



Mike Thompson's Congressional Wine Report

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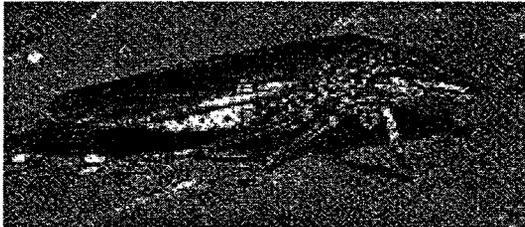
Welcome to the second edition of *The Congressional Wine Report*. This newsletter is designed to bring you up-to-date information on important federal legislation and regulations that impact the American wine industry. Please call me if you have any questions or comments on these issues. I look forward to hearing from you!



Rep. Mike Thompson
St. Helena, California

SHARPSHOOTER GETS PRESIDENTIAL ATTENTION Emergency Declared, USDA to Provide \$22.3 Million

Stopping the spread of Pierce's Disease and the glassy-winged sharpshooter has been one of my top priorities this past year. A bipartisan coalition of Members of Congress, which includes Reps. Ken Calvert (R-Corona), Lois Capps (D-Santa Barbara),



Gary Condit (D-Ceres), Cal Dooley (D-Fresno), Sam Farr (D-Monterey), Ron Packard (R-Oceanside), Richard Pombo (R-Tracy), George Radanovich (R-Mariposa), Lynn Woolsey (D-

Petaluma) and me, have formed to work to combat this disease and pest. At the coalition's urging in December 1999, U.S. Department of Agriculture (USDA) Secretary Dan Glickman made \$360,000 available from USDA's contingency fund to provide for two pesticide applications in Temecula to limit the spread of the disease. At my request, the House Agriculture Subcommittee on Livestock and Horticulture, chaired by Rep. Pombo, held a field hearing at St. Supery Vineyards in Rutherford on February 22, 2000. The subcommittee heard from researchers, industry leaders and government officials on the status of eradicating Pierce's Disease and the glassy-winged sharpshooter. As a result, our bipartisan Congressional coalition has

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BILL PROPOSES TAX ASSISTANCE FOR GROWERS

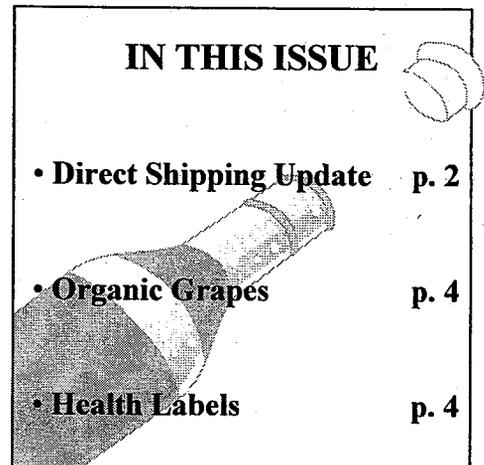
Incentive to Replant After Pierce's Disease Strikes

Rep. Calvert and I will introduce legislation to provide tax relief for growers who are forced to replant their vines as a result of Pierce's Disease. The measure would permit farmers to deduct 80% of the cost of replanting orchards and vineyards, including replacement irrigation systems and trellises and applies to edible crops that were lost or damaged by freezing

temperatures, disease, drought, or pests. Ordinarily, the costs of replanting permanent crops and associated property have to be capitalized, forcing farmers to wait years before they can recover their investment. This bill would allow farmers to deduct the costs incurred while waiting for trees and vines to begin bearing crops. 🍇

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NATIONAL TOXICOLOGY PROGRAM LISTS ALCOHOL AS "KNOWN HUMAN CARCINOGEN"

Recently a National Toxicology Program (NTP) report listed alcohol as a cancer-causing agent. Alcoholic beverages were added to a list of 14 items in the biennial *Report on Carcinogens*, prepared for the U.S. Department of Health and Human Services. This study marks the first time that NTP has included a consumer food or beverage on the list, as opposed to individual substances or components of a product. According to the report, cancers resulting from alcohol consumption are most pronounced among smokers and heavy drinkers.

This report has been challenged since its release. The NTP's scientific process has been brought into question by industry observers, scientific researchers and some members of the NTP review panel. They argue that the NTP panel has failed to conduct a thorough analysis of the scientific literature and to account for other factors. Many epidemiological studies on



alcohol consumption have indicated that while excessive consumption may be a contributing factor to higher mortality rates, moderate consumption actually results in increased longevity.

In response to criticisms raised, the NTP has subsequently held a public hearing and received testimony, but the report methods and findings are so far unchanged. In response, Rep. Radanovich and I have directed the U.S. General Accounting Office to examine NTP's procedures in order to assure that they are legitimate and that guidelines have been properly followed. Results will be forthcoming.

DIETARY GUIDELINES AGAIN RECOMMEND MODERATE CONSUMPTION OF ALCOHOL

The recently released U.S. Dietary Guidelines continue to recommend moderate consumption of alcohol, for those who drink. The joint USDA and U.S. Department of Health and Human Services advisory committee continues to push a message of moderation. Fortunately, according to the National Institute on Alcohol Abuse and Alcoholism, the leading federal agency on alcohol and health policy, the overwhelming majority of Americans who choose to drink alcohol, especially wine, do so responsibly and in moderation.

HATCH PUSHES ANTI-DIRECT SHIPPING BILL TO SENATE FLOOR

Direct shipments of wine continue to be a contentious issue in Congress. Pending legislation **S. 577**, sponsored by Senator Hatch (R-Utah), has apparently garnered significant support in the Senate. The bill is similar to **H.R. 2031** by Rep. Joe Scarborough (R-Florida) which was approved by the House of Representatives on August 12, 1999. Both bills would allow states to take an out-of state winery to federal court to obtain an injunction that would stop the winery from allegedly violating the state's anti-direct shipping statute.

S. 577 was recently amended by the Senate Judiciary Committee and efforts are under way to bring it to the Senate floor. The amendment requires a court to consider other provisions of the U.S. Constitution (including the Commerce Clause in Article 1, Section 8).

The bill now states that the anti-direct shipment law must be a valid exercise of power under the 21st



Amendment as interpreted by the Supreme Court "including interpretations in conjunction with other provisions of the Constitution." In contrast, **H.R. 2031** prohibits the underlying state law from discriminating against out-of-state sellers in favor of local monopolies by erecting barriers to competition.

SPOTLIGHT ON INTEGRATED PEST MANAGEMENT

Integrated Pest Management (IPM) promotes minimized pesticide use, enhanced environmental stewardship, and sustainable practices. There are a number of important federal programs funding local IPM projects:

- At USDA, the Pest Management Alternatives Program (PMAP) offers grant funding to find replacement pest management controls. Information about PMAP is on the USDA Cooperative State Research, Education and Extension Service (CSREES) web site. PMAP grants are open to all applicants (i.e., they're not limited to colleges and universities). For information about previous years' programs, check the CSREES web site -- <http://www.reeusda.gov/ipm/pmap.htm>.
- Additionally, there are new programs that will address research for pest management and methyl replacement. These programs are

open to colleges and universities but require that applicants work with growers and grower groups. Contacts: Rick Melnicoe, UC Davis (530) 754-8378; Frank Zalom of the Statewide IPM Project at UC Davis (530) 752-8350/<http://www.ipm.ucdavis.edu>; Therese Murtagh of the USDA Office of Pest Management Policy (202) 720-6998/tmurtagh@ars.usda.gov / <http://www.ars.usda.gov/opmp>; the USDA IPM web site is at <http://www.reeusda.gov/nipmn>.

- Under the U.S. Environmental Protection Agency (EPA), the Biopesticides and Pollution Prevention Division has a grants program that is described on its web site <http://www.pesp.org/peps>. IPM grants are also administered through the EPA regional office. The contact in the EPA Region 9 office in San Francisco is Lori Ann Thrup, (415) 744-1983. ☞

SHARPSHOOTER

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developed both a short-term and a long-term approach to confronting this very serious pest. Most immediately, we are working to provide the California Department of Food and Agriculture (CDFA) with the financial resources it needs to halt the sharpshooter's spread. This "contain and control" phase involves intensive inspections, trappings and sprayings by CDFA and county Agricultural Commissioners. On May 25, 2000, Congress approved emergency farm assistance legislation, **H.R. 2559**, that includes \$7.14 million for CDFA's Pierce's Disease "contain and control" efforts. (A total of \$25 million is available to compensate those affected by Pierce's Disease and two other crop diseases.) And on June 23rd, Vice President Al Gore and U.S. Agriculture Secretary Dan Glickman announced as part of an Emergency declaration that the USDA will release \$22.3 million to the State of California to fight this disease. The funds will be matched with \$14.8 million from the state for eradication and control programs and for related research. The substantial funding came after

months of Congressional pressure on President Bill Clinton and Secretary Glickman. Our Congressional coalition has requested \$4 million for "containment and control" in the Agriculture Appropriations bill for fiscal year 2001, which begins on October 1, 2000. In the long term, because Integrated Pest Management will not eliminate 100% of the sharpshooters in the state, we also must find better ways to treat our vines. In next year's budget, the coalition and I have jointly requested \$2 million for a special Pierce's Disease research grant to be administered by the University of California (UC), \$300,000 to provide for a new USDA Agriculture Research Service (ARS) Pierce's Disease research position at UC Davis, \$300,000 for a new ARS research position in Fort Pierce, Florida to study this bacteria, and \$1.5 million for the USDA's Viticulture Consortium, which will fund Pierce's Disease research. The House and Senate Appropriations Committees have adopted many of these proposals and a Senate-House conference committee will soon be crafting a final bill. ☞

Legislators Push For Organic Law Change: USDA Would Ban Labels For Wine With Organic Grapes



A bipartisan coalition of Congressional representatives has called on the Clinton Administration to reverse a USDA proposal that would ban a "made with organic grapes" label on wine that is made with organically grown grapes. In a recent letter to Sec. Glickman, 43 other Members of Congress and I asked that the agency's proposed organic food rule be revised to allow the continued accurate labeling of these wines. The proposed rule would significantly harm grape growers, vintners, and the many American consumers who have come to enjoy fine wines of organic origin.

The rule is part of the larger "national organic standards," as proposed by the USDA. In the rule, the organic standards legitimately forbid winemakers from using a general organic label if their wines contain sulfites. But there is no provision for winemakers who make their wines with sulfites *and* organically grown grapes. Many winemakers who use both sulfites and organically grown grapes want to be able to inform their consumers about the organic grape component in their wine. "This is a truth-in-labeling issue," says one winemaker. "We are not trying to claim our wine is totally organic, just that our grapes are organic. We want our customers to know that they won't be consuming chemicals or pesticides because of how the grapes were produced." This issue goes beyond truth-in-labeling, however. Grape growers often make significant economic investment in vineyards

to be officially certified as "organic." The federal government's proposed rule would essentially wipe out growers' investments.

The public comment period for the USDA organic standards proposal has ended. USDA expects these regulations to be finalized by the end of 2000 and then expects an implementation date of 12 to 18 months after that. In the meantime, the ATF has begun to qualify all beverage alcohol labels that make organic references with the following phrase: "Approved pending USDA final rule establishing a National Organic Program (see 65 Fed. Reg. 13512 March 13, 2000)." 🍇

LEGISLATORS PUSH FOR ACCURATE "FLAVORED WINE" LABELS

On September 15, 1999, the California Association of Winegrape Growers (CAWG) filed a petition for rulemaking with ATF calling for better labeling of flavored wine products. On November 16, 1999, 42 other Members of Congress and I sent a letter to Treasury Secretary Summers asking for action on the petition. ATF initiated a rulemaking and, on March 29, 2000, 29 Members wrote a letter to ATF in support of CAWG's position. CAWG argues that, because there is evidence that the use of varietal and semi-generic names on wine specialty products is misleading to consumers, ATF should prohibit the use of varietal, semi-generic or geographic distinctive designations in statements of composition required for wine specialty products. This position is similar to that taken by other wine industry organizations including the Wine Institute and the American Vintners Association. 🍇

CHINA TRADE BILL TO BOOST WINE EXPORTS

On May 24, 2000, the House approved **H.R. 4444**, which will grant permanent normal trade relations (PNTR) status to China. I supported this bill, in part because of the tremendous potential for increased wine trade. China has agreed to significantly lower tariffs on wine and provide for greater market access. As a result of negotiations with the U.S. and the European Union (EU), China's tariff will be reduced from 65 percent to 14 percent by 2005. The U.S. shipped over \$2 million in wine to China in 1999, an increase of more than 200 percent from the year prior. With PNTR and WTO membership, U.S. wine exports to China are expected to increase significantly. Moreover, as a full trading partner, human rights, worker rights and national security conditions should greatly improve in China. 🍇

AGENCY RECONSIDERS

"HEALTH EFFECTS" LABEL

In February 1999, the U.S. Bureau of Alcohol, Tobacco and Firearms (ATF) approved two "directional" wine label statements (proposed by vintner Patrick Campbell and the Wine Institute) that refer consumers to the Federal Government's "Dietary Guidelines for Americans" to learn the "health effects of wine consumption" or to their family doctors for such information. Subsequently, ATF approved 99 wine labels containing this statement. On February 22, 1999, **S. 433** was introduced by Senator Strom Thurmond to prohibit the new, voluntary health labels and on December 9, 1999, ATF announced a moratorium on further approvals and issued a new rulemaking. Public hearings were held in Washington, D.C. on April 25-26 and San Francisco on May 23-24, 2000. The public comment period has ended and ATF is expected to make a decision soon on this important matter. 🍇

**NEW BILL TO BOOST FUNDS
FOR EXPORT PROMOTION**

The Market Access Program (MAP) is a USDA export program that allows participants to promote a wide variety of U.S. commodities in almost every region of the world. **HR 3593** (Hastings/Thompson) sets \$90 million as the MAP funding base and \$200 million as the cap in fiscal year 2001-2002 (the existing cap is \$90 million). Since 1985, MAP has been a tremendous success as a cost-share program in helping encourage U.S. agricultural exports. MAP helped bring about a positive agricultural trade surplus of \$12.5 billion in fiscal year 1999, and billions of dollars more in increased economic activity and additional tax revenues. (USDA economists calculate that each dollar earned from agricultural exports stimulates another \$1.32 in business activity for the economy.)

The program allows many U.S. wineries to compete on a level playing field in foreign markets. U.S. wine exports have grown 400% over the last decade, from 1988's \$85 million to \$425 million in 1997. Today, California wines can be found on the retail shelves in 164 countries.

Despite this significant growth trend, the U.S. holds just a 3% share of the world export market. **H.R. 3593** is needed because other nations provide far greater funding for their wine industries. The EU, for example, spends more on wine promotion than the U.S. spends for all commodities combined.

**CONGRESSIONAL COLLEAGUES
WORKING TOGETHER TO
PROMOTE AMERICAN WINE**

Earlier this year Rep. George Radanovich (CA-19) and I established the Congressional Wine Caucus - a bipartisan, bicameral organization of Members of the U.S. Congress. In just a few short months the membership of the Caucus has grown to 110 - 13 Members of the Senate and 97



Members of the House of Representatives from 28 states. As co-chairs of the Caucus, Rep. Radanovich and I are working to establish the Caucus as a forum which will provide information to the Congress about wine issues and the growing importance of America's wine industry to our economy and culture.

ECONOMIC IMPORTANCE OF CALIFORNIA WINE IS \$33 BILLION

Wine is the number one finished agricultural product in retail value from California, and the industry has a total annual economic impact on the state of \$33 billion in wages, revenues and economic activity, according to a comprehensive new report commissioned by the Wine Institute and the California Association of Winegrape Growers. The research, conducted by industry consultants Motto, Kryla & Fisher, indicates that California's wine industry and affiliated businesses provide 145,000 full-time equivalent jobs in the state, with a total of \$4.3 billion in gross wages. California

received \$1 billion in taxes and other business licenses and fees, and the federal government and other states and local municipalities collect an additional \$2.1 billion a year.

California's wine industry generated an estimated \$12.3 billion in retail sales in the U.S. in 1998, and tourism directly related to the wine industry results in expenditures of \$1.2 billion annually.

California, if it were a nation, would be the fourth leading wine producer worldwide, and accounted for over \$500 million in exports in 1998, or an estimated 98 percent of wine shipped from the U.S.