

Politicians don't fear wrath of grapes

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In 1968, Pennsylvania became the first state to enact a law establishing small "farm" wineries that are permitted to sell directly to the public.

Yet compared with the wine industry in many other states that followed with similar laws, Pennsylvania's industry has not been as successful in gaining government subsidies and political clout.

"Pennsylvania has lagged... in recent decades in terms of recognizing the value of its grape and wine industry," said Jim Trezise, president of the New York Wine and Grape Foundation, which was founded 20 years ago with state support.

Now, as Pennsylvania legislators prepare to change state law to bring it into compliance with a U.S. Supreme Court decision on direct shipments of wine to consumers, the weakness of the state's expanding wine industry could be crucial.

The court held that states may not allow their wineries to ship directly if they prohibit out-of-state wineries from doing so.

Legislators must either open the state to direct shipments to consumers from out-of-state wineries or eliminate the right of Pennsylvania wineries to ship directly, usually via Internet orders, a small but increasingly important way to reach customers.

In Pennsylvania's heavily regulated alcoholic-beverage industry, brokers, wholesalers, distributors, restaurants and bars battle fiercely over laws and regulations because any changes are likely to move business to the advantage of one segment or another.

In the case of direct wine shipments, trade groups for restaurants and wine and spirits wholesalers - significant campaign donors - had suggestions for legislators at a hearing in September.

But the board of the Pennsylvania Wine Association, which counts 88 of the state's 109 wineries as members, surprised legislators by not



ROSE HOWERTER / Inquirer

Carole Kirkpatrick tastes wine that her husband, Jim, just drew from their Kreutz Creek Vineyards, one of Pennsylvania's 109 wineries. The industry lacks governmental aid that wineries in other states receive.

making its official recommendation on how to respond to the Supreme Court ruling until this month.

Its position: Allow direct shipping from any U.S. winery that produces no more than 150,000 gallons a year.

National and state wine industry leaders said Pennsylvania's wine industry had a hard time building organizational and political strength because Pennsylvania heavily regulates alcohol sales.

At the same time, winery and vineyard owners here have not done everything they could to promote the industry to lawmakers - in large part because it is tough to do that while running a mom-and-pop business. "Everyone is focused on growing quality grapes and making terrific wines," said Jenny Engle, executive director of the Pennsylvania Wine Association. "They get wrapped up in the day-to-day process of making wine and forget about the other aspects of the industry," including politics.

Still, few businesses live or die by regulations and politics as does anything involving alcohol. "I guess I just haven't been close enough to the political side," said Jim Kirkpatrick of Kreutz Creek Vineyards, near West Grove.

Those who compete with local wineries for favor in Harrisburg pay plenty of attention to politics.

State Rep. Ron Raymond (R., Delaware), chairman of the House Liquor Control Committee, has received more than \$16,000 since the beginning of 2004 from political-action committees for restaurants, wine and spirits brokers, beer wholesalers and others, including \$1,000 from a California wine group in favor of direct shipping.

Pennsylvania's wine industry has no political-action committee. Winery owners said that they could not afford cash donations, but that they donated wine for political events and tried to befriend their local representatives.

"Our representatives are paid to represent us," said Jerry Forest, owner of Buckingham Valley Vineyards in Bucks County. "That's what they're supposed to do."

Wineries in other states have not banked on that approach.

Virginia's wineries, which produce just a bit more wine than Pennsylvania's, have a political-action committee that has donated \$30,600 to political candidates since its formation in 2002. That included \$11,000 especially to get a direct-shipping bill passed, said Ann Heidig, owner of Lake Anna Winery in Spotsylvania, Va.

The wine industry in Virginia is receiving \$580,000 in state funding this year for research and marketing, Heidig said.

Wine industries in Ohio, New York and New Jersey also have dedicated state funding. New Jersey eliminated direct shipping for both in-state and out-of-state wineries in 2004, but the law has been challenged in court.

Last month, the Pennsylvania Wine Association asked legislators to give 10 cents from the sale of each gallon of wine sold in the state to create and fund a Pennsylvania wine and grape foundation. That would have generated \$1.9 million in the

fiscal year ended June 30, 2004.

Legislators have given the industry \$100,000 in each of the last two years. The industry also raised about \$100,000 last year through a self-assessment overseen by the state agriculture department. The funds are used for grape-growing research and promotions such as winery guides for tourists.

Lee Miller, co-owner of Chaddsford Winery in Chester County, said the industry needed more. "If we can't get some money in, we're not going to be able to keep going," she said. Miller also serves as a volunteer representative for the industry association in Harrisburg.

Wine-industry advocates say the industry deserves support because it helps Pennsylvania's two biggest economic sectors, agriculture and tourism, and it preserves open space in heavily populated areas of the state.

From a national perspective, Pennsylvania wineries have not been that bad off, said Bill Nelson, president of WineAmerica, a trade group. "It got a lot of stuff that was helpful as an incubator for the industry without a lot of work," he said.

For example, consumers do not have to pay the 18 percent alcoholic-beverage tax - which is tacked above the state sales tax at state stores - on Pennsylvania wines bought at the winery or at a winery-operated store.

Even so, the low level of industry-side funding frustrates wine-makers. "It just seems like we've stayed stagnant there when everybody else has been moving forward," said Kirkpatrick, of Kreutz Creek.

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