

Future of Farming 2008—Wine Industry Perspective

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The Washington wine and wine grape industry has had unprecedented growth in the past 30 years. In the late 1970s there were fewer than 20 wineries and approximately 4000 acres of vineyards. Today there are more than 550 wineries and 35,000 acres in vineyards. The reasons for this success are that the products are both very good and are a great value. We had been viewed as a “cottage” industry by the other elite growing areas around the world, but now we are being viewed as a major player and even a threat to market share.

With proper planning and nurturing, this industry will continue to grow and prosper.

Wine is a unique agricultural product. It is the product that is a revenue generator. In 2006 the industry generated \$145 million in taxes.¹ Wine is also a large draw for tourist activities. Wine-related tourist activities in 2006 generated \$237 million to the economy (1). Wineries are located throughout Washington, and they draw people from all over the world to come and learn about and enjoy the wine as well as the more than 300 varieties of food products produced in Washington. Everyone benefits from the wine industry in one form or another, whether directly from wine tourists traveling throughout the State, or from the revenue generated from the tourism and taxes collected on wine production and sales. Wine is a value added product and the processing and packaging of wine is done here. It is the only food product used in restaurants and homes that has the producer and the origin on the label, which brings recognition to our State.

Market Positioning:

One of the largest challenges for the Washington wine industry is enhancing our reputation for quality and value. Between 1999 and 2007, the number of U.S. wineries has increased from 2688 to 4929 (83%). The overall quality of Washington wine is unquestioned. Time and time again Washington wines have been rated as some of the best in the world. We are fortunate to live in one of the top ten growing regions of the world. The challenge is, even though we have an excellent reputation with wine experts and writers, we lag behind in consumer recognition. With the increase in the number of US wineries (there is at least one in every state); it is harder and harder to establish our region with consumers. Establishment of Washington wine as an ultra premium in the minds of consumers is imperative. Otherwise, we will miss a golden opportunity to not only extol the quality of our wines, but to enhance and develop a very healthy and vibrant wine and tourist industry. The opportunities for the wine and grape industry are immense. Our ability to make ultra premium wines takes nurturing. The State should take a major role in the promotion in enhancing its reputation using wine as an ingredient in that promotion.

Regulation

There are many ways the State regulates our industry. One of the most obvious is the Liquor Control Board. Today they are using “Tied House Laws” that were enacted in the 1930s. There has been little change in the laws, but major changes in society and the industry. It should be the role of the Liquor Control Board to regulate who consumes alcohol and that it is done in the appropriate way and in the appropriate circumstances.

¹ Economic Impact Report

The Liquor Control Board should also be responsible for tax collection, oversight of generally accepted business practices and protection from unfair competition.

In the area of business regulation the State needs to limit its intrusion to the everyday business of growing grapes and making wine. Currently there is no way any business in any concern can comply with all rules and regulations. The manuals are too massive, and in some instances one regulation will contradict another. This area needs to have a major overhaul.

Natural Resources

Currently there are about 35,000 acres of wine grapes under cultivation in Washington. In the next 20 years we could double that acreage. Historic irrigation development has been on land that is suitable for row crops or field crops. Many of the sites that would be excellent for growing grapes (hillsides, rocky land, etc.) do not have water rights. With the current water right application process taking 15 years to perfect, these sites may never be developed. The water right application process needs to be streamlined and changed to allow for quality vineyard development.

Water storage also needs to be enhanced. If climate change does occur, an increase of one to three degrees on average would be fine for the wine grape industry. The problem is that the snow pack we depend on would probably be diminished. Additional water storage would tend to cool the atmosphere to help mitigate the “air conditioning” effect of a normal snow pack.

Availability of land is finite. Right to farm legislation needs to be implemented. It is fine to have non-farm people living in rural areas, but they must understand and allow accepted farming practices to be accomplished without interference. Wineries need to be permitted to be built in rural areas and have tasting rooms to sample and sell their products. This will allow people to connect with all of agriculture.

Research and Education

Washington has a large number of different biomes. This diversity allows us to grow many types of grapes. Each biome offers a unique set of challenges that need to be overcome. It is critical to have the research done and to have the educational opportunities here to learn the uniqueness of our State and to be able to deal with the challenges presented. Washington State University (WSU) will lead this education and research mission. With the help of local community colleges, we will educate the work force to move the industry forward. WSU will provide most of the research for wine and grapes. Even though wine grapes are grown worldwide, local challenges and nuances often change how we do things, while large areas of research can be shared and developed with other growing areas. I have included a copy of the just finished research task force report for further study.²

Labor

One of the most fluid and most uncertain problems we have is the lack of a qualified, stable and legal work force. Because of the lack of attention by all government agencies in the past and the “all of a sudden” we have a problem that needs to be fixed mentality, there have been interruptions in some field activities recently. Although interruptions have been few and of little overall impact so far, the threat of not having an adequate workforce is at the least unsettling.

² Research Task Force Report 2008

State and Federal laws need to allow guest worker programs. These programs should be streamlined so as to allow growers to secure a workforce in a timely and straightforward fashion. The workforce needs to be allowed to move from place to place as needed. It needs to be flexible enough to react to changing crop and weather conditions, and not be tied to a bureaucratic process. Current laws are so cumbersome that they are unworkable. Most grape growers have small acreages (less than 100 acres). Current guest worker programs do not fit the needs for most growers, and the lack of flexibility in those programs prohibits them from participating. This jeopardizes the ability to harvest the crop and produce a reliable supply of premium Washington wine.

Marketing

At the State level, promotion of wine should be integrated with the other attributes of the State. We must “sell” Washington as a region, and wine can lead the way. We can develop advertising that shows how wine will go with the other 300 crops we produce. We can promote all the natural beauty and recreational opportunities. We can do all of this using wine as an integral part of what is good about Washington.

As for exports, we currently have the “Washington Wine Experience” that brings approximately 100 qualified writers and buyers to our State each year. For most of them it is their first trip to the United States. These people not only leave with a favorable impression of Washington wine, but they become ambassadors for Washington State. They take home stories and write about our beautiful geography and our wines. Washington wine also travels to different areas of the world with the Northwest Wine Coalition. This group goes to Europe, Canada, and the Pacific Rim extolling the virtues of Washington wine and the areas in which the wine grapes are grown. It is important to continue these and to develop other programs to tell Washington’s wine story.

When our Governor, or any delegation, goes on a trade mission showing the special attributes of Washington’s agricultural products, Washington wine needs to lead the way. Wine is always a great ice breaker.

Marketing of any kind is of no use unless we have the infrastructure to allow tourists to get to the vineyards and to allow us to get our products to the others markets. Highway, river, rail and air transportation need to be maintained and enhanced for the good of all our society as well as agriculture.

Byproducts

One of the areas that the wine and juice grape industry can have an impact is in ethanol production. Research is ongoing, and the potential for the waste (grape skins and seeds) for the production of ethanol is tremendous. To my knowledge, 2008 is the first year that exploration on a commercial basis this will happen. Other research is happening using this waste for the nutritional value to animals and humans.

Conclusion

The wine and wine grape industry has a very bright future in Washington. It will continue to grow. Recognition and regard for Washington wine will also rise. Proper nurturing and appropriate regulation will have dramatic effects on the industry’s ability to grow and prosper. Industry has the tenacity and leadership to move forward. We enjoy the natural resources necessary to produce world renowned wine. It is my hope that those resources will continue to be available and that we are able to sustain our quest to be the best wine region in the world.