BOARD OF DIRECTORS MEETING

(The Lodge at Pebble Beach, Pebble Beach, California)
December 7, 2021
9:00 a.m.

- A G E N D A –

1. Roll Call
2. Approve Minutes of Meeting Held June 8, 2021 - **Board Action Required**
3. Board Changes — **Board Action Required**
4. Member Relations – Ian Blue
   Election of New Members — **Board Action Required**
5. Chairman's Report
6. President's Report
7. Committee/Departmental Reports Presentation
   - (a) Finance & Administration - Suzanne Groth / Ted Rose
   - (b) Public Policy - Rick Tigner
     - (i) California State Relations ………… Tim Schmelzer / Noelle Cremers
       California State Relations Update - **Board Action Required**
     - (ii) Federal Relations ………………… Charles Jefferson
     - (iii) Public Policy Committee Report … Tracy Genesen
     - (iv) State Relations …………………… Steve Gross
       State Relations Update: "WI Draft Policy Statement on Oregon's Bottle Deposit Law" - **Board Action Required**
   - (c) Technical Advisory Committee - Tim Ryan / Tracy Genesen
     WITAC Committee Update: Smoke Exposure Task Force
   - (d) Environmental Affairs - Chris Savage / Allison Jordan
   - (e) International Public Policy - Matt Gallo / Charles Jefferson
   - (f) International Marketing - Honore Comfort
   - (g) Communications - Randall Lange / Natalie Wymer
8. Political Action Committee (PAC) Update – Robin Baggett
9. Guest Speaker: **John Heckman** – Executive Director, North America, Anthesis Group
   Allison Jordan – VP, Environmental Affairs, Wine Institute & Executive Director, California Sustainable Winegrowing Alliance
   Honore Comfort – VP, International Marketing, Wine Institute
   .
   California's Sustainable Future on the Global Stage
   - *Introductions: Honore Comfort, Allison Jordan and John Heckman, executive director, North America, Anthesis Group (5 minutes)*
   - *What's at Stake: Allison Jordan and John Heckman (20 minutes)*
   - *Defining Our Opportunity: Honore Comfort (10 minutes)*
   - *Q and A: Honore Comfort, Allison Jordan, John Heckman (5 minutes)*
10. State Relations Update Panel Presentation
11. Unfinished Business
12. New Business
13. Adjournment

Wine Institute

MINUTES

MEMBERSHIP/BOARD OF DIRECTORS MEETING

June 8, 2021

Pursuant to call and written notice in accordance with the bylaws of this corporation, the Annual Meeting of Wine Institute Members in joint session with the Board of Directors was held virtually on Tuesday, the 8th day of June 2021, at 9:00 a.m.; John Sutton, Chairman of the Board, presiding.

QUORUM

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

MEMBER MEMORIUM

Chairman John Sutton started the meeting off by honoring the passing of 3 valuable members of the Wine Institute community: Marie Gallo, Judy Groth and Don Galleano. Following are John's comments:

> Marie Gallo and Judy Groth recently passed, and we mourn for Bob and Matt and the Gallo family and Dennis and Suzanne and the Groth family.
>
> Marie and Judy were a constant presence in our community and pillars of strength to their families and wineries. On behalf of the Officers and the Board, we wish peace, comfort and strength to their families during this difficult time.
>
> I also want to remember former Board member, Don Galleano, President of Galleano Winery in Riverside County, who passed away last week and acknowledge his contributions to this historic wine region of California.
>
> I ask for a moment of silence in remembrance of Marie Gallo, Judy Groth and Don Galleano.

APPROVAL OF MINUTES

On motion made, seconded and unanimously carried, the minutes of the Annual Membership Meeting held virtually on June 9, 2020 were approved as mailed.

On motion made, seconded and unanimously carried, the minutes of the Board of Directors Meeting held virtually on March 9, 2021 were approved as mailed.

APPROVAL OF ACTIONS OF DIRECTORS AND OFFICERS

John Sutton presented the following resolutions:

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

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

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

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 8th day of June 2021, 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

John Sutton announced the dates of future board meetings for fiscal year 2021–2022 as follows:

DATE	**LOCATION**
SEPTEMBER 8, 2021	*AT THE DISCRETION OF THE CHAIRMAN OF THE BOARD, A FOURTH REGULAR MEETING OF THE BOARD OF DIRECTORS MAY BE HELD ON THE SECOND TUESDAY OF SEPTEMBER.*
DECEMBER 5-7, 2021	THE LODGE AT PEBBLE BEACH
MARCH 7-8, 2022	SACRAMENTO
JUNE 19-21, 2022	THE RITZ-CARLTON, HALF MOON BAY

ELECTION RESULTS

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

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

District Number	Director	Alternate
1	Kaj Ahlmann	John Kane
2	Julie Pedroncelli St. John	Ana Keller
	Katie Wetzel Murphy	Alan Ramey
	Tobin Ginter	Christopher Lloyd Strieter
	Steven MacRostie	James Perry

3	Suzanne Groth	Delia Viader
	Hugh Davies	Michael Maher
	Dennis Cakebread	Chris Hall
	Robin Baggett	Amelia Moran Ceja
	Michael Reynolds	Paul Leary
4	Amanda Kent	William R. Cooper
5	Scott Scheid	Vacant
6	Nicholas Miller	Maeve Pesquera
	Laura Booras	Karen Steinwachs
	Gretchen K. Roddick	Clarence Chia
	Gary Eberle	Vacant
7	Stephen Kahle	Linda McWilliams
8	Steven Millier	Stuart Mast
9	Randall Lange	David Phillips
10	Kyle Ray	John Allbaugh

At Large Directors	Director	Alternate
	Corey Beck	Kenneth Minami
	Giancarlo Bianchetti	Erik Olsen
	James E. Coleman	TBD
	Matt Deegan	Sam Glaetzer
	Ben Dollard	Debra Dommen
	Michael Drobnick	Matthew Towers
	Jeffrey Dubiel	Keith Bauman
	Matthew J. Gallo	Stephanie Gallo
	Cate Hardy	Amy Hoopes
	Cheryl Indelicato	Mark Merrion
	Peter N. Larson	Roger J. Trinchero
	Daniel J. Leonard	Chris Mifsud
	Lawrence T. Lohr	Jeff Humphreys
	Alex Ryan	Sean Sullivan
	Viviann Stapp	Carolyn Wasem
	Rick Tigner	Katie Jackson
	Robert R. Torkelson	Anthony Torres
	Michael Walker	Tiffanie De Liberty
	Christine Wente	Aly Wente
	Jolene Yee	Kathleen Mayhew

VACANCIES ON THE BOARD

On motion made, seconded and unanimously carried, John Kane was elected an Alternate Director to fill the vacancy existing in District No. 1

On motion made, seconded and unanimously carried, James Perry was elected an Alternate Director to fill the vacancy existing in District No. 2

On motion made, seconded and unanimously carried, John Albaugh was elected an Alternate Director to fill the vacancy existing in District No. 10

VACANCIES ON THE CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE (CSWA) BOARD

On motion made, seconded and unanimously carried, Matt McGinness, Global Environmental Sustainability Lead in Wine & Spirits for Constellation Brands, was elected to represent Wine Institute on the California Sustainable Winegrowing Alliance Board of Directors

ELECTION OF NEW MEMBERS

John Sutton 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, 2021:

AJA Vineyards, Valencia
Burtech Family Vineyard, Encinitas
Hammerling Wines, Berkeley
Langtry Farms, Middletown
Michael Brughelli Wines, Santa Maria
Robledo Family Winery, Sonoma
Toshokan, Berkeley
Voluptuary Wines, Sacramento

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

California Soda Company
(Application sponsored by Pisoni Vineyards & Bacigalupi Vineyards)

CHAIRMAN’S REMARKS
See below.

John Sutton Remarks
Chairman of the Board of Wine Institute
Membership/Board of Directors Meeting
June 8, 2021

Good morning everybody. Thank you for participating in what should be our last virtual board meeting. I would like to start by saying how privileged I feel to have had the opportunity to serve Wine Institute as an officer for the past 5 years, and in particular, as chair over the past year. My chairmanship during COVID-19 has been extremely gratifying and rewarding, but certainly not what I envisioned 18 months ago, let alone five years ago when I first became an officer.

As I look back at the past 12 months, I marvel at what Wine Institute has been able to accomplish for our industry during such challenging times. The role of Wine Institute and the value that Wine Institute provides to our membership has never been more essential and apparent than it has been during covid and the tragic wildfires and going forward as we accelerate out of the pandemic.

Over the past year, Wine Institute has (1) served as a strong voice on key policy matters at the state, federal, and international levels, (2) kept California strong as a global wine brand in key export markets, (3) continued to strongly promote our industry's adoption of sustainable practices, and (4) managed, educated and communicated critical issues to regulatory agencies and our membership.

In particular, I want to highlight just a very small sample of the major accomplishments this past fiscal year:

- At the federal level, Wine Institute achieved the first permanent wine federal excise tax reduction in more than 80 years. The excise tax savings for California wineries has already exceeded a quarter of a billion dollars and those savings will now continue to grow every year.
- Wine Institute and coalition partners succeeded in maintaining the current definition of moderate consumption in the 2020 US dietary guidelines – and this was accomplished despite a concerted effort by anti-alcohol activists to promote the notion that there is no safe level of consumption.
- Wine Institute secured updated guidance from TTB (Alcohol and Tobacco Tax and Trade Bureau) on providing voluntary nutritional information that will allow wineries to do so without significant added costs for testing and wine analysis. The new guidance will allow for the use of databases and nutritional calculators that are based on typical values to be used when providing this information.
- On the international front, Wine Institute led advocacy and collaboration with the EU (European Union) wine sector to help ensure that US wines have not been targeted with retaliatory tariffs in the various ongoing trade disputes.
- At the California state level, a host of bills were defeated that would have economically harmed our industry, including a poorly thought-out plastics recycling measure, a huge water quality regulation overreach, and an expensive expansion of mandatory paid sick leave.
- There were also environmental-related wins, protecting small wineries from nearly all burdensome requirements in the state water board's recently adopted winery general order and significantly reducing the scope of the Central Coast Water Board's recently adopted AG (Agriculture Order) order.

As I was reminded of the full list of accomplishments from the past year, I really gained an appreciation for the scope of all of the issues Wine Institute covers both in the United States and around the world. The number of accomplishments is impressive and encompasses each and every Wine Institute department.

This year's budget, which we will be seeking approval of today, will not be a balanced budget. There are a couple of reasons for this. First, the implementation of the dues reduction program several years ago and a general industry slowdown in growth means that we do not have the same increases in revenue that we once enjoyed. Second, Wine Institute did a great job managing expenses this past year generating a surplus. We feel it is important to spend this surplus coming out of covid and re-engage with regulators and promote our industry interests to ensure a long-term vibrant California wine industry. We intend to bring forward a balanced budget in future fiscal years that would continue to provide the critical services Wine Institute and its staff delivers to our membership each and every year and that you have come to expect.

As we look forward, it is clear that we have a lot of work to do. There are many emerging issues that could affect our businesses in the future, including the issues of recycling, extended producer responsibility, single-use packaging and efforts to reclassify low-proof spirits and other RTD (Ready to Drink) beverages for tax and distribution purposes.

Cannabis is still an unknown possible threat with renewed focus at the federal level and TTB also needs to devote sufficient resources to meaningful enforcement of misleading health and wellness claims to ensure a level playing field within the alcohol beverage industry. The on-slaught of anti-business legislation in California and the escalating attacks on the moderate consumption of alcohol are not going away. I am highly confident that Wine Institute is well positioned to combat these and other major issues in the future, and that our industry will come out of the pandemic better and stronger than ever.

Bobby, I want to thank you for your excellent leadership over the past 20 years as our President and CEO. A big part of the reason that Wine Institute accomplishes what it does is because of your dedication and efforts and the respect you engender from your staff, colleagues and peers. It has been a great pleasure working with you the past year and getting to know you better. I would also like to thank all of the Wine Institute department heads and your staffs – your focus and efforts are greatly appreciated and admired.

I want to thank all of the officers for your guidance and support over the past year. I'm excited to have Suzanne Groth take over as Wine Institute chair. After having the pleasure of working with Suzanne the past several years, I know she will be a great chairperson and serve our interests extraordinarily well going forward.

Finally, I want to thank all of you, our membership. Without your participation, Wine Institute would not exist and our industry would not be as strong as it is today.

It has been an honor to serve as your chairman. Thank you and now I will turn it over to Bobby for his president's report.

PRESIDENT'S MESSAGE
Bobby reported as follows:

Bobby Koch Report
Membership/Board of Directors Meeting
June 8, 2021

I want to first thank John for his commitment to Wine Institute over the last 5 years as he's gone through the chairs and for being a great Chairman during a unique set of circumstances that no future Chair will ever have to experience.

Not a single in-person meeting.

Throughout the year, John has been a positive, upbeat, hands on, effective Chairman providing guidance to me and the department heads and exceptional leadership with the Officers.

At the Board meeting in September, we will be able to thank John in person for a job well done and we are all grateful for his dedicated service.

Just like those who work with you at your winery, Wine Institute stepped up and performed at a high level this year and I want to thank every one of my 35 colleagues and to let them know and the Board know how much I appreciate their dedication and accomplishments. I am honored to lead this great organization.

John did a great job covering a lot of our work this past year.

The Fiscal Year is closing out. A new one is about to begin and our work on your behalf is never done.

Our Mission is “To initiate and advocate Public Policy that enhances the ability to responsibly produce, promote and enjoy wine.”

Our priorities continue to be Public Policy at the state, federal and international level; Communications that promote and protect the interests of our members and inform with a unified voice on the benefits of California wine; Environmental to preserve our ability to responsibly produce world class wine; and International Marketing to drive exports of CA wine; and Member Support and Outreach.

Federal

At the federal level we remain focused on securing additional funding to help wineries cope with the impacts of the recent fire seasons and preparing for this coming season. This will include smoke exposure research and reauthorization of the WHIP+ (Wildfire and Hurricane Indemnity Program Plus) program to support growers who suffered losses.

Pandemic recovery also continues to be priority and we are pushing for additional funding for key programs such as the Restaurant Revitalization Fund.

We are closely monitoring the development of a legislative package that would federally legalize marijuana and create a regulatory framework to govern the marketplace. This legislation has the potential to impact the wine sector in multiple ways. We will continue to provide legal and regulatory analysis and work to achieve industry consensus on federal cannabis legislation.

International

As the Biden Administration works to resolve outstanding trade disputes with key partners such as the EU (European Union) and the United Kingdom, we are advocating that tariffs on wine are removed and wine is not dragged into new disputes unrelated to wine.

We continue to advocate before the new administration for the rapid completion of a US-UK Free Trade Agreement which would expand market access for our wineries in this critical export market.

The European Union is in the process of developing new regulations that will mandate nutrition and ingredient disclosure for all wines in the EU in the coming years, as well as new health warning labels. We are in contact with EU association officials on this process because of the impacts it will have on our exports to the EU and possible changes to US regulations in future.

And we are actively engaged through FIVS (Federation Internationale des Vins et Spiritueux [French: International Federation of Wines and Spirits]) in the WHO’s (World Health Organization) ongoing development of an Action Plan to Accelerate Implementation of its Global Alcohol Strategy. This is the principal vehicle through which the WHO continues to push policies to increase the price of alcohol and restrict market access and advertising.

State Relations

The State Relations team continues it work on the traditional fronts of taxes, trade practices, DTC (Direct to Consumer) shipping, and monopoly protection laws. Our team of 6 regional staff and the contract lobbyists in the states are engaged with legislators and regulators on all these areas.

Taxes: Federal Covid relief funds staved off most calls for tax increases in 2021, but the pressure remains high in some states to increase alcohol excise taxes to fund public health priorities. This is especially true in Oregon and New York, but this trend is expanding. Oregon Recovers, the local anti-alcohol group that pushed the $10 per gallon increase that failed in 2021, has strong support in the legislature to “increase prices” to decrease consumption and fund their prevention and treatment programs.

We expect that public health groups in other states will follow this pattern and engage with their local Departments of Health to push out similar proposals. As an example, Maryland has also been considering similar taxes to fund communities that have been deemed to have "health inequities". Environmental Issues: The pressures to pass comprehensive environmental legislation has increased over the past few years.

This now comes primarily on two fronts:

1) expansion of bottle bills to include wine, both by adding to existing programs or creating new programs that include us. Vermont and Oregon are currently the two most serious threats on this front. [Note: only Maine and Iowa currently include wine in their bottle bills.]

2) the creation of new EPR (Expanded Producer Responsibility) programs. These efforts have centered primarily in the West (Washington, Oregon, and Hawaii), and in New England (Maine, Vermont, Massachusetts, Connecticut, and New York). These proposals would create cumbersome new bureaucracies, funded by the industry through fees and fines, and pose significant obstacles should they be adopted as drafted. These efforts often include a new focus on the recycling of plastics and the amount of Post-Consumer Recycled Content that must be included in our packaging.

DTC shipping and Delivery: As John mentioned, we continue to make progress on DTC shipping, having opened Alabama in 2021, and securing the ability of fulfilment houses to continue shipping into Kentucky, Kansas and Tennessee.

Next session we will be focused on opening the remaining three states: Delaware, Mississippi, and Utah. At the same time, we will continue our efforts to prevent negative bills, such as those placing further restrictions on common carriers and fulfillment houses, from passing.

With the recent expansion of "delivery" by local restaurants and retailers, it is important to make sure that none of the new laws allowing these practices unintentionally place restrictions on common carriers that they cannot comply with. At the same time, we are working to ensure that wine (both by the bottle and by single servings) are included in the new delivery and take-out rules that are being passed in the states as the temporary Emergency Orders that allowed these practices are replaced with permanent laws.

Sacramento

We are working to pass ABC Bills to expand winery privileges, including:

- SB 19 – allowing for one additional tasting room.
- AB 1267 – allowing for sales-based charitable giving.
- SB 314 – streamlining the process for expanding licensed premises.

On Wildfires:

- Working to improve insurance offerings for wineries in wildfire zones.
- Secure wildfire funding that would help individual wineries protect their property.
- Support legislation to encourage more prescribed burning.
- Forming solid and collaborative alliance with CAWG and other regional wine and grape organizations toward setting priorities, shaping research, and educating industry on measurement, mitigation and prevention or smoke damage in wine grapes.

On Recycling:

- We continue momentum toward enacting our Board Approved overhaul of Bottle Bill to a stewardship run curbside model (SB 451).

Legal

Will continue to monitor, assess, and advise members on nutrition, health and ingredient labeling and advertising best practices.

Environmental
Will continue to work with International Marketing and other departments to benchmark and communicate California's leadership in sustainability and leverage our sustainability efforts to benefit our policy and communications initiatives.

And work closely with EH&S (Environmental, Health & Safety) and Technical committees on a proactive and coordinated strategy to address crop protection materials, and water/air/regulatory/market issues.

Implement CSWA's (California Sustainable Winegrowing Alliance) updated strategic plan with the following four objectives:

1. Operate a world-class sustainability program that is continually improved.
2. California vintners and growers are fully informed of and implementing sustainable practices throughout their operations.
3. Partners are engaged to leverage resources and provide expertise.
4. External stakeholders are informed and value the industry's sustainability leadership.

In many of the issues that John and I have pointed out, there is engagement by the Technical Committee and the Environmental, Health & Safety Committee and FIVS. The work of Tim Ryan, Paul Huckaba, Chris Savage, Greg Hodson and many others is invaluable to our organization, and we all appreciate their time and expertise. Tracy, Allison, Charles and their teams work closely with all three entities and do a great job as well.

Communications
We've had a smooth transition in Communications. Nancy and Gladys both retired and Jenni Jennions moved to the east coast.

The new team - Vice President Natalie Wymer, Director Jenny Dudikoff and Manager Megan Long join Manager Amy Azzolina, who has been with Wine Institute for the past six years. All bring a wide array of experiences including state and federal policy communications, issues management, media relations and climate change and sustainability, as well as wine industry and Wine Institute knowledge.

I could not be more pleased how this has come together.

Overall, we have a special story to tell. We are a mealtime beverage, enjoyed in moderation with food, grown and produced sustainably, promoted responsibly. Family owned. Multi-generational. And yes, wine can be part of a well-balanced lifestyle.

And as I said earlier, we will promote and protect the interests of our members with a unified voice on the benefits of CA wine, including this special story we have to tell. And at the same time, we will work to protect our members on all fronts including needless litigation.

Budget
All of the work we do on your behalf takes money. Your commitment, your dues, allows us to watch over your interests, and improve your bottom line.

The budget the last 4 years as well as the upcoming FY (Fiscal Year) have been challenging.

Starting in FY17/18, the F&A (Finance & Administration) Committee and then the Board adopted a 25% dues reduction in Formula A, which is % of sales.

A 5% reduction per year over 5 years.

We're entering year 5, the last year of the reducing dues.

Total income 5 years ago prior to the dues reduction starting was $14.15 million.

This next FY year, total income is expected to be $14 million.

It's important to note, we have not lost a single major member and we've been adding members over the last 4 years including Treasury Wines Estates rejoined on January 1.

The budget challenge is because of the dues reduction.

The good news is this is the last year of our reducing dues.

With the economy opening, the pent-up demand for people to be out and about, and the end of reducing dues, I'm confident our budget will be solid moving forward.

All of this leads to the work of the F&A Committee which met on April 20 and May 18. 16 committee members attended the first meeting and 19 attended the second meeting.

After thoughtful discussion at both meetings, what was adopted unanimously and is being presented today for adoption today is a budget that will have a deficit that is similar to this year's surplus. A deficit of $469K for us to ramp back up achieve what we need to do on your behalf.

As you know, as we've been reducing dues, WI delivered a massive federal excise tax reduction starting back in Jan. 2018 to every single winery in the state and nation. And it is a far larger reduction than beer and distilled spirits achieved in terms of % of savings. A reduction of 8% for wine versus 3.5% for beer and 3.5% distilled spirits.

From 2018-2020, the FET (Federal Excise Tax) reduction for California wineries totaled close to $250 million. That's a quarter of a billion in tax relief for California wine in the first 3 years of a bill that is now permanent law.

The annual excise tax savings alone are far larger than the annual WI dues for just about every member.

Domestic produced wine sales, mostly California, generate about $23.5 billion in winery revenue. So at Wine Institute, we're investing $14.5 million next year to protect and grow $23.5 billion in winery revenue.

That's a smart investment. And allows us to "To initiate and advocate PP that enhances the ability to responsibly produce, promote and enjoy wine."

Thank you for your support.

I'll turn it back to our Chairman for adoption of next year's budget.

2021-2022 BUDGET

John Sutton 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 $15,677,105 is hereby adopted for the period effective as of the 1st day of July 2021 and ending on the 30th day of June 2022; 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.

GUEST SPEAKER: DALE STRUTTON FROM WINE MARKET COUNCIL

Dale Stratton, President of Wine Market Council, presented results from a new study that the council did in partnership with NielsenIQ on 2021 Wine and Wellness Lifestyles. He provided data that addressed some wellness-related issues, in particular how important it is to wine's share of consumption. Specific items included that wellness means more than diet to consumers, wine is perceived as a healthier alternative than beer, spirits and hard seltzer, and that choosing not to drink wine was largely unrelated to wellness reasons.

INTERNATIONAL MARKETING

Honore Comfort reported on the launch of Capstone California, the new education platform for California wines developed by an expert team of leading international wine professionals, educators and authors. Capstone California will officially launch over the coming months across Europe, Canada and the United Kingdom, followed by Mexico, Japan, China, South Korea and Australia. In her presentation, Comfort noted that Capstone California has received over 600 enrollments with 572 active students for a 94.7% engagement rate and 33% completion rate. The program includes multi-media content and is optimized for mobile devices. Comfort also presented an update on US Wine Export sales for January - December 2020 along with highlights of upcoming International Marketing programs and priorities for the upcoming fiscal year.

CALIFORNIA STATE RELATIONS

Tim spoke at the Board meeting regarding California legislation and Wine Institute's efforts on wildfire policy.

With regard to legislation, Tim mentioned that several bills that Wine Institute support continue to make their way successfully through the Legislature. These include bills to allow for an additional tasting room, to allow for sales-based charitable giving, and to allow drinks to go from on-sale establishments.

Tim further mentioned that legislation allowing business to deduct expenses paid for PPP (Paycheck Protection Program) loans and to waive ABC fees were signed into law.

On the labor policy front, Tim noted that we've successfully defeated several bills that would have been costly to business, such as expanded mandatory sick leave and detailed employer reporting, but that challenges remain, particularly in the form of AB 616, which would enact card check in California.

On the environmental front, Tim said that there continues to be a flurry of activity regarding recycling policy, though it appears unlikely any of those measures would pass this year. SB 451, by Senator Dodd, is the measure being targeted for introducing wine and spirits into a recycling program. Additionally, several problematic bills were defeated, included a measure that would have upended the State's water quality policy AB 377, and another, SB 260, that would have required extensive greenhouse gas emissions reporting.

With regard to wildfire policy, Tim summarized our efforts in enacting legislation to secure more funding for prevention, ensuring access to property, allowing for more prescribed burns, and obtaining assistance to help property owners harden their structures and create defensible space. In addition, Tim noted our efforts to assist prevention efforts, obtain federal assistance dollars, spur research on smoke exposed grapes, and to make insurance available to wineries in wildfire zones.

TECHNICAL ADVISORY COMMITTEE

Paul Huckaba reported on the updated Strategic Plan for Wine Institute's Technical Advisory Committee (WITAC) for 2021-2026. Key focus areas include its Vision and Mission Statements, and new Key Success Factors. Further, Paul gave an update on several ongoing WITAC projects, including Smoke Impact Research focused on measurement, mitigation, and prevention, domestic and international collaborative efforts in the smoke research field, the Authenticity NMR Spectra Database Development Project which will create a robust database of varietal samples from the most popular wine varieties, and the work of the Crop Protection Steering Committee lead by Bryant Christie to track Maximum Residue Limits (MRLs).

ENVIRONMENTAL AFFAIRS

Chris Savage reported on Committee status, including the name change from Environmental Committee to Environment, Health & Safety Committee to better reflect the full scope of the Committee's work as well as accomplishments and upcoming plans. The Committee recently updated its 3-year strategic plan, provided significant input into the California Winery General Order, addressed COVID-19 issues via a working group, garnered stronger engagement and participation in working groups, and shared important EH&S information amongst members. Looking ahead, the Committee will work on the General Order, CV-SALTS, Ag Order 4.0 in Region 3, and OSHA COVID Emergency Temporary Standards regulations. Chris also described the statewide General Order and COVID-19 ETS in greater detail, and Wine Institute will host future webinars and provide additional compliance resources on the topic.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:57 am.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

Wine Institute

MINUTES OF MEETING

BOARD OF DIRECTORS

June 8, 2021

Pursuant to call, a meeting of the Board of Directors of Wine Institute was virtually held on Tuesday, June 8, 2021; John Sutton, Chairman of the Board, presiding. The meeting was called to order at 10:58 am.

QUORUM

The roll was reviewed based on virtual meeting attendance. The Chairman announced that a quorum was present.

REPORT OF THE FINANCE & ADMINISTRATION COMMITTEE

On behalf of the Committee, which serves as the Permanent Nominating Committee for Wine Institute, John Sutton presented the following nominees to serve as officers of Wine Institute for the 2021-2022 fiscal year:

Chairman	-	Suzanne Groth
First Vice Chairman	-	Rick Tigner
Second Vice Chairman	-	Randall Lange
Treasurer	-	Matt Gallo
Secretary	-	Robin Baggett

On motion made, seconded and unanimously carried, the nominations were closed and the Secretary was directed to record the unanimous vote of the Directors, for each of the persons for the respective offices for which they had been nominated, to serve until their successors have been duly elected and qualified.

NEW CHAIRMAN TAKES OFFICE

In verbal passing of the gavel, John turned the meeting over to our new chair, Suzanne Groth.

NEW CHAIRMAN'S REMARKS

In accepting her chairmanship, Suzanne made the following remarks:

I want to follow up Ian's, Chairman Sutton's and Bobby's remarks earlier that I earnestly hope that this is indeed the last virtual Wine Institute Meeting we ever hold. This last 15 months have been incredibly challenging, and I miss meeting with all of you in person. I get an immense amount of guidance and support from meeting with all of you of in person and I've missed the camaraderie and energy of gathering with my peers.

Sometimes I meet people who don't know what it is that Wine Institute does, or they ask, 'Why do you spend so much time and energy on Wine Institute?". The answer is always ready and present that I get invaluable professional advice, resources from Wine Institute employees and relationships with my peers in the wine industry that I cannot get from my other vintner organizations. Also, I learned about Wine

Institute from my parents, Dennis and Judy. I was young when my parents started their winery 40 years ago, and I literally do not remember a time when they did not avidly attend and participate in Wine Institute. In 1981, as they purchased a vineyard, they were advised by their neighbor and friend, Justin Meyer from Silver Oak, that it was a great organization that could assist in many ways with a new winery start up.

So let's start this new fiscal year at Wine Institute with renewed energy and optimism and let's gather soon as an organization.

EMPLOYMENT OF CERTIFIED PUBLIC ACCOUNTANT

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

BE IT RESOLVED, That Deloitte Touche be and they are hereby engaged as independent auditors for this corporation's fiscal year commencing with the 1st day of July 2021 and ending on the 30th day of June 2022, to serve at the pleasure of the Board of Directors, but in no event beyond the next annual meeting of members.

AUTHORIZING APPOINTMENT OF ASSISTANT SECRETARIES AND ASSISTANT TREASURER

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

BE IT RESOLVED, That the President of this corporation be and he is hereby authorized to appoint one or more Assistant Secretaries and an Assistant Treasurer, whose duties shall be as prescribed in the bylaws of this corporation.

DIRECTOR REPRESENTATION ON THE FINANCE AND ADMINISTRATION COMMITTEE

Chairman Sutton told the Board that the bylaws call for three "At-Large Directors" and three "District Directors" to be elected to the Finance and Administration Committee.

After nominations were placed, the following action was taken:

It was moved, seconded and unanimously carried that Ben Dollard, Robert Torkelson and Michael Walker, be elected to represent the "At-Large Director" category on the Finance and Administration Committee.

It was moved, seconded and unanimously carried that Tobin Ginter, Steven MacRostie, and Nicholas Miller, be elected to represent the "District Director" category on the Finance and Administration Committee.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:06 am.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

Agenda Item No. 4

MEMBER RELATIONS REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

Membership

New Members in Q2: We have received five new winery member applications the last board meeting. The applicant winery members are: I. Brand & Family, Madre Wine Co., Paskett Winery, Sjoeblom Winery, and Wentworth Vineyard and Ranch.

New Members in Q1: An election for five new winery members and one new associate members was held via fax/email in place of the September Board Meeting. The approved applicant wineries are: Cruse Wine Co., Nicholson Vineyards & Winery, Rpris Wines, S.R. Tonella Cellars, and Wild Diamond Vineyards. The applicant associate members is California Soda Company.

Membership/Board of Directors Meetings

June 2021: The 87th Annual Membership & Board of Directors Meeting was held virtually on June 8th. The meeting was attended by more than 125 attendees and heard reports from international marketing, CA state relations, and the WITAC and EHS Committee chairmen, in addition to remarks from guest speaker Dale Stratton of Wine Market Council. Eight new winery members and one associate member were approved for membership.

March 2022: The date for the Sacramento Board Meeting is March 8, 2022. The meeting will be held at The Sutter Club, with a legislative reception the night prior. The room block will be at the Hyatt Regency Sacramento.

June 2022: The 88th Annual Membership & Board of Directors Meeting is scheduled to be held on June 19-21, 2022, and will be held at The Ritz Carlton, Half Moon Bay. This meeting was originally contracted for June 2020 but was moved to 2022 due to the pandemic.

Industry Events, Member Outreach & Member Benefits

In 2021, we have enrolled 20 members into Wine Institute's exclusive discount shipping program with Fedex. We currently have 819 member accounts linked to the Wine Institute discounts and members continue to save an average of more than $16,000 per year in shipping costs each year thanks to our program. This year our alliance program saw 2% in revenue growth over last year, with revenue exceeding $13 million.

Member Relations is planning a year-end recruitment push targeted to contacts at all non-member wineries, which will highlight Wine Institute's accomplishments over the last year and the benefits of membership. Member Relations worked with Bobby to send to key decision makers at large non-member wineries that are impacted by the new Winery Order from the State Water Resources Control Board, highlighting our new compliance tool. Member Relation continues outreach to former winery and associate members that resigned membership due to pandemic cutbacks.

Member Relations continues to work closely with the Communications Department and other departments on improvements to the members only website. Members can log in to access member resources, including the DTC and Wholesale Rules portals, FDA nutrition calculator, state tax rate lookup tool and legislative tracker, legal and regulatory guidance, and much more. Members who need help setting up their account can contact memberservices@wineinstitute.org.

Wine Institute Calendar

2021	
December 5-7	Winter Board of Directors Meeting, The Lodge at Pebble Beach
2022	
March 7-8	Sacramento Board of Directors Meeting
June 19-21	88th Annual Membership and Board of Directors Meeting, The Ritz-Carlton, Half Moon Bay
December 4-6	Winter Board of Directors Meeting, TBD

Agenda Item No. 4

RATIFICATION OF BALLOT VOTE
THE BOARD OF DIRECTORS ELECTED BY BALLOT VOTE 6 NEW MEMBERS
(NO SEPTEMBER 2021 BOARD MEETING HELD)

1. New Members to be Approved for Membership

1.	**Cruse Wine Co**	Petaluma (Sonoma Co.)
2.	**Nicholson Vineyards & Winery**	Aptos (Santa Cruz Co.)
3.	**Repris Wines**	Sonoma (Sonoma Co.)
4.	**S. R. Tonella Cellars**	Napa (Napa Co.)
5.	**Wild Diamond Vineyards**	Napa (Napa Co.)

2. New Associate Members to be Approved for Membership

1. California Soda Company
   Goleta, CA
   Sponsors: Foxen Winery, Brick Barn Winery
   Summary: In-person and virtual AB 1221 compliant RBS training courses

Agenda Item No. 4

1. New Members to be Approved for Membership

1.	**I. Brand & Family**	Salinas (Monterey Co.)
2.	**Madre Wine Co.**	Buellton (Santa Barbara Co.)
3.	**Paskett Winery**	Acampo (San Joaquin Co.)
4.	**Sjoeblom Winery**	St. Helena (Napa Co.)
5.	**Wentworth Vineyard and Ranch**	Healdsburg (Sonoma Co.)

Agenda Item No. 7(a)

Financial Statements

For The Four Months Ended October 31, 2021

Includes the approved budget for fiscal year 2021/2022

If you have any questions regarding these statements please contact
Ted Rose at (415) 356-7533
trose@wineinstitute.org

Wine Institute
Balance Sheet
As of 10/31/21

Assets

Cash	
Cash - WI	2,064,889
Cash - International	176,127
Cash - Free the Grapes	290,887
Total Cash	2,531,903
Inventory	
Wine Inventory	39,280
Total Inventory	39,280
Investments	
Investments - Comm. Paper	3,500,306
Total Investments	3,500,306
Receivables	
Members Accounts Receivable	948,599
Associate Members A/R	52,125
Allowance for Doubtful A/C	(36,314)
Miscellaneous A/R	75
Int'l Program Fees A/R	133,725
Allowance for Doubtful A/C - MAP	(6,750)
Grant Receivable	67,068
MAP Receivable	14,665
Total Receivables	1,173,193
Deposits & Prepaids	
Deposits	548,036
Prepaid Insurance	87,087
Prepaid Rent	105,308
Prepaid Expenses	147,690
Total Deposits & Prepaids	888,121
Fixed Assets	
Furniture & Fixtures	765,377
Leasehold Improvements	278,173
Accumulated Depreciation	(835,957)
Total Fixed Assets	207,593
Total Assets	8,340,395

Liabilities

Accounts Payable	
Accounts Payable - WI	55,361
Total Accounts Payable	55,361
Other Liabilities	
Unearned Mem Dues Revenue	437,934
Bank of America Line of Credit	0
Accrued Expenses	220
Vacation Accruals	741,604
Deferred Rent	286,440
Flexible Spending Account	12,351
Dependent Care Assistance Program	7,869
Free the Grapes	290,887
Payable to FAS	176,127
2021 Event Income	0
Total Other Liabilities	1,953,432
Total Liabilities	2,008,793

Net Assets

Beginning Net Assets	
Net Assets	4,875,657
Total Beginning Net Assets	4,875,657
Change in Net Assets	1,455,945
Total Change in Net Assets	1,455,945
Total Net Assets	6,331,602
Liabilities & Net Assets	8,340,395

Wine Institute
Statement of Revenues and Expenditures
7/1/2021 through 10/31/2021

Statement of Earnings						
	Prior Year Actual	**2021/2022 Budget**	2021/2022 YTD Budget	Current Period 10/31/21 Actual	2021/2022 YTD Actual	YTD Budget
Revenue						
Member Dues	13,507,645	**13,821,527**	4,607,176	1,352,641	5,031,773	424,597
Associate Member Dues	156,000	**164,250**	54,750	1,125	163,750	109,000
Interest Income	2,965	**10,000**	3,333	254	254	(3,079)
Miscellaneous Income	1,465	**1,000**	333	0	0	(333)
Total Revenue	13,668,074	**13,996,777**	4,665,592	1,354,020	5,195,777	530,185
Expenses						
Executive	1,873,078	**2,221,463**	580,068	129,637	532,389	(47,678)
S.F. State Relations	567,267	**687,523**	272,008	72,865	245,998	(26,010)
S.F. Legal	634,563	**683,507**	227,836	60,678	204,121	(23,715)
Washington D.C.	1,001,132	**1,213,635**	370,795	80,561	316,122	(54,673)
Regional State Relations	2,751,965	**2,845,371**	948,457	153,879	683,032	(265,425)
Sacramento	877,104	**945,631**	316,710	78,520	303,076	(13,634)
California PAC Fund	220,923	**240,000**	230,000	4,911	235,025	5,025
International Public Policy	491,274	**647,298**	218,899	40,535	156,319	(62,580)
Supp. Fund, Tech. & Environmental Committees	290,134	**364,250**	138,583	6,411	56,389	(82,195)
Communications	1,087,472	**1,077,424**	359,141	78,273	313,779	(45,362)
Environmental Affairs	702,352	**744,308**	305,603	30,745	295,244	(10,359)
Finance & Administration	3,080,580	**2,795,412**	773,236	250,008	723,576	(49,660)
Total Expenses	13,577,843	**14,465,822**	4,741,336	987,023	4,065,070	(676,266)
Net Excess/(Deficit) Before International Marketing	90,232	**(469,045)**	(75,744)	366,997	1,130,707	1,206,451
International Marketing						
Revenue	1,015,625	**1,212,000**	404,000	48,975	667,250	263,250
Expenses	(1,069,323)	**(1,211,283)**	(405,011)	(88,489)	(342,013)	62,999
Total International Marketing	(53,698)	**717**	(1,011)	(39,514)	325,238	326,249
Net Excess/(Deficit) with International Marketing	36,534	**(468,328)**	(76,755)	327,483	1,455,945	1,532,700

Agenda Item No. 7(b)(i)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY
BOARD OF DIRECTORS MEETING
December 7, 2021

Overview

As we look towards the final year of the 2021-22 Legislative Session, little has changed from last year, other than Governor Newsom is no longer facing a recall challenge. The Legislature continues, of course, to be dominated by Democrats who hold a super-majority in both houses. While this may raise concern of the possibility of increased taxation proposals, there is relatively little threat in the coming year. The State is once again finding itself with a huge budget surplus - the Legislative Analyst's Office is estimating the state will have a $31 billion surplus (resources in excess of current law commitments) to allocate in 2022-23. Moreover, an election year (coming in November 2022) tends to temper the appetite for new taxation proposals.

The large budget surplus should help our industry as we endeavor to convince lawmakers to dedicate more resources towards the prevention of the devastating wildfires that have plagued wine country in recent years. In addition, the budget surplus will assist our efforts as we intend to advocate for the State to assist in critical research regarding smoke-exposed wine grapes.

We continue to monitor and comment on Cal/OSHA's COVID-19 Emergency Temporary Standard regulations. The latest draft that was circulated included some problematic additions to the current policy – we joined others in the business community in opposing those changes. In addition, the status of a possible vaccine mandate remains uncertain. If not resolved soon in federal courts, it is reasonable to assume that the State may choose to act alone.

Recycling policy is again likely to be front and center during the upcoming session. However, with an initiative to address the recycling of single-used plastics already qualified for the November 2022 ballot, any major proposal is likely to face a tough road. Nevertheless, we will continue to advocate for major reforms in the State's recycling program in order to better accommodate wine and spirits products by pivoting to a curbside collection model.

We expect to see continued action in the environmental arena in the upcoming year, both in the legislature and regulatory agencies. The North Coast Regional Board is developing a Vineyard Order requiring additional action by vineyard owners and managers on the North Coast. The Regional Boards will begin requesting wineries submit their notices of intent to comply with the Winery Order that was adopted in early 2021, this process will last beyond 2022 and will stretch to early 2024 for some wineries. Finally, we expect there to be significant legislative and regulatory action around efforts to limit carbon emissions. For example, the Air Resources

Board will be adopting regulations to increase purchasing requirements for medium- and heavy-duty electric vehicles by large businesses.

In alcohol policy, we had a tremendously successful year in 2021, securing passage of three key bills to expand our privileges: SB 19 allows 02 license holders to open an additional offsite tasting room, AB 239 allows wineries to refill wine containers at their duplicate license premises, and AB 1267 allows for charitable promotions to be tied to sales of an alcoholic beverage. All three bills become effective on January 1, 2022. In the upcoming session, we expect that DISCUS will once again be pursuing the expansion of direct-to-consumer privileges for their products.

We wish you all the happiest of holidays - Cheers! The WI Sacramento Team.

2021 Legislation

Click here for a summary of last year's legislative session. (Document attached – was previously distributed to membership via a News Brief),

2022 Legislation

Smoke Exposure Research Funding: Wine Institute is working to develop a budget request for state funds to be made available for smoke exposure research. The proposal would provide funds to the California Department of Agriculture (CDFA) to distribute to researchers to investigate methods to measure and mitigate for smoke exposure. In addition to the budget request Wine Institute is also planning to create a system for industry input into the distribution of research funds by CDFA. We discussed this item at the Public Policy Committee meeting and continue to explore the best approach to successfully obtain state funding for smoke research.

Winery Excise Tax Data: Per the Board of Equalization (BOE) discussion below, Tim has worked with Justin and Jon Moramarco to craft legislation to provide clarity with regard to the BOE's ability to make public winery excise tax data for purposes of economic analysis. This item was discussed at both Public Policy and Legal Subcommittee and will presented to the Board for approval at the December 7, 2021, Board of Directors meeting.

Regional and Statewide Regulatory Issues

Cannabis Appellation Program, Wine Institute has submitted comments on the modified draft of the Cannabis Appellation Program Regulations. Our primary concern continues to be the enforcement and penalties associated with the misuse by a cannabis cultivator of a geographic indicator. Wine Institute continues to engage staff at both CDFA and the Department of Cannabis Control to increase penalties and ensure adequate enforcement.

Cal/OSHA ETS: The current COVID-19 Emergency Temporary Standard (ETS) is set to expire in January, and in anticipation of reauthorizing the ETS through April 2022, Cal/OSHA recently released draft language with substantive changes. The substantive changes involve the need to test, quarantine, space, and mask vaccinated employees who have had contact with a COVID-positive person. Wine Institute is a signatory on a CalChamber letter that opposes these changes, stating they are unnecessary, expensive, and will discourage employers from ensuring their employees get vaccinated. In addition, Cal/OSHA has delayed action on adopting a standard related to mandatory vaccinations due to the proposed Fed/OSHA being held up in court. We anticipate that if this is not settled in the courts soon, the State may choose to act separately.

Board of Equalization (BOE): Since 2019, and despite 86 years of providing unredacted excise tax data, the BOE began to anonymize the winery excise tax data it provides to support preparation of the Gomberg/Fredrikson Report. By doing so, the data lost a substantial amount of its analytic value, as there is no geographic indicator in the data. Tim and Jon Moramarco have been working with BOE staff to rectify this issue, but it was ultimately recommended that the Board itself would need to act on the matter. Tim testified at the BOE hearing on September 21st and requested that the Board form a working group that can recommend a solution to this issue. The Board unanimously agreed to form the working group. Tim has been working with Jon and Justin to identify a workable solution for the Board's consideration. Ultimately, Tim and Justin worked out with BOE member Malia Cohen's Office that the Board would direct their Executive Director to recommend a method of providing the excise tax data with a geographic indicator, such as zip codes. In addition, it was decided that the Board would recommend supporting legislation that would provide clarity as to the Board's ability to release the data we are seeking. Both of these motions were adopted at the Board's October 20th meeting in which Tim provided supporting testimony. As noted above, Tim will be discussing the proposed legislation at our December 7 Board of Directors meeting.

San Francisco Bay Region Vineyard Order: Wine Institute participated in a meeting with the San Francisco Bay Regional Water Quality Control Board to discuss the group monitoring plan, which is a requirement of the Region's Vineyard Order. Vineyards five acres or larger that drain into the Sonoma Creek and Napa River watersheds are subject to the Vineyard Order and any vineyard that doesn't meet Tier 1 standards is required to participate in the group monitoring program. The group monitoring program will work to monitor creeks and Best Management Practice effectiveness for groundcover and unpaved roads on hillslope vineyards. Sonoma and Napa County Farm Bureaus are administering the monitoring program and will invoice vineyard owners to cover the cost of the monitoring. Charges for the monitoring are expected to be $10 per acre and invoices are expected to be mailed in December.

Department of Insurance: On Nov. 10th the Department of Insurance hosted a discussion of proposed changes to their regulations that would require insurers to credit property owners for their fire hardening efforts. The intent of the changes is to encourage insurers to offer more policies in wildfire-prone areas. The meeting was dominated by comments from insurers and consumer advocacy groups. In general, all parties supported the concept of the regulations, but offered varying technical changes to ensure the changes would have their desired effect. A subsequent draft of the regulations, which will go through a formal rulemaking process, should be forthcoming soon.

Ag Order 4.0 and Winery Order Groundwater Monitoring Coordination: Large wineries classified as tier 4 in the Winery Order in most cases will be required to conduct groundwater monitoring if they land apply any process water. Wineries with vineyards on the Central Coast will also be subject to Ag Order 4.0 groundwater monitoring requirements. Wine Institute is working on coordinating the two requirements to try to allow the monitoring to meet the requirements of both orders to save monitoring costs for Tier 4 wineries.

Winery Order: The State Water Board adopted fees for wineries subject to the statewide Winery Order on July 6. The adopted fee schedule bases fees off the amount of process water discharged from the facility and fees range from $750 to $19,000 per year. The fees included discounts for wineries that are enrolled in an approved Local Agency Oversight (LAO) program. Napa County is currently negotiating the development of an LAO program, which, if approved, would provide Napa County wineries with discounted fees. Additionally, wineries that are certified sustainable under an approved sustainability certification program will receive a 10 percent discount on their fees. Wine Institute testified at the hearing asking for increases in fee reductions for LAO programs and sustainability programs. Board members asked staff to consider making further reductions once more information is known about the number of wineries enrolling in the Winery Order and staff costs of operating the program. Wine Institute developed spreadsheets to assist wineries to comply with the new Winery Order requirements. The spreadsheets are available on Wine Institute's website and can be used by any size winery subject to the Winery Order.

Restoration General Order: The State Water Board is proposing a statewide general order that would allow restoration projects to proceed without the need to obtain an individual WDR. Wine Institute testified in support of the adoption of the Order at the August 4 Water Board workshop and submitted comments in support. The proposed Order will make it easier for Wine Institute members who are undertaking voluntary projects to improve riparian areas by simplifying the permitting process.

CV-SALTS: Wine Institute remains a member of the CV-SALTS executive committee and Central Valley Salinity Coalition. Water Quality permit holders in the Central Valley were required to submit their notice of intent to comply with the CV-SALTS program by July 15. Enough wineries have opted to participate in the salinity study (P&O Study) to cover the budgeted costs for the wine industry. Any wineries that have not yet submitted their notice of intent by the July 15 deadline should contact Wine Institute or the Regional Board as soon as possible to come into compliance with the Central Valley Regional Water Quality Control Board's salinity requirements. Additionally, the Regional Board is developing an enforcement strategy for the management zones to ensure full participation in the nitrate control program. The Regional Board has sent letters to entities in Priority 1 nitrate management zones that have not yet submitted their enrollment information. Letters to priority 2 management zones (Yolo, Merced, Kern County (west side south), Tulare Lake, Kern County (Peso), Delta Mendota, Eastern San Joaquin, and Madera) are likely to be sent to dischargers next year.

Waters of the United States Rule: Wine Institute participated in a workshop in September on proposed revisions to the U.S. Army Corps of Engineers and Environmental Protection Agency's rule defining Waters of the United States (WOTUS). The definition has gone through numerous iterations due to court rulings and responding regulatory changes. The rules impact when permits are needed for activities that may impact wetlands and riparian areas. California has its own rules governing activities that impact wetlands and riparian areas and Wine Institute will review proposed changes to understand the potential impacts the federal rule changes may create.

Advanced Clean Fleets: The California Air Resources Board (CARB) is developing regulations that will require large businesses to replace medium- and heavy-duty vehicles with zero emission vehicles (ZEV). Wine Institute participated in a workshop outlining the draft regulations. The regulation will apply to businesses that own or dispatch more than 50 vehicles or if they have more than $50 million gross annual revenue. The draft regulations require that private fleets ultimately transition to 100 percent ZEVs within the next two decades depending on the type of truck. The finale rule is expected to be adopted by CARB in mid- to late-2022.

Notable 2022 Ballot Initiatives

Taxpayer Protection Act: Filed by the California Business Roundtable, this proposal would increase voters' power over taxes by, among other things, requiring statewide voter approval for any tax increase approved by the Legislature and governor, and prohibiting state agencies from imposing taxes or tax-like regulations unless approved by the Legislature and the voters. In addition, the initiative restricts, and places requirements on local tax measures. The initiative was filed on October 1, 2021.

Split-Rate Property Tax Surcharge: The Service Employees International Union (SEIU) United Healthcare Workers West recently filed two separate measures that would impose a split-rate property tax increase. Both measures would increase the property tax rate on commercial, residential, industrial, vacant, and mixed-use real property with "full cash value" of $4 million or more, and properties valued at $5 million or more would face an even steeper rate. Exemptions are included for commercial agriculture property, protected open spaces, properties restricted by deed for low-income occupants, and others. The initiative was filed on October 6, 2021.

California Recycling and Plastic Pollution Reduction Act: Filed by Recology, environmental groups, and others, this measure would require CalRecycle to adopt regulations that reduce the use of single-use plastic packaging and enact a maximum one-cent per item fee on single-use plastic packaging and food ware, with revenue from the fee distributed to CalRecycle, the California Natural Resources Agency, and local governments. This initiative has qualified for the November 2022 General Election ballot.

California Legislative Recap 2021

Governor Gavin Newsom officially marked the close of the California 2021 legislative year with the final strokes of his pen to veto and sign legislation on October 10th. This year was noted by tensions and emotions stemming from the COVID-19 pandemic, another round of devastating wildfires, and the looming and ultimately unsuccessful recall of the Governor. The year also saw an unprecedented budget surplus, allowing state leaders to fund priority projects at historic levels.

Wine Institute advocacy efforts were largely a success, advocating for the largest budget allocation ever for wildfire prevention and the passage of priority alcohol beverage control legislation signed by the Governor. Wine Institute also advocated against misguided labor and environmental proposals harmful to California businesses. Many of these proposals failed passage in the legislature or were vetoed by the Governor.

Below is a list of the 2021 legislative items impacting Wine Institute members. All bills are labeled as signed by the governor, vetoed by the governor, or as having failed passage in the legislature. Since this year is the first year of a two-year legislative cycle, bills that failed passage in the legislature will be eligible to be reheard next year. Bills that were signed by the Governor will go into effect on January 1, 2021, unless otherwise stated. If you have any questions, please contact Wine Institute's Sacramento Office.

Alcohol Policy

AB 61 (Gabriel) – Alcohol Beverage Pandemic Relief: This bill allows ABC licensees to continue utilizing expanded outdoor space provided under an ABC approved COVID-19 Temporary Catering Authorization for 365 days following the end of the COVID-19 state of emergency, or until July 1, 2024, whichever occurs first. The bill is sponsored by the California Restaurant Association. ***Signed by the Governor.***

AB 239 (Villapudua and Rivas) – Refillable Wine Containers at Duplicate Premises: This bill allows wine containers to be refilled at a Duplicate-02 premise. Prior to passage of this measure, containers could only be refilled at the Master-02 premise (i.e., winery). The bill was sponsored by the Monterey County Vintners & Growers Association. Wine Institute supported the bill. ***Signed by the Governor.***

AB 1070 (Cooper) – Alcohol Beverage Advertising Umbrellas: This bill would have allowed distilled spirits manufacturers and other distilled spirits supplier license types to provide an alcohol beverage retail licensee with up to 12 advertising umbrellas per licensed location per year. Diageo sponsored the bill. ***Vetoed by the Governor.***

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

AB 1267 (Cunningham) – Charitable Promotions and Sales: This bill authorizes an alcohol beverage licensee to advertise or promote a donation to a nonprofit charitable organization in connection with the sale of an alcohol beverage. Wine Institute supported the bill. ***Signed by the Governor.***

AB 1330 (Frazier) – Alcohol Deliveries: This bill would have prohibited all alcohol licensees from delivering an order to a consumer received by telephone or other electronic means unless the delivery driver is 21 or older, the age of the recipient is verified to be 21 or older, the recipient is not intoxicated, the licensee is identified on the receipt as the merchant, the recipient takes physical possession at a physical address, the order is pre-paid, and delivery takes place 60 minutes after the licensee is required to end sales. Due to concern over how this will impact wine DTC shipments, Wine Institute worked with the author to include an exemption for the specific wine DTC code section if the bill moves forward next year. ***Failed Passage in the Legislature.***

SB 19 (Glazer) – Additional Tasting Rooms: This bill allows wineries to have three tasting rooms – one at the production facility and two offsite at duplicate premises. Wineries will need to pay a one-time $440 application fee for the additional facility. Wine Institute supported the bill. ***Signed by the Governor.***

SB 314 (Wiener) Bar and Restaurant Recovery Act: An urgency measure that went into immediate effect upon signature by the Governor, this bill authorizes ABC to, for 365 days from the date the COVID-19 state of emergency is lifted, allow licensees to continue to exercise license privileges in an expanded licensed area authorized pursuant to a COVID-19 temporary catering permit. In addition, the bill would allow a licensed manufacturer to share a common licensed area with multiple licensed retailers, in specified instances and with certain restrictions. Finally, this bill increases the number of times, from 24 to 36 in a calendar year, that the Department of ABC can issue a caterer's permit for use at any one location. ***Signed by the Governor.***

SB 386 (Umberg) – Tied-House Exception: This bill creates a tied-house exception to allow alcohol manufacturers to sponsor events and purchase advertising with on-premise retailers in a mixed-use district in Orange County (ocV!BE). ***Signed by the Governor.***

SB 389 (Dodd) – Cocktails To-Go: This bill, sponsored by DISCUS, allows on-sale retailers to sell cocktails and single-serve wine in ***non***-manufacturer sealed containers for pickup by the customer. Amendments were taken at our request to make clear that nothing in the bill will impact DTC wine shipments and the delivery of manufacturer sealed containers by an on-sale retail licensee. ***Signed by the Governor.***

SB 620 (Allen) – Distilled Spirits and Beer Direct to Consumer: This bill would have allowed certain distilled spirits manufacturers and brewers to deliver product directly to a California resident with certain restrictions. The bill was sponsored by DISCUS. ***Failed Passage in the Legislature.***

Employment Policy

AB 73 (Rivas) – Agriculture Worker Safety Wildfire Smoke: This bill expands the definition of essential workers to include agricultural workers for the purpose of accessing the personal protective equipment (PPE) stockpile for emergencies established by the State Department of Public Health and the Office of Emergency Services. The bill also directs the Division of Occupational Safety and Health (Cal/OSHA) to review and update the content of wildfire smoke training in existing regulations and requires training provided by employers to be in a language and manner readily understandable by employees. Wine Institute supported this bill. ***Signed by the Governor.***

AB 364 (Rodriguez) – Foreign Labor Contractor Registration: This bill would have included farm labor contractors and employers of H-2A farmworkers in the Labor Commissioner's (LC) foreign labor contractor registration program and required adherence to certain standards. ***Failed Passage in the Legislature.***

AB 616 (Stone) – Agricultural Employee Card Check: This bill would have created an alternative election procedure for agriculture unionization efforts, by eliminating the secret ballot voting procedure in current law and authorizing union representation through a card check election. Wine Institute opposed this bill. ***Vetoed by the Governor.***

AB 701 (Gonzalez) – Warehouse Distribution Centers: This bill requires an employer with 100 or more nonexempt employees at a single warehouse or 1000 or more nonexempt employees at warehouses around the state to provide each employee, as specified, with a written description of each quota to which the employee is subject and any potential adverse employment action that may result from failure to meet the quota. ***Signed by the Governor.***

AB 857 (Kalra) – H2A Workers Required Disclosures: This bill would have required agricultural employers to make certain disclosures to H2A workers about wages, benefits, and other rights, and would have codified the circumstances when H-2A farm workers must be paid at their regular rate of pay for time spent traveling to work. A group of agricultural interests were opposed. ***Failed passage in the legislature.***

AB 995 (Lorena Gonzalez) – Paid Sick Days: Accrual: This bill would have expanded California's employer provided paid sick leave by mandating that an employer provide no less than 40 hours of accrued sick leave or paid time off to an employee by the 200th calendar day of employment or each calendar year. Wine Institute opposed the bill. ***Failed passage in the legislature.***

AB 1003 (Gonzalez) – Wage Theft: This bill makes the intentional deprivation of wages by unlawful means, with the knowledge that the wages, gratuities, benefits, or other compensation is due to the employee under the law, punishable as Grand Theft under certain circumstances. ***Signed by the Governor.***

AB 1041 (Wicks) – Family Leave: This bill would have added a "designated person" to the list of individuals for whom an employee may take leave to care for under the California Family Rights Act (CFRA) and the Healthy Workplaces, Healthy Families Act of 2014 (Paid Sick Days). The bill was opposed by a large California Chamber of Commerce led coalition. ***Failed passage in the legislature.***

AB 1256 (Quirk) – Employment Discrimination Cannabis Screening: This bill would have prohibited an employer from discriminating against a person in hiring, termination, or any term or condition of employment because a drug screening test has found the person to have tetrahydrocannabinol (THC) in their urine but provided certain exceptions. ***Failed passage in the legislature.***

SB 331 (Leyva) – Non-Disclosure Agreements and Severance Agreements: This bill prohibits the use of non-disclosure agreements (NDAs) to settle employment and housing-related legal claims involving unlawful harassment, discrimination, or related retaliation of any kind, with limited exceptions when requested by the complainant. This bill also prohibits the inclusion, in an employment severance agreement, of terms that prohibit the separated employee from discussing unlawful conduct at their former workplace, unless the separated employee agrees to those terms under specified conditions designed to safeguard the separated employee's rights. ***Signed by the Governor.***

SB 410 (Leyva) – Elimination of Impact Analysis for Cal/OSHA: This bill would have exempted any occupational safety and health standard and order from the standardized regulatory impact analysis requirement for proposed major regulations, defined as having an economic impact of $50 million or more. Wine Institute opposed the bill. ***Failed passage in the legislature.***

SB 606 (Gonzalez) – Workplace Safety Violations: This bill establishes a rebuttable presumption that an employer's written policy that violates specified health and safety regulations exists at all of an employer's worksites and adds a definition of "egregious violation" that carries specified additional penalties. ***Signed by the Governor.***

Environmental Policy

AB 284 (Rivas) – Climate Goal for Agriculture: This bill would have required the California Air Resources Board to identify a 2045 climate goal, with interim milestones, for the state's natural and working lands to sequester carbon and reduce atmospheric greenhouse gas emissions. ***Failed passage in the legislature.***

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

AB 332 (Environmental Safety and Toxic Materials Committee) – Treated Wood Waste: This bill authorizes treated wood waste (TWW) to be managed under alternative management standards (AMS) instead of as a hazardous waste. ***Signed by the Governor.***

AB 350 (Villapudua) – Grant Program for Groundwater Conservation Planning: This bill would have required the California Department of Food and Agriculture (CDFA), upon appropriation of funds by the Legislature, to establish and administer a three-year grant program to fund technical assistance to support landowners located in a critically over-drafted basin, as defined, in reaching water use reduction goals established pursuant to the Sustainable Groundwater Management Act (SGMA). ***Failed passage in the legislature.***

AB 377 (Robert Rivas) - Water Quality: This bill would have prohibited state and regional water boards from allowing any waste discharge that contributes or causes an exceedance of water quality standards. The bill would have additionally prohibited an implementation plan for achieving water quality standards after January 1, 2030. This bill was sponsored by the Coastkeeper's Alliance and was strongly opposed by agricultural and manufacturing entities for usurping the discretion of state and regional water boards. Wine Institute opposed the bill. ***Failed passage in the legislature.***

AB 564 (Gonzalez) - Biodiversity Protection and Restoration Act: This bill would have established the Biodiversity Protection and Restoration Act and would have provided that it is the policy of the state that all state agencies, boards, and commissions shall utilize their authorities in furtherance of the biodiversity conservation purposes and goals. AB 564 would have presumably prohibited Department of Fish and Wildlife (DFW) from issuing any incidental take permits, amongst other things. ***Failed passage in the legislature.***

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

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

AB 1395 (Muratsuchi) - Greenhouse Gas Emissions and Carbon Neutrality: This bill would have declared it is the policy of the state to achieve carbon neutrality no later than 2045, and to achieve and maintain net negative greenhouse gas emissions thereafter. The bill was opposed by a large coalition of business interests. ***Failed passage in the legislature.***

SB 260 (Weiner) - Climate Corporate Accountability Act: This bill would have required the California Air Resource Board (CARB) to adopt regulations by 2023 requiring all public and privately held companies doing business in California with annual revenues in excess of $1 billion to analyze, compile, have independently verified by third-party auditors, and publicly disclose all greenhouse gas emissions on a yearly basis. ***Failed passage in the legislature.***

SB 27 (Skinner) – Natural and Working Lands Carbon Sequestration Projects: This bill creates the California Carbon Sequestration and Climate Resilience Project Registry to maintain a list of eligible but unfunded projects to mitigate California's greenhouse gas (GHG) emissions and improve climate resilience. ***Signed by the Governor.***

Recycling and Single-Use Packaging

AB 478 (Ting) – Thermoform Plastic Containers Recycled Content: This bill would have established minimum recycled content requirements for thermoform plastic containers. ***Failed passage in the legislature.***

SB 38 (Wieckowski) – Bottle Bill Stewardship Program: This bill would have required distributors of beverage containers in the state to form a beverage container stewardship organization and take over operation of the Bottle Bill program. ***Failed passage in the legislature.***

SB 343 (Allen) – Recycling Symbol: This bill tightens the requirements around the permissible use of the "chasing arrows" recycling symbol and when claims regarding recyclability can be made and requires the Department of Resources Recycling and Recovery (CalRecycle) to publish the types and forms of recyclable products and packaging. ***Signed by the Governor***.

Tax Policy

AB 71 (Luz Rivas) – Homeless Program Funding: This bill as introduced would have imposed several significant tax increases on California businesses and individuals to fund homelessness programs. ***Failed passage in the legislature.***

AB 80 (Burke) – PPP Loans: State Tax Deduction: This bill conforms, with certain modifications, state law to federal law with respect to the tax treatment of Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loan (EIDL) advance grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Consolidated Appropriations Act of 2021. ***Signed by the Governor.***

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

SB 792 (Glazer) – Sales and Use Tax: Retailer Reporting: SB 792 would have required specified retailers, with respect to online sales, to track and report to the California Department of Tax and Fee Administration the city or ZIP code where the purchaser resides. ***Vetoed by the Governor.***

Wildfire

AB 642 (Friedman) - Wildfires: This bill enacts numerous provisions intended to increase the use of prescribed burning, including the creation of a prescribed burning training center Wine Institute supported this bill. ***Signed by the Governor.***

SB 332 (Dodd) – Prescribed Burn Liability: This bill releases from liability for the cost of fire suppression, unless conducted in a grossly negligent manner, a certified burn boss and a private landowner who performs, supervises, or oversees a prescribed burn. Wine Institute supported this bill. ***Signed by the Governor.***

Advertising

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

Budget

The state budget ultimately included $15 billion in funds to address climate change and climate resilience. The package includes investments to support immediate drought response and long-term water resilience, reduce the risk of catastrophic wildfires and increase climate smart practices on farms. For this budget year, funding includes $1.5 billion in funds to reduce catastrophic wildfires, $50 million for the State Water Efficiency and Enhancement Program (SWEEP), $180 million for Sustainable Groundwater Management Act implementation, $75 million for the Healthy Soils Program, $213 million for on-farm diesel engine replacement and $15 million for pollinator habitat.

Agenda Item No. 7(b)(ii)

FEDERAL RELATIONS
BOARD OF DIRECTORS MEETING
December 7, 2021

WILDFIRE ASSISTANCE AND PREVENTION

Wine Institute has successfully advocated for additional federal assistance and funding for research and wildfire prevention. The recent short-term extension of the federal budget included $10 billion for the reauthorization of the ***Wildfire Hurricane and Indemnity Program (WHIP)***. The enhanced program will provide relief for farmers and ranchers across the country who sustained financial losses as a result of wildfires, smoke exposure, drought, excessive heat and other natural disasters in 2020 and 2021. The program will be administered by the U.S. Department of Agriculture (USDA), and eligible California wine grape growers will be able to apply once the program re-opens in 2022. Wine Institute is seeking input from members on how to restructure payment calculations and simplify the application process as USDA updates the program rules.

Significant funding was also included in the short-term budget measure and the recently enacted infrastructure legislation for wildfire fighting efforts, new technology to detect fires and smoke, rehabilitation of damaged areas and hazardous fuels management programs to remove dead vegetation and prevent the spread of future fires. Wine Institute is closely tracking disbursement of these funds and identifying opportunities for grants related to smoke exposure research and any aid that could benefit private landowners. An additional $3 billion to supplement prevention of wildfires was approved by the House as part of the ***Build Back Better Act*** and has strong, bipartisan support in the Senate. It is expected to be part of the final reconciliation legislation.

Lastly, congressional appropriators have set aside $5 million in the FY2022 budget for the continuation of federal research to examine the impact and potential mitigation of smoke exposure for winegrapes. Negotiations on the overall budget are underway and will likely continue through December. Wine Institute will continue to press for additional funding beyond 2022.

COVID-19 RESPONSE

Vaccine Mandate - The Occupational Safety & Health Administration (OSHA) released an emergency temporary standard (ETS) requiring mandatory vaccinations and testing for many private employers on November 5. The ETS has been placed on hold in response to legal challenges filed in two dozen lawsuits across the country. Those suits have been consolidated into one case that will be heard by the Court of Appeals for the Sixth Circuit in the near future. The judgment of the Sixth Circuit is expected to be challenged, and enforcement of the ETS could ultimately be decided by the Supreme Court. Wine Institute is closely tracking deliberations and how federal decisions might affect a revision of CAL/OSHA's policies at the state level.

The ETS would apply to companies who employ 100 workers or more. Their employees are required to be vaccinated by December 6. Those not vaccinated must be tested weekly *and* wear a face-covering at work beginning on January 4. Seasonal and temporary workers are counted if they are employed directly by the business. Employees who work exclusively from home or remotely are included as part of the employee count but are excluded from the vaccination / testing requirements. Employers must provide at least 4 hours of paid leave to obtain a vaccine but are not required to offer paid leave for weekly testing or pay for the test itself. Employers must document and retain ongoing records of vaccinations and weekly testing results for each employee. Businesses found in violation of the rule will be fined $14,000 per infraction. A summary of the ETS can be found HERE.

IRS Guidance on COVID Relief Funds – In mid-November the IRS clarified that pandemic relief offered by the Small Business Administration is tax-exempt for business partnerships. The ruling for partnerships applies to ***Paycheck Protection Program*** **and** ***Economic Injury Disaster Loans*** as well as payments made from the ***Restaurant Revitalization Fund***.

Restaurant Revitalization Fund Replenishment Act (S. 2091 / H.R. 3807) **–** The Restaurant Revitalization Fund (RRF) enacted under the ***American Rescue Plan Act*** this spring authorized $28 billion for on-premise operators who suffered lost sales during the pandemic. Unfortunately, due to significant demand, program funding was depleted within two weeks. Wine Institute and industry partners representing the hospitality sector have been advocating in support of an additional $60 billion. The grants would be available to cover normal operating expenses, including payroll and employee benefits, mortgage and rent, utilities, supplies, personal protection equipment and cleaning materials, construction of outdoor seating and debts to suppliers. The legislation now has support from 223 representatives and 42 senators. Senators Dianne Feinstein (D) and Alex Padilla (D) as well as forty members of the state's delegation are cosponsors of the bill.

SUPPLY CHAIN DISRUPTIONS

For several months Wine Institute has been urging lawmakers and federal officials to provide resources to relieve strains on the supply chain. President Joe Biden has formed a task force with leaders from key federal agencies. The Federal Maritime Commission (FMC) is investigating policies and fees imposed by container shipping companies, and Congress has held several hearings on ways to overcome labor shortages and logjams at ports and railyards.

The ***Build Back Better Act*** approved by the House in November included $5 billion for the Department of Commerce to develop technology and best practices to reduce delays. In addition, the massive infrastructure bill authorized funding for expansion and modernization of ports in California that will address long-term challenges.

California lawmakers have been actively engaged in the issue. Senators Dianne Feinstein (D) and Alex Padilla (D) along with nine senate colleagues introduced the ***Supply Chain Resiliency Act***, which creates an agency within the Department of Commerce that would offer loans and grants to small and medium-sized manufacturers to expand production and reduce bottlenecks. Representatives Josh Harder (CA-10) and Michelle Steel (CA-48) sponsored ***The***

Supply Chain Taskforce Act, which establishes an interagency task force to resolve the backlog at the Los Angeles and Long Beach Ports as well as address safety and environmental concerns with idling ships off the coast. As chair of the Coast Guard & Maritime Transportation Subcommittee, Congressman Salud Carbajal (CA-24) has called for stricter enforcement of shipping regulations and is working closely with FMC commissioners to increase scrutiny of global shippers.

CANNABIS LEGISLATION

This summer Senate Majority Leader Chuck Schumer (D-NY), Finance Committee Chair Ron Wyden (D-OR) and Senator Cory Booker (D-NJ) released an outline and draft text of comprehensive legislation to decriminalize cannabis and create a federal regulatory framework for cannabis products. The ***Cannabis Administration and Opportunity Act*** removes cannabis from the *Controlled Substance Act* and amends the *Food, Drug, and Cosmetic Act* to include cannabis products. Oversight would be shared by the Food & Drug Administration (FDA) and TTB. FDA would oversee registration, product listing, good manufacturing practices, product standards, labeling, and recalls. TTB would collect excise taxes and oversee permitting and trade practices. An excise tax rate of 10% would be levied in the first year following enactment and increase by 5% annually. In the fifth year following enactment the tax rate would equal 25% of the prevailing price of cannabis per ounce (for flowers) or per milligram of THC (for extracts) in the previous year. An excise tax credit similar to what is offered to wineries would be available based on annual sales.

The bill sponsors have sought input from interested stakeholders. After extensive review and analysis of the proposal by a working group of the Legal Subcommittee, Wine Institute submitted comments that address public health and safety, regulatory oversight plus the need for additional agency resources, taxation, health claims, and protection of wine production places of origin (AVAs). A copy of the Wine Institute comments is attached.

EXECUTIVE ORDER ON COMPTETITION

In early July the White House released an executive order on competition and anti-trust issues that called on federal agencies to review and report on business practices in the agriculture, airline, health, broadband, finance and maritime sectors, among others. The Treasury Department, the Attorney General and Federal Trade Commission (FTC) were instructed to submit a report within four months on state of the current alcohol marketplace with a focus on unlawful trade practices, consolidation among the three tiers, and regulations governing container sizes, permitting and labeling that reduce competition. Treasury and TTB were further advised to consider any new rulemakings in the following eight months that could improve trade practice enforcement or market access for small producers.

In response to the executive order Wine Institute submitted formal comments to TTB that addressed the impact of wholesaler consolidation; an historical overview of enactment of direct-to-consumer laws; commercial challenges from franchise protection laws and support of trade practice enforcement policies and current standard of fill regulations. A copy of Wine Institute's comments is attached. Wine Institute will review the Treasury Department report as soon as it is released and update members on any outcomes.

IMPAIRED DRIVING LEGISLATION ENACTED

Two pieces of legislation related to impaired driving were recently enacted as a part of the comprehensive infrastructure bill that was signed into law in November. The ***HALT Act*** directs the Department of Transportation to initiate a multi-year federal rulemaking to expedite the development of technology and eventually require automobile manufactures to install ignition interlock technology in all new cars. The National Highway Traffic Safety Administration (NHTSA) is tasked with testing technology, determining feasibility, and developing implementation over a period of three to five years. Wine Institute will follow this rulemaking process closely and keep members informed of any outcomes.

The ***Multiple Substance Impaired Driving Act*** builds on state efforts to reduce impaired driving through the creation of innovative programs and technology to identify, monitor and treat drug and alcohol impaired drivers. The infrastructure bill also directs the Department of Transportation to improve testing and collection of toxicology data associated with fatal crashes and create a clearinghouse for data collection specific to marijuana impaired driving.

TTB FUNDING INCREASE

Wine Institute continues to advocate for increased funding for TTB to meet the needs of the growing alcohol sector. As noted earlier, Congress has enacted a short-term resolution in late September that funds federal programs through December 3 at FY2021 levels. A second extension may be needed before Congress can agree on a final appropriations bill for FY2022. Wine Institute and industry partners have urged lawmakers to raise TTB's budget as demands on the agency increase due to continued growth in the beverage industry. Congressional appropriators are working to find consensus on TTB's budget. At this point, it is likely they will agree to an increase of 5% from $124.3 million in FY 2021 to roughly $131 million for FY 2022.

WINE INSTITUTE

November 19, 2021

The Honorable Cory Booker
The Honorable Ron Wyden
The Honorable Chuck Schumer
United States Senate
Washington, DC 20510

Submitted Electronically

RE: Comments on discussion draft of Cannabis Administration and Opportunity Act

Dear Senator Booker, Senator Wyden and Leader Schumer:

Wine Institute, the trade association representing over a thousand California (U.S.) wineries and affiliated businesses, welcomes the opportunity to submit the following comments on the discussion draft of the **Cannabis Administration and Opportunity Act (CAOA)**. We greatly appreciate your willingness to receive input from a broad cross section of stakeholders in this important policymaking effort. California is the fourth largest wine producing region in the world and our wineries are responsible for more than 80% of the wine produced in the U.S. and more than 95% of U.S. wine exported to more than 140 countries. Wine is one of the most sustainable and highly value-added agricultural products in the nation and together California wine contributes $114 billion annually to the national economy and supports 786,000 jobs.

Since its beginning in 1934, Wine Institute has worked to support the California wine industry and enhance the environment for the responsible production and enjoyment of wine. Wine Institute's ongoing social responsibility programs promote moderate consumption, environmental conservation and protection, and involvement with communities and social policy organizations that protect the safety and well-being of employees and consumers. By necessity, the alcohol marketplace in the U.S. is highly regulated at the federal, state, and local levels. This regulation encompasses all aspects of the marketplace including viticulture, production, distribution, and retail sales. This regulatory environment is essential to helping ensure a safe and efficient alcohol marketplace.

We recognize the complexity of establishing a legal cannabis marketplace at the federal level and applaud the time and effort that you and your staffs have put into crafting this comprehensive proposal. Our comments focus on six key areas critical to establishing a well-regulated, safe cannabis marketplace – public health and safety, agency resources, regulatory structure and responsibilities, taxation, health claims, and protection of wine place names. These are all important issues for the wine sector; however, our comments should not be construed as a formal position on the legislation as a whole.

Public Health and Safety

Wine Institute believes it is essential for federal regulations to ensure the integrity of the cannabis marketplace and the safety of consumers and communities across the country. To this end, we support the following provisions included in the CAOA and believe they are important components of meeting this objective.

> **Federal research funding**: As you note in the summary of the discussion draft, under current law research into the potential benefits and harms of cannabis is strictly limited and as a result, there is a great deal that is not known about cannabis. ***Wine Institute supports the provisions of the CAOA that will facilitate and fund research to help close this knowledge gap**.* Specifically, federal research should study the impact of cannabis legalization, study and collect data on cannabis impaired driving, and lead to development of roadside testing technology to detect cannabis impaired driving.
>
> **Prohibition on cannabis products combining alcohol and THC: *Wine Institute supports the CAOA's inclusion of provisions expressly prohibiting the combination of THC and alcohol in any cannabis products.*** The lack of research and data on the short- and long-term impacts of consuming the two substances together clearly necessitates this approach.
>
> **Federal minimum age of 21 for purchase/consumption**: The establishment of a federal minimum age for the purchase or consumption of cannabis products is clearly warranted to help ensure public safety and protect consumers. ***Wine Institute supports the CAOA language establishing the federal minimum age at 21 years old***.

Agency Resources

The regulatory framework and oversight responsibilities envisioned in the discussion draft will involve multiple federal government agencies across the Departments of Health and Human Services (HHS), Treasury, Homeland Security among others. Agencies within these departments will be tasked with overseeing a major new consumer marketplace that is rapidly growing across the country. According to research firm BDSA, legal cannabis sales in the U.S. reached $17.5 billion in 2020, a 46% increase over the year before. This pace of growth is expected to continue as more and more states legalize marijuana. The number of cannabis businesses that federal regulators will be expected to permit and oversee will be significant and will also grow exponentially as the marketplace expands.

Wine Institute believes that any federal agencies taking on responsibility for regulating and ensuring a safe cannabis marketplace must be provided robust funding to stand up and maintain these functions without impacting their existing work in other areas. We note that the discussion draft of the CAOA does not include any specific provisions providing new or additional funding to the agencies that will oversee the cannabis marketplace. We recognize your acknowledgement that this is an important issue that remains to be addressed and we urge you to ensure that this is addressed in future drafts of the CAOA and that stakeholders are provided the chance to offer input on detailed funding provisions.

The Treasury Department's Alcohol and Tobacco Tax and Trade Bureau (TTB) is the primary federal regulator for the alcohol marketplace. Alcohol producers, including wineries, must work with TTB on regulatory requirements including permits, label approvals (COLAs), formula approvals, operational reports, tax reporting and payments and establishment and enforcement of American Viticultural Areas.

TTB’s workload has increased exponentially in recent years due to the significant growth in the number of alcohol producers across the country. For example, during the 12-month period through August, TTB approved 178,500 COLAs of which 115,000 (64%) were from wineries. TTB has carried out these vital functions while having to deal with the added challenge of an annual funding level that has not kept up with inflation, let alone to significant industry growth.

TTB’s work regulating our industry must not be negatively impacted by cannabis legalization in order to ensure the preservation of a safe, efficient alcohol marketplace. ***Wine Institute believes any new cannabis tax collection, regulatory, or oversight functions taken on by TTB should be handled by a new, separate division within the agency.*** This new division should have separate and distinct staff and resources to fully meet any new cannabis regulatory obligations.

Regulatory Structure and Responsibilities

The alcohol marketplace in the U.S. has been heavily regulated at the federal, state and local level since the end of Prohibition. At the federal level, this framework has been established in landmark legislation including the Federal Alcohol Administration Act, the Federal Food, Drug and Cosmetics Act, and the Food Safety Modernization act among others. As such, the federal regulatory structure for alcohol involves a number of different agencies. While TTB is the primary regulator of alcohol, other agencies including the Food and Drug Administration and the Federal Trade Commission also play important roles.

As controlled substances, there are similarities between alcohol and cannabis, however the products are very different and unique in terms of production, product formulation and consumption patterns. The discussion draft proposes a regulatory structure similar to that which exists for alcohol. ***Wine Institute supports a federal regulatory structure for cannabis that is as robust as the one that exists for alcohol and that assigns regulatory responsibilities to relevant federal agencies including FDA, FTC and TTB.***

Taxation

***Wine Institute supports the establishment of a federal excise tax on all cannabis products sold in the US market*.** Establishing a federal excise tax will help generate additional revenue for the expanded regulatory environment and additional federal oversight outlined in the CAOA and in these comments. There are other aspects of the federal excise tax structure outlined in the CAOA discussion draft that Wine Institute supports including:

- A “phased in” approach to full tax rates
- A tax credit designed to benefit small cannabis producers and subject to anti-abuse rules

Health Claims

***Wine Institute believes any health claims associated with THC containing cannabis products should be regulated as stringently as they are for alcohol*.** To ensure cannabis product labels and advertisements—including on websites and social media—do not mislead consumers about the consumption of cannabis and any purported health benefits, federal regulators should issue and enforce a regulatory framework that is at least as stringent as existing regulations in the alcohol industry.

The CAOA discussion draft provides that manufacturers of cannabis products would be permitted "to make claims about the benefits of their products in the same manner that manufacturers of dietary supplements do today. Specifically, manufacturers of cannabis products would be able to make structure-function claims—that is, claims that characterize the way a substance affects the normal structure or function of the body. As with dietary supplements, these structure-function claims would need to be supported by competent and reliable scientific evidence and accompanied by a statement on the label that advises 'These statements have not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure, or prevent any disease.'"

Permitting claims about how cannabis products may benefit the "function of the body"—even if supported in part—with only a limited prescribed disclaimer is not stringent enough to protect consumers from being misled. This is particularly true given how much remains to be discovered about cannabis use generally and specifically in a legalized U.S. market. For example, there are studies that indicate a potential therapeutic role for cannabinoids in the management of some sleep disorders.[1] At the same time, however, there are studies that suggest links exist between cannabis use and psychosis.[2] Nevertheless, the CAOA provisions in the discussion draft do not appear to require a cannabis product claiming that it helps with sleep to also provide further information about potential risks associated with cannabis use. To be sure, there are already many cannabis products available that claim to help consumers "drift off to sleep" or promise to have "tranquil effects" if taken before bed. Because manufacturers of cannabis products would not be required to provide countervailing or balancing information about the potential effects of consuming cannabis, permitting structure-function or other health-related claims with only a limited disclaimer risks misleading consumers.

In contrast, TTB currently has and enforces a robust set of regulations regarding health-related statements and specific health claims on labeling and in advertising of alcohol beverages. For example, 27 CFR § 4.64 addresses prohibited practices in the advertisement of wine. That section provides, in part, that a wine advertisement may not contain any health-related statement that—*even if true*— "tends to create a misleading impression as to the effects of alcohol consumption." That section also addresses health-related directional statements—i.e., "[a] statement that directs consumers to a third party or other source for information regarding the effects on health of wine or alcohol consumption." Any health-related directional statement is "presumed misleading" unless it also (1) directs consumers "in a neutral or other non-misleading manner" to a source for balanced information regarding the effects of alcohol consumption on health and (2) includes, "in a manner as prominent as the health-related directional statement," a prescribed disclaimer or "some other qualifying statement that the appropriate TTB officer finds is sufficient to dispel any misleading impression conveyed by the health-related directional statement."

Just last year, TTB reminded industry members of those regulations after it found an increasing number of advertisements, including on company websites and social media accounts, depicting health-related statements that to TTB suggested a relationship between the consumption of an alcohol beverage and its purported health benefits or effects. Similar regulations and enforcement should apply to cannabis products. Imposing the same or substantially similar regulations about health-related claims on labeling

[1] Malvika Kaul, Phyllis C. Zee, Ashima S. Sahni, *Effects of Cannabinoids on Sleep and their Therapeutic Potential for Sleep Disorders*, 18 Neurotherapeutics 217 (Jan. 2021)

[2] Rhitu Chatterjee, *Daily Marijuana Use And Highly Potent Weed Linked To Psychosis*, National Public Radio (NPR), Public Health, Mar. 19, 2019, available at https://www.npr.org/sections/health-shots/2019/03/19/704948217/daily-marijuana-use-and-highly-potent-weed-linked-to-psychosis

and in advertising of cannabis products as are already imposed on alcohol would help ensure that consumers are not being misled about any potential health benefits associated with cannabis.

Protection of Wine Place Names

Wine, more so than virtually any other agricultural product, is tied to its place of origin. Wine reflects the unique characteristics of the soil and climate where it is grown, and even neighboring wine regions can produce vastly different wines as a result. References to the specific origins of wines can be found in the Bible and in literature of Antiquity and the Middle Ages. The first official protection for a winegrowing region or appellation was established by Italy in 1716 for Chianti, but it was not until 1978 that the U.S. system for recognizing and protecting wine appellations was established through regulations issued by TTB. TTB describes an American Viticultural Area (AVA) as "a delimited grape-growing region with specific geographic or climatic features that distinguish it from surrounding regions and affect how grapes are grown."[3] To date, TTB has approved 258 distinct AVAs across the country, including 142 in California.

Many of these AVA's are nationally recognized for the quality and excellence of their wine and many also enjoy widespread international recognition. Over time, AVAs can provide considerable value to winegrowers in the form of consumer awareness, higher wine prices, and higher grape prices. It is not surprising, given the success of the AVA system, that some in the cannabis industry are interested in seeing a similar system established for cannabis. The state of California is in the process of finalizing regulations to create such a system.

Wine Institute notes that the discussion draft of the CAOA does not address in any way the prospect of a (state or federal) system of appellations for cannabis products. Given the high profile, widely recognized nature of certain AVAs, Wine Institute is concerned that some cannabis growers might be tempted to appropriate the consumer goodwill associated with successful wine AVAs. **Wine Institute urges the bill sponsors to ensure that the CAOA text and federal cannabis regulations include provisions to expressly prohibit cannabis producers and retailers from misappropriating in any way the goodwill or rights of recognized wine appellations or AVAs.**

Wine Institute appreciates the opportunity to provide these comments and we look forward to continuing to participate in the development of this important legislation in the future.

Sincerely,

Robert P. Koch
President and CEO

[3] See https://www.ttb.gov/wine/american-viticultural-area-ava

WINE INSTITUTE

August 18, 2021

Director, Regulations and Rulings Division
Alcohol and Tobacco Tax and Trade Bureau
1310 G ST, NW, Box 12
Washington, DC 20005

RE: Docket number TTB-2021-0007, Notice No. 204

Submitted electronically via Regulations.gov

Wine Institute, the public policy advocacy association representing over a thousand California wineries and affiliated businesses is pleased to submit the following comments in response to TTB Notice No. 204, the request for information on Promoting Competition in the Beer, Wine and Spirits Markets. California is the fourth largest wine producing region in the world and our wineries are responsible for more than 80% of the wine produced in the U.S. California wine contributes more than $114 billion annually to the U.S. economy and employs 786,000 Americans.

We appreciate the opportunity to provide these comments on the current conditions of competition within the U.S. wine market. Wine is a truly unique agricultural product in terms of viticulture and winemaking, and this uniqueness carries over to the wine marketplace as well. Like all alcohol, the wine marketplace is highly regulated at the federal, state, and local levels. The wine market is also highly fragmented, much more so than other alcohol categories. As we will discuss further below, the large number of wineries and wine brands in the U.S. market creates a unique set of challenges and barriers to competition for wine producers across the country. The U.S. is home to wineries of all sizes, but the overwhelming majority of wineries are small, family run businesses that face their own set of challenges in the marketplace.

BARRIERS TO COMPETITION IN THE US WINE MARKET

Consolidation in the Wholesale Tier

The wine marketplace has seen significant changes in the last twenty plus years. One of the most profound, has been consolidation in the wholesale tier. Under each state's statutorily mandated three-tier system, an out-of-state winery must typically be represented by an in-state distributor in order to sell their products to retail stores, restaurants, bars and hotels.[1] Consolidation in the wholesale tier has

[1] Self-distribution are sales made directly from a winery to on- or off-premise retailers. Currently, 13 states (AZ, AR, CA, CT, IL, MD, MT, NH, OH, OK, OR, VT, WA, and WY) allow for very limited interstate self-distribution, typically limiting the size of a winery that can obtain such licenses, and/or limiting the amounts of wine that can be self-distributed. Such limitations tend to favor in-state wineries as the privilege is not available or practical for most out-of-state wineries.

left many wineries unable to find distributors in many of the country's top markets. This problem is particularly acute for small and medium sized wineries.

According to *Wines & Vines Analytics* in 1995 there were 3,000 wine distributors across the country that served 1,800 U.S. wineries. Today, these numbers have shifted significantly, with fewer than 1,200 wholesalers serving over 11,000 U.S. wineries. It is important to also look at the number of wine brands and products in the marketplace to fully appreciate the challenge consolidation presents. For the twelve-month period through July 2021, TTB approved 113,700 Certificate of Label Approvals (COLAs) for wine products. Based on these COLA approval numbers, wine industry analysts estimate that there are approximately 250,000 unique wine products (or SKUs) for sale in the U.S. market at any given time. These numbers provide some indication of the scale of the problem for wineries trying to secure wholesalers to distribute their wines.

Consolidation in the middle tier has not only led to far fewer wholesalers but has also resulted in a small number of very large wholesalers controlling a significant share of U.S. wine sales. This concentration of market share among such a few wholesalers has significantly impacted the marketplace and a winery's ability to reach consumers. According to the *IMPACT Newsletter*, in 2010, the top ten wholesalers accounted for 58% of wine sales nationally. By 2020, the top ten accounted for 80% of U.S. wine sales and among these, the three largest wholesalers controlled 63% of U.S. wine sales. This consolidation of market share has been underway for many years but has clearly accelerated over the last decade.

Direct-to-Consumer Wine Shipping – A Response to Wholesale Consolidation

Wine Institute has been working to secure Direct-to-Consumer (DTC) shipping privileges for its winery members since the mid 1980's. As the number of wineries in the United States began to expand exponentially in the late 1970's and early 1980's, members of Wine Institute began to call upon the organization to pass legislation that would allow them direct access to consumers across the country. Due to the mandatory nature of the three-tier system, wineries were unable to find traditional wholesaler representation in all the markets in which they wished to sell their products. The combination of the strong growth in the number of wineries, along with the simultaneous shrinking number of wholesalers at the state level who were unable to carry the sheer number of SKU's coming onto the market, resulted in wineries seeking direct routes to service consumers seeking their wines.

Since the passage of Oregon's "reciprocal shipping law" in 1985, we have successfully worked to pass legal winery shipping in 47 states. Today, only Delaware, Mississippi and Utah have yet to pass a DTC shipping law allowing consumers to have wine delivered to their door via common carrier from a winery.

Passing DTC laws around the country did not come about easily, nor are these laws operating without opposition across the country. By far the most vocal opponents to DTC shipping have been those in the wholesale tier, although some segments of the retail industry have joined forces with wholesalers to oppose these shipments because of perceived competition to their state monopolies. After successfully passing "reciprocal shipping laws" in 13 states, the wine industry recognized that these laws which did not afford for the collection of taxes in the recipient state were going to be hard to pass and uphold. Beginning in 1996, wholesaler organizations in many states began to introduce and pass legislation making it a felony to ship wine into their states, and characterizing DTC wine shippers as bootleggers seeking to avoid the payment of state excise and sales taxes. In 1997, wineries came to consensus around a new Model Direct Shipping Law that required licensure, payment of taxes to the recipient state, acceptance of the jurisdiction of the recipient states courts, and a number of procedural components such as adult signature requirements and winery reporting to the state regulators. With this new model, another 13 states passed DTC shipping laws by 2004, the year in which the *Granholm v. Heald* case came before the US Supreme Court.

Prior to 2004, there were lawsuits in 11 states challenging laws that allowed for in-state wineries to ship wine to consumers in their state, but that prohibited out-of-state wineries from similar access. The decision in the *Granholm* case resulted in the basic legal premise that states can regulate all DTC shipping in their states regardless of the wines origin, but they cannot discriminate in favor of their instate wineries in so doing. The wine industry moved forward after *Granholm* by converting the old "reciprocity" laws to the newer permit model, recognizing that the former laws would still be discriminatory against wineries located in states that don't allow for shipping. The wine industry then focused its energy on opening the remaining states, resulting in the 47 state laws that now exist to allow for legal, regulated winery DTC shipping.

Despite the passage of the legal DTC shipping laws, the wholesale tier (along with some of their retailer allies) has continued to push for changes to existing laws that would make compliance with the regulations overly burdensome, or to block traditional elements of the trade such as the use of fulfillment houses to pick-and-pack wine orders. While the wineries themselves have not always been the direct recipients of these challenges to DTC shipping, the focus on our Common Carrier partners and the fulfillment houses has put some shipping laws into jeopardy.

We are now seeing efforts by other segments of the industry to obtain more DTC shipping privileges. Retailers, brewers, and distillers all are seeking to expand their own DTC shipping footprints, hoping to have the same access to consumers as currently enjoyed by the wineries. While the state-by-state legislative route taken the by wine industry was a long and difficult process to achieve, it is consistent with the 21st Amendment which authorizes each state to set its own rules for the sale and importation of alcohol and remains the viable route to market for these other groups to pursue. It appears that the wholesaler associations are intent upon stopping any further expansion of DTC shipping, so this issue is likely to remain before the state legislatures for some time to come.

"Monopoly Protection" Franchise Laws

Alcohol franchise laws are a relatively recent phenomenon – the first appears to be the Massachusetts law pertaining to beer franchise passed in 1971. These laws were ostensibly intended to protect small wholesalers against large brewers, since losing a large brewer's beer brands would have been a death knell for such a wholesaler. They then spread over the course of years to include the wine industry in some states, despite the competitive conditions in the wine industry making franchise laws both inappropriate and anti-competitive.

Today, wine franchise laws, in one form or another, are enshrined in statute in 20 states. The combined anti-competitive effect of wholesaler consolidation and wine franchise laws, significantly impede wineries access to markets and result in higher prices and diminished selection for consumers. Wine Institute continues to believe that franchise laws inhibit competition and are bad public policy for the following reasons:

> **Franchise laws typically override private contract rights in three critical areas of the supplier/wholesaler relationship.** First, they dictate lengthy, usually complicated, and ill-defined circumstances under which the supplier is allowed to end or significantly modify its relationship with the wholesaler. Next, they require that a supplier designate a specific territory in which a wholesaler shall have the exclusive distribution rights for its brands. Finally, they limit

the supplier's rights to object to a change in wholesaler's management and/or ownership. It is clear, franchise laws are a gross governmental intrusion into private contract rights.

Franchise laws create an anti-competitive, monopolistic marketplace. Franchise law legislation generally freezes the existing market in favor of a small group of large wholesalers who are already dominant and provides them with a virtual monopoly. Further consolidation of the wholesale sector is unavoidable because the smaller wholesalers either lack the economies of scale to continue in business or are merged with the large wholesalers. New people cannot enter the market since they are effectively barred from contracting with suppliers (particularly for more popular brands) that are already committed to the existing wholesalers.

Consumers are most hurt by franchise law legislation. Consumers will ultimately suffer because of non-competitive pricing, less product selection and inadequate training of salespeople. With a virtual monopoly status, the wholesalers can raise their prices at will and refuse to participate in supplier price reduction strategies designed to be passed on to consumers. These factors were detailed in a study conducted by Sonoma State University entitled “The impact of wine franchise laws on consumer choice and pricing; A comparison between Georgia and Florida” published in the International Journal of Wine Business Research in 2013*(see copy of the article attached)*. Also, when suppliers must go through expensive protracted actions to terminate their wholesaler to get proper distribution of their product (which most wine suppliers cannot afford), the resulting disruptions and inefficiencies in the distribution system can have a negative impact on prices. Additionally, consumer choice at the retailer level will be adversely affected where suppliers are not being adequately serviced by the large wholesalers or when such suppliers find it necessary to discontinue or bypass sales in the state to avoid damage to brand reputation. Finally, consumers suffer when wholesalers fail to pursue effective education programs with retailers and consumers regarding the use of wine products or to pursue other merchandising practices that help consumers in their selection of a particular brand.

The retail community suffers a significant adverse impact because of franchise laws. Retailers need purchasing flexibility to get competitive prices, good product selection and product supply in a timely manner. These are key factors in maintaining strong sales revenue. Retailers that are required to source product from one wholesaler in a specific area are a captive of the wholesaler regardless of whether the wholesaler meets those retailers' needs. The retailer is trapped in the sense it cannot force a supplier to find another wholesaler nor can it generally source product from wholesalers elsewhere in the state because of the franchise laws.

Franchise law legislation is particularly harmful to the wine industry. Wine suppliers rely heavily on their wholesalers to properly merchandise their products, including retailer and consumer education, tastings (where legal) and similar strategies. Because of the complexity and variety of the many wine brands and circumstances dictating their use, wholesalers play a critical role in the distribution and merchandising of wine - far beyond the mere retail delivery function. Hence, an ill-performing wine wholesaler is a big problem for a wine supplier. In most states there are a relatively few large wholesalers that handle wine products. On the other hand, there are approximately 250,000 wine SKUs sold in the U.S. - many of which are produced by relatively small family-owned manufacturers. Faced with a franchise law, most wine suppliers have no hope of standing up to these large wholesalers in a dispute because they cannot readily move their brands to a more competitive wholesaler and hence, they have no leverage to insist on the proper marketing of their products. This wine distribution function differs from the beer distribution system where, despite some recent consolidation amongst beer wholesalers, there is typically a large number of wholesalers whose size is relatively small compared to the major beer producers and where simple product delivery is the primary wholesaler function. The fact larger brewers do not oppose some form of franchise law legislation for its product is not relevant to the wine industry.

The small supplier exemption in franchise law legislation is a trap for winery suppliers. Often wholesalers attempt to insert a special exemption for small, in-state wineries in the law (designed to exempt the typically smaller in-state wineries at the expense of medium and large-sized wineries in other states) to eliminate their opposition. Such an exemption provision is illusory. Once the small wineries get to a certain size, their business will be negatively impacted because they will be subject to the law. Also, these provisions have frequently been held to be unconstitutional; hence, the small suppliers could become subject to the law by way of court action, after its passage.

Franchise law legislation can have a negative impact on state revenues. State revenues can be adversely affected by a monopolistic distribution system that hurts sales and creates job loss. Revenue from alcohol beverage products is generated by excise taxes – based on volume, and sales taxes based on retail sales to consumers. Hence, where retail sales are adversely affected by poor wholesaler merchandising practices, high prices, or product unavailability, tax revenue is adversely impacted. Also, out-of-state consumer buying will be stimulated by non-competitive pricing and product availability - particularly along a state's borders.

Franchise law legislation has a negative impact on jobs. Franchise legislation creates a monopolistic environment in favor of large established wholesalers whose market share is protected. Over time, the smaller wholesalers either go out of business - hence, putting their employees out of work or they merge with the larger wholesalers, which like any business consolidation - causes layoffs. Also, because new wholesalers are effectively prevented from entering the market, franchise law legislation stifles economic development and creation of jobs. The net effect of franchise law legislation is a job killer - not a job saving mechanism as some wholesalers would want people to believe.

Franchise law legislation can be unconstitutional in several respects. It should not be the business of state legislatures to insert themselves into the private contractual relationships between business partners. Franchise law legislation typically supplants private contract rights often attempting to take effect retroactively. Such an approach violates the Contract Clause of the Constitution and violate suppliers basic due process rights. It should also be noted that wholesalers often attempt to insert a small supplier exemption in the franchise law to avoid opposition from that sector. Unequal application of the law, particularly if it favors local in-state suppliers - is vulnerable to a violation of the equal protection clause of the constitution.

Federal Trade Commission Competition Advocacy Program- Wine Franchise Legislation
Over the last decade, the FTC has played an important role in writing letters of opposition in response to state legislative requests for commentary on proposed franchise laws. These letters emphasized the “reduced competition” that can result from the enactment of franchise laws, highlighting that these kinds of restrictions on wineries could result in higher prices for consumers without any offsetting consumer benefit. Wine Institute urges the FTC to continue opposing anticompetitive, overly restrictive, and anti-consumer wine franchise legislation as it arises in state legislatures around the country.

TRADE PRACTICE PRIORITIES AND ENFORCEMENT

One of the central tenets of the Federal Alcohol Administration Act (FAA Act) (27 U.S.C. 201 et seq.) is to regulate promotional and marketing trade practices that might lead to corruption, and in so doing, help keep the playing field level among industry members. The federal and state alcohol regulatory framework, as currently structured, is generally effective in trade practice regulation and enforcement. However, Wine Institute believes that there is a need for enhanced, consistent, and even-handed trade practice enforcement, particularly in the areas of direct and indirect "slotting fees," as well as other areas of the FAA Act and Internal Revenue Code provisions. We encourage the TTB to continue to work closely and coordinate with state Alcohol Beverage Agencies to marshal resources and robustly enforce against federal and state licensees who run afoul of these types of trade practice violations. A concerted, consistent, and well-coordinated federal and state agency effort will go a long way to achieving and maintaining a level playing field among industry members.

STANDARDS OF FILL

Wine Institute notes that the Executive Order specifically references regulations around bottle sizes and standards of fill as an issue to be reviewed and considered as possibly unnecessarily inhibiting competition. This is an issue that the Treasury Department and TTB have very recently reviewed through a formal rulemaking (TTB-2019-0004; Notice No. 182), which left standards of fill regulations unchanged while adding several additional sizes to those already authorized. Wine Institute supported this determination and continues to oppose the elimination of federal regulations on standards of fill. It is unclear why TTB would seek to revisit this issue less than a year after a final rule was issued on this matter.

Wine Institute continues to oppose any effort to eliminate federal standards of fill. These standards and regulations are critical to the wine industry for the reasons outlined here:

> ***Purpose for Creating Federal Standards of Fill Framework*** - The Federal Alcohol Administration Act ("FAA") was enacted to regulate the alcoholic beverage industry in order to protect consumers and promote responsible marketing practices. The FAA Act specifically authorizes the enactment of regulations relating to alcohol beverage containers in order to "prohibit deception of the consumer with respect to such products or the quantity thereof…" (27 USC 205(e)).
>
> Federal standards of fill regulations were enacted to serve the primary purpose of reducing consumer confusion and the possibility of consumer deception that would be created by a vast array of different container sizes in the marketplace. The federal framework for standards of fill creates a uniform system that allows wineries to comply with one national system of regulations and consumers to choose from a predictable, uniform set of container sizes. The justifications for the adoption of the standards of fill regulations are still relevant today. These regulations must remain intact to ensure today's consumers are protected and the industry can continue to rely on one primary, uniform set of standards.
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> ***Consumer Confusion*** - The elimination of federal standards for wine container sizes could lead to consumer confusion based on the many different sizes that would be offered. The potential for proliferation of many different container sizes could conflict with the TTB's stated mission of prohibiting deception of consumers. For example, consumers may not be able to tell the difference between a 750ml wine bottle and a 700ml bottle, which could create an opportunity for producers to reduce costs and taxes while not necessarily reducing their prices. This "shrinkflation" is a common phenomenon in other food and beverage products. The current

federal standards of fill allow consumers to shop by cost comparison without needing to calculate the price per milliliter.

Importance of Federal Uniformity - Deregulation of federal standards would cause disruption of business, difficulty with assuring compliance across state lines, and unnecessary expenditure of state resources to create standards in lieu of the federal standards of fill. Currently, 38 states explicitly defer to the federal standards of fill. If the federal standards were eliminated, these 38 states could decide to enact new standard of fill requirements to protect their consumers and simplify the administration of their rules on taxation, product tracking, and recordkeeping. Such state rules would inevitably vary from state to state and create serious disruption to business, as wineries would have to overhaul their sales, marketing, and compliance models to adjust to up to 38 different state container size regulations.

The 8 states that currently have statutorily required standards of fill, have, in fact, presented ongoing challenges and have become very burdensome for industry over the years. For example, Florida and Louisiana both present perennial challenges for wineries wishing to sell container sizes not approved in their respective state laws. In these states, the wine industry must go to the state legislature in each case in order to add a new size to the state rules. Louisiana's law specifically outlines the container size *and case configuration* permitted for distribution in that state. If standards of fill are deregulated at the federal level and states step in to establish their own standards of fill, the wine industry may have to repeat its experiences in Florida and Louisiana in all 50 states, creating many issues for wine producers, adding extra costs, and limiting choices for retailers and consumers. Ironically, the removal of one Federal Rule, however well-intentioned, could in fact result in the need to seek legislative and regulatory fixes in all 50 states as the industry adjusts to changes in the future.

State Concerns - Further, the proposed deregulation will cause many issues at the state level with respect to taxation, shelf space and placement, and consumer sales limits. Most current state laws on DTC wine shipping have set case limits on how much wine a consumer may purchase from each winery. Both consumers and wineries are familiar with those limits, and the removal of a standard case will likely lead to consumer confusion as wineries try to stay within their legal limits. In addition, Control States already face difficulty allocating scarce space in their retail stores efficiently and fairly. This would be exacerbated by permitting a significant number of additional allowable sizes. It could force the Control States to further reduce the array of brands in their retail stores, which is most likely to adversely affect small and medium-sized wineries.

Wine Institute appreciates the opportunity to provide these comments on barriers to competition in the wine marketplace. We look forward to continuing to provide input on ways federal, state, and local governments can remove barriers to competition for all wine producers.

Sincerely,

Robert P. Koch
President and CEO

Agenda Item No. 7(b)(iii)

PUBLIC POLICY COMMITTEE REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

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

1. Health, Wellness, and Nutrition Claims

Historically, TTB has addressed health-related statements on wine labels and in advertising on only a case-by-case basis. In recent years, however, there as been increased consumer interest in health and wellness products leading many Wine Institute members uncertain about what types or claims are allowed and what type of claims are not allowed. Wine Institute undertook an analysis of existing laws and regulations, and investigated the types of claims becoming more prevalent in the marketplace. After presenting and discussing the issue at the most recent Legal Subcommittee and Quarterly Public Policy Committee meetings, Wine Institute is arranging a meeting with TTB to discuss the topic and to seek more guidance from TTB on the issue for all industry members.

2. Federal Trade Commission Enforcement Notices

In early October, the Federal Trade Commission (FTC) put more than 700 companies—including wine companies—on notice that they could incur significant civil penalties if they use online testimonials, endorsements, or reviews in ways that could mislead consumers. Among other things, failing to adequately disclose a material connection with a third-party endorser (e.g., influencers) on social media platforms like Instagram, TikTok, Twitter or Facebook can mislead consumers. The FTC warned that "[t]he rise of social media has blurred the line between authentic content and advertising, leading to an explosion in deceptive endorsements across the marketplace" and that the FTC will be ready to hold companies responsible "with every tool at its disposal. Accordingly, Wine Institute's Legal Department issued a bulletin to members summarizing the FTC's notice and related materials, and providing guidance and resources to members to help ensure compliance with FTC's laws and regulations.

3. Comments to Cannabis Administration and Opportunity Act

Wine Institute drafted its comments on the discussion draft of the Cannabis Administration and Opportunity Act issued earlier this year. The comments represent consensus views of Wine Institute and its members on several topics including public health and safety, agency resources, regulatory structure and responsibilities, taxation, health claims, and protection of wine place names. For more details on this topic, please refer to Charles Jefferson's report on Federal Relations.

4. European Union Wine Labeling

We are following updates on coming mandatory ingredient labeling in the European Union and attended the recent launch of the U-Label Platform—an e-labeling platform that is optional at present. Its full implementation is expected toward the end of 2023. For more details on this topic, please refer to Charles Jefferson's report on International Public Policy Issues.

Agenda Item No. 7(b)(iv)

STATE RELATIONS DEPARTMENT REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021
(Current Information as November 22, 2021)

Overview

Almost all of the legislative work for the year has been completed, though a handful of states are still in active sessions at this time. Several states held special sessions this year, primarily to deal with COVID-19 related issues and budgets. Most legislative work was done remotely in 2021, although a few states have gone back to face-to-face meetings. Even in those states, lobbyists and others are still prohibited from meeting with legislators in person in the capitals. Our Regional team and lobbyists did a great job of representing our members' interests under these difficult circumstances throughout the year. The access granted through our contract lobbyists was essential to our success this year, as normal paths of communication simply weren't available in many cases.

State responses to COVID-19 continued to dominate discussions at the state level, The hospitality sector was clearly a focus for much of that discussion, with states working to determine how to deal with prior Executive Orders granting special relief and privileges as they began to expire. The passage of the Federal Government's COVID-19 relief package (ARPA) was crucial to keeping state and local governments solvent and relieving potential tax pressures on the wine industry along with other hospitality sectors. Information on these tax issues can be found in the report below. Home delivery, take-out, curbside pickup, cocktails-to-go, outside dining expansions and other components Governor's orders all became legislative issues to be dealt with, and you will find them summarized throughout the report.

As anticipated, several new themes that emerged in recent years have taken greater focus this year. In order to address the many environmentally focused proposals that are emerging, in November of 2020 we created an Environmental Working Group (SR-EWG) within the State Relations Subcommittee. These members have been helping us to evaluate proposals dealing with bottle deposits, single-use plastics legislation, advanced disposal fees (ADF) and Extended Producer Responsibility (EPR) programs. We also created a working group to focus on efforts to reclassify low-proof spirits and other ready-to-drink beverages for both tax and distribution purposes. This Ready-to-Drink Working Group (SR-RTDWG) helped us to evaluate the many bills seeking to legislate in this new area. The work of both groups has been essential in helping to guide our responses to these emerging topics, and information on both items can be found below.

We continue our work to expand DTC shipping access for wineries, as well as work to protect the existing shipping privileges from challenges promoted by our opponents. To that end, we are pleased to announce the passage of a new DTC law in Alabama, and passage in Ohio of a bill removing the capacity cap for DTC shippers over 250,000 gallons annual production. Our recent focus has been on ensuring that fulfillment houses are allowed to continue shipping on behalf of wineries and ensuring that common carriers are able to comply with new rules and regulations being proposed around the country. As mentioned above, we have also been dealing with delivery issues in may states where restaurants are seeking a permanent ability to include wine, beer and spirits with their food orders for takeout, curbside pickup and delivery. We have been working to differentiate such "deliveries" from DTC "shipments" in order to avoid new regulations on delivery inadvertently having a detrimental impact on DTC shipments. Information on all of these topics can be found below in the report.

Our traditional work on taxes, monopoly protection legislation, licensing and trade practice rules continues as always, and you will find below a summary of the highlights of all of these efforts. There has been a tremendous amount of legislative work done this session, with our team tracking over a 1,200 bills related to our industry. Our team of 6 Regional Counsels/Directors, and the contract lobbyists they are supervising in 48 states outside of California (excluding only North Dakota this year), are all working to represent the interests of our membership in this very challenging environment.

Katie Jacoy, our Western States Counsel, has announced her upcoming retirement, to be effective on December 31, 2021. Sally Jefferson will be moving to the West Coast to take over Katie's Region at that time. We are very pleased to have recently announced the hiring of Geralyn Lasher to take over as our new Director, Great Lakes States. Geralyn was previously serving as a Commissioner on the Michigan Liquor Control Commission before coming to join our team. Members will have a chance to meet Geralyn at our December board meeting, as well as to join us in thanking Katie Jacoy for her 17 years of superb service to the Wine Institute and its members. The State Relations Team will be making a presentation to the board during the meeting on December 7, 2021.

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

Taxes and Fees

While we began 2021 quite concerned about possible tax increases to fill budget deficits at the state and local level, the passage of the American Rescue Plan Act of 2021 at the Federal level, and the funds it provided to both state and local governments, removed those pressures. Where we did still face tax fights, they were primarily of a different sort, especially those being pushed by public health groups to fund treatment and addiction programs. Below you will find a summary of the types of tax and fee bills we dealt with this year, with an emphasis on changes taking place since the June Board meeting. We are pleased to report that no states have passed an excise tax increase in 2021.

Wine Excise Taxes:

Fourteen states introduced legislation in 2021 dealing with excise taxes. We were most concerned with the proposals that were introduced in **Hawaii, Illinois, New Mexico, Oregon, Washington** and **Wyoming**, none of which passed. In **Hawaii**, a pair of bills were introduced that would have initially imposed a 1-cent per drink tax on all alcohol, effectively raising the table wine tax by approximately $0.256/gal. The Senate version of that bill was then amended to increase the tax to 10-cents per drink, meaning a new total tax rate of approximately $3.94/gal. Neither of these bills passed this session, but they will carry over to the 2022 legislative session. In **Illinois** the Governor, along with new leadership in the House, voiced early support for increasing excise taxes to fill their budget deficit. We helped to fund a grass-roots opposition plan, called "Raise Glasses, Not Taxes" that has strong hospitality industry support. A majority of the members the House signed on to our resolution to not increase taxes on the hospitality industry, and the budget was passed without any alcohol tax increases. In **New Mexico**, a provision in the Omnibus Liquor bill that would have imposed a 5% drinks tax to fund a program to offset losses by licensees due to expanding the availability of on-premises licenses was struck from the bill before its passage. And in **Oregon**, both the Department of Health and members of the public health community pushed competing measures to increase wine and beer taxes that would be earmarked for prevention and treatment programs. The prevention group, Oregon Recovers, pushed a bill that would have increased wine excise taxes by $10.00 per gallon. Neither of these Oregon bills have passed, but there is pressure to increase funding for prevention and treatment programs, and we will continue to engage on the issues there in 2022 as there is considerable momentum in some quarters to address these public health concerns. A bill that that we supported in **Oregon** did pass, which brings the excise tax rates into conformity with the federal CBMTRA by defining table wine as up to 16% rather than the previous 14%. In **Washington**, we successfully opposed a discriminatory bill put forward by Family

Winemakers of Washington that would have exempted smaller wineries from paying any excise taxes. We had offered the Constitutionally sound alternative of exempting all wineries, regardless of their size, from payment on the first 50,000-gallons sold in Washington, but the bill did not move forward, and the amendment was not taken up. The bill will now carry over to 2022. And finally, two tax increases in **Wyoming** also failed to pass. The first of these would have increased the mark-up on all wines sold through the state control system from 17.6% to 20.6%, while the second would have increased the mark-up on DTC shipped wines from 12% to 17.6%. Both **Massachusetts** and **New York** have multiple excise tax increase bills still pending at this time, most of which would either double or triple the existing tax rates while earmarking funds for treatment and prevention. None the bills in either state have shown any signs of movement and will carry over to 2022. Bills in **Minnesota** to realign the excise tax rate to 16% (similar to the Oregon bill above) will carry over to 2022. We have been working with local hospitality coalitions in each state to address these proposals, along with other bills across the country.

Local Option Taxes:

Neither the **City of Chicago** nor **Cook County** included a tax increase in their 2021 budget, despite early concerns that they would do so. We were successful in defeating a bill that would expand the local taxing authority in **Virginia**, allowing them to impose such taxes without requiring a vote of the people as is now the case. Legislation to allow for local option sales taxes on alcohol and meals failed to pass in **Vermont**, which we are opposing along with other segments of the hospitality industry. The Vermont bill will carry over to 2022.

Sales and Drinks Taxes:

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

Fees / Markups / Other Taxes:

We worked on **sales tax nexus** bills in **Florida, Kansas** and **Missouri** that could impact wineries holding DTC shipping permits. In **Florida** and **Missouri**, the bills that was passed will now require those wineries making over $100,000 in DTC sales of wine to collect and remit sales taxes, beginning on 7/1/21. The bill that was passed in **Kansas** will not impact wine DTC sales, as the state already requires wineries to collect and remit the 8% liquor enforcement tax upon sales into the state. However, we have been informed that any winery selling more than $100,000 in non-wine merchandise in a calendar year would be subject to the new tax (which we imagine is very unlikely to occur). These were the last states not collecting sales taxes on remote winery sales, so this should be the end of this issue as it relates to DTC wine shipments.

Sixteen states have considered legislation that would change **how low-proof spirits and/or other RTDs are regulated, distributed and taxed.** We are working with members of SR-RTDWG to evaluate each of these proposals to determine our lobbying position. Typically, the effort is to define these drinks in such a way as to allow them to be sold by beer and wine wholesalers (especially in control state systems), to provide them with more consumer access via more points of sale, and to tax them at a rate nearer to beer and/or wine that to spirits. Our goal is to ensure that wine is not disadvantaged through either the tax or distribution changes being proposed. As this category continues to see strong growth, we anticipate to that we will be seeing more such bills in the future. The bills that passed in **Michigan** and **Nebraska** set the tax at the wine rate or higher, rather than at the beer rate as originally introduced. We are still awaiting final action on a bill we oppose in **New Jersey** that currently would set the tax rate at the beer level of $0.12/gal for any RTD under 9.9%.

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

Monopoly Protection / Wholesaler Issues

In **Alabama**, a bill was passed that was amended so that it included both our model DTC shipping language, as well as provisions that would mirror all of the county-by-county monopoly protection ("franchise") laws and replace them with one state-wide monopoly protection law. All of Alabama's major metro areas other than Huntsville were already covered under such a local law, and the bulk of the population in wet counties were also already covered. This change in how monopoly protection is handled in the state was something we have discussed pursuing for several years within the State Relations Subcommittee so long as the provisions from the local laws are not changed, as is the case in the recently passed law. The Governor signed the bill in May. In **Nevada,** we opposed a measure being pushed by the local wholesalers that would strengthen provisions of that state's existing monopoly protection law. We were successful in paring back some of their more onerous proposals, but a slimmed down version of the bill did pass. Due to a legislative staff drafting error, there was a mistake in the final bill that will require the issue to be reopened either in a special session or when they next meet in regular session in 2023. We are working with other interested stakeholders to make sure that the provision is corrected, and that nothing else detrimental to our members is added to the bill at that time.

In **New York** there was an effort to pass **"at rest" legislation,** which failed to move this year, but that will carry over to 2022. Legislation in **Illinois** that would prohibit wholesalers from requiring **minimum purchases** by retailers, as well as prohibiting **delivery fees** by wholesalers, also failed to pass this year, but will now carry over to 2022. A similar bill in **New York** that would also address wholesaler's delivery fees will carry over to 2022. And in **Oklahoma**, a bill passed that changes the permit fee paid by wineries for "designating" and "non-designating" wholesalers, which also adds a **primary source of supply** provision to their law.

Privatization in Control States / Other Control State Issues

Mississippi was the most active state this year related to privatization, with the House and Senate taking completely opposite approaches to the issue, thereby ultimately resulting in a stalemate where none of the proposals passed. A bill authored by a leader in the House would have privatized the wholesale system, but the state would keep an 18% markup on the wholesale price of wine for itself in addition to any private wholesaler markups, a proposal which we believe would have been unworkable. That bill passed the House quickly, but it died the Senate. The Senate passed its own bill, which was a more modest plan that would upgrade the ABC warehouse and contract out the operations of the warehouse to a private party. A third plan supported by the ABC to create the Liquor Distribution Corporation also failed. It now appears that the state will use some of its federal ARPA funds to pay for upgrades to the ABC's warehouse operations, which could relieve some of this pressure going forward. A bill in **Alabama** that would have phased that state out of the retail liquor business by 2026 also failed to pass. We are also watching activities in **Oregon** by the Northwest Grocers Association, where they have filed multiple versions of spirits privatization bills that would allow for the sale of spirits in grocery stores. If sufficient signatures are collected, this could appear on the ballot in November of 2022. We are watching these measures for potential impacts on wine sales and distribution in the state. Finally, legislation that would change the municipal liquor store system in **Minnesota** has failed to pass, but it will carry over to 2022.

One other issue in the control states has been related to **distribution of RTDs** (see the Tax section discussion above). Besides the tax implications of these bills, in the control states there has been pressure to move the distribution of RTDs into the private sector, where they would be handled by beer and wine wholesalers. Such changes were adopted in **Michigan** and **Virginia t**his year, and bills are pending or will carry over into 2022 in other states such as **Pennsylvania** and **Vermont**. Other control states such as **Oregon, Montana** and **Maine** saw such efforts fail in 2021, but we expect new bills to be filed in the future.

Direct-to-Consumer (DTC) Shipping

During the COVID-19 crisis, the importance of the DTC channel has been proven as it became a lifeline for many wineries, especially those who had limited access to sales in off-premise retail. It was reported last January that winery to consumer DTC shipments increased to over $3.7 billion in 2020, showing the importance of this channel. The figures for DTC reported throughout 2021 have shown that this channel has remained strong even as consumers have begun to return to traditional retail outlets.

Positive DTC Change Efforts:

Legislation to allow DTC shipping was passed in **Alabama** last summer, and took effect on 8/1/21, expanding the number of legal shipping states for wineries to 47. Licensed wineries are now able to ship up to 12 cases per consumer, and both fulfillment houses and common carriers are also required to file reports and hold licenses. We passed legislation in **Ohio** this summer, as a part of the budget bill, that now allows wineries over 250,000 gallons annual production to obtain an S-2 DTC shipping permit. Of note here was that we garnered the support of the local wholesalers for the Ohio effort, which was crucial in obtaining passage of the bill. Our legislation from 2020 in **New Jersey** to remove the 250,000-gallon capacity cap there has carried over to this session, and we continue to make headway on that bill with the support of FreeTheGrapes. We are hopeful it may see action before the end of 2021. In **Oregon,** the Governor signed a bill last summer that increases the monthly DTC shipping limit from 2 cases to 5 cases for each consumer. That provision became effective immediately upon passage. In **Tennessee,** a bill that we believe to be unconstitutional passed that will allow wineries that produce under 30,000 gallons per year to sell up to 6 cases via DTC, while larger wineries must stay under the old limit of 3 cases. And finally, in **Wyoming** the Governor signed a bill in March that will increase the per-consumer DTC limit there from 4 to 12 cases per year effective on 7/1/21, although the restriction on wines already sold through the control system unfortunately remains in place.

In **Louisiana**, our bill to remove the exclusion of those wines in wholesale distribution passed the House, but it failed to pass the Senate. Bills that would have opened up the states of **Mississippi** and **Delaware** for DTC shipping failed to pass, as did our bills in **Arkansas** and **Rhode Island** (to remove the on-site sale provisions in each state), and in **Indiana** (to remove the prohibition on wineries with wholesalers from getting a DTC license). A bill in **Nebraska**, supported by the ABC, would have cut the DTC licensing fee in half, taking it from $500 to $250 per year. That bill failed to pass in 2021, but it will carry over to 2022. Bills to create licensed permit shipping systems in **Alaska** and **Minnesota**, to replace the existing non-permit systems there, failed to pass in 2021 and will now carry over to 2022.

Potentially Anti-DTC Shipping Efforts:

Anti-shipping forces continue to introduce bills that would make it harder for our members to ship. These bills are often focused on Common Carriers and fulfillment houses, but they can take other forms as well. More states are pursuing bills to limit shipment by wineries to "**wines of their own production**". A pair of bills on this topic is pending in **Massachusetts** at this time and will likely carry over into 2022. The intent of these kinds of bills is to prevent wineries from shipping wines produced by others which they purchase at wholesale, or which they try and ship under contract.

Common Carrier/ Fulfillment House Focused bills:

States have continued to focus both their enforcement and regulatory efforts on common carriers and fulfillment houses. We supported the successful passage of a bill in **Kentucky** that fixed the flaw in last year's bill so that wineries are now able to use a fulfillment house to ship into the state. That same bill also fixed an issue that was preventing those wineries operating under an alternating proprietorship arrangement from shipping. We were also able to overcome an effort by the wholesalers and retailers in **Tennessee** to stop the use of fulfillment houses for DTC shipping. In the end, the bill that passed creates a permit for fulfillment houses that will become effective on 1/1/22, thereby allowing wineries to continue to avail themselves of the use of these important partners in DTC commerce. In **Kansas** a bill was passed that would set up a licensing and reporting system for fulfillment houses which we feel is workable. In **Louisiana,** after the ATC issued Cease and Desist orders to all fulfillment houses in August of 2021 to stop shipping into the state, we have been able to negotiate a stay to that order while the state now creates a regulation to require reporting in a manner similar to that in use in Illinois.

Common Carrier legislation we supported was passed in **Hawaii** this year, allowing them to file a single report for the state, from which each county liquor authority will extract the information pertinent to their island. There is also fleet licensing legislation we support that is pending in **Massachusetts,** which we anticipate will carry over into 2022.

<u>Retailer to Consumer DTC, etc.:</u>

The **US Supreme Court failed to grant cert this year in the appeals in both the 6th Circuit case out of Michigan** (last January) and the **8th Circuit case out of Missouri** (in October) that were being sought by the wine retailers. A number of other courts have continued to side with the states in supporting their laws that allow in-state retailers to ship to consumers, while prohibiting out-of-state retailers from doing so as well. Like in **Michigan and Missouri,** instate only retailer shipping statutes in **Kentucky, Indiana, North Carolina** and **Ohio** were upheld in the courts. At the same time, other states continue to debate this issue in their legislatures. Bills in **New York** to allow retailer DTC shipping failed to pass in 2021. We were forced to oppose a defeated retailer DTC shipping bill in **Maine** because it contained language that would have ended the existing exclusion of DTC shipped wines from the Maine bottle deposit law. An effort to amend a bill in **Illinois** to allow for retailer DTC shipping will now carry over into 2022. In **New Hampshire**, a bill that would allow the New Hampshire Liquor Control Commission to itself become a DTC shipper from its own retail stores has passed, and we are currently waiting to see how they will implement this new privilege. Retailers lost the ability to ship into **Idaho** this year when the ABC there determined their state has no reciprocal shipping agreements with other states to allow retailer shipping. They also lost the ability to ship into **Nevada** due to provisions included in S 307, the bill that also included the expansion of the monopoly protection law. **Retailers are now limited to shipping into 13 states and DC**: (AK, CA, CT, DC, FL, LA, NE, NH, NM, ND, OR VA, WV, WY)

We saw increased activity across the country by both **spirits and beer producers seeking DTC shipping privileges**. Twelve states considered legislation in 2021 to allow for spirits shipping. The only two spirits DTC shipping bills to pass, in **South Dakota** and **West Virginia**, were each amended to become “special order” bills, where particular spirits products are able to be special ordered and shipped to retailers for pickup by a consumer. Five states considered beer DTC shipping in 2021. None of the true DTC bills for beer or spirits has passed this year. Both beer and spirits lost the ability to ship into **Nevada** in 2021 due to the provisions in S 307 which also expanded the monopoly protection law. As a result, **Brewers can currently ship into 10 states and DC**: (AK, DC, KY, NE, NH, ND, OH, OR, PA, VA and VT), while **distillers can currently ship into only 6 states and DC**: (AK, AZ, DC, KY, NE, NH, ND).

<u>Delivery, Take-Out and Curbside Sales by On- and Off-Premises Retailers:</u>

During the COVID-19 crisis, the ability of restaurants, bars and off-premise retailers to provide new forms of customer access has been a huge issue across the country. Prior to the pandemic approximately half of the states allowed for a restaurant to include factory-sealed bottles or cans of wine with a food delivery. That privilege was expanded into almost all states under emergency orders from Governors and local regulatory officials, while the types of products allowed have also expanded to include mixed drinks, beers and wines by the glass in individual containers with rules about how they must be closed/sealed and labeled. We are supporting efforts across the country to make these kinds of sales legal on a permanent basis. **There were 130 bills in 44 states in 2021** on this topic, giving you an idea of how important this issue has become to the retail sector. 35 states passed legislation making some sort of expanded retailer delivery legal in 2021, with 26 of those new rules becoming permanent, and the remaining 9 states passing laws with a sunset date at which time the law would have to be renewed to stay in effect. Another 7 states have similar bills pending that will carry over into 2022, while just 3 states actually defeated such bills in 2021. Near the end of sessions, a number of states saw the local package store coalitions increasing their opposition to these bills, claiming they would damage their businesses. We will be tracking this issue to determine what course we take in supporting such efforts in the future. Of note here, we were able to include wines by the glass in most instances where states were passing “cocktails to go”. While before COVID-19 most takeout and delivery bills were only for packages in original containers, the newer bills now allow for mixed drinks and servings in individual containers. WE have supported provisions here that link purchases of alcohol to the amounts of food purchased from on-premise licensees as a means of assuaging package stores that restaurants aren’t becoming “to go stores” for alcohol sales only.

Bottle Deposit Laws / Environmental Legislation

In 2020 we created the **State Relations – Environmental Working Group (SR-EWG)** within the State Relations Subcommittee to assist our team with analysis of environmental proposals. We are seeing a dramatic uptick in the number of EPR proposals along with other forms of product stewardship and single-use packaging legislation. At the same time, traditional pushes for bottle deposit law expansion also continues. Details of some of the major issues can be found below.

Bottle Deposit Laws

In **Connecticut,** a bill passed that creates an MOA between the state and industry to require an 80% recycling rater for wine and spirits bottles, and to impose a 5-cent deposit on 50ml spirits containers that will fund local recycling efforts. We are working with regulators to determine the potential impacts of the 80% recycling rate in the MOA. Earlier language in that bill that would have added wine and spirits to the existing bottle bill were amended out of the bill before passage.

Eleven states considered bills that would expand an existing bottle deposit law to include wine bottles, or else creating an entirely new deposit program in which wine would be included from the start. The states considering expanding an existing program are **Connecticut, Massachusetts, Michigan, New York, Oregon** and **Vermont**. The bill in **Vermont** passed the House last summer and will carry over into 2022. None of the other bills have yet to move, but we are aware of a very strong effort underway to garner support for the expansion bill in **New York** in 2022. **Illinois, Maryland, Rhode Island** and **West Virginia** all considered legislation to create new redemption programs in which wine would be included. None of these bills has passed, but some will carry over into 2022. In **Maine**, as mentioned above, the defeated retailer DTC shipping bill would have removed the existing exclusion for DTC shipped wine bottles from that state's existing law. We are also tracked bills in seven other states to expand bottle deposit laws that would add products like sports drinks, teas, and 50ml spirits bottles, but that would not include wine at this point.

Another area of focus in bottle deposit legislation is **reform of the existing programs**, primarily focused on when, how and by whom returns are handled. These bills often include proposed increases to the handling fees on covered containers as squabbles over the costs of redemption center operation and who gets to keep the escheat are common themes in these states. Of most interest to wine were multiple bills in **Iowa** on this subject, as well as a perineal bill that would do away with the Iowa bottle deposit law (which includes wine bottles) entirely. None of the Iowa bills passed in 2021. We are supportive of several bills calling for a thorough study of state bottle deposit laws in lieu of simply expanding their programs, such as those being proposed in **Hawaii, Vermont** and **Oregon**. It is clear, however, that in states like these three there is still a concerted push to expand their laws to include wine containers that we must continue to fight.

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

In many states there is now momentum to move beyond simple deposit return programs, and to focus more on holistic recycling and product stewardship type programs that involve the producers more closely. Attention has also shifted somewhat from glass and aluminum recycling to include a broader focus on single-use plastics. As a result, we are working with the SR-EWG to review a number of complex new proposals in order to better understand our member winery's needs in this emerging area of legislation. **EPR-style bills that hold producers primarily responsible for the life cycle of the products and waste they produce were considered this year in Connecticut, Hawaii, Maine, Maryland, Massachusetts, New York, Oregon and Washington**. Both **Oregon** and **Maine** passed EPR-style legislation last summer, and we are now working to address those impacts. Neither bill was what the industry would consider a "good EPR bill" styled after some of the more industry focused systems being enacted in Europe and elsewhere. Instead, they create new and cumbersome state regulatory schemes, which would appear to weigh down the programs with costs and bureaucracy.

Our most immediate concern is in **Oregon**, where we are faced with making a choice between leaving our covered containers in the EPR bill where they are currently, or seeking to move as many container types as possible into the bottle deposit program operated by the Oregon Beverage Recycling Coop. There is strong pressure from certain legislators to move in 2022 to include just wine in cans in the bottle deposit program, which our members have said they oppose. ***As a result, the Public Policy Committee recently voted to send the following Draft Policy Statement to the WI Board for approval on December 7, 2021***:

WINE INSTITUTE DRAFT POLICY STATEMENT ON OREGON'S BOTTLE DEPOSIT LAW

Wine Institute will support the inclusion of wine containers in the Oregon bottle deposit law ("bottle bill") only under the following conditions:

1. *the program to implement the bottle bill is operated by an independent beverage industry entity with a limited role of government in program operations;*
2. *the independent beverage industry entity works to enhance the positive environmental impacts of the bottle bill and creates innovative ways to improve the consumer experience of returning beverage containers;*
3. *the unredeemed deposits remain with the independent beverage industry entity to reduce costs and/or improve the recycling infrastructure of the program;*
4. *the program implemented by the independent beverage industry entity can accommodate all 750ml or less metal, glass and plastic bottles and cans of wine; and*
5. *the cost data, as available, indicates that the Oregon bottle bill is the preferable economic choice for recycling wine containers, over the program to be implemented in Oregon under the Oregon Plastic Pollution and Recycling Modernization Act (SB 582, enacted 2021).*

Using parameters outlined above, we will work in the coming months to analyze and compare the EPR program with the existing bottle deposit program, and to determine what the wine industry should do related to positioning our containers in each of the programs.

An EPR-styled bill was passed in **Washington** that will impact the use of plastics there. We were able to obtain a significant delay in the rule that mandates post-consumer recycled content (PCRC) for 187ml wine containers (along with milk containers) that will delay the implementation on a phased schedule between 2028 and 2036. The EPR bill that was passed in **Maine** is anticipated to have less of an immediate impact on the wine industry as containers already in the bottle bill will not be included in the EPR program. The majority of our products (other than bag-in-the-box and DTC shipped wines) are currently included in the existing bottle bill, lessening the impact on our member wineries.

In addition to these broad EPR proposals, we are also seeing discussions of **Advanced Deposit Fees (ADF)** again, with **Hawaii** being at the forefront on this issue. There, a proposal to increase the existing 1.5-cent per container ADF to 5-cents per container garnered some initial support, but it will now carry over to the 2022 session. We are also seeing legislators and industry groups in other states (particularly in **New England**) urging a change to broad-based ADF rather than expanding their bottle deposit laws. This comingling of ADF and bottle deposit law proposals appears to be a trend we will see in the future. We expect this discussion to be especially active in both **Connecticut** and **Vermont** in 2022.

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

Other Environmental Bills:

We identified a new type of negative environmental legislation this year when we learned of the passage of legislation in both **Maine** and **Vermont** to **regulate the use of phthalates** in packaging. Used as a softener that make certain plastics more pliable, states are now moving to ban PFSA and phthalate use in product packing. For the moment, industry groups fighting this issue in **Maine** have achieved a temporary stay of enforcement of the January 1, 2022 implementation date on the sales ban, but this is only expected to last a few months. We are working with the WI Technical Advisory Committee (WITAC) to analyze and respond appropriately to this new threat. The **Vermont** bill has a phased in implementation approach, so is of less immediate concern than the Maine law. We are concerned this will spread to other states in 2022. WITAC is also working to help us identify potential new chemicals and compounds that could be brought up for similar bans in the future, so that we are better prepared to address them when we see they are introduced.

Despite the passage of Federal preemption on **GMO labeling rules several years ago, Hawaii, New Jersey** and **New York** each had such bills introduced in 2021. We are also seeing bills that would prohibit the use of plastic as a “connecting device” between beverage containers. And finally, in **New York they have introduced a bill that would require a glyphosate warning**, despite recent efforts by the Federal EPA to quash such state labeling requirements. None of these bills have moved this year, though all are expected to carry over to 2022.

Licensing, Trade Practices and Market Access

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

Wine in Food Stores:

Legislation was introduced in seven states this year dealing with the expansion of wine sales in grocery stores. In **Connecticut,** four such bills were considered that would allow for the sale of wine in food stores, with one of those having a unique proposal to require that 10% of wine shelf space be allocated to CT wineries (despite concerns there may not be enough CT wine to supply that much product). All four of these bills in Connecticut died. There are a number of pending bills in **Massachusetts** that would, in varying ways, alter the planned expansion of the number of licenses that can be held by an individual entity, which has precluded grocery and convenience chains from holding licenses there in the past. While the convenience store chain Cumberland Farms has announced they will not pursue their ballot measure to do away with ownership limits for retail licensees, this issue will remain front and center when these bills all return in the legislature in 2022 it appears. In **Maryland**, the MD retailers Association and a group called Marylanders for Better Beer and Wine Laws pushed an unsuccessful bill to allow wine in grocery in “underserved areas” of the state. In **Minnesota**, there is a bill to allow grocery and convenience store sales with a requirement for local referenda, while a different bill would simply authorize such sales statewide. These bills will carry over to 2022. In **Pennsylvania**, there is a proposal that would allow the Wine Expanded Permit (WEP) holders, along with restaurants and bars, to buy product at a 15% discount rather than the 10% discount currently allowed. Other changes to the existing WEP program would include bills allowing check-out from a single cash register, wine displays throughout the store, and increasing the sales limit on wine at the WEPs from 4 to 12 bottles per transaction. All of these bills remain active and will carry over into 2022. In **Mississippi** two bills that would have allowed for wine in grocery died in committee last spring. In **New York** bills to enact “The Wine Industry and Liquor Store Revitalization Act” would have allowed grocery and drug stores to make off-premise wine sales. It would also have allowed for cooperative purchasing agreements between retailers. The bills will carry over to 2022 after not moving this year. And finally, a unique (and unconstitutional) bill failed to pass in West Virginia that would have allowed grocery stores to sell up to 1,000 gallons of **West Virginia** wine without even requiring any form of alcohol license. While we maintain a “neutral” position on wine in grocery legislation in line with past board positions, we do follow all of these proposals closely, weighing in when there are things in the bills that would be clearly detrimental to our membership if they were to pass.

Sunday Sales, Blue Laws:

Efforts to expand Sunday sales hours and to allow for the sale of wine on holidays continue to make progress in a number of states. Ten states are seeking to either allow Sunday sales for the first time, or to expand their Sunday sales hours to earlier in the day. **North Dakota** was the first of these states to pass a bill this year, allowing for retail sales of wine, beer and spirits to now begin at 8:00 am rather than at noon. **West Virginia** also passed a bill, now allowing the purchase of alcohol on Sundays at 6:00 am (except for Christmas and Easter). Six states are considering legislation that would expand the ability to sell alcohol on holidays such as Christmas, Thanksgiving and Easter, most of which will carry over to 2022. We are supportive of these efforts.

Licensing:

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

Trade Practices:

Due to the focus on COVID-19 related aid to licensees as mentioned in the previous item, it seems that we are seeing less Trade Practice legislation than we would see in a typical legislative session. There are, however, some of the traditional issues again on the table. We again opposed **cooperative purchasing** proposals in **Illinois, Massachusetts, Michigan** and **New York** that would allow licensees to join together in order to obtain quantity discounts from suppliers and wholesalers. Unfortunately, the **Illinois** cooperative purchasing bill did pass last summer after an intervention from the Governor's office and legislative leadership. **Primary American Source** proposals are also appearing again in **New York**, and the concept is being included in various types of legislation in other states. We are also supporting legislation related to expanded tasting opportunities for retail premises.

Advertising Practices:

There was some activity around advertising regulation this year, but most of the bills seem to be reintroductions of bills that have failed in the past. The bulk of these bills are related to **billboard advertising**, with most seeking to either put a moratorium on new billboards, or to limit alcohol advertising to be more than 1,000 ft from schools, playgrounds, day-care centers and/or churches. We continue to oppose these types of restrictions, supporting instead the voluntary 500-foot limit that the Outdoor Advertising Association currently follows. Legislation related to **social media** is under discussion in several states that want to emulate the bills recently passed in California and Washington, but none of those have yet been acted upon. Bills to curb **outdoor advertising of marijuana** are popping up around the country, and we are working to ensure that alcohol is not added into these proposals.

The Texas ABC issued a notice related to the activities of **Third-Party Providers (TPPs) related to digital advertising and retailers**. The TABC has said that they consider any digital advertising accessed through a retailer's website to be the same as physical advertising, and that suppliers may not pay for placement in such digital advertising even if there is a TPP acting as an intermediary. We are working with the Legal Subcommittee as they delve further into this new area.

DUI / BAC

This year legislation to decrease the BAC limit from .08 to .05 has once again been introduced in **Hawaii, New York** and **Oregon**. The bill in **Hawaii** passed the Senate earlier in the session, but it failed to pass out of the House prior to adjournment, so it will carry over to 2022 for further consideration. Hawaii did pass a bill creating a high-alcohol DUI for those convictions above 0.15 BAC, which helped deflect from the .05 issue at the end of their session. Neither the **Oregon** nor the **New York** bills have moved this year, and they will now carry over to 2022. **Michigan** passed legislation removing their existing sunset date for .08 BAC, which if not passed would have reverted the state back to .10 BAC and made them lose Federal highway funding.

Outreach and Administrative

Our team has continued to work remotely throughout most of the year, but we did begin to attend some in-person conferences and events as the year progressed. We participated in the following events since the June Board report was provided: **Wine Institute meetings including the June Board of Directors** meeting and the quarterly **Public Policy** and **Legal Subcommittee** meetings. We held the annual **State Relations Subcommittee** meeting on November 17th. Members of our team attended in person the **Attorney General's Alliance/CWAG** annual conference, **NCSLA's** Annual conference, **NABCA's September Board** Meeting and **Administrator's Conferences**, the **National Speakers' Conference**, the **National Conference of State Retail Association's** annual meeting, The **Wine Beer and Spirits CLE** conference, and various conferences hosted by the **State Legislative Leader's Foundation**. We made presentations at some of those events, in addition to presenting at the **Owning and Operating a Winery CLE** conference and teaching class sessions at **Sonoma State** and **UC Berkeley Law School.** We participated regularly in the **WineAmerica State and Regional Associations Advisory Council, NABCA Industry Advisory Council**, the **FreeTheGrapes Board of Directors,** and the **Sonoma State Wine Business Institute's Board of Directors** meetings. Our team prepared items for distribution to the membership through the **Wine Institute News Briefs**, as well as providing bi-weekly reports to our members and holding **weekly update calls for members of the State Relations Subcommittee**.

Agenda Item No. 7(c)

TECHNICAL ADVISORY COMMITTEE REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

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

1. Wine Institute Expands Role in West Coast Smoke Exposure Task Force

On November 22, the task force approved WI technical consultant, Michael Cleary, to advise on the commercial impact of current wine grape smoke related research and collaborate with land grant university researchers to set commercial priorities for future research into smoke exposure measurement, mitigation, and prevention. We also focused on updates on research funding, land grant university researchers, and USDA's Agricultural Research Service activities; a review and consideration of governance and policy documents; identification and selection of chairs and co-chairs for 2022; and identification and selection of priorities and meeting timeline for 2022.

2. Authenticity Database

- WITAC created a task force focused on developing a database of California wines which could be used to verify the authenticity of a wine around the world. This database is important globally as member wines have been rejected by various export markets due to not "matching" the profile of database wines. While there has been a proliferation of wine databases in use throughout the world, most of them do not contain California wines.
- We put out a call to the industry for samples and set a very conservative goal of obtaining 100% varietal samples at a rate of one sample per 1000 acres of planted varietal, or about 400 samples.
- Member wineries have stepped up and to date we have received well over **600** samples, with enough of each varietal to meet our original goal. Since additional samples will result in a more robust (stronger) database, our mid-range goal is now to obtain samples at a rate of one sample per 500 planted acres.
- This authenticity project is being conducted in collaboration with ETS Laboratories and is overseen by project manager Dr. Patricia Howe.

Agenda Item No. 7(d)

ENVIRONMENTAL AFFAIRS DEPARTMENT
BOARD OF DIRECTORS MEETING
December 7, 2021

Environment, Health & Safety Committee

Since the last Wine Institute board meeting, the **Environment, Health & Safety Committee** held two virtual quarterly meetings:

- Aug 9 – Agenda items: Guest speaker, Secretary Karen Ross, CDFA; updates from the California Sustainable Winegrowing Alliance and Wine Institute's Technical Advisory Committee; a review of bills by the Sacramento team; Water, Air, General Regulatory and Market Issues Working Groups; approval of the Committee's 3-year Strategic Plan update.

- Nov 8 – Agenda items: Updates from CSWA, WITAC, the Crop Protection Working Group and the Water, Air, General Regulatory and Market Issues Working Groups; guest speaker John Heckman with the Anthesis Group speaking about Wine Institute's goals and climate action project; and an update on Covid Emergency Temporary Standard. The next meeting will take place on Jan 24, 2022.

In addition, to regular conference calls of the **Water, Air, General Regulatory and Market Issues Working Groups**, the **Crop Protection Working Group** – 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. Staff continued to work with the DC office and Working Group to implement the Technical Assistance for Specialty Crop Block Grant for $650,000 to monitor and address MRL issues in key export markets.

California Sustainable Winegrowing Alliance (CSWA) Board of Directors

The **CSWA Board of Directors** held two quarterly board meetings virtually:

- July 13 – Agenda items: Approval of the budget for FY 2021/2022; approval of recommended updates to the by-laws; discussion and approval of items in the Certified California Sustainable Winegrowing Memo (e.g., addition of three new members of the Technical Advisory Group for Crop Protection, listing wine brands on the certification website, updated guidance for bulk wine producers and a custom crush winery certification pathway).

- Nov 15 – Agenda items: election of officers – Peter Work (Chair), Mike Boer (Vice Chair), Katie Jackson (Secretary/Treasurer) and other board business; certification administration and communications and guest speaker John Heckman with the Anthesis Group led a discussion about Wine Institute's climate action project and CSWA's potential roles in implementation.

Workshops/Meetings/Events

Staff represented Wine Institute at meetings of the **National Grape Research Alliance Board of Directors** (NGRA), the **NGRA Executive Committee, NGRA Natural Resources and Environment Theme Committee** and **FIVS Environmental Sustainability and Economic Sustainability Committees**. Over the past quarter, staff participated in meetings of **Wine Institute's Public Policy**, **Technical Advisory and Environmental Committees** and provided briefings on Environmental Affairs and CSWA activities as relevant. CSWA staff also participated in numerous meetings of the **Stewardship Index for Specialty Crops**. CSWA staff also met with numerous winery members, stakeholder groups and students to share information about the California wine community's sustainability efforts. In addition, Wine Institute and CSWA staff presented at or participated in the following **workshops**, **meetings and events** since the last board meeting:

- June 17 – Participated in a Compost on the Farm workshop hosted by Sonoma Resource Conservation Service and Santa Rosa Jr. College
- June 21 & July 26 – Participated in Diversity, Equity and Inclusion workshops hosted by Diversity in Wine Leadership Forum
- July 9 – Co-hosted a 2021 Harvest Employee Health & Safety Webinar with CAWG and Wine Institute
- July 20 – Presented on a sustainable/organic/regenerative panel as part of the OIV Short Marketing Course hosted by Christian Miller of Wine Market Council
- July 20 – Held an in-person CSWA staff strategic planning meeting
- Aug 4 – Moderated a climate change and wine panel featuring Genevieve Janssens of Robert Mondavi Winery, Aurelio Montes, Sr. of Montes Wines and Dr. Elizabeth Wolkovich of the University of British Columbia as part of Plastic Ocean's Trees and Seas Festival
- Aug 25 – Attended a Sustainable Packaging webinar hosted by Wine Industry Network
- Aug 27 – Attended an Ecosystem Services Marketplace Consortium webinar on the DNDC tool intended for use in future markets for carbon sequestration credits to farmers
- Aug 31, Sep 14, Oct 5 & Nov 9 – Attended a series of Masterclasses hosted by Jackson Family Wines focused on climate change, water management, regenerative agriculture, and diversity, equity and inclusion
- Sep 3 – Met with a delegation of vintners from Baja in Napa at the request of the Mexican consulate to share information about California Wine's sustainability efforts
- Sep 7 – Attended a Social Equity webinar hosted by EcoFarm
- Sep 9 – Participated in a California Ag Vision strategic planning session with CDFA Secretary Karen Ross and other ag sector representatives, moderated by Nuffer, Smith, Tucker
- Oct 7 – Participated in a call with Systembolaget and Wine Institute's International Marketing team call to discuss issues related to the monopoly's Sustainability Platform and Sustainable Choice logo
- Oct 18 – Joined Wine Institute staff for a meeting with USDA Undersecretary Jenny Lester Moffitt and a couple of her colleagues and provided a briefing on current sustainability efforts
- Oct 25 and Nov 1 – Participated in a planning call and moderated a panel on specialty crops and climate change for a breakout session for the Sustainable Ag Summit

- Oct 26 – Presented on industry sustainability initiatives and the multi-state grant project to Wine America's State and Regional Associations Advisory Council
- Oct 28 – Joined Noelle and CAWG for a meeting with representatives of Fish & Wildlife Service to discuss pollinator conservation opportunities
- Nov 15 – Participated in the California Pollinator Coalition's quarterly meeting
- Nov 17 – Participated in the Almond Board/Western Growers 2nd climate session
- Nov 19 – Helped coordinate and participated in Wine Institute's staff training on bias prevention
- Nov 19 – Presented on Certified California Sustainable Winegrowing for a Napa Farm Bureau Foundation session featuring CCSW, LODI Rules, Napa Green, SIP Certified and Organic certifications
- Nov 22 – Participated in the West Coast Task Force meeting which included governance and operation as well as priorities-setting for next year

Certified California Sustainable Winegrowing

Updated Participation Statistics as of December 2021

- Total Vineyards Certified: 2,247
- Total Wineries Certified: 171
- Total acres of Certified California Sustainable Vineyards:
  204,122 acres (33%* of total California winegrape acres)
- Wine cases produced by Certified Wineries:
  255 million (80% of California wine)
- Wine bearing the wine logo or certification claims
  12.3K cases (2017-2021 vintages)

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

Other Activities:

- Hosted the Pest Management Technical Advisory Group meeting on July 9.
- Hosted Sustainable Winegrowing Program and CCSW overview webinars, and a Chain of Custody workshop.
- Held the auditor training on Dec 1.
- Processed applications, made requested updates to participant accounts in the SWP online system, responded to auditor and participant questions, and provided one-on-one support for several growers, auditors and winery staff who are preparing for the 2021 certification cycle.
- Finalized the 2021 certified vineyards, wineries and wines, including approving audit reports for the July 2021 deadline group, following up with auditors securing review panel approvals, and generating and distributing certificates and approval letters.
- Processed Chain of Custody Audits and Wine Label Notification forms, worked with wineries and auditors on COC preparation, label claims and eligibility questions.
- Maintained californiasustainablewine.com content and database.
- Updated guidebook with clearer usage guidance around the logos and published to website and online library.
- Continued benchmarking the CCSW program to other programs.
- Conducted a survey of all certified participants.
- Drafted the 2021 annual certification report, which will be published in Jan 2022.

Grant Projects

CSWA completed two grant projects funded by **CDFA Specialty Crop Block Grants**:

1. A **2.5-year, $300,000 Multi-State Project** titled "Sustainability Research, Education and Promotion to Enhance U.S. Winegrowers' Competitiveness" was funded by a 2018 SCBG. The project will help underwrite trade and consumer research, information sharing via U.S. Sustainable Winegrowing Summits, and development of new promotional materials and events. Project partners include CAWG, Wine Institute, Long Island Sustainable Winegrowing, New York Wine and Grape Foundation, Oregon Wine Board, LIVE Certified, Washington Winegrowers Association, and Washington State Wine.

   Over the two quarters, CSWA conducted the following activities:
   - Finalized and launched a press release highlighting grant deliverables Sep 14.
   - Finalized US Sustainable Winegrowing presentation deck and animated video.
   - Distributed a grower/vintner survey to assess the impact of the project/sustainable winegrowing (e.g., encouraging adoption of new practices, increased market access). State partners in OR, WA and NY distributed to their members/participants.
   - Developed content for Ambassador Course and made updates to current course content.
   - Submitted the final report and invoice to CDFA, which summarized all grant activity and deliverables.

2. A **2.5-year, $234,889 2018 SCBG Regulatory Compliance and Recognition Project** to fund training workshops, outreach and resources to promote adoption of sustainable winegrowing best management practices; to assist winegrowers in staying compliant with the myriad of current and upcoming regulations; and to seek alternative compliance pathways for growers participating in sustainability programs.

   Over the past two quarters, CSWA conducted the following activities:
   - Promoted the new Integrated Winery Water Quality Management Tool, fielded feedback from advisory group members and modified navigation and layout.
   - Met with the State Water Board staff on Sep 21 to share the new online winery water quality tool and discuss opportunities to use the tool as part of a compliance pathway.
   - Finalized the environmental compliance tool and published it at cswacompliancetool.org and drafted new Regulatory Tool Fact Sheets on various compliance topics (e.g,. Hazardous Materials, Supply Water, Spill Prevention/Control/Contermeasure Plans, etc.)
   - Worked with the Wine Institute team to plan and promote an employee health and safety webinar scheduled for July 9 (see RSVP Now - Harvest 2021 Employee Health & Safety Webinar - July 8 (mailchi.mp).
   - Worked with SureHarvest to include a new climate smart report in the SWP Online System and scoping the report functionality.
   - Provided support to growers using the CSWA Third Party Program for the Region 2 Vineyard WDR, including issuing vouchers to assist in the cost of farm plan development and verification.
   - Created a handout to accompany the new reporting tool in the online system for the Irrigation and Nitrogen Management Plans required in Region 5 (Central Valley).
   - Drafted, designed, and finalized the *DIY Energy Audit Case Study.*

    - Submitted the final report and invoice to CDFA, which summarized all grant activity and deliverables.

Project Development/Other:
- Pending: A proposal for the NRCS Conservation Innovation Grant program that was submitted on July 19, for a 3-year $670,250 project titled, "Increase Conservation Adoption by Addressing Barriers to Sustainable Winegrowing Certification". (CSWA will know status of funding in early 2022.)
- Pending: A concept proposal to the CDFA Specialty Crop Block Grant program for a $456,987 project titled "California Winegrower Strategies and Tools to Mitigate and Adapt to Climate Change." (Full proposals invited in Jan 2022.)
- Met with Noelle and an Almond Board consultant to discuss CSWA and/or Wine Institute's interest in joining the Board and other members of the California Pollinator Coalition on a grant application that will be submitted to NRCS for the Regional Conservation Partnership Program (due in November). The project would provide funding to winegrowers and other farmers to expand habitat for pollinators.
- Held a call with the Climate Action Reserve to learn about a Conservation Innovation Grant proposal they are developing and how WI/CSWA could potentially collaborate on future projects exploring the potential for winegrowers to participate in carbon markets.
- Provided letters of support to for a UC Davis proposal to the Multi-State Specialty Crop Program to address

Communications/Other Projects

California Green Medal Sustainable Winegrowing Leadership Awards:
- Announced the 2021 Green Medal recipients via a news release, video, and *Wine Business Monthly* ad in the July edition.
    - Leader Award: O'Neill Vintners & Distillers
    - Environment Award: Shannon Ridge Family of Wines
    - Community Award: Boisset Collection
    - Business Award: Trinchero Family Estates
- Launched the 2022 Green Medal with a news release, with applications open Nov 9-Feb 4 and winners announced during Down to Earth Month in April 2022.
- Made decision to host a formal ceremony in Spring 2022 for 2020, 2021 and 2022 winners, since no in-person ceremonies were held during the pandemic.
- Confirmed *Wine Business Monthly* as exclusive media sponsor of the 2022 Green Medal and submitted print and web ad layouts; secured Farm Credit/American AgCredit as Gold Sponsor; created a new online sponsorship form, launched a targeted email campaign to prior sponsors and Wine Institute associate members, and shared with partner organizations to secure additional sponsors.
- Executed numerous design and content improvements to greenmedal.org.

Communications:
- Finalized the 2020 California Wine Community Sustainability Report and worked with Communications to issue a news release.
- Launched monthly CSWA E-Newsletter (*Sustainable Winegrowing Highlights Newsletter*) in Aug, with subsequent Sep, Oct and Nov editions.
- Regularly reviewed the monthly *Discover California Wine Blog* and provided input into the blog planning calendar.
- Applied to the Drinks Green Business Award and short-listed for Amorim Sustainability Award. (Awards to be announced Nov 29.)

- Continued involvement with Wine Institute's International Marketing and Anthesis to advance the climate action project and with eatbigfish to enhance sustainability communications.
- Allison Jordan taught the Sustainable Enterprises course for the Sonoma State
- Drafted a letter to CDFA Secretary Ross and USDA Secretary Vilsack signed by Wine Institute, CAWG and CSWA, which outlines examples of how the California wine community is addressing the goals of COP26 in Glasgow, Scotland as they are part of the CA/US delegations.
- Provided input and reissued Wine Institute's Farmer and Farmworker Month news release, which included CAWG and CSWA.
- Provided resources to the UK team to share with the US Embassy in London for a sustainability campaign.
- Met regularly with Wine Institute's Communications and International Marketing teams to coordinate activities and messaging.
- Shared, uploaded and tagged photographs from photoshoots in Sonoma, Napa and Vacaville.
- Posted regularly to CSWA Linkedin and Facebook pages.

Media Outreach:

- Provided responses/interviews to journalist inquiries about wineries using recycled water for irrigation and packaging/recycling, and worked with the international team to address media inquiries.
- Promoted California Wine Month and sustainability on "On Travel", an international radio show based out of Los Angeles.
- Interviewed by Dana Nigro of *Wine Spectator* in response to the multi-state news release.
- Met with Elin McCoy, a journalist with *Bloomberg News*, to discuss potential story ideas for the Green Wine Future podcast that she will be hosting looking at investment decisions and the business value of sustainability
- Interviewed by Kyle Swartz of *Beverage Dynamics*
- Provided information to Dave McIntyre of *The Washington Post* for a climate change-related article
- Developed partnership with *Somm Journal* including participation in a sustainability focused webinar/podcast, participation on a panel at the next in-person SommCon and a 6x/yearly column dedicated to California wine.
- Began drafting interview responses for a sustainability-focused article to appear in *Winetourism.com.*
- Added Sonoma Grape Expo to workshop calendar to support *American Vineyard Magazine.*
- Submitted exhibitor content for free advert in *Wine Business Monthly's* Jan 2022 issue.
- Met with four journalists from D.C. bureaus of Tokyo Newspaper, Hokkaido Newspaper and West Japan Daily who are writing a series of articles about climate change impacts and adaptation strategies in different industries.

Agenda Item No. 7(e)

INTERNATIONAL PUBLIC POLICY REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

RETALIATORY TARIFFS

United Kingdom: The Biden Administration has taken a number of important steps in recent months to rebuild US trading relationships with both the EU and UK. In addition to resolving the long-running Boeing-Airbus dispute over aircraft subsidies, the parties have also made significant progress to resolve the ongoing dispute over steel and aluminum tariffs. The UK has threatened to place a 25% retaliatory tariff on U.S. wine in addition to the current tariff on U.S. whiskey and bourbon. Given the importance of this market for U.S. wine exports, Wine Institute has been actively engaged in urging the Biden Administration to swiftly resolve the dispute before tariffs significantly harm U.S. wineries. The U.S. and the EU recently announced a resolution to the steel and aluminum dispute, and this is expected to pave the way for a similar deal between the U.S. and the UK. We will continue to monitor this issue closely and work to ensure U.S. wines are not targeted in this key market.

TRADE ISSUES

China: As a result of new food facility registration regulations, all wineries exporting to China must register their facilities by January 1, 2022 at https://www.singlewindow.cn All products entering into China must carry the registration number on the inner and outer packaging labels. There are major roadblocks in getting all exporters to register and the U.S. Embassy in Beijing along with representatives from Australia, Canada, UK, EU, Japan and Switzerland have asked China to halt and delay implementation until July 1, 2023. China has published no official guidance and has not responded to any questions posed by importing governments on behalf of foreign food producers, including Wine Institute's. The U.S. Agricultural Office in Beijing has provided an English translation with screenshots of the process in a GAIN report.[1] Wineries that register are advised to use the FDA Establishment Identifier (FEI) number when prompted for a facility number issued by a competent authority.

Columbia: Good news to report for exporters to Columbia. Due to Wine Institute's and U.S. government efforts, Colombia will not require a Certificate of Good Manufacturing Practices (GMP) from U.S. wine exporters. After several meetings and interventions at the WTO, Colombia agreed that U.S. regulations sufficiently cover GMP and therefore exporters can use a

[1] Overview of requirements. USDA Foreign Agricultural Service "Overseas Facilities Registration Regulation - Decree 248" https://bit.ly/3Cz9OHw
How to register. "Decree 248 Unofficial Self-Registration Guide for Overseas Food Facilities" https://bit.ly/3oJGCsm

Certificate of Free Sale to fulfil the requirements. The proposal was problematic because there is no U.S. authority that will issue a GMP certificate, despite robust regulation of the wine industry.

Thailand: In another recent success, Wine Institute has secured the removal of a burdensome requirement in Thailand. The government of Thailand has agreed to remove an onerous certification and testing requirement. For all exporters to that market, they can now use the APEC Wine Certificate. Instead of lab testing, wineries can certify that the wine complies with certain substance limits using the APEC Model Wine Certificate. This will save approximately $1,000 per shipment to that market.

United Kingdom: Excise Tax Proposal – The British government announced proposed changes to the excise tax ("duty") structure for wines, spirits, cider, and beer. The result is that many wines will see taxes increase, whereas other categories will remain the same or see the excise rate reduced. Sparkling wines are the exception and will have a lower rate. The current rate for still wine between 5-15% abv is £2.23 ($3.01). Wines in between 12-15% abv will see an increase from £2.33-2.91 ($3.15-$3.93). Wine Institute will work with FIVS and the UK's Wine and Spirit Trade Association (WSTA) on a response.

United Kingdom: Certificates – Exporters to Great Britain will soon have less paperwork required when sending wine to the British market. On July 25, 2021, the British government announced plans to remove the requirement for wine import certificates. While the details and implementation date have yet to be published, Wine Institute considers the announcement to be a significant achievement after years of outreach to the British government. We will alert membership once the legislation is published and work with the UK government on processes to ensure that re-exports of California wine from the UK to the European Union can continue.

United Kingdom: Wine Institute and Fetzer Vineyards are participating in a case study in conjunction with the UK's Customs and Revenue for seamless border clearance of a shipment of wine using Distributed Ledger Technology (Blockchain). The team includes Chainvine (the blockchain supplier), K&L Gates (legal), UK's Food Standards Agency (wine regulators). Under the UK's 2025 Border Strategy to use technology to modernize port procedures.

European Union: New Labeling Requirements – Wine Institute continues to closely monitor progress on ***new mandatory nutrition and ingredient labeling regulations*** for wine in the European Union (EU). The regulations, which encompass mandatory on label calorie disclosure and mandatory off label ingredient lists, are expected to come into force in the near future. Specifically, the EU wine industry has launched the https://www.u-label.com/ platform. The system will generate, for a fee, EU compliant electronic labels which European consumers can access by a QR code. The WITAC continues to study this development and the impact of e-labels on trade.

Grant-Funded Projects: Wine Institute administers several USDA Technical Assistance for Specialty Crops Grants to help with trade barriers in export markets.

1. International Wine Technical Summit. The grant supporting the IWTS expired on 11/30/201 and provided $650.074 over 4 years. With the funds Wine Institute created a dialogue with regulators in emerging export markets. The WITAC fully completed 9 project goals, partially completed 3, and was not able to work on one. The work generated changes in regulations by Kenya, Colombia, and Thailand.
    - The grant was amended to launch 3 separate projects providing funding to complete a scientific review of research related to smoke exposure in grapes,

launch the wine authenticity project, and revise the FIVS-Apace database of wine components.

2. *Crop Protection Products.* The USDA is providing $650,000 over 5 years to help California wine "preserve for today and protect for tomorrow". Due to residue limit changes in export markets, the WITAC and EHS Committee are revising the project in order to hire technical experts in managing MRL changes in export markets.
3. *Wine Authenticity.* A new project is in the final stages of the USDA approval process. When signed, Wine Institute will receive $247,500 over 5 years to fund the collection and analysis of wine samples to build a spectral database of California wine to determine authenticity.

International Organizations

World Health Organization: Global Alcohol Action Plan – The World Health Organization (WHO) continues work on the development of a Global Alcohol Action Plan (GAAP). The WHO Secretariat is in the process of finalizing the draft GAAP to be submitted to the WHO Executive Board for adoption early next year. Wine Institute continues to collaborate closely with U.S. industry colleagues, FIVS and IARD to ensure the U.S. government and other WHO Member States engage in the process and work constructively to ensure the final plan does not move away from a global strategy that is fully supported by Member States. The most recent draft of the GAAP continues to include a number of problematic policy recommendations including an unrealistic target for the reduction in harmful use, an exclusive focus on 'best buy' policies to the exclusion of other successful strategies for reducing harmful use, and references to an international framework convention for alcohol control. A copy of comments submitted by Wine Institute in response to the draft Action Plan are attached. We continue to engage with the U.S. government to urge them to question certain aspect of the draft plan as we prepare for the Executive Board meeting in January.

World Wine Trade Group (WWTG): Together with U.S. government colleagues, Wine Institute staff has begun planning for U.S. to assume the role of Chair of the WWTG next March. The WWTG is an effective forum for Wine Institute and the U.S. government to work with like-minded wine producing countries outside of the European Union in a public-private partnership. Each year the Chair of the group shifts from country to country setting the agenda and workstream for the year ahead. We are currently discussing technical, environmental, and WWTG membership projects with the WITAC, EHS, and the U.S. government. Agenda items likely to be advanced during the U.S. Chair year include electronic labelling, reducing certification burdens through electronic certification, and better understanding of areas of alignment in wine sustainability programs. During the host year, the U.S. is expected to host 2-3 in person meetings including a Fall 2022 meeting in northern California.

September 3, 2021

COMMENTS ON FIRST DRAFT OF THE WHO GLOBAL ALCOHOL ACTION PLAN 2022-2030

Wine Institute, the trade association representing over a thousand California (U.S.) wineries and affiliated businesses, submits the following comments as a part of the web-based consultation on the WHO's first draft of the **Global Alcohol Action Plan 2022-2030** to Accelerate Implementation of the Global Strategy to Reduce the Harmful Use of Alcohol. California is the fourth largest wine producing region in the world and our wineries are responsible for more than 80% of the wine produced in the U.S. and more than 95% of U.S. wine exported to more than 140 countries.

Within the broader alcohol sector, wine is a truly unique product in many respects including the manner in which it is produced, regulated, and consumed, and wine is inherently tied to its place of origin in a way that most other alcohol beverages are not. As a result, wine producers face a unique set of challenges from vintage to vintage and region to region. Challenges that have been exacerbated in recent years by unpredictable events such as climate change, wildfires and other natural disasters.

The wine sector is also unique because it is highly fragmented both in the U.S. and globally. In the U.S. there are more than 11,000 wineries spread across all 50 states. These wineries are supported by tens of thousands of individual winegrape growers and affiliated businesses that make wine one of the most sustainable, highly value-added agricultural products in the U.S. The overwhelming majority of these businesses are small, family-owned enterprises. Together they support nearly 1 million jobs in the U.S., generate tourism through 43 million annual winery visits and provide much needed economic support to rural communities across the country.

Since its beginning in 1934, Wine Institute has worked to support the California wine industry and enhance the environment for the responsible production and enjoyment of wine. Wine Institute's ongoing social responsibility programs promote moderate consumption, environmental conservation and protection, and involvement with communities and social policy organizations that protect the safety and well-being of employees and consumers. A joint project of Wine Institute and the California Association of Winegrape Growers, the *California Sustainable Winegrowing Alliance (CSWA)* promotes the industry's environmental stewardship and socially responsible relationships with employees, neighbors and local communities. CSWA was created to implement the educational Sustainable Winegrowing Program and help increase the widespread adoption of sustainable practices. A third-party certification program, Certified

California Sustainable Winegrowing, was initiated in 2010 for vineyards and wineries, and updated in 2017 to enable wine certification. The California Sustainable Winegrowing program is the most comprehensive and widely adopted in the world.

Wine Institute and its members remain committed to efforts to further reduce the harmful use of alcohol. One of the ways this is done is through the Wine Institute *Code of Advertising Standards* which ensures industry members practice responsible product advertising and marketing, including in export markets. The code has been upheld as a model of effective industry self-regulation. Since its inception in 1949, the guidelines have undergone regular review and revision to respond to changes in media platforms (including social media), advertising and wine industry practices. The *Code* includes numerous provisions to ensure that advertising reaches the intended audience of individuals of legal drinking age, portrays wine consumption in a responsible manner and encourages moderation. The guidelines apply to all active members of Wine Institute.

Wine Institute welcomes the opportunity to provide the following comments on the first draft of the Action Plan. The mandate from WHO Member States and the Executive Board was very clear with respect to the drafting of the Action Plan. **The 146th Executive Board reaffirmed the Global Strategy as the WHO's leading alcohol policy document and as such the Action Plan must remain consistent with the Global Strategy.** Wine Institute is concerned that the draft Action Plan clearly deviates from the Global Strategy in a number of important areas.

1. **The Action Plan should remain consistent with the Global Strategy and the Member State endorsed mandate to focus on reducing the harmful use of alcohol.**

   The Action Plan should continue to focus on actions aimed at reducing the harmful use of alcohol as opposed to establishing new measures or targets. The draft Action Plan acknowledges progress that has been made in reducing harmful use in several key areas. Despite this, the draft includes a new Global Target 1.2 calling for a 20% relative reduction in alcohol per capita consumption by 2030. This new target is inconsistent with the Global Strategy and has not been endorsed by Member States. In addition, the Action Plan does not provide a basis for directly associating harmful use of alcohol with per capita consumption. This focus on alcohol per capita consumption fails to take into account available data on important metrics such as heavy episodic drinking, underage drinking and alcohol related mortality that are key and more direct indicators of harmful use. Wine Institute believes the specific target for a reduction in alcohol per capita consumption should be removed and the Action Plan should continue to use multiple different metrics in measuring progress on harmful use.

2. **The Action Plan should avoid an overly prescriptive and narrow focus on a limited set of policy options.**

   The Global Strategy includes a broad array of policy options aimed at combating harmful use and designed to provide Member States appropriate flexibility as they seek to address harmful use in their local context. The Action Plan should build on this approach, however as currently drafted it seeks to significantly alter this approach by focusing on a very narrow set of policy recommendations. The Action Plan's exclusive reliance on the limited set of policies within the SAFER Initiative is concerning on several levels. First and foremost is the fact that the SAFER Initiative was produced by the WHO Secretariat in 2018 without any input or endorsement from Member States. This runs directly counter to the Executive Board's endorsement just last year of the full spectrum of policy recommendations included in the Global Strategy.

The draft Action Plan seeks to further prioritize the SAFER initiative as the sole policy option for Member States by establishing a target goal (Global Target 1.1) for its adoption as the only metric by which progress should be measured. This is despite the existence of ample data supporting the validity of numerous policy options outside of the SAFER initiative. This restricts a Member States' ability to consider relevant factors at the national level as they determine the most appropriate policies. Ultimately, this will likely lead to a scenario where Member States which have taken important steps to adopt policies included in the Global Strategy, are none the less viewed in the eyes of the WHO as not having acted at all, simply because the policies fall outside the scope of the SAFER initiative. This would clearly be counterproductive to the overall goal of reducing harmful use.

3. **The Action Plan should refrain from promoting a global framework convention on alcohol control.**

The Action Plan as drafted includes a specific reference to the establishment of a global framework convention on alcohol control. In so doing, the draft suggests that the lack of a framework convention has hindered the implementation of the Global Strategy. This reference remains in the document despite the fact that just last year, the 146th Executive Board, in its deliberations on the Action Plan, considered and rejected an initiative to begin developing a framework convention on alcohol control. The Action Plan should remain consistent with the Global Strategy and only include those policy initiatives endorsed by Member States.

4. **The Action Plan should remain consistent with the Global Strategy and the 2018 UN Political Declaration by continuing to call for and support a 'whole of society' approach, including actions by the wine and alcohol sector, to address harmful use.**

As currently drafted, the Action Plan differentiates between the alcohol sector and all other stakeholders in a manner that is counterproductive to addressing harmful use. By limiting the sector to specific "measures" while calling on all other stakeholders and Member States to engage in a broad array of "actions," the Action Plan seeks to minimize and restrict the constructive role the sector has and continues to play in addressing harmful use. The Action Plan also calls for the wine and alcohol sector to have only limited engagement with the WHO and no engagement with other stakeholders and Member States. This approach runs directly counter to that embraced by Member States and clearly articulated in the Global Strategy. A true 'whole of society' approach to harmful use must recognize and encourage the positive contributions made by the sector.

5. **The Action Plan should avoid proposing work that is outside the scope of the WHO's mandate and its core competencies.**

   Wine Institute believes that the Action Plan should not recommend WHO engagement or work in policy areas that are clearly outside of the organization's scope and core competencies. The following policy areas fall under the purview and competence of individual Member States as well as other multilateral international organizations and should be removed from the Action Plan:

   a. **Alcohol labeling –** The draft Action Plan calls on the WHO Secretariat to engage in work to establish an international standard for alcohol labeling. This is inconsistent with the Global Strategy which recognizes the flexibility that individual Member States need to consider local context. This issue is of particular importance to the wine sector due to the unique, prescriptive wine labeling requirements that already exist in most parts of the world. Additionally, it is important to note that ongoing multilateral work on alcohol labeling has been under way for some time at CODEX Alimentarius. Any effort by the WHO Secretariat to begin work in this area would be duplicative and counterproductive given CODEX's history and expertise in this area.

   b. **Trade policy –** The draft Action Plan also includes action items for the WHO Secretariat regarding engagement in the area of international trade policy. Trade policy is a fundamental core competence of Member States and of the World Trade Organization at the multilateral level.

Wine Institute and its winery members appreciate the opportunity to participate in this process and provide these comments for consideration as the Action Plan is developed. We will continue to work with all stakeholders in support of a whole of society approach that emphasizes responsible consumption while continuing to make progress on reducing the harmful use of alcohol.

Agenda Item No. 7(f)

INTERNATIONAL MARKETING & CALIFORNIA WINE EXPORT PROGRAM REPORT BOARD OF DIRECTORS MEETING December 7, 2021

Global Initiatives

- **US Wine Exports Rebound in 2021**: U.S. wine exports, more than 95% from California, showed solid growth in value over 2020 and 2019 for the same period. Export sales reached $1.08 billion in winery revenues and 266 million liters (29.6 million 9L cases) for January - September 2021, according to Wine Institute based on US Dept of Commerce data from Global Trade Atlas data. Total exports increased in value by 16.4% and decreased in volume by -6.7%. The impact of the COVID-19 pandemic affected international wine markets in a variety of ways with several markets experiencing strong growth for US wine exports while others rebounded slowly or continued to decline. Exchange rates, retaliatory tariffs and increased competition in key markets due to government subsidies and trade agreements also had an impact on the year's results. Markets with strong results include South Korea with 79% growth by value and 73% growth by value; China and Hong Kong also showed strong growth for the period with 88% and 64% growth by value respectively; and Norway with 42% growth, Sweden with 37%, and Japan with 8.6% growth. Canada, the largest export market for California wines, grew by 14.6% over 2020 and 22% over 2019 by value for the same period.

- **Capstone California Wine Education Platform Rolls Out**: The Capstone California Wine Education platform, the comprehensive guide to California wines for wine professionals and consumers, expanded to Canada, Japan and Mexico with more than 2,000 students registered globally. The core of the Capstone program is the four-tier professional wine certification course which culminates in achieving a California Wine Ambassador certification. In Canada, the SAQ used the Capstone program as the Employee Education program for 600 retail employees including tasting and a wine and food pairing seminar. In Japan, Capstone California launched a fully translated version of the website and curriculum in partnership with the Academie du Vin wine school offering in-person seminars. Progress continues on translation of the Capstone certification program with the German and Polish versions complete, soon to be followed by French, Korean, Simplified Chinese, Spanish, and Russian. The roll-out of Capstone California will continue into 2022 with additional content, new features and certification levels 3 and 4. A profile of the Capstone California program is scheduled to run in the December issue of Somm Journal and a global partnership with WSET will launch in 2022.

- **Global Digital Campaign:** The "Inside Every Bottle" global digital campaign launched this fall in nine markets around the world including: Canada, Denmark, Germany, Japan, Mexico, the Netherlands, Sweden and the UK. The campaign runs through December across a range of digital platforms including the Google network, Instagram, Facebook, Spotify, VDX, YouTube, and other lifestyle and wine-related websites featuring banner ads, video and other media rich content. The advertisements link to a dedicated webpage with information on California wine regions and where to buy California wines in each market. Part of the Golden State of Mind campaign, the ads are expected generate over 186 million impressions in four languages in 10 markets. Early campaign results are strong with performance above expected metrics in click through rates, engagement, efficiency and time on site.

- **Costco Global Partnership Shows Strong Results:** The global partnership between Costco and California Wines continued to expand through its second year ending September 30 with strong growth rates and expansion for the California wine category across nine markets. Total sales for the year increased by 69% across all markets, with 96 new sku's added to the assortment, a 49%

increase. Japan, Korea, and Taiwan continue to be the largest markets with solid growth and largest sales volume. Australia, China, France and Spain each showed triple digit sales increases on a small base, with additional sku's added to the market. New campaign materials will increase in-store programming including in-store displays with signage, pallet wraps and other POS materials along digital and print advertising. The California wines program continues to be a model within Costco for developing and expanding a product category, and regional directors in Canada and Mexico have replicated the program in their markets as well.

- **California's Sustainability Leadership in International Markets:** International Marketing and Environmental Affairs collaborated to launch two initiatives related to developing and communicating California's leadership in sustainable winegrowing to the global wine community. The two programs focus on different aspects of marketing sustainability. The Goals for Climate Action initiative, led by John Heckman and the Anthesis Group, established a set of quantifiable benchmarks to evaluate California's progress in adopting and enacting sustainable practices relative to other global wine regions. Based on this assessment, the team developed a framework to help the California wine industry set long term goals to reduce greenhouse gas emissions and work to achieve net carbon neutrality in line with established statewide standards. Initial feedback from winery stakeholders showed broad support for the initiative with good direction on potential challenges to overcome and opportunities to develop. The initiative was presented to the Environment Health & Safety Committee and the CSWA Board meeting for review and input. Next steps include convening an Advisory Board and establishing Key Performance Indicators. The second project led by Mark Barden of the global brand consultancy EatBigFish uses the Challenger Brand approach to develop a set of strategic campaigns to leverage California's leadership in sustainability as a competitive advantage in the market. The goal is to communicate sustainability in a relevant and distinctive way to consumers around the world. A series of in-depth stakeholder interviews offered the basis for a one-day workshop to identify key themes and campaign concepts. The team developed a campaign framework with several key directions which are currently being developed internally. The goal is to launch the first campaign by June 2022.

- **California Wine Activities with ASI (International Sommelier Association):** As a Gold Level partner with ASI, the global association for sommeliers with 38,000 members in markets around the world, California Wine participated in key activities in Warsaw, Cyprus and online including the first three-day immersive Sommelier Bootcamp education program and the Best Sommelier, Europe & Africa competition. California Wine has hosted dedicated masterclasses for leading sommeliers as part of both events, including a seminar led by wine educator Elaine Chukan Brown focused on "The Taste of Sonoma's Coastal Mountains". California Wines will also be featured in an educational video on wine & food pairing as part of ASI's sommelier training program that will be made available all ASI members globally. On November 16, Honore Comfort spoke as a panelist in a webinar exploring "The Road to Zero Carbon" along with panelists Miguel Torres Maczeassek from Familia Torres and a founding member of International Wineries for Climate Action, Christophe Heynan MW, and Jeremy Ellis, sommelier and wine merchant from New Zealand. ASI is expected to publish an accompanying article in their newsletter as well.

- **India Market Briefing & Presentation** – On November 9, Wine Institute Representatives Justine McGovern and Damien Jackman presented an overview of the India wine market and explored the opportunities for California Wine to an audience of 50 winery members. India has a lively and rapidly modernizing economy with an expanding consumer market. With a population of more than a billion people, India is the world's largest democracy, and it is set to become the world's third largest economy by 2030. While trade barriers exist in terms of taxes and tariffs for US wines, interest in wines for California is strong with many importers looking to add wines to their portfolios. India's growing middle-class continues to embrace wine both on-premise and at retail and the market has strong long-term potential. The full presentation and market briefing overview are available to Export program and Wine Institute members.

- **International Trade Visits to California Resume with In-Person & Virtual Tours** – Key trade partners in leading markets have begun to schedule visits to California starting in November 2021.
    - **LCBO Executive Team Visit –** LCBO President & CEO George Soleas visited California in early November with a delegation of senior executives to meet with key CA wineries to discuss sales and marketing strategies and sustainability initiatives. The 5-day itinerary

included visits to Napa Valley, Sonoma County, Lodi, Livermore, Paso Robles and Santa Barbara.

- **South Korean Sommeliers Virtual Tour & Tasting –** On November 16 & 17, a group of top sommeliers from across Korea virtually visited wineries from Lake County, West Sonoma Coast, Napa Valley, Lodi, Livermore Valley and the Central Coast. Each winery hosted a live tasting with the winemaker and included wine samples sent to Seoul in advance of the tour. Evan Goldstein, MS conducted a food and wine pairing lunch in conjunction with the Chef from the Four Seasons Hotel in Seoul. Renowned musician and artisan cheesemaker Soyoung Scanlan of Petaluma-based Andante Dairy joined the group in Seoul to lead a wine and cheese pairing with her artisan cheese from Sonoma County.
- **Europe Emerging Markets Visit –** The first visit to California by a group of importers from EU emerging markets is currently scheduled for February 2022. The objective of the visit is to increase the number of California wines in the importers' portfolios as well as the number of wineries exporting to Eastern European/Emerging markets. The group will be comprised of 10 importers from the Ukraine and Bulgaria and plans to visit Napa Valley, Sonoma County, Monterey, Carneros and Lodi.

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

- **MAP Budget Allocation for FY22-23:** Wine Institute's Market Access Program (MAP) allocation from USDA for the new program year starting July 1, 2022 increased by 12% over the prior year,a significant increase despite steady funding for the MAP program overall. Innovative programming and strong administration of Wine Institute's International program were cited as reasons for the increase. The last time that Wine Institute received an allocation of MAP funds at a similar level was in 2014. The planned increase for the upcoming year will enable the Export Program to develop new programs and expand existing programs to new markets.

Agenda Item No. 7(g)

COMMUNICATIONS COMMITTEE REPORT
BOARD OF DIRECTORS MEETING
December 7, 2021

Refining the Communications Foundation

Following various staff retirements and departures in late spring, the communications department rebuilt and prioritized refining its foundation, including:

- **Enhanced Communications Infrastructure** - assessed and implemented needed improvements (websites, member and media distribution platform) in order to streamline, move more quickly and accommodate needs from various audiences (staff, members, media).

- **Strengthened Media Lists** - conducted a comprehensive audit of media lists and executed the clean-up, updating and prioritizing of lists so our press-related communications were set to target the right media, specifically trade, domestic, international, policy and lifestyle segments.

- **Developed New Communications Processes** - establishment of new processes that allow for efficiencies and improved accuracies of materials being distributed.

- **Created Wine Policy Briefs** - reinforced Wine Institute's policy focus by establishing a monthly digital newsletter aimed at keeping federal and California policymakers and regulators up to date on developments related to the Golden State's wine industry.

Member Outreach

News Alerts/Briefs/Press Releases: We issued more than 40 member and media communications since the June Board Report, in addition to developing and updating numerous webpages, talking points, statements, background documents and other materials. We also sent emails to members from Suzanne Groth and Bobby Koch regarding a Wine Community Diversity Initiative with the McBride Sisters Collective, a Wine Institute member.

- 11/24/2021 - News Briefs: Ins. Credit for Fire Hardening, Letter on ETS, Wildfire Tour & more
- 11/16/2021 - Wine Institute Names New Director, Great Lakes States
- 11/15/2021 - Three Ways to Celebrate the Holidays California Wine Country Style
- 11/11/2021 - News Briefs: Tariffs Resolution, TTB Expands Allowable Label Revisions, CDFA Healthy Soil Program Applications & more
- 11/10/2021 - Vintners Report Outstanding Quality for 2021 California Harvest

- 11/09/2021 - Follow Up: Wine Community Diversity Initiative
- 11/09/2021 - Call for Applications for the Eighth Annual California Green Medal Sustainable Winegrowing Leadership Awards
- 11/04/2021 - Nov. 8 Discussion on Winery Captive Insurance Proposal
- 10/28/2021 - News Briefs: Cover Crop Webinar, Label Guidance for NY & Canada, SWEEP applications available & more
- 10/28/2021 - FTC Warns Against Fake Reviews and Misleading Endorsements
- 10/25/2021 - Celebrate the Holidays Wine Country Style
- 10/20/2021 - Oct. 22 Webinar: Wine Community Diversity Initiative
- 10/19/2021 - Register for Oct. 22 Wine Community Diversity Initiative Webinar
- 10/14/2021 - News Briefs: Insurance Coverage Increase, USDA Pandemic Response Grants, Wine Authenticity Samples Needed & more
- 10/13/2021 - 2021 California Legislative Highlights
- 10/06/2021 - California's Wine Community Recognizes October's Farmer and Farmworker Month
- 09/30/2021 - President Signs Wildfire Assistance Legislation
- 09/30/2021 - News Briefs: Legislative Updates, OH DTC Application, International Marketing Promos & more
- 09/29/2021 - Gov. Newsom Signs Prescribed Burning Bill
- 09/24/2021 - Gov. Newsom Signs Legislation to Allow Additional Tasting Room
- 09/24/2021 - Wine Institute Resource for Water Order Compliance
- 09/23/2021 - Gov. Newsom Signs and Vetoes Legislation
- 09/16/2021 - News Briefs: Legislation to Gov., Smoke Science, FAIR Insurance Available & more
- 09/02/2021 - News Briefs: Wildfire Member Media Guide, Wine Authenticity Project, Multimedia California Wine Month Release & more
- 08/31/2021 - Participate In U.S. Wine Authenticity Project
- 08/19/2021 - News Briefs: Comments on Economic Competition Order, CDFA Funds for Smart Ag Programs, Weed Management Resources & more
- 08/17/2021 - Labs for Smoke Exposure Testing of Wine and Winegrapes
- 08/12/2021 - Oregon and Maine Create Extended Producer Responsibility Laws
- 08/05/2021 - News Briefs: Indoor Mask Mandates, Wineries to Access FAIR Insurance, Wildfire Budget Funds Allocated & more
- 08/02/2021 - Reminder: Share the Harvest Spirit with September Events for California Wine Month
- 07/22/2021 - News Briefs: 2020 Export & Sales Numbers, Sustainability Report Released & more
- 07/21/2021 - Submit Events for California Wine Month in September
- 07/15/2021 - Register for July 21 Vintner Insurance Webinar
- 07/08/2021 - News Briefs: 9/14 Board, MO Sales Tax, Capstone CA Preview & More
- 07/02/2021 - Harvest 2021 Employee Health & Safety Webinar
- 07/01/2021 - Ohio Opens Up DTC Shipping for Wineries Producing More than 250,000 Gallons
- 06/29/2021 - New Mexico Requires Wineries to Pay Local Taxes on DTC Sales Starting July 1
- 06/24/2021 - News Briefs: ETS Webinars, Tariff Free Wine, WY DTC & more
- 06/21/2021 - Register for Cal/OSHA Emergency Temporary Standards Update Webinars
- 06/17/2021 - Cal/OSHA COVID-19 Prevention Emergency Temporary Standards
- 06/10/2021 - News Briefs: Wine Institute Elects New Chair, Board & Members

Reactive Media

Media Inquiries: We responded to more than 60 media inquiries since the last board meeting. Most were typical topics related to various aspects of winegrowing, winemaking and wine distribution, including policy activities.

- We received the most inquiries related to statistics of grape varieties, acreage data and how the growing season was going given potential challenges (drought, wildfires, insurance coverage, staffing, COVID). We had a number of inquiries that were sustainability-related, likely a result of the attention it has received from the Biden Administration and November's COP 26. With actions in Washington, D.C., media asked us about WHIP+ and the Build Back Better plan.

- We also heard from media on various potentially challenging issues including bottle shortages, supply chain, wine labels, glyphosate and excise tax data.

- In the miscellaneous category, we had media inquiries on packaging, including canned wines, sales in various overseas markets and those working on feature-related stories about California wine regions and wines.

Issues Management

Overall, we're working to identify potential issues in advance of them becoming a media focus and by being prepared with communications strategies and materials. These issues include:

- **Clean Wine Claims -** Working with the Legal Department, we're putting together key messages and Q and A, explaining our view on inaccurate clean wine claims.

- **Crop Protection Communications -** We're exploring a potential microsite on crop protections and have materials drafted, including key messages and Q and A, which are currently going through reviews.

- **Ingredient and Nutrition Labeling -** We're beginning to explore our existing communications materials in preparation of upcoming EU efforts on this matter.

- **Smoke Exposure Testing** - We developed a special Labs for Smoke Exposure Testing section of our 2021 Wildfire Season webpage and sent out a News Alert.

- **Wildfire Preparedness -** In order to be ready for potential wildfires this past year, we developed key messages, an initial standby statement and Q and A, thought through our approach with media, monitoring reporting and ensuring accuracy and participated in a team wildfire's tabletop exercise. We worked closely with the regional associations and Visit California so we were all aligned with the various communications and media inquiries. We also worked with our social team to ensure consistency on messages, imagery and a when to "go dark" strategy including processes established with the International Marketing team for potential negative impressions of California wildfires in overseas markets. Our overall goal was to be a resource but not own the wildfire topic. As part of this, we developed a special Wine Institute 2021 Wildfire Season website section.

- **Wine Authenticity** - We developed an overall communications plan, key messages and Q and A for this important U.S. project, which helps to ensure a bottle of wine's legitimacy, combat fraud and counterfeits, and most importantly to protect its integrity.

- **Wine Processing Materials** - We finalized documents related to Wine Processing Materials and TTB Proposed Rule Notice 164 Documents. This included: media response statement; categorized listing of wine processing materials currently approved; list of materials not included in the categorized listing, as well as new materials in Notice 164; and Q and A. They were developed to help provide information about the media-reported large list of materials that could be used to make wine. Our intent was to show that most of the materials, if used at all, are filtered out or naturally occurring in grapes and wine.

Proactive Media and Opportunities

We've had two major communications campaigns since last June:

- **Holiday Campaign** - We launched the "Celebrate the Holidays California Wine Country Style" campaign with a news release – both highlighting and educating consumers on California wine in preparation of the busy holiday season. A special Discover California Wines landing page features holiday offers, in-person and virtual events, and suggested wine/food (recipes) pairings for different types of holiday gatherings. We've successfully pitched two broadcast media appearances in Sacramento and the Bay Area and expect additional feature segments over the next month.

- **California Wine Month** - We had a successful and comprehensive California Wine Month throughout September. Efforts provided visibility and education on California wine to consumers, influencers and media, anchored by a special discovercaliforniawines.com landing page. We issued a visually dynamic multimedia news release that saw nearly 4,000 views with a potential audience reach of 131 million and pitched 8 broadcast segments in every major California market. More than 60 member virtual and in-person events and offerings were highlighted, and we featured multiple varieties, growing regions – including an agritour with five influencers - and nearly 50 specific California wines. Our social approaches generated more than 525,000 combined impressions on Facebook, Instagram, Twitter and Pinterest. Additionally, we developed a livestream content partnership with CA GROWN (Buy California Marketing Agreement), as well as other content/visibility collaborations.

We issued 18 news releases during the past 6 months which highlighted advocacy/policy-related work, harvest, organizational announcements, sustainability efforts and Wine Institute initiatives, appealing to different audiences and keeping the wine community's issues top-of-mind. Below are some select highlights with results

- **Harvest Report/News Release** - We developed and distributed the 2021 Harvest Report / News Release which saw nearly 3,500 views with a potential audience reach of 89 million.

- **Capstone California** - In support of the International Marketing team, we launched New Capstone California Global Education Program Focuses Exclusively on California Wine with key messages, Q and A and strategic targeted media pitching. Our news release saw more than 2,000 views to with a potential audience reach of 102 million.

- **Advocacy/Policy PR** - We issued press releases that reinforced advocacy and policy-related activities including US and EU Lawmakers Endorse Elimination of Wine Tariffs and "Zero for Zero," Wine Institute Applauds House Passage of Critical Wildfire, Drought Relief and California's Wine Community Recognizes October's Farmer and Farmworker Month. Many of our media base relies on Wine Institute for the latest market data. We issued two press releases along these lines, to help provide context, California Wine Sales Hit $40 Billion in 2020, Despite Pandemic and US Wine Exports Total $1.29 Billion in 2020.

- **Lifestyle PR** - We issued a news release, Step Up Your Camping Game with Elevated Dishes and California Wines, leveraging that June National Camping Month. It also thematically connected to our marketing project, "Updating Perceptions: Connecting California Wine to a Well-Balanced Lifestyle", which is partially funded by a 2020 Specialty Crop Blog Grant from CDFA. Additionally, we issued Where to Find California Wineries with Fun for All, offering parents suggestions for places with wine tastings and entertainment for children.

- **Sustainability-Related PR** - In support of our Environmental/CSWA team, we issued Multi-State Partnership Advances Sustainability in the U.S. Wine Industry, Sustainability Report Shows Growing Adoption of Sustainable Practices by California Vineyards & Wineries and Green Medal Awards Acknowledge Growers and Vintners for Sustainability Leadership, all of which reinforced a commitment to sustainability issues.

Discover California Wines Social Media - From June through the end of October 2021, our social media generated 899,105 combined impressions on Facebook, Instagram, Twitter and Pinterest. The engagement rate (comments, likes and shares) for the same period totaled 57,621 engagements and 8,410 link clicks. We continued to grow our social reach with total fans/followers on Facebook, Instagram and Twitter up from 67,579 to 68,950.

Discover California Wines Blog - Since our last report, we've issued 6 editions of the monthly blog, and 6 additional blogs, incorporating food, lifestyle, sustainability and wine messaging.

Staffing

Staff Changes - Communications Director Jenny Dudikoff has decided to leave Wine Institute for another opportunity, effective Nov. 30, 2021. We are working to identify candidates for this position.

John Heckman

Executive Director, Anthesis Group

As an Executive Director of Anthesis, Dr. John Heckman is a recognized expert using sustainability as a mechanism for improving business performance. He has helped clients to achieve many “firsts” in the field of systematic sustainability improvement and business benefit, including the largest Retail sustainability system implementation with Best Buy, the largest set of certifications of maritime vessels with Carnival Corporation, and one of the largest food related sustainability programs with the California Sustainable Winegrowing Alliance. As a pioneer in driving the connection between market drivers and sustainability, Dr. Heckman emphasizes an implementation framework that prioritizes increased revenue, decreased cost, improved brand and reduced risk. Dr. Heckman has led more than 200 sustainability projects.