



# Emerging Wine Industry

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Arizona Wine Growers Association

# AWGA Mission

- Serves grape growers and winemakers in AZ, allying its members for representation, promotion, & education.
- Strives to advance with integrity the sustainable growth & production of authentic Arizona-grown wines.



# Arizona Wine History

- Pre-Prohibition: Very Successful
- Illegal: 1915-1980
- Very Limited: 1980 - 2006
- 2000: Only 9 Bonded Wineries
- June 21, 2006 = New Law
- Now: Over 60 Bonded Wineries



# Economic Impact

- 15,000 farms & ranches contributing \$10.3B
- Verde Valley - \$25M; 124 people with \$2M payroll; \$6.5M total spending
- AZ Wine Tourism - Total industry economic impact \$37.6M
- Indirect business taxes = \$5.9M
- 405 jobs (265 direct & 140 indirect jobs)



# Lawrence Dunham Vineyards

- Vineyard & winery; started in 2008
- 40 acres; 11 acres planted
- Winery - 4,000 sq. ft. facility
- Build out - 18 acres/3,000 cases
- Hand-crafted wines
- Located in Cochise County; SE AZ
- Varietals planted: Petite Sirah, Syrah, Grenache & Viognier



# LDV Start Up Costs

- Land purchase
- Vineyard - \$25,000 - \$30,000/acre for infrastructure & planting
- Labor - \$6,000 per acre for 1<sup>st</sup> year
- Fencing - \$10,000
- Heavy farm equipment - \$30,000
- Spray rig - \$2,000
- Winery - \$115,000 to transform an existing 4000 sq. ft. metal building
- Septic & well improvements - \$15,000
- Equipment - \$26,000
- Tanks - \$30,000
- Barrels - \$500 - \$1300 each (now have 50)



# Basic Needs & Sources

- Trellises (posts & wire) - CA
- Irrigation (hoses, drippers, pipes) - Tucson
- Grape vines - CA
- Fertilizers - AZ, additives - AZ, yeasts - CA
- Tractors, heavy farm equipment - AZ
- Stemmer/crusher, press - TX
- Laboratory equipment - RI
- Fermentation tanks (steel, food grade plastic - AZ) TX
- Barrels - MO
- Bottling equipment, labelers - CA
- Bottles - TX, corks - CA, capsules - WA
- Labels - OR
- Cartons, shipping boxes - TX



# Bringing the Product to Market

## Operational Costs

- Image Development
- Label Design & Graphics
- Printing
- Website Development
- Promotion & Publicity
- Shipping & Delivery
- Liability & Property Insurance
- Testing



# Governmental Impacts

- Licenses & Other Fees
- Permits (festivals, sales)
- Excise Taxes (State & Federal)
- Property Taxes
- Sales Taxes (State, County & Local)
- Regulations



# Value Added

- \$1,600 per ton of grapes = 50 cases of wine = \$15,000 worth of wine (at \$20/bottle)



# Washington Wine Industry Growth

## 1981

- 2 million gallons
- 19 wineries

## 2010

- 20.1 million gallons
- 686 wineries
- Excess of \$1B in direct winery revenues
- Industry & allied businesses pays \$237.7M in state & local taxes; nearly \$305M in federal
- \$8.6B total impact

Source: Stonebridge Research: Economic Impact of Washington Wine, 2011



# Rise of a Wine Region

- 1960s - focus on sweet wine, instate sales only
- 1970s - first industry innovators
- 1980s - blind tastings - Best in nation; impetus for vineyard & winery growth
- 1990s - notable winemakers
- 2000s - wine educational programs; wineries open 1 per week; varietals changes; 100 pt. wine scores achieved; quality increases



# Wine Focused Community

## Paso Robles, CA

- 17 wineries in 1989
- Today - Over 200
- \$1.5B employing 7,000 people
- Total payroll \$182M



# Opportunities for Clarkdale

## Wine Cluster Development

- Producers & distributors of barrels, winemaking equipment, bottles, corks, labels, boxes, etc.
- Design, graphics, marketers, etc.
- Related businesses - wine research, education, retail & services
- Incubator
- Custom crush facility



# Industry Challenges

- Vineyards suffered losses as a result of weather & disease
- Adequate vineyard acres to meet demand
- Outbreak of Pierce's disease
- Lack of existing & historical data
- Support businesses in AZ
- Perceptions - AZ wine industry



# Industry Short Term Focus

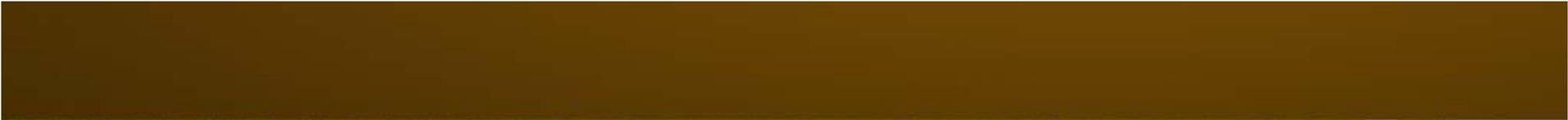
- Successful regional collaborations
- Increase specialty crop acreage & diversity
- New support business created
- Education, training, & technical support
- Expanded research & best practices
- Growth in regional agri-tourism
- Branding & increase exposure
- Consistent & industry friendly environment



# Industry Long Term Focus

- Viticulture & enology program
- Nationally recognized wine & winemakers
- Operational financial support







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