

SMALL WINERIES AND PRODUCTION DISTRICTS IN NEW YORK STATE

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In the mid-1970s, New York's wine and grape industry was facing a crisis. The previous two decades had seen the growth of a state industry based on production of native grape varieties for juice, jellies, and wine. The New York Crop Reporting Service estimated that New York had 42,653 acres in grape production in 1975 (Cooper, 1982). New York was (and still is) the second largest producer of wine in the United States (Cooper, 1982).

Thirty years ago, the wine sector of the grape industry was anchored by the Taylor Wine Company. The Taylor Wine Company was founded in 1880 by Walter Taylor and was a closely held family business. Taylor purchased its grapes mostly from independent New York growers on the shores of Lake Erie and in the Finger Lakes Region. The relationship between Taylor and its growers could best be described as 'paternalistic.'

In the 1970's rapidly expanding production in California and a shift in consumer preferences toward table wines made from French vinifera or French-American hybrids led to a depression in grape prices in the state (White, 1982). Taylor's sales and profits began to decline and in 1977 Coca Cola bought the faltering company. In 1984, Coke sold Taylor to Seagram's. Seagram's promptly began to cut its purchase of local grapes and began to buy grapes on the open market. The long term bond that Taylor established between producer and processor was shattered.

In response to the deteriorating conditions in the wine industry, grape growers came together and began to demand that the state take an active role in promoting and supporting New York wines. Over a 10-15 year period, growers formed several organizations to promote, market, and support the industry. The organizations that formed between 1975 and 1990 included the New York State Wine Grape Growers Association, the Wine Council, The New York Wine and Grape Foundation and numerous local and regional grape grower associations such as the Hudson River Wine Council, the Cayuga Wine Trail, and the Long Island Grape Growers Association.

The State of New York also responded to the crisis with the passage of the New York Farm Winery Bill in 1976. This legislation was designed to assist grape growers in establishing estate wineries in an effort to realize a higher return on their grapes. In addition, state government hoped to support the high quality wine sector in New York and enhance its already positive reputation (Cooper, 1982). The legislation substantially lowered licencing fees for farm wineries using New York state grapes and other fruits producing less than 50,000 gallons of wine per year. Subsequent legislation bolstered the effort by allowing vintners to more freely sell their product on site and through other retail channels.

The efforts of the state and the growers proved to be successful. Between 1980 and 1995, the number of wineries in New York more than doubled from 46 to over 100. In a 1982 survey, small wine producers reported that the lower licencing fees were a significant benefit to their business (Cooper, 1982). In addition, several vintners pointed out that the several pieces of legislation themselves served to attract a lot of attention to the wine industry and especially the farm winery sector. The wine industry makes a substantial contribution to New York's

economy. In 1992 the New York Wine and Grape Foundation calculated that the direct and indirect benefits of the industry included over 45,000 jobs paying over one million dollars in wages, over three million dollars in sales, and \$200,000 in state taxes.

Today there are over 130 wineries in New York. They are loosely organized into three production districts: 1) The Finger Lakes wineries; 2) The Hudson Valley wineries; and 3) the Long Island wineries. The 130 wineries in New York purchase grapes from over 500 local grape producers. It is estimated that there are over 3,300 acres of wine grapes in New York. The supply chains associated with the New York wine industry are both short and geographically constrained.

Over 2.7 million people visit New York wineries every year. Over half of all sales are direct to the consumer. About 20 percent of the sales are direct to restaurants and stores. Only about one-fourth of sales are made through a distributor. Not surprisingly, most sales are within the state of New York.

The current configuration of New York wineries fits nicely with the industrial district model of manufacturing described by Michael Piore and Charles Sabel in *The Second Industrial Divide*. In their model of economic organization, smaller, municipally supported enterprises organized along craft (as opposed to mass) production lines serve as the foundation for regional development. Firms compete on the basis on quality, not low price. The success of the production district rests on the ability of the small producers to cooperate with one another and to insure that there are no 'weak links' in the set of firms that make-up the production district.

The historical and agricultural significance of wine and grape production in New York State means that the successful development of the premium wine sector included as a benefit the preservation of a highly specialized farmland resource under conditions conducive to sustainable stewardship. Overall, then, premium wine production has played an important role in maintaining and enhancing the ecological, economic, and cultural integrity of New York's vineyard landscapes.

Sources:

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