Testimony

To: The Honorable Steve Brunk, Chairman and the Members of the House Committee for Federal & State Affairs

From: Bob DesRuisseaux, Owner Prairie Fire Winery, Paxico, KS; Vice-President, Kansas Grape Growers & Winemakers Association

Re: SB 379 & 390, regarding farm wineries; Kansas fruit requirement

Date: March 28, 2012

Chairman Brunk and Members of the Committee:

I am writing you this letter on behalf of my wife, myself, the employees of Prairie Fire Winery, and all of the members of the KGGWA (Kansas Grape Growers and Winemakers Association) who support SB 379 & SB390, and I urge you to please pass them. We strongly believe, based on our own experiences and upon reviewing the best practices of our neighboring states, that the free market is the best way to grow the Kansas grape growing and winemaking industry. Last year, the amount of grapes we received from our growers was only 51% of the amount we contracted with our growers for, due to the 2011 drought. That has already resulted in our not adding two full time positions we had projected for. We also feel that much of the opposition to reducing or eliminating the fruit requirement is based on anti-competitive motivations from a few wineries in a small geographic location within our state.

About SB 379 & SB 390:

-SB 379 & SB 390 have absolutely nothing to do with calling or labeling a wine a Kansas wine.
-All wineries must follow the Federal Labeling laws which are much stricter than the State of Kansas regulations.
-You cannot bring in grapes, juice or fruit from outside of Kansas and label it a Kansas wine under the Federal Labeling Laws.
-The current 60% Kansas fruit r`equirement (referred to as 60/40) is a manufacturing sourcing/production quota, it has nothing to do with calling/labeling a wine a Kansas wine.
-Some will attempt to convince you that we are giving "perks" to farm wineries in Kansas because of the fruit requirement. These "perks" are the same standard business practices in the winery industry that are allowed in nearly all states in the nation regardless of their sourcing/production quota.

To those that are attempting to spread fear that this (SB 379) would kill the Kansas vineyards, I would ask them to please provide the facts as to where this has occurred in other states? It simply hasn't. In fact, I recently received a call from a Nebraska grower, in a state that has a higher fruit requirement than Kansas, to purchase their fruit as there are not enough wineries in their state to support their growing efforts. The higher fruit requirement in Nebraska is hurting the growers,

House Federal & State Affairs
Date: 3-29-12
Attachment # 7

not helping them. Although it might sound counterintuitive, vineyards have shown the most growth in states that have the lowest in-state fruit sourcing/production quotas.

There has been some misleading information about the Oklahoma & Iowa wine industries floating around and I submit the following information I obtained from the Oklahoma Grape Growers and Winemakers Association, Redlands Community College in El Reno, OK and the ISU Extension Viticulture Specialist about the growth of their industries over the past 12 years: (In contrast to their growth during these periods, Kansas has less than 30 wineries and 342 acres of vineyards. We are aware of at least two wineries closing in the past year and at least another, with 8 acres of their own vineyards, has signaled they may close this year due to the drought last year.)

Oklahoma:
-Their instate fruit requirement is 0%
-Number of wineries: In 2000 there were 3, today there are 62.
-Number of vineyard acres: In 2000 there were 50, today there are 700.
-All available grapes are sold and used within the State of Oklahoma.
-They can sample and sell direct to consumers as we can in Kansas.
-They **are** allowed to self distribute. (They had to amend their legislation in 2008, but both wineries I spoke to indicated they were very pleased with their current status.)
-Their state excise tax on wine was nearly $0 in 2000, and currently it is approximately $3.7 million dollars annually.
-The increase alone in the 2011 excise tax from farm wineries was approximately $58,000.

Iowa:
-Their instate fruit requirement is 0%
-Number of wineries: In 1999 there were 13, today there are 96.
-Number of vineyard acres: In 1999 there were 31, today there are 1200+.
-All available grapes are sold.
-They can sample and sell direct to consumers as we can in Kansas.
-They **are** allowed to self distribute.
-The 2008 Iowa Economic Impact study showed that for each $1 in Iowa made wine sold, another $31.83 in economic impact occurred from lodging, tourism, food, taxes, etc.

Given a business friendly regulatory environment, we are confident in our ability to grow this industry, retain capital in Kansas, create jobs, and increase revenue to the State of Kansas as our neighboring states have also done. I hope you will consider the above information and reduce the fruit requirement for Kansas wineries to something more reasonable, such as the 20% in SB 379.

Respectfully,

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