**VIRGINIA WINE BOARD**

**Annual Report FY 15**

**July 2015 through June 2016**

**Narrative**

The Virginia Wine Board was created by the General Assembly in 2004 to replace the original Winegrowers Advisory Board. The Board is established within the Virginia Department of Agriculture and Consumer Services. The purpose of the Board is to allocate funds to projects that expand viticultural and enological research, education, and promotion of the growing of grapes and the production of wine in the Commonwealth. According to the Code, not less than one third of the monies appropriated shall be spent on projects that advance viticultural and enological research concerning the growing of grapes and the production of wine in Virginia.

The Board is comprised of ten members, nine of whom are nonlegislative citizens appointed by the Governor. The Commissioner of Agriculture serves as a nonvoting ex officio member. The Board consists of six members who are owners or operators of wineries or farm wineries in Virginia and three members who are grape growers with no controlling financial interest in a winery or farm winery.

For FY 16, the Board received $1,841,519.00 from the General Assembly on money collected from the wine liter tax. The Board also received $12,238.52 from an expenditure refund. With $74,308.42 carried over from FY 15, the Board had a total of $1,928,065.94 to begin FY 16. The Board had $1,823,911.91 in expenditures, with a remaining balance of $104,154.03. For the first time, the Board withheld 10% of the value of the research proposal until the project was complete and a final report given to the Board, resulting in the larger end of year balance.

The Board is tasked with allocating no less than one-third of the appropriations on research projects related to growing grapes and making wine. The other two-thirds of the budget is allocated for promotion and marketing. A small portion of the total is set aside for Board administrative expenses.

**Projects, Accomplishments, and Challenges**

**Research**

The Program Manager for the Wine Board issued an RFP for preproposals for research and education projects. At the December 09 Board meeting, 22 preproposals were reviewed and 16 were approved to submit full proposals. The full proposals were reviewed by a committee chaired by Emily Pelton, winemaker for Veritas Vineyards. The committee brought their recommendations to the Board. At the March 14 meeting, 1 project was withdrawn, 1 researcher decided not to submit, 2 proposals were deferred until the next meeting, 2 projects were not funded, and the Board approved 10 projects. The projects funded totaled $411,157.00. Since the Board anticipated approximately $640,000 would be available for research and not all the projects were funded, 3 new RFP’s were issued seeking additional projects. Those projects were reviewed and voted on by the Board during the May 25 meeting. The Board approved 4 of the new proposals along with 1 proposal deferred from the previous meeting. The Board also added 2 small projects to an industry group already funded. The amount funded at the May meeting was $219,751.and the total money for research and education for FY 17 was $630,908. When the research projects are concluded, all data, projections, and analysis will be available to the industry.

**Marketing**

The Wine Marketing Office completed their eighth full year of operations. With a staff of three full time and two part time employees, the Wine Marketing Office carried out a wide variety of marketing programs. Below are some of the highlights of their marketing efforts. The total budget for FY 2016 was 1,031,702.00.

The Wine Marketing Office’s core marketing priorities and objectives include:

Building customer traffic and sales at wineries

Creating a brand that increases international, national, regional, and local interest in Virginia wines

Developing programs that promote restaurants and shops to feature and promote Virginia wine

Expanding the impact of Virginia wine in the mid-Atlantic area, from the Baltimore- Washington, DC area to Atlanta, Georgia

The Wine Marketing Office again produced the Commercial Grape Report. The Wine Marketing Office surveyed the industry and compiled the results, which are available on the industry web site. Both vineyard and winery owners and operators use the data as a guide for conducting business as well as planning future plantings. The Virginia wine industry continues to grow each year, as total acreage is increasing as well as total tonnage. This is the last year the Wine Marketing Office will prepare the Commercial Grape Report. Through the RFP process, the Wine Board has contracted with another entity to produce the report, freeing up the Wine Marketing Office for other marketing activities.

The Wine Marketing Office partnered with the Virginia Wineries Association to produce and promote the Governor’s Cup competition. The Wine Marketing Office handled the marketing and promotion of the event. The Governor’s Cup has become one of the premier wine competitions in the country, attracting a renowned panel of judges. The Governor’s Cup event generated a tremendous amount of positive media coverage. As a follow up to the event, the Wine Marketing sent over 70 cases of Governor’s Cup winning wines to the leading industry trade magazines, writers, and wine enthusiasts.

The Wine Marketing Office held the 4th annual “Virginia Wine Summit” featuring Virginia wines matched against some of the finest wines the world has to offer. The Summit, held this year at the Salamander Inn in Middleburg, continues to be a key branding event for the industry. The event was a complete sell out with over 280 attendees, including winery representatives, trade partners, media, wine enthusiasts, and event panelists. The event generated extensive positive media exposure for the industry.

The Wine Marketing Office also took part in the Southern Foodways Symposium, the Charleston Food and Wine, the Virginia Wine Tourism Annual Conference, and Epicurience, all promoting the expansion of the Virginia wine industry.

In addition, the Wine Marketing Office hosted a Virginia Wine Roadshow in three major markets (Washington DC, Richmond, Virginia Beach) where Virginia wineries could pour samples of their product to potential buyers. Also, the first V2 (which stands for “Virginia Squared/Virginia Varieties”) Camp was held July 12-13, 2015 for Washington, DC area sommeliers to learn about Virginia wines.

Other aspects of an integrated marketing strategy include: social media, public relations, content marketing. The Wine Marketing Office revamped the industry website, incorporating new features and making the site more compatible with mobile platforms. In addition to the website, the Wine Marketing Office makes extensive use of Facebook, Twitter, Instagram, and Pinterest.

The Wine Marketing Office prepared, published, and distributed the annual Winery Guide. This brochure can be found at wineries, interstate rest stops, tourism offices, retail stores, online, and requested by mail. With the dramatic increase of mobile devices, the Wine Marketing Office is preparing for a gradual phase out of the Guide.

The “October is Virginia Wine Month” continues to be a major marketing effort. The Wine Marketing Office held a “kick off” event to celebrate Virginia Wine Month. The Wine Market Office contacted restaurants and trade partners, encouraging them to feature and promote Virginia wine during the month.

The Wine Marketing Office also assisted in the Governor’s overseas trade missions, helping promote wines internationally. The Wine Marketing Office participated in several functions in the United Kingdom that featured Virginia Wine in April of 2016.

The Wine Marketing Office also supported Virginia Cider Week, regional and statewide wine and food festivals, funded local wine initiatives, and worked closely with the Virginia Tourism Corporation.

**Summary**

The Virginia Wine Distribution Company continues to be an asset for many Virginia wineries, allowing them to distribute their products without the need of a commercial distributor.

Wineries and county governments continue to work through zoning and other regulatory issues. Several counties with multiple wineries are looking to restrict their activities including, weddings, meetings, festivals, food service, and tasting rooms, but these events are critical to the financial success of a winery. The industry is looking to work with counties and the General Assembly to resolve the issues.

The industry continues to look for ways to spur more grape production. The growth in the number of wineries and their demand for grapes has exceeded the current production. Increasing grape production will be essential for the industry to continue to expand.

Respectfully submitted,

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David King, Chairman David Robishaw, Secretary

**Board Meetings and Member Attendance**

**Date Location Attendance**

**September 02, 2015 Richmond 8**

David King Doug Fabbioli

Steven Brown Chris Blosser

Diane Flynt Len Thompson

Mitzi Batterson Patrick Duffeler

**December 09, 2015 Crozet 8**

David King Kirk Wiles

Mitzi Batterson Diane Flynt

Len Thompson Steven Brown

Doug Fabbioli Bill Tonkins

**March 14, 2016 Charlottesville 9**

Bill Tonkins Doug Fabbioli

Patrick Duffeler II Kirk Wiles

Len Thompson Diane Flynt

Mitzi Batterson Steven Brown

David King

**May 25, 2016 Richmond 9**

Bill Tonkins Doug Fabbioli

Patrick Duffeler II Kirk Wiles

Len Thompson Diane Flynt

Mitzi Batterson Steven Brown

David King

**Financial Summary**

\*\*The general fund appropriation transferred in FY 2016 was $1,841,519.00 (Chapter 665, 2015 Acts of Assembly).

**Cost Code 605**

|  |  |
| --- | --- |
| Cash Balance: June 30, 2015 | $74,308.42 |
|  |  |
| Other Receipts: July 1, 2015 to June 30, 2016 (Expenditure Refund) | $12,238.52 |
|  |  |
| Deposit from General Fund | $1,841,519.00 |
|  |  |
| Total Cash Balance and Receipts: | $1,928,065.94 |
|  |  |
| Total Actual Expenditures (from VDACS Financial Analysis) | $1,823,911.91  |
|  |  |
| Cash Balance: June 30, 2016  | $104,154.03\* |
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\*As noted in the FY 16 Annual Report, the Wine Board withheld 10% from the 4th Quarter payment until the Board received a final report from the researchers, resulting in a higher year ending cash balance to start FY16.