

# California Legislature

## SENATE SELECT COMMITTEE ON CALIFORNIA'S WINE INDUSTRY

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## **JOINT INFORMATIONAL HEARING** **Senate Select Committee on California's Wine Industry** **Assembly Select Committee on Wine**

August 16, 2017

### **SUMMARY REPORT**

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The Senate Select Committee on California's Wine Industry collaborated with the Assembly Select Committee on Wine to hold an informational hearing on August 16, 2017, at Napa Valley College in Napa, California. Members of the public and a variety of stakeholder groups attended to hear presentations by noted experts in the fields of sustainability, fish friendly farming, and farmworker housing.

Committee Co-Chair Senator Bill Dodd began the two-hour hearing with recognition that California's wine industry has a significant local and statewide economic impact, noting:

- California accounts for 90 percent of the wine produced in the U.S.
- Our state's wine industry is estimated to generate \$58 billion annually in economic activity and create jobs for 325,000 Californians.
- The wine industry pays over \$7.5 billion annually in taxes to federal, state, and local governments.

Committee Co-Chair Senator Mike McGuire commented in his introductory remarks that California is trailblazing in sustainable growing and water-smart farming practices, in turn leading consumers to put more value on sustainable production. He encouraged all agricultural sectors in California, particularly those still in early stages of development such as the cannabis industry, to look to the wine industry as "the gold standard" of sustainability. Senator McGuire also expressed his support for the Joe Serna Farmworker Housing Grant Program, which would receive an allocation of \$300 million under SB 3 (Beall), the \$3 billion affordable housing proposal co-authored by Senators Dodd and McGuire.

Committee Chair Assemblymember Aguiar-Curry, in her opening remarks, echoed Senator McGuire's support for farmworker housing funding and commented that Napa County has proactively developed the most effective farmworker housing program in the state.

The focus of the hearing was to explore several critical issues impacting the wine industry, answering the following questions:

- *How can the Legislature help promote innovative practices in California's wine industry, and encourage other industries to similarly self-regulate and develop models of sustainability?*
- *What are some of the current, effective sustainable farming programs?*
- *What is consumer demand for products that are sustainably grown and produced?*
- *What will it take to expand sustainability focused programs like Fish Friendly Farming, which started as a regional effort?*
- *What are the challenges in ensuring that there is ongoing funding for farmworker housing programs?*
- *What are some current farmworker housing programs in California?*
- *How can the state facilitate or eliminate barriers to meet industry housing needs?*

### **Panel 1 – Sustainability and Fish-friendly Farming in Viticulture and Winemaking**

- Allison Jordan; *Executive Director, California Sustainable Wine Growing Alliance*
- Karissa Kruse; *Executive Director, Sonoma County Winegrowers*
- Michelle Novi; *Industry Relations Manager, Napa Valley Vintners*
- Keith Horn; *Vice President of Vineyard Operations, Constellation Brands*

California winegrape growers and vintners have utilized sustainable winegrowing practices for decades, with educational efforts beginning in the 1950's. These vineyard and winery practices set standards in sustainable efforts that are environmentally sound, socially equitable and economically viable. California's wine community has strongly committed to sustainability and transparency by developing and expanding self-assessment and certification programs that have emerged in the last decade.

### **Napa History of Sustainability**

Napa County established America's first agricultural preserve in 1968, which has resulted today in the wine region being the most highly regulated in the world. The following timeline shows what measures have been taken to achieve the level of sustainability exemplified by Napa:

- Napa Valley Agricultural Preserve – 1968
- Conservation Easements – 1976
- Growth Management System – 1980
- Winery Definition Ordinance – 1990
- Rezoning Agricultural Land – 1990
- Hillside Farming Ordinance – 1991
- Stream Set-backs – 1991
- Napa River Restoration (Napa Flood Control) – 1998
- Formation of the WICC Board – 2001
- Farmworker Housing Assessment – 2002
- Napa Green Certified Land – 2004
- Napa Green Certified Winery – 2008

*How can the Legislature help California's wine industry promote its innovative practices, and encourage other industries to similarly self-regulate and develop models of sustainability?*

In California, pressures from population growth, development pressures, water scarcity, and climate change all threaten the security of our land and resources. With an inherent stake in the future health of our environment, farmers and landowners have opportunities to help protect it. It is critically important to

support and expand efforts to improve the conservation and efficient use of agricultural land, water, and other natural resources. Many individual farmers and vintners have taken proactive approaches to improve how they manage resources.

Recognizing the numerous benefits that come from enlisting an entire industry, California's wine industry has taken a proactive approach to adopting sustainable practices under the California Sustainable Winegrowing Program (CSWP). By implementing industry-driven, voluntary efforts, the state's wine community has become a leader in sustainability. The self-assessment program has provided their industry many benefits, including market advantages, data with which to communicate their progress to regulators, and a mechanism by which farmers can identify opportunities to increase efficiencies, manage risks, improve product quality, and cut costs.

Emulating the wine industry's efforts, other crop industries are beginning their own programs to gauge, and ultimately improve, the adoption of industry-specific sustainability best practices. For example, the Almond Board of California has developed an industry-wide assessment model of sustainability that is comparable to the model created by the wine industry.

*What are some of the current, effective sustainable farming programs?*

### **Programs and Certifications**

Several of the state's winegrowing regions and other organizations have sustainable and environmental programs, which have provided the foundation for the statewide California Sustainable Winegrowing program. These programs support the production of high quality grapes and wine, while conserving water and energy, maintaining healthy soil, protecting air and water quality, enhancing relations with employees and communities, preserving local ecosystems and wildlife habitat, and improving the economic vitality of vineyards and wineries.

#### Certified California Sustainable Winegrowing (CCSW)

Introduced in 2010, CCSW is a certification program that provides third-party verification that a winery or vineyard adopts and implements sustainable practices based on 140 vineyard and 104 winery best practices, and commits to continuous improvements in those areas.

#### Sustainability in Practice (SIP) Certified

SIP Certified is a rigorous sustainable vineyard and wine certification with strict, non-negotiable requirements. The certification is based on standards reflecting science and expert input, independent verification, transparency, and absence of conflict of interest.

#### California Sustainable Winegrowing Alliance (CSWA)

CSWA is a non-profit organization incorporated in 2003 by the Wine Institute and the California Association of Winegrape Growers (CAWG) to promote environmental stewardship and social responsibility in the California wine community. CSWA prepares public, in depth sustainability reports every five years, and annual interim reports, to aggregate and evaluate industry sustainability data for stakeholders.

#### Napa Green

Napa Green is a voluntary program that is third-party, independently certified, and meets and exceeds 20 local, state, and federal land or production best practices. Napa Valley wineries and growers participate in farm-specific plans tailored to protect and enhance the ecological quality of the Napa Valley, or in production facility programs that reduce energy, waste, and water use for an overall goal of pollution reduction.

### 2020 Initiative

In 2015, the Napa Valley Vintners trade association announced the goal that all of its eligible members will be certified in the Napa Green program by the year 2020.

### Sonoma County 100% Sustainability Goal

The Sonoma County Winegrape Commission announced on January 15, 2014, that Sonoma County is committed to becoming the nation's first 100 percent sustainable wine region through a three-phase program to be completed within the next five years. The county's multigenerational winegrowers and winemakers are partnering to meet this goal, to benefit the environment and meet the needs of consumers, as well as increasing efficiencies, eliminating waste, and saving money. For this commitment to sustainability, Sonoma County has been recognized with California's highest environmental honor – the Governor's Environmental and Economic Leadership Award (GEELA).

### **Certification Statistics**

- 30 percent of **statewide** acreage is certified sustainable, Napa Green, and/ or SIP certified.
- There are 117 Certified Sustainable wineries in California, producing nearly 5 million cases of Certified Sustainable wine annually.
- 75 percent of California's vineyard acreage and 80 percent of California's wine case production participates in the California Sustainable Winegrowing Program.
- There are 728 Certified Sustainable vineyards in California.
- More than 85 percent of Sonoma County's vineyard acres have completed the sustainability self-assessment. In addition, 60 percent of Sonoma County's vineyard acres – more than 34,000 acres – have been certified sustainable.
- More than 1,220 vineyard properties in Sonoma County are now sustainable and nearly 50 wineries are now certified sustainable.
- 90 percent of the Napa River watershed is in private ownership and public/private partnerships making Napa Green vital to the sustainability of the Napa region.

*What is consumer demand for products that are sustainably grown and produced?*

As a part of the most recent update by CSWA to the sustainability certification programs, starting in 2017 wineries can now indicate the status as a Certified Sustainable winery by adhering a logo to each bottle of wine produced. The logo indicates the wine is made in a Certified Sustainable winery with grapes from California Certified Sustainable vineyards. Previously, information about a winery's participation in CCSW was only available either online or in-person at the winery location. This update makes such information more readily available to consumers.

Wine Intelligence UK recently partnered with the Sonoma County Winegrowers to conduct a national survey on consumer demand trends. Results of the survey of 2,000 wine consumers in United States showed a 94 percent preference for sustainable wine versus a nonsustainable wine, and results were even higher with millennial consumers. Another survey conducted in 2016 by the Sonoma County Winegrowers on sustainability and wine consumption indicated a majority of those surveyed believe sustainably grown wine tastes better. That research further indicated that consumers would pay more for sustainably grown wine.

*What will it take to expand sustainability- focused programs like Fish Friendly Farming, which started as a regional effort?*

### **Fish Friendly Farming**

Based in Napa and Sonoma Counties, the Fish Friendly Farming (FFF) program is run by the California Land Stewardship Institute, a non-profit organization, with technical and certification assistance provided by government entities. FFF provides third-party sustainability certification of agricultural land including vineyards.

To participate in the program, owners or managers of vineyards and orchards attend a series of workshops that cover aspects of sustainable land management such as water and soil conservation, creek and river riparian corridor management and restoration, and revisions to water facilities to increase in-stream flow. Then, the land owner develops a Farm Conservation Plan, which inventories and evaluates natural resources and practices on their entire property. When the Farm Conservation Plan is completed, it is certified through a third party review of the property and the Plan. The land owner takes steps to implement the actions and projects identified in the Plan, and monitors and reports on sustainability progress.

To date, over 140,000 acres in Napa, Sonoma, Mendocino, Solano, Amador, Placer and El Dorado counties have been enrolled in the program. FFF is currently expanding into additional counties, including developing programs in Yolo County. The program will also look to create non-profit partnerships with universities, to emulate the successful collaboration between FFF and Stanford University.

### **Legislative Efforts**

In 2016, then-Assemblymember Dodd introduced AB 1704, which would have streamlined the Department of Fish and Wildlife's review of water use registrations that are submitted with lake or streambed alteration (LSA) notifications. The bill required the Department to review and process a proposed water use registration concurrently with the LSA notification. The bill's intent was to facilitate small irrigation use registrations statewide by directing the Board to develop general conditions during periods of high stream flow that result in the reduction of existing diversions during periods of low stream flow.

This year, Assemblywoman Aguiar-Curry introduced AB 1420, which is similar in nature to AB 1704 (2016). AB 1420 streamlines the process for a farm or vineyard owner to obtain a permit from the State Water Board to divert water into a small irrigation pond, to enhance growers' water security and protect natural resources.

Senator McGuire has also worked on sustainability issues, introducing both SB 144 and SJR 7 this year. SB 144 extends the sunset for the Steelhead Trout Fishing Restoration report card, which is a tool used by the state to monitor, restore, and enhance California's steelhead resources, and generate funding for steelhead watersheds including on vineyards and farmland. SJR 7 encourages federal and state agencies and departments to make collaborative, statewide salmon fishery restoration an urgent and high priority, including those streams near vineyards around California.

### **Panel 2 – Cultivating the Future of the Industry: California Farmworker Housing**

- Angel Calderon; *On-site Manager, River Ranch Farmworker Housing Center*
- Alfredo Pedroza; *Napa County Supervisor, Napa County Board of Supervisors*
- Steven Moulds; *Grapegrower/President, Napa Valley Farmworker Foundation*
- Rob Wiener; *Executive Director, California Coalition for Rural Housing*
- Kathryn Amann; *Deputy Director, Division of Finance Assistance, California Department of Housing and Community Development*

In California, there are around 800,000 farmworkers and around 128,000 are migrant farmworkers. Two types of housing are generally provided: temporary housing for migrant workers, which may be in dormitory settings, and more permanent housing for non-migrant farmworkers and their families.

*What are the challenges in ensuring that there is ongoing funding for farmworker housing programs?*

While the demand for hired farm workers has substantially increased in recent decades, the supply of employer-provided housing for hired farm workers has sharply declined. In the face of rising housing costs in California, workers are increasingly forced to rely on their own resources to obtain housing. Many of the

state's hired farm workers have little choice but to reside in sub-standard and/or overcrowded units, including garages, sheds, barns, and temporary structures.

The California Agricultural Workers Health Survey (CAWHS) finds nearly half (48%) of dwellings occupied by the state's hired farm workers are overcrowded and a quarter (25%) extremely overcrowded. Nearly one-third (30%) of CAWHS dwellings are not recognized by the local County Assessor or by the U.S. Postal Service. Many of these dwellings are irregular structures not intended for human habitation, and one-sixth (17%) lack either plumbing or food preparation facilities, or both.

*What are some current farmworker housing programs in California?*

As a result of the current immigration situation and increased demand for year-round farm labor, an increasing number of farmworkers are choosing to reside in Napa County on a permanent or semipermanent basis. This increases the need for local, affordable farmworker housing. The stakeholder outreach process has indicated that there is a growing trend of farmworkers no longer merely looking for a temporary bed, but rather seeking family housing and all the services and neighborhood amenities associated with raising families and being permanent members of the community within Napa County.

**The Office of Migrant Services Center**

The Office of Migrant Services program is overseen by the California Department of Housing and Community Development. The program has provided:

- 24 centers located throughout the state; and
- About 1,900 units of housing; and
- Services for around 11,000 migrant workers annually; and
- Family housing only (no housing for single individuals).

**Napa County**

Napa County – Vineyard Assessments

In 2001, the Legislature authorized the Napa County Board of Supervisors (BOS) to form a county service area (CSA). A CSA is formed to empower the local BOS to be able to deliver a higher level of service to a specific area, and can pay for that enhanced service by levying additional assessments or fees. Pursuant to this Legislative authorization, in 2002, the Napa County Board of Supervisors created CSA No. 4 in order to impose a ten dollar annual assessment on vineyard owners as a funding mechanism to support affordable farmworker housing for the wine industry's labor workforce.

The County and its industry partners are recognized nationally for this self-assessing program that provides safe and clean facilities for a labor workforce that is critically important to California's economy. It is the only program of its kind that combines funding from the County, farmworkers, industry stakeholders, and the community. Since 2002, with the introduction of the program, inflation has drastically increased the housing centers' annual operating costs, forcing them to run with a large annual deficit.

Since 2012, the program has provided housing to more than 50,000 farmworkers annually. For \$13 per day, workers in the program receive the following:

- An overnight bed.
- Three meals per day (except Sunday).
- A common recreation area with TV, pool tables, and a library.
- Access to onsite laundry facilities.
- Access to payphones and computers.

Under contract with Napa County Housing Authority, the California Human Development manages three Farmworker Housing Centers, including:

- Calistoga Farmworker Housing Center
- Mondavi Farmworker Housing Center
- River Ranch Farmworker Housing Center

The state should consider providing some financial support to programs like the one in Napa to encourage this model, which saves the state significantly by absolving the state from complete ownership and operational facility costs. This would encourage continued utilization and expansion in Napa and other counties, and could support other state goals, such as reducing greenhouse gas emissions from farmworkers that are forced to live many miles from where they work.

Napa County jurisdictions have implemented policies and incentives to further encourage the production of affordable housing, but local government financial resources available to support new development have been reduced due to the 2012 elimination of redevelopment agencies. Similarly, state and federal funding has been reduced in recent years.

*How can the state facilitate or eliminate barriers to meet industry housing needs?*

### **Joe Serna Farmworker Housing Grant Program**

The Joe Serna Farmworker Housing Program was created to finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. The program received its funding from Propositions 1C and 46. It has been used to build 6,700 units of permanent housing. However, the money has nearly been depleted. This may be addressed in part by the \$3 billion dollar affordable housing proposal that is currently moving through the legislative process. In the current version of SB 3, the Joe Serna program would receive up to \$300 million.

### **Legislative Efforts**

This year, Senator Dodd worked with the vintners and grapegrowers of Napa to introduce SB 240, to increase the annual assessment to \$15 per planted vineyard acre to build, maintain and operate farmworker housing. SB 240 was signed into law by the Governor in July of 2017.

Assemblywoman Cecilia Aguiar-Curry also introduced AB 317 this session, to address the critical housing needs for the entire agricultural region in Napa and surrounding counties. This bill requires Department of Housing and Community Development to award up to \$250,000 annually to the Napa County Housing Authority in matching dollars, so that the housing centers can stay open.