

Chairman Chambliss and Members of the Committee,

Thank you for inviting me to be here today and for holding this meeting in Cape Girardeau. My name is Jonathan Held. I am a second-generation Missouri vineyard and winery owner. I serve as Vice-Chair of the Missouri Grape and Wine Board and on the Board of the National Grape and Wine Initiative (NGWI). Along with my parents and two siblings, I own and operate Stone Hill Wine Company in Hermann, Missouri. Stone Hill Wine Company was first founded in 1847 and grew to become the nation's second largest winery at the turn of the century. It was the largest of 60 wineries located in and around Hermann, Missouri, in 1900. Prohibition eliminated a great and thriving Missouri industry, and it did not see a rebirth until 1965 when my parents re-opened Stone Hill Winery on a very, very modest and humble scale. They made a major farming transition when they went from a small row crop and hog farm to raising grapes and making wine. Today we farm 145 acres of wine grapes, produce 90,000 cases of wine, operate three winery locations and a restaurant, and host numerous events such as weddings, concerts and festivals. We have 85 full-time employees and during the peak tourism and farming season employ in excess of 150 people. In addition to our own grape production, we purchase 60 percent of our annual grape requirements from 12 independent farmers located primarily in Missouri but also in Arkansas and Michigan. Our gross payroll in 2005 was approximately \$2.8 million. Thanks to loyal customers and a great staff, our business is growing and making a significant contribution to our state and local economy.

While California is certainly the largest producer of grapes and grape products, the growth that our Missouri company has experienced in the industry is not an isolated situation. It is happening with vineyards and wineries across the entire country and particularly here in the Midwest. In 1965, when my parents started their small vineyard and winery, there were only two other wineries in the state of Missouri, and you could count on one hand the number of wineries in the eight Midwestern states bordering Missouri. By 1990, the number of wineries in these nine Midwestern states had increased to 88, and by the year 2000 the total was at 104. A mere five years later, in 2005, the number of wineries in these nine states has increased to 282. Like Stone Hill, many, if not most of these wineries, buy a significant portion of their grapes and other fruits from independent farmers thereby providing an excellent opportunity for farm diversification and keeping the land in agricultural production.

Grapes and wine are the ultimate high-value, value-added crop, but they are capital- and labor-intensive. Grapes are the sixth largest crop in the United States (based on farm-gate value measured by USDA Agriculture Statistics Service) at \$3.5 billion. In a recent preliminary economic study by MKF Research, Inc., it is conservatively estimated that the production of wine and wine grapes and their related industries produced more than \$90 billion of economic value to the U.S. economy in 2004. The industry accounts for 514,000 full-time equivalent jobs with \$17.9 billion in annual wages paid. Additionally, about 30 million tourists visit wineries each year, spending approximately \$2 billion. The industry pays \$4.3 billion in federal taxes and almost \$5 billion in local and state taxes. Wineries are some of the best examples of ongoing viable small family farms. There are currently 3,500 wineries in the United States, 1800 in California alone, and the vast majority are small, family-run, farm businesses.

In my rural town of 2,500 people the "ripple" effect of the grape and wine industry is very

obvious and exciting. This once sleepy, little central Missouri community is now blessed with a thriving winery-driven tourism industry. In a five-mile radius there are now five wineries, 79 bed and breakfast inns, 17 antique and gift shops and many more restaurants than any town of 2,500 could expect to support. The community has three separate multimillion-dollar, tourism-related projects under planning or construction plus two major retail-shopping developments under construction. In the past 12 months my company alone has invested more than \$2 million in a new building and state-of-the-art bottling equipment to allow for our next phase of growth and to enable us to produce the quality of wines we strive for in order to compete in the world market. None of this phenomenal investment in our local economy would have occurred without the growth of a simple farm commodity - grapes.

According to a Gallup poll last year, wine recently passed beer as the preferred alcoholic beverage in the United States. While we have very positive growth occurring in the U.S. grape and wine industry, the fact that we as a country consume only about three gallons of wine per capita is not lost on other grape-growing and wine-producing nations. Roughly 25 percent of the wine consumed in the United States today is imported, and with the strong potential for growth in the U.S. wine market, many countries are viewing our market as a potential wine sponge. In the face of strong international competition, the American wine and grape growing industry must lead in the production of wines with superior quality, excellence and value. The American wine and grape growing industry can and will compete.

Over the past two years the grape products segment of agriculture has come together to form the National Grape and Wine Initiative (NGWI). NGWI is an industry initiative to promote sustained agricultural growth through significantly increased expenditures for research and the effective communication of the research results to growers, wineries and processors through enhanced extension and education efforts. The vision of NGWI: "By 2020, the American grape and wine industry will triple its economic impact by aggressively pursuing increased market share, becoming the undisputed world leader in consumer value and sustainability, and contributing to improved quality of life in rural communities." The target is an economic impact of \$150 billion annually within 15 years.

To accomplish this challenging goal, we want to establish a private-public effort to fund research that will make us the No. 1 producer of quality grape products in the world. Federal investment in agriculture research has traditionally focused on program crops such as corn, soybeans, cotton, wheat and hay. A modest increase in the federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has done its homework by creating a national strategic research plan that identifies clear, strategic priorities for research that can help us triple our national economic impact in 15 years. It is imperative that we increase federal research dollars to improve the science (and art) of making and marketing U.S. world-class wines, table grapes, raisins and other grape products. Such a partnership with the federal government would help us level the playing field with our foreign competitors, most of whom are highly subsidized by their governments. It is time to recognize the contribution of grapes and other specialty crops to the U.S. economy, to our balance of trade and to the role of providing healthy food for our tables.

I request that the 2007 Farm Bill include the following:

In the Farm Bill provide a mechanism to support industry-government research partnerships, such as the National Grape and Wine Initiative (NGWI), which will enhance the competitiveness of specialty crops.

Authorize in the Farm Bill mandatory funding of \$5 million a year from the Commodity Credit Corporation to establish the National Clean Plant Network of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country.

Provide significantly increased funding to Animal, Plant, Health, and Inspection Service (APHIS) for the prevention of the unintentional introduction of plant pests and diseases, which can destroy the viability of our operations.

Expand the State Block Grants for Specialty Crops Program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the Fiscal Year (FY) 2006 Agricultural Appropriations Bill. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

Provide continued support for the Market Access Program (MAP). American wineries are experiencing success in penetrating foreign markets, but currently have only a 5 percent share of the world market. There are many more countries and new markets to enter as well as market share to grow in countries where we currently sell our wines such as the United Kingdom, Canada and Japan.

Provide a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher cost of production. Due to the nature of high-value specialty-crop production, many current Farm Bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operation, etc.

The grape and wine industry is faced with tremendous growth opportunities both in the U.S. market and abroad, but we need your help and consideration in the Farm Bill to realize the growth potential and stay competitive with our foreign competitors. Most importantly, the Farm Bill must be able to encourage all aspects of farming to continue and prosper. There must be economic reward in farming to encourage future generations of Americans to choose farming as an occupation. We must maintain a viable farming industry to continue to supply our country with a safe, nutritious and healthy food supply. We should never allow our country to come to the point where we have to rely on the rest of the world for the food we eat and drink.

Thank you for the opportunity to testify today and thank you for your efforts to improve American agriculture.

