



Wishing you and your family a happy and healthy holiday season and a wonderful New Year!

Note: The WineAmerica offices will be closed the week between December 25 - January 1.

From the President's Desk

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An upheaval in Congress, bringing Democratic control to both chambers for the first time in twelve years, and a very upbeat WineAmerica fall meeting in November made for an exciting month.

Fall Meeting

The WineAmerica fall meeting in Canandaigua, New York was a chance, the first in several years, to celebrate the Association's stability and achievements. We are very grateful to the New York hosts, particularly the New York Grape and Wine Foundation, for all the help they provided. Some highlights of the meeting include:

- Reporting that our budget is under control through a combination of aggressive revenue seeking and cost cutting.
- A lively panel discussion of challenges faced in the post-Granholm environment.
- The chance for Board members and Association members to solidify relationships.
- A good demonstration of your WineAmerica staff working in concert, a concept expressed in the newly coined term: "Team

WineAmerica."

- The SAC meeting made clear all the necessary state level work that needs to be done. This was especially true for direct shipping, where great progress has been made, but where much remains to be accomplished.

Congress

Politically, we are in a very interesting place. The elections have presented us with a radically changed environment in which we will have to learn to work. Our key initiatives, immigration and specialty crops, will have to be restructured to be attractive to a new set of players. The loss of senior Representative Richard Pombo (R-CA), the prime sponsor of the specialty crop bill, is a serious blow. The change in chairman of the House Agriculture committee will also hurt. New Chairman Colin Peterson from Minnesota is somewhat less favorable to the interests of specialty crop producers than the man he replaces, Bob Goodlatte of Virginia. We face an important educational hurdle to make sure that when the new Farm Bill is developed in 2007 it is responsive to the needs of specialty crop pro-

ducers and balanced, reflecting the fact that roughly 50% of crop production in this country comprises specialty crops. Specialty crop producers will need to work hard with the new majority and all members of the House Agriculture Committee to ensure that the new Farm Bill is to our liking. Here we should be somewhat better positioned. The country's largest producer of specialty crops, by far, is the state of California. California is very committed to gaining balance in the Farm Bill, the new Speaker of the House is from California, and California has the largest delegation in the House of Representatives. There are 33 Democratic members of the House from California, almost 15% of all Democrats. New York, another state with strong interest in specialty crops has 23 Democratic members. Other important states with large numbers of Democrats include Washington, Oregon, Maryland and North Carolina. If these states speak out strongly in favor of specialty crops in the Democratic caucus, it should be possible to ensure the balance so needed in the upcoming Farm Bill.

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Fall Meeting Attendees Try Their Hands At Cooking Dinner in the NY Wine & Culinary Center Viking Kitchen.

President's Column (Continued)

The Chairman designate for the committee intends to make serious changes in crop insurance and disaster funding. This is a challenge and a potential opportunity for grape growers in many parts of the country where the system is not working well.

The House Agriculture Committee has traditionally been relatively bipartisan so it appears important to keep pressure on Republicans who are supportive as well.

In the Senate, the change from Saxby Chambliss (GA) to Tom Harkin (IA) as Chairman of the Agriculture Committee should be very favorable since Senator Harkin has been much more sympathetic to diversity in agriculture. While the final makeup of the Committee is not yet determined, the Democrats have added new Senators Sherrod Brown of Ohio, Bob Casey of Pennsylvania and Amy Klobuchar of Minnesota (replacing Mark Dayton) to the Committee. They should be supportive of specialty crops. Two Republican Senators on the Committee lost their bids for reelection, Jim Talent of Missouri and Rick

Santorum of Pennsylvania. Senator Santorum had been very supportive of specialty crops.

WineAmerica will provide more direction in the next few months as our campaign for specialty crops gets fully mobilized.

Immigration reform may be in much better shape and able to move because the Democrats are much closer to President Bush on this issue than Republicans are. With the President supportive of reform, the timing may be right for establishing better policies affecting availability of farm labor. This issue should be addressed early in the new Congress.

So far it does not look like tax policy is on the table, but this could change as budget balancing becomes a higher priority. For winery issues the election probably has greatly helped our position. New Chairman Charles Rangel of New York has always been supportive of the industry. Though he is not as attuned as now retiring Chairman Bill Thomas of California, he will be quite sensitive to our needs.

Direct shipping, even as 38

states and 85% of the population can receive interstate shipped wine from wineries, is still a dysfunctional mess of excessive regulation. We will have to deal with that in the future as we simultaneously deal with the confrontation on winery law.

With the new year comes a new set of challenges and opportunities. WineAmerica's challenges for 2007 include:

- Building membership
- Addressing specialty crop legislation
- Seeking the passage of favorable immigration legislation
- Helping states develop proper laws to support their local wine industry
- Making additional progress on direct shipment of wine

Your support over the past year for WineAmerica and its goals is greatly appreciated. Here's to another strong year for the industry in 2007.

Save the Date for the 2007 Wine & Grape Policy Conference

Each year WineAmerica and the Winegrape Growers of America hold an annual Board of Directors and Membership meeting in Washington, DC.

This year the meeting will be held on **March 18-21, 2007.**

This conference is a great opportunity to meet with your peers and discuss industry issues. Attendees will participate in Capitol Hill visits, receive briefings on important industry issues, and enjoy the popular "Taste the Wines of America" Congressional reception.

The meeting is open to all WineAmerica members and State Association Council members.

Registration forms will be posted online in January. Please mark your calendars. We look forward to seeing you in March!



Washington Members present an award to Sen. Patty Murray during the 2006 Wine & Grape Policy Conference.

From the COLA to the Shelf: Tips for Getting Your Labels Out the Door

One of the most repeated questions we get about labels is what is allowed and what is not allowed to be on labels. Quite often it is the case that it varies from label to label, but there are several prohibited practices that the TTB will not allow on a wine label under any circumstance. They are the following:

- False or misleading statements: An example would be to state that the wine contains a grape varietal that is not included in the development of the wine.
- Statements that are disparaging of a competitor's product.
- Statements that imply intoxicating qualities.
- Statements that imply medicinal

properties.

- Statements implying the wine contains distilled spirits.
- Any wording in the brand name or class and type that creates the impression that the wine is similar to distilled spirits.
- Flags, Seals, Coats of Arms, Crests and Insignia, simulation of government stamps.
- References to the age of the wine except in the context of a vintage date or when referencing a method of aging or storage.

TTB Update

The September newsletter contained two notices from the TTB regarding label approval. The notices were in reference to the

new COLA form and the turnaround time on label approval. There have been some developments on both fronts since then. The TTB will now allow the older COLA forms to be submitted until January 15, 2007. Originally they were only going to accept them until October 1, 2006.

The official turnaround time on COLAs submitted to the TTB is still 30 to 45 days. However, over the course of the last month we have seen labels reviewed in about two weeks. The TTB will not allow status request submissions until 30 days after label submission.

'Tis the Season for Giving, But Not to Minors—Use the WineAmerica Turnkey Statement on Your Website

With holiday sales heating up, and wine being the perfect gift, it is important that wineries protect themselves by having a strong statement to deter unlawful activity at the entrance of your online wine shop. In 2005, WineAmerica developed such a statement and it is available for all members at no cost. Simply log

into the "Members Only" section, and select "View Key Links to important information" from the Quicklinks menu, and then select the Underage Turnkey Statement link. Wineries can copy the statement, or download an .html file for easy integration into their website. The statement is intended

to deter underage activity online, and should not be taken as legal advice. While the Federal Trade Commission (FTC) has acknowledged that online sales of wine to minors is highly unlikely, it is better to be safe than sorry!

Note:

There were many informative presentations during the Fall Meeting that might be useful to you. All of the presentations are posted in the Online Library.

Minutes from the Board of Directors Meeting and the SAC Meeting will be posted in the Members Only Section—look for them in the Quicklinks.

Help, I've Got Kids in My Vineyard Business!

By Eugene Rawls, The Rawls Group

Charles was a bit weary as he walked down the oldest row of grapes: it was the first row he and his wife had planted many years before. He reached out and touched the wilted and withered canes of the oldest vine. It had produced well this year, yet he noticed that it had produced significantly less than last year. He was a bit concerned as he looked off to the west where the newest vines were getting planted and established. He wondered if they would produce as well and as long as this faithful old vine. With this thought in mind, he decided to sit down for a bit and lean his back on the first pole of the row. He had drifted off into a half-sleep, half-reverie when from just behind him he was startled by a raspy voice:

"Hey, watch out where you sit Chuck!"

"What the, who is that?"

"Who else, it's the first fruit of your labor. Hold on, hold on, you're not dead or hallucinating. I noticed you kind of dragging your feet as you walked down the row. Not like you Chuck, not like you at all. What's up?"

"Well, er, I, um ..."

The old vine let out a kind laugh, "Hey, you have talked to me for the past fifty years Chuck, perhaps it is time I answer, huh?"

"Last fifty years?, a little anxiety rising in his voice, "You heard everything?"

"Hey, don't worry: what happens here stays here?"

Feeling a bit silly, Chuck was relieved at that, though obviously still perplexed about talking with a vine. "Well," he awkwardly began, "I am a bit worried about the place and the business." Chuck gave a short laugh, "well, I am worried about you and your legacy over there," pointing to the west.

Ole Viney let out a low whistle, "Sure is something isn't it. A lot of work, a lot of years and tons and tons of fruit. I have appreciated your help Chuck, my legacy is something, huh! So what is bothering you?"

"I am not sure my kids are up for taking over and keeping the

legacy going. Don't get me wrong, I love them and they are plenty smart. I just don't know if they are ready."

"Well, you've done great with my kids Chuck. Tell me what you have done to prepare them for success?"

"What's that?"

"What have you done to get them ready," asked Viney sincerely. Chuck was a little puzzled at that.

"Well, I have, that is they, well, they have worked in the business, sort of. I mean, I just sort of thought that when I was ready to, you know move on, that they would be ready. You know?"

Viney was perplexed, scratching the top of his vine. "I don't get it Chuck, you mean that you spend all the time you do with me and my offspring carefully preparing, planting, cultivating, harvesting, etc. and you just thought it would happen by itself with your own kids? Wow, I suppose vines can produce fruit if you don't intentionally care for them, but not nearly as much as if you do. Hey Chuck, this is blowing my vine man. I watched you till the soil to create a workable planting bed for me. You plowed, disked, dragged, floated and everything else just to get ready to plant me. Preparing for a productive vineyard is tough work. You even planted me by hand. What have you done to prepare your kids?"

Chuck was a bit miffed and rattled at the same time. Who was this old vine to be asking him questions? "I gave them an opportunity to work."

"Great, but did you help with weed control, training direction, pruning, support wires, cultivation strategies,..." Viney trailed off out of breath and befuddled. How could Chuck, who had taken care of him and all of the vines so well, not put the intentional care into getting his kids ready to produce abundant fruit? "Chuck, the fact that I and all the other vines have been so successful is directly connected to your attention to the details of helping us get ready to produce and to keep us producing."

Chuck leaned back against the post, closed his eyes and pondered his discussion with Ole Viney. Suddenly he was startled by a voice calling to him.

"Dad! Dad? Oh, there you

are," said his son, "we have the planter up and running again and we have a question about the marking of the field." Chuck got up to join his son. He looked down at the old vine and wondered.

What does it take to get your business ready for succession? How can family (founded upon unconditional love) and business (driven by evaluation of performance) effectively and successfully work together? The answers to these questions are best found in formulating clear and relevant questions that get to the root of your business succession goals.

Many business owners, who are extremely interested in the succession of their business, are unsure of where to start and what questions they should be asking themselves to plan for success. Knowing and understanding the important questions that must be asked is essential for ongoing success of the business whether you are the

- Current owner/leader of your company with kids in the business
- Kids in the business
- Adviser hoping to help the owner and/or the kids in the business

Every owner has to ask and answer the critical question regarding the disposition of the business: "How am I going to exit the business while capitalizing on my hard work and positioning the business for success into the future?" There are only four possible answers to the first part of this question, with multiple variations, but the exit possibilities are limited:

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Help, I've Got Kids in My Vineyard Business! (Continued)

- Do nothing and let the chips fall where they may after death
- Sell the business on the open market
- Develop children to take over the business and give or sell it to them
- Develop non-family employees to take over the business and sell it to them

There is only one answer to the second part of the question:

Plan for the succession of your business to perpetuate business success.

Once you have decided which of the four exit strategies to pursue, the nature of approaching the succession of your business varies.

The first option requires that you do nothing and let the chips fall where they may. This option requires the least amount of sweat and tears, but usually results in the deterioration of your first born child, the business. Why work so hard for so long, to just let it wilt and die after you leave the business?

The second option, selling your business, assumes there is something to sell and that someone wants to buy. You can position the business for the highest bid possible and hope the kids, and/or your loyal and dedicated managers will have a job after the sale. Perhaps the new owners can be strong-armed into an employment continuation agreement for the next generation.

Something worth mentioning in terms of selling the business is **Succession Planning Builds Value**. The process of succession planning addresses all issues that may impact the perpetuation of a business through the next generation, including the value drivers directing you to:

- Refine products and processes pertaining to the potential problems and potential missed oppor-

tunities identified through the succession planning process

- Commit to providing the financial resources needed to support those products and processes

A buyer not only looks at your real estate and quality of the vines, they also look at your people, culture, processes etc. for determining the price they are willing to offer for your business.

If your hope is to perpetuate the business into and through the next generation of owners, developing competent successors is critical. About 50 to 60% of business leaders, retiring in the next five years, have not chosen a successor. It becomes increasingly clear where the pain is sourced: the selection and training of these leaders has not even been considered. Whether option 3 or 4 is chosen, intentional **successor development** is often taken for granted but a vital transition consideration.

The following are a few successor development questions that you should consider in this process:

- Is there a clear and documented **Strategic Plan** that outlines succession goals and development strategies for kids and key employees?
- How are kids and/or key employees **assessed** to determine whether they have the skills and abilities to own and operate the business?
- If they do not have the skills and abilities, how will it be addressed?
- Can a **Successor Development Program** be created and implemented in time for the owner to exit when they want to do so?
- If the successor will not be ready before the owner exits the business, how can key employees help with bridging the leadership gap until they are ready?
- How do you keep key employees interested in the succession of the business when the kids are eventually going to take over and/or re-

main active in the business?

- Is there a **Family Member Employment Policy** in place that keeps kids accountable and key employees confident that sound business strategies supersede family connections?
- Is there an established, outside **Advisory Board** that provides objective oversight of business concerns including employee performance?
- Has a process been established to effectively distinguish and communicate concerns regarding family matters versus business matters versus ownership matters?
- Is there a solid and well-documented statement of Ownership's Expectations and Philosophical Values clarifying how they want the business operated in their absence? Has it been communicated to the family and operating management team?
- Is there an objective, third party that can facilitate navigation through difficult discussions?
- Are there clear and objective **Key Performance Measures and Benchmarks** that are in place to evaluate successor readiness?

Taking the time to formalize Successor Development planning is not a guarantee of successful business continuity, yet it can significantly strengthen the opportunity for achieving successful succession of ownership and competent management.

Effective, **intentional** Successor Development and Succession Planning will directly and positively impact the business.

The Rawls Group is a WineAmerica Supplier member providing succession planning for wineries. To learn more about their services, visit their booth in the Virtual Trade Show or visit our websites at www.rawlsgroup.com or www.seekingsuccession.com.

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** Advertisement **

Dear Wineries,

I wanted to break up our monthly advice page with a new, critical development that we feel is key to the success of all wineries.

The cornerstone of Inertia Beverage Group's growth plan is to expand the channel for direct wine sales by developing systems to help partner wineries grow their direct-to-consumer sales over the Internet.

We have now taken the next, logical step: **Direct to Trade sales.**

A PARADIGM SHIFT

Inertia Beverage Group has developed a patent pending, automated system that allows restaurants and retailers to access your wines through our system and will allow shipments, via common carrier, directly to them.

It's a paradigm shift in the way wines are sold.

Earlier this year, we presented our system to the State Liquor Authority in New York (NYSLA) and the new technology was deemed to be in compliance with the state's ABC laws, allowing us to launch our "REthinkwinetrade" direct-to-trade initiative.

This significant development will fundamentally change the way out-of-state wineries access the New York state market and signals an unprecedented change in the way wine can and will be distributed in the future.

EXPANDING MARKET ACCESS FOR WINERIES

For the first time, wineries that previously had no access to the trade in the huge New York market will be able to ship directly to restaurants and retailers. Suddenly, developing a trade database for direct sales becomes possible; targeted trade marketing becomes a new discipline and new direct relationships between producer and buyer can be established. In the next year we intend to launch this direct-to-trade system in 20 more states giving you unprecedented access for ALL your products in those markets.

We believe in wineries and we believe in DIRECT. We hope you will join our Revolution. Learn more by calling us or visiting www.rethinkwinetrade.com.

Sincerely,
Paul Mabray, CEO, Inertia Beverage Group

*** Inertia Beverage Group is a WineAmerica Supplier member. To learn more about their services, visit their booth in the WineAmerica Virtual Trade Show.*