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## California

# Vintners court Mexican buyers as U.S. wine export values soar

By TIM HEARDEN  
Capital Press

The value of U.S. wine exports set another record last year, and California vintners are taking trade relations into their own hands to try to keep the boom going.

Nearly 40 vintners traveled to Mexico Feb. 12-17 to offer seminars and meet with key importers to bolster sales in the nation, which is already the sixth-biggest export market for California wines.

The trip came as U.S. wine exports, 90 percent of which are from California, reached a record \$1.62 billion in winery revenues in 2016 despite a nearly 10 percent drop in volume, according to new figures released by the San Francisco-based Wine Institute.

"This is a trip that we had planned for a long time, long ahead of the election," Linsey Gallagher, the Wine Institute's vice president of international marketing, told the Capital Press by phone from Los Cabos, Mexico.

"It's interesting to be here in Mexico this week with one of the largest delegations we've ever had," she said. "The interest on behalf of vintners is very strong."

Gallagher said the vintners have been reassuring buyers that California wineries value their relationship with Mexico even as President Donald Trump has vowed to renegotiate the North American Free Trade Agreement and clamp down on immigration from Mexico.

"It's been an opportunity for us to bring a positive message from California ... and to reiterate our long history (with Mexico) and how important a role Mexico has played in the wine business," she said.

The vintners held several events for restaurant and retail buyers in Mexico City, which has what Gallagher calls a "burgeoning wine and food culture," and Los Cabos, whose industry caters more to American and Canadian tourists "who know and love California wine," she said.

U.S. exports in 2016 rose slightly above the \$1.61 billion



Representatives of restaurants and distribution companies in Mexico listen to a presentation on California wines during a seminar Feb. 14 in Mexico City. Some 40 California vintners traveled to Mexico to bolster wine exports to that country and to reassure trading partners in light of recent political changes in the U.S.



California vintners showcase wines for representatives of restaurants and food distribution companies during a trade event Feb. 14 in Mexico City. Some 40 vintners were in Mexico to bolster California wine exports.

in wine shipped in 2015, which was also a record, even as last year's volume — 45.9 million cases — was well below the 51.2 million cases sold in 2015, according to the institute.

California wine exports have grown 78 percent by value in the last decade even as volume has lagged because of various factors, including short production during the drought and trade barriers in some nations. Winery revenues rose 1 percent last year despite challenges from a strong dollar, heavily subsidized foreign competitors and high tariffs, the

institute reported. Amid these challenges, the institute and other wine industry representatives have been vocal about U.S. trade policy, voicing disappointment at the demise of the Trans-Pacific Partnership and urging the administration to pursue or maintain strong agricultural trade unions with individual nations.

The Wine Institute in January praised the U.S. government for proceeding with a World Trade Organization challenge against Canada over an initiative in British Columbia to feature only locally produced

wines in grocery stores.

With export values totaling \$431 million, Canada is the No. 2 market for California wines behind the European Union, which accounts for \$685 million. Other top destinations are Hong Kong (\$99 million), Japan (\$97 million), China (\$82 million), Mexico (\$24 million) and South Korea (\$23 million), according to the institute.

Industry representatives say trade agreements such as NAFTA have helped to dramatically grow U.S. wine exports. They hope the U.S. will establish individual agreements with countries such as Japan, which slaps a heavy import duty on American wines while competitors Chile and Australia already have free trade agreements with Japan.

In the meantime, Gallagher and others hope industry-initiated trade missions like the one in Mexico make a difference in keeping markets open. The California delegation included vintners from all of the state's major growing regions, including Napa, Sonoma, Santa Barbara and Lodi, she said.

"We're here helping to tell the California wine story," Gallagher said. "I think politics aside, it's very beneficial to have folks here doing seminars to showcase the best of what California has to offer. It's very effective in creating some buzz and getting some momentum."

# Dairy groups weigh USDA marketing order proposal

By CAROL RYAN DUMAS  
Capital Press

California dairymen are nearing the finish line in their efforts to establish a federal milk marketing order for the state, after the USDA Agricultural Marketing Service published its recommended decision.

"It's been a long process. We've wanted this for many, many years," said Lynne McBride, executive director of California Dairy Campaign.

USDA's proposal isn't all that producers had hoped for, but the process isn't over. There will be a 90-day comment period, and the final proposal will go to a statewide referendum of producers.

"We want to make sure we follow it through. The stakes are really high," McBride said.

Led by the state's three major dairy co-ops, the initiative came from years of frustration over the price producers receive for milk going into cheese vats. That price was consistently and significantly below the price of like milk in federal orders.

California Dairies Inc., Dairy Farmers of America and Land O'Lakes developed a federal order proposal and petitioned USDA in February 2015. USDA held public hearings on that proposal and three others in the fall of 2015.

USDA's proposal isn't exactly what the three co-ops proposed, but it's not the final proposal, said Kevin Abernathy, general manager of the Milk Producers Council.

MPC is now "looking under the hood" to understand how the federal order would work and how it compares to the state's marketing system.

"MPC is really excited about the process and the opportunity. It's a process we waited for. ... Now we've got something to look at," he said.

Producers' goal in a federal order is to raise minimum prices on all classes of California milk, particularly Class 4b — cheese milk, which accounts for more than 40 percent of the state's production.

Two of the anticipated wild-

### Online

For more information, including an economic analysis of the proposal, visit: [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder)

cards in a USDA proposal were the co-ops' provisions to maintain the state's quota system and the state's all-inclusive pooling.

USDA was scheduled to have a public meeting on its federal milk marketing order proposal Feb. 22 at the Clovis Veterans Memorial District, 808 Fourth St., Clovis, Calif. The meeting was to be webcast online with a link posted at [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder).

USDA's proposal does maintain the quota system, which provides additional payments to Grade A producers holding quota certificates. But like the 10 other FMMOs, it does not require all processors to participate in the pool and pay regulated minimum prices for milk, except for Class 1.

The pooling provision is something producers need to learn more about, and the Dairy Campaign will be looking at it closely, given utilization in the state, McBride said.

The co-ops and dairy producer organizations have put a tremendous amount of time and resources into the effort to establish a federal order, and the proposal deserves close attention to detail and what it would mean on the ground to dairy producers, she said.

MPC will be running models to determine what the pool looks like under USDA's proposal and how it would work, Abernathy said.

MPC has been holding conference calls with people who know and understand California's system and federal orders and will be making recommendations to USDA during the comment period.

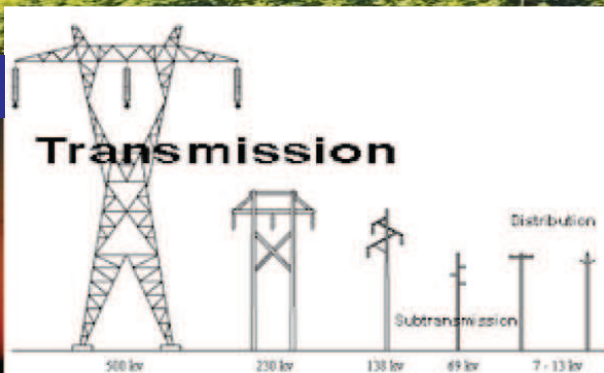
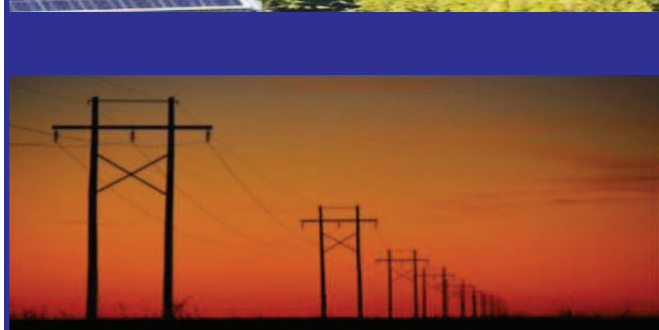
In a statement to Capital Press, DFA said the three co-ops and the producer community continue to support the effort for a federal order and it is now reviewing and analyzing USDA's proposal.

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