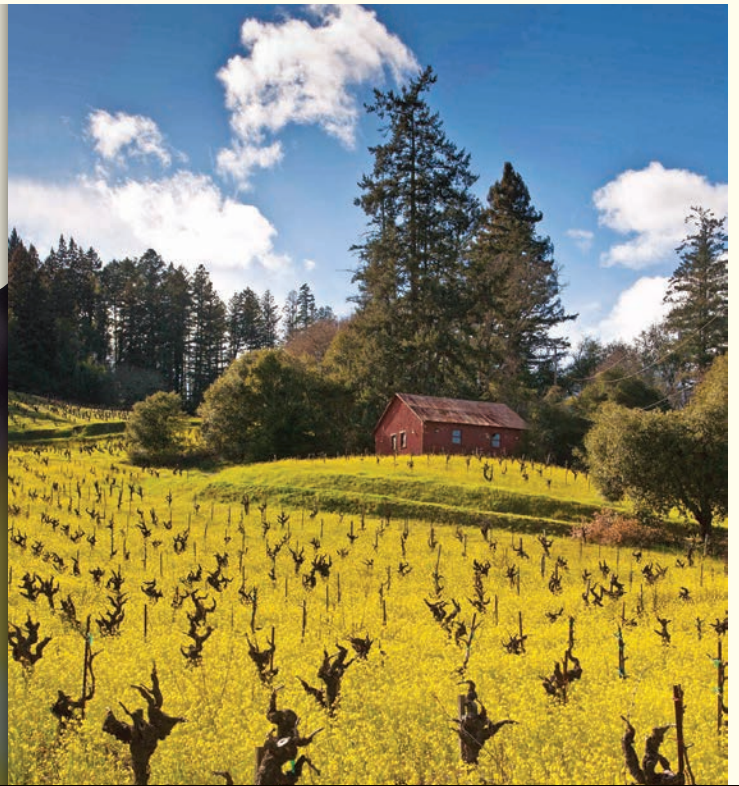
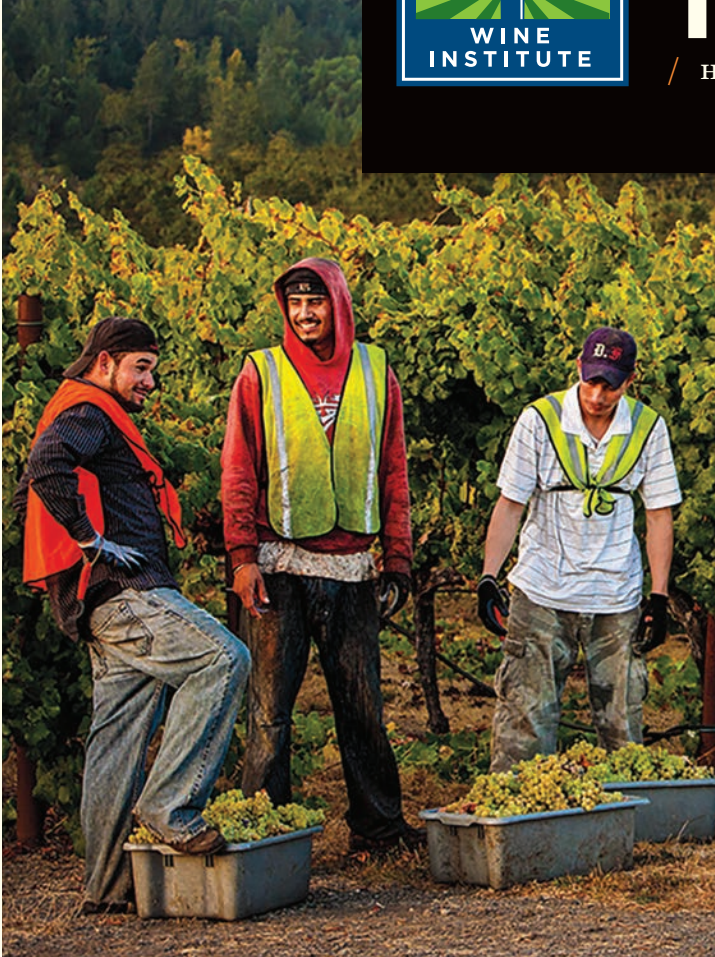


2018



YEAR IN REVIEW

/ HIGHLIGHTS OF 2018 AND A LOOK AHEAD



2019



OUR MISSION

TO INITIATE
AND ADVOCATE
PUBLIC POLICY
THAT ENHANCES
THE ABILITY TO
RESPONSIBLY
PRODUCE, PROMOTE
AND ENJOY WINE.
WINE INSTITUTE
IS THE ONLY
ORGANIZATION IN THE
U.S. REPRESENTING
THE INTERESTS
OF WINE AT THE
STATE, FEDERAL AND
INTERNATIONAL
LEVELS.

/ ABOUT WINE INSTITUTE

OFFICERS

CHRIS INDELICATO
Delicato Family Vineyards,
Chairman

HANK WETZEL
Alexander Valley Vineyards,
First Vice Chairman

JOHN SUTTON
The Wine Group,
Second Vice Chairman

SUZANNE GROTH
Groth Vineyards & Winery,
Treasurer

RICK TIGNER
Jackson Family Wines,
Secretary

BOARD & COMMITTEES

Eighty-member board includes small, medium and large vintners from every region in California. No winery has more than two votes. All members are invited to attend quarterly board meetings, seminars and workshops and join membership committees.

MEMBERS

More than 950 California winery and associate members represent 80% of U.S. wine production. 65% produce under 5,000 cases per year. Membership is open to all bonded California wineries.

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DUES & ACCOUNTING
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HIGHLIGHTS OF 2018 AND A LOOK AHEAD

As we begin the new year, I encourage you to take a few minutes to read our Year in Review and consider the value of Wine Institute membership.

In 2018, our work in Washington, D.C., Sacramento, state capitals in the other 49 states and internationally yielded results that benefit the bottom line for all of our members.

- Passage of *The Craft Beverage Modernization and Tax Reform Act*, the first reduction in Federal Excise Taxes (FET) in 80 years, resulted in a *total savings of \$150 million for California wineries in 2018 and 2019*. On average, members saved \$90,000 in excise taxes in 2018 with many small and medium wineries having FETs cut by 80% or more. Extending the bill or, ideally, making the cuts permanent is the top priority of our Federal Relations team in 2019.
- Our Sacramento office *stopped an avalanche of anti-business legislation* addressing labor, tax and environmental issues that would have increased the cost of doing business for California wineries. With Democrats holding a supermajority in the California Legislature following November elections, the environment will continue to be challenging.
- *All excise tax increase proposals in the other 49 states were defeated*, despite constant pressure. Our State Relations team also launched a new website that gives members access to essential compliance information for all states.
- As part of the U.S.-Mexico-Canada Trade Agreement on which we worked closely with USTR, *Canada must remove restrictions on sales of California wines in grocery stores in British Columbia by Nov. 1, 2019*, establishing an important precedent in our top single-country export market with sales of \$444 million in 2017.



Congressman Jim Costa (D-California), senior member of the House Agriculture Committee, at Wine Institute's annual reception at the Library of Congress with Wine Institute President & CEO Bobby Koch.

- The new *Nutrition Calculator saves wineries time and up to \$1,000 in lab costs per wine* by providing an accurate, easy-to-use tool for assisting multi-unit accounts in complying with FDA reporting guidelines.
- Through our exclusive discount shipping program with FedEx, participating *members saved an average of more than \$16,500 annually on shipping* with 75% of members saving more in shipping than their annual Wine Institute dues.

These are just a few of our accomplishments in 2018. Also highlighted in this report is our work in raising the profile – and sales – of California wines globally by hosting 50 Masters of Wine from around the world for an unprecedented 10-day visit to California, administering the launch of the new Certified Sustainable logo for wine of which nearly 700 thousand cases reached the market in 2018 and assisting our members on legal and regulatory issues from ADA website compliance to fermentation emissions controls to social media guidelines.

We have ambitious goals for 2019 and, with your support, we can achieve them. Thank you for your membership!

A handwritten signature in black ink that reads "Bobby Koch" with a checkmark at the end.

ROBERT P. KOCH
President & CEO

“

THE GOAL OF OUR CALIFORNIA GOVERNMENT RELATIONS PROGRAM IS TO ADVOCATE EFFECTIVELY BEFORE THE STATE LEGISLATURE AND REGULATORY AGENCIES TO IMPROVE THE BUSINESS CLIMATE FOR THE CALIFORNIA WINE COMMUNITY.

”

—TIM SCHMELZER, VICE PRESIDENT, CALIFORNIA STATE RELATIONS

CALIFORNIA WINE BY THE NUMBERS



#1

California is America's top wine producer, making 80% of all U.S. wine



#4

California is the world's fourth largest wine producer after Italy, France and Spain



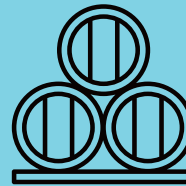
49

Number of California's 58 counties where winegrapes are grown



139

American viticultural areas (AVAs) in California



4,800

Number of wineries, nearly all family owned



5,900

Number of winegrape growers



325K

Californians employed by the wine industry



599K

Acres under vine, covering less than 1% of all land in the Golden State



\$57.6B

Generated in economic activity annually in California

CALIFORNIA

STOPPING ANTI-BUSINESS LABOR BILLS: Wine Institute was instrumental in stopping most of the onerous labor bills introduced by the California Legislature, including bills to further expand California's paid sick leave law, increase wage statement penalties, ban employment arbitration agreements, mandate when an employer can hire new employees, and extend the statute of limitations on certain employment-related enforcement actions.

IMPROVING COMPLIANCE FOR NEW VINEYARD EROSION PERMIT: Wine Institute hosted workshops and educational events on new erosion rules in Napa and Sonoma. These events created valuable opportunities for growers to interface with regulators and experts, and dramatically increased the percentage of vineyards meeting the first compliance deadline.

HALTING DUPLICATIVE NEW WINERY WASTEWATER PERMIT: Wine Institute negotiated with Regional and State Water Boards to stop work on a new winery wastewater regulation that would have applied to all wineries in the jurisdiction of the San Francisco Bay Regional Water Quality Control District, which includes the wine regions of Livermore, Los Carneros, Napa Valley and Sonoma Valley. This permit was duplicative and counter to ongoing discussions Wine Institute is leading at the State Water Resources Control Board.

PREVENTING PASSAGE OF TAX BILLS: Working with other stakeholders, Wine Institute prevented the passage of anti-business bills that would have placed a tax on business-to-business service transactions, increased the corporate tax rate based on the pay ratio between corporate officers and other employees, and placed a surcharge on corporate income over \$1 million.



Wine Institute President & CEO Bobby Koch and Senator Mike McGuire (D-Healdsburg) listen to Assemblymember Cecilia Aguiar-Curry (D-Winters) at the annual legislative reception in Sacramento.

EASING SOCIAL MEDIA ADVERTISING RESTRICTIONS: Wine Institute facilitated negotiations with the Department of Alcoholic Beverage Control to pass legislation allowing for greater freedom in advertising instructional wine events at a licensed retailer's premises. The bill, AB 2452, effective Jan. 1, 2019, allows a winery to advertise using pictures, illustrations and depictions, and provide greater information about the retailer hosting the event.

ACHIEVING REGULATORY RELIEF FOR WINERIES IMPACTED BY FIRES: Wine Institute advocated for the State Water Resources Control Board to develop a streamlined process for wineries to avoid unfair penalties if their storm water samples were degraded by ash fall and other fire impacts. The new regulatory guidance helps protect wineries whose storm water runoff is impacted through events beyond their control.

REVERSING MISINTERPRETED AIR RULE: Wine Institute appealed the interpretation of an air quality rule in the San Joaquin Valley that resulted in wineries being improperly cited for the standard safety practice of opening fermentation tank hatches during emptying or refilling. Analysis confirmed that this practice does not increase air emissions and that the rule had been misinterpreted.



Board Members (left) Kaj Ahlmann, Six Sigma Winery, and (right) Steven Shafer, San Joaquin Wine Company, with California Secretary of Agriculture Karen Ross at the annual legislative reception in Sacramento.

DIRECT SHIPPING & WHOLESALE LAWS FOR WINERIES

New website puts DTC and wholesale compliance rules at members' fingertips



“ OUR DEDICATED TEAM OF REGIONAL COUNSELS/DIRECTORS, AND THE CONTRACT LOBBYISTS THEY SUPERVISE IN 47 STATES, DO AN EXTRAORDINARY JOB OF PROTECTING THE INTERESTS OF OUR WINERIES BEFORE STATE LEGISLATURES, IN REGULATORY HEARINGS AND RULEMAKINGS, AND THROUGH THEIR WORK WITH INDUSTRY COALITIONS. ”

—STEVE GROSS, VICE PRESIDENT, STATE RELATIONS

STATE RELATIONS

NO EXCISE TAX INCREASES IN 2018: The State Relations team was successful in stopping the passage of any excise tax increases in states across the country in 2018 and in preventing any states from adopting new monopoly protection (franchise) laws. The team also worked closely with states on trade practices and environmental regulations to protect members from overly stringent and unreasonable measures.

PROGRESS CONTINUES ON DTC: Many facets of DTC shipping were addressed by State Relations staff in 2018 to ensure continued progress on this profitable channel. The team secured the October launch of Oklahoma's new DTC law by advocating for the removal of unworkable provisions. They also prevented anti-shipping bills from passing in many states, while making legislative progress on long-term efforts to open the remaining five states to DTC shipping.

NEW WINE COMPLIANCE RULES WEBSITE: In early 2018, the State Relations Department launched an updated DTC wine shipping website, publicly available to all wineries, to ensure knowledge and compliance with regulations and preserve DTC privileges for members. In December, a new members-only section on "Wholesale Laws for Wineries" went live. Together, these provide key compliance tools to help wineries navigate the state laws for all types of distribution.

WORKSHOPS GUIDE WINERIES ON COMPLIANCE ISSUES: In the fall of 2018, the State Relations Department partnered with Compli and FedEx to present a series of five Compliance Workshops in Lodi, the Sierra Foothills, Temecula, Napa and Monterey, providing training and information to more than 300 winery representatives on compliance and legal issues in the states and California.

WINE INSTITUTE STATE RELATIONS FIELD TEAM

Wine Institute members may call on our State Relations team for assistance on ABC and other issues.



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Vice President of State Relations Steve Gross, State Compliance Specialist Annie Bones, Kristin Carlton and Jeff Carroll of Compli, at fall Compliance Workshops.

“

OUR TOP PRIORITY IN WASHINGTON IS TO EXTEND THE EXCISE TAX REDUCTIONS INCLUDED IN THE CRAFT BEVERAGE BILL. THESE BENEFITS ARE CRITICAL TO HELPING WINERIES ACROSS CALIFORNIA COMPETE IN TODAY'S MARKETPLACE.

”

—CHARLES JEFFERSON, VICE PRESIDENT,
FEDERAL & INTERNATIONAL PUBLIC
POLICY



WINE INSTITUTE PAC CONTRIBUTORS 2018

PLATINUM LEVEL - \$5,000

Robin Baggett, Alpha Omega / Tolosa Winery
Barbara Banke, Jackson Family Wines
Rhonda Carano, Ferrari-Carano Vineyards and Winery
Dennis Groth, Groth Vineyards & Winery
Tom Klein, Rodney Strong Vineyards
Bobby Koch, Wine Institute
Richard Lance, The Wine Group
Ken Lizar, The Wine Group
Jerome Lohr, J. Lohr Vineyards & Wines
Steve Lohr, J. Lohr Vineyards & Wines
Richard Mahoney, The Wine Group
James Page, The Wine Group
Victor Strader, The Wine Group
John Sutton, The Wine Group
Roger Trincherro, Trincherro Family Estates
Brian Vos, The Wine Group
Fred Weibel, Weibel Family Vineyards & Winery
Constellation Brands, Inc. PAC

GOLD LEVEL - \$2,500 - \$4,999

Jeffrey Dubiel, The Wine Group
James Evans, The Wine Group
Gary Heck, Korbel Champagne Cellars
Matthew Henderson, The Wine Group
Chris Indelicato, Delicato Family Vineyards
Jay Indelicato, Delicato Family Vineyards
David Johnson, The Wine Group
Dan Leonard, Bronco Wine Company
David Phillips, Michael-David Winery
Michael Phillips, Michael-David Winery
John Quinlivan, The Wine Group
Stewart Resnick, The Wonderful Company
Brott Ritzel, The Wine Group
Rick Tigner, Jackson Family Wines
Robert Torkelson, Trincherro Family Estates
Harry Wetzel, Alexander Valley Vineyards
Dan Zastrow, The Wine Group

SILVER LEVEL - \$1,000 - \$2,499

Kendra Altnow, LangeTwins Family Winery & Vineyards
Armando Bautista, The Wine Group
Kevin Brogan, The Wine Group
Craig Calders, The Wine Group
Greg Coleman, E. & J. Gallo Winery
Jim Coleman, E. & J. Gallo Winery
Allen Day, The Wine Group
Michele Famiglietti, Wine Institute
Matthew Gallo, E. & J. Gallo Winery
Stephanie Gallo, E. & J. Gallo Winery
Robert Gallo, E. & J. Gallo Winery
Margie Healy, Korbel Champagne Cellars
Aaron Lange, LangeTwins Family Winery & Vineyards
Joseph Lange, LangeTwins Family Winery & Vineyards
Marissa Lange, LangeTwins Family Winery & Vineyards
Philip Lange, LangeTwins Family Winery & Vineyards
James McDonald, The Wine Group
Kevin McMillen, The Wine Group
Kristin Mesker, The Wine Group

Darin Miller, The Wine Group
Bob Mullen, Woodside Vineyards
Eric Nodland, The Wine Group
James Parker, The Wine Group
Gretchen Roddick, Hope Family Wines
Steve Roden, The Wine Group
Glenn Spyksma, The Wine Group
David Weckerle, The Wine Group
Timothy Wiesner, The Wine Group
Carolyn Wentz, Wentz Vineyards
Eric Wentz, Wentz Vineyards
Philip Wentz, Wentz Vineyards

BRONZE LEVEL - UP TO \$999

Kaj Ahlmann, Six Sigma Ranch
Stephan Asseo, Stephan Vineyards
Earl Ault, Cedar Mountain Winery
Dawn Bardessono, Benchmark Consulting
Martha Barra, Barra of Mendocino
Kara Beaman, Alexander Valley Vineyards
Katherine Bedard, Wine Institute
Tyler Blackney, Wine Institute
Ian Blue, Wine Institute
Dennis Cakebread, Cakebread Cellars
Carmen Castaldi, Rodney Strong Vineyards
Bill Cooper, Cooper-Garrod Estate Vineyards
Hugh Davies, Schramsberg Vineyards
James DeBonis, Trentadue Winery
Gary Eberle, Eberle Winery
Marketta Fourmeaux, Marketta Winery
Linsey Gallagher, Wine Institute
Tracy Genesen, Wine Institute
Susan Gregory, Wine Institute
Steve Gross, Wine Institute
Suzanne Groth, Groth Vineyards & Winery
Kevin Hall, Alexander Valley Vineyards
Steve Hayes, Wine Institute
Charles Jefferson, Wine Institute
Laurie Jones, The Wine Group
Allison Jordan, Wine Institute
Shin Kao, Wine Institute
Dr. Thomas Kenefick, Kenefick Ranch Winery
Nancy Light, Wine Institute
David Lucas, The Lucas Winery
Kathleen Maas, Pear Valley Estate Wines
Steven MacRostie, MacRostie Winery & Vineyards
Rudy Maggio, Oak Ridge Winery
Michael Maher, Harlan Estate
Linda McWilliams, San Pasqual Winery
Nicholas Miller, Miller Family Wine Company
Elizabeth Milliken, Spottswoode Winery
Katie Wetzel Murphy, Alexander Valley Vineyards
William Nakata, ASV Wines
Jim Pedroncelli, Pedroncelli Winery
Tim Schmelzer, Wine Institute
Julie Pedroncelli St. John, Pedroncelli Winery
Steve Sherwin, Sherwin Family Vineyards
Karen Steinwachs, Buttonwood Farm Winery
Delia Viader, Viader Vineyards & Winery
Vikki Watkins, Wine Institute

FEDERAL RELATIONS

EXTENDING THE CRAFT BEVERAGE MODERNIZATION ACT: Wine Institute’s Federal Relations team continues to work actively with a broad coalition of alcohol producer groups to extend the recently enacted Craft Beverage Modernization and Tax Reform Act. This legislation included the first reduction in wine excise taxes in nearly 80 years. As a result, every winery reduced their FET liability in 2018 and 2019. The legislation currently expires at the end of 2019 and Wine Institute is working hard to ensure the tax benefits are made permanent, or, at a minimum, extended.

NEW FARM BILL SUPPORTS KEY PROGRAMS: Wine Institute advocated successfully for Congress to complete work on a new five-year farm bill that includes critical funding for the Market Access Program (MAP), and specialty crop funding including research, conservation, and environmental sustainability. Wine Institute has administered the MAP cost-share program to support California wine exports since 1985. These programs are important to the U.S. wine industry and enactment of the legislation will remove any uncertainty about future funding levels.



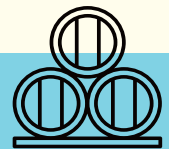
Immediate past Wine Institute Chairman, Steve Lohr, J. Lohr Vineyards & Wines, speaks with Senator Dianne Feinstein (D-California) during the annual Washington Meeting.

WORKING TO INCREASE TTB FUNDING: The Washington team continues to push for additional funding in TTB’s FY 2019 annual budget to further expedite permit, label and formula approvals. The final budget is expected in early 2019 and will hopefully include a five percent increase in funding.



Wine Institute hosted Senator Rob Portman (R-Ohio) at Black Stallion Winery. Portman is a senior member of the Senate Finance Committee who worked to enact the Craft Beverage Modernization and Tax Reform Act. (l-r): Wine Institute Chairman Chris Indelicato, Delicato Family Vineyards; Senator Rob Portman; Wine Institute President & CEO Bobby Koch.

CALIFORNIA WINERY FET SAVINGS IN 2018 & 2019



WINERY SIZE	ANNUAL SAVINGS*	
5,000 gallons (2,000 cases)	\$2,139	86%
20,000 gallons (8,400 cases)	\$8,440	86%
50,000 gallons (21,000 cases)	\$16,141	75%
100,000 gallons (42,000 cases)	\$23,250	62%
250,000 gallons (105,000 cases)	\$225,270	73%
500,000 gallons (210,000 cases)	\$387,541	64%
750,000 gallons (315,000 cases)	\$482,807	60%
2 million gallons (840,000 cases)	\$572,743	29%

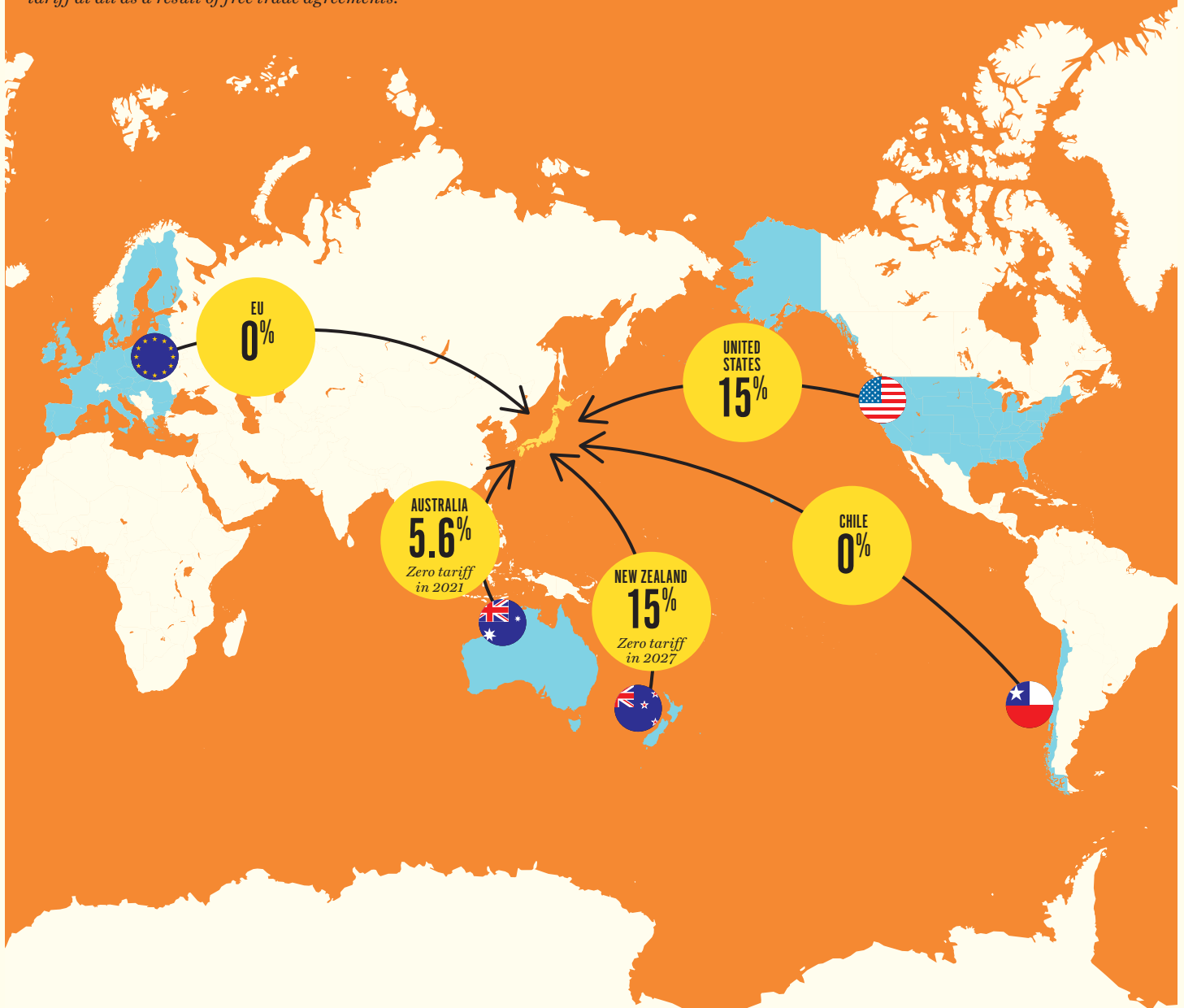
*Source: bw166 LLC * Estimated annual tax savings from expanded FET credit and 14-16% ABV change based on BOE data for California wineries. Individual winery savings may vary depending on production between 14-16% ABV.*

“ WE SEE REAL OPPORTUNITIES IN THE COMING YEAR TO REDUCE TARIFF AND NON-TARIFF BARRIERS IN KEY EXPORT MARKETS INCLUDING JAPAN, THE U.K. AND CANADA AND WILL BE PUSHING FOR A MORE LEVEL PLAYING FIELD FOR U.S. WINE AROUND THE WORLD. ”

—CHARLES JEFFERSON, VICE PRESIDENT, FEDERAL AND INTERNATIONAL PUBLIC POLICY

WINE INSTITUTE IS FOCUSED ON ELIMINATING U.S. WINE TARIFFS IN JAPAN

The current tariff for U.S. wine exported to Japan is 15%, while major competitors pay little or no tariff at all as a result of free trade agreements.



INTERNATIONAL PUBLIC POLICY

CANADA TO REMOVE GROCERY STORE RESTRICTIONS:

Canada has agreed to remove restrictions that prevent California wines from accessing grocery store shelves in British Columbia by November 1, 2019, as part of the new U.S.-Mexico-Canada Agreement. As a result of Wine Institute efforts, Canadian consumers will have greater access to California wines and Wine Institute will avoid pursuing a long and costly case at the World Trade Organization.

MORE CHINA WINE TARIFFS LOOMING: Wine is a target in the trade war between the United States and China with China imposing a total tariff of 39%, possibly increasing to 54% on March 1, 2019. Major competing wine producing countries have zero tariffs or pay 14% in this fast-growing market. Wine Institute continues to advocate for trade talks to resolve the dispute.

PURSUING FREE TRADE AGREEMENTS WITH THE U.K. AND JAPAN:

Building on the success of the revised agreement with Canada and Mexico, the U.S. government will soon begin serious trade negotiations with the U.K. and Japan. In Japan, where competing wine producing countries already pay lower tariffs or are scheduled to “zero out,” Wine Institute will be advocating for the elimination of tariffs on U.S. wine. Wine Institute is also working with U.S. and U.K. government officials to provide timely information on the “Brexit” process.

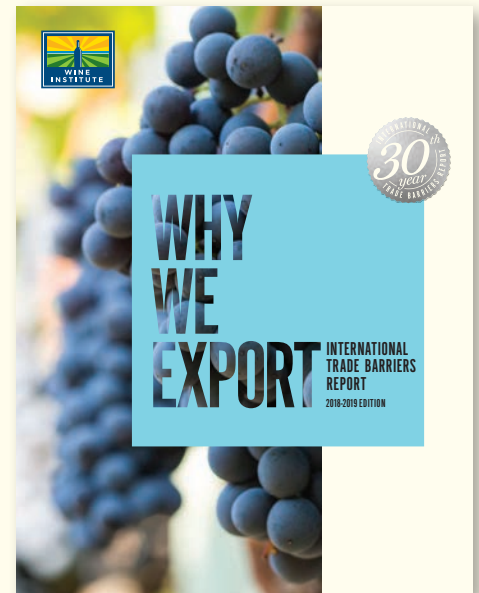
Once the UK government separates from the European Union in late March 2019, the U.S. government will be able to negotiate a trade agreement. Tariff elimination and U.K. participation in the World Wine Trade Group are key goals.

WORKING TO REMOVE TECHNICAL TRADE BARRIERS:

Wine Institute and its Technical Advisory Committee work to reduce export paperwork and restrictive technical barriers through active leadership of public-private partnerships, such as World Wine Trade Group, APEC Wine Regulatory Forum, and the International Wine Technical Summit (IWTS). While funding for the APEC WRF ended in 2018, Wine Institute is exploring options to continue the project this year.



The APEC Wine Regulatory Forum, held in Hawaii in October, was attended by government officials and wine sector representatives from 14 APEC economies.



Wine Institute's 30th annual International Trade Barriers Report focuses on "Why We Export," highlighting members' views on the importance of sharing their wine with the world. The report also includes an analysis of recent trade barrier trends and information on Wine Institute's public-private partnerships to proactively prevent additional export hassles.



International regulators and industry members attend a tour of the Trinchero Napa Valley production facility as part of the IWTS in June.

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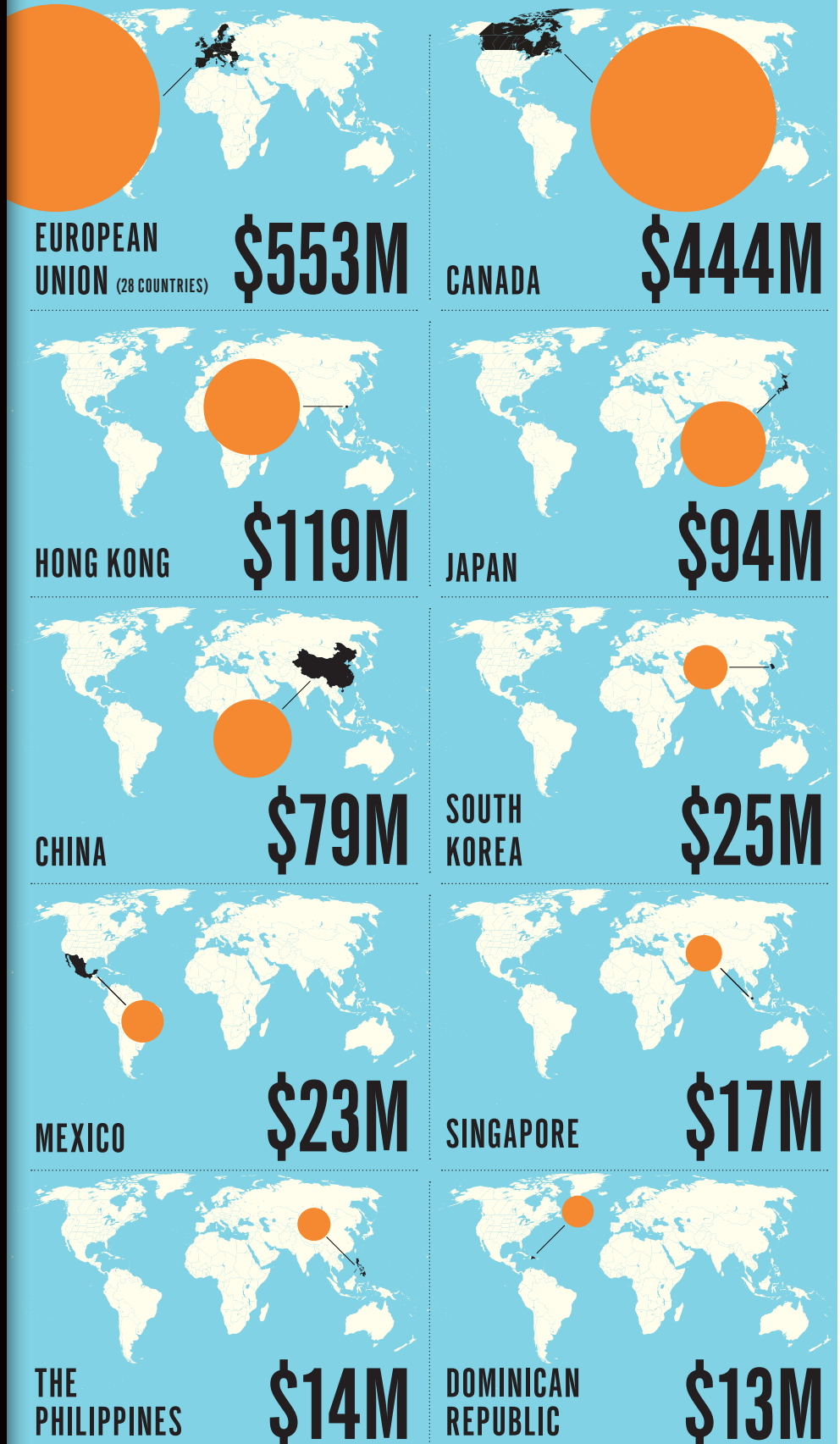
THE GOAL OF OUR CALIFORNIA WINE EXPORT PROGRAM IS TO BUILD A STRONG CALIFORNIA WINES CATEGORY AROUND THE WORLD, BY HELPING INTERNATIONAL MEDIA, TRADE AND CONSUMERS CONNECT WITH CALIFORNIA AS AN ICONIC AND ASPIRATIONAL DESTINATION AND A WORLD-CLASS WINE PRODUCING REGION.

”

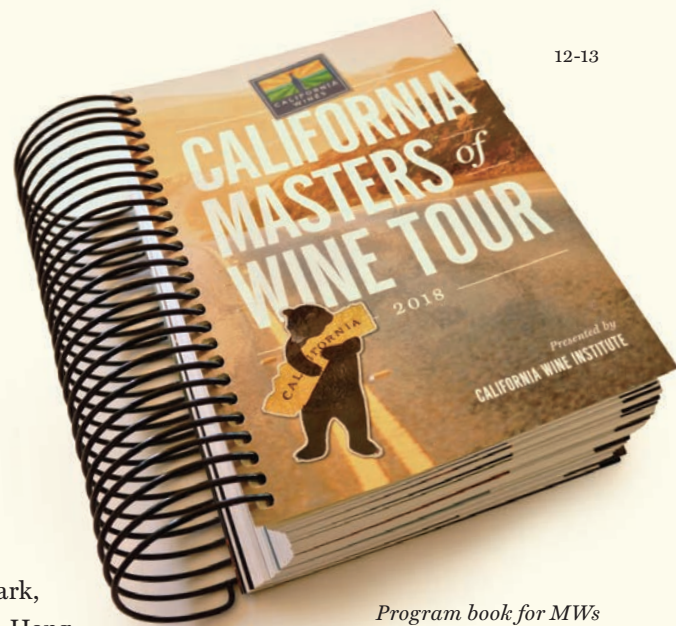
—LINSEY GALLAGHER, VICE PRESIDENT,
INTERNATIONAL MARKETING

TOP 10 EXPORT MARKETS FOR CALIFORNIA WINES

U.S. wine exports, 90%-plus from California, reached \$1.53 billion in winery revenues and 380 million liters (42.2 million cases) in 2017, a 70% increase from 10 years ago, and there is opportunity for further growth.



INTERNATIONAL MARKETING



Program book for MWs attending the "California Dreamin' Tour."

120 TOP TRADE & MEDIA HOSTED IN CALIFORNIA:

Wine Institute hosted 120 leading international trade and media visitors from 20 countries in California's wine country in 2018. Visitors from Australia, Canada, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden & the UK traveled throughout the state. The support of regional winery associations and wineries who hosted visitors was critical to the success of this impactful program that creates new "California Wines Ambassadors" throughout the world.

VINTNER TOURS TO TOP EXPORT MARKETS: Wine Institute conducted category-building activities for California wines in more than 20 countries and led vintner tours with seminars and grand tastings for media, trade and consumers in key export markets in 2018: Canada, the

U.K., Ireland, Germany, Denmark, Sweden, Poland, Russia, China, Hong Kong, Japan, Taiwan, South Korea, Macau, the Philippines, Singapore, Vietnam and Mexico.

NEW JAPAN REPRESENTATIVES: In July, Wine Institute appointed the Nihon-Ad, Inc. agency as its new representative office in Japan, with Madoka Ogiya and Hiro Tejima acting as joint Trade Directors for Japan. Madoka Ogiya is a certified WSET wine professional and entrepreneur who knows California from her past work for Japan Airlines in Los Angeles. Hiro Tejima worked as a management consultant in Tokyo and has 10 years' experience in category promotion of wine through education programs and seminars, most recently as Wine Australia's regional director for Asia Pacific. Nihon-Ad is a creative agency founded in Tokyo in 1969.

MW CALIFORNIA DREAMIN' TOUR: Fifty Masters of Wine (MWs) from 16 countries participated in a once-in-a-lifetime tour of California wines in late October which showcased 600 wines from 60 American Viticultural Areas (AVAs) throughout the state and 300 vintners. Touring California wine regions for 10 days through the Central Coast and North Coast areas, and tasting wines from across the state, the highly regarded group included sommeliers, wine retailers, restaurateurs, wine writers and other leaders in the global hospitality industry. The event, the Masters of Wine "California Dreamin' Tour," was a collaboration between Wine Institute and the London-based Institute of Masters of Wine.



The Wine Institute China team kicked off a new round of master classes in August with a California wines tasting at the Conrad Hotel in Beijing.



An enthusiastic MW group raise a glass to California wines.

“

CALIFORNIA WINEGROWERS AND VINTNERS HAVE A WELL-DESERVED REPUTATION FOR ENVIRONMENTAL, SOCIAL AND BUSINESS LEADERSHIP. THE WORK OF ENVIRONMENTAL AFFAIRS AND CSWA ENABLES US TO ADVANCE, DOCUMENT AND COMMUNICATE THAT REPUTATION.

”

—ALLISON JORDAN, VICE PRESIDENT, ENVIRONMENTAL AFFAIRS AND EXECUTIVE DIRECTOR, CSWA

CALIFORNIA SUSTAINABLE WINEGROWING PROGRAM TIMELINE



2002 *1st Edition Code of Sustainable Winegrowing Workbook*



2003

CSWA Established



CALIFORNIA
SUSTAINABLE WINEGROWING
ALLIANCE

2006

2nd Edition Code



2010 *Certified Sustainable Launches*



2013

3rd Edition Code



2017

Certified Wine Logo Introduced

2018

627,831 cases using the new logo on wine labels



ENVIRONMENTAL AFFAIRS

FIRST CERTIFIED SUSTAINABLE WINES HIT THE MARKET:

The first wines bearing the Certified California Sustainable Winegrowing (CERTIFIED SUSTAINABLE) logo began to appear in the market in 2018, helping wineries address trade and consumer interest in sustainability. In 2018, 141 wineries producing nearly 70% of California wine (210 million cases) and 1,398 vineyards farming 149,922 acres (25% of statewide acreage) are California CERTIFIED SUSTAINABLE. Another 15% of California vineyard acreage is certified to other programs in the state.

CALIFORNIA GREEN MEDAL PROGRAM: The California Green Medal is a collaboration with other California organizations with sustainable winegrowing initiatives to recognize outstanding achievements in sustainability by vineyards and wineries. Green Medals are awarded in four categories and the 2018 recipients

are: Bogle Vineyards (Leader Award), St. Supery Estate Vineyards and Winery (Environment Award); KG Vineyard Management (Community Award); and Cakebread Cellars (Business Award). The 2018 recipients were honored at a Joint Select Committee on Wine Sustainability Informational Hearing and Legislative Reception in April 2018.

NEW GRANTS SUPPORT RESEARCH, EDUCATION AND COMPLIANCE: In addition to an existing grant for targeted education, CSWA received two 2.5 year CDFG Specialty Crop Block Grants in 2018: 1) a \$300,000 project working with New York, Oregon, and Washington and other states on sustainability trade/consumer research and promotions and Sustainability Summits; and 2) a \$235,000 project for workshops and resources to address compliance issues and for regulatory recognition of sustainability practices and programs.



CSWA was the winner of the 2018 Amorim Sustainability Award for a Generic Organization given by The Drinks Business, an industry trade publication based in London.

SUPPORTING REGULATORY AND POLICY INITIATIVES:

Wine Institute's Environmental Committee focuses on water, air and other regulatory issues related to environment and sustainability. Environmental Affairs worked with the Committee and Sacramento team to develop a Third-Party Program that provides step-by-step guidance for compliance with new Waste Discharge Requirements for vineyards in the Napa River and Sonoma Creek watersheds.

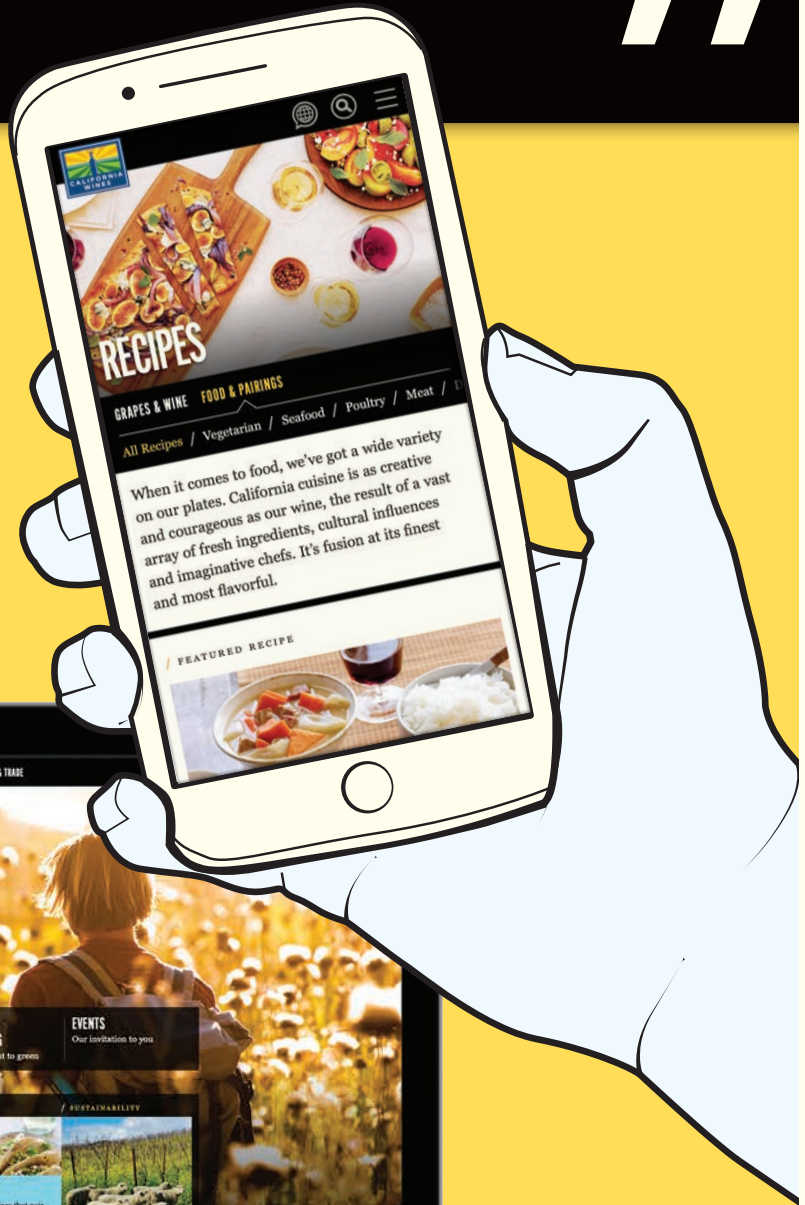
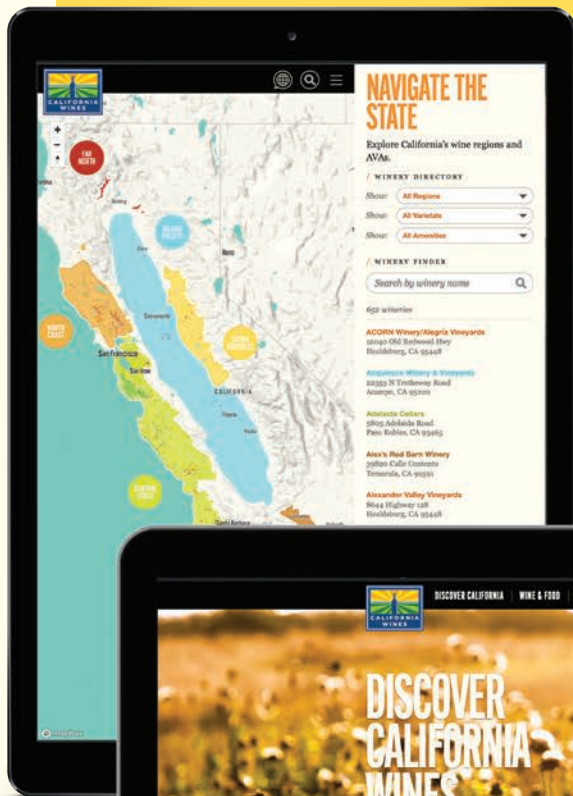
HIGHLIGHTING SUSTAINABLE LEADERSHIP: CSWA worked with Wine Institute to highlight the industry's sustainability leadership to policymakers, regulators, trade, media and consumers through the global Discover California Wines and Down to Earth Month campaigns and activities such as the annual legislative resolution and reception and in-depth Sustainability Reports



Environmental Affairs advances its public policy work through communications with legislative and governmental agencies. The 2018 Green Medal recipients testify before the Senate Select Committee on California's Wine Industry.

“ THE ANNUAL STATEWIDE CELEBRATIONS OF CALIFORNIA WINE MONTH IN SEPTEMBER AND DOWN TO EARTH MONTH IN APRIL PROVIDE IMPORTANT OPPORTUNITIES TO SPEAK WITH ONE VOICE TO POLICYMAKERS, TOP TRADE AND MEDIA AND CONSUMERS ABOUT THE CONTRIBUTIONS AND BENEFITS OF A VIBRANT CALIFORNIA WINE INDUSTRY. ”

—NANCY LIGHT, VICE PRESIDENT, COMMUNICATIONS



GLOBAL DISCOVER CALIFORNIA WINES WEBSITE GOES MOBILE

COMMUNICATIONS

DISCOVERCALIFORNIAWINES.COM MOBILE RELAUNCH: Wine Institute has relaunched its DiscoverCaliforniaWines.com consumer website as a comprehensive resource on California wines, wineries and planning a visit to California wine country. The website is available for the U.S. and customized for top export markets in nine localized and foreign language versions with dynamic wine region maps that display wineries, events and American Viticultural Areas (AVAs). Members are invited to post profiles and events so they can be featured in Wine Institute publicity and social media activities around the world.

CALIFORNIA WINE MONTH 2018: The 14th annual California Wine Month (CWM) in September provided an opportunity to share key policy messages for the industry, kicking off with a proclamation by Governor Brown, featuring 60 consumer events statewide and 30 national, regional and local restaurant, retailer and association partners. Wine Institute publicity generated media coverage reaching 573

million with stories in 400 media outlets, including 19 TV and radio segments. Wine Institute held a series of small luncheon “salons” hosted by top sommeliers and media to encourage dialogue around California wine trends and issues during CWM. The events attracted more than 50 members of the wine trade and media who participated in lively discussions.

ISSUES MANAGEMENT: Serving as the “first response” team for issues impacting California wine, the Communications team worked with the Technical Advisory and Environmental Committees and legal counsel to anticipate and respond to emerging and immediate environmental and regulatory issues. The team conducted crisis communications exercises with senior staff to ensure readiness, prepared extensive internal and external response documents and identified scientific and technical experts to provide objective review and comment.



Down to Earth 2018 kicked off with a trade and media event at Napa Rose restaurant in Disneyland with special guests including (l-r) former Chair of California Grown Cher Watte, CDFA Secretary Karen Ross and Visit California CEO Caroline Betata.

DOWN TO EARTH MONTH 2018: The seventh annual celebration of Down To Earth Month in April highlighted the leadership of California vintners and growers in sustainable practices with events hosted by 27 regions and wineries. California wine and sustainability messaging were showcased at the Disneyland Food & Wine Festival, gaining exposure to one million event visitors, where Wine Institute hosted a sustainability-focused lunch at Disney’s Napa Rose and a breakfast in Venice Beach attended by dozens of trade and media.

\$2.1 MILLION IN GRANTS: Communications has been awarded \$2.1 million in grants in the past decade for programs that communicate the benefits and values of the California wine industry through public relations, statewide celebrations, social media, video, website content and events. The 2016 Specialty Crop Block grant funded *The California Sustainable Table* and concludes in March 2019 with publication of the book that will serve as a vehicle for publicity and messaging. The 2018 grant “California Backroads” ensures continued support of proactive programs.



The first of three California Wine Month “salons” with media and trade was hosted by Geoff Kruth MW at Della Fattoria in Petaluma.

“

THE LEGAL DEPARTMENT IS COMMITTED TO ENSURING THAT OUR MEMBERSHIP IS PROMPTLY NOTIFIED OF LEGAL AND REPUTATIONAL THREATS TO THE INDUSTRY, WELL POSITIONED TO CHALLENGE UNNECESSARY AND COSTLY REGULATIONS AND EQUIPPED WITH THE BEST TOOLS TO FULLY COMPLY WITH FEDERAL AND STATE LAWS.

”

—TRACY GENESEN, VICE PRESIDENT & GENERAL COUNSEL

LEGAL

NEW NUTRITION CALCULATOR IS EFFECTIVE AND SAVES COSTS: Through the efforts of its Technical Advisory Committee, Wine Institute introduced a Nutrition Calculator that provides members with a tool that is accurate and simple to use for responding to new guidelines set forth by the FDA requiring the reporting of nutritional information by multi-unit operations. The calculator generates a nutrition information report for each wine that can be sent to the restaurant or retail chain where the brand is sold and is the most accurate and cost effective method for complying with the new law. Other FDA-approved methods for determining nutrient values in wine, such as laboratory testing, could cost as much as \$1,000 per brand.

EARLY ALERT AND GUIDANCE ON ADA LITIGATION AND GLYPHOSATE: In light of ADA litigation against wineries in New York and California, Wine Institute advised members on best practices to ensure that sight-impaired individuals have easy access to winery websites and apps. Following an inquiry from a wine club consumer on glyphosate, Wine Institute provided members with key facts on wine safety for response to public and media inquiries. Wine Institute works actively on early identification and response to industry and media sources on key issues.

Wine Institute worked with the FDA to reduce the burden of menu labeling compliance on wineries.

ENSURING ADVERTISING COMPLIANCE IN CALIFORNIA AND OTHER STATES: Throughout the year, the Legal Department has been addressing a surge of member and staff inquiries on advertising regulations, especially about the use of social media. In 2019, Wine Institute will provide an update to its advertising guidelines for California and begin developing updated guidelines for other key states.

BMI MUSIC LICENSING PARTNERSHIP & GUIDELINES: Wine Institute partnered with Broadcast Music, Inc. (BMI), a leader in music rights management, to develop a music licensing discount program for the Institute's membership. This initiative will help California winery owners comply with copyright law and ensure that BMI's affiliated songwriters and composers are compensated for their musical works. With the new discount program, Wine Institute members are offered up to 10% off their BMI music licensing fees. When combined with the 10% timely-payment discount already included in the Eating & Drinking Establishment (EDE) license, Wine Institute members can save up to 20%.



MEMBERSHIP BENEFITS



FEDEX SHIPPING DISCOUNTS

Enjoy exclusive benefits through the FedEx Advantage® shipping program, which last year saved members on average \$16,500. Small- and mid-sized wineries especially benefit from this program which offers rates normally provided to high-volume shippers.



LABEL PRE-APPROVAL SERVICE

Receive assistance with TTB label approvals and requests for expedited approvals, formula approvals, trade name searches, second reviews of labels and negotiating use-up approvals. Careful screening of members' wine labels has resulted in an approval rate of well over 90%.



MUSIC LICENSING SUPPORT

Choose a compliant route to onsite music with the help of Wine Institute's music licensing guidelines, and save up to 20% off a BMI Music License for a winery tasting room.



MEMBERS-ONLY RESOURCES

Enjoy exclusive access to tools on the members' website including a Nutritional Calculator for menu labeling, new-in-2018 Compliance Rules for Wineries portal, State Tax Rate Lookup Tool, State Net to keep track of legislation moving in all 50 states, and the Wine Institute File Library.



LEGAL GUIDANCE

Access our experienced, full-time legal counsel and receive publications and communications on changes in local, state, federal and international laws that affect members' businesses.



PROFILE AND EVENT LISTINGS AT DISCOVERCALIFORNIAWINES.COM

Share events and a winery profile on our updated, global consumer website, which reaches consumers and trade in the U.S. and 10 countries through translated and localized websites.



WEBINARS & WORKSHOPS

Attend events on topics including compliance, direct-to-consumer shipping, marketing and communications, sustainable winegrowing, and others of interest to members.



NEWS & INFORMATION

Stay informed of major developments and events affecting the wine industry through regular News Briefs and other special reports that provide background on complex issues.



MEMBERSHIP IN WINE INSTITUTE SUPPORTS OUR WORK TO CREATE AN ENVIRONMENT WHERE CALIFORNIA WINERIES CAN THRIVE AND OFFERS BENEFITS DESIGNED SPECIFICALLY FOR THE NEEDS OF OUR MEMBERS.



—IAN BLUE, MEMBER RELATIONS DIRECTOR



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