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**Important Note:**

Most of the WineAmerica staff will be out of the office from Nov. 6-9, 2007 due to the Fall Board of Directors meeting in Monterey, CA.

They will not have regular access to email or voicemail during that time.

The office will be staffed during those days if you need general assistance.

**From the President's Desk**

**Farm Bill**

October was an exciting month as the Senate Agriculture and Finance Committees agreed on language for the Farm Bill. There has been a big push for major reform to a 70 year old system of providing cash payment subsidies for big farmers. Yet, as you might imagine, those who benefit the most, cotton, rice, corn, wheat and soybean growers, used their clout and their economic importance in key Midwestern battleground states to protect their payments. Senators from these states are especially prominent on the Agriculture Committee. Even though farmers are enjoying record prices for most crops, the Senate bill is likely to provide a harvest of crop subsidies to the tune of \$50-60 billion over the five year life of the Farm Bill.

The Specialty Crop Coalition was successful in gaining about \$2 billion over five years, not for direct subsidies, but for bedrock farm issues like pest protection, nutrition improvement, grants for marketing and funding for research. While this seems miniscule in comparison to subsidies, it represents a major step forward. A disappointment in the Senate was greatly reduced funding for the Specialty Crop Research Initiative (\$80 million over five years compared to \$215 million in House bill). We will try to remedy that in the

conference committee.

We had been pessimistic about research funding in the Senate Farm Bill because the Senate staff was very reluctant to provide any mandatory funding due to a dispute over jurisdiction with the Senate Appropriations Committee. We are very pleased that at least there is some funding and we can work to increase the number when the House and Senate hold a Conference.

Similarly, until the bill was actually unveiled, we believed strong opposition to state-managed Block Grants would convert the Block Grant program from state run to federally administered. We were pleasantly surprised to find that was not the case when the committee bill was unveiled. This development is sure to be favorable to smaller winery organizations, like those outside of the main wine producing states, where it will be easier to prevail on their state departments of agriculture to recognize their emerging potential and provide grants.

The Specialty Crops Coalition is grateful to the 36 Senators who supported specialty crops in a letter just before final decisions were made. We are especially grateful to our prime advocates, Senators Stabenow (D-MI) and Crapo (R-ID), and also to ranking minority member Senator Chambliss (R-GA) who pushed to get the Specialty Crop

provisions, in workable form, included in the main Committee bill. There is still much to be done in Conference and in final passage of a Farm Bill but the Specialty Crop Coalition is pleased that we have made so much progress. Please let your Senators know that we appreciate the support for Specialty Crops in the Farm Bill.

**Immigration Reform**

AgJobs, the reform of laws governing foreign labor in agriculture, has not fared as well. There will be an attempt to add AgJobs to the Farm Bill when the full Senate considers it, the week of November 5<sup>th</sup>. WineAmerica recently sent out a note to all members asking them to write to their Senators supporting AgJobs. You can view letter templates by visiting <http://www.saveusfarms.org/>.

The immigration issue is still very controversial and it is unclear whether the 60 votes necessary to add AgJobs to the Farm Bill will come together. There is no question of the need to act as so much of the labor force, especially for labor intensive specialty crop farmers, is undocumented. Growers need clarity and a workable mechanism for ensuring a reliable, legal work force.

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## President's Column—Continued from p.1

The seeming paralysis of the Congress in reforming immigration laws is very frustrating. Keep your fingers crossed.

### **Appropriations**

Congress still has not acted on the Agriculture Appropriations bill which contains funding for key components

like the Viticulture Consortium and Pierce Disease funding. Much of this is due to a seemingly intractable dispute with the President over funding levels. We are hoping that these bills begin to move in the final two months of this year. We shall see.

In early November, WineAmerica will hold its fall meeting in Monterey, CA. It

should be a great opportunity for networking and assessing the state of the organization. We will send out a meeting synopsis in the next newsletter and I encourage all of you to become involved in the Association and to let us know your thoughts on how we can better serve you.

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## Guest Column: Wine Label Printing 101

**Cosmo Graphics is a WineAmerica Supplier Member that provides high quality labels printing for wine bottles. To learn more about them, please visit their booth in the WineAmerica Virtual Trade Show.**  
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Wine labels are the first thing a customer sees, whether on a store shelf or in a tasting room. Many customers purchase wine based solely on the label. Given all the time wineries spend on making quality wine and marketing it, the ins and outs of printing seem to get lost in the shuffle. Here are some quick tips for you to think about before you get your labels designed and printed.

### **Cost Conscious**

Keep in mind that the cheapest printer out there might not offer the full range of printing options or services to get you the quality labels you're looking for. Sometimes cheaper isn't always better.

### **What Type of Label Do You Need?**

There are several types of labels. Think about the amount of labels you need, where your wine is going to be mostly (a store shelf, in ice buckets to be chilled, etc) and whether your labels need to be somewhat scuff resistant. Do you need rolls of pressure sensitive labels? Do you want high-gloss finish or matte labels, textured paper,

or full wraparound labels?

### **Types of Printing**

Here's a quick guide to different types of label printing offered:

**Offset** – often uses a 4 color process; high image quality; sharper/cleaner images than letterpress; quick and easy production; best for high volume runs.



**Digital** – good for small print runs; cost/benefit is getting closer to offset and might be the best option for smaller wineries.

**Letterpress** – More upscale than flexographic printing, slightly better resolution; crisp visual definition;

**Screen Print** – this method is useful on rolls of clear labels and uncoated stock; vibrant colors, raised

**Flexography** – cost effective, but less sharp, so best used on simple designs.

### **Quick Tips:**

1. After checking around for different printers, narrow down your selection and ask for samples.
2. Talk to the printer about the different types of paper that can be used for the labels. Each type will change the way the design looks and the message that your label sends.
3. Find out if the printer has any requirements about what type of artwork files they'll accept (i.e. adobe illustrator, photoshop, jpeg)
4. Once you send your label artwork to the printer, ask him to look it over and identify any design problems that could complicate printing, especially given the type of printing you've picked. Ask what the turnaround time is and make sure that it fits your schedule.

Don't let label printing become an afterthought. This is an important part of branding your wine and you should make sure to familiarize yourself with the basics of the label printing process.

**For more information about getting your labels printed, please contact Cosmo Graphics at (561) 496-4458 or visit their website at [www.cosmographicsltd.com](http://www.cosmographicsltd.com).**

## Regulatory News

### TTB Issues New Form for Formula Submissions

The TTB has issued a new form to streamline the submission of imported and domestic formulas for wine, distilled spirits, and malt beverages. The universal form will result in faster formula processing times. The use of the universal formula form is also the first step the TTB is taking towards eventually submitting formulas electronically. The TTB suggest printing the form on legal size paper, but will accept it on letter size paper. Note: The old formula form will still be accepted.

The following types of wines require a

formula approval prior to label submission: (1) agricultural wine (honey, rhubarb); (2) other than standard wine (mixing wines from different classes); (3) flavored wine; (4) non-beverage wine; (5) high fermentation wine.

If a fruit, berry, or citrus wine is made from blending two or more kinds of the same wine such as apple wine blended with cherry wine a formula is required. If the wine is produced by the fermentation of two or more juices of the same kind, such as apple juice and cherry juice, (the juices are blended and then fermented) **no** formula is required.

The new form can be found here:

If you have any questions please contact Michael Kaiser at [labels@wineamerica.org](mailto:labels@wineamerica.org) or at 202-783-2756

### Important Notice: Label Turnaround Update

The official word from the TTB is a 20-day turnaround, so if you submit a label you should still count on it taking that long for approval.

However, if you've submitted labels in recent months you may have noticed a drastically reduced turnaround time. That tends to be the exception, not the rule. Please make sure to plan ahead so that you can ensure your labels are approved on time.

## Guest Column: The Value of Alcohol Server & Seller Training

**TIPS is a WineAmerica Supplier member and offers members a 12% discount on eTIPS, an alcohol server training program. To take advantage, members must enter "WINE07" in the Promotional Code field on the payment page. Members can access the course at <http://www.gettips.com/eTIPS.shtml>.**

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When it comes to selling and serving alcohol, WineAmerica members should be aware of two trends that can affect their bottom line. First, the number of legal actions being taken against the server, cashier, owner/operator, and corporation for serving or selling alcohol to underage and/or intoxicated customers is increasing. Many of these cases are being settled out of court for millions of dollars. Second, whether or not you recognize it, there is a growing prohibitionist movement that is making it more and more difficult to sell, serve, and consume alcohol. If you're like most vintners, wine accounts for a large portion of your revenue. You need to be concerned and aware!

What can we do? WineAmerica is encouraging its members to re-visit their alcohol sales policy. It is imperative

that you keep your customers safe, while protecting your employees, winery, store, and franchise from lawsuits. By providing your employees with alcohol seller/server training you ARE making a reasonable effort to prevent underage consumption, drunk driving, and intoxication. In addition, you will improve customer service, receive discounts on liability insurance, and demonstrate to the community that your establishment has a zero tolerance policy when it comes to selling alcohol to underage or intoxicated customers.

A reputable Alcohol Seller program will train your employees on how to check ID's, recognize signs of intoxication, and document incidents. In addition, training can give your employees the confidence to make a reasonable effort to prevent alcohol-related incidents. This will, in turn, protect your assets and give this country the ammunition it needs to quell the prohibitionist movement.

WineAmerica has partnered with Health Communications, Inc, providers of the TIPS program. This partnership provides several options for getting your wineries trained:

**TIPS for On Premise** – Wineries are

great places for people to socialize and have a good time. Unfortunately, that good time sometimes gets out of hand. Servers must be able to deal with these problem behaviors and the challenges associated with underage drinking, intoxication, and drunk driving. It typically takes 4-5 hours to complete this classroom-style training.

TIPS for On Premise empowers your employees to take a proactive approach toward preventing alcohol misuse and maintaining control of the environment. By training your staff to recognize the signs of intoxication, you can reduce the chance that an alcohol-related incident will occur. TIPS-trained servers show your customers that you care about them and want to make their visits to your establishment as pleasant as possible. In addition, TIPS training can improve business and community relations. TIPS certification demonstrates a commitment to prevent alcohol-related problems and a desire to be part of the solution in society's fight against drunkenness.

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## Guest Column: Alcohol Server Training—Continued from Page 3

Liquor boards and local authorities tend to look favorably on establishments that incorporate TIPS, which can lead to more lenient penalties in the event of an alcohol violation. TIPS for On Premise can also help wineries protect themselves from possible litigation and often results in reduced liability insurance premiums.

**eTIPS for On Premise** – This online program provides convenient access for individual servers 24/7. Based in the TIPS for On Premise curriculum, it uses interactions, exercises and streaming video to teach sellers critical skills and knowledge needed to prevent illegal sales. It typically takes 2-3 hours to complete this one-on-one, web-based training.

For more information, please contact Health Communication at 800-438-8477 x357. Or Visit TIPS in the WineAmerica virtual Trade Show.

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### State Legislation Roundup



The following is a brief synopsis of state legislation and lawsuits that affect the wine industry.

**California** – A recent court decision on at-will (versus franchise) contracts with distributors could have ramifications for the wine industry. In a case between a CA winery and CA distributor, the judge ruled that the oral contract between the winery and distributor was “at will” and therefore the winery did not have to pay a termination fee or have cause in firing the distributor. Many states have laws that allow oral contracts and at-will termination. Proponents of this case argue that it solidifies California’s law and prevents a rewriting of the state’s winery-distributor relationships.

**Illinois** – In October HB 429, a direct shipping bill, was signed into law (it goes into effect June 2008). The bill creates a permit for in and out-of-state wineries and allows them to ship up to 12 cases per consumer per year. This bill only deals with wineries, not retailers, and will likely be challenged by the retailers as unconstitutional. The bill also allows small wineries, producing less than 25,000 gallons to self-distribute.

**Indiana** – The State has decided to appeal the September decision that threw out the face-to-face transaction and ban on wineries obtaining a permit if they’ve wholesaled wine. It will likely be awhile before this issue is completely resolved in the courts.

Regarding the IN shipping laws, the statute puts an aggregate shipping limit on consumers (they can receive no more than 216 liters total per year). This makes it hard for wineries to identify if they would be responsible for putting the consumer over that limit. The ABC has agreed not to take action against wineries as long as they take reasonable measures (such as requiring the consumer to assure the winery they are not over the limit) before making a shipment. Wineries can now ship into the state with relative ease.

**Michigan** – MI is again at the forefront of a legal battle that could have ramifications across the country. Michigan retailers have challenged that state law that allows in-state, but not out-of-state retailers to ship directly to consumers. The federal judge presiding over the case has decided to allow the case to proceed, arguing that the original *Granholm* case requiring equal treatment for in and out-of-state wineries can be applied to retailers. The State and the wholesalers claim that is not the case.

A similar case was denied by a judge in

New York in September upheld the three-tier system and issued an opinion opposite from the Michigan one, saying that *Granholm* does not extend to retailers.

**Oklahoma** – OK wineries and allies are hoping to get a direct shipping bill passed next year. A State Representative has already pre-filed a shipping bill for the 2008 session. He is also leading a legislative study on the state’s wine industry to ensure that lawmakers understand the issues specific to wineries. Currently, both in and out-of-state wineries are prohibited from shipping directly to consumers or self-distributing their wines.

**Wisconsin** – During a second special session to consider an omnibus budget bill, a provision dealing with the three-tier system and wineries was inserted into the bill. Specifically, language affirming the three-tier system, creating a direct shipping permit, and removing winery rights to self-distribute was inserted into the middle of a very large bill. The Governor vetoed the entire portion of the bill dealing with alcohol statutes. This issue will definitely come up again during the next regular session.

## Guest Column: Changing the Paradigm of Leadership

**The Rawls Group is a WineAmerica Supplier member offering succession planning and business tools for the wine industry. To learn more about their services, visit them in the WineAmerica Virtual Trade Show.**

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### A Case History

Art was stepping in to the most challenging and important experience of his life. His father had died suddenly at the young age of 62. Mr. P. was bigger than life, a highly successful, ambitious “benevolent dictator” and well-respected leader of Pendragon Winery. At 28, and the identified family successor, Art was faced with the overwhelming and seemingly insurmountable task of stepping into his father’s shoes as the President of the winery and vineyard operations. With a fairly jealous step-sibling and several cousins working in lesser positions, Art was well aware there were many who expected or even hoped he would fail.

Despite his MBA from UC Davis and five years experience working in the company, Art knew he was under qualified for the position he was about to undertake. He was also painfully aware that he was not a “chip off the old block.” He was a very different man than Mr. P. Where his father was strong, outspoken, confident, and prided himself in his ability to rally the troops or pull the wagon all by himself, Art was a whiz with numbers, had studied winemaking, viticulture, and marketing, he was a cautious decision maker and one who preferred working as a team player.

At Art’s first KSA management team meeting (Mr. P. had proudly called them his “Knights in Shining Armor”), all eyes were upon him. To say the KSAs were not concerned wouldn’t be truthful. However, to his credit, Art had worked alongside them for a number of years – they liked and admired his strong work ethic and positive attitude, his determination to get things done correctly the first time,

and most importantly, respected his humility. He had gone abroad to Italy to further his studies in the Tuscan traditions of winemaking, never expecting a free handout and worked his way through graduate school. But turning over the reigns of such a historical asset as the Pendragon Winery to him just didn’t seem wise. What would be in store for their professional careers and all that they had invested in this family winery?

As Art looked into the five faces of those sitting around the table, he was grateful. He trusted this team and knew that they had been hand-picked by his father. These loyal and upstanding managers had worked with Mr. P. for many years – from the fields to the bottling - and were the principal reason for their incredible success. During his family’s crisis, they managed the company and got them through crush season without disruption or chaos, allowing his family to retreat and care for each other. But now was the moment of truth – as per his father’s expressed instructions, it was time for Art to assume his new responsibilities. These first few months would set the tone for his career and for the future direction of Pendragon Winery, his family’s legacy and the extended family of employees. What would the company look like under his direction? How would he fulfill his father’s expectations? He counseled with his old university mentor, who suggested that Art would do best to be himself, rather than to try and replace his father. He would need this team to work WITH him collaboratively, rather than FOR him. Whether out of respect, wisdom or gut level fear, Art heeded this advice and before scheduling the meeting, had a new conference room table brought in for their meetings. Thus began the legacy of Arthur and the KSA round table discussions.

Recognize this family? It is a timeless scenario that could occur in a multitude of family-owned businesses. However, as you may have already guessed, this story is actually taken

from the histories of King Arthur and the Knights of the Round Table. Whether completely true or not, it is a remarkable tale of a young leader’s ability to galvanize the talents of his team and utilize them collaboratively to become bigger, stronger and more successful than any one leader could accomplish on his or her own.

Moving forward into the 21st Century and applying this concept to your winery, we no longer call our management teams “Knights”, but we do still have “Round Table” discussions, and have learned through experience that it is far easier to run a modern, winery with an experienced group, rather than placing all of the weight upon one individual. The next generation of leaders has learned a significant lesson from watching their fathers and grandfathers who sacrificed everything for the sake of the business – including marriages, families, personal health and quality of life – and most are not willing to follow the same course.

Enter the modern day KSAs – as the MAB – the Management Advisory Board. In pooling the talents of your top level managers to expand their focus beyond their individual departments, to include the overall strategic development and welfare of your business, your company’s odds of surviving (and thriving) the succession transition into the next generation are greatly improved.

### How does a Management Advisory Board (MAB) work?

A Management Advisory Board (MAB) is an entity within your business, made up of one to three exceptional key managers who will receive a vested retirement benefit for stepping up to globally-focused leadership activities that increases profitability and sustains the business through the succession transition.

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## Guest Column: Paradigm of Leadership—Continued from Page 5

The purpose of the MAB is to serve as a liaison to rank and file employees, assist with development of policies and procedures, mentor your successor and implement a common culture throughout the organization.

In operation, the MAB participants meet with Ownership on a regular basis, with an established purpose, organizational core values, objectives and operating procedures as defined in a written Charter. Meetings are conducted with the aide of a trained facilitator/trainer. The MAB initially addresses issues that ownership requests. The official and formal nature of this organization offers an attractive element of prestige to the participating members.

### Changing the Paradigm of Leadership

The diversity of perspectives from various areas of your winery should bring fresh creativity to addressing problems and issues. However, this is initially an awkward group of strong willed, independent managers who may be good individual leaders, but may at first struggle to operate like a team. Fortunately, after a season or so, MAB members usually discover the power of this organization as an opportunity for them to significantly influence business management, enhance employee productivity and ultimately, increase profitability. They will begin to recognize that their joint efforts can move the profit needle, increase earnings and increase bonuses.

### Benefits from the vantage point of management teams:

- Creates a definition of the Owners' expectations in their absence.
- Establishes a mentor team, support, and environment for the development of the next generation.
- Creates management depth by allowing senior managers to move up in their leadership role as strategic planners and visionaries, and junior managers to take on more operational responsibility.
- Creates a forum for strategic planning and growth of the business
- Creates excitement, generates energy, and creates a buzz throughout the organization
- Establishes a consistent focus on performance in all areas of the business

### A Legacy with Historical Roots



Arthur's Knights of the Round Table were a committed, synergistic and highly effective team who had a written charter defining their core values, mission and the country's expectations. They fulfilled their charter in bringing peace and unity to Britain, and establishing a legacy that continues to this day to inspire people throughout the ages. There is no reason on earth why you too can't harness the energy of synergistic leadership within your winery – whether you have a small family enterprise or multiple locations. You can develop a strategy designed to provide continuity for your business, a unified vision and directed effort for your family winery and provide the guidance for the next generation of leaders to grow and mature to perpetuate your family's legacy through the next generation successfully.

### Mark Your Calendars:

**November 16<sup>th</sup> – 10:00AM PST/ 1:00PM EST**

**Attend a Free Educational Webinar**

**“Protecting Your Business Legacy and Building Business Value”**

Solutions will be shared that are being used by businesses of all sizes to offer clarity as you pursue protecting your business legacy and building business value!

Visit the following link to register for the seminar - <https://www.gotomeeting.com/register/242046987>

## WINEAMERICA MONTHLY NEWSLETTER -NOVEMBER 2007-

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