

This document was presented to the Virginia Wineries Association in November, 2001.

Custom Processing Arrangement

Issues

- Currently, Virginia has 71 wineries. I estimate that by 2004-2005 there will be 100 or more.
- The cost of establishing a commercial winery with the equipment needed for premium wine production is high (\$451,000 for 2000 case winery- \$3,669,000 for a 50,000 case winery, Folwell et al., 2001).
- Not all of those entering the Virginia wine industry have the capital required to produce acceptable or premium wines.
- Not all of those entering the Virginia wine industry have the needed expertise to produce acceptable or premium wines.
- New wineries producing poor quality wines can and will negatively impact the image of the Virginia wine industry.

Proposal

Make a minor change in the Virginia Farm Winery Law (section 4.1-201 of the Code of Virginia) which would convey the following: Any farm winery licensee can receive Virginia-grown fresh fruit or agricultural products from other farm winery licensees and process those products into wine. The farm winery licensee who produced the fresh fruit or agricultural products retains ownership of the wine made from said products. Such wine(s) shall be returned to the farm winery that produced the agricultural products or fresh fruit.

Points

- Both parties desiring to take advantage of this proposed change must be farm winery licensees.
- This proposal simply allows the use of possibly better equipment and expertise that may be available for another farm winery under a contractual arrangement.
- The grape and/or agricultural product producer retains ownership of the wine produced at the contract facility.
- This proposal would not effect the BATF small winery tax credit.
- This proposal is not a shared premise arrangement.
- The Virginia ABC has no objection to this proposed change
- This may aid in agricultural economic development.

There are under capitalized wineries, without properly trained technical personnel, entering the Virginia wine industry. The question is-Do you wish to make it easier for them to produce products which reflect positively on the entire industry?

The concept of custom processing has been adopted in North Carolina. Information is available at www.ncwine.org/winerypermits.html.