



2010-2011 ANNUAL REPORT

Oregon Wine Board

Oregon Winegrowers Association

Trust for Oregon Wine Education
& Research (TOWER)

BOARD OF DIRECTORS/STAFF

OREGON WINE BOARD DIRECTORS

Chair: Sam Tannahill, A to Z Wineworks

Chair Emeritus: Kara Olmo, Wooldridge
Creek Winery

Vice Chair: David Adelsheim, Adelsheim Vineyard

Treasurer: Tim Kennedy, Don Carlo Vineyard

Leigh Bartholomew, Dominio IV Winery

David Beck, Crawford Beck Vineyard

Terry Brandborg, Brandborg Vineyards & Winery

Michael Donovan, RoxyAnn Winery

William Sweat, Winderlea Vineyard & Winery

OREGON WINEGROWERS ASSOCIATION

President: Sam Tannahill, A to Z Wineworks

Vice President: David Adelsheim,
Adelsheim Vineyard

Secretary: Kara Olmo, Wooldridge Creek Winery

Treasurer: Tim Kennedy, Don Carlo Vineyard

Leigh Bartholomew, Dominio IV Winery

David Beck, Crawford Beck Vineyard

Terry Brandborg, Brandborg Vineyard & Winery

Michael Donovan, RoxyAnn Winery

William Sweat, Winderlea Vineyard & Winery

OWA Lobbyist: Gary Conklin, President,
Conkling Fiskum & McCormick

OWA General Counsel: Jesse D. Lyon,
Davis Wright Tremaine LLP

TOWER DIRECTORS

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Michael Donovan, RoxyAnn Winery

William Sweat, Winderlea Vineyard & Winery

OREGON WINE CENTER STAFF

Tom Danowski, Executive Director

Charles Humble, Marketing &
Communications Director

Katie Bray, Marketing & Events Director

Rose Cervenak, Executive Assistant

Michelle Mayall, Communications Coordinator

Heidi Sloan, Marketing Coordinator

Karen Walsh, Finance Manager

From the Board of Directors

Dear Industry Colleagues,

Your Board of Directors and team at the Oregon Wine Board/Oregon Wine Growers Association experienced a great deal of change in fiscal year 2010-11. With this change came a renewed commitment to both organizations key objectives: marketing, education, and research for Oregon Wine Board and advancement of the wine community's legislative priorities for Oregon Wine Growers Association.

The intent of this Annual Report is to provide a summary of the activities and budgets for the fiscal year that began July 1, 2010 and ended June 30, 2011. However, since the fiscal year ended both organizations have made great strides. We will publish a more comprehensive annual report at the end of 2011-2012.

Your team worked to spread the word about Oregon wines across both international and domestic markets. The Oregon Wine Board's international efforts focused on Canada, Japan and the United Kingdom. On the domestic front, the industry participated in the Aspen Food & Wine Festival featuring our sustainability program, Oregon Certified Sustainable Wine.

On the education front, the Symposium was a huge success, boasting its highest sponsorship revenues yet. Due to an ever-expanding wait list for the trade show, and with the support of 67% of the attendees surveyed, the Oregon Wine Industry announced that it will be moving to the Oregon Convention Center for the 2012 event.

Research continues to be a key focus with a \$240,000 investment in studies that will help winemakers and growers across the state.

Our legislative agenda kept the Oregon Winegrowers Association (OWA) busy. The major emphasis of OWA was a land use bill allowing wineries to host events on site. In addition, OWA focused on custom crush regulations and a new Oregon wine country license plate.

2010-2011 saw several staff changes. Following the departure of our Executive Director, industry veterans Steve Burns and Stacie Jacob served as interim directors to work with the Board and staff. The transition included listening to constituents and members to identify priorities and creating the framework for a long term strategic plan.

During the year, we restored staff capabilities in several key areas and added new competencies in critical disciplines, such as social media marketing. Most importantly, we recruited a wine industry veteran and longtime Oregonian as Executive Director in late 2011. Tom Danowski brings extensive consumer marketing and strategic brand management experience to OWB/OWA.

The following pages detail the investment of your dollars supporting the Oregon Wine Board, Oregon Winegrowers Association and TOWER in advancing Oregon wine. We appreciate hearing from the industry as we work towards industry initiatives to maximize your success and keep Oregon wines positioned among the global wine industry.

Regards,

Your Board of Directors and Staff

Oregon Wine Board

Long Range Planning

Late in the year, work was done to lay a foundation for a long-term strategic plan. This began with member surveys and market assessments. An overwhelming 62% of survey respondents rated marketing as the No. 1 priority. This learning helped frame the search effort for the new Executive Director. The strategic plan will be developed and presented in greater detail in the 2011-2012 annual report.

Oregon Wine Board

Marketing

Tourism

The 2010-2011 fiscal year proved to be a year of transition for marketing and communications at the Oregon Wine Board. Not only was it a year of transition in the leadership of the marketing and communications function, but also a year in which the emphasis began to swing from markets outside of Oregon to an Oregon and regional focus.

The year began with a very successful outreach presence for Oregon wine at the Aspen Food & Wine Classic. In addition, the OWB leveraged its strong and growing relationship with Travel Oregon to play a key role in multiple Oregon Bounty promotional events, including a major media event in New York City followed by desk side visits with key members of the food and wine press headquartered there. OWB worked closely with Travel Oregon in coordination with its \$1 million Bounty Oregon campaign to enhance the program's focus on Oregon wine. OWB partnered with Travel Oregon on the winery directory and event information published on Travel Oregon's website.

In another significant partnership with Travel Oregon, OWB collaborated on the first ever statewide Oregon Wine Country tourism meeting. Regional and local destination marketing organizations were invited to join AVA and winery marketing associations from across the state for a marketing summit. It was the first time all of these organizations had gathered to discuss shared objectives and partnering opportunities. Forty partners attended from all wine regions to collaborate on building a statewide messaging map to form a unified way in which everyone talks about Oregon's wine industry as a tourism destination.



Oregon Wine Country License Plate

OWB was a key partner in working with Travel Salem to promote the passage of legislation in the 2011 Oregon Legislature authorizing the Oregon Wine Country license plate, making Oregon the first state to approve a license plate to showcase and benefit the wine industry. OWB expects to play an ongoing role in promoting sales of the plates once they are available.

Social Media

Social media was another major focus for OWB. The brand was aligned around Oregon Wine across both Facebook and Twitter with plans to extend that to Google+ in the coming year. With the help of a Facebook contest, OWB built its monthly active users to more than 2,500 over a three-month period. We also began applying metrics to our Twitter account for the first time.



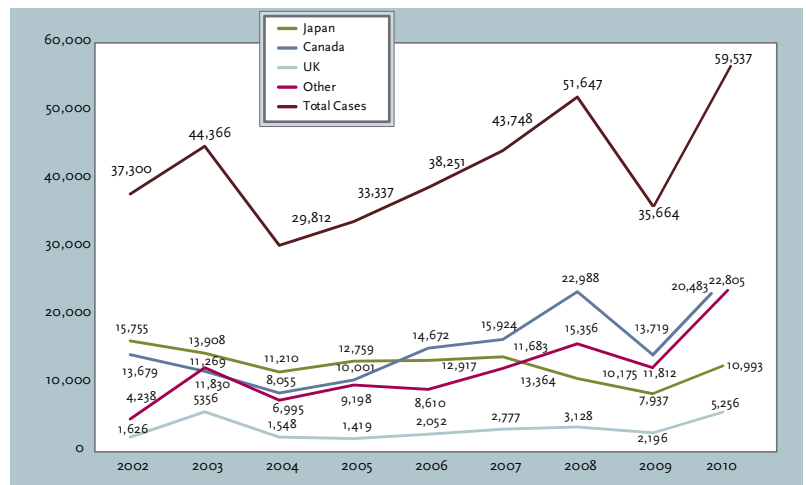
BILL SIGNING – TODD DAVIDSON, CEO OF TRAVEL OREGON (LEFT), ANGIE MORRIS, CEO OF TRAVEL SALEM, GOV. JOHN KITZHABER, SEN. JACKIE WINTERS OF SALEM AND DAVID ADELSEIM OF OREGON WINEGROWERS ASSOCIATION CELEBRATE SIGNING OF BILL CREATING OREGON WINE COUNTRY SPECIALTY LICENSE PLATE APPROVED BY THE 2011 OREGON LEGISLATURE

Looking to the new fiscal year, the Oregon Wine Board has put in a bid to host the 2012 Wine Bloggers Conference in Oregon and has laid the groundwork to announce the Economic Impact Study. Both events provided a positive, successful start to the 2011-2012 fiscal year in July.

Oregon Wine Board Export Marketing Program

Oregon, along with Washington State, forms the Northwest Wine Coalition, which receives USDA Market Access Program (MAP) funding to build category awareness in target export markets. Highlights of this year's Oregon Wine Export Program included a successful tasting in the UK, Oregon presence at the London Wine Fair, the Enjoy Oregon Wine Fair retail/restaurant promotion in Japan, and increased visits to Oregon from influential trade and press from Canada, China, Taiwan, and other key markets. A total of 59,537 cases were sold in export markets in 2010, representing a 67% increase over 2009 and a 100% increase since 2004.

NUMBER OF CASES EXPORTED

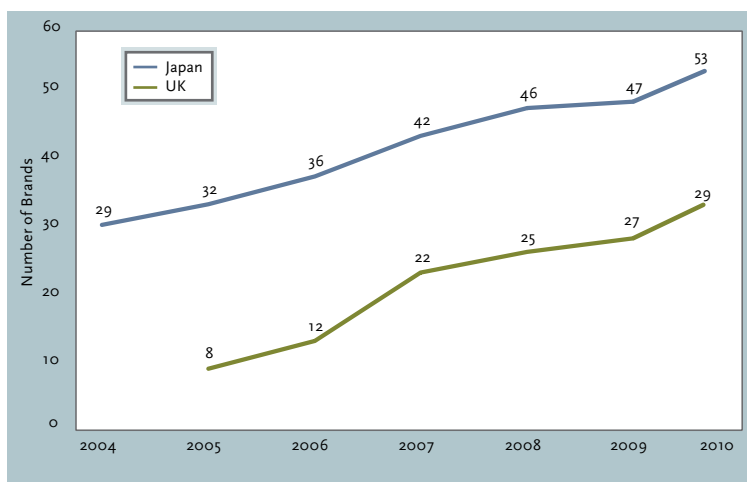


Increasing Momentum in Highly Influential UK Market

The highly sophisticated UK market is still a main focus for growth within the export program. Since 2004, the number of brands in distribution in the UK has gone from 8 to 29. A self-guided trade and media tasting in January, that showcased more than 112 wines from 34 Oregon wineries, was followed by the London Wine Fair, which featured four participating Oregon wineries. Additional events with an Oregon presence include the Boutique Wineries Show and The Wine Gang Tasting. Favorable trade and consumer press included coverage in the Financial Times, JancisRobinson.com, Decanter, the Wall Street Journal Europe, DrinksBusiness.com, Harpers Wine & Spirit, Off-License News, The Sunday Times, Condé Nast Traveler, Newcastle Journal, and the Oxford Times. Oregon wine country tours were organized for 9 key importers, buyers, and journalists.

Japan Market Continues to Thrive Despite Adversity

Central to the strategy in Japan is the annual “Enjoy Oregon Wine Fair” restaurant and retail promotion. The 100 participants sold 639 cases of wine during the promotion despite the devastating effects of the tsunami that hit in the second week of the two-month event. Governor Kitzhaber presented awards to the winners of the promotion during his trade mission in September. Interest from importers looking to take on new Oregon brands picked up, and we brought 14 key importers, buyers, and journalists to Oregon. Currently, 53 Oregon wine brands are in distribution.



NUMBER OF OREGON BRANDS IN EXPORT DISTRIBUTION IN MARKETS WITH AN OREGON WINE BOARD REPRESENTATIVE

Canadian Liquor Board and Other Key Buyers Visit Oregon

After several years of outreach, this fiscal year saw visits to Oregon by key buyers from both the Société des Alcools du Québec (SAQ) and the Liquor Control Board Ontario (LCBO). In addition, we hosted 6 buyers from British Columbia, Ontario, and Quebec.

China and Other Markets

Throughout the year, we worked with several partners from around the world to host two large buyer groups from China as well as key media, buyers, and educators from Taiwan, Korea, Germany, Sweden, and Australia.

Oregon Wine Board Research

The Oregon Wine Board funded 13 research projects in Fiscal Year 2010-2011 investing \$240,000. Research is an area of focus for the OWB to help the industry grow better grapes, make better wine, and run their vineyards and wineries more efficiently. Research projects ranged from understanding what influences tannin levels to deficit irrigation to how cover crops impact quality. Researchers, their projects and funding levels include:

- Factors that influence the level of tannin and polymeric pigments in grapes and wines – Douglas Adams - \$15,000
- Deficit irrigation of Cabernet Sauvignon and Tempranillo: impacts on vine growth, yield, and berry composition – Marcus Buchanan - \$31,380
- Enhancements to the National Grape Registry (NGR) Website – Deborah Golino - \$10,000
- A microbiome-based approach to the management of grape powdery mildew – Johan Leveau - \$5,000
- Development of grower performed LAMP PCR for detection-based management programs for grapevine powdery mildew in the vineyards – Walt Mahaffee - \$15,000
- Mealybug reproductive biology – Jocelyn Millar - \$5,000
- Impact of non-Saccharomyces yeast on wine quality-part 1, isolation and characterization of yeast – James Osborne - \$28,474
- Effect of vineyard cover crop management on grape and wine quality II-grape composition and wine aroma – one-year extension – Michael Qian - \$10,000
- Non-Saccharomyces yeast on wine quality-part2, aroma and flavor development – Michael Qian - \$31,220
- Determine optimal levels of Nitrogen, Phosphorus and Potassium for Pinot Noir based on vine growth and fruit quality – Paul Schreiner
- Effects of Vineyard floor management on Pinot Noir, Part 1: Vine Nutrition and growth response with declining vigor – Patricia Skinkis - \$30,023
- Impacts of early season fruit zone leaf removal on disease control, fruit set, vine growth and wine grape quality of Pinot Noir – Patricia Skinkis - \$14,871

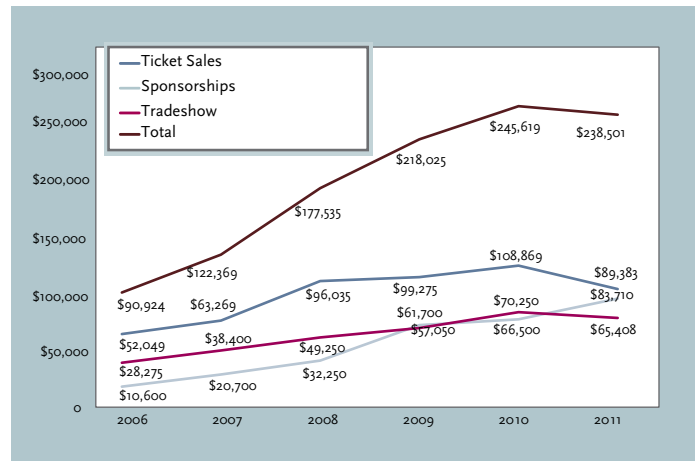
Oregon Wine Board Education

Symposium Provides Insights into Consumer Behavior, the Global Wine Market, and Some Inspiration from Outside our Industry

General sessions included our highest ever rated session, “The Burgerville Story”, with Jack Graves from Burgerville and Doc and Connie Hatfield from Country Natural Beef. General sessions on consumer buying habits and macro-economic conditions in the wine industry provided key insights on how to continue to thrive during difficult economic times. Additional programming was headlined by speakers from Germany, Australia, New Zealand and all over the US, as well as experts from our own backyard on topics such as the ageability of Oregon whites, harvest parameters, CRM, ML, IPM, exit strategies, southern Oregon winegrowing, distribution, filtration, climate change, and engaging the press. A total of 915 industry members, vendors, and speakers attended the 2011 Symposium, a slight drop from the prior year (990 in 2010). 108 vendors exhibited their products and services in the sold out trade show.

At the Industry Awards Dinner, the Lifetime Achievement Award was given to Lonnie Wright of The Pines, Founders

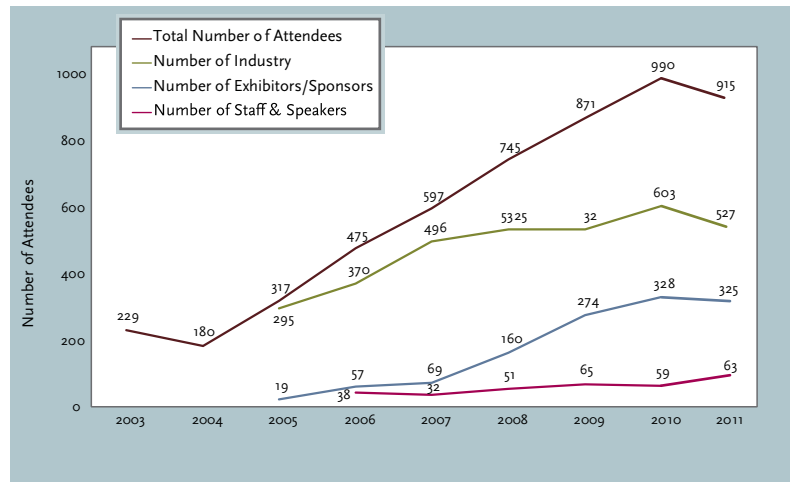
SYMPOSIUM REVENUE



Award given to Norm McKibben from Pepper Bridge, Outstanding Service awards given to Dr. Patty Skinkis of Oregon State University and Joel Myers of Vinetenders LLC and Siltstone Wines, and Industry Partner awards given to Chris Hermann of Stoel Rives LLP and Mark Freund of Silicon Valley Bank.

The Spanish language session featured seminars on both viticulture and enology as well as a guided tour of the trade show floor.

SYMPOSIUM ATTENDANCE



THIRTEEN WINES FROM SIX TO TWENTY YEARS OLD WERE EVALUATED DURING THE TECHNICAL TASTING AT THE 2011 SYMPOSIUM.

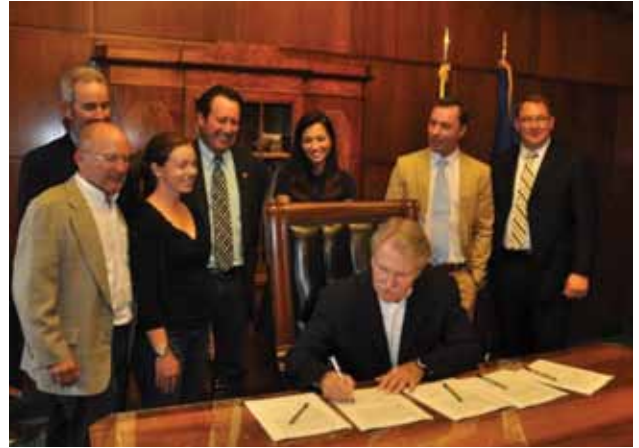
Oregon Wine Board Financial Review

REVENUE	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL
Grape Assessment (\$25/ton)	1,120,000	955,000	992,353
Wine Tax (2¢/gal)	280,000	265,516	268,499
Symposium/Workshop Revenue	222,000	235,000	238,920
Export Participation Fees	13,000	13,000	14,100
Brochure Revenue	600	--	--
OCSW Fees	15,000	15,000	19,402
Other Income	2,000	1,500	7,878
Grant Revenue	--	47,500	--
MAP Grant Revenue	350,488	350,488	350,488
TOTAL REVENUE	2,003,088	1,883,004	1,891,640
EXPENSES			
RESEARCH			
Marketing Research & NASS Report	45,000	40,000	43,700
Enology & Viticulture Research	245,000	240,000	240,000
Clean Plant Network/Foundation Block	10,000	10,000	10,000
Research Related Activities	12,500	8,000	9,160
Oregon Wine Research Institute	15,000	15,000	15,000
TOTAL RESEARCH	327,500	313,000	317,860
EDUCATION			
Symposium/Workshops	203,000	211,000	202,030
TOTAL EDUCATION	203,000	211,000	202,030
MARKETING			
Media Relations	60,000	50,000	26,707
Collateral/Materials/Branding	5,000	--	--
Export (includes MAP grant spend)	407,930	403,061	398,619
Tourism	27,500	27,500	27,472
Website / Online Marketing	50,000	40,000	32,442
Sustainable Agriculture / OCSW	35,000	71,500	28,738
TOTAL MARKETING	585,430	592,061	513,978
GENERAL & ADMINISTRATIVE			
Meetings & Communication	18,000	16,000	25,065
Consulting Fees	--	--	51,018
Employee Comp/Benefits/Taxes	725,000	629,020	588,570
Equipment & Maintenance	32,000	32,000	31,114
Office Rent	44,000	44,000	37,080
Board, Industry & Staff Travel	48,000	40,000	18,134
Executive Director Search	--	10,000	10,000
Miscellaneous Administrative	50,000	50,000	32,354
TOTAL GENERAL & ADMINISTRATIVE	917,000	821,020	793,335
TOTAL EXPENSES	2,032,930	1,937,081	1,827,203
ENDING BALANCE	--	187,877	306,391

Oregon Winegrowers Association Legislative & Regulatory Updates

The 2011 session of the Oregon Legislative Assembly was good for the Oregon Winegrowers Association and the Oregon wine industry. OWA had success with its legislative priorities:

- Passed HB 3280, which gives wineries clear authority to host events and promotional marketing activities.
- Passed legislation which clarified that custom crush customers could sell their own wines at retail and wholesale, thwarting a possible OLCC effort to limit custom crush privileges.
- Fought legislation that would have eliminated small winery tax exemptions.
- Passed legislation establishing a new Oregon Wine Country license plate that will raise funds for culinary and wine tourism throughout the state.
- Fought numerous anti-immigration bills modeled after potentially problematic laws passed in Arizona.
- Worked to assure that Oregon's expanded bottle bill did not include wine bottles.
- Fought legislation that would have allowed cities and counties to increase wine and beer taxes for local government operations.
- Supported legislation to expand OLCC's Responsible Vendor Program.



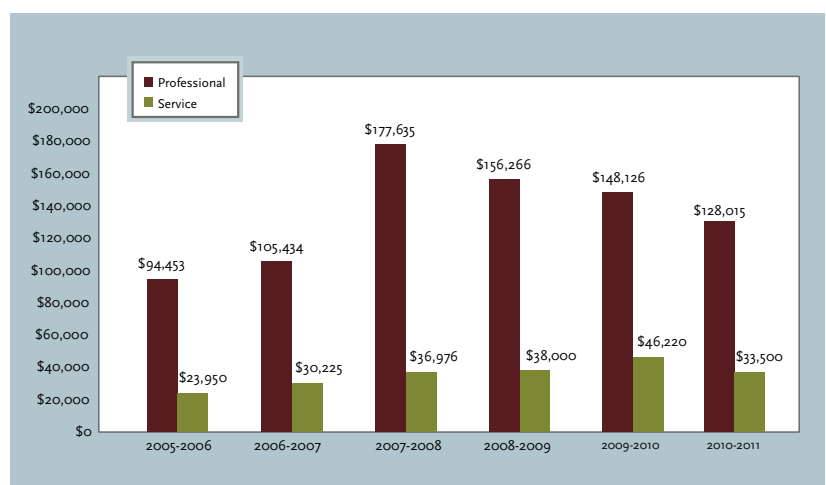
GOVERNOR JOHN KITZHABER SIGNING HB 3280

By most accounts, the legislative session ran very smoothly even though Republicans and Democrats governed the 30-30 House jointly, and Senate Democrats held only a slim 16-14 margin. Legislative leaders, in particular the House co-speakers, and Governor John Kitzhaber received high marks for working well together, despite mixed reviews on legislative accomplishments.

Oregon Winegrowers Association Membership Overview

The economy's slow rebound and OWA staff changes impacted membership renewal in 2010-2011. Professional revenue and service membership dues decreased slightly. The OWA staff is currently engaged in a staffing and recruitment strategy for OWA membership for the 2011-2012 fiscal year. Legal and lobbying counsel continues to focus on priority issues impacting our industry.

OREGON WINEGROWERS ASSOCIATION MEMBERSHIP



Oregon Winegrowers Association

Financial Review

REVENUE	ORIGINAL BUDGET	ACTUAL
Membership Dues	195,000	161,515
Other Revenue	1,400	2,508
Symposium	25,000	30,000
Auction Revenue	10,000	8,887
TOTAL REVENUE	231,400	202,910
EXPENSES		
General Administrative	6,000	11,389
Meetings/Travel	13,200	10,168
Rent	7,200	7,200
Payroll Expenses	94,330	89,003
Legal fees	66,000	74,350
Lobbying	78,000	68,632
Executive Director Search	15,000	7,399
PAC Contributions	0	11,598
Uncollectible Accounts Expense	0	579
Miscellaneous/Coalitions	--	254
TOTAL EXPENSES	279,730	280,318

TOWER

TOWER is a 501(c)3 nonprofit, charitable organization that raises funds to support industry research activities. The mission of the organization is to expand the body of Oregon enological and viticultural knowledge to develop more informed consumers and create better quality and innovative wines.

Financial Review

Below is a breakdown of expenses in 2010-2011.

REVENUE	
Interest	117
EXPENSES	
Administrative Expenses	410
ENDING BALANCE	
	15,619