

Starting a Winery in Illinois: Profile and Business Plan Workbook



This Winery Business Plan Workbook was prepared by the Small Business Development Center at Southern Illinois University Carbondale in coordination with the Illinois Department of Commerce and Economic Opportunity Business Information Center.

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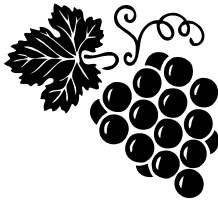
Starting a successful winery involves education in

- viticulture, the science of growing wine grapes,
- enology, the science of winemaking, and
- business planning.

A list of several excellent resources for viticulture and enology information is included in the resource section, but this workbook is intended to focus on the business aspect of starting a winery. It will serve as a guide to help you write your Winery Business Plan. After completing the workbook, you should have a clearer understanding of your business concept and the requirements and commitment it will take to turn your concept into a reality. You will also be more prepared to discuss your project with others, such as bankers or investors.

It is important to remember that a Business Plan can serve two primary purposes: (1) to be your “road map” in setting up and managing your winery business and (2) to support a loan request. To develop a good business plan, you will need to do research in all aspects of your business. A good business plan has the following general sections:

- **Title Page.** *The title page of your business plan should provide the reader with general contact information including the name of the winery and the name, address, and phone number of the owner(s).*
- **Executive Summary.** *This introductory section provides the banker or investor a “first impression” of your business concept, typically in one page or less. Although it appears near the front of the plan, it is most effectively written after the rest of your plan is completed.*
- **General Business Information.** *This section describes the type of business, the product(s) and/or services(s) offered, location, and the general business conditions affecting the Illinois wine industry.*
- **Marketing.** *This section identifies the winery’s mission statement, target market, competition, pricing strategy, distribution strategy, and promotion plan.*
- **Management and Operations.** *The purpose of this section is to describe the legal form of the business, skills available within management to successfully run the business, employee information, and other considerations necessary to successfully operate and manage the business.*
- **Financial Information.** *This section should include a thorough analysis of the use of financing proceeds, five-year financial projections, and owner’s equity information.*



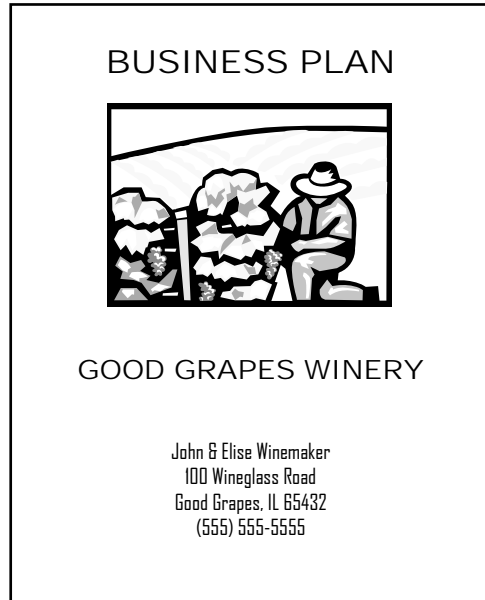
This workbook will take you through the process of developing all areas of the business plan. It may be necessary to alter the contents of the workbook to suit the particular circumstances involved in your business. Some areas may not relate to your business concept at all, and some areas may require additional information.

Becoming an entrepreneur involves a deep financial and emotional commitment. It’s important to remember that you are risking your money and perhaps your financial security. Lending institutions and/or investors are also sharing the risk in your business venture, and your business plan is the necessary tool they will use to evaluate their willingness to assume that risk. Many small businesses fail, and often this is due to inadequate planning. While others can help with the planning effort, only you really know what you want your business to be.

The Illinois Small Business Development Center Network is here to assist and counsel you through the planning process. For assistance in determining the location of the center in your area, or accessing other small business information, contact the IEN Business Information Center at 1-800/252-2923, (TDD 1-800/785-6055) or visit their website at www.ienconnect.com.

THE BUSINESS PLAN – Title Page and Executive Summary

The Title Page and Executive Summary provide the banker or investor a “first impression” of your business concept. Although they are the first parts of the plan to be read, it is most effective if they are the last parts you write. It just makes sense that you need to go through the entire business planning process before you can effectively write an executive summary that covers all the critical elements.



Title Page

The Title Page should be a professional presentation giving the reader general contact information. It should be neat, attractive, and short. The Title Page should:

- Identify the winery and the document.
- Identify the principals and the location and telephone numbers where they can be reached.

Some optional items that are often included on the Title Page are:

- A graphic that represents the business. This is typically a picture of the business or product or a copy of the business' trademark.
- A few sentences that state the company's mission or a short summary of the financing request.

The items included on the title page may seem obvious, but it's amazing how many business plans are submitted for financing that don't have a title page or have an incomplete one. Nothing will turn off an investor faster than having to look up your telephone number in the phone book because you left it off the title page.

Executive Summary

The Executive Summary is usually half a page to a page in length and is a basic summary of the key elements of the business plan. Sometimes the Executive Summary is all the potential investor or lender will read, so it must capture his/her attention. It should make an immediate impact on the reader and clearly state the nature of the business and, if you are seeking financing, the nature of the financing request. If the Executive Summary fails to move the potential investor into the depths of the plan, it has failed to do its job. The Executive Summary should include:

- The name and address of the winery.
- The owner(s) names.
- Brief description of the winery.
- Types of wines and other product(s) and/or service(s) to be offered.
- Purchase terms, if buying an existing business.
- Requested loan amount and how the loan will be repaid.
- How the loan amount will be spent (broken down into broad categories).
- Amount and form of owner(s) equity (owner's investment in the business).
- Expected outcome of business operations.

The purpose of this section is to expand on the executive summary and explain in detail who you are, what you are going to do, and how you plan to do it. For a winery, this section typically includes:

- A short description of the Illinois and/or United States wine industry.
- What kinds of trends are responsible for the industry's growth.
- A detailed description of your winery.
- The location of your winery.

Proper site selection is one of the most important factors in establishing a winery. Typically, wineries have a strong tourism element. Therefore, access to the location will be important. While it is not important to be along a major highway, tourists need a reason to visit.

- Types of wines to be produced.

*Will you be producing wine from Illinois grapes, imported juice, or other types of fruit?
Will the wines eventually be produced from grapes harvested from your own vineyard?*

- Other products and/or services to be offered

Small wineries typically offer additional products or services that appeal to the wine customer, such as a vineyard, gift shop, or art gallery. These additions make the winery more appealing to the tourist customer base and offer the winery additional sources of income.

- What differentiates your winery from the competition.
- A sense of where you want the business to be in three to five years, and how you plan to achieve these goals.
- History of the business if the business plan is to be used to support the purchase or expansion of an existing winery.

Details should include years in existence, current owner, current location, market share, strengths, weaknesses, and financial information for the past three to five years.

The Illinois Grape and Wine Industry

In the mid 1990's, a number of grape growers, wine producers, legislators, and representatives from Southern Illinois University – Carbondale and University of Illinois – Urbana/Champaign met to discuss the idea of a state supported council. Several survey teams were formed to provide information relevant to the Illinois grape and wine industry. An industry profile was developed that showed significant growth potential for the wine industry in Illinois, both within the state and as an exported product. (1997 Illinois Winemakers Benchmarking Development Project)

The following facts support this conclusion:

- According to US Wine Stats, in 1996 Illinoisans consumed 25 million gallons of wine, \$705 million in sales.
- Illinois has retained a rank as the fifth largest wine consuming state in the country over several years.
- Chicago is the second largest metro market in the U.S. in wine consumption, second only to Los Angeles.
- Illinois ranked second in the consumption of champagne/sparkling wine in 2000, 1.50 million 9-liter cases. (Adams Wine Handbook 2001)
- In 2001, California was the top market for brandy, with about 20% of all sales reported there, followed by New York, with 8% and Illinois with 6%. (Wines and Vines Magazine, 3/28/02)

Although consumption of wine in this state is quite substantial, production of Illinois wines amounts to less than one percent of total gallons consumed.

To help Illinois producers capture more of that market, the Illinois Legislature established the Illinois Grape and Wine Resources Council (Wine Council) in 1997. The legislation included funds to support research, educational programs, and promotional efforts. The state continues to support the Wine Council with annual allocations from the state's tourism fund. With the establishment of the Wine Council, and through the partnering efforts with the Illinois Grape Growers and Vintners Association, Illinois is experiencing a turnaround in the grape and wine industry, not only in increased production, but heightened awareness, appreciation, and sales. In its first year of existence, the efforts of the Wine Council contributed to a statewide jump in Illinois wine sales from \$2 million to \$7.5 million.

The Wine Council has focused on growing the industry by educating potential winemakers and vintners and establishing acceptance of Illinois wines in the marketplace. The wine garden at the Illinois State Fair and statewide marketing materials are examples of how the council is working to increase awareness of state wines. These efforts are paying off with a resurgence of the Illinois wine industry. In 1995, there were nine wineries in Illinois. By the end of 2001, there were 27 wineries in operation. Within the next ten years, tourism experts predict that Illinois wineries will create more than 1,300 jobs and generate more than \$60 million in economic activity.



Most Illinois wine is made from grapes. Some specialty wines, especially in southern Illinois, are made from locally grown fruits, such as apples, blackberries, blueberries, cherries, peaches, and raspberries. Although the industry is still considered in its infancy, several Illinois wines have received national recognition for their excellence.

With establishment of the Wine Council, grape growers are also experiencing resurgence in their industry in Illinois. Prior to prohibition, Illinois was dominant in the grape growing industry, but statistics showed that only 82 acres of grapes were in existence in 1996. Past estimates indicated that less than 20 percent of the wines made by Illinois wineries were made with Illinois-grown grapes. In 1998, only 10,000 gallons of wine were produced in Illinois using Illinois grapes. This low percentage was not due to wineries' distaste for Illinois grapes, but due to a lack of supply. As a follow-up survey to the 1997 Illinois Winemakers Benchmarking report, all wineries questioned indicated a preference for Illinois grapes, assuming quality and taste standards were in place. Illinois vintners have responded and as of 2001, the Wine Council reported 175 vineyards operating in Illinois with 650 acres of grapes planted.

History of Illinois Wine Industry

Year	Acres Planted	Growers	Wineries	Total Gallons Produced
2001	650	175	27	210,000
2000	520		20	
1999	380	100	18	167,000
1998	240	82	14	
1997	140			123,000
1996	82	41	10	
1954	400			
1925	+3,000			

Information for this table was generously provided by the Illinois Grape and Wine Resources Council.

The Midwest Wine Industry

In addition to Illinois, other Midwestern states are also experiencing a resurgence in their wine industries. Sales of Indiana wines have more than tripled since 1994 and Missouri wine sales have doubled in the same time period. Legislative support from the three state governments has been the force behind this dramatic growth. The Indiana Wine and Grape Council and the Missouri Grape and Wine Program were developed with the same goals as the Illinois Grape and Wine Resources Council for their respective states. This is similar to the strategy used by the California wine industry in the 1980's.

"Before the 1980's, people didn't think of California wine as fine wine, they thought of it as jug wine," explains Bonnie Cissell, executive director of the Illinois Grape and Wine Resources Council. "Then California poured tons of money into marketing, and they were supported by their state legislators. So now, what is perceived to be good wine is strongly influenced by what comes out of California." Due to weather, soil, and other factors, Illinois and the other Midwest states cannot cultivate the same wine grapes as California. "We can't grow Chardonnay. We can't grow Merlot. We grow French hybrids, which can withstand the cold temperatures and the high humidity," explains Cissell. Rather than compare Illinois and California varieties, she suggests that wine drinkers judge Illinois wine on its own merits.

Nationwide industry publications such as Vineyard and Winery Management Magazine are recognizing the progress in the heartland. The US wine industry as a whole is on the rise and the Midwest wine industry is benefiting from that growth.

A Comparison of the Illinois, Indiana, and Missouri Wine and Grape Industries 1994 – 2001

Illinois data provided by the Illinois Grape and Wine Resources Council.

Indiana data provided by the Indiana Grape and Wine Council.

Missouri data provided by the Missouri Wine and Grape Program.

Number of Wineries	Illinois	Indiana	Missouri
1994	*	21	28
1995	*	25	30
1996	*	27	29
1997	12	27	30
1998	14	27	31
1999	18	28	33
2000	20	33	33
2001	27	*	36

Grape Acreage	Illinois	Indiana	Missouri
1994	*	80	1100
1995	*	*	*
1996	*	105	*
1997	140	*	700
1998	240	165	*
1999	380	*	*
2000	520	195	*
2001	650	250	1000

Total Gals. Produced	Illinois	Indiana	Missouri
1994	*	69,345	292,000
1995	*	84,587	304,000
1996	*	101,800	329,000
1997	123,000	123,300	380,000
1998	*	156,308	388,000
1999	167,000	177,182	415,000
2000	*	218,829	450,000
2001	210,000	*	*

"This year we're expecting approximately 1.5 million people will visit our 30+ wineries. While we realize our numbers don't approach those of larger wine producing states such as California or Washington, there's clearly no shortage of enthusiasm among wine lovers about what we're accomplishing with our special grape varieties right here in America's heartland."

Excerpted from the Missouri Wine and Grape Program Website.

"With a growth rate of over 25% for the past five years in gallons sold, the Indiana wineries and grape growers are prospering from the fruits of their labor."

Excerpted from the Indiana Grape and Wine Council Website.

The United States Wine Industry

The wine industry in the United States has experienced steady growth over the past 25 years. Between 1945 and 1970, the consumption of wine in the United States was quite modest, but nevertheless fairly consistent in terms of both volume and revenue growth. Beginning in the early 1970's, however, demand began to increase dramatically. The total gallons of wine consumed more than doubled in between 1970 and 1980, and continued to expand rapidly in the early 1980's, due in part to the development and popularity of wine coolers. A decrease in wine consumption was experienced in the early 1990's, but the dollar amount of retail sales continued its steady growth. Since 1995, the industry has again been experiencing significant growth in both wine consumption and retail sales of wine.

Wine Sales in the U.S. 1975-2000

Year	Volume Entering Trade Channels	Retail Sales of Wine
2000	565 million gallons	\$19.0 billion
1999	551 million gallons	\$18.1 billion
1998	526 million gallons	\$17.0 billion
1997	520 million gallons	\$16.1 billion
1996	500 million gallons	\$14.3 billion
1995	464 million gallons	\$12.2 billion
1990	509 million gallons	\$11.7 billion
1985	580 million gallons	\$10.8 billion
1980	480 million gallons	\$6.2 billion
1975	368 million gallons	\$3.3 billion

Source: Gomberg, Fredrikson & Associates (volume) and Wine Institute (value).

Wine Consumption in the U.S. 1940-2000

	Total Wine per Resident	Total Wine Gallons	Total Table Wine Gallons
2000	2.01 gals.	565 million	505 million
1999	2.02 gals.	551 million	482 million
1998	1.95 gals.	526 million	466 million
1997	1.94 gals.	520 million	461 million
1996	1.89 gals.	500 million	439 million
1995	1.77 gals.	464 million	404 million
1990	2.05 gals.	509 million	423 million
1980	2.11 gals.	480 million	360 million
1970	1.31 gals.	267 million	133 million
1960	0.91 gals.	163 million	53 million
1950	0.93 gals.	140 million	36 million
1940	0.68 gals.	90 million	27 million

Source: Wine Institute/ Gomberg, Fredrikson & Associates.

ECONOMIC IMPACT OF WINE AND WINEGRAPES IN ILLINOIS

2005

From MKF Research, LLC

EXECUTIVE SUMMARY

Although winemaking in Illinois dates from at least 1885, ninety percent of Illinois' vineyards and 83 percent of Illinois' wineries have been established in the last ten years. In just the last three years, the number of wineries and vineyards have doubled, so that today there are 68 wineries and 450 vineyards in the state.

The wineries of Illinois produce 500,000 gallons of wine per year. MKF Research LLC estimates that Illinois wineries' revenues from wine sales total \$21 million, taking into account both direct sales and the wineries' share of revenue for wine sold through the three-tier system. There are approximately 450 grape farmers in the state with 1,100 bearing acres.

Wine and winegrapes and related industries created more than \$253 million¹ of total economic value to the state of Illinois for 2005. The wine and winegrape and sectors paid at least \$22.9 million in state and local taxes in the state in 2005. Wine and winegrapes and related industries account for nearly 2,300 jobs across the state, for a payroll of more than \$59.6 million.

Investing in a vineyard is a long-term commitment to a specific place. Newly planted vineyards need four years to produce a harvest. Another year to three years is needed to turn those grapes into wine. The soil and climate in which grapes are grown define the taste and style of the wine the grapes will become. Wine must contain 75% Illinois grapes to be labeled Illinois wine. Thus, unlike manufacturing or service enterprises, Illinois' vineyards and wineries producing Illinois wine cannot easily be moved to another state which might offer a better business climate or tax incentives.

CHALLENGES AND OPPORTUNITIES

Challenges

Illinois' wine and winegrape producers face a complex array of challenges.

Trained Labor and Availability of Training

Illinois has a serious shortage of trained viticulture and enology professionals, a shortage that has constrained the continued expansion of the winegrape industry as well as its continuing efforts to improve grape quality.

Lacking a state enologist and viticulturist, the industry has relied on part-time assistance and agricultural assistance. Viticulture and enology degree programs are also limited. Moreover, most of the states with growing winemaking and grape growing industries supplement their formal degree programs and extension services with extensive in-service, part-time courses for mid-career professionals to continue to improve their skills, including wine business courses as well as technical training. The offerings here too are somewhat limited, primarily one day seminars sponsored by IGGVA and the University of Illinois at Champaign, the Illinois Department of Agriculture and others. Southern Illinois University is another professional source of class and seminar offerings. Continuing to build this institutional infrastructure will help ensure the long-term strength of Illinois's wine and winegrape industry.

Grape Shortage

Shortage of quality grapes also remains an issue for wineries. Demand for the best grapes has outstripped their supply as wine sales continue to grow. A wine needs to contain at least 75% Illinois grapes to be labeled as an Illinois wine. Crop damage from two freezes in spring 2005 inhibited the growth of Illinois wine production in 2005.

Consequently, many wineries, particularly the larger wineries, are importing grapes. New sources of grapes and grape juice from California and Michigan and some other states are helping ease the shortage and providing more variety to wines produced in Illinois. In some cases, grapes brought in from California are less expensive than those grown locally. Some Illinois winemakers use such grapes to make classic vinifera style wines or blend them with native or hybrid varietal grapes to create new blends, although they may not be able to label them as Illinois appellation wines.

Scarcity of Financing

The capital-intensive nature of the winery and vineyard sectors is often underestimated. It appears that some parts of Illinois's winery and vineyard sectors may be under-capitalized as well as under-served by credit and other financial institutions, especially as few institutions are familiar with the unique characteristics of the business of wine and grapes.

Climate and Other Issues

Illinois grape growers also often face a challenging natural environment, particularly for higher value vinifera grapes. Periodically severe winters and springs damage harvests and increase the difficulty of grape cultivation. Sudden changes in temperature pose the greatest viticultural hazard. Water use constraints, environmental issues, and rising land prices in the spreading metropolitan regions further augment costs and complicate vineyard development as does the use of pesticides in the surrounding agricultural areas. The University of Illinois Extension is currently working on Integrated Pest Management techniques to assist the winegrape industry. In addition, others are turning to hardier hybrid grape varieties like chambourcin, vigneoles and vidal.

Building a Reputation for Illinois Wine in a Crowded Wine Market

Wine is a discretionary consumer good – clear product image and consistent quality are essential to claim a place through distributors, retailers and restaurants to reach the consumer or to build a direct-to-consumer brand. Illinois's wineries need to build a clear profile and reputation for their products to compete in an already crowded wine marketplace.

"Illinois Wine" has made some progress in the market but more work is needed. Increased efforts by the state of Illinois and the Illinois Grape Growers and Vintners Association (IGGVA) will help to build the reputation of Illinois wine.

Direct Shipping

Since the enactment of the 21st amendment to the US constitution ending Prohibition, regulation of alcohol distribution and sale has been a state responsibility. Within the system that emerged from these regulations, wine has been sold through the "three-tier system": the wine producer sells the wine to a state licensed distributor who then sells the wine to retailers or restaurants for sale to the consumer. However, the smaller winemakers in Illinois are finding little distributor interest in selling their wine, although three of the largest have been successful working with distributors. The alternative for these smaller wineries has long been to sell directly to consumers, an arrangement permitted to Illinois wineries under Illinois law. However, the Supreme Court's Granholm decision in 2005 prohibited differential privileges for in-state businesses.

Illinois law now permits direct sale by wineries to consumers resident in states that have signed a reciprocity agreement with Illinois but limits such sale to two cases per consumer per year. There is concern by wineries that legislation may be introduced providing still more restrictions which may severely and negatively impact the business prospects of smaller wineries. The direct shipping issue is currently under negotiation.

Update 2008: Legislation has passed that allows wineries to ship up to 12 cases to any single adult resident in Illinois if they apply for a winery shippers license. Additionally, wineries producing less than 25,000 gal of wine annually may apply for an exemption which allows them to directly distribute up to 5000 gal of wine annually to retail outlets. The license application may be found at www.state.il.us/LCC/.

Opportunities

A Growing Wine Market

Illinois winemakers serve one of the major wine markets in the US. The state is the fifth largest wine market in the country, with the city of Chicago the third largest US metropolitan wine market.

Illinois' wine and grape industry will benefit from America's steadily rising demand for wine – and for better wine. Although slowing from the peak growth rates of the 1990s, American wine consumption is still rising, increasing overall by 3.8% in 2004 and by more than 6% in 2005.

Interest in agricultural and winery tourism has also grown steadily, bringing visitors and customers to Illinois wineries, as demonstrated by their growing numbers of such guests, totaling more than 150,000 in 2005.

State Government Support of the Wine and Winegrape Industry

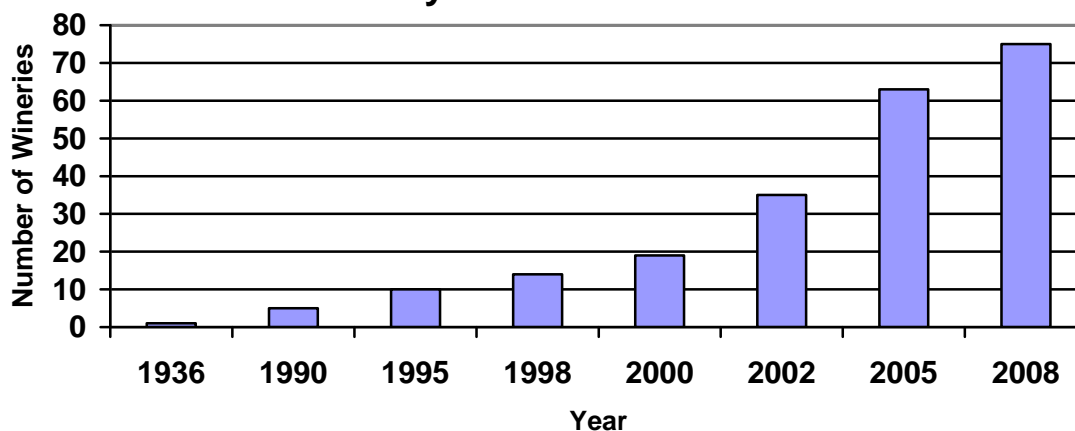
Illinois state government is showing more support of the industry.

In 2005, the state of Illinois designated \$400,000 to assist the state's wine industry. The funds go to the University of Illinois, Southern Illinois University, the Illinois Grape Growers and Vintners Association, and to hire an enologist. The state also granted \$150,000 to the Illinois Bureau of Tourism for a campaign to highlight wineries and attract visitors. In addition, the Illinois Treasurer's Experience Illinois Tourism Loan program has assisted with financing for eight wineries in Illinois totaling almost \$1.5 million dollars during the last four years. To promote the grape and wine industry, in 2005, Illinois Governor Rod Blagojevich designated September as "Illinois Wine Month."

Rapidly Improving Grape and Wine Quality

The quality of Illinois wine and viticulture has been steadily increasing and receiving growing recognition, reflected in rising sales on more profitable terms. The Illinois Grape Growers and Vintners Association, established in 1992, has supported training and development with a focus on improving quality and productivity in vineyards and wineries. The growers are continuing to focus on the use of French Hybrids, which have been successful and are ranked as the top six varietals planted in the state.

Winery Growth in Illinois



For more recent and detailed Industry statistics, go to <http://www.illinoiswine.com/pdf/industry-report07.pdf>

Marketing plays a vital role in successful wineries. How well you market your winery, along with a few other considerations, will ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers – their likes, dislikes, and expectations. By identifying these factors, you can develop a marketing strategy that will allow you to attract customers and fulfill their needs.



- Develop a mission statement
- Define and analyze your target market.
- Identify and analyze your competition.
- Develop a marketing strategy to reach your target market.

Mission Statement

A company’s mission statement captures, in a few sentences, your business purpose, its goals and objectives, and the philosophies underlying them. The mission statement tells your customers, employees, suppliers, and the community what your business is all about.

Mission Statement
<i>Develop your company’s mission statement.</i>

Target Market

Your target market is the group or groups that are most likely to buy your product or service. A clear target market is the heart of any marketing plan and can often be the difference between succeeding in business and failing. This group can be defined by:

- Type – Are your customers individuals or other businesses such as liquor stores, gift shops, or restaurants?
- Demographics (physical or population characteristics such as age, gender, or economic status) – Most obviously your market will be over the age of 21 and have some degree of expendable income. Further define this market based on the types and prices of the wine you will be selling.
- Geographic Location – Are your potential customers mostly tourists or from your local market?
- Lifestyle - What will your customers be looking to find at your winery? What do you think is your winery’s strongest selling point? This could be your wine, the experience of visiting the winery itself, the area, the people working in your winery, or something else entirely.

Identify any trends in your target market that may affect your business, as well as market size. Demographic information can be located on the US Census website at www.census.gov.

Target Market

Define your winery's target market. Who, by definition, are the people who will be buying most of your wine?

Target Market Analysis

After you define your target market in general terms, the next step is to analyze some characteristics of this group. The more you know about your customer, the better prepared you will be to focus your marketing campaign towards these people. Where does your target market live, work and shop? What are your customer's needs and wants? How big or approximately how many individuals is your target market? Which of these needs or wants will your winery meet and how? (check <http://www.state.il.us/2000census>)

Competition

After you define your market, the next step is to define your competition. There are two ways to define competitors:

- One is by product and marketing strategy – These competitors are businesses that use similar marketing strategies and sell similar products to your target market. These businesses are considered your direct competitors. Other wineries in your area are the most obvious form of this type of competition.
- The second way is to define your competitors by your customers – Who is competing for your customer's dollar? Ask yourself the question, "Where is your target market currently purchasing the products and services you are planning to offer?" Liquor stores, gift shops, restaurants, and other tourist-related businesses should also be considered as possible competition.

It is common for tourist businesses such as wineries to work together with their competition to increase the tourism in their area. An example of this is the Shawnee Hills Wine Trail in southern Illinois.

A thorough analysis of your competition is essential to any business development. Study your competitors' operations and strategies and learn from their strengths and their weaknesses. Use the form on the following page to assist you with an analysis of your closest competitors. Make copies and use additional sheets if needed.

Competitor Analysis	
Competitor's Name	
Where are they located? <i>Include approximate distance from your location.</i>	
Number of years in business	
What types of wine do they offer? What additional product(s) and/or service(s) do they offer?	
How are their products/services different from yours?	
What is your perception of their prices? Are they appropriate for their wines?	
How do they advertise and promote their product or service?	
How do you perceive their business: Steady? Increasing? Decreasing?	
What are their strengths? <i>(Their strengths can also be your strengths.)</i>	
What are their weaknesses? <i>(Their weaknesses can be your opportunities!)</i>	
How will your business compare to this competitor?	
Will you be working with this competitor to increase regional tourism? How?	

Marketing Strategy

- Product
- Price
- Place
- Promotion

Product

One of the most difficult decisions in winery planning is deciding what wines to produce and in what quantities.

Two operating assumptions are critical to a winery's success:

- 1) The winemaker makes wines of sufficient quality to generate demand and maintain price levels.
- 2) The number of visitors to the winery and local and regional sales outside the winery are sufficient to consume at least 80% of bottled inventory per year and maintain price levels. (Stephen Menke, Enology Specialist, Illinois Grape and Wine Resources Council)

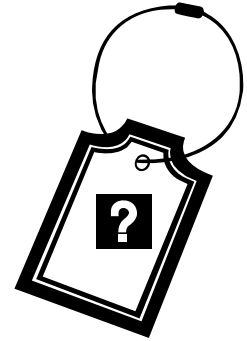
A successful winery grows and makes what it can sell. In other words, make sure that your wines are a good fit to your market. The other products and services that you provide should also fit with your market and complement your winery's image.

Packaging is another element in the product mix. Your label becomes as important a part of your winery's image as your wine. The image that the label portrays should fit with the types of wine you will be producing. The label may be the hook that creates the purchase and affects the consumer in his/her overall impression of the wine. Care should be taken in its design and implementation. There are several legal restrictions on wine labeling that are addressed later in this workbook. Wineries should also consider obtaining a trademark for the winery name, brand, and wine label.

Product Mix <i>Develop a product list and approximate quantities to be produced for the first five years. Remember, this is just a plan. In reality, actual quantities produced will be adjusted annually based on factors such as market acceptance, sales history, and raw material availability.</i>

Price

Lack of courage in pricing is the single biggest marketing error small business owners make. It is commonly believed that price drives all purchasing decisions, so in order to gain market share, all you have to do is have the lowest price. Wrong! You cannot afford this business strategy. Price is important, but is not the only reason customers purchase a product. Price, perceived quality, service and profitability are all tied together. While there is no magical formula for deciding your pricing, there are a few guidelines that will help develop a price strategy to work with.



The first step is to break down your product or service into a tangible quantity. For a winery, this would obviously be a bottle of wine. The other products or services to be offered should also be broken down into tangible quantities.

The second step is to develop a price for each of your tangible quantities. What you charge for your product or service depends on the following:

- 1) Direct material costs - All directly related out-of-pocket expenses for production of the product or service.
 - Fruit/Juice
 - Bottle
 - Cork
 - Label
 - Yeast/Additives/Capsule
- 2) Indirect costs – Your overhead costs should be included in the pricing decision. Overhead costs are the costs involved in running your winery including marketing, labor, utilities, loan interest, taxes, insurance, maintenance, accountant fees, and other operating expenses. These are costs not directly related to the particular product or service, but they are costs that must be recovered.
- 3) Your labor – It is a common mistake for small business owners to forget to take their own labor into consideration when pricing a product.
- 4) What the competition is charging – Visit as many wineries as possible in your area and perform an analysis of their pricing of different types of wine. While you should consider what your competitors are charging, it doesn't necessarily mean that their pricing strategy is the right fit for your market.
- 5) Perception of quality - The pricing of a wine is dependent just as much on the perception of quality as it is on the actual quality. This is due to the fact that not only does each person have a different palate of flavors and aromas and textures that he/she tastes, but also a high regard for or loyalty to certain grape varieties or certain wineries. This loyalty is based both on the customer's palate and experience and upon a perception of the inherent capabilities for quality of the customer's relationship with certain grape varieties or wineries. (Stephen Menke, Enology Specialist, Illinois Grape and Wine Resources Council)
- 6) What price structure the target market will bear. - Make sure your prices are a correct fit for your market.
- 7) What is an adequate profit. – The price of the product has to be sufficient to secure an adequate profit for the business owner(s).

Items 4 thru 7 should be used as adjustments to the final price. If you find you must adjust your price down to your cost or below your cost, you may not be able to compete; that is, you may not have a viable product or service. Go back and see if you can cut your expenses or change your product mix without sacrificing quality. Another solution might be that your target market is not right; maybe you are targeting a lower income group than this product or service needs to succeed.

Pricing Strategy*Develop a direct cost estimate and price list for your product mix.*

Name of Wine:			Name of Wine:		
Price Per Bottle			Price Per Bottle		
Cost Estimate per Bottle:			Cost Estimate per Bottle:		
Fruit/Juice			Fruit/Juice		
Bottle			Bottle		
Cork			Cork		
Label			Label		
Capsule/Yeast/Additives			Capsule/Yeast/Additives		
Other Costs			Other Costs		
Total Direct Cost			Total Direct Cost		
Gross Profit (Price Less Direct Cost)			Gross Profit (Price Less Direct Cost)		
Name of Wine:			Name of Wine:		
Price Per Bottle			Price Per Bottle		
Cost Estimate per Bottle:			Cost Estimate per Bottle:		
Fruit/Juice			Fruit/Juice		
Bottle			Bottle		
Cork			Cork		
Label			Label		
Capsule/Yeast/Additives			Capsule/Yeast/Additives		
Other Costs			Other Costs		
Total Direct Cost			Total Direct Cost		
Gross Profit (Price Less Direct Cost)			Gross Profit (Price Less Direct Cost)		
Pricing Strategy for Other Products:					

Place - Distribution Strategy

This section of the marketing plan answers the following questions:

- How are you going to get your wine to your customer?
- How will the wine be sold?

Below are some examples of ways to move your product to your customer. Your strategy may involve one or more of these techniques.

- Retail Onsite Sales – Tourists and Local Visitors
- Festivals and Special Events
- Wholesale Sales to Other Businesses such as Restaurants, Liquor Stores, and Gift Shops
- Internet Sales – Limited to Certain States
- Distributors

Develop a distribution strategy for your business.

Describe your selling strategy and how you are going to reach your customer.

Promotion

Promoting your business entails using all available means to get a positive message to your customers about your product or service. This can be achieved using a website, signage, paid advertising, directory listings, publicity, direct mail, and business and community involvement. Marketing can be done individually or as part of a group. Take the time to visit the websites of other Illinois wineries and Illinois wine industry organizations (www.illinoiswine.org and www.wine-il.com) for marketing opportunities and ideas.

Additional marketing information and assistance can be obtained from your local tourism development organizations. Your local Small Business Development Center can provide eBusiness counseling and resource referrals to guide you through the process of developing an Internet presence for your winery. (See the Reference Section at the end of this workbook for contact information.)

Promotion Plan			
<i>Develop a promotion plan for your winery. Calculate both a start-up and a monthly advertising and promotion budget. Contact web site development companies, newspapers, radio/TV/cable outlets, printers, sign shops, etc. to obtain price quotes.</i>			
Item	Source	Start-up Cost (\$)	Monthly Cost (\$)
Internet:			
• Web page design			
• Domain name purchase			
• Hosting services			
Signage			
Radio			
TV/Cable			
Newspaper			
Tourism Publications			
Yellow Pages			
Printed Material:			
• Business cards			
• Brochures/Flyers			
Direct Mail (Postage)			
Festivals			
Membership Fees			
Other			
Total Advertising & Promotion Expense			

The purpose of this section is to describe the legal form and organization of the business, skills available within management to successfully run the business, employee wages/salaries, employment schedules, and other considerations necessary to successfully operate and manage your winery.

Business Organization

Several forms of business ownership are possible, including Sole Proprietorships, General and Limited Partnerships, Limited Liability Partnerships (LLP), Limited Liability Companies (LLC), "S" Corporations and "C" Corporations. Each form has advantages and disadvantages. Before deciding on a form of business ownership, an attorney should be consulted who specializes in these issues.

Sole Proprietorship and General Partnership

A sole proprietorship is a single individual who owns and operates a business. There is no legal separation between the individual and the business. The owner benefits from 100% of the profits and is personally responsible for 100% of the debts and liabilities of the business. It is the simplest form of business ownership to start up and to maintain. Income is reported annually on the owner's personal income tax return. More information on sole proprietorships can be found in IRS Publication 334: Tax Guide for Small Businesses. You can download this publication from the IRS website at www.irs.gov or you can receive one by mail by contacting the IRS at (800) 829-3676.

A general partnership is very similar to a sole proprietorship except that there are two or more individuals who own the business. The partners are able to pool their resources and share control of a business. A general partnership is relatively simple to start up and to maintain. A written partnership agreement is not a legal requirement, but is strongly recommended to clarify each partner's rights and responsibilities. Be aware that all partners remain 100% responsible for the debts and liabilities of the business, regardless of how the partnership agreement outlines work responsibilities and shares of profit. A separate set of income tax returns must be filed annually for the partnership, but the partnership itself is not subject to income tax. The individual partners report their share of the partnership income on their personal income tax returns. More information on partnerships can be found in IRS Publication 541: Partnerships. You can download this publication from the IRS website at www.irs.gov or you can receive one by mail by contacting the IRS at (800) 829-3676.

When a business name is different from the owner(s) full legal name(s), the Illinois Assumed Name Act requires sole proprietorships and general partnerships to register with their local county clerk's office for registration under the Assumed Name Act.

Limited Partnership

A limited partnership is an organization made up of a general partner, who manages the business, and limited partners, who invest money, but have limited liability and are not involved in day-to-day management. The general partner(s) is/are 100% responsible for all the debts and liabilities of the business. The limited partner's liability does not exceed his/her investment in the business. More information on limited partnerships can be obtained from the Secretary of State at:

Limited Partnership Section
501 South Second Street
Room 357, Howlett Building
Springfield, Illinois 62756
217/785-8960
TDD: 1-800/252-2904
<http://www.ilsos.net>

Limited Partnership Section
69 W. Washington, 12th Floor
Chicago, Illinois 60602
312/793-2872
TDD: 1-800/252-2904
<http://www.ilsos.net>

Limited Liability Company

A Limited Liability Company (LLC) is the non-corporate form of doing business that provides its owners with limited liability, flow-through tax treatment and operating flexibility through participation in management of the business. Anyone considering the formation of an LLC is strongly encouraged to use an attorney.

For more information on LLCs or to obtain LLC forms, you can contact the Illinois Secretary of State's office at:

Limited Liability Company Section Room 351, Howlett Building Springfield, Illinois 62756 217/524-8008 TDD: 1-800/252-2904 www.ilsos.net

Registered Limited Liability Partnership

If organized as a Registered Limited Liability Partnership (RLLP) under a specific section of the General Partnership Act, partners are not liable for the debts, obligations and liabilities of, or chargeable to the partnership arising from negligence, wrongful acts, omissions, misconduct or malpractice committed while the partnership is a Registered Limited Liability Partnership. For more information on RLLPs or to obtain RLLP forms, you can contact the Illinois Secretary of State's office at:

Registered Limited Liability Partnership Section Room 357, Howlett Building Springfield, Illinois 62756 217/524-4952 TDD: 1-800/252-2904 www.ilsos.net
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"C" Corporation

A corporation is a distinct legal entity and is the most complex form of organization. A corporation may sell shares of stock, which are certificates indicating ownership, to as many people as is desirable. The shareholders then elect a board of directors, which elects a president and other officers who run the company on a day-to-day basis. Among the advantages of corporate formation are limited liability of the shareholder and ease of transferring ownership. The corporation provides a wall of liability protection between the business and the owners, but the owner should be aware that most banks will require a personal guarantee from the major shareholders as collateral on any corporate financing. If the name of the business includes the word "Corporation," "Inc.," "Incorporated" or "Corp.," then the business must be incorporated. It is recommended that an attorney be consulted in forming a corporation.

A set of corporate income tax returns will need to be filed annually. The corporation is taxed on the income of the business. Double taxation can occur when the income is distributed to the shareholders in the form of dividends. An annual report will also need to be filed with the Illinois Secretary of State's office.

Information on corporations can be found in IRS Publication 542: Corporations. You can download this publication from the IRS website at www.irs.gov or you can receive one by mail by contacting the IRS at (800) 829-3676. For more information on corporations or to obtain corporate forms, you can contact the Illinois Secretary of State's office at:

Business Services Room 328 Howlett Building Springfield, Illinois 62756 217/782-6961 TDD: 1-800/252-2904 www.cyberdriveillinois.com	Business Services 69 W. Washington, 12 th Floor Chicago, Illinois 60602 312/793-3380 TDD: 1-800/252-2904 www.cyberdriveillinois.com
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"S" Corporation

An S Corporation is not a separate form of legal structure, but rather a special tax status granted by the Internal Revenue Service (IRS). In general, an S Corporation passes through income and expenses to its shareholders, who then report them on their personal income tax returns. To qualify for S Corporation status, a corporation must meet several requirements. A complete list of these requirements is available in the IRS instructions to Form 2553: Election by a Small Business Corporation. You can download this form from the IRS website at www.irs.gov or you can receive one by mail by contacting the IRS at (800) 829-3676.

For more information on S Corporations, contact the Illinois Secretary of State's office at:

Business Services Room 328 Howlett Building Springfield, Illinois 62756 217/782-6961 TDD: 1-800/252-2904 www.cyberdriveillinois.com	Business Services 69 West Washington, 12 th Floor Chicago, Illinois 60602 312/793-3380 TDD: 1-800/252-2904 www.cyberdriveillinois.com
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Cooperative

A cooperative is an association of persons united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The cooperative entity is similar to a "C" Corporation, except the profits are passed through to the member-owners without corporate taxation, and each member-owner is entitled to only one vote.

A cooperative exists to provide economic services to its members rather than just to generate a return on investment. A portion of all of its capital comes from members rather than outside investors. Capital is obtained by direct contributions through membership fees or sale of stock, by agreement with members to withhold a portion of net income based on patronage, or through assessments on some regular basis, such as per unit of product sold or purchased.

More information on cooperatives can be found on the USDA Rural Development website at:
<http://www.rurdev.usda.gov/rbs/pub/newpub.htm>.

Business Registration

Any form of business ownership that will be operating a winery will need to obtain a Federal Identification Number. Form SS-4 should be filed with the Internal Revenue Service. You can download this form from the IRS website at www.irs.gov or you can receive one by mail by contacting the IRS at (800) 829-3676. This form is also available at IRS and Social Security Administration Offices.

Any form of business ownership that will be operating a winery in Illinois is also required to register with the Illinois Department of Revenue by filing REG-1 form. A Business Registration Kit containing this form can be obtained by contacting the Illinois Department of Revenue at:

101 W. Jefferson Street P.O. Box 19030 Springfield, Illinois 62794-9030 TDD: 1-800/544-5304 http://www.revenue.state.il.us/Businesses/index.htm	100 W. Randolph Seventh Floor Chicago, Illinois 60601 800/732-8866 http://www.revenue.state.il.us/Businesses/index.htm
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Business Organization

Discuss the legal form of the business ownership that you will be using. Include "Assumed Name Act" registration, Partnership Agreements, LLC, or Incorporation Certificate(s) as appropriate. List the names of all principals involved in the business.

Management and Employees

The two essential ingredients for success in any business are a good business idea and the right people to turn that idea into a business. This section of the business plan shows the potential investor that the owner and his/her employees have the proper experience in the industry and the management skills to run the business effectively. It also shows the major tasks of the business and assigns people to be responsible for the completion of those tasks. Some tasks that should be considered for a winery include:

- Winemaking
- Viticulture (if a vineyard will be maintained)
- Management of Employees
- Sales
- Marketing
- Management of Employees
- Purchasing
- Tasting Room Reception
- General Bookkeeping
- Payroll
- Payroll Tax Return Preparation
- Sales and Excise Tax Return Preparation
- Income Tax Preparation
- Corporate Recordkeeping

Key Persons and Management

Discuss key persons and tasks for which they will be responsible. Include resumes of owners and key personnel. The resumes should include past-related employment experience; professional training and education; related certificate/degree(s) held; and other personal information related to business operations. Be sure to highlight winery-related experience. A sample resume format is shown on the following page.

Sample Resume Form

Personal Information	
Name	_____
Address	_____

Telephone #	_____

Education	
High School	_____
College	_____

Technical	_____

Work Experience		
Dates Employed (From - to)	Employer	Positions/Duties

Labor Planning

Develop a Personnel Hiring & Pay Schedule. List employees you will be hiring, general duties, hiring qualifications, salary, and proposed hiring date. You should also note whether the position will be year-round or seasonal.

Job Title	Duties	Qualifications	Wage Rate	Hiring Date
				___ Seasonal ___ Year Round
				___ Seasonal ___ Year Round
				___ Seasonal ___ Year Round
				___ Seasonal ___ Year Round
				___ Seasonal ___ Year Round

Develop a Work Schedule. The work schedule should provide coverage for the scheduled operating hours of the winery. The seasonality in the winery industry should be taken into account in predicting labor costs. For cash flow projections, expenses should be estimated monthly for the first year and quarterly thereafter.

Seasonal Work Schedule	Job Title:		Job Title:		Job Title:		Job Title:	
	Hours Per Week	Monthly Wage	Hours Per Week	Monthly Wage	Hours Per Week	Monthly Wage	Hours Per Week	Monthly Wage
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								

Payroll Taxes

Businesses employing workers in Illinois are required to register with the Internal Revenue Service (IRS), The Illinois Department of Revenue, and The Illinois Department of Employment Security. Information regarding registering with the IRS (Form SS-4) and the Illinois Department of Revenue (Form NUC-1) is included in the Business Registration Section of this workbook.

Internal Revenue Service

Federal Income Tax Withheld, Social Security Tax, and Medicare

Certain taxes must be withheld from employee wages and remitted to the government. These include state and federal income taxes and FICA (Social Security). You may be required to register with both the federal government and the State of Illinois for tax withholding purposes. To learn more about your federal government tax requirements, contact the Internal Revenue Service at 1-800/829-3676 and request any of the following materials:

- Small Business Resource Guide (CD-ROM)
- Intro to Federal taxes for Small Business/Self Employed (CD-ROM)
- Small Business Tax Workbook (Publication 1066A)
- A Virtual Small Business Tax Workshop DVD
- Starting a Business and Keeping Records (Publication 583)
- A Tax Guide for Small Business (Publication 334)
- Employer's Tax Guide (Publication 15)
- Tax Calendar for Small Business

Information and forms specific for agriculture can be obtained at:

<http://www.irs.gov/businesses/small/farmers/index.html>.

The IRS also operates a general information hotline: 1- 800/829-1040. To register with the State of Illinois, contact the Department of Revenue:

100 W. Randolph, Concourse 300
Chicago, Illinois 60601

PO Box 19030
Springfield, Illinois 62794-9030

Voice:1-800-732-8866

TDD: 1-800-544-5304

<http://www.revenue.state.il.us/>

Federal Unemployment Tax

The federal unemployment tax is part of the federal and state program under the Federal Unemployment Tax Act (FUTA) that pays unemployment compensation to workers who lose their jobs. You report and pay FUTA tax separately from social security and Medicare taxes and withheld income tax. You pay FUTA tax only from your own funds. Employees do not pay this tax or have it withheld from their pay. FUTA tax is generally paid at a rate of 3.1% of each worker's wages up to \$9,000 per calendar year. Form 940 or Form 940-EZ is filed annually to report this tax, but the tax needs to be deposited quarterly if the tax liability exceeds \$100. More information on FUTA tax is available on the IRS website at www.irs.gov.

More information on federal payroll taxes is available in IRS Publication 583: Starting a Business and Keeping Records. Publication 225 (2007), Farmer's Tax Guide, can be downloaded at <http://www.irs.gov/publications/p225/index.html> or you can receive one by mail by contacting the IRS at (800) 829-3676.

The Illinois Department of Employment Security (IDES)

A business is required to make unemployment insurance contributions to the IDES if:

- 1) The business employed one or more workers in each of twenty weeks in a calendar year; or
- 2) The business paid at least \$1,500 in total wages during the calendar year.

Most new employers are responsible for making contributions at the current rate of 3.1% of each worker's wages up to \$9,000 per calendar year. Reports must be filed quarterly listing the workers' wages even if there is no contribution due. Contact the IDES to receive a State Unemployment Insurance New Employer Packet at:

Illinois Department of Employment Security 33 South State, 10 th Floor West Chicago, IL 60603 (800) 247-4984 (In Illinois only) or (312) 793-4880 TDD: (312) 793-9350 Website: www.ides.state.il.us

Illinois Department of Revenue

Illinois Income Tax is withheld from the employee's check and remitted to the Illinois Department of Revenue. Illinois Income Tax is not withheld from compensation paid to residents of Iowa, Kentucky, Michigan, and Wisconsin, due to reciprocal agreements with each of these states.

Form IL-941 must be filed on either an annual or quarterly basis. Employers who accumulate more than \$500 unpaid withheld tax each month must send withholding payments more often. After registering, businesses will receive instruction from the Illinois Department of Revenue regarding their individual filing requirements. More information on Illinois withholding taxes can be found at the Illinois Department of Revenue website at www.revenue.state.il.us.

Hiring a New Employee

When hiring employees, have them fill out Form I-9, Form W-4, and Form IL-W-4. If your employees qualify for advance payments of the earned income credit, they must give you a Form W-5.

Form I-9. You must verify that each new employee is legally eligible to work in the United States. Both you and the employee must complete the Immigration and Naturalization Service (INS) Form I-9: Employment Eligibility Verification. You can get the form from Bureau of Citizenship Immigration Services (formerly IRS) offices. Call the INS at 1-800-375-5283 for more information about your responsibilities.

Form W-4. Each employee must fill out Form W-4: Employee's Withholding Allowance Certificate. You will use the filing status and withholding allowances shown on this form to figure the amount of income tax to withhold from your employee's wages.

Form IL W-4. Each employee must fill out on Form IL-W-4: Employee's Illinois Withholding Certificate. Employers withhold Illinois Income Tax based on the number of allowances claimed on this form to figure the amount of income tax to withhold from the employee's wages.

IDES New Hire Reporting. All employers are required to report persons hired or rehired within 20 days of their first day on the payroll to the IDES. This includes full-time, part-time, temporary, and rehires. The information needed is: Employee's name, address and social security number and the employer's name, address, and federal employer identification number (FEIN). This information can be reported on the IDES New Hire Reporting Form or a copy of the Form W-4 can simply be submitted. More information on new hire reporting can be found at the IDES website www.ides.state.il.us

Family Employees

Because wineries are often family-run operations, the following information on family employees is provided. If you are a sole proprietor, and if your employee is a member of your family, use the following rules to determine if his or her wages are subject to employment taxes.

Employing your child. Payments for the services of your child under the age of 18 who works for you in your business are not subject to social security and Medicare taxes. Payments for the services of your child under the age of 21 who works for you in your business are not subject to FUTA or state unemployment tax. But they may still be subject to income tax withholding.

Employing your spouse. If your spouse works for you in your business, the wages you pay to him or her are subject to income tax withholding and social security and Medicare taxes, but not to FUTA or state unemployment tax.

Employing your parent. If your parent works for you in your business, the wages you pay to him or her are subject to income tax withholding and social security and Medicare taxes, but not to FUTA or state unemployment tax.

Insurance

Identify the potential risks of loss inherent to your business. These risks form the basis for your business insurance needs. Some of the typical types of business insurance are listed below:

- Workers Compensation
- Fire or Structural Damage
- Business Liability (Product and Public)
- Vehicle Coverage
- Loss & Theft of Building Contents
- Glass & Sign Breakage
- Business Interruption
- Dram Shop

The following bonds are necessary to acquire the required licenses for operating a winery in Illinois:

- Wine Surety Bond
- Wine Operations Bond
- Tax Deferral Bond

After considering your insurance needs, and regardless of whether you deal with independent agents, insurance brokers or work directly with insurance companies, be certain that you've done some comparison-shopping before you sign up. Some sources of information on business insurance are listed below.

- Illinois Department of Financial and Professional Regulation (<http://www.idfpr.com/doi/default2.asp>) – *Maintains experience information on insurance companies.*
- Best's Key Rating Guide – *Maintains financial strength information on insurance companies.*
- Local insurance agencies – *Check yellow pages for listings.*

Include copies of your insurance carriers' cost quotes.

Insurance Company	Type of Insurance	Upfront Cost	Monthly Cost
Total Insurance Costs			

Suppliers

Include information on major suppliers of grapes, juice, bottles, corks, labels, chemicals, cooperage, equipment, etc. Include their address, their product lines, and any special credit terms.

Supplier	Address & Phone #	Products/Services/Terms

Professional Consultants

Provide a list of professional services providers to be utilized (e.g., attorneys, accountants, business consultants, enology experts, viticulture experts, etc.), the type of services to be rendered, and the anticipated costs. Professional consultants can add strength to your business idea by filling in weaknesses discovered in the analysis of management skills.

Type	Name	Address & Telephone #	Start-up Costs (\$)	Recurring Costs (\$)
Accountant				
Attorney				
Other (list):				
Total Professional Fees				

Required Licenses, Permits, and Registrations

After you receive your Federal Identification Number, Illinois Business Tax Number, and Assumed Name approval, if applicable, you can then start the process of obtaining the necessary permits and licenses to operate a winery in Illinois. This process can be time consuming, so be prepared!

You should also make sure your location is properly zoned before starting this process. You must have a wine production facility for the Bureau of Alcohol, Tobacco and Firearms (ATF) to inspect prior to obtaining a permit.

Alcohol and Tobacco Tax and Trade Bureau (TTB- formerly BATF)

In the alcohol beverage industry, the TTB regulates the qualification and operations of distilleries, wineries, and breweries, as well as importers and wholesalers in the industry. There are several forms that need to be submitted to the TTB to obtain the necessary federal permits. These forms can be downloaded from the TTB website at <http://www.ttb.gov/forms/index.shtml> or you can receive a packet by mail by calling the TTB at (800) 398-2282.

The Following Forms are Required Prior to Beginning Operations

Form 5100.24 Application for Basic Permit under the Federal Alcohol Administration Act

- You must file this application if you want a permit under the FAA Act to engage in the business of producing or processing distilled spirits or wine (includes for nonindustrial use.)
- Send form in duplicate to the appropriate ATF office. Address listed below.

Form 5110.25 Application for Operating Permit under 26 U.S.C. 5171(d)

- Purpose is to identify the applicant, to identify the location where the plant will be located and to determine the eligibility of the applicant to obtain an operating permit.
- Send form in duplicate to the appropriate TTB office. Address listed below.
- Include statement of the type of business organization and of the persons interested in the business, supported by the corporate documents, articles of partnership, and/or statement of interest in the business.

- *List of the trade names to be used in connection with the operations specified in the application, showing the operation or operations in which each trade name will be used.*

Form 5000.18 Consent of Surety

- *Surety Bond purchased from Insurance Company*
- *Send form in duplicate to the appropriate TTB office. Address listed below.*

Form 5120.36 Wine Bond

- *Wine Operations Bond purchased from Insurance Company*
- *Tax Deferral Bond purchased from Insurance Company*
- *Send form in duplicate to the appropriate TTB office. Address listed below.*

Form 5000.29 Environmental Information

- *Send form in duplicate to the appropriate TTB office. Address listed below.*

Form 5000.30 Supplemental Information on Water Quality Considerations – Under 33 U.S.C. 1341(a)

- *Send form in duplicate to the appropriate TTB office. Address listed below.*

Businesses located in Illinois should submit the above forms to:

TTB
 550 Main Street, Suite 8002
 Cincinnati, OH 45202
 877.882.3277

The Following Form is Submitted Prior to Beginning Operations and on an Annual Basis:

Form 5630.5 Special Tax Registration and Return – Alcohol and Tobacco

- *This is an annual tax due before starting business and by July 1 each year after that.*
- *\$500 annual tax if annual gross receipts for business are less than \$500,000.*
- *You will receive a Special Tax Stamp from TTB after filing this form that is required for operation.*
- *Mail form along with payment to TTB, P.O. Box 371962, Pittsburgh, PA 15250-7962.*
- *If further assistance is needed, contact:*

TTB
 National Revenue Center
 (800) 937-8864
 ttbtaxstamp@ttb.gov

The Following Form is Submitted for Approval Before Selling Each Type of Wine:

Form 5100.31 Application for and Certification/Exemption of Label/Bottle Approval

- *Submit one form for each type of wine.*
- *Attach proposed label to form.*
- *Include a filled representative sample bottle.*
- *When filing first Label/Bottle Approval Application include a copy of your TTB Basic Permit. You will then be issued a Vendor Code Number to be used on future applications.*
- *Submit in duplicate to Product Compliance Branch, Alcohol and Tobacco Tax and Trade Bureau,, Washington DC 20226.*
- *The ATF publication: “The Beverage Alcohol Manual – A Practical Guide – Basic Mandatory Labeling Information for WINE Volume 1” is available for download free of charge at http://www.atf.treas.gov/pub/alctob_pub/bevalmmanual/index.htm.*

Federal Excise Tax Returns are Submitted on an Ongoing Basis

Form 5000.24 Excise Tax Return

- See the Quick Reference Guide for Excise Tax included in the Reference Section of this workbook.
- Typically filed semi-monthly.
- Submit to TTB, Excise Tax, P.O. Box 360958, Pittsburgh, PA 15251-6958.

Local/County Liquor Control Commission

Local/County Liquor License Application Should Be Submitted After TTB Approval is Received

You will need to secure your local or county liquor license prior to applying for state liquor licenses. Contact your city or county for the appropriate application procedures for your location.

Illinois Liquor Control Commission

Wine Manufacturers and Wineries (SIC 2084) operating in the state of Illinois are required to have a license issued by The Illinois Liquor Control Commission. License applications can be obtained from the Illinois Liquor Control Commission at:

100 W. Randolph Suite 5-300 Chicago, IL 60601 (312) 814-2206 Fax: (312) 814-2241	222 S. College Street 1 st Floor Springfield, IL 62704 (217) 782-2135 Fax: (217) 524-1911
TDD: (312) 814-1844 Website: www.state.il.us/lcc	

State Liquor License Application is Submitted Prior to Beginning Operations After Local/County License is Received

Form IL 567-0015-A Application for State of Illinois Manufacturer's Liquor License

- There are five designations of Wine Manufacturer Licenses:
 - ♦ **A first-class wine-maker's license** shall allow the manufacture of less than 50,000 gallons of wine per year, and the storage and sale of such wine to distributors and retailers in the State and to persons without the State, as may be permitted by law. Fee: \$600.00
 - ♦ **A second-class wine-maker's license** shall allow the manufacture of 50,000 – 100,000 gallons of wine per year, and the storage and sale of such wine to distributors in this State and to persons without the State, as may be permitted by law. A second-class wine-maker's license shall allow the sale of no more than 10,000 gallons of the licensee's wine directly to retailers. Fee: \$1200.00
 - ♦ **A limited wine-manufacturer** may make sales and deliveries not to exceed 40,000 gallons of wine per year to distributors, and to non-licensees in accordance with the provisions of this Act. Fee: \$120.00
 - ♦ **A first class wine manufacturer** may make sales and deliveries of up to 50,000 gallons of wine to manufacturers, importing distributors, and distributors. Fee: \$600.00
 - ♦ **A second-class wine manufacturer** may make sales and deliveries of more than 50,000 gallons of wine to manufacturers, importing distributors and distributors and to no other licensees. Fee: \$1,200.00
- Supporting Documents Required
 - ♦ **Tax Bond** – Surety Bond – See ATF requirements.
 - ♦ **RL-1 Liquor Tax Statement of Liability** – Download from Illinois Department of Revenue Website www.revenue.state.il.us or contact the IL DOR to receive a form by mail at (800) 732-8866.

- ◆ **Copy of Federal Label Approvals** – Received from TTB.
- ◆ **Registration Statement** – Form IL 567-0014 from Illinois Liquor Control Commission.
- When applying for any Wine Maker/Manufacturer license class, it must be accompanied by a Wine Maker Retailer License Specialty Retailer license application.

Application is Submitted Prior to Beginning Operations and Renewed on an Annual Basis

Form IL 567-0058-A Application for State of Illinois Specialty Retailer’s Liquor Licenses – Brew Pub – Caterer Retailer – Wine Maker Retailer

- **A wine-maker’s retail license shall allow the licensee to sell and offer for sale at retail in the premises specified in such license not more than 50,000 gallons of wine per year for use or consumption, but not for resale in any form; this license shall be issued only to a person licensed as a first-class or second-class wine-maker. A wine-maker’s retail licensee, upon receiving permission from the Commission, may conduct business at a second location that is separate from the location specified in its wine-maker’s retail license.**
- **Fee: \$100.00, \$350.00 for second retail location license**
- **Supporting Documents Required**
 - ◆ Photocopy of Local Liquor License

Illinois Department of Public Health

Permit Must Be Received Prior to Beginning Operations and Renewed Annually

Wine manufacturing establishments in Illinois fall under the jurisdiction of the Illinois Department of Public Health. State law requires wine manufacturing establishments to comply with sanitation standards. For more information contact:

Illinois Department of Public Health
 Division of Food, Drugs and Dairies / Office of Health Protection
 Food Program
 535 West Jefferson St.
 Springfield, IL 62761
 (217) 782-7532

Name of Permit/License	Issuing Agency	Valid Time Period	Date Submitted/ Date Received	Start-up Costs (\$)	Recurring Costs (\$)
Basic Permit	TTB		Date Submitted: Date Received:		
Operating Permit	TTB		Date Submitted: Date Received:		
Special Tax Registration	TTB		Date Submitted: Date Received:		
Local/County Liquor License			Date Submitted: Date Received:		
State Wine Maker/ Manufacturer's License	Illinois Liquor Control Commission		Date Submitted: Date Received:		
State Specialty Retailers' Liquor License	Illinois Liquor Control Commission		Date Submitted: Date Received:		
			Date Submitted: Date Received:		
			Date Submitted: Date Received:		
Total Permit and License Cost					

Outside Influences On Your Business

Other issues that are not necessarily within the control of the business must also be addressed. Many of these issues may directly affect your sales both positively and negatively. Complete the following sections as they apply to your winery.

Describe the economic factors that will affect your product or service.

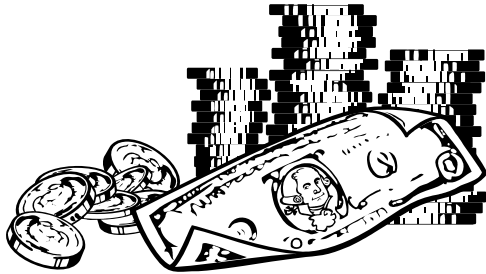
(Examples include: economic trends, spending trends, taxes, inflation, interest rates, etc)

Describe any legal or governmental factors that will affect your business.

Examples include: potential changes in laws or ordinances, OSHA, EPA, Illinois Liquor Control Commission, Health Department, ADA, and zoning regulations.

Describe any environmental factors that will affect your business.

Examples include: raw material availability, weather, pollution, and waste management.



THE BUSINESS PLAN – Financial Section

Financial Projections and Supporting Information

The heart of any good business plan is a thorough financial section. The financial section gives the banker the tools to evaluate the financial feasibility of the business plan and to determine creditworthiness. The financial section also gives the prospective owner the tools to see how revenue and expenses will play out in the business.

The following worksheets will give you an idea what initial financial data needs to be collected to develop financial projections that will evaluate a winery project effectively. You may want to seek assistance from your accountant or a Small Business Development Center counselor to assist you in developing your financial projections.

For any type of loan request, the financial section of the business plan should include the following:

- **Sources and Uses of Funds Statement** – This statement should give the lender a detailed analysis of how the funds to start the business will be spent and where the money is coming from. Supporting information for this statement should include:
 - A breakdown of construction costs, if building a facility.
 - A detailed list of equipment to be purchased.
 - An explanation of requested working capital (cash requested for operating expenses).
 - A list of amount and form of Owner's Equity.
 - Loan amortization schedules for financing requested.
- **Financial Projections** – A five-year projection of financial data is suggested in most winery loan requests. These projections should include:
 - **Projected Statement of Cash Flows** – This statement shows the cash flowing into the business (e.g., sales) and the cash flowing out of the business (e.g., expenses and loan payments). The first-year cash flow should be shown on a monthly basis and the second through fifth years should be shown quarterly. This statement justifies to the lender that the business can repay the loan and still have cash in the bank. It is also a tool to determine the amount of working capital necessary to get the business through the start-up phase.
 - **Projected Income Statements** – Annual profit and loss statements should be provided for all five years. These statements show the projected income and expenses to determine the company's net income or bottom line.
 - **Projected Balance Sheets** – A Balance Sheet shows the company's financial position on a given day. It shows the company's assets, liabilities, and owner's equity. Balance Sheets should be provided as of the date of the loan and as of the year-end date for the five projected years.
 - **Break Even Analysis** – This analysis calculates the amount of sales the company needs to make to break even. This statement breaks down costs into fixed costs (costs that remain the same regardless of the amount of sales) and variable costs (costs that rise and fall in relation to sales).

- **Financial Ratios** – Lenders use financial ratios to evaluate your loan request. A few examples of ratios that should be included are:
 - **Current Ratio** = Current Assets/Current Liabilities – This ratio evaluates the liquidity of your business. It answers the question, “Can you pay your short term debt?”
 - **Debt to Equity** = Total Debt/Total Equity - This ratio evaluates your capital structure. A high debt-to-equity ratio can indicate a risk of insolvency (inability to meet long term debt).
 - **Return on Assets** = Net Income/Total Assets – This ratio indicates the investment profitability of the business idea.
- **Personal Financial Statement** - This form must be completed for each principal who owns or will own more than 20% of the business, or who has a significant say in the operations of the business.
- **Personal Income Tax Returns** - Three (3) years of personal income tax returns of the principals involved in the business are required. A principal is an individual or entity who owns or will be owning 20% or more of the business.
- **Letters of Commitment** - If the plan includes multiple loans, each loan must be documented in commitment letters. Loans from financial institutions must have language indicating the loan amount, the specified term and interest rate, collateral, any other conditions attendant to the loan, and the fact that the loan is approved (loan approval can be contingent on securing other financing).
- **Business Historical Financial Information if Purchasing an Existing Business** - Three (3) years of past income tax returns, financial statements (Balance Sheets & Income Statements), and aging of accounts receivable/payable should be included.

The Five "C's" of Credit

One of the most common questions a prospective small business owner has is “What is the bank looking for in my loan request.” Each situation is different but most banks utilize some variation of the five “C’s”.

Capacity to repay is the most critical of the five C’s. The prospective lender will want to know exactly how you intend to repay the loan. The lender will consider the cash flow projections in your business plan, the timing of the repayment, and the probability of successful repayment of the loan. Payment history on existing credit relationships--personal and commercial--is considered an indicator of future payment performance. Prospective lenders also will want to know about your contingent sources of repayment.

Capital is the money you personally have invested in the business (your owner’s equity) and is an indication of how much you have at risk should the business fail. Prospective lenders and investors will expect you to have contributed from your own assets and to have undertaken personal financial risk to establish the business before asking them to commit any funding. If you have a significant personal investment in the business, you are more likely to do everything in your power to make the business successful.

Collateral or "guarantees" are additional forms of security you can provide the lender. If for some reason, the business cannot repay its bank loan, the bank wants to know there is a second source of repayment. Assets such as equipment, buildings, accounts receivable, and in some cases inventory, are considered possible sources of repayment, if they are sold by the bank for cash. Both business and personal assets can be sources of collateral for a loan. A guarantee, on the other hand, is just that--someone else signs a guarantee document promising to repay the loan if you can't. Some lenders may require such a guarantee in addition to collateral as security for a loan.

Conditions focus on the intended purpose of the loan. Will the money be used for working capital, additional equipment, or inventory? The lender will also consider the local economic climate and conditions both within your industry and in other industries that could affect your business.

Character is the general impression you make on the potential lender or investor. The lender will form a subjective opinion as to whether or not you are sufficiently trustworthy to repay the loan or generate a return on funds invested in your company. Your educational background and experience in business and in your industry will be reviewed. The quality of your references and the background and experience of your employees also will be taken into consideration.

Cost Estimate for Establishment of a Five Thousand Gallon Winery

Alan Dillard, Limestone Creek

1250 State Route 127 South, Jonesboro IL 62952 (618) 833-4683

8/98

Updated 2008 B. Beam

Assuming land acquisition and construction of a suitable production facility has been completed, costs for raw product, equipment and supplies are estimated as follows:

Raw Product Materials		
<i>A combination of whole grapes and pressed juice is assumed.</i>		
Whole grapes - 7 tons (sufficient for 1000 gal.) @ \$900/ ton	6,300.00	
Pressed juice for an additional 4000 gallons @ \$7/ gallon	28,000.00	
Material Subtotal		34,300.00
Production Equipment		
One Sorrento crusher/de-stemmer	1200.00	
One bladder press model B-70, 40 gal. capacity	2,095.00	
One Wine/juice pump model JPF 13, 13 gal./min.	795.00	
One filter pump, 10" membrane - 100 gal./hr.	546.00	
Filter cartridges, .45 micron - 12 @ \$33	396.00	
Filter cartridges, .20 micron - 10 @ \$39	370.00	
Hose - 1" I.D. - 50 feet @ \$1.62	81.00	
Production Equipment Subtotal		5,483.00
Cooperage		
Three variable capacity stainless tanks 569 gal @ \$2900	8700.00	8700.00
Five variable capacity stainless tanks 397 gal @ \$1250	6250.00	6250.00
Three variable capacity stainless tanks 132 gal @ \$850	2550.00	2550.00
Four 300 gallon poly tanks @ \$675	2700.00	2700.00
Ten American Oak 225 Liter barrels @ \$265	2,650.00	2650.00
Eight 125 gallon white poly primary fermenters @ \$175	1,400.00	1400.00
Six 5 gallon glass carboys @ \$18	90.00	90.00
Cooperage Subtotal		24,340.00
Bottling Equipment		
One 264 gallon variable capacity S.S. tank	1250.00	
One stand 4.5 ft. for above tank	250.00	
One GAI six bottle filler, gravity fed type	1,795.00	
One RCO Swiss corker, hand type	917.00	
Four 8 ft. folding tables for bottling line	160.00	
One bottle washer, model SR 3	12.00	
One bottle drainer, wood	35.00	
One heat gun for shrinking capsules	60.00	
One Label Pro 5.5 label gluer	472.00	
Two gallons resin glue	26.00	
Bottling Equipment Subtotal		4,977.00

Laboratory Equipment		
One Kerns model 25-30 pH meter	354.00	
One Refractometer, ATCO temperature compensated	105.00	
One acid test kit with stopcock burette and flask	110.00	
Hydrometers and glass cylinder jar	40.00	
One metric laboratory scale	225.00	
One vertical chromatography kit	55.00	
Equipment of sulfur dioxide measurement (Aeration-oxidation)	314.00	
Ebulliometer	760.00	
Clinitest tablets for testing residual sugar	20.00	
Laboratory Equipment Subtotal		1983.00
Chemicals/Supplies		
Ten lbs. Potassium Metabisulfite	31.00	
Ten lbs. Potassium sorbate	20.00	
Eight lbs. Tartaric acid	50.00	
Eight lbs. Citric acid	20.00	
Eight lbs. Potassium bicarbonate	28.00	
Sixteen oz. Pectic enzyme	25.00	
Twelve lbs. Bentonite KWK	30.00	
2.5 lbs. PVPP	42.00	
Five Gelatin, 100 bloom	58.00	
Sixteen oz. Kieselsoil	9.00	
Sixteen oz. N/10 Sodium Hydroxide	5.00	
One oz. Phenolphthalein	3.00	
Yeasts, 10 lbs	100.00	
Twenty grams Lalvin X3 ML culture	60.00	
Assorted fermentation bungs and locks	50.00	
Chemicals/Supplies Subtotal		551.00
Bottling Supplies		
Bottles - 25,000 @ .55	13,750.00	
Corks - " " @ .13	3,250.00	
Labels - " " @ .05	1,250.00	
Capsules - " " @ .037	925.00	
Bottling Supplies Subtotal		19,175.00
Total Estimated Cost for all Materials, Equipment & Supplies		90,809.00
Total Estimated Retail Value of Bottled Product <i>(Based on average retail price of \$10.00/bottle)</i>		250,000.00

Cost of freight not included. Obviously, these figures and actual equipment is subject to some modification, but overall set-up costs should remain about the same. For example, if you use press apply labels, you don't need the glue machine or glue. On the other hand, it would be very nice to have three 264 gallon variable tanks, so you could cross-blend and store more "odd amounts" of any particular wine. Price per bottle/income line assumes you make all wines of quality and in a style that will sell out each year! Also, cost of labor and taxes on the wine will eat into that 250K, so the net on those bottles will be a lot less than that.

Winery Establishment Costs

For your planning purposes, actual current price quotes are needed. This worksheet is broken down into general categories. Supporting documents showing a breakdown of each category should be included in the business plan.

Item	Source <i>If you already own the asset, be sure to include it in the Equity Investment Worksheet</i>	Cost (\$)
Land		
Site Preparation		
Building		
Total Winery Facility Establishment Costs		

Equipment Planning

List equipment, fixtures, furniture, vehicles, tools and other fixed assets that are needed for your winery and their associated costs. (Written quotes should be provided including item name, model number, cost, and installation expense, when possible). If leasing equipment, include a copy of the lease agreement. Items below are listed as possible equipment needs, but are not considered requirements.

Item Description	Source <i>If you already own the asset, be sure to include it in the Equity Investment Worksheet</i>	Cost (\$)
Production Equipment:		
Crusher/De-Stemmer		
Bladder Press		
Wine/Juice Pump		
Filter Pump		
Filter Cartridges		
Hoses		
Cooperage:		
Fermenters:		
Barrels:		

Equipment Planning (Continued)

Item Description	Source <i>If you already own the asset, be sure to include it in the Equity Investment Worksheet.</i>	Cost (\$)
Bottling Equipment:		
Tank		
Stand		
Bottle Filler		
Corker		
Bottling Line		
Bottle Washer		
Bottle Drainer		
Heat Gun		
Label Gluer		
Laboratory Equipment:		
Other Equipment:		
Computer and Office equipment		
Fork Lift		
Total Equipment Cost		

Equity Investment

List all assets (land, buildings, equipment, fixtures, and cash) **you now own** that had an original value greater than \$500.00 that will be used in the business.



Helpful Tip!

Banks and lending agencies usually require at least a 20% investment by the owner into the project.

Item Description	Year Acquired	Purchase Price (\$)	Current Value (\$)	Amount still owed on the asset (\$)	Name of Lien holder
Land: <i>(Include acreage and address)</i>					
Building(s): <i>(Include type & address)</i>					
Equipment: <i>(Include Model # & Serial #)</i>					
Cash Investment					
Total Equity Investment					

Sources and Uses of Funds Worksheet

Uses of Funds	Total Cost
Land	
Building	
Equipment	
Other Fixed Asset (Specify)	
Other Fixed Asset (Specify)	
Working Capital:	
• Upfront Permit and Licensing Fees	
• Upfront Professional Fees	
• Initial Raw Materials	
• Initial Bottling Supplies	
• Initial Advertising/Promotion Costs	
• Additional Cash/Operating Expenses	
• Other (Specify)	
• Other (Specify)	
Total Uses of Funds	

Sources of Funds	Total Amount
Equity Investment	
Financing Requested	
Other (Specify)	
Total Sources of Funds	

Sales Projections

Include sales projections for your winery. The following data should be taken into account in projecting sales for a winery:

- Production Levels
- Spoilage/Breakage/Tasting
- Pricing Structure
- Market Size
- Market Share
- Seasonality

Typical Winery Seasonality Percentages			
January	3%	July	10%
February	3%	August	12%
March	4%	September	15%
April	4%	October	18%
May	5%	November	8%
June	9%	December	9%

Sales Projections					
	Year 1	Year 2	Year 3	Year 4	Year 5
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Sales					

Operating Expenses – Develop an operating expense budget for your winery. If an expense is subject to seasonality, make sure to account for that in the statement of cash flows.

Item	Monthly Amount	Annual Amount
Cost of Goods Sold: (Often a % of Sales)	(\$)	
• Raw Materials	(\$)	
• Bottling Supplies	(\$)	
• Chemicals/Yeast/Additives	(\$)	
Accounting & Legal Services	(\$)	
Employee Salaries/Wages	(\$)	
Employee Payroll Tax (Estimated at 15% of Wages)	(\$)	
Insurance	(\$)	
Licenses & Fees	(\$)	
Machine Maintenance/Repair	(\$)	
Miscellaneous	(\$)	
Rent	(\$)	
Supplies	(\$)	
Taxes – Excise	(\$)	
Taxes – Property and Other	(\$)	
Travel	(\$)	
Utilities & Telephone	(\$)	
Miscellaneous	(\$)	
Vineyard Expense (If Applicable)	(\$)	
Other (<i>specify</i>)	(\$)	
Other (<i>specify</i>)	(\$)	
Other (<i>specify</i>)	(\$)	
Owner's Withdrawal (If Sole Proprietor)	(\$)	

PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of: _____

Name	Business Phone
Residence Address	Residence Phone
City, State, & Zip Code	
Business Name of Applicant/Borrower:	

ASSETS	(Omit Cents)
Cash on Hand & in Banks	\$ -
Savings Accounts	\$ -
IRA or Other Retirement Account	\$ -
Accounts or Notes Receivable	\$ -
Life Insurance-Cash Surrender Value Only (Complete in Section 8)	\$ -
Stocks & Bonds (Describe in Section 3)	\$ -
Real Estate (Describe in Section 4)	\$ -
Automobile - Present Value	\$ -
Other Personal Property (Describe in Section 5)	\$ -
Other Assets (Describe in Section 5)	\$ -
TOTAL ASSETS	\$ -

LIABILITIES	(Omit Cents)
Accounts Payable	\$ -
Notes Payable to Banks & Others	\$ -
Installment Account (Auto) Mo. Payment	\$ -
Installment Account (Other) Mo. Payment	\$ -
Loan on Life Insurance	\$ -
Mortgages on Real Estate (Describe in Section 4)	\$ -
Unpaid Taxes (Describe in Section 4)	\$ -
Other Liabilities (Describe in Section 4)	\$ -
TOTAL LIABILITIES	\$ -
NET WORTH	\$ -
TOTAL LIABILITIES & NET WORTH	\$ -

Section 1. Source of Income	
Salary	\$ -
Net Investment Income	\$ -
Real Estate Income	\$ -
Other Income (Describe below)	\$ -

Contingent Liabilities	
As Endorser or Co-Maker	\$ -
Legal Claims & Judgments	\$ -
Provision for Federal Income Tax	\$ -
Other Special Debt	\$ -

Description of Other Income in Section 1

Section 2. Notes Payable to Bank & Others					
Name & Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc)	How Secured or Endorsed
	\$ -	\$ -			

Section 3. Stocks & Bonds					
Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

Section 4. Real Estate Owned			
	Property A	Property B	Property C
Type of Property			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Monthly Payment Amount			
Status of Mortgage			

Section 5. Other Personal Property and Other Assets

Section 6. Unpaid Taxes

Section 7. Other Liabilities

Section 8. Life Insurance Held

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature:	Date:	Social Security Number:
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Signature:	Date:	Social Security Number:
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GOVERNMENT AGENCY FINANCING PROGRAMS

There are several government agencies that offer programs to assist small businesses in obtaining financing. The following list highlights a few of the programs available. Contact your local Small Business Development Center for a complete list of programs available in your area.

Small Business Administration – www.sba.gov

The SBA Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans that are, in turn, guaranteed by the SBA -- the Agency has no funds for direct lending or grants.

The 7(a) Loan Guaranty Program

- Maximum loan amount - \$2,000,000. SBA guarantee cannot exceed \$1,500,000.
- Length of Loan Terms – 10 years for working capital, 25 years for fixed assets
- Interest Rate – if over \$50,000 and 7+ years, fixed rate cannot exceed prime + 2.75%

SBA 504 Term Loan

- Maximum loan amount - \$1,500,000 – 4,000,000, depending on purpose.
- Loan Breakdown
 - 50% of loan financed by your lender
 - 40% of project financed by SBA through a Certified Development Company
 - 10% minimum financed by borrower (higher for new businesses)
- Borrower must create 1 job for every \$35,000 in SBA loan funds.
- Length of Loan Terms
 - Machinery and Equipment – Up to 10 years
 - Real Estate – Up to 20 years
- Interest Rates
 - Lender Portion – Negotiated between borrower and bank
 - SBA Portion – Below market fixed rate.

Most lenders are familiar with SBA loan programs so interested applicants should contact their local lender for further information and assistance in the SBA loan application process.

For further information on SBA loan programs, as well as the management counseling and training services offered by the Agency, contact:

SBA Illinois District Office

500 W. Madison Street, Suite 1250

Chicago, IL 60661-2511

(312) 353-4528

Website: www.sba.gov

Illinois State Treasurer's Office
Treasurer Alexi Giannoulas

Cultivate Illinois Agriculture and Alternative Agriculture Loan Programs

One of the largest link-deposit loan programs in the nation, the Agriculture and Alternative Agriculture Loan Program is available to farmers statewide through over 1000 financial institutions, and to date has helped more than 10,000 farmers across Illinois. The program currently has committed over \$1 billion in state funds toward the agriculture community. Agriculture is a major component of Illinois' economy, and lending operational and long term money at a rate that is attractive to both agriculture lenders and farmers assists in keeping the agriculture backbone of Illinois strong.

A borrower may receive these loans by completing a simple application form with his/her financial institution and certify that he/she will be using the funds for goods and services related to the production of agriculture products and alternative agriculture products. Alternative agriculture products may include items such as grapes, strawberries, hydroponically grown food, Christmas trees and/or activities such as fish farming (aquaculture) and winemaking.

Program loans are made for one year for the operating loan program, one to five years for the long-term loan program, and one to seven years for grape and vineyard production.

A project is eligible for financing through this program if it can be shown that the project will create or enhance the borrower's production of agriculture or alternative agriculture products on land wholly located in the State of Illinois.

For further information on the implementation of this program, please contact your local financial institution or:

Illinois State Treasurer Alexi Giannoulas
Cultivate Illinois: Agricultural Loan Program
300 West Jefferson Street
Springfield, Illinois 62702
Phone: (217) 557-6436 • Fax: (217) 557-6439
www.treasurer.il.gov
cultivateillinois@treasurer.state.il.us

United States Department of Agriculture (USDA)

Business and Industry (B&I) Guaranteed Loan Program

The Business and Industry (B&I) Guaranteed Loan Program helps create jobs and stimulates rural economies by providing financial backing for rural businesses. This program provides guarantees up to 90 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. The primary purpose is to create and maintain employment and improve the economic climate in rural communities. The maximum aggregate B&I Guaranteed Loan(s) amount that can be offered to any one borrower under this program is \$25 million.

For more information on USDA business programs contact:

USDA Community and Business Program
2118 West Park Court, Suite A
Champaign, IL 61821
(217) 403-6209 Fax: (217) 403-6215 TDD: (217) 403-6240
Website: www.rurdev.usda.gov

Illinois Department of Commerce and Economic Opportunity (DCEO)

DCCA works with banks and other conventional lenders to provide assistance to small businesses that will employ Illinois workers. Some programs that may apply to wineries include:

- Participation Loan Program
- Minority, Women, and Disabled Participation Loan Program
- Enterprise Zone Participation Loan Program
- Rural micro-business loan program

For more information on DCEO's business development programs, contact the Illinois Department of Commerce and Economic Opportunity at:

Business Finance Division
620 East Adams
Springfield, Illinois 62701
877-221-4403 TDD: 800/785-6055
www.illinoisbiz.biz

Illinois Finance Authority (IFA)

Participation Loans

IDFA assists banks in lending to Illinois businesses that create or retain jobs by purchasing loan participations. Through this program, the Authority will purchase up to the lesser of \$300,000, or a 50% participation, directly from the borrower's bank. Participation loans will finance the purchase of land or buildings, construction or renovation of buildings, and acquisition of machinery and equipment. Interest rates will be 150 (i.e., 1.50%) basis points below the rate charged to the borrower by the bank, thereby resulting in a lower blended interest rate on the loan. Participating banks may retain 50 basis points as a servicing fee. The remaining savings must be passed on to their customer. Financing is available to industrial businesses in Illinois that create or retain existing jobs (i.e., manufacturing and industrial warehousing). Funds from the Participation purchased by IDFA must be used primarily for the acquisition of fixed assets.

Rural Development Loans

In participation with the Rural Development Administration's Intermediary Relending Program, IDFA will finance business facilities and community development projects in eligible rural areas. IDFA will finance up to 75% of the project cost, maximum of \$250,000, at a maximum interest rate of 6%. This program helps businesses in rural communities with populations of less than 25,000 finance fixed asset projects. Loan proceeds may be used to finance the purchase of land, to construct or renovate an industrial building, or to purchase machinery and equipment. Real estate projects for manufacturing facilities and industrial warehousing are preferred.

For additional information on IDFA's programs, please contact the Chicago office at (312) 651-1300, the Springfield office at (217) 782-5792, the Peoria office at (309) 495-5959 or the Mt. Vernon office at (618) 244-2424. More information is also available on the IFA website at <http://www.il-fa.com>.

Illinois Grape Growers and Vintners Association Specialists**For Winery and Wine-Making Information:**

Bradley Beam, Enology Specialist
Food Science and Human Nutrition
University of Illinois at Urbana-Champaign
382E AESB, Mail Code 646
1304 W. Pennsylvania Avenue, Urbana, IL 61801
(217) 244-1042, (217) 714-0810 (cell), Fax: (217) 333-9329
bbeam@uiuc.edu

For Vineyard and Grape-Growing Information:**Northern Region****Bill Shoemaker**

Extension Specialist, Specialty Crops
Department of Natural Resources and Environmental Sciences
535 Randall Road
St. Charles, IL 61074
Phone: 630-584-7254
wshoemak@uiuc.edu

Central/South Central Regions**Elizabeth Wahle**

Extension Specialist, Horticulture (Commercial Fruits & Vegetables)
Edwardsville Center
200 University Park Dr
Suite 280
Edwardsville, IL 62025-3649
Phone: 618-692-9434
FAX: 618-692-9808
wahle@uiuc.edu

Southern Region**Matthew Stark**

Extension Specialist, Viticulture
618-201-4536
mattsstark@gmail.com

For General Industry Information:

Megan D.G. Pressnall
Director of External Relations
Illinois Grape Growers and Vintners Association
P.O. Box 8199
Springfield, IL 62791
(217) 782-6515
mpressnall@extension.uiuc.edu
www.illinoiswine.com

Illinois Grape Growers and Vintners Association

The IGGVA, a non-profit organization, is a joint effort for information exchange and cooperation among grape producers and vintners. IGGVA initiatives include:

- To provide a formal structure for a statewide association of grape growers and vintners in Illinois.
- To promote the growth of the Illinois grape-growing and wine-making industries, as well as the production of high-quality grapes and wines.
- To represent the interests of Illinois grape growers and vintners in legislative and political matters.
- To provide a forum for the exchange of ideas and to disseminate current information about viticulture and wine-making practices.
- To recommend, encourage, and participate in research related to viticulture and enological issues.
- To develop and analyze current marketing information for the use of the members.

For more information about the IGGVA, contact:

www.illinoiswine.com

CONSULTANTS – VESTA Program at Rend Lake Community College

The Viticulture and Enology Science and Technology Alliance (VESTA) offers a program of study that will lead to a Certificate or Associate of Applied Science Degree in Viticulture or Enology. The VESTA program is designed to prepare students to enter the grape growing or winemaking industry and to provide professional training for existing industry workers.

The VESTA program delivers online advanced viticulture and enology courses that enable learning to occur anytime, anywhere. Additionally, VESTA provides opportunities for students to participate in hands-on field training at vineyards and wineries, thus providing students with laboratory experience in their area.

VESTA is a partnership between the Missouri State University system, Rend Lake College in Illinois, Northeast Iowa Community College, and Redlands Community College in Oklahoma. These educational institutions, along with leaders in the grape and wine industry and with the support of a grant from the National Science Foundation, developed this 21st Century vision for education in grape growing and winemaking specifically tailored for the Mid-America region.

For more information visit VESTA on the web at www.vesta-usa.org or contact:

VESTA Regional Center

Michelle Norgren

VESTA Regional Center of Excellence

Karls Hall 215 * Missouri State University

901 S. National * Springfield, MO * 65897

Phone: (417) 836-5053 Fax: (417) 836-6979

VESTA in Illinois

Rachel Cristaudo, VESTA Coordinator

South Oasis 122 * Rend Lake College

468 Ken Gray Pkwy * Ina, IL* 62846

Email: cristaudor@rlc.edu Web: www.rlc.edu

Phone: (618) 437-5321 ext. 1724

Small Business Development Centers (SBDC)

Small Business Development Centers located throughout the state provide assistance to new and existing small businesses. Services include:

- One-on-one business counseling on topics such as:
 - Accounting and Record keeping
 - Business Plan Development
 - Business Software Assessment
 - EBusiness and Internet Marketing
 - Financial Analysis
 - Financing Opportunities
 - Intellectual Property Information
 - Loan Structuring and Packaging
 - Management Basics
 - Marketing Plan Development
 - Payroll & Employee Regulations
 - Requirements for Starting a Business
 - Taxation
- Development of business plans for business start up or expansion.
- Assistance in identifying and applying for business financing.
- Access to business education and training opportunities.

For assistance in determining the location of the center in your area, or accessing other small business information, contact the Business Information Center at (800) 252-2923, (TDD) (800) 785-6055), or conduct a search at http://ildceo-loc.custhelp.com/cgi-bin/ildceo_loc.cfg/php/loc/enduser/loc.php

Illinois Manufacturing Extension Center

The Illinois Manufacturing Extension Center (IMEC) is a non-profit corporation with three centers, thirteen field offices, and over 50 manufacturing professionals averaging more than 17 years of experience who are dedicated to improving the productivity and competitiveness of Illinois' small and mid-sized manufacturers. These project managers and technical specialists assist manufacturers by drawing upon the expertise of an integrated network of manufacturing extension centers located in all 50 states, including more than 2,000 field engineers nationwide. IMEC's services include information technology/eBusiness, marketing and sales, lean manufacturing, product development and improvement, quality improvement, environment, safety and energy, and business management.

For more information about IMEC, contact:

Business Office

IMEC

1501 W. Bradley Avenue

Peoria, IL 61625

1-888-806-4632

Fax: 309-677-3289

E-mail: info@imec.org

Web: <http://www.imec.org>

"The American Wine Society Presents the Complete Handbook of Winemaking", 1994. G.W. Kent. A reference source for the home winemaker, this book explains how to produce consistently outstanding wine at home, simply.

Anderson & Anderson. **"Winemaking : Recipes, Equipment, and Techniques for Making Wine at Home"**, 1989. Harvest Books. Good winemaking need not be complex. The authors draw on their decades of experience to show how the latest ingredients, equipment, recipes and techniques can result in delicious and inexpensive white, red, rose, sparkling, and dessert wines, as well as liqueurs. Available at most major bookstores.

Berry. **"First Steps in Winemaking"**, 1996. Transatlantic Publications. More than three million beginners have been happily launched into the fascinating hobby of winemaking by this practical little book. The book sets out some 130 detailed recipes, all arranged in the months best for their making, so you can pursue winemaking year round

Boulton & Singleton et al. **"Principles and Practices of Winemaking"**, 1996. Written by four UC Davis professors for a University level enology course, it provides an excellent reference text for practicing enologist or educated adult. Their definition of enology includes science, technology and engineering as well as winemaking. It is expensive, but it is thought provoking and filled with valuable ideas and practices.

Cox. **"From Vines to Wines : The Complete Guide to Growing Grapes and Making Your Own Wine"**, Provides some general info on vine selection for different climates, winemaking procedures, and some references of its own.

Dharmadhikari Wilker. **"Microvinification: A Practical Guide to Small-Scale Wine Production"**, 2001. Designed for hobbyists, but applies to commercial production as well. General overview includes cellar hygiene, red and white wine production, and analysis.
<http://mtngvr.missouristate.edu/Publications/litorderform.pdf>

Iland, Patrick et al.

"Chemical Analysis of Grapes and Wine: Techniques and Concepts", 2004.

"Monitoring the Winemaking Process from Grapes to Wine: Techniques and Concepts", 2004.

"Microbiological Analysis of Grapes and Wine: Techniques and Concepts", 2007.

Very complete references for various lab analyses.

Jackisch. **"Modern Winemaking"**, 1985. Cornell University Press. Aiming at the amateur winemaker, Jackisch discusses grapes, wine composition, equipment and materials, microorganisms, and fermentation. Available at most major bookstores.

Jackson. **"Wine Science"**, 2008. This text examines principles and applications of grapevine growth, wine production and sensory analysis. Subjects include: grape species, varieties, vine structure and function, vineyard practice, site selection and climate, chemical constituents of grapes and wine, fermentation, wine treatments, styles, laws and geography. It contains much information not easily found elsewhere.

Margalit, **"Concepts in Wine Chemistry"**, 1997. A very complete reference manual on the chemistry of wine with good documentation of current literature on the subject. It is organized into chapters such as must and juice composition, fermentation, phenolics, oxidation, oak products, sulfur dioxide, cellar processes and wine defects. Covers areas not well covered in any other texts. It includes a chapter on the history of wine chemistry and discusses some of the ancient practices.

Munson, T.V., **"Foundations of American Grape Culture"**, 1909. Available as a hardcover reprint from The Denison Public Library, 300 West Gandy St., Denison, TX. 75020. Phone 903 465-1797 Book is about \$18.50, plus postage. One of the best references around for American grapes and species; the techniques in the book are still very valid. Munson was the man who laid the foundations of all modern viticultural techniques.

Ough. **“Winemaking Basics”** 1992. Haworth Press. For the winemaker in a medium or small operation who plans to make table wines or champagne, or the home winemaker who wishes to know more about winemaking, Ough explains the conditions, equipment, and basic materials used to make table wine.

Peynaud. **“Knowing and Making Wine”**, 1984. Wiley-Interscience. Translated from the French by Alan Spencer, this authoritative account by a highly-respected and expert French enologist offers a complete survey of wine-making techniques and wine appreciation in easy-to-understand terms without complicated chemical formulae. Available at most major bookstores.

Smart, Richard & Mike Robinson, **“Sunlight Into Wine: A Handbook for Winegrape Canopy Management”**, Wine titles (1991). Available through Practical Winery & Vineyard (see magazines listed below) 1992- \$35.00 + S/H

Storm. **“Winery Utilities, Planning, Design and Operations”**, 1996. Describes each of the major components of winery utility systems for planning, design and operation. Valuable to those building or planning to build a commercial winery.

R. Vine, et al. **“Winemaking from Grape Growing to Marketplace”**, 1997. Chapman & Hall. A wide-ranging text covering grape culture, history, vineyard establishment and production, winery design, processing, analysis, and marketing. An up-to-date and improved successor to Commercial Winemaking.

Wagner. **“Grapes into Wine : A Guide to Winemaking in America”**, 1999. Storey Books. This book covers winemaking from what type of wine you want to create to labeling the bottles. This book is definitely oriented towards the hobbyist - readers with designs for a large vineyard (1+ acres) will want to start with this book, but move on to more detailed texts. Available at most major bookstores.

Zoecklein, Fugelsang, Gump & Nury, **“Winery Analysis and Production”**, 1999. This book is directed toward winemakers, enologists and lab professionals. It outlines the commonly-used analyses of wine and juice as practiced in the wine industry and discusses logical practices derived from those tests.

REFERENCES - Organizations, Newsletters, and Websites

The American Society for Enology and Viticulture is a non-profit, scientific society dedicated to the interests of enologists, viticulturists, and others in the fields of wine and grape research and production throughout the world. Website: www.asev.org

The American Wine Society – a national nonprofit consumer organization devoted to educating people on all aspects of wine. 3006 Latta Road, Rochester, New York 14612-3298 (585) 225-7613
Website: www.americanwinesociety.com

Professional Friends of Wines - PFW is dedicated to increasing wine appreciation by providing wine education, wine information, and wine training, and offering wine opinions. Website: www.winepros.org

www.wine-il.com - An interactive site with news & information on the Illinois wine industry.

Wine Business Insider “The leading source for analysis of the wine industry.”
Website: www.winebusiness.com

www.WineInfoNet.com - Your “Interactive Portal to the Wine Industry”

Wine Institute – The Voice for California Wine 425 Market Street, Suite 1000, San Francisco, CA 94105
(415) 512-0151 Fax: (415) 442-0742 Website: www.wineinstitute.org

Winemakers Emporium – The most informative wine-making site in the world.
Website: www.winemakersemporium.com

REFERENCES - Magazines

Practical Winery & Vineyard

PWV, 58-D Paul Drive, San Rafael, CA 94903 Website: www.practicalwinery.com

Vineyard and Winery Management

P.O. Box 231, Watkins Glen, NY 14891-0231 (800) 535-5670 Website: www.vwm-online.com

Wine Business

www.winebusiness.com

Wine East

620 North Pine St., Lancaster, PA 17603
(717) 393-0943 Fax: (717) 393-7398 Website: www.wineeast.com

Wine Maker

P.O. Box 469118, Escondido, CA 92046 Website: www.winemakermag.com

Wine Spectator

P.O. Box 37367, Boone, IA 50037 (800) 752-7799 Website: www.winespectator.com

Wines & Vines

1800 Lincoln Avenue, San Rafael, CA 94901-1298 Website: www.winesandvines.com

REFERENCES - Winery Supplies & Equipment

This list of suppliers and references is intended to be a resource tool for winemakers; it is not necessarily a recommendation, nor is it considered a complete list. You may want to research the companies, compare prices, and talk to others about product choices prior to purchase.

Amorim Cork America

Chris Smolen
2557 Napa Valley Corporate Drive, Napa, CA 94558
707-225-2852
www.amorimcork.com

The Barrel Mill

www.thebarrelmill.com

Bev Art Homebrew & Wine Making Supply

10035 S. Western Ave., Chicago, IL 60643 (773) 233-7579
www.bev-art.com

Chicagoland Winemakers, Inc.

689 W. North Ave., North Ave. & Rte. 83 Plaza, Elmhurst, IL 60126
(800) 226-2739 email: cwinemaker@aol.com
www.cwinemaker.com

Cork Supply USA

537-F Stone Road, Benicia, CA 94510 (707) 746-0353 (800) 961-2000
Fax: (707) 746-7471
www.corksupplyusa.com

Criveller Company - tanks

www.criveller.com

Custom Metalcraft., Inc. - tanks
Nikki Holden
P.O. Box 10587, Springfield, MO 65808-0587
417-862-0707
www.custom-metalcraft.com

Cynmar Corporation – laboratory analysis equipment
Ed Lamar
P.O. Box 530, 21709 Route 4 North
Carlinville, IL 62626
800-223-3517
www.cynmar.com

EuroMachines – wine processing equipment
(540) 825-5700
www.euromachinesusa.com

Fine Northern Oak – barrels and oak alternatives
www.finenorthernoak.com

Flextank – poly tanks
1200 Knob Creek Drive, Athens, GA 30606
706-316-1622
www.flextank.biz

Gusmer Enterprises – analytical services, winemaking chemicals
www.gusmerenterprises.com

GW Kent – wine processing equipment and supplies
(800) 333-4288 Fax: (800) 500-7505 email: info@gwkent.com
www.gwkent.com

The Homebrew Shop
225 W, Main St., St. Charles, IL 60174
(630) 377-1338 Fax: (630) 377-3913
<http://www.homebrewshopltd.com/>

Independent Stave Company
PO Box 1659, Lebanon, MO 65536 (417) 588-4151 Fax: (417) 588-3418
email: contact@independentstavecompany.com Website: www.worldcooperage.com

The Label Printers
Deborah Nessling
1710 N. Landmark Road
Aurora, IL 60506-1148
630-897-6970
www.thelabelprinters.com

Media Separations - filtration
Doug Popp
N 1527 Lincoln Avenue, Lake Geneva, WI 53147
800-866-6088

Nomacorc – synthetic corks
www.nomacorc.com

Oak Solutions Group
www.oaksolutionsgroup.com

Presque Isle Wine Cellars, Inc

9440 Buffalo Raod (US Rt 20), North East, PA 16428

(814) 725-1314 email: info@piwine.com

www.piwine.com

Prospero Equipment Company

Matt DiDonato

123 Castleton St.

Pleasantville, NY 10570

914-769-6252

www.wineryequipment.com

Santa Rosa Stainless Steel

PO Box 518 Santa Rosa, CA 95402 (707) 544-7777

Fax: (707) 544-6316 email: sales@srss.com

www.srss.com

Scott Laboratories, Inc.

Sarah Gibbs

P.O. Box 4559

Petaluma, CA 94955-4559

(707) 765-6666

www.scottlab.com

Somethings Brewn'

401 E. Main St., Suite 1, Galesburg, IL 61401

(309) 341-4118 email: jimsmith@galesburg.net

www.somethingsbrewn.com

St. Louis Wine and Beermaking

251 Lamp & Lantern Village, Chesterfield, MO 63017

(636) 230-8277 Fax: (636) 527-5413 email: info@wineandbeermaking.com

www.wineandbeermaking.com

Vinocor USA - corks

Brad Brunson

615 Airpark Rd.

Napa, CA 94558

(414) 719-2390

www.vinocor-usa.com

Vinquiry - analytical services, winemaking chemicals

<http://www.sonic.net/~vinquiry/>

Vitro Packaging Inc.

Horacio Trujillo

5200 Tennyson Pkwy, Suite 100

Plano, TX 75024

469-443-1104

www.vitro.com

QUICK REFERENCE GUIDE TO WINE EXCISE TAX

This guide is intended to be a brief overview of the basic requirements for the proper computation and filing of wine excise tax. The complete text of all wine tax regulations may be found at 27 CFR 24.270-.279, available free at www.ttb.gov. The tax law is 26 U.S.C. 5041-5043, and it may be found at <http://www.access.gpo.gov>.

If you have questions about this guide, please contact the National Revenue Center by mail at 550 Main St., Cincinnati, OH 45202-3263, or by telephone at (513) 684-3334, or the nearest TTB Industry Operations office.

General Excise Tax Information

1. What is the tax on wine?

If ½ of 1% to not over 14% alcohol	\$1.07 per gallon
If more than 14% and not over 21% alcohol	\$1.57 per gallon
If more than 21% and not over 24% alcohol	\$3.15 per gallon
Artificially Carbonated	\$3.30 per gallon
Sparkling	\$3.40 per gallon
Hard Cider	\$.226 per gallon

See below for information about Credit for Small Domestic Producers on wines other than sparkling wine.

2. Who pays the tax? The proprietor of the bonded wine premises who removes the wine from bond for domestic consumption or sale.

3. When is the tax due? 14 days after the close of the tax period, unless filed yearly. If the 14th day falls on a Saturday, Sunday or legal holiday, the tax must be filed on the day immediately preceding that is not a Saturday, Sunday or a legal holiday. Special rules apply to September returns.

4. What are the tax return periods? Generally, they are from the 1st-15th day of the month and the 16th-last day of the month. September has three tax periods: for taxpayers who are not required to file their taxes electronically, they are from the 1st-15th, the 16th-25th and the 26th-30th. For those who do file electronically (discussed below), they are from the 1st-15th, the 16th-26th, and the 27th-30th. Some wineries are eligible to file their taxes annually.

5. Who may file annually? If the total excise taxes the previous calendar year were less than \$1000, or if you are a new proprietor who expects the first year's taxes to be less than \$1000, AND you expect your taxes to be less than \$1000 the current year, you may file one excise tax return for the calendar year. The deferral portion of your operating bond must be sufficient, and you may not have additional deferral coverage on file. It is due 30 days after the close of the calendar year. The rule about Saturday, Sunday, legal holidays stated above applies.

6. What if no taxes are due? Do not send ATF a return if no taxes are due. Many wineries do not make taxable removals every return period. Only send a return if remittance is due.

7. How is the tax paid? The tax is submitted on ATF Form 5000.24 with a check or money order. The address is shown on the back of the return.

8. Who must pay by Electronic Fund Transfer (EFT)? Any proprietor who is liable for a gross amount of tax of \$5 million or more annually is required to file taxes electronically. Instructions are available from the National Revenue Center. All members of a Controlled Group are considered one taxpayer when determining if \$5 million in taxes have been paid. Accordingly, all members of a controlled group required to EFT must submit their taxes by this method, regardless of the amount of taxes due by individual members of the group.

9. What if the tax is filed late? The law imposes penalties for failure to file a return, failure to pay tax, and interest. Additional penalties apply for failure to timely EFT.

10. What date is used to determine if a return was filed on time? The official U.S. Postal Service postmark date on the envelope, or the date of registry or date of sender's receipt, if sent by registered or certified mail.

Credit for Small Domestic Producers

11. What is the credit for? In 1991, the excise tax on wine was increased by \$.90 per gallon, with the exception of sparkling wine. At the same time, the law provided that small domestic producers of wine may qualify for a credit of up to \$.90 per gallon on part of their annual taxable removals, other than sparkling, to keep the wine taxes for small wineries the same or nearly the same as they were before the increase.

12. Who qualifies for the credit? A person who produces not more than 250,000 gallons of wine annually at a qualified bonded wine premises in the United States.

13. How much is the credit? Up to \$.90 per gallon on the first 100,000 gallons of wine (other than sparkling) taxably removed per calendar year. Removals beyond 100,000 gallons are taxed at the tax rates shown in the law at 26 U.S.C. 5041.

14. How much credit may be taken? The amount of credit is based on how much wine is produced by the winery each calendar year. If production is 150,000 gallons or less, the credit is \$.90 on the first 100,000 gallons (other than sparkling) taxably removed each year. If production is more than 150,000 and not more than 250,000, the credit is reduced by 1% for every 1,000 gallons produced in excess of 150,000 (i.e., the more wine made, the smaller the credit). Contact the National Revenue Center for assistance in determining the correct rate of credit. Wineries that are qualified to produce wine, but for some reason do not, are not entitled to take credit during the year when there is no production. Production of all members of a controlled group are added together to determine the correct rate of credit (if any) that may be taken by all members of the group.

15. What is meant by "produced?" For these purposes, the amount of wine "produced" is the wine produced by fermentation plus volume increases due to amelioration, wine spirits addition, sweetening, production of a formula wine, of sparkling wine, and wine produced by the same company outside the United States.

16. How much wine must be produced every year to qualify for credit? The law does not give a minimum amount that must be produced annually.

17. At what point in winemaking is wine considered "produced?" The regulation titled "Determination of Wine Produced," 27 CFR 24.176(b) states: "Upon completion of fermentation or removal from the fermenter, the volume of wine will be accurately determined, recorded and reported on ATF Form 5120.17, Report of Bonded Wine Premises Operations, as wine produced." It is the winemaker's decision to determine when fermentation has been completed and the product is placed in storage. At that time, the volume is declared "produced."

18. May credit be taken on wine purchased from another winery? Credit may be taken on wine the small producer did not produce so long as:

- The small producer produces some wine;
- The small producer takes title to the purchased wine;
- The wine is labeled as the small producer's own;
- There is no benefit to any winery that would not otherwise be entitled to credit.
- It may be blended with the small winery's own production, or removed as a separate product.

Is the credit listed on the return? Yes. All credit must be shown in Schedule B of the tax return Form 5000.24 as an adjustment decreasing tax due. You must state the amount of wine and rate of credit. The total tax paid is the sum of wine removals with credit and tax on sparkling wine or other wines, if any, that is not entitled to credit.

19. May another bonded premises pay the tax for my wine with credit? A winery may ship wine in bond to another bonded premises for storage and later taxpayment. The credit the small winery is entitled to may be transferred to the bonded storage premises (the transferee) for use by the transferee on behalf of the owner-small winery when the tax is paid to ATF. The transferee is often, but not always, a Bonded Wine Cellar (BWC). It may be another winery. When the small winery wishes the transferee to taxably remove its wine with credit, it provides the transferee with written information about its rate of credit, and that the removal is among the owner's first 100,000 gallons of wine taxably removed for that year. The taxpayer lists the name of the winery

for whom it is paying excise tax, the amount of wine, and the amount of credit on the return when the tax is paid with the owner's credit.

NOTE: credit may be transferred only on wine that was entirely of the small winery's production. If wine was blended with the wine purchased from another producer, the percentage that was not produced by the small winery must be tax paid at the full tax rates by the transferee.

GLOSSARY OF WINE TERMS

Acidity: Grapes contain several acids, but the main ones are tartaric and malic. A little acidity in wine gives it a 'fresh' taste, but too much will make the wine 'tart' or 'sour'.

Aftertaste: The taste that remains in the mouth just after swallowing a sip of wine.

Air Lock: A device that allows fermentation gasses to pass out of the fermenter while preventing outside air from entering.

Aging: The storing of wine. Aging of wines in bottles, in some instances, improves taste and aroma. Long periods of aging red wines in oak barrels can add to its complexity.

Alcohol: Ethyl alcohol, or ethanol, is the only type of alcohol present in wine (in significant amounts). If a wine contains too much alcohol, it may impart a 'hot' taste, whereas too little may leave a wine lacking in body, or unbalanced.

American Viticultural Area (AVA): A geographic area designated by the BATF and characterized by that area's topography, soil, microclimate, and historical precedent.

American Wine: Any wine produced in any state from grapes grown in that state or in any other state(s).

Ampelography: (am-peh-LAW-gra-fee) A book that describes the structural characteristics of various varieties of grape vines.

Amphora: (AM-fuhr-uh) An ancient vessel used to store and transport wine.

Anther: The male (pollen producing) part of the grape flower.

Aperitif: (ah-pehr-uh-TEEF) Any wine served before a meal. Traditionally, aperitifs were vermouths and other similar wines flavored with herbs and spices.

Appearance: A term used to describe whether a wine is crystal clear (brilliant), cloudy or contains sediment.

Appellation: (ap-puh-LAY-shuhn) Term used to define the vineyard location where the grapes were grown for a specific wine. A wine whose label states "Napa County" (the appellation) must have been made at least 85 percent from grapes that were grown in Napa County.

Argols: Name given to raw cream of tartar crystals found in chunks adhering to the sides and bottoms of wine tanks.

Aroma: Smell or fragrance from wine that has its origin in the grape - as opposed to "bouquet", which has its origin in the processing or aging methods.

Assemblage: (ah-sahm-BLAHJ) The blending together of component wine lots to form a final composite intended for bottling, for aging, for sparkling wine production or some other use by the winemaker.

Astringency: Sensation of taste, caused by tannins in wine, which is best described as mouth-drying, bitter or puckery.

Atmosphere: Unit of measure for pressure inside a bottle of sparkling wine or Champagne. 1 Atmosphere equals 14.7 pounds per square inch, and this is the standard atmospheric pressure at sea level in the world. Commercial sparkling wines commonly contain 4 to 6 atmospheres of CO2 pressure at room temperature.

Aurore: Hybrid grape variety produced in the 19th century by French nurseryman Albert Seibel and still used, especially in the eastern U.S. for sparkling wine production. Sometimes spelled aurora.

Auslese: (OWS-lay-zuh) German word meaning "selection." In German wine law, it means the wine is made only from specially selected, perfectly ripened bunches of grapes that are hand-picked.

Autolysis: (aw-TAHL-uh-sihss) The decomposition of dead yeast cells that occurs in wines that are aged 'sur lie' (on the lees).

Axil: see leaf axil.

Bacchus: 1- Roman god of wine. Not to be confused with Dionysus, who was the Greek god of wine before the age of Rome. 2- A German white wine grape.

Baco Blanc & Baco Noir: (BAH-koh BLAHNGK & NWAHR) French hybrid wine varieties.

Baking: In wine, this term refers to the process of producing "Sherry" by deliberately oxidizing a wine through heating and aerating it for a period of several weeks. It is not uncommon for the process to take place over a 4 to 67 week period at 135 degrees F (57 degrees C).

Balance: A - a subjective term used in wine evaluation. Wine in which the tastes of acid, sugar, tannin, alcohol and flavor are in harmony is said to be in balance. B - in the vineyard, it's the relationship between grape clusters and shoot growth, and is controlled by proper pruning practices.

Balling: The name of a density scale for measuring sugar content in water-base solutions. Grape juice is primarily sugar and water, and the balling scale is used for a quick and easy "sugar analysis" of juice. Balling and Brix often are used interchangeably. Each degree Balling is equivalent to 1 percent of sugar in the juice. For example, grape juice that measures 21 degrees on the Balling or Brix scale contains about 21% sugar.

Barbera: (bar-BEH-rah) Italian red wine grape.

Barrel fermenting: The act of fermenting grape juice in wooden barrels, as opposed to neutral containers (stainless steel, glass, plastic).

Barreling down: The act of placing a wine into barrels for aging.

BATF: Bureau of Alcohol, Tobacco and Firearms - the U.S. federal agency that collects alcohol taxes and administers wine regulations.

Baume: (boh-MAY) A system for measuring the sugar content of grape juice by its density. Each degree Baume is equal to approximately 1.75% sugar in the juice.

Bead: Colloquial term referring to the bubbles that float on top of a fermenting wine or champagne in the glass.

Beerenauslese: (BAY-ruhn-OWS-lay-zuh) Literally, "berry selection" in German. Beerenauslese wines are made from grapes that are picked individually rather than a whole bunch at a time. All grapes on a cluster or "bunch" do not normally ripen at exactly the same rates. Berry selection allows the winemaker to make superb wine by insuring that every grape berry is at optimum ripeness.

Bentonite: A natural clay that is used in fining (clearing) wines.

Berry: Common name given to an individual grape.

Berry Set: The fixing of tiny, newly pollinated berries to the stem.

Bianco: (BYAHN-koh) The Italian word for 'white'.

Big: Subjective tasting term that refers to a rich, full-bodied wine.

Bitter: Subjective tasting term. Bitterness usually refers to tannin in wine and is sensed by taste buds along the sides of the tongue in the extreme rear.

Black rot: Fungus disease of grape vines.

Blanc de blanc: A term referring to white wine made from white grapes.

Blanc de noir: A term referring to white wine made from red grapes.

Blending: Combining two or more wines for the purpose of adjusting the flavor, aroma and other components to create a more desirable wine.

Bloom: a-The grape flower, or blossom. Also the time of grape flowering. b- The greyish, powdery film that occurs on grapes in the field, and which contains wild yeast and dust.

Body: A tasting term referring to viscosity, thickness, consistency, or texture. A wine with body often has higher alcohol or sugar content than others.

Bordeaux: (boh-DOH) An area in southwest France considered by many to be one of the greatest wine-producing regions.

Bordeaux mixture: A mix of copper sulfate, lime and water used as a spray on grapevines to fight fungus diseases.

Botrytis: (boh-TRI-tihs) Fungus that grows on certain grapes as they ripen under certain weather conditions. Called "noble rot" because it concentrates both sugar and flavor.

Bouquet: Smell or fragrance in wine that has its origins in the wine production or aging methods.

Brandy: The liquor obtained from distillation of wine and aged in wood.

Breathing: Letting a bottle of wine stand for several minutes to several hours after pulling the cork, but before serving it.

Brilliant: Sensory evaluation term to describe a wine that is crystal clear and absolutely free from sediment or cloudiness.

Brix: (BRIHKS) The unit of measurement of soluble solids (sugar) in ripening grapes. A reading of one degree brix equals one percent sugar in the juice.

Brut: French term referring to the driest (least sweet) Champagne. Drier than "extra dry."

Bud: Small swelling on a shoot or cane from which a new shoot develops.

Bud break: The action of buds swelling and beginning new growth in spring.

Burgundy: Located in eastern France, it's one of the most famous wine- growing areas.

Bung: The hole in a barrel (or tank).

Butt: A "large" wine barrel, usually just over 100 gallons in capacity. "Normal" barrel sizes are approximately 50 or 60 gallons in capacity.

Cabernet Franc: (KA-behr-nay FRAHNGK) A v. vinifera species of grape.

Cabernet Sauvignon: (KA-behr-nay soh-vihn-YOHN) A v. vinifera species of grape.

Calyptra: The covering of an emerging grape flower.

Cambium: Layer of living tissue under the bark and phloem tissue of a grape vine. New wood cells (xylem) form at the inside of cambium as it grows; new phloem and bark cells form at the outside edge. The net effect is to increase the diameter of the vine.

Campden Tablets: See potassium metabisulphite

Cane: The mature shoot of a vine.

Canopy: The leaves and shoots formed by a grapevine.

Cap stem: The small length of stem that connects each individual grape berry to its bunch.

Cap: A - a tiny green cover that loosens, then falls off exposing the pinhead-size ovary and releasing the pollinating anthers of an individual grape flower. When the cap falls off, the flower is said to be in bloom. B- Cap: The floating solids (skins and bits of stem) in a tank of fermenting red wine. It binds together forming a thick mat that must be broken apart (at least once a day) during fermentation in order to extract the color and flavor of the skins and to prevent over-heating of the wine.

Capsule: The wrapping that covers the neck and cork of a wine bottle.

Carbon dioxide (CO₂): A gas that occurs naturally in air. Vine leaves produce sugar from CO₂, sunlight and water. This sugar is the source of energy used by the vine for growth and grape production.

Carbonic Maceration: A process where wine grapes are not crushed but fermented whole. The process is used to make wines that are particularly light and fruity. This is the process commonly used to produce "nouveau" wines of the Beaujolais region of France.

Carboy: A glass bottle used (usually by home vintners) to ferment and wine. They range in size from 5 to 7 gallons.

Cask: Any wooden container used for wine aging or storage. The term includes barrels, butts, pipes, etc.

Catawba: (kuh-TAW-bah) An American hybrid wine grape grown in the eastern U.S. and Canada and produces sweet white, red and rose' wines that have the so-called 'foxy' aroma component.

Cayuga: (kay-YOO-guh) A French/American hybrid grape.

Cepage: (say-PAHZH) French for grape variety.

Chablis: Wine region in central France named for the village near its center.

Chambourcin: (shahm-boor-SAN) A French/American hybrid grape.

Champagne: Sparkling wine produced in the Champagne region of France. Most US wine producers use the term 'sparkling wine' and may indicate that it was made by the French 'methode champenoise'.

Chancellor: A French/American hybrid grape.

Chaptalization: The act of adding sugar to grape juice or must early in the fermentation to correct for natural deficiencies.

Character: A wine-tasting term referring to the style of taste.

Chardonnay: (shar-doh-nay) A v. vinifera species of grape.

Charmat Process: A process developed by Eugene Charmat for producing sparkling wine or champagne cheaply and in large quantities by conducting the secondary fermentation in large tanks rather than individual bottles.

Chianti: (kee-AHN-tee) Medium to full-bodied, red table wine of Tuscany in Italy. Chiantis are blends, but the primary grape variety used is Sangiovese.

Chloroplasts: Oval, chlorophyll-bearing structures inside the cells of leaves that act as factories to produce sugar for plant growth from CO₂ and water. The energy used for this conversion is sunlight, captured by the chlorophyll.

CO₂: see Carbon dioxide.

Claret: Common name for the red wines of Bordeaux.

Clarity: In wine evaluation, a subjective term for the absence of cloudiness or sediment in a wine.

Clone: Grapevines descended from the same individual vine. One vine, found to have especially desirable characteristics, may be propagated by grafting or budding to produce a whole vineyard that is identical to the original vine.

Clos: In France, a walled or enclosed vineyard. The word is now used in other countries as part of a name for a winery or wine label.

Closed-top tanks: Fermentation tanks with permanent tops. These always have doors or vents in the top to facilitate cleaning and for monitoring fermentations.

Cloying: A tasting term meaning the wine is difficult to enjoy because of excessive sweetness that "stays in your mouth" after the wine is gone.

Cluster: A "bunch" of grapes.

Cluster thinning: The process of removing young grape clusters to control the size of the crop.

Coarse: A wine-tasting term referring to an unfinished, rough or crude wine that is difficult to drink.

Cold stable: A wine that can be kept in a refrigerator without forming sediment or crystals is said to be cold stable.

Cold stabilization: Chilling wine to below 30F to precipitate potassium crystals out of solution.

Compound bud: The normal type of bud that appears at each node along a vine shoot or cane. It contains not one but three separate, partially developed shoots with rudimentary leaves in greatly condensed form. Usually, only the middle one grows when the bud pushes out in the spring. The others break dormancy only if the primary shoot is damaged.

Concord: An American hybrid wine grape grown in the eastern and mid-western U.S. and Canada and produces sweet finished wines that have the so-called 'foxy' aroma component. Also used for grape juice and jellies.

Cooperage: Common term in general use to describe any container used for aging and storing wine. Cooperage includes barrels and tanks of all sizes.

Cordon: A French word (roughly translated means 'arm') that refers to the permanent wood of (usually horizontal) a grapevine from which the fruiting wood is grown.

Cork: Cylinder-shaped piece cut from the thick bark of a cork-oak tree and used as a stopper in wine bottles. Cork is especially well suited for this purpose because of its waxy composition and springiness.

Corky: A corky wine has an unpleasant odor and flavor of moldy cork.

Corolla: An individual grape flower before it blossoms.

Cream of tartar: A natural component of grape juice and wine. The chemical name is potassium bi-tartrate. Removed from wine as a by-product, cream of tartar is used in cooking.

Cremant: A category of champagne that contains less carbonation than standard champagnes. Cremant Champagnes are usually light and fruity.

Crisp: Tasting term to describe good acidity and pleasant taste without excessive sweetness.

Cru: French word for growth. It refers to a vineyard of especially high quality, such as a classified growth or "cru classe."

Crush tank: Wine tank that receives the newly crushed must -- pumped directly from the crusher.

Crush: The process of crushing and destemming wine grapes just prior to fermentation. "The crush" refers to the autumn season when grapes ripen and are fermented.

Crust: The sediment, often crystalline, that forms inside wine bottles during long bottle aging. It is often brittle and can break into pieces as the wine is being poured.

Cultivar: A cultivated variety of grape.

Cuvaison: (koo-veh-ZOHN) The period of time when grape juice is kept in contact with the skins and seeds during fermentation.

Cuvee: (koo-VAY) A batch of wine usually held in a single tank or large cask. Cuvee often refers to a specific blend of still wines that was blended purposely for later champagne making.

<p>De Chaunac: French American hybrid wine grape named for a pioneer winemaker from eastern Canada.</p> <p>Decant: Pouring wine carefully from a bottle in which loose sediment would otherwise become stirred up. After decanting, (carefully pouring off the clear wine until only the sediment remains behind, the sediment can be washed out of the bottle. Then the decanted wine can be returned to the clean bottle for serving.</p> <p>Degorgement (disgorging): Act of removing the frozen plug of ice (containing spent yeast) from a champagne bottle after the riddling. Degorgement takes place on the bottling line just prior to adding dosage and the final corking of the finished bottle of champagne. See dosage.</p> <p>Delaware: An American hybrid wine grape grown in the eastern U.S. and produces dry, sweet and sparkling white wines with a barely perceptible 'foxy' character. Also makes an excellent 'ice wine'.</p> <p>Demi-sec: Champagne term signifying that the product is medium-sweet.</p> <p>Dessert wine: Any of a class of sweet wines, usually fortified to higher alcohol content, which are served with desserts or as after-dinner drinks. Common dessert wines are Ports, Sherries, Muscatel, Madeira, Tokay and Angelica.</p> <p>Dionysus: Greek god of wine and revelry. See Bacchus.</p> <p>Dosage: The few ounces of wine, often sweetened, that is added to each bottle of Champagne after disgorging to make up for the liquid volume lost by disgorging.</p> <p>Downy mildew: Fungal disease of grape vines that kills the affected tissue. The disease is native to eastern North America and has spread to Europe and most other regions of the world.</p> <p>Dry: The complete absence of sugar in the wine.</p> <p>Early Harvest: These wines are produced in the coolest years when grape ripeness doesn't achieve full maturity. The wines are low in alcohol, light and easy to drink despite having high natural acidity. The German equivalent is trocken or halbtrocken.</p> <p>Earthy: Sensory evaluation term for wine with a taste or smell reminiscent of soil, mushrooms or mustiness.</p> <p>Egg white: Left over albumin obtained by discarding the yolks from eggs. Used in fining wines.</p> <p>Enology: The science and technical study of winemaking.</p> <p>Estate Bottled: Label phrase (implying quality) meaning that the wine was produced and bottled at the winery from grapes owned (and farmed) by the winery owners.</p> <p>Esters: Aromatic flavor compounds that give fruits, juices and wines much of their "fruitiness."</p> <p>Ethanol (Ethyl alcohol): The type of alcohol produced by yeast fermentation of sugar under ordinary conditions. The alcohol in alcoholic beverages is always ethanol.</p> <p>Fermentation: The process carried out by yeast growth in grape juice (or other sugar solutions) by which sugar is transformed into ethyl alcohol and CO₂.</p>	<p>Fermented "on the skins": Statement made about a wine (almost always red) that was fermented with the juice and solids together. The solids are discarded after the fermentation is completed.</p> <p>Fermenters: Tanks, barrels or other containers when used for fermentations.</p> <p>Fining: The process of adding a material to wine in order to clarify it.</p> <p>Finish: The last impression left in the mouth by the taste of a wine.</p> <p>Finishing: The last steps in processing a wine before bottling, and may include bottling. Often, this includes fining, blending and filtration or centrifugation.</p> <p>Fino: Term found on some Sherry labels to denote the winery's lightest and driest sherries.</p> <p>Flabby: Tasting term for a wine that is too low in acidity, too high in pH, and difficult to drink. Flat: Tasting term. Similar to flabby, a flat wine is lacking in acidity and crispness. Flat wines are difficult to drink and enjoy even if the flavor is good. In sparkling wines, flat means the wine lacks carbonation.</p> <p>Flinty: Tasting term used to describe wine with a hard, dry, clean taste reminiscent of flint struck by steel.</p> <p>Flowery: Tasting term for wine with an exceptionally aromatic character reminiscent of fresh garden flowers.</p> <p>Foch: See Marechal Foch</p> <p>Foxiness: Tasting term to describe the smell and taste of Concord grapes and wine, and the smell and taste of similar varieties of vitis labrusca.</p> <p>Free run juice: The juice that separates from must by draining alone (without pressing).</p> <p>French/American Hybrids: Grape varieties that did not occur in nature but were produced by crossbreeding (usually crosses between one or more native American varieties and one or more European traditional wine varieties).</p> <p>Fruitful bud: A bud that will grow into a fruit-bearing shoot.</p> <p>Fruity: Tasting term for wine that has retained the fresh flavor of the grapes used in its fermentation.</p> <p>Fume Blanc: A name that has come to be synonymous with Sauvignon Blanc table wine.</p> <p>Gassy: Sensory evaluation term describing a wine that contains residual carbon dioxide left over from the fermentation. Not unpleasant in most white wines, but undesirable in reds because the CO₂ exaggerates their bitterness.</p> <p>Generic wine: Blended wine of ordinary quality, without any varietal or other special characteristics. Everyday, low price wine.</p> <p>Green: A tasting term describing the grassy, herbaceous or vegetal taste of wines that were grown in too cool a climate.</p> <p>Heartwood: The innermost portion of the woody tissue (xylem) making up the trunk of woody plants, such as grape vines or trees. Heartwood is composed of dead xylem cells that serve to give wood its strength.</p>
<p>Heat summation: A measure of the climate of a growing</p>	<p>Limousin: A type of French oak used to make barrels. Its</p>

region calculated by adding the mean temperatures for each day (minus a base temperature) over a growing season. For grapes, the base temperature is 50 degrees F (10 C).

Hectare: Unit of size for farmland in France. One hectare is approximately 2.5 acres.

Hectoliter: Common unit of measure for wines in all European wineries. One hectoliter is 100 liters, 22.03 British imperial gallons or 26.42 U.S. gallons.

Herbaceousness: Refers to a vegetative taste in wine.

Hock: A term used to describe the unusually tall bottle that is used for Riesling and similar wines. Also, hock refers to Riesling and similar wines themselves.

Hot: Taste sensation often found in high alcohol wines. Table wines with hot taste are unpleasant to drink.

Hybrid: In viticulture, a new variety resulting from crossing two other (often very different) varieties.

Hydrometer: An instrument used to measure the specific gravity of a liquid.

Ice wine: Wine made from frozen grapes. Ice wines are always sweet, usually light and also delicate.

Internode: The section of a grape vine stem between two successive nodes or joints on the shoot or cane.

Jeroboam: Oversize wine bottle; however, the exact size is not standardized. It may be equivalent to 4, 5 or 6 standard (750 ml) bottles, depending upon the wine producer. In Champagne, France and in California, it is often 3 liters in size; in Bordeaux, 3.75 liters; in England, as much as 4.5 liters.

Jug Wines: Common name given to wines sold at modest prices in 1.5 liter size or larger containers.

Keg: Small barrel for wine aging or storage -- usually 12-15 gallons in size.

Labrusca: A principal species of native North American grapes. Concord is the purest example currently grown on a large scale in the eastern U.S.

Lactic acid: A natural organic acid that occurs in many foods. In wine, it exists only in trace amounts unless the wine has undergone a malo-lactic secondary fermentation.

Lambrusco: Not to be confused with Labrusca. Produced in northern Italy, Lambruscos are sparkling red wines, usually sweet, light, fruity and pleasant to drink.

Late Harvest: Name given to dessert or full-bodied table wines produced from overripe grapes.

Leaf axil: The acute angle between a vine shoot and a leaf stem or petiole extending from the shoot. Buds develop in these axils just above each leaf petiole.

Lees: The sediment that settles to the bottom of the wine in a tank during processing. If primarily yeast, as from a fermentation, it is called "yeast lees;" if sediment from fining, it is called "fining lees."

Legs: Term referring to the colorless droplets that form along the inside wall of a wine glass, just above the surface of the wine.

grain is less tight and more open than others, allowing the oak flavor to become extracted out of the wood quickly.

Maceration: The act of soaking grape solids in their juice for certain time periods prior to fermentation of the juice.

Madeira: Portuguese island in the Atlantic from which come rich, sherry-like dessert wines.

Maderization: Oxidation of table wines due to improper storage. Maderization gives Madeira wines part of their desirable character; but the same character is undesirable in normal table wines.

Magnum: Oversize bottle, twice the size of a standard 750 ml. wine bottle.

Malbec: One of the major red wine grape varieties of Bordeaux.

Malic acid: A natural organic acid that occurs in ripe grapes in relatively high concentrations. It is the second most abundant organic acid in most varieties.

Malolactic fermentation: A bacterial fermentation that sometimes occurs in new wines after the primary yeast fermentation. Malolactic, or secondary fermentation changes natural malic acid into lactic acid and CO₂.

Marechal Foch: A French-American hybrid wine grape grown throughout the eastern U.S. It produces a somewhat light, yet deeply colored wine.

Medoc: Red wine district within the Bordeaux region of France.

Meristematic tissue: The growth tissue of a grape vine, located in the cambium, shoot tips, buds, root tips and flower. Meristematic tissue is composed of thin-walled actively growing cells that form new cells by dividing.

Merlot: (Mare-Low) A v. vinifera species of grape.

Methode Champenoise: The traditional bottle-fermented method for producing sparkling wines, including hand riddling and disgorging.

Microclimate: The localized climate in a specific, small area as opposed to the overall climate of the larger, surrounding region. A microclimate can be very small, as to encompass a single vine, or cover a whole vineyard of several acres or more. Microclimates can be caused by slope of the land, soil type and color, fog, exposure, wind and possibly many other factors.

Mildew: Grapevine disease. Can be devastating, but is usually controlled by dusting the vines with sulfur or spraying with organic fungicides.

Mineral ions: Electrically charged forms of minerals, usually occurring in solution in the soil moisture and available for takeup by roots. Some examples used by grape vines are: potassium, calcium, phosphate, boron, nitrate, sulfate, iron, manganese and magnesium.

Mission: The first of California's line of wine grapes.

Muscatel: Wine made from Muscat grapes, usually sweet and usually high in alcohol.

Must: The liquid (mostly) portion of freshly crushed grapes (before fermentation). Includes pulp, skins, seeds, juice and bits of stem.

Nebbiolo: A *v. vinifera* species of grape.

Nevers: One of the types of French oak used for wine barrels.

Niagara: An American hybrid wine grape grown in the eastern and mid-western U.S. Makes a fruity white wine with a strong 'grapey' flavor. Also a popular table grape.

Noble Rot: Common name for *Botrytis Cinerea*, the famous fungus of more than a few fabulous dessert wines.

Nodes: Slight enlargements occurring at more or less regular intervals along the length of vine shoots and canes. One leaf develops at each of these nodes, and a new bud forms in the axil at the node also.

Norton: An American hybrid wine grape grown in the southeast U.S. (especially Virginia). Makes a quality red wine with 'coffee' and 'spice-like' flavors.

Nose: The odor of a wine, including aroma and bouquet.

Oaky: A term used to describe the oak flavor in a wine.

Oidium: French word for the fungal vine disease "powdery mildew."

Open-top tanks: Wine tanks without permanent covers, used only for red wine fermentation.

Ordinaire: From "vin ordinaire," the term means any common wine of everyday quality.

Overcropped: A vine that carries more crop than it can reasonably ripen. Vines that aren't pruned drastically enough tend to set too much crop. Wine produced from fruit of an overcropped vine is always poorer in quality than if the crop were normal size.

Overcropping: The act of allowing vines to set too much fruit (usually by pruning too lightly in winter).

Oxidation: Adverse change in wine flavor, stability and/or color caused by excessive exposure to air.

Pasteur: Louis Pasteur, the "father of modern winemaking and pasteurized milk. He correctly identified yeasts as the causative organisms for fermentation and developed a heat process (Pasteurization) for stabilizing wine, milk and other liquid foods from spoilage.

Pectic Enzyme: This natural product helps break down fruit and aids in juice extraction. It also prevents cloudy pectin hazes in wines.

Pedicel: Stem that attaches the individual grapes to the cluster.

Peduncle: Stem that attaches the grape cluster to the shoot.

Petillant: Term describing a wine that is noticeably sparkling or bubbly with CO₂ -- but which is less carbonated than champagne.

Petiole: The stem that attaches a leaf to its main branch or shoot.

pH: Term that defines the acidity of juice and wine. It represents the concentration of hydrogen ions in a solution.

Phloem: Living plant tissue located just beneath the bark and outside of the cambium layer. Phloem cells conduct sugars and other organic materials downward from the leaves towards the trunk and roots.

Photosynthesis: The process by which sunlight is used by the green tissue of plants to convert CO₂ into sugars.

Phylloxera: Microscopic aphid that lives on vine roots by sucking their juice. The aphid kills European wine varieties, but native American vine roots are resistant.

Pinot: (Pee-know) Family of grape varieties, notably Pinot Blanc, Pinot Gris and Pinot Noir (Na-Wahr).

Polyphenols: Chemical class of compounds that occur naturally in wine, giving it an astringent, bitter or mouth-drying taste sensation. Tannins and grape skin pigments are two prominent classes of polyphenols.

Pomace: The solid residue (primarily skins, seeds and stems) left over after the juice is pressed out of the must.

Port: Any of the rich, sweet, alcoholic and full-bodied wines from the Oporto region of Portugal. Other countries also use the term for wines of similar type, but the original name is Portuguese.

Powdery mildew: Fungal disease of grape vines that, unlike most fungal diseases, thrives in dry climates.

Potassium Carbonate: Chemical to lower the amount of total acid in wine during winemaking.

Potassium Sorbate: Used during winemaking, this chemical halts yeast reproduction, thus preventing renewed fermentation.

Potassium Metabisulphite: A source of sulphur dioxide used during the winemaking process to inhibit wild yeast growth.

Precipitation: The sudden formation of solids within a solution, as happens in the fining of wines. The solids normally settle to the bottom as a sludge within a few hours or days and can be easily removed by filtration, centrifuging or by simply racking.

Press juice: The juice obtained not by draining, but by pressing fresh pomace. Is usually far more tannic (often bitter) than drained or lightly pressed (free run) juice.

Press wine: Wine obtained by pressing newly fermented red wine from spent pomace. It is invariably more tannic than free-run wine.

Press: The act of squeezing the last remaining drops of juice or wine from pomace. Also, the machinery used to do such a thing.

Proof: Scale for measuring and expressing the alcohol content of liquids. The "proof" of a liquor is twice its alcohol content, i.e., 80 proof = 40% alcohol. Since wine is always much lower in alcohol than the range commonly used for proof, the term has no use in wine production or on wine labels.

Pruning: The act of cutting off various parts of grape vines, usually in winter when the vines are dormant. Pruning develops the shapes of vines when they are young and controls the growth, fruit quantity and quality of producing vines.

Pumping over: Act of pumping wine out from a bottom valve of a fermenting tank up onto the top of the fermenting mass in order to keep the solid "cap" of skins wet. This is necessary during fermentation of red wine in order to achieve complete extraction of color and flavor from the skins.

Punching down: The act of pushing the cap down into the fermenting liquid to wet it and facilitate color and flavor extraction. This is the traditional method, but it can only be used for small tanks. Larger tanks are "pumped over."

Punt: The concave indentation in the bottom of certain wine bottles, especially those containing sparkling wine. It's main purpose is to collect crystals or sediment (this only works if the bottle is standing upright) so that the wine may be decanted easily.

Pupitre : French name for the hinged, wooden "A-Frame" rack used for riddling champagne bottles prior to disgorging. (Riddling settles the yeast sediment into the neck so that it can be easily removed.)

Rachis: The skeleton of branched stems that gives a bunch or cluster its shape.

Racking: Decanting clear juice or wine from above the sediment in a tank. This is the easiest method for getting rid of solids that have settled to the bottom in a tank. Wine tanks commonly have a built-in "racking valve" placed 20 inches (half a meter) above the bottom valve for use in racking wines during production.

Reduced: Term describing a state that is the chemical opposite of oxidized. In wine, the reduced state is usually recognized by the obvious smell of rotten eggs (hydrogen sulfide, or H₂S).

Residual sugar: Term commonly used in wine analysis referring to the content of unfermented sugar in a wine already bottled.

Respiration: The process in which plants produce energy, water and CO₂ by the interaction of oxygen and sugars.

Rhine: Famous wine river in Germany. Name given to all German wines produced from vineyards near the Rhine river.

Rhone: Major river in southeastern France, flowing from Switzerland to the Mediterranean. Name given to the wines produced from vineyards along the river.

Riddling: The process that causes the yeast sediment in champagne bottles to settle into the neck so that it can be easily removed.

Riesling: (Rees-ling) This grape variety is best known for being made into some of the world's finest dessert wines. Susceptible to noble rot (Botrytis).

Rose: French word for pink wine, now commonly used all over the world.

Sack: Shakespearean era name for Sherry wine.

Sangiovese: (Sahn-gee-oh-VAY-zeh) A v. vinifera species of grape.

Sapwood: The outer portion of woody (xylem) tissue, located just inside the cambium and just outside the heartwood.

Sauvignon Blanc: (So-vin-yawn-blank): A v. vinifera species of grape.

Schloss: German word for castle; on a wine label it is equivalent to the French word "Chateau."

Scion: The above ground portion of a grafted vine.

Scuppernong: One of the two major classes of native American grapes.

Sec: French term meaning "dry." However, on Champagne labels, it means that the wine is sweet.

Secondary fermentation: Fermentation that happens after the primary (yeast) fermentation has been completed. Malolactic is a secondary fermentation that occurs in most red, and some white, still wines. Another secondary is the yeast fermentation that changes still wine into sparkling wine.

Sekt: German word for sparkling wine.

Semillon: One of the primary white wine grapes of the Bordeaux area.

Set: See Berry Set.

Seyval: A French/American hybrid grape.

Shatter: A term used to describe berries that fall from the bunch quite easily.

Shoot: The elongating, green, growing vine stem that holds leaves, tendrils, flower or fruit clusters and developing buds.

Shot berries: A few small, seedless grapes found in an otherwise normal bunch of wine grapes.

SO₂: See Sulfur dioxide.

Soave: A blended white wine is produced in northern Italy.

Sodium Metabisulphite: Serves the same purpose as potassium metabisulphite.

Soft: A term for the taste of a wine that is low in acidity, flavor, body and tastes somewhat sweet.

Sommelier: A "wine steward" or waiter.

Sour: The taste sensation of acid. Not to be confused with bitter, which is the taste of some tannins.

Spaetlese: German word meaning "late harvest." These wines are usually sweet and high in quality.

Spicy (or Spicy): a- Tasting term to describe a wine that tastes as if it had spices added during production. Gewurztraminer is the wine variety that is most often referred to as spicy. b- Smell or taste sensation reminiscent of spices. The Gewurztraminer flavor is naturally spicy, especially when grown in cool climates.

Spumante: The Italian word for sparkling wine. Equivalent to sekt in German.

Spur: A shortened stub of cane, usually formed by pruning the cane to a length of only two to four nodes (buds). Spurs are obvious in the spring, after pruning, but before new growth begins.

Stabilization: Any treatment or process that makes a wine stable; i.e., unlikely to suffer physical, chemical or microbial change.

<p>Stems: The rachis, or skeletal remains of a grape bunch or cluster after the grapes have been removed. Often during grape crushing, the rachis gets broken, allowing bits of stem to remain in the must during fermentation. These bits of stem make up part of the cap in a red fermenter and part of the pomace after the new wine is drained from the tank. Generally, the stems in a fermentation are undesirable because they can supply "bitter" tannin to the liquid.</p> <p>Stigma: The female part of the grape flower.</p> <p>Still wine: Wine that is not sparkling; i.e., does not contain significant carbon dioxide in solution.</p> <p>Stomata: Tiny openings on the undersides of grape leaves that control transpiration.</p> <p>Stuck fermentation: A fermentation that stops prematurely and refuses to start up again even though fermentable sugar still remains in the liquid.</p> <p>Sugaring: Called "chaptalization" in France and most other countries, sugaring in the addition of common sugar to fermenting grape juice or must for the purpose of raising the eventual alcohol content in the wine. Illegal in some states, sugaring is usually needed only in very cool climates (or very cool vintages) in which the fruit fails to achieve full ripeness naturally.</p> <p>Sulfite: The dissolved form of sulfur dioxide.</p> <p>Sulfur Dioxide: A pungent gas used in wine to inhibit wild yeast growth, to protect wine from air oxidation and to inhibit browning in juice and wine.</p> <p>Sur lies: French term meaning that the wine was held in contact with yeast lees longer than usual in aging and processing. The result is often a wine with a pleasant yeastiness and more complexity (though sometimes oxidized and bacterial) than ordinary wines.</p> <p>Sweet pomace: Solid grape residue after the juice is drained off, but prior to fermentation. Primarily composed of skins, stems and seeds.</p> <p>Table Wine: Legally defined category of wine that includes all wines with lower than 14% alcohol content.</p> <p>Tannin: Natural polyphenolic material that has a bitter or astringent taste, making the mouth pucker. Tannin in wine comes from grape skins, stems, seeds and from wood contact during barrel aging.</p> <p>Tart: Acidic (used as a pleasant descriptor in wine tasting).</p> <p>Tartaric Acid: The most prominent natural acid of grapes, juice or wine.</p> <p>Tastevin: A shallow silver (sometimes gold) wine tasting cup used by sommeliers in restaurants.</p> <p>Tendrils: Stringlike, coiling growth from nodes of grape shoots that support vines by curling around objects.</p> <p>Terroir: Terrain (loosely translated), used in the special sense of "place," which includes localized climate, soil type, drainage, wind direction, humidity and all the other attributes that combine to make one location different from another.</p> <p>Thief: A type of pipette, used for sampling wine from the top of a tank.</p> <p>Thin: Term used in sensory evaluation referring to a wine that lacks body, viscosity, alcohol or sugar.</p>	<p>Topping: The act of filling a barrel or tank to the very top with liquid, usually wine of the same type and vintage.</p> <p>Training: The act of guiding, pruning and attaching a grapevine to a trellis.</p> <p>Translocation: The process in which nutrients are moved through the grapevine.</p> <p>Transpiration: Loss of moisture from a vine by evaporation through the leaves.</p> <p>Trellis: The structure of posts and wires that supports a grapevine.</p> <p>Titrateable acidity: The measure of total acid in must or wine, which is expressed as its tartaric acid content.</p> <p>Trockenbeerenauslese: The highest category of sweet dessert wine produced in Germany. Meaning "dry berry selection," it indicates that the raisined berries are individually picked to ensure that only fully raisin-dried grapes are used for the wine.</p> <p>Troncais: Name of a category of French oak shipped from the Troncais region.</p> <p>Trunk: The main, vertical body of a grapevine that supports all the top growth.</p> <p>Ullage: The empty space above the liquid in a wine bottle, barrel or tank. Too much ullage can lead to unwanted aerobic bacteria growing on the surface of the wine. Corrected by topping.</p> <p>Varietal wine: A wine produced primarily from a single grape variety and so labelled.</p> <p>Veraison: The mid-way point in berry development, when they change from green to purple (in red grapes) or green to lighter green (in white grapes) and become soft.</p> <p>Vermouth: A fortified wine, red or white, that has been flavored by addition of various herbs and barks (originally wormwood). Vermouth is used primarily as an aperitif.</p> <p>Vidal: A French-American hybrid grape. Also known as Vidal Blanc.</p> <p>Vigneron: Common French word for winegrower or winemaker.</p> <p>Vignoble: Common French word for winegrowing.</p> <p>Vignoles: A French/American hybrid grape.</p> <p>Vintage: Term referring to the crop of a given year.</p> <p>Viniculture: The science of growing grapes.</p> <p>Vinifera: See <i>Vitis vinifera</i>.</p> <p>Viognier: A <i>v. vinifera</i> species of grape.</p> <p>Vitis vinifera: The infamous Eurasian species of grapevines that includes such varieties as Cabernet Sauvignon, Cabernet Franc, Chardonnay, Merlot, Riesling, just to name a few.</p> <p>Yeast: Yeast is a fungus that feeds upon the sugar in the grape juice, converting it into alcohol, carbon dioxide and flavor compounds.</p> <p>Zymurgy: The science of fermentation and winemaking.</p>
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