

WINE INSTITUTE

2022 YEAR IN REVIEW

A MESSAGE FROM THE PRESIDENT AND CEO

Wine Community Makes Strides Toward Normalcy



The past year brought us closer to pre-pandemic normalcy, which was a welcome development after a two-year rollercoaster ride and a multitude of necessary pivots. Though our wine community continues to face challenges in the marketplace and policy arena, I believe we are stronger and more united than ever. The future truly looks bright, especially given a strong 2022 harvest that promises to deliver memorable wines from across California.

This outlook is also reflected in a newly released economic impact report commissioned by Wine Institute and the California Association of Winegrape Growers. It shows 27% growth in statewide economic impact and 49% growth in national impact over the past six years. This robust expansion — during a challenging period that included a devastating pandemic — shows the strength and resilience of California wine as an economic engine. The data also reinforces the fact that wines from the Golden State are the ultimate value added sustainable agriculture product.

We are proud of these accomplishments that are due in part to the Craft Beverage Modernization Act, which reduced federal excise tax rates for every single winery, fostering investment and accelerating growth. It's worth noting that this new year marks the sixth year of savings.

Throughout 2022, I was reminded of the importance of having a strong, articulated mission and a clear plan for achieving it:

- Wine Institute's top priority is to initiate and advocate public policy at the state, federal and international levels.
- We actively engage and support members on a daily basis to ensure that their needs are met and their concerns are addressed.
- We encourage and promote sustainable winegrowing and business practices to preserve our ability to responsibly produce world-class wine long into the future.
- We initiate innovative international marketing efforts to drive California wine exports and maintain California wine as a leading global brand.
- Our communications promote and protect the interests of our members while informing key audiences, with a unified voice about the benefits of California wine.

Our Year in Review demonstrates the continued commitment and dedication of Wine Institute's teams — Federal and International Public Policy, State Relations, California State Relations, Legal, Environmental Affairs, International Marketing, Communications and Member Relations and Finance and Administration — to these priorities and actions. Together with our members, we have taken great strides in 2022. I invite you to read the following summary of the year's accomplishments, and to share this report with your colleagues.

Robert P. Koch
President and CEO
Wine Institute

Addressing Ongoing Critical Issues

- Wine Institute **helped secure \$5 million from the U.S. Department of Agriculture (USDA)** for continued **smoke exposure research**, bringing the multiyear total to \$15 million and **\$2.12 billion for wildfire suppression operations** — an 18% increase over last year.
- We advocated for **reauthorization of the Emergency Relief Program** — previously known as USDA's WHIP+ program — and **helped secure \$10 billion in funding** to further support recovery from wildfires. The program provides direct payments to grape growers who sustained financial loss in 2020 and 2021 as a result of natural disasters including wildfires, smoke exposure and drought.
- Our Sacramento team **led a coalition of 20 wine associations to pass important alcohol beverage-related wildfire legislation**. With Wine Institute's support, two California bills became law: AB 642, which includes provisions to increase the use of prescribed burning, and SB 332 regarding prescribed burn liability.
- Wine Institute succeeded in **removing problematic language from the STOP Act** — which would have falsely claimed that states have primary authority in regulating alcohol policies instead of recognizing the shared role of the federal government and individual states.
- Taking a major step to continue improving the sustainability of the wine industry, we supported legislation to include **containers in the California Beverage Container Recycling and Litter Reduction Act** (better known as the Bottle Bill). To ease the industry's entry into the program, Wine Institute amendments allowed for staggered implementation and included special provisions for new container types entering the program and an exemption for containers used in tasting rooms. Gov. Newsom signed the bill into law last September.
- Despite being considered in nearly a dozen states, **no bills were passed to expand existing bottle deposit programs** or to create entirely new bottle deposit laws.
- Our State Relations team **successfully managed Extended Producer Responsibility (EPR) packaging bills in 17 states**, with only Colorado passing a new program this year.
- **No states have passed an excise tax increase in 2022**. Notably, Kansas passed a bill that aligned its excise taxes with the federal tax rates passed under the Craft Beverage Modernization Act, increasing the alcohol by volume (ABV) level for table wine from 14% to 16%, and thereby lowering

the tax rate on the newly redefined wines from \$0.75/gallon to \$0.30/gallon.

- After the Alcohol and Tobacco Trade and Tax Bureau (TTB) announced its intent to initiate proposed rulemaking on **ingredient, nutrition and allergen labeling**, Wine Institute ramped up its outreach to educate regulators on the complexities and potential burdens of such labeling on producers.
- In preparation for the **new EU nutrition labeling requirements**, our Federal and International Public Policy and Legal teams prepared an extensive frequently asked questions document to help members adapt to the upcoming regulations. Working with European counsel, we also successfully **negotiated updated terms and conditions for the U-Label platform** that are legally balanced for producers.



Advocating for Effective California Wine Public Policy

- We continued to seek guidance from government agencies and increased enforcement on **misleading and disparaging health-related statements** in wine advertising — including use of the term “clean.” Following Wine Institute discussions, TTB issued five reminders with specific examples and in Industry Circular 2022-2, it further addressed misleading statements in social media and similar online outlets.
- Wine Institute worked with USDA and TTB to **secure \$750,000 in grants** to fund critical wine trade facilitation projects such as our ongoing efforts to eliminate unnecessary certification requirements and reduce the cost of exporting. Wine Institute secured the elimination of certification requirements in the U.K. and other smaller markets.
- In keeping with Wine Institute’s formal comment to TTB regarding Notice No. 164, Wine Treating Materials, the agency’s final rule **authorizes the use of 15 materials for treating wine** and/or wine juice as well as the combined use of two existing wine treatment processes. The updated regulation will increase the acceptability in export markets of wine produced using these materials and processes, including under the U.S.-EU wine trade agreement.



- We **hosted the World Wine Trade Group (WWTG)** in Santa Rosa, attended by 60 government and industry representatives from all nine WWTG countries. Presentations covered labeling regulations, certification requirements, technical barriers to trade and recognition of sustainability programs. Rep. Mike Thompson (CA-4) addressed the group as a guest speaker.
- Our Sacramento Office successfully shepherded through legislation to ensure the continued **availability of winery excise tax data** that supports economic analysis of our industry.

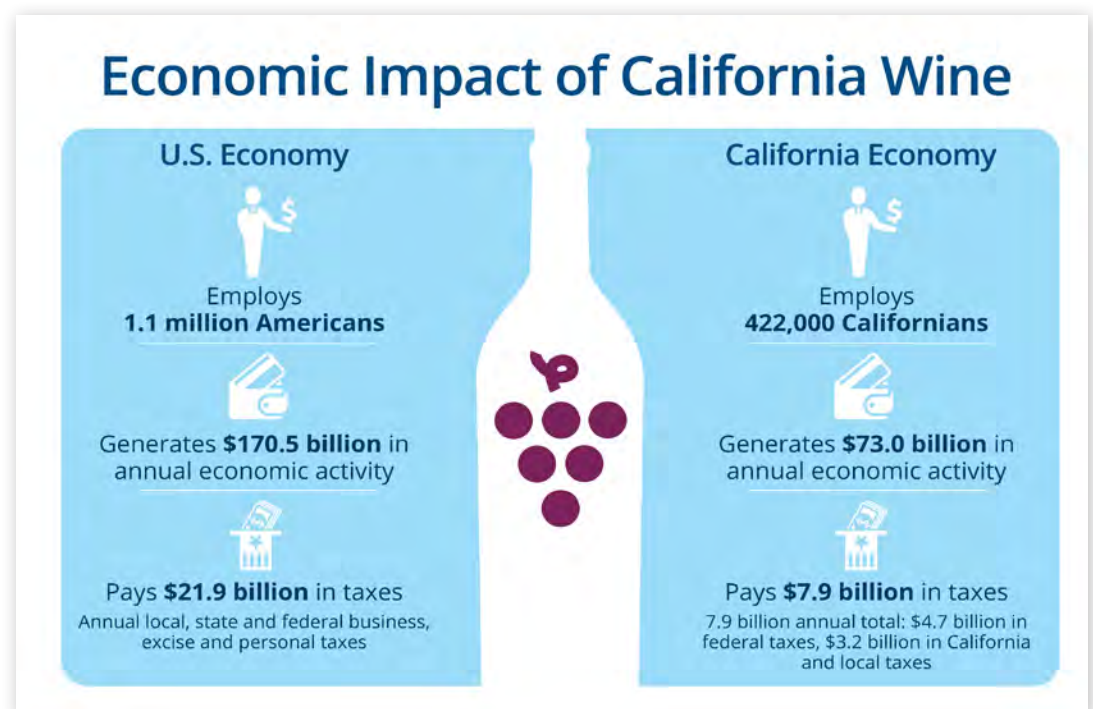


- Three Wine Institute-supported **bills to expand winery privileges became state law in California**. The first allows wineries to operate two offsite tasting rooms, the second authorizes wineries to advertise or promote a donation to a nonprofit charitable organization in connection with the sale of an alcohol beverage and the third allows wine containers to be refilled at a Duplicate-Type 02 premise.
- With Wine Institute support, the State Water Board adopted a **new permitting system for restoration projects** that will significantly reduce the regulatory burden on wineries for such projects.
- Wine Institute was a key player in successfully **modifying or outright defeating several labor-related bills** that would have added significant costs to wineries.
- After a decade of work by Wine Institute in collaboration with a group of stakeholders, the **Alaska governor signed comprehensive legislation into law** that provides for limited, regulated, tax-paid wine shipping by U.S. wineries of all sizes, provided they obtain a license from the Alaska Alcohol Beverage Control board.
- Wine Institute **signed on to two important amicus briefs relevant to our industry**. We joined with five other trade associations encouraging the U.S. Supreme Court to grant Jack Daniel's petition for writ of certiorari in **Jack Daniel's Properties, Inc. v. VIP Products LLC** — a case on trademark infringement and dilution-by-tarnishment. The U.S. Supreme Court accepted the case for review in 2023 and its decision could help shape the contours of brand enforcement, artistic expression and the First Amendment. We also joined Distilled Spirits Council of the U.S. (DISCUS) and the Brewers Association in **Major Brands, Inc. v. Mast-Jagermeister U.S., Inc.** This case may provide clarity on what constitutes a “community of interests” to establish a franchise under Missouri’s franchise protection statutes and what constitutes “good cause” for terminating a relationship under those same statutes.



Communicating the Positive Economic Impact of California Wine

- Wine Institute released the **Economic Impact of California Wine and Grapes 2022 report**, which measures the contributions of our wine community to local, state and national economies. It shows that California wine contributes \$170.5 billion annually to the U.S. economy — \$73 billion in California alone. Additionally, California wine supports 1.1 million jobs across the nation and 422,000 positions in the Golden State.
- We **hosted the annual meeting for FIVS** — a global trade association for the wine, beer and spirits sectors — in Santa Rosa, and participated in panel discussions on the wine sector’s economic impact. Additional topics included sustainability, health warning labels and no- and low-alcohol wine products.



Defining and Telling the Story of Sustainability Leadership

- **California Sustainable Winegrowing Alliance (CSWA) published a new website**, A Retrospective of Sustainability in the California Wine Community, showcasing the industry's collective sustainability efforts and milestones over the past 30 years.
- **CSWA certification continued to grow** with over 80% of California wine made in a Certified California Sustainable Winery. More than half of the state's acreage is certified under Certified California Sustainable Winegrowing, Fish Friendly Farming, LODI RULES, Napa Green and/or SIP.
- **We acknowledged and celebrated the 2022 Green Medal award recipients** in a variety of ways, including a discussion and tasting with key U.S. wine writers.
- **Wine Institute's 11th annual Down to Earth Month in April** — which provides a valuable opportunity to promote and educate media and consumers about the California wine community's sustainability leadership — resulted in 13 broadcast segments with a potential reach of 17 million consumers and 120 articles.



Innovating to Market California Wines Around the World

- Wine Institute launched its inaugural **Global Buyers Marketplace** in Napa, drawing more than 80 buyers and importers from 26 countries — in addition to key members of the media — to taste wines from 160 wineries across the state. Attendees also participated in organized wine tours of Alexander Valley, Lodi, Monterey, Napa Valley, Paso Robles, Santa Barbara, Santa Cruz Mountains, Sierra Foothills and Sonoma County.
- In London, Wine Institute hosted **Eureka!** — a **new showcase for California wine**. More than 800 trade, media and consumers attended the three-day event, and more than 200 California wines were featured and presented to trade and media during the program.
- A **new California Wine Export Program** website was launched to better serve members looking to explore new markets, provide information about California wine to international trade and media and connect potential importers in global markets with wine producers.
- More than 7,000 students have registered for the **Capstone California certification program** — an increase of more than 2,800 students from last year. Levels 1, 2 and 3 of the curriculum are available online and Level 4 was completed

at the end of 2022 and will be launched in early 2023. The newest content includes chapters on iconic vineyards, leading women in the California wine industry and sustainability. The **California Sustainable Winegrowing Ambassador Course** was updated and complements Capstone California. It educates winery staff and other key stakeholders about sustainable winegrowing.



Keeping Members Informed and Promoting California Wines

- Wine Institute **kept members informed** on key matters, issuing 57 News Alerts and News Briefs, responding to more than 80 media inquiries and having relevant, topical content addressed at board meetings. TTB Deputy Administrator Dave Wulf joined a panel discussion as an example.
- **More than 1,500 member questions were addressed** in 2022 on topics ranging from public policy to membership inquiries and benefits to accessing exclusive content on the member site.
- During our annual **California Wine Month** in September, Wine Institute issued a news release highlighting more than 40 member events and offerings, anchored by a dedicated landing page. The release generated 11 broadcast segments with a potential reach of 19 million consumers, along with 79 articles and nearly 475 media link shares for a potential reach of 346 million people around the world. Wine Institute social media attention was five times higher compared to 2021 California Wine Month results.
- We updated the **Discover California Wines consumer website**, ensuring that our content continues to be engaging and relevant.



By the Numbers

Wine Institute was proud to be part of work positively affecting the wine community throughout 2022.



\$350+M

Federal excise tax dollars saved to date by California wineries due to permanent enactment by the Craft Beverage Modernization Act.



1,000+

Wine Institute members with the majority small and family-owned wineries.



\$5M

Secured for continued winegrape smoke exposure research.



Zero

States that passed excise tax increases in 2021 and 2022.



86%

Of California wine production from Wine Institute members.



\$4.3B

Secured for wildfire suppression operations.



Three

Bills to expand winery privileges and create new business opportunities became California law.



80%

Of California wine produced by Certified California Sustainable wineries.



\$3.7B

To support all growers who suffered crop losses due to 2022 natural disasters.



\$46,350

Average savings on select FedEx® shipping services through exclusive agreement.



95+%

Of U.S. wine exports from California.



\$750,000

Government grants secured to fund critical wine trade facilitation projects.



57

News Alerts and Briefs — “news you can use” for members.



\$170.5B

U.S. economic activity generated annually by California wine.



\$4+B

Generated by wineries as a result of consumer direct shipments.



200+

Articles published as a result of Down to Earth month and California Wine Month campaigns.



1.1M

Jobs across the nation supported by California wine community.



47

States opened for direct-to-consumer shipping.



31

TV broadcasts across California, promoting member wines with food pairings.





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