

Wyldeewood Cellars Winery

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Dr. John A. Brewer, President 2-19-12

Good morning Chairman and members of the committee. My name is Dr. John Brewer and I am the President and Owner of Wyldeewood Cellars Winery. I am submitting this testimony in support of SB390.

The ability to sell wine in unopened containers at Special Events will substantially help the viability and profitability of the Farm Wineries. Only two of the 30 Kansas wineries are distributed and are thus able to profit (by sales through liquor stores) from a Special Event tasting. The Special Event profits by increased attendance when there is a wine tasting, but it is a financial hardship for many of the wineries to sample if they are not able to sell their to cover their costs of attendance and sampling. Many of the Kansas wineries are only open for sales on the weekends, the same time as the Special Event.

Wyldeewood Cellars has grown into the largest winery in Kansas and satisfies the 60% rule only because we specialized in wine made from elderberries which are native to Kansas. Wine grapes are not native to Kansas and only certain varieties of grapes can be grown commercially in Kansas. Wine is produced under Federal Bond and Regulations for the manufacturing materials and processes.

The 21st Amendment allows States to regulate only the importation, sale, and consumption of alcoholic beverages, not the manufacturing materials or processes. To put the Kansas Wine Industry in perspective: in 2010 Kansas wineries sold about 75,000 gallons of wine, Missouri wineries sold about 750,000 gallons, and Gallo Winery sold over 7,500,000 gallons of just Chablis. (Kansas data from Kansas Ag Statistics report).

Grapes take 4-5 years of growth to begin fruit production. Using the Kansas Department of Agriculture 2010 report on vineyards and wineries, only 44% (about 32,000 gallons) of the grape wine produced was made with Kansas grapes. The non-bearing acres could contribute about 35,000 gallons a year once they mature (1 to 4 years). The wine industry in Texas, Colorado and Oklahoma is growing at about 30% a year. For Kansas's wine industry to grow 30% and satisfy the 60% requirement, over 70% of the non-bearing vines would have to become full bearing vines next year. Clearly, this is not possible. The 60% grown in Kansas requirement severely limits responding to increased customer demands, industry growth, and increased tax revenues on increased sales. When there is an established demand for a product, people will invest the time and money to produce the product.

Increased wine sales persuade people to establish vineyards, not regulations. In 2000, Oklahoma had 2 wineries and Kansas had 9. Oklahoma has no "grown in the state" requirement due to losing a lawsuit over a 10% coal production requirement. Today, Oklahoma has 86 wineries and Kansas 30 (not all are selling wine). Texas and Colorado also do not have a fruit requirement and Texas has over 200 wineries and Colorado over 100 wineries. 420 wineries outside of Kansas can ship wine directly to Kansas consumers with no Kansas grown content, but Kansas wineries have to have 60% grown in Kansas to sell to the same consumer. This severely restricts Kansas wineries' ability to compete.

The 60% requirement does prevent a winery, like Gallo, from starting a winery in Kansas, bringing in California grapes for wine production, and selling their wine directly to liquor stores; thereby, circumventing the wholesale wine distributors. This has not happened in any state, like Texas, Oklahoma, and Colorado, that does not have a "grown in state" requirement. The Kansas wine industry is producing quality wines that are accepted by consumers and compete with wines from the states that surround us. It has the potential to expand substantially, but is being limited by a lack of fruit due to the 60% grown in Kansas requirement. In 17 years, I have not been able to purchase more than 2 tons (300 gallons of juice) of Kansas grown grapes in any year. At the January meeting of the Kansas Grape and Wine Makers Association, several wineries tried to purchase grapes. None of the grape growers had any grapes for sale.

For the Kansas Wine Industry to grow into a real industry, we must have an adequate supply of raw materials. The 60% grown in Kansas requirement allows grape growers to regulate the growth of the Kansas Wine Industry, determine what wines the Wineries can produce, and determine which Wineries will prosper. While we believe that SB379 eliminating the 60% requirement is best, the 10% Kansas production level will help improve our raw goods supply problem and help the Kansas Wineries to prosper which in turn creates more demand for Kansas grapes and allows our vineyards to prosper as well.

In closing I would like to thank you for the opportunity to submit this testimony to you in support of SB390 and pass the bill favorable out of committee. Please feel free to contact me at 316 554 9463 at any time if you have any questions.

A handwritten signature in black ink, appearing to read "Dan Lubbert", with a long horizontal flourish extending to the right.