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# Tobacco Road Leads to Wine Country

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By ERICA ALINI

Seth Meranda graduated from Ohio State University in 1994 and planned to spend the rest of his life as the fifth generation running the family tobacco farm in Brown County, Ohio.

But amid falling demand and cheap competition from abroad, Mr. Meranda began to lose his taste for the golden leaf. When the federal government ended tobacco subsidies in 2004, he opted for a lump-sum payment of \$126,000 in a program to help tobacco growers transition to the free market.

He bet it all on a new vineyard and wine-making business, the Meranda-Nixon Winery, which he opened on the site of the family's former tobacco farm in 2007. Winemaking requires a depth of knowledge that makes it more challenging than growing tobacco, Mr. Meranda said.



Associated Press

A worker picks grapes at Persimmon Creek Vineyards in Clayton, Ga., last year. The vineyards are part of an expanding winemaking industry in areas once given over to tobacco. The number of U.S. tobacco farms fell by 83% between 1997 and 2007.

The number of U.S. tobacco farms shrank by 83% between 1997 and 2007, according to the most recent agricultural census, reflecting consolidation, the fading popularity of smoking and the end of federal subsidies. Tobacco farmers from Virginia to Kentucky have been replacing their traditional crop with everything from corn and soybeans to more exotic pursuits like goat herding and winemaking.

Wine production is among the few profitable options for former proprietors of small, family-run tobacco farms, said Margo Knight Metzger, executive director of the North

Carolina Wine and Grape Council, a division of the state's Commerce Department. She said subsidized tobacco used to be a good business for a 10-acre farm, but "the small-plot tobacco farmer is a thing of the past."

North Carolina and Kentucky allocated money from a tobacco-lawsuit settlement in the late 1990s to set up programs to help tobacco-dependent areas develop other industries, including growing wine grapes and winemaking. Former tobacco farmers in other states are benefiting from state-funded programs offering technical advice on growing grapes and producing wine.

Some media reports have suggested that wine grapes are a cash crop with returns comparable to subsidized tobacco. Not so, according to Tony Wolf, a viticulture professor at Virginia Tech in Blacksburg, Va. Profit margins on grapes have been falling over at least the past 10 years, he said.

A vineyard with an active winery, on the other hand, can be very lucrative. "There's much more money to be found in wine production," Mr. Wolf said.

Frank and Lenna Hobson transformed their tobacco farm in Boonville, N.C., into "RagApple Lassie Vineyards and Winery Estates." The switch was "Plan B to keep the place agricultural" and replace falling income from tobacco, Mrs. Hobson said.

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 Making and marketing wine are separate challenges. From processing grapes to bottling and storing wine without lowering its quality, the road is full of pitfalls for the inexperienced. Then there's finding a niche for the finished product.

"There are so many labels in the market," said Rob Morris, a senior manager at Frank, Rimerman & Co. LLP, a California-based accounting and consulting firm that is a leading source of wine-industry research. "To get noticed among that crowd is really difficult," he said.

RagApple Lassie isn't turning a profit yet -- it normally takes a new winery eight to 10 years to break even, according to Mrs. Hobson. But she said cash flow is enough to cover costs and business has been running ahead of projections.

"There's definitely light at the end of the tunnel," she said.

Many former tobacco farmers in Virginia have switched to winemaking. Last year, the state ranked sixth by number of wineries with 170, compared with 99 in 2004, according to the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department. North Carolina, among the chief beneficiaries of federal tobacco subsidies, had 94 wineries in 2008, an increase of 45 from 2004.

Winemaking in tobacco states is gaining a following. Virginia wines dot the "very good" section of Wine Spectator magazine's blind-taste ratings. One Virginia vintage, a 1993 Chardonnay, even earned an "outstanding," along with the usual suspects from California.

Vineyards also generate another kind of lucrative low-hanging fruit: the wine tourist.

In 2005, visitors spent \$57 million in Virginia to taste the local Chardonnays and Cabernets, among other varieties, according to estimates by MKF Research, a division of Frank, Rimerman & Co. In Pennsylvania, another tobacco state, wine tourists spent \$167 million in 2006, up from \$140 million in 2003, according to MKF Research.

After spending four years getting his wine business up and running, Mr. Meranda said he had few regrets. In recent months, he expanded his list and now offers eight different wines, instead of just three. "Life is good," he said. "It's a lot let stressful this year."

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