



Maryland Wine:
The Next Vintage

A Report by the Maryland Wine and Grape Advisory Committee
to Maryland Secretary of Agriculture Lewis R. Riley
and Maryland Governor Robert L Ehrlich.



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Executive Summary

At the request of Maryland Governor Robert L. Ehrlich, Jr., Secretary of Agriculture Lewis R. Riley appointed the Maryland Wine and Grape Advisory Committee to identify strategies to facilitate the growth of Maryland's commercial vineyards and wineries and to offer recommendations to strengthen and expand Maryland's grape and wine economics and their markets. This report outlines a series of recommendations that – when implemented – will encourage and assist the continued expansion of Maryland's wine industry as expressed by the growth in the number of vineyards, the acreage planted to wine grapes, the number of Maryland wineries, the gallons of wine produced in the State, the quality of that wine, and the economic benefit to the State.

There is compelling evidence that the Maryland wine industry lags behind the nation – and most notably its northern and southern neighbors (Pennsylvania and Virginia) – in both grape and wine production. Even when calculated on a per capita or per square mile basis, Pennsylvania and Virginia out-produce Maryland in grapes and wine.

The good news is that the Maryland wine industry is showing definite signs of growth. With the assistance of the State through investment in the industry, this growth can be not only sustained but also increased dramatically.

The recommendations contained in this report seek to make Maryland a welcome and attractive state for investors to plant vineyards and open wineries. They seek to modernize liquor laws related to wine making and marketing that were enacted in the thirties following the repeal of prohibition. They suggest strategies for state agencies to improve the image of Maryland wines and the location of Maryland wineries. They recommend to the Governor that he include modest increases in his budget to enable the University of Maryland Cooperative Extension to hire a full-time viticulturalist, a plant pathologist, and an enologist. They offer concrete suggestions to the Maryland Grape Growers Association and the Maryland Win-

eries Association, the industry's professional and trade organizations, to upgrade their services to both the industry and the public.

The experience of other states has shown that where states invest modestly in their wine industries, the return in the growth of that industry as measured in volume of wine grapes produced, gallons of wine produced, economic return to the states, and tax income has been substantial.

The Advisory Committee's recommendations listed in Appendix E are organized by responsible agency.

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Introduction

At the request of Maryland Governor Robert L. Ehrlich, Jr., Secretary of Agriculture Lewis R. Riley appointed the Maryland Wine and Grape Advisory Committee to identify strategies to facilitate the growth of Maryland's commercial vineyards and wineries and to offer recommendations to strengthen and expand Maryland's grape and wine economics and their markets. Secretary Riley formed the committee (see Appendix A), which began meeting on November 3. The committee met weekly for seven weeks. It heard of the successful experience of the Virginia wine industry, listened to the expressed needs of the Maryland wineries as stated by the Maryland Wineries Association, heard the concerns of the wine grape growers from the Maryland Grape Growers Association, and listened to the needs of the University of Maryland.

This report outlines a series of recommendations that – when implemented – will encourage and assist the continued expansion of Maryland's wine industry as shown by the growth in the number of vineyards, the acreage planted to wine grapes, the number of Maryland wineries, the gallons of wine produced in the State, the quality of that wine, and the economic benefit to the State.



The National Wine Experience

*(The following has been excerpted with permission from an article by Bill Nelson and Cary Greene published in *Vineyard and Winery Management* May/June 2003).*

In the past three decades, there has been an explosion of new winery development throughout the country. From nearly 600 wineries in 34 states in 1975, the number of wineries has grown to over 3,700 in all 50 states in 2004. Since 1990 the number of wineries has more than doubled. The primary driver of this growth has been the formation of relatively small wineries located on family farms. These wineries produce a significant proportion of their own fruit and take responsibility for marketing their wine primarily through their tasting rooms, direct sales to customers, and selling to a limited number of nearby retail and restaurant outlets.

Investment in wine production and government support for it has expanded in large part because of the economic benefits that the industry represents. A typical wine grape vineyard will produce a gross value of between \$3,000 and \$15,000 per acre each year, with minimum inputs of fertilizer, pesticides and other non-capital, non-labor products. The process of making wine and the on-site marketing of wine adds additional value. For smaller wineries selling most of their product at retail, this often leads to gross sales of between \$15,000 and \$75,000 per acre. A 20-acre vineyard-winery combined unit can easily produce gross yearly sales of between \$200,000 and \$1.5 million. Such an enterprise can support a family farm and additional year round employees.

Capital investment needs are high, typically \$20,000 to \$50,000 per acre for the winery operation and about the same for working capital costs such as labor, insurance, and other expenses during the first year of operation. For vineyard development – exclusive of land costs – investment needs fall between \$9,000 and \$15,000 per acre. But while these costs and the risks associated with them represent a major burden on the gross income of a winery, much of the investment is spent locally.

And while some winery equipment, such as tanks and barrels representing about \$15,000 per acre, are often sourced out of state, about two-thirds of the winery's investment is poured back into the local economy.

In their initial phases, rural wineries bring with them investments exceeding \$1 million. However, in the long term, they produce stable rural employment of between five to 10 employees per unit. In addition, there is significant tourism generated by their presence. Wineries enable the growth of business in rural communities. Roughly estimated, for every \$3 spent in wineries, tourists will add \$1 additional to the local economy. In rural areas where wineries are successful, restaurants, bed and breakfasts, and boutiques are all given greater visibility. By enriching the cultural diversity of rural areas, states become better able to entice urban visitors. In the long term, encouraging such growth produces healthier rural economics, and promotes the preservation of the State's rural landscape.

In the last three decades, states have been actively revising their state winery laws – most of which were drafted in the 1930s – to be more accommodating to the changing nature of the wine industry.



Virginia & Pennsylvania Experiences

Virginia

The Virginia wine industry is one of the fastest growing agricultural sectors in the state. In 1979, there were six wineries. By 1995, the number had grown to 46. Today, there are 94 wineries and 300 vineyards in the Commonwealth. Virginia's wineries produced just over 700,000 gallons of wine in 2004. The state's wine industry is the fifth largest producer of wine in the U.S. In 2004, it generated \$95.7 million for the state's economy producing over \$8 million in state and local taxes, providing over 1,000 full and part-time jobs and attracting more than 500,000 tourists to the state.

Virginia Tech University maintains a full-time enologist in Blacksburg who does research, maintains a graduate program, trains enologists, conducts vineyard and winery educational programs, and consults with Virginia wineries and wine makers. The University employs a full-time viticulturist at the Virginia Tech experimental agricultural station in Winchester, Virginia, who conducts viticultural research, maintains a graduate program, consults with grape growers in the state, and conducts educational programs.

Pennsylvania

There are 88 licensed and bonded wineries in Pennsylvania, up from 52 in 1995. They produce over 600,000 gallons of wine annually. The number of wineries has been growing by five to ten new wineries each year for the past five years. Approximately 1,300 acres in Pennsylvania are planted to wine grapes by approximately 200 vineyards. The state ranks eighth in the U.S. in the production of wine. The Pennsylvania legislature has provided annual increases in funding for wine marketing and wine and grape research. The current level of funding is \$200,000 up from zero five years ago. Penn State University provides significant technical and research support for the wine industry in that state. Five faculty members are involved in wine grape related research funded by a variety of external sources in-

cluding the Pennsylvania Department of Agriculture, the U.S. Department of Agriculture, and state wine and grape associations. In 1999, the Penn State Cooperative Extension created a full-time wine grape extension position to serve the needs of wine grape growers in a 16 county region in southeast Pennsylvania, and the Penn State College of Agricultural Sciences appointed a new extension enologist to provide state-wide education, research, and technical assistance to wineries.



The Maryland Wine Industry

Maryland is behind the national curve in the expansion of its wine industry. Clearly it is behind its northern and southern neighbors. In 1979, Maryland and Virginia had the same number of wineries. Today, Virginia has 94 wineries and Maryland has 15. The good news is that the Maryland wine industry is showing definite signs of growth. Three wineries opened in 2004, and several more are in the development stages. According to the Comptroller of Maryland, these 15 wineries sold over 139,000 gallons of wine in 2004, an increase of 23 percent over 2003. In 2002 and 2003, the production of wine increased by 14.6 and 13 percent respectively. This is compared to the wine industry's 5% rate of growth nationally. The location of Maryland wineries in the State is shown in Appendix B.

In 2001, Maryland had 75 vineyards which had over 200 acres planted to wine grapes. The location of the vineyards in the State is shown in Appendix C. Currently, the Maryland wine industry consisting of growing grapes and making wine contributes over \$7 million to the State's economy.

This brief review provides compelling evidence that the Maryland wine industry has lagged behind its northern and southern neighbors. Even when calculated on a per capita or per square mile basis, Pennsylvania and Virginia out-produce Maryland in grapes and wine.

With the assistance of the State through investment in the industry, this growth can be not only sustained but also increased dramatically. The recommendations contained in this report are directed to the growth of Maryland's wine industry.



Needs and Recommendations Maryland Grape & Wine Industry

INITIAL RECOMMENDATIONS

Governmental Acknowledgement of Wine Industry as Agriculture: The Advisory Committee thanks Governor Ehrlich for his continued support of the industry, and believes the implementation of these recommendations begin with a proclamation of support by the Governor that Maryland's grape and wine industry are clearly important agricultural industries in the State. This should be followed by the General Assembly's passing of legislation stating that the grape and wine industries – and their related activities – are agriculture. The Maryland Department of Agriculture and the Maryland Agricultural Land Preservation Foundation should state clearly that vineyards and wineries are approved commercial uses on agricultural land through the State. Focusing State support on the grape/wine industry must start with the Governor. His policies are what State agencies rely on when formulating their programs and initiatives. However, the General Assembly has a significant responsibility to assure that grape growing, making wine, and selling wine are agricultural activities. The General Assembly must make it clear to all jurisdictions in the State that wineries and vineyards have been deemed a vertically integrated agricultural activity by the State.

RECOMMENDATION 1: The Governor should issue a public proclamation and a directive to all State Agencies declaring the grape/wine industry to be an important part of the Agriculture and Tourism sectors of Maryland's economy, worthy of the State's support.

RECOMMENDATION 2: The General Assembly should define vineyards and grape processing, and wineries and wine processing and related activities as agricultural businesses in appropriate sections of the law.

RECOMMENDATION 3: Maryland Agricultural Land Preservation Foundation and Maryland Department of Agriculture should add the Maryland wine and grape industries to the list of approved commercial activities on agricultural land, including: vineyards and grape production; wineries and wine production, storage and sales; and all related activities.

Licensed beverage industry support must then be earned through an initial summit meeting of representatives from Maryland's grape, wine, wholesale and retail industries. The Governor should request this summit and that the vineyard and wine industry undergo a strategic planning process – much like the Virginia industry's successful effort in 2004.

RECOMMENDATION 4: The Governor should assemble one representative each from the wine retailers, wine wholesalers and the Restaurant Association of Maryland to meet with Maryland wine and grape industry representatives to consider issues related to improving relationships among these entities, review recommendations of this Committee and determine which of them the retailers and wholesalers can support.

RECOMMENDATION 5: The Governor should support the development of a strategic plan for the Maryland wine industry.

NEEDS & RECOMMENDATIONS

Maryland Vineyard Industry

A sustainable wine industry in any state is based on production of sufficient quantities of quality wine grapes in that state. Currently the production of quality wine grapes in Maryland is far below what is needed and will not sustain a growing wine industry. In a 2004 survey, eight Maryland wineries reported that they purchased 538 tons of wine grapes from vineyards outside of Maryland because the grapes were not available from in-state vineyards. While most Maryland wineries have their own vineyards, the production from their vines is generally not sufficient to

meet their production needs. They must procure grapes from commercial grape growers in Maryland, as well as from out of state producers.

There are several major barriers to the planting of a vineyard: economics, information, disease and access to disease-free vines, and incentive. It costs between \$9,000 and \$15,000 per acre to plant a wine grape vineyard (mechanical equipment, trellis materials, vines, labor, and opportunity costs). A corn or soybean farmer can plant a crop and realize an economic return at the end of that growing season, while a wine grape grower must wait at least three years to see some economic return, and even then, he or she must wait several more years before production reaches its peak and initial investments can be returned. The availability of loans at attractive interest rates would serve to attract individuals to invest in wine grape growing. Two Maryland state agencies, The Department of Business and Economic Development (DBED) and the Maryland Agricultural and Resource Based Industry Development Corporation (MARBIDCO), may be sources of such financial support. Indeed, MARBIDCO is a new entity formed recently as a result of 2004 legislation (SB 589) signed by Governor Ehrlich on May 26, 2004. The Advisory Committee believes that the wine industry could be the first major industry to be assisted by MARBIDCO and recommends as much to the agency (see Recommendations 43 and 44). The Advisory Committee offers its expertise to MARBIDCO to serve as an advisory body as the agency creates and implements its plans.

Scientific, economic and other empirical data are critically important to individuals who are contemplating planting a vineyard. Information needed include the economic attractiveness of, the “how to” of grape growing, the nature of the grape growing segment of the wine industry, and how this segment is changing over time is a major component of the decision to plant a vineyard. Few good data exist that describe the current and future demand for wine grapes by Maryland wineries. Yet the first question that many potential investors ask is “Can I sell my fruit?” A recent survey of the Maryland Wineries Association (MWA) reveals that in 2004 there was an unfilled demand for over 500 tons of grapes that Maryland vineyards could not supply. That amounts to over \$640,000 that was sent to grape growers out of state. Such information could be a powerful incentive to potential growers

to plant grapes. The Advisory Committee recommends to the Maryland Wineries Association that it conduct annual surveys of supply and demand for wine grapes (see Recommendation 52). While such demand information at one point in time is valuable, trend data over time would even be more valuable. In addition to providing information to potential growers, trend data would be useful to current growers who may be planning to expand or reconfigure their vineyards.

Suitability Mapping Project: One of the most important questions a prospective grape grower has to face is whether the land he/she is considering is suitable for growing wine grapes. Among the many elements that affect the growing of quality wine grapes are elevation, weather, degree of slope, orientation of slope, and the nature and quality of the soil. Timely access to this information as it applies to a particular section of land would greatly assist a potential grower to decide whether or not to invest in the land. Or a potential investor could use such information to identify and locate those areas in a state or county that would be highly suitable for growing wine grapes. Virginia developed site suitability maps for many of its counties. Pictured in Appendix D is a draft site suitability map for Washington County, Maryland. A site suitability map is a composite, color-coded map of a jurisdiction (such as a county) that provides a visual expression of the relative suitability of specific areas for growing grapes. Inputs into the map include weather, soil type, soil condition (wet lands, rock, etc.), degree of slope, and orientation of slope. Each input is scored and the composite score is expressed as a color.

Data exist regarding each of the inputs for all counties in Maryland. The problem is that they exist in varied formats and locations. The need is to bring them together in a model that produces the outcome that will be of informative value to prospective as well as existing growers.

The University of Maryland Cooperative Extension – through the efforts of Dr. Joseph A. Fiola, Specialist in Viticulture and Small Fruit – proposed that it prepare site suitability maps for each Maryland County. Washington County was selected as a pilot site for the first map. The Department of Planning has been assisting in this effort.

The Advisory Committee agrees that a site suitability map will be of enormous value to prospective wine grape growers. Not only would such a map assist prospective growers to evaluate a site prior to planting, it would be a valuable asset to the State to identify prime agricultural land for purchase or preservation.

RECOMMENDATION 6: The University of Maryland Cooperative Extension, in conjunction with the Maryland Department of Planning, should create a grape vine suitability map of each Maryland county

Germ-Plasm Repository/Clean-Vine Project: Maryland vineyards have become increasingly susceptible to disease due to the unavailability of clean, disease-free vines. As the State's largest commercial grape growers, some wineries have lost up to 7 - 15% of their vines – others entire blocks – this past year due to having purchased infected vines. These vines must then be removed, the ground prepared and new vines planted. This is an expensive process that costs up to \$10,000 per acre. There are “clean vine” laboratories in both California and Washington, which screen for – and eliminate – disease in plant tissue, then propagate clean vines for distribution to nurseries. No such facility exists East of the Rocky Mountains.

There is a coordinated effort by Maryland, Virginia and Pennsylvania's Cooperative Extension viticulturalists to seek funding for a cooperative facility in the three-state region. A proposal has been submitted to USDA Cooperative State Research, Education, and Extension Service for federal funding of such a project.

Maryland is ideally suited to lead the germ-plasm repository/clean-vine project. The Maryland Department of Agriculture currently operates a laboratory used to create clean strawberries and brambles – though demand for these services is declining. This facility could quickly be converted to accommodate grape vines. Dr. Fiola has already instituted plans at the lab for the transition. In addition to the lab, Maryland's Eastern Shore is home to a state-of-the-art screenhouse facility that could be used to propagate and grow the clean vines for sale to nurseries or vineyards.

The Advisory Committee agrees that this project is both vital for the success of the grape industry in Maryland, and also that Maryland is positioned to take a leader-

ship role in a clean vine operation. The Committee urges the Governor to employ all means to support the funding of this project at the federal and State levels, and for the University of Maryland to take a leading role in this project.

RECOMMENDATION 7: The Office of the Governor should add to its list of federal priorities and present to the Maryland delegation support for the USDA/Supplemental Congressional appropriations of a clean vine program as proposed by the University of Maryland Cooperative Extension.

RECOMMENDATION 8: The University of Maryland and the Maryland Department of Agriculture should create and implement the clean vine nursery certification project, designed to ensure disease-free vines are made available to Maryland and regional vineyards.

NEEDS & RECOMMENDATIONS

Grape and Wine Industry Support from the University of Maryland

University of Maryland Faculty to Support the Industry: Maryland's vineyards need the support of both a full-time viticulturalist and fruit pathologist to assist in on-the-ground consultation, education, diagnosis and ongoing research. The fact that Maryland does not employ a full-time viticulturist or pathologist is often cited as a reason potential new investment chooses neighboring states.

RECOMMENDATION 9: The University of Maryland should place priority on – and formally request as a budget enhancement to the Governor – funds to hire a full-time, dedicated viticulturalist using new funds designated by the General Assembly. The industry needs hands-on support, research and recommendations available only from a local viticulturalist.

RECOMMENDATION 10: The University of Maryland should place priority on – and formally request as a budget enhancement to the Governor – funds to hire a full-time fruit pathologist to support the State viticulturalist with new funds designated by the General Assembly.

Both Virginia and Pennsylvania employ full-time enologists to assist in the production of high-quality wine in the states' wine industries. Experience in these states demonstrates that enologists assisted significantly in improving the quality of wines produced by all wineries, especially new entrants that do not possess winemaking skills needed to be competitive. Since the hiring of their enologists, both Virginia and Pennsylvania's wine industries have grown in size and become more consistent in quality.

The University of Maryland does not have an enologist. Hence, Maryland wineries lack the timely assistance that such a scientist can provide. Winemaking becomes more technical each day, and the industry would benefit greatly from the services of a qualified enologist, ready to respond to winery enological issues, and able to present cutting-edge enological technology to the industry.

RECOMMENDATION 11: The University of Maryland should place priority on – and formally request as a budget enhancement to the Governor – funds to hire a full-time enologist to assist in building the quality of Maryland wines; the enologist would work for the University of Maryland Cooperative Extension.

University of Maryland Cooperative Extension Support: Experience in other states demonstrates conclusively that the active involvement of the states' land grant universities in their wine industries substantially and dramatically improves the industry. The University of Maryland can play a significant role in the evolution of Maryland's wine industry. It currently allocates a half-time position to viticulture through its Cooperative Extension. The Committee has recommended that this be a full-time position (Recommendation 9). The University's Cooperative Extension, working with the Maryland Wineries Association, created a quality assurance program to evaluate wines, educate industry members, and identify opportunities for improvement.

Local wineries desiring detailed analysis of their wines must send their wines to laboratories in New York or California for complete analysis. Laboratory analysis of wine is an expensive process beyond the capacity of the vast majority of winer-

ies. A cooperative, regional laboratory serving the needs of the mid Atlantic states would provide a real service to wineries in this region. The University of Maryland could take the lead in establishing such a facility.

RECOMMENDATION 12: The University of Maryland Cooperative Extension should continue quality assurance programs to identify flaws and recommend strategies for building quality.

RECOMMENDATION 13: The University of Maryland Cooperative Extension should consider the development of a regional (MD/PA/VA) cooperative lab facility to test wines for flaws.

NEEDS & RECOMMENDATIONS

Maryland Wine Industry

The Maryland Wine industry represents a unique union of agriculture and tourism. This is an outstanding opportunity to preserve disappearing farmland while engaging in a profitable enterprise. Opening a winery, however, is not simple matter. There are federal, state, county and jurisdictional hurdles to surmount – and in some instances, these hurdles preclude a winery’s success. There are immense financial burdens when opening a winery in Maryland. A group of proprietors currently planning a winery estimate over \$35,000 in legal fees alone to work out local zoning and licensing issues, which are distinct to every jurisdiction.

But the jurisdictional issues are not the only barriers of entry into the Maryland wine industry. In 2004, two entities approached the Maryland Wineries Association with plans to open wineries in Maryland, Virginia or Pennsylvania. One winery was to be built, owned and operated by a retired couple hoping to begin a second career. The second winery was to be a multi-million dollar project with annual production expected to make it the State’s largest winery upon opening. After investigating the statutory and regulatory environments in Maryland, both projects landed in neighboring states.

This story has been repeated year after year – the reasons for choosing Virginia and Pennsylvania include their states’:

- More favorable licensing and manufacturing laws;
- Support of the industry through marketing and research funds;
- Technical support of the industry through viticulture, pathology and enology positions;
- More favorable winery promotional and event laws.

Once established, Maryland wineries do not only compete with one another; they’re competing in a global market where inexpensive wines from faraway wine-producing regions crowd store shelves. Thus, wineries need every opportunity to engage the consumer – to introduce products through festivals, tastings and other promotional events. Research shows that when a wine is tasted, it is much more likely to be purchased, so these interactions with consumers are vital to a winery’ success.

Governmental and Institutional Support: A state’s wine industry begets additional investment when it raises its profile. This can be achieved through large marketing budgets, but also through simple awareness to decision-makers. For example, other states’ governments make a concerted effort to support the local wine industry by serving its products at state functions. Governor Ehrlich and the First Lady already support the industry by serving only Maryland wine at Government House, and the Advisory Committee suggests this be standard operating procedure by all State agencies at all State functions. Use of Maryland wine at State functions and by State funded entities shows commitment. Maryland wines are quality products, competitively priced and are readily available. This commitment would go a long way toward supporting the interest in Maryland wine by Marylanders.

RECOMMENDATION 14: The Governor should issue a directive that state agencies use and promote Maryland wine at functions where wine is served and encouragement should be given to all State fund-receiving entities to use Maryland wine at their functions.

Winery Highway Signs: Wineries need the ability to promote themselves through signs on main roads and through small guidance signs along the local route to the winery. The main road signs should state the winery name, including its logo, and perhaps hours of operation. Wineries, as agribusinesses, are usually located in the rural areas of Maryland, hence they are not easy to find. The Department of Transportation already has a program of signage on Interstate expressways. It would serve the winery visitor better, however, if the program were expanded to include major State roads, and were to include mileage indicators and additional directional signage

RECOMMENDATION 15: The Department of Transportation should develop a more complete and informative highway signage program for Maryland wineries.

Legislative Changes to Foster Industry Growth: This Advisory Committee recommends seven immediate legislative changes that would enable Maryland wineries to better operate and to promote their product. Each of these recommendations is based on successful aspects of neighboring states' laws. These changes would increase the viability of winery operations in the State, and thus would encourage great new investment in the industry. The Advisory Committee requests the General Assembly to consider favorably these legislative changes during upcoming legislative sessions.

RECOMMENDATION 16: Exempt Maryland wineries from jurisdictional in-store tasting quotas. In-store tastings are an important marketing tool for Maryland wineries. The number of permitted in-store tastings varies from jurisdiction to jurisdiction. In those jurisdictions where few tastings are permitted, retailers reserve them for the larger, more popular national branded wineries. By exempting Maryland wineries from the quotas, retailers would be encouraged to conduct more Maryland wine tastings. Providing the exemption will require an act of the legislature.

RECOMMENDATION 17: Remove the cap on the number of Special Event Permits each Maryland winery may obtain. At the present time, each winery is limited to 12 special Event permits each year (Virginia allows 5 per day, 365 days of the year). And Maryland wineries can use no more than three of the permits in any one jurisdiction (Virginia has no such limitation). Special events provide a wonderful venue for educating the general public about Maryland wine. Removing the cap will require an act of the legislature.

RECOMMENDATION 18: Permit Class 4 wineries to transfer Maryland produced wine between Class 4 wineries. All wineries predict wine sales from one to three years in advance and decide their production accordingly. On occasion these predictions are wrong and the winery is left with either a surplus or deficit in its wine inventory. The ability to transfer bulk wine from winery to winery will bring a sense of stability to the grape/wine industry. To provide such ability will require an act of the legislature.

RECOMMENDATION 19: Enable Maryland wineries to establish a restaurant on the winery's premises. As tourist destinations, wineries need the ability to add related attractions to their site in an effort to further promote their product in an ideal setting; with food. A restaurant would facilitate longer visits and extend wineries' opportunities to market their wines to consumers.

RECOMMENDATION 20: Enable Maryland wineries to establish and operate multiple offsite retail locations. Operating multiple retail premises will enable Maryland wineries to reach markets otherwise unavailable. This would require an act of the legislature.

RECOMMENDATION 21: Enable Maryland Class 4 wineries to sell other Class 4 wineries' wines in their tasting rooms. In other states, this greatly enhances a wineries tasting room, sales and illustrates to consumers the existence of a viable wine industry.

RECOMMENDATION 22: Enable Maryland wineries to co-locate and share processing, fermenting and storage equipment and facilities. This would allow small, startup wineries the ability to lower their initial investment and create a cooperative environment.

For Future Consideration: Industry members support a change in Maryland's law to allow the direct shipment of wine into Maryland – which, in turn, would allow Maryland wineries more open access to markets outside of the State. Maryland wineries attract visitors from all over the State, as well as from other states. Often, these visitors seek the opportunity to have wine shipped home and/or wish to order wine at a later date from their home. At the present time, a winery would commit a felony if it were to ship wine to a consumer in Maryland. Also, current Maryland law is not compatible with the requirements for Maryland to receive reciprocal shipping privileges. Both of these recommendations will require an act of the Legislature.

RECOMMENDATION 23: Enable wineries to ship wine directly to consumers within the State and remove the obstacles to Maryland becoming a reciprocal state, which would allow Maryland wineries to ship to out-of-state customers.

The Comptroller has indicated that he is not in a position to support this recommendation, thus the Advisory Committee will continue to generate information and data to support the recommendation in the hope that all parties may support the industry on this matter in the future.

Regulatory Changes to Foster Industry Growth: In addition to the aforementioned legislative changes, the Advisory Committee recommends two regulatory changes through the Office of the Comptroller. These two recommendations intend to solve difficulties the wineries have in promoting their products to consumers – a key ability of wineries to market their products effectively. The Advisory Committee believes that these issues can be resolved through regulatory means, avoiding

legislative action. If legislative action is needed to make the changes, the Advisory Committee supports such action.

The Comptroller's office requires anyone who represents a winery to the public in any capacity as a manufacturer or wholesaler, including those who only conduct wine tastings in retail stores to register as a Solicitor. Commonly, wineries will use people other than the normal sales staff, to conduct in-store tastings. Use of generic Solicitors Permits would represent a monetary savings to wineries and would make it easier to manage the in-store tasting process. It is hoped that the Comptroller's office can affect this through regulatory change rather than through legislation

RECOMMENDATION 24: Allow wineries to obtain a number of generic Solicitor Permits, rather than requiring each individual who conducts wine tastings to have one.

Today, a winery's intent to conduct a wine-pouring event must be filed with the Comptroller's office by the 20th of the month prior to the month in which the event will be held. Entities requesting assistance from Maryland wineries have no understanding of this reporting requirement and often make requests on short notice. Such events are important to the marketing efforts of wineries, and it is believed that this recommendation can be implemented through regulation not requiring legislation

RECOMMENDATION 25: Permit Maryland wineries to file their intent to conduct a wine-pouring event up to five days prior to the event, and to file that intent via e-mail.

Wine Industry Marketing & Promotion: As the trade organization of the Maryland wine industry, the Maryland Wineries Association should take a lead role in developing and implementing promotional and marketing plans for the industry and its products.

RECOMMENDATION 26: The Maryland Wineries Association should develop and implement an aggressive and comprehensive marketing plan targeted to restaurants, distributors, retailers, consumers, and media.

RECOMMENDATION 27: The Maryland Wineries Association should develop and coordinate marketing activities in coordination with the Maryland's agriculture and tourism agencies.

RECOMMENDATION 28: The Maryland Wineries Association should further develop consumer wine tasting opportunities for premium Maryland wines through the organization of high visibility state and regional food and wine tasting events.

RECOMMENDATION 29: The Maryland Wineries Association should develop marketing strategies to increase distributor interest in Maryland wines and expand distributor sales in major market areas.

RECOMMENDATION 30: The Maryland Wineries Association should develop peer review programs to sustain quality and peer confidence in Maryland wine.

RECOMMENDATION 31: The Maryland Wineries Association should encourage greater participation in accredited national and international wine competitions to critique and build the reputation of Maryland wine.

RECOMMENDATION 32: The Maryland Wineries Association should create additional competitions designed to highlight Maryland wine.

RECOMMENDATION 33: The Maryland Wineries Association should implement marketing activities, training and educational programs to encourage more Maryland restaurants to carry Maryland wines and to emphasize Maryland wine-by-the-glass sales. By-the-glass sales are more profitable for restaurants, and encourage customers to try new Maryland wines.

Wine Industry Promotional Research: The Maryland Wineries Association and its members currently promote products to consumers through tastings, targeted marketing and through festivals. The Maryland Wineries Association hosts an annual Governor's Cup Competition through which the best wine in Maryland is identified and promoted. Additional marketing opportunities should be created to increase general awareness of Maryland wine.

RECOMMENDATION 34: The Maryland Wineries Association should evaluate the feasibility of a Maryland Wine Trails Program.

RECOMMENDATION 35: The Maryland Wineries Association should evaluate the feasibility of a monthly or quarterly Maryland wine print publication, distributed via wineries, hotels, tourism centers.

RECOMMENDATION 36: The Maryland Wineries Association should analyze market trends and evaluations of Maryland produced wine varietals for promotional potential as a Maryland identity-based wine.

Promotion & Education: It is then vitally important to spread the word of the State's support for the industry to all State and local governmental organizations. The Department of Business and Economic Development and the Department of Agriculture should begin using themes such as "Maryland Wine Country" as part of their promotional campaigns. Maryland Departments of Agriculture and Business and Economic Development should also organize programs to promote the needs and benefits of the industry to local, jurisdictional organizations. Over the years Maryland has been "America in Miniature," "The Chesapeake Bay," "horse country," etc. A "Maryland Wine Country" image could very effectively be used to put forward a positive image when promoting the State, and would bring notice to the industry within and outside of the State.

RECOMMENDATION 37: The Departments of Business and Economic Development and Agriculture should use themes such as "Maryland Wine Country" as a State-identifying image when promoting the State.

RECOMMENDATION 38: The Maryland Department of Agriculture, the Department of Business and Economic Development and the Office of the Comptroller should design and provide industry sponsored educational programs for local government officials, planning commissions, and zoning administrators on the local economic development, agritourism and farmland preservation benefits of the Maryland wine industry.

Tourism Development: The Advisory Committee believes that Maryland wineries are important elements in Maryland's tourism industry. The Committee recommends that the Maryland Department of Agriculture and the Office of Tourism Development in the Department of Business and Economic Development spearhead promotions of the industry in connection to other local attractions and themes.

RECOMMENDATION 39: Maryland Department of Agriculture and Office of Tourism Development should develop tourist promotions that connect wineries to predominant Maryland themes and attractions.

RECOMMENDATION 40: Office of Tourism Development should conduct annual surveys of consumers to ascertain winery visitation rates, patterns, and experiences.

Economic Development & Support: In 2004, the General Assembly created the Maryland Agricultural and Resource Based Industry Development Corporation (MARBIDCO), an entity set up to provide low-cost financing to the agricultural community support State agricultural industries. However, MARBIDCO was created without funding, and this Advisory Committee recognizes the importance of MARBIDCO and recommends funding the organization immediately. This Advisory Committee recommends MARBIDCO focus on the grape and wine industry as one of its initial development priorities. The State should identify alternative funding sources for dedication to MARBIDCO going forward.

RECOMMENDATION 41: The Maryland wine and grape industry

should continue working with the Maryland Department of Agriculture and the Department of Business and Economic Development to seek federal grants for the Maryland wine and grape industry participants and representative organizations.

RECOMMENDATION 42: The Advisory Committee urges the General Assembly to fully fund MARBIDCO as soon as possible.

RECOMMENDATION 43: MARBIDCO should begin functioning promptly.

RECOMMENDATION 44: MARBIDCO should focus on the wine industry (grape growing and wine making as one of its first development priorities. It should make available to new grape growers low or no-interest loans to purchase land, vines, equipment, and labor. It should also make available to start-up wineries no or low interest loans to purchase buildings, equipment, expertise, and labor.

RECOMMENDATION 45: MARBIDCO should use the Maryland Wine & Grape Advisory Committee to recommend areas in which developmental assistance is needed.

The Advisory Committee believes that the Department of Business and Economic Development should work with the industry organizations to provide business planning and financing opportunities to new and established vineyards and wineries. Vineyards and wineries are not high margin businesses, and must follow carefully crafted business plans to be successful. Such assistance would assist in stabilizing the industry. There is a long lag-time before vineyards and wineries can begin to retire their high initial investments. A low interest loan program and/or tax credits would help enormously in managing this debt.

RECOMMENDATION 46: Department of Business and Economic Development should offer business planning technical assistance to new and existing vineyards and wineries.

RECOMMENDATION 47: Department of Business and Economic Development should make available to the grape/wine industry low interest financing and/or tax credits.

Neighboring states have designated funds for wine industry marketing and research either through dedicated taxes or from the general fund. In order for Maryland's wine industry to increase market share, funds must be made available to assist the industry in the marketing of its tourism, agriculture and product. Research is also needed to explore proper growing techniques and grape varieties for our region.

The Advisory Committee believes that the grape/wine industry has the potential of contributing to the State's economy at a far higher rate than occurs today. But to do this, the State's commitment to provide support must be long-term. The funds should be assigned to the Department of Agriculture and administered by a Maryland Wine and Grape Council, established through legislation. The Council should receive and consider funding requests that would support industry marketing initiatives and grape/wine research projects.

RECOMMENDATION 48: The Governor should budget, and General Assembly should move to provide funding for the grape/wine industry for ongoing viticultural and enological research and to underwrite marketing and promotion initiatives.*

NEEDS & RECOMMENDATIONS

Joint Grape & Wine Industry

Industry Education & Cooperative Opportunities: The Maryland Wineries Association and Maryland Grape Growers Association must continue to coordinate educational activities. New and established growers and wineries should be engaged in the collective promotion, growth, research and education of all industry members. The organizations should pursue cooperative opportunities to help lower equipment, insurance and processing costs to new and established growers and wineries.

RECOMMENDATION 49: The Maryland Wineries Association and Maryland Grape Growers Association should investigate cooperative opportunities for harvesting, crushing equipment, etc., for purchase or lease.

RECOMMENDATION 50: The Maryland Wineries Association and Maryland Grape Growers Association should encourage attendance at educational programs for winery tasting room staff, winemakers and vineyard masters, held at Wineries Unlimited and other venues annually.

RECOMMENDATION 51: The Maryland Wineries Association and Maryland Grape Growers Association should institute or expand wine industry dialogue with private sector credit institutions on the economics and financial returns for vineyard and winery operations.

Wine Industry Research: The Maryland Wineries Association should conduct research to identify and publish information about the industry, the most pressing restrictions on winery and vineyard development on both the State and local levels.

RECOMMENDATION 52: The Maryland Wineries Association, with the assistance of the Maryland Department of Agriculture, should regularly collect and publish data on the nature of the wine industry in Maryland and how it is changing over time. Data needed include demand for Maryland wine grapes by Maryland wineries, amount of wine produced by Maryland wineries, and economic impact of Maryland wineries to the state.

RECOMMENDATION 53: The Maryland Wineries Association and Maryland Grape Growers Association, with the assistance of the Maryland Department of Planning, should identify various county regulations affecting vineyard and winery establishment, allowing prospective wineries and vineyards to gauge viability or expansion based upon county zoning requirements, local taxation, land use assessments and farmland preservation incentives.

Grape Industry Research: It is imperative that the Maryland grape industry self-monitor its size, scope and production, and publish that data for wineries and potential investors.

RECOMMENDATION 54: The Maryland Grape Growers Association, with the assistance of the Maryland Department of Agriculture, should develop a system to collect and publish data on all commercial growers in the State, and conduct regular surveys to determine varieties and quantities/acres grown.

FINAL RECOMMENDATION

The Maryland Wine & Grape Advisory Committee

The members of this Advisory Committee have requested that it be extended to continue work to provide support for Maryland's wine and grape industry. The Committee suggests its mission be expanded to include ongoing legislative support and to provide review and recommendation of funding requests when state funds are made available to the industry. Specific future agenda items for the committee include: communicating with State jurisdictions about zoning, financial and legal aspects of vineyard and winery development; the ownership of more than one winery by a single entity; and, the importation of limited out-of-state wine by Maryland wineries.

RECOMMENDATION 55: The Governor should extend the Maryland Wine and Grape Advisory Committee and charge it with meeting on a quarterly basis to review progress of its recommendations and consider other matters brought to its attention.



Conclusion

The Maryland Wine and Grape Advisory Committee have examined the status of the wine industry in Maryland. It finds that the industry in Maryland lags behind those of Pennsylvania and Virginia. While showing signs of growth, the Committee believes that the wine-grape growers through the Maryland Grape Growers Association, the wineries through the Maryland Wineries Association, the University of Maryland through its Cooperative Extension Service, the Governor through his own actions and those of his administrative agencies, and the General Assembly must initiate immediate steps to stimulate the growth of the industry. These steps are outlined in the recommendations contained in this report. The Committee believes that concerted efforts on the parts of these key entities will result in the wine industry's sustained growth. The results will be an industry that contributes not only to the State's economy, but also to Maryland's image as a place that people want to visit and enjoy.

The Committee wishes to thank Governor Robert L. Ehrlich, Jr. and Secretary Lewis R. Riley for appointing this Advisory Committee.

**Because these recommendations would have the Governor increase his budget, state agency representatives, who are obligated by the Governor to reduce the state's budget, did not sign off on them. These recommendations represent a consensus of opinion among members of the Committee.*



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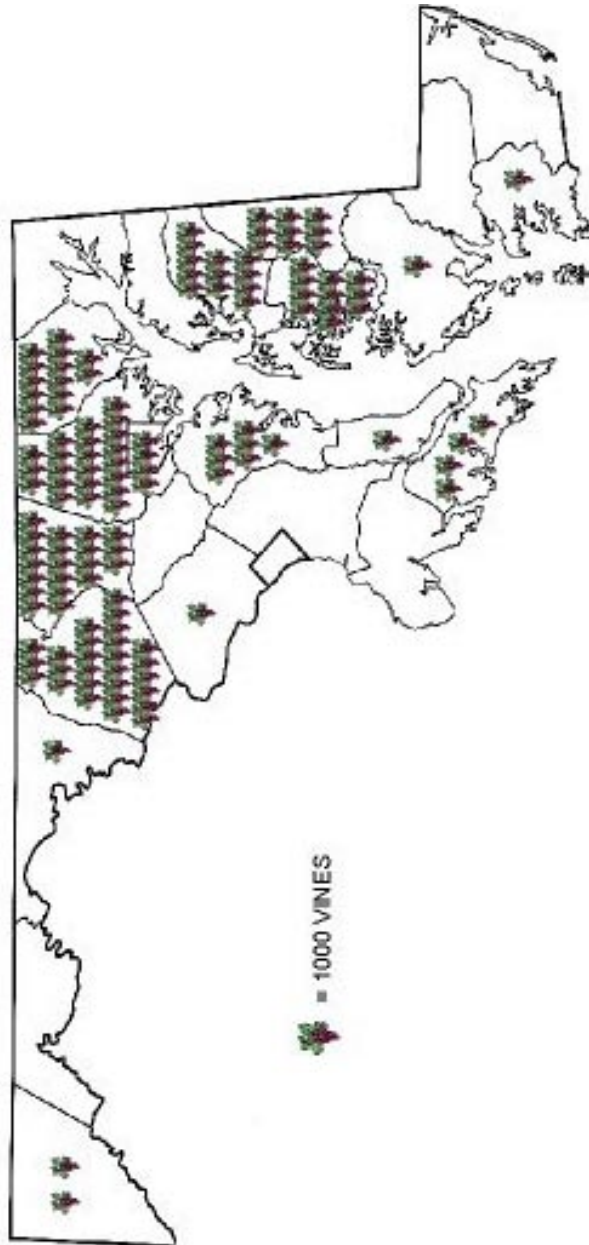


Appendix B:
Map of Maryland Wineries





Appendix C:
Map of Maryland Vineyards





Appendix E: Advisory Board Recommendations – by Agency

Office of the Governor

RECOMMENDATION 1: The Governor should issue a public proclamation and a directive to all State Agencies declaring the wine/grape industry to be an important part of the Agriculture and Tourism sectors of Maryland's economy, worthy of the State's support.

RECOMMENDATION 4: The Governor should assemble one representative each from the wine retailers, wine wholesalers and the Restaurant Association of Maryland to meet with Maryland wine and grape industry representatives to consider issues related to improving relationships among these entities, review recommendations of this Committee and determine which of them the retailers and wholesalers can support.

RECOMMENDATION 5: The Governor should support the development of a strategic plan for the Maryland wine industry.

RECOMMENDATION 7: The Office of the Governor should add to its list of federal priorities and present to the Maryland delegation support for the USDA/ Supplemental Congressional appropriations of a clean vine program as proposed by the University of Maryland Cooperative Extension.

RECOMMENDATION 14: The Governor should issue a directive that state agencies use and promote Maryland wine at functions where wine is served and encouragement should be given to all State fund-receiving entities to use Maryland wine at their functions.

RECOMMENDATION 48: The Governor should budget, and General Assembly should move to provide funding for the wine/grape industry for ongoing viticultural and enological research and to underwrite marketing and promotion initiatives.

RECOMMENDATION 55: The Governor should extend the Maryland Wine and Grape Advisory Committee and charge it with meeting on a quarterly basis to review progress of its recommendations and consider other matters brought to its attention.

General Assembly

RECOMMENDATION 2: The General Assembly should define vineyards and grape processing, and wineries and wine processing and related activities as agricultural businesses in appropriate sections of the law.

RECOMMENDATION 16: Exempt Maryland wineries from jurisdictional in-store tasting quotas. In-store tastings are an important marketing tool for Maryland wineries. The number of permitted in-store tastings varies from jurisdiction to jurisdiction. In those jurisdictions where few tastings are permitted, retailers reserve them for the larger, more popular national branded wineries. By exempting Maryland wineries from the quotas, retailers would be encouraged to conduct more Maryland wine tastings. Providing the exemption will require an act of the legislature.

RECOMMENDATION 17: Remove the cap on the number of Special Event Permits each Maryland winery may obtain. At the present time, each winery is limited to 12 special Event permits each year (Virginia allows 5 per day, 365 days of the year). And Maryland wineries can use no more than three of the permits in any one jurisdiction (Virginia has no such limitation). Special events provide a wonderful venue for educating the general public about Maryland wine. Removing the cap will require an act of the legislature.

RECOMMENDATION 18: Permit Class 4 wineries to transfer Maryland produced wine between Class 4 wineries. All wineries predict wine sales from one to three years in advance and decide their production accordingly. On occasion these predictions are wrong and the winery is left with either a surplus or deficit in its wine inventory. The ability to transfer bulk wine from winery to winery will bring a sense of stability to the wine/grape industry. To provide such ability will require an act of the legislature.

RECOMMENDATION 19: Enable Maryland wineries to establish a restaurant on the winery's premises. As tourist destinations, wineries need the ability to add related attractions to their site in an effort to further promote their product in an ideal setting: with food. A restaurant would facilitate longer visits and extend wineries' opportunities to market their wines to consumers.

RECOMMENDATION 20: Enable Maryland wineries to establish and operate multiple offsite retail locations. Operating multiple retail premises will enable Maryland wineries to reach markets otherwise unavailable. This would require an act of the legislature.

RECOMMENDATION 21: Enable Maryland Class 4 wineries to sell other Class 4 wineries' wines in their tasting rooms. In other states, this greatly enhances a wineries tasting room, sales and illustrates to consumers the existence of a viable wine industry.

RECOMMENDATION 22: Enable Maryland wineries to co-locate and share processing, fermenting and storage equipment and facilities. This would allow small, startup wineries the ability to lower their initial investment and create a cooperative environment.

RECOMMENDATION 23: Enable wineries to ship wine directly to consumers within the State and remove the obstacles to Maryland becoming a reciprocal state, which would allow Maryland wineries to ship to out-of-state customers.

RECOMMENDATION 42: The Advisory Committee urges the General Assembly to fully fund MARBIDCO as soon as possible.

RECOMMENDATION 48: The Governor should budget, and General Assembly should move to provide funding for the wine/grape industry for ongoing viticultural and enological research and to underwrite marketing and promotion initiatives.

Maryland Department of Agriculture

RECOMMENDATION 3: The Maryland Agricultural Land Preservation Foundation and Maryland Department of Agriculture should add the Maryland wine and grape industries to the list of approved commercial activities on agricultural land, including: vineyards and grape production; wineries and wine production, storage and sales; and all related activities.

RECOMMENDATION 8: The University of Maryland and the Maryland Department of Agriculture should create and implement the clean vine nursery certification project, designed to ensure disease-free vines are made available to Maryland and regional vineyards.

RECOMMENDATION 37: The Departments of Business and Economic Development and Agriculture should recognize and use themes such as “Maryland Wine Country” as a State-identifying image when promoting the State.

RECOMMENDATION 38: The Maryland Department of Agriculture, the Department of Business and Economic Development and the Office of the Comptroller should design and provide industry sponsored educational programs for local government officials, planning commissions, and zoning administrators on the local economic development, agritourism and farmland preservation benefits of the Maryland wine industry.

RECOMMENDATION 39: Maryland Department of Agriculture and Office of Tourism Development should develop tourist promotions that connect wineries to predominant Maryland themes and attractions.

RECOMMENDATION 54: The Maryland Grape Growers Association, with the assistance of the Maryland Department of Agriculture, should develop a system to collect and publish data on all commercial growers in the State, and conduct regular surveys to determine varieties and quantities/acres grown.

Department of Business and Economic Development (DBED)

RECOMMENDATION 37: The Departments of Business and Economic Development and Agriculture should recognize and use themes such as “Maryland Wine Country” as a State-identifying image when promoting the State.

RECOMMENDATION 38: The Maryland Department of Agriculture, the Department of Business and Economic Development and the Office of the Comptroller should design and provide industry sponsored educational programs for local government officials, planning commissions, and zoning administrators on the local economic development, agritourism and farmland preservation benefits of the Maryland wine industry.

RECOMMENDATION 46: Department of Business and Economic Development should offer business planning technical assistance to new and existing vineyards and wineries.

RECOMMENDATION 47: Department of Business and Economic Development should make available to the wine/grape industry low interest financing and/or tax credits.

**Maryland Agricultural and Resource Based Industry
Development Corporation (MARBIDCO)**

RECOMMENDATION 43: MARBIDCO should begin functioning promptly.

RECOMMENDATION 44: MARBIDCO should focus on the wine industry (grape growing and wine making as one of its first development priorities. It should make available to new grape growers low or no-interest loans to purchase land, vines, equipment, and labor. It should also make available to start-up wineries no or low interest loans to purchase buildings, equipment, expertise, and labor.

RECOMMENDATION 45: MARBIDCO should use the Maryland Wine & Grape Advisory Committee to recommend areas in which developmental assistance is needed.

Maryland Agricultural Land Preservation Foundation

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Maryland Department of Planning

RECOMMENDATION 5: The University of Maryland Cooperative Extension, in conjunction with the Maryland Department of Planning, should create a grape vine suitability map of each Maryland county.

RECOMMENDATION 53: The Maryland Wineries Association and Maryland Grape Growers Association, with the assistance of the Maryland Department of Planning, should identify various county regulations affecting vineyard and winery establishment, allowing prospective wineries and vineyards to gauge viability or expansion based upon county zoning requirements, local taxation, land use assessments and farmland preservation incentives

Maryland Department of Transportation

RECOMMENDATION 15: The Department of Transportation should develop a more complete and informative highway signage program for Maryland wineries.

Office of the Comptroller

RECOMMENDATION 24: Allow wineries to obtain a number of generic Solicitor Permits, rather than requiring each individual who conducts wine tastings to have one.

RECOMMENDATION 25: Permit Maryland wineries to file their intent to conduct a wine-pouring event up to five days prior to the event, and to file that intent via e-mail.

RECOMMENDATION 38: The Maryland Department of Agriculture, the Department of Business and Economic Development and the Office of the Comptroller should design and provide industry sponsored educational programs for local government officials, planning commissions, and zoning administrators on the local economic development, agritourism and farmland preservation benefits of the Maryland wine industry.

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University of Maryland

RECOMMENDATION 6: The University of Maryland Cooperative Extension, in conjunction with the Maryland Department of Planning, should create a grape vine suitability map of each Maryland county.

RECOMMENDATION 8: The University of Maryland and the Maryland Department of Agriculture should create and implement the clean vine nursery certification project, designed to ensure disease-free vines are made available to Maryland and regional vineyards.

RECOMMENDATION 9: The University of Maryland should place priority on – and formally request that the Governor budget for hire – a full-time, dedicated viticulturist using new funds designated by the General Assembly. The vineyard industry needs hands-on support, research and recommendations available only from a local viticulturist.

RECOMMENDATION 10: The University of Maryland should place priority on – and formally request that the Governor budget for hire – a full-time fruit pathologist to support the State viticulturist with new funds designated by the General Assembly.

RECOMMENDATION 11: The University of Maryland should place priority on – and formally request that the Governor budget for hire – a full-time enologist to assist in building the quality of Maryland wines; the enologist would work for the University of Maryland Cooperative Extension.

RECOMMENDATION 12: The University of Maryland Cooperative Extension should continue quality assurance programs to identify flaws and recommend strategies for building quality.

RECOMMENDATION 13: The University of Maryland Cooperative Extension should consider the development of a regional (MD/PA/VA) cooperative lab facility to test wines for flaws

Maryland Grape Growers Association

RECOMMENDATION 41: The Maryland wine and grape industry should continue working with the Maryland Department of Agriculture and the Department of Business and Economic Development to seek federal grants for the Maryland wine and grape industry participants and representative organizations.

Maryland Wineries Association

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Maryland Wine:
The Next Vintage

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For additional information, please contact:
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