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I want to submit an abstract for:

Conference Presentation

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Keywords

History of Alabama Wine Manufacturing, Legal Barriers to Wine Manufacturing in Alabama

Research Question

Barriers to the development of an Alabama Wine Manufacturing industry

Methods

Research of current Alabama legislative codes regarding wine Manufacturing and Distribution. Interviews with current Alabama wine producers.

Results

Have identified that the relaxation of the three-tier distribution model to allow for small producers to self distribute and allow for Internet sales would remove significant barriers to markets

Abstract

In 1702, Mobile Alabama became the first capital of the French Louisiana colony. For the next hundred years, imported wine would be a part of colony's heritage. During the French rule, red wine, white wine, brandy was common with cognac and champagne having limited availability. Brandy was part of the regular rations for the French military in the colony and was preferred for its durability in the hot climate. During British control after 1763, Portuguese wines (Madeira) replaced the French wines and brandies with New England rum and locally produced whiskies met the alcoholic preferences of the colony and territory.

Throughout the Colonial period of the United States of America, there were two consistently misguided beliefs regarding wine production. One, since native grapes were plentiful (but unsuited for quality wines) growers should be able to introduce European varieties without any difficulties. Secondly, that the approximate growing capabilities of the land were tied to the general latitude of the land - land at the same latitude would produce the same whether in Europe or America . In 1817, the Vine and Olive Colony became the first attempt to create an Alabama wine industry. In 1802, the Congress of the United States of America granted John James Dufour and his associates land along the Ohio River to encourage cultivation of the vine. John Dufour had spent 20 years in his family vineyards in Switzerland before coming the United States and had successfully established a 630-acre vineyard/winery in Kentucky before Congress acted. Dufour's Swiss Colony at Vevay Indiana successfully produced wines that were sold to merchants along the Ohio and Mississippi Rivers. In 1816, a group of Bonapartist exiles petitioned the U.S. Congress for four contiguous townships of land (92,160 acres or 373 square kilometers). Their goal was to find "suitable" land between the Mississippi and Tombigbee Rivers between the 32rd & 35th degree of latitude. The location of the Vine & Olive Colony present day Demopolis, Alabama was selected sight unseen based on the recommendation of Dr. Samuel Brown of Louisville, Kentucky. Because of the success of the Swiss colony and the preconceived stereotypes about the French and wine, the U.S. Congress granted the land to the exiles under "such conditions of settlement and cultivation of the vine, and other vegetable productions." The colony failed because none of the colonist had practical vineyard experience and the planting of cotton was better suited for the soil and a more profitable crop.

From the 1820's to 1860's, Alabama farmers would run small fruit distilleries to produce brandy for their home use. In the 1850's, Mr. Charles Axt traveled through the Southern states of South Carolina, Georgia, and Alabama promoting grapes as a cash crop to cotton farmers. He was supervising a vineyard in Montgomery, Alabama along

with five different vineyards in Georgia and one in South Carolina. He was advertising in the Southern Cultivator that he had rooted vines and cuttings of the Catawba grape along with printing directions for planting, cultivating, and pruning the vines. After the American Civil War, new ethnic groups immigrated into Alabama. The 1880 Report upon Statistics of Grape Culture and Wine Production in the United States had Alabama ranked 8th in the nation with 422,672 gallons of wine (16,000 hectoliters) on 1,111 acres (4.5 square kilometers) just behind the State of New York for gallons produced. The Report showed that Alabama growers were working with Concord, Delaware, Isabella, Catawba, Cynthiana, Herbemont, Agawam, Clanton, Virginia Seedling, Missouri Riesling, Elvira, Merrimac, but primarily Scuppernong. In the 1890's three towns were created with the intent of wine production. In Fruithurst, Alabama, the Alabama Fruit Growers and Winery Association (AFG&W) grew Ives, Delaware, Concord, Niagara grapes producing claret, port, sherry, and muscatel wines. On April 13, 1898, the entire town of Fruithurst along with the real estate holdings of the (AFG&W) was purchased for \$15,455 by the C.S. Curtiss Company of New York. In Vinemont, Alabama, the Alabama Vineyard and Winery Company was formed by Chicago (Illinois) investors to produce wine. In Thorsby, Alabama, the Alabama Winery Company was created in May 1901. The local farmers grew Concord, Niagara, White Diamond, and Delaware grapes. Along with the development of these towns, small wine colonies developed around Mobile Bay at Lamberth Station, Daphine, and Elberta. These efforts would be stymied by national economic events (Panic of 1893) and finally killed by state-wide alcohol prohibition in 1909. In 1828, Alabama's first "temperance" (prohibition) society was created and by 1835 the first Alabama local municipalities were prohibiting alcohol sales. However, the majority of citizens considered alcoholic beverages as a food product that was a valuable part of society for religious and entertainment purposes. While the temperance movement gained control of various Northern states, Alabamians viewed the national "temperance" efforts as too closely tied to abolition efforts to successfully convert the population. Starting in the 1880's the Women's Christian Temperance Union (WCTU) made a dedicated effort to expand "temperance" education into the public school curriculum and to encourage various religious communities to abandon the use of fermented wine for use of sacramental wine. Beginning in the early 1890's, the WCTU was successful in getting the Alabama Legislature to direct public schools to incorporate "temperance" education into the curriculum. In 1908, almost 400,000 public school students (white and black) were begin taught the dangers of intemperance out of a total population of 2.1 million. By 1910, Alabama Baptist and Methodist churches had practically abandoned the use of fermented wine for sacramental purposes. By January 1, 1909, Alabama had achieved state-wide alcohol prohibition, eleven years before U.S. National Prohibition.

During the 13 year experiment with National Prohibition (1920 -1933), many previous supporters began to question the effectiveness and even the need for prohibition. Alabama law enforcement officials were spending a large amount of time and resources on the detection and elimination of the manufacturing of alcohol. On July 18, 1933, Alabama held a state-wide referendum to approve the 21st Amendment (the repeal of the 18th Amendment) which was approved by 58.6% of the voters. During the 1934 Alabama gubernatorial campaign, two of the candidates publicly stated that the legislature should legalize the sale of light wines and beer as a temporary measure, and allow a state wide- referendum on the sale of hard (spirituous) liquor. In January 1935, the Alabama legislature passed a referendum bill regarding three questions for the voters to be held on February 26, 1935.

1. Shall Alabama's present laws against the manufacture, sale, and distribution of prohibited liquors be modified?
2. Shall the manufacture, sale and distribution of beer (malt liquor) and wine (vinous liquors) be legalized in Alabama?
3. Shall the manufacture, sale and distribution of hard liquors (spirituous) be legalized in Alabama under strict State regulation, but under no condition any saloons?

Alabama's WCTUs had laid the foundation of creating an electorate with over 50 years of church and public school temperance training. Because of the WTCU's efforts, followers now truly believed that the wine at the Wedding feast at Cana was unfermented wine. Questions One and Two were voted down by only 8,000 state-wide votes and Question Three lost by only 12,000 votes. The three largest urban areas Birmingham, Mobile and Montgomery voted overwhelming for modification with 72% majority. Governor Graves called for a special legislative session for November 1936. The special session created the "Alabama Beverage Control Act" which consisted of the creation of the current state-store system (retail outlets) with the Alabama Beverage Control Board (ABCB) and a state-wide local option referendum. The ABCB would be empowered to issue license and control all aspects of production and distribution of alcohol within the State of Alabama.

A new regulatory system known as the Three-Tier System was created. While each state has its own set of laws governing the three-tier system, the separation of the three-tiers by inserting an independent distributor between the manufacturer and the retailers is a common thread. The three tiers (manufacturer, distributor, and retailer) are also further separated by other laws and regulations prohibiting suppliers and distributors from having any

financial interest or influence with retailers.

Alabama is one of the eighteen alcohol beverage control states and it also maintains a three-tier system of alcohol distribution. In 1937, Alabama allowed its individual counties to vote for legalized alcohol sales “Wet” or against alcohol sales “Dry” (Local Option Elections). Currently 42 of the 67 counties allow for legal alcohol sales. In 1984, the Local Option law was modified to allow municipalities (of a certain size) in “Dry” counties the ability to vote to have legal alcohol sales. In 2016, there is at least one “Wet” municipality in each of the 25 “Dry” counties.

The first licensed Alabama Bonded Winery after Prohibition was issued in 1978 to Perdido Vineyards to assist Alabama apple growers’ process their surplus juice grade apples. Perdido Vineyards was established in 1972 by Jim and Marianne Eddins to produce grapes for the Bartels Winery of Pensacola, Florida. In 1979, Perdido Vineyards was the only manufacturer of a consumer product that controlled all of the steps of production from growing the fruit to the final production of the finished product (wine). The Alabama Native Farm Winery Act (ANFWA) of 1979 was Alabama’s legislature’s only attempt to encourage the development of an Alabama wine manufacturing base. While this effort gave preferential excise tax rates to Alabama producers, the ANFWA placed significant restrictions regarding the maximum annual production levels and required that 75% of the fruit used in their wines must have been grown on their manufacturing facilities. These restrictions and preferential excise tax treatment were removed by the legislature in 2001.

The barriers for Wine Manufacturers in Alabama are primarily legal. The State of Alabama does not have a history of supporting or developing agricultural based business. Cotton production has a significant history in the State. By 1849, Alabama led the nation in cotton production, and produced 22.9% the U.S total in 1859. Even after the end of the American Civil War (abolition of slavery), Alabama agricultural focus was on cotton production until the boll weevil’s negative impact on cotton production starting in 1910. At the end of National Prohibition, the States of California and New York saw the value of designing laws to support agriculture based industry for economic development and job creation. Alabama legislators face negative backlash from voters regarding the liberalization of alcohol production laws. Alabama regulations on the mandated use of the three-tier distribution system force small start-up wineries to fight and try win the attention and support of the established distributor network to market their products. The relaxation of the three-tier law to allow small wineries the ability to self-distribute could allow them to develop a customer base that then could be leveraged into encouraging a distributor to accept their products. Because of Alabama’s inflexible adherence to the three-tier model, internet sales are prohibited which also limits market access. Alabama also has strict limits on the winery’s on-site daily sales per customers that visit their production facilities and outdoor directional advertising to the location of the winery. The best example of the highly restrictive legal barriers is the regulations on wine tastings. Wine tastings requires 30 day advance notice and approval, they shall not commence not later than 6PM, can only have a two hour duration, sample size of 1 ounce, and only four different products can be presented. Finally, the State of Alabama does not tax all alcohol equally. For alcoholic beverages with an Alcohol By Volume (A.B.V.) of under 14%, the State of Alabama has an excise tax of \$1.07 per gallon for malt products, but \$1.70 per gallon for vinous products or almost a 59% premium over malt taxation.

With minimal changes to the current Alabama laws, Alabama Wine Manufacturers would be relieved of substantial legal operational restrictions and for the first time in the last hundred years be able to compete in the marketplace against competitors.