

October 24, 2012
Albany, New York



Governor's Message



New York's wineries, breweries, distilleries, and cideries produce some of the finest beverages in world. These businesses are creating jobs, supporting our state's farmers, as well as bringing in tourism dollars to local communities across New York. Helping to strengthen and grow these businesses will offer a needed boost to our state and local economies. This summit is intended to uncover new ways that the state can help our wine, beer, spirits and cider producers to continue to thrive as a key tourism, agricultural, and economic engine for the state.

Wine, beer, spirits, and hard cider represent a growing industry that uses New York's agricultural products and is a big agritourism engine. The state's success depends on a good business climate. Historically, New York's fragmented and ineffective economic development programs, confusing and burdensome regulations, and overall government dysfunction hindered this industry's business opportunities and ability to compete nationally and locally.

Since taking office, we have reorganized and made dramatic corrections to the way we do economic development in New York State. Instead of top-down, cookie-cutter approaches, our Regional Economic Development Councils are empowered to develop regionally-tailored strategic plans to spur job creation and investment through targeted capital investments. We eliminated confusing and often duplicative economic development programs across various state agencies and authorities. Now competitive funding is accessible through the creation of the Consolidated Funding Application (CFA) process, with millions dedicated to agriculture and businesses. And, we launched the *New New York Works for Business* campaign to send a message to the business community that New York is the place to come and thrive.

The results from our new strategy can be seen in new legislation allowing wineries, breweries, and distilleries, and cideries to invest in new opportunities and expand their businesses. We worked to reduce costly and onerous regulations by cutting needless paperwork and simplifying statutes. For example, we empowered the State Liquor Authority to issue "farm" manufacturing licenses to local farmers and small business with privileges not available to larger operations. These privileges allow these "farm" licensees to take advantage of expanded marketing opportunities for their wine, beer, or spirits. By requiring the use of products grown in this state, these "farm" licenses also promote the state's agricultural industry.

Wineries, breweries, distilleries, cideries, and the agricultural sector play a major role in New York State's economy. However, there is always more work to be done to give our wine, beer, spirits, and hard cider producers an equal chance to compete in the industry, reach new customers, and grow their businesses. We are grateful you have joined with other leaders here today to discuss the ways that the state can continue to cut red tape, increase demand for locally grown farm products, and expand industry-related tourism and economic development. Now let's continue the work!

Governor Andrew M. Cuomo





Table of Contents

Overview of Industry Impact.....	4
Wine Industry.....	5
Beer Industry.....	6
Distillery Industry.....	7
Hard Cider Industry.....	8
Tourism Benefits.....	9
Wine Trail Signing in New York.....	11
NY Works for Small Business: Expanding Opportunities for Growth.....	14
Examples of Successful NY Partnerships with Industry.....	16
Appendix I Chart of NYS Incentives.....	20
Appendix II Industry Production and Employment.....	26



Overview of Industry Impact

New York State has been a pioneer in the production of wine, beer, spirits, and cider since the Colonial era. While New York is one of the top ten markets in the United States for wine (#3 based on 2009 sales), beer (#4 based on 2009 sales), and spirits (#3 based on 2009 sales), it is also a significant player in the production of wine, beer, spirits, and cider. Today, New York is home to over 450 wineries, breweries, distilleries, and cideries, and many more open new businesses every year. Based on 2011 sales, 3 of the top 20 brewers in the United States (North American Breweries, Matt Brewery and Brooklyn Brewery) are located in New York.

Overview of the Wine, Beer, Spirits and Cider Industry

	Establishments	National Sales Ranking
Wine/Cider	343*	3
Beer	81	4
Spirits	28	2

*Includes 22 Cider Producers

Data Source: 2010 Beer Institute Economic Impact Report and 2010 WSWA Economic Impact of the Wine and Spirits Industry.

The wine, beer, spirits, and cider producers form a major component of the state's economy. They account for over \$22 billion in annual total economic impact on the state. The Wine & Spirits Wholesalers of America (WSWA) reported that, in 2010, wineries (includes cider producers) and distillers in New York directly employed over 1,825 persons, paying over \$139 million in wages. The National Beer Wholesalers Association (NBWA) reports that the state's brewers directly employ more than 2,200 New Yorkers paying over \$181 million in wages.

Over the past two years under Governor Cuomo's leadership, the number of farm wineries in New York has increased by 17%, from 214 in 2010 to 251 today. The number of Micro-Breweries has increased by 74%, from 43 in 2010 to 75 today. Hop production has risen 400% to about 60 acres statewide. The number of cideries has increased by 83%, from 12 in 2010 to 22 today. And, the number of farm distilleries has increased by 211%, from just 9 in 2010 to 28 today. This trend is expected to continue as new legislation has created incentives for business to expand and new ones to open.



Wine Industry



The glaciers that formed New York’s landscape left our State with a unique combination of geography, fertile soils, and climate that is ideal for growing more than 35 varieties of grapes and making some of the finest wines in the world. Although the wine industry in New York is nearly two centuries old and rich in tradition and diversity (e.g., Brotherhood Winery in Washingtonville is oldest winery in U.S. – est. 1839), it is experiencing explosive growth and an international reputation for exceptional quality. In fact, today, New York is the third largest wine producing region in America, with over 300 wineries, an annual economic impact of \$3.76 billion, and 15 signed Wine Trails visited by 4.98 million tourists each year.

Prior to 1970, wineries could sell wine only for consumption off the premises, i.e., act only as a wine store for the products they manufactured. However, a change in the law in 1970 permitted wineries to apply for a restaurant wine license, provided that the restaurant was located within or next to the winery. In 1976, the “Farm Winery Act” was enacted, making it economically feasible for farmers to have small wineries - those producing 150,000 gallons of wine or less with New York State products - by dramatically reducing licensing fees and allowing direct sale to consumers, liquor stores, and restaurants, instead of passing through a wholesaler or distributor.

Growth Summary

Wine production has increased more than 50% since 1985 to about 180 million bottles annually.

The number of tourist visits to wineries has multiplied 13-fold since 1985 from 384,000 to 4.99 million, with a significant share from other states.

Between 2000 and 2008, tourist visits increased by 85% and per person spending by 76%, for a total increase of 228% in the value of sales (and sales taxes for the state and local governments).

In 2008, the sales tax collected on sales at wineries exceeded \$4.85 million for the State and \$3.63 million for localities, up 605% since 1995.

The average winery invested \$500,000 between 2000 and 2003 (and \$400,000 during 2006-2008) in vineyards, wine productions, tasting rooms, and other facilities.



Beer Industry



The origin of New York beer dates back to America’s Colonial-era with the Dutch and English settlers brewing their own “strong or spirituous liquors.” Colonial-era brewing was not unique to New York. Many of the country’s founders brewed their own ales out of necessity. But New York’s unusual convergence of natural and agricultural resources would transform the State into a beacon of brewing excellence.

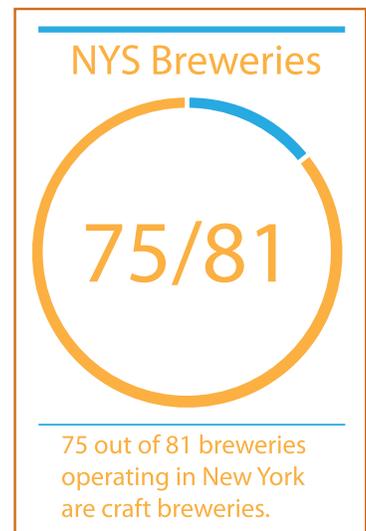
In fact, commercial hops were first produced in New York in 1808 and in the later part of 19th century New York produced approximately 90%

of the hops in the U.S. and was known as the “Hops Capital of the World”. Almost every county in the State grew hops and it was all harvested by hand. A combination of plant diseases, insect pests, and the onset of Prohibition resulted in most of New York’s Hops farmland being converted to pasture.

Growth Summary

Today, there are 81 brewers operating in New York State, 75 of which are craft brewers. And, the current demand for local hops comes largely from micro-brewers. Initial growth was slow due to brewers wanting to make certain they could get a consistent product in quantity, availability, and quality; however, the quality of hops from local producers is now popular among local brewers. There are positive indications of longevity and growth in New York’s craft beer industry. It is estimated there will be a need for 400-500 acres of hops in New York to satisfy the domestic demand.

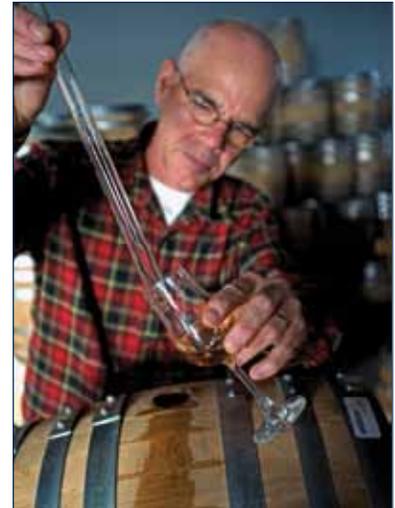
With new pest management tools and disease resistant hops varieties, as well as organization and education within the agricultural industry, New York can once again become a viable commercial producer of hops and support the strong consumer interest in micro-brews. Coupled with the State’s new Farm Brewery License, fee exemptions and tax credits created by legislation signed by Governor Cuomo in June, New York has an entrepreneurial opportunity in a segment of the economy poised for tremendous growth, which can mirror that of New York’s wine industry.



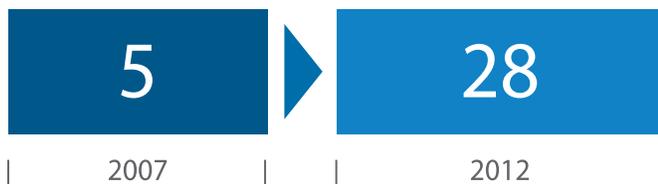
Distillery Industry

New York has an extensive tradition of spirits production dating back to America’s colonial-era. From the earliest colonial days and into the 1800s, distilling was an option for farmers to preserve excess fruit and grain, as well as produce a value-added commodity. In times of economic downturn in the corn or the grain market, surplus corn or grain could be converted to alcohol, which reduced the volume considerably and provided an outlet to supplement the farmer’s income.

However, Prohibition killed off the distilled spirits industry in New York, which has just recently returned. Post-Prohibition distillery licensing fees were exorbitant for industry applicants and were a major barrier to entry. Amendments in the State’s Alcohol Beverage Control Law have made it possible in recent years for small distillers to develop and flourish. In New York State, the passage of the Farm Distillery Act in 2007 made it significantly easier to establish a distillery. This law lowered the financial bar for start-up distillers, provided they source their raw material primarily from New York State. It also allowed eligible distillers to open tasting rooms and sell spirits from the distillery itself. These changes helped to ease access into the industry and the number of craft distillers in New York State increased from 5 in 2007 to 28 today. New York now has the highest concentration of distilleries of any state east of the Mississippi and is second in the country behind California, which has 29.



of NYS Craft Distilleries



Growth Summary

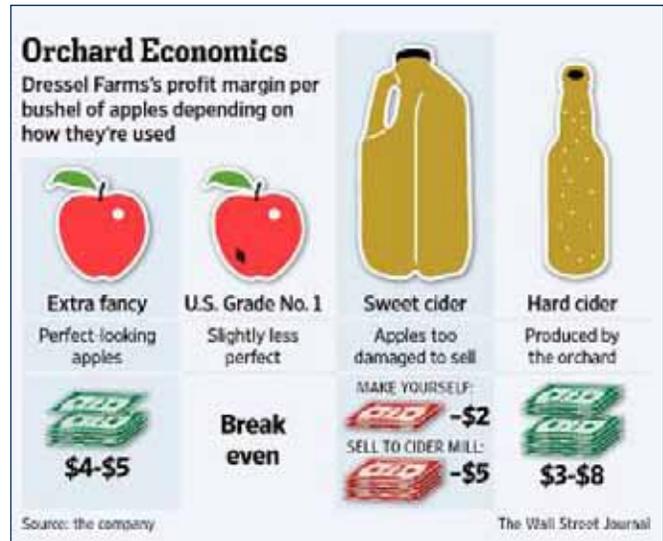
The craft distillery industry in the United States is currently undergoing substantial growth. The number of identifiable craft distilleries in production nationally, has gone from 24 in 2000, to 52 in 2005, to 234 at year-end 2011, with new entrants showing up regularly. The number of distillers in New York is expected to continue to increase over the next decade, creating enhanced

economic value for the State. Given this growth, the support and development of farm distilleries in New York will further contribute to the economy by providing new jobs in the agricultural and artisan food/ beverage industries, adding to the inventory of tourism destinations, increasing State revenue (through increased sales taxes and added excise tax collections), and developing opportunities for economic development in rural areas.

Hard Cider Industry

Hard cider is known as an “antique beverage” with strong connections to American history. Many historic figures refused to start their days without a filled tankard. In 1840, President William Henry Harrison won the election through what is known as the “Log Cabin and Hard Cider Campaign”, in which he gave the voters hard cider.

Long ago in the Northeast, hard cider was more popular than beer. It was not until the 1990s that hard cider began reappearing in the United States. In New York, two of the state’s “pioneers” of modern cider are Bellwether Hard Cider of Trumansburg and Warwick Wineries of Warwick. Bellwether established their cidery in the heart of Finger Lakes wine country and Warwick in the bustling region of Lower Hudson Valley, both circa 1999.



Note: Dressel Farms is located in, New Paltz, NY.



Growth Summary

Production of hard cider is expanding rapidly across the United States and is becoming widely regarded as the newest and fastest beverage growth category. Consumers now see hard cider as part of the local food movement, which adds to its popularity. In addition, due to the recent growth in the gluten free diets and perceived health benefits, hard cider can take advantage of the fact that it does not contain wheat/gluten. Furthermore, hard cider is an example of a value-added product that can help the State’s orchards expand to new markets and increase profits. As a shelf-stable product, it can be sold year-round and utilize specialized apple varieties that bring high value to growers.

The industry term describing the mills used to create hard cider is “craft cideries.” New York’s craft cideries main competitors are located out of state and are for the most part “commercial” cideries. The majority of the craft cideries have a capacity to make 200-300 gallons per year.

Tourism Benefits

A Spirited Industry for NY Tourism

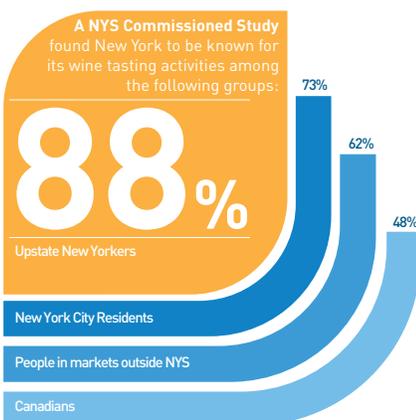
The production of wine, beer, and spirits offers unique tourism opportunities from which New York has benefited for many years.

For example:

- The New York State Wine and Grape Foundation estimates that in one year alone (2008) there were 4.98 million wine-related tourist visits in New York that produced wine-related tourism expenditures totaling \$376.5 million.
- Studies commissioned by the NYS Division of Tourism indicate that visiting wineries and breweries is identified by tourists as their primary reasons for visiting New York as often as other popular activities like hiking, biking, camping, and boating.
- Another Division commissioned survey found New York to be known for its wine tasting activities by 73% of New York City residents, 88% of upstate New Yorkers, 62% of people in markets outside NYS, and 48% of Canadians.



Of course, the tourism benefits to the state and localities come not only through visits to wine, beer, and spirits facilities themselves, but also through increased activity at nearby hotels, restaurants, stores, and tourist attractions.



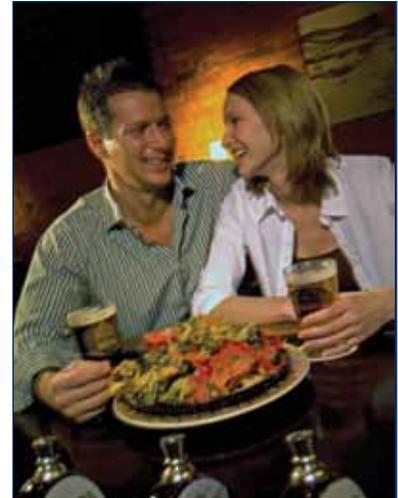
Bountiful Opportunities for Visitors

New York is home to hundreds of wineries, breweries, distilleries, and cideries, scores of which open themselves up to the public with a mix of tours, gift stories, and/or tasting areas. In fact, there are wine, beer, and beverage trails where tourists can follow pre-planned itineraries that bring them to a number of establishments in a particular region – with a designated driver, of course. New York State also sees numerous wine and beer special events every year, like festivals and competitions.

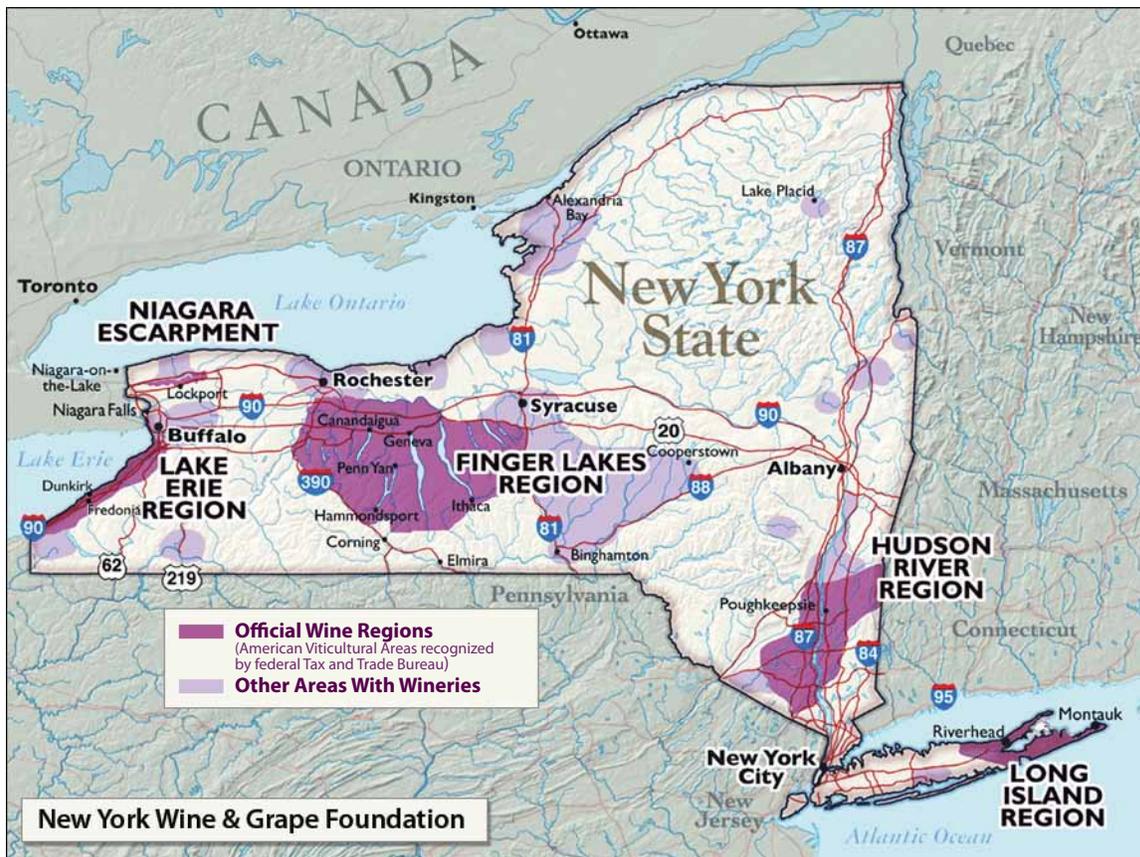
These tourism opportunities are not limited to the grape wineries for which New York is already well known. Mead is a wine made from honey, and it is shown off at luxurious meaderies across the state. Many apple orchards offer locally made hard cider (sparkling and still), apple wine, and even apple vodka that they incorporate into their fall and winter agritourism activities like apple and pumpkin picking, corn mazes, and cutting your own Christmas tree. A growing number of New York breweries and distilleries also offer the opportunity for guests to visit, taste and in some cases see beer, whisky, gin, vodka, bourbon, liqueur, and rum being made.

Growth Summary

New York State can help maximize tourism opportunities connected to beer, wine, spirits, and cider by promoting vineyards, breweries, distilleries, cideries, and wine and beer trails through its iconic I Love NY marketing efforts. These tourism assets will continue to be featured in travel guides, television advertising, web sites, social media, public relations, and tour group marketing. Similar focus will be given in tourism marketing tools currently being developed, like mobile apps. Empire State Development funding through CFA grants and the I Love NY Tourism Matching Funds Program, will continue to help individual companies, business groups, and counties grow and promote tourism opportunities connected to the industry on a more local effort.



NYS Designated American Viticulture Areas and Other Wine Production Areas



Wine Trail Signing in New York

New York State established the Wine Trail Sign Program to harness the tourism draw of the New York's wineries and expand their economic potential. The New York State Department of Transportation and the New York Wine and Grape Foundation worked together to create a system of formal wine trails over two decades ago. While New York State's wine industry evolved during the last 20 years, the sign program had not. The guidelines for the sign program no longer fit today's wine industry in New York State. Under Governor Cuomo's leadership, the New York State Department of Transportation and the New York Wine and Grape Foundation came together again to update the Wine Trail Program, modernizing the provisions to match the needs of the industry today, promoting tourism and increasing opportunities for the wine industry's economic growth. The updated program expands the types of establishments eligible for wine trail signing to include fruit farms, farm wineries and branch offices. Additionally, wine trails can now be created on non-State highways. These changes open up the Wine Trail program to more wineries and result in an improved business climate for the wine industry and related businesses.

There are currently 15 signed wine trails in New York: Canandaigua Wine Trail, Cayuga Wine Trail East, Cayuga Wine Trail West, Chautauqua Wine Trail, Dutchess Wine Trail, Hamptons Wine Trail, Keuka Lake Wine Trail, Lake Ontario Wine Trail, Niagara Escarpment Wine Trail, Niagara Wine Trail, North Fork Wine Trail, Seneca Lake Wine Trail East, Seneca Lake Wine Trail West, Shawangunk Wine Trail, and Thousands Islands-Seaway Wine Trail. The new rules will make it easier for travelers to visit and discover New York State's great wines and are a testament to the fact that New York is "Open for Business."



New York State Wine, Beverage, and Food Trails



Long Island Wine Country

The Long Island wine region encompasses Nassau and Suffolk Counties, with the majority of wineries and vineyards at the East End, on the North and South Forks. Here, age-old growing techniques are combined with state-of-the-art technology to produce a range of world-class wines from specific varietals and selected blends.

<http://www.liwines.com>



Hudson-Berkshire Beverage Trail

Tucked in between the Hudson Valley and the Berkshire Mountains, the trail extends from Southeast of Albany down to Hudson. The trail features handcrafted and award-winning wines, beers, and spirits. Visitors are also able to experience farm fresh produce, artisanal cheeses, and other local food products.

<http://hudsonberkshireexperience.com>



Dutchess Wine Trail

Located amid the rural splendor of eastern Dutchess County connecting Clinton Vineyards and Millbrook Vineyards & Winery, the trail leads you past the vineyards, orchards, and farms that provide the bounty of this beautiful valley. The two wineries are within fifteen minutes driving time of one another.

<http://dutchesswinetrail.com>



Shawangunk Wine Trail

The 12 wineries on the trail all follow the tradition of the fine winemaking established by the early French Huguenot settlers who brought their wine making expertise to the valley over 300 years ago. This thriving industry has recently become well known for its prize winning wines across the nation.

<http://www.shawangunkwinetrail.com>



Finger Lakes Cheese Trail

The trail is comprised of 14 working, family dairies throughout the Finger Lakes Region of New York State. They offer a variety of artisan cheeses, including cheddars, goudas, chevres, brie and mozzarella. While a few of the farms do not have visitor hours, most do and encourage visits throughout the year.

<http://flcheesetrail.com/>



Canandaigua Lake Wine Trail

The trail is comprised of a diverse group of wineries (large and small), restaurants, wine tasting centers and unique shops, providing visitors with a full Finger Lakes experience. The wine trail has been around since the mid 1990's and is one of the smaller and most scenic of the Finger Lakes, making the trail "just right" for a 1-day trip.

<http://www.canandaiguawinetrail.com>



Cayuga Lake Wine Trail

The trail was the first organized and longest running wine trail in New York, established in 1983. Since then, the Trail has become a model for other wine trails both in New York and around the country. There are 15 wineries, one cidery, one meadery, four distilleries, and countless other businesses involved.

<http://cayugawinetrail.com>



Keuka Lake Wine Trail

At the heart of the Finger Lakes Wine Region lies Keuka Lake, whose spectacular beauty and glacially-deposited soils inspired early grape cultivation and the birth of America's wine industry in 1860. Established in 1985, wineries along the trail craft some of the world's most beautifully balanced and vibrant wines.

<http://www.keukawinetrail.com>



Seneca Lake Wine Trail

Founded in 1986, the trail is by far one of the largest appellations in the northeast. With over 30 member wineries the Trail boasts a diverse variety of wines from classic vinifera to hardy native grapes, premium hybrids and even mead.

<http://www.senecalakewine.com>

New York State Wine, Beverage, and Food Trails



Cooperstown Beverage Trail

Cooperstown has a centuries-old history of fine drink, going back well before baseball became America's pastime. Once the hops-growing capital of North America, it now boasts breweries, wineries, and an historic cider mill, each one making world-class beverages for all to enjoy. In 2004, the trail became New York State's first official cuisine trail.

<http://www.cooperstownbeveragetrail.com>



Lake Ontario Wine Trail

Founded in 2009, New York's newest wine trail features boutique Wineries, charming Bed & Breakfasts, great Restaurants, bountiful Farm Markets, historic sights and fun adventures for the kids.

<http://www.lakeontariowinetrail.com>



Thousand Islands-Seaway Wine Trail

Founded in 1986, the trail is by far one of the largest appellations in the northeast. With over 30 member wineries the Trail boasts a diverse variety of wines from classic vinifera to hardy native grapes, premium hybrids and even mead.

<http://www.tiswinetrail.com>



Niagara Wine Trail USA

The trail is situated between the Niagara Escarpment and Lake Ontario. This geography has created a unique micro-climate, suitable for the production of the grapes. It is regarded as a new up-and-coming region, but the art and science of grape growing and winemaking has been in the area for many years.

<http://www.niagarawinetrail.org>



Chautauqua Wine Trail

This trail features 12 Chautauqua wineries produce wines including vinifera, ice wines, fruit wines, and specialty wines.

<http://www.chautauqua-wine-trail.com>



Lake Erie Wine Trail

The trail is located in the heart of America's Grape Country along the south shore of beautiful Lake Erie. It features high-quality wines from 23 distinctive wineries in the largest grape-growing region east of the Rockies

<http://www.lakeeriewinecountry.org>

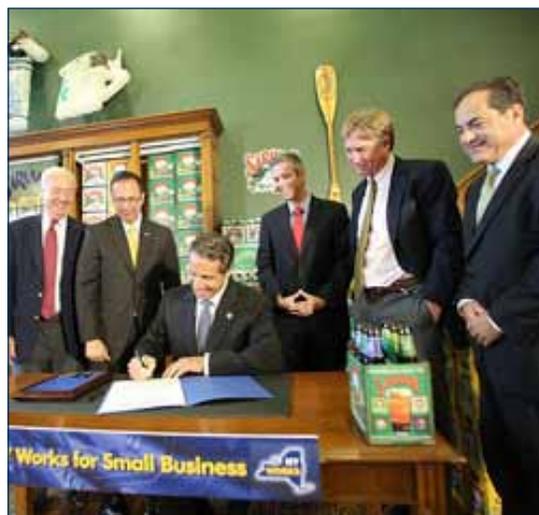


NY Works for Small Business: Expanding Opportunities for Growth

Since 2011, Governor Cuomo has signed legislation that significantly reduces the regulatory burdens placed on wineries, breweries, distilleries, and cideries by the State Liquor Authority (SLA). These legislative changes have expanded marketing opportunities, eased restrictions on where products can be sampled and sold, and provided tax relief.

The Winery Bill

On July 22, 2011, Governor Cuomo signed comprehensive legislation to lessen the regulatory burdens placed on wineries, cut needless paperwork requirements and simplify statutes. The legislation expanded opportunities to conduct tastings, operate custom crush facilities, and most significantly, provided farm wineries the opportunity to open up to five branch stores anywhere in the state by simply obtaining a permit with a simplified application and no additional fee. Farm wineries can sell their product, conduct tastings, and even produce wine at these branch stores. In addition, the new law eliminated the requirement that New York State wineries and farm wineries submit direct shipping reports to the SLA.



Tax Relief for Craft Brewers

A court ruling in March of this year in a case brought by a Massachusetts-based brewery had the potential to have a devastating effect on the continued growth and success of New York's small craft breweries. Essentially, the court found that the NYS Legislature had unconstitutionally discriminated against out-of-state brewers, and required the State to lift a 12-year excise tax exemption for microbreweries and re-impose the brand label registration fee of \$150 per label from which microbreweries had been exempted.

However, on June 14, 2012, Governor Cuomo signed an agreement on legislation to reverse the impact that the changes in March would have caused to craft breweries. Essentially, the new legislation made microbreweries (regardless of location) eligible for tax credits against personal income and business taxes for beer made in New York of 14 cents a gallon for the first 500,000 gallons, and 4.5 cents for the next 15 million, while also exempting any brewery (regardless of location) that produces 1,500 barrels or less from the annual \$150 brand label registration fee.

Farm Brewery License

On July 18, 2012, Governor Cuomo signed legislation to create a farm brewery license and further promote New York State's farm wineries and farm distilleries. The legislation was modeled after the 1976 "Farm Winery Act," which spurred the growth of wine production in this state. The newly-created farm brewery



license allows craft brewers that use products grown primarily in New York to operate like the state's farm wineries. To qualify for the license, the beer must be made primarily from locally grown farm products, with the percentage of locally grown ingredients increasing slowly over time. The new farm brewery license will be available in January 2013.

Expanded Marketing for Farm Distilleries

On October 3, 2012, Governor Cuomo signed legislation that will allow licensed farm distilleries

to hold liquor tastings and sell their New York State labeled products off premise at the State Fair, recognized county fairs, and local not-for-profit farmers' markets. Providing farm distilleries with the same access to potential customers and markets as other wineries and breweries will help local farms to expand and flourish in New York. The law will be effective January 2013.

Expanded Retail Sales for Wineries

On July 18, 2012, the Governor signed legislation giving small wineries the ability to obtain special permits so that they can sell wine by the glass at indoor and outdoor events, including street fairs, community events, charity fundraisers, and other gatherings. Prior to this legislation, the wineries were severely restricted in their ability to make retail sales away from the winery.

Reducing Paperwork for Farm Manufacturers

On July 18, 2012, the Governor signed into law a bill that makes farm wineries, farm distilleries, and farm breweries exempt from a costly and burdensome tax filing requirement. All beer, wine, and liquor wholesalers were required to report sales made to restaurants, bars, and other retailers. However, as farm wineries, distilleries, and breweries are small, often family owned operations, they struggled to afford the costs of filing these annual reports.

Leveling the Playing Field for Craft Breweries

On July 18, 2012, the Governor signed legislation that makes it much easier for a small brewer to terminate a contract with a wholesaler that it feels is not adequately focusing on its products. Previously, the brewer had to establish "good cause" to terminate a wholesaler's contract, which was virtually impossible. Now, if there is not "good cause" shown, the brewer can still switch to another wholesaler if it compensates the wholesaler for the value of the distribution rights. This will encourage wholesalers to service these smaller businesses as well as the large brewers.



Examples of Successful NY Partnerships with Industry

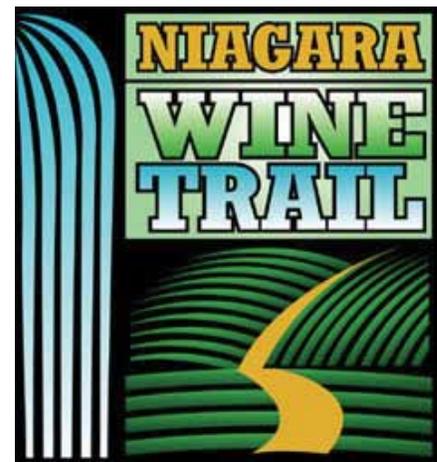
New York State supports wineries, craft breweries, distilleries, and cideries through a variety of incentive programs, tax credits, and technical assistance. In 2011, five projects with a total value of \$2,414,000 were awarded funding through the Regional Economic Development Councils' Consolidated Funding Application (CFA). These projects supported wine and beer producers to expand their business, increase marketing opportunities, and improve production. The projects awarded will result in much-needed jobs and smart business investments in the state's communities.

Project 1: Agriculture Enterprise Park Capital

The Long Island Agriculture Enterprise Park is part of a broader sustainable agricultural initiative that would promote the development of sustainable and diversified farming by providing affordable agricultural lots, shared modern processing and marketing infrastructure, and continuing education and outreach opportunities for local farmers. Regional Council funds will be used to expand farming, winery, and fishery industries on Long Island through a regional processing facility.

Project 2: Niagara Wine Trail Capital

The Niagara Wine Trail, an association of 16 wineries, is a crossover between New York State's two largest industries: agriculture and tourism. The Niagara Wine Trail and the Niagara Escarpment Wine Trail have been designated by NYS Department of Transportation regulations. Given the rural nature of Western New York, it is a challenge for both tourists and local visitors to find wineries along the wine trail. Regional Council funds will be used to manufacture and install way finding signs along the two designated wine trails. By increasing patronage at the wineries, there is an economic impact to the agricultural and community businesses that leads to job creation. Something as simple as signage can have this far-reaching positive impact.



Project 3: Oweria Vineyards Capital

Oweria Vineyards will construct a new \$3.5 million winery and community farm. Regional Council funds will be used for building construction, and the purchase of machinery and equipment, as required to establish an 8,000 sf wine production facility and farmstead operation. The project will be built on 58 acres of land adjacent to Cazenovia Lake in the Town of Cazenovia, Madison County. The new facility will be used for wine production, tastings and related events to promote regional tourism and agribusiness. Farming will include grapes, other fruits, and vegetables for use in wine production and for donation to local food pantries.

Project 4: Cobleskill Brewing Capital

This project returns a major public investment to productive use, creating 63 private sector jobs and offering support to agricultural interests already in the area. An Economic Transformation grant will be used to enable the Cobleskill Brewing Company to acquire a long vacant industrial development park from Schoharie County. The site will open as a contract brewing manufacturing plant with a capacity of 25,000 barrels per year and expand within five years to 100,000 barrels.

Project 5: Brouwerij Belame Capital

Brewery Ommegang is in the early stages of a 6-year \$16 million plus expansion of its current facilities. The expansion of the brewery will include a restaurant and an expanded store. These will add to the 30,000 plus tourists that the brewery already draws annually. The restaurant will be serving local foods and promoting local farmers. This expansion involves the use of multiple architects to design new buildings, expand the current brewing and beer packaging operation, as well as construct a new water and waste treatment facility. Mohawk Valley Regional Council awarded funding through the Economic Development Purposes Fund to help cover the costs of the architectural plans, new equipment, and building expansions.



NYS Incentive and Tax Credit Projects

Empire Farmstead Brewery



In 2011, Empire Brewing Company received a \$500,000 Excelsior Jobs tax credit from Empire State Development to open the first farm brewery in New York State. The objective of the Farmstead project is to expand the existing brewing facility and agricultural component of Empire Brewing Company to a stand-alone manufacturing and agri-tourism facility. Empire Brewing Company will construct and equip a 12,000sf brewery and supporting farmstead operation in Cazenovia. This project will create 48 new jobs over five years.

NYS Wine Display at China Export Office

Grant resources from the US Small Business Administration STEP grant program are being used to promote NYS wine exports. Specifically, NYS ESD has been working with: the New York Wine & Grape Foundation and its "Uncork New York!" brand; experts from the NYS Department of Agriculture & Markets; and the NYS Small Business Development Center International Business Development Program to showcase NYS wines in China and Korea. The NYS SBDC, which has had an office in Beijing for over 17 years, recently facilitated a permanent NYS wineries display booth through its contacts in China. The SBDC wine display is funded by a \$3,000 per company annual fee from NYS wineries, and benefits from a 5-year exclusive right to showcase



and sell NYS wines at this location. The SBDC also coordinated the shipment of a container of wines to Shanghai. Launched in April 2012 with assistance from SBDC staff in China, the NYS wine display features 31 NYS wineries, and coordinated wine sampling by Chinese buyers during the summer. These efforts resulted in the sale of 1,200 cases of NYS exported wine to date. Another Chinese buyers group is traveling to the NYS wine display booth in October, and STEP funds are being deployed to support this effort, with an expert staffer from Ag&Mkts scheduled to lead a trade mission of 11 NYS wineries to meet with the Chinese buyers and promote NYS exports via business exchanges and customized business networking events.

New York Wine & Culinary Center



Founded in 2006 as a model public-private partnership between New York State, Constellation Brands, Wegmans Food Markets, Rochester Institute of Technology and the New York Wine and Grape Foundation, NYWCC is a 501c3 non-profit that serves as the gateway for the people of New York and from around the world to experience New York's wine and food industries.

Located at the northern tip of Canandaigua Lake, the Center building is designed to be an inviting and stunning showcase for exhibitions, classes and eating and drinking experiences of all New York has to offer. The Center offers more than 400 culinary arts and beverage education classes annually and all of classes feature products grown and produced in NYS. More than 7,000 people annually participate in our programming in addition to enjoying Center-wide events which focus on wine, beer and food pairings.

In 2011 New York State and NYWCC again entered into another successful partnership with funding from the Department of Agriculture & Markets and the Genesee Valley Regional Market Authority to provide educational programming about homegrown NY products, including classes specific to wine and food pairings. As a result of this grant funding, 97 classes specific to NYS agriculture were offered and attended by 2,823 people.

Businesses Using Green Incentives

Peconic Bay Winery Solar PV System

In 2012, the Long Island Power Authority (LIPA) partnered with Peconic Bay Winery and Green Logic Energy to install the largest solar photovoltaic (PV) system on Long Island. The solar electric PV system will produce approximately 47,826 kilowatt hours (kWh) of electricity annually, saving Peconic Bay Winery \$8,895 in annual electricity costs at today's rates. The 180-panel PV system cost \$327,760. LIPA, through its Solar Entrepreneur Program, provided a significant rebate of \$97,830 which helped to reduce the out-of-pocket expense for the system.



Anheuser Busch Baldwinsville Efficiency Upgrades

NYSERDA awarded Anheuser Busch two NYSERDA Industrial and Process Efficiency purchase orders to make efficiency improvements to their Baldwinsville brewery. The first purchase order for \$705,000 will support a \$7.5 million project that will help improve the energy efficiency of the plant through improved utilization. The project will save an estimated 13 million kWh of electricity and 47,000 MMBtu of natural gas. The second purchase order for \$90,000 will help to implement a \$454,000 anaerobic digester project. This project proposes to reduce the moisture content in the spent grain material after it has been used in the brewing process and before it is disposed of offsite. The removed liquid will be sent to Anheuser Busch's wastewater facility for treatment, some of which will be converted in the anaerobic digester to biogas. The biogas will be consumed in the boilers to reduce the consumption of purchased natural gas, saving an estimated 6,000 MMBtu of natural gas.

Canandaigua Wine Company Capital

In 2012, Canandaigua Wine Company implemented an air compressor project which included the installation of a compressor sequencer for efficiently managing the facility's air compressors. This project improved the energy efficiency of the winery, saving an estimated 206,000 kWh of electricity. Canandaigua Wine Company received a NYSERDA Industrial and Process Efficiency incentive of \$12,500 to implement this project which had a cost of \$25,000.



Frost Wines, LLC/Herman J, Wiemer Vineyard Energy Audit

In 2012, the vineyard applied to NYSEDA's Agriculture Energy Efficiency Opportunities (AEEP) to request an energy audit and incentive to fund a recommended lighting upgrade in their warehouse facility. By installing more energy efficient lighting, the vineyard will save approximately 21,100 kWh annually. The cost of the project is \$9,196.12, and the vineyard received an AEEP purchase order for \$6,897.09.



Coyote Moon Vineyards Energy Audit

In 2011, the vineyard had an energy audit report completed. The audit recommended installing lighting and replacing an existing chest freezer. The vineyard chose to install energy efficient lighting at a total project cost of \$5,016.20, and the vineyard received an AEEP purchase order for \$3,762.15. The lighting upgrade will save approximately 18,110 kWh annually.



Appendix I

Current NYS Incentives Programs

	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
<p>Farmers' School Property Tax Credit Provides a credit up to 100 percent of total school property taxes up to 350 acres and 50 percent for excess acreage.</p>	Tax and Finance	No	Tax Credits	No, Open to All	Between 50% and 100% of school property taxes	None	Continuous
<p>Investment Tax Credit Provides a credit, based on the cost or other basis for Federal tax purposes, for depreciable tangible personal property acquired, constructed, reconstructed, or erected after December 31, 1968 having a useful life of four years or more, located within the State of New York, and used primarily for the production of goods by a variety of processes, including farming, agriculture, horticulture, floriculture, and viticulture.</p>	Tax and Finance	No	Tax Credits	No, Open to All	Between 4% and 9%, depending on business type (PIT filer or Corporate Franchise filer) investment base, and R&D status.	None	Continuous
<p>Excelsior Jobs Program Tax Credits Provides credits for job creation, investment, research and development, and real property taxes paid.</p>	Empire State Develo- pment; Tax and Finance	No	Tax Credits	Yes	6.85% of gross wages, 2% of qualified investments, 10% R&D credit, 50% of assessed property taxes	\$250 million in aggregate annual State awards when fully effective	Continuous
<p>Employment Incentive Credit Provides a credit, equal to a percentage of investments made, if specified employment growth targets are reached.</p>	Tax and Finance	No	Tax Credits	No, Open to All	Between 1.5% and 2.5% of the ITC base, depending on employment growth	None	Continuous
<p>New Small Business Exemption Exempts new small businesses from the tax based on allocated business and investment capital. Applies to the first two years of operation of a qualifying business.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	Exemption from Capital Base under Article 9A	None	Continuous
<p>Preferential Tax Rates for Qualifying Small Business Corporations Provides special rates to corporations that meet the Federal definition of a small business (IRC Section 1244(c)(3)) with ENI less than or equal to \$290,000.</p>	Tax and Finance	No	Tax Rate Reduction	No, Open to All	Marginal Tax Rate (MTR) is reduced to 6.5% for qualifying businesses with ENI base of \$290,000 or less. (MTR) is 7.1% for income over \$290,000.	None	Continuous
<p>Capital Base Liability Cap Reduction for Manufacturers Lowers the liability limit under the capital base from \$1 million to \$350,000 for qualified taxpayers.</p>	Tax and Finance	No	Tax Cap	No, Open to All	N/A	None	Continuous

	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
<p>Manufacturer Rate Taxpayers that are manufacturers are subject to a reduced ENI rate of 6.5 percent.</p>	Tax and Finance	No	Tax Rate Reduction	No, Open to All	Eligible taxpayers are subject to a reduced ENI rate of 6.5 percent	None	Continuous
<p>Beer Production Credit Provides a tax credit to businesses which are registered distributors under Article 18 of the Tax Law (taxes on alcoholic beverages) and produce 60 million or fewer gallons of beer in New York State in the tax year the credit is claimed.</p>	Tax and Finance	Yes	Tax Credits	No, Open to All	14 cents per gallon for the first 500,000 gallons produced in New York State, plus 4.5 cents per gallon of production between 500,000 and 15 million gallons.	\$745,000 per taxpayer (applies at the entity level for S-corporations)	Continuous
<p>Capital Improvement Installation Services An exclusion is allowed for installing property which, when installed, will constitute an additional or capital improvement to real property.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Fuel, Gas, Electricity, Refrigeration, and Steam Used in Farming and Commercial Horse Boarding Fuel, gas, electricity, refrigeration, and steam; and gas, electric, refrigeration, and steam service used in the production of tangible personal property, for sale, by farming or in a commercial horse boarding operation are exempt from tax.</p>	Tax and Finance; U.S. Dept. of Agriculture; NYS Dept. Ag & Markets	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Tools and Supplies Used in Production Receipts from the retail sale of parts with a useful life of one year or less; tools and supplies for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting are exempt from sales tax.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Farm Production and Commercial Horse Boarding Exempt from tax is tangible personal property for use or consumption predominantly in the production, for sale, of tangible personal property by farming or in a commercial horse boarding operation. Also exempt are the services of installing, repairing, maintaining, and servicing tangible personal property and real property used predominantly in farming or in a commercial horse boarding operation.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous



	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
<p>Machinery and Equipment Used in Production Exempt from sales tax are machinery and equipment for use or consumption directly or predominantly in the production of tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Services to Machinery and Equipment Used in Production The services of installing, repairing, maintaining, or servicing exempt production machinery and equipment or exempt parts, tools, and supplies are exempt.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Wrapping and Packaging Materials Cartons, containers, wrapping, and packaging materials and supplies are nontaxable when used by a vendor in packaging or packing tangible personal property for sale and actually transferred by the vendor to the purchaser.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Wine Used for Wine Tastings Exempt from tax is the wine that a winery, wine wholesaler, or wine importer furnishes to customers or prospective customers at a wine tasting.</p>	Tax and Finance	Yes	Tax Exemption	No, Open to All	100% Sales Tax Exemption	None	Continuous
<p>Property Tax Exemptions for Land Used in Agricultural Production Exemptions are available to orchards and vineyards, substantially reducing property taxes that would otherwise be payable (to local governments); newly planted but non-producing orchard and vineyard acreage may receive the exemption while maturing to production status.</p>	Tax and Finance	No	Tax Exemption	No, Open to All	Caps Assessments based on a statutory formula which accounts for the value of the land as farmland vs. other forms of development (residential, commercial)	None	Continuous
<p>Linked Deposit Program Provides existing businesses with bank loans at reduced interest rates (2-3 percentage points) to improve market access, product development, modernize equipment, expand production, introduce new technologies; transitions ownership, or create/retain jobs.</p>	Empire State Development	No	Interest Rate Buy down	No	N/A	Maximum \$500,000 loan Maximum life-time assistance \$2 million	Continuous

	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
<p>Manufacturing Assistance Program Assists New York State manufacturers investing in capital projects that significantly improve production, productivity and competitiveness. Projects may also include Industrial Effectiveness consulting and or worker skills training.</p>	Empire State Development	Yes	Grant	Subject to credit/project review	Varies	1 million	Continuous
<p>Small Business Ombudsmen Provides direct one-on-one assistance to small businesses navigating New York State's 140 programs and resources available to small businesses.</p>	Empire State Development	No	Various	No	N/A	N/A	Continuous
<p>Small Business Revolving Loan Fund \$50 million fund designed to create economic activity by providing greater access to capital for main street, everyday small businesses.</p>	Empire State Development	No	Loan	Subject to underwriting by participating lenders	50% of the principal amount and no greater than \$125,000	Micro-Loans - principal amount less than or equal to \$25,000 Regular Loans - principal amount greater than \$25,000	Continuous
<p>JDA Loan Eligibility Exploration ESD and JDA are carefully reviewing terms and conditions of NYS Constitutional constraints and exclusions related to NYS financial support for retail entities, in order to identify potential prospects for breweries/distilleries/wineries with a small 'on-site' retail component that is not 'primarily retail.'</p>	Empire State Development and Job Development Authority	No	Grant				
<p>State Trade and Export Promotion Program (STEP) Grant resources from the US Small Business Administration STEP grant program are being used to promote NYS exports in China, Middle East, Canada, and Africa.</p>	Empire State Development, Small Business Development Center; NYS Dept. Ag & Mkts	No	Grant and Technical Assistance to Exporters	No	varies	Limited federal grant program available to SBA eligible firms	2012-13
<p>Agricultural Environmental Management Addresses environmental issues on farms, using progressive tiered planning and a strategic implementation approach, while maintaining economic viability on farms.</p>	NYS Dept. Ag & Markets	No	Technical Assistance	No Open to All	N/A	N/A	Continuous, through County Soil & Water Conservation Districts
<p>Agricultural Nonpoint Source Abatement & Control Program Helps prevent water pollution agricultural activities by through planning and implementation grants to construct or apply on-farm best management practices.</p>	NYS Dept. Ag & Markets	No	Grants, in conjunction with Aem	Yes	Up to 87.5%	No Limits	Annually, through County Soil & Water Conservation Districts

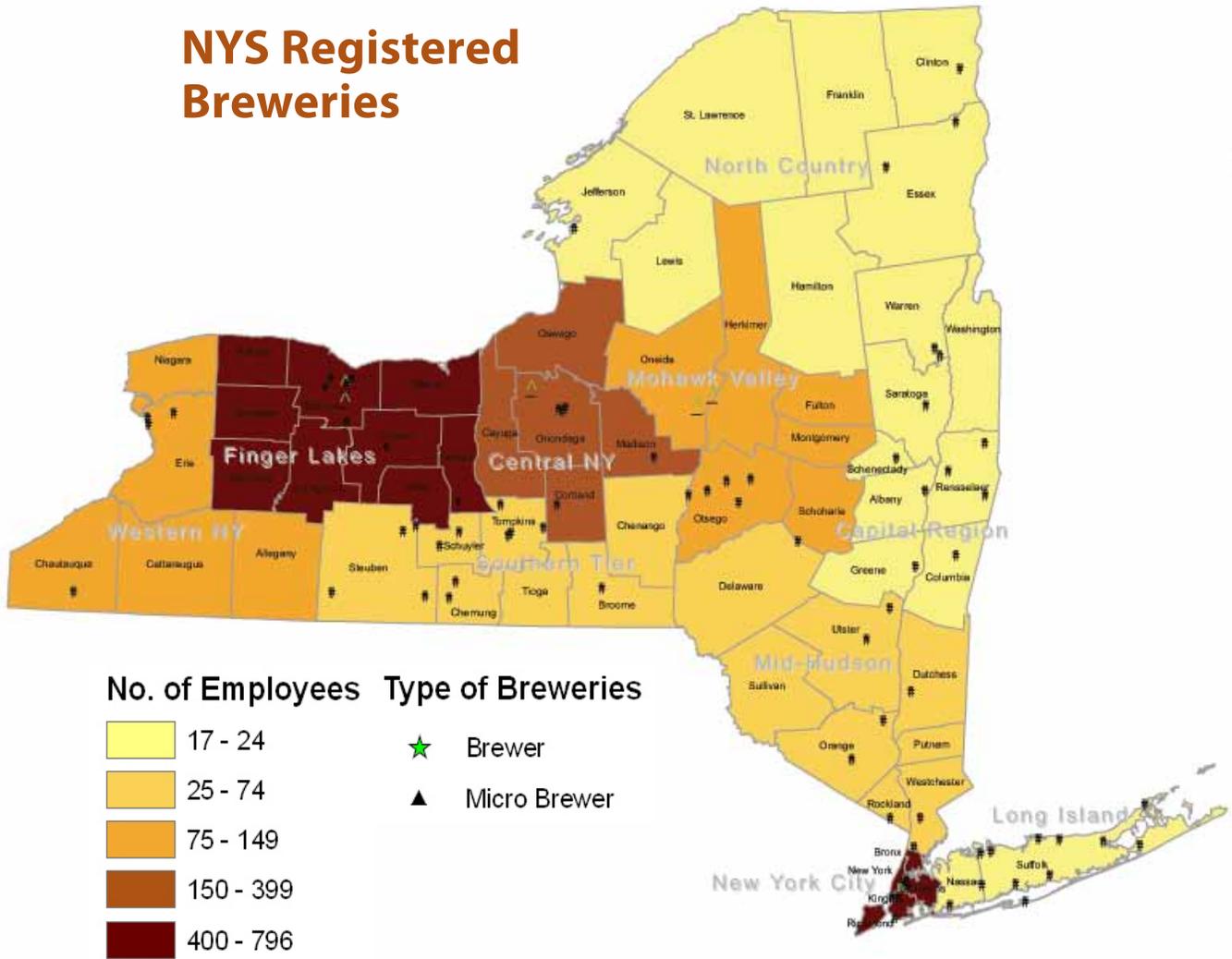


	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
Agriculture Development Program Increases farm viability through expansion, value added production, diversification, or long term reduction of operating costs.	NYS Dept. Ag & Markets	No	Grant	Yes	50%	\$30,000 Minimum \$500,000 Maximum	Annually
Farmland Protection Implementation Grants Assists municipalities in purchasing the development rights on viable agricultural lands that are facing significant development pressure and that serve as buffers to significant natural public resources.	NYS Dept. Ag & Markets	No	Grants	Yes	Up to 87.5%	No Limits	As funding is available
Farmland Protection Planning Grants Supports municipalities that develop agricultural and farmland protection plans.	NYS Dept. Ag & Markets	No	Grants	No	Towns-75% Counties-50%	Towns-\$25,000 Counties-\$50,000	Continuous
Recharge New York Through the state-wide CFA process, entities are eligible for power that has not yet been allocated through the Recharge NY program.	New York Power Authority	No	Low cost power contract	Yes	N/A	Up to 50% of the demand of the customer	As power is available
Expansion & Replacement Power Preservation Power Entities that are within the 30-mile radius of NYPA's Niagara facility and those in the three counties (Jefferson, Franklin, St. Lawrence) around the St. Lawrence facility are eligible for low cost electric power.	New York Power Authority	No	Low cost power contract	Yes	N/A	Up to 100% of the demand of the customer	As power is available
Solar Energy Incentives - Under the Governor's NY-Sun Initiative, financial incentives are available to building owners who install large-scale solar PV systems on their property.	NYS Energy Research & Development Authority; Long Island Power Authority	No	Grant and Contracts	Varies	Varies	Varies	Continuous
Wind Energy Incentives Provides incentives to building owners who install smaller-scale wind turbines on their property.	NYS Energy Research & Development Authority; Long Island Power Authority	No	Grant	Varies	Varies	Varies	Continuous
Anaerobic Digesters Provides incentives to building owners who install electric generators running on Anaerobic Digester Gas.	NYS Energy Research & Development Authority	No	Grant	Varies	Varies	Varies	Continuous
Cool Roofs & Geothermal Systems Provides rebates for qualified cool roof and geothermal systems for Long Island building owners.	Long Island Power Authority	No	Grant	Varies	Varies	Varies	Continuous

	State Agency	Alcohol Specific	Type of Assistance	Competitive	% Cost Supported	Funding Limits	Available
Energy Efficiency Improvements Programs available to help businesses reduce their energy consumption, including energy assessments and technical assistance, for customer facilities. Incentives are also available to improve the energy efficiency of industrial processes.	NYS Energy Research & Development Authority; Long Island Power Authority	No	Grants	Varies	Varies	Varies	Continuous
Wine Brand Label Registration Exempts wine with federal label approval from state brand label registration.	State Liquor Authority	Yes	Registration and fee exemption	No, open to all wine manufacturers	100% exemption from fee	None	Continuous
Beer Brand Label Registration Exempts beer produced in small batches from fee for state brand label registration.	State Liquor Authority	Yes	Fee exemption	No, open to all beer manufacturers	100% exemption from fee	None	Continuous
Sales Tax Filing Exemption Exempts farm wineries, farm distillers and farm brewers from filing annual returns listing sales made where no sales tax was collected.	Tax and Finance	Yes	Elimination of filing requirement	No, open to all farm wineries, farm distillers and farm brewers	N/A	None	Continuous

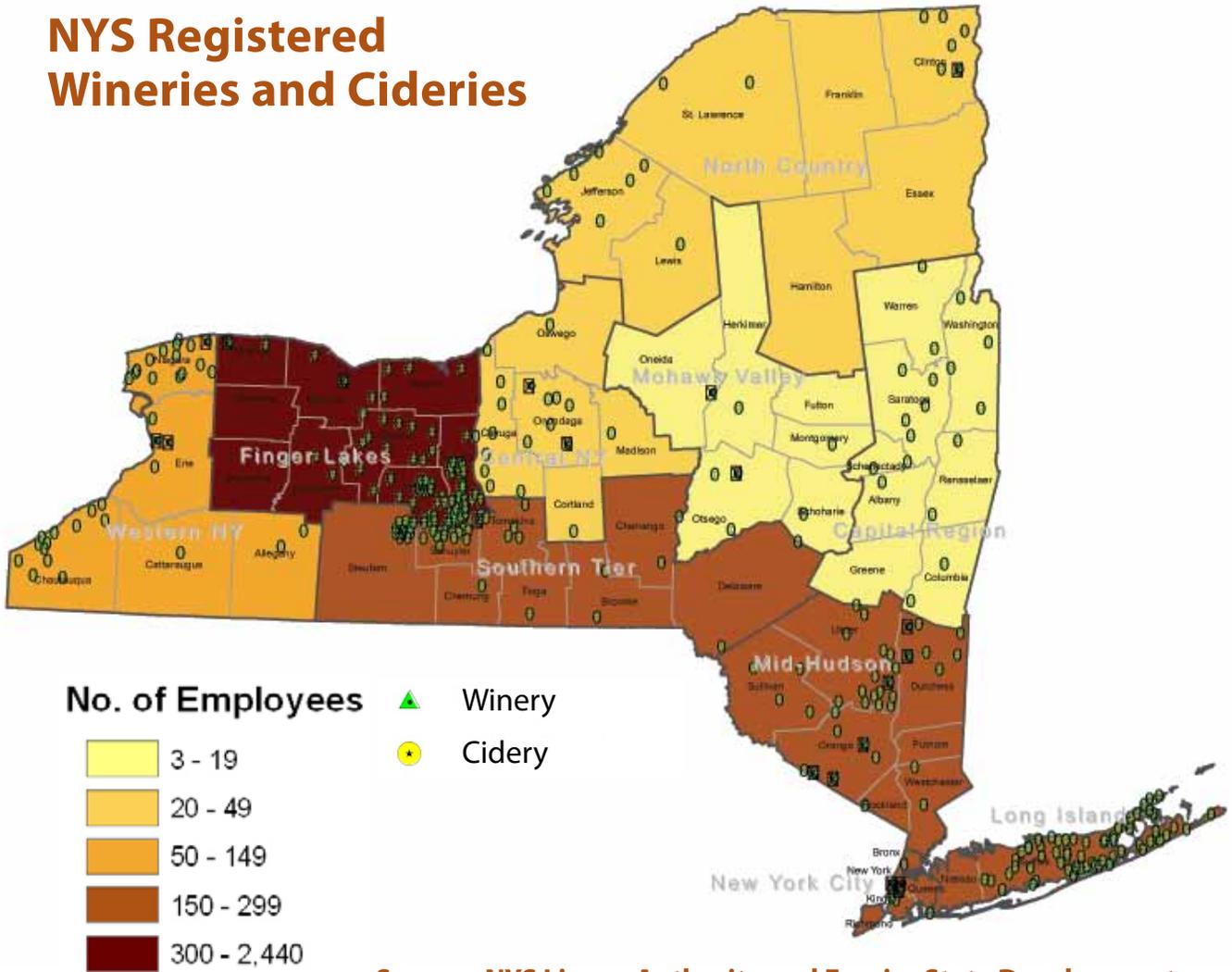
Appendix II Industry Production and Employment

NYS Registered Breweries



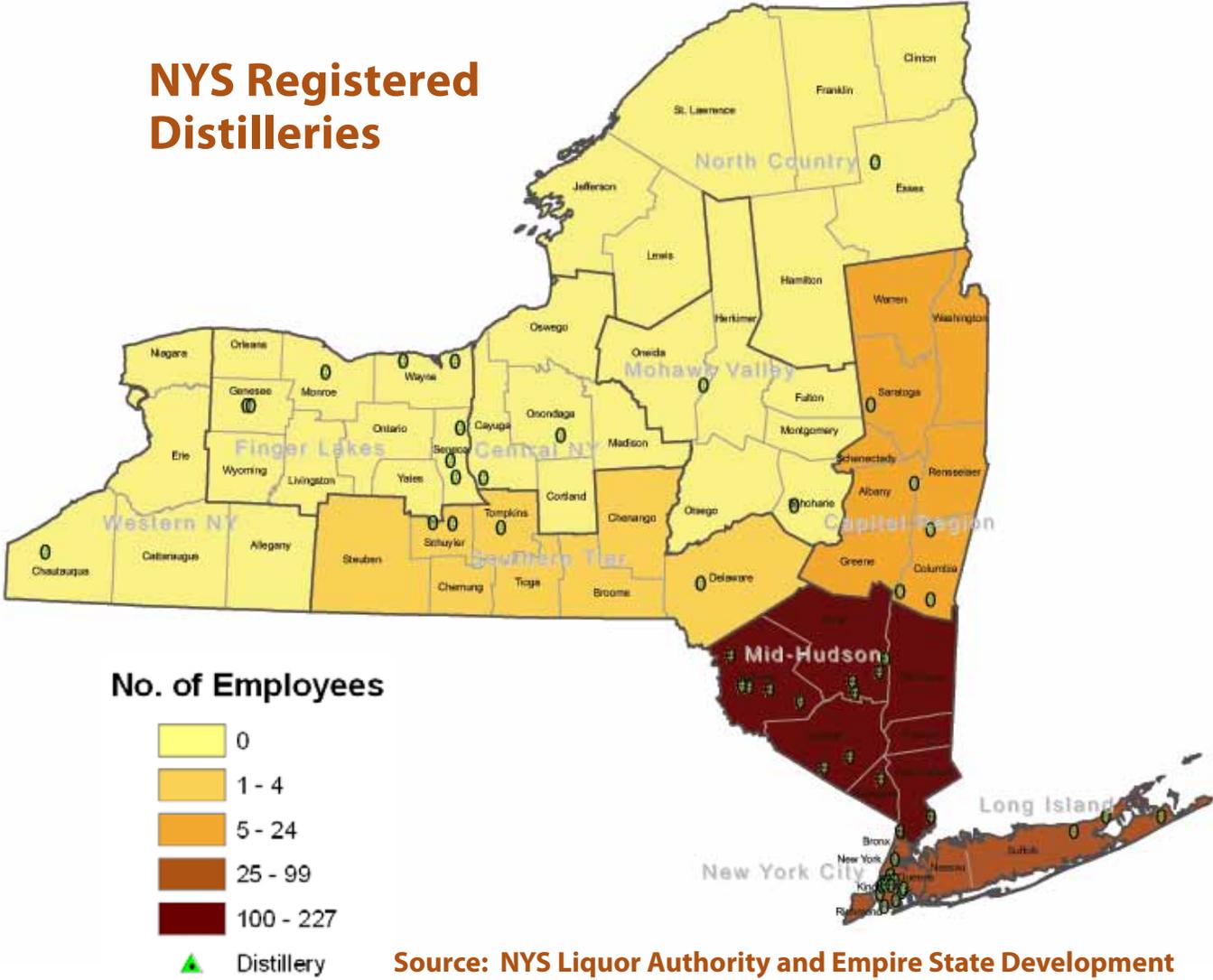
Source: NYS Liquor Authority and Empire State Development

NYS Registered Wineries and Cideries



Source: NYS Liquor Authority and Empire State Development

NYS Registered Distilleries





**For further information on
Wine, Beer, and Spirits Tourism:
www.iloveny.com**

