

Promoting the Winery Industry in Montana

Bob Thaden, owner/operator of Tongue River Vineyard & Winery, Miles City, MT. Nov 2023

In Montana, several different business models are licensed as wineries. Some are primarily involved in aging or blending wines they have purchased. Others are manufacturing wine either from fruit or juice extracted from the fruit. A few wineries are committed to primarily producing wines from fruit that grows in Montana.

There are a few main issues in being successful, especially for developing a genuine wine industry in Montana: 1) the inadequate supply of grapes and other fruit grown in Montana for making wine and 2) the difficulty that wineries face in getting their wine into the hands of consumers and 3) financing the venture.

Inadequate fruit supply. The significant growth of a wine industry in any state requires vineyards for fruit production. The wineries really driving the establishment of a genuine grape/wine industry in Montana include the largest vineyard/winery at Willow Mountain in Corvallis, two of the oldest at Tenspoon Winery in Missoula and Tongue River Winery in Miles City, and the newer wineries White Raven in Columbia Falls, Flathead Lake Winery in Polson, and Watchdog Winery in Dixon. These wineries all own or lease vineyards in Montana, yet despite really good years, each of these wineries purchase grapes and/or other fruit from other growers in Montana. Frequently these wineries are competing with each other for grapes from other growers, especially in a “bad weather” year.

Consumer contact.

Special Permits: Consumers tend to buy what they already know. A new winery finds that the best sales tool is readily available wine tastings, ease of purchase and word of mouth praise from someone who has already tasted and/or purchased the products. The 2023 new law that allows wineries to sell wine by the bottle as well as by the glass at special permitted events is a great step in the right direction. Allowing farmers market permits would help showcase local MT grown wine, help wineries survive and the industry grow... benefiting Montana.

Sales to liquor stores. The last legislature also made it legal for wineries to sell table wine directly to state liquor stores, another helpful move. But the wines are limited to those under 16% alcohol by volume. Distilleries can sell their liquor directly to state liquor stores. Why can't wineries? It makes little sense to have to send a port-style wine all the way to Helena at the winery's expense, only to have it shipped back to a liquor store within 5 miles of the winery. Wineries and retailers are required and trusted to keep records of table wine sold. It would be no different for wineries to sell to liquor stores directly.

Distance to customer base: Vineyards require appropriate soil, water and weather conditions to be productive and successful. Often times those realities are far from significant shopping areas or major highways. The establishment of Farm Wineries with the opportunity for one off-site tasting room, would make it possible for significantly rural vineyard and winery sites to have a fair and competitive market opportunity. Wineries growing or at least processing significant tons of fruit cannot easily do so in an urban business environment. Without that option for a more consumer-centric sales site, it is very difficult if not impossible to establish enough business to succeed.

More special permits: Some wineries elect to do self-distribution, at least for parts of the state. Wineries also can use wholesalers. But wholesalers frequently turn down representing small wineries, due to concerns about their ability to provide enough wine, or just the overhead of additional paperwork. That is one reason for the current 4500 case self-distribution law, allow access to consumers to be able to grow your business large enough to then utilize distributors. For a winery to generate a customer base across the state, more special permits would provide more opportunities to provide wine tastings and sales to help expand the customer base.

Tastings in stores: New York and many other states allow wineries to use a small, portable tasting area within stores with a wine retail license as a way of generating awareness and sales. The store gets new sales which means the winery can sell more product to the store or the distributor the winery uses, similar to the food tastings that happen at Costco.

Establishment and Financing of Wineries and Vineyards

Vineyard establishment: It takes at least three years and more realistically four years for a vineyard to produce a saleable crop. Meanwhile, there are thousands of dollars worth of expenses in fencing, land preparation, trellising, plants, irrigation equipment, energy, labor and machinery. Add to that disease, bird, insect and animal control, all of which begin at year one. A tax credit or some kind of financial offset in those early non-income producing years would make vineyard planting and management much more attractive to new growers.

Winery establishment: For a winery with a vineyard, the same 4-year pre-sales interval applies, plus at least one or two more years before the wine produced is ready for sale, due to wine clarification, blending, aging and bottling, plus several more years to become established and profitable. Having some kind of tax reduction for the first few years of commercial vineyard establishment would significantly help wineries.

Access to capital: It is difficult to secure adequate capital when building a venture which has little history in a state, particularly an industry like viticulture and/or enology where there is significant lag time from establishment to sales. Entrepreneurs who wish to establish a vineyard or winery often find it difficult to secure funding unless they are independently wealthy or old enough to be on fixed incomes large enough to support them and provide capital for the new venture. Due to lack of crop insurance, banks and FSA government loans are not available. It is difficult to manage a commercial sized vineyard (3 acres or more) or winery while holding an outside job because of the amount of labor required.

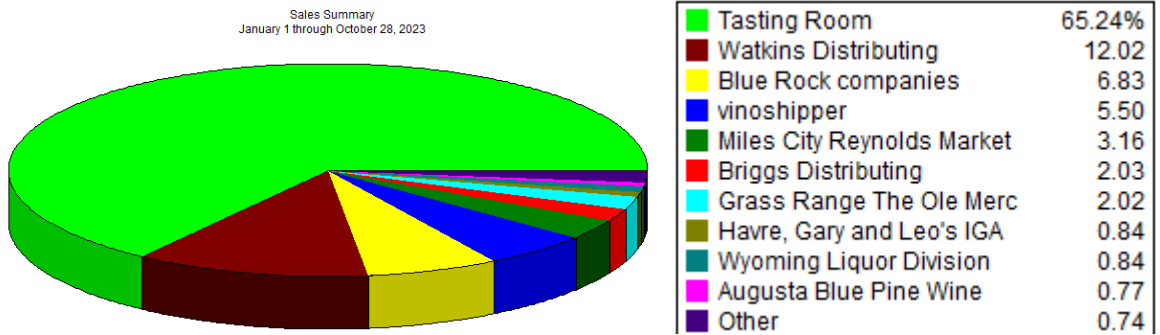
A Winery Example: Tongue River Vineyard & Winery in Miles City

Lag time: Bob & Marilyn Thaden began planting grapes in 2004. But it wasn't until 2010 that they finished building and then opened Tongue River Winery, with approximately one acre of grapes in production and many other fruits on site or available from the greater Miles City area. Now the vineyard is three acres.

Financing: Bob has worked more than full time for the winery, along with one other full time employee and some occasional part time employees. They could not have started or maintained this business except that they took retirement at age 62 and both had pensions and social security for much of that time, which freed Bob to work full time without outside income. The Thadens are not independently wealthy.

Sales style: for five years, Bob self-distributed all the way from Broadus to Plentywood and Sidney/Glendive to Forsyth, Colstrip and just east of Billings. In December 2016 the winery signed with M&C Beverage to provide sales in SE Montana, and later with Nemont for NE Montana. Today they are partnered with Blue Rock Distributing to cover all of eastern Montana and Briggs for S central Montana. They self-distribute to several stores further west.

But because of their location just 2 miles from Interstate 94, and at one of the larger communities in eastern Montana, and because of being members of Harvest Hosts (which attracts large numbers of tourists for overnight stays in their parking lot), Tongue River Winery has had great sales success at the Winery tasting room. Without this factor, the business at its current size could not generate enough income to survive.



As you can see, the vast majority of sales takes place in the Tasting Room (65%) and with Vinoshipper (a DTC sales partner at 5.5%) where the winery is able to sell at full retail prices (almost 71% of sales together). Without that income direct from consumers, it would be difficult for the winery to survive, hence the importance of off-site tasting rooms for wineries without the access to customers that Tongue River Winery has.



Benefit to the community: Although a small winery, Tongue River Winery has sold nearly \$1.5 million worth of wine in the past 13 years, representing more than 100,000 bottles of wine. A realistic estimate is that the business has brought over \$250,000 of new money into Miles City and is a place of pride for the community.

Contact Bob for further info or questions.

Bob Thaden, owner, winemaker, vineyardist, business manager
 Tongue River Winery, 137 Morning Star Ln, Miles City, MT 59301
 406-853-1028 (Cell) www.tongueriverwinery.com www.facebook.com/tongueriverwinery
trwinery@midrivers.com