

THE YEAR IN REVIEW 2007 REPORT

Each year the winegrape commission board conducts a review on the performance of Executive Director Mark Chandler. The following is a synopsis of the goals set for the year and the activities conducted toward their achievement.

MARKETING AND PUBLIC RELATIONS

Three core messages are delivered through our media outreach: Lodi produces **great wine**, led by Zinfandel, and many premium varieties; Lodi growers are **real people**, rooted in the soil for several generations; Lodi is a **great place** with the **perfect climate** for **high quality winegrape** production.

Our core audience in this outreach is the wine media, as a means to reach wineries, wholesalers, retailers and consumers. Delivering this message is a combination of PR outreach, events, and selected advertising.

Goal 1 – Generate 10 feature articles on Lodi wine in major publications. This goal was met, led by a feature in the San Francisco Chronicle, and joined by other stories in publications such as VIA Magazine, the LA Times, Wine Spectator, American Profile, Wine News, Wine East, Wine Enthusiast, Knights of the Vine Arbor Magazine, as well as numerous regional stories.

Goal 2 - Entertain at least 12 leading wine journalists for a one day/overnight visit to Lodi Wine Country. This goal was greatly exceeded (the actual number was 36), primarily due to a group of 24 wine judges who had plans to travel to Napa and accepted our invitation to add Lodi to their itinerary. Utilizing our many other special events such as the “Top 12 Zins of Lodi” competition and the “Lodi Zinfest” leading writers, educators and chefs were toured throughout the region during the year. Other visitors of note included a writer for Wine Review Korea Magazine; the American Wine Society Board of Directors; the University of Dijon Wine Marketing Program; the American Association of Geographers; a Swedish wine importer, and Ms. Molly Watson of Sunset Magazine.

Goal 3 - Improve Lodi mentions in “big books” on wine (Oxford Companion, World Atlas, Wine Bible, etc.) This area is

showing steady improvement as Executive Director Chandler is sending updated regional information to Jancis Robinson, Karen MacNeil and other editors of the major books.

Goal 4 – Conduct the “12 Zins of Lodi” competition again in 2007. This was completed in April 2007. Judges were Jim Gordon, Editor, Wines and Vines Magazine; Keith Goldston, MS, Court of Master Sommeliers; Marion Cassin, consultant to Karen MacNeil; Jon and Eileen Fredrikson, Gomberg Fredrikson Report; Ken and Ellen Landis, chef and sommelier, Landis Shores Inn. This event met our PR goals, AND we sold nearly 100 cases of the wines through the tasting room and wine club.

Goal 5 - Get Evan Goldstein to participate in Zinfest Cooking School. Evan is a San Francisco based wine and food writer with an international following. He did a book signing and food pairing program on Dec. 8 at the Lodi Wine and Visitor Center, and will be a Zinfest Cooking School guest chef in May 2008. We are also working on Andrea Immer, who is becoming a very popular author and TV personality.

Goal 6 – Participate in at least six wine trade/consumer shows with a minimum of 8 Lodi wineries in attendance. Trade shows participated in – ZAP (SF); Boston Wine Expo; Washington, DC Wine Expo; Spring Wine Show; CA Gold Rush (Sac and WDC). Seminars and conferences participated in – Unified Symposium, Society of Wine Educators, American Wine Society. A challenge to achieving this goal is that individual winery marketing plans and budgets are beyond our control. Better participation for Boston and DC is emerging for 2008 (9 wineries each). We are also planning a “Lodi only” wine trade event for Sacramento. Also, largely due to our help, the American Wine Society Conference (700 attendees) will be in Sacramento in November 2008.

Goal 7 - Pursue relationship with Master Sommelier program. Keith Goldston from the MS program participated in The Top Zin judging. They would like to bring some of their programs here. Mark Chandler has contacted their director Tim Gaiser and is working on some dates for 2008.



Goal 8 - Produce a book and video on Lodi wine – use existing material where possible. Mark is gathering info on prospective authors and costs.

Goal 9 - Zinfest – grow attendance to 10,000, double sponsorship dollars, break even financially. Progress: ~9000 in attendance; sponsorship \$56,750 in cash, \$41,500 in kind; the event made \$30,000 profit. This event will only improve in attendance and profitability going forward. Hats off to staff and volunteers for a major accomplishment.

Goal 10 - Ensure that all other commission sponsored regional wine events are revenue generators. Mission accomplished: Wine and Chocolate (\$50,000 profit), First Sip (\$9,000 profit, and several wineries reported that they had their strongest tasting room sales day EVER). Anna Goehring's media outreach to promote these events included 19 TV appearances, 12 of which were in Lodi.

Goal 11- Maintain regular and frequent communication with winery reps and grape buyers. Progress - this is being attended to on an ongoing basis.

TASTING ROOM/VISITOR CENTER OPERATION

Goal - Incorporate total customer service mindset. Visitor Center Manager Michael Perry deserves credit for doing an excellent job running the center.

Subgoals (progress listed in parentheses)

- Increase visitor numbers by 10% each year. (Numbers are up 4%).
- Grow wine club to 300 members by 12/07. (We now have 430+ members).
- Reduce financial burden to break even by end of 2009. (Revenue is up 58%).
- Redesign central display area to be more flexible for events. (We are conducting numerous events in the center - art shows, "Meet the Winemaker" series, olive oil tasting, etc.)
- Incorporate docent-led tours of center and demo vineyard. (This is done at special events and by request).
- Continue series of wine/food pairing classes. (The spring series was extremely successful; new series upcoming Jan, Feb, March 08).

Miscellaneous Marketing Notes: Knights of the Vine National Board met here in May, and activities are ongoing and membership is growing. Three groups of Gallo National Sales Managers participated in a Lodi wine seminar at the visitor center. Huell Howser filmed a "CA Gold" TV segment in Lodi, to air in February. Mark now judges at 5 major competitions; serves on Blueprint Regional Advisory Committee; received SJCO Ag Hall of Fame recognition. Advertising continues in trade magazines as budget allows. The Plein Air Painters event in November was very successful, Anna represented us, helping us develop a nice linkage between local arts scene and Lodi wine.

EDUCATION COMMITTEE

Goal – Improve Grower Outreach – conduct at least 12 neighborhood meetings to disseminate talking points. Publish at least 6 marketing newsletters to growers during the year. Courtney Storm collaborated with Mark so that a timely series of newsletters went

out this year. Mark and Stuart Spencer will participate in Dr. Ohmart's upcoming series of meetings introducing the new "Lodi Winegrowers Guide, 2nd Edition."

Other educational programs - Technical Tastings are held the 3rd Tuesday of each month. These self-funded tastings bring together local winemakers to taste and discuss wines from across globe. Three Technical Workshops on Grapes and Wine were held during the year. A Wine Sales Workshop will be held February 7, 2008 to improve Wine Club & Consumer Direct Sales. Ag Venture Day – staff will participate on March 29th.

Research Committee, IPM, Lodi Rules Update

– Dr. Cliff Ohmart's report:

- 1). The committee funded the second year of two important research projects. One is being done by Dr. Stu Pettygrove at UC Davis and is to develop soil-based potassium fertilization programs for Lodi growers. The second is being done by Dr. Bob Wample at CSU Fresno and is to develop critical values for nitrogen in grape vine tissue samples that Lodi growers can use in their vineyard nutrition management programs.
- 2). Presented monthly breakfast meetings for Lodi growers from October 2006 to May 2007. We presented a half day research seminar for Lodi growers in June 2007.
- 3). Completed the 2nd edition of the Lodi Winegrower's Workbook. We have resumed the monthly breakfast meeting program in October 2007.
- 4). Doubled the number of growers involved in the Lodi Rules program and doubled the number of certified vineyard acres.
- 5). Received the Department of Pesticide Regulation's IPM Innovator Award for the Lodi Rules program.
- 6). Received the Governor's Environmental and Economic Leadership Award; California's top environmental award.

General and Administrative/Staffing Notes

– Mark Chandler's summary:

After a two year break we are happy to welcome back our long time bookkeeper Renee Chappuis. Anna Goehring has done a wonderful job in her new role as Marketing and Media Outreach Coordinator. Courtney Storm, our Event Coordinator, applies her strong organizational talents so that we are always ahead of the curve with our events. Receptionist Sherri Cascaden is demonstrating more capability in supporting these three. Michael Perry has the visitor center humming, and Stuart Spencer is doing a great job supervising programs and staff. Combined with Cliff Ohmart's contributions on the IPM side, you couldn't ask for a better team. We have long sought to create a highly recognized wine community in Lodi, and that is what is developing today.

Going Forward – maintain similar marketing goals, as they are still challenging. Future efforts will put special emphasis on wine writer visits, maintain event quality and profitability to provide funding to revive print ad campaign with new art. We need to expand Lodi Wine Country winery participation and membership (*in this area we need growers to help identify property owners for directional signage project*). We will also participate in a co-funded Economic Impact Study with LDGGA, and Lodi Branding process with Chamber/LCVB.

FINANCIAL STATEMENTS - LODI WINEGRAPE COMMISSION CRUSH DISTRICT #11 LOCAL COMMISSION - YEARS ENDED JUNE 30, 2007 AND 2006

BALANCE SHEET

ASSETS

	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$683,899	\$704,199
Accounts receivable	91,562	39,200
Grants receivable	102,868	139,587
Prepaid expenses	<u>21,581</u>	<u>13,953</u>
Total current assets	<u>899,910</u>	<u>896,939</u>
CAPITAL ASSETS		
Office equipment	106,826	107,241
Promotional display	7,918	7,918
Vehicles	57,016	57,016
Wine trail signage	31,773	29,017
	203,533	201,192
Less acc. depreciation	<u>(148,035)</u>	<u>(122,869)</u>
Total capital assets	<u>55,498</u>	<u>78,323</u>
Total assets	<u>\$955,408</u>	<u>\$975,262</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 40,405	\$ 57,788
Accrued expenses	23,436	25,398
Current maturities of LT debt	8,620	8,543
Research contracts payable	<u>9,928</u>	-
Total current liabilities	<u>82,389</u>	<u>91,729</u>
NON CURRENT LIABILITIES		
Long-Term (LT) debt	<u>7,244</u>	<u>15,864</u>
Total liabilities	<u>89,633</u>	<u>107,593</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,634	53,916
Unrestricted-undesignated	<u>694,812</u>	<u>729,419</u>
Unrestricted-designated LWC	<u>131,329</u>	<u>84,334</u>
Total net assets	<u>865,775</u>	<u>867,669</u>
Total liabilities and net assets	<u>\$955,408</u>	<u>\$975,262</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

OPERATING REVENUES	2007	2006
Assessment income	\$978,916	\$1,250,346
Lodi Wine Country event income	165,062	120,640
Grants	84,061	130,698
Other	<u>12,070</u>	<u>22,600</u>
Total operating revenues	<u>1,240,109</u>	<u>1,524,284</u>
OPERATING EXPENSES		
Salaries, wages and consulting	462,287	470,436
Marketing and promotion	224,342	367,969
Research	102,162	26,550
Contributions-CWEF dba LWVC	85,000	174,050
Employee benefits	78,525	78,996
Rent	56,912	30,546
Office expense	43,952	46,591
Special events	42,031	48,291
Other	33,124	33,170
Travel and entertainment	28,506	30,727
Depreciation	25,394	24,481
Insurance	17,514	16,833
Dues and subscriptions	16,454	12,472
Equip maintenance and rental	14,898	14,818
Professional fees	12,064	12,510
Telephone	6,781	7,292
Grower Meetings	2,134	3,093

Operating expenses continued

Newsletters, directory and materials	1,714	3,724
Staff education	48	-
Uncollected LWC fees	-	8,121
Total operating expense	<u>1,253,842</u>	<u>1,410,670</u>
Operating income (loss)	<u>(13,733)</u>	<u>113,614</u>

NONOPERATING REVENUES (EXPENSES)

Loss on disposal of assets	(187)	(1,668)
Interest income	12,210	9,724
Interest expense	<u>(184)</u>	<u>(261)</u>
Total nonoperating revenue (expenses)	<u>11,839</u>	<u>7,795</u>

CHANGE IN NET ASSETS (1,894) 121,409

NET ASSETS, BEGINNING OF YEAR 867,669 746,260

NET ASSETS, END OF YEAR **\$865,775** **\$867,669**

STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES

Cash rcvd from growers	\$978,916	\$1,250,346
Cash rcvd from other operating sources	198,208	141,208
Cash rcvd from granting agencies	47,342	103,916
Cash paid to suppliers/contributors	(704,681)	(760,366)
Cash paid to employees	(540,812)	(549,432)
Payments of grants	-	(16,609)
Net cash used in operating activities	<u>(21,027)</u>	<u>169,063</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Purchase of capital assets	(2,756)	(18,247)
Principal payments on LT debt	(8,543)	(8,887)
Interest paid on LT debt	<u>(184)</u>	<u>(261)</u>
Net cash used in capital and related financing activities	<u>(11,483)</u>	<u>(27,395)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	12,210	9,724
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NET (decrease) INCREASE IN CASH & CASH EQUIVALENTS (20,300) 151,392

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR 704,199 552,807

CASH & CASH EQUIVALENTS, END OF YEAR **\$683,899** **\$704,199**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

OPERATING INCOME (LOSS)	<u>(13,733)</u>	\$113,614
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	25,394	24,481
Decrease (increase) in:		
Accounts receivable	(52,362)	6,090
Grants receivable	36,719	(26,783)
Prepaid expenses	(7,628)	9,954
Increase (decrease) in:		
Accounts payable	(17,383)	42,240
Accrued expenses	(1,962)	3,800
Research contracts payable	<u>9,928</u>	<u>(4,333)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(21,027)</u>	<u>\$169,063</u>

Lodi Winegrape Commission Crush District #11 Local Commission- Years Ended June 30, 2007 and 2006

JANUARY AND FEBRUARY 2008 CALENDAR OF EVENTS

January

- 22: Media Training with News 10's Kristen Simoes
- 23-26: ZAP Festival (San Francisco)
- 29-31: Unified Wine & Grape Symposium (Sacramento)

February

- 5: Grape Day (Hutchins Street Square, Lodi)
- 9-10: Lodi Wine Country's 11th Annual Wine & Chocolate Weekend
- 9-10: Boston Wine Expo
- 29-March 2: Washington DC Wine & Food Festival

FOR MORE INFORMATION ON ANY OF THE ABOVE EVENTS,
PLEASE CALL THE LODI WINEGRAPE COMMISSION AT (209) 367-4727.

LODI-WOODBRIDGE WINEGRAPE COMMISSION Crush District 11

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