Michigan Wine Grape Production

- Leelanau Peninsula AVA
- Old Mission Peninsula AVA
- Grand Traverse County
- Leelanau County
- Van Buren County
- Berrien County
- Fennville AVA
- Lake Michigan Shore AVA
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## Michigan Grape and Wine Industry Council

This Resource Guide is designed to provide an overview of the opportunities and complexities of starting a winery business in Michigan. This material was compiled by the Michigan Grape and Wine Industry Council, a 12-member panel reporting to the Michigan Department of Agriculture and Rural Development, which supports the growth of the grape and wine industry in Michigan.


Mission Statement: The Michigan Grape and Wine Industry Council has been established within the Michigan Department of Agriculture and Rural Development to provide for research, education and the promotion of the Michigan wine grape and wine industry to stimulate economic development through value-added, sustainable agriculture.
Introduction

Interest in wine has grown throughout the world in the past half century. Along with interest in regional foods, regional wines are gaining wider acceptance among consumers. In the newer wine-producing regions, experience has led to rapid improvements in wine quality to meet the demands of a more knowledgeable and adventurous consumer.

These trends create potential for continued growth of Michigan’s wine industry.

For centuries, fine wine production was dominated by Western Europe — France, Germany, Spain and others. The past 50 years have seen the globalization of the industry with new players making a serious impact on production volumes and quality standards. California and other U.S. states, Australia, New Zealand, Canada, South Africa, Chile and Eastern European countries have joined the wine-making Old World. One opportunity for growth in emerging wine regions is to educate residents and visitors to enjoy regional food and wine as people do in the major wine regions of Europe.

As government officials have become aware of the wine industry’s potential to create economic opportunities in rural communities, they have increasingly supported initiatives such as plantings of vines, other capital investments and sales and marketing campaigns. Michigan’s wine industry is supported by the State of Michigan through the Michigan Grape and Wine Industry Council. The offices of the Council can be reached by calling 517-284-5733 or emailing MDA-Michigan-Wines@michigan.gov.

In the United States, there are currently wineries located in all 50 states, although wine grapes are not grown commercially in every state. There are several aspects to the wine industry and the business opportunities are diverse. In many situations, an entrepreneur must be willing to commit to a long-term investment before generating profits. Here are just a few examples of successful business models in the wine industry:

- growing wine grapes to sell to commercial wineries (usually contracted) and/or home winemakers
• making “estate” wines from grapes grown on land owned and managed by the producing winery

• managing vineyards for others – annual maintenance contracts for planting, pruning, spraying, picking, etc.

• purchasing wine grapes on contract from independent growers to produce wine

• operating a retail store that features Michigan wines

• providing sales and marketing services to the wine industry

• distributing and/or producing supplies for the wine industry

• contract winemaking services including bottling

• organizing special wine-focused events for consumer entertainment

• developing software for the wine industry

• offering laboratory services to wineries

• publishing trade and consumer information about the wine industry

• operating a farm market, restaurant or bed and breakfast in conjunction with a winery or vineyard operation

Many large winery operations in the world participate in many of these aspects of the wine business. Some entrepreneurs have chosen to find a specific niche in the business and concentrate on just one of these business models. The choice depends to a great extent on the amount of capital and land available to the business owner to dedicate to the wine-related business.
Other factors include:

- expertise of the business principals
- comfort with the agricultural and hospitality aspects of the wine business
- location of the vineyards and winery
- level of debt an investor is willing to carry
- local zoning restrictions

Each and every one of the more than 6,000 wineries in the United States is a little different from the next for these reasons. The challenge for the newcomer to the wine industry is to determine the best model for their particular interests, talents and asset base.

The wine industry has become an important member of both the agriculture and tourism economies in Michigan in recent years. There are numerous opportunities for successful business operations in this growing industry.

Growing Wine Grapes in Michigan

Michigan celebrates a history of quality fruit production thanks to the impact of Lake Michigan in moderating the climate along the west side of the state. The state leads the nation in tart cherry production and has significant sweet cherry and apple crops. Other major fruit crops include peaches, pears, blueberries, cranberries and grapes.

Native varieties of grapes have been cultivated commercially in Michigan for more than a century. Concord (a purple grape) and Niagara (a white grape) are the principal varieties grown. These are grown primarily for the production of non-alcoholic grape juice and jelly. More than 12,000 acres of these varieties are grown in Southwest Michigan, under contract to Welch’s, wholly owned by the National Grape Cooperative Association, Inc. A large juice processing facility is located in Lawton, Mich. (Van Buren County). Other National Grape vineyards and facilities are located in New York, Pennsylvania, Washington, Ohio and Ontario.

The history of the wine industry is summarized in the article “The Early History of the Michigan Wine Industry” on the Michigan Grape and Wine Industry Council’s website.

Wine grape acreage in Michigan is currently concentrated in four counties—Berrien, Van Buren, Leelanau and Grand Traverse. Production and acreage data for Michigan’s wine grape crop may be found through USDA National Agricultural Statistics Service—www.nass.usda.gov/mi.

Wine can be made from many types of fruit and three different categories of grapes:

- Native varieties – e.g., Concord, Niagara
- Hybrid varieties – e.g., Chancellor, Seyval
- Vinifera varieties – e.g., Riesling, Pinot Noir

Selecting which varieties to plant is one of the most difficult decisions facing the vineyard owner. Many factors must be considered – wine quality, susceptibility to winter cold-damage, insect and disease resistance, length of growing season needed for ripening and others.
More than 40 different varieties of grapes are used in commercial wine production in Michigan. Michigan State University (MSU) has compiled information regarding the grape variety groups that are best suited to the different regions of the state. The report is available on the Council’s website, under Council Business/Research and Grower Education.

It has been said that “the secret to great wine starts in the vineyard,” and “you can make poor-quality wine out of high-quality grapes, but you cannot expect to make great wine from poor-quality grapes.”

Growing high-quality grapes for premium wine requires the grower to fully understand the principles of viticulture. If Michigan wines are to compete among the world-class wine-producing regions, significant efforts must be made by the state’s wine grape growers to apply available knowledge to cultivate the best possible fruit for wine production.

MSU maintains a comprehensive website at www.grapes.msu.edu with information for the grape industries. MSU Extension Educators in the county or region where a potential vineyard will be located can be of assistance in gathering local information for an area of interest. MSU Extension Bulletins on grape growing are available. Titles include: Vineyard Establishment I and II; Wine Grape Varieties for Michigan; A Pocket Guide for Grape IPM Scouting in NC & Eastern States; Winter Injury to Grapevines; and Wine Grape Varieties for Michigan and Other Cold Climate Regions (CD). Bulletins can be obtained from MSU online at www.grapes.msu.edu/publications or by calling 517-432-1859.

MSU also offers many educational programs for grape growers throughout the year. Regular electronic updates from MSU Extension staff are available by registering for the Grape and Wine newsletter at www.grapes.msu.edu.
In conjunction with MSU Extension staff, grower groups in the Northwest (Parallel 45 Vines and Wines) and Southwest (Michigan Grape Society) regions play important roles in sponsoring educational events.

There are many opportunities to attend high-caliber conferences and workshops nearby in the Midwest, Ontario, Pennsylvania and New York. The Events Calendar on the Michigan Grape and Wine Industry Council’s website, www.michiganwines.com, lists educational events for the industry. Opportunities abound for professional education in California, although not all are relevant to the cold-climate viticultural practices required for success in Michigan. Numerous trade journals serve the industry with up-to-date research results, supplier information and informative articles.

A valuable resource for the vineyard owner or manager is the network of fellow viticulturists located within Michigan, the Midwest and around the world. The wine industry tends to be collegial. Established vineyard managers and winemakers are usually open to sharing their expertise with newcomers, provided that appointments are made in advance and the newcomer has done some preliminary study of the subject matter from readily available resource materials. Some established winery personnel contract their consulting services to new members of the industry.

Michigan offers a voluntary environmental assurance program suitable for the wine grape industry, the Michigan Agriculture Environmental Assurance Program. For more information, visit www.maeap.org.
Making Wine in Michigan

Winemaking principles and procedures are less regionally specific than wine grape cultivation; therefore, a wider range of global reference materials is applicable to winemaking in Michigan. Winemakers in Michigan have received their training in a number of ways:

- home winemakers whose operations have grown to commercial-scale production (self-taught)
- winemakers who have been trained at respected educational institutions around the world, including online programs
- winemakers who have completed degrees at MSU, specializing in wine grape production and winemaking
- winemakers who have apprenticed with other winemakers.

As a fermented product using yeast, wine can be made from any number of source materials—honey, dandelions, cherries and many varieties of grapes. The choice of styles of wine to make is determined by the winemaker or winery owner. Factors to consider include:

- personal preferences
- anticipated consumer demand
- business objectives
- interest in entering competitions
- fruit/juice available

Wineries that wish to gain national or international recognition for quality wine production from a particular region (appellation) must meet certain requirements. The main requirement is that the majority of the wine produced must be from fruit grown in that appellation. It is possible to purchase fruit, juice, juice concentrate and even finished wine from locations well beyond the local regional boundaries. However, it is
the cultivation of fruit locally that contributes the regional character and vintage variations that makes a regional wine distinctive and appreciated by consumers and influential wine experts. A federal government agency—the Alcohol and Tobacco Tax and Trade Bureau (www.ttb.gov)—regulates the labeling of wine including how the origin of the fruit used to make the wine is indicated on the wine label.

Michigan’s wineries have demonstrated for more than 80 years that quality wines can be produced in the Great Lakes State from fruit grown locally. The challenge for the continued growth of the industry is to find ways to increase production volume of the very best wines and find greater economic sustainability of the industry when increased production costs are often required to obtain the premium quality that is desired.

Numerous resources are available to assist the winery owner in designing a winery facility. Laboratory facilities are an important part of the winery operation.

An important factor in determining the location of the winery and/or tasting room is whether the facility will be open to the public for touring and tasting. If access to the winery by a large number of leisure travelers is desired, a location should be chosen where there is significant tourism traffic.
Licensing, Regulation and Taxation

The wine industry is a particularly challenging business in which to succeed, as the operator must learn to conduct business in three sectors, each with its own set of issues and regulations:

- agriculture
- tourism
- alcohol beverage

License requirements vary depending on the aspects of the grape and wine industries in which you choose to be active.

If you are applying pesticides, you may need a pesticide applicator’s certificate. Information is available at www.michigan.gov/mdard under Licensing, Certification and Registration.

If you plan to make and/or sell wine, you will need both state and federal liquor licensing that may take up to one year to obtain. Contact the Michigan Liquor Control Commission, Manufacturers and Wholesalers Division at www.michigan.gov/lcc to receive an application package that includes state and federal application forms.

If you produce or store wine, you will also need a Food Establishment License from the Michigan Department of Agriculture and Rural Development. Info is available at www.michigan.gov/mdard.

The following agencies are among those that have regulatory authority over a wine-related business:

**Michigan Liquor Control Commission** – Issues winemaker licenses (subject to approval by local unit of government), regulates marketing practices that can significantly impact wine sales (these regulations vary substantially from state to state), oversees state tax collection

**Michigan Department of Agriculture and Rural Development** – Issues food processing establishment license for general sanitation of production facilities, conducts an annual inspection, oversees pesticide applicator certification
Michigan Department of Environmental Quality – Wastewater management permits, storm water industrial permits for food processors, solid waste disposal

U.S. Alcohol and Tobacco Tax and Trade Bureau – Issues required winery licenses, designates production standards for wine, approves each label used on wine sold, certifies the accuracy of appellation information, oversees federal tax collection

Occupational Health and Safety Administration (OSHA) – Regulates worker safety

County Health Department – May require a Food Service License for catered or special food service functions, issues well water and septic system permits

Local Unit of Government – Local zoning ordinances may restrict what forms of business operations a winery can and cannot do on land zoned agricultural, commercial or residential; issues building permits

State of Michigan – Register name of business

U.S. Copyright Office – Trademark registration
Sales and Marketing

A well-developed marketing plan is essential to any business operation. Many sources of information are available to assist in writing a marketing plan. The key elements of a marketing plan include:

- target market identification
- product strategy
- pricing
- distribution
- promotion
- tasting room planning
- public relations
- budgeting

An integrated communications plan connects these elements so that the image of the winery is consistently communicated by signage, tasting sheets, brochures, public relations efforts, print advertising and website messages. While the start-up winery may not be able to include all these promotional elements at the outset, a solid integrated platform of promotional materials will allow expansion as the business grows.

Target Market Identification
Who are your customers? Where do they live? How old are they? What leisure activities do they enjoy? What other businesses in your area do they frequent? What publications do they read? Do they use the Internet to learn about wine? The more you know about your customer base, the better able you are to make good decisions about how to attract more of these kinds of customers and increase your sales to these customers.

Product Strategy
A description of the product line and branding strategies including affiliated enterprises; include some of the philosophies of the winery operation.
Pricing
Pricing goals for retail, distributor and wholesale sales including a projection of the percentage of wine expected to be sold through each channel.

Distribution
How the product will find its way to market — through distributors, direct sales to consumers, direct to restaurants and retailers — all are possible in Michigan.

Promotion
Include plans for consumer and trade promotional activities, advertising, special events and festivals, and personal selling (winemaker dinners, calling on key accounts, distributor contact).

Tasting Room Planning
Identifying the tasting room as an affiliated business to the winery with its own marketing plan or as an element of the promotion plan are options for managing this part of the business. Due to the high costs of operating tasting rooms, it is important to capture financial information about this cost center separately to assist in decision making for effective marketing activity.

Public Relations
Messages about the winery will be disseminated informally through the surrounding community and to loyal consumers who follow the industry. It’s the winery’s choice whether to manage this process productively or suffer the whims of the rumor mill and uninformed media representatives.

Budgeting
An annual budget for sales and marketing activities is an important business tool to avoid the distractions of frequent requests to allocate funds to new opportunities. Cooperative marketing activities with neighboring wineries or other agricultural or tourism businesses that share your target market may be one cost-effective way to market your products and service. Joining a wine trail can be an effective strategy to assist in cost-effective marketing of a winery.
Trade publications such as Vineyard and Winery Management, Wines and Vines, Wine Business Monthly and numerous online winery newsletters offer regular articles on sales and marketing. Annual trade shows such as Unified Symposium, Wineries Unlimited, Eastern Winery Exposition, Midwest Grape & Wine Conference, and regional and state wine industry conferences offer additional opportunities for professional development in this area.
Other Business Considerations

Several additional areas need to be explored and managed in establishing a successful winery operation:

**Business Plan** – Corporate structure, ownership issues, tax strategies

**Risk Management** – Insurance and liability, crop insurance, food security, responsible serving of alcohol

**Legal Issues** – Protection of trademarks, defending against complaints from the community regarding any number of aspects of winery operations

**Human Resources** – Labor issues, professional development plans for owners and staff

**Tourism Partners** – Opportunities to plan effective product development and promotional activities in conjunction with local CVBs, Chambers of Commerce, etc.

**Capitalization** – Financing start-ups, expansions

**Financial Management** – Budgeting tools, software, accountants and tax consultants, cost control

**Real Estate Issues** – Buying and selling, zoning issues

**Agricultural Land Preservation Tools** – PA 116, conservation easements, tax relief

**Estate and Succession Planning**

**Contracts** – With growers, vineyard management services, custom bottlers, marketing agencies, etc.

**Grants and Loans** – Federal and state

**Cooperatives** – Forming partnerships for mutual gain
Government Officials – Maintaining professional relationships with elected officials, state agency staff and local unit of government representatives is important to ensure that the often unique and complex issues connected with the wine industry are clearly communicated to public policy makers.

Networking – Take advantage of the many opportunities to discuss the challenges and rewards of the wine industry with other winery representatives, elected officials and agency staff. There are several meetings each year in Michigan attended by industry representatives that provide networking opportunities and education.