

2019

Suisun Valley Vintners  
& Growers Association

Roger King

## Exhibit A

Proposed Amendment to California  
Administrative Code  
Title 3, Chapter 2, Article 1, Section 1700

## Table of Contents

<b>Section 1.....</b>	<b>2</b>
Detailed Purpose.....	2
Tangent Implications.....	3
History.....	5
Specific Address.....	9
Specific Boundary Amendment.....	12
 <b>Section 2.....</b>	 <b>13</b>
Economic Impacts .....	13
Corroborative Analysis.....	15
The Economic Nuance of Coastal to Market Pricing.....	21
Alternative Resolutions.....	23
 <b>Academic Models and Supporting Published Works.....</b>	 <b>24</b>
<b>Industry and Grower Letters of Commentary.....</b>	<b>25</b>
<b>Actions Taken Thus Far to Solidify Interest in the Change.....</b>	<b>34</b>
<b>Appendix.....</b>	<b>36</b>
Addendum A.....	36
FAC § 55601.1.	
FAC § 55601.5.	
Addendum B.....	40
3 CCR § 1700 Grape Pricing Districts	
Addendum C.....	41
Which Average to Use? The Cheapest Trick in Grape Price Negotiations	

# Section 1

## Detailed Purpose

Roger King, on behalf of Suisun Valley Vintners and Growers Association, ( petitioner ) 4160 Suisun Valley Road, E-141, Fairfield, CA 94534, seeks and requests an amendment in boundary within California Grape Pricing District 5. Correspondingly, tangent District 17, in the region of Ryer Island, would also be amended as a result.

This request seeks to remedy bifurcated and regionally disparate District 5 market data, which presents inequity in annual average price reports within District 5. These reports, produced by USDA - National Agricultural Statistical Service (USDA-NASS), are published annually as the California Grape Crush Report. This report and these District 5 grape variety weighted average rates, with produced tons, are used by commercial wineries in California and elsewhere to initiate contracting or reset contracted rates with producer growers. Such has caused negative economic impacts within the primary western viticultural areas of District 5 with continued potential to result in ongoing unfair price discovery by both producers and processors.

Petitioner, Suisun Valley Vintners, and Growers Association seek specific amendment in current District 5 eastern boundary at the southwestern tip of Ryer Island north to the Solano Yolo County line using Hwy 84 as the new eastern boundary of District 5. This boundary change will result in the transfer of this subject area into District 17.

No other amendment(s) are being sought.

The purpose of this amendment in the boundary is to address significant negative economic impacts in price discovery for wine grapes in Grape Pricing District 5 due to averaging of achieved market rates from existing non-comparable market regions. Such amendment seeks to re-balance grape market pricing averages to consistency within each separate market region.

The impacted area is subject to significant geographic, geologic, and climate differences that result in significantly lower market price discovery than existing in the primary western viticulture region of District 5 (Solano County). This isolated area of District 5 viticulture is directly tangent to and consistent with District 17.

The petition purpose further remedies the single case anomaly of California coastal wine grape pricing being averaged with interior wine grape pricing within the same grape pricing district. In the scheme of California grape market pricing this remedies a basic issue of fairness to impacted producers and processors.

Many other grape pricing districts have variable levels of market-driven price within their boundary. They are generally composed of the same growing parameters, quality, and yield standards. This practice has resulted in reasonable average price discovery. Within District 5 there is a considerable divergence of all such conditions which formulate price/demand. Market rates reflect this and also appear in line with District 17 average rates. This amendment is sought to realign this boundary section to bring better order to District averages in both District 5 and consequentially, District 17.

### **Tangent Implications**

Petitioner is very aware and recognizes American Viticultural Areas (AVA) are not Grape Pricing Districts, nor do they serve the same purposes or needs. However, their implications and alignments can impact Grape Price Districts, and help price discovery. The opposite can be true as well.

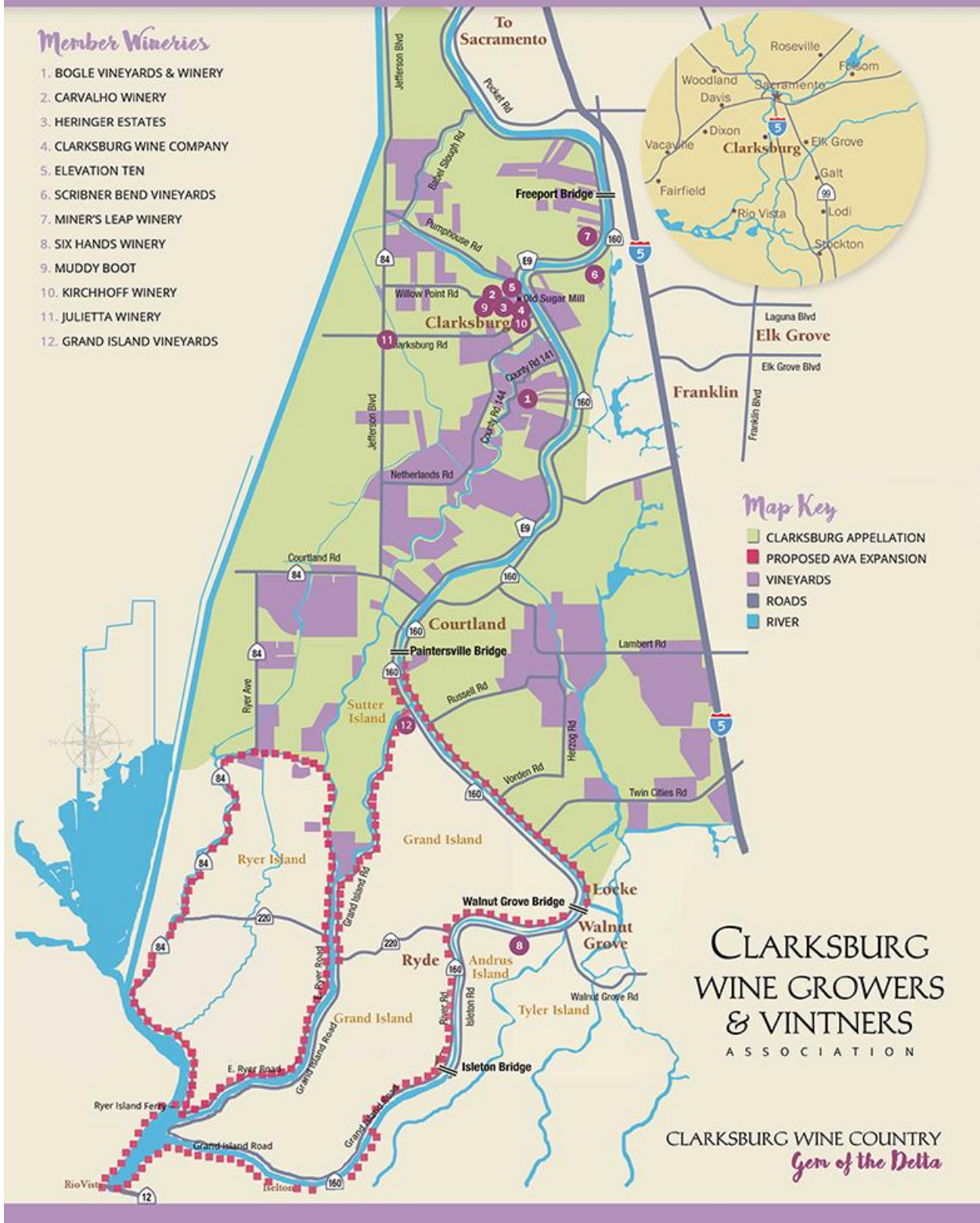
Providing more certain true price discovery for each District further takes on significance as the Clarksburg Wine Growers and Vintners Association seeks expansion of the existing Clarksburg American Viticulture Area to include all of this Ryer Island amendment area.

American Viticultural Areas are designations of specific grape-growing areas based upon defining unique physical elements such as soils, climate, topography, and more. The Clarksburg AVA is defined by its cooler climates associated with location along the lower Sacramento River. Ryer Island, and its neighbor Grand Island, although not part of this matter, would be incorporated into the Clarksburg AVA. They present basically the same set of unique conditions and are tangent to the current AVA boundary. AVA's impact grape branding at wineries which impact price points when they present differentiation. The map below shows the expansion and supports the case the subject area for modification should belong in Grape Crush District 17. Petitioner supports this effort.

# Clarksburg Appellation

## Member Wineries

1. BOGLE VINEYARDS & WINERY
2. CARVALHO WINERY
3. HERINGER ESTATES
4. CLARKSBURG WINE COMPANY
5. ELEVATION TEN
6. SCRIBNER BEND VINEYARDS
7. MINER'S LEAP WINERY
8. SIX HANDS WINERY
9. MUDDY BOOT
10. KIRCHHOFF WINERY
11. JULIETTA WINERY
12. GRAND ISLAND VINEYARDS



Courtesy of Clarksburg Wine Growers & Vintners Association

## History

Authorization for grape pricing districts was prescribed in the establishment of regulations under CA Food and Agricultural Code Section 55601.5 and shall be known, and may be cited as, the "Clare Berryhill Grape Crush Report Act of 1976" (Full-text Addendum A)

The creation of the initial grape pricing districts and boundary mapping was established by utilizing pre-existent boundaries of a different purpose.

*California Food & Agricultural Code Section 55601.5 (i)(3) defines "Grape-pricing district" as "a district used by the federal-state cooperative market news services, as provided in Section 58231."*

The historical grape pricing district map presented 11 individual districts. They were defined by the Federal-State Cooperative Market News Service map. (Figure 1 on the following page)

Processors are required to fulfill the reporting requirements under Section 55601.5 of the Food and Agricultural Code

The "Berryhill Act" was created at a time when the metrics of wine grape sales were little known in composite or sub-region. The intent was to get a consolidated look of the annual wine grape crop metrics of tonnage and varied lot pricing building to averages by regions in CA (to be called Districts). This information could be used between wineries and growers to manage agricultural contracting between them better. The infancy of the report in the late 70's matched a smaller and less complicated industry at the time. The report presented a new tool to manage the buy/sell aspects of the wine grape industry.

In the 40+ years since the adoption of the "Berryhill Act," the industry has greatly expanded in scope and economic importance, leading to several regions believing boundary changes were needed. To date, amendments to the original code have resulted in 17 current Districts from the original 11.

On 7-13-1979 CA CCR Title 3 Division 3 Chapter 2 Article 1 (Section 1700) was amended to establish 16 districts. The new districts were created with subdivision in the lower San Joaquin Valley and Southernmost California.

On 8-20-1980, Section 1700 was again amended to create District 17 (Register 80, No. 34).

On 7-24-1985, Section 1700 was further amended describing the District 17 boundaries and citing the Solano County line as a boundary. These are the current amendments as of 7-12-2019 per Register 2019, No. 28.



# Federal-State Market News Service map (circa 1976)

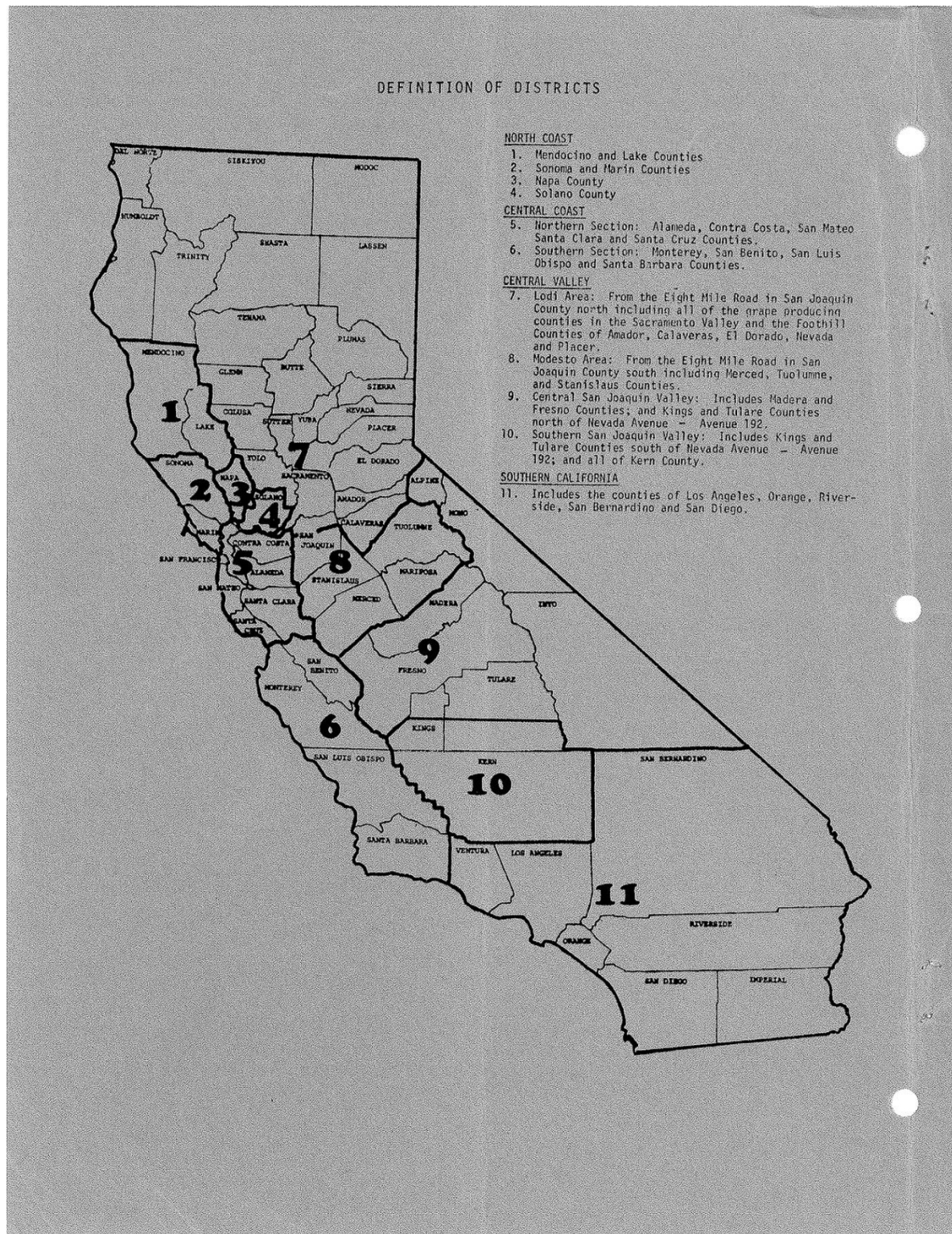


Figure 1



In a more visual format the following map (Figure 2), providing a tight focus to the Districts in question, shows the geographic relationship of District 5 and 17 to the east and District 5 to the companion North Coast appellations in Districts 2-4.

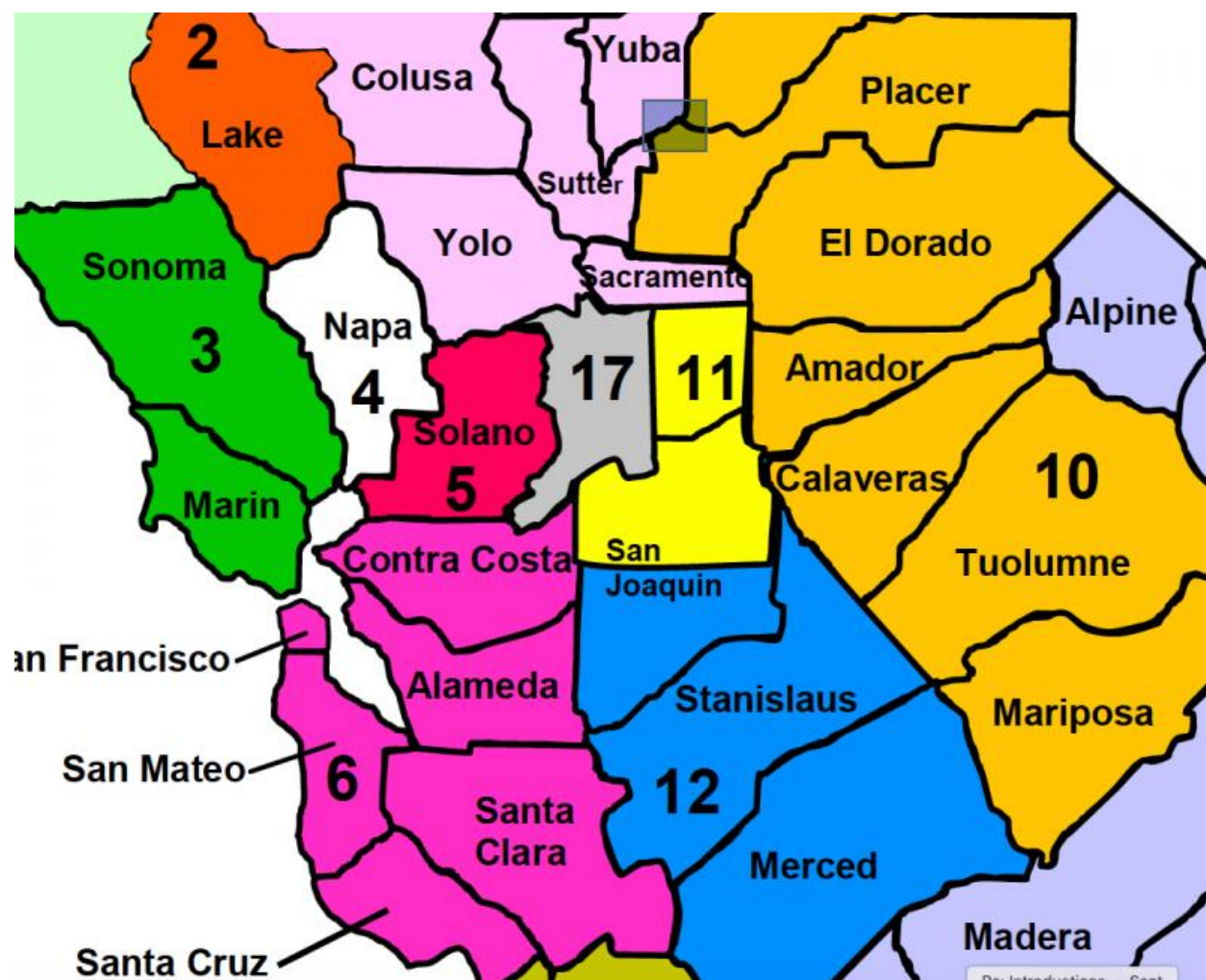


Figure 2

Given the 40+ year duration of grape production and market supply and demand, significant market forces not considered or visualized during the early implementation of the "Berryhill Act" have evolved. Over time the recognition that the original district mapping, simply defined as "district used by the federal/state cooperative market news services" was not adequate. The result is found in several District boundary amendments, and six new Districts created.

## **Specific Address**

Petitioner seeks amendment of the boundary between Grape Pricing District 5 and District 17 to become California State Highway 84 from its crossing of the Solano County Yolo County line, south onto Ryer Island and ending at the southern terminus of Hwy 84 on Ryer Island, and then reuniting with the Solano County line. The following maps, figure 3, and figure 4, visually depict the boundary changes.

The effect of this amendment will be to remove this region from District 5 with resulting subsequent absorption into District 17. This will result in grape lots received at market pricing every year to be tabulated by NASS in the data of District 17 and removed from the data of District 5. Such will remedy the defined problems of District 5 averaging and result in proper price discovery in each District providing a fair and transparent level playing field for those utilizing Crush Report averages in District 5 and District 17 to negotiate or reset contract grape pricing rate.

## CRUSH DISTRICT BOUNDARY CHANGE DETAIL

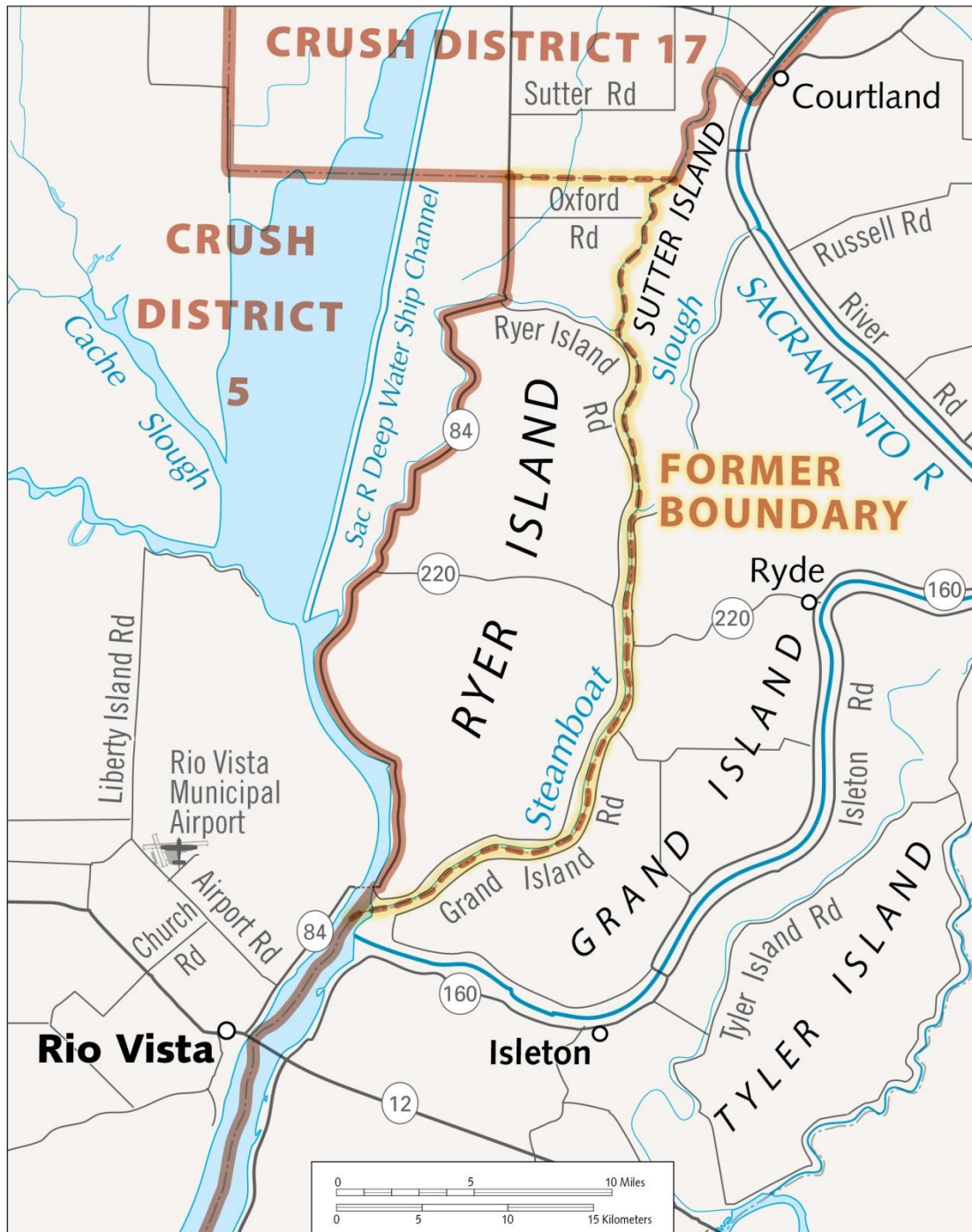


Figure 3



## CRUSH DISTRICT BOUNDARY CHANGE

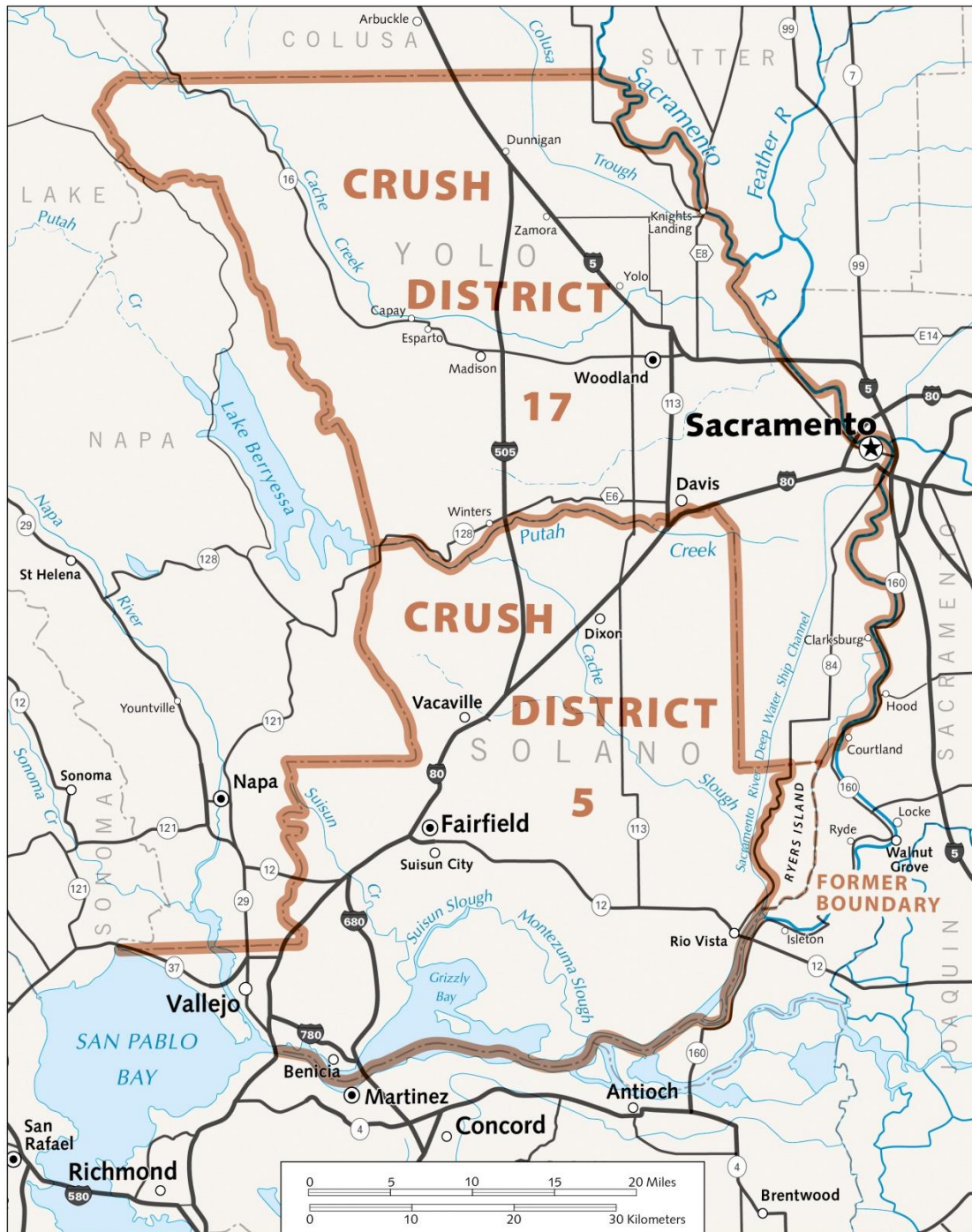


Figure 4



## **Specific Boundary Amendment**

### **The current language of 3CCR Section 1700 states:**

District 5-Solano County

District 17-Yolo County south of Interstate 80 from the Solano County line to the junction of Interstate 80 and U.S 50 and south of U.S. 50 and Sacramento County south of U.S. 50 and west of Interstate 5.

### **The proposed language of 3CCR Section 1700:**

District 5 – Solano County excluding east of California State Highway 84 from its crossing of the Solano County Yolo County line, south to terminus of Hwy 84 on Ryer Island, and then reuniting with the Solano County line.

District 17-Yolo County south of Interstate 80 east of California State Highway 84 from the Solano County line to the junction of Interstate 80 and U.S 50 and south of U.S. 50 and Sacramento County south of U.S. 50 and west of Interstate 5.

No further amendment is sought by Petitioner to District 5 or District 17.

## Section 2

### Economic Impacts

Upon analysis of the California Crush Report over multiple years, there is a significant divergence in achieved pricing between the Ryer Island Area and western Solano County. It is difficult to review this as all data for District 5 are tabulated to District averages. However, careful analysis of tonnage and price by variety and lot reveals a significant hi/low differential.

These large tonnage lots at low pricing are generally consistent with broad market knowledge of contract and spot market price discovery in the Ryer Island subject area. It can be estimated, based upon average vs. median pricing reported in multiple years of the Grape Crush reports, that roughly 30-35% of total tonnage and 28% of grape revenue in District 5 is produced in the Ryer Island area.

This methodology significantly impacts statistical averaging of grape variety price. NASS receives mandated grape delivery tonnage and pricing reports from all California wineries for purposes of expressing average price per ton by variety within each Grape Pricing District in CA. Their statistical expertise presents precisely the economics of grape price discovery in California.

Estimated values of annual red and white wine grape production can be accounted for in compilation of all lots, extrapolated to their actual revenue and summed by category for each District (Table 1). The significantly larger scale of District 17 becomes relevant to amendment impacts laid out farther below

**Table 1**

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**California District 5 Grape Crush Report**

2017 Total Revenue	\$ 19,719,946
White Grape Sales	\$ 10,641,381
Red Grape Sales	\$ 9,678,565

2018 Total Revenue	\$ 20,990,359
White Grape Sales	\$ 8,717,978
Red Grape Sales	\$ 12,272,381

**California District 17 Grape Crush Report**

2017 Total Revenue	\$ 87,518,265
White Grape Sales	\$ 56,223,616
Red Grape Sales	\$ 30,693,261

2018 Total Revenue	\$ 103,704,711
White Grape Sales	\$ 72,217,184
Red Grape Sales	\$ 31,487,527

Calculations conducted by SVVGA- Gross revenue projections based upon tons multiplied by average pricing

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Source: NASS/SVVGA 2017 analysis

## Corroborative Analysis

Table 2 presents data prepared and published by Allied Grape Growers (AGG) in April 2017 utilizing the 2017 NASS Preliminary Crush Report. Using this data and multiple years of grape pricing experience across all crush districts, an extrapolation of what pricing averages for Suisun Valley and Green Valley, the dominant region of District 5, should look like.

AGG further showed, by variety, pricing in four comparative districts (1,2,7,8) that clearly align with this adjustment.

The fairness issue with District 5 data, as published, becomes visible when all lots for the Ryer Island region are included in existing calculations of District 5.

Gabriel Froymovich of Vineyard Financial Associates provides further analysis on grape price (Addendum B). Using average versus median pricing in several of the same comparative Districts, Froymovich found District 5 to be a distinct anomaly.

**Table 2**



 <b>Extrapolated Value of Suisun Valley and Green Valley Grapes in Solano County</b>							
Major (recognized) varieties grown in SV/GV AND minimum 100 tons reported in District 5	District 5 Solano County Average		True Extrapolated SV/GV Average	District 1 Mendocino County Average	District 2 Lake County Average	District 7 Monterey/San Benito County Average	District 8 SLO/SB/Ventura County Average
Chardonnay	\$ 887.00	X	\$ 1,208.00	\$1,265.00	\$1,259.00	\$ 1,320.00	\$ 1,458.00
Pinot Gris	\$ 676.00	X	\$ 1,085.00	\$1,499.00	\$1,200.00	\$ 1,207.00	\$ 1,339.00
Sauvignon Blanc	\$ 829.00	X	\$ 1,054.00	\$1,282.00	\$1,156.00	\$ 1,112.00	\$ 1,343.00
Viognier	\$ 629.00	X	\$ 998.00	\$1,240.00	\$ 771.00	\$ 1,655.00	\$ 1,518.00
White Riesling	\$ 847.00	X	\$ 1,315.00	\$1,863.00	\$1,466.00	\$ 1,039.00	\$ 1,099.00
Cabernet Sauvignon	\$1,971.00		\$ 1,971.00	\$2,058.00	\$2,343.00	\$ 1,318.00	\$ 1,596.00
Malbec	\$1,601.00		\$ 1,601.00	\$1,843.00	\$1,920.00	\$ 1,290.00	\$ 1,533.00
Merlot	\$1,341.00		\$ 1,341.00	\$1,232.00	\$1,390.00	\$ 1,084.00	\$ 1,104.00
Petit Verdot	\$1,885.00		\$ 1,885.00	\$1,927.00	\$2,200.00	\$ 1,319.00	\$ 1,663.00
Petite Sirah	\$1,299.00	X	\$ 2,086.00	\$1,726.00	\$1,880.00	\$ 1,266.00	\$ 1,473.00
Pinot Noir	\$ 856.00	X	\$ 1,034.00	\$2,919.00	\$2,063.00	\$ 1,899.00	\$ 3,008.00
Syrah	\$1,549.00		\$ 1,549.00	\$1,489.00	\$1,606.00	\$ 1,222.00	\$ 1,503.00
Zinfandel	\$1,054.00		\$ 1,054.00	\$1,598.00	\$1,595.00	\$ 1,609.00	\$ 1,479.00
"X" denotes difference between reported district average and extrapolated SV/GV average							
<b>Allied Grape Growers, 2017. All rights reserved.</b>							



Table 3 represents the most current work done by AGG, using the same methodology with 2018 data provided by NASS in the 2018 California Crush Report. When taken in wide view, both Table 2 and Table 3 provide evidence that this matter is ongoing under the current requirements of Grape Pricing District data reporting in the existing code.

**Table 3**

 <b>Extrapolated Value of Suisun Valley and Green Valley Grapes in Solano County</b>							
Major (recognized) varieties grown in SV/GV AND minimum 100 reported in District	District 5 Solano		True Extrapolated	District 1 Mendocino	District 2 Lake	District 7 Monterey/San	District 8 SLO/SB/ Ventura County Average
Chardonnay						00	\$ 1,458.00
Pinot Gris						00	\$ 1,339.00
Sauvignon Blanc						00	\$ 1,343.00
Viognier						00	\$ 1,518.00
White Riesling						00	\$ 1,099.00
Cabernet Sauvignon						00	\$ 1,596.00
Malbec						00	\$ 1,533.00
Merlot						00	\$ 1,104.00
Petit Verdot						00	\$ 1,663.00
Petite Sirah	\$1,299.00	X	\$ 2,086.00	\$1,726.00	\$1,880.00	\$ 1,266.00	\$ 1,473.00
Pinot Noir	\$ 856.00	X	\$ 1,034.00	\$2,919.00	\$2,063.00	\$ 1,899.00	\$ 3,008.00
Syrah	\$1,549.00		\$ 1,549.00	\$1,489.00	\$1,606.00	\$ 1,222.00	\$ 1,503.00
Zinfandel	\$1,054.00		\$ 1,054.00	\$1,598.00	\$1,595.00	\$ 1,609.00	\$ 1,479.00
"X" denotes difference between reported district average and extrapolated SV/GV average							
Allied Grape Growers, 2017. All rights reserved.							

Ongoing analysis of annual crush reports of District 5 reveals a consistent pattern of bifurcated market pricing with hi-low ranges in key varieties now spanning \$4000-6000 per ton reported. Correspondingly tonnages are consistently significantly high in the lower-priced lots helping to isolate the production from the ultra-fertile nature of this Sacramento River island location. These differences can be seen in Table 4 .

**Table 4**

## 2017 Crush Report Hi-Low District Varietal Pricing

Variety	District 17			District 5		
	Hi	Low	Average	Hi	Low	Average
<b>White Grapes</b>						
Albarino	1,000.00	650.00	697.20	1,700.00	1,000.00	1,245.74
Chardonnay	1,450.00	175.00	654.39	3,000.00	541.52	923.79
Chenin Blanc	1,310.00	375.00	450.66	1,600.00	375.00	433.95
Cortese	570.00	560.00	562.89	900.00	900.00	900.00
Fiano	1,200.00	900.00	1,056.82	0.00	0.00	0.00
Gewurztraminer	1,200.00	300.00	598.07	700.00	300.00	591.37
Grenache Blanc	1,500.00	1,500.00	1,500.00	1,700.00	1,700.00	1,700.00
Gruener Veltliner	600.00	580.00	591.20	0.00	0.00	0.00
Malvasia Bianca	0.00	0.00	0.00	1,300.00	1,000.00	1,051.18
Muscat Blanc	1,050.00	350.00	584.83	1,473.00	1,000.00	1,392.39
Pinot Gris	1,185.00	550.00	646.61	1,450.00	600.00	682.23
Sauvignon Blanc	1,200.00	450.00	555.23	2,250.00	800.00	1,106.80
Semillon	470.00	465.00	468.58	0.00	0.00	0.00
Symphony	700.00	415.00	428.23	270.00	270.00	270.00
Verdejo	800.00	800.00	800.00	0.00	0.00	0.00
Verdelho	600.00	600.00	600.00	1,250.00	1,000.00	1,119.51
Viognier	1,100.00	220.00	558.04	1,250.00	450.00	749.02
White Riesling	800.00	225.00	609.29	1,400.00	1,200.00	1,353.78
Other White	600.00	550.00	567.30	3,000.00	1,200.00	1,407.69
<b>Red Grapes</b>						
Aglianico	\$2,075.00	\$1,518.25	\$1,630.48	\$0.00	\$0.00	\$0.00
Barbera	\$1,475.00	\$925.00	\$1,301.89	\$1,850.00	\$1,450.00	\$1,708.46
Cabernet Franc	\$2,250.00	\$650.00	\$928.83	\$1,925.00	\$1,704.85	\$1,876.34
Cabernet Sauvignon	\$1,611.14	\$600.00	\$840.26	\$7,000.00	\$1,500.00	\$2,157.64
Carignane	\$0.00	\$0.00	\$0.00	\$2,020.00	\$500.00	\$1,448.82

VARIETY	District 17			District 5		
	Hi	Low	Average	Hi	Low	Average
Charbono	\$0.00	\$0.00	\$0.00	\$1,200.00	\$1,200.00	\$1,200.00
Ciliegiolo	\$2,000.00	\$2,000.00	\$2,000.00	\$0.00	\$0.00	\$0.00
Cinsault	\$1,250.00	\$1,250.00	\$1,250.00	\$0.00	\$0.00	\$0.00
Dolcetto	\$1,475.00	\$1,400.00	\$1,451.25	\$0.00	\$0.00	\$0.00
Gamay(Napa)	\$1,000.00	\$500.00	\$502.93	\$2,200.00	\$1,000.00	\$1,322.14
Graciano	\$0.00	\$0.00	\$0.00	\$1,300.00	\$1,200.00	\$1,225.00
Grenache	\$1,458.21	\$1,000.00	\$1,184.26	\$2,000.00	\$1,200.00	\$1,692.96
Malbec	\$1,517.25	\$700.00	\$915.43	\$3,329.31	\$1,200.00	\$2,096.17
Merlot	\$1,500.00	\$400.00	\$623.82	\$2,538.58	\$500.00	\$1,388.51
Montepulciano	\$0.00	\$0.00	\$0.00	\$225.00	\$225.00	\$225.00
Mourvedre	\$1,500.00	\$1,400.00	\$1,456.64	\$3,500.00	\$700.00	\$1,105.30
Nebbiolo	\$1,475.00	\$1,200.00	\$1,304.39	\$0.00	\$0.00	\$0.00
Petit Verdot	\$1,800.00	\$1,400.00	\$1,536.84	\$2,050.00	\$225.00	\$1,789.14
Petite Sirah	\$3,650.00	\$250.00	\$784.39	\$3,000.00	\$215.00	\$1,624.76
Pinot Noir	\$1,200.00	\$600.00	\$737.54	\$6,000.00	\$700.00	\$981.38
Primitivo	\$1,475.00	\$1,400.00	\$1,423.86			
Sangiovese	\$0.00	\$0.00	\$0.00	\$1,500.00	\$400.00	\$1,012.41
Syrah	\$1,400.00	\$625.00	\$634.97	\$2,200.00	\$1,200.00	\$1,503.55
Tannat	\$1,408.79	\$1,225.00	\$1,286.69	\$1,500.00	\$1,000.00	\$1,466.67
Tempranillo	\$1,650.00	\$700.00	\$859.26	\$2,000.00	\$1,000.00	\$1,308.65
Teroldego	\$1,975.00	\$700.00	\$726.84	\$0.00	\$0.00	\$0.00
Trousseau	\$0.00	\$0.00	\$0.00	\$2,200.00	\$1,500.00	\$2,160.38
Zinfandel	\$1,400.00	\$250.00	\$308.90	\$3,700.00	\$950.00	\$1,247.44



Varieties common to both regions with the major points of price difference

No common production of variety between regions

Varieties common to both regions with the major points of price difference

Looking at the districts from a gross revenue standpoint, the following considerations were developed into revenue statements, presented in Table 5. Changes to district averages that result from the boundary amendment are found in Table 6.

The resulting economic impact from the demand side bid can be seen in several fashions below.

**Table 5**

**Net Economic Revenue Impact Based on 2017 Crush Report Data**

	Ryer Island Estimated Revenue annually**	District 17 Revenue-Current Boundary*	District 17 Revenue with proposed boundary change***	District 5 Revenue-Current Boundary*	District 5 Revenue with proposed boundary change***
White grapes	\$3,135,922.20	\$56,223,616.30	\$59,359,538.50	\$10,641,381.50	\$7,505,459.30
Red grapes	\$2,586,036.00	\$30,693,260.70	\$33,279,296.70	\$9,678,565.10	\$7,092,529.10
Total	\$5,721,958.20	\$86,916,877.10	\$92,638,835.30	\$19,719,946.60	\$13,997,988.40
Net Change			\$5,721,958.20 6.58%		-\$5,721,958.20 -29.02%

Methodology of calculations

\* (Price per ton averages x tonnage measured) = gross revenues

\*\* (Extrapolated price per ton x pro rated estimate tonnage ) = Ryer Net Revenue

\*\*\* Gross Revenue +/- Ryer Net Revenue



**Table 6**

**Estimated Changes in District Averages with Boundary Change**

	Estimated Ryer Avg per ton *	Dist 17 Avg per ton	Estimated Avg per ton with Ryer **	Dist 5 Avg per ton	Estimated Avg per ton without Ryer **
White Grapes	\$564.04	\$624.66	\$621.55	\$1201.86	\$1348.67
Red Grapes	\$809.17	\$748.31	\$752.40	\$1319.82	\$1707.01

Methodology of calculations

\* Extrapolated estimate of Ryer avg per ton

\*\*Estimated new District avg moving revenue and tons in or out of Districts

## **The Economic Nuance of Coastal to Market Pricing**

In their study "Appellation, Variety and the Price of California Wines", Kwon found several variables in appellations of the Coast that clearly presented favored price differentials. Yet looking deeper, several observations were made. " First, the districts with the above-average appellation effects are located in the coastal regions, including Napa, Sonoma, and Monterey, and the lowest effects are found with broad appellations, Central Coast, North Coast, and California. Second, while appellation effects vary considerably across districts, they vary relatively little across grape varieties for a given crush district. For example, in district 2 (Lake County) there hardly is any difference in appellation effects for different varieties. Only when we consider the broad regional appellations do the results for a district vary by variety." <sup>1</sup>

While this study focused on wine pricing, the reality is that underlying grape pricing has a direct relationship with wine price. District 5 presented no data to fit the minimum analysis levels reported, as few wineries exist, which was fundamental to the study. Key observations between the Allied Grape Growers pricing analysis and the above-observed findings in the Kwon study would suggest corroboration of the problem that the petitioner finds in the reality of District 5. There should be little variable, yet we see significant variable across market competitive white varieties and Pinot Noir and Petite Sirah across red varieties, which are commonly produced between Ryer Island region and SV/GV AVA. Additionally, we see that accentuated in the 2017 crush data for District 5, which demonstrates top pricing at \$7,000 per ton yet there is little identifiable Cabernet Sauvignon in the Ryer Island region due to it being vastly different and not economically appropriate to market pricing in that region.

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<sup>1</sup> Kwon, Oh Sang et al. "Appellation, Variety, and the Price of California Wines" *Agricultural and Resource Economics Update*, Volume 11, Number 4 • Mar/Apr 2008, pp. 15-19, [s.giannini.ucop.edu/uploads/giannini\\_public/be/d2/bed2e35f-a108-434a-8d0e-923d5f0c6c3a/v11n4.pdf](https://s.giannini.ucop.edu/uploads/giannini_public/be/d2/bed2e35f-a108-434a-8d0e-923d5f0c6c3a/v11n4.pdf)

Further findings supporting grape pricing is correlated to grape location is found:

"These results measure how grape characteristics affect wine prices. Moreover, demand for wine determines, to a great extent, demand for grapes. Therefore, we would expect that a price premium for a certain wine variety or appellation would translate to a price premium for the corresponding wine grape variety and grape location."<sup>2</sup>

Lastly : Helen, found in 2006, "There is no organized winegrape market. Although there are two grape brokerage houses, most contracts are formed through personal contact between growers and wineries. A large proportion of these growers are under long-term contracts. A recent survey showed that fifty-one percent of growers had contracts of three years or greater while thirty-six percent had one year contracts. As a result, the majority of growers are removed from the year to year price negotiation process due to the multiyear nature of their contracts. Data on prices paid the previous year is published in the Grape Crush Report each March. These prices play an important role as the escalator in many long-term contracts. Long-term contract base prices are often "moved" by the percentage change in the previous year's crush district average price. Arrangements such as these tend to make price behavior independent of current year market conditions"<sup>3</sup> Detailed mathematical formulas are further presented in Helen's work that constantly require inclusion of District average pricing.

Petitioner recognizes these studies have been conducted on wine pricing, not directly on grape pricing. There is very little study or data analysis to look to other than crush report for such. However, this is pointed to, solely for the purpose of showing evidence that such exists in some way. From that standpoint, it helps demonstrate the issues associated with District 5 relative to averaging known Coastal AVA regions with Interior non-descript designations within the same District.

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<sup>2</sup> Bombrun, Helene and Sumner, Daniel A. "What Determines the Price of Wine? The Value of Grape Characteristics and Wine Quality Assessments" *Agricultural Issues Center Issues Brief*, Number 18, January 2003, [researchgate.net/publication/248419304\\_What\\_Determines\\_the\\_Price\\_of\\_Wine\\_The\\_Value\\_of\\_Grape\\_Characteristics\\_and\\_Wine\\_Quality\\_Assessments](https://researchgate.net/publication/248419304_What_Determines_the_Price_of_Wine_The_Value_of_Grape_Characteristics_and_Wine_Quality_Assessments).

<sup>3</sup> Helen, Dale. "Price Formation in the California Winegrape Economy" *Journal of Wine Economics*, Volume 1, Number 2, Fall 2006 pp 162-172, [wine-economics.org/aawe/wp-content/uploads2012/10/vol.1-no.2.2006-PriceFormation-in-the-California-Winegrape-Economy.pdf](http://wine-economics.org/aawe/wp-content/uploads2012/10/vol.1-no.2.2006-PriceFormation-in-the-California-Winegrape-Economy.pdf)

## **Alternative Resolutions**

Few alternatives exist to resolve the problem identified seeking amendment, but several can be stated and then evaluated.

- #1 Split District 5 into sub-regions to account for the significant differences in natural market pricing and allow each sub-region to maintain its representative price discovery.

This alternative creates extensive reworking of data collection models by NASS, a non-comparable base reporting, and fails to realize the subject region is highly consistent with District 17. It does not fully resolve the problem.

- #2 Proceed with the status quo without change. This model fails to fairly consider the rapidly evolving upward cycle of grape pricing within the primary viticulture area of District 5, notably Suisun Valley AVA and Solano County Green Valley AVA which react to California North Coast price discovery. NASS has documented in previous Crush Reports a rapid escalation of the top price paid rate, which is dominated by grape sales from this area.

This does not resolve the problem as averaging will be an aberration to Ryer Island demand and understate price discovery for the remainder of western Solano.



## **Academic Models and Supporting Published Works**

Allied Grape Growers newsletter 2017 and 2018 (to come) – Allied Grape Growers Association, Jeff Bitter, President

Bombrun, Helene and Sumner, Daniel A. "What Determines the Price of Wine? The Value of Grape Characteristics and Wine Quality Assessments" *Agricultural Issues Center Issues Brief*, Number 18, January 2003,  
[researchgate.net/publication/248419304\\_What\\_Determines\\_the\\_Price\\_of\\_Wine\\_The\\_Value\\_of\\_Grape\\_Characteristics\\_and\\_Wine\\_Quality\\_Assessments](https://www.researchgate.net/publication/248419304_What_Determines_the_Price_of_Wine_The_Value_of_Grape_Characteristics_and_Wine_Quality_Assessments).

CA crush reports, District 5, 1998 to 2018 - NASS

Froymovich, Gabriel. "Which Average to Use? The Cheapest Trick in Grape Price Negotiations" *Vineyard Financial Associates*, July 2, 2019,  
[vineyardfinancialassociates.com/single-post/2019/07/02/Which-Average-to-Use-The-Cheapest-Trick-in-Grape-Price-Negotiations](https://vineyardfinancialassociates.com/single-post/2019/07/02/Which-Average-to-Use-The-Cheapest-Trick-in-Grape-Price-Negotiations)

Helen, Dale. "Price Formation in the California Winegrape Economy" *Journal of Wine Economics*, Volume 1, Number 2, Fall 2006 pp 162-172, [wine-economics.org/aawe/wp-content/uploads2012/10/vol.1-no.2.2006-PriceFormation-in-the-California-Winegrape-Economy.pdf](https://wine-economics.org/aawe/wp-content/uploads2012/10/vol.1-no.2.2006-PriceFormation-in-the-California-Winegrape-Economy.pdf)

Kwon, Oh Sang et al. "Appellation, Variety, and the Price of California Wines" *Agricultural and Resource Economics Update*, Volume 11, Number 4 • Mar/Apr 2008, pp. 15-19,  
[s.giannini.ucop.edu/uploads/giannini\\_public/be/d2/bed2e35f-a108-434a-8d0e-923d5f0c6c3a/v11n4.pdf](https://s.giannini.ucop.edu/uploads/giannini_public/be/d2/bed2e35f-a108-434a-8d0e-923d5f0c6c3a/v11n4.pdf)

## **Industry and Grower Letters of Commentary**

Letters received from producers and processors engaged in the price discovery process, Industry organizations that represent the broad interests of such inside and outside the State of California

## SVVGA Board of Directors - Meeting Minutes

Present: Brian Babcock, Chris Estes, Lisa Howard, Roger King, Ron Lanza, Christina Musto, George Richmond, Steve Tenbrink.

Absent: Larry Balestra

Meeting Place: Wooden Valley Winery

Meeting Date: July 9, 2019

Meeting Time: 12:00PM

Meeting Called to Order

Meeting minutes approval; **motion R. King, second C. Estes, approved unanimously.**

Treasurer's Report – **motion L. Howard, second S.Tenbrink, approved unanimously**

Membership Committee Chair Report

- Signage – **presentation of draft directional sign program policy**

Marketing Committee Chair Report, Lisa Howard:

- Harvest Celebration – Sunday Aug 25<sup>th</sup> - Press release and radio ad will be done to advertise the event as well as social media outlets and Visit Fairfield.

Grower and Legislative Committee Chair Report, Roger King:

- Crush District 5 Update- **motion by R. King to submit amendment request to CDFA and resolution from the board in support of changes to crush district #5, second G. Richmond, approved unanimously.**
- . R. King is also requesting testimony from farmers directly impacted by the current price averages in the current crush district boundaries.

Vintners Committee Report, Brain Babcock - No Report

President's Report, Ron Lanza

- Board Member Elections – mailed out last week.
- Annual Dinner – Aug 10<sup>th</sup> invitations to be mailed out this week
- Beautification Committee Report - Gathering proposal for design for Robbins Corner to present to the land owner.

New Business - none

Adjourned

**Next Annual Meeting and Dinner August 10, 2019**

**Next Board Meeting - August 20, 2019**

Dear Mr. Cesca,

Thank you for taking the time to read this letter. As the President of Vineyard Financial Associates, I have proven myself, through a public track record, to be my industry's foremost forecaster of grape prices. I also provide, free to the public, a massive search tool for easily producing data based on the USDA Crush and Acreage reports. In short, there are few in this industry who know USDA's grape data as well as I.

As noted in my blog post on July 2, 2019<sup>4</sup>, USDA Grape Pricing District 5 has some odd pricing dynamics. The median price for Chardonnay in 2018, for instance, was \$1,100, while the average was \$927.84. This is a difference of roughly 20%, enough to determine whether a contract is profitable or not. The reason for this is that some significant minority of Chardonnay grown in the district is priced much lower than the rest. That Chardonnay is grown in the Delta region in the east.

This is not just the case for Chardonnay. For Zinfandel, the dynamic is even greater and in the opposite direction, with an average price of \$1,322.43 and a median price of \$950. The average is roughly 40% higher than the median. In this case, judging by Table 8, it looks as though over half of the district's Zinfandel is priced at \$950 – in line with prices for Zinfandel from the Delta region of the district. However, the Zinfandel grown in the valley regions to the west is priced as high as \$3,300 per ton, bringing up the average.

Until this district's boundaries are adjusted, pricing indications from the Crush Report will be useless to the typical grower and difficult even for analysts like myself to rely upon.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gabriel Froymovich', followed by a long horizontal line.

Contact Info:

Gabriel Froymovich  
Vineyard Financial Associates

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<sup>4</sup> <https://www.vineyardfinancialassociates.com/single-post/2019/07/02/Which-Average-to-Use-The-Cheapest-Trick-in-Grape-Price-Negotiations>

17470 Healdsburg Ave, Healdsburg CA 95448  
707-395-4301  
VineyardFinancialAssociates@gmail.com  
www.VineyardFinancialAssociates.com  
Twitter: @VFA\_Consulting

July 19, 2019

Mr. Jeff Cesca  
Director, Division Marketing Services  
California Department of Food and Agriculture  
1200 N Street  
Sacramento, CA 95814

Dear Mr. Cesca:

I am writing to you representing the interests and opinions of Allied Grape Growers, a statewide association of winegrape growers focused on the effective and equitable marketing of our grower-members' grapes. Our association is aware of a potential initiative within Solano County to petition for a change in the California grape crush district boundaries relative to an eastern portion of Solano County, grape crush district 5. We understand such change would also directly impact part of the western boundary of existing and neighboring grape crush district 17.

Allied Grape Growers represents multiple grower-member entities in crush district 5. We have been intimately involved with marketing issues and efforts related to the county/district for many years. In fact, two years ago, we produced a narrative (enclosed) regarding the issues the district faces with regard to how the districting of the county creates a blend of "interior" and "coastal" grapes in the same reporting area. This has caused undesirable skewing of prices reported by CDFA, and deemed reported average prices as useless in understanding the market or referencing them for marketing or financing purposes. Please review the enclosed narrative so that you might understand the issue as seen from the marketing perspective of Allied Grape Growers.

Allied Grape Growers supports CDFA undertaking a petition process to consider adjusting the district boundaries, weighing all considerations and inputs, and potentially petitioning the Office of Administrative Law for resolution. I will have additional work to present to CDFA shortly that will define how a district boundary change would specifically affect the reported averages, by variety, in crush districts 5 & 17. I am utilizing actual data from the 2018 crush report to complete the analysis. I look forward to sharing that with you soon.

In the meantime, please contact me directly if you have any questions or would like to discuss the issue in greater detail. Thank you.

Sincerely,

Jeff Bitter  
President

enclosure

Hi Roger!

I hope this email finds you well – I wanted to let you know that per our board meeting - CWGVA has no position but we have sent all of the info to our Association members for review.

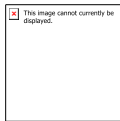
Thank you

***Bekki Fay***

Executive Director

Clarksburg Wine Growers & Vintners Association

916-744-1234 | PO Box 308 | Clarksburg CA 95612





Feb 26., 2019

Roger,

What I was able to glance at looks good to me. I will reach out Aaron Lange and get his thoughts as well, just incase I missed something. I am going to be out of town for the rest of this week and will not be able to look at this until next week in detail. Thank you for keeping me up to speed on this.

Thanks,

Craig Ledbetter

Vino Farms, LLC  
1377 E. Lodi Ave  
Lodi, CA 95240  
209-334-6975

August 2, 2019

Mr. Jeff Cesca  
Director, Division Marketing Services  
California Department of Food and Agriculture  
1200 N Street  
Sacramento, CA 95814

Dear Mr. Cesca:

The Lanza family has been farming wine grapes on approximately 400 acres in Suisun Valley for more than 50 years. We are aware of the initiative that the wine grape growers in western Solano County are working on to change the boundaries of the eastern portion of Crush District 5. We wholeheartedly support their efforts.

You are assuredly aware of the vital role the Grape Crush Report plays in pricing negotiations with wineries, especially large producers. The combining of the two regions grape prices significantly reduces the average prices reported in Crush District 5. Although we use some of the fruit we grow for our small winery, over ninety-five percent is being sold to large producers. There is no way to realize the exact economic impact this averaging has had on our business over the past fifty years. We can only estimate it to be in the hundreds of thousands, if not millions of dollars.

The Grape Crush Report is also being used to determine crop insurance pricing, collateral assignments for crop financing, and land appraisal evaluations. Continually trying to explain pricing discrepancies between western and eastern Solano County has been and continues to be extremely challenging.

We look forward to working with the growers of Western Solano County and CDFA on changing the boundaries to bring fairness to Crush District 5.

Sincerely,

Ron Lanza  
President  
Lanza Vineyards, Inc.



July 26, 2019

Mr. Jeff Cesca  
Director, Division Marketing Services  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

Dear Mr. Cesca:

On behalf of the California Association of Winegrape Growers (CAWG), I want to acknowledge our interest in and awareness of efforts by Solano County winegrowers and their representatives to petition the California Department of Food and Agriculture (CDFA) for a change in California grape crush district boundaries. We understand a petition is forthcoming that will address the boundary line on the eastern portion of Solano County, grape crush district 5. We also understand any petitioned changes may directly affect part of the western boundary of existing and neighboring grape crush district 17.

CAWG has no position on the merits of any potential forthcoming petition. However, California's winegrowing industry is dynamic and grape growing regions are continually evolving in terms of production volumes, varieties grown, and quality goals, as well as changes in processing capacity and locations, all of which may affect the economic value of grapes produced. Consequently, we expect petitions will arise from time-to-time proposing adjustments to crush district boundary lines to ensure fair and accurate reporting of grape crush data.

We look forward to CDFA weighing the interests of affected parties and judging the merits of a petition based on an open, public process that effectively engages interested parties.

Sincerely,

A handwritten signature in black ink, reading "John Aguirre", is positioned below the word "Sincerely,".

John Aguirre  
President

CAWG PROTECTS AND PROMOTES THE INTERESTS OF CALIFORNIA WINEGRAPE GROWERS BY PROVIDING MEMBERS A UNIFIED VOICE, EFFECTIVE ADVOCACY AND STRONG LEADERSHIP.

1011 L Street  
Suite 304  
Sacramento, CA 95814

PHONE: 916 379 2995  
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EMAIL: [info@cwag.org](mailto:info@cwag.org)  
WEBSITE: [www.cwag.org](http://www.cwag.org)

**Additional letters and commentary are being received  
and will be included in subsequent review sessions.**

## **Actions Taken Thus Far for Notification of Change Inside Industry**

A comprehensive announcement on the amendment efforts was made on March 8th, 2019 to the Regional Leadership meeting co-produced by California Association of Winegrape Growers and Wine Institute (with their full management teams in the room as well). The following list comprises leader from almost all the primary industry associations in California, They all were made aware and brought up to speed on the current status of this amendment effort.

Speaker	Lori	Ajax	California Bureau of Cannabis Control
Regional	Michelle	Benvenuto	Winegrowers of Napa Valley
Regional	Amy	Blagg	Lodi District Grap Growers Associaiton
Regional	Sam	Braudrick	Livermore Valley Winegrowers Association
Regional	Garrett	Buckland	NVG Past President
Regional	Krista	Chaich	Temecula Valley Winegrowers Association
Regional	Cori	De Hore	Temecula Valley Winegrowers Association
Regional	Wendy	Eachus	Madera Vintners Association
Regional	Jeannine	Embly	Hungry Hawk Vineyards & Winery
	Ed	Embly	San Diego County Vintners Association
	Bruce	Fry	Mohr-Fry Ranches & Lodi Winegrape Commission
	Paul	Goldberg	Napa Valley Grapegrowers
Regional	Jack	Gorman	Amador Vintners Association
Regional	Michael	Haney	Sonoma County Vintners
Regional	Melissa	Hanson	Livermore Valley Winegrowers Association
Regional	Sandra	Hess	Calaveras Winegrape Alliance
	Chris	Indelicato	Delicato Vamily Vineyards
Regional	Roger	King	Suisun Valley Vintners & Growers Association
Regional	Ron	Lanza	Suisun Valley Vintners & Growers Association
Regional	Alison	Laslett	Santa Barbara Vintners Association
Regional	Mary	Maher	Harlan Estate
Regional	Linda	McWilliams	San Diego County Vintners Association
	Mike	McWilliams	San Pasqual Winery
Speaker	Anita	Oberholster	UC Davis
Speaker	Richard	Parrot	CalCannabis
	Joel	Peterson	Paso Robles Wine Country Alliance
Regional	Jennifer	Putnam	Napa Valley Grapegrowers
Regional	Linda	Reiff	Napa Valley Vintners
Regional	Kara	Sather	El Dorado Winery Association
Regional	Michael	Silacci	Opus One & NVG Vice President
	Tom	Slater	Slater Farms & CAWG Board of Directors
Regional	Debra	Sommerfield	Lake County Winegrape Commission
Speaker	Rebecca	Stamey-White	Hinman & Charmichael

Regional	Kim	Stemler	Monterey County Vintners & Growers Association
Regional	Helena	Welsh	Lake County Winery Association

## **Additional Industry Contact**

Further discussions on the status of the effort were held on April 10, 2019 at the CAWG Day in the Capitol legislative address with Tom Slater, Slater Farms - Clarksburg & CAWG; Aaron Lange, Lange Twins; Tyler Blackney, Wine Institute; John Augire, CAWG; Jeff Bitter, Allied Grape Growers; Steven Heringer, Heringer Vineyards – Clarksburg



## Appendix

### Addendum A

#### **FAC § 55601.1.**

Section 55601.5 shall be known, and may be cited as, the “Clare Berryhill Grape Crush Report Act of 1976.”

(Added by Stats. 1996, Ch. 604, Sec. 1. Effective January 1, 1997.)

#### **FAC § 55601.5.**

(a) (1) Notwithstanding Section 55461, on or before January 10 of every year, every processor who crushes grapes in this state shall furnish to the secretary, on forms provided by the secretary, a report that includes all of the following:

(A) The total number of tons of grapes purchased by the processor in this state during the preceding crush within each grape-pricing district, broken down by total tons purchased, variety, and price, including any bonuses or allowances, and sugar calculations.

(B) The total number of tons of grapes purchased by the processor in this state in nonrelated purchases during the preceding crush within each grape-pricing district, broken down by total tons purchased, variety, and price, including any bonuses or allowances, and sugar calculations.

(C) The total number of tons of each variety of grape crushed within each grape-pricing district and the average sugar content of each variety within each grape-pricing district.

(D) The total number of tons of grapes purchased and crushed that are expected, as of the date of reporting by the processor, to be marketed as grape concentrate. In reporting tons purchased and crushed that are expected to be marketed as grape concentrate, processors may estimate equivalent tonnage. In estimating the equivalent tonnage, the processor shall include all equivalent tons crushed for the production of grape concentrate for wine and all other purposes marketed outside the state and the equivalent tons crushed for the production of grape concentrate for all purposes other than wine marketed within the state. In determining the estimated equivalent tons, processors shall make their best estimate of the gallons of concentrate per ton of grapes crushed based upon the Brix level of the grapes used in concentrate production.

(2) (A) When reporting price within the category of all tonnage purchased, processors shall include grapes purchased from (i) growers for wine, wine vinegar, juice, concentrate, and beverage brandy, (ii) another processor only if that processor was also the grower of the grapes, (iii) growers that are considered separate entities from the processor operation, or (iv) growers or other processors, but not by the reporting processor; and shall exclude (i) material other than grapes, and defects, or other weight adjustments deducted from the gross-weight ticket, (ii) any raisin-distilling material, (iii) grapes grown by the processor from

vineyards that are not considered separate entities, (iv) grapes purchased from other processors that were previously purchased from growers, or (v) grapes crushed to grower accounts or crushed for other wineries. If several varieties were packaged together and purchased for one price, the processor shall report the average price per ton as one mixed lot, and when reporting crush information, shall report individual variety and tonnage information.

(B) When reporting price within the category of nonrelated purchases, processors shall exclude tonnage of grapes purchased from a grower if, during the reporting

year (i) the grower or an affiliate of the grower, or both the grower and the affiliate of the grower, owned, directly or indirectly, at least 5 percent of the indicia of ownership or voting authority of the processor, (ii) the processor or an affiliate of the processor, or both the processor and the affiliate of the processor, owned, directly or indirectly, at least 5 percent of the indicia of ownership or voting authority of the grower, or (iii) the processor or an affiliate of the processor, or both the processor and the affiliate of the processor, provided long-term financing to the grower in exchange for rights or options to purchase a significant portion of the grower's harvest.

(b) On or before February 25 of every year, each processor who crushes grapes in this state shall furnish to the secretary information concerning the final prices, including any bonuses or allowances, paid by variety and grape-pricing district to all growers holding reference price contracts in effect prior to January 1, 1977, which payments have not been reported on January 10.

(c) (1) The secretary may not release or otherwise make available any information furnished by an individual processor under this section, except in proceedings brought against the processor by the secretary for the purpose of enforcing this section, or except in the case of a producer who holds any reference price-grape purchase contract, to whom the secretary may furnish, upon request and at a reasonable cost, the information needed to verify the reference price, including any bonuses or allowances, set forth in the contract.

(2) The secretary shall not release or otherwise make available any information furnished by an individual processor under this section to any other division of the department except in accordance with a subpoena issued in accordance with Section 1985.3 of the Code of Civil Procedure.

(3) The secretary shall release only aggregate figures for grapes crushed that are expected to be marketed as grape concentrate and shall not include information by district, types, or variety.

(d) The secretary shall enforce the collection of the information and, on or before February 10 of each year, shall publish a preliminary summary report on the preceding crush. The report shall include all of the following information:

(1) The weighted average price paid on the basis of the prices, including any bonuses or allowances, reported and average sugar content for each grape variety purchased within each grape-pricing district.

(2) The total number of tons of grapes crushed and the average sugar content for each grape variety within each grape-pricing district.

(3) Each price category paid, separated by sugar calculations, if any, and the

percentage each represents of the total for each variety within each grape-pricing district.

(4) Commencing with the report for the 1997 crush, in a separate and independent table without affecting or modifying existing tables, by weighted average price only, nonrelated purchases, by variety within each grape-pricing district excluding any bonuses, allowances, sugar calculations, and tonnage.

(e) On or before March 10 of each year, the secretary shall publish a final summary report, which shall contain all of the data furnished by the processors on or before January 10 and on or before February 25 of each year covering purchases under reference price contracts. The secretary may publish an addendum or supplemental

report when reasonably necessary to correct any erroneous or misleading information contained in the annual report required by this section.

(f) The forms provided to processors by the secretary pursuant to this section shall provide for the separate reporting of grapes used by a processor (1) as distilling material and (2) for both beverage brandy and other than beverage brandy. A processor shall report all grapes used as distilling material by variety. The secretary, in determining the weighted average price paid for each grape variety purchased within each grape-pricing district, shall not include the prices paid for grapes of any variety used as distilling material for other than beverage brandy in determining the weighted average price. The secretary's report shall include a separate summary regarding grapes used by processors as distilling material.

(g) All grape purchase contracts entered into on or after January 1, 1977, shall provide for a final price, including any bonuses or allowances, to be set on or before the January 10 following delivery of the grapes purchased. Any grape purchase contract entered into in violation of this subdivision is illegal and unenforceable. For the purpose of this section, a grape purchase contract shall not include any existing supply contract between a nonprofit cooperative association and a commercial processor.

(h) (1) If the department reasonably believes that a processor has failed, refused, or neglected to provide the information required by this section, or if the department finds apparent discrepancies in the information reported, the department may audit or investigate in accordance with Article 11 (commencing with Section 55721) or proceed in accordance with Article 5 (commencing with Section 55522.5), except as specified in paragraph (6). Injunctive relief under Section 55921 shall issue only upon a finding by a court of competent jurisdiction that a processor has done any of the following:

(A) Refused to submit required information after the department provides reasonable notice to the processor of the processor's obligations and rights under this chapter.

(B) Misreported a fact, knowing that fact to be false, or in reckless disregard for whether the fact was true.

(2) Both the refusal to submit after the provision of reasonable notice and the misreporting of a fact under the circumstances set forth in this subdivision shall constitute violations of this chapter. Neither a refusal to submit nor a misreporting of a fact under this subdivision shall be prosecuted pursuant to Article 18

(commencing with Section 55901) or subject to civil penalties under Article 19 (commencing with Section 55921).

(3) In the case of misreporting in any action authorized by this section, it shall be a defense for a processor to rely on information provided to the processor by a producer with respect to whether a purchase is a related purchase.

(4) In the case of a refusal to report or misreporting, the department shall not commence an audit or investigation, other than a routine audit based on scientifically proven random sampling methods, without first disclosing to the processor being audited or investigated any and all information that constitutes the department's belief that the processor has not complied, including the identities of all persons providing information on potential violations to the department.

(5) Anonymous complaints, unattributable information, or undocumented information shall not constitute reasonable belief and shall not be the basis for any

investigation or audit action brought under this section. The department shall inform the processor of its reasons for auditing.

(6) No action shall be taken pursuant to Article 5 (commencing with Section 55522.5), Article 18 (commencing with Section 55901), or Article 19 (commencing with Section 55921) based on the reporting of grape concentrate pursuant to subparagraph (D) of paragraph (1) of subdivision (a).

(i) For purposes of this section, the following definitions shall apply:

(1) "Affiliate" or "affiliated with" means a person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control of another person. For the purposes of this paragraph, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of any person.

(2) "Estimated equivalent tons," when used in the context of reporting tons purchased and crushed that will be marketed as grape concentrate, shall be determined by use of the following formulas:

(A) Gallons of concentrate (approximately 20° Brix) produced divided by 40 equals equivalent tons.

(B) Gallons of concentrate (approximately 68° Brix) divided by 170 equals equivalent tons.

(3) "Grape-pricing district" means a district used by the federal-state cooperative market news services, as provided in Section 58231.

(4) "Long-term financing" means financing that by its terms is due over a period of more than one year, or more than 180 days if there is a purchase agreement between a grower and a processor, or if there is a farming agreement where the purchase price is on a per-acre basis.

(5) "Person" includes an individual, partnership, corporation, limited liability company, firm, company, or other entity.

(6) "Purchase" means the taking by sale, discount, negotiation, mortgage, pledge, lien, issue or reissue, gift, or any other voluntary transaction creating an interest in property. For purposes of this paragraph, "sale" shall consist of the passing of title from the seller to the buyer for a price.

(Amended by Stats. 1999, Ch. 199, Sec. 1. Effective January 1, 2000.)

## **Addendum B**

### **3 CCR § 1700 Grape Pricing Districts**

Every processor who crushes grapes in California shall report the information required by Section 55601.5 of the Food and Agricultural Code to the Director, for each grape pricing district, as follows:

District 1 -Mendocino County

District 2 -Lake County

District 3 -Sonoma and Marin Counties

District 4 -Napa County

District 5 -Solano County

District 6 -Alameda, Contra Costa, Santa Clara, San Francisco, San Mateo, and Santa Cruz Counties

District 7 -Monterey and San Benito Counties

District 8 -San Luis Obispo, Santa Barbara and Ventura Counties

District 9 -Yolo County north of Interstate 80 to the junction of Interstate 80 and U.S. 50 and north of U.S. 50; Sacramento County north of U.S. 50; Del Norte, Siskiyou, Modoc, Humboldt, Trinity, Shasta, Lassen, Tehama, Plumas, Glenn, Butte, Colusa, Sutter, Yuba, and Sierra Counties

District 10 -Nevada, Placer, El Dorado, Amador, Calaveras, Tuolumne and Mariposa Counties

District 11 -San Joaquin County north of State Highway 4; and Sacramento County south of U.S. 50 and east of Interstate 5

District 12 -San Joaquin County south of State Highway 4; Stanislaus and Merced Counties

District 13 -Madera, Fresno, Alpine, Mono, Inyo Counties; and Kings and Tulare Counties north of Nevada Avenue (Avenue 192)

District 14 -Kings and Tulare Counties south of Nevada Avenue (Avenue 192); and Kern County

District 15 -Los Angeles and San Bernardino Counties

District 16 -Orange, Riverside, San Diego and Imperial Counties

District 17 -Yolo County south of Interstate 80 from the Solano County line to the junction of Interstate 80 and U.S. 50 and south of U.S. 50 and Sacramento County south of U.S. 50 and west of Interstate 5

Note: Authority cited: Section 407, Food and Agricultural Code. Reference: Section 55601.5, Food and Agricultural Code.



## **Addendum C**

### **Which Average to Use? The Cheapest Trick in Grape Price Negotiations.**

July 2, 2019

Gabriel Froymovich

I recently had the great honor of presenting to the [California Association of Wine Growers](#) at their annual summer seminar. My topic was a somewhat wide ranging discussion of how grape growers could use the [Crush Report](#) and [Acreage Report](#) to better their business decisions, negotiations and strategy. One topic I presented was the difference between median prices and mean/average prices.

Grape buyers and sellers sometimes like to argue over whether they should index or price to Table 6 or Table 10. I think a more powerful tool is to ask to peg to your preference of the Table 8 median (easy to look up using the [Grape Data Tool](#)) or the Table 6 mean.

Sometimes the average price and median price are pretty close, as with District 1 Chardonnay, below. But with District 10 Chardonnay, the mean is actually 10% higher than the median, which can make a tremendous difference in profitability for a grower or COGS for a buyer. On the other hand, in District 5 - with its weird East/West or Suisun/Delta dynamics - the median price is about 20% higher (due to a large tranche of relatively, very low priced grapes from Delta production vineyards.) See the chart below for specific prices.

<b>Chardonnay</b>	<b>Average</b>	<b>Median</b>
District 1 (Mendocino)	\$1,292.82	\$1,300.00
District 10 (Foothills)	\$1,321.70	\$1,200.00
District 5 (Solano)	\$927.84	\$1,100.00

In the end, negotiations often come down to hard financial realities. But, in as much as they are relationships, we can use reason, evidence and examples to influence them and to convince the other party. So, if you're reading this and you're negotiating grape prices, I would recommend that you look these prices up and anchor to the one you prefer and hope the other guy didn't do his research.

**<https://www.vineyardfinancialassociates.com/single-post/2019/07/02/Which-Average-to-Use-The-Cheapest-Trick-in-Grape-Price-Negotiations>**