

North Carolina Department of Agriculture
and Consumer Services
Division of Marketing



North Carolina Wine and Grape Growers Council Annual Report

Citation of Law or Resolution: S.L.2012-142
Section Number: Section 13.9A. G.S. 106-755.1

WINE AND GRAPE GROWERS COUNCIL/REPORTING REQUIREMENT SECTION 13.9A.

"§ 106-755.1. (formerly § 143B-437.90) North Carolina Wine and Grape Growers Council – Creation; powers and duties.

There is created the North Carolina Wine and Grape Growers Council of the Department of Agriculture and Consumer Services. The North Carolina Wine and Grape Growers Council shall have the following powers and duties:

...

(14) By September 1 of each year, to report to the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on the activities of the Council, the status of the wine and grape industry in North Carolina and the United States, progress on the development and implementation of the State Viticulture Plan, and any contracts or agreements entered into by the Council for research, education, or marketing.

Receiving Entities:

House of Representatives Appropriations Subcommittee on Natural and Economic Resources
Senate Appropriations Subcommittee on Natural and Economic Resources
Joint Legislative Commission on Governmental Operations
Fiscal Research Division

Submitting Entity:

North Carolina Wine and Grape Growers Council

Due Date: September 1, 2012
Submission Date: August 31, 2012



OVERVIEW

North Carolina has a storied history of wine and grapes, from being the home of our nation's first cultivated wine grape to being a leading wine producer in the country today. The North Carolina Wine and Grape Growers Council was established in 1986 to stimulate the growth of the wine and grape industry, and this report encompasses work during fiscal year 2011-2012.

The North Carolina Wine and Grape Growers Council operated within the Department of Commerce's Division of Tourism, Film and Sports Development. A change in legislation in 2011 restructured the council, eliminating all council members and forming two advisory committees (Muscadine and Vinifera) in September 2011. The focus of the two committees was to promote wine tourism in North Carolina, operating on a one-year, nonrecurring appropriation from the state's general fund of \$500,000. The reduced budget has focused program efforts and strategies to achieve the most important industry objectives. However, legislation in July 2012 has transferred the program from Commerce to the N.C. Department of Agriculture and Consumer Services for fiscal year 2012-2013.

North Carolina offers a supportive environment for grape growing and wine production. State leaders support the industry by serving North Carolina wine at state and regional affairs, and proclaiming Wine Appreciation Month each year. The council strives to make North Carolina a top grape and wine producing state, offering the highest quality grapes and wines uniquely suited to the state. Product diversity is a strength of our industry, focusing on Muscadine and Vinifera varieties, as well as hybrids and bunch grapes. The council's advisory committees each consisted of five industry members appointed by the Secretary of Commerce. The council networked with other agricultural, trade and policy organizations within and outside of the state to address industry trends and issues, and develop policies and programs to benefit growers and winemakers. Fresh fruit producers, wine grape growers, and winemakers all have strong support organizations within North Carolina. These member associations worked in concert with the council to achieve common goals and help influence council activities.

North Carolina is a destination for wine tourists, and the state promotes the wineries as one of its premier attractions. With more than 100 wineries, several regions exist across the state where wineries are clustered to create tourism draws. The council has implemented promotions and cooperative marketing to drive awareness of the industry. Our grape and wine products are visible and highly regarded for unique product identity in North Carolina and throughout the world. Overall, the North Carolina wine and grape industry accounts for an annual economic impact of more than \$1.28 billion and supports 7,600 jobs. North Carolina is also a key player in grape and wine research at universities across the state. The council coordinates with universities, wineries and growers to support research and share industry results and educational resources. It also assists with statewide economic impact and visitor profile studies to better understand the industry, demographics, and target strategies.

The North Carolina Wine and Grape Growers Council leads the way for the industry, striving to improve wine and grape production, visitation and profitability. Council activities aid in the development of this significant industry for the state that has greatly impacted agriculture and tourism. North Carolinians are proud of our industry, which preserves farmland and enhances the state's natural scenic beauty. The governor, state legislature and agencies have embraced the wine and grape industry, and with continued support we can build on the recent growth and success, and guide it to the forefront of the wine market.

PRIORITIES, GOALS AND OBJECTIVES OF THE STATE VITICULTURE PLAN

MISSION STATEMENT

The mission of the North Carolina Wine and Grape Growers Council is to facilitate development of the North Carolina grape and wine industries by enhancing product quality for consumers, encouraging economic viability and opportunity for growers and processors through education, marketing, and research, and improving awareness of North Carolina wineries and wines, thereby generating more visitation and sales to increase tax revenue for the state.

Build a unified industry that produces world-class grapes, wines and wine experiences in North Carolina.

- Develop, manage and implement successful industry initiatives and build relationships to realize the highest quality grapes, wines and wine experiences for North Carolina.
- Develop and support activities to increase demand and profitability of North Carolina wineries and vineyards.
- Promote programs for emerging opportunities and improvement of North Carolina grapes, wines and products.
- Communicate with regulatory agencies, governments and industry members to monitor and support industry regulations.

Increase sales of North Carolina grapes and wines by increasing awareness of North Carolina products and promoting visitation to North Carolina wineries.

- Promote North Carolina wineries and increase awareness, interest and visitation through an integrated mix of media advertising.
- Enhance, produce and distribute the *North Carolina Winery Guide* to welcome centers, tourism authorities, wine industry and consumers.
- Promote wineries in the *North Carolina Travel Guide*, distributed to welcome centers, tourism authorities and consumers.
- Offer cooperative advertising and promotional opportunities to winery partners.
- Integrate wine news into Tourism's e-newsletters to consumer subscribers.
- Regularly refresh and enhance the content on visitncwine.com to provide relevant information to travelers and wine enthusiasts, and improve referrals to winery partner sites.
- Develop a mobile website to compliment and enhance visitncwine.com for wine travelers.
- Utilize Tourism's VisitNC.com to drive additional traffic to visitncwine.com and act as a resource for more detailed travel-related information including lodging, attractions and events.
- Utilize and expand social media to promote North Carolina wine on Facebook, Twitter, Pinterest, etc.
- Develop, promote and enhance North Carolina wine regions and wine route experiences.
- Participate in high profile festivals, fairs, food events, and wine competitions.

Effectively leverage earned media and public relations messaging to influence consumers in key markets to visit North Carolina wineries.

- Generate earned media promoting North Carolina wine and wineries in consumer publications.
- Distribute wine-themed press releases focusing on North Carolina wine, events and news.
- Enhance collateral materials, including press kits and pitch sheets, to extend the reach of the public relations campaign consistent with marketing goals and messages.
- Target and host wine and culinary journalists on media familiarization tours and individual visits to North Carolina wineries showcasing our products, personalities and stories.
- Host media tasting events, and participate in media missions and various culinary industry meetings.

Support new and timely research to improve the quality of North Carolina grapes and wines, and better understand conditions of the industry.

- Support viticulture and enology research and statewide wine quality improvement at local universities.
- Assist lab facilities for testing programs, evaluations, and disease and pest management programs, and share educational resources with industry members.
- Provide resources to identify and develop appropriate varieties and rootstock for North Carolina.
- Conduct an Economic Impact Study of Wine and Grapes in North Carolina as a follow-up study to 2005 baseline study to better understand the industry.
- Conduct a Winery Visitor Profile Study in North Carolina to assess visitor demographics and experiences to improve and target future strategies.

Strengthen grape grower and winemaker development through educational programs and industry communication.

- Support and promote educational programs, seminars and workshops within the industry, colleges, universities and technical schools throughout the state.
- Improve industry website, nccommerce.com/wine, to provide updated resources and materials for wine and grape professionals and new startup businesses.
- Gather, maintain and disseminate informational databases of wine and grape partners.
- Advise and assist commodity groups and organizations, and disseminate information to industry members.
- Support and improve winemaker and grape grower connection and exchange.

STATUS OF THE WINE AND GRAPE INDUSTRY IN NORTH CAROLINA AND UNITED STATES

From the mountains to the coast, North Carolina boasts a unique variety of grapes and wine. Ranking as a top destination for wine travelers and enthusiasts, visitors can enjoy more than 100 wineries and 400 vineyards.

The North Carolina wine and grape industry has experienced incredible growth in recent years, rising from just 21 wineries in 2000 to 108 in 2011. Wineries are located in 50 counties across the state, and the number of wineries rose 8 percent during the year and 61 percent in the last five years. Grape acreage has also doubled in North Carolina from 900 acres in 2001 to nearly 2,000 acres in 2011. North Carolina currently ranks 9th in wine production and 10th in grape production in the United States, according to the United States Department of Agriculture Non-citrus Fruits and Nuts report. The council and Governor Perdue celebrated the opening of the 100th winery in 2011 and proclaimed Wine Appreciation Month in North Carolina in September. The state is home to the most visited winery in the country with Biltmore Estate Winery, and boasts the world's largest Muscadine wine producer and largest producer in the southeast with Duplin Winery.

It was a record year for wine tourism as the number of overnight visitors to North Carolina going wine tasting or on winery tours rose 24 percent in 2011, an increase of 122,000 people. The North Carolina wine and grape industry accounts for an annual economic impact of more than \$1.28 billion and supports 7,600 jobs across the state, according to Frank, Rimerman +Co. research. The Department of Commerce, Division of Tourism, and Wine and Grape Growers Council commissioned the study of the economic impact of the state's wine and grape industry in 2011. The study analyzed 2009 industry data and showed tremendous growth from the previous study of 2005. The economic impact of the industry grew 58 percent during the four year span and jobs supported by the industry were up nearly 1,900 positions. There were 1.26 million wine tourists during the year, and the industry generated \$51 million in state and local taxes, rising 33 percent. Highlights of the report include:

N.C. Wine & Grape Industry	2009	2005	Growth
Economic Impact	\$1.28 billion	\$813 million	58%
Jobs	7,600	5,700	32%
Wages	\$237 million	\$158 million	50%
Wine Tourism Expenditures	\$156 million	\$122 million	27%
Wine Tourists	1.26 million	800,000	58%
Taxes (Federal)	\$65 million	\$56 million	15%
Taxes (State/Local)	\$51 million	\$38 million	33%

Wine excise tax collections in North Carolina also continue to rise annually. According to the North Carolina Department of Revenue, state excise tax revenue on wine grew to nearly \$23 million for fiscal year 2011-2012, an increase of nearly 3.5 percent from \$22.2 million in 2010-2011 and nearly 18 percent over the last three years. Wine excise tax collections have grown from \$15.6 million in 2007-2008, \$16 million in 2008-2009, and \$19.6 million in 2009-2010. The council operates on a one-year budget of \$500,000 from the state's general fund. However, our closest competitor, Virginia, has made their wine industry a high priority recently and increased its wine promotion budget to nearly \$1.6 million annually from Virginia wine excise tax collections. Even so, North Carolina still currently

produces more wine and generates more economic impact and tax revenue from fewer wineries and less than one-third of the marketing budget as Virginia.

North Carolina ranks third for wine tourism travel, according to a national culinary tourism survey by the U.S. Travel Association. Our state ranks behind only California and New York, while also placing fifth among states for culinary tourism. According to a recent report by Symphony IRI Group, North Carolina ranked fifth in overall wine sales in the United States. The state had nearly \$15.4 million in off-premise wine sales, placing in the top five behind California, Washington, Oregon and Texas. Consumption and sales of wine in the United States continue to grow despite the recession. America is currently the largest wine market and sales have grown every year since 1990. Wine consumption also rose by 5 percent, marking the 18th consecutive year of growth. Overall, wine ranks second among preferred drinks for consumers and is the first choice for females, as well as all adults over 55 years old. With these rising trends, wine consumption and sales are expected to grow over the next five years.

With such continued growth of wineries and vineyards, and promising forecasts for wine sales and consumption, North Carolina must continue to focus on developing, growing and promoting its industry to gain market share in the global wine market. The state will only continue to benefit from further investment and development of North Carolina grapes and wines.

COUNCIL ACTIVITIES, CONTRACTS AND AGREEMENTS FOR RESEARCH, MARKETING AND EDUCATION

The Wine and Grape Growers Council utilizes well-rounded research, marketing and education programs to promote and improve the North Carolina wine and grape industry. Activities are supported by the council's annual appropriation from the state. The council's budget was reduced to a one-year, non-recurring appropriation from the state's general fund of \$500,000 for 2011-2012, including staffing one position. These reductions have forced the council to focus efforts and strategies to achieve the most important industry objectives. Research, marketing and education activities for the year included:

RESEARCH

The Wine and Grape Growers Council assists viticulture and enology research at universities across the state focused on improving the North Carolina wine and grape industry. In 2011, the council sponsored an economic impact study on the state's wine and grape industry with Frank, Rimerman + Co, which had also conducted the previous study five years ago. As noted previously, the industry generates an economic impact of \$1.28 billion and supports 7,600 jobs. In 2012, the council and Division of Tourism supported a Winery Visitor Profile Study with the University of North Carolina at Greensboro. The study will help better understand wine traveler decision making, interests, spending habits, demographics and more. The results will be shared with all industry members, and will improve and target future marketing efforts.

MARKETING AND EDUCATION

The council promotes the North Carolina wine and grape industry with a multifaceted marketing, public relations and education program. The strategies include utilizing an integrated mix of media, publications and public relations to promote visitation to North Carolina wineries and regions. This includes increasing awareness, interest and visitation through outdoor, print and online advertising. The program also works to effectively leverage earned media and public relations messaging to influence consumers in key markets to visit North Carolina wineries. The council also produces and distributes the newly updated *North Carolina Winery Guide* to visitors across the country, and wineries are cooperatively promoted in the Division of Tourism's *North Carolina Travel Guide*. The council operates and maintains the online home of North Carolina wine at visitncwine.com, as well as a mobile site, which provides information on the state's wineries to travelers and wine enthusiasts. Web traffic and social media followers have continued to grow each year. The overall campaign improves awareness of North Carolina products and drives visitation to the wineries. Activities include:

Marketing, Public Relations and Social Media

The North Carolina Division of Tourism, Film and Sports Development contracted advertising and communication services with Luquire George Andrews (LGA) agency in Charlotte in 2011-2012. The council utilized LGA's services for marketing and public relations throughout the year.

Advertising was placed in local, regional and national media, including the official 2012 *North Carolina Travel Guide*. The guide is distributed to more than 600,000 tourists annually across the nation and world. LGA also coordinated internet advertising and search engine marketing for the council's consumer website, www.visitncwine.com. The council's downloadable wine map is also the most downloaded piece on the Division of Tourism's website, www.visitnc.com.

Public relations support involved pitching North Carolina wine and grape stories and destinations to local, regional and national media. This includes generating earned media promoting North Carolina wine and wineries in consumer publications through press releases, events, collateral materials, hosting journalists and tours. The program also participates in media missions to share our wine story with reporters in North Carolina cities and neighboring states, as well as participating in major wine and culinary events in the southeast region. These efforts enjoyed success at pouring North Carolina wines to help raise the profile and perceptions of the industry for media in New York City, Birmingham, and Washington, D.C. Highlighted coverage included NBC's "Today Show" proudly including our local wine on a December segment.

Social media has been an increasingly useful tool recently to connect with consumers and promote the industry on Facebook, Twitter, Pinterest, etc. It helps the council to educate the public, collect feedback and discuss ideas with wine lovers around the world. Followers continue to grow to record numbers each year. Throughout the year, social media, public relations and marketing efforts were funded for \$64,000.

Outdoor Advertising



The council attracts travelers and tourists by strategically placing billboards across the state. New billboards were updated with creative messaging to provide statewide exposure for wineries and the visitncwine.com website and mobile site. Outdoor boards were placed on key corridor highways throughout the state to reach North Carolina residents and out-of-state travelers looking for a stopover destination or activity. Images of attractive vineyard landscapes are paired with inviting headlines to encourage visitation to the wineries and experience North Carolina wine country. In 2011-2012, 18 billboards were funded across the state for \$183,000.

Websites

The council operates consumer and industry websites for the North Carolina wine and grape industry, as outlined in detail below. A new mobile website was also developed during the year for wine travelers. Overall, website development, updates and management were funded for \$100,000.

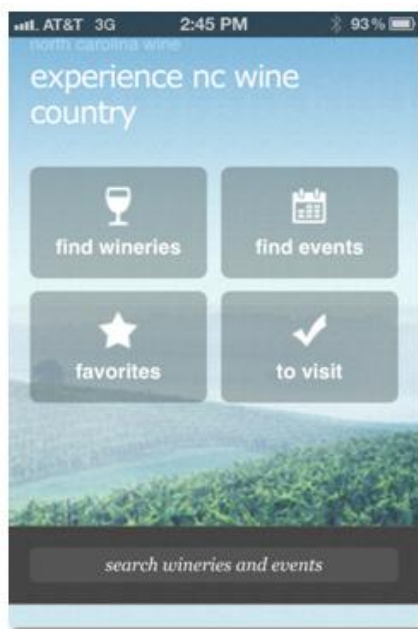
Consumer Website: www.visitncwine.com



The council promotes and educates the public with the official North Carolina wine consumer website, www.visitncwine.com. The site includes an interactive map, details of all wineries, events calendar, and information about the industry. It also pushes downstream traffic referrals directly to winery partner

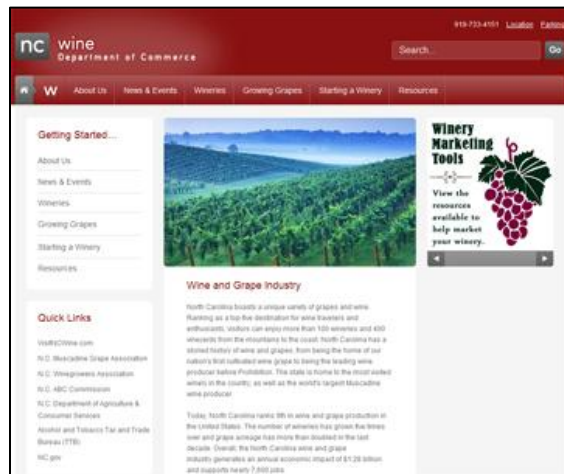
websites, and features a media page filled with industry facts, images, press releases and story ideas for journalists. Search engine marketing encouraged and targeted the most qualified traffic to the site. The site received several new enhancements in 2011 to improve mapping, events, filtering and search capability. The site also links directly to the state's Division of Tourism site, www.visitnc.com, so that consumers can explore all that the state has to offer. There has been continuous growth in traffic since the site's launch and it receives more than 15,000 visitors per month. On the year, visits were up 14 percent over 2010, with more than 185,000 visits in 2011. There were nearly 100,000 referrals directly to NC wineries' sites in 2011, an increase of 11 percent on the year. So far in 2012, there have already been nearly 60,000 referrals through May, up 52 percent year-to-date and on pace to hit 140,000 referrals for the year.

Mobile Website: m.visitncwine.com



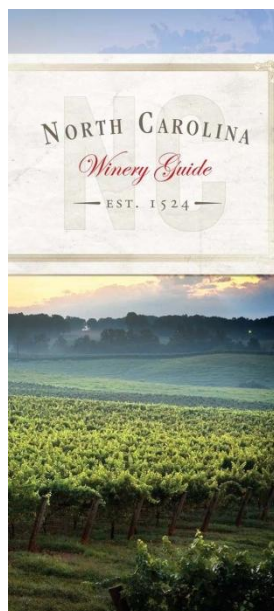
With travelers on the move increasingly using their smartphones and other mobile devices to find their way, a mobile website was developed and launched for visitncwine.com. It includes all winery listings, geo-location for proximity searches, search capability for wineries, winery events, and filters for winery amenities and the state's three American Viticultural Areas. Each winery listing displays a description, details, mapping/directions and photos. Access to real-time updates keep the information current and accurate for travelers. Visits to the mobile site have grown each month and increased 52 percent year-to-date.

Industry Website: www.nccommerce.com/wine



The council educates grape and wine professionals, as well as those looking to get into the industry, with its industry website, www.nccommerce.com/wine. The site offers a wealth of information, contacts and resources on growing grapes and starting a winery in North Carolina. It also includes information and tools for those in the industry, including marketing resources, industry events, and educational seminars and workshops. The industry site received a complete redesign in 2011 and continuous updates throughout the year to improve navigation, functionality and content.

Guide Book



The council produces the *North Carolina Winery Guide*, the state guide and map to North Carolina wineries. The 56-page booklet was completely redesigned this year and featured maps, breakouts on grape varieties, history, amenities and photos. There were 200,000 copies produced and distributed to

travelers, tourism authorities, welcome centers, wineries and retailers across the state, nation and world. The Division of Tourism call center received more than 1,400 requests for the guides every month from across the U.S. and Canada. Industry members and organizations utilize the brochure to proudly market the state's wineries to all visitors and travelers. The creative design, production and distribution of the winery guide book were funded for \$100,000.

Organizational Meetings

The council's advisory committees met twice during the fiscal year (as mandated by legislation) to develop and review plans and industry issues. The meetings were open to the public, were well attended, and included industry involvement on activities.

The council was also involved and worked cooperatively with local grape and wine organizations, including the North Carolina Winegrowers Association and North Carolina Muscadine Grape Association. This included multiple seminars and workshops across the state for wineries, grape growers, winemakers, affiliated businesses and industry newcomers. The council was also involved with national organizations, such as WineAmerica and Wine Institute. The local and national organizations and the council regularly shared industry information, research, issues, activities and opportunities.

Wine Festivals

Wine festivals in North Carolina have grown from one event in 2000 to more than 30 festivals today. From Asheville to Morehead City, festivals feature North Carolina wines and attract more than 100,000 visitors annually. The council distributes North Carolina Winery Guides to the public and participates at numerous festivals. Council members are also directly involved on festival boards to help guide their direction to include wine education and promotion of North Carolina wines.

State Fairs

The council hosts and conducts the annual North Carolina State Fair Wine Competition in October. The competition includes amateur and commercial divisions from across the state. There were nearly 450 commercial entries and 150 amateur entries in the 2011 competition. Awards from the competition attract local and national recognition and media attention for North Carolina wineries. The council also displays at the State Fair and distributes wine brochures to the public. Other state fair involvement includes participating at the Got To Be NC Festival, which features North Carolina wines.

North Carolina Wine Appreciation Month

Governor Beverly Perdue supports the state's industry and proclaimed September 2011 as Wine Appreciation Month in North Carolina. Gov. Perdue recognizes the importance of the wine and grape industry to the state and encourages the public to support our local wines during Appreciation Month. Gov. Perdue also urges restaurants and retailers to help the industry by promoting North Carolina wines.

North Carolina wineries celebrate the month with special events and promotions, including harvest festivals and Grape Day at the State Farmers Market, to promote the growing industry to the public.

Council Administration

The North Carolina Wine and Grape Growers Council operated within the Department of Commerce's Division of Tourism, Film and Sports Development. The council consisted two advisory committees with five industry members each appointed by the Secretary of Commerce, and one administrative position. Annual operating costs for the council were considerably low and had no committee expenses.

Members include:

Administrative

Justin Furr – Director of Wine Marketing

Muscadine Committee

Bill Hatcher – Duplin Winery

Bob Hinnant – Hinnant Family Vineyards

Phil Nordan (chair) – Treehouse Vineyards

Dan Smith (vice chair) – Cypress Bend Vineyards

William Yost – Cauble Creek Vineyards

Vinifera Committee

Ed Cook (chair) – Harris Teeter

Jerry Douglas – Biltmore Estate

Mark Friszolowski – Childress Vineyards

Buddy Norwood – Shelton Vineyards

Karen Ray (vice chair) – Iredell County