



2017 VITICULTURE PLAN

for the

STATE OF TENNESSEE



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Authorization:

The Tennessee Viticulture Policy Act (TCA 43-30-101, et seq.) created the Viticulture Advisory Board to study and promote the development of a grape and wine industry in Tennessee. The act requires biennial updates of a “Tennessee Viticulture Plan” that identifies industry problems and constraints, proposes solutions, and develops mechanisms for orderly growth.

The authors of this report are the 2014 Viticulture Advisory Board members:

Chairman:

Chuck Belt – Managing Partner & Winemaker, Spout Spring Estates Winery and Vineyard LLC Blaine, TN

Secretary:

Tammy Algood - Marketing Specialist, TN Department of Agriculture, Nashville, TN

Members:

Lee Curtis - Director of Program Development & Legislative Liaison, TN Department of Tourist Development, Nashville, TN

Dave Lockwood - Viticulture Specialist, UT Extension, Knoxville, TN

Brad Goss- Proprietor Two Roots Vineyard, Greeneville, TN

Brian Hamm- Winemaker and Cofounder Keg Springs Winery, Hampshire, TN

Josh Brown- Winemaker Beans Creek Winery, Manchester, TN

Robert R. Ramsey- Owner Stonehaus Winery, Crossville, TN

Walt Chism- Owner Chism Vineyard, Arrington, TN

Statistical data for this plan was sourced online via published data from various governmental, university, and wine industry websites. Each source is responsible for the veracity of their own published data.

This Plan has been developed largely based upon the Information, Data, Recommendations and Conclusions as reported in the “Growth Prospects for the Tennessee Wine Industry” “ an Overview, Demand and Cost of Production-Base Analysis” Principle Author David W. Hughes, Contributing Authors: Robert Holland Jr., Connie N. Everett, Christopher Boyer, Kimberley Jenson. University of Tennessee Institute of Agriculture. Support for the research was provided by Tennessee Farm Winegrowers Alliance, The Tennessee Office of the USDA Rural Development, and the Tennessee Department of Agriculture.

Online sources include: US Tax & Trade Bureau, US Department of Agriculture, TN Alcoholic Beverage Commission, TN Department of Revenue, TN Department of Agriculture, TN Farm Winegrowers Alliance.

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Executive Summary:

Do you know what Viticulture is? Viticulture, as we know it has to do with the growing of grapes, but is better defined as the science of grape culture. Culture is defined in many ways, but is best known as that “complex whole” which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by human kind as a member of society. Thus, Viticulture is the complexity of all of human kind’s endeavor as related to the arts and science of growing grapes for whatever purposes suits the society and culture in which we live and thrive. The Merriam-Webster dictionary defines “agriculture” as: the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products. This reference defines “viticulture” as the cultivation or culture of grapes, especially for wine making.

The primary driver for viticulture has always been the production of wine. It is estimated that approximately 71% of the world’s grape production is used for making wine. This is a worldwide truth that has endured for centuries, indeed millenniums. Therefore the production of wine is the primary market to support Tennessee grown grapes.

It has been posited for many years that an increase of wine production in the state would result in an increase in agriculture and grape production in Tennessee. Thus a focus on increased wine production will result in increased grape production as a matter of natural escalation. This simply is not the case. Tennessee grown grape content in Tennessee made wines will not grow at the same rate as wine production, nor result in an increase in Tennessee viticulture unless specific measures and programs are implemented.

Likewise, an increase in wine sales in the state due to increased access by consumers such as wine in grocery stores will not result in a proportional increase in Tennessee made wine sales without the implementation of specific measures and programs designed to do so.

Tennessee will continue to lag behind its neighboring states in the development of the production of wine grapes, the wine industry, and the associated benefits, if the state does not make the financial commitment required to improve and support wine grape and wine production as a value added agricultural product.

For the reasons described above, the Viticulture Advisory Board has developed a plan that includes four objectives. In order to reach these objectives, a total of eight initiatives have been developed by the VAB. A plan budget has been prepared containing eight line items to support each of the eight plan initiatives. Under each objective, the associated initiatives and budget line items have been referenced for your convenience.

Plan Objectives:

1. Revitalize Tennessee’s rural counties through the development of vineyards and wineries that will provide direct and indirect increase in employment. Vineyards and wineries can serve as

venues for many activities in their communities as well as for tourists who are looking for new experiences and to make a connection back to the farm and the land (Agritourism).

- Initiatives 1,2,3,6, and 8
 - Budget Items 1,2,3,6, and 8
2. Improve the perception of the quality of Tennessee wines by in state and out of state consumers.
 - Initiatives 4,5,and 6
 - Budget Items 4,5, and 6
 3. Provide a well-educated and trained workforce to support the growth of the industry.
 - Initiatives 3,7, and 8
 - Budget Items 3,7,and 8
 4. Provide readily accessible sources of information and resources for the grape farmer including education, training, labor, plant material, soil amendments, start up programs, etc.
 - Initiatives 3,4,7, and 8
 - Budget Items 3,4,7, and 8

Plan Initiatives:

1. Increase wine grape and wine fruit production in the state.
2. Increase the market share of Tennessee produced wines in the state.
3. Develop research programs to assist farmers by improving current and developing new agricultural practices relating to winegrowing including grape and other wine fruit production.
4. Develop research programs in enology to assist wineries and winemakers through partnering efforts to develop and produce high quality wines from Tennessee grown wine grapes and other wine and cider fruits such as apples and peaches.
5. Develop a Wine Quality Alliance Program similar to if not modeled after the North Carolina Wine Quality Alliance Program operated by Appalachian State University in North Carolina.
6. Develop an in state marketing program to increase public awareness of Tennessee wines made from locally grown fruit. See great example by Rocky Top Wine Trail.
(<https://vimeo.com/196013058>)
7. Develop and distribute educational materials and tools to educational agencies and farming organizations to remove the anti-alcohol sentiment associated with farming products for wine production.
8. Develop a program working with state college and university system agricultural departments to promote and develop a curriculum for viticulture and winegrowing education.

Plan Budget:

1. Provide a marketing and educational program targeted to young and upcoming farmers in Tennessee's rural farming communities and retrain and educate County Extension Agents in the area of wine grape and other wine fruit growing practices. Provide more resources for Extension Specialists to work directly with growers and assist in solving current production issues.
\$150,000/year

2. Provide a marketing and educational program working with college and university noncredit programs to provide courses educating consumers concerning local foods and wines along with a marketing program in the large metropolitan areas such as the expansion of "Pick TN", Slow Food, etc. \$50,000
3. Develop and implement research programs in the state that result in new grape varieties, provide clean disease and virus free plant material available for purchase by nurseries to meet an increased demand for plant material for growers, and to solve existing production issues and Challenges. \$600,000.
4. Enology Research. \$500,000
5. Wine quality alliance program for both laboratory and sensory analysis of wines produced in Tennessee with primarily Tennessee grown fruit content. To be modeled after the Appalachian state program. \$200,000 startup and \$75,000/year operation. As an alternative in the interim, contract with APU.
6. Marketing of Tennessee wines made from Tennessee fruit and development of Tennessee American Viticulture Areas (AVA's). A coordinated plan to develop AVA's that span the entire state is needed. \$250,000.
7. Promote the large number of products both fresh and value added that can result from developing viticulture, present wine as food and explain the health benefits of moderate wine consumption. \$50,000
8. Develop a course of study for enology and viticulture that includes degree and certificate programs similar to Surrey Community College and the VESTA program to provide trained personnel for the wine industry as it continues to expand in the state. \$100,000

Source of Funds:

1. TFWA member dues and festival revenue
2. State of Tennessee wine tax rebate (VAB/TDA)
3. State of Tennessee Surplus Reserve Fund
4. USDA Grant Programs

Challenges:

The following is a list of Challenges to growth in the Tennessee grape and wine industry as identified in the report "Growth Prospects for the Tennessee Wine Industry" PB1844 published in August of 2016.

1. Attitudes and legal barriers regarding alcohol consumption.
2. Regional rivalries (between the 3 grand divisions of the state).
3. Lack of knowledge regarding the industry by in state consumers.
4. A lack of support for research and marketing activities.

Opportunities:

The following is a list of opportunities for growth in the Tennessee grape and wine industry as identified in the report "Growth Prospects for the Tennessee Wine Industry" PB1844 published in August of 2016.

1. A changing legal environment to the benefit of state wineries.
2. Continued growth of the local food movement.

3. Regional efforts.
4. A strong industry association.

Background:

The Viticulture Advisory Board has determined that a significant market exists for Tennessee grapes. The market includes direct-to-consumer sales of fresh grapes, grape sales for processed products, and grape sales to Tennessee wineries. Although Tennessee growers continue to sell significant quantities of fresh grapes in local markets, sales of grapes to Tennessee wineries represent the largest share of the grape market due to the expanding number of state wineries and increases in winery sales. . An estimated 95 to 97 percent of the commercial grape crop produced in Tennessee vineyards goes to wine. This trend is expected to continue as national wine sales increase because of high quality wine production across the nation, general national beverage trends, and continued reports of the health benefits of moderate wine consumption by adults.

“Made in Tennessee wine” (wine produced in Tennessee, but not necessarily from Tennessee grown fruit) is not growing market share within the state. Also, growth in the number of wineries has lagged behind our neighbors – in both percentage growth and total number.¹

Growth in Bonded Wineries¹

	2002	2016	Growth %
<i>Kentucky</i>	22	100	354%
<i>Missouri</i>	62	221	256%
<i>North Carolina</i>	31	203	554%
Tennessee	21	68	223%
<i>Virginia</i>	89	332	273%

Rural Revitalization

Wine, grapes, grape products and allied industries create employment and new market opportunities in rural communities. In areas that previously had diminishing farming of tobacco, cotton, and other crops, the planting of grapevines and the creation of wineries is now offering new life. Grape farming is providing employment as is the establishment of new wineries, shops and restaurants springing up in the footprint of these rural communities.

Grape growing and the establishment of wineries are helping to diversify local economies and keep land in agricultural production as some crops become less viable.

By their very nature, vineyards and wineries are long-term investments and long-term employers. Planting vineyards is an expensive commitment. Newly planted vineyards need at least three, but more than likely four years to produce the first economic crop. To produce wines from those grapes may require an additional year.

These long-term investments are inherently tied to “place”: a particular location, soil, landscape and aspect. Unlike manufacturing or service enterprises, vineyards, once planted, cannot simply get up and move to another country which might offer cheaper labor, a better business climate or tax incentives.

Distribution of Tennessee Grapes

Over 98% of Tennessee grapes are purchased by Tennessee wineries with the balance of the crop sold as table grapes or used in jelly production or sold to home winemakers and home jelly makers and as juice for home consumption.

Tennessee wineries are currently purchasing high quality Tennessee grapes of certain varieties for prices similar to grapes grown on out-of-state farms. These in-demand varieties and/or their equivalents can be successfully grown on a commercial scale in Tennessee. Despite increased growth, Tennessee continues to lag behind national growth trends in grape production. Lack of state funding for research and marketing continues to hamper the Tennessee wine industry, which in turn, discourages new vineyard establishment and growth of existing grape farms.

The Three Tier System

The state mandated beverage alcohol “Three Tier System” (Manufacturer/Wholesaler/Retailer) was created 80 years ago to control the distribution of all beverages that contain over 6% alcohol by volume. While this system excels at distributing numerous national and international brands within Tennessee, it is not well suited for distributing small production Tennessee wines. These small production TN wines are virtually lost in an ocean of large wine brands that have well-funded marketing budgets and full time regional reps.

While much progress has been made toward improving the consumers access to locally made and locally grown wines, there remains much work to be done.

Balance of Trade

Out of state wine producers accounted for 97% of the TN market. This imbalance of trade represents hundreds of jobs lost in Tennessee and a financial loss to the Tennessee state economy in the millions of dollars.

Current Information and Economics of Grape Production

Current information concerning the economics of grape production in Tennessee and current levels of production are contained in the primary reference for this report (PB1844) are attached.

Specific information about Tennessee’s wine market and improved techniques for growing grapes in Tennessee is limited only by a lack of funding. The University of Tennessee’s Institute of Agriculture has compiled information about grape production in Tennessee. Several UT publications are available regarding this topic, including production guides at www.smallfruits.org as part of UT’s participation with The Southern Region Small Fruit Consortium.

Recent developments and growth in the cider industry have skewed the statistics for wine production in the state from the TTB and they do not correlate well with the Tennessee department of revenue. More information is needed in order to track the progress of wine and grape production in the state and a set of metrics developed that can be tracked year after year.

Recommendations

U.S. states which realize the greatest economic benefit from their in-state grape and wine industry, are those states which fund marketing and research programs to promote their in-state industries.

Maintaining winery direct-to-consumer sales has been critical to the survival of America’s small wineries and to the efforts to revitalize many struggling rural communities.

While there are numerous challenges facing the TN grape and wine industry, two major issues were determined to be the most critical for long term growth and economic success:

1. Lack of funding

Tennessee’s grape and wine industry needs the support of state funding for TN-specific research & development, marketing programs and distribution incentives. It is recommended that Tennessee set aside \$1,600,000. To fund the initiatives as described in the beginning of this report.

These funds could be distributed in the form of grants and matching ECD grants to Tennessee grape farmers, grants to the University of TN for grape research & vineyard development programs, and funding to the Tennessee Department of Agriculture and Tennessee Department of Tourism for wine marketing, winery tourism and promotional campaigns.

2. Legal and Regulatory Restrictions

While much work has been done to improve the access to Tennessee made and Tennessee grown wines by consumers and tourists, there is more work that can be done to improve the access and thus improve the quality and quantity of Tennessee wine grapes and Tennessee wine.

The Viticulture Advisory Board looks forward to continuing to work with the Governor, The Legislature, the Tennessee Department of Agriculture, The Tennessee Department of Tourism, The University of Tennessee Institute of Agriculture, the Tennessee Farm Winegrowers Alliance and all other stakeholders and interested parties to meet the stated objectives. Once the plan is approved the Board will begin the work of developing the individual projects in support of the plan initiatives to meet the plan objectives.

Endnotes:

¹ US Tax and Trade Bureau statistics