



Inside this issue:

- From the President's Desk, continued** 2
- New Website Live** 2
- Regulatory News** 3
- Food Safety Bills Still on Congressional Radar** 3

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From the President's Desk

Farm Bill Implementation

The saga of Farm Bill 2008 continues to unfold. WineAmerica is currently very engaged with the USDA in solving implementation problems. USDA has designated an implementation team. The first major issue will be the Specialty Crop Research Initiative (SCRI) which has designated funding of \$27 million for 2008 and must make grant allocations by the end of September.

At the last minute, in Conference, Congress inserted a matching funds requirement into the SCRI—a development which was a surprise for all concerned. We are currently in the process of digesting this, and determining from where the matching funds may come. It certainly will limit the usefulness and flexibility of the program and present a challenge to states and winery associations to find creative ways to meet the match. One option would be to use the state-paid salaries of professors and other staff, if not already assigned, as matches to other programs. The wine industry can work towards the match by contributing cash and in-kind matches like the use of vineyards, including maintenance, for trials. Much of this needs to be clarified and all this needs to be accomplished under an expedited schedule as the 2008 funds of \$27 million need to be allocated before September 30, 2008 or they will be lost. It is expected that Cooperative State Research, Education and Extension Service (CSREES) will announce the details of the program in July with only a 30 day window

for submitting grant applications. At this time, it is unclear whether CSREES will emphasize large "system" oriented grants or favor more piecemeal and smaller grants or some combination of the two. Grants are not restricted to one year projects but may be accomplished over several. It is believed that 3-5 year projects will be favored. The matches do not have to be in hand but can also be evolved throughout the life of the project.

While the urgency of the timeline and the complexity of the program are extremely challenging, the SCRI represents a very substantial increase in agricultural research funding and especially for specialty crops. It is an important opportunity and an incentive to increase state and industry funding for grape related programs.

The USDA also faces long term problems of insufficient staff to administer all the new provisions of the new bill. They estimate that they need \$250 million and only \$50 million is now available. While there may be many provisions which are potentially beneficial to farmers, including specialty crop producers, it will be a struggle to get rules written, procedures put in place and adequate explanation to growers. As part of the Specialty Crop Farm Bill Coalition, WineAmerica already started a series of meetings with USDA personnel charged with managing the implementation over the next few days and will report to our membership as the situation is clarified.

An important and in many ways mishandled international issue is the allergen labeling statute and rulemaking which originated from a U.N. agency – Codex Alimentarius. That recommendation, quickly enacted into law in the United States and most other countries, was seriously flawed. Because it emerged as a result of deliberations of a specific multinational agency it passed without significant debate in the U.S. Congress. It is unfortunate that this problematic law requiring labeling of allergens, possibly including egg, milk or fish proteins used in fining wine and wheat used as a glue in wine barrels, was passed throughout the world without much consideration of whether such laws would be cost effective and efficiently serve the affected public. It is now clear that as a result of these laws virtually all foods will be labeled as containing allergens, even when the amounts are insignificant or incidental and the individuals who are concerned about consuming such foods are going to have to go to great and frustrating lengths to sort out what might be safe to consume for them or for their children.

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Allergen Labeling

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From the President's Desk, continued

Strategies on Alcohol Related Harm

The next major policy development is being considered by another U.N. agency, the World Health Organization (WHO), which is currently formulating a "Global Strategy on Alcohol Related Harm." As a body of health care officials, there is a natural tendency to view alcohol as unhealthy and to recommend actions which simply lead to reductions in consumption of alcohol, a metric which unfortunately is all too easy to gauge. This is usually masked under the code words "reduce the availability of alcohol." The dynamics of the process are further exacerbated by the fact that many U.N. countries prohibit alcohol consumption entirely.

WHO has decided to take steps toward launching the first global assault on the harms associated with alcohol abuse and is planning to approve a strategy for harm reduction in 2010.

The World Health Assembly, the decision making body of the WHO, met in Geneva Switzerland in May 2008 and approved a resolution calling for the development of a draft global strategy to reduce the harmful use of alcohol. This is better than it otherwise might be because it stresses "harmful use of alcohol." However any optimism must be tempered by the fact that many in the public health community, the base constituency of the WHO, regard any use of alcohol as harmful. The WHO report by the Secretariat does not actually indicate there is anything other than harmful use of alcohol. Stating among other things, the WHO reports that:

- The harmful use of alcohol was estimated to cause about 2.3 million premature deaths worldwide, 3.7% of global mortality and to be responsible for 4.4% of the global burden of disease.
- Harmful drinking is associated with numerous social consequences, such as crimes, violence, unemployment and absenteeism.
- The global cost of harmful use of alcohol is between \$210 and \$550 billion annually.
- Action should focus on prevention of harmful drinking and should be based on best available evidence.
- Addressing the availability of alcohol by regulating production and distribution of alcoholic beverages is an effective strategy to reduce harmful use.
- Controls or partial bans on alcohol advertising are important.
- Price is an important factor in shaping the marketplace and tax changes can be used to influence price. The evidence base for harm-reduction approaches is not yet as well established as that for regulating availability and demand for alcohol beverages. Many of these comments are disturbing, one-sided and potentially threatening to wineries. The WHO strategies report was adopted by the World Health Assembly on May 24, 2008 with recognition that "the resolution expressed deep concern about the magnitude and complexity of alcohol-related harm worldwide and emphasizes an ur-

gent need for action now to reduce harmful use of alcohol."

The EU wine sector sees some positive trends in the draft resolution but the final outcome is yet to be determined. They focus on these positive components of the Draft Resolution:

- It is balanced and constructive as it recognizes that the harmful use of alcohol not alcohol use per se that needs to be addressed.
- Acknowledges the importance of national, religious and cultural contexts and suggests that the global strategy should be tailored to specific culture and needs.
- It does not set forth binding "one-size-fits-all" approaches. It is inclusive in asking for a multi-stakeholder approach including "economic operators." WineAmerica and other associations of wine producers will need to develop talking points and move forward with concepts similar to EU wine sector and be prepared to advocate for sensible policies recognizing both the economic importance of the wine sector and the preponderance of moderate and healthful consumption of wine.

International Issues

Increasingly, international forums are the focus for emerging issues which have the potential to seriously impact policy in the United States. These issues are broader reaching than just trade issues although trade issues are important. Because of the importance and potential impact of these issues, WineAmerica is becoming more engaged in International policy issues.

WineAmerica's New Website is Now Live

After months of hard work, on Monday, June 30th WineAmerica launched a new website at wineamerica.org. With updated content, features and format for winery members, and with simplified, accessible information and resources for media visitors, the website is a necessary tool for the American wine industry. The new website features easy-to-navigate pages, updated industry information, easier access to important features like the label approval site, and an updated virtual trade show. We hope this new tool will help facilitate the success of your winery. Please direct any questions or concerns about the new website to Gaby Matthews at gmatthews@wineamerica.org or 202.783.2756.

Regulatory News

TTB Holds First Industry Wide Expo

WineAmerica was one of the 500 alcohol and tobacco industry members, attorneys and consultants attending the first annual TTB (Alcohol and Tobacco Tax and Trade Bureau) Expo. The Expo was held on June 17 and 18 at the Northern Kentucky Convention Center in Covington, Kentucky. Covington was chosen as the location because of the close proximity to the TTB's National Revenue Center in Cincinnati, Ohio.

The TTB Expo included more than 40 breakout sessions on industry wide topics and included subject-specific booths. According to the TTB, the goal of the Expo was to "pass on [to] the regulated industries the lessons TTB has learned and the processes we have established to

help make compliance with the laws and regulations as effortless and painless as possible." The Expo also featured a keynote address by TTB Administrator John Manfreda.

Michael Kaiser, WineAmerica's Manager of Regulatory Affairs, attended the Expo to represent the organization and our membership. The workshops he attended specialized in label approval, winery operations, bioterrorism, the rulemaking process, permits, and electronic return filing. These workshops featured presentations from TTB staff as well as FDA staff. The TTB hopes to put all of the presentations up on their website in the near future. Stay tuned to WineAmerica for updates and contact Michael at labels@wineamerica.org if you have any questions regarding the 2008 TTB Expo.

Food Safety Bills Still on Congressional Radar

As previously reported, Congress has their sights set on ensuring the safety of the country's food supply and continues to hold hearings on food safety legislation and issues in the House Energy and Commerce Committee, as well as the Senate Committee on Health, Education, Labor and Pension. The result is the introduction of several food safety bills and draft legislation that aim to provide increased funding and authority for the Food and Drug Administration (FDA) to better carry out its responsibilities.

An unfortunate component of two particular food safety bills that have yet to be introduced is the requirement of an annual fee for food facilities who register in compliance with the Bioterrorism Act – including wineries. In the House, Rep. Dingell (D-MI), has drafted the Food and Drug Administration Globalization Act of 2008, which proposes a \$2,000 registration fee on food facilities that would be adjusted each year for inflation with each re-registration after fiscal year 2009. On the Senate side, Senator Kennedy (D-MA) has put forward a food safety draft bill that also contains annual registration fees. But unlike the House version, this bill differentiates between business sizes when determining fees. It proposes a fee of \$1,000 for businesses whose annual gross receipts are \$1,000,000 or greater; a \$500 fee for businesses whose annual gross receipts are less than \$1,000,000, but greater than \$250,000; and a fee exemption for businesses whose annual gross receipts are less than \$250,000. But like the House bill, these fees also will increase and be adjusted for inflation each year after fiscal year 2009.

WineAmerica is in the process of developing talking points in opposition to the registration fees in these two bills. While no formal timetable has been set for the introduction of these, it is anticipated that the respective committees will move to mark them up this summer, although the Senate may delay action on Senator Kennedy's bill due to his illness. Membership will be kept advised of further developments on the two pieces of legislation.

Log on to the new website at wineamerica.org to learn about how your winery can save valuable time and money with shipping discounts through FedEx, discounts on payroll and credit card processing, human resources systems and much more!