Modernizing Wine Sales in Ontario
About Us

• Ontario Craft Wineries represents over 100 farm wineries across the province with the vast majority being small to medium family-owned businesses.

• Our members are a significant driver of the Ontario rural economy; unlike other beverage alcohol sectors, VQA wines are 100% Ontario grown and produced.

• Ontario’s wine industry accounts for over 11,000 direct and indirect jobs – many of which are in rural Ontario (Source: A Frank, Rimerman + Co., March 2017).

• We drive economic development in the agricultural, manufacturing and tourism sectors. Each bottle of Ontario VQA wine drives $98.20 in economic impact to the province.

• Local wineries welcome over 2.4 million visitors a year, supporting tourism infrastructure such as restaurants, hotels, tour companies, local events and other businesses.
Industry Position

• Support increasing market access for Ontario’s VQA wineries through private retail channels. We have long advocated for greater competition in the wine retail sector to improve choice and convenience.

• Concerned about expanding wine to corner stores, box stores and grocery without competitive advantages for the domestic industry.

• Such a move could drive Ontario customers to bigger brands and a retail environment that benefits large non-domestic competitors.

Objectives:

• Work with the government to develop policy options that will grow our industry to keep us competitive in the new marketplace. This means creating a 21st century tax structure and retail environment that will unleash the potential of the local grape and wine industry (100% Ontario/VQA wines).
Our Advice to Government

• **Stop Importing Domestic Wines:** Address the “import tax” levied on 100% Ontario/VQA wine sales through the LCBO markup structure. Ontario wineries are seeking a 35% permanent tax credit that is predictable and addresses how wineries are unfairly taxed in the province.

• **Expand Direct Delivery for 100% Ontario/VQA Wines:** Provide Ontario wineries the ability to deliver directly to any new retail store channel similar to US wineries. It is the best way to ensure a fair and reasonable margin on 100% Ontario/VQA wine sales in new retail channels.

• **Eliminate the VQA Retail Store Tax:** No other Ontario business has a 6.1% tax on top of the other sales taxes the government collects. Eliminate this unfair tax on tax.

• **Allow for Private Wine Shops:** Allow unlimited alcohol licenses and ensure market is accessible to retailers of all sizes, including independent licenses for specialty wine shops i.e. a license enabling independent stores with no chains or ability to consolidate.
Ontario Wine Distribution Model

**Foreign Suppliers**

- **LCBO**
  - Importer - 35% Notional markup
  - LCBO has a combined % and volume markup of approximately 95%-105% for wine

**Ontario Wineries**

- In province already, no importing needed, able to sell wholesale to LCBO and direct to restaurants and public like other wine regions in the world. Non grandfathered VQA wineries **cannot** distribute directly to retail stores like US wineries can.

- **6 grandfathered Ontario wineries**

- **292 Offsite Winery Retail Stores**
  - Inside & outside grocery
  - able to sell International Cdn Blends + VQA

**Distributor - 35% Notional markup**

- LCBO remains importer and distributor of record for new grocery channel. Ontario attracts FULL 105% markup/taxes unlike US wineries in their home market.

- LCBO Stores
  - Retailing - 35% Notional Markup
  - 150 New Stores in grocery
  - 654 LCBO Stores
  - 212 Rural Agency Stores

**Retailing - 35% Notional Markup**

- Public Restaurants
- Public
- Public

**Public Restaurants**

- Public
- Public
U.S.A. Wine Distribution Model

Ontario Wines  Foreign Suppliers

US Importer
Importer - 35% Markup

US Distributor
Distributor 35% Notional markup
Distributors are registered to sell in each state and must purchase from a US importer or US manufacturer

US Wineries
Are distributors also. In country already, no importer needed, able to sell wholesale to other distributors, or direct to restaurants or retail liquor stores.

Restaurants
On-Premise
Variable markup
Public

Retail Stores
Off-Premise
Retailer 35% markup
Public

Retail Stores
Off-Premise
Retailer 35% markup
Public

Restaurants
On-Premise
Variable markup
Public
General Retail Guardrails (All Channels)

- Revise the definition of “Made” and allow wineries to open additional retail locations
- No private retailer can own more than 7.5% of licenses
- Shelf space guidelines to match LCBO: 30% for 100% Ontario/VQA, of which 5% is for small wineries
- Wholesale pricing that incent VQA over imports and ICB
- Maintain a socially responsible floor price of $10.95 outside the LCBO
- Retailers to abide by LCBO price minimum. Retailers can charge more if they wish
- No retailer specific SKUs including private label, control label or exclusives
- No retailer inducements e.g. listing fees, third-party payments
- Lift LCBO moratorium and expand Bag-in-Box to other VQA and ICB producers
If Done Right, It Could Be Said!

• “The Ford government’s expansion of alcohol retailing will double the production of 100% Ontario VQA grapes and wines” - Len Pennachetti, Chair, Ontario Craft Wineries

• “Doug Ford’s promise to the people to expand beer and wine sales in Ontario is the biggest boon to the 100% Ontario VQA grape and wine industry since the inception of VQA 30 years ago” - Allan Schmidt, President, Wine Marketing Association of Ontario

• “Thanks to the Ford Government’s planned retail expansion in the province, Ontario’s Greenbelt is a brighter shade of green now for 100% Ontario VQA grape growers and winemakers” - Richard Linley, President, Ontario Craft Wineries