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Food and Wine Oral History Project

John A. De Luca, Ph.D.

President and CEO of the Wine Institute, 1975-2003
Executive Vice Chairman of the Wine Institute, 2003-2008

Interviews Conducted by
Victor Geraci, Ruth Teiser and Carole Hicke
in 1986-2007

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John and Josephine De Luca at Harvard Square

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John De Luca: *In Vino Veritas*

In September of 2003 one of my first assignments as the newly hired food and wine specialist at the Regional Oral History Office was the completion of a series of interviews, conducted between 1986 and 1998, with John De Luca, president of the San Francisco-based Wine Institute. The unfinished interview was the last of a series of oral history interviews with members of the California wine industry that had initially been sponsored by the Wine Advisory Board and later by the *Wine Spectator* Scholarship Foundation. This was an exciting opportunity because I was completing a book on the history of the Santa Barbara wine industry at the time and had numerous citations from De Luca in my manuscript. Little did I know that this assignment would be both a personal and professional benchmark in my career as an agricultural historian.

One of the benefits, or pitfalls, for all oral historians is the dance we do with our interviewees. We must maintain professional distance from our interviewee while simultaneously building a personal rapport that promotes trust and allows the full story to unfold. If we identify too closely with the subject of an oral history, it's hard to ask the tough questions. Stay too distant, and we acquire only a rudimentary review of facts, lacking the details of real-life conflicts that enrich the historical record. I spent hours reading De Luca's thirteen interviews, revisited my own research, and searched for all I could uncover about his life. Despite my preparation for our first pre-interview meeting, our first interview left me reeling. I was overwhelmed with De Luca's articulation of the complex story of his life, and humbled by the range of his professional and intellectual accomplishments. De Luca is an unusual man in any context: a scholar with a doctorate in international relations, a former White House Fellow, a participant in the famous Nixon Kitchen debates, deputy mayor of San Francisco during the Alioto years, counselor to presidents and congressmen, advisor to numerous universities and organizations, and for thirty years president of the Wine Institute. During the interview, his thoughtful and candid responses to my questions were meted out in a prose that seemed to illuminate the page when transcribed. The only real editing needed for the interviews were my attempts to follow up with worthwhile, incisive questions.

The underlying accomplishment of these first encounters was the sense of personal trust that evolved. We quickly gravitated to off-the-record conversations about the similarities of our Sicilian cultural backgrounds, our love of wine and Mediterranean foodways, family, vacations, politics, issues in the wine industry, my scholarly work, and life in general. I learned of John's passion for quality-of-life issues for all people as we discussed his life in his always calm, clear, and confident voice softened by a smile and a quick sense of humor. It immediately became apparent that we were both naturally inquisitive,

that we trusted each other, and that any and all questions or ideas could be placed on the table for discussion.

As our discussions deepened, it became clear to me that a key aspect of John De Luca had escaped the narrative of our past interviews—his ability to mentor and bring together individuals, institutions, government agencies, and scholars to address societal and industry concerns. John is a broker for ideas, and his can-do spirit brings together players from all sides of an issue and facilitates the financing of their collaborative efforts.



John De Luca and Marvin Shanken, editor and publisher of *Wine Spectator Magazine*, at the White House

With skills learned in academia and politics, he navigated the Wine Institute through internal industry struggles as well as the challenges of neo-prohibition (his term), and a changing global economy. In his oral history, De Luca details a commitment to the culture and business of winemaking as he encountered anti-alcohol forces that influenced governmental policies in a series of attacks ranging from “sin taxes,” declarations that wine is a gateway drug, anti-advertising campaigns, and fifty sets of post-

prohibition state regulations that forced California to act as an exporter to the other forty-nine states. He faced forces that lobbied the halls of the federal government and controlled the “language” of alcohol to develop federal policies and regulations that placed wine under the control of the Bureau of Alcohol, Tobacco, and Firearms. A governmental climate, in his words, that forced congressional leaders, without scientific evidence, to acquiesce to the demands of neo-prohibitionist special interests. As he negotiated this cultural and political terrain, he drew upon his personal, familial, academic, and political experiences to first build a network of supporters and then educate individuals. Key to his success was the ability to listen to all sides of an issue and trust those in his growing network to help develop new governmental policies respectful of wine’s role in American and international culture. In the long run, his message of moderation, backed by independent scientific studies, helped turn the tide in the struggle for the cultural choice of a Mediterranean diet inclusive of wine.

Through his ability to broker compromise and to educate legislators as well as the general public, he helped counter neo-prohibitionist forces and make wine part of the contemporary American cultural experience. In essence, De Luca helped re-establish an American cultural terroir for wine. His predecessors’ earlier efforts to make wine part of American culture had faltered due to Prohibition, wars and their outcomes, a lack of understanding about wine and its place at the table and in the diet, and agricultural blight. Like the post World War II “Phoenix Generation” (De Luca’s label) of wine men who rebuilt the industry after Prohibition, De Luca served as the facilitator to help establish California’s place in the national and global wine industry and bring Americans closer to a western European sense of wine as part of everyday life.

John has a strong historical and personal cultural perspective of the American wine industry. In his fifteen interviews he notes that if the French had won the French and Indian War or English traditional values had ruled, Americans would have developed a wine culture much earlier. After all, America was born from the religious, political, and societal rejects from the British Empire. It is from these colonial puritanical views that a lack of wine appreciation developed. De Luca asserts, that Americans have struggled for 400 years to establish wine’s proper role in American society and that this struggle is far from finished. He concludes his long series of interviews with a warning to wine people to be ever vigilant of anti-wine forces and he advises them to stay engaged in the political process, scientific studies, and the education of a public that has yet to appreciate wine’s important role in human history and in the diet.

I may not agree with all his historical assessments of the role of wine and alcohol in American history, but I feel deeply indebted to him for helping to broker a more centrist understanding of the role of language in any discussion about wine, health, politics, and culture, and for negotiating the tensions between the urban and the rural forces for the ethical and moral soul of America. He continues to approach

all issues and problems with openness to all ideas and a determination to bring forth rational solutions that benefit the majority. This approach in the political arena speaks to his Progressive beliefs and faith in the American political system. In his world, wine has no politics and is enjoyed by both Republicans and Democrats.

Above all, I know John's ability to bring strangers together, to help them find common ground and to support their efforts to fund projects. As our friendship matured, he brought me in as a consultant to CNN veterans Larry Woods and Carla De Luca, producers of a documentary on the effects of Prohibition on the modern American wine industry. He then helped us raise the money to complete the project. Through his contacts with the University of California and the agricultural community, he introduced me to Steve Nation of the University of California Agricultural and Natural Resources program at the University of California's Office of the President. He urged us to develop a project ("Taking It to the People") to document the role of the University in providing assistance to Californians, Americans, and people all over the world who depend on the land and cultivate it. Again he is helping provide the contacts necessary to fund a five-year oral history project. Not bad for the son of Sicilian immigrants who was raised on the Lower East Side of New York.

I was honored that John chose me to write this introduction for this interview.

As I considered his life, his character, and his accomplishments, I drew upon hours of audio and video tapes, hundreds of pages of lightly edited transcripts, numerous photographs, and copies of primary source documents. This archive is a valuable resource for scholars and a fitting tribute to a man who has counseled mayors, governors, state legislators, United States congress members, scientists, businessmen, winemakers, grape growers, farmers, academics, teachers, and leaders of great universities. John has also advised me wisely, generously, and with candor, and thus I join the ranks of those who owe him thanks. I am happy to thank John for his friendship that has allowed me, a son of Sicilian tenant grape growers, to be part of a new *familia*. John's professional assistance has improved the quality of my academic work and opened doors for new ventures. John De Luca improves everything he touches. As the saying goes, *In vino veritas*. I toast him as a man among men. Salute!

Victor W. Geraci, PhD

June 2007

INTERVIEW WITH JOHN DE LUCA

I RECRUITMENT BY THE WINE INSTITUTE**Prior Professional Experience**

Interview 1: April 26, 1986
[Tape 1, Side A]

- Teiser: I sent you a list of subjects to think about discussing. And the first one, I suppose, begins chronologically: why you took the position of president and chief executive officer of the Wine Institute in the first place in 1975.¹
- De Luca: Seventy-five. The circumstances are perhaps of interest. As you possibly recall I was, at the time, deputy mayor of San Francisco. And there are, as you know, rules and regulations that govern office in San Francisco, one of which is you have a two-term limitation. And so, Mayor [Joseph] Alioto's term and mine were coming to an end. So during the period of the summer and fall of 1975, I was contemplating going back to the university world. As you know, I had a doctorate in international affairs specializing in Soviet studies. So, at that time I was thinking of going back to teaching. And also a number of other proposals were presented to me, one of which was to go back also to Stanford Research Institute where I had been hired a couple—
- Teiser: What were you working on at Stanford Research Institute?
- De Luca: In 1965-66, I had been brought in to help the institute reemphasize domestic affairs rather than its total dependency on the air force contract and military. So, I was just at that moment contemplating resumption of a career either in the university world or in the research world. And so I was, I guess you would say, sensitized, or my antenna was out to different opportunities.

1. I became president and chief executive officer in 1990. From 1975 to 1990 I just used the title of "president." The 1990 Strategic Planning Committee, chaired by Jerry Lohr, suggested I was also "chief executive officer" and I said, "Fine."

First Contact by Executive Search Team

De Luca: One day, literally, a telephone call came into the office from a Jack Yelverton, who was with an executive search team. And he said that the business community or the chamber of commerce, I don't recall which, had recommended that he call to discuss my interest in the Wine Institute. And by coincidence of my just reading [about it], I had become aware that the Wine Institute had a president who was leaving. I think there was a story in the business section of the *Chronicle*. That was my first knowledge of the Wine Institute. And I was very polite. I didn't know anything about the organization.

But that night, I discussed it with my wife at the dinner table because we were, in tandem, talking about where we were going to go, how we were going to evolve, what was a new career choice. I brought this up. I said, "Honey, an interesting call today, the Wine Institute." I said, "I really didn't know how to respond. I just was polite and was noncommittal." Well, she said, "I would advise you to reactivate that call." She said, "I don't know if you recognize the Wine Institute as the wine industry." And as you may not know, my wife's father was a business man, had a retail shop in San Francisco and was one of the early supporters of the California wine industry and exposed premium wines to many of his clients.

Teiser: What was his name?

De Luca: Frank Titone. My wife's maiden name is Titone. And he knew the vineyards. He had gone to the vineyards. He had accompanied tours. He had taken Josephine with him. So she was quite knowledgeable, much more knowledgeable than I. And so I don't think it's an exaggeration to say she was the inspiration to encourage me to be interested in the Wine Institute.

And so I think a day or two later I called back to Mr. Yelverton and was cooperative. And what followed from there was predictable in terms of what executive search teams do. And that is they asked me to set up lunch. The timing was very difficult for me. I think we had the police and fire strike at that time. We were right in the midst of the SLA and "Zebra" killings. The town was really in absolute turmoil. And as you recall, the period in San Francisco at that time, in 1975, was one of heightened apprehension.

So, I did not have the ability to immediately respond to a lunch. I think it took at least several weeks. And by that time I went to the St. Francis Yacht Club, had lunch with Mr. Yelverton and an associate, and I guess it was sometime after that I was invited by him to meet with Mr. Ivie. And then I was invited by Mr. Ivie to meet with, I guess, the search committee which had empowered the executive search team; it consisted of Bob Ivie—Bob Ivie, as you recall, was the chairman of Wine Institute—Ed Mirassou, Karl Wente, and I believe it was Terry Whitney, who was then with Franzia Brothers.

Meeting with Wine Institute Search Team

De Luca: I met with them. I remember it was a very difficult occasion. We were right in negotiations with the police and fire departments. The strike was continuing during that time. And I, truthfully, just remember a blur of impressions going in. I remember Ed Mirassou telling me that I had three strikes against me and that there was really a question of why even to see me at the time. There had been questions raised about my position as deputy mayor. Why was there a political figure being interviewed at the time? There were questions and doubts. There were even ups and downs.

At one point I had been called and told that it was all over—this was before that interview—that the Institute was looking in a different direction. To tell you the truth, it was such a concentrated period, all that I recall were these rather intense days, at one point being told that the Institute's interest in me had ceased and had been reactivated later on. I was so busy, I really didn't have time to contemplate all this. I was genuinely under incredible stress and so my sense was not preoccupation about where I was going to go after being deputy mayor, but how I was going to conduct myself with the police strike and with the SLA and with Zebra all happening at the same time. I went in, I guess, more as a genuine exercise in learning about myself, again, because I'd had eight years outside of the private arena. And I don't remember having great expectations or any expectations.

Other Options

Teiser: So, you were in the greater turmoil about your present position than the prospects for the future one.

De Luca: Yes. I mean, genuinely I had a number of options that were being discussed at the time. Mayor Alioto, for example, talked to me about becoming the chief administrative officer at San Francisco, which is an important post. Very few people know of its significance. I had been contacted by different universities. And at that time, the University of California system had, I guess, a vacancy for its presidency. And a number of the Regents on the University Board of Trustees had contacted me and had inquired whether I'd be interested in the presidency of the University of California.

Teiser: You would have had just as much trouble as you've had on the Institute.

De Luca: But what was interesting is that I went over and was interviewed by quite a few of the Regents. I remember going over to Berkeley several times. I remember Mr. Carter—the chairman of the Board of Regents. He called me and I don't think he initiated the call as much as other Regents had told him to contact me. So, I found it fascinating at that time. And several of the Regents had actually committed themselves to support me for the presidency. I went over and met some of the academic members of the senate. I remember being interviewed by the head of the alumni association for the university.

It was really a very interesting period because I was preparing myself for a new phase in life. And so the Wine Institute interview was seen by me as part of a number of developments. And I honestly and genuinely didn't know which direction I was going to take. But in the meantime I was so preoccupied and the demands of the office were so intense that I really wasn't belaboring any of the points. I just had a job to do.

Teiser: You were really in mid-career, weren't you, chronologically. You had a family. You had completed all your studies and you started— You'd had a variety of positions, hadn't you, more or less in academic life, but not all.

De Luca: Yes. I had been trained to be in university world, to teach and write. I was interested in finishing my doctoral dissertation and updating it so that it would be published. I had, again, contemplated going back to the university world to teach. I enjoy teaching very much. And you know the other background that I'd had in Washington.

So, really, this period for me was one of renewal. I had abided by a precept, and that was that by change, you would have renewal. Really, after eight years of constant and daily attention to the needs of a big city, I was interested myself as to what was going to evolve. And I had a very open mind and didn't have any predetermined, "I want to do this," or "I must only do that." The constructive part of that period—I guess I was very fortunate—is that the way things were going, I was open to new suggestions and new ideas. And my sense was that the worst that could happen was for me to go back on the track of life which was to go back to university teaching and writing.

As for this presidency of the University of California, it turned out, of course, that they found a very fine candidate, David Saxon, and he was chosen. But it was a good exposure for me to get back into the university world. Very few people knew, while I was in the mayor's office, that I had that university background. So, it was a way of refurbishing and reactivating those credentials.

Teiser: You've never used your title Doctor, have you, outside of the academic world?

De Luca: No. It's been many years since I've used the title. Once in a while—and it was a gracious gesture to me—Dinny [A. Dinsmore] Webb at the university at Davis, then the head of the Department of Viticulture and Enology, would introduce me as Dr. De Luca. And it always came as a surprise to me and to the audience that the title would be used because very few people knew that. And there was obviously no need for it to be even widespread.

So, as things came to pass, to continue that part of the recollection, I didn't have great expectations with the wine world. It was one of the series of events that was going on in my life at the time. The luck of the interview appointment was such that I think it coincided with the morning when I was going through round-the-clock negotiations with the police and fire departments.

Interviews

De Luca: And so, I just went from one event to the next event, prepared to go on to the next event. I remember meeting, I believe it was at Bob Ivie's offices, and I remember being asked a lot of questions. And of course, events at the time prompted them to ask current affairs questions, because that was a subject of television and newspapers and headlines. I remember having a very interesting and stimulating time. I was very relaxed. As I said, I didn't have any tension because it was just part of what was a sequence of events. I remember particularly Karl Wente and Ed Mirassou asking very specific questions.

Teiser: About wine or about the attitudes in general?

De Luca: Well, they wanted to know what knowledge I did have about wine, what knowledge did I have about their industry, how I would approach labor relations, how I would approach international affairs. They had a pretty good notion through my résumé. I think Mr. Yelverton had briefed them about my background. He was present at the meeting. My background prompted certain questions. So, it was one of those affairs.

And I think, subsequently, Ed Mirassou told me that everybody just basically was going through with the interview for, I guess, the reason that Mr. Yelverton, whom they had empowered, had thought I would be an interesting candidate but that I was not a prime— Well, let me rephrase it. The fact that I was brought there must have meant that they were interested in me. But again I'm trying to recall. It's ten years ago. Ed pretty much said, "You had three strikes against you going into the meeting. But we thought, given your position or given the fact that there had been certain people who recommended that we should see you." But I had the distinct notion that it was, if not perfunctory, it was certainly not expected on their part or on my part for anything really to materialize.

Teiser: How did those particular people happen to be interviewing? What were their positions?

De Luca: Well, apparently—I'm reconstructing all this—the former Wine Institute president Harry Serlis's retirement had led the executive committee to empower a smaller presidential search committee. And the executive search committee obviously included the chairman and these other senior people who were considered to be representative of the industry. I think Bob Gallo was on that committee, but I was not interviewed by Bob Gallo that day.

But I continued on and went back to my work. And I think the next call was that the executive committee, while it had empowered the smaller committee to make a recommendation, the executive committee felt that the position was so important, that rather than take any recommendation, they all wanted to be involved in the decision making. I think Bill Dieppe of Almaden was one of those in the forefront saying that, and it turned out to be a most fortuitous development. The reason I say that is that I was then interviewed for something like a month and a half. We're talking about basically the summer-fall of 1975.

I then had appointments set up for me with every single member of the executive committee, some twenty, twenty-two members. And one, it underscores how important

the post of president is to the Institute. And two, it indicated that everybody wanted to be involved in this choice. And while they were very confident with the people that I mentioned, being the smaller team that would scrutinize, I guess they felt, well, if they were bringing forward a prime candidate now, that they all wanted to take a good look at him.

And so, I recall a series of individual meetings, a series of group interviews. But mostly it was one by one by one. And the reason I said it was fortuitous is that I don't believe, had I not had that experience, that I would have gone into the institute with as much personal knowledge and they having as much personal knowledge as they came to achieve.

- Teiser: If you had been a member of the wine industry, you wouldn't have had to go through that much, I suppose.
- De Luca: That's correct. And also if I had been recommended and the executive committee had ratified, I would have been denied what turned out to be a great educational experience of hours upon hours with each one of them so that— For example, I was interviewed by Mr. Ernest Gallo on three separate occasions. Not just once, but after the first meeting he asked me to come back. And after the second meeting he asked me to come back.
- Teiser: As they interviewed you, did they express their points of view, their goals for the Wine Institute?
- De Luca: Yes, I think there was a lot of give and take. For example, one of my interviews was with Louis Martini, and he was about to be the next chairman. In other words, Mr. Ivie as chairman was outgoing. Mr. Martini was the one coming in in a few more months. He invited me to come to his home, and he invited my wife to accompany me, which I thought was a very important gesture, showing how important wives are in the industry.
- And so we came. And at that meeting, I believe Joe Heitz was there. And I believe it was Bernard Skoda, who also was in attendance. It turned out that a luncheon at the Louis Martini home went for many, many hours. And so over a course of hours, over a course of lunch, they were able to ask, without great pressure, many questions about me and about Josephine and our family, our backgrounds, what direction we were taking, what thoughts we had about life. There were many philosophical questions. "How do you look at life? How do you assess government? Where do you put the private sector? What do you think of international affairs? You have backgrounds in Washington, in Moscow, in San Francisco. How do you distill all this experience?" So there was a very deep, I think, probing without appearing to be probing session. That one lasted many hours.
- Teiser: Did you ask questions, too?
- De Luca: Yes. I wanted to know a lot more about the industry. It was very apparent from the beginning that I was the least informed candidate in terms of the wine industry that must have come along. I remember Bob Ivie, at one point, telling me, he said, "I wish you'd known a lot more about some of our wineries and about some of our products." And I told him that my major affiliation with wine was that I genuinely had it as part of my lifestyle and enjoyed it.

My dad was a home winemaker. My dad was the one who gave me a real feel for wine, because I had actually, with him, made wine with my brother. We had gotten grapes in the vineyards, we brought it home, so I said—

Teiser: This was in New York state?

De Luca: No, this was in California, Los Angeles. When we moved to Los Angeles from New York in 1948. So I told him that while I was not a very conversant person, I certainly had a great feel for wine in the sense of my background. And I said my greatest asset was my wife. She was very knowledgeable. She knew her wines. She knew the vineyards. Her dad had been in the business. And that if they were going to consider me, they should certainly consider the two of us as a team.

So it came to pass that after visiting with all the members of the executive committee over a period of a number of weeks— I remember meeting Fred Franzia at the airport. I remember meeting Jack Welch at his office. I remember going to see Art Polombo and “Cuccio” Huneus at the Paul Masson retreat up there in Saratoga. I remember meeting with Peter Mondavi and Robert Mondavi. In other words, person by person by person I had the opportunity to visit with them. And therefore, when they finally made the decision, the fact was that they had had more than just one group of people recommending it to another but that it was a consensus of the executive committee in its entirety.

I don’t think I was put in any provisional position, but I remember the discussion being, “Well, you’re coming aboard,” but no contract was offered me and no contract was requested by me. In other words, I understood when I came in that I had not only the hurdle to overcome of the interview but that it was unwritten that, you know, if things didn’t work out, I had to be prepared that the position could be terminated.

Teiser: Have you never had a contract?

De Luca: No.

Teiser: Never.

De Luca: I’ve had a year-by-year — I guess it’s a resolution that the board of directors of the executive committee adopts. There is a contract in the sense that for each budget year, there is an appointment. But there is no contract in terms of a multi-year contract. So, for all these years, I’ve been going on a year-by-year basis. And that’s fine with me. It’s obviously been fine with them and it’s been fine with me. But instead of going in and saying, “I’d like a three-year contract or five-year contract with this or that provision,” I pretty much told them at the time, “If I’m any good, you’ll find out about it. And let’s be relaxed about the question of longevity.” I never pushed it. They never pushed it. And that’s the way it worked out.

Appointment as President and General Manager

- Teiser: So, when did you officially become president/manager?
- De Luca: I still had my responsibilities with San Francisco. We worked out an arrangement where I came to the office on October 17, 1975. I concluded early that rather than wait until January the sixth, which was when my term of office expired, that I ought to get a running start on the job and that it would be advantageous for me to come in and for me to start learning.
- I had learned that there was a board of directors meeting coming up right after Thanksgiving. I felt that if I could prepare for that, it would be helpful to me and to the industry. Other than that, the next board of directors meeting was going to be in March, 1976. So, what I was beginning to pick up from my discussions encouraged me to come in earlier, because as you recall, the marketing order for wine had been terminated right at that moment, or a few months before I came in.
- I began to pick up that there was a rather steady stream of resignations from Wine Institute from members and that it was not only Heublein that had left, but began to pick up through my interviews that Giumarra had left, that California Wine Association had left, that Setrakian had left. It sounded like the more time I waited, the more difficult would be the assignment. So, I had a desire to get in there early and to stabilize the situation to help the morale of the staff, which had been in limbo. I had not yet met the staff but I had been advised that this was the case.
- Teiser: Was there an acting head?
- De Luca: I think Bob Ivie as chairman took the central leadership role. So I don't believe they had a position, an acting president, but in effect, he and his staff apparently cooperated very thoroughly with their own people.

II FIRST PROBLEMS ENCOUNTERED AS PRESIDENT, 1975-1977

Resignations of Some Members

De Luca: So, in October of 1975—I came in mid-October—and I still had my position at City Hall. So I was, in effect, commuting back and forth, because there were a lot of things to still be done at the mayor’s office. And in retrospect, it was really—I had a guardian angel watching over me. It was very fortuitous that I came in at the time, because every month there was more and more hemorrhaging of our membership in the Wine Institute.

Termination of Marketing Order for Wine

Teiser: Can you relate that to the end of the marketing order? Did it relate directly to that?

De Luca: I think what occurred was that after some three, four decades of a marketing order where the funds were always collected by the state through the Wine Advisory Board, that going it alone, that is, with the voluntary termination of that marketing order effective June 30, 1975—we can go into reasons why that occurred—suddenly, you didn’t have to belong to anything. Suddenly, it wasn’t mandated that your funds be collected by the state for the Wine Advisory Board. And there were a number of grievances expressed by enough wineries to start saying, “Well, if Heublein pulls out and if East Side pulls out,” which is what occurred in the summer of 1975, “maybe I don’t have to belong to the Wine Institute.”

Teiser: It’s a little expensive, is it not?

De Luca: Well, it was a penny a gallon, five cents a ton. And for some wineries that was a considerable amount of money.

A Winning Strategy: Visiting the Wineries

De Luca: I recall that in coming in in mid-October, one of the more important developments in my early experience with the Wine Institute was that there was a letter from Barney Fetzer, from Fetzer Vineyards, that greeted my arrival, because my appointment was announced in the press. And basically he said, “Mr. De Luca, this is to inform you that I intend to resign from Wine Institute and that I believe the needs of the smaller wineries are not met by the Wine Institute. And I think a certain category, wineries 50,000 cases and below, should probably have a community of interest,” and that he, Barney Fetzer, was interested in leading the creation of a new organization that would service these smaller wineries.



John De Luca addressing San Joaquin Valley Wine Growers

And I remember—I don’t know if it was a Monday or a Tuesday—that I saw this letter and it struck me as being very important. And I didn’t know who Mr. Fetzer was. But I got on the phone and immediately called him and said, “Mr. Fetzer, thank you for your letter. I’ve just come aboard and I would like very much to talk to you. I would like very much to have your point of view expressed.” I said, “If you still want to resign, by all means, that’s your prerogative. But why don’t you give me at least a month. I’m a brand-new president. Why don’t you and I meet and perhaps at the end of that month, you’ve not lost anything.

[Begin Tape 1, Side B]

- Teiser: So when he agreed to talk— Barney Fetzer agreed to talk with you?
- De Luca: Yes, and I thought it was important for me to follow it up. So, I made an appointment to drive up to Fetzer Vineyards in Mendocino that week. And it turned out that I had Harvey Posert there to accompany me because Harvey would know—I didn't even know where to go or how to drive up there.

So, Harvey Posert accompanied me and we went and saw Barney and his wife at their home. I remember it was a couple hours drive up to Mendocino. And it turned out to be very instructive because, one, he confessed to me that, he said, no president had ever visited his home before. And he'd been a member for a number of years. And two, he had a very nice table set, a little fireplace, beautiful piece of property. He began to unburden himself and I thought I was getting a true picture.

One of the most important things, I felt, was to get honest appraisals, honest, say, exposure of issues, honest assessments. And he gave me a very true picture. Basically what he said was, "Mr. De Luca, you're coming at a time when many wineries don't feel close to this organization. We don't feel that there's a place for us in this organization, and the Wine Advisory Board for years—people have just taken us for granted. Money was collected without any sense of having to promote internal relations. Your coming here is an important gesture."

And he said, "I'd like to obviously think about my resignation. But here are the things that I think are at issue. What can Wine Institute do for a whole category of wineries? We think the larger wineries pretty much dominate the Wine Institute. We think the larger wineries have as their priorities, priorities that are different than ours. Maybe it's time for us to think of just our own regional associations."

And so it was a very fine chronicling of problems. And I came to the conclusion very early—I think it was on the ride back from Fetzer Vineyards—that it was very important for me to repeat what I had just done with everybody. In other words, I may never have the chance again, was the attitude I took. It may never be appropriate again,

but it's certainly timely and appropriate for me now to go and see every single winery that is a member of the Wine Institute.



California State Assemblyman Mervyn Dymally, John De Luca, Maynard Amerine

And so without knowing what I was about to do—in this, really, my ignorance was apparent—I made this pledge: I'm going to go and visit all the wineries and talk to everybody the way I've just done with Barney Fetzer. I didn't realize the distances. I didn't realize the diversity. I didn't realize the physical time that it would take to do that. But once the momentum started and once I started going, I'd take a day during the week. I'd take a weekend. I'd take advantage of any invitations that were extended.

I remember asking Maynard Amerine if he would accompany me to Napa Valley. I went there and visited something like twenty wineries in two days. With Maynard, I could not have had a better mentor or person to introduce me. And we would start early in the morning, you know, like seven o'clock, and visit with wineries and go until late that night, winery by winery by winery, home by home, vineyard by vineyard.

Teiser: Did you try to visit people at their homes more than at their wineries?

De Luca: Well, fortunately for many of the smaller wineries, they were the same. And so visiting the winery and visiting the home was the same thing. Napa, Sonoma, Santa Clara, the

valley, the foothills, the central coast. It took me about a year and a half to visit over 165 wineries.

Teiser: Did you make an attempt to visit, also, those who were not members?

De Luca: Yes. In other words, I first wanted to go visit the wineries that were members. But then I asked for the list of wineries in the district where I was going who were not members of Wine Institute, so that if they were down the road a mile, two miles, three miles, I could go visit with them and introduce myself.

It was a great learning experience. It was invaluable in terms of my knowledge of the industry. It certainly communicated to everybody a style of involvement: that no winery was too small, that no winery was too far to not be included.

My formative impressions were that for this organization to survive and to build, there had to be a sense of equal access. There had to be a sense of everybody's interest being taken into account. I wanted to generate a whole new spirit. And in effect, a new Wine Institute was being born.

Teiser: Did you find a great deal of fatalism among the small wineries about the large ones carrying the bulk of the power?

De Luca: No. It was more a kind of an honest analysis that as small wineries, they recognized the needs and I guess the practices, the needs and priorities of the larger wineries. It was not so much a chastisement as much as a desire for further involvement. I don't think anybody said, "These larger wineries shouldn't have their interests represented." [They said,] "We recognize that they're paying the bulk of the dues. We just think that the system should operate in a more open and fair manner."

I very early decided that the best way for them to get an expression of support from me was to know me and that there was a face behind a name and that they would be encouraged to get on the phone. They'd be encouraged to write to me. And my coming to their home: person after person said that no president had ever visited them and no president had ever spoken to them. So I had a full appreciation that my coming would assure them that I would be receptive to them.

Teiser: Did you make a special effort to visit the people who were represented on the board?

De Luca: Well, yes. The board of directors—I mean, I went about it and asked—

Teiser: District members?

De Luca: District members. I went about it very systematically. I went about it in terms of the executive committee. I'd had the benefit, as I have mentioned, of having the equivalent of this experience in the interview process. Now I was going about it in terms of the board of directors. I was going about it in terms of the districts. I was going about it in terms of people who were not members of Wine Institute.

But the geography helped me. That is I would ask—I remember Jean Valentine—I would say, "Jean, I plan to go to Sonoma. I can't do it all in one day. Let's take four,

five, six, seven days over the next several weeks. Each day, plot for me geographic proximity so that I could go down the road in the Russian River area.” Or I would go in the area up Highway 101 or I would go into the Valley of the Moon. I mean, we did it in terms of geography. Also, by calling ahead of time and saying that I was planning to come, the word of mouth began to spread that I was following up on my pledge.

I remember a tiny, tiny little winery in Sonoma; the day I arrived, they said, “Well, you really are coming to see everybody. We didn’t expect you to ever see us.” I was encouraged by that. I really felt, well, I’m going to stay with the schedule. So, it took a year and a half and it got to the point where a lot of time was devoted to this. But it made me familiar with the vineyards. It made me familiar with the geography. It made me familiar with the people. It communicated to everybody that my style, which I hadn’t plotted—it just evolved—was to involve people.

I went to associations. I went to the various regional groups who began to invite me. So it kind of cross-fertilized and it self-reinforced the individual visits by my going to visit with the wineries and their associations. I’d see them in their own winery but then I’d see them as part of a larger group. I did that, for example, with Napa Valley Vintners [Association] and with the Sonoma vintners and with the Santa Clara group, with the Monterey group. I did it with all the groups. So I would see them at their home and I would see them in the larger setting of their regions. It also helped me to be more knowledgeable.

I suddenly was being asked to accept speaking engagements and I was so brand new, what could I talk about? Well, fortunately by visiting, I had clear in mind what the issues were, what the priorities were, what the directions were. And then I really wanted very much to get back into the Institute those wineries that had resigned. I was very gratified when I got a note about a month and a half, two months later, from Barney Fetzer who said he’d stay with the Institute a little bit more. I understood it was provisional, and everybody was really saying, “Well, let’s see what this new president does or doesn’t do.”

Heublein Pulls Out

- Teiser: Heublein never did come back, did it?
- De Luca: No, it did not.
- Teiser: For, I suppose, external reasons.
- De Luca: Well, one of the things I learned was that events had really built up to lead to their resignation. There was a perception that Heublein initially had agreed that the major funding of the Wine Institute would be voluntary [for members]. At that time, Bob Ivie, who was chairman, had told me that only at the last minute did Heublein pull out. But they had all been party to this agreement.
- Teiser: That’s what I thought.

De Luca: And that he got some sort of last minute June 30th telegram from Jack Powers saying that they were leaving Wine Institute and that also that same day, East Side of Lodi—apparently they had given everybody a deadline that after June 30th, that if you had not committed yourself, you would be obligated to pay the dues whether you were a member or not. It was some sort of a requirement. And I also got the impression that at a certain point, Heublein had offered to pay half of its dues rather than all of its dues. And members had said, “You do that and then you start a precedent that would be unacceptable to the rest of us. Why should you pay half the dues if we have to pay all of the dues?”

I did attempt to see Jack Powers, who was then head of United Vintners. And I asked him to give me a chance, give us a chance, because this was a new development. And a number of meetings took place with Stuart Watson, chairman of the board of Heublein. Maynard Amerine was very instrumental here. He accompanied me to a number of meetings.

But while we had good talking relations, Heublein never returned. Part of it they stated was their antitrust concerns. A new president came in—I’m trying to remember his name right now—who had come from GE [General Electric] and he had been involved in antitrust issues. He used that either legitimately or as a convenience to explain away why they weren’t going to be back into an association. But I remember after a year that Giumarra returned, that Setrakian returned, Cal Growers, that the California Wine Association, Perelli-Minetti returned.

And so by June of 1976, the membership in Wine Institute had gone from 154, when I had joined, to something like 200. I remember 200 members projecting confidence of having stemmed the tide and having made the first real concerted effort to prove to people that we wanted them, that it was not just the days of being mandated. But now the new institute, which was totally voluntary, which meant that you could or could not join, depended on performance, depended on its responsiveness.

Financial Difficulties of Assuming Wine Advisory Board Functions

Teiser: What was the issue of picking up what the Wine Advisory Board had done? Did you expect to pick up all of it or part of it or what did you have in mind?

De Luca: Well, when I came into the institute with the departure of Heublein and with the departure of Giumarra and I forgot to mention Bear Mountain, Lamont. It was called Bear Mountain in those days. They had also left. Between the departure of these wineries that I had already mentioned plus these—there was a considerable requirement, financial requirement. And I think in the year I became president, the dues dropped, the money available to the organization dropped by over a million dollars.

So, in terms of what to do, the fiscal situation was of crisis proportions. I had very little leeway here as to what programs to take on or not to take on. I was basically confronted with an enormous drop in funds. And so I tried, very quickly, to move in the direction of consolidating positions at the same time as not leaving any important area untended.

- Teiser: Was the anticipation of picking it up later?
- De Luca: My view was that getting people back into the Wine Institute was a way of getting money back into the organization. We had no Wine Advisory Board funds. There was no mandated money anymore.
- Teiser: But did you expect them? I mean, were you aiming to get it fully funded again and then pick up all of the Wine Advisory Board's functions?
- De Luca: Yes. My reasoning was that every function was important for every level of winery. In other words, I did not in any way anticipate that there was a part of what we were doing before that should no longer be maintained. My sense was to not only do those things that the Wine Advisory Board used to do but to go into new areas, to take up new areas, not just to mechanically or arithmetically add up what we were doing before.

III THE WINE INSTITUTE: ENTERING A NEW ERA

Identifying New Directions

- Teiser: What sort of new areas?
- De Luca: My goal here was to increase our involvement in terms of, say, social issues, the alcoholism issues.
- Teiser: This was before there was a general public sentiment in that direction, too, was it not?
- De Luca: Oh, very much so. And in fact, I remember being introduced to a member of the staff, David Keyes. And Harvey Posert indicated to me that his basic function was to go around and attend meetings of the alcoholism community and to be a specialist on alcoholism affairs, but that very few people in the wine industry or in the Wine Institute knew of his work. I felt, well, this is an area that should be expanded. There's an area I should get involved. And we should do more work here on the issue of advertising, on the possibility that someday the issue of drunk driving and the issue of control measures coming to the fore.
- I saw my job very definitely as immersing myself in the affairs of the institute, going around and talking and then writing, in effect, white papers for whole areas. And so for the next several years, wine and agriculture, wine and alcoholism, wine and government, wine and the media, wine and international affairs—these were all papers I produced, five different papers.
- Teiser: Did you present them to the board?
- De Luca: Yes, I presented them to the board of directors. I had a statement of principles, ten principles that I thought we should abide by. In other words, I thought that the Wine Institute should become more than a trade association discharging services to its members. I thought that the Wine Institute should be the leading force in terms of strategy for the industry, to lead the industry in new directions: governmental; media; social programs: how we were going to present ourselves to the world, recapture our agricultural roots, which I felt were being frayed, that we were losing — I would hear

people refer to us as “manufacturers of alcohol.” And I felt that that was an incredible turn of events for us losing evidently [our association] with the harvest and the soil.

And so my judgment was that the Wine Institute had to become something different, that it should do what it was doing but be more strategic, have a world vision, lead the industry in directions that perhaps the members were either not aware of or not prepared to take.

- Teiser: Did Leon Adams’s writings or expressed views influence you in those directions?
- De Luca: Yes.
- Teiser: Some of these ideas he expressed.
- De Luca: I immersed myself in his and other writings. I asked the staff to bring me papers or books or articles. I remember asking Joan Ingles, our librarian, to put together for me for my reading every week writings that she felt were germane. I remember going outside the industry and talking to my friends both in government and outside of government. I went and talked to people at the Ford Foundation. I went to people at Stanford Research Institute. I wanted to get as much material on demographics, on international affairs. A lot of my friends that were from the White House Fellows—I remember Tom Veblen, whose great uncle, I think, was Thorstein Veblen. I remember him sending me some very seminal writings about the food system and agriculture.
- Well, the point is, I took as much reading on as many subjects as I could. And Leon’s were in there, Maynard Amerine’s works. I went to Phil Hiaring. I went to Lou Gomberg. I went to Harry Serlis. My view was that long before I came to the Wine Institute there was a very rich legacy, and that I was certainly just one new figure on the scene and that there was very valuable thinking that had preceded me. I genuinely thought of myself as picking up a torch from another generation and hoping to carry it forward. And so I really did immerse myself in the works of everybody that I knew at the time.
- Teiser: No one had, I imagine, approached it in such organized ways even though it was interesting that you should have done so.
- De Luca: Well, I didn’t know at the time that that was different. I was applying to this position discipline and training that I had learned in other fields. I was very interested in international affairs, given my background. And my thinking was, well, how do we fit? Where do we fit in the world of wine? Where do we fit in the world of trade, economics?

Foreign Currency Issues

- De Luca: I remember calling Ernest Gallo and telling him that I thought that the currency issue was one that would have great impact on our industry. And he was interested enough to ask me to send him more materials on that. And basically my thought was that the

industry in California was only five percent of the production of the world's wine and that events in Europe and particularly the impact of the dollar, which I felt was overvalued, had great consequence for us.

Now this is 1978, '79. So I've jumped a couple of years. I'm not saying this was the very first day that I arrived. But I knew from my background that trade matters were influenced by government subsidies. Trade matters were affected by currency change, and the Italian lire had been devalued. I felt, well, if the Italian lire is going to be devalued, what effect is this going to have on us?

Preparing for Increased Exports of Lower-Priced Italian Wine

De Luca: One of the more interesting things that happened to me, Ruth, I had gotten a copy from an embassy report—again, my background caused me to have extensive ties with the foreign world, with embassies and agriculture and state departments—and a friend of mine had sent a report on how the Italian government was gearing up to launch a new phase of its exports to the United States. I gave a talk to the board of directors. I want to get into how I perform my role with the board of directors in just a minute. But I gave a talk at the board of directors and said, my analysis was that with the Italians devaluing the lire, which in 1976, '77 was around 620 to the dollar—they were going to 800 to 880—that we should be very sensitive to this program with governmental support, and the Italians exporting and increasing exports to the United States.

After I gave that, for want of a better word, lecture, a couple of the winery principals came to me and they said, “Well, you're really new and we won't hold it against you. But this shows you how much you really have to learn, John. We don't really see the Italians as real competitors. Our real competitors are the French.” And I said, “Well, you're probably right.” I said, “I'd like to still study this. I think this is a harbinger of things to come.”

And as things started to evolve in that direction and as some of the matters we discussed became credible, I said to myself, you know, the best role I can play with this industry is to try to think ahead. Where are we going? What are the things we should be doing now? Let's not suddenly have these events envelope us. I love that kind of thinking anyway. They were very germane to my own sense as a student of international affairs. So, that's the genesis of the idea of writing papers on agriculture and so forth—

Teiser: Well, did you think of anything to do about the Italian wine situation? Would you have done something?

De Luca: I concluded that the Italians were doing something that we should, in anticipation, have a strategy to counter. And that was, as against the period when wines were coming into the United States that were only the very finest, that is the Italians and the French and the Germans and the Spanish would send only their finest wines to the restaurants and to the fine shops, that what the Italians were signaling was that a new era was upon us, that they were going to mass export their vino di tavola, their vin ordinaire and that we were going to—instead of the great premium wines, we were going to have wines at the

more popular price—some of the, let's say, the lower end of the price spectrum, and that we should anticipate this in terms of our marketing and retailing, as far as our wineries were concerned, to be aware that there was going to be a new tide coming in.

Teiser: What could you have done?

De Luca: Well, one of the most important things was to make people aware. Therefore, for example, instead of emphasis being on promotional programs or generic advertising programs, to recognize the impact on us of pricing changes. And therefore as far as the industry and the growers above all, alert the growers that we were on the eve of an entirely different period. And therefore, whatever strategies we would develop together, at least they'd understand the economic and international reasoning behind it.

Improving Industry Awareness of International and Political Affairs

De Luca: One of the things that concerned me the most was the relative lack of appreciation for economic and political and international affairs impinging on our industry. And my view, without being patronizing or condescending, was that this industry had developed an enormous aptitude for viticulture and enology, but that in terms of economic analysis or in terms of international analysis, of the interaction of trade and subsidies and the dollar and mass movement of marketing, we weren't well prepared for this phase and that my job was at least to raise a consciousness and to get people aware of it before it happened.

And so in terms of the answer, what could have been done, obviously I didn't run a winery and obviously I wasn't in the marketplace. But my judgment was that the more people recognized the nature of the threat and that direction being taken, the better they would be prepared to cope with it. In other words, these strategic— My sense was that if I could map out strategic notions, then it would be still be a competitive industry— Let me rephrase it, it wasn't that I went winery by winery by winery. As I discussed it at the board of directors level, only one or two wineries called me up and asked me for more information about my views. This was a competitive world, and many felt it wasn't my place to tell the individual wineries how they should market.

Teiser: They didn't react, did they?

De Luca: Well, some of them recognized it and some of them began to prepare for it.

Teiser: Did they?

De Luca: Yes. Some of them were better prepared in anticipation of this trend, and therefore, when it occurred, were more malleable, were more resilient.

Teiser: I see.

De Luca: I had mentioned that I saw the board of directors as not only a place for me to give specifics, but to try to shape together a sense of history and a sense of direction and a

sense of strategy. So, for my three-times-a-year board of directors meetings, I have tried with every meeting to come up with separate strategic subject matters such as nomenclature. I remember talking about how Lenin had carefully used the term “the majority”—the word in Russian is “bolshinstvo,” and the word for minority in Russian is “menshistvo”—and that he seized the opportunity to call his group the Bolsheviks.

[Tape 2, Side A]

De Luca: Yes, as I was saying, to put it in context, I saw every board of directors meeting [as an opportunity] not only to say what’s happening on the ATF front or what’s going on in terms of government or the states or international affairs or regulations, but to systematically and coherently build up a body of thought as to what are the types of problems that we face: economic, political, social. And one of them, for example—there are many other examples that I won’t bore you with—was the power of nomenclature and how Lenin had wisely, on a very close vote back in 1903, called himself the majority, taking the word bolshinstvo and calling his group the majority faction, the bolsheviks. And the group that lost unwisely let him get away with it and called themselves the menshistvo, or the menshiviks.

I said, “You have no idea what significance this had in Russia: when the Bolsheviks would come in, the immediate connotations to the peasants and to the soldiers were, these were the majority and that the group that opposed them were the minority.” I said, “That is important for us.” And then I would relate it to the present time and say, “Look at words, how people have kind of cornered us. They use the word ‘booze’ instead of wine, beer, and spirits. They use the term ‘sin taxes’ instead of saying what they are: consumption and sales taxes. Look at the way the word ‘import’ and ‘domestic’ are used. We should abandon the terminology import and domestic and talk about foreign wines and American wines or foreign and California wines. You are unwittingly promoting the cachet that import is better by continuing to use your terminology of import verses domestic.

“In terms of politics,” I said, “we have to be bipartisan.” The Democrats often think that we are only in the Republican camp. And Republicans can take us for granted that way, thinking we have no other place to go. So, don’t proceed the way that blacks or labor did, where they became, in effect, captive of only one party. We should support political parties in a bipartisan manner.

“In terms of government, we need to create a very active force, not only annually having a wine tasting in Washington, but to get to know our congressmen at the district level, get to know our state senators, get to know our assemblymen.” At that time there were very few of our people really actively involved in knowing the political arena. There were only a handful of people like, say, the Gallos and Mondavis and also Guild. Bob Ivie was very interested in that subject.

“In terms of the press,” I said, “it’s not just the wine writer that we must pay attention to, but the business writer, the medical writer, the economics writer. We’re going to be covered not just by the traditional and very, very helpful columnist who’s going to cover our wines, but they’re going to want to cover our people. They want to cover our business. They want to cover international affairs. They want to cover medical issues.”

So I saw every board-of-directors meeting as a continuum, as a series of opportunities to challenge me. I mean, I wasn't patronizing. I felt that if I prepared for every board-of-directors meeting with an idea of where that idea fit in, that it would demand the most of me and therefore would make that board meeting more than just simply a chronicling of the events in the last few months but offering an idea and where did it systematically fit in, capture our agricultural roots, capture the sense that social responsibility was one of our hallmarks. And what should we do before we lost our identity?

Adopting a Code of Advertising

De Luca: And that's where the Code of Advertising was actively promoted by me. A lot of people out loud questioned whether we needed a code of advertising. Nobody was demanding it. Weren't we going to shackle ourselves. Why were we doing that?

Teiser: Didn't it come up at the time when there was television or there were television commercials comparing wines unfavorably or favorably with others?

De Luca: Well, you're talking about the Coca-Cola period where they made comparative remarks. This preceded that period. In fact, some of the friction with Coca-Cola arose from the fact that we had adopted a code of advertising and they chose to, if not ignore it, they chose to sidestep it. And my sense was that in government, the trend towards social responsibility, while it wasn't that apparent, was going to move very fast on us. And unless we took advantage of the years, later if we did things, it would be seen as being reactive rather than being progressive.

So, in '77, within about eighteen months of my becoming president, I sat down with the executive committee and said, "We need a code of advertising standards that's second to none. And it should be credible. It can't be cosmetic." I went about thinking, talking, reading, went to the university world, asked for meetings with the alcoholism community, asked for doctors and medical people, went to the television people, and we put together a code of advertising.

Then it took us months to get our members to agree to it. I took a page out of the old experience and went back and revisited each member of the executive committee, one on one, to explain it to them. I got much help from Mr. Ernest Gallo. I got much help from the other members of the committee.

And then we had to wait for something like a year before the Federal Trade Commission gave us an advisory opinion because we were concerned about the antitrust implications of our organizations putting together the code that someone could say was being used to coerce any individual member. I went to the National Association of Broadcasters in New York. I went to the government officials—Congressman John Moss.

So, the truth of the matter is, I saw my role—I'm just using these as quick examples—I saw my role as president to set strategic positions, to keep the industry very united, to have a recognition that the Wine Institute was a place, no matter how big or how small you were, where the premium was on your ideas and not your size or your volume but

how much clarity and value there was in what you argued. And in truth, many of those propositions were easy to promote because of the past experience of the Wentes, Martinis, the Mirassous, Sebastianis, Rossis, the Mondavis and the Gallos, the families playing such a key role in the industry. So, I didn't invent anything there, but I was trying to capitalize on what I saw as a basic undercurrent.

Improving Relations with California State Government

- De Luca: Relations with the state had to be repaired in the early months, in the first couple of years. Jerry Brown and Rose Bird—their policies had precipitated the ending of the marketing order. I remember visiting with Jerry Brown a number of times, because at that time there was an investigation with regard to the activities of the Wine Institute. There were even possible threats of indictments, and people were looking into past expenses and vouchers.
- Teiser: Or looking into the Wine Advisory Board's expenses, too.
- De Luca: Sure. And they were disallowing them. There were some where they wanted to pursue matters even further than that. So, I remember thinking, well, we better make sure about our home state here in California. We better make sure about our relations with the cities and counties, what kind of land-use questions, regional water-quality questions, land/effluent questions, air resources. And so one of the thoughts there, and Ed Mirassou pursued it, was to create new committees, one for international trade, which we have never had before, and one for community relations, which we had never had before.



August Sebastiani in vineyard—1975



John De Luca, Robert Mondavi



John De Luca, Governor Jerry Brown



John De Luca speaking before the National License Beverage Association

IV THE WINE INSTITUTE: ORGANIZATIONAL STRUCTURE AND LEADERSHIP FUNCTIONS

Role of the Chairman of the Board

- Teiser: What was Ed Mirassou's position?
- De Luca: He became chairman. He was about the fourth for me, by this time. My first chairman was Bob Ivie. Then he was followed by Louis Martini. Then subsequent to that were Bob Gallo and Bill Dieppe and Ed Mirassou.
- Teiser: I don't know if this is the place to ask you about this or not. This breaks into the power of the chairman. Maynard Amerine said that you were on the phone constantly with whoever was chairman of the board, in complete communication with them or in frequent communication. Is that correct?
- De Luca: Yes. I felt that whoever was chairman, first of all was owed the basic courtesy of being totally informed. Secondly, that given the nature of the organization, I should always make the chairman not only informed for himself as chairman, but that he represented the vintners and he represented the growers in our organization. And therefore, no matter how busy I was, no matter how difficult the issue was, at the end of the day I had to let the chairman know what had occurred.
- Teiser: Did you ask him for his opinion?
- De Luca: Always. I always sit down with each chairman and say, "How do you want to leave the imprint of your chairmanship? What are the directions you want to take? What are some of the goals that you want to strengthen?" For example, Bob Ivie obviously felt the need to make the transition from the Wine Advisory Board to the Wine Institute through a very hectic period. And he presided over the time of installing a new president. Right on his heels, Louis Martini not only wanted to do that, but he wanted to strengthen our relationship to viticulture and to the agricultural part of our industry. Following that, Bob Gallo was very supportive of the efforts I had made to strengthen our interest in social issues and alcoholism issues. Bill Dieppe wanted very much to strengthen our

international area, the international trade area, which is something that Joe Heitz also wanted to do.



Ernest Gallo, John De Luca, Brother Timothy, Robert Mondavi

So, with each one— Fred Franzia felt that we should be more involved in the Washington scene. He was very instrumental in helping us to bring the executive committee to Washington for meetings so that we could hold seminars with the congressmen and the senators. There was a special role played by Mike Nuri. Mike Nuri felt that we should reach out to the growers and spend more time in trying to get growers involved with our organization.

In other words, if you went through each chairman, at the beginning I would ask: At the end of the year, what would you like to see accomplished? And as chairman, what would you like to have in terms of emphasis and priorities? I've got to keep doing the things that I need to do for the industry. But do you have a special role that you want to play? How active do you want to be? And each one of them has responded, very positively.

Participation of Members

Teiser: This brings up the whole question of how democratic, or whatever, an organization it is. In some it seems rather tightly controlled and self-perpetuating. I'm making an accusation. You can deny it.

De Luca: Sure. Well, one of the earliest impressions that I had was the concern of the smaller wineries, as I mentioned earlier, about the larger wineries controlling things. But I also concluded that there was a fair recognition that the larger wineries, by definition, had to play a bigger role. Many of them are interested in other states. They had national marketing. They had international marketing. They were paying the bulk of the dues.

And so early on, I perceived not an animosity at all but just a desire for greater participation. So, I went about it in several ways. One was to emphasize that the chairmanships of the committees, and the officers that were to be selected by the nominating process, should expand the net, get more and more people involved, appoint more of the chairmen of the different committees based on their participation. And I'm very, very pleased to say that that's really been a great success.

Teiser: How about the district representatives from each— You have a tremendous number of people participating. How were they chosen?

De Luca: There are two types of members on the board of directors. One is at the annual meeting by virtue of volume, you have votes that the different wineries in that district cast. And this leads to a certain make-up of the board of directors. The smaller wineries early came to me and said, "Well, because it's by volume, we don't really have a great chance to get on the board of directors." And we pushed through—it took us three years—a rule change that said in addition to the voting by volume, each district was entitled to have representation where it was one winery, one vote. And you could be 250 gallons or you could be 2,500,000 gallons. Your vote was still equal.

And therefore, the at-large board of directors came into play. And this was very responsive to the smaller wineries so that we have at least, I guess, about nine or ten on the board of directors who come in strictly in terms of the vote of the area by number, not by volume.

Also, the leadership is enlightened. They had, before I came in, so obviously this precedes my time, put limitations on the number of members on the executive committee that could come from any one winery. There are only two wineries that can have a maximum of two members and those are the two largest wineries. Then, if you look at the mathematics, that means that a winery like Gallo is underrepresented on the executive committee compared to its relationship to the industry.

Leadership Style of Gallo Family

De Luca: Also, and I don't mind getting into this, for all of the accusations or the insinuations or the early feelings about the Gallos running the Wine Institute—when I came in, people sometimes referred to it as the Gallo Institute—despite all of those discussions and let's say, sub rosa whisperings, nobody has acted with as much self constraint as the Gallo family. I know this from our agenda. I know this from our votes. And you can talk to the entire executive committee. The style is: observe the majority, not to come in with a preconceived position, but to wait and watch and listen and hear what the other wineries have to say before coming to a position. Sometimes it leads to the frustration of some

winery saying, “We wish they would come in with a position and, you know, take kind of that major role.”

The self constraint and the self discipline that has been shown by the Gallo family was really expressed at the time that we had our regulation hearings on changing the percentage of requirement to label the varietals. If you recall, 51 percent was a requirement for calling a wine a Chardonnay or a Cabernet, a varietal name.

And this period did mark the increased attention that Gallo gave to having varietal wines when it started coming out with its Sauvignon Blanc, with its Chardonnay, with its Cabernet. And its position could have been like the one taken by Heublein. Heublein did not want the 51 percent to go to 75 percent as the smaller wineries were advocating. And Gallo did not come in with its position until the majority of the wineries had expressed themselves and then had adopted that position of going from 51 percent to 75. Well, it obviously meant paying more money for grapes in order to get that varietal labeling. If you kept it at 51 you wouldn’t have to buy the additional more expensive grapes time after time.

The present organization, I think, feels a lot more relaxed about this. But when I first came in, there was the sense that only the “big guys” were running things.

I think now, issue after issue, I must say that the Gallos properly exercise constraint. They make a very great contribution in terms of expertise. The in-kind contribution that they make, and in a moment I want to say it’s not only they, but because of their prominence, they’re the ones who are mostly talked about. We couldn’t afford, we couldn’t have the budget to pay for all the people that all the wineries designate to come to Wine Institute. And the Gallos are by no means exclusive in this, but they’re in the forefront of assigning people to help on industry-wide issues where our budget is, in effect, subsidized by this off-budget, in-kind contribution.

Teiser: Now this is volunteer work?

De Luca: That’s correct, technical matters, legal matters, administrative matters, viticultural matters. It never ceases to amaze me: of all the wineries—and I have to be fair in saying it isn’t confined to any one winery; winery after winery sends their best people to work on industry-wide matters—but because of the visibility of the Gallos, I think—

Selection of Chairman

Teiser: What about the chairman, the choice of the person to be chairman? I know they come along through various other positions.

De Luca: The chairmanship is the culmination of being on the board and being an officer. You start out as the secretary, then you become the treasurer. Then third vice chairman, second vice chairman, first vice chairman, then chairman. And so the entry level becomes very important. The latest officer, Frank Woods, is a good example of what we were talking about before. He’s with Clos du Bois, a very fine winery, would be

considered small by a number of definitions. He was acknowledged for his work as chairman of the international trade committee. And so his was strictly achievement and performance.

The present chairman, Jack Davies, at Schramsberg [Vineyards]—the same thing. His work on public relations, his work with market development. A very articulate, very intelligent man. Very characteristic, I think, of this whole approach that the person who becomes the officer, who leads himself through the chairs, should be there on the basis of performance. Our present chairman, to be following Jack Davies, would be John McClellan, who was at Geysler Peak [Winery], who had been at Almaden. Following him is Michael Mondavi. Following him is Joe Gallo. Joe is chairman of our trade barrier committee. Following him is Art Ciocca of the Wine Group, who had been a previous chairman of the trade barrier committee. And now Frank Woods.

So if you look at the caliber of people that we're talking about, you'll see they come from all sizes and from all parts of the state. And that's the way I'm sure it will continue, because I think it is recognition that your being chairman, being an officer, is directly proportional to the work that you do for the industry.

- Teiser: That certainly must be a sacrifice of time on the part of each one of them.
- De Luca: I'm glad you pointed it out. Time, money, time away from your own organization. And the period is a very competitive one. If we were talking about a more relaxed era, if there ever was one, you could perhaps say, well, this is the culmination of my years and I could preside over it. This period right now, it's an extra burden. It's an extra sacrifice. Everybody's out on the street. Everybody's servicing accounts. Jack Davies this year as chairman, I can tell you I'm constantly calling him. And he's in Texas; he's in Hawaii; he's in New Hampshire; he's in Seattle. He's on the road.
- Teiser: I know. I've been trying to interview him.
- De Luca: Jerry Lohr of J. Lohr Winery, for example, he's chairman of our market development committee. He, you know, he devotes—
- Teiser: What committee?
- De Luca: He's chairman of our market development committee. That used to be called the public relations committee. It's been renamed. Well, the hours that he puts in, the compensation is personal. I mean, his sacrifices are very apparent. John Giumarra, the same way. He's chairman of our laws and regulations committee. Everybody who serves on one of these committees really devotes an extreme number of hours and involvement with the staff.

Depth of Commitment to Wine Institute

De Luca: I would say one of our great strengths, one of our resilient strengths has been this extra dimension of not only belonging to an association, but really making a contribution. There's no way, as I said, for us to measure that in dollars.

Teiser: Most industries have people who give some time, but this seems a little extreme.

De Luca: Some outsiders have commented to me that they had no idea of the depth of the involvement. And in truth, it's not only a depth of involvement. There are actual out-of-pocket expenses. Nobody sends in to be reimbursed.

Teiser: Oh, really?

De Luca: Yes. I mean, it's really extraordinary when you think about it.

Teiser: They go to meetings, don't—

De Luca: They go to meetings. They go to Washington. They pay for it out of their own pocket. They go to events. They pay for it out of their own pocket. And in the majority you know, the university world does the same thing. The medical community does the same thing. There's an ethic of voluntary service that is the hallmark of our work.

Teiser: That's interesting. I hadn't thought of that.

De Luca: And the smaller wineries are not excluded from involvement. And let me state something that perhaps it'll take others to comment on. But it's a fact. When I became president, there was this sense of, "Do we belong? Does the Wine Institute reflect our needs?" There were 154 wineries in the organization at the time. At the present time we have 510 wineries.

I think the best expression of the sense that the organization does reflect the views of the widest number, is the number of wineries that have joined the Wine Institute, first of all when it was voluntary and they didn't have to, and now, during the marketing order, which has been going for—soon it'll be two years, when you would have thought that it was a disincentive. You know, if you belong to the marketing order, why do you have to belong to the Wine Institute? And so I think that is a reflection of the sense, the word of mouth, the feeling in the industry that at the Wine Institute, no matter how small you are, you can play a big role.

Teiser: There are about a hundred wineries, then, that are outside the Wine Institute?

De Luca: No. That number is always beguiling, Ruth, because you have bonded warehouses. You have a lot of numbers and you have multiple premises. So, you might have a winery with seven, eight, or nine that are listed in Wines and Vines. But there's really one winery with seven premises or one winery with eight premises or a winery with a bonded license that is no more than a letter drop.

The thing that impressed me when I was going to visit wineries in the early days, I would be given a name. And I'd end up going to a place and I'd knock at the door and I'd turn around. There's nobody there. Or I'd go to an office. Or I'd go to a— It happened to me down in the Danish town.

- Teiser: Solvang.
- De Luca: Solvang. I wanted to go visit two wineries there, or that's the way it appeared to me on my travel list. Well, one of them was a delicatessen in one of the tourist areas. But they had a bonded license so that they could serve wine. So, if you wanted to take a more accurate definition, it would be a commercial winery where there's actually a place to do business or somebody who receives the phone call or takes an order at an actual facility. And so the numbers are far less than that 600 or whatever the number is that is used. What it is exactly, I don't know, because—
- Teiser: There are not many outside your organization.
- De Luca: I'd say perhaps, in terms of percentages, I'd say we definitely represent over 90 percent of the wineries.
- Teiser: Is that by volume or by number?
- De Luca: By number. By volume, that number used to be: around 20 percent was outside of the institute because of Heublein. Well, since Heublein's sale to ISC and since that period of time, their share of market, as you know, has decidedly dropped. So, I would say certainly 90 percent by number and certainly 85 percent-plus, almost 90 percent by volume.
- Teiser: That's wonderful. That's really quite an accomplishment.
- De Luca: Well, it's a tribute to the officers and members and staff. I'm not trying to be immodest or structured or studied on this. It's really a tribute to the officers that they responded to the appeals that were made, within and without, that the place be seen as open and accessible. And it is. It genuinely is. In terms of a democratic process, you know, proposals and how does the institute function, it votes and nobody really says, "Well, this vote has got to be weighted because they have this size facility verses your winery which is smaller, therefore, should be diminished." When we add up the votes, that's what it is.

Voting

- Teiser: The votes are from the committees. The membership as a whole never votes, does it?
- De Luca: We've had the equivalent of that when I have something that I consider to be really industry-wide. I would send out, in effect, a letter saying this is the view of the exec—

[Tape 2, Side B]

- Teiser: You were speaking of a letter that would go out to the whole industry.
- De Luca: Yes. If there is an issue that genuinely you can see by definition everybody should be involved in, not only are the committee members involved but I would send the letter to every single winery inviting them to come. Then after, say, a vote through the executive committee, through the board of directors, I will then say, "The board of directors has taken the following position. I'm informing you, if any of you have any difference of opinion, please contact the chairman with your point of view." So, if they don't vote, they're kept apprised.
- I see communication to the members as such a vital part of keeping people informed that I would say, if you talk to the industry, that they systematically and periodically get updates from me. In other words, in addition to the legislative votes and in addition to the monthly bulletin, there will be many a letter from me about the positions we're taking.
- Teiser: I see. Bulletins are very informative.
- De Luca: Yes. It's really a tenet that everybody follows, that there can be no insider secrets. There can be no information that is denied the rest of the industry. That's why I find it gratifying that so many members have joined the Wine Institute and how many members have belonged.

Attendance at Meetings

- Teiser: And does that show up in their attendance at the annual luncheon and the annual meeting?
- De Luca: There are two things that occur. Our board of director meetings—we want very much to have them heavily attended. It'll turn out that we have a quorum. We have a quorum but we don't have the full attendance. And the response there will be, "Well, my company sent one of our two representatives." Or, "We have three representatives and we sent two." The Indelicatos on the other hand, they'll send all three of the brothers. They always show up and I'm really delighted to see that kind of participation.

Sometimes, the cost of attending our board of directors excludes a lot of the smaller wineries. And we've tried very hard to accommodate them by shortening the annual meeting, which has always been in San Francisco with one year exception, because it can be expensive to be at the Fairmont or the Saint Francis.

But there's another side to this. First of all, I think we have good attendance and this last year, we've had excellent attendance. But there's an attitude I'm trying to change, and I'd like to share it as an observation. Many wineries tell me that they feel now so comfortable with the Wine Institute looking out for their interests and keeping them informed that they don't have the sense of, let's say, apprehension that if they don't

show up at a meeting, their interests are going to be sold out. And therefore they feel that, "We're going to be kept informed. You're going to keep us informed. We know our point of view will be understood. You know by now," and I do. By now I know the attitudes and the feelings and the priorities and the directions that the wineries take. So their sense is, "Well, if I don't show up, nothing untoward is going to happen."

We're trying to encourage a different attitude. And that is, do show up, because together we can formulate strategy. Together we can formulate direction. They are very informative meetings. And the word of mouth is, you know, do come to these meetings, because they do have important information to share.

I also try to bring interesting personalities to our board of directors meetings. We had Esther Shapiro just recently, who is the co-creator of *Dynasty* and *Colby's*. We had Ted Balestreri, who is the head of the National Restaurant Association. Extremely informative. We've had personalities like Katherine Graham of the *Washington Post*, Jack Valenti of the Motion Picture Association. We've had governors and senators. We've had people in the communications world. I try to make those events stimulating and go beyond just simply the question of wine or, you know, the marketing of wine but to questions such as what kind of world are we in and what kind of events have taken place.

We can improve. The executive committee is well attended. The board of directors is well attended. The committee meetings themselves are well attended. You've got to remember, this is a very difficult period of time for the wineries to attend meetings, great demands on their time.

Well, have you had enough for today?

Teiser: Yes. I think I've kept you talking long enough. It's hard work. It's hard work. I'm going to turn it off.

Attitudes Toward Long-Range Planning

Interview 2: July 11, 1987
[Tape 3, Side A]

Teiser: This is Mr. De Luca, the second interview on July 11, 1987. You were speaking of mapping out plans for the coming year for various people in the Wine Institute to participate in. And these were the industry members. Would you have been able to think that sort of a plan through, say ten years ago, just a year after you got into the job you have now?

De Luca: I probably could have proposed it but I don't think it would have had the same acceptance or the willingness to see it in a larger picture as it is now. In other words, at the beginning, I think perhaps intellectually, someone would have said, "Gee, that's a good approach." Now, after a dozen years of common work, common battle, common knowledge, issues that have been expressed before being seen as more appropriate, after

that learning experience, in addition to saying it's a good idea, people would willingly come forward and want to be part of it. In other words, I think we've gone from the theoretical, where people know from management books and management styles that these are the kinds of things to do, to where it is now more the consensus of a common group judgment rather than something where the president makes a proposal and you would accept it.

I think an interesting change for me is that the role of the presidency has been accepted as one of providing ideas, one of providing stimulus for points of view with a larger sense of co-involvement than before. And I think that's a plus for the industry.

Teiser: Do you think that's partly because the industry feels itself more under threat than it has?

De Luca: I would think that reality has evolved this way. There were very specific proposals that I made in the late '70s and early '80s, which at that time were seen as perhaps correct, perhaps not. People were honest enough to give their point of view regarding the papers about alcoholism, about drunk driving, about the issue of advertising and the question of taxes. They were willing to hear them out in the board-of-directors meetings and in committee hearings.

Events since that time have made them more visceral, more understandable. They're now on the front pages of papers. Before, they were thought processes. They were papers, white papers that were exchanged. People would read them. Now, we've gone from discussing these matters as potentials to real dramatic events in our lives. And so credibility has become an important asset—excuse me—credibility is always important but the points of view that I expressed have now attained a certain weight because events have justified the original predictions.

And so what I find occurring is that openly there is no change in the way people discuss things. But in their gut, in their deep feeling, they understand now that had we not planned before, we would have been in very deep trouble today. Had we not taken the positions that we took before, we might have been at a minimum in intellectual disarray. So, there's more weight given to the plans discussed today because we have that experience under our belt.

V INDUSTRY PROBLEMS

Challenges and Successes: Membership, Prohibitionism

- Teiser: Perhaps we should go back a little again. I think I brought up earlier on an outline the question of what battles have you fought that have been won. I know you're in battle now but you're behind some—
- De Luca: Well, you know, I take the position, Ruth, that you don't really win battles as much as you shift terrain. It's a never-ending process of always being vigilant. I believe that. I believe that that's a philosophy of life, that you never feel that there are laurels to be rested [on].
- Teiser: Well, one of them that you have down is increased membership, say.
- De Luca: Well, yes. That has been very gratifying to the entire industry, a greater sense of involvement.
- Teiser: I'm sure there are others. Maybe you don't think of them as progress, industry progress, from your point of view.
- De Luca: One of the major ones, I believe is open discussion about social issues. I think that's a strength for the industry to address them very clearly and with an open mind.
- Teiser: How can the wine industry—I know some of the things you're doing—but how, really, when it comes to the push and shove or whatever, can the wine industry combat prohibitionism?
- De Luca: The first thing we did was back in the late '70s introduce what was seen then as a revolutionary notion, the idea that in new garb, with new techniques and with new tactics, our country was experiencing some of the same fervor, some of the same activism as occurred in the early part of the century. But it was more in terms of public health issues rather than, say, the moralism or the fundamentalism of the early part of the century.

And therefore, it put a premium on analysis. It required of us a better perception of what it was that we faced. It made us aware that we should look at the legitimate health issues that were going to be discussed. Therefore, you could not have a blanket rejection of these subject matters; and we had to be highly skilled in terms of dealing with government and with the media and understand the social issues of our times.

And therefore it required a different type of involvement and a different type of response. You couldn't just simply categorically say, "Well, these are not true." There is a legitimate social health issue called alcohol abuse and alcoholism. There is a legitimate issue on drunk driving. And I was telling our members we should not fear these subjects. We should make common cause with people who address them. We should be in the forefront of those who talk about the consequences of abusive behavior. But we also should make very clear, through credible third parties, the positive therapeutic salutary affects of moderation.

I saw our subject matter not as an isolated development but as part of the whole continuum of concerns in American society about health and safety. And therefore, we had to be very much aware that moderate behavior for many, many subject matters was the emphasis given by our industry and our social responsibility. The reason that became important in terms of subsequent developments—and I may be going far afield now; we may want to go into it a little bit later—is that the whole question of drunk driving and then drugs in America and youth and a society for a drug-free youth have become such major topics: media, government, politics—I mean, it just goes back and forth—that we have to understand how it affects us and what can we do about the debate.

Distinctions Between Wine and Other Alcoholic Beverages

- Teiser: You have another problem with this, I believe. And that is whether the wine industry is associated with the beer and the spirits industries.
- De Luca: Well, that topic is an American phenomenon in this sense: historically in Europe, particularly, life style, food, drink, beverage, inheritance, legacy, tradition, family—those were very specifically identified over many, many centuries. You were in the wine-drinking community, you were in a beer-drinking community, you were raised in a spirits-oriented society.

Coming to the United States, of course the pioneers and the different settlers brought with them this inheritance. And in the United States this amalgam, what basically started as an Anglo-Saxon society, stressed certain beverages, not to the exclusion of others but as far as the national ethic, it raised into prominence beverages other than wine. Despite prominent Founding Fathers, America was not seen as a wine-consuming society the way the countries of the Mediterranean basin are.

It's important to understand that in our American society, beer and spirits did have a larger attraction, a larger allegiance than did wine. Over this two-hundred-year period, we've had laws that have failed to distinguish between them. They usually write them

in terms of percentages or alcoholic beverages—that’s the way the laws are written. And as a consequence, we are affected by many laws which do not take into account the distinctions between the beverages.

Teiser: Is one of your efforts now, or has it been, to strengthen the laws that do make that distinction?

De Luca: I think the major goal has been to make very positive associations and affiliations with wine without having to say anything negative or detracting about other products. And my whole approach as well as that of the board of directors and the executive committee concerning our members has been: let us take those initiatives that distinguish us as a very socially responsible industry without us having to beat our chests or to put out press releases about ourselves. Let’s do those things that others, third-party observers, will say, “That is a very socially responsible act.” That is better than in any way attacking other products or attempting to put them in an invidious comparison with us.

Therefore, that was the thrust of our position on our Code of Advertising. No question about it. I mean, it was openly announced that we wanted a code of standards that we could go forward and support without making invidious comparisons to others. That was the thrust behind our position on the drunk driving issue, that rather than wait for people to bring the issue against us, we should anticipate it, take positions, advocate stands, support tougher law enforcement, again, not wait for government to act but for us on a voluntary basis to take our position. That was also our whole approach in terms of being active with our political action committee.

Years before the political action committee became a modern phenomenon, we saw it as part of the reform of laws, part of the need to be seen as a reform organization that would take these antiquated laws that were the legacy of the past and bring them into conformity with consumer needs today. I could mention others.

But the whole thrust of the approach was to clearly identify areas that are on the minds of Americans, do something about them on a private enterprise basis, don’t wait for government to take action. And that is the way to get a reputation in the country.

Teiser: Do you feel you made progress with that?

De Luca: I believe, objectively, outsiders looking at us would say that we have. There’s much more to be done. But I would say that’s the kind of thing today—to get back to the original question when we were talking about planning for the next several years—having had this under our belt, having taken these initiatives, having had events justify the precepts and the analysis, we’re better able today to move in that continuum than if we had not had the background of that experience.

Changes in Wine Consumption Patterns

Teiser: If your plans go forward, wine consumption will be reduced, won’t it?

De Luca: Wine consumption reduced? No, I don't believe that wine consumption would be reduced. I think what has clearly come to the fore is that there is a cultural process right now that we're all experiencing as Americans, that there is a change in our eating and drinking habits, that Americans are going from, say, meat to fish and fowl, that Americans are turning to beverages with less alcohol and that the challenge to us is to be part of that acculturation process where I believe wine can be a principal beneficiary of these changes.

Now, these last several years, one of the great assets of the wine industry has come to the fore and that is its flexibility. We've had blush wines. We've had light wines. We've had wine coolers. We've had more and more people drinking champagne and sparkling wines. We've had a period that is now itself changing but where we had varietal jug wines, where we had people looking at larger containers with varietal products. We've had, in terms of the present, even some of our wineries talking about non-alcoholic wines. Certainly the backbone of our industry is still that glass of wine with your meals. And I believe that will never change.

But we've been able to respond to major social and personal lifestyle changes by coming up with products that have met consumer interest. I think one of the great strengths of our industry has been our real concern and our interest with the marketplace. We are an agricultural-based industry where, in addition to production, which has often dominated the thinking of agriculture leaders, we've also been very fortunate that we've enhanced our interest in the marketplace. Now, what occurs when that happens for an industry is that you think of the consumer. You think of what happens with lifestyle. You become very much aware of distribution and retailing interest. You become very alert to the media.

In all these areas we must improve. But what I'm saying is, to answer your question, "Will that mean drop in wine consumption?" I don't see that as the consequence. What I believe we're going to go through this year, the next five years, the next ten years, is much experimentation in American society as we go through this major restructuring of the food industries of the various products, and my instincts are that what will emerge is a much clearer picture for Americans about themselves and what they eat; and in this period of experimentation that we're going through, which is a very large part of our mutual experience, there will emerge a new ethic.

This doesn't happen too often to societies but it's happening to us right now. We're living right through it. And by the end of this decade, the end of this century, wine will be seen as having a much more integral part of our lifestyle than ever before.

Teiser: Do you have in mind that people who do not now drink wine will do so? In this country, domestic—?

De Luca: Yes. I see several things. I see fundamentally the need for us to launch the most definitive educational program in this century, in this period and beyond. And that is all the talk, wellness letters—I received one just today in the mail—these new growth industries of people talking about nutrition, cooking, and diet, talk shows, television shows, radio shows. All this period is going to have much discussion, much debate about what is nutritious and what do you take into your body system. I see a very significant role for us in that debate.

Therefore, the truth, I think, ultimately is our long-term strength. And that is, here's a product that goes extremely well with food. And it's taken us thousands of years—the ancients knew something about nutrition; it isn't only now that we're discovering this, that this combination of wine with foods is part of a healthy lifestyle, is part of an interesting lifestyle, is part of the quality of life.

And so I don't fear this discussion and extraordinary focusing on the subject of nutrition and diet and which way you're heading, because I think if you get back to fundamentals, like the present books on the Mediterranean diet, if we go to triads like grain and olives and grapes and wine and fish, what will come out of this is a greater appreciation for the cultivation and the civilization that preceded us. Americans are very, very now-oriented.

But I think the discussion on nutrition will have as a beneficial aspect bringing to decision-making what people did before us. This is one of the qualities that the teachers in schools bemoaned the most and that is: past history for us is like twenty years. We don't have that two thousand years of history as prologue. I think in the debate about nutrition, at least in this subject matter, in this area, bringing back the [knowledge of] diets of peoples for thousands of years will be positive. And you can see that right now with the books that are being written.

Teiser: What about the geographic factor? I remember that wine drinking in the United States, at least, is much a matter of geography. In certain areas you're likely to have it and in certain areas you're likely not to.

De Luca: Right. You're obviously correct, and any sense of optimism must always be tempered by the obvious per capita consumption figures that we have in our country. And people can tend to overstate matters. But in truth, this is a society that is mobile. It moves. This is a society where hospitality, restaurants, conventions, resorts—more and more this is an expression of our middle class and our working class wanting to participate in what used to be the exclusive domain of the very wealthy.

And so what is happening is that in parts of the South, in parts of the West, even in parts of the Midwest— One of the recent items in just the last two weeks was that in Kansas they rejoiced that now they could have more conventions and more resort events because they could get wine by the glass and didn't have to go through the subterfuge of the club. And they stated it that way. "Now, we'll have more visitors come to Kansas. We'll have more resorts come to Kansas."

My sense is that in Dallas, in Houston, in Atlanta, in Denver, areas that are becoming ski areas, sea areas—people are traveling more, and where they travel they build hotels. And where they put up hotels they encourage fine restaurants. And where they attract fine restaurants they stimulate [haute] cuisine and fine wine. That will help, in effect, stoke the cultural fires in a direction of making them more national. But we still have an extraordinary long distance to travel.

We were impacted dramatically by the types of people who settled this country. And for the longest time, the ethic that prevailed was the Protestant ethic, which did not embrace wine. The amalgam that we refer to today with regard to our culture, where we now have today Hispanics, Asians, Filipinos and Vietnamese and people from these war-torn

areas coming into our society, is a constant reminder to us of how we're still adding to this amalgam. The threshold point for many societies of where you go from one stage to another has often been achieved after decades. We are still in our infancy in America. We are still a relatively new people. We haven't had the benefit of thousands of years to evolve a certain ethic about food and wine. We are still in our infancy. And that infancy is still with us even though we consider ourselves to be more a mature society than we really are. We're still in swaddling clothes when it comes to this question.

And what's occurred is that the media makes developments accelerate where before they took decades and even centuries. And there is much more attention being given today to an American ethic. California cuisine—we did not have a distinct California cuisine style as we do now, for example, on the restaurant scene. We did not have across the country the openness to new culinary experiences. It used to be really a rather rigid kind of attitude. You ate and you drank what your forefathers had. And your region didn't really go beyond that in terms of experimentation. Now you can witness much more receptivity to change.

And therefore, we should properly insert ourselves into this new debate, into this new question—generations still yet unborn judge if we present it correctly—that wine can be part of a healthy lifestyle regardless of whether you were born into a certain national or religious background.

VI THE INTERNATIONAL MARKET

Expanding Exports

Teiser: Let me move over to another field that's not quite related but somewhat back to the market development. The whole problem of exports has been with you throughout your presidency of the Wine Institute. [Interruption]

You must have had with you the problem of exports since your first day at this job. Has the problem changed? How have you handled it? What have you done?

De Luca: Well, this is a very challenging part, and much is yet again to be done.

[Interruption]

De Luca: Ruth, with regard to exports, as I was saying, I view what we're doing as part of a long-range development. When you talk about progress or you talk about an analysis, it's always with a sense of a larger time frame than just the immediate period of the next ten years. It's going to be a labor of love for my successors for decades to come. I think that's the exciting and challenging part. I believe that in the last decade, we have established some exceptional precedents that will be brought to fruition in the decades to come.

First of all, we established at Wine Institute, reflecting this, a committee on international trade. Secondly, this is a period where we had legislation passed by the U. S. Congress and signed by the president which gave us an entirely different framework than before. And speaking of the Wine Equity and Export Expansion Act—in fact, if you read today's paper, you'll recognize that on the big trade issues, some of the very precepts that we advanced four years ago are now part of the national debate on the whole trade issue for the United States. Now is not the time to go into that in great detail, but we were really in the forefront of that issue. And the fact that the president signed our bill, even though there was great pressure from the Europeans and even from midwest farmers to veto it, is a sign that it was not a small accomplishment.

Teiser: And the soybean people.

De Luca: Soybean people and the corn glutinate people both were told by the European Economic Committee and by the Common Agricultural Policy that our legislation would threaten corn glutinate and soybean exports. The special trade representative, STR, former Senator Bill Brock, who is now our secretary of labor, actually recommended to the president that he veto our bill because it was going to establish a precedent that would disrupt multi trade negotiations. In just a short period of time we find that the rest of the country—

[Tape 3, Side B]

Teiser: Would you repeat—you said that it's not protectionist.

De Luca: This was not protectionist. The charge was that it was a disguised protectionist measure, but in truth the European leaders have now come to me and said, "What you pledged is exactly how it is emerging." And that is, we are using the Wine Equity Act primarily to expand exports and not to stop products from coming in. It armed the president and it armed the STR, the special trade representative, with a new legislative mandate and new executive tools that they did not have before.

Now, to continue on in terms of our exports, we now have funds coming on a matching fund basis through the Wine Equity Act that have permitted us to open up offices in London and Tokyo, smaller offices in Hong Kong and Singapore, and we're now contemplating one in Copenhagen. The funds have also been an encouragement to our wineries.

Teiser: We—who?

De Luca: The Wine Institute. The legislation in the Wine Equity Act gave prominence to organizations like ourselves as the vehicle through which these programs could be administered.

Teiser: Did they finance any part of your office there?

De Luca: Yes. Again, what we like about the program is that these are not outright grants as much as they are matching funds. In order to get matching funds, you go to your community, encourage the wineries to believe correctly that we now have a vision for the future and that rather than a piecemeal, winery-by-winery approach, we can act in concert with our own government. This has helped to magnify our strength.

It is also—this is very significant—it has given our wineries the encouragement to think that there can be progress in this area and therefore they should commit resources, staff, finances and not just simply say that area is just simply never going to be a prominent one for us.

Cumulatively, I see this as the period of the internationalization of the wine community for us. We've always been part of a larger wine community. People have always talked about what happened in Europe and so forth. But we did not get active in international organizations as we do now. We now send delegates and representatives to the international meetings. We did not have staffs that went and traveled overseas and really examined the retail distribution system, made contacts with some of the major

importers. We did not have the day-to-day activity with our own government as we've had in recent years. I still express the activities overseas as a natural extension of what we're doing in our own country.

Trade Barriers at Home and Abroad

De Luca: Conceptually we must remember that we have trade barriers within the United States for our product and that is not just simply an overseas issue. As we try to open up wine markets in the South and in the Midwest and in the control states, try to get wine into food stores, see changes and reforms in the control states, as we're doing that within our own country, we see that overseas exports is the natural extension of trying to get exports [from California] to our own states. As you know, I abide by the principle that each state is like a country in the United States, that we're dealing with fifty separate nations when we speak of the United States, thanks to the Twenty-First Amendment and the interpretation of the courts.

So, I've been able to argue successfully to our wineries that what we're doing overseas is in tandem and is a natural component of trade barrier work within our own country. In the international area we're dealing with language changes. We're dealing with foreign governments as against state governments.

Teiser: The wine industry here used to take the position, it seems to me, that Jefferson Peyser did, that state barriers were unconstitutional. He was forever dying to, I think, fight it out in the courts.

De Luca: Well, I'm glad you mentioned our former general counsel, Jefferson "Jeff" Peyser, because it gives me an opportunity to comment on the extraordinary role that he played in our industry and the decades where he was the driving force with regard to reform. When we're dealing with the country, obviously the Twenty-First Amendment encouraged us to have a question mark about the interstate commerce clause when it came to wine, beer and spirits. And state by state, city by city, state government by state government, Jefferson Peyser and his staff really were the pioneers in addressing this issue. So, I'm the beneficiary of that work.

My responsibility and my charge is to carry it further and, with regard to the states, much more active consumer work, much more active media work. Of course, the times are different than the times that you were referring to. And of course, overseas, we're dealing with foreign governments. We're dealing with agriculture. We're dealing with the balance of trade.

I was very impressed, for example, this last week in Washington. It's just a coincidence of this interview coming on the heels of my being in Washington so often in the last several months of how much support there is for us in terms of our issues when they're seen within the context of the balance of trade issue. That is a very, very major political issue in the Congress: trade and what we do with respect to other countries. And therefore, our ability to legitimately show that wine is part of that international trade issue has helped us in important quarters.

And the number of wineries—to get back to the original theme—the number of wineries that we have interested in exports has increased really tenfold. I think when I first came into the Wine Institute, we had a handful. Now we have over a hundred wineries interested in actually shipping wines overseas.

- Teiser: How many of them actually do now ship wine?
- De Luca: I think Jean Valentine gave me a figure of over a hundred. I could easily give you—
- Teiser: Of actually shipping wine?
- De Luca: That's correct. Now, some of them do that in terms of cooperative containers. That is, they pool their resources and ship them together. Some of them do it directly. But the key here is that by stretching our own thoughts by traveling overseas, by more active involvement with importers, retailers, consumers overseas, there is a leavening action, a much more knowledgeable group of people dealing in the world of wine just by the force of the travel, the force of the reading, the contact with other peoples. We used to have an international dimension but nothing like the scale of what's going on now. And I think it's going to be the precursor for the future.

Impact of the European Economic Community on Wine

- Teiser: Is there a big— [interruption] With reference to foreign trade and balance of trade and so forth, I noticed the statistics show that acreage, wine acreage, in Europe has fallen and seems to be falling. Seems to be a trend. I suppose this is partly the work of the EEC [European Economic Community] in reducing subsidies—I don't know.
- De Luca: Yes, I'm able to address that, if you wish.
- Teiser: And I wonder what effect this is going to have long range upon the American wine industry.
- De Luca: Well, first of all, with regard to the EEC, the British, particularly Margaret Thatcher, felt that the common agricultural policy was exploiting the British involvement in the European Economic Community. And two years ago at the famous Dublin Summit, which was dubbed the Wine Summit, they talked about the financial drain on everyone as a result of these agricultural subsidies to milk and to wine on the continent. And at that point, they quietly talked about disengaging slowly—couldn't do it abruptly overnight—from the incentives which were encouraging more and more production of wine at the same time that there was a drop in consumption in Europe which was forcing them into this untenable position of having to pay incredible amounts of money to distill the product or to help, in effect, export their unemployment to the United States through subsidies.

So, you're correct in identifying the fact that the EEC sees for itself the need to stop these burdensome subsidies that are leading into these financially difficult times for the

EEC. They could bankrupt the whole EEC just through the agricultural subsidies. As far as the larger picture, what does this portend for the United States?

Place of California Wines in the International Market

De Luca: There's still one dominating fact that must always be held in any analysis and that is, at best, we produce only 5 percent of the wine in the world here in the United States and particularly California. Sometimes four and a half percent from California and a half percent from the rest of the country equaling 5 percent. We do not have the percentages that Italy and France, Spain, the Soviet Union, Argentina—these countries are really the most powerful dynamos for what happens in the wine world. It's an amazing fact that with our 5 percent we've gained such world-class recognition for ourselves in dealing with one of the most difficult areas in international trade, namely wine international trade. So, we must start with that premise.

On the other hand, with our 5 percent, we've been highly experimental, technologically advanced, certainly have invested in terms of viticulture and enology. There, the great credit must go to the university system that we have here in California, both at Fresno State University and UC Davis, as ways of helping to advance the quality of our viticulture and the quality of our enology.

For the long term, I believe the major question that will dominate is the imbalance between consumption and production in Italy, France, Spain, Portugal. There, you have a least a billion gallons of wine a year being produced that is not being consumed by the people of those countries. That is the one fact that puts the enormous pressure on everybody else, the famous wine lake that is being produced, and even if there are drops in acreage, they are not dropping sufficiently to change that fundamental fact that the people of these countries are drinking less wine while they're producing more wine.

And so until there is that harmony or until there is a better harmony there, you're going to find pressures for fiscal and monetary solutions in Europe, because at the heart of it are unemployment statistics. Too many people would be out of work in those countries; therefore they must find a way through fiscal policies and monetary policies to keep them employed. Until they resolve that issue of the consumption/production imbalance in the Mediterranean basin, we will still find ourselves in the world of wine export policies, policies of dumping, policies of subsidies, because they simply see it as an unemployment issue more than a trade issue. They've got to keep those people in those societies still working in those industries.

On the other hand, I think we're going to have a period where the assessment of our wines in terms of their quality—I'm going to stress this point—I think the world of wine is going to acknowledge California wine's quality as probably our most attractive feature. And therefore, our attraction in terms of price will be seen as a very, very attractive one.

I really think what's happening in the vineyards, what's happening in the wineries right now, concern for consumer taste, being more involved with international consumers,

what's happening in South Korea, Taiwan, Singapore, Japan— The rim of the Pacific is going to be a very major area for expansion for us—still acknowledging what's happening in Europe, wine consumer taste— Those are areas where I think we will have a “comparative advantage” to use international terms. We will never produce massive amounts of wine in terms of the acreage that is being produced in many of these countries. But our quality, I believe, is going to be far superior.

Potential Growth Areas

Teiser: I suppose Australia has the same potential.

De Luca: Yes. I've been told, you know, in very positive terms, that the Australians have that potential. I don't know if the following observation is correct. A number of our winemakers say Australia is where California was some twenty years ago. They could certainly leapfrog farther. But what it is is a reminder to all of us that in the world of wine, the constant is change and that it could very well be that the most powerful part of the continent, the rim of the Pacific, may very well be a future with enormous possibilities for everyone. If that occurs, then Australia and California will be major competitors, and I think both sides will profit from that. This is not to in any way forget the central and leading role of Europe.

But if you're looking towards the next fifty to a hundred years, we've seen this enormous economic advancement in Korea, in Taiwan, in Japan, in Hong Kong, in Singapore in just the last twenty years. Look at how our economic precepts have had to be analyzed and reanalyzed, where we thought we were in terms of textiles, steel mills, computers, electronic chips, automobiles. And therefore monies are being generated. These are balance of trade societies on the positive side. The transformation of the role in the status of women—their acceptability to foreign customs, their willingness to experiment, their willingness to buy other products.

So, you have great energy coming out of these countries. And Australia in the Pacific and California on the rim of the Pacific could very well establish patterns in wine export which would be positive for both Australians and Californians.

VII INDUSTRY ISSUES

Winemakers and Grape Growers

- Teiser: What other major concerns have there been? I shouldn't ask for just major ones because the minor ones are of importance, too. I really do want to ask about the position of the winemakers as compared to the grape growers.
- De Luca: That's an incredibly challenging subject matter.
- Teiser: No, but the joint market board is over, and especially if you have some experience with a united group—
- De Luca: May I ask you before I comment on that to go to just one question for me on the export side on Canada?
- Teiser: Yes, let's go back to that one.
- De Luca: Because Canada is worthy of more than just passing reference. But I think what you just asked, we must get to—namely the wine grape grower and the vintners.
- Teiser: Well, let's go back and put Canada on there.
- De Luca: Yes. Canada has, for the last six months, engaged with the United States in negotiations on a free trade zone for North America. Canada has always been our number one country for wine exports. Canada is a very perplexing area because of the liquor-control provinces and their all-monopoly provinces. And therefore, we're not dealing with private enterprise when we say Canada. We're dealing with the monopoly system. But the proximity—
- Teiser: Each government entity has it's own—?
- De Luca: Liquor control board. Each province has a liquor control province board. And the liquor control system puts great emphasis on listings, i.e. they must list your wines in order for them to be in their state store systems, their provincial store systems. But because of the

proximity of our people, common language English, the outreach of many of our major television stations all along the Canadian border to the preponderance of the population of Canada, Canada has potentially always been one of our great export markets. It is the leading country for wine exports. But a good part of that is bulk wine rather than what we call case goods, bottle goods.

And so Canada is a high priority for us when we talk about the future in exports. There is much activity—we have an office in Canada. The Wine Institute has established an office in Canada. The state of California has given us, in addition to the federal government, matching funds for Canada. We are right now about to file what is called a 301 action. Three-oh-one refers to a trade act; there is a section of the 301 which will help our Special Trade Representative in negotiations with the Canadians. So, we are both on the promotion side, in terms of activities, [with] the Canadian wine societies where they are very supportive of California wine—both on the promotion and governmental side placing strong emphasis on Canada as a high priority for us.

Across the provinces, wine tastings, wine seminars, visits by our wine personnel, discussions with each province, province by province. We see some initial improvement in some areas like British Columbia where we could not, before, have Canadians purchase wine. It all had to be cash. They couldn't use credit cards. They had incredible trade barriers. Companies shipping wine for wine tastings had to pay the highest tariffs before they could take shipments out of customs, extraordinary measures mitigating against the free flow of goods.

Our hope is that with the discussions on fair trade and a free trade zone and with a much more aggressive action by our own United States government, that Canada could become for us a very important and leading export opportunity. So, I did not want to end the subject—all this is, of course, paraphrasing. We could talk for hours on each subject. I did not want to discuss exports without saying how important Canada is to our future.

Now, with regard to our winegrape growers and the wineries, we have literally just concluded a three-year experience where we had a joint marketing order which officially was called the Wine and Wine Grape Improvement Advisory Board, but because it was such an awkward acronym, it was called the Wine Growers of California. The Wine Growers of California marketing order was not renewed, nor was a new joint commission. The first experience was a joint marketing order. Subsequent legislation that provided for a joint commission was not passed. The Wine Institute sponsored an independent winery commission which has now just been approved called the California Wine Commission.

And as we talk right now, the growers are engaged in a balloting on whether they will have an independent Winegrape Grower's commission, which will be known after July the 16th. There were some positive aspects to the joint marketing order, the Wine Growers of California, I believe primarily in the area of exchange of information. And I believe both sides profited from knowledge, certainly, to get the grape grower more aware and alert to what "dram shop" laws were, from questions of product liability to questions having to do with drunk driving, social issues, health issues like urethane and reproductive toxins, questions having to do with trade matters internally and externally. This should make for a better informed community on both sides.

With regard to the future, our hope is to work better at the local level between winegrape growers and wineries. We have identified that as a potentially positive area for all of us.

Teiser: How would that go?

De Luca: Essentially what you have now is in addition to, say, cooperatives like Allied and Guild, in addition to grower groups like the North Coast Grape Growers and the California Association of Wine Grape Growers, CAWGG, in addition to the Wine Institute—what you have in California are many regional groups around their own appellation of origin: Santa Clara, Santa Cruz, Livermore, people in Napa and Sonoma and Mendocino, Amador, Santa Barbara, etc, etc. And there we find probably the greatest cooperation going on between vintners and growers, a much closer affiliation of interest, more involvement with their own educational programs; still a handshake community for many of these people who have worked well together, a closer and quicker identification.

At the state level there has been tension between organizations like CAWGG, the California Associations of Wine Grape Growers and the Wine Institute over issues, over legislation, over direction in terms of—

Teiser: Is there any general area? I mean, can you define the split generally or is it over one point or another?

De Luca: I think if I may, without opening up a lot of wounds—the primary distinctions, as I’ve seen them, go back to something I said earlier, and that is whether you’re production-oriented or market-oriented. When you’re production-oriented, as a number of these grower groups are, obviously your major concern is for raw material and the prices that you get for the raw materials and the world surrounding that: grading, inspection, the various prices that you get, bonuses, and contractual terms and great, great emphasis on production.

And over the years, that has not led, until the commission debate and until the last marketing order that we had, the joint marketing order, that has not led to much involvement in what we would call the societal issues, the consumer issues, the marketing issues, distribution, retailing, what happens in terms of product liability and the law, what occurs in terms of drunk driving and trade barrier relations. What about the excise tax issue, warning label issue, issues having to do with reproductive toxins and carcinogens and the whole issue of the Food and Drug Administration and the Bureau of Alcohol, Tobacco, and Fire Arms?

And so the frictions, when they do occur, come about because of these basic commercial and philosophical forces of what you’re concerned with and what direction you’re taking verses the other side. We’re dealing with people of good faith. We’re dealing with intelligence on both sides. We’re dealing with energies on both sides, but history has caused one group to emphasize one set of particulars and the other one to go in another direction. And there’s no desire on my part to make any, what I called before, invidious comparisons.

But when you try to put the two groups together, you do find them marching to different drumbeats and marching with different priorities. And many times they're reconciled. Many times there is a shared point of view. Many times they just simply cannot be reconciled. However, at the local level, there has been less tension. And therefore, in the weeks, months, and years ahead, our desire is to take advantage of that natural relationship. Where you sell your grapes and where you buy your grapes leads to closer ties. And to build on that so that we can have another generation of experience, to have closer, what I call grappling hooks, more involvement. And perhaps that will help the industry—to go back to the question of unified work—but based on much more local contact than ever before.

Press Coverage

[Tape 4, Side A]

- Teiser: You were mentioning better press coverage that the Wine Industry now gets and I wondered if you had a part in that, in sending out releases to financial editors and so forth.
- De Luca: We have a new generation of media coverage and here we have kind of a mixed bag in the sense of pluses and still a lot of areas where we need improvement. We have, in the last decade, had an explosion of coverage on us from the non-traditional wine writing source, the business writer, the economics writer, the writer on medicine and health issues. We certainly have had, during this time, very strong coverage by the wine writing community on our wines. I don't think there is a nation in the world that has better coverage for the consumer about the wines than we have in the United States. And here we've had an expansion in the number and quality of the writers. But at the same time, the wine world has made news in different parts of the newspaper, and it hasn't been confined to the food and wine section.

And here we have new people where, first of all, there's an enormous proliferation of them. They write for major journals. We've had studies and examinations and interviews by *60 Minutes*, programs like *20/20*, programs like the various NBC reports, CBS reports, the *Wall Street Journal* and the *New York Times* and the *Washington Post*. Reporters who don't cover us from the traditional source. And we need much more contact with them. We need better education in the way of experiences, even to identify them. Some come and go fast, in some papers we have been assigned to a reporter who covers just like any other news story, looks at it quickly and then goes on to the next one without a reservoir of knowledge about us. And so that's why I was referring to mixed results.

At the same time, we have to intensify our efforts with the local wine writing community, the people who have historically known us the best and who have covered us the best. And that is, in our desire to learn and to interact with this new generation of writers, we must be mindful of the great service and the great contribution of those who have been covering us for the last period. How much importance they have in fixing the great quality of the California wines in the public mind.

- Teiser: Do you send out releases on—I think you do on production and things like that, don't you?
- De Luca: Well, releases go out by the wineries.
- Teiser: But not by the Wine Institute?
- De Luca: Well, we do both. The Wine Institute, in terms of promotion and in terms of contact with the writers, probably does not match what the wineries are doing themselves. And here what we want is a more coherent, cohesive work where we can service our members better. I see this as one of the fundamental areas of review and improvement for the Wine Institute of the future.

I see the Wine Institute going through several phases, the one you already are aware of that occurred in the period, say, 1975-'76-'77. Now I think with the open issue and the open debate that has occurred, namely, should we have a joint commission? Should we have a continuation of it? Should we have a new commission? That very process which has taken place for the last six months has sharpened everyone's interest as to where we should go next. That is a natural by-product anytime you have that kind of an election raising issues to the fore—what kind of personnel do we want, what kind of new energies and new talents do we need? And it was a very helpful internal review for all of us.

And therefore, a reexamination of the Wine Institute over the last decade has led us to the conclusion that we believe there should be a new beginning in the sense of improving on past changes but now adapting ourselves to the obvious changes that have occurred. So, in an interesting sense, I've been privileged to live long enough with the Wine Institute to see the 1975 period when we dropped the Wine Advisory Board, and went totally private, to now having experienced three years of a joint marketing order and the debate that followed, to where out of the debate has come a new consensus that we want, again, a revitalized Wine Institute.

And the direction that we're going to take, I think, leads to phase two of the new Wine Institute: meeting these demands, meeting these challenges. We've seen in a dozen years enough social, governmental, economic change to have been the equivalent of half a century before. They're now coming in more rapid bursts, these periods of change.

And so the exciting thing for us is to look at the regional cooperation between growers and vintners, much more proactive rather than reactive period, much more emphasis on the therapeutic and salutary values of wine; certainly to continue to put out fires, because we've had plenty of fires. My attitude is, when the house is on fire, you obviously don't want to go from room to room thinking of how you're going to rearrange the furniture. You must address the immediacy of it. But at the same time, as we have in the past, look to the future but on a much more concentrated, much more professional basis than before.

Consumer Education

De Luca: So, I'm excited about that—and your question has given me the opportunity to comment on the promotional aspect, on the consumer-education aspect. We used to see consumer education as having consumers send over to Wine Institute forms that they would fill out showing their knowledge of wine, and that was very helpful in terms of consumer education. That was a period that preceded me where we had a very major initiative.

Now, we see education in terms of not only consumers but in terms of institutions, the various major groupings like the media and government, local and state within our own state, to reexamine our relations with our state legislature, with the various agencies, the Air Resources Board, the California Department of Food and Agriculture, the various food and drug organizations that we have, state and federal. And so here our sense of education is a much more deep and penetrating one.

What we would like to see is, with the advent of the California Wine Commission which is literally, as I'm speaking, just a month old, to see it become the spark for greater activity along the lines of what I just described. And so what you find is each period you hang on to the essential values and essential staff and essential direction that you've taken but in concert with the wineries.

Revitalization of the Wine Institute

De Luca: As I keep talking about the Wine Institute, you're very much aware that what I'm saying is a deep involvement of the wineries through either the officers or the various committees or directly with the individuals themselves and therefore working as an industry together. So, 1987, I think, can be seen as the additional new beginning of a revitalized Wine Institute, which had to do the same thing just a dozen years ago.

Teiser: Well, it's in better shape than it was.

De Luca: We've come out of it quite strong. I think we've come out of it with a stronger consensus. Some of the wineries that left the Wine Institute have returned. I think we've had an increase in our membership during this period. Certainly a large number of new wineries have come in—we have now 530 wineries in Wine Institute. When I first joined the institute, we had 164. All those new wineries represent new energies and new leadership potential—the leadership of the families, the leadership of the new forces, the infusion of additional international interests in our local economy here, the joint partnerships that we've seen. The opportunities are here for great potential.

Teiser: Are the foreign-owned wineries pretty staunch supporters of the Wine Institute?

De Luca: They have been—yes, they have been active. They've joined us and have been meaningful in terms of personnel and resources. The part that I think should be underscored is that they're looking at the California wine scene. There may be

investments from foreign shores, but the people with whom we deal and the people who manage their assets think in terms of the advancement of the California wine scene. And so that's a plus for everybody.

- Teiser: Well, my manual on oral history says not to keep people talking too long. There's a fair amount left to go over that I'd like to ask you but I think it's too much to do in one day.
- De Luca: Whatever's your preference.
- Teiser: May I come back—we could go on for a while but may I come back again at another time? Do you have any time between Washington trips?
- De Luca: Yes. Why don't I say this first of all and I'd like it for the record. You're coming here is an accommodation that I don't take lightly and that I don't presume on and therefore, I would enjoy another opportunity with you. And I promise this is my number one priority. The only reason we haven't been able to do this earlier has been the incredible demands on me in terms of Washington.

Social Issues for Wine Industry

Interview 3: September 19, 1987
[Tape 4, Side A]

- Teiser: This is the 19th of September, 1987. I listened to the tapes of the last interview, and there were a couple of things that came up and I wanted to ask you about to clarify just a couple of points before we go further.
- De Luca: Surely.
- Teiser: Let me ask you for your definition of social issues. It's rather broad.
- De Luca: Certainly, it is a broad concept. We've been operating in terms of some very specific social issues, most especially the question of alcohol abuse, alcoholism, social responsibility on the part of citizens, social responsibility on the part of an industry. We see interrelated there not only the question of alcohol abuse and alcoholism, but the whole question of health, health care, and how to address issues that are legitimate, namely questions of fetal alcohol, reproductive toxicity, questions related to carcinogens.

While addressing them, we are at the same time aware that a very disciplined minority is exploiting them for very nonpublic health matters. And to be very specific, we know that the question of alcohol and drugs and society and government have all kind of fused, so how do we separate what are really legitimate questions? Being in the wine industry, what should we do, what can be done, what medical, what research, what technical assistance can be given to society as a whole while understanding that under the cover of this issue people like the Center for Science in the Public Interest lobby other agendas? The new board of the National Council on Alcoholism is using them to promote anti-alcohol use, not just abuse. They are blurring the distinction, which is very important, between moderate behavior and abusive behavior.

And so when we use the term “social issues,” we’re really addressing the contemporary period as well as the past period. They continue to evolve. Advertising on the electronic media would be seen not only as a commercial question but also a social issue. What is your responsibility in projecting your product to the community as a whole? When you’re talking about taxes, it looks like it’s just a fiscal issue, but there are those who would like to make it a social issue also in terms of the implication of social cost to society, again around the issue of alcohol abuse.

So, to just pull it all together, we made common cause with those who address the question of alcohol abuse; where we are parting company is with those who are trying to say that the product is inherently dangerous in itself, regardless of whether it’s used with moderate behavior, light behavior, or abusive behavior. And we know that, in our instance, we have therapeutic values, positive values associated with moderate behavior, not positive values associated with abuse and alcoholism, and that the responsibility is on us when medical questions or health questions are raised, to address them even though we know simultaneously that they’re being politicized in the political arena by people like Michael Jacobson.

So, it makes for a really complex and demanding period to answer the press, to answer the community, to answer public health officials on medical health and research terms while knowing they’re being politicized. You don’t want to blanket-indict people who have legitimate concerns while you know that others are exploiting this for very political concerns. I probably gave you more than you wanted to hear.

Teiser: Oh, no, no. Precisely. That will take us into really what I think we were going to talk about next, which was warning labels.

Warning Labels

De Luca: Warning labels—you can look at it so many different ways. I’ll try to look at it in an abbreviated manner, because we could literally take the whole afternoon on this one alone. Certainly warning labels in our society, American society, have been associated with dangerous products, a skull and crossbones on iodine, on pesticides, on materials around the house that you certainly don’t want infants to have. The whole terminology took on another dimension with the warnings by the Surgeon General and health warnings with regard to cigarettes.

And here, that has evolved over the last fifteen years, partly because we’re under the Bureau of Alcohol, Tobacco, and Firearms. Therefore the two are combined; alcohol-tobacco is in a government agency and therefore there is a tendency in some quarters, not in Treasury but in other quarters, to identify the two as the same type of product, partly because excise taxes are administered on both cigarettes and alcohol, partly because the health issue in the Food and Drug Administration, Health and Human Services has been wrestling with the question of all these monies apparently not really doing much for the question of alcohol abuse and alcoholism.

There emerged a coalition that started talking about warning labels on beer, wine, and spirits. It took its initial thrust around the question of fetal alcohol syndrome, which was a term that was used by Doctor Jones some ten years ago, '78-'79. The more proper term probably should have been fetal dismaturities, because there's a whole host of things that affect the unborn child: caffeine, nicotine, nutritional deficiencies, zinc deficiencies. But they chose to use the term "fetal alcohol syndrome" and put in modern garb knowledge that was known to the ancients, and also emphasize past gin epidemics, namely that alcoholism, alcohol abuse would be potentially deleterious to the fetus.

Well, in this light, the term fetal alcohol syndrome was adopted by Dr. Ernest Noble. He was then the head of the NIAAA, the National Institute of Alcohol Abuse and Alcoholism, which is the highest federal agency that administers alcohol programs. He started talking about the need to have warnings about fetal alcohol syndrome. And for the last ten years, his successors over at the NIAAA and those in the National Council of Alcoholism and various conferences started talking about the need to warn about this subject.

Legislation has been introduced, regulations have been proposed, draft plans have been discussed. And very frankly it was seen by some as a great marketing tool against alcohol. They had had great difficulty in addressing the abuses, cirrhosis of the liver, brain damage and so forth, and here was the first time that you had a motherhood issue, literally a motherhood issue that would intimidate political figures, mostly males and legislators, both in the Congress and at the state level.

We began to see legislation introduced, and without going through the battles and the alternatives, [I can say] that the scientific and medical community has been divided and that early it was clear that it was not moderate behavior that we were talking about; it was clear that we were specifically speaking about the abuses. In recent weeks, in recent months, the whole movement has been to say there is no such thing as moderate behavior when it comes to alcohol for a woman who's pregnant or who's thinking of becoming pregnant. And behind it has been a political coalition.

In California, they joined new forces in November of 1986 when in this state, a proposition called Proposition 65 addressed the question of clean drinking water and was an anti-toxics initiative—the forces behind there started talking about reproductive toxins and carcinogens.

We were concerned at the time that the language would be so narrow that it would not address the question of dose, that it would just simply say if a product, one thousand times exposed, could be a reproductive toxin, it would have to be listed and a warning should be addressed. So, what we got was the traditional anti-alcoholism groups, traditional legitimate groups, and then this new force that had this whole concern about safe drinking water and anti-toxics all combined.

After it was passed, we had legislation introduced by our state senator, Gary Hart, and then in the Assembly by Assemblyman Lloyd Connolly. This subject is very current, because August 28th, under the Proposition 65 requirement, ethyl alcohol, not beer or wine or spirits but the chemical ethyl alcohol, was recommended by a scientific panel to be [labeled] a reproductive toxin. October 1st of this year, in two weeks, less than two

weeks, it will be listed by the governor's office and therefore under the terms of the new law, this Prop. 65, there will have to be a warning in all of California.

The concern has been how to address that warning. And again we've had parallel fights, one in the executive branch, as to how to administer this law passed by the citizens, ostensibly for clean water, and in the legislative branch, how to define a warning around the question of fetal alcohol syndrome. Our one issue, which is really subordinate to thousands—there are many agricultural products right now that are in a similar position of jeopardy—our one product has gotten most of the headlines. The interpretive guidelines by the governor's office seem to be headed in the direction of warning signs in the retail stores and restaurants, in the on-premise and off-premise considerations.

The prospect is that a year from October 1st, October 1st, 1989, in this state warning signs will be needed in the various retail outlets. Now, it's not a surprise in southern California, because an ordinance was passed a year and a half ago requiring warning signs, and right now in Los Angeles and in San Diego and some other communities, there is that requirement by local ordinance. So, what may occur is that by either state legislation or state regulation that would be a statewide requirement.

Well, all this is going on while in the Congress this whole issue of rotational warnings, not just fetal, but the whole question of five different warnings, comparable to cigarettes, led to a very political movement in November of last year around the funding of the antidrug bill and studies that were used as a compromise.

Every little sentence that I'm giving you represents hundreds of hours of real political, medical, social constituency involvement. I'm talking about flights to Washington. I'm talking about testimony. I'm talking about hearings. I'm talking about the scientific and medical community. So, what I'm paraphrasing in just a few minutes really represents an incredible and intense activity.

A study has been completed, issued to the Congress, that indicates that in a qualified manner warnings could be of some use if they were associated with other activities. This has been delivered to Senator Ted Kennedy, who is chairman of that committee. And that will take on its own life. The Department of Treasury and the department of Health and Human Services, the Public Health Department are involved.

So, you can see in just those little descriptive terms "warning labels," what you just asked me about, what an enormous range of activities is involved right now. We've had our members alerted. I've sent out bulletins. We've had to bring in reputable scientists. Our premise is this: regardless of the motivation, regardless of whether there are clean or unclean hands behind these initiatives, if health and public health and medical questions are raised, we have an obligation, we have a social responsibility to respond in that arena.

Therefore we must come up with the research. We shouldn't wait for the government to do this. We should find out for ourselves. We should do the socially responsible thing. You recall in another setting how we did the same thing on the issue of sulfites, how we had to address the question of those who were allergic to sulfites, particularly asthmatics, how that was also seen initially as a warning label, how we finally came to the conclusion from our own research that we could support an informational label. As

of July '87 and January 8th, 1988, that is a requirement. But it's not a warning, so that if you were to buy a bottle of wine today that was bottled in the last two, three months, you would see on the label: "Contains sulfites," as a way of helping those sulfite sensitive asthmatics for whom this might be a possible problem.

So, we're seeing a convergence of a lot of factors. But that's what I meant before about social responsibility, regardless of the motivation and the politics behind it, for consumer credibility, for media credibility, for credibility with our institutions. We should be in the front ranks of those that find answers. And we are finding answers.

Teiser: Have you now quieted the clamor for other ingredients to be labeled?

De Luca: On the whole issue of ingredient labeling, I believe so. The original thrust, which was monstrous and very misleading, which was the petition back in 1970 for advertising hearings in 1976, '77, '78, that whole panoply of things pretty much now are down to the questions that I just addressed. I think sulfites, in particular, were the areas where we felt there was a legitimate consumer concern.

But again, mindful of our needs, we're the ones who came up with the research. We went to the very people who were the activists claiming this issue and asked them to do the research so that there would be no doubt about our motivation. And in this case, Doctor Ronald Simond in La Jolla, who was one of the leading researchers, was commissioned by us to do the definitive study with Professor Cornelius Ough and Doctor Vincent Marinkovich at Davis and at Stanford. We wanted to make sure that no one would claim that there was a whitewashing. When we saw that it might be a problem, nowhere near the health hazard issues that the neo-prohibitionists were claiming but that it might be of value, we went for an informational label. And of course, concomitant with all of this was the whole salad bar problem, where there were legitimate questions, but that was "free" SO₂ verses our "bound" SO₂.

[Tape 4, Side B]

De Luca: Just to conclude on that note, on sulfites—what I just said is symptomatic of the demands we face, something not having to do with wine, namely the salad bar and the question of SO₂ and free SO₂ and the problems associated with this, these issues were skillfully manipulated as though this were a comparable problem [with wine] and that it extended all the way to us. The chemistry was different. The results were different.

But this is the challenge that we face today: that there are those, again—without just belaboring the point—The CSPI, this militant advocacy group in Washington, is very adept at putting out press releases and confusing issues. And they believe that the cause is so good that they can, in some ways, not use the same standards that others would expect a scientific community should be utilizing. And so they're very free and very slipshod with their facts. They're very broad with their salvos. That's been part of the problem that we've had to address—how to distinguish between truths and half-truths while this is all being politicized.

Teiser: It seems to me I remember a rather long report by Dr. Richard Peterson on sulfites which seemed to demolish—I think he gave it at a WITS seminar.

De Luca: Yes, I recall the paper. I recall working with Richard on this. I think what we demolished was that it wasn't a health hazard issue for the consumers at large, that what we were talking about was a very, very tightly defined subpart of the community at large who were sulfite-sensitive asthmatics. It was smaller than the population and it was even smaller than the subpart. And there you had to go to people in extreme difficulty and of course, those who are in that extreme difficulty are very conscious of everything that they eat and drink. And even there we found with Dr. Ronald Simon that we weren't talking about reactions that were health threatening. But our sense was that if there is a problem, we should be in the forefront.

So, when we talk about sulfites, we were the ones who supported an informational label as against a warning label. And to give you an example, if you look at one of our bottles, it will say 11.5 percent alcohol by volume. Well, that's informational. If we were to use this in a parallel way right in that script, we would say "sulfites added," which is different than a red strip saying "Warning: Sulfites Are Added." So, I think that to answer your question, Peterson and others, Ough and Marinkovich and Simon showed that it really wasn't a health hazard but it might help a part of our consumer community.

Teiser: I hope he showed that it also occurred naturally.

De Luca: We went to the Congress and we went to the FDA and to the ATF and showed that many of these products are natural. But you see, here's where the real issues are unfolding today. For so long the thrust was: alcohol if abused will lead to alcohol abuse and alcoholism. Now the subtleties are: well, maybe even moderate behavior, even normal behavior might be dangerous to you because wine, beer, spirits contain products or contain elements, contain constituents that might be a reproductive toxicant or might be a carcinogen or might be sulfite sensitive for those asthmatics. So, it's really an unfolding front. I believe we're on top of it. I believe we've addressed it carefully. I don't believe any of us have walked away from the issue.

And what it has demanded of us is simultaneous abilities in several fields: in the research field, in the medical field, in the social health field, with the press and with government. So it really is a range of challenges simultaneously requiring you to interact in each one of them.

Of course, what we're trying to do is, in the meantime, help our people sell grapes and sell wine and to be in the marketplace and to deal with the international community and to open up markets overseas and to interact with the cultural changes of the country, calling for food changes, calling for beverage changes, opening up the markets in our various states, having good and sound promotional activities, working with our state, agriculture, and the food editors. It's really, as I've described to many, a period of contradiction, that side by side, literally side by side, brushing up against the morning and the afternoon, you would have what I would consider negative forces and positive forces. And what it does is put a special demand on you and a special premium on being able to interact with all these forces.

Sometimes the tides are so strong that regardless of what you do they carry you one way or the other. And so you're really a smaller player in a larger scene. Sometimes the period requires that you understand the times, that you understand the challenges,

interact, and therefore the outcome really depends on your own individual and organizational abilities. This is the period we're in right now. How you understand your times, what it is that you should be doing, be there rewards or nonrewards. You could go off on a tangent at the very moment that you should be going in another direction which is different than, say, during the prohibition fervor or the anti-prohibition fervor where big blocks of decades were involved in larger social forces. Now, we have them all kind of mixed up and they don't really know which way they're going to go and the outcome isn't that clear.

Teiser: Well, they go on to another simple subject.

De Luca: [laughter]

Excise Taxes

Teiser: Taxes.

De Luca: Well, as you can well imagine, from the newspapers this morning, from the newspapers yesterday, even with the Pope's visit, even with the announcements by the president on his negotiations with Gorbachev on nuclear reduction, still in the papers are the question of the budgets, how much revenue is going to be needed, what is the Congress going to do.

I have—when I say I, of course, I mean the entire wine community—the period that we're involved in right now, we have been, I think, exercising new diligence in terms of how to participate in this question. Basically, the country needs money to reduce its deficits. That's one issue.

Last year, it was a question of tax reform, how to reexamine and alter the tax system. Since 1982, the question has been: What priorities do we have? Defense, domestic, and funding. As a result of that, everytime, regardless of the thrust, we are brought in to the question: Well, shouldn't we have excise taxes? Which is a very difficult definition for an average person to understand.

Going off paranthetically, if you took a poll of the average person and said, "What is a sales tax?" I think they would say, "Well, that's a tax on transactions." If you said, "What's an income tax or a property tax?", people would pretty much be able to define it for you. Ask them, "What is an excise tax?" and you'll find them all over the lot in knowing whether it had to do with utilities or telephones or airline tickets or tobacco or wine, beer and spirits. Basically, it's a consumption tax on a particular consumer group. And in our case, that's exactly what it is.

Excise taxes have been one of the major categories examined for change in the Congress. People bring up to us that we haven't had an excise tax increase since 1951, which is true for table wine, and since 1955, which is true for our champagnes and sparkling wines. The reason it's so significant is that we're talking about billions of

dollars. We're talking about adding costs in terms of our supplier, wholesale, retail, our markups and ultimately to the consumer.

It is very regressive. It falls indiscriminately and depends on whether you're in the lower or middle or upper income brackets. And in our case, it's been associated with this incredible epithet from the past, namely a "sin tax"—that you should tax it not only for the revenues that it engenders but also for the fact that it would be a good tax against sin.

That goes back full cycle to my original remarks just fifteen minutes ago about social and political issues kind of fusing. The spectrum is no longer sharply divided. They're all just kind of mixing themselves up: social, political, and economic.

So, right now, without dating it, we are in the midst of another such battle. I was in Washington last week. We'll be in Washington the next three weeks. And the outcome is very difficult to predict. We have been fighting it through the normal ways you fight things: member to member, analyses, statistical analyses, financial information. Our constituencies have been writing to their congressmen, our senators, our hearings that have been held through the press, through editorial writers. All of this is happening simultaneously with all the other issues that I've been talking about.

I consider it a very major—what I call the commanding heights of our industry. It's the kind of thing that if you don't handle right, it affects all the other things that you do. We should not be seen as an industry that's an easy mark for taxes, because we are taxed at the state level as well as at the federal level. And this is going on at the same time that we're trying to open up markets overseas. So the budget deficit and the trade deficit issues are also fusing.

So just to conclude this response, when I answer about taxes, we're fighting them. It's a very present danger to us. But what it underscores is that whether you're talking about social issues, trade issues, budgetary issues, international commercial issues, agricultural questions around the questions of pesticides and the issue of the composition of the product itself, we have to be, in our world, conversant with chemistry, politics, economics, fiscal matters, international matters. It's very demanding and it isn't just simply one sector or one type of work. It's a broad, across-the-board type of work. And that is really the essence of our times, that we in the wine world are involved in just about anything you can think of.

Equivalency Campaign

- Teiser: In this relation, you handled the equivalency campaign? I guess it was a campaign.
- De Luca: Yes, it was a campaign. It was a paid advertising campaign as well as a political campaign.
- Teiser: Did it have long-lasting effects?

De Luca: The answer is yes. I think the high visibility—paid advertisements on television and *Reader's Digest*, full page ads—gave currency nationally to what up to that time had been basically arguments by alcoholism groups who were pursuing it for specific anti-alcohol reasons, trying to really blanket-indict whole products as just mathematical formulas or just alcohol formulas.

The result of that alcohol equivalency program was to give a certain legitimacy and currency to what up to that time had been really very narrow points of view. And it introduced into the staffs of the Joint Taxation Committee, the Ways and Means Committee, the Finance committee, a proposal for big money. So it was attractive that way. If you're a staff director and your boss comes in and says, "Well, see how we can get \$30 billion right away." This formula, you'd pull it right off the shelf. So, to that extent, it's now there. It's part of the currency of all subsequent tax proposals.

And we always saw the equivalency campaign in terms of the fiscal impact, that it was really tax-oriented and that it really was designed to try to alter the historic relationships that we've had on taxes. It was a very major challenge. It came from within our own ranks even though its origins were from the anti-alcohol community. It was given money and visibility that it never had before. And it's there. And we've tried to legitimately, again, address it rather than go to the question of its motives. I think we've done a fair job. We're doing an increasingly better job in letting people know about blood alcohol and the question of rate of absorption and what is the difference with, say, wine with food. What are the many constituents in wine.

So, in an ironic sense, we're able to interact in the debate playing out the distinctions of the products once the subject matter was raised claiming we're all the same. We were given an opportunity to say, we have different cultures. We have different heritages. We have different backgrounds. A fermented beverage is not the same as a distilled beverage. We're not attacking anybody but we are just bringing to the fore the facts about our industry. And so, to some, it's been an educational program where they do know that we're not wine, beer, and spirit sectors of one industry but that we are separate wine, beer, and spirits industries and that we have a different heritage.

Like most things, its real detrimental effect is how much time, money and energy is expended when what you really want to do is to go forward and talk about the positive values of moderate behavior, about the positive values of social responsibility.

Our times are characterized by a desire to have a society that has the juveniles and the teenagers and the youth of America and their habits at the center of our attention. You have families and mothers for a drug-free youth. You have concerns about alcohol and alcohol abuse. And this is exactly the moment where we can talk about the positive values of moderate behavior, which I think is very important. We can't lose that distinction. And yet we've had a defensive period. We've had to defend ourselves, you know, in another sense.

Importance of Educating the Public

De Luca: I see this ultimately—all that I’ve just described: warning labels, sulfites, taxes, alcohol equivalents and so forth—I see this ultimately going through a phase where we should come out of it stronger. In other words, by addressing these issues, there’s a cumulative value in educating a whole new generation of government and media officials. And even though it looks confusing and even though the period is very, very challenging, the direction we’re going is that they are going to be more knowledgeable about us. And that is ultimately our greatest strength—more knowledge. Cultural ignorance is our greatest enemy in this society. That’s really been the millstone around our neck—not enough people really knowing what it was we’ve inherited and what it is that we’re doing and contributing.

The only way you can get at cultural ignorance is to interact in these debates. I see us, say, within another decade coming out of it with a much clearer consensus in America about these products. And so to that extent, I think there will be positive value. But while you’re going through it, you don’t see that. You have to project, you know, a decade beyond.

This is 1987, almost 1988. We’re twelve years away from the year 2000. It’s natural for people to be reviewing things. The period is going to be one of catharsis for society—500th anniversary of Columbus in 1992 to 200th anniversary yesterday of our Constitution—2,000 years, where are we headed? We’re going to be involved with enormous introspection in America. I think we have a great opportunity to involve ourselves in that introspection and to establish where we are in society. I’m really looking forward to that part of the work.

Teiser: Another kind of small point—at one point, Ernest Gallo talked to the Wine Institute, a luncheon talk— I remember the annual meeting.

De Luca: On our fiftieth anniversary of Wine Institute, yes.

Teiser: Was it—?

De Luca: 1984.

Teiser: He was looking back and giving what could have been picked up—a key to a war against the spirits industry, against—until another renewal, I guess, of the Wine Industry’s earlier attempts to separate themselves thoroughly from the spirits industries. No one took that up, I believe.

De Luca: Well, I was present there. I introduced Ernest and I listened very carefully to what he said. As I recall, what he was telling the spirits world and others beyond the spirits world that any assessment that they had of the Wine Industry and of the Wine Institute, the organization that he was addressing, should not cause them to think that we would not be responsive and that we would not sit idly by as these things were occurring. And so I think in a most diplomatic but in a most pointed manner, what he was saying was, if you attempt this agenda, be aware of all the implications. Be aware that we will interact.

Along the lines of what I just said—if you’re putting everything on the table and if you want things to be addressed and you want things to be analyzed, we don’t fear it. I think basically it was a very positive statement that we will not fear any open analysis of our practices, of our product, of our history, how we conduct ourselves. And therefore, whoever was calculating and whoever was making assessments that they had to do certain things, they’ve got to factor in that dimension.

And I really think genuinely, in a society where wine was not really part of the lifestyle of its pioneers, where it was not a lifestyle of its institutions, that after 200 years since the Constitution, the invitation to this particular dance, the invitation to really look at this whole subject is one where I think the press, consumers, government agencies, everybody really should participate. We at Wine Institute have a very particular charge, which is to bring more facts forward.



John De Luca, Robert Mondavi, and Bill Lane, publisher of *Sunset* magazine
—event for Congressman Frank Riggs

Now, Bob Mondavi talks about an educational program. Others talk about the therapeutic values of wine. Others talk about taxes, reminding others of what Thomas Jefferson did say 200 years ago when he said, “No nation is drunk where wine is cheap, none sober where the dearness of ardent spirit substitutes for wine.” Well, this is a great opportunity for us to recall that heritage and to bring forward—what did we do 200, 400, 600, 1,000 years ago? And so I believe, to answer your question, that’s one interpretation to give to what Ernest said.

Tariffs and Trade Issues

- Teiser: Well, along with your other concerns, I believe, tariffs are—
- De Luca: Tariffs? Could I just expand on that and consider trade? It is larger than tariffs. We have tariff and nontariff barriers. What is exciting about the present time is that building on previous periods, because obviously it doesn't occur in a vacuum, we are witnessing the internationalization of the California wine industry, going far beyond just, say, entry of wines into international fairs or having blind wine tastings in different cities. We are much more active on a day-to-day basis. We are establishing contacts. We are learning more about the cultures and economics and politics of other societies.

Here, many factors contributed, but I think the climactic moment to bring us into the new phase was the passage of the Wine Equity and Export Expansion Act of 1984, the only trade bill that President Reagan has signed even though his own cabinet urged that it be vetoed. In addition to the normal 1965-'70-'75-'80 period of some of our wines showing up in different stores and in different restaurants, which was on a brand-by-brand, company-by-company basis, we as an industry right now, as a result of that act, are getting much more involved in the expansion of not only our wine shipments, not only the actual shipments, but in knowledge of other societies. And so we now have an office in Tokyo. We have an office in Hong Kong and Singapore. We are opening up an office in Copenhagen. We have an office in London. We have received \$3 million this year for export expansion activity, a good part of that on a matching fund basis. We have been building, slowly, great success stories as to how we're conducting ourselves.

The rim of the Pacific, under the export expansion portions of the Wine Equity Act—we have designated five countries where our government, as a matter of law, must engage in the opportunity to open up trade for us: Japan, Korea—South Korea—Taiwan, Singapore, and Canada. And the whole thrust is not to stop products coming into the United States but to help us to have access to markets on an equal footing. And so the tariff part of your opening question is obviously one consideration, non-tariff barriers as well as tariff barriers. We have elevated wine to an important part of foreign policy and foreign trade.

For the major part of this century, wine has been essentially the compensation that you paid to other governments for concessions they made to our Midwestern products: rice, wheat, corn, soybeans. Every time the Midwest had treaties to have their products brought into particularly Europe, the response was, "Fine. Now in compensation for these concessions, we want access to your markets for our wine." Wine is the single largest agricultural trade item for western Europe. And the one consumer society that everybody wants access to is this one, here in the United States. And so, for the longest time, that's all we've been is a bargaining chip, and an easy one.

No effort was made to elevate wine as part of our own foreign policy and foreign trade. That's changed. And I think we've made converts out of those government officials who thought our only game plan, our only strategy, was to stop products from coming into our country. I think not only do we meet the requirements of our times but we're more in the mainstream of the way historically we've operated, which is we think our

wines are fine, they're world class, and they can compete with the best in the world if they give us the chance.

And so we're trying to break down tariff barriers. We're trying to break down non-tariff barriers. It takes an awful lot of energy. It requires a lot of people. And now, if you come to the Wine Institute, the telexes and the rooms are full of visitors; and we have reports coming in and our staff from all over the world, superbly led by Joe Rollo, are now coming to us to report to our various committees and to our individual companies. There's a great ferment of ideas, personalities, people. More people are coming into the California wine industry. That's the other part of this—buying into the industry.

Teiser: Yes, what does that do to affect your—?

De Luca: Well, at the present time, it's precipitated a number of articles in the press. I think it's very early for people to make ultimate assessments. You can see the obvious, namely ownership of these wineries is beginning to pass into foreign hands. That's considered a negative in some quarters. I would see it as an augmentation of our resources, ideas, people power, people ideas, more capital, and more knowledge. And certainly, the very elements of the wine trade are international. I think there's been an exaggeration in some quarters, adding up the statistics of the volume of the wineries.

There's been actual reversal when you think about it. When Seagram's sold Paul Masson and Taylor California Cellars, it was acquired by Paul Schlem and Michael Cliff. Well, instead of a California winery being acquired by foreign interests, it was foreign holdings selling them back to Californians. On the other hand, we've just had Grand Metropolitan purchase Heublien which had purchased Almaden. So it's a period of flux. It's going on both ways. We have the Japanese that have entered into our market and have purchased a number of wineries. We've always had the historical French and Italian and German and Spanish ancestors.

I think it's this period's way of strengthening and replenishing our economic genes and our social, cultural genes. We're getting a replenishment of other forces. And still the backbone of our industry are the families. They're still here, the pioneer families and the families that have come since that time. It seems to me every generation has an opportunity to make its own contribution. But it's part of this international period.

And small wonder. Look what's happening to the rest of our society, whether it's banking, whether it's automobiles, whether it's textiles. We're becoming an international trade community and not only breaking down the boundaries between the states, which is what we're celebrating with our 200th anniversary but also the fact that on any rack just a quarter of a mile from here, you can go down to any clothing store and find clothes and jackets and shirts from Thailand, Singapore, from Korea, from Europe. We have products from Australia. We're becoming an international community of trade. And so just imagine wine had started out that way, from the time—

[Tape 5, Side A]

De Luca: Ruth, do you want one of these [cookies]?

Teiser: Thank you. That's fine.

De Luca: You might want to take a rest.

Teiser: I wonder if I can interview with my mouth full of cookies.

De Luca: [laughter] Well, you're very smart. What you do is you ask a question and then you sit back and you let me do all the talking.

Teiser: That's right. That's how it's supposed to be.

De Luca: Well, all it does is turn me into a talkative fellow, and there's a lot more to be learned by listening.

Anticipating Government Action

De Luca: You had this Buena Vista [winery] 130th anniversary that just occurred. What pleased me was that many of the themes that we were talking about in our own board of directors, which were heresy when they were brought up ten years ago, are now part of the dialogue in the conversation.

When I first brought up these themes, when I came out with my paper on neo-prohibitionsim, it was sacrilegious, heresy. Nobody was talking about alcohol abuse or alcoholism. It was a subject matter you couldn't even discuss. When we talked about what the game plan was on warning labels or on taxes, I was basically accused of promoting a political agenda to help my own job at Wine Institute and my role there, you know, to make myself "important." Well, we are long since past that period. But it just shows you in just a short period of a decade how the subjects, our code of advertising— Just last week, the chief of staff for, I'm glad I'm not saying it on tape because otherwise it—

Teiser: This is on. You're on tape.

De Luca: Oh, it is! [laughter] I didn't realize that.

Teiser: You want me to turn it off?

De Luca: Well, I thought it wasn't on. I was going to say, the chief of staff of Senator Paula Hawkins, who was then the chairman of the Senate Subcommittee on Alcohol Abuse and Alcoholism, said our Code of Advertising, our wine Code of Advertising, was the most essential element in the debate that took place in the Congress and the most positive reason why we didn't have the ban on wine or beer advertising on the electronic media. Well, when we brought that up in 1977, '78 there were legitimate questions: Why are we doing this? Nobody's around pushing us, why are we handicapping ourselves in the marketplace? Aren't there things that we should use that everybody else is using? And yet, it's very encouraging to hear that that code was seen by the Congress as that important.

Teiser: Was that somewhat in response to the Coca-Cola ads, the comparative ads?

De Luca: No, it predated them.

Teiser: It did?

De Luca: Yes. Coca-Cola's comparative advertising came several years after we had adopted the code. There was just a sense that we had that it was important for us to anticipate events, not wait for the government to make up its mind what to do, and that it was in our best and enlightened self-interest. I mean, that's the best way to put it. It was in our enlightened self-interest to anticipate events and to position ourselves before we would have odious and onerous government action.

Code of Conduct for Tasting Rooms

Teiser: I recently got from Harvey Posert a code of conduct for tasting rooms to use in an article. And he said that the Wine Institute had helped draw that up.

De Luca: I had asked for that in a speech at the board of directors, I think either in 1979 or 1980, that there was going to be a lot of emphasis and concentration on what we did in our tasting rooms, the issue of drunk driving.

We haven't even discussed drunk driving and how important a subject matter that has been and how we took a position on the question of twenty-one as an age for public possession and for the laws that were passed and tougher enforcement by the judges. We took a very strong position on that. But we were saying, before the drunk driving issue and even before Mothers Against Drunk Driving was established, that this would become a great social issue and that our tasting room and our tasting room policies would be examined, because just look at all the tourists who come up and down these different highways.

And Harvey—Harvey is being modest—he was party to that when he was at Wine Institute. But it was an initiative that came from our ranks. I saw our period as one where the role of the Wine Institute should be not only the traditional role of a trade association where you serviced your members, where you would help to direct energies and wine writers and set up tours and so forth, that it was important for us to develop strategic notions, to analyze our times, to take initiatives, to go before the public, to adopt programs and anticipate what has become really a daily phenomena in our country, and that is looking at the whole question of alcohol and drugs.

In truth, as you know, many are trying to co-opt the subject of drugs to make it appear that it's co-equally an issue having to do with wine, beer, and spirits. As you know, there are some of them saying alcohol is a drug and therefore it is the drug of choice at the entry level or it's a soft drug. All these terms. The battle of language is a very important part of our times. And again, getting back to what you had discussed about hospitality and a code of behavior in the tasting rooms, we're about to develop a code of hospitality standards.

Teiser: For whom?

De Luca: Well, the Wine Institute will take a code that we believe—

Teiser: But that's hospitality standard for wineries or for people giving parties or—?

De Luca: For both. It's a stretching exercise. It's designed to, again, interact into the social issues. And so, really, there was a larger area I was going to discuss but I think I'm getting off on a tangent, here. I'll await your questions.

Contributions of Maynard Amerine

Teiser: Well, it seems to me that I remember your naming Maynard Amerine what did you call it—medical? What did you call this position in the Wine Institute?

De Luca: Well, Maynard, before I'd joined Wine Institute by a few months, I think was our medical liaison with the medical community.

Maynard, for the better part of the decade, served as the major coordinator with the medical community. We have established a panel of medical advisors and still continue to work with the medical community. With his departure, there was no one person who had the stature or the prestige of Maynard. And so what we've had is a series of consultants, two, three, four, five at a time, in the medical community working on specific issues, health issues, the Mediterranean diet, our health seminars. That's another dimension of our work.

I thought you were going to ask about Maynard being one of the early directors of an organization called Americans for Wine, which was another initiative that we took which is going to be really enhanced and really examined and I think given a new life in the months ahead.

Teiser: That's the only organization in the world you can join for a dollar.

De Luca: That's correct, and we had high hopes for it. We had a board of directors. We had bulletins that went out on a systematic basis, trying to raise the consciousness of people. We've brought out issues exactly like the ones you're talking about right now. The interesting thing is it was done in the late '70s, early '80s. And then, it needed an organizational effort and it needed a scale of activity comparable to the way the Society of Wine Educators evolved. We had seen it in the same light, so that we would give the money and the resources and the organizational help to establish an organization, which is what we did with the Society of Wine Educators. And then that was launched by us. I remember Davis, UC Davis—

Teiser: I didn't know that the Wine Institute had a part in that.

De Luca: Yes, we helped to create it. We were the ones who gave it its original secretariat with David Keyes. We gave it its original funds, but we said for credibility's sake, what we can do is to establish organizations, give them the money, and then as they get stronger, pull away so that they have their own independence and their own standing. That's the

only way they're going to function. The Americans for Wine organization was adopted in the same parallel way, but it required a lot more money, energy, time and in terms of Wine Institute's activities, after having launched it and after having given it life, we were not able in terms of our staff and funding to continue to sustain it.

The reason I mention it is that in recent months, members who recall that initiative feel that more than ever it's germane and appropriate, and there is going to be a new effort to put it on more solid footing, revive it, reestablish it, give it the funds that it needs. And in particular, Mike Moone, the president of Beringer, is very interested in that project, in his capacity as the chairman of our market development committee.

Health and Social Issues

De Luca: But the period of the '70s and the '80s for us has been one of truly forcing ourselves to understand what we were going through and where we're headed. Many, many factors have gone into the last decade about our industry, above all the quality of the grapes, the quality of the wine. I want to make sure that I never forget that when I'm talking about all these things. But a very important element in the ability to cope and the ability to be taking on sulfite issues or warning labels or taxes has been that we, as an organization, anticipated the times and prepared for it. That's what has given us strength beyond our numbers.

You have to put a great value to not only the viticulture and enological skills of our industry but also its ability to get involved with these bigger issues. And just imagine the automobile industries had to do the same thing, textiles, the electronic media, television. It's a period of enormous flux in all of American society. We can't be divorced from these issues. You can't inoculate yourself. You can't go into a sanctuary. You have to really understand that this is happening to all of American society, great change, great—not only the change, but the pace of change and the rapidity of change. What was true in the morning isn't true in the afternoon, isn't true tomorrow.

So, this whole question—if I could try to condense or to come up with, say, a central theme to all this, has been arming ourselves with the analytical tools, the strategic notions that are necessary as much as financing, as much as your ability to buy land and to buy grapes and sell land. Your analytical tools, your political skills, your organizational skills are necessary to be in a wine business today and to continue into the future.

Teiser: Let me ask again—this is just a detail to bring you down from larger ideas. You had a woman working with groups like Mothers Against Drunk Driving. How does that go? What does she do?

De Luca: I believe you're talking about Patricia Schneider.

Teiser: Yes.

De Luca: Yes, Patty started with us—I had mentioned the name before of David Keyes. She succeeded David Keyes as the staff person at Wine Institute to handle alcoholism issues and to attend meetings and to be briefed on them and to know more about them. Patty came from the Farm Bureau at the time. That's where I interviewed her. She had grown to the point and the issues have grown to the point where we now have a department on health and social issues.

And in addition to her just being a staff assistant to public relations, we've created a whole new department and a whole new committee, chaired by Eric Wente, around these questions. Mothers Against Drunk Driving is only one of the areas that would fall into the category of knowledge and interaction with the other groups that are in activity today.

We've identified something like four hundred separate groups in American society at different levels involved in some way or another with the alcoholism issue. Many of them are funded by federal grants. Many of them are funded by state grants. Many of them are federal and state agencies. Just being kept apprised of what they're doing, knowing the direction that they're taking, their conferences, their books, their various newsletters is a full-time job. But that's only one element of this.

Mothers Against Drunk Driving, which was launched in Sacramento by Candy Lightner around a very, very tragic development, a legitimate issue, the death of her daughter as a result of a drunk driver, was launched into a national program. And it was moved to Texas. She is no longer associated with Mothers Against Drunk Driving other than in a consultative capacity. But it was literally in our own backyard, and therefore we worked with her. We found areas where we could work together. And she said things nationally that were, I think, very supportive of what we were doing.

We always part company when the question becomes one of taxes, trying to impose heavy taxes on us, or trying to blur the distinction between moderate and abusive behavior. But we work with all these groups if the true thrust of what they're talking about is knowledge, education about abusive behavior. That's probably the major guideline that we have and we therefore get involved with social groups, university groups, academic groups, the NIAAA, the various—there are more alphabets, or alphabet organizations in this than you can imagine.

I was on the board of directors of three of them. As the president of Wine Institute, no, I said I would not join if it was just for looking out for our interests. I said I would join if we could make a real contribution. So I've been active on the boards of directors of these various organizations involved with alcohol abuse and alcoholism.

VIII LEADERSHIP OF THE WINE INDUSTRY

De Luca's Professional and Educational Background

- Teiser: This brings up a question that Maynard Amerine suggested that we ask: how your earlier experience in government made you particularly adept at handling government affairs now. And I suppose one way was to make you remember initials.
- De Luca: [laughter] Maybe it's no more deep than that. The formation of people is a composite of so many different experiences and you bring them to bear at every phase of your work. And part of my training was in government. Most of it was in the university world. As you know, the disciplines that I studied and the subject matters that I studied led me in a direction of being a student of Soviet affairs. My doctorate is in the whole area of international affairs and Soviet studies.

Therefore, I was forced early to think in terms of macroeconomic, macroanalytic, macrostrategic notions. What is Marxism, Leninism? What are the Soviets doing? How do they try to move into big countries? How do they analyze culture and where does it relate to the dialectic and national liberation forces and so forth? So, that was part of my training: economics, politics, and above all trying to understand big forces.

Progressively, I went from dealing with international affairs to national affairs and to local affairs through my other positions. And all along, what it did was to constantly force me to look at, not the big picture, which is a cliché, but to look in terms of the interaction and the dynamism of forces. And so in the eight years I was in office in San Francisco, what was happening to the culture and how the demographic changes in San Francisco were changing San Francisco. In the several years I was in the Soviet Union, the several years I was with the White House, the several years I was with the U. S. Senate, again, the whole question was understanding how our society works, how other societies work, and what causes change and the ordeal of change and the positive aspects of change.

I was very change-oriented, and when I came into Wine Institute, those are the things that I had to fall upon or call upon in understanding the steps that I was to take. In the first five years, as you recall, I wrote five separate papers on agriculture and on

international affairs, government, the media and on alcohol, the neo-prohibitionist movement. Those were designed to help me understand where we were going and also to give some cohesion and some coherence to what we were doing. Otherwise we'd just be so many hundreds of wineries all trying to sell wine without understanding what that really meant. To that extent, my training in the university world and in the government world helped me.

Support Given by Wine Institute Chairmen

De Luca: But I have a lot of other people involved in this process. That was, I'm sure, part of what Maynard was talking about. That is, you cannot in any way talk about these forces without talking about Ernest Gallo, about the role of the chairmen that I've had. I'd be happy to name every single one of them. They've all been brought in and involved in this, starting with Bob Ivie. Then it was Louis Martini, Bill Dieppe, Ed Mirassou, Joe Heitz, Fred Franzia. We had Bob Gallo, Mike Nury, Dick Maher, Morris Katz, Jack Davies, John McClelland, and now Mike Mondavi. Each one of them has given me personal support in this approach and brought their own talents to bear on this whole subject matter. And each one of them was very interested in one or other of the phases of our work.

It is not just a throwaway line on my part, it is true recognition that the strength of the Wine Institute was that it permitted me, permitted a person not in the wine world, to come in and to think this way and to support that vision. The interesting thing is not what I was doing. The interesting thing is the attitude of mind of the wine principals, first to bring me in and then to support me in what I was doing.

Teiser: I'm sure you stretched their thinking.

De Luca: Well, I think we stretched each other. There's no question that I saw myself as the instrument of their will and I also saw them as bringing much to bear on this. When you think of agricultural organizations and trade associations, you can take someone from the Institute of the Futures and have them lecture you. You could take someone from the university to give you a talk.

What the Wine Institute did was to take me and support me and permit a great staff. I mean, that to me is really very astonishing, that they were of a mind, they had the kind of skills and the kind of sophistication to understand and to help and to, in some ways, strengthen what I was doing. And so, literally, this is not false modesty. There are a lot of people like me who come out of that background. But they weren't given the responsibilities that I was given.

I credit the intelligence of the people that I just described for accepting that as something that the president of the Wine Institute should be doing. Otherwise, you know, I would have just simply been giving reports that are in the library. You could find them. But they would not have been translated into actions. It's one thing for me to say, "We need a new code of advertising standards." It's another thing for them to actually have adopted them back ten years ago; it was really farsighted on their part.

Industry Leadership

- Teiser: Thinking back on the wine industry leaders of thirty-forty years ago as I know of them, it seems to me that they wouldn't have known what to make of most of these ideas. They were closer to the farm, closer to their small business interest. It seems to me that the wine industry has developed more educated and enlightened leaders over this span, somehow they've grown in it.
- De Luca: I think much of it was there. Much of it was incipient. I hate to get into names but there are individuals, sons and daughters of principals who are in positions of power now and on the eve of taking over their companies and going into the industry who are as well educated, traveled, learned as you'll find in any part of society today.
- Teiser: Well, I think earlier, they simply didn't have the funds to get well educated and well traveled, for one thing.
- De Luca: But just think—when you think of the price we paid for this century and therefore a natural development was aborted, and so much of our energies were turned inward just to survive that at least two generations were compromised. But had there not been Prohibition and its aftermath, I think the natural tendency in recalling that our roots are international, recalling that to be in this industry means you have to know the soil but you also have to know marketing. You know the international scene because of its international roots. You travel. You get involved with hospitality, with restaurants. You get involved with hotels. You get involved with government. You get involved with the media. What a leavening and broadening education that is.

Give it the new thrust, give it the new skills, the VCRs and the jets and the telexes and the telefaxes and so forth and the competence that you get by getting people of quality into your industry and the new sources that we were talking about before and the new people and the new resources coming in. It provides for that potential.

Now, potential isn't actual, and therefore you have to give credit to the leaders before us—and when I say leaders, I don't put myself in that category. I'm talking about the leaders who are the owners of the wineries and the leaders of the industry. What direction were they taking? In 1975, that atmosphere was there. And I say 1975, because that's the period that I came in.

But long before, there were personalities who were very impressive. There were people who stretched themselves and others. I'm just part of the continuum but with a different training. That's basically the way I would see it. A torch was handed to me, and really glistening was the torch that was given to me. I was asked to perhaps move it a little bit farther. All you can do is, in increments, move these issues a little bit farther.

I really marvel at them being willing to listen to some of the things I said and to provide the finances for the personnel that is needed. They're very supportive of the initiatives. The industry has had to make some very important decisions—just the questions on sulfites, how we handle advertising, the direction we're taking on the whole question of education and social responsibility and drunk driving—those are all major questions.

If this interview means anything, it is really an opportunity to address the larger group rather than me as an individual. What kind of environment did they create to help foster this type of inner discussion? There is no self-deception. And there's no self-illusion. When you're talking about Ernest and Julio Gallo, those are two very important considerations and it radiates, you know, to everybody. You can't kid yourself. Look at life whole, almost the way Matthew Arnold would describe things. Don't kid yourself. Be a realist. Examine your times, and do what has to be done. Don't wait for somebody to tell you what to do. So, it's strengthened me and it has made me, I think, a more qualified person. And I think I shouldn't say anymore than that.

Teiser: Okay.

The Evolving Wine Institute

Interview 4: September 10, 1989

[Tape 6, Side A]

De Luca: When I first came in, the thing that struck me in 1975 was the open-mindedness of the industry. In the early days, the definition of my work was a classic work with a trade association: to be involved with service, putting on meetings, making sure committee meetings took place, being a gatherer of statistics. But it became apparent to me by the second and third year, as they were responding to my white papers, that the role of the Institute and the role of the president could be seen more in strategic terms; not just in servicing an industry, but to plot a course of action, to come up with recommendations, to foresee possible areas of new priorities.

The role of the Wine Institute really evolved. That became very attractive to me. I used to scribble little notes on napkins on airplane flights, and then come home and try to expand on them, and then meet with the executive committee or the board or with committee chairmen and talk in terms of what I thought was happening. But I needed to test that; I needed to have that, in a sense, re-analyzed.

In that give and take, the Institute became more a reform group, more looking at the geopolitical strategic issues—industry-wide issues. That became very apparent to me on the Code of Advertising, and it certainly became very apparent on the issue of drunk driving, where we were looking at these in the late seventies and the early eighties. The most gratifying of evolutions was the notion that we should think of the globalization of the industry and to advocate changes through legislation. If you recall, very few people genuinely thought that the Wine Equity Act would be more than a Congressional resolution of intent but without any real effect. That, in turn, became a strategic change for the whole world.

I don't know to what extent I'm being redundant, but you're aware that in the last three years we've opened information offices in Hong Kong, Singapore, Taipei, Seoul, Tokyo, Montreal, London, near Munich, and now we're thinking of one in Milano. Next month there will be fifty-five wineries going to Scandinavia, there'll be seventy-five

wineries going to Great Britain, there already have been several forty-five to fifty-member delegations that have gone to the Far East, particularly to Japan.

Well, this is an extraordinary stretching exercise for all of us, learning about the people overseas, and it has a direct effect on us here in this country. If you accept the thesis that one way to be strong marketers in your own country in a world where image is so important and the notion that foreign wines, in particular, were the classic wines—if you accept the notion that as more and more people see us as a world-class wine, then you'll see that in the understanding of our internal marketing, the cachet of imports being better will be reduced, and more people will say, "I saw that California wine on a menu in Tokyo," or "I saw it in Paris," or "I saw it in London." There won't be that easy temptation to think—in terms of competition in our own country—that foreign wines are better.

So they really did consolidate an integrated approach.

Funding from Targeted Export Assistance Fund

- Teiser: I think you got grants from the Targeted Export Assistance Fund and a state fund towards your export program.
- De Luca: Yes, we just were informed recently of another nine-million-dollar grant from the TEA Program. This is the Targeted Export Assistance Program, where we essentially receive grain, wheat, commodities, and sell them in the open market. It's the funds that we receive from those commodities that permit us to do the overseas export program. It was tied into agricultural surpluses that have built up over the years.
- I believe with this latest amount of money, that will start October 1—because, as you know, the fiscal year for the federal government is from October 1 to September 30—with this additional \$9 million, I think we will have received \$27 million from the federal government alone.
- Teiser: Over what period of years?
- De Luca: In the last four and a half years. Most of the money has been accelerated in the last three years; we started out slow. We do have matching funds. A very substantial part of our export expansion has been the incentive to the wineries to have matching funds as wineries. While half of the funds are used for industry programs, half of the funds are used for matching programs with individual wineries.
- Teiser: How does that work, then?
- De Luca: The Wine Institute puts together an application. It is through the Wine Institute that you submit programs and recommendations to the federal government. Half of the program is for California-wide, what you would call generic or industry-wide programs overseas—Western Europe, particularly, and the Far East also. Then half of the money—say, of the \$9 million, \$4.5 would be used for industry-wide programs, and

then another \$4.5 million would be matched by another \$4.5 million from the individual companies.

They submit their program to us, we assimilate it into an integrated program to the federal government. The Department of Agriculture holds us responsible for both aspects. We then distribute and administer the program, and we give the funds to the individual companies. They then meet certain criteria. In truth, one of the great breakthroughs, again, recently was that Canada, having been off—in a sense, you could not use federal funds for TEA Program activities in Canada—they now have accepted our recommendation. So there'll be matching funds also for work in Canada. Well, that's a major breakthrough for us.

Teiser: Suppose I have a winery in Healdsburg and want to get in on this. What do I do?

De Luca: You make an application to our professional staff, which is headed by Joe Rollo with Monica Panek and Steve Burns. They assess your program. Say you had done this last year or the two previous years; they would try to assess your program in light of your past application and performance. Then they would try to integrate that in terms of a larger program, in competition with other applicants. We receive, say, sixty or seventy different wineries (in the beginning it used to be a lot smaller number) requesting funds. Basically we assess whether the program they are submitting to us can be achieved, if they have the economic, promotional, and export strengths to do what they say they're going to do.

We work very closely with a committee, the International Trade Committee. It's chaired by Frank Woods and works on promotional programs. Really, it's a professional assessment, and the totality becomes one major application to the federal government.

Teiser: Suppose my Healdsburg winery thinks it can sell wine in Japan, for instance, and wants to put together a sales promotion in some city in Japan. Is that the way it goes?

De Luca: There are very, very strong and strict guidelines. The program is not just simply your thoughts and our thoughts together. You have to meet very stringent federal guidelines as to how programs are used. There's a legislative oversight over the work of the TEA Program that extends far beyond wine. There are books and manuals that are sent out to everyone.

Teiser: Beating the bushes for sales.

De Luca: There are certain funds that are eligible for matching funds; there are certain funds that are not. You have to make the judgment, as a winery, as to what you would be doing anyway, regardless of this federal program. What would you be doing that could, in effect, be assisted by the federal program? I think the encouraging thing is that over the last several years, in an evolutionary manner, we've been able to go back to the government and say, "Look at the performance, look at the application and what they have actually achieved, and we can use more funds."

We started out with a minor grant, although for us it was a breakthrough, of some \$600,000, and now we're talking about close to \$10 million a year. That nowhere matches the total output of the wineries themselves, and not all the countries are eligible

for the TEA Program. In a sense, this is kind of core assistance, but it doesn't cover all of the work done by our wineries. But it is a major assistance, and is encouraging.

Teiser: Exports have increased, have they not?

De Luca: Yes, they have increased for the last several years. Part of it is because of the program we just discussed briefly, part of it is the currency situation in the world. There's no way you can talk about international trade, both imports and exports, without looking at the impact of the dollar and how it is assessed by other currencies. But our people have been much more knowledgeable and much more aggressive. They certainly are traveling more and making more contacts. I see that, ultimately, as a great benefit, not only overseas, but also in our own country.

The EEC Tightens Control

Teiser: What about the EEC? It's tightening its hold already, isn't it?

De Luca: Yes. The EEC analysis, I think, is one of the most critical when we look at the California wine industry. That is because the major wine-producing countries in the world find the top three—Italy, France, and Spain—as part of the European Economic Community. Therefore, wine is produced in its majority in one of the great economic dynamos of the world. If it were Latin America or Africa or the Far East, it still would be important, but wine production in its majority is coming from that part of the world which is showing great economic strength, which is also banding together, not only in terms of the European Economic Community, but in a very specific program called the Common Agricultural Program [CAP]. That program is designed to help the milk industry and the wine industry on the continent. It is part of that program that looks upon wine as a jobs issue in the European community, and therefore you have the distillation programs, subsidy programs, the programs for exports overseas in terms of maintaining the balance in your own society between consumption and production.

What's happening is that there is an enormous production, not quite the consumption of those wines. The Common Agricultural Policy's goal is how to maintain price support and employment. So you get involved with the fiscal, monetary, political decisions of an organization that is planning to be integrated by 1992.

Teiser: Isn't there some effort being made to cut back vineyard acreage?

De Luca: There is. That came as a result, three years ago, of what was called the Dublin Summit—it was also tagged the Wine Summit—where Margaret Thatcher in England basically raised the major issue: Why should the British pound, and why should non-continental members, be subsidizing the continent, particularly in the area of wine? In response to her, there was not the full rollback to what she wished, but a policy statement that there would be acreage controls—but not immediate; they'd have to be phased out.

If you travel through Europe you see, in particular, what has occurred. That it is ubiquitous, and it's a constant on the railroad scene if you go up and down Italy. I've seen row after row of vineyards—small ones, big ones; every little tract has one—and it is part of the politics of that nation. I describe it often as a policy of exporting unemployment to the continent of the United States. Because, in truth, they see this as a way of keeping equilibrium in their own societies. For us who produce only 5 percent of the world's wine, we have to come to grips with this economic powerhouse called the European Economic Community. It really does dominate the world of wine.

- Teiser: Jack Davies said that one of the reasons he invested in Portugal was that he wanted to have a toehold in Europe before the European Economic Community got completely organized. Will that be a trend? Will other American winemakers try that?
- De Luca: I think it's being studied carefully. We at the Wine Institute are looking at our London office and the prospect of a Milano office, and our present office in Germany and the potential for one in Brussels, for understanding better the local economies. I think Jack is one of the forward thinkers of our industry. He's had joint ventures with foreign concerns before. I think he's looking at the world of champagne and how that's evolving, and the strictures in France that have forced the French to have to look beyond their borders, particularly to California.

But I think he's on to something that has to be studied, and the question is really one of timing—one of opportunity. Not every winery will have the same opportunities. But he's putting into practice something that I believe is necessary, and that is that we in California must understand what's happening in the societies and economies, not only in the European Economic Community, and now the fair trade agreement with Canada, but also the Far East, the rim of the Pacific, the Caribbean, Latin America. It's not only just for those one or two additional consumers that you could attract; it's just a necessity for anyone competing in any major business today. It's a necessity to understand your own country by understanding what's going on globally, internationally. Because the forces around us impinge dramatically on us.

I refer to this phase as the globalization of the California wine industry, and I've set for myself the major goal of transforming a basically production-driven state economy into an international competitor. In order to do that, we must invest in resources; we must invest in human, political, and market resources. In other words, by becoming a competitor internationally, you maintain yourself as a competitor, period, in the industry that you're in. Otherwise you fall prey to the provincial attitudes that can occur.

This is perhaps anticipating some other questions that you have, but this is an exceptional period of contradiction. It leads to a high premium of understanding your times. It's clear to me that when there's a major pattern and everyone is understanding it, we respond to it; there is kind of a group ethic that is imposed by events, and everyone understands the times. For example, Prohibition, or the need to overcome Prohibition, or the need to reestablish the industry post-World War II and to invest in research and technology, and to understand better where to plant grapes, and zones and so forth. There you have a common ethic; everyone understands what needs to be done.

The present period is one where you have both negative and positive forces side by side. You have great difficulty in understanding which of these trends is going to be

paramount, and therefore, as an organization—as an industry, as a winery, as a group, as an appellation, as a, let's say, regional group—where should you go? What direction should you take? What should be the emphasis right now? That's where, I believe, the future strength of the industry will be enhanced—that is, in the constant, everyday attempt we're all making to understand what we're going through. Because out of that I think there will be distillation of new values and new directions and new emphases.

We're sitting down right now in a period of change, and therefore the study of change and the ordeal of change and the management of change and the direction of change are what I think characterize this period. Some can see it in a very positive way, some can see it in a contradictory way, some see it in a negative way. But out of this study will come a stronger sense of direction.

Challenges of the Warning Label

De Luca: The warning label, I think, is a very major opportunity to ask a lot of questions: What does it mean? Where is it going? Why did it happen? What does it mean for the industry? How do we respond to it?

Teiser: These are challenges that are making you try to figure out new things, is that it?

De Luca: Yes. I think—and not I alone—that there is a real attempt on the part of the industry, and a real attempt on the part of the organization representing the industry, to try to come to grips with real issues and to try to understand. Therefore the role of the organization would be not so much, again, to service members or to put on meetings, but to serve as a strategic arm of the industry. And that isn't always what the Institute was, nor will it be a guarantee that that's what it will be in the future.

Right now, I think, the times demand that we put our best thinking caps on and [study] our best resources as to what should be the directions that we take.

Teiser: One of the most obvious problems, and maybe it's not at all the biggest problem, is the so-called neo-prohibitionism. That's a real hard one. What can you do? What sort of thing can you do that hasn't been done?

De Luca: May I answer it this way: with new members coming in recent months onto the executive committee, which I felt was a real powerful reform—the changes in our bylaws have permitted new forces, particularly smaller wineries below 100,000 cases—some of them have been advised, as they tried to study up on the past as they've come into new positions of leadership, that there were papers that were presented that were given to other members of the executive committee some time ago. I was asked to kind of go back into my own files and resurrect some of the papers. One that I found, which I wrote in 1976, was an analysis of neo-prohibitionism. The paper was considered at that time so sensitive, that rather than I delivering it—because the concern was that it would be dismissed as an industry paper—the concern led me to giving it to mainstream alcoholism groups to see if, in fact, they saw the same development as I did.

The Alcohol and Drug Problems Association and the National Council on Alcoholism—both of those bodies were purged in recent years. The leadership of both of those groups saw this neo-prohibitionist analysis by me as relevant; that is, they could foresee in 1976, '77, '78, the radicalization of their own organizations, which were basically treatment-oriented, trying to help in the acknowledgment of alcoholism as a disease. You recall that whole phase, where they wanted to have more attention and more research given. So the first papers I presented on neo-prohibitionism were actually publicly announced through other organizations.

I anticipated that the development would be not so much strong by itself, but more taking advantage of the environment that we were going to head into, which was grave and legitimate concern for alcohol abuse and for the question of substance abuse, particularly drugs. What they were trying to do was not so much create the issues, but to exploit the issues. Legitimate questions, like the matter of taxes, and whether advertising and giving information to the public would lead to neo-prohibitionism. The way I defined neo-prohibitionism was not so much an effort to go back and have a ban on alcohol products, but to have incremental attacks that in the aggregate would be de facto prohibition; that is, never to have legislation to ban it, but if the product had heavy taxes on it, and if controls were instituted, and if you have health scares, then you could have, in effect, a rollback of the consumption of the product. Their thesis was that the only way to stop alcohol abuse was to curtail consumption; that's basically their thesis.

All of it required government action. All of it required getting involved in the political arena, and therefore my thesis was that we have to be much more active in the political community, because that's where much of the danger was centered. Not to deny promotional programs or educational programs—to the contrary, we needed them—but to say that in this period, at the end of the century, as against the mid thirties, forties, fifties, sixties, we're going to have heightened involvement in the political arena. What would give it even added force would be this zero-risk syndrome that was being promoted all over the country for all products—not just for alcohol. In truth, for the last several years, confirmation of this has been on how apples were treated, and how grapes were treated, and how pesticides for the general food community were treated.

I've often told our members that being part of the agricultural community, which for some meant being inoculated against the challenges from the neo-prohibitionists, would in fact open us up to other attacks, that agriculture and the food cycle in America was going to be attacked. Therefore we were not going to be immunized by saying wine was food, because food itself was under attack. In fact, if you look at many of the things happening in California, whether it was Proposition 65 or the new environmental one that Lloyd Connolly and Attorney General Van de Kamp were talking about, if you're in the food industry, if you're in the food business, if you're in the food chain, that whole area is under attack, primarily through the question of the environment and through the instrumentalities of investigation.

I want to make just one observation: the ability to find out, through dramatic instrumental change, parts per million, parts per billion of just about anything in a product, has outstripped our ability to comprehend what it is that we have scientifically.

[Tape 6, Side B]

De Luca: It's very revealing to me that only recently do we have an institute for risk analysis established by David Packard and by various members of the university at Stanford, because this is one of the major areas of contradiction in American society today. We could find so much about a product; you can detect lead, arsenic, ethyl carbamate; you can detect urethane; you can go into just about any product with water or milk or any foodstuff and discover, through great instrumentation technology, parts per trillion. And yet we scientifically have not comprehended the factor for risk. We go from understanding these miniscule amounts in a product to making these very glib broadsides that they are toxic to our society, because in heavy doses with lab animals they produce reproductive toxicants or carcinogens. That's where the risk analysis is failing us. We don't have the capability of comprehending what our instrumentation is giving us; we're not yet there. This has led to many of the health scares. This has led to many of the broadside concerns in society—not just on alcoholic beverages, but on everything.

One of the things that's happening under Proposition 65 is that little by little the inexorable work of that proposition is causing product after product to put up warnings. Now, we in the wine world, beer and spirits, were in the forefront of that, and many people thought we were the only ones who were going to end up with warnings. But every week and every month that goes by, more and more products are having to be warned about. In fact, there's a real political dilemma as to what to do with orange juice, vanilla extract, and cough medicine, because these products have ethyl alcohol, and Proposition 65 didn't make any distinction between ethyl alcohol in alcoholic beverages and ethyl alcohol in other products.

The scientific advisory panel that was created by the governor, which right now is in great flux, has been trying to grapple with the problem under Proposition 65 of having to put warnings on many everyday common products—fruits, vegetables, and juices. What's going to happen in California if you have a ubiquitous warning? Well, one of the things it will do is point out to our critics that it isn't just wine, beer, or spirits that are caught up in this whole concern; it's really society as a whole. And the warning label—I hope at a certain point you'll give me an opportunity to discuss that—has caused great frustration, I would say. Frustration isn't even the right word: consternation, and what is the real threat, and what is the real danger to the industry, and what was it that happened, and why is it that we have this coming up on November the 18th, 1989?

Teiser: Go ahead and talk about it now.

De Luca: One of the real challenges to the Wine Institute—to its members, to the leadership, to every winery—has been to understand the new development; legislation by Congress, with President Reagan signing it, requires that wine, beer, and spirits product containers, as of November the 18th, have a warning label on it as a government warning. This has led to internal debate as to whether we should have more promotion and education, whether it should be through a group called AWARE, whether it should be through a group called the National Wine Coalition, should it be through another group called the National Vintners' Association. I'd say we've had, in the last twelve months, an internal debate as to how to confront this new development, which to some signalled the highwater mark of the work of the neo-prohibitionists; that is, a visible

sign that the neo-prohibitionist agenda was becoming accomplished by this actual passage of legislation, and therefore it was kind of tantamount to recognition; where before it was discussed, now it's really becoming crystallized.

We have tried to come to grips with this warning label. I'm in a position to share with you the analysis and the actions, so at least historically they would be part of the record as to how, at a certain time, a certain group of individuals analyzed what occurred, and how they handled it. Because I think if we go through this period and not put it down, it might be very difficult to recapture.



L-R: John De Luca, Senator Alan Cranston, Mrs. Danrell, Judge Danrell, Bob Gallo

Essentially, the warning label issue, because it had been around for so long, was stereotyped. In 1979, Senator Strom Thurmond did succeed in getting a warning label bill passed by the Senate of the United States (but not by the House). People are not even aware of that, that it went back that long ago. The requirement was only for spirits; beer and wine were exempted. It was May of 1979, and the vote was an overwhelming vote—something like 79 to 17—who thought there should be a warning on spirits products. They started out on beer and wine, but those were exempt. I remember both Alan Cranston and S. I. Hayakawa working very diligently in trying to get that exemption for wine and then for beer.

In the decade that followed, there was always the warning label bill presented again and again and again. Every year, Senator Thurmond, who had been doing it for the last two decades, would say, "If you're putting a warning label on my home industry, tobacco, then there should be a warning label also on alcoholic beverages." He came at it from

that point of view. Every time it would come up, there would be procedural motions that were made that would either confine it to spirits, which is what happened in 1979, or in 1980 the House of Representatives said, “Enough of all this. Why don’t we have a comprehensive study. We’re always being challenged by pro-warning label advocates that we need to do this. As a matter of law, let’s instruct the two major departments—Treasury (in other words BATF) and Health, Education, and Welfare (HEW) (today it’s called Health and Human Services), which housed the NIAAA and the Food and Drug Administration—to examine the whole question of warnings and were they efficacious. Did they work with other products? Were they warranted for alcoholic beverages?”

Following a very major study, with researchers, protagonists and antagonists, with communication specialists, they came out with a document in June of 1980, presented to President Jimmy Carter just prior to the conventions in 1980, which said that warning labels were not warranted for alcoholic beverages. We maintained our position, from that point on, in support of the government finding. When everybody would ask, “How do you feel about warning labels?” we’d always say, “We support the findings of Treasury and HEW that they’re not warranted, that there is common knowledge of these matters; that alcoholic beverages have been around for thousands of years, and there is knowledge of what happens when you abuse these products. There is certainly enough discussion in society in the health care community for this to be known; it’s widespread.”

Despite that, every year as a political effort there would be this charge mounted, and always it would come out of the Senate committees; there was always this push behind it. And always it would be stopped either in the House of Representatives or, in 1985, ‘86, ‘87, where the leadership of the Senate would put holds on the matter, which meant a Senator said, “Don’t vote on it; don’t bring it up to the floor. I think there’s something deficient, or there’s a reason for you not to bring it up to the floor.”

So that’s how we had proceeded for the major life of my experience with the Wine Institute. Warning labels would be presented, warning labels would always come out of the Senate committees, but never make it to the full House or, more recently, to the full Senate. Nineteen eighty-eight was quite different. First of all, the obvious, it did pass in 1988. But why it did pass, and what were the circumstances behind it are really the subject matter for real scrutiny and real study.

In 1988 presidential candidates were arguing very strongly for an accelerated war on the issue of drugs, and by drugs here they meant crack cocaine, primarily. Here you had Jesse Jackson running for president, who made that a major part of his platform, and great frustration building up over the cartels in Colombia, and the obvious killings that were taking place in Washington, D. C., the capital of the United States. It became much more apparent that this traffic [increased], despite all of the, I think, notable requests on the part of the Reagans, and particularly Nancy Reagan, on the issue of drugs. It was just simply not occurring.

To combat this, a major omnibus bill was put together, 300 pages, going into every aspect of society—constitutional questions, military questions, interdiction questions, customs, what to do in terms of strengthening the law enforcement agencies or criminal justice system. It was a very major debate. In that climate, Senator Strom Thurmond and his allies felt that they could introduce this warning label bill, not on its own, but as an

amendment to this larger package, where the concern for the larger issues would carry the amendment.

In senatorial terms, because of the various rules of the Senate, you could put a rule together where you could not vote just on the warning labels alone; you'd have to vote up or down on the entire process itself. This is often the way legislative strategies are promoted, and that is to insert a smaller issue into a bigger issue, and then say you cannot vote on the individual one. This is what happened with the Presidio, where in closing down all the military camps, the vote in the Congress was not on any one specific one, but on the whole questions of military installations. If you're smart and you can insert yourself into that kind of a process, then you have the larger issue carrying your smaller issue.

Senator Strom Thurmond had a full head of steam behind that strategy, and looking at the history of the Senate we could see that this was definitely going to work, because the Senate had always been the one place where the legislation generated and got this kind of strength. The House had already passed an omnibus drug bill by the time this strategy was in full force, so it appeared to a number of forces that he would have for the first time the strength to pass his bill, trying to disguise it under the larger question of the drug bill, and pass it that way.

At this moment a very major decision was made, and that was, on the part of the spirits and beer industries, to go to their major senators—in this case it was Senator Wendell Ford in Kentucky and Senator John Danforth in Missouri—to see if there could be a compromise struck on Thurmond's bill.

There are three features in the Thurmond bill that need to be discussed today, and if we don't, we miss the whole impact of what has occurred. In the Thurmond bill was a rotational requirement; that is, not only would there be a warning, but there would be five rotational warnings. You would have to have different messages at different times on your containers. So you'd have one, and then two and a half months later you'd have to take that off and put on another, and two and a half months later put on another. That was one of the sections in the Thurmond bill.

The Thurmond bill would not preempt the other states. In other words, even though the federal government was asking for a warning label, it wasn't going to be preemptive legislation. It meant that you would have a federal requirement, but you'd still be subjected to New York, California, Tennessee, Kentucky, Missouri—you could have a tank trap system of fifty different states, all desirous of putting on their own warning. We already had the experience with Prop 65 that California was in the forefront of the states that wanted to put on warnings.

The most critical aspect of the provisions was a section in the Thurmond bill that indicated that the warning label, if passed, could not be used by any of the companies as a defense in product liability lawsuits. This was not in the original legislation for cigarettes, and even though there's absolutely no comparison between our product and cigarettes, there was a legal precedent where they believed that the tobacco companies took advantage of the warnings for legal defense matters. Therefore, their desire was to not have the warning become a legal defense, and therefore they wrote into the Thurmond bill a specific section that said, in effect, to the law firms of America, "You

have an engraved invitation by the Congress of the United States to come into this field, because the defendants can't use it as a defense."

Spectacular development! All the law firms followed this progress. Law firms have market development needs, like everybody else: where is the new area and the new major, let's say, battleground for litigation? Where would there be openings for the law firms to bring new lawsuits? With that section in the legislation, law firms were following the course of that bill very carefully. They have their own newsletters, they have their own analytical pieces, and their sense was that if this legislation passes with that section in there, they would, in effect, have a major new multi-billion-dollar area for litigation. I couldn't, as a company, John De Luca Vineyards, say, "I have a warning," as a defense, because the Congress was going to say, "No, you can't." That would be devastating in terms of a jury and deposition and legal arguments.

At this point, having said this, these two senators, Danforth and Ford, in dealing with Thurmond, said, "If you want to go with the warning label, and you're really interested in just warning people and not all these other matters, we advise you to compromise." They threatened filibusters, they threatened all the things that senators can, and they knocked out the rotational warnings, they knocked out the section on product liability, and they did write it in a manner to preempt the fifty states, saying that the Congress of the United States had taken hold of this whole area. And that's how the legislation passed.

Now, the pro-warning advocates were stunned at this development. It happened so fast, and it happened, really, not in open meetings; these were really negotiated settlements. When they found out what was passed out of the Senate and into the drug bill, they suddenly realized that the real teeth that they wanted had been taken out of that legislation. So you had the irony of them saying, "We don't think that's a good warning label bill." But by this time it wasn't really just the anti-alcohol advocates, like the Center for Science in the Public Interest, who were involved; it was the whole legal profession of the United States, looking at it in terms of the precedent for product liability work.

So the effort shifted over to the House. Because I'm obviously going to be long gone before anybody reads any of this, I can tell you that the role of the Wine Institute was not to be pro-warning or anti-warning—we always were anti-warning—but to help preserve the compromise. Because if the compromise were in any way rejected, then we would have the full force of the Thurmond legislation with all these things that I just said. If there's anything that could bring down an industry overnight, it would be to have launched upon it the legal profession—the law firms; to have upon it lawsuits for product liability.

Look what happened to asbestos; overnight you lose an industry! People asked if I was for the warnings: of course not. Did I believe in the warnings? Of course not. But at that point, that wasn't the issue. The issue was: the compromise that had been hammered out in the Senate could be lost in the House, and if it were lost in the House we'd have warning label legislation that would truly be draconian, truly disastrous to our industry.

My whole effort, and [that of] the colleagues around me—I kept the officers informed, I kept the key chairmen and members informed—was to assure that the compromise was

preserved. When the legislation finally came out, it was just an amendment to the omnibus drug bill, the President signed it (nobody ever thought he would veto such a major bill), and very few people even knew that the wine label legislation had passed. In fact, that's one of the constants. People say, "When did this happen? How did it happen? Where did it occur?" And that was another blow to the pro-warning advocates. What they really wanted was the fanfare of every-night publicity; they wanted people on television, they wanted speeches on the floor of the Congress. They felt that they were denied the opportunity for the public relations part of the warning, which they would consider to be just as important as the legislation itself, to arouse the whole world that this had happened. This happened so fast, and it didn't happen in a manner that really pleased them.

They have ballyhooed that they got a warning label bill through, which is, indeed, what did occur. But the way to analyze it is not so much that they got it through, but what was it that they got through, and what was the alternative? So the Wine Institute leadership, knowing this—and this was all done very quickly, very fast, in diplomatic and negotiating terms—permitted me the role that I did play, which, as I said, was not to be for warnings; far from it, but to make sure we didn't get the Thurmond bill in a very highly charged political season where anything could pass because of the legitimate concern Americans have about drugs. Look what's happened in just the last ten days. Just look at the papers right now, and how highly charged that issue is.

Now, alcohol abuse is not the equivalent in any way to the crack cocaine issue. There is a legitimate question about alcohol abuse, there is an obviously legitimate question about the use of cocaine, crack, heroin. What we face is the challenge of people trying to equate a glass of chardonnay with crack cocaine. In the minds of our legislators, they certainly know the difference. In the minds of the public, they know the difference. But that's where the neo-prohibitionists are trying very hard to keep this pot boiling, and that is to continue to insert their agenda into this larger agenda.

For our members, in the face of all this—and what I've just told you, I have not ever spoken publicly—there obviously is frustration and apprehension: what does this all mean? But my sense is that we have negotiated through one of the most dangerous moments in the history of the wine industry in this last half century—through this period that I've just described to you. Had the original intent of the Thurmond bill been passed and integrated, we would really have a serious danger to this industry.

[Tape 7, Side A]

De Luca: The reason I have consensus within the leadership of the industry, but concern on the periphery, is that there is a knowledge gap on many of these issues, and we're trying hard to close that. We're trying hard ourselves to close this knowledge gap. If you're in a meeting, and there are twenty-two of you, and it's off the record, and it's executive session, I can go through these things. But how do I reach the other 550 wineries that are not in that meeting? I can't put this in writing; I can't send out a memo to them. So what you hope is that through word of mouth this is what becomes perceived.

Any questions on what I just described?

Framing the Issues: The Excise Tax Legislation

- Teiser: I wonder if there's a parallel between that and your backing of an excise tax raise?
- De Luca: That's a very good question, because it leads not just into the excise tax, but it leads into a mode of thinking that I believe has become a real strength for the industry. The excise tax, warning label, all of these advertising, drunk driving issues, international affairs—there is a common theme that runs through all of them, and that is analyzing the issues, taking a position so that you can advocate a position, not creating a vacuum, and, above all, not permitting either government or adversaries to frame the issue for you. So there is much to be said, comparing what we did on the excise tax to what we did on the advertising code. That is, what is it that we believe must be done? What is it, before somebody takes a position against us, that we should stand for? How do we frame the issue so that when we go to the public, when we go to the community, when we go to the media, when we go to the elected officials, we stand for something, rather than being against something?

If you follow all this, the excise tax attempt was not so much to preempt an initiative by Assemblyman Lloyd Connolly and the pro-tax lobby that we have, but primarily to not have a period of silence, January until now, where the only people speaking out on the issue were the ones who were advocating the change. By our saying that we are for an excise tax, but we want it through the legislature—we're for it as a responsible act, not something that is Draconian—permitted all of our members, permitted me with the press, permitted me with the various consumer groups, to not simply say, "No, we're against taxes," but to say, "We're against that form of taxation, but here's something we think makes sense for us."

It also was the price of our credibility. In order for us to have a forum where we would promote the notion that in addition to excise taxes, last year we paid over \$200 million in property taxes, in income taxes, sales taxes, licenses and fees. I would not be given that opportunity—the industry would not be given that opportunity—if all we were saying was "No" against taxes. By having our own program, the reporter was willing to listen to the next two or three sentences, which said, "Don't obliterate the true contribution we make in terms of revenues and the economy by just simply saying that we haven't had an excise tax increase since 1937, and it's only a penny a gallon." By referring to the penny-a-gallon increase, they would try to make it appear to everyone that we weren't paying our fair share. The obvious response would be, "My gosh, you people have gotten away with murder for fifty-some years; you've only had a penny-a-gallon increase," obscuring all the other ways we pay taxes.

So the excise tax, the Alquist bill, was heard by two committees—revenue and tax, and appropriations in the Senate—and was passed by a two-thirds vote in the Senate. All along, as it was being followed, you were getting stories in there that had our side. We got strong editorial support from the *L.A. Times* and the *Sacramento Bee*, which we would not have gotten if all we had said was "no" against another increase. But it's part of the approach—the Wine Equity Act, the advertising Code of Ethics, our position on drunk driving—all of these are ways of putting forward programs for our own members to say, "This is what we stand for." As you know, in society you can't beat something with nothing; you have to have a position paper, you have to have a program, you have

to have a point of view, so that people know what you stand for—not only what you oppose.

It's in that same spirit that the initiative was taken on our part to come forward and, in truth, many people said, "This is kind of odd, isn't it—you guys advocating a tax for yourselves?" I said, "Good question. Why do you think we did it?" They'd say, "You're trying to stop the initiative from taking place." I said, "No, that's going to take place regardless, but at least we're framing the issue. In life, as well as in politics, it's who frames the issue that has the commanding heights of a strategy." So, to the credit of the industry, not so much that I proposed it—it's to their credit that they supported it and saw it that way.

In fact, we face, for November of 1990, a very major challenge in the way of a tax initiative that will be put on the ballot. We continue to look at additional ways—not just the legislation that I just outlined—for us to continue to keep the other side from just having a field day, where they're the only ones and have a free ride in describing what they want to do.

That's really the same spirit that we approached it.

Symposia and Seminars

- Teiser: Some years ago, I think you used to co-sponsor symposia on wine and health. I don't think any of those have been held recently. This was at UC Medical Center. Do you have any program now?
- De Luca: The answer is yes. They're not called symposia on wine and health. The last one that was addressed that way, I believe, was in New York City under Mike Mondavi's chairmanship, so that would have been two years ago. We've had seminars, where we try to address the cultural, anthropological, historical background of wine. Probably the major difference in the last twelve months was that instead of making health claims, there's been more a shift to the cultural quality-of-life aspects. That's another area of our internal debate, as to what is the best approach to take.

For example, in one month—October 13 through October 20—Wine Institute is sponsoring in London a seminar on aspects of wine and culture, and wine and religion. We will have British experts addressing the subject—not Americans trying to tell the English, but having the British themselves, but under the auspices of the Wine Institute. We have just done one recently in Washington. On April 21-22, we had a seminar in Washington, D.C., around the question of wine and culture.

So technically you would be correct in saying we haven't had a symposium on wine and health, but it's been rephrased, and in terms of emphasis more on the way people have lived, the way it has been part of our lifestyles, the way it has been part of the culture and religion, and tries to avoid making health claims. That's an area, I think, that should be left to the medical community, rather than, say, the Wine Institute itself. We try to be very precise about this. If the medical community comes out with fine research about

cardiovascular aspects of wine, we feel entitled to disseminate that information to our members and to the press. But we should not be the ones making health claims.

If Kaiser Permanente's Dr. Klatsky, or if, say, the Welsh study or the Hawaii study, or any of these epidemiological studies, talked in terms of the way people live, what they eat, drink, smoke, and so forth, and out of it comes a certain pattern, which continues to be reaffirmed, that those in the wine community have a certain lifestyle that you could say was positive in terms of the quality of life, then we want to disseminate that information.

But that's also left confusion in our own ranks as to whether that meant the Wine Institute was going to step back on research, or that the Wine Institute was not going to go forward in making health claims. I think it's more positive for us to talk in terms of quality of life and culture than it is to talk in terms of health, because you get into this very difficult area of what is healthy, what is a healthful development. "If you're going to make these claims, aren't you therefore required by law to make counterclaims?" That's where these new organizations—the National Wine Coalition, in particular—I believe is going to be very strong in the way of research and the way of dissemination of materials, and to have, in effect, a strong body of research that is under peer review that can be submitted to the various journals.

Teiser: Medical research?

De Luca: Yes. But not the Wine Institute itself. As you know, that's part of the requirements of the Treasury. People forget that Treasury has a regulation against making any therapeutic claims by any one of our own wineries. There used to be the notion that that was true for the individual wineries, but not true for the organization representing the wineries. The Treasury Department has said, "Wait a minute. Let's refine that." What they mean is that the organization can't make claims that its individual members can't make, but certainly we are entitled to enter into the field of research.

There is a great sense of confusion within the research community, within the medical community in assessing all this. We'll look back on this period of ten years and say, "What an aberration it was for us as a society—how we handled alar on apples, and how we handled Chilean grapes, and how we handled food and meats and butters and salts and sugars." They're all involved in the major issue of risk analysis. I would say that during this period of emotionalism we should continue to support basic research—I think that's very, very important—but not to in any way overleap the saddle by making health claims as an organization, but let the medical community engage in that.

National Wine Coalition and Other Organizations

Teiser: I see that Robert Mondavi is not a member of your coalition board. Are you going in a slightly divergent way from his so-called "mission"?

De Luca: I'm happy to give you some recent developments that I consider very constructive. One, I've been meeting with Robert and Michael all through the last six months, and many

aspects of the program called the Mondavi Mission are being supported by us. The one in England is a major example, and the one in Washington was a major example.

Number two, the National Wine Coalition has one of the most prestigious board of directors I've ever been associated with, and the new executive director is Dr. John Volpe. He comes from the U.S. Chamber Foundation. He's a very, very strong researcher. On September 1 I believe he became the executive director. My understanding is that within the month coming up, the Mondavis are hosting various luncheons and meetings to introduce Dr. Volpe to other vintners and to members of their own organization. I see that as a very positive sign.

Michael Mondavi was a member of the screening committee that chose Dr. Volpe, and so was I. Just to set the history correct on this new development, the National Wine Coalition emerged out of recommendations from the board of directors of Wine Institute at its Palm Springs meeting last November, right after Thanksgiving. We voted to put up \$200,000 of seed money to get it started and to provide a secretariat for it in the early years. Therefore we are intimately involved with the creation of the organization, but our sense is that within a short time—the precise time has not been directly defined; it could be a year, two years, or three years—as it takes on its own life, it definitely must have an arm's length relationship with us. But in its formative period, as it gets started, we would support it.

It has on it some extraordinary individuals. The National Wine Coalition pulled together many different resources and many different organizations in the field of research, promotion, and education for wine, including foreign wine. This is a real major breakthrough for us, that we've invited the French, the Italians, and the Germans to participate in this wine coalition, promoting wine as wine. Therefore, I think we really crossed a very major Rubicon in the creating of this organization.

But to answer your specific question, Michael Mondavi was a member of the screening committee that chose Dr. Volpe, and the Mondavis are hosting a number of events to introduce him to others in the next month and a half. Therefore I would see that as associated with the Wine Coalition.

- Teiser: Earlier you had an organization, of a much looser kind, I'm sure, called Americans For Wine. Is the National Wine Coalition sort of an outgrowth of that, or was there no relationship?
- De Luca: There is a relationship. I think historically that Americans for Wine will be put down as a footnote, as an organization that anticipated certain developments but was far ahead of its time, because the home membership had not a clear vision as to why we needed it.
- Teiser: I remember it was one of the few organizations you could join for a dollar.
- De Luca: Yes. I have told a number of people that this organization was created in 1978, and lasted until 1982. It's purpose was exactly the same as the Wine Coalition and AWARE and the National Vintners' Association—all these new groups that have come into play in the last nine or ten months. Americans for Wine, as an organization, was designed to be a national coalition to pull people together who were not just in California. But at that time we didn't have enough of a budget. At that time I was having great difficulty

convincing people about what was coming down the track. I have the role in history of putting my ear to the railroad track and hearing a rumbling, but I was not able to convince others that that rumble meant what has happened today.

Some will go through these documents, as Michael Mondavi did two years ago, because remember his outgoing remarks? He said, “Some of the things that John talked about, had we done them years ago we wouldn’t be in the position that we’re in today.” I find small comfort in that, because what it really says is that I didn’t do my job in articulating it well enough to have people understand it.

But Americans for Wine is really historically the precursor for the Wine Coalition, or for AWARE, or for any of these groups. But it didn’t have the sustaining power, because at that time people thought it was too far-fetched—the analysis that we were going to face what we face today. That’s just a matter of historical record.

Teiser: Why isn’t there more effort, or emotion, or a more favorable view to trying to put these various organizations together—AWARE and Mothers Against Drunk Driving? There are a number of organizations with very similar aims.

De Luca: First of all, to make a distinction: Mothers Against Drunk Driving, which was a very powerful and very timely development, came out of the work of a woman named Candy Lightner in Sacramento, who really was responding as a mother to the death of her daughter. There is no greater tragedy on the highways than this sense of alcohol abuse, and I’ve always advocated that we should be in the forefront of that development. Therefore, my wife and I are members of Mothers Against Drunk Driving. We’ve worked very well with the organization, and we have seen no contradiction between our association with the wine industry and being responsible parents and corporate citizens. In fact, we see them all fusing together.

So I’ve encouraged people to support organizations like Mothers Against Drunk Driving, and we have given them grants. We have associated with them. They are not getting into the area of controls the way the neo-prohibitionists are. The neo-prohibitionists genuinely want to attack the product in terms of the integrity of the product. There’s a very important distinction. I think we all can make common cause with Mothers Against Drunk Driving and any other group against alcohol abuse. The insidious part of the neo-prohibitionist agenda is to say there is no such thing as responsible drinking, there is no such thing as moderate drinking; the product itself is inherently dangerous. Therefore, any consumption is dangerous consumption.

Of course, that is refuted by history, that is refuted by common sense, that is refuted by civilization. So there are organizations that we can work with on the question of alcohol abuse, as against this politically rigid approach of trying to say there is no responsible behavior, or that there is no distinction between, say, wine, beer, and spirits and crack cocaine. That’s really what is happening. That’s the tug of war that’s occurring.

Before I forget, I have to make an observation. Often as you analyze events, the totality of that analysis adds up to a weight that appears to the listener to be negative, because you’re trying so hard to analyze your times—you spend so much time analyzing events—that you can come out of this feeling kind of depressed. I don’t come out of it that way at all. My sense, right now, is that we’re on the eve of forging a new consensus

for wine, because the effort to push us and to cause us to participate in the arena of ideas is causing us to go back to our fundamentals.

While you're going through it, it's a difficult period. It's a stressful period, but I think what will emerge out of this will be to put aside some of these wild claims, and what will stand is the fundamentals of our background, our culture, how we've handled it for thousands of years. So I see this as a potentially powerful and positive new message coming out of wine. We're more informed, we're more sophisticated about our own product. The public as a whole will understand claims better, and will not just respond to every last research or every emotional headline on television.

But in order for you to be able to do that, you've got to have a new body of understanding and comprehension. That's the challenge to us—to provide that new body of understanding. The good news is that when you look into our background—into our history, our culture, our precedents—how strong it is, how positive it is! It's up to us to present it, but not to walk away from this debate—if anything, to embrace this debate and make it our own, and through the alchemy of debate to make it a positive one for our own organization, but more important for the product and for the industry.

Teiser: How do the aims of the coalition differ from the aims of, say, AWARE?

De Luca: There are two parallel histories—two different parts of the wine industry that were responding. Therefore, I think to the observer it appears to be redundant. As I said, the National Wine Coalition historically is the extension of what the Wine Institute attempted in 1978 to 1982. So historically there was an effort made to try to use the organization as a rallying point and to accept that responsibility. To that extent, what you have is, in more modern garb, an attempt that was attempted before, but with better comprehension and better sense of its timeliness.

And, again, reaching out in terms of the media—we have the National Association of Broadcasters. I don't know if you've seen the list of the board of directors—the American Newspaper Publishers. I mean, it's really quite an organization. When you have a chance, please review it.

AWARE, if I'm not mistaken, came out of the flux around the warning label. Its predecessor was a group called SAVE. It was announced by Jerry Mead and Dan Berger at the "Wines and Vines" salute to Dan Berger in the Mark Hopkins Hotel. At that point, the representation was made that you needed a new group to promote research and education, because the Wine Institute was not occupying itself in this field. The wineries were approached by being told, "Your association has failed you, and therefore you must have another alternative." To the best of my knowledge, that's the way that organization was first announced. I think it's taken on a new evolution since that time.

Fetal Alcohol Syndrome Lawsuits

De Luca: We ought to revisit something. The period of last year, concluding with this present spring, had another very major strategic development that could have affected the

industry—could still affect the industry—and that is that up in Seattle there was a series of lawsuits that were initiated around the question of fetal alcohol syndrome. I believe the major defense in this was the Jim Beam organization. The world of litigation and the world of legal research was following this parallel; they were both being tracked—the warning label bill by Senator Strom Thurmond and the litigation in the state of Washington—as parallel developments to be watched very carefully.

The Jim Beam case was really an attempt at a class action suit to apply not just to spirits but also to beer and wine, and there were three other suits to follow. It was taken on contingency by a law firm which basically underwrote the cost of this. It was a firm that had been a defense firm for tobacco, trying to become a plaintiff's firm in the field of alcohol. You have to remember again that the great, driving need of these major law firms is new areas of litigation. You have all these law firms recruiting legal scholars, potential partners, graduates of law schools, looking towards where the law is going. The area of product liability is a very, very lucrative one.

While this area of research was going on by the legal community, we at Wine Institute took the prudent approach that any organization, any industry, any company, any individual would take in the face of litigation.

[Tape 7, Side B]

Response of Wine Institute

De Luca: While legal battles—litigation battles—were going on, which could affect our industry, we took a prudent course of assessment. What is it that we do? What is it that we say? What if the attorneys call any of us to be on the stand? What can there be in the way of discovery? A great part of legal jurisprudence is to throw out a net and see what you can find.

So we did what any prudent organization would do. We were reassessing for ourselves, in the light of these new developments, what we put out, what we stated. It was considered not a permanent development as much as an assessment on the eve of this litigation and actually during the litigation. This period was misunderstood as a total abnegation of the past for us, and that we at the Wine Institute were taking a different course of action when it came to research. We still promote research, as you well know. We still want to find out before anybody else what there is going on in the world of the academic, medical, and lab experiments.

I believe part of the misunderstanding was the definition of our work as “legal paralysis.” I heard in some quarters, “The lawyers have paralyzed the Wine Institute; therefore, the Wine Institute cannot go forward like it used to; therefore, we need a new organization to do the work that it used to do.” That contributed. I want to underscore that there were other factors, but that was one of the contributing elements in this notion that we should have a new organization doing research and education.

That misses all the work that is being done right now, the very fine staff that we have right now, headed by Elizabeth Holmgren, the consultants that we have. And it misses the point that much of what we do isn't ballyhooed through self promotion or through using the communications strengths that we have to just promote ourselves. You shouldn't really go around all the time saying all the things that you are doing. On the other hand, if you don't do enough of it, there's a vacuum of information, and it gets filled by others.

Jerry Vorpohl has come aboard our organization, as of last October; Nancy Light was just hired September 5, as our new director of communications. We have some other people that we're interviewing, and we genuinely believe that we have good information and that we should disseminate even more of it to our members. As a course of action, the organization that has 540 wineries has a special challenge on how to keep all 540 members and others informed.

When I first joined the Institute, there were 164, and I could spend the first two years and visit everybody. Today I cannot visit all 540 wineries without it being done at the expense of other activities. So we do have a very major challenge, born of success, of the hundreds of wineries that have entered into our ranks. Many of them have come in recent years; many of them were not participants in the early discussions, debates, papers that were disseminated. So what I find today is that we're sending out packets of materials to new members based on papers that were delivered in '78, '79, '80. When you re-read some of these materials, you see that we were addressing issues that part of our membership is very aware of, and a big part of our membership is not. So we're going to emphasize much more internal communication—better information on what we're doing, what issues we've addressed, why we've taken the courses of action that we've taken. Because our members are so busy; it's so hard to grow grapes, make fine wines, compete, be in the marketplace, be on the road. For them to follow all of these activities is very difficult, so we have to make a special effort to do so.

Teiser: You haven't had a public information person for some time, have you? You yourself have been the spokesman.

De Luca: Well, on some issues I always will have to be. There are some questions that the staff always turns over to me. In fact, without mentioning any names, last week AWARE referred reporters to me. That's because on some of these issues the reporter wants the president to speak; he doesn't want the public relations director. And on many of the issues that are strategic—I don't get the questions like, "What do you think is the comparison between the '88 vintage and the '86 and the '85?" There are people far superior to me to do that. So the very general questions in the industry are constantly being handled, and by very fine people.

What happens is that there is a certain kind of squeezing up to the top of very controversial questions that nobody wants to handle, including in my own organization. So I find that I'm the one who has to answer to the *L. A. Times*, the *New York Times*, the *Washington Post*, and the major television stations. But I'm happy to say that in Jerry Vorpohl we have a very articulate new staff executive, and in Nancy Light, who was just hired last week, we have a new director of communications, which used to be the title for the public relations director. She has a very fine background, and I'm confident that

she's going to do a very fine job. And we have Sam Folsom, who is really emerging and becoming much more knowledgeable, and we're looking for another media person.

So I would say that within the foreseeable four or five months, we're going to have a very strong team.

Teiser: I'll put in a word for Sam—he's very nice to work with, isn't he?

De Luca: I'm happy to say that he's slowly immersing himself. It takes a while; these are not easy subjects. What I believe is good about what's happening, with all these contestants and all these various groups coming forward, is that it does again force us back onto fundamentals. My attitude has been, "Let a thousand flowers bloom." Anybody who can come forward, who can bring any resource to this industry, I welcome. Anybody who has a legitimate constituency, anybody who can make a legitimate contribution, I have no turf to protect. I just welcome anybody who can help us to fight these battles. There's enough to go around for everybody. There's plenty to do.

By now, after fourteen years with the industry, I'm either known or not known; I'm either going to be relevant or not relevant. But if new organizations come forward, they should, however, not be just claims and no performance. I think the rhetoric has to be matched by contribution. So after a period of reasonable testing, these organizations will either have a strong body of support, or they'll have to go the way of Americans for Wine, meaning that they were there and they were on the scene, but they couldn't sustain themselves.

The missed opportunity on Americans for Wine is primarily budgetary. Remember when you said it cost a dollar a person to join? I couldn't get enough money from a dollar a person—although we had over 2,500 people; it was really a very fine response. But with \$2,500 it was awfully hard to sustain all the things you wanted to do. Now we're talking about hundreds of thousands and millions of dollars in order to do these things.

At least historically we can say that the National Wine Coalition was not a Johnny-come-lately idea from the Wine Institute, or something we did as a knee-jerk reaction to others. If anything, our record shows that we thought of these issues and attempted to do something about them.

California Wine Commission

Teiser: I wonder if I could go on to another subject: the California Wine Commission—marketing order organization. Was this one organized two years ago? It succeeded a coalition of wine people and grape growers, and then the grape growers decided not to join.

De Luca: Can I just set the record straight on that? From 1937 to 1975 we had the Wine Advisory Board, which came out of the omnibus Marketing Order Act of 1937. That is, that covered all agricultural products, and was designed to protect you against anti-trust

violations with the Department of Justice by banding together. There's still a very big element today: when you're together, you can't talk about price, you can't talk about actions that in any way would be considered anti-trust. But the Marketing Order Act provided opportunity for organizations to be formed, and one of them was the Wine Advisory Board, which contracted with the Wine Institute. The Wine Institute was formed in the spring of 1934.

The marketing order portions for the Wine Advisory Board were voluntarily terminated in the spring of 1975, and actually ended June 30, 1975. I became president some four and a half months later, so I presided for most of my career over a voluntary organization that had no marketing order funds and was solely funded by the dues of its members. This occurred from 1975 until 1984.

In 1984, after the growers—the group called the California Association of Wine Grape Growers—petitioned the Department of Food and Agriculture to have a marketing order for grape growers. The Wine Institute approached the same subject and thought it was time that we attempt a joint effort, and that we would have a joint marketing order—not their having a marketing order and our having a marketing order, but a combined one. That passed in the spring of 1984, and became effective in the summer of 1984. Its formal title was the Wine and Wine Grape Improvement Advisory Board, which was such a mouthful that everybody said, “We've got to give it a DBA (doing business as),” and we named it the Winegrowers of California.

So the Winegrowers of California, whose first chairman was Ed Mirassou, whose second chairman was Robert Young, and whose third chairman was Michael Mondavi, entered into agreements. Its first executive director was from the Bank of America, Walt Winger, the second was John Keller, and the third was Robert Reynolds.

In 1987, the options before the Winegrowers of California—this joint marketing order—were either to continue as a joint marketing order for three more years, until the summer of 1990, or to become a commission, which is a higher elevated organization, more independent than an advisory board. Remember, under the marketing order you are an advisory board to the director of Food and Agriculture, and you don't have the same powers in law and the same standing in government as a commission. So a number of growers argued for legislation to permit—this was advanced primarily by Ron Khachigian and supported by CAWG—that not just a joint marketing order but a joint commission should be formed and voted upon, because, again, the advisory board was not as powerful and as independent as the commission.

We advised them that that single option law could be perhaps misunderstood, and therefore, ironically—when you look back on the history—the Wine Institute in 1984-1987 supported a joint marketing order approach, rather than the 1987-1990 new joint commission. CAWG—the California Association of Wine Grape Growers—went ahead and introduced a spot bill that spring to permit the creation of a joint winegrowers of California commission. We looked at that after it had been introduced, and said, “There ought to be other options. There ought to be the winegrowers of California commission, a joint commission; there ought to be a California wine commission of vintners as another option; or there ought to be a wine grape growers commission, as a third option, and not just simply this one that you discussed.”

We entered into considerable debate, which led to a division of positions in front of the legislature. The Wine Institute's position is the one that prevailed, and the legislation that was carried by Assemblyman Norm Waters passed with these three alternatives. That meant that that was enabling legislation. It didn't create these bodies; it only permitted the industry to have a vote as to which one it wanted.

The first one had to be yes or no on a joint commission. We're no longer talking about a marketing order. That one was passed by the growers and defeated by the vintners. When that occurred, it triggered the second part of the legislation, which was that the vintners and the growers could then vote on whether they wanted a winery commission or a grower commission. The vintner commission passed, the grower commission failed.

So what emerged out of that whole period of debate was the California Wine Commission. We don't have a joint commission, we don't have a grower commission. We do have a wine commission, called the California Wine Commission. It became effective July 1, 1987, and will terminate June 30, 1990, unless it is reapproved. The reapproval vote is scheduled sometime early in 1990, probably the month of January, at which time the vote will be for five years. That is, if it's successful, then the California Wine Commission will go until June 30, 1995. That's the only commission that we have right now on the scene.

Teiser: Does the commission still come under the California Marketing Order Act, or whatever it is?

De Luca: No. The Marketing Order Act, which was the Omnibus Act of 1937, still prevailed for marketing orders, not for commissions. Commissions are each special legislation that must be passed—a special act of the legislature. It must pass both houses, be signed by the governor, and it has its own legislative authority. So the California Wine Commission operates under that statute, and the vote will take place based on that statute.

The only new development I can share with you is that the growers have, with our support, asked whether they could have grower commissions at the local level, as against at the state level, so that if a group of growers in one particular reporting district wishes to have a local commission, it can. But the state one was defeated, and the sense we have right now is that if the growers were to try a statewide commission, it would fail. But they have passed enabling legislation, with our concurrence, to permit a vote by local growers—Sonoma or Napa or Mendocino, or any of these local areas—to form local commissions.

You may find next year a new development in the wine industry, and that would be local grower commissions—one, two, possibly more.

Teiser: What will they be able to do?

De Luca: They could do everything that the larger state organization could do in the way of research and in the way of promotion and education.

Teiser: They can't do bargaining?

De Luca: No. And they certainly would be constrained by funds—what a local region could possibly raise, as against what a state group could form. I'm happy to say that the legislation that I just discussed—the local grower commission—has been accompanied by genuine improvement of relations between growers and vintners. There's a sense that in these last ninety days there have been, in particular, closer working relations between organized groups of growers and vintners. There have always been good working relations at the grassroots level, separate from their own organizations, but even their own organizations have worked very well lately.

Teiser: I see there's been criticism of meetings held privately that it was felt should have been held publicly, about decisions as to what the commission should do.

De Luca: Yes, there was one request in writing by a reporter who has been covering the meetings of the California Wine Commission, which was not accepted by the Department of Food and Agriculture. At the last meeting of the Wine Commission I was not present; I have not attended the meetings of the California Wine Commission for a number of obvious reasons. One, I'm well represented by my own staff, and, two, there should be a real arm's length distinction between the Wine Commission members and the Wine Institute. At that meeting it was announced that the Wine Commission was looking into the research on this subject, and I've already authorized, as the president of the Wine Institute, a legal analysis of the question by our own firm, Morrison and Foerster.

The basic charge is that because the leadership of the Wine Institute and the leadership of the California Wine Commission in many ways overlap—that there is a violation of the [Senator Barry] Keene legislation that called for open meetings. The truth of the matter is that it is a function of the evolution of the wine industry that the leadership is what it is. The leadership are the people who attend meetings, who come forward, who show and have demonstrated leadership. So what you have is not so much a planned conspiracy of one group taking over another, but the natural reflection of the leadership of an organization. They are who they are. They're active with the Wine Institute, and they're active with the California Wine Commission.

My understanding is that the director of the Department of Food and Agriculture, Henry Voss, has not accepted this claim by this one reporter, but in the interest of having it researched, we're asking the attorneys of an outside firm, Morrison and Foerster, to examine it for us. There's certainly no intent to have anything other than actual observance of the law.

Who Owns California?

Jacobson: I was going to ask about the trend of people in foreign countries such as Great Britain buying California wineries, and what that means in terms of the development of the California export market.

[Tape 8, Side A]

De Luca: Certainly, for the export market the obvious case can be made that people from Europe and from Canada and from the Far East who are in our industry will help us to break down trade barriers, will help us to understand the markets that we're trying to export. That's very obvious. But I'd like to go one step further than that, and that is: increasingly with communications, increasingly with travel, increasingly with individuals being sent to our schools, with Americans not really learning foreign languages, although the whole world is speaking English, the human resources are as important as the fiscal resources. I would say that the history so far, and the potential that you can predict, is going to be very positive for the export market, and I would say positive also for our own activities within our own country. Let me explain. If you accept the thesis that I outlined earlier of the globalization of the world economies—not just the wine industry—and that the competition requires knowledge, not only of your own country but of what's happening overseas because of the research, the technology, the marketing, and the sales, the infusion of people, both material and personal resources, into our industry, is very constructive and, I think, very powerful for the future.

Certainly, at this time of stress—let me not belabor that point. At this crossroads in our history, I would say it's an attractive development. In fact, I'm embracing that development—that foreigners with knowledge are entering into the industry. I think it's a great infusion of new strength. Just take a half step back and pause at the opposite: suppose no one was buying into the industry? Suppose nobody was interested in this industry—no new people were coming in, no new thoughts for marketing and exports and knowledge? We'd have to be dependent on our own internal resources, which, while formidable, I think have been augmented by the addition of new blood.

I believe there are approximately thirty-two wineries in the industry right now that are owned by foreign ownership. Far from affecting the integrity of the California identity, I see them as becoming strengths along the history of the past. There has always been, to go to our roots, this infusion of European, primarily, now Asian investors, purchasers, marketers, owners. So it's in keeping with our history; it's not an aberration. And it is a strengthening of the resources that we have. And, third, it's a necessity in the global economy. I think the proof of that is how well we're doing in these countries right now. I get the telexes every day. It's really fun to go into the office and see what's coming out of our London office, what's coming out of Montreal, what's coming out of Tokyo. You really have an intimacy there that you normally wouldn't have reading textbooks or reading statistics. You get on the phone and you talk to your London office, you talk to your Tokyo office, and people come back with messages, and they're visiting here with the media, with marketers. The Wine Institute is like the United Nations right now.

By the way, just for the record, all of this is leading to a change in the physical premises of the Wine Institute. Our target date is the end of the year, December 29, and we're planning to move to 425 Market Street—new, expanded quarters. Part of that is in reflection of the necessity for new individuals to be working, and to have new facilities for greeting so many of our guests. That's only one aspect, but it's an important aspect.

Teiser: I hope you're going to have a good air conditioner.

De Luca: Yes, we not only hope to, we plan on that. By the way, also our history at the Wine Institute, where we had several floors—I think integrating our people and having them in closer contact will be more positive and beneficial.

I just wanted to make the point that if you were to sit in the lobby of the Wine Institute right now, you'd be seeing Japanese guests, Korean guests, Belgian, Swedish, German, French, Italian guests. It really is very heartening and very gratifying. As they come in and talk to you and ask questions, they really sharpen the focus. And they go around and visit our wineries. If you visit our wineries, you'll see delegation after delegation.

I think the symbiotic relationship is going to be strong and very constructive, so I'm one in the forefront of welcoming it.

Exports to Japan

Jacobson: What kind of successes have there been, let's say in Japan, in developing identification with California wines, and even more specifically, with particular brands?

De Luca: The specific answers are just manifest at our office, with Jo Rollo and Monica Panek. If you want very specific percentages, the dealings, the contacts, the individuals, I'll ask them to give that to you. There's no doubt, just from the volume figures; we've gone over three million gallons, and that was in 1988. Japan is certainly, in terms of dollars for the product, number one for us as an export. It has surpassed Great Britain and Canada.

I think the encouraging aspect of this is the number of contacts from Japanese officials, who are saying how delighted they are at the reception our products are getting. Japan is a society—you know its management, you know how important is custom, tradition, serving it on the bullet train, using it as gifts, going into the restaurants and major hotels, seeing the wine list expand. The trade shows—we get four or five hundred people in not only Tokyo, but also in the surrounding smaller cities—major cities. They've shown media specials on our harvest; every year for the last three years they've sent crews out here to cover our crush and to put it on as major events there. I have been interviewed by so many of their special publications. Their retail and distributor network is becoming much more knowledgeable about us.

The best-selling product appears to be our blush wine. There have been joint ventures with Revlon, around the blush cosmetic with our blush wine combinations. California wine is being identified in some quarters—I don't want to exaggerate it—as the symbol of the new dynamism of the Japanese woman, because the male drinks the more powerful alcohol. You see this in wine bars, you see it with the young. But I would have to be honest in saying that “California” as an adjective is a great attraction for us, because things Californian are very popular in the Far East, not just in Japan. The association with this state carries a very positive connotation with foodstuffs—with meats, with nuts, with varied candies, and so forth. It really is part of the appeal that California has to the Far East—a rim of the Pacific nation.

But California wine promotion has also been very well received, and we have a very fine budget. We have an office there, and we have good people. We have native Japanese who represent us. If you think back to where we were just three or four years ago, we've really made quite a number of advances. But the background has been constant discussions with the Japanese ambassadors, with their leadership.

I gave a major speech to the Japan-California Association, under the auspices of Stanford Research Institute and the Bank of America. I remember that one of the representatives there was Madame Shoda, whose daughter is the new emperor's wife. The advice that we got from the major companies was, "Stay with it. It's not something you Americans are noted for, but stay with it, work with us; you have the prospect of a strong future." And we do. We sense that Japan can be one of our leading markets. But it's not going to happen overnight. It takes advances up the hill, and sometimes you have to pause, and before you go up again you have to reassess. So far the record has been strong, in terms of Japan.

But we've also had what we call 301 unfair trade practices filed with the government. South Korea has admitted that it will change, and has put in writing some major changes. We're doing the same thing with Taiwan, although that's much more difficult for us. We're trying to be much more assertive.

When you're talking about exports, it's not only to the rim of the Pacific or to Western Europe; Canada could be potentially a very positive market for us over the next ten, fifteen, twenty years. It's close to our borders, English-speaking, in contact with our advertising, with our television, with our radio, and many [Canadian] visitors come to California. Our present 3 percent of the sales in Canada could certainly be augmented many times, but we're dealing with liquor controlled provinces; we're dealing with monopolies. I would say that the recent bilateral fair trade agreement between Canada and the United States, over a period of the next ten or fifteen years, could really lead to fine exports. So I do want to put in the potential for exports to Canada as part of the answer about exports.

Jacobson: Is the Revlon Blush cosmetics deliberately connected with wine, or is that something that is just simultaneous?

De Luca: Blush wine is one of our strengths. The strong developments for California wines have been the popularity of these blush wines. Revlon, independently of us, was going to do a cosmetic trade show featuring its blush products. The thought was that combining the two of them would make sense for both of us. And we did! We did that, I believe, a year ago. I assume the office can give you follow-ups on that.

We do wine and cheese, we do wine and meat, wine and pasta, wine and fish—
[laughter]

Jacobson: Wine and blush is just a new twist altogether.

De Luca: It does show you the incredible opportunities right now. Again, it sounds philosophical, but it gets to the heart of the approach: change is the constant. I see, and the others see, change as an ally. There are some societies where you fear the ordeal of change. In this sense, we want to embrace it, because we think change is positive for us. I think we've

already earned the reputation of California being to wine what the Japanese are to automobiles, in the sense of being innovative, being in the forefront, and pushing the frontiers of research.

But just think about it—it's only 5 percent of the world's wine that is coming from our borders. We're competing against the combined power that was before coming out of the European Economic Community. Just that one statistic alone requires that we understand what's going on around the world.

Domestic Wine Task Force: Promotions and Shipping Agreements

De Luca: I don't want to miss the opportunity [to discuss] what I consider to be another major development, and that is domestically on our own continent. We have had in California, in the last twenty-four months, two committees created. One is the Assembly Select Committee on Wine, and the other one is the Senate Select Committee on Wine. The assembly committee is chaired by Assemblyman Dom Cortese, and the senate committee is chaired by State Senator Al Alquist. They have been up and down the state holding forums, holding opportunities for us to testify. It's been a very strong development in the state, in the way of knowledge about our industry in our own home borders. This is something that is taken for granted, and you cannot take it for granted.

What has emerged is that one of their recommendations was to establish a national wine task force for the National Conference of State Legislators (NCSL). All fifty states have their NCSL representative, and they meet together periodically to have regional and national meetings. They created a wine task force to assist in getting unity laws for wine. This task force has met in New Orleans and will meet again in Santa Fe, coming up in October. The chairman of the National Wine Task Force is Assemblyman Don Cortese.

One of the areas that we are addressing very strongly is what we call reciprocal agreements, or direct shipments. That is for an individual winery that is a small one and that doesn't have the wholesale or retail capability, because of the proliferation of our wineries, to be able to directly ship to a consumer in another state. Even though the volume involved is tiny—we're talking about one or two cases per consumer a year—it will enable many of these smaller wineries to respond to consumer appeal and consumer requests in states where, because they don't have a wholesaler or distributor, they could directly ship.

In order to do that, given the twenty-first amendment—where we, in effect, lost the protection of the interstate commerce clause—California has passed legislation entering into bilateral agreements with other states. So far we've had Colorado, Wisconsin, Oregon, and New Mexico pass legislation that would permit reciprocal shipments. In order for us to expand beyond these four, we're introducing some reforms in our legislation, and we're thinking in the South of some special orders.

The point I want to make is that we never forget in Wine Institute—I certainly don't—that the number one market and attention should be our own country. That's why I feel

that what we've done overseas augments what we do here, because we're tied so much into this global economy. There are reforms addressing the need to work in our own country, particularly for these very fine, small wineries who don't have the economic power to go into a state. Often it's regrettable that a consumer will come visit their winery, taste their wine, enjoy it, and then complain, "You're not interested in me, because I can't find your wine in my own home state." Obviously, that is not the case; we just cannot ship it to them by virtue of a lot of the laws.

If we are successful in this new phase of the direct shipments, we could find a number of states, beyond the four that I just described, expanding the opportunity for wineries to send to the consumers.

- Teiser: Would that allow ordering by mail?
- De Luca: Well, you can order through UPS.
- Teiser: Could somebody in Iowa write the winery and order a case?
- De Luca: Yes, if the state of Iowa entered into a reciprocal agreement with California. You could, in effect, have someone say, "I tasted this wine; could you send me a case?" If the state of Iowa does not have that legislation, we can't do that; but if it did, you could.
- Teiser: You could have direct mail campaigns.
- De Luca: Well, we would call it direct shipments. The reason we don't use the word "mail" is because mail is identified with—
- Teiser: I'm thinking of publicizing it through direct mail.
- De Luca: Yes, you could, in different journals and magazines. But it has to be as part of the legislation. We got into a problem about seven years ago when the idea was first being promoted that we could send wine directly to other states. A number of attorneys general in the different states ruled against it. But there was a time when it was flourishing. We advised our people to be careful: don't put all your eggs in that one basket, because it could overnight be overturned. But now that we have the legislation, the attorneys general of those states would have to follow that legislation. So I see that as a promise for the future that I think is encouraging.
- Teiser: You've been talking for an awfully long time.
- De Luca: You've had the difficulty of listening to me and following all this. And this is just a slice of life. The thing I can leave you with is that there's no one really comprehending the intensity and the scale of the activity right now. The reason for it is the times and the number of wineries and the number of issues. You go into periods where there are one or two issues that are dominant. We have a convergence of a dozen of them, and we have different needs—whether you're talking about bulk wine, or champagne, or wine coolers, generic wines.

Appellation Labels

De Luca: Look at this whole development that we haven't even touched, about having the name of the county or of the appellation as a requirement. You saw what happened in Napa Valley this last week: they passed legislation to require that you had to put the name Napa on the label. Well, part of that is the emergence of new forces, like Carneros, of the viticultural areas like Stag's Leap and the talk of Rutherford Bench and so forth. That's a whole new area of discussion. Depending on the phone call that I get, I'm either plugged into that issue, or into state issues, or federal issues, or promotional issues.

After fourteen years, I have to say that far from being fatigued, far from just being drained, I seem to find a new encouragement and new reasons to be enthusiastic about this industry. I go, again, back to my original thesis, and that is the [high] caliber of the people in this industry. I've always said that the most important product is our wine, but the most important asset is our own people and their values and the way they address issues.

My hope is to contribute to the knowledge of the world that we face, so that we go beyond viticulture and enology and marketing and sales and get into the area of strategic questions, geopolitical questions, questions having to do with currency and the economies and globalization. To that extent, if there's one thing I'm emphasizing right now, it's our capabilities to become part of the world scene, as a necessity locally, as a necessity nationally and continentally, and also as a way of strengthening the generations that are here and the generations to follow. You have to think in generational terms, but I don't think that's so difficult in an industry that looks at time as an asset.

Exporting to Great Britain

Teiser: I hope you'll export more wine to Great Britain.

De Luca: In 1975, almost in the first two weeks that I became president, I had a gentleman who came from Great Britain, and he was really very unhappy. He said, "I've tasted some of these fine wines of yours, and I'm just distressed that you in California are not making any effort to try to export to our country." I asked Al Almendinger, who was the director of economic research, to give me some information on this. We exported, in 1975, seven thousand gallons to Great Britain. In 1988 we exported three million gallons to Great Britain. There's been much more interaction between us; we have a very major office in London. We have major tastings, major work with the trades. We're about to launch, in October—next month—a major advertising and promotional program. It's not uncommon now for us to have anywhere from fifty to seventy wineries a year visiting Great Britain, not just in the establishment of the Zinfandel Club or in promoting tastings, but actually selling wine. I think there it's the whole spectrum. All parts of the wine spectrum are selling in Great Britain; you go from any one part of the wine spectrum to another.

The encouraging thing is that the British, who are the arbiters of taste for Europe—who don't have a local wine industry to protect—have really been accepting our wines. They write in English about it, they're encouraging about it. The seven thousand gallons in 1975 and three million gallons in 1988—I would hope that we could double that by the year 2000, which isn't that far away.

Discontinuance of the Wine Commission

Interview 5: February 18, 1993]
[Tape 9, Side A]

- Teiser: This will be the 1993 interview with John De Luca. It will be held on February 18, 1993. The earlier ones were 1986, 1987, and 1989.
- De Luca: In September of '89, I believe the efforts were really put in terms of '84 to '87, '87 to '90. I think during this time, the efforts of the organization were primarily geared towards the issue of renewal of the Wine Commission. And so what occurred—it's going to take me just a second or two to reorient myself—we were on the eve of the elections to be held with the question being: Should we continue the California Wine Commission, which as you recall was the aftermath of the Wine Growers of California, which was the joint marketing order between the growers and the vintners.

So from '84 to '87, there was a joint marketing order and the awkward name of the Wine and Wine Grape Advisory Board was substituted with the term Wine Growers of California. That was terminated. It was not voted upon successfully. But in its stead were two separate votes, by the growers to have a grower commission and by the vintners to have a vintner commission. That was successful. And so the aftermath was '87 to '90—July 1 of '87 to June 30 of 1990—was the California Wine Commission for vintners alone.

In September '89, when we last spoke, the issue was getting joined through public hearings and public meetings as to whether or not to continue the Wine Commission for five more years. And that's when some of the questions were being raised that really were focused in the spring and then in the summer of 1990. And that was the formula for the dues which became assessments. Should that be continued? At that time it was [based upon] the value of the grapes at the time of the crush. And a number of wineries thought that this put a disproportionate percentage burden on those wineries that purchased high-priced grapes verses those who did not. And so there was the legitimate debate: Should we continue that formula?

Then the question was: As far as the commission was concerned, should the commission be formulated in terms of one winery, one vote or any combination thereof, not just exclusively through the volume? And those arguments carried into the January-February period. I believe— [interruption]

In January-February of 1990, the issue was at white heat. And during the course, I believe it was February of 1990, the election took place—three weeks—as to whether or

not the California Wine Commission should be continued. During that time, lawsuits were filed over the issue of whether the names of the commissioners should be made available to everyone. And there, the Department of Food and Agriculture took a very hard line, that this was proprietary information.

So attorneys for several of the wineries on the California Wine Commission went to court to charge that it was unconstitutional. I don't recall the judge's name, but the net result was that the judge impounded, in the second week or by the third week, the ballots. And so the ballots were not counted and the election was held to be void, and therefore between February and I believe it was May, the whole question of court motions and the Department of Food and Agriculture's position, and whether to have a new ballot consumed a lot of attention, and it was in the newspapers quite a bit. It led to a lot of stories about division within the ranks of the California wine community.

I believe it was in May of 1990 that a new ballot did take place, was held to be legal. And when the ballots were counted almost 90 percent of the vote was supported by volume. As you know, there's a balance between numbers and volume, but it was very narrowly defeated by numbers. I don't recall what the actual percentages were. But it was a narrow, very close vote in terms of numbers.

This was the period when I had had my surgery. I had a ruptured colon and peritonitis. And so, unfortunately, during the actual period of the vote, I was hospitalized and was recovering from the surgery. I've always felt that I was fortunate that the surgery was so successful. But it did incapacitate me personally during that very crucial time. I mean, that's just a historical footnote. I would have been very much more active in terms of getting out the vote and things like that.

IX LOOKING TO THE FUTURE: THE 1990S

Reformation of the Wine Institute as a Private Voluntary Organization

De Luca: However, as a result—to get to your original point—when it was clear that the commission would not be continued, we had an immediate consensus that rather than rehash the past, let's look forward. A strategic planning task force was agreed upon, brilliantly chaired by Jerry Lohr. And that was the group that as a result of the aftermath held regional meetings, sent out questionnaires, went and interviewed, on a regional and an individual basis, hundreds of people. The net result of the questionnaires and the work of the task force was the recommended reform and rejuvenation of the Wine Institute.

With the marketing order defeated, '84 to '87, with the commission '87 to '90 now not to continue, the agreement was that the Wine Institute as a private voluntary organization should proceed. It should be the basis of the funding for industry-wide programs, but to take into account those legitimate concerns that were raised during the debate about the California Wine Commission and rejuvenate it.

So, in effect, a new organization was created. But it took on and kept a fifty-five, sixty-year-old name, the Wine Institute. Our bylaws were changed. The board of directors was abolished. The Executive Committee was abolished. In its place, a smaller body of forty directors, not the original hundred and twenty-five, was created, twenty to be through a system of at-large nominations, and twenty to be through districts, one winery, one vote.

And the funding mechanism was changed. The funding went from the price of the grapes at the time of the crush to an alternate formula, where you could have either three-tenths of one percent of your gross receipts of the previous calendar year or on a graduated scale, so many pennies a gallon, which would increase over the period of time.

There also was the important consolidation of committees. And a mission statement emerged. The public policy aspects of the institute, as against marketing, were clearly preferred by the majority of the members but not the entire membership. There still was

a strong minority that wanted marketing services. But the public policy aspects of work clearly were the predominant one. And so a new mission statement was formulated and a new board of directors was chosen and a new thrust and direction was given to the organization. So, as I've said, a new Wine Institute was created and the only thing that was retained from the past was the name, Wine Institute.

- Teiser: Well, I didn't realize it was that profound a change.
- De Luca: Yes. Yes, there's no question about it. We consolidated many of our committees. We went from eighteen or twenty committees to four, with the emphasis being on public policy. And certainly there was recognition that a new organization had been created by the members. Anytime you abolish an executive committee that had been in being for decades, anytime you abolish a board of directors and go from a voting structure of voting by volume to half at large and half by one winery, one vote per district—we created new districts, for example. So there really was, certainly from our point of view, a sense of profound change.
- Teiser: What was, in general, the effect of that change?
- De Luca: Some of the early effects—there was a transitional period of accumulation of the various issues that had been fought out during the commission battle; the vote for it did tend to have people take sides. There were those who were for it. There were those who were against it. And some of the fallout of that was wineries resigning from the Wine Institute. We had a number of wineries almost in the aftermath of that vote leave the Wine Institute.
- Teiser: How many? Four or five?
- De Luca: No. Over a period of several months, some fifty wineries left the Wine Institute.
- Teiser: Really? Were they small wineries?
- De Luca: They were almost predominantly small, yes.
- Teiser: Was that the movement that culminated in the Family Winemakers Association?
- De Luca: They would be the ones best to say whether that was the precondition that led to that group. But it certainly was part of that period. Whether that would be seen as the direct culmination that those who fought against a commission then led to the creation—

The reason I say that's hard to answer is that a majority of the group and the organization called Family Winemakers of California are also members of Wine Institute. What we had created was a dual membership, people still in the Wine Institute, but because the dues for this new organization and other organizations were voluntary—in other words, you didn't have to pay anything, not even a minimum amount—a number of people did participate. Others did for perhaps programmatic reasons.

But the aftermath of the change was a sharper focus in terms of the organization restructuring. We created four staff positions at Wine Institute, three that have been

filled, one that we've attempted to fill. We created a number of positions, particularly with the health and research area: a technical scientific writer and a scientific advisor, Deborah Prager and Dr. Wells Shoemaker.

And there was a restructuring along district lines. And clearly when you go from a hundred and twenty-five member board to forty members, you're dealing with a smaller leadership group. And we also increased the number of board meetings from three a year to six a year. We meet every two months now. So, as far as the staff is concerned, as far as the membership is concerned, the aftermath of the commission was the creation of the new Wine Institute.

Teiser: Do you feel that it is now more representative of all the wineries?

De Luca: Well, I think in terms of the board, [there is] certainly a cross section that by any definition is seen as broader and more democratic and on a different principle rather than just strictly volume. No one is looking back and saying that these organizations and these structures didn't serve the industry well. I think outstanding people have come into leadership positions under the old organizational structure. But in the new period, certainly the reforms and the rejuvenation were necessary. And they certainly have answered many of the—not all—but many of the questions that emerged out of the debate over the Wine Commission.

But I would say, if you look at the makeup of the present board of directors, the board and the alternates—we created forty alternates as well as forty members—that it is as representative a body as must exist in the United States. Still, the overwhelming number of wineries in Wine Institute remain small, minimum-dues members, small, proprietary, family-owned entities. We have approximately four hundred and fifty wineries in the organization, four hundred of which would be characterized as small family operations.

So to put that in context, when I joined the Wine Institute in 1975-76, we had 150 members—154, to be exact. We have now some 300 more wineries than we had at that time. The high-water mark for us was right during the period of the Wine Commission when the Wine Institute membership was approximately 550.

So through this last period of two years, we've had wineries leave and return. We've had wineries leave and join other organizations. We've had wineries leave and not belong to any affiliation. And the hope we have now is that this period of transition has been replaced by a period of greater stability.

Teiser: I keep wondering, and this is a big overall question—maybe I shouldn't even interject it now—but what kind of an organization could represent all the wineries in America? Not just the California ones, all of them.

Services and Responsibilities of a Nationwide Wine Organization

De Luca: You have to start with the definition of services. I think to have an organization representing wineries, that could be fairly simply accomplished. You could create a

body and say all of those wineries who wish to belong can belong, and have it sort of as an association of members to receive maybe minimum information that you can put out periodically. That would be one approach. And then have a very strong letterhead and have certain services available to the members, but not in terms of legal services or governmental services or political services or issues having to do with technical matters, trade matters. I mean, it could be just simply an association where all the wineries of America could belong.

Where it gets more complicated is in the level of expectation of members. What kind of an organization do you wish to belong to? Is it just simply to get discounts? Is it to pool your resources to get group insurance? Can you, as a result of this, use your leverage for credits and various, let's say, products that you could receive? Or, as has been a full service approach by the Wine Institute, have a full-time staff, servicing the committees, involved in both American and international and federal issues with a full array of resources, legal staff, trade barrier staff, dealing with the technical areas, public relations areas, economic research, health and social sciences. All these different things call for a different kind of budget. And that's really where the dividing line occurs. How much money can you raise? What's inequitable?

Here's a key thing, Ruth. What would be an equitable dues structure for an organization for the whole country? I think we have had remarkable cohesion. The very existence of the Wine Institute, I think, is testimony to the work of a lot of people, because it has bridged several organizations. It has bridged a multiplicity of sizes. And when you say just California alone, just look at the regions that we cover.

But we do have other models. The Beer Institute has four major members. That's for the United States. The Distilled Spirits Council, I think, has maybe ten to a dozen for the whole United States. If we were to try to put together an organization for the entire country, who is eligible? Thirteen hundred wineries would appear to be eligible. But some of them are weekend hobbies and some of them are very major commercial enterprises.

But to answer your question, I think the closest thing to a very representative body has been over the years, even before I joined the Wine Institute, the Wine Institute.

Services Provided by the Wine Institute: A Home Study Course

- Teiser: Well, of course, it's got the biggest batch of wineries, too. Over the years, as I've studied the matter, the Wine Institute has offered different services to its members. And early on it did lots of public relations in general and it had a—whatever you call it, a nutritionist and home services and home wine serving and all kinds of things like that.
- De Luca: I think, for the different stages of the wine industry's growth in America, there have certainly been different periods; for instance, it was clear that the emphasis had to be, after prohibition, on the whole rejuvenation of the image and just teaching people basics. And a major function of that was discharged by the Wine Institute with its wine appreciation courses and with its wine study courses. I think over a million subscribers

filled out these various questionnaires. It was like a study course. At the end of it you got a certificate which showed that you had knowledge about wine. Well, that was very important.

Teiser: I still have my certificate.

De Luca: Yes. And in fact, I remember giving a case of wine to a new graduate of the Culinary Academy for being the one millionth graduate of the wine study course. That certainly took place when I joined the Wine Institute. There had been many people here whose main function was grading these papers and sending out test scores to people to tell them that they had passed. I think you're also talking about the cooking and home studies and there are various wine and food groups.

I think what has occurred is that other people have—we still have a strong measure of tastings. We still do major events. But others have come along who do that even better, on a regional basis. Culinary schools have opened up, different wineries have opened up, hospitality centers have, on the premises, full-time chefs and cooks and experts. Then there have been organizations like the Wine Spectators' California Wine Experience and the New York Wine Experience.

Support for Regional Programs

De Luca: And then through our regional programs that we at Wine Institute originated, grants were given to the different regions for them to do, on a regional basis, much PR—public relations—communications, tastings, outreach, where they received the funds from the Wine Institute. And we strengthened the role of the regional groups, Napa Valley, Sonoma, Mendocino, Monterey, Central Coast—seventeen, eighteen of these different associations.

What has occurred is the complexity of issues: fetal alcohol syndrome; the lead capsule suit; international trade matters, all these various issues around substance abuse; have called for more and more qualified, skilled services for the members that were not there seventeen, twenty years ago.

International and National Trade Issues

De Luca: In addition, we've opened up offices on the international scene that we did not have before. We have small representational offices in Hong Kong, Singapore, Taipei and major offices in Tokyo, Montreal, London, and Munich. These are services representing the internationalization of the California wine industry as we become much more active, not only in our own country and in our own hemisphere but outside, in Asia and in Western Europe and in Latin America. So, there really has been a reflection of the growth and the success of the industry and the challenges of the industry.

A program that has really become the backbone of our operations continues from a successful past and that's the state trade barrier work, where we have some seven regional directors supervising—and just imagine, Ruth, as recently as two months ago, many of the directors and many of the members were not even aware of them. These regional directors supervise anywhere from thirty-five to forty-five contract lobbyists a year.

And so even though we're a California-based operation, we have to act as a national and international body and have all the attributes of a national/international organization just by reference to what I just said where we have people employed by us in Seattle, in Detroit, in Boston, in Washington, in Atlanta, in Des Moines, in Sacramento, in addition to San Francisco and plus the ones that I mentioned who are supervised in the individual states.

[Tape 9, Side B]

De Luca: We're interviewing, though, at a time when we're on the eve of a number of events in Washington DC, for American Wine Appreciation Week, which represent close working relationships with the wineries from Oregon and Washington, from New York and Texas, organizations that have been formed: Women for Wine Sense, the American Vintner's Association. Another group, the National Wine Coalition, which we helped fund with seed money, and of course wineries from across the country, not just the ones that I just mentioned. And we've had unity retreats like we did last year at the Jack London Hotel in Oakland. We have a unity breakfast in Washington next Monday, February 22, 1993, a whole series of events planned throughout the whole week.

Teiser: This is the unity within the wine industry?

De Luca: That's correct. I'm talking, essentially, of vintners and growers. We have coalitions with the wholesalers. We have coalitions with growers. Certainly major activities continue with consumer groups. We have working alliances on governmental matters with the beer and spirits and wholesaler organizations. With the importers, we're working on some joint ventures right now dealing with the lead capsule litigation.

So, in truth, when you're talking about international or national cooperation, this period has been characterized by two phenomena. One is, a number of organizations have come forward. Some have had a certain life and have then departed. Some have had some continuity. And while that is occurring, the calls for unity have intensified.

I think the Wine Institute has played a very responsible role in what has been a very active period of change and challenge and reexamination of what the different associations should do, what's the division of labor, what should be the services of the organization. And I think if you look at the list of the employees here, you'll get a pretty good reflection of the type of activities that we're involved in. As I said, legal, governmental, political, science, research, education, communications, international trade, fiscal matters, social matters, medical matters. And no organization has had that full arrangement.

Goals and Challenges of the Early 1990s

De Luca: So, I get back to your original question about a body. I know our members—and it's voluntary, and at any one time you can leave—I know our members responded very well to the goals and objectives of discipline that we just went through. We had put down in writing the target dates and with the functions and with the specific missions, goals, and objectives for the organization. You may have seen the outline of all that.

Teiser: Just a pinpoint action-type plan?

De Luca: Yes, well I've even succeeded that plan with a full goals and objectives program. That superseded that. Those ten action points are subordinated to an even larger paper.

Teiser: I see.

De Luca: So, this period from 1989 to now—we're talking three and a half years—has been one of the most, certainly for me, one of the most gratifying periods, because I've come to really appreciate the leadership qualities of so many of our members. For many it would be very easy during a period like this to say, well, somebody else can pick up the load. Somebody else can do it. I can save my money. These periods have been characterized by economic difficulties, fiscal difficulties, credit difficulties. But the center has held very well, and the organization continues to command the respect and the dedication of so much of the wine industry.

And I go back to a fundamental point. It's not just the dues of the organization and the assessments. It's the off-budget, in-kind contribution upon which you cannot put a monetary value, the hours that you put in over and beyond your own individual need as a winery in a very competitive world, dedicated to the work of the industry as a whole. That is remarkable. I think people lose sight of that, that so many people put in so much time and energy for the betterment of the industry as a whole while they're still being very entrepreneurial and individualistic and very competitive. That's a really distinguishing feature, I think, about the industry and the association.

How and Where to Associate Wine with Beer and Spirits

Teiser: Well, some problems, of course, keep recurring and recurring. One of the items in your list of things to do is, and you mentioned that with the beer and spirits people, at various times in the California wine industry, you've tried to distance yourselves from them, to keep away from them, to say that wine is something different, beer is something else. It's really something else. What, in general, are you doing about that now?

De Luca: I think the way to bridge the various advocacy points that do come up, and there is a legitimate debate on this, is to have a parallel course of action which I call a two-handed approach. On one hand, in the promotion, education, and marketing of wine and wine products, I think it is perfectly acceptable and historically supportable for wine to promote wine in terms of its heritage and its traditions, which can be different from beer

and spirits. So in the promotion, public relations, educational fields, we have our tastings, we emphasize wine with food. Our code of advertising calls upon us to do certain things in a voluntary manner. We have wine appreciation courses, a society of wine educators. We promote differently and we advertise differently. So that's one arena where I think we can compete and distinguish ourselves, in the marketplace of American consumerism.

In another area, which deals with the government and the legal institutions and the political institutions, it's clear that we're stronger when we work together. When there is an issue like occurred in 1990, and that was the ballot of 1990, the proposition "A nickel a drink," which became Proposition 134. You and I haven't had a chance to talk about that because we spoke one year before that ballot measure. But that was such a profound issue. It would have cost the total industry over a billion dollars a year, would have set the tone throughout the whole United States for punitive taxes. In a very beguiling way it was "a nickel a drink" on alcohol to [be used to] combat drugs. The early polls showed it would pass 83 percent to 17 percent. The support for it was—there was a phenomenal support for it when posed that way.

We got together, beer, wine, spirits, consumers, growers, retailers, wholesalers and we put together, I think, a classic unified program. In the election 1990, November of 1990, voters reversed that eighty-three to seventeen lead and defeated it by a seventy to thirty percent margin, one of the most profound electoral operations and should not ever be forgotten as one of the high watermarks of the wine industry's activity as its strategy of alliances with others. The California Teacher's Association and the educational community supported us by virtue of our support for Proposition 126, which was a separate measure that we advocated, which was a different and smaller tax on wine, beer, and spirits. But the funds were going to go to kindergarten through the university system for educational programs on drug use and alcohol abuse. That was one of the model moments in American history of various forces coming together and working together and needing to work together to defeat a common threat.

The distinguishing feature there is that we not only had an alliance in the coalition, which was called Tax Payers for Common Sense, which was a coalition of the traditional groups, but we expanded our strategy of alliances to include minority groups, teacher groups, the educational community and law enforcement groups. So, I would say that that is an example that we should not forget when the question comes up about distinguishing ourselves. At that point, we had more in common working together and we had a common effort. And we won, which I don't believe would have occurred if we had gone our separate ways. You do recall that ballot?

Teiser: Yes I do.

De Luca: The role of Wine Institute was very critical in terms of strategy, in terms of reaching out to the educational and teacher community. But we did not have the funds alone. And the combined financial and intellectual resources of the beer and spirits community and the wholesaler community and the grower community was very, very essential. Even today, two and a half years later, looking back upon it you would have to say it was probably the single greatest threat in the United States since Prohibition to the image and to the integrity and to the financial standing of the wine, beer, and spirits community, because had it won in California, it would have done several things.

It would have shifted a billion dollars a year towards all kinds of programs that would have been mandated annually. They would have had their place on line ahead of other services in this state, such as for senior citizens, for forest fire protection, for teacher and educational programs. And secondly, it would have become the model for other states to follow; for better or for worse, things that happen in California are usually the prototype or the harbinger of things to come throughout the United States.

So I think that we would have had sweeping across the country, very punitive taxes. They were very punitive on all three beverages. For wine alone it would have gone from a penny a gallon to \$1.29 a gallon for table wine. Now we're talking about hundreds and hundreds of millions of dollars a year. I think that was one of the shining moments for the value of the wineries associated with the Wine Institute.

Teiser: Yes, yes.

De Luca: I mean, I had an opportunity to make some calculations, and I think members would have had to pay your dues for the next fifty to a hundred years per winery to have equated what was at stake in that one ballot proposition. And it wasn't just a law, it was a vote of the people. It would have been seen as a referendum by our own population in California on the very existence and vitality of this industry. Today, many other things have succeeded that moment, as they should. You can't belabor the past. But out of that have come very important examples.

So, to those who say we should distinguish ourselves from beer and spirits, I say we can in a legitimate way, and we should compete with them for consumer loyalty and for consumer support. But when it comes to issues like the propositions and the initiatives and the legal measures and tax measures, control measures, if we are fragmented, we lose. If we work together we have, as we did in 1990 in California, the opportunity to win. I believe that's an answer to both sides of the equation.

Large versus Small Wineries

Teiser: The other thing that has always, forever, I guess, almost, vexed the Wine Institute is the impression of big versus small wineries. I think we've discussed this a little earlier—the charge that blows the industry all at once is what happens. And then I guess you manage to keep the situation equitable in most people's minds. But it keeps coming up. It won't go away, apparently.

De Luca: There are some misperceptions that perhaps come with the nature of the industry itself that therefore affect not only the mental thinking of members but also how an association functions. We're highly competitive. We should never forget that. There is so much space and only so much space on the shelves of the major retail outlets for wine. This period has been marked by—and I've applauded it—it has been marked by numerous additions to the industry, new companies, new firms, new brands, new labels. So, to start with, it is a very competitive situation. And it's really a twenty-four hour-a-day, I would say, mental outlook. You're competing for space, you're competing for a

niche in the market, you're competing for consumers, you're competing for retailers and wholesalers.

What is remarkable is that this individualistic entrepreneurial event, which by definition leads to your assessing people in terms of the marketplace—it takes place at the same time that during a part of your week or a part of your day or part of the month, you gather together to work together, which is the work of the Wine Institute. And for some, it is so hard to take off one pair of glasses and put on another pair when they enter the room or as is often been referred to, you put on one hat and take off another hat. I have accepted that a very, very forthright member who has just come from some event needs at least a decompression chamber for a few minutes as he or she sits down to think of things. And that carries over into the association.

The best antidote to that is the reality of the facts of the matter. This perception is discussed; but those who are knowledgeable know, those who are active, who participate in the workings of the organization know that that is not the case in terms of a dominant role. Everybody respects the larger wineries for the talent and resources that they bring, for the experience that they have, for the successes that they have engendered.

But the best response I've always given to critics who raise this is to say: take a look at the makeup of the board of directors. Take a look at those [acting] on a voluntary basis who know these charges, who hear about them just like everybody else but who still choose to work with the organization, who come to the meetings, who pay their dues, who participate in the debate, and who pass the resolutions that become the policy for the industry. Their integrity, their intelligence, their independence is the best answer to the question that the Wine Institute is dominated by a few because you have to come to two conclusions. Either it is not true, or you have to then go the next step and say, all these people are duped or knowingly somehow subordinate themselves.

I go back to the original premise. They are so competitive, they would never stand for or would never stay with an organization where they were just simply instruments for other people. So, when you take a look at the cross-section of directors who continue to serve, they know what goes on, they participate, and they know it's open debate. And at the same time, none of them have said, just because these other wineries are successful and big that we should ignore them. I mean, nobody wants to accept what would be really reverse discrimination, that just because you're successful, we don't want to listen to what you have to say. If anything, there's more restraint on the part of the larger members and there's more a sense of discipline than is well known in the—and it is well known that they are very disciplined and very careful when they do participate.

- Teiser: I was interested in the issue against champagne, sparkling wine labeling, against—how did it go?—didn't have to use Charmat process and so forth. But Gallo didn't get its way. And I think it's interesting for people to know that. I don't know that it's as much publicized.
- De Luca: Well, the first thing to know is how wise is the organization and the participants. Those who participated in that petition and those who opposed it needed to decide for the Wine Institute to get involved. They recognized that this was an issue that pertained to them, and that they should not bring into the subject members who didn't have sparkling wine

or champagne or members who did not feel it would have been appropriate to bring that issue before the Wine Institute.

So, Wine Institute was not asked to participate. It did not participate in any portion of that petition or in the debate that followed. I've seen some reporters who have given one interpretation as to, quote, who won or who didn't win. I've seen some who have given their own. The key thing is that it did not become divisive for our organization, because of the wise sense of restraint and discipline that was exercised on both sides.

Teiser: Well, I think it just showed that Gallo doesn't get everything it wants and that's probably a good idea to have known.

De Luca: Well, it was before a government body. It was before the Bureau of Alcohol, Tobacco, and Fire Arms in Treasury. It included as, you know, a number of key players. But it never came before the board. It never was part of any subject before the board. And I don't think, really, on many of these things, it's a case of who wins and who loses. There is a process that takes place. You go to government agencies. That's where it's resolved. It wasn't resolved on a private basis. You had to go and get into different agencies of government to decide this.

Traditional Values in the Wine Industry

De Luca: I think the more spectacular part about all this is that, again, reverting to your original question about large and small, the very nature of the Wine Industry encourages entrepreneurs. I think it's a very important aspect of our work. People with their last names on the labels, people from all walks of life coming into the industry. And some say that it's a polarization or a fragmentation of big versus little. I see this as the replenishing of both our intellectual and traditional reservoir of talent.

It's exciting to me to realize that it's an industry where people still, in the latter part of the twentieth century, still want to start a winery, want to put together a new entity, want to go out and compete, want to buy grapes, want to make wonderful wines. And that so many people from different walks of life have added to the mainstream of those who essentially started out as pioneers and children of pioneers from Europe.

I guess it depends on how you wish to frame the issue. The way I framed the issue was not so much little versus big or the generic versus varietal or coast versus the valley, which is very simplistic. The way I see it is that this industry has such an allure that it continues to attract extraordinary talent. But you pay a price for this augmentation of your resources. You pay a price for coming in during this period of recession, when the country as a whole has gone through great difficulty, when there has been a credit crunch, when the various banks' and insurance companies' availability for lines of credit have been circumscribed, where you have competition with international bodies who are part of the European Economic Community, which is very, very supportive of their industry.

I would rather encourage people to look at the wine industry in California and across the country as a reservoir of very strong values that are being lost by the rest of the country. The period of enormous alienation, fragmentation of families, breakdown of families, people don't know what value system to commit themselves to. And yet here, available to the country, we have our great emphasis on family, on the work ethic, on the pursuit of excellence, on competition and not looking for handouts, not wishing the government to do anything for them. That, to me, is the extraordinary story of the wine industry.

[Tape 10, Side A]

De Luca: You know, Ruth, part of the formation of thinking is human. It's human to talk in terms of, did you hear the latest or have you heard the latest? Or you go to a social occasion and people talk about this or that acquisition or this or that development. I also hear at these events what's happened to the children or those who have gone to school, what are they doing, feeling and rejoicing in the success of others. That part of the communication network doesn't get as much attention. But there is an enormous warmth towards one another. I've gone to the baptisms and to the weddings. I've gone to the occasions marking important anniversaries, and surely that occurs in other industries but not to the extent that I think I see it here. The industry could be five wineries, right? The history could be highly, highly concentrated. But it isn't. And that's the anatomy of the industry, and the associations mirror that.

Teiser: It's astounding that people continue to find it romantic to get into the wine industry and to become winemakers. It's just most romantic, the ideas, the reasons, and we've always had that here in California since the nineteenth century.

De Luca: Yes, well, just when you think there can be nothing new, just when you think that all the success stories have been written, when you think there can't be a new product, along comes someone who says I can do better and maybe, you know, just give me a chance. And so I think that's what I meant before about the reservoir of values that the people possess, that I've said the people are our most important assets. The product is what we do best, wine. But our most important attribute or asset are really the people themselves.

The Cyclical Nature of Support for Wine Institute

Teiser: When you came in here in 1975-76, people had been withdrawing from the organization and it took a lot of hard work to put it back together again. I came across a picture of you standing in a vineyard with some unknown person. You were out talking to everyone. I think you got acquainted with everyone in the industry at that time. Recently—at that time, there were some big withdrawals, weren't there, some important ones?

De Luca: Oh, yes. Very major ones, very major ones.

Teiser: Well, now recently, something similar has happened. Is it similar?

De Luca: You know the French expression “plus ça change, plus les meme choses,” the more things change, the more they remain the same. There are certain things that are very similar. There are certain things that are different. I know instinctively how important it is to have face-to-face communications in this industry. And if there’s one major regret that I have right now, it’s that the pace of events and the size of the industry prevent me from duplicating the experience of seventeen years ago. If I have one wish, it would be to go back on the road again and to revisit all the wineries of this state. Not because there’s anything magical about me visiting people but that’s the way our industry responds, face to face.

If you look at our publications, Ruth, if you look at what is being generated, what we send through the mail, will be sent through faxes, will be sent through bulletins, will be sent through news monitors, you’d have to say that the work that’s being accomplished is exemplary. But that pales in comparison to going into a house and sitting down in a vineyard and speaking for an hour or two and getting a face-to-face feel for what’s on your mind and reaching out. We respond very much to that.

I carry a very important responsibility and that’s the presidency. My hope is to leave it stronger than I found it. The president going to visit wineries is very important, not only symbolically, but for picking up information and communicating information. You care, you count, you’re important. It cuts to the heart of this large versus small. If you’re there with somebody, they know, then, that it can’t be just simply someone writing secret instructions on a tablet.

So, that period of 1975-77, percentage-wise we had a larger percentage of people leave the Wine Institute than we do right now. And in terms of wine volume, it was bigger than it is today. My hope is that the cycle will in fact go full swing and that people who have left will return. Because it is voluntary, you can at any one moment say, “I don’t want to belong.” There are associations that are forming where the dues are definitely less than here. So, that is an attraction for some.

I don’t want to skip over that; there have been legitimate issues where people have reasonably differed and have had strong feelings. And so, not everybody has left just for the sense that they could go to another organization that doesn’t cost as much. They’ve had points of view that were needed to be expressed. But I’m personally very confident that as more and more of the work becomes known, that they will see that out of this period of flux—and you know I’ve said publicly that “ferment” is not a bad word in this industry, that it’s the very nature of the industry, that out of the fermentation comes quality at the end of it. I think we’re going to be stronger as a result of this period, not weaker, because a lot of issues have been brought to the fore: representation and performance and priorities.

Neo-Prohibitionists and Health Issues

Teiser: On this last round of people leaving the Institute—was it mainly that they felt that you weren’t doing enough for more public opinion against the neo-prohibitionists or what? There was some core there that I never could quite get.

De Luca: Very interesting that you should use the term neo-prohibitionist. Nineteen seventy-seven to seventy-nine, I wrote a number of papers after immersing myself. And one of them I wrote was called neo-prohibitionism. Whether the term was coined by me or others is not as important as the fact that that analysis was given some fleshing and some weight and it was distributed and it was picked up. The paper analytically foresaw many of the problems that we have actually witnessed. And one of them was how to deal with them. And so, the good part of the discussion has been focusing on what should we be doing, what really is necessary for this industry to pursue in order to come back from this attack, not on the abuse of the product, but on the product itself. That's been the essence of neo-Prohibitionism, is to blur the distinction between use and abuse.

And in that debate, to come to your question, there has been a legitimate difference of opinion as to how to pursue this. Modern times have led us to be super sensitive to the legal profession. You can't be a doctor, you can't be an obstetrician, you can't be an anesthesiologist without understanding the whole question of product liability.

At the same time that this has been going on, we've had legitimate research findings, certainly in terms of peer review journals and more recently with the *60 Minutes* program through the mass media of some positive aspects of moderate drinking behavior, cardiovascular in particular. And so the tension and the debate has been how to be legitimately concerned about the legal profession's attitude towards major industries and the incentive attorneys have to bring lawsuits and to look for opportunities to make dramatic amounts of money in almost all instances, class actions. How do we address that question?

At the same time, how do you bring forward positive studies in terms of research? And so there's been kind of a question, do you ignore the legal aspects and you go around and say wine's beneficial, wine's good for you, wine is healthy for you. Or, knowing full well that that could lead you into a legal trap, do you have the scientific community come to a greater consensus and have the media find these results and broadcast it?

And so, part of the last debate was using the term "research and education." We should do more. What it really meant was a balancing act between these two requirements, both very legitimate. If anything, it was a dilemma. It wasn't anything malicious. It's how do you wrestle with this major issue in modern times. And I think we have bridged this in a very significant way here at the Wine Institute. And the proof of that has been this last year's outreach to the media and the number of stories that have been in major magazines and major journals and wellness letters. The Wine Institute's role has been in some cases instrumental, in some cases has been augmenting, to disseminate the information without running afoul of the government agencies or the legal profession.

And out of this period of tension, I think, has emerged a very, very good approach, which is that the Wine Institute and its members as individuals should disseminate information that is the consensus of the scientific community in terms of the marketing of ideas, rather than trying to market product. That's where you run into the problems with the BATF—the Bureau of Alcohol, Tobacco, and Fire Arms—with the Food and Drug Administration, with the Federal Trade Commission.

I exchanged a series of letters with the BATF. These were letter opinions that they sent to me in response to questions where we said we have a legitimate First Amendment

right to disseminate to our members, to the trade, to the press, to the public at large, to decision makers, findings in peer review journals, *Lancet*, *New England Journal of Medicine*, *Journal of Cardiology*. That has led to what I consider to be a new consensus. And my hope is that as that becomes more and more widespread, some of the wineries that left will return to Wine Institute.

Certainly, Ruth, I think I know your objective. You can't recall a period comparable to this last year where there have been more positive stories, wine and food, wine and the French paradox, wine and health, wine and the Mediterranean diet. Now, the essential feature is that others made these statements, not we. That's what gave third-party credibility. What we've done is kept the story going. What we've done is kept the story alive with press conferences, workshops, seminars, press releases, again very legitimately.

And next week in Washington, it's not an accident that our very first event for American Wine Appreciation Week—and that's another subject that perhaps you want to discuss—that the very first event at the National Press Club will be Wine Institute hosting professor Dimitrios Trichopoulos from Harvard School of Public Health to talk about the new diet pyramid, the Mediterranean diet pyramid, which includes wine for the first time.

And Doctor Lionel Tiger from Rutgers who will be discussing some of the questions we're referring to and that is you should trust the American public with positive information about wine and alcoholic beverage because the public has a right to hear both sides. And there in the National Press Club, we've got about thirty reporters who have answered that they will be joining us to discuss the way we have been handling ourselves in this period of time. Some of the wineries who have left are not knowledgeable about all the details. But I think little by little they're alert to this.

So to answer your question, there was a debate internally around the issue of health, wine, distribution—not distribution—dissemination of information, how best to convey that story, how to do it without making yourself vulnerable to lawsuits. It led to the charge that we were paralyzed by lawyers. It led to the counter charge that you cannot ignore this area. Today it would be foolish to bury your head in the sand and not look at what happened to asbestos, what's happened to Dacron, what's happened to a lot of products.

The attorneys in the United States are going after a product like tobacco, very different from us; there's no way to have tobacco in moderation as there is for wine in moderation. Those attorneys who are going after tobacco thought that they had a bonanza in terms of fetal issues having to do with alcohol or lead issues having to do with alcohol because those are very explosive, emotional mixes.

And yet we've been very successful. And the proof of that has been how we've handled the lead foil litigation, how we handled that whole question of lead in wine which could have dismembered this industry. We could have been pulled apart either by Treasury or by the Food and Drug Administration or new legislation in the Congress or massive recalls where you'd have to pull all the wines back and replace the wines. And that's just the lead foil capsule, not to mention what we call the *in situ* situation, lead in the wine itself. That has been a remarkable story.

And not to promote the Wine Institute, I think the consensus has been that it's a classic example of how working together we have accomplished something that no individual winery could have accomplished. With the trade, with the media, with the public, with the regulatory agencies, with the legal profession and with the Congress, all of these different aspects were so explosive, without what we did, I think right now we'd be presiding over the ruination of the industry, not the prospect for optimism for the future.

- Teiser: The invention of peer review publications—I once asked Amerine if anybody did from a scientific point of view analyze the, what is it, the group—
- De Luca: Oh, The Center for Science in the Public Interest, CSPI.
- Teiser: Their publications, if anybody would have asked, you know—what do they base their information on? Does anybody analyze them scientifically? And he said, “No, they don't publish in peer review publications.”
- De Luca: No, they very often are more propagandists, pamphleteers, self-promoters. It would be incomplete to just rule them out as self-serving, because clearly they would disagree with that definition. But they're very representative of this period of, let's say, consumer lobbyists. They are an anti-alcohol lobbying group that wouldn't characterize themselves that way.

But they've learned how to interact in terms of the public debate. And that is, you center yourself in Washington, you get a great title, Center for Science in the Public Interest, you get dedicated people who believe in their cause—they're cause-oriented—get them to put out press releases and don't be disheartened if you put out ten press releases and none of them take, because the eleventh can. And very often very gimmick-oriented. They think of what will be on television, how can you get the newspaper's attention. And sometimes they hit issues that have a ring of legitimacy to them.

Certainly they have mined this question of what's in a product and ingredient labeling, things like that. And in the absence of standards—and this country does not have consensus on what is really risk, zero risk, risk analysis; these are still not established tenets in this country—and without a standard on lead, without a standard on a whole host of subjects, on compounds and constituencies with the Delaney clause, with Proposition 65, there was so much confusion, groups like that can really exploit that confusion. I would say ten, fifteen, twenty years from now, and you already see elements of it now, people are saying, “Who do we believe? Oat bran is in. Oat bran is out. Aspirin is in. Aspirin is out. Coffee is good. Coffee is bad.” More and more I think the American public is becoming aware that there is the politics of research and that there is confusion in this area.

And yet, there is such a mainstream of thinking that's anti-alcohol. And again, that's more the abuse issue, that the CSPI and groups like that can really plug into that emotionalism. And the only way to counter it is not to rail against it but to provide facts to answer; even if they have a different motivation, to answer the questions, come forward with medical consensus. That is the approach that I believe we've taken.

- Teiser: Is there some sort of a tax, government agency factor that helps these groups like—I don't know if they call them think tanks or something else—groups that set themselves up as study groups. Are they profitable to somebody?
- De Luca: The attraction of American democracy, and it is an attraction, is that everybody can participate in the public policy debate. Whether you have the credentials or not, whether the press finally cuts through it all and says, “Well, wait a minute. You're not in peer review journals. Where did you get your information?” There is a certain element of skepticism. [interruption]

By the way, I have no personal problems or animosity towards any of these groups. I think that's the price you pay for democracy in America. What I'm disappointed in is the inability of certain public officials and certain reporters to understand that even though they say their cause is correct, in terms of fighting abuse, they really haven't focused the case on abuse. They really have shifted the debate towards use, consumption. And that's where I think they have unmasked themselves. If only the public—

And again, the media, here, has a responsibility. We're sophisticated and knowledgeable enough—and I attribute this to cultural ignorance in the United States, not to anything malicious—to understand that the industry itself makes common cause with those who attack the abuse of the product. And what is nefarious, what is intellectually dishonest, what is really not permissible in terms of research is to make this leap from the abuse of the product and all that follows, to say that that is also the weight of responsibility on moderate behavior.

You take product after product in America. A wonder medicine like penicillin, if it's not correctly administered, could cause death. It can give an allergic reaction to those who are allergic to penicillin. Literally, the salt of the earth, salt, sugar, if not applied in correct quantities causes major health problems. Things like beef and steak and pork and eggs and with the new health consciousness—we've always been concerned about the amount that we consume. No one has put a warning label on a steak. No one has wanted to tax sugar or salt. That's where I really part with the CSPI and others.

And where they've done a great disservice to this country is to try to expunge from our intellectual reservoir of knowledge the concept of moderation. Wine in moderation, beer in moderation, spirits in moderation is a heritage of thousands of years. But they've attacked the very integrity of these products to say, “You shouldn't drink them at all. You shouldn't consume them at all.” And wine is especially vulnerable in today's period because it is such a complex and rich compound.

And because you can find just about anything in parts per billion in wine, the new trend, the new vogue is to have these incredible instruments of detection, even up to a trillion parts, and then say, as a result of that, that there's something inherently wrong with the product. So they have profited by the disparity between technological advance and the lack of comprehension by the scientific and research community as to what that means. They have profited from that. That's where many of their attacks come from today.

Glamorization of Wine Consumption

Teiser: One thing that concerns me is I was talking to Lisa Jacobson, I remember, and she was mentioning a Julia Child program that's going on with winemakers, discussing their wines. And that's one level of publicity for wines. Also, Gallo's new ads with beautiful places, Mondavi's equating wine with elegant events, music and so forth, giving wines a kind of cultural and fashionable quality. There's nothing wrong with it but it worries me a bit because I—well, it's just something else. It's not so different from milk. And why not just sort of put it forth on its own merits instead of trying to make it equate with beautiful living and that sort of thing? I wonder if it doesn't sometimes swing back on the wine more.



Dick Maher, Julia Child, John De Luca

De Luca: You've highlighted something that is very timely. The President of the United States spoke to the Congress last night, joint session, talking in terms of budget deficits and in

terms of forthcoming health proposals that he only alluded to last night. But you know, the different taxes and different revenue sources and so forth. And one of the debates going on internally, behind the scenes, is, should there be a tax on certain products as they address this question of revenues for health reform? Last night was deficit reduction and economic stimulus. So, that was one shoe that dropped.



**Healdsburg, California
January 18, 2003**

Hillary Rodham Clinton

John De Luca, Senator Hillary Clinton, Carla De Luca, Josephine De Luca

By late spring, early summer, there will be another address, not as dramatic as a joint session but it will be in the way of communication as to how Mrs. Clinton, who's leading the task force in health reform, intends to fund health reform and health care. And this whole question of excise taxes and "sin" taxes and luxury products to be brought forth and class distinctions and, like yesterday, "I'm not going to tax the middle class or the lower income classes but, boy, am I going to go after the rich. Am I going to go after those who are—"

[Tape 10, Side B]

De Luca: You can see in terms of tax policy and in terms of questions of health the fusion of two issues, here. One is: Where does wine fit into society? And the other one is: As you call for sacrifices, which different areas of society, what age groups, what income groups should be expected to bear the burden?

And you have the convergence here of two very strong issues. One is: What image is being projected? And the other one is: With regard to good or bad “products,” which products should bear a certain proportion of the burden? On the first one, I had been advised by many a friend, congressmen, senator that some of the things you pointed out are, in fact, the perception. The more we emphasize wine as gracious living, the more we’re talking about wine in terms of the beautiful life, the gracious life, bucolic scenes, beautiful weekends, the more it is being positioned as a quasi-luxury item, in contrast to Europe, where it was seen as the day-to-day beverage of working men and women. It was not seen as only the beverage of the very wealthy. All right, so that’s one thing that must be addressed.

Here, as in most areas, there should be balance. There is certainly a wonderful complement to the quality of life pursuit, to have a glass of wine with your meals and to have it in a wonderful setting. So, clearly it’s appropriate for us. But there shouldn’t be disproportionate emphasis. We should still remember that the liter and a half to four liter product is still, in terms of percentage as a volume, 65 percent of the volume of table wine in America, and that a housewife going to a store looking for buys for the week and looking for good buys is thinking of a product that would go well with a meal and is quaffable and it’s appropriate to have with your pasta, to have with your sandwiches; we should not forget the working class, the middle class elements of society. So, here I would call for a balance in terms of our presentation to society.

Certainly, what you were talking about, the culinary academies, Julia Child, what Robert Mondavi refers to as the gracious life, that’s appropriate and legitimate, but it should be put in proportion to the fact that this product is so attractive that it goes across the board with all different people from all different walks of life and not forget that \$3.35 is the average for a 750 milliliter bottle and it’s even below that for unit prices when we were talking about larger containers. So, that’s one element that clearly must be intelligently met.

Our wine lists get a lot of attention. But they also publicize the fact that you pay so much money for certain wines. Our great restaurant experiences, particularly in Washington, have led people to think that it is not uncommon to have thirty, forty, fifty dollar bottles of wine with very expensive meals. Therefore, those who can afford those wines must only be the very wealthy. So, I think there has to be a balance and so I am sensitive to this.

When we talk in terms of the public arena, if we were just talking in terms of promotion and education, it clearly is an attraction for us. Senior citizens are thinking more and more of travel, entertainment, hospitality. Middle class people believe a glass of wine with their—and working class—a glass of wine with their meals gives it a certain attraction and allure. So we shouldn’t deny those wonderful attributes of wine. But it should all be done in a sense of perception and proportion.

The other part of the equation—I mentioned there were two—is the effort to stigmatize the product as a sin to be taxed. And here the attempt has been, as budget pressures, revenue hungry legislatures and governors, in Washington looking for money, trying to find products that are politically more vulnerable and to lump us in with that whole category, trying to equate us as no different than crack or cocaine or tobacco.

The way you handle both of these issues, in my judgment, is to go back to the fundamentals of the wine industry and of wine with consumers, the way it's been drunk historically, which was as a part of your diet, a part of your everyday meal. And this is where I am very heartened.

More on Public Health Discussions

De Luca: We're meeting at a time when the Harvard University School of Public Health held its seminar, held its conference on the diets of the Mediterranean and issued a new alternative pyramid in terms of food pyramids, where it included not only the traditional foods of the Mediterranean—wheat, pasta, couscous, vegetables—but also on the graphic put healthy exercise and a glass of wine. I see that as a much more dynamic concept, wine as part of the diet of people, than the familiar one of wine as food, because diet connotes a whole body of thinking of a whole category of people over time rather than an individual by individual choice.

So, I think we can counter and address these two major issues simultaneously to attack those who want to make us a “gateway drug,” a sin to be taxed, and to counter the perception that we're a quasi luxury product by in fact indicating that wine has been for thousands of years, for hundreds of millions of people, part of their staple of life and part of their diet—along with their pasta, along with their olive oil, along with their wheat bread was a glass of wine—and get it back to that perception.

I don't know if you've seen our chart. Before we leave I want you to see that. We're bringing it to Washington. It's very exciting. It was not issued by Wine Institute. It was with the imprimatur of the Old Ways Trust and Exchange, which is a non-profit group wishing to promote the traditions of the past, and Harvard University School of Public Health. (See Appendix page A-207).

Because our issues have been attacked in the public health arena, I think it is dramatic that a prestigious university like Harvard, with a very prestigious chairman, Professor Walter Willett, would come forward and say, “Here's an alternative to USDA's food diet pyramid,” and include, to the best of my knowledge, the first time this century in a public health discussion and in a graphic on what people should be doing, a glass of wine with their meals.

And so, we're going to be addressing that in Washington next week. And as I said, it restores us back to our fundamentals of everyday life of all different groups of people and back in terms of diet, nutrition, and lifestyle. And it gets it away from this attack in terms of alcohol. You should see the Mediterranean diet pyramid. Before we leave, I really want you to see it. In fact, why don't I suggest you have a sandwich and I'm going to bring it here to you so that we'll have a little fifteen minute break so we can have our sandwich.

Mediterranean Diet

[Tape 11, Side A]

De Luca: As you can see from this research news bulletin, Harvard's new Mediterranean diet guidelines include wine. What a wonderful opportunity it is for us in terms of being included with breads and grains, including pasta, rice, couscous, polenta, and bulgur; fruits, vegetables, beans; other legumes and nuts; olive oil and olives; cheese, yogurt, and other dairy products on a daily basis. And so as part of the pyramid, it's not even put down as a few times per month or a few times per week, but it's being included in the graph, you know, daily.

The reference here says, "Variations of this optimal diet have traditionally existed in other parts of Greece and Italy, other parts of the Balkan region, parts of Spain and Portugal, southern France, parts of North Africa—especially Morocco and Tunisia—parts of Turkey as well as parts of the Middle East. The geography of the diet is closely tied to traditional areas of olive cultivation in the Mediterranean region." It does say that this pyramid, together with all of its accompanying notes, should be viewed as preliminary, as subject to modification. Then under exercise it has a footnote, and then under wine: "Following Mediterranean tradition, wine can be enjoyed in moderation primarily with meals; one or two glasses a day for women and men respectively. It should be considered optional and avoided whenever consumption would put the individual and others at risk." Which is intelligent.

Teiser: Sexist, however.

De Luca: A little, but it's put out under the auspices of the School of Public Health at Harvard. So to answer that original question, I think we should legitimately expand the knowledge of this diet, and I have submitted this to the BATF [Bureau of Alcohol, Tobacco, and Firearms] privately, as I have all the other things, like we did the Beringer neck hanger to see to what extent we can disseminate this information in terms of publications, in terms of knowledge, press releases, conferences. I see this as a wonderful opportunity for us over the next several years to reposition ourselves and to reframe the issue in America. I think that's one of the major goals that I have personally: to reframe the debate in American society about the place of wine in society, and to oppose any effort to attack our integrity by labeling us no different than what they call a "gateway drug." So I think, as I said, this is a much more dynamic, much more thrilling, much more—in terms of culture and tradition—fundamental to have it as part of the diet of people and not just simply in terms of either gracious living or wine as food. Wine as food is a correct linkage, but this offers even greater opportunities, I believe. Wine is part of the diet inherited by people.

Jug Wine

Teiser: I don't know what the statistics are, but so far as the health of the wine industry itself is concerned, isn't jug wine an important part of it?

De Luca: Let me again refer to a fundamental statistic. And that is 65 percent of the volume of table wine, according to Wade Stevenson, our director of economic research, 65 percent is in the containers of a liter and a half and above—three liters and four liters. What that tells you is how much of the wine which is very good and inexpensive is going out into our figures. Increasingly, we're getting more volume from the 750 milliliter—you know, the cork-finished bottle. But even there we should remember that the average price of that wine is \$3.35. Until two years ago, until the tax, it was \$2.89.

So what this tells you is there is still a very key element for the growers and for the vintners of wines that are available to people that are not priced out of reach, that are excellent. When you consider what's going into these bottles, it's outstanding wine for very reasonable prices.

Again, in terms of the balance with the industry and the Institute, I think there is no conflict. There is absolutely no divergence in presenting to people that we represent both the generic table wine producer in larger containers and the more expensive, certainly extraordinary quality wines, but they're *all* quality wines; it's just a matter of what your pocketbook can afford. So that's an industry. If you don't do it that way, you're talking about more of a wine and food society than you are an industry. So in terms of the statistics, it's still the backbone.

But everybody is upgrading their grapes. Everybody is upgrading their winemaking techniques. What we have today, which I think is outstanding, is the ability to compete with whatever wine you want, coming from whatever country you want, at whatever scale of the price spectrum that you want. That really is very, very gratifying, very encouraging. And they're not mutually exclusive, they're not at loggerheads. They're just like most opportunities: you present a wide range of choice to your consumers.

Teiser: It seems to me that it's to the interest of the whole wine industry to sell lower-priced wines where the people just keep drinking wine, whatever kind they want.

De Luca: I've learned a lot from my son and daughters, who just recently finished college—one at Stanford, one at Georgetown, and one at Santa Clara. I asked them how they perceive wine on campus—one on the East coast, Georgetown, and two here in the Bay Area, at Santa Clara and Stanford. And they tell me that there was a period when the wine cooler was seen as an attractive alternative for the college crowd, particularly for women, as against having to drink other products. For the young men—the first exposure for them to wine was when they had a date, and they had to go to a restaurant, and it was seen that the proper, correct thing to do was to have a bottle of wine with your dinner. For most of them, that was their first exposure. They hadn't had that requirement before. He said, "You know, Dad, if you're thinking about wine on campus, you've got to remember almost all of us kids were raised on soft drinks." They were raised not with wine on the table, and it was when you go to school that you're exposed to this possible choice—high school sometimes, but certainly in the university.

It strikes me that one of the challenges to the industry is, how do we make America wine-conscious, in keeping with the fact that this is an Anglo-Saxon culture, still influenced by its history. This is the nation where we had Prohibition; this is not Europe, this is not Italy or France, and I get back to the sense of promoting a diet and a lifestyle,

and this is exposing people to how the Mediterranean peoples have lived and also the Asian peoples.

This same conference, by the way, is going to feature the Asian cuisine, which I think is also a very positive one—to do it in terms of the exposure of Americans in this global economy to global thoughts. We are an insular people, unfortunately, although more and more we're becoming international. We came out of World War II as a superpower, we thought everybody had to learn English, everybody should learn American habits—this was the one place you could define as forward-thinking. But what we're learning is that we can profit from the experiences of others, and as we travel, and as we are exposed to more ideas, we're exposed to the habits and the ancient secrets of modern nutrition. I think that would be very positive for wine in America, as more and more become aware and exposed to how others have lived. Not just the way we had lived.

And look at the popularity of pasta. Look at the new-found popularity of all these pasta houses in Europe, in London. I mean, every time I go to London I'm amazed at how they have more and more of these pasta houses that are being built. When I was a little boy, the only people that I remember eating pizza were my own people. Now it's become a franchise for Pepsi-Cola and for different names other than Italian sounds. So we are showing that we can adapt.

Olive oil is getting back into favor; I notice how at many restaurants I go to they serve you with a little bread and a little olive oil. When I was a little boy, that's all I had. In fact, one of the first recollections I had was going to my mother and asking her for a piece of bread with olive oil. "Pane con olio" in Sicilian. That was what I ate. It was bread dipped in olive oil. So for me to see what was my normal diet being brought to the level of a conference at Harvard University with leading nutritionists, what was basically the peasant bill of fare, shows how far we have come and the opportunities that are available to us.

Teiser: I'm glad that this was—again, an aside—I'm glad to see that being done on a scientific basis, because I'm always worried about the Mediterranean diet that was pushed by some people who were—I don't know if they were even nutritionists—they were untrained. They used health statistics to prove it was a good idea, or something. I thought that the reasoning was unfortunate, so I'm glad to see that Harvard has gotten behind it with some sounder sounding—

De Luca: Obviously it's not a new development; people were aware of it for many, many decades, many centuries. What I find illuminating is to hear terms like Resveratrol, immunostimulants, antioxidants, the whole question of HDL, platelets—it's extraordinary how we're putting scientific terms to what was really folk wisdom and common sense. But you're right, I think it gives it a greater strength and respectability and credibility.

Grape Growers

- Teiser: Something I wanted to ask you—this is way off at this point. Maybe this is too complicated; it takes us into marketing orders. Has there ever been any idea of including growers, not winemakers per se, in the Wine Institute just as members?
- De Luca: Two aspects here: one is that we do now have CAWG [California Association of Wine and Grape Growers] as an associate member of Wine Institute, and Wine Institute as an associate member of CAWG. And that's a positive development, and they come to our board meetings, and they're invited to participate and to debate, to offer their knowledge to our board deliberations.

We did have a joint marketing order of growers and vintners. It led to quite a bit of strain, but as I had hoped at the time—and I'm on record for saying this, that the immediate period of friction was going to lead to a longer period of a mutual sense of knowledge and understanding. So at the present time as a result of the exposure that we both had to each other, the issues that were debated, the question of trade, the impact of currency on trade, all this has led to what I consider to be the high-water mark of cooperation between growers and vintners which exists now. It seems like that period 1984-1987 where we were constantly caucusing, and we came away with the separate positions, did lead to a reservoir of better understanding about issues which has now led to a better understanding of each other and greater cooperation. One small point, but it's symptomatic.

Promotion and the International Trade

- De Luca: In the early '80s there was a constant reference to promotion and marketing, the need for greater efforts by California—particularly the Wine Institute—because of the incursions and encroachment of fine wines in America. And the argument then was that the Italians and the French are out promoting wine: look at the sales that they were enjoying as they got bigger and bigger and bigger. I remember having a number of sessions where I was in attendance, where the grower groups would bring in experts on promotion and marketing, saying, “Look at the brochures, look at the various pamphlets that are being given out by Europeans, the Italian Trade Council, the French various regional groups.” This was the reason they were increasing their sales in the United States.

I kept telling them a major part of it was the relative difference between the franc and the lira and the dollar, and that international trade was more a function of currency and the various price points than it was these various slick handouts. There may be some element of that, but that was minor. Well, now it is well accepted—it isn't even a point of contention—that you look at currency, and you look at the strength of the dollar versus the yen and versus the mark and versus the franc and versus the lira.

Look at, in the decade, how much [increased] understanding there is about international trade. And of course, in this period, European—particularly European—wine shipments

into the United States dropped dramatically, again as a function of the relative weights of their currencies. There were also some scandals in Europe, but that affected not only fine wines but also wines in general. So there was a linkage and a stewardship that we all shared which didn't exist before. That's one point to show that we're coming to a greater understanding of the industry and a greater understanding of the problems that we face.

Ruth, in a word, one of the biggest challenges has been to have universal knowledge and universal consensus as to the definition of success. We could be achieving things, but if there wasn't a common understanding of what it was that we were doing, many of our programs would go unappreciated, and a big part of the burden, of course, is on us to make it clear. But there wasn't a common definition of success. There wasn't a common definition of terms. Different people would go to the same issue with different interpretations and comprehension of what it was we were supposed to achieve. There was a gap between knowledge by the staff of what it was accomplishing and comprehension by the members of what was being done. I think that also has been giving way to a greater sense of sophistication and perception and comprehension. Again, the leadership role of many of our vintners in this area has been outstanding. They've taken the issue up and they've gone to regional meetings to define us. I think we are more and more aware that it's a complicated world, and some of the simplistic notions that we had are giving way to greater sophistication.

Teiser: Have there been objections to imports from South America recently?

De Luca: Well, when we say objections—

Teiser: Australia, too.

De Luca: There is growing knowledge that in addition to wines from Europe, that wines from Australia, wines from Latin America, are also seeking a niche in the American market. This is still the most attractive market in the world that people want to penetrate—the American market. This is still where foreign governments, as they put together their trade policies and their agricultural policies, put in a budget to help trade in the United States to get dollars, which are incredibly valuable for paying off Third World loans. You get access to a market that is still perceived as in its infancy; the American market is still seen as a place to solve many of their internal programs and problems. It's still seen as a place where you export your unemployment, and wines from, say, Chile, are certainly supported by their governments. They have made aggressive efforts to try to get into the United States. Table wines have done well, and they're part of this constant request for fair-trade agreements and for duty-free entry into the United States. Argentina, Chile, and Brazil would have profited by the petition by the Hungarians, which was called the GSP [Generalized System of Preferences]. The Argentineans wanted a petition on concentrate, with regard to penetration of the United States.

Before I forget, the concentrate market has become a very important one for vintners and growers. Last year, my understanding is that 500,000 tons of grapes went into the concentrate market, and that still wasn't enough. We still had to bring in another 500,000 tons of the equivalent of that in concentrate for the soft drink beverages, for the people who produce products like Snapple and others. And this development had been very, very timely for those growers who were more dependent on the wine cooler, and

the wine cooler market—which has been flattening out—also was affected by the tax structure of 1990s increase on wine, and it also affected the wine coolers' tax: made it less competitive vis-à-vis malt products, and so some of our wineries who were producing wine coolers also turned to malt-base as their coolers. Therefore, this would have been a double whammy on the grower except for the concentrate market coming along at this side to help them to absorb this.

- Teiser: Does it go mostly into export?
- De Luca: No, it goes into the U.S. internal production.
- Teiser: All these soft drinks and—
- De Luca: Yes, all these beverages, all these different drinks. They require a lot of concentrate because it is very attractive to them. The grape concentrate doesn't detract from the taste the way I understand the lingering taste of apple, or pear, or other fruits. So it was seen as very attractive.
- Teiser: There used to be a big market, a significant market in Canada for concentrate, didn't there?
- De Luca: I believe there is. I wouldn't want to overstep my knowledge on this—I don't know what it is. I just know that these last two years, the concentrate market has really become a mainstay and growing.

European Economic Community

- Teiser: You had mentioned the EEC [European Economic Community]. Do you want to discuss that?
- De Luca: Yes. Let's discuss the European Economic Community. It's another important point of knowledge, and that is to recognize that the major source of wine production in the world comes from a part of the world that is well organized, has very clear goals, has great economic and political power. That is the European Economic Community. You could consider the alternative: that the major production of wine could have been in other regions that would not have had comparable diplomatic, political, economic skills. But it is from the European Economic Community that we have our principal competitors today, although as you pointed out, the Latin American contingent is becoming increasingly more important.

The reason that becomes critical is that the United States is engaging in very important international trade talks, and suddenly we have all these aphorisms—the GATT [General Agreement on Tariffs and Trade]; the Uruguay Round of the GATT, which is being negotiated in Geneva; issues like intellectual property and what takes precedence—is it your trademark or is it the terms like Cabernet Sauvignon, Sauvignon Blanc? Can you use those terms? The NAFTA [North American Free Trade Agreement]—we had an agreement with Canada, we're having an agreement with

Mexico; the market promotion program, which is a very key new program that has been very helpful for us in our exports. All this has led to a new phase of work for the industry in terms of being active participants in international trade talks.

I've met many times with the STR [Special Trade Representative], most recently with Carla Hill, but before that was Bill Brock and Bob Strauss, now Mickey Kantor. I've been to Geneva for our different talks, and what I've really come to appreciate, and what our members and our staff have come to appreciate, is that in dealing with the European Economic Community and around agricultural issues, we have a very, very formidable adversary who see the California wine industry as potentially a major competitor, and they're using all the various attributes that they have to cut us off in terms of international trade agreements.

So this is a phase of work that wasn't even there in this intensity ten years ago. And it's increasingly more important as we open up markets. Canada—and this is a little bit afield from your EEC issue—and Mexico, in our hemisphere, they could be very important markets to us—should be. Last year we exported \$175 million [worth] of wine. When we started our phase of the market promotion program—it was called a Targeted Export Assistance Program—in '85, '86, there was a little over 25 million dollars. So in that span of time the value of our exports overseas has gone up another additional \$150 million, and our goal here is that in a short time—in another six or seven years, by the time we get to the year 2000—we're in 1993 now—that we reach \$400 million. Think how important that is to our industry at this point.

The EEC is a very formidable economic and powerful political unit, and we have to remember that their wine is not just part of social living and grace, but consumed every day. And therefore it is seen as a jobs issue. It is seen as a political issue: keeping people employed. Therefore they fight very strenuously for their position. The United States, on the other hand, until the passage of the Wine Equity Act, always saw wine as the compensation for concessions made for the Midwest by other countries. We always put forward wheat, grain, corn, and soybeans—those were the pressure points on our trade negotiators; we wanted more access for them in overseas markets particularly in Europe. In return, the Europeans wanted greater access to our markets for their leading agricultural export, which is wine. And so we were always the compensation for these concessions made to the United States for the Midwest.

Now we've reversed that with the passage of the Wine Equity Act, and as more and more time passes, we see the incredible value of certain things that we did before: the code of advertising stands out, the passage of the Wine Equity Act stands out, the whole approach that we took to the issue of the ballot measure Proposition 134, how we anticipated the lead issue before it happened and did things.

And the reason I bring these up is that your use of the term EEC has led me to discuss how we are putting together a global strategy and saw that before the trade issues that really come crystallized and focused—we saw that years ago. And so to many of our members, there is a growing perception that we're not only defensive—taking on issues on an ad hoc basis as they happen—but we've also been very pro-active, which is, of course you know, one of the buzzwords.

[Tape 11, Side B]

De Luca: The Board of Directors and the members have become supportive of the international program without ever losing sight that our main program is still the United States and the United States market.



Josephine De Luca, President Bill Clinton, John De Luca, Senator Dianne Feinstein

Internal Trade Barrier Problems

De Luca: Since I last talked to you, Ruth, another area of our work that has really become greater appreciated—and knowledge has come with it—has been the work in the United States of our trade barrier staff. Until last December, we have never had a regional meeting—that is, our staff meeting with our wineries on a regional basis at the grassroots level. This work has always been understood but never really widely appreciated. And the problems that we face state by state and the unique situation we find ourselves in where we do not have the protection of the Interstate Commerce Clause—because of the Twenty-First Amendment and under the Eighteenth—all that has really elevated this work. This has been, I consider, the single most important activity undertaken by the

Wine Institute—that is, opening up markets in the different states, dealing with their regulatory agencies, dealing with the different legislatures.

No other organization has ever attempted to do that. So even our detractors have had to acknowledge this is a first-rate activity; even those who have left the Wine Institute have never attacked it. In fact, the debate has always acknowledged that as a great asset for everybody.

We are now entering into trade agreements with the different states. Can you believe that? California is actually having reciprocal trade agreements so that we can have direct shipments of our wine from California to consumers in different states—we have nine in this category—underscoring for the first time for people that within our own continent we belong to the political union called the United States but not the common market called the United States. And so as more and more of that work becomes better known, I think there's an elevation of awareness. So it underscores a very big part of the work here.

By belonging to the association, you help to get educated about the industry that you're in. Most times that's not necessary. Most times you go into the business, and it's very clear what that nature of the business is. When it comes to wine, beer, and spirits, it is so unique in the United States' constitutional law, state law, and in terms of rules and regulations that newcomers would come in who do not have that background, and therefore part of their frustration and our frustration is running into what in any other business would be unacceptable as an antitrust violation—which in the United States is protected and defended by law—and that is the unique power of the states and that the Twenty-First Amendment, in effect, lost us the protection of the Interstate Commerce Clause. We're working our way back, but we have to do it in terms of unique relations. So California enters into a reciprocal trade agreement—that term is usually reserved for international governments—but we enter into a reciprocal trade agreement with Oregon, with Washington, with Colorado, with Missouri, with Wisconsin, with Illinois, and we're doing more and more of that.

- Teiser: It seems the easy way to solve the problem which has been vexing people for years.
- De Luca: Well, we can't get a constitutional amendment. I admire those who say, "We ought to get a constitutional amendment and go across the country and reposition wine in America." The prospects of getting an amendment through three-fourths of the states and having it ratified, given the climate that we have today, given the past track record of women's [rights] groups and other groups in trying to get three-fourths of the states to do anything—it's an easy applause winner, it's an easy line to give in any speech, but the rhetoric far surpasses the capability. So what we're doing is quietly, state by state, going about the business of entering into these reciprocal trade agreements.
- Teiser: Maybe that's the easy way to do it, after all.
- De Luca: Well, it's time consuming, but it's working in the right direction. I think our agreement with Federal Express will help us, because we have a very major business entity that can help document what we're doing. It's new information to bring to other states. It also answers some of the criticisms well. How do you police a product with regard to minors? If you send it through the mail, if you send it through Federal Express, is there

anybody there to police it at the other end? Are you getting outside the controls and safeguards that we now have through the three-tiered [distribution] system? And Federal Express is in a big position to say we did police it well, and that it can be done.

I also think it will help us to move to the next stage of gaining another ten states into this direct-shipments program. No one is trying to challenge the three-tiered system, but for those wineries who do not have distributors, and who are small and do not have the economic clout to do so and have visitors to their winery who would enjoy having a bottle or case sent a year—depends on each state. This is becoming increasingly important. I use that for its own merits, but also as a way of underscoring how difficult, different, and complex is the world of wine when it comes to the laws. And that has been a frustration for many wineries who believe as we all do that this is a free-enterprise country, you should be able to buy and sell and ship across borders—after all, this is the United States. But as I said, we're part of the political union called the United States, but not the common market.

That's one hurdle that no other association is attempting to address as we here at the Wine Institute. I don't believe that what I'm saying is out of order when I make these comparisons. But people are making comparisons about the relative influence of different organizations, and from London to Tokyo, in that whole space there, there is no organization comparable to the Wine Institute that is addressing on a day-to-day basis the challenges for wine. Again, it's a tribute to the people who put the organization together, and particularly in light of my opening remarks about the rejuvenation and the creation of a new organization. It is a new organization with a fifty-five-year-old name. But it is a new organization.

- Teiser: I was wondering if Jack Davies maybe will be back someday with his knowledge of the European market and its influence in the Wine Institute.
- De Luca: Jack was and remains a man I respect. He was a chairman here with great intellectual capabilities. He was frustrated over the inability of the association to serve primarily in terms as a marketing arm. He also would have preferred, I guess, a greater sharing of certain information, a greater sharing in terms of consumer education—all very legitimate questions. My hope is that he will return to the role that he eminently deserves.
- Teiser: He really understands, I think, the European market.
- De Luca: Yes, and he understands the American market, and he understands many of these issues. How he came to his conclusions I can't second guess; my hope is that in the next year or two years that members will return. It's better for the organization to have that energy on the inside working towards change and strength than on the outside. They have more influence working within the various committees and within the Board of Directors.
- Teiser: He is a very bright man.
- De Luca: Yes, I'm a great fan of him and Jamie and the three boys. I miss them; I really do.
- Teiser: Hope they'll be back.

Well, I'll let you get to your next event.

De Luca: Ruth, thank you so much.

Wine Appreciation Week, 1993

Interview 6: March 18, 1993]
[Tape 12, Side A]



Congressman Tohy Coelho, Michael Mondavi, Congressman Bill Thomas, John McClland, John De Luca

Teiser: Tell me about Wine Appreciation Week.

De Luca: American Wine Appreciation Week. To be succinct, the catalyst for that proclamation was a very fine, new organization called Women for Wine Sense. They used the experience that we had in California as a unifying attempt to get it [a wine appreciation week] for the whole of American wine, not just California wine. We had had that resolution passed here in California, and it helped to unify a lot of people; a lot of different organizations participated in going to the Congress and getting the necessary signatures. We needed a majority of both the House and the Senate, and the Wine Institute played an important role in this, particularly at the end when it looked doubtful that we could get the signatures. But the catalyst was Women for Wine Sense, and many

other associations participated. That proclaimed the week of February 21-27 of 1993 as American Wine Appreciation Week.

It turned out that it was very propitious for us—that timing—because in planning our events to try to flesh out that proclamation, and to make it meaningful and not just simply rhetoric, we months ahead of time planned to come to Washington and to put on different seminars, tastings, and various receptions, press events, and to coordinate them with other organizations coming in from other states.



John De Luca, Josephine De Luca, S. Dakota Democratic
Senate Majority Leader Tom Daschle

Teiser: How do you define a seminar?

De Luca: We had congressman and senators and members of regulatory agencies come to a room where we were for the day, two days in a row, and on the half-hour, come and speak for about fifteen minutes on any topic: housing, health, international affairs, regulatory matters, food and drug, trade, what was going on with the new administration, plans for deficit reduction, economic stimulus. And then we would have time for opening up to questions from our audience. Forty of our members came; it was a fine delegation, one of the best that we've ever had. It really was very educational and very stimulating.

The key point was that in preparing for this—which took us months—we planned to all arrive on February 20th in anticipation of the whole week. A new administration—we did not know at the time whether it was going to be Bush or Clinton—coming in with its agenda to have major initiatives for the first 120 days led the timing to be, as I said, very

propitious because, President Bill Clinton, on February 17th, three days before we arrived, outlined to a joint session of the Congress his fiscal program—both economic stimulus and deficit reduction.

The following two days after his presentation, members of the cabinet—in terms of hearings on the Hill—were talking about the third part of his overall program, and that was the health reform package, where the really unacceptable term “sin tax” was sort of floated out there as a trial balloon in terms of revenues to help fund health care reform. That was on Thursday and Friday; we arrived on Sunday, and therefore on Monday—the next morning—we were met with glaring headlines about proposed taxes on our products—on wine, beer, and spirits—to help fund this health care reform.

So had we planned for our usual April or May program, as we have in the past, we would have missed the opportunity immediately to meet with the members of the administration, with the Congress, with the different staffs, with the president himself, as to what was the likely course of action about taxes, excise taxes, where they would be earmarked in terms of health care reform. The issue having been joined on health as against the other parts of his program, it was appropriate for us to raise the health research that had been coming out that very week also from UC [University of California] Davis—Professor Kinsella’s work on antioxidants and phenolic compounds in terms of cardiovascular health. And also the previous ten days where Harvard University School of Public Health had put out a dietary guideline—the Mediterranean diet pyramid—which included having wine as part of the daily diet.

So I was able, as were others, to ask our guests and to pursue these developments in terms of—here on one hand, we’re getting this favorable scientific research. We’re getting medical studies, peer review journals, talk about salutary benefits of wine, and then on the other hand we’re having government officials talking in terms of solving the health issue by taxes on the so-called “participants” or those who were causing health problems—and there they had tobacco and firearms and industries that pollute. And we said that is company that history, tradition, culture, and science repudiate. Here we are as part of the dietary lifestyle choices of hundreds of millions of people for thousands of years and on the other hand people are trying to tax us as a so-called “sin” to be expurgated.

The president himself said, “Look, I haven’t said that. That is being promoted by others,” and went on to say that he felt that excise taxes should only be on those products where we wanted to see a decrease in consumption, and he definitely was a supporter of seeing a decrease in smoking and cigarettes. But he also said that he had not heard any convincing evidence from his staff as to why there should be any decrease in wine.

He went on to give other positive messages, and we, at the time, agreed that we should not tell the press what he was telling us in private even though it was favorable, because we would be concerned that he would disavow what he told us privately—it was only the president and his spokespeople who are the arbiters of what they say to the public. Even though it was encouraging news, we didn’t want to tell anybody what he had said to us. Well, the following Monday at Rutgers University the president had an interview with MTV [Music Television] News with Tabitha Soren, where she had raised the question about so-called sin taxes, and he went into the same line of argument about

cigarettes and smoking. And then she said, “Well, couldn’t you make the same argument about alcohol?” He said that you could, and you do, but in moderation he has not seen any harm with regard to drinking alcohol. And in wine specifically, he said that there was some evidence that in moderation it was good for your heart. And you could not make any similar claim for tobacco in moderation.

That made it a public statement rather than just what he told us, and that went on the airwaves, and then radio carried it, and we had gotten transcripts and the tape. We’ve disseminated that to our members and to other people in the press.



Majority House Democratic Leader Dick Gephardt, John De Luca

That capped what I would describe as an extraordinary week. We had a press luncheon at the National Press Club with over thirty reporters. We had Dr. Dimitrius Tichopoulos from Harvard, who was the co-chairman of the conference on the Mediterranean diet—he’s in the School of Epidemiology there. We had Dr. Lionel Tiger—a great name—from Rutgers, an anthropologist who spoke in terms of Puritanism and pleasure and how historically, as an anthropologist, he could vouch that the ancients were very good at what they put into their regime and what they consumed, and that over thousands of years they were very, very cognizant of wine and how it interacted with the body. He said it was very positive that over thousands of years people saw it and enjoyed it in moderation. That evening, after hours of meetings with regulatory heads from the Special Trade Representative, the Food and Drug Administration, and the Bureau of

Alcohol, Tobacco, and Firearms, we had a joint evening with the Motion Picture Association—Jack Valenti and the Wine Institute—where we had some ten honored guests—senators and congressmen, particularly the new class. We had a wine reception and then a premiere of a movie, but the key there was to continue the strong identification of two leading industries in California, motion pictures and wine, in a favorable way.

The next two days were these seminars where we had close to thirty guest speakers who came and addressed us. They were of the caliber of Vic Fazio, who was the chairman of the Democratic Congressional Campaign Committee; Leon Panetta, the new budget director; Bob Matsui, who was a congressman on the Ways and Means [Committee] and key on trade; Bill Thomas, Bob Torricelli, Senators Tom Daschle and Dianne Feinstein. We met in the next few days with the majority leader, Richard Gephardt from St. Louis; the speaker, Tom Foley, from Washington—

Teiser: You got hold of the speaker?

De Luca: Yes, and we saw the Secretary of the Treasury, Lloyd Bentsen. We saw the Secretary of Agriculture, Mike Espy. And these were meaningful; these were not just social exchanges. They were substantive, they were on policy, they were in terms of where the new administration was headed. We had Republican spokesmen and spokeswomen who came and spoke in terms of what the now-minority party's role was as they foresaw it in terms of this change in the White House structure. It was very balanced. We had the Hearst [newspapers] Washington bureau chief, Chris Matthews, who is also a commentator on national television; Paul Begala, who is with Carville—they were the two campaign managers for President Clinton—giving us insiders' views on how the press and media and the politicians in Washington saw and evaluated the situation; it was what you couldn't normally hear in terms of the normal columns, but gave us real insider views.

We had a Wednesday evening reception at the State Department in the beautiful diplomatic reception quarters of the State Department and had 350 guests, including 52 congressmen and members of the administration. We had the ambassador for trade, Mickey Kantor, come; again, the budget director, Leon Panetta, came; Barbara Boxer addressed us and the two senior members of our delegation, Don Edwards from San Jose and Carlos Moorehead from Alhambra, representing the delegation in a bipartisan way.

I've gone into some detail because very few people recognize that the opportunity to learn—fact-finding—the opportunity to share, accorded the Wine Institute delegation, a very, very unusual high-level opportunity.



Senator Barbara Boxer, John De Luca, President Bill Clinton, Senator Hillary Clinton

[Tape 12, Side B]

Teiser: You have someone at Wine Institute who is in Washington and arranges all this?

De Luca: Yes. For the last dozen years, Ruth, we've been doing something parallel to what I've just described. It's been very successful, and we've called not only Californians but members outside of our state, and we've put together a very fine program that I think would be comparable to anything the Business Roundtable or the Forbes 500 or any major industry group could organize for its members.

What was different this time, and I give a lot of credit to our new vice president for federal relations, Bobby Koch. He was building on this fine program and really enhancing it even further with people we had not heard before. He handled very astutely the requests with the White House; everybody, obviously, who comes into Washington would like to meet with the president. Bobby handled himself extremely well, and he diplomatically pursued this, and I give a large measure of the success of the meeting with the president to Bobby Koch and our decades of friendship with Congressman Don Edwards, dean of the California delegation.

Teiser: He was just introduced at the last general meeting.

De Luca: Yes. He's been with us since last July. He also was very instrumental—we've known Richard Gephardt and Tom Foley for years—but he was very instrumental in helping in a busy time with busy demands on very busy people to work it out so that they would come to see us. We also invited the associations from Oregon and Washington and New York and the AVA [American Vintners Association], Women for Wine Sense, the National Wine Coalition—different groups that were in town for American Wine Appreciation Week—to attend these seminars. The leadership was invited to come to our State Department reception. For logistics' sake, we could not accommodate them the night we had the motion picture industry event because it was a small theater, but representatives were invited to our luncheon that kicked off the week with the National Press Club. And again, the delegation that met with the president was the Wine Institute delegation.

Teiser: Who attended these? Was it a big segment of your membership or a small segment?

De Luca: Well, we had our officers led astutely by our chairman John Giumarra, and members of the board of directors who came. They came with wives, they came with children. In fact, there was a wonderful moment at the White House with Bruce and Paula Rector of Glen Ellen [Vineyards & Winery], who had asked if their sons could come, their two young fellows—ages ten and twelve, I believe. And I thought it would be very, let's say, historic for the young boys and that they would always remember this. Well, they came with their parents. They were there when we had the meeting with the president, and they, along with the children from other vintners who came, permitted us to point out that far from high-powered attorneys and lobbyists, that here were families. They introduced themselves and went into the fact that they were first-, second-, and third-generation in terms of their families. So that really was, I think, visually, very important.

Teiser: Informing these people what's going on as much as can be would give you a better educated steering group, won't it?

De Luca: That is the hope and, I think, the reality, and that is that over the years the core group of leaders have taken the time—and it is time consuming and costly, and you have to make decisions as to the best use of your resources. But to take a whole week off and come to Washington has led to a sophisticated core of leaders understanding what we do face, understanding the reality of the situation and not just reading about it through newspapers or second-hand. I wish if anything that that group could be doubled so that we would have even greater outreach in terms of informing other members of the work of the association. That is a big challenge—communications internally and well as externally—that faces any association; is there a common definition of success? Is there a common appraisal of what it is that we must do together? And there's often a dysfunction; it's almost like dyslexia, between what you see and how you read it. The staff may be going in one direction, and the members may be going in another because we're working off of different daily experiences.

The trip to Washington, I think, helps to bridge that and helps to give everyone a common sense of purpose. Certainly this time—and again, it is spectacular to have the meeting that we had with the president—this time the word did get circulated to other members (who didn't make the trip) of the significance of the trip. We were talking about the economies of the wine industry, we were talking about health and research and scientific developments, not filtered through any staff or through any individual or

through any member of the cabinet or a memo that was being prepared. It was face-to-face with the president of our country. So to that extent it was very meaningful.

Now, we have no illusions that that alone is what it takes. We understand that a few words to an industry group and a photo do not equal policy. In our case it was not a few words, but it was really a substantive exchange between John Giumarra, me and the president. We are following this up with communications to our members, those who are not members have also been contacted with the line of approach that we are taking, and there's a major outreach grassroots program going on literally as we speak, to the president and to the administration and to key members of his team and Mrs. Clinton's team. So to that extent it was not only important that we went at that time in the president's administration very early, right on the heels of his major announcements, literally at the very moment that they were talking about taxes on us, but also the fact that there is now very positive follow-up going on: members writing to the president, members writing to the members of the cabinet with very sound arguments in their own words.

Teiser: What instruments are you using to get this information to the other members who didn't attend and may never attend anything like that?

De Luca: Well, we've sent memos, we've sent the transcripts of the president's statement to MTV News. Word of mouth has been, I think, augmented by the fact that we had major attendance.

Also, in a very important way, the American Wine Appreciation Week events brought to Washington individuals other than the usual ones who came on the delegation. We had good representation from Women for Wine Sense, a good representation from the American Vintners Association, the National Wine Coalition. There were individual delegations from New York, Oregon, Washington. AWARE's president, Becky Murphy, came. We had representatives for the family winemakers. The CAWG group—the California Association of Wine and Grape Growers—and the Wine and Grape Growers of America, grape grower groups, also were in attendance. And therefore, in an unusual way, we had four or five times the number of wine industry representatives and leaders in Washington for a week in addition to the members of our own delegation. They put on their own events and we helped to coordinate so that we were working together and not scheduling competing events for the same day.

Also, by a happy coincidence, members of the Napa Valley Vintners Association who were on a tour of the country, timed their arrival in Washington for the latter part of the week, and so we had some twenty others vintners who came in actually for marketing purposes, who picked up the excitement and the feedback of what had gone on before them. So this was probably—in terms of the industry for the United States—the single greatest attendance in Washington. And everybody shared in the information, everybody shared in the news. And in a way, it helped for many people who were not familiar with the work of the Wine Institute to observe it without having us appear like we were self-promoting or that we were self-aggrandizing. They actually saw it, heard about it, witnessed it with their own eyes, and I think in a nice way, without anybody making invidious comparisons at all, in a nice way, we established for some—and for many people it was brand new to them—reestablished the kind of positive activity that

the Wine Institute has been pursuing for many years that very few people were aware of.

Teiser: Do you think that this could be the start of a group that you just spoke of? I mean all the organizations you just spoke of could be a core of national organization?

De Luca: There is an interesting dialogue going on as to a national organization. There's recognition that in many ways the attributes of the Wine Institute, though based in California, represent a national presence, whether you call it a national organization or not. We have offices around the country; right now we average between thirty-five and forty-five lobbyists and representatives at the local level who are coordinated by six regional councils. The six report to the president, to me. More and more recognition for that work is being accomplished; at the same time, people are aware that we have offices around the world—in Asia, in Canada, in Western Europe—and that there is in fact an international presence, not just a national presence.

What is basically being discussed when they say “a national organization” is a growing focus on the Washington scene. I think when you say “national organization,” it really is: Can you bring to bear a national constituency or a grassroots work to help form, direct, influence the Congress and the administration—whoever it might be? Here is really where the debate or the question has arisen: What is the best way for those states outside of California to help make their contribution? I think we are evolving into a format that is becoming more apparent, and that is: all of us have a division of labor, all of us can make a contribution, and not to ignore the work of any one organization.

That's what really the national organization debate has been; not to duplicate what Wine Institute is doing throughout the states—that's several of millions of dollars that we spend. No one has that kind of revenue or that kind of economic capability to duplicate the lawyers and the grassroots representatives that we have. As I said, we average thirty-five to forty-five lobbyists, contract individuals across the country. No one's talking about duplicating that or wishing to parallel that, and no one's talking about the international presence where our market promotion program and our international trade barriers work has us maintaining offices in Tokyo, Montreal, London, Munich, and smaller offices in Hong Kong, Taipei, Seoul, and Singapore. No one's talking about duplicating that. What they're really focusing on is, how can one help influence legislation and the administration in Washington? I think Wine Appreciation Week gave everyone a sense of how it could be done, and that is we pool our resources and, frankly, I think no one intended it that way; there's a greater regard in appreciation for Wine Institute's role in all of this.

In some quarters, there had been sort of revisionist history going on as to what the Wine Institute did or didn't do or represent. I'm glad that without us having to appear defensive or to have to in any way make comparisons to other organizations, Wine Appreciation Week was the best response as to what role the Wine Institute could play. It was open, it was hospitable, and in turn we were met with the same kind of warmth.

Cooperation with Other Organizations

Teiser: Ideally, I suppose you would like to see a national organization. But what would its structure be?

De Luca: There is a National Wine Coalition that four years ago was launched with seed money from the Wine Institute, whose function was to help respond to all these calls for a national wine organization. The chair, Barry Sterling of Ironhorse Vineyards and the executive director, John Volpe, tried to—and in some way did—succeed in going beyond the vintners and the growers and going to wholesalers and retailers and to importers and to people in terms of the broadcast media, helping to broaden the coalition. And they have now restructured themselves. I believe in two weeks—

[Tape 13, Side A]

Teiser: You said that within about two weeks there would be—

De Luca: Yes. I think the National Wine Coalition will be reorganizing and restructuring itself, and my understanding of the direction that they're taking will be that they will serve as an alliance of alliances, that they will attempt to bring into the wine community a larger force than, say, vintners, or larger than vintners and growers, and truly be more representative of the larger community of interests that are represented by wine.

In the meantime, the American Vintners Association—which has been in being now for over a dozen years, and with whom we have been working extremely well for these dozen years—has, I think, become—in terms of goals and in terms of various policies—much more activist. It now has California members on their board of directors, not only people outside of California, and they were in discussions with the National Wine Coalition. Their leadership has been in contact with our leadership, and I think what we're trying to evolve right now is a more unified and much more coherent set of wine policies to be pursued.

So this period has been characterized by what I would consider to be major attempts at listing what energies we have and enlisting the larger resources. We've had a series of unity meetings. I think the one thing I didn't get a chance to emphasize when I talked about American Wine Appreciation Week was that the very first Monday at about seven o'clock—it was like four o'clock our time for those of us who had flown in—we had a unity breakfast to continue the spirit and the exchange that we had had in October at the Jack London Hotel in Oakland [California]. We had had a unity retreat back in October, and this was the first follow-up meeting to that; it was well-attended and the spirit was excellent.

So even though the press right now and some newsletters are talking about the demise of the Wine Institute or they're talking about the ascendancy of new groups, I think many people have not let that kind of writing deter what needs to be done, which is cooperative effort. The predictions of the demise of the Wine Institute not only are premature but they're just simply not borne out by events.

Teiser: Maybe what needs to happen is your going barnstorming as you did in 1975 [laughter].

De Luca: Well, I wish, Ruth—because I know this is a very face-to-face and oral community—I wish the times did permit; not that I have an exaggerated notion of my personal abilities, but there’s no doubt that when you go and visit and you meet with people face-to-face, the natural hospitality and warmth and graciousness of our industry does come to the fore. A big part of our problem has been communicating with over 550 wineries in terms of each one of them getting a feel that they are intimately involved with the day-to-day activities. And there’s no substitute for person-to-person contact.

What I think what we need to have now are representatives and ambassadors and knowledgeable people in the leadership, in the board, in the districts, who can communicate to their colleagues what they are experiencing. If you recall, in 1976 when I went and visited, it took me almost eighteen months; it was ‘76, ‘77. Today with the number of wineries, it would take me five years. And of course there are other pressing demands on our time. But you’re right: what you highlighted is the way we do function and the way we do operate. But many, many people—the chairman and the officers of Wine Institute and the directors—are given these demands on their time. It’s remarkable—that overall commitment that the vintners are making.

And it’s remarkable, really, when you think about it, how close and how unified we are. I mean, very few people deny or doubt the role of the Wine Institute. Where there has been a debate has been—and legitimately—how we can do it better and how can we be more effective? And it’s come during a time of turbulence and ferment and people economically and socially having to question their vocation in life, so it hasn’t been the easiest of times. On the other hand, without wishing to overstate the impact of Wine Appreciation Week in Washington, it really was a high moment. It really was a series of events—not just the one event at the White House. I think there was a sense of the richness of the organization and how strong we can be when we work together.

New Challenges for the New Era

Teiser: This was a lot more sophisticated than early years when you would have a queen [laughter].

De Luca: Yes—oh, boy. You know, every generation has to face the agenda of social and political change. It falls to different generations to cope with the issues of their times. We’re now in 1993, we’re looking back on nine decades of extraordinary change in American society, and those who were in the wine industry at the beginning of the century, those who went through World War I, those who went through Prohibition, the post-Prohibition Repeal period, the thirties and forties, World War II, the post-World War II period—each one of them had different assignments by history, taking on the big events of their times.

What this generation has had to cope with has been the most extraordinary and complex convergence of issues. While it was very traumatic to go through Prohibition and then Repeal, it was pretty straightforward; I mean, the issues were pretty well joined. Today we have social issues, fiscal issues, trade issues, substance abuse issues, you have the whole role of agriculture and the relative issue of water and land and planning. The

whole question of intellectual property, appellations of origin, organizations called the GATT, the North American Free Trade Agreement, the Canadian Free Trade Agreement. We have, because of the extraordinary explosion of technology, the whole question of components and compounds and carcinogenic and birth defects and reproductive toxicants. And suddenly the instruments of measurement are finding not parts per thousand or million or even billions, now it's parts per trillion of anything.

And so we're suddenly in the public health arena and zero-risk analysis; things that the previous generation did not have to face. Lead capsules and lead in wine and ethyl carbonate and the whole issue of urethane and what do you do in terms of product liability lawsuits and bounty hunters under Proposition 65 that started out as cleaning the drinking water.

Initiatives on the ballot. In 1990 we had the so-called "Nickel-a-Drink" initiative; that was a very major test of this industry, and now as I'm speaking to you, I'm aware that a new initiative is about to be filed to go out for signatures for the ballot of 1994, in June, that would raise the tax on wine from the present 20 cents a gallon in California to \$9.80 a gallon by July of next year. Well, that is not a tax—that's confiscation. But this would not be a bill submitted by the legislature; this would be once more a vote before the entire electorate of the state, with the whole national media and press watching us as it did in 1990.

So when you look at the issues, when you look at the complexity and diversity of the issues, what stands out is how unified we really are compared to the polarization and the balkanization and the proliferation of different interests that could easily overwhelm us.

Historical Change and Evolution of the Wine Industry

- Teiser: The structure of the industry itself over this same period has changed. What effect does that have upon all this?
- De Luca: Well, it's another layer of complexity and another layer of diversity that has to be accommodated and channelled correctly.

Thirty-five years ago, 80 percent of the California wine industry was essentially a high-alcohol, flavored product—sweet. The technology, the great grape-growing regions, the diversity of our plantings, an explosion of knowledge both within the labs and outside, have led us to have a diversity of products all leading towards table wine, varietals—certainly in terms of grape-growing and winemaking, the product in its quality is considered world class; there's no doubt about that.

But we've had the addition of hundreds of new wineries. We've had marketing trends that have developed in terms of this period, that have led towards people wanting to know the vineyard and wanting to know the region and wanting to have viticultural areas and much more precise information in terms of consumer knowledge. All this has led to not a handful of wineries but a major number of wineries. The good news is great consumer choice. The good news is in terms of competition, that the consumer has

probably the greatest choice in the history of the wine world presently being enjoyed. But the consolidation of wholesaling, the great role of retailers in large chains—all of this has added to the previous dimension that I referred to in terms of the complexity of our times. And so how to house all this? Our house has many mansions; how to bring us all together has been a real challenge.

Teiser: The amount of the interest centered in large companies compared to that in the small companies—has that in general shifted, or is it still about the same division?

De Luca: We have, Ruth, very respectfully referred to those who cover us and those who are commentators. What we have are two levels of development. One is a fixation on the large versus small in terms of coverage—that there is not a community of interests but a disparity of interests. On the other hand, in the reality of our work, what you really have is an evolution where some of the large wineries are really moving in the direction of premium, super-premium quality wines, and grape-growing in different districts. And some of the smaller wineries expanding and growing in the direction of having themselves generic products that they make available to the consumer as a whole.

The best evidence of this evolution—and that’s the way to look at it—is that both sides are becoming more knowledgeable about the requirements that the other side has, and there’s less and less talk about, “I’m small and you’re big,” and more, “What are the common problems that we face together?” For example, the lead-capsule issue. I never heard anyone say, “Well, that’s a premium-wine industry business; I’m in the screw cap business; so that doesn’t affect me.” Everybody responded and said that this affects all of us. When there were scandals in Europe, and there was, let’s say, bad publicity about wine, no one said, “Well, that’s a European problem; that’s not an American problem.” We all saw ourselves as stewards of the integrity of the industry. When you have issues like these tax issues in 1990, we all pulled together, we had a special assessment—small wineries as well as large. We saw that as an attack on all of us.

So what you have is continuation of echoes of the past—no question about it. There are still people who fall into that easy rhetoric; it’s convenient, it’s comfortable, it’s been around a long time. But the more alert forces, the more sophisticated forces are aware that that terminology and vocabulary is increasingly outmoded and what is replacing it is a sense that we have more that unites us than divides us. But it’s a complicating factor in terms of rhetoric, in terms of, let’s say, speeches that are given, and the best way to handle that is to perform. I think ultimately what brings everybody together is performance, and when you open up markets overseas—as we have now—we have over a hundred wineries that are participating in the program. Well, you know by just the anatomy of the industry that that can’t be just three or four large wineries exporting overseas. It has to be together as an industry.

Teiser: There seems to be less stability than there was, but maybe I’m just wrong; maybe there’s more. When you had a lot of family firms, they seemed stable even if they weren’t always very prosperous. Now from some aspects, the industry is prey to corporate decisions that are made on very close economic factors without consideration of overall industry welfare. I’m thinking now of one corporation that has taken its Napa County forces elsewhere, leaving—I guess—stranded a lot of people who were involved in it. I don’t know what the long-term effect has been, or if most of those people managed to reemploy themselves somehow.

De Luca: What you're referring to is not unique or individualistic. What you're referring to is the nature of American business and agriculture and commerce in general. What has happened in high-tech, what has happened in the food industry, what has happened in the areas of commerce, areas that used to be run by individual families, is the major international globalization of competition, the new demands brought about by the resurgence of defeated enemies—Germany, Japan, the so-called Fighting Tigers of Singapore, Taiwan, and South Korea—what's happening in the retail markets, what's happening in textiles, incredible changes in terms of fruits and vegetables in the marketplace—from Chile, from Mexico—

Teiser: Have we been so abrupt with this sort of thing, though? This seemed to happen all at once.

De Luca: Certainly, there was a certain stability in the world right after World War II when we had the superpowers. Look at what has happened in just the last eighteen months in terms of the Balkans, in terms of Yugoslavia, in terms of the former Soviet empire, in terms of the East European empires under the Soviets. Great changes occurring not only in that part of the world, but in Latin America and Asia.

What we really have, Ruth, is the media on one hand and the global village, and the internationalization of competition on the other hand in the business community. Those forces impact all of us. We are learning, for example, that the downsizing that's taking place throughout the United States right now—corporation after corporation, IBM, Sears, and the major automobile manufacturers—just the headlines of the last few days—all of this is eliminating certain people from the workforce. What we have, therefore, to understand is that the wine industry is not immune to these forces, is not inoculated against the larger forces. We have to participate in understanding what competition is about globally; understand what the Treaty of Maastricht means for Western Europe and the Common Market of Europe; understand the whole different needs in terms of credit and financing; look at the major revolutionary developments, such as where the banks are making more money *not* lending than lending. And we're having the government control the currency; and shareholders, by forcing the lending institutions to do other things other than lend money, are making money by investing it in securities and investing in certain instruments of exchange.

So all of those forces impinge on us. We've had the drought. We've had the great debate about water resources and the relative position between farmers and the urban community. So it's been a period of extraordinary change—as I said, we're not immune to these changes. What's happened in the fast-food business and restaurants; what's happened in terms of the ability for the normal household to prepare for food—we're part of that larger community. The breakup of families, many single-parent families—our great emphasis has been on family meals as part of our approach. Fewer and fewer family meals are taking place. Great immigration and the different forces being brought into the United States, the great pressures on the California economy. So all of this impinges on an association, whether it's Silicon Valley, whether it's the wine industry, whether it's the airlines—you know, just talk about travel and hospitality and entertainment, and you know that force by force or industry by industry, association by association, this period is marked by extraordinary change.

Sophistication is needed for industry leaders to understand what is unique to their own industry and what is common to the rest of the world that we face. And that is very important; I think those industries would succeed, understand the times and what needs to be done and how fast to change, what to keep that is valuable and what to alter that is no longer relevant.

It takes a great investment not only in terms of the traditional way we learn about doing things—viticulture, enology, marketing—but it takes a great investment [in?] understanding our times, the economies of our times, the governments and the politics of our times. So I think to the extent that we become students of the period, to the extent that we understand what forces are dynamic, the role of media, the role of government—to that extent we will influence the outcome of history on us.

And that's why I think there's a growing awareness that people must not only service retailers and service accounts and service their suppliers and so forth, but that one of the great requirements for us is to understand local government, state government, federal government, international affairs. The role of government is so extraordinary; it impacts all of us from rules, regulations, the employment of funds, the priorities of the nation, that we really should be in the forefront of knowledgeable citizens about what kind of a society we're in and how our government functions.

So I see the role of the Wine Institute as doing historic things in terms of public policy, in terms of helping our members in terms of research and education, better understanding of the demographics of our society, but also impacting public policy because public policy dramatically impacts us.

I think therefore that this little interview right now, referring to that week in Washington—we have to have more than one week in Washington. But it is a good example of the requirements of our times. People should make it their business to be in Washington as often as they go visit the other cities and as often as they go visit festivals or have meetings on various panels and seminars.

I'm encouraged that we really have had a watershed development in terms of knowledge by individuals of what is the requirement for us. I don't want to overstate the [participation of] cabinet members and the leadership in the Congress and the meetings that took place during that week, but I see that as a harbinger of good things.

Relationships Between Growers and Winemakers

- Teiser: Do you have any anticipation about closer ties between the growers and the winemakers in an organization way?
- De Luca: Ruth, I believe that the relations between the growers and the vintners right now are at an all-time high. They were at an all-time low in 1984-87 when the joint marketing order between growers and vintners led to countless friction and led to, ultimately, the defeat of that marketing order, with the wineries turning to a commission for vintners only.

I think since that time, through dint of quiet and steady work, not high visibility, not dramatic meetings, but just daily acquaintances with each other's position have led us to here now, years later, 1993, where we're much more comfortable with one another, we share a lot more, we do a lot more together.

Relations between Wine Institute and CAWG are such that we both have become associate members of each other's organization, and we have grower input into our deliberations, and we have grower-vintner joint efforts on many, many fronts. And as I said, they were prominent during American Wine Appreciation Week, in the unity breakfast, and in the various activities that we commonly and jointly pursue.

Teiser: Your annual meeting, your luncheon—and I thank you very much for inviting me—do you bring growers into that? Do you invite growers?

De Luca: Yes, and they're going to our workshops, and they're going more to our meetings, and I'm on the phone a lot with, for example, Bob Hartzell from CAWG—California Association of Wine and Grape Growers. He and I maybe as often as three, four, five times a week talk to each other, share facts and share information, counsel one another. I think that's not only symbolic but it's very substantive.

But as I said, it's been quiet without fanfare. It's one of those ironies that right now the associations that were perhaps at loggerheads—that led to the breakup of 1987—CAWG and Wine Institute, are cooperating on such a fine and daily basis, and some vintner organizations are realizing that some of the friction or some of the tension that occurred is comparable to what we had between the growers and the vintners—this leads me to believe that in terms of future developments, we may have a vintner rapprochement comparable to the grower-vintner rapprochement.

The formula is the same: the more we work together, the more we realize that we have that much in common, and that there are people outside who are the only ones who prosper when we are divided.

Teiser: Is anyone working on another marketing order?

De Luca: You have the preconditions for a marketing order along these lines: after the marketing order fails—

[Tape 13, Side B]

Teiser: You said after a marketing order fails—

De Luca: Yes, after a marketing order fails everybody scratches their head and says, "Why did we ever even attempt that?" Getting government into our proceedings just never works; we're better off as a private organization with its flexibility. Being voluntary doesn't give us the predictable resources, because there's always someone who doesn't pay, but it's a lot better than having government agencies or bureaucrats telling us what to do and so forth.

And so you have a period of several years where there's a recoil to the experience. Then somehow, somewhere, it's like the first snows that melt: someone says, "The resources

that we need can only come about if everybody pays their fair share, and you don't do that with a voluntary organization because there's always somebody who finds a legitimate or not-so-legitimate rationale for why they shouldn't pay, and that puts a burden on those who are paying, and maybe the marketing order isn't so bad, and maybe that way we can get everybody to participate, and maybe this time we'll avoid the abuses and the frictions of the previous time."

That requires a gestation period. That requires a number of people coming to that conclusion. If you try to force it and try to run with the idea of a marketing order before people are prepared to even discuss it at that early stage, then the immediate and predictable outcry is, "It's taxation without representation, it's money that doesn't get spent well, it's money that gets into overhead. Who wants the government back in our pockets?"

So you have to be very careful, and therefore my sense right now is that we're coming off of the period where people just simply thought it was a bad idea, and maybe just little rivulets are starting to show a possibility that maybe this time it could work. But we're still not there.

Understanding the Role of Food and Wine

Teiser: What's the best thing that could happen next?

De Luca: The best thing that could happen next would be the acknowledgment by the American public of the cultural, nutritional lifestyle—the rightful place of wine as part of a healthy diet, and to expunge forever from the vocabulary of discourse the word "gateway drug" or the words "sin tax." Those two epithets have been carefully orchestrated to try to put wine on the defensive and to keep it from being a natural, fundamental lifestyle choice. So I see the events moving in a direction—recent columnists like Ellen Goodman and Marian Nestle wrote pieces attacking that term, in terms of politically correct products.

I think more and more there's an awareness that the food system as a whole—not just wine—and the zero-risk analysis have led to a confused public, and that researchers and the public, media officials, and opinion and decision makers have done great harm to the American understanding of the food chain; here we have the highest and safest standards in the world, and yet more and more American consumers are confused as to the healthfulness of their own products. I see wine gaining in terms of the cultural lifestyle choice as we attack cultural ignorance.

I think the signal from the most prestigious school of public health in America, from Harvard University, that in the diet pyramid wine is a part of that healthy diet, is significant, because those are early leaders, those are the early trendsetters. And I see the research that is coming out on the antioxidant cardiovascular benefits of wine in moderation and political figures becoming aware of that as positive. But those are early indications; they could either be snuffed out and become simply footnotes to history, or they could become the mainstream of thinking.

To answer your question of what would be a good development: it would be if the public at large became aware of what has up to now been only in the province of peer review journals and just a tiny scientific community that was debating this.

That's why the significance of *60 Minutes* in November 1991, which has been pointed out by many commentators, is that it broke through that barrier that up to now had been resistant to information that was not politically correct—in terms of the media, correct—to say anything positive about a product that had alcohol in it. I think that what we're learning now is that alcohol is just one of hundreds of different components in wine, and as more and more emphasis on quercetin, Resveratrol, phenols, comes in—more knowledge. In other words, our biggest burden has been cultural ignorance, and as we get more knowledge I think it'll be better to reposition ourselves as we have for thousands of years in Europe as part of a healthy lifestyle. Not wine as medicine, but wine as a product that helps the food to taste better, and also has salutary effects in moderation. I think that will help in marketing, in politics, trade, social issues.

That's the direction we're certainly taking.

Teiser: Well, I'm glad to have this analysis of what's going on right now, when it's fresh in your mind. You're in the midst of it.

De Luca: People have talked to me about individuals, about individual firms, about individual interviews; if you get absorbed that way, you know, in terms of just a daily, let's say, normal activity of any industry that has such strong personalities and has such diverse personalities, you miss the bigger point. The bigger point, as I say, for me, are these institutional changes. What does the speaker of the House of Representatives say to you in Washington? Well, Speaker Tom Foley repeated to us word for word the findings on the French Paradox. That was interesting to us. The president of the United States gave more than anecdotal evidence that he understood about the science and the research that's coming out about wine. The public health organizations are starting to recapture the rightful place of wine as part of, say, the Mediterranean diet.

The issues that have really impacted us have been the attack on the integrity of the product and not the abuse of the product. I'm beginning to see the distinction that was deliberately blurred between moderation and abuse beginning to be reformulated. People, I think, recognize the value of moderation. It was about to be lost to us with this attack on use, not abuse. And I think the Wine Institute's role in this historically has been positive, and so I tend to look at those bigger forces more than get caught up with who said what today, and who charged what at what seminar, or somebody at some conference made a disparaging remark. You can lose sight of the bigger picture.

Teiser: Yes. I'm very glad to have all this said.

International Growth

Teiser: Is there anything going on that will make material for another interview session in the near future?

De Luca: Oh, yes. We should have some session devoted to more specifics on what's going on internationally, because that has real, real significance for the wine world not in the far future but in the immediate future. I mean, that's very important—the issues with Canada, with Mexico, with Western Europe. In terms of dollar amounts it's still small, although it's significant—we've gone from \$25 million to \$175 million in the value of our shipments in five years. We could be approaching \$400 million in just about four or five more years. It's not only the dollar value of the shipments; it's the cultural and economic and political impact of California wine playing a role in these other societies, because it will make us a much more knowledgeable industry on how to market in our own country.

We are going from a production-driven, almost provincial- to state-focused industry, to understanding the hemispheric market requirements of being in the wine world. The release of energy in terms of competence, knowledge, travel, people we deal with, in many ways is going to make us more formidable competitors within the United States, Canada, Mexico, the world, than just simply what can be quantified in terms of the dollar amounts of the shipments. What accompanies those shipments is what it takes to be an international competitor. The interchange between us and other countries and other people and the new amalgam of forces, understanding wholesaling, retailing, all over the world—if you don't engage in the international community, you can still be a profitable operation—clothing or shoes or whatever—but not for long, because the very nature of the present period and the period ahead of us is that no one can be profitable, no one can be competitive, unless they understand the global implications of commerce.

I see this as very, very significant for the California wine industry. We travel to Germany, we travel to Japan, we have sommeliers coming from Japan. We have the program coming up in October where we'll have hundreds of wine writers from all over the world coming here—the California Dreaming Program.

It's amazing: you go to Europe, and you turn on CNN, and you see studies of the American Heart Association on white wine and red wine; in Cairo, in Berlin, in Stockholm, people call up and say, "Hey, I saw that recently on the networks." CNN in particular has been covering us very positively. If today you can travel and turn on CNN in Cairo or in Morocco or in Ireland or wherever, and you're becoming more aware of what's going on in the rest of the world, just imagine the market implications for us of the explosion in international communication.

Teiser: Is there something coming up that will be critical about this? Are there GATT talks?

De Luca: Yes, there are the NAFTA talks—the North American Free Trade Agreement—in recent months. In fact, I wrote a letter to the president two days ago providing him information that he requested in the meeting that I had with him where he wanted to know more about our position. Senator Dianne Feinstein called yesterday asking to be further briefed; I briefed her three times on this issue alone in just the last two months—the staffs. Congressman Matsui and Congressman Thomas and Senator Baucus from Montana; the new special trade representative, Mickey Kantor, just last week appeared in three consecutive hearings held by the Senate and the House, and wine and NAFTA came up in all three of them, indicating a growing understanding of the needs and the importance that we attach. So at a certain point, this will have to be resolved. Our positions and Chile's positions and all that—it's amazing that seventeen years ago when

I joined the Institute, we were talking about very narrowly focused issues—important, but they were very narrowly focused in terms of certain regulatory requirements. Now, it's the common rather than the uncommon in telephone calls and conference calls and meetings to be talking about the whole world.



Josephine De Luca, John De Luca, Sylvia Panetta, President Clinton's Chief of Staff
Leon Panetta, Senator Dianne Feinstein

It used to be that the best we could come up with was a poster program for some tasting at some fair or some place in Verona. Now we have forty or fifty wineries going to VinExpo in Bordeaux. We're meeting with the international trade; we have conferences and seminars going on from London to Montreal to Tokyo; we have in the discourse of discussion the interweaving of the Canadian provinces and the cost of service charges and what about the ability for wine to enter into Mexico comparable to the deal that was made with Chile? the Southeast Asian discussions, Japan—I mean, it's amazing. Very few people have had a chance to sit back and to look at it, and I think that would be worthy of your time in terms of the oral history program, because we're living it right now; you don't have to look back twenty years from now and say, Gee, that was an important moment. We know it's important right now.

And the staffing. Joe Rollo is traveling, as is Monica Panek. Today I asked, "Is anybody going to be in London on March 31st?" and she put up her hand. "Anybody going to be in Germany?" and Steve Burns put up his hand. I mean, it's a constant investment in our understanding of our world. So I would see that that would be profitable for you.

I'm grateful to you and to your colleagues, because if we had stopped the oral history program a couple of years ago, much of it would have been relevant but it would have

been dated. What's happening now is that you're committing an observation right while we're going through it. Two years from now I wouldn't recall the details of Wine Appreciation Week [laughter].

The key there was that it wasn't just a proclamation, and it wasn't just sort of a paper that was signed and just stored in the archives; we fleshed out that skeleton, gave it a lot of muscle, and gave it an appropriateness in direction. And that's a good sign. That is a very positive sign. In the past, we would have been—as you would say—proclaiming a queen, the wine queen.

Teiser: Yes [laughter].

De Luca: Now we're making our voices heard—much yet to be done, but it's just like the early birds at Capistrano. When the swallows come in, you see them flutter in—maybe twenty or thirty diehard souls, and a couple of days later the whole flock comes in. I see this period as like the swallows at Capistrano.

Thank you so much, Ruth.

Teiser: Thank you, John.

X ISSUES FOR 1994

Public Awareness

Interview 7: August 30, 1994]
[Tape 14, Side A]

- Hicke: What I would like to start with today is the last time Ruth interviewed you, she asked you what the best thing is that could happen to the industry. And your answer was more or less to the effect that public awareness would be one of the best things that could happen. You've just been showing me some documents about how the public has been becoming increasingly aware about the benefits of wine, and so I thought I'd ask you if you would go back to the beginning of the story of your relationships with government—at the federal and state levels.
- De Luca: Thank you. I hope this doesn't become a long monologue, so you interrupt me at any time.
- Hicke: I've had my say right now [laughter].
- De Luca: But if anything I'm saying, while I'm saying it, isn't that clear or if you want to have it clarified or amplified, please let me know.
- Hicke: Thank you.
- De Luca: The truth of the matter is that very early, I was afforded the opportunity with the Wine Institute—in my initial year—to take time to think in terms of the larger questions that we would face. I perceived that the real threat to the industry wouldn't be the programs that talk about alcohol abuse or questions that were then current in the minds of people in terms of the federal government or federal regulations, but I saw a convergence of factors that would attack the integrity of the product itself—not just the abuse—and that there would be a blurring of the distinction between use and abuse.
- The reason that I came to that conclusion is that I saw some original documents that were being floated at the old Department of Health, Education, and Welfare—the

predecessor to today's [Department of] Health and Human Services—where some of the staff at the National Institute of Alcohol Abuse and Alcoholism, who at that time were proposing different strategic approaches to the Congress, talked in terms of curtailing per capita consumption and attacked the product as a public health danger, and talked in terms of a new vocabulary, new editorial guidelines, about “alcohol and other drugs.” There was no such thing as risk-free behavior when it came to drinking; it was all irresponsible behavior.

And so I saw the early outlines, and in the paper that I shared with Ruth called *Neo-Prohibitionism*—that was back in 1977—I thought that while our industries were well prepared to cooperate with the public on the issue of alcohol abuse and drunk driving, that the real threat was going to come in the form of, “Your product itself is inherently dangerous.” It’s a carcinogen, it’s a reproductive toxicant, it contains elements in there that can be examined—sulfites; arsenic; then subsequently, years later, urethane and lead. We were very vulnerable by our very complexity—the number of compounds in wine. The richness of our chemistry was also a vulnerability.

We fast-forward and this does become in fact the attack on us. And so the question then was paramount: How do you reposition the issue in the debate? The words are starting to sink in; people are using terms like “alcohol and other drugs,” “gateway drug,” “drug of choice”—this constant reference to drugs. And it was pushed hard by certain bureaucrats at the federal and state level and by certain groups like the Center for Science in the Public Interest and the new National Council on Alcoholism, trying to have the public’s anger and apprehension over illicit street drugs carry over into what was really moderate behavior by the preponderance of the people of the United States.

- Hicke: What did they intend to gain by this?
- De Luca: Well, obviously language is kind of the heartbeat of political strategy. If we could be painted, not in terms of an ethnic inheritance or a lifestyle choice, where you have wine with your meals with your family—if we were seen instead of a lifestyle choice or part of an optimum diet as really part of the concern on drug abuse, drug use, then politically more supporters would emerge from the congressional appropriations committees, and more of that antipathy and antagonism would be extended to our products, and so it would be a lot easier to tax us.
- Hicke: Their goals were moral superiority or something like that?
- De Luca: To make it a public health issue in America, the old moralism that carried it so far in the early twenties, and you were seen as morally deficient because you didn’t know how to handle your drink. And of course science in the meantime moved forward and talked about alcoholism as a disease. Now instead they wanted to make it a public health issue where any consumption of the product would be seen as inherently dangerous.

Now, if they could succeed then they could really—in terms of their plans—make it a health scare, tax us to death, control distribution, and even have agencies like the Food and Drug Administration have regulatory control. Clearly, if the word “booze”—which was used— and “booze merchants” in books that were written against the industry were to prevail in the perception of our public as to wine, beer, and spirits, that would make it a lot easier politically to attack—in terms of saying: You are looking for money, Mr.

Public Official, at the state level or federal level? You have budget deficits? Here's a nice way to cure two problems; you could address a public health issue and at the same time you could get all these revenues; and in the meantime, like giant barnacles on a ship, just load the ship down with huge taxes which economically would be devastating. And the surest way to destroy an industry is through the tax approach, not the frontal attack. So it would be a lot easier to tax the industry if it was called a "sin tax" and that the industry was a "sin industry" than it would be to say you're taxing a consumer lifestyle choice.

Clearly, there was this giant battle that was joined between these anti-alcohol forces and those who historically wanted to return to the fundamentals—that wine was basically part of a meal and enjoyed that way, and not to make it anything more profound than part of the lifestyle choices that people make.

With that as a backdrop, and with the mounting pressures that were clearly seen, and with the tax act of 1990 and the warning label act of 1988 signed by Ronald Reagan—as all these forces were mounting, the question then became, How do you reposition wine? How do you regain its fundamentals?

One thought was prompted by an article in the *Reader's Digest* called "The Ancient Secrets of Modern Nutrition" by a husband and wife team, the McDowells. Their article basically talked about the diets of the Mediterranean and the people of Cyprus, Southern Italy, and Greece.

- Hicke: What year was this?
- De Luca: This was 1986, and as luck would have it, they were interested in going beyond this article to write a book. We were able to provide documents from our research, from our library, from information from our own departments, that they used in terms of a book called *The Mediterranean Diet*. And of course that was very appealing to me; I saw many benefits both in terms of my real life as the son of Italian immigrants and also that's the way I was raised and the way I was raising my children: that there was no forbidden fruit approach.
- Hicke: I didn't know about it until a year or two ago.
- De Luca: Well, we had the book—it was printed. We supported the dissemination of the book; we held five press conferences around the country. In fact, Michael Mondavi was the chairman of Wine Institute that year, and in Washington and New York and Chicago and Los Angeles and San Francisco we held seminars where we invited the authors to talk about the book, and we had others on the program so it was part of a kind of a workshop-seminar.
- Hicke: Who came to these?
- De Luca: Reporters, primarily. They were all invited to understand the significance of this book, which I thought was a very dynamic concept—the concept of diet and the way people live. Real people, not in vitro tests in laboratories. And of course the thing there was that this was part of a healthy, optimum lifestyle. Even though there was some interest, and there were some articles that were written [about the Mediterranean diet], it kind of

had its moment and waned. But the seeds were planted that in truth there was a way to approach this issue in America and that was to get back to fundamentals, but that we did need science. The one element that was missing here was the credibility of the scientific community. Even though there were articles that we knew had been printed in the *Lancet* like St. Leger's article in 1979 about the improvement in terms of cardiovascular disease depending on the nations that drank wine.

Hicke: What was in the article?

De Luca: It was an article that I found in *Lancet* that basically did a schematic that showed that those nations in the south that drank wine had lower incidences of cardiovascular disease and also of cancer, and as you went farther and farther north, that the incidences increased of cardiovascular disease and cancer. And again, for me, this was part of my lifestyle, it was my inheritance, as I said, the way I was raised. But while this was known to a handful of prominent scientists, it had not gotten out into the public consciousness.

Hicke: That's what I thought. I wish I had known about it earlier.

De Luca: There were people who were aware of it, and of course this period say, the 1975 to 1986 period that we're talking about—when the book *The Mediterranean Diet* first came out—it coincided with the legitimate concern about drunk driving, Mothers Against Drunk Driving, the concern about children and teenage substance abuse and the whole issue of illicit street drugs. And so the research dollars were primarily in that direction, and the findings that were printed in the mass media were all in the way of the negatives of abusive behavior. So truly that was the trend and the current, which also fueled the political arena; one goes hand in hand with the other.

Thinking about that—the need for the science and the need for research, and obviously we didn't have any guarantees on what the findings would be—but based on human experience and common sense and the way people have lived for thousands of years, I thought that regardless of the terminology—I didn't know the terms antioxidants, immuno-stimulants, quercetin, Resveratrol—I didn't know any of these terms, but my thinking was that the science would substantiate the folk wisdom of the ages and that this would be the approach to take.

In 1990—and again I'm fast-forwarding—the chair of the U.S. Congress's committee on agriculture, Kiki de la Garza, who was very interested in the whole subject of wine—as part of his inheritance, too—talked—maybe it was preceded in 1988, '89, '90—in that period, he talked of different ways that the Congress should organize and perhaps create a committee on wine. Not the BATF regulatory approach, but a committee in the Congress that perhaps could be a vehicle for airing some of these issues, and for becoming much more visible, and how to do that and whether it should be with existing committees or whether there should be the creation of a new committee.

He finally hit upon the approach of having hearings by the full committee on agriculture, not just a subcommittee—this would be the work of the whole body. He invited many different representatives from different parts of the country—individual representatives as well as association representatives—to come to the Congress, and of course it took about a year and a half in the planning stage to finally come to

culmination. This did occur in October of 1991, where we were all there present, and the question was, “How could the Department of Agriculture further serve the interests of the wine and wine grape industries?”

Hicke: Can you delineate for me the work that you did to prepare for this?

De Luca: Yes. First of all, in terms of the preparation for the testimony, I immersed myself—and of course not me alone, but the staff assistants—in terms of what research was going on so that we did not appear as special claimants or as uninformed cheerleaders but to really be informed about the science. And the science here was very suggestive, and that is that for years there have been studies about the positive benefits of HDL—High Density Lipoproteins—and that ethyl alcohol did in fact improve the good cholesterol and attack the bad cholesterol—the LDL [Low Density Lipoproteins]—and that was seen as beneficial to the heart in terms of the whole cardiovascular system. There were studies that were suggestive.

Hicke: It dilutes the blood or it has something to do with clotting?

De Luca: There is another aspect to it. One is, of course, this question of the cholesterol in your system and how that can in fact clot the bloodstream. Another part of it, which was beverage specific and was not in fact ethyl alcohol but was in terms of wine—and again I’m talking about a couple of years after this, like ‘91, ‘92—where it was suggested that the antioxidants in wine would in fact keep the platelet aggregation from causing clotting. That’s a different mechanism. One of them has to do with cholesterol formation, the other one has to do with the clotting properties of blood. And if it clots, then of course it can cause thrombosis, it can cause stroke. Again, they were not yet conclusive, but I saw studies that were suggestive and going in that direction.

In preparation for the testimony—and of course I talked to the chairman beforehand—I thought that the best way for us to proceed was if the U.S. Department of Agriculture would provide for grants so that there would be scientific studies in this area. My sense was that ultimately it should be the National Institutes of Health over in the Department of Health and Human Services, but it was the Department of Agriculture that the chairman was asking us to address. So the original thrust was we should have assistance from the Department of Agriculture, which has human nutrition research centers, and they do have grants in terms of human nutrition. The idea was to look at it in terms of nutrition, diet, and lifestyle, and so that was my testimony and I believe that the date of that testimony was October 23, 1991.

Hicke: Can I get the name of that?

De Luca: Yes, here it is. It’s “Review of U.S. Department of Agriculture Activities to Assist and Support the U.S. Winegrape and Wine Industry.” In my statement, where I praised them for the assistance that they were giving our international program—the Market Promotion Program, because I didn’t confine myself just to research—in my statement here I said, “I think it would be a missed opportunity for the nation’s health and for the nutrition of this country if in fact something as positive as a dozen studies talking about either the favorable attributes of wine and the cardiovascular benefits of moderate drinking—if we would have the USDA and this committee assist us, perhaps a modest program of some ten million dollars to further develop these studies.”

And so I had reviewed in preparation—to answer your question—a dozen studies that I submitted to them which I thought were all suggestive. And it says, “We have here an opportunity in the face of 972,000 deaths a year from cardiovascular problems to look into the positive aspects of moderate consumption. And my hope is that as part of the record, we can make a much more specific recommendation on this.” The chairman accepted my submission.

The interesting thing about this date is that it’s a month before the *60 Minutes* program “The French Paradox.”

Hicke: And they were obviously researching that program at this very time.

De Luca: I certainly don’t claim any influence on what *60 Minutes* did. As you know, their style is if they are going to cover an industry they would go to the scientists, and they did with Curt Ellison of Boston College and Serge Reynaud from Lyon, France. We have never claimed that we had any impact on that program, but certainly the knowledge bank was there, and certainly there were researchers looking into this.

It’s a coincidence of history that we were testifying before the Congress for such a program, and then a month later the nation hears about it, which of course gave a lot of credibility to the request, because no one could ever claim *60 Minutes* was bought and paid for by anybody. They have their own independent and highly credible organization.

Hicke: I just have to point out that everything I’ve read has indicated the impact of that program on the public. But now you’re telling me it had undoubtedly an impact on the Congress.

De Luca: Well, here’s what it did. It gave credibility to things already in motion, at least from this end. On one hand, the major media are now having to pay attention, because *60 Minutes* gave this subject matter a huge media audience. The challenge to us was how do we use a twelve-minute segment that comes on a Sunday afternoon in the middle of the football season? It’s going to be succeeded by other segments week after week in a busy time of the year, and how to do this legitimately, and how to keep that story alive. As you know, the press moves from subject matter to subject at frightening speed and can consider a story one week, in a month, and then a couple of months later goes on to something else and then goes on to something else.

But having had the tape—I ordered thirty thousand dollars worth of the tapes—we took the tapes and distributed them to every public opinion maker that we knew in the United States. I sent one to every member of Congress—every U.S. senator, every congressman—to key government officials at the state level, to key government officials in the administration, and then took the transcripts, which were written—not only the tapes—and then gave that wide distribution to the people who hadn’t seen the show and who hadn’t recorded the specifics.

There was anecdotal evidence that the story had an impact on wine sales, and so we thought that it would be intelligent if we could codify that and quantify it and then put it out as a press release, because it wasn’t going to happen by itself. So once we got the scanner data back from the major grocery stores—couldn’t do it from individual stores

because that would be hard—but as soon as we got the impact that the wine sales were up, particularly for red wine—up 40 percent, 50 percent—we released that to the public, and that was a story that was carried.

For the last three years, it's been a really interesting challenge: how to continue to keep that story current with new wrinkles, new press leads, new media hooks? I don't mean to be that prosaic, but obviously with the press, they don't like to cover yesterday's news; they had to find ways that this was current and fresh. The best way to do that was as new research was coming along, and conferences were held, and workshops were held—we got grants, for example, from the U.S. Department of Agriculture after this hearing—

Hicke: That's what I was just going to ask: didn't this help you get those grants that you were—

De Luca: Yes. Well, it immediately helped at the time. Instead of a congressional appropriation coming out in November 1991, it helped to give us a grant that the University of California at Davis applied for. At the time, it asked for a workshop seminar to convene the ten, twelve, fifteen scientists in the United States for several days at Davis and to record the proceedings and then to deliver the papers as part of the foundation for a more vigorous and more structured program.

One of the papers that was delivered there was from Dean John Kinsella, who, if you recall, unfortunately passed away a year and a half ago. He had a paper that he submitted at this symposium that had to do with the antioxidants of wine, which moved the subject not just from ethyl alcohol, which is applicable to beer, wine, and spirits, but to wine-specific studies and particularly this really fresh, new area of the antioxidants that are found in fruits and vegetables. And so there was a direct correlation between what we were doing at that time with the government and the credibility of the application.

Hicke: That was a nice coming together of those factors.

De Luca: Right. And it also helped us with the Department of Agriculture. They wanted to do more, but they needed congressional appropriations; getting congressional appropriations is very difficult. So we decided together that we would have appropriations language; this is report language that directs the departments on how to spend money and where to spend money. Rather than put in a dollar amount, we had two years ago put into the report from the Congress that this was a subject that was worthy of investigation, and it warranted investigation.

What occurred was that the Department of Agriculture—now it's over a year: October 1, I believe, of 1993, but prepared for before that time—through the Human Nutrition Research Center at Beltsville—launched an internal study with six parts to it. The aggregate amount of the research is valued at a million dollars. In other words, that's what it would have cost if you went outside and had to get a number of scientists and their facilities and their assistants. That study is working on energy metabolism, is working on caloric intake, is working on platelet formation. So that is going on with the USDA, and it's headed by Dr. William Rumpler. He is the one who is in charge of this program, but there are six different programs. In other words, they are simultaneous; in

some cases they overlap and in some cases they don't, all part of this human nutrition research grant. But it's in-house, and it wasn't from funds outside of the Department of Agriculture.

Still, the goal was—I'm getting to answer your question—the Health and Human Services area, that's where the National Institutes of Health are; there are some twenty of them. That's where the Public Health Department is, that's where the Surgeon General is, that's where the Food and Drug Administration is. Of all the agencies in government that really should be looking at a balanced scientific research policy, it should be this area here. So how to proceed?

My judgment was rather than try to go to the Congress with language that was shaped by us, which would then be criticized and seen subservient, we should go to the top public health officials in the United States, talk to them and see if what we were proposing was credible, and enlist their good efforts—or at least to not have them oppose us—and to work out a joint statement or a statement where they would say that they've seen and approved what would then be submitted to the Congress.

So the top public health official in the United States currently is Dr. Phil Lee. He reports directly to Secretary of Health and Human Services Donna Shalala. By coincidence, I had known Dr. Lee earlier in two ways. First, when I was on the White House staff as a White House Fellow in the Johnson Administration, he was then Assistant Secretary of Health. Then, years later, when I joined the city of San Francisco, when I was deputy mayor, Dr. Lee was the chancellor of the University of California at San Francisco for one part of that period. For another part he then headed up a public policy course, on health in the cities, where I went several times as a guest lecturer in his program to talk about the politics of health in San Francisco, which of course was one of my responsibilities. Then we remained friends, even after the period of the city and the federal government, and so over these years he's been a friend and a man that I highly respected.

Well, when I went to see him, it was with the backdrop of some credibility; he knew me from many years before. And I outlined to him what I thought was a balanced scientific research policy for the United States, that it was certainly legitimate to spend the money that was being spent on the abuses and the negatives of that behavior—

[Tape 14, Side B]

Hicke: You were saying that also there were positives.

De Luca: There were also positive aspects to moderate consumption. The public had a right to know this. We're talking about something as important as cardiovascular health. Not to sell wine as medicine, not to say wine was health food, but to balance the debate going on in the country pushing that this product was a sin to be taxed, or that the product should be surrounded by all kinds of impediments and controls. And therefore it wasn't fair to the public at large, it wasn't fair to the debate to hear just one side of the story.

But rather than our making the claims, we would trust science. I said, "I don't know how this is going to come out, but I instinctively feel that the science here will confirm the fundamentals of folk wisdom for thousands of years. And that what we really need

here is the support of our federal government, and before I go to the Congress I want to work out a statement with you.”

And so over a period of many months, Dr. Lee assigned Dr. Michael McGinnis, who is his deputy assistant secretary, and who’s in charge of disease prevention and health promotion. As you see, this fax is dated, I believe, May 6, so this was about six or seven months into our project. His message to me: “Attached is a revised version based on my last round of consultations with the public health staff. I’ll call you in about ten minutes to discuss.” Well, it turned out that we spent another couple of weeks on this, but finally this statement was hammered out between us under the topics of the effect of diet, nutrition and lifestyle on human health and the risk of disease. We had these two paragraphs that he permitted us to say that they had looked at and they could support.



Bobby Koch, Nancy Pelosi, John De Luca

Armed with this information, we had to then work with the Congress. We had four appropriations committees: one in the House for agriculture and one in the House for health and human services and then the same thing, two in the Senate—one for the Department of Agriculture and one for Health and Human Services. That took us many months.

Hicke: Can you tell me who you worked with?

De Luca: I worked with, on the House side, Congressman Richard Durbin, who is the chairman of the House Subcommittee on Appropriations for Agriculture. He's from Illinois. I worked with Congresswoman Nancy Pelosi, who is from San Francisco. Another fortunate part of my background is that I've known Nancy and her family for many years. In fact, one of the meetings with Dr. Phil Lee was held with her at her office to discuss this whole subject matter.

On the Senate side, it was primarily with Senator Dianne Feinstein, who is a member of the Appropriations Committee. It became very apparent that these were not easy subjects for the Congress to take up even with all the work done with the health and human services staff. And even with the capability of saying we had worked this out with the top health officials, there was still both a reluctance and a difficulty in the language that was to be put in, because in fact this was precedent-shattering. This is not something that anybody had a memory bank on; this was brand-new.

Hicke: And when you say difficulty with the language, some of the words are loaded? Is that the problem?

De Luca: Yes. Well, when you're talking about basically having Congress direct different departments on the use of the funds and to look into the benefits of moderate alcohol consumption, you're talking about a policy statement from the Congress to the bureaucracy, to the administration that had never been done before.

Hicke: I guess alcohol itself is a loaded word.

De Luca: The word is loaded, but also, you know, in a time of difficulties in terms of budgets—is this a priority? Is this a priority ranked against all the other claimants for funds? And there are certainly a lot of legitimate claims for funds. So rather than put in a dollar amount that would be mandated, we agreed very early with Dr. Lee and with Congresswoman Pelosi and with Senator Feinstein that the best approach was to have it accepted as a policy directive, but to leave that to the government agencies and to leave it to their use of their own funds, and not alarm people that what we were doing was taking money from existing programs, but that we in good faith felt that they would do the research projects and that they would do it based on their assessment of their own priorities and where they could use the funds. It was again a calculated judgment that it would turn into more than just rhetoric.

Of course the benefit was, having worked with the officials to start with—I had gone to see the head of the National Institute of Alcohol Abuse and Alcoholism, Dr. Enoch Gordis, and I told him, “I don't want you to hear from third parties what we're doing. Here's what we're doing, and here's what we're submitting, and we want you to get a heads up”—the famous heads-up that you use when you're telling people what you're doing. He was very appreciative of the fact that we had come to him and told him what we were doing before we went to the Congress. So when it came back to him, when people were asking, Well, what do you think of this proposal? he could say in truth that he was aware of it and that he had commented on it and that he had participated in the internal discussions.

It took us weeks, it took us many months, and in one of the committees, the chairman of the committee really didn't want to proceed on this. This was Senator Tom Harkin over

on the Senate side. But Senator Feinstein is really brilliant, as is Congresswoman Pelosi. Both of those two did not handle agriculture, where language had already been inserted the previous year. So while we were expanding the language and making it more specific, the precedent had already been established. But it wasn't true with Health and Human Services; Health and Human Services was brand new. So both of them were really walking into unknown territory.

Interestingly enough, we found much more support for the studies on antioxidants and wine than for ethyl alcohol. Again, antioxidants in wine, fruits, and vegetables appear to be a much more attractive subject.

Hicke: Is that mostly red wine or do they occur in white wine?

De Luca: They can occur in both. And in fact, there are some studies that say red wine, some say both red wine and white wine. But in truth, red wine is the one that's gotten most of the attention.

Here we insisted that they should also have the studies on alcohol, and that was because that's the way the science was going. There's a baseline that we all share—beer, wine, and spirits—the positive benefits of the alcohol in moderation. But over and beyond that, the new studies were showing wine-specific, unique to wine, and those were the antioxidant studies. So we felt both of them should be explored. And in fact, what I showed you—the Senate version—contains both of them.

Now what's interesting is where we were placed in the budget report. The appropriations bill refers to this under bionutrition, and it refers to this new National Institute of Health initiative that was just developed this year regarding bionutrition and should be continued in 1995.

Hicke: How do you define bionutrition?

De Luca: According to the staff who prepared this document, and I'm reading from it, "Bionutrition involves creating a linkage between basic and clinical science in order to translate the knowledge of basic science into improved medical care to meet human needs. This linkage requires the support of clinical nutrition research unit centers and program projects." And then what follows after that is a reference to diet and nutrition and having a substantial impact on health, and then going on beyond that many, many lines—by the way, this part of the language was developed with Linda Bisson at the University of California at Davis, who is chair of the Department of Viticulture and Enology.

This last paragraph, which was the one that we worked out with Dr. McGinnis, actually stipulates the evidence that there is on moderate alcohol consumption being positively associated with cardiology, and then this very important sentence: "In addition to alcohol, wine contains antioxidants that may offer a protective element for cardiovascular disease." Then the appropriations committee, which will be ratified by the full Congress by October first, urges the National Institutes of Health—there are twenty of them—to "support and assist research efforts in these areas, especially the impact of alcohol on cardiovascular health and longevity, and on the dietary role of

antioxidants and moderate alcohol consumption, and to develop a working strategy to ensure future research on this important issue.”

Now, the language is precedent-making, but more important is what happens now. In talking to Dr. Lee, who has called me several times, he has already indicated that there’s going to be funds released internally for in-house scientists to be working on this. There will also be grant funds available for outside researchers and that they are favorably disposed to holding an international conference that would be called for and would be inviting the major scientists around the world.

So I can see really the actual implementation of this plan, and of course, long-term, what you would like to see is over a period of ten, fifteen, twenty years that it goes from this support language to actually mandating funds to be spent during the course of the year—the dollars to be obviously each year determined by the needs of the subject. But I think it’s such an important issue that getting the breakthrough language was critical. It’s that old axiom “Long journeys begin with an initial step.” We did not want to be crippled by having our eyes bigger than our stomach; you know, putting in for money that you couldn’t possibly get past the congressional budget committees and the appropriations committees.

Where we are is, I think, a very important development in terms of public policy, in terms of the Congress of the United States. This is the most important single document that you get in government: the appropriations bills telling the departments how to spend money. I mean, that’s the battle that always takes place. This is a signal to the administration and to the appointed officials that the elected officials believe that the subject matter should be supported actively. The stipulations are in there that I think are vital to policy changes and the winds of change. Can this overcome overnight all the years of all these different departments spending all this money? The answer is no. Obviously this is an important step, and how we build on it is a factor in the years ahead.

- Hicke: How did you manage to get that into the bionutrition area?
- De Luca: Part of it was in the discussion with Dr. McGinnis; he’s very important to this. He’s under Disease Prevention and Health Promotion. The terminology—diet, nutrition, and lifestyle and human health and risk of disease—was what we proposed, and therefore when this came to the Congress, I think the words that leaped out to them were the initial ones of diet and nutrition, lifestyle, and where could you put that? By the coincidence of good fortune, this last year’s budget had created this bionutrition concept and this linkage that I just read to you. So it just followed that looking at this heading that we submitted, that the best way they could accommodate this language was to put it under bionutrition.
- Hicke: So that’s what you mean by saying the language was so important. This heading and the words that—
- De Luca: I must tell you, Carole, I spent weeks upon months pondering how to put this across without appearing to be cosmetic. We’re talking about alcohol. If you had had a heading “The Effect of Alcohol on Cardiovascular Disease,” I think that would have been an immediate red flag for the staffs for the congressmen. But we had to be honest, and how

do you present that honesty without appearing to be self-serving? Clearly, looking at it in terms of nutrition—and this is where the Mediterranean diet comes in. While this was going on, we had already had at Harvard, the Public Health Department at Harvard, its first conference on the Mediterranean diet. We supported it with a small grant.

Hicke: They had come out with that pyramid diet a little earlier.

De Luca: That's right. They had had the nutrition diet as against the USDA recommendations. That all prompted the observation that with the Mediterranean diet and with the conference at the Harvard School of Public Health, we had a right to reposition and reframe the debate in terms of diet and nutrition. So that was a nice convergence. You know, when you're searching for terminology, when you're looking for concepts, you could either try to go way into the past and come up with something you think you can sell to the public or you can have something happening simultaneously that gives currency and credibility to what you're doing. Well, this is what the Mediterranean diet's role was in terms of the language—bionutrition, nutrition, diet, lifestyle. Just think of the difference and the impact on the listener if you use these terms instead of alcohol, drunk driving, drug of choice, "gateway drug." Look what happens to your mindset and your thinking and the flow of ideas when you use these different words. And so we know that those are the commanding heights of strategy.

Hicke: Did you shout "Eureka!" when you came up with that one?

De Luca: Well, it had to first be adopted. And to show you that this was not easy, the people at the House of Representatives side put it under bionutrition, but they didn't use all of the language that we had submitted. And here they only talk in terms of evidence suggesting that wine consumed in moderation may have a positive relation to cardiovascular health due to the presence of antioxidants—no reference to alcohol. This group wanted to go only with the antioxidants, and they were encouraging the National Heart, Lung, and Blood Institute to continue its research efforts on the dietary role of antioxidants in cardiovascular health.

They make no reference—as done in the Senate report that I just read to you—to the larger issue. See, in this one here [pointing to document]—this one is done with the USDA, the Department of Agriculture. We have, in effect, four different appropriations bills: from Health and Human Services, from the USDA, from the Senate, and from the House of Representatives. And this, in the terminology of politics, was very heavy lifting; a lot of work. A lot of credit has to be given to our vice president for federal relations, Bobby Koch, who assisted me on this.

But we were very fortunate that out of San Francisco we had two representatives, Feinstein and Pelosi, who were very knowledgeable but also were very politically savvy on how to accomplish this. They didn't do anything automatically because we were asking them to do it; they did it because they knew there was credibility in the science and the positive research behind it. Above all, both of them knew and respected Dr. Phil Lee. Dr. Phil Lee's credibility was very important to them because, in fact, I was able to say this was worked out with his office. "What I'm handing to you for you to put to the Congress is not just our thoughts, these are not jottings that came at random, this has been well researched with the top health officials in the United States." While it took

longer, it was the guarantee to get it done. Effective October first of this year, these will then become the new laws of the land.

Hicke: That's really impressive. And you were starting to say where you were going to take it from here.

De Luca: Yes. Of course, now we want to start another part of our game plan, which is to encourage independent researchers to make submissions to the National Institute of Health for their programs to be researched. And of course that will all be debated on its own merits, and they will have to compete with a lot of other claimants for funds. The role that we would have at Wine Institute is perhaps to provide for small amounts of money administered by a blue-ribbon panel of scientific advisors who would review the submissions on a peer-review basis for small pilot studies. And those pilot studies would then give the researcher some basis upon which to go for the larger grants. I think if they just go to the National Institutes of Health without any previous record, it would be hard for them to compete. But if they can show some preliminary results, I think then they will have the opportunity to get the larger grants.

Now of course people don't have to come to us; in fact, many people did not come to us and did their different studies for independent research from the university budgets. I think part of that was a prediction that we had made years ago that the world of research often looks for what is not being done, and that if almost all the researchers are looking into the negatives of abuse, some farsighted and creative researchers would look into the other side of the equation. And in fact that has occurred; there are some outstanding researchers right now with no funds from the Wine Institute, professors at major universities, who believe that there is merit in terms of this balanced approach.

So where we are now is that after October first, I will be meeting with the various heads of these different institutes, with Dr. Lee. I'm hopeful of connecting with him next week; I talked with his office this morning not knowing you were coming, but that's part of my general plan—stay in touch with them. In the meantime, the USDA should be finishing this coming year with its project at the Human Nutrition Research Center with the energy metabolism studies, and so my hope is that once we get this whole program in motion, for years to come there will be studies that will be bearing on this question of the mechanism by which these various beneficial attributes are created. Is it platelet formation, is it HDL, is there something that occurs when you have the two together? There have been people who were looking at aspirin and wine, and whether those two together give you more than just the sum of the parts. There will be studies in the future about stress. I mean, other studies besides the ones we were talking about. It would appear to me that if we can get this done over the next twenty years, there should be scientific consensus in the United States without any future challenge that there are the benefits of wine in moderation.

Hicke: And you'll be able to go on to something else. [laughter] Not "go on", I know you're doing a hundred other things—

De Luca: My comfort right now is that the membership is understanding this, because a big part of the debate at Wine Institute over the last several years has been this issue of, "Where does the Wine Institute stand on the question of research, the benefits of wine in moderation? Where does it stand vis-à-vis the beer and spirits communities? How do

you disseminate this? Should it be through labels, should it be through advertising?" This, if you're interested, is another big part of the equation; not only getting the research to be done and encouraging the federal government to get involved, but how do you overcome federal regulatory barriers and how do you disseminate this information?

Hicke: That's crucial.

De Luca: It is. Right now there's an inhibition on the labeling and advertising front on just the dissemination of the positive benefits without it being balanced. There, they're saying it would be misleading unless you also simultaneously inform the consumer about all the negatives of abusive behavior. That's not easy to comply with. How do you get a balanced statement?

Beringer had a neck hanger that was basically an honest excerpt from the *60 Minutes* program, and it got approval from the Bureau of Alcohol, Tobacco, and Firearms in 1992, I believe it was. So that would have been two years ago. I was deeply involved with that project and assisted them, because we felt that was a balanced statement—both on the positives as well the negatives—that came out of the *60 Minutes* show itself. After ATF's approval—they would put it technically that they did not disapprove it, but they did approve it—the Food and Drug Administration, the Federal Trade Commission, and the Surgeon General all went public in terms of criticism of the approval. The FTC action led the BATF to saying that when they speak, they should really speak with one voice; the industries should rely on what they say rather than having competing claims from other regulatory agencies. Part of the problem is that Congress has passed different laws that give different agencies concurrent jurisdiction over us. So that leads to turf and territorial issues.

And of course there's something called the Food and Drug and Cosmetic Act, as well as the Alcohol Administration Act. The Food and Drug Administration is a very powerful agency, and they let it be known during this period of review that depending on how a product was positioned, it could be seen as either a food or as a drug or as a cosmetic. If you as a vendor try to promote a product as having therapeutic values or diagnostic values, they could then see that as no different than a pharmaceutical company making prescription claims for its products. And so here if you're talking about the cardiovascular benefits, there are certain prescription drugs on the market about heart benefits, the FDA could classify wine as a drug with all the attendant regulatory controls that follow. Is that really what we want? Not only would it hold up the ability to make these claims, but who knows what other regulatory problems could arise.

So the Wine Institute has been an exciting place to be the last couple of years. And I keep telling people in the face of all of this controversy that "ferment" is not a bad word in our industry. That's how we get a beautiful product called wine after the grapes have been crushed, after they've been whipped apart and crushed and everything else, that out of all of that bubbling and all of that ferment comes a beautiful product called wine. I don't in any way walk away from these arguments and these controversies.

But there has been the controversy of "Too little, too late. Where have you guys been? We told you so." One of the growth industries is finger-pointing. There's a huge element saying, "That's where I was." A lot of these different approaches are distinctions with enormous differences, it's the nuance. For example, on the *60 Minutes*

program, the BATF said, “If you tell your consumer, ‘Here’s a transcript, this is what was said, read it and judge for yourself,’ we will not oppose your disseminating that in a newsletter. However, take that same information and put it in a newsletter where you sell your latest release—your latest cabernet, your merlot, or chardonnay—and editorialize and say either one of the following: ‘My wine will reduce your heart attacks by 40 percent’ or ‘Here’s an interpretation that finally convincingly supports our claim that wine is good for you in moderation,’ that is no longer just a dissemination of a document but an advertisement.”

Hicke: So if I read it in my health newsletter, it’s okay, but if it’s on the Beringer neck hanger label, it’s not. Is that what you’re saying?

De Luca: Well, ATF was even more precise than that. If it was on the neck hanger, they gave approval, because they thought the statement was balanced—talked about the positives as well as the negatives. But another agency came along. The Food and Drug Administration said, “That’s not good enough for us.” And the Federal Trade Commission came in and said, “We think that that’s misleading advertising.” So we found a number of agencies that could exercise jurisdiction, and all of them were very powerful. BATF was saying, before this occurred, that at least for itself, it could make an approval if you gave it a balanced statement. But if you were trying to promote your wine or you’re trying to sell it—in other words, it wasn’t just information in the public debate, public advocacy—but if you’re trying to sell the wine, and this is trying to promote sales, then they’ll see it as advertising, they’ll see it as labeling, and that’s prohibited.

On the other hand, if you had Professor Ellison, Dr. Trichopoulos, Dr. Gazziano come to a symposium, and there were reporters there, and they announced their findings, and the reporters reproduced it and gave it to the world that way, we’d have no problem with that. For some of our members, that distinction escapes them. If I read it in the paper, and if it’s in the headlines of *USA Today* and I turn on CNN and there’s Carolyn O’Neil “On the Menu” with that very program, why can’t I do the same? And so it’s very frustrating to them and very understandable why it’s frustrating, but we have developed the formula that avoids the pitfalls of regulatory action, does reach millions of people.

That’s another consideration. In the age of enormous technology that changes—people using the term like the information superhighway, and cable companies making agreements with the Times-Mirror Company and satellites and getting information and CD-ROMs—can you confine marketing to the old approach of having a wine tasting, a writer come and cover it, and then writing about that in a newsletter or in a wine journal? You’re promoting your wine, and you call that education. That’s certainly a very powerful element, and we want to preserve and enhance that, but how do you reach millions of people in the modern age?

[Tape 15, Side A]

De Luca: We’re doing this as part of public policy to avoid rotational warnings and higher taxes and all kinds of controls—the Thurmond-Kennedy bill, for example, and the whole idea of increased taxes. But there’s no doubt that concurrently, simultaneously, there’s a market effect. If you’re reading about it in the paper, and it’s under a byline of *USA*

Today or it's under the networks on ABC or CBS or NBC, that carries a lot of credibility for you. It isn't something that you believe is self-serving coming from the marketer; this is something coming from a third party. Third-party credibility is what people find very attractive about this story.

Hicke: I think that sort of thing reaches people who are maybe not already interested in wine, whereas the wine tasting reaches only those people who are interested already.

De Luca: Carole, you put your finger on something very important, and that is much of what has been done historically reaches people already committed or interested. So the question is, How do you grow the industry with new consumers, the people whom you normally don't reach? Can they afford to come to some of these tastings? Do they have the money to come to our various auctions? Can they afford the big dinners and the various events that we have? Certainly if you want to go beyond those confines and you want to reach millions and millions of people who are otherwise ethnically not inclined or socially in terms of their geography and their country doesn't have that kind of proximity to the industry, to the vineyards, to the wineries, how do you reach them?

That is really a great challenge. At least in my perception, while we're facing the public policy issue of taxes, controls, restraints, how do we get across to the other nations? How do we sell wine beyond our borders? How do we change the laws in our different states? Even though we haven't said one word, a big part of our work here is breaking down the barriers within our own country and overseas.

Hicke: That is another big topic.

De Luca: Well, I can certainly go into that just based on my day-to-day experience, but I want to conclude the thought that while we're doing this in terms of public policy, we're still simultaneously being criticized, and there's a legitimate aspect to that—"Well, what are you guys doing about marketing?" It dumbfounds many of us that when you know you've reached 25 million people that day with a very positive message about wine, and you haven't paid a penny in terms of a PR [public relations] firm charging you \$10 million to do that, somebody will say, "Well, you guys aren't interested in marketing." That's why I'm saying there's the old marketing, there's the new marketing, there's the old media, there's the new media.

The truth of the matter is that anytime society is in transition or an industry is in transition, there's a lag behind events. Some of the most far-sighted people pick it up right away, and some people need more time. This has nothing to do with intelligence. We have very intelligent people in this industry who bring incredible resources to bear who are amongst our strongest critics. It isn't my role to say, "You guys aren't picking this up." My job is to stay with it; the vindication, if that's the right word, comes later on—we know that. I mean, anybody in history knows that.

Hicke: It takes patience to make wine, too.

De Luca: [laughter] Exactly. I look at time as an asset, and if there's a temporary discomfort—because God knows I've been criticized. I was criticized for the code of advertising, I was criticized for raising our own taxes as a way of fighting the nickel-a-drink ballot; at every point there is criticism, because the industry is so big, the industry is so diverse;

there are so many points of view. This is one of the most diverse industries you'll find in the United States or elsewhere. There are very few industries where you have such diverse backgrounds and such diverse interests.

It's acceptable and encouraged and fostered to have legitimate debate. So in that debate, I'm very much aware as president of the Wine Institute that there is no such thing as popularity in my job. You cannot be popular to do your job; I mean, it's almost like designed to be a lightning rod for criticism. I know that; so I long ago gave up any idea that I would be a popular person. Every day you have to make decisions that cause a lot of people to question your judgment and to question your acumen.

But if you stay with it and you have a core group that supports you—it doesn't have to be the entire industry—but if you have a core group that understands what you're doing as events unfold, then you find that people will say—right now, the Institute is getting high marks for what it's doing, although there are some who will say, "Gee, you guys should have done it years ago." Years ago there wasn't the science, years ago there wasn't the political development that we have here. We didn't have Feinstein in the U.S. Senate to fight for this. We didn't have Phil Lee, who was there at the Department for Health and Human Services who could work with us. We did not have the results from Serge Reynaud and from Curt Ellison or from Gazziano or from—certainly Klatsky has been doing that for years. The research is coming together now.

Hicke: That's one of the values of laying this all out so that it's perfectly clear. It all had to wait on the right time.

De Luca: We didn't have the research; we could guess at it; somebody could say, "I really knew about it before everybody else." There are some members of our industry who say, "Gee, John, we knew about this back in '79." Well, we all know that things need to ripen and to evolve, and you need to have the right political mix. Certainly, just making claims would have ended up in difficult losses. We had many serious legal problems; we had two years ago the lead-in-wine issue, which brought home to people that it wasn't fanciful talk; it wasn't just conjuring up devils in the forest, there were real live lawsuits. There were real live law firms who tried to put us out of business, and the lead in wine issues is a good indication of the vulnerability of this industry. With all of its compounds, we could be found in just about any study on carcinogens or reproductive toxicants. But that very richness also is part of the antioxidant study, and the fact is that wine is so diverse that on one hand we're vulnerable to the attacks, on the other hand we're finding the positive benefits through immuno-stimulants and through the antioxidant studies.

But all of that shows it isn't simplistic. All of that shows that it isn't cut and dried, black and white. Just the ability to just put out a statement on this goes back to the fact that we had Prohibition; we have laws that are still on the books and Supreme Court decisions that get into commercial speech. We have some burdens, such as the Solicitor General of the United States saying you should give greater credibility and viability to rules and regulations dealing with alcohol than those that don't. In other words, there's a higher burden of proof on the industry because it's alcohol, and they argue that way before judges. So no magic wand is going to relieve us of that burden right now.

On the other hand, science is the key to the new growth and to the new future of this industry. We placed an awful lot of faith and credibility in the scientific outcome. Nobody had any assurances about this work. That's the other part of it. But I think that this is the foundation to our new politics, our new public policy. It'll be science-driven, with credible researchers, and all we want here is not to go out and sell wine as medicine, but to right the imbalance that has occurred attacking us as no different from crack or cocaine or saying that the product is inherently bad.

If we get to the point where you can say, A little bit of this could possibly be beneficial to you—maybe not to everybody, but to the preponderance of our people—but if you drink it to excess, then you have all these other attendant problems, then we're back to the legitimate question of use and abuse. No one has ever said to drink wine indiscriminately or that if a little bit is good, then a lot is better. We've never said that, and I think that as the public becomes knowledgeable and better educated, they will follow this precept.

Hicke: So it goes back to what you said before about public awareness.

De Luca: I think things are moving fast, but the problem is that we're the ones who could really screw it up for ourselves. If we have a misstep, if we do not proceed with care, or if we have vaulting ambition and overleap the saddle, if we try to make claims that are not supported by science, if we appear as trying to be no more than snake oil salesmen, or if we're trying to be socially irresponsible—the forces that are right now on the defensive are waiting for a counteroffensive. The people who for the last several years, the last several decades, have put together this anti-alcohol coalition don't like being on the defensive; they don't like seeing positive stories about wine in moderation or alcohol in moderation. So if there's a misstep on our part, they're more than prepared to come down hard.

So I keep telling everyone the fact that things are moving in that direction doesn't give it yet the consensus. We see that. The NIAAA came out with an alcohol alert two years ago that had to acknowledge as scientists that there are benefits to alcohol in moderation. They are now much more aware of us. The Wellness Letters, Harvard and Berkeley, are moving away from almost a conventional anti-alcohol position to understanding the nuances.

Hicke: The Berkeley newsletter is the one I referred to before because I get that one. They've talked a lot about that.

De Luca: Yes, and Harvard's has too, and Berkeley is certainly much further along than it was before. But you read it in *Redbook*, you read it in *Vanity Fair*, you read it in major journals and magazines today, and the story has kept going. The Mediterranean diet conference that was just held here in San Francisco in June had the added element of the World Health Organization—the regional office there—endorsing that concept of wine being part of a healthy Mediterranean Diet. This information, by the way, was given to President [Bill] Clinton. I think one of the most dramatic moments in the history of the wine world, in terms of the public policy, occurred when our delegation met with Clinton at the end of February, beginning of March, right after he had just been inaugurated.

- Hicke: That's the one you talked about in the last interview. You covered that.
- De Luca: Yes. There we gave him materials and information and here we're talking now eighteen months later, and the Congress—not just his administration—is putting in this kind of language. My sense right now is that these documents here should be given to you so that you have them as part of your record.
- Hicke: Right. I would like to include them in the volume. Should we go on to import-export?
- De Luca: On this subject let's finish by fleshing this out. This could have been five, six, seven hours of just nonstop talk about all the nuances and all the different forces in the wine industry and the research community and where we're headed in the future and what are some of the new studies. But I think the basic outline is clear, that in terms of public policy we're seeing for the first time congressional directives, and that by itself is interesting, but what would really be, I think, the more permanent feature is have this become over the next several years and over the next several decades a legitimate part of national science research programs and policies. The idea of a balanced scientific policy, I think, is very important because it's certainly been all one-sided up to now.
- This doesn't mean that you stop on the legitimate questions of abuse—what does this do in terms of drunk driving, teenagers, people who can't drink?—but I think we have not had an informed electorate. Clearly, the biggest burden we've had has been cultural ignorance in this society. You see that as recently as this week's article in the *New York Times* about how some people believe that the best way to handle the issue of generations is for adults not to drink in front of youngsters. The *New York Times* piece says that isn't the answer; that only leads to binge drinking and rites of passage, and it doesn't explain how in Europe the families do have children drink at a very early age, and it becomes no big deal and it doesn't become a problem. Essentially, what we're talking about are the cultural patterns of American society. I think you've heard me in different lectures where I pointed out that had the French and not the British won the French and Indian wars, that the French pattern, language, cuisine, attitude of mind would have prevailed on this continent, which was wide open for new forces. Instead, it was the Puritan ethic that prevailed, which had to do with a certain attitude towards the Bible and had to do with certain products that were northern rather than southern and different ethnic and other backgrounds in cuisine. You see that when you go to Quebec, right here in North America. North America would have all been like Quebec or New Orleans—
- Hicke: Yes, even Louisiana has different—based on Napoleonic code, their laws, and—
- De Luca: Exactly. There was a moment when this brand new land, although there were Native Americans here obviously for many thousands for years—but as empires fought for suzerainty over who was going to control it, the two forces that emerged primarily were the British and the French, although the Spanish obviously were in the West and Southwest. And the British won and not the French. So a whole pattern for the last several hundred years has followed that includes how we dress and how we eat and how we talk and what language we use and what codes we follow. This could have been a wine-consuming nation if the French had prevailed instead of the British.

So it gets right back to culture. But now what's happening in the cultural area: more people are traveling and more people are aware of pasta and polenta who never would have eaten it before. And so I see the century coming up—and it takes a century; these things don't happen overnight—for cultural changes to occur. Habits don't come easy, and habits don't happen overnight. But in this area here, culture, we want to get back to the basics that wine is fundamentally a product that helps food taste better, and we don't want to make it anything more than that. But on the political front, if anybody tries to attack us and says we're a sin industry, here's where this research comes in.

Hicke: You're well positioned.

De Luca: We're well positioned on that front. On the other front, it's part of acculturation—travel and habits and dress and all that, and what motion pictures say and what television says. There you see encouraging scenes of wine; wine scenes that I think are very acceptable. You see a lot of restaurant scenes, you see a lot of social scenes where wine is being drunk—again, a glass of wine with your meals. So I'm optimistic that way, and I know the industry is much more optimistic. Just in the last three months, in talking to members, several of them said, “You know, for the first time in five years I really feel upbeat. For the first time I really feel good about where we're headed. I feel good about myself, I feel good about the business that I'm in.”

Now, we're having problems: cash flow, consolidation of wholesalers, consolidation of retailers, the power of retailers with regard to what is on the shelves and what is not. The particular question of the management of your resources and management of your cash—cash management—is a huge issue right now. And that, more than anything else, is what's threatening many of the wineries. How do they handle their cash? It's a very cash-intensive industry. Where do you get money to pay your bills? Where do you get money to expand? How do you hold onto your inventories? Particularly with some of the bankruptcies in the banks, bringing wine to the market at a price that's different than some of the competitors puts a lot of pressure on the competitors in dealing with the retailers.

Hicke: Is Wine Institute involved in these things in some level?

De Luca: No. These are seen by the membership; this is a membership-driven industry. The membership does not call upon the Wine Institute to get involved with the banks or to get involved with individual retailers or with individual wholesalers. These are really one-on-one developments.

What I'm saying is any notion that this is just the only issue that we have, in terms of the science and health and research and benefits, without understanding how complex the industry is and what the whole nation's going through—we're still basically going through, for all the talks about employment and consolidation—a fundamental change in the way this society handles the issue of jobs. The jobs are not coming back. There are different types of jobs. The jobs tell you who are the new middle class and who are the professionals, and that has a bearing on who eats and dines out and who travels and who entertains. California is still in the throes of deep problems, and this is our home. And so a lot of our statistics bear this out—that we're doing better outside of California than we are doing in California.

Hicke: In sales?

De Luca: There's also a change in the mix, and you're very familiar with people drinking less but drinking better wines and so forth. So we're going through, I'd say, seven or eight simultaneous events, but the one that's the most stark is what happens if government and the law profession come after you. They could dismember you. The legal profession through lawsuits could easily dismember this industry, the way it did with asbestos, the way it did with some of these product liability issues. And our mix is very explosive when it comes to law. Can you imagine anything more challenging than lead in alcohol, lead in wine? Yet we had those lawsuits, and we had to confront them. And that was a reminder to people that the industry, for all of the bravado on the part of some people—damn the torpedoes, full speed ahead—could have legal pressures of an unprecedented type.

I think what you're reading in these policy statements by the Congress is a harbinger of the change in terms of the attitude by law firms that this was a market opportunity for them. They're always looking for market opportunities, and the idea of suing us and making big dollars was very attractive to many of them for a number of years. Well, I think that's receding.

Hicke: Bob Trinchero told me that a lot of people supported this bill that turned out to be so detrimental about adulteration because it had to do with water and various other mom-and-apple pie issues. What people didn't realize was that the technology was so advanced that you could detect minute, almost undetectable, particles of things.

De Luca: That was Proposition 65. It was called the Safe Drinking Water Act.

Hicke: Yes, that was it.

De Luca: That's what led to all of the warnings in our stores. That's why whenever you go into a restaurant, you see a Proposition 65 warning sign. Again, thinking about it in terms of law, one of the problems you have is, Are you governed by fifty states with fifty separate laws, or are you governed by one federal law that preempts them all? What are the economics of having to deal with one set of particulars as against another?

The good news is the growing sophistication of this industry in understanding the problems that face us. Initially many people really responded negatively, because much of it was totally unanticipated; it doesn't happen to other industries the way this one occurs. I think that in the years ahead you're going to have an increasingly sophisticated group of members, the group of people in the industry—and this is not being condescending at all; this is a statement of fact—we're growing in our knowledge of the world, and this might lead into the issue of what do we do globally.

Hicke: Yes, that's something I'd like to hear about.

Global Aspects of the California Wine Industry

Hicke: I think that was one of the things you mentioned in your last interview that you would like to expand on. I guess I could frame the question very generally: How important is the global perspective to the California wine industry?

De Luca: It's important to us on a number of fronts. One is the most obvious and that is gaining consumers for California wine. And there are more and more consumers in nations that are wine-friendly in terms of backgrounds and histories and cultures than they perhaps are in terms of market analysis, that other people would say it's an obvious thing in terms of growth of population—more people in terms of population inhabit these areas, and we shouldn't deny ourselves the opportunity to sell wine to them. So that's one aspect of trade.

The second has to do with having to be involved in the international scene if only to understand the great trends of our times—the whole globalization of industry, the globalization of commerce. One of the best ways to be a good competitor in your own country is to understand what's happening outside of your country. And that does equate also to wine sales in the United States, which is still our number one priority. If you're traveling all over the world, and you see wine on the menus of restaurants in major cities all over the world, and there's a California wine, you see wine in terms of a product that we export and that for that country is imported. There's no doubt that in the United States the attitude is that an imported product is better than a “domestic” product. It goes back to the days, lasting for hundreds of years in this society, where something that was made in Europe was better than something that was made here in the United States.

Hicke: You mean in our perception?

De Luca: Yes, well, there's a panache, there's a certain sense, a cachet about wine that for years the French in particular highly developed as a marketing tool. This area was something that other people did better than our own people did. Well, that's being eroded very obviously as more and more people become knowledgeable about our wines, more and more people travel and see California fine wines on the wine list. When they come home, they won't automatically buy a foreign wine just because it happens to be from another country. And even the terminology is changing from imported to foreign wines; we're seen as exporting products. So that's another dimension about world trade.

There's another part to it that's obvious and that has to do with resource allocation, skills—picking up all the necessary competitive skills that you have to have as a marketer. This isn't the only place in the world that you can develop your marketing skills.

So there's the export issue. The export issue for the Congress is a nice way to understand us as an agricultural product. It's part of the perception of how you look at an industry. We're in the foreign agricultural service, we're in the market promotion program, we're in the Department of Agriculture, we're seen as a product where we are now cutting into the balance of the trade deficit rather than adding to it. So it all adds up to the perception of an industry when it comes time to analyze us and to assess us.

We're bringing in more dollars. We're bringing in necessary consumers. We're fighting for increasing our market share in terms of these new trade agreements. I think were we not active on the export front, we wouldn't have the credibility that we have dealing with the Canadian Free Trade Agreement, with the GATT, with the NAFTA, in dealing with issues like Chile coming in and getting a free trade agreement. I think being very active in the trade world, in the export world, brings concomitant political support.

There's the economics of it, there are the new consumers—several of our wineries have told me that now 30-40 percent of their total shipments are overseas. Just think of the value; you have to be knowledgeable about the countries involved. Just think of the investment in ourselves that's coming about from people traveling more, from people having knowledge of the individual distributors and wholesalers and retailers all over the world. We have meetings and discussions now in our conference room that show the breadth and depth of the knowledge that is being gained. People very familiar with Sweden and Norway and their monopolies, or with Denmark, or talking about the positive appreciation that's taking place in West Germany.

We also have the British who are writing about us. Because they write in English, and they're not seen as having any kind of local industry to defend, they're seen as arbiters of taste for Western Europe. By writing in English, it reaches Canada, it reaches Australia, it reaches the English-speaking population in Africa, in India, the various people who can read in English, without it appearing to be our promotion of ourselves. So you look at the whole thing and [you see that] above all, it's a necessity of modern life to be involved in the global economy. That's the way everything is going. Something happens in Russia, something happens in China—we have a tasting in China coming up. We have ten of our wineries going to mainland China. Now that doesn't mean that we have any illusions that all of a billion people are going to turn to California wine—we still know that it is essentially the hotel trade for foreign tourists—but you have to establish now for the next hundred years, and you have to get involved with the distributors and with the—

[Tape 15, Side B]

De Luca: We have to guard against the twin sins of being parochial and provincial, or just thinking inwardly. Or that we're the only ones who have anything to bring to bear on this major issue. Wine politics is tough. Wine politics is as tough as water politics or oil politics. We're talking about nations where one out of seven, one out of eight, one out of nine of their people are in this business, and they look at exports as exporting unemployment. And so they play very tough at the bargaining table and obviously see California and the United States as a potential threat to their overall marketing plans overseas.

North American Free Trade Agreement

Hicke: Can you tell me a little about NAFTA? Were you involved in negotiations?

De Luca: There are several dimensions here to discuss. NAFTA, as you know, is an agreement where negotiators in the Bush administration—they were the ones who actually negotiated the agreement—saw this as not only important in its own right, but it was part of the politics of the winter of '91 and the summer of '92 in terms of how to present President Bush to the public. President Bush at a certain point calculated that California was not going to go his way. They made a judgment that the resources shouldn't be committed to California, that they should concentrate on other strategies for winning—from their own polling.



John De Luca, Gary Heck, President George H. W. Bush

At the same time, there was a judgment by the outgoing White House staff that it was important to conclude this agreement before the Republican Convention in Houston. At a certain point there was confusion in the Bush camp as to Secretary of State [James] Baker—whether he was going to become the campaign manager or not, whether he was going to take over the White House staff—and there was a period there where very frankly I think the push was for a speedy conclusion to announce to the world a great trade agreement with Mexico that would help the president's campaign prospects where there are large Hispanic populations. I think it was a fundamental miscalculation, but those were the elements that were working. So NAFTA, in addition to being a tough issue, also involved the politics of presidential campaigns. So when they said they

wanted to announce Secretary Baker becoming campaign manager of the Bush campaign, where he would resign from being secretary of state, he wanted that to be done on a Friday.

The president was arriving on a Sunday in Houston. They needed to get certain things out the way before he came; so the word came down that they wanted to have the NAFTA agreement announced on Thursday by the president. So by Wednesday everybody was told, "This is it." The Mexicans, not being fools at all, recognized that the other side was going to capitulate, so they held firm on a number of fronts—home appliances, citrus, wine, sugar—a whole series of areas where the Mexicans just simply said no, and the American position had to concede in order for the negotiations to be announced as an agreement. We were one of those industries where a level playing field was only stated as a goal but not in reality. So Mexican brandies would come in duty-free immediately; we would have to wait ten years. Table wine coming into the United States: at one point the Mexican position was that they would come in duty-free, and ours would come in ten years. Then Ambassador for Trade Carla Hill recognized that that wasn't fair, so she removed that component. However, for us, the whole thing towards NAFTA was that Chile, a real competitor, had made a separate side agreement with Mexico that gave it a decided edge coming into Mexico. And our whole position was we only want from Mexico what Chile got. Why can't our US negotiators get from Mexico what Chile got? Chileans were given an immediate drop in their tariff so that it'll only be another two years before they will have duty-free entry into Mexico. Ours is the first year—just started now, in January 1994. We have to wait another nine years before we're duty-free.

So when Bush was defeated, and the Clinton administration came in, their attitude was "We can't reopen this package. The only things that are going to be discussed are going to be labor issues and environmental issues, not individual industry issues—we've got thousands of industry issues." However, there is a provision under the North American Free Trade Agreement: tariff accelerations. That's a possibility for the wine industry, that we could meet with the Mexicans after the agreement was passed in order to accelerate the tariffs. So that was the only thing left for us—to have the tariff accelerations, but the tariff accelerations could not occur without the agreement on the treaty itself. So we were put in the position—as we came to the end—of wanting to get as much bargaining and negotiations with the Clinton administration as they would give us: pledges and commitments in writing for when the agreement was passed. As you know, for months it didn't look like it was going to pass at all. So there were some very difficult times; there were some tough times with the administration. The administration wanted us to be out in front supporting it; there were a lot of Democratic congressmen in this state who weren't going for it because of labor and environment. So there was really talk in the newspapers, but we had a number of key congressmen and senators who indicated to the administration that they wanted to support the wine position as an element in their support of NAFTA.

All right, so NAFTA did pass, we were given written commitments that the administration would go for tariff accelerations, and we were off to a hopeful start, when Colosio was assassinated in Mexico. And the PRI [Institutional Revolutionary Party], which is the major party in Mexico, was thrown in disarray until they came down with a candidate named [Ernesto] Zedillo, who was just now elected president.

We have a major problem with this whole tariff acceleration in that one major company, Domecq, really has the controlling influence over the government on these trade matters. There's very little incentive for them to change; they've got the best deal from the United States they could have wanted. A return for something else outside of wine is the only way you can have any leverage. They have indicated to our government, the STR, that wine and brandy are their number one priorities in the new tariff acceleration rounds. What they need to get from the Mexicans are their number one, two, three priorities so they can make an agreement, you know, if it's over this subject then in return, the quid pro quo is to give us tariff accelerations. All we're asking for is to get the equivalent of what Chile got.

Hicke: How did you get to be number one priority?

De Luca: Through a large political effort by our delegation, by ourselves dealing directly with the administration, meetings with Ambassador Kantor, with the White House, with our people writing, talking, and discussing it. We really elevated their consciousness about our unhappiness over this market. And of course we want to be taken seriously; not only for Mexico and Canada, but for the rest of the world, and we don't want to be seen as an industry that can be taken for granted. We may have only this much right now in terms of trade with Mexico, but as neighbors they're a potentially fine market for us. So we should be looking down the track at what it could be like in ten or fifteen or twenty years. If you give a competitor like Chile an advantage over you, you never catch up. It's the equity of it; it's supposed to be a very special agreement. A free trade agreement is a special agreement between us. Nobody else in the whole world is going to have something like we have as trading partners. That's what these free trade agreements are. But what kind of a special arrangement is it between us if a third party has got a better deal than the one you're offering us? It makes the whole idea of a free trade agreement really cosmetic. We've had issues with Canada over the Canadian Free Trade Agreement on cost of service, we've been deeply involved with GATT.

Hicke: The Uruguay Round?

De Luca: The Uruguay Round is the GATT on intellectual property. I went to Geneva several times, and the issue there was that the French, leading the Europeans, were really attacking trademarks and wanting to have appellations of origin supersede trademarks. For example, your name is De Luca, there's a region in Italy called De Luca; that region would supersede my trademark in the United States and elsewhere dealing with Europe.

Hicke: So you can't use your name on your—

De Luca: So I couldn't even use my own name. So intellectual property was one of the issues, and it affected wineries like Gallo and Mondavi and Almaden, people like that. There was also the question of not only the geography but the varietal designations—the use of the terms cabernet and chardonnay. The French were very much—I guess back in the 1890s, 1900s, when these agreements were being made—pretty much reflecting their times, that they didn't think the United States would ever really be a potential problem. So terms like burgundy and chablis, terms like port, sherry—all these different terms that were really regions in Europe—we adopted them after Prohibition as a way of restoring our credibility. On the other hand, the varietal designation—and our emphasis on varietals, as you know, was our contribution to the world of wine as against

geography—well, they don't want some of what they call generics and semi-generics. They would want us to drop some of these terms. So that was also part of the GATT as part of the Uruguay Round—all these discussions having to do with terms.

- Hicke: Did you testify in hearings?
- De Luca: No, there the position with the STR, Mickey Kantor, and carrying on what had already been done with the previous administration, Carla Hill, was to hold firm on all of these points, which we did. But it took a lot of effort—incredible effort. Most people don't realize, as for example, the value of your trademark versus geography, what this can do to your international marketing. And of course the French were the most concerned and had led the charge for years over the question of appellations. This also was taking place at the same time as our wine accords with the Europeans, which have to do with winemaking techniques. The Europeans, again led by the French, could use as a non-tariff barrier the fact that we prepare wines differently and have different winemaking techniques here in terms of different compounds. So the Europeans could stop our wines coming into Europe, and they have what are called derogations—they give you six months and then another six months and another six months—
- Hicke: To do what?
- De Luca: If you take the premise that the French want changes on the use of our appellations, on the use of generics, they are holding the wine accords semi-hostage to these agreements. We are sending wine into Europe, increasingly into Belgium, into Switzerland, into Germany, into England, but we don't have a permanent wine accord.
- Hicke: Well, let me just ask you what a wine accord is. Is it a tariff reduction?
- De Luca: A wine accord here would be on the acceptability of each nation's winemaking techniques as part of the standards established for the export-import trade. There's a whole variety of different agents, compounds, winemaking techniques that we use that are not worse or better; they're different. The Europeans have said, "We will not let your wines come in. Or we'll have a diminished amount of wine coming in until these agreements can be made." So we've been working hard for the last eight or ten years on these wine accords. We've been permitted to have wines come in without them being stopped at the dock, although there was a time when they used to submit all of our wines to these labs, and they used to take months, and the wines would roast on the dock in the sun. But those are going on all the time, so it isn't just the most visible of the major international agreements like the GATT, the Uruguay Round, like the NAFTA, or like the Canadian Free Trade Agreement. There are also issues like these wine accords going on.
- Hicke: I'm glad you brought that up because that's something that you don't hear about so much.
- De Luca: No, because it's left really to the technical people, but it could become a non-tariff barrier.
- Hicke: Now, you said they were holding the wine accords hostage?

De Luca: The wine accords still haven't been totally approved. We keep going until April, and then they'll say we have another six months, and then we go and have another six months. Hard to build a business that way. We've been very resolute; there are discussions with the Taiwan government, which is a monopoly that's going to go private. The tariffs are very high in Japan. We're involved with Hong Kong and Singapore and South Korea. For this period of time, if you were to be just chronicling the discourse at a place like the Wine Institute, you would see how much of our discussions have to do with what's the latest at Colombia, what's the latest in the Caribbean, what's going on in Denmark, what's going on Switzerland, what's happening in Russia, what's going on in China, what's happening in Australia. It gives currency to the theme that I expressed to you a few minutes earlier about the need to be better informed about the world. So I'm reading materials about what's happening in the world of wine all over the world.

Hicke: Secretary of State March Fong Eu told me she took a tour promoting California wine to be served in the American embassies. Were you involved in that?

De Luca: March Fong Eu, as secretary of state and now as the ambassador to Micronesia, has been out there as a prominent state official encouraging greater use of our wines. I spoke to her a couple of months ago before she left, and she wanted to have wines available to a lot of other ambassadors. I've done the same thing with many of her colleagues. At one point I was getting calls from Poland and France and Italy and Switzerland—these were all friends of mine who had become ambassadors to these different countries, and I was delighted to hear their predisposition. Darryl Arnold, when he became ambassador to Singapore, wanted to serve wines at a number of international conferences—ten or fifteen countries—including Kuala Lumpur and Thailand and Micronesia. It was really interesting, all the different ambassadors.

That's a sea change from the days when I was in Moscow when everybody thought that the best way you put your foot forward with dinners and hospitality was serving French wines. We've got a new generation of agricultural attachés and ambassadors and commercial attachés, consul generals, who are knowledgeable and very supportive of our wines. The truth of the matter is we have some excellent wines, and you can't deny that.

Hicke: Yes, and also I think the international airlines are starting to serve more of our wines.

De Luca: Yes, some have gone forward, some have backed off, some have gone back on; it's not been uniform, but every once in a while I get a letter from one of our key officials in government who sent off a stinging letter to the president of the airline on how come you're serving these wines and not California wines. But more and more, you know, it's apparent that they're incredible buys in terms of our quality and in terms of our prices. That is determined by who's the latest owner of the airline, because there have been a lot of changes, and some of them have been in bankruptcy, and some of them have put wines on the menu that are the least expensive that they could afford, and it's the controller and the accountant running the airline rather than the entrepreneur.

Hicke: I should think that would be a very good way to promote California wines.

De Luca: Yes, and in truth we've come quite a way, and we'll continue to go forward, and I think that's the long-term strength of our wines: the quality. We can't compete on volume, but we certainly can compete on quality.

What our winegrowers have done with the viticultural area and the research area is another big subject matter that we have to address. Phylloxera, Pierce's Disease—it gets back to resources and funds and the intelligent use of our finances, and how do you grow an industry, and how do you keep progressing? So this industry is going to continue to be faced with the allocation of scarce resources, and how do you raise funds to do all the things you have to do, and what's the division between the regional groups and Wine Institute? It used to be that we had a regional marketing program, where we gave matching grants to the different organizations.

Hicke: You mean like the Napa Valley Grape Growers and that sort of thing?

De Luca: Yes. We had \$700,000 a year that we would distribute to the different regions on a matching fund basis after they had peer review. That program was terminated after Jerry Lohr's planning task force thought that that would be best done by the regions themselves, and that the Wine Institute should be addressing the big public policy issues—these dramatic issues that relate to taxes and controls and international trade and so forth.

Predictably, we've lost membership as a result of these changes, and a lot of it has to do with the continuance of the lingering misperception, people saying, "I don't want to belong to the Wine Institute because it's not a place for the little winery, and it's only for the big wineries." The truth is we have hundreds of small wineries. It has been a mix of small and medium and large, and there are many, many people in the organization who understand what we've just been discussing.

But the industry is so big, and the membership is so diverse, that a big part of the challenge is, How do you reach everyone? It's not enough to send them a memo; it's not enough to send them a document. The thing I miss the most from my early days here is that when I first joined the Institute I went and visited all the wineries. There was a very strong personal touch. Today, if you have to do that, it'll take you years, and by the time you finish you've got to start all over again, and there are a lot of other demands on the Institute right now in terms of what the membership wants me to concentrate on.

Public Policy Issues

De Luca: They do want me to concentrate on the issues of public policy; we had a poll and a survey that show that two-thirds of the membership at the time wanted us to concentrate on public policy and a third on marketing. Marketing of course is not only expensive, but it demands different requirements—which ones of the regions do you promote? Which one of the products do you promote? Generic wines, jug wines, varietal wines, which of the varietal wines, how do you have generic advertising when we're very brand-oriented? It's not easy.

Hicke: Too many choices.

De Luca: Well, how do you do it fairly? How do you do it if you represent such a diverse state as ours with such diverse interests? How do you do marketing? I mean, it's one thing to have public relations and promotion; we can understand that. But marketing is another requirement. Well, that third that basically said that's what they wanted the Institute to do, a good number of them have left the organization. But they've gone to some organizations that are making financial demands on them also. And some of the organizations that people have left the Wine Institute for are voluntary, and you don't have to pay any money.

It's not a numbers game, but we need a good representation in order to be credible before the press, before the public, before public bodies. We're three times the size of when I joined the Wine Institute, but there are a lot more wineries than when I first joined the Wine Institute. And that's another challenge: what is a winery? Is it one with a bonded license from the BATF? You go around looking for some of these wineries, and they are letterdrops or warehouses or not really commercial entities.

Hicke: Look at some of the labels on your bottles out there. I've never heard of them.

De Luca: Well, some of them are little more than family or home winemaking. We also have that question: what is a winery? Is the label enough, or does it have commercial attributes? There's somebody there, there's somebody that can take your order, there's somebody that's sending wine, and it's not just a weekend hobby. But it has added to the great diversity of the industry and the great charm of the industry. The press is encouraged to cover them. But essentially, some four hundred wineries represent about 1 or 2 percent of our volume, to give you an idea of the differences. On the other hand, they're welcome here, and I think that would be a part for another day's discussion with you.

Hicke: Okay. I want to ask you about CNN; I know you've working with them.

De Luca: CNN is a good example of the need to understand the changes in technology, satellite communication, and audiences. By coincidence of friendship, the president of CNN, Tom Johnson, who was the former publisher of the *Los Angeles Times*, is a man that I've known for twenty-nine years. We were White House Fellows together in the first class that started in 1965. And so our friendship has been really a strong one. And this last summer my daughter Carla came to CNN; she is in her second year now as a student in the School of Journalism at U.C. Berkeley. She went there and was assistant producer for the program *Week in Review*. That reinforced my understanding of CNN.

As you know, wherever you travel, people turn on TV and there's a CNN story. So I recognized very early that we should establish our credibility with them, and I wanted to know who some of their people were, and through Tom Johnson's office met with the nutrition and features people, the people who are covering foreign affairs, and particularly a unit headed by Carolyn O'Neil which does a program, "On the Menu." They covered the Mediterranean diet better than anybody else had, with very wonderful footage and a very good interpretation. They've done a lot of pieces not only on the Mediterranean Diet, but on the cardiovascular benefits of wine, and on just wine stories in general. So I went there to thank them, and at the same time I met with three other members of the unit that's involved in the whole issue of nutrition and food. Food is a

big part of future planning for anybody who wants to put programs together for television. I was there that week.

We also have an office in Atlanta. So I went to check on our trade barrier work. Bob Benton, who is our regional representative for the Southeast, and I went over the employment of some contract lobbyists' [names] and some priorities for the session that is now ending but will start next year. And so there was a lot of reason for me to be with CNN, with newspapers, with journals, with magazines, with networks. Clearly we want them to know the different stories about wine. But CNN, because of its, I guess, international flavor, because of its desire to project to different audiences, has become the outstanding reporter on the wine community. Sometimes someone will call me and say, I was just here in Cairo and I just saw a story, or I was up in Oslo, or I was in Tokyo—it's amazing the outreach that CNN has.

Hicke: Well, that's a good note to end on. Thank you.

XI 1995: AN OUTSTANDING YEAR

Review

Interview 8: August 1, 1995
[Tape 16, Side A]

- Hicke: It's been about a year since we last met, and I know so much has gone on, and there have been watersheds here and there. I wonder if we could just go through the year, and you could give me the highlights of the things you've been doing and the things that have been happening.
- De Luca: You know, every year is interesting—certainly when I think of the last twenty—but this one really stands out.
- Hicke: October will be twenty years for you?
- De Luca: Yes, the end of October will be twenty years, and I think the industry and the association and the larger scene have hit what you would call some real milestone developments that are more than just passing developments. I think the foundation is being laid for the end of this century and for the beginning of the new century for a different stage in the life of this industry.

Sometimes you have technological breakthroughs for an industry, and then you live ten, twenty, or thirty years in the extension of that development. Sometimes political developments occur; sometimes you have revolutions—the Bolshevik revolution is a good example—and then the fall of the Soviet empire, and then a lot of things flow. I'm not in any way suggesting that what's happening in our industry is comparable to the French Revolution or the American Revolution or anything of the kind [laughter]. But for the life of this industry, there are some what I call commanding heights: decisions and developments which subordinate everything else. These are really happening in terms of public policy, shifts in scientific direction. If you take a number of major institutions—the legal profession, the medical profession, the academic and research profession—you'll see that what's going on will have a very decided impact on the

image and standing of alcoholic beverages in the United States, of which we of course are a significant part.

Request for Application Issued by National Institute of Alcohol Abuse and Alcoholism

De Luca: You already know from last year that we did get congressional language, the appropriations language directing the Health and Human Services and the USDA to proceed. But there was a certain healthy skepticism whether in fact that would be implemented. Well, it has. Just a short month ago the National Institute of Alcohol Abuse and Alcoholism issued what is called an RFA, a Request for Application, indicating that for this year coming up, if the science was first-rate, and if the proposals were very promising, that there was two million dollars in this tight budget that could be used for as much as ten projects all in areas that refer to moderate consumption. This has never been done before by that particular agency.

Hicke: Do you know exactly how they go about reviewing this or what their criteria are?

De Luca: Yes, they have a peer group. They have an actual division within the National Institutes of Health—which is the larger body—that processes the various applications that come in. But it was a signal to the scientific and research community and the medical community that there would be a departure from just looking at the consequences of abuse to looking into the consequences and health effects of moderate consumption. This truly is a major development for the Congress and for National Institutes of Health. Not just in terms of cardiovascular or systemic stroke, but looking into things like insulin and various dietary developments, diabetes, or osteoporosis. That was laid out in terms of an invitation for applications. What is the effect of moderate consumption on post-menopausal women? Well, this had never been proposed before, and it is another aspect of the effects of moderate consumption.

At the same time, we proposed a document to them that we thought was broader than the RFA, and they accepted it, saying that what they had announced was just examples, not to be seen as definitive. In the give-and-take with that institute, the NIAAA, we've found them receptive to the idea of pursuing science. And so the larger goal that I've personally pursued, and the board has supported, of a balanced national science policy towards alcohol is getting off to a good start. As I said in an interview, milestones don't mean the end of journey, but it is a milestone.

And over at the USDA they are doing, at the Beltsville center—the Human Nutrition Research Center—research that we had talked about last year. Well, they gave a paper at the National Press Club in June, hosted by our organization, where they referred to breakthroughs in terms of calories that seem to suggest that moderate consumption strengthened the lean mass of the body and reduced the fat mass of the body, which has great implications in terms of calories and energy metabolism.

So what is happening is that the scientific community will have certain resources, but more important, I think, is that in terms of public policy this is a totally unexpected development for the anti-alcohol forces.

Hicke: Is this going to differentiate between wine and other kinds of alcohol, or are we talking about all alcoholic drinks?

De Luca: The interesting thing in the congressional appropriations language directing research is that it makes a case for both. It says to look into the health consequences of ethyl alcohol in terms of, say, cardiovascular and other aspects of moderate consumption, but it said in the language that over and beyond alcohol, wine contains antioxidants, and look into that. In terms of relationships with beer and spirits, we have pointed out to them correctly that—again, it's science rather than politics—that this is what the research is finding: that we all share a common base on alcohol—high-density lipoproteins, for example, versus low-density lipoproteins. And so beer, wine, and spirits all fully share in the positive aspects of that research, but wine itself—beyond the alcohol—contains many rich compounds like flavonoids, phenolocompounds, antioxidants, quercetin, Resveratrol. These will be studied independently; they will be beverage specific.

So I think what it adds up is a huge breakthrough in terms of the mindset of the Congress and in terms of implementing action by the National Institutes of Health and the USDA. You can see now the debate changing dramatically in this country from the idea that the product itself is inherently bad—it's a reproductive toxicant, it's a carcinogen, therefore no moderate behavior is warranted—to an enormous shift in just one year, to, Can the public be trusted to handle this explosive information? No more explosive than saying that if you drink it in moderation it can be part of an optimum diet.

New Science Is Not to be a Marketing Tool

De Luca: The interesting tug of war going on in the industry is, Do you therefore actively try to label this product and advertise these findings or what? The organization here—I give great credit to the board of directors—has accepted the line of approach that I've been advocating, and I hate to be personal, but this has been a mainly personal observation: that we should not try to label or advertise wine or try to market it as a health food and try to promote it in any way as medicinal, even though we have history going back to Prohibition.

Hicke: Why do you take that stand?

De Luca: For several reasons. One, I don't want in any way to lose our credibility with the scientific community. We genuinely have on our side that this is a scientific project; it shouldn't be seen as a marketing tool to promote a product. That's number one.

Hicke: So differentiating the science from the marketing.

De Luca: Yes. I mean, you as a researcher—and I genuinely feel this; it’s not just cosmetic—should be pursuing this research not because it might end up being a wonderful marketing tool but because science has its own rewards and finding the facts is its own justification. I think we have established enormous credibility, because scientists are aware of the personal attacks on me, and they are aware of the personal debate that is taking place among a number of wineries who left Wine Institute and criticized us and me for not using it as a promotional tool. That was number one.

Number two—we do have regulations in this country that, say, your statement could be truthful but misleading. Even though this is truthful information, the BATF, the Food and Drug Administration, the Federal Trade Commission, would charge that we are not presenting a balanced set of facts to the public if we only highlight, say, the health benefits. Now, of course, our people feel correctly that on the label right now is a negative that says “Warning. Government says...” That has not really been balanced, and they are correct. My attitude is, let the science go forward further; let us support the scientific and medical and research communities, and here’s the key: rather than taking on the regulatory agencies—Food and Drug Administration, the BATF, and the FTC—exercise our First Amendment rights to be able to disseminate this information by having press conferences, workshops, seminars, having different points of view expressed as we did at the National Press Club, and having the arbiter of what gets to the public be not what we pay but what the press publishes.

Hicke: It’s far more persuasive to have information coming that way than have the information coming from the business that produces it.

De Luca: I would think so; that’s the way I’ve observed it and others have observed it, and that’s why I think there’s a strong core group within the Wine Institute that says third party credibility—certainly in an area as controversial as health claims and on something as controversial to some as alcohol—is much more persuasive than buying time or putting it on your own label. But there is certainly a debate going on, and that is, If this is the truth, why can’t we put it on our label?

Now, part of the problem is that the Food and Drug Administration could seize upon that type of a development and use a part of what is called the Food and Drug and Cosmetic Act that says that the agency will treat a product depending on how you position it in society. If you try to position a product in society as having therapeutic values—cardiovascular, for example—then you have opted to try to treat that product as a drug in the broadest generic term. In fact, there’s a big debate going on right now, these last six months, over the FDA’s position, say, on nicotine, that if it affects the body or if you claim it affects the body—in our case, [wine’s] good for your heart; it’s definitely something that would affect the function of the body—do we then open up the sluice gates for the FDA to come in and exert jurisdiction saying, Fine, you’re no longer a winery, you’re a pharmaceutical company by your own choosing, and therefore we now have the right to regulate you as a drug.

Hicke: And so the burden of proof would be on the winery almost.

De Luca: Yes. So if you’re trying to promote something as a prescription as being healthy for your heart, we have no option but to have you go through the same rigors of all pharmaceutical companies that are trying to present a new product. Ironically, it’s a six-

thousand-year product, but in this case it would be by our own volition trying to present ourselves that way. My sense is we have so many tools in our armory here that haven't even been exhausted, and that is the experiences of the Mediterranean people—the Mediterranean diet—and not as a health food, but as part of an optimum diet.

These are legitimate discussions, and at the end of this year I think that line of thought is prevailing as against the line of thought that said, Let's take the BATF to court, and let's bring lawsuits to say that we have a right to advertise this information. Of course, in the beginning, just several years ago, various agencies like the NIAAA could claim that these studies were suggestive but not yet convincing, or that there was in fact still doubt. A year later—this year—there have been a number of pronouncements by the leading health officials in the federal government and by the director of the NIAAA saying that there's no doubt now that it's not anecdotal; there are just too many scientific studies. In moderation, alcohol, not just wine, is beneficial. But they say, of course, there should not be a blanket endorsement of the product promoting as public policy that you should drink wine or beer or spirits. And our retort is, We agree with you, but we believe that just like there should be no blanket endorsement, there should be no blanket indictment, which is what we've had all these years. Of course, there are some people who for genetic or medication reasons shouldn't be drinking. So we advise that on a case-by-case basis. But look at the difference in the debate; what a profound difference.

Hicke: It has shifted.

De Luca: We're arguing about what *is* moderation, as against saying that there shouldn't even be moderation, that the product itself doesn't lend itself to socially responsible behavior, so what can you tell the public? What can you teach at the medical school? And again, the position that this organization has taken—which is gaining more and more credibility—is let the science pursue these various questions; and then let the press publish the findings to the public at large, especially if it's in peer review journals, where there is in fact a scientific element here and not just anecdotal information.

That to me would be sufficient in 1995 to observe that we are in the process of recreating, reinventing, redefining our product in American society.

Response of Anti-Alcohol Groups

Hicke: What has been the response of the anti-alcohol groups?

De Luca: Interesting how it has been handled. Some are trying to ignore it. Some are trying to define terms differently than the debate—for example, no matter how many times we say what I just said and invite the press to cover both sides of the story and bring advocates from both sides of the issue to press conferences and then let reporters cover it, they still are trying to insist that what we're trying to do is market the product that way, that we're trying to promote wine as a health benefit. The reason they're able to do that is that there is in our ranks a tiny element that is advocating that. But our opponents know better; they know that that's not the Wine Institute position. So in some regards they try to ignore what is being said, to be comfortable with their old lexicon; they don't

know how to develop new terminology in the face of these rapid changes, so some are either pooh-poohing it or misrepresenting it and therefore building straw men to attack.

Others are privately aghast at how quickly this is moving and afraid that if agencies of health are putting out proposals for scientists to make research applications, that this eliminates the theoretical underpinning for classifying us as a sin industry deserving of sin taxes and that we're a "gateway drug" or a "drug of choice."



L-R: Jack Davies, Senator Pete Wilson, Michael Mondavi, Senator Alan Cranston, unknown, John De Luca, John McClland, 1986

Just follow for a second here, Carole. We still have tax issues in this country—certainly at the state level—and as we speak, the budget here in California is now snagged on the question of what help to give the county of Los Angeles, which is in dire straits. One of the proposals is an on-premise consumer tax which the proponents have branded as a "tippler tax" in order to sell it. Here we are in our own state with part of the budget a big issue dealing with not an excise tax but a consumer tax that would be granted. Thanks to the agreement we made with Governor Pete Wilson in 1991, the State of California preempts all such taxes; they are exclusively the domain of the state legislature and the governor. People in Los Angeles want that power to be shifted to them at the county level so that they could impose at the county level these taxes.

I submit to you that had we not had this favorable run of strong media coverage, it could easily be that people say, Sure, why not? Why not have this tax at the local level? So I see one of the benefits immediately of this development, and that it's entering into fiscal and budgetary issues.

Ten days ago Congressman Joe Kennedy of Massachusetts seized on the Market Promotion Program—which as you know is an export program where sixty agricultural associations are involved with matching grants, not a subsidy, to try to help promote

overseas the marketing of these different products: cotton, cattle, dairy, and almonds and figs and so forth. Well, he tried to exclude alcoholic beverages; any product that had alcohol in it would be deemed not worthy of being in this export program. It was an ambush; it was not expected, and he brought it up as a last-minute amendment on the appropriations bill. It isolated us; all these other products were excluded, and in effect, he wanted to introduce a new scarlet letter where a big capital A would be branded on our forehead as a class, where you couldn't be part of an export program, deemed not worthy to even have governmental support.

And on the floor of the Congress there was a major debate where different representatives spoke on different sides of the issue—this was at the end of three other votes. We prevailed 268-130 in a very heated and spirited debate. But in the debate, a member of the opposition to the Kennedy amendment said, “Congressman Kennedy, aren't you reading the paper? Don't you see what's happening in the country? Aren't you aware that drinking wine in moderation is seen as part of an optimum diet?” Well, that would not have been possible twenty-four months ago or twelve months ago.

At the state level and at the federal level, what ostensibly appears to be a scientific development around Requests for Applications by the Congress to the scientific community, in fact is a major public policy shift where the debate is taking place in different terms. Not only is it having an effect on the image of the product—Mediterranean diet conferences—not only is it being pursued scientifically, but now it's affecting the budgetary and excise consumer tax areas. So that's profound.

Goals and Strategies

- Hicke: That's very impressive, John. I would like to ask you a little about behind the scenes. What's your part in all of this? It's major, I know.
- De Luca: Let's say only because it's the two of us sitting down talking about this.
- Hicke: These are the kinds of things you can tell me that others wouldn't be able to.
- De Luca: I've been given the privilege by this organization to look at strategic developments. That's why there was a reorganization here at Wine Institute, to in effect permit me to think of these longer term issues. So first and foremost I have to put that in context. Few organizations would have seen the value of asking the chief executive officer to do that.
- Hicke: So that's a major contributory factor, do you think?
- De Luca: Yes, the fact that the Institute has said, Do the trade barrier work in the states and fight franchise and other things. But what we really want you to do is not micro-manage an office but to think through the big issues, the strategic issues, these commanding heights issues. Over a period of years, through board of directors discussions and back and forth with officers and with members, this line of discussion was followed: we will fight many skirmishes, we will put on thousands of wine tastings, we will release a lot of energy and bring tourists to our vineyards, and that will be beneficial in and of itself.

But we have to break out of the enclosure, and the definition that's been imposed on us, where the political, social, and even media observation of us was either through the term "booze," through the term "liquor," "sin tax," "gateway drug," "drug of choice."

And I said these terms, if permitted to go unchallenged—and nobody of course would let it go unchallenged, but we would traditionally say wine as food—look at our background—I said unless we break through this entrapment that we're in, which is both terminology and ideological and highly emotional, we're going to have this constant pounding that we're a carcinogen, a reproductive toxicant, and if successful in our strategy then the focus will be exclusively on the abuse of the product which we, by the way, also share. None of us have left that to others; we make common cause with anyone who looks at the issue of abuse. But how do we break out? We have to redefine ourselves.

Hicke: That was a major goal for you.

De Luca: How do we recreate our product? Because by attrition, every day, journals, magazines, articles—drunk driving, which is a legitimate issue, fetal alcohol, which is a legitimate issue, the whole issue of cirrhosis of the liver, which is a legitimate issue. I said that all we're hearing are the negatives, and these negatives are adding up into us being seen not as part of our tradition, in our heritage, as part of our lifestyle and the food of thousands of years and millions of people. So you can't go out and buy ads on this point. Where was the battle being joined? The battle was being joined in the scientific community. My calculation was that for American society, we needed something that would cause an acculturation process like what occurred in Europe. That occurred over thousands of years. And part of it was the physical setting: grapes all over. The Roman army with its garrisons, wherever it went it planted grapes the way the Catholic missions in California planted grapes. But those were over hundreds of years; and with the planting of grapes came the beverage, and the Renaissance period and the monks and, the heritage of the past. It took a long time for wine to be accepted culturally by the people of the Mediterranean.

In the United States, that acculturation process—which would be in increments—would take many, many, many years. But watching what was happening to pasta and to polenta and to pizza, all these products, there was a natural acceptance for them by the American public and open receptivity. What was the equivalent for wine? What was going on with the acceptance of these foods, which is really revolutionary when you think about the food tastes in America over the last thirty or forty years. My sense was that because we're so health conscious, the health issue could be the pathway to the cultural issue. Because we're so health conscious, we will eat a product or not drink a product depending on what was in *Redbook*, *Vanity Fair*, *USA Today*, and CNN. And so the interaction between the scientific community and the media seemed to me to be the most legitimate path to take, and my thinking here is that we cannot be the ones to proclaim it; we need third-party credibility. We needed others to say this, and we needed to see it as part of an optimum diet, which is a much more dynamic concept than saying wine is food. If it's part of a diet—not in the dietary sense, but as part of what huge numbers of people do—then you identify with people; you don't identify it with just claims.

I'm aware that there's a marketing glow from all this, clearly. We see that in our red wine sales. It'll be four years coming up from the *60 Minutes* program, "The French Paradox." But the fact that there's a marketing effect is not because we are marketing it that way; it's because of the way American society works, through third-party credibility, third-party endorsements, and particularly in the scientific community. So I said, "Don't in any way fall into the trap of wanting to pursue litigation. Don't have a sore thumb that others can pound." Life is full of people looking for sore thumbs to hammer, and we have plenty of them out there. I said, it takes great restraint, it takes great discipline.

Now what was the key? The key was to change the public policy of the Congress in order to liberate the funds for the administrative branch and to get the top health officials to cooperate with us. That doesn't happen overnight; it's taken years of working with a number of key people establishing that record. But the problem with that approach is that it requires patience, and it requires incremental successes, and many of our people, honestly, were impatient. They wanted to see things right away because the economy was not healthy, and wine sales were slipping, and you don't have the patience when that's going on for a strategy which by definition is not a silver bullet; you can't just fire a gun and it's over with. So it's taken these years of tenacity, and it's taken these years of building credibility—

[Tape 16, Side B]

- Hicke: Can you just give me an example of a daily or a weekly event that would occur—some example of what you'd do? You would go visit people, you would write letters?
- De Luca: Yes, all of that. There is one man in the history of this development who stands out, and his name is Dr. Phil Lee, who is the assistant secretary of Health and Human Services. He is the top federal health official in America. He reports to Secretary Donna Shalala, who is the secretary of Health and Human Services. But below him are all the public health departments in the United States, the entire National Institutes of Health, the Food and Drug Administration, the Surgeon General, whole numbers of agencies.

I went to see him and said that I'm working on legislation I want to introduce in the Congress, but I will not introduce it until you've seen it, you've circulated it, you've made your corrections, and you've had your input. And he accepted that, which he thought made sense for us and for them so that they wouldn't be blind-sided. It was more than just giving him a heads-up that this was happening; I really wanted the benefit of their thinking.

So for almost ten months, working with Linda Bisson at UC Davis, where I asked her for her scientific contribution, we crafted an entirely different approach to the way this was going to be addressed, and that was to introduce our subject matter under bionutrition, under the heading of nutrition, diet, and lifestyle. Bionutrition was a new initiative being taken by the Institutes of Health, and Linda was outstanding in proposing language that would look at both the benefits of diet in terms of the nutritional world and how we could be seen as part of this nutritional development. Another paragraph was put in in terms of the roles of NIH, the National Institutes of Alcohol Abuse and Alcoholism, the National Heart and Lung and Blood Institute.

Dr. Lee designated Dr. Mike McGinnis, who is the Deputy Secretary for Disease Prevention and Health Promotion. Week after week he would send messages over the fax with his additions, I would send over my additions, I would talk on the phone, I would go to Washington, we would have conferences, I would meet with Dr. Lee here in San Francisco when he came to San Francisco—he resides here; he used to be the former chancellor of UC San Francisco. He’s from a very famous family: the Lee family of doctors, and I think his father was one of the founders of the Palo Alto Medical Clinic. If he was out here for a birthday party that they were hosting for him, I would be in attendance, and afterwards we would go off and we would spend some time together. His office would keep me informed of his travel plans, and if I knew I was going to be in Chicago and he was going to be in Chicago, I would try to set up meetings.

So by phone, by fax, in person, by working with his staff, we slowly over a ten-month period came to a polished version of what we as Wine Institute would then present to legislators. And Nancy Pelosi and Dianne Feinstein, as San Franciscans who knew Dr. Lee, formed kind of a quartet—one for the House, one for the Senate—where we of course then needed their support. And we wouldn’t present it as automatic that they would just accept this language. But it was step by step, working with Dr. Lee and Dr. McGinnis and their staffs—and of course they ran all the traps through their agency, and they had their own hawks, and they had their own proponents and detractors, and some who said, “Let’s leave it alone; why do we have to do it?” Some fought it vigorously, and some said, “There’s merit in all of this.”

Hicke: This is the actual draft of the legislation that you wanted to introduce?

De Luca: That’s correct. And then when we introduced it, this was not easy, because what was at stake was clearly a message that you could use federal taxpayer money to look into research on the benefits of drinking alcohol. And, you know, that’s not the easiest way to go; as a political person or official from the Midwest—there were several subcommittee chairmen who were from the Midwest—that was rather unprecedented. But having the support of the top health officials in the government and having the skills of these truly wise representatives, Nancy Pelosi and Dianne Feinstein—they’re very skilled—we managed to get them through the subcommittee, through the full committee, through the full House, as part of the appropriation bills.

Hicke: Did you talk to other members of Congress as these were going through?

De Luca: Oh, yes, we talked to Steny Hoyer from Maryland, who was on the committee. We talked to Dick Durbin from Illinois on the USDA side. We talked to Anita Lowy from New York and Rosa De Lauro from Connecticut. Nancy herself and Dianne talked to Senator Harkin, to Congressman Smith. It was all low-key, it was all quiet, it was not with bombast, it was really with facts. We put it in terms of the American public’s right to know about this emerging science.

It was one of the great ironies of my career here that twenty years later the public’s right to know, which was kind of the shibboleth used by the Center for Science in the Public Interest in the early seventies about ingredient labeling, would somehow come back and be repositioned where we would be in a position to say, What are you afraid of?

This is happening in the scientific community but can only go so far; we need the government, which is giving grants, to expand the research and to avoid the charge, that I knew would be leveled against us, that if the Wine Institute underwrote these studies, and if the studies came out exactly the same as if they were done by the government, it would be a tempting and obvious attack: “They bought it. It’s their scientists.” So it was important in terms of the finances to advise the whole scientific community—that’s what a Request for Application is; it goes to everyone in the scientific community—all the universities, all the research centers, private individuals in the United States and in Canada and in Western Europe. It has a resonance that we could never have as a private group, but more important, it would go to the credibility of the project. No one can charge that the agency that for twenty-five years has been the lead agency on the alcohol abuse and alcoholism side is “in the pockets of the Wine Institute.”

I went to see Dr. Enoch Gordis—he’s the director of the NIAAA—with a meeting with Christy Carpenter and Elizabeth Holmgren. It turned out to be a major exchange, because he brought in the ten top division heads of the NIAAA. A courtesy call to tell him what we were doing developed into a full range of discussions, which I know from subsequent discussions with Dr. Gordis proved to be very convincing to them that we were serious, and that we wanted to support the science.

Interesting, because they cover and they get copies of what some of the wine writers write here in some of the newsletters. They were very much aware that a contingent of wineries had left Wine Institute during this period of time, attacking the Wine Institute and me personally because we had not pushed the promotional aspects of health, and that we had not pushed for the labeling of wine, even though at one point I certainly did assist Beringer on the neckhanger after *60 Minutes*. But then as a result of the Beringer experience, we found that we weren’t dealing with the BATF, we were dealing with the Food and Drug Administration and the FTC. So by virtue of NIAAA’s reading the coverage that we were getting, they knew that this wasn’t just a cosmetic pose on my part.

Hicke: That was a mark in your favor, actually.

De Luca: It certainly belied any notion that I was there on some sort of marketing mission, which is death for the scientists, as you know. Any idea that what they were doing could be used to “push alcohol,” in their minds, would be anathema. But I think they recognize—because there were bruises and scar tissue on me—that this was not in fact the case. And they told me that. They said that if it had been presented any other way, if there had been one scintilla of doubt that what we were doing was in fact a front for some of the wineries’ marketing programs, they would have walked away from us. It was that tenuous a relationship.

This last year the language was passed. I worked with the National Institutes, I’ve gone to see Dr. Phil Lee, I went to see Dr. David Harlan, I spoke on the phone with Dr. Harold Varmus, I’ve spoken with director heads at the NIAAA, and the NIH, with Dr. Lee, with Dr. Michael McGinnis, at a time which also coincided with the dietary guidelines that they were reviewing, which is a big issue here in the United States; it’s reviewed every five years [see below]. It coincided with the project called “Healthy 2000”, where these major documents were being presented, which were very egregious—calling for excise taxes and further warnings and controls and accepting the

notion of the “gateway drug” theory, which is being promoted by Les Brown. He’s sort of the drug czar in the White House. There’s that element, as you know, still in the government, that is still trying to say we’re just a subset of drugs, and therefore we should be seen as part of the drug world and all of the negatives attributed there—the nicotine factor—I mean, there’s still a component of debate that’s going on right now, which I think would have overwhelmed us had we not opened up this other flank, this other attack, and above all gotten this kind of public resonance.

Media Coverage

De Luca: So another part of the job—and the staff is doing an excellent job here—is to make sure that this information is disseminated, to be covered by the press, but not to do it prematurely. I mean, there’s a temptation in all this to say, Look what we’re doing, look what we’re doing—particularly in the face of criticism by some wineries. It’s still going on, as you know, as we speak. There are some who are saying it’s too little, too late, or it’s not enough, not realizing that the difference was more than just nuance, it was in public policy. In effect, we created a third approach to communications accepted by these major regulatory agencies. We in effect said that there is labeling, there is advertising and promotion, and then there is public policy advocacy. We stake the claim on the latter, that we have a First Amendment right, confronting taxes on us, budgetary in terms of excise taxes and controls, to present, as part of a balanced argument on the anvil of debate, the scientific information.

So every time we get back to it, it is the credibility of the scientific community and the incredible interest in our society for that kind of information. Here we are four years later after the *60 Minutes* program and after “The French Paradox,” and not only editorial writers but news writers and scientific editors, lifestyle editors, are still following this subject. Instead of saying that it’s old hat, the alar scare, we already know about that, or we know about apples and pesticides, there’s a constancy and a high interest in this subject matter. Every couple of months you see another wave of media stories. We’ve managed—this is the other part; not only dealing with the scientific community, but dealing with the media, with journals and magazines. I consider this period to be outstanding in terms of the health letters—you know, the Berkeley letter and the Harvard health letters, and Tufts—you’ve seen them proliferate. It used to be that we’d rush to each other and say, “Look at this new story! Look at what came out of *Redbook!*” On and on and on. Now, there isn’t a magazine you pick up where there’s not a story on us.

Hicke: Yes, they would be stacked on the walls here if you had a copy of each one.

De Luca: Instead of bombarding our members with the latest three or four articles that month that came out that were favorable, it used to be the full work of saying, Here’s vindication. Now it’s being accepted as being part of the scientific streams, and the big issue is, What do you do with this information? In terms of the public policy and politics debate, it’s a huge movement, and it’s moving further in that direction. With the funds that will come out of these Requests for Application, there will be new research. As I said, the

osteoporosis one, in terms of bone density, that's a totally new field, which is a huge one.

Hicke: I hadn't read about that one.

De Luca: That's in the RFA. That's an area where they're inviting scientists to come in and to see whether in fact moderate consumption of wine—they're looking at it in terms of insulin, which gets into this whole question of diabetes. There's a whole series of subject matter—platelet aggregation: is it good cholesterol versus bad cholesterol? Or is it blood clotting? What are the mechanisms? So now the interesting thing is we've accepted that it does have this salutary effect, but why? Well, scientifically, it is very intriguing; it's a genuinely interesting subject matter. And as more study comes out on this, more people will know, and it will go into other areas. But in the meantime we've been highly disciplined—I really mean this, Carole—not to overleap the saddle, not to overstate things, not to rush out with what would be considered puff pieces, vigorous scientific review—and not to try to overbalance it with only the positives, but we have to point out what studies are saying.

International Aspects of the New Studies

De Luca: Now the international community is another area we work very strongly with, as you know, around the OIV, the group that was out here two years ago, and the subcommittee on nutrition was created with funds raised from the wine industry; it's now chaired by Charlie Crawford from Gallo. Mr. Ernest Gallo had a huge role in presenting that to the international community.

There are studies going on in Europe, as you know, in Denmark, in France, in Italy, in Germany, in England, and we think it's important for the dissemination to be international and not just here in the United States. So the resonance of the subject matter has gone beyond our own society; it's going into other areas. The major role I play now—to get to your question on the day-by-day basis—is not to compromise this evolution. I have meetings, I see legislators, I go back to Washington every couple of months, we check in—we have huge international issues—Chile and NAFTA, we have major debates going on on the trade front. In fact, that could take hours alone on what we're doing on the international scene.

But while I'm there I always drop by, and for Wine Institute it is totally new territory to be meeting and talking to directors of the different offices in the National Institutes of Health; there are twenty-four of them. We always used to deal just with Treasury—BATF—or once in a while with Food and Drug, or go over and deal maybe with the Federal Trade Commission. But now the whole National Institutes of Health, instead of them being seen or acting as adversaries, we have engaged their services on the scientific area. That is really a major resculpturing; we're resculpturing the face of our work in Washington, and it obviously has effects throughout the United States.

One of things I've been doing is visiting our Trade Barrier Counsels. As you know, we have six offices around the country and currently have some thirty-four law firms

representing us in terms of the various big issues at the local level. I've gone and briefed them about this; I've shared with them the documents, I've made them current, I've told them in their local debates at the city council and beyond that they should be cognizant of this major shift. So part of my work right now is missionary [laughter], part of it is interpreter.

Hicke: Do you ever get unpacked?

De Luca: Yes, once in a while [laughter]. But the interesting thing is that this is just one aspect of what's been going on this last year. This is so big that it takes a lot of attention, but this summer I had to go to Texas on a huge franchise issue that would have given the distributors there exclusive territories and been retroactive and would have a feudal system where it would stay in the family, and if you wanted to do business in that part of the state, you would have to do it with only that wholesaler, and you would have no other option. Well, that was vetoed by Governor Bush—President Bush's son, George W. Bush.

We had in the same period—on the proactive front—major activity in New York to get the state of New York to accept a reciprocal trade agreement with California and the twelve other states on direct shipments. During this period of time there's been a huge debate on the question of direct shipments—particularly smaller wineries who do not have wholesalers. As the wholesale community consolidates, have been introduced more and more bills in different states—successful in Nevada—by tying the issue into brew pubs in the casinos and the gambling industry. So there's an awful lot that's been going on during this period of time.

Wine Business Improvement

De Luca: And as I said, from the Congress to the budget here in California, to the issues having to do with international trade, this period has been extraordinary, and it has also—since we last met—been one where the business side of the industry has improved very significantly. Every time I talk to a winery and see what's going on, they say business is good, business is improving. We talk about if we have a short crop, a long crop, or if the rains have affected the berry set, if we have enough wine for what is obviously increased demand. I mean, the business side of the industry in this last year has improved so that there are more healthy attitudes, and it's probably like the equivalent of a consumer optimism index. We do have also kind of an index of our own wineries, in a sense, for the future, and more of them are saying they really feel that they've passed a significant period—the sense is that they're looking more optimistically to the future.

Hicke: Is that due to the general increase in the economy?

De Luca: I think obviously we are not inoculated against the negatives that happen in our overall society. The health of the whole country—if things are going well for the country they do affect us—restaurants, people having more disposable and discretionary income,

people traveling more, perfecting the hospitality and visitors side of our business. So there's no doubt that the general well-being of the country has a big bearing on us,

But over and beyond that, I think there's a surge of new optimism. I see that; I think when you pick up the newspaper or you pick up a magazine, and you're flying in a plane and there's an article about your industry that's positive, it has to have an effect on your attitude. Just like for years all the negative stuff had to have a deteriorating effect on you. I think the repositioning of the industry includes the attitude of banks, the lending institutions, business decisions that have to be made.

You notice I haven't said a word about phylloxera; well, that's obviously a very big issue and deserves an hour all by itself. All these things—phylloxera and the business downturn and people selling their wineries and the bankruptcies and so forth—word of mouth, ours is an industry of word of mouth—had kind of a negative tone to it, but those three or four wineries that are on the public market in terms of stock—Mondavi, Chalone—they're doing well. So people can see it when they read the stock market. They can also see it in terms of the sales. At the same time there's a prudent attitude that says, "Let's not overreact, because we overreacted the other way; let's not overreact this way."

There are hills and valleys in the industry, and there are cycles, but people are becoming more sophisticated, better traveled—I think our international programs have not only permitted us to go overseas and to sell wine overseas, but has added to the general knowledge and educational experience of the world at large, helping us to be better competitors in our own society, and that's been one of my theses: not only should we go out and get consumers overseas, but it's the best training for the strongest battleground, which is still our own country.

Just two days ago we announced the fact that South Africa had a petition that was turned down by our USTR, our US Trade Representative, for something as difficult to understand as the GSP—Generalized System of Preferences. South Africa followed what Hungary did, which is, South Africa said they wanted to, now that apartheid is over, get dollars and hard currency and sell wine. So they petitioned our government to permit South African wine, brandy, concentrate, juice, to come in duty-free, which you can do for developing countries. It's one of the tools of international trade available to our government in terms of rewarding and encouraging democratic societies. The question is not just South Africa coming in—under the rules, if a developing country receives a designation, then countries in that same area of economic definition get the same privilege. So if Hungary three years ago had gotten this developing country [status], which is true for most countries, but when it talks about wine, wine is hardly a developing industry in Hungary; it's a mature one. Well, if it had occurred to Hungary, then all these other countries—Chile, South Africa, Argentina, Brazil, Romania, Bulgaria—would all get the same duty-free status. That was defeated after a huge fight—Carla Hill and the Bush administration. This time, that same petition was turned down, and part of it was the knowledge and the experience of what they went through with us before.

So we're building up a very strong track record on this political front and on this international front, to the effect that you should not engage in unilateral disarmament on the trade front by in effect opening up the world's wine to all these countries duty-free

and flood this country with all this duty-free wine. It would be really detrimental to many of our wineries, large and small. This isn't little versus big. That's going on almost incidentally with everything else.

So in terms of a big picture, this summer appears relatively quiet; people are tending to the vineyards, hoping that's it's a bigger crop than has been predicted, but keep in mind what we have experienced: the so-called tippler tax fight as part of the budget fight in California; defeat of the exemption and actual discrimination of alcoholic beverages from foreign export programs, the Kennedy amendment to knock us out as a class because of who we were and not by any other definition; the GSP with South Africa, the RFA with the NIAAA, the direct shipments bill is on the governor's desk right now in New York. If he signs it, that would open up—in terms of internal trade in the United States—New York along with California and Oregon and Washington and Illinois—it would be a very major development. All this is going on.

Hicke: You don't get much chance to put your feet up on your desk, do you?

De Luca: Well, to tell you the truth, I am as excited and positive about my job as I ever have been. It's not personal in one regard, but it is personal in another regard, and that is not so much being pushed by events—you have to do this, you have to do that—but feeling that we have a game plan that is working after all the tribulations and all the criticisms and all the brickbats that were sent and all the things that you know about. You cover the industry, and you know what's happened over the last five years. Some very nasty things were said. But you have to keep going.

Hicke: So you're not just responding now, but you're actually in control—

De Luca: To the extent that you can control your destiny—and it can be illusory—things are moving in a direction that is promising to lay the groundwork for the future, for this industry, to a new level. It depends on a lot of implementation and execution; it depends on a lot of factors. But in terms of a cohesive group of people working on a game plan, even during this time of departures from the Wine Institute—and that is a sore spot for many of the members—their sense is that these wineries have no policy differences and should have no policy differences with what's going on, that it's mainly driven by economics, and that there are major wineries getting a free ride on all this work that we just described without putting up any of the money for it. There is a cohesive group that has stuck together through thick and thin, through some of the toughest times, through bailouts, departures, and hemorrhages of the membership.

From the last time that I saw you until now, we've gained sixty new members. So that's good news. Many of them are the smaller wineries, the very wineries that people said would not join the Wine Institute because we were “dominated by the large wineries.” So I think a healthier attitude is setting in, and through this pain has come a better knowledge of what needs to be done. And there is still a lot to be done. There are a lot of personalities and old issues still rubbing people raw. You know that.

Political Involvement

Hicke: I want to get into the future in just a minute, but first I want to go back to something we actually started on, which is this long-term goal.

[Tape 17, Side A]

Hicke: I interviewed Brooks Firestone last week, mostly about his winery, but he is at present wrestling with the state budget as a legislator.

De Luca: He's been outstanding, by the way.

Hicke: I asked him why he ran for the legislature. He said the Wine Institute several years ago had some kind of a retreat where they wanted forward-looking decisions and some estimate of where they were going, and he was part of that. One of the recommendations that he thought was important was that the wineries should have some political power, and people should run for office. So he did.

De Luca: I remember that discussion with him.

Hicke: How long ago was this that the Wine Institute had actually started these kinds of long-term goals?

De Luca: It was ten years ago. In this industry it's remarkable: you can accept on one hand that it takes you years to prepare a field, years to plant vines, years to go before you can harvest the grapes, and then if you're making wine—particularly red wine—you have to put it in fermenting tanks and age it in tanks, and so forth, so that on one hand you accept time as a natural ally to making this fantastic product we make, but on the other hand, there's great impatience on the political, social, economic side. So while you can accept the legitimate elements of what it takes in your industry, it hasn't transferred over to a like or comparable perception and acceptance of what it takes for an industry to be influential. And so obviously running for office is not something you do overnight and not anything that everybody is suited for; it's a very demanding life.

But one of my themes early was that the soft underbelly of this industry was a lack of political involvement and knowledge—with people who were very intelligent. It had nothing to do with intelligence. People otherwise brilliant did not perceive the incredible impact on this industry from the governmental side. Part of it was the libertarian streak in the industry; they want to keep a big distance from government. Part of it is the vestige of the past where government was very hurtful to us. And part of it was just the training of people who come into this industry. So one of the themes that I advocated was that we should be as powerful in the political world as we are in the viticultural, enological, and marketing world. This was an element where we could be just as efficient and as effective as we have been in the others. Look at how we brought ourselves up by the bootstraps on the technological side, in terms of quality, in terms of advances, in terms of innovation, so it's not something mysterious; we should learn, and if possible, master the fact that in our society the dynamism of power today is the

interaction between the media and government. So we have to be special students and qualified students on both fronts.



Ernest Gallo, Kansas Senator Bob Dole, John De Luca,
North Dakota Senator James Abnort

So these were some of the themes at this retreat that Brooke was talking about, where I've encouraged people to be much more active. Just don't hire people to be your political lobbyist. Just don't get the best person you know in this or that part of the country to represent you or in Washington. Go to Washington; as you know, we have this fabulous program, and I hope to show you the work that we're doing for dissemination of what we just did in Washington—the seminars we had, the top people we met with, the government officials that we saw, Newt Gingrich, [Richard] Gephardt, and [Robert] Dole, and [Tom] Daschle, and the president.

Hicke: Do you want to talk about how that program got started? I mean, what actually happened—

De Luca: Yes, but let me just conclude. We are having an effect—not because we go to Washington one week; that doesn't do it. We're having an effect by raising the level of awareness and consciousness and perception of the linkage between what happens there and our life. For some people there is a dichotomy—they knew about the bad things, they didn't know about the potential for trade, for research, for progress.

I go to Washington, as you know, every month; we have an outstanding office there headed by Bobby Koch, who has been an extraordinary breath of fresh air and has been with us now for three years—a young man, wise beyond his age. It's a small office

compared to the ten thousand offices that there are; there are ten thousand associations in Washington, all trying to win friends and influence people. So we're having an effect disproportionate to our size, and we're making contacts not in terms of just making contacts, but in educating people about our issues, and getting a core group of people from California and beyond California. We've worked with—as I just mentioned, Tom Daschle from South Dakota the Democratic leader, Richard Gephardt from Missouri the Democratic leader; the Senate Majority leader Bob Dole from Kansas knows us and knows us very well, Bob Livingston from Louisiana is chairman of Appropriations, Bill Archer from Texas—he's chairman of Ways and Means—I mean, you can go on and on and on with names.

Sacramento, the states, Washington, D.C.—part of the work of the Wine Institute has been to raise the level of awareness: study groups, seminars, workshops, contacts, and to invite people to come visit us, which is not only a great tourist attraction but it's a very educational experience. We have this enormous asset of our vineyards and wineries, and more and more of our members are inviting guests in the political world—from the state level, the local level, the federal level. And so I see this as an important long-term goal—ten, twenty, thirty years—and Brooks Firestone is one of the great examples of what can happen when you get a knowledgeable person who runs for office, and he's there in these caucuses and he's making—there's no conflict of interest—he's making available facts that otherwise would not be made available.

The Washington D.C. turn of events started about eighteen years ago—again, it shows you how things take a long time. I used to wonder about the most effective way to work in Washington, and when I came, I inherited a program which was basically a winetasting once a year that was a huge swishing scene; people were just pouring wine, and staffers were coming and getting glasses, and I didn't think that that was the best way to promote knowledge about the industry.

It started very slowly, hosting little dinners, trying to attract vintners to come with me—the officers. Bob Gallo and members of his family were the first to come. It progressed beyond that in a couple years to having a little program—a big breakthrough when the then-chairman Fred Franzia said that the executive committee should go, and that it was really an assignment for them as members of the then-executive committee—we don't have it now—and he really called people and urged and cajoled and pleaded and did everything he could, and he brought out a contingent. And of course when you bring a contingent, out as against going individually, then you think in different terms about meeting with the press and having a lunch with the press and putting on a program for them.

In 1981, the first year of the [Ronald] Reagan presidency, we had a big breakthrough where the Deputy Secretary of State, Bill Clark, who had been Judge Bill Clark from California, who was on the State Supreme Court, accepted that position, and through his influence we were able to secure the diplomatic reception quarters of the State Department to host a big reception. And that was unusual because it was not available to private groups—he didn't know at the time that he couldn't do it, but he did it. It was only reserved for the Secretary of State and for prime ministers and things like that. So we hosted a party in the name of our California delegation to honor them, and through them we brought in other guests in the various agencies, government bureaus, cabinet officers, White House staff, and other congressmen from other states.

That started a long tradition that went on some nine years, and most recently the last two years we've gone even beyond that with the Library of Congress and hosting a reception across the street from the Capitol, and full seminars and programs that we had first started years ago now have led to programs with the speaker, with the Senate majority and minority leaders, the chairman of the key Appropriations Committee, meetings with President Clinton which we did in the Roosevelt Room this year with his chief of staff, Leon Panetta—a good exchange, a good dialogue, not just a photo opportunity—and hosting scientists to give the latest reports on the scientific information at the National Press Club in front of thirty-five or forty reporters.

So that program has really been elevated, and it's extraordinary for who we see on a bipartisan basis and what we do in a short time. It takes the whole year to get that, but after that, people go back, now they're armed with more information, they know who to talk to, and so I encourage the follow-up. This is good not only for the Wine Institute or for California wine, but for the whole of the wine community. And then when you get down to these basic issues, which are attacks on, say, the alcohol community, we play our fair share of taking on issues that really benefit the beer and spirits communities. But we're part of coalitions.

I think we've decreased the animosity that was there between wineries saying "I don't want to deal with beer or spirits; they do this or they do that." The truth is we have a two-handed approach; we differ from beer and spirits in our marketing and promotion, and I tell people that. This is a competitive world; we don't all do it the same way, we don't all introduce our products the same way. But in the governmental sphere, because of the way our laws work and the twenty-first amendment and the way Supreme Court decisions have come down, they make no distinctions between beer, wine, and spirits on many of these attacks—Supreme Court decisions, Coors, the new one called *Liquor Mart 44 v. Rhode Island*—these have to do with commercial rights of free speech, government positions—and there I say we should be part of a coalition with beer and spirits, with growers, with wholesalers, with retailers, with consumers.

So on one hand we can differ and compete, but on the other hand we should work together, like in 1990 on the "nickel-a-drink" fight here in this state. We all fought together and had we not worked together, we would not have won.

I sense a diminishing of the friction, not an elimination, but a diminishing of the friction: a greater appreciation for the work being done by this organization. I was just reading an article today by Paul Gillette, which acknowledges that. You just saw the article in the *Wine Business Monthly* on the RFA where they give recognition to the role played by the Wine Institute.

Certainly on issues like franchise legislation, this Texas issue is so big that everybody benefited from it, not just members of the Wine Institute. This RFA is so big that everybody benefits from it, not just members of the organization.

I think people are beginning to understand the real value—which was being dismissed or jettisoned or diminished—of this organization. So it's a tribute to those who during this period have continued to support it, put up their hard-earned funds and been the backbone of this work. It would have been easy to fold it up; it would have been really easy to fold it up.

Hicke: You mentioned bipartisan approach. Is that a problem or a key or is it just something that comes automatically?

De Luca: The industry, I would say preponderantly, is Republican by virtue of its background—agriculture, business—and the issues that do affect us. The Wine Institute, recognizing that our members are strongly Republican, saw its role of not supplanting what was being done, but supplementing what was being done and to seek a bipartisan flavor, and not to assume automatically that there would be urban Democrats and liberals who wouldn't be supportive of us by definition. And so it was an outreach program.



*To John DeLuca
With best wishes,* 

San Francisco Mayor Joseph Alioto, President Lyndon Johnson, John De Luca. Oval Office, 1968

In my early years, given my own background—by classification I'm called an independent: I don't vote a particular ballot in primaries, but I do vote in the general elections. But because of my background with Lyndon Johnson, Frank Church, and Joe Alioto, I knew a lot of Democrats. So when I came into the Wine Institute, there were a lot of people—Leo McCarthy was then speaker [of California Assembly], Willie Brown, Tony Coelho, on and on and on—that I knew. Senator John Tunney, Senator [Alan] Cranston, I invited them to meet with our people, Willie Brown, Ron Dellums, and they said they would respond to us if we reach out to them in terms of receptions, in terms of political contributions.

We started a program; we've created a political action committee, and we've started to try to balance our contributions, which are overwhelmingly Republican by the individual members, by our own political action committee and by our Wine Institute fund at the state level in giving funds and contributions to those who supported us whether they were Democratic or Republican. Over a period of twenty years we ended up—like most recently where we supported Dianne Feinstein strongly but we also supported Pete Wilson strongly, and so—no contradiction in that.



Congressman George Radanovich, John De Luca

The benefit of this bipartisanship is apparent as when we just went back to Washington, which is now in the Republican hands in the Congress, we had a wonderful reception. Congressman Bill Archer is Republican—chairman of the Ways and Means Committee. Congressman Bob Livingston of Louisiana is Republican—chairman of the Appropriations Committee. The majority leader, Bob Dole, and on and on—I could give you the list; we saw thirty people. We had a very good balance of Republicans and Democrats, as we do in this state. In fact, I just received a letter from Cal Dooley, who was Congressman Dooley from the Valley, who said on the Market Promotion Program (MPP) vote, of the 268 votes that we had, there were like 132 Democrats and 136 Republicans. Can you believe anything more bipartisan than that?

Earlier this year there was a criticism that the Wine Institute was too Democratic—that is, it was giving too much money to Democrats. We went through this whole thing, and we pointed out that we were very bipartisan and that what we were doing was augmenting—because our members tell us what they're doing. And so where there were

very strong contributions by individual members for Republicans, we were supporting Democrats not as Democrats—for Republicans we were doing the same thing—but those who stood by us.

So we ended up with a very unfortunate situation where a member of Wine Institute, who is now Congressman George Radanovich, was not endorsed by Wine Institute but we endorsed his opponent, Rick Lehman, who had been congressman there for fourteen years and had worked with the Wine Institute in the six previous years when he was an assemblyman. Here's a person who had been working with us, had been very assertive on our behalf, and a member of Wine Institute running against him whom we did not support—as an organization—but individual members as wineries did. The attitude there was, we're not supporting Democrats or Republicans; we're supporting those who have helped us, Republican or Democrat. Even though Congressman Lehman lost, and Radanovich won, it was a message and a signal to everybody that we do stand by our word, and that if you work with the Wine Institute, we will not abandon you just because one of our own members is running against you. What better test could you have? I think that's given us enormous credibility.

The philosophy I have is that the Wine Institute serves as the bridge between the urban Left and the rural Right, that the Wine Institute's attitude is there is no Republican or Democratic way to drink wine, and that we have—between those who produce the product and those who consume the product—a natural alliance between the countryside and the cityside. Our consumers are primarily in the major cities, and the producers are in the country.



Richard Walton, Speaker of the House Newt Gingrich, House Democratic Leader Dick Gephardt, Jerry Lohr, John De Luca

Even just looking at it philosophically, we should not preclude anyone from being a friend of the organization. We'd go and we'd try to present our issues factually; try to present the arguments with the idea that this is the start of a long relationship, and you should never mislead people who ask you facts—you should tell them the truth. If they say, "What's the true skinny, what's the real fact behind this?" you tell them. You don't sugarcoat things. That's the only way to have a long-term relationship. So when we host these events as we did at the Library of Congress, they're overwhelmingly attended; it's the hottest ticket in Washington, which is a city that's known for its hosting of receptions. But the Wine Institute event is highly prized; people clamor for it, call for it, and it's bipartisan.

So as I say, we could go from seeing Gingrich and walk right in after seeing him to the White House and see Clinton.

And I want, before you leave—I can't record it—for you to see the setting of this.

Hicke: Yes, maybe we can even get a copy of that.

Wine Institute Roles

Hicke: The other thing that you alluded to—the second key—was the media. We haven't really talked about that.

De Luca: First of all, we have outstanding people, not only on the Institute staff but in the wine industry itself, who do a superb job in representing the industry. I think the image of the industry—the tourism, the receptions, the combinations of vineyard scenes with festivals and so forth—makes a very, very outstanding program. What we see therefore as our role is not to substitute for it, because there's no greater attraction than a vineyard and a winery—if I had my druthers I would bring the whole world to see them; that's the best way to learn about our industry—but to take on the issues and the tough business and political side that most of the members would just as well not want to address.

What do you do on the fetal alcohol issue? What do you do on the drunk driving issue? What do you do on the whole issue of social responsibility? We have products in the inner cities that were branded as street wines, and people wanted to confiscate them or try to tie them into the problems of the homeless. Well, that's an educational program, to talk about the abuse of the products and the larger societal issues. Who in the industry wants to take on that kind of a question? Or somebody's calling and saying there's a vote coming up on the "nickel-a-drink"—who's going to take that responsibility with the press? Well, we did, during that whole campaign which was very, very tense.

So on a day-to-day basis, the industry's division of labor is that you know that if you've got a question with the press that you think has industry-wide import, or it is sociological and goes beyond just a promotion of your particular year, of your particular vintage, if it gets into pesticides, gets into lead and wine issues, and how do you handle the whole question of Proposition 65 and warnings, the organization that should really

address it is the Wine Institute. So here Nancy Light, Elizabeth Holmgren, Christy Carpenter handle the bulk of those questions. The staff knows that there are certain questions where they don't want to appear that they're making public policy announcements, so they hand those over to me. So I would say that every day I get two or three of those, during the week I get about ten of those, and they're the *Wall Street Journal*, the *L.A. Times*, and the *New York Times*, the wire services, the [San Francisco] *Chronicle*, the [San Francisco] *Examiner*, all the networks.

There are certain questions where you have to draw upon your experience—now twenty years—and not have to hold a big meeting of your staff for a couple of hours to know how to answer one question. Reporters fire these questions at you right then and there, and you've got to draw upon the innards of your experience to know how to answer. I see that as a big part of my work.

If you've noticed, we rarely have a big explosion in terms of what was said here about an issue. Usually people see that what we say has been balanced; if we don't have the facts, we look for them, we go back to them, we talk to them to get the information. But I think maybe from your vantage point, you're in a position to authenticate this; there hasn't been any, in recent years, statement by, say, Joe Rollo on the international scene, or by Nancy Light in terms of subjects that come up sociological or political, or Christy Carpenter or Elizabeth Holmgren on the scientific scene, that has had to be retracted or where we've had to in any way say, "We misspoke." We usually speak with a certain crispness and a certain accuracy.

So we have credibility with the press. If we didn't have that credibility, our dissemination program on a controversy like the health benefits of drinking in moderation—I think they would not call on us; they would call on others. But they call on us to get information, they call on us to get direction, and we often say we'll say, speak to Dr. Curtis Ellison, talk to Dr. Arthur Klatsky, talk to Dr. Carlos Camargo. I mean, we really have earned the credibility of the media. And so I think that's a really critical element of the leadership role of the Wine Institute, that it does deal with the press, and it deals with it in a very factual and very quick and very responsive way. If you want to get information, we either have it or we know where to get it.

I've hosted so many press conferences, so many workshops, so many seminars. The one at the National Press Club just recently, in June, was held right after our panel where three different scientists were on with three different opinions, and we invited the press to attend there, and they weren't all complimentary, and they all weren't what we would like, but we knew that there would be those differences of opinions.

At that point, when we finished the panel, there was a representative from the Center for Science in the Public Interest, George Hacker, who had come to attend this press conference. We were going into the lunch, and I invited him to come to the lunch and to sit with us. During the lunch we opened it up to questions from the press after Dr. William Rumpler from USDA had given his report on the energy metabolism studies and the caloric one—the one which I said that drinking in moderation increases the lean mass and decreases the fat mass. Well, after he had given his presentation he answered some questions. I threw it open to everybody; I said, "It's an open mike, ask any questions that you want."

There were several questions that were very pointed about the role of the Wine Institute, and there was a group that had just come out with a statement called the Competitive Enterprise Institute. I said that I have a representative here from the Center for Science in the Public Interest, and I'll invite him to talk, and I know his is different than our point of view. So I called on George Hacker to address the thirty-five members of the press who had come at our luncheon.

I didn't know what he was going to say; he didn't say everything favorable at all. In fact, he said that we differ very strongly on many of these issues, and so I gave him a forum for him to present his point of view; but it was really designed for two reasons: one, to show the press that we're not afraid of another point of view. Secondly, when he was through, I was able to retort on the spot. I said, "George, that has to be contrasted with this, this, this, and this." So rather than having them levy a charge, which they can do anytime they want, I thought it was important to enter into a debate in front of the press, showing that we've got nothing to hide. Certainly the staff and the members felt pretty good about that, that we're in Washington and our "nemesis," the CSPI, came as our own guests to our own press event, and I gave them an opportunity to say what they wanted to say. That goes a long way, and it's instinctive; it's not calculated. You just know that in dealing with the press today, credibility is one, two, and three, just like people say in real estate that it's location, location, location. In our case, credibility is the key.

The science that's coming out—a number of people a couple of years ago who are officers called me on a conference call. They said, "John, we agreed with you on this paper." I presented a white paper in 1990 called "Science: The Path to the Future." I think I gave you a copy of that. They said, "John, we went along with you, and we agree with you, but what do you do if the science doesn't come out our way?" I said, "You should be the first ones to know everything there is to know about our product." And if that's what the scientific community finds, we sure as [laughter], [expletive removed]—we sure should find out. We can't bury our heads in the sand.

But truthfully, I said, I have absolutely no misgivings. The reason for that is, as you well know, I've been raised as the son of Sicilian immigrants. Our whole philosophy is just punctuated with references to the background of wine and food. I said it took people thousands of years to come to these conclusions. My mother and my father have every saying you can think of for wine; my father was a home winemaker. He loved wine. And I think I told you that when we moved from New York to Los Angeles is when I found out that we had all these barrels that he had moved from Italy and stored them in a warehouse that I had never seen in the lower east side of New York, because there was no place for them.

He shipped them to California, and the very first day we arrived, he took me and my elder brother Joseph out to the vineyards in Cucamonga to get Zinfandel grapes so he could make wine. So I figured in the back of my mind, These people aren't dumb; they know what they eat and drink. It's taken them a long time to have these secrets of ancient nutrition, which today are called Resveratrol and quercetin and phenolocompounds and flavonoids, but they were good observers. I said science has got to be on our side, because—

[Tape 17, Side B]

De Luca: The science is going to be on our side because folk wisdom has been on our side. So I said I had no doubts where this is all headed. In truth, as you know, the evolution of this whole scientific inquiry has been increasingly strong and positive.

I remember Ernest Gallo calling me up, he said, “What’s going on at this Human Nutrition Research Center? Are you watching that?” I said, “I’m just keeping current. I know what’s going on over there,” only because the scientists do have these abstracts, and they keep everybody informed. He said—if you know him, he’s so disciplined, and he’s such a strong and very observant man, there’s no doubt about it. But Robert Mondavi, before he left, called me on this, and Louis Martini, and John Sheela now, and Phil Wenthe and Eric Wenthe—it wasn’t just Ernest that called; everybody was calling to say, “You’re asking us to take a road less traveled; this a big, big step. Are you sure you’re going to get money from the Congress?”

Phil Wenthe was sitting right here in this chair with Elizabeth Holmgren as the chair of the Research and Education Committee, and we were talking about our budget not being enough to sustain all this research. I said we’re never going to get enough money, but even if we were, it’ll always be dismissed and discredited as coming from the industry, the way that the Tobacco Institute’s money for all of its research would be discredited. He said, “John, what you’re talking about, how can we possibly plan our future that way? You’re talking about Congress appropriating funds that the big institutes like the NIAAA will implement to look into the benefits of drinking alcohol. There isn’t a prayer that that’s going to happen.” He wasn’t being cynical; he was being a healthy skeptic. And I would take the same attitude.

If you had to take a bet two years ago, three years ago, or twelve months ago—will the NIAAA, which for twenty-five years has been researching everything that has to do with abuse—alcoholism and alcohol abuse is in its title—would go national and say, Here’s money for the scientists to look into the benefits, the health effects—because there may be some negatives in moderate behavior; we’re willing to see on both sides of that issue. It isn’t just the two million, because two million over five years will be ten million; these grants that they’re announcing—you can ask for five-year grants as well as three-year grants, your small grants, you know that there’s a difference—but in some of them you can have a five-year program. We’re talking about ten million dollars. Even though that’s a drop in the bucket in terms of the larger \$190 million budget that the NIAAA has, who ever thought that you could even have that threshold point reached where you would say you would have one dollar in this area?

Hicke: Just sending out the Request for Applications indicates the changes—

De Luca: Just think of where it goes. It goes to the teaching schools, it goes to the medical profession, it goes to the research universities, it goes to the academic community, it goes to individual foundations.

Hicke: I should think just seeing that would have an effect.

De Luca: I think so. What we’re talking about, we’ve put something in motion—to get back to my original theme—which should continue to produce scientific results, which should be

covered by the press, which will add to the storehouse of knowledge about our industry. Above all, it will take it away from the darkness of all this ideology and emotionalism that has really clouded this product and this industry for this century. Just think of how we started and how we're ending. Far from the cultural balance that you have in Italy, France, and Spain, and so forth, where they have this long history, we don't have that history here. We have a different ethic; we have the Bible Belt mentality, we have the Puritan ethic, and it's because of the cultural forces of who came into this society.

In previous interviews and other forums I've said that the outcome of the French and Indian wars very early pretty much charted the path for this industry, because the British, and not the French, won. And this new land which these two giant empires were fighting over—the military victory led to the ideological, to the language, to the constitutional theories, to the cuisine, to the food, to the religions. So at that very crucial moment, early in this uncharted land, a certain cultural group won out over another cultural group but it was through military might.

The attitude that they had towards alcoholic beverages, the Puritan ethic, was very different than if it had been won by the French. So two hundred years later, we're still showing the great effects of that historic clash. You go to certain parts of the country, you go to Quebec or New Orleans or you go to any other part where you have that kind of background, you see a difference in the attitude toward food and cuisine. Therefore, we have to overcome in a very short period of time what really is a cultural experience that took other societies a long period of time.

That's been my understanding of my responsibility: it's what to do in these various arenas that leads to an acculturation process. And it has nothing to do with intelligence or lack of intelligence or bias or lack of bias; it's the study of other societies to see what directions they took. The Roman army was the first society of wine educators, because the Roman army needed to have garrisons, and they needed to have a guaranteed supply of a beverage that the tribes couldn't poison in terms of the water supplies; they needed a guaranteed beverage that they could give these foot soldiers wherever they went. So wherever the Roman army went, they planted grapes.

Hicke: And they covered a lot of territory.

De Luca: They did. They took it to the France and Germany and far beyond. So what is the equivalent for us today? Obviously we don't have the same conditions, but we have a people who are open. That's great; we don't have a closed society; change is seen as good, not bad. How do you inject yourself into that receptivity? This interest in health, even though it—and I'm careful again—is not a marketing tool, is leading to more people reading about it who otherwise would not have.

One of the problems with this industry has been that it's been talking to itself for so long, and it's been having so many events for itself for so long—which is not to be dismissed; you need a sustaining force. How do you reach out to others? How do you reach out to groups who don't have this history by either ethnic background or by personal avocation?

Clearly, you have to get back to the original thesis of the interaction between the government and the press. I've seen no better consolidation of that than this RFA: the

government announcing a Request for Application, putting it out to the whole world through the press and through its own journals and other newsletters and the press covering it.

Hicke: Do you want to spend just a couple of minutes talking about the future? You have already alluded to that, too.

De Luca: I've learned after twenty years that you can only talk in bits and bites about the future. It's tempting to say that the twenty-first century will be the century for wine. I read back and I read some of the people I really respect and admire who talked about the golden age of wine and who talked about the various huge developments that were taking place, and in truth there's been progress. But the industry is vulnerable like other industries are. You have a health scare, or suddenly somebody thinks there's lead in wine—that was one of the greatest accomplishments of this organization: how we handled the lead and wine issue, not only with the trade and the press, but with the regulatory agencies, with the Congress, and with the legal community.

Nothing could dismember this industry faster than getting the law firms of America seeing us as a marketing opportunity through lawsuits. You saw the class-action lawsuits on tobacco; you see the laws being passed—obviously, look at what happened to a product like asbestos. When I was growing up, it was seen as a positive; it helped to save firefighters from fire. One of the biggest goals of this organization has been to keep the legal community, the law firms of America, from thinking they could make a lot of money at our expense, and boy, have we had opportunities for that.

With that as a backdrop—knowing how one development could suddenly, with one thread, be pulled—I would say that the forces that are working are positive—our growing sophistication and education by our own members, our growing appreciation and knowledge of the very industry that they are part of, a sharp redefinition of success. Clearly, one of the biggest problems for the wine community has been a lack of agreement on what success is. You could be looking at a very successful development and not know it, or denigrate it, or not even know what the elements are that would cause people to say that that is an accomplishment. We don't even know what accomplishment is on many of these fronts, because we're not attuned to the issues and don't know what the threats are or what the outcomes are. I see that improving.

Certainly the greatest strength we have is the viticultural and enological components of the industry. There's no way we will ever compete with anybody on the basis of volume; we produce 5 percent of the wine in the world. The other part of the world produces 95 percent. There's no way we're going to change in many of these societies—Latin America, Western Europe—the fact that they see exports as exporting unemployment, that they see this as more a jobs issue and therefore they will do everything they can to help their industries on trade barriers, on subsidies, on pesticides, on fertilizers, on low-interest grants.

We have clearly no future if we're going to take that on in terms of volume, but we will win in terms of quality and in terms of a very competitive product around the world. So we're improving our marketing skills, we're improving our promotional skills. I think what we're talking about, we could see the early signs that we're going to be on a strong foundation in terms of redefining the role of wine in America as part of a lifestyle

choice and not as a product to be vilified just by its very existence. I think it all augurs well for the future.

Hicke: I think that's a great note to wind up this session on, at least.

De Luca: Thank you, Carole. Thank you for your patience.



Speaker of the House Tip O'Neill, John De Luca

XII 1996: A WATERSHED**Redefining Wine and Alcohol in America: New Federal Dietary Guidelines**

Interview 9: January 9, 1996
[Tape 18, Side A]

- Hicke: Let's start this morning with what's been happening since August of last year. It's been a pretty significant time.
- De Luca: Yes, Carole. I think this period could best be described as bringing to fruition the work of previous years by a lot of people, members and staff. I'm talking about the Wine Institute as a whole. It's clear that the board of directors have been vindicated by standing by a goal that, very frankly, was criticized and was controversial and needed the opportunity to be explained.
- Hicke: And the goal was?
- De Luca: The goal primarily was to redefine the position of wine and alcohol in America.
- Hicke: Wine and alcohol?
- De Luca: Yes, you have to do one along with the other because of the federal and state rules and regulations that make no distinction between wine, beer, and spirits. But just to put really in focus why the new 1995 *60 Minutes* show and now the announcement of the new federal dietary guidelines ["Dietary Guidelines for Americans," published by U.S. Department of Agriculture and U.S. Department of Health and Human Services], why they are important. We have to keep reminding the community at large that many of the themes that have been espoused go to the heart of credibility and how the American public, how government officials, how the research community actually approach subjects. Many of the messages—this morning I read where the dietary guidelines were dismissed as no different than what many of us have been saying for years. And the answer is, that's correct. But the credibility of having scientific and medical and official pronouncements is so clearly important in American life that the very message, if

delivered by a vintner or a representative or a public relations firm, would not be accepted. Or defined as self-serving.

- Hicke: Let's get into the record right here and now what's happening with the federal dietary guidelines.
- De Luca: The federal guidelines are reviewed every five years. They first came out in 1980, then '85, '90, and now '95.
- Hicke: These are federal guidelines for—
- De Luca: On diet and nutrition. And they are proposed by two departments: the Department of Agriculture and the Department of Health and Human Services, who work through a very vigorous and critical process of scientists, nutritionists, medical people on advisory committees, working in groups, accepting testimony, going throughout the country receiving oral and written documents and then reviewing the guidelines, which are the cornerstone of federal nutrition policy of America. These could be equated as the official policy of the government on exercise, on calories, on diets, and on alcohol. It is a very important procedure, and in the past—with regard to the specifics of alcohol—the battle of 1990 was just to preserve the wording that you should drink it in moderation.
- Hicke: This was your battle?
- De Luca: Yes, in 1989 and 1990, the direction from the advisory committee was to say that there was no drinking in moderation that they would recommend, because they would not see any consumption of alcoholic beverages as part of any healthy diet. So they were going to recommend even against drinking in moderation. We were able to save that advice—drink in moderation—but the commentary that accompanied the guidelines said it is not recommended that you drink and that there were no net health benefits, and it was equated with drugs. And so that was the official guideline. So there was kind of a tenuous compromise, knowing how important that these dietary guidelines are, and that they're not just simply little booklets that are handed out, but become the foundation for official policy.

We have aimed, for the last five years, and especially the last eighteen months, not only to preserve in the document “drink in moderation” but to have in fact on the positive side to say that it was associated with meals, on the positive side say that for many cultures and over history, drinking alcoholic beverages enhanced the enjoyment of food, so as to bring in culture and societal information, and to eliminate the terms “drugs,” to certainly eliminate that it had no health benefits and to of course eliminate the term that drinking is not recommended. In all cases we were successful.

The scientific information is there but it had to be marshalled. Like many things in life, sometimes the obvious—especially when you're dealing with government officials—is not self-evident. You have to make the case, and you have to remember also that working against your efforts is still a very strong lobby within the community that wants wine, beer, and spirits to be not seen as part of culture or a healthy diet or a part of the enhancement of the enjoyment of meals, but wants to keep hammering away at the negatives of abuse. Ironically, if they would just simply take a step back, they would

find us co-partners in the whole quest to advise people against the dangers of abuse. But just like most blanket indictments, they do not permit for any amendments or any kind of balancing information. All we've asked for is a balanced alcohol message. They've interpreted that to mean we want blanket endorsement; they're so fixed on zero-to-ten that they don't realize that we understand the difference between use and abuse. Therefore, while we could make common cause on the issue of abuse, we've said it is not societally, historically, or medically correct to say that even its consumption is not recommended.

You would say it's such common sense; why hasn't it been accepted? The reason of course is that inside of the government—the Department of Health and Human Services—has been a very strong historic concept that alcohol is pharmacologically a drug. Now, if you were to talk to scientists I think they would say, “Okay, pharmacologically.” But if you use the term “drug” in terms of daily diets and to the public at large, that is a negative associated with all the illicit drugs and all of the street drugs and doesn't accept that in modern society you could have a benefit from a product like wine in moderation with meals. That triumph is truly gratifying; there's no question about it.

Hicke: Let's talk about how it came about.

De Luca: Getting back to *60 Minutes*, which does play a role in all this—

Hicke: And this was a new *60 Minutes* program.

De Luca: In November. It was four years, almost to the day, from the first publication in '91 of “The French Paradox.” It should be seen in terms of a larger program, on our part, of disseminating information to the public not as a first source, but in terms of a third party making comments about the research by both the academic and medical research community. And so the new *60 Minutes* is representative of the work that's been going on now for many years of making sure that, first the scientific information is accurately described—no desire to be cheerleaders, to just pick on the good and forget the negative. We have wanted whatever is the research that comes out to be brought to the public by virtue of the media and through conferences, seminars, workshops, releases. So for the last several years, going into the mainstream of the body politic has been very favorable scientific information. So you have to start with the fact that you needed the science first. Then how does it get out? Instead of us saying—John De Luca on camera—that wine is good for you, our whole presentation has been that you needed a medical person or a journalist of the stature of Morley Safer—someone with impeccable credentials—saying that to the public. Most information, particularly on the sensitive health nature, is attacked or discredited because it appears as self-serving.

Again, the latest edition of *60 Minutes* is a good example; that pulled together information from the Danish study that was done by the Danish Department of Health and updated with the original researchers, Curt Ellison and Serge Reynaud. Four years have transpired since the first “French Paradox.” Being done by *60 Minutes*, with an audience of over twenty million people, it continued to enhance the credibility of our presentation before the government. I keep saying credibility because we need that.

Hicke: Was Morley Safer approached by the Wine Institute or the wine industry?

De Luca: No. That's the good news about all this; once you put it out into the public arena, all these producer analysts and researchers for all these various shows—always looking for value in terms of what they present for their own purposes—had out there the fact that there are these scientific studies. In Morley Safer's case, having done it in 1991, I think he was genuinely interested to see four years later how the subject had evolved. We didn't approach him; his production people just saw these research documents which he helped to distribute to the press.

I was hoping that there would be that effect, that we didn't have to approach anyone; it would just be common knowledge by the body politic. The value of all this, of course, is that in dealing with the government, we have three major agencies: the Bureau of Alcohol, Tobacco, and Firearms; the Federal Trade Commission; the Food and Drug Administration. Each one has a real stake in what information gets out to the public. Starting with the BATF, we have had since the end of Prohibition a regulation against making therapeutic claims. We couldn't just simply say wine is medicine or wine is good for you. This came as a reaction to how it was abused during Prohibition. There are all kinds of claims that were made for drinking even to the point where BATF ruled. Such a statement may be truthful, it may be accurate, it may be specific, but it's misleading because it's not balanced.

Part of the problem in dealing with this research is that the BATF says if you want to put it on a label or you want to advertise, you've got to get both sides of the picture. We've got to say not only that wine is good for you—not we, but, say, a scientific study—but you've got to point out that when abused, it could cause serious illness, and it can't be used by certain parts of the population. There's still the question of women and the unborn child, the effect on the fetus. There are questions of medication, there are questions of genetic background. So we are concerned about certain populations getting this information and it being misleading. That's for the label or for advertising, where you actually pay for it. And if we were to come down with some of these statements ourselves unilaterally—we want to advertise—then the argument would be, well, then you also have to list all of the problems if you drink to excess and not just the value of drinking in moderation.

The advantage of our approach is that we don't right now emphasize advertising or labeling of these statements. We've only asked that they be distributed through scientists, through the media, to the public at large. That has worked, and *60 Minutes* is a complete vindication of that approach where you could reach numerous people in America with that message, with the credibility behind it because it is not self-serving; it is a scientist on camera being interviewed by a journalist of world renown going through his own editorial process. They can screen, and they can put down whatever they wish.

French Paradox Updated

Hicke: Can you just summarize briefly what took place on *60 Minutes* so we know what we're talking about here?

De Luca: Yes. *60 Minutes* indicated that four years ago we had this seeming paradox that the French had foods very heavy with creams and cheese and a diet high in fat—what appeared to be a fatty diet, but seemed for some reason to have one half the cardiovascular incidences of disease of America. Why was that? That’s the paradox. How could you have a pattern that suggests the same kind of cardiovascular statistics?

The answer then was that the thesis was it could be one of a number of factors. The French eat many times during the day, they eat more slowly, they have fruits and vegetables, and they also drink red wine a lot—some white wine. The thesis, then—the answer to the paradox—was we believe it’s the red wine that the French drink to explain this phenomenon.

Four years later it was not termed “The French Paradox II”; the segment was “To Your Health.” Morley Safer opened by saying, “What we said to you before was a paradox is now really a fact of health,” and the proof of that was to go on camera and to study the diet and lifestyle of the Danes, who very recently have turned to wine and who drink in moderation—excuse me, I don’t think he said they drink in moderation, but they drink wine, beer, and spirits—so he made it a beverage-specific study outside of the Mediterranean. So the value was it wasn’t the French, it wasn’t just wine, it was a population that drank wine, beer, and spirits, was new to wine, and the [fall in] cardiovascular deaths were directly proportional to the increase in the wine consumption in that nation. So with thirteen thousand people that had gone through this study, the results were—it confirmed the thesis—that it appeared to be, of all the different choices that they were first pronouncing in 1991, it seemed to be the wine. That was the answer to why there were falling cardiovascular deaths in Denmark.

Hicke: Do you have the exact numbers?

De Luca: There was an increase of 30 percent in the consumption of wine in Denmark and a decrease of 40 percent in cardiovascular deaths. And also overall mortality, which was a new development, and that was not just the cardiovascular benefits but overall benefits for overall health. That was an interview on camera with the researchers in Copenhagen who had conducted this on behalf of the Danish government. Then follow-up interviews with both doctors Serge Reynaud and Curt Ellison—interviewing them to say since the last interview, what more information do you have? And they both said that if anything, the last four years convinced them that there were benefits in terms of moderate behavior, of moderate drinking of alcohol, especially wine—and a discussion on antioxidants which went beyond the subject matter of just the value of ethyl alcohol.

That’s interesting to scientists, and what we have which is spurring the debate is a kind of scientific quest for the mechanism behind which these cardiovascular health benefits could be explained. Is it alcohol? Is it alcohol and antioxidants? Is it antioxidants? Is it white wine? Is it red wine? Does it have to do with high-density lipoproteins, good cholesterol versus bad cholesterol? Does it have to do with platelet aggregation? Does it have to do with the lean mass of the body being strengthened versus the fat mass being reduced? What is there behind this? That’s why we don’t have a one-cause phenomenon of one research project. It is complex, it is challenging, it is also—as far as the research—rewarding to explore, and it goes into other areas besides cardiovascular and stroke.

We now have interest in the fact that bone density and osteoporosis—the question of the role of insulin and diabetics, estrogen in women, the question of stress. I just saw a new study last week on dietary aids for travelers, the famous traveler’s diarrhea, which is known in other parts of the country with all kinds of fancy terms.

Hicke: Montezuma’s Revenge, and so on.

De Luca: Exactly, but they’re thinking that—there was a paper that I just saw that said of all various compounds in beverages and agents that were studied, wine seemed to be the one with the best effect as a dietary aid. So we’re really just scratching the surface of what is really a most complex product, but the emphasis always has been on its moderate use.

So the question also now is, What is moderation? And that was discussed on the *60 Minutes* show, and it’s also discussed in the dietary guidelines. Some say it’s one glass for a woman a day, two glasses for a man; some have said it’s two glasses a day for a woman and three glasses for a man, and in the Danish study it went from three glasses to possibly three to five.

We’re not going to enter into that debate and decide. Just like everything else, our whole approach has been: Let’s go where the scientists go and hear what the scientists say, and that will be the public policy position of the government. If we remove it from the shadows of politics, emotion, let’s lead with science, and that is exactly the theme that was taken on January 2, 1996 by both Secretaries Dan Glickman and Donna Shalala in announcing the dietary guidelines, that for too long there’s been this question of politics in alcohol in America, and that their dietary guidelines were based on scientific evidence. Yes, they were not recommending drinking, but they said, to be fair, that’s what the science shows. And to read the transcript of not only the dietary guidelines, but the actual press conference, where Dr. Phil Lee, Assistant Secretary for Health—the top health official in the United States, under whom come all the public health departments, the Food and Drug Administration, the Surgeon General, the National Institutes of Health—he basically said that science is leading in that direction and that they had to have these dietary guidelines follow the science. Well, that’s been our whole premise and our whole approach.

Need for More Research

De Luca: The debate that will continue is, What do you do with this information? Our whole theme right now is that there’s more research that needs to be done; that’s why we went to the Congress. In previous interviews we mentioned that Congress has actually now directed the National Institutes of Health, the Department of Agriculture to do research in this area, and the National Institute of Alcohol Abuse and Alcoholism announced that there will be two million dollars available this coming May after peer review analysis of the research proposals, up to five years. So we’re talking about ten million dollars of federal funds administered by the highest anti-alcohol institution that we have, the NIAAA, so there will be no doubt about its credibility.

That is still small in comparison to the money spent in terms of investigating the dangers of abuse, but it heads toward the goal that we have espoused, which is a national balanced scientific policy towards the question of use and abuse. We now have a plank in place where the Congress has passed that directive in the appropriation bills; the executive branch is administering it through the NIAAA and the NIH, where there are now letters of intent—scientists that have made proposals. They will through their own process announce these awards. There will be, for example, twenty of \$100,000 each, or ten of \$200,000 each. It depends on the actual proposals. That information will be distributed by the government itself; so there will be no charge that the Wine Institute purchased this research.

We have in place now a credible dissemination program, which basically means knowing how to deal with the national media and the various institutions—television, radio, newspapers, journals, and magazines—so that it is communicated to the public. And so our role has really been first to have a strategy to advocate, but now to be the catalyst to make sure that this information reaches the public in a credible manner. So the dietary guidelines and the *60 Minutes* show both are great examples of that approach.

Now, there's a danger in terms of the next phase, and that is to make sure that we do not—in our gratification that this is happening—make any missteps and to still stay with this program of prudent handling of information. It will be a real challenge to the industry, which definitely has believed this information and has legitimately been upset with the focus on abuse to the detriment of the theme of moderation. But it's part of the educational process of what has basically been a puritanical concept about alcoholism that goes back to the earliest days of this country.

Reaction of the Industry

- Hicke: What do you see wineries' and winemakers' reactions as being?
- De Luca: Well, the board of directors is pleased; for years these issues have been debated. They have been sustained, they have stayed the course in the face of criticism from fellow vintners who wanted to, in a sense, be much more aggressive in our merchandising health benefits and almost using it as a marketing tool. We've stayed the course on public policy, saying this should not be seen as trying to promote the marketing and sale of our product. What we're trying to do is make sure that government agencies don't see us as easy targets for taxes or for controls or for health scares. The issue continues to be joined in terms of the public policy arena. The fact that there is a marketing effect and a marketing glow is not the central core of the approach.

The core of the approach was to keep people from thinking that every time they needed some money for a favored pet project, they could tax us as a "sin" industry deserving of a "sin tax." The attack on us came from the public health side, and therefore we had to join the issue on the health side. But at the same time that this was going on, there was a lot of pressure on the industry with falling sales, the taxes of 1990-91 at the federal and state level, and people were saying correctly, "Why should I have a warning label on

my bottle that talks about all these dangers when I know that there are benefits if you drink it in moderation especially with meals?"

So that's been the frustration, because they were all absolutely correct; the challenge has been how to take scientific research and to present it without compounding our problems with regulatory agencies, like the Federal Trade Commission, that say, "This is true, but you haven't given the whole picture; it's false and misleading advertising." The Food and Drug Administration would say, "If you're trying to champion your product as having cardiovascular benefits, you're no different than a pharmaceutical company trying to sell a product as a drug. So it's up to you. Under the Food and Drug and Cosmetic Act, we treat you depending on how you present yourself to the public."

Hicke: You have to not act as if wine is a medicine.

De Luca: It's absolutely impossible to believe that that's been the position with the Food and Drug Administration, because they do have the power under the Food and Drug and Cosmetic Act to treat you—depending on how you treat yourself. And then the Bureau of Alcohol, Tobacco, and Firearms—listen to all these difficult terms for us: alcohol, tobacco, and firearms—says that it may be truthful but it could be misleading because it's not balanced. And they can move against you and compel you to state all sides for your label or for your advertising.

The board has known this; the board has known all these competing pressures, and our strategy was designed to meet the regulatory requirement, the congressional one, the medical and research community, so that they didn't think we were using them as "shills" to sell our product. They would walk away from us if they didn't believe that we were genuinely interested in the scientific outcome.

And then ultimately the media and the public. The media—as you know, we can present this information and they could say, "Well, this is self-serving, this isn't true." It's filtered through the critical eye of the press who has covered it lately; it got universal coverage. The Associated Press, the *New York Times* front-page story, Knight-Ridder, Scripps-Howard, the networks—Fox, NBC, ABC, CBS. Remember, the dietary guidelines, which historically used to be just opportunities to talk about good nutrition—this time, what was really impressive, was that there were seventy reporters from all different television units, and we had already—prior to the release—alerted the press to the significance for alcohol policy, because it [the changes] wouldn't leap out at you. Unless you knew the history and understood the background, you as a reporter covering this would not know that there was something major going on. So the value for the industry was that not only would we help change the dietary guidelines, but we helped to present the significance of what was happening to the press, who accepted that objectively and then told it to the public at large, and so we've reached millions of people with the new news.

[Tape 18, Side B]

De Luca: The real challenge, again with regard to the dietary guidelines, was to present the scientific evidence and then to make sure that that advisory committee's work, which was recommended to the two secretaries, preserved the essence of what we had achieved, and yet there was still more work to be done. That was where we had to

advocate against the reference to drugs, because people still wanted to keep that term in there: drug effects and alcohol.

Hicke: Which people?

De Luca: The people in the National Institute of Alcohol Abuse and Alcoholism, particularly. Not only they, but federal officers—I guess in good faith. I can't charge bad faith; they wanted to, in the dietary guidelines, keep that feeling going, because basically they're concerned about the public's reaction to all this. If you say a little is good, does that mean they all think a lot is better? There's a lack of confidence—which I find really instructive—in the public's ability to handle this information.

Our position is to present the facts; don't hide it from the public. But there was this rear-guard action of trying to keep the term "drug effects" in there. That was knocked out after the work of the advisory committee, and that was done by further information that was sent by us for the presentations.

Hicke: To the secretaries themselves?

De Luca: And to their top assistants. There was in this period an attempt by the Center for Science in the Public Interest to efface the term "with meals"; they didn't think that was appropriate. We thought it was very appropriate, and that we had not only science but culture on our side. So we were able to maintain that against this counterattack.

And then there was an attempt to maintain in the dietary guidelines that the consumption of alcoholic beverages would lead to weight gain. We presented evidence—four studies—that showed that at worst it was neutral, but in three studies, there actually was a leaner body and an actual weight loss.

Hicke: I read that not too long ago; maybe a week ago.

De Luca: Yes, and so we were convincing and successful. Even after the work of the scientific advisory committee, there was work that also had to be done with the responsible officials. Then having the press see the significance of all this and write it that way—and you know how hard it is; it's so competitive. If you look at the dietary guidelines—there's forty-three pages—ours were pages forty and forty-one, and there is so much in there—fruits, vegetables, grains, meats, poultry, a lot in there in terms of weight and exercising, caloric information—and so to break through that circuit overload of information, and to make sure that people understood the significance of this story—it's like that famous tree falling in the forest; we had to make sure people heard it and make sure that it was written objectively correct.

So there was a lot of work that went into this; it didn't just leap out at you, but it became the headlines. We had to help to educate the media. So I think the best possible work that an organization like us can do is exemplified in all this activity that's been going on with Congress, with the administration, with the regulatory agencies, with the medical community, with the press itself, and with the trade. And I know of nothing that pulls it all together in one grand mosaic better than the dietary guidelines, because it takes tenacity on so many different fronts, and no one winery could do it, no brewery could do it. The interesting thing is I had representatives of the beer and spirits [industry] call

me up saying, “This is great for wine but it’s no loss for us; it’s even a plus for beer and spirits.” And of course, that’s what the science does show; there are many studies that show that it’s ethyl alcohol.

Our approach has been we all share in this—beer, wine, and spirits—on the alcohol studies. Wine has an additional element through antioxidants, and then there’s another body of thought—my own cardiovascular friend and doctor, Dr. George Cohen, thinks, and he has a lot of company on this—that it actually is this historic, thousand-year-old association that we drink wine with our meals, and it is the consumption of the alcohol with the food that is the compelling element in all this.

So we win on the alcohol front, we win on the antioxidant front, and we win on the food and meals—buffering how you take in this product. No one should lose, and that’s another component of not getting the beer and spirits thinking we’re just using this as a marketing ploy or tool against them. It’s taken a real balancing act on so many fine fronts to have it all come together so that we don’t have them—beer and spirits—advocating to the government that we’re misusing the science.

Again, these are themes discussed in our board meetings, and I have to give great commendation to the board and staff for staying with this, because a lot of sticks and stones were thrown at us by people who were not patient to see all this unfold. Now, of course, the attitude is “What’s next?” What we do next is consolidate the accomplishment; make sure that it is strengthened by new research and more research, more science, until it is accepted as a cultural lifestyle choice in America.

Challenges Ahead

- Hicke: Can you give me some examples of what you’re doing to consolidate this? What’s next?
- De Luca: The biggest challenge ahead is to make sure that the appropriation bills do lead to money that goes to the NIAAA so that—and the USDA too, both of them—so that research grants continue to be given by the scientific community.
- Hicke: So you monitor the legislation?
- De Luca: Yes, we work very carefully to now make this the second year—the big breakthrough was last year, and this year the president’s involved with vetoes of these appropriation bills. But when it’s all sorted out, this will in fact be the second year of the appropriations directives. So we make that a continual effort—it’s a one-year appropriations bill, as you know. So the next year and the year after that, until it becomes acceptable as a standard for research, and that the NIAAA continue to give out the grants to worthy projects that are submitted to them, and that we continue to not use health findings for marketing purposes but for public policy purposes.

You know all the studies that are showing that since *60 Minutes*, our sales of wine have gone up. So we’re aware that when it reaches the public it does affect them, but that should not be the primary goal of this work. The primary goal is to redefine the debate

in America about the position of wine and alcohol. In terms of wine, it should be seen as part of your meal and part of your lifestyle choice as against being seen as one of the “gateway drugs” or one of these “drugs of choice” that people try to represent it.

Implications for the Future

De Luca: I think taking out the words “drug effects” from the dietary guidelines was huge. Getting the association with meals was monumental, because now we’re talking about bionutrition and your dietary components. And you’re talking about diet and lifestyle when you talk about meals, rather than trying to make this a referendum on abusive behavior like drunk driving or all the ills associated with abuse. So the terminology of the language is critical in American society. We need to keep working on that so that the word “booze” becomes an anachronism, not a term of derision, that it is not even relevant anymore, and that you see it as part of food and part of your meal.

I was really heartened by the *New York Times* piece on December twenty-seventh which for the first time addressed the way education is given to our children in America. Instead of the forbidden fruit—don’t you dare drink this product until you’re twenty-one—they at least raised for the first time and have a huge cartoon—I’ll show it to you—of children at a dinner table with their parents and having wine on the table. Of course, that for me runs full-cycle with my own life experience.

In fact, I’ve been addressing this issue as part of the Wine Institute in terms of the way I was raised by immigrant parents from Sicilia, where I had wine on the table as a small child of three, with a little water, and drank it as part of my meal—no big deal. When I got to be twenty-one I didn’t feel I needed to get blasted at the university, didn’t have to prove to anybody that I was a grown-up, and it didn’t cause me to start looking at other substances for abuse. It was just part of my heritage. So what I’ve been trying to do is to replicate, while respectful of our mores, religion, and the rules and regulations of our country, the European experience. So it was good to see the *New York Times* piece saying maybe we ought to take another look at another model because the one that we have right now—the forbidden fruit one—isn’t working.

It’s really a pretty significant turn of events. It’s not for everybody, so we’re not saying it’s a blanket endorsement that everybody should drink, certainly not our youth. The British have just come out two weeks ago, the Department of Health in the United Kingdom, with their own sensible drinking guidelines where they actually say that if you have a cardiovascular problem, maybe you should consider light drinking. We haven’t gone that far.

Hicke: I read that in *The Economist*.

De Luca: It came out, and it was in a number of press releases. We’re aware that the Mediterranean diet, that the thousands of years of the way it’s become immersed into the culture of those people, is not the experience of this country. How can you cause people in the United States and in the Western Hemisphere—Canada, for example—to get them to think of wine as a cultural choice? It may very well be that the high interest

that we have in health matters becomes the opening to a cultural choice. Not drinking wine for health purposes, but because that's your initial interest in it. It may be that you're so interested in your weight and your height and your exercise—just look at all the proliferation of magazines and journals that have come out. By the way, there were five journals last week—*Country Life*, *Walking*, *Health*, a different *Health*—a man's magazine and a woman's magazine—all having different aspects of this story; not even the dietary guideline, but just the benefits of the alcohol—I'll show them to you also.

This may very well be the way this generation and subsequent generations first become interested in wine, and then it becomes part of your culture. It may be the opening wedge. It may be the signature of the new approach, that you're first interested in it for that purpose. Now, in Europe it wasn't. Much of it was religious. Wine was associated with Christianity, Catholicism, the Last Supper, the Marriage Feast of Cana, where it became part of the whole religious structure. Some of it has been mainly agricultural; and as I've stated in previous interviews some of it has been military.

There are different consumption patterns started, but once they get started, it becomes part of the ethnic heritage of your food. Just think about for a second how different foods and different cuisines get started—you know, Hungary, Germany, Poland, France, Italy, Spain, Portugal, Greece, Yugoslavia. Once they get started they become the ethnic heritage of people.

Hicke: Perhaps the Anglo-Saxons didn't have wine because of climate. Is that correct?

De Luca: There were some early vineyards that were planted in England when the Roman garrisons got that far, but the climate didn't permit it the way it did in France, in Spain, in Germany. That was number one. Number two, the preference there was for distilled spirits—grains, primarily. Number three, the religious attitude—remember, the whole Protestant/Catholic revolution that went through Europe, the Hundred Years' War and all that—identified wine with the “Papists” and the southerners and the Mediterraneans, and so the split with the various Nordic people looking upon wine as really part also of the Reformation between Catholics and Protestants.

To briefly recapitulate, all that was carried by the most puritanical sect, and that was the Puritans who came to the United States. As the first ones here setting the moral tone and the cuisine tone, when you consider the forces at work in this new land, you had the French Empire, the Spanish Empire, and the English Empire fighting over suzerainty over this new land. And whoever wins has the right to have their language and their constitutional precepts and their governmental theories and their cuisine.

When you have these forces as the early imprimatur for behavior, then the subsequent immigrants who come in have to react to that existing ethic. So we have a Puritanical ethic that led to the Bible Belt mentality, and also no real experience with wine. Pioneers didn't cross the country drinking wine, as you know. Our early rebellions were the Whisky Rebellions and the Corn Rebellions, not Wine Rebellions.

Hicke: So this is where the importance of food associated with wine comes in, because it's part of your whole lifestyle and cultural heritage.

De Luca: Yes, and just like I was raised an American, but I was raised as the son of Italian immigrants, so my behavior with wine is very different; it was my heritage, it was my cuisine. Now that could have been replicated by millions of other people had there been that heritage. Historically the whole experience has been to be assimilated by the existing culture: you learn English, you learn the English Constitution, the politics of a continent, you're exposed to different foods and people. Now, Italian restaurants, French restaurants, media coverage and TV chefs and food shows have helped to keep the wine ethic going. And there are people who are not Italian or French who obviously have learned the joys of wine; they have studied it, but in the main, it's been cultural. And there has been cultural ignorance in this country, otherwise how could we have had Prohibition where you actually banned it? That was the ultimate imposition of a cultural ethic. You started with the culture and then the laws reflected that.

Now, here we end the century, the dietary guidelines in a sense—in terms of nutrition—do to our culture what the end of Prohibition did to our laws, to end Prohibition, but there has been a lag. We ended it legally and governmentally, but the attitude about drinking wine with food has been preserved by certain people but it hasn't been a national embrace. Maybe with the dietary guidelines we start towards a greater recognition of drinking wine with meals.

So maybe over the next fifty years the significance here is that we could see this period as a defining moment leading towards the acceptance of drinking alcoholic beverages with your food, and of course wine would be the principal beneficiary of that move, even though it would be acceptable with beer and spirits. But we definitely have the heritage of emphasizing it with food, and once you get that going—and new generations follow—it's still your choice, but it's seen as a lifestyle choice and not a sin that you're somehow committing.

It's big; we're talking about big things when we talk about culture. The dietary guidelines refer to nutrition in America, so this is stronger than just passing a law.

Hicke: I think we could say the Wine Institute has had a major impact on American history.

De Luca: Historians will have to be the final judges of that, but I think the sense right now by the generation that's living through this is that we're doing something that maybe does have historical import. Maybe people fifty years from now, looking at our pictures and seeing all of us lined up around tables, will say, "That's the generation that helped turn it around."

So to that extent at least the present group understands that there is more than just a marketing ploy or a one-percentage increase for certain wines, that we're giving life to the goal of redefining the position of wine in America.

Hicke: It's a long-term goal as opposed to short-term gain.

De Luca: Yes. We all read in the papers the short-term gains that are occurring. We're leaning now with pressure on our supplies. Many of the wineries told me in 1995 there wasn't enough wine of certain types to meet the demand. A lot of people were scurrying for certain wines and couldn't find it. But the inevitability of agriculture—there will be vineyards planted, and then the supply and demand issue will hopefully right itself. The

key developments that are occurring are more long-term than short-term, although no one forgets the bottom line and the short-term implications for everyone.



John De Luca ca. 1976

It's a strategy where we've dealt with the government, and you know how difficult that is; we've dealt with the media, and you know how difficult that is; the scientific and research community, and one other community that I haven't mentioned today, and that

is the legal community. The legal community is a very powerful force in America. You've seen what it's done to the breast implant and Dow Chemical, you've seen what it's done on asbestos, what was attempted with the lead in wine controversy. Thousands of lawsuits could completely emasculate an industry and bring it to its knees. One of the benefits of our strategy is in fact the legal analysis tending in the direction of concluding that this is not a growth market opportunity for firms bringing litigation against beer, wine, and spirits.

Because there is great pressure in the legal community to open up markets for itself and to find new areas of litigation, mass tort in the papers right now—Mississippi and Florida passing legislation where you can bring lawsuits against tobacco, and not in terms of individual product liability, but in terms of tobacco companies picking up the tab for the health budgets in those states. And all you do under that litigation is just simply determine tobacco's market share in that state, and then you get that percentage from a health budget in that state. We all know that that was also a targeted goal for alcoholic products. Attorneys would in an instant bring lawsuits, and they did in Seattle, as you know, in 1986-87 on the Jim Beam cases with regard to fetal alcohol syndrome. And we know with the lead in alcohol litigation, lawyers would have loved to multiply lawsuits against us. One of the consequences of the dietary guidelines and the federal congressional appropriations is to say, "Look elsewhere." We've avoided, but not completely inoculated ourselves. I think we've made it very hard for those firms who thought that they could make money bringing litigation against us.

You're looking at a pretty comprehensive development on so many important fronts, ultimately—and I'll end on this note—so that our wineries can do what they do best: grow great grapes, make great wine, go out there and compete on the merits.

- Hicke: Well, it's very impressive. You've accomplished so much. Congratulations are definitely in order.
- De Luca: Well, first of all, thank you, and secondly, the staff—I've met with them and said that this is an accomplishment for the entire staff and for the entire industry. And the key is for us not to lose this achievement by our own missteps, so we still have to stay the course and not overnight lose the patience and the self-discipline that we've shown until now.
- Hicke: I'm really happy that we have documented this case-by-case, and I thank you for devoting so much time to it.
- De Luca: Thank you, Carole. I feel no one could have captured the essence of this better than you and Ruth—whose memory we both embrace and acknowledge—who started on this. You have documented it through a number of years where it wasn't that self-evident that it was going to succeed.
- Hicke: It's an exciting story.
- De Luca: Yes, and it's a nice closure.
- Hicke: Maybe we'll take it up again in a few years. Meanwhile, here's to your health!
[laughter]

De Luca: Thank you very much, and a toast to you too!

XIII UPDATE TO 2007

International Developments

Interview 10: March 9, 1998
[Tape 19, Side A]

- Hicke: Let's start with what's going on in the international scene. It's been two years since our last interview, but I don't expect you to cover *all* of that. I know a lot has been happening.
- De Luca: Thank you, Carole. This is really gracious of you to spend time and to see what's happening in the industry. I'll try to be brief but succinct.

The international scene continues to show major opportunities for exports. To put it in perspective, ten years ago when we started our international program, we shipped \$25 million worth of wine overseas. At the end of 1997 the early figures show that will be \$415 million in that year, which gives you an idea of the percentage and proportion. The truth of the matter is that that could be much higher if we could attack and eliminate the tariff and non-tariff barriers that we face all over the world. But the international scene, particularly in the last two years since we last talked, has assumed greater importance because of the large number of plantings made by our growers, the large crop that came in in 1997, and the expectation that there will be further crops of that size. With that in mind, as we analyze the international requirement, you can see two things: one, there will be less of the need to go overseas for sourcing, like occurred last year with our wineries, where some of the wineries wanted to go overseas to get raw materials.

- Hicke: That stirred up a little conversation, didn't it?
- De Luca: Yes, it did. And appropriate and legitimate. I think that's been addressed and is being addressed. On the export side this inventory of wine has replenished our reserves which had been drawn down very dramatically. It puts added pressure on marketing and where to find that new consumer. We're certainly going to do major work here in America. But clearly there are more consumers of wine outside of the United States than within, and therefore more and more marketing specialists are looking at the international scene.

We've seen a real increase in the number of wineries that are going into our program, both for generic and for brand promotion. As a consequence, our work in Asia, our work in Canada, our work in the Caribbean, our work in Western and Eastern Europe will take on even more importance.

- Hicke: Just as an aside, are there areas of the world where you've seen a dramatic rise in wine consumption as there has been in the United States in, say, the last couple decades?
- De Luca: Yes. I don't know if we'd call it dramatic as much as impressive. There has been certainly in the British Isles increased consumption of wine. They don't have a local wine industry to protect, so they're kind of arbiters of taste; they look for wherever they can get wines—from Australia, from California, Western Europe, Eastern Europe. [tape off]
- Hicke: We were just talking about how there had been a rise in consumption in Britain and they are arbiters of fashion, so to speak.
- De Luca: Yes. They're arbiters of taste, and therefore they're wide open to change. There's been an increase in Denmark, in the Scandinavian countries, in Germany, in Switzerland, in the Benelux countries.
- Hicke: We're not just talking about California wine now—or are we?
- De Luca: We're talking about California wine shipments. But overall there's been an increase. They've gone hand-in-glove. So there's been an increased perception—where there's an increased perception in wine we do very well. We get our fair share. And to put that in perspective, when we started our program, overseas shipments for us—our exports—represented barely 1 percent of our total shipments. With 1997, they represented approximately 10 percent. So both in quantity and in dollar amount, it is increasingly going in the direction that we want to encourage. And the best way to do that, of course, is breaking down trade barriers, tariff barriers. This last year the whole issue of “fast track” was dominated by the question of this legislation in Congress.
- Hicke: Fast track being the—
- De Luca: Fast track had to do with the way our Congress assigns to the president of the United States the congressional prerogative for trade negotiations. And fast track basically means instead of offering an agreement for amendments, Congress puts it on a fast track within a certain period and then can only vote it up or down and cannot alter the agreement.
- Hicke: I just wanted to get that on the record.
- De Luca: What occurred for us, which was very important and part of the export picture, was that we led a coalition here in California that resonated throughout agriculture, throughout the United States—thirty-three groups—where we presented to the House Ways and Means Committee amendments for the agricultural sector that basically talked about the need for equity and balance and reciprocity in terms of tariffs. That was a huge change in terms of Washington's perception of foreign trade policy. We were happy to play a leading role with many of our colleagues, particularly the California Farm Bureau. But

that showed major interest on the part of our members, on the part of our representatives, of the increasing need to have fair foreign trade policy when it comes to wine. Most recently, and again in the interest of being brief rather than elaborate—

Hicke: Too bad we have to go over this quickly.



L-R: Barcelona Agreement. Herb Schmidt, John Sheela, John De Luca (standing), Magi Raventós, Karen Ross, 1998

De Luca: We have to move along. The Wine Institute and members outside of the Wine Institute met as a delegation in Barcelona, Spain, to discuss with the private sector—the entrepreneurs in Europe—represented by the European Union’s Committee on Wine, an approach where we believe as entrepreneurs we should be working together to help our governments resolve some major difficulties. Basically we have had wine accords on what we call enological practices that have been at the heart of conflict between us and the Europeans since 1983. We have ratified the accords; the Europeans have not, and have in effect been giving us what they call derogations, which means releases for only a year. They’re the equivalent of one-year leases on what you have, a basically long-term requirement. And you cannot plan long-term if one side says, “After one year we could abrogate these accords.”

So we took an approach which looked at it in terms of mutual recognition—the MRAs mean Mutual Recognition Agreements—and the Europeans joined with us in a declaration which I will be presenting to our members on Wednesday here at the board of directors’ meeting. That’s March 11. The declaration indicates a direction that we think will not only keep us from having the potential for a trade war, but we are going to join forces—Europe and the United States—in trying to have greater scientific research

on the health effects of moderate drinking and to work in accord to open up third-world markets, particularly in Asia, so we can be working in harmony and to diminish the prospect of potential trade wars between our trading blocs.

That's all in the right direction. It doesn't mean it's accomplished, but as you know long, journeys start with small steps. I think the private sector working together—which is the culmination of almost a year and a half of meetings which originated here at the Wine Institute in San Francisco and then continued on in Bordeaux and Washington, D.C., and then went on to Barcelona—is a sign of our growing role and involvement in international trade. So on the international scene, both at home with the congressional acceptance of a new agricultural sector plank which had center staged the need for equity, a level playing field for wine. Plus our going to Europe and negotiating the potential for a Mutual Recognition Agreement is a very visible sign in the last two years of the positive steps being taken on the international side.

One last thought: we have never had such major media coverage of our events as we have recently. Most of the attention, which we'll get to, has to do with dietary guidelines and health research. But during the whole national debate fixated on the fast track issue, the *Wall Street Journal*, the *New York Times*, the *Washington Post*, the networks, interviews on radio, television, National Public Radio, writers—all of these major media—have gone beyond the trade journal coverage to mass media coverage. That enhanced our standing with our own representatives and with the White House, who had to observe the importance of the activity. So going back to one of my favorite themes of the last twenty years, the dynamic between the government and the press is really an expression of where power is in America today, and we are impacting both, I think, in a positive way.

Hicke: Can you give just maybe one specific example of what could be accomplished by this Barcelona agreement?

De Luca: Yes. Mutual recognition means that instead of the official position being taken by the Europeans that our wines do not meet their wine standards, therefore they should not be exported because basically we're not producing wine in the "traditional" way but in the new "industrial" way—which is a pejorative term the French tried to assign to our wines—if you have mutual recognition, then there is, believe it or not, official recognition for what the consumers know all over the world: we're making fine wines. But legally, governmentally, politically, if the European mindset is that our winemaking techniques do not meet their standards—like ion exchange, for example, is not acceptable in Europe—then you have a legal reason for stopping wine shipments. You say, "Well, that doesn't meet the definition of wine. It's not a standard of identity." A mutual recognition would eliminate that thought. It would say the Europeans recognize the way we make wine as we recognize the way they make wine. So therefore there would be shipments not held up at the dock for laboratory analysis, which has occurred to us, but actually accepted.

What we really want is for the consumer to have greater choice, greater access, to have the option, and let the consumers decide. Ultimately, if we had one wish—it's unrealistic as soon as I pose the prospect—it would be to get rid of all of these governments' intricate regulations that govern trade and let that be decided by consumers on the basis of quality, taste, and price. I think if we could do that, and we

would just have to compete one on one with the best in the world, we would do very well. But we have encrusted, almost embarnacled, in around-the-world trade all these various rules and regulations, tariffs, non-tariffs, phytosanitary standards of identity, and these have all been used very skillfully by competitors—let’s be honest: led by the French—to try to impede our ability to ship overseas. I think they legitimately fear us. It shouldn’t be feared; it should be a way of enhancing each other’s abilities to compete. They use rules and regulations to that purpose.

So getting back to Barcelona, if we could just diminish on the enological side—which is enological practices, how you make wine—and remove that as a bone of contention, then I think our shipment figures would not only increase but we’d have greater access to larger groups of consumers. Certainly there’s no impediment for wines coming into the United States. This is the freest, easiest, open market in the world for wine. We do not have tariff barriers, we do not have non-tariff barriers. You ship your wine into the United States, and the great beneficiary is the American wine consumer. That’s all the more reason why I think we’ve had a good training ground for competition; we compete openly in America, and we want to compete openly throughout the world.

Hicke: You indicated there was some reason for going to Barcelona rather than Paris or perhaps some other place

De Luca: I think what you’re referring to is that historically European trade talks or visits with the European wine community have been headquartered in Paris in recognition of the leading role that the French have played. We went to Barcelona because it was appropriate. The chairman of the European Community, Magi Raventós, has his major wine operation just outside of Barcelona, and he was this year’s chair. In the future it will be other countries that will have, on a revolving basis, the chairmanship. So it was appropriate for us to go to Spain in recognition of his home and his winery. We went to his home, just like the Spanish say, “*Mi casa es su casa.*” [“My home is your home.”] We recognize that.

But I thought at the same time, in terms of fundamental courtesy, it was important to get away from the major cities like London and Paris where you could have all kinds of additional representatives. This way, the only people who came to Barcelona were the ones who were interested, who had to make a special effort to go there. In this case, we had a very broad and very fine representation of Californian and American wineries, and they in turn had representatives from Spain, from Portugal, from France, from Italy, from Germany—those were the major representatives.

So we met at a winery instead of at a hotel room; it was in a beautiful city, but we didn’t go to a hotel room or an office. We met in a winery, which was in fact conducive to speaking on wine one to one.

Changes on the National Scene: the Dietary Guidelines

Hicke: Are you ready to go to the national scene?

De Luca: In the two years since we've last talked, the dietary guidelines were announced in January of 1996—the new ones. To refresh our memory, we had major breakthroughs where, for the first time, the official nutrition policy of our federal government acknowledged, on the social side, that alcoholic beverages have enhanced the enjoyment of food by many cultures, and on the health side, acknowledged that there were cardiovascular benefits to drinking in moderation. There was the removal of language stating that there was no benefit, which had been in previous dietary guidelines—that language was omitted. The most important was the reference to drugs. There were two references to drugs that were edited out.

The centerpiece was to emphasize for the first time that if you were going to drink, drink in moderation with meals. I think that's a major turning point, because that shows that when you have wine with meals, you're not off by yourself, you're not drinking to just drink, that it's part of a social setting or family setting. Those dietary guidelines were announced, and I believe we discussed that.

Hicke: That's about where we left off, I think. In January.

De Luca: They were announced, and they were given massive coverage by the press. It also led to us taking those dietary guidelines and making a proposal to the federal government through the Bureau of Alcohol, Tobacco, and Firearms [BATF or ATF] that we have a directional label that basically would say: "To learn the health effects of drinking wine in moderation, send in for the dietary guidelines by the federal government." That label was designed to give greater resonance and dissemination to the fact that there were definitions of moderation—essentially two glasses a day for a man, one glass a day for a woman—and there were balanced statements in terms of risks and benefits. The unhealthy consequences of abuse were clearly mentioned and even in moderation, some should not drink: those on medication, those with a genetic history, for example, and we agree with that. We thought that that was more up to date and more scientifically balanced than the present Surgeon General warning which is mandated by the Congress. If you read the Surgeon General's warning, you are not given up-to-date scientific information. Particularly there's no distinction between use and abuse, which there is in the dietary guidelines.

That label submission was to the Bureau of Alcohol, Tobacco, and Firearms. It originally was in May of 1996. In March of 1997, approximately a year ago, we amended it in an important way by resubmitting a new label to talk about the health effects of drinking in moderation and not just simply the health benefits. This was to track better with Congress's own language in the appropriations bills calling for additional research for the health effects of drinking in moderation. So it was more parallel and more in keeping with the fact there are risks and there are also benefits.

The label was about to be approved by Treasury, when, for interagency purposes, they consulted with the Department of Health and Human Services and the Department of Agriculture, who were the originators of the dietary guidelines—not Treasury. That's one of the things you have to keep in mind: this industry deals concurrently with numerous departments, agencies, bureaus. So the dietary guidelines had been approved by the U.S. Department of Agriculture and by the Health and Human Services Department and actually announced by the two cabinet heads. Treasury, by law, has jurisdiction over labeling matters. So we submitted it to them.

Before they wanted to go forward, they asked for comments from sister agencies. Agriculture was fine, but Health and Human Services—the public health service—critiqued it and criticized it and put in writing that they thought that the approval could be misleading to the public, that the public seeing that label, innocent as it might appear to the untrained eye, their charge was this could be seen as a sanction by the government for drinking, that this could be seen by the public that if a little is good, a lot is better, and that this could lead to alcohol abuse and excess with certain populations. ATF did not believe that; ATF said that they were only directing the consumer to government-published documents, and how can that be a threat to the public health?

But undergirding all of this was a bigger issue, and that is, certain consumer groups, led by the Center for Science in the Public Interest, do not want to see any encroachment on the warning label which is now currently mandated by law of the Congress. Our label we propose as a voluntary one that would neither negate nor supplant the warning but would be more scientifically balanced and up to date for the consumer. This is all being done for the consumer. However, groups like the Center for Science in the Public Interest want that warning there as part of the stigma that they wish to attach to alcoholic beverages, very subtly, in terms of trying to identify our products as equivalent to—and therefore to be treated the same as—tobacco products. Tobacco has a warning on it. Most products that you see warnings on are really in terms of negative rather than positive attention for the consumer.

They saw this as a challenge to the legal and political underpinning to the whole game plan, that you shouldn't have moderation messages; you should have "no use" messages. And you cannot drink a product in moderation if it is inherently dangerous, which is what a warning label tells you about. So what you have is a simultaneous attack on moderation. If it is a product that is inherently dangerous, how can you drink it even a little bit? And therefore again the association with tobacco: you cannot smoke in moderation. They don't want therefore that you can accept that you can drink in moderation; they want this to be lockstep, hand in glove, attacking alcohol and tobacco in the same manner.

So this label and the dietary guidelines are real challenges to that strategy. First of all, it talks about moderation: to learn the health effects of drinking wine in moderation. Secondly, it refers to dietary guidelines. That language, "dietary guidelines," puts you into the world of nutrition and bionutrition, not the way *they* want to, with the calculated use of sound bites as "booze or sin taxes or drug of choice or gateway drug." That terminology has been used for the last fifteen years to try to define the issue in America as part of a public health problem to be addressed as a public health issue. The dietary guidelines and the dietary guidelines label was seen by them as leaping over that strategy.

- Hicke: It sounds like they look at wine as if it's just alcohol pure and simple.
- De Luca: With terminology and with the exploitation of legitimate issues, they want to keep the word "alcohol" there and try to use even terms like "booze" as pejorative terms, and at the same time build a legal and political kind of conglomerate of actions around that underpinning. That would be health scares, that would be high sumptuary taxes—taxes designed to effect consumer behavior—to put on the legal attack, and the legal attack,

of course, is an incentive to law firms to find marketing opportunities to attack alcohol in the way they have been attacking tobacco.

As a consequence, this whole superstructure of legal and political events is seen by our anti-alcohol opponents as a lot better than trying to go for prohibition, which you cannot get in America anymore. That experiment failed, but how do you try to approximate some of the goals so that you have diminishing alcohol consumption, making it more expensive, having the media paint it as dangerous, and then having the legal system attack it? And playing the legal strategy card, right now, since you and I last spoke—that legal approach has really been front and center, with the attorneys general of the different states bringing lawsuits to have each state get so much money to pay for its health care budgets. As you know, Florida and Mississippi, and Texas have been awarded stupendous amounts, and before the Congress is a \$370 billion-plus proposal for out-of-court settlement in return for certain practices. You wouldn't have product liability lawsuits against tobacco.

Hicke: Tobacco is what this is directed at for now.

De Luca: Yes. Even though there are those who say, "How can you treat wine as equivalent to tobacco?" we know the practice, we know the history, we know the tradition. In truth, there are advocates who want to do that, who want to approach it that way, who want to paint a certain picture. Even though it would not be warranted, you don't want to see our detractors pursue that path, because it would be very time-consuming, very costly, very expensive. Just look at the legal fees, just look at the political fallout, just look at the damage to relations with the consumer, and it's not warranted.

We're basically talking about use and abuse, and you can drink in moderation, and the preponderance of the public can and does. And there are studies that show that for quite a few people, there are benefits, health and social, when you drink in moderation—and not have the focus be on the abusive part as though that were the totality of behavior and therefore should be treated like tobacco. So there's an awful lot at stake, and that's why this battle has been waged for the better part of almost twenty-two months. Why there have been all these forces aligned against it, why there has been all this political opposition to it, and why at a certain point the Department of Public Health Services called for surveys by the Treasury Department before they would approve this label?

[Tape 19, Side B]

De Luca: In the desire to slow down the approval of this directional label, the Department of Health and Human Services called for field surveys to find out what consumers' reactions would be to these labels before they were approved. It definitely was used to try to not only slow things down but to defeat it.

Hicke: Is this last year they did this?

De Luca: Yes. Last October, almost unilaterally, an agency that did not have the label before it commissioned studies about our label. These label submissions are proprietary, they're confidential, but I had signed a release so that the issue could be brought forward and be discussed publicly. There were twenty-five editorials nationally on this subject. The preponderance were for greater information to be given to the public, not to dumb them

down and say they couldn't handle this scientific information, and give them more credit for knowing the issue of risk and benefits.

But the proponents thought that by having these surveys, there would be vindication of their point that the public would misconstrue this, misperceive it, and be misled. So without our knowledge and without Treasury's knowledge, the Center for Substance Abuse Prevention—it's called CSAP—commissioned independent researchers and university researchers to do in-store, face-to-face interviews with consumers, and they did them in four cities across the country—404 of them. They asked them questions like, "Here's a label. What's your reaction to it?" Then they did two focus groups in the Washington area where they would ask these focus groups—eight and nine, which is a very small group of people—what their reactions to these labels were.

In the process, to their astonishment, they came out with figures that showed that far from it being a marketing ploy, the consumer knew the difference between these labels and approving more information and wouldn't herd-like, cattle-like—as had been charged—suddenly run out and drink to excess. There were a lot of other findings, but the key finding was that far from it being a marketing ploy by the Wine Institute, which we have always said was not designed to try to sell wine but was for public policy and was for this whole question of our place in society. It's an education tool for us as part of our activities on the political scene. We do not want to see higher taxes, we do not want to see litigation, we do not want to see our products branded as sins to be taxed or drugs to be attacked.

So the consequence now is that based on the surveys that were done by a branch of government that wanted these not to be approved—to paraphrase Shakespeare's famous reference—they were hoisted on their own petard. It was their survey, not ours, and it came down with the fact that the consumer knows better and that they will not change their patterns, and that as a consequence, there won't be this hue and cry that they will now rush arbitrarily and start drinking. It's amazing how little confidence our opponents have in the common sense of our public, which we're appealing to. What we're saying is not for medicine. This is not for health purposes. The product, wine, is designed to help enhance the enjoyment of your meals. It's gustatory; it helps to make your food taste better. And the wine consumer knows that and isn't going to be led into some wild binge drinking because they're learning about the health effects of drinking in moderation. But you get convoluted, and even though we can look at it and say, "How can we get to these twisted interpretations?" To borrow another famous saying, this time from Sir Walter Scott, "Oh what a tangled web we weave, when first we practice to deceive."

The reference there again is, once you try to use an argument that doesn't really hold water, you find yourself in difficulty to explain situations. Our emphasis on moderation was distorted to say we're trying to cause people to drink more. The "no use" message in America has really failed our society. It has led to the forbidden fruit, to the rite of passage, to binge drinking—not by our standards, but by what independent researchers find. Instead of consumption being part of your normal lifestyle choice, by making it a forbidden fruit, the present generation has been bombarded with all kinds of information through films and the Internet. When they hear somebody say, "Don't," they do. And we're saying that that is not the way to educate.

Moderation has a place in society, and it was about to be lost. So I think what we have been doing is recapturing that rightful term. It goes back to the Greeks: “In all things be balanced and moderate.” At the same time, it is supported by scientific evidence. What you have had is increasing evidence that the original French Paradox proposal has been further substantiated, more scientific information on other fronts besides the cardiovascular one, on eye disease and osteoporosis and insulin resistance. We’ve been very careful here to not appear to be cheerleaders or to be in effect people pushing one position over another but to try to support scientific advances.

The science is coming out, and the science still says that for ethyl alcohol in general, there are especially cardiovascular benefits, but for wine in particular, in addition to this baseline we all share, there are additional antioxidant benefits, and this has to do with the composition of the fruit, of the grape, and how it is fermented. The mechanics of this are still being sought in terms of whether it has to do with high density lipoproteins or whether it has to do with the blood platelet or whether it has to do with mechanisms on the buffering effect with food. All that we know is that the press has found this subject a matter of high interest.

Just ten days ago, *USA Today*, the weekend report, carried another profile on the various benefits of drinking alcohol, especially wine. That reached 44.7 million readers, which is twice the size of the original *60 Minutes* audience for the first French Paradox. So the mass media has discovered this subject because the American public is really genuinely interested in health-related information. And when you think about it, instead of the story being ended in 1991, with the *60 Minutes* show and that was it, it constantly comes out week after week, month after month. It’s been sustained by continued research, and the city desk editors and the television editors continue to cover these studies.

- Hicke: You’re reminding me that I think the last time we talked there were about to be some grants made. What happened to that?
- De Luca: Yes, there were. They were seventeen grants, they were for a total amount of \$2.7 million per year for five years. There have been additional projects that have been proposed on the antioxidant front that are being discussed. So now, naturally, as part of the work of the National Institute of Alcohol Abuse and Alcoholism, there are studies into the health effects of drinking in moderation. These are government-financed, government-supervised, and not paid for by the wine industry. Therefore its credibility should be outstanding.
- Hicke: But no reports have come in?
- De Luca: No. It is too early. There are some that are due perhaps in two years, some in three years, some in five years. Our role has been to try to get the university world and its requirements, which are to have funding and to have third-party support from the federal government, and the Congress and the administration to work in concert so that the research community can continue to go forward. In fact, it’s been one of the most successful programs that we have been able to help initiate.

So just to conclude this part of it, if you look at the federal level, Congress is appropriating the funds, the administration through the NIAAA—but not just only the

NIAAA; there's also the USDA, the U.S. Department of Agriculture, there's the Heart and Lung Institute that's also doing research. It has been seen as a legitimate course of inquiry that is major in this society. And that is to remove it from politics and polemics and put it in the way of science. In terms of the presentation made to our members in the wineries, I think the passage of time—especially the last two years—have nailed down the recommendation, that far from us hiring PR firms trying to put out this information, far from us trying to advertise—both activities which would lead us into conflict with the federal government which has regulations against any winery making a therapeutic claim—that we should leave the scientists to do the research, and a third-party, skeptical, credible press, because they're certainly not in our employ—for them to be the ones that decide ultimately what is presented to the American public.

So what you have now on news frequently, constantly, are reports on beverages in moderation, and the principal beneficiary has been wine, because of all the years that we've put in. The television stations basically have in their archives film of wine consumers. I constantly get calls from people saying what terrific TV ads you guys have, when in fact it is not; it's news. Reporters talk about Bosnia, they talk about Iraq, they talk about issues in Washington, and they say, "And the latest finding is—" not only on cardiovascular but on cancer and on mortality.

This is all free media, but it's counterintuitive to the way the industry has progressed. So you have to have people in effect discipline themselves, because we're accustomed to advertising and promotion. When you hear all this information, you also want to weigh in and do your bit in terms of disseminating it. But if we do, we would put in jeopardy what we already have. So this has been part of the tension of the last several years in advising members that they cannot really do all that they want, but that they should be patient and let this go out to the American public. As I've stated previously, not for marketing, but for public policy. Has it had a marketing effect? Yes. The term is "marketing glow." The public hears all this information, particularly about red wine, it's reflected in our red wine sales that have certainly been catapulted, but it is not a marketing program. You cannot have anticipated or calculated an industry based on what the press would do with information from scientists who are doing research. Both of those are dramatic unknowns. You cannot count on them, and you should not count on them.

When there is research that raises questions, for example, on breast cancer and alcohol—a focus which has come out recently—we're obligated to put that out. We're obligated to analyze it and to share that with the scientists. That information is still not conclusive. There are still beverage-specific studies that are at odds. There are certain what we call "cohorts" that do not agree with that. And certainly the question is one of moderation and not of abusive behavior. We all know about the effects of drinking in abusive terms.

But the consensus is clear on other fronts—certainly on the cardiovascular front, which take a million lives a year. And that's another thing about overall mortality. Studies have just come out in France saying men have something like a 20 percent reduction in overall mortality—not just in terms of cardiovascular diseases. They still haven't finished the one on women. That just came out from Serge Reynaud. That was about ten days ago.

But I'm not surprised by your question, Carole. You're a very up-to-date and very knowledgeable observer of the wine scene, and yet what's happening is study after study is now pouring out. You need people to do nothing but full-time coverage of these studies. They're not only published in peer review journals that used to be small—and they were the *Lancet* and the *New England Journal of Medicine*—they're now in *Epidemiology* and the *Journal of the American Medical Association* and *Science*. They appear in popular weekly and monthly journals and magazines.

But to conclude on this point and to go on to the state level, the thing to recall as we're speaking today is that some ten years ago there was a critical moment. The warning label bill in 1988 had been signed by then-President Reagan. There were lawsuits in Seattle claiming that fetal alcohol should lead to class-action lawsuits and high damages. This precipitated a legitimate pursuit of a legal defense approach—the legal defense approach meaning looking at the industry's greatest vulnerability in terms of the courts and product liability lawsuits. But one of the consequences of that approach was to be very conservative to the point of not acting at all in the other court, which is the court of public opinion.

The beer and spirits communities did listen to the legal advice that they should not get involved in an active way, either with the Congress or with the administration or with the press in terms of the health issue, in terms of the moderation message. Wine Institute and our members received the same kind of legal advice, but we took a centrist approach, which was to claim a First Amendment right to disseminate what the scientific community was publishing in peer review journals. Rather than relying on a legal defense approach, which essentially has been, say, the recommendation of tobacco defense lawyers over the years, we opted to be much more active in the community, with other institutions, the academic community, the medical community, the research community, and to work actively with the press. So there was a crossroads: one which led to almost an internal and very restrictive attitude about this area of work and counting heavily on legal maneuvers; and the other one, which was to try to make changes in the dietary guidelines, try to get Congress to pass appropriation bills, trying to get the national institutes to offer requests for applications, trying to get scientists to do research in that area. So I think the directional dietary guidelines label approval, which hopefully is imminent now, would lead to a validation or a vindication of that approach.

Hicke: It took a lot of courage on your part to decide that.

De Luca: I give a lot of credit to our staff and especially to the board of directors. It's one thing for me to make these proposals; it's another thing for directors, CEOs, people who have enormous investments, people who have family histories—their children and grandchildren before them and after them. I give great acknowledgment to the one body in the whole wine, beer and spirits world, retailer and wholesaler and grower community, the one body that went for that approach was in fact the board of directors of the Wine Institute. History will acknowledge their decisions. Now I am receiving in their name invitations—in the last two years since I've seen you I've gone to London to address the Amsterdam group, which had all of the major CEOs of the major wine, beer, and spirits companies of Europe. I've gone and addressed the wholesalers and their annual convention in Orlando.

Hicke: Wine?

De Luca: Wine and spirits. I have gone and briefed major beer companies like the Coors family in Golden, Colorado. I've addressed the National Restaurant Association and the Alcohol Beverage Institute, which is a coalition of all these different on-sale and off-sale bar and restaurant owners, to emphasize that we should have greater and unified support for science and for science research, that the underpinning for our future would be the scientific community, addressing the charge that we were a public health menace.

That goes full circle to, "Why did we ever get into this?" Time after time, detractors have charged that it was a calculated marketing plan to try to sell wine that way; when in fact having been attacked on the health front, we had to answer on the health front, and rather than we being the ones to answer or hiring public relations firms, our board of directors went for the plan of action that it was up to the scientific and health community to refute these charges. Now we call for patience and call for self-control and call for self-discipline.

As you know, over this issue many wineries criticized me and left Wine Institute. They departed because they felt that we were either being shackled or not bold enough. Had we taken any of the approaches other than the one that we took, we would have been embroiled with injunctions from the government, all kind of regulatory procedures against us by the Food and Drug Administration, by the BATF, by the Surgeon General, by the Federal Trade Commission. Instead, we have avoided such entanglement.

It is now apparent to the industry that success has many fathers. They will all join in the applause, and now they understand: let the scientific community work and let the press cover it, and the press is doing an extraordinary job—not because we've told them, but because there's great consumer interest. My repeated thesis has been that through free media consumer interest in health matters may in fact be the opportunity for this generation and the generation that follows to adopt wine consumption as a lifestyle choice, as against trying to launch a public relations program.

Ultimately, in order for wine to continue to progress in America—in terms of per capita consumption and wider acceptance of it—it must be seen as a legitimate lifestyle American choice. And for that, it may very well be that the initial start is interest in health, and then you graduate to it as part of your meal and part of your lifestyle. It could very well be that for the next century that we're about to enter, which could be a wine century for America, it could be that the initial interest is a scientific one covered by the press, but it should not remain that way. It has to be through the acculturation process.

Hicke: Can we make enough wine to supply all this?

De Luca: Good question. I think the growers are showing the ability to plant quality grapes. I think they're going to find new viticultural practices. You can plant your vines in much more concentrated form, and you can have in the same acre more clusters. The berries come out smaller, the tonnage may be bigger. But the berries being smaller, you have a greater concentration of the qualities of that wine. That enhances both the quality as well as the quantity. I think viticultural practices will keep apace if the consumer

interest continues to grow. Good question. And that would be a good problem for my successors to address.

Hicke: We'll follow up in ten years [chuckles].

De Luca: I don't know if it'll be ten years; I think it'll be longer than that. These things have a way of being decades long rather than—but look at how much has happened in this last decade. Look how many of our people were not prepared for this. Three years ago people were bailing out, trying to sell their wineries and their vineyards. Three years later, now the equity in the industry is much higher. More and more people are trying to buy rather than to sell. Our strategic game plan and success did not take place overnight; it's taken many years, but it's like those overnight stars in music and in movies. They have to serve as journeymen, they have to be apprentices, they have to work for years in terms of their craft, and then they're discovered "overnight." But they're never overnight successes. Our vision and program have been before the board of directors for twenty years. My first paper on neo-prohibitionism, after all, was 1977. We're talking now 1998. But in the passage of time, long term, the years will be seen as smaller in comparison.

Hicke: I just want to reemphasize though: you're expecting label approval in about two weeks. Is that right?

De Luca: Hopefully before that time. The word in the last week has been that it's imminent. But we've heard that so many times. You have to take this with a grain of salt. ATF is prepared to do so; Treasury is the one that has to sign off; Health and Human Services objections have been addressed, even though to their surprise by these surveys; Congress is being informed; the administration is being informed. So the timing of it and the internal administration of it is what is at stake. But in terms of the policy, I think it has been passed. That is, they've come to the conclusion that the label should go forward, ironically, but not surprisingly.

Now our opponents, who have tried to keep this from happening and have tried to derail it, are now trying to diminish its success by saying, "Well, that's no big deal. This directional label doesn't mean anything." [laughter] "It's so watered down it's not even important." That's a time-honored tactic: if you cannot stop something, you try to belittle it. The proof of that historically, of how important this battle has been, is that it was in May of 1996 that we offered it, and here we are March of 1998—more than twenty months away—and it's been fought *mano a mano* like foot soldiers. That will give you an idea certainly of what our opponents thought of it.

Hicke: I have to ask: can you talk on the phone with three different conversations at the same time? Because how else could you possibly do all this?

De Luca: I inherited an ability to at least be conversant [laughs]; that's the only way I can talk about that.

Hicke: Anyway, it's a wonderful success.

What Is Happening at State Level and in California

De Luca: Then to conclude this phase of the discussion, what's happening at the state level and what's happening in this state, California, with the great performance of our state relations staff and contractors.

Hicke: All right.

De Luca: With the fifty states, the major issue that has gotten attention has been the issue of direct shipments to consumers. That issue basically has been there for many years in those states where consumers could not get wines that they were looking for in the retail outlets. They've had special orders, or based on a program that we started here in California—the Wine Institute took the lead—we've had reciprocity agreements between the different states.

[Tape 20, Side A]

De Luca: For those dozen years we've had—based on the fact that all the states are sovereign in this area of wine, beer, and spirits—we have had trade agreements between the states, and we've had reciprocity agreements, where in each case the state could send to its consumers a limited amount of wine directly to consumers—it started out with wine, and then the laws changed to include beer and spirits—provided that that state had the right to send its wines or beer and spirits directly to consumers.

Hicke: We didn't have very many of them though, did we?

De Luca: One by one by one, we had thirteen. And they were all fought and heavily lobbied. The wholesaler and retailer community in recent years has gone to attorneys general complaining that the laws of their states, which define the three-tiered system, are being violated and therefore they were calling for "stings," they were calling for greater implementation and execution of these laws. We have never attacked the three-tiered system. The three-tiered system has been in place, it's been a major part of our success, and wholesaler/retailer/producer relationships have been very productive. But there are states where it is consumer-driven. The consumer is looking for wine, can't find it, so goes directly to the winery and says, "Why can't you send it to me? I can get a rum cake in the mail for Christmas; why can't I get a bottle of wine?" Someone said they could get a gun through the mail, so why couldn't they get a bottle of wine?

With the advent of the internet and different web sites and catalogues, there have been many a consumer in different states who have sent in for wine. Or many consumers visiting our wineries—this is after all a great attraction; it's one of the main reasons people come to California—they go to wineries and say, "I love your wine, but I can't find it at home. Can you ship it to me?" This practice has been going on; wholesalers in particular, but retailers more recently, have gone to their state legislatures to outlaw this practice by making the direct shipment a felony and not a misdemeanor, which is the way it's been handled up to now. A felony in terms of wineries in particular poses an extraordinary vulnerability, because under the federal laws, if you are convicted of a felony, you put in danger your basic license. We are a licensed industry. That isn't true

with retailers, but it's certainly true with wineries. It isn't true for beer, but it is true for wine and spirits.

Hicke: How about the consumer? Does he get any punishment?

De Luca: No. The burden is placed on the supplier. So in Kentucky and in Georgia and in Florida in particular, these felony bills have passed. We're working on reforms wherever felony bills have emerged, as in Louisiana, where we came up with a compromise where, in return for the winery paying the taxes in that state, rather than here in California, and submitting themselves to a license procedure, the state would get the revenue. There would be very strict ways that this would be policed so as to address the legitimate question about minors and having alcoholic beverages sent to them. We have been trying across the country to de-fang this issue away from felony provisions.

What it has meant here at Wine Institute is a requirement to play a leadership role. We're the only wine association across the country who has trade barrier staff. This year we have forty-one contract lobbyists who work in the states, continuing the major work that we've always done on franchise issues, on labeling issues, on tax issues. This has been one of the great strengths of the wine industry: the Wine Institute has had for so many years such spectacular success at the state level with our regional offices supervising the contract lobbyists.

One dimension of that work now has been to try to roll back the felony provisions. Since I last met you, the very outstanding and talented Steve Gross and I went to Kentucky three times, met with the governor twice, worked with the local community, so that at least visitors from Kentucky in California could buy wine at the winery and ship it back to themselves without running afoul of the law. In some states we've made the practice of sending it directly not a felony but to submit you to review by the federal government, which has basic oversight over these licenses. And similarly now in Florida, to try to reverse felony provisions, wherever these bills are being proposed. So as we speak, there are a dozen states across the country where the wholesalers are actively engaged in trying push felony bills. We are actively engaged in trying to stop that with compromises that are win-win for everybody. And the "Louisiana Compromise" with its license and state revenue changes has appeared in *USA Today* and the *Wall Street Journal* and all kinds of publications. That is an achievement by the Wine Institute, but it is also accomplished by expanding coalitions. The direct shipments have also had the salutary effect of pulling a lot of wineries together who otherwise wouldn't be working together on this issue and seeing that we do need each other. I think it has helped to unify the industry, and we've been playing a correct role, I think, in being leaders in that coalition. We put up money, we put up expertise, but we've also acknowledged the role of others. Florida is a good example, where we will be meeting next week to have major grassroots participation with the legislature and with the administration and with the press.

But I want to underscore that's just one aspect of the work at the state level. The work at the states level has been extraordinary and undertaken by a very dedicated and professional team. The normal work we do on taxes and on franchises and on punitive regulations—earmarked taxes—has been really exceptional. I believe the record that we've had has been slowly but perceptively appreciated.

Hicke: At least some of this must benefit the states' own wine industry.

De Luca: Yes, and we've tried to engage with them. But they're very vulnerable to their wholesaler/retailer component, because they depend so heavily on them. So it's been a difficult assignment for them, but we try to engage them wherever we can.

Now this leads naturally to the granddaddy of all state work, and that's California where our members play an active and essential role with our highly regarded Sacramento office headed by Mike Falasco. The one characteristic that distinguishes California in many ways from other states is the scale and activity of voter-instigated initiatives that get on the ballot. There are other states—Colorado, for example—where you can put on the ballot measures that are then offered to the public to vote on. But no state has developed the consulting business, the infrastructure, the signature-gathering firms, as California. So every year that there's an election—every two years—June and November afford enormous opportunities for voter-instigated or consumer-instigated—or just any little group looking for some particular policy to be voted upon by the public, from mountain lions to issues like shareholder lawsuits; they bypass the legislature, and then they go directly to the public.

In a state as large as ours, elections are very costly and they have to be waged like full campaigns for governor and for U.S. senator. We in the wine world are especially vulnerable in our state, because there are so many groups looking for money, there are so many groups who want to put ballot measures on either directly for alcohol and drug abuse or mental health or police requirements and highway requirements, emergency care physicians, school reform, postnatal care, everything you can think of. So every time the season is in full swing, we are especially vulnerable.

I would say right now we are very able to take care of ourselves with state representatives, with Congress, with legislatures, with the administration, but the biggest danger to us has been runaway initiative drives. If they qualify so many signatures, then you have to face a major campaign. The last time a measure actually qualified for the ballot occurred in November 1990 when we had a-nickel-a-drink on the ballot, put forward by alcohol opponents. It would have been several hundred million dollars of extra taxes on wine a year, and a precedent that would be followed across the country. Beer and spirits the same way. It cost us \$25 million to defeat that proposal. At that time we forged coalitions with the police community and with the teacher community.

Since that time, every two years, we have blunted signature tax drives in midstream. Without belaboring it as part of the effort to forge larger alliances, I've been very active in pursuing education coalitions with the teachers and administrators and principals and school boards. I've been working extensively with, and have become very active in, the education reform movement. I've been a principal advisor to Senator [Dianne] Feinstein on her education initiative. In fact, the Wine Institute conference room here has been the scene of half a dozen of these major advisory committees that have been put together. We've become very active with agriculture, with labor, with business, and the California Council for Environmental and Economic Balance, for the California Prosperity Through Reform Project, through the California Governance and Consensus Project, where Wine Institute has had the agricultural vote for the whole state, where we have been representing all of agriculture to these major groups that have been putting

positive measures together for fiscal reform, for reform at the local level, dealing with the cities and counties. It's been an extraordinary outreach on our part, going far beyond the normal wine, beer, spirits retail/wholesale/grower relationships.

We've gone into direct dealings with Hewlett-Packard, with Arco, with the operating engineers, with the carpenters, with the California Teachers Association, and on and on. Disney, Irvine, J.P. Morgan—it's really been a very, very active period for us. And the attitude has been: we must get involved with our state's work. We're not going to move our vineyards from here to other states. For us to succeed, this state has to succeed, and we have to see its economy, its commerce, its trade, its education all enhanced for the good of the whole society. So that has really gotten us deeply involved with these initiatives, and I would say the number one accomplishment right now for us has been that out of these dozens of initiatives that are moving towards qualification for June and November, not one of them carries a tax on alcohol—not on beer, wine, or spirits—but it's been primarily the work done by our community, by this organization, with regard to these various community groups. So we haven't been surprised. We've been brought in to all of the deliberations, in contrast to what's happened to tobacco, which in this state will face several initiatives in June and several in November with very draconian taxes.

Hicke: Can I interrupt with a question here? Your interaction with these other groups is to indicate the support of agriculture or of the wine industry?

De Luca: Both.

Hicke: But primarily your support for educational reform and that sort of thing is just a policy; it doesn't have anything to do with wine?

De Luca: Yes. We voted on this matter after I made presentations to the board. I said that if we just go in looking out for wine, it'll be seen as we're only involved just for our narrow purposes. But if we correctly identify that we're active with community groups—our members are involved with hospitals, with water boards, with community colleges, with civic groups—and that our business here in California requires getting involved with the infrastructure of the state for the overall good of the state, and that we have a big stake in an educated society and in an educated citizenry, that we have to bring credentials to that, rather than looking out for a narrow interest. My background in education, my role in the university world, my wife's role with the teacher community as a teacher, as a chairman of a school board for ten years, her credentials with the school community, my credentials with the university community, gave us the opportunity to start that way with the California Teachers Association and the school boards and the administrators.

But now it has gone beyond that to where I've been asked to join these larger groups, to bring agriculture's participation, and agriculture—the Farm Bureau, Ag Council, Western Growers have in fact assigned me to represent agriculture for them. I would not have done it unilaterally. And so at the same time that we were working with the agricultural community for the fast-track world trade issues, I was working on their behalf for the educational reform issues in the state. So it has had a self-enhancing role on working for agriculture on these bigger issues which affect not only us—and I think people have accepted that the wine community, between what we grow and where we

are with restaurants, hotels, commerce, jobs, hospitality, that we're involved in the top two industries of the state—agriculture and tourism. So we have a stake in the state's well-being. It's been well-accepted, that role.

And for me it has been really quite a year in terms of reaching out with the major corporations and seeing how we could be a force in a positive way: we've put up funds, we've put up money for research, and I have on my desk—if you want to see them—all the various proposals where we're trying to prevent a war between labor and management over four battling initiatives that are being proposed. Wine Institute made the motion to oppose all of them. We've put up the money to try to oppose them, and business and labor have been supportive of that role.

It's really been for me also a year of study. I've been appointed now twice to the Export-Import Bank Advisory Committee in Washington, where there's \$5 billion a year for businesses, agriculture, to get grants to do work overseas. So I would see this period, based on a lot of work that preceded—not just based on me, but based on the industry—as coming to the point where the wine community and the Wine Institute are being asked to play a larger societal role at the state level, at the federal level, and at the international level.

A New Era at Wine Institute

- Hicke: This sounds more like a beginning than an ending.
- De Luca: Our board of directors has acknowledged that. The last two chairmen have said almost word-for-word what you just said: this is the closing of one chapter and the opening up of another, and that is bringing the work of the organization beyond the normal trade association work. We've really become a public policy advocacy group. So the Wine Institute, as a trade association, has been transformed into a public policy group with requirements at the state, federal, and international levels. We're playing a bigger role, we're covered by more and more commentators, more and more people are soliciting our role in these big issues—business, education, labor, water, trade, finance. And I think it's a proper, appropriate, and legitimate role for this industry. I just happen to be the instrument of our members will. It's been a great period.
- Hicke: It sounds like wonderful, rewarding successes to me. And I think in about five years we ought to do this again, just to catch up on where this has all gone.
- De Luca: The good Lord certainly keep both of us. I've never been as inspired as I am now. It's not like getting your second wind; I really feel the culmination and the convergence of a lot of forces. It takes a long time to get these in motion, and now you can start seeing them pull together in an integrated way. They say a word to the wise is sufficient. The very nature of alcohol in American society, until it becomes more Mediterranean, is still very much influenced by its youthfulness. It's still a very young country. Alcohol is still not really understood the way more seasoned, mature, sophisticated societies have handled it. You get binge drinking on college campuses, you get editorials across the country, Princess Diana dies a tragic death—drunk driving. It raises the whole specter

all over again of drunk driving. You have the president just this last week speaking on the 0.8 blood alcohol level and drunk driving. The whole question of drunk driving continues to be a major challenge. So we cannot in any way, until we're a much more mature society and have many more years under our belt, treat this issue in the way the Europeans or Latin Americans or Asians have. So we're still in our infancy. We're still, as I've said before, in swaddling clothes.

I just came back, as I told you, from Barcelona, but I visited my relatives in northern Italy.

Hicke: I was just going to ask if you've been back to Sicily lately.

De Luca: I didn't go back to Sicily, but I visited my brother in Padua. My brother and sister-in-law are there on a sabbatical at the university. Padua is just a half hour from Venice. I visited my relatives in Milano and Turin. My first cousins and second cousins are there. In Padua, the university was started in 1222. In Verona the ruins underneath one of the restaurants I went to were still there; you could see the streets underneath the restaurant as they were 2000 years ago, and the wine cellars and the grooves for the chariots in the streets. When you think of how long people have been in that part of the world, many thousands of years, and how long it's taken them to absorb the culture of wine into their daily lives. We've just celebrated our 200th anniversary, and for many of them 400 or 500 years was the period just under the rule of one civilization over another. So there's still a long, long way to go. But I think we're on a stronger foundation, if the culture reflects the science. That's my little equation. If the culture reflects the science, then the direction of the wine community will be very positive. It'll be good for consumers, it'll be good for us.

Hicke: Is that a good note to end on?

De Luca: Yes, I think so. I thank you personally.

Hicke: It's been a great pleasure.

De Luca: You've been helpful in directing all this.

Interview 11: May 20, 1999]
[Tape 21, Side A]

Hicke: Well, I'd like to start by—I think what we want to do is recapitulate the most important developments that have happened since a year ago. I don't know if we can do that within five or six hours, or not, but I know things are changing very fast for the wine industry program. Maybe you can elaborate on that.

De Luca: Yes, Carole, thank you. The evolution of the last dozen months clearly has charted exceptional paths for the industry. And by that I mean what we're doing is no longer technically confined just to the wine industry. What we're doing is no longer just seen as related to wine interests. The national press, the national institutions—Congress, the Department of Treasury—view us—the Department of Agriculture, the Health and Human Services departments—all of them are now engaged in reviewing initiatives that we started in a larger national context.

And the international community is coming here to visit with us, to study what's going on, because they think what's happening here in the United States has enormous international consequences. So what would be historically confined to an association and the trade press that covers us, we now are effecting national institutions like the trial lawyers, national institutions like the University Research Conference, and major state and federal and international entities.

The international entities would be the OIV which is French for the Office of International Wine; FIVS, which is also French for—F-I-V-S—International Federation of Wine and Spirits.

Hicke: Thank you.

De Luca: The International Federation of Wine and Spirits; and major groups like the Amsterdam group in Europe and the various international representatives to the United States, to the U.N. through the Special Trade Representative, and through the multi-trade negotiators. So in truth, in the last year there's been a confluence and a congruence that moves on simultaneous fronts.

The issue of direct shipments, which for fifteen years has been a matter of reciprocal trade agreements between the states, now is putting into high relief the relationship between the Twenty-first Amendment and the interstate commerce laws, which is headed ultimately to the U.S. Supreme Court. And the Congress of the United States is now looking at direct shipment issues, also through the prism of e-commerce—electronic commerce and the internet. And what effect is that having on historical constitutional positions and states' rights, vis-à-vis the federal government's.

There is now legislation—as amendments—to what's happening in the aftermath of the tragedy in Colorado—the Littleton [School] massacre—with legislation on juvenile justice where our issues are being debated with the major roll calls of the entire U.S. Senate and ultimately the U.S. House of Representatives. And the press is no longer the matter of those journals that cover us; for example in addition to those that cover us, in recent months I have had interviews with *Eye on America with Dan Rather*, and had interviews with Katie Couric and the *Today Show*. Both of them reach over fifteen million listeners. CNN had an interview with me in Atlanta that went out to some forty-one countries. I'll take a break for just a quick second.

Hicke: Yes.

De Luca: Our communications office has pointed out that since the beginning of the year, we've had over 560 print articles that cover us in one way or another nationally and over 600 network broadcast segments—radio or television. And the BBC, the Canadian Broadcasting System, National Public Radio—which goes international—and the CNN that I mentioned had these broadcasts to some forty-one countries. In addition, to the United States, [this] has been augmented by the *Wall Street Journal*, the *New York Times*, the *Washington Post*, the wire services of Associated Press and Reuters, and all the various—[Knight-Ridder, McClatchy]—you know, other combines.

So in truth, what we've been talking about in terms of our oral history, that perhaps would be seen as confined to our ranks, now has gone certainly way beyond our ranks

as they raise questions of commerce, they raise question of law, they raise questions of basic science. And personalities are always covered in the United States. And the credibility to some of these issues, and the important point of coverage by the press, has been underscored by the fact that you have the Secretary of the Treasury, Robert Rubin, who's a major force in international affairs—such things as restoring financial liquidity in Asia, Latin America, Europe—involved with our legal issues—he's involved in direct communications with Senator Strom Thurmond from South Carolina. And Senator Thurmond is the ranking member of the Senate. He'll be ninety-seven years old this December 5, and he is third in line for the presidency. After the president and vice president is the Speaker of the house, and President Pro-Tem of the Senate, which is the position which he occupies.



Governor Gray Davis, John De Luca

The issues are also now being engaged with Senator Robert Byrd of West Virginia, who is the former Senate majority leader, chairman of the Appropriations Committee, and a major figure in the recent impeachment hearings of the President of the United States.

And our own U.S. Senator, Dianne Feinstein, who is certainly a national and international figure, has her own direct relations with the president of China, so what we're talking about is a confluence, as I mentioned before: personalities, issues, deeper issues, immediate questions of social responsibility, commerce questions, labeling questions—who does have the authority to give information to the public, how do you handle the health science that's coming out?

The National Dietary Guidelines are the fundamental policy for nutrition in the United States. And I would dare say that we, with our issues, have drawn more attention to what has been historically a dusty document—we've drawn more attention to the Guidelines than just about any other force.

Hicke: Yes.

De Luca: And then I have the membership which is trying to follow all this, and looking at the international scene, looking at the national scene, looking at the local scene, our governor, our speaker, our new president pro tem, John Burton, Speaker Antonio Villaraigosa, Governor Gray Davis—all meeting with us as we also open up issues with agricultural education—and ag in the classroom and “A garden in every school.” All these are happening simultaneously.

For me it is personally a great challenge and with the Wine Institute it is also a great stimulus. I have never felt in my twenty-four—approaching twenty-four—years as alive, energetic, and involved as I do now.

Hicke: Oh, that's great.

De Luca: I mean, to me it is the most exciting period—even with all these demands—[for] the whole staff; it's not just me—the whole staff. And the membership and officers. Like the present chair is Diane Nury, with the vice chair, Sam Bronfman: we talk, and we're discussing Europe, we're discussing the coming European-U.S. mutual recognition agreement where we're going to reorder the relations between the United States and Europe on the whole field of wine rules and regulations.

That's extraordinary, to have wine for wine and to have the European Union and the United States finally discussing us where we're not the compensation for other concessions, where we've elevated wine to U.S. trade policy in its own right and not just as a bargaining chip for airplanes or wheat or soybeans or some other product. That's probably long term as important as anything we're doing internally, as our export scene goes from shipping approximately \$25 million in 1986 when we first started our export program to where last year it was \$540 million. And this year it will be approximately \$650 million, and so that has real value, rather than abstract concepts to the industry, to our growers, to our wineries.

And it also opens up vistas in terms of intellectual property and our understanding of the world, so it broadens our own members' understanding of their role. Rather than being inward and provincial, we are outward and international, and that long term is also going to reshape the industry.

So I feel as we end this century, as we go from 1999 to the year 2000, that we are laying the foundation for the pre-conditions for major success in the century ahead: internally, externally, with the public, with the law—excuse me, the legal institutions, the medical institutions, the political institutions.

And does it convert into the basic question: well, what does this mean for the health and well-being of the industry? Well, on one hand, all the impediments and obstacles that we are overcoming; on the other hand, it's reinventing the industry and repositioning our role in our society, putting us in terms of diet, lifestyle, and nutrition, rather than just simply sin taxes, alcohol, and gateway drugs. So that has enormous import for us. So a lot to say, isn't it?

- Hicke: It is. It's a great summary. [tape break] Well, you've just been telling me a little bit about some of the day-to-day things that have happened, and you pointed out that a big spread in *Time* about the health benefits for wine is hardly any news any more, which is a good indication of how far things have come along. And that almost leads into the health benefits problem with the label. Is that a good place to start this morning?
- De Luca: I think it is. I think probably the significance, if you step back, is that the national debate has turned from just a few years ago where it was a constant attack: wine, alcohol were carcinogens and reproductive toxicants, to where it's shifted today as to whether the American public can handle the new scientific information. That is a monumental intellectual and scientific shift to go from the warning label at its height, when we were saying we need to warn everybody about this product, to today where the question is who trusts the American public to handle this? We're taking the position that science should replace polemics and politics and that our public should be trusted and entrusted with this information. It has, first, a right to know, and secondly, we know if presented in an educational manner, that it will, in fact, be well received—will not be abused. That's where the tension is right now. On the other hand the charge is that those of us who have counselled moderation, are contributing to the problem of abuse because people will think that if a little is good, then a lot is better. And therefore, that is the philosophical basis for charging what we're doing as undermining the potential health of a country.
- Hicke: That's the old slippery slope, which I have never believed in. I don't believe in a slippery slope.
- De Luca: Well, it dumbs down the American public and officials and reporters and science. And it certainly is not taking place in a vacuum. Our retort has been the "Just Say No" approach really is bankrupt because we see evidence of its bankruptcy across the country on college campuses, high school events, and sporting events, where our youngsters, because it's been presented to them as "forbidden fruit," believe that they have to prove their adulthood by a rite of passage, which has as its central core drinking yourself to oblivion. That is pathetic, and that is a indictment of what is happening in our country by this sense that you shouldn't have a drink until you're twenty-one.
- Hicke: Now is this the approach that Senator Strom Thurmond—
- De Luca: Well, Senator Strom Thurmond—before I lose a thought—

- Hicke: Oh, I'm sorry.
- De Luca: No, I was going to say we agree on the issue of public purchase and possession: that you should not have underage access or underage drinking in a public setting or in a purchase setting. But we do advocate that in the privacy of our homes, that tradition that many of us have received, where your children as part of their meal, as part of their heritage, as part of their religion, as part of their legacy and tradition, that they have a glass of wine with their family. That is not an illegal act in the privacy of your home or in religious ceremonies, and so there is tension around this question of underage equals a drug. This is almost the way it is being positioned.
- The debate that just took place in the Congress—the funds to attack the anti-drug campaign should be used to also kind of lump in, group in, wine, beer, and spirits into the street drug debate—
- Hicke: And this is not the label issue that we're talking about is it?
- De Luca: No, but it's encompassed in this whole question of our role in society.
- Hicke: Okay.
- De Luca: Now the label reflects that.
- Hicke: Oh, I see.
- De Luca: The label issue reflects that, but I was gratified to see Congress accept our notion that a glass of Merlot or Chardonnay is not the equivalent of crack, cocaine, or heroin. You need different strategies and you need different educational modes. They're not the same problem. But it all gets down to this question of our place in society, and how should labels be used, and where do the dietary guidelines fit in, and so it is kind of a convergence of issues.
- On the issue of the label, ATF has continued to approve those labels that are submitted to the agency by those who wish to say, "To learn the health effects of drinking wine, send in for information either through a website or direct mail to the Center for Nutrition Policy."
- Hicke: That's the label of Laurel Glen.
- De Luca: Laurel Glen's label says "To learn the health effects of wine, consult your family doctor." It was approved as part of the approval for us. It had been languishing and had not really been acted on, but the attorneys and the review at Treasury, which had as its core focus our submission, when they came to the point that ours was not a label claim, but was a directional label pointing consumers to where they could get more information, namely the dietary guidelines, that logic also carried Laurel Glen's as also a directional label pointing to family doctors as a source of information.
- Hicke: I see.

De Luca: So they were approved at the same time. That is what caused Senator Strom Thurmond to introduce bills seeking for higher excise taxes; the replacement of ATF with FDA—Alcohol Tobacco and Farms with the Food and Drug Administration—and also with regard to label statements, that only the warning label could be placed on a beverage container. None of those proposals have really been found to be worth merit. I think that may be—

Hicke: All right, we're on.

De Luca: Right, just to recapitulate, none of the threatened legislative moves by Senator Strom Thurmond found any resonance amongst his colleagues, but he did have another method that did bring forth some substantial moves and that was—he exercised what's called the senatorial hold—H-O-L-D—which senators can place on the confirmation of nominees either for a foreign post like ambassadors or for positions like cabinet positions—those that require Senate confirmation. And he did hold up three very major Treasury appointments, one of which was the Controller of the Currency.

Now the Department of Treasury can not really operate without a Controller of Currency in American life, and so Robert Rubin, the Secretary of the Treasury, who had approved our label—in the previous statement I indicated how extraordinary that was, that a normal certificate of label application, which is handled at the branch level, rarely beyond that, rarely at the highest levels of ATF, never to the secretary of the Treasury had gone as far as him—he did agree as a condition for Senator Thurmond releasing the hold to let these confirmation hearings go forward and approved a notice of proposed rule-making which in effect would be the following: it would take the present very, very tight restriction—there is a prohibition against making any therapeutic claims in Treasury. We've abided by that for half a century. That was not violated by our label approval, because our label did not make a health claim. As I said, it was directional, but he agreed that he would put that out as a notice of proposed rule-making for comments from the public to see if in fact there should be any changes.

And the questions that were raised in an exchange of letters between Strom Thurmond and former secretary Robert Rubin as to whether in fact certain aspects of drinking would or would not permit certain therapeutic claims would be the questions raised.

The secretary, in informing our office—Washington D.C. Bobby Koch—did not see that as antagonistic. And we agreed. If anything, we thought it was a golden opportunity for another forum for us to release to the public the accumulated scientific findings. I genuinely welcomed another round of hearings and new media coverage.

Hicke: That was a good way to look at it, anyway.

De Luca: Yes. But you see, the notice was not proposing anything new. They're just saying, here's our present rule. What do consumers think about it—the world? And of course everybody can write and we're prepared to do the same thing. But the label was not rescinded, so the present label, those who wish to put it on, can continue to go forward.

What we're finding is that some of our members, in trying to put together the terminology or how they can place it, do not want to proliferate label clutter. They don't want to have a lot of statements on—you know, for many of our people, the cleanest,

clearest label is the best, so there are many who—because it's voluntary—are opting not to submit, but there are those who are. And that was the whole point of our effort, was to give our members a voluntary choice—if they wish to exercise it.

But it was never intended for marketing, which has really been at the crux of this issue. We've been accused that we're trying to promote drinking by saying wine is for medicinal purposes. And Friday last—today is Wednesday—with National Public Radio, I had the chance through some 440 stations to state what I have repeated for years, that we are not trying to promote wine as a health food or as a medicinal component. Wine basically is there to help make the food taste better. It's worth repeating for the record that for public policy purposes, not for marketing purposes, we want to attack head-on the notion that we are a gateway drug, i.e., that by drinking wine, it leads to crack, to cocaine.

Hicke: That whole slippery slope.

De Luca: That whole approach, right. Or that obscene branding that we are a sin—S-I-N—industry, deserving sin taxes. Or that there should be export controls on our products because they contain alcohol. Whether there should be advertising restrictions. Those are public policy issues which are deeply effected by the images and standing that any product has.

Hicke: These have all been proposed?

De Luca: Oh, yes, over the years. And they continue to be part of the public debate. There is a constant stream of predictions that there would be litigation, class action—either private or governmental—that would pursue wine, beer, and spirits the way they've pursued tobacco. Those are not marketing issues, those are public policy issues. And certainly if you use the government arm—the state attorney general, or the city's attorney—those are public policy issues that are affected by the way opinion of leaders and decision-makers construe your product.

We've seen it now move from tobacco to firearms. And firearms has a constitutional question in the Second Amendment.

Hicke: Yes.

De Luca: So we're very aware that for the better part of a quarter of a century there's been this potential for class action law suits, not just on product liability. But the new trial lawyer theories are not about product liability—where your product is deficient and causes harm—but that you are negligently marketing the product if it ends up in the hands of those who shouldn't have it, namely the underage. So with all those as considerations, we look at these scientific studies, and the ability to disseminate them through third parties, as critical for our public policy posture.

And the scientists are the ones, not we—that can state that wine can be part of a healthy diet and that there are these dietary guidelines in terms of nutrition. The scientific findings will either stand or fall on their own merits—not we making those claims. So this is where you'd run full circle with Strom Thurmond. He believes that we're trying to push drinking and that the government's approval to direct consumers to new

information, our own government putting it out, telling our people to read what our government says about our industry—

Hicke: In the dietary guidelines.

De Luca: In the dietary guidelines, that that is misconstrued as giving the cover of approval or sanction by the government to drink. That is a stretch.

Now, even with that kind of argument, we acknowledge that if you read the dietary guidelines and we encourage you to do so, that they are not a blanket endorsement of drinking. There are caveats against heavy drinking, abusive behavior, and even for moderation. There are certain groups—for example, senior citizens on medication—there are groups—women who are either pregnant or thinking of conception—that should be alerted to the fact that even in moderation there are caveats, and so we tell people the dietary guidelines are neither a blanket endorsement, nor a blanket indictment. They do have balance. And therefore the scientific community should continue to update them based on the latest science.

So as far as Strom Thurmond is concerned, none of his initiatives at the legislative level were marked with success, but his administrative pressure on confirmations did lead to the government saying they would have in effect public comments on their existing regulation. And in that regard, we have embraced the public debate.

Right now there are forty-two editorials on the subject matter—thirty-six supportive of Wine Institute's position—which I consider to be pretty gratifying and compelling—

Hicke: Newspapers?

De Luca: Yes, newspapers. There've been articles now in the South Carolina press that have started to take Strom Thurmond to task for his projection on this issue, how he has defined it. We have not taken any position, like the *Wine Spectator* recently did, that he was public enemy number one. Our attitude is that he is a U.S. senator, he's been elected by his constituents, he has fought we think a good fight on the issue of alcohol abuse and alcoholism, but we part company with him over this notion that because we are promoting moderation, that that leads to excess.

Hicke: I need to turn this over.

De Luca: Yes, I was trying to—

[Tape 21, Side B]

Hicke: Okay.

De Luca: And so we take no personal stance on his motivations or why he does this. If anything, I think he provides muscle tone to our work as a reminder to our members that even at the end of this century, there are still vestiges of the past. There are still lobbyists who believe that the moderation message should be opposed. And we're saying, which message, then, do you want to promote? The one that leads to the forbidden fruit, which we believe leads to this rite of passage of kids drinking, or the one in moderation which

has been borne out—particularly its affiliation with meals—by thousands of years of history with many different cultures? And I think the latter one in fact will prevail, if in fact we're able to discuss this in a calm and reasoned manner, which is what I think, without being self-serving we're attempting to do. Now that is my response on the label front.

On the year 2000 dietary guidelines front, itself, we have given submissions to the scientific advisory panel. The panel will complete its work before Christmas, at which time it will turn over to the two departments its recommendations—the departments being Health and Human Services and USDA—U.S. Department of Agriculture. We have submitted some 200-plus studies that continue to augment the growing consensus of the cardiovascular benefits—the health effects of drinking in moderation. There are other areas of research: stroke is one, osteoporosis is another, and the whole question of insulin restrictions. There are many other areas, but we have submitted them, not as Wine Institute's position on it, but we're sort of the conveyor belt for gathering up what the scientific community has written and presented it to the advisory panel.

Hicke: And this in expectation of changes, or support of what they've already done?

De Luca: Well, there is a big battle going on over the dietary guidelines again led by people like Strom Thurmond who wants to rescind the 1995 messages, and so we're there to preserve the accomplishments that were manifest in 1995, that you still maintain the advice for today, "moderation with meals," that you still acknowledge that there are cardiovascular benefits. The changes advocated are along the following lines. They want to say that the cardiovascular benefits are primarily for older people—over, say, the age of forty-five. Rather than saying there are cardiovascular benefits for individuals, they want to pinpoint the groups—aware of right now that the moderation definition is a glass of wine for a woman a day, two glasses for a man. They are thinking of possibly saying a glass not only for a woman, but also for the elderly. They haven't come to that conclusion., but going beyond the 1995 reference to "individuals" encompasses many more millions of consumers.

We have fought back the notion that alcohol is an addictive substance, which is where some of the anti-alcohol people continue to want to make that affiliation with drugs—that it is an addictive substance. There are those that wanted to break the moderation message away from the central themes of the guidelines and put them off sort of as an addendum, as sort of a three-tiered, not as important category. And that's been defeated.

There were attempts to say don't drink at all if you haven't been a consumer before. Don't start. I think that's been beaten off to say that we should be neutral. We shouldn't encourage people who haven't started, but at the same time we shouldn't tell people don't. So there is that debate going on.

There is an interesting cultural one that may occur and that is in the dietary guidelines there is an historical acknowledgement along these lines that alcoholic beverages have enhanced the enjoyment of meals over many centuries with many cultures. A group has formed on the panel that says that that's unique, that we don't say that about salt, we don't say that about sugar, so why should we say that about alcohol. It happens to be a historically correct sentence, but it's apparently becoming a cause for groups to rally

around, so there is a debate there where they remove that sentence. And if they do so, I think it will bring discredit to the panel, not credit.

Hicke: Why?

De Luca: Because it's a historical statement, it's not incorrect.

Hicke: No, but it's protesting against salt. [laughter] So there's no reason to say—

De Luca: Right. There is no salt lobby and there is no state tax on salt or on sugar.

Hicke: Exactly.

De Luca: Or on any of these products. But in fact there has been a concerted counter attack on the alcohol dietary guidelines, the attitude being: you caught us by surprise in 1995, and we will never be caught by surprise again. That was certainly not our position. It happened to be that the compelling evidence by the scientific community is what caused the previous advisory panel to make its recommendations. But you have anti-alcohol hawks, for want of a better term, who'd love to see nothing in the dietary guidelines and would wish to wave this away. One or two other areas where they have been talking was to say that there is no consensus, there are contra-indications. There are certain studies that show up which challenge the French Paradox, or challenge that there are benefits in moderation, but that's been beaten back by observations that the overwhelming evidence is there, so why should we weigh contra-indications? It's a double standard. It's almost like there are two standards. You have to prove to the thousandth degree your case, while others can say one tenth of one percent shows that there isn't consensus and that's not, you know, scientifically correct.

But around the dietary guidelines have been other proposed sections. The fall will see what the advisory panel's their recommendations are. Then we have another opportunity to critique the recommendations, and then to make a final case to the officials who have to make the ultimate decision. These panels are advisory. They don't make the definitive—but they're very important and the debate right now has been more quiescent. There was a period several months ago when it was matter of great friction. I think the summer has brought a calm and quiet, but it'll come back in the fall. And it's the millennium and people will make a lot out of it. [laughter]

What I like about this state of affairs is that when you say “dietary guidelines,” when you talk about “nutrition,” you are again redefining the debate, which has been one of our major themes and goals.

Hicke: Yes, yes.

De Luca: It's not a carcinogen or reproductive toxicant, it's part of the nutrition world—anti-oxidants, immuno-stimulants, phyto chemicals, resveratrol, transveratrol and the whole subject matter. And this is what's coming out in the popular press. Excuse me, yes? [tape break]

Hicke: That were involved.

De Luca: I believe we can continue to preserve the basic message of moderation with meals, cardiovascular benefits, with the definition of moderation as they have it, that that will be seen as, a singular preservation of a big breakthrough. Again, not for marketing: I don't want to ever miss the chance to say that all this is in recognition that we're shaping the basic nutritional fundamental document for the United States, and from there, a lot of consequences flow. For years the guidelines were sort of in the back water, they were voluntary. 1980, '85, '90, they were done with not much public attention. In 1990 Congress said that they should be mandatorily updated every five years.

People used to have their own way with these things, and they would be printed, and pamphlets would be issued, and people would draw certain policy conclusions from it. I think we have given it great resonance and visibility. And I think the recognition of the importance of the work has been the ferocity with which people attempted to roll it back. I mean, that's part of what Senator Strom Thurmond was attempting to do.

Hicke: Does anybody know how many people consult the dietary guidelines?

De Luca: I've been told by the professionals that they have certain offices where they're posted. People do write about them, but until 1995 and the coverage that was given to it by the—it actually came out January '96, the '95 guidelines, but until the debate over this issue—over wine, beer, and spirits—very little attention was given to them.

Hicke: I can believe that.

De Luca: So to some extent, they're grateful—

Hicke: Yes.

De Luca: The professionals are grateful that they got this visibility. On the other hand, there's been this counter move to want to get back to the old hackneyed approaches, which I hope little by little the American public is recognizing that changes must be adopted—at the end of the century. And this whole thing is a flash point, a reminder that this century did have Prohibition.

Hicke: Yes.

De Luca: And that here we are on direct shipments, and I'll discuss that in a moment. The direct shipments issue has now been reformulated in Congress as the Twenty-first Amendment Enforcement Act, and it's an amendment to the [Webb] Canyon Act of 1913, which was the original bill before the Volstead Act that permitted the states to have prohibition at the state level before the Eighteenth Amendment. So it's extraordinary that on different fronts—dietary guidelines, label approval, direct shipments—this society sixty-five years after Prohibition is repealed, is revisiting some of the same issues that were so vexing at the beginning.

Hicke: Yes.

De Luca: And you hope to measure cultural change because at the heart of all this, undergirding all this, is cultural sophistication and cultural ignorance. Very bright people can have an

entirely different background; and this came out in the federal hearings with Senator Orrin Hatch.

Hicke: Yes.

De Luca: Before Senator Hatch's committee, I testified that I was a product of two worlds and that on one hand I was the recipient of a European heritage while I was being raised in the United States with an American upbringing, but on the cultural front I was a terrible statistic because I had been exposed to wine at the age of three, that my children had been the same, and my grandson now at the age of three—my wife, the same thing. I said, "But what great education we have for the overall issue of substance abuse," and Senator Hatch said, "You know, this is a whole new world for me." He said, "I am Mormon."

Hicke: Yes.

De Luca: And he had this retort when I said, "Well, why not come and visit our vineyards?" And he said, "A little Mormon boy like me? I'd be crucified." [laughter]

Hicke: Yes.

De Luca: And there is recognition by—he is a balanced person on many issues. There is recognition that a large part of this stems from the way you were raised.

Hicke: Yes.

De Luca: And so those of us who have a European heritage, or have the privilege of going back and forth and seeing how other cultures handle this, offer our experience to American society. And without belaboring the point, because I've shared this when interviewed by Ruth Teiser, my thesis about the importance of the victory by the British and the Iroquois over the French and the Algonquins in the French and Indian Wars—how that changed not only the military structure but the institutions that were then put in place in the new land. It's a favorite theme of mine because it does put into the weave that culture, cuisine, language, and a whole series of traditions follow conquest. And we've only been around a couple hundred years and you can see the visible changes between Quebec and New England and the Puritan ethic and the French ethic. I happen to think we got a great Democratic institution, and I'm delighted I can read Shakespeare in the original, but as far as culture, we were dealt a lousy hand.

Hicke: Some of us are able, though, to overcome our upbringing.

De Luca: Oh, listen—

Hicke: [laughs] Puritanical or whatever.

De Luca: Listen, that's something I always recognize. I said I never, you know, even debate the right of people to interpret the Bible differently and say it was grape juice and not wine at the Marriage Feast of Cana. All these things are in fact, you know, personal and religious.

I acknowledge that, and that's why I said that I'm a man of two worlds. The world I come out of is Catholic, southern European, and wine with food as part of the Mediterranean diet, but I was educated as an American. And I recognize that the mores of the society are different. And we do recognize that and so that's the underpinning of this whole debate. And what we're attempting to do is through the interest of science with the power of the media today, to add a new note to the lifestyle issue and the cultural issue. And hopefully by redrawing and diminishing the polemics and politics of this subject and continuing to push forward the science on it, we can have a new educational component on the way we look at wine.

Hicke: When are the new guidelines coming out?

De Luca: The new guidelines will most likely be some time in the year 2000. That's by the time they should be. They could be prepared as early as the end of this year and issued next year. I think they're working on having them ready to be published and announced in the year 2000.

Hicke: Okay.

De Luca: Because that's—

Hicke: Every five years?

De Luca: Yes, every five years. And where in that fifth year you issue them is not as important as doing it every five years.

So in truth, as we speak now, the direct shipments issue—that's why I had to leave to go to the reporters. It is an extraordinary evolutionary matter Constitutionally, legally, politically, economically, and those who know the work of the Wine Institute know that we have for years done a large amount of state representative work to attack internal trade barriers. And it's not only overseas that we've tried to open up markets, it's true in our own country.

Hicke: Could I interrupt you and could you give me a very quick summary of the problem, the background?

De Luca: Yes. A quick background. This country is not only a political union, it's also a common market, and that derives from the famous inter-state commerce clause that was put in by our founding fathers that products can move across the states. And the first colonies when they had a confederation, they really were not working well. Everybody was sort of setting up trade barriers from Rhode Island to Connecticut and from Virginia to Massachusetts and so forth, so one of the important components of the Constitution was to say goods could move freely across all borders: the common market.

Other groups of people keep trying somewhat slowly, like the European Union to create a common market, but we are a common market and we were such until the eighteenth amendment prohibited the production and consumption of alcoholic beverages. And we know what we went through with that period.

When FDR—Franklin Delaware Roosevelt—became president, he ran on a platform to repeal Prohibition. Part of it was political: wet versus dry, urban versus rural, but also a large measure of this was economic. The federal government in a deep Depression needed to jump start the economy and the excise taxes on particularly beer and spirits, a little bit on wine, were not going to the federal government; they were in fact going to organized crime—the Mafia. And so how to get three fourths of the states to repeal an amendment—that’s what it takes to pass an amendment, is three fourths of the states have to ratify it—was a very big issue in 1932 at the convention for the Democrats.

In 1933 when this matter was posed to the states, they had first to take two thirds of the Congress, which they were able to do. FDR had to sweeten the deal, and that was not only to repeal Prohibition, but to change the powers of the states vis a vis beer, wine, and spirits. Attorneys added a sentence in there that said you couldn’t transport or use intoxicating liquors within a state “in violation of the rules thereof.” And that basically set the ground for each state to continue to control the movement and flow of alcohol and how distribution and retailing were set up.

And now, over the last sixty-five years, based on that, the United States broke up into control states and free states. A control state would be like Pennsylvania, Utah, Iowa. A free state would be like California.

They also set up the three-tiered system. The three tiered system replaced the previous system where a producer could have control over the shipment as well as the retailing by owning wholesale outfits and retail outfits. With the experience of Prohibition, they wanted to break that up, and so in many states they established licenses and controls. Rules were set up that said you couldn’t bring in the product unless you dealt with a licensed wholesaler and that licensed wholesaler then in turn sells it to a retailer and only then can a consumer buys the product—three tiers: producer to wholesaler, wholesaler to retailer, retailer to consumer.

Eighteen states chose to be control states where the state, not the private sector, was either the wholesaler or the retailer, so that’s the system that we have now. And over the years, these laws have become even more galvanized and even more strengthened. Franchise bills have been passed in states which practically give to the wholesaler a monopoly, and you can not dismiss them for cause. The government gets involved in what otherwise in any other industry would be private contractual relations. Here you have the full input of the government of the state in what is otherwise a private transaction.

In 1985, in recognition that many of our wineries were new, small, were not able to be carried by wholesalers, their portfolios were shrinking, the number of wholesalers were consolidating, the number of wineries was increasing—in a parallel way, this was happening to microbreweries, but they were not politically active in the way we were—and so in 1984-85, in recognition that our states were acting like sovereign powers in this matter, I was one of a handful of people who said, “Let’s engage in trade. Let’s have trade agreements between California and Oregon, California and Nevada, and California and Colorado. Let’s have reciprocal trade agreements.” And so California was the first one to put through enabling legislation that said if other states agreed with us, on a reciprocal basis, we could send wine in very limited amounts—very controlled, like one case per family a month. The excise taxes would be paid in the state where it

originated, and it would be delivered directly to a consumer, not through the three-tiered system, provided the other state had the same right to do the same thing with California and any other states that would enter.

We got to the point after a dozen years we had about a dozen states that had in effect an alliance, and we were shipping wine directly to major states like Missouri and Minnesota.

Hicke: And Illinois, yes.

De Luca: Illinois, Oregon, and Washington. And we were working this out state by state. Then a number of developments occurred. The microbreweries started to become more important. Retailers, like the breweries, are not licensed. Isn't that an anomaly? Very few people know that. When we say we are a licensed beverage industry, that's true for wine and spirits, for wholesalers and for importers, but not for beer and not for retailers.

Hicke: Oh, yes.

De Luca: So what sprung up were operations like Beer Across America, retail operations headed by Mr. Amaroso in Chicago. They started sending beer across America and so states and attorneys general were being alerted, "Hey, you know, the rules that say you should go through the three-tiered system are being violated. Let's try to enforce this."

And it's hard to enforce and attorney generals were doing stings, and investigative journalists were being inquired by wholesalers: "Look, they're violating the law." And two years ago, in the south, particularly, they started to put through felony bills, making it a felony to send a bottle of wine directly to a consumer.

It started in Kentucky, Georgia, Florida. It's now in seven states. And this paralleled the extraordinary development of electronic commerce—Internet. And not only were people in America in all walks of life using catalogues and telephones and direct request, but they were also using web sites on the Internet. And this was starting to happen with wine and with beer. Spirits is involved, but not to the extent that wine is. And beer is involved but not to the extent that wine is. But they're in there legally, and so we suddenly found the issue of high tech raising questions about interstate commerce.

And commissions were being formed by the government, not about us, but about books and music and foodstuffs and clothing about where should you pay the excise tax? Should it be where it originates, or where the consumer is? We were being faced with the same questions so we started changing from reciprocity bills to licensed bills where we would agree to pay the excise tax in the state where the consumer was. And so the charge that we were black marketing and trying to avoid taxes was not accepted by us. We came up with a solution.

On this nexus, [there was] the question of whether you would call on the jurisdiction of the state. We agreed in Louisiana and New Hampshire and Nevada that we would have sort of an interstate shipping license where we would pay so much money—\$250, or something like that—to ship into a state which would give them legal jurisdiction over us. All of these things were being formulated state by state when, in fact, the wholesaler

community, probably through incremental decisions, decided to make a stand and use the issue of the Internet and the fact that wine could get into the hands of the underage as a place to define the issue anew—not in economic terms, where the wholesaler was concerned about his role. Now remember, this was happening as the wholesalers are down to about 300 from where they were in the thousands, to just about 300 and only a handful of really large ones, and our wineries have gone from just a couple hundred to about 1700, 1800, and are left out of the marketplace because they're not being carried by the three-tiered system.

Hicke: Can I stop here for a second?

De Luca: Yes.

[Tape 22, Side A]

Hicke: Okay.

De Luca: Thank you. All right, where we are now is that the issue for our members—for the preponderance of our members—is not that they don't have a franchise: our wineries are very successful, they are amongst the most competitive in the world—they're carried, but we have several hundred members in Wine Institute who are very small, who don't have access. So even though let's say 95 percent of the volume that our organization represents is in fact carried by wholesalers through the three-tiered system, we decided that for those least capable of addressing this issue we should do it on their behalf, in principle. And what galvanized us—and it was a miscalculation on the part of the wholesalers—was that instead of sitting down with us and trying to work this out, they were introducing bills making it a felony. And the idea that you would have a partner criminalizing activity that in any other industry is considered normal business practice really started to get support on the part of those who otherwise were not involved. How could they criminalize this activity? This is really something we've been trying to shake loose for sixty-five years. When we were branded as criminals during Prohibition, we had to be fingerprinted. The whole issue of "in bond," the question of paying excise taxes in bond—the originator of that was that this was like skimming profits at gambling casinos. And the moment you moved a product from a part of your winery to another part and prepared for shipment, you'd have to pay a tax on it. All these things all derived from this criminal attitude about our industry. That's why we ended up at the Treasury Department, the Bureau of Alcohol, Tobacco and Firearms, not in agriculture where we'd always been in Europe.

Hicke: Yes, Carrie Nation has a lot to answer for.

De Luca: Yes. Carrie Nation's axe—today it's addressed in different ways, but it resonates—it's still echoes of things past. Very Proustian by the way.

Hicke: Yes.

De Luca: As soon as you say some of these things, you can evoke the period of the past. Well, many of our members are quite upset at the notion that entrepreneurial activity, like responding to a consumer, should then be categorized not only as a crime but as a felony. If you look up what a felony is, felony refers to murder, to arson, to robbery, to

assault, to battery. And in our industry, a conviction of a felony invites the federal government—Treasury—to review your license, your basic license, to where it can remove that basic license and you're out of business. So who wants to accept the burden of shipping a wine to a consumer—originated by a consumer?

This is not inside baseball stuff. This is really how do you grow an industry? And if there are consumers who want your product, cannot find it any other place, they go to you directly and say, "I'd like you to ship a case to me."

Hicke: Which happens a lot.

De Luca: Which happens a lot. Or, "I'm a visitor. I went to your winery. I'm from out of state. I can't find it at home. Here it is right now. Can you ship it back to me?"

These arcane laws all derive from that agreement that FDR had. The lawyers are saying, "Well, really does it?" For decades the Twenty-first Amendment, which was after a series of challenges in the thirties, was pretty much accepted—that the state could do whatever it wanted. But over the last twenty years, the U.S. Supreme Court in some major cases—"Bacchus and Hawaii" on taxes, "MidCal" hearing in California on posting, and more recently, "Liquor Mart 44 vs. Rhode Island" on the rights of commercial free speech—has said that the Twenty-first Amendment isn't all powerful.

Hicke: Hm.

De Luca: And about that, you're starting to see law review articles saying the Twenty-first Amendment never was intended for economic protectionism—to discriminately keep out competition. Its core was temperance. And yet you have to prove that what you're doing was designed for a core reason—for the Twenty-first Amendment, temperance—so you're starting to see in the literature of the major law schools questions about the Twenty-first Amendment. And lo and behold, here comes the internet, electronic commerce, what is the relationship between states? It's not only the physical act of crossing a border. Now you can have through websites, instantaneous communication, so it's putting in relief questions that have been dormant for years and now are being reviewed.

And around direct shipments, which is emotional, we had the debate around Littleton, Colorado, and the massacre at Columbine High School. A bill came along called the Juvenile Justice Bill—all about guns. Except in the emotionalism of the moment, Senator Robert Byrd of West Virginia hijacked a bill that Orrin Hatch had about this matter and made it an amendment that passed, that's now part of the Senate Juvenile Justice Bill which would put restrictions, though major flaws in due process, on our ability to work state by state. What it basically says, Carole, is that each attorney general in the state could go to federal court to enforce its rules on alcohol.

And we say we don't disagree if you can confine it to the issue that was supposed to be the issue of underage access, underage verification, but they want this to apply to an adult, which would have a chilling effect on our ability to work state by state by state.

Senator Dianne Feinstein introduced an amendment that addresses the underage issue by saying you have to label the package as containing alcohol, which we agreed to.

And you shouldn't just drop off a case and leave it on the doorstep. You want to make sure that an adult is picking this up. We have argued that the notion that a teenager—a thirteen-year-old, who was a young girl in Salt Lake City, which triggered legislation by Senator Orrin Hatch, got beer from the state of Washington and then had the case of beer delivered to her doorstep. Her parents were involved with this sting because they used the credit cards [and were on camera].

Hicke: Was it “sting” that you said?

De Luca: Yes, it was instigated by an investigative journalist. And they carried it on television and he showed it to the whole audience—national audience—on C-Span, that you could order beer, and it's left at your doorstep—or the next day you go and pick it up. Well, you don't go and pick it up the next day—it takes a week, sometimes two weeks—but the notion that a youngster who wants to get alcohol, especially wine, is willing to pay \$200, \$300, \$400 a case and to wait and to use the credit card of a parent, which obviously involves some subterfuge with parents, is just not commonsense.

Hicke: No.

De Luca: And so, where we are now, is that the House of Representatives, through a large number of parliamentary moves, has a “mark up” where some of the due process clauses of the Byrd amendment were cured, but our attempt to say it should apply only to minors, is what's fought back.

Hicke: Well we just got a fast phone call wrapping this whole thing up and the vote was—

De Luca: To put my answer in context, today the National Conference of State Legislators met and voted to go officially on record that the states do not want this federal interference and enforcement of the state laws which is our position—and that we want to work creatively. We want to craft case by case. Not every state is the same, not every state is a “free” or “licensed” or “control” state.

The vote was by states, forty-one to seven, and we needed a three fourths vote in the body of delegates where each state has only one vote. And to get forty-one of the fifty states—two were not present, validates years of work: of shoe leather pounding, of going before hearings, going before committees—it was almost like a referendum on the credibility of the Wine Institute in other states outside of California.

Hicke: Congratulations.

De Luca: What effect it will have on the Congress is not clear, but it should be helpful in framing the issue. But we're trying hard throughout all this not to engage in any public brawl with the wholesalers. They have put out statements that call us bootleggers! We haven't heard that in sixty-five years.

Hicke: Yes.

De Luca: Black marketeers: we haven't heard that in sixty-five years; that we contribute to youthful violence, which is nonsensical; cyber-booze—all these epithets have been hurled at us. But we feel somebody's got to be a steward of this reservoir of social

responsibility that all have created, including wholesalers, and we don't want to dip our hand in mud and start throwing it at them. So even though some of our most vocal adherents want us to get in there and have knives in our mouth and climb the riggings and go after them, we've tried to keep the issue focused because we need to continue to work as partners.

If there are going to be eventual resolutions of these issues, it has to be negotiated. And we all should address the underage issue, but electronic commerce, you shouldn't deny that to a budding industry, and particularly to those who by virtue of the law don't have access to the consumer. Remember that. If you're a three-tiered state, and you must go through the wholesaler but the wholesaler doesn't carry you for whatever reason, how are you to engage in commerce? And if a consumer can't find your product, but hears about it, reads about it in many of these wine journals and writes to you or calls to you, or finds a website on your page and asks you to send it directly to him or her, should that be a felony that puts you out of business?

So that gives you an idea of the echoes of Carrie Nation—that acts at the beginning of the century were done in a heavy handed way. It was literally brute force. Today it is more through subtle ways, but it's instructive—and I read an article by Lawrence Tribe, a very famous professor where he said, “Even in repeal, you find that what you set loose when you're talking about Constitutional demons, even in repeal, the Twenty-first Amendment created a whole new generation of problems for this society.” And so the specter continues to haunt us. How are we to overcome that, I think, is through the work that we're doing: scientific; through the media; to effect culture.

Before our phone call I wanted to expand on state developments and how will they convert with the Congress.

Hicke: Yes, that was my next question.

De Luca: The next step is tomorrow on NCLC letterhead we send the vote to all members of Congress, so at least they will knock out the misrepresentation that what they're attempting to do at the federal level is done because it's at the wish and call of the state legislators. This rebukes that notion and says, “No, we don't want federal interference.” And that has been our position.

But we can't resolve that Twenty-first Amendment versus the interstate commerce clause until at some point with the U.S. Supreme Court in years to come. We're in a battle right now, and the issue for us is not one of legal abstraction and concept, but one of direct activities with the legislators, with real people, with committees, with hearings, with reporters, and therefore we have to go state by state rather than looking for a federal solution.

It's in recognition of the reality of what we face, and so this vote: Alaska, yes; Alabama, yes; Arizona, yes; Arkansas, yes; California, yes; Colorado, all the way down—I doubt there are many organizations who could have that kind of effectiveness outside of their own state. You know, people say, you're in California, and you work in California—yes, but it's taken years.

And Steve Gross, who's our outstanding state's coordinator, had the regional reps there. Active were: Carole Martel Riess for the New England states; Bob Benton there for the southeastern states; Jim Goodman for the middle atlantic; Nino Ciaravino for the midwest; Chuck McGrigg for the central states and Texas; Sid Abrams for the west, Alaska and Hawaii.

Hicke: These are Wine Institute people?

De Luca: These are our regional reps who live in these states, whose responsibility is a territory of so many states. We, in turn, then have contract lobbyists or contract law firms. We have forty-two of them this year who are supervised by these regional offices who in turn are coordinated by the San Francisco office through Mr. Gross, who in turn reports to me, so I have the ultimate responsibility. Institute has a terrific team. And you can see that in the results here. So I'm really pleased with that.

Hicke: Well, that's a wonderful story. And it's a great example of the impact that the Wine Institute has had on politics—national politics as well as state. Is there anything more that you wanted to say about that particular area? We've been talking about it all the time, of course.

De Luca: No, the only thing to say is that it is also mirrored by our work at the federal level, where we work with Congressional delegations from the different states.

Hicke: Right.

De Luca: And it underscores an important point of why we've had professionals working in this area. There is kind of an unhealthy innocence running afoot where people say, "Well, we could abandon the plow and at a moment's call, we could go and testify before our legislators, and therefore we should have only a grassroots movement."

We've said, "Yes, we work with grassroots movements—we rely on them, we develop these ties, but you need professional, savvy, experienced people who have been either former legislators or who have worked that arena, because many of the issues do not lend themselves to hearings—whether you are given adequate time, or you're given adequate notice." Therefore it's a tribute to our members that all these years they've sustained millions of dollars a year in the budget for the work to have these trained professionals who do work with local growers and local vintners. They live there. That's the reason we get these contract people. That's part of their resume of why they are attractive to us. They have deep roots, they do work with consumers, they work with wholesalers and retailers, with lawyers, with doctors, with medical friends of wine.

And why you need a very highly skilled professional organization—that requires money, that takes dedication, and continuity—it takes years and years of working. And today, the day fanned out—for the last several days—today was sort of like their final exam.

Hicke: Okay. That's a great story.

De Luca: And I'm glad that we had the timing of this, because it's happening while we're speaking.

Interview 12: February 14, 2001
[Tape 23, Side A]

- Hicke: [We'll pick up] where we left off, which was May 1999.
- De Luca: It's going to be two years pretty soon.
- Hicke: Right, and I know so many things have happened since then, I can hardly expect you'd remember them all, but do you have a place where we should start?
- De Luca: A place where we should start. Well, there are a number of major developments occurring internationally with regard to trade agreements and new trade organizations that are being formed that will probably reorder the global position of countries, and we're deeply involved, so that's one subject matter that we could explore.
- Hicke: Okay.
- De Luca: Since that time, we've had this very major threat in our vineyards called the glassy-winged sharpshooter and Pierce's disease, which is not new, Pierce's disease, because we've had the blue-green sharpshooter, but we've had major discussions with regard to the state, the federal role and our role in how you do attack a bug that has the potential for literally the ruination of this industry if it's not controlled.
- We've had during this period of time sort of the culmination on one end and the further development on the other of this issue of direct shipments of wine, with the wholesalers, with e-commerce, with the passage of the 21st Amendment Enforcement Act, and revisiting in the courts, of a matter that historically occurred in the thirties, which was the relative role of the 21st Amendment to the interstate commerce clause. And there are many court developments there, in Kansas, in Texas, Indiana, New York, and Florida, and legislation at the federal levels.
- So those are just a few of the highlights. One thing I don't ever want to forget in our discussions is the recognition—I'm the one who's speaking, but the recognition of an extraordinary group of people called our staff, who are now really beginning to get the proper recognition that they deserve in terms of their work, where obviously I'm proud of the team that I've assembled, but I'm also equally desirous of sharing with them and having people understand that this activity here at the Wine Institute has attracted very talented, very dedicated, very committed people.
- So I would consider those to be some of the major topics, Carole, that we could discuss.
- Hicke: Great.
- De Luca: In any order that you wish.
- Hicke: Well, let's start with the international.
- De Luca: On the international front, this period, this last decade has really witnessed the globalization, internationalization of the world of wine and certainly our role in that development. In 1984, we passed the Wine Equity Act, and that was desirous of trying

to create the famous level playing field for us. But at that time, most people thought it would be an empty gesture, that really the Wine Equity Act, for export expansion—many people thought it was just a cover for us to be protectionist and to not want to engage in competition in our own country.

Hicke: Is this tariffs on importing wine?

De Luca: Tariffs, non-tariff barriers, phyto sanitary questions, labeling questions, names of geographic significance—it's a large, large subject matter. We had many skeptics who thought that the world of wine, California wine, U.S. wine was really putting up a political cover for its desire to be protectionist here in the United States. The truth was exactly the opposite. We saw, and I played let's say a contributory role in all this—we saw the opportunity and the developments across the world for California not only to be active in its state and across the country, but globally.

At that time, we had only shipped maybe twenty-four million, maybe twenty-five million dollars' worth of wine in the mid-eighties, so people didn't see us as truly desirous of exports, and that we were "afraid"—quote, unquote—of the French and the Italians and the Germans and the Spanish. And yet today, as I'm speaking to you, we have gone from that \$25 million to close to \$600 million a year in the period that has transpired, with some very significant increments over \$100 million in exports over one, two years, where it's adding up now.

Our goal is in another five years to reach \$1 billion of exports. This has been a very significant development, not only in terms of consumer attraction, the image of California wine in Asia, in North and South America, and in Europe, but also it's been a very important development in our competence to compete in our own country. In other words, by learning how to compete overseas, we're learning how to be even better competitors in our own country, which is still the greatest attraction for many other nations, producing nations, who want to export their wine.

So it's had the double-fold let's say accomplishment of stretching our people—they're traveling, they're learning. Our meetings here are truly remarkable. We have those who have just come back from the provinces in China, those who have just been in Indonesia, those who have been in Tokyo and throughout Japan, those who have come back from eastern Europe, from the Soviet Union, from the Caucasus.

It's truly impressive to see the intellectual property part of this, how our people are becoming more sophisticated, understand the world of finance. Fifteen years ago, it was so hard to convince people that the value of the dollar had such an impact on trade, for wine coming in and for our exports going out. And now that's accepted. But in those days, the whole approach was: it's all P.R., it's all marketing; and as a result not understanding the labeling rules, the phyto sanitary rules, the tariff and non-tariff questions that were coming into play.

That now has been consolidated. There has been a true level of sophistication.

Hicke: Can you attribute this growth and sophistication to any factors?

De Luca: The program that we have entered into with the federal government, through the Foreign Agricultural Service, called the Market Access Program, has been a great contribution to this sophistication, because over this period of time, for the last decade, we have had a partnership with our own federal government, with marketing funds that are matched. For every two dollars we put up, we get a dollar contribution.

Hicke: When you say “we,” do you mean the Wine—

De Luca: The Wine Institute. The Wine Institute has been designated by the federal government to be held accountable for the use of these funds, for opening up these offices around the world, and for the marketing that takes place. It’s the only area Wine Institute participates in terms of marketing. It’s overseas. In the United States, our role is almost exclusively public policy; the marketing and the sales are done by the individual wineries. We do the governmental work, the legal work, the areas that have to do with blood alcohol issues, drunk driving, taxes, issues of direct shipments throughout the states, the control states, the open states.

There we are truly public policy. Overseas, we’re public policy plus marketing, and the marketing funds come to us through the Market Access Program, which is an appropriation by the Congress, administered by the Foreign Agricultural Service.

Hicke: So Wine Institute has been instrumental in this growing awareness.

De Luca: Yes. And for members and nonmembers. We have one of these interesting contrasts. Members who are part of the overseas program, almost 90 percent are members of Wine Institute. But there is a percentage that are not members of Wine Institute who participate in our overseas program, our international program. By law. We’re held accountable for all the wineries, whether they’re members of Wine Institute or not. And that has helped to bridge some of the gaps, so that we’re dealing with wineries who are not members during the day, when we’re talking internationally, even though if at night we’re talking about national issues, they’re not involved with us. So it has been, I think, a nice bridge and a nice way to couple the idea that we should be unified.

Well, out of all this, out of this participation has come a renewed standing and credibility about the world of wine in the different organizations that are governmental and private, that have such a large bearing on these issues of trade negotiations and what we call mutual acceptance agreements; that is, the ability for different national blocs to accept the standards and rules and regulations of other countries. Those are what we would call the non-tariff barriers.

An example would be in terms of labeling. There are certain label practices that we have here in the United States that the Europeans do not accept overseas. We have some enological practices that they say do not conform with their rules and regulations. They often refer to the fact that the New World countries, like Australia, New Zealand, the United States, Canada, Chile, do not really make wine; they make “industrial” wine, and therefore they fall into different categories, where rules and regulations have prohibited those wines from being exported without treaty allocations that we have.

We’ve had a number of agreements where on a one-year-by-one-year basis—

Hicke: On a one-to-one country?

De Luca: Oh, yes. For example, the United States and Europe entered into an agreement in the mid-eighties permitting our wines on a derogation basis—they were derogating their rules so that year by year we would be permitted to export, but not on a long-term basis, making it very hard for our wineries to make long-term commitments of people and resources. It's almost like having a one-year lease and having a building downtown, and how do you maintain it and how do you plan for the future.

Well, we have come to the point where we have said, "You can't do business that way, and you should accept our enological practices. It's not "industrial" wine. It's fine wine. It's premium wine, and it's world-class wine. And don't use these rules and regulations to act as trade barriers to free and fair, more than free, fair competition."

Hicke: I would have expected they learned that in 1976, if not before.

De Luca: Absolutely. Then we find, we have these international bodies that govern, and we have these organizations that are the equivalent of our Treasury Department, who meet and who put together these rules and regulations. Then we have the NAFTA, North American Free Trade Association; the World Trade Organization; the GATT, the General Agreement on Tariff and Trade. So as we become more active overseas, we've been much more active in terms of both the participation and advisory capacity to our federal government and participation with private groups.

The most important of the governmental groups is called the O.I.V.: O period, I period, V period, which is French for the International Organization of Wine. That body has been dominated by the French, the bureaucracy, the paperwork, the rules and regulations. Well, should we continue to have our government participate in really what has been a governmental leverage to inhibit fair trade?

At the same time, we are trying to enter into negotiations with the European Union and have had many meetings with them. I went with a delegation to Barcelona, to sign what was called the Barcelona Agreement, on Europe and the United States working together on opening up—Asia; Europe, and the United States agreeing to accept each other's viticultural and enological practices; and Europe and the United States working on research into the health effects of drinking in moderation.

Those are very important declarations. There were all these winery groups that were representing different nations: Italy, France, Spain, Portugal, Germany, and so forth; and we did the same thing here for the Wine Institute. We met with them. We met with them in London, we've met with them in Washington, two meetings here in San Francisco, several meetings in outlying areas.

So that's one area of participation, direct talks with what is called the Comité Vin. That's French for the Wine Committee, of Europe. That has really progressed very strongly. It's private, but it's affecting government to government exchanges.

Hicke: Are these groups similar to Wine Institute, for their own countries?

De Luca: There is a parallel. They're different in the way the representation is chosen, and they're also different in the sense that this is a multinational committee, as against ours being primarily California plus the other states. It is a U.S. participation of not just California. But we're nine-tenths of that, as you know. We work very well with New York, with Oregon, with Washington, with the American Association of Vintners.

What is different is that their relationship to their governments is a little different than our relationship to our government. In some ways, they're closer; in some ways, they're further apart. But by meeting at the private level and agreeing to certain terms, we've almost forced our governments to acknowledge, as they find out on trade agreements and trade reforms, that they shouldn't be that distant from what the private, industrial sector is doing. I don't mean industrial-commercial sector. Now, that's one set of developments.

Another one, which is really profound, is that we've taken a leadership role, the United States, and here we've worked very well with the American Association of Vintners, in the creation of what has been called variously the New World Wine Group. Right now it's still transforming its name. It's the creation of a new entity whose founding countries are Australia, New Zealand, Canada, the United States, Chile, Argentina, and South Africa.

This has caused the Europeans profound consternation because we're going to go ahead and put together our mutual enological practice agreement—

Hicke: Within this group.

De Luca: Within the group. In fact, we're signing the first one of a number of documents in Adelaide, in Australia, in two months. I'm sending Mr. Joe Rollo and Mr. Jim Clausen from Washington, D.C. Mr. Rollo is the highly respected director of international public policy for Wine Institute, to the signing that will take place at the governmental level. This is going to be our governments, not just the private sector, creating a New World Wine Group. It will certainly counterbalance the domination of the European Union by the west Europeans, particularly the French.

Now, they have to take recognition of this evolution, because these new forces are really emerging very powerfully in competition, in exports. We compete with all of them. We also have found a common area of mutual assistance.

Hicke: Will this agreement cover such enological practices as you said might be not approved by I suppose France mostly?

De Luca: Yes. There are questions like filtering agents. We believe, and the consumers are attesting to it, that we make fine wines. We don't claim to make the best wines in the world, but other people say that.

Hicke: Some of the best, certainly.

De Luca: Other people have so said, third-party arbiters, not ourselves. But we certainly are making world-class wines that can compete with the finest. And in doing so, we're every day chipping away at the myth that the wines being made in the New World are

not really wines in the traditional sense, the way they've described wine. See, it's interesting. You describe wine, and you put down a definition of wine, and then you say to somebody else, "Well, you don't meet our definition." Then you can't get your wines through those custom agents. Except we've had, as I said, this one-year hiccup at a time. We're trying to put that to rest. We want a long-term agreement, and we're in the process of having our government meet with their governments, in Europe. In the meantime, we're working with these other nations to form a New World Wine Group.

Hicke: Eventually will this New World Wine Group run face to face with the European Union, for negotiations?

De Luca: Well, right now, the United States is negotiating directly with the European Union. Chile and Australia are having bilateral talks. We haven't met bloc to bloc, but the United States has such an attraction in terms of being the most open, the easiest market in the world to compete. Just ship the wines here. We accept the Customs declarations of the exporting country that they are meeting their enological practices. We accept that declaration, even though they don't do that with us. And then once you enter into the distribution chain here in the United States, it moves into the wholesale and resale—to the consumer.

So this is still seen as the prime goal for every exporting wine country, to get into the American market. They see it growing. They see this population with money, discretionary funds, growing sophistication, growing travel. So our government, in recognition of that, is gaining leverage that it didn't have before.

Of course, our political standing, and our let's say media standing, has skyrocketed in this period. We now have about 115 members of Congress in the wine caucus.

Hicke: Oh, really?

De Luca: Yes. The caucus is not a drinking society. It is legislators, members of the House, members of the Senate who have formed to learn more about wine. In fact, I think in about another month and a half—the month of April is going to be very busy with us—we have some twenty members of Congress that are coming out here as our guests to visit our wineries, to visit with our growers, to have seminars, workshops, and to learn more about the issues surrounding wine.

It's not just a joyride to come out here and just drink wine and talk, though that's always a wonderful attribute of coming out here. We're very serious about educating, through exposure, through trips. Nothing as instructive as coming out here and literally walking our vineyards. You find out about our agriculture, you find out about the natural components, that we're not manufacturers as much as we are really farmers, and the soil and the stewardship of the soil, and the issues that we're concerned about, like pests, like phylloxera, like Pierce's disease, like Eutypa.

All these things come much more to the fore when you're out here and visit with us, rather than giving them, let's say, public policy papers or abstractions.

Hicke: A picture is worth a thousand words, or something like that.

De Luca: Sure. And they come out here, and that's part of the wine caucus's work. We're again, major contributors to it in terms of funds and in terms of staff, in terms of arrangements, in terms of getting the expertise. This is something the organization of the Wine Institute has really, I think, brought to a high level of accomplishment, and that is the ability to marshal resources.

Hicke: Did you organize the wine caucus?

De Luca: The first time I helped start it with Tony Coelho and Pete Wilson. Initially, many years ago, they had only about ten members. For the longest time, we had essentially a dozen members. Around the issue of direct shipments, around the question of our wineries being able to send directly to a consumer under certain constraints and controls, the wholesalers brought to the Congress legislation over the last four years, where they had attempted to put restrictions by amending original legislation about the 21st Amendment and how to enforce it, which would have been very restrictive.

In that battle, which was picked up nationally and internationally, *The Wall Street Journal*, *The New York Times*, *USA Today*, the Knight-Ridder press, the *Chronicle*, the *L.A. Times*—they all editorialized in terms of the consumers, in terms of our ability to send this wine directly to them. And so that became a very strong educational tool in Washington as committees discussed it, as members had to confront it, and as the wholesalers pushed it.

In effect, it helped to solidify the notion that there should be a new wine caucus not only of the states where wine is produced, but states where there are consumers. This was really consumer driven. How do we accommodate in the new electronic age consumers who are finding it difficult in a state, by law, to find wines that cannot be carried in their state because the wholesalers won't carry them? They won't include them in their portfolio.

So it really became a recruitment drive. Two members from California stepped forward, Mike Thompson from Napa, and George Radanovich from Madera—both of them very knowledgeable. George, in fact, has a winery of his own, Radanovich's Vineyards. And Mike Thompson worked with Beringer and was very close to Sutter Home. They became co-chair. One was Democrat; one was Republican. Both of them had been selected as the presidents of their freshman classes. It gave the caucus a great bipartisan component. And so in addition to the states like California, Washington, Oregon, New York, Texas, they were able to recruit wine-conscious, wine interested legislators.

Now that body exists, and several of the things I talked about before we started recording, going back to the University of California, going back with our wine week in Washington. The wine caucus is going to be included in a number of the venues, a number of the events.

Hicke: I got you off on international. Shall we pursue direct shipments?

De Luca: Let me just conclude on the international.

Hicke: Okay.

De Luca: Where we are now is on the eve of this agreement of the New World Wine Group for mutual recognition of its enological and viticultural practices. We have just finished here at the Wine Institute—and that's another sidebar. There's so much, as you talk about this, with the high-tech people, on PNTR for China. That was giving Permanent Normal Trade Relations with China. The administration and the Congress gave proper recognition to our role in being able to get members of the Congress, like the wine caucus, to come up with critical votes last year.

And so we now have an office in Beijing and one in Shanghai and in Hong Kong, also in Tokyo and in Singapore, working on opening up trade to Asian consumers. At the same time, with the Comité Vin, the Wine Committee of the European Union, on a parallel path, we're talking about ways to diminish trade wars. We agreed during the so-called famous banana dispute that wine should not be included in the retaliation list. People gave us high marks for that. We did not want to see all kinds of restrictions put on European wines coming into the United States in retaliation. That was very farsighted, and I give our members great credit for that.

Hicke: Let me turn this over.

[Tape 23, Side B]

De Luca: There's so much going on that's dramatic. In fact, the constant here is change. And most of it is inspired by our desires to redefine wine in the United States, redefine the debate on alcohol in the United States, redefine our position and strengthen it worldwide, opening up markets within our own country, looking at the laws and regulations that we inherited. So it's quite a period of both vetting and venting issues that remained dormant for the last sixty, seventy years.

What drives it is the dynamism of the industry and its new position in terms of the consumers, and that has affected us with the government, the regulatory agencies, the state groups. There is still a very strong anti-alcohol component. We know that. We see it manifested when we will discuss what happened to our directional label, with the government. But the surging force can't be denied, and that is the role that we're playing in terms of our culture and our lifestyle in the United States, the role we're playing in terms of nutrition issues.

Doctors now are being told that they can get continuing medical education credits if they go to Italy and Greece and enroll in the programs on the Mediterranean diet. The New York Academy of Sciences is going to be here—again in April. They're going to be here in Palo Alto, and again they're bringing in thirty-five of the leading scientists in the world to talk about wine and health. Not we. I'll show you the documents before we leave.

This is not being done by the Wine Institute. This is being done by wine scientists, researchers. But the point is, doctors are being told that they can get continuing medical education credits for learning about wine and nutrition, and we've been able to reposition ourselves as part of the nutrition question. Are you going to spend a lot of money for prescription drugs as a senior, which is exploding as a national issue? Prescription drugs are part of the debate between President [George W.] Bush and Vice President [Al] Gore. Or through nutrition, can you learn how to fight disease?

And that's a growing movement within the medical community. And we're part of the stimulus. Harvard's School of Public Health did the same thing, in terms of continuing medical education credits. The Old Ways organization and Harvard are combining to put on new sessions on antioxidants, the phytonutrients in wine. Well, the reason I mention it is that it's the scientific foundation for cultural change, it's the scientific foundation for regulatory reviews and for legislative reviews, and it's also the foundation for our newfound political strength.

And it all gets back to that document I shared with you years ago that was passed as a White Paper in 1989-90, that our concentration on research, on scientific findings, was the pathway for our future growth, that it would affect our marketing, it would affect our public relations, it would affect our public policy. And so that's really the wellspring of all the things I'm taking about, whether it's direct shipments, whether it's the international community with the New World Wine Groups, whether it's our ability to work with the Europeans, working with the Chinese. It all comes from the ability to reposition ourselves in society.

That was really, I think, one of the major accomplishments of the Wine Institute, as made not only to the world of wine but to the larger community: consumers, wholesalers, retailers, and even the beer and spirits people have to recognize that what we're pursuing is the rising-tide-raises-all-ships approach.

Hicke: Did we finish international?

De Luca: I could go on forever. But yes, let's say we have. Let's say we just touched the major points.

Hicke: Yes, we did, just get the highlights. Well, then, since you're already touched on direct shipments, let's finish that off. You probably just barely got started.

De Luca: That's right. The last time we talked it hadn't really escalated into the major issue that it became. It's still continuing. The direct shipment question was first approached by us in 1985. Up to 1985, there were laws on all the books in the United States making it a misdemeanor for any producer, a winery, to sell directly to a retailer or to a consumer, unless that entity went through the distribution system.

The three-tiered system after Prohibition found a very important role, institutional as well as a commercial role, in saying that you had to, by law, sell to a wholesaler, who would sell to a retailer, who would sell to a consumer. All those early laws, which came right after Prohibition was repealed, were designed around the finances of making sure that excise taxes were collected and also with still a temperance sense that a product which had been prohibited, now repealed, still needed regulation.

Hicke: Control.

De Luca: Yes. And over the course of the last half century, that system has worked very well. Wineries were able to find wholesalers. Wineries were able to distribute and to go national. Remember, we have to deal with each state as though they were almost international entities. But by 1985, we found the increase in the number of wineries and a consolidation of the number of wholesalers, leading to a number of wineries, brand

new, not being able to find wholesalers to carry their product. They weren't attractive enough in their portfolio.

And so they came to us. I remember a number of meetings. They said, "You know, we're being excluded from our own markets in our country. We have people who come to our wineries who want to buy our wine, and they can't find it in their own home state. We can't even ship it to them. They can't even buy it here and ship it back to themselves. These rules are that stringent."

But they were misdemeanors, and there were attempts by a number of wineries to meet this growing market, and the wholesalers would holler foul in their state. Very few activities led to strict legal enforcement. We thought the best way to approach this was to enter into reciprocal trade agreements, as though we were nation to nation. So we started a program of reciprocity in 1985.

Hicke: Between states.

De Luca: Between states. California passed the first legislation, and Washington and Oregon—they could reciprocate. Very tightly controlled. Only minimal amounts. These were not attacks at all on the three-tiered system of reforms. Trying to continue to maintain the structure, but also some safety valves for those wineries who could not work through the three-tiered system, primarily the smaller ones, who had not yet established reputations.

Again, the level of activity was such that it was not considered a major threat, and so state after state, fifteen states were able to do so. However, by the mid-nineties, there were a proliferation of clubs. It was also going into interstate, not only intrastate—there was a growing market for this. People were starting to write directly, catalogs, telephone calls, and the arrival—and I'm fast forwarding—of electronic commerce. And this caused great alarm amongst the distribution wholesaler ranks, who saw this as a direct threat to their livelihood.

We saw differently. We saw this as a great opportunity for them and for us to grow, because it was not artificial; it was inspired by consumers, who saw these products, wanted wine, couldn't find it any other way; therefore they're asking the producers to send it to them directly. In fact, there was this niche being developed.

In the South, a number of wholesalers, state organizations, went to their legislators and said, "Enforce the law. The law is being broken." Went to attorneys general, "The law is being broken." And so suddenly in Kentucky, in Georgia, in Florida, in Tennessee, we found felony legislation, making it a felony for a winery or a brewery or a distillery, but mostly it was aimed at wineries, to send directly to a consumer.

It led to the boycott by a number of our wineries in Kentucky. With Steve Gross I went back there and met with the governor, with the legislature, and said, "There's got to be a more intelligent way to handle this. It's not inside baseball. It's not just between the tiers. It's trying to respond to consumers. Consumers in your own home state can't find these wines, so they're asking us to send wine directly to them. And the wholesalers won't carry wine, so effectively they're being barred from doing commerce in your state."

Well, the 21st Amendment kept coming up, as permitting the states to do these things. Absolute power. And so we found all of a sudden, in different states, other approaches, and we tried to be creative. We were never trying to attack the three-tiered system, which works well for the preponderance of the industry. Our major members do not have a problem getting wholesalers. They're well known, they're highly regarded, they're well advertised, they have a great market appeal. But we felt, for those who had not yet achieved that acclaim, they had a right to get into the market. Again, we were not attacking the system.

So in a number of states we came up with—in Louisiana, what I call the Louisiana Compromise—

Hicke: [laughs]

De Luca: We had a way of working new arrangements, not reciprocity but through the payment of a license. We worked in New Hampshire, with the “control” states. As you know, there are eighteen control states where it's the government that is the wholesaler or the retailer or both, not just the private sector. So in New Hampshire we came up with a control state solution.

Then we found that in other states, like Nevada and the Dakotas, we could use special personal permits to be able to get wine directly. But always minimum amounts of supervised signatures needed by an adult. Which, by the way, became the focus for federal legislation, which escalated this whole issue from state by state into a national issue when Senator Orrin Hatch of Utah, who was chairman of the Senate Judiciary Committee, introduced legislation saying that this new system was permitting teenagers to have access to alcohol without adult supervision.

They had a number of stings, and he held a number of hearings. I testified. Where the first opening batch featured a youngster, a young girl of thirteen, getting some beer in Utah, from the state of Washington, where the sting showed that she used her parents' credit card, and that the beer was delivered to her doorstep without any request for an adult signature.

And therefore the issue turned on marketing practices to minors, and therefore the wholesalers, rather than say this is an economic concern on their part, started talking about “cyber booze,” about this underground activity. Hired a big firm to make this big case nationally. Spent a lot of money trying to say they were there to protect the morals of the youth and to try to keep it away from being a question of the wholesale tier concern about its economic role in any future electronic commerce.

Hicke: I hope she didn't expect that beer in time for her party!

De Luca: Well, immediately, not we but the editorial writers and the reporters debunked that, saying if you're talking about wine, most of the wine that is being moved is expensive wine. It takes a week, two weeks to arrive. Any youngster who wants to get alcohol right now through the regular system can go down and get an adult, or even forge an identification.

We said, “Look, that isn’t the way to go about it, attacking each other. We’re talking about which system is doing this. That’s not the issue. We have very strong social responsibility issues here. We don’t practice to market to minors. We don’t use athletes. We have denied ourselves some of the marketing practices that would be available in a free society, because we don’t want to have those heroes of the young, whether they’re rock stars or athletes, and so we can make the case that far from us trying to contribute to the delinquency of minors, we really have been a force in the other direction: how we advertise, how we educate, our educational programs.”

But that escalated into an extraordinary moment when in Colorado, when there was that widespread attack by those two youngsters at the school, Columbine, where they had that massacre, and the Congress immediately wanted to pass legislation on gun control, and believe it or not, the issue of minors and alcohol was thrown into the mix by the wholesalers, to take unfortunate advantage of the emotionalism around the little high school in Columbine.

And all of a sudden, a bill was brought to the floor. Passed 81 to 17, passing the 21st Amendment Enforcement Act, which put great restrictions on e-commerce but gave the powers to the attorney general to go to federal court to enforce state law, which they didn’t have. There was a reason for that, and that was state supreme courts were denying some of these state laws, the felonies, saying there was no nexus between the states and the use of the federal courts.

They decided, the wholesaler community, that they would pass new laws, permitting the use of federal courts to enforce state laws. So we suddenly had this whole issue escalated for a year. Hearings and press conferences and back and forth, and charges, mostly made against the wineries, but also a concern by the brewers, because Beer Across America got established in Chicago, and suddenly it was sending directly across the country, beer, to retail outlets, so the beer wholesalers, who are very powerful, also joined in.

So all of a sudden, in this period of great consumer interest in our products, the internal tiers were engaged in let’s say combative activity rather than partnership, although the partnership still was going on. We had a portion of our industry that was not reaping the benefits of the new consumer interest because of the system in place, but I had members in place who had no beef, had no animosity towards anybody.

However, the felony bills caused me personally to tell our membership, “How can we work with partners who use the laws to make it a felony for us to send to a consumer? The criminalization of this activity, the felonization of this activity has got to stop. It’s a throwback to the period of Prohibition. And so we ought to go back to our partners and say, ‘Let’s conduct this in a manner that is not detrimental to the whole industry. In trying to tar and feather us, you’re raising very serious issues about our role in society. By the way, if you’re not careful, it’s going to bring the spotlight of attention to your role. People know what role we play. We produce. People know what role the retailers play. Some of them are going to have a hard time about your lock, your constitutional monopoly in distributing. There are a lot of franchises in America other than the one for wine, beer, and spirits that don’t have this state guarantee, and so people are going to start raising questions. Sixty years later, did the 21st Amendment really grant you these kinds of powers to suppress economic competition?’”

And by the way, again, only in the interest of time, that has come full circle. There are in fact editorials and investigative reporters writing about this. And I told them, “You’re going to come out of this weaker, not stronger.”

Hicke: The distributors, again, we’re talking about.

De Luca: Yes. And so, again, in the interests of time, after hearings, after discussions, that legislation in the Senate never was adopted in the House. A new bill was introduced in the House by Congressman Joe Scarborough from Florida, and that did have a hearing. That did have the opportunity for committee amendments. And all of a sudden, out of nowhere, come the Internet people and the electronic commerce people, saying, “If this could be done to wine, where you’re going to suppress its free flow, you might do this with books; you might do this with a whole host of products.”

And so we served as a trip wire to the concern of the major internet companies, direct electronic commerce, e-commerce. And so they weighed in, and so they started putting in amendments that were favorable not only to them but to us. So the issue was joined not with the wholesalers versus the wineries, but the wholesalers versus e-commerce in America.

Hicke: Sounds like a groundswell.

De Luca: It did, and it was written about. They wrote all kinds of letters, and CEOs appeared to testify and to support us. And then the question came in, how do we reconcile all of this? How do we bring this to closure? Because we certainly didn’t want the matter to fester and to continue on. It came about through a compromise that Senator [Dianne] Feinstein worked with Senator Hatch, under what is called Rules of Construction. Under the Rules of Construction, which show how this legislation should in fact be enforced, it provided for no criminal or civil penalties; it only provided for injunctive relief. That is, if you had to go into a state and an attorney general wanted to use this legislation, he could only say, “Cease doing what you’re doing” without any penalties, and only if you disobeyed would there be any further prosecution.

But for any attorney general to use that legislation, even as I just described it, he or she would have to prove that legislation didn’t violate other sections of the Constitution: equal protection, the export-import clause, the 21st Amendment, the First Amendment clause.

So suddenly a true high barrier was placed before you could even use this legislation. The attorney general would have to prove to the courts that what you were doing was not in the interest of economic protectionism, not in the interest of excluding competition.

Hicke: It took all the teeth out of it.

De Luca: Yes. And so with that, we removed our opposition. We told all of the legislators that in their evaluation of this legislation, they should understand that we were no longer opposing it. It passed swimmingly.

The wholesalers were then left to explain what was it that they had accomplished, and they've had to reduce the original claim that this was going to completely reorder the way distribution was done in America to maintain the system as they had expressed it, to the twenty states where it is legal to do so interstate, the thirty states where it is legal to do so intrastate—again, we're talking about minor amounts, under controls—you know, primarily for these wines that do not have any access to the normal wholesale and retail system.

The unifying force that it has had has been extraordinary, because it unleashed the sleeping dog of consumerism, and in half a dozen states now they have brought lawsuits against those states which prohibit direct shipments. In fact, before you leave, I'm going to show you how relevant it is. On Monday, in Kansas, a wholesaler who was concerned about residence requirements, who was from Texas, who wanted to buy wholesale houses, was prohibited by residence requirements from doing so.

The rationale for opposing that Kansas law was in fact that the 21st Amendment does not trump the interstate commerce clause, which is the exact argument that's being used on direct shipments by many of the plaintiffs and consumer groups. What they're saying is, you really can't hide behind the 21st Amendment and say the state can do whatever it wants, unless you show that it promotes the core reason for the 21st Amendment, which is temperance. It can't be just because you don't like competition, and you don't like direct shipments, or you don't like wholesalers from other states coming in and buying wholesale houses, or anything like that.

You've got to show, not just claim—you just can't use language—you've got to show that your intention is there to control unbridled alcohol excess. If you can do that and you can prove that, then you can use the 21st Amendment, but you can't just use it as a cover to discriminate and protect local interests against outside interests.

Hicke: It won't work as a hatchet.

De Luca: So here we are, the year 2001, revisiting matters that were thought to be ironed out right after Prohibition. And where does this ability stem from? It derives from our harmony with our consumers. I think that is extraordinary, the credibility that we have established with our consumers, and that is the cumulative, collective work of so many of our wineries who have visitors, who come, who taste, who visit; our auctions, our charitable work, and of course you can't ignore, and never will, the role of the *Wine Writer*, the *Wine Columnist*, the *Wine Commentator*, all these wonderful magazines that are out there, which are very much directed at consumer interest.

And so you're finding across the country consumers going to their state legislators, not our lobbyists—and I can give you chapter and verse in different states—going to them and saying, “We always thought there was some reason that the wineries in California”—or in Oregon or Washington or New York, but mostly referring to California—“why they didn't want to ship to us, why we couldn't get their wines. Now we're finding out that it wasn't their lack of interest, it was really your laws in this state. Now, we want you to change them. And we want you to change them so that we as consumers can have products just like anybody else in any other industry.”

Now, a counter-argument to that is, “Wait a minute, this is not books or this is not fruitcake. This is really still alcohol, and it still needs controls, and it still must be watched, and it still has to collect revenues.” But we’ve been able to tell all the state legislators based on our own members that we’re willing to pay the excise tax in the state where the consumer is, not just here in California where we ship it. We’re willing to pay that additional tax. We’re willing to pay for licenses so that we can do business in these states. And, in fact, we are.

And in terms of the economics, we know that there’s a growing interest in our wines. What a great way for a distributor to find out what the consumers want. Without having to do testing, they can see, by virtue of who’s buying and who’s interested, and maybe they would carry that product.

So I think we have addressed many of the concerns, both in terms of social responsibility—we’re for legislation that requires a delivery to have a signature of an adult, proven; not just to go and drop the case on the doorstep. The federal law became effective last month. It was a yawner as far as national press, when the wholesalers claimed, “Hey, look what we’ve accomplished.” Most people know the issue was compromised.

So we’re now back at the local level, like I said we would. The reason we opposed congressional legislation was we did not want it to have a chilling effect on our ability to creatively work out, state by state, solutions for each state. And that’s where we are right now.

[Tape 24, Side A]

De Luca: —as we speak. There are these five legislatures now taking up renewed interest in direct shipments, and not every state is the same. We’re using different models for different states. But it gets back to an affirmation that we made that the federal legislation was in no way going to curtail our desire, state by state, to work with consumers, to work with retailers, to work with wholesalers. And I believe, as a result of the recent—

Can I help you?

Hicke: I want to punch the tabs out, so nobody’s going to record over it. Thank you.

De Luca: So we want to really go back to being responsive to the consumer, genuinely, because if you didn’t have the consumer interested in the wine, there wouldn’t be any of these discussions; there wouldn’t be direct shipments. For a direct shipment to take place, it requires a consumer who wishes that product. But as a result of these last three years, we have an energized consumer base, we have better informed legislatures, and the very same committees that are looking at direct shipment issues are also the same ones that are looking at franchise issues, because for the larger community of the wine producers, franchise monopolies are a much more immediate concern than the direct shipment issue is for the smaller wineries.

Hicke: We’re talking about distributing franchises?

De Luca: Alcohol franchises where, by law, it's almost impossible for you to make any changes. In general the United States, franchises are personal contracts, corporate contracts, whether you're talking about Burger King or McDonald's or any of those franchises. That is done by treaty, private treaty.

In our world, you have the state that intervenes and tells you the terms and conditions under which you can proceed, and wholesalers, who are very powerful in their states, have often gone to the legislature to get in effect monopolies, control over regions, making it impossible for any of our wineries to make any changes unless it's under, quote, "for cause," and that new "cause" is defined in a manner that is almost impossible to enforce.

So wineries are very concerned about franchise monopolies, but as a result of the direct shipment issue, the very same committees which have to pass legislation on franchises are now more alert than they were three years ago, as a result of these debates, as to the role of the distribution system, the role of the retail system, the role of the producer.

Again, articles in journals, and commentary, editorials are really taking a fresh look at something that for seventy years has remained dormant. How did this system start? Do we have to continue it that way? Is it responsive? And, of course, one of the [...] instruments taking a look at all of this is electronic commerce, which is causing everything in America to be reviewed, not just our area.

But we're the only ones in America—wine, beer, and spirits—who have been governed by a constitutional amendment, actually two, the 18th and the 21st. No one else is governed by those two, and so the byplay between the two and what does the 21st Amendment really mean is headed towards the U.S. Supreme Court, because these cases that are at the state level right now, at the federal district court and the court of appeals will in fact go to the U.S. Supreme Court. So there will probably be, in the next several years, a revisiting of this whole question of what was the 21st Amendment intended to do.

Hicke: More work for you.

De Luca: No, not for me. It will be work for the lawyers, who don't mind it. We have had a division of labor, and I'd like to end on this note. With all this proliferation of interest, we have said the one that we want to concentrate on is the legislative, regulatory area. We will work with the executive branch, we will work with the legislative branch to bring about orderly change. We do not want disruption; we want orderly change, but we want reform.

On the other hand, there are those that want to go to the court, to the judicial branch. That is a different organization that's been formed. It's called the Coalition for Free Trade. Its main attorney is a very fine attorney named Bill Kinzler, K-i-n-z-l-e-r.

Hicke: Thank you.

De Luca: And they are working on the judicial challenge side. As a consequence, they're the ones who are primarily involved with plaintiffs' attorneys and getting different venues and which state is the best one to approach, which one will go to the Supreme Court.

For example, right now they're talking about Indiana, where the lawsuit was brought by a wine writer and a cartoonist, Jim Davis, who does the Garfield cartoon. They won in the lower court, where the lower court said that the direct shipment ban in Indiana was unconstitutional, but the appellate court reversed that, and now the attorneys want to bring that to the U.S. Supreme Court.

However, the Coalition for Free Trade, Bill Kinzler, believes that there are other states which should be the ones that bring that matter up in the U.S. Supreme Court. There are better cases; there are better factual bases. One of the great challenges in judicial strategy is which case to take up? Sometimes you can have a good case that makes bad law, or a bad case that makes bad law, or a good case that makes good law, so they're looking right now at different states.

But they're all popping up, all over the country, and that's as a result of this let's say aggressiveness on the part of the wholesalers. I advised them early to work with us to make modest reforms, maintain the system, and not to have attacks, using terminology like "cyberbooze" or that this is marketing to minors and so forth, and that this would only bring a cascade of unwanted attention to them. Not to us. When people come to interview us, they talk to our wine maker. They want to know about the soil and the temperature and the climate and the flavors and how it goes with food. In that spotlight, we come across very well as stewards of the land in producing a product that actually is part of the whole issue of lifestyle and diet and nutrition.

However, when wholesalers get the spotlight, what is it that they get? Reporters find monopolies and that they have an exclusive hold on certain let's say commercial interests. So I said to them, It's in your interest not to continue this constant issue. And I think they're coming to that point right now. I really do. Now that this 21st Amendment Enforcement Act has in fact been signed by the president, became law January 26th of the year 2001, I've told everybody, "Let's go back to the basics of serving our consumers, and let's work it out state by state." Not every state is the same, so let's have different solutions to our issues.

So we're being interviewed right at the time—here we are in February, literally a week after this legislation has been made law, to go back to what we would like to do. I think others are agreeing with us that that's the best way. However, this too will change in another year.

Hicke: Yes. We'll find that out.

Okay. Next on the list: Pierce's disease and the glassy-winged sharpshooter.

De Luca: That is a core subject. That is what I call the commanding heights that governs a whole industry. The interesting thing here, Carole, is that it's well known, Pierce's disease. It's been around for almost a hundred years. It was identified by University of California researchers. And in fact, in some of our Northern California wineries, the blue-green sharpshooter has been the vector that carries the bacteria that leads to Pierce's disease, which, as you know, basically gums up the internal waterworks of a plant and causes it to die, and there is no known cure to it.

But in the northern vineyards—Napa, Sonoma—it’s basically been riparian. It’s basically been that one road near water, and it’s not been with a very aggressive sharpshooter that historically has stayed narrowly confined. However, with the glassy-winged sharpshooter, which originates in the Southeast of the United States, and has been migrating though Texas and through Mexico and is not native to California vineyards, you suddenly have an entirely different matter.

You have an aggressive vector, which is what the bug is called. Yes, it’s part of the leafhopper family, the sharpshooter. Bigger, stronger, can go right into the middle of vineyards, and devastated certain acreage in Temecula, where conditions were absolutely right for that vector to work.

- Hicke: But hasn’t arrived in northern California? The sharpshooter.
- De Luca: The sharpshooter basically attacks some seventy, eighty hosts. We are the ones most prominently affected, but it is carried through landscaping, nursery plants, especially oleanders. Devastation of oleanders, of course, would be unsightly because they’re all down the central freeways and major parts of landscaping, but devastating a vineyard destroys the economic vitality and jobs of a whole region.
- Hicke: I thought oleanders were poisonous.
- De Luca: They’re great for deer control, to protect against deer. I have oleanders all over my property because I’ve got about a dozen deer.
- Hicke: Yes.
- De Luca: But what has occurred is that the sharpshooter, the glassy-winged sharpshooter has caught both media and governmental attention by its very name, and it conjures up devastation the way phylloxera erroneously did not, and phylloxera, of course, as you know, just years ago was causing us to dig out whole vineyards, and millions and millions and millions of dollars were spent to replant. Pierce’s Disease brought back to the fore how vulnerable is our industry to natural predators, to these various sharpshooters and various diseases.
- Hicke: It’s agriculture.
- De Luca: The whole of agriculture. We’re talking about citrus, we’re talking about hay, we’re talking about almonds. I mean, there are a lot of products that are threatened by Pierce’s Disease.
- Hicke: But a lot of people don’t think of wine as being agricultural.
- De Luca: Well, this has certainly brought that to the attention of the various committees. I’ve testified before three Congressional committees, two here and one in Washington, about the agricultural role of our roots, of all of agriculture. I’ve testified next to Bill Pauli, for example, of the Farm Bureau. We both have made the same observations. Agriculture is a leading industry in this state. We’re not looking for handouts; we’re prepared to make our own contribution financially. But wine has an economic impact in this state alone of \$33 billion a year.

Hicke: Million?

De Luca: Billion.

Hicke: I thought you said billion, but I couldn't believe it.

De Luca: And to the country as a whole right now, it's close to \$50 billion, the economic impact of our industry. And therefore there is a stake in society as a whole in assisting us in control and in the ultimate eradication of this pest. Now, the university and researchers have told us they don't believe that there's an immediate solution, that it has to be through genetic research, DNA research, long-term research.

But in the meantime, we have gotten \$47 million from state, local, and federal funding sources this last year for a dramatic survey, control, eradication program. The very nature of this leafhopper, this glassy-winged sharpshooter, is that even if you were to eradicate 95 percent of it, that 5 percent still poses a major threat to major parts of our agriculture. So therefore, the long-term solution is the one you have to pursue.

And so we have had millions of dollars of research, state and federal. In the governor's budget this year, he put in some \$11.1 million of new money, looking for \$10 million from other sources, including from our private sector. The federal government right now, a week ago today, had a meeting of twenty of our congressmen and their staff, where they're drawing up legislation for appropriations that will in fact continue to give us research and control funds.

The new Secretary of Agriculture, Ann [M.] Veneman, is in a position to act on emergency declarations that were announced last year by the previous secretary, Dan Glickman, which released funds, \$21.3 million, from the federal government to be used to fight to control and survey it. We now have, through the Department of Food And Agriculture, a state coordinating mechanism to lead this fight against, this war against the sharpshooter.

I'm impressed by the fact that our government, on a bipartisan basis, responded so quickly to us. It really did. I don't think people recognize how often you have droughts and floods and pestilence, and you don't get any assistance from your government. But in our case, with the fortuitous publication a year ago of an economic impact study that was really recommended by state legislators, minority legislators, who felt many of their constituents didn't perceive the importance of the wine community on jobs, restaurants, hotels, tourism, hospitality—they encouraged us to have such a study, and when it came out, it was distributed widely, and it was picked up widely.

And therefore there is recognition in the cities as well as in the countryside, in the minority community as well as in the agricultural community, that wine plays a very important role, and therefore the potential destruction of the vineyards is something that the state, for its own well being, should fight. But a key component was that we pledge that we would not just be mendicants in the square, that we were not just going to be out there with our hand out, that we would assess ourselves.

Last week, Pat Wiggins, who, as you know, is the chair of the Assembly Select Committee on Wine, has agreed to be the author—and Wes Chesbro from Sonoma has

agreed to be the principal co-author on the Senate side—is introducing legislation which will empower us to assess the harvest coming up in the year 2001, up to a maximum of \$5 million, to partner with the state and the federal government in this overall war that we’re waging.

We agreed to five years, at which time it will be reviewed, as evidence to our representatives that we understand our role, too, that we’re not looking for a free ride.

Hicke: For a study of the problem? Searching for solutions?

De Luca: Well, the \$5 million that we’re prepared to raise could go to research, could go into control, could go into eradication. We’re thinking of biological ways. We’re not really promoting spraying. That’s raised already a big issue in places like Sonoma, that around the glassy-winged sharpshooter and Pierce’s Disease will be federal or state inspectors or state agents, spraying their shrubbery.

Again, going back to the fact that the vector moves from south to north, through nursery products, not basically wine, but if they get into your vineyard, they could destroy it. So that’s raised a big issue with the environmental community, which we recognize.

We’re part of what’s called the California Environmental Dialogue. We have representation on it. Steve Gross from our staff is co-chair with the Sierra Club. We’re working with many environmental groups, with the Futures Network group, so we’re prepared. We feel that we’re good stewards of the soil, that we’re good environmentalists ourselves, and therefore we’re not going to trample on rights of people.

On the other hand, there ought to be a balance on how you approach this. So we’re interested in every research avenue that is available, and therefore we’re preparing to put additional funds on a research project, through the American Vineyard Foundation, which, as you know, has as its executive director, Patrick Gleason.

So we’re working with the private sector, we’re working with local communities. When it first came out in Temecula, the city and the county of Riverside put up funds. We put up matching funds. We’re working with Brazil, which has an experience from its citrus background and the sharpshooter. The sharpshooter is more ubiquitous than people realize.

Hicke: Yes. I hadn’t heard that.

De Luca: In our Wine Institute budget, we put up additional funds for research with the Brazilians. But to the state’s credit and to the federal credit, it’s been very responsive, very responsible, very bipartisan, and I think the financial component that we contribute—well, we announced it early—they’re working on it. It’s very careful legislation. Remember, it’s taking money out of our growers’ pockets and out of our wineries’ pockets. The wineries who own vineyards and the growers who just have vineyards will both participate in this self-assessment.

You know how hard it is to extract funds, particularly from some who say, “Well, the government should be helping us. They should be doing it.”

Oh, here we are.

[tape interruption]

De Luca: The major achievement, I believe, that is being put forward is a unified industry working with its representatives. I think it's the best example of how the private and public sector can work together for the common good. Yes, there's special interest accusations: this is just for the wineries, and let the wineries just uphold it and pay for it themselves. But the economic impact study, I think pretty much was convincing.

Hicke: Was that done by the Wine Institute?

De Luca: No, it was done by Vic Motto and his Motto Kryla group, very reputable, very highly trained and well respected. I think it opened up a lot of eyes of a lot of people. Tourism and the role of the vineyards in tourism, the hospitality world, the bed and breakfasts, the tour buses, all the assets that go with that, along with the economic activity, the commerce, the restaurants.

It's just a very important part of California's not only agriculture but its economics, and also its image. We bring so much value added. It's the off-budget, in-kind contribution that we make to the image of the state, which is so highly important. California wine is world renowned.

So I think we made a very convincing case. I also presented that, rather than have this just simply address the glassy-winged sharpshooter and Pierce's disease, if we're mobilizing all these forces, let's keep them intact for other diseases.

Hicke: Ah.

De Luca: Like phylloxera, like Eutypa, like the grape-leaf skeletonizer, and a whole host of others, that this should become sort of the template for us to go forward. And if we're going to do all this genetic research, let's not just concentrate on Pierce's Disease but other diseases, so that we don't go from crisis to crisis or what I would call the hiccup syndrome, that you just simply don't see the larger picture.

[tape interruption]

Hicke: —funds for the glassy-wing.

De Luca: The testimony before the Congress and the representations made to the Secretary of Agriculture, Dan Glickman and now Ann Veneman, is that in fact the eradication of this vector should also be used to look at the larger totality of these let's say intrusive, non-California or non—they're called invasive species, as you know.

Hicke: Invasive.

De Luca: Invasive species. That is, they come from outside. They're not local, they're not native to your state. That it really should be looked upon as a national issue. And that's why we want the U.S. Government, the U.S. Department of Agriculture to assist us. To the credit of the legislators—Bobby Koch [pronounced Cook], who represents us in

Washington, attended a meeting where there was absolutely no debate. There was total unanimity, total consensus that instead of just emergency declarations, we should make this a permanent appropriation. They're sending that to the secretary, Veneman, who, as you know, is well known to Californians. She's a personal friend of many of us, including myself. That this is an approach long-term.

Well, with that in mind, I think we really can attack, through genetic sequencing, the whole vine and the whole question of why we do have these pestilence attacks. And so we'll try to make this immediate crisis turn into a more permanent solution for ourselves.

In the meantime, it has completely reestablished our roots as agriculture—people of the soil. And, as you know, in the big anti-alcohol movement, they tried to push us aside from our ties to the soil, to the land. They tried to make us “malefactors of booze.” You know, quote, unquote, in their terminology.

So I see a lot of positives out of this. It's a serious threat. We don't take it lightly. This spring coming up, this summer will be very important. There are certain parts of the United States where it doesn't venture. For example, people believe Oregon and Washington, because of their cold weather, are inhibiting factors. It really likes moist, tropical, Southeastern types—and that's why Temecula was one of the first places where it showed up.

But I see out of the glassy-winged sharpshooter a crisis task force, and I give a lot of credit to CAWGG, California Association of Wine Grape Growers, for their work with the Wine Institute. Dana Merrill, who is their chairman, and Karen Ross, who is their excellent executive director, are working very well with Bob Steinhauer of Beringer and Mike Falasco, who is our very talented Sacramento representative, in not only presenting legislation but in terms of a common, unified front to the growers, to the vintners, to the public at large. I have a meeting tomorrow in the governor's office with Bill Lyons, the director of the California Department of Food and Agriculture.

And the role that we have played is more strategic, and permits the natural strengths of the industry to really come forward. In fact, as a philosophy, Carole, the role of the Wine Institute is clearly emerging. And when we break, we'll go into the strategy role, the alliances. It's clearly emerging in terms of charting strategic directions. But then how do you bring to bear all the strengths of our industry to implement that strategic direction? The growers, the vintners, the wholesalers, the retailers, the consumers, the wine writers.

And the one unifying theme has been science, rather than polemics, rather than just simply argue things. Go to the fact that American society is looking at the whole question of health. Magazines, *Cooking Light*, *Wok* magazine—you know, all these things register people's concern about food and nutrition and obesity and diabetes and cardiovascular. What role do we play? How do we interact without us ever being claimants? Because we're not health officials; we're not health professionals. We produce a fine quality product, but that product also, when abused, causes social problems, health problems. How do we position ourselves in all of that debate?

I think that's become the emerging leadership role for the Wine Institute, and it's well spelled out in this article in *California Wine*.

- Hicke: I look forward to reading that. But I also want to say that you seem to be able to take major, major problems and make something quite positive, bring something quite positive from them, and I think that's truly an art, not a science.
- De Luca: There my training and my background all come to bear, to look at every challenge as an opportunity.
- Hicke: Yes. That seems to be working.
- De Luca: That comes from parents, that comes from your philosophy of life. Immigrant parents—remember I'm first generation.
- Hicke: Sicily.
- De Luca: Sicily. Immigrant parents who uproot, leave their family, their mothers and fathers, their brothers and sisters, their familiar surroundings to go to another land where you don't speak the language and are considered intruders in a new society—
- Hicke: Just a minute. Let me turn this over.

[Tape 24, Side B]

- De Luca: Those who come to this country—and I have a great empathy for all the discussion right now on legal immigration—Asian, Central American, Latin American, Middle East—what holds them together, and that is that they're going to a new land to create a new life. And all the struggles that they face, everyday struggles that none of us face because we're familiar, we know the language, we don't struggle with words, we have education and background—all of them have one goal: to improve the lot of their children, because they know themselves they can't really profit from the work that they're doing, although there are great examples—like this morning, hearing \$50 million going to the Kennedy Center by an immigrant who came and invested well and has made a fortune, in his own life, rather than just his own children.

That ethic was instilled upon me so strongly by my parents, both of whom had great difficulty with the language. My father at times was a writer in Italy. You would not know that strength of his when he spoke in English. And so knowing that, you think in generational terms. The sacrifices that you have are for those who follow, that you're there to prepare for a new life. And even the day-to-day problems all add up to opportunity, and you overcome that for the larger good.

That's something that I think in terms of the immigrant experience has really not been as well documented as it should. You're off balance when you come to another society, and in your desire to restore balance, you unleash enormous energy, and that energy has been almost a wellspring for the society. It isn't just people coming in and dumping their poor and their huddled masses; they bring extraordinary energy to the society, vitality.

And so I've looked at my job here, which started as a job, then became a career, and now it's my lifeblood—it's my life, the Wine Institute, the wine industry—I've always looked at it in terms of what challenges can be turned around into new strides for progress.

Hicke: It's amazing, and fascinating that you know where that came from, too. At least part of it.

De Luca: Well, the major part of it is certainly my parents, and the nuns, and the culture.

Let's break for lunch.

Hicke: Okay.

[tape interruption]

De Luca: Carole, one of the most important observations for me is to recognize that, while these interviews have been with me and I have to perform talk about what I do and things that I observe, I can't let the moment pass without commenting on the incredible talent, energy, dedication that surrounds and supports the president of the Wine Institute, and it stems from a collegial style that I learned when I was a faculty member at UCLA and at San Francisco State. The years I was in office in San Francisco, where, as you know, I served as deputy mayor for eight years, were characterized by a command-and-control system. We gave orders and you expected orders to be carried out. And when you run a major city like San Francisco, you have to do it that way.

But here, a faculty approach is one of collegiality, where everybody is recognized in their own right, they make great contributions in their own field, and we gather together to forge consensus. When that consensus requires a decision and you must exercise it, I do in fact remember that I am president and chief executive officer for the Wine Institute.

But that whole approach has set a model and attracted people of great talent because they know in their own right they will be recognized and make their own contribution. So we don't have a chain of command here where I just simply issue orders based on what the board of directors sets as policy. And so I've been blessed and want to go on record as saying that the talent here, is exceptional and superior. There are many names who—we could attach the names of our whole directory of people who—in their respective fields, have emerged and have been acknowledged by the industry. So it's a great talent pool, and I'm privileged to work with them.

Do you have any questions?

Hicke: Yes. How many staff do you have worldwide? Do you have any idea?

De Luca: Well, worldwide, we do have offices, as you know, in Tokyo, in Beijing, in Shanghai, in Hong Kong, and in Singapore. Those are in terms of marketing. They're affiliated with agriculture and also a wine component. But we have an office specifically for wine in Tokyo, specifically for wine in Toronto, in London, in Amsterdam. We have trade

offices in Stockholm, Copenhagen, and until recently, Munich. We've been consolidating in Europe and working out of Amsterdam.

Paul Molleman, who used to be here in this office, moved back to Europe, and together with Joe Rollo and our foreign trade representatives has been terrific. If you added up the number of people that serve as sort of a core—whether they're staff or consultants—I'd say it's about 100, because we have forty-seven contract lobbyists just in the United States alone, who cover the different states for us, and we have about ten overseas. So there you're talking about fifty-seven. And here we have forty-two, forty-three, between our Sacramento office, our Washington office, our San Francisco office, and the offices we have in Seattle, in Detroit, in Boston, in Philadelphia, in Atlanta, in Kansas City.

So it's about 100 people. They're sort of the torque power that energizes thousands of people. If you remember the central role now being played as we become a more strategic, public policy group, is to really help to unify and to drive the energies of the wineries, who have their own thousands of people. So in a very unique sense—you attribute this to the leadership of the industry, not to me—they permitted the Wine Institute to play a role that goes far beyond a trade association, but it's sort of the strategic planning/public policy group for the whole industry.

Hicke: Do you recall how many people were here when you came?

De Luca: Well, when I came here—that was the fall of 1975, over at 165 Post Street—the number was about forty. By the way, a different kind of staff. There was a very strong component that was involved with the wine study course, and we had people who had just come off the period with the Wine Advisory Board, which had just been terminated that year, where a great emphasis was on the matching of wines with foods. Our public relations staff, formerly with the Edelman Agency, headed by Harvey Posert was very important and very clearly required. Under our general counsel, Jefferson Peyser, we had an excellent legal and state trade barriers staff, and a fine Washington D.C. lobbyist, Arthur Silverman. On that foundation, we were able to augment and expand the public policy emphasis we have today. We've been able also to streamline. For example, in the legal areas, Wendell Lee, whom I recruited from the San Francisco District Attorney's office, has been simply outstanding as a one-man office. Also, the two offices of president and general counsel were reformed, and I became the sole president and chief executive officer.

So more and more of the people over the last two decades that I've helped to enlist have been people who work with institutions, work with larger governmental agencies, work with the international community. We've recruited from different backgrounds. Obviously, we've increased our staff. But more important have been the background, skills, training, education of the people who constitute our staff. My executive assistant, Kaye Clement, has been simply priceless and indispensable. She has to handle ten issues an hour and know everyone inside and outside the world of wine.

I think to that extent the industry has been very blessed. I'm grateful to our leadership, to our board, to our officers, who have helped preside over this change, because it's all counter-intuitive. Almost all the things we've been talking about are counter-intuitive to an industry whose great success has been public relations, but has been asked in

midstream—I still consider this to be just the midstream; there’s many years to go—to become more focused on public policy.

Wine Institute has never discarded the role of public relations. It’s been more a question of emphasis. Public relations has been more and more assigned to the regional groups: to Napa, to Sonoma, to Amador, to Monterey and people in Mendocino and so forth, to Santa Barbara, central coast. We’re asking them to play the role the Wine Institute played twenty-five years ago: putting on wine tastings, bringing out wine writers to taste the wines, to talk about the wine. The organoleptic side has been replaced by the public policy side.

I think that division of labor has unleashed an incredible resource for the whole industry. So we’re able to energize the wineries’ lawyers and their technical people and their marketing expertise, and certainly in Washington, D.C., in the state capitals, and here in California the caliber of person that we’ve recruited, without making invidious comparisons with the past, is really outstanding.

I think that’s really a big part of the success story that we’re talking about. Wine Institute has not been a one-person operation at all. It works very well with officers. It works very well with the board. The board sets policy, and my job as president is to execute. And the directors give you a lot of leeway in the execution, but only one definition, and that’s achievement, success, results. We’re very results oriented. This is not an eleemosynary, philanthropic organization. Hard-earned money goes into the dues that come into the organization.

Hicke: Sure.

De Luca: And it’s voluntary. Anybody at any time can pick up their cards and fold their cards and say, “Goodbye, I’m going to join another game” or no game at all. I like that. I didn’t like the period where the money was automatically brought in through the state mandates. That makes for some lax mindset because the money has got to come in, and your whole thought is how to spend it. But when you have to earn it on a voluntary basis; and it’s private rather than quasi-governmental, then I think it brings out a different ethic, which I think has been good. You have to earn it rather than expect it.

Hicke: That’s a good point. That’s a nice tribute to your staff, but I think it’s important to know how to delegate.

De Luca: Oh, yes, you have to delegate here because every day there’s a hundred choices. You could seduce yourself into thinking that you’re doing your job by following a good avenue, a good approach, a good opportunity; and the key here is always how do you prioritize, how do you look at your day, what do you do with the precious hours that you have, what’s really very important versus what would be nice. I could spend six months out of the year going overseas and saying, “I’m doing my job, opening up markets.”

That’s not really where the energy has to go to, where the critical point of the impact on the industry, the business, the grape growing, the wine making, and at any one time—like, storms off of the Midwest, where suddenly you have great sunlight followed by thunderous tornados—this can happen in an industry like ours. Somebody finds something in the lab, somebody makes a charge about, oh, there’s arsenic in one of the

compounds, or you have an issue that can occur at any time with regard to a social question: some unfortunate accident, like drunk driving. Suddenly you're splattered on the front page: children and youth and plaintiff attorneys.

So you have to be both long-term; you have to act in terms of immediacy; you have to talk in terms of even emergency. And so that requires a certain kind of operation, and we can turn on a dime as well as prepare for the next hundred years.

Hicke: That's great.

De Luca: Again, it's stimulating. It's one thing for me to make these recommendations; it's another thing for the industry to accept them. A lot of the things we're talking about today that are accepted were revolutionary when they were first brought up. The code of advertising standards, the changes in the viticultural and appellation and varietal labeling. Look at the costs to the industry of going from 51 percent to 75 percent to call it a Merlot or a Cabernet. In those days, we only had about 6 percent of our wines that were varietals. But suddenly you're asking your members to pay 25 percent more for grapes to get that label that they just had. Why? Because of the need to build consumer confidence.

The creation of the Wine Equity Act, in order to go international. Most people thought international was not the area for us to go, but to open up markets in our own country. The argument from our part was you have to do both. They're not mutually exclusive. The things that we're doing on direct shipments—it could easily have been “don't rock the boat; leave it alone, and don't force states, don't bring attention.”

The label—we didn't talk about them; maybe we'll talk about them the next time—the changes in terms of what we call directional labels, which led to Senator Strom Thurman and what happened with Treasury and reopening that issue—but they've all gone towards nation-wide education putting us in the column of nutrition, diet, and lifestyle rather than in terms of the issue of “booze and gateway drug and sin taxes.”

The ability to get debate and forums on the former rather than the latter is what we're talking about. And people know that. The consequences for marketing, for litigation, for taxing are extraordinary. If you're perceived well, then a lot of nice things follow. If you're thought as a public health hazard, then a lot of terrible things happen. You could see that with other products in our society.

So I believe the type of organization that we have—it's not ponderous, it isn't time consuming, there is not the dead weight of indecision. On the other hand, there's the ability to scrub issues and to vet them and to have people feel they count and to move quickly and for everybody to feel that they're participating. If you didn't have that, the organization would fold overnight, if people didn't feel that their point of view mattered. So you have to make sure that you have involvement. And you have to have a staff that feels that it is not just carrying out orders but can make a contribution.

Hicke: It sounds exciting as well as difficult.

De Luca: It is. And you should see the new people that we attracted. Kari Birdseye from CNN, who just came from Atlanta, executive producer of the Saturday and Sunday morning

weekly edition. Just talk to her, to Sandra Gonzales, to Lisa Belquist, and then talk also to the veterans, Kaye Clement, Joe Rollo, Mike Falasco, and Gladys Horiuchi. Talk to Wendell Lee, Steve Gross, have discussions with Elizabeth Holmgren. Bobby Koch, our senior vice president in Washington, D.C.—look at the role that he’s playing.

So it’s a great blend, with the states, with the contract lobbyists that we have in the states, the regional people. It’s a great blend of veterans with new blood. I like that. I like the fact that you have the steady hand of continuity plus the new energy of new forces.

Perhaps we can return to that, but I wanted to make sure while I still had the podium that I would make this observation about the staff.

Hicke: That’s great. That’s really good.

Okay, the strategy of alliances.

De Luca: This may take a few minutes, but I think it’s warranted to understand both the way the industry is evolving and how others perceive us and the impact we’re having on our own major structures and institutions.

First of all, in its own right, wine is highly regarded. For many people, it’s the poster child of agriculture, romance, and the great history of culture behind it. On the other hand, it was just about to go under, almost like a great civilization about to be overwhelmed by barbarian hordes.

Hicke: The Roman Empire.

De Luca: Yes. And the terminology of the seventies was all working in the direction of reclassifying this culture and this great heritage. I saw as a soft underbelly of the Institute that we were losing our ties to the soil, we were losing our ties to the land, to excellence, and we were being referred to, almost in Teddy Rooseveltian terms, as malefactors, devoid of social responsibility, central to drunk driving issues and all the questions with cirrhosis and carcinogens and reproductive toxicants.

And so we had to first make sure our house was in order. I always thought we should work within the larger agricultural community, we should work within the larger business community, with labor, and with the universities, with the academic community. And that latter part has been a steady progression of success, with the universities. It comes naturally to us because, certainly after Prohibition, it was the research community, it was the universities, it was places like Berkeley and Davis and Riverside and UCLA which helped to rebuild, from the ashes of Prohibition, viticulture, enology, marketing, all the questions that we know having to do with the media, public relations.

And so the university world and the great heritage of people like Louis Pasteur, the research that’s gone into the compounds and the rich chemistry and the extraordinary people at the University of California Davis and at Berkeley, such as Maynard Armerine from the beginning of the last century to now, gave a very steady foundation to continuing to expand that heritage, and in the alliances that we’ve made.

Alliances usually come when both sides bring something to the table, both sides make a contribution. We have to deal in the world, we have to deal with the political world—budgets and legislatures and congresses and committee hearings—and at the same time, we need science, we need the research community to bring us forward, make better wine, grow a better grape, go into marketing, go into international affairs.

And so very steadily, very quietly, based on my own background as an educator, I started with the California Teachers Association in the mid-eighties, and we found common cause in the 1990 battle over Proposition 124, 136. Do you remember the “nickel-a-drink” ballot initiative that came out in 1990? We worked very well with the teacher community, with the school boards, with the superintendent of public instruction, Bill Honig. We worked with various administrative principal groups, and the School Boards Association in particular.

And we built on that to where we created Californians Advocating Responsibility Education, of which I’m co-chair. That works on school size and changing the requirements for the two-thirds vote, getting funds for building schools. It caused me to get more active with Dianne Feinstein, as an education consultant to her. Just think for a second: I’m in the world of agriculture, wine; but I ended up as an education consultant to the senior senator from California. I travel with her to Washington, I went with her to Chicago to look at the school system there, went down to Los Angeles to meet with educators. I was constantly working with the high-tech people, people like John Doerr, people like UC President Dick Atkinson.

And so these initial contacts permitted me to follow it further. At the University of California I’ve received the assignment to chair the President’s Commission on Agriculture and Natural Resources, which is advisory to the president for all the nine campuses. I meet on a regular basis, with the agenda constantly affecting not only our wine community but the larger agricultural community, the larger business community.

That has led to work with community colleges and the state universities. For example, just these last six months, I was privileged to work with the governor, in the governor’s office, to put into the budget funds for the state universities, through San Francisco State and the community colleges, through Cañada College, through private programs, a prototypical one, on how to convert the two-year colleges into four-year state universities, without having to build a hundred new colleges or state universities that we know are coming because of the great population explosion of students that’ll be arriving for higher education.

That partnership—I’ve been very active with the partnership in terms of minority training, helping the high-tech people on the issues of visa waivers, to get more and more people to work in the high-tech community, and therefore solidify my and the institute’s relations not only with the University of California but with the entire state university and community college district.

In fact, yesterday I received an award from both of them for the work that I’m doing with them. And the institute directors know that and are supportive of my devotion to this area, because they see the great value of us working with the larger society—our premise is that we in wine cannot do well unless the rest of our state and our nation does well, so you cannot be focused on just wine sales and marketing. Housing,

transportation, education, well-being, smart growth, sustainability of agriculture, urban sprawl—these are areas we must play a role in.

And so, again, moving into this area, we've worked with the California Council on Environmental and Economic Balance that was founded by former Governor Pat [Edmund G.] Brown. I'm an officer in that group. The work is done here, down the hall, in our conference room, and we bring together labor, business, and the environment on issues having to do with governance: fiscal management, budgetary controls, local government.

We've worked with the League of California Cities and the California Association of Counties, their problems at the local level, so that they don't feel that only the state and the federal government receive revenues and they have to look for special taxes or earmark taxes. There's a component in there that's in our self-interest, that if we don't cooperate, they will constantly bring pressure for excise taxes on beer, wine, and spirits, for funds. But there is a genuine concern also: what role can we play?

That whole activity has led to our working with the California Environmental Dialogue, which has to do with the stakeholders in the environmental community working with the business community. Today is Wednesday, but on Monday here at Wine Institute—the conference room has become sort of the headquarters for a lot of activity in this state. We brought both Southern California Edison, PG&E (Pacific Gas & Electric); and BP Amoco, the oil company; General Motors, the automobile industry; and the Bank of America to meet with state officials, headed by Winston Hickox, who is the head of our Cal EPA, Environmental Protection Agency; John Wise from the U.S. Environmental Protection Agency; and the Sierra Club, the Planning and Conservation League, the Environmental Defense Fund—all around the issue of energy.

The Wine Institute was hosting a meeting where we were trying to forge a consensus on this big energy question of electricity and natural gas.

Hicke: Let me just put a footnote here that California has been in an energy crisis for the last month.

De Luca: Well, actually, the energy crisis is most pronounced now, but it has been building up.

[Tape 25, Side A]

De Luca: Well, this has been very based here in California, with Stanford University, Cal, and working with the local community and the school boards. At the same time—and I again must acknowledge the contribution of our board. I have been going back to Cambridge, Mass., almost every four months, basically with Walter Shorenstein, the well-known philanthropist, educator and commercial leader, in terms of the Kennedy School of Government and the Shorenstein Center, which was established in honor of his daughter, Joan, who used to be a producer of "Face the Nation." After her very early and tragic death, through breast cancer, Walter established the Shorenstein Center for Press, Politics and Public Policy, which, by the way—press, politics and public policy is the centerpiece of the work that we do here at Wine Institute.

And so I've joined with him. I've been meeting with the various deans of other schools. I've been working with the Harvard Law School and the Business School and will next week go back again, because I have—the whole question of high-tech in governance, how are the changes in technology going to affect our democratic institutions? Not only voting, but also the whole question of initiatives being put on the ballot through the gathering of signatures through electronic means rather than through signature gathering. What does that mean for the future?

That has been very exciting. It has permitted me to work with the media, through the Shorenstein Center, with people from *60 Minutes*, with people who are the heads of the networks, which is what we did at the two national political conventions. And I just want to mention briefly that at the Republican and Democratic conventions for the nomination of the presidency, Wine Institute underwrote, with grants to the Kennedy School, seminars on the media and the conventions; and the media and high technology. And the major networks participated: the heads of ABC, CBS, NBC—their anchor people. CNN, Fox News all came.



Marvin Kalb, Walter Shorenstein, Josephine De Luca, Cindy Testa, Jack Germond, John De Luca.
Joan Shorenstein Center on the Press, Politics, and Public Policy, Harvard University

And so we were in a very interesting venue, with the university, with the political figures, the heads of both the Democratic and Republican national committees, senators and congressmen. It became a question of what's the Wine Institute doing here? In the past those questions didn't exist. Now, with credibility, I can say we have a great interest in our institutions, we learn, we need to know—we have to make our contribution. We have to make our contribution to hospitals, community colleges,

water boards, that we've encouraged our members to be active in their communities, and therefore we need to be active at the national level.

As you know, we go back to Washington every year with our whole membership, and we have Washington Week. I personally go back maybe once, twice a month. We have a fantastic office in Washington, led by Bobby Koch, who's our senior vice president. That's K-o-c-h.

Hicke: Oh, thank you. I've been spelling it wrong.

De Luca: We feel that we must play a role in the larger questions of our society. With Norm Mineta, he's the new Secretary of Transportation. With Colin Powell, obviously Secretary of State, who is a former White House fellow. The issues overseas. What are we doing in terms of the national economies? So to continue: Secretary of Commerce, Secretary of Energy, Spencer Abraham. The issues having to do with Health and Human Services, the former governor of Wisconsin, Tommy Thompson, whom I met through the Export-Import Bank advisory committee. We sat next to each other for almost two years.

All of these things lead to interesting debate and discussions at our board of directors meetings, where we do talk about the larger themes. Not just the immediate operations, which have to be done, by the way—you can't ignore immediate pressures; they must be addressed. But I think what's happening now is that the "value added" is the component of our role in society, with the educational community, with the research community.

In two hours I will be meeting with some of the leading researchers on alcohol in the United States, who are coming here from different universities. We try to play a responsible role in the research, primarily in being a force for getting funds for them, not from Wine Institute but through the Congress, through the Appropriations Committee. The millions of dollars that we've been able to get to look into the health effects of drinking in moderation—not the health benefits, but the health effects, which ties into the whole work that we've done with the physicians, where we've given \$150,000 to the National Stroke Association, to distribute the federal dietary guidelines to 55,000 family physicians.

All this spins out of this continuum, where different ideas impact. They are assimilated. There's a certain synergy: the sum is greater than the parts. And so I think I have the most fantastic board of directors in America, who bring to bear not only their commercial, everyday experiences but are willing to have all these other dimensions brought to bear on an industry whose major job was growing great grapes and making great wine and competing.

But to do that, what is happening with water? My wife, as you know, is the chair of the San Francisco Bay Water Board. What is happening with the environment? This is where our co-chairmanship with the Sierra Club is valuable to us. We asked them to come in and to address us for our March board of directors meeting. I'm bringing in people like the nationally acclaimed Ralph Grossi who are involved with the American Farmland Trust, people working with a new experiment that will permit us to unite with Silicon Valley on sustainable practices.

We are very much at the start now—though we have a lot of history behind us—on creating a Code of Sustainable Agricultural Practices, borrowing on our code of advertising standards. So you can see the interrelationship and work that we did before paving the ground for things that have to be done now and into the future. So the amalgam is very exciting. Our board meetings are very exciting meetings. You can feel the energy in the presentations.

Our staff is just so far up to speed and pushing, with all of their talks, frontiers of cooperation, working with others. And it comes from this larger commitment to the world, rather than just to the exciting world of wine, but to the father reaches: as I said, transportation, housing, jobs, energy, sustainable practices. And we get back to fundamentals: water, land, air. We have to be great stewards of the soil. The number one issues for California for decades to come will be energy and water and soil and air.

And so we are very much part of that landscape, 750,000 acres of vineyards, almost 500,000 of which are wine grapes; the others are table, fruit, and for raisins. That gives us a big stake in what happens in terms of highways and concrete developer issues and planning issues and water hookups.

So I'm here to tell you that after a quarter century of being with the Wine Institute, I've been very privileged to have a loge seat on this change, where we started with basically trade association issues and now we're talking about strategic issues, hemispheric issues, global issues.

I think I'll end on that note.

Hicke: That's wonderful. Thank you very much for taking the time to do this.

De Luca: Oh, Carole, I thank you for coming here.

Interview 13: August 6, 2001
[Tape 26, Side A]

Hicke: Let's start this morning with your description of a meeting that was held at Walter Shorenstein's home that recalled a very historic event.

De Luca: Yes, thank you again for your care and interest in the industry. I appreciate it and just want to say on the record that I thank you and your colleagues at the Oral History Program at the Bancroft at UC Berkeley. Events come along that highlight and underscore the value of past experiences and the fact that often, things that appear to be twenty, thirty, or forty years old still have a current resonance. Such a thing occurred last Thursday.

Walter Shorenstein, who is well renowned in university circles as well as in research and political circles—as you know he has the Shorenstein Center at the Kennedy School of Government at Harvard, where I'm a founding member of the director's council. He's also with Stanford, with the Shorenstein Asia-Pacific program. He often hosts international guests. Lately I've been going to his home as part of the encouragement of the high tech community to be interested in educational efforts. This last year, the Wine Institute gave a grant of fifty thousand dollars through the Shorenstein Center at

the Kennedy School for a program at the Republican convention in Philadelphia—the national nominating convention which nominated now President George Bush—and one in Los Angeles, which nominated then Vice-President Gore. Both panels had media, university, and political figures.

The Wine Institute was very happy to be part of the programming for the media and for the political world, for the importance of high tech and media on public policy, which is the emphasis that we have here at Wine Institute. The new mission of the Wine Institute is no longer as a trade association, but as a public policy association.

So it was not unexpected or out of the ordinary for Mr. Shorenstein to invite me to his home for a small dinner, hosting General Oleg Chernov. He is also the deputy secretary for international security for the Russian Federated Republic, which is the major one of the original sixteen Soviet republics. It is now separate from the Ukraine, the Baltics, and the Caucasus, but still very, very important. General Chernov is very interested in democratic institutions. Tuesday of last week he had met with Secretary Powell and national security advisor Condoleeza Rice.

So he was in Northern California to meet with leaders of industry and the high tech community especially, but also bio-medical researchers. I felt very honored to be there, and intended to just simply be a guest. But Mr. Shorenstein, knowing of my background in Soviet affairs, and that I had the extraordinary good fortune in the summer of 1959 to have gone to the national exhibit in Moscow, which was part of an exchange with the Soviets, who also had a national exhibit at the Coliseum in New York—he had really wanted me there in a dual capacity. One representing the California wine industry. The Russians had indicated that they were interested in all industries, agriculture as well as commerce as well as high tech. Also because in Walter's eyes, I could say a few things in Russian and have a little anecdotal role that he thought might be of value.

I thought about what could I say with any kind of relevance to the event, and thought maybe bringing some pictures that I had just received these past months that I previously had not known had been taken. There were small snapshots, seven of them—of Nixon with Khrushchev, with Nixon with members of the Politburo, with Nixon and Khrushchev and other high ranking visitors and dignitaries, and a shot of the model kitchen where the famous Kitchen Debate had taken place—that might be of interest. When I came, I said a few words in Russian, that I had been there and offered to the General and his colleague, also a very important man, Alex Pavlov—these pictures to them as a gift hoping that they would be well received. What I found was that they were astonished that these pictures existed, very much wanted them, and thought they were historic for them. Not just for us, given the role that Khrushchev played and also seeing the young Nixon and the young Khrushchev. I got a chance to

recount that what had occurred was that in the summer of '59, there were some fifty of us that were chosen as guides for the national exhibit.



John De Luca at site of Transport Exhibit (Kharkov 1961)

One of the prerequisites was to have conversational Russian. I had just graduated from the Harvard Soviet Studies program. It was very interesting going there and I felt it was a great experience. But prior to the opening of the exhibit, which was in Sokolniki Park, outside of Moscow, there was a snafu and a hitch. The geodesic dome that was being built by Reynolds of Milano, with Mr. Beckett from Los Angeles as the architect, was behind. Part of the problem was that they had Italian foremen and Russian workmen. This was causing some delay. They found out that I spoke both Russian and Italian, so they assigned me a week before the opening—if I would help in bringing it to

the point where the opening could take place, and not have paints and brushes and everything else unfinished.

So I did do that, I separated from my colleagues, my job was to be the person in front of the Shoup voting machines, which was part of the exhibit. The exhibit had a model home, television, automobiles; Pepsi-Cola was going to be displayed, they had a kaleidoscope of pictures having to do with life in America. They had all these stations where we Americans would answer questions for all the visitors. To our knowledge it was the first authorized visit ever in Soviet history where multitudes of Soviet citizens could come and speak to Americans in an open way. It was controlled in the sense that it was at the exhibit. We finished on time, and as a reward, I was given the pleasure of being part of the group that would escort Nixon and Khrushchev to the opening ceremonies and as they walked throughout the exhibit. Then I would go back to my voting booth station, which had in its principal role, talking about American democracy—voting, how our political system worked.

In the escort, I wasn't aware at the time, were many members of the Politburo. This was a very big event. We had our ambassador, ambassador Llewellyn Thompson, the U.S. ambassador to Moscow, who had just recently negotiated taking Austria out of the Soviet orbit and making it a neutral country, a very well renowned and highly proclaimed diplomat. So it was sort of a personal privilege that I would be in this group. So I did walk in the opening ceremonies, I was present at the opening ceremonies, and I continued with them. What became known as the Kitchen Debate was really a running debate. Khrushchev and Nixon, at different stations, would find primarily the initiative taken by Khrushchev. Every time he saw a t.v. camera he would take off his Panama hat and pound it, and go at it. The camera would be off and he would put his hat back on.

Vice-President Nixon had enough of this, so by the time they got to the model home—we went into the model home which had bedrooms and a living room and so on—we all crowded into the kitchen. This is where Nixon felt that he should answer Khrushchev. I wasn't able to hear, I wasn't close enough. I was enough in the group, and I was aware that this was animated. We subsequently learned that the running debate, at TV station and motor homes and various other parts of the exhibit, was captured by the term, "the Kitchen Debate," because of the ability for a sound bite and the accompanying ability to cover a story.

The *Washington Post*, *The New York Times* and others, but particularly the *Washington Post*, reported that they talked about nuclear warfare, they talked about some pretty truculent things. This was a harbinger of what later became a very difficult period three years later between Kennedy and Khrushchev on the Cuban missile crisis. He was in a very aggressive mood and Nixon, if you'll recall, when he ran for president against Kennedy, reminded everybody that he had stood up to Khrushchev and that he was in the Kitchen Debate as a way of demonstrating his foreign policy and his national security competence. The event finished, I went back to my voting machines, and they then came by, both of them—. In fact, in the *Washington Post* story, it records that as they came to the voting machines and Nixon said this is a symbol of our democracy, Khrushchev was quoted, "We're not interested."

The truth of the matter is that I had sanitized that quote for the reporters. When they came by, Khrushchev had said something pretty earthy and had dismissed it, he wasn't going to stop for voting machines. He didn't want to hear Nixon talking about American voting and democracy.

Hicke: You translated for the reporters what he said more or less?

De Luca: They had their official interpreters. My Russian was not sufficient for heads of state to capture all the nuances. But it was conversational, it was enough for the group. When reporters did ask what he said, I did not want to quote the Secretary General and Prime Minister of the Soviet Union for what he said, so I came up with the euphemism, "fiddlesticks," "nonsense," "mne ne interesno." [laughter] I also said "mne ne interesno," "we're not interested" in that, which is what the *Washington Post* had in its story of us going by the voting machines.

But Khrushchev was an earthy man, and as we have subsequently learned through the tape recordings in the oval office, Nixon himself was an earthy man. They were given to all types of vocabulary. He did not respond in kind, but "fiddlesticks" was a real euphemism, and I still don't know how I came up with that. At any rate, I spent the summer of '59 in this incredible experience. It became the basis for later returns, because I'd had the security clearance and the experience, that when I went back to Rome to finish off my research on my doctoral dissertation, which was on the slow breaking away of the Italian Communist Party and the Western Communist parties from the Soviet orbit, which was very controversial at the time but subsequently has proven to be correct—.

Because I was close by and I had the clearances, when they fell short in the cultural division at the embassy because some of the people had become persona non grata—which was a diplomatic quid pro quo whenever we caught Soviets spying in America. I was asked to return to the Soviet Union, and I did for 1961 and 1962. I left my studies, but actually it was dissertation research, and I wasn't far from Rome. I continued with the Transport and Plastics travelling group. There were other exhibits that were smaller. One went to the Ukraine, to Kharkov and to Kiev, the other one went to Tblisi, which is in Soviet Georgia, and then back to Leningrad and Moscow.

The exhibits were the basis for me to do more extensive travel, which I did. I was able to take long train rides across the Volga, I was at Volgograd, which was really Stalingrad renamed. This was a time when Khrushchev unmasked Stalin at the famous 26th convention of the Communist party. Many of the cities that had the name Stalin in it were rescinded. I had the experience of being in the major city with a historic background as Stalingrad, where the Russian troops stopped the Germans, I was able to go through a really extraordinary experience, where the name of a city was eliminated and rescinded.

For four days we had no names in the city. I remember taking pictures, I still have the film, of the name Stalin being taken off the big hotel and recording something like four days later that they had changed it from Stalingrad to Volgograd. I was part of a betting pool for four days as to what would be the name of the city. There were all kinds of names that were being suggested. The leading one was Piatimorsk, meaning five seas,

because at the city was the convergence of several rivers that went into five seas, the Black Sea, the Caspian Sea, for example. But “Volgograd” became the name.

That’s just the surface part of it. When you’re in a city which was honored for the role it played in WWII, and suddenly as a Soviet citizen you’re told that the man whose name you revered—a man who had led you through that incredible period, was really a man who had committed mass murder and was no longer worthy of his name being attached to your city—it loosens up the whole sense of your history. It’s very dramatic in the psychology of the community. The way you’re defined when you say, “I live in San Francisco,” or “I live in New York,” to suddenly have the name taken away caused a lot of people to openly speak.

I happened to be there along with a smaller group of Americans who were assigned to the Transport Exhibit. We heard stories, and we were exposed to people who were suddenly liberated from any shackles or constraint. We picked up more information—we weren’t there for intelligence gathering at all—but suddenly people relieved themselves. There were stories, and I suddenly met Americans who had gone to the then Soviet Union during the Depression. I remember a man who had a family in Detroit and who came to Stalingrad and then couldn’t leave. The authorities rescinded his passport, so he married and had a new family. His new family was with him and he showed me pictures of his sons going back to 1930 in Detroit. Leontyne Price came to see her uncle, who became a black movie star, and the Soviets used him always in motion pictures. She was trying to find him, and I escorted her to find her uncle. It was just an extraordinary period. That was all recaptured last Thursday at Walter Shorenstein’s home when I went there to talk about wine.

Hicke: Who took the pictures that you had?

De Luca: They were taken by a colleague. I didn’t know he had taken the pictures. He apparently had a camera and he was taking them perhaps surreptitiously, I’m not sure. We do know that it was a period when photographs, particularly of members of the Politburo, were not encouraged. In fact, they were discouraged. So when I offered these pictures to General Chernov and to Mr. Pavlov, they thought they were historic, unprecedented, and they really did want copies. So I’m right now making photocopies in a little album, including the story in the Washington Post about the kitchen debate. They said, “Look, for you it’s famous and historic, but just think it’s the same thing for us.” There was Khrushchev, there was Nixon, here was Mikoyan, there was Brezhnev, here’s Kozlov. They well-received that gift.

Hicke: They probably had no record themselves of this, or at least no public record.

De Luca: That’s what they said, they said that they did not have it and they were amazed to find that there was even a record of it. They were even more amazed that they could get a copy of it. As we speak, copies are being made for them. I think today’s American generation would probably think of the Kitchen Debate, Khrushchev and Nixon, as something as far back as the Peloponnesian Wars. But for our generation, it was the prelude that really became historic in terms of the Cuban missile crisis and the Berlin wall, and it was part of the same seamless structure of Khrushchev’s period. Khrushchev was subsequently removed and Brezhnev was put in his place. Then we he

died they had Andropov, and then Chernyenko, and then of course Gorbachev, Yeltsin, and now Putin.

So for them, the general is fifty years old, he was just a young boy when this occurred. It would be like today recalling a history for us going back maybe to Teddy Roosevelt or Woodrow Wilson, around an historic moment. This is only used as an example. It's pretty high-visibility—how often my background in city government and the federal government and international affairs shows up in some way and has the chance to be part of what you would consider for removed fields: decision making; hospitality; international affairs. I consider the cause of the wine industry to be so ecumenical that there is nothing that goes on that is not relevant, and it shows up in the most unusual and unique ways.

Hicke: That's a great example. Another way it shows up is in the award that you are just about to receive, can you tell me a bit about that?

De Luca: Thank you. Awards are really more to be experienced than to be recited. In this case, I think the significance is that on August 10th, in Sacramento, we will launch the forthcoming state fair that opens August 17th. The week is launched with a gala affair, which is primarily a fundraiser, raising money for agricultural leadership scholarships. It's main focus is the award of the Agriculturalist of the Year.

The Agriculturalist of the Year award is voted on by fifty-five stakeholders who are all representative of a different part of California agriculture: cattle, cotton, dairy, lumber, rice, row crops all across the board. Each year, at this gala, there is an award for the Agriculturalist of the Year. I think it may have started with "man of the year" and then very quickly correctly evolved to "Agriculturalist of the Year," because they have so many prominent women also. I will be receiving this award this Friday, and I'm very pleased because to my way of thinking, collective recognition for the role of the wine community and the wine grape growers, and the fact that even though we're in hospitality, commerce, and trade, there is recognition of the role that we play in terms of production and in terms of the political situation in the state of California.

We put out a press release, and perhaps the easiest thing would be to have the press release as part of the transcript, so that it shows the recognition. I'm the beneficiary of the award, but really it's a collective recognition for the industry and for our ranks. A lot of people were involved in bringing me to this point where I could be receiving this award. I see it more as a reflection of the forces that combined to bring me to this point, rather than anything personal. I will be happily there. We have quite a few people from the wine community and members of the family that will be there.

The state fair is a wonderful event, it's under the auspices of the state and the Department of Food and Agriculture. The one in California is world renowned. A week from this Friday they will have horse races, and music, and jazz, and all the things accompanying—. It's rather symbolic that a boy from the lower east side of New York City, whose background was urban America, would be given this award. It's very

ecumenical, and is more a tribute to the people who are making the award than I who am receiving it.



John De Luca holding the Maestro Award, surrounded by the Wine Institute staff

This Wednesday here in the conference room, Beaulieu Vineyards will be giving me the Maestro Award, which is a year late in terms of the actual award. Last year, it was awarded to me, Robert Mondavi and Ernest Gallo. My daughter represented me because I was out of the country. They have a silver platter, which is in honor of André Tchelistcheff and the hundredth anniversary of Beaulieu Vineyards. That one there, I think is also representative of the history of wine and certainly the great name of André Tchelistcheff. I think being given this award is more of a recognition that I'm a survivor, that I've been here twenty five years, twenty six years coming up, and it's an honor to be included in the circle of Mr. Gallo and Mr. Mondavi. That will be here in the conference room. So this is a week—not to parade myself, not to surround myself with a mantle of awards—but I think it's recognition of the role the Wine Institute has taken and its evolution in terms of public policy, the media, how to address issues and redefine issues, how to bridge the city and rural areas, and how to bridge the political bipartisan divide. That's a sense of satisfaction that other groups are giving more and more recognition to the wine institute and the wine community.

Hicke: Congratulations on both of those awards. Maybe now we should go back on the farm and talk about the glassy winged sharpshooter, which you had started to talk about a little last time, but which has gone a little further.



John De Luca, André Tchelistcheff

De Luca: Without repeating, because everybody by the time this is transcribed will know, when we talk about the glassy winged sharpshooter, we're talking about a very aggressive vector. It's a dramatic shift from the blue-green sharpshooter, both of them are carriers of a bacteria that leads to Pierce's disease. We've known about this for a hundred years. It's called Pierce's in honor of the researcher from the University of California who first identified it. It has been in Northern California this last century, there is no known cure for it. Pierce's disease has been primarily riparian, near water and the outer row, which devastates that row but doesn't penetrate into the vineyard.

Hicke: Outer row vines?

De Luca: Yes.

[Tape 26, Side B]

Hicke: Okay.

De Luca: What we had as a huge wake up call was the devastation in Temecula several years ago, where overnight a number of important acres were simply devastated. What occurred was a transmigration from the warm, moist gulf states through Texas and Northern

Mexico into Southern California of a very aggressive vector. The vector being the carrier for Pierce's disease. The glassy winged sharpshooter can fly, is much more aggressive, and can go right into the vineyards. It is not just for grapes or for vineyards, it follows ornamental plants and landscaping plants. In fact, oleanders and crepe myrtles, and all these various plants that move from south to north, are in fact the major carrier. While we haven't seen them in the vineyards—now we're looking at nests and eggs and so forth—the main carrier's been through the landscaping and nursery community.

Hicke: People who plant roses at the ends of their grapevines.

De Luca: Actually, it was more in residential areas. Two weeks ago, they found in San Jose, near some of the larger corporations where they had just planted some beautiful flowers and beautiful ornamentals, that that's where they found the glassy winged sharpshooter. Of course, our growers and wineries are concerned about a pest that has no known cure, that could spread wildly and rapidly. Marshalling resources and galvanizing our ranks has been of the highest priority. We're talking about at the minimum a Sword of Damocles that hangs over the whole industry.

How do you do this? How do you marshal forces? The important thing has been to try to identify, try to control, try to see if we could stop its' invasive march. At the same time, in the intermediate and long term, to have research that will find a solution to Pierce's disease. You can imagine the consternation affecting the great values of these vineyards being devastated by the potential of the glassy winged sharpshooter moving from south to north very rapidly in masses, reproducing itself. The concern is the viability of the industry. The lending institutions, the security analysts, the competitors that we have.

Hearing that the vineyards of California could be devastated has incredible impact on equity, land values, contracts, and this has been a period of consolidation and acquisition and wineries being purchased. How to talk honestly to the public without having the effect of panic has required a balancing act. The most important thing we could do was to establish our credibility with our state, federal, and local governments so that we could have government assistance, government funds. The Department of Food and Agriculture, the U.S. Department of Agriculture—for us to mobilize scientists and inspectors and the public at large without being alarmist.

At the heart of this program and strategy was a pledge that I made in an open Congressional hearing two years ago, that we considered ourselves to be partners in this event, which meant that we had to raise our own funds and not simply lobby the state and federal government for funds. To the credit of the leadership, Republican and Democrat at the state and federal level, the legislature, the governor, the white house—. There were funds that were released that first year that permitted us to galvanize our ranks, to get government officials looking at control and eradication to give money to the universities for research. We were able to amass close to forty million dollars the first year.

Hicke: This is about 1999 we're talking about?

De Luca: Yes, and certainly this last year, 2000. As we went into a new cycle, the pledge of raising funds from our own ranks really flew in the face of the hardship that a lot of growers, particularly in the central and south regions, are facing with the crush coming up. We wanted legislation to be effective for this harvest. Most bills, when they are passed, do not become effective until the following January. So it was really quite a compliment to our ranks, to the leadership of people like Bob Steinhauer and Dana Merrill, Karen Ross, and Mike Falasco and all these various committees that were formed, a lot of committed people got involved.



Signing of AB 1394 (Wiggins) bill to support Pierce's Disease and Glassy-Winged Sharpshooter Programs. L-R: William J. Lyons, Jr., co-author; Patt Wiggins, Director, Family Wine Makers; Paul Kronenberg; Governor Gray Davis; Bogle Vineyards Representative; John De Luca, 2001

That legislation was passed that would assess us three dollars for every thousand dollar grape value. Five million dollars the first year, to be sunset five years later, so there's a potential for twenty-five million dollars. The vote in the Senate was thirty nine to nothing and in the Assembly was seventy one to one, so it was bipartisan. It was very necessary to have that kind of vote so that Governor Davis would sign it without appearing that he was supporting an increase in taxes. He personally asked me to pledge there would be no legislative opposition.

Hicke: Is this defined specifically for one purpose?

De Luca: Yes, it creates a Pierce's Disease trust fund administered by the state with an advisory board from vintners and growers. The key here is that having made the pledge a year ago, it permitted the governor to put into his budget sufficient funds to continue this program. And at the federal level, it permitted the federal officials to not make it an

emergency declaration, but an ongoing appropriation. The critical linchpin was that we were willing to assess ourselves. If we did not, the obvious question would be, “If they’re not interested in helping themselves, why should we?” There’s a lot of other places to put money, and a lot of pressure for other programs, state and federal.

My concern was that security analysts and stock market people who watch our industry would say that we were not coming up with the commensurate resources and it would all fall upon our own shoulders. So this money was good faith money that has permitted the state and federal government—. I think that we will be approximating thirty five, forty million dollars again this year. It was very important, as was the ceremony that was held at Bogle Vineyards in Clarksburg where Governor Davis came and had a press conference and a signing ceremony. He invited some of us to be there for the conference and to address the press. I think it was recognition of the bipartisanship, the willingness of our own people to step up and not just be lobbyists for money, but also partners in this coalition. I think it’s key to continuing the control, eradication, and research programs.

We have a group that’s called the anti-spray coalition, that is raising some questions about whether in the residential areas where the sharpshooter is being found—because again of the landscaping and ornamental plants where it does also attach itself, there are over seventy hosts that it attaches itself to—that there might be spraying in residential areas.

Hicke: So this anti-spray coalition has appeared.

De Luca: Yes, and that’s a legitimate concern. It is clearly not the control of choice by the Department of Food and Agriculture, which has very serious and very responsible representatives who are in charge of this program. In our fields, it’s a straight-forward question, but if a glassy winged sharpshooter shows up in residential communities, what do you do?

There are biological enemies such as the wasp that could be natural enemies to the glassy winged sharpshooter. We’re hearing from Brazil and other places where the sharpshooter has been very devastating to citrus. It likes to be near citrus and vineyards and water, and in hot climates. We’re learning a lot, the university of California has been outstanding. UC President Dr. Atkinson, Vice President Dr. Gomes, the researchers at Riverside, Berkeley, Davis, Irvine, UCLA, all of them are contributing. We’re going to learn a lot more and my hope is to maintain all of this energy, talent, scientific and intellectual property to not just address the glassy winged sharpshooter, but to look at phylloxera, to look at Eutypa, to look at the grape leaf skeletonizer, so that it isn’t just disbanded once we address this question, it does lead to genetic sequencing, we want to know more about the grape.

That obviously raises questions about the whole issue of what they call GMO’s, genetically modified organisms. I think we want to approach it more in terms of either genetically enhanced food, to address it in terms of not just genetic modifications, but learning more about the breeding programs that we have had historically. We’ve had, for thousands of years, improvements in our varieties. So it’s a great opportunity to use scientific advances to know more about ourselves.

We have an environmental dialogue, the California Environmental Dialogue; we're working with environmental groups, the Environmental Defense League, with a planning and conservation group, with the Sierra Club, with these local groups. I think it's been an added spur to our working at the community level to advance the themes of responsible and sustainable agriculture. Huge issues are being driven around environmental justice, smart growth, sustainable practices—. I think we're taking a wonderfully unifying step in terms of sustainable practices.

In our office Kari Birdseye, our new director of communications, is working with Karen Ross over at the California Association of Wine Grape Growers. So around these issues, we're finding greater unity between vintners and growers. Probably right now is one of the high water marks of unity within our own ranks. In contrast to the friction and the division that we had '84 to '90, a period not of hostility, but of friction. Right now growers and vintners are working well together around the issue, not only of the glassy winged sharpshooter, but sustainable practices.

We're going to use the code of advertising standards that we announced in 1977 as sort of a model for a code of sustainable practices. We're bringing in experts, we're bringing in a broad cross-section of people, to not only have a code, but also to execute it. I think these are good examples of challenges that lead to opportunities. We are working with the local community, we're working with the leadership of the environmental community, with representatives of government, regulators, the media, and especially amongst ourselves and the university. It's a period of stepping up to the plate and taking a leadership role on a whole host of issues.

The one about environmental justice is obviously a very big one. The question of energy, the question of water, the question of land and being stewards of the land, I think this is one of the most important opportunities for agriculture and for this organization to serve as a bridge to many groups. Agriculture is in the ironic position of providing food, nutrition, sustenance, fiber not only to itself but to the world. Yet it's diminishing in its political standing and contribution in legislatures and in government because of the great power of the urban community and its representation.

We're having redistricting right now, and they keep showing more and more that people are leaving the farms and going to suburbs and big cities. So we have the irony, just when agriculture is making its greatest contributions, it's losing political influence. I think around these great big issues of environmental justice, sustainable agriculture, and sustainable commerce and smart growth, that we should take the leadership and maybe our value system will be just as important as our crops. Our approach to responsibility and bridging the urban community and the rural community could, in fact, be a template for the future. I see these as not only enormously complicated challenges, but as an opportunity to put a lot of people together.

- Hicke: That's an excellent way to look at it, I think. How about changes in the label? I think we have time to look at that.
- De Luca: The issue of labeling—. There are two parts to what I'm going to stay. One is historically about the directional label, which was a way for us to help disseminate what are called the federal guidelines, the federal dietary guidelines for Americans, which are put out every five years by the Department of Health and Human Services and the

Department of Agriculture. In 1980, '85, '90, '95, and now 2000, these guidelines have been updated.

In '95 there was the major breakthrough in the recognition that there were cardiovascular effects that would come from moderate consumption. In the year 2000, we maintained that, it was more defined in terms of age groups but it put us into the issue of nutrition and the way to fight disease through nutrition. It was a major, major breakthrough, but we were not getting enough dissemination of those guidelines, which also are balanced. They talk about all the risks associated with risky behavior and abuse, and also whole categories of people who even in moderation should not be drinking. So it was very well balanced.

We wanted a directional label, in other words, putting on a label saying for further information on the health effects of consumption. That became a very big cause celebre, with Senator Strom Thurmond taking the most visible lead, that this could be deceptive to the public at large. People may have thought that if a little was good, a lot was better, and could lead to abusive behavior. There are legitimate questions, we've been debating the issue of a directional label, and several years ago it was approved.

Hicke: Directional label means the reader is directed—

De Luca: —to a point of information. At the same time, another small group of wineries, led by Laurel Glen, had a label that was also approved at the time that our directional label was approved, with the same rationale. If you wanted to know more about the health effects of drinking in moderation, consult your family doctor. Both of those labels were approved, they were not intended for marketing. The proof of that is how few wineries really used it. It was really part of our desire to disseminate those guidelines and to get greater media recognition and visibility for them.

With the pressure coming from Senator Thurmond, Treasury placed a moratorium on further approvals, grandfathered those that had it, has held hearings about whether or not they should, in fact, proceed, whether or not they should rescind these directional labels, and in a court case recently announced that they would have this decision made by June of next year. We thought it might be by this year. In the mean time, around this issue of labels—. The Center for Science in the Public Interest, CSPI, had a petition for several years not to change the language of the present Congressionally mandated warning—ours was a voluntary label that would not change the mandated warning—they wanted the warning further enhanced. Borders, red, black, bigger, and with an icon with a big red exclamation point in the middle of it. That is now going on with comments until August 20.

Hicke: Hearings.

De Luca: Not hearings, but so far just written comment. The one on the directional label did have hearings, a big one in Washington and a major one here in San Francisco. I thought they were very positive and they were a great forum for getting to the public through the press about the issue, which is very complex. How do you have community knowledge about something like alcohol moderation, consumption, age groups, the risks and the potential benefits?

I'm happy to say that very learned journals, very respected researchers are converging around the science more and more and more that speaks positively about moderation. We have not in any way paid for this, we have not taken out ads, we are not using a P.R. firm. We are being true to our new role as a public policy association, we encourage the press, we encourage the scientific community to speak about this in terms of having a first-amendment right of free speech. Not in terms of a marketing program. You've heard me say this before, that this is not for marketing, but it is for public policy.

Public policy continues to be very important, because here we are, these last ten days, hearing that another group may go to the public with a signature initiative. They're planning to call this one "The Child Protection Act," which would plan to have an initiative on the ballot in California for November of the year 2002. This is only fourteen months away. They would go out and place before the voters a new tax for twenty five cents a drink, not a nickel a drink, raise huge amounts of money around the cosmetically attractive Child Protection Act, that would raise money against beer, wine, and spirits, and use it for a huge host of crime related issues.

It's a constant reminder how vigilant you must be, in that the moment the economy goes sour, or seems to not have enough money in the general fund. In this case, the energy crisis has used so much of our general fund, that there are those who, while they don't have the ability to pass tax laws in Sacramento, would like to use a fancy cosmetically attractive initiative to raise a lot of money for a lot of different purposes. The public policy consequences of all that we're talking about—the research, the science, the media coverage—is not something that ever can be abandoned.

I have colleagues who say, "Gee, after *60 Minutes* in 1991 everything positive followed. *60 Minutes*, that's been why we've had such a wonderful ten years." I have advised them that that segment was a component, that was one of the threads and strains. But the larger question, Strom Thurmond shows how vigilant you have to be, the directional label fight, the new CSPI wanting the warning to be even more pronounced. Now having an initiative launched is a reminder of the contradictions in our industry. Side by side, and I think for the longest time in the future, until culturally we have understood diet, lifestyle, and nutrition, there will be side by side forces that are positive and negative. At the very moment that we're enjoying international acclaim for world class wines, here back home somebody wants to put an alcohol tax initiative to raise all this money to do all these other things.

Hicke: What is this Child Protection Act?

De Luca: We're just seeing it for the first time. This morning, one of the reasons I was late was that I was talking to some of our beer and spirits friends for a meeting that will be held in September. We will try to understand who it is and what they are attempting to do. They have already filed a petition, which you must first have to get approval to go out and gather signatures. If you have enough money, you can put signatures and anything you want on the ballot in California. That's the initiative, referendum, and recall.

Yet, this is a moment when the acclaim of the industry is very high. We've just enjoyed five, six, seven years of uninterrupted progress. Our wines—I know the acclaim that we're receiving is well deserved. Yet because the energy crisis has used so much of our general fund, that could very well be the precipitous cause for saying that we need more

money to do these other things. What you do is look for a very attractive soundbite, so “Child Protection Act,” just like “Clean Drinking Water” which led to Proposition 65, is the way you try to sell very costly and complex programs with very simplistic messages.

Hicke: It doesn't really mean anything.

De Luca: When you read this about sex crimes and all kinds of crimes, it's being designed to be held out as a carrot for groups in the state that would get a lot of money through these initiatives. This occurred in 1990 when we had a “nickel a drink,” if you recall a lot of different groups were going to get a lot of money. The highway patrol was going to get helicopters, there would be new hospitals, emergency care physicians would get new funding and ambulances, you sort of dole out a lot of money for a lot of groups and say that if you support this initiative, look at how much money you'll get outside the budget.

We had to fight the issue and say that far from being a “nickel a drink” doing all these other things, it was a distortion of our priorities as a state. We were fortunate in 1990 to defeat the measure. It also came up in 1994 and 1996. There we were able to alert the public ahead of time that these initiatives were really dramatic transfers of funds for a very, very specialized and in some cases, I would say, politically manipulated programs designed to get a lot of money for certain groups. Now here we are again, and for the year 2002 we may face that same battle of '94 and '96 all over again.

[Tape 27, Side A]

Hicke: Okay, the next topic is the new Wine Institute logo.

De Luca: I believe it's appropriate to have a logo that matches our mission. For the last decade the Wine Institute has become increasingly identified within the industry as a public policy advocacy group. Therefore, to mirror and to reflect and to advance the public policy aspects of it, we thought we should have a new logo to capture that, to show that we were a voice for California wine, that we were people. When I say that we were people, the reason I mention that is that historically, we have had either wine presses or ancient vessels, goblets of wine that have been very appropriately identified with the long cultural standing that we've had. But to reflect the active role we play in society, in public policy roles with the press, the government, and the public at large, international issues, state issues, we went about with an associate member, Sterling Cross, to see if we could devise a new logo.

We ran it by a number of our officers and staff and, in fact, came up with what we believe to be an appropriate logo. And we announced that this year. Slowly we're getting it on our letterheads, on our envelopes, and on our publications. I think it's been well received, it really does in fact say that we're both upholding and uplifting the industry. I still don't have new cards. The logo has been the unifying and also defining reflection of the changes that have taken place.

We've gone from being basically public relations and promotion and marketing into being public policy. Any survey of the industry right now believes that it was a very important and very correct decision for us to emphasize public policy as opposed to

public relations. Public relations is being handled extremely well by the local organizations. But if you look at everything that we're talking about, whether it has to do with the glassy winged sharpshooter, whether it has to do with taxes and advertising, international trade, the federal trade commission, the food and drug administration, the surgeon general, here locally in terms of issues having to do with the label and names with geographic significance. Or whether the alcohol and beverage control fees—

Anything you think of today, local, state, federal, international—it has a real bearing on the fundamentals of our industry. You'll see that there's a governmental component. Either a potential for litigation in terms of the courts, the issue of direct shipments and the ability to send wine directly to consumers across the country, e-commerce, changes in the state laws dealing with wholesalers, retailers, and how they're regulated. It's extraordinary, the public policy content for everything important for our industry. Just to conclude on the logo, the institute made a dramatic turn in terms of the priorities and the focus that it would have. I think everybody looking back sees that as a turning point in our history.

Hicke: That was about 1990 or '91.

De Luca: Yes, the Dietary Guidelines are governmental. It's the federal nutrition policy. Directional label regulations, enhancing or dramatizing the warning, trade issues, the New World Wine Group, issues having to do with Latin America, our mutual acceptance agreements with the Europeans. Wherever you look, you will find that this organization and this industry has elevated its priorities to the correct emphasis. Therefore, I think the value of the Wine Institute for the industry is increasingly better appreciated. As we go full cycle, the interesting thing is all these outside groups, whether they're the high technology people or the California Teacher's Association, or agriculture itself, how they are commenting about us as an example of what they should be following themselves.

I think that's really reverberating and resonating. All the groups watching what we're doing who say that's a model that they should be following. I want to thank you again for time you're giving, Carol.

Hicke: Thank you.



Josephine De Luca, John De Luca

XIII Update to 2007

Interview 14: November 11, 2003

[Audio File: De Luca 28 11-11-03]

00:00:00

Geraci: It's a pleasure to be interviewing John De Luca at his San Francisco office on 11 November, 2003. This interview is being conducted by Victor Geraci, food and wine historian with the UC Berkeley Regional Oral History Office.

Mr. De Luca, over the span of your twenty-eight-year career with the Wine Institute, ROHO interviewers Ruth Teiser and Carole Hicke had the opportunity to interview you numerous times between 1986 and the present. Today's interview will review past interview issues and update their progress, and allow you to tie up your comments on the wine industry as a whole, and comment on the future role of the Wine Institute in the twenty-first century. I think first of all, what I would like to do is have you explain just briefly your new position now that you have—and how do you put this, semi-retired, kind of retired, from your president's position?

00:00:53

De Luca: First of all, I'm most grateful to you and to your predecessors, Ruth Teiser and Carole Hicke and the whole oral history program at Bancroft, and to *Wine Spectator* for its funding of this series of interviews and its interest in wine. I'm the great beneficiary of

these interviews, because the questions which are rarely asked of me that way in an historical context, permitted me to think in more depth than the day-to-day activities before a board of directors, or before members, or in crisis situations. So in truth it was a great learning—and has been a great learning experience for me, to try to distill, no pun intended—[laughter] try to distill my own thoughts, and to try to put in perspective, historically what was going on. I believe absent these interviews, I would be hard pressed to reflect back on a quarter century, and be hard pressed to remember what I said at any one time, or did at any one time. So I thank you very much.



Brother Joseph—Oakland Planning Commissioner, Vice President, Union Bank. 1965

With regard to the present circumstance, it's really a compromise between family and professional requirements. On the family side, governed by my wife's desires, I have had to change the pace of my life with the Institute. And this sprung about as a result of

a twenty-month period where she lost her mother and father, I lost my mother and my older brother. Four very painful deaths in the span of twenty months, which really forced both of us to analyze our lives, which had been going at a dramatic pace ever since we were married—White House, City Hall, the wine industry. But I also had a sense of commitment to the industry, and especially at this time, with so many important things breaking, happening, or strategies that were put in place, needing to be brought to some consummation.



Mother and relative—Sicily, 1954

So in a sense, what I have, and I give great tribute to the leadership of the wine industry, which accepted that there should be the creation of a new position, an executive vice chairman; that I relinquish day-to-day activities, but that I still be available to my successor and to the officers and to the industry as an advisor, to be liaison to many important groups, and to be available for special projects. Not to be a consultant, not to be retired, and not to be emeritus. In a sense, it's a rather unique situation, because most

times in order for a succession plan to work, the person who comes in legitimately requires a free hand, not to have a person still around who has been the president and CEO for twenty-eight years. What's made it work is that we started it three years ago, raising the question; have taken all this time to make the transition work, to not go to an executive search firm to find a successor, but to permit me to make a recommendation as to who the successor would be, to bring him from within our ranks, so that it would be someone who knew our industry, was known by our industry, was known by our staff, so it wouldn't be traumatic, and that it would be a seamless transition. That I would still be with the institute. But a good example of being with the institute, but at a distance, is that I am two blocks away from my former office. I'm not occupying that center corner office that I used to have. I'm here. But I'm close enough so that every morning when I go parking in the garage, there's an envelope with the mail and correspondence and memos, and I'm kept apprised. I'm kept apprised of issues.

I had said to the industry that there are many, many important alliances that I had helped to create or chaired, that I wanted to institutionalize. The ag-high tech alliance, agriculture and high technology. High technology in recent years has been in the doldrums, but I could still see that as being rejuvenated and very important to us. They were critical—and if we want to get into it, we can—they were critical when we had the Orrin Hatch bill called the 21st Amendment Enforcement Act, when the wholesalers wanted to shift to the state attorney generals many of the issues that were now in federal court. Well, the high tech community saw us as a tripwire to many of the issues that they were facing in terms of the internet, and direct shipments, so we formed an alliance around that legislation and decided well, we could also work together on exports to China, working on issues of common cause. So it was rather unique. We went beyond wine and brought in the Farm Bureau, brought in the Western [Farm] Growers, brought in the various components of agriculture.

Rather than have that as a historical footnote, I thought that was an institutional relationship that we should foster. And in fact, they agreed. This last week I was at the semiconductor industry annual awards dinner with all of the high tech CEOs, and mingling with them, and Governor Pataki from New York was there, who is a dear and old friend, with his wife Libby. Well, absent continuing those relations, they sort of wither and die on the vine. With regard to the California Teacher's Association, an organization that I've been working with for the better part of three decades, even preceding my years with the Wine Institute, I felt there should be a formal continuing relationship with them, so I accepted to be the community member, and so far the only community member on their board of trustees for their Institute for Teaching, which is a private foundation created by the California Teacher's Association.

This Thursday, Friday, and Saturday, I will be hosting the ag executives at Bodega Bay, who are the key top thirty agricultural leaders in the state. Again, absent my participation, that very important relationship with agriculture, with farming, we're going to go over sustainability issues, I will be the program chairman. Absent working with those wonderful friends of many, many years, that also could wane and not have energy.

So, that's just a tiny example of working with the World Affairs Council, working at the University of California with the Commission on Agriculture and Natural Resources, working at Harvard at the Kennedy School—these are very important relationships that

very modestly I can say, have been unique to me, very valuable to the industry, but need constant attention. So this position of executive vice chairman permits me to still stay with the industry, to not have day-to-day operational responsibilities, but to stay in a liaison, advisory, special projects relationship to the industry. And I think that's extremely valuable for the institute, and for my wife and for me. For the first time, it gives us the opportunity that if we want to take a week off, and go to Taormina, go two weeks to Tuscany, that we can do so. So it's a wonderful compromise that has been crafted.

Audio Excerpt

I have signed two consecutive five-year contracts with the institute so as to formalize that relationship. I can continue to serve the industry with basically what is a two-fold strategy. For twenty-eight years I have been working on the scientific, research, academic community side with funds from the government rather than from the industry so that the credibility of that research would not be contested. So that's been one part of the strategy. The other part is education. I see these great institutions of medicine and research and education as very critical to creating in America an attitude towards wine that took thousands of years of acculturation in Europe. In a sense, this is the moral equivalent of trying to bridge centuries of what became known as folk wisdom, the ancient secrets of modern nutrition, but in a shorter span with different institutions. We don't have the Roman army and its garrisons to take thousands of years to plant grapes as they settled the Roman Empire. They were the first society of wine educators, because they needed to have a guaranteed supply, that wasn't poisoned by the tribes, for their soldiers. We don't have the Catholic Church over a thousand years making wine a central part of the Catholic Mass. We don't have thousands of years where on a natural, you drank wine because that was the vineyards of your local community that spread all throughout Italy and France and Spain and Germany and Romania and into Croatia.

Audio Excerpt

So, how do you do that? You look at the dynamics of power, and the dynamics of power in the United States are the interaction between the government and the press. Or how do you affect the government? How do you affect the press? You do so through institutions. Through working with credible—not Wine Institute spokesmen, but third-party scientists and teachers who speak about the subject matter.

I have a great thesis that I have shared with many people, and that was that the turning point in this great landmass that the geographers used to call *terra incognita*, the cartographers used to say “uncharted land,” occurred during a period of what we call the French and Indian Wars; Queen Anne's War, King George's War, King William's War. The British and the Iroquois, the French and the Algonquins. The French and the Algonquins were winning. Fort Duquesne, which is today Pittsburgh, is in honor of Pitt the Elder, who figured out that the British couldn't win that war with the French unless they changed their tactics, brought in new resources, brought in new training methods for their army. And the British, and not the French, won that big battle over who was to command the Eastern seaboard during that period of the 1720s to the 1760s. If the French had won, we would have had French literature, we would have had French cuisine, we would have had French culture. If the British settlers had been the London merchants, who were very cosmopolitan, and went to Madera, and went to Spain, and went to Oporto, if it was that part of England that settled the United States, there would have been an entirely different culture in the United States from the British side. We still would have had great institutions of parliament, we still would have been able to read

Shakespeare in the original English, but we wouldn't have had the most pinched culture then existing in Europe, which was the Puritan one, which was so self-negating that the British couldn't stand them and they couldn't stand the British, so they left.

So, the people that we venerate, who came in the early days with the Mayflower, the Founding Fathers and the great tradition of the first Thanksgiving, those people were very brave and very adventurous and had very strong ideas, but their culture was very, very narrow. So what got established in this new land with the victory of the British over the French was that set of principles that they had, this Puritan ethic, which then migrated to the Bible Belt. So in terms of what happened to this land, where the French did settle, like New Orleans and Montreal, you have an idea of what it would have been like had Montcalme and not Wolf won the "Battle of the Plains."

And so to make up for 200 years of this culture, because everybody who came subsequently had to adapt themselves to that original culture. So all the Italians and Yugoslavs and Greeks and French and Spaniards and Latin Americans who came in the nineteenth and twentieth century, had to adapt to the existing one. The Germans who came, of course, brought a beer culture which was terrific for America because of the national sport being baseball, and breweries wanting a cold drink in those hot, humid parts of America that were playing baseball. They had a brewery in every little town. You didn't have a winery in every little town. And the pioneers who came across the United States in the Conestoga wagons, they are the ones who initiated in the Pennsylvania Whisky Rebellion, but they were not drinking Sauvignon Blanc and they weren't drinking merlot!

00:17:17

Geraci: [laughs]

00:17:17

De Luca: But they did settle out there in California. So we really had one part of the country, primarily in Northern California, and waves of immigrants who came, who did influence how Prohibition was executed, because if you remember, under the Volstead Act, there were exemptions to the complete ban of the production of any what they called intoxicating liquor. Wine was never mentioned during Prohibition. It was in the definition of terms of what was an intoxicating liquor, and that's how wine was drawn into it, even though many people in California at first didn't feel that they were affected by the Volstead Act and the various state acts and then the 18th Amendment. But there were exceptions based on that culture, and that was that you could have sacramental wine out of deference not only to Catholicism and to Anglican influence, but also to Judaism, that you could have wine for home consumption, and that is why you had all during Prohibition the growers exporting grapes all throughout the United States with trains, with big immigrant populations waiting for the grapes to come so that they could in Chicago and Pittsburgh and Philadelphia and Boston and New York—my uncles tell me of waiting for the trains from California.

And all of that really derives from cultural underpinnings, and so even though we look at our laws as though they were preordained and static, it really has in fact been the way America was settled, the way the different states looked at such basic things as the consumption of alcohol. And there was a big difference in the big cities versus the rural part, and that became part of Roosevelt's coalition, the wets and the dries. And in fact,

it's very instructive to think that Roosevelt and the Democrats in the 1932 Democratic convention had as their plank the end of Prohibition, and that part of their coalition, the Rooseveltian coalition, included not only academics and the Jewish community, but all of these teeming, drinking Irish, Italian, Polish, Greek, Yugoslav citizens.

So I've always been of the opinion when we look at our rules, our regulations, when we look at the history of the United States, what could you do today to acknowledge that history that's past, how do you compensate for the fact that we did not have an evolution in the United States that would have been more European, West European, Mediterranean, based on the number of people who did come from the Mediterranean, but who came later? How do you address today's society to give yourself a chance to make it part of the lifestyle and culture of your country? You can't pass a law—on one hand, the ban, Prohibition, was flaunted and led to disregard for law, and speakeasies, and in effect, we subsidized the criminal elements of the United States with Prohibition. We underwrote the strengthening of the Mafia in America with Prohibition. So laws by themselves, on one hand, the ban could never—didn't work.

If you passed a law that says you are obligated to drink, it wouldn't work either. So what you have to do is work with what I call the interstices of your society. The big institutions, understand them. Today, it's government and the press and the dynamism between them. What affects the government and the press are these great institutions of law and medicine and university. The great interest in America today in health has led to a proliferation of journals and magazines and wellness letters. How do you affect them? How do you affect health magazines? *Cooking Light*, the *Berkeley Wellness Letter*, the *Hopkins Wellness Letter*, the *Harvard Wellness Letter*. Well, there are people in our industry who had been eminently successful with public relations. That's how they rebuilt themselves after Prohibition, was with good P.R. [They] wanted the Wine Institute to continue public relations. Contract with a good firm, put out a good message that wine was good for you—and land us in regulatory battles with the BATF, Bureau of Alcohol, Tobacco, and Firearms—that had a regulation against making any therapeutic claims, and that goes back to the abuse of wine for medicinal prescriptions that doctors wrote during Prohibition.

We would end up with the Federal Trade Commission saying that it was misleading advertising because we didn't give a balanced study. We couldn't just say the good things, you had to also say the abuses would lead to ill health effects. The Food and Drug Administration told me that, "If your people want to say wine is good for your heart, fine, but we'll treat you now as pharmaceutical companies, and your wineries would overnight have to go through the Food and Drug process approving that their products had therapeutic value for the heart." And believe me, they would put you through all the vigors of verapamil, and lanoxin, and allapurinol and all these different medications they go through, and the Surgeon General would have opposed it because there is a label passed by Congress, even though Congress didn't vote on the bill, as a free-standing bill, it was embedded in the Omnibus Drug Act of 1988. Thanks to the legal and political and institutional maneuverings of Strom Thurmond, who inserted it into the larger bill, so that it was up or down, you had to vote for the whole bill up or down. That's how we got the alcohol beverage container warning label. Well, the surgeon general is obligated to defend that by law, because it says this. The government warning, the surgeon general says the following.

So all of those things led me to say that industry paid public relations could not overcome all of these regulatory and legal barriers. That what we had to do was to in effect get active in public policy, change that policy, change the dietary guidelines, which are the basic nutritional policy of the United States, which until 1990 was voluntary, but in 1990 became mandatory that every five years, an advisory panel would recommend to the secretary of Health and Human Services and to the Department of Agriculture nutritional guidelines as the basis of nutritional policy for the United States. I said, "Well, let's get involved with that. That's where the science and the research can be addressed, rather than given to a public relations firm to announce."



Josephine De Luca, Senator Dianne Feinstein, John De Luca

Should we spend money for it? Everybody said, "Let's go out and raise a lot of money and pay for new research. That's the way it's done." I said, "No." My approach was very counterintuitive to our industry. They said, "What do you mean, 'no'? How are we going to get this research?" I said, "We could get all these great scientists, and they could all be absolutely first-rate, and the moment that their studies would be published, a reporter would say, 'Sir, who gave you the money for this research?' And they would be obligated to say the wine industry, the Wine Institute, the Council on Wine, or the Wine Marketing Board, and it would be attacked as bought and paid for by the industry." They said, "Well, what's the other alternative?" I said the alternative is to get the Congress in its appropriations bills to instruct the National Institutes of Health to look into this subject matter. I was told it would never happen in my lifetime. In fact, I was told worse than that.

00:26:02

Geraci: [laughs]

00:26:04

De Luca: That that was most naïve—and started raising questions about my ability to understand our society when I said that’s what we should do. But I felt that we could do it, should do it, and it would result in credibility, because the money would come from the Congress to the NIAAA, National Institute of Alcohol Abuse and Alcoholism, they would put out a request for applications, RFA, universities would then apply for that money, because for the first time it would be seen as politically correct to do so. The government is encouraging you.



Congressmen George Miller, Pete Stark, Leon Panetta, John De Luca, 1980

Having been at Stanford Research Institute myself and having been in the university world, I knew that what would attract scientists and academics and researchers was the knowledge that what they were doing would be published, could be published. And in this world of publish or perish, how do you stimulate the academic research world to look into this subject? Well, you’ve got to get them money. So that was, as Shakespeare would say, “there’s the rub.”

Well, we did it by getting Dianne Feinstein in the Senate, and Nancy Pelosi in the House, and Bill Thomas—these are very powerful people in the House and the Senate of the United States—to put into the appropriations bills instructive language directing the NIAAA and the NIH to so put aside the money. Well, they weren’t about to take money away from other programs. So I went to then chief of staff Leon Panetta. This was during the Clinton administration, early days. And I said, “Leon, how are we going to do this?” He said, “Well, we’ve got to get more money to these people, so that instead

of taking money away from projects that are already committed, they have additional funding.” He said, “I’ll provide an opportunity for you to make the case with the president.” And in fact, to the puzzlement of many of his staff who were in attendance when I was speaking and had breakfast with the president, I was promoting more money for research for the National Institute of Alcohol Abuse and Alcoholism, and to the National Institutes of Health, which the president could understand.

But why would I be asking for more money for the NIAAA? Well, that was because I had this silent, tacit understanding that out of the additional funds, 10, 15 percent, they could take money and put it aside, \$3 million a year for five years, \$15 million. It was nowhere near the money that was being spent, over \$100 million looking into the ill effects of abuse. But I knew instinctively that this was one of those man-bite-dog stories; that there was so much coming out about how bad things were for you, that America being what it is, writers and researchers being who they are, publications always looking for a new approach, that if somebody came up with a valid study that was peer-reviewed that said that there could be cardiovascular benefits in drinking in moderation, and what were the mechanisms for it—now, the reason this story has gone on so long, why it has had fifteen years of legs, is not the conclusion, the end result that there are cardiovascular benefits that people can observe through studies that have been done. And there are hundreds of studies now that have said that. The real question is why? What’s the mechanism? And that has caused, like the search for the Nile, many different schools to develop, Is it good or bad cholesterol? Is it clotting of the blood? Is it the buffering effect of having wine with food? Is it the habits of the consumer, that wine consumers exercise and don’t smoke? Is there something there that we don’t understand? The latest one came out and said it really is the frequency with which you drink, rather than the amount. So, a little bit every day.

But all of that dovetails into the Mediterranean diet, the way a whole population has been living for thousands of years. So you had the fusion of Harvard School of Public Health, with Dr. Willet publishing his materials and putting in his pyramid a glass of red wine right there next to the pyramid, with the big debate going on today in the United States that these diet pyramids from the USDA that have been going on for fifteen years have produced a generation of obese children with incredible diabetic consequences, but not the people from the Mediterranean. Not the people who have had fruits and vegetables, and fish, and a glass of wine.

So what you fuse here is diet, nutrition, credibility, the university, the press coverage. We haven’t paid one penny for one ad in the last fifteen years, contrary to all the people who asked that we do so. But I compiled recently for our industry a document that showed in a six-month period, *Reader’s Digest*, *Ladies’ Home Journal*, *Time* magazine, *Newsweek*, *Health* magazine, Reuters almost every day, all these studies that are coming out, a proliferation of studies, and not one of them paid for by the Wine Institute, not one of them with a press release from the Wine Institute. And the people who do that research know that for themselves, it’s good to have their director of communications for their school put out a press release about what they have done. And if they have a conference in Santiago, or they have a conference in Florence, or they have a conference in Japan, to put it out to Reuters, because Reuters is carrying all this health study.

I don’t know if your tape is running out?

00:32:58

Geraci: No, it's doing fine. Can I insert one thing right here? It seems to me then that as we started, I began this question in asking you about your new role, that the new role is almost a necessary part of where the Wine Institute is going. You need someone who can handle the domestic politics in Washington, D.C., to help set the policy. Which also, as you put it, you have this government and press almost matrix, that is affected by, as you put it, the legal community, the medical community, the university community. You need somebody also working at the same time to bring those communities together with this policy group. One person cannot possibly do all of that. It seems to me that you have created a very good model for approaching a very complex issue.

00:33:53

De Luca: What has occurred is that, thanks to the privilege of addressing a board of directors over a period of years, who were at first very, very suspect—I mean, you have to admit that what I just described had legitimate critiques and criticisms all along the way, and the man who was most critical of this was Robert Mondavi. A man truly honored and deserving of praise, who felt that the way to go was to hire Walter Cronkite, or to get Father Theodore Hesburgh, or to get a great public relations firm like the Edelman agency, or Hill and Knowlton, and to have a massive, major public relations campaign, and for him to have what he called the Mondavi Mission adopted as the industry standard. He definitely was impatient with what I was proposing, because what I was proposing was incremental and gradualist. It couldn't happen overnight.

On the one hand, a man of action, a man of determination, wanted to see quick results. And I had no scientific studies coming out to back up the presentation that this would occur. On the other hand, I had internally another body of thought. The thought that what I was proposing was very dangerous in terms of the law, regulations, and would cause a counterattack, and would lead to litigation and the weakening of our legal defense. And these members were most influenced by lawyers who talked about the great successful strategies that appeared to be happening at that time by tobacco. Tobacco was not losing in court. Tobacco had a legal defense, and so we had learned counsel talking about legal defense; and counter to that, we had a body of thought that said we must go on the P.R. attack. The legal defense criticism was that I would undermine the "Common Knowledge," defense, i.e. legal papers that used to be immediately filed to throw out these cases.

And I said, to both, "If we get to court, we've lost public opinion. And the court that we have to convince is the court of public opinion." And in today's press, every single day is a "tabula rasa" for a multibillion-dollar industry called communications, commentators and reporters who are hungry for news every single day. If you get the Associated Press, and if you get stories running on the wires, and the radio picks it up, and the television picks it up, and the newspapers pick it up. But it has to be credible, and it has to be interesting. So what we have to do is get free press by getting stories that have a value to the consumer. So, we can't be production-driven. We can't be thinking of our tons per grapes. Even though I'm interested in every harvest, there's a bigger issue here at play, and that is how are we defined and looked upon in our own society? Are we a health hazard, or we a part of nutrition, fighting disease? How that equation, how that issue comes out will determine the long-term health, and even success, or even the viability of our industry in this society. Forget what happened in Croatia or in Italy over a period of 2,000 years. This is America, with a different set of standards.

So we need to get the press. The press will influence the government. The government will in turn affect these dietary guidelines, the taxes, all the issues, opening up markets overseas. We had three congressional roll-call votes to knock us out of the export program at the U.S. Department's Horticultural Division, where wine was part of agricultural exports. The argument was that there should be no U.S. funds for exports of agricultural products if alcohol was involved. And we had to win in the Congress on a roll-call vote three times on three different occasions.

So, how do you build up political support? Well, you make sure that the staff and the Congress, and the Senate get those articles in *Health* magazine, in *Reader's Digest*, in *Ladies' Home Journal*, and also all those great stories in *Time* and *Newsweek* where wine was part of mangoes, blueberries, broccoli in the antioxidant side. Of course that created the issue, well, is it antioxidants or is it the alcohol in the product? I was asked to be a cheerleader and to choose the antioxidant story, and I said, "Leave it alone." Because Gazziano at Harvard believes the value is all alcohol. Why should we appear to be contesting any scientist with his or her theory? I said, "If it's alcohol, that's fine. That means it's white wine, red wine, dessert wine, champagne, beer and spirits. That's fine. We all benefit from that." And there are other factors besides the product, and that is how is it consumed? Is it with a social gathering, is it binge drinking? Is it done in a daily manner? Is it part of the culture?

I said, "But if antioxidants are also part of the story, then we can say yes, we're part of the finding that alcohol is at the heart of this subject, but we also have a premium. We have alcohol, plus we have antioxidants. And beer can say it also has antioxidants, but we have an advantage because for ten years beer and spirits wouldn't join us in that effort because their attorneys said, 'Don't touch this subject.'" I have to tell you that I often felt all alone within the wine industry. Criticism from both sides, the departure of a hundred-plus wineries from Wine Institute over this issue, so it was not an academic abstract issue. When Robert Mondavi left the Wine Institute, he left with a blast, and it was aimed at me: that I had abdicated my responsibilities, and that I had turned my back on the industry, and that I was not there fighting for the industry. That was not the most comfortable time to be president of Wine Institute.

On the other hand, I knew we couldn't have a legal approach, because a legal approach meant maneuvers and lawsuits and depositions, and would embed even further that we were like tobacco because it would be seen as a tobacco-like strategy. So fighting for public opinion to be changed has been one of the greatest challenges for an industry in America. Think about it. A product originally made a crime in America by the Constitution of the United States, the 18th Amendment. A product that, when it was repealed, in effect, was not given the protections of the interstate commerce clause, where instead of a common market we had to deal with fifty separate states. The United States was not a three-state country. It was fifty. At that time it was forty-eight. And then the new wave of sophisticated anti-alcohol, and many of them I give high marks for being well motivated and well organized, and they really did worry about the sufferings from alcohol abuse, but they went for the jugular. They said the product itself was inherently dangerous, and there could be no moderation. The attack was on moderation.

So how do you save moderation? How do you save this product that had this five-thousand-year history, six-thousand-year history? How do you change public

perceptions of it in the society that we have where the Center for Science in the Public Interest and the Marin Institute had very astute public policy advocates who worked that turf very hard. We tried to create a wine caucus, and at the start, we only had nine members. Today, we have 251.



E. A. Mirassou, Senator Pete Wilson, John De Luca

00:43:15

Geraci: When did you start the wine caucus?

00:43:18

De Luca: I didn't start it, I suggested it to Congressman Tony Coelho and to Senator Pete Wilson in the mid-eighties. The early members deserved all the recognition. Congressman Coelho also was the key force with Congressman Bart Gordon for the Thomas Jefferson Congressional Wine Club which held studies, seminars, and tastings. Congressman Gordon from Tennessee became the chairman and introduced many members to our issue.

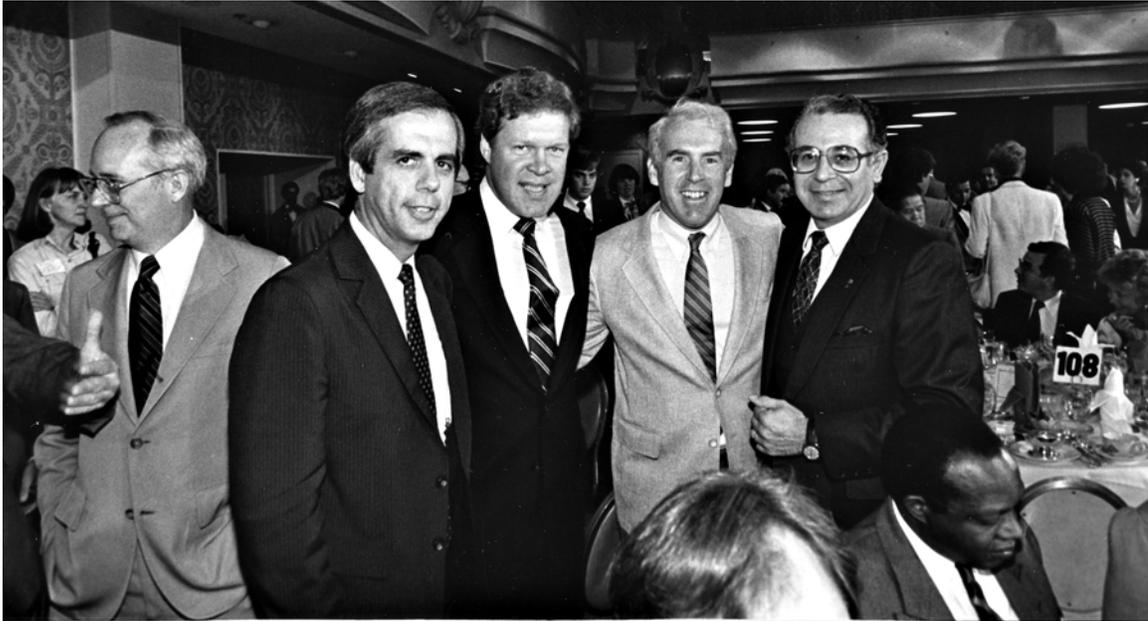
00:43:24

Geraci: Okay.

00:43:24

De Luca: Today you have 251 members of congress with George Radanovich, Republican, and Mike Thompson, Democrat, as co-chairmen. And many of those are not from California. Many of those are not even from wine-growing districts. But there has been a huge mental, attitudinal change about wine's role in society, and you can almost

arithmetically measure it by the fact that when we first started, that there were nine, and now there are 251 members of Congress.



*To John DeLuca; Your friends thank you for stalwart support
Vic Fazio Best to you & the Norm Dicks*

Tony Coelho, Norm Dicks, Vic Fazio, John De Luca—Democratic National Convention, 1984

00:44:00

Geraci: That's quite a growth.

00:44:02

De Luca: And it shows, and it reflects, and it gives us a greater ability to affect public policy, and to go and to talk about international trade. We were seen in 1976, '78, '80 by the people at the Special Trade Representative's office, by the State Department, by the Commerce Department, by Agriculture, as an industry that wanted protectionism against the finer wines that were coming from Europe, and that we talked about exports only as a cover for not being able to compete in the world market. Today we have wine that has been elevated in terms of foreign trade policy. We have the Special Trade representative and the Secretary of the Treasury, the people at the new Tax and Trade Bureau. By the way, look at the difference in terminology.

00:45:02

Geraci: Terminology alone.

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De Luca: From the Bureau of Alcohol, Tobacco and Firearms—

00:45:06

Geraci: To ATF.

00:45:07

De Luca: To TTB.

00:45:08

Geraci: Yeah.

00:45:09

De Luca: Tax and trade policy. There's another story behind all of that.

00:45:15

Geraci: We will get to that in another part.



Governor Arnold Schwarzenegger, John De Luca

00:45:17

De Luca: Yes, I'm going to say I've always been a great believer that language, and who defines issues, wins out in elections. You spend billions of dollars defining your opponent, and what kind of sound bites do you have? "Build a bridge to the 21st century," "law and order," all the different terms that you know that are hammered away. The commanding heights of language govern. And look what just happened with regard to our recall in California. What language, what were the sound bites that were used? Bustamante lost

**Audio
Excerpt**

with his “tough love,” but Schwarzenegger won with his, “I got a broom, and I’m going to sweep out the miscreants over there in Sacramento.”

So I’ve been a student of language, and therefore we had to get back to our fundamentals, which was not to overstate, not to really just be organoleptic, which means, aroma and bouquet, which is wonderful for one part of our world. But in this field, we have to be seen as part of nutrition, fighting disease, supporting the world of science.

00:46:38

Geraci: It seems that is the mantle then that you have somewhat picked up. Your niche, I guess we could say, within—?

00:46:47

De Luca: Well, to answer your question, as a teacher, which I am, you use repetition, but not always word for word. I come back to these themes, and I have had the privilege four times a year to address our board of directors which has evolved, newer people have come in, older people have stayed on. The staff has understood it. It’s been part of my mentoring to my staff. It’s been what I have preached to the press. It’s been to get those who cover us, and those who speak for us, and those who are the policy makers understand the thrust of our new policies, e.g. getting the dietary guidelines changed in 1995 so that the headlines in the *New York Times* said, “Wine Good For Your Heart; Federal Turnaround,” or to have many, many, many stories that are now so ubiquitous that it’s hard to keep up. And with the press conferences held by the Wine Institute in the early days, in the early nineties, if a researcher had a project that had a result that said that there was a cardiovascular benefit—or, it wasn’t always cardiovascular, there were other stories about cancer and Alzheimer’s and so forth. Parenthetically, I always rebelled at reports that said that if you drank wine, it would make you wealthier, or it would make you smarter.

00:48:19

Geraci: [laughs]

00:48:20

De Luca: And I said, “Stay away from those stories.”

00:48:22

Geraci: But there has been a study that said, I can’t remember where it came out of now, that said drinking wine does help in memory.

00:48:28

De Luca: Yes, and in fact, there was one that was under the auspices of Arizona State. They did a terrific study with elder people, and in fact, I recall reading all of these wonderful studies. One of the things that I remember most was that the researchers would start out older people with darts, trying to throw them at the wall, and they could barely get them across. After they had had a couple weeks of wine, they would wing it and throw it!

00:49:01

Geraci: [laughs]

00:49:02

De Luca: And that their memory would be stronger and more acute.

I tried to avoid us being seen as cheerleaders. I tried to not pick out some of these more, let's say, not peripheral, but more easily challenged, and stay with the fundamental, areas of inquiry, which were cardiovascular, which is the number-one killer in America. All the other reports about fighting colds, fighting cancer, or wine is good for your memory and acuity, and it's good for aging—the latest story, you know, is that drinking wine prolongs your life, not just in cardiovascular terms. It just prolongs your life. For those we haven't put out any press releases because the scientific consensus is still unformed. In the early days, we would hold a press conference, and beforehand I would have to get permission from the BATF and the FDA, and the FTC that under the First Amendment right of free speech, not for marketing, not for promotion, but for public policy, because we were being attacked, we couldn't export, we were going to be taxed, that we had a right in the public policy arena to have these studies available to decision-makers, provided they were peer-reviewed from a journal that was reputable, by a scientist who was reputable, rehearsed to the press, and it was up to the press to decide whether they would print that story or not.

I often invited someone from the Center for Science in the Public Interest and would announce at the very beginning that there were people in the audience who might have a different point of view, and that at our own press conference, they were welcome to comment, so that no one would think that this was an infomercial.

Now, from those days where we had to “prime the pump,” because it was so new, and so uncharted, to today where you don't even think about it, you just pick it up and there it is, and it is ubiquitous, and it is now—

00:51:05

Geraci: It's mainstream at this point.

00:51:06

De Luca: Yes. Dr. Arthur Klasky said it best a couple of weeks ago. He said, “It's indisputable now in terms of the science. We still don't understand the mechanisms, but we do understand in terms of the science that those who drink in moderation have cardiovascular benefits over those who don't drink at all or those who drink to excess.” Then the definition of terms is, what is moderation? Well, that's where we refer to the dietary guidelines which say it was basically a glass of wine a day for a woman, and two for a man. And people say, “Well, the Danes say it's four, and the Italians say it's five.” And I said, “Leave it alone. We're not there to decide. Leave it alone. Don't be seen as cheerleaders for one group over another.” “Well, it says beer.” I said, “Yes, Gazziano says it's beer, but Andy Waterhouse says it's the antioxidants in wine.” And then he's the one with resveratrol and quercetin with chocolate. At one point, leaders of the nuts industry came to me. I remember Walter Payne coming to me and saying, “You know, you guys with alcohol, you are getting all this press. We think nuts are really good for you.” I said, “Absolutely.” I said, “Here's my playbook.”

00:52:24

Geraci: Mediterranean diet.

Audio Excerpt

- 00:52:27
De Luca: Put it in there, let's all work with the Mediterranean diet. Fruits and vegetables, olive oil. So, that was another coalition around the Mediterranean diet, putting in money with the pasta people, and with the vegetable people, and the olive oil people.
- 00:52:43
Geraci: [laughs]
- 00:52:44
De Luca: And it was natural for me, as a kid growing up that way.
- 00:52:46
Geraci: But does not this help then wine become part of its true roots, which is the agricultural root that many people have tried to separate it from?
- 00:52:56
De Luca: Yeah, well, certainly getting back sometime to sustainability—
- 00:53:02
Geraci: Which we will, we will cover it in another question.
- 00:53:05
De Luca: Yes. Getting to our roots, we had just about lost them.
- 00:53:10
Geraci: Can I say one thing?
- 00:53:13
De Luca: Sure.
- 00:53:11
Geraci: Can we just take a little break for your sake right now?
- 00:53:13
De Luca: Absolutely.
- [Audio file 29]
- 00:00:00
Geraci: In past interviews, little has been mentioned about environmental issues, like sustainable agriculture, water, energy consumption, and land-use restrictions. Yet today, winery and vineyard owners face well-organized environmental groups determined to remediate what they consider to be problematic industry practices that degrade the environment for endangered species, support oak tree deforestation, block enforcement of the Wetlands Act, contribute to hillside erosion and river degradation, consume excessive amounts of water, and promote the escalation of property values. These groups sometimes question the wine industry's stewardship of the land, and to that effect, forcibly lobby government officials at all levels, and are no strangers to litigation. Books like James Conaway's *Napa and the Far Side of Eden* and Alan Deutschman's *A Tale of Two Valleys* tell very damaging stories of California wineries and their presence on the environment.

Knowing this—that’s rather a large loaded introduction—I know that the Wine Institute has been at this point really moving toward a new direction in helping in sustainable agriculture, and I would like you to detail for us how the Institute has addressed these issues, and how they plan to proceed in the future.

00:01:18

De Luca: Thank you, Vic. A big question, very important for our presence in our own society and for the future of our ability to live with our neighbors and at the same time to be very competitive in a fast-changing world. The history of our industry has helped shape our thoughts. Much of it is accurate, but we are all in fact subject to our own perception of ourselves. The folklore of the industry is that those Conestoga wagons and those ships around the Horn really had at the end of it, when you got to California, images of vineyards and orange groves, and of course, those who came for gold. And so from the very beginning, we have seen ourselves as pioneers in our state, helping its beautification, getting involved with statehood, getting involved with the growth of cities, helping to promote California and its image. And it has been a very positive image. I know the last four governors have told me personally that wherever they travel, one of the off-setting images that foreigners have with regard to the idea of our land being populated by eccentrics has been the image of California wine, which has been a positive image for California agriculture and for California itself.

And so for many years, the wine community hasn’t been lulled into complacency at all. Many of our people have been serious students of the environment. They have to be in order to be competitive. They have always felt that we were a bulwark against urban sprawl, that the value of our land was one of the few agricultural lands that could withstand the price of developers wishing to build beautiful homes. And as I have said on a number of occasions, people and grapes have one thing in common: they love to live in lovely places. So we are aware that hillsides could have been despoiled, hillsides could have been cut, and beautiful mansions built, but preserving the land and turning arid hills into verdant vineyards has been our image of ourselves, that we have been very fine environmentalists.

A convergence of factors has caused us to have to reassess our thinking, for us to understand and listen, and to work with environmental leaders, even though we’ve always felt that we were environmental leaders ourselves. And as issues came up about water runoff, and pomace, and hillside ordinances, and pest control, and issues having to do with endangered species, these have been sort of populating the landscape, when a number of issues triggered a realization that we were not what we thought we were, at least with the press and with different communities. And part of that was the encroachment of communities closer and closer to vineyards, and therefore feeling the effect of our vineyard development.

And so the cutting down of eight hundred oaks by one of the wineries, that received a lot of attention, seemed to trigger throughout the state sort of a common feeling that, “See, here is proof positive that they are not really that sensitive to the land.” And a number of efforts were made to try to bridge this concern, and within the California Council for Environmental and Economic Balance was created the California Environmental Dialogue, of which Wine Institute is a member. We met with a number of groups—the Sierra Club, Nature Conservancy, people dealing with the Audubon

Society, the American Farmland Trust—to really enter and to understand what were their concerns.

At the same time, while we were entering into this California environmental dialogue, several years ago, there was widespread concern about the glassy-winged sharpshooter, the spread of Pierce’s disease, which is unsolvable. It could ruin our vineyards. As the California Department of Food and Agriculture talked about spraying to attack the glassy-winged sharpshooter, groups started forming to say, “We don’t want spraying, because it won’t be in farmland, it will be in our suburban areas,” because the glassy-winged sharpshooter feasts on oleanders and landscaping plants, which are exported from southern California for suburban landscaping. And so there has been a convergence of factors leading to this question, “Are we truly stewards of the land?” The term “sustainable agriculture” was adopted as one of the planks of Vision 2020, an outgrowth of those examining Australia’s program for 2020.

00:07:12

Geraci: Now, this is just in the last—?

00:07:15

De Luca: Three to four years.

00:07:16

Geraci: Three to four years is the time frame.

00:07:18

De Luca: As a way to address social equity, economic equity, environmental concerns, the three “E’s”. And in putting together these different programs with far-sighted leaders—Paul Dolan, Bill Turentine, David Fried, Jerry Lohr, Karen Ross—the effort was made to have in fact a very strong plank for Vision 2020 around sustainable agriculture. It was not a Wine Institute-initiated program.

In the meantime, at the local level, at the central coast level, at the Lodi Commission level, at Napa and Sonoma, different groups were trying to address their local problems with the environmental community in adopting sustainable programs. And I, in examining these developments, felt they could lead to the Balkanization of the state as different groups vied to show for marketing purposes that they were growing their grapes in a more sustainable, environmentally friendly way than other parts of the state. One of the concerns that I have always had was how to address programs that pull us together, rather than to inadvertently reinforce the natural tendencies we have to promote our local regions, to promote our local brands, at the expense of the state as a whole. [A knock at the door] Come on in! [secretary enters] Sorry for the interruption.

00:09:56

Geraci: Oh, no problem.

00:09:56

De Luca: The fragmentation of the industry was a concern for me, as I saw local groups starting to set up local sustainable practices, organizations, and having workshops. But I did not want to appear like, here comes the Wine Institute, in some way superimposing on them a statewide consciousness when they were trying to promote their local areas.

00:10:27

Geraci: In some ways, this is more of a grassroots beginning?

00:10:31

De Luca: Yes, there were grassroots beginnings through Wine Vision 2020, where there were groups that broke off into four different sectors, one of which was sustainable agriculture, and was chaired by the head of the California Association of Winegrape Growers [CAWG], Karen Ross, who also had Andy Beckstoffer, a major grower in Napa. And at the same time, there were these groups in the central coast, Lodi, the Lodi Commission started looking at the subject primarily in terms of grower interest—the same thing occurred in Sonoma and Mendocino—and I could see this as both positive and potentially a negative, that it would become a marketing-directed, rather than a statewide-directed program. “My region is better than your region because we are growing more environmentally-sound grapes.” But I couldn’t ignore the fact that a whole new generation of consumers were very sensitive to the environment, and that this could enter into the whole global picture of competition, as Chile or Australia or South Africa, or Western Europe or Eastern Europe would say, “Buy our wines because we grow them in a more friendly, environmentally sustainable way.”

The solution was to put resources to fund committees where we had growers and vintners working together, staff that was knowledgeable and expert in dealing with communications, and funding to hire very strong environmentally experienced professionals. And that’s where we brought in Kari Birdseye, our director of communications, who had spent twelve years with CNN, and who actually was a colleague of my daughter, her executive producer. (She was my daughter’s executive producer.) And I had on my hands this great gift of two producers from CNN who are very savvy. I had the funds to hire, “Real Toolbox” Jeff DeLoitte, who is a Ph.D., who had a number of staff Ph.D.s, who had worked in the environmental community. We created a committee that was first a subcommittee of Wine Institute, and then a joint committee of Wine Institute and CAWG, and then to create a foundation, a 501(c)(3), that could receive funds both from the state and federal government, as well as from private donations.

And money was very important. Man- and woman-power was very important, but collegiality and working together were extremely important. I went to a number of foundations who were absolutely enthralled, but it happened at the time that the Hewlett and Packard Foundations both were going through the travail of the collapse of their stock. Other foundations were going through the downsizing of their endowments. So, the only sources left to us were our own funds, our own in-kind services represented by our staff, which would be very considerable if you wanted to hire separate groups. We used our own internal staff. Then to take advantage of the Farm Act two years ago [the Farm Bill of 2001], which provided funds to the state of California for specialty crops. We applied for a grant and won a grant for \$280,000 to be used for sustainability. Winston Hickox, the outgoing head of the Environmental Protection Agency, and I met, and he thought it was a superb, superb program where Cal EPA could affiliate and could actually be a partner with us in our own state. Of course, now with the Schwarzenegger change, we hope that his successor agrees with that approach.

There were funds also granted by the Congress to the American Farmland Trust, which is an environmental group in Washington, for them to administer. We applied for a

grant, and have won a grant of \$150,000, which soon should be announced. Then the new 501(c)(3) Vintner and Grower Group has raised about \$100,000 through private donations. So, when you add up the \$250,000 a year we've put in for three years at \$750,000, \$280,000 from the CDA's administration, California Department of Food and Agriculture, their administration of the specialty crop farm bill that came to California, and the \$150,000 from the American Farmland Trust, you see we've spent well over a million dollars.

That money has been well spent. It has produced over sixty workshops. The workshops have brought growers and vintners together. The code of sustainable wine-growing practices—

00:16:10

Geraci: Which you just made reference to, which to me—it's a rather large three-ring binder, "The Code of Sustainable Winegrape Practices, Self-Assessment Workbook from the California Wine Community." Is this what you actually use in the workshops?

00:16:25

De Luca: Yes. It's thirteen chapters, and it goes to both natural and human resources. Not just pest management, water, energy, but also human resources like farm worker housing, how best to use your personnel. We have produced a documentary that has been included. A video that has gone with the book, and has been used extensively so that physically you can see it on a DVD or on any of your new technology. It was picked up wholly and completely by National Geographic, and shown worldwide. Portions of it were shown at a press conference that we had, which we announced at the Mark Hopkins Hotel.

And in truth, the coverage has been extraordinary. The Greening Society, which met last week, had a major conference, and featured, and was written up not only in Cyril Penn's *Business Wine Letter*, but it was written up extensively in the [San Francisco] *Chronicle's* Thursday section. It's been in the *Sacramento Bee*, it's been in the *Los Angeles Times*. It has been in the *Fresno Bee*. It's been in the *Santa Rosa Press Democrat*. It has had Associated Press wire service stories. It has gotten very fine recognition because we've also partnered with the University of California. A big part of this, and we work very closely with Reg Gomes, who is the vice president for agriculture and natural resources, is to work with him and his staff, and found, of course, that there were professors and researchers who have been working on sustainable wine growing practices for years.

So in effect, there has been this latent force, diverse and dispersed at the same time throughout the state, that were all working on portions of this subject matter, but it took a joint effort with CAWG, and the finances that were needed, to pull this together in a manner that gave recognition to the people who first started. And that was very important in my mind, that it not appear that the Wine Institute came in and did not give recognition to the pioneers of this effort. That what we were trying to do was to enhance, to aggrandize, to give gravitas that no individual region or individual group could give. And to make it a coherent policy for the state of California, rather than a Balkanized individualistic one. I think the press coverage, the work with the university, the work between the growers and the vintners, have each produced value in themselves. It's very important for growers and vintners to work together. It's very important for those groups to work with the university and to work with regulators, to

work with the press, to work with community groups, and to work with the environmental community. And, even though “there are miles to go before we sleep,” the initial reactions from mainstream environmental communities has been very positive.

00:20:01

Geraci: As a whole, how are the wineries accepting this? The larger corporate structures, the smaller niche wineries?

00:20:10

De Luca: They have participated in a magnificent way to the point that our original goals that we set for ourselves, the measurement part of this whole program has been very, very important, because people were skeptical—not cynical, but skeptical—that this could be announcements and abstracts but not really convert into real action. And so, how to measure this? And how to in effect produce a document that shows what we are doing, and what we are measuring has been an essential component of our goals. We have already had independent reporters on their own calling up, getting figures and statistics and investigating and coming down and looking at these different wineries and vineyard practices, who also have next spring a document that we will produce codifying and giving numerical weight to how you move through these different stages. And if you look through the code, it gives you very practical guidelines on how to move through different stages.

And, in fact, we already have well surpassed what we thought were the achievable goals for the first year. We have far surpassed them. That already has become a story itself. We have put out a beautiful series, edited primarily by Gladys Horiuchi, monthly of individual examples, wineries and growers in color format, that we release to our growers and vintners, taking three to four wineries, three to four vineyards, and showing different aspects of the program. Some have to do with energy. Some have to do with water conservation. Some have to do with natural habitat. Some have to do with the ability to have rows upon rows of organically sound practices and solar savings, energy savings—really cost-effective, because to be sustainable you also have to be economically viable, and, at the same time, reaching out to our environmental friends, and having them watch and observe and be part of the process.

00:22:44

Geraci: It would seem to me at this point that the environmental community—correct me if I’m wrong—would be very accepting to this, because you are at least beginning an attempt. There is something that is in black and white that will be measurable, that will be quantifiable.

00:22:59

De Luca: We went to them. I’m sorry, Vic, I didn’t mean to interrupt you.

00:23:02

Geraci: No, no, no, that’s all right.

00:23:03

De Luca: We went to them as we were producing this code. We didn’t produce it in our own ivory tower and then said, Here, look at what we’re doing. As we were proceeding, we went to them and said, “We want your input.” We went to the university, and there were many

names, very prominent researchers, we said, “You’ve been doing this work for years. We want you to review this.” We went to environmental groups who have been critics, and said, “Here’s what we’re attempting to do. We’re not attempting to co-opt you at all, but we want the benefit of your thinking, and we reserve the right ourselves, because it’s our code, to not automatically accept everything you say, but we’re coming in with an open mind, with an open spirit, encouraging you and asking you to give us the benefit of your thinking, so that we can proceed with a document that has the imprint of your own thinking on it.”

We didn’t do this overnight. It took us, as I said, eighteen months, eighteen meetings a month—excuse me, eighteen meetings, one per month—with a fifty-five-member committee of who’s who in California wine and viticulture with experts and professionals. The major wineries sent us their top grower representatives, their top enologists, their top viticulturists. I’ve never seen anything that was more exciting, because I participated in many of these meetings, lent the prestige of the Wine Institute and the Office of the President to it not only for the announcement at the Mark Hopkins, but above all to fight for it in the tough infighting that goes on when you prepare a budget. There are many things that you can do with your funds, and the funds are not inexhaustible. We have the direct-shipping issues. We have the issues of franchises. We have all of our global issues and the opening up of offices. We have the issues of taxes and bottle bills, questions having to do with warning labels. The whole area of dealing right now with the different states with taxes. Some have said it’s more important for us to fight against every state trying to tax us to meet their budget crises than for us to be working on sustainable practices.

Well, in the infighting, which is legitimate with an organization as broad-based as ours, we had very strong voices supporting sustainable wine growing practices, which, when you think about it, unless you understand the full weight of what we are attempting, could be dismissed as abstract. “Of course we’re environmentally sound.” “Of course I look after our habitat.” “I’m a good grower, I’m a good vintner.” “I am a responsible person.” Now, all this occurred at a very interesting time in American history. That is the breaking down of consumer confidence in corporate America, and the scandals with Enron and on and on and on. It came at a time when through my work with Harvard, I joined Leon Panetta and Attorney General Bill Lockyer, as the attorney generals became very important, like Eliot Spitzer of New York and others, that there emerged the whole question of corporate responsibility.

And so we presented our code at two major conferences, one in New York and one in San Francisco, to a who’s who of corporate observers and commentators and press, as an example of corporate responsibility in the agricultural community. My thesis was that this is the natural extension going back to the very first days after Prohibition was repealed, where our organization and our industry has had to be corporately responsible to an America that had considered us criminals. We had to work our passage back year by year by year to show that we were responsible with our code of advertising, with our trade practices, and that this code was the natural extension, not an overnight “let’s think of something to do,” but reflecting the way we think. Therefore, I was on a panel with Milton Friedman, with Arianna Huffington, with a number of professors from Stanford and from Harvard, and as a co-host of the program, we had the people from the Security Exchange, people from the Stock Exchange who came.

All of them spoke about corporate America. I was the only one who spoke about agriculture. This code was presented as an example of corporate responsibility dealing with the land. And I said, “Nothing is more important today as we look at consumer confidence in homeland security,” because I enlarged the subject matter to not just wine and grapes, but to the whole issue of what is homeland security? It’s not just throw-weights and nuclear power and armed forces, but your air, your land, your energy, your soil. What kind of America would we be if we despoiled the land? So resonating from the audiences have been all kinds of spectators who have come to me asking for copies of our code. Rich Rominger, the former deputy secretary of Agriculture in the eight years of Bill Clinton’s administration, and prior to that eight years as head of the Department of Food and Agriculture under Jerry Brown, has in a number of forums described this program as the most creative agricultural initiative in America.

We have not claimed so. People have asked me, “Well, why don’t we present it as a model for others?” I say, “That would be too presumptuous. Let’s stay with what we’re doing. Let’s concentrate on wine and grapes and making fine wine. If others think it can be a model, and others adopt it for themselves, or adjust it for themselves, fine, but let’s not appear to be self-serving.” And in fact, that’s what’s happening right now. At their request, I will be presenting this Thursday and Friday and Saturday at a meeting of all agricultural leaders of the state at a meeting in Bodega Bay.

00:30:16

Geraci: Could I then interject here that this would almost seem to me to be an approach where the last time we had something like this in agriculture would be the New Deal. When the Triple A came in to try and really reconstruct the American agricultural landscape, everything from the market to the producer to the labor, what you’re looking at here is something similar that’s being done in a more modern aspect by the Wine Institute and the growers and all these subsidiary groups that have joined together. So you’re looking at this as being something extremely large.

00:30:59

De Luca: At the risk of sounding too self-serving, in the press release that went out, I have a copy in my hand here, I have here [reads], “With California’s population growing at half a million people annually, we are taking steps to assure that California wine growers have viable and outstanding land for growing wine grapes and producing world-class wines. ‘In an increasingly competitive global marketplace, it is in our interest to farm responsibly with the best science available,’” it quotes me. Then I’ve quoted in other areas, where I say that this may very well be the greatest legacy that we leave for future generations; that I consider it to be kind of a signature development for our industry.

00:31:59

Geraci: So I would take it then for you, along with the code of advertising, for what you have done in the ethical neo-prohibitionist policy stances you’ve taken, this is one of your high points, then?

00:32:12

De Luca: Well, I hope, and again it takes so many people; to remove the personal pronoun from all of this, my hope is that in presenting this to the membership, presenting it to the board, and having the great story that was just in the *Chronicle* on Paul Dolan, who wrote his book *True to His Roots*—and I was happy to be one of the reviewers of his

book, and he of course has been a pioneer. What Bob Gallo is doing with sustainable agriculture, and what he's trying to do to put the Great Valley Project to save the Central Valley, that what we have are concentric circles of involvement throughout, where everybody working on a specific project can find common cause. The sum of the parts far surpasses the normal arithmetic.

At the same time, it is visionary in this sense: it continues to put forward, as the code did, as we did with the Wine Equity Act, our vision of the global world that we face. Now, this is not just simply a region or a state. This comes at a time when we are involved in global competition with Australia, with Chile and Argentina, with South Africa, with Western Europe, with Eastern Europe, with other states, not to just mention those, where a new awareness by consumers on environmentally sound practices puts us in a leadership role, and does so in terms of quality. At the end of the day, the wines have to compete in terms of quality. California cannot compete in the world economy of wine on the basis of volume. There is no way to compete with Italy, France, Spain, Argentina—no way, on volume. But we must do so in quality. So the way to measure our progress has got to be in terms of the quality of the grapes that we produce, the quality of the land that we till, the quality of the people who are attracted to this industry. We are appealing to the better angels of our nature.

The people who are involved in the different wineries and the growers, you can sense their excitement that they are on a very major project, that they are involved—almost like you sense when you feel people are involved with a movement. That this is something more than just a marketing practice for one year.

00:35:24

Geraci: This is something here to stay for a while.

00:35:25

De Luca: Exactly, and it's a discernable, defining moment in our industry. Not only a signature element, but it's a defining moment for our industry. Because once started, we won't turn back. Once you put this in motion, it isn't that you're going to abort it, because you have these workshops, you have the coverage of the press, you have regulators and community leaders and environmentalists. This is not just an appeal to the environmental community. This is to the larger community. Because our emphasis is to be very consumer-aware, not just to our critics and not just to our consumers but to the society writ large. And I go back to my original thesis, which is that coming out of the ashes of Prohibition, we have had to every decade prove that we have been socially responsible.

00:36:25

Geraci: So the key here is social responsibility?

00:36:27

De Luca: Yes. The environmental plank of it is important. The regulatory part of it is important. Credibility with the press, competition with foreign competitors, but given the fact that this society and this nation had two constitutional amendments about our industry tells you the environment we've been dealing in. Unheard of! I mean, there's no other industry that was first branded as criminals, then lost its protection of the interstate commerce clause, had no support in terms of international trade mediations, and I can

tell you because I was in the White House, I was in the embassy in Moscow. I remember the disdain with which our officialdom treated our own California wines. You proved you were really sophisticated in Moscow by serving French wine at your dinners. That was 1959-1960.

There's been a sea change in attitude. We are in fact considered a world-class industry capable of competing not only against individual wineries but whole assemblages of nations. When you think of the European Union, the Gallos of this world are not competing against comparable-size wineries. They are competing against a collection of nations. So, we need to have the support of our elected officers, our appointed officers, the people who trade, the people who represent us in trade discussions, because it's all been one-sided. We wine people have been the bargaining chip for concessions for other industries for the last half century.

How do you turn that around? It's always been the Midwest. After you've given them concessions, the Europeans say, "Okay, now, this is the compensation we want." We've always been the compensation. Free access to us.

00:38:41

Geraci: I'd like to read a quote to you right now. We're kind of segueing right into this globalization-type issue for the wine industry. This came from an interview between you and Ruth Teiser in September of 1989, and I'm quoting you. "I refer to this phase as the globalization of the California wine industry, and I've set for myself the major goal of transforming a basically production-driven state economy into an international competitor. In order to do that, we must invest in resources; we must invest in human, political, and market resources. In other words, by becoming a competitor internationally, you maintain yourself as a competitor period in the industry that you're in. Otherwise you fall prey to the provincial attitudes that can occur." We've been fourteen years separated from when you made that statement.

00:39:33

De Luca: When I first joined the Wine Institute, I thought my strengths as I was being interviewed—reluctantly, because it was my wife who was maneuvering all of this—

00:39:44

Geraci: [laughs]

00:39:46

De Luca: But once you get the competitive spirit going, and the juices flow, you fall back on what you think are your best assets, and I didn't say San Francisco was my best asset, because in fact, at that time there was a constant reference to violence in the streets, and murders with the Zebra and Zodiac killers. So, I reminded people that my background was international; that my doctorate was in international relations, Soviet studies; that I

had taught American foreign policy and international relations both at UCLA and at San Francisco State.



John De Luca with two Russian women in Stalingrad. 1961

So in my early days, thinking it was an asset, I said, “I spent two years in Moscow. I spent two years in Rome. I traveled extensively with regard to the Communist parties of Eastern Europe, Poland, Czechoslovakia, Germany.” So I led with my chin, and boy, did they hit it down. They hit it down! [laughs]

00:40:57

Geraci: [laughs]

00:40:59

De Luca: Because they said, “Mr. De Luca, let’s get something straight right away. If you were to become president of Wine Institute, the furthest thing we want you to do is to think international. If you go overseas, we would consider it a junket. We want you to concentrate on opening up Kansas, and Missouri, and Texas, getting into the Midwest. We need to open up our own markets in the United States. We don’t have wine on the wine lists of New York or Washington. So, we want you to concentrate on the national economy, and that’s where your background on the White House staff is more of interest to us than your background in international affairs.” My whole formation as a man was international geopolitical. You know, how do you fight the evil empire, Marxism, Leninism? That’s what I was studying. So, I was put on notice that anything

about overseas would in fact be considered frivolous on my part by very well-meaning people. There was so much to do in America, they didn't want me to dissipate their resources by thinking of England or France or Europe or Scandinavia.



John De Luca in Rome, 1960

The way I resolved what I thought was an order, that instinctively I felt was out of touch with the reality of what I perceived was happening in the world, was to come up with the theme that the best way for us to compete in America, which was the great land where everybody wanted to sell wine, was to understand the global economy. You can't really compete in New York, or California, or Florida, or Texas, unless you knew what your competitors were doing. And what better way to get new consumers? We couldn't count on just American consumers, but to go after every consumer that we were entitled to, but to learn what they were doing overseas; to learn what was happening in Japan. How could we cut ourselves off from these great developments? And remember, at that time Japan was roaring. And I said, "Look, Japan has bought ten of our wineries." If you remember their names, Markham and Saint Clement and Ridge. I said, "The Japanese are buying into our industry. The Europeans are buying into our industry. They are learning about our distribution. We should learn about their distribution overseas. We should go into China, we should go into Australia, we should go into the Philippines, because by learning the intellectual property side of our business, and knowing who is doing what, where, and why, we will be better competitors in the greatest part of the world that is going to be competitive, our own backyard! There isn't

a winery in the world that doesn't want to sell wine in America. So how are we going to compete if we don't know what is going on the world?"



John De Luca Hosting Provincial Leaders from China in Napa, 1977

So I bridged the admonition to not go international by getting grants to go to Vin Expo, which I thought was the safest first start, and the British, being non-provincial, I said, "The British are open to wine from all over the world. We should get into the export business." They said, "Well, where are we going to get the money?" Always back to money. I said, "Well, let's pass legislation. Let's pass the Wine Equity and Export Expansion Act." They said, "Well, what's that?" I said, "Well, if we get into the Export Expansion Act, we are eligible for funds under the Market Access Program (now called the Market Promotion Program). Do you realize we wine people are far behind almonds, far behind rice, far behind avocados, meats? I mean, we're not even involved in the export promotion programs that are available to us." "Well, how are you going to do that?" "We could pass legislation. We could pass legislation, the Congress, the United States signs it." "But everybody will be against us."

I said, "Yes, but I think we can make the case that this is in fact just like the War Reparations Act. This country, by imposing Prohibition on us, set us back in terms of competing with the rest of the world. There should be reparations paid to our industry for what they did to us from 1919 to 1933." So I went to Congressman [Sam] Gibson of Florida. I went to Tony Coelho and to Pete Wilson, who were outstanding. And there

was the Reagan administration, which was our good fortune. I said, “Let’s pass the Wine Equity Act.” And immediately everybody went hyper, because the special trade representative, Bill Brock, who had been Senator Brock from Tennessee, said, “No industry is entitled to sectoral legislation, just for its own sector. The multi-trade negotiations”—this goes back to the Wharton school of Economics—“all goes to natural advantage. Brazil grows coffee, and India and China grow tea. What you do on the multi-trade approach is everything is on the table, and you’re asking for legislation from the wine people that creates a different set of circumstances.”

I said, “Yes, we’re tired of being the compensation for other concessions.” Well, Brock said, “First of all, you are never going to get it.” The distilled spirits and the importers, they sent Sir Roy Denman, commercial specialist from the European Union, to see our people to say, “John De Luca is about to destroy the multi-trade negotiation system,” because there can be no exemption to the multi-trade approach, which is everything, agriculture, commerce, manufacturing, is on the table. “And you guys are setting up a little sanctuary for yourselves.” Led by Tony Coelho we got 330 sponsors on the House side, and seventy sponsors on the Senate side, passed the legislation, only to have Bill Brock ask President Reagan to veto the bill because he claimed it was going to destroy his ability as Special Trade Representative to represent the whole of America in trade talks. He raised it to a monumental level, that this actually threatened the very way we negotiate with the world.

And, normally Reagan would have vetoed the bill except that Ronald Reagan was one of the most knowledgeable wine presidents in the last century. Truly, not just that he enjoyed it. He was knowledgeable. His years as governor, he established a very fine routine of study for himself, and he had local wine merchants who would help him to understand which wine to go with which dinner. But, equally important, there was Bill Clark, who had been Justice Clark of the state Supreme Court, who had been appointed deputy secretary of State, and who grew grapes—excuse me, he didn’t grow grapes [pause]—he was knowledgeable about grapes. He may have grown grapes, but I’m not sure. There was the secretary of the Treasury. We had the secretary of Defense, Cap Weinberger. We had the attorney general, Meeks. And we had Michael Deaver, who was the president’s top aide, all of whom I had dealt with as deputy mayor of San Francisco.

And I went to each one of them and said, “You’ve got to stop Bill Brock from getting the president to veto this bill.” To make a long story short, they prevailed. The bill was signed, and it was justified with the rationale, “We owe it to the U.S. wine industry”—because we didn’t make it just California—“for the harm that we inflicted on it during Prohibition, which thwarted its natural development. How can it compete with Europe when we have suppressed it for so many years?” With the passage of the Wine Equity Act, which is on the wall at the Wine Institute, with the great irony that it is signed not only by Ronald Reagan but by Strom Thurmond, who was president pro tem, we then entered into the Market Promotion Program, and started getting funds. There were not enough, but the program was altered to get us grain from PL480 surplus grains that were under an agricultural program. So for two years, Wine Institute and I were traders in grains.

00:51:16

Geraci: [laughs]

00:51:17

De Luca: Every month, with Val Ireton, our director of finance, we would sell a certain allotment that we were given each month, and if we made 105 percent, we could get that premium of 5 percent, and add it to our 100 percent. If we got 95 percent, we lost money that month. And with the money that we sold for grain in the open market, we opened up markets overseas, and that is how we started our Tokyo office, our London office. Then we expanded it to our Munich office. Then that program ran out and we were then eligible for the Market Promotion Program, for both brands and for—

00:51:59

Geraci: When did that run out?

00:52:01

De Luca: That ran out in the early nineties.

00:52:03

Geraci: The early nineties, okay.

00:52:05

De Luca: Then along comes Carl Reich, who was with Reagan, who talked about corporate welfare. And the attack on these programs for corporate welfare, “Why should we give money to McDonalds? Why should we give money to Gallo?” I remember debating on McNeil-Lehrer, on *Sixty Minutes*, on NPR Radio, “Why were the wine people getting money under corporate welfare?” And I was trying to explain the global situation that we faced, where Europe and Latin America were subsidized, and that there was hardly a fair trading system. Besides, it wasn’t subsidies. We had to put up two to three times the money to get one dollar. Public relations were not eligible for matching funds. It had to be manpower, it had to be resources.

So I remember many a debate with institutes that were attacking corporate welfare, and the modification that came out of that program was that more and more emphasis went to smaller companies rather than larger companies, and more money went into industry-wide promotion rather than individual brand promotion. But the net result was, rather than go through all the statistics, when we started the program in 1985-86, we had exported something like \$25, \$26 million worth of wine. America. Most of it Californian, and most of it bulk wine to Canada, who used to bottle our California wine with their Canadian laws and sell it as Canadian wine. We went from \$26 million that year to \$550 million last year, a year. And, were it not for the dollar, for so long being not strong as much as unequally weighted in terms of the currency, we would have far surpassed \$550 million. I made a speech that said that in five years, that was last year, we could reach \$1 billion a year if the currency situation gets righted. And that \$1 billion a year of wine overseas would help us with our internal problem of grapes, and the surplus, and the growers planting grapes, and it was to markets that I was told we should never address.

In the meantime, the most exciting moment I’ve had this year was earlier this spring when we had a meeting of our international committee, and we had all these young people who have come back, three of whom had just come back from the provinces of China, two who have just come back from the Philippines, several of whom have come from Latin America and from Africa. And we were talking about wine in Poland and wine in Czechoslovakia, wine in the provinces not only of China, but also in Japan. And

seeing the knowledge base of all these new directors of marketing for international, overseas. And I told every winery, “You are not truly in the wine market today if you are not participating in the international market. Look at what you can achieve in terms of selling, but more important for your own staff, for your corporate leadership learning about what’s going on in the world of wine, so that you will be better competitors in your own country, in the one market that everybody in the world wants to penetrate and is the easiest to penetrate, and that’s the American market.”



John De Luca on a KQED television panel

But I can tell you, Ann Pemberton, who we hired from Mondavi, and who succeeded Steve Burns who took the leadership post for Washington State Wine, has gone back several times for wine tastings to several of the provinces. We have an office in Shanghai, we have an office in Beijing, we have an office in Hong Kong, we have an office in Singapore. These are smaller offices. Our larger offices are in London and in Tokyo. But she says, “Well, we had a terrific time, thirty vintners came, we had this trade fair in some province way into western China, and the telemarketing and people, the new wealth of the Chinese, they are into wine.” The other flip side of it, though, is that the Chinese themselves want to become wine growers and wine competitors, and if anybody is going to make money in China, it is going to be they. And they come and ask us to sell them our great Cabernet Sauvignon in bulk so that they can bottle it—Maynard Amerine went to Shanghai, there was something like fifteen acres—this is before Maynard died, he told me about it because I wrote a letter of introduction—there were fifteen acres of Cabernet grapes that the French had planted in the twenties! And he was treated like a conquering hero by the minister of agriculture.

He went into this big room with all these budding viticulturalists and enologists all wanting to learn how to plant vinifera grapes in China, because they saw China as potentially being a fine wine competitor. Now, the Chinese have been growing and producing wine for six thousand years. We see that from their wine vessels. But it has been sort of like sweet plum wine, very different than our vinifera grapes. But they did have a toehold of vinifera grapes in China.



Fred Franzia, John De Luca, Congressman Gene Chappie, Arthur Silverman, Michael Mondavi at May 1982 meeting.

Well, I use that as an example of the growing interests of our people as we're going into this globalization period, when along comes Fosters of Australia and buys Beringer, and then we suddenly—and of course Diageo, and Allied Domecq, which are international, Mondavi having joint partnerships, Firestone having joint partnerships, Kendall-Jackson having joint partnerships. There was a period in 1995 when we ran out of grapes, so we started getting grapes and juice from other countries, from France. I remember Plumpjack having wine from Argentina. I said to people, around sustainability, that unless we really protect our land, and have fine land to produce fine grapes, we were going to become the international bottlers of other people's grapes. And that if this land was paved over, and malls were established, and houses were built,

the wine industry, instead of quality wine from California, would be a bottler company and a bottler industry, as we bottled other people's grapes.

That has been the theme that I have hit on a number of occasions. That we needed the fine land to have fine grapes to be worldwide competitors on quality, and that we needed to understand what was happening in the world, and to not miss opportunities. Now, there is a debate in our own industry, you probably saw that in the papers recently, where Bronco's Fred Franzia said these joint ventures are really the problem that we are having, because we are bringing in other people's wines, and if we didn't, there wouldn't be a grape glut, there would be a grape shortage. If you took away what we are doing for other people's wines from other nations, all these joint partnerships.

Well, the nature of American enterprise today, the nature of the world, the technology in the world is all in the direction of globalization. Now, the balance between what Fred said, which has a lot of adherence, especially among growers—and they also have people like Sutter Home, many wineries who say, "We should be buying California grapes, we should be making California wine, and we shouldn't be the distribution network for foreign corporations who are buying into our industry in order to have our distribution system." The balance between that is to be active in both quarters. To obviously understand that South African Brewery bought Millers, and that the Europeans have for years been buying land in California and buying wineries in California.

01:01:07

Geraci: Fosters has done this.

01:01:09

De Luca: Excuse me?

01:01:09

Geraci: And that Fosters has done it here.

01:01:11

De Luca: Yes. I said, "As far as we are concerned, ultimately our intellectual property value, our understanding of the world that we face, will make us the best competitors we can be."

01:01:29

Geraci: That in itself builds a tremendous case for the school of globalization, and I think in looking at some questions I wanted to ask you, you've already answered some of this in that, then this merging and this consolidating and this internationalizing of these corporations is in some ways a good thing because it does allow us to share that intellectual property, gets us to know our own markets and makes us more competitive in our own markets. The reality is we are never going to be the international competitors that France and Italy are—at this point. But we still need knowledge of those other markets.

01:02:06

De Luca: I think like most things, there are case-by-case issues. There are questions having to do with balance, having to do with leadership. Certainly there are wineries that are not passing up opportunities for joint ventures. There are wineries that see the opportunity to expand, and that they maybe have a better chance to sell overseas than they do in

America. Wente is a good example of people who said, “If we establish ourselves internationally, we might be able to grow better than if we try to compete in America. Overseas, we are all starting from ground zero.”

01:02:46

Geraci: Right.

01:02:47

De Luca: And here in this country we have fewer distributors. What is occurring—you know, this consolidation of the wholesaler tier, the internationalization of the industry, is leading to some very obvious problems. Very large wineries becoming even larger. More and more smaller wineries coming into the picture. It hasn’t stopped. I mean, just look around and you will see the number of wineries still being competitive—it’s putting a lot of pressure on what we would consider the middle-size wineries. Will they be able to survive this whole period of consolidation?

01:03:32

Geraci: And with the ends results of the consolidation, will these mid-size wineries be able to survive “Two-buck Chuck”? Target is now coming out with box wines. Yellow Hook—or Yellow Tail, excuse me.

01:03:46

De Luca: Yellow Tail.

01:03:47

Geraci: Yellow Tail coming out of Australia. These are aimed at that middle market.

01:03:53

De Luca: No question right now that—three lines of thought are in dispute. One is that if we didn’t have the ability to sell wine at two, three dollars, that that whole part of the market would be eaten up by our foreign competitors who, some say, are not coming into the market to make money, but for market share. They will make their money later on. It’s like loss leaders in a store. Were it not for “Two-buck Chuck” or other wines, there are other wines, Pacific Peak and others that are coming out, that that category would be totally absorbed by Chile and Australia and France. There’s that line of thought, that that marketing is protecting us against further market erosion.

The second one is that to the contrary, it is cannibalizing the industry, and it is putting a lot of pressure on the seven- to ten-, ten- to twelve-dollar wines. Not the thirty-, forty-, fifty-dollar wines. And therefore, the retailers are not making as much money because they are selling a lot of wine, but they are not making as much profit. The health of the wine industry according to certain commentators is best reflected when our retailers are doing well. That’s one of the barometers of how well the wine industry is doing.

The third, that has disputants on both sides, is that there are new consumers coming into the wine industry, consumers who otherwise would not be buying at all if it were not for the fact that the word of mouth is, “Gee, by blind tasting they are saying that Charles Shaw Cabernet beat five other, ten other more expensive wines.” Some people are saying that the number of consumers affected is minimal. Maybe 3 or 4 percent. Some say that is an important 3 to 4 percent. Others are saying this won’t last long, this is not going to continue, that we’ll be back into harmony. But, it’s shaken the industry, and

people like Robert Mondavi have stated publicly that we are all going to have to go back to the drawing board to understand profitability. How does a guy like Fred Franzia make money selling wine at a dollar and ninety-nine cents? And how did he do it? There are people lauding him, and there are people not applauding him. But the trend has shaken complacency in some quarters. So those who have been hanging on to production-driven decisions are having to come back to consumer-driven decisions. So to that extent, the argument goes, these times will probably make us more competitive, better competitors in terms of the future.



Margot Doss, conservationist; Jim Wolner, President, Sonoma County Wine Growers; John De Luca, President, Wine Institute, Al Huntsinger, winemaker, Geyser Peak Winery. Geyser Peak Winery press release 1975

But international companies are still looking to buy wineries. Now, Allied Domecq has bought a number of wineries, and Diageo bought Seagram's wineries as well as its spirits companies. You are aware that several joint ventures have been put together with companies in Italy and France and England. The Japanese have withdrawn. They were very active, but they could come back.

01:07:39

Geraci: For years, they were very active in joint ventures.

01:07:41

De Luca: Yes. Now they're out. But who knows? Once established, the Australians certainly, there have been all kinds of deals lately. BRL Hardy with Constellation. Southcorp, Rosemount, all these different operations. I remember the only Australian presence was with Geyser Peak Winery with Penfold. That was the only Australian joint venture we

had in the state, and that was only fifteen years ago. So, things are moving very fast, things are changing. Overall, commentators write that the consumer is the big winner.

But going back to the role of the Wine Institute, how do you wade your way through such change? What do you do when you have a membership that is as diverse as ours? And, we've got a lot of small wineries that are coming into the industry who don't have wholesalers, so their big interest is direct shipments, you know, the portfolio. They don't have it. Then you have large wineries who are really thinking globally. And then some of the spirits-based companies are bringing in money and people, finances that we otherwise wouldn't have, to be competitors, because not all of the banks are lending money, not all lenders are lending money. They are holding back as we go through this period.

And so, my whole approach has been, and I mentioned that in my farewell address, which was, "Find those areas that unite us, rather than those that don't unite us." Marketing divides us, public policy unites us. And so that is why we should continue as a public policy advocacy group, and not a promotional P.R. arm of the industry, which still is the desire for a lot of wineries. They would love the Wine Institute to be primarily the public relations promotional arm for the industry. And I say, as long as we are on public policy, fighting taxes, fighting Gloria Romero's "nickel a drink," fighting all these issues having to do with giving the cities and counties taxing powers with preemption to be dropped from the state—and as you know, that's a very big concern. As long as we're talking about the issue of direct shipments, and how that is going to be handled, the division of labor, as long as we are talking about public policy and creating a new world wine order, which we have with the establishment of the new world—it used to be called the new world, now it is just called the new wine group—as a balance to the OIV [international Office of Vines and Wine] so that we can have acceptance of mutually accepted enological practices, and keep the French from dominating the organizational structure of the world—that course of action and thinking unites us.

The French, you know, got the Spanish all upset, because they won't let any other language but French, English begrudgingly; but they still dominate the bureaucracy of the OIV, and the United States pulled out with Art Libertucci; the ATF pulled out. The US formed a new group with Ambassador Murphy from STR and Libertucci supportive of us. So I have emphasized with everyone, "Stay away from marketing issues as Institute issues, because such issues will witness the Napa Valley vintners opposed to Bronco; they will be in court. They will go to the state legislature around Rutherford and around the issue of "Napa Ridge."

01:11:27

Geraci: Could it be that you have learned the lesson early within your career and within the institute's history of the small versus the large winery? That was a major confrontation for the institute, I think for a long time.

01:11:41

De Luca: Well, when I first came in, *Forbes* magazine, the very week I came in, had a cover story of "Gallo Institute going down the drain." And the Wine Institute was supposed to be the handmaiden of Gallo. I resolved in my own mind that Gallo was a true family; that they were very tough competitors; but they were one of the few who were thinking big, not little, as opposed to niche marketing leading to niche thinking; that they were

aggressive in the marketplace, but very smart about the Wine Institute, recognizing that it was stronger for them to belong to an organization than to be alone trying to go to the Congress, trying to go to the state, trying to deal with regulatory agencies. And, I found this issue of big versus small to be a card played by some people whenever it suited them.

I think the way we have cut into that, and the way we have really I think objectively handled that, is how much energy, money, we have put into the direct shipping issue, which is of little or no concern to the large wineries. They have wholesalers. If anything, the wholesalers put pressure on them to stop our efforts. And we have put an incredible amount of time, money, energy, and staff on behalf of direct shipments which represents maybe 3 or 4 percent of our volume, but represents hundreds of wineries. I think that's the reason we have been able to get back many members with many more to come—our membership dropped when the Mondavis made that charge that we had abdicated our responsibilities, and that we should have a P.R. firm and the Mondavi Mission. We went from 550 wineries to 300. That's a big drop! When I left the Wine Institute as president, we had built it back up to 600.

And Bobby [Koch] right now, with Tom La Faille, who used to work for Mike Thompson in Sacramento, and then worked for Mike Thompson in Washington, and has become our new director of member relations. They are on a tear right now. I think we have got thirty, forty, fifty new wineries that have joined the Wine Institute in the last four or five months. I think Bobby is going to make an excellent president—and I encouraged him. I said, "Bobby, you coming in right now is the perfect time for those fence-sitters who haven't known how to get back into the Wine Institute. With a change of leadership, it's perfect for you to go to them. You are the new president. Encourage them to come in, big and small." And he is doing a superb job. The whole staff is rallying around that. And it could not happen, we could not have all these small wineries joining Wine Institute, if there were real teeth to the argument. Our performance these past years is the perfect prelude for the major expansion of our membership.

The other part of it is, what an insult to all those board of directors, members, who are on the board, who would drop the Wine Institute in a minute if they felt that they were pawns on Gallo's chessboard. They are very proud people. They know it's open and transparent. And everybody knows of all the times I have said no to Gallo, where I thought I had to, I didn't do that as an institutional thing to prove anything, only when I thought I had to. So that big versus little is really invoked by a lot of people when it suits their pleasure. But the antidote to that has been how well we have handled this direct shipping issue and how many wineries have joined Wine Institute. We represent 92 percent of the volume of the state. The only three major wineries that are not members of the Wine Institute are Mondavi, which is around 4 percent; Kendall-Jackson, which is about 2.7 percent, and then a few wineries like Charles Krug and Geyser Peak, which are about 1 or 2 percent. But 92 percent of the wineries of the state, in volume, are represented by the Wine Institute. We are approaching seven hundred wineries, and that is a very deceptive number, because a good number of our wineries are really lifestyle wineries.

01:16:29

Geraci: Yes.

- 01:16:28
De Luca: They have BATF licenses, they are eligible to join us. Minimum dues is \$180. Most of their partners get together and drink their wine on weekends. But these are important to our unity and to our outreach to the press, to government, to our consumers.
- 01:16:40
Geraci: [laughs]
- 01:16:41
De Luca: I found letter drops. When I went around and visited all the wineries, I learned a big lesson. I found a couple of them were retail outlets, delicatessens, warehouses.
- 01:16:50
Geraci: [laughing] Post Office box wineries.
- 01:16:53
De Luca: Yes. So as far as commercial wineries, the bulk of the wineries are really with the Wine Institute. Now, it is quarter after three and I know you are tired.
- 01:17:02
Geraci: I know you are tired.
- 01:17:04
De Luca: I'm fine, but I don't want to exhaust your time.
- 01:17:08
Geraci: Just one thing as we finish up, as a parting shot. Right now, what would John De Luca want to just quickly put on tape about what you think you have done? You know, what is a good way to summarize all that has gone on in your life with this institute, which a good portion of your life has been this institute?
- 01:17:31
De Luca: Yes, twenty-eight years.
- 01:17:40
Geraci: That's a hard question. It's kind of like asking somebody to toot your own horn a little bit. What is it to you?
- 01:17:45
De Luca: Well, first of all, you know, I was a very reluctant candidate for this post. So, my wife, you can't talk about me and the Wine Institute without talking about my wife. My wife felt that she had sacrificed, and the children had sacrificed with the first ten years of our marriage. Two years at the White House, a member of the Vietnam Coordinating Committee. Eight years deputy mayor of San Francisco having the major day to day responsibilities during that period of time, during a very turbulent period of time. She wanted a more, let's say, normal life. So it was she who orchestrated sending my resume without my knowledge. It was she who got hold of David Rockefeller, and Bill Moyers, and Jack Valenti, and Frank Church. I had worked for Frank Church as he was becoming chairman of the Senate Foreign Relations Committee. I was his international guy. They sent in these letters, and institute officers had to do something with me, and I didn't have any desire to be with the Wine Institute, and she kept saying, "But it's the wine industry, and it's perfect for your background." So you have to remember, I started

out as a very reluctant candidate. Then I was turned down. I was told that they wanted no part of me, because I carried too heavy a baggage. I was in the papers too much, and they were very skittish about bringing in a person who daily was putting out a dragnet in San Francisco!



Josephine De Luca, John De Luca, at 2001 Presidential Inauguration

01:19:22

Geraci: [laughs]

01:19:23

De Luca: Well, that got my juices flowing, that they said that I couldn't even be interviewed! So I said, "Okay, you don't want to interview me, I'll make sure that you interview me." I made sure that people at least—I increased the threshold of pain, that they had to at least interview me. I went into an interview never expecting to stay on with that group. I thought I was going to meet this group, see them for an hour, and that would be the end of it. But at least I would have had the interview. I was thinking at that time that Joe Alioto was going to appoint me as the chief administrative officer for San Francisco, which was then a lifetime appointment, and took care of the hospitals and the infrastructure and the buildings and all that. So I had an interview that was the easiest interview in my life, because I had absolutely no expectations.

01:20:19

Geraci: No pressure.

01:20:20

De Luca: As I was going into the meeting, Ed Mirassou told me, he said, “John, let’s go through with this, but you already have three strikes against you. But let’s go through it.” And I said, “Perfect for me, Mr. Mirassou. I’ve got a car waiting, and I’ve got a police strike that is waiting to be solved.” It was a blur. The institute chairman, Bob Ivie, head of Guild supported me, but there were a number of fine candidates in the mix, and I carried big city baggage. I never realized until many many years later that one man really stood out, a champion for me, and that was Karl Wentz, Phil and Eric’s father. And he saw something in me. I’m told he said, “Look, we are facing problems with Rose Bird. We are facing problems in Sacramento. We’ve got Jerry Brown on our back. We’ve got the United Farm Workers. This guy is tough. This guy has had to run a city. Look at his background. Maybe instead of a P.R. guy, he is the kind of guy we should have.” I didn’t know that until very recently, that the story came out as I was saying goodbye to everybody, then the truth—you know, it’s a very tightly controlled industry, and they don’t talk.



Merritt (Chip)Hulburd, TIME Magazine, San Francisco; Robert M. Ivie, Chairman, Wine Institute; Ralph P. Davidson, Publisher, TIME Magazine, New York; John De Luca, President, Wine Institute; Philip A. McDonnell, Pacific Coast Manager, TIME Magazine. 1976

So for twenty-eight years, I have been president. And, people will say, “Well, what is your job description?”[laughter] And I said, “You know, the easiest way I can put it”—at that time, I’ve gone up and down—I said, “I’m 190 pounds of glue. That’s my job

description.” And it has brought out all the different parts of my background. University, city—“Keeping this city from blowing up,” I told a number of people recently, “you have no idea, don’t take for granted that San Francisco is quiescent, and that they wouldn’t be agitating for higher taxes like L.A. and all these other things.” I said, “So this city, given my background, and all the people that I have known, and all the mayors that I have known—” two of the mayors worked for me. The present attorney general of the state at the time worked for me, Bill Lockyer.



John De Luca, John Raven, Josephine De Luca, Carla De Luca Worfolk, Sofia Worfolk, Gina De Luca Raven, Julia Raven, Jeremy Raven, Patrick Worfolk, Perry De Luca

All these ties that I have had all these years have helped to keep a certain sense of balance. That has given me a sense of accomplishment. Probably changing Wine Institute to a public policy group, changing the Federal Dietary guidelines, creating the code of advertising, helping pass the Wine Equity Act, advocating the code of sustainability, for me intellectually and professionally these are very rewarding especially since nobody wanted any one of those things! [laughter] No one initially came to me and said, “We’ve just passed a resolution, and your job is to get the Wine Equity Act.” No one told me to keep California’s cities and counties from getting and taking power over us.

The way our division of labor works is that the board of directors sets policy, and I as the president have been for years the one who executes it. The board sets policy and I implement it with the staff. The part that has really been thrilling has been that I fell in with a very conscientious, and at this time cosmopolitan group of people who were willing to let me advocate things that they kind of intuitively felt was wrong for them. I give incredible credit to them and our superb staff and not to what I advocated. You can advocate, and then it dies because your board cripples it in bed. It dies a stillbirth.

My other blessing was that I was able to stay the course with a game plan that I lived long enough to see happen. Art Ciocca, whom you know as the brilliant chairman of Wine Group, had lunch with me last week. And he said, “John, you know what really has impressed all of us is that you came in from the first day, said ‘This is what we have to do. This is the game plan,’ and you stayed with it, and now we see the fruits of it. And you have not wavered.” I’ve had a number of people say that absent all these things that we did, we would be sort of a cottage industry. We wouldn’t have an economic impact on California of \$33 billion a year. We wouldn’t be one hundred and fifty thousand people. We wouldn’t be what we have become. Now, that’s a sense of satisfaction. The other part of it, to end, is that after twenty-eight years, I have another career.

01:25:21

Geraci: [laughs] Right.

01:25:24

De Luca: You know, I can go back, right back into the university world. So I ended up with an industry that helped me to go back to my fundamentals.

01:25:34

Geraci: That is interesting.

01:25:36

De Luca: If I had gone to Bank of America, and I had been offered a post with them, if I had gone with Bank of California, I had been offered that, Standard Oil offered me an interesting position—I have over the years been offered so many positions, but as I said in my farewell remarks, my wife wanted us to be with an industry where we could raise our children, to be with cultured and very cosmopolitan people. Good people. The fact that I have adult children, a thirty-seven-year old, a thirty-five-year-old, and a thirty-three-year-old who grew up in this ethical and value-oriented environment, and my wife who loves the world of wine, is an incredible source of satisfaction to me. But the fact that at the end of my presidency, I could have an executive vice chairmanship with the wine industry, go to UC Berkeley, go to Harvard, go with the University of California, go with the CTA, that tells me that my wife made the best choice for me.

01:26:41

Geraci: [laughs] Well, Mr. De Luca, thank you very much.

01:26:44

De Luca: Call me John.

01:26:44

Geraci: John, thank you very much. This was a great interview. I had a very good time.

01:26:49

De Luca: Thank you.

01:26:51

Geraci: And thank you for lunch and your hospitality.

01:26:54

De Luca: Well, let me put it this way: this is a very important part of my legacy. Because it's a very important part of our legacy. When Ruth Teiser and Carole Hicke used to finish, they would say, "You know, some day when we put this all together, and we have got to finish it some day, it will really be less about you and more about the industry." It's like looking through the prism of one person, all the issues and the battles and everything else. What I really want to work on is getting you the original documents.

01:27:32

Geraci: Yes.

01:27:33

De Luca: They are really something to behold. I mean, these papers that were produced, unless they are given to you, they will be lost. No one will ever know about them.

01:27:42

Geraci: We need to make sure that those are held and that it is part of this.

01:27:46

De Luca: Part of this, right. Because they are the original documents. There was nothing that I ever did that didn't have a fight. Honestly, everything easy always went to somebody else.

01:28:00

Geraci: But would you have wanted it any differently?

01:28:01

De Luca: No. No. I mean, for me, I thought when I finished the White House that I had culminated my life very early, too young. I felt when I was twenty-five, and at the embassy in Moscow, I said, "That's not fair," you know, to be twenty-five, and then like an athlete, you are a used car salesman. When I left the mayor's office, and came to the wine industry, I said, "You know, I'm never going to have anything like the eight years I had with this turbulent, bursting, flamboyant city." After twenty-eight years with the wine industry, instead of saying, "I'm a has-been, hang up my jock," I feel like the experience was the stepping stone for another wonderful unfolding of the career, which is with the university. With teaching, with education. My grand vision has been to have used the years with the Institute to get scientists and the university world to hold off the lawyers. I have always had that at the center of my attention, that the trial lawyers could dismember us overnight like they did the asbestos and the breast implant companies, and punished the tobacco industry, and that if the doctors and the academicians could hold off the lawyers as we redefined wine in America, then I could turn to my first love which is the educational community. I want to address the educational needs of our society. At the same time, if I can engage the educational community with the scientific community, maybe that is the way we can have the equivalent of those Roman garrisons two thousand years ago who were sent to France.

01:30:02

Geraci: That's very good, brings us full-round for the interview.

01:30:04

De Luca: Yes, my sense is that those people who were sent by the Imperial Senate and their czars, their Caesars, to go out to the hinterlands, to Provence, to Burgundy and Boredeaux, then planted grapes because they needed a liter of wine a day for their troops. They were the Johnny Appleseeds of that time. And they planted all of those grapes, and they turned those countries into wine-growing countries. They even went as far as Bath, in London.

01:30:43

Geraci: Right.

01:30:43

De Luca: And there were vineyards in London. And so—

01:30:47

Geraci: The wine could not have been too good.

01:30:50

De Luca: No, it wasn't. [laughter] But they did it like the Catholic Church. The Catholic Church planted grapes for communion, for the mass, and the Roman army planted grapes for their foot soldiers. It took thousands of years for all of that to occur. We have got a very impatient industry that says, "We are not growing fast enough, our marketing isn't fast enough. Look at what's happening in other parts of the world." I know we cannot do overnight what those institutions did, the Catholic Church and the Roman Empire. So I have looked for the equivalent of doing that in a generation. Appending culture is going to take more than a generation. It will take the next twenty-five, fifty years. It is to get engaged with what I just said, the scientific community and the educational community and society's interest in nutrition and health and cuisine, spurred by the dynamism of women. At the end of this, maybe 2050, people will be looking at wine not because wine is nutritious or wine fights disease, but because it's become part of your lifestyle, the way my parents handed it over to me as part of my lifestyle. Then I will feel that I have made a contribution. That is really the way to look at it.

01:32:18

Geraci: Well, thank you. Thank you very much.

01:32:19

De Luca: Thank you, and you as an Italian understand that.

01:32:21

Geraci: Oh, God! [laughter]

[End of DeLuca Interview 29]

Interview 15: February 27, 2007

Disc 30

Begin Audio File 1 De Luca,_John_video1_02-27-07.mp3

01-00:00:07

Geraci: It is a pleasure to be interviewing John De Luca at his San Francisco Wine Institute office on February 27, 2007. This interview is being conducted by Victor Geraci, food and wine historian for the University of California Berkeley Regional Oral History Office, and is being videotaped by Julie Allen, ROHO Editor.

01-00:00:27

De Luca: Thank you, Doctor.

01-00:00:28

Geraci: Dr. De Luca, over the past span of your 30-plus-year career with the Wine Institute, ROHO interviewers Ruth Teiser, Carol Hicke, and myself have had the opportunity to interview you numerous times between 1986 and the present. Today is what we hope will be our next-to-last interview for the series, and we'll concentrate on three themes about wine and your career. First, I would like to have a conversation with you that will illuminate a series of white papers and speeches delivered by you that directed the mission of the Wine Institute, and affected the development of state and federal government policies dealing with wine in America between 1975 and the present. During the course of the interview, I will also make references to specific documents that will be readily available along with the interview transcription. In a second theme, I would like to discuss the role of political alliances, networking, and mentorships in the political process that you have utilized to develop the government policy. Lastly, I would like to give you the opportunity to discuss your achievements with the Wine Institute since our last interview, which, believe it or not, has been about three years now, and hopefully you can even make some predictions about the future of the wine industry and future policy directions.

What I'd like to start with, John, is the fact that when you came into the Wine Institute in 1975, in one of our past interviews you had made the mention that there were 164 members, and that within a ten year period you boost that up to 510, about 90% of the volume produced within the state. That's a dramatic growth, but for a moment, just concentrate on that first year or two that you came in.

As you said in a 1989 interview with Ruth Teiser, "When I first came in, the thing that struck me in 1975 was the open-mindedness of the industry. In the early days, the definition of my work was a classical work with trade association, to be involved with service, putting on meetings, making sure committee meetings took place, being a gatherer of statistics, but it became apparent to me by the second and third year as they were responding to my white papers—remember, I produced five of them—that the role of the Institute, and the role of the President could be seen more in strategic terms, not just in servicing an industry, but to plot a course of action to come up with recommendations to foresee possible areas of new priorities. In that give and take, the Institute became more a reform group, more looking at the geopolitical strategic issues industry-wide." There's our kick-off. You're taking over, it's 1975. My God, John, let's

talk a little bit about that. Was that somewhat of a daunting experience to come into an organization that's spinning out of control?

01-00:03:31

De Luca:

Video Excerpt

I think that was one of the key reasons that I was given the opportunity and the latitude. In 1975, the sense was that we had a very short time, the Wine Institute, even the wine industry, to have an organization, given the politics of the time and the dynamics of the time, and a marketing order, which is a state legislative opportunity to work together to use the police power of the state to gather funds and to work in harmony with the different parts of the industry, had in fact been terminated July 1 of 1975, and so we were in uncharted land. This had gone back to the late '30s. So many of the members who were accustomed to funds coming in to the Wine Advisory Board and contracts with the Wine Institute to do the work for the industry suddenly found themselves without the support of the marketing order.

As I said, it was uncharted territory, and it was sort of a trial and error period with me. It was not so much like going off into the night, it was more like driving off of a cliff, and it was more like, what do we have to lose? This thing is spinning out of control; every single day we're getting two, three, four, five resignations; people no longer had to pay into the marketing order, didn't have to be into the Wine Institute. It went from a mandatory system of collecting funds and doing programs to a purely voluntary one, and the economics of the time led a lot of people to say, "I can better use that money for myself rather than putting it into the organization." And it was gathering momentum.

By the time I came, which was late 1975, there were 50, 60, 70 resignations, and the sense was that within six months the organization just would collapse. So in my coming aboard, you'd have to say it was a combination of coincidence, almost a sense of what do we have to lose, and also a controversy over me. There were people who felt that I was the wrong guy at the wrong time to be becoming President. So given that amalgam of facts, given the attitude, there was also an article in the *San Francisco Chronicle* where it was announced that I had been chosen at an inflated salary. All of a sudden, everybody in the industry was saying, "Paying him that much?" I was accustomed to my salary being on the front pages of the paper when I was deputy mayor for eight years; it was a publically announced salary. But all of a sudden, people were responding that I was overpaid, under-qualified, and what in the world was I doing with the Wine Institute given my background? So that made an impact on me, too, that there was all of this non-rejoicing, and that there was only just the tiniest thread of time. I was put on probation. Basically, people said, "We don't know if this organization is going to survive in six months or not, but do the best you can." So with that attitude, I went about trying to build up relationships, find out what was needed. Everything was compressed and every day counted for me to do something.

01-00:07:31

Geraci:

It was a short timeline here.

01-00:07:32

De Luca:

Absolutely, because there were staff people who were telling me, "You're the new president, but know we've just picked up from Lodi, or from Monterey, or from Sonoma, that more people are going to resign." And it really was a sense of having a Titanic on your watch.

01-00:07:58

Geraci: When you came in it seems that your skills politically to put networks together, to work towards policy, to work with legislative bodies, to lobby, if we can use that word, I mean great, you have the training there. Is there someone in the wine industry that saw that in you, that figured this might be a route we should go? Or was this just something that, I mean, you know, as an academic also, you just, first thing you did when the ship is sinking turned to what skills do I have to try and save it, and that just happened to be?

01-00:08:34

De Luca: Well, I was forced to fall back on very fundamental, almost survival skills. Remember, I did not want the position. It was my wife Josephine who felt that it was very important for her and our young family that I go from the maelstrom of City Hall politics, the Zodiac killers, the Black Panthers, the Zebra killers, all the strife of the city, she wanted and deserved a more peaceful and tranquil life, and given her background in wine — her father was a fine wine merchant—she really was the prime mover in me taking on this position. I did not pursue it, I did not want to join the Wine Institute, but I thought for my family and for my wife's sake she was right. She was a more far-sighted person than I.

Video Excerpt

So here I am with an organization that barely wanted me, in fact there were a lot of people who did not, but with a family circumstance that threw me into it, and when I walked in and realized what a big challenge it was, that's when the other juices came into play. That's when I suddenly realized, hey, this is a big assignment. Go to work, John, don't worry about whether you fit in or not. You've got the responsibilities, you've got the position, people are leaving left and right, what do you do in these circumstances? So I fell back on my own personal, professional, family instincts, which was go around and introduce myself, find out what's going on. You have precious time. Build up, given my background in government, build up a constituency. Find out what's on their mind, find out what needs to be done. Put together your background. Again, it was all in terms of falling back on instinct. No one gave me a game plan, no one said, "This is what your job is, you know, in your sense you have to pursue." So that's when I realized that the organization was slipping, I had to move around and build up support, I had to stem the hemorrhaging that was going on, and the way to do that is through interpersonal ties, to call upon the background that I did have, people that I knew. My first Board of Directors meeting, I invited Jack Valenti from the Motion Picture Industry so that people thought, "Maybe this guy has some currency, and maybe he does know something." I thought the Board of Directors meeting should be more than what's on the agenda, but what's on the future?

What are we going to do as a group? Stretch everybody, stretch myself. There's a terrific staff, how do you energize it? The wine industry, how do you ennoble it? And I didn't have any background to screw up things! (laughter) I had to go back on the basic essentials that I knew.

01-00:11:40

Geraci: And even making the situation more dire is the fact that as you're coming in at a time when America's attitudes towards alcohol are taking a drastic turn. In the years just prior to your entry is when Americans we're moving from what had become the traditional disease model, which had been years fighting to get to even that model, to

more of a preventative model where moderation isn't even a consideration anymore. Would you like to talk a little bit about [that]?

01-00:12:10

De Luca:

Video Excerpt

Yeah, well there was no question that I benefitted from immersing myself in what other people were saying about us, not just what we were saying to each other. And I asked the staff, "Please get me all the documents, all the literature on what other people are saying about us, especially our critics. I want to meet with our critics. What are they saying about us?" And I realized that the overwhelming question was, to use T.S. Eliot's old phraseology, coming to the point of making us a public health hazard. If they could succeed—they meaning a lot of professional groups and I never personalized it, I knew that many of them were not only well intentioned but had legitimate reasons—they could characterize alcohol writ large as a public health hazard, then they could define the agenda. Then they could pursue a political public policy approach, which was in terms of higher taxes, sumptuary taxes, especially litigation, health scares, all that would combine to make us appear as a street drug, not a pharmacological drug, but to take advantage of the concern about cocaine and heroine, and the whole issue of hard drugs. I realized right away that if we were a public health hazard, all the tastings in the world, all the great winemakers in the world, all the pairings in restaurants and all our great salespeople would be overwhelmed by this question in society of equating us with nicotine, tobacco, cocaine, heroin. And I would say you can't do that with a glass of Merlot, or with a glass of chardonnay, and I realized that people were taking the oxygen out of that debate by virtue of their language, the commanding heights of language, which I knew from my own political world, from campaigns, how you define issues, had to be addressed. So the first I shared with our membership was that the axioms, wine as food and the beverage of moderation, weren't going to withstand this very sophisticated approach of making us a public health hazard, and I realized that it could not be—although I recognize the great value of public relations, and the wine writers, how important that was — it had to be to turn the organization in a new direction, which was to get very active in the public policy arena.

01-00:15:05

Geraci:

And I know at that time David Keys was public relations [director] for the Wine Institute.

01-00:15:11

De Luca:

No, David Keys was in the public relations department. He had worked with a previous firm that had been contracted under the Wine Advisory Board, and when the Wine Advisory Board ended he was brought into the staff, along with Brian St. Pierre and Harvey Posert, and he had been asked to cover the alcohol areas.

01-00:15:37

Geraci:

Right, in a quote from him that shows the tension that was in American society, he said that the attacks on the industry "are bordering on McCarthyism," I mean, we just had finished all, you know, the 1950's McCarthy era. I know at the same time DISCUS, which is the Distilled Spirits Council of the United States, their President Sam Chilcote said, "If you were to look back over the past 20-30 years, you could see a pattern, typically enough where some obscure college professor, politician, scientist, or journalist raises an issue. The arguments are weak, the documentation is non-existent, and in some instance the whole matter is forgotten in a matter of weeks, but in other

instances the issue captures the imagination of the public, aided by the media. The issue turns into a snowball of criticism. Politicians see legislative solutions, consumers lose confidence in the industry or in the institution that's being attacked." And obviously, I mean, there's some tough times going on here.

01-00:16:46

De Luca:

It was very, very difficult for our members, who had a mindset that was quite different than what was happening in our society. Because of our far-flung interactions with restaurants, with wine and food societies, traveling across the country with wine writers, we had a broad travel schedule but we weren't really meeting or addressing or aware of what was happening in the totality around us, and I thought that by the time we became aware it would be too late, and that I had to go faster and quicker. Not to in any way diminish what was happening, but to address it.

Video Excerpt

It is really hard for me today to capture 1975, '76, '77, but I was basically using the instincts honed by being Deputy Mayor of San Francisco, which meant that you had to take on criticism, you had to meet with your critics, you had to go into the streets, you had to go into the Mission and Hunter's Point, you had to go to Western Addition, and regardless of whether there was merit behind the charge, you had to address it in an open and public forum, you couldn't dismiss it. So even though I knew from my own background, raised by parents who were immigrants from Italy, from Sicily, that there was a great heritage in Europe, I had to recognize that the times were changing, and in the United States there was a different ethic. And so I didn't want to lose energy saying that the criticisms were unfounded. I wanted to use all of my energy to address them head on, and the sense was if we're being attacked as a public health hazard, what are the requirements necessary to address it and to overcome it? Namely, you can't in any way be isolated; you have to become active in the arena, Teddy Roosevelt's great line about getting into the arena. And that's when I wrote this paper describing what I thought was happening and what we needed to do, and how to go about getting our members convinced that there was a real societal threat out there.

01-00:19:16

Geraci:

Now in the paper, you talked about your first white paper, and this is in 1976. The title is great in itself, *The New Prohibitionists: What They Say and How They Affect Legislation and Government Policy*. You threw down the gauntlet. What was amazing to me in reading this the first time is how you very clearly defined the problem at hand, and you set out, this is where we need to go.

01-00:19:45

De Luca:

I was the beneficiary of a certain training. This is where there's a convergence in your life, where different streams combine. I had been trained in the university, I had to put thoughts together in terms of a doctoral thesis, take a lot of different information, attempt to get an over-arching theme. I had to work at the White House level where I had to think nationally and internationally. I was in the Soviet Union, had to think of dealing with the Soviet empire. I had to come to San Francisco and deal with the economic challenge and building up the middle class? How do you bring in minorities into your public sector, like the transit workers? How do you build up an economic engine so that you can have financial vitality?

Video Excerpt

So all of this was never intentional, it just was sort of the life and the combination of marriage, people and friends. All that came together. I thought to myself, put it down in writing so that you can help explain it to your colleagues. Map out a course of action that's necessary to address it. Be honest about what we face. No axioms, no pithy statements. Hard work is ahead, you gotta slug it out, and don't have anybody think that there's some sort of magical wand that you're going to wave. You need everybody to come aboard. So the white paper, and it was followed by other white papers, was designed to be internally educational and obviously it was not met well! I mean, here I come in as the new president, and everybody's talking about the golden age of wine, and look at our figures, and I said, "Yeah, but a lot of those figures that you're talking about statistically, I've looked at them, and a lot of it has to do with Annie Greensprings, Boone's Farm Apple, Ripple and other products." They had a certain consumer base, but when you're talking about the Golden Age of wine, from my background, that would be in terms of varietals. So I wanted to establish at the same time consumer confidence in naming the wine after the grape. That was another—I took on a lot! [laughter] I was not only dealing with outside forces but inside forces to build up consumer confidence. I went to my political friends that I knew from my days in Washington and my days at City Hall to ask them for advice. In the face of the things that we're confronting, what should we do?

01-00:22:42

Geraci: Now, when you say your political friends, who are the people that—

01-00:22:46

De Luca: We knew we had to deal with government, but we still had this sense that government had done us ill, had written us into the Constitution of the United States, prohibited us and made wine a crime. So there was sort of a libertarian streak: don't fool around with government, 'cause they do you no good. I said, well, we have to reverse that attitude. We have to get into that arena of government, we have to work and learn about it, and if we can get the two of them, this intersection between the government and the media, then we could affect public policy and affect public opinion. And so how do we do that? What do we have to do? And I put down all kinds of thoughts and guiding principles. Well, at that time there was Senator Allan Cranston, there was Congressman Leon Panetta, there was Congressman Tony Coelho. These were people that I had met and knew, and felt that they had great insights. They told me the truth, that if you're going to be characterized as a sin S-I-N industry to be taxed, it'll make it awfully hard for us who have U.S. constituents to go and not appear to be representing special interest. I said, well, we need the media. So here's where my background with Tom Johnson, who was with the *Los Angeles Times*, with Bill Moyers, who had been at the White House, with Jack Valenti, then head of the Motion Picture Industry. For the longest time I said, you know, there is something very basic here. What are the dynamics of power? What are the dynamics of influence in the United States? Regardless of industry, whether you're dealing with City Hall, an industry, or international affairs, it's the intersection between the media and the government. So we have to become specialists in dealing with both the media and the government, and the media meant more than just having people write about your wine. Those will write about the economics of wine, the politics of wine, other parts of the page, other parts of the television section. And with regard to government, what I found was a contradiction.

01-00:25:05

Geraci: What was amazing to me in going through the document, where you talk about specifics in it, is your ability to think historically. Maybe it's because of my training in history, but you contextualize it. It's back to the traditional argument of the *Gemeinschaft* and the *Gesellschaft*, the rural versus the urban, and how this has developed in a society. For the first time, maybe it's a reiteration, you made all of them within the industry expand their thinking beyond just the vineyards and selling their wine. They had to think regionally, they had to think statewide, they had to think nationally. You even opened up some of the discussion at this point in the late '70s to global. They hadn't thought that way before.

01-00:25:53

De Luca: Well, what I found was an extraordinary group of people, highly trained, as close to Renaissance people that you could find, well versed, extraordinary in their pursuits, viticulture and knowledge in marketing, sales, well traveled. I thought the soft underbelly of the whole industry was this area that I kept calling public policy, and that it was different than public relations, and I understood that what I was talking about was counterintuitive, because they had rebuild from the ashes of prohibition a wonderful industry, an industry, though, that was about to be engulfed in new controversy from a different direction, and so how do you change when you've been so successful in public relations, in bringing people to your winery, bringing people under the oaks and having tastings?

Video Excerpt

Public policy, I told them, is different than public relations, and that requires hard work with regulatory agencies, laws at the state, laws at the local level, dealing with water, dealing with energy, dealing with the stewardship of the land, dealing with the environmental community. It was so awesome to think of all the things we had to do, that I was afraid of a circuit overload where you feel, my God! What a path this man is outlining for us! What a journey! And you get fatigued thinking about what you have to do. And so my job was to try to keep it fresh, that we could do it incrementally. So the approach I took was a gradualist approach, knowing full well if we were to try to do this all within one year that many people would feel overwhelmed by it. So I outlined a course for the next quarter century on how we could in increments, with the environmental community, with the public at large, address labeling issues and the questions of taxes where I felt a need to move faster. Because I knew that the power to tax could mean the power to destroy us economically. And so there you had to get a political action committee. We didn't have one. When I went to advocate a political action committee, I went back to see members of our delegation who said, "You don't have a political action committee. You have wonderful people, but you know, given the society that we're in, we have to run for reelection, it doesn't guarantee you a vote, but if you want friends, you want those friends elected or reelected." And so I had to walk a very careful line, since our base was Republican, but most of the members I was dealing with at that time in the Congress were Democratic, and how do you bridge that? So I came up with terms like, "There's no Democratic or Republican way to drink wine, we should be bipartisan." Then I came up with the insight, I don't know how, but I said, "Well, wine should be the bridge between the rural right and the urban left, where it's produced and where it's consumed. We should get back our fundamentals. People are calling us manufacturers of alcohol and that there was no way to drink in moderation, that the product was inherently dangerous."

I was reading this, but our people were not reading the same literature that I was. I was joining organizations like the National Council on Alcoholism, the Alcohol and Drug Problems Association and I was hearing all of this, and I was trying to transmit it without being seen as someone who had bought those issues into the argument. I had to come in to say, “This is what is being said about us,” and people would look at each other and say, “We’re not hearing that. Where’s John getting this from? John’s trying to create a job for himself, a-ha! Wait a minute, maybe he’s doing all this to assure himself of work!” Well, all the sudden there was the suspicion that maybe I was creating this threat in order to safeguard my work, in order to give meaning and weight to the Office of the Wine Institute Presidency. And so I had to be very careful that I didn’t appear like I was over-selling a problem, and a lot of what I was saying people didn’t want to hear.

01-00:30:29

Geraci: What’s amazing, though, is that you’re amassing your allies together. This is planning for the great battle, but your opponents also had caught the media, your opponents also were attempting to change policy. I mean, at this time you have Ledermann, the French scientist, this is in the late ‘50s, and Scandinavian scientists. They’re turning to what’s called the single distribution or consumption model of alcohol. In the old days they used what was called the Jellinek Formula, where they would count the number of people with cirrhosis of the liver to do alcoholism studies. Now they were going to start using alcohol sales as the determining number, and they convinced politicians that this is the route to go. So your opponents are very well organized. The Montreal psychologist Robertson Unwin called it “chemical promiscuity.” I mean, the terms are starting to develop, and the media’s carrying this.

01-00:31:34

De Luca: The media was carrying it, and it also adopted what appeared to be a scientific approach called the Schmidt de Lint Theory, which came out of the Toronto Addiction Research Center. People writing in English were pulling all of these different themes that you just mentioned together, and saying the way you address alcoholism and alcohol abuse is to reduce alcohol consumption, that the measure of preventative, medicinal, all these things that they were talking about, those measures had to be shifted to a new approach. The Schmidt de Lint Theory said, there are attorneys in the world who would bring class action lawsuits against a public health hazard. There are governments that need money for services; they want to build bridges, they want to build stadia, they want to build highways. They don’t want to tax the people, but let’s give them an easy tax where their conscience is saved and the public gets the revenue. A sin tax, and this is where it morphed from, looking at alcohol, tobacco, and firearms, which was the federal agency for us, Federal Agency of the Bureau of Alcohol, Tobacco, and Firearms, and let’s lump them all together as that part of society that deserves to get high taxes, and people won’t be seeing it as a property tax, a consumer tax, or a sales tax. So they hit upon a great formula to raise revenues at the state and federal level, and engulfed us in that whole subject matter.

And suddenly we’re facing very, very difficult panels, tax panels, excise taxes—people didn’t even know what an excise tax was. Well, you guys haven’t been taxed for a long time, let’s get an excise tax, and compare us to 1940 and 1950. And the litigation approach, which I just mentioned, class actions, they could pull apart an industry like they did with asbestos and like they did with breast implants. So there was a lot of encouragement given to people around a theory, an academic theory, and a scientific

Video Excerpt

theory, that you could approach alcohol abuse and alcoholism by reducing alcohol consumption. Well, how do you do that? Well, you can't come up with another prohibition amendment. We know that.

01-00:34:06

Geraci: And at the same time, out of UC Berkeley is a social research group who's not helping your cause at all, very much tying into all these theories. They also caught the attention of and started meeting with State Senator Arlen Gregorio. Would you like to comment on his role?

01-00:34:28

De Luca: Oh yes. Well, I walked into that one. I mean, I came right in the middle of this need for taxes in the State of California. Senator Arlen Gregorio was from my own district in San Mateo, who felt the need to increase the funds for fighting alcohol abuse and alcoholism. And remember, this is also a state that has the initiative, referendum, and recall, where you could gather signatures and put measures on the ballot to raise funds. These were a lot of worthy causes and suddenly, the alliances that were formed around the issue of the need for more money at the local level included the highway patrol that wanted more helicopters and wanted more assistance for police work. The emergency care physicians saying, "Our hospitals are overwhelmed, we need funds," along with the Alcohol and Drug Problems Association. So what was amassing out there around the issue of revenues during a time of economic distress was what is an easy tax that you can pay, and who are the people that you can single out? And, aha!—it was one of those eureka moments for the other side. "We can be on the side and we can fight these ravages of alcoholism by identifying it as a street drug. It belongs as a subset under the War on Drugs. We're not going to get too far into calling it the War on Alcoholism, we'll call it the War on Drugs. But this is sort of a sub-paragraph to it." Now I saw all of this happening, but in trying to deliver that message to our own people, I had to go against not inertia, but against the self-image of our people, which was, "We can't be perceived that way. We're great with food, wine and food, we're the beverage of moderation." And I remember one meeting I had with the Board of Directors, I said, "You know, this reminds me of what happened to the French with the Maginot Line, right after World War I." They thought of the old battles, they thought of the World War I technology, the World War I phraseology, and built all these forts that they thought would protect France against an invasion. They never heard of the Blitzkrieg or the Luftwaffe that could overwhelm them in one day, in one night. I said, "We're building up a Maginot Line for ourselves. We have this mantra, I don't disagree with it. I love what you've done, what a wonderful story it has been, but we face a new era, and they're starving the oxygen out of our industry. They're redefining us." I said, "My world, politics, when we ran campaigns, the whole thing about a battle for mayor, governor, president was who defined the other side, and who got to set the terms of the debate?" I said, "They're defining us booze, gateway drug, sin." I said, "They're starving the oxygen out of the debate, they're getting greater alliances, and we're answering 'we're the beverage of moderation and wine is food.'" I said, "Food itself is under attack." I was very fortunate with my advisors at the time who were talking to me, men like Dr. Peter Forsham at UCSF. To be concerned about diabetes and obesity, this is 1976, 1977, 1978. Dr. Maynard Amerine was enlightening me, Andre Tchelistcheff, all these great minds, they responded to the way I was trying to reposition the industry. So I was very fortunate that way.

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01-00:38:29

Geraci: And the industry, as you said, they controlled much of the rhetoric. In an 1989 interview Senator Arlen Gregorio related that Governor Ronald Reagan was not going to raise any taxes to help any of their researcher causes, so as he put it, “Since there’s no funding available,” he says, “I thought to tax alcohol to pay all the cost. And boy was the industry threatened! The alcohol industry just did not want to get nailed with this, so they said, ‘Well, we’re for responsible drinking,’ and of course, the industry had a lot of clout. They don’t want to be identified with it. They lobbied forcefully against the legislation.”

01-00:39:22

De Luca: Arlen Gregorio’s absolutely right. I met with him, I spoke with him, I knew him. I said, “Arlen, look at our background.” I said, “I’ve learned a lot from Joe Califano, who was a Secretary of Health, Education, and Welfare before it became Health and Human Services. And I would say, “Look, we’re Italian kids. Look how we were raised. Don’t let the fact that we’re in a new environment in the New World here overshadow our Old World upbringing.” I said, “How were we raised? Go back to the olden days, and go back to the traditions. Arlen, Joe, we all had wine with our meals. We were little kids, it was a little water. The culture was different. So even though we’re now in this society, let’s recapture the fundamentals.” That was my theme. How can we go back to the fundamentals of agriculture? And we’re a harvested crop, we depend on the cycles of nature, the water, the rain, the insects. I said, “Remember that.” So I had discussions with Arlen, as I did with Joe Califano and I would say to them, “There’s something in our heritage that we all share. Don’t disregard that as you become a political figure in this world.” And so I found myself, not through training, not through graduate school, not through degrees, but the fundamentals of having been raised by an Italian family by Italian immigrant parents. I mean, that’s what caused me to appeal to them, and so when he’s talking about this lobby, and this great strength that we had, some of it was illusory, some of it was not really there, but we went to the arena, we went to talk about this to the press. I said, “Let’s talk to the press, let’s talk to the people who are making these arguments.” Here’s my academic hat. I would shift from the morning until night my political hat, my academic hat, my, let’s say, international hat. All these different hats I had to wear at different times, while trying to get a clarion call to our own people who, remember, were having a hard time hearing this.

01-00:41:42

Geraci: Seems that a good part of this initial work, then, is getting the people in the industry to understand the depth and breadth of the problem they were facing.

01-00:41:53

De Luca: Yes, if I didn’t succeed there, we wouldn’t have a unified presence. And the Board of Directors was the best way, but traveling around the state, suturing together a common sense of what we faced, without in any way denigrating the work that had to be done. That was the balancing act for me, not to be the new guy coming in and saying, “Everything you’ve done is wrong and here’s a new way to the future.” I had to accept the wonderful features of what they had achieved, but at the same time to alert them to the challenges that we met. And they were there, and I started quoting from people that I was dealing with. That’s where my white papers were really very helpful, because our people didn’t have the opportunity to travel the way I did. I give great credit to the Board permitting me to spend those first two years sort of embedding myself in the

thinking of what was happening in the country. No one said, “John, we tried to call you and you weren’t there. You were over in Indiana, you were over in Texas.” I was trying to build at the same time a national constituency, not just a California constituency. So I was traveling all the time. I was going to wineries, listening to them, listening to our adversaries. I didn’t really think of them as bad people or good people. I knew that they had a point of view that if it was successful would, in fact, engulf the industry, and really economically through taxes, through health hazard warnings—you get a big black warning with a skeleton on your bottle and high taxes, I don’t care what chef you had that night, it’s going to affect the public attitude toward your industry. So I kept talking about the commanding heights of strategy that we needed to address. And they said, “What do you mean by that?” I said, “Well, this is what I learned studying, and dealing with the Soviet Union. What are the two, three most important things we have to do that causes everything else to derive from that?” I said, “We’ve got to end this notion of being a health hazard. We belong in the nutrition side.” And they would say, “Nutrition side?” That was kind of a new theme. And I would say, “Well, look at all the learning and all these axioms and this great body of language.” I said, “That was really nutrition that people were talking about.” How do I go about that? That’s when I started thinking we ought to get third-party scientists. That was the most controversial thing I did was instead of the industry putting up funds, to go and get money through the government to have third party scientists looking into the components, not just alcohol, but the other components of wine. And I was reading about anti-oxidants and flavonoids. I didn’t know about resveratrol or quercetin, but I felt if we could get funding for studies by third parties, not pay for it, not buy paid advertising, but have their studies released to the press, if the press thought they were worthy they would publish it, and that was the way to affect public opinion. So that’s where the intersection of the media and government figured in. If a government official is reading that day in the *New York Times* a positive study that wasn’t put out by the industry, it would affect their thinking towards us. And of course, as I said, it’s an incremental strategy, so I’m talking about 30 years, I’m not talking about 30 days. And that was very, very hard to convince people to undertake.

01-00:45:49

Geraci: Before we leave Arlen Gregorio, a couple other things. SB204—another attempt to get more funding. I mean, there was SB1487, about which Gregorio makes the statement, “We also showed that the vast majority of the money was going to be paid by the people who really have the problem. I think I still remember that 75% of the tax is going to be paid by 15% of the people who drink.”

01-00:46:24

De Luca: I sure remember those words. I had to live through them all the time.

01-00:46:29

Geraci: But I think more importantly was his then attempts to get money for advertising, trying to use a tobacco model that local radio stations or TV stations for every song and any ads that they ran the stations would have to run one ad as a public service announcement for anti-smoking. He was trying to do the same type of thing with alcohol. And he speaks of this one ad that I guess was pulled; it never really made it all the way. I don’t know if you’re familiar with it—it was a wine ad in which a young woman and a man were having a candlelit dinner. It was in a very romantic kind of setting, private. There was some potential for something after dinner. They had been drinking wine. Then the man started to pour some wine for the woman, and the woman put her hand over the

glass, and then he started to pour some wine for himself. I've forgotten what the line was, but it was just wonderful, conveying the message that he'd better quit, too, or there wasn't going to be anything after dessert. You know? That when you have had too much liquor, romance is not just the same. But, I mean, these were the ads, the tenor and the tone, they were talking about going after the industry. This is at the very heart and soul of the romantic image of wine.

01-00:48:00

De Luca:

This is what propelled me very early to go to our members, and to say, "We have to come up with a Code of Advertising standards ourselves that really has teeth and meaning." And they would say, "Why? Why do we have to have a Code of Advertising? We're talking about wine and food pairings." I said, "There are people who do not portray us that way. This is a runaway kind of an operation that is gathering speed and momentum. We have to come up with ways to anticipate what government might do, what uninformed government would do. I said, "Where have we always suffered in our society? It's been uninformed government that uses the great power of rules and regulations." I said, "But there is also another element to it. California, if things can happen in California that are deleterious, it will sweep the country. We're sort of the laboratory of change, good or bad. Whatever happens in California sweeps the rest of the country. So whatever's happening on taxes, whatever people are trying to do here to say we're a public health hazard, when they're talking about advertising bans or advertising changes or advertising messages." I said, "We have to take the initiative, and we have to do it before it's so self-evident that whatever we do people say, 'Oh, it's just a knee-jerk reaction to the obvious.'" So let's use the time right now, '75, '76, '77, because by the time '78, '79 rolls around, we won't have the initiative to take. We've got to do it now."

So I had a sense of immediacy, if not urgency, and advertising, of course, strikes at the heart of not only the advertising that you have on television or radio, but also your literature, your retail outlets, and so forth. So the Code of Advertising was one of the most important initial battles to be fought within the industry. And there I have to give great credit to people who, while reluctant, understood. Little by little there was a coterie of leadership in the industry, which gives me the opportunity to make a really important comment. I was unorthodox, I was counter-intuitive, I was not anything like they had ever had before, so what I was proposing, while quite evolutionary for me, quite natural for me, was really very different for our leadership. But to their credit, they let me make these proposals, they let me take the initiative to write white papers and to put proposals in motion on a whole series of fronts. The Code of Advertising is only one of many things that we undertook at that time, but the Code of Advertising became a model of social responsibility, as stated by Senators Paula Hawkins of Florida on the Florida Senate, by George Miller, who today is Chairman of the Education and the Labor Committee. George Miller went to the floor of the House to say that this Code of Advertising is a remarkable model, and encouraged other industries, beer and spirits, to take the same approach. And I withstood the ability or the opportunity to make invidious comparisons with beer or spirits by saying this was our heritage, we were only working within the legacy of our past, this was our tradition. I wasn't going to say everybody else was going to have to do the same thing. But I was trying to shape and sculpture a new image for us in terms of our own society, and in terms of public officials, because every Congressman, every State Senator that I talked to said, "John, unless you can overcome this notion that you are a public health hazard, we are going to

Video Excerpt

be seen as supporting a special interest, and people are going to look at the contributions you make to us, and we're not going to be seen as being in the mainstream of guarding the health of our own society." So that was a central component of what we had to do—research, science, Code of Advertising, the whole question of the environment, working with alliances, and expanding our areas of contact.

But I said, we have to work with our growers, it's very important for them to know what we're doing. We're making wine, they're growing our great grapes, and we have to understand the national, international implications. They have to be as informed as we, better. As you know, in '84-'87 and '87-'90 we had both the Wine Growers Joint Marketing Order and then the Wine Commission. All of those were designed to educate ourselves. I felt it was so important that we all be working off of the same page, and to go around the country and get wineries across the country and people to understand what we were attempting to do. And a strategy of alliances formed naturally around wholesalers, around retailers, around restauranteurs, around the tourist industry, and I realized, my gosh, we intersect so many different industries! Restauranteurs really tell me how important we are. The hospitality people tell us how important we are. Well, let's pull 'em in together so we're all working together. It was a unified approach.

But again, you have to give credit to the people who are listening to me who didn't really leap forward and embrace it but little by little by little, even though the burden was cast on me, they started accepting this as a socially responsible behavior.

01-00:54:23

Geraci: And it seems you're coining the term at this time of 'neo-prohibition.' This is a new form of people that are almost messianic in their need to validate their own beliefs and lifestyles by making sure that everyone else follows within that moral and ethical code. I think within that first white paper, you really set out five problems to the industry. The first being the idea that we have to preach moderation and that these people are coming across with a story of the need to kill our industry. If we are a gateway drug, we're dead in the water, forget us. The second issue you just finished talking about would be the Code of Advertising. Education programs, I think, from the very beginning you've mentioned have become extremely important. Helping to get funding of alcohol programs, not from your own membership anymore, maybe there's something we should talk about—the old Wine Institute's involvement in many of these organizations, and I think the inherent need to become a national effort. That had to be hard for a California marketing organization to realize they needed to be a national movement.

01-00:55:55

De Luca: My credentials here, having worked at the White House, my background in foreign affairs, my background in Soviet studies, international relations, that led me to propose these various strategic moves. These were really strategic moves, and how to make it possible for people who every single day had to make great wine to compete with great wine to sell it in the marketplace—I had to remember that when we gather together, they had all the things on their mind, they were just off the phone with their sales force, or something had happened at the winery. I had just a few minutes with them, a few hours with them. How to pull all of that together so we could think as a body, knowing full well that as soon as they left and they got in their car and they had to get to the winery or to the restaurant, that they had a whole set of problems. And so I tried to make it possible to have confidence and credibility that what I was attempting to do was for

the larger well being of the industry. There was a bottom line part to this, it wasn't abstract. So I tried to present it in terms of, your dues are not just because it's a civic duty—and it's voluntary, remember, they could walk out at any moment—but that there was a cost effectiveness to what I was proposing, and that the best way to measure this was, were we fighting these tax bills? Were we successful in opening up markets? Were we successful in terms of the international scene?

So one of the first papers I had about the globalization was we deserve and should be active in terms of the export trade. We shouldn't only be thinking of the United States as a recipient for fine wine from overseas, we have fine wines here in California. We're an export state because everything we do under the 21st Amendment is like exporting to foreign countries, all the other 49 states. Well, let's think a little bit broader than that, let's think beyond Canada and the United States. Let's think about sending wine to Europe, to Asia, to Latin America. So the Wine Equity Act was proposed. People said, "Well, what do you mean? We're going to be sending wine overseas? How much is that going to cost us?" And that's where I kept saying, "Stay with this program. Measure it against your cost and your benefits and your profits. See if we can open up markets in other states." How are we going to do that?

[End of disc 30]

Disc 31: 02/27/2007

Begin Audio File De Luca,_John_video2_02-27-07.mp3

02-00:00:00

Geraci: Today's date is February 27, 2007. This is tape number two in our interview with John De Luca. John, when we left off we had just finished really talking about that first white paper, the problems it lays out, setting up the groundwork, and very quickly now let's talk about some of the other subsequent papers and speeches. I'll be bringing these up somewhat in a chronological manner. If the first one threw the gauntlet down, the rest of them are the active attack in the war. I mean, you're out and you're stumping. You're like the politician. You're a tenacious dog who has his cause, you've identified the problem, and you're going to out now and you're going to sell it.

02-00:00:47

De Luca: I'm smiling because I was a tenacious dog. [laughter]

02-00:00:52

Geraci: So it's true, okay, that makes me feel better. I mean it in all the best ways.

02-00:00:56

De Luca: I understand.

02-00:00:52

Geraci: You were a focused person. You—this is a very admirable trait on your part—spent 30 years honing the problem, focusing on solutions, not sitting back and whining about all the restrictions and roadblocks, but always finding the way to go over the roadblock, around the roadblock, sometimes right through the roadblock, and you've approached it. Immediately after you had done the first white paper you addressed the Society for Medical Friends in March of 1977 with the talk titled "Progress of Wine in America." I

found that to be absolutely refreshing, and you're starting to gather your allies there. If you're going to approach wine as food and wine as a health item, you realized immediately you needed to bring doctors into your circle.

02-00:01:53

De Luca:

Video Excerpt

Yes, and in fact, a number of people at that time thought, you know, "You're coming up with a stealth marketing program emphasizing health." This is the critics. Critics say, you know, "This is really unjustified, almost illegitimate, to try to sell wine as nutrition." And my retort was, the front that was opened up on us was on the health front. We did not invent that. The charge was that we were a public health hazard, and to address that, we could not answer it ourselves, we had to call upon the medical community, the research community, to refute that. We had history, we had tradition, but in this day's society, it wouldn't be enough to just quote what Pasteur said. He said, "Wine was the most hygienic of all beverages." Or to go back to the ancients, or to go back to what I call the ancient wisdom of modern nutrition. We had to understand that the scientific community, the medical community, those with credibility, those who were not beholden in any way financially to us, they had to refute the argument, and therefore we had to call upon them through the public policy approach. Taxing us is a public policy approach. To answer that, we needed to have a refutation of it. So that's why we got into the whole question of wine and health, and wine and nutrition, wine and anti-oxidants, alcohol and anti-oxidants. And so it was never a marketing program, but as we were successful in encouraging third parties to come up with research, and that research was being reported by the press at large, when the dietary guidelines came out January 3rd, 1996 saying there was cardiovascular benefits drinking in moderation, 120,000,000 people—we got through the television surveys—heard the top health officials of the United States saying that there were benefits, cardiovascular benefits. Dr. Phil Lee actually is quoted as saying as far as he was concerned, a glass of wine was very healthy, and that it was time to come out from the shadows of prohibition. 120,000,000 people heard a message from the top health officials of the United States.

02-00:04:06

Geraci:

I think what's important is that to realize this is 20-some years after you're making this first, in-road to the medical community. I love the quote that you have within the paper itself; I'm quoting you here. "I foresee wine at home on nearly every dinner table as the preferred mealtime beverage to aid in digestion, and in the absorption of vital nutrients. I see wine adding more than nutrition, adding the graciousness provided by its civilized use which distinguishes human dining from animal feeding."

02-00:05:08

De Luca:

Well, I have to tip my hat to my parents and to their ancestry, and to the Sicilian-Italian heritage that I was raised in the Lower East Side of New York. None of this is from formal education. None of this is something that I had to sit down and ponder. It came naturally, and I understood that with each year that went by, as more and more there was verification that what I was arguing. It wasn't just abstractions anymore. People could see taxes were being proposed, that there was the 1990 ballot so called nickel-a-drink, and then dimes-against-crimes, and then the Roos Initiative. As more and more of that was coming to pass, my little stock was rising in terms of saying, "Well, you know, maybe what John told us ten years ago, maybe there was some resonance to that." So I was gaining credibility, unfortunately, as things were getting dire.

We suddenly had a big battle on our hands in our own state with a statewide initiative, and we had to go to our alliances. We couldn't fight it by ourselves. This is where the California Teachers Association, the restaurateurs, the people in hospitality were really absolutely necessary. So it took events to underscore, it took—when I went to see the Medical Friends of Wine—it took the dietary guidelines being announced by the federal government as third party credibility to give a greater validation rather than the charge that I was abdicating my responsibility. I was very unpopular, Vic, and I'm not saying that today. It was true, and I recognize to be a very good President of the Wine Institute, you could not pursue being popular. There's just no way to do that.

02-00:07:07

Geraci: You developed a very thick skin.

02-00:07:09

De Luca: Well, it also, my eight years in San Francisco as Deputy Mayor, you know, prepared me for that. No question that I was trained for a job differently. When I came into the wine world I'd already had to go to the public arena, had to meet critics on the street, had to engage in open debate. So I wasn't fearful of debate. And then I came up with a term, I said, "You know, 'ferment' is not a bad word in our industry." I started hooking up natural terms; fermentation, ferment, gnashing of grapes. I used to say, "Well, look what happens to our grapes, they get all gnashed and mauled and scratched, but look what comes out of that. We have a terrific product that comes from all of this." So I encouraged the thrashing, I encouraged this. I'm not hurt if somebody throws some epithet at me. I understand. I'd rather have an aroused citizenry. I'd rather have people really feeling the emotion, coming to the board of directors meeting.

It was really interesting to watch as more and more people were encouraged to speak up and to share their experiences, and this is where the Wine Equity Act, getting our people to market overseas, really helped in the cauldron of debate. Because people began to say, "Well you know, I just came from China. I was up there in Japan. I went down to Latin America. I was in the Caribbean. I went to Western Europe. I went to Eastern Europe. We're trying to sell wine in the Caucasus." As more and more of that outside the state, outside of the country experience was being brought into our debate, the level of understanding was rising very well.

So I always considered myself to be a teacher. I always felt myself to have a role as a teacher, to help educate. Somebody said, "Well, what's your job description?" I said, "Well, I'm 190 pounds of glue." I said, "You know, we've got to hold all of this together while educating it." Because I knew that once you got these incredibly intelligent people well versed with the subject matter, they would give you the benefit of their support, and that we would work together. I think the 1990 nickel-a-drink battle, which was statewide, where no one gave us a chance of winning—which was a referendum in our own state about our own industry — was almost 70-30% that we won. In March of that year—that was November of 1990—in March of that year it was like 80-20 against us. That caused people to work together, to bind together, and to work with the hotels, to work with the education community, to understand that our wholesalers and our restaurateurs and our retailers could be part of a larger group. To think bigger than ourselves, to think bigger—yes, you've got to concentrate on your ten acres, you've got to really cultivate those ten acres, but understand where it fits into your valley, where that valley fits into your region, where that region fits into our state and in our country.

Expand your horizons. That's when I really probably felt most satisfied professionally, is when that Board of Directors meeting went from those gnarly, difficult, almost painful early days to where we did have some soaring rhetoric from the membership, not from me, and people were thinking big, and thinking wider, and thinking international and cosmopolitan. And as we got more and more sales coming from overseas, they recognized that it had a bottom line effect. We're going to reach \$1 billion of exports in about two years. Just think about what that's meant to our ability to put money into research, put money back into our own resources in terms of galvanizing our own energies.

02-00:11:13

Geraci: Let alone what that's meant to the economy of California.

02-00:11:17

De Luca: You know, it's only 73 years ago that prohibition was repealed in the United States, and the inheritance of that repeal was all the amalgam of laws and rules and regulations across the country that make this a very daunting industry, and yet it's one of the great enterprise stories of American life. How we've had to go back from being branded as criminals to have to take on the best wines in the world with people where they had not only the support of people in their industry, but had subsidies, and to move into other export areas to take on the best in the world. I think it's one of the great stories of American enterprise of any field, not just in terms of say wine and agriculture. And I think the interest in us, the newspapers, journals, and magazines has been bountiful. I think the people and the personalities that we have have been well covered as true energetic, enterprising, competitive people. But there was a moment there, [laughter] there was a moment there where just like Infant Death Syndrome, we could have been snuffed out in the crib, and we could have not had what we've had now, but be basically a limping cottage industry. Some industry, some notoriety, some appeal, but not this economic motor force which I think is for good, in terms of culture and hospitality and society. Well, you know from the market research that's been done and economic impact studies that have been done that the most recent said it's over \$100 billion nationally, and over \$50 billion for the state. That came about when I was thrown down with a charge; you know, "You are aggrandizing, you are embellishing the wine industry. We can't even put our arms around who you guys are." That came by a very prominent political figure in Sacramento. And I said, "Well, we ought to put numbers and flesh this out." And so I went to Vic Motto and asked for an independent economic impact study, and it was more than just our retail level, but our economic impact. And I think the first study was over \$34 billion and then subsequently, it's now over \$100 billion. So this period, you can actually measure the dramatic changes that we've had, the number of jobs that we affect, the taxes that we raise. Now when somebody says, "You haven't had your excise tax raised since, you know, 1950 or 1990, whenever they do that," I said, "Well, look at what we raised in terms of sales tax, corporate taxes, what we raised in income taxes. How about our licenses and fees? Look at the amalgam of the financial impact that we have." So as more and more there's a realization of the economic side, there's also a cultural part, and there's an image part. A lot of our leaders, many of them say the image of California in many parts of the world is often mischaracterized, but when we talk about California wine, it does add to the stature of the state. It is seen as world class. You can go around the world now and see us as a world class wine, and able to compete on the merits. So culturally, economically, politically, financially, fiscally, the value of this industry is now hopefully not taken for

granted, but it is acknowledged. I look on it and admire the pioneers who preceded me. I'm just, you know, part of a continuum. Somebody gave me a torch, and I've helped to carry it, but I've come, when you talk about history, I've come to an incredible appreciation for the role of the people who preceded us, the people had to rebuild this industry from prohibition.

02-00:15:27

Geraci: And it's really interesting because, you know, wine is business, and I think far too often we have the glorified version of wine, the oenophile version of wine that clouds the wine industry. Yet in 1978, you also started adding—and this was in a speech you did to the Federal Alcohol Committee—reminding everyone, including the winemakers themselves, that you are farmers. This is agriculture. We start hearing words like 'wine grower,' 'wine farm.' And I think this was crucial. We are agriculture. How can we be so bad for this nation if we're a farm.

02-00:16:17

De Luca: Well, the currency of politics has been language, and the currency of the debate has been language. No question about it, how you're called, how you define an issue, the definition of terms is so important. And I felt, coming into the industry at that time, that the words like "sin tax," "gateway drug," "drug of choice," "street drug," that that whole amalgam of words was making incredible in-roads into the image and into our standing. Not just the image for selling, but just our image as people. I remember a number of people who came to me and said that they were shocked that their children coming back from school had heard from their teachers that their parents were involved in infanticide, that they were baby-killers, actually used that term. Fetal alcohol was leading to killing babies. How shocked they were that they did not perceive that image, and here their own children were coming back and saying, "That's how you're being perceived, that's how I'm being perceived." That was pretty rough language, but that was being reported back to me, that that was entering into the classroom, and how do we address this? Well, I wanted to see gardens in public schools, not to sell wine but to have an appreciation that what you are buying at the Safeway really came from the soil, and it was affected by the winter and the rains and the harvest. How do we get that back?

And so I started thinking in terms of the larger question of harvest, of cultivating a field, of the natural rhythms of life that were different than the urban society, and that we had to make that connection for people, how to do that through example, how to be stewards of the land. And I was always dealing in the city of San Francisco with land and our watershed properties. I was lucky that as deputy mayor with our public utilities and our water department, I was always running into people talking about development and could we sell our land. Highway 280 was a gigantic issue for us because there were developers who wanted the land that was east of Highway 280, and so I recognized that our vineyards were a great environmental contribution, because the value of the vineyards kept it from just becoming shopping malls. But we also had to address the issue of the glassy wing sharp shooter, and how were we going to address fighting a pest like that? So we needed to be socially responsible, we had to set up our own programs.

Everything always stems from the fundamentals of concentrating on us as agriculture, but having to be socially responsible, family- and corporate-wise. We had a society where we still had the remnants of prohibition; you can have a local option, and the

rules and regulations on marketing. I mean, getting involved with direct shipments and the U.S. Supreme Court, and all the different states, I've written about that in other journals, as you know, about how we had to get involved. It's been one of the greatest learning voyages of my life, that the wine community touches so many different facets of life, so many areas of discipline, of knowledge, of understanding, of people. I mean, it isn't just the grape alone—which, by the way, with its chemistry and enology and viticulture has excited many a career—but the totality of it, and the history of it, and going back to the ancients and finding archaeological ruins and knowing other people had to address this question of alcohol in their societies. And so that's where I studied the Roman garrisons, and how they went into Gaul and Germany. That's how I studied about the French and Indian Wars, which people have heard me talk about. All of this is an enlightening approach. Following the wine trail is a great way to knowledge, it really is. So that's inspired me, that's really given me the intellectual and professional inspiration to stay this 30 plus years with the wine community.

02-00:21:06

Geraci: One of the things I think is really interesting, then, within the next chronology of things that you put out, was a Declaration of Principles in June of 1978 that was for the Wine Media Day. You laid out ten principles, and just through our discussions thus far, it's amazing, if we use just that document to validate your success, you've had one heck of a successful career, John. Because if we look at it, one of the first things you set out to do was to make wine food. You can look at the food pyramid today and see that it has a place for wine. Wine is an agricultural industry. In fact, agro-tourism today in wineries is one of the key international means to market grapes. Wine is a healthful product, belief in moderation, the Wine Institute can have a role in being part of the solution to alcoholism, your personal commitment to the organization itself, wine as an American product, removal of trade barriers, belief in an international reciprocity and equity, belief in wine history and tradition, and that the Wine Institute will be a transparently run organization. Now, if I took those ten criteria that you laid out—this was in '78—this has been one successful career. I congratulate you. How many of us can look back 30 years later and go, "My God, I did everything I set out to do."

02-00:22:40

De Luca: Lot of help, terrific staff, I had to attract people to believe in that. I had to get the support of a whole industry. I really do see myself as sort of one of those fulcrums, central but needed a lot of energy to support it. Some terrific people in this industry—I won't name them, because then once I start on that course I have to name a lot of other people—but they came and said to me what they found attractive was that I set a course, stayed with it, stayed with it, helped to educate a whole body of people, a new generation, and you know, that's fulfilling. You get psychic rewards. Probably the biggest reward for me was acknowledgment that my wife had choreographed this whole thing. How important Josephine De Luca has been to the wine community, because absent her, I never would have joined the Wine Institute. Never! That was the furthest thing from my mind, given my background. How she understood better than I what was not only good for our family and how we raised our children, how gracious and generous the community has been to us.

It is not self-serving to say that I played a role. I mean, I'm professional enough and honest enough to know that I played a role. What was enduring and what was really attractive is how many people rallied to it. Just imagine if it had all fallen on deaf ears.

You know, I did not take the primrose path of dalliance. I really did not. I really tried hard to address objectively what we were facing, and given my background, that was very, very influential in keeping me going. I didn't walk away. It would've been so easy to walk away after the first 60 days and say, this is not going to work, tried it, been there done that. But with every passage, as families and children and grandchildren have come along, to be part of it. Probably the greatest compliment paid me today is that people don't think about it. People don't really acknowledge it or recognize it. I think that's the greatest sign of success is that it appears so natural that it was seamless, that so many people believe today that all that occurred was predestined and preordained, and that we were deserving of it, and therefore it all happened and flowed the way it should. That to me is a compliment, because it never was an enterprise for me to gain recognition.

As I said at the beginning, to be president and CEO of the Wine Institute is to be almost daily unpopular. I used to tell my wife, "If I can keep my mistakes down to six a day, that's only 30 if you count five days a week." I said, "How many people you really tick off on every decision you make, given the diversity of this industry." The different regions, the different varietals, they are like seven, eight different industries put together. You're either in appetizer wines, champagne, sparkling wine; you gotta remember that, varietal, generic, semi-generic. Are you coastal? Are you central valley? Are you into the dessert wine? Are you above 14%? Are you wine coolers? Are you fruit wines? All these different industries are an amalgam, awfully hard to pull it all together, but it is working well together. And so, I think that's the gratification I have today, looking back on it, knowing what we went through, but not belaboring it, because now thanks on the foundation I had, the greatest, again, compliment that was paid to me was to say, "OK, we'll create a job called the executive vice chairman. You won't retire, you won't be consultant, you won't be emeritus, you're still with us, but go for it on education." So I have these positions at Berkeley, I have these positions at Harvard, I have this position with the research center, the Ernest Gallo Clinic and Research Center at UCSF. I'm a trustee of the California Teachers Association; I'm the senior advisor to the president of the University of California on agriculture and business, and on and on and on. That to me is my reward, that the industry has permitted me to go back to my educational hat, and to do things that I could not have done if I was still president of the Wine Institute. In no way I could be with the California Teachers Association, or with these researchers working on the brain and the substance abuse, and the issue of self-medication and depression, which is at UCSF. I'm working with Nobel Award winners. So I'm the beneficiary. I've gotten more than I think I've given, and that's really, for me, at the end of the day—and I haven't ended the day—but looking back on 30 plus years, for me to be in a position today to work with the University of California, to work with the Bancroft Library, to work with this oral history, to work on the Mark Twain Project, to work on the Agricultural County Advisors and the Extension Program, the Prohibition documentary; I would not be in this position today if I hadn't had the benefit of the last 30 years. So it's kind of, you know, the prelude to my present life.

02-00:29:02

Geraci: What's amazing is you laid this out in the '70s. You identified the problems. As you said, you were able to stick to the course, and the '80s could not have been easy. In a recent book, Nancy Olson, the book is called *With a Lot of Help from our Friends: The Politics of Alcoholism*, she has a section where she's talking about health awareness issues, and she has something to say about you. "John De Luca, President of the Wine

Institute, quoted a noted wine historian that wine is not a drug in a traditional way that term is interpreted, nor is it a prescription or a patent medicine. It is more accurately classified with milk, fruit, juices, or fresh or processed foods.” She continues, “Despite this contention, the Wine Institute participated in a judicial battle to have alcoholic beverages exempted from the definition of food, for the labeling aspects of the Federal Food, Drug, and Cosmetic Act, so that the ingredients and health warning label standards applicable to all other foods would not apply to alcohol.” In other words, make up your mind. Are you with tobacco and firearms, or are you with food?

02-00:30:27

De Luca: Yeah, this was, again, a challenge that was presented to us very early under the Food, Drug, and Cosmetic Act, as a number of our people were talking about the therapeutic values of wine. I had officials at the FDA come to me and say, “You know, we’re going to not treat you like a winery, but we’re going to treat you like a pharmaceutical company, and you’re going to have to go through all the hoops that pharmaceutical companies have to go through, and we’re going to emphasize the drug part of the Food, Drug, and Cosmetic Act.”

Then the Federal Trade Commission came to me and said, “You know, anything that says that there might be health effects that are beneficial is misleading advertising, because there are some people who cannot in any way, use your product, even in moderation because they’re taking medications.” Then the people over at the Treasury Department would say, “But we have legislation that covers you going back to Prohibition, and so we still have to treat you in terms of labeling, and we have to treat you in terms of taxes.” So I found this whole range of different regulatory agencies reflecting this unusual history in the United States, that we were first prohibited, then repealed, then we had the states, but then we were looked upon as having to generate taxes to sustain society, and then this whole passage to, “Are you food? Are you a drug? Are you pharmacologically a drug or a street drug?” And what I’ve come to conclude is all the contradictions in this society emerged from the culture of this society, that these questions would not be raised in Italy or France or Greece the same way. Some of it is, but not the same way. So how I’ve been able to balance all of these conflicting challenges to us, well you can’t have it both ways or you can’t have it this way or that way, is to recognize that we are in the process right now of a new culture, an acculturation process, led by what I call the dynamism of women.

And so, there are parts of us, people say, “Well, make up your mind. Where are you?” And I would say, “This society has not made up its mind about us. It’s not just deciding where we are. Other societies have come to grips with the issue of alcohol a lot better. They didn’t make it forbidden fruit.” So I could throw back the argument, if I wanted to, “Don’t make us forbidden fruit. Look what you’ve done to screw up the kids of this country, where they feel that they have to get drunk to oblivion when they reach a certain age. That isn’t true in other societies that I’ve lived in.” I said, “We all have a role in this question. This contradiction that you’re talking about is not just germane to us or unique to us, it is a societal question. Do you like the fact that we have sustainability and are great stewards of the land; take care of water and issues of energy and power? Okay, fine, but you can’t compartmentalize us and say you like this part of us but you don’t like this other part of us.”

We haven't come to grips yet with this question of how you handle alcohol in our society. Little by little, though, it's coming to pass. Little by little we're starting to see that in terms of the whole issue of nutrition, diet, and lifestyle. And so we all have to join hands on this one. It's not just unique to us, the burden isn't just on us to have to respond to these questions, you know, where we say are we milk or fruit or vegetables, or what are we or what aren't we? Society has to still come to grips with the fact that in this society, in this country, we changed the Constitution of the United States, you know how easy that is, to make it a crime, and to say you couldn't produce it or consume it. That isn't true, you know, the way I was raised. That wasn't true the way whole generations of people have been raised. So to come to the full, not finality of it, but to come to bring some substance to it, this issue is one for greater America to have to decide together. It isn't just up to us to say which are you, it's really up to the whole of society to say, "How are we going to handle this question, and are we doing the right thing by this great emphasis on forbidden fruit?"

02-00:35:13

Geraci: I think it's important for me in looking at this is that first of all, in today's political rhetoric, I guess it's not a good time to be saying "staying the course."

02-00:35:26

De Luca: No! [laughter]

02-00:35:27

Geraci: It's taken on a new meaning, you know, politically. I think I would say with you as a matter of staying the course, you know the lesson of political compromise, and more importantly, I think it's a lesson of we're always as a human race into the struggle for our moral and ethical soul, as human beings.

02-00:35:53

De Luca: Well stated.

02-00:35:54

Geraci: And you understand that, but you, I think, understand with this—is this a fair statement to say that this is a battle that goes on forever?

02-00:36:05

De Luca: I've told our people that there is no question that it applies to us, you know, that the price of liberty is eternal vigilance, and that each generation can find a different approach to larger questions of stewardship, of sustainability, of social responsibility. We happen to be put in a very unique position as the only industry that I know of in America where we had the 18th and the 21st Amendment to the basic chart of our land, therefore we have a very special responsibility, and so the terms "corporate responsibility," "social responsibility," "families," and, long term, the fact that regardless of the ownership of our industries, how much of our industry is determined by family ethics, no matter what level of financial let's say entrance you have into our industry? There is a family connection here; we do put our names on our bottles. That is very unique, that people actually say, "You can judge me." I can go into a contest. I can go into a wine tasting, and somebody can say, "I just tasted your wine, and I really didn't like it."

02-00:37:22

Geraci: You made a Jack Valenti comment, too.

02-00:37:26

De Luca: Yeah, that was very early.

02-00:37:29

Geraci: Basically, that he had said what?

02-00:37:31

De Luca: Well, very early I had Jack Valenti as I had a lot of other people come to the board of directors to address them on bigger issues, and Jack was a leader in the Motion Picture Industry, and Louis Martini was the chairman of the board that year, so that was 1976, '77. Jack spent some time with him, and his first words as he was addressing the Board of Directors was, "I had never met a label before." And of course, you know, in an assembly-line society, who knows who made your readymade suit or your shoes or any of your products? But here, people put their name on the label, or if they don't have their actual family name, are well identified with the brand, and so they walk around vulnerable, and at the same time susceptible, and at the same time elevated. And this says a lot about how we position ourselves. It is generational, we do know in terms of our family history, we have pictures, we have books, and we carry on the tradition. We are willing and able to go into these various tasting contests where you can win the gold medal but you can also lose. So I take great heart in that, that it's a reservoir of values and tradition, very essential to Americana.

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Geraci: Or that I can submit my wine to *Wine Spectator* and get a 70-something, which is the same thing as saying it's not drinkable. Your name is there.

02-00:39:04

De Luca: Sure, you can have the stuffing kicked out from under you. But again, I think it is so important that in this alienation that we talk about, and the polarization that we talk about, and this assembly line society that we talk about, that there is a place in agriculture, farming the grapes, farming the land, having to wait for Mother Nature, looking at the weather, looking at the cycles, and then having to compete with the finest wines in the world, world class. That's a great reservoir of understanding and ethics in our society, and that's, to me, what's ennobled this whole 30 years that I've had with the industry. They have given to me a lot more than I've given to them. I really believe that.

02-00:39:56

Geraci: And I think in some ways we have to not forget the fact that those years in the '80s—if the '70s were so rough, and we've built that story up today of the tensions of the '70s, I think the '80s and '90s were even in some ways rougher, because the derogatory remarks are furiously flying. I mean, in 1982 you had a great response to Peter Navarro from the John F. Kennedy School of Government. He was a researcher, and he had written something that I think is somewhat negative about the industry, but I loved your reply, because it's such a controlled reply of real faith in your industry. Let me just read this: "As wine growers attuned to the rhythms of nature and the harvest, California vintners are alert to the ravages of frost and flood, heat and pestilence. Natural enemies are an unfortunate reality in the world of agriculture. However, they also provide good training for the afflictions of activist politics. For example, it appears from recent

articles orchestrated by the Center for Science in the Public Interest that we wine people have been targeted for a new infestation, the biting edge of the attack on our integrity is the irresponsible distortion of the ingredient labeling issue and the misrepresentation of the administration's decision to rescind a costly and unwarranted regulatory burden." That's pretty darn direct, John.

02-00:41:39

De Luca: I remember that. I remember writing that in one session, sat down and just composed it, and you see, you draw strengths from different elements of your background, and you make connections, and probably that's the best part of my background is making these different connections, and you know, pulling them together. But I never walked away from a fight. In fact, I encouraged a lot of them when this whole ingredient labeling, and then when we asked for the directional label after the dietary guidelines had come out. By the way, the dietary guidelines, a great support for the contention, because it carries elements of both sides of this subject matter, so that's why supporting the dietary guidelines is for us a central component in our role in society. I wanted to have debate. I loved when people would challenge us. I loved when there were petitions in notices of a proposed rule-making. I loved when Senator Strom Thurmond said, "We gotta go across the country and get public opinion and have hearings." On the directional label, we got 38 out of 40 editorials in support of us. Thirty-eight out of 40, and we had *USA Today* and the *New York Times*.

02-00:43:06

Geraci: That was just infuriating your opponents?

02-00:43:09

De Luca: It did a lot of people. But I thought taking our case to the public was a lot better than a legal strategy that says, let's prepare ourselves for when we go into court, how do we have a legal argument in court? I said if we aim that way, we will already have lost, 'cause if we get into court and all the court cases and the costly decision making and, you know, the fees for attorneys, we will already have lost. We gotta change public opinion. So a national debate, editorial comment, was vital to it. So people couldn't understand my glee when they would come and say, "Oh, they're going to have this hearing!" I said, "Count me to be the first one to be a witness. I want to be there. I want to be challenged." Like Senator Danforth, like Senator Eagleton, like Senator Hawkins, I went through six hearings in the Congress, and they were always televised, but I always felt that just bringing the natural story—I brought another story to this, and that was the way I was raised. It was no more complex than that. It was not really sophisticated. This is how I was raised in America. I'm an American kid, and I was raised in the Lower East Side of New York with Italian-Americans, well, they were Sicilian immigrants, so I was first generation.

02-00:44:30

Geraci: Isn't that the beauty of the story? It's not over-complicated, it's not over-nuanced. It's just human.

02-00:44:38

De Luca: I found I didn't have to worry about my words. I didn't have to remember, well, was that page one or page two, or was that talking point three? Just recounting the history of the way my parents raised me, and then going back to Italy and living there, and studying there, and seeing how people acted, and then comparing that to the rest of

Europe. I think I was very blessed that I had that experience also in the Soviet Union, which was overly regulated, highly taxed, the government controlled everything, and yet it didn't have the social responsibility and corporate responsibility that I found in Italy. I really found quite a difference side by side in such a formative period, and that all was prelude to my joining the Wine Institute. It looks like destiny, you know, kind of conspired to give me all these different strains of experiences to prepare me for this work, and to prepare me for the period that I'm in now.

02-00:45:39

Geraci: We've been at it for quite a long time now, John, so let's just kind of finalize with who would be your—I know you don't have a crystal ball, so not so much a projection what the future's going to hold—but what are the things that we should do, the Wine Institute or the industry itself, to protect itself and keep moving forward with this kind of momentum that you've helped set up over the last 30 years?

02-00:46:10

De Luca: Certainly don't take anything for granted in our society, how quickly things can change. We recognize watching the politics and the political debate in our country how overnight people can come out of nowhere and be suddenly thrust in the limelight, or suddenly some things that we thought were eternal are not. So given the nature of communication, given the nature of activism, given the nature of just public debate, the wine community should not forget its last hundred year history. Cannot. Not to be in any way cynical, but to be what I would consider being healthy skeptics. I think there's a big difference. This industry has to be healthy skeptics about what happens in our society, but that the burden is still on us. It's going to take a couple more generations. The burden is still on us with our sustainability program to stay with that, I thought, very wise course of action, to be very, very alert to the issue of drunk driving, to be very alert to the question of alcohol abuse and alcoholism, and not to consider that to be past history. We were there; we fought the good battle, now we move on. They're always there before us, so that's one of the first courses to take is to be mindful that this society still has us under a real microscope of intense observation.

Secondly, we must take advantage of the great dynamism of culinary tourism, of culinary matters and the whole question of American lifestyle and change. As I referred to before, the dynamism of women—look at all the shows on television, cooking shows. Look at all the people cross-merchandising. I can't believe the number of ads I'm watching on television that have nothing to do with wine, have to do with securities, have to do with financial matters, having to do with selling different products, where a guy comes out and is talking about a wine cellar or a glass of wine, and he's talking about something totally different.

02-00:48:28

Geraci: The new Peter Atwood.

02-00:48:30

De Luca: There you are. I mean, you saw that. I saw it this week. All of these different areas are telling society that there is an acculturation process taking place. I think long-term; it took the West Europeans a couple thousand years. It took the whole Mediterranean Basin a couple thousand years. We're not going to have to wait a couple thousand years, but we have to make our own contribution to that. So television, radio, and all of the

technology—Blackberry, all of the websites, the internet—that’s going on, we should be really as tutored about communications and government as we are about enology and viticulture. There’s one message I’m giving for the future is that we have to be as expert about how our society works, public policy, have as many of our people get involved in community colleges and local water boards and hospital work, know about the community activities. Some have run for office, as you know. Some have gotten into that maelstrom of politics to be close to the political scene. But to be as expert on these matters as we are on marketing and sales, and to be really outstanding in terms of the front ranks of those who make common cause with the issue of alcohol abuse and alcoholism. We can’t say, you know, that’s a moral flaw, but we can support what’s going on in terms of disease and the whole issue of brain, and the question of pain management and depression, anxiety and stress and substance abuse. That’s why I’m really very turned on with regard to the molecular neuroscience that’s coming forward. We’re still in swaddling clothes in American society, we’re still really at that early stage, but I’m very confident. I have no doubt, if history is any guide, that this part of the world, this Western hemisphere, is going to certainly see wine in a proper way. I’m not in any way trying to raise it in some sort of exultant way, but if it is part of a natural lifestyle and culture of American society, it will join the ranks of those other societies that have preceded us, and that will be sufficient enough energy and drive to make us all very good citizens.

02-00:51:19

Geraci: Thank you, John. One thing—and then we’ll finish it off—that I’ve found in our interviews, in reading, and in our conversations, you have served as a wonderful transition between what you have called the “Phoenix Generation”— I know our discussions of the entrepreneurial energy, especially of the Italian community in this industry, to bring us through depression, to bring us through World War, to bring us through prohibition, to rebuild. But that’s entrepreneurial, that’s business, and then all of a sudden now, you’ve taken us into a new era of global, of having to deal with neo-prohibition in other areas. It seems to me that to be a winemaker today is becoming a more complicated task.

02-00:52:06

De Luca: [laughter] Yes, but it’s also got rewards. It has also concomitant rewards. I think to be in this world today requires that you get stretched, that you don’t fall into niche thinking, which can easily occur. These are profound times, and available to everybody are extraordinary storehouses of knowledge. And I think in terms of the globalization issue, for example, that was a natural for me, you know, coming out of the international community and thinking in terms of other states, other countries, exports. I thought if we exported our wines that would force us to be better competitors in our own country. I mean, I made the argument, and people said, “Well, why are you pushing us to go overseas?” And I said, “America is going to be the strongest, most competitive part of the world of wine. Everybody in the world wants to come to this country. They see America as the answer to their problems, whether they’re in Chile and Argentina or South Africa, or whether they want to grow wine and become active in China, Croatia, Eastern Europe, and Western Europe. The United States is going to be seen for the next 100 years as the strongest, most competitive area, the biggest battleground for the wine consumer, given our whole history of how we look at trade and international consumerism. Therefore, for us to be competitors in our own country, we have to know what’s happening all over the world. It’s a great investment. Go overseas and find out

what other people are thinking in order to be a very good competitor in your own backyard, and in the meantime we're having access to consumers who legitimately should have a choice."

We can have our wines—it used to be "miscellaneous". That used to really intrigue me when I went overseas, to see California wine in the miscellaneous bin, and now to see California wine getting the recognition it deserves. The global period is there, the communications revolution is taking place, and we are well positioned, given the way the wine community has to work and function. You have to be close to the land, you need viticulture, you have to be close to chemistry, enology, you have to know marketing and sales, you have to know what's going on all over the world, you have to be aware of legitimate criticism. I mean, I don't know of a better way to go through the next 50, 100 years to feel vital and energized than to study this area, to be part of it, and not to become some sort of elitist organization or elitist group of people, but to get back to the roots of the fundamental, that this was a glass of wine that you had with your meal, and you were a farmer, and when you went back after the hard day's work in the soil that you had a glass of wine. And now scientists are telling us—scientists, not ourselves—that this is a pretty good way to address longevity and all cause mortality, and I think you put that all together, it makes for a very attractive way to look at the future.

02-00:55:41

Geraci: John, thank you very much.

02-00:55:44

De Luca: I thank you, Vic, for the patience to go through this, and the research you had to go through, and Julie, wow, to listen to all of this!

02-00:55:53

Geraci: [laughter] Thank you, John!

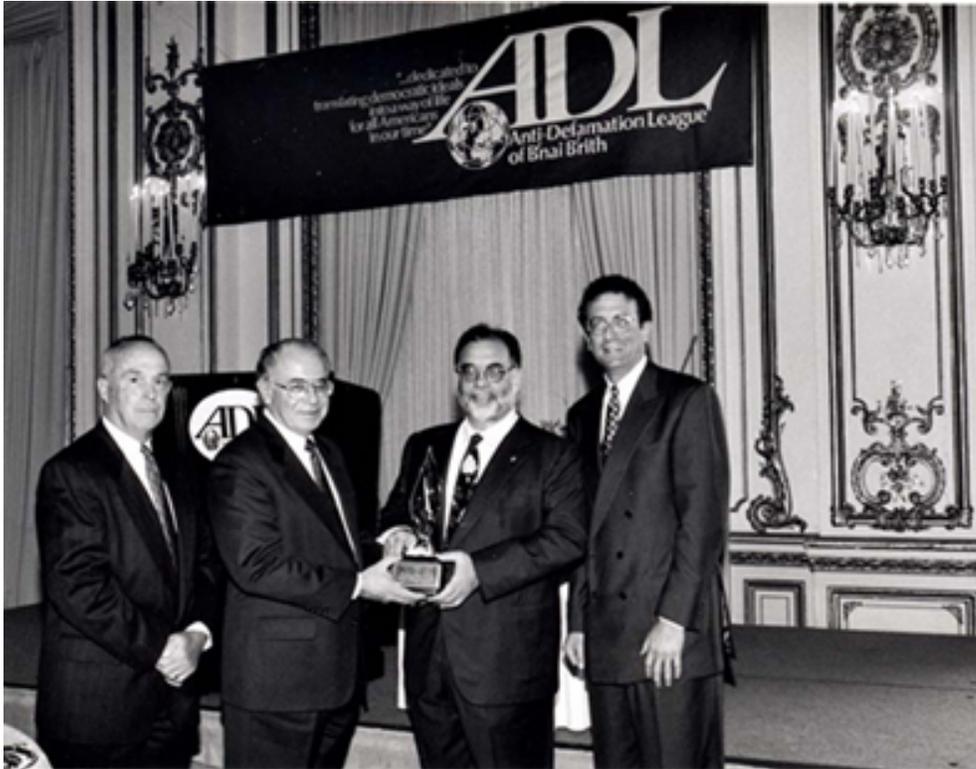
[End of Interview]



John De Luca, Mary Leslie, Leon Adams—Almaden Winery, May 16, 1978



John De Luca, Wayne Rogers, actor—grape grower



ADL Wine Industry award dinner—Dick Maher, John De Luca, Francis Ford Coppola, and Sam Bronfman, July 29, 1996



Warren Beatty, John De Luca, Josephine De Luca, Annette Bening



Phoenix Generation Reunion, 2005



John De Luca, NY Times Editor Jack Rosenthal



Josephine De Luca, Bill Moyers, Ted Turner, Jane Fonda, John De Luca



Walter Shorenstein, Zhou Wenghong (Chinese Ambassador), John De Luca



John De Luca, Robert Redford, Billy Staggars, Josephine De Luca



Agriculturalist of the Year Award, 2003—Frank Damrell, Ludi Damrell
Marie Gallo, Bob Gallo, John De Luca, Josephine De Luca



John De Luca, Mary Margaret Valenti, Josephine De Luca, Motion Picture Association President Jack Valenti



Robert Mondavi, Margrit Mondavi, John De Luca



John De Luca in group at Ernest Gallo Clinic and Research Center



Ernest Gallo, Josephine De Luca, John De Luca



Senator Pete Wilson, Senator Alan Cranston, John De Luca



John de Luca, *LA Times* publisher and CNN President Tom Johnson, Lady Bird Johnson



John De Luca, US Secretary of Agriculture Ann Veneman, Josephine De Luca



John De Luca, Andre Tchelistcheff



Clint Eastwood, John De Luca

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Geraci: This is [an interview with] John De Luca. My name is Victor Geraci and with me filming this interview is Julie Allen. We're at the Regional Oral History Office in the University of California, Berkeley. John, today's interview is designed to be a final interview in what seems to be like, maybe for you, a never-ending process, but over a series of 20 years, with Ruth Teiser and Carole Hicke picking myself to have the opportunity to interview you numerous times. And what I'd like to use today's interview for is not so much to specifically ask you questions, but there are always those moments in these conversations where you go, "Oh, I forgot to mention this. I didn't talk about that." We'd really like to give you the opportunity right now to pursue some of these areas that we may have missed, or that you would like to finalize this interview with.

V3-00:00:50

De Luca: Well, first of all, thank you. The 20 years of interviews actually covers 32 years because the first one covered the first 12. And so, we've gone from 1975 to 2007, which has been an interesting period for America for the wine community, for our state; and I've never forgotten that while we talk about wine, we really have to talk about the general well being of our people. We cannot divorce ourselves and just talk strictly about wine unless the rest of our state is doing well.

So, one of the things that's been brought to the forefront in all of these interviews is the interest that we've had, the interests that I've had personally and professionally in water quality issues, housing issues, transportation, the well being of the state, its economic strength, its intellectual property, and therefore, I thank the Regional Oral History Program for permitting this to be 30 years of reflecting on the state of affairs, not just about wine—because we've had to get into the question of advertising—we've had to get into the question of responsible behavior, both corporate and individual—the whole question of underage drinking, and not only underage drinking, but the role that institutions play, the university plays, the community colleges, the K-12 program. What are we doing in terms of international affairs?

So, in truth, this period has been an exceptional one, to look at a slice of life through the wine community, which gets into land, which gets into marketing. It gets into government. It gets into regulations, and incredible constitutional questions, 18th-21st Amendments and the Interstate Commerce Clause, Supreme Court decisions, the role of the Food and Drug Administration, BATF, Bureau of Alcohol, Tobacco, and Firearms becoming Tax and Trade Bureau, what it took to change the currency of language. And, a great part of this for me has been the role of language, and how it is used in American society to define issues. And, for me, actually, these interviews remind me of a very Proustian kind of approach. And, if you remember Marcel Proust who wrote this great work, *Aux recherches des temps perdues*, which we've translated *In Search of Lost Time*, and basically he has this moment where the madelines, the marmalade, when you open them up or smell them, there's a whole flow of memories that come.

And so, the equivalent for me, for the madelines, have been these oral histories, because every time we've referred to people, the early days, references to the relationships, the

networking that has taken place, there's just a flood of memories for me. And so, looking back on these 30 years, 20 interviews, all I can say is this may be, for the Regional Oral History Program, a contribution to the thinking for another century, because had you not done this, had you not visited with me, I don't know who would have captured it. I know I could not have today. If today you said, "John, you've had a fairly interesting career. Reflect on these 32 years," I don't think I could have remembered four fifths of what has been in fact recalled, and certainly not with the crispness of every two years after the first one. It's a running diary of an industry as seen through not just my eyes, because the interviews were about me and talking to me, but it was about a group of people. And it was about decisions that were made, almost every single one of them counterintuitive to this industry, but in harmony with looking at public policy. And so, looking back on it, I can only reflect on the wisdom of the board of directors and on the staff, and to commend them, and to commend the opportunity that I've had to make a contribution.

V3-00:05:32

Geraci: One of the things that you mentioned seems very pertinent to all of the interviews has been your ability, professionally and intellectually, to network, and to keep this ever-expanding concentric circle of this network, always growing. It almost seems that you became a go-to person, or, "We need to have someone talk about this. Well, let's see who John knows." Could you reflect on that a little bit? I think your networking has been just amazing.

V3-00:06:05

De Luca: Well, it's been a gift given to me. Looking back on it, I look at big events that produce friendships at an early stage. The White House Fellows Program, for example, which is celebrating a week in San Francisco Thursday, Friday, and Saturday. That put me in contact with Jack Valenti, with Bill Moyers, with Tom Johnson. Bill Moyers of course well known in the documentary stage, and Jack Valenti, who just died, who was a fabulous head of the motion picture industry and television, and Tom Johnson, publisher of the *LA Times*, and then head of the CNN. That launched a certain period for me that I don't think, as a kid from the Lower East Side I could have ever imagined because it led directly to my becoming deputy mayor of San Francisco. In the eight years that I was in office, again, another gift that was perhaps not earned but I embraced, was meeting a young Nancy Pelosi, and a young Dianne Feinstein, and knowing Johnny Burton, and Willie Brown, and working with then-governor Jerry Brown, who's now today's attorney general. Supervisor Leo McCarthy, a man of incredible character became Speaker of the California Assembly and then lieutenant governor. I campaigned for Assemblyman Pete Wilson who became Mayor of San Diego, then U.S. Senator, then governor of California. A brilliant aide to California Senator Tom Kuchel, Leon Panetta, whom I had early befriended in Washington, joined Mayor Lindsay in New York, ran for Congress from Carmel Valley and ultimately a renowned chief of staff for President Bill Clinton. On and on, Tom Lantos, who was an economist for the National Education Association, he now heads the International Relations Committee for the House of Representatives. And George Miller, all of these very important members of the congressional delegation here. I met them all as young people. And, the eight years there, which was followed by the now 30+ years with the wine industry just cultivated these friendships, business people, people in the arts and sciences. Such as the highly acclaimed historian Dr. Kevin Starr who served initially as my executive assistant on his way to exceptional service as City Librarian and the

Librarian for the State of California. Dick Blum, who's the chairman of the Board of Regents this year, was an outstanding graduate from the Haas Business School when I first met him, before he married Dianne Feinstein. All these different relationships that have brought, for me, a wealth of personal contacts have also had professional and institutional, and industry-wide importance, because today when you go to people, instead of appearing like a lobbyist, you're there as a friend with credibility. This was certainly the case with Bill Lockyer who worked for the "Alioto for Governor" Campaign in 1970, on his way to success as State Senate ProTem, Attorney General and now State Treasurer.

The wine industry was a great opportunity to continue to strengthen these ties, and I just mentioned them briefly. There are a whole host of business leaders and educational leaders. I don't think had I not had that experience, that I could become a trustee for the California Teachers' Institute for Teaching. I don't think I could have become the senior advisor to the President of the University of California for all of the ten campuses, and the opportunity that that has brought me, but also the appointment at UC Berkeley's Goldman School of Public Policy, and now to be a member of the council of The Friends of the Bancroft Library. All the work I've been doing at the Kennedy School, that goes back to Walter Shorenstein who was a young lieutenant to Ben Swig who was the owner of the Fairmont Hotel, and we worked together to expand Candlestick Park so that the 49ers wouldn't leave San Francisco. Can you imagine that story is now being repeated? And, he was the Chairman of the Park and Recreation Commission, and I was Deputy Mayor. So, that period, '68-'70, brought us in contact to where his Shorenstein Center at Harvard's Kennedy School for Press, Politics, and Public Policy led me to go constantly to Cambridge to be a founding director of the Council. Well, there's a lot of work that has emanated from those contacts.

For example, the Shorenstein Center's Goldsmith Awards for Investigative Journalists. I would attend them. I met a lot of reporters. One of them, who won a Pulitzer Prize for the *Wall Street Journal* said, "Do you have any interesting stories I could pursue?" I said, "How would you like to know about direct shipping, and the issue we have with consumers who, on the internet, are trying to get a bottle of wine? But, they can't do so, and if you send it to them, in certain states it's a felony." She said, "What?" And so, that started a *Wall Street Journal* report, and then after that, the *New York Times*, and then *USA Today*, giving us media coverage to what up until then had been exclusively an inside baseball story about the three tiers of distribution. And, that led to media coverage and to consumer interest, and that led to a whole host of reforms in different states, then to the U.S. Supreme Court. It's still resonating. This is going to go on for years back to the Supreme Court, back to the states.

But, the media coverage confirmed for me the thesis that I've held for 32 years, that it's the interaction between the media and the government that's the dynamic of power in America. And, for our industry, for our people, we had to become experts in both, the way we had with viticulture, with oenology, and with marketing. I've told people I feel like a silkworm eating mulberry leaves: just spinning out all these threads that came as a result of these interactions. And, they were across bipartisan lines. Bill Thomas, who was recently the Chairman of the Ways and Means Committee, he was a graduate student in international relations at San Francisco State when I had my first teaching experience. He was not my student, but he was in the same program, [I] got to know him. He ran for a community college district. Then he ran for the assembly, and I

supported him. Then he ran for the Congress, and the last ten years, he's been Chairman of the House Ways and Means Committee: on and on and on. And, the work that's being done now on what will hopefully become a neuroscience center at Mission Bay.

Mission Bay is near the China Basin area, south of the ballpark [it] was declared a redevelopment project by the city of San Francisco. Early in the Alioto administration—but it didn't occur during our time—we talked about how to develop another part of San Francisco. These were abandoned railroads. Well, nothing had happened for a long time, and now there is this enormous development, pharmaceutical companies, and high tech and investment groups, and the center part of it is a campus from USCF. And, my hope, that's going to take a lot of work, is to be a force in creating a molecular neuroscience center there, which brings a lot of scientists working on the issue of the brain. The issue of the brain was assisted by Ernest Gallo, in 1980, saying it's the brain, not the liver that we should be looking at. And, I'm now currently Chairman of the Board of the Ernest Gallo Clinic and Research Center at UCSF, working with Nobel award winners and scientists. On January 18th of this year we celebrated the 25th Anniversary of the establishment of the Center which over the years has led to co-morbidity issues and plans for military preparedness for the army. And so, we're working right now with the Pentagon, working with a whole host of legislators contemplating a competitive grants program—not earmarking, but a competitive grants program to help the military—particularly the army— suffering from depression, and pain, and anxiety, and turning to pain management, which leads to substance abuse and alcohol abuse.

So, look at that trail right there. Nancy Pelosi's will be enlisted. The Ernest Gallo family is involved, and they're all part of this little silkworm eating all these mulberry leaves.

V3-00:14:05

Geraci: One thing that's I think is inherent in what you just talked about is obviously, who are the people that mentored you, and who are some of the people that you are now mentoring? You're building a great story on personal relationships, and from my past experience I find that it's that mentoring that goes on.

V3-00:14:26

De Luca: Well, I was very fortunate to be a beneficiary of the University of California. I really was, as a student at UCLA. As you know, I went on to Harvard, and I went onto Stanford. But, I came back and got my doctorate at UCLA. And, four of the five members of my doctoral committee became chancellors of the University of California. And so, that's part of the mentoring, the early exposure to these wonderful minds that went on to become very active in the University of California. The chairman of my doctoral committee, to show you how life is—Robert Neumann, Dr. Neumann—was an expert on Europe. Two years later, I'm at the White House being given an opportunity to make recommendations for ambassadors to President Lyndon Johnson, and I included his name for Afghanistan even though he was an expert on Europe. He got the appointment to Kabul, and then another year later, because he was before the Senate Foreign Relations Committee, he had to get confirmed. By that time, I'm with Senator Frank Church; I'm now at the end where we're helping to make sure he's confirmed. How do you go from Europe being an expert to Afghanistan? Well, fast forward. His son, Ron, today is the ambassador to Afghanistan, and look at the importance of Afghanistan, but it was not seen that way back in those days. Well, Robert Neumann

was a mentor. So was Franklin Murphy, who was this extraordinary chancellor, and then chairman of the board of the Times Mirror Company.

V3-00:16:05

Geraci: Was he also on your committee?

V3-00:16:07

De Luca: No, he was not, but he was then the chancellor. But, there was Chuck Young. There was Ivan Hinderaker. There was Dean McHenry. There was Tom Jenkins. I mean, these people were extraordinary. Then, when I got to the White House, what greater experience could I have had being assigned to the Vietnam Coordinating Committee by McGeorge Bundy, National Security Advisor? He did not want a White House Fellow in the situation room. And, he said, basically, "There's no place for this guy. I don't care what you say, Mr. President." Well, they made an arrangement that if I could meet his standards, then I could become a member of his staff. And I did. They gave me assignments that apparently I was able to discharge. Well, that was a great experience. But, as part of that experience, I became acquainted with Bill Moyers and Joe Califano, and Jack Valenti, who took me [on]—I was a big project for them [laughter]. Two of them were Italians. They figured, "We'd better help this young kid." And, they became fast friends, all of them. Joe Califano went on, as you know, to head Health, Education, and Welfare, which later became the new Health and Human Services. When he declared his War on Drugs, this whole question of going after cigarettes, people asked, "Well, how could you not include alcohol? Why don't you have a War on Alcohol?"

And not just because of me, but because of his background, much later I was able to say, "Well, you know, you remember the way we drank in the family, Joe. You remember we drank in moderation." Well, these were all mentoring experiences. David Rockefeller was the chairman of the board of the White House Fellows—and a very important period of my life was to be exposed to David Rockefeller. But probably the most important person was John Gardner. John Gardner was the man who came up with the White House Fellows program. And he was then head of the Carnegie Institute. But, over years, as you recall, he came to Stanford, was on the board of directors there, and I met with him frequently with his wife Aida. We would have dinner with him just to be exposed to a man like that. He was Secretary of Health, Education, and Welfare, and resigned from the Lyndon Johnson Administration without a big to-do about it, but it had to do with his lack of support for the Vietnam War. But he did the admirable thing, which was to resign.

Well, over the years, my wife became a member of the Experience Corps that John Gardner started. So I would attend. Ernest Arbuckle, who was on the White House Fellows Commission, became head of Stanford Research Institute, the International SRI. When I came back from Washington, I went to Ernest Arbuckle, and he said, "Well, why don't you join Stanford Research Institute?" Because Josephine didn't want to live in Washington. And you know that whole story. Josephine has been the prime mover in all of these great moves.

So, I went to Stanford Research Institute because he wanted me to help wean them away from the Air Force grants. What a great experience to be working with Ernest Arbuckle, who ultimately became chairman of the board of Wells Fargo. And, by the time he became chairman of the board of Wells Fargo, I had become deputy mayor. And, my

eight years with Joe Alioto were extraordinary in intellectual growth. Joe had a great mind, very articulate, always carried books, studied the Brownings, always carried a book of poetry with him, introduced me to the works of Matthew Arnold, and had this great antitrust look at life in terms of corporate America, and argued cases before the Supreme Court. So, just flying around with him for eight years, going through all the travails that we did, and the period there was extraordinary, the Black Panthers, Zodiac Killers, the Zebra Killers, the SLA kidnapping of Patty Hearst, this man was always strong and resolute. The labor strikes that we went through—the police and fire strikes—so eight years in governance in San Francisco was an extraordinary mentoring for me. And, I was exposed to Ben Swig, and Ben’s acumen in business, Cyril Magnin, Harold Zellerbach, Walter Haas, and then the young people that I had mentioned who were just coming into politics. We knew Dianne Feinstein before she ran for the Board of Supervisors, before she became mayor of San Francisco, before she became Senator Feinstein. So, there’s 30+ years, almost 40 years, of trust there. And the same thing with Nancy Pelosi, who is now Speaker of the House. My family knew her for some 17 years before she even ran for the Congress, and had been exposed to the Pelosi family on her parents’ side, the D’Alessandro side.

V3-00:21:33

Geraci: This seems to be a human side of politics. I mean, it’s human nature. I trust the people that I know, and I take high value there, and put much more than I value the input of a stranger, or someone who claims to be an expert. And, what your saying is, what we’re looking at is a base of human trust.

V3-00:21:57

De Luca: There’s a big element of that, but remember, when I first met these people, I didn’t have this long history with them. And, there’s where being the son of immigrants—when you talk about the ultimate sculpturing effect on a personality, and how you look at life, and how you’re shaped, no greater mentoring—of the names that I just mentioned, [no one] could surpass or equal my mother and father. As Sicilian immigrants coming into the United States, how they instilled in me love of this land, love of education, never denounced where they had been—in fact, they loved Italy. They loved Sicily. But, the whole thing is, “What do you do with this great opportunity that’s being given to you based on sacrifice. We don’t know the language. We don’t know the land. We’ve got to work hard.” So, very early it was instilled in me that this was a great gift to me, to my sister, to my brother. Our family was separated, and my brother had to live in Italy separated from us and raised by grandparents, uncles and aunts.

V3-00:23:13

Geraci: Could you expand on that? So, your family came over. It’s typical for immigrants—the family is split up?

V3-00:23:19

De Luca: Yes.

V3-00:23:20

Geraci: How old was your brother?

V3-00:23:22

De Luca: Well, my brother is older than I, and he was not an American citizen. He was born in Italy. But by the accident of immigration history, my mother was born in Philadelphia.

My grandparents came to Philadelphia at the turn of the century. And, she was born in Philadelphia, 1907. But, she was not more than a year when my grandmother, [who] couldn't stand the weather, went back. But of the five children that were—two had already been born, and two subsequently—my mother was the only one who was an American citizen by virtue of her birth. She married my dad years later, 1930, and my dad at that time had fallen out of favor with certain elements, [so] he had to leave Italy. And my brother is born. Dad had to leave almost overnight, and went to Honduras to Tegucigalpa. And so, the family right away is split. And, in those days, you had that quaint notion that a spouse could *call* her husband or wife. So, my mother legally migrated knowing my father was languishing in Central America. There was a revolt when he arrived in Honduras, and he used to tell me the Army, the soldiers, were walking around barefoot, but with guns. And, he couldn't stay there. But there was a colony of Sicilians. In fact, one of the members, Buongiovanni, became my godfather years later. My mother, to rescue my father, decided to take her little baby, my brother Joseph, and come to the United States. The only problem with all that is that the authorities wouldn't let my brother, this little baby, accompany my mother. So my mother had this horrible choice that she had to turn over my brother to her mother and sisters. It was the Great Depression. And, she could come as an American citizen, but my brother could not. So she made this agonizing choice based on the fact, "Well, we'll settle for a year. Maybe we can get him back soon."

Can you imagine getting on a boat and having to turn over your son to your mother and to your sisters? That occurred, and my mother came to the United States, to Boston, but look what happened right after that. There were the League of Nations sanctions against Italy with regard to its invasion of Ethiopia. They wouldn't let my brother come back in at all. He couldn't accompany my parents. I'm born in December of 1933, didn't know I even had a brother until I was five, six, seven, when little pictures used to show up. The war breaks out in Europe in September 1939. And [there's] no way for ships to come. So my brother is raised in Italy, and our family grows—my sister was born in 1936. Our family was separated from the grandparents, the aunts, uncles. We had soldiers on both sides of the war. My father was ironically picked up by the FBI December the 9th, and brought to Ellis Island. It wasn't just the Japanese who were interned during World War II.

My father, given his history and politics, it was an uncertainty about—

V3-00:27:01

Geraci: What was he doing?

V3-00:27:02

De Luca: My father was head of a social club called Tito Miniti, and Tito Miniti was a hero, an aviator, who was in the Ethiopian War. And he was killed during battle. And they named this club after this hero of the Italian-Ethiopian War. And just by virtue of the fact that my father was the president of this club, he was suspect. So right after Pearl Harbor, he was picked up by the FBI, brought to Ellis Island, and I have all these memories of my dad in a brown outfit with all these other Italian Americans that were interned. And my mother would bring him cigarettes. My mother would bring him hard-boiled eggs. I remember one time I was carrying the umbrella. The umbrella was where she stuffed all the cigarettes and hard-boiled eggs. And, there was a coastguardsman who asked me to open up the umbrella. I was just a little kid. I didn't know any better. I opened up the

umbrella, and out rolled all these hard-boiled eggs. But, when you're talking about mentoring experience, all these things add up—Lower East Side, how tough it was, not speaking English, the Salesian nuns, the Sisters of Mercy—all these experiences impacted me so strongly in terms of the value of education.

V3-00:28:38

Geraci: So you learned to speak English then in school?

V3-00:28:41

De Luca: Yes. I was speaking Sicilian until I went to school. But the whole neighborhood was speaking Sicilian: the grocery store, the church, all I had to do was learn Latin to be an altar boy, and that was easy.

V3-00:28:53

Geraci: [laughter] That was easy.

V3-00:28:54

De Luca: So, you know, LATIN. I learned all that, and that was my early experience, thinking of another part of the world while living in America, and knowing it was the land of opportunity through the eyes of my parents. But I was a little kid going around with our next door neighbor who had a horse-drawn cart. This was before they took all the horse-drawn carts and all the carts off the streets in New York. You might have seen the movie *Godfather* and how that was all portrayed. But that was real. And, I would go out as a six-, seven-, eight-year old to the stables sitting next to Mr. Costanzo.

V3-00:29:42

Geraci: But isn't that sense of community also built on personal relationships and networking, the jobs that are given, how you get to work, the types of work you do, the opportunities, who you know in that community, and how you integrate into that community?

V3-00:29:58

De Luca: You hit something very significant. As a little boy on the streets of New York, I had to learn who to trust, and how to look out for myself, and how to look out for my sister. And, this was a part of—

V3-00:30:10

Geraci: What's your sister's name?

V3-00:30:12

De Luca: Theresa. She's now Theresa Schooler. She's head of the section club here at Berkeley, and she works with Mary Margaret Birgeneau, wife of the UC Berkeley Chancellor, and she used to be mental health director for San Mateo County, and then for San Francisco. My brother Joe came to the United States at 17. He had to learn English at a lot later age. And he went onto become an attorney. He became chairman of the planning commission for Oakland, but unfortunately a number of years ago he died from prostate cancer. But he became a friend of Don Perata, who is now President pro tem of the State Senate. I became very close friends with Don, and through that relationship and other relationships, we built a long, strong trust. So Don Perata can be one of those helping for Mission Bay for the neuroscience center that we're discussing. Looking back, early as a kid in the Lower East Side, the nuns instilled upon us the Salesians' love of

language, learning English, love of history. I was given an assignment, I think I was in the fourth or fifth grade, on the Battle of Thermopylae, to read it and do a book report.

Now recently, about four or five months ago we had the film *The 300* about the Battle of Thermopylae. Well, the nuns were prescient enough to give us very early exposure to *The House of Seven Gables*, and to read the works of Walt Whitman. By the time I'm in the fourth, fifth, sixth grade, getting exposed to Shakespeare—and these were nuns from Buenos Aires who wanted to take this group of us kids in the Lower East Side, and teach us survival habits, but also to teach us love of calligraphy. I mean, I can't tell you the number of times I had to go through that whole system with handwriting, and it's still very important for me. I write a lot of personal notes even though I use email and even though I use faxes. I personally like to communicate through handwritten notes. Well, that goes way back. Today, it's seen as a real asset in the political world that you get a personal note. Well, that was instilled very early in me.

So when you're talking about mentoring, it's an amalgam. It's a convergence. But above all, it comes from being the son of Sicilian immigrants who came to this country through the travail that I just mentioned to you, and therefore they really treasured it. Then, when I'm 15, my father says, "Let's go to California. Let's go to California," because he wanted to go where it was most like his own background, which is Mediterranean. And so we moved to Los Angeles. Had we not made that move, I don't think I would have had the education that I had, thanks to the fact that you didn't pay for tuition to go to the University of California. And I went to UCLA based on grades. Had I been back in New York, I don't know where I would have gone, or whether my family could have afforded sending me to college. All these years that I've been a great supporter of the university, and honored recently to be named by all the alumni associations of all the ten campuses as the advocate of the year for the University of California. I'm just giving back what was given to me, this treasure of all these years of learning, and studying; never having any idea that I'd be chosen a White House Fellow, and beyond with the people that I mentioned, that I'd become deputy mayor of San Francisco, that that would lead to the wine industry. So when you're talking about mentoring, all these leaders who were chairman of the board, each one of them, all these wine executives on the board of directors, what a cross section of interesting people: their backgrounds, their experiences in the world, their travel, their children, the generational emphasis—so, the wine world has emphasized for me generations and families. It is absolutely true.

V3-00:34:53

Geraci: So, much of that comes from your own personal experience?

V3-00:34:59

De Luca: Reinforced.

V3-00:35:00

Geraci: I mean, family was obviously crucial and key to that. And, your family suffered that immigrant. So, there's an edge there. They instilled in you a burning desire to succeed?

V3-00:35:12

De Luca: Absolutely, but never flaunting—just taking advantage of what this great society had to offer, and to take advantage of the opportunity. The sin was not responding to the

opportunities. We didn't have enough money for me to go on, but I won a Ford Foundation Grant. I won a Fulbright Grant, the Charles Fletcher Scott Grant. I had the Italian Foreign Ministry Grant, all these different grants. Stanford Law School, although I didn't finish, I went for one year to Stanford, and that's another great moment. I'm at Stanford Law School thinking, "The world doesn't really need another attorney, but what do I do having been initially offered the Gibson, Dunn, & Crutcher Fellowship?"— which is a very prestigious law firm. And, I was counseled by a man named Warren Christopher, who was then assigned—each one was given a big brother at Stanford, which is a great system. This is 1955, and I talked to him, and to the Law School dean, saying, "I don't know if this is really going to work," and they said, "Well, what you are interested in?" And I said, "My dad loved international affairs." They said, "Well, just across our desk, we just got an offering from the Ford Foundation to give grants to study the Soviet Union." And the attitude back in 1955-1956 was that we were too hostage to émigrés.

So, all of a sudden, without having any requirement, today you would need to have gone through undergraduate studies. They were offering Ford Foundation grants to study the Soviet Union; its history; its literature; its language. And so, they said, "Why don't you apply?" I applied and went on to Harvard, and happened to finish this program, the master's program, when the Zarubin-Lacey Agreements—for cultural exchange. This was the first opening, and the only time we had that window open before the Cuban Missile Crisis and the Berlin Wall, where there was an exchange between our societies, I finished the program just in time to be a candidate. It was a national competition to be chosen as a guide for the national exhibit to go to Moscow the summer of 1959. And, in so doing, I was prepared, and people trained us, and people on the ship on the way to Europe—we went by train from Genoa through West Germany, East Germany, Czechoslovakia, Poland all through White Russia. So here I am by fortune—two years earlier or two years later, it would not have occurred. I get this great experience to go to the Soviet Union, and to be there. And because I spoke Russian and Italian we had the—Reynolds of Milano was building the Geodesic Dome, and they were behind because the foremen were Italian, and the workmen were Russians. So, somebody said, "We've got to accelerate this because Richard Nixon is coming at the end of July, and we need to have it open." Well, they kind of assigned me to help finish it, and we did it in time, two days before the opening. And as a reward, I was given the privilege of accompanying Nixon and Khrushchev as they went through the exhibit.

V3-00:39:07

Geraci: Now, this would be the Kitchen Debate?

V3-00:39:09

De Luca: Yes, it was a running debate, actually. I mean, they had a debate in front of the RCA Victor exhibit. They had a debate in front of the General Motors exhibit. It was always Nixon off-guard because he was a guest, and I remember Khrushchev. I was right there—Khrushchev with a big Panama hat. Every time he saw a camera on, he'd take off his hat, pound his fist, and go right after Nixon, and then as soon as the camera's off, he'd put back his hat and be nice and gentle. Well, this all erupted by the time they went to the model home. Tania Akhonina, who was a Russian American, was the guide at the model home. And so, as we went into the model home, we're all squeezed into the kitchen. And, that's where Nixon decided to really give as well as he was taking. And

so, they entered into this famous debate that was, then, part of the 1960 presidential campaign that Nixon had with Kennedy—that he stood up to Khrushchev. Well, I’m brought in by virtue of the crowd, and I accompanied them to the Pepsi Cola exhibit, and we went on to the various kaleidoscopic exhibits of how American life was. Anyway, can you imagine, as a young kid having that kind of experience for weeks and weeks through the summer of 1959?

V3-00:40:29

Geraci: And when you say “young kid”, how old were you?

V3-00:40:30

De Luca: I was 25, and we went on. I had just won my Fulbright and after Moscow I went to Rome to write my doctoral dissertation on the Italian communist party, and interviewed Togliatti, and Longo, and Pietro Nenni and Amendola, and Ingrao. And, while I’m doing all of this for my doctoral dissertation, the Russians threw out two of our people at the embassy, *personae non gratae*, because we had caught two of their spies at Huntsville, Alabama. They were researching the Panemunda group with Werner von Braun who was working on the big Saturn missile.

So all of a sudden, they have a vacancy in the embassy in Moscow, but I had the clearances, and I spoke the language, and I was close enough. So, I get this call, “Would you like to come back and join the transport and plastics exhibits? Well, you’ll have to catch up with them. They’re in the Caucasus right now.” And so, I said, “Sure.” I was unmarried. I was, as I said, having a great time studying and learning, and picking up research. So, I went back to the Soviet Union for another tour of duty, this time longer, and a very, very intense period, especially in the Caucasus, and then in the Ukraine, in Kharkov and Kiev, and then in the lower Volga region, then back to Moscow, and then back to Leningrad. So when you’re talking about the sculpturing effect of life, all of those experiences added up to one, giant appreciation for our country because I had to represent America in this land where we were suspect. And, recently, because I had a chance to show it to you, that whole experience is still today resonating. They’re writing books about it. There was a great article in the opinion page last week in the *Chronicle*. One of the students here at the Bancroft got an award for writing about the Kitchen Debate.

Around the Kitchen Debate was the only time since the Bolshevik revolution that Americans could go to the Soviet Union, travel throughout, talk directly to people during a time when that was forbidden—you could never meet with anybody. Our embassy was so guarded that they never could travel freely. Here we are traveling all over the Soviet Union, but talking about our country, and answering a lot of tough questions. So that gave me a real sense of what a privilege it was to be an American, to represent our country. I didn’t know it was called the “Evil Empire” until a little bit later. But, I was meeting a lot of people day-to-day, and you know what they loved? They used to call me Giovanni. As soon as they learned that I was an American of Italian extraction that was the magic combination because they loved Italy. They loved things Italian. They loved Italian movies. They loved this image of a place where there was grapes, and wine, and food. And this is long before I joined the wine institute. So, all that is mentoring. So I would not use the traditional mentoring of somebody who sat me down and taught me axioms of life. It was an accumulation, an acculturation, all that adding up to love of education.

V3-00:43:53

Geraci: Now, let's flip that conversation just a little bit. [I know] that you love to educate. You love to talk to people. It's your persona. It's who you are. How do you give that back now to new people, to these youngsters who are just getting started that you're working with?

V3-00:44:15

De Luca: Well, you know, before I came here today, I dropped by at the Goldman School of Public Policy, and there were several graduate students. And, I spoke to them. I've been going back and forth. I have lectured at the Haas- Columbia Business School. I love being surrounded by the campus, and the fervor, and the ferment, which is not a bad word coming from the wine industry. Essentially, when people ask me, "What is my job description?" I just basically say I'm a teacher. The board of directors meetings, oh, did I drive them crazy [laughter] because every board of directors meeting I always felt I had a lesson to impart. And I just simply—we had to do "this" today, and we had to do "that" today, and we had to fight this, the commanding heights of strategy. I learned that dealing with Marxism and Leninism. What are the one, two, three most important things that everything else is subordinate to? And so, how do you look at life? And so, reading, writing, lecturing, and now, the greatest gift given to me is that after all these years with the Wine Institute, I'm a trustee of the Institute for Teaching, for the California Teachers Association. That's 355,000 teachers in this state, and we meet quarterly. But we also are on the phone monthly. And as I stated previously, I was fortunate to negotiate a compromise over the Split Roll initiative headed for the June 2006 ballot, that avoided an expensive electoral fight between the state's business and education sectors and resulted in billions of dollars going to education in the June 2006 California budget. So I'm dealing with K-12. I've been working with the community colleges, especially through Caada College, on, "How do you take a two year campus and convert it into a four-year state university?"

State Senator Carol Migden carried the legislation for me, but outgoing Governor Gray Davis and incoming Governor Schwarzenegger permitted grants so that you could take the campus, which is down at Woodside—officially Redwood City, but it's Woodside—and partner with San Francisco State. You could start a two-year community college, stay there, but the administrators from San Francisco State come, and you can get a four-year state university degree. With all the tsunami of students that are coming upon us, you can't really build campus after campus. So, how do you turn two-year community colleges into a four-year state university is something that has me? And I've been working on it, and I've had a small measure of success. And now the attracted partnership is not only with San Francisco State, but with Monterey Bay State, what used to be called Hayward State is now called East Bay, and also with private schools like Notre Dame, which is in Belmont. So, at every level, whether it's at K-12, whether it's at community colleges or state universities, and now the University of California, the greatest privilege given to me is that I have this role with the president of the university, deal with the provost, deal with the chancellors, deal on issues with the legislature, deal on trying to expand the number of students enrolled by getting more money into the budget. And now at UCSF, there are all these great scientists in the Department of Neurology in the School of Medicine. So, I'm the luckiest guy you could think of to have had all this, and yet to go back to my love of teaching, to be with young people, to be with professors, to be with the stimulation that goes with it, and not to have the dendrites, and not to have the brain cells go dormant, but to challenge them.

V3-00:47:50

Geraci: Young people keep you young?

V3-00:47:53

De Luca: I think so. I really do believe that, and I love the excitement of the push and pull, and the questions that are raised, and also with my fellow colleagues. I'm now with Robert Reich there at the Goldman School. What a brain! And, Michael Nacht and all these great writers and thinkers, and we have faculty Mondays where we just sit and talk, and back and forth. Two weeks ago we had a panel where we had Sid Ganis. He was a former head of Paramount Studio, and is now the President of the Academy of Motion Pictures where they give out the Academy Awards. And Norman Pattiz is a regent. He was also on the panel. I spent almost an hour with him alone before the panel started. He had been on the governing board for Voice of America and Radio Free Europe. Decades ago I used to appear on Voice of America and Radio Free Europe when I was going to the Soviet Union. He now has Westwood One, which has all of these radio shows, CBS Radio, NBC Radio, CNN Radio, and so it's a constant, constant affirmation of the media, and education, and fine minds. So, far from going off and playing golf—nothing against golfers, believe me—or just retiring in some sort of senior-citizen sanctuary, getting back into the university is like replenishing, and rejuvenating, and firing up the old stove, going forward.

V3-00:49:44

Geraci: Let's get back to wine a little bit now.

V3-00:49:46

De Luca: Yes, [laughter].

V3-00:49:48

Geraci: I think this section was really important to understand the drive or desire because it's all these skills and these experiences that you're bringing to the wine institute over all these years, and really depending upon it, and using it to help get the programs and the projects that we've read about in all these interviews. I know one of the new areas that you're going into that I would like to hear a little bit more about is the role of sustainability. I mean, since Al Gore's rise in the public platform and talking about global warming, we really are beginning to take it seriously, at least Americans are. The rest of the world probably was a little bit further ahead of us in the cutting edge. How's the wine industry addressing it?

V3-00:50:40

De Luca: Well, recently in an article in the *New York Times*, the wine industry of California was singled out for its leadership role in terms of anticipating events. And we built here on our forefathers, and people really interested in the environment. And so it wasn't a hard sell. It really was going back to the fundamentals, love of the soil, and making sure that you are great stewards. My role has always been to sort of be a transmission belt for ideas, and to present them to our people in a manner that is best able to be perceived, bringing in people, bringing in new ideas, kind of going beyond the boundaries of our normal work, which is extensive, but bringing in people with ideas about other areas. And so, part of this was getting exposed to the American Farmland Trust with Ralph Grossi, who was really a friend of Bob Gallo, and Paul Dolan, as you know, and the whole group, Karen Ross, and Andy Beckstoffer—there was a whole group of people very interested in the issue of how to best grow grapes, and how to use the solar power,

and how to have natural predators rather than pesticides, a whole area that was already there. What was my role was to not let it fragment, and balkanize, and go off into different directions. But, how do we do it in a cohesive, coherent way: growers, and vintners, north and south, coast and central, and so the role that I played was to listen, to produce these papers, to have the discussions that we had in the board, and then finally to come up with the resources.

That was what was missing. The professional resources, the consultants, the funds, how to get the grants, how to put it into the budget, and how to do it in a manner that didn't offend those who already had started this in Lodi, in Napa, Sonoma, the Central Coast, and to say we need to do it in a coherent way, and we need to do it in a more than fragmented way. We had to go another generation, another step forward. And getting over a million dollars through different grants, through different programs, working with the American Farmland Trust, all these factors led me to say, "Well, you know, we had a great Code of Advertising. Why don't we have a Code of Sustainability? Why don't we have a code of sustainable practices that we can disseminate to everyone, bring in great consultants?" We brought in Jeff Delott who had a real toolbox in his team—having meetings and not making this one region versus another, or vintner versus grower. How do you maximize all of the strengths? Now, this was ten years ago.

We were leaders in the greening concept, foreshadowing the various documentaries that were being done. But I just built on inherent strengths. But oftentimes, even though you have the precursors and the preconditions for success, you don't have the ability to convene. Here's where the great strength of the Wine Institute came, the credibility of convening people, and putting them together, and not have anyone feeling, "Well, they're going to steal this from my local group, and run with it, or take credit with it." Everybody can be party to this. But, the funds were missing—well, the university had been working on this. There were researchers whom we found had long been talking about sustainability. But there was no Code of Sustainable Practices for a whole industry. So putting together researchers, the university, the practical people, consultants, the vineyard owners, the winery personnel, putting that all together was the role that we played. I had a role in that. The code was then announced. We went to the media. We started giving very good examples every quarter, and every quarter I have all kind of copies here how we started.

V3-00:54:58

Geraci: Now, the year on this is about 2002?

V3-00:55:01

De Luca: Yes. The press conference that was held was October 29, 2002. And right about then we started sustainable wine growing practices where every month we would feature either a vineyard owner, or winery, or both in terms of disseminating this to the rest of the industry to have benchmarks, and to not make this abstract, but to measure progress, "How are we doing this in action?" And we have, thanks to the California Council on Environmental and Economic Balance where I was an officer; we were able to reach out to the environmental community to have what was called a California Environmental Dialogue. And to meet with the environmentalists, and to have the best practices also kind of reviewed. We were the ultimate arbiters of what we put in. But we reached out to everybody so that it wasn't seen as just one group of people with one set of ideas. And as you know, recently we won the award, the governor's award, and through the

office of Winston Hickox of the Environmental Protection Agency from the past, who's still active in this area, we brought it to the state. We brought it to the secretary of agriculture, A. G. Kawamura.

And so, step by step, in incremental terms, we were able to establish this code, have people measure their benchmarks, to have it quantified, to have case I, case II, phase II, phase III, phase IV. It has been a great success. And it has had international implications because my thesis was that a whole generation of people were turned off by GMOs. Is that the correct term?

V3-00:56:49

Geraci: GMOs.

V3-00:56:50

De Luca: GMOs, genetically modified organisms. I said, "We ought to talk about genetically enhanced food. We ought to be talking in terms of the language of the future. And, a lot of wine will be sold in the future to future generations based on industry-wide practices. You've got to have a great quality in your bottle, in your product, but you also are going to have people measuring industries by their practices. Whether it's South Africa, or Chile, or Europe, or Australia, or California, or the other regions, people will want to know what kind of people you are. What have you done with this great inheritance of the land, and the air, and the water? So, to that extent, we're in the forefront. And, I'm happy I played a little role in that.

V3-00:57:37

Geraci: Great. We'll end right here for this because we're running out of tape.

V3-00:57:40

De Luca: I saw that.

V3-00:57:43

Geraci: OK, thank you.

[End of Audiofile V3]

Begin Audio File V4 deluca_john_v4_05-15-07.wav

V4-00:00:12

Geraci: Today's date is May 15, 2007. Seated with me is John De Luca, and this is disk number two of our interview. John, as we were leading off, we were talking about sustainability, and organics, and I think one of the interesting things today, as we said in our conversation off tape is, "How are we defining sustainability today? What does it mean to have a sustainable vineyard, or a sustainable winery?"

V4-00:00:41

De Luca: Well, people have come up with different approaches, and one of them has been to emphasize the three E's: economy, equity, and environment, so that sustainability does have kind of a three-legged stool that you're sustainable if you are in fact economically competitive, if you are, in terms of equity, putting back into your industry what you're taking, and leaving it better, and then the environment, which is classical, but very

important in terms of the issue of pesticides, and especially during a period when we're trying to fight invasive species.

V4-00:01:22

Geraci: With the sharp shooter issues going on...

V4-00:01:24

De Luca: That is a very major concern to this state government. I spent a weekend with A. G. Kawamura who is head of the Department of Food and Agriculture, who's been very, very strongly advocating with Governor Schwarzenegger, more resources to combat invasive species, because he feels that that is the soft underbelly of California agriculture, the number one economy that we have. And, invasive species could overnight lead to the destruction of not only the vineyards, but all kinds of row crops and other areas.

V4-00:01:57

Geraci: I.E., the bee issue.

V4-00:01:59

De Luca: Yes, the bee is being covered by the popular press right now, what's happening to our bees. The concern has been that in fighting invasive species, people will turn to pesticides, will turn to ways to eradicate these invasive species, and of course what's happening with landscaping in California, this is not just confined to the fields. For example, the glassy wing sharp shooter: phylloxera, all these can also come in through shrubberies and landscaping from the south as they move north. And, the nurseries are also in crisis. How do you monitor them? So, to talk about the environment at a time when you're trying to fight off invasive species is an equation that you really have to manage very well. So, in terms of the environment, it isn't just bucolic. It isn't just, "Make sure you have the streams and so forth." It's in the face of what could be threatening clouds over all of California agriculture, and all the attendant industries that depend on agriculture. That's really where the three E's become very important. And so, sustainability, greening—these terms are now morphing, taking on certain meanings. *An Inconvenient Truth*, global warming—they're all fusing. I noticed a story today in the newspapers across the country that the President is resurrecting some of his State of the Union messages about all the carbon emissions, and automobiles. We have a generation that's moving very fast. Science is moving very fast, and how do you, in that kind of an environment, in the agricultural field, work well with not only the rural areas, but also with the urban areas because there is this concern that what we're doing will sort of transform itself into the city side.

V4-00:04:00

Geraci: Well, again, with global warming, it seems that one of the issues is that the wine industry is going to have to shift its physical location in 15-20 years.

V4-00:04:10

De Luca: Well, there are some people working about what happens to our climate, what happens to the sugar-acid balance, the pH factors. If there isn't that cold that you need at night, do you[r grapes] become flabby? Do you have too much sugar? Because you need a healthy balance between sugar, and acid, and all the various components of it. We're thinking ahead. I give great credit to the far-sighted thinkers, and we need to not be complacent about this at all. One of the great things about what's happening in this

period—and it's, again, a gift that's being given to me—is that I'm able, after 28 years as president and CEO, the last four years as executive vice chairman, I'm able to do things for the wine community that I could not have done as president of the Wine Institute. That sounds counterintuitive, but the truth of the matter is many of the areas that we're engaged in, I have the backdrop, but now because of my education credentials I'm seen in a different light. I'm given credibility for having practical backdrop, running a city like San Francisco, having a pragmatic background with the national and global economy, and we've talked about that in previous interviews. But now, because of my education work with the university and with the Institute for Teaching, with the Ernest Gallo Clinic and Research Center at UCSF, and the molecular neuroscience fields, I'm able to go into areas where I'm not seen as a Booze Baron, which is one of the terms the anti-alcohol lobbyists used against me.

V4-00:05:51

Geraci: The Merchants of Death.

V4-00:05:53

De Luca: Well, we were called a lot of things, and polluters, and we were equated with the pollution industry, and all this terminology that you know about, it's all run through all of my interviews for the last 30 years about people trying to append different terms so as to put us on a wall like butterflies to refer to T. S. Eliot, and have you hanging there, and to define you. The biggest battle of the last quarter century has been, "Who's defining whom?" Now we're in the forefront of the sustainability "greening" period as against being seen as Merchants of Death. I can remember Justin Meyer coming to me, this great winemaker who had been with the Christian Brothers, then energized Silver Oak, feeling very despondent. I went to visit him. I said, "What's wrong, Justin?" He said, "My kids have come to me and Bonnie, and in school, the teachers had said that those who were in the industry were baby killers, that fetal alcohol, and all that attendant period had said that the people engaged in wine were hurting society." He says, "What a shock to have my own kids bringing that into my own home." Dianne Nury who became chair—the first woman chair of the Wine Institute Board during my period—said she was hearing the same thing in her kids coming back from school.

Now we seem to have passed that period, but not forgotten about it. We are seen as being in the forefront of making environmental policy and practices, and progress. For me to be in the educational community, becoming a senior advisor to the President of the University of California, dealing with business and agriculture on all of the ten campuses, that position, has accorded me a treasure that I wish to enhance, and to live up to. And, had I been still president of the Wine Institute, I think I would have been suspect. So, in a sense, this is like capping my career by putting on my cap and gown.

V4-00:08:30

Geraci: That's an interesting way to look at it. One of the things which you just mentioned earlier this morning, you quoted me a great article, and it goes back to the whole idea of our discussion about the kitchen debate in your work in Russia, and now your work within the wine institute, many people feel that you've been a propagandist. And is all of this, that the wine industry is giving us, propaganda? And, that's a very fine line to walk. And it's a hard line because I know inherently from your interviews, and from the way you feel, this is a good business. It's a family business. It's inherent in real ethics.

V4-00:09:22

De Luca: Well, you know, Vic, this tension has existed for the longest time. We had Prohibition in American society. Wine, beer, and spirits were banned outright by an amendment to the constitution. When it was repealed, still, remnants of extraordinary holding account of a whole industry—and how do you work your passage back in a society where it was a crime—either to produce it or to consume it or to distribute it? And, the word “alcohol,” and how it was termed a “gateway drug,” and how that was vilified, and epithets like “booze”—so there’s been this tension in our society that comes from the culture. I would not have been considered a propagandist in my parents’ home in Italy.

V4-00:10:14

Geraci: Absolutely. That’s what I mean. That’s the dichotomy. And where does the industry go from here?

V4-00:10:35

De Luca: One of the great things about the current period is that we were early corporately responsible and family responsible from the outset long before the term social responsibility, corporate responsibility. We were held to double standards. How do you work in the ‘30s right after prohibition is repealed, December 5, 1933? How do you reestablish yourself? How do you reconnect with this society, certainly with the period of illicit bootlegging and so forth, with the glamorization of it by the movies, of the speakeasies and the mob, and so forth? We had an assignment given to us by our own society long before the present period of establishing our credentials, our credibility. That’s one of the reasons the term “wine institute” was created. It could have been the California Wine and Wine Grape Growers Association. But the term Wine Institute was to give it a certain standing, an institute.

And, people like Leon Adams, for example, early understood that you had to have good public relations. Bringing out writers and having them come to the vineyards, and having them emphasize the organoleptic side was a great contribution, a great step forward in terms of buying into the notion that in Europe, wine was seen in a different way, held a different image. Culturally, this country has had to overcome double standards. And I’ve always insisted on people studying other cultures to learn better about our own society, which led to—we ought to be great exporters to learn about marketing and sales all over the world in order to be better competitors in our own society. So before Senate committees, before House committees and I had to testify many times on the issue of underage drinking and advertising. How do we present our product? I would always say, “Let’s learn from others. Is forbidden fruit working? Is it a rite of passage, the only way you do it is to drink yourself into oblivion?”

So the scientific community with its research has been in fact the great equalizer in terms of the issue, “Are you propagandists? Are you self serving? Or is this science driven, and reported by a skeptical press that is informing the public at large?” But on the other hand, recognize the mores of our society. It’s been not a balancing act, but to make a distinction between public purchase and possession, and private habits within your own family, how the Jewish community and the Italian community raise their children in private vs. public purchase and possession. I’ve had the opportunity to try to help educate legislators, and I think the Code of Advertising standards, which was an enormous step forward, led to Paula Hawkins and other senators from Florida, not just California, saying we were a model of social responsibility. You know when that was?

That was in 1978-79. For the better part of decades now, we've been working on this issue of credibility. And probably the biggest divide where we're not seen as propagandists at all, where it's become credible with a new, very vigorous press, skeptical press, new reporters on the scene, is that we did not make these claims on our own. In this area of work not one penny has been spent for paid advertising in this period. We put the emphasis on science. You're aware through my previous interviews, that that was a dividing moment, a defining moment, where in the face of all the antagonisms and all the attacks where our people said, "Let's fight back," and wanted to fight back, and deserved to fight back, I said, "We need arbiters. We can't be the ones making these claims."

V4-00:14:43

Geraci: I guess in another way, what I'm asking is, to me it's very interesting how you avoided the pitfall of tobacco. You brought to me this morning a news clipping showing that beer and alcohol distilled spirits, I should say, are still having problems, and yet the wine industry still has that image, at least in policymakers' minds, of being outside that, of being a little bit more higher standards and higher ethics, a little bit morally above some of the fray that's still going on with the gateway substances.

V4-00:15:21

De Luca: Well, I've had to avoid that that was, in fact, what we were trying to accomplish. It had to come from 3rd parties looking at us and analyzing us, and writing about us because my attitude before, all of the legislative bodies and hearings was that as long as there's alcohol and it could be abused, we would make common cause with anybody talking about abusive behavior. Where we parted company was when there was an attack on moderation. And at the same time, the sense was that we weren't making invidious comparisons with beer and spirits. The truth is, the beer and spirits companies on their own opted not to participate in the program that we had presented to everyone. It was their choice, and they were entitled to that. But, it gave us almost 10-15 years of being the ones primarily emphasizing science and research, and having the press to sort of popularize it.

But also, vigorous scientific standings. Now, of course, there is this glow, and people want to attach themselves to the research that was initially advocated by us. But, it's not with industry money. Long before this big battle about pharmaceutical companies, and people who are consultants and, "Who are they serving?" I felt that it was very important to get government funds, and especially by the agencies that had, let's say, the anti-alcohol assignment. That would give us even greater credibility, and so probably as hard as it is to capture, it's like trying to capture lightning in a bottle. The moment that we were able to get the dietary guidelines altered, talking about cardiovascular benefits, funding through the appropriations committees, competitive grants that were administered by the NIAAA, the National Institutes of Health—NIAAA meaning National Institute of Alcohol Abuse and Alcoholism.

When they had the request for applications, it went out to the university world and the research world, and started giving grants, \$200,000, \$300,000, getting funds from the human nutrition research center at Beltsville to look into the antioxidant studies. That permitted us to not appear that only we had cardiovascular benefits. On one hand, anyone with alcohol could say, "Alcohol is the component for high density lipoprotein versus low density." But I never let that become our argument. I let that become a

scientific question. The antioxidant studies at the University of California and with other universities, that's where the terms quercetin and resveratrol and flavinoids—who knew any of this? That was the biggest argument against me. “John, where is this all going to go? How do we know it's going to come out that way?” And I would say, “Remember folk wisdom. Science is going to ratify and vindicate folk wisdom. These people knew something over thousands of years.”

So, getting back to your question, the scientific community, the research community, getting funds from outside of the wine industry or the wine institute, having a part of a free and open academic freedom to review the whole subject matter, getting it published, getting it now into journals and magazines, I wish I could have brought to you the cover feature of *Fortune* magazine February the 5th. Please have some of your people research it. There's this bottle of wine, red wine, into a glass and it says, “The secrets to long life.” Now, I wouldn't argue that way. I wouldn't talk about it that way. But, that's what's happening week after week after week now.

And even after I had, five years ago, said there isn't a week that doesn't go by where you don't have a new story, a new research that's coming out, the fountain that was replenished by these RFA, request for applications, all the studies, new findings, and year after year after year after year they're coming out. And the press is very interested in the subject. And, they didn't say, oh, we did that. You don't have a managing editor to say, “Why are you printing the story?” We did that last year. There was this fascination—as we say in the wine industry, “It has legs”—this fascination with the whole issue of health is. And it goes, now, beyond cardiovascular to all-cause mortality. And we've set in motion a scientific process, a research process, appropriations, and funds, not from within the private sector from the industry but from the public sector and independent research.

So we go full circle back to public policy as against public relations. And public relations would not have given us that credibility, would have led to firms that we had hired and paid for. Even with the same facts and with the same honesty, our credibility would have been suspect. Who paid for it? Are you on their payroll? Was this bought and paid for by the cigarette companies or the pharmaceutical companies, or by the alcohol industry? Those considerations were very important to me why I say this has been such a labor of love. Our people on one hand can understand it takes a long time to identify a varietal, and a hillside, or a plot, and it takes years to find out where the varietal will grow, and years to get the first crop, and then to ferment it, and then put it in bottle aging, and barrel aging years before you bring it to market. But in this public area, they wanted instant answers. I was dealing with some members who, on one hand their personality was, they looked long term about viticulture and oenology, but on marketing and sales they wanted instant gratification. And my response was, “We need the science to develop even though we are inheritors of this great legacy. We know all the expressions from Pasteur and the ancients, and not only Pasteur but Thomas Jefferson and Benjamin Franklin.” But, that's not enough to them. That is not the battle. The attack on us that we were a health hazard had to be answered by the health community, by the medical community, by the scientific community, not by us.

V4-00:21:55

Geraci: I guess in essence what you're saying is, this is long term. As in farming, as in agriculture, there are good years. There are bad years. In the case of wine if I start from

day one, buying the land, developing it, planting, maturing my wine, aging my wine, and it's only modern day businesses that have to have this immediate is we move into IPOs and these other types. Investors want profits, and that —

V4-00:22:29

De Luca: Yes.

V4-00:22:30

Geraci: And wine is not as profitable. And wine is long term.

V4-00:22:34

De Luca: Well, we have enough wineries now on the stock market. We have security analysts. We have all these various firms that are adding to the intellectual understanding of our industry who want to talk about profits. They're buying vineyards, they're buying wineries, they're selling, and so they do want to know whether they're going to make a wise investment. So, those forces impinge on this strategy that the answer to these huge questions about defining alcohol in America, defining wine and alcohol in the debate doesn't lend itself to very quick answers. Now, you can feel the momentum. But, in the face of that, my response has been, "The price of liberty is eternal vigilance." Don't in any way become complacent. Because you read it in the *Boston Globe* last week or the *New York Times* the week before, or in all the health magazines and journals, be careful in the way our society works.

V4-00:23:33

Geraci: Would you take that, then, as a word to the wise that you would give the present people in the industry?

V4-00:23:41

De Luca: I certainly would say when people talk about our future that we have to continue to act as we have, socially responsible. We cannot, ourselves, let down our guard — conjure up, because we know how the press works today. It's a *tabula rasa*. Everyday you've got to fill a multi-billion dollar industry with instant news, and we're bouncing from one big story to another to another—Virginia Tech and all that that's followed. We still are vulnerable to one catastrophic event, to one flaming van with a drunk driver, and all of a sudden, people who have been quiescent on the sides leaping forward to say, "Uh-huh, this is proof of what we've been saying." You can reactivate it. It can be re-germinated. And so, as I said, the price of liberty is eternal vigilance. We have to continue to be very attached to our soil, to our air, to our water, otherwise we're not seen as winegrowers. We might be seen as manufacturers of alcohol.

And, we've worked awfully hard to get to this point, but you could slip. Almost you can use Greek terms for these things, on tragedy, on how you have rolling stones up and rolling stones down. You have all these histories, and we're part of our society that acts—it's a great devourer of news, and very short minded. Ask people what happened last year or two years ago. Do we have any memory banks to sustain ourselves in the face of challenges? Now, I'm not one of those Chicken Little types. I've spent my whole career trying to build a credibility factor with the assignment given to me by the good fortune of becoming President of the Wine Institute, and being with these fabulous members. And inspired, I have a great staff that I am very proud of as a legacy. All [these] people have added to it. But, I say, "Hey, look how long it took the Romans. Look how long it took the Catholic Church. Look at the changes in a 2,000 year society

like the Catholic Church.” Whatever happened over a period of time can, in modern society, with instant gratification and instant communication, a whole generation can be turned off one way or the other. And, I read today that there are more people with cell phones than there are with land phones, and a whole generation walking around talking to each other—walking by each other, by the way, not even seeing each other.

Our society requires us to not take anything for granted, and that’s why I think the oral history program is of great value to record what we’ve gone through, but as a prelude to what we have to continue to do, not to rest on any laurels. There are no laurels to rest on. There’s a history that we want to build on the way I inherited a great history. I didn’t come into this without real milestones ahead of me. People had to deal with prohibition. And probably, one of the great accomplishments and contributions of the generations was that 1975 when I came, there were people who had really lived through prohibition, and who had gone through the depression and World War II, and were leaders. And, they were there as an amelioration for those new forces coming in who didn’t have that background. So, there was a great—”blending” is the term to use where you had—people went through that 1919-1933 period, but were not ancients. They were active in leading their companies, and they could contribute to the debate. There was a resonance on direct shipping when Kentucky, and Georgia, and Florida made it a felony like Tennessee made it a felony for a bottle of wine to be shipped to an adult consumer. I was able to call upon the history when it was a criminal act to even be in this industry, to say, “Here we go, felonies for sending a bottle of wine to a consumer, a willing adult who wants to—not underage drinker?” And so, that reservoir of memory was very valuable in advocating, “Well, we have to come up with a game plan. Even though they’re our partners and they’re good partners, we can’t let them commit to start using terms like bootlegging, which was used,” or cyber-booze.

V4-00:28:46

Geraci: Yeah, that it’s a felony...

V4-00:28:48

De Luca: Yeah, you could lose your license.

V4-00:28:50

Geraci: Florida.

V4-00:28:52

De Luca: And, we’re a licensed beverage, wine and spirits, not beer. But wine and spirits are licensed beverages. You could lose your license. And, as a consequence of the term cyber-booze, which was hurled against us, I went to our good comrades, and I said, “You’re going to hurt everybody, not just us. You’re going to hurt the whole industry.” We haven’t come out of the period where we’re now 200 years, 300 years of acculturation. It still can come back in today’s headlines about Attorneys General. I went through all of that before. The question about taxes on our products, I’ve gone through that before. And, the French expression *plus ca change, plus la meme chose*: the more things change, the more they remain the same. We have to maintain that we’re still in our infancy in our society. We’re just a couple hundred years old. I was really amazed when the Queen came to Jamestown to commemorate the 400th anniversary of Jamestown. There are parts where my parents are from that are 3,000 years old, Naxos,

right off of Taormina, was founded in 395 B.C. By the way, that's another way to judge this whole period, putting it in context.

When I was able to address the alumni associations of all ten of the UC campuses and we were talking about alumni, I said, "You know, back in 1222, there was a revolt of the students at the University of Bologna. They didn't like what was going on, and they went over to the Doge of Venice, and they created the University of Padova. And the alumni groups didn't like what was going on in Bologna. That's 800 years ago. And here we are, we're barely 150 years, but look what they did. They established a different course of action. They brought in Galileo and Copernicus. They named the salaries for the professors. They're the first ones about astronomy. They're the first ones about the circulation of blood. I said, "So, when we're talking about what we're doing in California and we're 150 years, or 300 years or 400 years, remember the cultures that preceded us, and my basic thesis has been that it's not the economic means of production that govern culture and rules the way Marx had presented the dialectic. It's really the culture that determines your rules and regulations. And so, our rules and regulations, our laws, they don't come out of the ether. They reflect our culture."

We have to be real culture changers. How are you going to do that in our society? You're going to do that through the scientific community, who are credible, and research universities and they're going to be the first ones to establish this. But ultimately, it's going to come back to part of your lifestyles. I was happy to see the Louis Survey about lifestyle, and not just wine for your health, and not wine because it's good for your heart. Its part of your lifestyle, it makes your food taste better, and go back to the fundamentals. Now, that is a big assignment, and it's going to take a while yet to go.

V4-00:32:16

Geraci: There's a scholar at Hong Kong University who says the real health benefit of wine is that, in his studies, in public health, people that are happy and people that are at ease with themselves naturally live longer because their body is able to fight off disease in all these aging processes longer because it's working in harmony with itself. And if wine can help bring us that happiness or that ability as a pleasure to make our lives more tolerable, it's going to help us live longer anyway.

V4-00:32:55

De Luca: What I like about what you just said is that there are about six-seven lines of thought, and Klatsky, for example, said the wine consumer is a person who exercises and watches diets. There are those who say, "Well, you know, the wine consumer doesn't just go off in a corner and just drink. It's usually in a familial setting, and it's with food on the table." The wine consumer's got a heritage, so it's part of their cultural heritage. Then you have those who say, "Well, it's really the effect on clotting. It's the effect on blood alcohol. It's the buffering effect." There are so many different theories, and I have said, "Let 1,000 flowers bloom."

I happen to subscribe to what you just said. From my own experience, I was three years old when a little glass of wine with a little water was given to me. My wife and I are both Sicilians. We did the same thing with our children. What an incredible way to help train them not only about drinking, but also about substance abuse. It never became anything that you had to prove. So part of this whole issue in American society is the

forbidden fruit syndrome is not working. I'm not going to be the one to be the giant nanny in American society. You present the facts. You let the other people present it. But I think, little by little by little, maybe 100 years from now, 150 years from now, as people compare the Bible and the Koran and see how people lived their different lives, as they look at the cultural lifestyle changes, as convention bureaus and travel bureaus and hospitality bureaus, and all the different people start thinking the destination points in parts of this country that were dry now require restaurants and cuisine, and therefore with wine, it's amazing the effect of tourism. The casinos: we have people who used to be from the alcohol control areas of the deep south who never would let any of our wineries even sell in their part of the world, they had that kind of control, now because they're trying to attract tourists they want great food and they want great wine. And so, I've seen the interesting turn of events where people who wouldn't want you even in their state are now coming and asking you—I need your fine wine on the menu. I'm not promoting gambling. I'm just saying—

V4-00:35:33

Geraci: No, no, but I see that in the tourism industry all the time. An opportunity happened for me a few weeks ago to go to Spain to the Rioja region. They're trying to build tourism, and part of it is that they're realizing they have the wine culture. But, if they're going to bring tourists in, they have to make tourists part of this wine culture. Tourism and good food and good wine go hand in hand. They're inseparable in many, many ways. Are there any areas that we haven't covered that you would like to?

V4-00:36:09

De Luca: Well, if I did go into other areas, it would appear to be all about me, and the transformation that's taken place with me over these 30 years.

V4-00:36:24

Geraci: Let's talk about that. I mean, that's an interesting point. How has John De Luca changed over this 30 year period? How has it —

V4-00:36:34

De Luca: I see this as helping to bridge, and we don't have enough in California. And, I think you interviewed me when I talked about the split roll initiative. And, we were about to have an enormous confrontation between business, commerce, and agriculture, and education. And, the irony was there were very few people who could bridge all of these different worlds and try to pull different compromises together. So that's been the great effect on me, that I have standing in so many different communities, and would like to see that replicated not exactly like the way it happened to me, but we don't have enough people in American society to address this question of the extreme polarization that's taking place. If there is a threat to the type of debate that we have in American society today, it's that we are polarizing so much, and not really able to have the moderates and the centrists, and the people in the middle who can appeal to both sides rather than becoming ideological. And, the wine world has permitted me to be essentially a centrist with standing and having credibility in so many different quarters, in business, in agriculture, in education, in politics and policy, with the legislature, with governors. No matter who's governor, because we're not partisan or bipartisan, no matter who's in charge of the Congress or the legislature or the White House, the world of wine has had the ability to move with credibility in a nonpartisan way. Well, it really has had an enormous effect on me in terms of day-to-day exposure to people who I value, what my

values are, exceptional sense of how blessed I was when I married my wife. I was asked by one of these *Financial Times* people, “You’ve had a little measure of success. How do you define that?” I said, “I married well.” And, I think there has been an acculturation of the western part of Sicily, which was Norman, and my wife is blonde and blue eyed, but a Sicilian for 1,000 years, and my part of the Island which was Greek, and Saracen, and Mediterranean, which was dark haired and not Nordic. Somehow that combination has worked. And, as my wife’s sense of raising our family with an industry that had such high standards — music, literature, the arts — food and wine, yes, but this sense of travel, and knowing beyond your own borders, and knowing about other areas as the globalization period had exposed everybody to other cultures, that has helped to shape me from being a Cold War warrior fighting the evil empire, which is the way I was raised — and the White House and the Vietnam Coordinating Committee away from a big city like San Francisco with all the things that you know about that we had to face, the Black Panthers, and the strikes, and the Zebra killings and so forth. The world of wine has shaped me to be more tolerant, to think in longer terms to treasure the people who are so dedicated to the soil, and to see, for me, that the world of wine has bridged in an incredible way the rural community and the urban community, and that there were very few precious areas left in American society where there are these values. We have such an assembly line society. People don’t know who made your suit. The people know who makes your wine, they can actually come up to you and say, “I like your wine,” or, “I don’t like it.”

So, that’s something that has affected me. And, as I said, I’ve gone from being a kind of a Cold War warrior to a cultural centrist. And, that has had great implications beyond the world of wine. That Split Roll [initiative] was a \$10 billion swing. \$10 billion, instead of \$5 billion of a tax on business and agriculture, which would have been an amendment to proposition 13. The governor without California teachers fighting for a big increase in taxes was able to help to keep the pledge that he had promised them. And as you know, in this morning’s news about higher education, he has maintained that in a period of tough times. So, I think we need to have those who can convene and negotiate, out of this experience—and I’ll conclude on that note.

V4-00:41:55

Geraci: So, moderation has moderated?

V4-00:41:59

De Luca: It has. That’s a good way to put it. But, it has also not inflated me. It has— what’s a good word for maybe moving you up a little bit more?

V4-00:42:14

Geraci: Elevated.

V4-00:42:15

De Luca: Maybe it has elevated me—not elevated, that’s too self serving. It has given me rounder skills, broader skills.

V4-00:42:27

Geraci: It’s given you people skills. People are the center. John, in all the interviews and exchanges that we have had at this point, you’ve always never let people be far off the agenda of your conversation.

V4-00:42:43

De Luca: I didn't realize that, Vic.

V4-00:42:47

Geraci: That's just an observation that even our conversations today, people seemed to be the center of the conversation.

V4-00:42:54

De Luca: Yes. Well, you know, that goes full circle. My mom and dad used to say "*Chi Vuol essere rispettato deve rispettare*"—"Who wants to be respected has to show respect." And they're not talking about talking to a wall. They're talking about people, of course, and all these wonderful phraseologies of my youth, they come in handy all the time because it's second nature. I don't have to put my thumb to the wind. It's like an inner compass, an inner gyroscope given to you genetically through your parents and through the upbringing, and how they—this is a great testimony, and my wife is included because her parents were the same way. This is a great testimony to the American experience that you receive when you come to this society. You don't speak the language; you have a difficulty in adjusting to the land. You've left a great part of the world. I used to tell my father, "How could you leave Sicily?" He said, "You can't eat the beauty." And you come into this society, and you're transformed, and you're off balance. This was Eric Hoffer's great contribution in his book *The Ordeal of Change*. When all these people come, and they're all off balance, and in their effort to try to regain their balance, they release this incredible energy, which is the motor force, for how this society, this continent, was formed, and shaped, and moves on. So, in a sense, the ordeal of change sculpted this kind of approach. And, I'm the principal beneficiary of the sacrifices of my parents.

V4-00:44:55

Geraci: Great, thank you, John.

V4-00:44:57

De Luca: Thank you, Vic.

V4-00:44:58

Geraci: It's been an absolute pleasure.

[End of Interview]



Mrs. Hubert Humphrey, Vice President Hubert Humphrey, Josephine De Luca, John De Luca—Selection as White House Fellow, June 28, 1965



Trade Official, Senator Pete Wilson, John De Luca, April 8, 1988



John De Luca, Molly Ivins—Shorenstein Center, Kennedy School, Harvard, Nov. 16, 2006



John De Luca, Senator John Tunney



John De Luca, Vice President Walter Mondale



Senator Alan Cranston, John De Luca, John Parducci



Secretary of State George Schultz, John McClland, and John De Luca, ca. 1980s



Wine Institute Trade Barrier Staff: Eddie Leahy, Nino Ciavino, John De Luca, Bob Benton, Syd Abrams, Henry Gage, Mike Falasco, ca 1992



White House Fellows Class of 1966. Chicago, 1995



Marie Gallo, Bob Gallo, John De Luca—April 2006 Blood Brother Ceremony at The Bancroft Library



Joe Gallo, Dr. Ivan Diamond, John De Luca, Dr. Ray White, Ernest Gallo
Research Center, 25th Anniversary, January 18, 2007



John De Luca, Richard Goldman Founder, Goldman School of Public Policy, UC Berkeley



John De Luca, Josephine De Luca, Robert Erburu, Chairman, Times Mirror Company and Getty Museum, Lois Erburu



Katherine Feinstein, Dianne Feinstein, Eileen Mariano, Dick Blum, Josephine De Luca, John De Luca, 1994



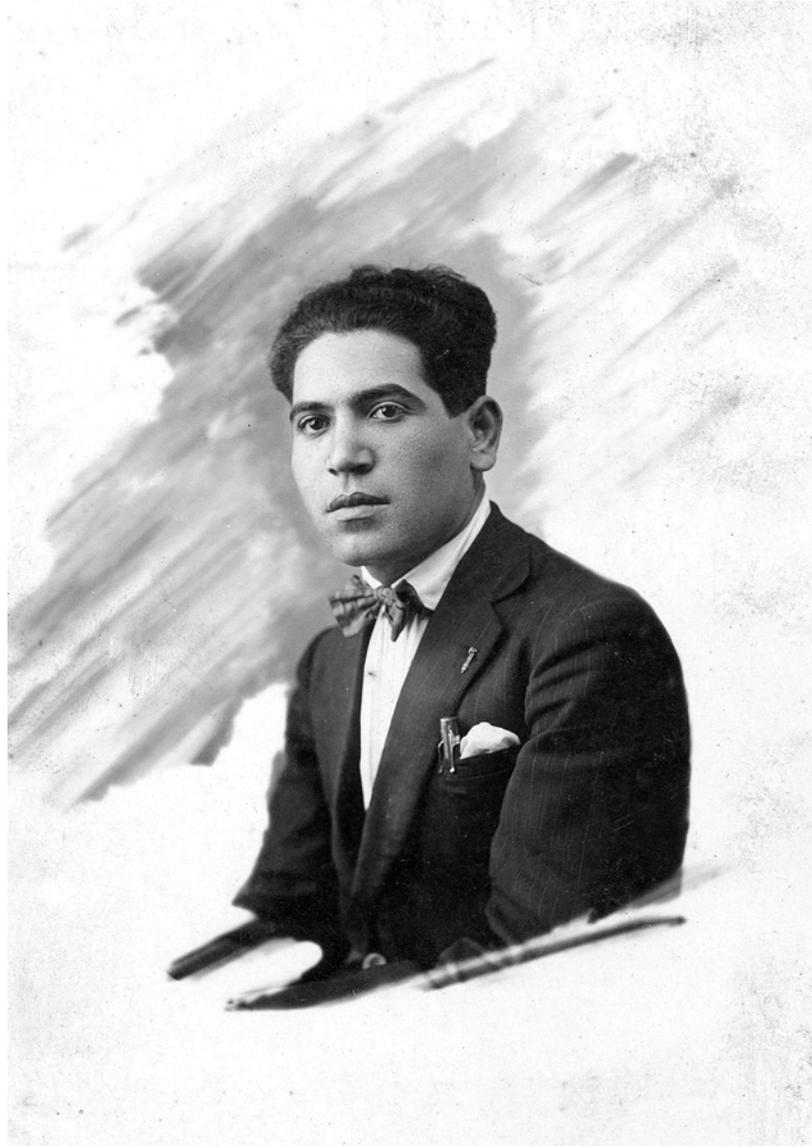
John De Luca, California State Senate Pro-tem
John Burton, Josephine De Luca



Sister Teresa,
Los Angeles, 1950



Francesca and Pietro De Luca, circa 1940s,
New York City



Pietro De Luca



Tito Miniti Social Club—World's Fair, Flushing, New York, 1940



University of California President Robert Dynes, John De Luca—25th Anniversary of the Ernest Gallo Clinic and Research Center. January 2007

PAC chair John De Luca honored by President Atkinson

By Pam Kan-Rice

At a special meeting Aug. 26 of the President's Advisory Commission, President *Atkinson* presented chairman *John De Luca* with a presidential citation.

The citation was inscribed as follows:

"Over the past quarter century, you have provided unparalleled leadership to the California wine industry in the emergence of the Golden State as an internationally acclaimed premium wine growing region. With excellence as your standard, you have sparked innovation and zealously championed new technologies within the industry. Your insistence that sound science and public accountability be guiding principles for the wine industry was key to the adoption of a pioneering code of sustainable wine growing practices by the state's vast array of growers and vintners. As an ardent and enthusiastic spokesman for California's wines, you were instrumental in gaining worldwide recognition of the health benefits of moderate wine consumption. As a distinguished alumnus of the University of California, you have given generously of your time and expertise to your alma mater as a founding member

and chairman of the President's Advisory Commission on Agriculture and Natural Resources.

"In recognition of your extraordinary contributions to the California wine industry, your devoted service to the University of California, and your passionate belief in the importance of science and higher education to the future of our state, the University of California presents this citation with admiration, appreciation and warmest good wishes."

Richard C. Atkinson
President

A surprised De Luca accepted the award on behalf of the entire commission. "This is a tribute to all of us," said De Luca, executive vice chairman of the Wine Institute.

Atkinson, who will be retiring Oct. 1, thanked all the PAC members for their service over the five years since he formed the commission.

Calling the 25 percent cut to Cooperative Extension in the state budget "stunning," Atkinson acknowledged the commissioners' active role in protecting the Division from more sizable cuts.

Vice President *Gomes* introduced president-designate *Robert Dynes* to PAC members.

The former UC San Diego chancellor noted his agricultural roots: "In the summers as a kid, I worked on my grandfather's farm."

As for the future of UC, Dynes declared the era of R&D over, instead emphasizing what he calls "R&D²"—research, development and delivery.

"When people didn't worry about delivery, a lot of bright things didn't get delivered. The last D, delivery, UC does and can do better," Dynes said, noting that the Agricultural Experiment Station, Cooperative Extension and the Natural Reserve System play important roles in this mission.

Rosenberg Forum [\(from p. 1\)](#)

The 2002 forum, held last October in Canberra, Australia, attracted participants from 23 countries. Its theme was innovations in water management.

Two potential sites are being considered for the 2004 forum: Ankara, Turkey, and Zurich, Switzerland.

If the forum is held in Ankara, the theme of the discussions will be management of international river basins. If it is held in Zurich, the theme will be management of watersheds and upland areas, Vaux said.

Forum programs, which include tours of local water projects and facilities, are conceived and planned by an international advisory committee co-chaired by Vaux and former BofA senior vice president *Fred Cannon*.

The first biennial Rosenberg International Forum on Water Policy was held in San Francisco in 1997. The second forum was held in 1999 in Barcelona, Spain.

A 2001 forum was to have been held in Ber Sheva, Israel, but security concerns caused it to be rescheduled for the following year and held in Canberra instead.



President's Advisory Commission chairman John De Luca received a presidential citation from President Richard C. Atkinson. From left to right, President-designate Robert Dynes, De Luca, Atkinson, and De Luca's wife, Josephine.

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1976

THE NEW PROHIBITIONISTS
WHAT THEY SAY AND HOW THEY AFFECT LEGISLATION
AND GOVERNMENT POLICY

Development of the theories of the New Prohibitionists

National Prohibition was the result of a moral and religious crusade that reflected the rural, agrarian character of American society in the early twentieth century. Prohibitionists appealed to the traditional values of Americans, and aroused public sentiment against religious minorities and the changing values of an industrialized society. Groups such as the W.C.T.U. built grassroots support among Protestant churches and the emerging suffrage movement. It was a self-righteous crusade whose issues could be easily understood by the public. Prohibitionists appealed directly to lawmakers, whose careers could be ruined by a "wet" vote. The government bureaucracy was limited, and of little importance.

Following repeal, the Federal government largely relinquished its role as regulator of drinking, and the states assumed control by virtue of Constitutional amendment. Dry groups continued to be important wherever their rural power base and strong traditional values gave them clout with state legislators. In an increasingly urban society, dry forces gradually lost ground. Policy making was more and more in the hands of bureaucrats and regulatory agencies, and the Federal government played no leadership role in supporting the dry forces. By the 1960's, groups such as the W.C.T.U. had become remnants of the past, restricted to isolated power bases with occasional success in local option matters.

In a more sophisticated society, those who sought to influence laws and government actions were more likely to turn to experts, scientists and research centers for guidance. The Rand Corporation and other academic think tanks established themselves by providing vital information on the technical and specialized problems on national defense. From that base, this research and development community grew to influence policy and regulation in a wide range of social issues.

In other countries, reliance on highly specialized scientists and researchers was facilitated by the United Nations, and the interdependence of nations. Information on the food crisis, outbreaks of epidemics and natural disasters was immediately available to living rooms all over the world as international communications improved. Public Health became a world concern, as nations allocated more public money to support research on ways of improving health. A public health movement arose. The World Health Organization was formed. The Congress created massive

health bureaucracy with sweeping power to regulate and to shape public opinion. The National Institutes of Health, and separate institutes dealing with mental health, drug abuse and alcohol abuse were founded. In some cases, as with the Surgeon General's report on smoking and health, the complex research which these agencies supported was translated to mold public opinion. A consumer movement grew up in support of product safety questions raised in part by the public health movement. Tuna, cranberries, automobiles, artificial sweeteners, aerosols, breakfast cereals and a host of other products were affected by public health concerns. Alcoholic beverages were not ignored. But, perhaps because of the failure of Prohibition and the tendency of the Federal government to leave beverage policy to the states, attention to the public health role of alcohol has progressed slowly. The first widely credible research on alcohol abuse and alcoholism was not published until the 1950's. Then, in the late 60's and early 70's under the leadership of Senator Harold Hughes, a recovered alcoholic, the government began to pump millions into alcohol research. Groups of university professors and scientists began to form special research centers on alcohol problems. The U.S. Government began to look at the work done on alcohol and health in other nations, and actually funded studies and information gathering efforts abroad. In this process, work of Canadian and Scandinavian scientists began to influence policy makers at the Department of Health, Education and Welfare.

The New Prohibitionists

In the 1950's, a French scientist named Ledermann had studied alcohol problems in several countries, and had concluded that the number of heavy drinkers was always directly related to per capita consumption. The higher the per capita consumption, the more heavy drinkers likely to have problems, he said. Ledermann's work was followed up by Scandinavian scientists, and more notably by Wolfgang Schmidt and Jan de Lint, researchers at the Addiction Research Foundation in Toronto, an agency receiving about \$18 million in annual support from the Province of Ontario.

The approach taken by these researchers to alcohol problems appeared to be as distant from the moral crusading of the days as modern microbiology is from the view that disease is divine retribution for sin. Unfortunately, the theory developed by Schmidt and de Lint, while scientifically sophisticated in its presentation, is based on highly speculative conclusions, questionable research design and outright guesses.

Weaknesses in the theory have caused many to reject it, yet it has great appeal to others who are confronted by the frustrating problem of trying to do something about the age-old phenomenon of excessive drinking.

The theory developed by Schmidt and de Lint, which sometimes is referred to by their names, is also known as the Distributionist Theory, for it holds that the distribution of consumption determines the extent of drinking problems. In other words, the more the average person drinks, the more the heavy drinker drinks, and

the more health problems are suffered. To translate this theory into action, proponents of the theory propose that the only way to decrease health problems related to alcohol is to reduce the amount the average person drinks. They recommend reducing per capita consumption by the following methods.

1. Increasing taxes on alcoholic beverages until they become prohibitively expensive. The tax, they say, should be based on absolute alcohol content of the beverage, and should be tied by law to the average amount of disposable income, so that taxes automatically keep pace with something equivalent to the cost of living index.
2. Limiting the availability of alcohol by requiring shorter hours of sale, fewer outlets, permits to drink, government control of production and sales, etc.
3. Elimination of alcoholic beverage advertising, or restriction of advertising to price and brand information.
4. Information and education campaigns designed to persuade the public that drinking is dangerous to health.

After considering these four points, it is not difficult to see why some refer to this theory as the Neo- or New Prohibitionist Theory. Like National Prohibition, this new theory seeks to impose laws that prevent or discourage people from drinking.

Who Supports the New Prohibitionists?

The World Health Organization recently sponsored publication of information on the theory. Alcohol policies in most Scandinavian countries are based on the theory. New policies advanced by the Canadian government, including advertising restrictions and outright advertising bans in three provinces, are influenced by the theory. Over the past year, the U.S. Department of Health, Education and Welfare has changed the focus of its alcoholism program to support research on implementing the theory in the U.S. The director of the National Institute on Alcohol Abuse and Alcoholism, -- THE NEXT LINE HERE IS ILLEGIBLE -- . He has said "if per capita consumption increases, alcohol problems increase. Price can be a very important control element in deterring consumption." Dr. Noble has announced that his agency will support more and more research on controls, and has received the support of the Congress in the form of appropriation of millions of dollars for university research centers around the country. One of those research centers is the Social Research Group, University of California at Berkeley. SRG scientists coordinate international information sharing efforts of the New Prohibitionist theorists, and are the researchers most likely to be consulted on government alcohol policy.

The New Prohibitionists in California

In 1974, the director of alcohol programs for the state of California, Loran Archer, began work with the Social Research Group to develop strategies to increase state appropriations for his agency. SRG was commissioned to conduct research on public attitudes on alcohol programs, and to convene a conference of top experts on the prevention of alcohol abuse. The following, interrelated events then took place:

1. The public opinion research conducted by SRG was used to support the contention that taxes on alcoholic beverages in California should be increased. Quoting from the SRG research, Senator Arlen Gregorio introduced S.B. 204, which would have raised taxes and earmarked them for alcoholism programs.
2. The expert conference convened by SRG to consider future politics for California was heavily loaded with New Prohibitionists. Following the conference, Archer announced that he would have to find ways to convince the legislature that elements of the New Prohibitionist Theory, including increasing taxes to limit consumption, should become law.
3. The Senate and Assembly passed S.B. 204, the first earmarked taxation measure in state history. (Governor Brown, committed to block any tax increases -- HERE THERE IS SOMETHING MISSING --
4. Another Gregorio bill slipped through the legislature, creating a fund of nearly one million dollars to conduct a television advertising campaign based on point four of the New Prohibitionist theory -- persuade the public that drinking is dangerous. The State announced that the campaign would "establish through personal and media messages that alcohol is potentially addictive, toxic (poisonous), and therefore dangerous." The goal of the project, the state said, would be to reduce per capita consumption. The project will be launched soon in Alameda County, and the evaluation will be conducted by -- the Social Research Group.
5. After exposure to the New Prohibitionist theory, Governor Brown announced that he would ask the legislature to combine the Office of Alcoholism with the Department of Alcoholic Beverage Control, so as to strengthen the capability of the state to prevent alcohol problems through regulatory measures. (The legislature, in the face of opposition from responsible alcoholism groups and the alcoholic beverage industries, did not approve the reorganization.) Sources close to the governor began to report that he was committed to programs designed to reduce per capita consumption.

6. Archer was replaced as Office of Alcoholism Director by Rita Saenz, former assistant to ABC Director Baxter Rice. She promptly announced that the goal of her office would be to reduce consumption. Archer will become a special assistant to the Director of the National Institute on Alcohol Abuse and Alcoholism, HEW, Dr. Ernest Noble, who came from the University of California at Irvine. Noble announced federal support for elements of the New Prohibitionist Theory, changing the focus of his agency from support of "responsible drinking" to research on control policies, giving grants to the Social Research Group and was reported to have recently offered to make one SRG researcher the director of government alcohol abuse prevention programs. Congressional leaders started to make statements reflecting elements of the New Prohibitionist Theory. Senator William Hathaway of Maine, chairman of the Senate Subcommittee on Alcohol and Drugs, proclaimed that moderate drinking poses a threat to health, and held hearings on the legitimacy of alcoholic beverage advertising. Senator Kennedy for the first time showed interest in a bill repeatedly introduced by Senator Thurmond to place a warning label on alcoholic beverage containers.

Bills were introduced to prohibit alcoholic beverage advertising expenses as tax deductible, and Senator Hathaway proposed that 2.5 percent of alcoholic beverage revenues be directed to alcoholism services.

The New Prohibitionists in Alaska

Early this year, the governor of Alaska proposed a legislative package that would allow possession limits on alcohol, unlimited sales taxes, and a two-week waiting period between a consumer order for an alcoholic beverage and the date when the beverage could actually be picked up. Senator Mike Gavel then announced that he would seek a national increase in alcoholic beverage taxes to three or four times current levels. The Alaska legislature rejected many of the governor's proposals, but is expected to boost taxes substantially, including a table wine increase from 60 cents per gallon to one dollar. Sources close to the situation reported that the Addiction Research Foundation (Schmidt and de Lint) was instrumental in shaping the proposals.

The New Prohibitionists, the Drys and the Alcoholism Industry

What motivates the New Prohibitionists? In general, the scientist and public officials who support the theory are not abstainers, and they are not moral or religious crusaders. They are respected members of academic communities or professional circles. They have reputations to build and to protect. By identifying themselves with what some would view as a simple, neat answer to a complex problem the

proponents of the New Prohibitionist Theory stand to build international reputations, to have clout at the highest levels of government, and to reap a harvest of huge research contracts, or increased government appropriations.

They are building a fail-proof system, whereby they will judge whether or not their theories are effective. Evidence the fact that the Social Research Group, whose senior researchers generally support the theory, are being called upon to tell the government whether or not the theory works -- to evaluate pilot programs. The foxes, some would say, get to watch the chickens.

For traditional dry groups, the New Prohibitionist Theory is a long awaited shot in the arm. The most sophisticated advocate of "dry" positions is a group euphemistically known as the American Business Men's Research Foundation. Funded by total abstainers, the ABMRF issues periodicals and lobbies widely. Their publications increasingly emphasize and glorify the New Prohibitionist Theory, presenting what indeed is only a theory as incontrovertible scientific fact. Because of superior communications skills, ABMRF materials are increasingly read and quoted from by policy makers in the field, many of whom are unaware that ABMRF is supported by abstainers.

The ideas of the New Prohibitionists also have fallen on fertile ground with the expanding bureaucracy sometimes known as the "alcoholism industry". Because of the Hughes Act creating government grants to states to support alcoholism services, thousands of persons are now employed by government to provide alcoholism treatment and prevention services. This new profession is characteristically frustrated by 1) the ineffectiveness of its efforts to provide effective programs, and 2) the failure of legislatures to provide funds at levels satisfying to the job-holders in the field.

While many dedicated people in the alcoholism industry reject the -- LINE MISSING HERE --tailor made to suite their needs.

These funding-hungry alcoholism professionals -- who may be counselors, physicians, program administrators, or state alcoholism officials -- see directed taxation as a salvation. With access to huge funds over which the legislature has little control, these bureaucrats eye security and expanding opportunities. Since one key element of the New Prohibitionist Theory is increased taxes on alcoholic beverages, it dovetails nicely with the needs of the alcoholism industry. During the current round of legislative sessions, earmarked taxation bills were introduced in 16 state legislatures. Some 20 states already have some form of directed taxes.

Many members of the alcoholism industry take out their frustrations on alcoholic beverage advertising. Since this advertising is ubiquitous and impossible to ignore, many resent the constant reminder advertising provides of the attractiveness of drinking. Thus, the New Prohibitionist call for advertising bans or restrictions receives significant support from the alcoholism industry.

Who Does NOT Support the New Prohibitionists?

The most influential and respected private and volunteer organizations dealing with alcohol problems do not support the New Prohibitionist Theory. These groups include:

1. The National Council on Alcoholism, the leading volunteer health agency in the field, which could be compared to the American Cancer Society, the Heart Association, etc. NCA has affiliated chapters in most major cities and many smaller towns and counties across the country. The organization maintains a Washington lobbyist and is active in lobbying in state legislatures. NCA is primarily concerned with alcoholism as an illness, and its major goals are to encourage alcoholics to seek treatment, to obtain adequate government funding for alcoholism programs, and to conduct medical research on alcohol problems.

NCA welcomes cooperation from the alcoholic beverage industries, and views them as partners. The New Prohibitionists differ from NCA in that the advocates of the theory are not especially concerned with alcoholism, or alcohol addiction, but instead with what they view as alcohol-related public health problems, including cancers of the upper digestive and respiratory tracts, cancer of the liver, heart disease, apoplexy, gastroduodenal ulcers, cirrhosis of the liver, accidents, poisonings, crime and violence. NCA is concerned with helping suffering victims of what they view as a disease that strikes blindly, while the New Prohibitionists see alcohol problems in a social context, with the cause directly related to per capita consumption. NCA sees the root of alcohol problems in the individual, while the New Prohibitionists look at society and to the availability of the product.

2. The Alcohol and Drug Problems Association, the trade association for the alcoholism and drug treatment industries, certainly has many members who are favorable to elements of the New Prohibitionist Theory. However, the leadership of this organization is opposed to the theory, and to earmarked taxation. ADPA is interested in adequate funding for alcoholism treatment programs, and is willing to work with the alcoholic beverage industries to find ways to cooperate in seeking that funding from general revenue sources.

3. The Education Commission of the States, a sort of joint powers agreement among the states organized to provide policy planning services independent of the federal government, has just completed a three-year study of alcohol problems. Its Task Force on Responsible Decisions About Alcohol, comprised of 10 distinguished leaders from alcoholism agencies, education, industry, ? and state governments presented a final report to President Carter at The White House in April. The report recommends education and community-coordinated information programs focusing on responsible decisions and moderation, and rejects the New Prohibitionist Theory and control measures. As a part of its fact-finding work, ECS commissioned a study of the New Prohibitionist Theory which was extremely critical. ECS staff is now organizing in several states to implement its recommendations through legislatures and governors offices, and has invited the alcoholic beverage industries to become active partners in planning programs.
4. Various service clubs, religious groups, and national organizations concerned with health favor the Education Commission of the States approach to positive moderation programs over the New Prohibitionist Theory. These groups include the North Conway Institute of Boston, a coalition of religious leaders which is devoting its annual meeting this year to promoting understanding of the ECS report; the National PTA, whose alcohol education project is closely coordinated with ECS and NCA; and the U.S. Jaycees, which actively promotes a national responsible drinking project.
5. The Health Education Foundation, a fledgling organization headed by Dr. Morris Chafetz, founding director of the National Institute on Alcohol Abuse and Alcoholism. Chafetz opposes the New Prohibitionist Theory, and favors information and education programs designed to encourage moderation. His philosophy is well summed up by the title of his latest book, "Why Drinking Can be Good For You."

It is significant to note that, under its new director, Dr. Noble, NIAAA is having to cut off federal funds for all the groups in this category, as the federal alcohol programs are restructured to support research on control measures. This means that the groups seeking to build a national consensus around alternatives to the New Prohibition Theory are increasingly turning to the alcoholic beverage industries for support and funding.

The Future

The United States, and perhaps most of the industrialized nations of the world, is at a crossroads on alcohol laws and policy. During the Carter Administration, the dye will undoubtedly be cast for movement in one of two directions on several issues.

1. Reduction of consumption will become a national goal -- or moderation programs will be given priority.
2. Advertising will be eliminated or highly restricted -- or responsible advertising will be recognized as legitimate.
3. The federal government will support a national information program designed to persuade the public that drinking is dangerous to health -- or will support responsible drinking as a legitimate decision.
4. Earmarked taxation and high sumptuary taxation will become the norm -- or coordinated efforts will be made among concerned groups to find adequate funding for alcoholism programs from general revenue.
5. The federal government will provide leadership for state programs which limit the availability of alcoholic beverages -- or there will be widespread support for "responsible drinking" information and education programs such as the model advanced by the Education Commission of the States.

At this writing, it appears likely that the first alternative in each case is more likely than the latter. The position of the Carter Administration will be instrumental, and that position has not yet been clearly defined. A White House Conference on Alcoholism is being planned for late 1977 or early 1978. If orchestrated by NIAAA, as now appears likely, the conference could be a major sounding board for New Prohibitionists. Within the next few months, NIAAA will release a special report to Congress on alcohol and health. The report can be expected to give great exposure to New Prohibitionist concepts. Moderation programs which offer alternatives to the New Prohibitionist proposals will be significantly weakened by the cut-off of government funds. The research centers to which those funds are redirected can be expected to churn out reports supporting the New Prohibitionists and proclaiming the health hazards of drinking.

How the American public will react once exposed to efforts to seriously limit the availability of alcoholic beverages, remains to be seen.

ATF HEARINGS IN S.F. - FEB. 9, 1977

Director Davis, and distinguished members of the hearing panel, as you perhaps know I served this city as its Deputy Mayor for 8 years. Forgive me, therefore, at the outset for the temptation of wishing to say, "Welcome on behalf of the city and county of San Francisco."

Certainly in terms of import your hearings in San Francisco warrant official recognition. Your decisions will affect significantly the economic and agricultural vitality of this city and region and beyond to the state and nation.

But now I carry another responsibility - for a position in many ways more challenging than my previous post - and speak for another institution and sector of society.

And it is that capacity - certainly not technical expertise - that gives weight to my remarks today. Many, many others in our association carry impressive credentials for speaking on the subject matter of your hearings. I am here today to anticipate them, to prepare the way for them, to outline to you the matrix and organizational vitality and procedures from which the official Wine Institute position has emerged.

The merit and credibility of any testimony - whether delivered by an individual or on behalf of others - should be conferred by the clarity and strength of its thought, and its intelligent relevance to the real world being discussed.

But there are also companion dimensions that must be given consideration, and that is the constituency, legitimately claimed, behind the testimony, and the process by which these views are shaped. The establishment of these two factors for those who speak on behalf of Wine Institute is the task I have addressed today.

Wine Institute is composed of 220* vintner members and 16**associate members from related industries.

The vintner figure represents 85% by number of the bonded wineries in California. In addition, at the present time we have over 10 vintners whose application for membership is in various stages of processing. We obviously do not claim their membership, which

* 225 as of 3/8/77

** 17 as of 3/8/77

will give us about 90% of the vintners, until it is an established fact. But I mention them to underscore that we are in the middle of an expanding phase which has seen 51 new members join WI in the last 15 months. 20% of our entire membership has joined us in this period. The number continues to climb and our association is encouraged by this sign of new energy.

The volume of wine shipped to market by our members in 1976 approximates 200 million gallons, an amount which represents about 75% of the California total. (One non-member shipped about 21% of the wine in our State.)

There is an obvious disparity between percentage of members and volume. Simply, what it means is that while we represent the most significant elements of the California wine industry in production the overwhelming majority of our members are small vintners whose volume is tiny. Interestingly, the fact is, that on the whole the smaller wineries worked out the basic WI proposal. They are the architects of our position which will be verified by our witnesses. The larger wineries realized that their adjustments could be comparatively less than the smaller. And in the interest of unity they endorsed the framework which is being presented. In the little over a year that I have been President it has been gratifying to observe the judicious use of power and the exercise of constraint on the part of our larger members. Their one charge to me has been, "Act on behalf of the whole industry and we will all prosper." I'm certain this attitude of mind helps explain the impressive entry of so many new wineries into Wine Institute.

On another front, it is relevant to point out that about 125 of our members make wine wholly or in part from grapes grown in their own vineyards. Further, our co-operative members represent over 1,000 growers. We are also winegrowers with deep roots and ties in the agricultural community. It is this grower base and identification, for example, which have permitted me a new role in California agriculture. I am not here in any other capacity except that as President of WI. But I presently serve as President of the California Agri-Council on International Trade, Vice-Chairman of the Agricultural Action Committee and am a founding member of a new organization called United California Agriculture. I draw strength from our members who do not belong to a narrow and polarized economic and social sector.

Rather they reach out into almost every farming district and region in our state and belong to numerous civic, school, religious, fraternal and community organizations at the grass roots level.

Our people are involved citizens. The very nature of their life's work has made them integral parts of the history and growth of our state. And to succeed they have had to know intimately the people they serve.

I don't wish to overstate the case; but there is a development that often gets over looked when analyzing consumer relations. We estimate that last year over 4 million people visited our wineries, both as California and out of state tourists. Often these guests visited and tasted our wines right on our own premises and literally in our own homes.

Very few in commerce or agriculture - given the impersonalization of modern life, industry and marketing - have had such direct face-to-face contact, and on such a scale, with the consuming public. This personal exposure to direct comments, tastes and reactions provides an education of high value in shaping individual and collective vintner judgments.

These judgments have been impressively at work since the announcement last November 13 of ATF's new proposed regulations.

I was present at the University of California at Davis when Director Davis revealed the new regulations at the Wine Industry Technical Seminar. At the press conference, in response to press queries, I stated that WI would not comment until the entire membership had the opportunity to examine the proposals and together formulated a position.

Thanks in no small part to your extension of time beyond the planned December hearings this study and formulation have taken place. Copies of the ATF's proposals were sent to every member with an accompanying legal analysis. Under the inspired leadership

of our Chairman, Louis Martini, every mechanism for scrutiny and policy formation were set to work. In particular, our Laws and Regulations Committee, chaired impressively by George Vare, Jr. of Geysler Peak held two all-day sessions, December 9, 1976 and January 7 to which all members were invited and which were heavily attended.

Mr. Davis and distinguished members I can't say enough for the work of Mr. Vare and his committee.

Every opinion was solicited. Every thought was encouraged. In between meetings every regional and district vintner and winegrower organization was invited to comment. No one was excluded and positions were established only after the broadest exchange and debate where everyone had an equal voice.

It became clear early that there was unanimity in opposition to the proposed "ATF Seal" category. We know it is not ATF's intention to appear to affix a seal of government approval on higher quality wine. But we believe that the market place and the consuming public will not let that seal be a neutral symbol.

But just as clear and just as early we agreed that we had to do more than oppose your proposal. It was our responsibility to review the entire regulatory framework and provide a reasonable alternative to the government's position.

Again under George Vare's chairmanship the Laws and Regulations Committee was imbued with the sense of fresh review for the future. We have a distinct American heritage and practice. In an optimistic tone we want the 'Americanization' of wine to continue. We realized that realistically for our "reasonable alternative" to be acceptable to all we had to be sensitive to the needs of the vintner, grower, consumer and government. We had to strike a reasonable balance between the theoretical and the practical, between what the winegrower and winemaker could provide and what the consumer genuinely wished.

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As you will see in our testimony we are proposing fresh initiatives and are opening up new terrain. Friends and critics alike have voiced pleasant surprise over many of our proposals.

The Laws and Regulations Committee, representing all segments of our association, has made a singular contribution to the work of your panel. Its recommendations were unanimously accepted by our leadership and represent our official position. That position has been circulated to every member of Wine Institute, and we have benefitted by the spirit of unity which characterizes our presentation.

Mr. Davis and gentlemen, in presenting my colleagues to detail our comments and recommendations I do so with the conviction that no association could have presided over a process that was more cooperative and open.

I now have the honor to present our Chairman, Mr. Louis Martini, to present to you the product of that unifying process.

THE PROGRESS OF WINE IN AMERICA

Address by John A. De Luca, Ph.D., President of the Wine Institute, to the One Hundred Seventeenth Quarterly Dinner Meeting of the Society of Medical Friends of Wine, March 2, 1977, at the Metropolitan Club, San Francisco, California.

SAVE - HISTORICAL VALUE

It is to be expected that members of the medical profession and the advocates of wine would find great commonalities, and you have made me feel welcome and very much at home here tonight. We at the Wine Institute highly value the friendship of those in the healing arts, a friendship that goes back quite some time — at least to the time of Hippocrates.

The traditions linking wine and health are strong, and I want you to know that one of my priorities during my tenure at the Wine Institute will be to make them even stronger. To continue our informal, rewarding relationships, to build on the past results of our programs of medical research, and to anticipate and meet new challenges in cooperation with the medical community will be of special importance.

Wine has made great progress in America during the past two decades, and is continuing to progress toward its eventual proper place as the national mealtime beverage. This progress was foreseen by the founders of your Society and has been assisted by your members for the past thirty-eight years.

Tonight I would like to share with you a vision of the future, a future where recognition of the health values of wine will play an important part. My vision of the future is not austere. I foresee a nation which wisely uses its resources, which is attentive to the health of its citizens, and in which the agricultural community assures that nutritional needs are met, that food is distributed where it is needed, and that a balanced and satisfying diet is provided to every human being.

In this productive society of the future, I foresee wine at home on nearly every dinner table, as the preferred mealtime beverage to aid in digestion and in the absorption of vital nutrients. I see wine adding more than nutrition — adding the graciousness provided by its civilized use, which distinguishes human dining from animal feeding.

When the day of my vision comes around, wine will be universally recognized as the food beverage, which it is. The past unwarranted legal limitations on its distribution will largely have been removed; it will be as freely available as any other food product on the grocery store shelves in every state, alongside those foods it is created to complement.

Of course, part of this vision includes a great and prospering California winegrowing industry, thousands of acres of new vineyards planted, with the aid of technological advances, in areas where we as yet grow no wine. The vast majority will be of table wines grown to please the palates of millions — sound, clean, well-made wines with wide appeal, low in cost, representing the kind of value that has made California wines the leaders they are today. I envision hundreds of wineries, including the small ones which will continue to distinguish themselves by growing distinctive wines to rank with the most cherished vintages of all time. Specialty wines will continue to appear and to enjoy popularity booms, then leveling off with their appropriate share

of the market, helping to satisfy the ever-changing tastes of the nation.

Two distinguished agricultural economists, Professors Baritelle and Folwell, recently surveyed seven thousand households to find out why so many Americans still are not using wine. They found many factors, which they grouped under five headings. Some people are convinced that they do not like the taste. Others say it is against their religious beliefs. Others believe wine is too expensive. Some, unaware of wine's health values, consider it not to be good for them. Still others simply say they know too little about wine.

The producers of wine and the advocates of wine obviously have a considerable job of communicating to do if the values of this beverage are to be of service to the world.

The evidence of the values of wine continues to grow. Dr. Janet McDonald has reported to your Society her research into wines' nutritional values, which shows how wine aids the body in the absorption of vital nutrients, and that this is independent of the alcoholic content of the wine. Just this week we received results of a study showing that the congeners of wine provide a gentle tranquilizing effect independently of alcoholic content. This is of particular interest when viewed in relation to much earlier research demonstrating the relaxing values of wine as a natural alternative to tranquilizing drugs. The beneficially relaxing values are further confirmed by clinical studies now being conducted on older persons.

Your Society is aware of the laboratory studies published by two Canadian researchers, showing that grapes and wine are effective in inactivating a number of viruses. It would be interesting if this new research could be expanded to a clinical setting.

The Wine Institute is continuing to support programs of health research. We are supporting new analyses of existing data on the general health of persons who are primarily consumers of wine. By studying health variables among thousands of Americans, we may gain a broad overview of how the wellbeing of wine consumers differs from that of other segments of the population.

If tonight's audience is an indication, I would guess that we shall find our wine drinkers to be incredibly fit, of excellent disposition, and certainly above average in wit and conviviality.

At the Wine Institute we have a health research committee which includes three physician winegrowers in its membership and the eminent Dr. Maynard Amerine as our consultant. I want to conclude this portion of my discussion with a personal invitation to each of you to let us have your views, suggestions, or comments on health research and information about wines. They will be warmly welcomed.

The findings of wine research are currently made available to medical professionals through the Wine Advisory Board monograph entitled "Uses of Wine in Medical Prac-

tice," the first edition of which was published with the assistance of your Society in 1943. Now in its ninth edition, it summarizes in seventy-two pages the results of thirty-six years of modern research.

You read in the press nowadays about some of the problems that face the winegrowing industry, such as the proposed amendments to the regulations that govern the labeling of wines. Many of our problems receive less public attention, such as the proposals by some state legislatures that would escalate the taxes on wine. In many cases, these proposals would earmark taxes from wine to health programs designed to cope with alcoholic abuse. The Wine Institute continues to support adequate funding from general revenue for alcoholic abuse programs, but we do not agree that earmarked taxation to support such programs is either fair or in the best interests of the public health. Earmarked taxation, the establishment of special funds, removes the funded health agency from the mainstream of public and governmental concern, isolates the efforts, and eliminates the kind of accountability needed to assure quality programs to help sick people. These are broad social problems and require the broadest possible participation from government and the private sector to forge a new consensus on what constitutes acceptable, healthful drinking practices. This can never be achieved by the divisive tactic of earmarked taxation. And certainly there is no just reason why the vast majority of consumers who use the products in moderation should have to pay the bill for the very few who do not.

Perhaps Thomas Jefferson said it best when he commented: "I think it is a great error to consider a heavy tax on wines as a tax on luxury. On the contrary, it is a tax on the health of our citizens."

No other food or beverage product possesses the traditions and recommendations of wine, one of the yardsticks of human civilization, a central part of the lives of people whose cultures are devoted to moderation, wise drinking patterns, and high cultural attainment—a beverage that has gladdened the heart of man, inspired art and poetry, and served as a good friend to human happiness. Clifton Fadiman has said: "If food is the body of good living, wine is its soul."

In my vision of the future, the dignity of the individual will require satisfaction of the soul. And wine, steeped in its centuries of tradition, will be at hand to help provide that satisfaction.

With the help of friends like you, we shall achieve the public understanding essential to my vision of wine becoming the everyday beverage of America.

WINE RESIDUES TRANQUILIZE

An experiment at Southern Methodist University indicates that the mild tranquilizing effects of wines are produced by substances other than the wines' alcoholic contents.

The water and alcohol contents of dry and sweet New York State wines were evaporated and the residues were ingested by groups of rats, which then were tested for levels of activity and for sensitivity to a mild electric shock. The wine residues produced approximately the same tranquilizing effects as the whole wines.

Psychologists Stephen A. Golder, W. H. Tedford, Jr., and William E. Flynn and chemist Edward R. Biehl report the experiment in *Journal of Studies on Alcohol* 38:1, 1977.

NEW WINE BOOKS

Question-and-answer conversations with twenty-eight California winegrowers, disclosing their winemaking methods and enological philosophies, comprise *Great Winemakers of California* by law professor Robert Benson (Santa Barbara: Capra Press, 304 pp., illustrated, \$15). André Tchelistcheff, one of those interviewed, also contributed the introduction. Professor Benson's choice of interviewees covers the entire state from John Parducci and Bernard Fetzer in Mendocino County to Ely Callaway at Temecula, near San Diego.

Paddington Press of New York and London has published two delightful books for collectors of gastronomic and connoisseur lore. One is *The Panitropeon*, the history of food, wine, and food preparation in ancient times, written in 1833 by the fabulous French chef Alexis Soyers (486 pp., 40 line engravings, \$12.95). The other book is *Cheers! A Spirited Guide to Liquors and Liqueurs* by Frances White of London (160 pp., illustrated, \$6.95).

Buyers' guides to the wines and spirits sold in three Canadian provinces have been published by Greedy de Pencier of Toronto. Separate paperbacks at \$3.50 each for Alberta, British Columbia, and Ontario list and rate the qualities of all the beverages offered in each province's government liquor stores. Author John Reid, after spending five years of research and travel to write the books, is continuing his studies in the University of California Department of Viticulture and Enology at Davis.

One of the most exhaustive descriptions of the wines of Germany is the *German Wine Atlas and Vineyard Register* by Dr. Hans Ambrosi, Burkhard Finckh, Erika Ortmeyer, and Karl Stoeckmann, translated by Nadia Fowler with an introduction by Edmund Penning-Roswell (New York: Hastings House, 90 pp., paperback, \$6.95). It describes with texts and maps all eleven of the German wine regions, wine routes for motorists, and places of interest to visitors, lists the important wine festivals, and contains excerpts from the German Wine Law.

New York wine and food columnist Robert Jay Misch has authored another of his "quick guide" series, a *Quick Guide to the Wines of All the Americas* (New York: Doubleday, 164 pp., \$4.95). The book lists the principal wineries, grapes and wines of North and South America with wine prices current at the time of publication.

Wine Is the Best Medicine, translated from a book by retired French homeopathic physician E. A. Maury, is an over-enthusiastic prescription of wine in various dosages for various ailments (Shawnee Mission, Kansas: Sheed, Andrews & McMeel, 147 pp., \$6.95). Like most previous European texts on medical uses of wines, this book presents no evidence to support the prescriptions.

Vintage Image of St. Helena will publish this Fall Volume III of its Sebastian-Titus-illustrated *California Wineries* series, written by Richard Paul Hinkle on wineries of the Central Coast. Like the earlier volumes on Napa Valley and Sonoma-Mendocino, it will be priced at \$19.95 with a companion paperback for \$5.95.

The St. Helena group has also published the first, on Napa Valley, of a new *Wine Tour* series of paperbacks, combining the area's history and descriptions of restaurants, lodgings, and wine merchants with the winery stories in Volume I of the *California Wineries* paperback series. Text of the Napa Valley tour book is by Michael Topolos, Betty Dopson, and Jeffrey Caldevey.

Text of remarks by John De Luca before the Working Group on Prevention, Education, Information and Training of the Interagency Committee on Federal Activities for Alcohol Abuse and Alcoholism, Washington, D.C., January 26, 1978

I wish to thank Mr. Livingston for inviting me here to address you today. The questions that interest you are of major importance and we welcome this opportunity to share our views on the role of advertising in our industry.

I represent 256 wineries in California, 93 percent of all commercial wine growers in the state. We are a proud industry; an industry of second, third, fourth, and even fifth generation winemakers and growers. They are mostly small family wineries. On their behalf, I am pleased to provide the following statement in response to the two specific questions posed by your Working Groups.

The questions are 1) what commercial wine advertising is designed to accomplish; and, 2) what kind of information is available on its effects.

Let me first put wine advertising in perspective. In 1976, the total wine industry -- some 106 individual wineries and importers -- spent 64.3 million dollars in media advertising. This amount compares to 231 million dollars spent by soaps and detergents, 156.3 million spent by dentifrices and mouth washes, 279.2 million by cigarettes, 133 million by breweries and 213 million spent by distillers. (Table A)

To directly answer the first question, wine advertising is designed to present our product to adults as a historic beverage of moderation which can and should be served in conjunction with sociable food consumption occasions. Since there is a perceptible desire to go to more healthful beverages at a lower alcohol content, the practice of our industry is to bring this information to adults who already are consuming alcoholic beverages. It is an axiom of consumer marketing that the potential for conversion to a particular product of type is much easier if the consumer is already consuming a related product -- in other words, it is easier to convert a beer or spirits consumer to wine than to convert a non-drinker.

Today, 24.1% of all adults drink wine at least once per month, while beer at 41.2% and spirits at 40.9% have almost double the number of consumers. Hence the target for wine advertising is large and fertile. There is no reason for wine marketers to search outside the alcohol consuming franchise for additional customers.

A second purpose of wine advertising is to take share of market and hence consumers from competition -- it is a further axiom of consumer marketing that the best prospect for an advertised product is a consumer who is already consuming within the direct category. A new improved film by Kodak at ASA 400 will only appeal to picture takers; and so it is with wine -- a better tasting, better value, prettier packaged wine product will still primarily appeal to existing wine consumers.

Now to answer the second question as to the information available on the effects of the wine advertising. In many countries, advertising is either totally prohibited or severely restricted, yet their per capita consumption of wine is substantially greater than that of the U.S. For example, Finland and Sweden consume 1.3 times the U.S. total; Denmark 1.75 times, The USSR 2.5 times, Romania and Hungary 5 times, Austria 5.5 times, Switzerland 6.5 times and Spain 10 times the U.S. wine consumption. (See Table B)

Specifically, in the U.S., after an advertising expenditure of \$276.9 million dollars in a five year period, per capita wine consumption is virtually unchanged from 2.4 gallons per adult in 1972 to 2.5 in 1976. (Table C) This amounts to an increase of only three four-ounce glasses of wine per adult for an entire year. On the other hand, overall wine sales have increased a modest 11 percent between 1972 and 1976. As this growth did not result from a real per capita increase, it stemmed in the main from switches to wine from other alcoholic beverages.

In net, wine advertising has clearly not increased overall consumption by existing consumers. It must be concluded that wine advertising can only have operated to gain consumers from other alcoholic beverages and to take share of market from existing competition.

Recognizing its social responsibilities, on July 6, 1977 the California wine industry adopted the following voluntary code of advertising standards and submitted it in October to the Federal Trade Commission for approval.

CODE OF ADVERTISING STANDARDS

PREAMBLE

Informal principles of good advertising practice for the winegrowing industry were first adopted in 1949. In recent years, it has become evident that more specific and significantly stronger standards are desired by wine advertisers to reflect the industry's concern with maximum social responsibility. This code is designed to encourage continued high standards so that wine advertising may increasingly be viewed as a positive contribution to society.

By voluntary adopting the following code, the subscribing wine growers wish to focus on wine's history and tradition, its agricultural origins, the skill and artistry of its creation, its place in cooking and as a mealtime beverage, its role in social situations, and the importance of enjoying wine for sensory experience and not for the effect.

GUIDELINES.

- 1) A distinguishing and unique feature of wine is that it is traditionally served with meals or immediately before or following a meal. Therefore, when subscribers to this code use wine advertising which visually depicts a scene or setting where wine is to be served, such advertising shall include foods and show that they are available and are being used or are intended to be used.

This guideline shall not apply to the depiction of a bottle of wine, vineyard, winery, label, professional tasting, etc., where emphasis is on the product.

- 2) Wine advertising should encourage the proper use of wine. Therefore, subscribers to this code shall not depict or describe in their advertising:
 - a) The consumption of wine for the effects its alcohol content may produce.
 - b) Direct or indirect reference to alcohol content or extra strength, except as otherwise required by law or regulation.
 - c) Excessive drinking or persons who appear to have lost control or to be inappropriately uninhibited.
 - d) Any suggestion that excessive drinking or loss of control is amusing or a proper subject for amusement.
 - e) Any persons engaged in activities not normally associated with the moderate use of wine and a responsible life-style. Association of wine use in conjunction with feats of daring or activities requiring unusual skill is specifically prohibited.
 - f) Wine in quantities inappropriate to the situation or inappropriate for moderate and responsible use.

- 3) Advertising of wine has traditionally depicted wholesome persons enjoying their lives and illustrating the role of wine in a mature life-style. Any attempt to suggest that wine directly contributes to success or achievement is unacceptable. Therefore, the following restrictions shall apply to subscribers to this code:
 - a) Wine shall not be presented as being essential to personal performance, social attainment, achievement, success or wealth.
 - b) The use of wine shall not be directly associated with social, physical or personal problem solving.
 - c) Wine shall not be presented as vital to social acceptability and popularity or as the key factor in such popularity.
 - d) It shall not be suggested that wine is crucial for successful entertaining.

- 4) Any advertisement which has particular appeal to persons below the legal drinking age is unacceptable. Therefore, wine advertising by code subscribers shall not:
 - a) Show models and personalities in advertisements who are or appear to be under 25 years of age.
 - b) Use music, language, gestures or cartoon characters specifically associated with or directed toward those below the legal drinking age.
 - c) Appear in magazines, newspapers, television programs, radio programs or other media specifically oriented to persons below the legal drinking age.
 - d) Be presented as being related to the attainment of adulthood or associated with "rites of passage" to adulthood.

- e) Suggest that a wine product resembles or is similar to another type of beverage or product (milk, soda, candy) having particular appeal to persons below the legal drinking age.
 - f) Use traditional heroes of the young such as those engaged in pastimes and occupations having a particular appeal to persons below the legal drinking age. (For example, cowboys, race car drivers, rock stars, etc.)
 - g) Use amateur or professional sports celebrities, past or present.
- 5) Code subscribers shall not show motor vehicles in such a way as to suggest that they are to be operated in conjunction with wine use. Advertising should in no way suggest that wine be used in connection with driving.
 - 6) Wine advertising by code subscribers shall not appear in or directly adjacent to television or radio programs or print media which dramatize or glamorize over-consumption or inappropriate use of alcoholic beverages.
 - 7) Wine advertising by code subscribers shall make no reference to wine's medicinal values.
 - 8) Wine advertising by code subscribers shall not degrade the image or status of any ethnic, minority or other group.
 - 9) Wine advertising by code subscribers shall not exploit the human form, feature provocative or enticing poses nor be demeaning to any individual.

All advertising--including, but not limited to direct mail, point-of-sale, outdoor, displays, radio, television and print media--should adhere to both the letter and the spirit of the above code.

Of course, in addition to examining the world of advertising, we must acknowledge that wine attitudes and behavior have been influenced significantly by larger societal forces. Today, as in the past, for many people the more important contact, knowledge and experience with wine has been familial and social. The cumulative effect and context of history and culture should, therefore, be briefly outlined in order to complete fully our statement.

Wine is unique among alcoholic beverages in its history and traditions, its patterns of usage and its healthful attributes.

Wine is 6,000 years old, a product of one of man's earliest harvests. Some of civilization's first artistic images show wine being used in moderation with food, and this traditional emphasis has spanned wine's history.

Wine grew from a Mediterranean base, across Europe, and then came to America with the first settlers and missionaries. These Europeans -- Spanish, French, Italians, Germans, Swiss, Hungarians and others -- saw the promise of New World viticulture. Through dedication and work, they established commercial winegrowing by the mid-1800's, matched to the nation's growing sense of civilization. But an adversarial development also occurred -- the spread of the Prohibition movement. The objectives did not include wine, but in the haste and hysteria that characterized this rush to Prohibition during and after World War I, wine was arbitrarily included in the laws that emerged. Pioneer families were ruined and vineyards destroyed and the cultural associations of wine were shattered.

The aberration of Prohibition failed, and new labors were rededicated even through the subsequent Depression and War. With growing travel and contact with traditional wine countries, as well as with American wineries (last year some 5 million tourists visited the California wine country), more Americans began to taste and enjoy wine. Improved vineyard and winery research and practices, assisted dramatically by the agricultural programs at the University of California, Davis, and Fresno State

University, led to better wines. Wine books and cook books and wine columns in newspapers and journals and magazines proliferated, emphasizing wine's place with food.

In the last two decades there has truly been a ripening of interest in a beverage whose circumstances of use focus on temperate and responsible behavior. Wine and food societies have begun all over the country; the wine and cheese party has become a standard way of entertaining; wine with music, fashion and literature, has become a pleasurable way to promote charitable and community events. In the more recent period, a trend toward white wine replacing other alcoholic beverages has been noted.

Special educational groups have formed to reflect the heightened interest in wine. One of these, the Society of Wine Educators, was founded last year as a natural outgrowth to the teaching of wine appreciation. More than one million people have taken Wine Institute's study course since 1940.

Another noted development is that of the health professional groups. Such organizations as the Physician's Wine Appreciation Society and the Society of the Medical Friends of Wine have two basic interests -- the enjoyment of wine at the dinner table; and research in wine's health values. The medical interest derives in part from the natural and complex composition of grapes and wine.

Wine has been shown to contain over 300 identifiable organic and inorganic entities, and the list is growing.^{1,2} The proportion varies from wine to wine, but their physiological effect in general on the human body has been found to be most beneficial. The mineral salts, predominantly the potassium in wine, are all readily available as food. A few of the other chemicals should be briefly noted: calcium, copper, iron, sodium, sulfur, enzymes, ethanol, tartaric, and over eleven other organic acids, esters, tannins, pigments, and vitamins, are all found in wine in varying amounts. While one constituent of wine is alcohol, others serve to lower

blood alcohol levels; and consuming wine with meals lowers the level even further.^{3,4,5}

Wine is recommended by many physicians for a variety of treatments. For example, the high potassium content of wine is of special significance, since many physicians are actively seeking ways to increase potassium content in patient diets. Wine is often helpful in the diets of diabetics and in the treatment of obesity.^{6,7}

The use of wine in a growing number of geriatrics centers and hospitals is evidence of the benefits wine can add to often bland institutional diets. And wine is served in medical care facilities to improve appetites, provide a mild safe sedative, and improve patient morale.⁸

We know that wine is served in at least 200 health care institutions across the nation, ranging from major metropolitan hospitals such as San Francisco's Mount Zion or New York's Bronx State Hospital, to small facilities scattered from Billings Montana to Siminole Lake, Florida. During the first three months of eligibility under a new state law, nearly 40 Oregon hospitals and geriatric centers applied for licenses to regularly serve wine to patients with their meals.

Moreover, this healthful beverage has an economic and agricultural dimension worth noting. In California alone, we have almost 10,000 grape growers cultivating 631,000 acres of grapes, which include the wine, brandy, raisin and table grape industries.⁹ Outside of our state there are twenty-seven wine producing states with an estimated additional 110,000 acres of grapes and 5,500 growers. The economic activities stemming from this crop, the hundreds of thousands of jobs in the whole-sale, retail, transportation and hospitality sectors, contribute mightily to the nation's fiscal strength and national commerce.

Now let's look at wine and its relationship to alcohol abuse and alcohol problems.

The Second Report to Congress on Alcohol and Health from HEW presented a profile of persons most likely to have no alcohol-related problems. One element in the profile: persons who are "mostly wine drinkers."¹⁰

Robin Room, the distinguished researcher from the Social Research Group in Berkeley, has reported in the Rutgers Journal of Alcohol Studies that, "heavy drinking of wine is relatively rare, even among heavy drinkers."¹¹

For those who are adherents of theories holding that cirrhosis rates are good indexes of alcohol problems, there is ample evidence of the relative lack of involvement of wine.

Dr. Harvey Brenner of John Hopkins studied relationships of cirrhosis rates to alcohol abuse under an NIAAA contract, and found a minimal relationship for wine. In his report to NIAAA, he concluded, "wine consumption accounts for only a small fraction of the relationship."¹²

The governments of Sweden and the USSR are attempting to encourage wine consumption in order to lessen alcohol problems.^{13,14}

I would hope that those concerned with alcohol abuse problems would support our advertising as a positive contribution to encouraging moderate drinking practices, as part of the solution to alcohol problems.

In combination with the influence of friends and with social trends, wine advertising can contribute to making America a moderate nation.

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ADVERTISING EXPENDITURES
FOR ALL ALCOHOLIC BEVERAGES (USA)
(1972-1976)

<u>Year</u>	<u>Millions</u>		
	<u>Spirits</u>	<u>Beer</u>	<u>wine</u>
1972	\$180.6	\$100.0	\$ 45.9
1973	180.2	107.3	48.3
1974	200.5	100.4	59.3
1975	193.8	112.1	59.1
1976	213.1	132.9	64.3
TOTAL	\$968.2	\$562.7	\$276.9
% Of Total Dollars By Type	54%	31%	15%

Sources: LNA, PIB, Gavin-Jobson Associates, Inc., OAAA, TvB, RAB,
The Newspaper Advertising Bureau and RER.

TABLE B

PER CAPITA CONSUMPTION OF WINES BY COUNTRY (1976)
Those exceeding the U.S.

<u>Country</u>	<u>Per Capita Litres of Consumption</u>	<u>Index Based on U.S. Consumption</u>
Italy	107.5*	1653.8
France	101.3	1534.8
Portugal	97.8	1481.8
Argentina	84.8	1284.8
Spain	71.0	1075.8
Chile	47.8	724.2
Luxemburg	46.2	700.0
Switzerland	42.8	648.5
Greece	39.8	603.0
Austria	36.3	550.0
Hungary	34.0	515.2
Rumania	33.0*	507.7
West Germany	23.6	357.6
U.S.S.R.	16.0*	246.1
Belgium	15.0	227.3
Denmark	12.5	175.4
Australia	11.2	172.3
Netherlands	10.2*	156.9
Finland	8.8*	135.4
Sweden	8.7	131.8
Poland	7.4*	113.8
Canada	6.7	101.5
U.S.A.	6.6	100.0

* Only 1975 data available

Source: Bulletin de L'O.I.V. October 1977

APPARENT CONSUMPTION
OF ALCOHOLIC BEVERAGES (USA)

(1972 - 1976)

Year	Adult Population* (000)	Gallons Consumed (000,000)			Total	Per Capita Wine Consumption (Gallons)
		Spirits	Beer	Wine		
1972	140,068	413	4,120	337	4,870	2.4
1973	141,656	419	4,327	347	5,093	2.4
1974	144,644	434	4,552	350	5,336	2.4
1975	147,284	446	4,644	368	5,458	2.5
1976	149,927	437	4,737	376	5,550	2.5

*18 Years or older (U.S. Bureau of Census)

Source: Bureau of Census and BATF

Wine Media Day
June 23, 1978
San Francisco, California

DECLARATION OF PRINCIPLES

by

John A. De Luca
President, Wine Institute
San Francisco, California

From solid growth and enthusiasm for the future come strength.

Our strength also comes from recognition that there is a set of principles which guide our vintners - principles which are more important than economic growth figures. Principles are bound up with the concept of quality, and we are talking about the quality of our people and the quality of our wines.

In preparing for this day, I drew up these principles as I perceived them. They can be debated and they can be modified and refined. In fact, I invite their review and critique by vintner and writer and all parts of our industry. But it seems to me that the time is right to discuss for the first time in contemporary terms a new concept that I am calling "A Declaration of Principles."

It is obviously very important for a trade organization to have a philosophical concept of its place in the world. I would like to share with you a number of principles which I conceive of as being the basis

for the future activities of Wine Institute on behalf of the California wine industry.

1. Our first principle is that wine is a food, yet more than a food.

We accompany foods - you may have noted that our advertising code underscores this point. But we also enhance foods. We belong on the table, with the family, at restaurants and eating establishments, at a pleasurable setting like a summertime picnic and also in a strict regimen as in many hospital diets, and in many other locales.

2. It follows that wine production is an agricultural industry that unites the farmer and the university through the artistry of winemaking to produce a natural product. Agriculture is the central element in our image and we must emphasize wine's heritage as the product of one of man's first harvests 6,000 years ago.

3. Another important principle is that wine is a healthful product.

The subscribers to our code have agreed that in advertising they will make no reference to wine's medicinal values. But as an association we will continue to fund research relating to the beneficial, physiological and psychological aspects of wine use. The medical community is the proper arbiter of wine's health values; and it has already provided more

than adequate proof that wine can be far more helpful than harmful to the human organism.

4. We believe in the principle of moderation - that wine is the beverage of moderation. As the product of natural fermentation wine should be primarily consumed with meals and in moderate amounts. The teaching and learning of what to drink and how to drink should emphasize drinking wine for the taste pleasures and not for the effect. In this regard I commend another of our constituencies - the wine educators and their new society. Moreover, while it is difficult to prove statistically, we believe that the cultural phenomenon of more people turning to table wine has resulted in more people drinking less absolute alcohol in wine.

5. Wine Institute can play an important role in the multifaceted attempts to solve a large variety of alcohol problems. We intend to be perceived as part of the solution to social health issues and not part of the problems themselves. Our preamble in our Code of Advertising Standards stressed our concern with maximum social responsibility. Those standards and our adherence to them are not cosmetic but constitute a basic commitment. Equally so is our support for a pilot preventive program in seven counties in California done in collaboration with the Alcoholism Council of California:

6. We affirm the principle that wine is an American product. While our climate and soils and history are uniquely Californian, there are wine constituencies growing in every state, and we look confidently to being part of that growth. I have promoted and continue to promote constructive working relationships and alliances with all wine growing states. The interest in wine production in these states cannot help but stimulate interest in all wines. Competitively California wines will receive their share of this new development.

7. In keeping with the nature of national wine industries, we espouse the principle that within the United States trade barriers against the expansion of California wine sales must be removed. This principle is echoed by the large and growing wine consumer movement. Wine Institute should be a catalyst for this development throughout the country. At the same time, we acknowledge that in already existing control systems, it rests with the citizens of the state to advocate and effect change.

8. On the international scene we strongly advocate the principle of reciprocity and equity. Over forty countries freely market their wines in our nation, but we face myriad tariff and non-tariff barriers to trade around the world. We seek no subsidies, but believe our wines merit equality of access.

9. We avow our wine history and traditions. Winemaking is not just another business. We assert cardinal beliefs in the work ethic, and the central role of the family and the unique relation of wine and religious use. Approximately 200 of our 265 members are family operations. Broader than that, however, is the tradition of wine at the family table. Experimentation and innovation are hallmarks of the California wine industry but we value highly our rich heritage and legacy of the past.

10. Wine Institute pledges an open administration. In our media relations we must recognize trade association and membership needs. But we intend to be accessible and non-evasive, setting high standards for objectivity and truthfulness. For our own people we intend greater service in all endeavors,

These ten principles are by no means definitive. But they provide a sense of history as well as confidence for the present and the future. Their Declaration, I trust, exemplifies the new Wine Institute and the new Spirit of our association.

WINE AND GOVERNMENT

by

John A. De Luca
President, Wine Institute
San Francisco, California

We in the wine industry contemplate an optimistic future as we observe a richness of diverse life styles, economic and social forces, and new geographic regions turning to wine. Wine is spearheading a trend to moderation in the United States, and women are presiding over and leading consumption changes favorable to wine.

Yet, there is one force that could impede and alter these trends, as once it branded us and banished us: misinformed and ever-powerful Government.

After 2-1/2 years as President of Wine Institute, following a decade of governmental responsibilities, I have concluded that over-zealous and intrusive government is the root louse, phylloxera, of the civic order.

Within our own country, in many states, we have been and are still treated as a sin to be taxed.

Internationally we have been a commodity to be sacrificed in trade negotiations, with easy concessions granted without reciprocal and equitable fair play.

Deprived by the 21st Amendment, and early narrow judicial interpretations, of the protection of the interstate commerce clause, wine has had to face a mine field of stringent federal laws and regulations, fifty different sets of state laws and provisions, and systematic legal discrimination. There is scarcely a government agency that doesn't confront our industry. Moreover, there are movements afoot to add further to our regulatory burdens.

Yet today, while I believe it important to outline the new challenges -- such as represented by the Neo-Prohibitionists -- I don't want simply to belabor either these new challenges or the sins of the past.

Rather, I want to present one basic new theme with a program for action that I believe is constructive and forward-looking. First, I am advocating that you in the wine media get to know government as you know wines. Just as you study the aroma and bouquet, and the complexity of winemaking, be knowledgeable of the political dimension as it impinges on wine -- and report it. People can fight City Hall, as Californians are teaching the nation. Wherever appropriate, your stories, books, columns, newsletters and commentary can interact positively with public opinion and oppose the enemies of wine.

Public opinion ultimately was behind the change in Kansas last month that permitted the sale for the first time of wine in restaurants and the liberalization in Nebraska of similar sales. The public's desire for greater access to wine led directly in New Hampshire two weeks ago to the sale of wines in food stores (with a limitation of six licenses for each chain store group). The portion of Alabama that doesn't permit wine in foodstores was almost granted that distinction by the legislature and predictions are favorable for that to occur within a year. There is growing consumer interest in West Virginia in the sale of wine in foodstores.

In Montana the people themselves are right now circulating petitions to put on the ballot a initiative to end that state's prohibition against the private sale of wine. And in states such as Iowa and North Carolina consumer requests for governmental change to make wine more accessible are being debated openly. Iowa, in fact, came within two votes in the Senate of a bill allowing private retail sales.

At the root of many of our governmental problems is cultural innocence and ignorance. We in Wine Institute intend to step up our

educational and constituency-building efforts. The people in each state and their representatives clearly must decide their own destinies. But it is appropriate - and a challenge we clearly accept - for us to be part of the consumer movement which leads to wine and food societies, wine appreciation courses, new wine enthusiasts who will subscribe to your writings and prompt expanded wine coverage in local papers and other media.

We also believe it is up to us in California to take the lead in establishing working alliances with the vintners and winegrowing elements in the other states. The raising of wine consciousness throughout the country should unite us all. I personally have discussed this approach in visits to various states, and have been encouraged by initial reactions to pursue this program even more strongly.

As a consequence, a major project we are announcing today will be the establishment of a national wine network whereby every person who wishes to help the cause of wine in this country can be kept advised with computerized communications. Consumers, growers, retailers, wholesalers, restaurateurs, physicians, teachers, housewives, businessmen; many thousands have shown their interest and we would ask them to

enroll. We are aiming at creating cadres of wine consumers with whom we can share information and advance the common interest of wine. Your views and assistance on this initiative and others are welcome and desired.

Our winegrowers and staff have become more proficient in dealing with the government. Two years ago, our antenna sensitively picked up a flurry of repressive measures and proposals introduced to curtail our ability to do business and to grow, such as: more and more earmarked taxes on alcohol, the elimination of our advertising costs as legitimate tax deductions, warning label and scare campaigns, control programs to reduce per capita consumption. This activity was aimed at all alcoholic beverages and seemed to us to constitute a Neo-Prohibitionist movement. Serious people have been raising legitimate health concerns over alcohol abuse. But we discerned an important minority that was exploiting these concerns and pushing through governmental auspices old aims in new guises. We analyzed this movement and circulated our thoughts in a private paper which found support even beyond our own circles. We have not over-reacted, I believe. On the contrary, we have been strategically prepared to confront a rash of control measures and to withstand them so far, not only

for ourselves in California but beyond in the larger wine world.

On a number of fronts we are taking initiatives which have been well received, such as our Code of Advertising Standards and our recommendations to improve varietal, appellation and estate bottling standards. Our premise is fundamental: be self-reliant wherever possible.

Of course, where we must redress legitimate grievances, we must work through government at every level. This is true in punitive situations where trade barriers and discrimination exist within our country and overseas.

In our state, the legislative and executive branches have been supportive with marketing orders and the research and technical assistance of the university and college system. It is our hope that Sacramento would continue to take pride, as we do, in our contribution to the image and economy of California, and foster our development.

But in those circumstances where the immediate picture does not promise positive assistance, until our constituency building is more effective, we ask government that it at least not hurt or shackle us. We ask instead for what I call "Benevolent Neutrality." Let the government provide an environment where we can freely compete in the marketplace, and we will take on the best in the world.

This view mirrors our tradition and attitude. Like a lot of other people we believe we've reached the saturation point on government regulations and bureaucracy. We've reached the point where further government will stifle our creative and competitive spirit. "Benevolent Neutrality" bridges our expectations with the practical realities of continuing laws and procedures..

By definition you in the wine media are conversant with ideas and concepts. At the heart of my views today is the idea that we can produce change and that we can help shape our own destinies. Central to our future is what happens in government. And there is no big mystery there of the agenda of things to do. In a pluralistic society you need to organize, build alliances, interact in the political process and compete well for media support and attention. In every phase the wine media can play a fundamental role. What will galvanize us all are the joys of wine.

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CALIFORNIA WINE AND THE INTERNATIONAL SCENE:

A STRATEGY FOR THE 1980'S

by

JOHN A. DE LUCA

HONORARY GUEST LECTURE

AMERICAN SOCIETY OF ENOLOGISTS

1980 ANNUAL MEETING

LOS ANGELES BONAVENTURE, LOS ANGELES

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LAST WEEK, FOLLOWING SEVERAL DAYS OF VISITING VINEYARDS AND WINERIES IN CALIFORNIA, AN EDITORIAL EDITOR FOR ONE OF THE NATION'S MOST PRESTIGIOUS EASTERN PAPERS TURNED TO ME AND SAID, "HOW REFRESHING TO LEARN WE HAVE AN AMERICAN INDUSTRY WHERE WE ARE THE JAPANESE."

AS AN INSIGHT INTO HOW WE ARE PERCEIVED BY OTHERS THAT COMMENT IS SUGGESTIVE AND ACCURATE, BUT ALSO INNOCENTLY INCORRECT AND FAR OFF THE MARK. CERTAINLY, IT IS VERY TRUE IN THE SENSE OF TECHNICAL AND PROFESSIONAL MASTERY WHERE A PEOPLE ACHIEVE PARITY OR BETTER WITH THOSE OF PREVIOUSLY HIGHER REPUTATION. CALIFORNIA VITICULTURE AND ENOLOGY MERIT THE ENVIABLE POSITION THEY HAVE EARNED THROUGHOUT THE WORLD. THE HIGH PROFESSIONAL TECHNOLOGICAL GOAL SET BY THE AMERICAN SOCIETY OF ENOLOGISTS HAS BEEN MAGNIFICENTLY ACHIEVED IN A DRAMATICALLY SHORT TIME. IN OUR UNIVERSITIES AND RESEARCH LABORATORIES, IN OUR VINEYARDS AND WINERIES WE ARE CREATING STANDARDS OF EXCELLENCE OF UNPRECEDENTED QUALITY. TOGETHER WITH OUR NATURAL BLESSINGS OF CLIMATE AND SOIL, OUR IMPROVED MARKETING AND DISTRIBUTION, THIS PROFESSIONAL MASTERY HAS HELPED OVERCOME BARRIERS OF CULTURAL IGNORANCE AND LEGAL DISCRIMINATION. THIS PURSUIT OF EXCELLENCE HAS HELPED US TO RISE FROM THE ASHES OF PROHIBITION IN ORDER TO COMPETE SUCCESSFULLY WITH THE WINES OF ALL NATIONS.

IT IS FITTING AND APPROPRIATE THAT SO MANY OF OUR INTERNATIONAL COLLEAGUES ATTENDED LAST WEEK'S SYMPOSIUM AT U.C. DAVIS. THEY ALSO MONITOR THE ADVANCES BEING MADE AT THAT SCHOOL'S DEPARTMENT OF VITICULTURE AND ENOLOGY AS WELL AS THE EXCELLENT DEPARTMENT AT CALIFORNIA STATE UNIVERSITY AT FRESNO. EVERY WEEK I HEAR OF CONVERSATIONS SUCH AS THE ONE RECENTLY SHARED WITH ME BY ONE OF OUR PRE-EMINENT WINEMAKERS. A FRENCH WINE FIGURE OF NOTE, WHILE VISITING WITH HIM, RECOUNTED THAT HE TELLS ALL

HIS COUNTERPARTS AT HOME THAT THEY MUST VISIT CALIFORNIA AND LEARN WHAT IS HAPPENING HERE OR INEVITABLY THEY WILL FALL BEHIND.

BUT IF IN QUALITY AND SKILL WE IN CALIFORNIA WINE ARE SOMEWHAT ANALAGOUS TO CONTEMPORARY JAPAN'S REMARKABLE ASSAULT ON THE AMERICAN AND INTERNATIONAL WORLD OF STEEL, AUTOMOBILES, TELEVISION SETS AND CALCULATORS, THERE THE TENUOUS COMPARISONS END. FIRST, UNLIKE GOODS AND MACHINERY, WE ARE DEALING WITH MATTERS OF PALATE, CULTURE, EVEN NATIONAL PRIDE AND PREJUDICE, THAT DO NOT TRANSFORM THEMSELVES QUICKLY INTO PUBLIC POLICY. AN ACCULTURATION PROCESS FAVORABLE TO CALIFORNIA WINE IS IN PROGRESS RIGHT NOW, AND WE LOOK OPTIMISTICALLY TO THE FUTURE. THE EDUCATIONAL INTERACTION OF TRAVEL, TASTINGS, EXPOSURE AND EXPERIENCE IS FORGING A KNOWLEDGEABLE CONSUMER CONSTITUENCY. TIME IS WORKING FOR US. BUT WE MUST RECOGNIZE THAT FOR ALL OUR ACHIEVEMENTS WE ARE STILL IN OUR INFANCY IN OUR OWN COUNTRY AND ASSAULTED BY TRADE BARRIERS ABROAD.

A SECOND CLEAR DISTINCTION, THEREFORE, MUST BE PERCEIVED, AND THAT IS THAT UNLIKE JAPANESE PRODUCTS, OR, MORE TO THE POINT OF OUR CONFERENCE, FOREIGN WINE ESPECIALLY EUROPEAN WINE, WE ARE NOT YET VIEWED WITHIN OUR OWN COUNTRY AS A MAJOR AND POSITIVE COMPONENT OF FOREIGN POLICY. OUR OWN LAND IS THE MOST OPEN MARKET PLACE IN THE WORLD, WITH THE MOST FREE ACCESS. ON THE OTHER HAND, EVERY MAJOR WINE PRODUCING NATION, IS PATENTLY PROTECTIONIST. IN THE U.S., THE GOVERNMENTAL POLICY IN CERTAIN STATES AND IN CERTAIN LAYERS OF THE FEDERAL BUREAUCRACY BORDERS ON TYPING US AS "MANUFACTURERS OF ALCOHOL," A "SIN INDUSTRY" TO BE TAXED OR ITS GROWTH CONTROLLED AND THWARTED. THE LEGACY OF PROHIBITION HAS LEFT US WITH A TANK TRAP SYSTEM OF DIVERSE STATES WHO ARE MORE LIKE FOREIGN GOVERNMENTS IN THEIR DEALINGS WITH US THAN PARTNERS IN A COMMON ECONOMIC MARKET. IN A VERY REAL SENSE YOU COULD CLASSIFY CALIFORNIA WINE AS THE LEADING IMPORTED WINE IN AMERICA, NOT ONLY BECAUSE WE TRAVEL ACROSS A CONTINENT BUT BECAUSE WE ARE CONFRONTED WITH ALMOST ALIEN LAWS AND ENVIRONMENTS.

OUR PEOPLE ARE NOT MOANERS, GROANERS OR HAND WRINGERS. IN FACT, I BELIEVE ADVERSITY HELPS EXPLAIN THEIR RAPID RENAISSANCE. IN A DARWINIAN SENSE THEY HAVE

BECOME RESILIENT AND TENACIOUS AND HAVE DEVELOPED WINNING SKILLS. YET, YOU CAN'T HELP CONTRAST THE INTERNAL BURDENS WE CARRY, AND THE CONSTANT CONCESSIONS MADE AT OUR EXPENSE IN TRADE TALKS, TO THE GOVERNMENTAL SUBSIDIES AND FAVORABLE TRADE PREFERENCES GIVEN ABROAD TO THEIR OWN WINES, AGAIN ESPECIALLY IN EUROPE. THE EUROPEAN ECONOMIC COMMUNITY HAS ELEVATED TO THE FORMAL LEVEL OF INTERNATIONAL TREATIES PREJUDICIAL MEASURES SUCH AS DUTY SURCHARGES THROUGH THE REFERENCE PRICE SYSTEM, SEPARATE IMPORT LICENSES, PREFERENTIAL MARKET ACCESS, SUBSIDIES, LABELING AND PACKAGING LAWS USED AS BARRIERS, ETC.

THIS OFFICIALLY SANCTIONED DISCRIMINATION REFLECTS THE POWERFUL ECONOMIC LOBBYING OF WINE AND AGRICULTURAL INTERESTS. RECENT EVENTS ASSURE EVEN MORE INTENSE PRESSURES FOR GOVERNMENTAL ASSISTANCE. THE HARVEST FOR 1979 PRODUCED A STAGGERING 9.5 BILLION GALLONS OF WINE WORLDWIDE. FRANCE (2.2 BILLION), ITALY (2.1 BILLION), SPAIN (1.2 BILLION), AND PORTUGAL (343 MILLION) HAD RECORD PRODUCTIONS, ACCOUNTING JUST AMONG THEMSELVES FOR 5.85 BILLION GALLONS, OR 61.5% OF THE WORLD'S OUTPUT. (OTHER BIG PRODUCERS WERE THE U.S.S.R., 806 MILLION AND ARGENTINA, 634 MILLION.) TO PUT THAT IN PERSPECTIVE THE UNITED STATES, IN SIXTH PLACE, PRODUCED 433 MILLION GALLONS, OR ONLY 4.5% OF THE WORLD TOTAL. THESE FIGURES TAKE ON EVEN GREATER POLITICAL CONTENT WHEN ANOTHER DEVELOPMENT IS ANALYZED. IN 1970 THE PER CAPITA CONSUMPTION OF WINE IN FRANCE, ITALY, PORTUGAL AND SPAIN WERE RESPECTIVELY 30.9, 30.5, 25.8, AND 21 GALLONS. EIGHT YEARS LATER THEY HAD SIGNIFICANTLY DROPPED TO 25.6 (-5.3), 23.6 (-7), 16.8 (-9) AND 13.2 (-8) GALLONS. THE SOCIO-ECONOMIC EXPLANATION FOR THIS MAJOR CHANGE, AS I UNDERSTAND IT, IS THAT THE MEDITERRANEAN PEOPLES ARE DRINKING HIGHER QUALITY WINES IN SMALLER AMOUNTS ALONG WITH EXPOSURE TO ALTERNATIVE BEVERAGES. AGAIN TO PUT THIS ALL IN CONTEXT RECALL THAT WE IN THE UNITED STATES REACHED 2 GALLONS PER CAPITA FOR THE FIRST TIME LAST YEAR. ALL THESE FACTS AND TRENDS ADD UP TO AN OVERWHELMING CONCLUSION: AN ENORMOUS SEA OF WINE, ESPECIALLY LATIN, SEEKING NEW MARKETS, WITH THE UNITED STATES ONE OF THE PRIME TARGETS FOR PENETRATION.

*BASED ON PREVIOUS YEARS' RECORDS WE ESTIMATE CALIFORNIA'S 1979 PRODUCTION TO BE 385 MILLION, 89% OF THE U.S. TOTAL, OR 4% OF THE WORLD TOTAL.

MUCH OF THIS WINE IS VIN ORDINAIRE. DISTILLATION PROGRAMS WILL REMOVE 700 MILLION GALLONS OF THE LOWEST QUALITY WINE FROM MARKETS, BUT EEC STOCKS WILL STILL RISE 300 MILLION GALLONS TO 2.3 BILLION. TEMPORARY RELIEF MEASURES AND STORAGE SUBSIDIES WILL BE ACCOMPANIED BY LONGER TERM EEC REFORMS IN PLANTING CONTROLS AND QUALITY INCENTIVES. BUT THE ACCESSION OF SPAIN, PORTUGAL AND TO A MUCH LESSER EXTENT GREECE TO THE EEC WILL EXACERBATE THE OVERSUPPLY PROBLEMS BY INCLUDING WITHIN IT SUBSTANTIAL NEW GALLONAGE.

THERE ARE, OF COURSE, FINE FOREIGN WINES THAT NEED NO GOVERNMENTAL ASSISTANCE. BUT THE CLIMATE CREATED BY THE ENORMOUS SURPLUS EASE BUDGETARY PROPOSALS AND GOVERNMENTAL APPROPRIATIONS FOR WINE PROMOTION OVERSEAS. THE ITALIANS, AS EVERYONE KNOWS, HAVE DONE MORE THAN WELL THESE LAST FEW YEARS. (THEIR SHARE OF FOREIGN TABLE WINE SHIPMENTS INTO THE U.S., THROUGH APRIL OF 1980, WENT TO 62.8%. FRANCE FELL TO 11.4% JUST AHEAD OF WEST GERMANY'S 11.1% AND PORTUGAL'S 7%. THIS PERCENTAGE SHARE IS EVEN MORE SIGNIFICANT WHEN IT IS RECOGNIZED THAT THE AGGREGATE AMOUNTS OF WINE INTO THE U.S. HAVE GONE UP SIZEABLY: 58.9 MILLION IN 1976; 69.2 MILLION IN 1977; 94 MILLION IN 1978; THOUGH THERE WAS A DROP IN 1979 TO 92 MILLION.)

THE ITALIAN GOVERNMENT'S OFFICIAL BUDGET FOR WINE PROMOTION IN THE U.S. IN 1980 IS \$838,000. THE ANNOUNCED PROGRAM FOR THE NEXT FIVE YEARS IS OFFICIALLY PEGGED AT \$1,916,000 A YEAR OR CLOSE TO 10 MILLION DOLLARS. THE VERY NEW MULTI-MILLION DOLLAR ITALIAN TRADE PROMOTION CENTER IN NEW YORK CITY WAS JUST RENAMED THE ITALIAN WINE PROMOTION CENTER. THESE FIGURES DO NOT INCLUDE THE SALARIES, COSTS, TRAVEL OF THE MANY OTHER TRADE CENTERS. THE ITALIAN SUCCESS HAS SPURRED RE-EXAMINATION IN OTHER MINISTRIES AND PARLIAMENTS. THE FRENCH, FOR EXAMPLE, ARE REVAMPING THEIR MARKETING AND MEDIA PROGRAMS. THE CHANGES ARE ALREADY APPARENT.

THE STAKES ARE NOT SMALL. THE TRANSACTION VALUES AT PORT OF EXPORTATION FOR FOREIGN WINES TO AMERICA CLIMBED FROM 313.8 MILLION DOLLARS IN 1976 TO \$386.5 MILLION IN 1977 TO \$578 MILLION IN 1978 TO \$628.7 MILLION IN 1979. DESPITE THE SHIPMENT DROP IN 1979 FROM 1978 THE TRADE DEFICIT IN WINE CLIMBED FROM \$567.5

MILLION IN 1978 TO \$609.5 MILLION LAST YEAR OR 2.1% OF THE ENTIRE U.S. TRADE DEFICIT. HERE IS WHERE WE AND THE JAPANESE AND MY EDITORIAL FRIEND ALL DEFINITELY PART COMPANY.

IN THIS PERIOD, OF COURSE, WE IN CALIFORNIA WERE NOT IDLE. WE EDUCATED NEW CONSUMERS, OPENED NEW MARKETS, ENHANCED OUR REPUTATION FOR SOCIAL RESPONSIBILITY WITH INITIATIVES SUCH AS OUR CODE OF ADVERTISING, AND SHIPPED 42 MILLION GALLONS MORE WINE FROM 1976 TO 1979 TO REACH LAST YEAR'S TOTAL OF 314 MILLION. ALMOST 30 MILLION GALLONS OF THAT AMOUNT WENT TO MARKETS OUTSIDE CALIFORNIA AS WE WENT FROM 196 MILLION IN 1976 TO 225.7 MILLION IN 1979. IN THE UNITED STATES THE MOST COMPETITIVE MARKET IN THE WORLD, WITHOUT GOVERNMENTAL SUBSIDIES OR PROTECTION, AGAINST 39 COMPETING NATIONS CALIFORNIA SOLD ALMOST 7 OUT OF EVERY 10 BOTTLES OF WINE. (TO BE PRECISE 69.4%, THE OTHER STATES 9.9%, FOREIGN WINES 20.7%.)

IN THE LARGE EXPENDITURES FOR WINE INDUSTRY REPORTED MEDIA ADVERTISING IN 1979 THE MAJOR AMOUNT WAS SPENT BY AMERICAN PRODUCERS: \$79 MILLION VERSUS \$53 MILLION FOR OUR FOREIGN COMPETITORS. OF THE TOTAL \$134 MILLION* CALIFORNIA REPRESENTED 49% OR \$66 MILLION, THE OTHER STATES 10% OR \$13 MILLION, AND FOREIGN WINES 40% OR ABOUT \$53 MILLION. THE 1979 FIGURES REPRESENT A 33% INCREASE OVER 1978. PRELIMINARY REPORTS FOR 1980 INDICATE FURTHER INCREASES OF AN ADDITIONAL 30%. THESE FIGURES DEMONSTRATE THE INTENSITY OF THE COMPETITION FOR SHARES OF THE U.S. WINE MARKET.

BUT COMMERCE LIKE LIFE IS NOT ALL FIGURES AND STATISTICS. AND THE GLOBAL VILLAGE WITH MASS COMMUNICATIONS CAN ALTER PERCEPTIONS RAPIDLY. CERTAIN FORCES ARE COMING TOGETHER TO SUGGEST THE OUTLINE OF A DYNAMIC STRATEGY FOR ACTION IN THE 1980'S AND BEYOND. LET ME BRIEFLY SKETCH ITS THREE ESSENTIAL COMPONENTS:

1. WE INTEND TO BE MUCH MORE ASSERTIVE IN THE GOVERNMENTAL ARENA. CALIFORNIA AND AMERICAN WINE ARE WEIGHED DOWN BRUTALLY BY ARTIFICIAL GOVERNMENTAL CONSTRAINTS AT HOME AND ABROAD. THROUGH A POWERFUL AND UNITED WINE INSTITUTE, THROUGH THE BROADER COALITIONS EMERGING AROUND THE CREATION OF "AMERICANS FOR WINE," THROUGH THE ALLIANCES WE ARE FORGING WITH LARGE CONSTITUENCIES WE INTEND TO ASSERT OUR LEGITIMATE RIGHTS FOR FAIR, EQUITABLE AND RECIPROCAL TREATMENT.

2. A MORE CONCERTED EFFORT WILL BE MADE TO EXPAND EXISTING MARKETS AND TO OPEN NEW ONES, AGAIN AT HOME AND ABROAD. THE LIFE BLOOD OF OUR FUTURE IS THE NEW CONSUMER. INDIVIDUAL WINERIES, SMALLER GROUPINGS, REGIONAL ASSOCIATIONS, THE INDUSTRY AS A WHOLE HAVE INTENSIFIED THEIR MARKET PROGRAMS OF TASTINGS AND CONSUMER AND MEDIA CONTACT. THOUGH ON A STILL RELATIVELY SMALL SCALE PIONEER BREAKTHROUGHS ARE OCCURRING EVERY DAY ON THE INTERNATIONAL SCENE.
3. WE INTEND TO CONSOLIDATE AND FURTHER EXPAND OUR REPUTATION FOR QUALITY AND VALUE. ONE OF THE BEST WAYS TO PREPARE FOR THE STRONGER COMPETITION AHEAD WITH FOREIGN WINES WITHIN OUR OWN COUNTRY IS TO SOLIDIFY THE STATUS OF "WORLD CLASS" ACROSS THE BROAD SPECTRUM OF OUR WINES. WIDE EXPOSURE WITH MANY OPINION MAKERS IN MANY LANDS APPEARS TO BE AN ACHIEVABLE PROSPECT AND APPROACH.

I CAN SHARE WITH YOU A NUMBER OF SPECIFIC EXAMPLES THAT ILLUSTRATE THESE STRATEGIC GOALS. ON THE ALL IMPORTANT GOVERNMENT FRONT, LAST MONTH, MAY 16, 1980, ASSEMBLY JOINT RESOLUTION (AJR) 50 WAS PASSED BY THE CALIFORNIA LEGISLATURE. RESOLUTIONS SOMETIMES BECOME MERE COSMETIC ACTS. BUT IT BECAME THE OFFICIAL POLICY OF THE STATE OF CALIFORNIA -- AND WE INTEND TO PURSUE IT VIGOROUSLY -- "TO REQUEST CONGRESS AND THE PRESIDENT TO INVESTIGATE TARIFF STRUCTURES WITH RESPECT TO THE FREE FLOW OF WINE IN THE WORLD AND URGE THE PRESIDENT TO TAKE ACTION TO ASSURE RECIPROCITY IF TRADE BARRIERS ARE NOT REMOVED." AN IMPORTANT POLITICAL EDUCATION PROGRAM HAS STARTED WHICH IS SENSITIZING OUR STATE AND FEDERAL REPRESENTATIVES TO OUR PROBLEMS. THIS PROGRAM IS THE NECESSARY PRE-CONDITION TO SUCCESS. AT THE CONGRESSIONAL LEVEL LAST NOVEMBER OUR CALIFORNIA CONGRESSMEN AMENDED THE TRADE AGREEMENTS ACT (OR TOKYO ROUND PACTS) TO REQUIRE THE PRESIDENT TO REPORT TO THE CONGRESS BY JANUARY 1, 1982 THE RESULTS OF HIS REVIEW OF "ALL TARIFF AND NONTARIFF BARRIERS

WHICH TEND TO INHIBIT THE OPEN AND FREE COMPETITION OF UNITED STATES PRODUCED WINES IN ALL FOREIGN MARKETS."

THE MULTI TRADE TALKS BECAME THE OCCASION FOR WINE INSTITUTE TO ALERT THE CALIFORNIA DELEGATION AND MANY OTHER CONGRESSMEN AND SENATORS TO THE UNFAIR AND DISCRIMINATORY TRADE WORLD WE FACED. A NUCLEUS OF INFORMED LEGISLATORS HAS PROMISED TO ADDRESS THIS ISSUE, TO STOP FURTHER CONCESSIONS AND EROSIONS AND TO START BUILDING OFFICIAL PRESSURE THE OTHER WAY. (TEN DAYS AGO IT WAS THIS NEW CADRE WHICH SPEARHEADED A 393-17 VOTE IN THE HOUSE OF REPRESENTATIVES TO OVERTURN AN UNINTENDED ASPECT OF THE NEW TRADE LAW WHICH CURTAILED BULK WINE SALES AT HOME.)

ASSEMBLY CONCURRENT RESOLUTION (ACR) 59, PASSED SEPTEMBER 12, 1979 IN SACRAMENTO, SIMILARLY ALERTED OUR REPRESENTATIVES TO THE RESTRICTIONS AND REGRESSIVE EXCISE TAXES WE FACE IN THE OTHER STATES. IT IS NOW THE OFFICIAL POLICY OF OUR STATE, "THAT ANY RESTRICTIVE TRADE BARRIER IMPOSED BY A SISTER STATE UPON THE CALIFORNIA WINE INDUSTRY BE CONSIDERED DETRIMENTAL TO THE INTERESTS OF THE STATE OF CALIFORNIA."

THE INVOLVEMENT OF OUR STATE AND FEDERAL LEGISLATORS IN THE INGREDIENT LABEL AND WARNING LABEL ISSUES HAS BEEN OF ENORMOUS VALUE TO US. IT IS COMPARABLE TO A LONG RUNNING SYMPOSIUM ON THE PROBLEMS WE FACE DAILY. FOR EXAMPLE, OUR CONGRESSMEN AND U.S. SENATORS ARE NOW ESPECIALLY AWARE OF THE CONFLICT OF INTEREST FOREIGN GOVERNMENTS FACE IN ENFORCING OUR REGULATIONS AND THE DOUBLE STANDARDS THAT CAN EXIST WHEN IT COMES TO CERTIFICATES OF LABEL APPROVAL. WE HAVE BEEN PROMISED LEGISLATIVE RELIEF THROUGH APPROPRIATE AMENDMENTS AND THAT LEGISLATION IN TURN WILL ALERT THE CONGRESS TO THE BROADER BARRIERS WE FACE.

THOSE BARRIERS ARE FORMIDABLE, BUT SO IS THE QUALITY OF OUR WINE AND THE GROWING REPUTATION WE ARE ACQUIRING BEYOND OUR BORDERS. GENERALLY SPEAKING TO BE EXPOSED TO OUR WINES IS TO LIKE THEM. THE SOFTENING OF THE AMERICAN DOLLAR HAS BROUGHT MANY A FOREIGN VISITOR TO CALIFORNIA AND TO OUR VINEYARDS AND WINERIES. A DIRECTOR OF THE QUEBEC LIQUOR CONTROL BOARD CONFIDED TO ME RECENTLY THAT CANADIAN

CITIZENS ON THEIR RETURN HOME HAVE BEEN WRITING TO THE BOARD ASKING FOR CALIFORNIA WINES IN THE PROVINCE STORES. UP TO NOW OUR WINES WERE LISTED IN CITIES SUCH AS MONTREAL UNDER THE CATEGORY OF "MISCELLANEOUS." YOU MAY BE PLEASED TO LEARN THAT AS OF NOW WE HAVE EARNED A SEPARATE LISTING AS "CALIFORNIA" WINES.

CANADA TODAY REPRESENTS 62.3% OF ALL U.S. EXPORTS. IN 1976 THE U.S. SHIPPED 464,350 GALLONS (33%), IN 1977 682,755 GALLONS (35%), IN 1978 991,393 GALLONS (40%), IN 1979 3,106,194 GALLONS (60%). THERE ARE NOW 150 LABELS IN THE CANADIAN MARKET, AND AN ASSOCIATION OF CALIFORNIA WINE AGENTS IN CANADA IS NOW IN THE FORMATIVE PROCESS. LAST FALL CONSUL GENERAL FRED SMITH AND I HOSTED A TASTING IN TORONTO FOR THE LIQUOR CONTROL BOARD, THE TRADE AND THE PRESS. SIMILAR TASTINGS AND WINE PROGRAMS ARE PLANNED ACROSS CANADA'S PROVINCES IN THE MONTHS AHEAD. WE ARE BEGINNING TO BREAK OLD HABITS IN CANADA, AND MY SENSE FOR THE 1980'S IS TO FORGE A SPECIAL NORTH AMERICAN COMMUNITY BETWEEN CALIFORNIA AND THE VARIOUS CONTROL BOARDS THROUGH TRAVEL AND INCREASED CONTACT.

THE CARIBBEAN IN THE AGGREGATE WITH CLOSE TO 20% IS THE SECOND LARGEST EXPORT CUSTOMER OF CALIFORNIA WINES. A DRAMATIC NEW PROSPECT APPEARS TO BE MEXICO. FOR THE LAST SEVERAL YEARS, THE MEXICAN GOVERNMENT ACTIVELY MANIPULATED ITS QUOTA AND TARIFF RESTRICTIONS ON WINE, MAKING THE SALE OF CALIFORNIA WINE THERE BOTH UNCERTAIN AND EXPENSIVE. IN FACT, THE UNITED STATES DID NOT OBTAIN ITS FIRST QUOTA FOR WINE FROM THE MEXICAN GOVERNMENT UNTIL 1976. AND EVEN THEN, WE USED ONLY A SMALL PORTION OF THE QUOTA DUE TO CONTINUED MARKET UNCERTAINTIES. BUT RECENTLY MEXICO HAS ELIMINATED ITS QUOTAS ON WINE AND BRANDY, AND HAS REDUCED ITS TARIFFS ON ALL WINE. ONE MEXICAN IMPORTER NOW REPRESENTS 23 CALIFORNIA WINERIES FOR THE SALE OF TABLE WINE, CHAMPAGNE AND BRANDY. HE PROJECTS SALES OF 125,000 CASES OF CALIFORNIA WINE THIS YEAR AND IS ENTHUSIASTIC FOR THE FUTURE.

ENTHUSIASM FOR OUR PROSPECTS IN THE FAR EAST HAS BECOME THE SPECIAL PROPERTY OF OUR SECRETARY OF STATE MARCH FONG EU. OUR BEST INTERNATIONAL AMBASSADOR MRS. EU

HAS TAKEN TWO TRADE MISSIONS TO THE FAR EAST, WITH TASTINGS IN TAIWAN, HONG KONG, SEOUL, MANILA AND SINGAPORE. CALIFORNIA WINEGROWERS ACCOMPANIED HER ON BOTH MISSIONS WHICH HAVE LED TO CONSIDERABLE PUBLICITY AND POSITIVE CHANGE. FOR EXAMPLE, THE LISTINGS OF ADDITIONAL WINES IN TAIWAN CAN BE DIRECTLY ATTRIBUTED TO THE EFFORTS OF MRS. EU. BEYOND TAIWAN, TO THE PEOPLE'S REPUBLIC OF CHINA, WE DON'T REALISTICALLY EXPECT EXPORTS TO THE GENERAL PUBLIC THOUGH SUCH TALKS CONTINUE TO BE PURSUED BY A NUMBER OF OUR DELEGATIONS WHICH HAVE VISITED THE MAINLAND. RATHER, A NUMBER OF OUR WINERIES ARE AIMING AT MAKING CALIFORNIA WINES AVAILABLE IN THE HOTELS FOR FOREIGN VISITORS. REPORTS ARE THAT SOME ARE ALREADY FOUND ON WINE LISTS TODAY. IN JAPAN, LAST YEAR, CALIFORNIA SHIPPED OVER 100,000 GALLONS. THE AMOUNT IS NOT LARGE, BUT THE JAPANESE MARKET IS DIFFICULT TO PENETRATE AND I COMMEND THOSE WHO HAVE LABORED TO ACQUAINT THE JAPANESE PUBLIC WITH OUR WINES. ONE OF JAPAN'S LARGEST TRADING COMPANIES HAS BEEN SERIOUSLY INVESTIGATING A MAJOR CALIFORNIA WINE PROGRAM. EARLIER THIS YEAR AT THE MANILA CONFERENCE OF THE PACIFIC AREA TRAVEL ASSOCIATION, A MOST INFLUENTIAL GROUP, 31 OF OUR WINES WERE PRESENTED IN A TASTING PRESIDED OVER BY BILL LANE, OF SUNSET MAGAZINE AND JOE HEITZ, WINE INSTITUTE'S NEW CHAIRMAN. IN FEBRUARY OF NEXT YEAR THE SAME CONFERENCE WILL BE HELD IN CALIFORNIA WITH VINEYARD AND WINERY TOURS PLANNED.

IN ADDITION TO THE FAR EAST WE HAVE LAUNCHED AN EXPANDING LIST OF TASTING PROGRAMS TO DEMONSTRATE OUR WINES. FOLLOWING THE VERY SUCCESSFUL TASTING AT THE PARIS EMBASSY LAST YEAR WE HAVE SCHEDULED TASTINGS IN BONN AND COPENHAGEN FOR THIS FALL, IN COOPERATION WITH OUR AMBASSADORS AND THEIR AGRICULTURAL ATTACHES. IN SOUTH AMERICA, WE HAVE A CALIFORNIA WINE-LOVING EX-SAN FRANCISCAN (MRS. BILL LUERS, NOW THE WIFE OF THE AMERICAN AMBASSADOR TO VENEZUELA), SPEARHEADING A MONTH-LONG CALIFORNIA WINE FESTIVAL IN CARACAS, BEGINNING IN LATE SEPTEMBER. OUR EMBASSY IN BOGOTA, COLOMBIA HAS ASKED AND WE WILL PARTICIPATE IN A TASTING PROGRAM WHICH WILL BEGIN A WEEK AFTER THE CARACAS FESTIVAL.

IN EUROPE, THERE ARE RIVULETS OF CHANGE. SALES OF WINE TO SWITZERLAND CLIMBED FROM 5,000 GALLONS IN 1978 TO 30,000 IN 1979, DUE PRIMARILY TO ONE MAJOR BUYER, DENNER AG, A SUPERMARKET CHAIN. THE SWISS IMPOSE A TIGHT QUOTA ON AMERICAN WINES BEYOND WHICH AN ADDITIONAL TAX SURCHARGE IS LEVIED. DENNER HAS BEEN WILLING TO PAY THAT SURCHARGE. A GERMAN GROUP, CRONA WINE IMPORTS, HAS PURCHASED MORE THAN 10,000 CASES OF NAPA VALLEY WINES, MOSTLY RED AND IS NOW ASSEMBLING ANOTHER SHIPMENT OF THE SAME SIZE. I KNOW FROM PERSONAL CONVERSATION THAT AN EMINENT EUROPEAN WINE FIGURE WILL BE EXPORTING OTHER CALIFORNIA WINES TO GERMANY IN SIGNIFICANT AMOUNTS. GREG BISSONETTE AND HIS PARTNERS AT GLOBCOR VIN ARE TO BE APPLAUDED FOR THEIR SHIPMENTS TO FRANCE AND THE FINE WINES THEY HAVE INTRODUCED TO RESTAURANTS AND WINE SHOPS. THEIR ORIGINAL EXPORTS LAST FALL WERE FOLLOWED BY AN ADDITIONAL CONTAINER THIS MARCH, WITH ANOTHER PLANNED BY SEPTEMBER. ADDITIONALLY, PAUL MASSON HAS RECENTLY SUCCESSFULLY REINTRODUCED ITS WINES INTO THE FRENCH SUPERMARKET CHAIN OF PREISUNIC. LAST YEAR THAT SAME WINERY SOLD NEARLY 50,000 GALLONS OF WINE IN IRELAND.

SALES TO HOLLAND HAVE INCREASED SIGNIFICANTLY THANKS IN LARGE PART TO THE EFFORTS OF JIM HUTCHINS, OUR FORMER AGRICULTURAL COUNSELOR IN THE NETHERLANDS. ALBERT HEIJN, THE LARGEST FOOD CHAIN IN THE NETHERLANDS, FEATURE CALIFORNIA WINES IN ITS ANNUAL OCTOBERFEST WINE PROMOTION. DUTCH CONSUMPTION OF AMERICAN WINE ROSE FROM JUST UNDER 11,000 GALLONS IN 1978 TO 53,500 IN 1979.

EXPORTS OF CALIFORNIA WINES TO THE UNITED KINGDOM INCREASED FROM 7,500 GALLONS IN 1976 TO 34,000 GALLONS IN 1978 AND TO 82,000 GALLONS IN 1979. IN A PARTICULARLY EXCITING DEVELOPMENT, A MAJOR FOOD COMPANY IN THE UNITED KINGDOM HAS JOINED WITH A LARGE CALIFORNIA WINERY TO LAUNCH WHAT MANY BELIEVE TO BE THE LARGEST ADVERTISING CAMPAIGN EVER MOUNTED BY A WINE DISTRIBUTOR IN THE BRITISH ISLES. THIS INTENSE MEDIA CAMPAIGN, AND THE ATTENDANT PUBLICITY, SHOULD ALSO BOOST SALES OF OTHER CALIFORNIA WINES.

THE ENGLISH ARE CONSIDERED BY MANY TO BE THE ARBITERS OF THE WINE WORLD. THUS, IT IS ESPECIALLY GRATIFYING TO US THAT THE ZINFANDEL CLUB WAS FOUNDED THERE BY SOME LEADING WINE PEOPLE, LIKE HARRY WAUGH AND HUGH JOHNSON. IT IS DEVOTED TO CALIFORNIA WINE, AND ITS MEMBERSHIP HAS BEEN OVERSUBSCRIBED, AND ITS TASTINGS AND DINNERS HAVE FAR EXCEEDED EARLY INTENTIONS. THE UNDER FORTY CLUB, WHOSE MEMBERS ARE THE YOUNG LEADERS OF THE BRITISH WINE TRADE, JUST MADE ITS FIRST OFFICIAL TOUR OF CALIFORNIA VINEYARDS AND WINERIES. THE INSTITUTE OF MASTERS OF WINE, ONE OF THE INTERNATIONAL WINE WORLD'S MOST PRESTIGIOUS ORGANIZATIONS, IS NOW PLANNING AN EXTENSIVE CALIFORNIA VISIT.

ORGANIZATIONS SUCH AS THESE HAVE HELPED CREATE A RESERVOIR OF EXCITEMENT AND GOODWILL IN ENGLAND, SO MUCH SO THAT JUST TWO DAYS AGO, ON JUNE 25, OVER 600 CASES OF CALIFORNIA WINE WENT ON THE BLOCK AT SOTHEBY PARKER BERNET. MORE THAN 50 WINERIES WERE REPRESENTED, AND IT WAS THE LARGEST AUCTION OF CALIFORNIA WINES EVER HELD. IT WAS A MOST GRATIFYING PRECEDENT, TO BE SURE.

THE GALLONAGES AND CASES INVOLVED PALE IN COMPARISON WITH THE 92 MILLION GALLONS SHIPPED INTO THE UNITED STATES IN 1979. OUR EXPORTS FOR THE SAME YEAR WERE 5,164,000 GALLONS, SIGNIFICANTLY MORE THAN 1976'S 1,398,000 GALLONS AND DOUBLE 1978'S 2,485,000, BUT STILL LESS THAN 6% OF IMPORTS. YET, THE AURA OF SUBSTANCE AND CREDIBILITY DOESN'T REQUIRE OVERWHELMING NUMBERS. WHAT IS NEEDED IS A BREAKTHROUGH BEYOND A CERTAIN THRESHOLD POINT SUPPORTED BY INTERNATIONAL PRESS ATTENTION.

1979 WITH ITS 107.8% INCREASE IN EXPORTS MAY HAVE REACHED THAT THRESHOLD POINT. (FOR THE FIRST FOUR MONTHS OF 1980 WE'VE KEPT LAST YEAR'S GAINS AND INCREASED THEM ANOTHER 42%.) AND FAVORABLE WORLD PRESS IN THE CONTEMPORARY PERIOD HAS BEEN BOTH WARRANTED AND OUTSTANDING. THIS INCREASING WORLD RECOGNITION HAS ENHANCED OUR CREDIBILITY IN MANY QUARTERS, AND WE INTEND, IF ANYTHING, TO STRIVE EVEN FURTHER FOR EXCELLENCE, WHILE ACKNOWLEDGING WE HAVE NO MONOPLY IN THAT PURSUIT.

THERE ARE MORE OF US IN CALIFORNIA WINE, AND THE COMPETITION IS INVIGORATING. WINE INSTITUTE TODAY HAS 349 WINERY MEMBERS, AN INCREASE OF 150 WINERIES IN THE LAST FOUR YEARS, AND 185 SINCE THE END OF THE MARKETING ORDER IN 1975. AT THAT TIME, ON THE INTERNATIONAL LEVEL, PERHAPS TEN OF OUR WINERIES MADE MORE THAN AN OCCASIONAL CASUAL SALE ABROAD. ACCORDING TO THE EXPORT SURVEY WINE INSTITUTE'S NEW COMMITTEE ON INTERNATIONAL TRADE DISTRIBUTED AT THE BEGINNING OF THE YEAR, AT LEAST 53 OF OUR MEMBERS NOW ARE ENGAGED IN ONGOING EXPORT EFFORTS. HISTORIANS WILL NOTE THIS FACT AS SOLID EVIDENCE THAT OUR CONSCIOUSNESS HAS SOARED BEYOND OUR BORDERS. SATELLITE TELEVISION CARRIES SCENES OF STATESMEN TOASTING WITH OUR WINES ACROSS WHOLE HEMISPHERES; AND OUR MEMBERS HAVE ENDURED EARTHQUAKES IN CHINA WHILE CONDUCTING PRIVATE TASTINGS.

THE CONSTANT IN WINE IS CHANGE AS ED MIRASSOU ELOQUENTLY STATED IN HIS FAREWELL ADDRESS AS CHAIRMAN OF WINE INSTITUTE. WE IN INSTITUTE GRASP THE NOTION THAT CULTURAL CHANGE IS FAVORABLE TO US AND THAT IN OPEN COMPETITION AGAINST THE BEST WE CAN PROSPER. WE HAVE NOT AND DO NOT NOW HAVE FULL POLITICAL AND ECONOMIC FREEDOM. BUT HERE WE INTEND TO ATTACK ARTIFICIAL GOVERNMENT CONSTRAINTS AND TO HAVE AN INCREASINGLY STRONGER INFLUENCE OVER OUR OWN FUTURE DESTINIES. AND I, PERSONALLY, AM PLEDGING MY CAREER TO THE TRIMPHS OF THOSE DESTINIES.

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CALIFORNIA WINE AND THE INTERNATIONAL SCENE:

A STRATEGY FOR THE 1980'S

by

John A. De Luca

WINE MEDIA DAY

ST. FRANCIS HOTEL

SAN FRANCISCO, CALIFORNIA

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CALIFORNIA WINE AND THE INTERNATIONAL SCENE:

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by

John A. De Luca

Last week, following several days of visiting vineyards and wineries in California, an editorial editor for one of the nation's most prestigious eastern papers turned to me and said, "How refreshing to learn we have an American industry where we are the Japanese."

As an insight into how we are perceived by others that comment is suggestive and accurate, but also innocently incorrect and far off the mark. Certainly, it is very true in the sense of technical and professional mastery where a people achieve parity or better with those of previously higher reputation. California viticulture and enology merit the enviable position they have earned throughout the world. Together with our natural blessings of grapes, climate and soil, our improved marketing and distribution, this professional mastery has helped overcome barriers of cultural ignorance and legal discrimination; this pursuit of excellence has helped us to rise from the ashes of Prohibition to compete successfully with the wines of all nations.

But if in quality and skill we in California wine are somewhat analagous to contemporary Japan's remarkable assault on the American and international world of steel, automobiles, television sets and calculators, there the tenuous comparisons end. First, unlike goods and machinery, we are dealing with matters of taste, culture, even national pride and prejudice, that do not transform quickly into public policy. An acculturation process favorable to California wine is taking place right now, and we look optimistically to the future. The educational interaction of travel, tastings, exposure and experience is forging a knowledgeable consumer constituency. Time is working for us. But we must recognize that for all our achievements, we are still in our infancy in our own country and strongly confronted with trade barriers abroad.

A second clear distinction, therefore, must be perceived, and that is that unlike Japanese products, or, more to the point of our gathering, foreign wine especially European wine, we are not yet viewed within our own country as a major and positive component of foreign policy. Our own land is the most open marketplace in the world. However, every other major wine-producing nation is patently protectionist. In the U.S. the government policy in certain states and in certain layers of the federal bureaucracy borders on typing us as "manufacturers of alcohol," a "sin industry" to be taxed or its growth controlled and thwarted. The legacy of Prohibition has left us with a tank-trap system of diverse states who are more like foreign governments in their dealings with us than partners in a common economic market. In a very real sense, you could classify California wine as the leading imported wine in America, not only because we travel across a continent but because we are confronted with almost alien laws and environments.

Our people are not moaners, groaners or hand wringers. In fact, I believe adversity helps explain their rapid renaissance. In a Darwinian sense, they have become resilient and tenacious and have developed winning skills. Yet, you can't help contrast the internal burdens we carry, and the constant concessions made at our expense in trade talks, to the foreign governmental subsidies and favorable trade preferences given abroad to their own wines, again especially in Europe. The European Economic Community has elevated to the formal level of international treaties prejudicial measures such as duty surcharges through the reference price system, separate import licenses, preferential market access, subsidies, labeling and packaging laws used as barriers, etc.

This officially sanctioned discrimination reflects the powerful economic lobbying of wine and agricultural interests. Recent events assure even more intense pressures for governmental assistance. The harvest for 1979 produced a staggering 9.5 billion gallons of wine worldwide. France (2.2 billion), Italy (2.1 billion), Spain (1.2 billion), and Portugal (343 million) had record productions, accounting just among themselves for 5.85 billion gallons, or 61.5% of the world's output. (Other big producers were the U.S.S.R., 806 million and Argentina, 634 million.)

To put that in perspective the United States, in sixth place, produced 433 million gallons, or only 4.5% of the world total.* These figures take on even greater political content when another development is analyzed. In 1970 the per capita consumption of wine in France, Italy, Portugal and Spain were respectively 30.9, 30.5, 25.8 and 21 gallons. Eight years later they had significantly dropped to 25.6 (-5.3), 23.6 (-7), 16.8 (-9) and 13.2 (-8) gallons. The socio-economic explanation for this major change, as I understand it, is that the Mediterranean peoples are drinking higher quality wines in smaller amounts, and are also consuming alternative beverages. Again, to put this all in context, recall that we in the United States reached two gallons per capita for the first time last year. All these facts and trends add up to an overwhelming conclusion: An enormous sea of wine, especially Mediterranean, seeking new markets, with the United States a prime target for penetration.

Distillation programs will remove 700 million gallons of the lowest quality wine from markets, but EEC stocks will still rise 300 million gallons to 2.3 billion. Temporary relief measures and storage subsidies will be accompanied by longer term EEC reforms in planting controls and quality incentives. But the accession of Spain, Portugal and to a much lesser extent Greece to the EEC will exacerbate the oversupply problems by adding substantial new gallonage.

*Based on previous years' records, we estimate California's 1979 production to be 385 million, 89% of the U.S. total, or 4% of the world total.

There are, of course, fine foreign wines that need no governmental assistance. But the climate created by the enormous surplus facilitates subsidy proposals and governmental appropriations for wine promotion overseas. For example, the Italian government's official subsidy for wine promotion in the U.S. in 1980 is \$838,000. The announced program for the next five years is officially pegged at \$1,916,000 a year, or close to \$10 million. The very new multi-million dollar Italian Trade Promotion Center in New York City was just renamed the Italian Wine Promotion Center. These figures do not include the salaries, costs, travel and administration of the many other trade centers. The Italian success has spurred re-examination in other ministries and parliaments. The French, for example, are revamping their marketing and media programs. The changes are already apparent.

The stakes are not small. The transaction values at port of exportation for foreign wines to America climbed from about \$314 million in 1976 to \$386 million in 1977 to \$578 million in 1978 to \$629 million in 1979. Despite the shipment drop in 1979 from 1978 the trade deficit in wine climbed from \$567.5 million in 1978 to \$609.5 million last year or 2.1% of the entire U.S. trade deficit. Here is where we and the Japanese and my editorial friend all definitely part company.

In this period, of course, we in California were not idle. We educated new consumers, opened new markets, enhanced our reputation for social responsibility with initiatives such as our Code of Advertising, and shipped 42 million gallons more wine from 1976 to 1979, to reach last year's record total of 314 million. Almost 30 million gallons more of that amount went to markets outside California as that segment went from 196 million in 1976 to 226 million in 1979. In the United States, the most competitive market in the world, without governmental subsidies or protection, against 39 competing nations, California sold almost 7 out of every 10 bottles of wine. (To be precise 69.4%, the other American states 9.9%, foreign wines 20.7%.)

In the large expenditures for wine industry reported media advertising in 1979, the major amount was spent by American producers: \$79 million versus \$53 million for our foreign competitors. Of the total \$134 million,* California represented 49% or \$66 million, the other states 10% or \$13 million, and foreign wines 40% or about \$53 million. The 1979 figures represent a 33% increase over 1978. Preliminary reports for 1980 indicate further increases of at least an additional 30%. These figures demonstrate the intensity of the competition for shares of the U.S. wine market.

*Reports included category of \$2 million (1%) for "miscellaneous."

But commerce, like life, is not all figures and statistics. And the global village, with mass communications, can alter perceptions rapidly. Certain forces are coming together to suggest the outline of a dynamic strategy for action in the 1980's and beyond. Its three essential components are:

1. We intend to be much more assertive in the governmental arena. California and American wine are weighed down brutally by artificial governmental constraints at home and abroad. Through a powerful and united Wine Institute, through the broader coalitions emerging around the creation of "Americans for Wine," (which now numbers 2,000 members), through the alliances we are forging with large constituencies, we intend to assert our legitimate rights for fair, equitable and reciprocal treatment.
2. A more concerted effort will be made to expand existing markets and to open new ones, again at home and abroad. The lifeblood of our future is the new consumer. Individual wineries, smaller groupings, regional associations, the industry as a whole have intensified their market programs of tastings and consumer and media contact. Though on a still relatively small scale, pioneer breakthroughs are occurring every day on the international scene.
3. We intend to consolidate and further expand our reputation for quality and value. One of the best ways to prepare for the stronger competition ahead with foreign wines within our own country is to solidify the status of "world class" across the broad spectrum of our wines.

I can share with you a number of specific examples that illustrate these strategic goals. On the all-important government front, on May 16, 1980, Assembly Joint Resolution (AJR) 50 was passed by the California Legislature. Resolutions sometimes become mere cosmetic acts, but it became the official policy of the State of California -- and we intend to pursue it vigorously -- "To request Congress and the President to investigate tariff structures with respect to the free flow of wine in the world and urge the President to take action to assure reciprocity if trade barriers are not removed."

An important political education program has started which is sensitizing our state and federal representatives to our problems. This program is the necessary precondition to success. At the Congressional level last fall our California Congressmen amended the Trade Agreements Act (or Tokyo Round Pacts) to require the President to report to the Congress by January 1, 1982 the results of his review of "all tariff and non-tariff barriers which tend to inhibit the open and free competition of United States produced wines in all foreign markets."

The multi-nation trade talks became the occasion for Wine Institute to alert the California Delegation and many other Congressmen and Senators to the unfair and discriminatory trade world we faced. A nucleus of informed legislators has promised to address this issue, to stop further concessions and erosions, and to start building official pressure the other way. (Several weeks ago it was this new cadre which spear-headed a 393-17 vote in the House of Representatives to overturn an unintended aspect of the new trade law which curtailed bulk wine sales at home.)

Assembly Concurrent Resolution (ACR) 59, passed September 12, 1979 in Sacramento, similarly alerted our representatives to the restrictions and regressive excise taxes we face in the other states. It is now the official policy of our state, "That any restrictive trade barrier imposed by a sister state upon the California wine industry be considered detrimental to the interests of the State of California."

The involvement of our state and federal legislators in the ingredient label and warning label issues has been of enormous value to us. It is comparable to a long-running symposium on the problems we face daily. For example, our Congressmen and U.S. Senators are now especially aware of the conflict of interest foreign governments face in enforcing our regulations and the double standards that can exist when it comes to certificates of label approval. We have been promised legislative relief through appropriate amendments and that legislation in turn will alert the Congress to the broader barriers we face.

Those barriers are formidable, but so is the quality of our wine and the growing reputation we are acquiring beyond our borders. Generally speaking, to be exposed to our wines is to like them. The softening of the American dollar has brought many a foreign visitor to California and to our vineyards and wineries. A Director of the Quebec Liquor Control Board confided to me recently that Canadian citizens on their return home have been writing to the Board asking for California wines in the Province stores. Up to now our wines were listed in cities such as Montreal under the category of "miscellaneous." You may be pleased to learn that as of now we have earned a separate listing as "California" wines.

Canada today represents 62.3% of all U.S. exports. In 1976 the U.S. shipped 464,350 gallons (33%), in 1977 682,755 gallons (35%), in 1978 991,393 gallons (40%), in 1979 3,106,194 gallons (60%). There are now 150 listings in the Canadian Provinces and an association of California wine agents in Canada is in the formative process. Last fall Consul General Fred Smith and I hosted a tasting in Toronto for the Liquor Control Board, the trade and the press. Similar tastings and wine programs are planned across Canada's Provinces in the months ahead. We are beginning to break old habits in Canada, and my sense for the 1980's is to forge a special North American community between California and the various Control Boards.

The Caribbean in the aggregate, with close to 20%, is the second largest export customer of California wines. A dramatic new prospect appears to be Mexico. For the last several years, the Mexican government actively manipulated its quota and tariff restrictions on wine, making the sale of California wine there both uncertain and expensive. In fact, the United States did not obtain its first quota for wine from the Mexican government until 1976; even then, we used only a small portion of the quota, due to continued market uncertainties. But recently Mexico has eliminated its quotas on wine and brandy, and has reduced its tariffs on all wine. One Mexican importer now represents 23 California wineries for the sale of table wine, champagne and brandy. He projects sales of 125,000 cases of California wine this year and is enthusiastic for the future.

Enthusiasm for our prospects in the Far East has become the special property of our Secretary of State, March Fong Eu. Our best international ambassador, Mrs. Eu has taken two trade missions to the Far East, with tastings in Taiwan, Hong Kong, Seoul, Manila and Singapore. California winegrowers accompanied her on both missions which have led to considerable publicity and positive change. For example, the listings of additional wines in Taiwan can be directly attributed to the efforts of Mrs. Eu. Beyond Taiwan, to the People's Republic of China, we don't realistically expect exports to the general public though such talks continue to be pursued by a number of our delegations which have visited the Mainland. Rather, a number of our wineries are aiming at making California wines available in the hotels for foreign visitors. Reports are that some are already found on wine lists today.

In Japan, last year California shipped close to 100,000 gallons. The amount is not large, but the Japanese market is difficult to penetrate and I commend those who have labored to acquaint the Japanese public with our wines. One of Japan's largest trading companies has been seriously investigating a major California wine program. Earlier this year at the Manila Conference of the Pacific Area Travel Association, a most influential group, 31 of our wines were presented in a tasting presided over by Bill Lane, of Sunset magazine in his capacity as PATA Chairman, and Joe Heitz, Wine Institute's new Chairman. In February of next year the same Conference will be held in California with vineyard and winery tours planned.

In addition to the Far East, we have launched an expanding list of tasting programs to demonstrate our wines. Following the very successful tasting at the Paris Embassy last year, we have scheduled tastings in Bonn and Copenhagen for this fall, in cooperation with our Ambassadors and their Agricultural Attaches. In South America, we have a California wine-loving ex-San Franciscan (Wendy Luers, now the wife of the American Ambassador to Venezuela), spearheading a month-long California wine festival in Caracas, beginning in late September. Our Embassy in Bogota, Colombia, has asked and we will parti-

cipate in a tasting program which will begin a week after the Caracas Festival.

In Europe, there are rivulets of change. Sales of wine to Switzerland climbed from 5,000 gallons in 1978 to 30,000 in 1979, due primarily to one major buyer, Denner, a supermarket chain. The Swiss impose a tight quota on American wines beyond which an additional tax surcharge is levied. Denner has been willing to pay that surcharge. A German group, Crona Wine Imports, has purchased more than 10,000 cases of Napa Valley wines, mostly red, and is now assembling another shipment of the same size. I know from personal conversation that an eminent European wine figure will be exporting other California wines to Germany in significant amounts. The partners at Globcor Vin are to be applauded for their shipments to France and the fine wines they have introduced to restaurants and wine shops. Their original exports last fall were followed by an additional container this March, with another planned. Additionally, one of our major wineries has recently successfully reintroduced its wines into the French supermarket chain of Prisunic.

Sales to Holland have increased significantly thanks in large part to the efforts of Jim Hutchins, our former Agricultural Counselor in the Netherlands. Albert Heijn, the largest food chain in the Netherlands, last year featured California wines in its annual Octoberfest wine promotion. Dutch consumption of American wine rose from just under 11,000 gallons in 1978 to 53,500 in 1979.

Exports of California wines to the United Kingdom increased from 7,500 gallons in 1976 to 34,000 gallons in 1978 and to 82,000 gallons in 1979. In a particularly exciting development, a major food company in the United Kingdom joined with a large California winery July 9, to launch what many believe to be the largest advertising campaign ever mounted by a wine distributor in the British Isles. This intense media campaign, and the attendant publicity, should also boost sales of other California wines.

The English are considered by many to be the arbiters of the wine world. Thus, it is especially gratifying to us that the Zinfandel Club was founded there by leading wine people like Harry Waugh and Hugh Johnson. Devoted to California wine, its membership has been oversubscribed, and tastings and dinners have far exceeded early intentions. The Under Forty Club, whose members are the young leaders of the British wine trade, just made its first tour of California vineyards and wineries. The Institute of Masters of Wine, one of the wine world's most prestigious organizations, is now planning an extensive California visit.

Organizations such as these have helped create a reservoir of excitement and goodwill in England, so much so that on June 25, close to 700 cases of California wine went on the block at Sotheby Parke Bernet. More than 50 wineries were represented, and it was the largest auction of California wines ever held. It was a most gratifying precedent, to be sure.

The gallonages and cases involved pale in comparison with the 92 million gallons shipped into the United States in 1979. Our exports for the same year were 5,164,000 gallons, significantly more than 1976's 1,398,000 gallons and double 1978's 2,485,000, but still less than 6% of the imports. Yet, the aura of substance and credibility doesn't require overwhelming numbers. What is needed is a breakthrough beyond a certain threshold point supported by international press attention.

1979 with its 107.8% increase in exports may have reached that threshold point. (For the first four months of 1980 we've kept last year's gains and increased them another 42%). And favorable national and world press in the contemporary period has been both warranted and outstanding. This increasing world recognition has enhanced our credibility in many quarters, and we intend, if anything, to strive even further for excellence, while acknowledging that we have no monopoly in that pursuit.

There are more of us in California wine, and the competition is invigorating. Wine Institute today has 351 winery members, an increase of over 150 wineries in the last four years, and 185 since the end of the Marketing Order in 1975. At that time, on the international level, perhaps ten of our wineries made more than an occasional casual sale abroad. According to the export survey Wine Institute's new Committee on International Trade distributed at the beginning of the year, at least 53 of our members now are engaged in ongoing export efforts. This is solid evidence that our consciousness has soared beyond our borders. Satellite television carries scenes of statesmen toasting with our wines across whole hemispheres; and our members have endured earthquakes in China while conducting private tastings.

The constant in wine is change as Ed Mirassou eloquently stated in his farewell address as Chairman of Wine Institute. We grasp the notion that cultural change is favorable to us, and that in open competition against the best we can prosper. We have not and do not now have full political and economic freedom, but we intend to attack artificial government constraints and to have an increasingly stronger influence over our own future destinies. And I, personally, am pledging my career to the triumphs of those destinies.

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FINE WINE AND TRUE GRIT

1981

by

John De Luca

While preparing this article on California wine exports I was struck by the thought that an impressionist painter could just as well capture the essence and flavor of what was really happening as any economist, analyst or statistician. A gifted artist would perceive the swirls of consumer interest in California wines and the spontaneity of media acclaim which in many ways are as revealing as shipment figures and trade regulations. The latter categories are essential and will be addressed in this piece. But at the outset I think it important to underscore a critical element of wine economics that does not get enough attention; namely, that aesthetic and cultural considerations often precede, shape and facilitate commercial judgments and commitments.

At this moment the United States is experiencing lifestyle changes favorable to wine. Men and women interested in nutrition, moderation, cooking, travel, self-help and improvement, all forms of active sports, are merging with what were previously more ethnic styles of enjoyment in a significant acculturation process. Contemporaneously, people in all stations of life, in different parts of the globe, opinion makers and decision makers, are saying quite a bit more than nice things about California wine. The verbal and written applause is not new; and it is important to maintain proportion and not exaggerate the scale. But it is nonetheless true that the good talk in certain circles keeps getting better and is extending wider after well publicized breakthroughs amongst learned palates. The larger canvas of world opinion is absorbing hues of praise for a wide range of our wine-makers' art. What is emerging is a picture of esteem and a "world class" reputation.

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This vitality is spurring sales abroad. In 1976 the United States exported 1,398,000 gallons of wine. In 1980 the figure, overwhelmingly Californian, had reached 7,905,000 gallons. Projecting this period's average annual increase of 57%, analysts predict for 1981 the good probability that more than 10,000,000 gallons of our state's wine will be shipped beyond American borders. While the percentages are impressive, the volume is comparatively modest. Yet, given the nature of the competition and the relatively short period involved, the gains are noteworthy. A certain perspective is gained by observing that California shipments to Pennsylvania, our fourth most populous state, were 10,042,000 gallons in 1979.

In any discussion of exports the natural next step is to want to compare this progress with that of foreign wine. Wines brought into the United States in 1976 amounted to 58,918,000 gallons. In 1980 they had reached 102,507,000. The United States export to import ratio in 1976 was 1:42. In 1980 it "improved" to 1:13 (revealing why percentages and ratios, while helpful, often cannot convey the full story). Our export value in 1976 was 5.7 million dollars with a trade deficit of 308 million dollars, or a trade deficit ratio of 1:55. In 1980 our wine export value reached 30 million dollars. Our trade deficit in wine came to an unwelcome 659 million dollars and the deficit ratio in dollars of United States exports to imports had changed to 1:23.

These amounts and ratios are revealing but bare highlights of commercial activity. The fuller numbers lend themselves to varying interpretations and analyses. Different cases can be made and different political, legal and economic conclusions drawn. What is indisputable, and what has been pressed before the United States Congress and Executive departments, is that California wines on their merits, in free competition with any nation's wines, should not produce a balance of trade deficit of such magnitude. The focus of attention, therefore, sharply fixes on

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artificial constraints and tariff and non-tariff barriers that unfortunately characterize most of the international wine trade. Success in this area, in recent years, has meant overcoming ponderous and byzantine processes. The progress that has evolved can only be described as a blend of fine wine and true grit.

From their very roots our California winegrowers and vintners are internationalist. But wine is big business, and big power is used to safeguard economic position in an essentially protectionist world. For sheer deviousness it is hard to imagine a product more beleaguered by governmental and legal niceties which have entangled wine in a maze of duties, taxes and quotas; processing and labeling regulations; enological, term and lettering prohibitions; licensing and bottle requirements; certification, registration and technical impediments. The United States alone among all leading producers (sixth in rank at 4.5%, but far behind such giants as Italy, France, Spain) provides a basically free and competitive market. The Europeans and also the Latin Americans have been adept in elevating national self-interest to the level of multi-national treaties or practices having the force of continental law. The contagion has spread to other hemispheres, touching minor and miniscule -- and even non-producing -- wine countries. The mind of man has been particularly ingenious in creating every category of disincentive to the free flow of wine.

In the past few decades several California wineries deserve special merit for showing the patience of Job and not delivering up their commercial ghosts. These years have been a period of dogged tenacity which have been important for maintaining the credibility of extra-national interest and for exposing and documenting the subtleties of discrimination.

The multinational trade negotiations in Geneva, the activities leading up to them, and the subsequent trade agreements bill -- all referred to as the "Tokyo

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Round" -- in 1970-1980 stimulated an expanded industry interest in the international wine scene. Building on the important legacy of the past, Wine Institute provided stiffened and strenuous advocacy. Very valuable economic and political briefs were provided the President's Special Representative for Trade Negotiations (STR), the White House, key Executive offices, and especially the California Congressional delegation. The combination of tougher attitude, a meritorious case, and new political strengths resulted in no new concessions. Most important, a new generation of Congressional leaders emerged, both knowledgeable and enthusiastic about California wine. In turn the ripples of more informed and supportive judgment reached key elements of a more open, less prejudiced civil and foreign service, especially in Agriculture, Treasury, STR and the International Trade Commission (ITC).

Certain positive forces began to converge by 1979-1980, which can be considered threshold years for United States and California wine exports -- 1977 had recorded a national figure of 1,944,000 gallons, and 1978 had climbed to 2,485,000 gallons. But 1979 more than doubled that amount with a 108% increase to 5,164,000 gallons. Canada accounted for 60% of that volume, a proportion almost maintained in 1980 when 4,612,792 of our 7,905,000 gallons were shipped to our northern neighbor. (Much of this in the form of bulk wine.)

While Canada did not weaken, 1980 was the year for Western Europe. The United Kingdom went from 82,315 in 1979 to 530,963 gallons or an increase of 545%. Belgium and Luxemburg went from 57,965 to 225,509 or a change of 289%. West Germany recorded an increase of 1,082% by going from 15,102 to 178,516. The Netherlands registered a positive change of 53% by moving from 53,687 to 82,077. France went from 18,724 to 52,467 or an increase of 180%.

Everyone acknowledges that the impressive percentages must be viewed in the context of initial tiny bases. Every temptation for overstatement should be

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mented. Nonetheless, 1980 should acquire more than footnote status when we realize that achievement in the world of wine is measured against the backdrop of centuries of tradition; and any breakthrough is impressive because so much cultural, legal, economic power is aligned against the smallest change. In that light we should note the following: Australia from 6,554 to 30,486 or an increase of 365%; Panama from 40,313 to 97,821, up 143%; Hong Kong 20,967 to 69,953 an increase of 234%; Ecuador 4,905 to 55,473 or a change of 1,031%; Japan recorded a 52% improvement by going from 136,440 to 207,316; and Mexico registered a 58% increase with a push from 36,163 to 57,240 gallons. The ultimate fact is that 1980 preserved the 100% plus gain of the previous year and surpassed it by 53%.

By 1979-1980 the impressions of favorable California wine experiences had reached larger audiences. Acclaim from foreign writers was reinforced by individual travelers drawn here by more aggressive tourist promotion and favorable exchange rates produced by the weakened dollar. (True almost everywhere except for the Italian lira whose very major devaluation has assisted Italy's market strategies.) Bold leaders at a growing number of California wineries pushed for change and reform and backed their trade initiatives by either accelerating previous efforts and resources or committing new energies, funds and personnel. They were assisted by agricultural and commercial attaches who, in a parallel development, identified with and implemented the new sense of national pride and determination. European Economic Community regulatory exemptions (derogations), spearheaded by enlightened BATF officials, were accompanied in 1980 by ongoing US-EEC trade consultations designed to improve labeling regulations and enological standards. There was also some element of enlightened self-interest by certain brokers, agents and entrepreneurs who envisioned both profits from California wines abroad and economic and political safeguards to their lucrative and growing wine trade in America.

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In the past 12 months the business queries and media attention given our wines have been notable. There have been days at Wine Institute when the conference room resembled more a carriage car for the United Nations or a buyers' convention. The wine reception areas around the state have been an interpreter's delight, as foreign guests and writers have registered the increased interest at home. This conscious new exploration of firms, brands, regions, grapes, vintages and styles have converged around a unifying force: the appreciation of California wine has become one of the badges of identity for cultural awareness and modernity. And it is not only tourists who are traveling. In this last year alone Wine Institute has sponsored or participated in successful tastings in Manila, Hong Kong, Singapore, Caracas, Nassau, Copenhagen, Hamburg, London, Toronto, Montreal, and Vancouver. In addition, ambassadors of good taste, representing individual wineries or regional associations, have made new friends for our wines in numerous other cosmopolitan settings. Our wines are starting to appear on more foreign menus, in foreign shops, on foreign tables. The cachet of prized import is being associated with the California name.

And the change in Administrations promises additional positive results. At every level and in every department new officials have displayed encouragement, understanding and a desire to improve the overall regulatory and export environment. The California wine industry could not have gotten off to a better start with the new Reagan team as evidenced by the cooperative efforts surrounding Inauguration festivities. Moreover, President Reagan's dramatic toast on live television, announcing to the entire world the news that the hostages had cleared Iranian air space, graciously coupled our wine by direct reference with one of the nation's most memorable pronouncements. At that moment a glass of California wine, continuing its journey by satellite television, launched by Nixon's celebrated

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China toast, and extended by Carter's Camp David salute with Sadat and Begin, could well have been nominated as the symbol of the global village and modern telecommunications.

That symbolism reminds us how quickly new signals can be transmitted in a changing world. We are not in static times. A new message is being communicated in the world of wine which should be well received. California is already providing international consumers with a new range of quality and choice, and at comparatively attractive prices. California is seeking new markets and is prepared to compete with anyone. California will not accept the status quo of protected citadels. No one, of course, has any illusions about the time and rate of progress. The international scene is one of flux and uncertainty and contradictions. Certain relaxations can be followed by stiffer reactions. Concessions can be withdrawn and new obstacles imposed. Peace, the economy, political tension impinge on questions of trade. We have made our government much more aware of wine issues, but we also maintain a realistic perspective on where wine fits in overall United States, foreign and economic policy.

In February of this year, Wine Institute's newly formed Committee on International Trade submitted a most sober document to the Treasury Department which detailed the priority of our foreign markets -- mostly, but not exclusively, non-wine producing countries -- and the specifics of the barriers we face. The report is a compendium of artificial constraints which promise years of effort to overcome. We must and do accept the challenge with a sense that we are not without resolve or resources.

In our own nation we have had to deal with trade barriers in states which, in matters of wine, were more akin to foreign countries than sister communities in the same union. We have succeeded to the point where California wine is the leading

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imported wine in the United States. The American market is the great wine market everyone wishes to penetrate. We acknowledge this and are prepared to compete freely and to advocate with greater intensity that those who trade with us must provide harmonization of rules and reciprocity of conditions. Equality of treatment and the elimination of double standards are both worthy and necessary goals. We intend to use and enhance our growing political and Congressional strengths as legitimate leverage for trade reform. Certainly contemporary America is more acutely sensitive to the issue of balance of payments deficits produced by trade barriers.

There is linkage in international wine commerce. Our expanding international reputation for quality continues to burnish our reputation at home where increasing knowledge and sophistication can only help consumer choices. Our present and future success is tied to the more informed consumer. Our insistence on harmonization and reciprocity is gaining adherents in the press and in government. For too long certain sectors have been working both sides of the street with impunity. They must be told honestly they cannot have it both ways. Ultimately, we must move into an era for wine where what determines success is the soundness of the product and not the weight of the constraint. There is formidable economic and political resistance to this notion. But as winegrowers and vintners we see time as an ally to a cause we've only just begun to live.

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WINE, HEALTH & SOCIETY, SYMPOSIUM
November 14, 1981

HOW GOVERNMENT AFFECTS WINE AND SOCIETY by John A. De Luca, Ph. D

IN THE LONG SWEEP OF AMERICAN HISTORY THE FORCES OF GOVERNMENT AND SOCIETY HAVE NOT BEEN ESPECIALLY HOSPITABLE TO THE CULTURE OF WINE. THERE WERE, OF COURSE, POCKETS OF ENCOURAGEMENT, ESPECIALLY WHERE FRENCH, SPANISH AND GERMAN COLONIAL INFLUENCES WERE STRONG. LATTER DAY MIGRATIONS WITH THEIR "LITTLE ITALYS" AND PORTUGUESE AND GREEK COMMUNITIES, CREATED ETHNIC CENTERS FOR WINE IN TEEMING AND BUSTLING EASTERN AND MID WESTERN BIG CITIES. THERE REMAINS IN THE NATIONAL CORRESPONDENCE AND LITERATURE MEMORABLE PASSAGES OF PRAISE FOR WINE FROM LUNINARIES SUCH AS THOMAS JEFFERSON AND BENJAMIN FRANKLIN AND MANY OTHERS. IN THE CONTEMPORARY PERIOD LIFESTYLE CHANGES FAVORABLE TO WINE FUEL OUR SENSE OF OPTIMISM FOR THE FUTURE. BUT IN THE LARGER AND LONGER VIEW OF THINGS AMERICA, ON THE WHOLE, HAS NOT BEEN A WARM FRIEND TO THE JOYS AND PLEASURES OF WINE.

FREDERICK TURNER'S FRONTIER WAS A HARD DRINKING LAND WITH LITTLE OR NO SYMPATHY FOR THE MEDITERRANEAN TRADITION OF WINE WITH MEALS. THE BIBLE BELT ETHIC REJECTED THE JUDEO-CHRISTIAN ASSOCIATION OF WINE AS AN INTEGRAL PART OF ONE'S ETHNIC AND RELIGIOUS TRADITION AND ADOPTED THE PURITAN CONCEPT THAT REJECTED EVERYTHING PLEASURABLE. CARRIE NATION'S AXE SMASHED NOT ONLY SALOONS BUT ALSO THE FRAGILE FAMILY TABLES OF ARRIVING IMMIGRANTS FROM SOUTHERN EUROPE. THEIR HERITAGE OF WINE AS AN ETHNIC AND CULTURAL BINDER, "SOUL FOOD" THAT LINKED DIVERSE NATIONALITIES, WAS LABELED A FELONY ~~THE~~ ^{BY} THE 18TH AMENDMENT WHICH WAS ADDED TO THE BASIC CHARTER OF THEIR NEW LAND. REPEAL, IN ITS TURN, USHERED IN AN EXTRAORDINARY PHALANX OF MANDATED RESTRICTIONS AND CONTROLS AT EVERY LOCAL, STATE AND FEDERAL LEVEL.

THE WRECKAGE AND DISCRIMINATIONS OF THE PAST CLOG AND LITTER OUR NATIONAL LANDSCAPE. THE CONSTITUTIONAL ABERRATION OF PROHIBITION, AND THE JUDICIAL LATITUDE GIVEN THE 21ST AMENDMENT, SHACKLE OUR WINE COMMERCE TO THIS VERY DAY. ALMOST FIFTY YEARS FOLLOWING REPEAL WE CONTINUE TO

HAVE STATES AND COMMUNITIES WHERE WINE CANNOT BE ORDERED IN A RESTAURANT, OR PURCHASED IN A GROCERY STORE, CANNOT BE OFFERED IN THE PRIVATE SECTOR, OR EVEN PERMITTED FOR SALE, WHATEVER THE FORM. AND IT IS NOT ONLY OUR DISTRIBUTION SYSTEM THAT HAS BEEN CONTAMINATED. THE LEGISLATIVE, ADMINISTRATIVE AND JUDICIAL SYSTEMS HAVE BEEN INFECTED BY A GREAT "CULTURAL CALUMNY" THAT LIKE A VIRUS FLOWS IN OUR NATIONAL CONSCIOUSNESS: WINE'S HERITAGE OF THE SOIL AND HARVEST HAVE BEEN SUBVERTED BY THE EPITHET OF "BOOZE". THE MORALIZERS OF OUR LAND HAVE BRANDED US A "SIN" INDUSTRY, A VICE TO BE CONTROLLED, A "HEALTH HAZARD" TO BE BARELY TOLERATED, ONLY BECAUSE REVENUE COULD BE EXTRACTED. THE JUSTIFICATION FOR GOVERNMENTAL EXEMPTION FROM THE ANTI-TRUST LAWS HAS BEEN THE MORAL IMPERATIVE OF CONTROL, NOT JUST OF ABUSIVE BEHAVIOUR BUT OF THE PRODUCT ITSELF AND OF ITS MODERATE CONSUMPTION.

THE LAST SEVERAL DECADES HAVE PRODUCED SUCCESSES THAT HAVE SMOOTHED THE JAGGED EDGES OF DISCRIMINATION. WE IN THE WINE WORLD HAVE NOT BEEN LULLED INTO COMPLACENCY BUT IT WAS NATURAL FOR OBSERVERS AND COMMENTATORS TO LAUD THE WINDS OF CHANGE AND TO SUBORDINATE LATENT DIFFICULTIES. THE FINE WINE, THE COMPETITIVE PRICES, THE EXCEPTIONAL SKILLS OF OUR WINE-MAKERS AND THE INITIATIVES OF OUR FAMILIES AND ENTREPRENEURS HAVE INTRODUCED NEW CONSUMERS TO THE PLEASURES OF WINE. TRAVEL ABROAD AND TO THE VINEYARDS OF CALIFORNIA AND AMERICA HAVE HAD A POSITIVE EDUCATIONAL EFFECT. HEIGHTENED INTEREST IN MATTERS OF HEALTH AND MODERATION HAVE PARTICULARLY FAVORED WINE. MANY OF THOSE ADULT AMERICANS WHO ARE JOGGERS, SWIMMERS, SKIERS, TENNIS PLAYERS, ETC. HAVE TURNED TO WINE IN HIGH NUMBERS. THE COCKTAIL HOUR IS BECOMING THE WINE HOUR. THE SO CALLED "BUSINESSMAN'S LUNCH" IS ACCOMPANIED MORE AND MORE BY WINE AND LESS BY HARD LIQUOR AS CONSUMERS SEEK BEVERAGES WITH LESS ALCOHOL AND WHICH COMPLEMENT FOOD. THE DYNAMISM OF WOMEN ON THE MOVE HAS AFFECTED SHOPPING PATTERNS, THE DINNER TABLE, AND LIFESTYLE CHANGES. INTERNAL MIGRATIONS TO THE SUN

BELT STATES HAVE EXPOSED MILLIONS TO THE WESTERN ETHIC OF OUTDOOR LIVING, INFLUENCED NICELY BY WINE AND APPROPRIATE FOOD DISHES, AND HAVE AWAKENED METROPOLITAN CENTERS IN THE SOUTH AND SOUTHWEST TO THE APPRECIATION OF WINE AS ONE BADGE OF A NEW IDENTITY AND SOCIAL VIGOR.

THIS NEW CULTURAL SUPPORT FOR WINE FAR SURPASSES THE ORIGINAL ETHNIC, RELIGIOUS AND GEOGRAPHIC LOYALTIES TO WINE. OUR CONSUMERS KNOW US BY NAME, VISIT OUR WINERIES AND VINEYARDS AT THE RATE OF FIVE MILLION GUESTS A YEAR, ORGANIZE THROUGHOUT THE COUNTRY IN STUDY GROUPS AND SOCIETIES, AND CONSULT AVIDLY THE JOURNALS, ARTICLES AND NEWSPAPER COLUMNS AND BOOKS THAT HAVE CHARACTERIZED WINE'S RESURGENCE IN AMERICA. OUR WINE CONSUMERS CORRESPOND, ATTEND TASTINGS, AND ASK QUESTIONS FACE-TO-FACE TO A DEGREE PERHAPS UNMATCHED IN CONTEMPORARY AND OFTEN ALIENATED SOCIETY. THEIR POLITICAL INITIATIVES HAVE LED TO REGULATORY AND LEGISLATIVE REFORMS, HELPFUL TO WINE, IN MANY STATES. THEIR PARTICIPATION WAS INVALUABLE IN THWARTING RECENT FEDERAL ATTEMPTS TO IMPOSE WARNING LABELS AND INGREDIENT LABELING. AN INFORMED CONSTITUENCY ENLIGHTENED BY WINEGROWER AND WINEMAKER AND WINEWRIER AND WINE-EDUCATOR, IS THE KEYSTONE IN THE ARCH OF WINE'S GROWTH AND PROGRESS.

BUT THE ROAD YET TO TRAVEL IN AMERICA IS STILL GREAT. THE TWO GALLON PER CAPITA PER YEAR FIGURE, WHICH UNDERSCORES OUR ROOM FOR FUTURE GROWTH, ALSO REMINDS US OF OUR RANKING AS 29TH IN THE WORLD, FAR BEHIND NOT ONLY THE MEDITERRANEAN AND EUROPEAN NATIONS. WINE'S SUSCEPTIBILITY TO PUNITIVE MEASURES BY GOVERNMENT IS NOT FANCIFUL. THE STIGMA AND LEGACY OF THE PAST, GIVEN CERTAIN NATIONAL CONDITIONS SUCH AS FISCAL DISORDER, CAN BE EXPLOITED TO OUR DETRIMENT. IN THESE VERY MONTHS, YOU CAN HEAR THE MORE BOLD CREAKING OF THE DOOR AS "CLOSET" PROHIBITIONISTS PUSH TENTATIVELY FORWARD TO TEST THE NEW ENVIRONMENT. THE REIMPOSITION OF PROHIBITION IS RULED OUT, BUT THE MENU FOR MISCHIEF IS CONSIDERABLE. FOR EXAMPLE, FOR MANY YEARS THE

PROGRAMS AND MONIES OF FEDERAL LARGESSE HAVE BLUNTED HEAVIER EXPLOITATION OF EXCISE TAXES AT THE FEDERAL AND STATE LEVELS (THOUGH SOME STATES HAVE BEEN ABOMINATIONS FOR WINE). THE REAGAN REVOLUTION AND REAGONOMICS, HOWEVER, IS PRESENTING US WITH A SPECIAL CHALLENGE; WINE'S OWN "WINDOW OF VULNERABILITY."

IN RECENT DAYS THE TERM "SIN TAX" HAS APPEARED MENACINGLY IN BUDGETARY CONSIDERATIONS IN PROMINENT QUARTERS. MASSIVE FEDERAL BUDGET CUTS HAVE PROMPTED A NUMBER OF STATES, INCLUDING CALIFORNIA, TO EXPLORE RAPIDLY THE SOURCES FOR QUICK MONEY. IN OUR NATION'S CAPITAL THE SUMMER BUDGET AND TAX CUTTING FORAYS HAVE GIVEN WAY TO FALL AND (SOON) WINTER OFFENSIVES FOR "REVENUE ENHANCEMENT." VERY OBVIOUS MONEY GRABS ARE BEING DISGUISED AND RECAST IN TERMS OF THE SOCIAL AND PUBLIC GOOD. AND WE IN THE WINE WORLD HAVE A LOGE SEAT ON THIS NEW DRAMA. THE NET THROWN OUT HAS CAUGHT "ALCOHOL," TOBACCO, HORSE RACING, "GIRLIE" MAGAZINES. FIFTY YEARS AFTER PROHIBITION, THE NOTION IS BEING PROMOTED THAT HAVING A GLASS OF WINE WITH YOUR MEALS AND FAMILY IS ONE OF THE "SINS" TO BE TAXED. IN TRUTH, THE UNPRECEDENTED PRESSURE FOR NEW MONIES HAS PUT IN RELIEF THE RESIDUAL DAMAGE IMPOSED ON WINE'S HERITAGE AND TRADITIONS. NO ONE IS RUSHING OFF CALLING FOR "SIN" TAXES ON MEAT AND BREAD AND FISH. WITH THE EARLIEST BLUSH OF STRESS ON OUR NATION'S REVENUES SOME ELEMENTS HAVE BEEN EASILY TEMPTED TO THROW US OUT OF THE SHOPPING BASKET.

WE MUST AVOID EXAGGERATION. BUT THE CONSIDERATION IS REAL THAT MAJOR TAX HIKES, DISGUISED AS "SIN" TAXES, CAN CARRY ~~EVERYDAY~~ ^{MEALTIME} WINE BEYOND THE REACH OF MANY FAMILIES. THE ~~MORE~~ AFFLUENT CONSUMERS CAN AFFORD SUCH BOOSTS, BUT EVEN WITH THEM THEIR BEHAVIOR WOULD BE MODIFIED. CERTAINLY THE "SIN" TAX MENTALITY WOULD, IF UNCHECKED, LEAD TO HEAVIER RELIANCE ON THIS FORM OF REVENUE FOR THE FUTURE. ONCE WHETTED THIS APPETITE COULD BE DIFFICULT TO SATISFY. THE SAGGING WEIGHT OF THIS COST BURDEN ON THE AVERAGE WINE CONSUMER WOULD FRUSTRATE AND EVEN STOP THE POSITIVE CULTURAL TRENDS ALREADY NOTED.

SUCH A REVERSAL WOULD, NO DOUBT, CHEER THE SMALL BAND OF NEO-PROHIBITIONISTS WHOSE AGENDA HAS INCLUDED WARNING LABELS, INGREDIENT LABELING, HEALTH SCARES AND PUNITIVE TAXES - ALL DESIGNED TO ALTER AND CONTROL PERSONAL HABITS AND BEHAVIOR. THEIR AGENDA, WHICH IN RECENT YEARS HAS FOUND PROponents IN LIMITED BUT KEY GOVERNMENT AGENCIES, WOULD BE GIVEN A SIGNIFICANT BOOST BY THE NEW SEARCH FOR FUNDS. SEPARATE CLUSTERS OF INTEREST CAN CONVERGE TO FORM NEW ALLIANCES WHICH CAN BE EXPLOITED. FOR EXAMPLE, THE NEO-PROHIBITIONISTS CAN FUSE WITH THE SEPARATE PROGRAM OF THE ALCOHOLISM PROFESSIONALS WHO HAVE LONG ADVOCATED "USER" TAXES AND "EARMARKED" FUNDS AS A WAY OF ASSURING ALCOHOLISM BUDGETS WHICH WOULD LARGELY AVOID LEGISLATIVE REVIEW AND THE SETTING OF ADMINISTRATIVE PRIORITIES. A CERTAIN AURA OF LEGITIMACY WOULD BE GIVEN BOTH ELEMENTS BY LAWMAKERS AND BUDGET CHIEFS SEEKING "SIN" TAX INCREASES FOR GENERAL FUND PURPOSES.

WE IN THE CALIFORNIA WINE INDUSTRY, AND OUR COLLEAGUES IN THE OTHER STATES, ARE AWARE OF OUR PUBLIC AND SOCIAL RESPONSIBILITIES. WE ARE ACTIVE IN MANY FORMS OF COMMUNITY SERVICE. WE BELIEVE WE MAKE A MAJOR CONTRIBUTION TO THE AGRICULTURE, COMMERCE AND ECONOMY OF OUR STATE. THE VITAL TOURIST AND HOSPITALITY AND RESTAURANT SECTORS INCLUDE US AS IMPORTANT ELEMENTS IN THEIR SUCCESS. WINE GRAPES AND WINE GENERATE MANY JOBS AND REVENUES, NOT REFLECTED BY NARROW ATTENTION TO EXCISE TAXES. PROPERTY, PAYROLL, INCOME AND SALES TAXES COMBINE WITH MANY LICENSES AND FEES TO SUSTAIN VITAL PUBLIC SERVICES. IN TIMES OF REAL NEED THOSE LEGISLATIVE INITIATIVES WHICH FEATURE EQUALITY OF SACRIFICE WILL FIND US CO-OPERATIVE. BUT WE RESPOND WITH JUSTIFIABLE INDIGNATION TO ANY NOTION OF WINE AS "SIN" AND TO REGRESSIVE TAXES ON WINE CONSUMERS.

THE CIRCUMSTANCES WE FACE WILL PUT NEW STRAINS ON US. BUT WE MUST FACE THE ISSUES STRAIGHT ON. ON THE ANVIL OF PUBLIC DEBATE WE MUST HAMMER OUT OUR RESPONSES. OPEN DEBATE WILL PROVIDE US AN OPPORTUNITY TO EDUCATE THE GENERAL PUBLIC ABOUT WINE'S SPECIAL HISTORY AND BURDENS.

MISGUIDED GOVERNMENT DRAWS SUSTENANCE FROM CULTURAL IGNORANCE; AND WE MUST REDUCE AND ELIMINATE THAT LINKAGE. THE "SIN" TAX ISSUE COULD FOCUS FOR US THE MANY ATTRIBUTES OF DISCRIMINATION. FOR WINE'S MORE SECURE FUTURE IN AMERICA WE SHOULD END THIS CENTURY BY SWEEPING AWAY THE CULTURAL, LEGAL AND GOVERNMENTAL BAGGAGE OF CONSTRAINT BESTOWED ON US IN THE INITIAL DECADES. THE FIGHT OVER TAXES IS PRACTICAL, NOT FUZZY OR CONCEPTUAL, AND CAN CUT THROUGH THE RHETHORIC OF SOCIAL AND MORAL ENGINEERING .

WE ARE BETTER EQUIPPED TODAY TO TAKE ON OUR DETRACTORS. WE HAVE A MORE KNOWLEDGEABLE CITIZENRY, GREATER CONSUMER ALLEGIANCE, AND BETTER COMPREHENSION OF THE ISSUES. THE FORMULA FOR SUCCESS IS NOT COMPLICATED: UNIFIED AND STRONG ORGANIZATION, AUGMENTED BY A STRATEGY OF ALLIANCES, WILL IMPACT THE CRUCIAL INTERACTION BETWEEN THE MEDIA AND GOVERNMENT. ACTIVE PARTICIPATION IN THE POLITICAL PROCESS WILL ACHIEVE INFORMED REPRESENTATION AND ENHANCE THE ABILITY TO INFLUENCE OUR OWN DESTINIES. THE ABSOLUTE PREREQUISITE FOR SUCCESS IS CREDIBILITY BEFORE THE PUBLIC, THE PRESS, THE GOVERNMENT. FOR US IN THE WINE INDUSTRY TO BE PERCEIVED AS PART OF THE SOLUTION TO SOCIAL CONCERNS AND NOT PART OF THE PROBLEM WE MUST PRESERVE THIS REALITY THROUGH CREDIBLE INITIATIVES. WE MUST BE FIRST IN IDENTIFYING CONSUMER AND PUBLIC NEEDS AND ADVANCING REALISTIC PROPOSALS AND PROGRAMS TO MEET THEM. THAT IS THE PHILOSOPHY BEHIND WINE INSTITUTE'S CODE OF ADVERTISING, OUR EMPLOYEE ALCOHOLISM PROGRAM, OUR MOBILIZATION FOR ACTION PROGRAM UNDER THE AUSPICES OF THE ALCOHOLISM COUNCIL OF CALIFORNIA, OUR PROPOSALS THAT LED TO HIGHER LABELING STANDARDS FOR VARIETAL, APPELLATION AND VITICULTURAL MATTERS. ONLY THROUGH EDUCATION CAN WE PRE-EMPT THE REPETITION OF MORAL SELF-RIGHTEOUSNESS, UNINFORMED SOCIAL ACTIVISM, AND MISGUIDED GOVERNMENT CONTROLS.

GOVERNMENTAL STRUCTURES, STRUCTURES, PROGRAMS AND DIRECTIONS ARE NOT IMMUTABLE, ESPECIALLY IN PLURALISTIC AMERICA. THE GENIUS OF OUR SYSTEM IS THAT IF YOU ARE PATIENT AND WILLING TO GO TO THE PUBLIC MAT

WITH IDEAS AND PROGRAMS AND RESOURCES YOU CAN BRING ABOUT ORDERLY CHANGE. TIME IS ON THE SIDE OF WINE, BUT ONLY IF WE ARE PREPARED TO MAKE THE SAME COMMITMENT TO SOCIETY AND GOVERNMENT IN AMERICA THAT WE HAVE TO VITICULTURE AND ENOLOGY. THERE ARE ALCOHOLISM ISSUES AND HEALTH ISSUES AND SOCIAL ISSUES THAT REQUIRE RESEARCH AND KNOWLEDGE. WE HAVE A PROPER ROLE AND RESPONSIBILITY TO PUT MORE MEDICAL AND SCIENTIFIC FACTS IN THE JUDGMENT CHAMBERS OF OUR PEOPLE AND LEADERS. WE HAVE SOUGHT OUT TRUTH IN OUR LABS AND VINEYARDS; AND THAT TRUTH HAS LED TO ONE OF THE REMARKABLE SUCCESS STORIES IN AMERICAN PRIVATE ENTERPRISE. THAT SAME ENERGY AND DRIVE CAN BE DIRECTED TO THE POLITICAL AND SOCIAL ARENAS, WHICH IMPINGE ON OUR INDUSTRY TO AN EXTENT RARELY ENCOUNTERED BY OTHERS IN THE PRIVATE SECTOR.

THE LIBERATING IDEA IS TO ACKNOWLEDGE THAT AS LONG AS YOU HAVE ALCOHOL IN YOUR PRODUCT IT CAN BE ABUSED. THE SECOND THOUGHT IS TO UTILIZE GENEROUSLY OUR RICH CULTURAL, RELIGIOUS, CULINARY PAST TO ASSURE WINE'S PLACE AS THE BEVERAGE OF MODERATION. IT IS NOT ENOUGH TO RECALL THE LITERATURE AND HISTORY OF WINE AS A CIVILIZING AGENT. WE MUST TRANSLATE INTO MODERN TERMS THE NEW EQUIVALENT OF THAT POWERFUL MESSAGE. AND THAT IS ACCOMPLISHED BY BEING SECOND TO NONE IN OPPOSING ABUSE AND NAILING DOWN THE LEADERSHIP ROLE WE'VE ALREADY CHARTED IN PROMOTING MODERATION. WINE INSTITUTE'S CODE OF ADVERTISING IS A TRAIL BLAZER IN THAT DIRECTION. OUR REWRITING OF THE WINE EDUCATOR'S NOTEBOOK IS ANOTHER SUCH INITIATIVE. OUR PILOT PROGRAMS IN A NUMBER OF CALIFORNIA COUNTIES SEEKING TO ENGAGE COMMUNITY LEADERS IN THE FIGHT AGAINST ALCOHOL ABUSE CAN BE CONSOLIDATED AND FURTHER EXPANDED. THE POLITICAL CONSEQUENCES OF ENLIGHTENED SELF INTEREST ARE WELL KNOWN IN AMERICAN LIFE. WITH TENACITY AND VISION WE CAN ASSURE WINE'S PLACE AS A BEVERAGE FOOD THAT IS CONSUMED IN MODERATION. THE LEGAL AND GOVERNMENTAL REFORMS WE SEEK WILL FOLLOW THE WIDER ACCEPTENCE OF THIS FACT.

IN CONCLUSION, LET ME ADMIT THAT I AM A PROPONENT OF A POLICY OF "TWO HANDS." IN TBLISI, IN SOCIET GEORGIA, IS A GIANT STATUE THAT SYMBOLIZES THAT THOUGHT: A SWORD IN ONE HAND, FRUIT AND HONEY IN THE OTHER. FOR AMERICAN SOCIETY I PROPOSE POLITICAL MIGHT TO CONFRONT THOSE WHO MEAN US HARM AND EDUCATIONAL GRACE TO ENLIGHTEN THOSE WHO SEEK THE JOYS OF WINE. THE PURSUIT OF BOTH GOALS IS STUFF ENOUGH FOR A LONG AND ACTIVE LIFE.

SETTING THE RECORD STRAIGHT ON WINE

by
John A. De Luca

As wine growers, attuned to the rhythms of nature and the harvest, California vintners are alert to the ravages of frost and flood, heat and pestilence. Natural enemies are an unfortunate reality in the world of agriculture. However, they also provide good training for the afflictions of activist politics. For example, it appears from recent articles, orchestrated by the Center for Science in the Public Interest (CSPI), that we wine people have been targeted for a new infestation. The biting edge of the attack on our integrity is the irresponsible distortion of the "ingredient labeling" issue and the misrepresentation of the Administration's decision to rescind a costly and unwarranted regulatory burden.

Peter Navarro's article in the Washington Post of January 4, 1982, "What Have They Done To The Wine?" repeats the tired calumnies of the past decade. The issue in question applies equally to liquor, beer and wine. Wine, in fact, received scant initial attention; but a certain meanness of mind has apparently set in, due perhaps to winegrowers' success in raising public awareness about the costs, misuse and inequities of ingredient labeling for wine. Mr. Navarro has become a convert to a zealous cause, whose adherents have grown so self-righteous that they act as if they have a special dispensation from the requirements of truth. They have exploited this issue for its media and publicity value since 1972. Despite major rejections by university researchers, wine consumer groups, wine and food critics, bipartisan Congressional and Executive leaders, Mr. Navarro burnishes the slander that wine in its normal, moderate use poses a national health hazard.

He would have benefitted from firsthand exposure and study before reciting his litany of malice. No California wine contains suspected carcinogens, red or other dyes, ox blood, urea, or similar foreign substances, as he contends. No California wine causes asthma, hives or respiratory problems. Researchers at the University of California, Davis and Stanford Medical School have scientifically and medically refuted, and placed in its proper dimension, the allegation that wine causes substantial allergy problems.

Attention to legitimate consumer needs has been the hallmark of our industry's progress. How else could we have emerged from the ashes of Prohibition? How else could California wine thrive today in open competition with the greatest wines of the world? The most perfunctory examination of the regulatory evidence would have illuminated Mr. Navarro's judgment. The federal standard is clear and vigorously enforced: "Grape wine is wine produced by the normal alcoholic fermentation of the juice of sound, ripe grapes." Table wine is, thus, not a concoction of ingredients.

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Setting The Record Straight On Wine
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The rescission of ingredient labeling for liquor, beer and wine by the Reagan Administration has led to the simplistic charge of "politics" and "lobbying." Mr. Navarro refers to "fierce" opposition from the California Congressional delegation. The truth is that the record reveals battles for turf between the FDA and BATF, political interference by President Carter's appointees at Treasury and the White House, and pressure from the CSPI and neo-Prohibitionist groups, exploiting the issue for anti-alcohol and moralist causes. The federal courts in 1976 struck down the FDA's power play to impose ingredient labeling. A bipartisan coalition in 1977 defeated a similar move in Congress. In 1979 the Council on Wage and Price stability concluded the regulation was not "cost justifiable." President Reagan's election in 1980 in part reflected the national consensus to dramatically curb regulatory abuse. The proposal to rescind ingredient labeling for liquor, beer and wine, far from being the result of industry pressure, drew its ethical imperative from this electoral mandate. This was enforced by the resolute support of many thousands of wine consumers during the comment period. They voted, in overwhelming numbers, against ingredient labeling and, by implication, against the organizations which arrogantly claimed to speak for them.

The pious thread that runs through Mr. Navarro's piece is his concern that the absence of ingredient labeling suppresses "the free market's invisible hand [which] needs competition and information to work." But the facts strip this argument of its credibility. There are few products in America which receive so much consumer and media attention. Newsletters, newspaper columns, journal articles and books on wine abound. Wine societies, wine education classes and wine appreciation courses proliferate. Five million visitors a year tour our California wineries and vineyards. America is the freest wine market in the world. Vigorous competition flourishes; thousands of labels, from over forty nations, assure a wealth of consumer choice unmatched in history.

Our vintners put their own names on their labels, a personal guarantee rarely available in today's assembly-line America. This assures quality in a way that eludes the comprehension of our detractors. The pursuit of excellence by California winegrowers has diminished much of America's cultural prejudice and ignorance toward wine. Mr. Navarro's sophistry dismays us, but it also inspires us to redouble that pursuit.

In vino veritas.

#

Peter Navarro

What Have They Done to the Wine?

Unfortunately, in their admiration of *laissez-faire*, many conservatives forget the crucial conditions that the market requires to work its allocative magic. As economists have shown, the free market is best if and only if it is *perfectly competitive* and both buyers and sellers have *complete information*. Failing these conditions, distortions may result that make some regulation desirable.

Consider the proposed regulation on labeling of alcoholic beverages, a regulation recently rescinded by the Reagan administration. It would have required sellers to print the ingredients of their products on their labels. This would have had two salubrious effects on the market.

First, it would have provided buyers with important information about product quality, thereby facilitating consumer choice. For example, in choosing between two brands of identically priced wine, the consumer would be able to make an informed choice about a Beaujolais made only from grapes and one packed with dye, sugar and chemicals. This would drive out dishonest producers and bring into the market buyers now wary of products of questionable quality.

Second, labeling would have enhanced competition among producers by lifting the veil of secret formulas. It would also have exposed those companies that relied on inferior ingredients to attacks in advertising wars. This would have further heightened consumer awareness and choice—and pressure on producers to come up with better products.

In addition to promoting competition and consumer choice, the labeling requirement would have had an important health benefit.

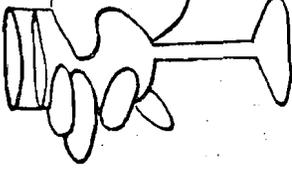
Many of the ingredients in alcoholic beverages provoke allergic responses. For example, the preservative sulfur dioxide can induce asthma and respiratory problems. Similarly, dyes used in some cordials and liqueurs can cause hives, while some ingredients, e.g., red dye in some wines, are suspected carcinogens.

In rescinding the labeling requirement, the Treasury Department, which has jurisdiction over alcoholic beverages, declared that the costs of labeling outweighed its benefits. Treasury came to its conclusion primarily on the basis of a consultant's report prepared for the Carter administration.

According to that report, the cost to the industry ranged from roughly \$12 million to \$150 million, while the benefits to consumers ranged from \$31 to \$188 million. The remarkably different interpretation of these estimates by the Carter and Reagan administrations makes it clear that cost-benefit analysis is not a strictly scientific but rather a highly discretionary decision-making tool.

The Carter administration originally adopted the labeling requirement because the low-end benefit estimates (\$31 million) exceeded the low-end costs (\$12 million) and the high-end benefit estimates exceeded the high-end costs. In their view, that meant benefits were likely to exceed costs. In contrast, the Reagan Treasury interpreted the possibility that the higher-end cost estimates exceeded the lower-end benefits to mean that costs would likely exceed benefits.

The most logical explanation for the administration's different view of the same information is ideological bias. With the case for labeling not overwhelming, conservatives in Treasury tilted toward the free



By Michael Crawford

market and away from consumer protection. If that is the case, they may legitimately be accused of overzealousness.

While the cost-benefit analysis was a close call, it was well within the power of Treasury to write the regulations so as to ensure that beverage producers bear only the lower cost estimates that were definitely less than the benefits. Indeed, the department could have merely required producers to provide an address to which consumers could write for ingredient information; but it did not take even this small step to protect the 1/2 to 2 million allergenic Americans.

But according to a Treasury official, opposition to labeling was fierce, particularly from the California congressional delegation. Wine growers in that state apparently feared dis-

closure of the long list of ingredients that sometimes are mingled with the simple grape—urea, ox blood, dyes, sugar, egg albumen—would hurt sales.

Whichever reason represents truth, the administration's rhetoric about "objective" cost-benefit analysis should not be allowed to obscure an important principle: the free market's invisible hand needs competition and information to work. Conservatism should not mean "caveat emptor."

The writer is a researcher at the John F. Kennedy School of Government's Energy and Environmental Policy Center.

Testimony by
John A. De Luca
President, Wine Institute
to
Senate Subcommittee on
Alcoholism and Drug Abuse
February 7, 1985

Chairman Paula Hawkins and Members of the Subcommittee

In behalf of the 493 California wineries and thousands of winegrowers who comprise the Wine Institute I thank you for the invitation to share our views and experience on the subject of wine advertising and its role and impact on American society. Our members represent over 90% of the wineries in our state, approximately 60% of all wine, foreign and American, sold in our nation, and constitute the largest single voice for wine in the United States. Wine Institute represents a number of large firms, but our perspective is based on a predominantly rural agricultural membership, whose vast majority are small family operations. We welcome this opportunity to address your committee and commend you for providing a forum for the presentation of facts, not widely known or available, and which would otherwise not be considered in the formulation of public advertising policy. *Your hearing provides the best vehicle to rejuvenate our recent history where wine has been the principle beneficiary of the cultural movement in America emphasizing nutrition and self improvement and the dynamism of women and the social emphasis on beverages with less alcohol.*

NOTE: STATEMENTS IN ITALICS WERE ORALLY ADDED TO THE PREPARED WRITTEN TESTIMONY.

As President of Wine Institute, I am authorized to speak for the California wine industry, and will confine my remarks to the activities and precepts of our vintners and growers. As a general principle we oppose advertising bans on the electronic media of the kind presently being petitioned and circulated. As the preferable alternative we recommend self-regulation, or such regulation petitioned by the industry, which by its nature draws inspiration and strength from private initiative and compliance.

We recognize that alcohol abuse and alcoholism are complex public health problems requiring all citizens, both private and corporate, to cooperate in finding solutions. To that end Wine Institute has undertaken numerous voluntary programs designed to promote socially responsible behavior and patterns of moderation. In the interest of time today I will not discuss them in any detail, but as examples of our initiatives and the support we have received, I will submit the attached ten documents as exhibits for the record. For the purposes of your hearing I will concentrate exclusively on our advertising ethics and practices. *I would trust, however, that in the question period I would have the opportunity to share some of the communications we've received, especially from organizations now part of project SMART.*

Included in our attachment are copies of our Code of Advertising, adopted in 1978 without government intervention, prodding, or pressure. Our members have voluntarily and scrupulously adhered to its standards these last seven years. This compliance has effectively prevented advertising of our wines that in any way appeals to underaged drinkers and high-risk consumers. California wine advertising has stressed instead that wine should be a moderate accompaniment to food, which research shows contributes to salutary drinking habits.

The Code is so central to our presentation that I have reproduced its guidelines in their entirety as part of our written testimony. Again, in the interest of time, I will orally highlight only certain provisions. *All are key provisions, but to address the most oft-cited concerns, let me stress Nos. 3-4-5-6.*

GUIDELINES

1. A distinguishing and unique feature of wine is that it is traditionally served with meals or immediately before or following a meal.
Therefore, when subscribers to this code use wine advertising which visually depicts a scene or setting where wine is to be served, such advertising shall include foods and show that they are available and are being used or are intended to be used.

This guideline shall not apply to the depiction of a bottle of wine, vineyard, winery, label, professional tasting, etc., where emphasis is on the product.

2. **Wine advertising should encourage the proper use of wine. Therefore, subscribers to this code shall not depict or describe in their advertising:**
 - a. The consumption of wine for the effects its alcohol content may produce.
 - b. **Direct or indirect reference to alcohol content or extra strength, except as otherwise required by law or regulation.**
 - c. Excessive drinking or persons who appear to have lost control or to be inappropriately uninhibited.
 - d. **Any suggestion that excessive drinking or loss of control is amusing or a proper subject for amusement.**
 - e. Any persons engaged in activities not normally associated with the moderate use of wine and a responsible life-style.
Association of wine use in conjunction with feats of daring or activities requiring unusual skill is specifically prohibited.
 - f. Wine in quantities inappropriate to the situation or inappropriate for moderate and responsible use.
3. Advertising of wine has traditionally depicted wholesome persons enjoying their lives and illustrating the role of wine in a mature life-style.
Any attempt to suggest that wine directly contributes to success or achievement is unacceptable. Therefore, the following restrictions shall apply to subscribers to this code:
 - a. Wine shall not be presented as being essential to personal performance, social attainment, achievement, success or wealth.

- b. **The use of wine shall not be directly associated with social, physical or personal problem solving.**
 - c. Wine shall not be presented as vital to social acceptability and popularity or as the key factor in such popularity.
 - d. **It shall not be suggested that wine is crucial for successful entertaining.**
4. Any advertisement which has particular appeal to persons below the legal drinking age is unacceptable.
Therefore, wine advertising by code subscribers shall not:
- a. **Show models and personalities in advertisements who appear to be under 25 years of age.**
 - b. Use music, language, gestures or cartoon characters specifically associated with or directed toward those below the legal drinking age.
 - c. **Appear in children's or juveniles' magazines, newspapers, television programs, radio programs or other media specifically oriented to persons below the legal drinking age.**
 - d. Be presented as being related to the attainment of adulthood or associated with "rites of passage" to adulthood.
 - e. **Suggest that a wine product resembles or is similar to another type of beverage or product (milk, soda, candy) having particular appeal to persons below the legal drinking age.**
 - f. Use traditional heroes of the young such as those engaged in pastimes and occupations having a particular appeal to persons below the legal drinking age. (For example, cowboys, race car drivers, rock stars, etc.)
 - g. **Use amateur or professional sports celebrities, past or present.**
5. Code subscribers shall not show motor vehicles in such a way as to suggest that they are to be operated in conjunction with wine use. Advertising should in no way suggest that wine be used in connection with driving.
6. **Wine advertising by code subscribers shall not appear in or directly adjacent to television or radio programs or print media which dramatize or glamorize over-consumption or inappropriate use of alcoholic beverages.**
7. Wine advertising by code subscribers shall make no reference to wine's medicinal values.
8. **Wine advertising by code subscribers shall not degrade the image or status of any ethnic, minority or other group.**
9. Wine advertising by code subscribers shall not exploit the human form, feature provocative or enticing poses nor be demeaning to any individual.

All advertising — including, but not limited to direct mail, point-of-sale, outdoor, displays, radio, television and print media — should adhere to both the letter and the spirit of the above code.

These voluntary provisions have been shown to work extremely well. For years commercials by our members have been tasteful and responsible. Under a self-developed, self-policed code the California wine industry has benefited the well being of this country by portraying wine as a beverage of moderation to be used with food in a healthy manner. We submit that our advertising does not contribute to the problems of alcoholism, excessive drinking, under-age drinking, or drunk-driving.

There can be no legitimate criticism of California wine advertising; and no justification for banning California wine advertising from the electronic media. *There are some wine ads that violate our Code and we join in the criticism they've received. But they were produced by non Wine Institute members. In the question period I would like to discuss how we police the Code and those rare instances in eight years which led to the dropping of certain ads.*

If the efforts of California vintners and growers are ignored a great injustice will be imposed. The members of Wine Institute have been good citizens. We took action years ago to control, police and direct positively our own advertising efforts. *The proponents of advertising bans have got to come to grips with our experience. They simply cannot dismiss it or confuse us with others; and the emphasis on signature gathering petitions should be measured against the backdrop of millions of visitors a year to our vineyards and wineries, hundreds of thousands of adults taking wine appreciation courses, and hundreds of thousands at our fund raisers for the theater, arts and symphony.* If the Administration and Congress ignore this positive record, other industries, such as the auto, salt and sugar industries, will be dissuaded from responsible self-restraint. For an example, automobiles driven recklessly are

dangerous objects. Today's media advertising for automobiles often stresses high performance and sportiness. Should we, therefore, ban media advertising of automobiles? *How the federal government handles the issue before this committee will have obvious implications and, if punitive, contradictions for many other products.*

In 1977 Wine Institute requested permission of the Federal Trade Commission to enter into negotiations with media organizations, and vintners outside of California, to extend the California Code to the remainder of the industry. The FTC withheld permission, on anti-trust grounds. We subsequently proposed to the Bureau of Alcohol, Tobacco and Firearms that our Code be made mandatory for all vintners, both American and foreign. This is now under consideration.

In our view, the most constructive act that can be taken by your committee, on the subject of wine advertising, is to assist us in encouraging the Administration to adopt our Code as a regulation for all wine advertisers.

In this effort, we respectfully solicit your support.

In conclusion, Senator Hawkins, I want to assure, through my testimony, our many colleagues in the alcoholism field that we will not permit this issue to keep us from making common cause, on the many fronts we mutually face. Wine Institute owes much to their constructive counsel and still seeks their guidance and assistance.

There are some who recently have come to the fore with political agendas that have polarized us, but they are exercising their constitutional rights.

Regardless of background or motivation they all have a right to insist on certain questions; and we have a responsibility to answer.

In order for us in the California wine industry to be perceived as part of the solution and not part of the problem we must do credible things. I submit that our Code and its implementation, our position on tougher law enforcement and drunk driving, the 21 year minimum age for public purchase and possession, our many initiatives as represented in our exhibits, have been credible commitments to the American public.

Testimony by
John A. De Luca
President, Wine Institute
before
House Subcommittee on Telecommunications,
Consumer Protection and Finance
May 21, 1985

Chairman Tim Wirth and Members of the Subcommittee

In behalf of the over 500 wineries and thousands of growers who comprise the Winegrowers of California I thank you for the invitation to share our views and experience on the subject of "Beer and Wine Advertising: the Impact of the Electronic Media."

Our members represent over 90% of the wineries in our state, approximately 60% of all wine, foreign and American, sold in our nation, and constitute the largest single voice for wine in the United States.

Wine Institute represents a number of large firms, but our perspective is based on a predominantly rural agricultural membership, whose vast majority are small family operations. We welcome this opportunity to address your committee and commend you for providing a forum for the presentation of facts, not widely known or available, and which would otherwise not be considered in the formulation of public advertising policy.

You have granted us five minutes. The most prudent use of that time is to discuss with you our voluntary Code of Advertising and to file with you ten exhibits, which document the support we have received on this initiative as well as others we have undertaken, such as those dealing with voluntary community programs and drunk driving issues.

As a general principle we oppose advertising bans, or counter-advertising, of the kind presently being debated. As the preferable alternative we recommend self-regulation, or such regulation petitioned by the industry, which by its nature draws inspiration and strength from private initiative and compliance.

In 1977, without activist, media, or government prodding or pressure, the California wine industry requested the Federal Trade Commission to review a proposed new Code to assure we conformed with anti-trust requirements. We received a favorable opinion, although with certain important admonitions I will discuss later. In 1978, years before it was raised as an issue, our members quietly adopted the Code. In the subsequent years they have voluntarily and scrupulously adhered to its standards.

Members of the coalition that now comprise the S.M.A.R.T. campaign have commended our commitment to responsible advertising and marketing practices; and we thank them publicly. Dr. Luther Cloud, President of the National Council on Alcoholism, wrote in 1978: "By assuring that wine advertising will not be designed to appeal to young persons, and will not glorify or misrepresent wine use, your industry has distinguished itself as a trendsetter in addressing contemporary issues. The alcoholism movement is well served by such voluntary action, and we publicly applaud Wine Institute for its initiative and example."

A year later Mrs. Virginia Sparling, President of the National PTA, wrote, "We commend the Wine Institute for its effort to promote responsible advertising standards in your field, and we would especially commend eliminating appeals to young people."

Numerous similar expressions over the years have acknowledged that we were not just talking, but doing something effective, in addressing the problems of underaged drinkers and high-risk consumers. Our entire educational program, not just our use of commercial air time and the print media, has opposed the presentation of wines as glamorous or necessary to social success or endorsed by athletes or other heroes of the young. California wine advertising has stressed instead that wine should be a moderate accompaniment to food, which research shows contributes to salutary drinking habits. As the following brief examples of our television advertisements indicate California wineries have been reaching millions of Americans with tasteful and responsible messages.

Presentation of California wine commercials.

Under a self-developed, self-policed Code, our members have served the well-being of this country by portraying wine as a beverage of moderation to be used with food in a healthy manner. Numerous testimonials from alcoholism leaders attest to the fact that the California wine industry has made common cause with them on the drunk driving issue, and is in the front ranks with those who combat alcohol abuse and alcoholism.

We submit that our advertising does not contribute to the problems of alcoholism, excessive drinking, underage drinking, or drunk driving. We believe there can be no justification for banning or countering California wine advertising. The Fairness Doctrine carries an auxiliary principle of common sense: If you act responsibly what warrant is there for an opposing warning?

There are individual instances of wine ads that have violated our Code, and we join in the criticism they have received. But they were produced by non Wine Institute members. On this point, I am pleased to announce today the adoption of our Code by the New York and Washington winegrowers. I am also advised that the Association of American Vintners, representing twenty-eight states east of the Mississippi River, this week will formally adopt the Wine Institute Code. In the Far West Winegrower Associations in Oregon, Idaho and New Mexico are currently considering taking similar action. In the question period I am prepared to discuss how we police the Code and those rare instances in eight years which led to the dropping of certain ads.

If our positive record of years of self regulation is ignored a great injustice will be imposed. The proponents of advertising restrictions and controls have got to come to grips with our conduct and not their rhetoric. They simply cannot discredit or dismiss it in the heat of advocacy.

If the Administration and Congress deny the California wine experience other industries, such as the auto, salt and sugar industries, will be dissuaded from responsible self-restraint. For example, following the May 5, 1985 segment by "60 Minutes" on the "Campaign to Ban Beer & Wine Ads," the letters in opposition to such controls which were reprinted on the May 12 program, drew attention to such problems as obesity and food commercials and the role of automobiles in our society. Automobiles, driven recklessly are dangerous objects. Today's media advertising for automobiles often stresses high performance and sportiness. Should we, therefore, ban media advertising of automobiles?

CSPI spokesmen in recent months have charged that while wine ads are "innocuous" wine can be abused; and, therefore, there is need for opposing commentary. The flawed logic at work here is that such thinking leads to the conclusion that if a product can be abused then even its moderate behavior or responsible presentation must be indicted. A whole array of products, now advertised, are vulnerable to the quagmire contained in that reasoning. How the federal government handles the issue before this committee will have obvious implications for many other industries.

In conclusion, we believe strongly in voluntary self-regulation; but we also acknowledge that, while we constitute the majority, there is not universal vintner commitment. We are encouraged by recent developments on the part of American wineries, and trust there would be similar movement by foreign producers. But to guarantee total participation Wine Institute proposed in 1979 and 1981 — again long before the CSPI campaign — that the Bureau of Alcohol, Tobacco and Firearms make mandatory our Code for all vintners, American and foreign.

This position emerged as a consequence of the FTC stance that we could not enter into negotiations with media and vintner organizations to extend the California Code to the remainder of the industry. We are aware, of course, that the present Administration is currently debating its regulatory policies as they apply to this subject.

In our view, therefore, the most constructive act that can be taken by your committee, on the subject of wine advertising, is to assist us in encouraging the Administration to adopt our Code as a regulation for all wine advertisers.

In this effort, we respectfully solicit your support.

A SYMPOSIUM ON WINE, HEALTH AND SOCIETY

Washington, D.C.
February 24, 1986

Health and Safety Index

John A. De Luca
President, Wine Institute

To gain credibility, industries as well as individuals must do credible things. In the pursuit of an enhanced public standing, California's vintners and growers have done exactly that.

Years before the issue of beer and wine advertising came before Congressional committees, Wine Institute had adopted a voluntary Code of Advertising Standards, since lauded in the halls of the U.S. Senate as a "model of social responsibility." Before governmental cutbacks on domestic social programs, and the renewed emphasis on the private sector, Wine Institute had taken the lead to mobilize alcoholism, labor, farm and parent groups in California to initiate local community alcoholism programs. During the debate on national legislation to establish 21 as the legal purchase and public possession age for alcoholic beverages, Wine Institute adopted policy directives supporting the measure and calling for even tougher laws and penalties for drunk driving.

Many similar initiatives abound in keeping with our sense of cultural heritage and the recognition of our obligations as individual and corporate citizens. While poets for centuries, and men of the stature of Louis Pasteur, have sung the praises of wine, and great religions have consecrated the liturgy of wine, we California winegrowers are also aware that the human experience has also recorded its abuse. The percentages of the population today who misuse wine are minimal. The long tradition of table wine with food has successfully educated generations to wine's moderate, healthy enjoyment. But small as the numbers may be, any number warrants inclusion in the public scrutiny and emphasis given the subject of alcohol abuse and alcoholism.

In that scrutiny the attempt has been made, in certain quarters, to focus inwardly on the make up and composition of alcoholic beverages, on mathematical relations, on their mathematical "equivalence." This narrow focus has as its obvious goal the elimination of cultural and physiological differences which characterize the consumption of wine, beer and spirits. According to this view, adopted, among others, by high tax, anti alcohol groups, these separate beverages should be perceived as variants of the same chemical formula and taxed as percentages of the identical product.

History, custom and usage refute this calculation that "a drink is a drink." Society's experience and practice give convincing counter testimony. In our country, even during the nihilism of Prohibition, Anglo-Saxon America permitted the production and consumption of home wine for family use. Sacramental wine was authorized in recognition of wine's sacred place in Catholic and Jewish religious ceremonies. On the other hand, many of the Post-Prohibition states took wine out of food and grocery stores and let beer continue to be marketed in the same retail outlets.

"Alcohol equivalence" as a static concept not only cannot reflect the cultural, marketing and legal diversity that distinguish wine, beer and spirits, it also obscures the different health consequences that flow from society's day to day usage. A more useful and dynamic concept, I suggest, would be the employment of a "health and safety index."

For example, researchers tell us that:

wine, beer and spirits are not equivalently involved in drunk driving arrests and accidents;
 they are not equivalently consumed to excess;
 they are not equivalently abused by teenagers;
 they are not equivalently absorbed into the bloodstream.

On the positive side of health promotion:

they are not equivalently utilized in geriatric care;
 they are not equivalently found on the menus of our nation's hospitals;
 they are not equivalently advertised or promoted;
 they are not equivalently served with food, used in health diets and exercise regimens.

The "health and safety index" would accommodate numerous other categories, studies and disciplines. It inherently can be a more valuable tool for research and public decision making than "alcohol equivalence." The latter approach, obscures and ignores the vital difference between use and misuse which serious public policy debate must address.

One immediate and valuable consequence of the "health and safety index" is that it fixes attention on individual and industry behavior. How do people live? How do the various wine, beer and spirits firms, associations and attendant groups inform, educate and disseminate knowledge? The richness of the wine community in this area is unchallenged. The wineries' Festivals, Conferences, Perspectives, Master Chef programs are both aesthetic and educational. Wine appreciation courses, wine study seminars, tastings and fairs, teach personal and social responsibility. The Society of Wine Educators, Les Amis du Vin, Medical Friends of Wine, countless Wine and Food Societies and their publications emphasize professional study and wine and food events. The large numbers of wine writers, food editors, authors, columnists and commentators, cumulatively add up to a national educational corps, destined to grow and become an even more positive influence in health matters.

In sum, while I recognize, and for ten years have promoted and continue to promote, the historic community of interests maintained by wine, beer and spirits, and the necessity for unity and common action on many fronts, I propose a free and competitive debate to educate the public and our officials regarding the evolution of our industries in America. The ensuing competition should produce a better informed national community and should benefit the health and safety of all Americans.

John A. De Luca, Ph.D., is president of Wine Institute. He presently serves as a member of the Board of Directors of the Alcoholism Council of California and North Conway Institute, in Boston, Massachusetts. He served for three years as a member of the Board of Directors of the National Council on Alcoholism.



United States
Department of
Agriculture

Human Nutrition
Information
Service

Belcrest Road
Hyattsville, Maryland
20782

June 5, 1990

RECEIVED

JUN 11 1990

JDL

Mr. John A. DeLuca, President
Wine Institute
165 Post Street
San Francisco, California 94108

Dear Mr. DeLuca:

This is to thank you again for your special interest in the Dietary Guidelines for Americans and the information you provided the Dietary Guidelines Advisory Committee. The Committee has completed its assignment and sent its report (enclosed) to the Secretaries of the Department of Agriculture (USDA) and of the Department of Health and Human Services (DHHS). Single copies of the report are available on request from the Human Nutrition Information Service, Federal Building, Room 325, 6505 Belcrest Road, Hyattsville, Maryland 20782.

The information you sent was carefully considered by Committee members. We believe you will be pleased to see that their recommendations for the revised bulletin reflect your comments, at least in part.

The USDA and DHHS nutrition scientists and administrators will use the Committee's recommendations as the basis for the content of the Third Edition of Nutrition and Your Health: Dietary Guidelines for Americans. However, some editorial and other changes may be made to the content the Committee proposes prior to publication. A press conference will be called to announce the release of the bulletin--the Federal government's statement of dietary guidance policy--late in 1990.

We hope you will consider ordering the new bulletin in quantity for distribution to friends, colleagues, or clients. For information about ordering, contact the Superintendent of Documents, Government Printing Office, Stop SSMC, Washington, D.C. 20401, (202) 275-0315.

Please watch for the release of Nutrition and Your Health: Dietary Guidelines for Americans, Third Edition and help us promote the use of these guidelines by all healthy Americans.

Sincerely,

Betty B. Peterkin

BETTY B. PETERKIN
Executive Secretary from USDA
Dietary Guidelines Advisory Committee

Linda D. Meyers

LINDA D. MEYERS
Executive Secretary from DHHS
Dietary Guidelines Advisory Committee

Enclosure



United States
Department of
Agriculture

Human Nutrition
Information
Service

Belcrest Road
Hyattsville, Maryland
20782

May 14, 1990

The Honorable Clayton Yeutter
Secretary of U.S. Department
of Agriculture
Washington, D.C. 20250

The Honorable Louis W. Sullivan
Secretary of U.S. Department
of Health and Human Services
Washington, D.C. 20201

Dear Mr. Secretary:

I am pleased to submit the report of the Dietary Guidelines Advisory Committee, established jointly by the U.S. Departments of Agriculture and of Health and Human Services in December 1988. With this report, the Committee completes its assignment to determine if revision of the Departments' bulletin, Nutrition and Your Health: Dietary Guidelines for Americans, Second Edition, is warranted and, if so, to make recommendations for such a revision in a report to the Secretaries of the two Departments.

The Committee determined that the basic messages of the Dietary Guidelines in the Second Edition remain sound and of priority importance to Americans in choosing healthful diets. Some modifications are proposed for a Third Edition. (See pages 5 to 13 in the report.) The proposed modifications reflect new scientific evidence and increased consensus among health authorities on certain diet and health issues and respond to public concerns and misunderstandings about the current edition.

The Committee recommends that the two Departments publish the Third Edition of the bulletin using the text proposed and promote and distribute the new bulletin extensively. (See report page 14.) The Committee also recommends that the bulletin be evaluated for understanding and usefulness to different groups within the population and that supplemental and specifically targeted materials be developed to help the public implement the guidelines.

The members of the Committee are pleased to have been asked to help develop this basic dietary guidance message for use in Federal policy and public education. We would appreciate the opportunity to review changes, if any, that the Departments plan to make to the Committee's proposed text prior to publication of the Third Edition.

Sincerely,

MALDEN C. NESHEIM, Ph.D.
Chairman
Dietary Guidelines Advisory Committee

Enclosure

Nelson • Ralston • Robb
Communications

Robert E. Nelson
Chief Executive Officer

November 8, 1990

RECEIVED

NOV 13 1990

JDL

John De Luca
President
Wine Institute
425 Market St., 10th Floor
San Francisco, CA 94105

Dear John:

When despair hung around California like black crepe you were there, hopeful, enthusiastic and full of creative ideas.

The victory that was crafted was your child in so many ways. On election night I declared you the winner of our Stealth Award as the campaign's secret weapon. Only you and I will ever know the many quiet things you did to ensure this smashing victory.

More than anything, this election brings us the honor of having worked with the Wine Institute and your many fine members. From all of us at NRR, thanks for making us a part of the team.

Sincerely,



Robert E. Nelson

125 E. Baker St., Suite 180, Costa Mesa, CA 92626 • 714/957-1010
3003 N. Central Ave., Suite 1800, Phoenix, AZ 85012 • 602/264-2930

An Arizona Hill & Knowlton Associate

**REVIEW OF U.S. DEPARTMENT OF AGRICULTURE
ACTIVITIES TO ASSIST AND SUPPORT THE U.S.
WINEGRAPE AND WINE INDUSTRY**

HEARING

BEFORE THE

**COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES**

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

OCTOBER 23, 1991

Serial No. 102-46



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STATEMENT OF JOHN DE LUCA, PRESIDENT, WINE INSTITUTE

Mr. DE LUCA. Thank you, Mr. Chairman, members of the committee.

I commend the chairman and I commend the committee. My sense is that this hearing and what may result from the hearings could really represent a positive watershed in terms of the evolution of our industry in the years to come. In my 16 years with the industry, I can never recall such a gathering, and our hope is that we live up to the opportunities here by providing constructive and really positive approaches.

The people that we represent, all of us, are not hand wringers, they're not looking for handouts. The one sense that I've picked up in my years with the industry is the sense of opportunity. Give us a chance to compete on the merits with the best in the world.

And Government has only hurt us when it's been uninformed. We do not fear informed Government, but this century has been marked by the enormous ravages that have been really the historic impediments to our growth, and they have been only when we've had uninformed, untutored, and really unknowledgeable people administering programs or making laws.

In truth, as a representative of the California wine industry, I'm honored to be here with so many colleagues, and I wanted to make a point right at the start in the few minutes available to me. I would like nothing better than to see all of my colleagues across the country, State by State, region by region, prosper. I would think it would be the fulfillment of the California dream if throughout the United States, every region and every State had the opportunity to grow. And the main reason for that is that if there is a healthy growth throughout the country, we Californians will get our fair share of any of that growth.

So we encourage and support the regional opportunities that our colleagues certainly in this century have really put forth with major contributions to the whole world of wine.

Far from the romance and candlelight, most of the politics that surround us are more like trench warfare. In the United States, the 21st amendment, which repealed the 18th, basically lost us the protection of the Interstate Commerce clause so that today, throughout the United States, what we have is membership in the political union called the United States, but we do not belong to the common market called the United States.

Each State is pockmarked with its own rules and regulations going back to the *Cardoza* decisions, going back to the days of the Supreme Court interpretations of what the 21st amendment meant. There we have fought on our own throughout the United States to clear up the legacy of that period and, with our collegial approach, have tried to reform the regulations and rules that have left us really with more internal trade barriers than any other agricultural crop in the United States.

On the external side, here we have not competition by our wineries winery against winery, but we really compete against governments and collections of governments. The world of wine is almost characterized by wine cartels around the common agricultural policy of the European Economic Community, and there the major development in recent history—and many of you here assisted us—was the passage of the Wine Equity Act and Export Expansion Act of 1985.

I'm here to praise the committee and to praise the USDA and the USTR for the help that they've given us. Essentially we've gone from approximately \$35 million in exports in 1986 to this year where we hope to reach almost \$150 million. In this very vital area of balance of trade deficit, what was a 30:1 deficit for wine is now this year going to be 7:1, and our goal is to, by the end of the decade, export over \$1 billion of wine overseas and to eliminate the trade deficit as it comes to wine.

I know of no better partnership than the Market Promotion Program and the previous Targeted Export Assistance Program, and my written remarks attribute to that, and I wish that to be acknowledged. While I'm not going to take the time now, I'd like the written remarks to really represent our gratitude and our appreciation to the USDA and to the Foreign Agricultural Service and to their trade counselors and agricultural attachés.

In the time remaining for me, I'd like to put forth a new initiative to the committee and to the USDA. I hope the members have received a copy of the release on the Harvard study, and attached to that are some dozen studies having to do with the cardiovascular benefits of moderate drinking.

Mr. Chairman, I don't know if this has been made available to your members of the committee. Could I ascertain through you whether that is in fact in the hands of everyone?

Mr. STENHOLM. Not as yet, at least to the committee. It may have been to our individual offices. I'm not aware of it, though.

Mr. DE LUCA. Maybe through Mr. Dugan we could have this distributed to all the members and to the members in the audience. I think it's a very important development.

What I would like to suggest is that this last year we've had over a dozen studies, either wine-specific or related to the moderate consumption of wine, by some of the most prestigious researchers in

the United States and published in peer review journals like the New England Journal of Medicine and the Journal of Cardiology.

It is my sense that it is very appropriate that the Health and Human Services issue grants that look to the issue of abuse, but I think it would be a missed opportunity for the Nation's health and for the nutrition of this country if in fact something as positive as a dozen studies talking about either the attributes of wine—resveratrol, quercetin—and the cardiovascular benefits of moderate drinking—if we would have the USDA and this committee assist us in perhaps a modest program of some \$10 million to further develop these studies.

It's a two-handed approach, so I want to be clear in my last 30 seconds. Health and Human Services does an appropriate job in looking at the question of abuse. We have here an opportunity in the face of 972,000 deaths a year from cardiovascular problems to look into the positive aspects of moderate consumption. And my hope is that as part of the record, we can make a much more specific recommendation on this. Thank you very much.

[The prepared statement of Mr. De Luca appears at the conclusion of the hearing.]

Mr. STENHOLM. Without objection, the study that you mentioned will be made a part of the record and your testimony also.

Mr. DE LUCA. Mr. Chairman, it's my personal honor to introduce Bruce Rector from Glen Ellen. He is a partner in that fine winery, he's a member of our board of directors, and he has traveled with me here to make his comments as a member of our board of directors and also speaking on behalf of Glen Ellen.

Mr. STENHOLM. Mr. Rector.

The distinguished gentleman from California, Mr. Panetta.
Mr. PANETTA. Thank you, Mr. Chairman.
Let me first of all begin by welcoming the panel that's here and
all of those who have come, particularly from California, because

we're proud of our wine industry there and throughout the country. In particular, I want to pay tribute to John De Luca, who is head of the Wine Institute, because the fact is that a few years ago, this was just basically a family business operation at the smallest level, and now it's become a major business in the United States of America, not just in California, but elsewhere. I think it's a major tribute not only to his leadership, but I think the leadership of everyone that's been involved in the wine industry.

This is an area where you really have very independent people who basically have done it on their own. This is not an area where you get subsidies or you get support prices. You basically get people that work on their own and that develop their own business. So I was a little bit set back when I looked at this hearing about the relationship between USDA and the wine industry. I'm reminded of my Italian father. When I first got elected, he was a farmer, and he said to me, "I'm very proud you're going to go to Washington, but please don't bring any Washington back to me." [Laughter.]

So I look at the members of the wine industry, and I say, just how much do you really want USDA involved in your operations? I realize that there are some benefits in terms of research and other areas, but I think one of the advantages of the industry has been that you've been able to make a lot of independent decisions in terms of controlling your future fate. I would just urge you to continue that kind of independence because I think that's extremely important for the future. And very frankly, I'll tell you I think that's where the rest of agriculture needs to go as well, and they will. So you need to lead the way in that direction.

Now, let me just ask, if I can, from the panel, what do you consider the biggest threat to the wine industry in this country right now?

Mr. DE LUCA. There are many ways to go about it, but I would say the blurring of the distinction between moderate behavior and abusive consumption. There has been a major consensus in the United States over the years—and we're part of that—we make common cause with all those who approach the abuse of alcohol. We see ourselves as socially responsible and in the forefront of that whole movement. Our code of advertising, our position on drunk driving—very responsive and responsible.

What has occurred is that beyond the consensus on the question of moderate consumption, there has come a flank, and that is to take advantage of the legitimate concern of substance abuse in the United States, particularly with our children—teenage drinking, drunk driving, and so forth—in terms of hard drugs, street drugs, illegal drugs.

Therefore, what we see happening today is the exploitation of a legitimate concern to say it isn't just the abuse of the product, it is the product itself that is inherently dangerous—and here we have the technology of the ability to find parts per billion of anything in our wine—leading to the sense that there's something inherently wrong—sulfides, lead, arsenic, urethane—and here it's become a public policy and public health issue—attack—disguising what is really antialcohol sentiments.

So instead of the legitimate concern this country should have on the issue of abuse, we find ourselves being lumped into the question where a glass of Chardonnay is equated with crack and cocaine. Now, that is historically incorrect, scientifically incorrect, and culturally certainly not responsive to the history of our product and our people.

That's why I thought it was very instrumental and instructive to find that in this last year, research in the United States from different sources pointed out the cardiovascular benefits of moderate consumption of wine and alcohol, and I think it would be a missed opportunity in this Nation to just simply focus on abuse and not look at something very precious for everybody, and that is the value of moderation in all things. Not just in wine or beer or spirits, but in all products.

So, Congressman Panetta, I would say right now this desire on the part of government agencies, bureaucracies at the State and Federal level, to try to blur the distinction between moderate behavior and abusive behavior and, above all, equating us with street drugs and illegal drugs is a major threat to our viability and our future and our standing with our fellow citizens.

Mr. PANETTA. Does everybody else agree with that?

Mr. ASHBY. Amen.

Mr. GRAFF. Yes, we certainly do. Being lumped together with the so-called controlled substances is very detrimental to our interests.

Mr. DE LUCA. The point is, of course, that if it's abused, we have to be in the forefront of seeing that it isn't abused. That's why our code of advertising, our promotional programs, our Society of Wine Educators, all across the board our position on drunk driving. So it isn't just empty statements. We didn't wait for the Government to tell us what to do on advertising. We did it on our own. Long before this became a national issue, we said, what is it that requires us to be responsible citizens, individual and corporate citizens? And on the floor of the Congress, it's been praised as a model of social responsibility.

So we don't come here emptyhanded on this issue. We've been there. What we're saying is this attack is totally unjustified, it's very skillful, and there are very legitimate aspects to it, but we have to have a distinction, and here is a committee that can possibly assist us on that.

Mr. PANETTA. I agree with you. I think you can make legitimate distinctions, but it's so easy to go the other direction. In the budget summit, as you know, John, when we were talking about sin taxes or excise taxes, it's almost automatic that wine would be lumped in with others, and the problem is that others want to lump you in with them. I mean, if it's alcohol or tobacco, they want wine to be a part of that package, and so you're dragged in by others that are competing as well in the issue. So you're not only trying to establish an education process, but you're forking uphill against elements that are within the industry generally in this country as well. So it is a legitimate problem.

Let me just ask very quickly—my time is up—with regard to the four elements related to USDA that you mentioned, Mr. Graff—the ability to provide support and encouragement, research, marketing support, education—is there a better way to try to get the Depart-

ment of Agriculture to unify with regard to this area, or are you satisfied at the way the different offices now operate with regard to wine? In other words, is there a better vehicle to try to coordinate policies with regard to the wine industry in USDA, or are you just saying that we ought to have more of what they do now targeted at the industry?

Mr. GRAFF. I think probably a little bit of both. I think the programs that are already in place at the Department of Agriculture could be expanded, but I think that within the Department there exist the necessary agencies to further our interests in the same way that they further the interests of other agricultural products.

In the area of education, I think, as John pointed out, we might have a little bit of an uphill battle, because as you probably know, our schoolchildren today are being told that alcohol in any form is some kind of poison. I've had many friends who, in the evening enjoying a glass of wine, are taken to task by their children who have just come home from school saying, "Daddy, what are you doing?" And this is the kind of thing that is really detrimental to us, because it totally overlooks the fact that wine is the beverage of moderation. We know, for example, that in the case of drunk driving, something like 3 percent of the cases of convictions for drunk driving are actually people who have been consuming wine.

Mr. DE LUCA. If you would permit me to make an addition there, 3 percent is 3 percent too much, so we accept our social responsibility on all of these issues. What we're saying is we don't have a perspective on this, we don't have an opportunity to put it in proportion.

I want to take this opportunity to make sure that I don't leave something unclear in the record. None of my remarks are addressed as negative with regard to our beer and spirits allies. What I was talking about was essentially the drive right now to make us an illegal substance—hard drugs, cocaine, crack—and take advantage of that. We have marketing differences with beer and spirits. We certainly promote differently, we advertise differently, but on a lot of the legal and political issues, we obviously are part of a coalition.

So I wanted to make that distinction. We can be different than beer and spirits competitively in the marketing world, while we can make also a coalition attempt on other fronts. But it's this real attack on the product itself, the inherent integrity of the product, which is what Richard Graff and all of us are addressing.

Mr. Chairman, you were out of the room when I was making my opening remarks. I wanted to take this opportunity to commend you personally. You've always had an open door, you've always had an opportunity and expressed through your staff for us to come to you. This is a memorable occasion, and we Californians, all of us, want to thank you for giving us this opportunity to address you and your colleagues.

The CHAIRMAN. Thank you very much, and I thank you on behalf of all the members of our committee who work very diligently.

Mr. Dooley.

Mr. DOOLEY. I'd just like to touch on, Mr. Rector, you commented that Australia spends about five times more than we do on re-

search. Is that government-funded or industry-supported or an aggregate?

Mr. RECTOR. It's government-funded on their part and voluntarily funded on our part.

Mr. DOOLEY. Now, within the industry—and I'm not as familiar with the wine industry—is there an assessment or is it the voluntary participation within the Wine Institute by which you generate the funds for the private research?

Mr. RECTOR. We have had market orders from time to time, and I think it was put best by Justin Myer. He said, "Well, if you make it voluntary, it solves the bickering on what to do the research about, but it doesn't get the research done, because you don't raise the money. If you do it with a marketing order, it gets the research done, but it doesn't solve the bickering problem." So I think what we're hopefully going to be on the verge of is a method that could conceivably be a market order, although the Wine Institute hasn't formally addressed this, where there is a "bucket" technique where people can decide where it is that they want their research dollars to go.

Mr. DOOLEY. Is that something that the National Vintners Association is also working toward on a national perspective?

Mr. GRAFF. We certainly would support a national marketing order for the funding of these centers of excellence that Mr. Rector suggested, because all of these universities—the one that I'm most familiar with is the University of California-Davis. The funds for research there in viticulture and enology are virtually zero, and they're operating on a budget that is woefully inadequate. So as a result, Australia is lightyears ahead of us. I mean, they're behind us in some ways in winery management and so on, winemaking techniques in some ways, but viticultural research, they're way ahead of us.

We go down there, and they come up here, and we learn a lot from them, but we really could stand to put some substantial effort into research of our own in our conditions—canopy management and all kinds of things that really affect the ultimate quality of the wines. You have no idea how important the management of a vineyard is to the ultimate quality and characteristics of the wine. It couldn't be more strongly underscored.

Mr. DE LUCA. Mr. Congressman, for the last 6 years, we've averaged something like \$500,000 at the Wine Institute in terms of voluntary contributions on the issue of research. That's a drop in the bucket compared to the subsidized nations in Europe and around the world, not just Australia.

Mr. Rector would like to address the question of phylloxera and the incredible significance for us of research.

Mr. RECTOR. Phylloxera is a root louse that's devastating the 80 acres that we grow but also many of the independent growers that I deal with. As an example of what it is that we can do well ourselves, we can get growers trying different techniques to retrofit other rootstock into the vine by approach grafting, so on and so forth, but we need the USDA to do the genetic engineering that I outline in my paper to develop the different rootstocks as one biotype after another mutates to attack what we previously thought was resistant.

The CHAIRMAN. Thank you very much, and we thank all of you. I want to commend you for the excellent manner in which you addressed the areas of concern to your industry.

Mr. Olin, I don't know how we passed you up.

Mr. OLIN. That's all right. Thank you very much.

I just wanted to commend the witnesses for the clarity and the logic of their statements. I think you've given us a pretty good understanding of how you're coming at this problem. I just want to ask one question, and that is of Mr. Graff.

You made it a point to refer to wine as "grown" and "winegrowers." That's the first time I've seen that used quite that way, and I'm not objecting to it and maybe it's the leading question, but why is it that you are in your paper emphasizing that way of talking about wine?

Mr. GRAFF. We talk about winegrowing, because we think of wine as springing from the soil almost directly. Wines are very much influenced by the types of soils that they're grown on. In most countries, although not in the United States, vineyard production is described in terms of volume of wine produced. In other words, if you're talking about the production of a French vineyard, you're talking about volume of wine, hectoliters per hectare. So the idea that wine is very much associated with the soil on which the vineyard is grown is something that is an integral part of the way we think about wine.

Mr. DE LUCA. Mr. Congressman, in California, the business and professions code and all the laws administered by the department of food and agriculture have as a coequivalent term for "vintner" "winegrower." In fact, for 3 years, a joint marketing order between the vintners and the growers—we were officially referred to as the Winegrowers of California.

Mr. OLIN. You're saying that the nature of the ground that the grapes are grown in is as important as the strain of grape?

Mr. DE LUCA. Yes, sir. I mean, you can't talk about varietal grapes, you can't talk about appellations of origin, all the things that we go through with the Treasury and the Bureau of Alcohol, Tobacco, and Firearms without getting right to the soil.

Mr. OLIN. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. I might add that the soil, the climate, the water, and the farmer that walks on that soil are what make the product what it is. [Laughter.]

Thank you very much.

Mr. DE LUCA. We'd sure like to have you work for us. [Laughter.]

The CHAIRMAN. Thank you very much.

The next panel—you might want to introduce, Mr. Olin, the next witness, and then we'll call also Mr. Khachigian at this point.

Mr. OLIN. Thank you, Mr. Chairman.

I mentioned Mr. Gomperts previously, but he is the director of the division of marketing at the Virginia Department of Agriculture and Consumer Services in Richmond, and we're very happy to have him here today.

The CHAIRMAN. And Mr. Ron Khachigian. We're very happy to have you.

Mr. KHACHIGIAN. Thank you.

4-6

Stenographic Transcript of
HEARINGS
Before the

Consumer Subcommittee

**COMMITTEE ON
COMMERCE, SCIENCE AND TRANSPORTATION**

UNITED STATES SENATE

HEARING ON
ALCOHOL BEVERAGE ADVERTISING ACT
S. 664

Thursday, April 2, 1992

Washington, D.C.

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1 STATEMENT OF JOHN DELUCA, PRESIDENT, WINE INSTITUTE, ON
 2 BEHALF OF THE WINE INSTITUTE, NATIONAL WINE COALITION, AND
 3 ASSOCIATION OF AMERICAN VINTNERS, SAN FRANCISCO, CALIFORNIA

4 Mr. DeLuca: Thank you, Chairman Bryan. I am John
 5 DeLuca, president of the Wine Institute, the industry
 6 association of some 500 California wine producers. I am
 7 privileged to speak on behalf of the Association of American
 8 Vintners -- a national association representing approximately
 9 300 wine growers in 34 St Wine Coalition -
 10 - an organization of 265 *Squid* members, and the
 11 Wine Institute. *Cap*

12 Most of America's wi Agricultural
 13 operations. The members of our organizations are primarily
 14 small, family owned producers. In their entirety, they oppose
 15 S.664. As Senator Kasten pointed out just moments ago, the
 16 mandated, rotated warnings would be an unwarranted and
 17 unjustified cost on our small producers.

18 Before summarizing our formal testimony, I would like to
 19 establish a personal and cultural context for my remarks. My
 20 wife and I are both children of Italian immigrants, and
 21 terrible walking statistics in the minds of those who refer to
 22 wine as a gateway drug, or a recreational drug, or drug of
 23 choice, or who deliberately blur the distinction between a
 24 glass of chardonnay and cocaine, a glass of zinfandel and
 25 crack.

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1 At the tender age of 5, we were both introduced to wine
2 at the family table, as generations of Mediterraneans have
3 countless thousands of years before us. At the age of 8, as
4 an altar boy at Mary Help of Christians Church, in New York's
5 Lower East Side, run by the Catholics' ~~region~~ ^{SALESIAN} fathers and
6 nuns, I started taking sacramental wine at Holy Communion.

7 At the age of 14, I helped by father and brother crush
8 zinfandel grapes to make wine for home use, when our family
9 moved to California in 1948. Josephine and I have raised our
10 three children similarly, within the traditions and cultures
11 we inherited, which included wine very early as a natural
12 component of our meals.

13 In sum, Gina, Carla, and Perry, recent graduates of
14 Stanford University, Santa Clara, and Georgetown, were not
15 taught and have not come to view wine, beer, or spirits as a
16 necessary right of passage to adulthood, or forbidden fruit to
17 binge on. Rather, for them, it was no big deal and part of
18 their upbringing, and was the best education we, as parents,
19 could have given them on the whole question of substance
20 abuse.

21 Is the Mediterranean diet and culture the only model I
22 applaud? Of course not. My high school buddy, and still
23 close friend, Tom Jensen, now a Mormon elder, abstained
24 totally and passed up wine at our dinner table, and we
25 respected him for it. America is full of ~~any~~ ^{many} valid choices,

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1 contrary to the traditions my wife and I inherited.

2 This recognition of cultural diversity and pluralism
3 provides the intellectual and conceptual underpinning to the
4 wine industry's voluntary code of advertising, which we
5 initiated, sir, 15 years ago, before the present clamor and
6 before the present attention. We do not position wine as
7 necessary for social prowess, nor use athletes to appeal to
8 the young, even though many stars like Joe Morgan and Steve
9 Carlton are true students of wine.

10 There are definite and legitimate societal issues that
11 must be addressed and require government's role, such as the
12 passing of tougher drunk driving laws, and tougher law
13 enforcement. The Wine Institute supported Mothers Against
14 Drunk Driving and others on the age 21 public purchase and
15 possession legislation. As long as there is alcohol ⁱⁿ and wine,
16 we are part of the legitimate debate that rages, and the issue
17 of social responsibility.

18 Researchers tell us that wine is only 2 or 3 percent of
19 drunk driving accidents. And my response is that that is 2 or
20 3 percent too much. But we part company with bills such as
21 Senate bill 664. We do not need government to attack
22 consumption itself, or to blur the distinction between use and
23 abuse, or to ignore and disparage the value of moderate
24 behavior.

25 What an incredible irony it is that at this moment in

1 world history, the case has to be made in America for the
2 strengths of volunteerism in the private sector. As Soviet
3 imperialism collapses, the signature of distinction between
4 our systems was the Soviet crushing weight of government's
5 central control and interference in the daily lives of their
6 people, with no room for the private and market ethic.

7 Our voluntary code, now 15 years old and adopted, as I
8 said, long before others took up the issue, has worked well.
9 Critics may find fault with it, but for 15 years, this code
10 has accomplished more in the field of responsible wine
11 advertising than all the briefs and all the testimonies that
12 have assailed it.

13 Certainly, it can be improved, as we did in 1987, to
14 address the emergence of wine coolers. Certainly, it must be
15 constantly studied and enforced to make sure it is not a
16 cosmetic exercise in pure rhetoric.

17 But wine is not alone. Our beer and spirits colleagues
18 have taken the lead in organizations such as the Licensed
19 Beverage Information Council to interact responsibly with
20 government, the media, and the medical and scientific
21 community. And this is not a studied or glib observation on
22 my part.

23 I want to commend the many volunteers and professionals
24 in the alcoholism field. We can and do make common cause with
25 them, as we did in California, with teachers and the education

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1 community on the questions of abuse and the need for more
2 education. We applaud their dedication, but we offer the
3 observation that what the world needs now is not more but less
4 government -- not more, but less regulations.

5 I have benefitted a lot, sir, by listening to the panels
6 before us because it has confirmed something that has been
7 coming to mind to me. And that is, what is this really all
8 about? We think it is a simplistic approach to complex
9 problems. But I think really, there is much more here at
10 stake.

11 The effort is being made, by the constant reference to
12 drugs, tobacco, deliberate use of words like drug of choice,
13 recreational drug, gateway drug, the reference to tobacco, to
14 have us associated with those products -- to plug into the
15 emotionalism, to siphon into that the way the American public
16 feels right now.

17 What is at stake is trying to expunge a very valuable
18 concept in life, which is moderate behavior. I would ask you,
19 in opposing this bill, that you weigh these attempts against
20 the accumulated ~~lives~~ ^{LIVES} of millions of people over thousands of
21 years in Europe.

22 That is the other total irony. At the very moment that
23 we have a global economy, that we are trying to compete
24 internationally, we are ignoring the experiences and becoming
25 very self-centered in the United States, as though this were

1 only an American problem. We can learn from others. There is
2 much that can be brought to this debate from others.

3 I believe in cultural pluralism. I believe what we
4 should have here ^{are} ~~is~~ experiences like that of my father and
5 mother, my grandparents, brought to bear on this issue.

6 Thank you very much.

7 [The prepared statement of Mr. DeLuca follows:]

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1 Senator Bryan: Thank you very much, Mr. DeLuca. Mr.
2 Meister.

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Congress of the United States
House of Representatives
Washington, DC 20515

May 27, 1992

The Honorable Jamie Whitten
Chairman
Subcommittee on Rural Development,
Agriculture and Related Agencies
2362 Rayburn
Washington, D.C. 20515

Dear Mr. Chairman:

We are writing to request your support for funding of research on the effects of diet and lifestyle on human nutrition and health through the USDA.

As you know, food and dietary habits are closely linked to health promotion and disease prevention. Proper nutrition is influenced by many factors such as stage of life, genetic background, presence of disease states or syndromes, pregnancy, average daily calories consumed, and lifestyle choices such as amount of daily exercise. A program dealing with normal nutritional requirements already exists at USDA in the area of Nutrition, Food Quality and Health. However, no program currently exists which addresses the impact of particular dietary components on health and nutrition.

For this reason, we propose the creation of a new \$1.5 million grants program entitled the "Effect of Diet and Lifestyle on Human Nutrition and Health." Subprograms in each of the following areas should be established: meat, fiber, alcohol, lipids and food supplements (micronutrients). For each of these five areas, a lead university should be competitively selected by the Cooperative State Research Service (CSRS) to administer the grants. Research conducted under this program would involve a multi-disciplinary approach including medicine, nutrition, epidemiology, natural products chemistry and enology.

We believe that the first grant under this new program should be used to fund a study of the nutritional and health effects of alcohol in the diet. Beverages containing alcohol, such as wine, contain components known to be antioxidants and immunostimulants. The role of these compounds in health promotion and longevity warrants investigation. Additionally, this research should include a risk assessment of alcohol consumption.

Mr. Chairman, we hope you will agree that the effect of alcohol in the diet warrants in-depth study and respectfully request the inclusion of \$1.5 million in the FY 93 Rural Development, Agriculture and Related Agencies Appropriations bill for this purpose. Your attention to this request is deeply appreciated.

Sincerely,

Jerry Lewis

Vic Fazio

Carl M. Workent

Nancy Pelosi

Randy Lake Cunningham

Bill Lucey

Don Edwards

Calvin Dooley

H. C. Wicks

Edward R. Roybal

Estrovan Torres

[Signature]

[Signature]

Wally Herger

Frank Riggs

ADDITIONAL SIGNATURES ARE STILL BEING GATHERED. THIS PARTIAL LIST ALREADY INCLUDES CONGRESSMAN LEHMAN, LEVINE AND MARTINEZ.

SCIENCE AND RESEARCH: THE PATH FOR WINE'S FUTURE

EXECUTIVE SUMMARY

The position of wine in America today, and all the multiple variables affecting its growth and future, are dominated by a paramount, core issue: is it a "gateway" drug whose very use is dangerous to the well being of individuals and society? or is it a companion to meals, a legitimate component of the nation's lifestyle, and in moderation a dietary benefit to human health and nutrition?

How the question is resolved will influence dramatically all our resources, investments, policies and programs in the near decade and years to come. The issue of wine's image, standing and integrity supersedes all other elements, game plans, business plans, marketing and personnel decisions.

This paper proposes impartial multidisciplinary research by a consortium of universities and scientists to study the role of alcohol, particularly wine, in the diet and the effects of moderate drinking on nutrition and health. We believe we can positively reframe the entire social debate on wine in America. A major way to achieve that goal is the Congressional establishment of a grants program within the Cooperative State Research Service (CSRS) of the U.S. Department of Agriculture.

Initial reaction to such a proposal within the USDA, from academia, from vintners and growers across the country, and within Congress has been encouraging. Indeed, there are those who view our initiative as one that could establish health enhancement as peer to disease prevention in the scheme of national health care priorities.

Thus, the Wine Institute's Agenda for Action:

1. Unify behind a call for impartial research into the effects of wine consumption on individual health.
2. Extend the call to the international arena.
3. Forge stronger ties with the agricultural, academic and medical communities.
4. Demonstrate concern for issues of national health.
5. Reject unequivocally any association of wine with illegal substances.
6. Redirect individual company and industry market research.

7. Encourage federal authorities to review policies governing our ability to disseminate accurate medical and scientific findings.
8. Build Wine Institute personnel and staff competence on issues of health.
9. Acknowledge both competitive distinctions as well as mutual assistance between the wine, beer and spirits industries.
10. Leverage domestic gains across the international arena.

The simple and clear goal is to get the American public to better understand wine in all its aspects and dimensions. The continuous flow of scientific findings from university and medical researchers, properly communicated, will infuse all other business, economic and political activities and decisions with new energy and credibility. The entire process can help unify the entire industry at the state, national and international levels.

SCIENCE AND RESEARCH: THE PATH FOR WINE'S FUTURE

INTRODUCTION

On November 17, 1991, Morley Safer put excitement back in the wine industry with his "60 Minutes" segment on the "French Paradox". His message on the potential health benefits of moderate wine drinking was not new and has been known by a small circle of researchers for years. But the powerful commentary and visual imagery were aired to some 30 million viewers; and that broke new ground for the major media and larger public audience and recaptured for wine in America the traditional ground of common sense and scientific inquiry. The challenge to us since has been to keep alive and expand that excitement, to push even further the frontiers of research and knowledge about wine, to sharpen our media and communication skills, and to redefine our legal rights to disseminate accurate medical and scientific facts to the entire American public.

This moment in our ever changing history could not come at a more opportune time. Confronted by dietary and cultural ignorance the entire U.S. wine community is most eager to make positive things happen. Fortunately, there are already in place many strong industry policies, programs and capabilities. The emphasis on quality in grapegrowing and winemaking has produced competitive and attractive wines to consumers throughout the world at every price range. Knowledge of consumer tastes, demographic trends, market schematics and effective promotion and advertising, etc. has produced a vital industry capable of responsive adjustments to societal and economic change.

At the critical state governmental level the keystone of activity remains Wine Institute's state trade barriers work to remove and reform the regulatory and legislative obstacles to growth resulting from the 21st Amendment. In the key area of advertising and promotion the voluntary Code of Advertising Standards, first adopted in April 1978, and revised in May 1987, to apply to wine coolers, continues to the very present to be hailed and supported in the halls of Congress and important Administration offices, such as Surgeon General Antonia Novello's staff. In a similar vein Wine Institute's Statement of Policy on Drunk Driving, issued March 13, 1984, took a far sighted position that remains current in support of a balanced systems approach with emphasis on swift enforcement, adjudication, education and treatment.

The milestone passage of the Wine Equity and Export Expansion Act, October 30, 1984, provided for the first time, as a matter of law, systematic consultations by U.S. officials with our industry on the elimination of international trade barriers

and financial support "to develop, maintain and expand foreign markets for U.S. wine". The subsequent strong participation in the USDA's Targeted Export Assistance Program (TEA) and the Market Promotion Program (MPP), greater attendance and membership in the OIV and the FIVS, strong emphasis on the Wine Accords with the EEC, the Canadian Free Trade Agreement, the North American Free Trade Agreement, and the GATT Uruguay Round of negotiations all reflect the new and coordinated global vision of Wine Institute.

AMIDST A SWIRL OF CHANGE

Such progress has come at a time when the whole of American society has had to deal with the complex swirl of monetary, fiscal, trade and recessionary pressures, currency fluctuations and disruptions, and civil and social unrest. The tragic breaking up of the basic family unit, the weakening of family values and the accompanying public health and substance abuse concerns have dramatically impacted the national agenda and sense of division and apprehension. Our industry's recognition of these larger forces and acceptance that our economic fortunes are intertwined with the general health of the national economy represent new maturity and conceptual growth. Naive generalizations about wine being recession proof have given way to the realization that few sectors can prosper when the American public faces hard times. The further recognition of the discretionary nature of much of wine consumption has tempered past over optimistic predictions for future "Golden Ages" and prosperity. This new sophistication has sharpened the emphasis on improved market research and educational programs to expand our consumer base and to position wine as a legitimate component of the nation's lifestyle. The latter condition took centuries to accomplish in the Mediterranean countries, but the extraordinary mass media outreach available today and the openness of the American public to change and experimentation, make the goal of an expanded wine culture still an achievable prospect.

UNDER IRRATIONAL ATTACK

A major obstacle to that goal is the active policy of key federal agencies, in concert with the anti-alcohol establishment, to attempt to stigmatize the moderate use of beer, wine and spirits. The federal Office of Substance Abuse and Prevention (OSAP), within the Alcohol Drug Abuse and Mental Health Administration (ADAMHA), is working diligently to redefine wine and alcohol as equal to, or worse than, tobacco and illicit drugs such as cocaine and heroin. Outright language manipulation is being purposely pursued by OSAP. For example, starting in July 1989 its editorial guidelines called for the discontinuance of terms such as "responsible use" or "substance use" or "accidents" to be replaced by "use" "alcohol and other drug use"

and "crashes". Groups such as the National Council on Alcoholism and the CSPI have carefully crafted this "gateway drug" terminology and strategy to influence major institutions to attack our beverages and to exploit existing political and legal tendencies. They have publicly encouraged government officials to seek budgetary relief for spiraling deficits through "sin" taxes. The litigious nature of modern society needs little stimulus to encourage product liability threats and litigation. Old anti-alcohol messages are being recast in public health scare messages and public relations releases to distort legitimate concerns and raise doubts about even modest social consumption.

Recent events such as the April 2, 1992, U.S. Senate hearing on the Kennedy-Thurmond rotational warning bills strongly confirm the "no use" strategy adopted by the "gateway drug" wing of the alcoholism professionals. Witness after witness, in favor of the proposed legislation, tried to depict alcohol as a "recreational drug" or "drug of choice" or pejorative companion to tobacco. This advocacy of further government restrictions and intervention were all linked to health scare charges.

BALANCED DEBATE -- RISK AND BENEFIT

In marked contrast the same hearing provided an industry panel, joined by broadcasters, advertisers and a constitutional law expert, the opportunity to present a reasoned rebuttal to the emotional testimony of the proponents. All panelists were in accord in combatting alcohol abuse, none over reacted to take indefensible stands. Facts were the centerpiece of the prepared remarks; and a discernible improvement in the industry's legislative prospects was evident from the post hearing report from the Senatorial staffs.

The fundamentals of the industry, outlined this past year before both House and Senate panels, such as the full House Agriculture Committee hearing on October 23, 1991, lend themselves to a successful strategy of our own to reframe and totally recast the national debate. Researchers are increasingly compiling evidence that the large majority of Americans who consume wine do so in moderation and enjoy a healthy lifestyle. This emerging fact provides the cornerstone for support within the scientific, medical and university communities for a more balanced research policy on wine and alcohol. In fact, the need for a balanced national debate on the larger subject of risk analysis, should enlist many allies and many industries. A two handed approach of presenting both the nutritional benefits of moderate diet and lifestyle as well as the adverse health consequences of abusive behavior would promote a better informed debate and more responsible public and private establishment of priorities.

The defining signature of Wine Institute's Mission Statement is the initiation and advocacy of public policy that enhances the environment for the responsible enjoyment of wine. The practical pursuit of that mission starts with the recognition that we have finite resources, cannot squander our energies, and must concentrate only on those programs that can make a fundamental difference in our standing, image and potential to grow. The simple, straight forward goal is to get the American public to better understand wine in all its aspects and dimensions. A more informed consumer will more likely choose a glass of wine to go with meals, snacks, or dinner. A more informed electorate, as was evident on the excise tax front in California with the defeat of Proposition 134, can sort through the emotionalism of the anti-alcohol lobby to vote rationally and reject the "sin" tax rhetoric. A more knowledgeable America will overcome the misinformation and half truths that have clouded the alcohol issue and debate in recent years and comprehend the vital distinction between "use" and "abuse".

IMPARTIAL RESEARCH

An industry-wide course of action that would achieve our policy objectives is the advocacy of an integrated, interdisciplinary research program on the role of alcohol, particularly wine, in the diet and the effects of moderate drinking on nutrition and health. Just as basic viticultural and enological research provided the qualitative underpinning for our impressive growth as an industry, so too can basic medical and university research enhance our public policy positions. A major course of action for us is active participation at the Congressional level. There are hundreds of millions of dollars awarded by government agencies to investigate the legitimate problems of alcohol abuse and alcoholism. The time has now come for the federal government to financially stimulate research that could assist the health care system in such critical areas as combatting coronary heart disease. The details of this program must be formulated by the university and medical world and conducted by a consortium of independent and respected researchers whose funding comes from unimpeachable sources. The leading entity to oversee this function, given the present environment, is the Cooperative State Research Service (CSRS) within the U.S. Department of Agriculture, funded through the Congressional appropriation process.

For the many millions who have no physiological or physical obstacles to wine consumption, the substantiation of certain dietary research findings can be particularly beneficial. For us in the wine industry it is a case of enlightened self interest to advocate comprehensive research in this area. The probability is very high of confirming the health benefits of moderate wine and alcohol consumption, especially for our hearts. Independent researchers and analysts have increasingly agreed on this growing fact. For example, the historically antagonistic "University of

California at Berkeley Wellness Letter", had to reluctantly report (with left-handed swipes) in its June 1992 edition that, "There is no longer any argument about the protective effects of light to moderate alcohol consumption - thought there's plenty of argument about whether it is worthwhile to begin drinking just to protect your heart. As we reported last November, a daily intake of no more than two beers, eight ounces of wine, or three ounces of 80 proof spirits is associated with a lower risk of heart attack".

Almost every major concern facing our industry can be proactively addressed through our new research policy. There is a direct link between the study of high density lipoproteins and antioxidants and our campaign to remove wine as a "sin" to be taxed. Indeed, as scientific findings on wine become more widespread, the day should come when it will be viewed a "sin" to tax wine. The exploration of immunostimulants and phytochemicals in wine can sharply distinguish our products from tobacco and illegal drugs and the push for new labelling, advertising and distribution controls.

The object is not to sell wine as medicine. Wine's attraction will continue to be as a companion to meals and accompaniment to food. Rather, the thrust is to defeat the purposeful attempt to portray a glass of chardonnay as equal to crack cocaine or cigarette smoke. The goal is to achieve scientific consensus, and medical and media confirmation that moderate and regular drinking is a dietary promoter of cardiovascular and physiological health. The statistical ratification of this fact would dramatically reposition the image of wine and alcohol in America.

BROAD SUPPORT

The initial attraction of this strategic goal and concept within university and governmental circles has been gratifying. Fourteen eminent researchers have already indicated their readiness to present interdisciplinary papers at an August 14-15, 1992 Conference, sponsored by the U.S. Department of Agriculture, and hosted by the U.C. Davis Departments of Nutrition, Viticulture and Enology, and Internal Medicine. The stated purpose is "to bring together the leading experts in the field of alcohol metabolism and its biological effects, the epidemiology of alcohol and the interactions of alcohol as a dietary constituent in normal health to objectively examine the Health impact of moderate alcohol consumption". (See Attachment #1)

Many other researchers will be invited to attend the workshop whose proceedings will be used to plan an integrated and comprehensive program for the coming decade. Contingent on Congressional allocation, the USDA's Cooperative State Research Service is enthusiastically prepared to administer a grants program awarded to a lead university through a competitive

process on behalf of a university consortium. Congressional oversight, the reputation and experience of the CSRS, and the independent role of the university, medical and research communities will substantially enhance the legitimacy of the entire research project.

Preliminary word of this initiative has resulted in numerous exchanges between university members, including foreign colleagues. USDA officials have given their advice and counsel most cooperatively. Winery and grower associations in other states have expressed strong support to their Congressional representatives for this leadership approach. Even at this early stage it is clear that everybody can play a role, that there's room for everybody, and that we have tapped a deep wellspring of enthusiasm and advocacy which can help unify all elements of our industry at the state, national and international levels. It is clear that U.S. wine can make a specific contribution to the larger societal issue -- which allied members of the beer and spirits segments are also addressing -- to oppose abuse and to prove the scientific underpinnings of moderation. Key Congressional delegations and members of the House Appropriations Committee have already endorsed in writing our proposal. (See Attachment #2) The very act of grassroots contacts to accumulate Congressional signatures has stimulated cross country and associational cooperation and cohesion.

AT THE FOREFRONT OF HEALTH ENHANCEMENT

Also gratifying is the reaction to the total vision contained in our talk paper. (See Attachment #3) The emphasis on wine and alcohol research is a proper focus to launch the new CSRS funding. There is the practical matter of getting things started. But what also appeals to many is the notion of studying additional programs in four other areas: meat, fiber, lipids, and food supplements (micronutrients). As is contemplated for alcohol for each of these areas, a lead university would be competitively selected by the CSRS to administer the grants. At the appropriate stage, when all the consortia are functioning and publishing their results, the Congress would be asked to fund a Center for Health Enhancement. This appropriation would integrate and oversee the entire field, as is currently being done on the prevention side by the Centers for Disease Control in Atlanta.

The successful passage of our CSRS grants initiative, with expanded funding advocated and anticipated each year as the research progresses, can immediately galvanize much of Wine Institute's activity, provide new energy to our previous policy formulations and serve as a coalescing force within the wine industry and beyond to our many allies. Understood correctly as being more than just a new research project, it can serve as the linchpin of our consumer, media and governmental programs for the nineties. The issue of our image, standing and integrity, in

terms of our products, people, and overall industry, supersedes all others. In the larger mosaic of politics, economics, marketing, and consumer and governmental relations, what we are proposing is the core component of our entire socio-political strategy. The research field, with its ready access to the medical-scientific complex and the national and global media, can be the motor force today for industry change, growth, progress or failure. The consequences for either perceived political vulnerability or consumer attraction are unprecedented.

For example, the very organization of the university consortium will signal to federal agencies and to the media that the national alcohol debate is being reformulated. Even before new findings are published on antioxidants, immunostimulants, and phytochemicals in wine, and their potential beneficial effects, the August workshop proceedings outlining such an investigation will be disseminated to the scientific and medical communities. The widespread May 1992 newspaper coverage of certain vitamins and foods that are also antioxidants is indicative of the high interest given to such health news. The new departure and appearance of stories in journals such as Vogue and Redbook in April and June 1992, regarding drinking and good health, presage new receptivity for up-to-now taboo articles and reporting.

Our conceptualization and public call for this balanced national research policy and media coverage preceded the "60 Minutes" broadcast by several weeks. The timing could not have been more fortuitous; for the credibility and media momentum generated since the airing of the "French Paradox", augmented by the additional CBS segment from the Winter Olympics, have stimulated numerous articles, news conferences, seminars and symposia, and provided new legitimacy to the whole subject matter.

AGENDA FOR ACTION

The environment, therefore, is right to move on many fronts:

1. Unify behind a call for impartial research into the effects of moderate wine and alcohol consumption on individual health. Our grassroots constituency of wineries, growers, consumers, wholesalers, retailers, importers, brewers and distillers can unify around the theme of advocating a federal grants research program under the auspices of the U.S. Department of Agriculture.
2. Expand our resources and funding to the international arena. Our new research coalition can encourage foreign entities, universities and associations to allocate critical funds to similar purposes and to join in an international interdisciplinary consortium.

3. Forge stronger ties and associations with the agricultural, university and medical communities. Our various associations and organizations should utilize our extensive ties with the university, medical and research world to engage in many other research ventures. In addition to the subject of cardiovascular health and longevity, our industry's future is associated in a critical way to plant biology and genetics, viticultural and enological advances, nutritional and chemical findings and the rooting out of such destructive diseases as phylloxera.
4. Demonstrate greater concern for national health requirements. Our various consumer activities and programs should underscore our commitment to the scientific exploration of dietary and lifestyle themes which go beyond industry interests and which warrant widespread consumer and public support. The annual deaths of over 700,000 people from coronary heart disease compel a rethinking of research directions and priorities.
5. Reject definitively the attempt to brand wine as equivalent to illegal substances and drugs. Our media and political action programs at the local and national levels should unmask the orchestrated attempt to equate wine and alcohol with tobacco and hard street drugs. The dissemination of recent research findings rejecting this distortion should be provided every elected and appointed official in America. We should be especially alert to the coming Congressional debate on national health costs and insurance which could engulf us in a new round of excise tax pressures and increases.
6. Take individual company and industry market research in new directions. Our market research should introduce new questions and areas of inquiry generated by the marketing and sales improvement that followed the "French Paradox" viewing. Consumer tastes, preferences and resistance should be explored within the context of new dietary findings and increased consumer awareness.
7. Encourage the federal authorities to review policies governing our ability to disseminate accurate medical and scientific findings. For example, truthful statements based on scientific publications and consensus, need not be viewed as necessarily "misleading" if new regulatory groundrules can be established.

8. Strengthen Wine Institute's organization and employee competence to effectuate policy goals. Our personnel recruitment priorities should be sensitive to the new public health issues and requirements. In addition to traditional areas of competence, we should strive to attract employees conversant and expert in this increasingly important area.
9. Acknowledge that the wine, beer and spirits industries can be competitively distinctive in such areas as marketing, advertising and promotion, while cooperatively joining alliances on governmental issues such as combatting tax increases, punitive legislation and regulatory restrictions. Our research grants proposal, for example recognizes that there have been, and will continue to be, studies that apply equally to all alcohol products as well as beverage specific projects that are unique to wine, or beer, or spirits.
10. Safeguard and expand our international role and markets. Our international export goals should be reviewed in recognition that there is an international and global audience for the themes resonating here in America. Market promotion funding by the Congress and support within the Administration will be positively or negatively impacted by the image and standing wine can project in the crucial period ahead.

In sum, as the above 10 points attest, there is a wide range of industry action and resources that can be mobilized under the banner of our new public policy initiative. We are playing to our strengths when we call for more scientific inquiry and more balanced research data as the basis for governmental action. We are solidifying our agricultural roots and affiliation by coming under the jurisdiction of USDA's Cooperative State Research Service. There is nothing for us to fear in elevating scientific fact and research discovery over emotional appeal. The foundations of our public participations are sound, influenced strongly by our years of commitment to our Code of Advertising Standards, our socially responsible promotions and educational programs, our emphasis on wine with meals, and the common cause we have made with the movement to overcome alcohol abuse and alcoholism. We will abide by what the research experts conclude, which ultimately must coincide with the dietary wisdom of the ancients, and the lifestyle and cultural practices of millions of people over thousands of years.

May 29, 1992

Attachment #1

TITLE: Potential Health Effects of Alcohol in the Diet

DATE: August 14-15, 1992

PLACE: University of California, Davis

SPONSORS: The U.S. Department of Agriculture

HOST: The University of California, Davis
Departments of Nutrition, Viticulture and Enology, and Internal Medicine

GOAL: To bring together the leading experts in the field of alcohol metabolism and its biological effects, the epidemiology of alcohol and the interactions of alcohol as a dietary constituent in normal health to objectively examine the health impact of moderate alcohol consumption. A workshop proceedings will be published which can be used to plan an integrated, interdisciplinary research program on the role of alcohol, particularly wine, in the diet and the effects of moderate drinking on health.

TENTATIVE OUTLINE OF MEETING**Session I: Alcohol Metabolism and its Biological Effects**

"Cellular metabolism of ethanol." I. Diamond (present the first day), M.D., Ph.D., Professor and Vice Chair, Department of Neurology, San Francisco General Hospital, San Francisco, California.

"Genetic regulation of ethanol metabolism." T. K. Li, M.D., Professor of Medicine and Biochemistry, Indiana University School of Medicine, Indianapolis, Indiana.

"Effects of alcohol consumption on cardiac function." L. G. Lange, M.D., Ph.D., Chief, Cardiovascular Diseases, Jewish Hospital of St. Louis, St. Louis, Missouri.

"The use of acetaldehyde as a marker of alcohol consumption." C. M. Peterson, M.D., Medical Research Foundation, Santa Barbara, California.

"Effects of ethanol intake on energy balance." S. Zakhari, Ph.D., Chief, Biomedical Research Branch, NIAAA, Rockville, Maryland.

"Alcohol metabolism, alcoholic liver disease and modulating effects of diet." S. W. French, M.D., Chief, Anatomical Pathology, Harbor UCLA Medical Center, Torrance, California.

"UC Davis animal model for alcohol and nutrition." C. Halsted, C. Keen, and S. D. Phinney, University of California, Davis, California.

Session II: Alcoholic Beverages and Health

"Alcohol consumption and cardiovascular mortality." W. Willett (or collaborator), M.D., Harvard University, Boston, Massachusetts.

"Patterns of alcohol consumption in California." K. Kizer, M.D., University of California, Davis, California.

"Alcohol consumption and cardiovascular changes." A. Klatsky, M.D., Oakland, California.

Session III: The Composition of Wine

"The composition of wine." V. L. Singleton, Ph.D., Professor of Enology, Emeritus, University of California, Davis, California.

"Phytochemicals in wine: some potential beneficial physiological effects." J. E. Kinsella, Dean, College of Agricultural and Environmental Sciences, University of California, Davis, California.

"Inhibition of ethyl carbamate (urethane) induced carcinogenesis by wine fed to CSH mice." G. S. Stoewsand, Professor of Toxicology, Cornell University, Geneva, New York.

Closing Remarks:

"Social and economic impact of the wine industry." W. J. Darby, M.D., Ph.D., Professor of Biochemistry, Emeritus, Vanderbilt University, Nashville, Tennessee.

Attachment #3

A PROGRAM FOR RESEARCH ON THE EFFECT OF DIET AND LIFESTYLE ON HUMAN NUTRITION AND HEALTH

Requesting \$1.5 million for research on the effects of diet and lifestyle on human nutrition and health through the USDA.

Food and dietary habits are closely linked to health promotion and disease prevention. Poor nutrition can lead to a variety of medical problems. Proper nutrition for optimal health is influenced by many factors such as stage of life, genetic background, presence of disease states or syndromes, pregnancy, average daily calories consumed, and lifestyle choices such as amount of daily exercise. The interactive role of dietary components is complex. For example, a diet rich in meat but deficient in fiber may impact health differently than one rich in both meat and fiber. There is also a growing body of evidence indicating that moderate alcohol consumption is associated with cardiovascular health and longevity, while excessive alcohol consumption may shorten a life span.

In the interests of human nutrition and well being, it is important to substantiate these findings and explore the role of dietary components in human health and disease prevention. A grants program on the "Effect of Diet and Lifestyle on Human Nutrition and Health" is proposed. Given the responsibility of the U.S. Department of Agriculture in the role of nutrition in disease prevention, it would be very appropriate for the USDA to take the lead in sponsoring research in this area.

A grants program addressing normal nutritional requirements already exists at USDA in the area of Nutrition, Food Quality and Health. This new grants program would have a different emphasis on the impact of particular dietary components on health and nutrition. Subprograms in each of the following areas should be developed: meat, fiber, alcohol, lipids and food supplements (micronutrients). For each of these five areas, a lead university to administer the grants should be competitively selected by the USDA Cooperative State Research Service (CSRS).

Currently, there is no funding at the state or federal level to support research on the impact of moderate alcohol consumption in the diet as a promoter of cardiovascular health. Beverages containing alcohol, such as wine, also contain components known to be antioxidants and immunostimulants. The role of these compounds in health promotion and longevity warrants investigation. Such a research program will also encompass risk assessment of alcohol consumption.

CSRS should be designated as the lead agency for this program. They would in turn conduct a competition for a lead university to direct a consortium of universities which have the interest and expertise to conduct research in this area. In this way a coordinated program to explore the nutritional and health effects of alcohol and other components of beverages containing alcohol in the diet could be established which would involve the best qualified scientists drawn from universities across the United States in a multi-disciplinary approach including medicine, nutrition, epidemiology, natural products chemistry and enology.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service
National Institutes of Health

FEB 24 1995

National Institute on Alcohol
Abuse and Alcoholism
6000 Executive Boulevard
Rockville, MD 20892-7003**RECEIVED**

MAR - 2 1995

JDL

Mr. John A. De Luca
President
Wine Institute
426 Market Street
San Francisco, California 94105

Dear Mr. De Luca:

On behalf of Dr. Varmus and myself, I am writing to thank you for sharing your letter to Dr. Lee concerning the scientific research agenda addressing the health consequences of moderate alcohol consumption. We share your desire for greater research-based understanding of the consequences of moderate drinking and the mechanisms by which those effects operate.

The specific research areas outlined in your letter are areas where increased research will contribute to our understanding of the mechanisms and effects of low levels of alcohol consumption on cardiovascular health. The National Institute on Alcohol Abuse and Alcoholism (NIAAA) is interested in supporting research in these and related areas. A Request for Applications (RFA) is due to be released later this spring seeking research proposals on the health effects of moderate alcohol consumption. I will see that you receive a copy of the RFA when it becomes available. Also, the NIAAA is developing a monograph summarizing the state-of-the-art in scientific knowledge about the health effects of moderate drinking. In addition, the National Heart, Lung, and Blood Institute is supporting several research projects that relate to this area.

Thank you again for sharing your correspondence to the Assistant Secretary, and for your continuing interest in this area. I appreciate your support for the research mission of the NIAAA and the NIH.

Sincerely yours,

Enoch Gordis, M.D.
Director
National Institute on
Alcohol Abuse and Alcoholism

*PS Looking forward
to your skill m
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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

MAR 23 1995

Office of the Assistant Secretary
for Health
Washington DC 20201**RECEIVED**

MAR 28 1995

JDL

Mr. John A. De Luca
President
Wine Institute
425 Market Street, Suite 1000
San Francisco, California 94105

Dear John:

Thank you for your letter suggesting possible topics for a scientific conference addressing aspects of the role of alcohol in a healthy diet. Following our earlier discussion, your meetings with senior National Institutes of Health (NIH) staff, and careful consideration of the idea of an international conference, we have concluded that there is not enough to be gained to go forward at this time. The specific issues that we have discussed with you are primarily the research domains of several NIH Institutes, especially the National Institute on Alcohol Abuse and Alcoholism (NIAAA) and the National Heart, Lung, and Blood Institute (NHLBI), although they are also of great interest to me and other senior members of my staff.

The NIH recognizes the importance of ongoing research into the health effects of moderate alcohol consumption and recently submitted the following statement to Congress as part of the fiscal year 1996 Congressional budget justification:

Epidemiologic studies have consistently shown that moderate alcohol use is associated with a reduced risk of coronary heart disease and ischemic stroke. Protective mechanisms appear to include favorable effects on blood lipids and clotting factors, and may include others, such as increased estrogen and decreased insulin levels. The NHLBI and NIAAA recognize that more research is needed to better understand these mechanisms, and to understand the role of non-alcohol factors such as antioxidants. The NIH will continue to support an active research program in this area.

Several international conferences, within the past few years, have addressed the health benefits of moderate alcohol consumption, and most of the leading medical-scientific journals have published papers on this topic. Furthermore both the research and the public health communities are aware of the potential benefits of low levels of alcohol consumption, and in fact, the NIAAA is developing a monograph summarizing the current state of scientific understanding regarding the health effects of moderate drinking. What is needed now is more research to clarify what effects are real, what mechanisms

Page 2 - Mr. John A. De Luca

lead to these effects, and how the risks and benefits of low levels of alcohol intake vary across subpopulations and in individual circumstances.

I am pleased that the NIH will be increasing its support for research into the health effects of moderate drinking if Congress supports the Administration's request for NIH in fiscal year 1996. The NHLBI is already supporting several research project grants regarding potentially beneficial cardiac effects of moderate alcohol consumption, and this spring the NIAAA will issue a Request for Applications (RFA) on the health effects of moderate drinking. This RFA will specifically include the areas outlined in your letter, along with a number of other related research areas, and I have asked the NIAAA staff to forward a copy to you as soon as it is released.

Thank you for your continuing interest and support. Let's get together the next time you are in town.

Sincerely yours,



Philip R. Lee, M.D.
Assistant Secretary for Health



ANHEUSER-BUSCH COMPANIES

Dane Starling
Vice President
Corporate Representative

February 26, 1996

RECEIVED

FEB 29 1996

JDL

Mr. John A. DeLuca
President
Wine Institute
425 Market Street, Suite 1000
San Francisco, CA 94105

Dear John,

As chairman of the coalition "Californians for Responsible Education" I want to express my deep appreciation for the extraordinary efforts you made on behalf of our coalition as we worked to defeat the Roos excise tax initiative. Our strategy of reaching out to the California education community and convincing them to support us on this issue was key to our success. However, truth be known, it was your reputation as a former educator and a man of integrity that gave us credibility with the various education groups and caused them to remain in our camp.

Few people realize the devastating impact this initiative would have had on the alcohol beverage industry. The proposed tax increases were absolutely confiscatory. The increase on beer would have gone from 20 cents to \$1.27 per gallon, on wine from 20 cents to \$2.76 per gallon, and on spirits from \$3.50 to \$16.10 per gallon. The resulting loss in sales would have seriously threatened the viability of our industry in this state and would have placed a minimum of 29,000 jobs at risk.

Our industry and the men and women who earn their livelihoods working at our facilities and our distribution centers owe you a tremendous debt of gratitude. Our victory is in large measure due to your singular efforts.

In closing, I want to personally thank you for your wise counsel and your sound recommendations as we went about achieving our victory. I'm looking forward to working with you as we move toward our greater goal of developing a broader coalition of industry, labor, agriculture, and educators to improve the education system in California.

Warm regards,

Dane Starling

Dane Starling

The Roos Initiative:

**How its passage would have decimated
the California wine market.**

*(The Roos Initiative: Public School Safety, Class Size Reduction,
Classroom Technology and Student Fee Stabilization Act of 1996)*

The Roos Initiative

Description: In November 1995 former Assemblyman Mike Roos filed an initiative for the November 1996 ballot to increase “sin” taxes on alcohol and tobacco products sold in California “to raise significant new revenue for the purpose of improving the quality and safety of California public schools.”

- Projected new tax revenues of \$2 billion.
- Would have paid for highly worthwhile programs with broad voter appeal:
 - ✓ Class size reduction, new technology, and safety in public schools.
 - ✓ Student fee stabilization in public universities.

The Roos Initiative

Implementation

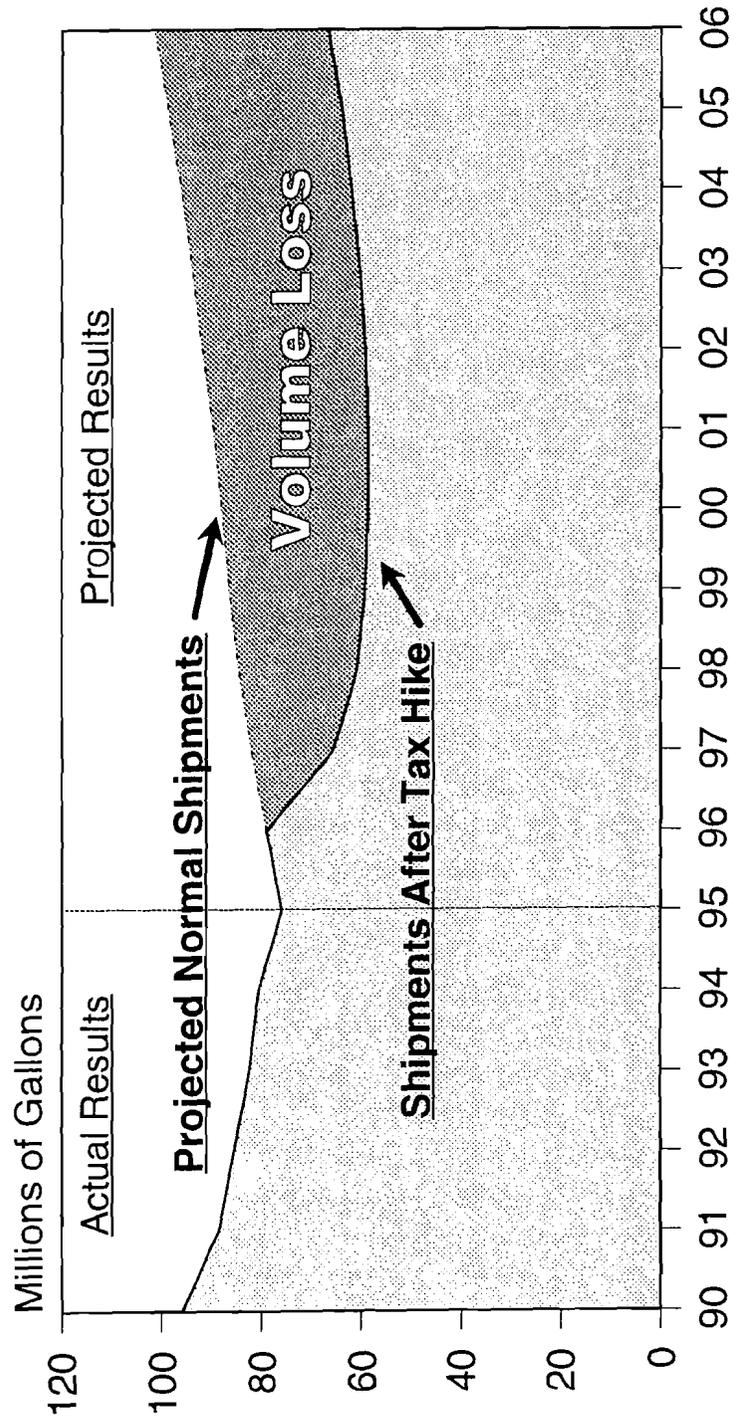
On January 1, 1997, the measure would have increased

California wine excise taxes by massive amounts:

- **Wine up to 14% alcohol:** by a whopping \$2.56 per gallon (from \$.20 to \$2.76 per gallon).
- **Wine over 14% alcohol:** by a monumental \$4.26 per gallon (from \$.20 to \$4.46 per gallon).
- Excise taxes also would have soared from \$3.30 to \$16.10 per gallon for distilled spirits, from \$.20 to \$1.27 per gallon for beer and from \$.37 to \$.87 per pack for cigarettes.

The Roos Initiative

California Wine Shipments to California, 1990 to 2006 Showing Impact of Roos Initiative Excise Tax Hike in 1997



Sources: California State Board of Equalization, Gornberg, Fredrikson & Associates

The Roos Initiative

Impact on Wine Industry: The massive wine excise tax hikes would have jacked up winery prices by 20% to 75% for most table wines:

Bottle Size	Gallons per Case	Excise Tax Increase per Case	Typical Current FOB Price*	New FOB Price with New Tax	% Increase
750 ml	2.38	\$6.09	\$30.00	\$36.09	20%
1.5 lt	2.38	\$6.09	\$20.50	\$26.59	30%
3.0 lt	3.17	\$8.12	\$20.00	\$28.12	41%
4.0 lt	4.23	\$10.82	\$23.80	\$34.62	45%
5.0 lt	5.28	\$13.53	\$18.00	\$31.53	75%
18 lt	4.76	\$12.17	\$22.00	\$34.17	55%

* Includes Federal excise tax of \$1.57 per gallon and California excise tax of \$.20 per gallon.

The Roos Initiative

Impact on Wine Industry: All wines over 14% alcohol would have soared \$10.13 per case or more if the initiative had passed.

Bottle Size	Gallons per Case	Excise Tax Increase per Case	Typical Current FOB Price*	New FOB Price with New Tax	% Increase
750 ml	2.38	\$10.13	\$19.70	\$29.83	51%
1.5 lt	2.38	\$10.13	\$20.20	\$30.33	50%
3.0 lt	3.17	\$13.50	\$22.30	\$35.80	61%

* Includes Federal excise tax of \$1.57 per gallon and California excise tax of \$.20 per gallon.

The Roos Initiative

Impact of Tax Price Hikes on Wine Sales in California

- The massive price hikes would have had a devastating impact on the California wine market since the majority (about 55% in 1995) of wines sold in California are relatively inexpensive “economy” wines sold mostly in large-size containers.
- Since the Roos excise tax would have been levied on a gallonage basis, wines sold in these large sizes would have soared in price (the larger the size, the bigger the % increase.)
 - ⇒ For example, the typical price of the 5-liter bag-in-box would have soared by around 75%, causing consumer demand to plummet.

The Roos Initiative

Impact on Wine Industry

- The enormous price increases after the tax hikes would have drastically reduced demand for California wine in comparison to expected normal growth over the next ten years.
- *The enormous tax hikes would have wiped out about one-third of normal California wine shipments to the California home market during the decade following their imposition.*
- The total direct shipment loss during the ten-year period would have been about 300 million gallons, equivalent to 125 million nine liter cases.
- The cumulative reduction in winery sales revenues would have been in the range of \$2.5 billion.

The Roos Initiative

Impact of Tax Price Hikes on Spirits Sales in California

- Sales of brandy and other distilled spirits products would have declined dramatically if the distilled spirits excise tax increase of \$12.80 per gallon had been imposed.
- The giant tax rise (equivalent to \$30.43 per nine liter case) would have boosted typical spirits FOBs by 40% to 50% per case, thus making sales fall drastically.

The Roos Initiative

The Resulting Economic Damage to California

Economist Steve Barsby's calculations show that the massive excise tax hikes would have directly contributed to the loss of 8,600 wine industry and 16,700 spirits industry jobs in California.

- Lost wages for both industries would have totaled about \$475 million.
- The loss in State Gross Domestic Product would have been about \$1.4 billion.
- The huge drop in wine sales also would have eliminated the need for thousands of acres of vineyards, especially in the San Joaquin Valley.

The Roos Initiative

The Outcome

The efforts that brought about the withdrawal of the Roos Initiative in February 1996 saved the California wine industry from a major business disaster.

WINE INSTITUTE

425 MARKET STREET, SUITE 1000 * SAN FRANCISCO, CALIFORNIA 94105

TELEPHONE 415/512-0151

JOHN A. DE LUCA
PRESIDENT

October 15, 1996

TO: ALL MEMBERS
FROM: JOHN DE LUCA

The attached (1) President's Report, (2) Summary of the NIAAA Grant Awards, and (3) Newsflash are also being transmitted today to all major U.S. newspapers, magazines, U.S. and world wire services, and major broadcast media. A total of 1,500 science, lifestyle and business writers will receive these materials within the next 24 hours.

Sincerely,



JDL:kc
Attachments (3)

WINE INSTITUTE



PRESIDENT'S REPORT

October 15, 1996

I am pleased to announce that in keeping with U.S. congressional directives, the National Institute on Alcohol Abuse and Alcoholism (NIAAA), part of the National Institutes of Health (NIH) has awarded fifteen research grants, totaling \$2,740,577 for fiscal year 1996, to study "the health effects of moderate drinking." These awards represent a truly historic step towards a broader national science policy on alcohol. NIAAA officials have reported that funding for this new research category on moderation likely will surpass \$10 million over the next five years, assuming existing appropriation levels. NIAAA will review additional proposals and believe further grants will be approved.

As the attached analysis reveals, most of the studies are pre-clinical/animal research projects (although there are several significant clinical investigations) which are directly or indirectly related to coronary heart disease, breast cancer, bone density and overall mortality. Some examine mechanisms at the molecular level that may help explain in greater detail alcohol's role in coronary heart disease prevention. Two examine the interaction between alcohol and medication and others determine the risks and benefits of moderate consumption for different age and gender groups. A good number promise to yield positive results, but several will explore possible biological reasons why some people should not drink. This research agenda reinforces the recently released *Guidelines for Sensible Wine Drinking* which highlight wine's role as part of an optimal diet for healthy adult Americans but also acknowledge the choice of abstinence for health or personal reasons. It appears that these initial studies do not distinguish between wine, beer and spirits; though one major effort will look at beverage choices and health outcomes.

To assess the importance of the new developments we must keep in mind the NIAAA's basic charter. It was created by Congress to address and solve the issues and problems related to alcohol abuse and alcoholism. It was thus charged with the major role of creating the scientific foundation for rational social policy. The NIAAA's recognition that there can be benefits as well as risks, when scientifically based recommendations are to be made about drinking, reflects its responsiveness to congressional instructions to pursue scientific frontiers and foster greater knowledge. Its new research initiative gives further testimony to the more enlightened shift taking place in official quarters as regards our products and industry.

Wine Institute's goal, as demonstrated by our parallel work on the new Federal Dietary Guidelines, issued earlier this year by the USDA and HHS, has consistently been to rescue wine from politics and polemics and move it towards the arena of balanced scientific inquiry. Scientific findings, when disseminated to the public through the national media, can provide an essential instrument for a better educated citizenry. The full disclosure of science helps to place wine in its proper cultural context -- not as a health food or medicine, but as an adjunct to an optimal diet that has enhanced the taste of foods and has added pleasure to meals for centuries.

The new research grants, modest as they are, represent a milestone in the evolution of our industry in America. They augur well for the cultural foundation we are preparing for future generations.

JOHN A. DE LUCA

**THE NATIONAL INSTITUTE ON ALCOHOL ABUSE & ALCOHOLISM'S
FY 1996 AWARDS-MODERATE DRINKING**

	RESEARCHER	TITLE (LENGTH)	FIRST YEAR 1996 AWARD	PROPOSAL SUMMARY
1	FRANK M. AHERN Pennsylvania State University	Alcohol Interactions-Health Outcomes in the Elderly (2 YR)	\$131,833	To assess the impact of alcohol-prescription drug interactions on mortality, selected health outcomes, and health-care expenditures as measured by Medicare and PACE claims-based health services in the elderly. (Survey Analysis)
2	ELIZABETH J. KOVACS Loyola University	Ethanol Effects on Recovery from Thermal Injury (2 YR)	\$107,756	To examine the relationship between alcohol consumption and increased level of morbidity and mortality in burn patients. The resulting information is intended to be used to develop more efficacious therapies for the treatment of ethanol-exposed, thermally-injured patients. (Pre-clinical)
3	VINCENT M. FIGUEREDO University of California, San Francisco	Protection from Cardiac Reperfusion Injury by Ethanol (5 YR)	\$141,884	To investigate alcohol's role in myocardial recovery and survival after a coronary event. Mechanisms that may explain alcohol's protective effect will be examined in an effort to develop therapeutic interventions. (Pre-clinical)
4	RUSSELL T. TURNER Mayo Foundation	Dose Response Effects of Alcohol on Bone Metabolism (5 YR)	\$169,189	To examine the short- and long-term effects of moderate alcohol consumption on bone remodeling versus bone formation, potentially leading to a better understanding of the benefits and risks of various levels of alcohol consumption on bones. (Pre-clinical)
5	DARIA D. MOCHLY-ROSEN Stanford University	Mechanisms of Ethanol Induced Cardiac Myocyte Protection (3 YR)	\$223,927	To investigate the molecular mechanisms of alcohol's potential protective effect on the heart muscle by assessing ethanol-induced changes on the cell-mediated signal transduction system. (Pre-clinical)
6	MARIA A. LEO City University of New York	Ethanol-Carotenoid Interactions: Benefits and Risks (3 YR)	\$211,597	To define the interactions between ethanol (especially moderate intake) and beta-carotene in terms of bioavailability and possible toxicity in order to determine optimal dose levels of supplements for the population group that uses beta-carotene as well as moderate amounts of alcohol. (Pre-clinical/Clinical)
7	NICOLAS J. GUZMAN Georgetown University	Alcohol and Endothelial Cell Signaling (3 YR)	\$253,559	To examine another mechanism by which moderate alcohol consumption may inhibit atherosclerotic plaque formation: through positive effects on cell proteins, counteracting endothelial dysfunction. (Pre-clinical)
8	JUDITH S. GAVALER Oklahoma Medical Research Foundation	Alcohol and Estrogen Replacement Therapy Interactions (5 YR)	\$303,217	To investigate the role of alcohol consumption on estrogen levels in post-menopausal women who may or may not have undergone estrogen replacement therapy. (Clinical)

	RESEARCHER	TITLE (LENGTH)	FIRST YEAR 1996 AWARD	PROPOSAL SUMMARY
9	VICTOR M. HESSELBROCK University of Connecticut Health Center	Alcohol Use and Bone Metabolism (2 YR)	\$100,797	To examine bone turnover and bone loss in persons who consume varying levels of alcohol and determine whether decreases for moderate drinkers are related to altered levels of hormones. (Clinical)
10	HEIDI NELSON Oregon Health Sciences University	Moderate Alcohol, Function and Health of Older Women (5 YR)	\$96,349	To analyze data from the Study of Osteoporotic Fractures (SOF), which includes 9,704 older women enrolled in 1986-1987, to provide information for appropriate alcohol decisions for large populations of older women. (Survey Analysis)
11	CAROL A. SHIVELY Wake Forest University	Risks and Benefits of Moderate Alcohol (5 YR)	\$262,215	To assess the effects of moderate alcohol consumption on coronary heart disease, osteoporosis and breast cancer in monkeys. (Pre-clinical)
12	MARY J. MALLOY University of California, San Francisco	Antiatherogenic Effects of Moderate Alcohol Use (5 YR)	\$190,109	To measure the effects of moderate alcohol intake on high density lipoproteins (HDL) and assess the effects on two antiatherogenic functions of HDL by using new immunosorption techniques. (Pre-clinical)
13	ARTHUR L. KLATSKY Kaiser Permanente Medical Center, California	Alcohol Drinking and Risk of Cerebrovascular Disease (3 YR)	\$240,040	To investigate the role of light-to-moderate drinking and type of alcoholic beverage (wine, beer and spirits) with respect to stroke in a Northern California multi-ethnic, free-living population of 128,934 men and women. (Clinical/Survey Analysis)
14	ABDEL A. ABDEL -RAHMAN East Carolina University	Pre- and Post-menopausal Hemodynamic Responses to Alcohol (3 YR)	\$152,218	To analyze the effects of moderate alcohol consumption on the cardiovascular function of the female population as a whole and specifically post-menopausal women. (Pre-clinical)
15	JUDITH S. GAVALER Oklahoma Medical Research Foundation	Alcohol Effects in Postmenopausal Women (1 YR*)	\$155,887	To evaluate the different effects of moderate and abusive alcohol consumption on hormonal status and the impact on various health parameters in post-menopausal women. (Pre-clinical/Clinical)
	TOTAL		\$2,740,577	

“

1-12 NIAAA allocations under RFA “the health effects of moderate drinking” \$2,192,432
13-15 NIAAA allocations from general fund RO1 \$ 548,145

Total \$2,740,577

* One year extension of a 11 year project

WINE INSTITUTE NEWSFLASH

HEALTH & SOCIAL ISSUES

October 1996, Vol. 2, No. 10

NIAAA ANNOUNCES 15 GRANT RECIPIENTS FOR NEW RESEARCH PROGRAM ON MODERATE ALCOHOL CONSUMPTION

NEW FEDERAL RESEARCH
PROGRAM WILL LOOK AT
MODERATE ALCOHOL
INTAKE'S EFFECTS ON:

- **CORONARY HEART DISEASE**
- **OSTEOPOROSIS**
- **WOMEN'S HEALTH ISSUES**
- **MEDICATION/SUPPLEMENTS**
- **OVERALL HEALTH STATUS**

In an historic breakthrough, the National Institute on Alcohol Abuse and Alcoholism (NIAAA), part of the National Institutes of Health (NIH), officially launched its new research program examining "the health effects of moderate drinking." This month's announcement of 15 grant recipients signals a broader national science policy on alcohol, as this is the first time the United States government has established a systematic and programmatic study in this area.

Under this new research category, the projects total \$2.7 million for fiscal year 1996 alone and are likely to surpass \$10 million over the next five years, assuming existing appropriation levels. The studies will be conducted for two to five years at major research institutions across the country.

These new research priorities were established in light of the scientific findings emerging around the world associating moderate alcohol consumption with a decreased risk of heart disease. NIAAA's issuance last spring of an official Request for Application (RFA) was prompted by new congressional appropriations language signed into law by President Clinton. The language urged the U.S. Departments of Agriculture and Health and Human Services to develop a working strategy to ensure future research on the impact of moderate alcohol consumption.

Although the amount of funds set aside is limited, these NIAAA awards represent a major step towards a broader allocation of federal research dollars for alcohol issues. Until now, NIAAA, the federal government's lead agency on alcohol research, focused its annual research budget primarily on projects related to alcohol abuse and alcoholism. While such research has been instrumental in reducing alcohol-related problems in the U.S., the new grants reflect the fact that the potential positive effects of moderate consumption on health are deserving of extensive study.

The initial fifteen projects include some clinical studies but are mostly pre-clinical, based on laboratory models. Their areas of focus are summarized below.

“The California wine industry has long supported scientific inquiry as an essential instrument in the education of our citizens and government. These NIAAA awards represent a truly historic step. Though modest in initial dollars, they are huge in the message given to our research and academic institutions that we are headed towards a broader national science policy on alcohol.”

~ John A. De Luca,
President, Wine Institute

The Following Five Points Outline The Major Areas Funded At This Time:

1. **CARDIOVASCULAR DISEASE.** Studies will investigate (1) alcohol’s role in myocardial recovery and survival after a coronary event, (2) alcohol’s protective effects against heart disease, which include favorable changes in heart muscle cells that reduce the risk of injury from ischaemic heart disease, (3) the use of new immunosorption techniques to refine measurement of the effects of alcohol on high density lipoproteins (HDL) with specific focus on two functions of HDL that help prevent atherosclerosis, and (4) beverage-specific effects on stroke.
2. **OSTEOPOROSIS.** Studies will investigate alcohol’s effects on bone cell turnover and bone density, as moderate consumption may prevent osteoporosis in certain age groups.
3. **WOMEN’S HEALTH ISSUES.** Studies will investigate the effects of alcohol consumption on estrogen levels and other health parameters in post-menopausal women.
4. **MEDICATION/SUPPLEMENTS.** Studies will assess the impact of alcohol/drug interactions on mortality among the elderly and the effect of alcohol on beta-carotene supplementation, a common practice among Americans.
5. **OVERALL HEALTH STATUS.** One of the largest studies will use an animal model, highly regarded by the scientific community for its reliability, for a five-year investigation to assess the effects of moderate alcohol consumption on coronary heart disease, breast cancer and osteoporosis.

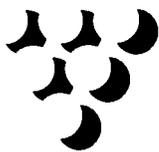
A good number of these studies promise to yield positive results, but several will explore possible biological reasons why some people should not drink. This research agenda reinforces the recently released *Guidelines for Sensible Wine Drinking*, which highlight wine’s role as part of an optimal diet for healthy adult Americans but also acknowledge the choice of abstinence for health or personal reasons.

“The full disclosure of science,” says John De Luca, president of Wine Institute, “helps to place wine in its proper cultural context—not as a health food or medicine, but as an adjunct to an optimal diet that has enhanced the taste of foods and has added pleasure to meals for centuries.”

For more information, please contact Elisabeth Holmgren, Director, Research & Education Department at (415)356-7522.

DRAFT

Contact: John De Luca, Elisabeth Holmgren,
or Gladys Horiuchi at (415) 512-0151
Bobby Koch (202) 408-0870

**WINE INSTITUTE**

**FEDERAL GOVERNMENT APPROVES DIETARY GUIDELINES
LABEL STATEMENT FOR WINE**

425 Market Street
Suite 1000
San Francisco
California 94105
(415) 512-0151

WASHINGTON, D.C. -- In an historic regulatory breakthrough, the Treasury Department's Bureau of Alcohol, Tobacco and Firearms (ATF) has approved Wine Institute's new label statement: "To learn the health effects of moderate wine consumption, send for the Federal Government's *Dietary Guidelines for Americans*; Center for Nutrition Policy and Promotion, USDA, 1120 20th Street, NW, Washington, D.C. 20036 or visit its Web site: [HTTP://WWW.USDA.GOV/FCS/CNPP.HTM](http://WWW.USDA.GOV/FCS/CNPP.HTM)" .¹

The approved voluntary label language, at the center of prolonged inter-agency and national debate, can be used -- in accordance with ATF procedures -- by all winegrowers and does not negate nor supplant the mandatory government warning, in place since 1989. The label directs consumers to updated federal recommendations on drinking in moderation. Wine Institute Chairman John Sheela, president of Kenwood Vineyards, commented, "Health information regarding our products is complex and must be scientifically balanced. We believe that the present mandated Surgeon General warning on our bottles reflects neither the balance nor the latest scientific evidence contained in the revised Dietary Guidelines."

"The wine industry believes that the American public has the right to know, and should be trusted to handle, the latest scientific findings on alcohol, the positive as well as the negative effects, and the governmental advice for those who choose to drink, to do so in moderation with meals." stated Walt Klenz, president of Beringer Wine Estates and immediate past chairman of Wine Institute. "While the new federal nutritional policy includes the common knowledge of the serious problems with abuse, and that some people should not drink at all, the guidelines also say, 'Alcoholic beverages have been used to enhance the enjoyment of meals by many societies throughout human history' and 'Current evidence suggests that moderate drinking is associated with a lower risk for coronary heart disease in some individuals.'"

Wine Institute President John De Luca added, "The label approval is a stunning victory for our public policy goals. It is especially gratifying to learn that independent consumer surveys, commissioned by the Federal Government, have refuted opponents' charges that the new label would mislead the public, and was designed for marketing purposes. (See attached Consumer Survey Fact Sheet) From the start, we have contended that the label is an essential education component of our public policy mission to counter political campaigns that push for higher taxes on our products, trade limitations, advertising restrictions and possible health cost litigation. A large number of research studies have built a fire wall of science between the moderate, traditional enjoyment of wine with food and the false charges that wine is a 'gateway drug' and a 'sin' to be taxed."

De Luca emphasized that winegrowers "were not for a blanket endorsement of drinking, but neither should others be for a blanket indictment of moderate consumption." He called upon the public health and abuse prevention communities to re-examine absolutist "no use" messages and to join forces in the wide dissemination of the more scientifically balanced Dietary Guidelines. Chairman John Sheela concluded, "The cornerstone of a free society is educated citizens who make their own decisions based on the best available information. The ATF's action promotes consumer education and opens up a defining new chapter in the evolution of federal policy towards wine in America."

1. The updated Dietary Guidelines for Americans, published in January of 1996, are official nutrition policy outlining health, diet and lifestyle recommendations by the U.S. Departments of Agriculture and Health and Human Services.

**NEWS
RELEASE**



Wine Institute's Label Statement, Approved by ATF



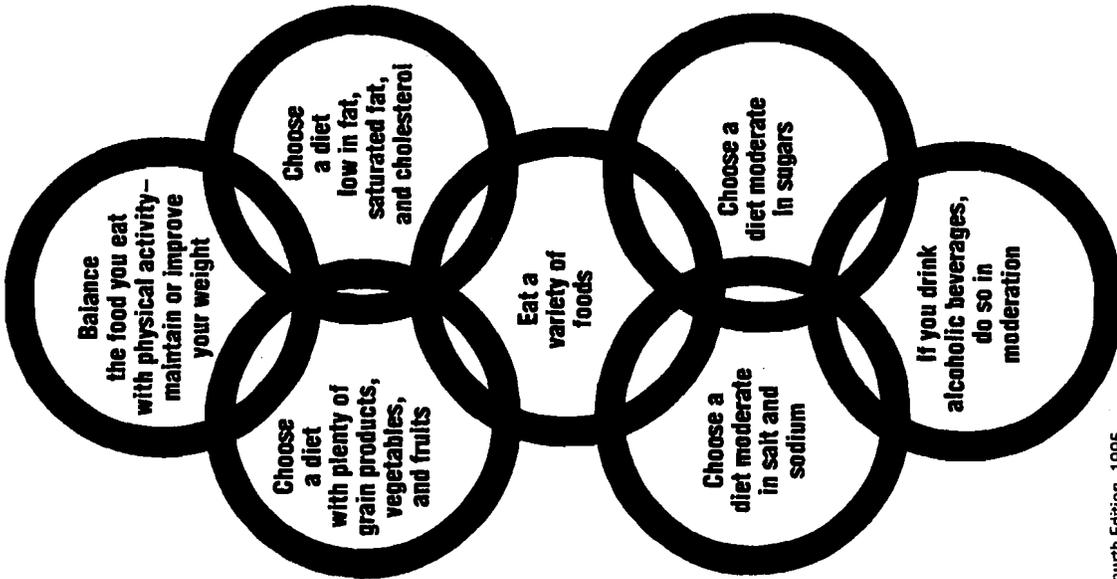

Wine Institute's
Approved Statement



TO LEARN THE HEALTH EFFECTS OF MODERATE WINE CONSUMPTION, SEND FOR THE FEDERAL GOVERNMENT'S DIETARY GUIDELINES FOR AMERICANS, CENTER FOR NUTRITION POLICY AND PROMOTION, USDA, 1120 20TH STREET, NW, WASHINGTON DC 20036 OR VISIT ITS WEB SITE: [HTTP://WWW.USDA.GOV/FCS/CNPP.HTM](http://www.usda.gov/fcs/cnpp.htm)

The Bureau of Alcohol, Tobacco and Firearms (ATF) has approved the above statement, submitted by the Wine Institute for voluntary use by all winegrowers on their front or back labels. The statement does not replace the mandated government warning which states, "**GOVERNMENT WARNING:** (1) ACCORDING TO THE SURGEON GENERAL, WOMEN SHOULD NOT DRINK ALCOHOLIC BEVERAGES DURING PREGNANCY BECAUSE OF THE RISK OF BIRTH DEFECTS. (2) CONSUMPTION OF ALCOHOLIC BEVERAGES IMPAIRS YOUR ABILITY TO DRIVE A CAR OR OPERATE MACHINERY, AND MAY CAUSE HEALTH PROBLEMS."

Nutrition and Your Health: Dietary Guidelines for Americans



Fourth Edition, 1995
U.S. Department of Agriculture
U.S. Department of Health and Human Services

If you drink alcoholic beverages, do so in moderation

Alcoholic beverages supply calories but few or no nutrients. The alcohol in these beverages has effects that are harmful when consumed in excess. These effects of alcohol may alter judgment and can lead to dependency and a great many other serious health problems. Alcoholic beverages have been used to enhance the enjoyment of meals by many societies throughout human history. If adults choose to drink alcoholic beverages, they should consume them only in moderation (box 16).

Current evidence suggests that moderate drinking is associated with a lower risk for coronary heart disease in some individuals. However, higher levels of alcohol intake raise the risk for high blood pressure, stroke, heart disease, certain cancers, accidents, violence, suicides, birth defects, and overall mortality (deaths). Too much alcohol may cause cirrhosis of the liver, inflammation of

BOX 16

WHAT IS MODERATION?

Moderation is defined as no more than one drink per day for women and no more than two drinks per day for men.

Count as a drink—

- 12 ounces of regular beer (150 calories)
- 5 ounces of wine (100 calories)
- 1.5 ounces of 80-proof distilled spirits (100 calories)

the pancreas, and damage to the brain and heart. Heavy drinkers also are at risk of malnutrition because alcohol contains calories that may substitute for those in more nutritious foods.

Who should not drink?

- Some people should not drink alcoholic beverages at all. These include:
- Children and adolescents.
 - Individuals of any age who cannot restrict their drinking to moderate levels. This is a special concern for recovering alcoholics and people whose family members have alcohol problems.
 - Women who are trying to conceive or who are pregnant. Major birth defects, including fetal alcohol syndrome, have been attributed to heavy drinking by the mother while pregnant. While there is no conclusive evidence that an occasional drink is harmful to the fetus or to the pregnant woman, a safe level of alcohol intake during pregnancy has not been established.
 - Individuals who plan to drive or take part in activities that require attention or skill. Most people retain some alcohol in the blood up to 2–3 hours after a single drink.
 - Individuals using prescription and over-the-counter medications. Alcohol may alter the effectiveness or toxicity of medicines. Also, some medications may increase blood alcohol levels or increase the adverse effect of alcohol on the brain.

ADVICE FOR TODAY

If you drink alcoholic beverages, do so in moderation, with meals, and when consumption does not put you or others at risk.

RESOLUTION

In order to achieve the above goals, the parties agree to continue the dialogue begun in San Francisco in February of 1997 and to meet as necessary to further these goals.

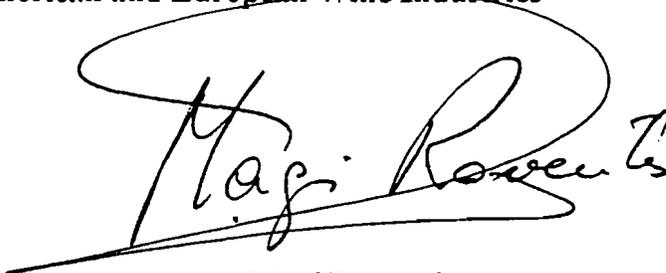
Barcelone, 28 January 1998

On behalf of:

Representatives of the American and European Wine Industries



**Robert Trincherro
Chairman,
International Committee**



**Magi Raventós
President
Comité Européen
Entreprises Vins**



**John Sheela
Chairman Wine Institute**



**Karen Ross
President C.A.W.G.**



**Herb Schmidt
Intern. Committee
A.V.A.**

JOINT EU-US STATEMENT

Barcelona, 28 January 1998

As wine-sector companies, we, both European and American, share the same resolve to develop transatlantic trade relations and to enhance international trade for our products.

At our first meeting in San Francisco in February 1997, we took the initiative of establishing sectorial bilateral professional dialogue with a view to reflecting together as to how best to create the conditions conducive to developing and promoting trade for our wines.

Our talks took place in a spirit of openness and they enabled us jointly to decide to continue holding regular discussions. Today we wish to express agreement on the objectives described below.

1. Wine, "our common heritage"

We share a common heritage deeply rooted in our respective cultural histories. Let us together ensure that it is safeguarded.

The companies make and market Wines in regions that give their production added value. Among consumers the world over, vintners are the vectors of a culture, of a lifestyle.

They undertake to make their best efforts to meet the expectations of consumers by protecting the integrity, the identity and the agricultural specificity of Wines.

2. Joint action vis-à-vis other countries.

The principle of the free movement of goods is a fundamental one for all companies.

Together, both parties will work towards having this principle respected and implemented, not only in their respective markets but also in the markets of other countries with a view to eliminating technical obstacles to trade.

The companies request that harmonisation efforts being made in world markets to facilitate the free movement of goods and services should be supported by governments.

The companies will ensure that any new requirements, particularly regarding health and the environment, should respect the principle of the free movement of goods and not create further technical obstacles to trade.

The companies wish to reiterate their commitment to the principles of simplification and the rationalisation of rules, making it possible to gain a better understanding of regulations and legislation among countries and enhance information for consumers.

The companies support the liberalisation process of world trade.

The companies will strive to reduce tariffs gradually and will advocate a further lowering of duties in accordance with criteria recognised by WTO.

The companies' major common concern is that access to the markets of all countries be guaranteed for wines, particularly in emerging markets.

The companies will aim to conduct joint actions so that the obstacles to trade in wines, such as anti-competition practices, monopolies, discriminatory duties, excise duties, minimum price practices and licensing, are removed.

Together, they will endeavour to ensure that other countries adopt the requisite legislation in order to protect the rights of trademarks, geographical indications and vine and wine varietal designations.

In order to limit consumer confusion, the companies agree to support in all countries a system of standard bottle-size rules.

3. Bilateral relations

Both parties, European and American, observe that companies have similar concerns regarding the authenticity and quality of their products as well as consumer health.

Since the authorities in the US and in the EU are equally responsible and share equivalent concerns about protecting the consumer and ensuring fair trade, both parties request that the principles of mutual recognition apply to sanitary and phytosanitary rules as well as to oenological practices and issues of identity. Both parties urge the development of a clear and rapid mechanism of addressing new sanitary and phytosanitary rules, oenological practices or changes in such rules or practices so as to ensure that the integrity of wine is preserved and that consumer health is not endangered.

The companies request their respective authorities, that upon adoption of a mutual recognition agreement, immediate discussions are initiated, aimed at improving the protection of geographic designations, and at progressively phasing out semi-generic designations and reducing other barriers to trade between the EU and the US.

Adapting to development in consumer tastes means maintaining a balance between traditional and contemporary methods of winemaking.

They also recommend the application of the principle of mutual recognition of vine and wine varietal designations and controls.

In order to facilitate trade, the companies shall continue discussions with a view to recommending the harmonisation of mandatory label information, and recognition of traditional expressions.

Together we are building an image for Wine

To this end, the companies agree that it is necessary to foster the various initiatives, whether scientific or institutional, taken to:

- present a balanced view of ^{Wine and health.} ~~Wine and health.~~
- improve and promote the image of Wines,
- inform consumers and, by acting responsibly, play an active role in meeting the public-health objectives set by governments regarding the benefits of intelligent, responsible and moderate consumption.

Handwritten notes and signatures on the left margin, including the word "Wine" and a large signature.

Contact: John DeCrosia
Press Secretary

(202) 224-7730
For Immediate Release

Feds May Investigate Validity of Dietary Guidelines

Senator is Concerned Public Policy Compromised

Washington, March 1, 1999—Federal authorities may soon be investigating whether the government issued *Federal Dietary Guidelines*, which the wine industry is using to promote their product, might have been manipulated by a trade association.

United States Senator Strom Thurmond (R-SC) has requested that the Inspector Generals at the Department of Health and Human Services (HHS) and the United States Department of Agriculture (USDA) investigate whether the Wine Institute and certain senior government officials conspired to craft government policy and documents in order to promote the use of alcohol. In the Federal government, the Office of the Inspector General is the equivalent of an internal affairs division, and is responsible for investigating allegations of malfeasance, corruption, fraud and other transgressions.

The investigation request made by Thurmond was limited to the section of the 1995 *Dietary Guidelines* addressing alcohol use.

Thurmond's request is well rooted in a legitimate concern that a Federal publication, the *Dietary Guidelines*, which is used by doctors, dieticians and ordinary Americans, may have been compromised. In addition to a letter to the two Inspector Generals requesting the investigations, Thurmond sent these officials a series of attachments that support his concerns.

"Ever since the wine industry began using these *Dietary Guidelines* to promote their product as part of a healthy lifestyle, I have been gravely concerned that public policy was manipulated for the purposes of marketing a potentially dangerous product," said Thurmond. "There is absolutely no excuse for public policy to be compromised. The citizens of the

More—More—More

administrative practice

United States should have confidence in the validity, accuracy, and integrity of a public document that outlines the government's position on nutrition."

Prior to 1995, the *Dietary Guidelines* advised citizens that "drinking (alcoholic beverages) has no net health benefit", and "their consumption is not recommended". The guidelines now state "Alcoholic Beverages have been used to enhance the enjoyment of meals by many societies throughout human history". Furthermore, the portion of the Dietary Guidelines regarding the possible health benefits of moderate alcohol consumption have been moved from the end of the 1990 version to the beginning of the 1995 version. Finally, several recommendations from the Advisory Committee were dropped from the final 1995 version, including references to alcohol's "drug effects" and a footnote underscoring the fattening nature of alcohol.

"I think it is important that I set the record straight on why I am so concerned by the wine industry's use of the *Dietary Guidelines* to promote their product and claim that drinking alcohol will lead to a healthier life," said Thurmond. "I am not interested in outlawing alcoholic beverages or in legislating morality. I am interested in protecting the sanctity of public policy and in making certain that the government does not get in the business of promoting or endorsing a product that has been linked to some very serious health problems, including hypertension, heart disease, breast cancer, and birth defects. If people want to drink wine and other alcoholic beverages, that is their business, but they should not base their decision to do so on information that in all likelihood was manipulated by the wine industry."

Thurmond also said that if the allegations that have been brought to his attention are true, a very disturbing atmosphere exists in Washington.

"If the Inspector General's investigations ultimately determines that there was inappropriate contact between the Wine Institute and government officials, then public policy has been compromised by a lobbying organization to the detriment of the nation's public health," said Thurmond. "That cannot stand unchallenged."

Last Monday, Thurmond introduced a legislative package designed to bring accountability back to the nation's public policy process regarding alcohol. Three separate bills seek to reverse a decision made earlier this month by the Bureau of Alcohol, Tobacco & Firearms (BATF) and the Department of Treasury allowing two new wine industry health messages for wine labels: transferring authority for administering alcohol beverage labeling away from BATF; and creating a trust fund that finance research into finding cures for diseases that have been linked to alcohol use.

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COMMITTEES
ARMED SERVICES
JUDICIARY
VETERANS' AFFAIRS

United States Senate
WASHINGTON, DC 20510-4001

February 26, 1999

Inspector General Roger C. Viadero
Office of the Inspector General
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Viadero:

I am writing to bring to your attention a matter which deeply concerns me involving the Department of Health and Human Services (HHS), the Department of Agriculture (USDA) and the development of the *1995 Federal Dietary Guidelines for Americans*.

During the 1980s, I was part of a National public health campaign that resulted in congressionally mandated alcohol container warning labels. Since the implementation of these warning labels, the wine industry has been determined to undermine their effectiveness. Through a vigorous lobbying and marketing campaign, the wine industry has enticed the public with the assurance that alcohol consumption is healthy. An integral part of this campaign has been the promotion of language used in the *1995 Dietary Guidelines* regarding alcohol use. As you know, the *1995 Dietary Guidelines* were the first guidelines mandated by Congress. I am concerned that certain senior level officials at HHS and USDA may have engaged in a systematic effort to compromise the integrity of the *1995 Dietary Guidelines* for the advancement of the wine industry's health benefits campaign.

The *1995 Dietary Guidelines* changed dramatically from the *1990 Dietary Guidelines* with regard to the treatment of alcohol. The *1990 Dietary Guidelines* included the statements that "drinking (alcoholic beverages) has no net health benefit," and "their consumption is not recommended." (Please see attachment 1). Both of these statements were excluded from the *1995 Dietary Guidelines*. The following new sentence was added to the *1995 Dietary Guidelines*: "Alcoholic Beverages have been used to enhance the enjoyment of meals by many societies throughout human history." (Please see attachment 2). The portion of the *Dietary Guidelines* regarding the possible health benefits of moderate alcohol consumption was moved from the end of the 1990 version to the beginning of the 1995 version. (Please see attachments 1 and 2). Further, several recommendations from the Advisory Committee were dropped from the final 1995 version, including references to alcohol's "drug effects" and a footnote underscoring the fattening nature of alcohol. (Please see attachment 3).

The wine industry was so exuberant with the new guidelines that the president of the Wine

Institute indicated that the wine industry might help distribute them. (Attachment 4).

The *Dietary Guidelines* is the cornerstone of Federal nutrition policy and is relied upon by citizens, private industry and government entities for nutrition information. It is the solemn responsibility of HHS, USDA and the Advisory Committee to ensure that these guidelines are based on credible science - not inappropriate influence. But the magnitude of the change between the 1990 and 1995 *Dietary Guidelines* leads me to believe that inappropriate influence played a significant role in the drafting of the 1995 version.

Specifically, I am concerned by several quotations contained in a 1996 article by the Marin Institute. (Please see attachment 4). Jim Harrell, the former deputy director of the Office of Disease Prevention & Health Promotion claims that the Wine Institute put "tremendous pressure" on the staff supporting guidelines committee work." Further, the article indicates that "interviews with staff reveal that Wine Institute officials intensified pressure," on the staff. (Please see attachment 4).

Further, I am concerned that members of the Advisory Committee felt they were "used" and "manipulated" by the Wine Institute, and were "surprised" that the committee's references to 'drug effects' were missing from the final version, and "question" why U.S. Public Health Service Director Philip Lee deleted the reference. I am also concerned that several committee members never saw the final version of the guidelines. (Attachment 4).

More important, I am appalled by the casual indifference of HHS and USDA officials to the flagrant use of the *Dietary Guidelines* as a promotional tool by the wine industry. Dr. Lee, who, according to the Marin Institute article, has a family background in wine production, is quoted as saying the "main person" he talked to was the president of the Wine Institute, who is "an old friend" for whom he has "tremendous respect," and that he gives the Wine Institute "credit" for "pitching" the guidelines the way they did. And Dr. Irwin Rosenberg, director of the U.S. Department of Agriculture Human Nutrition Research Center on Aging, is quoted as saying maybe the president of the Wine Institute could make his "membership happy" and that if the new guidelines "happened to intersect with a campaign of the wine industry . . . then so be it." (Attachment 4).

The totality of this information leads me to question the validity of the 1995 *Dietary Guidelines* regarding alcohol. I am extremely concerned that an industry association had an inappropriate influence in the creation of these guidelines and request an investigation into this troubling matter. Your investigation should include, but not be limited to, the following:

- Interviews with all members of the 1995 *Dietary Guidelines* Advisory Committee to determine what influence the wine industry had on the development of the 1995 *Dietary Guidelines*.
- A review of all correspondence between the wine industry and the Advisory Committee to determine if any proposed or similar language from the wine industry was used in the 1995 *Dietary Guidelines*.

- An interview with Dr. Irwin Rosenberg to determine why the arbitrary sentence, "Alcoholic Beverages have been used to enhance the enjoyment of meals by many societies throughout human history," was added to the *1995 Dietary Guidelines*.
- An interview with Dr. Phillip Lee to determine why the term "drug effects" was removed from the guidelines, and to determine the extent of his communications with the Wine Institute.
- An interview with Jim Harrell to determine what pressure, or influence, or attempts to take such action, were exerted on the staff supporting guidelines committee work by the wine industry.
- Interviews with staff supporting guidelines committee work to determine what pressure, or influence, or attempts to take such action, were exerted on the staff supporting guidelines committee work by the wine industry.
- A determination of who made the final decisions regarding the alcohol language, and whether those decisions were unanimous. If there were objections to the alcohol language, who objected and who overruled the objections?
- A determination of how the selections to the Advisory Committee were made and who made the final selections.

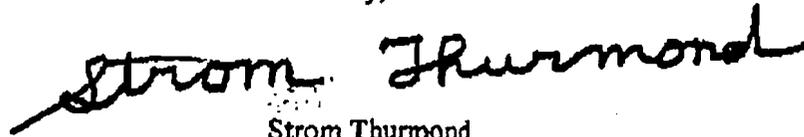
Further, I request that you provide me with the following information:

- All comments submitted to the Advisory Committee regarding the alcohol guideline, including, but not limited to, those comments referenced in attachment 5 (see attached).
- All correspondence between wine industry officials and public officials working on the development of the *1995 Dietary Guidelines*. This should include correspondence between Herb Schmidt of Robert Mondavi Wineries and Secretary Donna Shalala and Dr. Phillip Lee specifically in March 1994, but not limited to that period. This should also include correspondence between wine vintners and Deputy Secretary of Agriculture Richard Rominger.

Thank you for your attention to this matter, and I look forward to your reply.

With kindest regards and best wishes,

Sincerely,



Strom Thurmond

ST/lx

Senator's Efforts Threaten Wine Makers' Celebration

By DAVID STOUT

WASHINGTON, Feb. 28 — When the Federal Government said on Feb. 5 that wine makers could put educational labels on their bottles, there was rejoicing in the nation's vineyards.

For too long, wine had been wrongly characterized as inherently dangerous or even sinful, said John De Luca, the president and chief executive of the Wine Institute. "The label approval represents a defining new chapter in the evolution of Federal policy toward wine in America."

The powerful trade association of California vintners struggled for years to achieve the breakthrough. Luck and timing played a part. So did some statements, official and unofficial, that sounded innocuous at the time but were anything but that.

In any event, the "defining new chapter" is hardly the last word.

Senator Strom Thurmond, Republican of South Carolina, has proposed legislation that would overturn the Feb. 5 decision by the Treasury Department's Bureau of Alcohol, Tobacco and Firearms, whose mission is to regulate the marketplace and collect taxes on alcohol rather than monitor health effects.

Mr. Thurmond would transfer labeling authority to the Department of Health and Human Services and tax wine more heavily to finance studies of its ill effects. He called the new labels "health statements" that are a danger to the public.

The labels approved on Feb. 5 do not talk about health "benefits." That word was prohibited. One label, offered by the Wine Institute, says, "To learn the health effects of wine consumption, send for the Federal Government's Dietary Guidelines for Americans." The other, proposed by a California vintner, reads, "The proud people who made this wine encourage you to consult your family doctor about the health effects of wine consumption."

Mr. De Luca, who described himself as a wine lover, said the institute is straightforward about the pitfalls of alcohol abuse, and that it would fight Mr. Thurmond.

The institute is well financed and has the ear of many on Capitol Hill, including the California Congressional delegation. For now, the wine makers can imply, if not state outright, that wine is good for you.

Top officials of the Department of Health and Human Services tried to head off the new labels. In mid-1997, Dr. John M. Elsenberg, then Acting Assistant Secretary for Health, wrote John W. Magaw, director of the Bureau of Alcohol, Tobacco and Firearms, that the labeling idea was "a thinly disguised attempt to make an affirmative health claim."

Dr. Elsenberg, now director of the health department's Agency for Health Care Policy and Research, warned that labels "could be construed by the public as encouraging the consumption of alcoholic beverages."

Surgeon General David Satcher conveyed similar misgivings to the Treasury Department. "Our concern was about the balance of the message," he recalled last week. He said he feared that despite the neutral tone of the labels too many people would misread them as an encouragement to drink, an unfortunate message when some scientists have recommended classifying alcoholic beverages as carcinogens and when alcohol abuse by teen-agers and college students is high.

But the Treasury Department's General Counsel, Ed Knight, said it was powerless to block labels that were not false or misleading. Moreover, Dr. Elsenberg's arguments had already been undercut by a predecessor in the Department of Health and Human Services.

In a sense, the wine makers' real victory came on Jan. 2, 1996. That day, the new edition of the Dietary Guidelines for Americans was issued. The guidelines are updated every five years by a joint committee of the Departments of Agriculture and Health and Human Services and influence nutritional planning.

The new guidelines contained some new language on alcohol. They referred to mounting evidence that moderate drinking may lower the risk of heart disease for some individuals. Even more significantly, they said, "Alcoholic beverages have been used to enhance the enjoyment of meals by many societies throughout human history."

The guidelines' new stance on alcohol drew wide publicity and opened the door for wine makers to campaign for promotional labels. And the wine people had a strong ally: Dr. Philip Lee, then the Assistant Secretary of Health. "In my personal view, wine with meals in moderation is beneficial," he said that day in 1996, to the dismay of some people concerned about alcohol abuse. Several weeks later, the doctor said he had not meant to detract from the guidelines' warnings about alcohol.

Dr. Lee grew up in California wine country (his father had a small vineyard) and learned to enjoy wine with meals. "I was open to looking at new evidence," said the doctor, head of the Institute for Health Policy Studies at the University of California at San Francisco.

Three people who tolled in the background were also crucial to the wine industry's breakthrough. They made up the Dietary Guidelines subcommittee on alcohol. "How incred-

bly naïve we were," one member, Dr. Marlon Nestle, recalled.

Dr. Nestle, who heads the Department of Nutrition and Food Studies at New York University, said she and the other subcommittee members, Dr. Irwin Rosenberg and Dr. John Suttle, thought the Dietary Guidelines' stronger emphasis on a low-fat diet and a high-exercise life style was more important than references to alcohol.

Asked whether he anticipated the wine industry's exploitation of the new guidelines, Dr. Rosenberg, who is dean of nutrition at Tufts University, replied: "No, not at all. It caught all of us by surprise."

But Dr. Suttle, the retired chairman of the Nutrition Department at the University of Wisconsin, said he was not that surprised. He said he agreed with Dr. Lee that the previous guidelines had an excessive "moralistic flavor."

(Dr. Satcher and all three subcommittee members emphasized their respect for Dr. Lee, notwithstanding his comments in 1996.)

The first Dietary Guidelines, published in 1980, stated that if a person drank, he or she should do so only moderately. The second edition, in 1985, contained similar language. The third, in 1990, retained the previous language and stated pointedly that alcohol was not recommended.

But by 1995, scientists and doctors could not ignore the increasing evidence of the benefits of moderate drinking, at least for some people. So the guidelines referred to them, while retaining the earlier caveats.

As for the reference to wine's enhancement of meals, Dr. Rosenberg said it was written into the guidelines merely to justify having any language about alcohol in the first place.

In any event, the timing was lucky for the wine interests: the new guidelines came out soon after a segment of the CBS News program "60 Minutes" explored the relatively low incidence of heart disease among the French and raised the possibility that it was due to the French fondness for red wine.

Trying to overturn a decision allowing educational labels on wine bottles.

When it announced approval of the labels, the Bureau of Alcohol, Tobacco and Firearms pointed to a survey of current wine drinkers, conducted by the Department of Health and Human Services, which found that the drinking habits of most would not be affected.

But no one has suggested that the Wine Institute sought the new labels to reduce wine consumption, and several people close to the issue wondered how many drinkers would bother to obtain the Dietary Guidelines, which emphasize the importance of "moderation."

Authorities on alcohol abuse agree that some people wishfully equate "moderate" drinking with their own habits, whether they have four drinks a week or four before dinner. The Dietary Guidelines define "moderate" as no more than one drink a day for women, two for men.

It seems fitting that wine bottles bearing the new labels will continue to bear older labels, mandated by the Federal Government for the past decade, warning pregnant women not to drink and drinkers not to drive. The labels, conflicting in purpose if not exactly in content, symbolize the contradictions about alcohol: the liquid that complements a holiday roast or warms a gathering of friends can set off domestic violence, ruin careers and lives.

Dr. Rosenberg said he would prefer to see no mention of alcohol in the next edition of the guidelines.

Mr. Thurmond said he was pleased that beer brewers and makers of hard liquor had not sought labels like those won by the wine interests. The Treasury Department has conceded that if they do they will be on strong ground, because the guidelines regard beer, wine and spirits as the same.

Finally, Dr. Suttle suggested, tongue in cheek, that if wine is good for the heart, maybe grape juice is too. "Although I haven't seen a stampede for it," he said.



News Release

JUDICIARY COMMITTEE

United States Senate • Senator Orrin Hatch, Chairman

March 9, 1999

Contact: Jeanne Lopatto, 202/224-5225

STATEMENT OF SEN. ORRIN HATCH SENATE JUDICIARY COMMITTEE HEARING ON INTERSTATE ALCOHOL SALES AND THE 21ST AMENDMENT

Today, the Judiciary Committee will hear testimony concerning the growing business of interstate shipments of alcohol. Unfortunately, along with that growing business, problems associated with that trade are also growing. While I certainly believe that interstate commerce should be encouraged and I do not want small businesses stifled by unnecessary or overly burdensome and complex regulations, I do not subscribe to the notion that purveyors of alcohol are free to avoid State laws which are consistent with the power bestowed upon them by the Twenty-First Amendment.

All States, including the State of Utah, need to be sure that the liquor that is brought into their State is labelled properly and subject to certain quality control standards. States need to protect their citizens from consumer fraud and have a claim to the tax revenue generated by the sale of such goods. And of the utmost importance, States need to ensure that minors are not provided with unfettered access to alcohol. Unfortunately, indiscriminate direct sales of alcohol have opened a sophisticated generation of minors to the perils of alcohol abuse.

I can tell you that my home State of Utah, which has some of the strictest controls in the nation on the distribution of alcohol, is not immune from the dangers of direct sales. Take a look at this story which ran on KUTV in Salt Lake City last Tuesday. If that story does not bother you, it should. If a thirteen year old is capable of ordering beer and having it delivered by merely "borrowing" a credit card and making a few clicks with her mouse, there is something very wrong with the level of control that is being exercised over these sales. Of course the Utah case is not an isolated example. Stings set up by authorities in New York and Maryland have also shown how easy it is for minors to obtain alcohol.

The Twenty-first Amendment was ratified in 1933. That amendment ceded to the States the right to regulate the importation and transportation of alcoholic beverages across its borders. By virtue of that grant of authority, each State created its own unique regulatory scheme to control the flow of alcohol. Some set up "State stores" to effectuate control of the shipment into,

and dissemination of alcohol within, their State. Others refrained from direct control of the product, but set up other systems designed to monitor the shipments and ensure compliance with its laws. But whatever the type of State system enacted, the purpose was much the same: to protect its citizens and ensure that its laws were obeyed.

Although not perfect, the systems set up by the States worked reasonably well for many years. However, it is apparent that modern technology has opened the door for abuse and created the need for further governmental action to address those abuses. No longer must a State prosecute just an errant neighborhood retailer for selling to a minor - now, the ones selling to minors and others in violation of a State's regulatory laws are a continent away. A small winery can create its own web page and accept orders over the internet; a large retailer can advertise "nationally" in the New York Times and accept orders over the phone; an ad can be placed in a magazine with a national circulation offering sales through an 800 number. Let me emphasize that there are many companies engaged in the direct interstate shipment of alcohol who do not violate State laws. In fact, many of these concerns look beyond their own interests and make diligent efforts to disseminate information to others to ensure that State laws are understood and complied with by all within the interstate industry.

I should note that I am certainly sympathetic to the small wineries and specialty micro-breweries who feel that the requirement that they operate through a "three tier" system (producer-wholesaler-retailer) which does not embrace them may, in effect, shut them out of the marketplace. They make the argument that if wholesalers do not carry their product, they have no other avenue to the consumer other than through direct sales. However, if there is a problem with the system, we need to fix the system, not break the laws.

Later today, I will introduce a bill entitled the "Twenty-First Amendment Enforcement Act." Federal law already prohibits the interstate shipment of alcohol in violation of state law. Unfortunately, that general prohibition lacks any enforcement mechanism. The bill I am introducing simply provides that mechanism by permitting the Attorney General of a State, who believes that his or her State laws regulating the importation and transportation of alcohol are being violated, to file an action in federal court for an injunction to stop those illegal shipments.

The bill is balanced to ensure due process and fairness to both the State bringing the action and the company or individual alleged to have violated the State's laws. The bill:

1. Permits the chief law enforcement officer of a State to seek an injunction in federal court to prevent the violation of its laws regulating the importation or transportation of alcohol;
2. Allows for venue for the suit where the defendant resides and where the violations occur;
3. Does not permit an injunction without notice to the opposing party;
4. Requires that any injunction be specific as to the parties, the conduct and the rationale underlying that injunction;

5. Allows for quick consideration of the application for an injunction and conserves court resources by avoiding redundant proceedings;

6. Mandates a bench trial; and

7. Does not preclude other remedies allowed by law.

Some will make the argument that State courts are capable of handling this issue. Unfortunately, States have had mixed success in enforcing their laws through State court actions. Companies and individuals have raised jurisdictional, procedural and legal defenses that have stalled those efforts, and that continue to hamper effective enforcement. It is, in part, because of those inconsistent rulings, that federal leadership is needed in this area. Moreover, the scope and limitations of a State's ability to effectively enact laws under the Twenty-First Amendment are essentially federal questions that need to be decided by a federal court, and perhaps ultimately, by the Supreme Court. Only through such rulings can both the States and companies seeking to conduct interstate shipments be assured of consistency in interpretation and enforcement of the laws.

Of course, the hearing today will help us understand the issues involved and I am sure the individuals providing testimony will greatly enlighten us and give us guidance in passing effective legislation to deal with this problem. It is my hope that, at the end of the day, we can reach an agreement on how best to balance legitimate commercial interests with the Constitutional rights of the States as ceded to them by the Twenty-First Amendment.

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WINE INSTITUTE

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JOHN A. DE LUCA
PRESIDENT

Cutberto Garza, M.D., Ph.D.
Chair, Dietary Guidelines Advisory Committee
Department of Agriculture
Agricultural Research Service
Nutrient Data Laboratory
4700 River Road, Unit 89
Riverdale, MD 20737

May 28, 1999

Dear Dr. Garza and Members of the Dietary Guidelines Advisory Committee:

On behalf of Wine Institute, the public policy association of California wineries, we are pleased to submit written scientific testimony for the Dietary Guidelines review process, established through the National Nutrition Monitoring and Related Research Act of 1990 (Pub. L, No. 101-445). Our organization represents 482 California wineries and associated members (who produce 80% of the entire U.S. wine production) and is dedicated to the responsible consumption and enjoyment of wine for healthy adult Americans.

We encourage the Advisory Committee to carefully consider the information in our attached submission, which is in response to the Federal Register Notice, Vol. 64, No. 93. The submission includes seven key discussion points and eight scientific tables, which summarize a total of 225 published references. We also ask the Committee to review seven considerations, all of which refer directly to recently published research. We do not advocate any major changes in the current Dietary Guidelines review, but we strongly believe that acknowledgement should be given to the emerging scientific evidence on moderate consumption's effect on overall mortality and on different cardiovascular conditions. We have every hope and trust that the Advisory Committee, in its deliberations, will evaluate the full range of current scientific data on moderate versus abusive consumption.

As we explain in our testimony, Wine Institute strongly supports the Guideline's primary alcohol message and the Advice for Today: "If you drink alcoholic beverages, do so in moderation, with meals, and when consumption does not put you or others at risk." In fact, we urge greater emphasis of this message throughout the Guidelines that underscores the consumption of alcohol with food or around meals. Along these lines, we emphatically and respectfully recommend that you maintain the wording, "Alcoholic beverages have been used to enhance the enjoyment of meals by many societies throughout human history." This

truthful statement reinforces the importance of alcohol consumption with food, which social scientists believe helps foster responsible consumption. Furthermore, for centuries wine has been known to enhance taste and add to the pleasurable experience of healthy eating, which is in keeping with one of the Dietary Guidelines' page one lead messages: "Eating is one of life's greatest pleasures" and the accompanying description of the many different and "pleasurable ways to combine foods to make healthful diets."

In addition, in response to recent Committee discussions, we wish to express our firm disagreement with a potential two-tiered approach that would segregate alcohol, for example, from the other major guidelines. Relegating wine and alcohol to a secondary section is likely to diminish the importance of information about alcohol, which may be counter-productive in conveying a sensible consumption message. For many Americans, moderate consumption of wine and alcohol is a common part of their dinner table, and its importance should be reflected in the Dietary Guidelines.

In conclusion, we agree that the Guidelines should continue to discourage excessive consumption and indicate that, even in moderation, there are individuals who should not drink at all. At the same time, we believe that it is scientifically and culturally warranted for the Guidelines to state that moderate consumption of wine and alcohol can be part of a well-balanced diet for healthy adult Americans who do choose to drink. Towards this end, research clearly shows that the overwhelming majority of individuals who enjoy wine, beer and spirits do so moderately and responsibly. In communicating these recommendations we thank you for considering our materials as part of the Dietary Guidelines for Americans revision process for the year 2000.

Sincerely,

A handwritten signature in black ink that reads "John A. De Luca". The signature is written in a cursive, flowing style with a large initial "J".

John A. De Luca

John A. De Luca Farewell Remarks
Outgoing President & CEO of Wine Institute
Annual Membership Meeting – Board of Directors
Highlands Inn, Carmel, California
June 10, 2003

At times like this, you reach across the ages to try to find appropriate wisdom for important events in your life. I found them in Shakespeare's "Julius Caesar" when Brutus and Cassius debated how to confront Mark Anthony. Shakespeare gave Brutus one of the great soliloquies in all literature: "There is a tide in the affairs of men which when taken at the flood leads on to fortune. Omitted all the voyage of their lives are bound in shallows and in miseries. On such a full sea are we now afloat and we must take the current when it serves or lose our ventures."

Right now I am riding the crest of a full sea. Professionally and mentally I feel as acute as I have ever felt this past quarter century so it is exactly the moment for me to make this decision to step aside and to take on a new role with Wine Institute. There are convergences of factors that create this for all of us. First, I've always kept in mind the desire to avoid the angst for an organization of having a leader stay too long. Loyalties do build up over years of performance. But then you have new members, new directors, who don't recall the early years of that individual's career. Or life being what it is, you wear down and then someone has to lead a delegation to tell you no matter how faithful you have been, that it is time to go.

I wanted to avoid that because I believe one of the attributes of leadership is to prepare for your successor and to do it in a seamless way. With our industry times are always critical and we want no loss of skills and momentum. For example, it was my choice that this year's budget should have the full imprint of my successor Bobby Koch so that he could hit the ground running.

In fact, that was the second part of my thinking. Young talent should expect the opportunity to move up. Otherwise you move out. In Bobby I saw a man of tremendous energy and qualities. What could we offer him? I concluded I should recommend him for the Presidency. So it came together. You don't have leaders tapping you on the shoulder saying you did a terrific job but now you're history. At the same time you try to insure the future.

There were factors that were personal; there were factors that were familial. I was guided by splendid counsel starting with Bob Trinchero, talking with Jim Niven, Jeff O'Neill, with Dennis Groth, with Bert Silk, with Bob Gallo, all trusted friends and advisors. What's the right thing to do? I feel a quiet calm, I really do. I feel I'm on top of my game right now, couldn't be more energized. We are making changes in a manner that doesn't leave the organization short, while Sacramento is in meltdown, and permits us to confront both challenges and opportunities.

A huge factor in my decision-making was our staff. Never in the history of Wine Institute, and I don't think this is hyperbole, have we had the caliber of people, the individual as well as collective talent who occupy positions of major responsibility. Staff at every level who can make decisions but know how to share and work together and know how to respond. So I stand before you with a clear conscience of passing on an organization second to none.

Permit some parting remarks. There are organizations within and outside California that are considered extremely powerful. Powerful as they are, many are taken for granted by one party and dismissed by the other. That is what has happened to labor, that is what has happened to blacks, that is what has happened to agriculture. That has not happened to us. There are candidates for office who court our support. That's because of our history of being bipartisan, truly bipartisan and not in name only. That is a legacy and political strength I'm pleased to also pass on.

After a quarter century I wished to reflect Jo's needs and desires. Our family lost three parents and a brother in a span of 20 months. These losses focused our thoughts on our priorities and values. I thank Wine Institute's leadership for their understanding and for the compact they crafted that serves all interests. It certainly permits me to be true to both family and professional responsibilities, and to be the best asset I can be to Bobby Koch and all members.

At the same time our incoming Chairman, Bert Silk has given me a fine task, and that is to record the incredible, tumultuous history of this most complex quarter century that we have just experienced. I have the assignment to write memoirs. I've had an interesting view from an interesting bridge: people; events; decisions. They should be preserved, not as ancient artifacts, but as living education to inspire current and future generations. There will be, of course, many other obligations to fulfill.

In my final address to the Board let me share with you some observations. Anatomically speaking, it is very difficult for our industry to be unified. On a natural, the industry tends to be "centrifugal" as against "centripetal" which basically means our internal forces are constantly pushing us away from a unified center.

There are strong egos that produce both strengths and demands. We have terrific competition in the market place; regions that strive to surpass; appellations that command our first attention. So, on a natural we're like that proverbial bumble bee that physically can't fly on such thin little wings. The fact that we do, comes from forces that keep us from pulling apart which is essentially your leadership and the financial and in-kind contributions and policy decisions of our Board of Directors and committees these past decades.

On my part I have these many years sought out ways where could work together. What I found is that when we got into marketing, into labeling, into the competitive parts of our viticulture and enology that tension was created, often leading to litigation and open controversy. When we got into public policy: taxes, warning labels, opening up markets, trying to reorder the world wine situation at the international level by ceasing to be the bargaining chip and compensation for trade agreements we worked in better harmony.

When we battled taxes, when we opposed bottling bills, when we crafted a strategy to permit direct shipments, when we fought monopoly franchises, we would coalesce, we would come together. Thanks to Jerry Lohr's Strategic Planning Force we concluded that promotion and public relations can be better handled by the regions and by the individual companies, but collectively, not only to unify ourselves but to have some control over our destiny, public policy was the path to take and we made that wrenching decision. It was not easy, 150 members walked out in 1991, '92, when we decided to be a public policy organization. Looking back history has proven us correct.

Analyze everything that dramatically affects our lives: Pierce's Disease, Glassy-Winged Sharpshooter, direct shipping, taxes, warning labels, international trade, warding off litigation from trial lawyers and the Attorneys General, etc. You just go right down the list and they all entail public activism. That is probably the hardest thing to do in our society today. We chose the road less traveled by and that has made the difference.

Public policy means getting into the arena with a lot of other interest groups where it is elbows and karate chops, and it is raw and it is hard. I recognize how difficult it is to sell a case of wine, but you also have to appreciate how difficult it is to fight fiscal attacks when the whole state is looking for revenues and you've got a \$38 billion deficit. So we have been prepared, and we have taken on these public policy issues and they have helped to unite us. That rationale was the driving force that motivated our getting involved with the Sustainability Program.

The concept of "sustainability" is not new. It has been bouncing around for some time and when you look close you learn it is the potential seedbed for "balkanization," pitting district against district. How do we pull it together to unify it? When you look at the issue of direct shipments, it split us with our distributor partners. How do you represent your members in the face of great change and advances in an age of great technology? How do you pull together so many different forces on the international scene?

Out of this matrix of a quarter century of strategic thinking I offer some recommendations for continued work, especially our strategy of alliances. We always think of it in terms of the growers, the wholesalers and the retailers and they are vitally important. Then there is a concentric circle where we think of the beer and spirits communities who also have issues that can divide us; certainly when it comes to marketing and advertising. But we have worked together when we concentrate on public policy because they can join us when it comes to fighting taxes and regulatory restrictions. Always seek those areas of work that unify us rather than those areas of work that we know will divide us.

Our history has been that when dealing with redefining the debate in America, we've managed to have positive remarks made by the media, by public officials about wine rather than anything negative about beer or spirits. Without hiring a PR firm but having faith in research and science, you adopted in 1989, a white paper that I presented to the Board of Directors which offered a road map for the last 15 years.

We have benefited from "free press" in America featuring scientists with their research and their press releases going out to the mainstream of the major media on NBC, on CBS, on ABC, with Dan Rather, with Tom Brokaw, with Peter Jennings, reaching 150 million people. That has helped to elevate not just wine but the larger industry, and that has helped all with the political community. That has helped us with the new reporters and the editorial writers. The Board made a tough judgment and the consequences continue, now and into the future.

Let me share if I can one story because I think it will highlight a major turning point in our history. Robert Mondavi, whom I deeply respect, was on the phone daily during the 1987, '88, '89 period. Strom Thurmond had slipped in the warning label bill in the Omnibus Drug Act of 1988 when Jesse Jackson was running for president on that platform. It was not a stand alone vote of the full Congress on us but it was on a big 600-page document that contained a warning label section.

In our state, petitions were being circulated to put a nickel-a-drink on the ballot, headed by Assemblyman Lloyd Connelly, and Robert Mondavi told me in no uncertain terms that I had abdicated my responsibility by buckling under to the lawyers of the bigger wineries.

He felt that we should hire a big public relations firm, and he wanted me to contact Walter Cronkite or Fr. Theodore Hesburg of Notre Dame to become the spokesman of the wine industry and put on a big PR program across the country. I said Bob, that's not the solution because PR is not the issue; we are being defined as a health hazard in America and no public relations campaign is going to answer what is basically a politically motivated charge that we're a health hazard. We need the medical community, the scientific community, and we need the research community to refute it, otherwise it will be dismissed as bought and paid by us.

He called for a meeting for dinner at the home of Ernest Gallo and I went there. Ernest had another point of view. The legal advice he had received from learned counsel was that we could jeopardize the historic defenses that lawyers had with regard to alcohol beverages. In fact, there was a strong recommendation to adopt a legal defense, which would insulate our industry against lawsuits.

So I had these two extraordinary gentlemen arguing two diverse courses of action. My response was to respect both but to adopt neither. I said to Bob, PR will blow up in our face and we'll have the ATF attacking us because we've violated their rule on not making therapeutic claims. The FTC will say ours is misleading advertising because

we're not giving a balanced picture. And the FDA will classify us as drug companies subject to the FDA. The Surgeon General would have to defend the warning label imposed by Congress. And the trial lawyers would go after us tobacco style.

To Ernest I said, the bigger problem is the court of public opinion. Our political and social oxygen will be sucked out of our future. Let us get the Congress to authorize research on the effects of moderation. Let us change the Dietary Guidelines which is the basic nutritional policy in America. The two men responded very differently. One said good-bye. Ernest said much is at stake, but I will abide by the wishes of the Board and of the members. While we have a very strong belief, Gallo will take the position of the industry and if you can sell your program go to it but we will be very strict in our oversight. Gallo stayed, Mondavi walked. The last 15 years has seen the vindication of the policy by the Board which adopted the White Paper and still pursues changing public opinion through the interaction of science, the press and public policy.

We needed to redefine the debate. We needed to be positioned not just as food which was the mantra that I inherited, but rather let's place ourselves into the nutritional side of education: diet, lifestyle, nutrition and let's have third parties on camera reporting their research.

How could we be so sure? My response was thousands of years old. We're talking about the modern secrets of ancient nutrition. For thousands of years, entire civilizations in the Mediterranean regions observed everything. They learned that a little wine was good and a lot was not. I said that heritage won't be denied. What we'll get are scientists coining scientific terms.

This was before "resveratrol" became part of our lexicon of terms; this was before "antioxidants," this was before "quercetin." I had every confidence that the research community would say that in terms of nutrition, diet and lifestyle, the Mediterranean diet works. In 1987, Wine Institute helped promote the book "The Mediterranean Diet" but it took six years before Willett and Harvard and Oldways gave it broad wings and media attention.

We have been vindicated but we have to still be vigilant, we can't just rest on laurels that always demand attention. But if you read the *Ladies Home Journal* and if you read *Reader's Digest* and *Health Magazine* and *Newsweek* and *Time*, where do you find us? You find a glass of red wine with mangos and blueberries, antioxidants. New studies report that it is the frequency with which you drink, and that applies to not just red wine but to white wine and to sparkling wine, to desert wine, to appetizer wine, beer and spirits.

I stated in many reports, let's not be cheerleaders for one group of scientists over the other. Let's let the scientific community come up with consensus.

I asked Chris Wirth to compile just the last six months of print journalism. It is staggering what is going out in the literature. Does that mean we should remove ourselves from this area? No. But it means we made the right choice at the right time.

My conclusion is that left to our own resources we fragment. I am going to ask in my parting remarks that you be stronger advocates to others not just to absorb the information you receive but to share it with others.

Thus, we ought to get certain things out in the open and we ought to put to rest what I consider to be an insidious canard, that somehow a tiny group makes decisions, that Wine Institute is not democratic, that it is not transparent, it is not open. Somehow we don't work freely, openly and democratically. My quarter century of experience and the observations and experience of the directors are the best rebuttal. If anything we should laud the contribution all hard working members have made.

Bob Trinchero was nice enough last night to talk about the first time we met when he stood behind a Green Shawl with a tiny counter for a tasting room. He was a minimum dues member, he's not a minimum dues member now. I went to see Joe and Fred and John Franzia at a bungalow on a wind swept field that was empty. I went to see Jerry Lohr in Santa Clara in his little winery. It was named Turgeon and Lohr. I went to see Dick Maher who about that time had the brilliance of bringing aboard Walt Klentz. He had this tiny little office in the Rhine House. Not the Beringer Blass world that it is today. Art Ciocca was trying to get a loan from a bank in Boston and a lot of people said forget it, that's not going to work.

So my experience has been not to judge where you think people are or where they're going to be but to show utmost respect to everyone. The giants at that time are gone. Where is Seagrams today? Where is Coca-Cola today? What happened to some of the major operations of the time with what appeared to be eternal staying power?

The international program is going to become more important than ever. When I first started at Wine Institute my instructions were don't you dare go overseas, that it would be considered a junket. Concentrate on Kansas and Texas and the mid-west, and if we ever hear that you've taken a trip to Europe, we know you're not doing your job. But I didn't see America and the world as mutually exclusive.

I thought one of the great ways for us to prepare for the great battle in America where everybody wants to come and to sell was to think of the global world. My background and training had prepared me for international affairs. In 1982 in the paper that I wrote for the Disney Land meeting of the American Society of Viticulture and Enology I wrote that we were going to go global, and that we had to fight for every consumer out there in order to fight for every consumer here.

In asking for government partnership funds, there was a little fund for export of wine overseas, \$40,000 and \$15,000 of it remained in that budget. Officials in Washington told me you know, your people are just impossible to deal with. You talk about exports but you're really protectionists at heart. You guys really can't take on the French; you can't take on the Italians. You just talk a big talk. In proof of that, we've given you a program and you haven't been able to spend \$40,000. In the multi-trade negotiations we were the bargaining chip for everybody else. For every concession made for the mid-west for corn and wheat and soybean, Europeans wanted greater access for wine to this market. How do you reverse all of this?

So I came to a conclusion that I shared with you these many years. Our objective is to be the best students of power in America; to study the interaction, the dynamism between the press, politics and public policy. That we had to be as astute in that arena as we are in growing grapes, making wine and selling it. We have to influence large media institutions and that would influence government at all levels. That's how the research community with its scientific findings broadcast by the press has been reshaping, redefining wine in America.

Now I'm about to take on new assignments with the education community. I'm accepting the rather daunting title of Distinguished Visiting Scholar at UC Berkeley and with the Goldman School of Public Policy. I'm continuing a position at Harvard at the Kennedy School of Government on the Director's Council for the Shorenstein Center. The one I'm personally proud of is a position as a director for the new Institute for Teaching by the CTA on upgrading the credentials of teachers and underperforming schools.

I'm still going to be working with the University of California on the President's Commission on Agriculture and Natural Resources. I see two great streams leading to cultural change in America. One is the Scientific Research Community on Health; the other is working with the educational community and teachers. With this combination we can establish an image for us that really took thousands of years in Europe; and that is being perceived as a legitimate part of the culture of the United States through lifestyle and nutrition.

On the agenda today is my last action item. There is more to say but time is fleeting. I sent to the Board a memo, and I don't know how many of you brought it with you. A memo with regard to what I believe fits well our public policy mission.

I think we should record that incredible generation that is passing from the scene but also to use the 70th anniversary of the Repeal of Prohibition on December 5, 2003, as a great educational and media tool to project our values and social responsibility.

That 70th anniversary lunch February 20th with Cecil Aguirre, with Al Cribari, with Gene Cuneo, with Lou Foppiano, Sr., with Shelagh Davis, with Bob Rossi, with Harold Olmo, with John Bargetto, with Pete Seghesio and with Jean Wentz, etc. reflected what I call the Phoenix Generation. Before it is too late, we must record our history before we lose

it and forget the people who laid the new foundation for one of the great stories of competitive enterprise in America: from Prohibition to world class recognition. How did we end up with the minefield of dealing with 50 separate states instead of the common market every one else shares throughout the land? When we discuss direct shipments we speak only of reform and not a basic attack on our distributor partners. For 15 years we have sought change state-by-state seeking always laws to accommodate those who could not find distribution portfolios. In the larger scheme we can communicate in an educational format the lasting affects of Prohibition on the American mindset to show how the country has been affected by Prohibition so that we still have today terms like "sin tax" and "gateway drug," how it has distorted our natural cultural evolution. And to put people on film so that for the 70th anniversary December 5th of this year, we would have at a minimum news releases to the major media and hopefully with a demonstration tape that we're trying to put together to get major funding for a major documentary the following year that would be a great educational tool to advance our public policy mission.

I had a great experience with A&E when they did Ernest Gallo's 90th birthday and I was interviewed several times and realized the widespread media attention the Gallo story received. Again, we see the dynamics of the media affecting public perception. So I ask for the last time an action item in my capacity as president for a funding of \$25,000 to add to the \$60,000 that was appropriated by the officers. I trust you see the proposal as a very prudent investment of money.

Both Tom Johnson and Jack Valenti told me these things cost over a million dollars. And I would never even dare to attempt this if we didn't have the talent of Kari Birdseye and my daughter Carla who are seasoned TV executive producers. Award winning producers who are used to "crashing," who are used to working fast and comparable to their work on the Atlanta Olympics put together in very short time a national documentary to be broadcast on our website and beyond.

Before you today, I make my final request. I think it is consumer oriented as well as governmental. I think it puts in relief our state relations work. It puts forward our families, it puts on camera people who can talk about the Dietary Guidelines and nutrition and the changes that have occurred in the last 70 years. Mr. Chairman, because I am going to go into a new phase and probably this is the last time I will address the Board of Directors, I say this with as much passion as I've shown for other initiatives that we've taken. That is we have a chance to affect public opinion and we have a chance to reshape the notion in California and elsewhere with the polls showing that the highest supported tax is an alcohol tax, even higher than cigarettes.

We have a chance to shape our own image without any invidious comparisons to beer or spirits. We have a chance to advance themes like direct shipping without it being any kind of an attack on the three-tiered system. We are concerned about monopoly franchises. I think we are united on that front and we certainly are united as an industry in terms of eliminating this dreadful image of wine being a "gateway drug." I'll make some final remarks and turn it over to the Chair, Dennis Groth to conduct this request on my part.

To conclude, probably the greatest gift you've given to our family is the ability and the proximity to grow up with you. My highest priority coming into the Wine Institute in 1975 was the education of my children. Josephine and I shared that. We wanted them to be with a cultivated, cultured, warm and generous industry and that has happened. There could be no greater sense of joy on my part as I say adieu in this capacity. I have one other assignment and that is at lunch to say appropriate remarks of welcome to Bobby to Doro.

This occasion for me is historic. After 28 years and over 100 Board of Directors meetings, this is my last address to you in the capacity of being president. I would not lightly make this last recommendation to you if I didn't feel it with all the strength that I have felt regarding other initiatives.

There is another wonderful soliloquy Shakespeare gave Othello:

Farewell the tranquil mind! farewell content!
Farewell the plumed troop, and the big wars,
That make virtue of ambition O, farewell!
Farewell the neighing steed, and the shrill trump,
The spirit-stirring drum, the ear-piercing fife,
The royal banner, and all quality,
Pride, pomp and circumstance of glorious war!
Farewell! Othello's occupation's gone!

My command is over, but my service to you will continue. Thank you very much.

HARVARD UNIVERSITY
JOHN F. KENNEDY SCHOOL OF GOVERNMENT
THE JOAN SHORENSTEIN CENTER
ON THE PRESS, POLITICS AND PUBLIC POLICY



MARVIN KALB
 SENIOR FELLOW
 LECTURER IN PUBLIC POLICY
 FACULTY CHAIR, WASHINGTON PROGRAMS

THE WASHINGTON, DC OFFICE
 PHONE: 202-518-2239
 FAX: 202-518-2250
 EMAIL: MARVIN_KALB@HARVARD.EDU

January 28, 2004

Mr. John De Luca
 Executive Vice Chairman
 The Wine Institute
 50 California Street
 San Francisco, CA 94111

Dear John:

I want to take this opportunity to thank you and The Wine Institute for contributing \$25,000 to Harvard's Institute on the Media and American Democracy and thus joining a broad base of supporters, including the Knight Foundation, the California Teachers Association and the National Education Association, in helping this exceptional program for 2004.

This will be the eighth summer in which we invite 125 of the nation's best high school teachers to an intense week-long immersion in the interaction of media and politics in the strengthening of American democracy. More than half of America's students do not go on to college and fewer still receive college degrees. Therefore it is in the final year or two of their high school training that they receive their last serious, organized instruction in the functioning of our democracy—our last chance, in a way, to enthuse them about the special qualities of American democracy, and we take this responsibility with utmost seriousness. My strong belief has been that if we can excite their teachers about the subject, we can get to them too; and judging by a continuing stream of letters and emails from our alumni reporting on their teaching activities we have succeeded beyond our wildest dreams. Over the past 7 summers, we have instructed over 800 high school teachers from around the country, and we estimate that they have reached more than 80,000 students.

It is, as I said, a very intense week of instruction, but it is incredibly rewarding for everyone. The faculty consists of Harvard's best professors, including President Lawrence Summers, who admires the program immensely, the best of Washington's journalists, including the bureau chiefs of networks and newspapers, and finally former politicians who have lived the wonders and frustrations of American politics. A loose paraphrase of Churchill is that democracy is a difficult system of governance (difficult to teach, too), but it is also the best system of governance.

Once again, I extend my most sincere thanks to you and The Wine Institute for your combined efforts on behalf of this worthy program, and may I add that your work, John, as a member of our Senior Advisory Board to the Kennedy School's Shorenstein Center on the Press, Politics and Public Policy has been incredibly valuable and important.

1779 MASSACHUSETTS AVENUE, N.W., SUITE 810, WASHINGTON, DC 20036

Mr. John De Luca
The Wine Institute
1/28/2004
Page Two

Our gratitude to both you and the Wine Institute.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marvin Kalb". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Marvin Kalb

**CALIFORNIA TEACHERS ASSOCIATION**

CAROLYN DOGGETT, EXECUTIVE DIRECTOR

August 19, 2005

John A. De Luca, Ph.D.
425 Market St, Suite 1000
San Francisco, CA 94105

Dear John,

On behalf of the California Teachers Association I want to thank you for facilitating our historic effort to bring members of the education and business communities together to address long-term solutions for improving school funding and the quality of education in California's public schools for all students. You played a critical role in making this happen and in bringing these groups to a first good result.

We at CTA believe as you do that the best way to achieve meaningful reform and to ensure our students have the education and the tools they need to succeed is by having all interested parties at the table where we can openly discuss and consider reforms. We stand ready to continue to work with you and others in the business community to address equity and adequate school funding to meet the needs of all students in an increasingly competitive global market.

Again, thank you for all your assistance. We look forward to continuing our work together.

Sincerely,

Carolyn Doggett
Executive Director

CD/sn

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OFFICE OF THE PRESIDENT

BRUCE B. DARLING

Senior Vice President – University Affairs

Office of State Governmental Relations

1130 K Street, Suite 340

Sacramento, California 95814

(916) 445-9924

Stephen A. Arditti, Assistant Vice President and Director

May 22, 2006

Mr. John De Luca, Ph.D.
 Senior Advisor to the President
 Distinguished Visiting Scholar
 University of California
 1111 Franklin Street, 12th Floor
 Oakland, CA 94607-5200

Dear John,

I want to express my profound gratitude to you for your leadership in enhancing the relationship between the Gallo Research Center and the University and in seeking increased State support for University research in several fields, including substance abuse, agriculture and high technology.

Your simultaneous service as Chairman of the Gallo Research Center and Senior Advisor to the President of the University has qualified you uniquely to mediate some unfortunate misunderstandings between these two vital institutions. A key element of your success in this has been your willingness and ability to lead a coalition of industries, including agriculture and high technology, in support of increased state funding in the amount of \$20 million per year for UC research in a number of fields important to the state's economy and welfare. Given that such state support has been reduced by 25% during the recent budget crisis, the importance of this initiative can hardly be overstated.

And, while you have been leading this effort you have also provided crucial support to President Dynes and testimony to the Regents during a period of controversy and major crisis.

John, you are truly one of a kind and a genuine California treasure. It is an honor and a pleasure to be able to know you, work with you, and to learn from you.

With warmest personal regards,

A handwritten signature in black ink that reads "Steve Arditti".

Steve Arditti

Assistant Vice President & Director
 State Governmental Relations

cc: President Dynes
 Acting Provost Hume
 Sr. Vice President Darling
 Vice President Hershman


CALIFORNIA TEACHERS ASSOCIATION

CAROLYN DOGGETT, EXECUTIVE DIRECTOR

May 24, 2006

John A. De Luca, Ph.D.
 425 Market St, Suite 1000
 San Francisco, CA 94105

Dear John,

The California Teachers Association Institute for Teaching (IFT) is privileged to have you as a member of its Board of Directors. As the first IFT community board member, you have complemented our CTA Board IFT members with your genuine commitment and concern for the children of California and public education.

Your involvement on the IFT Board, which began in July 2003, has helped to create a climate and direction for the IFT that is spirited with optimism and hope. You are a man who sees challenges as opportunities, appreciating and valuing the ideas of all. Working with CTA leadership is the most important relationship to our organization; you have brought your wisdom and unflappable character to this partnership.

You are an individual of broad experience and in-depth knowledge and have helped the IFT establish appropriate goals and objectives by asking critical questions in a nonjudgmental fashion. You seek to inform and not persuade and have developed a rapport that is both honest and forthright. You have been instrumental in the development of IFT partnerships with the Bill and Melinda Gates Foundation, the California Endowment, and the David and Lucile Packard Foundation.

The work you've done on the Split Roll Initiative was invaluable – without you, we're sure the governor's May Revise would have had quite a different outcome. The relationships you've helped facilitate with the business community, specifically the Business Roundtable, will provide a continuation of the coalition that we've found is absolutely necessary for future successes.

The California Teachers Association is proud and honored that you are part of the CTA IFT family.

Sincerely,

Carolyn Doggett
 Executive Director

CD/sj

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SANTA BARBARA • SANTA CRUZ

OFFICE OF THE PRESIDENT

Robert C. Dynes
President

1111 Franklin Street
Oakland, California 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

August 21, 2006

Mr. John A. De Luca
Wine Institute
50 California Street, Suite 1500
San Francisco, California 94111

Dear John:

It hardly seems possible that your service on the President's Advisory Commission on Agriculture and Natural Resources has come to a close. As a founding member and the first chair, you have been absolutely invaluable to us, and you played a crucial role in the evolution of the Commission as an interactive forum for the sharing of ideas, viewpoints, and knowledge. As you are well aware, we have many challenges ahead in shaping the University's future as a research, teaching, and public service institution and in ensuring that our agricultural and natural resources programs continue to be responsive to the needs of California. You have given us a sound foundation upon which to build, and we thank you for that.

Although your service on the Commission has come to a close, know that I will continue to call upon you for your sound advice and wise counsel, especially in your role as senior adviser to me on agriculture and business initiatives. You have been and, I hope, will always be a true friend of the University of California, and for that my colleagues and I are deeply grateful.

I also hope we will have an opportunity to see one another before too long, and I look forward to it.

Best regards,

A handwritten signature in cursive script that reads "Bob".

Robert C. Dynes

cc: Vice President Gomes



March 14, 2007

John De Luca, Ph.D.
65 Black Fox Way
Redwood City, CA 94602

Dear Mr. De Luca,

On behalf of the Alumni Associations of the University of California (AAUC), it is my distinct pleasure to inform you that you have been selected to receive the *AAUC Advocate of the Year Award*.

It is with deep appreciation that the AAUC recognizes your many contributions as a friend and advocate for the University of California. As a leader in the agricultural and wine industries and an alumnus of UCLA, you have been a tireless and highly effective advocate for the University. Time and again you have worked with elected officials on behalf of UC and have provided invaluable advice and counsel on matters of great importance to the University, including advancing the value and critical importance of research to the future of California, building stronger relationships between UC and the state's agricultural industry, and advocating for increased state and federal funding to ensure a quality education for our students.

We salute you for these many contributions and further commend you for your record of voluntary service to the University as:

- Senior Advisor to the President for Agriculture and Business Initiatives;
- Distinguished Visiting Scholar, and member of the Board of Advisors, at the Goldman School of Public Policy at UC Berkeley;
- Member of the Council of the Friends of the Bancroft Library;
- Chairman of the Board of Directors for the Ernest Gallo Clinic and Research Center at UC San Francisco; and
- Founding member and first Chairman of the President's Advisory Commission on Agriculture and Natural Resources.

The *AAUC Advocate of the Year Award* will be presented Tuesday, March 27, in Sacramento. Over 300 UC alumni, representing all ten campuses, will be in the State Capitol that day visiting with State legislators to advocate on behalf of the University and our budget priorities. We hope you will be able to join us for the UC Day Reception in the Sheraton Grand Sacramento to receive the award in person. The reception will be held in the Magnolia Room from 5:00 p.m. – 6:30 p.m., and awards will be presented promptly at 5:30 p.m.

In addition to this reception, we have several events planned for Sacramento. A list of those events is enclosed, and we welcome your attendance at them. Please get in touch with James

Stofan to confirm your attendance. Mr. Stofan can also provide you with additional information on the event and the award. He can be reached at (510) 987-9184.

The AAUC appreciates your ongoing support for the University as an advocate and friend, and is pleased to honor you with this award.



Jefferson C.M. Coombs
AAUC President and Regent
University of California

Enclosure

cc: Executive Vice President Bruce Darling
Assistant Vice President Steve Arditti
AAUC Executive Director James Stofan

John DeLuca Presentation; September 25, 2007

In September of 2003 one of my first assignments, as the newly hired Food and Wine Specialist at the Regional Oral history Office, was to complete a series of interviews that Ruth Teiser and Carole Hicke had conducted between 1986 and 1998 with John De Luca, then President of the Wine Institute. His ongoing interview was the last of a series on California Winepersons. Sponsorship for the series initially came from the Wine Advisory Board and later from the *Wine Spectator* Scholarship Foundation. Little did I know that this assignment would be both a personal and professional benchmark for my career as an agricultural historian.

Despite my preparation our first interview left me reeling and I was overwhelmed with John's precision as a story teller and his bigger than life, real and intellectual, accomplishments as a teacher and scholar. What rapidly became apparent was his ability to counsel and be counseled by a social and working network that included mayors, governors, state legislators, members of the United States Congress, Presidents, scientists, businessmen, the media, winemakers, grape growers, farmers, academics, and teachers. All of this while also serving as the CEO and President of the Wine Institute. During the interview his thoughtful and candid responses to my questions were metered out in a verbal prose that seemed to illuminate the page when transcribed.

As the interviews proceeded we quickly gravitated to off interview conversations on the similarities of our Sicilian cultural backgrounds, love of wine and Mediterranean foodways, family, vacations, politics, my scholarly work, and life in general. It was during these conversations that I learned of John's passion for quality of life issues. Trust emanated from these interactions and we established a working relationship that promoted an open and honest interview discourse.

Yet, it quickly became apparent that a key aspect of John De Luca had escaped the scrutiny of our past interviews. John has a natural ability to mentor and bring people, groups, institutions, government agencies, and scholars together. His personal style and training evolved into a career of being a broker for ideas. This new path utilized his academic and political skills to navigate the Wine Institute through internal industry battles, neoprohibition (his term), and a new global economy. Like the nuances of the fine wines he represented his stories revealed an ongoing struggle with anti-alcohol forces that influenced governmental policies in a series of attacks ranging from “sin taxes,” declarations that wine is a gateway drug, anti-advertising campaigns, and 50 sets of post-prohibition state regulations that forced California to act as an exporter to the other 49 states. He faced forces that lobbied the halls of the federal government and controlled the “language” of alcohol and forced politicians, without scientific evidence, to acquiesce to the demands of neoprohibitionist groups. Faced with this scenario he drew upon his personal, familial, academic and political experiences to first systematically accumulate a network of supporters and then help develop new governmental policies, based on moderation and independent scientific studies. The end result was the turning of the tide in the struggle for the cultural choice of a Mediterranean diet inclusive of wine.

Through his message of moderation in all things John helped make wine both politically centrist and part of the American cultural experience. In essence he helped re-establish a new American Cultural Terroir that had historically twice faltered under the weight of a wine-growing learning curve, wars, anti-alcohol forces, Prohibition, Depression, plant pests, and diseases. Like the Post World War II “Phoenix Generation” (his label) of winemen that rebuilt the industry after Prohibition, John served as the facilitator to help establish California’s place in the national and global wine industry and bring American’s closer to a western European sense of wine as part of everyday life.

Yet, in his parting interview John warns the wine community to be ever vigilant of anti-wine forces and thus the need to stay engaged in the political process, scientific studies, and as a participant in the causes like sustainability, health, and education that enrich all of humankind. This approach in the political arena speaks to his Progressive beliefs and faith in the American political system. In his world wine has no politics and is enjoyed by both Republicans and Democrats.

I above all know John's ability to bring together strangers and help them fund projects. As our friendship matured he brought me together as a consultant with CNN veterans Larry Woods and his daughter Carla De Luca-Worfolk who are producing a documentary on the affects of Prohibition on the modern American Wine Industry. Through his contacts with the University of California and the agricultural community he also introduced me to Steve Nation of the University of California Agricultural and Natural Resources office and urged us to develop a project ("Taking It to the People") to document the role of the university in providing assistance to people dependent on producing and disbursing the agricultural cornucopia of the Golden State.

Over 600 pages of lightly edited transcripts, numerous photographs, audio and video, and copies of primary source documents will soon become available online for scholars and will serve as a fitting tribute to John's hard work. We all owe this Lower East Side New York son of Sicilian immigrants a word of thanks for providing us the opportunity to grow; allowing us to be independent thinkers, and helping us support our projects. I wish to thank you on behalf of all of us who have benefited from your labors. Personally, I thank you for your friendship that has allowed this son of Sicilian tenant grape grower to be part of your *familia* and for the professional assistance that has improved the quality of my academic work. As the saying goes --- *In vino veritas* --- and the truth is that John De Luca is the prolific vine in the vineyard of life.

Salute;

Victor W. Geraci, PhD

**President Robert C. Dynes
Reception in Honor of John DeLuca
September 25, 2007**

Welcome and Introductions

- Let me begin by welcoming everyone to Blake House. It is a privilege to host this gathering of friends to celebrate a genuine California treasure.
- Tonight's guest of honor, John De Luca, is a 21st-century Renaissance man. He has expertise across many fields – viniculture, finance, public policy, history – because he is driven by a passion for knowledge and excellence.
- As many of us can attest from personal experience, when John embraces an idea, his enthusiasm spreads, his plans take root, and before you know it, people are mobilized, and success is at hand.
- His impact on California has been immeasurable. The University of California has had no better advocate. And, like my predecessors, I have had no better friend and advisor.
- Our program tonight pays tribute to John's legacy by focusing on one venture that has been very close to his heart. Here to tell you more about it is our next speaker, Professor Richard Cándida Smith, Director of The Bancroft Library Regional Oral History Office at UC Berkeley.
- *(Each speaker will introduce the next speaker in turn)*

Gift Presentation

- Thank you, John.

- Normally, I would not dream of following John De Luca in a dinner program, for reasons that are now evident.
- But tonight is an exception because we have a special presentation to make.
- I should note here that this token of our esteem and affection extends to our dear friend Jo De Luca, to the De Luca children, and to their extended family.
- The original Italian Renaissance man, Leonardo Da Vinci, once gave his apprentices this advice:
- "Knowing is not enough; we must apply. Being willing is not enough; we must do."
- Over decades of service to the University of California, John has embraced our land grant mission, and he has reminded us that our endeavors – creating new ideas and innovations, creating the next generation of creators – must serve the public and benefit all Californians.
- John, on behalf of the entire University of California community, our faculty, students, staff and alumni, I'd like to present you with this small gift [a Tiffany crystal bowl etched with the UC seal].
- We hope that it will serve as a remembrance of our gratitude and our abiding friendship for a long time to come.

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**Proposal for Partnership Project
CTA/IFT and UCD/SOE
October 18, 2007**

“If a nation expects to be ignorant and free, in a state of civilization, it expects what never was and never will be.”

--T. Jefferson

The above idea has been at the core of the development of our public education system since the days Jefferson argued for its establishment. Over the last two centuries, the idea has expanded well-beyond Jefferson's notions. Increased access to public education has strengthened and built our country and democracy. Our public schools have been and are microcosms of our society addressing the tensions of embracing and building upon our diversity while developing common knowledge among our citizenry. These tensions are ever growing as our country and world becomes more diverse and complex. In this 21st century, Jefferson's idea becomes our imperative.

The Challenge to Our Society

The strength of a democracy is in its citizen's ability to create a productive community. The strength of a school is in its citizen's ability to create a productive learning environment for all who are a part of the school. School reform efforts that are dominated by top-down, outside-in mandates to those in schools and classrooms move us away from our democratic ideals as they limit children's and adults' ability to independently think about, understand and re-create their worlds. This approach is the antithesis of a democratic way of life and contradicts much of what we know about learning and innovation.

Two organizations, the California Teachers' Association/Institute for Teaching and the University of CA: Davis/School of Education, are joining forces to promote the continued development of our democracy through strengthening of our public educational institutions in promoting both excellence and equity for *all* children. We believe the conditions to foster this must be nurtured and established not from the *outside-in*, but *inside-out* with those who are the citizens of their schools. In this document we propose the establishment of a UCD-IFT Institute for Learning that will create a of network of school-based Institutes for Learning to address the current challenges facing our schools.

The Challenge of Reform

The main method of reform in today's NCLB environment is one of training rather than learning and development. Educators are taught the latest means of improving student learning. A great deal of time, effort and resources are supporting the outside-in approach to school reform. We have a plethora of

studies and reports that cite the limitations of this approach to reform. Yet, the implementation strategy continues to proliferate.

We are proposing to create an approach that is strikingly different and grows out of the literature on school change and human learning. It is focused on learning for adults and children. It is focused on invention and it is focused on the examination and use of 'inside knowledge.' Our work in school reform will begin with this inside knowledge.

The American Educational Research Association¹ reviewed learning opportunities for teachers that were explicitly aimed at increasing student achievement. AERA reported that a focus on content knowledge and coherence, which is defined as building on what teachers already have learned, aligning learning opportunities with standards and assessment, and encouraging communication among teachers who are striving to reform their instruction in similar ways, were the elements that had the greatest effect on teachers' knowledge and skills and that led to changes in instructional practice.

Here in California, a number of resources are available to develop teachers' content knowledge and content specific teaching skills (the California Subject Matter Projects being one example of a state-wide delivery system). What is not so readily available is access to formalized opportunities for educators to actively examine learning (both their own as well as the children and youth they serve) and to translate that learning into action. This absence diminishes and/or eliminates one of the two elements known to effect teachers' instructional practice.

In addition, the literature on school and organizational change emphasizes that a focus solely on teachers' knowledge and skills will have limited and short-term effects. The conditions for adult learning and children's learning must also be addressed. These conditions include time for collaboration and inquiry, engendering an environment of exploration and expression that fosters critique, self-examination, and creativity, and the participation of an active, supportive, and knowledgeable outsider.²

The Establishment of the Institute for Learning

To respond to this challenge of reform, we propose the establishment of the CTA/IFT - UCD/SOE Institute for Learning. This Institute will grow to address

¹ AERA Research Points, Teaching Teachers: Professional Development to Improve Student Achievement, Summer 2005, Vol. 3, Issue 1.

² Heckman, P. & Montera, V. (forthcoming). School Reform: The flatworm in the flat world. From entropy to renewal through Indigenous Invention. Teachers College Record, Teachers College Press.

the challenges facing today's educators in a variety of ways as the work evolves. Initially the Institute will:

A. Identify and work with partner schools to develop a network of school-based learning institutes that will provide opportunities for teachers, administrators and university faculty to collectively examine the assumptions, knowledge and skills within each setting and how these influence the learning setting. They will explore recent research on issues identified and generate new knowledge and practices in the process.

B. Develop a cadre of Learning Facilitators that are knowledgeable about organizational and school change, learning theory and effective instructional practice, who will actively work within partner schools to improve learning outcomes for all students. These facilitators and the Institute staff will assist school partners in identifying and providing time and space for each local institute. They will partner with those in the school and community to create and conduct collaborative inquiry opportunities as well as work with educators on the creation of new practices and conditions for learning.

Overall Objectives and Principles:

1. The work of the Institute will be grounded in the research and knowledge-base on school/organizational change and learning. The Institute will seek to promote fundamental school reform by building upon and increasing this knowledge-base.
2. Address the need to create a school culture that fosters and promotes learning and achievement of all members of the institution.
3. Determine the efficacy of the Institutes by conducting evaluation research with the intent of both generating information about and exploring this local process of change and demonstrating the processes impacts on school-wide learning.
4. As we develop this process, we will use the results of the evaluation research and collective learning to make the program available to a larger audience within northern California and beyond.

The following principles will guide our work with each other, educators, and schools:

- ♦ Uphold democratic principles and work in-partnership *with* educators in a school or schools.

- ♦Promote a new work-life for teachers and students---from being consumers and implementers of others' ideas to leaders in the creation of the essential features of education.
- ♦Embrace a practice/theory/practice cycle that starts with inside knowledge and moves to incorporate outside knowledge.
- ♦Challenge the regularities of schooling that no longer match current knowledge on learning and child development.

Criteria for Success:

Our intent is to embrace the complexity of schooling. Therefore, multiple areas will be addressed over-time. However, which areas will be addressed immediately will be determined with partner schools. The assessment of the work will be collaborative and on-going. Formal evaluation will focus on the areas below as well as others identified with partner schools.

Three of the areas/issues that contribute to learning that we hope to positively influence in selected "schools of greatest need"³ are:

1. Teacher engagement, recruitment and retention.
2. Student engagement, retention, and success.
3. Home, school, and community relationships and connections.

The Design

PROPOSAL OF WORK AND TENTATIVE TIMELINE

Year 1

- Establish Co-Directors to develop the Institute and facilitate its work. Each organization, CTA-IFT and UCD-SOE, would designate a director.
- These Co-Directors, would identify and convene an initial Planning Team with representatives from each organization to further develop Institute's goals and draft an initial Memorandum of Agreement to solidify this initial partnership. This group will also serve in an initial and perhaps on-going advisory capacity.
- The Co-Directors and Planning Team will also develop a finalized proposal for the establishment of the Institute and work to obtain funding for the proposal of the Institute.

³ See http://www.cta.org/community/ift/schools_of_greatest_need.htm for descriptors.

- Assuming funding is obtained, the Co-Directors will, simultaneously, work to identify up to five schools that will serve as sites for the initial work.
- Select and develop a team of educators that will serve as Learning Facilitators. These facilitators will participate in regular sessions developed by the Co-Directors and others to explore their developing role in this process.
- Conduct initial meetings with school partners and learning facilitators to identify the focus of their work.
- By the spring of this first year, the school partners will have developed a schedule for on-going and regular learning institute gatherings at their site. Regular Learning Facilitator sessions with the University partners will also be scheduled, as well as several network gatherings throughout the following school year and summer.
- The Co-Directors will work with all partners and the advisory group to design the research and evaluation component of the work.

Year 2

- Intense work with school partners and Learning Facilitators gets underway as designed in Year 1. A possible design might be--Facilitators and Co-Directors collaboratively design and facilitate a one-week summer institute, supplemented with bi-monthly internet communication and monthly 3-hour meetings throughout the year and a three-day follow-up Institute the following summer during which participants will share the results of their work with the larger community.
- Incorporate the use of technology as an on-going means of communicating among the partner sites. This will be further developed during Year 2.
- Evaluate the efficacy and impact of the Institute and its work.

Year 3 (will be further developed as program evolves)

- Modify the design as needed, continue the intense work as in Year 2, and consider further activities, which may include a second Cohort of school partners to participate in this effort and/or symposiums with others outside of the Institute's partners.
- Continue research and evaluation.

Year 4

- Work with initial partners to identify and put in place the conditions for on-going participation that will sustain the effort to develop our schools as institutes of learning and continuous renewal.
- Continue Second Cohort (year 2 activities)
- Determine next steps in the development of the Institute.

CTA IFT and the University of California Davis School of Education
Partnership to form The Center for Innovation in Teaching & Learning.

The IFT was established by the California Teachers Association in 1967 as an independent 501 (c)(3) organization to enhance, support and sustain high-quality teaching and high-quality public schools for all California students. By mobilizing teachers, special programs, research, conferences, networking and community-based coalitions, the CTA IFT seeks to advance public education and promote the common good of our students and communities. A major goal of the CTA IFT is to create informed and energized school community stakeholders for creating change within low-performing schools in high-poverty communities. Over the past several years, the CTA IFT has developed partnerships with the Bill and Melinda Gates Foundation, the California Endowment, the David and Lucile Packard Foundation, and the Irvine Foundation. From high school improvement and student health care, to supporting universal preschool for all and insuring all children have an equal opportunity to achieve success in the public schools, the CTA IFT is committed to creating new approaches for increasing the involvement of CTA and its affiliates in the school improvement process. The CTA IFT, by virtue of the fact that it has the trust and confidence of California's public school teachers, has the capacity to build the school community partnerships necessary for determining what needs to be maintained and what systemic changes need to take place in California's public schools.

1. Statement of Need. Our world has become a highly complex and turbulent place with a diverse set of forces competing to initiate changes in economic, political and social policies. At the same time, boundaries have become blurred between local and global events where it is often difficult to distinguish between macro and micro experiences. To prepare our children for such a world requires an educational system which embraces learning over teaching and invention over reform within an educational environment where the learner is at the center of the teaching practice. Simple tinkering or minor course adjustments will not prepare teachers and administrators for the challenges and opportunities they face as educators. Conventional wisdom accumulated from the vast array of school improvement research, indicates it is unlikely for transformational change to take place without the collaborative support from teacher unions, school management, and higher education.

2. A Proposed Partnership. It is proposed that the CTA IFT and the School of Education at the University of California Davis create a partnership to explore, design and demonstrate new approaches to teaching and learning that are capable of transforming the public education system. This partnership will explore and investigate critical issues in the following areas of school improvement:

- Innovative approaches to supporting P-20 professional learning communities.
- New and evolving opportunities for innovation in teaching and learning, including but not limited to opportunities that are enabled by new technologies.
- Relationships involving personal, professional and social responsibility and accountability.
- Governance models that empower individuals, foster greater commitment, and generate greater rewards.
- Distributive leadership as an approach to reconfiguring how schools are organized and structured.

CTA IFT and the University of California Davis School of Education
Partnership to form The Center for Innovation in Teaching & Learning.

3. The nature of the partnership. This partnership will create, among other things, *The Center for Innovation in Teaching & Learning*. The Center will involve all members of the P-20 school community in the research and development of strength-based innovative strategies for increasing the capacity of educational institutions and systems to adapt to a rapidly changing, technologically complex society. Specific objectives of the Center will include:

- Fostering greater collaboration among members of the P-20 education community.
- Development, implementation and research surrounding innovative approaches to teaching and learning that are easily replicated by others and have the capacity to make major transformational changes in education,
- Increasing the degree to which individuals participating in the Centers' efforts take responsibility and are willing to be held accountable for student learning

Through a joint collaboration, the CTA IFT and the School of Education at the University of California, Davis will investigate how teacher driven transformational change can introduce and sustain innovation within our schools — fundamentally changing the way our educational system organizes itself and the way all educators approach the learning process.

John A. De Luca, Ph.D., Chairman

- **Ph.D., International Relations, UCLA, 1967**
- **M.A., Soviet Studies, Harvard University, 1958**
- **B.A., Political Science, UCLA, 1955**

Following nearly 28 years as President and CEO of Wine Institute, during which time he directed U.S. and international public policy objectives for California's wineries and winegrowers, John A. De Luca assumed the post of Executive Vice Chairman for Wine Institute in 2003. His duties include advisory, liaison, educational, and special assignments for the California wine industry.

John was appointed Senior Advisor to the President of the University of California for Agriculture and Business and is a Distinguished Visiting Scholar and member of the Board of Advisors at the Goldman School of Public Policy at UC Berkeley, as well as the Council of the Friends of the Bancroft Library. He chairs the Board of Directors for the Ernest Gallo Clinic and Research Center at UC San Francisco and serves on the Board of Directors of the Institute for Teaching, founded by the California Teachers Association. He remains Founder and Co-Chairman of the Agriculture-High Technology Alliance; Founding Chairman of the University of California President's Advisory Commission on Agriculture and Natural Resources, and Founding Member of the Director's Council, Shorenstein Center, John F. Kennedy School of Government, Harvard University.

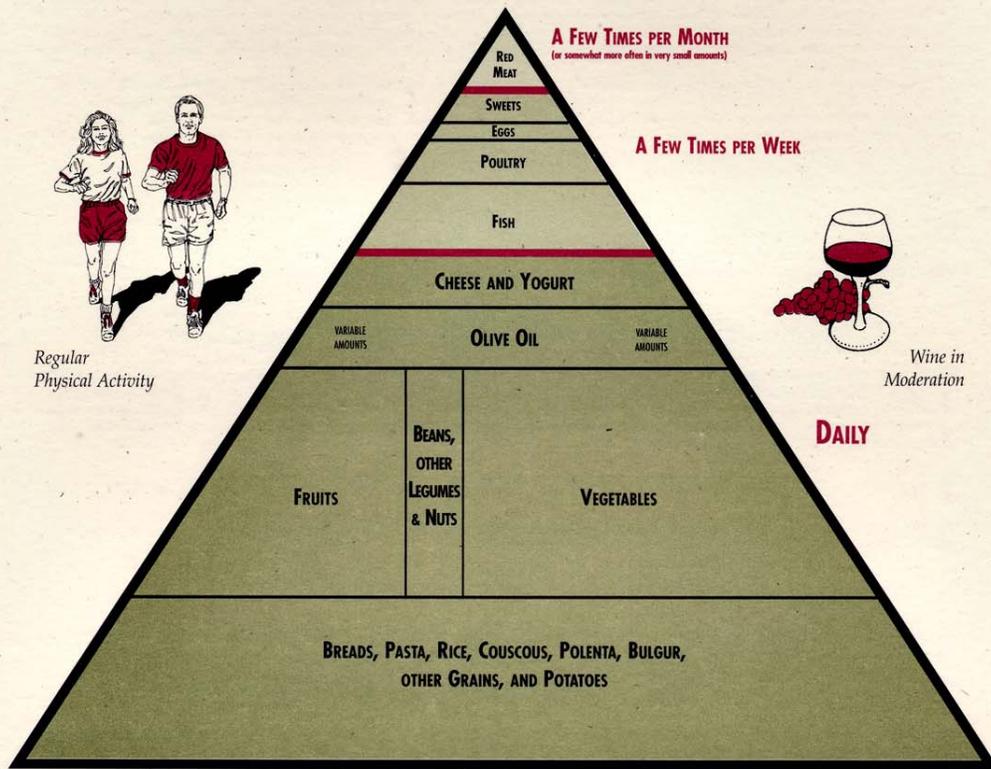
In recent years, John has received numerous awards, including "Agriculturist of the Year" for the State of California in 2001, the prestigious "Presidential Citation" conferred by President Richard Atkinson of the University Of California in 2003, and Senate and Assembly bipartisan Resolutions of Commendation in 2003. He is the past recipient of the "Distinguished Service Award" by the Wine Spectator; "Lifetime Achievement Award" by the Wine Enthusiast; and "Torch of Liberty Award" by the Anti Defamation League. At the Federal level John served two terms on the Agriculture Policy Advisory Committee (APAC) and on the Export-Import Bank Advisory Committee. In 2007, the ten campus Alumni Associations' of the University of California honored him with the AAUC Advocate of the Year Award.

From 1968-1975, Dr. De Luca served as Deputy Mayor of San Francisco under Mayor Joseph Alioto. In 1965-1966, he served as White House Fellow in the Administration of President Lyndon B. Johnson. On the White House Staff, he worked on national security matters and served on various State Department coordinating committees. In 1966-1967, John was special assistant to Senator Frank Church of Idaho, responsible for international issues.

From 1956 to 1960 he held a Ford Foundation Grant (Harvard) and a Fulbright Fellowship (University of Rome). In Moscow in the summer of 1959, Dr. De Luca was present at the famous "Kitchen Debate" between Nikita Krushchev and Richard Nixon. In 1964-1965 he was a member of the faculty at San Francisco State University teaching courses in American foreign policy and international relations.

Dr. De Luca resides in Redwood City, California, with his wife Josephine. He has two daughters: Gina Raven and Carla Worfolk, a son, Perry De Luca and sons-in-law John Raven and Patrick Worfolk, and three grandchildren Jeremy and Julia Raven, and Sofia Worfolk.

THE TRADITIONAL HEALTHY MEDITERRANEAN DIET PYRAMID



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