



JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS

June 9, 2020 - 9:00 a.m.

Zoom Webinar, California

Harry H. Wetzel, 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 2020-2021
 - (e) 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 – Hank Wetzel/Steve Hayes — **Action Required**
7. Committee/Departmental Reports
 - (a) Public Policy — John Sutton
 - (i) Committee.....Tracy Genesen
Public Policy Committee Update
 - (ii) California.....Tim Schmelzer
California State Relations Update
 - (iii) State Relations.....Steve Gross
State Relations Update
 - (iv) FederalCharles Jefferson
Federal and International Public Policy Update
 - (b) Technical Advisory Committee — Tim Ryan/Tracy Genesen
 - (c) International Public Policy — Rick Tigner/Charles Jefferson
 - (d) Communications — Suzanne Groth/Nancy Light
Communications Update
 - (e) Environmental Affairs — Chris Savage/Allison Jordan
Environmental Affairs & California Sustainable Winegrowing Update
 - (f) International Marketing — Honore Comfort
International Marketing Update
8. Unfinished Business
9. New Business
10. Adjournment

NEW BOARD MEETS IMMEDIATELY FOLLOWING THIS MEETING

Wine Institute

MINUTES

MEMBERSHIP/BOARD OF DIRECTORS MEETING

June 11, 2019

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 on Tuesday, the 11th day of June 2019, at 9:00 a.m. at Solage Resort & Spa, Calistoga, California; Christopher D. Indelicato, Chairman of the Board, presiding.

QUORUM

Chairman Christopher D. Indelicato commenced the meeting by asking Maluri Fernandez to call roll. The roll of Directors was called and the Chairman 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 12, 2018, at The Four Seasons Resort, The Biltmore, Santa Barbara, California, were approved as mailed.

On motion made, seconded and unanimously carried, the minutes of the Board of Directors Meeting held on March 12, 2019, at the Sutter Club, Sacramento, California, were approved as mailed.

APPROVAL OF ACTIONS OF DIRECTORS AND OFFICERS

Chris Indelicato called on Rick Tigner to present 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 11th day of June 2019 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 11th day of June 2019, 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

Christopher Indelicato announced the dates of future board meetings for fiscal year 2019–2020 as follows:

September, 2019	<i>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.</i>
December 8-10, 2019	
March 9 - 10, 2020	
June 7 - 9, 2020	

ELECTION RESULTS

Ms. Daisy Cortez 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	Katie Wetzel Murphy Harry H. Wetzel Steven MacRostie Julie Pedroncelli St. John	Carmen Castaldi Eric Lent Louis M. Foppiano Mark Malpiede
3	David R. Duncan Dennis Cakebread Suzanne Groth Hugh Davies Michael Reynolds	Michael Maher Delia Viader Robin Baggett Chris Hall Paul Leary
4	Earl R. Ault	William R. Cooper
5	Scott Scheid	Lawrence T. Lohr
6	Laura Booras Gary Eberle Gretchen Roddick Karen Steinwachs	Nicholas Miller Maeve Pesquera Vacant Vacant
7	Linda McWilliams	Stephen Kahle
8	Steve Millier	Elisheva Gur-Arieh
9	Randall Lange	David Phillips
10	Steve Schafer	William J. Nakata

At Large Directors

Director

Alternate

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

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

Christopher Indelicato 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, 2019:

Barlow Vineyards, Calistoga
Bartholomew Estate Winery, Sonoma
Belden Barns, Santa Rosa
Brick Barn Wine Estate, Buellton
Clesi Winery, Templeton
Crown Point Vineyards, Santa Ynez
Hendry Ranch Winery, Napa
Hub & Spoke Wine Co., Napa
Ladera Vineyards, Saint Helena
Phillips Hill Winery, Elk
Razi Winery, Napa
Shannon Ridge Family of Wines, Lower Lake
Sunce Winery, Santa Rosa
Valley Oak Winery, Sanger

On motion made, seconded and carried, the following firms were unanimously elected to active associate membership in Wine Institute effective July 1, 2019:

Blatt & Sorell Tax Group, Inc.
(Application sponsored by Groth Vineyards & Winery & Delicato Family Wines)

Cronbach Law Group PC
(Application sponsored by Duckhorn Wine Company & Delicato Family Wines)

KERAMIDA, Inc.
(Application sponsored by Radio-Coteau Wine Cellars & Davis Family Vineyards)

CHAIRMAN'S REMARKS

See below.

Christopher D. Indelicato Remarks
Chairman of the Board of Wine Institute
Membership/Board of Directors Meeting
June 11, 2019

Good morning and welcome to our June board meeting – I hope everyone has enjoyed their stay at the Solage here in Calistoga. I appreciate everyone who attended Mike Thompson's reception Sunday night and last night's dinner was great too. Mike has been very supportive of wine industry for many years and we are grateful for all his efforts. I want to thank the Wine Institute Team for helping put together this June meeting and for their presentations later today. As we wrap up this fiscal year the Institute continues to work on a number of important industry issues including the renewal of the Craft Beverage Modernization and Tax Reform Act (which is currently saving wineries \$150 million over two years), the 2020 US Dietary Guidelines update, European, Canadian, Mexican and China tariffs, improved access to the Canadian market, Japan and Brexit trade negotiations, and the labeling modernization act. Cannabis has become more important as states continue to pass either initiatives or legislation legalizing the use of the still Federally scheduled drug. Members have been working together to find an agreed upon position for the Wine Institute. The State Relations Team has also been busy and continues to succeed against several bottle bills, tax increases, attacks on direct shipping and other anti-competitive legislative issues.

This year's budget, which we will be seeking approval of today, will not be balanced for the first time in decades. There are a couple of issues driving that outcome. First, we are in the third year of a five-year dues reduction program. Second, the wine industry has slowed down to near flat and so we do not have the growth in revenue we have enjoyed previously. This coupled with some modest growth in expenses, about 2% per annum, has generated a \$100,000 shortfall. As I mentioned to the Finance and Administration Committee during our budgeting discussions, the organization will need to make some decisions about priorities and look for additional areas to reduce spending moving forward. I am confident that this process can be done without lowering the services members receive while still maintaining the success the Institute has delivered year in and year out. The Advisory Committee, which includes the current officers, past chairs, and a few other members, continues to work with Wine Institute staff on the move to Sacramento. There is no specific need to move immediately so we will transition over the next year or two when it makes the most sense financially. Both the budget priorities and Sacramento office move will be taken up by the Advisory Committee and the F&A Committee beginning in September which will allow plenty of time to discuss any recommendations before next year's budget process.

It's been an honor to serve as the Chairman this year. While I have always appreciated the professionalism and success of Bobby and his team, I've really gained an appreciation for all the issues the Institute covers both in the US and around the world. We have a great team of officers and they have been very supportive during my time on the Board. I am confident they will do a fantastic job next year. I would encourage each of you to remind the ownership and management of your individual wineries about the benefits of the Wine Institute and make sure they appreciate the value it provides. There is no better organization that protects the wine industry's interests than the Wine Institute. Thank you and now let's welcome Bobby up for his report.

PRESIDENT'S MESSAGE

Bobby began by thanking all those who attended the Congressman Mike Thompson fundraising reception on Sunday evening. He then stated that we are closing in on our \$40,000 goal for Mike and it's not too late to help put us over the top.

Washington Meeting: Bobby read and thanked the following officers and members who came to Washington for our annual trip in early May.

Chris & Mache Indelicato
Hank and Linda Wetzel
John Sutton
Suzanne Groth

Christina Chattman
Steven Chen
Michelle Dimarob
Gary Heck
Margie Healy
Randall Lange
Steve Lohr & Faranak Shahroozi
Lawrence & Emily Lohr
Ed Matovcik
Jim O'Malley
Rusty Chevront
Sean Sullivan
Michael Walker
Carolyn Wasem
Harry Wetzel
Abigail Wetzel (age 12)
Ashland Wetzel (age 10)

The event started on a Tuesday evening and finished Thursday morning. The event offers those who attend the opportunity to do more, whether it's additional meetings with legislators and regulators or interesting site visits in our Nation's Capital. Bobby read the names of our delegation because they devoted their time and dollars to come to DC to work on the issues that are of importance to us.

Wine Institute hosted three fundraisers for Senator Chuck Grassley, the Chairman of Finance, Representative Dan Newhouse, Co-chair of the Congressional Wine Caucus and Representative Earl Blumenhauer who is a senior member of the Ways and Means Committee.

The delegation met with House Members Salud Carbajal, Suzan DelBene (WA), Kenny Marchant (TX), Jackie Walorski (IN), Tom Reed (NY), Josh Harder, Jimmy Panetta, Mike Thompson, Doris Matsui, Brian Higgins (NY), Senators Rob Portman (OH) and Todd Young (IN), and the top staffers for Senators Dianne Feinstein, Kamala Harris and Patty Murray (WA).

The delegation also met with Administrator John Manfreda and the senior staff of TTB (Alcohol and Tobacco Tax and Trade Bureau). John passed away shortly thereafter of a heart attack. As Mike Thompson said on Sunday, John was a good man. John's service was a wonderful celebration of his life.

The delegation also had a tour of the Smithsonian Food and Wine Exhibit and a private tour and luncheon at Mount Vernon. The Washington Meeting trip has great value. Bobby advised that the dates for the May 2020 meeting would come out soon and urged everyone to make the trip.

On the TTB front, Bobby reported that Mary Ryan, who was John Manfreda's deputy is acting director and Dan Reardon, who was assistant administrator for HQ operations, is acting deputy until a permanent successor is announced.

Federal Relations: Bobby announced that Wine Institute continues to work on extending or making permanent the Craft Beverage bill. We now have 65 co-sponsors in the Senate, nine more than we had last Congress. And in the House, we just reached a majority with 218 co-sponsors. This broad, bipartisan support, which enabled us to get the bill done in the first place, is as strong as ever. We continue to be optimistic this can get done, the challenge is finding a window in this dysfunctional political environment to attach the bill to something that is actually going to become law.

Bobby informed the members that, our partners, the wholesalers have introduced a piece of legislation that could be used as a tool to roll back producer rights in states across the country. The resolution falsely and awkwardly states that with passage of the Webb-Kenyon Act, there is an exception to the commerce clause for state alcohol laws.

“Whereas Congress has consistently recognized and respected the primary authority of States to regulate alcohol in order to promote orderly, safe, and stable markets, efficient tax collection, and temperance, as evidenced by and through passage of the Webb-Kenyon Act, creating an exception to the Commerce Clause (emphasis added) and empowering States to regulate the importation and sale of alcohol beverages within their own borders”

However, in the 2005 *Granholm v. Heald* Supreme Court decision the Court wrote: “We hold that the laws in both States (Michigan and New York) discriminate against interstate commerce in violation of the Commerce Clause, Art. I, §8, cl. 3, and that the discrimination is neither authorized nor permitted by the Twenty-first Amendment.”

This is one of many cases which debunks the wholesalers wishful thinking.

There are other provisions of the resolution which are problematic and Wine Institute will work to make sure this resolution does not pass. Bobby reminded the members that we have been down this road before. The wholesalers passed a rather benign resolution in 2009 and shortly thereafter introduced the CARE Act which ended up being years of wasted time in a bill that ended up going nowhere.

International Public Policy: On the trade front, Bobby commented that we continue to face a great deal of uncertainty and as such Wine Institute is in regular communication with the administration outlining the problems we are confronting.

In China, our wines now pay a 54% tariff, while producers like Australia and Chile pay 0%. Tariff plus tax for us going into China is close to 100%. This is a bad situation and Bobby does not see it getting resolved anytime soon.

Some good news though, Wine Institute got word last week that the Canadian Province of Ontario will be more than doubling the number of grocery stores selling wine and will allow imported wine on shelves. This is just a first step in Ontario's alcohol reform process and Wine Institute's engagement from the beginning is showing results as we build on our success in getting British Columbia to have our wine on grocery stores shelves.

Wine Institute also secured a UK wine trade agreement which outlines that trade will not be interrupted as Brexit plays out. Charles, Katherine and Michele are doing a great job.

Sacramento: In Sacramento, the .05 DUI bill didn't go anywhere thanks to Tim and Tyler who took this head on. Bills to allow for additional offsite tasting room (SB 264) and extend the Pierce's Disease Program (SB 449) are moving without opposition. Legislation was defeated that would have split the wine/spirits and beer wholesale licenses (SB 420)

The team secured amendments to several bills to address Wine Institute concerns regarding cannabis and winery process water and is working to do the same to help wineries that are subject to the new local sales tax collection requirement by delaying implementation. Adam, Tim and Tyler are working to ensure the State Water Board's Winery Order is workable and achieves efficiencies for our members by hosting workshops, meeting with Board Members, developing coalitions and providing written comments. The Sacramento team, with the help of the Environmental Committee, is working to provide relief from fermentation emissions control requirements. Tim, Tyler and Adam are doing a great job.

Bobby announced that the members were going to next hear from Steve Gross and the State Relations team and most of the other department heads and committee chairs.

In closing, Bobby expressed that we have a great team at Wine Institute and that will continue. Bobby thanked all his colleagues for all their help this year. He thanked all of the members in attendance for their commitment to Wine Institute. Finally, he thanked Chris and said that it's been a very good year for Wine Institute.

2019-2020 BUDGET

Christopher Indelicato 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 \$15,514,683 is hereby adopted for the period effective as of the 1st day of July 2019 and ending on the 30th day of June 2020; 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 early detection of a new wave of litigation pertaining to website accessibility under the American with Disabilities Act (ADA), including our initiatives to educate members on how best to comply with ADA requirements. In addition, Tracy reported on Wine Institute's evolving cannabis policy considerations, which include health and safety, tax policy issues, as well as upholding our industry's image and reputation. Tracy reported that at the May Public Policy Committee meeting, members reached consensus that cannabis regulations should be at least as stringent as alcohol regulations, if not more so. She spoke about TTB "Notice No. 176: Modernization of Labeling and Advertising Regulations for Wine, Distilled Spirits, and Malt Beverages," Tracy provided an overview of key issues in the notice, such as secondary geographical references, TTB's proposal to eliminate brand labels, and TTB's narrow definition of consumer specialty advertising. Finally, Tracy discussed Wine Institute's efforts to strengthen WI's relationship with TTB regarding input into technical matters.

TECHNICAL ADVISORY COMMITTEE

Tim Ryan discussed the reorganization of WITAC to mirror the CODEX committee structure. In addition, Tim discussed Wine Institute's April meeting with TTB which focused on the lack of industry input into their "Heavy Metals in Wine and Beer". Both sides recognized the value of an active dialogue on technical matters. Tim reinforced that we are continuing to work with TTB to enable important industry input on technical processes and procedures within ethical boundaries.

ENVIRONMENTAL COMMITTEE

Chris Savage, Chair, reported on several Environmental Committee efforts, including the following:

- The Crop Protection Steering Committee is a joint initiative between the Environmental Committee and Technical Advisory Committee to develop a proactive approach in the CA and Global Wine Industry to address the continuing pressure on the use, detection, reporting and acceptable standards related to the use of pesticides in the wine industry.
- The Committee and Wine Institute's Sacramento and Legal departments are attempting to address Fermentation Emission Controls through SB 629, with a rewrite of the bill currently in progress.
- The Committee and staff have been actively providing comments on the *Statewide General Order for Winery Land Application permits*.
- *AB 617 – Community Air Protection Program* will be a major issues over the next decade and beyond, and will heavily influence land use practices. It will require reporting for all facilities over 4 tons per year of emissions (down to gas station level of emissions).

CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE (CSWA)

Allison Jordan reported on the status of Certified California Sustainable Winegrowing, with 85% of California wine now made in a CERTIFIED SUSTAINABLE Winery, and 24% of the state's winegrape acreage CERTIFIED SUSTAINABLE (another 15% are certified to Lodi Rules, Napa Green and SIP Certified). Jordan also reported on 3 current Specialty Crop Block Grant projects totaling \$775,000. Among recent project deliverables are an inaugural U.S. Sustainable Winegrowing Summit and new consumer research – indicating high interest in purchasing sustainably produced wine in the future, a favorable perception of sustainable certification programs and certification logos, and a willingness to pay more for sustainably produced wine, particularly by Millennials and Gen Z. She also informed the board of Down to Earth Month Campaign, 2019 California Green Medal: Sustainable Winegrowing Leadership Awards, and Wine Institute's new book – *Wine Country Table: With Recipes that Celebrate California's Sustainable Harvest*.

INTERNATIONAL MARKETING: 2018 EXPORT STATISTICS; TARIFF IMPACTS; FY 19-20 EXPORT PROGRAM STRATEGIES

Honore Comfort presented an overview of her strategic vision for the California Wines Export program which focuses on the primary goals of:

- Drive Export Sales of California Wine
- Build Brand California Around the World

She shared that the three pillars of her strategy will be 1) to leverage existing strengths, including the Wine Institute's dynamic team of International Representatives and the committed and engaged winery members of the Export Program; 2) to expand resources such as the 5.6% increase in MAP funds that the Wine Institute received for FY 19-20 and the \$9.8 million in additional ATP funding, however despite

these increase California's funding lags behind competitive regions such as the EU, which support Italian wines with more than \$116 million annually; and 3) developing smart partnerships with global leaders such as the Institute of Masters of Wine and Costco.

Honore then provided a brief update on the next round of proposed ATP funding, as well as an update on the impact of the retaliatory tariffs on wine in China. She summarized that overall in 2018 US wine exports declined by nearly -5% in volume and -1.2% in value. In China specifically, 2018 export sales declined by -25% and with the recent increase in tariffs and taxes to 93% the expectation is that export sales to China will continue to fall in 2019. However, during this challenging environment Wine Institute can play a key role to help protect our members' investment in the market by:

- Maintaining a presence for CA wines while wineries shift sales focus to other markets
- Balance our investment across other markets in Asia
- Gather input from export committee members on how to best support them in the market

Honore concluded with a summary of upcoming marketing activities in global markets and a list of trade and media visits to California scheduled through early 2020.

POLITICAL ACTION COMMITTEE (PAC): Suzanne Groth made the following remarks:

Suzanne Groth began by reminding the members that last year Wine Institute made contributing to WIPAC (Wine Institute's Political Action Committee) easier by donating by check, credit card & recurring deductions from paychecks. Over one third of the contributions we received were made as credit card payments. WIPAC received \$193,000 in contributions last year – an increase of 12% from 2017. On behalf of Rick Tigner & herself, Suzanne thanked all of those who have donated to our political action committee last year. Special thanks go to the Wine Group who collectively donated \$74,000.

Suzanne then informed the members that there are a number of challenges before us. Unless Congress acts soon, the craft beverage bill will expire in December. Many of us have been severely impacted by retaliatory tariffs in significant markets around the world. There is no doubt these factors impact our bottom line.

Our PAC is one of the best ways to advance our priorities with federal lawmakers in Washington. Suzanne mentioned she was in DC last month and saw firsthand how the PAC is used to further our objectives. In support of Bobby's remarks, Suzanne encouraged members to attend the 2020 Washington meeting. During the Washington meeting, the PAC hosted fundraisers for two Representatives and a Senator who are all in key roles in Congress. The PAC hosted another great event yesterday for Mike Thompson. These events provide an incredible opportunity for members to educate federal lawmakers on the challenges we face as winemakers and to hear about our priorities.

WIPAC will be sending another solicitation in the weeks ahead. Suzanne requested the members to please give serious consideration to making a donation. She reiterated that Wine Institute has made it easy to contribute. Suzanne urged everyone to donate by check, credit card or as a recurring payroll deduction. She urged the members to encourage others at their wineries to contribute. She closed by thanking the members.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:44 am.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

Wine Institute

MINUTES

MEMBERSHIP/BOARD OF DIRECTORS MEETING

March 10, 2020

Pursuant to written notice heretofore given, a meeting of the Board of Directors of Wine Institute was held at 9:25 a.m., Tuesday, March 10, 2020, at the Sutter Club, Sacramento, California; Harry H. Wetzel, Chairman, presiding.

ATTENDANCE

The following directors were noted present: Kaj Ahlmann, Robin Baggett (District No. 3 Alternate), Corey Beck, William R. Cooper (District No. 4 Alternate), Joseph S. Franzia, Suzanne Groth, Daniel J. Leonard (Alternate of John G. Franzia Jr.), Tobin A. Ginter, Randall Lange, Lawrence T. Lohr (District No. 5 Alternate), Michael Maher (District No. 3 Alternate), Steven MacRostie, Linda McWilliams, Steve Millier, James A. O'Malley, Julie Pedroncelli St. John, Steve Schafer, Karen Steinwachs, John Sutton, Rick Tigner, Brian J. Vos, Michael Walker, Carolyn Wasem (Alternate of Jeff Wesselkamper), Harry H. Wetzel, Jolene Yee.

Absent Directors: Giancarlo Bianchetti, Laura Booras, James E. Coleman, Hugh Davies, Cindy L. DeVries, Michael Drobnick, Gary Eberle, Matthew J. Gallo, Sam Glaetzer, Peter N. Larson, Michael Reynolds, Gretchen K. Roddick, Robert R. Torkelson, Christine Wentte, Katie Wetzel-Murphy.

Alternate Directors Present: Elisheva Gur-Arieh, David Perata, David Phillips.

The following ex officios were noted present: Margie Healy, Christopher D. Indelicato, Jasper A. Indelicato, Steven W. Lohr, Carolyn Wentte.

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

Wine Institute Staff Present: Ian Blue, Annie Bones, Honore Comfort, Maluri Fernandez, Tracy Genesen, Steven J. Gross, Robert P. Koch, Adam Kotin, Stephen W. Hayes, Gladys Horiuchi, Charles Jefferson, Allison Jordan, Robert P. Koch, Nancy Light, Tim Schmelzer.

APPROVAL OF MINUTES

On motion made, seconded and carried, the minutes of the meeting held December 10, 2019, were approved as mailed.

BANK OF AMERICA LINE OF CREDIT RESOLUTION

Harry H. Wetzel 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, Clarence Chia of Justin Wines was elected to fill the alternate vacancy that exists in District No. 6. 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, 2020:

Carboniste, Napa (Napa Co.)
Cobblestone Vineyard, Los Angeles (Los Angeles Co.)
Imagination Wines, Lodi (San Joaquin Co.)
Maitre de Chai, Napa (Napa Co.)
Sierra Vista Vineyards and Winery, Placerville (El Dorado Co.)
Stephen & Walker, Healdsburg (Sonoma Co.)
Terre et Sang, Lompoc (Santa Barbara Co.)
Villa San Juliette, San Miguel (San Luis Obispo Co.)
Vino Vargas, San Miguel (San Luis Obispo Co.)
Wolfe Heights Estates, Sacramento (Sacramento Co.)

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

Arthur J. Gallagher & Co.
(Application sponsored by Baldacci Family Vineyards and Regusci Winery)

CHAIRMAN'S REPORT

See below.

Harry H. Wetzel Remarks
Chairman of the Board of Wine Institute
Board of Directors Meeting
March 10, 2020

Thank you all for being here in Sacramento.

Since our last meeting. There have been several developments for the membership. The Craft Beverage Bill was passed in late December extending federal excise tax savings for one year through December 2020; California wineries, will save a total of \$225 million-plus in excise taxes over the total of three years since the bill was passed because of Wine Institute's work. The savings is the equivalent of Wine Institute's entire operating budget for 16 years.

The Export 2020 event was sold out with 260 people attending at CIA Copia in Napa. It was the first time we opened the event to non-members in order to recruit more wineries for the export program and Wine Institute. International Trade has been a challenging environment lately, but there are also opportunities. The event showed that we can move forward as an industry with bold plans and actions.

We learned from Bobby that Wine Institute has helped bring about some great trade developments as a result of the new United States Mexico Canada (USMC) agreement. We gained access to British Columbia grocery stores in Canada. At Wine Institute's urging the US secured an agreement with Japan to eliminate tariffs on United States wines. We also have an agreement with the United Kingdom (UK) that sets us up for a smooth transition for wine trade after Brexit.

It was also invaluable to listen to all the speakers from around the globe on how California wine is perceived in the World Markets. Our lifestyle and hospitality are selling points. Our wine styles are evolving to meet consumer taste. George Soleas from the Liquor Control Board of Ontario (LCBO) in Canada gave some positive comments on the California Sustainable Winegrowing Alliance and California's leadership in sustainability.

Wine Institute has also published an annual recap of accomplishments and priorities that have been sent to all California wineries as a tool for membership retention and recruitment. The recap was sent to members in print and digital format. Please read and share. It is important for board members to be informed so that they can be advocates. Share it also with your staff. Let them know about the many things that Wine Institute does.

I attended the meeting yesterday of the Regional Leadership Forum with Wine Institute and California Association of Wine Grape Growers(CAWG) staff and elected leadership from Regional grape growing and Winery regions around the state. It's the fifth joint meeting hosted by Wine Institute and CAWG. We briefed them on federal issues, the California 2020 legislative and regulatory agenda, and cannabis and land use issues. We also had a brainstorm session on sustainability and California wine marketing and messaging. Working closely with growers and regional associations is important keeping the industry informed, compliant and communicating a positive message about our business and wines.

Finally, the budget. We will soon begin planning for our next fiscal budget that starts in July with overall California wine sales flat and five year dues reduction underway. This is year three out of five for that reduction. We have a challenging budget situation. You can help by responding promptly to dues computation forms sent out recently.

We have a full agenda this morning, some board action items, and a few more guest speakers. Thank you for being here.

PRESIDENT'S REPORT

Bobby Reported as follows:

Bobby Koch Report
Board of Directors Meeting
March 10, 2020

Good morning. We had a last minute change in venue for our reception last night due to the catering company not having an insurance liability form that the Senator Hotel required. Being in the the Capitol has its advantages, convenient for our guests. I appreciate all those who attended last night for taking the time to be there. There were also a few dinners after the reception that we put together with legislators and those went well too.

The regional meeting hosted by Wine Institute (WI) and CAWG had 18 regions represented. Numerous federal and state issues were discussed as well as individual regional reports on hot topics, accomplishments and challenges. We also spent time discussing Coronavirus concerns, how to plan ahead as best as possible and make the best decisions.

We discussed the Craft Beverage bill, which was extended in Dec. for another year through the end of 2020. This is the third year with close to 1/4 of a billion dollars in tax relief for CA wineries over the last 3 years. Every winery benefits from the Craft Beverage bill. Our goal is to make the bill permanent once and for all. Certainty and permanent savings would be welcome news I know. There are seven Members of Congress who are key to getting this done. Senate Majority Leader Mitch McConnell,

House Speaker Nancy Pelosi, Senate Finance Chair Chuck Grassley, House Ways and Means Chair Richie Neal, Senate Finance Committee members Ron Wyden and Rob Portman and Ways and Means Committee member Mike Thompson, who is our champion on so many issues.

These are challenging times with a slowdown in wine sales due to a number of factors. Jon Moramarco is going to speak to us later this morning and he always has useful, interesting information to share. There are cycles we go through with the landscape always changing and Jon's perspective is always helpful to hear.

I mentioned at the regional meeting yesterday a development that is going to impact us. By the end of 2020, more than 80% of all beer sold in the US will have serving fact information on the label -- Calories, Carbohydrates, Fat, Protein, servings size and servings per container. InBev, Miller Coors, Heineken and Constellation have agreed to do this. And the ingredients in these beers will also be provided on label, on secondary packaging, website or QR code. This is going to heighten the scrutiny and result in our being asked by consumers and the media the nutrition values and ingredient information of our products.

In the EU, there are large winery led efforts to mandate regulatory requirements for nutrition and ingredient labeling of wine. EU beer and spirits producers are aggressively moving in this area as well. This is going to bring about change in the way wines are labeled in the US in the coming years and even sooner in export markets. It has the potential to be disruptive and costly for us.

Our technical committee, WITAC, has identified compliance challenges on our being able to provide nutrition information. TTB's regulatory framework is a bit unclear. TTB tolerance ranges are not the same as the FDA menu labeling tolerances. Unlike beer and spirits, wine is not a formula drink. Testing every batch of wine is not feasible. WITAC Chair Tim Ryan is going to present on this. We need to get this resolved with the TTB.

Another area of concern is the attack on moderate consumption. For years, we've been working with US government to bring balanced thinking to any action that is considered at the World Health Organization. WHO has a Global Alcohol Strategy. For years, the focus has been to reduce the harmful use of alcohol. Now some factions within the WHO want to change that. Instead of reducing harmful use, the focus is on reducing per capita consumption. The message being delivered by anti-alcohol activists within and outside of the WHO is that there is no safe level of consumption and alcohol causes cancer. Wine Institute, Comite Vins, FIVS, the World Wine Trade Group (WWTG), the International Alliance on Responsible Drinking (IARD), Beer Institute, DISCUS and other producer groups worldwide have done a good job pushing back on this. We continue to oppose implementing the so called "best buys" of higher taxes, sales restrictions and advertising bans that the activists encourage. The same message and prescriptive solutions are being advocated by anti-alcohol activists in the US.

We will continue to tell our own story at the WHO and here at home. Our own story is that we are a mealtime beverage, enjoyed in moderation with food, as part of balanced and active lifestyle. Wine is grown and produced sustainably and promoted responsibly. We are family owned businesses, multi-generational. We're sharing our story through Discover CA wine, CA wine month, Down To Earth Month, our sustainable winegrowing program and sustainable labeling initiative. We need to do more of this.

As you know, there have been studies over the last several years that have come out on the health effects of alcohol consumption that have been negative. The anti-alcohol community is organized and has the ability to have studies funded and promoted. The headlines are bad, the research is often flawed and presented in a biased way. We are working with beer and spirits to determine the best ways to push back. It needs to be joint effort with beer and spirits in the US and globally. But at the same time, we need to be mindful of the product liability concerns in all that we do in the areas of health. Jones Day and Cardno ChemRisk are helping us here.

There is an interest and need for producers and trade associations to provide sound, evidence based information to counter these negative messages. We are working with TTB on this as well. In 2003, TTB released a Rule that placed limitations on health related statements and health claims in labeling and advertising. It's a 17 years old rule. One of the questions for TTB now is how can producers direct consumers in a neutral manner to third party health information. And how can trade associations do the same. TTB rules state that the information must be balanced. Otherwise, it will be presumed to be misleading. TTB's position is that they will look at each health related statement or claim on a case by case basis to determine if it is balanced. We need a bit more clarity from TTB on this. Wine Institute, as trade association, is not regulated by TTB. Whatever we do as an association, however, has potential ramifications for our members legal and otherwise. For consistency sake, and to protect our members from TTB enforcement action, we want our members to be able mirror and follow our lead on how we handle providing such information. This is one reason why our work on the US Dietary Guidelines For Americans is important. More to come on this with an understanding that this will take some time with TTB. Tracy is going to take some time to address responsible stewardship in this and other areas.

We have a full agenda today. Action items from Tim, reports from Allison and Chris Savage, an update from Rick on the PAC, a briefing on the split roll initiative which will be on the ballot in November, Sen. Ben Allen at 11:15am and Jon Moramarco. Thanks so much.

SACRAMENTO – CALIFORNIA STATE RELATIONS

Tim Schmelzer reported on legislative and regulatory issues impacting the wine industry, including issues around recycling, water, labor, and alcohol beverage control policy. In addition, the Wine Institute Board of Directors took a unanimous position on the following pieces of legislation:

On motion made, seconded and carried, Wine Institute will take a SUPPORT position on the recycling policy put forth by the Boston Consulting Group was unanimously approved.

Recycling: The Board voted to support a proposal developed by the Boston Consulting Group to eliminate the California Bottle Deposit System and replace it with an industry-led stewardship organization that would collect a recycling fee from producers and consumers to fund an enhanced curbside recycling system. The next step is for the Sacramento Office to develop the proposal into legislation. The legislative vehicle for the proposal is SB 1132 (Dodd).

On motion made, seconded and carried, Wine Institute will take a SUPPORT position on SB 1114 which would allow for on-sale general licensed premises to sell spirits products for consumption off premises was unanimously approved.

Off-Sale Privileges (SB 1114, Allen): Beer and wine may currently be purchased unopened from on-sale general licensed premises (Type 47 or 48) for consumption off premises. This bill, sponsored by DISCUS, would extend this privilege to spirits. Wine Institute supports this bill.

On motion made, seconded and carried, Wine Institute will take an OPPOSE position on AB 1541 which would grant monopoly protections to California's beer distributors was unanimously approved.

Beer Franchise Legislation (AB 1541, Gray): This bill would require that a brewer must have "good cause" to terminate their agreement with their distributor. Among other things, "good cause" is defined as providing proper notice and giving an opportunity to correct identified failures. Wine Institute voted to oppose this bill reflecting our general opposition to monopoly protection legislation.

CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE UPDATE

Allison Jordan provided an update on CSWA activities, including highlights from the 2019 Certified California Annual Certification Report and a new consumer and trade certification website that is under

development. She also reported on CSWA's three current Specialty Crop Block Grant projects, and highlights of new trade research that will be shared publicly during a webinar on June 5. During Down to Earth Month in April, CSWA will announce the 2020 Green Medal recipients and work with Communications to promote the sustainability leadership of the California wine industry.

ENVIRONMENTAL COMMITTEE UPDATE

Chris Savage reported on Environmental Committee activities, and focused on two key issues for the California wine industry: 1) the interrelated issues of the Sustainable Groundwater Management Act and CV-Salts; and 2) AB 617 focused on community-centered air initiatives with five main elements – air monitoring, community emission reduction plan, best emission controls, easier access to emissions data and clean technology investments.

POLITICAL ACTION COMMITTEE (PAC): Rick Tigner made the following remarks:

Rick Tigner began by reminding everyone it is an election year and the PAC is more important than ever. He advised that the PAC is a critical tool in advancing our legislative priorities with lawmakers in Washington, D.C. The PAC allows us to educate and support elected officials and candidates who recognize the challenges we face as winemakers. Our officers worked to make it easier to contribute to the PAC and expand participation to all our member wineries. We can accept contributions by check or credit card. The option to make credit card payments has paid off, as we have seen significant use of this new option. Last year, our political action committee received \$220,000 in contributions – a 10% increase from 2018. Led by The Wine Group who collectively donated over \$90,000. Not quite sure how The Wine Group did it, but we should applaud them as we speak. There will be a solicitation packet for 2020 sent out. You can review the packet and get more information. I think it is more important than ever, in an election year, that we should step up and try to actually get more than the \$220,000 that we got last year. Every dollar counts. Jackson family will make a commitment to support. We need everyone's support. It all goes to a very good cause so, thank you.

Rob Gutierrez & Tony Russo - Californians to Save Prop 13 and Stop Higher Property Taxes – November's Split Roll Initiative

Rob Gutierrez & Tony Russo reported on the "Split Roll" initiative that has been certified for the November 2020 Ballot. This initiative would split the property tax roll into commercial and residential property, with some exceptions, and require commercial property to be assessed at its current market rate. This would instantly increase taxes on California businesses by approximately \$6.5 billion to \$10.5 billion annually.

Senator Ben Allen – 26th Senate District – 2020 Legislative Agenda

Senator Ben Allen reported on his legislative priorities, including his SB 54, which would create new requirements for product manufacturers that use single-use packaging. SB 54 is opposed by Wine Institute. Senator Allen also discussed his SB 1114, which Wine Institute supports.

Jon Moramarco - Managing Partner, BW 166 LLC: The U.S. Wine Market – Past, Present and Future

Jon shared in-depth data, analysis and perspective on the current state of the U.S. Wine Market and outlook for the future based on his extensive experience in the wine and beverage alcohol industry. A PDF of Jon's presentation was made available to members.

Technical Advisory Committee Update

During a closed executive session, after non-winery members were asked to step out of the meeting, Tim Ryan discussed Wine Institute's Technical Advisory Committee's current work on voluntary nutritional labeling. Tim presented about the current regulatory structure regarding nutrition labeling for wine, needed regulatory changes in the areas of calorie and carbohydrate calculation and the current

competitive landscape for wine. Tim explained that WITAC's leadership will be setting up a meeting with TTB to request regulatory reform regarding nutrition labeling regulations for wine.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:29 p.m.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

JOINT MEETING OF MEMBERS AND BOARD OF DIRECTORS JUNE 9, 2020

Resolutions to be presented by Secretary Randall Lange

(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 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.

(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 9th day of June, 2020, 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 2020-2021

DATE

LOCATION

SEPTEMBER 8, 2020

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 6-8, 2020

THE INN AT SPANISH BAY

MARCH 8-9, 2021

SACRAMENTO
Monday, March 8, 2021 –
Evening Legislative Reception
Tuesday, March 9, 2021 –
Legislative Briefings and Board Meeting

JUNE 6-8, 2021

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 3, 2020

Dear Wine Institute:

The confidential balloting for the 2020-2021 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 Louis M. Foppiano Steven W. MacRostie Katherine Wetzel Murphy	Carmen Castaldi Eric Lent Vacant Vacant
3	Napa (5)	Suzanne Groth David R. Duncan Michael Maher Dennis Cakebread Robin Baggett	Mike Reynolds Hugh Davies Delia Viader Chris Hall Paul Leary
4	San Francisco Bay (1)	William R. Cooper	Earl R. Ault
5	Monterey Bay (1)	Scott Scheid	Lawrence T. Lohr
6	Central Coast (4)	Gretchen K. Roddick Laura Booras Nicholas Miller Gary Eberle	Karen Steinwachs Maeve Pesquera Greg Martellotto Jean Pierre Wolff
7	Southern California (1)	Stephen Kahle	Linda McWilliams
8	Sierra (1)	Steve Millier	Vacant
9	Northern Interior (1)	Randall Lange	David Phillips
10	Southern Interior (1)	Steve Schafer	Vacant

At-Large Directors (alphabetically):

Directors

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 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 9, 2020

Membership

New Members in Q3: We have received 21 new winery member applications and one new associate member applications since the last board meeting. The applicant winery members are: BoaVentura Winery, Bodega de Edgar, Boeger Winery, Desire Lines Wine Co., Fairwinds Estate, Fults Family Vineyards, Gandona Estate, Giornata, Grey Wolf Cellars, Guyomar Wine Cellars, Heibel Ranch Vineyards, J. Dirt Wines, The Last Wynn, Majuscule Wine, NABU Wines, Naughty Boy Vineyards, Poe Wines, Rancho Guejito Vineyard , Stressed Vines, Urban Press Winery, and Waters Edge Wineries. The applicant associate member is: AEB USA

Membership/Board of Directors Meetings

March 2020: Wine Institute welcomed ten new winery members and one new associate member at the March meeting. The meeting was held at The Sutter Club, with more than 80 guests and members heard from guest speakers, including Senator Ben Allen, Jon Moramarco, and representatives from Californians to Save Prop 13 and Stop Higher Property Taxes. Our Monday evening reception in the State Capitol Building hosted approximately 125 guests, including numerous legislators and agency heads.

June 2020: Due to the COVID-19 pandemic, the 86th Annual Membership & Board of Directors Meeting—originally to be held at The Ritz-Carlton, Half Moon Bay—is being held virtually. We successfully negotiated an addendum to our agreement with The Ritz-Carlton, moving our contract to June 6-8, 2021, while avoiding any penalties or loss of deposit.

September 2020: At the discretion of the Chairman of the Board, a Board of Directors Meeting may be held on September 8th.

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

2020-2021 Board of Directors Election

The 2020-2021 District Director Board seats are:

- 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 May 25, 2020. Due to several tied votes, runoff elections were needed in several districts. All members will be notified of the final election results the week of June 1st.

Industry Events, Member Outreach & Member Benefits

The Member Relations Department and Communications Department worked closely to partner with CAWG in cohosting our Annual Regional Association Leadership Forum on March 9th for association executive directors and volunteer leaders. More than 40 individuals attended, representing vintner and grower associations from more than 20 regions in California. Topics included updates on state and federal issues/legislation, cannabis, sustainability, and more. The event was well-received by regional associations and has been very helpful in building closer relationships with many of them as we went into the COVID-19 pandemic. Many were able to stay and attend our reception in the Capitol.

Member engagement with Wine Institute has been very high since the COVID-19 pandemic hit. Member Relations has responded to the spike in engagement by assisting members with accessing resources, information, and benefits and connecting members with the right departments at Wine Institute to support their needs. Enrollment in our FedEx discount shipping program continues to grow, with 745 accounts linked to our discount program. In 2019, Wine Institute members shipping through the program were responsible for more than \$10 million in revenue, with the average member saving more than \$16,000 last year.

With impacts of COVID-19 on the industry, the coming fiscal year presents a new challenge for member recruitment. Member Relations plans to engage the newly elected Wine Institute Board to help support member recruitment efforts.

Wine Institute Calendar

2020

June 9	86 th Annual Membership and Board of Directors Meeting, Virtual
September 8	September Board of Directors Meeting (if called for by the Chair)
December 6-8	Winter Board of Directors Meeting, The Inn at Spanish Bay

2021

March 8-9	Sacramento Board of Directors Meeting
June 6-8	87 th Annual Membership and Board of Directors Meeting, The Ritz-Carlton, Half Moon Bay
December 5-7	Winter Board of Directors Meeting, TBD



1. New Members to be Approved for Membership

- | | |
|------------------------------------|---------------------------------------|
| 1. BoaVentura Winery | Livermore (Alameda Co.) |
| 2. Bodega de Edgar | Paso Robles (San Luis Obispo Co.) |
| 3. Boeger Winery | Placerville (El Dorado Co.) |
| 4. Desire Lines Wine Co. | Sonoma (Sonoma Co.) |
| 5. Fairwinds Estate | Calistoga (Napa Co.) |
| 6. Fults Family Vineyards | Lower Lake (Lake Co.) |
| 7. Gandona Estate | St. Helena (Napa Co.) |
| 8. Giornata | Paso Robles (San Luis Obispo Co.) |
| 9. Grey Wolf Cellars | Paso Robles (San Luis Obispo Co.) |
| 10. Guyomar Wine Cellars | Templeton (San Luis Obispo Co.) |
| 11. Heibel Ranch Vineyards | Angwin (Napa Co.) |
| 12. J. Dirt Wines | Buellton (Santa Barbara Co.) |
| 13. The Last Wynn | Fallbrook (San Diego Co.) |
| 14. Majuscule Wine | Napa (Napa Co.) |
| 15. NABU Wines | Thousand Oaks (Ventura Co.) |
| 16. Naughty Boy Vineyards | Potter Valley (Mendocino Co.) |
| 17. Poe Wines | Napa (Napa Co.) |
| 18. Rancho Guejito Vineyard | Escondido (San Diego Co.) |
| 19. Stressed Vines | Santa Rosa (Sonoma Co.) |
| 20. Urban Press Winery | Sonoma (Sonoma Co.) |
| 21. Waters Edge Wineries | Rancho Cucamonga (San Bernardino Co.) |

2. New Associate Members to be Approved for Membership

1. **AEB USA**
San Francisco, CA
Sponsors: Woodbridge Winery; Peltier Station
Summary: Supplier of yeast, enzymes, tannins, fining, and light equipment

Agenda Item No. 6



Financial Statements

For The Ten Months Ended April 30, 2020

Includes proposed budget for fiscal year 2020/2021

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

Wine Institute
Balance Sheet
As of 4/30/20

Assets

Cash	
Petty Cash	300.00
Cash - WI	430,474.60
Cash - Interational	0.00
Cash - Free the Grapes	<u>344,038.97</u>
Total Cash	774,813.57
Inventory	
Wine Inventory	<u>34,399.97</u>
Total Inventory	34,399.97
Investments	
Investments - Comm. Paper	4,005,533.33
Rabbi Trust - Deferred	<u>455,584.81</u>
Total Investments	4,461,118.14
Receivables	
Members Accounts Receivable	1,352,492.84
Associate Members A/R	30,375.00
Allowance for Doubtful A/C	(17,192.67)
Miscellaneous A/R	3,289.40
Int'l Program Fees A/R	49,125.00
Int'l Tradeshows A/R	0.00
Allowance for Doubtful A/C - MAP	(4,750.00)
Grant Receivable	25,707.80
MAP Receivable	<u>0.00</u>
Total Receivables	1,439,047.37
Deposits & Prepays	
Deposits	416,312.69
Prepaid Insurance	127,088.84
Prepaid Rent	102,935.23
Prepaid Expenses	<u>103,045.00</u>
Total Deposits & Prepays	749,381.76
Fixed Assets	
Furniture & Fixtures	677,581.19
Leasehold Improvements	278,786.81
Accumulated Depreciation	<u>(669,938.98)</u>
Total Fixed Assets	<u>286,429.02</u>
Total Assets	<u><u>7,745,189.83</u></u>

Liabilities

Accounts Payable	
Accounts Payable - WI	<u>30,100.25</u>
Total Accounts Payable	30,100.25
Other Liabilities	
Sales Tax Payable	0.00
Unearned Mem Dues Revenue	456,909.53
Bank of America Line of Credit	0.00
Accrued Expenses	6,792.62
Vacation Accruals	616,290.34
Deferred Rent	413,227.00
Wages Garnishment Payable	0.00
Flexible Spending Account	14,606.52
Dependent Care Assistance Program	8,930.37
Free the Grapes	344,038.97
Deferred Compensation	455,584.81
Payable to Wineries	0.00
Payable to FAS	177.66
VAT	11,813.73
2018 Event Income	143,528.28
Security Deposits	<u>0.00</u>
Total Other Liabilities	<u>2,471,899.83</u>
Total Liabilities	<u>2,502,000.08</u>

Net Assets

Beginning Net Assets	
Net Assets	<u>4,726,238.69</u>
Total Beginning Net Assets	4,726,238.69
Change in Net Assets	<u>516,951.06</u>
Total Change in Net Assets	<u>516,951.06</u>
Total Net Assets	<u>5,243,189.75</u>
Liabilities & Net Assets	<u><u>7,745,189.83</u></u>



Agenda Item No. 7(a)(i)

**PUBLIC POLICY COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020**

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

1. Wine Institute Hosts Health and Safety Based Webinar Series and Provides Follow Up Documents

To quickly and thoroughly address members questions and concerns related to the COVID-19 crisis, Wine Institute has hosted a series of health and safety-based webinars.

On March 20, Wine Institute hosted a webinar on workplace health and safety needs for the wine industry related to COVID-19 virus. Dr. Karakousis discussed the scientific background, including best practices and protocols to most effectively manage the virus in the workplace and Mr. Sarvadi discussed OSHA implications, including hygiene workplace rules, telecommuting, medical testing and fitness for return to duty. Following the webinar on workplace health and safety needs, Wine Institute collaborated with Dr. Karakousis and Mr. Sarvadi to create exemplar health and safety workplace guidelines for COVID-19. The draft exemplars were sent to the Wine Institute Legal Subcommittee to gather comments and feedback, which were incorporated into the final exemplars.

On Wednesday, May 27, Wine Institute hosted a webinar for members regarding the California Winery Tasting Room Reopening Protocols to answer questions and further explain key areas. Leila Narvid, Partner at Payne & Fears, LLP, presented on specific legal issues for our members to be aware of as they prepare to reopen and the new enforcement guidance issued by OSHA. Following this webinar, Wine Institute will create a document containing the most frequently asked questions to distribute to our members.

Both webinars were extremely well received, and each had close to 500 attendees.

2. California Winery Tasting Room Reopening Protocols and Supplemental Documents

Wine Institute created health and safety-based protocols to guide the reopening of winery tasting rooms. Important stakeholders were involved throughout the drafting process of this document. The final draft of the protocols was vetted by many different individuals and committees, including members of the Legal Subcommittee, the COVID-19 ad hoc Working Group, hospitality representatives from member companies, a medical expert in the area of infectious diseases, Dr. Karakousis, and senior OSHA legal expert, David Sarvadi.

Additionally, there have been numerous conversations with representatives from trade associations in Oregon, Washington, and Colorado to discuss each states approach to reopening and to compare procedures and policies. It is helpful to gain insight from their experiences as these states begin to reopen their tasting rooms.

The final document appropriately reflects a balance between health and safety precautions and the practical necessities of tasting room operations. There has been positive feedback from many members and regional associations. The legal department has also done its best to respond to questions about the practical applications of the protocols.

Tim Schmelzer and Tyler Blackney have confirmed with the Governor's office that we are able to make revisions and changes to the protocols for their considerations. We have decided to implement a few revisions, which have been reviewed and approved by the Legal Subcommittee.

Following the release of the California Winery Tasting Room Reopening Protocols, there were many requests for supplemental information and materials. To facilitate thoughtful business practices, Wine Institute will provide the following materials to members: a sample liability waiver for tasting rooms to employ as part of their customer reservation process, a sample privacy notice to distribute to tasting room employees prior to conducting wellness screens, and an infectious and communicable disease policy for companies to incorporate into their employee handbooks.

3. Regulatory Relaxations and Response to Notice of Proposed Emergency Rulemaking

Wine Institute has remained in close contact with California ABC to discuss much needed regulatory relaxations given the circumstances created by COVID-19. Specifically, Wine Institute worked to secure relaxations surrounding charitable promotions and sales, and where wineries are authorized to allow consumption of wine (including winetasting and consumption by the glass) on their licensed premises once allowed to re-open.

After discussions with TTB and California ABC, both agreed to permit virtual tasting under existing regulations. This allows wineries to ship small containers directly to consumers to participate in an online tasting experience. Both TTB and CA ABC have outlined the regulations that must be followed in order for wineries to do this. CA ABC recently updated this information in their third regulatory relief announcement.

Lastly, Wine Institute is working to submit comment letters related to California ABC's two notices of proposed emergency rulemaking. In the first, California ABC seeks to address concerns of inappropriate behavior by some licensees. However, Wine Institute feels that these regulations are much too broad and far reaching. Wine Institute has drafted a comment letter to this proposed rulemaking and will be submitting it. In the second notice, California ABC is seeking to regulate alcoholic beverage deliveries by third-party delivery agents through use of minor decoys. Wine Institute is still assessing our position on the second regulatory notice to determine whether a comment is necessary.



Agenda Item No. 7(a)(ii)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020

Overview of Year to Date

COVID-19: The first week of shelter-in-place orders created a chaotic atmosphere for our industry as we worked to ensure wineries could stay open. While we were successful in ensuring that most winery functions could continue, tasting rooms continue to be closed, unless they are able to offer meals in counties that have met specified health and safety metrics. In support of opening tasting rooms more broadly, Wine Institute developed protocols to ensure tasting rooms could operate in a safe manner. To date, however, the Newsom Administration has resisted our calls for opening tasting rooms due to fear that such openings will encourage wide-ranging travel across regions of the State and contribute to spread of the COVID-19 virus. Securing approval for the reopening of tasting rooms remains our top priority.

We have managed to secure some regulatory relief and guidance from the ABC during the crisis. Notable successful efforts have allowed wineries to extend credit, ship for free, provide samples to their customers to support virtual tastings, support COVID-19 charity relief efforts through wine sales, and provide assurance that wineries can conduct tastings outside of their designated "tasting room" so long as it is on their licensed premises.

CALIFORNIA STATE BUDGET: The stay-at home orders that have been in place for most of the year have yielded a devastating impact upon the State's economy, and its State Budget.

The Governor released his revised budget proposal on May 14th. The Governor announced that the State expects to see a \$41 billion drop in revenues and a \$54 billion budget deficit. The Administration also announced they are no longer supporting a Climate Resilience Bond due to the lack of funds to make debt payments. A number of announcements included in the budget could affect Wine Institute members, they include:

- Statutory language to delay the July 1, 2021 alcohol server training requirement to July 1, 2022, to provide relief to licensees through the delayed collection of responsible beverage service-associated training fees;
- \$60 Million in cuts to the previously proposed funds to assist with State Groundwater Management Act implementation.

- Reorganization of Greenhouse Gas Reduction Funds to now prioritize AB 617 implementation, Safe & Affordable Drinking Water, FARMER Program (agricultural diesel engine replacement), and Forest Health & Fire Prevention. Those programs will be the first in line to receive funds from Cap & Trade auction proceeds, other programs, such as Healthy Soils, are not expected to be funded under the current budget proposal.
- Suspension of the ability of businesses to write-off net operating losses from 2020-22.
- Limitation on the use of incentive tax credits, including the R&D tax credit, from 2020-22.

2020 Legislation

Legislative Calendar: With a statewide shelter-in-place order, the Legislature was forced to recess from mid-March until Mid-May, typically one of the busiest times in the legislative calendar. As a result of this recess, and the continued crisis, the legislative calendar has been radically altered, and legislators have been asked to drastically reduce their legislative packages. Only about 25% of the bills introduced this year remain viable due to these changes. In addition, social-distancing rules have required that nearly all interaction with the Legislature take place via videoconferencing. Here is a snippet of the revised calendar:

- Last day for policy committees to hear 1st house bills: June 5
- Last day to pass the Budget Bill: June 15
- Last day for Assembly to pass 1st house Bills: June 19
- Assembly Summer Recess: June 19-July 13
- Last day for Senate to pass 1st house bills: June 26.
- Senate Summer Recess: June 26-July 13

We are monitoring scores of bills as they approach the first policy committee deadline to determine which bills appear viable and warrant a more focused lobbying effort.

Alcoholic Beverage Control:

Additional Duplicate License: Wine Institute introduced SB 1187 by Senator Steve Glazer (D-Livermore Valley) and AB 2752 by Assembly Member Rebecca Bauer-Kahan (D-Orinda) which are identical bills that would allow a winery to have two duplicate licenses for the operation of an additional off-site tasting room. While neither of these bills are moving forward due to the authors being forced to reduce their bill loads, we have been told that this policy is a candidate to be amended into an Assembly Governmental Organization Committee bill later this year.

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

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

support position on this measure. While the bill is not moving forward, the sponsor is working to get the policy amended into a COVID-19 budget bill.

Refillable Wine Bottles: Assembly Member Robert Rivas (D-Salinas) has introduced AB 2957, sponsored by the Monterey Vintners Association, which would allow wineries to refill customer provided containers at their duplicate license location. The bill passed the Assembly Governmental Organization Committee unanimously on May 12, and presently awaits hearing in the Assembly Appropriations Committee.

Environmental;

Single-Use Packaging/Recycling: While Wine Institute was successful in defeating two problematic single-use packaging waste reduction bills last year, SB 54 by Senator Ben Allen (D-Santa Monica) and AB 1080 by Assembly Member Lorena Gonzalez (D-San Diego), they both have advanced past policy and fiscal committees and could reasonably be voted upon again this session. We had intended to work with Senator Bill Dodd (D-Napa) on his SB 1132 to enact the Wine Institute supported policy of expanding curbside recycling for our products and reforming the existing Bottle Bill program. Unfortunately, with the focus narrowed in the Legislature due to the COVID-19 crisis, this effort has been put on hold for the year. While we think it is unlikely that SB 54/AB 1080 will move this year, we will continue to monitor them closely as Wine Institute maintains an oppose position on those measures.

Fermentation Emissions: AB 1714 by Assemblymember Cecilia Aguiar-Curry (D-Napa) would require an Air District to make findings to ensure that the installation of emission control equipment to capture fermentation emission does not harm wine quality. Wine Institute is sponsoring this legislation. This bill, which is in the 2nd house of the Legislature, remains eligible for passage this year.

Labor Relations:

Agricultural Employee Overtime: Assembly Member Jim Cooper (D-Lodi) introduced placeholder legislation (AB 2758) aimed to provide relief to employers that pay overtime for their agricultural employees. Assembly Member Robert Rivas (D-Salinas) introduced AB 2956, sponsored by the California Farm Bureau Federation, that would have allowed employers to claim a tax credit in an amount equal to the overtime pay furnished to their agricultural employees. Both of these measures have been shelved due to this year's shorted legislative calendar.

Independent Contractors: 34 bills have been introduced to repeal, amend, or add additional exemptions to AB 5, which was enacted into law last year and established stricter criteria for determining if an independent contractor should be classified as an employee. It appears AB 1850 (Lorena Gonzalez), which exempts a plethora of specific industries from AB 5's provision, is the most viable of these bills.

Predictive Scheduling: 850 (Leyva) would have required an employer to provide its employees with a 21-day work schedule at least 7 calendar days prior to the first shift on that work schedule. The bill would have additionally require an employer to pay its employees modification pay for each previously scheduled shift that the employer cancels or moves to another date or time, for any previously unscheduled shift that the employer requires an employee to work, or for each on-call shift for which an employee is required to be available but is not called in to work that shift. This bill has been rescinded for consideration due to this year's shorted legislative calendar.

Litigation Liability:

CalChamber Job Killer List: Wine Institute is actively monitoring bills on the California Chamber of Commerce's "Job Killer" list (attach) – bills which impose excessive costs upon employers. As it becomes apparent which of these bills are viable, we will seek approval to oppose bills that are likely to negatively impact Wine Institute members.

Taxation:

False Claims: Assembly Member Mark Stone (D-Monterey) introduced AB 2570 to create a private right of action for making false claims under the tax code. The bill passed its first policy committee on a partisan vote and awaits action in the Assembly Appropriations Committee.

Excise Tax: Assembly Member Lorena Gonzalez has indicated that she is interested in renewing past failed efforts to raise the alcohol excise tax a "nickel a drink." We are actively engaged with our industry partners to prevent this effort from gaining traction. If the proposal mirrors the last effort (from 2008), it would result in a 640% increase on the excise tax on wine.

Regional and Statewide Regulatory Issues

ABC Administrative Emergency Decisions Regulation: ABC has proposed to grant itself emergency powers to suspend licenses over a broad array of offenses, several of which are very subjective. While the ABC used the COVID-19 crisis as the rationale for the proposed regulations, the reach of the regulations goes well beyond any reasonable connection to the crisis. For this reason, we are leading a coalition effort to oppose the adoption of the regulations. We drafted and submitted comments, which were endorsed by a number of our industry allies, to the Office of Administrative Law on May 26th.

ABC Minor Decoy Requirements Regulation: Similar to the Emergency Decisions proposal, ABC is using the COVID-19 crisis as rationale for pursuing adoption of emergency regulations. In this instance they specifically refer to concerns with the increase in deliveries of alcoholic beverages away from licensed premises. The intent of the regulation is to use minor decoys to receive deliveries. We are currently reviewing this regulation and will likely choose to submit comments. The package was publicly noticed on May 20 – comments are due to ABC by May 28th. There will be another 5 working day comment period should the regulations be submitted for adoption to the Office of Administrative Law.

Statewide Winery WDR: The State Water Board has drafted a 'Statewide Winery General WDR' which would regulate process water treatment and disposal at all California wineries that discharge to land, subsurface (e.g. septic, leach field) or tank and haul systems. We have been heavily engaged on this issue, leading a coalition of statewide and regional wine industry groups. In October and November, we worked with our Environmental Committee and Kennedy/Jenks Engineers to submit a set of detailed technical 'alternative' proposals on six key topics. In early April the SWRCB gave WI an opportunity to provide input on a draft outline of the WDR prior to its public release. The draft outline incorporated some changes we had requested last fall, but also continues to include problematic provisions. We provided a tour to the new SWRCB staff writing the permit in May and provided further technical comments requesting changes. The SWRCB plans to publicly release the permit in June, hold a workshop in July, and adopt the WDR in late 2020 or early 2021. We will continue to track closely and remain engaged with the industry coalition. (Attached to this report is a list of key issues being addressed by this WDR.)

Napa and Sonoma Vineyard Erosion Order (Region 2): Most vineyards in the Napa River and Sonoma Creek watersheds must develop 'Water Quality Farm Plans' by July 2020. Our work to assist growers continues on two fronts: we are assisting CSWA with its 'Third-Party Program' for compliance, and we are

working with researchers at Common Futures (a company based in Oregon) to satisfy a portion of the group monitoring program. Work on the group monitoring effort continues to move forward; we are surveying a sample of Napa vineyards to inform the soil erosion model the researchers have developed.

North Coast Vineyard Order (Region 1): The North Coast Regional Board plans to develop a Vineyard WDR for similar purposes as the Region 2 (Napa/Sonoma) permit. We recently shared with them the methodology and preliminary results from our soil erosion modeling project discussed above. The Water Board's Executive Officer and staff were intrigued by our proposed approach, which could limit the scope of the permit and/or lower the reporting requirements, and we will continue to engage with them on this issue.

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

Central Valley Salinity Coalition: The Central Valley Salinity Alternatives for Long-Term Sustainability (CV-SALTS) plan is now officially in effect. This effort will provide wastewater dischargers (including vineyards and wineries) with voluntary 'alternative compliance' approaches to address salinity and nitrate impacts. Informational postcards were mailed to all impacted businesses in January and Wine Institute is assisting with outreach. Depending upon their location in the Central Valley, wineries will have the option of joining a 'Nitrate Management Zone' and/or contributing funds for a study on salts remediation, rather than complying with more restrictive permit conditions.

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

Advanced Clean Trucks Rule: The California Air Resources Board is developing regulations to mandate medium and heavy-duty truck manufacturers sell a set percentage of zero emission vehicles. In addition to the sales mandate, the regulation will require reporting of medium and heavy-duty vehicle usage by companies owning fleets of more than 50 medium and/or heavy-duty vehicles or companies with annual revenues of more than \$50 million. We're working with a coalition of organizations representing businesses to request changes to streamline the reporting requirements.

Air Toxics "Hot Spots" Program: The California Air Resources Board is updating the guidelines governing reporting under the Air Toxics "Hot Spots" Emission Inventory program. These regulations require reporting from facilities to local air pollution control districts of emissions of any chemicals on the state's "Hot Spots" Program list. CARB is proposing changes to the guidelines and significantly expanding the list of chemicals that will now require reporting. We submitted comments requesting clarification around when pesticides included in the list would require reporting, as CARB doesn't have authority over pesticide use.

ABC Responsible Beverage Service Training Program: As indicated in the above note on the State Budget, the implementation date for this program is likely to get pushed back to July 1, 2022.

CDFA Cannabis Appellation Regulations: Wine Institute led a wine-industry coalition in developing and submitting comments to CDFA regarding their proposed Cannabis Appellation program, which is required by Proposition 64 (which legalized recreational cannabis). Our comments are focused on protecting the wine industry’s appellations and ensuring that the cannabis industry has robust rules in place to ensure the integrity of that system.

Initiatives

Split Roll Initiative: As of this writing, it appears extremely likely that the initiative to separately assess commercial properties will qualify for the November ballot. This could have a devastating impact upon business in California, as their properties will be subject to reassessment to fair market value every three years. Notable is that the exemption for “agriculture” does not include improvements made upon agricultural land, such as vineyards and irrigation systems. Wine Institute is opposed to the passage of this measure.

Statewide Winery WDR

The State Water Resources Control Board plans to release its draft Statewide Winery Waste Discharge Requirements (WDR) in June, with a public workshop in July and a targeted adoption by late 2020 or early 2021. Wine Institute has been working with SWRCB staff since 2016 to urge that the WDR's requirements be matched to the water quality benefits they will provide, to ensure they are not unnecessarily burdensome. In early April the SWRCB gave WI an opportunity to provide input on a draft outline of the WDR prior to its public release. WI staff is working in close consultation with Kennedy/Jenks Consultants and members of the Environmental Committee to provide specific feedback and recommendations that are science-based and attempt to address the diversity of winery operations in California. WI has made specific recommendations and requests in the following areas:

Tiers

WI is working with the SWRCB to create a de minimis threshold below which wineries would not be required to enroll in the permit; and considering capping the largest tier to simplify the requirements upon wineries in the highest tier.

Land Application Areas

The SWRCB is proposing to require semi-annual groundwater monitoring for all wineries discharging above 300,001 gallons of process water annually. WI requested that groundwater monitoring only be required if requested by a Regional Board in situations where there is an actual risk to groundwater based on winery activities or local conditions.

Subsurface Dispersal Areas

The draft WDR includes hydraulic loading limits and effluent limits for subsurface dispersal systems (e.g. septic/leachfield) and fails to recognize that subsurface dispersal systems that are designed and managed properly can effectively treat wastewater. The draft also requires groundwater monitoring for larger subsurface systems. WI proposed to grandfather existing pressure distribution systems that meet achievable standards and only require ongoing groundwater monitoring if groundwater evaluations find degradation.

Salinity

The draft would require enhanced salinity monitoring at all wineries. It would also impose a limit for fixed dissolved solids (FDS) which, if exceeded, triggers the need for a Salinity Control Plan or participation in a sustainability program. For smaller wineries, WI proposed a more limited sampling regime that would be ramped up only if the FDS limit were exceeded.

Ponds

The draft WDR would require semi-annual groundwater monitoring at the largest tier of wineries to ensure wastewater ponds aren't leaking and impacting groundwater. It would 'grandfather' ponds at wineries of the smallest tier but require all other ponds to meet an engineering standard for permeability (through a liner or other means). WI has requested that ponds be exempt from lining requirements if the primary purpose of the pond is not to hold process water. Additionally, WI requested that ponds at wineries in the largest tier not require groundwater monitoring unless requested by the Regional Board due to actual groundwater risks.

2020 CalChamber Job Killer List

- **AB 196 (Lorena Gonzalez; D-San Diego) Establishes Costly “Conclusive Presumption” of Injury.** Significantly increases workers’ compensation costs for employers by “conclusively” presuming (non-rebuttable) that contraction of COVID-19 by all “essential workers” is a workplace injury. Establishes an extremely concerning precedent for expanding presumptions into the private sector for COVID-19 issues, which the Workers’ Compensation Insurance Rating Bureau (WCIRB) recently estimated will add billions in costs to California’s workers’ compensation system.
- **AB 664 (Cooper; D-Elk Grove) Establishes Costly “Conclusive Presumption” of Injury.** Significantly increases workers’ compensation costs for public employers and public and private hospitals by “conclusively” presuming (non-rebuttable) that exposure or contraction of communicable diseases, including COVID-19, are caused by the workplace and defines required compensation to include non-workers’ compensation items such as “temporary housing costs.” Establishes an extremely concerning precedent for expanding presumptions into the private sector for COVID-19 issues, which the Workers’ Compensation Insurance Rating Bureau recently estimated will add billions in costs to California’s workers’ compensation system.
- **AB 1107 (Chu; D-San Jose) Massive Unemployment Insurance Compensation and Tax Increase.** Would significantly raise employers’ payroll taxes to fund a 130% increase in unemployment payments just as California’s businesses are struggling to survive a pandemic-caused shutdown.
- **AB 2501 (Limón; D-Santa Barbara) New Burdens for Lenders.** Requires lenders to maintain home and auto loans for an extended length of time with no payments from borrowers. This strain imposed on financial institutions will limit the availability of credit in the future, which will harm our economic recovery.
- **AB 2999 (Low; D-Campbell) New Protected Leave and Threat of Litigation.** Imposes a significant new burden on employers of every size by mandating that they provide employees up to 10 days of bereavement leave upon the death of a spouse, child, parent, sibling, grandparent, grandchild, or domestic partner, regardless of how long the employee has worked for the employer. The bill further opens up new avenues for litigation against California employers by establishing a new private right of action (in addition to liability under the Private Attorneys General Act (PAGA) and administrative enforcement through the Division of Labor Standards Enforcement).
- **AB 3075 (Lorena Gonzalez; D-San Diego) Local Wage Standards.** Allows interference with corporate formation based on arbitrary, unclear and unfair standards. The bill would also result in chaotic and inconsistent enforcement of wage and hour laws by local jurisdictions by authorizing them to impose their

own wage payment requirements as long as they are “at least as stringent” as state law requirements.

- **AB 3216 (Kalra; D-San Jose) New COVID-19 Employment Leave Mandate.** Provides for unlimited job protected leave for all employees of employers of any size for family and medical leave due to COVID-19. This new mandate is in addition to numerous COVID-19 leave requirements recently enacted at the federal, state and local levels. The bill creates additional burdens on California employers at a time they can least afford it.
- **SB 893 (Caballero; D-Salinas) Expands Costly Presumption of Injury.** Significantly increases workers’ compensation costs for public and private hospitals by presuming that certain diseases (including COVID-19) and injuries are caused by the workplace and establishes an extremely concerning precedent for expanding presumptions into the private sector.
- **SB 950 (Jackson; D-Santa Barbara) Expansion of CEQA.** Would expand the California Environmental Quality Act’s existing requirements by adding costly new mandates that will burden local agencies, add substantial time and costs to the CEQA process and provide project opponents with new legal arguments to delay or block housing and other projects.
- **SB 1399 (Durazo; D-Los Angeles) Increased Costs and Liability on Employers.** Imposes unfair and onerous burdens on any essentially business in the apparel industry, including a \$600,000 bond to operate, which will force businesses to reduce their workforce or close down their business, given the financial strain they are already under from this pandemic.



Agenda Item No. 7(a)(iii)

STATE RELATIONS DEPARTMENT REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020
(Current Information as May 26, 2020)

Overview

Our work in the states has taken a major turn since the March Board of Directors meeting due to the COVID-19 crisis. As with all aspects of our world, the legislative and regulatory arenas are dealing with unprecedented new challenges at this time. While 21 of the states have now adjourned their legislative sessions for the year, most of the remaining state legislatures have either paused their legislative sessions entirely, or they have reconvened and are refocusing their work on crisis-related matters only. The State Relations team has worked with our contract lobbyists in the states during this time to encourage legislators and regulators to provide relief to licensees during the crisis, to develop a number of resources for our members, and to lay the groundwork for legislative and regulatory issues that are coming as states begin to reopen for business. Below you will find a special section of the report focused on these specific efforts.

Some regular business was done in the states prior to the shutdowns, and most state legislatures have now reconvened in at least some form to address the crisis. Bills that impact our member wineries have been included in these packages, and our team of Regional Counsels/Directors along with our contract lobbyists are working to ensure the best possible outcomes for such legislation. Details on these measures will be found in the various sections of the report below. A few of the legislative highlights to note include Kentucky's passage of DTC shipping for wine, spirits and beer, and the passage of a local sales tax on alcohol by the voters in Anchorage, Alaska in April. These measures, one positive and the other negative, highlight the fact that business goes on during the crisis and that our members continue to face both opportunities and challenges at the state level as we move forward.

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

COVID-19 Related Actions

As states began to shut down in response to the COVID-19 crisis, the State Relations staff and our contract lobbyists immediately went into action to address the issues facing our member wineries. Following is a listing of some of the actions taken by our team over the course of the last several months in direct response to the crisis.

COVID-19 Closure Matrix: On March 13th we began tracking the “shelter in place” (and other similar measures) being imposed by Governors across the country. A matrix was developed and placed on Wine Institute’s COVID-19 resource webpage so that member wineries, regulators and other industry participants could track the closures and restrictions being imposed on restaurants, bars and off-premise retail operators. As information became available, we posted the new allowances for curbside sales, take-out and delivery rules where applicable. Our team of lobbyists working in 49 states was uniquely positioned to allow us to collect and distribute this information to the industry. The matrix can be viewed by following this link: <https://wineinstitute.org/covid-19-closures>

COVID-19 State Guidance Documents: Also on March 13th we began the process of reaching out to state regulators seeking specific relief and guidance for wineries during the crisis. We asked regulators to consider relief such as extensions of tax payment deadlines, forgiveness of penalties and interest on late payments, extensions for licensing renewals and other similar forms of regulatory help that the states could provide to licensees. We also encourage that ABC agencies, working with their local governors, consider creative solutions such as the allowances for on-premise licensees to provide wine, beer and spirits with food orders for take-out, curbside pickup and delivery. Over the course of the crisis the states have numerous Executive Orders, ABC Guidance documents and media updates on these and many other topics. All such resource documents that we have been able to gather have been posted in one easy to locate webpage that has been made available to the entire industry. This matrix can be viewed by following this link: <http://wineinstitute.org/covid-19-state-guidance>

COVID-19 Restaurant & Bar Reopenings: As the states began to announce their plans for reopening, our team developed and launched a third matrix to be used as a resource to track all of the reopening protocols for restaurants, bars and winery tasting rooms across the country. Each state has issued unique requirements related to occupancy capacity, social distancing protocols for licensees, and rules related to how staff and customers can interact as these businesses begin to reopen. We have tracked these rules and made available to the industry the various executive orders and ABC guidance documents that govern the reopening of that various sectors. Currently this is the most active part of our efforts as the state rules are changing on a daily basis as Governors move their states through phased reopenings. This matrix can be viewed by following this link: <https://wineinstitute.org/covid-19-reopenings>

Virtual Tasting Approvals: In mid-April, both the CA ABC and TTB issued guidance on the ability of a winery to provide small format “samples” (in 50ml and 100ml bottles for example) via DTC shipments to consumers for use in “virtual wine tastings”. This was seen as an opportunity for wineries engage with their customers remotely in a manner that could encourage sales. In order to ensure that state regulators outside of California were educated about such programs and comfortable with wineries engaging with the consumers in their states in this manner, the State Relations team approached every state’s ABC with an outline of the program and sought their approval. To date, 35 states outside of CA have approved the tastings so long as consumers are charged for the wine and that the wineries report the shipments and pay taxes just as they would for any other DTC shipment.

The Inclusion of Wine in Restaurant Take-out, Curbside and Delivery; As was noted above, when restaurants were shut down for on-premise dining during the various shelter-in-place orders across the country, Governors and regulators began working with licensees to create exceptions to allow for such on-premise licensees to include wine, beer and spirits in the orders they were selling for take-out, curbside and delivery. Prior to the crisis, approximately half of the states allowed for the inclusion of wine and beer in original containers to be included in this manner. During the crisis the rules were relaxed so that most states allowed some form of takeout, and many even included provisions allowing for the sale of mixed drinks or wines by the glass. The State Relations team recently met with leadership at the National Restaurant Association about ways we can work with them and other industry sectors to try and make permanent these new allowances so that our products can continue to be sold through these additional channels even after the restrictions on licensees are lifted.

Coordination of Winery Reopening Protocols with Other States: While the Legal Department and the Sacramento Office have taken the lead in the development of the Winery Reopening Protocols, the State Relations team has worked to coordinate with other states across the country to share the protocols and help ensure a smooth and responsible relaunch of tasting room activities as they are allowed to reopen. Wine Institute staff have worked closely with our colleagues in the Western states to make sure

that California, Oregon, Washington and other states can share their experiences, and all can learn from what is happening throughout the region as business begin to reopen.

Taxes and Fees

No states have passed excise tax increases in 2020. The only tax increase that has passed impacting wine was a local ballot measure in Anchorage, Alaska imposing a sales tax; information on this and other tax related issues can be found below. The State Relations staff and our contract lobbyists in the states are now focused on the state legislatures as they begin to work to fill the huge budget holes left in the wake of COVID-19 crisis. We are laying the groundwork for pushing back against proposals to increase excise taxes as a means of filling state budget deficits. Should the Federal government not provide funding relief to the states as the Governors are requesting, these challenges will be exponentially harder to address.

Wine Excise Taxes:

While no states have passed an excise tax bill in 2020, there are still some bills pending that we are keeping our eyes on. In **New York**, a bill that would provide a one-year exemption from state alcohol beverage taxes due to the COVID-19 crisis is pending. In **Rhode Island**, legislation that would implement the Governor's budget recommendation to revert the excise and sales taxes back to the pre-2016 levels. Under the proposal still wine taxes would be reduced from \$1.40/gal to \$0.60/gal, while sales taxes would once again be applied to the sale of alcohol. The bill remains pending while the legislature is on recess due to the crisis.

A bill that would have changed the reporting and tax payments on DTC shipments into **Kansas** from annually to quarterly was defeated. We were opposing the bill.

Local Option Taxes:

Localities continue to seek the authority to impose additional drinks taxes to provide funding at the city and county levels. Voters in **Anchorage, Alaska** voted in April to impose a 5% retail sales tax on all alcohol sales in the borough. After numerous previous attempts to pass a tax, this year's effort passed by a margin of 51% to 49%. The tax will become effective on February 1, 2021. On March 3rd the voters in **Decatur, Arkansas** (population 1,800) voted to impose a 1% sales tax on alcohol/liquor purchases within the city limits. In **Virginia**, a bill that would have allowed counties to enact a local tax without a referendum of the votes was defeated in the legislature. Similar efforts in **West Virginia** to authorize local alcohol and hospitality taxes failed to pass as well. In **Kentucky**, a bill that would allow all counties to impose a 5% gross receipts tax on the sale of alcohol failed to pass. (Current law only allows such taxes in cities of 20,000 or longer.) Finally, a bill to expand local tax authority to more counties in **New Mexico** failed to pass.

There was recently a vote by the **Chicago City Council** to begin collecting the existing local excise and sales taxes on alcohol that is shipped into the city. The additional local tax is \$0.36/gal on table wines under 14%, the tax on wines over 14% but less than 20% is \$0.89/gal, and the sales tax is 1.25%. We are awaiting action by the City as to how they will be applying and collecting these taxes.

Fees / markups / Other taxes:

No fee or markup legislation has passed this session. We remain focused on the potential of such bills to be included in budget related packages.

Monopoly Protection / Wholesaler Issues

No states have passed bills creating new monopoly protection ("franchise") laws in 2020. The only bills dealing with monopoly protection laws to have passed so far this year were in **Michigan**. There, changes to the existing statutes related to successor language (that we feel is unnecessary) and that impose new

language regarding terminations did pass. In **Alabama**, a bill that would have replaced the many local laws with a statewide monopoly protection law having the same provisions failed to pass prior to adjournment.

In **Georgia**, we are still hopeful that Senate Resolution 899 may pass, which would create the Senate Alcohol Franchise Law Study Committee to discuss all aspects of the current law during the interim session, and then issue a report to the legislature by December 1, 2020. This is being done at our request in lieu of running a franchise law repeal bill in 2020.

Privatization in Control States / Other Control State Issues

During the past quarter a great deal of attention has been focused on **Pennsylvania**, where the response to the COVID-19 crisis has placed a spotlight on the PLCB. Of note are the following items related to that state:

Store closures and reopenings: The PLCB closed all of their stores on March 17th. At that time wine and beer could still be purchased at the WEPs (Wine Expanded Permit holders), but spirits were not being sold in the state. The state subsequently reopened their on-line e-commerce platform in April, but the roll-out of that was quite rough. They then opened a portion off their stores for curbside sales, and then in the past few weeks have begun a rolling process of opening stores for very limited inside sales as individual counties move from “red to yellow” status for reopening.

Law and Justice Committee hearing on 5/6/20: A hearing was held in the Senate where the PLCB leadership faced tough questioning about when and how they shut down operations, and then the subsequent reopening procedures that have been followed. A few days after the hearing, members of the committee sent the PLCB board a formal request that the PLCB justify the authority under which they have taken the steps they did related to the shutdown, without having held public hearings or meeting with the Governor directly on the process.

Special Order Issues: The Commonwealth Court issued a ruling against the PLCB last month regarding the PLCB’s requirement that all special orders for retail licensees must be shipped to a PLCB store, where a fee is charged prior to pick up by the retail licensee. The courts ruled that the PLCB must create a system whereby shipments can go directly to the restaurants without coming to rest (or having a fee imposed) by the state. Now, two local restaurants have filed suit against the PLCB seeking to recoup the fees they were required to pay on such special orders since the law was changed in 2017.

Legislation: Multiple bills dealing with the PLCB have recently been introduced. H 327 was passed recently allowing restaurants and hotels that have seen a 25% loss in revenue because of the COVID-19 crises to sell prepared beverages and mixed drinks for take-out (in addition to the beer and wine in original containers they could already sell.) Another bill, H 2406 would do away with the requirement for a stand-alone cash register just for alcohol purchases in the WEPs. We have also been notified of draft legislation that would privatize the PLCB entirely.

Direct-to-Consumer (DTC) Shipping

The importance of the DTC channel has been highlighted during the COVID-19 crisis, as many wineries turned their focus to such shipments when their tasting rooms and their on-premise account sales were closed. We continue to try and open the remaining states, which with the passage of the Kentucky law outlined below brings that group to just four. We also are focused on securing the existing shipping privileges for wineries as states and shipping opponents seek to clamp down on illegal shipments through a focus on the common carriers.

Positive DTC change efforts:

Kentucky’s new law (H 415) to allow DTC shipping of wine, beer and spirits by producers became law April 7, 2020 without the Governor’s signature. The effective date of the new law will be July 14th, 2020.

When effective and a producer has secured the required \$100 annual permit, they will be able to ship up to 10 cases of wine per month to a consumer. The products shipped must be produced by the winery, produced for the winery under a written contract by another manufacturer, or produced and bottled for the manufacturer. The products must be shipped from the “licensed premise” of the producer, and we are currently working with the ABC to secure language that can accommodate recognized fulfillment services as a part of the “licensed premise” for the basis of such shipments. Since KY currently has an 11% “wholesale tax” on wines sold through the 3-tier system, DTC shippers will collect and pay an equivalent “wholesale tax” which is to be calculated as 11% applied to 70% of the retail price of the bottle. We will be notifying members as soon as permit applications and instructions become available.

Our bill in **Indiana** that would have removed the part of the statute prohibiting a winery with wholesale distribution in the state from obtaining a DTC shipper’s license failed to pass when the legislature adjourned in late March.

Our bill in **Mississippi** to allow for DTC shipping by wineries failed to pass. After having passed out of the Senate Finance committee in its original form, it was then amended to include retailer-to-consumer shipping, which was the reason for the bill failing to pass out of the Senate. We’re still waiting on action on our bill that is pending in **Delaware**.

A bill in **Maryland** that would have created a \$100 annual fulfillment warehouse permit to facilitate DTC shipments and reporting requirements failed to pass prior to adjournment. We had been working with fulfillment houses in California to help us ensure that the bill would not hinder the ability of our members to use fulfillment services if they so choose.

Finally, a bill that we opposed in **Utah** that purported to create a new “wine subscription program” was passed and signed by the Governor. Under the program, a consumer will ask that the DABC enroll them in a wine club program. They then designate a store for delivery of the wine. The DABC enrolls them, the wine is delivered to the DABC warehouse in Salt Lake City, the DABC collects an 88% markup plus a handling fee, and then the wine is delivered to a DABC store for pickup by the consumer. We opposed this bill because of the markup, the fees and the fact that the ordering procedures appear to be unworkable.

Common Carrier focused bills:

A common carrier reporting bill we were opposing in **New Mexico** failed to pass prior to their adjournment. The bill was pulled from consideration after our lobbyist explained our concerns to the author. We also had some concerns with a bill in **Oregon** that was attempting to regulate same day deliveries by a “delivery service”. We worked with the common carriers in an effort to make clear that winery DTC shipments weren’t included in the scope of the bill, which ultimately failed to pass prior to their adjournment.

Retailer to Consumer DTC, etc.:

On 4/21/20 the 6th Circuit Court of Appeals ruled in favor of the State of **Michigan** in the lawsuit filed by an Indiana retailer challenging the state’s law that allows in-state retailers to delivery alcohol to residents while prohibiting out-of-state retailers from doing the same. The case, *Lebamoff Enterprises v. Whitmer*, had previously been ruled on at the lower court level in favor of the plaintiffs, and the 3-judge panel at the 6th Circuit used strong language in support of the state in overturning the lower court’s ruling. The judges in their ruling also claimed the lower court’s remedy of opening the state to all shipping had been inappropriate. The case has now been remanded back to the lower court for action consistent with the 6th Circuit’s ruling. This is viewed as a big loss to the momentum retailers were feeling in the wake of the *Tennessee Wine & Spirits Association v. Byrd* case last summer. Two bills supported by the NAWR to allow for out-of-state retailers to ship into **Michigan** have failed to move in the wake of the court’s decision. A similar bill in **Illinois** has yet to move out of committee.

In **Mississippi**, a group of California wine retailers lost their appeal to the Mississippi Supreme Court in their case dealing with illegal shipments to Mississippi consumers. They had been arguing that the Uniform Commercial Codes (UCC) overrode Mississippi statutes as they claimed that the sale was made and title to the wine changed hands in California. In March they asked the court to stay the Writ of

Mandate it had issued while they file a petition for certiorari to the US Supreme Court. We will continue to monitor the progress of this case.

Bottle Deposit Laws / Environmental Legislation

Early in the year we saw a big uptick in the number of environmental-focused bills across the country. Since the COVID-19 crisis the focus on these issues seems to have waned somewhat, but we anticipate that efforts to create broader programs of product stewardship and overall recycling programs will continue to gain momentum. These have not replaced the discussions of bottle deposit laws in some states, but do seem to be the direction more states are heading in.

Bottle Deposit laws

While none of the bills either creating new bottle deposit laws or expanding current laws have moved during this legislative session, we remain vigilant in opposing any expansion which might bring in wine bottles. We were already tracking bills in **Hawaii, Illinois, Maryland, Michigan, New York, Tennessee** and **Vermont** at the time of the March board meeting; since then a bill was also introduced in **Rhode Island** to create a program that would include wine. A bill in **Connecticut** to shift the escheat on uncollected deposits away from the state and to the beverage distributors has not moved.

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

Bills dealing with environmental stewardship, product stewardship programs, Extended Producer Responsibility programs, and mandating post-consumer recycling content in packaging were introduced earlier this year. We are dealing with these types of proposals in **Connecticut, Hawaii, Maine** (where it did not pass), **New York** and **Washington**. **Washington's** bill was amended and passed in March so that it would have required a beverage manufacturer to meet a tiered-level of post-consumer recycled content in plastic "on average for the total number of plastic beverage containers" produced by the manufacturer (rather than for each and every container). While an improvement over previous versions, the bill would have been expensive to implement and a burden for wineries using these plastic containers. On 4/3/20 the Governor vetoed the bill citing the forthcoming expenses of the COVID-19 crisis as the reason for the veto based on the projected costs to the state for implementing the bill. There is a bill in **New York** we are tracking that would require that any single-use plastic container be comprised of at least 75% recycled materials, which would become effective on 1/1/25. We are opposing this bill.

Other Environmental bills:

We are opposing a bill in **New Jersey** that would require the labeling of all foods containing GMO materials. The definition of a food in the bill, "any food product or article of food that is consumable" would lead us to believe that wine and other beverages would be included. The GMO labeling bills that were previously reported on in **Hawaii** and **New York** have so far failed to move this session.

Licensing, Trade Practices and Market Access

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

Wine in food stores:

Two bills in **Mississippi** that would have allowed grocery stores to sell table wine failed to pass prior to adjournment. (Currently, grocery stores can only sell "light wine" that has less than 5% ABW.) Under the bill, package stores would have also been allowed to sell grocery items, so long as they don't exceed 50% of their revenue. They would have also increased the number of retail stores that can be owned by one entity from 1 to 6.

Sunday sales, blue laws:

In **West Virginia** a bill making the entire state “wet” was passed and signed by the Governor on 3/25/20, meaning that the sale of alcohol for off-premise consumption is now allowed statewide. Going forward, each County may hold a referendum to revert back to a “dry” status, but it would require a vote of the citizens in the county. A bill was introduced in **Minnesota** that would prevent wholesalers from making deliveries to off-premise retailers (there is already a statute that prohibits such deliveries to restaurants and bars). The bill failed to pass prior to adjournment. In **Kansas**, a bill that would have allowed for off-premise stores to begin selling alcohol at 9:00 am on Sundays failed to pass, as did a similar bill in **West Virginia**. A bill in **Maryland** to allow for Sunday sales in Baltimore County also failed to pass.

Licensing:

A big focus for our team during the COVID-19 crisis has been securing the right for restaurants and bars to be able to include wine when selling food for take-out, curbside and/or delivery. As mentioned earlier in this report, most Governors in the states where this wasn't already legal made some accommodation through their Executive Orders to allow for wine, beer and spirits to be included with these sales. We have partnered with the NRA and other local groups to try and help secure such privileges on a permanent basis going forward. Bills are being considered in **Georgia, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Oklahoma** (already passed) **and Wisconsin** dealing with this topic. We will be working in more states as they reconvene to try and secure these changes.

In **Maryland** a law replacing the 2-year residency requirement for licensure with a new provision that requires residency at the time of license application and for the duration of the license/permit passed and was signed by the Governor on 5/8/20. In **Indiana**, a bill that would have removed the **residency requirement** for retail licensees failed to pass. Total Wine & More is currently litigating this statute, seeking to be able to open stores in the state that has said they are ineligible due to the residency laws. While the state AG has said he believes the law is unenforceable, the litigation is still winding its way through the courts due to the failure of the bill to pass.

A **Colorado** bill that would have allowed for a customer to bring wine into a restaurant and pay a corkage fee was defeated. We had been supporting the bill.

Trade Practices:

On 4/6/20 the US Supreme Court denied Total Wine & More's petition for certiorari on their effort to overturn **Connecticut's** alcohol pricing regulations. The ruling means the 2nd Circuit Court of Appeal's previous ruling in favor of the state upholding their price posting and minimum markup requirements will be allowed to stand. We had been closely watching this anti-trust challenge for any implications it might have on legislative activities in the state.

In **Virginia** a broad ranging ABC permit and fee bill passed, primarily dealing with local retail issues. It also included provisions putting into statute standardizing the volumes of samples/tastings at 5oz. and 2oz. for wine.

One new issue we have just begun tacking are the delivery fees charged by third-party delivery apps such as GrubHub, DoorDash and Postmates. As these fees impact the sale of wine included in these takeout orders, we have been watching as cities begin to take actions during the COVID-19 crisis. To date, we're aware of actions being taken/considered on this front in **San Francisco, Santa Cruz, Seattle, New York City, Los Angeles, Chicago, Boston** and **Washington, DC**. While the majority of these imposed a 15% cap on fees charged to restaurants, Chicago was an exception when they simply have required that all fees and the original food costs be itemized on customer receipts in an effort to provide transparency,

Advertising Practices:

On 4/28/20 the **City of New Orleans' Rapid Transit Authority** introduced and passed a regulation on the same evening that bans the advertising on any RTA property or transit of "adult" products (alcohol, tobacco, X-rated services, etc.). A letter of protest was sent to the RTA from Wine Institute, DISCUS, ADSA, and both Republic National Distribution and Southern Glazers. In the letter we have outlined our opposition to such plans, our concerns with the lack of transparency and due process of the change, and references were provided as to why we believe such a policy is a violation of commercial free speech rights.

In **West Virginia** a bill was passed that would take away from the ABC Commissioner the ability to promulgate regulations restricting advertising, and limiting the equipment and services offered to licensees by suppliers by codifying such limits. The new law also removes restrictions on the mediums that can be used to advertise wines.

In **New Jersey** that would remove the statute prohibiting a restaurant from advertising that their patrons may "BYOB" for consumption on the premise. This comes in response to a recent decision by a New Jersey District Court in *GJJM Enterprises v. Atlantic City*, holding that the existing prohibition on BYOB advertising is an unconstitutional violation of the 1st Amendment right to free speech. We are also watching a bill in **New York** that would extend that state's sales tax to apply to digital advertisements.

DUI / BAC

Following the passage of the .05 BAC law in **Utah** in 2018, we have been working hard to defeat any expansion of that threshold into other states. This year there were hearings on several bills in **Hawaii** where we coordinated our opposition with spokespersons from ABI. We have also been watching bills in **Michigan, New York, Vermont** and **Washington**, although none of those have moved this session.

Outreach and Administrative

Meetings and conventions are traditionally a big part of the State Relations Department agenda. All such events since mid-March have been cancelled, so a great deal of our interaction with our traditional audiences has moved on-line. We have worked during this quarter with the following groups on topics of joint interest: **National Restaurant Association, Uniform Law Commission, State and Regional Association Council** (SRAAC – which is a part of **WineAmerica**), **FreeTheGrapes, NABCA, NCSLA** and **ABI**. Internally we have participated and made presentations to the **Public Policy Committee** and the **Legal Subcommittee**, while preparing materials and budgets for the **Finance & Administration Committee's** recent meetings. Member updates have been provided via the **News Briefs, News Alerts** and the **Wine Institute's COVID-19** resource pages on the website. Bi-weekly reports are shared with interested members, and a weekly call for members of the **State Relations Subcommittee** is held to provide ongoing updates on the items we're working on.



Agenda Item No. 7(a)(iv)

FEDERAL RELATIONS
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020

FEDERAL RESPONSE TO COVID-19 PANDEMIC

The Wine Institute Washington, DC team has been working throughout the Coronavirus outbreak to ensure wineries receive appropriate assistance from the federal government as the Congress and Administration take extraordinary steps to support and stabilize the economy across the country. In addition to numerous legislative efforts, the Treasury Department, TTB and the Small Business Administration have all been taking action to support the economy. The following is a brief summary of the work to date.

Congress Enacts Historic Emergency Stimulus Legislation – The President has signed into law four separate bills allocating nearly \$3 trillion in federal funding in response to the COVID-19 pandemic. This includes the *Families First Coronavirus Response Act* and the *Coronavirus Aid, Relief and Economic Security (CARES) Act*, both of which initiated a number of programs and provisions that will help support wineries as they cope with the current crisis. The SBA’s Paycheck Protection Program for small businesses includes loan forgiveness which could add up to significant financial support for wineries. Wine Institute’s Federal Relations team was actively engaged in advocating for relief for members and a summary on the disaster assistance and tax provisions included in the bill can be found [here](#).

Small Business Loan Assistance – Congress has provided over \$600 billion in funding for the newly created **Paycheck Protection Program (PPP)** and other SBA loan assistance programs including the Economic Injury Disaster Loans (EIDL) program. The PPP includes potentially significant loan forgiveness provisions aimed at helping small businesses (wineries with less than 1,000 employees) retain employees. In early April, Wine Institute hosted a webinar on the PPP with officials from the SBA that was attended by nearly 500 winery and industry officials. A summary and more information on the PPP can be found [here](#). Congress is currently working to advance legislation that would make important changes to the PPP to expand availability and increase flexibility for recipients. The House of Representatives passed the bill at the end of May and the Senate is likely to act soon. If enacted, the legislation would make the following changes to the PPP:

- Extending the expense forgiveness period from 8 weeks to 24 weeks from origination of the loan or through December 31, 2020, whichever date comes first;
- Eliminating the 75% “dedicated to payroll expense” requirement;
- Expanding the employee rehire deadline from June 30, 2020 to December 31, 2020;
- Allowing PPP recipients to defer payroll taxes; and,
- Removing the 2-year loan repayment period.

TTB Provides 90 Day FET Deferral – TTB has taken a number of administrative steps to provide temporary relief for alcohol beverage producers during the pandemic, including a 90-day deferral of federal excise tax payments for all wineries through July 1st. Wine Institute is currently working with industry partners to extend this deferral through the remainder of 2020. Information on the TTB announcement can be found [here](#).

USDA Coronavirus Food Assistance Program – The CARES Act included nearly \$9.5 billion dollars in funding for USDA to help farmers respond to the crisis. USDA has combined these funds with additional funds already appropriated to announce the newly created Coronavirus Food Assistance Program (CFAP) which will provide \$16 billion in direct payments to farmers impacted by COVID-19. \$2.1 billion of this amount has been earmarked for specialty crops producers who can document lost sales as a result of the pandemic. The initial rules for the program published by USDA do not include table grapes or wine grapes in the list of eligible crops. USDA has stated that additional crops may be added to the list in the future. Wine Institute is working with CAWG on outreach to USDA to secure support for winegrape growers in any future federal assistance.

Additional Legislation Likely – Congress has already begun work on another major legislative package to provide economic stimulus and support the governmental response to the crisis. Wine Institute has been working closely with the Craft Beverage coalition to advocate for specific policies to support alcohol producers. A copy of the coalition letter to Congressional leaders outlining these priorities is attached. Wine Institute has held virtual meetings with more than 50 Congressional offices in the last month to press lawmakers to include our policy priorities in this legislation. They include a permanent extension of the Craft Beverage bill; adjustments to the PPP and EIDL loan programs that would allow small business to utilize funding for all operating costs through the end of the year; a suspension or at minimum a deferral of excise taxes through December 2020; the creation of a stabilization fund that would provide direct payments to craft producers; and meal and travel tax credits to encourage consumers to visit wineries and on-premise establishments.

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

Wine Institute's top priority in Washington continues to be making permanent the provisions of the Craft Beverage Modernization and Tax Reform Act (S. 362 / H.R. 1175). The current law is set to expire at the end of this year if Congress does not act to extend it or make it permanent.

In addition to seeking inclusion of CBMTRA in any Coronavirus stimulus legislation (see above), we continue to work closely with our industry coalition partners representing brewers, distillers, cidermakers, and mead producers to broaden cosponsor support, expand engagement from supply chain partners, and escalate grassroots advocacy by hosting facility tours for Senators and Representatives. Bipartisan support for making the tax benefits permanent continues to grow. The legislation now has support from 74 Senators and 343 Representatives. Wine Institute will continue to encourage regional associations in California and other groups from major wine-producing states to join our efforts in reaching out to key legislators.

The following provisions in the bill provide critical benefits for every winery in the country:

- **Applies the excise tax credit to all wineries** - All wineries regardless of size will continue to receive a credit of between \$.535 and \$1 per gallon on the first 750,000 gallons of wine production. The total value of the full credit is \$451,700 per year, based on producing the full 750,000 gallons.
- **Allows sparkling wine to qualify for the tax credit** - Sparkling is eligible to receive the tax credits listed above.
- **Wine containing up to 16% Alcohol by Volume (ABV) taxed at \$1.07 per gallon** - Wines with 14% to 16% ABV were previously taxed at \$1.57 per gallon.

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

WINE AND HEALTH - 2020 DIETARY GUIDELINES

The Dietary Guidelines Scientific Advisory Panel will hold its final meeting on June 17. During the live webcast, each subcommittee will present their remaining recommendations, and the full advisory panel will finalize their overarching conclusions. A report will then be drafted that summarizes the evidence and recommendations from the advisory panel and posted online for public comment in mid-July. The Departments of Agriculture and Health and Human Services hope to complete work and release the finalized 2020 Dietary Guidelines by the end of the year.

The review of research on alcohol consumption and health has been reduced due to time constraints created by the Coronavirus pandemic. The panel has limited its attention to review of research that links alcohol consumption to higher risks of mortality versus specific links to cancer and other diseases. Wine Institute has worked throughout the process to ensure that the guidelines maintain the existing definition of moderate consumption. We will participate in the webinar on June 17 and continue to track progress on the guidelines in the months ahead.

GOVERNMENT FUNDING FOR FY 2021

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

Alcohol and Tobacco Tax and Trade Bureau (TTB)

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

Market Access Program (MAP)

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

Specialty Crop Research Funding

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

IMMIGRATION

The Trump administration issued an Executive Order on April 22nd freezing immigration into the US for 60 days due to the Coronavirus. The Executive Order as currently drafted does not apply to non-immigrant visa programs such as the H2-A program for agricultural workers. The administration has stated that it is considering expanding the executive order to include additional immigration programs and some in the agriculture community are worried that any such step could negatively impact the H2A program. The House of Representatives passed the Farm Workforce Modernization Act, a comprehensive reform of the H2-A program, in December but the Senate has yet to take up the legislation and appears unlikely to do so in the current environment.



April 20, 2020

The Honorable Mitch McConnell
Majority Leader, United States Senate
311 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
H-232 U.S. Capitol
Washington, DC 20515

The Honorable Chuck Schumer
Democratic Leader, United States Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
Republican Leader, United States House
H-204 U.S. Capitol
Washington, DC 20515

Dear Leader McConnell, Leader Schumer, Speaker Pelosi, and Leader McCarthy:

Thank you for your tireless efforts to provide relief for American families, health care workers, and businesses. As you prepare additional relief packages that respond to the economic impact of the novel Coronavirus (COVID-19) crisis, we urge your support for craft distilleries, breweries, wineries, cideries, and their employees who contribute greatly to our nation's hospitality, restaurant, tourism, and retail industries. Prior to the onset of COVID-19, the beverage alcohol sector proudly supported over 5.4 million jobs across the country and generated over \$562 billion in economic activity in 2018.

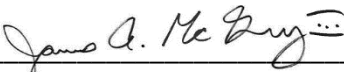
An overwhelming number of these producers around the country rely primarily on sales and events in tasting rooms and have been forced to suspend or significantly reduce operations in response to "stay at home" orders issued by state officials. Others are utilizing their facilities for the production of hand sanitizers to reduce the spread of the virus, stay afloat, and retain employees. Our industries have tried to sustain themselves temporarily through innovative measures such as curbside pickup and local delivery, but this is a short-term mitigation to what could develop into a serious monetary problem for small producers. The vast majority of these businesses operate on slim margins and cannot survive under a prolonged disruption to the economy. Absent additional relief, a large number of distilleries, breweries, wineries, and cideries may permanently close their doors as a result of COVID-19. These closures will not only impact the livelihoods of our employees, but also those of farmers providing raw ingredients, glass bottle makers, aluminum can manufacturers, distributors, truck drivers, warehouse workers, and countless others connected to the industry. Here are specific recommendations to help provide much needed support to our industry:


- Suspend all federal excise tax obligations on domestic and imported alcohol products, effective January 1, 2020, through December 31, 2020. We are grateful that the Alcohol and Tobacco Tax and Trade Bureau (TTB) has allowed deferred payment of federal excise taxes and filings for domestic products from March 1, 2020 through July 1, 2020, however more is needed to free up cash to keep businesses running. Suspending or deferring excise tax payments for the year will allow producers to dedicate scarce resources to payroll and other operating costs.

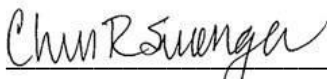
- Enact a permanent extension of the Craft Beverage Modernization and Tax Reform Act (H.R. 1175/S. 362), which now has bipartisan support from 74 senators and 343 representatives and would provide certainty amidst economic instability and help ensure craft producers respond to economic duress and withstand this crisis. Many businesses struggling to remain solvent during the current crisis fear their future will be jeopardized when faced with significant increases in excise tax rates on January 1, 2021.
- Approve additional funding to support no- and low-interest loan and grant programs administered by the Department of the Treasury and Small Business Administration, including the Paycheck Protection Program and Economic Injury Disaster Loans. Distillers, brewers, vintners, and cider producers are deeply concerned about the availability of funding for these programs through their local lenders and the federal government. Additional funding is necessary to meet the needs of businesses who must modify or cease operations during this unprecedented crisis. Adjusting the cap on small business loans from 250% of monthly payroll costs to 400% of monthly operating costs would give businesses the necessary flexibility to pay debts. Extending coverage through December 2020 is critical as employers work to avoid furloughs and permanent layoffs.
- Authorize the Department of the Treasury to create a Workforce Stabilization Fund for the hospitality and travel sectors that will allow distilleries, breweries, wineries, and cideries to keep workers employed, maintain operations, and meet financial obligations. To ensure businesses maintain solvency, direct Treasury to create the program within 15 days of enactment and provide grants expeditiously.
- Create temporary tax incentives that encourage consumers to return to on-premise dining and drinking establishments when public health officials determine it's safe. Examples include reinstating the expanded business entertainment tax deduction and creating a new, temporary travel tax credit equal to 50% of any expense for meals, lodging, recreation, transportation, or entertainment while traveling away from home within the U.S.
- Encourage the Administration to work with our trading partners to simultaneously suspend tariffs on beer, wine, and distilled spirits products and our supply chain partners. Tariffs are taxes on our business operations, and the elimination or reduction of those tariffs would maintain the health of our businesses and global supply chains, support American jobs, and help American consumers.

We understand the unprecedented pressure to contain COVID-19 and mitigate its effects on American families and businesses. We hope you will remember the economic contributions distilleries, breweries, wineries, and cideries have made to local economies across the country and their inextricable link to other impacted sectors in hospitality, tourism, agriculture, and retail.

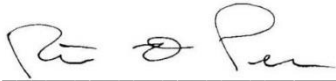
Sincerely,

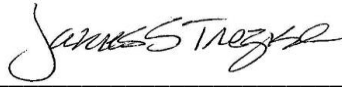

Jim McGreevy, President & CEO
Beer Institute



Robert P. "Bobby" Koch, President & CEO
Wine Institute



Chris Swonger, President & CEO
Distilled Spirits Council


Michelle McGrath, Executive Director
American Cider Association


Robert D. Pease, President & CEO
Brewers Association


Jim Trezise, President
WineAmerica


Margie A.S. Lehrman, Chief Executive Officer
American Craft Spirits Association


Sergio Moutela, President
American Mead Makers Association



TECHNICAL ADVISORY COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020

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

1. Continued Work on Nutrition Labeling Regulatory Reform

On May 21, leadership from the Technical Advisory Committee and Wine Institute virtually met with TTB's leadership and its technical team. The purpose of the meeting was to request the following regulatory reforms:

1. Expand TTB tolerances to match FDA tolerances. This change would allow the wine industry to utilize a "typical values" approach which is best suited for wine.
2. Like FDA, allow for the use of nutrition calculators and/or industry data bases to determine nutritional values.
3. Assist the wine industry in working with the FDA to adopt the "summation of sugars" method for calculating carbohydrates, which is the only accurate method for determining carbohydrate amounts in wine.

In the meeting, the following facts were highlighted: consumer demand for serving fact information for wine is increasing, the challenging sales environment that COVID-19 has created, the need to better serve consumers by providing accurate nutrition information and that our competitors are winning market share because current TTB nutrition regulations fit their product profiles. As a result, the wine industry needs decisions on these necessary regulatory reforms to be made expeditiously.

2. Rebuttal to Proposed NABCA Safety Tests

Wine Institute is addressing a NABCA proposal for product testing in control states and had a discussion with NABCA regarding our position that product testing in control states is not necessary. Rationales included: the conclusive evidence that wine is microbiologically safe, FSMA already requires and inspects wineries to insure compliance with food safety standards for wine including requiring GMPS on sanitation practices and product adulteration, TTB audits to assure that the product found in the bottle matches what is on the label as well as regulating wine ingredient safety. The Executive Committee of the Wine Institute Technical Advisory Committee has drafted a letter which was sent to NABCA and accompanied by supporting documentation.

3. Interview with Food Quality & Safety Magazine

A reporter from Food Quality & Safety Magazine requested to interview Tim Ryan, chairperson of Wine Institute Technical Advisory Committee, along with Wine Institute leadership. The interview included a discussion of challenges the wine industry faces in addressing and effectively managing wine safety. To further support this position, we stressed the work done to be certain the industry is in compliance with FSMA including training sessions, guidance manuals and consultation with former FDA officials.



Agenda Item No. 7(c)

INTERNATIONAL PUBLIC POLICY REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 9, 2020

International Agreements

US-UK Free Trade Negotiations: Formal trade negotiations between the United States and the United Kingdom have begun. Wine Institute submitted official comments on the negotiations, in addition we are reviewing draft negotiating text as the government makes it available to Cleared Advisors. Bobby Koch, Charles Jefferson and Katherine Bedard all serve in this capacity as advisors to the US government on trade priorities negotiations.

Wine Institute's priorities for an FTA with the UK are as follows:

- Immediate elimination of the proposed tariff, ranging from \$0.11 to \$0.16 per 750 ml of still wine and \$0.24 for sparkling wine,
- Removal of routine certification,
- Creation of a wine annex establishing a common definition for wine, harmonization of mandatory labeling, and
- Recognition that common terms are generic including grape varietals and traditional terms such as "chateau".

Kenya: The U.S. government has also announced trade discussions with Kenya, which will be the first full trade agreement in Sub-Saharan Africa. Wine Institute's requests are similar to the UK list, including elimination of the current 25% tariff.

Trade Issues

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

Brazil: Import Procedures – Brazil's unnecessary and expensive testing regime continues to hinder exports to the country. In addition to requiring an export certificate, certain wines are tested *again* in market with additional analyses. Brazil has not provided any scientific or technical rationale for the duplicative procedures. Wine Institute and the U.S. government held a virtual meeting with Brazil's Ministry of Agriculture (MAPA) on June 4th to question these costly and unnecessary requirements. In the same meeting, MAPA asked for information about self-regulation in the U.S. wine industry, with the goal

of removing bureaucratic hurdles in wine regulation. We expect Brazilian officials to visit the USA to learn more when international travel restarts.

Canada: Market Access – A Dispute Settlement Panel decision is expected later this summer in the Australian WTO case against discriminatory market access policies in certain Canadian provinces. At the request of Wine Institute, the US Trade Representative continues to be involved and play an active role as a formal 3rd Party to the case. This case is a successor to the US WTO case that prevailed against British Columbia policies discriminating against imported wine in grocery stores. The Australian case is seeking to address policies discriminating against imported wine in the provinces of Ontario, Quebec, and Nova Scotia.

China: Retaliatory Tariff Exclusions – Wineries report that their Chinese importers have received tariff relief after applying to China's tariff exclusion process. Importers may request relief of 25% ad valorem of the total current 54% ad valorem tariff. If your winery is exporting to China, please contact Charles and Katherine for more information on how importers can apply. China implemented this system after the Phase 1 agreement with the United States, as a way for China to fulfill its promise of importing more American agriculture.

European Union: Retaliatory Tariffs on EU Wine – The U.S. government continues to place retaliatory tariffs on certain European wines as a part of its enforcement action relating to the Airbus WTO case. Bottled table wines (under 14% abv) from France, Spain, Germany and the UK must pay the 25% retaliatory tariff. In a separate WTO dispute supported by the EU and related to U.S. support to Boeing, we are waiting for the WTO Arbitrator to publish the final amount of damages, sometime in June. While the EU's official retaliation list related to the case has not yet been published, they have threatened tariffs on U.S. wines in the past and we are concerned that wine from the US could be targeted.

European Union: Crop Protection Substances – We continue to review upcoming changes to maximum residue limits (MRL) in the European Union. We spoke with Bayer Crop Sciences and Syntenga about the EU lowering the MRLs of several important substances. In theory manufacturers could apply for an import tolerance, permitting imported goods to maintain a different level, but in reality the manufacturers are finding the process expensive and the EU is unlikely to grant permission due to their hazard-based approach. The EU recently published a directive to reduce pesticide use by 50% by 2050, which will increase pressure on growers. We met with CAWG to discuss issues surrounding the EU's process and have agreed to collaborate further on the best process for evaluating these issues.

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

- Mandatory, on-label energy/calorie disclosure using linear text or E= symbol
- Energy/calorie info can be from actual analysis of wine **or from generally accepted data based on "typical values"**
- Producers have the option to disclose additional nutrition info
- Calorie and nutritional info will be based on 100ml (3.4 oz) serving size for table wine
- Ingredient list may be disclosed off label electronically
- Processing aides and natural substances used to adjust grape composition are not treated as ingredients

The process for formalizing these regulations has been delayed due to the COVID-19 pandemic and ongoing budget negotiations within the EU to determine funding levels for the Common Agriculture Policy (CAP) which will be the vehicle for these legislative changes. Despite these delays, we expect the new labeling regulations to come into force in approximately two years.

Geographical Indications: We continue working on our joint project on geographical indications (GIs) with the Consortium for Common Food Names (CCFN). This work has taken on new significance as the US has begun formal trade negotiations with the UK and additional negotiations with the EU become more likely. The project is focused on generating significant Congressional pressure on USTR to ensure

these upcoming trade negotiations protect the usage of generic food names and prevent the EU from expanding its protectionist GI regime. Of particular interest for Wine Institute is the need to ensure the EU does not restrict the trade of common grape varietal names.

International Organizations

International Wine Technical Summit (IWTS): The IWTS is a joint Wine Institute/U.S. government partnership to encourage export markets to adopt good regulatory practices for wine. Due to COVID-19, and the related complications in international travel, the in-person conference which was scheduled to take place in Napa on June 2-3, 2020, was canceled. Instead, a virtual IWTS took place during the week of June 1st featuring short series of webinars by two WITAC members on the topics of absolute vs relative risk and certificates of analysis. Over 80 delegates attending including 20 Chinese officials. The other countries represented were Argentina, Australia, Brazil, Canada, Chile, Colombia, EU, France, India, Italy, Kenya Malaysia, New Zealand, Nigeria, Peru, South Africa, Thailand, Ukraine, United Kingdom and Vietnam. The Australian Wine Research Institute presented on their laboratory ring test that measures and compares analyses. Wine Australia detailed controls for illicit trade in wine. Finally, FIVS-Abridge will reviewed their database of wine regulations.

FIVS: Wine Institute staff have taken on two new roles within FIVS. Charles Jefferson was appointed as Assistant Secretary of the Presidential Council, and Katherine Bedard will serve as Co-Chair of the FIVS Economic Sustainability Working Group. The two positions will allow Wine Institute to play a leadership role in steering international responses to policy and regulatory challenges in important international forums including CODEX Alimentarius, WHO and at the OIV.

World Wine Trade Group (WWTG): The WWTG which was scheduled to take place in Brasilia, Brazil on April 22-23 was canceled due to the Coronavirus pandemic. New Zealand has taken over as the new Chair of the WWTG and has begun the process of starting virtual work on a number of important issues including cooperation on barriers to trade in wine, coordination on issues relating to the World Health Organization and Codex Alimentarius and expanded WWTG membership to include the United Kingdom and Brazil. Work on these issues will proceed despite the uncertainty about when the next in-person WWTG meeting will be held.



Agenda Item No. 7(d)

COMMUNICATIONS COMMITTEE REPORT
DISCOVER CALIFORNIA WINES U.S. PROGRAM
JOINT MEETING
ANNUAL MEMBERSHIP – BOARD OF DIRECTORS
June 9, 2020

Media and Member Outreach

Press Releases/Statements/News Alerts:

- 05/29/2020 – [News Briefs: ABC Defines “Meals” for Dine-In Guidance](#)
- 05/26/2020 – [Coronavirus \(COVID-19\) Updates](#)
- 05/22/2020 – [Webinar for Tasting Room Reopening Protocols May 27](#)
- 05/20/2020 - [News Release: Zoom Background Photos of California Wine Regions Offered](#)
- 05/18/2020 – [News Release: New Market Intelligence Webinar for International Sales](#)
- 05/15/2020 – [News Briefs: Cannabis Appellation Regulation Comments Submitted by Wine Institute](#)
- 05/12/2020 – ["Dine-In" Restaurant Guidance Issued by Governor](#)
- 05/11/2020 – [News Release: More Virtual Wine Experiences from California Wineries](#)
- 05/09/2020 – [Coronavirus \(COVID-19\) Updates: Executive Order on Workers’ Comp](#)
- 05/07/2020 – [Wine Institute Submits Comments on CDFA’s Cannabis Appellation Regulations](#)
- 05/06/2020 – [Wine Institute Issues Tasting Room Reopening Protocols](#)
- 05/05/2020 – [Pierce’s Disease Referendum – Vote YES!](#)
- 05/01/2020 – [News Briefs: June Board Meeting Goes Virtual](#)
- 04/27/2020 – [Coronavirus \(COVID-19\) Updates: States Reopen Bars & Restaurants](#)
- 04/22/2020 – [Coronavirus \(COVID-19\) Updates: FAQs on Employment Law](#)
- 04/22/2020 – [Congress Approves Additional Funding for Paycheck Protection Program](#)

- 04/22/2020 – [Contact Your Representative Today to Urge Economic Relief](#)
- 04/20/2020 – [Coronavirus \(COVID-19\) Updates: Paid Sick Leave](#)
- 04/20/2020 – [Treasury Updates Guidance on Paycheck Protection Program](#)
- 04/20/2020 – [News Release: California Wineries Bring Virtual Wine Experiences to Consumers](#)
- 04/16/2020 – [News Release: US Wine Losses from COVID-19 Could Reach \\$5.94 Billion](#)
- 04/14/2020 – [Tasting Samples for Virtual Winery Experiences Approved by TTB](#)
- 04/14/2020 – [Coronavirus \(COVID-19\) Updates: Associate Member Resources](#)
- 04/13/2020 – [Health & Safety Best Practices During COVID-19](#)
- 04/08/2020 – [Kentucky’s New DTC Shipping Rules Become Law](#)
- 04/08/2020 – [Publicity Opportunity: Request for Virtual Wine Events](#)
- 04/07/2020 – [SBA Assistance & Loan Forgiveness Available to Wineries](#)
- 04/06/2020 – [News Release: Winners Announced for Sixth Annual California Green Medals](#)
- 04/02/2020 – [Coronavirus \(COVID-19\) Updates: New Help for Small Businesses & Workers](#)
- 04/02/2020 – [News Briefs: Sacramento Meeting Highlights](#)
- 04/01/2020 – [Coronavirus \(COVID-19\) Updates – SBA Webinar](#)
- 04/01/2020 – [Coronavirus \(COVID-19\) Updates – Wineries Can Continue “Essential” Operations](#)
- 04/01/2020 – [Coronavirus \(COVID-19\) Updates – SBA Issues Guidance on the Paycheck Protection Loan Forgiveness Program](#)
- 03/31/2020 – [Board Election Notice 2020-01](#)
- 03/31/2020 – [Coronavirus \(COVID-19\) Updates – H2A-Visa Processing Expanded](#)
- 03/31/2020 – [Coronavirus Updates: Relief Efforts for Hospitality Employees Impacted by COVID-19](#)
- 03/30/2020 – [Coronavirus Updates: Social Distancing in Retail Stores](#)
- 03/27/2020 – [Global Supply of California Wine Continues to Flow](#)
- 03/26/2020 – [Coronavirus \(COVID-19\) Update: CARES Act Summary for Wineries](#)

- 03/26/2020 – [News Release: California Wines “Down to Earth Month” Celebrates Sustainability in April](#)
- 03/25/2020 – [Coronavirus \(COVID-19\) Update: Business Interruption Insurance & Employment Law](#)
- 03/23/2020 – [News Release: US Wine Exports Total \\$1.36 Billion in 2019](#)
- 03/23/2020 – [Noelle Cremers Joins Wine Institute as Director of Environmental & Regulatory Affairs](#)
- 03/23/2020 – [Coronavirus \(COVID-19\) Updates: State/Local Orders Reinforce Prohibition on On-Site Consumption in Tasting Rooms to Ensure Public Safety](#)
- 03/20/2020 – [Coronavirus \(COVID-19\) Updates: CA ABC Issues Notice of Regulatory Relief](#)
- 03/20/2020 – [Coronavirus \(COVID-19\) Updates Families First Coronavirus Response Act, HR 6201](#)
- 03/19/2020 – [Coronavirus \(COVID-19\) Update: Wineries & Vineyards May Operate Under Governor’s New “Stay-at-Home” Order](#)
- 03/19/2020 – [Coronavirus \(COVID-19\) Updates – Webinar on COVID-19 Occupational Health & Safety](#)
- 03/19/2020 – [Coronavirus \(COVID-19\) Updates: Wine Institute Advocating on Federal Emergency Economic Stimulus Legislation](#)
- 03/18/2020 – [Coronavirus \(COVID-19\) Updates: BW166 “COVID-19 and the Beverage Alcohol Industry”](#)
- 03/17/2020 – [Coronavirus \(COVID-19\) Updates: CA ABC Suspends CA Credit Regulations Enforcement, Clarifies Wine Take-out Sales in Restaurants](#)
- 03/16/2020 – [Coronavirus \(COVID-19\) Updates: Impact of County Shelter-in-Place Orders on Wineries](#)
- 03/15/2020 – [Coronavirus \(COVID-19\) Updates: New Recommendations on Winery Tastings & Events](#)
- 03/05/2020 – [News Briefs: Washington Events Support Congressional Wine Caucus](#)
- 03/04/2020 – [Chinese Importers May Now Apply for Tariff Relief](#)
- 03/03/2020 – [President’s Message: Membership Renewal & Annual Report](#)
- 03/02/2020 – [Three Ways to Be a Part of Down to Earth Month this Spring](#)
- 02/26/2020 – [News Release: Seven Reasons to Love Springtime in California Wine Country](#)

02/26/2020 – [German Importers Group Buying Tour](#)

02/21/2020 – [News Briefs: Sacramento Meeting, Wine Institute 2020 Priorities](#)

Media Response – We responded to 75 media inquiries since the March board meeting. mainly related to the coronavirus impact on wineries. On the economic impact, calls came from the New York Times, Wall Street Journal, CNBC, Los Angeles Times, San Francisco Chronicle, Forbes, Fortune Magazine, Press Democrat, WineBusiness.com, among others. Questions about tasting room reopenings were also received.

News Briefs/Wine Briefs – Given the nearly daily COVID–19 Updates, we issued five News Briefs on an as needed basis during this quarter and resumed our bi–weekly schedule in May. Content covered the Sacramento Board Meeting highlights, Regional Association Leadership Forum, 2019 Exports and other organization news and developments.

Wine Institute Website – We worked on updates to the organizational website including enhancements to the Statistics, Press Room and Glyphosate landing pages to enhance user experience and conform to the new website design. We are also working on a format for adding member testimonial throughout the site.

Member Recruitment – We participated in the brainstorm meeting and developed a [landing page](#) highlighting our COVID–19 work and are assisting with developing data and outreach communications for non–members.

New Photo Archive – Given the importance of images and video to organizational communications, we have moved a large portion of our media library to a cloud solution so that photos can be more easily accessed by staff and consultants. There are 26,000 assets in our collection.

Unified Symposium 2021 – Nancy participate in the first planning meeting for the 2021 event as a member of the program development committee.

Issues Management

Coronavirus (COVID-19)– Working with Wine Institute staff, we issued more than 40 Coronavirus Updates on a regular, sometimes daily basis, on rapidly evolving regulatory, compliance and relief developments related to COVID–19. We also developed and maintain webpages on all communications and resources as a quick and comprehensive resources for all wineries.

Economic Impact of COVID–19 – We worked with Jon Moramarco to develop data on the impact of COVID–19 on the U.S. wine industry to support our advocacy efforts and issued a [news release](#) with CAWG on April 16 on projected losses in 2020. We also worked with Sonoma State University Wine Business School on pending release of a report on the impact on the California economy based on wine industry losses.

Discover California Wines (DCW) U.S.

Down to Earth Month 2020 – The Sixth Annual Down to Earth Month in April promoted [virtual events and offers](#) from our wineries to replace the in–person events at wineries which were cancelled due to coronavirus public safety concerns. We posted more than 100 offers and virtual events on the [discovercaliforniawines.com](#) website and issued press releases publicizing the events as well as booked broadcast segments on TV and radio about the offers.

DCW Lifestyle Publicity – We issued six lifestyle releases this quarter, most recently, a [press release](#) offering downloads of California wine country regional photos for zoom backgrounds, receiving nearly 200 news postings. Two [releases](#) promoted virtual wine tastings and offers from California wineries and received extensive coverage including broadcast.. Another [release](#) promoted springtime scenes and activities in California wine country.

DCW U.S. Social Media – We prepared content for social media posts on Facebook, Instagram, Twitter and Pinterest, adapted in response to the pandemic to eliminate references to travel and emphasize recipes, wine country vistas, winery virtual tastings and events and offers. Total followers on our U.S. social channels reached 56,511 as of March 30th.

Discover California Blog – We issued three editions of Wine Institute’s monthly blog “*Discover California*,” covering wine, food, sustainability and lifestyle since the last report. Geared to consumers, trade and media, the blog provides a direct line of communication with California wine audiences. The latest [blog](#) featured an Almond Macaron Cake recipe for Mother’s Day, late harvest wines and 2020 Green Medal Winners.

CA Grown – Nancy attended the group’s executive committee meeting on May 22 where plans for the “bridge” campaign, championed by CDFA Secretary Ross, to support CA farmers and ranchers during COVID–19 was reviewed along with staffing plans for the organization.



Agenda Item No. 7(e)

ENVIRONMENTAL AFFAIRS REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 9, 2020

Environmental Committee

The **Environmental Committee** held its quarterly meeting via Zoom on May 11. Agenda items included regular Committee Business; updates from the Technical Committee, Crop Protection Steering Committee, CSWA and Sacramento; Working Group reports; climate change and other topics.

In addition to regular conference calls of the **Water, Air, General Regulatory and Market Issues Working Groups**, staff assisted members with Basecamp, participated in a new COVID-19 Health & Safety Working Group, planned for a 2020 Vendor Webinar, reviewed sustainability aspects of the draft statewide winery general permit, implemented CSWA's Third-Party Program for the Region 2 Vineyard WDR and participated in calls regarding the Ag Order 4.0 for Region 3 among other activities. Wine Institute welcomed Noelle Cremers as Environmental Regulatory Affairs Director, a position that works closely with the Committee.

The **Crop Protection Steering Committee** – a joint effort with the Wine Institute Technical Advisory Committee – met several times to implement its strategy to proactively and cohesively address issues related to crop protection materials. We also joined a call with Bryant Christie on May 22 to learn how they assist other associations with MRL monitoring and communications and plan for a USDA TASC grant proposal.

California Sustainable Winegrowing Alliance (CSWA) Board of Directors

The CSWA Board of Directors held a quarterly board meeting via webinar on May 26. The board approved FY 2020/2021 budget, reviewed 3rd quarter financials and discussed other board housekeeping issues. Other agenda items included the 4th edition Code review, 3 existing grant projects and a new climate smart winegrowing proposal that was submitted to the Specialty Crop Block grant program and certification-related issues, among other topics. The next CSWA board meeting will be held via webinar in July.

WORKSHOPS/MEETINGS/EVENTS

Staff represented Wine Institute at meetings of the **National Grape Research Alliance Board of Directors** (NGRA), the **NGRA Executive Committee**, **FIVS Environmental Sustainability Committee** and the **California Environmental Dialogue**. Over the past quarter, we also participated in meetings of **Wine Institute's Public Policy, Technical Advisory and Environmental Committees** and provided

briefings on Environmental Affairs and CSWA activities. In addition, we represented CSWA on the **Stewardship Index for Specialty Crops** and participated in numerous calls and meetings.

Since the last board meeting, CSWA has hosted **six (6) self-assessment/certification webinars** for **350+ participants**.

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

- Mar 9 – Attended the Regional Leadership Forum hosted by Wine Institute and CAWG and moderated a discussion and brainstorm on California’s sustainability landscape – including program initiatives, hot topics, and promotion of California sustainability leadership.
- Mar 10 – Attended Wine Institute’s board of directors meeting and presented on CSWA updates.
- Mar 11 – Presented a keynote address on the value of sustainable wine certification via video conference at the British Columbia Wine Institute’s Insight Conference.
- Mar 11 – Met with Lara Dickinson, Executive & Co-Founder of OSC (the Organic Sustainable Community, A Northern California and national community of sustainably focused natural products industry CEO’s and business leaders) and their Climate Collaborative project to discuss potential collaboration.
- Mar 19 – Presented on California’s sustainability initiatives for Sonoma State University’s Hybrid Executive Wine MBA class.
- Apr 7 – Hosted a certification renewal webinar for current participants.
- Apr 22 – Met with Amorim, the cork company, to hear their sustainability “pitch” and to brainstorm how to incorporate their achievements into California wine’s sustainability story.
- May 14 & 21 – Met with the Vineyard Team and Lodi Winegrape Commission to discuss follow-up from our regional sustainability meeting in Feb, and shared recommendations for a simplified pathway for SIP and Lodi Rules-Certified vineyards to become Certified California Sustainable Vineyards.

Certified California Sustainable Winegrowing

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

- Number of Certified California Sustainable Vineyards: 2,182
 - 189,894.02 (30% of 637,000 total Statewide acres; an additional 15% are certified to Lodi Rules, Napa Green and/or SIP-Certified)
- Number of Certified California Sustainable Wineries: 157
 - 367 million cases made in a Certified Sustainable Winery (92% of the 397 M statewide cases)*
- Number of wine cases that will use the Certified California Sustainable circular logo on wine labels:
 - 3.7 million cases (2017, 2018, and 2019 vintages)
- For an updated list of the certified wineries, vineyards and a newly developed wine list, visit: <http://www.sustainablewinegrowing.org/certifiedparticipants.php>.

Other Certification Activities:

- Updated the public lists of [Certified California Sustainable list for vineyards, wineries and wines](#).
- Notified certified participants/auditors of new audit guidelines and requirements for 2020 in light of the COVID-19 situation. The new guidelines will allow desk audits in lieu of onsite audits for the remainder of 2020 and extended the May deadline until Jun 1. Additional requests for extensions will also be considered.
- Finalized design and continued to work on content and development of the new Certified California Sustainable website for trade and consumers, which will include a searchable database of vineyards, wineries and wines.
- Reviewed label proofs and Wine Label Notification Forms for participants planning to use the logo for the 2019 vintage.
- Analyzed survey responses (84 respondents) for the annual certification program evaluation and continued to develop the Strategic Plan.

- Worked with SureHarvest to improve the Certification Audit Checklist Reports and other online system enhancements to streamline the certification process for auditors, participants and CSWA staff.
- Processed Certification Applications and Audit Reports, fielded questions and provided technical assistance to growers, vintners and auditors for the March and June deadlines.

Grant Projects

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

1. A **2.5-year \$220,000 2017 CDFA SCBG**, awarded in Nov 2017 for a project entitled, “Increasing Viability of California Winegrowers through Targeted Sustainability Education”. The grant funds educational workshops/webinars and hands-on technical training for winegrowers on sustainable practices that positively impact the triple bottom line, as well as new educational resources, case studies, and videos. Over the past quarter, CSWA conducted the following activities:
 - Finalized the new Online Resources Library design, and catalogued CSWA resources.
 - Worked with consultants to develop a new DIY Energy Audit Checklist, Energy Management Plan and Equipment Inventory Tools.
 - Submitted corrective actions that were required following an in-depth financial audit of the project.
 - Planned for the extended timeline for the project and remaining deliverables (which will now end on July 31, 2020 due to COVID-19) including revising the Scope of Work.
 - Worked with consultants on securing pilot participants for the DIY Energy Audit Tools and discussed that certified wineries piloting the new tools can begin the process remotely.
2. A **2.5-year, \$300,000 multi-state project** entitled “Sustainability Research, Education and Promotion to Enhance U.S. Winegrowers’ Competitiveness” was funded by a 2018 SCBG. The project will help underwrite trade and consumer research, information sharing via U.S. Sustainable Winegrowing Summits, and development of new promotional materials and events. Project partners include CAWG, Wine Institute, Long Island Sustainable Winegrowing, New York Wine and Grape Foundation, Oregon Wine Board, LIVE Certified, Washington Winegrowers Association, and Washington State Wine. Over the past quarter, CSWA conducted the following activities:
 - Finalized the joint U.S. Sustainability Principles for use in project communications, and began development of a project brochure, web page and other communications.
 - Postponed the 2nd [U.S. Sustainable Winegrowing Summit](#) in Long Island and the trade tasting at Riverpark in Manhattan, originally scheduled for May 2020, to April 2021.
 - Worked with Full Glass Research to finalize results of a trade survey and focus group results.
 - Mar 16 – Hosted an “onsite visit” (via Zoom) with the CDFA administrator to review progress on deliverables for this grant project; and participated in subsequent desk audit of financials and grant sub-agreements.
 - Apr 13 - Participated in a call with the International Department about the new wine education course to begin scoping how it will interact with the Sustainable Winegrowing Ambassador Course, which will be updated as part of the grant project.
 - Apr 20 – Facilitated partner webinar to discuss current promotional projects and future trade event ideas. The webinar ended with a presentation by Meagan Littlejohn of Sustainable Winegrowing New Zealand (SWNZ).
 - June 5 – Planned for and hosted a [webinar](#) featuring the trade research and updated consumer research (first presented at the June 2019 Summit), with nearly 300 participants.
3. A **2.5-year, \$234,889 2018 SCBG regulatory compliance and recognition project** to fund training workshops, outreach and resources to promote adoption of sustainable winegrowing best management practices; to assist winegrowers in staying compliant with the myriad of current and upcoming regulations; and to seek alternative compliance pathways for growers participating in sustainability programs. Over the past quarter, CSWA conducted the following activities:

- Held several calls with Kennedy Jenks and an Advisory Group meeting on May 18 to discuss a new regulatory compliance module and identification of BMPs that can assist with regulatory compliance/recognition.
- Assisted vineyard managers who are using the CSWA farm plan template for the Region 2 WDR compliance as well as Qualified Professionals who are assisting with farm plan development and verification; and provided information to the Region 2 Water Board about the vineyard participants using the CSWA Third-Party Program.
- Previewed the new Nitrogen Budgeting Tool and Performance Metrics analysis with the CSWA Board of Directors and followed up with those willing to pilot the tool.
- Mar 16 – Hosted an “onsite visit” (via Zoom) with the CDFA administrator to review progress on deliverables for this grant project.
- Planned and hosted a May 26 webinar workshop about the [Region 2 Vineyard WDR permit](#).

Other Grant-Related Activities:

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

COMMUNICATIONS/OTHER

2020 Green Medal: Sustainable Winegrowing Leadership Awards:

- Feb 27 – Hosted judges meeting to narrow the pool of applicants to prepare for a final electronic vote by the judges by Feb 28.
- Announced the 2020 Green Medal recipients via a [Green Medal Press Release](#) and updated the Green Medal website – www.greenmedal.org.
 - J. Lohr – Leader Award
 - Bonterra Organic Vineyards – Environment Award
 - Clif Family Winery – Community Award
 - Pisoni Family Vineyards – Business Award
- Planned for Awards Ceremony at CDFA in Sacramento and the legislative reception to be held following the ceremony at the Capitol, which was scheduled for Apr 15 but has been postponed due to COVID-19.
- Worked with videographer to create the Green Medal Video, which will be shared during the pending ceremony.

4th Edition Code:

- Staff and consultants reviewed chapters and the Joint Committee met 7 times over the past quarter to review chapters as we prepare to publish the 4th edition California Code of Sustainable Winegrowing (to be completed by late 2020).

Media Relations:

- Responded to media inquiries and conducted interviews on sustainability, certification and climate change for the following outlets: *On the Wine Road* radio program, *Practical Winery & Vineyard*, Ceres Imaging,

Other:

- Welcomed and trained 2 new CSWA staff members – Suzanna Mannion as Communications Manager and Roy Butler as Certification Coordinator.
- Held planning calls with Tim Wilde of Wholefoods, who is working with *Women of Wine & Spirits*, to plan a July sustainability webinar for members.

- Worked with Communications and International teams to integrate sustainability messaging into Down to Earth Month and Discover California Wines Promotions, and to help respond to media inquiries.
- Worked with Wine Institute's International teams to collect feedback from wineries and regional groups in response to Systembolaget's February workshop and new Sustainability Platform, drafted letter to Systembolaget and participated in the FIVs Economic Sustainability Zoom meeting to discuss a potential multi-wine region response and recommendations.
- Participated in numerous calls with International Department and Guidepost to determine next steps in the new climate action project that is currently being scoped to help better communicate the relationship between California Wine's sustainability efforts and climate beneficial practices.
- May 6 – Participated in the International Marketing Committee webinars to learn about how sustainability will be integrated into various Wine Institute marketing activities around the world.
- May 13 – Provided resources and held prep call with Michelle Bouffard who led a Sustainability & California Wines webinar in French on May 14 for the Quebec Bev Alcohol Association ([la vidéo de la formation](#) & [la présentation PowerPoint de la formation](#)).
- May 20 – Participated in the International Marketing Team's Challenger Brand workshop with Mark Barden – along with Communications, Full Circle Wine Solutions, BCI and other collaborators – to learn more how sustainability fits into the California Wine brand refresh for international markets.
- Drafted and submitted a full page CAWG 2020 Directory advertisement.



Agenda Item No. 7(f)

INTERNATIONAL MARKETING &
CALIFORNIA WINE EXPORT PROGRAM REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 11, 2019

Global Initiatives & Branding Campaign

- **COVID19 Impact on Export Programs:** Most major international trade exhibitions and events have been either cancelled or postponed through the end of 2020, including ProWein Dusseldorf, VinExpo Hong Kong, Tangjiuhui Wine & Spirits Exhibition, the California Wine Fairs and others. Some events scheduled later in fall 2020 remain tentatively scheduled, however wineries and importers are uncertain about travel restrictions through the end of the year. As a result, Wine Institute Export Program activities through December 2020 will focus on retail promotions, advertising and communications campaigns, virtual experiences and local in-market activities, and will not require travel outside of or to the United States by vintners or international trade and media.
- **US Wine Exports Decline in 2019:** U.S. wine exports, more than 95% from California, reached \$1.36 billion in winery revenues and 371 million liters (41 million cases) in 2019, according to Wine Institute using Global Trade Atlas data. Total exports were down 6.5% in value and 0.7% in volume. Exchange rates, retaliatory tariffs and increased competition in key markets due to government subsidies and trade agreements all had an impact on the year's results. The top 10 export markets for California wines in 2019 were: the European Union's 28-member countries, \$427 million; Canada, \$424 million; Hong Kong, \$113 million; Japan, \$92 million; China, \$39 million; South Korea, \$27 million; Nigeria, \$24 million; Mexico, \$19 million; Philippines, \$18 million; Dominican Republic, \$16 million; and Switzerland, \$15 million.
- **Virtual Wine Education Programs & Tasting Events for Global Trade, Media and Consumers:** Wine Institute staff and International representatives quickly developed and launched several series of virtual programs for international trade and consumers. Designed to maintain visibility for California wines in key markets while providing valuable education and entertainment, the episodes feature California winemakers and viticulturists in conversation with recognized wine writer Elaine Chukan Brown. Through the end of May, the webinars have generated over 3,350 registrations with more than 2,000 participants from 25 countries, and just under 19,700 pageviews.
- **Virtual Market Intelligence Webinars Offer Member Value:** Wine Institute International Representatives launched a series of weekly Market Intelligence webinars that offer current insights to winery members. Designed to provide an in-depth look at current trends and opportunities in major export markets for California wines, the webinars are open to all Wine Institute and Export Program members. Each information session includes information on how to gain access to the market for New to Market and New to Export wineries, and many sessions will feature key buyers and other influencers. In the first three sessions the webinars have attracted over 400 participants.

- **Successful Quebec Social Media Test Reaches Consumers:** Wine Institute International Representatives in Canada, Danielle Giroux and Paula Oreskovich, launched a successful social media campaign targeting consumers in Quebec. The campaign features lifestyle influencers with significant followers on Instagram and Facebook including California wines in a series of activities including Earth Day celebrations and virtual wine tastings. Entirely in French, the campaign has exceeded performance targets in terms of engagement, and has generated over 4,000 new followers on Facebook. Developed as a pilot program, the strategy will be rolled out nationally in key markets across Canada in FY20-21.
- **Costco Global Wine Promotions Continue:** The global partnership between Costco and Wine Institute continues to expand despite limitations to in-store tasting and promotion related to COVID19. A recent promotion featured multiple California wines in all Costco warehouse stores across South Korea with signage and in-store tasting. A promotion scheduled for September in Australia is planned to include a California category display along with a California wine advertorial in the Costco Connection. As markets begin to reopen globally, Costco will continue the promotion calendar into FY20-21.
- **California Wine Education & Certification Program:** Full Circle Wine Solutions, led by principals Evan Goldstein, MS and Limeng Stroh are in the development phase of the California Wines Education Program. The program includes a certification program with four levels, culminating in the California Wine Ambassador certification that qualifies instructors to lead seminars and workshops on California wines around the world. The web-based platform will interface with the existing Discover California Wines website and the new CSWA website on Sustainable Winegrowing. Phase of the project is scheduled to launch in September 2020, with subsequent phases being released over the following 18 months.

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

- **MAP Budget Allocation for FY20-21:** Wine Institute's Market Access Program (MAP) allocation from USDA for the new program year starting July 1, 2020 decreased by \$197,9000 from the prior year, for a 2.9% decline, despite receiving the highest ranking as a cooperator. Due to the COVID19 crisis, Wine Institute will be able to roll over any unused MAP funds from the FY19-20 program year for a one-time exception.
- **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 2021 through June 2022 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.
- **Business Reviews, Rep Evaluations & Monthly Global Team Meetings:** Over the course of FY19-20 the International Marketing team has put in place several new initiatives to increase strategic alignment and improve communications with Wine Institute's International Representatives. Semi-annual business reviews and program evaluations, along with new planning and budgeting tools are creating better integration between markets, while monthly team ZOOM meetings have improved communication and collaboration.
- **Regional Plans Presented at Virtual Export Committee Meeting:** Wine Institute International Representatives presented their regional strategic plans and program calendars for FY20-21 at the first ever virtual Export Committee Meeting on April 20. The meeting was held in two sessions on the same day to accommodate different time zones, and record attendance by member winery representatives led to strong engagement and positive feedback from program participants in global markets.

- **Export Program Membership Grows in FY19-20:** Wine Institute Export Program membership has grown by 13% in FY19-20 to 189 members. Member recruitment goals for FY20-21 are to exceed 200 members and a 10% growth rate. New member recruitment efforts include revised member benefits and recruitment materials, the new Export Mentor program, and member outreach efforts.

CA Wine Virtual Education Programs – Upcoming Schedule

Market Intelligence Webinars

Hosted by Wine Institute Global Representatives

Market Intelligence Webinars focus on key international markets to support California wine sales. Developed for sales and marketing executives, the webinars offer in-depth insights into market dynamics, sales trends, and business opportunities for both experienced and “new to export” wineries.

Session 3: May 27 – 8:00 AM PDT – Europe with Paul Molleman

Session 4: June 3 – 8:00 AM PDT – Canada with Danielle Giroux and Paula Oreskovich

Session 5: June 10 – 4:00 PM PDT – Japan with Hiro Tejima and Madoka Ogiya

Session 6: June 17 – 3:00 PM PDT – Mexico with Adriana Cadena & Miguel Angel Cooley

Behind the Wines Webinars

Hosted by Elaine Chukan Brown

While so many things have been put on hold as we stay at home and practice varying degrees of self-isolation, the wine industry in California continues to push ahead – from bud break in the vineyard to bottling Pinot Noir in the winery. We don't want you to miss a minute of it so we're bringing the California winemaking community to you through Behind the Wines a virtual discussion and tasting with wine writer and educator Elaine Chukan Brown and some of California's top grape growing and winemaking talent.

Episode 8: May 26 – Carole Meredith & Steve Lagier, Lagier Meredith, + Special Guest: Anthony Truchard General Manager, Truchard Vineyards.

Episode 9: June 2 – Zinfandel
Tegan Passalacqua, Turley and Sandlands

Episode 10: June 9 – Chardonnay
Stephane Vivier, Stony Hill
Michael McNeill, Hanzell Vineyards

Episode 11: June 16 – Pinot Noir

Sarah Wuethrich, [Maggy Hawk](#)

Episode 12: June 23 – Sparkling

Nicole Hitchcock, Winemaker, [J Vineyards and Winery](#)

Episode 13: June 30 – Cabernet Sauvignon

Rodrigo Soto, General Manager & Rebekah Wineburg, Winemaker, [Quintessa](#)

Inside California Winemaking

Hosted by Elaine Chukan Brown

California Wine Institute is delighted to present [Inside California Winemaking](#), produced specially for our key Asian markets and featuring host Elaine Chukan Brown, wine writer, and educator. In this series, Elaine will speak with top California producers, bringing a bit of the vineyards and the cellars of the Golden State to our international trade audience.

Episode 1: May 28 – 11:00 am - 11:45 am GMT+8 - Nate Weis, [Silver Oak & Twomey](#)

Episode 2: June 11 – 11:00 am - 11:45 am GMT+8 - Michael Eddy, [Louis Martini](#)

Episode 3: June 25 – 11:00 am - 11:45 am GMT+8 - Chantal Forthun, [Flowers Vineyards & Winery](#)

Episode 4: July 9 – 11:00 am - 11:45 am GMT+8 - Greg Brewer, [Brewer Clifton](#)