

LABOR CRUNCH

Early responses to the California Farm Bureau Federation's 2013 agricultural workforce survey point to labor shortages in excess of 30% and far more unmet demand for labor than in previous years. With the 2013 wine grape harvest beginning two weeks earlier than normal in California, at a time when the table grape harvest is peaking and berry crops are still in full swing, labor shortages were undeniable.

According to Nat DiBudo, president of Allied Grape Growers in Fresno, competition for seasonal employees is stiff as workers follow the highest-paying jobs. He cited instances of strawberry growers hiring vineyard workers, only to have raspberry growers step in and offer those workers higher wages. From all accounts, the money follows the most perishable crops. "There's no question that wages are escalating and growers are stretching out the timing of their harvests," DiBudo said. "They are not getting as much fruit on the market as fast as they would like."



Lodi grapegrower Kyle Lerner says the labor situation this year has been "insane." Photo: Deborah Parker Wong

Fifth-generation Lodi grower Kyle Lerner was pressing chardonnay when he gave Vineyard & Winery Management an account of the challenges he faced

this year in Lodi. "From where I'm standing, the labor situation is insane," he said. "We've seen it dwindle to levels that are almost frightening." Lerner had to prioritize vineyard work during the growing season, which meant that some tasks, such as shoot thinning, were a lower priority.

Shortcuts in the vineyard may be a short-term solution for growers who need to stretch resources, but they don't bode well for California's wine quality over time.

DiBudo noted that winegrowers in Suisun Valley, Lodi, Fresno and the North Coast struggled to control powdery mildew when worker-deficit delays in leaf pulling prevented timely applica-

NEWS FLASH

OSU to Expand Fermentation Science Program

Lawmakers approved \$1.2 million for Oregon State University (OSU) to enhance the Agricultural Experiment Station's fermentation sciences program. The funding will support OSU research in the production of high-value wine, beer, cheese, breads and distilled spirits, as well as help establish a research distillery.

PA Reports Record Revenue

According to the Pennsylvania Liquor Control Board, revenues at fine wine and spirits stores reached \$2.17 billion in fiscal year 2012-2013, a \$93 million or 4.5% increase over the previous year. Retail wine sales showed the strongest growth with a 6% increase.

Siduri Begins Gluten Testing

Siduri Wines in Santa Rosa, Calif., has begun gluten testing on its pinot noirs. This information is accessible through wine notes posted on the Siduri website that are linked via QR code from the bottle labels, allowing consumers to review ingredients, winemaking processes and more.

For more industry news briefs, visit the News Flash page on V&WM's website: <http://www.vwmmedia.com/magazine/web-exclusive1.asp>.

CORRECTIONS

In the story "Super Sparklers," published in our Sept/Oct issue, it was stated that Barbara Frank attended UC Davis. It should also have been noted that she earned a master's degree in enology from California State University, Fresno.

On page 13 of our Sept/Oct issue, in the News in Focus item "Credit Window Opening," the QE bond amount should have been \$85 billion per month, not \$85 million.

tions of fungicides. Growers whose sites and trellises lend themselves to mechanized leaf pulling had fewer concerns.



Nat DiBuduo of Allied Grapegrowers says leaf-pulling delays led to powdery mildew issues in some areas.

While Lerner considers himself fortunate to have a strong base of full-time employees, he still relies heavily on seasonal labor during harvest. "I had three good-paying jobs available, driving tractors during night harvesting, and couldn't find anyone to fill them,"

he said. At the same time, he said he's heard "horror stories" about peach growers being forced to walk away from entire crops when labor wasn't available during harvest.

Recent efforts by federal officials to curtail illegal immigration in California have focused on sweeps targeting those convicted of serious or violent crimes and the use of radar surveillance to monitor the coastline for drug and immigrant smuggling activity. As Gov. Jerry Brown signed legislation that allows undocumented residents to acquire a driver's license, California maintains a less punitive approach toward illegal immigration than many southern and southwestern states, but the cumulative effects of tighter border controls are being felt by industries that rely on immigrant labor.

With immigration reform in limbo as the U.S. House of Representatives takes a piecemeal approach to the Senate's bipartisan bill, DiBuduo said his growers wholly support the common-sense reforms that are being proposed, which include a path to citizenship for about 2.6 million people who are living in the country illegally. He recently met with Sen. Diane

Feinstein and Reps. Jim Costa and Xavier Becerra, who are working to put a plan in place to convey that message.

"It's been frustrating," Lerner said. "We've had no control over what's being done with our borders, and as much as everyone talks about local, fresh, organic food, our markets are filled with lower-priced imports."

A federal study released in July detailed the economic benefits of fixing the immigration system and, according to the Congressional Budget Committee, the bipartisan Senate bill would increase the labor force by 3.5% in 2023 and 5% in 2033.

But even with reform on the horizon, Lerner wants to see policies that work in practice. "Why are we even talking about legislation like a stair-step structure for minimum wage increases when, from the looks of things, there won't be any labor available?" he asked. When queried about what the future holds if reforms don't help ease the worker shortage, Lerner replied, "More mechanization and fewer ranches. But, as it stands, I still can't put a robot down a row."

NEW ICEWINE STANDARD

New regulations governing the standard identity for icewine are scheduled to take effect on Jan. 1, 2014. From that date on, Canadian wineries that produce sweet wines by any means other than using grapes that have been frozen naturally on the vine, won't legally be allowed to label their products as icewine.

Canada developed new standards for the production and labeling of icewine to ratify its membership in the World Wine Trade Group (WWTG), an association of eight New World wine producers, of which Canada is a founding member. Similarly,

the Vintners Quality Alliance (VQA) act, which was established there in 1999, paved the way for Canadian exports of icewine to the European Union in 2001.

The WWTG stipulates that only wine made exclusively from grapes that have been naturally frozen on the vine may be labeled as icewine. The style accounts for 45% of Canada's wine export revenue, yet only 1.2% of wine export volume.

In an effort to increase the production of similarly styled wines, some producers have used other techniques to freeze

grapes. For example, a common practice in Quebec, where the snow is so high that it reaches to the tops of the vines, is to pick grapes and leave them in nets on top of the vines until they freeze. The wines made from the berries frozen in this way have been labeled as icewine.

After Jan. 1, only wines made from grapes naturally frozen on the vine, such as the Henry of Pellham Riesling Icewine, will be allowed to be labeled as icewine.

"Most of us are legitimate," said Paul Speck,



partner at Henry of Pelham Estate Winery in Ontario. "We can't stop people from making wines using these methods, but now they can't put the term icewine on the label."

Growing demand for icewine in China has resulted in a rash of counterfeit products that are being passed off as authentic icewine. "We've identified counterfeit icewines in five-star restaurants and hotels," said Dan Paszkowski, who heads the Canadian Vintners Association. "Up until now, we've been vulnerable," added Speck, who said he believes that the new regulation will help combat those abuses.

In terms of dollar value, icewine is Canada's main wine export, and more than 85% of it is made in Ontario.

Bruce Nicholson, winemaker

for Inniskillin, the country's largest producer, has been on the forefront of the push for regulation and welcomes federal laws that will protect the integrity of the wine. "A very specific standard was necessary because we had gaps in both our provincial and federal regulations," he said. "It's hard to go after other people unless you have your own house in order. We're now in a stronger position to enforce the definition globally."

According to Paszkowski, Canada's exports of icewine reached \$13.4 million CAD in 2011 and the category itself grew by 242% from 2004 to 2011. Canada and fellow WWTG members Argentina, Australia, Chile, Georgia, New Zealand, South Africa and the United States are working toward codify-

ing regulations in order to promote wine trade.

Canada's new regulations will also allow for mandatory labeling information – name, net quantity, country of origin and alcohol content by volume – to be displayed in a single field of vision on wine bottles and boxes, which means that it can be seen without having to turn the container. "It's the consumer who wins in the end," Nicholson said. "Now we can focus our energy on promoting the product."

Canadian wine exporters are gaining greater market access because they won't have to redesign their labels for each individual country's requirements. "We're now in a position to develop future export markets," said Paszkowski. "And Korea is first in line."

Rhode Island Tax Hike

Unlike the moving target that is direct shipping, the domestic excise tax landscape for wine remained almost unchanged in 2013. Although several states had tax increase proposals on the ballot, only Rhode Island's gained voter approval with legislation that was designed to be revenue-neutral.

"Rhode Island increased its excise tax on wine from 60 cents to \$1.40 a gallon for an experimental 16-month period and eliminated sales tax for the same period," said Steve Gross, vice president of state relations for California's Wine Institute. The rationale behind the legislation was based on package stores that were losing sales to neighboring Massachusetts, which



Photo: Thinkstock

doesn't impose a sales tax. Consumers were crossing the border to shop in Massachusetts and thus avoid paying sales tax in Rhode Island.

"It's all a matter of perception," Gross said. "Eliminating sales tax encouraged shoppers to stay in the state to make purchases." Rhode Island's new rates will sunset as of March 31, 2015, and legislators will have to act to continue them. Gross said legislators will take a wait-and-see approach to determine if the experiment is successful.

Historically, excise tax hikes for wine have been few and far between; during the past decade, only a handful of states have increased their excise tax rates.

NEW DTC BENCHMARK

The value of direct-to-consumer (DTC) shipments from U.S. wineries has reached an all-time high. According to ShipCompliant's 2013 Direct Shipping Report, DTC sales have exceeded the total value of U.S. wine exports and continue to outpace the growth of overall wine sales in the nation. The 10% increase in sales of direct-shipped wines brought the value of shipments to \$1.46 billion in 2012.

Effective Oct. 1, 2013, Montana has a new permit law that allows any out-of-state winery registered in Montana to sell and ship up to 18 9-liter cases of wine to adults in that state each year. Wineries selling through a wholesaler will pay an annual fee of \$50, and a tiered registration fee is in place for newly registered wineries. Montana wineries also benefit, as they now have the ability to ship directly to consumers in Montana.