

THE WINERY AT IRON GATE FARM

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Background

Gene and Debbie Stikeleather purchased a farm on Lynch Store Road in Alamance County in 1997. It was a tobacco farm that was being rented for tobacco production with little else being done. The land was growing up except for a few fields and the home (rock house) as everyone in the community



called it was being overgrown with shrubbery.

The main goal of the Stikeleather's was to keep the land out of houses. They had no particular plan for how to do this. Debbie was working as an office manager for a heating and air conditioner company and Gene installed fences in a several state area. Neither one would know at the time the development pressure that would be coming to this area. It has since become a major bedroom community for Durham, Raleigh and Greensboro.

At the time they were in their 40's and the chance to make some kind of living on this farm would need to take place as soon as possible. They began to investigate their options. They weren't interested in producing tobacco. They researched several things and began to narrow down their interests and the possibility of doing something that

would make a return on their investment.

Debbie enrolled at Surry Community College in the viticulture program. Her and 24 classmates would learn about the winemaking industry and get some hands on experience through this course. Interestingly enough all classmates go into business and have their first wine tasting at the same time. Gene would continue in the fence building business as he does to this day.

The Stikeleather's decided to plant a vineyard. At the time this was the only one being planted in the area. The plan would be create income from the land and also interest and diversity in this farming community. Plans would begin to be made as Debbie began her study of the winemaking business at Surry Community College.

THE IDEA

The decision to plant a vineyard and make wine had been born from the business of a friend. Her friend had a music barn, a bed and breakfast and also sold wine making supplies. If someone had a wedding at the facilities they could make their own wine and serve it at the wedding. From this, the idea of a vineyard and winery began to take shape.

This case study will overview how the Winery at Iron Gate Farm began to take shape after the idea was conceived and a determination was made to go forward with this dream. The number one goal of this couple was to make good wine from the grapes produced in their own vineyard. The dream would now become a reality but there were numerous obstacles to overcome from this point on. They would find as many others have that making a dream come true would take hours of planning, lots

of money and overcoming obstacles that always come up with a new enterprise.

Debbie started classes at Surry Community College in 2000 in the Viticulture Program along with 24 other individuals. The other class participants had purchased farms with no idea what to do with them, inherited land and wanted to keep it in a farm or had a lot of money and thought owning a winery would be fun. This last group had no intention of doing any work themselves. Some were looking for a second career, some after a lifetime of tobacco farming.

The course at Surry Community College was a two year course and during this time Debbie was researching the grape growing business and the wine making business. During this time a homework assignment was given to make a crop management plan for a vineyard. Debbie would later adapt this plan to her own vineyard. When she was shopping for funding this was the one thing the loan officer was interested in.

To find out more information about growing grapes and producing wine Debbie worked in other vineyards and traveled to New York, Pennsylvania, Virginia, and the Finger Lake states to see wineries and also attend classes at some of the wineries. As a part of their tours and such they would hold classes on vineyards and wine making that helped Debbie plan what varieties they would plant and how to make and market wine. She noted that Virginia was a winery friendly state. They have regulations that are easier to wade through than the North Carolina regulations.

Debbie spent two years researching the wine industry from how to grow grapes to making the wine. She also researched how to market wines and how much it was going to cost to enter into this type

of business. She researched the internet extensively since it had a lot of information on it and it would be a way to market wine.

The regulations for making wine were quite a problem for the Stikeleather's. The Federal regulations were not as difficult as one might think but the county regulations were the big obstacle. The state and federal permits are pretty well spelled out. The county regulations are open to individual inspector's interpretation and that caused a two year's process in getting all the permits required to build a winery.

It seems that the inspections department wasn't very easy to work with on the facility and great difficulty was encountered trying to satisfy inspectors during construction. This was easily the most frustrating part of the whole process for the Stikeleather's. This process was particularly frustrating after learning about how Virginia worked with wineries to help them get up and running.

Another area of frustration has been the lack of help from NC State. The Stikeleather's have been particularly vocal about the inability of the local university to provide assistance to the grape growers of the state.

MARKET DISCOVERY PROCESS

The first customers for Iron Gate were neighbors. The first wine produced was homemade wine that was given away as samples to neighbors and friends. They also gave away wine to potential customers. The people that received the wine knew that they would be able to get some of this wine at a later date. As a matter of fact there is still a waiting list for the first wines that were produced.

The first customer after the winery was officially open was a neighbor that came in and bought a bottle of each wine that was produced. He had the bottles signed by the owners and was going to keep them in a collection.

Since the winery has opened the marketing strategy has evolved into many areas. The most fruitful area Debbie has found to market the wine is to speak to local clubs and organizations in the community. Being visible has helped more than any other marketing strategy. She also attends grand openings for businesses and pours wine at these events. She sells the wine at a discount to the owners and provides her service to pour. This gives her visibility as well as the store. It also moves wine.

Debbie feels it is important to visit other wineries to see how they are marketing their wines. She feels you learn something at each stop that you make that you can use at some time at your winery. She attends trade shows to be visible and also to attend the educational programs that are given there. She feels you can pick up some valuable marketing tools at these as well.

Tours at the winery are a marketing tool as well. She says to be successful you have to "have a story" to tell at tours and to people that stop by the winery. You have to have time to talk to the customers and tell them the story. They are interested in you and why you are doing what you are doing. If you don't have time for them they will find someone that will. People that are taking tours of the facilities want to see the process of making wine. They want an explanation of what exactly is happening at each step of the process. They want that personal touch and are willing to spend their money with you if they get that personal experience.

Location is important for marketing as well. Iron Gate is near the interstate but far enough away that it is a little "adventure" getting there. Customers like to drive through the farming community to get to the winery. Even though the area is rapidly growing the actual road the winery is located on is still mainly a farming community. This is attractive to most customers.

The internet is an important marketing tool. They pay a person to keep their website up-to-date. The site must be easily found and interesting. This site contains some of "the story" about the Stikeleather's and the history of the winery. The internet is a marketing tool but not the most important for them.

Debbie has tried advertising in the local papers but has discontinued this because the return hasn't been positive. The major paper in the county reaches less than one-third of the



residents of the county. There are two weekly papers but once again the cost has outweighed the return.

Debbie is however impressed with the return she receives from advertising on local radio. She has commercials on a station in Burlington as well as Roxboro. She is considering advertising on a local station out of Chapel Hill.

The local Chamber of Commerce has a Convention Business Bureau that is very active in promoting local businesses. They have developed a Haw River Wine Trail that they are promoting heavily. Tours have been given on Saturday's and

they promote individuals going on the wine trail by themselves. This trail covers all four wineries in the county and one in an adjoining county. The Convention Business Bureau has applied for a Golden Leaf Grant for educational programming for local wineries. They have found out they have received this grant.

Debbie has felt being involved in non-profit organizations has been very beneficial to her business. She is also on the Alamance County Extension Advisory Board and said being a part of this organization has opened many doors for her that were not a possibility before. She has served her wine at a local retirement community and was only able to get this opportunity because the food service manager is also on the advisory board. The people in the retirement community want to buy the highest price wine and they like to buy quite a bit. They found a walker or two and some walking canes left behind after one of the wine tasting experiences.

At Christmas time they have found out that baskets that contain two bottles of wine and some other amenities have been well received and big sellers. It has been so successful that they have to get their supply of baskets well in advance so they will have enough on hand to fill the orders. This marketing tool sells two bottles of wine at the time instead of one.

They also have built a large building on the farm to have weddings, reunions, meetings, and etc. so they could generate income and move their wine through the events. They would like to build some cabins on a large pond they have to make this more of an experience and generate more income.

Every year they have a farm day at the winery. They have experiences for all

ages that reflect how farming was in the past. They have rides in wagons pulled by their draft horses and stations with farm activities from the past. This has helped promote their farm and the winery as well.

CAPITALIZATION PROCESS

After the decision was made to plant grapes and build a winery the process to secure capital was the next step. Fortunately, the Stikeleather's had purchased their land and could use it as an asset. When they planted the vineyard they were able to finance it themselves so it was apparent to any lender that they had their own time and money invested in this project and they were serious about the enterprise. The unfortunate thing was the price tag for a building and wine making equipment was very large.

With figures in hand they approached several banks with their plans. Initially, several of these banks were very eager to talk with them about this enterprise. However, these banks quickly lost interest when they found out about the amount of investment that was going to be needed to start a winery. Fortunately, they had established a relationship with a bank in the past. After the bank got past the initial price shock, they began to talk about a loan that would get this winery up and running.

The bank willing to talk to the Stikeleather's was interested in their ability to make wine. Debbie's training at Surry Community College and her training under a wine maker became the most questioned information that the Stikeleather's presented.

The bank did ask if the Stikeleather's had a business plan. Debbie was preparing one and was up to 66 pages of a business plan but was never asked to present it to

the lender. He did ask for and was very interested in her crop production plan. He did ask to see it and said it made a difference in the loan being made. She was able to complete it with the training she received at Surry Community College. The banker did not offer any help or suggestions in either of these plans.

Debbie felt that the relationship they had with their local bank was the main reason they were able to secure a loan. They still deal with the bank and want to add an additional building for supplies that are needed to make wine. The bank tells her she will have to wait two more years before they will finance the building even though a need is there. They are interested in the success of this business.

There were no standard set of records that fit this particular business. Debbie and her sister came up with forms that fit the business and they use these forms everyday. There are records that are specific to a business selling alcohol that have to be kept everyday so the system they have come up with works better than any they have seen since.

Their record system keeps up with the amount and types of wine that they sell. This gives them an idea of the amount and type of wine that needs to be on hand for the next year. This also gives them an overall picture of their business. They do not keep records on a computer because they have not found a program that does what they want it to do.

They do use an accountant to help with tax preparation and other financial information that they do not feel comfortable in handling. She feels this is money well spent since they do not want to have trouble with any regulatory agencies. A "good" accountant is a must.

REGULATORY PROCESS

Debbie learned about the Federal permits that would be needed to produce and sell wine at Surry Community College. She was prepared to get the information for this permit process. The Alcohol and Tobacco Tax and Trade Bureau (TTB) now have people in place that will help you with the information to get their permits filled out. They have become more helpful to the process.

Getting labels approved turned into one of the biggest problems for the winery. The Stikeleather's had a local artist design some labels and they settled on a label for their winery. After some difficulty they got labels approved.

Local building regulations turned out to be the hardest of all permits and regulations to take care of. There was no help from local officials to get these permits satisfied. It became increasingly frustrating trying to satisfy inspectors and those in the planning department. Frustration sometimes causes one a problem when things don't go anywhere according to plan because a time frame for completion and a start-up time quickly fades. With this more frustration sets in and everything gets further behind. Even after this time has passed talking about local regulations gets Debbie annoyed.

When the planning and permitting process was going on the Stikeleather's did not employ legal council. They worked through the maze themselves. However, since that time they have employed legal council and feel it is important to have it.

They have talked about investing in a marketing firm but have not at this point. They feel the fees are excessive and

cannot make them cash flow at this time. They feel like there will come a time that they are able to justify one and will revisit the issue at that time.

Debbie feels like being a member of the Wine Growers Association is very important because of the educational information that can be gained from their meetings. Regulations are one of the things they have educational programs on. She feels that the TTB is very helpful to people that want to get in the wine making business. They are very helpful and she would encourage anyone to work through them to get permits.

Working in the wine industry from the ground up is one thing that has helped make this business a success. Growing grapes is hard work. That is part of the “story” the customers look for. It was important for their banker that Debbie had worked under a winemaker so that she understood this part of the business. Sometimes working in all areas of a business will let you know if you are not cut out for the business. It is important to learn this before you make the financial commitment.

The Winery at Iron Gate Farm employs as few people as possible. Debbie is the full time wine maker. She has sisters that work part time in the retail and wine tasting room. Her husband and his fence building employees help harvest the grapes and some other incidental help throughout the year. They do pick up some local part time help on an as needed basis.

The most important thing the Stikeleather's wanted was to keep this farm out of houses. The second objective was to produce a good wine. They have been successful with the second objective and only time will tell about the first.

At the 2005 State Fair they took home several awards for their wine. Their Cabernet Sauvignon won best in show and received double gold. The Chardonnay won a silver medal, Chambourcin and Flue Fire won bronze. In the Mid-Atlantic Southeastern Wine Competition the following wines won gold; Chardonnay-Barrel, Chambourcin, Cabernet Sauvignon and Pack House Red. Merlot and Flue Fire took home silver and Brightleaf White won bronze.



The Stikeleather's are hard at work to make this enterprise a success. Careful planning, good training, and looking for ways to improve have gotten the winery up and going. The willingness to look for ways to market their business and wine will make the difference in being a long term success. You can find information about the winery at the following website; www.irongatevineyards.com.

