

Economic Affairs Interim Committee

RE: JS 30 Study on Viticulture

My name is Peter Tyler. I am a wine grower. I am an aspiring wine maker.

I live in Plains, Sanders County, MT.

We, my wife and I, are currently attending WSET (Wine & Spirit Education Trust) Certification III classes at Napa Valley Wine Academy and are sorry we are unable to be at this meeting in person. Our apologies.

**OUR VINEYARD:**

Grape growing is not new to Montana. With a casual walk down many streets in Thompson Falls, MT you can find grape vines growing either as ornamental plantings or for back yard fruit harvest. Some vines appear many decades old.

What is new to the State is viticulture. Commercial wine growing.

Wine grapes have only one market. It is not table fruit, jam, jelly or grape seed oil. It's wine. Not only do I grow grapes, I'm a wine grower.

We are growing about 1.5 acres of wine grapes with plans to expand to about 6 acre total under vine.

I am new to commercial wine making and the journey required to establish a new winery in Montana.

So far it has been an adventure. We have invested about \$10,000 per Acre (fencing, vines, trellis, irrigation, ground prep) and about \$20,000 in permitting. Our change-of-use building permit has taken over 9 months to acquire.

We anticipate \$60,000-\$70,000 in remodel costs (Fire rated walls and ceiling, ADA bathroom, health dept required sinks, plumbing and flooring).

Our equipment costs for start-up will be about \$75,000 and closer to \$200,000 once up to maximum production (fruit handling, crush/destemming, fermentation vessels, bulk storage vessels, oak barrels, filtering, filling, corking and labeling).

We have applied for a Growth Through Agriculture grant in hopes to assist with this required cash flow.

We currently hold a Basic Permit as a Bonded Winery to manufacture and blend wine from the Federal Alcohol Tobacco Tax and Trade Bureau (TTB).

We are a registered Alcohol Beverage Manufacturer with the Federal Food & Drug Administration (FDA).

Our initial submittal for Wholesale Food Manufacturing License with Montana Environmental Health and Food Safety was reviewed as "satisfactory".

We are pending State of Montana Winery license and local Sanitarian review.

The Sanitarian position with Sanders County is currently vacant. We have not been told when it might be filled and we might anticipate a review.

Wine is not like beer or distilled spirits, as evidenced by Federal laws that delineate them. Wine is only produced from a temporal, seasonally available, perishable fruit product. Beer and spirits are produced from storable commodities (grains) that are commercially available any time of the year. A brewer/distiller may make several batches a week, while I as a wine maker, get the opportunity to make wine once per year.

The time it takes to produce wine requires patience.

It may take 3-4 years for a bare root plant to produce grapes. (Some varieties may require 5-6 years to reach maximum sustained yield. The vines can live and produce for 50 or more years.

After fermentation red wine may require 2+ years in bulk storage before it's ready to bottle. This produces a product that may be shelf stable for years to decades. Additional bottle aging enhances many wines.

In other words, from planting to consumption can take as many as 6-8 years.

#### **THE LAND:**

We are growing grapes in one of the premiere wine growing regions in the State of Montana Lower Clark Fork Valley,

We are seeing >2800 Growing degree days (GDD@50F) and about 180 frost free days. Season minimum temperature about -10 F.

Other ideal grape growing areas include: Tobacco Valley, Bitterroot, Flathead, and sites on the Yellowstone.

We are attempting to grow varieties that will:

- 1) survive the climate and produce quality wine grapes (as recommended by the MSU experimental efforts)
- 2) consistently produce high quality grapes to be a viable commercial enterprise (be able to ripen >9x/ten years).

In my "neighborhood" (Sanders County), there are two other commercial vineyards. One in Dixon (Watchdog Winery) and one in Thompson Falls (Gutcrac Vineyards).

Two miles up the valley from our property there is an abandoned vineyard. We were told that an agriculture Professor from MSU had planted a vineyard (unsure of how many years ago). It has lain neglected for quite a few years as the property changed ownership. Some of the cold climate grape vines are still there, still growing, and still producing fruit.

Wine growing is changing all over the globe. Places that previously could not consistently grow quality grapes are seeing warmer and dryer climate that is conducive to wine grapes (E.g., United Kingdom, North Dakota, Colorado, Montana and many others). New grape varieties, bred for disease resistance and tolerance to colder climate areas have been a spark to significant expansion and improvement of wine from local grape production.

Almost every state in the continental US now has a growing, productive wine growing industry because of these newer varietals.

Montana is behind in this growing curve. We hope that some of the proposed minor changes to wine sales laws may help grow our industry.

#### LEGISLATION:

We support the opportunity to add our input to Montana's Winery laws.

We feel they do not address the agriculture of wine grape growers (viticulture) nor the production of a value-added agricultural product produced within the State of Montana.

While other states have embraced their agricultural roots, Montana seems to struggle. The ability to earn a living thru traditional farming/ ranching activities requires significant tracks of land.

Wine grapes, as an alternative crop, could potentially meet similar economic gain with a relative minimum of farmable acres. Grapes could be a source of agricultural diversification for suitable areas. Reduced water requirements and reduced inputs (herbicide/ pesticide) with a higher per acre financial return make grapes a worthwhile crop. As a perennial crop it has a delayed return. But once the product is in the pipeline, the return should be steady.

Our goal of our winery is to be able to produce wine and sell it. We anticipate limited "appointment only" on farm bottle sales, but our rustic tasting area may not meet department requirements since those requirements are not codified.

This means visitors could purchase limited bottles of wine, but not be able to taste a vintage before buying it. We have no plans to sell by the glass (wine bar), nor offer food (restaurant). We merely hope to be an on-farm production facility.

We are limited in our ability to self-distribute from:

- 1) inability to taste wine before purchase
- 2) unable to sell at Farmer's Markets or other public exposure events (the increase in available special permits may improve this situation for us, however it still is quite limiting)
- 3) unable to sell bottles off farm from a satellite site.

We will be unable to attract regional distributors due to the very small batch sizes offered.

In Colorado, the winery license cost is reduced for local growers (farm winery). It includes unlimited self-distribution and allows up to five remote sales and tasting rooms, plus one for the manufacturing premises for wine sales direct to consumers. (This started in 1977). Washington State winery license allows for tasting rooms on premises plus two additional remote tasting rooms. The State of Oregon allows for wine sales of all brands at the winery tasting room (even their neighbor's wine), and up to five additional locations.

I mention these examples because I think it was recognized that where grapes can be grown, may not be the most suitable place to sell wine. The farm ground may be near residential areas as ranchers subdivide older holdings. Ag land may have limited access, perhaps via private road, a dirt road or four-wheel drive road. Or just a very remote site away from traffic and population centers. Services may be limited (cell service, sewer, fuel, food or accommodations). Being able to use a "satellite" bottle sales location would minimize these barriers and increased commerce in a more appropriate setting.

## **MARKETING:**

Montana wine is Montana agriculture. The making of Montana wine cannot be separated from the growing of grapes.

Wine is about place. Where the grapes come from, the location it was produced in, the location it represents, and the vintage when it was produced.

Maybe it was a dry year, or a colder year: each season is unique and includes subtle changes to the grape chemistry produced that year.

Many political jurisdictions have established labeling requirements for products from a specific region similar to a "protected designation of origins".

Examples include: AVA (American Viticultural Areas - 269 AVAs in 34 States), Cheddar cheese from England, Kalamata olives from Greece, and of course Champagne from a small region in the northeast of France.

Wine is about location. "Montana Wine", from 1960-2010 was a commercial wine label produced in Auckland, New Zealand (many of their grapes came from Australia).

They have since opted to change this name to avoid confusion with the State of Montana, USA.

We are regulated to production by importing finished wine from the ample "wine lake" from other states, or trying to grow our own fruit, but are required to label it all as "Montana Wine". Unfortunately, there is no distinction. An AVA designation would greatly reduce this confusion.

The concept of local foods, slow foods, "know your farmer" programs and movements as a food source has been growing worldwide since at least the 1980's. Wine is a very slow food. The Farmer's market model seems like a logical choice to market local agricultural products. Wine should be one of those. We could use a "special permit"; however these permits seem really more aimed at non-profits or sporting events. These should be separate from Farmers Markets.

Being able to label our products as "Montana wine" will have us competing with the imported wine that the current laws require to indicate that this is where my Montana wine came from. Even imported grapes cannot be indicated as a source of fruit on a TTB approved wine label. It can only indicate the AVA, or in this case "Montana".

All wine makers may use imported fruit, especially in Montana where local fruit is currently very limited (there are only 70 Acres or so of wine grapes currently in the State). This fruit is mostly unavailable on

the open market as it is highly desired and sought after to be used by the few local wineries that make wine from grapes.

Even for the large local growers, imported fruit may at times be a requirement to make some wines at economically viable production volumes. This is an industry standard and occurs frequently. Weather conditions, disease, crop yields vary across Montana and all lead to changes in the open fruit market. Sales flexibility of Montana wine between wineries in-state could help lessen this impact.

### **Solutions:**

HB783, the return of 12 annual "special permits" from the reduced 3 will greatly benefit our small winery. Special permits should be separate from "Farmer's Market Permit".

Bottle sales with a Farmer's Markets Permit would greatly benefit our winery by public exposure to local produce, public educational opportunities and additional business networking. We would also have the ability for follow-up sales during winter and the rest of the year.

AVA designation must come with State level support. For now, the required inputs needed to meet this Federal designation are beyond the reach of the limited number of wineries in Montana. This designation would mitigate the loss of distinction in "Montana Wine".

We need the ability to have tasting/ sampling to sell bottled wine at the Cellar door without the need to create a wine bar on the farm.

Continued State assisted promotion of our local agricultural industry, including Agritourism, "Wine Trails", Made/ Grown in Montana and Taste Our Place product labeling.

Agritourism or "Wine trails" could easily bridge some of the distance between wineries and population centers.

Increasing the total Statewide acreage under vine will assist in diversifying Montana agriculture.

Some of these Solutions are already starting to come into place and being adopted. We just need a little change to be able to make it to the next exciting level.

Peter Tyler

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