

**KENTUCKY GRAPE & WINE COUNCIL**  
**November 19, 2014**  
**KDA Office of Marketing**  
**Frankfort, KY**  
**1:00PM**



**MEMBERS IN ATTENDANCE:**

REPRESENTING GRAPE GROWERS:	JENNY BEETZ
REPRESENTING GRAPE GROWERS:	BRUCE KUNZE
REPRESENTING WINERY OPERATORS:	ANN KARSNER
REPRESENTING KY DEPT OF AGRICULTURE:	TYLER MADISON (PROXY)
REPRESENTING CITIZEN AT LARGE:	ROGER LEASOR
REPRESENTING CITIZEN AT LARGE:	JASON BAIRD (PROXY)
REPRESENTING THE UNIVERSITY OF KY:	DR. TOM COTTRELL (PROXY)

**MEMBERS ABSENT:**

REPRESENTING WINERY OPERATORS:	DENNIS WALTER
REPRESENTING WINERY OPERATORS:	LOGAN LEET
REPRESENTING TOURISM, ARTS & HERITAGE:	JOHN MALLOY

**Call to Order**

Mr. Roger Leasor called the meeting of the Kentucky Grape & Wine Council (KGWC) to order at 1:03 pm. Those present introduced themselves. Mr. Tyler Madison called the role and a quorum was confirmed.

Dr. Tom Cottrell 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:**

Mr. Madison reported that the caps set for P2-14 are higher than in recent program periods due to a larger portion of rollover from P2-13. It should be noted that out of the 56 wineries that opted in for P1-14, 14 did not submit any reimbursement requests. It is dangerous to continually have this amount of rollover. Mr. Leasor suggested that Mr. Madison should contact the wineries that didn't use the funds to let them know the possible ramifications to continued grant funding. Dr. Cottrell noted that he believe there should be a sunset clause on the Marketing Cost-Share grant to phase out established wineries because the purpose of the grant is to help new wineries.

**KDA Staff Report:**

*WebEx Meeting Plans*

Upon confirming that KGWC meeting quorums may be met via video or teleconferencing, Council members approved work to set up an online video conferencing service. Plans range from around \$20-\$60 per month. The WebEx \$24 per month plans allows video conferencing of up to 8 people connecting through live web feed, free mobile apps, markup tools, whiteboards and recording of meetings. Mr. Kunze made a motion to approve funds to contract WebEx for six months on a trial basis. The motion was seconded by Mrs. Jenny Beetz, all voted in favor and the motion passed.

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*New West PA for Winery Guides*

New West has submitted a new Project Authorization for additional costs in completing the design of the 2015 winery guides. These added costs are due to a number of wineries not properly submitting the requested information resulting in additional editing and formatting. The projected additional work should not exceed \$250.00. A motion was made by Dr. Cottrell to approve the new PA in the amount of \$6,185.75 to complete the 2015 Kentucky Winery Guides. The motion was seconded by Mr. Kunze, all voted in favor and the motion passed.

*Touring & Tasting Update*

Mr. Madison noted that the partnership with Touring & Tasting has officially commenced. In addition to the article the KGWC approved payment for: "Regions to Watch," Touring & Tasting is also working on an additional more general article to generate interest in visiting Kentucky. Mr. Madison will be working with Touring & Tasting's editor over the next few months on these articles as well as building and adding content for the digital component.

*Quality Assurance Program*

Dr. Cottrell received an estimate from Midwest Wine Analytics that appears more reasonably priced with discounts for larger numbers of samples than the first estimate.

It was decided that more than one proposal should be compiled to disseminate to wineries around the state: one should be a breakdown of costs and operation of a tasting panel plus basic chemical analysis and the other the costs of just chemical analysis. This will allow the wineries to determine what is most important and what is affordable as well as beneficial. Mr. Leasor reiterated that there may be funding to help subsidize a program of this nature. The Governor's Office of Ag Policy has shown some degree of interest as they believe a Quality Assurance program would be beneficial to the industry. Mr. Leasor noted that it may be helpful after compiling proposals to approach the Governor's Office of Ag Policy for assistance to offset costs to the wineries.

Mr. Madison agreed to contact Mrs. Ann Karsner, Mr. John Malloy and Mr. Logan Leet to set up a QA Program planning meeting with the goal to have proposals completed by January, 2015.

**Legislative**

Mr. Madison mentioned that he believed that the Kentucky Wineries Association (KWA) still planned to push forward with two items on their 2015 legislative agenda that would directly affect the KGWC:

1. Redirect 1.5% of the wine excise taxes to the Kentucky Grape & Wine Council and designate the funds to be used in marketing, advertising, and promotion growth in the wine industry
2. Legislate the KWA to take the place of the KVS as the entity that represents Kentucky Wineries and allow KWA to appoint the majority of members to the KGWC

Mrs. Ann Karsner who is also a KWA member responded that the two items noted above have officially been removed from KWA's proposed agenda and that only an item relating to Custom Crush would appear on the ABC Bill. She also noted that KWA plans to submit a bill of their own in which the sole agenda item requested would allow Kentucky Small Farm Wineries the ability to distill limited amounts of brandy.

Mr. Jason Baird noted that to ensure vital retail representation on the Kentucky Grape & Wine Council, one of the Citizens at Large seats should be changed to a retail seat in statute. Mr. Leasor added that it would also be beneficial to have representation from the restaurant owners as an official council seat.

**Research**

None

**Wholesale and Distribution**

None

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**Grower Development**

Mr. Kunze presented a number of proposals to the Council with the intent to aid grower development and to help establish a viable wine grape market through utilizing KGWC funds:

*Because the KGWC operates under the auspices of the Department of Agriculture, our focus is on improving the agricultural industry in the state through the promotion of Kentucky grown wines. However, as a grower representative on the council I have seen the limited impact we are able to have on increasing vineyard acreage and production as we are currently unable to allocate any direct funding to vineyards. After talking with several individuals in the industry I am also of the opinion that there are relatively few (perhaps 10) wineries who are experiencing considerable growth and success. Of those that are growing, I believe that most are using a significant percentage of Kentucky fruit to produce their wines.*

*For these reasons I would like for the Council to explore some ideas and proposals to improve the grape and wine industry in Kentucky by significantly increasing production and use of Kentucky grown grapes by Kentucky wineries. **The first proposal would be to establish the Quality Assurance program that is under current consideration by the Council. I would suggest that the program be made available only for Kentucky grown wines. By doing so, we would demonstrate that our priorities are the promotion and enhancement of Kentucky wines made from Kentucky fruit, not those produced from out of state grapes or juice.***

*Wineries cannot produce quality Kentucky grown wines without a reliable supply of quality fruit. In order to do so, the size of Kentucky vineyards needs to increase to the point that they become profitable businesses and not just hobby/businesses as many vineyards currently are. By increasing the size of Kentucky vineyards, growers should benefit from an economy of scale and from using best management practices prevalent in larger vineyards, thereby improving the quality and quantity of fruit available to wineries.*

*The second proposal is a simple change in the current statute governing the KGWC that would allow the Council to expend a percentage of our statewide marketing funds to provide financial assistance to expanding vineyards for equipment and expenses associated with planting and managing additional acreage. In order to be eligible for participation in the program, vineyards would be required to be at least two acres in size prior to expansion, and at least ten acres in size after expansion, verify successful production during the five preceding years and agree to plant only varieties (perhaps only hybrids) suited to the geography and climate of Kentucky and approved by the KGWC.*

*The third proposal, also made possible by the above mentioned change in the statute, would permit the KGWC to offer financial assistance to wineries who are expanding and need to purchase additional equipment. Again, proof that the winery has been in business for at least five years and is producing at least 3,000 gallons annually would be required. Initially, the winery would also have to provide documentation that at least 30% of the previous year's production used Kentucky grown fruit. The percentage would increase to 75% by the fourth year of the program with wineries wanting to participate providing verification that the required percentage of their wines produced in the prior year were made from Kentucky grown fruit.*

*The fourth proposal, one that could be implemented without a change in statute would be to allocate marketing reimbursements only to wineries that produced at least 3,000 gallons of wine and used at least 30% of Kentucky grown fruit in their wine production the previous year. That percentage would increase to 75% in four years.*

*In addition, we need to offer more incentive to distributors who handle Kentucky wines. The fifth proposal, also requiring no statutory change, could be accomplished by reimbursing distributors only for the Kentucky wines (those made from at least 75% Kentucky fruit and with "Kentucky" on the label) they distribute. The per case reimbursement would increase in this scenario.*

*The KGWC has endeavored to produce an economic impact report on the state of the industry but has had difficulty in obtaining basic information needed for an accurate assessment. **The sixth proposal would require***

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*any winery participating in any KGWC program to provide on an annual basis by March 15 of each year, the preceding year's total production of wines as well as the percentage of the total produced by grape or other fruit variety.*

Mr. Madison agreed to contact the Kentucky Department of Agriculture's legal department to inquiry as to what action would be required to enact each proposal if the Council decided to move forward with any or all proposed changes. He would also inquire as to what action would be require to set a sunset clause for reimbursements to the Marketing Cost-Share grant.

It was agreed that proposals that may be enacted through a reg change would be looked at initially. Those items requiring a change in statute will be revisited at a later date.

Mr. Kunze has worked with Mrs. Patsy Wilson to reserve Coldstream 4 at the Lexington Embassy Suites on Sunday, January 4<sup>th</sup> (prior to the start of the 2015 Kentucky Fruit and Vegetable Conference) from 2:00 pm – 7:00 pm. The Grape and Wine Council will hold two open discussion meetings in which to visit those proposals that only require a change in regs; one with the growers and another with the winery operators. Proposals will be sent to all winery operators and growers prior to the January 4<sup>th</sup> meetings.

**Additional Business**

Mrs. Jenny Beetz suggested that the KGWC utilize marketing funds to secure booth space at the 2015 Cincinnati Travel, Sports & Boat Show, citing a stellar opportunity to promote Kentucky's wine industry to a captive audience. Mrs. Karsner made a motion to investigate and fund booth rental for the show which will take place on January 16-18 and 21-25 with the understanding that the Northern Kentucky Vintners & Grape Growers Association will assist in manning the booth. The motion was seconded by Mr. Kunze, all voted in favor and the motion passed.

**Adjournment**

The next KGWC meeting will take place at the Fruit and Vegetable Conference on, Tuesday January 6<sup>th</sup> at noon in the Paris Room of the Lexington Embassy Suites. There being no further business to discuss Mrs. Beetz motioned to adjourn.