

Marketing Colorado Wine, with hints of mountains, sunshine and blue sky



Wine is agricultural



- Civilization's primary source of hydration was beer, cider and wine until the 19th C.
- Possibly the earliest alcohol beverage, ca. 7000-6600 BCE, was a fermented drink of rice, honey, and hawthorn fruit and/or grape found on pottery fragment residue in the Yellow River Valley, China
- Until late 19th C. the Temperance movement thought wine and beer:
 - a different kind of alcohol from spirits
 - not intoxicating



Wine is part of the Jeffersonian Ideal: *Agrarianism*



- *a social or political philosophy which values rural society as superior to urban society, the independent farmer as superior to the paid worker, and sees farming as a way of life that can shape the ideal social values (Wikipedia)*
- Farming “was the employment of our first parents in Eden, the happiest we can follow, and the most important to our country.”
- “Wine should be the natural drink of the temperate yeoman.... It is desirable it should be made [in America].”

A handwritten signature in black ink, which appears to be 'T. Jefferson'.



Wine is Agricultural



- Colorado Wine Development Act of 1990,
35-29.5-101.5 CRS:

“The general assembly hereby finds, determines, and declares ...

- that grape cultivation is closely related to fruit cultivation carried out in various parts of Colorado
- that grape cultivation and wine production are a logical supplement to, and development of, existing agricultural business
- that a viable wine industry can enhance Colorado's tourist industry....”

Wine is Part of the CO Dept. of Agriculture



- Colorado Wine Development Act of 1990,
35-29.5-103 CRS:

“There is hereby established a Colorado wine industry development board in the department of agriculture:

- for the purpose of encouraging and promoting viticultural and enological research and experimentation to develop maximum yields and quality from Colorado lands suitable to the production of grapes for commercial wine production
- to promote the marketing of wines and wine grapes produced in Colorado
- to promote the responsible consumption of all wines
- to promote the integration of the Colorado wine industry as a component of the state's tourism program, and to serve as a resource for the entire wine industry of Colorado.

Why Isn't Beer Part of the CO Dept. of Ag?



Beer and spirits are:

- More closely tied to commodity crops and less to specialty crops
- Until recently more closely identified by and with style rather than the source of the ingredients
 - As that changes, so is the nature of licensing privileges
- Included by CDA Markets Exports team in international trade shows and export missions

You sell wine by selling the sense of place:

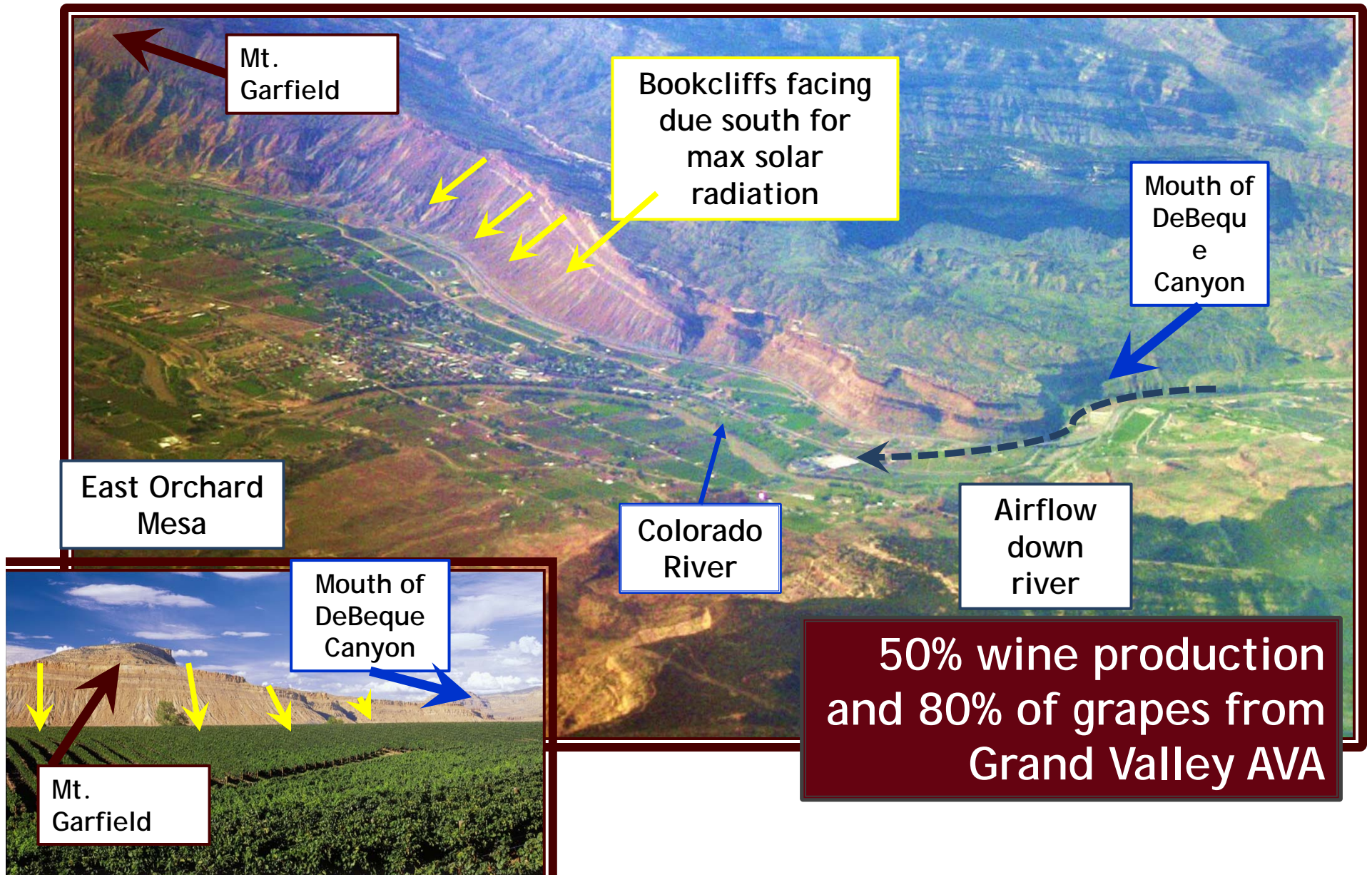


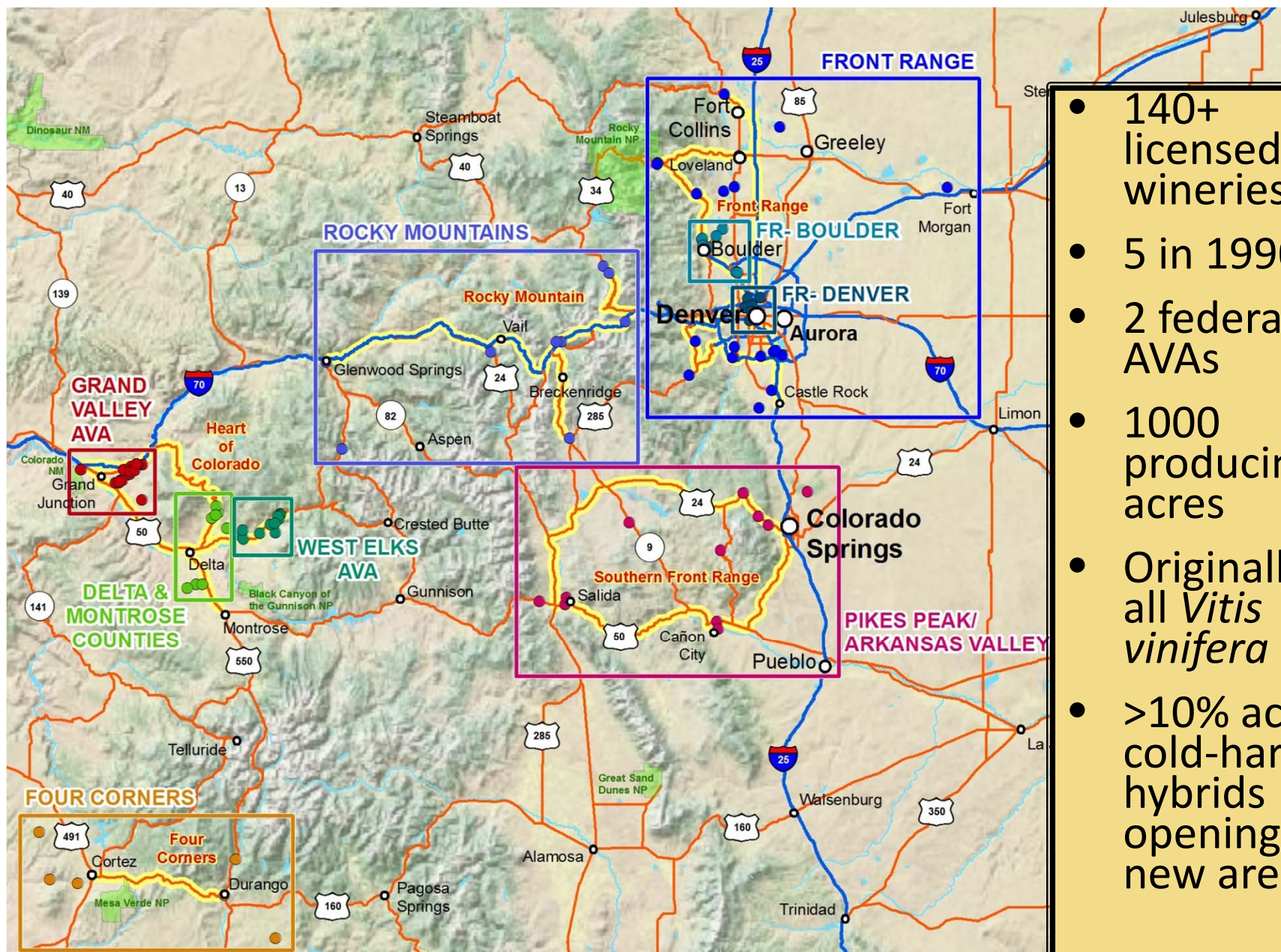
Terroir, the taste of
place:

- The qualities in a wine determined by its point of origin or *appellation*
- The combined effect of sun exposure, soil conditions, climate, water quality
- The sense of history



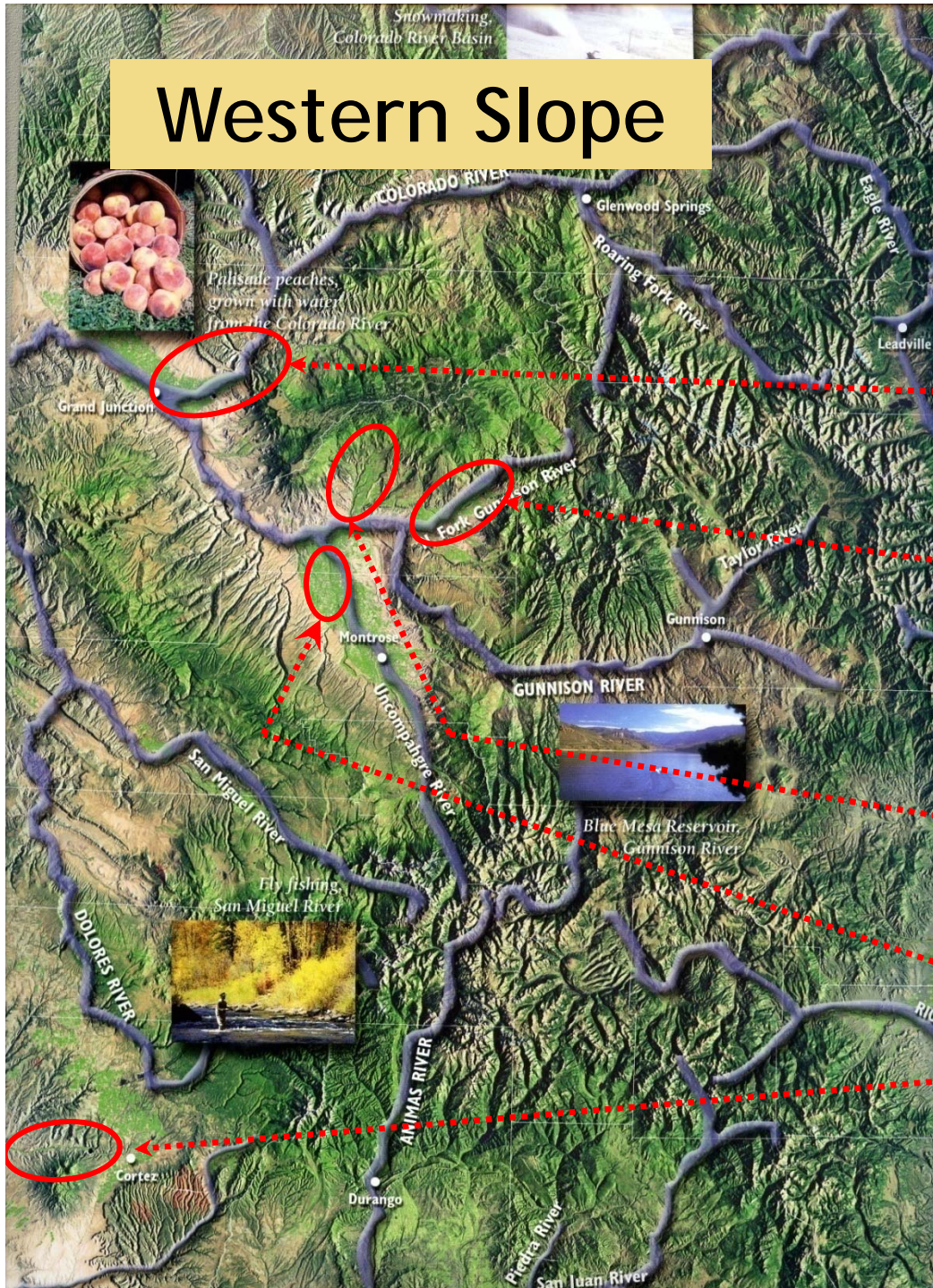
Terroir from 20,000 ft.: Grand Valley's Canyon Wind





- 140+ licensed wineries
- 5 in 1990
- 2 federal AVAs
- 1000 producing acres
- Originally all *Vitis vinifera*
- >10% acres cold-hardy hybrids opening up new areas

Western Slope



Designated AVAs:

- **Grand Valley**
(Colorado River)
- **West Elks**
(N. Fork of the Gunnison)

Other Growing Regions:

- **Surface Creek**
(Grand Mesa)
- **Olathe** (sweet corn)
- **McElmo Canyon**
(Montezuma County)

Highest commercial vineyards in Northern Hemisphere

- up to 7,000 ft. above sea level in Delta, Fremont and Montezuma counties



In the old days...

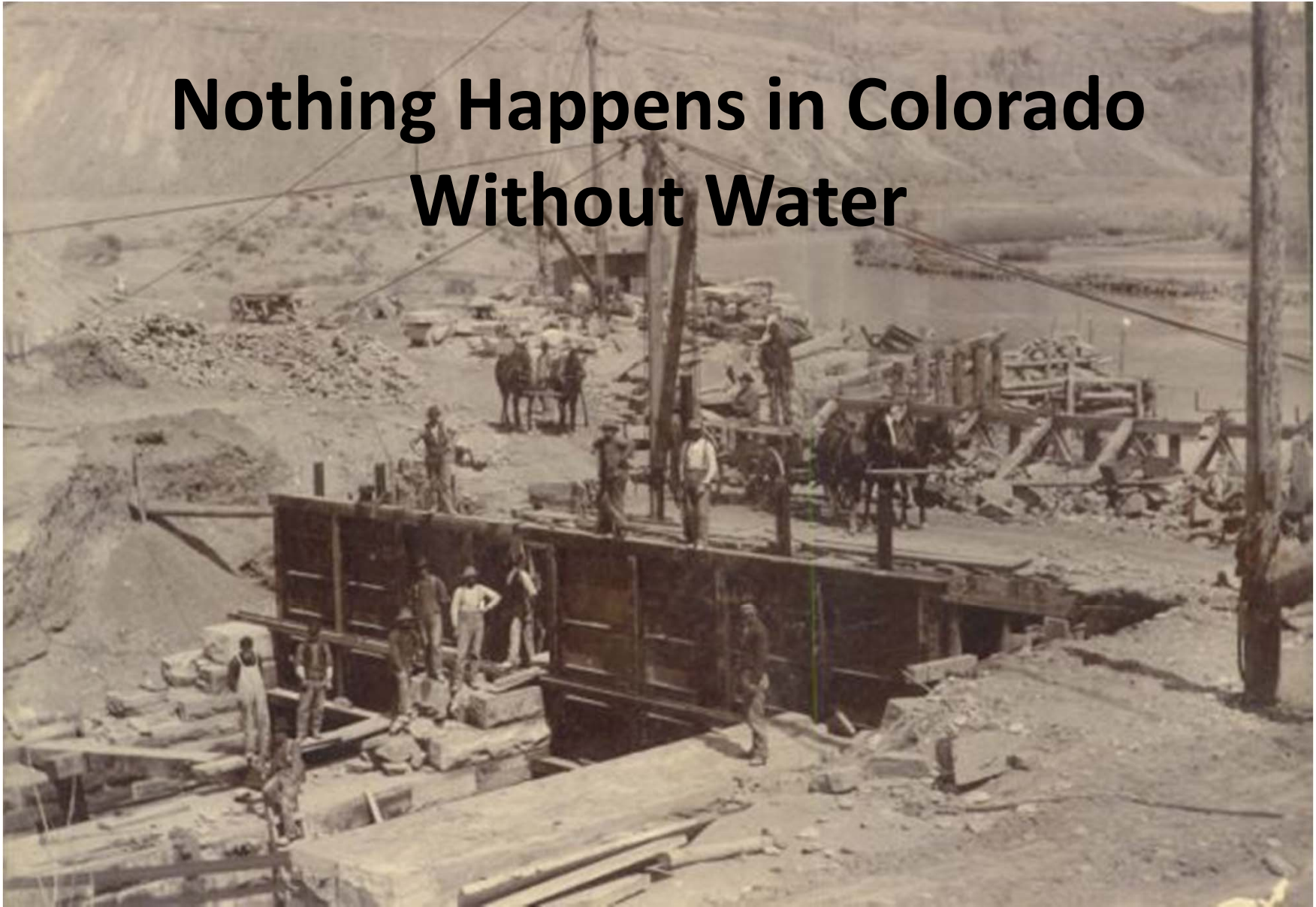


- Tourist Isabella Bird comments on the wild grape vines in the St. Vrain Canyon below Estes Park, *A Lady's Life in the Rocky Mountains*, 1873
- 19th C: European immigrants bring vines and winemaking
- Grapes are part of the promotional “fruit basket” used to promote settlement in the Grand Valley

“The finest varieties of European grapes, such as the Black Hamburg, Flame Tokay, Zinfandel, Sultana, Muscat and Malaga grow to perfection in the open, and this is the only valley in the State where it is possible to grow them at all.”

—*The Resources of Mesa County, Colorado and the Advantages and Opportunities it has to Offer*, c. 1897

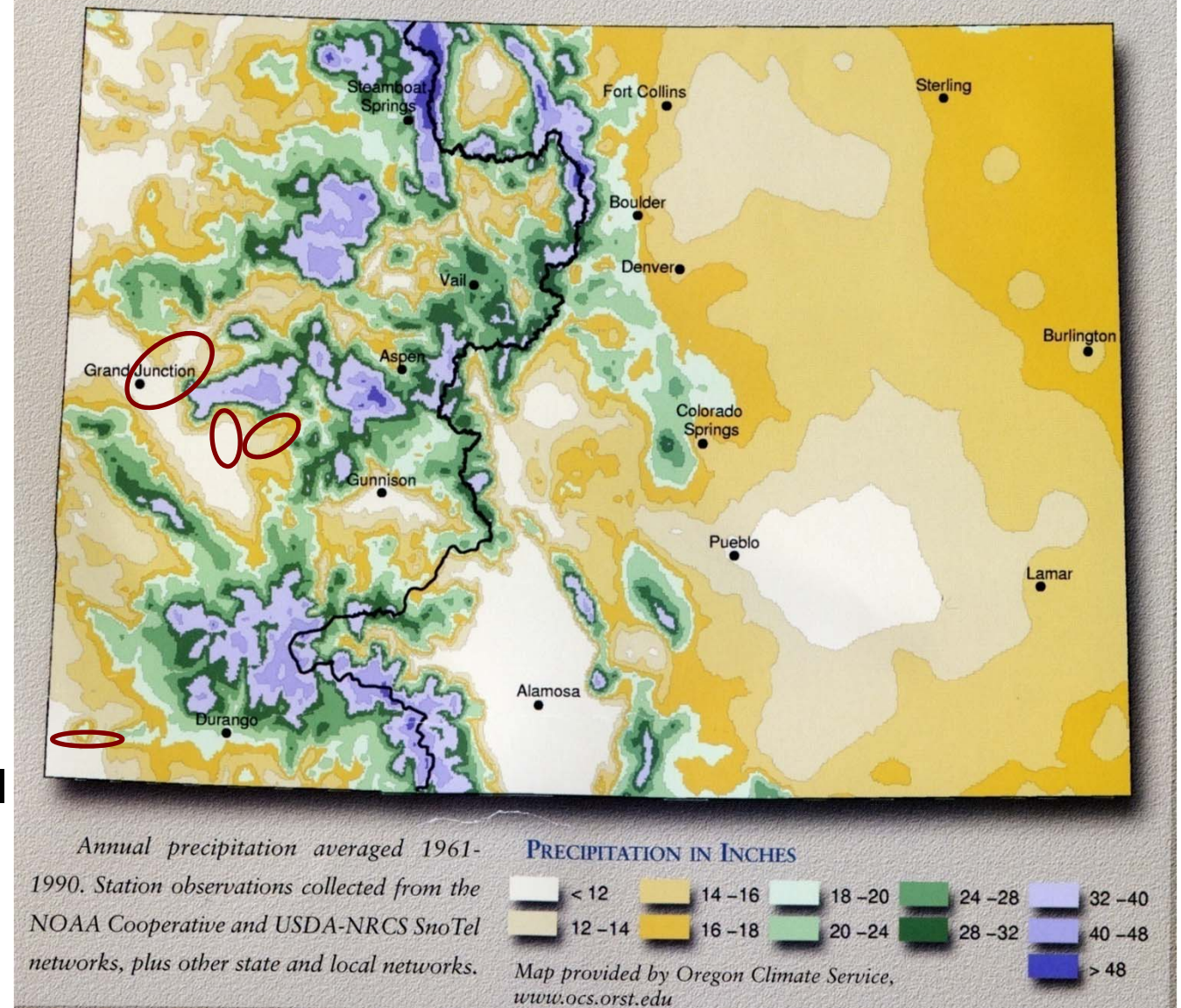
Nothing Happens in Colorado Without Water



1882: gravity irrigation diverts Grand River water
at mouth of DeBeque Canyon

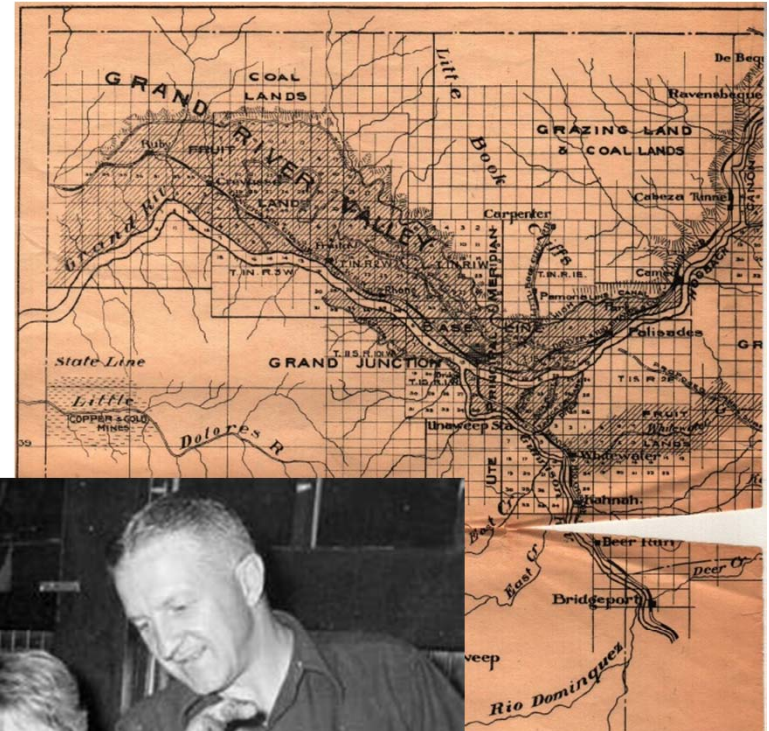
Irrigation Distilled

- Grapes need >20"
- Most CO growing areas avg 8-12"
- Dry climate means very low pest and disease pressure
- Much less need for chemicals
- Irrigation adds control over vine development
- Urban sprawl and oil development compete for ag water rights



A bit of Colorado Wine History

- 1883: grapes first planted in the Grand Valley near Grand Junction
- 1890: Gov. Crawford plants 60 acres of grapes
- 1909: U.S. Dept. of Commerce Census reports more than 1M lbs. of grapes from over 1000 farms
- 1968: Dr. Gerald Ivancie opens Ivancie Winery in his Denver basement and hires a young graduate of Univ. of California at Davis to make wine
- 1973: Federal Four Corners Commission funds grape growing research in the region.
- Colorado Mountain Vineyards opens in 1978
- Plum Creek Cellars opens in 1984



More Colorado wine history



Courtesy Stag's Leap Wine Cellars

- Warren Winiarski, the UC Davis grad who served as the winemaker for Denver's Ivancie Winery in the 1960s, shown in 1970 planting Stag's Leap Vineyard in Napa Valley before he won the 1976 Judgement of Paris

Photo courtesy Stag's Leap Wine Cellars

- Joseph Phelps planted grapes in his Greeley backyard and made wine in his basement
- Ray Duncan's family (Silver Oak) had a wine blending sales room in the Larimer Square area

But terroir can be a two-edged marketing sword:



**“You can’t grow
Grapes in Colorado!
The soil is frozen 12
months a year.”**

--Wine Spectator Editor

So it’s critical for the consumer to taste and experience the wines.

Wine Promotion: Hints of Mountains and Sunshine



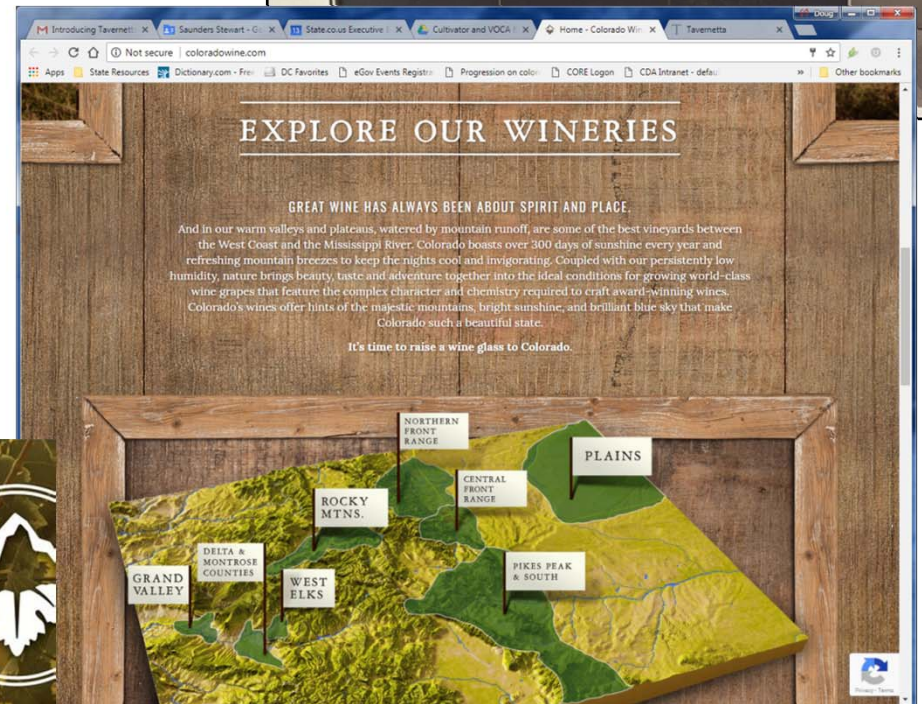
- Approximately 145 licensed wineries across the state
 - ✓ Including nearly 2 dozen cideries
 - ✓ Two federally designated American Viticultural Areas (AVA) Grande Valley (Palisade) and West Elks (Paonia)
 - ✓ One thousand acres of producing vineyards, 90% planted to *Vitis vinifera*, the European grape varieties
 - ✓ Wineries on the Front Range produce 50% of the wine even if they don't own their own vineyards
- Colorado wine consumer survey
 - ✓ 76% of wine consumers (within the past month) aware of CO wine, but only 63% have consumed it
 - ✓ Those who do consume Colorado wine report consuming it more frequently
- Colorado Wine Market Share
 - ✓ 178,000 cases reported in FY17 (424,000 gallons)
 - ✓ 2.2% market share by volume; approx. 4.7% by dollars

Wine Promotion: Hints of Mountains and Sunshine



One-third of CWIDB budget mandated for marketing

- Outdoor Advertising , billboards
 - ✓ Denver metro area six locations
 - ✓ Memorial Day through August
 - ✓ 5 mil impressions for \$60,000
- Coordinated with Social Media
 - ✓ Paid ads on Facebook and Instagram
- Holiday DIA Train Station wraps
 - ✓ Concourses B and C: 8.7 mil impressions
 - ✓ Dioramas in Concourse A and B: 16.1 mil impressions
 - ✓ \$22,000
- coloradowine.com



Wine Promotion: Colorado Governor's Cup

- Wine competition
 - ✓ National and local experts judge
 - ✓ 325 entries from 46 CO wineries
 - ✓ Selects the top wines in CO:
12 grape wines, mead and cider for the Governor's Cup Case
 - ✓ [Video documentary](#) (0:45)
- Public Tasting of the Governor's Cup Case
 - ✓ History Colorado Center, Denver
 - ✓ Area chef specific menu item for each wine
 - ✓ [Video documentary](#) (3:06), produced with a marketing grant from CO Tourism Office
- coloradowine.com/governors-cup



GOVERNOR'S CUP CASE

BOOKCLIFF VINEYARDS

2016 RIESLING,* COLORADO / DOUBLE GOLD

CARLSON VINEYARDS

2015 "TYRANNOSAURUS RED" LEMBERGER,*
GRAND VALLEY AVA / GOLD

COLORADO CELLARS

RASPBERRY* / DOUBLE GOLD

COLORADO CIDER COMPANY

GRASSHOP-AH HARD CIDER / DOUBLE GOLD

CREEKSIDE CELLARS

2014 CABERNET FRANC,* GRAND VALLEY AVA / DOUBLE GOLD

DECADENT SAINT

2013 RESERVE CABERNET SAUVIGNON, AMERICAN / GOLD

GUY DREW VINEYARDS

2015 SYRAH,* COLORADO / DOUBLE GOLD

MEADERY OF THE ROCKIES

STRAWBERRY HONEY WINE / GOLD

THE INFINITE MONKEY THEOREM

2013 "BUBBLE UNIVERSE" SPARKLING ALBARINO,*
GRAND VALLEY AVA / DOUBLE GOLD

TWO RIVERS WINERY

2013 PORT,* MESA COUNTY / DOUBLE GOLD

WHITWATER HILL VINEYARDS

2016 "SWEETHEART RED" GRAND VALLEY AVA / DOUBLE GOLD

THE WINERY AT HOLY CROSS ABBEY

2015 RESERVE MERLOT,* COLORADO / GOLD

*INDICATES THIS WINE MADE FROM AT LEAST 75% COLORADO FRUIT.

You sell beverage alcohol *through* the Three Tier System



Created at the repeal
of Prohibition

- to prevent monopolies, tied houses
- to discourage organized crime
- to keep out the “*bad people*”



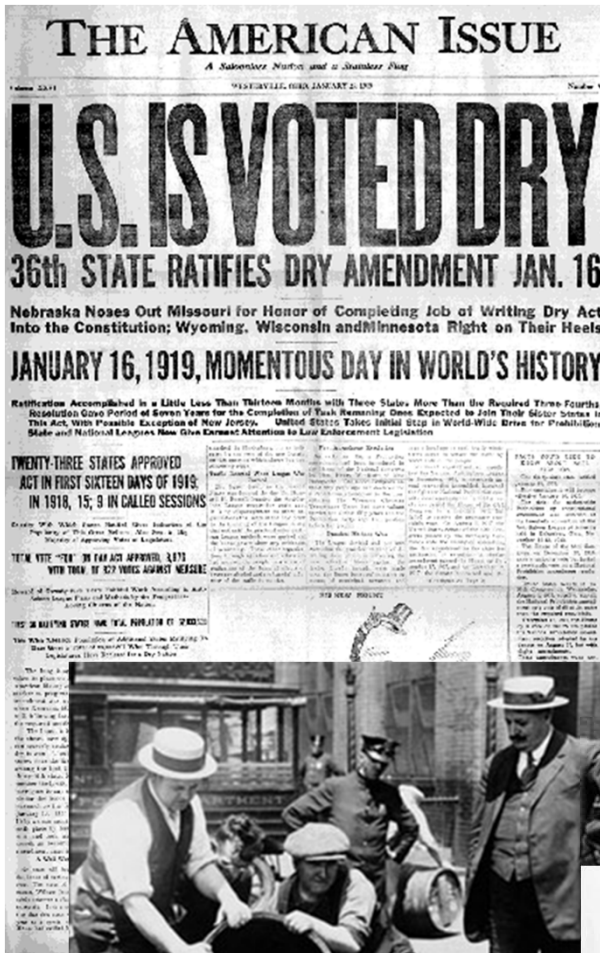
Wine is agricultural

- Hard Cider was the drink of choice necessity for settlers in America



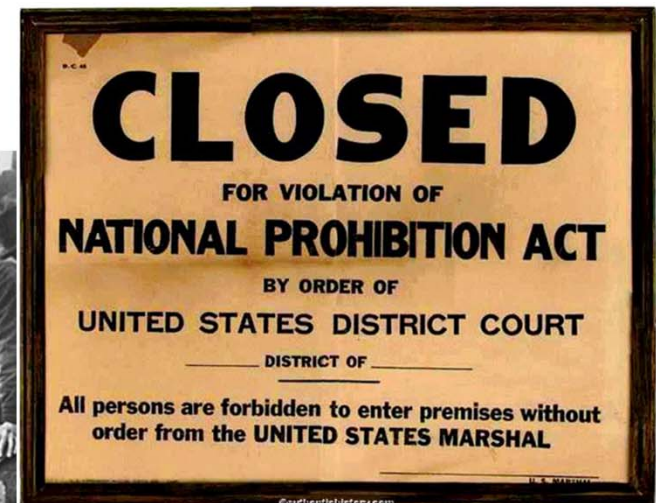
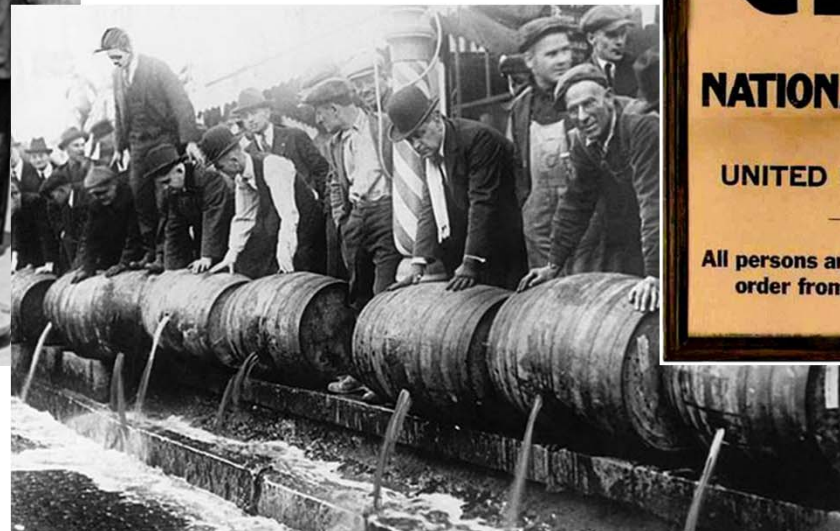
CURE
A MORBID APPETITE
FOR STRONG DRINK
(ALCOHOL) BY DRINKING
OUR MILD REFRESHING
BOTTLED LAGER BEER
CLAUSSEN-SWEENEY BREWING CO.
SEATTLE, WASH.
P.O. BOX 265, TELEPHONE 95.





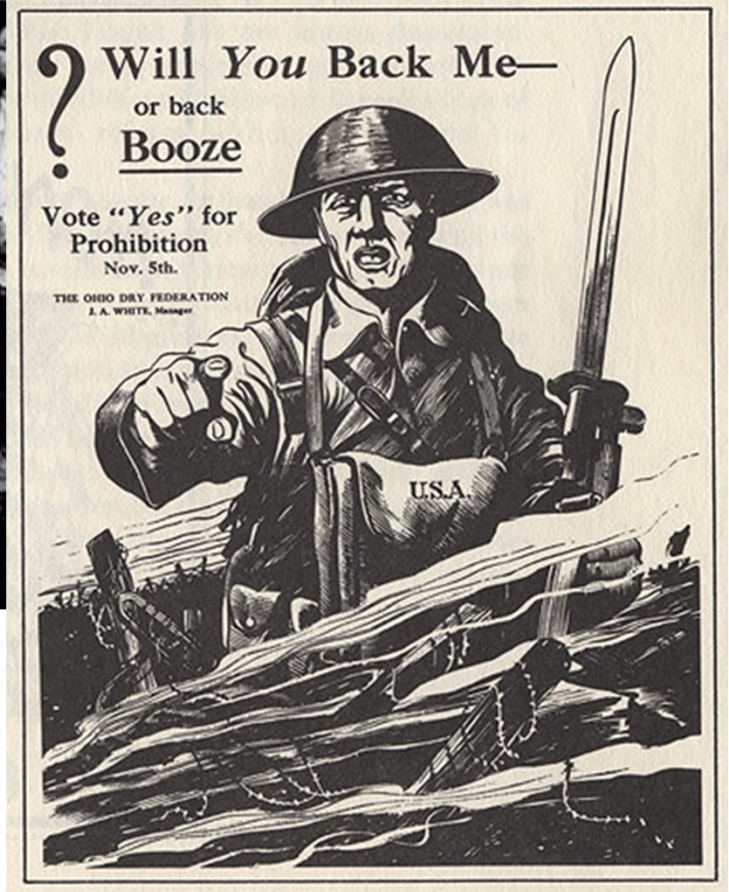
PROHIBITION:

- Colorado Goes Dry in 1916
- The rest of the USA goes dry in 1920 when the 18th Amendment ratified
- Prohibited the manufacture , sale and distribution of beverage alcohol in the country
- Up to 200 gallons wine or beer could be brewed at home by the head of household
- Did not stop people from “bootlegging,” “moonshining” and visiting speakeasies.



PROHIBITION:

Why Would We Do That?



Prohibition Mentality is Still Alive Today, and the arguments aren't all that different

“With Alcoholism Rampant on Nearby Reservation, Nebraska Shuts Town’s Liquor Stores,” *All Things Considered* on NPR, May 11, 2017

In a town of roughly a dozen residents, “the state liquor board has shut down Whiteclay's four controversial liquor stores. Together, the stores sold 4 million cans of beer every year — mostly to residents of the adjacent Pine Ridge Indian Reservation, which bans alcohol. The store owners are appealing the action by the Nebraska Liquor Control Commission, but that could take months.... The bulk of this town's revenue came from liquor store sales.”

License revocation upheld by NE Supreme Court on Sept. 29, 2017

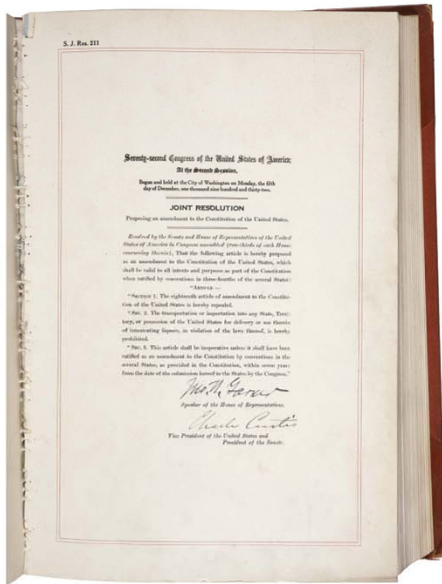


Whiteclay, Nebraska, in June 2017.

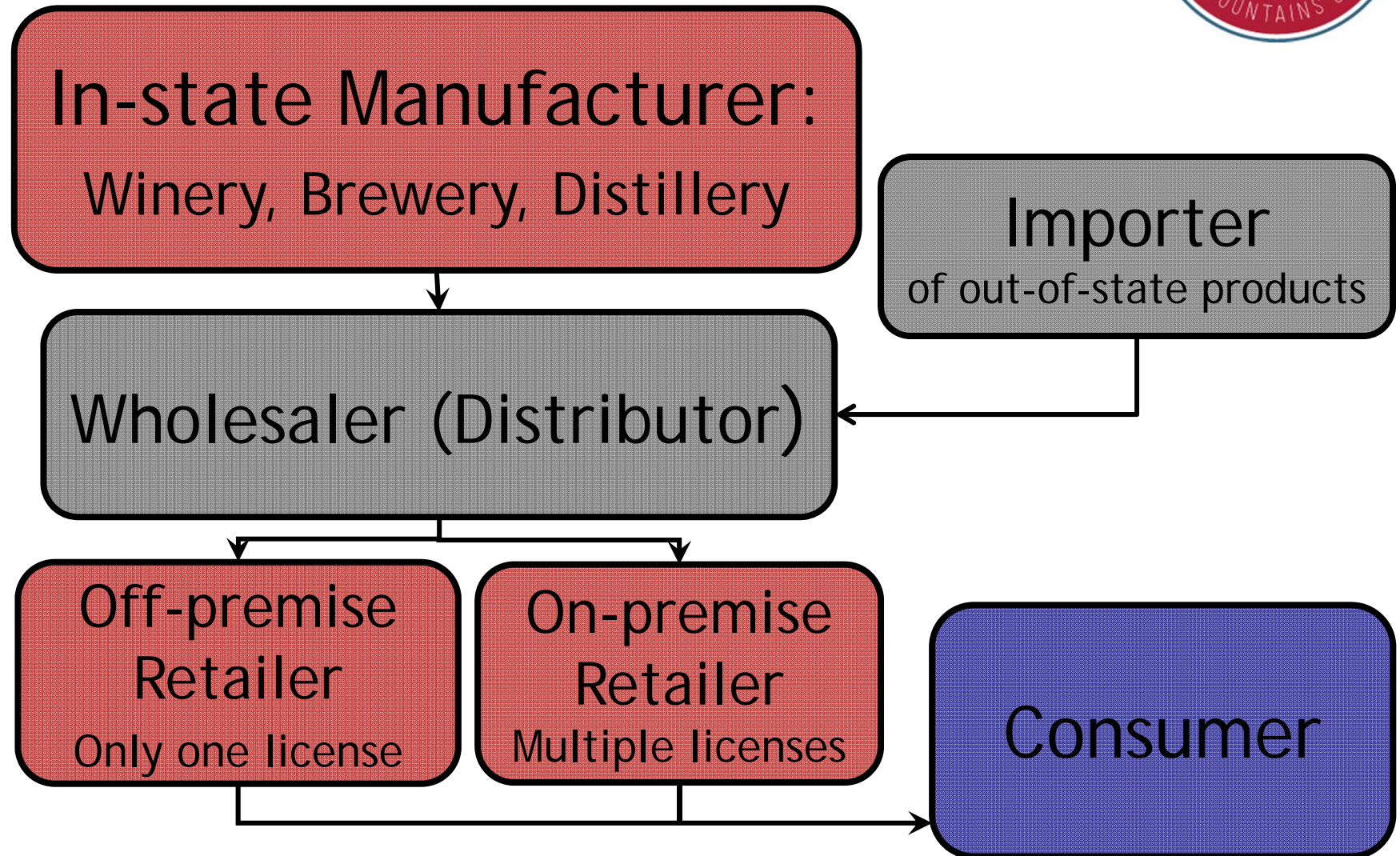
From Omaha World-Herald

- Tribal cultural leader: "It's been a hard-fought battle on many fronts. But, I also think it's an opportunity to bring communities together. To bring people with the same value system about life and about wellness and creating economic opportunity that benefits the region as a whole."
- County Commissioner: "No one wants to say that alcoholism is the problem and the addict is the problem and we need to start there. And it doesn't matter where we move the supply to. If you're an addict, you're going to access that. So in my opinion, what we had before was a problem that no one liked, but it has to be addressed from the addict's side."

Repeal and Twenty-first Amendment Passed December 5, 1933



The Three Tier System, as it looks on paper



Wholesaler consolidation vs. the explosion in small wineries across the US



Too Many Wineries for Too Few Distributors

1995

2,600 Wineries



3,000 Distributors

2015

8,800 Wineries

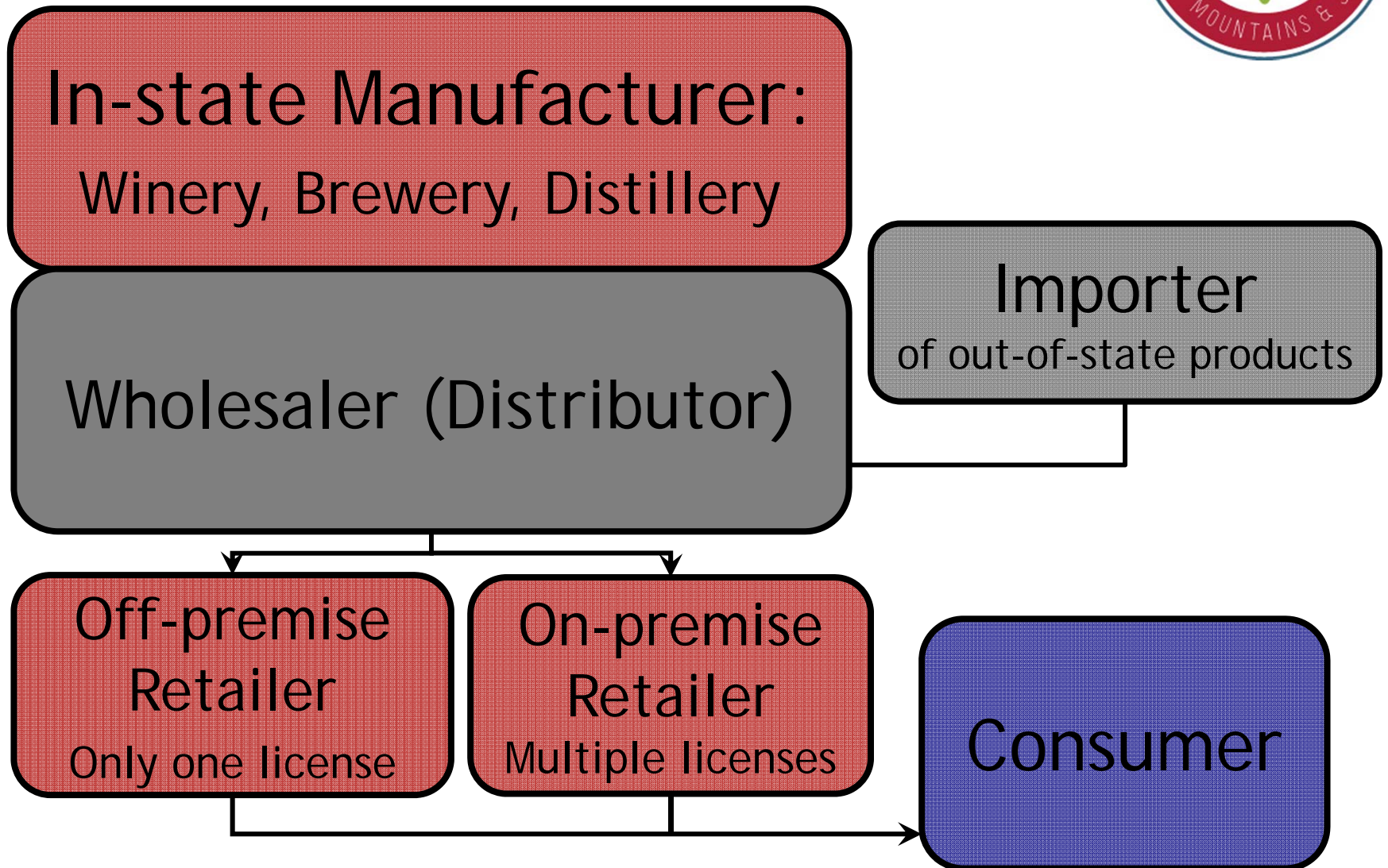


700 Distributors

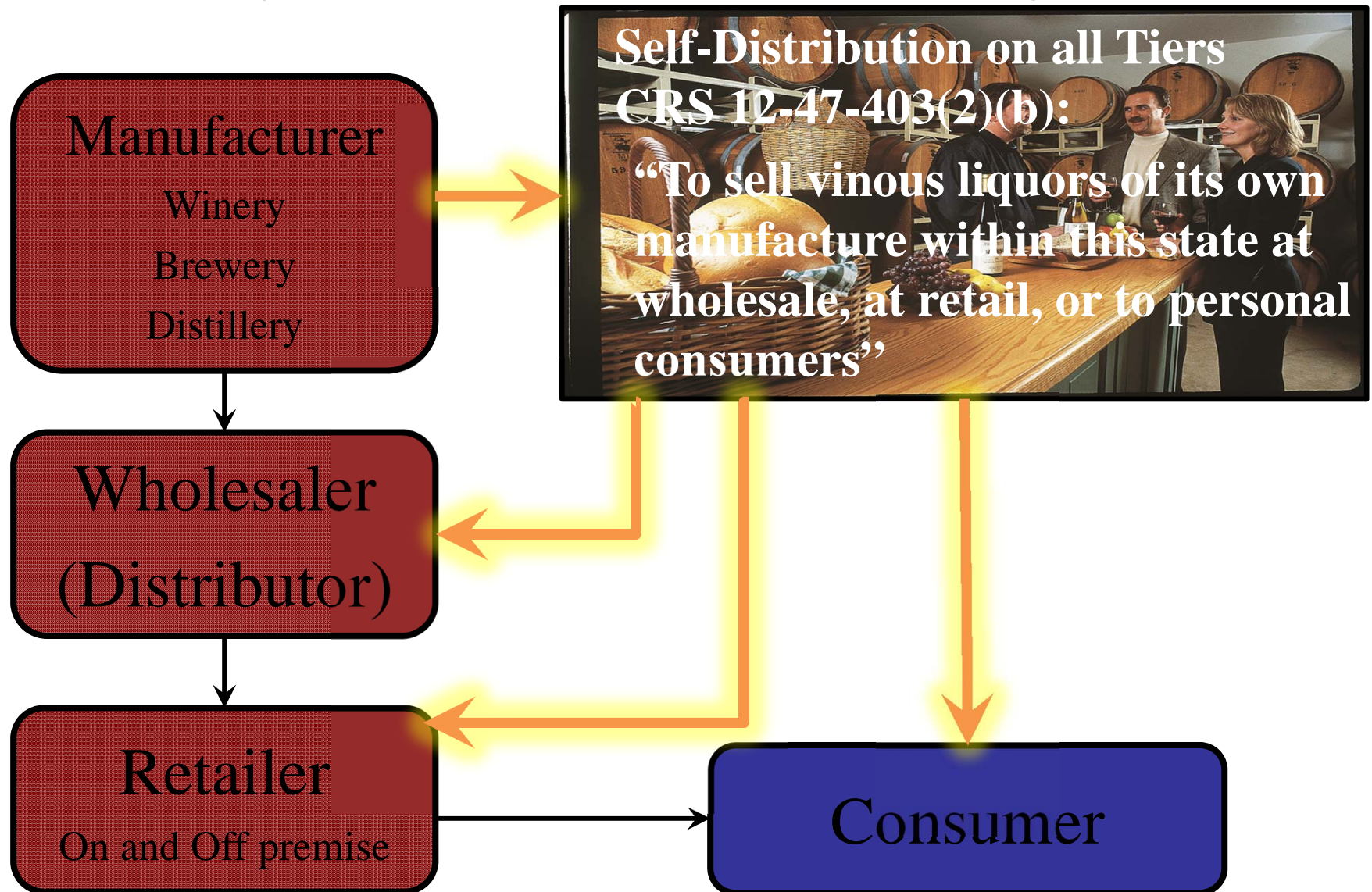
From “[Silicon Valley Bank on Wine, the Business of US Fine Wine.](#)”

May 29, 2017

The Three Tier System,
as it often looks in practice, to a
small, local producer



Small producer privileges, exemptions to the Three Tier System



Small producer privileges and adaptations

Manufacturer
Winery
Brewery
Distillery

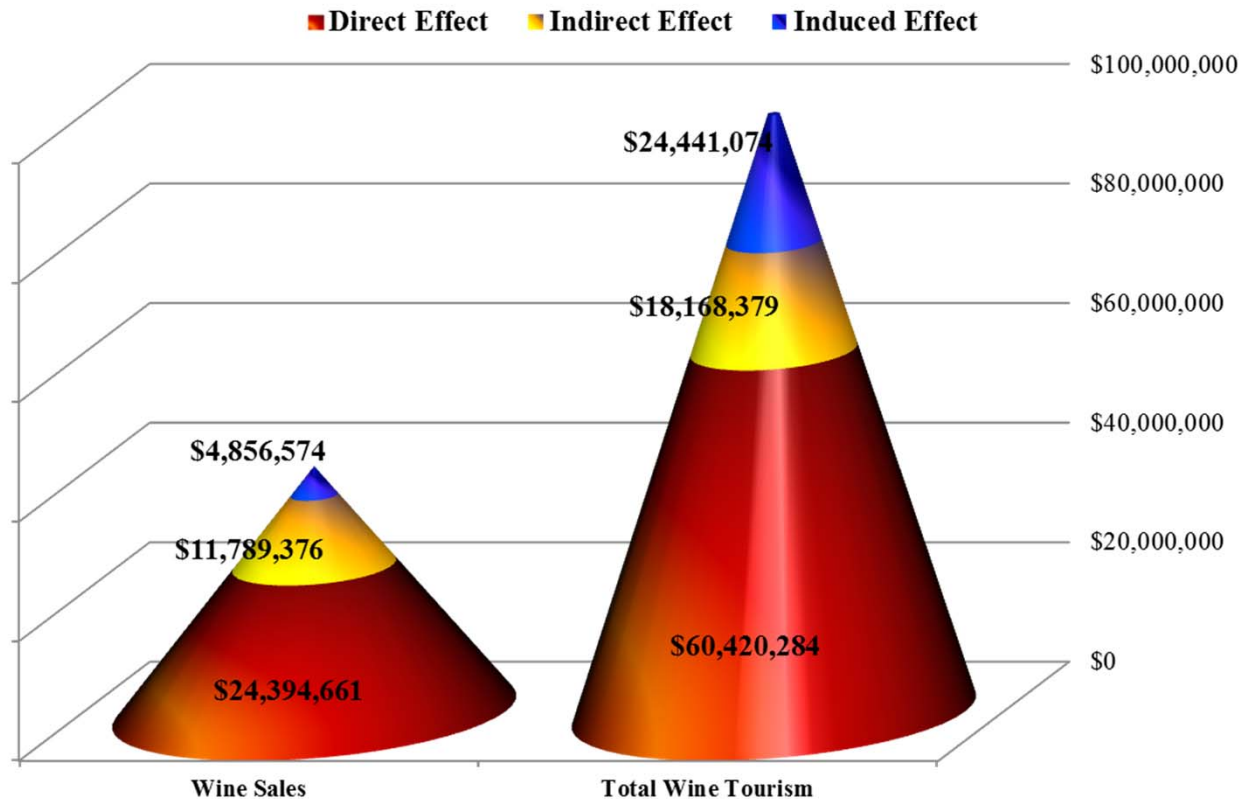
**Wholesaler
(Distributor)**

Retailer
On and Off premise



Consumer

Impact of Beverage Tourism



- In 2012, wine sales \$24.4 million becomes \$41 million (1.68)
- Wine tourism: \$60.4 million becomes \$103 million (1.70)
- Thilmany, et al, Nov 2013

Tourism has a larger induced economic multiplier than manufacturing

Small producer privileges and adaptations

Manufacturer
Winery
Brewery
Distillery

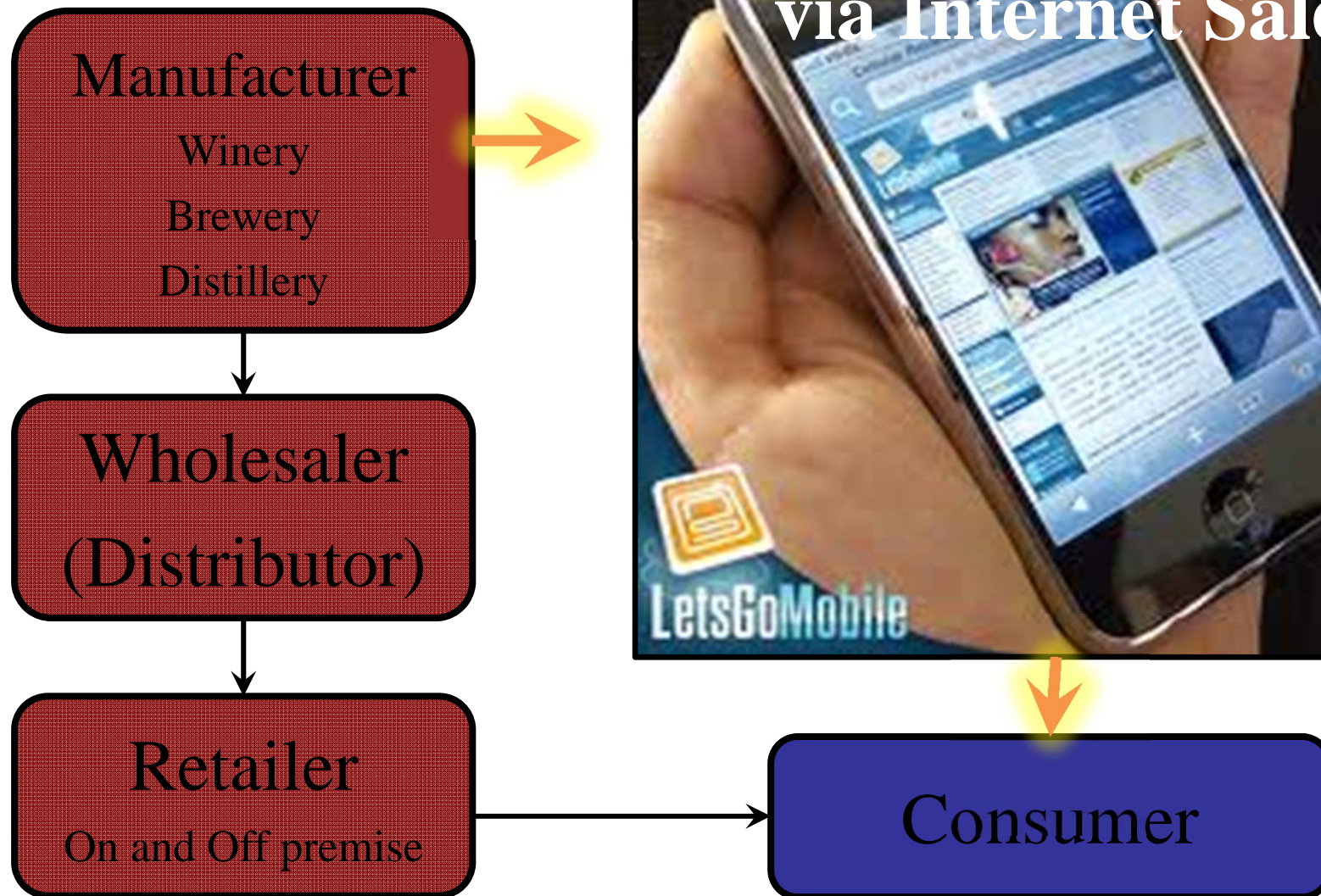
Wholesaler
(Distributor)

Retailer
On and Off premise



Consumer

Small producer privileges and adaptations



Small producer privileges and adaptations



Differences in CO Manufacturing Licenses



1. Manufacturing winery or distillery (12-47-402 CRS)
 - One on-site sales room, one additional
 - Can sell to a wholesaler w/o a license
 - Can self-distribute but only own products (to retailers) with an additional wholesale license
 - Winery can enter into Alternating Proprietor Licensed Premises agreement with another winery
 - Winery can participate in an wine festival (12-47-403.5 CRS)
2. Manufacturing brewery (12-47-402 CRS)
 - Must get a wholesale license to self-distribute only own product
 - One sales room on the wholesale license
 - Can enter into APLP agreement with another brewery

Differences in CO Manufacturing Licenses (cont'd)



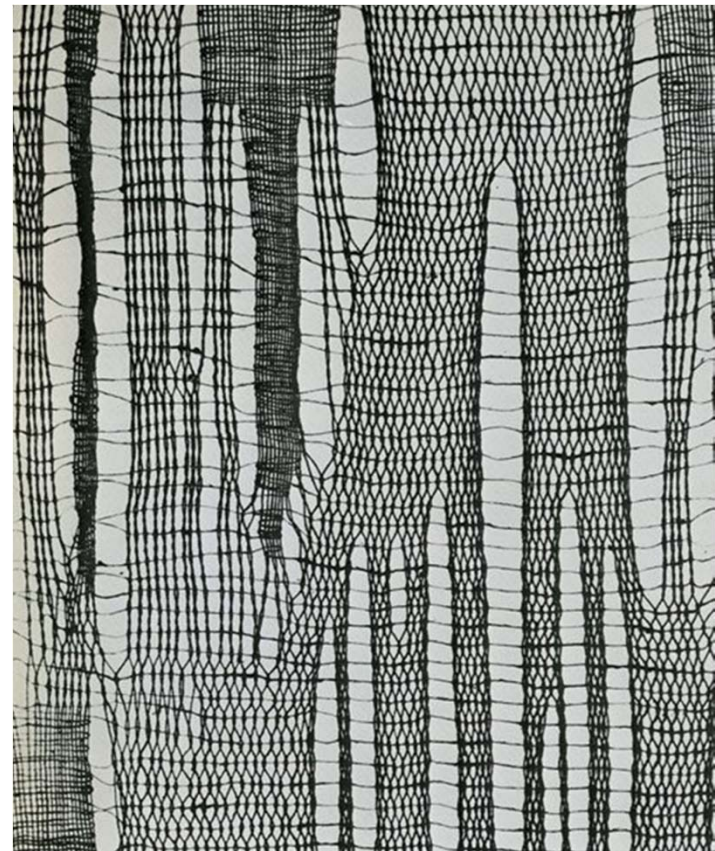
3. Limited winery (12-47-403 CRS)
farm wineries in other states
 - Less than 100,000 gal. annually
 - Formerly required to use 75% CO fruit or produce
 - One on-site sales room, five additional
 - Can self-distribute to wholesalers and retailers without an additional license
 - Can enter into an APLP agreement with another winery
 - Can participate in wine festivals

The extra privileges for limited wineries as well as the CWIDB within the CO Dept. of Ag are the result of wine being more closely associated with agriculture.

Colorado Liquor Code is Like a Loosely Woven, Fraying Fabric



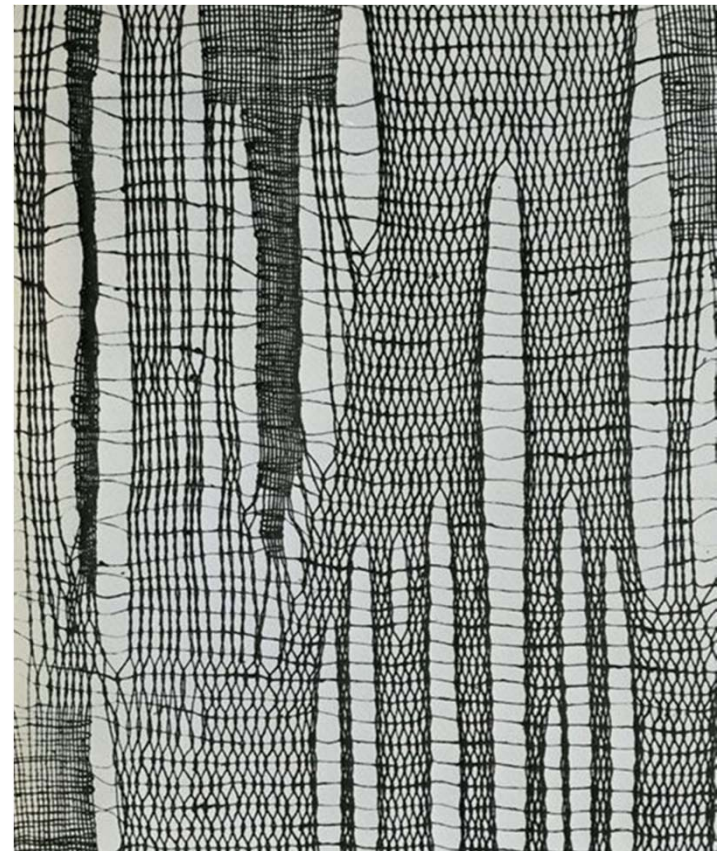
- If you pull on any single thread the entire thing unravels
- Any small change you make in one section has unintended consequences in virtually every other section



SB16-197:unprecedented changes and unintended consequences



- Eliminates the legal difference between fermented malt beverage and malt liquor (3.2 beer)
 - Beer consumption in public
 - On- and off-premise licenses
- Allows for food sales (<20%) in liquor stores
 - Lottery and tobacco sales?
- Multiple licenses phasing in
 - Liquor-licensed drug stores must buy out two existing liquor store licenses in same jurisdiction and all within 1500/3000 feet



What does the future hold?

- Look at the how well national grocery chains have embraced local, non-alcoholic brands and produce
- States with emerging wine industries report that local grocery stores are supportive in product placement and sell-through
- Any advantage of central ordering and delivery was precluded in SB16-197
- More sales or more headaches?



www.coconsumersforchoice.com



Thank you

Doug Caskey, exec. director
CO Wine Industry Development Board
c/o CO Dept. of Ag
305 Interlocken Pkwy
Broomfield, CO 80021
303.869.9177
doug.caskey@state.co.us
www.coloradowine.com