

Fiscal Year 2015-2016 Report

North Carolina Wine and Grape Growers Council

Pursuant to G.S. 106-755.1



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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 is the home of our nation's first cultivated wine grape and the industry has been revived from zero wineries in 1968 to nearly 200 wineries today. This report encompasses work done during fiscal year 2015-2016 pursuant to (G.S. 106-755.1).

The North Carolina Wine and Grape Growers Council operates within the NC Department of Agriculture and Consumer Services (NCDA&CS). The Commissioner of Agriculture appoints 10 members to serve as the Wine and Grape Growers Council; five members appointed to represent the Vinifera group and five members to 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 NCDA&CS, the Council is able to capitalize upon existing knowledge and strategies, allowing it to address multiple industry needs.

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.

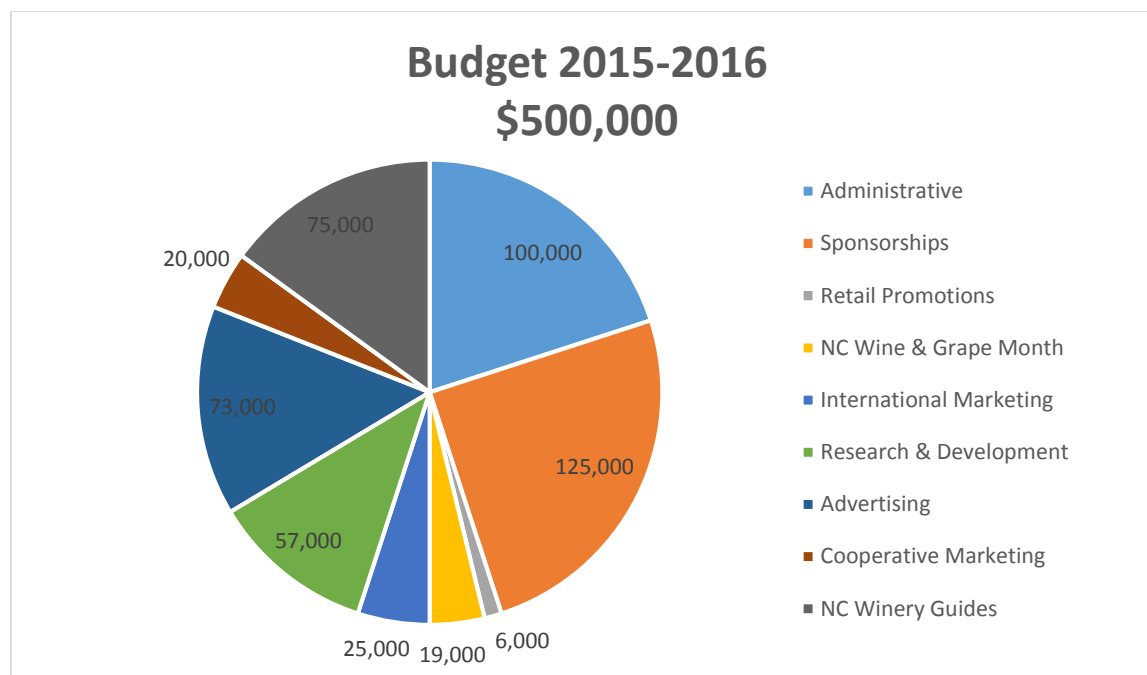
COUNCIL ADMINISTRATION

The North Carolina Wine and Grape Growers Council (Council) consists of two advisory committees, with five industry members each, appointed by the Commissioner of Agriculture. 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:

<u>Muscadine Advisory Committee</u>	<u>Vinifera Advisory Committee</u>
Ervin Linberger, Chair – Kildeer Farm	Mark Friszolowski, Chair – Childress Vineyards
Bob Hinnant, Vice Chair – Hinnant Family Vineyards	Chuck Pickering, Vice Chair – Biltmore Wine Company
Larry Cagle – WoodMill Winery	Gill Giese – Shelton Vineyards
Bill Hatcher – Duplin Winery	Amy Helton – Hanover Park Vineyards
Ron Taylor – LuMil Vineyard	Chuck Johnson – Shadow Springs Vineyards

The Council's advisory committees met five times during the 2015-2016 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, well attended, and included industry involvement and activities. The Council

directed the use of the annual appropriated funds utilizing well-rounded research, marketing, and education programs to promote and improve the North Carolina wine and grape industry. The Council's budget was a \$500,000 appropriation from the state's general fund for fiscal year 2015-2016, including staffing for one full-time position. The Council distributed the allocation as outlined below, and activities for the year detailed in the following sections.



RESEARCH AND DEVELOPMENT

The Council assists viticulture and enology research at universities across the state focused on improving the North Carolina wine and grape industry. This fiscal year, the Council funded seven (7) projects: “North Carolina Muscadine Grape & Grape Products Marketing Study”, “A State-Wide Quality Alliance for North Carolina Wines”, “Viticulture Extension Program for Grapes 2016”, “Evaluation of Alion Herbicide in Muscadine and Bunch Grapes for North Carolina”, “Enhancing Wine Quality through Foliar Nitrogen Management”, “Developing Improved Muscadine Grape Varieties for North Carolina”, and conducted an education seminar entitled “Tasting Room Profitability”. In addition to these projects, the Council also assisted in gathering data for, “Lean and Green at North Carolina Wineries and Breweries”.

“North Carolina Muscadine Grape & Grape Products Marketing Study” - University of North Carolina at Greensboro

The purpose of this study was to attain a better understanding of consumers and distributor's attitudes and knowledge of muscadine grapes and grape products. The knowledge gained from this will be used to more effectively educate buyers and consumers on the muscadine grape and products made from these grapes. Using the results of this report, we will be able to tailor our promotional efforts to fill gaps in understanding.

“A State-Wide Quality Alliance for North Carolina Wines” - Appalachian State University

This project is to form an industry-led collaboration to ensure the commercial viability of North Carolina wines. This project will leverage the current investments to implement a program that is expected to help the NC grape and wine producers and consumers by solidifying the reputation, marketing, and sales of NC products. This project is designed to be self-supporting, funding was provided in its first year as a support for a successful start.

“Viticulture Extension Program for Grapes 2016” - NC State University

The purpose of this project is to allow grape growers throughout North Carolina to have access to expert advice on their specific issues. These funds cover travel expenses for researchers to visit farms when called upon by farmers and NC State Cooperative Extension Agents, and to have a specialist attend meetings of the three existing grape industry groups in NC for technical feedback.

“Evaluation of Alion Herbicide in Muscadine and Bunch Grapes for North Carolina” - NC State University

This project is to evaluate Alion herbicide in Muscadine and bunch grapes for efficacy and crop safety to provide growers with recommendations and standards for use of this recently registered product.

“Enhancing Wine Quality through Foliar Nitrogen Management” - NC State University

This project is to evaluate the benefits of late season foliar nitrogen application on grapevines and yeast assimilable nitrogen (YAN) in the fruit for the enhanced production of diverse flavor compounds in wine grapes, improving the wine flavor characteristics of red vinifera varieties in NC.

“Developing Improved Muscadine Grape Varieties for North Carolina” - NC State University

This project focuses on developing muscadine grape varieties with superior characteristics for both the fresh and processing markets. There is a widely recognized need for improved varieties of muscadine grapes to further expand market opportunities and sustainability. Some of the improved characteristics sought through this study include: cold hardiness, high vigor and productivity, extended ripening season, adaptation to mechanical harvest, and improved pigment profile, and quality and stability for processing.

“Tasting Room Profitability” Training Seminar – NC Winegrowers Association

This workshop/ seminar covered topics such as customer service, direct-to-consumer sales, building relationships, clubs, marketing strategies, management training, and more. There were over 100 attendees to this information-packed two-day seminar.

The Council also assisted with research being conducted at East Carolina University into sustainability initiatives being undertaken by North Carolina wineries and breweries. The study aimed to do three things: (1) identify “best practices” within the industry that can be easily implemented industry wide; (2) offer specific streamlining processes to the companies that can save them time, money, and energy; and (3) perform an energy audit for the participating wineries to help them identify specific opportunities for cutting energy costs.

MARKETING AND EDUCATION

The Council promotes the North Carolina wine and grape industry with multifaceted marketing, public relations, and education programs. The Council has engaged in several successful marketing and education programs and these programs were evaluated for their continued relevancy and necessary adjustments were implemented for their continued success. New projects were also implemented to further the success of the Council's marketing efforts of the North Carolina wine and grape industry.

'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. NCD&CS has an ongoing partnership with promoting NC wine and wineries through programs such as Flavors of Carolina and the Got to be NC Festival. The "Got to be NC Wine" marketing program has become a symbol of quality products "Grown. Raised. Caught. and Made." right here in North Carolina.

International Marketing

The international marketing program at the NCD&CS collaborated with the Council to offer two wine and two fresh-market grape opportunities. Three of these trade missions were focused in southeast Asia, and one in Canada. An inbound trade mission invited buyers to tour a number of NC wineries, exposing them to the diverse and rich varieties of wine offered by North Carolina. This resulted in several shipments of wine to southeast Asia, and discussions with additional buyers continue. For the third year, the Council sponsored an outbound trade mission to introduce NC wines on a global stage at the Hong Kong International Wine and Spirits Fair. Additionally, the Council supported a trip to the Asia Fruit Logistica trade show, also in Hong Kong, to showcase fresh-market muscadine grapes. This trip was a great success; there was high interest for the fruit among regional buyers and multiple orders have been placed to date. The final outbound trade mission was for fresh market muscadines to Canada. This

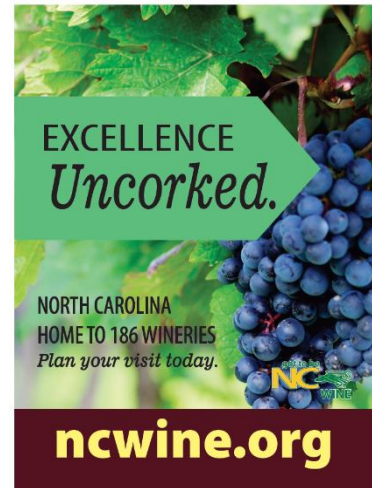


was an exploratory effort to gauge the market's interest – the market has proven very receptive and future efforts to create sales in Canada will be discussed.

Advertising, Public Relations, and Social Media

Strategies utilized include an integrated mix of media, publications, and public relations activities to promote wine and grape sales as well as visitation for North Carolina wineries and wine growing regions. This includes increasing awareness, interest, and visitation through print, radio, TV, and online advertising. The overall campaign improves awareness of North Carolina wine and drives visitation to the wineries. Advertising was placed with local and regional media including *Our State* Magazine, UNC-TV, *Local Palate* Magazine, North Carolina Public Radio, and many others.

The Council also worked with various media outlets both regionally and locally to produce quality stories and editorials about the NC wine and grape industry. With every major event in the state, a press release is issued statewide. Also, 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.



Social media has been an increasingly useful tool to connect with consumers and promote the industry on 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.

Facebook: 3,155 Likes

Twitter: 5,424 Followers

Instagram: 1,113 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 site [ncwine.org] offers potential winery visitors a wealth of information 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 to send potential consumers and winery visitors. Plans are currently underway to update this site with additional content and a new appealing look.

Consumer Site – ncwine.org



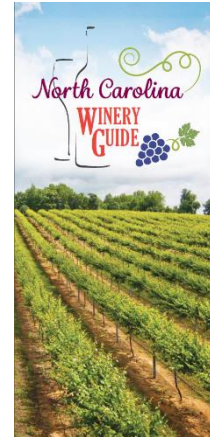
The Council also hosts a website [ncagr.gov/markets/ncwine] geared toward wineries and those who are interested in starting a winery. This site is filled with a wide range of information to assist wineries to ensure that the North Carolina wine industry continues to be successful and grow. This site holds marketing information, grape growing tips, industry resources, guides to follow to establish a new winery, and contact information for all of the permitting offices wineries will need to ensure their businesses and products are in compliance with state and federal laws.

Industry Site – ncagr.gov/markets/ncwine



NC Winery Guide

The Council annually produces the *North Carolina Winery Guide*, the only statewide guide and map to North Carolina wineries in print. The guide was updated this year to include new wineries, regional fold out maps, breakouts on grape varieties, history, amenities, and photos. There were 132,000 copies produced and distributed to travelers, tourism authorities, welcome centers, wineries, and retail locations across the state, nation, and world. The NCDA&CS has partnered with the NC Department of Commerce's call center to maintain that 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 was also involved with national organizations such as WineAmerica and the Wine Institute. The local and national 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 in October. The competition includes amateur and commercial divisions from across the state. This year there were 378 commercial wine entries representing 53 wineries and 36 amateur wine entries prepared by 18 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 becomes more popular and has seen an increase in attendance by the public and by the commercial wineries choosing to exhibit. Beginning in 2014 the NC Brewers Guild was invited to

participate in these tasting activities. At the 2015 NC State Fair, the 'Got to be NC Wine and Beer Tasting Area' hosted eleven wineries and three breweries daily.



North Carolina Wine and Grape Appreciation Month

As in previous years, September was proclaimed to be North Carolina Wine and Grape Appreciation Month. This month recognizes the importance of the wine and grape industry to the state and encourages the public to support local wine. Restaurants and retailers were urged 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 industry to the public.



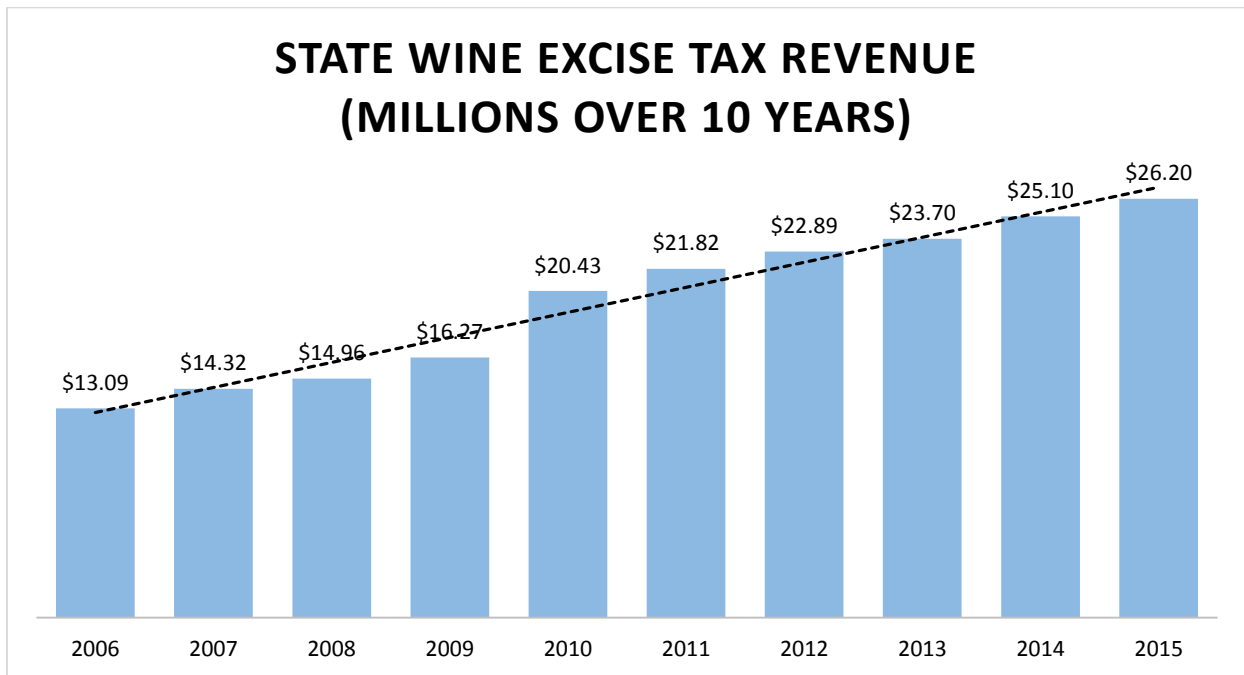
THE WINE AND GRAPE INDUSTRY

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 more than 180 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, according to the United State Department of Agriculture 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 Council operates on a recurring budget of \$500,000 from the State's general fund.

The North Carolina wine and grape industry accounts for an annual economic impact of more than \$1.71 billion and supports 7,709 jobs across the state, according to a 2013 report of industry data by Frank, Rimmerman, + 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 just over \$26.2 million (\$26,203,555) in 2015, an increase of 4.41% from the previous year. The graph below shows the growth in NC wine excise taxes over the last ten years – the trend line shows an average increase in excise tax revenue from wine as increasing by an average of \$1.6 million per year.



According to the Wine Institute, consumption and sales of wine in the United States continue to grow. America is the largest global wine market, and sales have grown every year since 1990. Wine consumption also rose by two percent, marking more than 20 years of continuous growth. The most recent Gallup poll notes that wine continues to grow in popularity, and ranks second among preferred drinks for consumers and it the first choice for females and adults over age 55. With these rising trends, wine consumption and sales are expected to grow over for the foreseeable future.

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 will only continue to benefit from further investment and development of the North Carolina grape and wine industries.