



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, 2011
Submission Date: October 3, 2011

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. This report encompasses work during fiscal year 2010-2011. However with a change in legislation at the end of fiscal year 2010-2011, the council will be restructured with all council members being eliminated and two advisory committees (Muscadine and Vinifera) being formed in September 2011. The future focus of the two committees will be to promote wine tourism 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 more than 100 wineries, several regions of the state exist where wineries are clustered to create tourism draws, and the council has been involved in cooperative marketing to promote and drive awareness of the industry.

The council assisted the state's legislative, agricultural and community leaders to develop policies and programs to support the industry and benefit grape growers and winemakers. It coordinated and provided 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. 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.

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 reflected the diversity of the industry and people involved. The council networked 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 worked in concert with the Wine and Grape Growers Council to achieve common goals and there was 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 state 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 led the way for the industry, striving to improve wine and grape production, profitability, constraints and regulations. Council activities aided 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, we can build on the growth and success of the state's industry and guide it to the forefront of the wine 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; creating plans and building 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.
- 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 “wine and culinary” journalists on media familiarization tours and individual visits to North Carolina.
- Send targeted wine samples to “wine and 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 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, nccommerce.com/wine, to provide updated content and materials for wine and grape professionals and new businesses.
- Gather, maintain and disseminate informational 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 more than 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 five-fold and the amount of grape acreage doubling in the last decade.

Currently, North Carolina ranks ninth in wine production in the United States, according to the United States Department of Agriculture Non-citrus Fruits and Nuts 2010 report. Our wine industry continues to grow annually, moving up from 12th since 2004. Grape production in the state currently ranks ninth in the nation as well. Grape acreage has doubled in North Carolina from 900 acres in 2001 to more than 1,800 acres in 2010. North Carolina wineries have seen tremendous growth in recent years, rising from just 21 wineries in 2000 and doubling in the last five years alone. There are currently 106 wineries, up from 89 at the end of 2009, in 49 counties across the state. The council and Governor Perdue celebrated the opening of the 100th winery in January 2011. 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 and largest producer in the southeast with Duplin Winery.

North Carolina ranks third for wine tourism travel, according to a 2007 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 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 \$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. The study on 2009 industry data shows tremendous growth since the previous study in 2005:

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 rose to \$22.2 million for fiscal year 2010-2011, an increase of nearly 14 percent. 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.

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 in 2010, the 17th 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. 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 gain market share in the global wine market. The state will only continue to profit from further investment and development of North Carolina 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 for the third year in a row to under \$700,000 in 2010-2011, down from \$828,000 the previous year. These reductions, along with additional mandated budget cuts, forced the council to focus efforts and strategies to achieve the most important industry objectives. Research, marketing and education activities for the council included:

RESEARCH

The Wine and Grape Growers Council annually supported viticulture and enology research focused on improving the North Carolina wine and grape industry. However, the future two committees will no longer support wine and grape research in 2011-2012 due to the change in legislation. The council previously 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, offers degree programs in viticulture and enology, and supports a critical mass of research, extension, and technical faculty. Appalachian State University was developing and beginning its own viticulture and enology degree programs during the year.

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 nearly \$500,000 in N.C. wine and grape research. The council funded four research projects in 2010-2011 totaling \$44,000. Contracts included:

North Carolina State University - \$44,000

1. Monitoring Nutrient Response in Vitis Vinifera in North Carolina - \$11,600
2. Maintaining High Yields in Carlos Muscadine Grapes with Periodic Spur Thinning in the Dormant Season - \$5,100
3. Developing Improved Muscadine Grape Varieties for North Carolina - \$15,000
4. Evaluation of Grape Cultivars and Clones for North Carolina - \$12,300

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 contracted advertising and communication services with Loeffler Ketchum Mountjoy (LKM) agency in Charlotte in 2010-2011. The Wine and Grape Growers Council also utilized LKM's services for marketing and public relations, and funded \$107,100 in LKM services in 2010-2011. The council's program included print and internet advertising, public relations and website management. Advertising was placed in local, regional and national media and publications. The council also sponsored the state map in the official 2011 North

Carolina Travel Guide. 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.

LKM also coordinated internet advertising and search engine marketing for the council's consumer website, www.visitncwine.com. The site includes an interactive map, events calendar and information about all North Carolina wineries. There has been continuous growth since its launch and the site receives around 15,000 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.

The council also worked 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. The council funded \$17,500 in fresh grape marketing 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 agency in Winston-Salem, and the boards are located from the mountains to the coast on all major highways and entrances to the state. The 2010-2011 outdoor campaign featured generic billboards directing awareness to "Discover NC Wines," and encouraged travelers to visit the N.C. wine consumer website, www.visitncwine.com.



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 \$271,000 for 28 generic and cooperative outdoor billboards in 2010-2011.

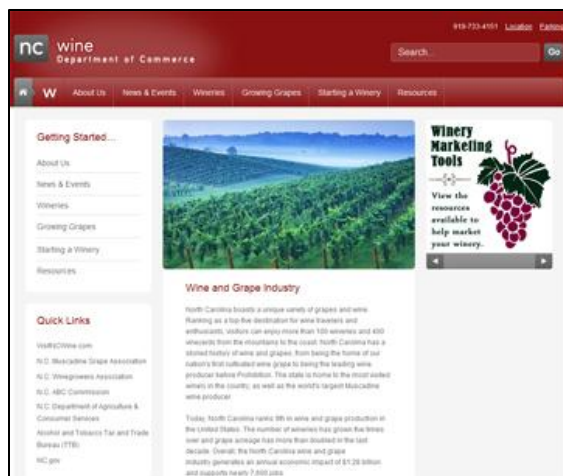
Websites

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 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 North Carolina wineries. There is also a media page filled with industry facts, images, press releases and story ideas for journalists. The Visit NC Wine 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:



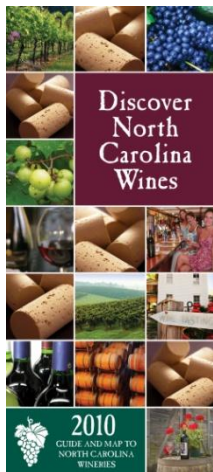
The council educates grape and wine professionals, as well as those looking to get into the industry, with its industry website, www.nccommerce.com/wine. The site offers a wealth of information, contacts and resources on growing grapes and starting a winery in North Carolina. It includes information and tools

for those in the industry, including marketing resources, industry and educational events, and classifieds. The industry site received a complete redesign to update its look, layout and content in 2011 with the launch of the Department of Commerce's new website.

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 and opportunities with consumers. It also provides a platform for the public to offer feedback, ask questions and discuss ideas. Facebook fans and Twitter followers of N.C. wine continue to grow each year.

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.

Organizational Meetings

The council convened 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 were open to the public and included industry involvement on all issues and 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. The organizations regularly shared industry information, research, issues, activities and opportunities. The council was also involved with national organizations, such as WineAmerica, and served on the board for a feasibility study to determine the potential of a wine and culinary center in Blowing Rock, North Carolina.

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. They feature North Carolina wines and attract more than 100,000 consumers annually. 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 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 of more than 600 wines from across the state. Entries for the competition have continued to grow each year with more than 150 amateur and 450 commercial entries in 2010. Awards from the competition attract local and national recognition and media attention for North Carolina wineries. The council also displays at the N.C. 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 and Grape Appreciation Month

Governor Beverly Perdue supports the state's industry and 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 wines 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 hosted Grape Day at the State Farmers Market to promote our growing industry to the public.

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 were considerably low, with minimal board expenses and overhead. The council consisted of 11 members appointed by the Secretary of Commerce and one administrative position. Council members included seven commercial grape growers, three winery operators, and one retailer of North Carolina grape products. The administrative position includes an executive director.

Administrative

Executive Director – Justin Furr

Grower Category

Jerry Douglas – Biltmore Estate

Bill Hatcher – Duplin Wine Cellars

Bob Hinnant – Hinnant Family Vineyards
Frank Hobson – RagApple Lassie Vineyards & Winery
Kim Myers – Laurel Gray Vineyards
Buddy Norwood, Vice Chair – Shelton Vineyards
Dan Smith – Cypress Bend Vineyards

Winery Operator Category

Mark Friszolowski, Chair – Childress Vineyards
Michael Helton – Hanover Park Vineyard
Joe Neely – RayLen Vineyards

Retailer Category

Ed Cook – Harris Teeter