

**KENTUCKY GRAPE & WINE COUNCIL**  
**March 18, 2015**  
**KDA Office of Marketing**  
**Frankfort, KY**  
**1:00PM**



**MEMBERS IN ATTENDANCE:**

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

**MEMBERS ABSENT:**

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

**OTHERS REPRESENTED**

REPRESENTING CITIZENS AT LARGE:	ROY BURN
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**Call to Order**

Chairman Dennis Walter called the meeting of the Kentucky Grape & Wine Council (KGWC) to order at 1:30 pm. Those present introduced themselves. Mr. Tyler Madison called the roll and a quorum was confirmed.

Mrs. Ann Karsner made a motion to approve minutes from the previous meeting. Mrs. Jenny Beetz seconded the motion, all were in favor and the motion passed.

**Financial Report:**

Mr. Madison reported that thus far \$39,480.62 has been reimbursed for the P2-14 Marketing Cost-Share Grant. The deadline for reimbursement requests is March 30, 2015.

As for the Wholesaler Reimbursement Grant, nearly \$25,000 has been paid-out for P2-14 which far exceeds the same time period for P1-14 reimbursement. There remains positive growth with nearly 45 wineries participating which, when taken into account a number of larger wineries utilizing large distribution companies that do not participate in the program, shows that there are very few wineries without wholesale representation.

**KDA Staff Report:**

1. **Notes on the Promotional Budget:** The remaining funds from completed approved expenses thus far in addition to removing the \$20,000 earmarked for the QA Program results in a balance of \$37,700 of Marketing funds for FY 2014-2015. However, by tallying unused Additional Media, App Promo Items and Video Production, the remaining budget could be as high as \$66,500.
2. **Got Grapes:** Successfully moved from the KDA website to the Kentucky Wine site as previously requested

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3. **Sweetness Scale:** Graphic files are complete and ready to be sent to all wineries. Additionally, stickers are ready to be ordered within the next month. Classification guidelines are complete based on sugar to acid ration and pH but Mr. Madison would like to discuss the guidelines with a handful of winemakers to ensure instructions are clear and concise.
4. **Banner Campaign:** New West reported that a Banner Campaign allowing individual wineries to participate in a rotating cycle is easily attainable. The KGWC needs to set the parameters of how wineries submit their banner and how often the rotation moves. The Council also needs to set a budget and run-date. New West suggests allowing wineries at least a month to create banners matching specifications.
5. **KGWC Contract Enologist:** Clint Quarles, Esq. of the Kentucky Department of Agriculture's legal department noted that, "the rationale is proper for spending under the statute. We might need regs on the subject, but maybe not. For the mechanics of how to contract- I would ask Steve Kelley (Deputy Commissioner) or his folks." Mr. Kelley recommended that if the Council did, indeed, decide to pursue contracting an Enologist position, a subcommittee should be created to outline: job description, pay, duty, responsibilities and qualifications. Once that is complete, the position must be bid out to all qualified candidates.

Chairman Walter noted that on face value contracting an Enologist looks simple but there are many complications to think about for the Council to have an employee. Mr. Roy Burn suggested that the process could potentially be simplified by not hiring an Enologist to work for the Council but to have a 1099 contractor Enologist that is only paid for the work completed with a detailed invoice. It was universally agreed that the posted University of Kentucky (UK) extension enologist position would not attract suitable candidates at the low proposed salary of \$35,000. Chairman Walter noted that the KGWC has not spoken with UK and there may be a way that the Council and UK could work together to create one Enology position. **Mr. Logan Leet made a motion that Mr. Madison investigate if it is possible to transfer KGWC funds to UK, another state agency. If Mr. Madison discovers that funds may be transferred, the KGWC should initiate a meeting with the UK Department of Horticulture to discuss the possibility of combining funds to create an Enology position with increased salary and stricter qualification requirement. Additionally, the KGWC should be involved in the hiring process and candidate approval. Mrs. Karsner seconded the motion, all voted in favor and the motion passed.**

6. **Proposals:**
  - a. **Touring & Tasting:** Propose an expanded editorial on Kentucky Wine in Summer/Fall 2015 issue including 2+ pages of additional co-ops for wineries wishing to advertise. Editorial will begin with map and region highlights followed by a 2-3 page "hero," story pre-approved by the KGWC. Touring & Tasting have also agreed to use Kentucky as one of the bylines on the front cover. Additionally, all print editorials will feature on Touring & Tasting's Kentucky Wine digital format. Proposed Cost to the KGWC = \$23,500. **Mrs. Beetz made a motion to approve the Touring & Tasting Proposal in the amount of \$23,500 which was seconded by Mrs. Karsner. The motion was voted on and given five votes to one in favor of the proposal. The motion passed.**
  - b. **Wine Bloggers Conference:** The sister-conference to the Wine Tourism Conference, the Wine Bloggers Conference brings 300 wine bloggers/wine media to one location. The proposal is a \$2,000 investment to pour Kentucky wines at the North American Wine Reception in Corning, New York in August. **Mrs. Beetz made a motion to approve the proposal in the amount of \$3,000 in order to cover the booth fee and travel to and from Corning, New York. The motion was seconded by Mr. Leet, all voted in favor and the motion passed.**
  - c. **SWIG Magazine:** Requested Kentucky Wine to advertise in the bi-annual SWIG magazine issues at a rate of \$1,224 per issue to introduce a Kentucky Wine section. If agreed, SWIG will offer pages to wineries at \$635/\$795 and add a free article page for Kentucky Wine for every three pages in the section purchased by members. **No motion made.**
  - d. **Local 12.com:** The Cincinnati CBS affiliate with prominent market share proposed creating a multipart series entitled, Uncovering Kentucky's Hidden Jewels. The series would feature three different one minute segments and a 15 second call to action for a series on Kentucky Wine. Local 12 will cover the costs of production and the additional airings on Star 64 would be free. Costs depend on how many times promos airs, but Local 12 proposes \$3,500 per month for two months for abundant viewing. **Mr. Bruce Kunze made motion to approve the proposal in the amount of \$7,000. The motion was seconded by Mrs. Beetz, all voted in favor and the motion passed.**

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### Legislative

Clint Quarles, Esq. reported that the KGWC may submit letters of support in favor of legislative items but suggesting doing so with caution to ensure no ethics rules are violated. Mr. Quarles offered to review any such letters.

### Research

None

### Wholesale and Distribution

None

### Grower Development

Submission from Mr. Bruce Kunze regarding the Grower Development Proposal Meetings held January 4, 2015. Revised proposals to be voted on at the April, 2015 (or next held) KGWC Meeting:

#### **Revisions to KGWC proposals to increase the production of Kentucky grown wines based on meetings with winery and vineyard owners**

**Bruce Kunze- February 16, 2016**

**Proposal 1-** There did not seem to be a lot of support from the wineries for a QA program however there was an offer to take a QA proposal to the KWGA if we would put something together in writing. Would the KGWC consider a two year pilot program that would pay for Kentucky grown wines to be tested (chemical and tasting analyses) and for the wineries to pay for the non-Kentucky grown wines if they wanted to participate?

**Proposal 2-** Would require a change in statute and would offer financial assistance to vineyards that wanted to expand. The consensus was that it should be for vineyards expanding to 5 acres in size, and that going to 10 acres at this time was too ambitious. There was also a question as to whether wineries would be eligible to expand their vineyards or replace existing vines. If the council supports this action, it is recommended that we introduce it for the 2016 legislative session.

**Proposal 3-** Would also require a change in statute to offer financial assistance for capital equipment for wineries to expand. After listening to the discussion it seemed that most wineries would prefer that our marketing funds not be used for this purpose, but rather that we increase our marketing programs.

**Proposal 4-** Would possibly require a regulatory change and would allocate marketing funds only to wineries that use a certain percentage of Kentucky grown grapes in their wines. Some wineries also wanted to include Kentucky grown fruits (the Council had a discussion about this at the November meeting and decided to only include grape wines, but that is open for discussion).

The proposal also set a gallonage requirement for wineries to be included in the marketing programs, but this was determined to be too restrictive and would eliminate most Kentucky wineries. Therefore it is not recommended.

The proposal included a minimum of 30% Kentucky grapes in order to be eligible for the marketing cost share program with that percentage increasing to 75% within four years. After listening to the discussion it seems the proposed percentages are too ambitious. I would recommend a 25% initial requirement to receive the full cost share reimbursement, increasing to at least 51% over a 5 year period. I would also recommend that we consider a graduated scale that increases the reimbursement according to the percentage of Kentucky grown wine produced. This could perhaps be set at the following levels of Cost Share Reimbursement (CSR). The percentages listed are the percent of the 50% cost share that we currently reimburse wineries for marketing expenses.

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Years 1-2	2016-17	1-24%	= 50% CSR	25+%	= 100% CSR
Years 3-4	2017-18	25-32%	= 50% CSR	33-50+%	= 100% CSR
Years 5+	2020+	33-50%	= 50% CSR	51+%	= 100% CSR

This proposal would base the reimbursements on a winery's annual production report due by March 15 of each year. It would begin with the P1-16 reimbursement based on the winery's 2015 report submitted by March 15, 2016. Wineries beginning production any time during the initial 4 year period would be reimbursed according to the current year's schedule. Beginning the 5<sup>th</sup> year all wineries would be reimbursed according to the Year 5+ schedule.

**Proposal 5-** Would require a regulatory change and would reimburse distributors only for handling Kentucky grown wines. This proposal would also permit distributors to determine the price of wines sold to retailers. There did not seem to be a consensus on these two items with some wineries in support and some opposed. In lieu of this I would recommend that the Council offer an additional \$10 per case to distributors for handling Kentucky grown wines. It was also suggested that the KGWC provide foil shrink wraps with "Kentucky Grown" for the wineries to use on bottles of wine that contain at least 75% Kentucky grown grapes (fruit) to promote the sale of those wines to consumers.

**Proposal 6-** Would require vineyards and wineries that participate in KGWC programs (reimbursements) to report to the KGWC grape yields and gallons of wine produced by variety on an annual basis by March 15 of each year

### Adjournment

There being no further business to discuss, Chairman Walter made a motion to adjourn at 3:24 pm.