



JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS

June 21, 2022 - 9:00 a.m.

The Ritz Carlton, Half Moon Bay, California
Suzanne Groth, Chairman of the Board Presiding

AGENDA

1. Guest Speaker: Dave Wulf, Deputy Administrator of the Alcohol and Tobacco Tax and Trade Bureau (TTB) – *Discussion moderated by Tracy Genesen & Charles Jefferson*
2. Roll Call
3. Corporate Business
 - (a) Approval of Minutes — **Action Required**
 - (b) Resolutions — **Action Required**
 - (c) Dates of Future Board Meetings
 - (d) Results of Election of Directors for 2022 - 2023
 - (e) Board Vacancies — **Action Required**
4. Member Relations – Ian Blue
Election of New Members — **Action Required**
5. Chairman's Remarks
6. President's Message
7. 2022-2023 Proposed Budget – Suzanne Groth/Ted Rose — **Action Required**
8. Committee/Departmental Reports
 - (a) Public Policy — Rick Tigner
 - (i) California..... Tim Schmelzer
California State Relations Update
 - (ii) Federal Charles Jefferson
 - (iii) State Relations..... Steve Gross
 - (iv) Public Policy Committee..... Tracy Genesen
Public Policy Update
 - (b) International Marketing — Honore Comfort
International Marketing Update
 - (c) International Public Policy — Matt Gallo / Charles Jefferson
 - (d) Technical Advisory Committee — Tim Ryan / Tracy Genesen
 - (e) Environmental Affairs — Chris Savage / Allison Jordan
 - (f) Communications — Randall Lange / Natalie Wymer
9. Unfinished Business
10. New Business
11. Adjournment

NEW BOARD MEETS IMMEDIATELY FOLLOWING THIS MEETING



David M. Wulf
Deputy Administrator
Alcohol Tobacco Tax and Trade Bureau

David M. Wulf serves as the [Deputy Administrator](#) of the Alcohol and Tobacco Tax and Trade Bureau (TTB). In this capacity, he oversees the collection of approximately \$20 billion per year in federal alcohol, tobacco, and firearms and ammunition excise taxes, as well as the regulatory frameworks and permitting systems established for those industries under the authority of the Internal Revenue Code and the Federal Alcohol Administration Act.

Prior to his appointment as Deputy Administrator, Wulf served for nearly 10 years at the Department of Homeland Security (DHS) as the Associate Director for Chemical Security at the Cybersecurity and Infrastructure Security Agency. From 2017-2018, he also served as the Department's acting Deputy Assistant Secretary for Infrastructure Protection. Wulf led a wide range of infrastructure protection initiatives at DHS, including the national implementation of the Chemical Facility Anti-Terrorism Standards (CFATS) program. In executing this regulatory compliance framework, Wulf's team of security specialists and inspectors assessed high-risk chemical facilities, promoted collaborative security planning, and ensured that facilities adhered to risk-based standards. Wulf testified 15 times in high-stakes congressional hearings, evolved the CFATS program in a number of areas, and - as co-Chair of the G7 Global Partnership's Chemical Security Working Group and the Global Congress on Chemical Security and Emerging Threats - played a key role in building a truly-global chemical-security community.

Also, during his tenure at DHS, Wulf worked with the elections community to establish an Election Infrastructure Sector Coordinating Council and to enhance cybersecurity protections for voting systems in jurisdictions across the nation. Additionally, after the onset of the Covid-19 pandemic, Wulf was designated to serve as DHS's senior official for the nation's Essential Critical Infrastructure Workforce. In this role, he spearheaded the department's efforts to consult with public- and private-sector stakeholders on DHS guidance that enumerated categories of essential workers across the domestic critical-infrastructure landscape.

Prior to joining DHS, Wulf held a number of positions at the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), serving as chief of the Bureau's Office of Regulatory Affairs, director of the National Center for Explosives Training and Research (NCETR), and senior counsel for Field Operations. He also served as the acting deputy assistant director of ATF's Office of Public and Governmental Affairs.

Raised in Massachusetts, Wulf received his Bachelor of Arts in Government and History from Georgetown University and his law degree from the Emory University School of Law.

TTB Updates

RECENT DEVELOPMENTS

- **Expanded Tolerances for Voluntary Calorie Statements in 2020 Ruling:** Previous nutrition labeling guidelines were onerous and costly for wineries because they involved expensive testing of multiple batches of wine close to the time of bottling. In September 2020, and consistent with Wine Institute’s position, TTB issued [Ruling 2020-1](#) which:
 - Allows for the use of databases and “typical values.”
 - Allows a tolerance of 20% for understatement of calories and carbohydrates. Overstatements of the calorie and carb value are acceptable if the actual content is “within a reasonable range of the labeled or advertised amount (within good manufacturing practice limitations).”
 - Aligns with FDA’s menu labeling requirements.
 - Now wineries can easily and more cost-effectively provide the information.
- **TTB Guidance on Misleading Health-Related Statements:** On March 4, 2022, Wine Institute met with TTB to discuss industry concerns and seek guidance regarding health-related statements on labels and in advertising. In response, TTB issued a series of five regulatory reminders that it prohibits misleading and unsubstantiated health-related statements. TTB provided specific examples of unsubstantiated statements suggesting that consuming a particular alcohol beverage will mitigate certain health consequences. TTB also stated that use of the term “clean” constitutes a misleading health-related statement in phrases like “X malt beverage is clean and healthy” or “Y vodka’s clean production methods mean no headaches for you.”

PENDING RULEMAKINGS

- [NPRM No. 164](#) – **Wine Treating Materials:** This proposed rule was published in November 2016 and addresses materials authorized for the treatment of wine and juice under 27 CFR § 24.246. We understand that the final rule is currently under review with the Office of Chief Counsel and expect it to issue soon.
- [NPRM No. 176](#) – **Modernization of the Labeling and Advertising Regulations for Wine, Distilled Spirits, and Malt Beverages:** This proposed rule was published in November 2018 and would amend regulations for labeling and advertising of wine, spirits, and beer. In February 2022, however, TTB issued a partial final rule as to spirits and beer only. In doing so, TTB indicated that reorganizing the wine labeling and advertising regulations “would be accomplished in future rulemaking” but did not suggest when that might occur.
- [NPRM No. 210](#) – **Standards of Fill for Wine and Distilled Spirits:** This proposed rule is open for comment until July 25, 2022. TTB proposes to add 10 additional authorized

standards of fill for wine or, as an alternative, eliminate all but a minimum standard of fill for wine containers and all but a minimum and maximum for distilled spirits containers. TTB already reviewed standards of fill in a formal rulemaking in 2019 and left standards unchanged, while adding several additional sizes. Wine Institute supported TTB's determination and continues to oppose the elimination of federal regulations on standards of fill. These standards are critical to the wine industry. The standards were enacted to reduce consumer confusion and deception; eliminating them would contribute to consumer confusion, disrupt federal uniformity, and cause issues at the state level with respect to taxation, shelf space and placement, and consumer sales limits.

ANTICIPATED RULEMAKINGS

- **Mandatory Allergen, Nutrition, and Ingredient Labeling:** Pursuant to a 2021 Executive Order, the Treasury Department issued a "Competition Report" in February 2022 assessing the American markets for beer, wine, and spirits. Among other things, the report recommended that TTB "revive or initiate rulemaking proposing ingredient labeling and mandatory information on alcohol content, nutritional content, and appropriate serving sizes." In addition, new EU regulations will impose mandatory calorie and allergen information on-label, and ingredient and nutrition information off-label "by electronic means" for wines produced and labeled after December 8, 2023. For these reasons, Wine Institute reasonably anticipates that TTB may soon issue advanced or regular notices of proposed rulemaking for mandatory allergen, nutrition, and ingredient labeling. A summary of the most recent status for each category is as follows:
 - **Allergen Labeling.** In 2006, TTB published a notice of proposed rulemaking regarding the mandatory labeling of major food allergens used in production. The rule was not finalized. TTB instead published an interim rule allowing voluntary labeling of major food allergens on labels. Industry members may voluntarily declare the presence of milk, eggs, fish, crustacean shellfish, tree nuts, wheat, peanuts, soybeans, and ingredients that contain protein derived from these foods.
 - **Nutrition Labeling.** In 2007, TTB proposed mandatory "serving facts" labels. The serving facts label would include information about the number of servings per container, size of the serving, calories, and the number of grams of carbohydrates, fat, and protein per serving. The rule was not finalized but in 2013 TTB announced that producers could include serving facts on labels on a voluntary basis while TTB continued to consider the rule.
 - **Ingredient Labeling.** TTB has considered ingredient labeling requirements since at least 1972 but there are no recently proposed rules or current requirements other than mandatory disclosure of FD&C Yellow No. 5 when used and sulfites at 10 or more parts per million.

- **Slotting Fees and Other Prohibited Trade Practices:** In response to the Biden’s Administration’s request for information re anti-competitive practices in the alcohol beverage industry, Wine Institute submitted comments which stressed the need for enhanced, consistent, and even-handed trade practice enforcement, particularly in areas of direct and indirect slotting fees. The Competition Report agreed and recommended that TTB consider rulemaking to update its trade practice regulations with “an eye towards clarity and simplicity” to promote compliance and ensure a level playing field. The report also noted that a major area of complaints to TTB were about slotting fees.

ADDITIONAL AREAS OF INTEREST

- **TTB Operating Budget:** Wine Institute continues to advocate for adequate funding increases to ensure TTB is able to meet the regulatory needs of the alcohol sector as the number of permittees it is responsible for overseeing has exploded in the last decade. TTB received a 3% increase in funding to \$128 million in FY2022. The administration has requested a 17% increase to \$150 million for FY2023 to accommodate new responsibilities administering the Craft Beverage Modernization Act tax credits for imports. TTB has estimated that these new responsibilities will require forty new full-time positions within TTB. Wine Institute is working with a broad coalition of alcohol sector groups to support this new funding level.
- **Federal Cannabis Legalization:** As Congress continues to work on comprehensive legislation to federally legalize cannabis, it is becoming increasingly likely that TTB will take on some level of responsibility for regulating the cannabis marketplace in the future. If and when this occurs, TTB will need significant additional resources to ensure its regulation of the alcohol marketplace is not negatively impacted. In addition to adequate resources, Wine Institute is also advocating that any new cannabis regulatory responsibilities be handled by separate and distinct staff in a new division within TTB so as not to impact current staff overseeing alcohol related functions.
- **Permit Approvals and Operational Reporting Requirements:** TTB continues to work on making improvements to its technology infrastructure to improve the permits online process and reduce the delays in permit applications and amendments. TTB is also working to reform and streamline current operational reporting requirements to reduce the administrative burden and time required to comply with ongoing reporting requirements and tax filings.

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:

| <u>DATE</u> | <u>LOCATION</u> |
|--------------------|---|
| SEPTEMBER 8, 2021 | <i>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.</i> |
| 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.

| <u>District Number</u> | <u>Director</u> | <u>Alternate</u> |
|------------------------|--|---|
| 1 | Kaj Ahlmann | John Kane |
| 2 | Julie Pedroncelli Katie Wetzel Murphy Tobin Ginter Steven MacRostie | Ana Keller Alan Ramey Christopher Lloyd Strieter James Perry |

| | | |
|----|---|--|
| 3 | Suzanne Groth Hugh Davies Dennis Cakebread Robin Baggett Michael Reynolds | Delia Viader Michael Maher Chris Hall Amelia Moran Ceja Paul Leary |
| 4 | Amanda Kent | William R. Cooper |
| 5 | Scott Scheid | Vacant |
| 6 | Nicholas Miller Laura Booras Gretchen K. Roddick Gary Eberle | Maeve Pesquera Karen Steinwachs Clarence Chia 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 Wentz | Aly Wentz |
| 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 its 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 fulfillment 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 of 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 STRATTON 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

MEMBERSHIP/BOARD OF DIRECTORS MEETING

March 8, 2022

Pursuant to written notice heretofore given, a meeting of the Board of Directors of Wine Institute was held at 9:46 a.m., Tuesday, March 8, 2022, at the Sutter Club, Sacramento, California; Suzanne Groth, Chairman, presiding.

ATTENDANCE

The following directors were noted present: Kaj Ahlmann, Robin Baggett, William R. Cooper (District No. 4 Alternate), Debra Dommen, Matthew J. Gallo, Suzanne Groth, Stephen Kahle, Daniel J. Leonard, Tobin A. Ginter, Randall Lange, Lawrence T. Lohr, Steven MacRostie, Steve Millier, Julie Pedroncelli St. John, Kyle W. Ray, Karen Steinwachs (District No. 6 Alternate), Rick Tigner, Christine Wenthe, Jolene Yee.

Absent Directors: Giancarlo Bianchetti, Dennis Cakebread, James E. Coleman, Matt Deegan, Hugh Davies, Ben Dollard, Jeffrey Dubiel, Michael Drobnick, Gary Eberle, Cate Hardy, Cheryl Indelicato, Peter N. Larson, Maeve Pesquera, Michael Reynolds, Gretchen K. Roddick, Alex Ryan, Scott Scheid, Viviann Stapp, Robert R. Torkelson, Michael Walker, Katie Wetzel-Murphy.

Alternate Directors Present: John Albaugh, John Kane, Chris Mifsud,

The following ex officios were noted present: Gregory J. Coleman, Margie Healy, Christopher D. Indelicato, Jasper A. Indelicato, Steven W. Lohr, Harry H. Wetzel.

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

Wine Institute Staff Present: Tyler Blackney, Ian Blue, Annie Bones, Roy Butler, Honore Comfort, Debbie Fonseca, Maluri Fernandez, Tracy Genesen, Steven J. Gross, Robert P. Koch, Charles Jefferson, Allison Jordan, Shin Kao, Robert P. Koch, Ted Rose, Drew Sakauye, Tim Schmelzer, Joe Trone, Natalie Wymer.

APPROVAL OF MINUTES

On motion made, seconded and carried, the minutes of the meeting held December 7, 2021 were approved as mailed.

BANK OF AMERICA LINE OF CREDIT RESOLUTION

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

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

BE IT RESOLVED, That in the event that interest or principal of the business loan with Bank of America is not paid when due, the Board will (a) immediately increase assessments in an amount sufficient to pay any past due interest or principal to the bank, and (b) collect the proceeds of the increased assessment prorated on previous year's dues and apply them to pay the bank in full.

BOARD VACANCIES

On motion made, seconded and unanimously carried, Matt Stanton of Constellation Brands was elected to replace Michael Walker as At-Large Director on the Board of Directors.

On motion made, seconded and unanimously carried, Matt Stanton of Constellation Brands was elected 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.

ELECTION OF NEW MEMBERS

On motion made and seconded, the following firms were unanimously elected to active membership in Wine Institute effective April 1, 2022:

Âmevive, Santa Maria (Santa Barbara Co.)
Bel Vino Winery, Temecula (Riverside Co.)
Copia Vineyards and Winery, Paso Robles (San Luis Obispo Co.)
Inglenook, Rutherford (Napa Co.)
Lightpost Winery, Morgan Hill (Santa Clara Co.)
Mira Winery, Napa (Napa Co.)
Mommenpop, Napa (Napa Co.)
San Rucci Winery, Warner Springs (San Diego Co.)

CHAIRMAN'S REPORT

See below.

Suzanne Groth Remarks
Chairman of the Board of Wine Institute
Board of Directors Meeting
March 8, 2022

Today is International Women's Day – a day for celebrating the social, economic, cultural and political achievements of women. I'd like to take just a minute to acknowledge all of the women that have served as board members, committee participants and Wine Institute employees. I thank the women who have served as Wine Institute Chairman: Diane Nury 1998/99, Margaret Duckhorn 2008/2009, Kathleen Heitz 2012/2013, Carolyn Wentz 2014/2015 and Margie Healy 2016/2017. I'm very fortunate to have served as a Wine Institute board member and witnessed the passion and hard work of these women in the wine industry.

I'm also very lucky to have been raised by women who worked outside the home. Their families had a strong economic need for them to work. My father's mother, my grandmother, worked for Sheckles canning factory in Sunnyvale CA on the maraschino cherry and the peach lines. It was the great depression, and she was lucky to have a job. She was the only person in her household, other than her mother, to have gainful employment. They had very small hands and they fit in the cans, so they got the job. My mother's mother was a cotton farmer in Oklahoma. By the 1940's the dustbowl forced her family to abandon their farm there and pushed them into the fields in California picking fruit, any work the family could find.

My mother bought a vineyard in Napa Valley and co-founded a winery, with my father, forty years ago. Until age 39 she had spent most of her time raising, educating and guiding me and my siblings. But she spent the rest of her life as a tireless champion of California wine and worked shoulder to shoulder with dad to show the world that we could make some fantastic wines that deserved a seat at the table along with the finest wines in the world. This was well before Napa had the world-famous French

Laundry and other restaurants, so she taught herself to cook reading recipes and watching Julia Child on her television show. From JC's books she then made Beef Bourguignon and Chateaubriand to impress and lure wine distributors to sell her wines. My brother and I (then 8 and 12 years old) acted as servers and did the dishes. So, I learned what it took to start and nurture a winery brand at the kitchen sink.

When Dennis and Judy Groth set about to build a winery, Mom played the lead role in setting up Groth. Because of her personal interest in art and architecture, she was the inspiration behind the decision for California Mission to set the style for the building. She worked long and hard with an architect in Napa to design the winery. She met frequently with artists to design our original label, still used today. She represented Groth at the original Napa Planning Commission meeting that granted the winery use permit. And throughout the years, Judy participated in all important tastings at which the characteristic style of Groth wines was set. In the early days of setting up their business dad wanted the title of President, mom agreed. But she was in charge of printing the company business cards and although he became President, she gave herself the title of Owner.

This level of day-to-day involvement was not an unusual story in the wine business in the 1970's - 80's. There were many wineries founded and run by couples where the women were equal partners; Duckhorn, Far Niente and Burgess are just a few of these neighbors that I was watching as I grew up. Other multi-generational wineries had many women family members in the business-like Carolyn Wente and Kathleen Heitz. For me there was never a shortage of female role models and champions to take inspiration from.

No woman, no person, can navigate the world of the wine industry by themselves. It takes leadership, education and advocacy from others. And I believe that role fits with our mission at Wine Institute is to initiate and advocate public policy that enhances the ability to responsibly produce, promote and enjoy wine.

At last night's Wine Institute reception, we were joined by board member Robin McBride of the McBride Sisters. Together with her sister, Andrea McBride, they have founded the YesSheCan initiative and have made strong progress in the past months – especially thanks to the partnerships of some of our members. As a result, we have raised \$100,000 for the SheCan initiative. With this help they will identify 60 top, predominantly women of color, with Historically Black Colleges and Universities (HBCUs) from the fields of viticulture and small fruit research, fermentation sciences and business. Funds raised will help support top scholar undergraduates, graduate students, faculty and alumni with their career goals.

Thank you to our Wine Institute members for your support of YesSheCan and for your continued leadership, education and advocacy of young women who will become the next women to serve as board members, officers and Chairmen of Wine Institute tomorrow.

PRESIDENT'S REPORT

Bobby Reported as follows:

Bobby Koch Report
Board of Directors Meeting
March 8, 2022

TTB (Tobacco Tax and Trade Bureau)

Start with an issue of interest and concern that has been ongoing that needs further attention by TTB.

To appeal to growing consumer interest in health and wellness products, we have seen a proliferation in the number of misleading health related statements across all alcohol beverage categories.

Some companies claim their product is healthier than others without substantiation, others claim that their products are “clean” in contrast to those which are “Industrialized and full of unnecessary additives”, some even go as far to employ misleading consumer testimonials -- for example -- due to uniquely healthful qualities, a product can be safely consumed by immune compromised individuals.

Not only do these practices mislead consumers, but they create and provide a competitive advantage to those who flout TTB regulations and harm our members who market in a responsible and compliant manner.

To address these concerns, last Friday, Tracy, Justin, Charles and I met with TTB for a second time, to strongly voice our concerns about these deceptive practices, requesting that TTB provide clarity and guidance on what types of health statements and graphics constitute violations of TTB regulations, including providing industry members with anonymized examples of such violations.

We formally requested TTB step-up its enforcement on those companies which are violating TTB regulations.

TTB had 11 people at the meeting including Mary Ryan, the Administrator, Dave Wulf, and the top executives in Field Operations, HQ (Headquarter) Operations, Market Compliance, Counsel's Office and Congressional Affairs.

The meeting went a bit over an hour. Legal gave a compelling presentation that was well-received.

Mary Ryan, the Administrator, remarked that our suggestions for how TTB could help address the problems were, her word, "great". She also followed up by email, stating that Wine Institute's presentation was very helpful, and she appreciated all the effort to bring this issue to them and they will do all they can to help on as many fronts as possible.

Rarely do things happen rapidly at TTB. Sometimes this a good thing. Sometimes not. This is the second time we've been in on this topic, and we will stay on this and advise you of our progress. We want TTB to act on this as rapidly as possible.

Treasury Report

As you hopefully know through our communications and trade publications, last month the Department of Treasury released a comprehensive report on Competition in the Alcohol Marketplace.

The report is an outgrowth of the administration's larger Executive Order on Competition and Antitrust issued last year which looked at many industries.

Much of the report focuses on other aspects of the marketplace such as consolidation among large beer producers.

Wine Institute submitted detailed comments early on, on several of the concerns we raised were highlighted in the final report including the negative impact of monopoly protection franchise laws, slotting fees, consolidation in the wholesale tier, the success of DTC (Direct-to-consumer) sales, and the need for consistent trade practice enforcement.

The report also makes additional recommendations that we will be watching closely to see how TTB responds.

One area involves suggesting TTB should move away from its longstanding practice of requiring COLA (Certificate of Label Approval) pre-approval.

Notably, the report's leading recommendation calls on TTB to initiate rulemaking around potential new mandatory nutrition and ingredient labeling requirements.

To date, TTB has not shown interest in revisiting this issue, however, the public health community continues to make this a priority.

In addition, since January of 2021, all the major beer producers are providing serving fact information, which is calories, carbs, protein, and fat, on all their containers and ingredient labeling on their website or a QR (Quick Response) code on the container or on secondary packaging.

And as we'll hear later in the International Policy update, the landscape continues to change rapidly in the EU (European Union) and elsewhere in this area and EU wine producers have been proactive on how they would like to see nutrition and ingredient labeling adopted.

We will continue engaging to with TTB to better understand their areas of focus resulting from Competition Report and report back to the Board in June.

RTDs (Ready-to-Drinks)

We have an action item regarding our position on state legislation regarding tax reductions of Spirits based RTDs. This is legislation being pushed by DISCUS (Distilled Spirits Council of the United States) and the individual distilled spirits companies. The action item today was adopted by the Public Policy committee and will be helpful to Steve and his team. I appreciate the help of the RTD working group early on this as well as the Officers.

Recycle

Tim has a legislative update, as well as our efforts around smoke exposure and wildfire prevention. In addition, recycling is once again looming large with a ballot initiative and several bills, all of which would impact us. Recycling options and decisions for us could move very fast in the coming months so member engagement is going to be very important.

Senator Ron Wyden

Senator Ron Wyden, from Oregon, is the Chairman of the Senate Finance Committee which has oversight over tax and trade matters. He is also the author of the Craft Beverage bill. He is responsible for a winery's federal excise tax credit on the first 750,000 gallons of wine produced for a savings of \$451,700 annually, plus the 50-cent savings per gallon for wine over 14%, up to 16%.

This 50-cent savings has no cap, there is no cut off.

He is an advocate for the wine community.

We are having a virtual event with him on Thursday, March 23 at 3:30pm and I hope you participate.

YIR (Year in Review) and Dues Forms

I also hope you had a chance to look at the Year in Review. If not, we're going to send it again with the Fiscal Year 2021 - 2022 dues form next week. Please feel free to share it with others at your winery.

I mention the dues forms because it will be so helpful for you to turn them in as quickly as possible. We reduced Formula A, which is percentage of sales, by 25%. We did this over a 5-year period. The dues reduction has had quite an impact.

We have a relatively short window to put the budget together so thank you for your help on this.

International Women's Day

Suzanne had great stories this morning to celebrate International Women's Day. I'm proud of our story. Four of our eight department heads are women. The majority of our staff are women, very talented women. We have a great, diverse team at Wine Institute.

At the December meeting, I had a chance to introduce all the new people that had come onboard since March of 2020. A few were not at that meeting who are here today.

Roy Butler – Certification Coordinator, CSWA (California Sustainable Winegrowing Alliance)
Debbie Fonseca – Legal Coordinator
Drew Sakauye – Senior Accountant in International Marketing

I want to thank Maluri, Shin, and Ian who put together and make sure our board meetings are always a success.

Thank you all very much.

SACRAMENTO – CALIFORNIA STATE RELATIONS

Tim Schmelzer reported on the evolving dynamic of single-use packaging legislation, including an extended producer responsibility proposal and reforms to the bottle bill, and the possibility of a single-use plastics initiative on the November 2022 ballot. Schmelzer additionally discussed the following: efforts to address wildfire smoke impacts to winegrapes and Wine Institute's leadership role in the multistate wine association West Coast Smoke Exposure Task Force; efforts to address issues in the volatile property insurance market in the wake of recent wildfires; the complex political dynamic in the California legislature with nearly a third of the legislature resigning, not seeking reelection, or running for another office; and 2022 legislative and regulatory issues, including alcohol beverage, environmental, taxation, and labor policy.

STATE LEGISLATIVE UPDATE

Steve Gross reported on issues from the State Relations Department. He began by presenting to the board information related to Spirits-Based Ready-to-Drink (RTDs) beverages. The board adopted the following position:

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.

Steve then provided the board a summary of issues that have been of key importance to the membership this past quarter. First, he reported that although no excise tax increases had yet been adopted in 2022, there was considerable pressure in a number of states. He then explained the increased level of environmental legislation being addressed across the country, focusing here on three areas: 1) traditional bottle bill legislation; 2) Expanded Producer Responsibility Programs (EPR), which is often referred to as "Product Stewardship"; and 3) Post-Consumer Recycled content bills along with other plastic and glass recycling efforts. Steve then outlined efforts in a number of states related to expanding the availability of wine in food stores, as well as noting several states that are again discussing privatization of their control systems. He provided an update on the work being done related to Direct to Consumer (DTC) shipping, including opening new markets, protecting existing statutes, and dealing with fulfillment and common carrier issues. Finally, he reported on efforts to lower the BAC level from .08 to .05 in a number of states.

INTERNATIONAL PUBLIC POLICY UPDATE

Charles Jefferson presented an update on International Public Policy matters in several different areas. He discussed ongoing work at the World Health Organization to develop a new Global Alcohol Action plan. Wine Institute has been engaged in this process through its work with FIVS and the International Alliance for Responsible Drinking (IARD), which has led to constructive engagement by the US government. Charles also updated on the latest developments around new requirements in the European Union around nutrition and ingredient labeling as well as a new EU health warning label that is under development. Lastly, Charles also discussed the new role for Wine Institute and the US government in leading the World Wine Trade Group (WWTG) in 2022-2023. The US intends to focus WWTG work on issues including e-certification, sustainability and labeling.

Jon Moramarco - Managing Partner, BW 166 LLC: State of the Industry

Wine data intelligence expert Jon Moramarco spoke about the state of the wine industry including information on data reliability, wine trends and changing demographics. He also discussed recommendations for future strategies, based on the latest available data, trends and experience. He encouraged reclaiming wine as a dinner time beverage and to think about a broader selection of wine and food pairings (recipe diversity). Moramarco also emphasized that he sees the market and industry continuing to change. The economy will change due to an aging of the population and the market growth is likely to slow. For these reasons, it is important to focus on market share and to know the intended market and targeted consumers.

Unfinished Business

Bobby wrapped the meeting by saluting a Wine Institute friend, John Aguirre who retired as CAWG's (California Association of Winegrape Growers).

Bobby Koch's Salute to John Aguirre
Board of Directors Meeting
March 8, 2022

I want to take a moment to salute a friend to Wine Institute.

John Aguirre is retiring as CAWG's (California Association of Winegrape Growers) leader after a terrific 12-year run.

Smart, straight forward, accessible, collegial, a truly good person, we are going to miss John.

His recent work on wildfires and smoke issues, disaster relief and his leadership in the creation of the West Coast Smoke Exposure Task Force with Washington and Oregon are just a few areas where he has made a major positive impact for all of us.

We've annually hosted with CAWG all the regional groups. And we've always appreciated John's perspective on the issues we've worked on together.

Going back years, we worked closely with John to successfully reup the states Pierce's disease program to deal with the glassy winged sharpshooter and other pests and diseases.

Tim, Tyler who worked for you, Noelle, Allison, Tracy, Honore, Charles and I are the lucky ones for having had the opportunity to work closely with you all these years.

And all of us in the room, are grateful for years of service and your help to your growers and to us.

In appreciation, we have some amazing wine coming your way including this one from my favorite winery this year, Groth Vineyards and Winery!

Wed love for you to say a few words and perhaps share what's next.

After the salute, Mr. Aguirre took a moment to thank Bobby, the Wine Institute staff, board of directors and Wine Institute members. He let everyone know he was touched by Bobby's salute and the wine gift presented to him. He joked that he could only imagine what parting gift he would have received had he worked for an association that represented plumbing supplies.

One of the most gratifying periods of his career was working with Wine Institute. Mr. Aguirre always admired the professionalism, the warm welcome and the collegiality Wine Institute gave. In such challenging times, Mr. Aguirre is hopeful and optimistic about the future after attending Wine Institute's Legislative Reception the night before. At the reception, Bobby and Robin from the McBride Sisters highlighted what the wine industry can do when it chooses to open its doors to new talent, new perspectives with Wine Institute's diversity initiative. Mr. Aguirre acknowledged Wine Institute's inspired and great leadership as a hallmark of the wine industry. He closed by, again, saying thank you and that he will remember this moment.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:58 p.m.

Respectfully submitted,

Maluri Fernandez, Assistant Secretary

JOINT MEETING OF MEMBERS AND BOARD OF DIRECTORS JUNE 21, 2022

Resolutions to be presented

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

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

NOW, THEREFORE, BE IT RESOLVED, By the members of the Board of Directors duly assembled this 21st day of June, 2022, that all the acts and actions so taken, and all things done and performed by the officers and each of them, be and they are hereby in all respects approved, ratified and confirmed as of the dates taken or done, respectively.

(move the adoption of this resolution)

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

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

NOW, THEREFORE, BE IT RESOLVED, By the members in Annual Meeting duly assembled this 21st day of June, 2022, that all acts and actions so taken, and all things done and performed by the officers and each of them, the directors, be and they are in all respects hereby approved, ratified and confirmed as of the respective dates taken or done.

(move the adoption of this resolution)

WINE INSTITUTE FUTURE BOARD MEETINGS 2022-2023

DATE

LOCATION

SEPTEMBER 2022

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 4-6, 2022

THE INN AT SPANISH BAY
PEBBLE BEACH

MARCH 13-14, 2023

SACRAMENTO
Monday, March 13, 2023 –
Evening Legislative Reception
Tuesday, March 14, 2023 –
Legislative Briefings and Board Meeting

JUNE 11-13, 2023

TBA



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June 14, 2022

Dear Wine Institute:

The confidential balloting for the 2022-2023 Wine Institute District Directors and At-Large Directors has been concluded, the following members have been elected:

| | <u>District</u> | <u>Director</u> | <u>Alternate Director</u> |
|----|-------------------------|---|---|
| 1 | Northern (1) | Kaj Ahlmann | Vacant |
| 2 | Sonoma (4) | Alan Ramey Julie Pedroncelli St. John Katie Wetzel Murphy Steven MacRostie | Christopher Lloyd Strieter Jim Perry Louis M. Foppiano Tobin Ginter |
| 3 | Napa (5) | Mike Reynolds Dennis Cakebread Robin Baggett Amelia Morán Ceja Paul Leary | Chris Hall Delia Viader Karen Fontanella Michael Baldacci Scott Meadows |
| 4 | San Francisco Bay (1) | Christine Wentz | Bill Cooper |
| 5 | Monterey Bay (1) | Scott Scheid | Vacant |
| 6 | Central Coast (4) | Nicholas Miller Caine Thompson Gretchen Roddick Maeve Pesquera | Clarence Chia Vacant |
| 7 | Southern California (1) | Steve Kahle | Linda McWilliams |
| 8 | Sierra (1) | Steve Millier | Vacant |
| 9 | Northern Interior (1) | Randall Lange | David Phillips |
| 10 | Southern Interior (1) | John Allbaugh | Kyle W. Ray |



Agenda Item No. 4

**MEMBER RELATIONS DEPARTMENT REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022**

Membership

New Members in Q4: We have received eight new member applications since the last board meeting. The five winery member applicants are: Au Bon Climat, Bogle Vineyards, Caddis, Kessler-Haak Winery, and Sojourn Cellars. The three applicant associate members are: Frontline Wildfire Defense, Jerry R. Jolly and Associates, LLC, and Wine Service Cooperative.

Membership/Board of Directors Meetings

March 2022: Wine Institute welcomed eight new winery members Spring Board of Directors Meeting in Sacramento. The meeting was attended by more than 80 guests from member wineries, associate members, and WI staff. The night before the meeting, a reception was held at the Sutter Club in honor of the Newsom Administration and California Legislature. More than 100 guests, including 20+ legislators and elected officials, attended the event. Guests heard remarks from Bobby Koch, Suzanne Groth, and Robin McBride on the impact of the #SHECAN fund.

December 2022: The 2022 Winter Board of Directors Meeting will be held on December 4-6, 2022 at The Inn at Spanish Bay. The golf tournament to be held at Spyglass Hill GC.

March 2023: The dates have been set for March 13-14, 2023 for the Spring Board Meeting in Sacramento.

2022-2023 Board of Directors Election

The 2022-2023 District Director Board seats were calculated based on our membership list as of February 1, 2022. The distribution of District Director seats remains unchanged for the coming upcoming election:

D1 (Northern): 1
D2 (Sonoma): 4
D3 (Napa): 5
D4 (SF Bay): 1
D5 (Monterey Bay): 1
D6 (Central Coast): 4
D7 (Southern California): 1

D8 (Sierra): 1
D9 (Northern Interior): 1
D10 (Southern Interior): 1

Once nominations were received, ballots were compiled and sent to all members on May 10th. Deloitte & Touche LLP reported the election results on June 15, 2022. All members will be notified of the final election results the week of June 1st.

Member Recruitment & Member Benefits

Member Relations continues to focus on new member recruitment, with an emphasis on a growing list of large non-member wineries. With Bogle Vineyards joining Wine Institute this quarter, all ten of largest California wineries are now members of Wine Institute. However, nearly half of the next 40 largest CA wineries are not yet members. Member Relations is building out a priority target list of those non-member wineries. I would welcome any assistance from Board Members on helping to recruit these key membership targets. Below are some of our top targets for the new Fiscal Year:

- C Mondavi & Family
- Deutsch Family Wine & Spirits
- Don Sebastiani & Sons
- Dry Creek Vineyard
- Fior di Sole
- Foley Family
- Gloria Ferrer Caves & Vineyards
- Hahn Family Wines
- Hess Wine Company
- JaM Cellars
- Jordan Vineyards
- Mendocino Wine Company
- NakedWines.com
- Purple Wine & Spirits
- San Antonio Winery
- St. Supery Estate
- Summerland Wine Brands
- Vintage Wine Estates
- Wagner Family of Wine
- WX Brands

If you have relationship at any of the above non-member wineries and would like to help recruit them as members, please contact Ian Blue at ibblue@wineinstitute.org.

The Wine Institute advantage discount shipping program with FedEx has been renewed for two years. Members continue to enjoy exclusive savings and a full waiver of the Adult Signature Required Fee, which is currently \$7.15 per package. There are currently 818 members enrolled in the program, with two-thirds of those members actively using the program. Of those members actively using the program, the average shipping savings in 2021 was more than \$45,000, far higher than the annual dues for the vast majority of participating members.

Member Relations continues to work on improvements to our Salesforce-based association management system known as Nimble AMS. These improvements include an improved member experience on our member hub, including an improved online dues renewal process, a searchable membership directory, and updated associate membership listings.

Wine Institute Calendar

2022

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, The Inn at Spanish Bay

2023

March 13-14 Spring Board of Directors Meeting, Sacramento
June 11-13 89th Annual Membership and Board of Directors Meeting, TBA



**MEMBER RELATIONS – NEW MEMBERS
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022**

1. New Members to be Approved for Membership

- | | | |
|----|----------------------------|---------------------------------|
| 1. | Au Bon Climat | Santa Maria (Santa Barbara Co.) |
| 2. | Bogle Vineyards | Clarksburg (Yolo Co.) |
| 3. | Caddis | Livermore (Alameda Co.) |
| 4. | Kessler-Haak Winery | Lompoc (Santa Barbara Co.) |
| 5. | Sojourn Cellars | Sonoma (Sonoma Co.) |

2. New Associate Members to be Approved for Membership

1. Frontline Wildfire Defense
Jackson, WY
Sponsors: Schramsberg Vineyards; Bridlewood Estate Winery
Summary: Our Frontline Wildfire Defense system protects homes, businesses, and communities from wildfire disasters. We design and install a system of exterior sprinklers on and around structures that dispenses a biodegradable firefighting foam to provide hydration to the property in order to prevent ember ignition, the cause of ~90% of structure loss during wildfire events.
The Frontline mobile app offers access to comprehensive wildfire information in near real-time for wildfire monitoring, preparedness, and protection. The app integrates into the Frontline Wildfire Defense system to provide the ability to remotely control the exterior sprinkler system in the event of an evacuation.
2. Jerry R. Jolly and Associates, LLC
Avila Beach, CA
Sponsors:
Summary: California RBS training – online and live
3. Wine Service Cooperative
St. Helena, CA
Sponsors: Silver Oak Winery; Schramsberg Vineyards
Summary: Wine storage and DTC fulfillment services



Financial Statements

For The Ten Months Ended April 30, 2022

Includes the proposed budget for fiscal year 2022/2023

If you have any questions regarding these statements please contact

Ted Rose at (415) 356-7533

trose@wineinstitute.org

Wine Institute
Balance Sheet
As of 4/30/22

Assets

| | |
|----------------------------------|-----------------------------|
| Cash | |
| Cash - WI | 2,177,363 |
| Cash - International | 92,692 |
| Cash - Free the Grapes | <u>240,396</u> |
| Total Cash | 2,510,451 |
| Inventory | |
| Wine Inventory | <u>30,400</u> |
| Total Inventory | 30,400 |
| Investments | |
| Investments - Comm. Paper | <u>3,501,044</u> |
| Total Investments | 3,501,044 |
| Receivables | |
| Members Accounts Receivable | 899,446 |
| Associate Members A/R | 38,250 |
| Allowance for Doubtful A/C | (34,514) |
| Miscellaneous A/R | 979 |
| Int'l Program Fees A/R | 80,250 |
| Allowance for Doubtful A/C - MAP | (6,750) |
| Grant Receivable | 64,498 |
| MAP Receivable | <u>14,665</u> |
| Total Receivables | 1,056,825 |
| Deposits & Prepaids | |
| Deposits | 698,570 |
| Prepaid Insurance | 133,579 |
| Prepaid Rent | 105,478 |
| Prepaid Expenses | <u>167,097</u> |
| Total Deposits & Prepaids | 1,104,723 |
| Fixed Assets | |
| Furniture & Fixtures | 711,162 |
| Leasehold Improvements | 278,173 |
| Accumulated Depreciation | <u>(829,513)</u> |
| Total Fixed Assets | <u>159,822</u> |
| Total Assets | <u><u>8,363,265</u></u> |

Liabilities

| | |
|-----------------------------------|------------------|
| Accounts Payable | |
| Accounts Payable - WI | <u>86,116</u> |
| Total Accounts Payable | 86,116 |
| Other Liabilities | |
| Unearned Mem Dues Revenue | 513,738 |
| Vacation Accruals | 714,488 |
| Deferred Rent | 286,440 |
| Flexible Spending Account | 17,545 |
| Dependent Care Assistance Program | 8,350 |
| Free the Grapes | 240,396 |
| Payable to FAS | <u>92,692</u> |
| Total Other Liabilities | <u>1,873,650</u> |
| Total Liabilities | <u>1,959,766</u> |

Net Assets

| | |
|----------------------------|------------------|
| Beginning Net Assets | |
| Net Assets | <u>4,875,657</u> |
| Total Beginning Net Assets | 4,875,657 |
| Change in Net Assets | <u>1,527,843</u> |
| Total Change in Net Assets | <u>1,527,843</u> |
| Total Net Assets | <u>6,403,500</u> |

| | |
|--------------------------|-------------------------|
| Liabilities & Net Assets | <u><u>8,363,265</u></u> |
|--------------------------|-------------------------|

Wine Institute
Statement of Revenues and Expenditures
7/1/2021 through 4/30/2022

| Statement of Earnings | | | | | | | | | | | | | |
|---|-------------|-------------|-------------|----------------|------------|-----------------|------------------------------|---------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|--|
| | | | | | | | | | | | | | |
| | Prior Year | 2021/2022 | 2021/2022 | Current Period | 2021/2022 | YTD | 2021/2022 | 2022/2023 | Δ 2021/2022 | Δ 2021/2022 | Δ Proposed | Δ Proposed | |
| | Actual | Budget | YTD Budget | 4/30/22 Actual | YTD Actual | Budget Variance | Projected Revenue & Expenses | Projected Revenue & Proposed Expenses | Projected vs Budget (\$) | Projected vs Budget (%) | Budget vs CY Budget (\$) | Budget vs CY Budget (%) | |
| Revenue | | | | | | | | | | | | | |
| Member Dues | 13,507,645 | 13,821,527 | 11,517,939 | 1,316,754 | 11,460,722 | (57,217) | 13,616,211 | 14,173,835 | (205,316) | -1% | 352,309 | 3% | |
| Associate Member Dues | 156,000 | 164,250 | 164,250 | 375 | 164,125 | (125) | 163,750 | 163,750 | (500) | 0% | (500) | 0% | |
| Interest Income | 2,965 | 10,000 | 8,333 | 442 | 993 | (7,341) | 1,000 | 1,000 | (9,000) | -90% | (9,000) | -90% | |
| Miscellaneous Income | 1,465 | 1,000 | 833 | 0 | 0 | (833) | 0 | 500 | (1,000) | -100% | (500) | -50% | |
| Total Revenue | 13,668,074 | 13,996,777 | 11,691,356 | 1,317,571 | 11,625,840 | (65,516) | 13,780,961 | 14,339,085 | (215,816) | -2% | 342,309 | 2% | |
| Expenses | | | | | | | | | | | | | |
| Executive | 1,873,078 | 2,221,463 | 1,516,659 | 165,324 | 1,468,142 | (48,516) | 2,228,273 | 2,294,035 | 6,810 | 0% | 72,572 | 3% | |
| S.F. State Relations | 567,267 | 687,523 | 583,815 | 39,502 | 533,982 | (49,833) | 641,186 | 625,932 | (46,337) | -7% | (61,591) | -9% | |
| S.F. Legal | 634,563 | 683,507 | 570,723 | 66,632 | 590,909 | 20,186 | 720,232 | 774,535 | 36,725 | 5% | 91,028 | 13% | |
| Washington D.C. | 1,001,132 | 1,213,635 | 965,446 | 82,204 | 812,953 | (152,493) | 1,025,572 | 1,193,948 | (188,063) | -15% | (19,687) | -2% | |
| Regional State Relations | 2,751,965 | 2,845,371 | 2,499,768 | 219,321 | 2,415,125 | (84,642) | 2,767,403 | 2,866,127 | (77,968) | -3% | 20,756 | 1% | |
| Sacramento | 877,104 | 945,631 | 788,426 | 89,675 | 752,559 | (35,866) | 886,901 | 873,513 | (58,730) | -6% | (72,118) | -8% | |
| California PAC Fund | 220,923 | 240,000 | 237,500 | 1,704 | 242,581 | 5,081 | 246,000 | 221,000 | 6,000 | 3% | (19,000) | -8% | |
| International Public Policy | 491,274 | 647,298 | 519,365 | 36,373 | 409,118 | (110,247) | 557,730 | 690,702 | (89,568) | -14% | 43,404 | 7% | |
| Supp. Fund. Tech. & Environmental Committees | 290,134 | 364,250 | 304,083 | 0 | 76,367 | (227,717) | 120,566 | 230,600 | (243,684) | -67% | (133,650) | -37% | |
| Communications | 1,087,472 | 1,077,424 | 899,020 | 89,448 | 741,640 | (157,380) | 1,001,908 | 1,051,924 | (75,516) | -7% | (25,500) | -2% | |
| Environmental Affairs | 702,352 | 744,308 | 678,882 | 33,671 | 665,163 | (13,719) | 720,941 | 743,413 | (23,367) | -3% | (895) | 0% | |
| Finance & Administration | 3,080,580 | 2,795,412 | 1,770,868 | 162,134 | 1,756,583 | (14,285) | 2,787,420 | 2,773,357 | (7,991) | 0% | (22,055) | -1% | |
| Total Expenses | 13,577,843 | 14,465,822 | 11,334,553 | 985,988 | 10,465,122 | (869,431) | 13,704,133 | 14,339,085 | (761,689) | -5% | (126,736) | -1% | |
| Net Excess/(Deficit) Before International Marketing | 90,232 | (469,045) | 356,803 | 331,583 | 1,160,717 | 803,915 | 76,828 | (0) | 545,873 | -116% | 469,045 | -100% | |
| International Marketing | | | | | | | | | | | | | |
| Revenue | 1,015,625 | 1,212,000 | 1,010,000 | 75 | 1,085,435 | 75,435 | 1,084,360 | 1,084,360 | (127,640) | -11% | (127,640) | -11% | |
| Expenses | (1,069,323) | (1,211,283) | (1,009,403) | (39,500) | (718,309) | 291,093 | (1,030,662) | (991,609) | 180,621 | -15% | 219,674 | -18% | |
| Total International Marketing | (53,698) | 717 | 598 | (39,425) | 367,126 | 366,528 | 53,698 | 92,751 | 52,981 | 7389% | 92,034 | 12836% | |
| Net Excess/(Deficit) with International Marketing | 36,534 | (468,328) | 357,400 | 292,158 | 1,527,843 | 1,170,443 | 130,526 | 92,751 | 598,854 | -128% | 561,079 | -120% | |



Agenda Item No. 8(a)(i)

CALIFORNIA LEGISLATIVE & REGULATORY SUMMARY
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022

2022 Legislation

Alcohol Policy

SB 620 (Allen) – Direct-to-Consumer Shipping for Spirits: This bill would authorize limited direct-to-consumer (DTC) sales of distilled spirits products. Recent amendments taken at the direction of the distributors and their unions would limit DTC sales of distilled spirits to manufacturers producing 150,000 gallons or less annually with restrictions, including a prohibition on the use of fulfillment houses and the use of common carriers using contracted delivery drivers. While Wine Institute has no position on the distilled spirits industry's ability to ship DTC, these amendments create a concerning precedent for our advocacy efforts to remove barriers to wine DTC throughout the nation.

SB 846 (Dodd) – Alcohol Beverage Deliveries and “Beverages to Go”: This bill would establish rules for the delivery of alcohol beverages, including deliveries by third party delivery companies. Notably, the bill also removes the requirement that alcoholic beverages can only be ordered to go from on-sale licensees in conjunction with a meal and be picked up by the consumer. At the request of Wine Institute, an amendment has been taken to specifically exclude wine DTC from the new delivery requirements.

SB 930 (Weiner) – Late Night Alcohol Service. This bill would create a pilot, beginning January 1, 2025, and before January 2, 2030, to allow the ABC to authorize, with or without conditions, the selling, giving, or purchasing of alcoholic beverages at licensed premises between the hours of 2 a.m. and 4 a.m. The pilot program would apply only to the Cities of Cathedral City, Coachella, Fresno, Oakland, Palm Springs, and West Hollywood, and the City and County of San Francisco. Governor Brown vetoed a previous version of this legislation, and another previous version failed to pass the Legislature.

SB 1198 (McGuire) – Direct-to-Consumer Shipping for Beer: This bill would extend DTC privileges to out-of-state beer manufacturers. Current California law allows in-state beer manufacturers to ship DTC, however, with the prohibition on out-of-state manufacturers, this in-state privilege is subject to challenge. Wine Institute has no position on the beer industry's ability to ship DTC but has urged the author to reject the concerning amendments taken in the distilled spirits DTC bill (see SB 620 above).

AB 1617 (Stone) – Wine Label Requirements Santa Cruz Mountains: This bill would require any wine bottled on or after January 1, 2024, labeled with an American Viticultural Area established pursuant to federal law that is located entirely within the “Santa Cruz Mountains” viticultural area to bear the designation “Santa Cruz Mountains” on the label.

AB 1734 (Bennett) – Alcohol Beverage Sales: This bill would authorize the holder of a beer manufacturer’s license and a winegrower’s license at a single premises to maintain a designated area upon that premises where retail sales and consumption authorized under those licenses may occur.

Wildfire Policy

SB 926 (Dodd) - Prescribed Fire Claims Fund: This bill would create a Prescribed Fire Liability Pilot Program to support coverage for losses caused by a prescribed fire that escapes. Current concern regarding liability has limited the use of prescribed fire. This bill implements a program to utilize the \$20 million provided in last year’s adopted budget for this purpose.

AB 2213 (Aguilar-Curry) – Smoke Exposure Research Funding: This bill would have created an advisory committee at the California Department of Agriculture (CDFA) to distribute funds to researchers to investigate methods to measure and mitigate for smoke exposure in winegrapes. The committee would be made up of four vintner representatives, four winegrape grower representatives, and one public university representative. **This bill failed passage in the Assembly.** However, Wine Institute is still working to get \$5 million included in the state budget for smoke exposure research.

Environmental Policy

SB 260 (Wiener) – Climate Corporate Accountability Act: This bill would require the State Air Resources Board to develop and adopt regulations requiring United States-based partnerships, corporations, limited liability companies, and other business entities with total annual revenues exceeding \$1,000,000,000 and that do business in California to publicly disclose to the Secretary of State their greenhouse gas emissions. Most concerning is the requirement for qualifying entities to disclose “Scope 3” emissions, which includes emissions from the companies supply chain. Under this requirement, a winery or winegrape grower selling to a qualifying entity could be required to track emissions for the qualifying entities reporting. The U.S. Security and Exchange Commission (SEC) is in the process of finalizing similar rules for public companies, which will limit “Scope 3” emission reporting to certain situations. Wine Institute staff expects that if the SEC rule is adopted, this bill will not move forward.

SB 880 (Laird) - Water Diversion Monitoring: Current law requiring diverters to install and maintain devices to measure water diversion amounts allows individuals to become certified through courses offered by UC Cooperative Extension allowing them to install and implement methods of measurement. These provisions of law currently expire in 2023. This bill would extend those provisions indefinitely. **Wine Institute is supporting this bill.**

SB 1404 (Stern) – Oak Woodlands: This bill would create a statewide mitigation standard for conversion of oak woodlands if a project would remove three or more oak trees. Currently, counties have the authority to determine whether a project has a significant effect on the environment and to require mitigation. **This bill failed passage in the Senate.**

AB 1001 (Garcia) – CEQA Environmental Justice and Mitigation: This bill would require projects with air or water quality impacts to take certain mitigation measures in affected

disadvantaged communities and require Environmental Justice principals be considered by public agencies when implementing CEQA.

AB 1738 (Boerner Horvath) – Building Standards: Electric Vehicle Charging Stations: This bill would require new mandatory building standards for the installation of electric vehicle charging stations when buildings are constructed or retrofitted.

AB 2075 (Ting) - Electric Vehicle Charging Stations: This bill would require the California Energy Commission to adopt electric vehicle charging standards for incorporation into California's building design and construction standards.

AB 2106 (Robert Rivas) – Water Quality Permits: This bill would require the State Water Resources Control Board to evaluate California's stormwater program and report on the state's progress towards achieving beneficial uses and compliance with water quality standards. The report is required to make recommendations to the legislature on how to ensure permitting of stormwater discharges protects and supports the attainment of beneficial uses and compliance with water quality objectives.

AB 2201 (Bennett) – Groundwater Extraction Facility Permits: This bill would prohibit a water extraction facility in a critically overdraft groundwater basin from extracting water without a valid groundwater extraction permit issued by the groundwater sustainability agency. This will make it more difficult for many agricultural entities to extract groundwater in these basins. Several agricultural organizations are organizing in opposition to the bill and **Wine Institute has joined them in opposition.**

AB 2550 (Arambula) - Air Districts in Nonattainment of Ambient Air Quality Standards: This bill would require the California Air Resources Board (CARB) to review, with input from community groups, air districts' attainment plans and gives CARB the authority to adopt regulations to bring the San Joaquin Valley Air Pollution Control District (SJVAPCD) into attainment with state and federal ambient air quality standards. This bill would also take enforcement authority from the SJVAPCD and give it to CARB. Several agricultural organizations are opposing the bill and **Wine Institute has joined them in opposition.**

AB 2649 (C. Garcia) - Natural Carbon Sequestration and Resilience: This bill would set a state policy to remove at least 60 million metric tons of carbon dioxide equivalent annually before December 31, 2030, and 75 million metric tons by December 31, 2035, through the implementation of natural carbon sequestration programs on natural, working and urban lands.

Recycling Policy

SB 38 (Wieckowski) – Beverage Container Recycling Program: This bill would replace the current CalRecycle operated Beverage Container Recycling and Litter Reduction Act (Bottle Bill) with a beverage manufacturer run and operated Beverage Container Recycling Program. The bill passed the Senate last year and has been awaiting a hearing in the Assembly since June 2021. The bill does not propose adding wine and spirit containers to the newly created program.

SB 54 (Allen) – Plastic Pollution Producer Responsibility Act: This bill is expected to be a vehicle for an alternative to the plastics recycling ballot measure (see below). If a deal on recycling is not reached in the coming months, SB 54 will not move forward, and the proponents of the ballot measure will take the issue to the voters. Current indications are that the bill will exempt containers covered by the bottle bill, but otherwise be "material neutral." Thus, the bill would likely place new recycling requirements on plastic, aluminum, and glass wine containers.

SB 1013 (Atkins) – Wine and Spirits Bottle Bill: This bill would add wine and spirits containers into California's Beverage Container Recycling and Litter Reduction Act (Bottle Bill), including bag-in-box and other alternative packaging. This is the principal vehicle to add our products into the Bottle Bill. Wine Institute staff will work with the legislature, regulatory agencies, and other stakeholders to make the transition of our products into the program as smooth as possible. The bill has received unanimous bipartisan support.

AB 2026 (Friedman) – Plastic Packaging: The bill would prohibit a manufacturer, retailer, producer, or other distributor that sells or offers for sale and ships purchased products in or into the state from using expanded or extruded polystyrene packaging to package or transport products.

AB 2779 (Irwin) – Wine and Spirits Containers: This bill would add wine and spirits sold in aluminum beverage containers to the bottle bill.

Labor Policy

SB 410 (Leyva) – Cal/OSHA Regulations: This bill would exempt any occupational safety and health standard and order from the standardized regulatory impact analysis requirement. **Wine Institute has joined a coalition of business groups in opposition.**

SB 1044 (Durazo) – Natural Disaster Retaliation: This bill would prohibit an employer, in the event of a declared state of emergency or during an emergency condition, as defined, from taking or threatening adverse action against any employee for refusing to report to, or leaving, a workplace within the affected area because the employee feels unsafe due to the emergency. The bill would also prohibit an employer from preventing any employee from accessing the employee's mobile device for mobile telecommunications to use for emergency purposes. If declared a national or state emergency, wildfires would be a natural disaster subject to this bill. **Wine Institute has joined a coalition of business groups in opposition.**

SB 1162 (Limon) – Pay Data Reporting: This bill would expand the requirements for a private employer that has 100 or more employees to report pay data to the Department of Fair Employment and Housing (DFEH) and would additionally subject an employer that has 100 or more workers hired through labor contractors to the reporting requirements. The bill would require DFEH to publicly disclose on an internet website each private employer's report starting in 2024 for employers with 1,000 or more employees, 2025 for 500 or more employees, and 2026 for 250 or more employees. The bill would also require an employer with 15 or more employees to provide a pay scale for an open position in a job posting. **Wine Institute has joined a coalition of business groups in opposition.**

AB 1751 (Daly) – COVID-19 Presumptions: This bill would extend until January 1, 2025, the provisions whereby it is presumed for purposes of workers' compensation coverage that an employee contracted COVID-19 in the workplace if there is an outbreak in the workplace (defined as three or more cases in a designated period). **Wine Institute has joined a coalition of business groups seeking amendments to shorten the extension to January 1, 2024.**

AB 1949 (Low) – Bereavement Leave: This bill would make it unlawful for an employer to refuse to grant a request by an eligible employee to take up to 5 days of unpaid bereavement leave upon the death of a family member.

AB 1993 (Wicks) – COVID-19 Workplace Vaccine Mandate: This bill would have implemented a workplace vaccine mandate. The bill applied to employers of all sizes and did not include a test out option. **The bill failed passage in the Assembly.**

AB 2095 (Katra) – Employment Information, Worker Metrics: This bill would have forced employers to publicly disclose labor and employment statistics to the Labor and Workforce Development Agency. The agency would then have established a public ranking system for “low road” and high road” employers. **Wine Institute had joined a coalition of business groups in opposition. The bill failed passage in the Assembly.**

AB 2182 (Wicks) – Family Responsibilities: The bill would have added "family responsibilities" as a protected class under the Fair Employment and Housing Act and made it unlawful for an employer to fail to provide a reasonable accommodation because of an unforeseen closure or unforeseen unavailability of a minor child or care recipient's school or care provider. **Wine Institute had joined a coalition of business groups in opposition. The bill failed passage in the Assembly.**

AB 2183 (Stone) – Agricultural Labor Relations: This bill will allow for ballot card voting (card check) for authorizing union representation at an agricultural business. The bill is nearly identical to the card check bill that was vetoed by Governor Newsom last year. **Wine Institute has joined a coalition of agricultural groups in opposition.**

AB 2188 (Quirk) – Cannabis Use: This bill would make it unlawful for an employer to discriminate against a person in hiring, termination, or any term or condition of employment, or otherwise penalize a person, if the discrimination is based upon the person's use of cannabis off the job and away from the workplace.

AB 2243 (E. Garcia) – Heat Illness and Wildfire Smoke: This bill would require Cal/OSHA, before January 1, 2024, to submit to the standards board a rulemaking proposal to revise the heat illness standard to include an ultrahigh heat standard for employees in outdoor places of employment for heat in excess of 105 degrees Fahrenheit. The bill would similarly require a rulemaking proposal to revise the wildfire smoke standard to reduce the existing air quality index threshold for PM2.5 particulate matter at which control by respiratory protective equipment becomes mandatory. **Wine Institute has joined a coalition of business groups in opposition.**

AB 2693 (Reyes) – COVID-19 Exposure Notifications: This bill would extend certain COVID-19 employment notification requirements until January 1, 2025. These notification requirements are already proving to be obsolete and, under current law, will expire at the end of the year. If they are extended, Cal/OSHA will likely need to engage in additional rulemaking to continue enforcement of the notification provisions. **Wine Institute has joined a coalition of business groups in opposition.**

AB 2932 (Low) – Workweek Hours and Overtime: This bill would have reduced the workweek to 4-days at 8-hours per day (32 hours total), such that anything beyond those hours would trigger overtime pay (1.5 times regular rate of pay). **Wine Institute had joined a coalition of business groups in opposition. The bill failed passage in the Assembly.**

Taxation Policy

Winery Excise Tax Data: Per the Board of Equalization (BOE) discussion below, legislative language has been crafted to provide clarity with regard to the BOE's ability to make public

winery excise tax data for purposes of economic analysis. The legislative language was approved at the December Board Meeting. We are evaluating the best opportunity to pursue amending this language into an existing bill during the 2022 legislation session.

AB 1951 (Grayson) – Manufacturing Sales and Use Tax Credit: This bill would allow qualifying taxpayers to receive a complete sales tax exemption, as opposed to the partial sales tax exemption under current law, for the purchase of manufacturing or research and development equipment. The bill was amended to sunset these provisions on January 1, 2028. **Wine Institute has joined a coalition of business groups in support.**

Cannabis Policy

AB 2210 (Quirk) – Cannabis and Alcohol Sales: This bill would prevent the Department of Cannabis Control from denying a state cannabis temporary event license solely on the basis that there is a license issued pursuant to the Alcoholic Beverages Control Act located on the proposed event premises. The bill would require that the alcohol beverage license be suspended until 6 a.m. following the cannabis temporary event.

2022-2023 State Budget

Wine Smoke Exposure Research Funding: Wine Institute and the California Association of Winegrape Growers have requested \$5 million from the state budget to be made available for research into smoke exposure to winegrapes. Assemblymember Aguiar-Curry has included this request in her list of budget requests and Wine Institute has received support for this request from 10 other members of the legislature.

Unemployment Insurance Fund: The budget includes \$3 billion to pay down the unemployment insurance (UI) fund. The UI fund is approximately \$20 billion in debt to the federal government, which will be paid back through an increase in the employer share of payroll taxes if not paid back by the state. Wine Institute has joined a coalition in support of this budget item.

Dry Farming Budget Request: The Community Alliance with Family Farmers (CAFF) reached out to the California Sustainable Winegrowing Alliance and Wine Institute to work on garnering funding for educational efforts to provide information to coastal winegrowers on dry farming. CSWA worked with CAFF nearly a decade ago on a pilot project on dry farming, holding field days and developing a best management practices guide. The budget request is for \$2 million to be used for additional outreach and education on dry farming coastal winegrapes. Wine Institute's Water Working Group members have expressed interest in having more resources to better understand opportunities for dry farming and therefore, **Wine Institute is supporting the effort.**

Food Production Investment Program: The Governor has proposed to provide \$85 million from the General Fund for the Food Production Investment Program (FPIP). The FPIP is operated by the California Energy Commission and provides grants to food processors and wineries to upgrade their facilities to improve energy efficiency and reduce greenhouse gas emissions. **Wine Institute is supporting the proposed funding to help wineries have access to funding for energy efficiency upgrades.**

Regional and Statewide Regulatory Issues

Cal/OSHA COVID-19 Prevention ETS: The current COVID-19 Prevention Emergency Temporary Standard (ETS) was readopted for a third time during the Standards Board meeting on April 21st with changes that went into effect on May 6th. Per a Governor Executive Order issued in December 2021, the ETS will remain in effect through the end of the year, at which time, it is anticipated Cal/OSHA will implement a permanent COVID-19 standard to last for an additional 2 years. The ETS was originally adopted in November 2020 and sets enforceable standards that employers must implement with regards to COVID-19 worker health and safety.

Department of Insurance: This Fall, 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 formal rulemaking process is underway on this matter.

Winery Order: The State Water Board adopted a new Winery Order in early 2021, which will require most wineries to obtain a new water quality permit by 2024. Wine Institute has been working with State Board staff as they implement the new Order. The State Water Board is planning to send letters this summer to between 100-200 wineries that are not currently in the Water Board's online California Integrated Water Quality System (CIWQS) permitting system and the oldest and/or largest wineries in that category are being prioritized to receive letters in the first mailing. The letters will include a survey to help wineries determine if they're subject to the Winery Order and explain how to comply with the new Order. Ultimately the State Board plans to send letters to all wineries not currently in the CIWQS database to alert them to the requirements of the Winery Order. Wineries with existing permits from Napa County or their Regional Water Quality Control Board should expect communications from Napa or their Regional Board about how to comply with the new statewide Winery Order, but wineries without existing permits are receiving the initial focus of regulatory attention.

Irrigated Lands Regulatory Programs: The Irrigated Lands Regulatory Programs (ILRP) administered by Regional Water Quality Control Boards require reporting of nitrogen applications by farmers producing crops on irrigated lands. The Central Valley and Central Coast Regional Water Quality Control Boards have existing ILRP governing the discharge of nitrogen and other pollutants from irrigated agriculture. The North Coast Regional Board is in the development process of an ILRP for vineyards in their region. Wine Institute is exploring opportunities to reduce the nitrogen use reporting requirements for vineyards due to the limited potential for water quality degradation from vineyard nitrogen applications. Wine Institute is also working with the California Sustainable Winegrowing Alliance to obtain recognition of the farm planning process under its sustainability certification program to eliminate the need for vineyards in the Certified California Sustainable Winegrowing program from the need to develop a separate farm plan to comply with the Central Coast's ILRP.

Notable 2022 Ballot Initiatives

Private Attorney General Act (PAGA) Reform Initiative: The Private Attorney General Act (PAGA) was enacted in 2004 to help the California Labor Agency to enforce California's labor laws. It allows employees to sue for any Labor Code violation as if they were the state. Because it deputizes private attorneys to file lawsuits on behalf of those employees, it has been abused. Attorneys can leverage PAGA's penalties to get big settlements even if the claims have no merit. The employer ends up paying a hefty sum with much of the money going to the attorneys and very little going to workers or the state. The initiative, filed by a coalition of business

interests, would take enforcement out of the hands of private attorneys by replacing PAGA with alternative enforcement mechanisms through the state with 100 percent of the penalties going to workers. **The coalition supporting this initiative has announced that it will not be on the 2022 November ballot, but likely the 2024 November ballot.**

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. Single-use plastic manufacturers would also be required to ensure their products are 100-percent recyclable and that certain recycling rates are met, with fines, penalties, and potential product bans for noncompliance. This initiative has qualified for the November 2022 General Election ballot.

Miscellaneous

West Coast Smoke Exposure Task Force: Wine Institute participates as a member of the West Coast Smoke Exposure Task Force Steering Committee. The Task Force was formed by organizations representing vintners and winegrape growers in California, Oregon, and Washington to address concerns around smoke exposure in winegrapes and assist winegrape growers and wineries with the challenges around smoke exposure. The Task Force met June 1 with USDA's Agricultural Research Service (ARS) to discuss the smoke exposure research program created by Congressional funding, which Wine Institute and CAWG were instrumental in obtaining. ARS provided the Task Force with updates from researchers currently investigating smoke exposure in winegrapes and we were able to discuss formalizing a process that would allow continued input from the Task Force into the direction of ARS research in this area. The Task Force also held a Smoke Summit with researchers from UC Davis, Oregon State University, and Washington State University on June 6 to get an update on the current status of smoke exposure research projects at the West Coast land grant universities.

Wildfire Preparedness Webinar: Wine Institute, CSWA, and CAWG are working together to host a webinar to share information about wildfire preparedness actions, grants and technical assistance to reduce fire risk, technologies available to help harden facilities against wildfire and identify fires quickly, and actions that Wine Institute and CAWG have taken to increase support for our members facing increasing wildfire risks. The webinar is scheduled for June 22 at 10:00 am. To register, contact Noelle Cremers or Allison Jordan.

Pollinator Regional Conservation Partnership Program: Wine Institute and the California Sustainable Winegrowing Alliance joined with pollinator conservation organizations and agricultural organizations to apply for a USDA Regional Conservation Partnership Program (RCPP) grant. If funded, the grant would bring \$1.7 million in Farm Bill funds to agricultural producers in the Central Valley, Central Coast, and North Coast regions to install pollinator habitat and implement Integrated Pest Management practices to benefit pollinators.



Agenda Item No. 8(a)(ii)

FEDERAL RELATIONS REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022

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| FY 2022 / FY 2023 FEDERAL BUDGET AND APPROPRIATIONS |
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Wine Institute was successful in securing increased funding for several priorities in the final FY 2022 omnibus appropriations bill approved by Congress in March, including:

- \$4.5 million for smoke exposure research, which reflects an increase of \$1 million over FY 2021
- \$128 million for TTB's annual operating budget – up almost 3% from FY 2021
- \$209.6 million for the Specialty Crop Pest Program – up 6% from FY 2021, which includes an additional \$1 million for mitigation of the spotted lanternfly; and
- \$2.12 billion for wildfire suppression operations (up \$316 million over last year) and \$187 million for hazardous fuels reduction.

As Congress continues work on FY 2023 appropriations, Wine Institute is advocating for the following additional funding to be included:

- \$5 million for continued smoke exposure research, an 11% increase over FY 2022
- \$150 million for TTB's annual operating budget, which includes necessary funding to fully implement the Craft Beverage Modernization & Tax Reform Act for imports; and
- \$212 million for the Specialty Crop Pest Program for continued efforts to prevent and mitigate vineyard pests.

Federal government funding for FY 2022 will expire on September 30th and it is likely that a continuing resolution will be needed at that time to keep the government funded until Congress can complete work on the appropriations bills in a lame duck session after the November election.

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| WILDFIRE RELIEF |
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USDA Secretary Tom Vilsack announced last month that the newly named ***Emergency Relief Program (ERP)*** would begin accepting applications for disaster payments in the near future. ***ERP*** is an extension of the ***Wildfire & Hurricane Indemnity Plus Program (WHIP+)*** and will provide direct payments to farmers and ranchers for financial losses incurred in 2020 and 2021 from natural disasters, including wildfires, smoke exposure, drought, excessive heat, hurricanes,

floods, derechos and winter storms. Applications to the program will be reviewed in two phases. The first phase is dedicated to those who currently hold a crop insurance policy. Payments will be calculated based on the type and level of the crop insurance policy. Those without a policy will be eligible later this summer. Wine Institute and California Association of Winegrape Growers (CAWG) hosted an educational webinar on June 9 featuring Farm Service Agency officials who will administer the program. Additional information on eligibility and payment calculations can be found here: [Emergency Relief Program Fact Sheet](#). Wine Institute has also updated its webpages that feature wildfire prevention resources and labs that can test grapes for smoke exposure during harvest.

SUPPLY CHAIN DISRUPTIONS

Wine Institute continues to advocate for additional action by the administration and Congress to address ongoing supply chain disruptions. The Wine Institute endorsed ***Ocean Shipping Reform Act*** ([H.R. 4996 / S. 3580](#)) has advanced further through the legislative process this spring. After a two-year investigation of ocean carrier practices, the Federal Maritime Commission recently released a report with twelve recommendations to address the logjams at U.S. ports including improvements to tracking empty containers on ships and increased fees for delayed shipments. A number of these recommendations have been included in the ***Ocean Shipping Reform Act*** which was approved by the House and Senate earlier this spring. Congressional leaders have appointed a conference committee to iron out differences in the text of the two bills with a goal of enacting a final bill by Labor Day. The legislation is intended to strengthen oversight of maritime policies by the Federal Maritime Commission and reduce shipments of empty cargo containers by carriers. The California congressional delegation has been particularly vocal in engaging the White House and pressing for action on this legislation.

COVID-19 RELIEF

Wine Institute and partners in the hospitality sector have urged Congress to enact an additional \$40 billion for the ***Restaurant Revitalization Fund***, which would provide a second round of tax-free grants to restaurants, bars, nightclubs, winery tasting rooms, breweries, distilleries, food trucks, coffee shops, and ice cream parlors for financial losses incurred during the pandemic. The House approved funding in three separate votes, but the legislation ultimately failed in the Senate by a vote of 52 to 43 in mid-May, eight votes short of the 60-vote threshold needed to advance the bill. It's unlikely that the measure will be deliberated further this summer.

TTB NOTICE OF PROPOSED RULEMAKING – STANDARDS OF FILL

In response to recommendations included in the Treasury Department's report on [Competition in the Markets for Beer, Wine and Spirits](#), TTB has issued a new Notice of Proposed Rulemaking ([TTB Notice No. 210](#)), which proposes to add ten new container sizes to the existing list of approved sizes for wine. As an alternative, the NPRM once again proposes the elimination of all standards of fill and container sizes for wine and spirits. TTB recently proposed but ultimately rejected this approach in a rule finalized in December 2020 which approved three new container sizes for wine – 200ml, 250ml, and 355ml. Wine Institute continues to oppose the elimination of standards of fill. TTB is now proposing ten new container sizes for wine: 180 milliliter, 300 milliliter, 330 milliliter, 360 milliliter, 550 milliliter, 620 milliliter, 700 milliliter, 720

milliliter, 1.8 liter, and 2.25 liter. TTB is soliciting comments from interested stakeholders until July 25. Wine Institute is reviewing the proposed notice and intends to file a formal comment after seeking input from winery members.

FDA CITIZEN PETITION ON CARBOHYDRATE CALCULATIONS IN WINE

In response to growing winery interest in nutritional labeling, Wine Institute filed a citizen petition with the Food and Drug Administration (FDA) in 2020 requesting a revision to its regulations on methods of analysis for calculating carbohydrates in wine. The current regulations mandate a methodology that is outdated and reflects increased levels of acid, thereby causing a significant overstatement of carbohydrate content. The FDA has yet to act on the petition and at the request of Wine Institute, several Congressional offices have begun requesting status updates on the petition. Wine Institute is continuing to work with Congressional offices to generate outreach and engagement with FDA leadership to determine how best to move this process forward.

CANNABIS LEGISLATION

Congressional work on legislation to federally legalize cannabis continues despite a clear pathway to enactment in this Congress. Senate Majority Leader Chuck Schumer (D-NY), Finance Committee Chair Ron Wyden (D-OR) and Senator Cory Booker (D-NJ) continue drafting a comprehensive legislative proposal to establish a federally regulated marketplace. While it remains to be seen if there is enough support to move comprehensive reform or the **SAFE Banking Act**, which would open up the federal banking system to cannabis businesses, cannabis advocates have continued to advance more focused legislative proposals.

In late March the House approved the **Marijuana Opportunity Reinvestment & Expungement Act (MORE ACT)** by a vote of 220 to 204. The legislation would initially impose a 5% excise tax on cannabis products that would rise incrementally to 8% in the fifth year after enactment as well as require producers and warehouse operators to pay an annual occupations tax of \$1,000. Growers, manufacturers, packagers, and export warehouse owners would be required to obtain a bond and seek permits. The bill also removes cannabis from the Controlled Substances Act, makes loans available through the Small Business Administration, expunges the records and resentences those with nonviolent cannabis convictions, creates a trust fund to support services and communities adversely affected by the war on drugs and directs the Labor Department to publish demographic data on cannabis business owners and employees.

The House also approved the **Medical Marijuana Research Act** by a vote of 343 to 75. The bill directs the Drug Enforcement Administration (DEA) to create a legal registration process allowing researchers to obtain samples from cannabis manufacturers and distributors. A similar but more narrow proposal was approved by the Senate in February.



Agenda Item No. 8(a)(iii)

STATE RELATIONS DEPARTMENT REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022
(Current Information as June 6, 2022)

Overview

All of the states except for Montana, Nevada, North Dakota and Texas are meeting in regular session this year. Our team of 6 Regional Counsels/Directors and their contract lobbyists have been engaged across the country working on legislative and regulatory issues of interest to our members. We have contract lobbyists on retainer in every state but North Dakota this year, and they have been working both in-person and remotely, as determined by each states' legislative body, to engage on issues of importance.

As noted in the March report, after two years of work that was focused to a great degree on COVID-19 related legislative and regulatory efforts at the state level, this year has seen a return to more normalized work. **We are once again seeing traditional issues like taxes, market access, trade practice, wholesaler/monopoly protection and DTC shipping issues come back to the fore.** Much of the work to provide licensees with relief such as drinks-to-go, license fee forgiveness, expanded premise allowances and other measures has been completed, with only a few states still debating these issues. Legislators and Regulators have shifted their focus back to the issues that were set aside during the pandemic, as well as responding to new issues.

Our work related to **environmental issues** was long focused on stopping the expansion of **bottle deposit bills**, and on keeping wine bottles out of any of the existing programs. Those efforts have continued, but with nuanced changes resulting from other environmental proposals which have made some bottle bills appear to be more attractive solutions, both in California and across the country. We have faced a very strong push for states to enact various forms of **product stewardship** which makes producers responsible for the life cycle of their products. The most common form we are seeing are **Expanded Producer Responsibility (EPR)** programs, but each state is proposing programs that are slightly different from the others. No state is considering a truly producer run plan similar to what industry has embraced in Europe and elsewhere, so we are having to fight these programs that would create large bureaucracies to operate them. There were EPR bills passed in 2021 in Oregon and Maine which we are working to address as they are implemented, and you will find information on other bills in the following report. **Of particular note is the EPR bill in Colorado that was passed and signed by the Governor on 6/3/22.** We are also seeing a dramatic increase in bills that would mandate the levels of **Post-Consumer Recycled Content (PCRC)** in both bottles and plastics, some of which are passing. A New Jersey bill passed in January setting a potentially unreachable 35% PCRC requirement for glass bottles in 2024, and of 50% for plastics beverage containers by 2047. We are working to oppose similar bills in other states, along with a host of other environmental proposals. Details on these proposals can be found in the report below.

Our work to secure **DTC shipping benefits** for wineries paid off during the pandemic, as the 2021 winery DTC figures released by Sovos/ShipCompliant and Wine & Vines Analytics showed this channel to have grown to \$4.2 billion last year. This proved a lifeline to many wineries during COVID, and we are working hard to protect and expand these opportunities in the 47 states and Washington, DC that already allow legal winery DTC shipping. As we did in Ohio in 2021, we are working this year to open New Jersey to DTC shipping for wineries over 250,000 gallons. We are still pursuing legislation to open Delaware to DTC shipping, while a similar effort in Mississippi failed to pass earlier this spring. And like last year, we are working to secure the ability of wineries to continue their use **fulfillment houses** to pick and pack their shipments, which is an area of close scrutiny and enforcement by the states right now.

Below you will find information on various **privatization proposals** in states like Mississippi and Pennsylvania, the efforts to expand **wine in grocery stores** sales in multiple markets through both the initiative and legislative processes, and many other **licensing, market access and trade practice** issues. These are just a few of the more than 1,000 bills that we are working on and tracking across the country. We are working hard to make sure that any bills or regulatory actions that would impact member wineries are getting our full attention, and to make sure that members are kept aware of those items that are most important and likely to become new laws.

Many of the states have already completed their legislative sessions, while some are still wrapping up their work. With **2022 being an election year in all states other than New Jersey and Virginia**, most legislators will now be focusing on their reelection efforts rather than legislative work for the remainder of the summer and fall.

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

No states have passed a tax increase in 2022, and notably Kansas has actually lowered some of its taxes on wine. We are seeing quite a bit of tax activity, but with this being an election year in most of the states, raising taxes has been less likely to move forward in most instances.

Wine Excise Taxes:

No states have passed an increase to their wine excise taxes in 2022, despite a number of proposals to do so. On a very positive note, **Kansas** passed a bill that brought their excise taxes into conformity with the federal tax rates passed under the Craft Beverage Modernization Act, increasing the level of ABV for table wine from 14% to 16%, and thereby lowering the tax rate on the newly redefined wines between 14% and 16% from \$0.75/gal down to \$0.30/gal. **Minnesota** failed to pass a number of similar bills that we were supporting. We will continue to look to replicate this win in other states where possible in the future.

We are fighting efforts by the local industry to obtain preferential tax benefits in **Arizona** where a proposal would provide a tax credit to small producers for approximately 65% of their excise tax payments. This issue remains in play as the state works to craft a budget proposal, so we are continuing our opposition efforts. In **Washington**, a proposal to exempt wineries under 50K/gal production from excise taxes on the first 20K/gal sold in the state was defeated. In both instances, we offered nondiscriminatory options that would let all producers, regardless of location and/or size, benefit from an equal portion of their sales into the states,

Georgia considered an interesting proposal to remove their gallonage-based excise tax and replace it with a 1% increase in the sales tax, but the bill failed to pass. In **Massachusetts**, three bills have carried over from 2021 that would increase excise taxes: the first would double taxes, the second would triple the rates, and the third would double the tax but then increase the rate every five years based on the CPI. All three are still pending. In **New York**, two bills from 2021 had carried over that would increase excise

taxes: the first doubling the existing rates, and the second increasing rates by 70% now, and then increasing annually based on the CPI. Both of the New York bills failed to pass prior to adjournment. We are working closely with others in the hospitality sector to avoid any tax increases across the country.

Local Option Taxes:

In **Vermont** a bill to allow for additional taxes on alcohol at the local level failed to pass. We continuously watch for such bills, as they can be very hard to defeat.

Sales and Drinks Taxes:

Efforts to pass two separate “**10-cent per drink**” bills in **Hawaii** were defeated earlier in the year. There is still on the table a **25-cents per drink bill in New Jersey** on all on-premise sales, that would only apply in the largest cities which have over 200 licensees.

On the **sales tax** front, a bill in **Iowa** to make monthly sales tax reporting only apply to larger companies, while allowing smaller payers to file less frequently, failed to pass. In **Mississippi**, a proposal to increase the statewide sales tax from 7% to 8.5% as a part of doing away with the income tax failed to pass. Also, as noted above, **Georgia** was considering replacing their gallonage excise tax with an across-the-board increase of 1% in the sales tax, but that bill also failed to pass.

Fees / Markups / Other Taxes:

Ready to Drink (RTD) reclassification has been a big push by DISCUS and individual distillers this year, where a push for “equivalency” is once again front and center in their arguments. Their goal has been both to reduce the tax rates at which these products are sold, and to expand the retail and distribution options available in order to bring them to a wider market. Bills were introduced already in 11 states in 2022 (**Alabama, Arizona, Hawaii, Kentucky, Maryland, Nebraska, New Jersey, Ohio, Pennsylvania, Vermont, and Washington**). The ABV rates in these proposals range from 7% up to 16%, with the average being somewhere around 10%. Typically, they are seeking a tax rate nearly equal to the wine tax rate, although some have sought rates equal to beer. To better address these bills, the Wine Institute Board adopted a new position on RTD legislation in March 2022 which has helped us in crafting our responses. To date, the only bill to have passed in 2022 was H 730 in **Vermont**, where the final tax rate was \$1.10/gal, which doubles the wine rate which was what was in the original bill language. RTD bills are still pending **Arizona, New Jersey and Pennsylvania**, with the rest having failed to pass this year.

Monopoly Protection / Wholesaler Issues

We are pleased to report that no bills have so far been introduced that would enact new wine monopoly protection (“franchise”) laws in any of the states. There are still some wholesaler related issues that we are tracking. Both **Illinois** and **New York** had legislation related to minimum purchase requirements and delivery fees that had carried over from 2021; the Illinois bill is still pending, while the New York bill failed to pass. Pending legislation in **Massachusetts** would expand their current monopoly protection law as it relates to brand acquisitions, and we are opposing that effort. A bill in **Missouri** would have removed the 3-year residency requirement currently applied to all wholesalers, but it failed to pass. A bill in **New Jersey** that would reduce the price posting requirements for companies selling fewer than 60 units per month in the state is still pending. We attempted to have an **Oklahoma** bill to do away with beer price posting amended to do away with price posting for all types of alcohol, but the bill failed to pass. A number of “at rest” proposals that had carried over in **New York** from 2021 failed to pass before they adjourned. There were also a number of beer related wholesaler issues on the table, including things like price posting and exclusive territories in various states that we are watching for any potential amendments that could impact wine, but none of them have passed.

Privatization in Control States / Other Control State Issues

Mississippi has finally adopted a solution to their ongoing warehouse operations issues. After years of competing proposals where the House passed bills to privatize the system and the Senate passed bills to outsource operations, a bill was adopted this year passing a \$55 million bond measure to pay for a new warehouse that will be operated by a third-party company. Included in the package was a \$1 per case “bailment fee” to be paid by suppliers on all wine and spirits sold in the state to help pay off the bond. Retailers will also pay a \$0.25 per case fee to pay for maintenance and upkeep on the system, in addition to the delivery fees they already pay. While we opposed the bailment fee portion, this solution was far superior to the “privatization” bill passed by the House that would have maintained an 18% markup paid to the state on all private transactions at the wholesale level, in addition to an excise tax based on gallonage.

In **Pennsylvania**, legislation to privatize the PLCB has been introduced by Republicans, who are hoping to gain momentum on their plan should they gain the governorship in November, to go along with their current control of the legislature. Legislation to privatize **Somerset County in Maryland** was passed and signed by the Governor in late May. A bill in **Virginia** that would have privatized their state store system, while maintaining the control of the wholesale functions for spirits, failed to pass. And finally, there were also proposals to privatize **Vermont’s** control system entirely, as well as a bill to privatize the sale of fortified wines, neither of which passed.

In **New Hampshire**, a bill that would have legalized the sale of cannabis passed the House but died in the Senate. It had a unique spin on the system, as the bill would have put all retail sales into the state stores, with the regulation and tax components of the program also within the NH Liquor Control Commission.

Direct-to-Consumer (DTC) Shipping

As noted above, the winery DTC shipping channel generated \$4.2 billion in sales during 2021, proving the importance of our work in this area over the past three decades. Below you will find a summary of our work on DTC for 2022, as we try and expand shipping opportunities into new states, secure the rights of wineries to continue shipping into legal states, and to address challenges such as restrictions on the use of fulfillment houses. The emergence of DTC shipping bills to allow distillers, brewers and retailers to have similar privileges to wineries is posing some challenges for us as well; you will find those bills discussed below.

Positive DTC Change Efforts:

Wine Institute is sponsoring a bill in **Delaware** to open that state to DTC shipping, which is still pending. Our bills to open **Mississippi** failed to pass earlier in the spring. In **New Jersey**, we are again pursuing legislation to allow for shipping by wineries over 250,000 gallons, similar to the successful legislation passed in Ohio in 2021. The bills in **New Jersey** are still pending at this time. In **Alaska**, a winery DTC shipping permit is a part of the omnibus liquor bill which is now awaiting signature by the Governor. If signed, wineries will be able to obtain a permit to ship up to 12 cases of wine annually with the payment of taxes and required reporting. Similar legislation to create a permit in **Minnesota** failed to pass. Our legislation in **Alabama** seeking to streamline the DTC application process failed to pass, but we have solved many of the issues addressed in the bill through work with the Attorney General and the ABC, removing a number of the barriers administratively. We are also supporting legislation to create a workable DTC shipping permit in **Rhode Island** that removes the existing on-site purchase requirement. Bills that we were supporting to lower the permit rate in **Nebraska** and to remove the case limits in **New Hampshire** both failed to pass.

Potentially Anti-DTC Shipping Efforts:

While we work to make the improvements noted above, we must also respond to efforts to curtail the shipping privileges of wineries. We are also opposing legislation in **Massachusetts** that would impose unworkable “wine of your own production” language, and in **Iowa** a bill failed to pass that would remove the exemption currently granted DTC wines from the bottle bill requirements. We argued against a bill that failed to pass in **New York** that would have exempted **New York’s** in-state wineries from payment of excise taxes on the wines they sell and ship within the state, arguing that the preferential taxes are unconstitutional. And in **Utah** we opposed a bill to further their unworkable plan of having the state be the clearinghouse for all DTC shipping, while imposing an 88% markup and fees on each shipment into the state. Unfortunately, this Utah bill did pass, although we don’t see that it will be effective. Each of these bills would negatively impact current privileges, and we are watching for additional bills of a similar nature which might also have a chilling effect on DTC shippers. We have also been working with the **Tennessee** ABC to resolve an issue related to registration with the Secretary of State, which is now being resolved in a positive manner,

Common Carrier/ Fulfillment House Focused bills:

We are opposing legislation that would adversely impact common carriers in **Massachusetts** and **Oklahoma**. In **Tennessee**, a common carrier reporting bill was amended to address the concerns of the common carriers before it was passed, that now creates a new reporting requirement in that state. We’ve recently been helping member wineries straighten out a fulfillment house issue in **Michigan**. We are continuing our efforts to work with the **Louisiana** ATC to clarify their rules to allow for fulfillment house shipments, this coming in the wake of cease-and-desist orders that were sent last September, and then rescinded temporarily at our request.

Beer, Spirits and Retailer to Consumer DTC, etc.:

During the pandemic, brewers, distillers and retailers all realized that they want to have a DTC system similar to that enjoyed by the wineries, and we have launched major efforts to achieve these goals. The retailers continue to focus primarily on litigation (where they have yet to find much success, having lost appeals now in the 6th, 8th and 4th Circuits), while now pushing bills in a handful of states to open up out-of-state shipping for them. The distillers are making the biggest push, currently supporting bills in 13 states to gain DTC shipping privileges. Beer is currently just included in a few of those bills, but we are aware that this is a bigger priority for the craft brewing industry than it has been in the past, so we expect to see more activity there as well. To date, none of these bills have passed in 2022.

Delivery, Take-Out and Curbside Sales by On- and Off-Premise Retailers:

As noted in the overview, most states have addressed the expansion of their delivery and take-out rules in order to allow on-premise locations to provide alcohol along with their food orders in these circumstances. This year, a number of states that had previously chosen to limit the timeframe of such programs are now considering new laws to make them permanent. **Delaware** and **Rhode Island** passed legislation that was signed in February making their provisions permanent, and **Maine** did the same in late March. The biggest fight on delivery this year took place in **New York**, where the Governor included delivery as a part of her budget, much to the dismay of the package stores who thought they had stopped this last summer. In the end, the bill passed in New York allows for delivery for 3 years, when it will again be subject to new legislation in order to continue. We are continuing our support for these efforts, seeking to have wine by the glass included in those bills that are allowing for cocktails to be delivered. Another element getting a great deal of attention is the use of third-party providers to assist in the ordering and delivery processes, and states are dealing with these issues in a variety of ways. **Virginia** and **Oklahoma** each passed such bills this spring. A bill in **Louisiana** to regulate these third-party marketers has passed the Senate this week and gone back to the House for concurrence.

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. 2022 has brought a surge in the number of Expanded Producer Responsibility (EPR) program 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 continue. Details of some of the major issues can be found below.

Bottle Deposit Laws

Seven states have considered legislation to create new **bottle deposit laws that would include wine**. The bills in **Illinois, New Hampshire** and **Rhode Island** are still pending, but haven't shown any momentum to date. The bills in **Kentucky, Missouri, Virginia** and **West Virginia** failed to pass. Five states with existing bottle deposit laws have considered legislation to **expand their laws to include wine (Massachusetts, Michigan, New York and Vermont)**. The **Vermont** bill passed both chambers of the legislature, but the House failed to concur with Senate amendments on the last day of session, so the bill died. The **New York** bills also failed to pass, while the bills in the remaining states are still pending. A bill was passed to expand **Oregon's** law to include only wine sold in cans. It was amended, at our request, to make the deadline for inclusion July 1, 2025, which is the same date that all wine packaging must go into either the EPR program passed in 2021, or into the bottle deposit program. We continue to work with the Oregon wine industry and other partners as we sort out our best options in that state. We are also watching proposals in **Massachusetts** and **Pennsylvania**, although neither of those laws would include wine bottles at this time.

In **Iowa**, where wine is already included in their bottle deposit law, more than a dozen bills that would modify, expand, repeal and/or replace their current program were considered in 2022. We were closely engaged on these bills as they have a direct impact on how our members sell their products in Iowa. Several of the bills would have removed the exemption for wines shipped DTC into the state, which at this point still appears unworkable under the current program structure; fortunately, these provisions failed to pass. The one bill that did pass will require wineries to register the UPC codes of the wines being sold to wholesalers in the state with the Department of Natural Resources, as well as increasing the handling fee to 3-cents per container.

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

EPR bills this year became the biggest single issue impacting our work in the states, as we attempt to better understand these complex proposals, and to determine their potential impacts on wineries. In the wake of **Oregon's** passage of S 582 last year, and the passage of a less impactful (on wine) bill in **Maine** last year as well, we are seeing other states now trying to pass such legislation. Seventeen states have considered EPR bills this year: **Hawaii, Colorado, Connecticut, Illinois, Kentucky, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Virginia, Vermont** and **Washington**. All of these bills have differing structures and coverage, but none of them appear to be viable programs that industry can support. **The only EPR bill to have passed the legislature so far this year is in Colorado, where the Governor signed the bill on 6/3/22.** We will participate in the process there as it moves forward, keeping members apprised of the implementation procedures and requirements. The **New York** bill was of particular concern because the Governor included the concept in her budget, and there were bills both in the Assembly and Senate. Fortunately, none of these passed before they adjourned in early June. The **Washington** proposal also died, despite appearing to have strong momentum at the beginning of their session. The bills that are still pending are in **Illinois, Massachusetts, North Carolina, New Jersey, Pennsylvania** and **Rhode Island**, but none of these has yet shown much momentum for passage. Our thanks to the members of the **Environmental Working Group** who have provided us with crucial analysis and feedback as we navigate these complex and ever-changing proposals.

We are also dealing with many bills related to the **Post-Consumer Recycled Content** of both plastic and glass containers. **A New Jersey bill from 2021 was actually passed and signed by the Governor in January of 2022.** Under that new law, both glass and plastic wine containers will have to meet stringent new PCRC requirements beginning in 2024, with the PCRC percentages escalating on through 2047. A similar bill in **Hawaii** that appeared to have early momentum failed to pass, as did bills in **Maryland, Maine, New York** and **Washington**.

Legislation that would severely restrict, or even ban in some cases, the sale of any **single-use plastics packaging** has been considered in **Hawaii, Massachusetts, Michigan, New York, Rhode Island** and **Washington**. None of these bills has passed.

The **Advanced Disposal Fee** already in place in **Hawaii** was the subject of multiple bills, several of which would have raised the current 1.5-cents fee up to 5-cents. We also are watching for proposals in **New England** that would impose ADF on all packaging as an alternative to bottle deposit law expansion. None of these proposals passed.

Other Environmental Bills:

We are following a few other environmentally oriented bills, including a **GMO labeling** bill in **New Jersey**. There are bills that would impact the sale and use of plastic bags, cups, food containers and such in **Arizona** and **Kansas** this year, and both **Massachusetts** and **Rhode Island** are considering bills that would prohibit the sale of 50 ml spirits containers due to their environmental impacts.

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:

Voters in **Colorado** should have the chance to vote on the expansion of wine in food stores this coming November via a ballot measure. Legislative efforts to pass a compromise and avoid the ballot fight were unsuccessful. Efforts by the **Maryland** legislature to authorize similar ballot measures there failed to pass. Legislation to expand or allow new sales of wine in food stores failed to pass in **Kentucky, Maryland, Mississippi, Minnesota, New York** and **West Virginia**. In **Massachusetts**, previously discussed efforts to remove/change the limits on the number of licenses that can be held by a single grocery store chain are moving forward in the legislature, and perhaps may go before voters in the fall as well. **New Jersey** is still considering legislation to increase the number of licenses that can be held by a grocery chain from the current 2 up to a total of 10. Legislation is still pending in **Rhode Island**.

In **Pennsylvania**, legislation to increase the amount of wine sold in the Wine Expanded Permit stores (grocery stores) from 4 bottles to 12 bottles per transaction is pending. There is also legislation there that would remove the requirement that wine sales be sold through a separate cash register, and to allow for displays of wine on endcaps and elsewhere in the store area, other than just a designated alcohol sales area. A final bill there would extend the sales hours past the current 11:00 pm cut-off time, and instead follow the general closing time for alcohol sales in each community.

Sunday Sales, Blue Laws:

A bill to remove the limit on the number of Sunday sales licenses in **Prince Georges County in Maryland** passed and was signed by the Governor. Legislation to normalize the hours of sale on Sundays was considered in **Iowa**, and to allow for earlier opening in **Kansas** on Sunday. Neither state passed this legislation. A bill to allow a 10:00 am opening time in **Minnesota** failed to pass. Similar legislation to allow for a 10:00 am opening for package stores in **New York** was also under consideration but failed to pass out of the Assembly after having already passed the Senate prior to adjournment. Legislation that would have allowed for retail sales on Sunday in **Mississippi** died in Committee earlier in the year. We are continuing to support the efforts.

Licensing:

The majority of bills introduced each year involve local licensing issues. A few of particular note to our members that we are following are worth including here. In **Iowa**, legislation that would allow for "automatic license renewal" so long as a licensee (including an out-of-state winery) is in good standing

with the state and that it has not changed its circumstances in a material manner has passed and was signed by the Governor on 6/2/22. We believe this will be a good model for adoption elsewhere. Legislation in **Kentucky** that would have allowed restaurants to permit and charge for corkage on wine brought in by customers failed to pass. There is legislation in **Massachusetts** to allow communities to set their own limits on the number of licenses issued there, rather than the current population quota system. There is also legislation pending to allow for centralized warehousing by licensees.

Earlier this spring the **New York** SLA has approved the licensing of alcohol sales in movie theaters, so long as the purchase is made at a concession area outside of the theater area. Legislation in **Oklahoma** to allow off-premise retailers to sell cold wine, beer and spirits failed to pass. We are watching legislation in **Pennsylvania** that would allow spirits to be sold in a manner similar to the Wine Expanded Permits (WEPs) by grocery stores. Other changes under consideration would allow wine to be rung up on the same register along with food, as well as allowing POS and wine displays throughout the stores. The use of self-dispensing machines for alcohol in **Michigan** has passed the House, and it is now before the Senate. Also in **Michigan**, legislation to make permanent the allowance for consumers to carry drinks between licensees in a common “social district” was passed and signed by the Governor.

Trade Practices:

Legislation in **Florida** that would remove the state-level container size requirements in favor of federal definition passed the House, but again failed to pass the Senate prior to adjournment. We are continuing to oppose a rulemaking by the **Illinois LCC** that allows for cooperative purchasing; the proposal is now before the Joint Committee on Administrative Rules. The ILCC last week filed amendments to their proposal, which we are still opposing. There are also cooperative purchasing bills pending in **Massachusetts** and **New York** which we are opposing.

Legislation dealing with tied-house provisions is pending in **Michigan**, while bills in **Kansas** and **Vermont** failed to pass. Stocking and rotation rules are being debated in **Illinois** and **Massachusetts**. In **Nebraska**, legislation dealing with Primary American Source that we have concerns with as it applies to DTC shipping and reporting failed to pass, but there will be an interim study on the issue that we will participate in. We had similar concerns over a primary source proposal in **New York**, but that bill also failed to pass. There was also legislation in **New York**, which failed to pass, that would have dramatically lowered the threshold of market share to 40% for a seller and 30% for a buyer under consideration, which allowed for private rights of action. We were opposing the bill.

Advertising Practices:

The Texas ABC issued a notice related to the activities of **Third-Party Providers (TPPs) related to digital advertising and alcohol retailers** last fall. 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. The TABC issued follow-up guidance on this subject in May, breaking their ruling into two sections: 1) those TPPs that interface between consumers and retailer sellers of alcohol; and 2) those TPPs that are interfacing between Suppliers/Wholesalers and retailers. Breaking down the ruling into the Business-to-Consumer vs. Business-to-Business categories helps to both simplify and clarify their new rules. Other states are watching this process closely, and we anticipate that a number will quickly follow suit in this area.

We are also following legislation that would **ban or restrict outdoor alcohol advertising**. A ban on billboard advertising has been proposed in **Massachusetts**; while a bill in **New York** that would have expanded the required distance from schools, playgrounds, churches, etc. from 500 to 1000 feet, effectively prohibiting most outdoor advertising in New York City, failed to pass. We continue to support the Outdoor Advertising Association’s voluntary 500-foot ban in such circumstances.

We are supporting a number of bills in **New Jersey** that would allow non-licensed restaurants that provide BYOB services to their customers to begin advertising that fact, and to charge corkage if they so choose.

DUI / BAC

Legislation to **lower the BAC from .08 to .05** was again under consideration in **Hawaii**, where both the Speaker of the House and the Senate President have introduced bills on behalf of the Maui County Council. The Senate version of the bill was passed, but the House failed to pass the bills. In the end, a bill lengthening the term of license suspension for drivers who don't install an interlock device is the bill that was passed. **New York** also had carryover .05 legislation that did not pass prior to adjournment. **Washington** and **Vermont** also failed to pass the .05 bills that were under consideration there. **New York** also considered legislation to further criminalize higher BAC offences as "criminal intoxication" between 0.25 and 0.30, and as "aggravated criminal intoxication" when above 0.30, making such violations a felony; these bills failed to pass. **Oklahoma** and **Missouri** had first offence interlock legislation filed this year, while **Colorado** had a bill to allow first offenders to voluntarily choose an interlock in favor of a suspended license; these bills did not pass.

Outreach and Administrative

Our team members began traveling more regularly to the state capitals and to conferences this spring and early summer as in-person events and meetings were ramping up. In March we attended the **WI Board of Directors** meeting in Sacramento. We participated in the **NABCA Legal Symposium** in Washington, in March, as well as their **NABCA Annual Conference** in Phoenix in May. We participated in the **Restaurant and Bar Show** in Las Vegas in late March as well. We participated in the **SOVOS/ShipCompliant Wine Summit** in April. We presented to WineAmerica's State and Regional Associations Advisory Council meeting in Washington, DC in May, as well as participating in **Avalara Crush**, a user conference for their member clients. Our team will be attending the **NCSLA's Annual Conference** in Overland Park, KS at the time of the June WI Board meeting, so will not be joining the board in Half Moon Bay this year. Weekly **State Relations Update Calls** were held for members of the SR Subcommittee, as well as providing **written bi-weekly State Relations Update Reports** on our activities. We worked with Bobby and the Finance team on the preparation of our **departmental budget**, and 2022 **performance evaluations** are currently being conducted. We supported the work of other departments as needed throughout the quarter.



Agenda Item No. 8(a)(iv)

**PUBLIC POLICY COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022**

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. May 2022 Quarterly Meeting

The Public Policy Committee held its quarterly meeting in May and received updates on various international, federal, California, and state relation matters. Please refer to reports for Federal Relations, State Relations, Sacramento, International Public Policy, and Environmental Affairs for relevant updates.

2. TTB Guidance on Health-Related Statements

At the Public Policy Committee quarterly meeting, Wine Institute's legal department provided an update regarding TTB's guidance on health-related statements. On March 4, 2022, Wine Institute met with TTB to discuss industry concerns and seek guidance regarding health-related statements on labels and in advertising. In response, TTB issued a series of five regulatory reminders that it prohibits misleading and unsubstantiated health-related statements. TTB provided specific examples of unsubstantiated statements suggesting that consuming a particular alcohol beverage will mitigate health consequences typically associated with consumption. TTB also stated that use of the term "clean" constitutes a misleading health-related statement in phrases like "X malt beverage is clean and healthy" or "Y vodka's clean production methods mean no headaches for you."

A full archive of TTB newsletters is [here](#) and the ones relevant to health-related statements were as follows:

- April 22 – Health Claims in Advertising – Advertising Compliance
- April 15 – Health Claims in Advertising – Regulations
- April 8 – Use of the Word "Clean" in Alcohol Beverage Labeling and Advertising
- April 1 – Health Claims in Advertising – Suggesting Health Benefits
- March 25 – Health Claims in Advertising – Mitigating Health Consequence



Agenda Item No. 8(b)

INTERNATIONAL MARKETING &
CALIFORNIA WINE EXPORT PROGRAM REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 21, 2022

Global Initiatives

Wine Institute's International Marketing team traveled to Copenhagen, Paris, Dusseldorf and London May 9 through May 18, 2022, to attend the Copenhagen and Paris Trade Tastings, ProWein and meetings in London. These events represent the first time in over three years that California Wines and vintners have traveled to these markets due to the pandemic and other factors. This is the first time the international audience will be at a California Wines trade event in their country with new branding and sustainability platforms.

Copenhagen THIS IS US Tasting: Hosted a trade and media tasting in conjunction with Washington Wines which featured over 400+ wines from 40+ exhibitors followed by a consumer tasting event in the evening. More than 500 guests attended including trade, media, consumers and wine clubs. Elaine Chukan Brown hosted a seminar titled *Elevations and Aspects: Wines of California and Washington* featuring 10 wines to over 100 Denmark Trade and Media. California wines showed well and were well received by the audience. In addition, hosted a media event in partnership with Washington Wines for a small number of lifestyle journalists and social media influencers. The vent focused on wine and food pairing and featured Elaine Chukan Brown and a leading local chef pairing California and Washington wines with Danish cuisine. Copenhagen's vibrant culinary scene provides a strong opportunity for California wines and more than 500 wine brands from California are currently in the market.

Paris Grand Tasting and Seminar: Organized and hosted the first trade event in France in more than 10 years at the US Ambassador's residence in Paris which featured over 400 wines from 60+ exhibitors, including ten wineries from Oregon. Most wineries in attendance are "New to Market" and seeking representation. Reception by the French wine trade was enthusiastic and participating wineries are excited about the potential of the market. We received strong feedback from winery members that the guests in the room were very open to the idea of California Wines and eager to taste and explore the diversity California will bring to the French marketplace. Elaine Chukan Brown hosted two seminars titled *California Freshness: The Regions and Varieties of California Wine* for more than 200 members of the trade and media. Both seminars were full with standing room only in the back for additional guests. Ambassador Denise Campbell Bauer hosted a dinner at her residence following the tasting and invited several key vintners from California, Oregon and France and led a discussion around future collaboration in the global wine community.

ProWein Germany: Hosted the California Pavilion at ProWein Germany with 64 exhibitors and 38,000 visitors over three days from May 15 – May 17. This was the first ProWein exhibition since 2019 and the debut of the new California Wines branding and Sustainable California exhibit at the event. Introduced the new "Explore Sustainable California" installation - a walk-

through exhibit that demonstrated California's commitment to and leadership in sustainable winegrowing practices. Curated by Elaine Chukan Brown, U.S. Executive Editor of JancisRobinson.com, who developed content and narrated an audio tour to accompany an interactive "self-pour" tasting experience using automated "vinotech-style" wine dispensers. Museum quality displays included information on the wines, wineries and regions with photographs, tech sheets and maps as well as video reels and photography. The educational experience was well received by the trade, with many commenting that it was "the most interesting and innovative idea at ProWein" this year.

Capstone California Wine Education Continues to Grow: 5,000 students in 68 countries have enrolled in the Capstone California certification program to date. The certification program is currently offered in five languages in addition to English: French, German, Japanese, Polish and Russian and Spanish and Simplified Chinese will be added this year. Preparations are underway to launch Capstone California in Hong Kong, Singapore, South Korea, China and Australia over the next year. Levels 1, 2 and 3 of the certification curriculum are complete and the final section of the curriculum, Level 4, is in development and slated to be complete by summer/fall 2022. Official Capstone California lapel pins are now provided to each student who completes a level of the certification curriculum along with an official certificate signed by Evan Goldstein, MS. The first Capstone California educator trip to California took place in April 2022 with a group of leading wine educators from Japan and Korea. A global Capstone California educator visit is scheduled for late January 2023 with the lead educators from across Canada, Europe, UK, China, Hong Kong and Mexico.

Inaugural Global Buyers Marketplace Planned for November 2022: The [Global Buyers Marketplace](#), the first-ever international conference for importers and wine buyers exclusively focused on California wine, is scheduled for early November 2022 in Napa Valley. The inaugural event will bring 75+ importers from 26 markets around the world to meet with 200+ vintners from across California. Buyers and importers will represent all sectors of the wine trade including on-premise, retail, chains and national accounts, online sales, collectors, and state-run monopolies. The conference includes the option for attendees to participate in one of several three-day mini-tours to California's wine regions. Regional wine associations are developing the itineraries and creating opportunities for additional wineries to participate. Wine Institute's international representatives have confirmed key trade partners and all trade attendees have expressed specific interest in adding more California wines to their portfolios. Wineries can participate in one day of the conference and will have the opportunity to hosting a table during one of the walk-around Grand Tastings and participate in all conference activities that day. To learn more and to sign up to participate, go to the Global Buyers Marketplace website at www.buycalifornia.wine

Eureka! London June 7-9: Launched a three-day pop-up wine education experience for UK and EU trade, media, and consumers at the Truman Brewery event space in central London. More than 500 guests registered to attend and participate in the pilot program starting with the opening night VIP Launch Party and continuing with sessions for the trade and an evening consumer event. The experience brings a new approach to wine education with a mix of digital, live and multimedia experiences that will explore the regions of California and sustainable winegrowing. The Virtual Vineyard created an immersive wine seminar and tasting that explores the climate, terrain, and soils of California's wine regions using 4D video technology. The Wines on a Mission walk-through exhibit demonstrates California wine's leadership in sustainable winegrowing, clarifies the difference between organic, biodynamic, and sustainable farming practices and features a self-pour area where guests can taste a range of certified sustainable California wines and wineries. The Wall of Wine displays more than 200 bottles of certified sustainable California wines. The upstairs Tasting Lounge offered wineries and importers the opportunity to present wines to trade and media. During the three-day event more than 250 wines will be tasted by the trade. An outdoor Sensory Garden developed in

partnership with Kendall-Jackson connects aromas and flavors with wine varieties and closes the loop between sustainable growing practices and wine and food pairing with local ingredients. Culinary Gardener Tucker Taylor and Executive Chef Justin Wangler from Jackson Family Wines in Sonoma County were available to answer questions and engage with guests. The event had sustainability at its core and featured reused and recycled products, as well as paper-free and low waste strategies. Eureka! in London is the pilot event with the materials, assets, digital files and content designed to be repurposed at other Eureka! Events in markets around the world.

California Wine's Leadership in Sustainable Winegrowing for International Markets: In April, May and June California wines launched three new initiatives designed to communicate and demonstrate California's leadership in sustainable winegrowing to the trade and consumers. California Wines in Canada launched the first California Road Trip event in Vancouver Canada to replace the longstanding California Wine Fairs. The redesigned and reconfigured trade and consumer event included a Sustainable California feature area – a walk-through exhibit with multi-media content that explains the structure, process and benefits of California's Sustainable Winegrowing Program. At ProWein in May, the California Wines Europe team launched the new Explore Sustainable California and exhibit developed and curated by Elaine Chukan Brown, Executive Editor of JancisRobinson.com. The exhibit featured four distinct areas that explained the features and benefits of sustainable winegrowing practices. Each area included four wines that were available for tasting via automated self-pour machines. The featured wines changed daily to include more than 60 member wines. At Eureka!, we introduced Wines on a Mission – that highlights California's longstanding commitment to sustainable winegrowing and engages guests through a focus on Soil, Water, Climate, and Community. A Wall of Wine provides an impressive showing of the broad commitment to sustainable winegrowing in California, but it goes beyond that to remind wine consumers that their choices drive change. A QR code on the wall points to a [wine inventory](#) with links to producers. A large format timeline, beginning in the 1800's with John Muir, conveys California's longstanding leadership in environmentalism. A QR code leads to a [more comprehensive timeline](#) of key CA legislation, sustainability initiatives, and sustainable winegrowing milestones - all painting the picture that environmental leadership is simply a core tenant of being Californian. Within the Wines on a Mission area a video reel presented the Golden State of Mind video and introduced the faces and voices of many of our member growers and vintners who are leaders in sustainable winegrowing. The Common Mission self-pour area offered 8 wines, all carrying different certifications. This area drives home the message that though there are several certification programs in CA, each with their own logo, they all share a common goal of promoting responsible practices in an effort to leave things better for future generations. The QR code here leads to an impressive [Retrospective of Sustainable Winegrowing in the CA Wine Community](#).

The wines featured throughout Wines on a Mission over the course of the event, including the Common Mission self-pour wines, are all listed [here](#), with links to tech sheets and a few notes on sustainability. In addition to the information in Bottlebooks, a QR code on the table where the wines are poured will take you to the [Tasting, Technical, and Sustainability Notes](#). Lastly, QR codes within the exhibit pointed to existing resources on each topic ([Soil](#), [Water](#), [Climate](#), [Community](#)).

Wine Institute International Reps Week – May 2022: Hosted an in-person Global Team meeting for the WI regional Trade Directors the week of May 2-6, 2022. The meeting commenced in San Francisco with the all-day workshop on Communicating Sustainability. The agenda for the week included visits and meeting with several of the regional wine associations including Santa Cruz Mountains, Santa Lucia Highlands, Paso Robles, and Santa Barbara. The group visited and met with vintners at wineries including Cooper-Garrod, Ridge, Mount Eden Winery, Hahn, Pisoni, Tablas Creek, DAOU, Dierberg and Melville. In addition to internal

meetings and working sessions, the group visited the new Wine & Viticulture Center at Cal Poly, San Luis Obispo. Winery members and interested wineries were invited to attend a reception and dinner at the new wine center, including a tour of the new education facilities. Several Export Program Executive Committee members joined the group for the member dinner and also participated in the team meeting the next morning. Over the course of the week, more than 30 wineries participated including (along with those above): Silver Mountain, House Family Vineyards, Kunin Wines, Scheid, Au Bon Climat, War Room Wines, Hitching Post Wines, LangeTwins, Ironstone, and Wentle.

RECENT & UPCOMING INTERNATIONAL TRADE VISITS

Japan and South Korea Wine Educators – Capstone May 2022: A group of six wine educators from Japan and South Korea visited California wine regions May 7 to 14 on the first official Capstone California educators' trip. The group started in Santa Barbara then toured the Central Coast, Lodi and finished up in Sonoma County ([view the full program](#)). The itinerary was very comprehensive with several seminars, including a California Sustainable Winegrowing overview, Lodi seminar with wine journalist/photographer Randy Caparoso, a session on "What's New in California" with wine writer/educator Elaine Chukan Brown, a food and wine pairing with Evan Goldstein, MS and a Sonoma County seminar. The invaluable, first-hand knowledge the group gained during their time in California will help them deliver high quality instruction to their students.

LCBO Group – June 2022: The LCBO will visit California the week of June 5-11 with California Category Manager Astrid Brummer accompanied by Wine Institute Representative Danielle Giroux. The group is scheduled to visit specific wineries who LCBO is currently doing business with. Astrid has never visited California, only virtual visits. We are planning winery visits in Sonoma County and Napa Valley. See preliminary itinerary [here](#). [LCBO backgrounder and bios](#)

UK Sommelier Group – July 2022: We are in the planning stages of the itinerary for the group of Sommeliers from the UK who will be invited to California as part of a multi-region tour with Oregon and Washington in July. We have five of the ten [Sommeliers](#) confirmed. The group is tentatively scheduled to tour West Sonoma Coast, Sonoma County, possibly Anderson Valley and meet with Lodi Vintners. The group will visit California on July 14 & 15

UK The Worshipful Group – May 2023: We are in the very planning stages of the itinerary for the Worshipful Group from the UK. The Worshipful Company of Vintners is the historic Guild for the wine trade. The travelers will all be well established wine trade. The visits are more a showcase and marketing opportunity for California in general. The group will visit Napa Valley and Sonoma County in May 2023.

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

Emerging Market Grant Applications for India, China, Vietnam: Wine Institute applied for additional grant support through the Emerging Market Program to support initial efforts to develop programs in new or underdeveloped markets, particularly with market research, education efforts, and developing an in-market team. Once these initial applications are complete the focus will shift to developing markets in Central and South America as well as other parts of Asia.

Export Program Membership Activity: Renewed 190 members for the current program year 2021-2022, 100% of our total member base from last year. Welcomed new member [S.R. Tonella Cellars](#) and returning member [Ashes & Diamonds](#) to the program. Member renewal and

recruitment efforts will continue as we proceed towards the FY21-22 goal of 200+ Export Program members.

Completing Fiscal Year-End Duties & Reporting for FAS: Prepared MAP and ATP budget allocations by region and market for upcoming June 30, 2023, fiscal year and submitted the annual UES and MAP applications to FAS prior to the May 20, 2022 deadline. Submitted a collection of Success Stories to FAS detailing outcomes from the FY21-22 program year. Finalizing annual program and budget plans for the upcoming year for presentation to the Export Program Executive Committee and Export Program membership in July. Developed and presented a comprehensive budget overview and annual plan training session to WI international reps and staff during the recent Global Team meeting. Preparing to review and renew annual contracts and retainers prior to the June 30 fiscal year end.



Agenda Item No. 8(c)

INTERNATIONAL PUBLIC POLICY REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS
June 21, 2022

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|---------------------|
| TRADE ISSUES |
|---------------------|

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 new requirements will become mandatory for all wine produced and labeled after December 8, 2023. It is expected that many EU wine producers will begin complying with the new requirements prior to this deadline due to pressure from retailers. To facilitate compliance, the EU wine and spirits sectors have 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. Wine Institute will soon be sharing an FAQ document with wineries to help them prepare for having to comply with these new regulations

European Union: Alcohol Health Warning Labels and Excise Duty Review – With the European Parliament's adoption of the EU's ***Beating Cancer Plan*** (BECA), the focus will now shift back to the European Commission to continue its work to implement the alcohol related components of the plan. This work will encompass a number of areas that have the potential to impact the wine trade, most notably health warning labels and a review of the EU alcohol excise duty structure. During Parliamentary consideration the wine sector was successful in amending the BECA report to remove the focus on no safe level and a direct link between alcohol and cancer. While this suggests a future health warning label will not include a reference to cancer, it is still expected that the EU will move ahead with some form of mandatory health warning. The alcohol excise tax review will also look at specific issues relevant to wine such as the current zero minimum tax rate that Member States may apply to wine (but not beer or spirits) as well as the current requirement that wine be taxed based on volume and not alcohol content. Wine Institute will continue to follow this process closely given its potential to impact key markets in the future.

United Kingdom: Alcohol Excise Duty Reform Proposal – The government of Prime Minister Boris Johnson continues to work on a draft legislative proposal to reform the UK's alcohol excise duty review. As proposed, the reform will be extremely problematic for wine as it seeks to tax wine based on the degree of alcohol as opposed to overall volume. This would entail escalating tax rates for wine per half degree of alcohol content which would lead to significant risk of errors in tax reporting due to the variation in alcohol content testing. This structure would also cause significant administrative burdens for producers and importers. The proposed tax

rate for wine would also lead to increased excise tax costs for 80% of the table wine sold in the UK. Wine Institute has been working closely with the UK Wine and Spirit's Trade Association (WSTA) to raise concern about the proposal. WSTA has been actively advocating with the UK based wine sector for the government to modify its proposal with respect to wine to make it less administratively burdensome and minimize the impact on small and medium sized enterprises. The legislative proposal is expected to be released in the next month. The initial proposal had called for the new structure to go into effect in January of 2023, however there is the possibility that the government will delay the implementation date beyond this to allow for a longer transition period.

United Kingdom Certification Project: A project launched with the Technical Advisory Committee and Fetzer is a finalist at an innovation competition with the Financial Times. The project featured a shipment of Fetzer wine from California to the UK using Distributed Ledger Technology/Blockchain instead of paper certificates to clear UK customs and regulatory requirements. The group working on the project will produce a short video for the finalist competition. The winner will be selected in London on June 20th.

TTB Certificate Modernization: As a result of Wine Institute conversations with TTB and USDA, TTB will receive a \$500,000 USDA grant to modernize the process for wineries to obtain export certificates. The project will create a web-based system where exporters can apply for electronic export certificates to be processed by TTB and will replace the current paper-based procedure. The process will be integrated in TTB's single window platform, "myTTB," and wineries will obtain an electronic certificate which they can instantly forward to the importer, significantly reducing the amount of time needed to comply with these requirements.

INTERNATIONAL ORGANIZATIONS

WHO: Global Alcohol Action Plan – On May 27th, the WHO's 75th World Health Assembly adopted the [Draft action plan \(2022-2030\) to effectively implement the global strategy to reduce the harmful use of alcohol as a public health priority](#). Wine Institute has followed the development of the GAAP closely through our engagement with FIVS and IARD. Sectoral engagement through these groups and directly with Member States was successful in maintaining the focus on harmful use of alcohol as opposed to overall alcohol consumption. We continue to have serious concerns about several of the policy recommendations included in the GAAP. Most notably, it focuses solely on the SAFER initiative (best buys) as the only viable policy solution and sets goals that appear to be designed to set Member States up for failure. At the behest of Wine Institute and other alcohol beverage trade groups the US government has engaged constructively throughout the GAAP development process and played a key role in addressing a number of specific concerns. During debate on the GAAP, a number of Member States requested that the WHO secretariat develop guidelines on how they should engage with the alcohol sector. Wine Institute will follow the development of these guidelines and implementation of the GAAP closely.

World Wine Trade Group (WWTG): The US hosted its first WWTG meeting since taking over as Chair in March. Nearly sixty participants from all nine WWTG countries participated in the virtual session. Important progress was made on reaching agreement on a workplan for the US term as well as establishing guidelines for the three formalized Working Groups – Trade Barriers, International Organizations, and Membership and Participation. We also held an Industry Section meeting May 24th which focused on UK excise taxes & importer labeling, nutrition and ingredient labeling in the EU. The next full WWTG meeting will be held virtual on June 8th where the group will hear from an EU official on wine labeling and e-certification will be discussed. Plans have also been confirmed to hold the first in-person meeting of the group in three years on November 7-9, 2022, in Santa Rosa, CA.

OIV: Wine Institute participated in multiple meetings this week as a part of the OIV's committee of experts meetings in Dijon, France, the new home of the OIV. We observed the OIV Committee on Law and Economy (DROCON) as a part of the FIVS delegation. During the meeting, OIV Member States (MSs) debated a resolution updating the OIV standard on nutrition and ingredient labels as well as e-labels. It was clear during the discussion that there continues to be differing opinions on the issue of e-labels as an appropriate method for information disclosure. The EU wine sector is hoping to use momentum around development of a new e-label standard to support the concept within the European Commission and the roll-out of e-labels in the EU. That the resolution has stalled increases the risk that the commission may reconsider e-labels. We also met with Pau Rocca, Director General of the OIV, to discuss further ways that the US wine sector can engage with the OIV.

FIVS: FIVS held its first in-person meeting in nearly three years on May 22-23 in Brussels. Wine Institute participated and led efforts in a number of areas including chairing a panel on nutrition and ingredient labeling and guided discussions in the Economic Sustainability Working Group. Other topics discussed included the wine sector response to the WHO's work on alcohol and health, the growing impact of environmental rules and regulations on international trade, and ongoing alcohol excise duty reviews in the EU and the UK.



TECHNICAL ADVISORY COMMITTEE REPORT
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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. EU and US Mandatory Labeling Initiatives

During closed session at the Public Policy Committee quarterly meeting in May, Wine Institute's Technical Advisory Committee ("WITAC") presented updates regarding (1) new EU regulations that will impose mandatory calorie and allergen information on-label, and ingredient and nutrition information off-label "by electronic means," and (2) anticipated rulemaking in the US for mandatory labeling of ingredients, nutrition information, and allergens.

In the EU, the new regulation currently provides that wines "produced and labelled before that date [i.e., December 8, 2023] may continue to be placed on the market until stocks are exhausted." Wines produced and labelled after December 8, 2023 will need to comply but retailers may require compliance sooner. Accordingly, some industry members in the EU are already using "e-labels" via a QR code printed on the physical label to provide the off-label information (i.e., ingredient and nutrition) by electronic means. E-labels may also include limited voluntary information—e.g., responsible consumption, recycling, or sustainability—but the new regulations expressly prohibit information "aimed at marketing purposes." Industry members are using U-Label for QR codes and as an e-label platform. U-Label launched in partnership with Comité Européen des Entreprises Vins and spirits EUROPE and is the only known company presently offering these specific e-labeling services.

In the US, and pursuant to an Executive Order, the Treasury Department issued a report in February 2022 assessing the American markets for beer, wine, and spirits (the "Competition Report"). Among other things, the Competition Report addressed the lack of mandatory ingredient, nutrition, and allergy labeling on alcohol beverages. The Department recommended that TTB "revive or initiate rulemaking proposing ingredient labeling and mandatory information on alcohol content, nutritional content, and appropriate serving sizes." Wine Institute understands that TTB is now treating those recommendations as priorities and may soon issue advanced or regular notices of proposed rulemaking.

To address these issues, Wine Institute's Legal Department is working with WITAC to create compliance materials for the new EU regulations and is evaluating e-labeling platform options to best assist members in choosing credible and reliable partnerships. In addition, from both a legal and technical perspective, we are working closely with WITAC, to prepare for the upcoming TTB ingredients, nutrition information, and allergens rulemakings.



Agenda Item No. 8(e)

ENVIRONMENTAL AFFAIRS REPORT
JOINT MEETING
ANNUAL MEETING - BOARD OF DIRECTORS
June 21, 2022

Quarterly Report Summary

Over the past quarter, Wine Institute's Environmental Affairs and the California Sustainable Winegrowing Alliance (CSWA) staff worked on the following activities:

- Planned and held quarterly Environmental, Health & Safety Committee and CSWA board meetings.
- Participated in numerous other meetings with Wine Institute committees, the National Grape Research Alliance, and other partner organizations.
- Implemented the Certified California Sustainable Winegrowing program for wineries, wines and vineyards.
- Submitted a grant proposal to the Specialty Crop Block Grant program on behalf of CSWA, and provided input on another proposal submitted by UC Davis for USDA's new \$1 billion Climate-Smart Commodities grant program.
- Convened the judging panel to select and announce the 20222 California Green Medal Sustainable Winegrowing Leadership Awards recipients.
- Published monthly Highlights newsletters and assisted Wine Institute Communications and International Marketing Teams with Down to Earth Month, Eureka! and several other activities to promote the sustainability leadership of the California wine community.

Environment, Health & Safety Committee

The **Environment, Health & Safety Committee** held a virtual quarterly meeting on Apr 18, 2022. Agenda items included the following: updates from the California Sustainable Winegrowing Alliance, Wine Institute's Technical Advisory Committee and the Crop Protection Working Group; a discussion about Wine Institute's Climate Initiative and the new grant opportunity through USDA's partnerships for climate-smart commodities; reports from the Water, Air, General Regulatory and Market Issues Working Groups; and guest speaker, Samir Sheikh of the APCO San Joaquin Valley Air Pollution Control District.

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 – continued to meet to advance a 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, including working with two contractors to provide technical assistance and strategy development.

The Environmental Affairs and CSWA team continued to work with other Wine Institute staff and consultant Anthesis Group, and shared elements of the draft climate action strategy with the EH&S Committee and CSWA Board of Directors. The advisory group formed in early 2022 is now a formal **Climate Change Working Group** of the EH&S Committee.

California Sustainable Winegrowing Alliance (CSWA) Board of Directors

The CSWA Board of Directors held a virtual meeting on May 19, with agenda items including approval of CSWA's FY 2022/2023 budget, upcoming grant opportunities and project concepts, communications guidance for the California Sustainable Winegrowing Program and other certification topics, and presentations by Wine Institute's Sacramento, International Marketing and Communications teams to share issue areas and projects that are relevant to CSWA.

Workshops/Meetings/Events

Staff represented Wine Institute at meetings of the **National Grape Research Alliance Board of Directors** (NGRA) and the **NGRA Executive Committee** and participated in meetings of **Wine Institute's Public Policy Committee** and the **State Relation's Environmental Working Group**. In addition, CSWA staff participated in other meetings, including numerous **Stewardship Index for Specialty Crops** calls and webinars.

Staff worked with the Sacramento Team and CAWG to coordinate a **Wildfire Preparedness Webinar**, scheduled for June 22, which will focus on wildfire preparedness for vineyards and wineries as well as available resources, technologies and industry efforts related to wildfire prevention and preparedness.

Environmental Affairs and CSWA staff also participated in the following meetings and events of note over the past quarter:

- Mar 15: Joined WI Int'l Marketing for a sustainability and 2021 harvest briefing for representatives of several Nordic monopolies
- Apr 5: Planned/hosted/moderated a sustainability session for a group of Mexican sommeliers and restaurateurs at Francis Ford Coppola w/ representatives of FFC/Delicato, Fetzer and Shannon Ridge
- Apr 8: Participated in a webinar hosted by Ecosystem Services Market Consortium about carbon markets for growers
- Apr 25: Attended the Green Wine Future climate action presentation in Napa
- May 2: Participated in Wine Institute International Marketing's global team workshop focused on sustainability messaging
- May 4: Represented California Wines at California Grown's Monterey dinner with food and lifestyle influencers, and joined CDFA Secretary Ross and the CA dairy association for a discussion on sustainability in California agriculture
- May 22: Prepared a short presentation and participated virtually in the FIVS Environmental Sustainability Working Group sessions that took place in Brussels

Certified California Sustainable Winegrowing

Updated Participation Statistics as of May 2022

- 178 Certified Wineries produced 255 million cases (80% of California wine)
- 2,402 Certified Vineyards farm 204,857 acres (33% of the state's winegrape acres*)
- 13.1 cases million cases (157+ million bottles) bear the certified wine logo

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

Other Activities:

- Prepared for and held a Pest Management Technical Advisory Group meeting to discuss potential updates to the CSWA Red and Yellow List of crop protection materials for certification and potential IPM grant opportunities (May 12).
- Updated and submitted a benchmarking spreadsheet of CCSW to an international retailer's sustainability platform to maximize recognition of our program as requested by Intertek, the consultants conducting the benchmark.
- Processed applications, wine label notification forms, invoices; responded to participant and auditor questions; and completed other administrative tasks related to the March and May deadline groups.
- Responded to inquiries for marketing claims by custom crush clients of certified facilities and alternating proprietors and processed several wine label notification forms and entered data into salesforce.
- Sent out invoice request for March 2022 deadline group admin fees and followed up on outstanding Certification Administration Fees from 2021.
- Mailed CCSW metal signs and hard copies of the 4th Edition Code to new participants and others.
- Drafted new guidance for the Custom Crush Winery certification.

Fund Raising

- Responded to CDFA questions on CSWA's full proposal to the CDFA Specialty Crop Block Grant program for a 2.5 year, \$457,000 project focused on developing tools and resources to assist winegrowers and promote adoption of climate smart practices. (CDFA indicated tentative approval, subject to final review by USDA, with final award notification expected in Fall 2022.)
- Provided a letter of support for researchers studying the use of drones to release beneficial insects for vine mealybug control; and another to Lake County Winegrape Commission focused on sustainability and pruning.
- Developed project concepts and partnerships, drafted and submitted a \$2.5 million proposal to a new \$1B USDA grant program focused on climate smart agriculture, the Partnerships for Climate-Smart Commodities.
- Provided scope of work and budget information to UC Davis to include CSWA as a partner in their Climate-Smart Commodities grant proposal focused on orchard and vineyard recycling.
- Met with CDFA staff and Noelle on May 16 to discuss the potential for Conservation Ag Planning Grants to be used to assist winegrowers with the development of plans that would also help meet certification requirements; the RFP will be released in the near future.

Sustainability Projects

California Green Medal Sustainable Winegrowing Leadership Awards:

The Judging Panel met in mid-March to select 2022 Green Medal winners:

- Leader: Wente Family Estates
- Environment: Trefethen Family Vineyards
- Community: McManis Family Estates
- Business: Jackson Family Wines

The team also delivered the 2021 award recipients, created new eco-friendly awards for the 2022 recipients, developed scripts and gathered media for an [all-winners video](#), produced and included with a [news release](#) launched Apr 26 after updating [greenmedal.org](#). In addition, CSWA submitted final ad layout to *Wine Business Monthly* announcing winners in the May edition and held a May 12 Steering Committee follow-up call to discuss the 2022 award year and plans for 2023.

Eureka! Event in London

The CSWA team worked closely with International Marketing to design content for the sustainability components of Eureka! and attended the June 7-9 event in London. Allison was on hand to assist in the Wines on a Mission walk-through exhibit that provides insight on how the California wine community is leading on sustainability and preparing for the future and a changing climate.

Green Wine Future:

California Wines/Wine Institute/CSWA served as host city sponsor (funded by Wine Institute's International Marketing ATP funds) for the Green Wine Future conference, which took place virtually in wine regions around the globe May 23-26. Bobby was featured in a welcome video recording, Honore participated in a session on virtual events, and Allison joined CDFA Secretary Ross for a recorded interview conducted by moderated by Andrew Cailliard, an Australian MW, for a session focused on the role of public policy in wine sustainability efforts. In addition, Allison was interviewed by Pancho Campo for a climate change documentary at Cardinale on Apr 25.

Vineyard Compliance:

The Environmental Affairs/CSWA team completed a comparison of certification requirements and the Farm Plan requirements in the Central Coast Water Board's Ag Order 4.0. and shared information with Preservation Inc., a Third-Party Program that assists winegrowers with compliance with the order, to assess the potential of including Certified California Sustainable Winegrowing as an option for meeting certain requirements.

Communications

CSWA published the [March](#), [April](#) and [May](#) editions of the **Sustainable Winegrowing Highlights Newsletter**. CSWA also finalized and launched a new Implemented edits to our [California Wine Sustainability Milestones](#) website, developed a launch strategy and brainstormed ways to leverage this new resource including linking to it from a QR code at the London Eureka event this June.

As part of **Down to Earth Month**, staff continued Wine Institute and CSWA's partnership with the *SOMM Journal*, submitting an article, "Getting Down to Earth: On Wine Institute's Month-Long Celebration of Year-Round Sustainability" for the [Apr/May issue](#) and participating in a *National Geographic* webinar on Apr 21, 2022. Other Down to Earth Month activities included Allison being interviewed for four radio programs –

Grape Encounters, The Good Life, What's Cooking with Mike Horn and Mike the Wine Guy – and by Western Farm Press; and working with the Sacramento and Communications teams to request for an ever-green [legislative resolution](#).

Looking ahead, staff worked with Communications and speakers to plan for the Society of Wine Educators annual conference in August (Bonnie Graves will host a sustainability session) and to pitch a session for the Somm Con conference in Nov (Chiara Rose Shannon and Allison Jordan would speak sustainability, intention and purpose, if accepted).

In addition, staff posted relevant information to CSWA's social media channels and participated in Wine Institute and CSWA Comms meetings to coordinate for Down to Earth Month, the Discover California Wines blog and other joint communication efforts related to sustainability.



Agenda Item No. 8(f)

**COMMUNICATIONS COMMITTEE REPORT
JOINT MEETING
ANNUAL MEMBERSHIP - BOARD OF DIRECTORS MEETING
June 21, 2022**

Comprehensive Communications Approach

Since the last Board Report, the Communications team has continued to promote and protect the interests of members and inform relevant audiences about the benefits of California wine with a unified voice. As a reminder, we have a California Department of Food and Agriculture (CDFA) Specialty Crop Block Grant for marketing and public relations on *Updating Perceptions: Connecting California Wine to a Well-Balanced Lifestyle*:

- *Establishing California wine as complementary to the well-balanced “California lifestyle.”*
- *Synonymous with being outdoors and active.*
- *Enjoying produce-driven cuisine.*
- *Valuing sustainability.*

Member and Media Outreach

News Alerts/Briefs/Press Releases – we issued 36 member and media communications since the March Board Report, in addition to developing and updating webpages, talking points, standby statements, background documents and other materials.

- 6/9/2022 – [News Alert: Register for June 22 Wildfire Preparedness Webinar](#)
- 6/7/2022 – Photo Release: [A Picture is Worth a Thousand Words - or 200 California Wines](#)
- 6/7/2022 – News Alert Reminder: [Register for June 9 Emergency Relief Funding Webinar](#)
- 6/3/2022 – News Alert: [Register for June 9 Emergency Relief Funding Webinar](#)
- 6/2/2022 – News Release: [Following Queen’s Jubilee Celebration, California Brings the Future of Wine to London at Eureka!](#)
- 6/2/2022 – News Briefs: [West Sonoma Coast AVA Approved, License Fee Renewal Waiver, Bottle Bill Passes CA Senate & more](#)
- 6/2/2022 – Wine Briefs: [West Sonoma Coast AVA Approved, License Fee Renewal Waiver, TTB Approves Kosu Grape Variety & more](#)

- 5/23/2022 – News Release: [California Wine Country & National, State Parks Make a Perfect Summer Pairing](#)
- 5/19/2022 – News Briefs: [Smoke Summit, Online TTB Services, Voluntary Drought Initiative & more](#)
- 5/19/2022 – Wine Briefs: [CA Wine Exports, Disaster Relief Funding, Smoke Exposure Bill & more](#)
- 5/19/2022 – Invitation: [Adam Gray Fundraiser at Wing & Barrel Ranch June 1](#)
- 5/17/2022 – News Alert: [USDA Announces \\$6 Billion Available For Farmers Impacted by Wildfires](#)
- 5/16/2022 – News Release: [U.S. Wine Exports Show Significant Gains in 2021 Despite Challenges](#)
- 5/9/2022 – News Alert: [Cal/OSHA Releases Fact Sheets & FAQs on Updated COVID-19 ETS](#)
- 5/6/2022 – News Briefs: [Smoke Exposure Bill, World Wine Trade Group Meeting, WA Recycling Law & more](#)
- 5/6/2022 – Wine Briefs: [Smoke Exposure Bill, World Wine Trade Group Meeting, Green Medal Winners & more](#)
- 4/27/2022 – News Alert: [TTB to Review Advertising Materials at No Cost](#)
- 4/26/2022 – News Release: [Winners Announced for 8th Annual California Green Medal Awards](#)
- 4/21/2022 – News Release: [News Briefs: TTB Guidelines, Green Medal Presentations, Sustainability Certification Report & more](#)
- 4/21/2022 – Wine Briefs: [TTB Guidelines, Green Medal Presentations, Sustainability Certification Report & more](#)
- 4/20/2022 – News Alert Reminder: [Register for April 22 Webinar on Website ADA Compliance](#)
- 4/14/2022 – News Alert: [Register for April 22 Webinar on Website ADA Compliance](#)
- 4/13/2022 – News Alert: [Be Included In the Sustainable Wine Wall at London CA Wines Event](#)
- 4/11/2022 – News Alert: [TTB Issues Statement on Clean Wine Claims](#)
- 4/7/2022 – News Brief: [Board Votes to Join Bottle Bill, Insurance Credits for Fire Hardening, Cannabis Appellation Regulation & more](#)
- 4/7/2022 – News Alert: [Insurance Credits for Fire Hardening, Cannabis Appellation Regulation, Down to Earth Month & more](#)
- 3/28/2022 – News Alert: [TTB Warns Against Misleading Health Claims](#)
- 3/24/2022 – News Briefs: [News Briefs: Wine Industry Priorities in Federal Budget, Tariffs Removal, FIVS Leadership & more](#)
- 3/24/2022 – Wine Briefs: [Wine Industry Priorities in Federal Budget, Tariffs Removal, FIVS Leadership & more](#)
- 3/23/2022 – News Release: [Celebrate California Wine's Sustainability Leadership During "Down to Earth" Month in April](#)
- 3/21/2022 – News Alert: [Mandatory Responsible Beverage Service Training by Aug. 31](#)
- 3/18/2022 – News Alert Reminder: [Be a Part of Down to Earth Month](#)
- 3/14/2022 – Invitation: [March 24 Virtual Fundraiser for Sen. Wyden](#)
- 3/10/2022 – News Briefs: [Spring Board Meeting Recap, FAIR Insurance Increases Coverage Limits, New SLO Coast AVA & more](#)
- 3/10/2022 – Wine Briefs: [FAIR Insurance Increases Coverage Limits, Wildfire Insurance Regulations, New SLO Coast AVA & more](#)
- 2/28/2022 – News Alert: [Be a Part of Down to Earth Month](#)

Wine Policy Briefs - we also issued three editions of our monthly digital newsletter to policymakers and regulators.

- 5/19/2022 – Wine Policy Briefs: [CA Wine Exports, Disaster Relief Funding, Smoke Exposure Bill & more](#)
- 4/21/2022 – Wine Policy Briefs: [TTB Guidelines, Fire Insurance Hardening Credits, Cannabis Appellation Regulation & more](#)
- 3/17/2022 – Wine Policy Briefs: [FY22 Budget, FAIR Insurance Increases Coverage Limits, Wine Institute Year in Review & more](#)

Member Recruitment - in coordination with other departments, we developed a Wine Institute overview deck and member benefits infographic.

Proactive Media

Down to Earth Month – this annual month-long effort provided an opportunity to highlight and promote California's sustainable viticulture and winemaking leadership.

- Done in close collaboration with the Environmental and CSWA teams, we developed a “tool kit” of messages and other relevant material that we shared with other key stakeholders to broaden the reach, posted more than 30 sustainability-related wine country events and state Senators Bill Dodd and Mike McGuire co-authored state Senate concurrent resolution 88 ([SCR 88](#)), along with the support of Assemblymember Cecilia Aguiar-Curry declaring April as Down to Earth month into perpetuity.
- Our news release – [Celebrate California's Sustainability Leadership During “Down to Earth” Month in April](#) – had 4,500 initial views for a potential reach of 195 million and we saw more than 100 articles. For broadcast, we successfully pitched media opportunities in all major California media markets with 7 television wine and food pairing segments featuring 25 member sustainable wines. We also did 6 radio interviews that reached those in the Golden State and across the country. Our combined potential broadcast reach was nearly 17 million. Online amplification of our broadcast interviews meant addition potential reach of more than 12 million. Its worth noting the importance of online/streaming options since this is a preferred choice for younger demographics (25-34).
- We had strong key social content which saw 58,000 earned impressions and nearly 7,000 engagements. Potential impressions were up 10% in April from March. We leveraged other ongoing opportunities including with “Inside Sip”, our bi-monthly column in The SOMM Journal with a potential strategic reach of 67,500 and the Discover California Wines consumer blog with a potential strategic reach of nearly 12,000.
- Down to Earth month had a great conclusion with the media announcement, [Winners Announced for the Eighth Annual California Green Medal Sustainable Winegrowing Leadership Awards](#). The press release saw more than 50 immediate hits and a potential

reader reach of 142,000. We are still seeing mentions of the awards, including in various communications from the winners.

National and State Parks/Wine Regions News Release – in advance of the Memorial Day holiday, we issued [California Wine Country and National, State Parks Make Perfect Summer Pairing](#) and saw good immediate attention from reporters and outlets with a potential reach of 2.8 million. As is often the case with lifestyle releases, they can take some time to show results, so we expect stories over the coming months.

Export News Release – we issued [U.S. Wine Exports Show Significant Gains in 2021 Despite Challenges](#), in coordination with the International Marketing team and saw higher than expected results in strategic trade publications, local media and syndicated broadcasts with 357,000 potential readers.

Discover California Wines – U.S.

Discover California Wines Blog – we've issued four editions of the monthly consumer blog incorporating wine and food, lifestyle and sustainability messaging.

Discover California Wines Website Update – in collaboration with International Marketing, we're making website updates and enhancements to help improve the overall user experience and homepage navigation, as well as expanding Search Engine Optimization (SEO) for greater visibility.

Reactive Media

Media Inquiries – we responded to 21 media inquiries since the last board meeting. Given our focus on sustainability during April, we received several questions related to environmental issues. We also had inquiries on topical issues of the day including on canned wines, hillside vineyard developments, recent TTB regulatory reminders about misleading and unsubstantiated health-related marketing statements, smoke research funding, supply chain issues and website accessibility compliance. Most other questions were typical, such as on DTC, AVAs, export markets, production data and wine sales.

2021 Website Data – given the demand for data from a broad audience - media, trade, consumers - we updated the [Wine Institute Stats & Facts website section](#), including with information provided from Jon Moramarco.

New AVAs – with SLO Coast and West Sonoma Coast finalized we posted a new map for download in the [Press Room](#) and [Our Industry](#) sections of the Wine Institute website and in the [Press Kit](#) section of the Discover California Wines site.

Issues Management

Potential Issues – overall, we're working to identify and prepare communications strategies and materials on various topics.

- **Wildfire Preparation** – working with other departments to update wildfire messaging documents and our [dedicated web section](#) in preparation for wildfire season. We're also working with this group to help develop a June 22 wildfire preparedness webinar, similar to the one done last year for members.
- **Crop Protection Communications** – we're exploring a potential microsite on crop protections and are drafting materials, including key messages and Q and A.
- **Wine Authenticity** – we're working to continue encouraging member participation in this program, which helps to ensure a bottle of wine's legitimacy, combat fraud and counterfeits and most importantly to protect its integrity. We helped develop key messages and Q and A last year and are updating accordingly for this year.
- **Other** – we're also involved with various departments on other key issues including the bottle bill, ingredient and nutrition labeling and clean wine claims.

Administrative

Communications Director – immediately after the last Board Meeting, we welcomed Gino DiCaro to the communications team where he focuses on media relations, issues management and other external communications. He joined Wine Institute from the California Manufacturers & Technology Association (CMTA), based in Sacramento. He led CMTA's communications efforts on critical manufacturing initiatives and challenges, including on pandemic uncertainty, tax competitiveness initiatives, workforce funding for the next generation of manufacturers, California-only operating requirements, the state's energy crises and overall state manufacturing sector promotion.

Looking Ahead

Sustainable Wines Tasting Webinar – in late July, in coordination with the Environmental and CSWA teams, we're planning a Sustainability Wines Tasting webinar to educate targeted wine media about sustainability efforts and to try various wines. We'll be highlighting four different Green Medal Leader winners.

Society of Wine Educators – happening in August, we'll be doing a panel and tasting on sustainable winegrowing.

National Wellness Month – we're planning a news release and media pitch to tout this focus in August by featuring relevant ongoing wellness activities that member wineries have going on

and that are available to the public such as cycling, fitness classes, vineyard hikes and/or walks, yoga and healthy or farm-to-table cooking classes.

California Wine Month – plans are already underway for September 2022. We'll have a tool kit of messages, images and other resources and an array of activities including influencer attention of wine regions, as well a digital e-book with California Grown on iconic Golden State recipes and California wine pairings. There will be a special focus on September 9, the day California was founded (1850) and this year we're broadening our reach with the help of the international marketing team.

Economic Impact Report – work will soon begin, in partnership with CAWG, to [update information gathered in 2015](#) and based on 2022 data. The study will define the California wine industry as: winegrape growing, wine production and wine-related tourism in the state of California as well as the wholesaling, retailing and direct to consumer sales of California wine in all fifty states plus the District of Columbia. We expect to issue the report in mid-September – during California Wine Month.