

Fiscal Year 2016-2017 Report

North Carolina Wine and Grape Growers Council

Pursuant to G.S. 106-755.1



TABLE OF CONTENTS

NC Wine and Grape Industry Overview	3
Mission Statement	4
Council Administration	4
Research and Development.....	5
Marketing and Education.....	7
Got to Be NC Wine	8
International Marketing	8
Advertising, Public Relations and Social Media.....	8
Websites	9
NC Winery Guide	10
Organizational Meetings	10
Wine Festivals.....	11
North Carolina Wine Competition.....	12
NC State Fair	12
North Carolina Wine and Grape Month	12
Conclusion.....	13

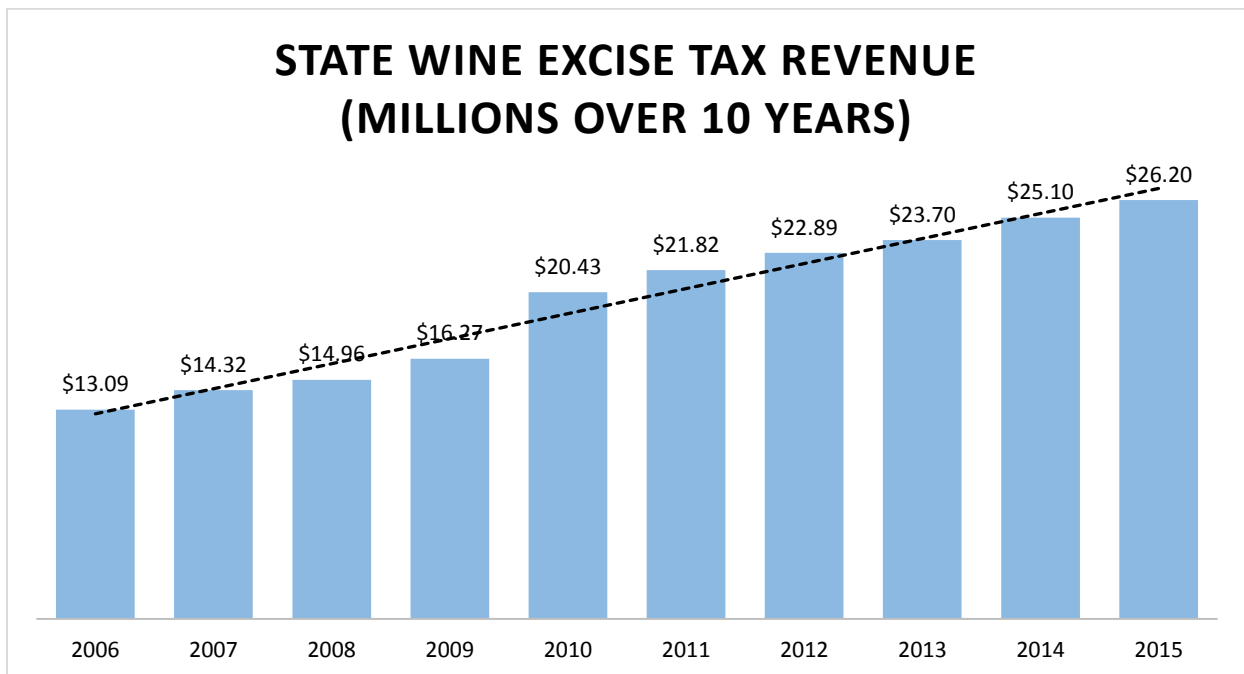
NC WINE AND GRAPE INDUSTRY

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 186 wineries and 525 vineyards.

The North Carolina wine and grape industry has experienced incredible growth in recent years, rising from just 21 wineries in 2000 to nearly 200 today according to the NC ABC Board. Wineries are now located in 71 counties across the state, and North Carolina sees new wineries opening every year, adding nearly 60 since 2013. North Carolina ranks 10th in wine production and 10th in grape production nationally, per the USDA Non-Citrus Fruit and Nuts Report. The state is also home to the most-visited winery in the United States, Biltmore Estate Winery, and boasts the world's largest muscadine winery, Duplin Winery.

The North Carolina wine and grape industry accounts for an annual economic impact of more than \$1.97 billion and supports 10,296 jobs across the state, according to a 2016 report of industry data by Frank, Rimerman, + Co.

Wine excise tax collections in North Carolina also continue to rise annually. According to the North Carolina Beer and Wine Wholesalers Association, state excise tax revenue on wine grew to more than \$26.2 million in 2015, an increase of 4.41 percent from the previous year. The graph below shows the growth in NC wine excise taxes over the last 10 years – the trend line shows excise tax revenue from wine increasing by an average of \$1.6 million per year.



The North Carolina Wine and Grape Growers Council was established in 1986 to stimulate the growth of the wine and grape industry in North Carolina. North Carolina is the home of our nation's first cultivated

wine grape, and the industry has been revived from zero wineries in 1968 to 186 wineries today. This report encompasses work done during fiscal year 2016-2017 pursuant to G.S. 106-755.1.

With continued growth of wineries and vineyards in North Carolina, and the 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 expects to benefit from further investment and development of the North Carolina grape and wine industries.

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.

COUNCIL ADMINISTRATION

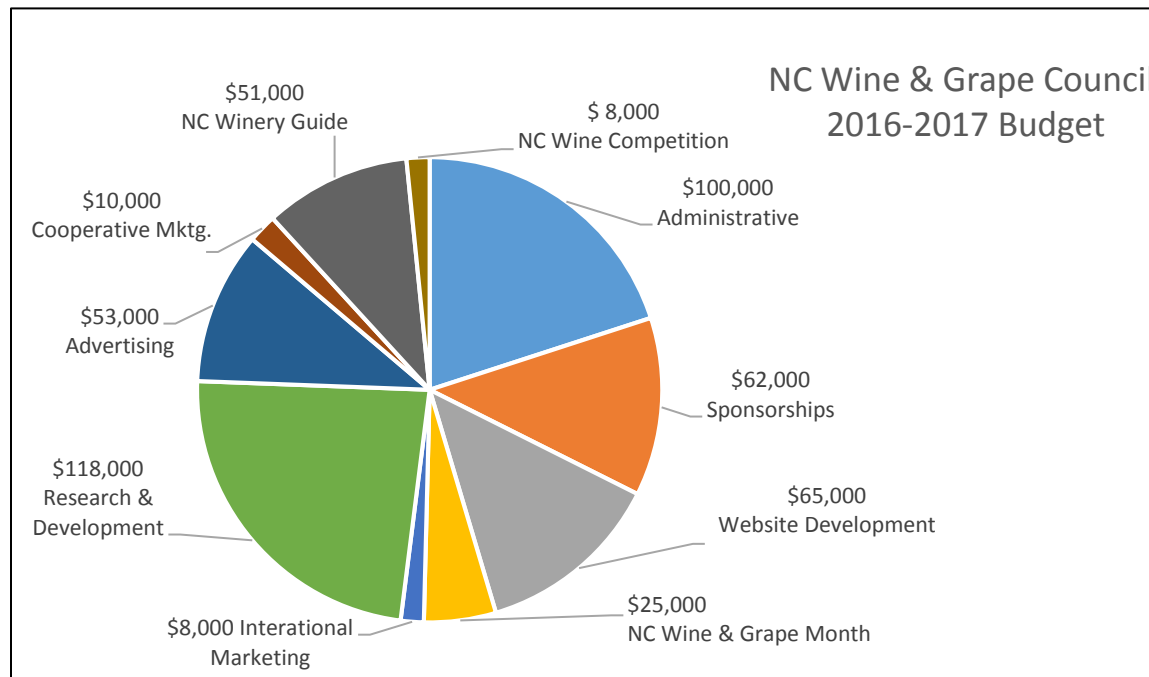
The North Carolina Wine and Grape Growers Council operates within the NC Department of Agriculture and Consumer Services (NCD&CS). The Commissioner of Agriculture appoints 10 members to serve as the Wine and Grape Growers Council; five members are appointed to represent the Vinifera group and five members represent the Muscadine group. The focus of the two groups is to promote the wine and grape industry in North Carolina. By partnering with existing programs within NCD&CS, the Council is able to capitalize upon existing knowledge and strategies, allowing it to address multiple industry needs.

The North Carolina Wine and Grape Growers Council consists of two advisory committees, with five industry members each. While the legislation outlines two separate committees, the Council voted to hold the Muscadine and Vinifera Advisory Committee meetings together and to work as a cohesive group. Each committee has an elected chairman, and they take turns conducting the meetings. The committee members are:

Muscadine Committee Member:	Business:	Current Term:
Ervin Lineberger, Chair	Kildeer Farm	9/1/15 – 8/31/17
Quincy Adams	Adams Vineyards	9/1/16 – 8/31/18
Larry Cagle	WoodMill Winery	9/1/15 – 8/31/17
Jason Bryan	Duplin Winery	9/1/16 – 8/31/18
Ron Taylor	LuMil Vineyard	9/1/15 – 8/31/17

Vinifera Committee Member:	Business:	Current Term:
Amy Helton, Chair	Hanover Park Vineyards	9/1/15 – 8/31/17
John Wright	Sanctuary Vineyards	9/1/16 – 8/31/18
Jerry Douglas	Biltmore Wine Company	9/1/16 – 8/31/18
Gill Giese	Shelton Vineyards	9/1/16 – 8/31/18
Chuck Johnson	Shadow Springs Vineyard	9/1/15 – 8/31/17

The Council’s advisory committees met six times during the 2016-2017 fiscal year (though only mandated to meet twice per fiscal year) to develop and review plans and industry issues. The meetings were open to the public and included industry involvement and activities. The Council’s budget was \$500,000 via appropriation from the state’s general fund, including staffing for one full-time position. The Council distributed the allocation as outlined below, and activities for the year are detailed in the following sections.



RESEARCH AND DEVELOPMENT

The Council assists viticulture and enology research across the state focused on improving the North Carolina wine and grape industry. The Council utilized \$118,000 to fund 14 research and four development projects during Fiscal Year 2016-2017 as follows:

The **North Carolina Muscadine Grape & Grape Products Marketing Study** seeks to gain a better understanding of consumers and distributor’s attitudes and knowledge of muscadine grapes and grape products. This study focuses on marketing fresh market muscadine grapes and value-added products to retail buyers and consumers. Using the results of this report, promotional efforts can be tailored to fill gaps in understanding.

State-Wide Quality Alliance for North Carolina Wines is an industry-led collaboration to ensure the commercial viability of North Carolina wines. The results of this project will allow participating wineries to showcase their quality using the program emblem. The consistent use of this emblem will help the NC

grape and wine producers and consumers by solidifying the reputation, marketing and sales of NC wines.

With leadership provided by UNC-Greensboro, the **Comparative Study: Funding Wine Marketing in Peer States** is evaluating the state-level marketing for the wine industry. Through this study, the Council will learn how other states fund their marketing programs, structure their campaigns, and how they utilize the resources they have available.

Through the **NC Winery Best Business Practices Study** work is being done to identify the best and most replicable business practices of wineries throughout North Carolina that have led to recognized success in the wine industry. These practices will be summarized into a single document that can be easily distributed to the wineries statewide.

By **Enhancing North Carolina's Wine Brand and Market Awareness**, research is being conducted to develop a better understanding of consumers' current perception of NC wines and buying behavior. This research will look at three specific types of consumers: visitors at NC wineries; general retail wine customers; and NC chefs and restaurant wine buyers.

The **Surry Community College Demonstration Vineyard Redevelopment Project** will utilize new techniques for trellising grapevines to maximize quality and efficiency for the Yadkin Valley growing region. Current trellis design recommendations for North Carolina are not economically sustainable due to poor yield efficiency, and new methods need to be investigated.

Via the **Publicizing NC Wineries** project, stories are being created for submission to various media outlets statewide. The writer will conduct interviews with winery owners throughout North Carolina, capturing their stories and describing their wines and location. Wineries will be selected from various regions and both large and small operations to provide a cross section of what is happening in the industry.

Research is being conducted on the **Remedial Treatment of NC Red Wines for Excess Methoxypyrazine Levels** to investigate the capacity of a selection of plastic polymers to reduce concentrations of three pyrazines: isopropyl methoxypyrazine (IPMP), secbutyl methoxypyrazine (SBMP) and isobutyl methoxypyrazine (IBMP). The sorption property of two polymer materials will be used to test different treatment regimens to reduce the levels of Methoxypyrazine in effected wines. This will be accomplished in a way that can be easily and affordably performed by North Carolina winemakers when necessary. The treatments will then be quantified by chemical analysis and sensory evaluation to assess their effectiveness while developing a useful treatment protocol.

The **Defining Appropriate Cluster Exposure to Increase Grape Aromas, Reduce Bunch Rots and Favorably Manage Crop Yield Components** project seeks to answer what constitutes an optimal level of fruit exposure to maximize benefits (e.g., reduced berry size, reduced bunch rot, enhanced fruit aroma) and minimize potential negative impacts (e.g., loss of color in red varieties, excessive phenolics in whites, "sun burning") for two important varieties in the warm, humid growing regions of North Carolina's Piedmont.

NC State University's **Postharvest Evaluation and Shelf Life of Muscadines with Controlled Atmosphere Storage** project seeks to identify the specific postharvest shelf life for muscadines grown in North Carolina using controlled atmosphere storage. The goal is to extend the current storage period of four weeks.

The **Enhancing Wine Quality through Foliar Nitrogen Management** project is an ongoing study conducted by NC State University. To support optimum grape yield, fruit quality and desired flavors in the final wine product, a sufficient supply of nitrogen is needed. This project is evaluating late season foliar nitrogen and abscisic acid application on plant nitrogen concentration and yeast assimilable nitrogen in the fruit.

Biogenic Amine and Off-Flavor Producing Molds and Bacteria in Winemaking – Detection, Prevention, and Cure aims to establish methods that allow wine producers to: meet actual and future limits for biogenic amines; to reduce the risk of potential off-flavor production by spoilage organisms; to optimize the removal of biogenic amines from wine; and clarify to which degree the growing dynamics of common grape molds and bacteria species correlate with the formation of biogenic amines and volatile acidity in grapes and fermenting wine.

Evaluating 'Appassimento' Postharvest Dehydration of Grapes for the Production of High-Quality Wines explores options for grape and wine producers that will lead to an improvement in wine quality through postharvest dehydration. The results from this research being conducted by Appalachian State University will assist grape growers and winemakers in identifying sound methods and options for diversifying and improving wine quality while mitigating risks associated with unfamiliar methodologies.

The **Economic Impact of NC Wine and Grapes for 2016** produced a comprehensive report evaluating the value of these industries for the 2016 calendar year. This report measured the state and federal taxes paid, tourism expenditures/visitor information, sales information and more. This information will help gauge the successes of the industry against other states and previous state data while setting a benchmark for growth.

The Council also supported four development projects throughout the year. The **Tasting Room Profitability Seminar** covered general tactics for improved customer service, direct-to-consumer sales, building relationships, clubs, marketing strategies and management training. A **Compliance Workshop** provided hands-on training covering all major Alcohol and Tobacco Tax and Trade Bureau (TTB), US Food and Drug Administration (FDA), and North Carolina Alcoholic Beverage Control Commission (NCABC) requirements relating to the production and sale of wine. A **Social Media Workshop** provided a fresh perspective on the digital marketing landscape and key strategic insights on how social media can fit with corporate objectives. In addition, a **Pre-Harvest Workshop** was utilized to train vineyard and winery employees to ensure that they are ready for the upcoming harvest.

MARKETING AND EDUCATION

The Council promotes the North Carolina wine and grape industry with multifaceted marketing, public relations and education programs. Upon the completion of each project, these programs were evaluated to identify opportunities for improvement so adjustments could be implemented for their continued success.

Got to Be NC Wine



The North Carolina wine and grape industry continues to be included in the promotion of Got to Be NC products, the official marketing program for NCDA&CS. For the promotion of the Got to Be NC marketing campaign, the logos above are registered with the NC Department of the Secretary of State Trademarks Section. NCDA&CS promotes NC wine through programs such as Flavors of Carolina and the Got to Be NC Festival. The Got to Be NC marketing program has become a symbol of quality products grown, raised, caught or made right here in North Carolina.

International Marketing

The international marketing section of the NCDA&CS collaborated with the Council to offer two wine and one fresh-market grape trade missions focusing on the Southeast Asian market. Two inbound trade missions invited buyers to tour a number of NC wineries in December 2016 and June 2017 exposing participants to the diverse and rich varieties of wine offered by North Carolina. Discussions with additional buyers continue. The Council supported a trip to the Asia Fruit Logistica trade show in Hong Kong to showcase fresh-market muscadine grapes in November 2016. This trip was a great success. There was high interest for the fruit among regional buyers and multiple purchases have been planned.



Advertising, Public Relations and Social Media

Strategies utilized this fiscal year include an integrated mix of advertising and public relations activities to promote wine and grape sales, as well as wine tourism. This included increasing awareness of the

industry, interest in NC wines and visitation to wineries and wine growing regions of the state. Advertising was placed with local and regional media including UNC-TV, North Carolina Public Radio, and digitally through Pandora Radio and the Weather Channel app, and many others.

Two years ago, the NC Wine and Grape Council was the lead sponsor on a new series being developed for UNC-TV, *From the Vineyard in North Carolina*. This show was wildly successful and achieved exactly what we had hoped, more people statewide were finding out about the wineries near them and going to visit their tasting rooms. The series can be found archived on the UNC-TV website at: <http://video.unctv.org/show/vineyard>. Due to the success of this series, the Council decided to support the program once again. The second season will feature a slightly different format because it will merge with the popular long running series *Flavor NC*. This new season of *Flavor NC Presents: From the Vineyard in North Carolina* is still in production and will begin airing in January 2018. This series will be viewable across all UNC-TV platforms and archived on their website.

The Council also worked with various media outlets across the state to produce quality stories and editorials about the NC wine and grape industry. Whenever a story is being written or produced about the NC wine and grape industry, the Council contributes to the journalistic efforts by providing information, facts and resources to better promote the industry. Official press releases were also issued for activities of statewide interest.

Social media has been an increasingly useful tool to connect with consumers and promote the industry on platforms such as Facebook, Twitter and Instagram. The Council educates the public, collects feedback and discusses ideas with wine lovers around the world. Followers continue to grow each year and statistics as of August 1, 2017, are as follows:

Facebook: 11,499 Likes

Twitter: 5,602 Followers

Instagram: 1,776 Followers

Websites

The Council operates both a consumer-focused site and an industry focused site for the North Carolina wine and grape industry.

The consumer-focused website, www.ncwine.org, offers information ranging from tasting tips and information about the NC wine industry to an interactive winery map and list of statewide wine related events. This site is included in all Council marketing and advertising efforts. This year the Council aligned with a Charlotte-based agency to redesign the site for optimum consumer performance and enhanced capability. With a new streamlined structure and increased content, the site will be better suited to support the needs of the consumer. The newly redesigned website continues to feature all wineries across the state.

The newly redesigned consumer site will also feature information from the industry site, giving the industry and the public one cohesive source for all their informational needs. The redesign also features

a media page to serve the dual purpose of providing a quick and comprehensive resource for any media outlets seeking information and a page to highlight stories about the industry.

The Council also hosts an industry focused website, www.ncagr.gov/markets/ncwine, filled with a wide range of information to ensure that the North Carolina wine industry continues to be successful and grow. This site holds marketing information, grape growing tips, industry resources, guides to follow to establish a new winery, and contact information for all permitting offices wineries will need to ensure compliance with state and federal laws.



Consumer Site – www.ncwine.org



Industry Site – www.ncagr.gov/markets/ncwine

NC Winery Guide

The Council produces the *North Carolina Winery Guide*, the only statewide guide and map of North Carolina wineries in print. The guide was updated in 2017 and includes new wineries, regional fold out maps, breakouts on grape varieties, history of the industry, amenities available at each winery and photos. There were 118,000 copies produced and distributed to travelers, tourism authorities, welcome centers, wineries and retail locations across the state, nation, and world. The NCDAA&CS has partnered with the NC Department of Commerce's call center to maintain a constant distribution source. The call center distributes guides every month across the US and Canada. Industry members and organizations utilize the brochure to proudly market the state's wineries.



Organizational Meetings

The Council was involved and worked cooperatively with local grape and wine organizations, including the North Carolina Winegrowers Association and the 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 also was involved with national organizations including WineAmerica and the Wine Institute. These organizations regularly shared industry information, research, issues, activities and opportunities with the Council.



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 featuring North Carolina wines attract more than 100,000 visitors annually. The Council distributes the *North Carolina Winery Guide* at many of these festivals. Council members also regularly assist with festival planning to help guide their direction to include wine education and the promotion of North Carolina wines.



North Carolina Wine Competition

The Council hosts and conducts the annual North Carolina Wine Competition. The competition includes amateur and commercial divisions from across the state. In 2016 there were 397 commercial wine entries representing 57 wineries and 83 amateur wine entries prepared by 35 amateur wine makers. Awards from the competition attract local and national recognition as well as media attention for North Carolina Wineries. The Council also displays the competition winners in the Education Building at the annual NC State Fair.



NC State Fair

The Council has hosted the Got to Be NC Wine Tasting Area at the NC State Fair since 2013. Each year, the attraction has seen an increase in attendance by the public and in the number of commercial wineries choosing to exhibit. Beginning in 2014, the NC Brewers Guild has been invited to participate in these tasting activities. At the 2016 NC State Fair, the Got to Be NC Wine and Beer Tasting Area hosted 12 wineries and six breweries throughout the State Fair with 10 wineries participating each day.



NC Wine & Beer Tasting Area

2pm - 8pm Everyday



North Carolina Wine and Grape Month

September is North Carolina Wine and Grape Month, recognizing the importance of the wine and grape industry to the state and encouraging the support of local wine. Restaurants and retailers were urged to help the industry by promoting North Carolina wines. Additional special events included harvest festivals

and Grape Day at the State Farmers Market. In 2016, the Council increased the promotion of this recognition through targeted advertising, a cohesive digital marketing package, and point of sale materials for the wineries to host their own promotions throughout the month.

One of the promotions the Council engages in during NC Wine and Grape Month is a retail focused sales promotion. The Council works with multiple retail chains statewide to coordinate in-store specials and advertising during September. The image to the right shows the graphic used on the shelf tag at several of the participating retail chains including Food Lion, Harris Teeter, Lowes Foods and Publix.



Each September the Council hosts Grape Day at the State Farmers Market in Raleigh. Fresh market grape varieties are highlighted during the event. The Muscadine grape is the predominant category of fresh market grape in North Carolina and is readily available throughout the state.



CONCLUSION

The NC Wine and Grape Growers Council works diligently to continue advancing their goal of growing the industry they serve in size and quality. The Council raises the bar for the NC wine and grape industry using the allocated funds effectively, engaging in the projects that will have the greatest impact for the growers and producers of North Carolina, and educating the consumer on the value of choosing local products, year after year.

Next year, the Council will continue with some of the more effective projects they have completed in the past and continue to explore new opportunities for the growth of the wine and grape industry in North Carolina.