CALIFORNIA WINE EXPORT PROGRAM BRIEFING

Wine Institute

CDFA Board Meeting, San Diego

April 1, 2015
Road Trip Video
International Ambassadors for California Wines

- Wine Institute is an association of more than 1,000 California wineries, that advocates on public policy matters and promotes the state’s wines worldwide.
- Headquartered in San Francisco.
- Representation in Washington, D.C., all 50 state capitals and 16 international markets.
- Programs supporting California wines in more than 25 countries.
- Supporting sustainable winegrowing and winemaking practices.
- California Wine Export Program: awareness of and appreciation for California Wine around the world.
More than 170 California wineries currently participate in the Wine Institute’s International Program – 3 large, 8 medium, 150+ small

Wine Institute’s promotional campaigns for California wine help develop markets in more than 25 countries. We provide support and guidance to wineries that export by:

- Maintaining trade representation in 15 countries to provide critical market information and promotional assistance
- Organizing California's participation in international wine trade shows
- Facilitating California wine promotions in both retail and on-premise (restaurant) accounts
- Hosting trade, media and consumer tastings in more than 15 countries each year
- Encouraging coverage by top wine, food and lifestyle writers through an international media outreach effort and an active schedule of California wine country visits by foreign trade representatives.

Membership in the California Wine Export Program is funded by both the USDA’s Foreign Agriculture Service and industry contributions

www.calwinexport.com
<table>
<thead>
<tr>
<th>Target Countries</th>
<th>Target Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>Switzerland *</td>
</tr>
<tr>
<td>United Kingdom *</td>
<td>Vietnam</td>
</tr>
<tr>
<td>Germany *</td>
<td>Singapore</td>
</tr>
<tr>
<td>Japan</td>
<td>Russia *</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Taiwan</td>
</tr>
<tr>
<td>China</td>
<td>Philippines</td>
</tr>
<tr>
<td>Sweden *</td>
<td>Brazil</td>
</tr>
<tr>
<td>France *</td>
<td>Brazil</td>
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<tr>
<td>Denmark *</td>
<td>Norway *</td>
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<tr>
<td>Belgium *</td>
<td>Finland *</td>
</tr>
<tr>
<td>Netherlands *</td>
<td>Colombia</td>
</tr>
<tr>
<td>Mexico</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>Poland *</td>
<td>India</td>
</tr>
<tr>
<td>South Korea</td>
<td>Austria</td>
</tr>
</tbody>
</table>

* Inter-European sales transfers prevent the accuracy of European country-level export data
Growing Around the World

- California is the fourth largest wine producer in the world (after France, Spain, Italy)
- 49 of 58 counties grow winegrapes
- 4,100 bonded wineries, most family owned
- 5,900 winegrape growers
- 135 AVAs (American Viticultural Areas) approved by the U.S. government
- 110 winegrape varieties
- 570,000 acres (231,000 hectares) of winegrapes (less than 1% of California’s total land)
• 90% of US wine comes from California

• 90% of US wine exports come from California

• California wines are sold in 125 countries

• 250 million 9-liter cases produced annually

• 4 million tons (3.6 billion kilograms) of harvested winegrapes annually
California Wine Varietals
Top Wines Sold by Volume

<table>
<thead>
<tr>
<th>Wine Type</th>
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</thead>
<tbody>
<tr>
<td>Chardonnay</td>
</tr>
<tr>
<td>Cabernet Sauvignon</td>
</tr>
<tr>
<td>Merlot</td>
</tr>
<tr>
<td>White Zinfandel</td>
</tr>
<tr>
<td>Sauvignon Blanc</td>
</tr>
<tr>
<td>Pinot Noir</td>
</tr>
<tr>
<td>Pinot Grigio</td>
</tr>
<tr>
<td>Red Zinfandel</td>
</tr>
<tr>
<td>Syrah</td>
</tr>
<tr>
<td>Red Blends</td>
</tr>
</tbody>
</table>

- Top 4 wines account for 40% of Volume Sold
DISCOVER CALIFORNIA

- $61.5 billion in state economic impact
- $121.8 billion in national economic impact
- 330,000 jobs in California
- 820,000 jobs nationwide

DiscoverCaliforniaWines.com
21 million tourists visit California wine regions annually
US WINE EXPORTS
Up 160% over 10 years

More than 90% of U.S. Wine exports are from California

Source: Wine Institute & Global Trade Information Services, using data from U.S. Dept. of Commerce

DiscoverCaliforniaWines.com
<table>
<thead>
<tr>
<th>Country</th>
<th>2014 $ Exports ($000)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union Total</td>
<td>$517,789</td>
<td>-16.4%</td>
</tr>
<tr>
<td>Canada</td>
<td>$486,925</td>
<td>+7.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>$87,817</td>
<td>-13.3%</td>
</tr>
<tr>
<td>China</td>
<td>$71,331</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$68,980</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>$23,938</td>
<td>+13.5%</td>
</tr>
<tr>
<td>South Korea</td>
<td>$22,222</td>
<td>+21.4%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>$21,863</td>
<td>+172.1%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$19,664</td>
<td>+54.6%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$15,512</td>
<td>+33.0%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>$72,645</td>
<td>+0.5%</td>
</tr>
<tr>
<td>World Total</td>
<td>$1,494,475</td>
<td>-3.85%</td>
</tr>
</tbody>
</table>
# U.S. Position in the Global Market

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
<th>% of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vineyard Acreage</td>
<td>6th</td>
<td>5.3%</td>
</tr>
<tr>
<td>Wine Production</td>
<td>4th</td>
<td>10.4%</td>
</tr>
<tr>
<td>Wine Consumption</td>
<td>1st</td>
<td>11.7%</td>
</tr>
<tr>
<td>Wine Exports</td>
<td>7th</td>
<td>4.4%</td>
</tr>
<tr>
<td>Wine Imports</td>
<td>3rd</td>
<td>10.5%</td>
</tr>
</tbody>
</table>
## Global Wine Producing Competitors

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Production (HL,000)</th>
<th>Exports (HL,000)</th>
<th>% of total production exported</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU (France, Italy, Spain)</td>
<td>161,135</td>
<td>63,670</td>
<td>40%</td>
</tr>
<tr>
<td>U.S.</td>
<td>24,274</td>
<td>4,909</td>
<td>20%</td>
</tr>
<tr>
<td>Australia</td>
<td>14,750</td>
<td>7,017</td>
<td>48%</td>
</tr>
<tr>
<td>South Africa</td>
<td>10,300</td>
<td>4,543</td>
<td>44%</td>
</tr>
<tr>
<td>Chile</td>
<td>8,690</td>
<td>5,925</td>
<td>68%</td>
</tr>
</tbody>
</table>
GLOBAL ACTIVITY HIGHLIGHTS
2015 – First Half

- California Wine Export Seminar – January 27, 2015, Napa
- Colombia Trade Mission (Bogota) – February 17, 2015
- Mexico Annual Tour – February 19, 2015
- European Spring Tour – March 9th – March 18th
- Canadian Wine Fairs – April 2015
  - Quebec City, Montreal, Ottawa, Toronto, Vancouver, Calgary, Edmonton, Halifax & Monkton
- California Wines Summit 2.0 – week of May 3rd 2015
- Greater China & Hong Kong Tour – June 2015
- Vinexpo Bordeaux – June 14th – 18th, 2015
- Media & Trade Visits to California
  - China Trade Group – week of February 1st, 2015
  - Zinfandel Media Group (Sweden) – week of April 13th
  - LCBO Trade Group – week of June 1st
  - UK Trade Group – week of June 8th
  - Colombia, Brazil, Mexico Group – week of July 21st
  - Japan Trade Group - week of September 14th
TRADE AND MEDIA VISITS TO CA

25+ GROUPS; 170 GUESTS IN 2014; FROM >15 COUNTRIES

Creating “California Wine Ambassadors” throughout the world
In-Country Program Samples
USA Wine Pavilion
California, Oregon & Washington
ProWine China – Shanghai, November 2013 & 2014

California Pavilion
- 60 wineries
- >110 brands
- 32 California AVAs
- 40 new-to-market brands
- Daily seminars – CA, WA, OR

DiscoverCaliforniaWines.com
EUROPEAN SPRING TOUR
March 2014

European Spring Tour

• London
  - 782 trade & media attendees, 68 exhibitors, 300 wineries.
  - In collaboration with Washington state & Oregon – “Go West!”

• Hamburg
  - 300 trade, 150 consumers

• Copenhagen
  - 350 trade, 300 consumers
  - “Go West!” collaboration

• Warsaw
  - 180 trade, 150 consumers

• Brussels
  - 200 trade

• ProWein – Dusseldorf
  - 100 California winery principals
  - 14 seminars offered
  - 500m² pavilion
California Wine Fairs – CANADA
• 35th Annual Tour
• 9 cities across Canada
• 109 wineries & 220 brands featured
Hong Kong Vinexpo – California Wines Pavilion
- 120 vintners
- >250 California wine brands
- 18,000 visitors from 34 countries
- Featured regions: Santa Barbara, Sonoma and Napa
Discover California Wines
Global Branding Project
Our International Competitive Set

- California Wines
- Wines of Argentina
- Wines of Chile
- Wine Australia
- Wines of South Africa
- New Zealand Wine
- Wines from Spain
- Wines of France
GLOBAL SOCIAL MEDIA CAMPAIGN
Now live in 16 countries

Phase 1
USA
UK
Canada

Phase 2
Russia
Netherlands
Denmark
China

Phase 3
Japan
Korea
Taiwan
Hong Kong
Singapore

Phase 4
Germany
Sweden
Poland
Mexico
WEB SITE TRANSLATION PROJECT

Translations
- China
- Germany
- Quebec
- Mexico
- Japan
- Korea
- Taiwan
- Hong Kong

Localization
- UK
- Canada (English)
California Sustainable Winegrowing Alliance Program Overview
SUSTAINABLE WINEGROWING

- California has some of the strongest environmental and labor laws and regulations in the world
- California vintners and growers have long been environmental stewards and active members of their communities
- California wineries and vineyards are primarily family owned with a commitment to preserving the health and beauty of the land for future generations
A Code to Live By

- Wine Institute and the California Association of Winegrape Growers introduced the Code of Sustainable Winegrowing in 2002
- Covers more than 200 best sustainable practices
- 1,800 wineries and vineyards representing 72% of vineyard acres and 74% of winery case production are participating in the California Sustainable Winegrowing Program, which is based on the Code.
SUSTAINABLE WINEGROWING

- Managing vineyards for sustainability and quality fruit
- Conserving water and energy
- Protecting air and water quality
- Maintaining healthy soil
- Reducing pesticide use
- Preserving local ecosystems and wildlife habitats
- Recycling natural resources
- Practicing environmentally preferred purchasing
- Enhancing relations with employees and communities
Certified California Sustainable Winegrowing (CCSW)

Based on the California Code of Sustainable Winegrowing, CCSW provides third-party verification of the adoption of practices and progress towards goals.

California certification programs:
International Wine Trade Barriers
2014 INTERNATIONAL TRADE BARRIERS REPORT
“Dream BIG” – The Vision

- $2 billion in CA wine exports by 2020
- A successful, competitive international industry operating in a climate free of trade-distorting factors
  - By encouraging Government/industry initiatives
  - Ensuring winery interests are considered.
The Team

Wine Institute:
• Members, Intl Public Policy, Tech. Advisory Comms
• Staff (Export Program, Federal Relations)

US/Foreign Partners:
• Team USA: Congress, Federal Agencies
• Foreign governments, industries
“Share” – The Alliances

TTB/WI Technical Forum

APEC Wine Regulatory Forum

FIVS

The Wine And Spirit Trade Association
“Play Fair”
The Barriers

- Port Slowdown
- Discriminatory Tariffs
- Trade distorting subsidies
- Intellectual Property Rights (counterfeiting)
- Wine Components
- Advertising
- Labeling
Addressing Harmful Consumption

- Wine Institute Guidelines:
  - Advertising Code
  - Digital Marketing
  - Responsible Beverage Service
- U.S. Dietary Guidelines
- Efforts to reduce drunk driving
“Keep Your Promises”

- World Trade Organization negotiations
- FTAs: US/Korea, Columbia and Panama
- Transatlantic Trade and Investment Partnership (TTIP)
Trans-Pacific Partnership

- 12 countries, 40% of world’s economic activity
- Japan, Malaysia, Vietnam tariffs
- Wine Annex: simplify labels, traditional terms
- Certification Marks
- Japan: winemaking substances (US)
- Trade Promotion Authority ("Fast Track")
COOL – Meat Labeling

- Wine on Canada’s retaliation list
- US appealed WTO decision; Feb. 16-17 hearing

British Columbia

- 1987 FTA grandfathered existing VQA stores
- April 1: grocery stores to sell BC wine
Food Tour Video