

KENTUCKY GRAPE & WINE COUNCIL
January 5, 2016
Kentucky Fruit & Vegetable Conference
Embassy Suites
Lexington, KY
12:00PM



MEMBERS IN ATTENDANCE:

REPRESENTING WINERY OPERATORS:	DENNIS WALTER
REPRESENTING WINERY OPERATORS:	LOGAN LEET
REPRESENTING WINERY OPERATORS:	ANN KARSNER
REPRESENTING GRAPE GROWERS:	JENNY BEETZ
REPRESENTING GRAPE GROWERS:	BRUCE KUNZE
REPRESENTING THE UNIVERSITY OF KY:	PATSY WILSON
REPRESENTING CITIZENS AT LARGE:	ROGER LEASOR

MEMBERS ABSENT:

REPRESENTING TOURISM, ARTS & HERITAGE:	JOHN MALLOY
REPRESENTING CITIZENS AT LARGE:	ANN BAKHAUS
REPRESENTING KY DEPT OF AGRICULTURE:	KRISTEN BRANSCUM

OTHERS REPRESENTED

REPRESENTING KY DEPT OF AGRICULTURE:	RYAN QUARLES
REPRESENTING KY DEPT OF AGRICULTURE:	KEITH ROGERS
REPRESENTING KY DEPT OF AGRICULTURE:	ANGELA BLANK
REPRESENTING KY WINERIES ASSOCIATION:	CYNTHIA BOHN
REPRESENTING WIGHT-MEYER WINERY:	JIM WIGHT

Call to Order

Chairman Dennis Walter called the meeting of the Kentucky Grape & Wine Council (KGWC) to order at 12:10 pm. Newly sworn in Kentucky Department of Agriculture (KDA) Commissioner Ryan Quarles introduced himself to the council. Commissioner Quarles also introduced KDA Chief of Staff, Mr. Keith Rogers, and KDA Director of Public Relations, Ms. Angela Blank. Mr. Tyler Madison called the role and a quorum was confirmed.

Mr. Roger Leasor made a motion to approve minutes from the previous meeting. Mr. Bruce Kunze seconded the motion, all were in favor and the motion passed.

Financial Report:

Wholesale Reimbursement & Marketing Cost Share: The P2-15 Wholesaler Reimbursement and Marketing Cost Share grant program periods concluded on 12/31/15. Participants have up to 90 days past the conclusion date to submit reimbursement requests. P1-16 program periods officially began on 1/1/16. The deadline to opt-in for both grants is 1/8/16. Following the opt-in deadline, caps will be set based on allotted funds combined with rollover from P1-15 divided by number of program participants.

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Grant Rollover Proposal: At the previous KGWC meeting members discussed the persistent issue of rollover in both grant programs due to some participants not reaching their caps. Mr. Madison presented the following proposal:

Issue:

In the current format for both the Marketing Cost Share Grant and the Wholesaler Reimbursement Grant, available funds are divided equally for each new program period between eligible participants to determine bi-annual caps. As the number of wineries has steadily increased since the start of the grant programs, caps have naturally decreased. However, with more participants in the programs, the number of wineries and wholesalers not reaching their set allotments has also increased. This is due in large part to a number of participating boutique production wineries with limited distribution, as well as limited marketing budgets.

When only a few wineries amongst a small number of participants fail to reach their set cap, as was the case in the early years of the grant programs, the majority of allocated funding is distributed amongst the remaining participating wineries and a majority of available grant funds are disbursed. However, with available funds divided between increasing numbers of participants, even a small amount of rollover accrued in a single program period by multiple participants can accumulate quickly.

While many wineries habitually exceed their bi-annual allotment for approved marketing expenses and many wholesalers reach their case-allowance within the first month of each program period, they are only reimbursed up to the cap set for all wineries. At the same time, many smaller wineries consistently fall short of utilizing their entire allotment resulting in substantial rollover and a distorted perception of the necessity of funding.

Solution:

Deadline for reimbursement submissions to both the Marketing Cost Share Grant and the Wholesaler Reimbursement Grant is 90 days after the program period concludes. Caps for both grants are determined according to bi-annual allotment plus rollover accrued in previous program periods divided by number of eligible participants.

Effective immediately (P1-16 program period), wineries and wholesalers will receive instruction from Mr. Tyler Madison to submit all eligible invoices beyond allotment limitations. These additional submissions will receive consideration of further reimbursement based on remaining funds following the conclusion of a program period. After the original deadline for reimbursement submissions (90 days after the program period concludes), Mr. Madison will re-calculate unused funds for each grant.

New caps will then be determined based on remaining funds divided equally among participants with eligible invoices beyond the original exceeded program period cap.

Wineries participating in the Marketing Cost-Share Grant that are eligible to receive additional allocations will be reimbursed up to 50% of all eligible marketing expenses up to the determined additional cap immediately following the conclusion of the original program period. This will be a one-time payment directly following the end of each program period. Any unused funds will then rollover to the next program period.

Wholesalers participating in the Wholesaler Reimbursement Grant that are eligible to receive additional allocation will be credited the following program period. This is due to the stipulation that wholesalers must sell a case of wine to a retailer for the same price they purchase it from the winery to be eligible for the \$20 per case reimbursement. By crediting additional case allocations to each eligible wholesaler for the following program period, wholesalers and wineries may set pricing structure accordingly after reaching the case reimbursement cap. *Note: Any additional credit will follow the winery. If a winery receives credit over the case allotment but changes wholesalers, the credit will be transferred to the new wholesaler.*

Mr. Logan Leet made a motion to approve the proposal. Mr. Roger Leasor seconded the motion, all voted in favor and the motion passed.

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Promo Account: Mr. Madison reported that as of the second week of December, all KGWC marketing projects with Louisville firm, New West have been placed on hold due to the master contracts for state agencies expiring. This affects the launch of the Kentucky Wine Sweetness Scale and has also delayed the completion of the 2016 Winery Guides. The new contracts should be in place by mid-January.

KDA Staff Report:

- 1. Economic Impact Study:** Frank, Rimerman + Co have contacted all wineries with a survey to complete. The firm is currently contacting wineries a second time that have yet to respond. They have received a good response from many of smaller wineries but still need responses from a number of the large wineries.

Mrs. Patsy Wilson noted that she is working with county agents to gather current vineyard statistics for the study but cautioned that compiling accurate statewide data will take some time.

Legislative

Vineyard Expansion Grant/Statute Change: The KGWC has been strongly advised that the change in statute to create the new grant should be on a KDA bill. Mr. Madison will meet with Commissioner Quarles prior to the February KGWC meeting.

Research

None (detailed report at February, 2016 meeting)

Wholesale and Distribution

None

Grower Development

None (see Legislative)

UK Report

None (detailed report at February, 2016 meeting)

Announcements

Chairman Walter and Mr. Kunze's seats on the council expired on 1/1/16. They may continue to vote and serve as active members until Governor Bevin appoints a new winery operator seat and a new grape grower seat to the council. Both members are also eligible for reappointment. Not submitting an application for reappointment, Chairman Walter thanked the council and praised their accomplishments during his time served.

Events

Mrs. Jenny Beetz reminded the Council that the Cincinnati Travel, Sports and Boat Show is scheduled for January 15-17 and 20-24. The KGWC will have a Kentucky Wine booth at the show manned by volunteers from Northern Kentucky wineries.

Adjournment

There being no further business to discuss, Mr. Bruce Kunze made a motion to adjourn at 1:22 pm.