



Mike Thompson's Congressional Wine Report

Winter 2001

Volume 3

Dear Friend: We have all been deeply touched by the events of September 11th. At a time when our nation finds itself united in crisis and mourning, it is difficult to shift our thoughts to much else. Yet, Congress has returned to work, and I want to share with you some of the many wine-related issues we have been working on. Please call me if you have any questions or comments. As always, I look forward to hearing from you.

Sincerely, Mike Thompson



PIERCE'S DISEASE FIGHT RECEIVES NEW FEDERAL HELP ***Appropriations Bill Includes \$16 Million for Research, Inspections***



The ongoing battle against Pierce's Disease and the glassy-winged sharpshooter has remained a high priority for Congress over the past year.

As part of the federal agriculture appropriations bill, the House of Representatives and Senate recently approved \$16 million to supplement state and local efforts to fight the glassy-winged sharpshooter.

Under H.R. 2330, the U.S. Department of Agriculture's (USDA) budget for Fiscal Year 2002 includes funding for the Cooperative State Research Education and Extension Services

(\$2 million), the Viticulture Consortium (\$2 million) and the Exotic Pest Center in Riverside, CA (\$2 million).

Additionally, USDA's Animal and Plant Health Inspection Service (APHIS) receives \$10 million to support existing containment and control efforts.

Since 1998, the invasion of Pierce's Disease in California has triggered a \$47 million federal, state, local government and industry effort to eliminate the sharpshooter.

The federal government's 2002 fiscal year began on October 1, 2001.

LIMITED ESTATE TAX RELIEF APPROVED

In June, President Bush signed H.R. 1836, tax legislation that includes a gradual phase-out of the Federal estate tax. Slow reductions in the top tax rates begin in 2002 with final repeal taking place on January 1, 2010.

However, the new law expires on December 31, 2010, reverting back to what it was before the bill's enactment. As a result, the estate tax is eliminated for only one year.

The legislation includes a modification to the estate tax law that I proposed to encourage the preservation of family vineyards and wineries, open space and farmland. The provision lifts restrictive distance requirements so that estate tax relief will now be available for all land inherited with permanent conservation easements.

But, because of the limited and only

short term reform of the estate tax, new estate tax rules still encourage the break-up of family-owned businesses and the inappropriate "parcelization" of agriculture and open space lands.

I have reintroduced the Family Business Preservation Act (H.R. 1376), which exempts family-owned businesses as long as they stay family-owned and operated. Under this bill, family businesses would no longer be forced to sell assets or liquidate to pay estate taxes.

This bill also encourages farmers to preserve open space and farmland. The legislation, cosponsored by Reps. Matsui, Woolsey, Farr, Ose, Radanovich, Blumenauer and Dooley, has been referred to the House Committee on Ways and Means for consideration.

IN THIS ISSUE

Health Warning p. 2

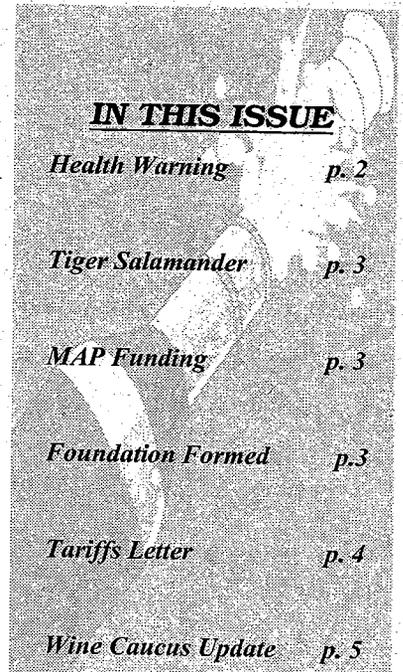
Tiger Salamander p. 3

MAP Funding p. 3

Foundation Formed p. 3

Tariffs Letter p. 4

Wine Caucus Update p. 5





ATF Considers Health Warning Changes

The U.S. Bureau of Alcohol Tobacco and Firearms (ATF) is considering a change in the placement and design of health warning labels required on all alcoholic beverages containers.

The petition to change existing label laws was initiated by several groups, including the Center for Science in the Public Interest (CSPI). CSPI previously opposed the health label messages directing consumers to learn more about the health effects of moderate drinking.

In this case, CSPI's petition contends that the warning statements are designed and positioned in such a manner "that they are not sufficiently conspicuous and are difficult to read." The warning now reads:

"GOVERNMENT WARNING: 1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. 2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems."

The proposed changes would not affect the language of the required health warning labels but would, however, more specifically dictate the design and composition of the warning statement. The CSPI petition proposes the following:

* "The health warning statement must appear in a prominent place on the front of the container in a horizontal position."

* "The health warning statement must appear in red or black type on a white background, and be surrounded by a lined border."

* "The first two words of the health warning

statement, i.e., "GOVERNMENT WARNING," must appear in capital letters and boldface type that is at least 15 percent larger than the remaining text of the statement. The remaining text would require a particular type font to maximize legibility."

* "The warning statement must appear together with a red pictorial device or icon that is a triangle with an exclamation mark inside."



Congressional Wine Caucus co-chairs, Rep. George Radanovich and I, and 14 of our Congressional colleagues, have sent a letter to ATF Director Bradley Buckles expressing our opposition to these proposed label changes. We support the American vintners who believe that the current warning is effective in informing the public of risks associated with alcohol abuse.

Evidence clearly shows that individuals are more aware of the effects of alcohol abuse. Additionally, current regulations provide ATF with ample enforcement authority over producers in violation of the act.

Further, a diverse group of industry representatives including the Wine Institute and American Vintners Association, have stated that the proposed label changes would impose an unnecessary burden on American vintners.

DISASTER RELIEF BILLS OFFER AID TO GROWERS

Under the Agriculture Risk Protection Act approved by Congress last year, \$7.14 million is earmarked for Pierce's Disease-related expenses. However, the funds must be allocated by September 30, 2001. USDA may transfer the funds to the state to decide whether they will be used for compensation or eradication.

On June 28, 2001 Rep. Ken Calvert (R-CA) and I introduced a bill (H.R. 2354) permitting farmers to deduct orchard and vineyard replanting costs, including irrigation and trellis replacement. This applies to edible crops that are lost or damaged by freezing temperatures, disease, drought, pests (i.e. the glassy-winged sharpshooter) or casualty. The bill would amend the Internal Revenue Code of 1986 to give farmers incentive to replant.

see **Disaster Relief Bills**, p. 5

Tiger Salamander Update

In 1994, U.S. Fish and Wildlife Service found that, statewide, an Endangered Species Act listing of the California Tiger Salamander was "warranted but precluded" by pending listing actions on higher priority species.

In January of 2000, the tiger salamander population in the northern half of Santa Barbara County received an emergency endangered species listing. This essentially put vineyard expansion on hold in the region. Growers risked a \$50,000 fine and a year in jail for any activities, such as plowing or planting, that might inadvertently kill a salamander.

On June 29, 2001, the Center for Biological Diversity (CBD) submitted a petition to U.S. Fish and Wildlife requesting that the Sonoma County population of the California tiger salamander be listed on an emergency basis as well. Fish and Wildlife's initial review did not indicate the existence of an emergency situation.

State Fish and Game commissioners on Dec. 7 rejected a bid from CBD to place the species on the state endangered species list. Commissioners said little data supported a contention that salamander habitat has been destroyed, or that the nocturnal creature is facing extinction.

Next year, U.S. agency anticipates reviewing the question of whether the listing may be warranted.

M.A.P. FUNDING MAY BE INCREASED

The Market Access Program (MAP) provides matching funds for generic agricultural product promotions overseas.

Wineries in California, Idaho, New York, Oregon and Washington have direct cooperative programs for wine export promotion with the USDA. All other states have access to this program through regional agricultural commodity export coalitions.

The new 10-year Farm Bill (H.R. 2646) which has been approved by the House, would increase the annual level of funding for the MAP program from \$90 million to \$200 million per year.

The Senate is currently debating the Farm Bill.



THE CONGRESSIONAL WINE FOUNDATION IS BORN Annual Wine Auction Set in Washington

The Congressional Wine Foundation is a new non-profit corporation established by a broad-based group of industry representatives.

The Foundation is organized to operate exclusively for charitable, scientific and educational purposes. It will study and research public policy issues relating to wine, act as a resource for congressional and other government offices, private organizations, the media and the general public in an effort to educate the public and policy makers about issues relating to wine.

The Foundation will also supplement the Congressional Wine Caucus' efforts and help to provide educational materials to Members, facilitate meetings and trips and raise funds for scholarships.

The Foundation's Board of Directors consists of Pete Downs of Kendall-Jackson Vineyards, Bobby Koch of The Wine Institute, James Finkle of Constellation Brands and Simon Siegl of the American Vintners Association.

The Wine Foundation's first event was held on May 17th in Washington, DC. Other members of the Congressional Wine Caucus and I helped organize "A Vintage Affair" wine auction, which raised \$430,000 for the foundation and Children's National Medical Center, which is located

in Washington.

The wine auction featured an elegant dinner at the Four Season Hotel in Georgetown with live and silent auctions of great wine, wine travel and restaurants. Over 400 wine aficionados attended, including Members of Congress, winemakers, Children's Hospital patrons, and wine and related trade representatives. The week of festivities included a special winetasting at Dean and Deluca and winemaker dinners at two D.C. restaurants.

Next year's events promise to be an even greater success. At the 2002 Wine Auction, guests will have the opportunity to bid on rare wines, unique wine country trips and special winemaker dinners, and to taste the world's best wines. Noted wine expert Ursula Hermacinski will be guest auctioneer.

So, mark your calendar: The 2002 Winemaker Dinners will be held on Thursday, March 14th from 7:00 to 9:00 p.m. at ten of Washington's finest restaurants. The Wine Auction is set for Saturday, March 16th from 6:00 to 10:00 p.m. at the J.W. Marriott Hotel in Washington.

To attend or to donate an auction item contact Gabe Alborno at (202) 884-4210.

OVERSEAS TRADE BARRIERS CONTINUE

In 1986, US exports topped \$35 million. By 2000, this figure grew to \$560 million, and it continues to climb. The U.S. exports wine to 165 countries, with the United Kingdom, Canada, the Netherlands and Japan, the four largest markets, accounting for 70 percent of total exports.

The US market, which continues to be the most open in the world, has the lowest wine tariffs of any major wine-producing nation (6.3 cents per liter). Unfortunately, a host of protectionist barriers still remain in many countries, including high tariffs, distribution restrictions and production subsidies.

For this reason, I continue to advocate for reduced tariffs by our trading partners. All major wine-producing countries should reduce wine tariffs to the U.S. level before we lower ours further.



NEW WORLD COUNTRIES SIGN WINEMAKING AGREEMENT

The United States, Canada, Australia, Chile and New Zealand recently signed the Mutual Acceptance Agreement (MAA) on Oenological Practices. This wine trade agreement is a major development that promotes greater international wine commerce and eases trade barriers for U.S. wine.

Under the agreement, each country will permit the importation of wines from every other signatory country as long as these wines are made in accordance with the producing country's domestic laws, regulations and requirements on oenological practices.

The agreement recognizes that different countries use different winemaking practices due to local conditions, climatic variations and traditions, and that grapegrowing and winemaking practices are constantly evolving. These practices have been used as reasons to prevent market access and obstruct international wine trade.

The U.S. already allows wine imports if they meet another country's standards, but this agreement ensures that participating trade partners give U.S. wines the same conditions. The signatories believe that, for countries with strong mechanisms in place to regulate winemaking, mutual acceptance is the optimal way to facilitate wine trade.

Wine Caucus Members Urge Bush to Hold Line on Wine Tariff

Washington, DC -- A bipartisan group of Congressional representatives is asking the Bush Administration to resist lowering the duty on wine imported into the U.S.

In a recent letter that 30 other Members of Congress and I sent, President Bush is being urged to not reduce the U.S. tariff below the current \$0.063/liter level on imported foreign wines.

The current low tariff on foreign wine coming into the U.S. should be frozen because high tariffs are being imposed on American wines by other countries.

As the U.S. discusses new free trade agreements with other nations, it is critical that our negotiators understand that the current tariff imbalance is resulting in a very negative trade imbalance for American vintners.

Lowering the U.S. tariff even further would be a major mistake, at least before we're able to get other countries to significantly lower their trade barriers first.

The Congressional letter is also signed by U.S. Senators Dianne Feinstein (D-CA) and Barbara Boxer (D-CA) and Reps. George Radanovich (R-CA), Bob Matsui (D-CA), George Nethercutt (R-WA), Nancy Pelosi (D-CA), Donald Manzullo (R-IL), Anna Eshoo (D-CA), Charles Taylor (R-NC), Gary Condit (D-CA), Duncan Hunter (R-CA), George Miller (D-CA), Phil English (R-PA), Lois Capps (D-CA), Elton Gallegly (R-CA), Lynn Woolsey (D-CA), Stephen Horn (R-CA), Pete Stark (D-CA), Doc Hastings (R-WA), Hilda Solis (D-CA), Doug Ose (R-CA), Ellen Tauscher (D-CA), Richard Pombo (R-CA), Joe Baca (D-CA), Ken Calvert (R-CA), Loretta Sanchez (D-CA), Mary Bono (R-CA), Anthony Weiner (D-NY), Wally Herger (R-CA) and Jerry Lewis (R-CA).

International Tariff Rates Imposed on US Wine Exports for the Most Important International Wine Markets

Country Name	Rate for US Wine
Argentina	35 percent ad valorem
Australia	5 percent ad valorem
Canada*	Free
Chile	8 percent ad valorem
China	65 percent ad valorem (will drop to a final rate of 14 percent ad valorem after WTO entry)
European Union	Sparkling wine: 0.32 Euros per liter (\$0.28 US) Standard wine (8.5% alc. vol. to 15% alc. vol.): 0.13-0.15 Euros per liter (\$0.11-\$0.13 US)
Hong Kong	60 percent ad valorem
Israel*	42 percent ad valorem
Japan	15 percent ad valorem
Mexico*	4 percent ad valorem
Poland	Sparkling wine: 30 percent ad valorem with a minimum of 0.42 Euros per liter (\$0.37 US) Standard wine: 30 percent ad valorem with a minimum of 0.25 Euros per liter (\$0.22 US)
Taiwan	\$119 Taiwanese dollars per liter (\$3.45 US)
Singapore	Sparkling wine: \$13.00 Singapore/liter (\$7.12) Standard wine: \$9.50 Singapore/liter (\$4.20 US)
Switzerland	Sparkling wine: 91 francs per 100kg (\$54.7 US) White wine (subject to a tariff rate quota): 50 francs per 100kg (appr. \$30 US) Red wine: 3 francs per 100 kg (appr. \$1.8 US)
Thailand	55.8 % ad valorem or 18.6 Baht/liter (\$0.42 US)
Philippines	5 percent ad valorem

* indicates preferential tariff rate

Disaster Relief Bills, *cont'd. from p.2*

Ordinarily, replanting permanent crops and associated property costs must be capitalized, forcing farmers to wait years before they can recover their investment. This bill allows farmers to deduct replanting, soil preparation and water costs incurred while waiting for trees and vines to begin bearing crops.

The bill also would permit farmers to deduct 80 percent of the cost for new irrigation systems, trees and other structures that have to be replaced during the planting process.

The bill, which is also co-sponsored by Reps. Brian Baird (D-WA), Sam Farr (D-Salinas), Benjamin Gilman (R-NY), Wally Herger (R-Chico), George Radanovich (R-Fresno), Karen Thurman (D-FL), Mary Bono (R-Hemet), Mark Foley (R-FL), Doc Hastings (R-WA) and Darrell Issa (R-San Clemente), is currently being reviewed by the House Committee on Ways and Means.

In addition to H.R. 2354, the other pending legislation is the Farm Bill (H.R. 2646), which provides disaster relief for growers whose crops are damaged by Pierce's Disease.

Under the measure, the Tree Assistance Program would provide up to \$50,000 per grower for the replacement of trees and vines destroyed by a natural disaster (including plant diseases).

Congressional Wine Caucus Update

Founded by Rep. George Radanovich and me in 1999, the Congressional Wine Caucus provides information about the wine business to Members of Congress and keeps the industry informed of relevant legislation and regulations.

The Caucus has expanded to 163 Members representing 44 states. This year's ten events have been even more successful, beginning with the kickoff reception on Valentine's Day honoring new Secretary of Agriculture Ann Veneman and featuring Sally Ottoson of Pacific Star Winery in Mendocino.

In late February, the Caucus held a breakfast briefing on Pierce's Disease, sponsored by the California Department of Food and Agriculture. The Wine Institute (WI) and American Vintner's Association (AVA) held their annual receptions at the Library of Congress in the spring. We've also received a lesson in Syrahs from Bill Crawford of Mendocino County's McDowell Valley Vineyards.

The University of California Chancellors were honored in a special April reception hosted by the WI. Members enjoyed an AVA-sponsored reception on July 17th, featuring award-winning Maryland, Virginia, New Jersey, Pennsylvania and Delaware wineries.



On July 31st, Tim Hanni of WineQuest conducted a tasting seminar, and DC's Schneider's wine shop conducted a "New World" v. "Old World" comparative tasting for Members on October 10.

Finally, the Caucus was the subject of a feature article this month in Practical Winery & Vineyard magazine.

For more information about the Congressional Wine Caucus contact Tom LaFaille at (202) 226-7370.