

REPORT FROM BRIGHTS WINES TO THE ONTARIO TASK FORCE ON WINE

Prepared by George W.B. Hostetter

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ONTARIO TASK FORCE ON WINE

The current problems in the Ontario wine industry have developed over a long period of time. During the last twenty years there have been many changes in the Canadian wine market which have severely affected the Ontario grape and wine industry.

The Ontario wine industry, which 20 years ago had a broad scale market across Canada and represented over 90% of the total industry, has seen the development of wineries in several provinces and a reduction of Ontario produced wines supplying only slightly more than 50% of the Canadian wine market. During the period that this change has been taking place the grape growers have been increasing their production of Ontario grapes. We have now reached a point where the Ontario wine market is the main market for Ontario produced wines. We know that there will be more wineries developing in other provinces because Ontario is the most regulated province concerning the source of raw material for wine production. Therefore the present grape surplus in Ontario will be a chronic problem for the future.

The change in the Ontario wine market in the last twenty years from a predominately port and sherry market to a table and sparkling wine market has necessitated a change from labrusca and American varieties, which were suitable for port, sherry and some sweet table wines, to vinifera and vinifera hybrid varieties which are more suitable for dry to medium dry table wines.

The increased range of imported dry table wines and their acceptability on the Ontario wine market has forced the Ontario wine producers to supply wines which can compete with the imports.

A review of sales of imported table wines during the 20 year period will indicate a fairly high growth rate per annum. This high growth rate is being accented by the lower priced subsidized wines from the E.E.C. group of wine producers. With the entrance of Spain and Portugal into the E.E.C. group this subsidized competition can be expected to grow for the next several years. A review of E.E.C. reports indicate that the production of wine in those countries will continue to grow for the next several years due to increased plantings which are continuing at the present time. The attitude of the Canadian government concerning imports of wine encourage our trading partners to look on Canada as a place to unload surplus wines.

There are many factors which place the Ontario wine industry at a disadvantage compared to the other provinces. Until these disadvantages are recognized and eliminated the Ontario wine industry will continue to have problems in maintaining itself as a viable economic industry.

THE PROBLEMS

Grape Supply

We are the only province in Canada in which the wine industry has severe restrictions on the source of our grape supply. The fact that we have the largest grape growing area in Canada results in the Ontario wine industry being under special regulations to use this grape supply whether or not it is suitable for our requirements. This limitation on our source of supply puts us at a decided disadvantage compared to our competitors outside of Ontario.

The older plantings in Ontario were developed to supply a port and sherry market and are of limited use in the production of fine dry or medium dry table wines. The fact that the market for port and sherry has largely disappeared is a result of the changing taste of the consumer, a change which took place in a relatively few years. We have tried to adapt these varieties by various methods of processing but find

that the present day market can accept only a very limited amount of this type of wine. A recent survey of brands using the American variety base has indicated that sales of these brands are decreasing at an alarming rate. In addition, tastings of these wines in comparison with vinifera hybrid and vinifera based wines indicated that the American variety based wines are rejected in favour of the European style flavours of the vinifera hybrids. The fact is that with imports of vinifera based wines representing over 50% of the Ontario market for wines, it is difficult to persuade the consumer to buy wines with a non vinifera character. In 1977 we introduced House Wines based on a blend of American and vinifera hybrid based wines. In order to maintain sales of these brands we have had to significantly increase the volume of vinifera hybrid wines in these blends. This change in consumer taste has created a problem for the Ontario grape grower who grows American varieties. We have tried to solve this problem but are finding the solution is becoming more difficult and is impossible in some cases. In order for these varieties to be used they will have to be used in some product other than wine in the future.

The introduction and large scale plantings of the vinifera hybrids has solved some of the problems of the industry but is not the complete answer for the long term.

Thirty-five years experience with commercial plantings of vinifera hybrids has shown that there are some serious problems associated with economic production of these varieties on many Niagara Peninsula vineyard sites.

The vinifera hybrid varieties are generally more cold-tender and susceptible to imperfect soil drainage than are the American varieties. These factors limit the areas in Niagara where many of these varieties can be profitably grown. The estimated annual cost of maintaining a vineyard is approximately \$1,600 per year. This estimate is generally accepted as being realistic in several cost studies which have been done

in Eastern North America. This means that the grower must secure an average of 4 tons per acre at \$400 per ton to cover his annual costs. The average production in many Niagara vineyards is below this level due to either soil type, soil drainage, micro-climate, or a combination of all three factors. Experience has shown that many present vineyard sites in Niagara are not suitable for economic production of vinifera hybrid or vinifera varieties. The factors of soil type and micro-climate cannot be changed. Soil drainage can be improved on some soil types but, on many of the clay soils in Niagara, it cannot be improved sufficiently to result in economic production of these varieties for the grower.

Another factor affecting economic production is the industrialization of the Niagara area. The competition for labour, as the industrial development increases, will be a major factor with the larger growers. Growers who have to compete with the automotive and steel industries, which are the largest employers in the area, will be at a decided disadvantage in the future.

The vineyard age factor, and the decline in production associated with it, is another factor which is creating problems for many growers. Some of the older vineyards with low production are poorly maintained and are not viable units. We have encouraged some growers to remove these vineyards but have not always been successful. Another problem which was apparent, particularly in 1984 with the government buying surplus grapes, was that some growers picked and sold grapes from abandoned and semi-abandoned vineyards. These vineyards are also a source of insects and disease. The laws governing the destruction of abandoned vineyards should be enforced.

AMELIORATION

The present regulations allow for amelioration through addition of water. The use of amelioration to improve product quality is a well

recognized practice for certain varieties. The use of amelioration for economic reasons has become a fact of life in the Ontario industry. We must maintain our present levels of amelioration if the industry is to survive on its present scale.

TAXATION

The present rate of taxation, both direct and indirect, is the highest of any grape producing areas in the world. In many of the countries which export wine to Canada there are no taxes on wine, only subsidies to assist their domestic wine industry.

If we compare the taxes in Ontario with those of California, the largest wine production area in North America, we find that our combination of direct and indirect taxes are many times greater.

GRAPE VARIETIES

Notwithstanding the development of several boutique wineries in Ontario, who use only premium wine grapes, Brights now purchase about 40% of the premium wine grapes for our 20% share of the Ontario wine market. Brights have had a wine grape variety test program for the last 50 years. This program has resulted in the testing of over 600 varieties of wine grapes. We have selected 40 varieties for commercial production. In fact these 40 varieties now comprise most of the current production of premium wine varieties for the entire Ontario wine industry. This upgrading of quality has helped us to maintain our position in the Ontario market. We are aware however that even with the addition of 15% imported vinifera, the gains in sales by imported wines from 100% vinifera grapes are at a much faster rate. The marketplace is the only source of money and if we cannot continue to compete on a reasonable share basis the future of the Ontario wine industry is in question.

The government of Ontario must adjust its thinking about the role of the Ontario Wine Industry in this province if the industry is to survive. Some of these long term solutions will have to be instituted in the short term if we are to be an economically viable industry. We offer you some proposals to help solve this dilemma.

BRIGHTS WINES PROPOSALS

Grapes

1. The development of new vineyards should be restricted to those areas which have the right soil type, micro-climate and soil drainage to produce good quality wine grapes either vinifera hybrid or vinifera at a yield which provides for a viable economic result.

The selection of these areas should be based on a soil type, drainage, and micro-climate survey by O.M.A.F. similar to the one recently completed for the Okanagan and Similkameen Valleys in British Columbia. The recommendation on suitability of an area for certain varieties would be based on the above factors plus the establishment of quality and yield criteria for each variety.

Grape processors in Ontario would not be responsible for premium wine grapes grown on non-approved sites. The minimum yields per variety per acre to be based on the economics of wine production from these grapes.

2. The present list of varieties should be reviewed and grouped under the following headings:

Recommended
Restricted
Non-Wine

The planting of new vineyards and acceptance of varieties would be limited to the recommended list only. The list would be reviewed every 3 years.

3. The Ontario Government should provide financial incentives to develop non-wine products from American varieties or blends of American and vinifera hybrid varieties.
4. The Ontario Government should allow the sale of very low alcohol products, under 2½% alcohol, in all grocery and variety stores in Ontario. There should not be any provincial mark up on these products or alcohol excise taxes and the sale should be direct from the winery to the store.

5. Home Wine Market

This is a large market which at present does not produce any revenue for the Ontario Government and is supplied mainly by imports. The Ontario Government should give consideration to permitting the sale of wine in bulk for home bottling, both young and unfinished wine and regular finished wine including wines blended from imported material with a lower excise tax and provincial taxes to encourage use of Ontario wines in the home wine market. This would provide additional revenue to the Ontario and Canadian Governments as well as providing import replacement to improve our economy.

WINE

1. The Ontario Government should provide a guaranteed long term reduction in direct and indirect taxation of Ontario Wine.
2. There should be an increase in the allowance of imported vinifera wines for blending. Since blending can be and is used to upgrade Ontario wines vinted from less suitable grapes.
3. The Ontario Government should permit the importation of bulk vinifera wine for bottling by Ontario wineries. Since these wines are already available on the market, the Ontario Government should support the Ontario wine industry in developing this market and

creating more jobs in Ontario, as well as spreading winery overhead over a broader base, thus making our Ontario Wine Production more efficient. A mark up greater than now levied on local wines but less than on bottled imported wines would be applied.

4. There should be a reduction on the mark up on dessert wines which are produced mainly from American varieties grown in Ontario. It is not logical to mark up brandy at a lower rate than dessert wine, especially when grapes used for dessert wines produce a higher return to the grower than when the same grapes are used for brandy.
5. The Ontario Government should enter into discussion with the Federal Government concerning the reduction of excise taxes on dessert wines.

LIQUOR CONTROL BOARD OF ONTARIO AND FEDERAL PRACTICES

1. Quality Standard for Imports

Ontario wineries operate under standard of National Health & Welfare and the Ontario Health Standards. Imported wines only have to meet the requirements of the Health Standards for their own country of origin. All imported wines should be required to meet Canadian and Ontario Health Standards and should be checked on a regular basis as well as by Customs before admission into Canada.

Imported brands should meet the L.C.B.O. sugar code regulations and should have the same rules applied as is done to Ontario wines.

If they do not meet the standards under which they were originally accepted they should be returned to the producer at his expense.

2. Licences for New Wineries

There should be some consideration given to a freeze on new licences. The L.C.B.O. are complaining about too many Ontario brands. Every time they issue a licence they increase the problem.

The so called farm wineries are having a difficult time in the present market and some have ceased to be farm wineries and are under the control of foreign ownership. What is the criteria for new winery licences?

3. The Ontario Government should remove the present freeze on the opening of grocery store wine kiosks.
4. Ontario wineries should have the present system of wholesale discounts to licencees retained. That is to say that the discount for Ontario wine should be double that for imported wine. The scale of discounts should be increased permanently.
5. (a) Ontario Wines should be allowed to be sold directly in bulk sizes, 10 litre and larger, to licencees in the province. This would reduce warehouse listings by the L.C.B.O.

(b) Private label brands, private orders, 200 ml packages to airlines and others, or any special orders of Ontario wines should be allowed to be sold and delivered direct. This would reduce the L.C.B.O. having to carry odd sizes and brands.

