



North Carolina Wine and Grape Growers Council Annual Report

Citation of Law or Resolution: S.L.2010-31
Section Number: Section 14.10. G.S. 143B-437.90

WINE AND GRAPE GROWERS COUNCIL/REPORTING REQUIREMENT SECTION 14.10.

G.S. 143B-437.90 is amended by adding a new subdivision to read:

"§ 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 Commerce. 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 – Department of Commerce's Division of Tourism, Film and Sports Development

Due Date: September 1, 2010
Submission Date: September 1, 2010

OVERVIEW

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 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 operates within the Department of Commerce's Division of Tourism, Film and Sports Development. It strives to make North Carolina a top grape and wine producing state, offering the highest quality grapes and wines in varieties uniquely suited to the state. Our grape and wine products are visible and highly regarded for unique product identity in North Carolina and throughout the world. North Carolina is a destination for wine lovers, and the state promotes the grape industry as one of its premier tourist attractions. With nearly 100 wineries, several regions of the state exist where wineries are clustered to create tourism draws. The council is involved in cooperative marketing to promote and drive awareness of the industry.

The council assists the state legislative, agricultural and community leaders to develop state policies and programs to support the industry and benefit grape growers and winemakers. It coordinates and provides oversight to maintain economic viability and competitiveness of the industry. The state offers a progressive and supportive environment for grape growing and production of grape products. State leaders support the industry by serving North Carolina wine at state and regional affairs, and proclaiming Wine and Grape Appreciation Month. Wine and grape demand continues to encourage increased grape planting and farm profitability. The North Carolina wine and grape industry accounted for an annual economic impact of more than \$813 million and 5,700 jobs in 2005. Today, the industry's impact is estimated at more than \$1 billion.

Product diversity is a strength of our grape industry, focusing on both Muscadine and Vinifera varieties. Consisting of 11 industry members appointed by the Secretary of Commerce, the council's makeup and priorities reflect the diversity of the industry and people involved. The council networks with other similar organizations within and outside of the state, along with agricultural support organizations and trade and policy entities to address industry trends and issues. Fresh fruit producers, winegrape growers, and winemakers all have strong support organizations within the state. These member associations work in concert with the Wine and Grape Growers Council to achieve common goals. There is broad and frequent input from industry members to direct council activities.

North Carolina is a key player in supporting the grape and wine community through council sponsored research both statewide and nationwide. The council coordinates with other states' research efforts, and facilitates development of resource materials to assist grape growers and wineries. Results from research vineyards in eastern and western North Carolina support the industry through varietal and rootstock identification and development. New plant material is tested routinely, varieties are more disease and insect resistant, less pesticides are used, new pest control products are more effective, and conservation is cost-effective and widely implemented by the grape community.

The North Carolina Wine and Grape Growers Council leads the way for the industry, striving to improve wine and grape production, profitability, constraints and regulations. Council activities aid in the development of this significant industry for the state that has greatly impacted agriculture and tourism. The people of North Carolina are proud of our industry, which preserves farmland and enhances the

state's natural scenic beauty. The governor, state legislature and agencies, such as the Department of Commerce, have embraced the wine and grape industry. With continued support, the North Carolina Wine and Grape Growers Council can build on the growth and success of the state industry and guide it to the forefront of the wine and grape market.

MISSION STATEMENT

The mission of the North Carolina Wine and Grape Growers Council is to facilitate development of North Carolina grape and wine industries by enhancing product quality for consumers, and encouraging economic viability and opportunity for growers and processors through education, marketing, and research.

PRIORITIES, GOALS AND OBJECTIVES OF THE STATE VITICULTURE PLAN

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

- Responsible for the development, management and successful implementation of initiatives, setting forth plans, visions and the building of the necessary 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 research and marketing programs for emerging opportunities and improvement of North Carolina grapes, wines and products.
- Communicate with regulatory agencies, governments and industry members to monitor, support and influence industry regulations.

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

- Develop a well-rounded marketing plan to include outdoor, print and online media encouraging visitation to North Carolina wineries.
- Offer cooperative advertising opportunities to winery and vineyard partners.
- Produce and distribute Discover North Carolina Wines: Guide and Map to North Carolina Wineries to welcome and visitor centers, tourism authorities, and consumers.
- Produce and distribute quarterly consumer newsletter, "Carolina Uncorked," to subscribers.
- Improve consumer website, visitncwine.com, to provide more relevant information to travelers and wine enthusiasts.
- Utilize visitnc.com to drive traffic to visitncwine.com and act as a resource for other travel-related information including lodging, attractions and events.
- Utilize social media to promote wine and grape news and events to consumers.
- Develop, promote and enhance North Carolina wine regions and wine route experiences.
- Participate in high profile festivals, fairs, food events, and wine competitions.

Influence consumers in key markets to visit North Carolina wineries by reaching this audience with effective public relations messaging.

- Generate earned media promoting North Carolina wine and wineries in consumer publications.
- Distribute wine-themed press releases that focus on North Carolina wine offerings and news.
- Bring North Carolina personalities, characters and stories forward that give vitality and life to the industry.
- Improve visitncwine.com, and update collateral materials to extend the reach of the public relations campaign consistent with North Carolina Division of Tourism marketing goals and messages.
- Host “culinary” journalists on media familiarization tours and individual visits to North Carolina.
- Send targeted wine samples to “culinary” bloggers and other non-traditional journalists.
- Host media tasting events and participate in media missions and various culinary industry meetings.

Plan, implement and manage new and timely research to improve the quality of North Carolina grapes and wines, and understand conditions of the industry and how it relates to tourism.

- Continue investment in viticulture and enology research and statewide wine quality improvement.
- Assist and develop lab facilities for testing programs, evaluations, and effective disease and pest management programs.
- Provide resources to identify and/or develop appropriate varieties and rootstock for North Carolina.
- Develop research priorities from industry input to drive focused research for North Carolina.
- Conduct an Economic Impact Study of Wine and Grapes in North Carolina as a follow-up study to 2005 baseline study.
- Conduct Winery Visitor Profile Study in North Carolina as a follow-up study to 2007 baseline study to assess visitor demographics and experience.
- Develop measurement tools to track wine sales and winery visitation, and assess current image of N.C. wines.

Strengthen workforce and business development through grape grower and winemaker 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, ncommerce.com/wine, to provide updated content and materials for wine and grape professionals and new businesses.
- Produce and distribute quarterly industry newsletter, “From The Cellar,” to subscribers.
- Gather, maintain and disseminate information databases on wine and grape resources.
- Advise and assist commodity groups and organizations, and disseminate information to industry members.
- Support and improve winemaker and grape grower information exchange and discussion.

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 nearly 100 wineries and 400 vineyards. The North Carolina wine and grape industry has experienced incredible growth in recent years, with the number of wineries increasing nearly five times over and the amount of grape acreage doubling since 2000.

Currently, North Carolina ranks seventh in wine production in the United States, according to the United States Department of Agriculture Non-citrus Fruits and Nuts 2009 report. Our wine industry continues to grow annually, moving up from 12th since 2004. Grape production in the state currently ranks 10th in the nation. Grape acreage has doubled in North Carolina from 900 acres in 2001 to more than 1,800 acres in 2009. There are currently 98 wineries across the state, up from 89 at the end of 2009. The council expects to reach 100 by the end of 2010. North Carolina wineries have seen tremendous growth in recent years, rising from just 21 wineries in 2000 and nearly doubling in the last five years alone. Even during the recent recession, N.C. wineries have continued to prosper with only one winery closing in 2009 and one in 2010. The state is home to the most visited winery in the country, Biltmore Estate Winery, receiving more than one million visitors each year. North Carolina also boasts the world's largest Muscadine wine producer with Duplin Winery.

North Carolina ranks third for wine tourism travel, according to a 2007 national culinary tourism survey by the Travel Industry 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 ranks fifth in wine sales in the United States. The state had nearly \$15.4 million in off-premise wine sales in 2009, placing N.C. in the top five behind California, Washington, Oregon and Texas.

The N.C. wine and grape industry accounts for an annual economic impact of more than \$813 million, according to MKF Research. The Department of Commerce and Wine and Grape Growers Council commissioned MKF Research to study the economic impact of the industry in 2005. The study shows that statewide, the wine and grape industry supports more than 5,700 jobs with an associated payroll north of \$159 million. State and local tax revenue generated by North Carolina produced wine, grape and related industries paid approximately \$38.5 million, as well as \$56.2 million in federal taxes. Winery revenue totaled more than \$48 million, while vineyard revenue topped \$3.7 million. The retail value of North Carolina wine in 2005 was an estimated \$72.3 million. The council plans to replicate the economic impact study in 2010-2011, and projects the wine and grape industry's annual impact to be around \$1.2 billion or greater for 2010.

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 from \$15.6 million in 2007-2008 and \$16 million in 2008-2009 to \$19.6 million in 2009-2010.

Despite the recession, consumption and sales of wine in the United States are still continuing to grow. According to a recent Gallup poll, 67 percent of Americans are drinking, the highest rate in 25 years. Wine ranks second overall for preferred drinks, and is the first choice for females and all adults over 55

years old. The Beverage Information Group's *2010 Wine Handbook*, reports that overall wine consumption rose 0.8 percent in 2009. This marked the 16th consecutive year of consumption growth. America is currently the second largest wine consuming nation, and makes up 12 percent of all global wine consumption. Over the next five years, Vinexpo predicts U.S. wine consumption will grow nearly 8 percent. Overall wine sales grew 2.1 percent in 2009 to \$27.6 billion, according to a Mintel report, and recent Symphony IRI Group and Nielsen data showed increasing wine sales to date for 2010. The RNCOS report "US Wine Market Forecast to 2012," expects U.S. wine sales to grow 13 percent by 2013.

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 stake its place in the global wine market.

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, including appropriation and carryover, in fiscal year 2008-2009 was around \$1.4 million. In 2009-2010, the budget was moved into the state's General Fund, the council's appropriation was reduced to \$828,000, and \$194,929 was also eliminated in reserve and carryover money from the previous year. These reductions, along with additional mandated budget cuts, forced the council to eliminate developed plans and programs in place for 2009-2010, while also focusing council activities to achieve the most important industry objectives. The 2010-2011 fiscal year will be additionally challenging with the council's appropriation reduced again to \$701,643. Research, marketing and education activities for the council include:

RESEARCH

The Wine and Grape Growers Council annually supports viticulture and enology research focused on improving the North Carolina wine and grape industry. The council has partnered with local North Carolina universities, including North Carolina State University, Surry Community College and Appalachian State University. These colleges have incorporated viticulture and enology training and outreach in their academic programs. Surry Community College's Viticulture & Enology program is a premier wine school in the region and the nation. North Carolina State University supports several research faculty that work exclusively on grapes and wines. NCSU offers degree programs in viticulture and enology, which support a critical mass of research, extension, and technical faculty.

The council sponsored research assists and educates all reaches of the industry, including vineyards, wineries, cooperative extension, professors and specialists. It is instrumental in understanding issues specific to North Carolina, such as pest management, disease resistance, and grape cultivars. The council helps drive this research through industry input to determine annual priorities for the state's wines and grapes.

In the past five years, the council has supported more than \$463,000 in N.C. wine and grape research. Research proposals and awarded funds for 2010-2011 will occur in November 2010. In 2009-2010, the council funded six research projects totaling \$81,507. Contracts included:

North Carolina State University - \$67,143

1. Monitoring Nutrient Response in Vitis Vinifera in North Carolina - \$13,100
2. Understanding the Effect of Fungicides on Fermentation - \$15,000
3. Developing Improved Muscadine Grape Varieties for North Carolina - \$13,000
4. Evaluation of Grape Cultivars and Clones for North Carolina - \$12,300
5. Studies on Pierce's Disease in North Carolina - \$13,743

Surry Community College - \$14,364

1. Sentinel Vines to Evaluate Powdery Mildew Sensitivity to Fungicides on Winegrapes - \$14,364

MARKETING AND EDUCATION

The council promotes the North Carolina wine and grape industry with a multifaceted marketing, public relations and education program. The campaign improves awareness of N.C. products and drives consumers to visit our wineries. Activities include:

Marketing and Public Relations

The North Carolina Division of Tourism, Film and Sports Development contracts advertising and communication services with Loeffler Ketchum Mountjoy (LKM) agency in Charlotte. The Wine and Grape Growers Council utilizes LKM's services for marketing and public relations. The council's program includes print and internet advertising, public relations and website management. Advertising is placed in local, regional and national media and publications. The council also sponsored the state map in the official North Carolina Travel Guide in 2010, and plans to continue in 2011. The travel guide is distributed to more than 600,000 tourists annually, with the map displaying the locations and listing of all wineries in the state.

Public relations support includes pitching North Carolina wine and grape stories and destinations to local, regional and national media. The program includes 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. The 2009-2010 public relations program has received an ad value worth \$450,000 and reached more than 9.2 million people for its modest investment.

LKM also coordinates internet advertising and search engine marketing for the council's consumer website, www.visitncwine.com. The website was redesigned and launched by LKM in 2009, and added several enhancements in 2010. The site includes an interactive map, events calendar and information about all North Carolina wineries. The site has seen continuous growth since its launch and receives nearly 14,000 visitors per month. The council's downloadable wine map is also the most downloaded piece on the Division of Tourism's website, www.visitnc.com. Overall, the council funded \$200,000 in LKM services in 2009-2010, and will support \$112,100 in 2010-2011.

The council also works cooperatively with the North Carolina Department of Agriculture and Consumer Services to promote fresh N.C. Muscadine grapes. This includes marketing and advertising in local, regional and national publications and media, festival sponsorship, grape promotional products, and producing and distributing grape brochures. In 2009-2010, the council funded \$12,250 in fresh grape marketing, and has an agreement to fund \$17,500 in 2010-2011.

Outdoor Advertising

The council attracts travelers and tourists by strategically placing billboards across the state. All outdoor advertising is contracted through Big Shots in Winston-Salem, and the boards are located from the mountains to the coast on all major highways and entrances to the state. The 2009-2010 outdoor campaign featured generic billboards directing awareness to “Experience NC Wine Country,” and encouraged travelers to visit the N.C. wine consumer website, www.visitncwine.com. The boards set the scene with a majestic image of a North Carolina vineyard.



The outdoor campaign also features a cooperative billboard program with N.C. wineries. The council splits a portion of the cost of a billboard with a winery, incorporating the consistent branding message of the generic boards with the winery’s information. These billboards include the winery’s name and highway exit, and are located on highways near the winery. In total, the council funded \$316,000 in generic and cooperative outdoor advertising in 2009-2010. With budget cuts in 2010-2011, the billboard program will be reduced to \$286,000.

Websites

Consumer Website:



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 North Carolina wine and grape industry. The site has received several new enhancements in 2010 to improve the user's experience. Improved navigation, mapping, search capability and additional content make the site even more engaging and help spark interest in visiting all of North Carolina's nearly 100 wineries.

Additional navigation options provide easier access to the richer content. The "About" section shares insights into the past and present of North Carolina's wine story. "Wineries" provides maps, listings and links to all North Carolina wineries across the state by geographical region or by viticultural area. A streamlined search capability for "Events" highlights fun festivals and special programs known to spark spontaneous visits among travelers looking for new experiences. "Tasting and Tips" covers topics ranging from the wine making process, how to properly sample and savor a wine, what can be learned from a wine label, and food and wine pairings.

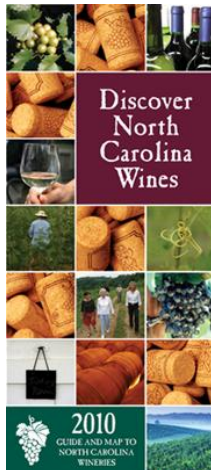
There is also a page for media members with industry facts, images, press releases and story ideas. The council is currently developing an iPhone application for North Carolina wineries that will also be available for consumers. The visitncwine site also links directly to the state's Division of Tourism site, www.visitnc.com, so consumers can explore all that the state has to offer.

Wine and Grape Industry Website:



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 includes information and tools for those in the industry, including marketing resources, industry and educational events, and classifieds. The industry site received significant updates to its content and layout during 2009-2010, and will be undergoing a visual overhaul at the end of 2010 when the Department of Commerce launches its new website.

Brochure



The council produces the state guide and map to North Carolina wineries. The Discover North Carolina Wines: Guide and Map to North Carolina Wineries provides the location and information on all wineries across the state. The council annually produces 200,000 copies through the North Carolina Department of Corrections' Correction Enterprises. The guides are distributed throughout the state and country to consumers, welcome and visitor centers, tourism authorities, and retailers. Industry members and organizations utilize the brochure to market the state's wineries to all visitors and travelers.

Newsletters

The council distributes two quarterly newsletters each year to educate the public and wine and grape industry. *Carolina Uncorked* is published for consumers to keep wine lovers up-to-date on North Carolina wine and grape news, special events and stories. *From the Cellar* is published for N.C. wine and grape professionals with news, events, research and opportunities that affect their business.

Organizational Meetings

The council convenes quarterly each year (July, October, February, and April) to develop and review plans, issues and constraints of the North Carolina grape and wine industry. The meetings are open to the public and include industry involvement on issues and activities. The council is also involved and works cooperatively with local grape and wine organizations, including the North Carolina Winegrowers Association and North Carolina Muscadine Grape Association. Our organizations regularly share industry information, research, issues, activities and opportunities. The council is also involved with national organizations, such as WineAmerica, and served on the board for a feasibility study in 2010 to determine the potential of a wine and culinary center in Blowing Rock.

Wine Festivals

The council has helped found and sponsor numerous wine festivals across the state. Wine festivals in North Carolina have grown from one in 2000 to more than 20 festivals today, from Asheville to Morehead City, featuring N.C. wine and attracting more than 100,000 consumers. The council helped sponsor the North Carolina Muscadine Grape Festival and was involved with the Salute! NC Wine Celebration in 2009-2010. The council distributes Discover North Carolina Wines brochures to the public and participates in wine education sessions at numerous festivals. Council members are also directly involved on festival boards to help guide their direction to include wine education and awareness of North Carolina wine and grape products.

State Fairs

The council hosts and conducts the annual North Carolina State Fair Wine Competition in October. The competition includes amateur and commercial divisions of more than 500 wines from across the state. Entries for the competition have continued to grow each year with more than 100 amateur and 400 commercial entries in 2009. Awards from the competition attract local and national recognition and attention for North Carolina wineries.

The council also displays at the N.C. State Fair and distributes brochures to the public. Other state fair involvement includes participating at the Got To Be NC Festival, which featured North Carolina wine for the first time in 2009, as well as at the N.C. Mountain State Fair.

North Carolina Wine and Grape Appreciation Month

Governor Beverly Perdue supports the industry and has proclaimed September 2010 as Wine and Grape 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 industry during Appreciation Month. Gov. Perdue also urges restaurants and retailers to help the industry by promoting North Carolina wines.

North Carolina wineries celebrate Wine and Grape Appreciation Month with special events and promotions throughout the month. The council also hosts Grape Day at the State Farmers Market in Raleigh to promote our growing industry.

Social Media

The council educates the public and promotes the industry through social media. With a Facebook page and Twitter feed, social media allows the council to share wine and grape news, events, organizations and opportunities to consumers. It also provides a platform for the public to offer feedback, ask questions and discuss ideas. Facebook fans of N.C. wine grew from 500 in 2009 to more than 1,100 in 2010, and from 300 Twitter followers to more than 900 today.

Council Administration

The North Carolina Wine and Grape Growers Council operates within the Department of Commerce's Division of Tourism, Film and Sports Development. Annual operating costs for the council are considerably low, with minimal board expenses and overhead. The council consists of 11 members appointed by the Secretary of Commerce and two administrative positions. Council members include seven commercial grape growers, three winery operators, and one retailer of North Carolina grape products. The administrative positions include an executive director and marketing specialist.

Administrative

Executive Director – currently vacant (Margo Knight Metzger during fiscal year 2009-2010)

Marketing Specialist – Justin Furr

Grower Category

Jerry Douglas – Biltmore Estate

Bill Hatcher – Duplin Wine Cellars

Robert Hinnant – Hinnant Farms

Frank Hobson – RagApple Lassie Vineyards & Winery

Kim Myers – Laurel Gray Vineyards

Buddy Norwood – Shelton Vineyards

Dan Smith – Cypress Bend Vineyards

Winery Operator Category

Mark Friszolowski, Vice Chair – Childress Vineyards

Michael Helton – Hanover Park Vineyard

Joe Neely, Chair – RayLen Vineyards

Retailer Category

Edward Cook – Harris Teeter