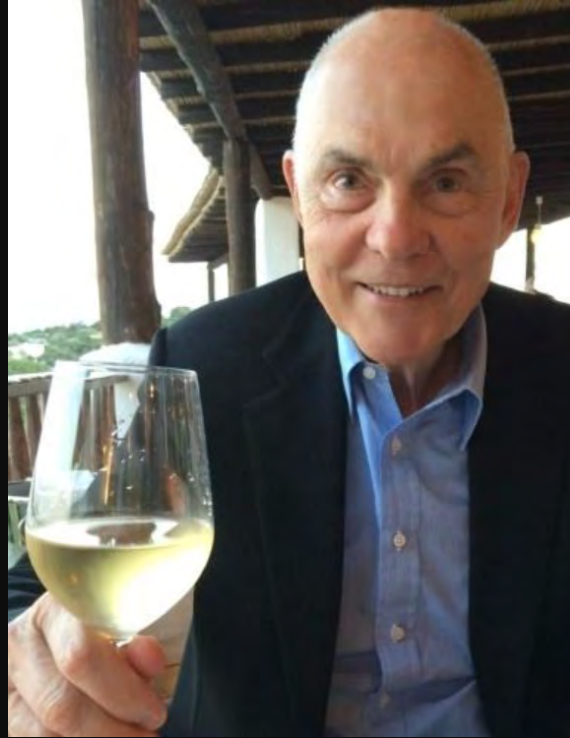




# 2022 March Board of Directors Meeting

MARCH 8, 2022



IN MEMORIAM

**ARTHUR CIOCCA**

1937 - 2021



AGENDA ITEM NO. 1

# Roll Call



AGENDA ITEM NO. 2(a)

# **Approve Minutes of Last Meeting (Dec. 7, 2021)**

*Board Action Required*



AGENDA ITEM NO. 2(b)

# **Bank of America Line of Credit Resolution**

*Board Action Required*



AGENDA ITEM NO. 3

# Board Changes

*Board Action Required*



## AGENDA ITEM NO. 3(a)

A vote of the Finance & Administration Committee was conducted relating to the nomination of **Matt Stanton** to serve as an At-Large to replace Michael Walker. **The F&A Committee approved the nomination of Matt Stanton, who will be representing Constellation Brands.**

*(Continued)*



## AGENDA ITEM NO. 3(b)

A vote of the At-Large Directors was conducted relating to the nomination of **Matt Stanton** to serve as an At-Large Representative to the Finance & Administration Committee to replace Michael Walker as one of the three At-Large Director representatives to the F&A Committee. **The At-Large Directors approved the nomination of Matt Stanton, who will be representing Constellation Brands.**

*Board Action Required*





AGENDA ITEM NO. 4

# Member Relations

*Ian Blue – Member Relations Director, Wine Institute*

# New Winery Members to be approved



NAME	CITY	COUNTY
<b>Âmevive</b>	Santa Maria	Santa Barbara County
<b>Bel Vino Winery</b>	Temecula	Riverside County
<b>Copia Vineyards and Winery</b>	Paso Robles	San Luis Obispo County
<b>Inglenook</b>	Rutherford	Napa County
<b>Lightpost Winery</b>	Morgan Hill	Santa Clara County
<b>Mira Winery</b>	Napa	Napa County
<b>Mommenpop</b>	Napa	Napa County
<b>San Rucci Winery</b>	Warner Springs	San Diego County



AGENDA ITEM NO. 4

# **Election of New Members**

*Board Action Required*



AGENDA ITEM NO. 5

# Guest Speaker

*Ricardo Lara – Insurance Commissioner, State of California*

**Insurance Availability for Wineries**

# CALIFORNIA DEPARTMENT OF INSURANCE





# Agribusiness Is A Critical Sector Accounting For Over \$750 Million In Annual Written Insurance Premiums

- **Multiple Peril Crop – \$517.6 Million**  
covering losses from natural disasters, federally backed
- **Private Crop – \$18.2 Million**  
covering fewer perils, not federally backed
- **Farmowners Multiple Peril – \$214.6 Million**  
covering dwelling and farm buildings

# Agriculture Insurance Trends: Availability And Affordability

The California Department of Insurance recognizes that our agribusinesses — especially in the WUI — are experiencing:

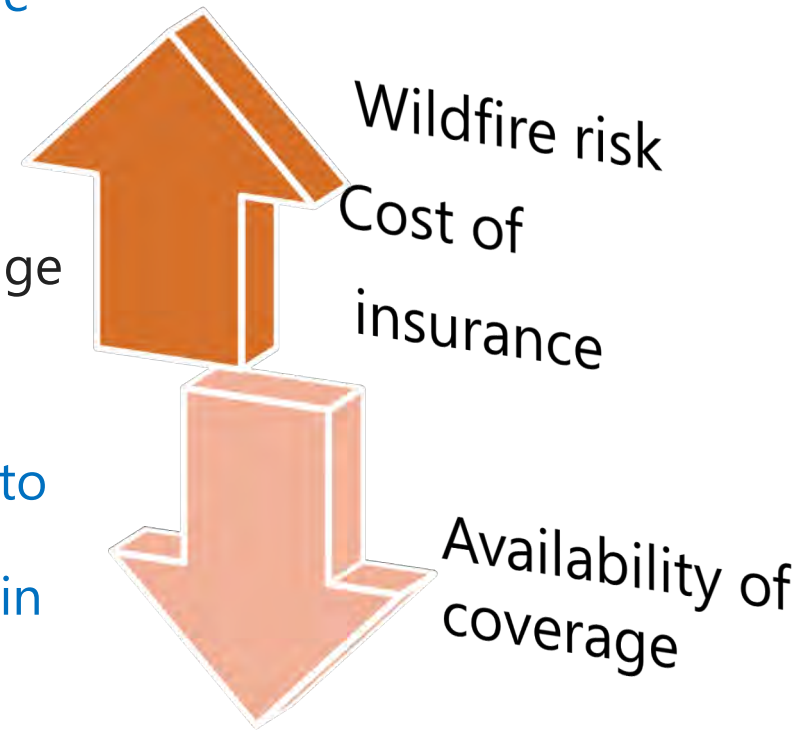
- Decreased production due to wildfires, shrinking insurance capital, economic downturn/global events
- Shrinking availability and competition in the market: Agribusiness insurance rate filings to Department of Insurance fell by half from 2017 to 2020
  - ✓ 2010 to 2017: 20 approved filings per year
  - ✓ 2018 to 2020: 9 approved filings per year





# Increased Risk Driving Issues

- 10 of the 20 most destructive wildfires in California's history have occurred in the last four years
- As risk increases, the cost of insurance increases and the availability of coverage decreases
- Insurers consider the very recent past to underwrite and to determine rates for the very near future – with \$25 billion in residential and commercial losses in 2017-2018



# Insurance Consumers Should Be Able To Rely On Their Coverage

- Non-renewals are unjust and unfair:
  - No consideration of individual tenure or claims history
  - No consideration of pre-fire mitigation and/or structure “fire hardening”
  - No change in the individual property risk
- No clear statewide standards for a fire resistant structure or mitigated property
- Businesses don't know fire risk scores to be able to mitigate their score to find/keep coverage
- Insufficient coverage with FAIR Plan

# Reducing Risk Through Prevention And Mitigation

The best way to make insurance more available and affordable is to decrease the risk of loss. This includes investing in pre-disaster prevention and mitigation efforts:

- Building Codes
- Fire Resistant Modifications
- Land Use Planning
- Community-wide Abatement
- Defensible Space
- Enhanced Infrastructure
- Wildfire Sensors



# Underwriting

## OLD SCHOOL



## NEW



Insurers traditionally evaluated homes and businesses based almost entirely on their own characteristics and condition. Today, they must first pass through a filter based on satellite imagery of the region that evaluates slope, fuel load, type of fuel, and access.



# My Role As Insurance Commissioner

- Protect consumers by ensuring a **fair and competitive insurance market**
- **Maintain insurer solvency** through appropriate property and casualty rates, conducting market conduct reviews, resolving consumer complaints, and investigating and prosecuting insurance fraud
- **Enforce the insurance laws of California** – any changes to the Insurance Code require legislation

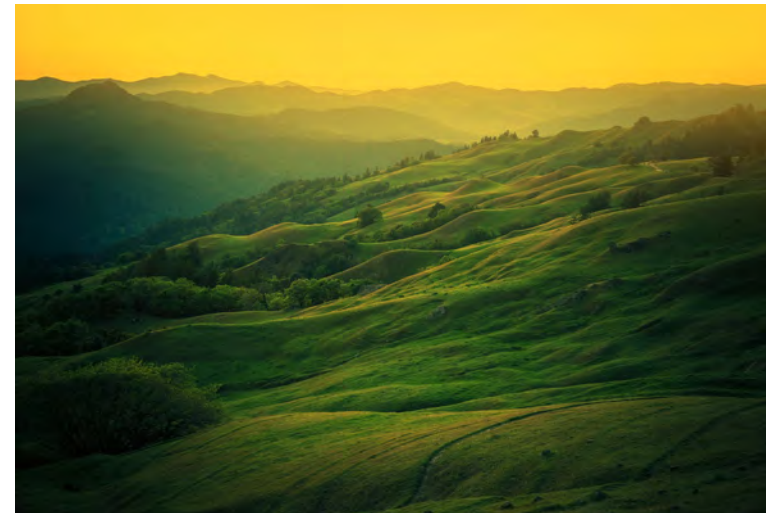
# Insurance Law Overview

- Proposition 103 requires the "prior approval" of California's Department of Insurance before insurance companies can implement property and casualty insurance rates.
- Our experts review rate filings to ensure fairness for consumers and compliance with California Law
  - Rates cannot be excessive, inadequate, unfairly discriminatory or otherwise in violation of Prop 103
- Surplus lines are not subject to this protection
- Do not have identical statutory authority to issue moratorium for commercial policies as homeowner policies
- Cannot require/compel/mandate insurers to sell commercial insurance to any given policyholder

# My Actions – Commercial Data

For first time – we collected data for insurance non-renewals and underwriting restrictions with a focus on commercial agriculture, farmowners, and wineries

- Farmowners and Ranchowners
  - Prescribed burn
  - Cotton gins
  - Wineries
- 
- Results announced October 12, 2021



# My Actions - Commercial Data Results

While wildfire risk and losses occur in many wine-making regions of the state, a few areas have borne the brunt:

- Central Coast — Thomas Fire in 2017 caused losses in Ventura and Santa Barbara counties.
- North Coast — multiple fires in 2017, 2019, and 2020 caused losses in Sonoma, Lake, and Napa counties.
- Northern California — 2018 wildfires

**91% of wine-maker losses from 2017-2020 were in North Coast**

Data shows volatility, with increasing non-renewals and new policies for commercial agriculture.



# My Actions - Comprehensive Solution

## Improving the FAIR Plan, California's insurance backstop

- Ordered the FAIR Plan to increase the commercial insurance coverage limits, with consideration of further increases
  - Business Owners Policy  
**\$3.6 million → \$7.2 million**
  - Commercial Property Policy  
**\$4.5 million → \$8.4 million**

Limits have been at current levels since the 1990s  
Increases pegged to consumer price index

# My Actions - Comprehensive Solution

**Senate Bill 11 – MAIN SUPPORTER and worked with the author and California Farm Bureau Federation to ensure consumer protections.**

**Allows FAIR Plan to cover agribusiness for the first time.**

**Department of Insurance reviewed the FAIR Plan filing as a top priority and FAIR Plan began offering farm and agribusiness coverage on February 1, 2022.**

# My Actions - Comprehensive Solution

## Safer from Wildfires

A partnership between Insurance Commissioner Ricardo Lara and the emergency agencies in Governor Gavin Newsom's administration to protect lives, homes, and businesses by reducing wildfire risk.

- Department of Insurance
- Governor's Office of Emergency Services
- CAL FIRE
- Governor's Office of Planning and Research
- California Public Utilities Commission

First of its kind effort to certify achievable and effective strategies for homes, businesses and communities  
Announced February 14, 2022



**RICARDO LARA**  
INSURANCE COMMISSIONER

California Department of Insurance

# Safer from Wildfires in

1

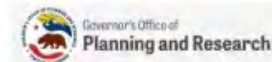
2

3

## 1 Protecting the structure



- Class-A Fire rated roof
- Maintain a 5 foot ember-resistant zone around a home (including fencing within 5 feet)
- Noncombustible 6 inches at the bottom of exterior walls
- Ember and fire-resistant vents (See Low-Cost Retrofit List, and Chapter 7A)
- Upgraded windows (Double paned or added shutters)
- Enclosed eaves



CALIFORNIA  
Public Utilities Commission

**RICARDO LARA**  
INSURANCE COMMISSIONER

California Department of Insurance



# Safer from Wildfires in

1

2

3

## 2 Protecting the immediate surroundings



- Cleared vegetation and debris from under decks
- Removal of combustible sheds and other outbuildings from the immediate surroundings of the home, to at least a distance of 30 feet
- Defensible space compliance (including trimming trees, removal of brush and debris from yard, and compliance with state law and local ordinances)



**Cal OES**  
GOVERNOR'S OFFICE  
OF EMERGENCY SERVICES



Governor's Office of  
**Planning and Research**



CALIFORNIA  
**Public Utilities Commission**

**RICARDO LARA**  
INSURANCE COMMISSIONER

California Department of Insurance

# Safer from Wildfires in

1

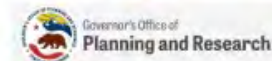
2

3

## 3 Working together as a community



- A community should have clearly defined boundary and a local risk assessment in consultation with the local fire district or state fire agency; an identified evacuation route, cleared of vegetative overgrowth, and evacuation plan contingencies; clear funding sources to implement community mitigation activities and meet clear risk reduction goals; and integrated and up-to-date local planning documents pertinent to community wildfire risk.
- Current examples include the Fire Risk Reduction Community designation under development by the Board of Forestry, Firewise USA communities in good standing, and Shelter-in-Place designations.



CALIFORNIA  
Public Utilities Commission

**RICARDO LARA**  
INSURANCE COMMISSIONER

California Department of Insurance

# My Actions - Comprehensive Solution

Proposed regulations would compel insurers to account for wildfire mitigation efforts **Los Angeles Times, 2/25/22**

- Require greater transparency businesses and residential consumers
- Require insurance companies to incorporate the Safer from Wildfires framework in pricing – reward safety actions
- Give consumers time to address mitigation to lower their risk score – before a non-renewal
- Allow consumers to appeal their risk score if they believe it is based upon wrong information

**Regulations announced on February 25, 2022**

**Planned for completion by summer 2022.**

# My Actions - Additional Steps

- Supported creation of a new \$20 million prescribed burn claims fund in the budget – **ENACTED 2021-22 BUDGET**
- Supportive of SB 332 (Dodd) to encourage more responsible prescribed burn activities across the state - **SIGNED INTO LAW OCT. 2021**
- Currently – Holding discussions with insurers to encourage more commercial/ag writing in CA, especially in the WUI, and prioritizing review of commercial rate filings.
- Ordered the FAIR Plan to submit comprehensive commercial rate filing to ensure businesses are protected and do not unnecessarily face cancelled coverage. Currently reviewing FAIR Plan’s class plan.
- Reviewing current disqualifying underwriting and eligibility criteria used by the FAIR Plan making some commercial property ineligible for coverage.
- Among other proposals and actions.



# State Budget Investments

**\$2.6 BILLION for wildfire prevention  
and response (2019-21)**

**Working with the Governor's Administration to determine how state and federal grant dollars could be utilized by communities, farmers, and business owners to help mitigate their properties and local communities.**

# Federal And State Grant Programs For Wildfire Resilience And Prevention

## **California Climate Investments Fire Prevention Grant Program – 4 year grants**

- Hazardous Fuel Reduction
- Fire Prevention Education
- Fire Prevention Planning

## **FEMA – \$1 Billion National Competitive Grants**

- Fire Management Assistance Grants
- Hazard Mitigation Grants Program
- Building Resilient Infrastructure and Communities

## **Additional Grants Available**

- Depts. of Transportation, Agriculture and HUD



**1-800-927-4357**  
**insurance.ca.gov**





AGENDA ITEM NO. 6

# Chairman's Report

*Suzanne Groth – President and CEO of Groth Vineyards & Winery*



AGENDA ITEM NO. 7

# President's Report

*Bobby Koch – President & CEO, Wine Institute*



AGENDA ITEM NO. (8)(b)(i)

# California State Relations

**Overview of Recycling Measures, Smoke Exposure/Wildfire Efforts, and 2022 Legislative Overview**

*Tim Schmelzer – Vice President, California State Relations*

## Bottle Bill

- Consumers pay a 5 or 10 cent deposit, redeemable at a recycling center
- Pros: Inexpensive, effective material separation
- Cons: Plagued by Fraud, Poor Administration, Low Redemption rates



## Initiative

Regulates single-use foodware and packaging. Must be reusable, refillable, recyclable, or compostable by 2030. Max 1 cent fee per item.

- **Pros:** Addresses plastics pollution, allows CalRecycle to exempt products with “unique challenges”
- **Cons:** Likely expensive to comply, likely to effectively ban certain packaging, confusing interface with bottle bill





## Legislation impacting Bottle Bill

### **SB 38** – Oregon-inspired bottle bill reform

- **Pros:** Manufacturer controlled, enhanced flexibility
- **Cons:** Unknown Costs, difficult to scale in California

### **AB 2779** – Wine and spirits cans into the Bottle Bill

- **Pros:** Eliminates consumer confusion
- **Cons:** Piecemeal Proposal



## Legislation Impacting Initiative

**SB 54** – Attempt to develop a legislative alternative to the plastics initiative

- **Pros:** For plastics - preferable to initiative, likely to allow for stewardship organizations and exempt bottle bill containers
- **Cons:** Costs unknown, likely to include materials other than plastics (i.e., glass), CalRecycle likely to have significant authority, including fees/penalties



# Smoke Exposure/Wildfire Efforts



- AB 2213 (Aguiar-Curry) – would create an advisory committee at CDFA to recommend smoke exposure research projects for state funding
- Advisory committee
- 4 vintner representatives
- 4 winegrape grower representatives
- 1 public university representative
- Budget request of \$5 million for research



# West Coast Smoke Exposure Task Force



- Working to coordinate industry efforts around wildfire and smoke exposure
- Winery and winegrape grower organizations
- Developing research priorities



# 2022 Legislative Overview



- **High Turnover - Redistricting**
- **Thousands of Bills – Over 4,500**
- **Hundreds of Spot Bills – Lots of Unknowns**
- **Huge Budget Surplus – Housing, Drought, Wildfire**
- **COVID-19 – Not Likely**



# 2022 Legislative Overview



## Topics

- **ABC** – Big focus on DTC by spirits and beer
- **Labor** – Leave policies, Unemployment insurance
- **Environment** – Climate change, Recycling!
- **Tax** – Not Likely





# Questions?

**Tim Schmelzer**

**[tschmelzer@wineinstitute.org](mailto:tschmelzer@wineinstitute.org)**

**916-397-7955**



**Thank You**



AGENDA ITEM NO. 8(b)(iii)

# State Legislative Update

*Steve Gross – Vice President, State Relations*

*Board Action Required*



# State Legislative Update

Steve Gross

Vice President, State Relations

MARCH 8, 2022 | WI BOARD OF DIRECTORS MEETING



# State Relations Team – 2022



**State Relations Team:** (L-R) **Annie Bones** ('05), Regulatory Compliance Manager; **Geralyn Lasher** ('21), Director Great Lakes Region; **Hunter Limbaugh** ('04), Southeastern Counsel; **Sally Jefferson** ('10), Director, Western Region; **Carol Martel** ('99), Northeastern Counsel; **Tyler Rudd** ('16), Central Counsel; **Terri Cofer Beirne** ('08), Eastern Counsel; **Steve Gross** ('86), VP State Relations

# New Director, Great Lakes States



**Geralyn Lasher**

**Director, Great Lakes States,  
Effective Dec. 1, 2021**

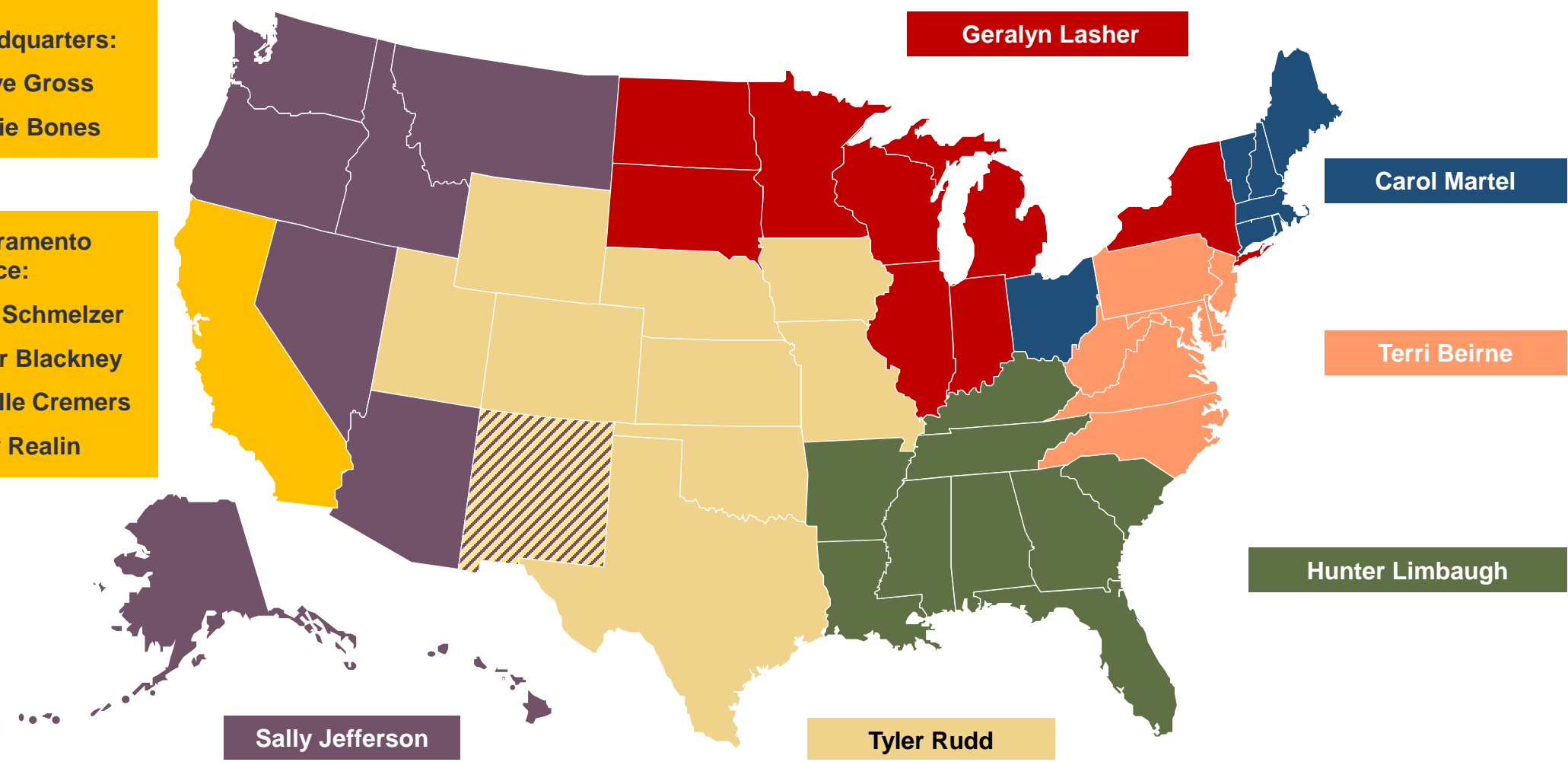


# State Relations Regions - 2022



**WI  
Headquarters:**  
Steve Gross  
Annie Bones

**Sacramento  
Office:**  
Tim Schmelzer  
Tyler Blackney  
Noelle Cremers  
Fely Realin



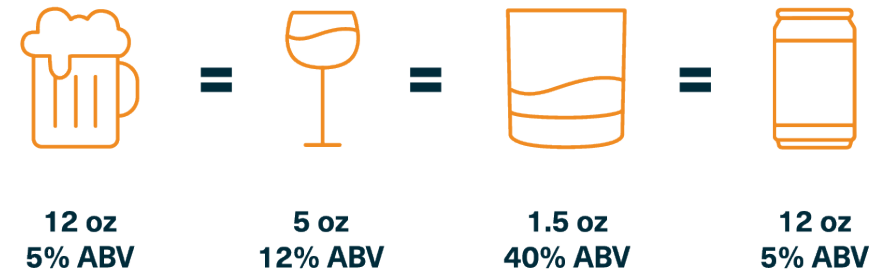
# Spirits Based RTD Reclassifications



- **Seeking to lower tax rates**
- **Seeking more retail sales outlets**
- **In Control States, seeking private distribution and retail sales**

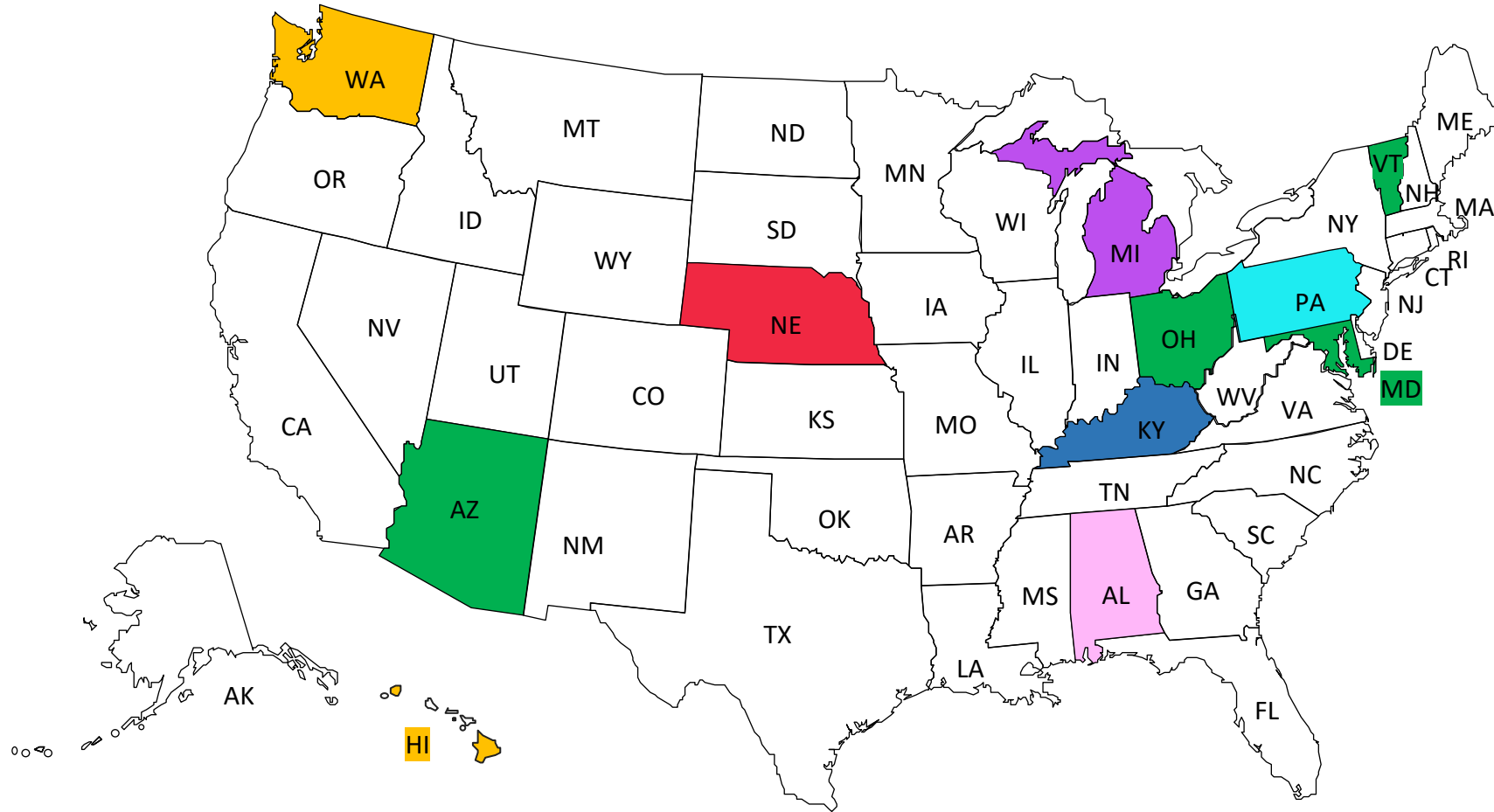
**Part of a larger  
DISCUS Equivalency  
Agenda:**

**[StandardDrinks.org](https://StandardDrinks.org)**





# 2022 Spirits-Based RTD Legislation



## RTD ABV Levels:

- 14% and under
- 13% and under
- 12.5% and under
- 12% and under (4)
- 10% and under
- 7% and under (2)
- ABV not addressed

Note: NE & MI passed in 2021

Proposed tax rates: Above Wine Rate: AL, MI, WA Equal to wine rate: AZ, NE, MD, VT Below Wine rate: HI, KY, OH

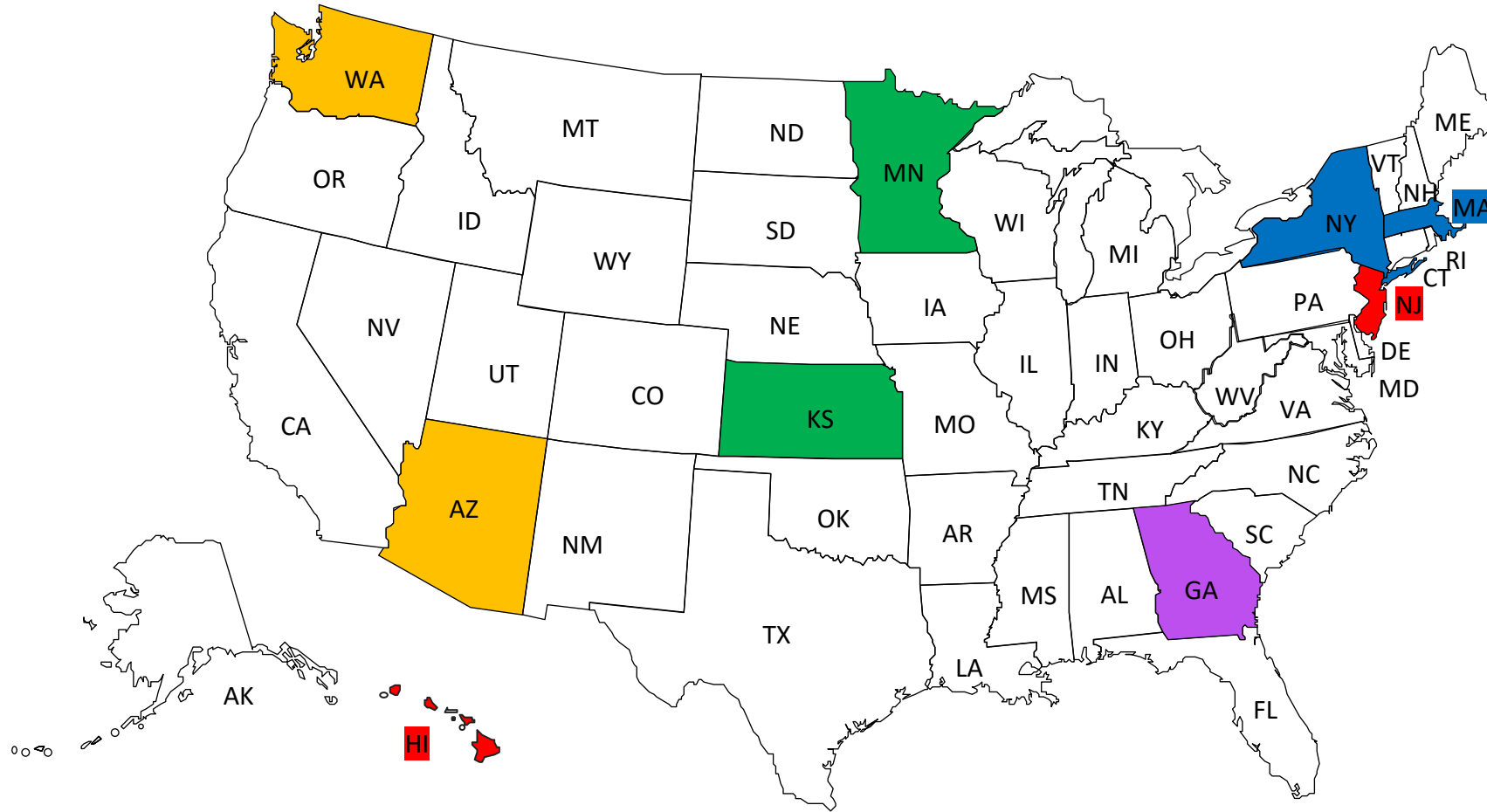
# Proposal – Board Action Item



## **Proposed WI Position on legislation to reduce the tax on distilled spirits based RTDs:**

- **ABV must be 5% or under.**
- **New 5% or under ABV distilled spirits based RTD tax rate must be significantly higher than wine.**
- **Wine must get a tax reduction too.**
- **If done in accordance with these three principles, WI will not oppose efforts to expand the retail distribution options for distilled spirits based RTDs.**

# 2022 Tax Legislation



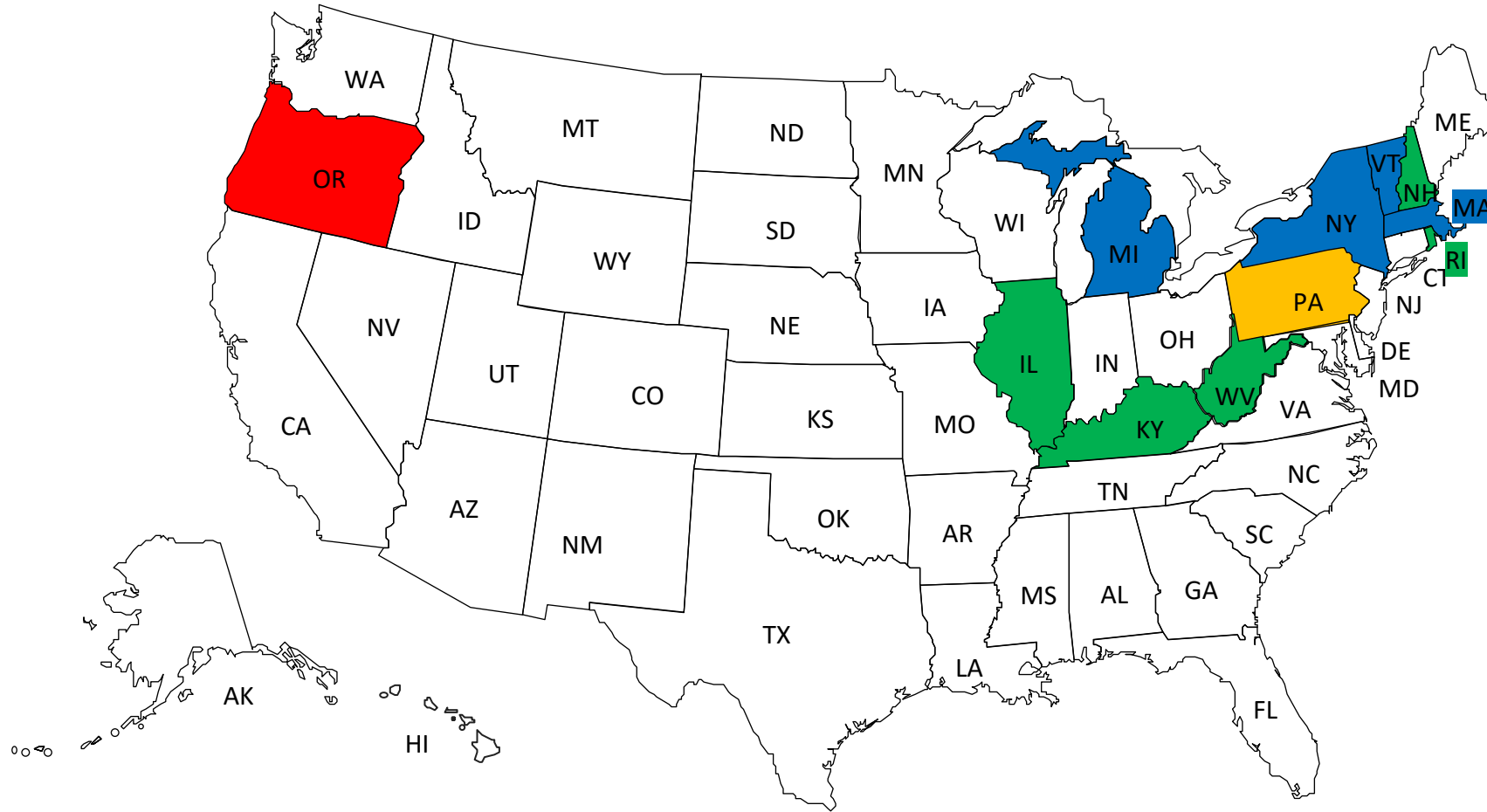
- Bills to align Table wine to 16% (2)
- "By the Drink" taxes (2)
- Preferential Taxes (2)
- Increase Excise Tax Rates (2)
- Replace Excise with 1% sales tax increase (1)

# Environmental Legislation



- **Traditional Bottle Deposit Legislation**
- **Expanded Producer Responsibility (EPR) (also referred to as “Product Stewardship”) Legislation**
- **Post-Consumer Recycled Content (PCRC) and other Glass/Plastics Recycling Legislation**

# Bottle Deposit Legislation



New bottle bill including wine (5)

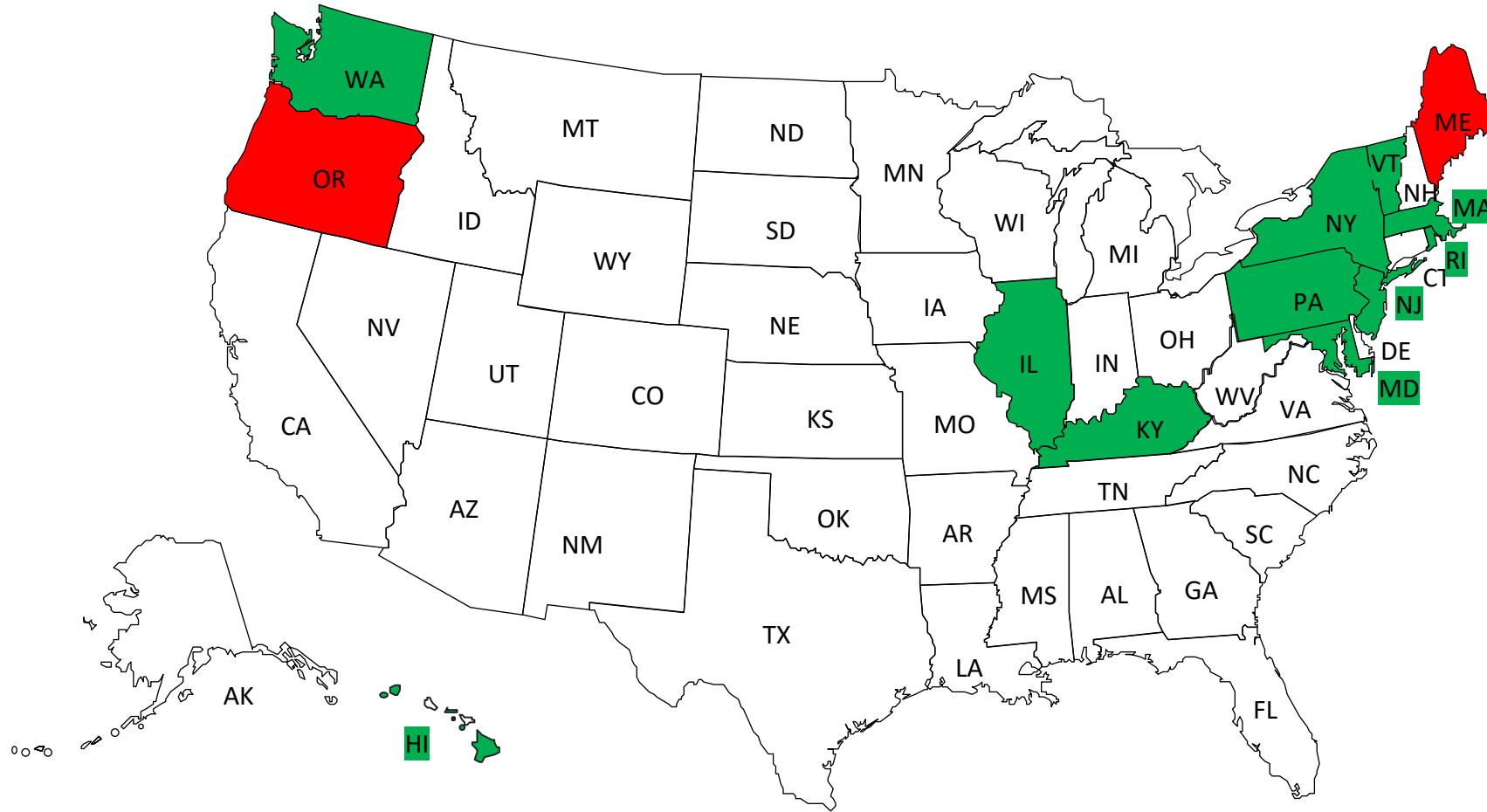
Expansion of existing law to include wine (4)

Add wine in cans only (1)

New bottle bill excluding wine (1)



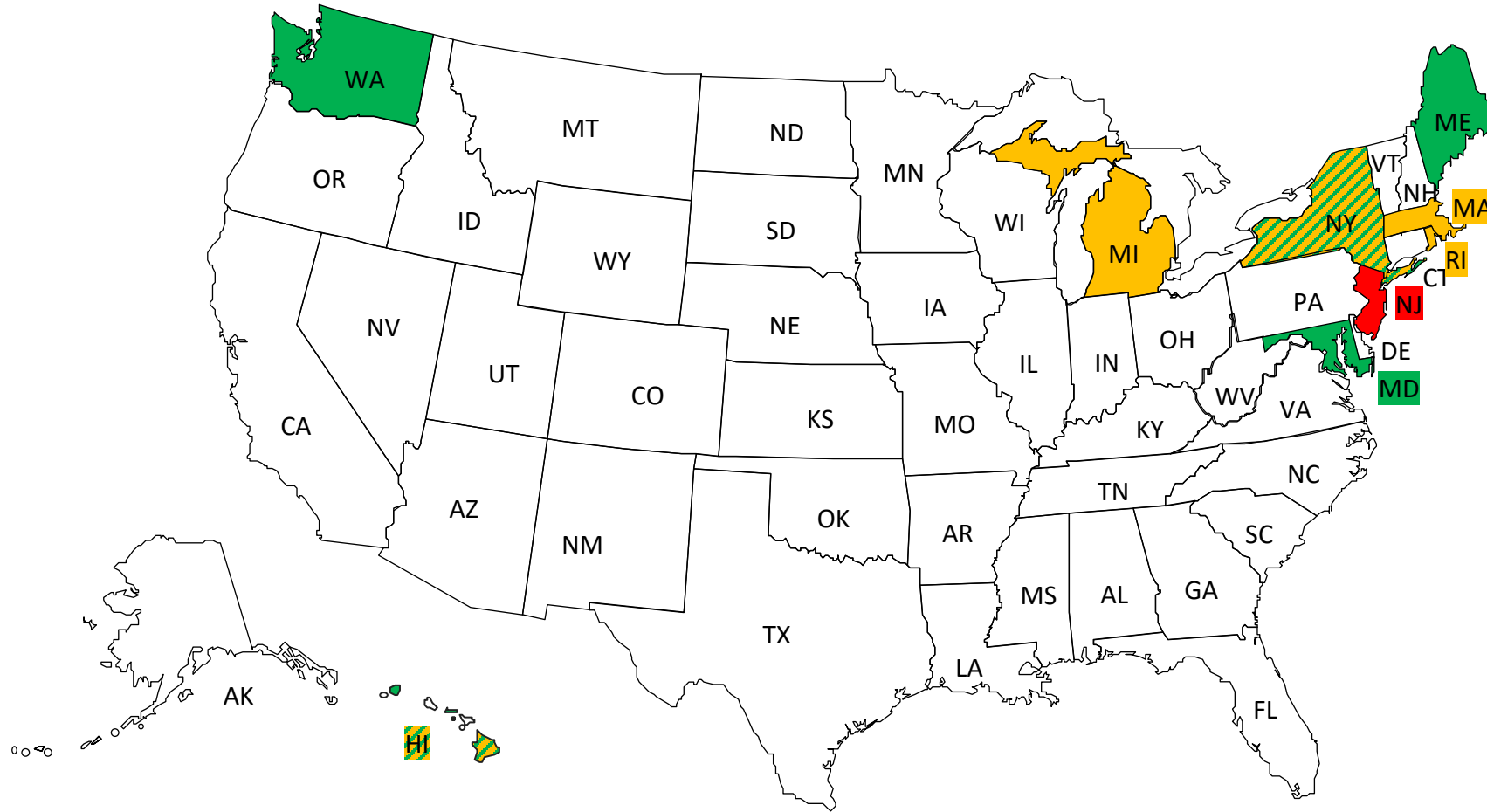
# EPR Legislation



Passed in 2021  
(2)  
EPR Legislation  
in 2022 (10)



# PCRC / Recycling Legislation



2021 Bill that passed (1)

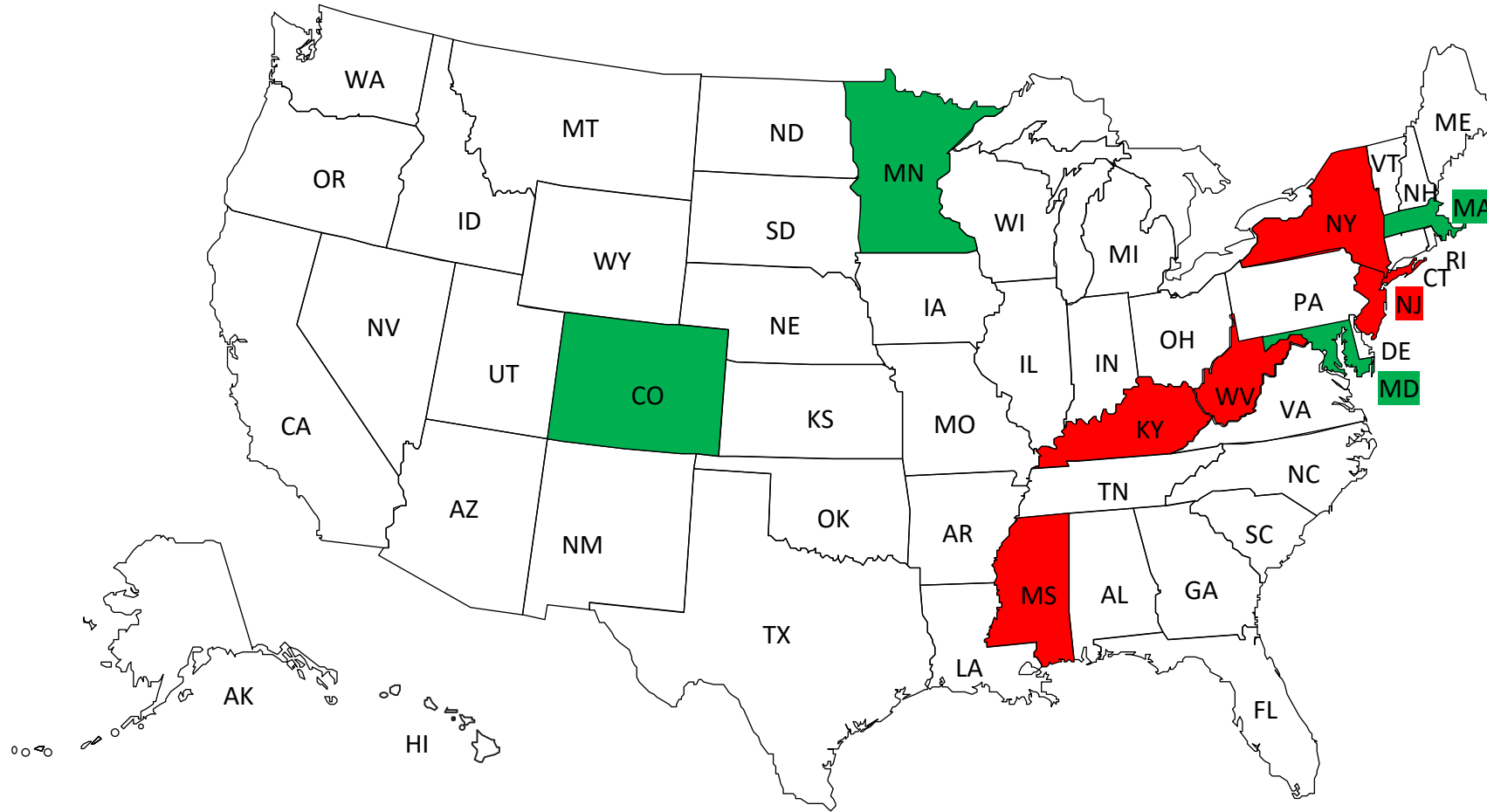
PCRC Legislation in 2022 (5)

Restrict or ban single-use plastics

Legislation in 2022 (5)

Note: Hawaii and New York have both

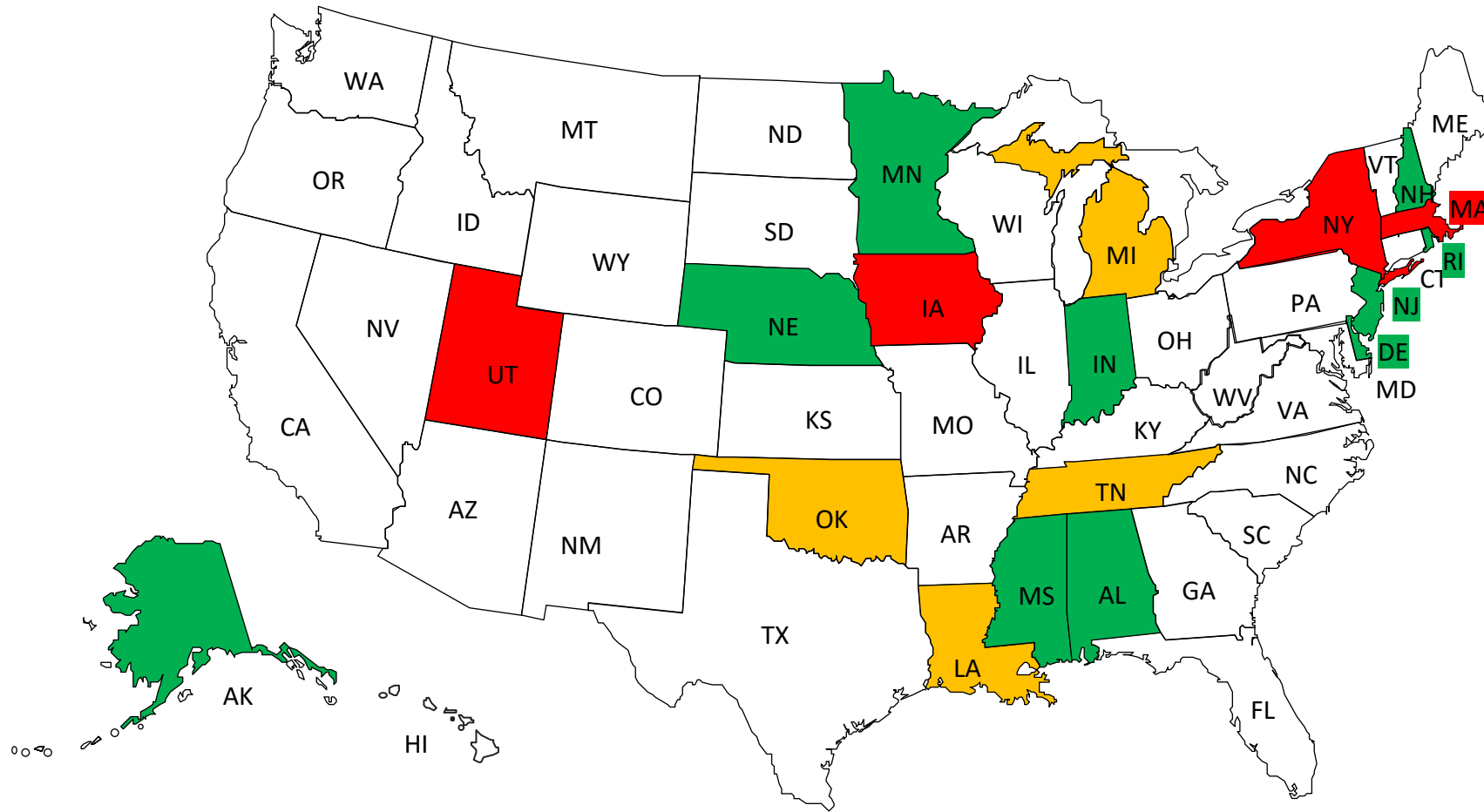
# Wine in Food Stores Proposals



Potential ballot  
measures in  
November 2022  
(4)

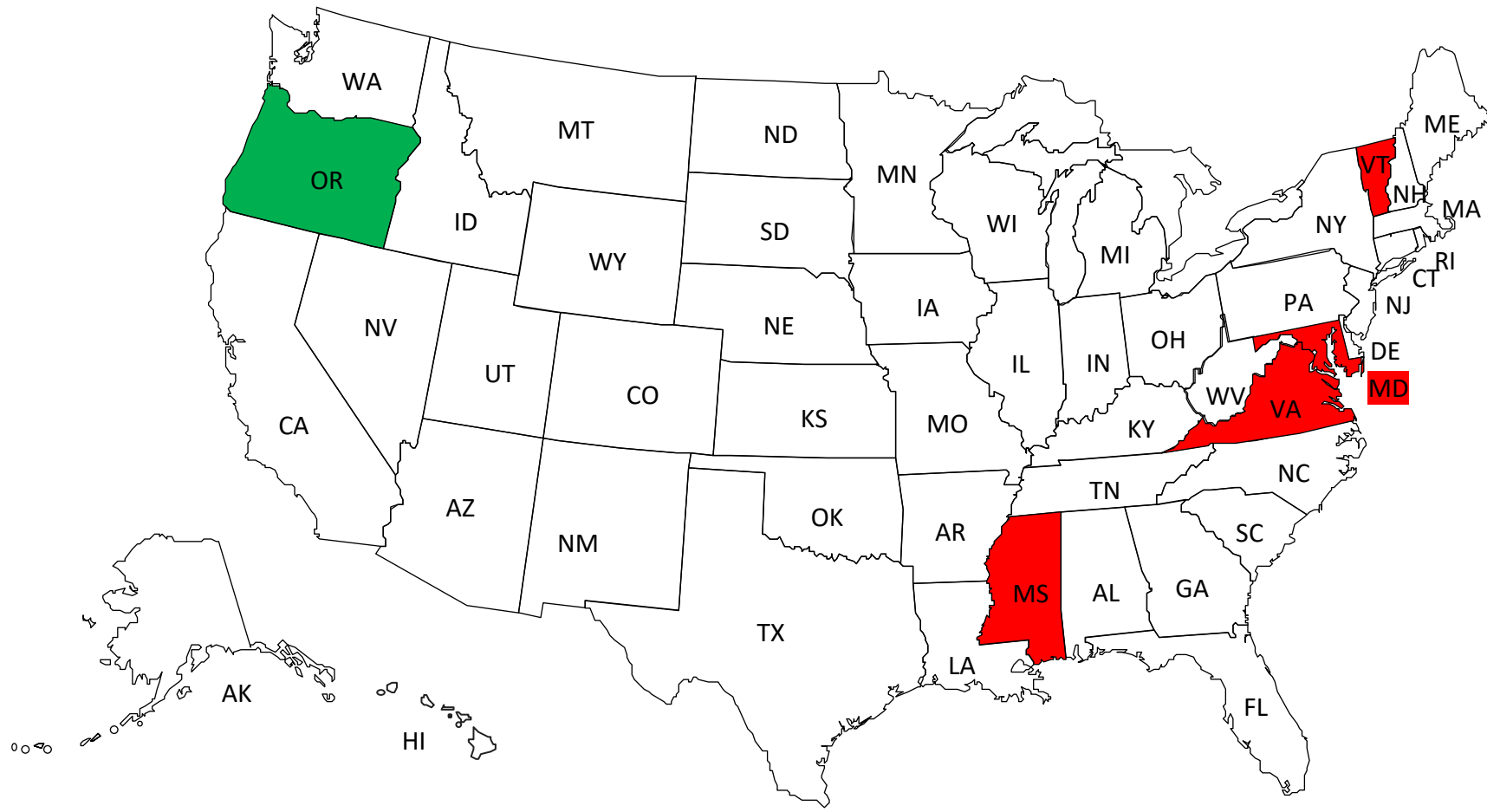
Legislation  
pending in 2022  
(5)

# DTC Legislation & Regulatory Actions



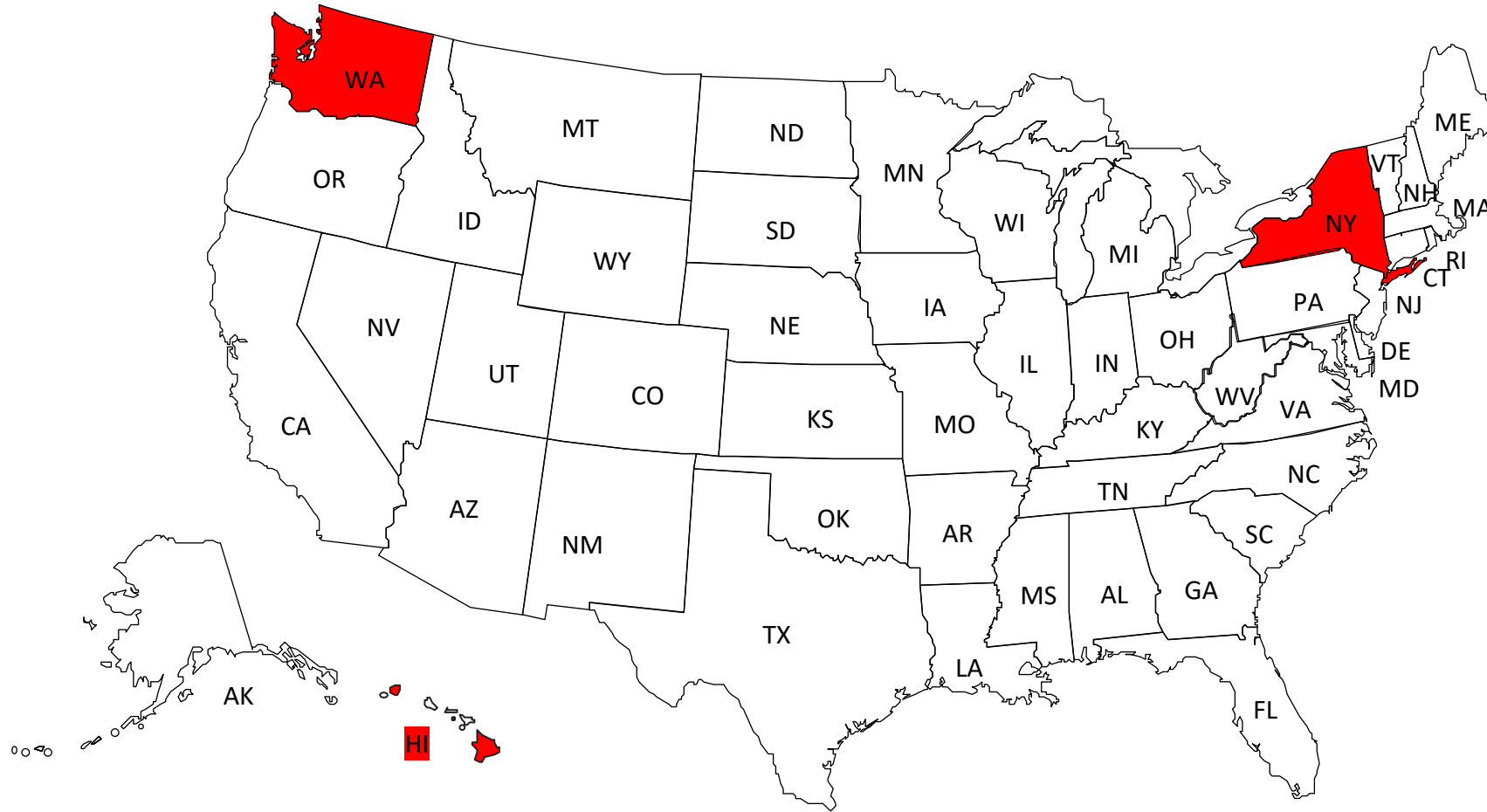
Positive DTC bills (10)  
Potentially negative DTC bills (4)  
Common Carrier & Fulfillment Issues (4)

# Privatization Proposals



**Privatization legislation pending (Somerset County, MD) (4)**  
**Privatization Ballot Measure proposed (1)**

# .05 BAC Legislation



**.05 legislation  
pending (3)**



# Thank You

Steve Gross

*Vice President, State Relations*

[sgross@wineinstitute.org](mailto:sgross@wineinstitute.org)





## MOTION

**(a) Proposed WI Position on legislation to reduce the tax on distilled spirits based**

**RTDs:**

- **ABV must be 5% or under.**
- **New 5% or under ABV distilled spirits based RTD tax rate must be significantly higher than wine.**
- **Wine must get a tax reduction too.**
- **If done in accordance with these three principles, WI will not oppose efforts to expand the retail distribution options for distilled spirits based RTDs.**

***Board Action Required***



AGENDA ITEM NO. 8(c)

# International Public Policy

*Charles Jefferson – Vice President, Federal & International Public Policy*

# WHO Global Alcohol Action Plan (GAAP)



## Global Alcohol Strategy 2010

- WHO'S PRIMARY ALCOHOL POLICY DOCUMENT
- FOCUS ON BROAD RANGE OF POLICY OPTIONS



## Global Alcohol Action Plan 2022

- INTENDED TO ACCELERATE IMPLEMENTATION OF GS
- WHO SECRETARIAT & HEALTH ACTIVISTS USING GAAP TO TRY TO REPLACE GS WITH MORE RESTRICTIVE POLICIES



# WHO Engagement



**World Wine Trade Group**



**World Health Organization**

## Key Policy Improvements

- **TARGET FOR REDUCING PER CAPITA CONSUMPTION CHANGED TO FOCUS ON HARMFUL USE**
- **ACKNOWLEDGES LACK OF SUPPORT FOR ALCOHOL CONTROL TREATY**
- **REFERENCE TO GLOBAL COORDINATED ALCOHOL TAX REMOVED**

## Areas of Concern Remain

- **SINGULAR FOCUS ON BEST BUYS/SAFER**
- **UNREALISTIC TARGETS FOR REDUCING HARMFUL USE; SETS UP MS FOR FAILURE**
- **ALCOHOL SECTOR ASKED TO “REFRAIN FROM PROMOTING DRINKING”**

## **World Health Assembly to consider GAAP in May**

- **LIKELY TO BE ADOPTED**

## **Continued focus on restricting marketing**

- **RECENT REPORT ON CROSS-BORDER MARKETING**

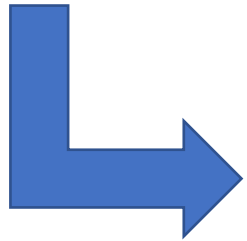
## **Increased scrutiny of industry engagement in public policy**

- **MS HAVE REQUESTED REPORT ON ENGAGEMENT WITH ALCOHOL SECTOR**





## New CAP Rules Published



**2 YEAR TRANSITION; NEW RULES MANDATORY ON DEC 8, 2023**

**MANDATORY NUTRITION & INGREDIENT DISCLOSURE**

**E-LABELS ALLOWED**

# New EU Labeling Requirements



## On the Label:

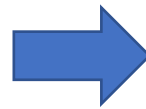
**(100ML) E=69 Kcal**

## Via E-Label:

- **NUTRITIONAL INFORMATION**
- **INGREDIENT LISTING**
- **RESPONSIBLE CONSUMPTION**
- **OPTIONAL INFORMATION**
- **NOT ALLOWED: MARKETING INFO**



# E-Labels Coming to Wine for First Time



**U+label** Digital information  ENGLISH ▾



**Domaine de Mellemont**  
**LA TOUSSAINT**  
2020 •  
Vin de Pays des Jardins de Wallonie   
 Belgium • wine  
• 12% vol • 75 cl  
white wine • dry • Muller-Thurgau  
*produced by:* • Avenue du Lieutenant Bigourdan, 11360 Perwez

**RESPONSIBLE CONSUMPTION** ▲



**WINEinMODERATION**  
CHOOSE | SHARE | CARE  
Always drink in moderation.

**INGREDIENTS** ▲

grape, preservative (sulphites), stabiliser (gum arabic), sucrose



**NUTRITION DECLARATION** ▲

	100ml
Energy	289kJ 69kcal
Fat	0g
of which	
Saturates	0g
Carbohydrate	0.15g
of which	
Sugars	0.15g
Protein	0g
Salt	0g

**SUSTAINABILITY** ▲





# EU Now, Where Next?



## Adoption of new rules likely to accelerate this year

- **EU RETAILERS MAY REQUEST COMPLIANCE WITH NEW RULES BEFORE DEC. 2023**

## E-Labels likely to spread to additional markets

- **UK, SWITZERLAND, ?**

## What about US?

- **TREASURY COMPETITION REPORT:**

**“TTB SHOULD REVIVE OR INITIATE RULEMAKING PROPOSING INGREDIENT LABELING AND MANDATORY INFORMATION... ON NUTRITIONAL CONTENT.”**

# EU Taking on Alcohol and Cancer



## EU BECA plan released February 2021

- FULL REVIEW OF ALCOHOL POLICY – LABELING, TAXATION, MARKETING, WINE SECTOR \$ SUPPORT
- CALLS FOR ALCOHOL HEALTH WARNING LABEL

## EU Parliament recently adopted BECA report

- COMMITTEE DRAFT SOUGHT TO LINK MODERATE CONSUMPTION AND CANCER
- LIKE WHO, FOCUSED ON ALL CONSUMPTION, NOT HARMFUL USE

## Parliament approves amendments

- **REMOVED LINKAGE BETWEEN CANCER AND MODERATE CONSUMPTION**
- **FOCUS BACK ON HARMFUL USE, NOT CONSUMPTION PER SE**
- **SHIFTED FOCUS OF WARNING LABEL TO RESPONSIBLE CONSUMPTION, AWAY FROM CANCER RISK**





# EU Review of Alcohol – Next Steps



## Alcohol sector not out of the woods yet...

- **PARLIAMENTARY REPORT NON-BINDING**
- **EUROPEAN COMMISSION WILL NOW IMPLEMENT BECA**
- **CANCER WARNING UNLIKELY, BUT HEALTH WARNING POSSIBLE**
- **SIGNIFICANT WORK AHEAD ON OTHER KEY ISSUES:**

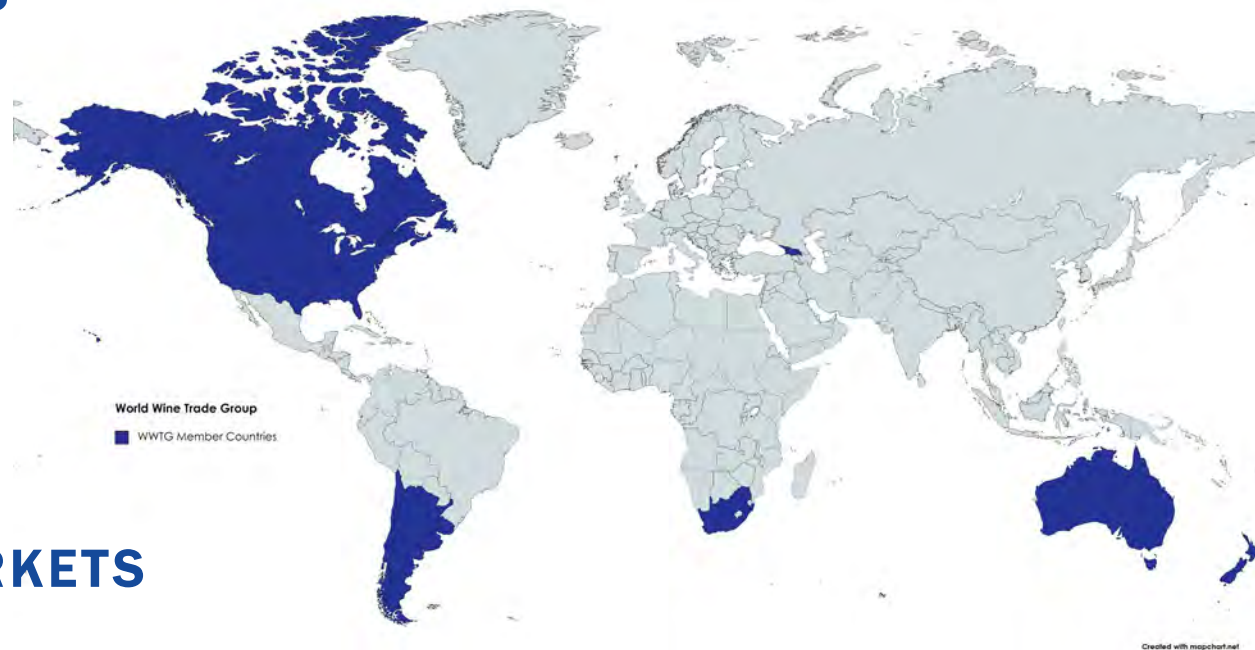
Alcohol excise taxes

Alcohol marketing and sponsorship

Financial support for wine sector

## Unique Multi-lateral Organization

- **9 NEW WORLD WINE REGIONS**
- **GOVERNMENT AND INDUSTRY**
- **FOCUSED ON GROWING WINE TRADE**
- **MULTIPLE TREATY LEVEL AGREEMENTS**
- **COORDINATED RESPONSE TO TRADE BARRIERS IN KEY MARKETS**



## Priorities for US Chairmanship

- **PROJECT ON ELECTRONIC CERTIFICATION**
- **E-LABELING & SUSTAINABILITY**
- **EXPAND WWTG PARTICIPATION**
- **COORDINATED ENGAGEMENT WITH KEY AUDIENCES**

EU Environmental Initiatives

WTO Technical Trade Barriers

WHO & CODEX





# Questions?

Charles Jefferson

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AGENDA ITEM NO. 9

# Guest Speaker

*Jon Moramarco – Managing Partner, bw166*

**State of the Industry**



# Agenda

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- Expanded Background
- Data Reliability
- Industry Observations
- Long-term Beverage Alcohol trends
- Long Term Wine Trends
- Demographics
- Future Strategies
- Conclusion / Questions

# Expanded Background

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- 1969 – Gaining a work ethic: 12 years old, summer work in vineyards in Temecula, CA. 10 to 12 hours a day. Six to seven days a week. Only had to work weekends during most of the school year.
- UC Davis Graduate: Agricultural Science and Management – Enology/Viticulture/Ag Business
- 1982 to 1999: Hiram Walker/Allied Domecq
  - 1992 to 1999: President & CEO The Wine Alliance/Allied Domecq Wines US – Wine focus, Spirits involvement
- 1999 to 2009
  - President & CEO Canadaigua Wine Company
  - President & CEO Franciscan Estates/Icon Estates
  - President & CEO Constellation Europe
  - President & CEO Constellation International
- 2010 to 2014: President & CEO Winebow
- 2014 to Present: Managing Partner bw166, Partner & Editor Gomberg & Fredrikson
  - One Public board, One Private Board, One Non-Profit Board

# Data Reliability

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- The Industry is highly fragmented. 11K+ Wineries, 120K+ new label approvals annually. Estimate 25K+ brands and 300K+ SKUs available in US market
- Gomberg & Fredrikson and bw166 uses primarily tax paid data and other government sources. Reconciles total market to other sources for deeper analysis.
- Nielsen / IRI – Great data for a portion of the market. Census data far more accurate than sample data.
- Impact Databank, Beverage Information Group, IWSR: Survey of major brands and extrapolate to market. Far short of tax paid shipments.
- SipSource: Primarily a few major distributors. Likely more reliable for spirits. Constellation/Gallo deal may be impacting 2021 numbers.
- ShipCompliant/WineVines DTC. Good projection model. Only has Consumer shipments, not tasting room sales.
- SVB Annual Survey: Uncertain sample size, number and share of total industry.
- Surveys:
  - Long-Term: Good data if some consistency. Wine Market Council, Gallup.
  - Short-Term: Challenging without knowing complete methodology and survey form.

## US Wine Market 2021 vs 2020

	2020	2021	% Change
<b>9L Cases (000)</b>			
Still Wines	340,948	345,375	1.3%
Bulk Imports*	24,550	26,283	7.1%
Sparkling	28,531	36,479	27.9%
Trad Desserts	3,050	2,975	-2.5%
Vermouth	6,102	8,555	40.2%
Flav Wines	31,276	31,398	0.4%
Sake	936	1,335	42.6%
Total	435,393	452,400	3.9%

### Consumer Spending

USD Billions	\$67,931	\$79,356	16.8%
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\* Bottled in US

- 2021 was a good year for wine.
- Need to look deeper due to:
  - Pandemic
  - Channel shifts
  - Tariffs
- Will come back to more of the details.

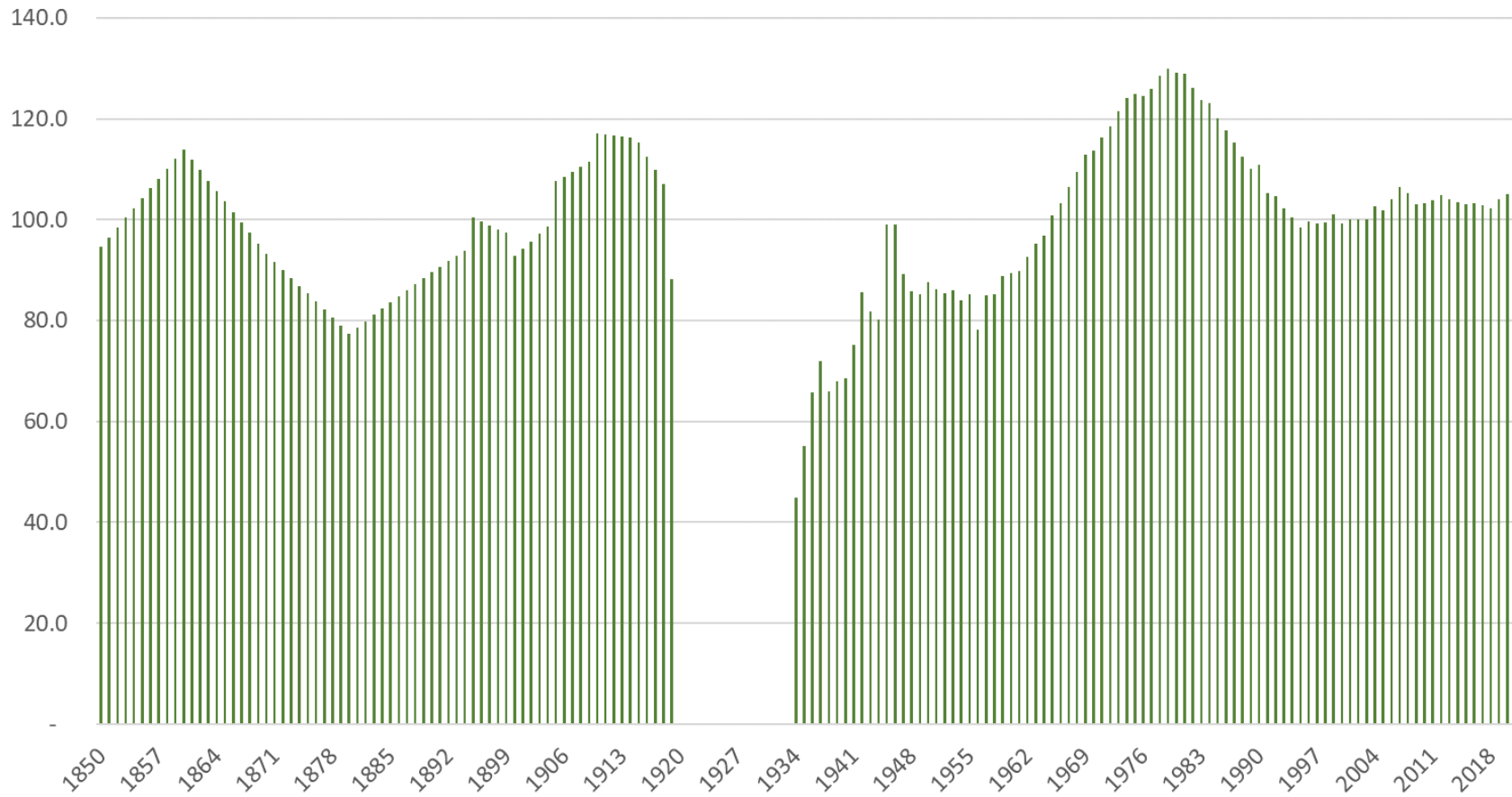
# Industry Observations

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- It has never been as good as we sometimes think it is.
- It has never been as bad as can be reported at times.
- Most trends evolve over long periods.
- We have moved from some consumer loyalty to promiscuous consumers.
- Demographics is changing:
  - The world
  - Our economy
  - Our industry
- The pandemic has accelerated Ecommerce.
- We need to keep doing some things the same.
- We need to change how we do other things.
- The key is Market Share: Within Beverages, Within Beverage Alcohol, Within Wine.

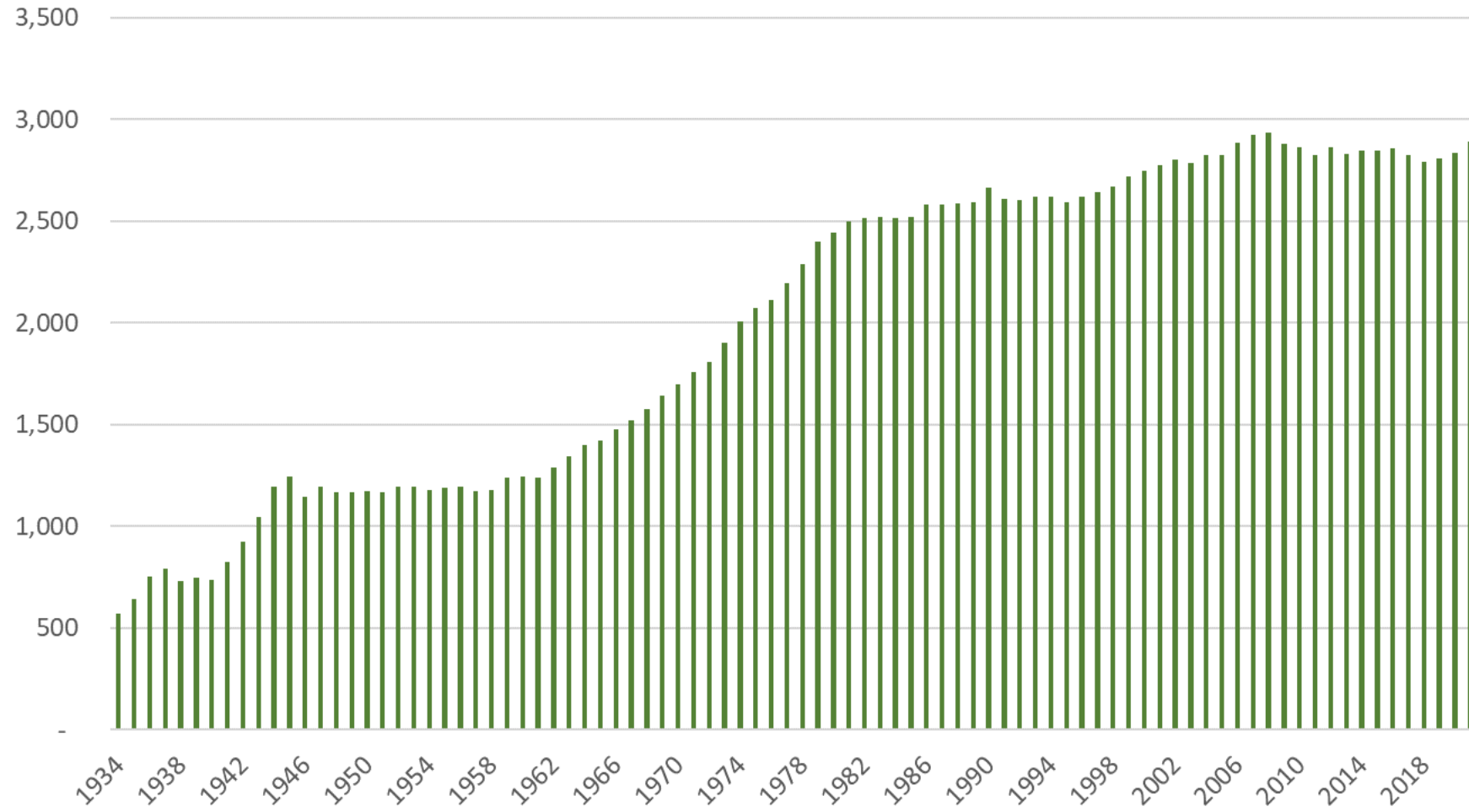


## Serving Index per Legal Drinking Age Adult (2003 = 100)

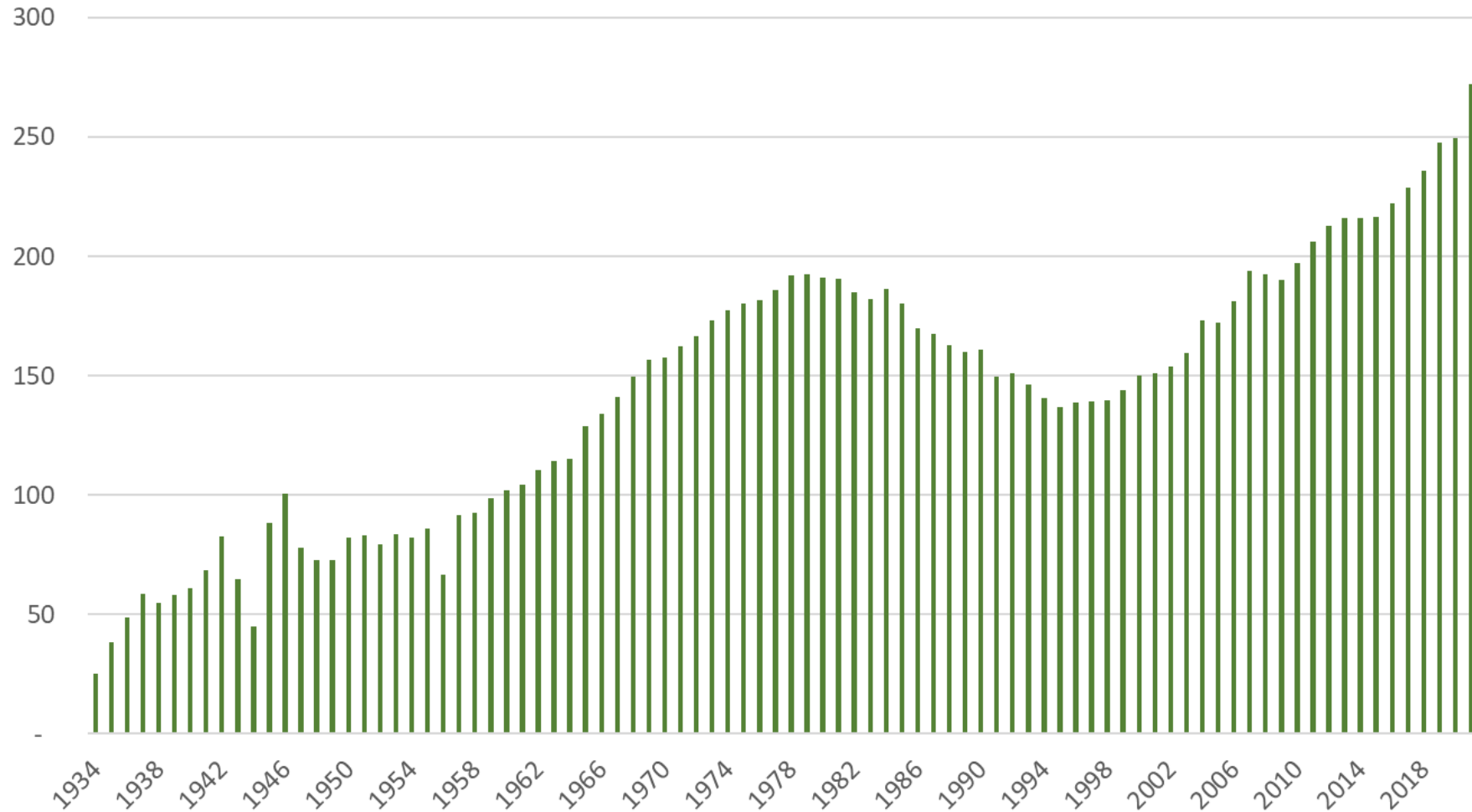


- Bw166 Serving Index Prohibition to present.
- Pre-Prohibition based on Estimates of total alcohol consumption.
- Measure of LDA per Capita consumption.
- Measures
  - 12 Ounces Beer
  - 5 Ounces Wine
  - 1 ½ Ounces Spirits
- Consumption per capita flat for thirty years.
- Unlikely to change much unless there is a major health concern.

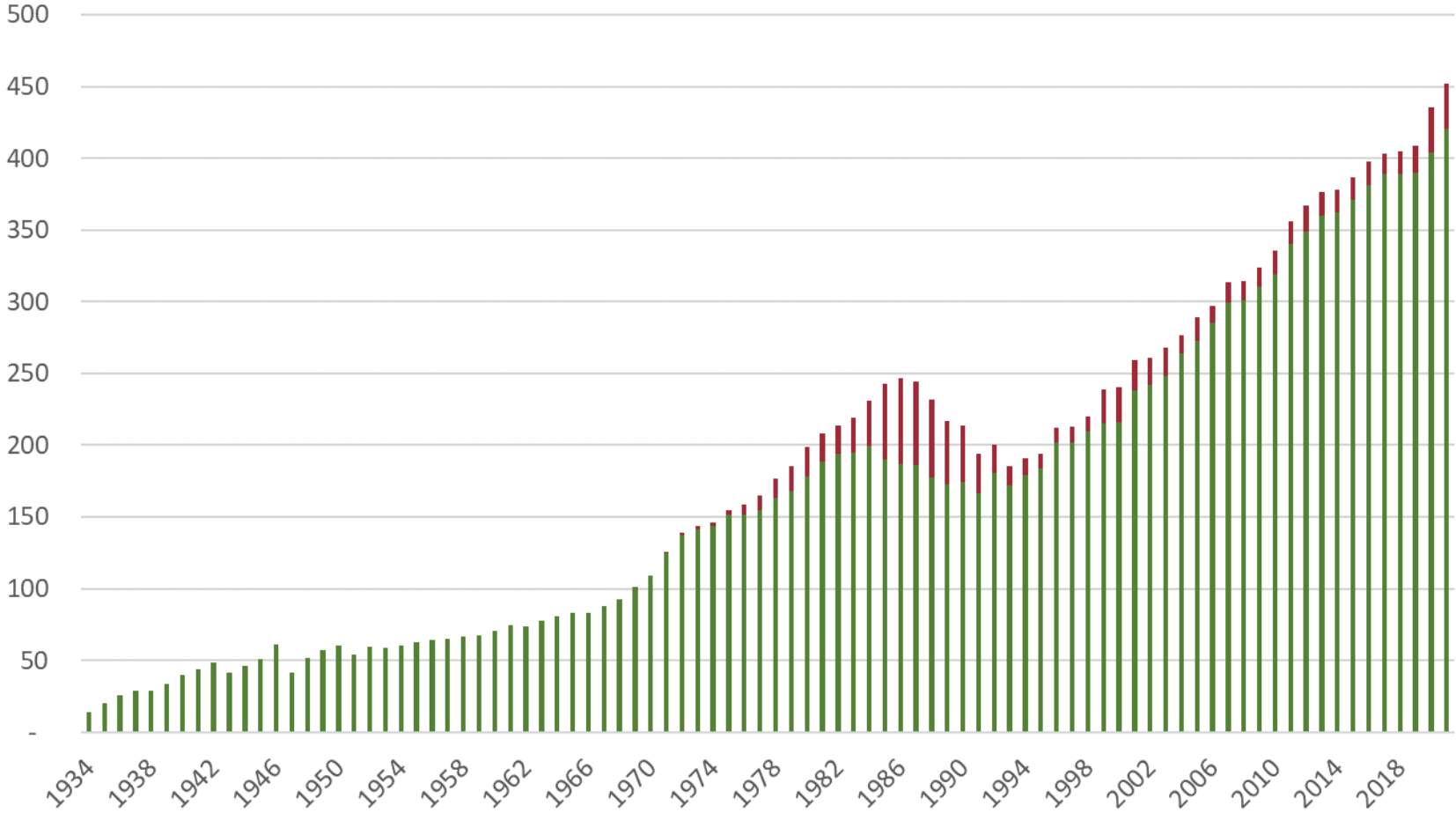
# Beer Cases Millions



# Spirits Cases Millions



# Wine Cases Millions



## US Wine Market 1993 to 2016 9L Cases (9L thousands)

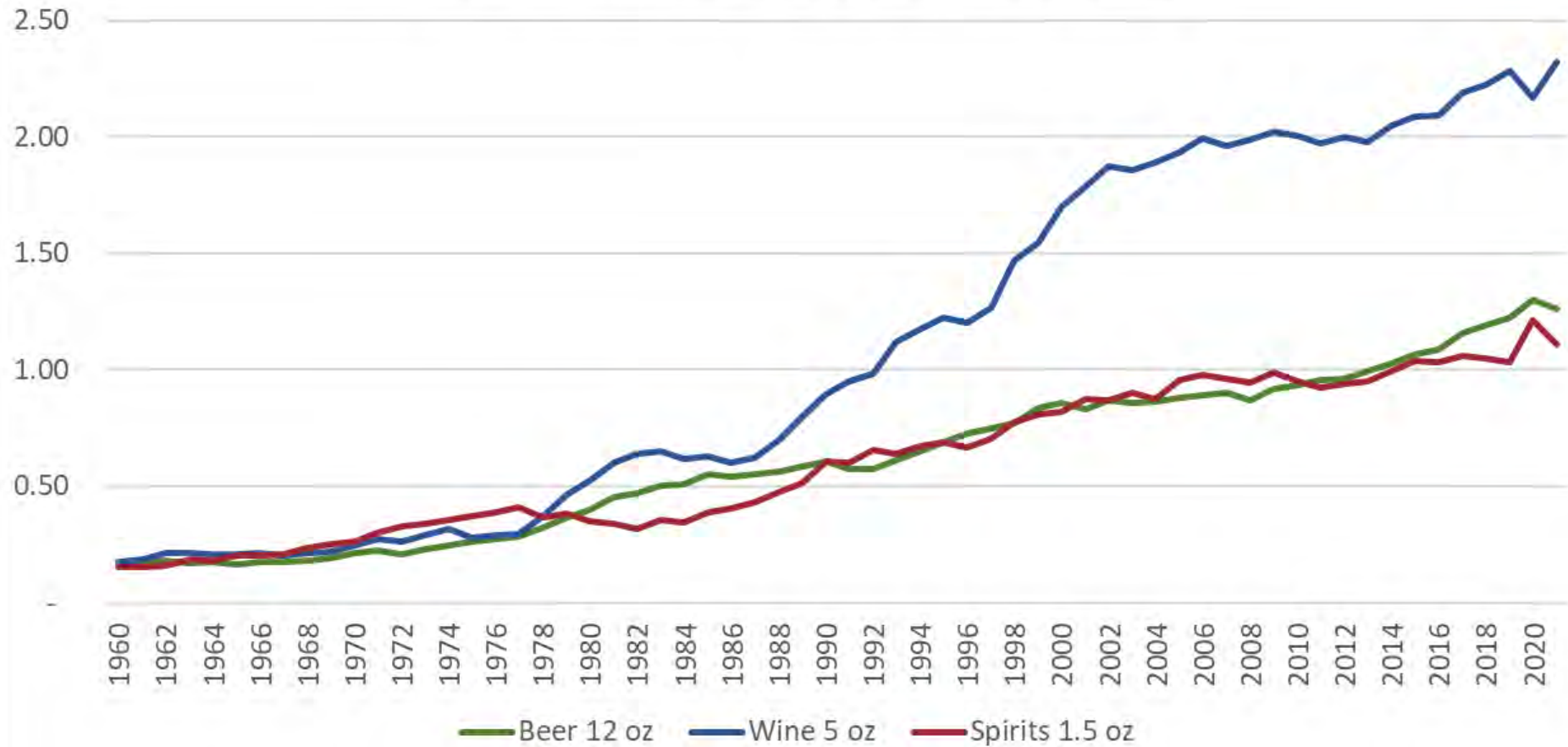
	Domestic Bottled			Packaged Imports			Total US Market		
	1993	2016	CAGR	1993	2016	CAGR	1993	2016	CAGR
Still Wines	123,916	248,621	3.1%	19,183	78,835	6.3%	143,100	327,456	3.7%
Bulk Imports	122	22,751	25.5%				122	22,751	25.5%
Sparkling	10,027	12,034	0.8%	3,425	12,408	5.8%	13,452	24,443	2.6%
Trad Desserts	11,528	2,153	-7.0%	900	1,140	1.0%	12,428	3,293	-5.6%
Vermouth	1,199	628	-2.8%	700	2,058	4.8%	1,899	2,687	1.5%
Flav Wines	11,195	10,889	-0.1%	2,405	5,324	3.5%	13,600	16,213	0.8%
Sake				600	935	1.9%	600	935	1.9%
Total	157,987	297,077	2.8%	27,214	100,700	5.9%	185,201	397,778	3.4%
LDA Population (Millions)							178	236	1.2%
bw166 Beer Serving Index							94	103	0.4%
bw166 Spirits Serving Index							92	139	1.8%
bw166 Wine Serving Index							72	155	3.4%
Total Serving Index							92	120	1.2%



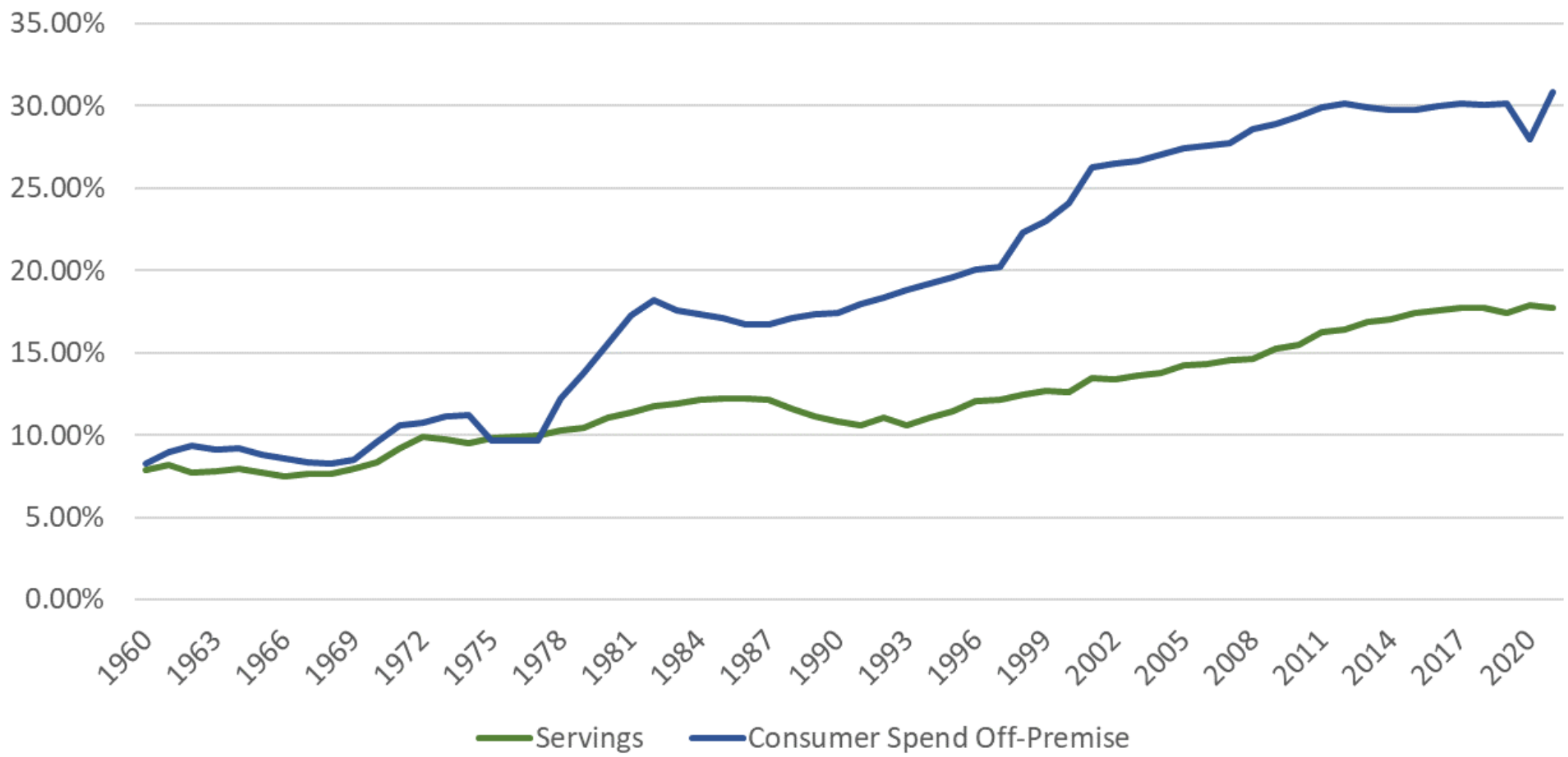
## US Wine Market 2016 to 2021 (9L thousands)

	2016	2017	2018	2019	2020	2021	CAGR 16-19	CAGR 16-21
<b>Domestic Bottled</b>								
Still Wines	248,621	247,956	252,864	253,171	264,713	264,687	0.6%	1.3%
Bulk Imports	22,751	27,382	23,302	21,837	24,550	26,283	-1.4%	2.9%
Sparkling	12,034	12,519	12,752	12,747	12,713	14,381	1.9%	3.6%
Trad Desserts	2,153	2,125	2,100	2,075	1,950	1,875	-1.2%	-2.7%
Vermouth	628	501	287	157	156	141	-37.0%	-25.8%
Flav Wines	10,889	9,315	9,234	7,483	6,796	3,796	-11.8%	-19.0%
Sake								
Total	297,077	299,799	300,539	297,470	310,878	311,163	0.0%	0.9%
<i>Percent Change</i>		0.9%	0.2%	-1.0%	4.5%	0.1%		
<b>Packaged Imports</b>								
Still Wines	78,835	80,148	78,160	78,012	76,235	80,688	-0.3%	0.5%
Bulk Imports								
Sparkling	12,408	13,846	14,900	16,609	15,818	22,098	10.2%	12.2%
Trad Desserts	1,140	1,145	1,145	1,125	1,100	1,100	-0.4%	-0.7%
Vermouth	2,058	2,215	2,684	2,977	5,946	8,414	13.1%	32.5%
Flav Wines	5,324	5,534	6,168	9,632	24,480	27,602	21.8%	39.0%
Sake	935	981	1,014	1,053	936	1,335	4.0%	7.4%
Total	100,700	103,870	104,071	109,408	124,515	141,237	2.8%	7.0%
<i>Percent Change</i>		3.1%	0.2%	5.1%	13.8%	13.4%		
<b>Total US Market</b>								
Still Wines	327,456	328,105	331,024	331,183	340,948	345,375	0.4%	1.1%
Bulk Imports	22,751	27,382	23,302	21,837	24,550	26,283	-1.4%	2.9%
Sparkling	24,443	26,365	27,652	29,356	28,531	36,479	6.3%	8.3%
Trad Desserts	3,293	3,270	3,245	3,200	3,050	2,975	-0.9%	-2.0%
Vermouth	2,687	2,716	2,971	3,134	6,102	8,555	5.3%	26.1%
Flav Wines	16,213	14,849	15,402	17,115	31,276	31,398	1.8%	14.1%
Sake	935	981	1,014	1,053	936	1,335	4.0%	7.4%
Total	397,778	403,669	404,610	406,878	435,393	452,400	0.8%	2.6%
<i>Percent Change</i>		1.5%	0.2%	0.6%	7.0%	3.9%		

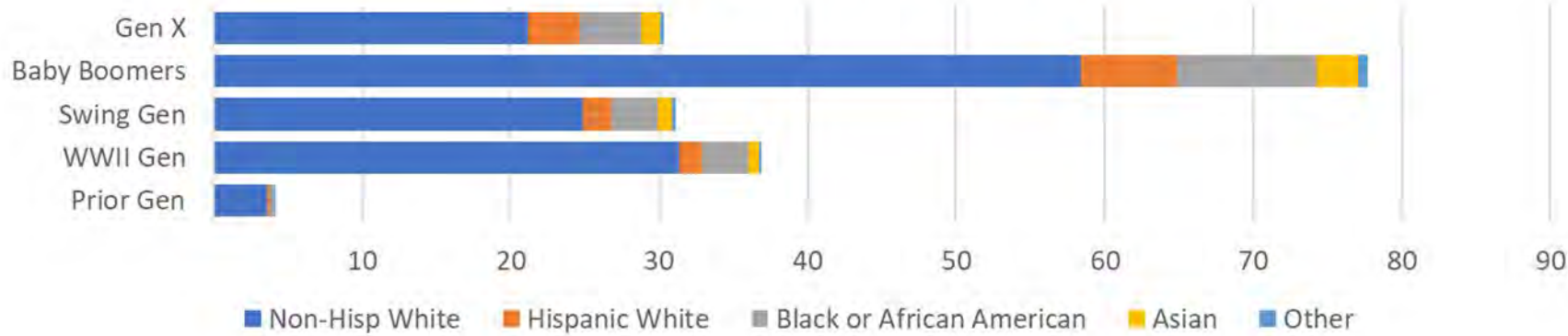
# Off Premise Cost per Serving



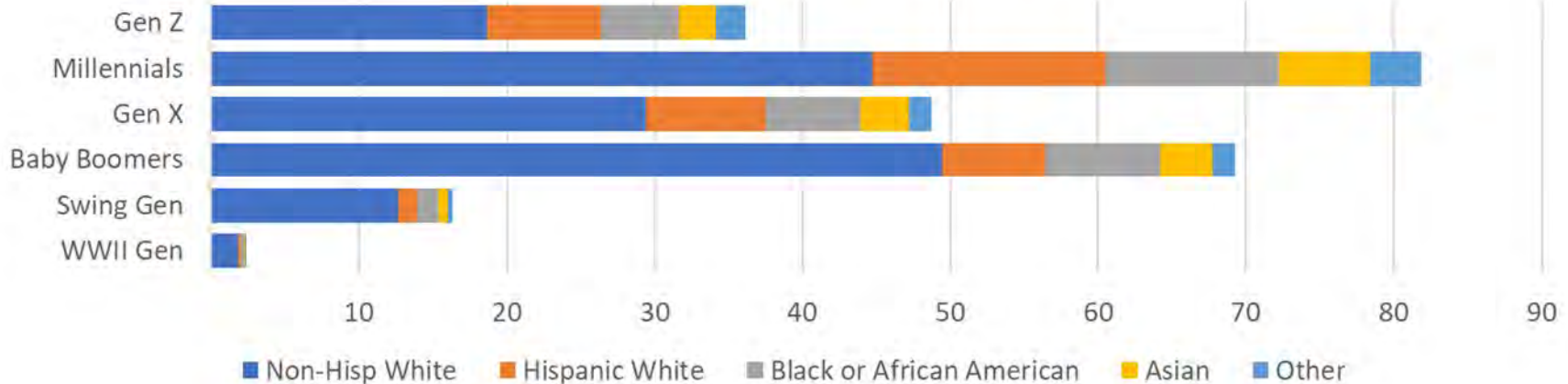
# Wine Market Share



## 1993 LDA Population (Millions)



## 2023 LDA Population (Millions)



- 1993 Average age of Baby Boomers was 37 years.
- 1993 Non-Hispanic white Baby Boomers drove wine growth for next 23 years.
- Millennials will average 37 years in 2023.
- Maturation of Millennials, marriage, home ownership, children.
- More diverse generation.
- Price points.
- Food & Wine pairings
- Wine styles.

# US Estimated Population 2021

Race / Ethnicity	Total	21 to 30	31 to 40	41 to 50	51 to 60	61 to 70	71 to 80	80 Plus
Non-Hisp White	155,707,004	24,545,809	24,938,636	23,574,251	27,962,061	27,531,206	17,908,557	9,246,484
Hispanic White	36,890,885	9,224,378	8,417,382	7,341,209	5,672,421	3,570,558	1,791,532	873,405
Black or African American	31,626,429	7,104,250	6,246,568	5,437,277	5,397,800	4,316,749	2,144,344	979,441
Asian	15,072,747	3,017,747	3,333,653	2,948,031	2,395,539	1,879,561	1,047,917	450,299
American Indian and Alaska Native	2,896,162	682,879	622,874	526,407	479,927	350,691	167,943	65,441
Native Hawaiian and Other Pacific Islander	561,421	128,964	138,181	106,408	87,085	60,431	29,404	10,948
Total Population	247,475,582	46,273,677	44,761,322	40,701,028	42,590,282	38,138,068	23,299,573	11,711,632

## Share by Age Band

Non-Hisp White	62.9%	53.0%	55.7%	57.9%	65.7%	72.2%	76.9%	79.0%
Hispanic White	14.9%	19.9%	18.8%	18.0%	13.3%	9.4%	7.7%	7.5%
Black or African American	12.8%	15.4%	14.0%	13.4%	12.7%	11.3%	9.2%	8.4%
Asian	6.1%	6.5%	7.4%	7.2%	5.6%	4.9%	4.5%	3.8%
American Indian and Alaska Native	1.2%	1.5%	1.4%	1.3%	1.1%	0.9%	0.7%	0.6%
Native Hawaiian and Other Pacific Islander	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%



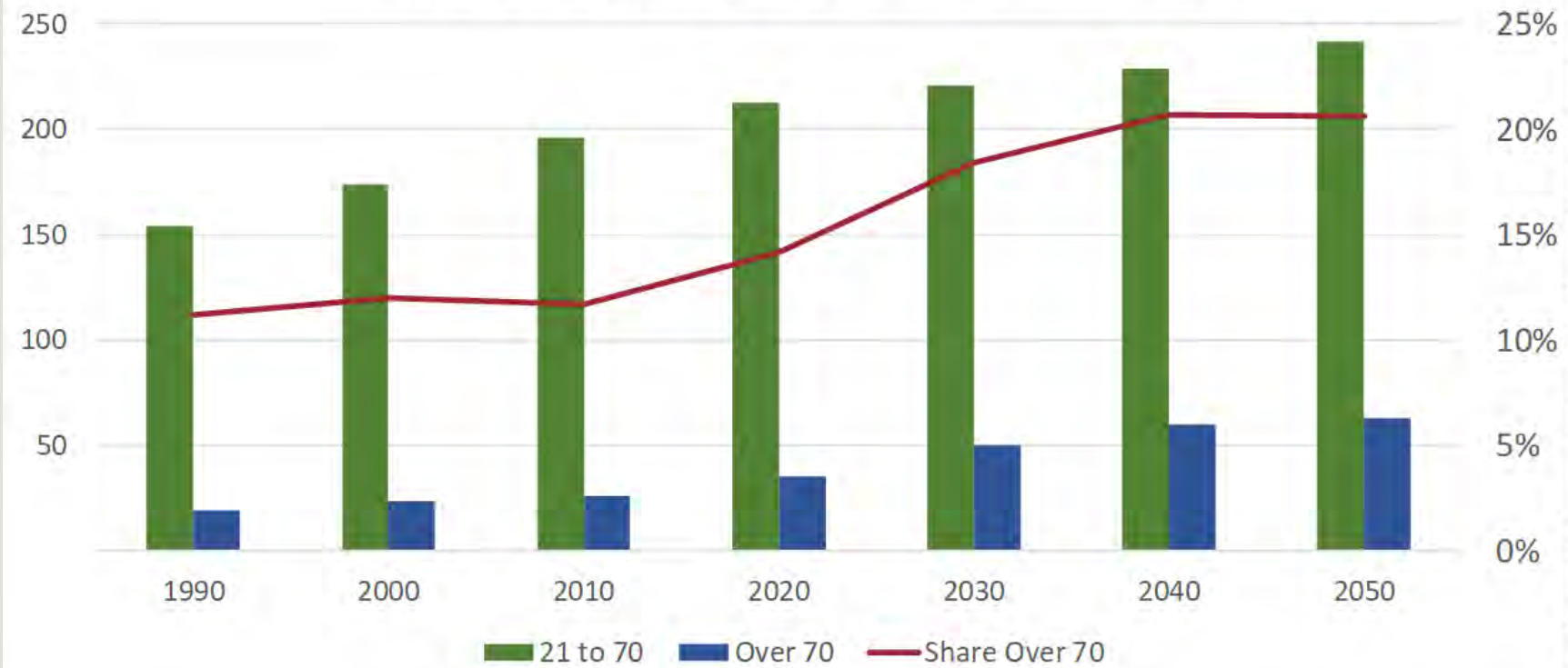
## 2020 US Households (thousands)

Race / Ethnicity	Total	Under 30	30 to 39	40 to 49	50 to 59	60 to 69	70 Plus
All Races	129,931	14,933	22,382	21,420	22,993	23,822	24,383
White Alone not Hisp	85,336	8,271	12,999	12,466	15,153	17,348	19,100
Black Alone	17,358	2,309	3,275	3,215	3,170	3,018	2,371
Asian Alone	6,987	980	1,582	1,485	1,150	895	896
Hispanic (Any Race)	18,349	3,048	4,178	3,971	3,176	2,234	1,742
Share of Total Households		16.6%	22.8%	21.6%	17.3%	12.2%	9.5%
White Alone not Hisp	65.7%	55.4%	58.1%	58.2%	65.9%	72.8%	78.3%
Black Alone	13.4%	15.5%	14.6%	15.0%	13.8%	12.7%	9.7%
Asian Alone	5.4%	6.6%	7.1%	6.9%	5.0%	3.8%	3.7%
Hispanic (Any Race)	14.1%	20.4%	18.7%	18.5%	13.8%	9.4%	7.1%

## 2020 US Households (thousands) Household Income over \$200K

Race / Ethnicity	Total	Under 30	30 to 39	40 to 49	50 to 59	60 to 69	70 Plus
All Races	13,319	654	2,375	3,298	3,630	2,336	1,026
White Alone not Hisp	9,951	419	1,641	2,294	2,832	1,900	867
Black Alone	841	29	132	253	221	145	61
Asian Alone	1,393	123	366	404	289	153	56
Hispanic (Any Race)	937	66	200	286	228	121	36
Share of Total Households	10.3%	4.4%	10.6%	15.4%	15.8%	9.8%	4.2%
Share of \$200K Households		4.9%	17.8%	24.8%	27.3%	17.5%	7.7%
White Alone not Hisp	74.7%	64.1%	69.1%	69.6%	78.0%	81.3%	84.5%
Black Alone	6.3%	4.4%	5.6%	7.7%	6.1%	6.2%	5.9%
Asian Alone	10.5%	18.8%	15.4%	12.2%	8.0%	6.5%	5.5%
Hispanic (Any Race)	7.0%	10.1%	8.4%	8.7%	6.3%	5.2%	3.5%

## LDA Population by Age Bands (Millions)



### Ten Year Compound Annual Growth Rate

21 to 70	1.2%	1.2%	0.8%	0.4%	0.4%	0.6%
Over 70	2.0%	0.9%	3.1%	3.6%	1.9%	0.5%
Total	1.3%	1.2%	1.1%	0.9%	0.7%	0.5%

# Future Strategies

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- For every Winery and Brand – Know your target audience.
- Leverage strengths. Premium priced, One crop a year, tied to worldwide locations,
- Reclaim Dinner Time Beverage:
  - Broader selection of Wine and Food Pairings
  - Traditional European Recipes and Multi-Cultural Recipes (Asian, Black, Latin America etc.)
- On Premise – Look at Percent Cost / Total \$ Margin
  - Beer: Cost = \$1.00, Price = \$8.00, Percent Cost = 12.5%
  - Spirits: Cost = \$1.25, Price = \$10.00, Percent Cost = 12.5%
  - Wine: Cost \$10.00/Bottle, \$2.00/Glass, Price = \$12.00, Percent Cost = 16.7% (Losses may drive up cost)
  - Wine Bottles: Industry proposal for Sliding markup by Cost:
    - \$10.00 Cost = \$50.00 Bottle. \$8.00 Margin per Serving (5X Markup, Percent Cost = 20%)
    - \$20.00 Cost = \$75.00 Bottle = \$10.50 Margin per Serving (3.75X Markup, Percent Cost = 26.6%)
    - \$30.00 Cost = \$90.00 Bottle = \$12.00 Margin per Serving (3X Markup, Percent Cost = 33.3%)

# Future Strategies - Continued

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- Off Premise promotions for weekday dinner.
  - Target across cuisine types.
- Target weekend family dinners.
  - Across race and ethnicity.
  - Bi-Lingual opinion leaders.
- Research & Marketing Order
  - A Challenge
  - Type “A” personalities / Egos / Difficult to come to consensus.
  - Domestic & Imports?
  - Across types and price points?
- New Products Driven by market trends



# Market Trends

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- Single Serve: Beer, Seltzer, Single Serve cocktails:
  - Wine challenged by 750ml / Cork
- Cost per serving: \$1.00 to \$2.00 per serving
  - Average price of wine at perceived quality exceeds target.
- Retail ring \$15.00 plus
  - Retailer moving away from sub-\$10.00 wine on display
- Ecommerce reducing impulse purchase.
- Modelo – 12 Pack = \$15.00, \$1.25 per serving, ABV = 4.4%
- White Claw – 12 Pack = \$15.00, \$1.25 per serving, ABV = 5.0%

# New Product Concept

- Eight Pack of 125ml wine (1 Liter)
- \$17.99 Everyday, \$14.99 Feature (\$1.87/ Serving)
- ABV 12% to 14%
- Multi-Packs – Red, Sweet Red, White, Rose.
- Produce from blends that are flavorful but lower cost.
- Style wines for broad affinity with different types of food.
- Younger, female, cross race/ethnicity focus.
- Packaging – Similar to Fever Tree, not a 187 pack.
- Add a 1 Liter screw cap for family dinners.



# Final Points

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- The market and industry will keep changing.
  - Economy will change due to aging of population.
  - Market growth will likely slow.
- Know your market and your targeted consumers.
- Focus on driving market share.
  
- Questions?



AGENDA ITEM NO. 10

# Unfinished Business



AGENDA ITEM NO. 11

# **New Business**





AGENDA ITEM NO. 12

# Adjournment