to bring them into parity with those available to restauranteurs and other small businesses. Legislation introduced by Representative Jennifer Wexton (D-VA) would allow an alcohol producer to apply for a PPP loan equaling up to 3.5 times monthly payroll and become eligible for extended loan forgiveness terms available in SBA 7(a) loans when financing facility improvements or expansions. To date, alcohol producers have been limited to seeking 2.5 times monthly payroll. Her bill has support from 46 cosponsors in the House. Wine Institute and industry partners are working to introduce a companion bill from members of the Senate Small Business Committee.

Employment Regulations- Concerns about employee safety and wages for hourly workers are growing among lawmakers and Administration officials alike. The Occupational Safety and Health Administration (OSHA) continues to work on federal guidance that began in the spring of 2020 and is intended to offer workplace safety guidelines to protect against the spread of a pandemic virus. It remains unclear whether any provisions in the guidance will be mandatory. Release of the document has been delayed as agency staff continue to review evolving research on COVID-19. Corporations across the country are urging Congress to adopt a *permanent* medical and family leave program for employees who sustain an extended illness or elect to care for a newborn or ailing family member. Employee leave policy and an increase in the minimum wage could be included as part of an infrastructure improvement package or future economic stimulus bill later in the year.

Supply Chain Disruptions and Port Delays – In light of extended port delays and rising transportation costs for raw materials and supplies, Wine Institute has raised concerns with members of the California congressional delegation. Some wineries are experiencing delays that are impacting their production schedules. Representative Salud Carbajal (CA-24) led a meeting with members of the House Agriculture and Transportation Committees and senior officials at the Federal Maritime Commission (FMC) on April 6 and urged commissioners to find a solution. FMC Commissioner Rebecca Dye is leading an investigation of commercial vessels and terminal operations at major U.S. ports, including Oakland and Los Angeles. It's unclear whether the results will lead to improvements and force owners of foreign vessels to improve business practices. Wine Institute has pressed Senator Alex Padilla (D-CA) to contact the White House and is making similar requests to other senators.

WILDFIRE ASSISTANCE AND PREVENTION

Wine Institute and California Association of Winegrape Growers (CAWG) along with industry partners in Oregon and Washington are urging Congress to approve \$5 million for additional research to study the molecular compounds in smoke and ash that can affect the integrity of wine grapes. Representatives Mike Thompson (CA-5) and Doug LaMalfa (CA-1) along with 26 House colleagues have submitted a formal request to the appropriations committee chairs. Congressman Thompson is also leading a letter in support of a reauthorization of the Wildfire & Hurricane Indemnity Plus Program (WHIP+) for wildfire damage that incurred in 2020. The program provides direct payments to growers who suffer losses due to wildfires and other natural disasters. Wine Institute is urging lawmakers representing the Pacific West and regions that face recurring hurricanes and floods to join the letter. Wine Institute is also developing a list of federal programs that seek to prevent or reduce the spread of wildfires on private and public property. The list is meant to offer property owners and local officials flexibility with funding to purchase aerial technology or initiate fuel reduction measures, such as prescribed burns, grazing or pruning and treating vegetation.

CANNABIS LEGISLATION

Proponents of legalization are using the recent election results to create significant momentum behind legislation to de-schedule and legalize marijuana. While President Biden has stated his opposition to outright legalization, he has expressed openness to de-criminalizing marijuana and re-scheduling it to a less restrictive schedule than its current Schedule I status. The new Democratic Senate majority has indicated that it plans to make full legalization a top priority and Majority Leader Chuck Schumer (NY) has taken a leadership role in this effort. This increased legislative activity coincides with a significant increase in the lobbying activity around this issue

by both established and newly formed trade associations focused on cannabis legalization. It is still too early to know if outright legalization legislation could be signed into law this Congress, but proponents are very likely to advance legislation further than they have at any point thus far. In mid-April, the House approved the **SAFE Banking Act** with strong bipartisan support in a vote of 321 to 101. The legislation provides safe harbor to financial institutions and insurers interested in providing services to cannabis operators but stops short of federal legalization. In December, the House passed the **Marijuana Opportunity Reinvestment and Expungement (MORE) Act (HR 3884)** on a largely party-line vote of 228-164. The legislation was not taken up in the Senate and thus died at the end of the last Congress. The House is expected to take up the MORE Act once again in the coming months.

Key provisions included in the **MORE Act** include:

- Decriminalizes marijuana and removes it altogether from the schedule of substances in the Controlled Substances Act.
- Would expunge previous marijuana arrests and convictions.
- Establishes a 5% ad valorem excise tax that would increase to 8% over the first five years. Revenue would go to a trust fund for specific marijuana focused programs.
- Provides non-discrimination protection to prevent denial of federal benefits based on use, possession, or prior conviction.
- Would otherwise allow states to continue to determine legality and regulatory framework for marijuana sales.

Senate Majority Leader Schumer (D-NY), Senate Finance Committee Chair Ron Wyden (D-OR) and Senator Cory Booker (D-NJ) announced recently that they would be leading a major effort to advance comprehensive marijuana legalization and criminal justice reform legislation in the Senate this year. Senator Wyden's **Marijuana Revenue and Regulation Act (S. 420)** from the last Congress is expected to form the basis of much of the Schumer/Wyden/Booker proposal.

Key provisions included in the **Marijuana Revenue and Regulation Act** include:

- Decriminalizes marijuana and completely removes marijuana from any schedule of the Controlled Substances Act.
- Would allow states to continue to outlaw all marijuana sales should they choose to do so.
- Establishes a federal excise tax on marijuana products based on value – would start at 10% of value and ramp up to 25% by the end of fifth year.
- Would establish special occupational tax of \$1,000 on all marijuana producers and exporters per premises.
- Would amend the Federal Alcohol Administration Act to add a third title on Marijuana directing the Treasury to establish a federal permitting process for marijuana production, importation, and distribution.
- Would rename both ATF and TTB to include “Marijuana” in the names.
- States that the FDA, “shall have the same authorities with respect to marijuana as the Administration has with respect to alcohol.”

The timing of the introduction of the Senate package is unclear but a discussion draft is expected to be released by this summer. The key Republican supporter of legalization, Senator Cory Gardner (R-CO) was defeated in November, so it is not yet clear if this package will have bipartisan support at introduction.

IMMIGRATION REFORM

During his first day in office, President Biden underscored his commitment to reforming immigration policies by calling on Congress to enact the **U.S. Citizenship Act**. Representative Linda Sanchez (CA-38) and Senator Bob Menendez (D-NJ) responded by introducing sweeping legislation that provides an eight-year path to earned citizenship for the 11 million undocumented immigrants residing in the U.S. The bill also creates an expedited process for agricultural workers and those who fall under the Dream Act, Temporary Protected Status (TPS) or Deferred Enforced Departure (DED). Their proposal also funds enhanced technology to detect criminal activity, patrol the border and improve screening at ports of entry. The Senate is unlikely to consider the proposal and it is not yet clear if the House will take up the package in its current form.

The House approved two bills in March that would offer undocumented residents a path to legal status. **The Farm Workforce Modernization Act**, approved by a vote of 274 to 174, seeks to meet the needs of both the current and future farm workforce by reforming and streamlining the H2-A visa program for temporary farm workers and providing a pathway to permanent legal status for workers currently in the country and willing to continue working in agriculture. These reforms would be combined with a new mandatory E-Verify program. The legislation has broad-based support within the agriculture community. Senators Michael Bennet (D-CO) and Mike Crapo (R-ID) are working to draft a companion bill with bipartisan support. A summary of the Farm Workforce Modernization Act is attached to this memo.

The Dream and Promise Act introduced by Representative Lucille Royal-Allard (CA- 40) grants green cards and later citizenship to immigrants who were brought to the U.S. as children. The bill passed the lower chamber by a vote of 228 to 197. A similar measure was introduced in February by Senators Dick Durbin (D-IL) and Lindsay Graham (R-SC). Also, last month Senators Alex Padilla (D-CA) and Elizabeth Warren (D-MA) along with Representatives Ted Lieu (CA-33) and Joaquin Castro (D-TX) introduced the **Citizenship for Essential Workers Act**, which would provide undocumented essential workers with a path to citizenship beginning with an expedited adjustment to legal permanent resident status.

The ongoing immigration crisis on the southern border has sucked much of the air out of the broader immigration debate and will need to be dealt with in some form before immigration legislation can move forward. To this end, a bipartisan group of House and Senate members led by Senators John Cornyn (R-TX) and Kyrsten Sinema (D-AZ) has introduced the **Bipartisan Border Solutions Act**. It is not yet clear if the bill can gain enough bipartisan support to advance in the Senate, but if it does it could potentially become a vehicle for other provisions including the farm workforce act.

USPS SHIPPING EQUITY ACT

We continue to closely monitor work on legislation that would allow the US Postal Service to begin shipping alcohol. Representative Jackie Speier (D-CA) recently offered and withdrew her **USPS Shipping Equity Act** as an amendment to broader postal reform legislation. At the time she withdrew the amendment, she cited opposition from wholesalers as one of the primary reasons for doing so. Separately, Representatives Speier and Dan Newhouse (R-WA) introduced the bill as stand-alone legislation in the House on May 17th. It is not yet clear if there will be any opportunity to move the bill forward later this year, but we will continue to follow it closely. A number of industry groups including the Brewers Association, Distilled Spirits Council, and WineAmerica are supporting the legislation.



Agenda Item No. 8(b)(iii)

STATE RELATIONS DEPARTMENT REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 2021
(Current Information as May18, 2021)

Overview

All states have held legislative sessions in 2021, with 25 of those states having already adjourned at the time this report was prepared. A few states have come back for special sessions to deal with subjects such as the budget, COVID-related relief packages, and other unfinished business. 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 most states already having passed relief measures of some sort. Concerns about tax increases were alleviated somewhat by the passage of the Federal COVID-19 relief package which contained substantial sums for state and local governments. Nonetheless, in those states grappling with major budget shortfalls, we continue to see calls for increased taxes on our products. 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. 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 the greater focus this year that we were anticipating. 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 us to evaluate the many bills seeking to legislate in this new area. The work of both groups has been essential in helping to guide our responses to these emerging topics, and information on both items can be found below.

We continue our work to expand DTC shipping access for wineries, as well as work to protect the existing shipping privileges from challenges promoted by our opponents. To that end, we are pleased to announce the passage of a new DTC law in Alabama. 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. Information on all of these topics can be found below in the report.

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. There has been a tremendous amount of legislative work done this session, with our team now tracking over a thousand bills related to our industry. 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

With the passage of the Federal COVID-19 relief package that included substantial funds for state and local governments, some of the pressure to pass excise tax increases in the states was alleviated. Below you will find an update on the various types of tax proposals that we have faced, and how things in this area are shaking out in the legislatures. We are pleased to report that no states have yet to pass an excise tax increase in 2021.

Wine Excise Taxes:

Twelve states have introduced legislation dealing with excise taxes. We have been most concerned with the proposals that were introduced in **Hawaii, Illinois, New Mexico, Oregon, Washington and Wyoming**. 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. Neither of these bills passed this session, but they will carry over to the 2022 legislative session. In **Illinois** the Governor, along with new leadership in the House, have voiced support for increasing excise taxes to fill their budget deficit. We have helped to fund a grass-roots opposition plan, called "Raise Glasses, Not Taxes" that has strong hospitality industry support. A majority of the members the House signed on to our resolution to not increase taxes on the hospitality industry, so we are hopeful the tax increase efforts will frail. In **New Mexico**, a provision in the Omnibus Liquor bill that would have imposed a 5% drinks tax to fund a program to offset losses by licensees due to expanding the availability of on-premises licenses was struck from the bill before its passage. And in **Oregon**, both the Department of Health and members of the public health community pushed competing measures to increase wine and beer taxes that would be earmarked for prevention and treatment programs. The prevention group, Oregon Recovers, pushed a bill that would have increased wine excise taxes by \$10.00 per gallon. Neither of these Oregon bills have passed, but there is pressure to increase funding for prevention and treatment programs, and we will continue to engage on the issues here. In **Washington**, we successfully opposed a discriminatory bill put forward by Family Winemakers of Washington that would have exempted smaller wineries from paying any excise taxes. We had offered the Constitutionally sound alternative of exempting all wineries, regardless of their size, from payment on the first 50,000-gallons sold in Washington, but the bill did not move forward, and the amendment was not taken up. And finally, two tax increases in **Wyoming** also failed to pass. The first would have increased the mark-up on all wines sold through the state control system from 17.6% to 20.6%, while the second would have increased the mark-up on DTC shipped wines from 12% to 17.6%. We have been working with local interests in each state to address these proposals, along with other bills across the country. None of the other excise tax bills have moved or yet shown any momentum, but we will continue to oppose these efforts as needed.

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 were successful in defeating 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. Legislation to allow for local option sales taxes on alcohol and meals is still pending in **Vermont**, which we are opposing along with other segments of the hospitality industry.

Sales and Drinks Taxes:

In **Maryland**, there were competing tax measures dealing with the existing 9% drinks tax. One would have increased the tax from 9% to 10%, while the other would have decreased the tax from 9% to 6%. Neither of the tax changes passed, although the bill in which the tax increase was proposed did pass, but only after the tax increase was amended out of it. A bill in **Mississippi** that would have increased the sales tax on all alcohol sales from 7% to 9.5% failed to pass. It was a part of a push to do away with that state's income tax and replace the revenues with a host of sales tax rate increases.

Fees / Markups / Other Taxes:

We have been engaging on **sales tax nexus** bills in **Florida, Kansas** and **Missouri** that could impact wineries holding DTC shipping permits. In **Florida**, the bill that was passed will now require those wineries making over \$100,000 in DTC sales of wine to collect and remit sales taxes, beginning on 7/1/21. The bill that was passed in **Kansas** will not impact wine DTC sales, as the state already requires wineries to collect and remit the 8% liquor enforcement tax upon sales into the state. However, we have been informed that any winery selling more than \$100,000 in non-wine merchandise in a calendar year would be subject to the new tax (which we imagine is very unlikely to occur). Finally, the bill still pending in **Missouri** would have an impact similar to Florida, as Missouri is now the only DTC shipping state not requiring the collection of an existing state sales tax.

Sixteen states have considered 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 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-premises 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

In **Alabama**, a bill has passed that was amended so that it now includes both our model DTC shipping language, as well as provisions that would do away with all of the county-by-county monopoly protection ("franchise") 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 was 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. The Governor signed the bill in May. In **Nevada**, we have been working to oppose a measure being pushed by the local wholesalers that would strengthen provisions of that state's existing monopoly protection law. We have been successful in paring back some of their more onerous proposals, but it appears likely that the slimmed down version will pass.

We are again seeing an effort in **New York** to pass “**at rest**” legislation. Legislation in **Illinois** that would prohibit wholesalers from requiring **minimum purchases** by retailers, and prohibiting **delivery fees** by wholesalers is pending. A similar bill in New York would also address wholesaler's delivery fees. And in **Oklahoma**, a bill passed that changes the permit fee paid by wineries for “designating” and “non-designating” wholesalers, which also adds a **primary source of supply** provision to their law.

Privatization in Control States / Other Control State Issues

Mississippi has seen the most activity this year related to privatization, with the House and Senate taking completely opposite approaches to the issue, thereby ultimately resulting in a stalemate where none of the proposals passed. A bill authored by a leader in the House would have privatized 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 would have been unworkable. That bill passed the House quickly, but it died the Senate. The Senate passed its own bill, which was a more modest plan that would upgrade the ABC warehouse and contract out the operations of the warehouse to a private party. A third plan supported by the ABC to create the Liquor Distribution Corporation also failed. A bill in **Alabama** that would have phased that state out of the retail liquor business by 2026 also failed to pass.

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 reported in January that winery to consumer DTC shipments increased to over \$3.7 billion in 2020, showing the importance of this channel.

Positive DTC Change Efforts:

Legislation to allow DTC shipping was passed in **Alabama** last month, and will take effect on 8/1/21. Licensed wineries will be able to ship up to 12 cases per consumer, and both fulfillment houses and common carriers will also be required to file reports and hold licenses. 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 have also made headway in **Ohio** on removing that state's 250,000-gallon capacity cap. There, our bill has been included in the budget, greatly enhancing our chances of passage. 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. In Louisiana, our bill to remove the exclusion of those wines in wholesale distribution has passed the House, and is pending in the Senate. Bills that would have opened up the state of **Mississippi** for DTC shipping died back in March, as did our bills in **Arkansas** (to remove the on-site sale provisions), and in **Indiana** (to remove the prohibition on wineries with wholesalers from getting a DTC license). 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 also legislation awaiting the Governor's signature in **Oregon** that would increase the monthly limit from 2 cases to 5 cases for each consumer for DTC wine shipments. In **Tennessee**, a bill that we believe to be unconstitutional passed that will allow wineries that produce under 30,000 gallons per year to sell up to 6 cases via DTC, while larger wineries must stay under the old limit of 3 cases. And finally, in **Wyoming** the Governor signed a bill in March that will increase the per-consumer DTC limit there from 4 to 12 cases per year 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 supported the successful passage of a bill in **Kentucky** that fixed the flaw in last year's bill so that wineries are now able to use a fulfillment house to ship into the state. That same bill also fixed an issue that was preventing those wineries operating under an alternating proprietorship arrangement from shipping. We were also able to overcome an effort by the wholesalers and retailers in Tennessee to stop the use of fulfillment houses for DTC shipping. In the end, the bill that passed creates a permit for fulfillment houses that will become effective on 1/1/22, thereby allowing wineries to continue to avail themselves of the use of these important partners in DTC commerce. In **Kansas** there is a bill that would set up a licensing and reporting system for fulfillment houses which we feel is workable. That bill is currently awaiting the Governor's signature.

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 continued to side with the states in supporting their laws that allow in-state retailers to ship to consumers, while prohibiting out-of-state retailers from doing so as well. Like in **Michigan**, in-state only retailer shipping statutes in **Missouri, Kentucky, Indiana** and **Ohio** were 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. We were forced to oppose a defeated retailer DTC shipping bill in **Maine** because it contained language that would have ended the existing exclusion of DTC shipped wines from the Maine bottle deposit law. 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**. Twelve states are considering legislation at this point to allow for spirits shipping. So far, the only two spirits DTC shipping bills to pass, in **South Dakota** and **West Virginia**, were each amended to become "special order" bills, where particular spirits products are able to be special ordered and shipped to retailers for pickup by a consumer. None of the true DTC bills for beer or spirits has passed yet this year.

Delivery, Take-Out and Curbside Sales by On- and Off-Premises 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 82 bills in 31 states**, giving you an idea of how important this issue has become to the retail sector. Twenty such bills have been passed and signed already, and we are optimistic that others will pass as well. There is good support for the on-premises 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. The one caveat to this is the recent increase in opposition to such measures from off-premises licensees, as well as from the treatment and prevention communities, both of whom identify such sales as detrimental to their own efforts.

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

Ten states have considered 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, Massachusetts, Michigan, Oregon** and **Vermont**. Of these states, the bill that remains of most concern at this point is Vermont, where the legislation passed the House in April, and is now awaiting further action. **Illinois, Maryland, Rhode Island** and **West Virginia** are looking to create new programs in which wine would be included. In **Maine**, as mentioned above, the defeated retailer DTC shipping bill would have removed the existing exclusion for DTC shipped wine bottles from that state's existing law. We are also tracking bills in seven other states 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 perineal 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 were considered this year in Connecticut, Hawaii, Maine, Maryland, Massachusetts, New York, Oregon and Washington**. 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. The **Washington** bill has passed and is now awaiting the Governor's signature. We were able to obtain a significant delay in the rule that would mandate post-consumer recycled content (PCRC) for 187ml wine containers (along with milk containers) that will delay the implementation on a phased schedule between 2028 and 2036. We are also concerned that the proposal in Maine appears likely to pass in their special session, and are working diligently to secure exemptions for our products where possible.

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 garnered some initial support, but will now carry over to the 2022 session. 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% (as in the Washington bill referenced above) 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..

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. None of these bills have moved this year, though the two Hawaii bills are now carryovers to 2022.

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:

Legislation was introduced in six states this year dealing with the expansion of wine sales in grocery stores. In **Connecticut**, four such bills were considered 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). All four of these bills in Connecticut died. There are a number of pending bills in **Massachusetts** that would, in varying ways, alter the planned expansion of the number of licenses that can be held by an individual entity, which has precluded grocery and convenience chains from holding licenses there in the past. In **Maryland**, the MD retailers Association and a group called Marylanders for Better Beer and Wine Laws pushed an unsuccessful 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, while a different bill would simply authorize such sales statewide. In **Pennsylvania**, there is a proposal that would allow the Wine Expanded Permit (WEP) holders, along with restaurants and bars, to buy product at a 15% discount rather than the 10% discount currently allowed. Other changes to the existing WEP program would include bills allowing check-out from a single cash register, wine displays throughout the store, and increasing the sales limit on wine at the WEPs from 4 to 12 bottles per transaction. In **Mississippi** two bills that would have allowed for wine in grocery died in committee earlier in the spring. And finally, a unique (and unconstitutional) bill failed to pass in West Virginia that would have allowed grocery stores to sell up to 1,000 gallons of **West Virginia** wine without even requiring any form of alcohol license. 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. Ten states are seeking to either allow Sunday sales for the first time, or to expand their Sunday sales hours to earlier in the day. **North Dakota** is the first of these states to pass a bill this year, allowing for retail sales of wine, beer and spirits to now begin at 8:00 am rather than at

noon. Six states are considering legislation that would expand the ability to sell alcohol on holidays such as Christmas, Thanksgiving and Easter. 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.

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 **Illinois, Massachusetts, Michigan and 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. We are also supporting legislation related to expanded tasting opportunities for retail premises.

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**. The bill in **Hawaii** passed the Senate earlier in the session, but failed to pass out of the House prior to adjournment, so it will carry over to 2022 for further consideration. Hawaii did pass a bill creating a high-alcohol DUI for those convictions above 0.15 BAC, which helped deflect from the .05 issue at the end of their session. Neither the Oregon nor the New York bills have moved.

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 has made keynote presentations during this quarter to **BEV-NY** and the **SOVOS/ShipCompliant Wine Summit**. Members of our team have participated in the **NABCA Legal Symposium** and the **NABCA Annual Meeting**. We have participated regularly in the **Uniform Law Commission** forum on DTC shipping, **FreeTheGrapes**, **WineAmerica's State and Regional Association Advisory Council (SRAAC)**, and **NABCA's Industry Advisory Council**. We have been holding meetings on an as needed basis with both the **SR-EWG** and the **SR-RTGWG** as outlined above

in the report. We have made presentations to **Wine Institute's Public Policy Committee** and **Legal Subcommittee**, and prepared the board report for the current meeting. We worked with **Finance & Administration on the upcoming FY 21/22 budget**. Weekly calls have taken place to brief members of the **State Relations Subcommittee** on recent legislative developments.



Agenda Item No. 8(b)(iv)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 2021

Overview

On June 4th, the California Legislature reached the “House of Origin” deadline, where each house must pass the bills that originated in that house, i.e., all Assembly bills must move to the Senate and vice versa. Any bill that fails to pass to the other house by this deadline will be dead for the year unless the bill requires a two-third vote to pass. The most notable restriction due to COVID-19 is that each Assemblymember and Senator is limited to moving 12 bills to the other house. While the outcome of many of the Wine Institute tracked bills will be reflected in this report, many will still be pending by the time of this writing.

Of interest to Wine Institute members, the Legislature has taken a keen interest in wildfire prevention, expanding ABC privileges, and continuing efforts around recycling and single-use packaging. Regarding wildfire prevention, several bills we are supporting continue to move through the Legislature. Moreover, all ABC measures that we have been supporting continue to move through the process. The recycling issue is more muddled and looks likely to become a 2-year effort. Finally, there are still significant challenges as the Legislature continues to push a number of burdensome labor bills, including a bill to implement “card check.” On a positive note, the Legislature is not considering any significant tax measures impacting Wine Institute members.

Another focus of the Legislature and Governor is how to spend the massive \$100 billion surplus expected in the State Budget. Budget negotiations are ongoing, as the Legislature is required to pass a “balanced” budget by midnight on June 15th. Wine Institute has been very engaged on wildfire prevention funding, supporting an early budget action item of more than \$500 million, and advocating for additional funds to be included in the final budget. Additionally, Wine Institute is supporting funding proposals to provide grant funds for food processor energy efficiency upgrades, climate smart agriculture, and drought preparedness.

A major issue that is driving, and will certainly continue to drive, policy and budgetary considerations, is the impending Governor recall election, which is expected to be held in early November. The extent to which this will impact policy will be seen in the coming months as bills start to move to the Governor’s desk for signature. The dynamic between the Legislature and the Governor in the legislative process is that of a big negotiation, and while the Governor may not want any political fraught bills on his desk, the Legislature may be tempted to push a “progressive agenda” with a politically weakened Governor.

2021 Legislative Issues

Alcohol Policy

AB 61 (Gabriel) – Alcohol Beverage Pandemic Relief: This bill would allow ABC licensees to continue utilizing expanded outdoor space provided under an ABC approved COVID-19 Temporary Catering Permit for 365 days following the end of the COVID-19 state of emergency. The bill is sponsored by the California Restaurant Association. *The bill is awaiting committee assignment in the Senate.*

AB 239 (Villapudua and Rivas) – Refillable Wine Containers at Duplicate Premises: This bill would 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). The bill is a reintroduction of a bill from last year and is sponsored by the Monterey County Vintners & Growers Association. Wine Institute has taken a support position on the bill. *The bill is awaiting a hearing in the Senate Governmental Organization Committee.*

AB 1070 (Cooper) – Alcohol Beverage Advertising Umbrellas: This bill would allow distilled spirits manufacturers and other distilled spirits supplier license types to provide an alcohol beverage retail licensee with up to 12 advertising umbrellas per licensed location per year. Diageo is sponsoring the bill. Wine Institute has taken an oppose position. *The bill is awaiting committee assignment in the Senate.*

AB 1149 (Villapudua) – Single-Serve Wine and Distilled Spirits Containers: This bill would allow a distributor of single-serve distilled spirits and wine to remove the distributor's own products from an off-sale retailer storeroom for the purpose of restocking shelves. This bill is sponsored by California Beer and Beverage Distributors and is intended to align the privileges for single-serve wine and distilled spirits with the existing privileges for beer. *The bill is awaiting committee assignment in the Senate.*

AB 1242 (Bauer-Kahan) – Alcohol Beverages To-Go: This bill would permit an ABC licensee to sell alcohol to-go in non-manufacturer sealed, prepackaged containers in conjunction with the sale of a meal. The bill was amended in the Assembly Appropriations Committee to forbid the delivery of alcohol products from on-sale licensees, meaning to-go alcohol would be available for pickup only. Senator Dodd is authoring a similar bill, SB 389, which is expected to be the key vehicle covering this issue. *The bill is awaiting committee assignment in the Senate.*

AB 1267 (Cunningham) – Charitable Promotions and Sales: This bill would specifically authorize an alcohol beverage licensee to advertise or promote a donation to a nonprofit charitable organization in connection with the sale of an alcohol beverage. The bill passed the Assembly Governmental Organization Committee with amendments to limit the bill's provisions and to include a sunset. Wine Institute is in negotiation with the committee and ABC on clarifying changes to the language and to remove the sunset. *The bill is awaiting committee assignment in the Senate.*

SB 19 (Glazer) – Additional Tasting Rooms: This bill would give wineries the opportunity to have three tastings room – one at their production facility and two offsite at their duplicate premises. In a recent Legal Subcommittee meeting we broached the possibility of creating an application fee for this additional privilege if it becomes necessary to address fiscal concerns of the ABC. The Subcommittee was supportive of that strategy. ***The bill is awaiting committee assignment in the Assembly.***

SB 314 (Wiener) Bar and Restaurant Recovery Act: An urgency measure that would go into effect upon signature by the Governor, this bill would authorize ABC to, for 365 days from the date the COVID-19 state of emergency is lifted, allow licensees to continue to exercise license privileges in an expanded licensed area authorized pursuant to a COVID-19 temporary catering permit. In addition, the bill would allow a licensed manufacturer to share a common licensed area with multiple licensed retailers, in specified instances. Further, this bill extends from 30 to 90 days by which a licensee must apply to the Department of ABC for specified event which permits specified licensees to provide their own alcohol free of charge at an invitation only event. Finally, this bill increases the number of times, from 24 to 52 in a calendar year, that the Department of ABC can issue a caterer's permit for use at any one location. ***The bill is awaiting committee assignment in the Assembly.***

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 in a mixed-use district in Orange County. The bill is opposed by the Craft Brewers Association who argue that the exception is not sufficiently narrow. The WI Legal Subcommittee also approved an oppose position. We have been told that amendments are forthcoming to satisfy our concerns, but those amendments have not yet been distributed. ***The bill is awaiting a hearing in the Assembly Governmental Organization Committee.***

SB 389 (Dodd) – Cocktails To-Go: This bill, sponsored by DISCUS, would allow on-sale retailers to sell alcohol beverages to go in non-manufacturer sealed containers. At our request, the bill was amended to limit wine sold in non-manufacturer sealed containers to single serve containers. Wine Institute has a support position on this bill. ***The bill is awaiting a hearing in the Assembly Governmental Organization Committee.***

SB 561 (Dodd) – Manufacturers and Retailers Shared Common Space: This bill would authorize an alcohol manufacturer to share a common licensed area with multiple retailers, subject to various requirements. The author's office has indicated that this is a "spot bill" and is not expected to move further through the legislative process in this form. ***The bill is awaiting a hearing in the Assembly Governmental Organization Committee.***

Employment Policy

AB 73 (Rivas) – Agriculture 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 agricultural worker safety. ***The bill is awaiting committee assignment in the Senate.***

AB 95 (Low) – Bereavement Leave: This bill would have required an employer to provide up to 10 business days of unpaid bereavement leave upon the death of a spouse, child, parent, parent-in-law, sibling, grandparent, grandchild, or domestic partner. ***The bill failed passage in the Assembly Appropriations Committee.***

AB 364 (Rodriguez) – Foreign Labor Contractor Registration: This bill would include farm labor contractors and employers of H-2A farmworkers in the Labor Commissioner’s (LC) foreign labor contractor registration program. *The bill is awaiting a vote on the Assembly Floor.*

AB 616 (Stone) – Agricultural Employee 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. WI opposes this bill. *The bill is awaiting a hearing in the Senate Labor Committee.*

AB 654 (Reyes) – COVID-19 Exposure Notification: This bill would specify that the Department of Public Health’s (DPH) internet posting requirement of COVID-19 workplace data to mean that the posting includes both workplace and industry information received from local public health departments. *The bill is awaiting a vote on the Assembly Floor.*

AB 701 (Gonzalez) – Warehouse Distribution Centers: This bill would require an employer to provide a warehouse distribution center employee, as specified, with a written description of each quota to which the employee is subject and any potential adverse employment action that may result from failure to meet the quota. *The bill is awaiting committee assignment in the Senate.*

AB 995 (Lorena Gonzalez) – Paid Sick Days: Accrual: This bill would require that an employer provide no less than 40 hours (5 days) of accrued sick leave or paid time off to an employee by the 200th calendar day of employment or each calendar year. WI opposes this bill. *The bill is awaiting a vote on the Assembly Floor.*

AB 1003 (Gonzalez) – Wage Theft as Grand Theft: This bill creates a new crime for the intentional theft of wages, gratuities, or other compensation by an employer, punishable as either a felony or a misdemeanor. Amendments were taken to significantly narrow the situations where this bill would apply, removing business opposition. *The bill is awaiting committee assignment in the Senate.*

AB 1041 (Wicks) – Family Leave: This bill would expand the State’s protected unpaid leave program to include any individual related by blood or whose close association with the employee is the equivalent of a family relationship. The bill is opposed by a large coalition being led by the California Chamber of Commerce. *The bill is awaiting committee assignment in the Senate.*

AB 1119 (Wicks) – Employment: Expansion of Duty to Accommodate: This bill would have expanded the list of protected characteristics under the Fair Employment and Housing Act (FEHA) to include “family responsibilities,” defined as an obligation to provide ongoing care to a minor child or “care recipient.” *The bill failed passage in the Assembly Appropriations Committee.*

AB 1192 (Kalra) – Employment Information: Worker Metrics: This bill would establish a program for the disclosure of worker-related metrics and statistics in the Labor and Workforce Development Agency (LWDA) for private-sector employers with more than 1000 employees. *The bill is awaiting committee assignment in the Senate.*

AB 1179 (Carrillo) – Employer Provided Benefit: Backup Childcare: This bill would have required employers to provide backup childcare benefits of up to 60 hours for employees who work 30 or more days per year. The bill is opposed by a large coalition being led by the

California Chamber of Commerce. ***The bill failed passage in the Assembly Appropriations Committee.***

AB 1256 (Quirk) – Employment Discrimination: Cannabis Screening: This bill would have prohibited an employer from discriminating against a person in hiring, termination, or any term or condition of employment because a drug screening test has found non-psychoactive cannabis metabolites present. ***The bill failed passage in the Assembly Labor and Employment Committee.***

SB 95 (Skinner) – COVID-19 Supplemental Paid Sick Leave: This bill requires employers to provide two weeks of COVID-19 Supplemental Paid sick leave. ***The bill was passed by the Legislature and signed by the Governor on March 19.***

SB 410 (Leyva) – Elimination of Impact Analysis for Cal/OSHA: This bill would exempt any occupational safety and health standard and order from the standardized regulatory impact analysis requirement for proposed major regulations with an economic impact of \$50 million or more. Wine Institute has taken an oppose position. The bill is opposed by a large coalition being led by the California Chamber of Commerce. ***The bill is awaiting a hearing in the Assembly Labor Committee.***

SB 558 (Caballero) – Farmworker Disaster Relief Planning Task Force: This bill establishes the Farmworker Disaster Relief Planning Task Force within the Office of Emergency Services to examine and make recommendations on the health care, safety net service, and other social and economic relief needs of farmworkers, their families, and their communities' during pandemics and disasters. ***The bill is awaiting a vote on the Senate Floor.***

SB 606 (Gonzalez) – Workplace Safety Violations: This bill would expand the authority of the Division of Occupational Safety and Health (Cal/OSHA) within the Department of Industrial Relations (DIR) to issue citations, require abatement, and seek court orders to address violations of workplace safety laws. Additionally, the bill would also establish a presumption of unlawful retaliation if an employer takes adverse action against an employee within 90 days of when that employee tries to address unsafe working conditions. ***The bill is awaiting a vote on the Senate Floor.***

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 meet by 2045. ***The bill is awaiting committee assignment in the Senate.***

AB 315 (Stone) – Stream Restoration Property Owner Liability and Indemnification: This bill provides indemnity and limited liability protections for property owners who voluntarily permit a government-funded streambed restoration project to take place on their property. ***The bill is awaiting committee assignment in the Senate.***

AB 332 (Environmental Safety and Toxic Materials Committee) – Treated Wood Waste: This bill authorizes treated wood waste (TWW) to be managed under alternative management standards (AMS) instead of as a hazardous waste. ***The bill is awaiting committee assignment in the Senate.***

AB 350 (Villapudua) – Grant Program for Groundwater Conservation Planning: This bill would require the California Department of Food and Agriculture (CDFA), upon appropriation of

funds by the Legislature, to establish and administer a three-year grant program to fund technical assistance providers in eight counties to support landowners in the San Joaquin Valley who are working to achieve compliance with the Sustainable Groundwater Management Act (SGMA). ***The bill is awaiting a vote on the Assembly Floor.***

AB 377 (Robert Rivas) – Water Quality: This bill would have prohibited state and regional water boards for 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 was 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. Wine Institute had taken an opposition position on this measure. ***The bill failed passage in the Assembly Appropriations Committee.***

AB 426 (Bauer-Kahan) – Air Emissions: This bill would have specified the authority of air districts to adopt and implement regulations to require indirect and area wide sources to provide data on vehicular traffic drawn by these sources. Furthermore, the bill specifies the authority of air districts to reduce and mitigate these sources of air pollution. ***The bill failed passage in the Assembly Natural Resources Committee.***

AB 564 (Gonzalez) - Biodiversity Protection and Restoration Act: This bill would have declared that it is the policy of the state for all state agencies, boards, and commissions to utilize their authorities in furtherance of the biodiversity conservation purposes and goals. ***The bill failed passage in the Assembly Accountability and Administrative Review Committee.***

AB 754 (Mathis) – Groundwater Sustainability Plan: Allows the Department of Water Resources (DWR) to extend the deadline to submit a groundwater sustainability plan (GSP) by up to 180 days for an agency developing a GSP for a medium- or high-priority basin. ***The bill is awaiting a vote on the Assembly Floor.***

AB 1001 (Cristina Garcia) – Environmental Permitting and Air Pollution: This bill would have expanded requirements for stationary sources of air pollution to install best available retrofit technology (BARCT) and best available control technology (BACT) in areas that are not meeting federal air quality standards. ***The bill failed passage in the Assembly Natural Resources Committee.***

AB 1395 (Muratsuchi) Greenhouse Gas Emissions and Carbon Neutrality: This bill would declare it is the policy of the state to achieve carbon neutrality no later than 2045, and to achieve and maintain net negative greenhouse gas emissions thereafter. ***The bill is awaiting a vote on the Assembly Floor.***

SB 27 (Skinner) – Natural and Working Lands Carbon Sequestration Projects: This bill would create the California Carbon Sequestration and Climate Resilience Project Registry to maintain a list of eligible but unfunded projects to mitigate California’s greenhouse gas (GHG) emissions and improve climate resilience. ***The bill is awaiting committee assignment in the Assembly.***

SB 260 (Weiner) - Climate Corporate Accountability Act: This bill would have required U.S.-based companies that do business in California and with revenues in excess of \$1 billion to annually report, by January 1, 2024, their direct and indirect greenhouse gas (GHG) emissions from their operations and supply chain to the California Air Resources Board (CARB), and for CARB to issue a report that estimates the emissions reductions necessary to maintain climate

change below specified levels and make recommendations for how companies can achieve those reductions. ***The bill failed passage in the Senate Appropriations Committee.***

SB 372 (Leyva) – Zero-Emission Medium and Heavy-Duty Fleet Purchasing Program: This bill would establish the Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program to help the operators of medium- and heavy-duty vehicle fleets transition to zero-emission vehicles. ***The bill is awaiting committee assignment in the Assembly.***

Recycling and Single-Use Packaging

AB 478 (Ting) – Thermoform Plastic Containers Recycled Content: This bill would establish minimum recycled content requirements for thermoform plastic containers and authorizes CalRecycle to enforce the provisions of the bill. ***The bill is awaiting committee assignment in the Senate.***

AB 1371 (Friedman) – Plastic Packaging and Online Retailers: This bill would prohibit online retailers from using certain types of single-use plastic packaging and reinstates the at-store recycling program for plastic bags and other types of plastic packaging. ***The bill is awaiting a vote on the Assembly Floor.***

SB 38 (Wieckowski) – Bottle Bill Stewardship Program: This bill would require distributors of beverage containers in the state to form a beverage container stewardship organization and take over operations of the Bottle Bill program. ***The bill is awaiting a vote on the Senate Floor.***

SB 54 (Allen) – Single-Use Plastic Packaging: This bill would prohibit producers of single-use, disposable packaging or single-use, disposal food service ware from offering for sale, selling, distributing, or importing in or into the state those products manufactured after January 1, 2032, unless it is recyclable or compostable. ***The bill has been moved to the Senate Inactive File and will not move further this year.***

SB 343 (Allen) – Recycling Symbol: This bill would tighten the requirements around the permissible use of the “chasing arrows” recycling symbol and when claims regarding recyclability can be made. It provides for the creation of a statewide list of the types and forms of plastic products and packaging that can be represented as recyclable. ***The bill is awaiting committee assignment in the Assembly.***

SB 451 (Dodd) – Bottle Bill Reform: An urgency measure, this bill is currently a study bill to analyze the various options for beverage container recycling, but we are working to draft language to implement an extended producer responsibility type program for Bottle Bill materials and reform the Bottle Bill program in line with the Boston Consulting Group (BCG) proposal. The BCG proposal envisions changing the bottle bill program to a fee-based program, born equally by consumers and manufacturers, that would support a curbside pickup program for covered containers, which would include most wine and spirits containers. ***The bill is awaiting committee assignment in the Assembly.***

Tax Policy

AB 71 (Luz Rivas) – Homeless Program Funding: This bill would conform state law to federal Global Intangible Low-Taxed Income (GILTI) provisions and taxes repatriated income to finance the Bring California Home Fund (Fund) to address homelessness. ***The bill is awaiting a vote on the Assembly Floor.***

AB 80 (Burke) – PPP Loans: State Tax Deduction: This bill allows businesses to deduct up to \$150,000 of business expenses that were paid for using forgiven Paycheck Protection Plan (PPP) funds. *The bill passed the Legislature and was signed by the Governor on April 29.*

SB 87 (Caballero) – Small Business COVID-19 Relief Grant Program: This bill established the California Small Business COVID-19 Relief Grant Program within the California Office of Small Business Advocate to assist qualified small businesses affected by COVID-19 through the administration of grants. This bill appropriated \$2.075 billion to fund the program, including \$50 million for nonprofit cultural institutions. *The bill passed the Legislature and was signed by the Governor on February 23.*

SB 539 (Hertzberg) – Property Taxation: Intergenerational Transfers of Real Property: This bill enacts implementing provisions of Proposition 19 (2020). Specifically, the bill, 1) provides statutory detail for taxpayers to claim base year value transfers under Proposition 19, and 2) implements Proposition 19's limitations on parent-child/grandparent-grandchild change in ownership exclusions. *The bill is awaiting a vote on the Senate Floor.*

SB 792 (Glazer) – Sales and Use Tax: Retailer Reporting: SB 792 would require specified retailers, with respect to online sales, to track and report to the California Department of Tax and Fee Administration the city or ZIP code where the purchaser resides. *The bill is awaiting a vote on the Senate Floor.*

Wildfire

AB 497 (Waldron) – Forestry and fire protection, grants: This bill would have appropriated \$25,000,000 to provide local assistance grants to manage vegetation along streets and roads to lower the risk of wildfires. Wine Institute took a support position on this bill. *The bill failed passage in the Assembly Natural Resources Committee.*

AB 642 (Friedman) – Wildfire Prescribed Burns: This bill would take numerous actions to increase the use of prescribed burning, including the creation of a prescribed burning training center. The bill would also require identification of areas of moderate and high fire hazard severity zones and require the adoption of fire protection building standards in areas designated as high hazard zones. Wine Institute has taken a support position on this bill. *The bill is awaiting committee assignment in the Senate.*

AB 792 (Flora) – Prescribed Burning Agreements: This bill would have allowed 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. Wine Institute took a support position on this bill. *The bill failed passage in the Assembly Appropriations Committee.*

AB 926 (Mathis) – Fire Prevention local assistance grant program: This bill would have expanded the definition of "fire prevention activities" to allow more projects to be eligible for Cal Fire grants. The additional activities that could be funded under the bill included the removal of hazardous dead trees, creation of fuel breaks and community defensible spaces, and creation of ingress and egress corridors. Wine Institute took a support position on this bill. *The bill failed passage in the Assembly Appropriations Committee.*

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 and

ranchers to enter an area closed due to natural disasters to care for livestock or irrigate crops. Wine Institute has taken a support position on this bill. ***The bill is awaiting committee assignment in the Senate.***

AB 1458 (Frazier) – Lake and streambed alteration agreements: This bill would have exempted fuel reduction projects from the Department of Fish and Wildlife’s lake and streambed alteration agreement program. Wine Institute took a support position on this bill. ***The bill failed passage in the Assembly Water, Parks, and Wildlife Committee.***

AB 1500 (Garcia) - Safe Drinking Water and Wildfire Prevention Bond: This bill would place an initiative on the ballot for voters to approve or deny a \$6.7 billion general obligation bond to fund fire prevention, safe drinking water, drought preparation, flood protection, and heat mitigation. ***The bill is being held in the Assembly Rules Committee.***

SB 45 (Portantino) – Wildfire Prevention Bond: This bill would place an initiative on the ballot for voters to approve or deny a \$5.5 billion general obligation bond to fund fire prevention, safe drinking water, drought preparation, and flood protection. ***The bill has been placed on the Senate Inactive File.***

SB 332 (Dodd) – Prescribed Burn Liability: This bill would provide liability immunity, except in cases of gross negligence, for any fire suppression or other specified costs otherwise recoverable for a prescribed burn if specified conditions are met. ***The bill is awaiting a vote on the Senate Floor.***

SB 440 (Dodd) - Wildfire hardening: This bill would create a joint powers authority to administer a program to assist owners in retrofitting structures for protection against wildfire or creating defensible space. ***The bill is being held in the Senate Insurance Committee.***

Miscellaneous

AB 390 (Berman) – Automatic Renewal and Continuous Service Offers: This bill would require a business that makes an automatic renewal or continuous service offer (wine club membership) to a consumer to provide the consumer with notice before the expiration of a free gift or trial, or temporary or promotional price, included with the offer, and requires these businesses to streamline the cancellation process in accordance with specified criteria. ***The bill is awaiting hearing in the Senate Judiciary Committee.***

SB 285 (McGuire) – Tourism Recovery Act: This bill would require \$45 million be transferred to the California Travel and Tourism Commission upon appropriation by the Legislature. ***The bill has been placed on the Senate Inactive File.***

State Budget Issues

AB 83 (Committee on Budget) – Alcohol Beverage License Renewal Fees: This bill authorizes ABC to waive license renewal fees for small beer manufacturers, craft distillers, and winegrowers who produce up to 100,000 gallons annually, and whose licenses expire between March 1, 2021, and February 28, 2023, inclusive. ***The bill was passed by the Legislature and signed by the Governor on March 17.***

SB 93 (Committee on Budget) – COVID-19 Rehire and Retention for Displaced Workers: This bill requires certain employers to first offer employment to employees who were laid off for reasons related to the COVID-19 pandemic before making an offer to a new applicant. The bill

is limited to the following employer types: hotel, private club, event center, airport hospitality operation, airport service provider, or the provision of building service to office, retail, or other commercial buildings. The bill is in effect until December 31, 2024. ***The bill passed the Legislature and was signed into law by the Governor on April 15.***

Crop Protection Materials – Department of Pesticide Regulation Funding: The Department of Pesticide Regulation (DPR) through the State Budget 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 Senate Budget Committee proposed an alternative to the Mill Fee increase by funding DPR with an additional \$90 million in general fund revenue over the next two years.

May Revise: The Governor released the “May Revise” to his January budget proposal, which estimates a \$100 Billion surplus and includes significant funding increases in several areas of interest to Wine Institute members. ***The Constitutional deadline for the Legislature to pass the budget is June 15th.***

Wildfire Funding: The May Revise proposes \$708 million in funds for wildfire and forest resilience. When combined with the early action funding that was already approved by the Legislature, this would provide a total of \$1.2 billion in funds for wildfire and forest resilience. Earlier this month the Senate introduced its own wildfire proposal, which would provide \$1 billion annually towards wildfire resilience over the next five years for a total of \$5 billion. The Legislature and Governor will now negotiate between their proposals. Wine Institute testified in support of the additional wildfire funding before the relevant Senate and Assembly budget subcommittees.

Drought Funding: The May Revise proposes a \$5.1 billion investment over 4 years for drought infrastructure, preparedness, and response, including investments to support safe drinking water, water supply and reliability, and flood resilience.

Food Production Investment Program – Energy Efficiencies: The May Revise proposes a \$125 million increase in grants to food and beverage processors to implement projects that reduce greenhouse gas emissions and onsite energy consumption.

Climate Smart Agriculture for Sustainability and Resilience: The May Revise proposes a \$532 million increase in funding, for a total of \$794 million, to advance climate smart agriculture, improve drought resiliency, fund alternatives to agricultural burning, increase pollinator habitat on working lands, and support conservation planning.

Regional and Statewide Regulatory Issues

Ag Order 4.0: The Central Coast Regional Water Quality Control Board adopted a new Ag Order in April. Wine Institute successfully pushed for changes to the requirements around riparian areas, which will save vineyards on implementation costs. Additionally, sustainability certification programs will be eligible to participate as third-party programs under the Ag Order to potentially allow certified vineyards to use their existing farm plans to meet the Ag Order farm plan requirement, contingent on the Regional Board approval process for third-party programs.

Winery Order and Ag Order 4.0: Wine Institute is working with the Central Coast Regional Water Board to coordinate groundwater monitoring required by both the Winery Order and Ag Order 4.0. This coordination would allow the required groundwater monitoring under the Ag Order to be used for compliance with the groundwater monitoring requirements for tier 4 wineries' land application areas under the Winery Order.

Winery Order Fees: Wine Institute submitted comments to the State Water Board on its proposed fees for wineries subject to the recently adopted Winery Order urging fees be kept as low as possible. Additionally, Wine Institute requested reduced fees both for wineries that are certified sustainable and those subject to Napa County's local winery program. The State Board is scheduled to adopt the fee schedule at its July 6th meeting.

CV-SALTS: Wine Institute remains engaged in the implementation of CV-SALTS in the Central Valley. July 15th is the deadline for entities subject to CV-SALTS requirements to submit their NOI to the Regional Board for the salt control portion of CV-SALTS. Entities that want to participate in the P&O study to meet their CV-SALTS requirements need to sign up by June 30th if they are paying by check to ensure they can receive their certificate of participation prior to the deadline.

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 in situations, defined as being an immediate threat to the public health, safety, or welfare, to temporarily suspend a license, temporarily suspend specific privileges, or temporarily impose conditions on a license. In response to Wine Institutes comments, ABC amended the regulations to satisfy most of our major concerns.

Cannabis Appellation Regulations: When legalizing cannabis for recreational use, Proposition 64 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 engaged with CDFA and is confident the final regulatory draft will satisfy our major concerns.

COVID-19 Response

COVID-19: Reopening: The Governor announced that starting June 15th the state will move away from the restrictions imposed by the "Blueprint for a Safer Economy" and reopen the state with modest public health and safety protocols in place.

ABC COVID Regulatory Relief: ABC Director Eric Hirata informed Wine Institute that ABC is considering the rescission of two regulatory relief provisions: #13, which allows wineries to ship free samples in the conduct of virtual wine tastings, and #17, which allows wineries to conduct winemaker dinners virtually (current law limits these events to those held at the on-sale licensee's premises). After consulting with several WI members, and learning that #13 was largely established in existing law, WI staff negotiated with the ABC to only rescind #13 and allow #17 to remain in place while WI can negotiate legislative language to make the virtual winemaker dinner provision permanent.

Cal/OSHA Emergency Temporary Standard: The Occupational Safety Health Standards Board (OSHSB) was presented with amendments to the ETS, which would have recognized

fully vaccinated employees, providing helpful exemptions to the exclusion and testing requirements, however, the amendments did not go far enough in limiting the continued need for face covering and social distancing, and added a new burdensome requirement for employers to provide N-95 respirators to unvaccinated employees. At the May 20th OSHSB meeting, Cal/OSHA requested that OSHSB withhold voting on the amendments, which OSHSB did, to allow time to incorporate the new face covering and physical distancing guidance provided by the Center for Disease Control and Prevention (CDC). Cal/OSHA provided OSHSB with a new set of amendments on May 28th. However, these latest amendments fail to adequately address CDC guidance and other directives from the California Department of Public Health and Governor Newsom. OSHSB is scheduled to hold a special hearing on June 3rd where the problematic amendments are likely to be approved. The goal of the OSHSB is to have the amended ETS in place prior to the June 15th reopening date.

Wildfire Response

Wildfire Preparedness: Wine Institute has been hosting webinars and providing information on state resources relevant to wildfire prevention.

Lab Testing Capacity: Wine Institute is working with the California Department of Food and Agriculture to assess the state's certified lab capacity for testing winegrapes for smoke exposure.

Insurance: Wine Institute continues to engage with the Department of Insurance and other relevant stakeholders to help find ways to provide wineries with affordable property insurance.

Wildfire Funding Op-Ed: Wine Institute's Sacramento and Communications teams worked jointly to get an op-ed drafted and published in the Sacramento Business Journal supporting early funding to help reduce the risk of catastrophic wildfires in and around California's wine communities. After the Op-Ed's publication the Governor and Legislature agreed to a \$536 million package of early action funding to address wildfire risks in California.



Agenda Item No. 8(c)

INTERNATIONAL PUBLIC POLICY REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 2021

International Agreements

United Kingdom: US Must Prioritize Free Trade Agreement (FTA) - Wine is the top U.S. agricultural product exported to the UK by value, reaching \$233 million in 2020. A Free Trade Agreement with the United Kingdom can bring benefits, such as the elimination of tariffs which range from \$0.13 to \$0.27 per 750 ml bottle, common wine labeling rules, and the elimination of routine certification. After the UK's separation from the EU on December 31, 2020 the amount of paperwork required has increased, specifically for wines re-exported to the EU-27, challenging the country's reputation as a global wine hub. Wine Institute is urging the new administration to prioritize completing an FTA with the UK immediately to maintain this important market for California wine. In addition to the UK, the U.S. government is requested to look for other FTA candidates including important and emerging markets such as Vietnam.

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. We also helped liberate several stuck shipments in the EU-27.

Canada: Market Access – The Canadian government and the province of Quebec have agreed to phase out certain restrictions that block access to grocery stores for imported wines as a result of the WTO case brought by Australia. The Canadian and Australian governments have announced a settlement of the dispute but details about which policies will be phased out and over what time period have not yet been released. The Australian WTO case was a follow on to the US case brought against discriminatory policies in British Columbia that was settled in 2019. The US was a third party to the Australian case and Wine Institute and USTR were actively involved in supporting the Australian effort.

Retaliatory Tariffs on Wine: Wine is a frequent target for retaliation in trade disputes regarding products other than wine. Wine Institute maintains and supports the World Wine Trade Group (WWTG) position of “wine for wine” whereby governments should refrain from targeting wine in retaliation for disputes unrelated to wine. In January 2020, Wine Institute also joined Comité Européen des Entreprises Vins in calling for the immediate elimination of all tariffs on wine between the US and EU – “zero for zero.” U.S. wine exports are currently caught in a major trade dispute between the Chinese and US governments that is entirely unrelated to wine. Since April 2, 2018, China has increased the tariff on U.S. wine imports from 14% to 54% in retaliation for U.S. government trade actions on Chinese consumer goods, steel, and aluminum. As a result, U.S. wine exports continue to decrease in one of the most important wine markets in the world. When compounded, the current total tax and tariff rate equals 93%, whereas European wines pay 41% and Chilean, Georgian, and New Zealand wines only pay the 23% combined tax rates due to their trade agreements. While the Phase I Agreement allows China-based importers to apply for a refund of a portion of the tariffs, Wine Institute notes that wine from other regions does not face the same administrative burden. Wine Institute continues to work aggressively with the Administration and Congress to secure removal of these tariffs.

Separately, Wine Institute opposes the targeting of wine in the two separate trade disputes related to EU government subsidies to Airbus and U.S. government support to Boeing. On March 5, 2021, U.S. and EU officials agreed to a four month pause, including the additional 25% ad valorem tariff on wine from several European countries, while the parties negotiate. If the disputes are not resolved the EU has threatened to increase tariffs on California wine. US and EU government officials have recently commented that they are making progress on resolving this dispute and remain confident they can do so before the end of the four month tariff suspension on July 10th.

European Union: New Labeling Requirements – Wine Institute continues to closely monitor progress on ***new mandatory nutrition and ingredient labeling regulations*** for wine in the European Union (EU). EU legislators are expected to complete work on the Common Agriculture Policy (CAP) by the end of June. Once the final regulations are published, there is expected to be an 18-month transition period before the new requirements go into effect. Based on current expectations, EU industry representatives believe the new requirements will apply to all wine entering the EU market on or about July 1, 2023.

Some of the key details of the new requirements have changed in recent months, but here is the current expectation of what will be included in the final regulations:

- Mandatory, on-label energy/calorie disclosure using linear text or E= symbol.
- Ingredient disclosure will be mandatory and may be done off-label via electronic means.
- Additional nutritional info beyond energy/calories – fat, carbs, protein, sugar and sodium - must also be disclosed but may be done off-label.
- Nutritional info can be from actual analysis of wine or from generally accepted data based on “typical values” as now allowed by TTB.
- Calorie and nutritional info will be based on 100ml (3.4 oz) serving size for table wine.
- Regulations around ingredient disclosure are expected to be based initially on the EU’s food labeling regs which means certain additions to wine, for example tartaric acid, would need to be listed as an additive.

Details are not yet available for the 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.

Other Grant-Funded Projects: USDA has approved a Wine Institute request to amend an existing grant towards projects related to measurement of smoke compounds in grapes, analyzing wines for authenticity and to revise a database for wine additives. This action brings in \$156,000 towards the three projects to be concluded by September 30, 2021.

International Organizations

World Health Organization: Global Alcohol Strategy – The World Health Organization (WHO) has launched the development of an *Action Plan to Accelerate the Implementation of the Global Alcohol Strategy* and the WHO Secretariat is planning to release the next draft of the Action Plan soon. The plan is likely to 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 have begun to engage the US government to ensure they participate in the consultations.

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 took place during week of May 24th, with approximately 90 delegates registered from Canada, Brazil, Colombia, Kenya, Mexico, Russia, Sri Lanka Thailand, Vietnam, and more The USDA grant that supports the project has been extended until September 30, 2021.



Agenda Item No. 8(d)

TECHNICAL ADVISORY COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 8, 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. Continued Focus on Smoke Exposure Research

Wildfires are a perennial challenge for the California wine industry. In an effort to guide industry response to wildfires, the Technical Advisory Committee has been the driving force behind researching smoke impact. The Technical Committee has created a task force to provide information related to smoke exposed grapes. Efforts will be focused on three key objectives: mitigation techniques, measurement, and prevention.

The Technical Advisory Committee continues to evaluate smoke science experts for the position of the Wine Institute scientific analyst and coordinator. This expert will provide scientific input to the global smoke research community, academics and state regional associations.

2. Wine Authentication Database to Prevent Misleading Practices

Wine Institute Technical Advisory Committee is working with Gordon Burns, President of ETS Labs, and Pat Howe, analytical chemist specializing in Viticulture and Enology, to build a chemical database from authentic samples of California wine. Wine authentication is essential to prevent counterfeit or misleading practices. If a regulatory authority were to question a wine's authenticity, then it must be compared against a sufficiently comprehensive database of authentic samples to avoid mischaracterization of legitimate wine as fraudulent.

Australia and the European Union have years of investment in building wine sample databases, for example the EU's database contains over 20,000 samples of wine products and is annually updated with more than 1,600 samples.

While this project is still in its infancy and the database will take several years to build, the Technical Advisory Committee is very excited but we are excited to create this necessary resource for the industry.

3. 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. Currently, the task force work is focused on exploring the regulatory framework of materials used in wine and the introduction of new treating materials or processes.



Agenda Item No. 8(e)

ENVIRONMENTAL AFFAIRS REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 8, 2021

Environment, Health & Safety Committee

Prepared for and held the **Environment, Health & Safety Committee** meeting on May 3. Agenda items included the following: updates from the California Sustainable Winegrowing Alliance and Wine Institute's Technical Advisory Committee; a review of bills by the Sacramento team; Water, Air, General Regulatory and Market Issues Working Groups; the Committee's 3-year Strategic Plan update. The next meeting will be held on Aug 9, 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, 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 – and working groups met several times to implement its strategy to proactively and cohesively address issues related to crop protection materials. Staff continued to work with the DC office and Committee to implement the Technical Assistance for Specialty Crop Block Grant for \$650,000 to monitor, communicate, research and educate about MRL issues.

California Sustainable Winegrowing Alliance (CSWA) Board of Directors

The **CSWA Board of Directors** held its quarterly board meetings via webinar on May 4. Agenda items included review of the draft budget for FY 2021/2022 and discussion regarding board alternates; adoption of the 5-year strategic plan and review of the work plan; discussion of Certified California Sustainable Winegrowing issues (including the Technical Advisory Group for Crop Protection, wine brands and the certified participant survey); and other business. The next meeting will be held virtually on July 12.

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**:

- Mar 18 - Attended a *Quantifying Economic and Environmental impacts of Sustainable Winegrowing practices* webinar by the American Farmland Trust.
- Mar 22- Attended a presentation of "NextWatts Project" a partnership between UC Davis and Vitadore, at UC Davis Oakville Station
- Mar 31 - Met with Honore and Pancho Campo to discuss Wine Future's plans for conferences in 2021 and 2022, including one devoted to the "Green Wine Future"
- Apr 6 - Held a Sustainable winegrowing and Certification Overview webinar
- Apr 7 - Attended the California Pollinators Coalition launch event (CSWA is one of the collaborating organizations)
- Apr 19-20 – Hosted the 2nd U.S. Sustainable Winegrowing Summit (see more details in grant section)
- Apr 20-21 – Allison Jordan gave the keynote address for an Earth Day event for Japanese trade and media
- Apr 24 – Lisa Francioni Hai presented virtually for an Arizona wine industry conference
- Apr 27 – Hosted a new wine certification logo chain of custody webinar
- May 10 & 11 - Held a planning call with the WI International team and a meeting the following day with Systembolaget's Sustainability Manager to discuss the monopoly's sustainability platform, winery concerns and next steps to ensure appropriate recognition of CSWA's program
- May 10 - Held a call with Bill Sweat at Winderlea Vineyards and Winery in Oregon to discuss the diversity, equity and inclusion work taking place with the Willamette Valley Wineries Association
- May 13 - Allison Jordan presented for the Amorim Sustainable Development webinar
- May 13 - Hosted a CSWA webinar focused on the Winery General Order and a new web-based Winery Water Tool (see more details in grant section)
- May 13 - Held a call with the British Columbia sustainability program manager to discuss communications for their new certification program
- May 14 - Participated in a call to learn more about International Wineries for Climate Action, the tools under development to complete greenhouse gas inventories and how they compare to CSWA's tools
- May 18 - Allison Jordan presented on the California wine industry's response to climate change during the 2nd Transatlantic Wine Law & Policy Symposium
- May 24 - Worked with Wine Institute and CAWG to plan and promote a Wildfire Preparedness Workshop and resources for participants
- May 28 - Allison Jordan was invited by CDFR Secretary Karen Ross to serve on the Task Force for "Ag Vision – The Next Decade" and was interviewed by a consultant as an initial step in the process
- June 1-3 – Participated in the "Future of Wine Americas: How the Wine Industry Can Build Resilience and Turn Sustainability into Opportunity" conference and Allison Jordan

spoke on a panel

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)

*In addition, 22% of California winegrape acres are certified to other sustainability programs, with some vineyards certifying to more than one program.

Certified California Sustainable Winegrowing Website:

- Worked with Communications to disseminate a [news release](#) announcing the launch of the [certification website](#) for trade, media and consumers: californiasustainablewine.com.

Other Activities:

- Processed applications, 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 May and July 2021 deadline groups. Sent a sample of audit reports to the Certification Review Panel.
- Worked with Fivepaths to make enhancements to Salesforce and improve reports; conducted quality checks of recent updates.
- Continued vineyard data comparisons between Salesforce, the SWP, and the master spreadsheet and clean-up of SWP as needed.
- Processed Chain of Custody Audits and Wine Label Notification forms, worked with wineries and auditors on COC preparation, label claims and eligibility questions.
- Continued major updates to participant profiles including creation and dissemination of username and passwords for several large winery operations.
- Requested bios for potential new Technical Advisory Group (TAG) members to follow-up on the board meeting discussion and for electronic final board approval.
- Processed californiasustainablewine.com edit requests for wineries, wines, and vineyards and uploaded new content for new wines.
- Held SWP and CCSW overview webinars.
- Sent out reminders to participants with outstanding balances for certification admin fees.
- Had certified wine logo translated into French by Wine Institute Canada per requirements for Quebec labeling laws.
- Designed new certificate for 2021 certifications.
- Continued working with auditors on accreditation steps, including logging/tracking completion of the steps.
- Emailed approval notifications, certificates and invoices to new and renewing CCSW participants.

Grant Projects

CSWA has two current grant projects funded by CDFA Specialty Crop Block Grants. Staff submitted request and received approval for no-cost extensions from CDFA for both grants, extending the grant projects through Aug 31, 2021.

1. 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:

- Created, promoted and hosted a successful 3-day event for the [U.S. Sustainable Winegrowing Summit](#), a virtual 3-day event that took 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, and Elaine Chukan Brown were among the featured speakers.
 - Data analysis of Summit participants: 19 countries, 16 states, 464+ unique participants over the three-day period.
 - Shared Summit recordings and other materials with participants, and Drafted content for *Summit Highlights Report*.
 - Developed content for, designed and launched the [U.S. Sustainable Winegrowing site](#) which included information on all U.S. programs along with a unified definition and principles.
 - May 20 - Hosted partner call to debrief on the Sustainability Summit and discuss remaining project activities including the project video, website and participant survey.
2. 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:

- Finalized a new [Integrated Winery Water Quality Management Tool](#), fielded feedback from advisory group members and modified navigation and layout.
- Worked with Kennedy Jenks and Adam Kotin to pilot the winery water quality tool in several wineries of various sizes in different regions.
- Planned for, promoted and hosted a webinar on May 13 to debut the new winery water tool and to inform industry members about the statewide winery order (50 participants); sent follow-up to all registrants with the webinar recording and additional resources.
- Identified Code practices to include in a new climate smart report in the SWP Online System and scoping the report functionality with project consultant SureHarvest.

- Provided support to growers using the CSWA Third Party Program for the Region 2 Vineyard WDR, including issuing vouchers to assist in the cost of farm plan development and verification.
- Reviewed slides about the Nitrogen Tool which will be used in a video tutorial that will be recorded by our consultant.
- Joined a call with Region 3 Water Board staff to discuss next steps for sustainability programs to be recognized as third-party programs in the final vineyard Order 4.0, and subsequent call to discuss Geotracker, the regulatory site where information is uploaded and some made publicly available. Also submitted a comment letter re: recognition of certification programs.
- Submitted corrective action responses to CDFA in response to the financial audit of the project.
- Planned, promoted and co-hosted a Wildfire Preparedness webinar on May 24 (co-hosted by CAWG and WI, with 163 registrants and 118 attendees).

Project Development/Other:

- Pending: 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.
- Continued to seek new funding opportunities.

Communications/Other Projects

2021 Green Medal: Sustainable Winegrowing Leadership Awards:

- Promoted the 2021 Green Medal competition via email campaigns, social media, Wine Institute News Briefs, a News Alert and press release.
- Applications closed in April, and the Judging Panel reviewed all applications in advance of a May meeting and voting to decide upon winners in the Leader, Environment, Community & Business categories.
- Worked with Wine Institute’s legislative affairs team on timeline for formal resolution to recognize winners (for 2020 and 2021 winners).
- Identified opportunities and developed resources for prospective winners to promote their award and achieve recognition of their sustainability efforts and achievements.

Communications:

- Allison Jordan taught the Sustainable Enterprises course for the Sonoma State University Executive Wine MBA program (March-April).
- Regularly reviewed the monthly *Discover California Wine Blog* and provided input into the blog planning calendar.
- Worked with Simple Focus (design), the CSWA team and other California sustainability program staff on content of a web-based timeline of sustainable winegrowing milestones for the California wine industry.
- Drafted the *2020 California Wine Community Sustainability Report*, which will be published in early June 2021.

- Began working with the International Marketing Team and Anthesis, an outside consulting firm, to plan for a project that will benchmark the California wine industry's sustainability and climate change projects efforts, identify gaps, and identify potential strategies to advance our leadership position.
- Met regularly with Wine Institute's Communications and International Marketing teams to coordinate activities and messaging.
- Shared, uploaded and tagged photographs from photoshoots in Mendocino, Sonoma and Livermore.
- Posted regularly to CSWA LinkedIn and Facebook pages.

Media Interviews/Down to Earth Month:

- Interviewed by numerous media outlets to discuss Down to Earth Month, climate change mitigation and adaptation and other sustainability topics:
 - *World Footprint* radio
 - *Popular Science*
 - *JCB Live*
 - *Grape Encounters*
 - *Wine Fashionista IG Live*
 - *Drinks Business*
- Worked with the social media team and talent to discuss D2E /month and sustainability talking points for California Wines Facebook Live series.



Agenda Item No. 8(f)

COMMUNICATIONS COMMITTEE REPORT
DISCOVER CALIFORNIA WINES U.S. PROGRAM
JOINT MEETING
ANNUAL MEMBERSHIP – BOARD OF DIRECTORS
June 8, 2021

Media and Member Outreach

News Alerts/Briefs/Press Releases: We issued 20 member and media communications since the March Board Report, in addition to developing and updating numerous webpages, talking points, statements and other background documents.

- 05/20/2021 - [Five Reasons to Visit California Wine Country](#)
- 05/18/2021 - [Wildfire Preparedness Webinar, May 24, 11:00 am - Noon \(new start time\)](#)
- 05/14/2021 - [Alabama Becomes 47th State to Open for Direct-to-Consumer Wine Shipping](#)
- 05/14/2021 - [Register for the Transatlantic Symposium on Wine Law & Policy, Tuesday, May 18](#)
- 05/13/2021 - [News Briefs: Register for June 8 Membership & Board of Directors Meeting](#)
- 05/10/2021 - [Register for the Transatlantic Symposium on Wine Law & Policy, Tuesday, May 18](#)
- 04/29/2021 - [News Briefs: California Legislative Update—Alcohol Beverage Bills Advance](#)
- 04/29/2021 - [Registration Opens Friday, April 30 for Restaurant Revitalization Fund](#)
- 04/27/2021 - [Communications Leader Joins Wine Institute](#)
- 04/19/2021 - [Register for Restaurant Revitalization Program Webinar, April 21, 2021](#)
- 04/15/2021 - [News Briefs: Down to Earth Month 2021 Legislative Resolution Introduced](#)
- 04/01/2021 - [News Briefs: FAQ's on Nutrition Labeling & Advertising Issued](#)
- 04/01/2021 - [CSWA Launches a New Website](#)
- 03/25/2021 - [California Wines "Down to Earth Month" Winery Events Celebrate Sustainability](#)
- 03/24/2021 - [FAQs on Nutrition Labeling & Advertising](#)
- 03/22/2021 - [D2E Celebration with California Wines on Facebook Live & Instagram](#)
- 03/19/2021 - [News Briefs: Wine Institute Helps Secure \\$28.6 Billion in Support for Tasting Rooms & Restaurants](#)
- 03/11/2021 - [President Biden to Sign the American Rescue Plan Act of 2021](#)
- 03/10/2021 - [Down to Earth Webinar Recording Available](#)
- 03/05/2021 - [News Briefs: Register for Next Week's Board Meeting](#)

Media Response – We responded to more than 35 media inquiries in the last quarter, some a result of our drawing attention to the issue of sustainability as part of Down to Earth Month. Several television stations, Popular Science, Drinks Business all did pieces related to sustainability and/or identifying certified sustainable wines. Other inquiries covered a broad array of topics: Reuters

reached out on global wine supply, especially in relation to the French frost; Wine Spectator asked about nutritional information on labels; Wine Enthusiast had questions on California's wine history; Seven Fifty Daily asked about cannabis and wine; CNBC reached out on wine social influencers; and Wines and Vines on bulk wines. We also had questions on drought and wildfire economic impact from IPS News and KION 5 Monterey, respectively. From a feature story aspect, we had inquiries from Celebrity page on celebrity-owned wineries; Parklander Magazine looking for winery tour suggestions; wine consumption facts for Patch, in preparation for National Wine Day (May 25); and San Diego magazine had follow-up on our May lifestyle press release.

Issues Management

Arsenic Microsite – As a preventive measure, we developed an [arsenic microsite](#) that focuses on the safety of food, wine and many other agricultural commodities that contain trace amounts of arsenic. We incorporated Search Engine Optimization (SEO) so the site appears on the first page of search results for “arsenic” and “wine”.

Wildfire Preparedness – We're reviewing and updating our current wildfire-related communications documents. This includes an assessment of getting in front of the issue, being prepared for likely stages when fires happen and determining how best to leverage others who will likely be asked for comment.

Discover California Wines U.S.

Down to Earth Month 2021 – In April we had our tenth annual proactive comprehensive campaign to communicate and promote sustainability through virtual and appropriate in-person activities that included:

- Member webinar on communicating sustainability
- Special landing page with extensive and relevant content
- Member [toolkit](#) today highlighting the opportunity for wineries to participate with events, and offer and support restaurant partners by “Sustaining Hospitality” through support of CRA’s Restaurants Care foundation
- Television attention across the state including [KCRA TV Sacto](#), [Good Day Sacramento](#), [KTVU TV Bay Area](#), [California Live NBC SF/LA/SD](#) and Wine Fashionista IF Live
- Radio interviews on WLIS/WMRD Hartford Travel Itch, On the Wine Road with Jeff Davis, [World Footprints](#), What’s Cooking with Mike Horn and Grape Encounters
- [Press release](#) (as referenced above) which resulted in more than 200 online print stories including [NBC Los Angeles](#) and [Morning Ag Clips](#)
- Social media attention as a result of work with influencers who created blog and social posts on their platforms, along with videos for the [California Wines IGTV channel](#). Our “What Is Sustainable Wine?” five-episode Facebook Livestream Series featuring Amanda McCrossin and Aida Mollenkamp can be viewed on our [Facebook page](#) and on our [YouTube channel](#). The series had netted 60K video at the end of April.

Lifestyle PR – We issued a May news release, [Five Reasons to Love California Wine Country This Summer](#), to help educate consumers on wine regions, lifestyle and wellness opportunities (especially as the state opens up) and to provide content to mid-sized media looking to fill the Memorial Day news hole. It also thematically connected to our marketing project, “Updating

Perceptions: Connecting California Wine to a Well-Balanced Lifestyle”, partially funded by a 2020 Specialty Crop Blog Grant from CDFA.

Discover California Wines U.S. Social Media – From July 2020 through April 2021, our social media generated 4.6 million combined impressions on Facebook, Instagram, Twitter and Pinterest. The engagement rate (comments, likes and shares) for the same period totaled 160K engagements and 19.5K link clicks. Total fans/followers on Facebook, Instagram and Twitter were up from 61,689 to 67,494.

Discover California Wines Blog - We issued six editions of the monthly [blog](#) incorporating food, lifestyle, sustainability and wine messaging.

Specialty Crop Blog Grant - We started implementation of the 2020 grant which funds lifestyle communications activity through April 2023.

Staffing

Staff Changes – We’re transitioning a majority of the communications team following the previously reported retirements of Communications Vice President Nancy Light (May 14), Media Relations Director Gladys Horiuchi (February 15) and a geographic move for Communications Manager Jenni Jennions (March 5). The team is now led by Vice President Natalie Wymer and new members, Director Jenny Dudikoff and Manager Megan Long, joining Manager Amy Azzolina, who has been with Wine Institute for the past six years. The team has a wide array of experiences including state and federal policy communications, issues management, media relations and climate change/sustainability, as well as wine/wine industry/Wine Institute knowledge.