

A Proposal For Renewed Growth of the Hudson Valley's Grape And Wine Industry

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The New York State Senate Task Force for Hudson Valley Fruit Growers collected ideas to expand the Hudson Valley's grape-growing and wine-making industries. The ideas came from suggestions submitted by growers, wine producers, state agencies, local governments, not-for-profit organizations, and other interested parties. This paper presents a summary of the task force report, copies of which may be obtained on-line at www.senatorbilllarkin.com.

The production of fruit crops in the Hudson Valley is concentrated on a few selected sites. Commercial-quality fruit cultivation requires land that, based on its topography, is able to provide air drainage patterns that minimize the risk of early winter freezes, midwinter extreme freezes and spring frosts. It is also essential that soil types allow good water drainage but retain moisture during the hot and dry summer months.

It is not by accident that the remaining fruit farms in the Valley are located on some of the best fruit-growing lands in the country. With heightened suburban pressure to convert farms to residential, commercial, or industrial uses, it is very important that these world-class grape-producing sites remain as farms. In Napa Valley, California, in the Burgundy and Bordeaux regions of France, or in the Rhineland region of Germany, new commercial expansion is not encouraged on premium vineyard lands; it is shifted to other lands within the region. The same should be done in the Hudson Valley.

Trends in Grape Cultivation and Wine Production in the Hudson Valley

Quality fruit is produced on very specific sites in the Hudson Valley. The

current locations of existing wineries point to the general area of suitable sites (Figure 1). Thus, the well-being of the local wine industry will be played out in about 20 of the Valley's 120 towns. To promote viticulture, private and public policy-makers must understand that commercially viable vineyards need to be located in certain very limited portions of the Valley and that these scarce sites are coming under increasing suburban pressure to be converted to other uses.

An overwhelming proportion (85.5%) of the Valley's fruit lands are devoted to apples. However, some growers are beginning to diversify to other fruit crops that spread their risk of having higher potential economic return per acre. Crops that are expected to increase in acreage include grapes, currants, peaches, cherries, pears, raspberries, and strawberries.

Small farms are an important part of our fruit-growing industry's structure. In fact, nearly two out of three growers (63.5%) operate orchards that are less than 25 acres. This includes 109 farms with under five acres of orchard land and another 88 farms in the range of 5.0 to 24.9 acres. In light of the size distribution of farms in the Valley, policy-makers should take a two-pronged approach to encourage the expansion of vineyards.

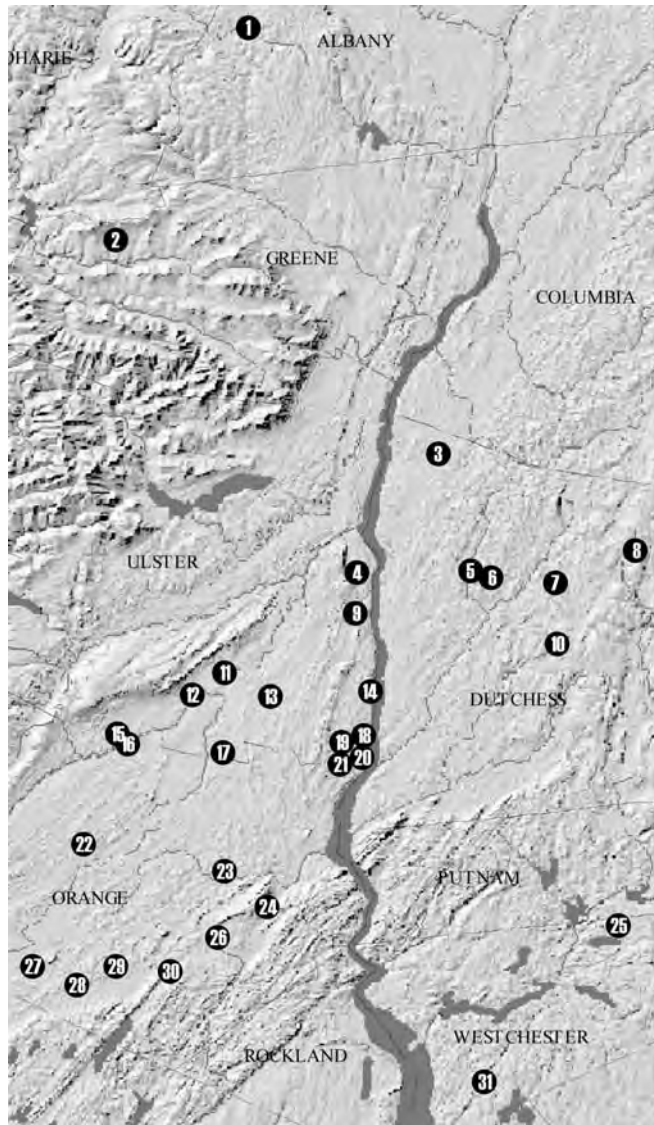
First, more needs to be done to help large commercial fruit growers to prosper. This is critical because large commercial farms predominately control the acreage that is under cultivation and the quantity of fruit produced. Without large commercial farm operations, there would be little left of the fruit-growing industry in the Valley. These farms support the industry by providing sufficient demand for local ancillary businesses that sell fertilizers, crop protectants, tractors, and winery sup-

The Hudson Valley is becoming more suburbanized and rapidly losing its farmland. This trend needs to be curtailed. A state senate task force has developed a group of ideas that will help spur development of the grape and wine industry in the Hudson Valley. These include increased research and extension and identifying sites, varieties and rootstocks where premium grapes can be grown. Essential to the plan is preserving sites that potentially could become exceptional vineyards for fruit production.

plies. These support services are needed by both large and small growers and wineries alike to prosper.

Second, more must be done to encourage the establishment of new small and medium-sized vineyard operations and to expand those that already exist. While growers who operate farms of 25 acres or less do not control a high percentage of the land devoted to fruit cultivation, they are an important source of entrepreneurial talent and skilled labor to expand their own farm operations or the operations of others. Assisting these growers will result in an increase in the total acreage that is devoted to growing grapes.

Unlike Long Island, portions of California, Washington State, and Australia, which have large parcels of land located on vast flat tracts, the Hudson Valley consists of many small parcels of land located on relatively rugged terrain. Farms in the former wine-producing areas tend to be large, capital-intensive operations that rely heavily on mechanized equipment. However, farms located in the Valley are smaller farming operations that rely heavily on hand labor and may consist of sev-



Key to Wineries

- 1 Elk Hill Winery, Berne
- 2 Windham Vineyards, Windham
- 3 Alison Wines & Vineyards, Red Hook
- 4 El Paso Winery, Ulster Park
- 5 Hudson Valley Draft Cider, Staatsburg
- 6 Clinton Vineyards, Inc., Clinton Corners
- 7 Millbrook Vineyards & Winery, Millbrook
- 8 Cascade Mountain Winery & Restaurant, Amenia
- 9 West Park Wine Cellars, West Park
- 10 Oak Summit Vineyard, Millbrook
- 11 Rivendell Winery, New Paltz
- 12 Whitedcliff Vineyard & Winery, Gardiner
- 13 Adair Vineyards, New Paltz
- 14 The Regent Champagne Cellars, Highland
- 15 Brimstone Hill Vineyard, Pine Bush
- 16 Baldwin Vineyards, Pine Bush
- 17 Magnanini Winery, Inc., Wallkill
- 18 Royal Kedem Wine Corporation, Marlboro
- 19 Stoutridge Vineyards, Marlboro
- 20 Windsor Vineyards, Marlboro
- 21 Benmarl Winery & Vineyard, Marlboro
- 22 Pazdar Winery, Middletown
- 23 Brotherhood – America’s Oldest Winery, Ltd, Washingtonville
- 24 Palaia Vineyards, Highland Mills
- 25 North Salem Vineyard, Inc., North Salem
- 26 Castle Spirits (Shloime’s Slivetz, Inc.), Monroe
- 27 Warwick Valley Winery Co., Inc., Warwick
- 28 Demarest Hill Winery, Warwick
- 29 Applewood Winery, Warwick
- 30 Silver Stream Vineyard, Monroe
- 31 Prospero Winery, Pleasantville

Figure 1. Wineries in the Hudson Valley Region

eral small parcels of land that are scattered throughout several towns. Therefore, any wine industry that develops in the Valley is going to look more like vineyard and winery operations in France or Germany and not like those in California, Washington State, or Australia.

The local wine industry is beginning to awaken, and is evidenced by three indicators:

1. There are now 36 wineries located in the Hudson Valley, as the region is defined by the New York Wine & Grape Foundation (31 of these are shown on the map in Figure 1). In the last 7 years, at least 10 new wineries have been established. In 2004, over 315,000 people visited these wineries. As the number of wineries and their production continues to increase, the demand for locally produced grapes should grow.

2. The Dutchess County Wine Route and Shawangunk Wine Trail have sponsored more activities and events, which has increased wine sales and tourism.
3. Most of the reduction in acreage for fruits other than apples has stabilized since 1996. While apple acreage continues to decrease at about the same rate as it has since 1980, growers are replacing some abandoned apple orchards with other fruits such as grapes, currants, peaches, cherries, pears, strawberries, and raspberries.

The three indicators above illustrate that the Valley’s wine industry is beginning to awaken and adjust to new market conditions. Further, it is beginning to substitute certain currently unprofitable grape varieties for others that have higher profit margins. The increasing demand to convert existing orchards and vineyards to

other residential, commercial, and industrial uses to satisfy suburban development pressure is a significant threat to the future of this important industry. However, local growers have at least five advantages that will enable them to operate vineyards profitably in spite of increasing suburban development pressures:

1. The industry is well-positioned to take advantage of its proximity to large markets and agri-tourism possibilities to sell its products.
2. The Valley has the soils, topography, and climate needed to produce top-quality wine, distillates, and cassis that can command superior prices in the marketplace.
3. The Valley has many skilled growers who are ready, willing, and able to react quickly to accommodate to changes in the marketplace.

4. While the perception is that potential vineyard sites are both scarce and expensive in the Valley, that is comparatively not the case. When matched against Napa or Sonoma Counties in California, land prices in the Hudson Valley are quite reasonable. In California, prime vineyard sites can cost between \$60,000 and \$150,000 per acre, while in the Valley, prices range from \$8,000 to \$50,000 per acre. This means that in the Valley, the profitable cultivation of grapes is possible. However, it is also important to note that the highly mechanized wine industry in California can lower production costs which cannot be replicated in the Hudson Valley due to its small parcels and rolling terrain. The Valley's wine industry, to be profitable, will need to accommodate high levels of expensive hand labor and operate on small farms that have vineyards scattered at different sites. Therefore, while the land in the Valley is relatively cheap, production costs will be high due to topography and the intensive use of hand labor. This cost factor can still be offset by the Valley's proximity to the New York metropolitan area.
5. There is growing public interest to support local agriculture. This is evidenced by the work of municipal governmental leaders and several civic organizations, such as the Hudson Valley Greenway, the Glynwood Center, and Scenic Hudson, to preserve this important agricultural resource by implementing open-space initiatives and smart-growth concepts.

Recommendations to Expand Grape Cultivation and Wine Making

To attain the desired goals, the strategies contained herein must be implemented in a coordinated fashion. An action plan is more likely to be successful if information, planning functions, financial resources, and responsibilities are shared and tasks assigned to specific organizations in a logical fashion. Below are specific strategies to encourage renewed growth in the Hudson Valley's grape and wine industry.

A. Viticultural Issues

1. *Grant Income Tax Credits and Other Incentives for Farm Facility or Vineyard Expansions.* Targeted income tax credits should be extended to growers that purchase new equipment or plant material to establish new vineyards or to replant old ones. Senate Bill 6009-A

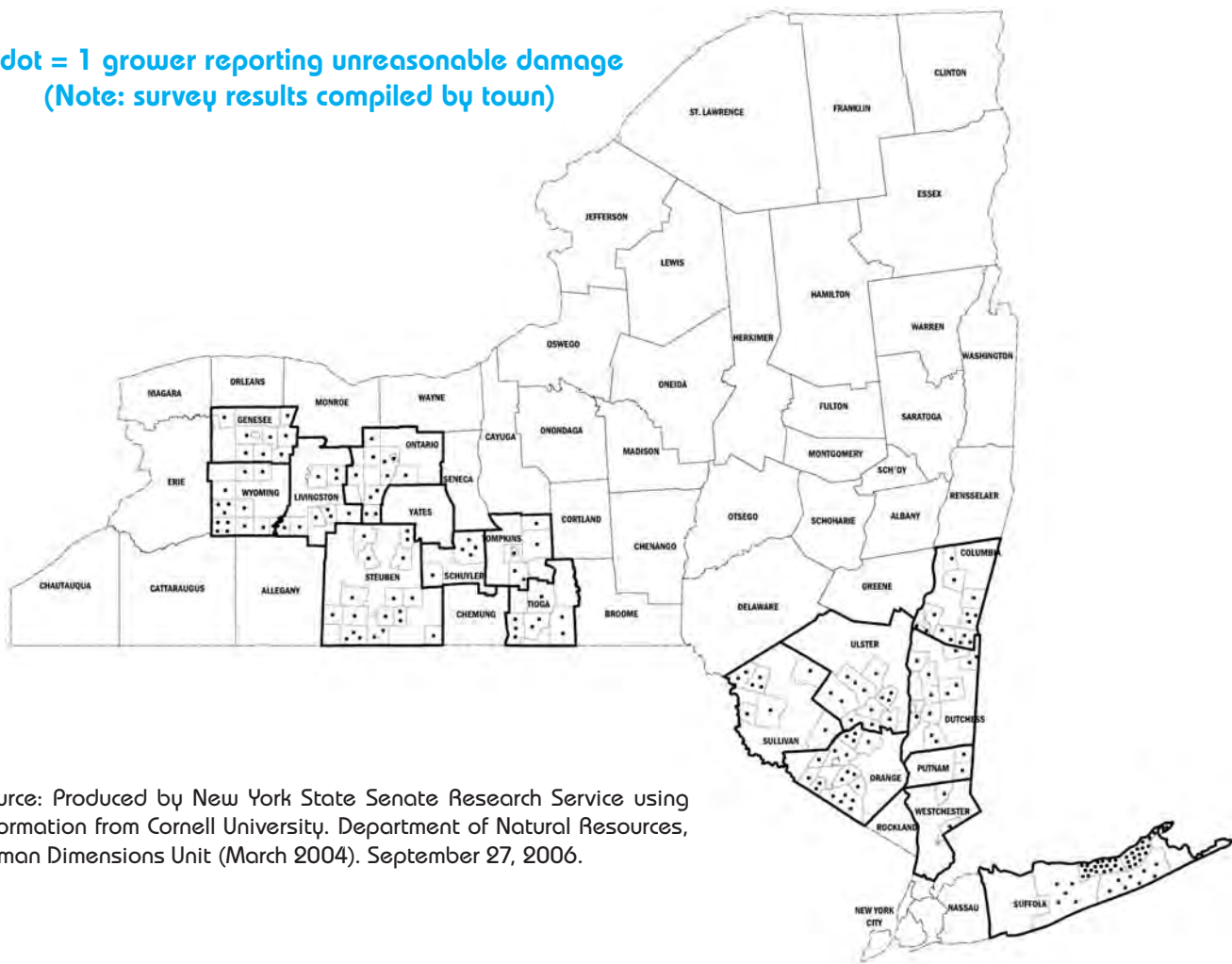
(Larkin)/A. 9539-A (Magee) provides for a 75% income and franchise tax credit for the cost of grape plant material purchased to plant or replant a new vineyard. Senate Bill 6705 (Morahan)/A. 11233 (Magee) grants to growers a 25% income or franchise tax credit for the cost of capital investments such as tractors, sprayers, or equipment to operate a fruit cooler or packing house. (See section E, "Tax Policies to Benefit the Wine Industry," which outlines other bills that provide income tax credits or partial real property tax exemptions to assist grape growers. Also see section G, "Open-Space Initiatives," which outlines several bills pending before the State Legislature to subsidize the purchase of existing farmlands or lands of exceptional value as future farmlands.)

2. *Minimize Wildlife Damage to Crops.* Local growers are facing increasingly unacceptable amounts of crop damage from wildlife such as birds and deer (Figure 2). The full report documents how deer browsing damage has increased substantially over the past 20 years and notes the heightened perception among grape and tree-fruit growers that deer are a nuisance that should be more vigorously controlled. Measures to mitigate deer crop damage include:
 - a. Establishing a Hudson Valley Deer Population Task Force — Senate Bill 6321-A (Larkin)/A. 9909 (Bradley) establishes a new interagency task force that specifically targets deer population issues in the Hudson Valley and suggests revisions to the area's wildlife management plans.
 - b. Extending the Deer-Hunting Season — Senate Bill 443 (Larkin)/A. 3591 (Magee) creates an additional special open hunting season for deer that would extend the deer season through December 20th in all areas of the State where hunting is permitted and through January 31st of the next year for deer taken on agricultural lands. DEC maintains that, on average, 70% of deer taken during the regular big-game season are taken during the first week of the hunting season. Therefore, the best way to control deer herds is to increase the number of hunters and to make it easier for hunters to take deer. This can be achieved, in part, by enacting Senate Bill 4116 (Volker) or Senate Bill 1536 (Volker)/A. 1815-A

(DelMonte), which would lower the minimum age for hunting from 16 years to 14 years.

- c. *Offering Bounties to Encourage Deer Harvesting/Commercial Sale of Hunted Venison* — In the southwestern portion of the United States, local game is commonly offered in restaurants and is part of the local cuisine. This trend of using local game in local cuisine should be encouraged in New York. Senate Bill 901 (Larkin)/A. 6429 (Magee) was introduced to obtain comments on the desirability of instituting licenses to take venison commercially from selected sites in New York.
 - d. *Enhancing the Venison Donation Coalition (VDC) Program* — The VDC program, an informal association of farmers, sportsmen's clubs, hunger social service organizations, and DEC representatives, works to identify areas that have surplus deer populations, obtain venison, and then distribute meat to needy persons. Growers should identify lands that are under extreme deer browsing pressure. Sport clubs should be encouraged to provide more trained volunteers that practice safe and environmentally conscientious hunting practices. This approach should increase the amount of surplus deer that are removed from farming areas and increase the amount of venison donated to food pantries.
3. *Enhance Support for the Highland Fruit Laboratory.* The Highland Fruit Laboratory, in cooperation with its parent Geneva Experiment Station, should conduct more practical field research to address cultivation problems faced by local grape growers. More research is needed to address local issues such as developing cost-effective strategies to control powdery mildew and black rot, identifying suitable cool-climate viticultural practices and clones, varieties, and rootstocks, identifying suitable viticultural sites, and developing cost-effective strategies to minimize wildlife crop damage. A board of local growers or the Hudson Valley Wine & Grape Association should routinely survey new agricultural research and identify those research projects that would be of most value to local growers. To support existing research programs and extension services, alternative sources of public and private funding must be secured.

1 dot = 1 grower reporting unreasonable damage
(Note: survey results compiled by town)



Source: Produced by New York State Senate Research Service using information from Cornell University, Department of Natural Resources, Human Dimensions Unit (March 2004). September 27, 2006.

Figure 2. New York Counties With the Heaviest Deer Damage

It is encouraging that the 2006-07 State Budget provides \$85,000 in additional support for grape research at the lab.

4. *Encourage Steady Demand for Grapes.* Growers strongly maintain that before planting more grapes, growers needed to have some assurance that there would be a sufficient number of buyers willing to purchase grapes at profitable prices. The wineries present at a Task Force-sponsored round-table meeting all stated that there is a large demand for locally produced grapes. Perhaps, growers should enter into long-term relationships with specific wineries so that growers have confidence that the grapes they grow will be sold at a profit. Also, wineries could suggest the grape varieties that are in highest demand should be grown locally.
5. *Establish Best Practices.* Through organizations such as the Hudson Valley Wine & Grape Association, growers should be encouraged to communicate with

each other on cultivation problems and to share information to address those problems. Also, local growers should be surveyed immediately to identify and map out the best sites for grape cultivation. Growers who have experience in the area will know those areas as the same places that are suitable for the cultivation of cold-sensitive stone fruits. It is critical to quickly identify sensitive at-risk lands so that they can be shielded from further commercial development.

B. Winery Issues

1. *Assist Farm Wineries.* Senate Bill 1397-A (Larkin) / A 6466-A (Magee) authorizes a roadside farm stand located within 20 miles of a licensed winery to sell wines from up to two local wineries. This bill would give farm wineries a new outlet through which to sell their products and help to promote tourism. (See section E, "Tax Policies to Benefit the

Wine Industry," which outlines other bills that provide income tax credits or partial real property tax exemptions to support winery operations or expansions.)

2. *Expand Wine Trails.* Wine trail associations should prepare strategic plans that envision a viable business plan to expand their membership, activities, and programs to increase the sale of wine. Wineries located along Route 9-W from Newburgh to Esopus may wish to establish their own statutorily designated wine trail or become associated with the Shawangunk or Dutchess Wine Trails.
3. *Satisfy Wineries' Need for a Steady Source of Local Grapes.* At the round-table meeting, several wineries articulated the need for a reliable source of local grapes. The reason local wineries are forced to purchase grapes from other areas of New York is because of the unavailability of local grapes that are

suitable for quality wine production. Wineries need to cultivate relationships with growers so that they can obtain the grape varieties they need to produce quality wine.

4. *Create a Hudson Valley Grape and Wine Equipment Exchange.* A Hudson Valley grape and wine equipment exchange should be established to facilitate the purchase, sale, or swap of locally grown grapes and equipment by growers, wineries, and amateur winemakers. This initiative should increase the demand for locally produced grapes and, hence, encourage more grape production. In addition to entering into relationships with certain growers, perhaps the exchange could help to optimally redistribute grapes according to demand and help wineries to locate, on a timely basis, equipment needed for wine production.
5. *Form a Hudson Valley Vineyard and Winery Supply Cooperative.* A co-op should be established so that supplies such as grape poles, wire, plant material, barrels, wine tanks, and other items can be purchased and shipped to the Valley in bulk. Once transported, bulk shipments could be broken down and picked up by member growers and wineries. This cooperative could help to reduce overall costs and increase the frequency of shipments.
6. *Establish a Local Contract Grape-Pressing Operation.* A Hudson Valley-based operation to press grapes and other fruits on a contract basis would facilitate the sale of wine juice derived from local fruits to local amateur winemakers. This operation could also receive bulk shipments of Finger Lakes or Long Island grapes, which could be pressed and used by local home winemakers. Establishing such a facility at an existing winery or some other location would encourage the sale of local grapes and reduce the number of trips that local residents now need to take to the Finger Lakes or Long Island to obtain suitable wine juice.
7. *Promote the Establishment of Micro-Wineries.* Chapter 522 of the Laws of 2003 authorized the establishment of micro-wineries. The capital requirements to establish a farm winery can be high, so this law facilitates a grower's ability to gradually and inexpensively enter the wine business by reducing the cost to make wine on a limited basis. Since growers who may wish to establish a new micro-winery may be unacquainted with sound wine-making

practices, it is important that technical advice is offered so that only quality wines are produced.

8. *Encourage the Production and Sale of Brandies, Grappa, and Other Distillates Made From Local Fruits.* Producing brandy in the Valley would complement its dessert-wine-making potential. Brandy is used extensively in the production of ports and sherries. Fostering the production of locally made brandy could encourage the production of more top-quality ports and sherries. Expanding distillery capacity in the Hudson Valley would give growers access to a new outlet to sell their surplus apples, grapes, and other fruits. It would also increase the utilization of damaged fruit and waste fruit peelings that are now discarded or composted by commercial fruit processors, thereby increasing grower profits. Bills introduced by Task Force members to encourage the distillation of fruits in the Hudson Valley include:
 - S. 1735 (Larkin)/A. 4822 (Magee) — Authorizes the issuance of a special Class A-1 distiller's license for the operation of a distillery on the premises of another licensed distillery for the production of no more than 10,000 gallons of brandy. Senate Bill 1735 creates a regulatory framework for small boutique distilleries. Establishing a distillery with all of the requisite equipment can be quite capital-intensive, so allowing an entrepreneur to share already existing distillery facilities should lower the cost to enter this business and thereby increase the demand for fruit. This measure also gives a micro-distillery more freedom to sell its products in bulk to other licensed distilleries.
 - S. 3347 (Bonacic)/A. 8250 (Magee) — Allows for the sale of locally produced spirits at retail from the licensed premises for both on- and off-premises consumption.
 - S. 4075-A (Larkin)/A. 7171-A (Magee) — Expands the number of retail outlets that micro-distilleries, which use New York agricultural products, can distribute their products to include New York State wineries and farm wineries. Under current law, micro-distilleries are limited to selling their products to a wholesaler or retail store.
 - S. 6259 (Larkin) /A. 9765 (Cahill) — Authorizes licensees that sell wine for consumption on the premises to also sell additional types of alcoholic beverages. Under current law, licensees that sell wine (which also authorizes them

to sell beer and fortified wines, such as port and sherry) for consumption on the premises are also authorized to sell soju, an alcoholic beverage of no more than 24% alcohol which is made exclusively in Korea. This bill authorizes such licensees to sell other soju-like alcoholic beverages that have no more than 24% alcohol and that are made from New York agricultural products.

- S. 7600-A (Larkin)/A. 10857-A (Magee) — Grants to all distillery licensees the ability to sell their products at retail from the licensed premises for off-premise consumption and to conduct liquor tastings of their products as long as such tastings are conducted with certain safeguards.

C. Wine Industry Critical Mass

The Valley's wine industry must establish a critical mass of winemakers, wine producers, marketers, publicists, and viticulturists who can create the synergy needed to attract the requisite talent and capital to make top-quality wines and expand production. Once the Valley becomes known for producing top-quality wines, then the marketing of such wines will become easier. The most effective way to sell wine is to produce outstanding, delicious wine that is easily accessible to the public. If the wine is second-rate, wine sales will be poor. If the wine is hard to find, sales will again be poor. Both conditions must be satisfied to create a vibrant local wine industry.

The synergy needed to establish a successful local wine industry will not occur by accident. It will occur with enlightened leadership that guides activities with a firm hand. This leadership, by articulating a commercially successful vision of producing unique wines of the highest quality, can then command the institutional and political resources necessary to create a new and exciting Hudson Valley wine scene. Below are some strategies to create this new wine industry synergy.

1. *Prepare a Hudson Valley Wine Industry Strategic Plan.* To fulfill the Valley's potential to become a large producer of quality wine, the State of New York, via its economic development agencies, and in conjunction with the local wine-making industry, should prepare and implement a strategic plan. Any such plan should include the following objectives:
 - a. enhancing the image of local wines;
 - b. encouraging the production of only

- c. enhancing the marketing of wine by establishing effective business relationships with media and retail outlets;
 - d. forming alliances with local high schools, BOCES, and area colleges such as the Culinary Institute of America and other colleges that offer food and hospitality classes; and
 - e. encouraging the establishment of complementary vineyard and winery supply and service businesses.
2. *Expand the Role of the Hudson Valley Wine & Grape Association.* The Association is an organization of local grape growers, commercial and amateur winemakers, and Cornell Cooperative Extension employees that has for the past four years encouraged dialog among the Valley's wine industry members. The current organization could be an appropriate vehicle to consolidate industry-wide dialog and coordinate activities for the industry's growers and wineries. Among the responsibilities that the Association should carry out are:
 - a. continuing sponsorship of the annual commercial and amateur wine competition;
 - b. expanding activities to increase communication between growers and wineries;
 - c. increasing the number of seminars conducted for both growers and winemakers to increase wine quality and the amount of grapes produced;
 - d. raising the awareness of local wines to the trade, press, and consumers;
 - e. acting as an ombudsman representing industry interests at the municipal, county, state, and federal levels of government;
 - f. exploring the possibility of establishing a Hudson Valley wine country visitors' center; and
 - g. becoming a forum in which industry leaders regularly subject their colleagues' wines to peer review and offer constructive criticism to advance overall wine quality.
 3. *Promote the Establishment of Flagship Wineries.* The Valley's industry needs to possess one or two flagship wineries that produce top-quality wines in quantities sufficient to supply the national premium and ultra-premium wine market. Consumers nationwide could then point to such showcase wineries as evidence that the Valley can produce top-quality wines that are unique and

interesting. Once these flagship wineries have been established or smaller local wineries grow into that role, the sale of other local wines in the national market will naturally follow.

4. *Create an Environment That Encourages More Capital Investment in Agriculture.* As the area's cache increases as a region that produces wines of the highest quality, the Valley should attract more agricultural investors and winemakers from outside of the area. While the Valley is trying to secure new farmers, winemakers, and purchasers of land to retain old vineyards and establish new ones, people retiring from Wall Street and other lucrative professions in the New York metropolitan area are investing in and even relocating to California to establish new wineries and vineyards. Individuals who may wish to invest in farmlands should be steered to investment opportunities that exist in the Valley.
5. *Expand the Number of Top-Quality Vineyards.* To support a growing wine industry, more vineyards of sufficient size and quality need to be established to meet industry requirements for top-quality grapes. Currently, many "Hudson Valley" wines are made from grapes that come from other parts of New York or other regions of the country. To become a true wine region, more grapes must be produced locally.
6. *Encourage the Production of Top-Quality Wines.* The Wine Analytical Laboratory and New York Wine Data Bank is a program located at Cornell University. In the past, this program concentrated on advising winemakers on how to eliminate potential defects in wines before they were made and advised how to fix a problem that manifested in a wine after it was made so that it could be sold. Now, the lab is shifting its focus toward advising winemakers on how to make exceptional wines from New York grapes, instead of establishing a minimum quality standard that all wines should meet.

D. Tourism, Sales, and Promoting the Hudson Valley

1. *Establish Farm, Apple, and Cuisine Trails.* Chapter 248 of the Laws of 2004 (Larkin/Magee) created farm trails, apple trails, and cuisine trails. Wineries should consider participating in these new marketing programs.
2. *Develop a Unified Valley Wine Industry Public Relations Program and Marketing Web Site.* Through the cooperative work

of individual growers, wine producers, the Culinary Institute, marketing agencies, local governments, and other civic organizations (Hudson Valley Greenway, Glynwood Center, etc.), a unified regional public relations program should be implemented to promote Hudson Valley wines and local cuisine. In addition, a well-designed regional Web site should be dedicated to all activities that occur in the local wine industry scene. Such a Web site should have extensive links to those wineries that have their own individual sites.

3. *Integrate Hudson Valley Wines With Local Cuisine.* The local wine industry, in promoting itself, has begun to integrate the enjoyment of wine with the consumption of locally produced foods. To encourage this process, the industry, on a collective basis, should enter into new relationships with the Culinary Institute or other area schools that teach food preparation or hospitality classes. On a collaborative basis, professors and students should be exposed to more locally produced wines. These culinary professors and students could give valuable feedback to winemakers on the quality of the wines produced and suggest ways to alter wine-making styles so that the wines can become more marketable. Conversely, chefs should be encouraged to create dishes or an array of food presentations to complement local wines. The industry should also offer students internships at local wineries to expose them to grape-growing and wine-making techniques.
4. *Facilitate Winery Efforts to Market Their Products Directly to Consumers.* Instead of developing Web sites that attract hits from individuals who are already planning to visit the area, wineries should, through the Internet, go directly to consumers to solicit their business. Wineries may need some technical assistance to develop direct-marketing computer programs to identify new customers and communicate with old ones to retain their patronage. Further, with the passage of the interstate wine shipment law in New York, it is critical for wineries to enhance their ability to identify customers and to ship wine directly to them.
5. *Establish a Wine Visitors' Center.* Local wineries should establish a centralized wine visitors' center and tasting room. Establishing a winery visitors' center near an Interstate exit should generate more visits to area wineries by

individuals who are “passing through” but would not have otherwise stopped to patronize local wineries. A visitors’ center could also be located on the waterfront in cities such as Kingston, Newburgh, or Poughkeepsie. Such a center could be operated in conjunction with a restaurant or wine shop. The center could contain a small museum or exhibits that highlight our local area’s wine-making history. Further, in addition to selling local wines, staff could channel visitors directly to participating area wineries, restaurants, and lodging establishments.

E. Tax Policies to Benefit the Wine Industry

The State should enact legislation to grant very targeted real property tax exemptions and income tax credits to promote this industry. For example:

1. *Expansion of the Farmers’ School Tax Credit Program.* Senate Bill 447-A (Larkin)/ A. 3592-A (Magee) extends the Farmers’ School Tax Credit to cover agricultural land that is leased on a long-term basis. Senate Bill 4017-A (Larkin)/ A. 7175-A (Magee) grants a 50% agricultural real property tax credit for school taxes paid for farmers that earn between 40% and 2/3 of their income from farming. The 2006-07 State Budget expands the Farmer’s School Tax Credit by increasing the base exemption for a full tax credit from 250 acres to 350 acres and increases the income threshold to phase out the exemption from \$100,000 to \$200,000.
2. *Partial State Income Tax Credit for the Purchase of New Grape Plant Material.* To become a true wine-producing district, more needs to be done to encourage the planting of additional vineyards. Granting a partial income tax credit would be repaid many times over in increased production of quality grapes that are necessary for the expansion of the local wine industry. Senate Bill 6009-A (Larkin)/ A.9539-A (Magee) grants a 75% income and franchise tax credit for the cost of new grape plant material for the planting or replanting of a vineyard. Senate Bill 6705 (Morahan)/ A. 11233 (Magee) grants to owners of vineyards and wineries a 25% income tax credit for the cost of capital equipment used in the cultivation, processing, or storage of fruit or fruit products.
3. *Partial Real Property Tax Exemption for Winery Expansion.* A limited partial exemption from real property taxes should be granted for the construction of all new winery facilities or additions

to older facilities. Senate Bill 6010-A (Larkin)/ A. 9538-A (Magee) grants a partial real property tax exemption of no more than 50% of the added increased assessed value to the wine production facility. Such exemption would be for no more than 10 years.

4. *Partial Income Tax Credit for Grower and Winery Capital Investments.* Senate Bill 6009-A (Larkin)/ A.9539-A (Magee) grants a 50% income and franchise tax credit to wineries and distillation facilities for the cost of capital equipment such as machinery, tools, presses, pumps, cooperage, other storage tanks, appliances, and other similar equipment. Senate Bill 6705 (Morahan)/ A. 11233 (Magee) grants a 25% income and franchise tax credit to growers for the cost of capital equipment used in the production and storage of grapes and other fruits.
5. *Waiver for Late Filing of Agricultural Real Property Tax Exemption Application.* Senate Bill 7224 (Larkin)/ A. 10626 (Magee) grants to farmers the ability to obtain a waiver to file an agricultural real property exemption application with a local taxing jurisdiction after the filing deadline has passed. Similar waiver provisions have been granted to senior citizens who fail to timely file a senior citizen real property exemption application. A farmer could file a late exemption application if the applicant or the applicant’s spouse is ill or dies immediately before the application deadline.

F. Financing and Access-to-Capital Issues

1. *Authorize Industrial Development Agencies (IDAs) to Finance Agricultural Business Projects.* Senate Bill 853-A (Larkin)/ A 6430-A (Magee) authorizes IDAs to finance agricultural business expansions. This measure would increase the wine industry’s access to capital.
2. *Create and Utilize Alternative Financing Vehicles.* To increase access to investment capital, alternative financing mechanisms are needed. Organizations such as IDAs, private financial institutions, farm credit organizations, and local municipal or quasi-public development corporations should develop and use alternative financing vehicles such as regional bridge loan programs and farmland lease arrangements or swaps to increase grower access to investment capital.

G. Open-Space Initiatives

To establish a strong local wine in-

dustry, existing vineyards and sites that potentially could become exceptional vineyards must remain available for grape and other fruit production. The Hudson Valley is becoming more suburbanized and rapidly losing its farmland. This trend needs to be curtailed.

To curb the rapid loss of fruit lands and sites that could become economically viable vineyards, such lands must be rapidly identified and set aside for future vineyard development. This means that at-risk lands must be identified before they go on the market and arrangements made between the selling and purchasing farmer. Once such lands go on the market, they are quickly sold to developers before agricultural interests or preservation groups can raise the money needed to successfully bid on such parcels. Preservation groups must have access to a pool of money or letters of credit to engage in bidding wars to retain such farmland.

Below are several open-space initiatives that should be encouraged.

1. *Establish Open-Space Zoning Districts.* Senate Bill 6861 (Larkin)/ A. 10158 (Bradley) grants municipalities additional powers to expand benefits to land owners in municipally designated open-space zoning districts to encourage such land owners to keep land in agriculture or as open space.
2. *Establish a Subsidized Farmland Acquisition Program.* A program should be established to subsidize a grower’s purchase of viable farmland or vacant land that could be converted to viable farmland that is adjacent to already existing farms. Subsidizing the purchase of additional farmland on the condition that such lands remain under cultivation would help to expand the number of working landscapes and create buffer zones between existing farms and neighboring residential areas. This program is especially useful for grape growers since vineyards tend to be located on smaller parcels of land than are used for apple cultivation.
3. *Lease Development Rights.* A “lease of development rights” program should be established. It would be less expensive to lease farmland development rights for a period of 8 to 10 years instead of permanently purchasing these same rights. In addition, leasing such rights could keep highly productive farmlands in production while a more permanent arrangement is made to retain farm acreage.
4. *Enter Into Long-Term Installment Purchase Agreements.* Perhaps payments

to farmers who preserve their land by entering into conservation easement contracts can be made in installments. This method of payment has two benefits: first, the capital gains tax owed by the farmer is deferred until the final payment is made for the sale of the conservation easement; second, paying over time can give the land trust more of an opportunity to raise the funds needed to fully purchase such an easement while still protecting at-risk farm acreage.

5. *Offer Tax Credits to Subsidize Farmland Acquisitions.* In the past, in addition to intra-family transfers of land to succeeding farming generations, commercial and savings bank loans were one of the primary mechanisms to finance land purchases. Commercial banks have left the scene of lending funds to purchase farmlands; therefore, new financing methods must be established. Senate Bill 6693 (Larkin)/A. 10068 (DelMonte) grants, to domestic life insurance companies that lend money to new fruit farmers who purchase farmland that is to become subject to a conservation easement, a 30% income tax deduction on that portion of the interest that is earned from the loan issued by such insurer. Senate Bill 6694 (Larkin)/A. 10067 (DelMonte) grants a partial deduction of interest income in the calculation of the franchise tax on business corporations and the personal income tax involving certain sales of land used in the production of fruit or fruit products to other farmers who plan to keep acreage in production. Senate Bill 6707 (Morahan)/A. 11231 (Magee) grants, to land owners that lease their fruit-producing lands to other growers who plan to keep such

land in production for at least five years, a 25% income tax deduction for the amount of rental income earned on such lease.

Conclusion

Senator Larkin hopes that the ideas presented here will spur others to develop and implement new strategies to revitalize the Hudson Valley's wine and grape industry. It is further hoped that this paper will be utilized by members of the wine industry and by public, private, and nonprofit organizations that are working to realize a vision of the Hudson Valley as a recognized source of uniquely excellent wines.

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