

Nations Newest Wineries Popping Up In Non-Traditional Places

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WASHINGTON, D.C. What type of value-added agricultural business has been popping up across the nation's midsection almost faster than ethanol and biodiesel plants? Most folks are surprised to learn that the answer is "wineries."

The growth of small and mid-sized, locally-owned wineries has been taking off in the Midwest and Midsouth, as well as several other "non-traditional" wine-producing states. California still leads the way in the number of fed-

market their wines, while offering a mix of local entertainment and events, a dose of artisanship along with plenty of elbow grease, and you've got the ingredients for some of the nation's newest wineries.

One example: Summerset Winery, located south of Des Moines, and operated by Ron Mark. Now in their eleventh year of business, Summerset fills a leisure and event niche as well as selling wine. "This is an example of the pure labor of love startup. Wine is just part of the value proposition in this business model," adds Clause.

Even though Iowa has a strong history of grape production before Prohibition, the region is hardcore commercial agriculture with pro-

Federally Licensed Wineries by State for 1998 and 2007

Western Region (13 states)				Midwest Region (20 states)				Eastern Region (17 states)			
State	# Wineries & Blenders		% Change	State	# Wineries & Blenders		% Change	State	# Wineries & Blenders		% Change
	1998	2007	1998-2007		1998	2007	1998-2007		1998	2007	1998-2007
AK	1	8	700%	AL	4	9	125%	CT	16	32	100%
AZ	13	37	146%	AR	10	10	0%	DE	1	7	100%
CA	1094	2,387	118%	IA	13	53	385%	FL	12	52	333%
CO	25	82	228%	IL	19	88	363%	GA	12	22	83%
HI	3	4	33%	IN	23	41	78%	MA	21	34	62%
ID	19	33	74%	KS	7	19	171%	MD	14	33	136%
MT	2	10	400%	KY	12	45	275%	ME	7	13	86%
NM	24	37	54%	LA	6	7	17%	NC	15	85	467%
NV	1	5	400%	MI	43	126	193%	NH	4	13	225%
OR	120	327	173%	MN	10	29	190%	NJ	25	45	80%
UT	6	7	17%	MO	42	93	121%	NY	158	268	70%
WA	124	531	328%	MS	5	2	60%	PA	66	127	92%
WY	1	3	200%	ND	1	9	800%	RI	6	7	17%
				NE	2	24	1100%	SC	4	11	175%
				OH	71	120	69%	VA	62	158	155%
				OK	3	54	1700%	VT	10	18	80%
				SD	1	15	1400%	WV	11	19	73%
				TN	19	40	111%				
				TX	45	158	251%				
				WI	17	46	171%				
Region Totals	1433	3,466	142%		353	998	183%		444	939	111%
All Regions Grand Total					2,230	5,403	142%				

Source: Alcohol and Tobacco Tax and Trade Bureau, Wine Producers and Blenders list for 1998 and December 2007

erally-licensed wineries, followed by Washington, Oregon, and New York. But over the last decade, there has been dramatic growth in states like Iowa, South Dakota, Texas and Nebraska.

What's driving the boom? Unlike corn and soybeans, it's certainly not the price of the basic commodity, says Reg Clause, with the Ag Marketing Resource Center and Iowa State University Extension.

"At the time this boomlet started, just as today, the country and indeed the globe was awash in good wine at good prices. Taken at that level, it did not appear the market was calling for more product. This situation was so tough, it led to market clearing efforts such as the "\$2 Buck Chuck" super sale pricing through Trader Joe's." Even now, we're seeing French vintners, who represent many 'Old World' wineries, tearing out vines in an effort to get out from under what they've termed a "wine lake".

From a consumption standpoint, Clause says much of the growth can be attributed to interest in buying local or buying "place-based" products. "Some larger retailers jumped on the bandwagon, reaching out for local foods and otherwise differentiated products. This offered an opportunity for shelf space previously too expensive for the small operator."

"Regional retailers like HyVee have been stocking local wines for the past several years. While these wholesale margins are substantially less for a winery when selling through retail stores, it is getting labels better known."

From a production standpoint, growth was driven by farmers wanting to diversify into alternative crops.

"Many grape producers were looking for alternative crops or alternative activities. They were trying to slightly change their own production equation. The grapes were an enterprise within the business or in some cases a sideline for someone with a good day job. This offered what appeared to be a non-commodity approach even as the market was behaving in some commodity ways," explains Clause.

Combine these factors with families willing to

cessing and manufacturing, says Clause.

"There is a serious undercurrent of folks seeking a gentler, more convivial scene and feel. This reach for some change of philosophy or culture offers both a pull and a push that is possibly motivating consumer and producer," he adds.

Many of these smaller wineries found a broad range of research, technical and marketing support through USDA Rural Development's Value-Added Producer Grants, the Agricultural Marketing Resource Center (AgMRC), state development efforts and some surprisingly bold efforts out of the Land-Grant University Extension Service.

At a time when the industry could almost be counted on one hand, Iowa State University Extension committed a full time field staffer to support the winery/vineyard effort, explains Clause. As luck would have it, the ISU Horticulture department had a substantial viticulture expert. Later on, Dr. Murli Dharmadhikari was hired to fill out the support offerings at ISU and develop an institute. The Iowa Dept. of Economic Development, local development organizations and local lenders have also been involved in some of these startups. In return, they've generated an expanded tax base and new employment opportunities.

Clause says the Midwestern wine and grape industry is "extremely embryonic," but predicts that the general levels of winemaking skill and the state of viticulture will all continue to grow and evolve. Markets are also expected to continue expanding. Figures released recently by the Wine Institute show U.S. wine purchases rose 7.9 percent last year to \$30 billion, making the nation the world's largest wine market.

A good resource for anyone interested in entering the wine business is "The Total Wine Package". To play the video, make sure you select the link that best matches your connection speed. It's located on this site: <http://www.agmrc.org/agmrc/commodity/fruits/wine/winevideo.htm>.

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