About This Guide

This Resource Guide is designed to place in one convenient location, information about resource materials for winery or vineyard operators, or those interested in such ventures. The specific resource materials are listed on a web site (www.michigan.gov/wineresources) where the database of reference materials can be updated periodically.

Materials listed on the web site have been approved by the Michigan Grape and Wine Industry Council for this purpose. As you review the materials and conduct your own investigations into the wine business, the Council would appreciate learning of new or additional materials you have found useful that could be added to the database. Please contact the Council with this information at (517) 373-9789 or by e-mail at MDA-Michigan-Wines@michigan.gov.

The Michigan Grape and Wine Industry Council is a 10-member board, reporting to the Michigan Department of Agriculture, that supports the growth of the grape and wine industry in Michigan.

Introduction

Interest in wine has grown throughout the industrialized world in the past quarter 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 40 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.
Many large winery operations in the world participate in all 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 3,000 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. General information about Michigan's wine industry can be found at the web site of the Michigan Grape and Wine Industry Council — www.michiganwines.com. A one-page handout entitled Fast Facts About Michigan's Wine Industry is available as an industry overview.

In many cases, government assistance to the industry has been generous. 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.

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
- 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 (at this time, it is not possible in Michigan to operate a restaurant jointly with a winery)
The Michigan Grape and Wine Industry Council has compiled information regarding which counties in Michigan may hold the greatest potential for vineyard and winery development, based on climate, topography and tourism traffic criteria.

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.

Michigan State University (MSU) Extension agents in the county or region where a potential vineyard will be located can be of assistance in gathering local information for the area of interest. MSU Extension Bulletins on grape growing are available. Titles include Wine Grape Varieties for Michigan, Vineyard Establishment I and II, A Pocket Guide for Grape IPM Scouting, and Winter Injury to Grapevines. These publications can be obtained through an online order system at www.msue.msu.edu or by calling (517) 353-6740.

MSU also offers many educational programs for grape growers throughout the year. There are four field stations where demonstration and research vineyards are located. The two primary locations are the Southwest Michigan Research and Extension Center, in Benton Harbor, and the Northwest Horticulture Station, on the Leelanau Peninsula.

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 Industry Resources section of the Michigan Grape and Wine Industry Council’s web site, www.michiganwines.com, lists educational events.

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 a significant sweet cherry and apple crop. 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, Michigan (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 History of Wine Grape Growing in Michigan at the Michigan Grape and Wine Industry Council’s web site.

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 Michigan 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.
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. Michigan’s winemakers 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
- Winemakers who have completed PhDs in Horticulture at MSU, specializing in wine grape production and learning winemaking concurrently at the research facilities in East Lansing
- 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.
Making Wine in Michigan

that makes a regional wine distinctive and appreciated by consumers and influential wine experts. A federal government agency — Alcohol and Tobacco Tax and Trade Bureau (www.ttb.gov) — issues required winery licenses, designates production standards, collects federal alcohol taxes and 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 to find greater economic sustainability of the industry when increased production costs are often required to obtain the premium quality that is desired.

Numerous references 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. The Council’s information regarding counties that may hold the greatest potential for winery development, based on climate, topography and tourism traffic criteria, may serve as a useful guide.

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

The following agencies are among those that have authority to impact a winery’s ability to conduct 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** - 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

**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 (not under winery ownership), 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 as corporation or limited liability company

**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 web site 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 local 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.

Trade publications such as Vineyard and Winery Management, Practical Winery and Vineyard, 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 (Sacramento, CA) and Wineries Unlimited (Lancaster, PA) offer additional opportunities for professional development in this area.
Other Business Issues

Several additional areas need to be researched in establishing a successful winery operation. Consult the resources listed on the Resource Guide website for more information.

**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 Planning**

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

**Grants and Loans** - Federal and state

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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.