



Modernizing Wine Sales in Ontario



ONTARIO
CRAFT
WINERIES

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.

OCW Members

Emerging Regions



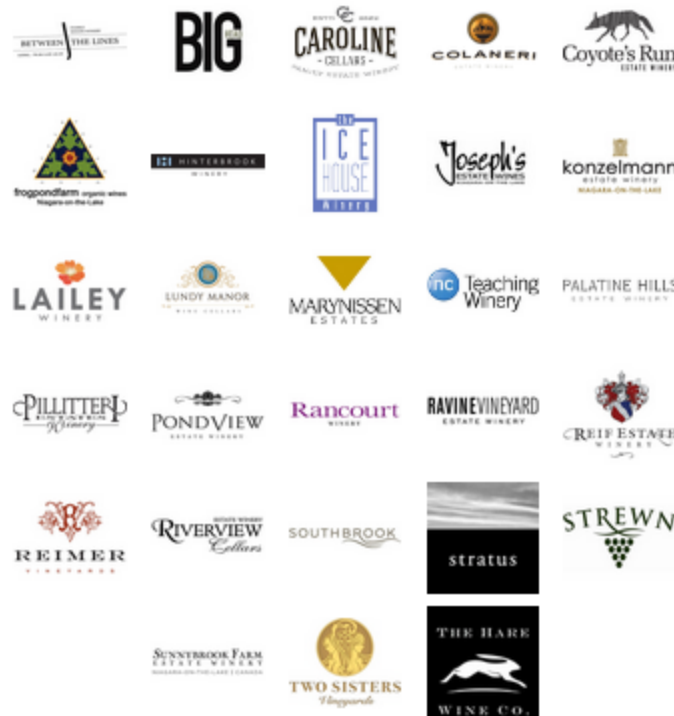
Prince Edward County



Lake Erie North Shore



Niagara-On-The-Lake



Niagara Escarpment & Twenty Valley



ONTARIO
CRAFT
WINERIES

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:

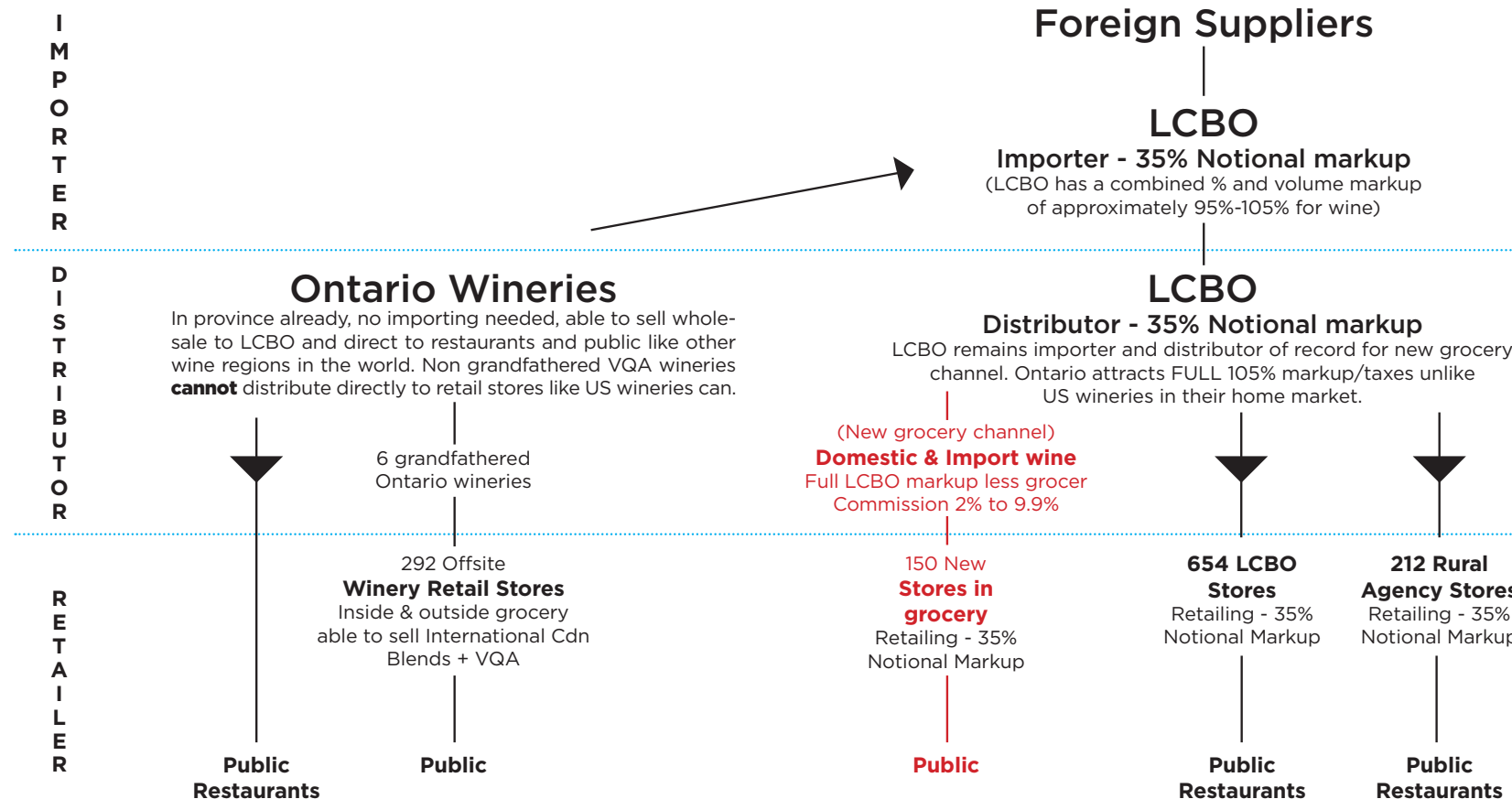
- Work with the government to develop policy options that will grow our industry to keep us competitive in the new marketplace. This means creating a 21st century tax structure and retail environment that will unleash the potential of the local grape and wine industry (100% Ontario/VQA wines).



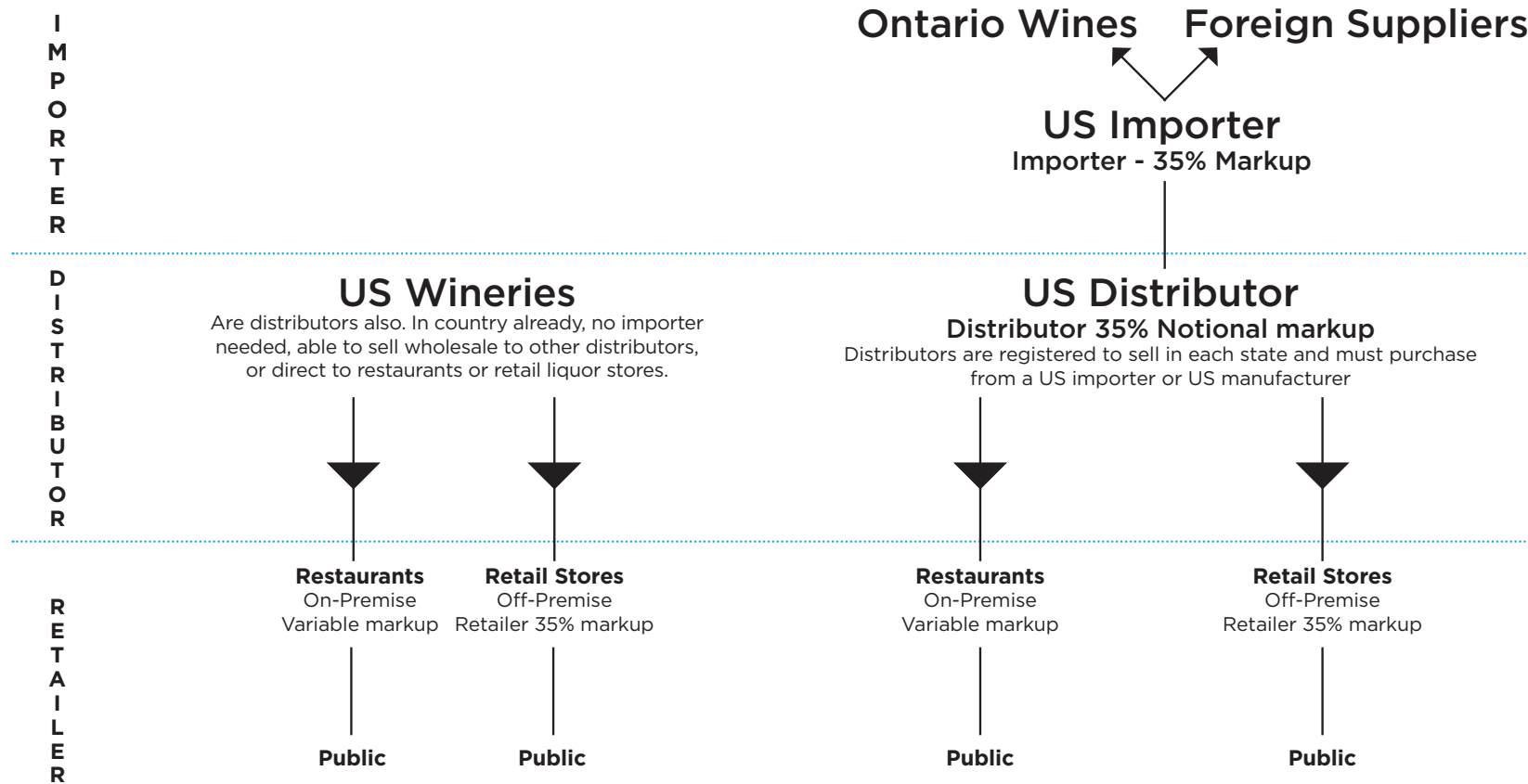
Our Advice to Government

- **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



U.S.A. Wine Distribution Model



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 incents 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