

KENTUCKY GRAPE & WINE COUNCIL
September 17 2018
Kentucky Department of Agriculture, Office of Marketing
Frankfort, KY
1:00PM

MEMBERS IN ATTENDANCE:

REPRESENTING CITIZENS AT LARGE:	RAYMOND MEYER
REPRESENTING CITIZENS AT LARGE:	RACHAEL PEAKE
REPRESENTING GRAPE GROWERS:	SHANNA OSBORNE
REPRESENTING KY DEPT OF AGRICULTURE:	MELANIE BLANDFORD
REPRESENTING WINERY OPERATORS:	LOGAN LEET
REPRESENTING WINERY OPERATORS:	FRANCINE SLOAN

MEMBERS ABSENT:

REPRESENTING GRAPE GROWERS:	JENNY BEETZ
REPRESENTING TOURISM, ARTS & HERITAGE:	VACANT
REPRESENTING THE UNIVERSITY OF KY:	PATSY WILSON
REPRESENTING WINERY OPERATORS:	ANTHONY PARNIGONI

OTHERS REPRESENTED

GOVERNOR'S OFFICE OF AG POLICY:	JOSEPH MONTGOMERY
KY DEPT OF AGRICULTURE / KGWC:	TYLER MADISON

Call to Order:

Mr. Logan Leet called the meeting of the Kentucky Grape & Wine Council (KGWC) to order at 1:02 pm. Mr. Tyler Madison called the role and a quorum was confirmed.

Mr. Raymond Meyer made a motion to approve minutes. Mrs. Rachael Peake seconded the motion, all voted in favor and the motion passed.

Financial Report:

1. **Wholesale Reimbursement (DISTCS):** Total reimbursed to date for P1-18 = \$24,640. Currently, three wholesalers representing 3 wineries that have not submitted reimbursement requests.
2. **Marketing Cost Share (MKTCS):** Total reimbursed to date for P1-18 = \$25,900.51. Currently, twenty-five wineries that have not submitted reimbursement requests.
3. **PROMO:** Approximately \$1.2k rollover after all FY18 approved expenses are paid. The only projects active/pending are design/printing of the 2019 winery guide (quantity: 50,000) and Drink KY maintenance through December, 2018. There is approximately \$22k remaining in ADMIN account. Remaining balance following grant rollover payouts in DISTCS and MKTCS to be determined.

Mrs. Shanna Osborne made a motion to utilize any remaining funds to cover pending PROMO expenses. The motion was seconded by Mr. Raymond Meyer, all voted in favor and motion to pass.

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KDA Staff Report:

1. Kentucky Agricultural Development Fund (KADF) Application:

- a. Kentucky Agricultural Development Board (KADB) Meeting (8/17/18): There were many questions but no motion made. The KGWC application was eventually tabled.
 - i. The board seems resistant to funding an additional project with no clear ability to become self-sustaining
 - ii. There is a feeling that grape & wine has received enough support throughout the years
 - iii. The board feels that there has been very little to prove that grapes are a viable agricultural crop in Kentucky. As such, the wineries should be considered more of a tourism industry
 - iv. The board approved UK's application but reduced funding by 10% (45% cut if including reductions in last funding cycle)
- b. Next Steps: Based on feedback from board members and Governor's Office of Agricultural Policy (GOAP) staff, a 2nd draft of the KGWC application removes the Vineyard Expansion Grant from the application, reduces the Wholesaler Reimbursement Grant by \$20k per year and retains the current request for Branding & Advertising, reducing the total funding request by \$245k.
 - i. Potential Kentucky Agricultural Finance Corporation (KAFC) Loan for Expansion: Access to capital has long been identified as one of the challenges for farmers to grow their operations. The KGWC initial application for KADF funding requested monies to offer cost share grants for the planting of additional grape vines that have track records of success in KY. Based upon feedback from the KADB members and GOAP staff, the KGWC is eliminating this request from the application. The KGWC is, however, requesting that the KAFC establish a loan fund targeted to offer financing for not only expanded vineyard acres, but also other perennial crops that could be used by Kentucky's expanding beverage industry. The initial list could be limited to orchard crops like apples, peaches, and other fruits, grapes, hops, and perennial vines like blueberries and blackberries. While there are many details that would need to be worked out if the loan program is established, a few parameters could include:
 1. Initial \$500,000 loan pool dedicated to program
 2. Loan term of 10 years with no payments due for first three years
 3. Maximum loan amount of \$50,000 per borrower
 4. Security for loan would be personal guarantee of borrower
 5. KAFC would establish minimum credit score for eligibility or modified security requirement for riskier applicants
 6. Applicants must have track record of at least three years of producing crop they are expanding
 7. Increased acreage covered by loan can't exceed applicant's current acreage already in production
 8. University of Kentucky Specialists will help identify eligible varieties and cultivars of crops that would be covered by loan
 9. These specialists will also help identify other minimum requirements related to establishment methods, location, and other factors to improve crop success
 10. Loan program would be a direct loan from KAFC to borrower, but these funds could be tied to additional expansion being financed by borrowers personal equity or additional commercial financing
 11. Define acceptable establishment costs for each crop eligible for the loan program and allow borrow to receive financing for up to 75% of the rootstock, trellis, and other fixed costs. Labor would not be covered by the loan and would be considered part of the borrowers "sweat equity" in the project

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12. Recommend that the list of eligible equipment and crop establishment costs be expanded under the CAIP to complement this loan program.
- c. There is a possibility that the KGWC application may be taken off the table and voted on at the next KADB meeting on 9/21/18. Mr. Tyler Madison and Mr. Logan Leet will attend the meeting to represent the KGWC and to answer any questions the board members may have.

Committee Reports:

Legislative: No report

Research / Grower Development / UK Report: No report

Wholesale and Distribution: No report

Events: None

Announcements: None

Adjournment

There being no further business to discuss, Mr. Raymond Meyer made a motion to adjourn at 1:44 pm.