COUNTRY PROFILES

CANADA

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TABLE OF CONTENTS

1. INTRODUCTION

Canada's wine industry has become a large and significant contributor to the overall Canadian economy, especially in Ontario, British Columbia, Quebec and Nova Scotia.[1] [2]. This was confirmed in a recent research study on the Canadian wine and grape industry. The Canadian wine industry production has an annual national economic impact of C$6.8 billion (Canadian dollar). Specifically, for every bottle of wine produced in Canada there is C$31 of domestic economic impact generated in the country. The Canadian wine industry has indeed undergone significant expansion over the since the 1990s. While the climate may preclude the sector from becoming an international powerhouse, its reputation on the international stage has grown, and Canadians are increasingly reaching for a glass of wine instead of a beer. Indeed, Canadians enjoy over 1 billion glasses or 220 million bottles of wine produced by the Canadian wine industry annually. With Canadian wines presently representing only 30 percent of total wine sales across the country and imported wine at 70 percent, there is potential for Canadian wine growth and the national economy.

The wine and grape industry is responsible for more than 31,000 jobs in Canada from manufacturing, agriculture, tourism, transportation, research, restaurants and retail. Canadian winemakers support a broad network of related industries in urban and regional centres across Canada through significant investments, long-term jobs and market opportunities in rural communities. Wine-related tourism welcomes more than three million visitors each year, generating more than C$1.2 billion annually in tourism revenue and employment. The wine industry generates C$1.2 billion in federal and provincial tax revenue and liquor board mark up.

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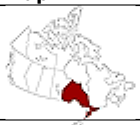
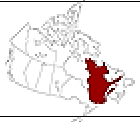
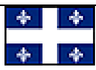
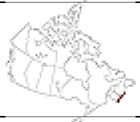
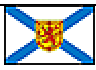
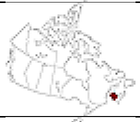
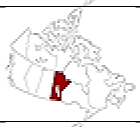
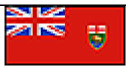
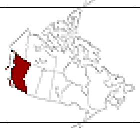
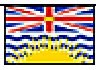
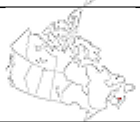
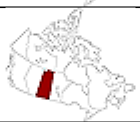
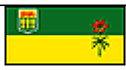
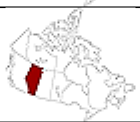
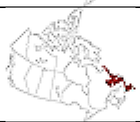
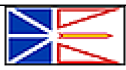
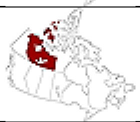
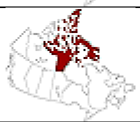
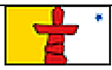
[1] *The independent study was conducted by Frank, Rimerman + Co. a leading international accounting and research firm in the wine industry.*

[2] *Canada's Wine Economy – Ripe Robust Remarkable commissioned by the Canadian Vintners Association, the Winery & Grower Alliance of Ontario, the British Columbia Wine Institute and the Winery Association of Nova Scotia*

Provinces/Territories	Map	Population: Canada: 33,476,688 - 100%	Government
Ontario Capital: Toronto Province since 1867		12,851,821 (38.39%)	
Quebec Capital: Quebec Province since 1867		7,903,001 (23.61%)	
Nova Scotia Capital: Halifax Province since 1867		921,727 (2.75%)	
New Brunswick Capital: Fredericton Province since 1867		751,171 (2.24%)	
Manitoba Capital: Winnipeg Province since 1870		1,208,268 (3.61%)	
British Columbia Capital: Victoria Province since 1871		4,400,057 (13.14%)	
Prince Edward Island Capital: Charlottetown Province since 1873		140,204 (0.42%)	
Saskatchewan Capital: Regina Province since 1905		1,033,381 (3.09%)	
Alberta Capital: Edmonton Province since 1905		3,645,257 (10.89%)	
Newfoundland and Labrador Capital: St. John's Province since 1949		514,536 (1.54%)	
Northwest Territories Capital: Yellowknife Territory since 1870		41,462 (0.12%)	
Yukon Capital: Whitehorse Territory since 1898		33,897 (0.10%)	
Nunavut Capital: Iqaluit Territory since 1999		31,906 (0.10%)	

Source: Statistics Canada, 2011 Census, Canada, Provinces and Territories

2. DEMOGRAPHICS

2.1 Geography

Canada became a self-governing dominion in 1867 while retaining ties to the British crown. Canada faces the political challenges of meeting public demands for quality improvements in health care, education, social services, and economic competitiveness, as well as responding to the particular concerns of predominantly francophone Quebec. Canada also aims to develop its energy resources while maintaining its commitment to the environment. It is the second-largest country in world (after Russia) and occupies a strategic location between Russia and US via north polar route. About 90 percent of the population is concentrated within 160 km of the US border; Canada has more fresh water than any other country and almost nine percent of Canadian territory is water; Canada has at least two million and possibly over three million lakes.

Area

- Total: 9,984,670 km^2
- Land: 9,093,507 km^2
- Water: 891,163 km^2

Land boundaries

- Total: 8,893 km
- Border countries: US 8,893 km (includes 2,477 km with Alaska)

Note: Canada is the world's largest country that borders only one country

Coastline

202,080 km

Climate

Varies from temperate in south to subarctic and arctic in north.

Terrain

Mostly plains with mountains in west and lowlands in southeast.

Elevation extremes

- Lowest point: Atlantic Ocean 0 m
- Highest point: Mount Logan 5,959 m

Natural resources

Iron ore, nickel, zinc, copper, gold, lead, rare earth elements, molybdenum, potash, diamonds, silver, fish, timber, wildlife, coal, petroleum, natural gas, and hydropower.

2.2 People and Society

Ethnic groups

Canadian 32.2 percent, English 19.8 percent, French 15.5 percent, Scottish 14.4 percent, Irish 13.8 percent, German 9.8 percent, Italian 4.5 percent, Chinese 4.5 percent, North American Indian 4.2 percent, other 50.9 percent (2011 est.)

Languages

English (official) 58.7 percent, French (official) 22 percent, Punjabi 1.4 percent, Italian 1.3 percent, Spanish 1.3 percent, German 1.3 percent, Cantonese 1.2 percent, Tagalog 1.2 percent, Arabic 1.1 percent, other 10.5 percent.

Religions

Catholic 40.5 percent (includes Roman Catholic 38.7 percent, Orthodox 1.6 percent, other Catholic .2 percent), Protestant 20.3 percent (includes United Church 6.1 percent, Anglican 5 percent, Baptist 1.9 percent, Lutheran 1.5 percent, Pentecostal 1.5 percent, Presbyterian 1.4 percent, other Protestant 2.9 percent), other Christian 6.3 percent, Muslim 3.2 percent, Hindu 1.5 percent, Sikh 1.4 percent, Buddhist 1.1 percent, Jewish 1 percent, other 0.6 percent, none 23.9 percent (2011 est.)

Population

34,834,841 (July 2014 est.)

Age structure

- 0-14 years: 15.5 percent (male 2,764,691/female 2,628,413)
- 15-24 years: 12.7 percent (male 2,267,210/female 2,142,085)
- 25-54 years: 41 percent (male 7,244,109/female 7,052,512)
- 55-64 years: 17.3 percent (male 2,336,202/female 2,380,703)
- 65 years and over: 16.8 percent (male 2,670,482/female 3,348,434)

(2014 est.)

Median age

- Total: 41.7 years
- Male: 40.4 years
- Female: 42.9 years

(2014 est.)

Population growth rate

0.76 percent (2014 est.)

Birth rate

10.29 births/1,000 population (2014 est.)

Death rate

8.31 deaths/1,000 population (2014 est.)

Life expectancy at birth

- Total population: 81.67 years
- Male: 79.07 years
- Female: 84.42 years

(2014 est.)

Literacy

- Definition: age 15 and over can read and write
- Total population: 99 percent
- Male: 99 percent
- Female: 99 percent

(2003 est.)

School life expectancy (primary to tertiary education)

- Total: 16 years
- Male: 15 years
- Female: 16 years (2000)

Urbanisation

- Urban population: 81 percent of total population (2010)
- Rate of urbanisation: 1.1 percent annual rate of change (2010-15 est.)

Net migration rate

5.66 Migrant(s)/1,000 population (2014 est.)

2.3 Infrastructure

Telephones - main lines in use

18.01 million (2012)

Telephones - mobile cellular

26.263 million (2012)

Internet users

26.96 million (2009)

Airports

1,467 (2013)

Airports - with paved runways

- Total: 523
- Over 3,047 m: 21
- 2,438 to 3,047 m: 19
- 1,524 to 2,437 m: 147
- 914 to 1,523 m: 257
- Under 914 m: 79 (2013)

Railways

- Total: 46,552 km
- Country comparison to the world: 5
- Standard gauge**:** 46,552 km 1.435-m gauge (2008)

Roadways

- Total: 1,042,300 km
- Country comparison to the world: 7
- Paved: 415,600 km (includes 17,000 km of expressways)
- Unpaved: 626,700 km (2008)

Waterways

636 km (Saint Lawrence Seaway of 3,769 km, including the Saint Lawrence River of 3,058 km, shared with the US) (2011).

Ports and terminals

- Major seaport(s): Halifax, Saint John (New Brunswick), Vancouver
- river and lake port(s): Montreal, Quebec City, Sept-Isles (St. Lawrence); Fraser River Port (Fraser); Hamilton (Lake Ontario)
- Oil/gas terminal(s): Lower Lakes terminal
- Dry bulk cargo port(s): Port-Cartier (iron ore and grain),
- Container port(s): Montreal (1,362,975), Vancouver (2,507,032)(2011)

2.4 Environment

Current issues

Air pollution and resulting acid rain severely affecting lakes and damaging forests; metal smelting, coal-burning utilities, and vehicle emissions impacting on agricultural and forest productivity; ocean waters becoming contaminated due to agricultural, industrial, mining and forestry activities.

International agreements

- Party to: Air Pollution, Air Pollution-Nitrogen Oxides, Air Pollution-Persistent Organic Pollutants, Air Pollution-Sulphur 85, Air Pollution-Sulphur 94, Antarctic-Environmental Protocol, Antarctic-Marine Living Resources, Antarctic Seals, Antarctic Treaty, Biodiversity, Climate Change, Desertification, Endangered Species, Environmental Modification, Hazardous Wastes, Law of the Sea, Marine Dumping, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94, Wetlands.
- Signed, but not ratified: Air Pollution-Volatile Organic Compounds, Marine Life Conservation.

3. GOVERNMENT

Government type

A parliamentary democracy, a federation, and a constitutional monarchy.

Capital

- Ottawa

Note: Canada is divided into six time zones

Administrative divisions

The provinces and territories of Canada combine to make up the world's second-largest country by area. Originally three provinces of British North America, New Brunswick, Nova Scotia and the Province of Canada (which would become Ontario and Quebec) united to form the new nation. Since then, Canada's external borders have changed several times, and have grown from four initial provinces to ten provinces and three territories as of 1999. The ten provinces are Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan. The three territories are Northwest Territories, Nunavut, and Yukon.

The major difference between a Canadian province and a territory is that provinces are jurisdictions that receive their power and authority directly from the Constitution Act, 1867 (formerly called the British North America Act, 1867), whereas territories derive their mandates and powers from the federal government. In modern Canadian constitutional theory, the provinces are considered to be co-sovereign divisions, and each province has its own "Crown" represented by the lieutenant governor, whereas the territories are not sovereign, but simply parts of the federal realm, and has a commissioner.

Legal system

Common law system except in Quebec where civil law based on the French civil code prevails.

Disputes - international

Managed maritime boundary disputes with the US at Dixon Entrance, Beaufort Sea, Strait of Juan de Fuca, and the Gulf of Maine including the disputed Machias Seal Island and North Rock; Canada and the US dispute how to divide the Beaufort Sea and the status of the Northwest Passage but continue to work cooperatively to survey the Arctic continental shelf; US works closely with Canada to intensify security measures for monitoring and controlling legal and illegal movement of people, transport, and commodities across the international border; sovereignty dispute with Denmark over Hans Island in the Kennedy Channel between Ellesmere Island and Greenland; commencing the collection of technical evidence for submission to the Commission on the Limits of the Continental Shelf in support of claims for continental shelf beyond 200 nautical miles from its declared baselines in the Arctic, as stipulated in Article 76, paragraph 8, of the UN Convention on the Law of the Sea.

Refugees and internally displaced persons

Refugees (country of origin)

17,563 (Colombia); 16,813 (China); 13,705 (Sri Lanka); 11,605 (Pakistan); 6,798 (Haiti); 5,995 (Mexico); 5,287 (India) (2012).

Illicit drugs

illicit producer of cannabis for the domestic drug market and export to US; use of hydroponics technology permits growers to plant large quantities of high-quality marijuana indoors; increasing ecstasy production, some of which is destined for the US; vulnerable to narcotics money laundering because of its mature financial services sector.

Corruption

The Corruption Perceptions Index (Transparency International) ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. A country's rank indicates its position relative to the other countries and territories included in the index. The 2013 index includes 177 countries and territories. Canada scores 81 and was placed 9th out of 177 countries measures by Transparency International (2013)[3] (Denmark is top with 91 and South Africa ranks 72nd with a score of 42).

4. ECONOMIC SITUATION

GDP (purchasing power parity) – Canadian dollar (C$)

- $1.518 trillion (2013 est.)
- $1.494 trillion (2012 est.)
- $1.469 trillion (2011 est.)

Note: data are in 2013 US dollars

GDP - real growth rate

- 1.6 percent (2013 est.)
- 1.7 percent (2012 est.)
- 2.5 percent (2011 est.)

GDP - per capita (PPP)

[3] *http://cpi.transparency.org/cpi2013/results/*

- $43,100 (2013 est.)
- $42,900 (2012 est.)
- $42,700 (2011 est.)

Note: Data are in 2013 US dollars

GDP - composition, by end use

- Household consumption: 55.8 percent
- Government consumption: 21.6 percent
- Investment in fixed capital: 24.6 percent
- Investment in inventories: 0.2 percent
- Exports of goods and services: 30.1 percent
- Imports of goods and services:-32.3 percent (2013 est.)

GDP - composition, by sector of origin

- Agriculture: 1.7 percent
- Industry: 28.4 percent
- Services: 69.9 percent (2013 est.)

Industries

Transportation equipment, chemicals, processed and unprocessed minerals, food products, wood and paper products, fish products, petroleum and natural gas.

Labor force - by occupation

- Agriculture: 2 percent
- Manufacturing: 13 percent
- Construction: 6 percent
- Services: 76 percent
- Other: 3 percent (2006 est.)

Unemployment rate

- 7.1 percent (2013 est.)
- 7.3 percent (2012 est.)

Distribution of family income - Gini index

- 32.1 (2005)
- 31.5 (1994)

Exports

- $458.7 billion (2013 est.)
- $462.9 billion (2012 est.)

Exports - commodities

Motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment; chemicals, plastics, fertilisers; wood pulp, timber, crude petroleum, natural gas, electricity and aluminium.

Exports - partners

- US 74.5 percent
- China 4.3 percent
- UK 4.1 percent (2012)

Imports

- $471 billion (2013 est)
- $474.9 billion (2012 est)

Imports - commodities

Machinery and equipment, motor vehicles and parts, crude oil, chemicals, electricity and durable consumer goods.

Imports - partners

- US 50.6 percent
- China 11 percent
- Mexico 5.5 percent (2012)

Exchange rates

Canadian dollars per US dollar

- 1.03 (2013 est.)
- 1 (2012 est.)
- 1.03 (2010 est.)
- 1.14 (2009)
- 1.04 (2008)

Central bank discount rate

- 1 percent (31 December 2010 est.)
- 0.25 percent (31 December 2009 est.)

Commercial bank prime lending rate

- 3 percent (31 December 2013 est.)
- 3 percent (31 December 2012 est.)

Inflation rate (consumer prices)

- 1 percent (2013 est.)
- 1.5 percent (2012 est.)

Economic forecast

- Canada's economy will remain soft until its main trading partner, the US, picks up economic speed.
- Over the medium term, real GDP growth will average 2.4 percent per year.
- Beyond 2015, economic growth will slow. The growing number of retiring baby boomers will curb labour force growth, resulting in slowing growth in potential output.
- Heavy restraint over the medium term will bring government spending in line with historical levels. Still, provincial governments will continue to struggle to keep up with growing demand for health care.
- The aging of population and rising immigration are important factors that will shape the demography and economy in the coming decades.
- The developing world's influence on the global economy is burgeoning. Demand for raw materials will remain robust over the foreseeable future, keeping upward pressure on resource prices and helping to keep the Canadian dollar (loonie) near parity with the US dollar (greenback).
- Monetary tightening is on hold for now, but rising rates will put pressure on heavily indebted Canadian households and governments.

5. AGRICUTURE

Land use

- Arable land: 4.3 percent
- Permanent crops: 0.49 percent
- Other: 95.2 percent (2011)

Irrigated land

8,699 km^2 (2004)

Total renewable water resources

2,902 km^3 (2011)

Freshwater withdrawal (domestic/industrial/agricultural)

- Total: 42.2 km^3/yr (20 percent/70 percent/10 percent)
- Per capita: 1,589 m^3/yr (2010)

6. MARKET PLACE

6.1 Consumers

6.1.1 Consumption

Canadian consumers' drinking habits are changing. The latest Statistics Canada (StatsCan) report on alcohol sales has found sales from beer and liquor stores rose 2.2 percent in the fiscal year ending 31 March 2013 and that consumers spent C$21.4 billion on alcoholic beverages in 2013. However, the rate of growth in sales has slowed.

Canada is still a nation of beer drinkers, but wine is increasingly popular. Wine sales grew by 4.9 percent, while beer declined by 0.1 per cent. Hard liquor sales also went up by 2.9 per cent.

Net income for provincial and territorial liquor authorities, as well as revenue from liquor licences and permits, was C$6.3 billion, up 3.2 percent.

Beer's market share has been declining for a decade. In 2003, it had 50 percent of the alcohol market in dollar terms, while wine held 24 percent. By 2013, beer's share of the market had declined to 43 percent while wine rose to 32 percent. Spirits' market share remained relatively stagnant, down to 25 percent from 26 percent over the decade.

The average per-person sales of beer equalled 78 litres, down from 83.6 litres a decade ago. Canadians seem to be more loyal to our Canadian-made brands: Domestic beer consumption dropped by 1.7 percent, but imports dropped by 3.8 percent.

Alberta recorded the country's highest increase in drinks sales, up seven percent over the previous year, compared with the national increase of 2.2 percent. While wine sales jumped 11 per cent, more than double the Canadian average, Alberta also bucked the declining trend in beer sales, which rose 4.5 per cent. The growth in wine consumption in Alberta is due in part to the province's growing affluence, giving consumers a taste for higher-end alcoholic beverages, a rising average age that tends to move people from beer to wine to spirits, and marketing efforts. Ontario and Quebec recorded the highest sales in 2013 (see table 1).

The Prairie Provinces recorded 3.6 percent increases in total liquor sales, while New Brunswick was the province to show the largest sales decline at 1.9 percent, followed by Nova Scotia a 0.7 percent and Quebec at 0.6 percent. StatsCan noted the figures on alcohol sales should not be equated directly to consumption, which would also include home-made, or on-premises beer and wine production, sales in duty-free shops and unrecorded transactions.

In terms of volume, wine sales increased 3.9 percent from 2012 to 506.6 million litres in 2013. The growth in volume of imported wine (+4.3 percent) outpaced that of domestic wine (+3.3 percent).

The market shares of red and white wine have shifted over the past 10 years. In 2013, red wine represented 56 percent of total wine sales compared with 51 percent in 2003 (see table 1).

The share of imported red wine in 2013 was virtually unchanged from 2012, accounting for 77 percent of all red wines sold in Canada. The market share of imported white wine was smaller, at 61 percent.

On a per-capita basis, wine sales amounted to 17.4 litres or C$234 per person in 2013, up 4.3 litres per person from 2003.

The legal drinking age is determined by provincial governments in Canada. In Quebec, the legal purchasing age and drinking age is 18. In all other provinces and territories, it is 19. Many liquor stores across the country have a “check 25” programme where employees must ask for government-issued IDs for proof of age from anyone who looks under the age of 25. Under the Criminal Code of Canada, driving with a blood alcohol concentration of 0.08 percent is a criminal offence. New legislation is always being brought forward to reduce the number of deaths related to drunk driving.

Table 1: Sales of alcoholic beverages for the year ending 31 March 2013

	2013			
	Beer	Wine	Spirits	Total
	thousands of dollars			
Canada	**9,142,656**	**6,807,415**	**5,406,642**	**21,356,713**
Newfoundland and Labrador	233,193	66,201	142,360	441,754
Prince Edward Island	43,545	17,254	28,069	88,868
Nova Scotia	295,871	130,013	197,744	623,628
New Brunswick	212,518	85,620	109,002	407,140
Quebec	2,308,422	2,320,884	713,056	5,342,362
Ontario	3,172,601	2,263,607	2,069,506	7,505,714
Manitoba	312,790	146,472	250,865	710,127
Saskatchewan	293,455	91,278	239,467	624,200
Alberta	1,056,849	614,200	749,606	2,420,655
British Columbia	1,170,075	1,054,866	871,499	3,096,440
Yukon	19,516	8,512	12,164	40,192
Northwest Territories	20,319	7,848	21,508	49,675
Nunavut	3,502	660	1,796	5,958

The highest increase in sales in wine in the year ended 31 March 2013 was recorded in Alberta, Nunavut and Saskatchewan followed by Manitoba and Ontario (see table 2).

Table 2: Percentage in growth in beer, wine and spirits

	2012 to 2013			
	Beer	Wine	Spirits	Total
	percent change			
Canada	**-0.1**	**4.9**	**2.9**	**2.2**
Newfoundland and Labrador	2.8	5.8	2.6	3.2
Prince Edward Island	4.6	4.3	1.2	3.4
Nova Scotia	-1.3	0.3	-0.5	-0.7
New Brunswick	-4.6	4.2	-0.9	-1.9
Quebec	-4.5	2.8	1.5	-0.6
Ontario	1.3	5.9	2.3	2.9
Manitoba	1.8	7.2	3.9	3.6
Saskatchewan	2.2	8.2	3.5	3.6
Alberta	4.5	11.0	7.6	7.0
British Columbia	0.7	4.1	2.7	2.4
Yukon	-0.3	4.5	3.2	1.7
Northwest Territories	0.8	5.3	2.4	2.2
Nunavut	-3.7	8.4	-4.1	-2.6

Note(s): Data may not add up to totals as a result of rounding

The growth can be ascribed to a number of factors.

- The growing population.
- Canada's consumers have weathered the economic crisis and incomes have increased: This industry, which is on a global basis C$165 billion, is still growing and doing well even in middle of a crisis. Wine consumption is associated with the social prestige and Canadians are increasingly willing to spend in luxuries**.**
- An increasingly sophisticated consumer base is showing a willingness to indulge in more premium wines, providing an opportunity to produce higher-value products.
- Related to this is the gradual but significant shift in Canadian consumer tastes, which increased wine's share of total alcohol consumption from 18 percent in 1995 to 30 percent in 2011, while beer fell from 53 percent to 45 percent and spirits fell from 29 percent to 25 percent over the same period. In fact, Canadian adults in 2011 purchased an average of 22 bottles of wine per year, up from 13 in 1995. This shift toward wine has been supported by the aging population, as older individuals are key consumers of wine and also tend to have the income and inclination to purchase more expensive brands. An increasing awareness of wine's beneficial health effects also contributed to its rising popularity.
- Greater accessibility to wine: There is an increasing interest in the wine culture and a continuous search for new related activities, such as courses, festivals, wine routes, etc. This is also

reflected, among other things, in the expansion of wine bars across the country. Furthermore, an increasing number of wine bars in Canada support the demand via food service.

- Increased marketing efforts in general.
- The fast development of the local industry has also contributed to the expansion of wine, although it is internationally known as an ice-wine producer**.** However, the VQA (Vintners Quality Alliance), appellation system of origin in Ontario and British Columbia, little by little, is being highly regarded by local and international consumers.

6.1.2 Varieties

Canada's wine market is one of the fastest growing wine markets globally, showing significant development in recent years and further development still to come. Specifically, there is a much larger demand for red wine than white wine in Canada. According to Statistics Canada, in 2012, sales of red wine amounted to C$3.7 billion, while sales of white wine amounted to C$2.1 billion.

The Liquor Control Board of Ontario (LCBO) indicated that blended red wines are currently dominant in the market, but there has been recent growth in consumption of aromatic white wines. There may still be room for continued growth as approximately 70 percent of wine in Canada is imported. Specifically, in value terms, 76 percent of red wine and 63 percent of white wine sales are imports.

Vintage wines have also shown significant growth in recent years; in Ontario, there are market opportunities in the area of vintages, as annual sales growth was about 10 percent in 2011 and 3 percent in 2012, a slowing growth, but a growing market nonetheless.

Provinces also have different appetites for Canadian-made wines. While over half of wine sales in New Brunswick are Canadian-made, only 22 percent of sales in wine-friendly Quebec originate from Canadian wineries (see table 3).

Table 3: Canadian-made Share of Wine Consumption (Canada median = 31 percent)

Province	Percent by value 2011
Quebec	21
British Columbia	49
Ontario	31
Alberta	28
Manitoba	28
Nova Scotia	29
New Brunswick	53
Prince Edward Island	41
Saskatchewan	43
Newfoundland and Labrador	20

These propensities may be partly still ingrained in provincial cultures and will probably change over time.

Icewine, produced in Canada is a type of dessert wine produced from grapes that have been frozen while still on the vine. Icewine production is limited to that minority of the world's wine-growing regions where the necessary cold temperatures can be expected to be reached with some regularity. Canada and Germany are the world's largest producers of ice wines. About 75 percent of the icewine in Canada comes from Ontario. In 2011, Icewine production was over 930,000 litres. With the intent to increase icewine sales, the Liquor Control Board of Ontario (LCBO) started placing more focus on smaller, cheaper icewine bottles in order to allow for consumer trial before purchase of a full size bottle which can cost upwards of C$65 to C$70. In recent years, there have been significant concerns regarding the authenticity of icewine, as counterfeit icewine comprises as much as 50 percent of sales in some countries, according to the Canadian Vintners Association. To protect the industry, Canada has proposed a national standard for icewine that will require icewine to be made only from grapes naturally frozen on the vine.

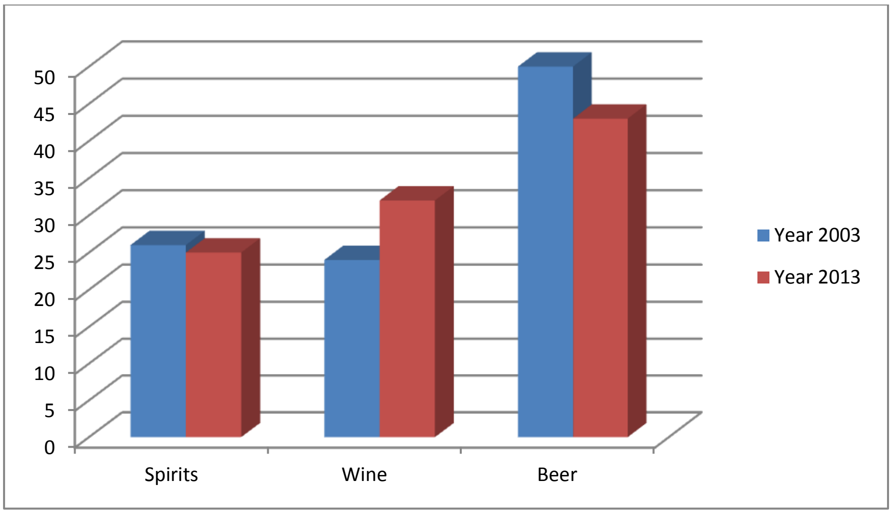
Liquor stores and agencies sold C$5.4 billion worth of spirits during the year ending 31 March 2013, up 2.9 percent from the previous year. This gain was mainly the result of higher sales of liqueurs (+9.5 percent), rum (+4.1 percent) and vodka (+3.9 percent). The volume of spirits sold rose 2.7 percent in 2013 to 222.4 million litres. Sales of domestic spirits totalled 148.0 million litres, up 2.2 percent, but slower than the 3.8 percent increase in imported spirits. Imports accounted for one-third of the market share of spirits in Canada. Imports of spirits have been increasing for several years, rising from 26 percent in 2003 to 33 percent in 2013. In terms of dollar value, the largest share of imported spirits sold came from the US (27.3 percent), followed by the United Kingdom (27.3 percent). Whisky-type products such as whisky, scotch, and bourbon accounted for 27 percent of total spirits sales in 2013, followed by vodka (24 percent) and rum (17 percent). On a per-capita basis, spirits sales amounted to 7.6 litres per person in 2013, up 0.1 litres per person from 2003. The market share of spirits was unchanged at 25 percent in 2013 compared with 2003.

Premixed drinks are difficult to identify, and sales difficult to quantify, for a variety of reasons. Many malt beverages known as “alcopops,” or coolers (excluding wine coolers), are actually legally classified as beer, despite the fact that their alcohol content may be much higher. Based on statistics from Statistics Canada, wine cooler sales amounted to C$98 million in 2012, sales for a category classified as “coolers, spirits” amounted to C$375 million, and beer coolers sales are unable to be quantified as they are included in the overall beer sales numbers.

In Canada, consumption of sparkling wine is expected to grow, with an 8.52 percent increase between 2012 and 2016.

The volume of domestic beer sold decreased 1.7 percent from the previous year to 2.0 billion litres. The volume of imported beer sold declined 3.8 percent to 0.3 billion litres. Over a 10-year period beginning in 2003, the market share of domestic beer sold in Canada decreased from 91 percent to 86 percent in 2013. Overall, three countries accounted for about 60 percent of imported beer sales in terms of volume. Beer originating from the US accounted for 24.4 percent, followed by the Netherlands (18.7 percent) and Mexico (16.6 percent). On a per-capita basis, beer sales amounted to 78.0 litres per person in the fiscal period ending 31 March 2013, down from 83.6 litres in 2003 (see figure 1).

Figure 1: Proportion of sales of alcoholic beverages in dollars, percent



6.1.3 Price Points

A 2013 Vinexpo study found Canadian consumers are now typically spending US$10 or more per bottle of wine. In Canada, that translates to 69.5 percent of still wines purchased. The up-market trend is expected to continue, with a growth of 30.45 percent between 2011 and 2016. Canada discourages entry level segments. A US$7 wine is considered too cheap (Winesur, 2014).

6.1.4 Container sizes

According to the Consumer Packaging and Labelling Regulations, wine may only be sold in the following container sizes:

- 50, 100, 200, 250, 375, 500, or 750 ml
- 1, 1.5, 2, 3, or 4 L

The CFIA has an excellent page summarising all labelling requirements and they provide a label review service.[i]

6.2 Communication

The advertising of alcohol is monitored by the Canadian Radio-Television and Telecommunications Commission. Introduced in 1996, the Code for Broadcast Advertising of Alcoholic Beverages has strict guidelines for commercial messages for alcoholic drinks. Highlights of the 17-part code include no directed advertising to persons under the legal drinking age and no references to youth, no scenes where the product is being consumed in excess and no attempts to establish the product as a status symbol.

6.3 Distribution and sales

Although debates continue with respect to changes in distribution in Canada, the landscape remains largely dominated by the provincial liquor boards that control sales of alcoholic drinks. The Liquor Control Board of Ontario (LCBO) and Société des Alcools du Québec (SAQ) are the largest players as they govern sales in the two largest provinces in Canada. Both have been active in store development, including the opening of larger outlets and merchandising strategies that seek to bring and showcase new products and fast developing areas (such as craft beer, wine and whiskies) as well as run consumer educational and promotional campaigns. However, retailers are likely to be faced with more competition from direct to consumer purchases outside of the liquor board jurisdictions as regulatory changes are affecting distribution. For example, federal Bill-311 lifts restrictions on interprovincial trade of wine for direct to consumer shipments.

6.3.1 Off-trade

The sales and marketing efforts of Canadian vintners will continue to drive wine sales through all of the trade channels, including estate wineries, provincial and territorial liquor boards, private retail outlets, licensed establishments, and wine agencies.

Limited shelf space is an ongoing issue in provincial liquor stores. Provincially owned stores have consistently expanded to accommodate for necessary shelf space. For example, in 2012, the LCBO announced plans to add more shelf space, equivalent to 30 to40 retail stores, over the two years following the announcement. Due to limited shelf space products have had to compete to secure availability in provincial stores, and due to market trends, some products are able to secure more shelf space than others.

Opening hours for liquor stores or specialist spirits outlets vary by province and are subject to provincial regulations. Most stores are open seven days a week from morning to early evening, with later hours on weekends. In most jurisdictions, stores must not be open on Christmas Day and although they are not bound to by law, many stores choose to close on other holidays such as Canada Day, New Year's Day and long weekend holidays. Liquor stores are also forbidden by law to open on voting days for provincial and federal elections. Food, drink and tobacco specialist top the list of percentage sales in the off-trade industry (see tables 4 and 5).

Table 4: Distribution of Alcoholic Drinks by Format: % Off-trade Value 2007-2012

% off-trade	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Store-Based Retailing	99.6	99.7	99.7	99.8	99.8	99.8
- Grocery Retailers	99.6	99.7	99.7	99.8	99.8	99.8
-- Discounters	0.3	0.3	0.3	0.3	0.3	0.3
-- Food/drink/tobacco specialists	86.4	86.5	86.8	87.0	87.1	87.2
-- Hypermarkets	1.7	1.9	2.0	2.1	2.1	2.1
-- Small Grocery Retailers	3.7	3.3	3.1	2.8	2.8	2.7
--- Convenience Stores	1.1	1.0	0.9	0.8	0.8	0.8
--- Forecourt Retailers	0.9	0.8	0.7	0.5	0.5	0.5
--- Independent Small Grocers	1.6	1.6	1.5	1.5	1.5	1.5
-- Supermarkets	7.5	7.6	7.5	7.5	7.5	7.5
-- Other Grocery Retailers	-	-	-	-	-	-
- Non-Grocery Retailers	-	-	-	-	-	-
-- Parapharmacies/Drugstores	-	-	-	-	-	-
-- Mixed Retailers	-	-	-	-	-	-
--- Department Stores	-	-	-	-	-	-
--- Mass Merchandisers	-	-	-	-	-	-
--- Variety Stores	-	-	-	-	-	-
--- Warehouse Clubs	-	-	-	-	-	-
-- Other Non-Grocery Alcoholic Drinks Retailers	-	-	-	-	-	-
Non-Store Retailing	0.4	0.3	0.3	0.2	0.2	0.2
- Direct Selling	-	-	-	-	-	-
- Homeshopping	-	-	-	-	-	-
- Internet Retailing	0.4	0.3	0.3	0.2	0.2	0.2
- Vending	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 5: Distribution of Alcoholic Drinks by Format by Category: % Off-trade Volume 2012

% off-trade	Beer	Cider / perry	RTDs	Spirits	Wine
Store-Based Retailing	99.9	100.0	100.0	100.0	99.9
Grocery Retailers	99.9	100.0	100.0	100.0	99.9
Discounters	0.8	0.0	0.0	0.0	0.1
Food/drink/tobacco specialists	70.4	98.2	100.0	99.7	88.3
Hypermarkets	4.5	0.4	0.0	0.0	2.3
Small Grocery Retailers	8.5	0.3	0.0	0.3	0.7
Convenience Stores	2.6	0.2	0.0	0.0	0.1
Forecourt Retailers	1.3	0.0	0.0	0.0	0.0
Independent Small Grocers	4.6	0.1	0.0	0.3	0.6
Supermarkets	15.7	1.2	0.0	0.0	8.5
Other Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Store Retailing	0.1	0.0	0.0	0.0	0.1
Direct Selling	0.0	0.0	0.0	0.0	0.0
Homeshopping	0.0	0.0	0.0	0.0	0.0
Internet Retailing	0.1	0.0	0.0	0.0	0.1
Vending	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

6.3.2 On-trade

In Canada, on-trade establishments remain popular for consuming alcoholic beverages. Pubs and bars are typically the most common establishments in the country. However, wine bars are the latest on-trade trend and the popularity of wine continues to grow. Since pubs are not the ideal location to try a variety of wines, wine bars that include an array of wines and tasting events are opening up across the country (see table 6).

Table 6: Number of On-trade Establishments by Type 2007-2012

	2007	2008	2009	2010	2011	2012
100% Home Delivery/Takeaway	2,931	3,056	3,148	3,139	3,248	3,339
Bars/Pubs	2,159	2,232	1,988	1,986	1,952	1,960
Cafés	209	212	215	222	242	267
Full-Service Restaurants	24,858	24,964	24,447	24,025	24,188	24,370
Fast Food	34,362	34,232	34,046	34,563	35,094	35,713
Self-Service Cafeterias	705	709	704	714	718	727
Street Stalls/Kiosks	3,278	3,268	3,251	3,237	3,257	3,293

Source: Euromonitor research from official sources, company research, trade press

The legal opening hours for on-trade locations also vary by province. Most establishments open late in the morning and stay open until 03.00hrs or 04.00hrs the next day. Last call for serving alcohol is typically an hour before the establishment must close. On-trade establishments are generally allowed to remain open 365 days a year.

6.4 Values

Canadians are often perceived to be beer drinkers, but on average per year Canadians lag the Czechs, the Austrians and Americans only coming in at about 27th on a global scale. The same holds more or less true for whiskey, spirits and wine.

The Canadian Constitution specifies that the sale and distribution of alcohol is the sole purview of the provinces / territories. This means that where liquor, wine, and beer are sold, how they are sold, and who they are sold to be decided on a province-by-province basis. Each province may set its own drinking age. The drinking and alcohol culture in Canada has been influenced and spun in any number of ways, both positive and negative, both with fact-checking in mind, and with good time in mind.

Much of the advertising and marketing culture has never stopped pushing to make alcohol sexy, along with people that consume it. In recent years, however, and in response to figures that organisations such as Mothers Against Drunk Driving (MADD Canada) have compiled, stakeholders have begun to temper consumption with responsibility. Most companies that sell or promote alcohol are doing what they can, within reason, to not encourage under-age alcohol use. Canadians are also moving ever-forward on the designated driver and other similar fronts.[ii]

In Canada, outside of Quebec, it is illegal to drink alcohol, or even have an open container of alcohol, in a public place. There is however thinking that the optimal regulation of alcohol involves a trade-off. Higher taxes, restrictions on sales and laws banning public drunkenness go some way towards preventing alcohol abuse. At the same time, excessive restrictions impose unnecessary costs on ordinary, responsible, citizens, and may have unintended consequences.[iii]

6.5 Trends

A number of trends are shaping consumption of Canadian wines.

Growth is likely to proceed at a more balanced pace

The industry will continue to benefit as Canada's population ages, but it also has its eye on younger consumers, with producers adopting bolder brands and marketing tactics. Changing drinking habits in alcoholic drinks consumption are likely to continue. The average age of the Canadian population continues to increase and this is expected to continue over the coming years – a fact which is reflected in preferences across various consumer goods areas. In addition, the Canadian population is undergoing on-going changes regarding its ethnic makeup as immigration continues to be the key driver of population growth. The changing ethnic makeup creates challenges as well as opportunities for consumer product development in Canada. Finally, on-going urbanisation and the rising proportion of urbanites, especially in the younger generation, coupled with the expansion and evolution of foodservice in Canada will also continue to affect consumer choices. Product areas that were seeing increased consumer interest and demand are expected to continue to grow – a trend which will be further supported by the rise of urbanites and trendy bars. Wine total volume sales are expected to increase at an average annual rate of four percent over the forecast period to reach 609 million litres by 2017. Given the increase in the size of the ethnic population and prevailing immigration flows from the Asia Pacific region, opportunities in wine include non-grape wines such as sake, which is already making its way into ethnic foodservice outlets and retail stores, albeit in small volumes compared to more established wine types. In spirits, cocktail culture will continue to support a number of white spirits, such as vodka, while product revamps, flavours and premiumisation will help support growth in areas like whiskies, dark rum and a number of others.

Changing preferences in drinks

Canadian preferences in alcoholic drinks continue to evolve and change. Factors that impact on sales and preferences include the ageing demographic trend is impacting sales and the fact that younger generations and trendy urbanites are showing less brand loyalty and are willing to experiment with a variety of brands and products. The shifts from mainstream beer to areas like wine, cider and a number of spirits areas have become significant e.g. an increase in the consumption of wine including Canadian wine.

These shifting preferences continue to be reflected in market performance. As a result, in 2012 sales of beer in Canada were flat in total volume terms, at 2.3 billion litres. At the same time, wine once again recorded healthy total volume growth of five percent. Spirits total volume sales increased by close to 2 percent in 2012 while cider, which is still quite a small area in actual volume terms, recorded more than a 5 percent increase in total volume sales. Some areas saw even higher increases such as sparkling wine, Irish whiskey, vodka, bourbon and a number of others. Marketers and retailers of alcoholic drinks have been further encouraging the development of successful and fast growing areas through merchandising and product development strategies. For instance, the Liquor Control Board of Ontario (LCBO) has been developing Whisky Shops which feature a store-within-store concept featuring diverse whiskies at select LCBO stores as well as LCBO's annual Whisky Rocks promotional events, which showcase various whiskies areas and products.

Drink local - domestic products remain in the spotlight but face challenges

While imported brands command a significant share of sales in alcoholic drinks, domestic production and product developments have increased over the review period while support from provincial liquor boards, which are tapping into fast growing areas of the fairly mature marketplace, has also increased. More specifically, Canadian wine and domestic craft beer came into the spotlight over the review period, with more consumers indicating interest in these areas. More people are buying Canadian wine and more wine drinkers believe that the quality of Canadian wine has increased over the past few years.

Further supporting and developing current trends are marketers, distributors and retailers of alcoholic drinks with on-going product development, marketing and merchandising practices placing a greater emphasis on domestic wine and craft beer. For instance, LCBO (Liquor Control Board of Ontario) runs annual Ontario wine promotional campaigns. The 2012 campaign ran under slogan People Are Talking (about Ontario Wine) and featured 142 wines from 50 Ontario producers in 625 LCBO stores. The retailer also offers expanded shelf space to domestic craft beer and showcases local brews during beer promotional events such as 'Beer World Start the Adventure' campaigns in summer 2012 at all LCBO stores.

Given their generally higher price points, domestic products also help to maintain value growth in beer. For instance, at LCBO stores a pack of 6x341ml of Molson Canadian retails at an average of C$10.95 (about C$5.4 per litre). At the same time, Vienna Lager by King Brewery (Ontario based microbrewery) retails at an average of C$12.95 for the same quantity (C$6.3 per litre - or almost a dollar more).

As the tastes of Canadian consumers are expected to evolve with the changing social and demographic landscape, coupled with strong promotional activity, consumer education and improved quality and variety, domestic products are expected to continue to grow. In addition, changes to the regulatory environment, especially for local wines, will also boost sales, For example, Bill-311 lifted restrictions on interprovincial sales of wine. The bill was enacted in June of 2012 and some of the local wineries took immediate advantage of the new law, shipping to customers across various provincial jurisdictions. Some of the latter voiced concerns and asked the wineries not to ship to their customers. While provinces like British Columbia essentially supported the relaxed regulations, others are yet to voice full support and recognition of the changing regulations.

Over the forecast period, sales of domestic wine and craft beer are expected to continue to increase healthily, with craft beer sales set to significantly outpace the average pace of growth of standard mainstream beer brands. The ability to market and sell across provinces and directly to consumers is likely to further support consumer interest and boost awareness of available products, not the least through enhanced opportunities to market and sell products beyond local and provincial markets and liquor board store networks.

The expansion of craft beer and domestic wines will help to support the development of craft distilleries, which have also been receiving more exposure, especially regarding the development of Canadian whiskey. As the latter area records an increase in sales, small domestic distilleries are expected to cease showcasing and marketing their distinctive products to Canadians. Threats to growth and expansion include the existing barriers to cross-provincial trade; direct to consumer trade and competition from Corby and Diageo with strong established retail and on-trade distribution networks.

Packaging development reflects consumer preferences

Overall, the key packaging types in Canadian alcoholic drinks include glass, PET, metal cans and bag in box. The dynamic of packaging and product development in packaging across alcoholic drinks areas often follows consumer preferences and acceptance of certain pack types for certain beverages but not for others. As a result, while PET has performed reasonably well in areas like RTDs, it has failed in wine and beer due to poor consumer acceptance. Liquid carton in wine has been tried but proved to be unpopular despite attempts in 2011/2012 to reposition packaging in the economy segment with respective pricing and placement in grocery stores in Quebec. Glass remains the preferred packaging format within wine, with bag in box generally considered the best option when it comes to value options. Metal cans are generally accepted for products in areas like cider and RTDs.

Given current consumer preferences, product development and marketing in 2012 has largely evolved around the materials and presentations that resonate better with consumers. As a result, in RTDs and beer, metal cans continue to gain sales share. In beer in 2012 metal cans continued to gain sales share from glass bottles and overtook the format in filled volume terms. In wine and premium spirits, however, glass remained a preferred packaging type, with the format continuing to be supported by the regulatory restrictions on the use of glass as a packaging type for wines seeking Vintners Quality Alliance certification.

Despite Canadian consumers' willingness to experiment with various alcoholic drink types and flavours - a tendency that helps to support overall growth, Canadians appear to be more set in their ways when it comes to certain packaging types and do not always respond well to packaging experiments, especially in product areas like wine, where glass has firmly established itself as the predominant packaging type (save for bag-in-box bulk value proposition). This trend is likely to continue over the coming years and will be further reinforced by a number of industry and government regulations that encourage the use of certain packaging types such as glass, including Vintners Quality Alliance certification requirements as well as the move of provincial liquor boards towards light weight glass as an option for wine instead of packaging formats like liquid carton, which was often promoted by some manufacturers and packagers as an eco-friendly solution.

Manufacturers and distributors of alcoholic drinks are expected to continue to respond to these prevailing packaging trends in Canada while exploring opportunities to add further value to the preferred formats in respective areas.

New product launches key to sustained growth

In the highly developed Canadian market, product development has become one of the key factors that drive areas and brands forward. Key strategies for new product launches include new packaging and presentation, super premium varieties of existing brands, the entry of new fast growing areas and formulations that offer a unique drinking experience. In a bid to boost demand for McGuinness in liqueurs, Corby Distilleries launched a new brand extension under McGuiness Ice Storm. The new product is marketed as a drinking experience rather than simply a new flavour and can be drunk as is or as part of a cocktail mix. However, in either case the beverage is said to provide a cooling sensation at the back of the throat. The new product is also packaged in bottles with eye-catching label designs and was well-received by consumers, with sales increasing in 2012.

Entering the fast growing area for the first time was beer brand Alexander Keith and its new cider. Alexander Keith's Original Cider is the company's first non-beer product. The apple-based cider targets men aged 25 to 34 and was initially launched in Ontario in response to the province's rapidly growing cider market. Another example includes Constellation Brands (former Vincor in Canada) updating its wine labels for its Jackson Triggs and Inniskillin wines. New labels emphasise the brands' heritage and quality. Thus, for instance, Jackson Triggs Estate VQA wine designs include "textural black paper accented with Reserve style in a contemporary sophisticated pewter colour with an ultra-matte varnish which is printed over and debossed" and a "rich tobacco-bronze background to match the deep flavours of the wines."

Finally, seeking to capture the growing premium and super premium segments in alcoholic drinks in Canada, Diageo launched Johnnie Walker Platinum Label. The new addition to the Johnnie Walker line is marketed as a superior and sophisticated blend of malt and grain whiskies that has been matured for a minimum of 18 years and is positioned at the premium-end of the range and retails at C$149.95 per bottle.

New products are likely to support brand growth where new development fits in well with consumer trends and preferences – a development which in turn will help support the area and overall marketplace development. Manufacturers and marketers will need to consider offering more than just new flavours, which tend to have only a temporary short-term positive effect. Quality and drinking experience as well as careful choice of target demographics and distribution will be important considerations for a successful launch.

Retailing dominated by liquor boards but regulatory changes are being debated

In most provinces in Canada, the importation, distribution and sale of alcoholic beverages remains the prerogative of the government through the respective liquor control authorities. The Liquor Control Board of Ontario (LCBO) and Société des alcools du Québec (SAQ) remain the leading retailers with strong store networks in Ontario and Quebec respectively. Considering that Ontario and Quebec are the two largest provinces in Canada (population wise), the strength of LCBO and SAQ is not surprising. Given controlled distribution in Ontario and Quebec, the store networks operated by the respective liquor boards face little to no real competition as far as retail sales are concerned, although Ontario is also home to The Beer Store, which is operated jointly by Molson and Labatt and winery stores. Retail sales are also offered via grocery and convenience stores in the province of Quebec. However, retailers require a license from SAQ to sell alcohol and sales are mostly limited to wine, beer, cider and RTDs.

Both LCBO and SAQ have been working to ensure their stores meet modern consumer demand for shopping experience, information/education and product variety. Both operators have been increasingly featuring local products, including craft beer and domestic wine, in response to consumer demand and industry pressures. In addition, they also run annual campaigns showcasing a variety of areas and new products in order to maintain dynamism and consumer interest. Despite the efforts of LCBO and SAQ, the controlled retail distribution environment has been subject to criticism which has intensified over the past two years and led to some changes in regulations which allow producers and distributors of alcoholic beverages to bypass store networks operated by liquor boards. Criticism is particularly strong in Ontario as Quebec has a more diverse distribution network (although still controlled by SAQ through licensing).

As a result, 2012 federal changes that allowed direct to consumer inter-provincial shipments of wine were welcomed by many industry players, especially smaller wineries. However, it has not been fully accepted by provincial boards, which ultimately will decide on whether such shipments will in fact be allowed to the extent stipulated by the changes at federal level. Industry feedback indicates that Ontario has not been too receptive to change.

Debates over distribution of alcohol through convenience stores in Canada also continues, with both sides of the debate (LCBO on one side and many industry players on the other) citing the pros and cons of such a move, including more advantageous pricing for consumers in a more competitive environment. Overall, it is expected that LCBO and SAQ will remain the key retailers of alcoholic drinks in their respective provinces. Given the size of the latter, retailers will also remain the leading sellers of alcohol in Canada. Although largely controlling the marketplace, retailers are still expected to continue with their renovation and expansion plans and will expand and re-design stores in order to enhance customer experience.

The existing retailing landscape is therefore expected to continue to fuel demand for change and pressure from the industry to make adjustments in order to offer private distribution and retailing. Examples of debates and pressure going forward include Alimentation Couche-Tard announcing in 2013 that it would invest C$54 million to build 27 new convenience stores in Ontario if it is allowed to sell alcohol in the province. Furthermore, in mid-2013 the Ontario Convenience Store Association released a study indicating that more competition would actually increase sales of alcohol by as much as 9 percent while prices will go down – a development which will benefit consumers.

Market merger and acquisition activity

Overall, 2012 was a fairly quiet year in Canada with regards to major mergers and acquisitions. Although on the whole, alcoholic drinks in Canada show a fairly high degree of fragmentation, the picture is somewhat different on a category-by-category basis. The already high degree of consolidation does not leave much room for significant mergers and acquisition activity in Canada, save for any changes that might occur globally and would be reflected by changes in the Canadian market, with subsidiaries and divisions being realigned accordingly. As a result, in beer the two largest brewers – Molson Canada (including MillerCoors) and Labatt – already accounted for the majority of sales (81 percent volume share in 2012), with not much room being left for further significant acquisitions. In spirits, Diageo, Corby Distilleries (owned by Pernod Ricard) and Bacardi accounted for close to 63 percent of total volume sales in 2012. In RTD/High-Strength premixes, Diageo, Mark Anthony and Bacardi accounted for over 45 percent of total volume sales in 2012 while Vincor Canada (Constellation Brands) and The Premium Beer Co (C&C Group) accounted for 65 percent of total volume sales within cider/perry. Wine is the only product area with a high degree of fragmentation. However, even in this area there are two clear leaders: Constellation Brands (formerly Vincor Canada) and Andrew Peller (combined 30 percent volume share in 2012).

Within the Canadian market, attention is increasingly being paid to small local producers, especially craft breweries. It should be noted though that, as discussed earlier, acquisitions of microbreweries by large marketers like Molson and Labatt have proven to be somewhat problematic in Canada. These acquisitions are often frowned upon by industry associations representing craft breweries as well as possibly by consumers on the grounds of such an acquisition hurting the image and market differentiation as well as potentially the quality of the products.

At the same time, whilst major marketers are faced with potential challenges when considering the acquisitions of smaller local producers, the latter have been showing a tendency towards more consolidation and alliance creation to boost resources and market outreach. In the latest move, in 2011, a Canadian-based distributor of speciality beers in Canada – Beer Barons Inc – acquired Ontario-based King Brewery, which has been operating since 2002 and specialises in the production of premium lagers. It is likely that more local alliances and distribution deals will be initiated by smaller local players, especially those present in such growing segments as craft beer and VQA wine – a development which will help smaller producers and distributors marshal resources for new product development as well as logistics and distribution resources to bring products to the marketplace. Strengthened production and distribution can help smaller players increase sales and market share in Canada. Distribution and production alliances will enable small players to gain additional retailing space and listing at certain retailers as the latter usually require manufacturers to achieve a certain level of production volume to ensure uninterrupted supply of the products to the retailer. With more retail space comes better exposure to consumers and increased consumer awareness of available brands and products; developments which ultimately help smaller producers gain sales share.

Adapted Italian varieties

As wineries across the country experiment with different species of grapes, and consumers demand more local options, home-grown versions of favourite Italian varieties are gaining ground. Some wineries are experimenting with Italian red varieties such as Sangiovese and Barbera. Pinot Grigio continues to be the hottest grape variety, because it is typically light, approachable and refreshing. Henry of Pelham Pinot Grigio as a good example of the “fruity-fresh” characteristics sustaining the ongoing demand for Canadian-made Pinot Grigio.

Blended bottles

As they seek out new taste experiences, Canadian wine drinkers are turning to bottles that blend wines made from different varieties of grape. White wine blends of Riesling, Chardonnay and Gewürztraminer are gaining ground. The emergence of this trend is due to the fact that the wines please consumers and restaurateurs; they are food-friendly, and versatile, with a variety of dishes. In the realm of reds, there is a trend toward friendly, ripe and rounded blends. There are three categories of red blends: Baco Noir based, Gamay based, and Shiraz based. Meritage red wine blends are also poised to be big business on the west coast.

Going organic

Whether they are labelled 100 percent organic or just plain organic, wines bearing the words are gaining ground. At the moment, there is no internationally accepted standard for organic wine; different countries have established different criteria wine must meet to be considered organic. In Canada, the Canadian Food Inspection Agency (CFIA) has developed an optional label to identify wines that meet its standards for certified organic status. There may be wineries offering organic options that, for whatever reason, have chosen not to be certified under the CFIA’s regime.

6.6 Potential and Sustainability

The Canadian wine industry is emerging as an internationally-recognized cool-climate wine producer, garnering an impressive list of awards and praise from many of the world's most influential wine critics. The challenge now is to build on the international commendations the industry has received to increase its domestic market share relative to imports. The extensive re-plantings of new *V. vinifera* varieties and the development of the provincial VQA standards provide an opportunity to regain domestic market share and build exports. Extensive new plantings of classic varietals make the mid- and long-term international markets look favourable for these three countries, and competition from these, as well as from other New World wine producers such as South Africa and Argentina, is expected to increase in the Canadian marketplace. These plantings have created global over-supply, particularly in Western Europe, which has lost market share to New World wines.

Growth in all categories of alcoholic beverages is expected to continue (see tables 6-9):

Table 6: Forecast Sales of Alcoholic Drinks by Category: Total Volume 2012-2017

Million litres	2012	2013	2014	2015	2016	2017
Beer	2,348.8	2,352.3	2,352.4	2,348.2	2,341.0	2,333.7
Cider/Perry	24.2	25.5	26.8	28.0	29.2	30.3
RTDs/High-Strength Premixes	74.1	74.7	75.2	75.8	76.1	76.4
Spirits	159.6	162.5	165.3	167.8	169.7	171.5
Wine	503.7	530.2	553.1	575.9	594.5	609.4
Alcoholic Drinks	3,110.3	3,145.2	3,172.9	3,195.7	3,210.5	3,221.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 7: Forecast Sales of Alcoholic Drinks by Category: Total Value 2012-2017

C$ million	2012	2013	2014	2015	2016	2017
Beer	15,996.2	16,273.0	16,449.6	16,597.0	16,708.0	16,797.2
Cider/Perry	182.4	195.2	207.4	219.3	230.2	240.3
RTDs/High-Strength Premixes	2,375.4	2,424.1	2,472.5	2,517.2	2,553.3	2,583.0
Spirits	9,375.7	9,660.9	9,946.2	10,221.5	10,475.1	10,707.7
Wine	10,639.0	11,283.4	11,867.2	12,440.2	12,922.7	13,341.7
Alcoholic Drinks	38,568.7	39,836.6	40,942.9	41,995.2	42,889.3	43,669.9

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 8: Forecast Sales of Alcoholic Drinks by Category: % Total Volume Growth 2012-2017

% total volume growth	2016/17	2012-17 CAGR	2012/17 Total
Beer	-0.3	-0.1	-0.6
Cider/Perry	3.6	4.6	25.3
RTDs/High-Strength Premixes	0.3	0.6	3.0
Spirits	1.0	1.4	7.5
Wine	2.5	3.9	21.0
Alcoholic Drinks	0.3	0.7	3.6

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 9: Forecast Sales of Alcoholic Drinks by Category: % Total Value Growth 2012-2017

% local currency, constant value growth	2012-17 CAGR	2012/17 TOTAL
Beer	1.0	5.0
Cider/Perry	5.7	31.7

RTDs/High-Strength Premixes	1.7	8.7
Spirits	2.7	14.2
Wine	4.6	25.4
Alcoholic Drinks	2.5	13.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

6.7 Key Drivers

Ability to compete effectively: Given relatively healthy demand prospects, the performance of the industry hinges on its ability to compete effectively against foreign products. To that end, the industry does continue to receive some support from regulatory authorities. Foreign competitors have voiced opposition to such policies, so there is a risk that preferential treatment may be reduced. With an already large trade imbalance, the Canadian wine industry now faces more competition from imports than at any other time in its history. There have not been import tariffs on US wine imports for several years as a result of the implementation of the Canada-US FTA

Need for continued growth in exports: In addition to focusing on domestic sales, Canadian wineries would do well to increase their exports, particularly to emerging markets where wine consumption is growing rapidly. Unfortunately, the climatically-imposed limit on wine production in Canada will continue to leave wineries operating at considerably smaller scale than many international players. There is likely scope for Canadian wineries to increase their exports of premium-priced products such as icewine, for which economies of scale are not as important.

Managing severe climatic challenges: Climatic conditions in Canada are not conducive to large-scale wine production because grape-growing is confined to a few small geographic regions where the growing season is long enough for grapes to reach maturity. Such climatic influences place limitations on the scale of operations and the competitiveness of wine production. To combat severe weather conditions, some Ontario wineries have invested in windmills to prevent cold air from settling over their fields. There has been significant investment in R&D and cool climate research at the Cool Climate Oenology and Viticulture Institute (CCOVI) at Brock University in St. Catharines, Ontario, which has provided support to the Ontario industry.

Establishing and sustaining economies of scale: This is critical in the production of low-priced wines but less important in the production of premium-priced products. Canadian operations have a lower productivity level than some of their much larger counterparts, although packaging and labour costs are thought to be roughly similar. The craft or small estate wineries, producing small volumes of top-quality premium wines in Canada and the US, are more likely to be comparable in costs.

Managing exchange rate fluctuations: During the mid-2000s and especially during 2007, the value of the US dollar fell sharply compared to other world currencies, including the Canadian dollar. This decline makes all Canadian products, including wine, more expensive to American consumers. Cross-border wine tourism also fell sharply in 2007 for a number of reasons, although the number of domestic tourists continues to grow.

Need for regulatory reform: In the past, provincial liquor board listings, distribution and pricing practices have been irritants for countries shipping to Canada. In the mid-1980s, the EU launched a formal complaint regarding provincial liquor board practices. A 1987 General Agreement on Tariffs and Trade Panel upheld this complaint and found the practices to be inconsistent with Canada's international trade obligations. A bilateral agreement on access was subsequently reached with the EU and has since been extended to other countries. This agreement provided for immediate national treatment of listings and distribution, providing access for imported products under the same terms as those provided for in intra-provincial trade (trade within a province). The Agreement also phased out the difference in price mark-ups for Canadian and foreign wines. However, it continued to restrict the sale of wine in Quebec depanneurs and grocery stores to those wines bottled or produced in Quebec. In Ontario, off-site wine stores (operated by a few vintners) are only permitted to sell wines produced in the province. In summary, as a result of EU intervention, imported products must not be placed at a marketing disadvantage over local or domestic products in the Canadian market. The EU continues to monitor provincial liquor board retailing practices. Similarly, under the Canada-US FTA, national treatment was granted to US wines for listings and distribution. This allowed US wines to be treated the same as Canadian wines. Differences in price mark-ups between domestic and US wines were virtually eliminated by 1995. The Federal-Provincial Agreement on Internal Trade (AIT), which came into effect in 1996, provides for improved distribution of alcoholic beverages inter-provincially. Under the AIT, each province must provide national treatment for all products imported from other provinces (with some exceptions).

Use of technology: Wine-making may be thought of as a traditional or mature technology. Although the basic process of fermentation remains, new technology in terms of both equipment and processes is continually being adopted. Many Canadian vintners have been trained in the leading wine-making education centres in Europe and California. Canadian innovations in yeast development have translated into a competitive edge for local vintners.

Continued R&D investment and skills development: In December 1996, Brock University in southern Ontario launched the Cool Climate Oenology and Viticulture Institute (CCOVI) in partnership with local industry, federal and provincial governments, and with education institutions in the region. The objective was to use CCOVI to establish the university as one of the few centres in North America to grant degree status to graduates that specialize in grape and wine studies. As well, the Institute is internationally-recognised for its cool-climate viticultural research. Recently, the Vineland Research and Innovation Centre was formed to integrate the wine research efforts of the Department of Agriculture and Agri-Food Canada, the Ontario Ministry of Agriculture, Food and Rural Affairs, the University of Guelph, Brock University, Niagara College, McMaster University, and industry organisations. The University of BC formed the BC Wine Research Centre in partnership with the Pacific Agri-Food Research Centre and the BC Wine Institute (BCWI) in 1999. The Centre supports wineries and grape growers by undertaking specialized scientific research projects that are of interest to the industry. Partnerships are occurring in industry as well, including international alliances. Canada has been attracting winemakers from around the world for a number of years, bringing in new skills and techniques to the benefit of the industry. World-class winemakers are attracted to Canada for distinctive grapes and the ability to make unique, world-class wines.

Sustainability: As environmental concerns over climate change and water availability gain prominence, the Canadian wine industry is looking closely at "sustainability" factors to ensure that its products are produced in a fashion that minimises environmental impacts. This will be a growing area for R&D, technology and collaboration. The Canadian Vintners Association is developing a Hazard Analysis Critical Control Points (HACCP) food safety program for the Canadian wine sector. HACCP is recognised as a worldwide standard for food safety and is acknowledged by regulatory bodies, trade organizations and retail groups. The development of a wine industry-specific HACCP plan will enhance Canada's reputation as a producer of safe, high-quality wine and it can address any concerns that might compromise safety, quality integrity and production efficiency. Other countries where HACCP programs have been developed for the wine industry include Australia and New Zealand, and a number of wineries in the US that are HACCP-certified. In addition, a number of large retailers in the UK require wine to be HACCP-certified if it is to be sold in their stores.

Emphasis on product development: This will remain strong as a driver of growth and a competitive strategy in what is s already a highly developed marketplace. Development is likely to continue to focus on packaging and presentation as well as new formats that enhance the drinking experience. Entering faster-growing areas is also likely to be an option for operators with production and packaging capacities in place to handle the new areas.

Focus and execute on stated strategic priorities, i.e.:

- Fair access to global markets.
- Intellectual property and trademark protection.
- Advocacy and exchange with government, industry and international wine organizations (APEC, World Wine Trade Group, FIVS, International Organization of Wine and Vines, World Health Organisation, World Trade Organisation, World Customs Organisation) on issues including wine standards, labelling, health and safety, trade, etc.).
- Counterfeit Icewine and the protection of Icewine interests in key markets.

7. SOUTH AFRICAN WINE EXPORTS

7.1 Still, Sparkling, Cap Classique, Fortified

The following tables contain information on the export of packaged and bulk wine to Canada for January to December 2012 and January to December 2013. Growth year-on-year has been most market in the Blanc de Noir variety while sparkling wine has seen a decline in the period.

Table 10: Packaged and bulk wine exports (litres) per country for the period January – December 2012 / 2013

2012 Jan – 2012 Dec					
WHITE	**RED**	**BLANC DE NOIR / ROSé**	**FORTIFIED**	**SPARKLING**	**TOTAL**
15 458 670	5 273 359	211 026	56 520	76 905	21 076 480

Source: SAWIS

2013 Jan - 2013 Dec					
WHITE	**RED**	**BLANC DE NOIR / ROSé**	**FORTIFIED**	**SPARKLING**	**TOTAL**
16 338 227	5 279 321	487 421	73 350	67 302	22 245 621

Source: SAWIS

TREND 2013 Jan – 2013 Dec / 2012 Jan – 2012 Dec					
WHITE	**RED**	**BLANC DE NOIR / ROSé**	**FORTIFIED**	**SPARKLING**	**TOTAL**
106	100	231	130	88	106

Source: SAWIS

Natural wine in containers has shown an increased from the period 2011 to 2012. Wine is only exported in glass to Canada.

Table 11: Natural wine in containers exports to Canada (litres): 2011

	2011				
	Glass	**Ba-in-box**	**Tetra**	**Plastic**	**Total**
Canada	7.615.848	14.985	-	-	7.630.833

Source: SAWIS

Table 12: Natural wine in containers exports to Canada (litres): 2012

	2012				
	Glass	**Ba-in-box**	**Tetra**	**Plastic**	**Total**
Canada	8.055.746	-	-	-	8.055.746

Source: SAWIS

Table 13: Existing and potential trade for sparkling wine between Canada and South Africa in 2012: Value (US$)

Product Code	Product Label	Canada's imports from South Africa				South Africa's exports to world			Canada's imports from world			Indicative potential trade, US$ '000
		Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in Canada's imports, percent	Equivalent ad valorem tariff applied by Canada to South Africa	Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in world exports, percent	Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in world imports, percent	
220410	Grape wines, sparkling	522	16	0.4	0	33989	17	0.6	124849	11	2.3	33467

7.2 Packaged and Bulk

Table 14: Packaged and bulk wine exports to Canada (litres): 2011

	2011					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	9.371.725	4.647.147	116.636	90.252	75.231	14.300.991

Source: SAWIS

Table 15: Packaged and bulk wine exports to Canada (litres): 2012

	2012					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	15.458.670	5.273.359	211.026	56.520	76.905	21.076.480

Source: SAWIS

Table 16: Trends in packaged and bulk wine exports to Canada (litres): 2012 / 2011

	2012 / 2011					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	165	113	181	63	102	147

Source: SAWIS

Table 17: Packaged wine exports to Canada (litres): 2011

	2012					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	3.396.120	3.952.594	116.636	90.262	75.231	7.630.833

Source: SAWIS

Table 18: Packaged wine exports to Canada (litres): 2012

	2012					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	3.845.413	4.034.000	42.908	56.520	76.905	8.055.746

Source: SAWIS

Table 19: Bulk wine exports to Canada (litres): 2011

	2012					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	5.975.605	694.553	-	-	-	6.670.158

Source: SAWIS

Table 20: Bulk wine exports to Canada (litres): 2012

	2012					
	White	**Red**	**BdN/Rosé**	**Fortified**	**Sparkling**	**Total**
Canada	11.613.257	1.239.359	168.118	-	-	13.020.734

Source: SAWIS

7.3 Varieties

White wine is by far the largest export product followed by red wine followed by red wine and then Blanc de Noir and Sparkling Wine.

7.4 Value

Table 21 depicts the current imports of wine and sparkling wine from South Africa to Canada and comparing this number to the quantity of wine imported from Canada from elsewhere it is clear that there is market potential to expand exports to Canada.

Table 21: Existing and potential trade for wine and sparkling wine between Canada and South Africa in 2012: Value

Product Code	Product Label	Canada's imports from South Africa				South Africa's exports to world			Canada's imports from world			Indicative potential trade, US$ '000
		Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in Canada's imports, percent	Equivalent ad valorem tariff applied by Canada to South Africa	Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in world exports, percent	Value in 2012, US$ '000	Annual growth in value between 2008-2012, percent, p.a.	Share in world imports, percent	
'220421	Grape wines*	41167	2	2.4	0	443481	-5	1.9	1749994	7	7.3	402314
'220429	Grape wines**	7973	30	7.9	0	252782	9	6.7	100925	9	2.5	92952

'220410	Grape wines, sparkling	522	16	0.4	0	33989	17	0.6	124849	11	2.3	33467
'220430	Grape must**	0		0	0	88	-34	0.1	1		0	1

*Not elsewhere specified including fortifies and grape must unfermented by adding alcohol in container
**Not elsewhere specified including fortifies and grape must unfermented by adding alcohol in container >21
***Not elsewhere specified, unfermented
Sources: ITC calculations based on UN COMTRADE statistics.

8. TRADE AGREEMENTS

8.1 South Africa

Official diplomatic relations between Canada and South Africa started in 1939. Canada has a High Commission located in Pretoria and a trade office based in Johannesburg. There are also Honorary Consulates in Cape Town and Durban. South Africa has a High Commission in Ottawa, a Consulate-General in Toronto, and Honorary Consuls in Vancouver and Sudbury.

Post-1994, Canada supported South Africa's re-entry into a broad range of multilateral organisations. Since then, the two countries have worked closely on important multilateral issues. The two countries hold annual bilateral consultations on foreign policy, trade and development issues. These cover issues as diverse as investment, mining, technical cooperation, defence relations human rights and development cooperation. South Africa is one of Canada's most significant political and commercial partners in Africa. According to Statistics Canada, Canada’s bilateral merchandise trade with South Africa totalled over C$1.3 billion in 2012, consisting of more than C$634 million in exports to, and more than C$693 million in imports from South Africa. Leading Canadian merchandise exports to South Africa include machinery, aircraft and parts, inorganic chemicals, pharmaceuticals, and electrical machinery and equipment. South Africa’s merchandise exports to Canada, which have been rising rapidly, include precious metals and stones, wine, fruits and nuts, machinery, beverages, and iron and steel.

8.2 Other countries and agreements

Korea

In March 2014, the Government of Canada concluded the Canada-Korea Free Trade Agreement (CKFTA). This is Canada’s first free trade agreement with an Asian market. As the world’s 15th largest economy (GDP of C$1.1 trillion), the fourth-largest in Asia, Korea offers substantial opportunities for business development. Korea is currently Canada’s 5th largest wine export market by value, with 2013 exports of 37,000 litres, valued at C$2.2 million. Korean wine consumption has increased 177 percent in the last decade, and the CVA believes that with CKFTA, wine exports to this strategic market of more than 50 million people will grow exponentially. Within CKFTA, Korea will remove duties on 98.2 percent of its tariff lines covering virtually all of Canada’s imports, including a 15 percent tariff on Canadian wine. Upon ratification, all import tariffs on Icewine, which represents 96 percent of the total value of wine exports, will be eliminated immediately. All import tariffs on other wines will be eliminated over a 3-year period. The CVA is confident that CKFTA will further level the playing field for the Canadian wine exports, removing import tariffs on wine and improving our competitive position against major wine exporting nations, such as the US, Australia and Chile, all who have completed trade agreements with South Korea. South Korea is an important market for Canadian wine producers, as evidenced by the significant growth in the value of Canadian Icewine exports, which increased nearly 25 percent between 2012 and 2013 (CVA, March 2014).

North American Free Trade Agreement (1994)

The North American Free Trade Agreement (NAFTA) is an agreement signed by the governments of Canada, Mexico, and the US, creating a trilateral trade bloc in North America. The agreement came into force on 1 January 1994. It superseded the Canada – US Free Trade Agreement between the US and Canada.

World Wine Trade Group (WWTG) Mutual Acceptance Agreement on Oenological Practices (2001)

The Agreement is the first multi-lateral Mutual Acceptance Agreement, in any field, fully compliant with the WTO's Technical Barriers to Trade Agreement. For winemakers, exporters and importers the implications of the Agreement assures access to markets without the costs and frustrations of barriers to trade based on differences in oenological practices.

Canada EU Wine and Spirits Agreement (2004)

On September 16, 2003, the Government of Canada and the EU signed an agreement on wines and spirits to maintain stability in Canada's domestic marketing and distribution practices and significantly open the European market to Canadian products. Negotiations began on the Canada-EC Wine and Spirits Agreement in November 2001 and were concluded in April 2003. The agreement came into force on June 1, 2004.

World Wine Trade Group (WWTG) Labelling Agreement (2007)

Wine industry and government representatives from the US, Chile, Australia, Argentina, New Zealand and Canada, reached an agreement on standardising the information on wine labels and inclusion of an Icewine definition.

World Wine Trade Group (WWTG) Memorandum of Understanding on Certification (2011)

The memorandum of understanding (MOU) states that participating countries should not require certification related to vintage, varietal or regional claims for a wine unless they have legitimate concerns about such claims. If participants find certification to be necessary, the MOU encourages them to accept certificates issued by the official certification body or by an officially recognized certification body of the exporting country. The MOU seeks to reduce the need for routine certification requirements, while protecting the rights of each participant to require certification for health and safety reasons and does not affect members' international rights or obligations. Likewise, the MOU does not affect labeling pre-approval, bioterrorism controls, or ad hoc testing by an importing country.

9. REGULATORY ENVIRONMENT

The Canadian wine industry is closely regulated. Wines, like other alcoholic beverages, must be distributed and sold through liquor control board outlets in all provinces except Alberta (which has a privatized system). The provinces of Ontario and British Columbia (BC) permit wineries to sell their own wines in a limited number of establishments which they operate. In Quebec, wine sold in grocery stores must be bottled in the province.

The AIT (under Chapter 10 - Alcoholic Beverages) lays out a framework for non-discriminatory treatment of alcoholic beverages, which has resulted in a number of barriers being eliminated and efforts initiated to avoid the creation of new ones. While provinces have had to eliminate most preferences they traditionally provided to locally-produced wines, over those from other provinces or imports, in order to comply with trade agreements, they still have considerable regulatory influence. This federal legislation requires that all liquor imported into Canada be brought in through a provincial liquor board located within each province and territory in Canada (Appendix A). The provincial and territorial governments are also responsible for regulating and controlling the sale of liquor within their respective jurisdictions. These provincial boards collect federal and provincial duties and taxes on alcohol products, and add their own mark-ups prior to selling the product.

The Canadian Food Inspection Agency and the provincial liquor boards cooperate to ensure that alcoholic beverages, including wines, conform to Canadian standards (for alcohol content, toxins, etc.) under the Food and Drugs Act before being approved for sale. In addition, both domestic and imported alcoholic beverages must comply with compositional labelling, net quantity and standardised container size requirements under both the Food and Drugs Act and Consumer Packaging and Labelling Act.

Canada's federal excise tax system for alcoholic beverages imposes taxes on wines produced domestically at the point of shipment to provincial liquor board warehouses or industry-owned stores. The excise tax on imported wines is calculated from the point where wine is imported and received into liquor board bonded warehouses, but does not become due until the wine is shipped to the point of retail sale.

The former Canada Customs and Revenue Agency (now the Canada Revenue Agency), in conjunction with the Department of Finance, completed a review of the Excise Act, with the objective of safeguarding the tax revenue generated by alcohol and to provide a fair and modern tax structure. The new Excise Act 2001 came into force on 1 July 2003.

The leading vintners in Ontario and BC are increasingly getting behind the VQA quality programs by which consumers can identify high-quality wines based on the origin of the grapes from which they are produced. VQA wines, made exclusively from Canadian grapes, must be produced according to well-defined standards and approved by a taste panel to determine if they qualify to carry the VQA logo. Provincial VQA standards in Ontario and BC delimit the geographic areas where the grapes can be grown and how the wine must be made. They also stipulate which varieties can be used for products that bear this certification mark. The VQA system is comparable to European wine appellation systems such as the Appellation d'origine contrôlée (AOC) in France.

VQA Ontario is designated as that province's regulatory wine authority and has put in place an appellation control system for quality wine which establishes, defines and sets quality standards that must be met for a wine to carry the VQA medallion. The standards define rules of origin, manufacture, bottling and labelling for wines made from 100 percent provincially-grown grapes.

Through the Ontario Wine Content and Labelling Act (which replaced the former Ontario Wine Content Act), minimum content and labelling standards are set out for the manufacture of wine in Ontario. The objective of this legislation, which came into force on 1 January 2001, was to increase the domestic content in Ontario wines and to provide greater clarity in labelling for consumers.

BC recently created new provincial wine standards and established the BC Wine Authority (BCWA) under the province's Agri-Food Choice and Quality Act. Responsibility for wine standards, including the enforcement of VQA requirements, has been delegated by the province to the BCWA. Implementation of the standards occurred in 2008. As a result, the BCWI is now responsible solely for the industry's marketing efforts.

The Nova Scotia Wine Standards (NSWS) were adopted by the Winery Association of Nova Scotia in the summer of 2005. The new standards established content restrictions and labelling standards for wines produced in that province. The NSWS allows a wine to use the provincial designation Nova Scotia as a geographical indication, provided it meets all NSWS and contains no less than 85 percent of the wine's content from grapes grown within the province; the remaining 15 percent must be grown in Canada.[iv]

9.1 Duties and Taxes

9.1.1 Customs and Excise Duties

The 2001 Excise Act came into force in 2003 and updated the original Excise Act of 1985. Whilst the 2001 Excise Act updated wine and spirits excise rates, beer is still subject to the duties laid out in the original act. The excise rates vary and for spirits – the most heavily taxed beverage – tax can amount to 15 percent of the final price. To eliminate the possible competitive advantage that imported drinks may gain, import tariffs on imported products are equal to the excise duties on domestic alcohol. Although excise duties are imposed at the site of production or distribution, they only become due after the beverage is sold.

Excise duties are charged under the Customs Tariff at the time of importation. Excise duties are also charged on alcoholic beverages produced in Canada, though there are exemptions for 100 percent Canadian wine. Canadian brewers receive reduced rates for their first 75,000 hectolitres of production. Beer, liquor stores and agencies sold C$9.2 billion worth of beer during the fiscal year ending 31 March 2012, up 0.6 percent from the previous year. Alberta reported the largest sales increase at 7.1 percent, while Quebec (-3.9 percent) posted the biggest decline. Despite the small increase in beer sales, both in terms of volume and dollar value, the market share dominance of beer continued to decline as consumers turned more to wine. The rates of excise duties are as depicted in table 21.

Table 21: Excise Duties on Wines

	Excise Duty
More than 7 percent alc/vol	C$0.62 per litre
More than 1.2 percent but less than 7 percent alc/vol	C$0.295 per litre
Not more than 1.2 percent alc/vol	C$0.0205 per litre

Source: Canadian Revenue Service

9.1.2 Liquor Tax

In addition to the federal excise tax, there is also a federal VAT known as the Goods & Services Tax (GST). The GST applies to most products being imported into Canada. The current rate of GST is 5 percent. In addition some provinces have their own sales tax and rates can vary from province to province. Where provinces have combined their Provincial Sales Tax (PST) and the GST, the tax is known as the Harmonised Sales Tax (HST).[v]

Every province has a provincially run liquor board which is federally mandated to be the official importer of alcohol and to control the sale of alcohol within the province. In most provinces, these boards also run liquor stores which, depending on the province, may be the only alcohol retailer. Therefore, provinces often charge a series of levies and mark-ups that are ostensibly due to the service the board provides but are generally applied to all products. This, in effect, means that the retail mark-ups on alcoholic drinks in Canada are equivalent to a general provincial tax, monies from which go to the maintenance of the provincial distribution and retail system.

The tax systems within each province vary considerably and are too extensive and complex to detail fully. However, it is useful to consider a summary of the more interesting and general features. In 2010, provinces like Ontario and British Columbia adopted the HST which effectively merged together provincial and federal sales taxes. The new sales tax also affected a number of products that traditionally have not fallen subject to provincial taxation systems, thereby effectively increasing the final retail price for a number of products, such as tobacco. However, as far as alcoholic beverages are concerned, the new HST actually led to a lower sales tax (from between combined 15 to 17 percent for federal and provincial taxes combined before HST came into effect to 13 percent flat HST). Industry sources, however, indicated that lower sales tax is being compensated by increases in base prices of alcoholic beverages and other fees (see tables 22-29).

Table 22: Taxation and Duty Levies on Alcoholic Drinks 2012

C$ per l of absolute alcohol	2012
Excise tax	
Beer	5.597
Wine	4.268
Spirits	11.696
Import tax	
Beer	5.597
Wine	4.268
Spirits	11.696
Sales tax	
Beer	13
Wine	13
Spirits	13

Source: Euromonitor

Table 23: Typical Wholesaler and Retailer Off-trade Mark-ups by Selected Categories 2012

	Beer	C/p	RTDs	Wine	Wh	BC
Wholesaler	39	39	39	39	85	85
Retailer	39	39	39	39	85	85
		WS	**Rum**	**T**	**L**	**OS**
Wholesaler		85	85	85	85	0
Retailer		85	85	85	85	0

Source: Euromonitor

Table 24: Selling Margin of a Typical Beer Brand in Retail Channel that uses wholesalers 2012

Percent retail value RSP	2012
VAT	27.5
Retailer	20.0
Distributor	14.7
Excise	35.1
Manufacturer	2.6
TOTAL	100.0

Source: Euromonitor

Table 25: Selling Margin of a Typical Beer Brand in Retail Channel that does not use Wholesalers 2012

Percent retail value rsp	2012
VAT	27.5
Retailer	20.0
Excise	27.0

Manufacturer	25.5
TOTAL	100.0

Source: Euromonitor

Table 26: Selling Margin of a Typical Wine Brand in Retail Channel that uses Wholesalers 2012

Percent retail value rsp	2012
Retailer	30.1
Distributor	19.6
Excise	18.0
Manufacturer	32.3
TOTAL	100.0

Source: Euromonitor

Table 27: Selling Margin of a Typical Wine Brand in Retail Channel that Does Not Use Wholesalers 2012

Percent retail value rsp	2012
Retailer	30.1
Distributor	19.6
Excise	18.0
Manufacturer	32.3
TOTAL	100.0

Source: Euromonitor

Table 28: Selling Margin of a Typical Spirits Brand in Retail Channel that uses Wholesalers 2012

Percent retail value rsp	2012
Retailer	29.8
Distributor	32.2
Excise	5.7

Source: Euromonitor

Table 29: Selling Margin of a Typical Spirits Brand in Retail Channel that does not use Wholesalers 2012

Percent retail value rsp	2012
Retailer	29.8
Distributor	32.2
Excise	5.7
Manufacturer	32.2

Source: Euromonitor

9.1.3 Consumption tax

Table 30 depicts the income from alcoholic beverages of provincial authorities.

Table 30: Net income of provincial and territorial liquor authorities for the year ending 31 March 2013 / 2012

	2012^{r}	2013^{p}	2012 to 2013
	thousands of dollars		percent change
Canada	**6,085,566**	**6,279,173**	**3.2**

Newfoundland and Labrador	142,901	149,038	4.3
Prince Edward Island	34,253	35,572	3.9
Nova Scotia	221,595	228,032	2.9
New Brunswick	165,621	165,283	-0.2
Quebec	1,169,936	1,215,241	3.9
Ontario	2,228,369	2,280,223	2.3
Manitoba	256,024	263,689	3.0
Saskatchewan	218,663	232,215	6.2
Alberta	687,118	728,729	6.1
British Columbia	921,685	940,312	2.0
Yukon	12,734	12,704	-0.2
Northwest Territories	24,918	26,043	4.5
Nunavut	1,749	2,092	19.6

[r] revised
[p] preliminary
Note(s): Data may not add up to totals as a result of rounding.

9.1.4 Recycling fees

Deposits are charged when products are purchased. They are returned in full when the empty container is returned for recycling. These deposits are set through government legislation. See table 31 for detail on alcohol container recycling.

Table 31: Alcohol container recycling

Container example	Container type	Size	Deposit value	Recycling cost	How to recycle them	Description	What they are recycled into
	Plastic	0 - 1 L	10.0 ¢	Cost of recycling is included in price	Caps off, labels on	The familiar plastic soft drink and water bottles, including coolers and some spirits. Containers ma	Over 75 percent of the plastic bottles sold are returned. The bottles are power-washed, then shredded, then power-washed again. From there, the shredded material is sold to companies who pull, stretch and meld the shreds into fibre for new bottles and buckets. Recycling plastics uses about 1/3 less energy than manufacturing new plastic.
	Glass	0 - 1 L	10.0 ¢	Cost of recycling is included in price	Caps off, labels on	The everyday glass juice and beverage bottles, as well as wine, spirits, imported beer and coolers.	Of all the glass bottles sold in BC, 93 percent are returned. These bottles are ground down into small pieces called "cullet" and used in the manufacturing of a variety of things such as fibreglass insulation, sandblasting material and even sand for golf-course sandtraps. Ground glass can also be added to asphalt in the making of new roads.
	Plastic	> 1 L	20.0 ¢	Cost of recycling is included in price	Caps off, labels on	The familiar plastic soft drink and water bottles, including coolers and some spirits. Containers ma	Over 75 percent of the plastic bottles sold are returned. The bottles are power-washed, then shredded, then power-washed again. From there, the shredded material is sold to companies who pull, stretch and meld the shreds into fibre for new bottles and buckets. Recycling plastics uses about 1/3 less energy than manufacturing new plastic.

Container example	Container type	Size	Deposit value	Recycling cost	How to recycle them	Description	What they are recycled into
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	Bag-In-A-Box	> 1 L	20.0 ¢	Cost of recycling is included in price	Leave Bag in Box	Large "bags" of wine in a cardboard carton, usually with a spigot for in-fridge use. Both the bag an	The plastic in these containers is separated out and can be mixed with other types of plastic to make park benches, bins and other sturdy products

Excluded for recycling alcohol containers are the following:

Domestic Beer Products

- Standard Brown 341ml Beer Bottle used by Molson, Labatt and other domestic breweries
- Big Rock - 341ml Brown Bottle - All SKUs
- Sleeman - 341ml Clear Bottle - All SKUs
- Granville Island Cream Lager - 330ml Clear Bottle

Domestic Cider and Cooler Products

- Growers Cider - 341ml - All SKUs
- Okanagan Cider - 330 ml, 341ml - All SKUs
- Hawkins Amber Cider - 341ml
- Vibe Hard Cider - 341ml - All SKUs
- Mike's Hard, Mike's Not So Hard - 330ml - All SKUs
- Sting - 330ml - All SKUs
- California Cooler - 330ml - All SKUs
- Canada Cooler - 341ml - All SKUs
- Vex - 341ml - All SKUs
- Naked Grape Wine Coolers -341ml - All SKUs
- Home brew beer and wine bottles are not acceptable as they are not a part of the deposit system.[4]

9.1.5 Other relevant taxes / fees

Each of Canada's provinces has particular taxes / fees. These are subsequently briefly described:

Alberta

Alberta became the first and only Canadian province to privatise retailing, warehousing, and distribution of liquor in 1993. The Alberta Gaming and Liquor Commission (AGLC) was created in 1996, combining responsibilities of the Alberta Liquor Control Board (ALCB), the Alberta Gaming

[4] *To view the Liquor Brands Registry List access: www.return-it.ca/temp/2014422599/LDB_Apr_2014.pdf*

Commission, Alberta Lotteries and Gaming, and the Gaming Control Branch. Wine and alcohol sales in Alberta are regulated by the AGLC. The AGLC establishes the rules and defines the range of public establishments in which liquor can be sold or consumed. It registers liquor suppliers, issues licenses, inspects operation, and authorises warehousing and distribution of liquor with private operators.

According to the AGLC, if crossing the border via personal motor vehicle, 45.45L of liquor per adult may be transported across the border. If arriving by plane in Alberta, 9.09L per adult may be imported. The Canada Border Services Agency will assess all liquor charges including customs duty, excise duty, Alberta provincial mark-up and GST. Expected duties are C$3.00 per 750ml bottle of wine and C$7.30 per 750ml bottle of spirits (exclusive of GST).

Warehouses receive liquor products directly from manufacturers or suppliers. When a warehouse receives a shipment, the suppliers set a price that reflects the cost of the product (including actual cost, cost of insurance, marketing/promotion cost, transportation cost, warehousing cost, and a profit margin.

The AGLC calculates a wholesale price using the supplier's price plus federal customs and excise taxes and duties, a recycling fee, a container deposit and provincial mark-up.[vi] Only liquor stores may sell alcoholic beverages in urban areas, but unlike other provinces, they are all privately owned and operated. Recently, the province has allowed supermarkets to open attached liquor stores, but with separate entrances. Urban gasoline (petrol) stations and convenience stores may also have attached liquor stores but with separate entrances and ownership. In areas without another liquor retailer within a 15 km radius, any licensed retailer may sell beer, wine, and liquor, including convenience stores, general stores, and gasoline (petrol) stations. The AGLC has retained its monopoly over the wholesaling of imported beer, wine and distilled spirits, although the distribution of these products is done by a private contractor.

British Columbia

The beverage alcohol industry in British Columbia (BC) is controlled by the Liquor Distribution Branch (LDB) and the Liquor Control Licensing Branch (LCLB). The LDB is responsible for importation and distribution of liquor in B.C. and operates government liquor stores. It was given the sole right to purchase beverage alcohol for resale and reuse from both within B.C. and from outside the province, in accordance with the federal Importation of Intoxicating Liquors Act.

The LCLB regulates liquor service in bars and restaurants, private liquor stores, liquor manufacturers and importers, U-Brews (home brewed beers) and U-Vins (home vineyards) for personal liquor manufacturing and liquor service at catered and special occasion events. In British Columbia, alcoholic beverages may be sold only in:

- Privately owned retail stores (stores can only be operated by primary liquor license holders, such as bars, pubs and hotels, but the stores can be located off site).
- Government-owned stores.
- Rural government-appointed liquor agencies (which may be a gas station or convenience store).
- Privately owned Vintners Quality Alliance (VQA) wine stores.

In 2012, BC announced that it planned to fully privatize liquor wholesale distribution by 2015, but in September of 2012, the initiative was cancelled due to negotiations with the BC Government and Service Employees' Union (BCGEU). As of July 2010, the mark-up imposed on wine products by the BC government is 123 percent, and the mark-up on spirits is 170 percent. The mark-up, in addition to other fees (excise tax, sales tax, container recycling fee, etc.) on any given product means the BC price is approximately 180-240 percent of the world price.

Manitoba

Regulation, distribution, and sales of alcohol in Manitoba are controlled by the Manitoba Liquor Control Commission (MLCC). It was announced In April 2012 in the new budget that the MLCC and Manitoba Lotteries would be amalgamated into one entity, but until new legislation is passed, normal operation procedures will continue. The MLCC is charged with administration of The Liquor Control Act, including general control, management, and supervision of all Manitoba liquor stores. The Act empowers the MLCC to buy, import, and sell liquor; control possession, sale, transportation, and delivery, and determine places in Manitoba where stores will be established.

In Manitoba, beer, wine, and liquor may only be sold by government-owned Liquor Marts, except for hotels, which are able to sell chilled domestic beer. Manitoba is currently the only province to allow unlimited quantities of alcohol to be brought into the province via personal carriage as well as courier delivery. Manitoba is also the only province to allow an unlimited quantity of alcohol to be imported from abroad, although fees do exist above the national duty-free limit. In terms of mark-up rates, the MLCC implemented 62.2 cent increase on the mark-up rate of spirits, increasing it from approximately C$13.52 per litre to C$14.14 per litre. The mark-up rates for wine and beer are estimated at C$4.056 per litre and C$2.152 per litre, respectively.

New Brunswick

Importation, distribution, and retail activity for all beverage alcohol is controlled by the New Brunswick Liquor Corporation or Alcool NB Liquor (ANBL). Under ANBL rules, only government-owned ANBL stores or rural government-appointed liquor agencies may sell beer, wine, and liquor. However, breweries and cottage wineries may sell directly to the public if licensed to do so. New Brunswick prohibits people from bringing in more than one bottle of wine/liquor or 12 pints of beer from another province. There has been an ongoing issue of people leaving New Brunswick in search of cheap alcohol, and in 2012, ANBL introduced six discount brands of beer in an attempt to solve the issue. The provincial government is currently undergoing review of liquor rules, and there is thinking to remove barriers for the industry. However, until review and potential amendments are completed, the current limitation stands. According to the Canadian Customs Info Blog, 45 L of alcohol may be imported from abroad but are still subject to duties and taxes for quantities beyond the duty-free limit. As of July 2010, New Brunswick has mark-up rates of 137 percent for spirits, 70 percent for wine, and 82 percent for beer.

Newfoundland and Labrador

The importation, sale, and distribution of beverage alcohol within Newfoundland and Labrador are managed by the Newfoundland and Labrador Liquor Corporation (NLC). NLC is the main retailer through its corporately owned retail outlets, branded Liquor Store. Convenience stores are permitted to sell domestic beer, but wine, liquor, and imported beer, is only permitted to be sold by government liquor stores and rural government-appointed liquor agencies. NLC allows a mere 1.14 L of wine to be transported across provincial borders into Newfoundland, and this 1.14 L must be for personal use carried on person. As of July 2010, Newfoundland and Labrador have mark-up rates of C$17.576 per litre of spirits, C$11.83 per litre of wine, and C$2.028 per litre of beer.

Nova Scotia

Alcoholic beverages in Nova Scotia are controlled by the Nova Scotia Liquor Corporation (NSLC). Provincially, the NSLC is the sole distributor and runs all retail outlets selling alcohol except for four private wine shops and, in rural areas, 23 private agency liquor stores. As set forth in the Liquor Control Act, the NSLC holds sole powers to buy, import, possess, and sell liquor; control possession, sale transportation, and delivery of liquor; determine municipalities in which liquor may be sold; and prescribe regulations for governing liquor, beer, and wine possession. Liquor licensing in Nova Scotia is controlled by the Alcohol and Gaming Division of Nova Scotia. The Division is responsible for enforcing licensing requirements set forth in the Liquor Control Act. As of July 2010, Nova Scotia has mark-up rates of C$5.07 per litre of spirits, C$3.38 per litre of wine, and C$0.338 per litre of beer.

Ontario

The sale, service, and consumption of beverage alcohol in Ontario are regulated by the Alcohol and Gaming Commission of Ontario (AGCO). AGCO also administers the Special Occasion Permit program, licenses liquor manufacturers, distributors, and retail locations; and inspects according locations to ensure compliance with the Liquor Licence Act and regulations.

In addition to the AGCO, Ontario alcohol sales are controlled by the Liquor Control Board of Ontario (LCBO). While the LCBO reports to the Ontario Ministry of Finance, the LCBO is not a government agency itself, contrary to the AGCO. Although, alcohol regulatory responsibilities fall to the provincial government, the LCBO has a significant impact on regulatory decisions, especially regarding interprovincial transport, due to its large control of the Ontario alcohol industry. Brewers Retail Inc. (operating as The Beer Store), originally owned by a co-operative of Ontario brewers but now owned by multinational brewers mostly based outside Canada, is the only privately owned entity that can sell beer. Only the LCBO may sell hard liquor or wine, though it also sells beer, particularly in small markets that Brewers Retail does not serve. There are also a limited number of privately owned specialty wine stores: Wine Rack, run by Constellation Brand's Vincor Canada and The Wine Shop (formerly Vineyards Estate Wines), run by Andres Wines. The province allows Ontario wineries to maintain a fixed number of off-site retail locations under a clause that was grandfathered into legislation when the Canada-US free-trade agreement came into effect in 1989, and further allowed by WTO regulations implemented in 1995. Ontario is the only province where a winery is able to form a partnership with a grocery store to operate such retail locations.

Due to the size of the industry as well as the monopoly that the LCBO holds over the alcohol industry in Ontario, the LCBO has been able to record substantial profits in recent years. In 2012, the LCBO witnessed record sales, at C$4.9 billion, up 3.9 percent from 2011, delivering about C$1.711 billion to the government as dividends.

In June of 2011, the LCBO adopted a policy that clarified it is legal for individuals to bring up to 9 litres of wine, 3 litres of spirits, and 24.6 litres of beer into Ontario on their person from other Canadian provinces as long as it is for personal consumption. However, Ontario is yet to follow a few other provinces regarding out-of-province wine delivery. All wines delivered from outside Ontario must be through the LCBO's private ordering program and picked up at a local LCBO location; the program also allows for out-of-country imports, but due to exchange rates, LCBO mark-up rates, freight, taxes, and duty, final cost per bottle can be approximated at three to four times higher than the retail price in the country of origin. As of July 2010, Ontario has mark-up rates of 59.9 percent for spirits, 39.6 percent for wine, and C$0.676 per litre of beer. Additionally, alcoholic beverages purchased from licensed restaurants in Ontario are subject to a provincial tax rate of 13 percent, in addition to the federal GST.

Prince Edward Island

The purchase, distribution, and sale of alcohol in Prince Edward Island (PEI) are controlled by the Prince Edward Island Liquor Control Commission (PEILCC). Nineteen retail liquor stores are owned by the PEILCC as well as a warehouse and distribution center in Charlottetown. These stores are the only stores in PEI allowed to sell beer, wine, and liquors. The PEILCC is the sole importer of alcohol into PEI. For personal use, liquor may be imported from another province up to 3 litres of spirits, 9 litres of wine, or 24.6 litres of beer. From out of country, travellers may import up to 9.09 litres of alcohol above the duty-free limit. As of July 2010, PEI has mark-up rates of C$5.07 per litre of spirits, C$3.38 per litre of wine, and C$0.338 per litre of beer.

Quebec

The purchase, distribution, and sale of alcohol in Québec is controlled by the Société des alcools du Québec (SAQ). Only the SAQ may sell hard liquor. Wine (that is bottled in Québec or distributed through a Québec representative) and beer (that is brewed in Québec or imported beer that is distributed by a local brewer) can be purchased at dépanneurs (corner stores) and supermarkets The SAQ states that a person may import from another country up to 9 litres of alcohol (on their person) above the dury free limit. For amounts above 9 litres, up to 45 litres, beverages must be left at customs and may be picked up after contacting the SAQ’s Customs and Excise Services to pay customs duties, mark-up, and taxes. As of July 2010, mark-up rates are C$0.89 per litre of wine and spirits, except for brandy, which is 124 percent. The mark-up rate for beer is C$0.40 per litre. There are currently no regulations that allow for alcohol to be casually imported across provincial borders, but this may soon change due to industry and government review.

Due to the size of the SAQ and tight regulations, the SAQ has been able to record huge profits. Overall sales at SAQ stores in 2012 reached C$2.907 billion, up 4.1 percent from 2011. The Régie des alcools, des courses et des jeux (RACJ) is the board established by the government of Québec to regulate the alcohol, lottery, publicity contests, gambling, racing, and combat sports industries. While the SAQ is responsible for sales and distribution of alcohol in Québec, the RACJ exercises more control on the regulatory aspects of alcohol in the province.

Saskatchewan

Distribution, control, and regulation of alcoholic beverages are controlled by the Saskatchewan Liquor and Gaming Authority (SLGA). It runs the government monopoly and liquor sales in the province and is the main distributor of and sole licensing agent for the sale of alcohol in Saskatchewan. The government decided in 2005 to authorise the SLGA to allow off-sale establishments in the provinces to sell hard liquor to consumers, in addition to cold beer and wine. The decision made Saskatchewan the third Canadian province, Alberta and British Columbia the first and second, to allow private business owners to sell all types of alcohol-containing beverages for off-premises consumption. The government decided, however, that the network of government-owned liquor stores would not be dismantled, as was done in Alberta. It also decided that, in order to limit the number of private outlets, it would not adopt the model used in British Columbia, where "stand-alone" privately owned retail outlets have opened. All Saskatchewan off-sale outlets are attached to a licensed "on-sale" establishment. The government also decided that the off-sale outlets would be required to purchase all of their spirits from the SLGA, at government store prices, the same prices as for any other consumer (in contrast to British Columbia, where the private stores receive a 13 percent discount). Finally, the government decided that the franchise-style territorial restrictions that limit the number of off-sale outlets in Saskatchewan's two largest cities (Saskatoon and Regina) would remain in place. The government elected in 2007 further rejected privatization of the SLGA. Currently, only hotels, government-owned stores, and rural private/government liquor stores (contractors) may sell beer, wine, and liquor. There is also a 10 percent liquor consumption tax, in addition to the federal GST. As of July 2010, the mark-up rates are C$13.8242 per litre of spirits, C$2.9068 per litre of wine, and C$1.352 per litre of beer.

The alcohol industry in Saskatchewan is primarily regulated by the Alcohol and Gaming Regulation Act, 1997 and the Alcohol Control Regulations, 2002. In November of 2012, the government announced 77 various changes to the liquor regulations regarding new business opportunities, increased business flexibility, reduction in regulatory requirements, simplified procedures.[vii]

Icewine

In February 2014, after extensive consultation, the Government of Canada is introducing regulatory amendments that will help Canadian icewine producers expand export markets and protect consumers from fraudulent products. Primarily, the amendments will create a new national standard for icewine. These amendments also change the way information is displayed on wine containers and includes minor text amendments to the *Food and Drug Regulations* and to the *Consumer Packaging and Labelling Regulations*. The new national standard requires icewine to be made exclusively from grapes naturally frozen on the vine. The definition of how icewine is produced will demonstrate that icewine produced in Canada meets international standards. These new wine labelling rules are designed to ease trade with the World Wine Trade Group's participating countries. For more information, refer to Chapter 10 of the Canadian Food Inspection Agency's *Guide to Food Labelling and Advertising.*[viii]

9.2 Wine standards

Safe winemaking program

With support from the federal government, the CVA has been working on the development of a voluntary comprehensive Hazard Analysis and Critical Control Point (HACCP) – based safe winemaking program for the wine industry. This toolkit is a systematic preventive approach to food safety that seeks to reduce and eliminate physical, chemical, and biological hazards. The system is used at all stages of wine production (packaging, distribution, etc.) with regular CVA workshops to support industry implementation. The approach taken by the CVA is line with Canadian Food Inspection Agency inspection modernization initiative which determines the inherent risk associated with the regulated importer/processor/winery and determines the conditions of the licensing/registration and the level of oversight based on risk. One of the license conditions is that the winery has a preventative control plan in place, which is in line with the CVA's Safe Winemaking Program. The program launched in the first quarter of 2014.

Counterfeit products

As is the case with so many high quality and marquee products, counterfeit wine products have escalated around the world. The challenges of assuring genuine Icewine production include: strict regulations to protect product authenticity; hanging the grapes until harvest; harvest temperatures below -8C; and harvesting and pressing the grapes in a continuous process while they remain naturally frozen. To stop the growth in counterfeit Icewine the CVA has been working to define Icewine in federal law as wine exclusively made from grapes naturally frozen on the vine, to enhance Canada's reputation and brand for quality Icewine and facilitate consumer protection and trade of Icewine both in Canada and around the world. The CVA has been working towards an Icewine definition/standard to protect the integrity of genuine Icewine in domestic and international markets.

9.3 Labelling requirements

In Canada, the labelling of alcoholic beverages is subject to both the Consumer Packaging and Labelling Act and the Food and Drug Regulations. All labels must be in both English and French. Information required to be shown on the label includes:

Common name (excluding Rum, Whisky, Rye Whisky, Geneva Gin, etc)

In Canada's Food and Drug Regulations, common names for alcoholic beverages are those names that are found in bold in Division 2. Common names must be shown on the principal display panel of the container in both English and French using a font that is no less than 1.6 mm in height based on the lowercase "o."

Net quantity

According to Canadian regulations, thL quantity of all liquids must be declared in units of volume. Millilitres are shown as ml, ml, or mℓ while litres can be shown as L, l, or ℓ. No punctuation follows these symbols. All of these symbols are considered bilingual. Net quantity is to be shown on the principal display panel of the container in both English and French using a font that is no less than 1.6 mm in height based on the lowercase" m" in "millilitres."

Alcohol by volume

The percentage of alcohol by volume must be included in labelling of all products with an alcohol content of over 1.1 percent alcohol by volume. The alcohol percentage by volume must be shown followed by the words "alcohol by volume" or "alc./vol." Examples are "5 percent alcohol by volume" in English or "5 percent d'alcool par volume" in French. The phrase "X percent al./vol." is bilingual. The percentage belongs on the principal display panel of the container in both French and English using a font that is no less than 1.6 mm in height based on the lowercase "o."

Name and address of dealer

This includes the registered name and principal place of business for the company that is selling the beverage or for whom the beverage is being sold. This information should include city/town and state or country. For products from the US, naming the state is sufficient and the country name does not need to be listed. This information can be shown on any label, except on the bottom of the container, in French or English using a font that is no less than 1.6 mm in height based on the lowercase "o." When the label shows the name and address of the product's Canadian dealer, details must be preceded by either "imported by/importé pour" plus the geographic origin. This information must be at least as large as the dealer's name and address.

Origin claims

Common names under Division 2 of the Food and Drug Regulations may contain additional requirements for country-of-origin labelling. Please consult the description for your product. Wine must have a declaration of origin on the main display label. It can be written as either "Product of the US" or "American Wine" provided that at least 75 percent of the juice used was grown in the US and the wine is fermented, processed, blended, and finished there. In the case of blended wines, 75 percent of the finished wines used should have been grown, fermented, and processed in the US.

List of ingredients

Any product without compositional standards listed in Division 2 of the Food and Drug Regulations is considered an unstandardized alcoholic beverage and must show a full list of ingredients and components. Standardized beverages, including vodka and wine do not have to provide a list of ingredients. Beverages above 0.5 percent alcohol by volume are exempt from having to display a Nutrition Facts table, unless sucralose, aspartame, or acesulfame-potassium is used or a nutritional claim is made about the product. This information is to be shown on any label, except on the bottom of the container, in English and French using a font that is not less than 1.6 mm in height based on the lowercase "o."

Allergen labelling

In February of 2011, Health Canada published amendments to the Food Allergen Labelling Regulations in the Canada Gazette, Part II. According to Health Canada, the following allergens must be listed on a label if they are an ingredient, a component of an ingredient, or have come into contact with the product: almonds, Brazil nuts, cashews, hazelnuts, macadamia nuts, pecans, pine nuts, pistachios, or walnuts; peanuts; sesame seeds; wheat and triticale; eggs; milk; soybeans; crustaceans (common name of the specific crustacean); shellfish (common name of the specific shellfish); fish (common name of the specific fish); mustard seeds; or gluten sources including gluten protein, modified gluten protein, or gluten protein fractions from barley, oats, rye, triticale, or wheat (or a hybridised strain of any of these cereals.

Any amount of sulphites must be declared if they are added directly to the final product or are a component of an ingredient that must list its components. If an ingredient is exempt from listing its components, but the level of sulphites in the final product is 10 parts per million or higher, sulphites must still be listed on the label. Allergens must be listed in clear and consistent language, either in the ingredient list or in a separate statement that begins with "Contains." The labelling must not be on the bottom of the package. Currently, beer that meets the compositional regulation in the Food and Drug Regulations and is considered "standardised" is exempt from the new allergen regulations. However, Health Canada is still examining the situation, and this could change. Standardised wine and spirits do not have to list ingredient, but will have to list allergens.[ix]

Food allergies affect an estimated 3 to 4 percent of Canadian adults. Consumers depend on the information provided on the label to avoid allergen, gluten sources and added sulphites in pre-packaged food. The CVA supports measures which provide consumers with meaningful information based on sound scientific information about the beverages they purchase. In concert with its members, federal officials and international wine experts, the CVA has completed a "Best Fining Practice Guidance for Wine" to meet federal allergen labelling requirements, while ensuring that there are no residual proteins in wine. Our efforts succeeded in exempting all wines sold in Canada with a vintage date of 2011 or earlier from the new allergen labeling requirements. All producers with non-vintage dated wines and wines with a vintage date of 2012 and later, must ensure that these wines sold on 4 August 2012, and thereafter are in compliance with the new Canada Allergen Labelling Regulations.

Durable life date

The "Durable Life Date" or "Best before Date" must be shown if a product is only good for 90 days or less.

Images

Images used on the label of any alcoholic beverage must not be misleading. For example, the CFIA says that if an image is used to depict the flavour of the product (ex. grape) but artificial flavouring is used instead of natural flavouring, this must be noted on the label somewhere.

9.5 Importing

9.5.1 Certificates

The Canadian Border Services Agency (CBSA) is responsible for duties and tariffs in Canada.[x] The following is a typical list of documents that may need to be presented in order for the imported product to be released from Customs:

- Two copies of the cargo control document (Bill of Lading), which may be obtained from the carrier or freight forwarder.
- Commercial invoice: Two copies of an invoice which helps support the value of the goods. The invoice should include:
  - Information regarding the importer and exporter
  - A description and value of the goods
  - The country of origin and the destination of the goods
  - The currency of settlement.
  - A Canada Customs' invoice or a commercial invoice containing all the required information is necessary for goods with a value of US$1600 or greater. An additional copy of the invoice is required in cases where the importer or broker intends to transmit the final accounting data through Customs Automated Data Exchange (CADEX).
- Two copies of a completed B3 form. A third copy is required if the shipment is valued over US$1,600.
- Customs import declaration: Permits, certificates, licenses or other documents that are required by the Canada Customs and Revenue Agency.[5]

9.5.2 Procedures

What does it take to export to Canada? According to data collected by Doing Business, importing a standard container of goods requires three documents, takes 10 days and costs US$1680. Globally, Canada stands at 45 in the ranking of 189 economies on the ease of trading across borders. The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Canada to export and import goods (see tables 32 and 33).

Table 32: Summary of procedures and documents for trading across borders in Canada

Indicator	Days
Documents to import (number)	3
Time to import (days)	10
Cost to import (US$ per container)	1.680

Table 33: Procedures of import: Duration and cost

Nature of Import Procedures	days	US$ Cost
Documents preparation	3	205
Customs clearance and technical control	1	75

[5] *This list is by no means exhaustive and is simply included for information purposes; as such, importers are urged to contact their broker for confirmation of proper documentation required.*

Ports and terminal handling	2	650
Inland transportation and handling	4	750
Totals	10	1,680

Source: Doing Business, 2014

Beverage alcohol must be imported into Canada through a liquor board or commission in the province where the product will be sold / consumed. Generally speaking, exporters must have their products "listed" by the liquor control agency in each province individually. The liquor board or commission usually serves as the importer of record and along with the registered agent coordinates the importation of the product. In most provinces, it is necessary to have a registered local agent who can assist in obtaining a provincial liquor board listing. Agents also obtain label approvals and any other issues on behalf of the exporter.

9.6 Government support

The Canadian government provides grants to the wine industry but these are not the only subsidy programs available for winery business from the Canadian government. Winery business owners can also seek loans from the government and get the necessary funds for their businesses. These are business grants and business loans, with which, the government financially assists and supports business ventures, whether a winery business or any other business venture. An example of a grant is the C$1.9 million grant from Agriculture and Agri-Food Canada to the Grape Growers of Ontario and Brock University’s Cool Climate Oenology and Viticulture Institute (CCOVI) for research that has supported the country’s grape and wine industry. Of the total funding, C$1.45 million came from the Government of Canada’s Developing Innovative Agri-Products program. The remaining funding came from the industry. This strategic investment between the Government of Canada, Ontario grape growers and Brock University provided a platform from which Brock’s world-class research was further extended into the country’s grape-growing and wine-making communities. By addressing the industry’s priorities, it helped to make the country’s grape and wine industry more innovative and competitive.

The provinces each have their own set of support ventures. For example, Ontario is making it easier for consumers to choose Vintners Quality Alliance (VQA) Ontario wine by expanding the LCBO's new "Our Wine Country" destination boutiques and allowing VQA wines to be sold at farmers' markets through the renewed Wine and Grape Strategy. The C$75 million Wine and Grape Strategy will support local wineries and help the sector grow by:

- Creating a program that would allow VQA wines to be sold at farmers' markets.
- Establishing an Ontario Wine Fund to support key winery and vineyard investments, such as specialised equipment and machinery, and enhanced marketing for the province's wines locally and globally.
- Creating a Wine Secretariat to be a one window point for discussions between the province and industry and identifying ways to reduce red tape to help make grape growers and wineries more competitive.

Launched in 2009, the strategy has supported significant growth in the sector, including doubling the number of VQA wineries, creating 2,000 direct jobs, record grape production, and the development of prime tourist destinations, from the Niagara Peninsula to Prince Edward County and Lake Erie North Shore. Strengthening the grape and wine industry is part of the Ontario government's economic plan to invest in people, build modern infrastructure and support a dynamic and innovative business climate.

- The province is investing C$75 million over five years through the Ontario Wine and Grape Strategy.
- Located inside selected full-sized LCBO stores, Our Wine Country boutiques offer an expanded selection of VQA wines, helping elevate the profile of products from smaller local wineries, with more than 500 wines from across the province available.
- VQA wines are crafted entirely from Ontario grown grapes and must adhere to rigorous winemaking standards.
- Ontario's wine and grape industry contributed an estimated C$3.3 billion to the province's economy in 2011.
- VQA wine sales in Ontario have increased by C$100 million since 2008 — from C$168 million in 2008 to C$268 million in 2013.
- The Wine Secretariat is led by Premier and Minister of Agriculture and Food Kathleen Wynne and Jim Bradley, MPP, St. Catharines.

9.7 Barriers to trade / technical barriers

9.7.1 International barriers

As Canada's wine industry expands, the potential for export opportunities continues to grow. Building its export potential and addressing restrictive trade barriers will require cooperation between the CVA, the Canadian government and international organizations to gain advantageous market access around the world. Canadian wines continue to face substantial competition in the international market from established wine-producing countries and cannot afford to be hindered by restrictive trade practices.

9.7.2 VQA Trademark Certification

Protection of the certification mark VQA (Vintners Quality Alliance) in key international markets indicates that these wine products are of a defined standard and quality. Trademark protection in more target markets, in particular Asian markets, are critical where counterfeit products are prevalent. On behalf of VQA Canada, the CVA has achieved approval for the "VQA" certification mark in several key export markets. The countries in which certification is being pursued matches the industry's export priorities. Failure to diligently protect the "VQA" mark could result in loss of control in domestic and key export markets.

9.7.3 Domestic trade barriers

Better positioning Canada to compete for market opportunities requires action at home. A fragmented regulatory environment for internal trade and commerce continues to restrict business potential across Canada. The authority to operate provincial liquor boards is based on federal law enacted in 1928, the Importation of Intoxicating Liquors Act (IILA), which requires that all wine, beer and distilled spirits be purchased by or on behalf of the provincial government and be consigned to the provincial government upon entry into the province. Under the current system, it is technically illegal in most jurisdictions to have wine shipped directly from a winery in another province.

9.7.4 Winery-to-consumer delivery

Since 2007, the CVA has advocated for changes to the Intoxicating Liquors Act (IILA), and in June 2012, Bill C-311 "An Act to Amend the Importation of Intoxicating Liquors Act" received Royal Assent. After more than 80 years, the federal House of Commons and the Senate unanimously supported amendments to the IILA, making it legal to personally transport or have wine shipped across a provincial border for personal consumption. While federal law supports the removal of restrictions in provinces that prohibit consumers from purchasing wines directly from out-of-province wineries, most provincial governments continue to restrict winery-to-consumer delivery across provincial borders.

9.7.5 Free My Grapes: Helping Consumers Facilitate Choice in Wine

Free My Grapes is a national, grassroots coalition of Canadian consumers who seek to remove restrictions in provinces that still prohibit consumers from purchasing wines directly from wineries.[xi] (Brief from the alliance of Canadian wine consumers to parliament.): “While this shift in domestic tastes represented an opportunity for Canadian wine-makers, it also came at a time when import competition was intensifying, as recently-inked free trade agreements meant that many of the protections once afforded to the industry were being phased out. In response, Canadian wineries reinvented their product by switching to higher quality grapes and by developing the Vintners Quality Alliance (VQA) into an effective quality assurance and marketing tool. Improvements in equipment and industry consolidation also helped bolster productivity. However, despite stellar growth at domestic wineries, imports gained market share during this period, probably because foreign producers had the capacity to respond more rapidly to rising demand in Canada.”

10. WINE INDUSTRY

At 0.04 percent of GDP, the Canadian wine industry is quite small; being constrained to the few areas in the country where the growing season is long enough for grapes to reach maturity. Nearly two-thirds of the country’s vineyard acreage is located in Ontario, with the rest concentrated in British Columbia with only smaller operations in other provinces.

10.1 Areas under vines

The area under vine has remained mainly constant over recent years. Grape wines are produced in six provinces across Canada namely British Columbia, Ontario, Quebec, Nova Scotia, New Brunswick and Prince Edward Island. The largest areas of production are Ontario and British Columbia, with increasing production in Quebec and Nova Scotia. Canada has 474 vitis varieties (OIV, 2014).

Roughly 500 grape-based wineries are in operation with almost 1,700 grape growers / vineyards across Canada, producing fruit on approximately 11 958 hectares of vineyards. After growing in line with the broader economy during the 1980s and early 1990s, the wine industry shifted into a higher gear, growing an average of more than 11 percent per year between 1995 and 2004. This expansion was driven by a gradual but significant shift in Canadian consumer tastes.

The Canadian wine industry directly employed 3,850 people in 2011, in addition to 14,400 indirectly employed by the wine industry. Canadian winery employment more than doubled since 2000. Between 2000 and 2011, annual industry employment grew at an annual rate of 10 percent, compared to a decrease of almost 2 percent per year for the Canadian manufacturing sector as a whole (Statistics Canada and Canadian Vintners’ Association).

10.2 Production

For wine, there are two main regions: British Columbia in the south-west and Ontario in the south-east. They differ in climate and the styles of wine they produce. They are united, however, in that their microclimates depend on lakes, and that many of the wines have a strong French accent.

- British Columbia is home to 221 wineries spread over nearly 3 964 hectares. The most important wine growing area is the Okanagan Valley which runs north to south, 300km east of Vancouver, around Lake Okanagan. The main varieties here are Pinot Gris and Chardonnay for whites, Merlot and Pinot Noir for reds. Some wineries can even reliably ripen Cabernet Sauvignon. Irrigation is essential; it is so dry that some of the valley is officially classified as desert.
- By far the largest region however is Ontario to the east. Although it has fewer wineries at just 134, they cover over 6,900 hectares. The vineyards are planted around the shores of Lake Ontario, particularly in the bulging Niagara Peninsula that splits the lake in two. They tend to grow varieties more in keeping with their cooler climate; mostly Chardonnay, Riesling, Pinot Noir and Cabernet Franc. Many of them reminded me of French wines with the volume turned up a notch. Ontario is where 90 percent of Canada's Icewine is produced, but what is less well-known is the quality of their sparkling wines.
- Sparkling wine is also produced in Nova Scotia, east in the Atlantic. It is even colder than Ontario and is about all that can be grown. There are still some sparkling wines made from hybrids like L'Acadie, but throughout the whole of Canada, most quality-minded producers concentrate on Champagne varieties and ferment the wines in bottle.

In terms of producers, British Columbia and Ontario lead in total number of wineries, with British Columbia at 212 and Ontario at 130 (see table 34). These two provinces are home to 79 percent of all Canadian wineries (see table).[6]

Table 34: Number of Canadian Wineries (2006 – 2012)

Province	2006	2007	2008	2009	2010	2011	2012
British Columbia	136	134	154	170	176	212	221
Ontario	99	99	108	123	125	130	140
Quebec	50	50	52	53	51	67	120
Nova Scotia	6	6	6	7	12	13	20
New Brunswick	4	4	4	7	6	6	6
Newfoundland and Labrador	2	2	2	2	2	2	2
Saskatchewan	0	0	0	1	1	1	1
Alberta	1	1	1	0	0	0	0
Total	299	297	328	364	374	432	510

In British Columbia, the number of wineries continues to increase (British Columbia Wine Institute[7]). Many wineries continue to invest despite high land prices and the economic climate. Additionally, winemaking expertise has increased, along with quality of product, thereby attracting world-class winemakers. Local growers are becoming more confident in the quality and value of British Columbia Wine Authority (BCWA) wines and are, therefore, venturing into the retail side of the business. This year, vineyards in British Columbia struggled with a wet spring, but the weather turned friendly in August and September and producers are now reaping a solid harvest.

In Ontario, for 2012 as a whole, winery output grew modestly after surging nearly 10 percent to a record high in 2011. Value-priced imports continue to be aggressive in the Canadian market. In addition, the price of BC Vintners Quality Alliance (VQA), the region's designation of quality, authenticity and origin) wine is up, and the local market is paying. The BC Wine Institute reports that

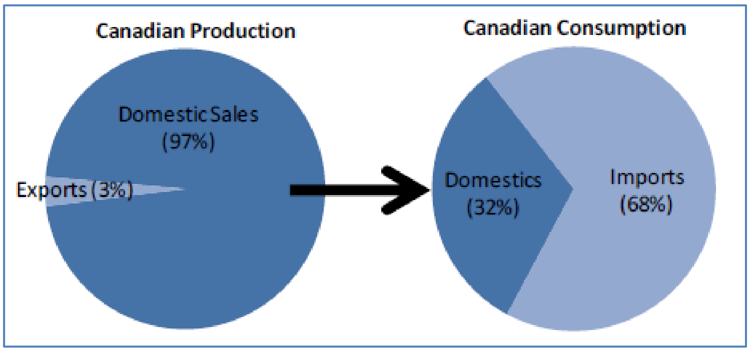
[6] The Winery & Grower Alliance of Ontario (WGAO) is a trade association representing leading wineries and grape growers in the province. WGAO members represent some 85 percent of the wine produced in Ontario and purchase 85 percent of the grapes grown by independent grape growers. www.wgao.ca

[7] Since 1990, the British Columbia Wine Institute (BCWI) has played a pivotal role in taking BC's wine industry from a vision to an internationally recognized niche region producing premium wines and providing quality wine tourism experiences. Representing 133 member wineries throughout the Province, the BCWI supports and markets the Wines of British Columbia (BC VQA), which gives consumers assurance they are buying a wine that is 100 percent from BC.

at fiscal year ending March 2011, BC VQA dollar sales were up 6 percent from 2009/2010 (Wine Business).

Producing quality wines in Canada is not cheap: Land prices are steep, labour costs are high, and cooler climates tend to result in smaller crops. Wines will also be judged against other countries on value. Most of the wine consumed in Canada is imported but Canada is now very strong on the production side and domestic wines are getting more popular (Vinexpo, 2012).[8] While domestic wineries produce around a third of the wine consumed by Canadians, they export very little[9] (see figure 2). Nearly three-quarters of imported wines come from France, Italy, the US and Australia.

Figure 2: Wine production and consumption by value, 2010



Source: Statistics Canada

While no data is readily available regarding Canadian wine production, calculations were made based on other data from Statistics Canada. It is estimated that Canada produced C$2 billion worth of wine in 2012 up from C$1.7 billion in 2008. This indicates growth is occurring at a steady rate as annual production growth averaged 4.6 percent over the past 5 years (see table 35). According to the Wine, Beer, and Spirits Practice at the Canadian Department of Foreign Affairs and Trade Development (DFATD), Canadian annual domestic production averages around 130 million litres, of which 30 million litres is 100 percent Canadian content.

Table 35: Domestic Wine Production (finished wine only)

Value (C$)	2008	2009	2010	2011	2012
	1.666.313.776	1.800.040.845	1.846.545.143	1.917.236.334	1.995.066.292

Roughly 94 percent of Canadian wineries producing VQA / 100 percent Canadian wine products are considered small enterprises with a capacity of less than 500,000 litres. Another 5 percent are medium-sized producers (500,000 litres – 1 million litres) and the remaining 1 percent of domestic wineries are large producers with production exceeding 1 million litres per year.

10.3 Imports and Exports

In the last few years, Canada has positioned itself as one of the most attractive markets for wine exports. Although beer is traditionally the most important alcoholic drink, there is a significant change in Canadians' consumption habits. In this scene, wine appears on stage, being increasingly

[8] The Canadian Vintners Association (CVA) is the national voice of the Canadian Wine Industry representing more than 90 percent of annual wine production. CVA members are engaged in the entire wine value chain from grape growing, farm management, grape harvesting, research, wine production, bottling, retail sales and tourism.
[8] Consumption figures refer to total sales of domestic and imported alcohol by liquor authorities.

consumed by Canadians. It has been the alcoholic beverage more dynamic in terms of retail sales especially in 2014. It reached a year-to-year growth of 5.9 percent in value, leaving beer behind, with an increase of 0.6 percent, according to data from Statistics Canada. One of the most interesting data coming from Statistics Canada is the success of imported wines in 2013, sales of which surged by almost 7 percent in relation to the 4 percent of local wines, in value (see table 36).

In Canada, the authority to import and distribute alcohol rests with the provincial governments. Four provinces — Quebec, Ontario, Alberta, and British Columbia — make up 94 percent of the wine market. Though its wine imports decreased from 2011 to 2012, Quebec remains the largest importer of wine, at approximately 37 percent of Canada's overall wine imports. However, in terms of imports from the US, Ontario is the largest market, at approximately 37 percent of Canadian wine imports from the US.

Table 36: Canadian Imports of Wine — Provincial Breakdown (Value in US$)

	2010	2011	2012	% growth 2011 / 2012
Quebec	642.081.110	756.671.223	732.924.983	-3.1
Ontario	549.538.436	591.835.463	631.512.054	6.7
Alberta	235.809.198	268.687.865	293.225.278	9.1
British Columbia	173.466.367	181.388.198	197.874.781	9.1
Nova Scotia	29.139.359	33.741.686	32.890.916	-2.5
Manitoba	25.720.942	30.683.174	32.017.415	4.4
Newfoundland & Labrador	14.757.249	16.407.452	19.374.174	18.1
New Brunswick	15.188.417	14.378.348	17.221.507	19.8
Saskatchewan	12.461.565	13.489.590	15.283.707	13.3
Prince Edward Island	2.873.857	3.639.741	3.375.246	-7.3

Source: Global Trade Atlas, HS 2204

The growth in volume of imported wine (+4.5 percent) outpaced the growth of domestic wine (+2.8 percent) in 2012. Volume of imported wine in 2012 totalled 376.8 million litres valued at US$1.97 billion (CVA). Top 10 import markets in 2012 were France, Italy, the US, Australia and Argentina, Spain, Chile, New Zealand, South Africa and Portugal representing 97.0 percent of import volume (CVA). Italy's taking over from France as Canada's leading wine supplier is ascribed to the popularity of Italian food. American, Chilean and Spanish wines gained ground in the Canadian market in the five-year period from 2007 to 2011 with growth of 42.75 percent, 25.12 percent and 26.82 percent respectively. New Zealand has become the eighth-largest supplier of wines to Canadian consumers, almost doubling between 2007 and 2011 (see table 37 for a list of exporters of wine to Canada).

Table 37: List of supplying markets for wine imported by Canada: Volume and Value, 2012

Exporters	Trade Indicators									
	Imported value 2012 US$ '000	Trade balance 2012 US$ '000	Share in Canada's imports (percent)	Imported quantity 2012	Quantity unit	Unit value (US$/unit)	Imported growth in value between 2008-2012 (percent, p.a.)	Imported growth in value between 2011-2012 (percent, p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (percent)	Total export growth in value of partner countries between 2008-2012 (percent, p.a.)
World	1975770	-1930815	100	376796	m^3	5244	8	3		100	5
France	438070	-437465	22.2	61516	m^3	7121	4	0	1	30.5	3
Italy	394952	-394946	20	72030	m^3	5483	9	3	2	18.2	5
US	374701	-357163	19	56079	m^3	6682	17	14	6	4.2	12
Australia	237948	-237706	12	49506	m^3	4806	-1	-6	4	5.9	-1
Argentina	106363	-106363	5.4	27347	m^3	3889	14	6	9	2.8	11

Spain	101661	-101651	5.1	38336	m^3	2652	14	2	3	10	4
Chile	98963	-98921	5	24188	m^3	4091	5	-1	5	5.4	8
NZ	71021	-71021	3.6	7713	m^3	9208	21	15	8	3	13
South Africa	49663	-49663	2.5	20592	m^3	2412	5	11	11	2.2	0
Portugal	49212	-49195	2.5	8213	m^3	5992	4	-5	10	2.8	3
Germany	33503	-33295	1.7	6428	m^3	5212	4	3	7	3.8	5
Greece	4656	-4652	0.2	916	m^3	5080	9	11	22	0.3	2
Hungary	3865	-3865	0.2	958	m^3	4033	3	18	23	0.2	-5
Israel	1552	-1552	0.1	155	m^3	10013	9	-19	35	0.1	9
Macedonia	1080	-1080	0.1	1223	m^3	883	92	97	25	0.2	12

Source: ITC calculations based on UN COMTRADE statistics.

Table 38: List of supplying markets for wine imported by Canada: Value, 2012

Exporters	**Imported value in 2009** US$ '000	**Imported value in 2010** US$ '000	**Imported value in 2011** US$ '000	**Imported value in 2012** US$ '000	**Imported value in 2013** US$ '000
World	1464498	1699530	1914566	1975770	2025083
France	352566	374288	438555	438070	454930
USA	205040	268703	329364	374701	417958
Italy	286812	339713	384360	394952	403470
Australia	221041	250395	252895	237948	218960
Spain	65972	78318	99910	101661	106438
Argentina	84469	100000	100059	106363	99655
Chile	83669	96987	100210	98963	96393
New Zealand	37208	48880	61719	71021	75422
Portugal	45219	48749	51980	49212	53193
South Africa	40292	45982	44555	49663	46192
Germany	26584	30248	32404	33503	33595
Greece	3833	3881	4202	4656	4866
Hungary	3655	4497	3283	3865	3330
Israel	1018	1481	1921	1552	2159
Romania	916	1079	1194	1077	1180

Source: ITC calculations based on Statistics Canada statistics since January, 2013.

With so much domestic demand for a small volume of local production, why are Canadian wine producers bothering to export at all? There are several reasons. Firstly, prestige and then the domestic market is difficult to penetrate. All but one Canadian province operates what amounts to state monopolies on drinks retail stores. One Ontario producer explained *"our market is not fantastic... we have a big monopoly. They run us down on pricing...it's prohibition style, absolutely ridiculous."* No wonder they're keen to sell elsewhere. Furthermore their Icewine dominance may soon be coming to an end. China's vineyards have been planted expressly to produce Icewine come on stream they will be able to swamp the international market with inexpensive Icewine and undercut Canada's retail price significantly.

Exports of Canadian wine reached a high of 26.2 million litres in 2012, valued at C$41.2 million. Exports of Canadian wine have grown from C$20.3 million dollars in 2008 to C$41.2 million dollars in 2012. The top 10 exports markets in 2012 were China, the US, South Korea, Hong Kong, United Kingdom, Singapore, Japan, Russian Federation, Taiwan and Malaysia, representing 99.7 percent of export sales volume. Ontario exports the majority of wine at approximately 52 percent of Canadian exports in 2011 (see table 39).

Table 39: List of importing markets for wine exported by Canada: Value, 2009 - 2013

Importers	Exported value in 2009 US$ '000	Exported value in 2010 US$ '000	Exported value in 2011 US$ '000	Exported value in 2012 US$ '000	Exported value in 2013 US$ '000
World	18623	28207	41245	44955	55044
United States of America	7391	10250	18562	17538	23675
China	4399	8887	10690	16701	17525
Hong Kong, China	703	2249	2568	1452	2901
Russian Federation	11	13	5	842	2885
Korea, Republic of	1373	1572	1841	2004	2181
Japan	572	648	976	1140	1575
Singapore	1026	971	1251	997	850
United Kingdom	553	1126	1963	1308	820
Taipei, Chinese	333	618	805	739	577
Switzerland	1181	500	167	103	398
United Arab Emirates	93	257	124	125	210
Malaysia	205	175	237	472	203
Cuba	5	8	60	6	174
France	35	297	1113	605	165
Germany	79	156	83	208	126

Table 40: List of importing markets for wine exported by Canada: Volume, 2009 - 2013

Importers	2009	2010	2011	2012	2013
	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Cubic meters	Exported quantity Cubic meters
World	11063	15139	22909	26791	42316
United States of America	10123	14223	21364	25032	40315
China	342	462	865	986	1404
Japan	23	47	45	81	217
Cuba	1	2	12	1	76
Russian Federation	0	0	0	19	68
Hong Kong, China	33	172	97	90	51
South Korea	40	23	28	81	37
United Kingdom	56	45	253	343	24
Taipei, Chinese	9	24	31	21	17
Switzerland	351	12	4	3	16
Singapore	22	18	21	12	13
Germany	7	17	6	23	11

Source: ITC calculations based on Statistics Canada statistics since January, 2013

Icewine is Canada's main wine export in terms of dollar value. It provides 45 percent of Canada's wine export revenue while only consisting of 1.2 percent of Canada's wine export volume. The volume exports of Canadian Icewine in 2012 totalled 222,716 litres valued at C$15.5 million. The top 15 importers of Canadian Icewine are China and South Korea followed by Singapore and then Hong Kong, Taiwan, Japan, the US, the UK, Malaysia, Franca, Australia, the UAE, Switzerland, Thailand and

Panama.[xii] There is an increasing demand for Canadian Icewine in China. In 2012, Canada exported nearly C$8.6 million worth of Icewine to China, representing 55 percent of all Canadian Icewine exports (2013).[xiii]

10.4 Stock situation

Canada is one of the few wine-producing countries to consume more wine from countries other than their own.

10.5 International position

Canada is a small player by world standards and Canadian wine producers face intense and intensifying competition within the domestic and international market. The demand side of this market is dominated by a small number of large provincial monopoly retailers. The supply side comprises a small number of substantial firms that account for ninety percent of total wine production and a large number of very small wineries. The Canadian competitive environment is characterised by strong historical reputations of (and consumer preferences for) Old World wines, economies of scale and technology associated with New World wines, stable per capita wine consumption patterns, rapid increases in both the number of domestic wineries and land under viticulture, and an inexorable shift within production to higher quality product.

The Canadian industry will need to accord a higher priority to exporting so as to find a destination for its increasing capacity, to reduce its vulnerability to domestic monopolistic clients, and to obtain yet greater credibility domestically. Currently, the value of imports of wine to Canada is one hundred times the value of exports. While export growth has stalled at about C$10 million since 1997, exports of related products (such as cider, fruit wines, perry, mead and hard lemonade) have increased from C$10.7 million in 1998 to C$80.2 million in 2000 (Agriculture and Agri-Food Canada 2002a). These increases in exports of related products beg the question of why exports of wine remain stagnant.

Until early in 2001, Canada’s primary wine export, Icewine, had been barred from the EU and, until recently, the EU also limited access of Canadian table wines to 100,000 hectolitres. These restrictions have now been dropped for those Canadian wines that meet the same winemaking standards as EU wines. Both Ontario and BC are mandated to certify table wines and Icewines for EU access. However, hurdles continue to limit access to the EU market because of production and labelling entry regulations. Hence, augmenting wine exports would be a significant change in strategic direction for the industry and would be especially difficult for the large number of small Canadian winery businesses.

In the context of the international wine market, it is clear that secondary markets are a growing priority e.g. the growth of smaller wine exporters e.g. Chile and South Africa as priorities. These are markets with lower volumes, but with better pricing and greater growth prospects. That would give Canada opportunities to diversify exposure to different currencies.

International suppliers are increasingly prioritising Canada as a key export market. France facing excess supply, Australia is looking to replace dependence on the US and the UK, the US enjoys strong export pricing to Canada and Chile (esp. Concha y Toro) is emphasising the Canadian market.

The opportunities for exporters to Canada include the following:

- Sixth largest wine importer in the world.
- Total wine consumption (at 400 million litres) has grown 30 percent over past 5 years.

- Strong average pricing.
- Value growth has been outpacing volume growth.

Equally there are challenges:

- Relatively small market.
- Access (LCBO, SAQ).
- Fragmented market.
- Marketing costs.

Many wineries continue to invest despite high land prices and the economic climate. Additionally, winemaking expertise has increased, along with quality of product, thereby attracting world-class winemakers.

10.6 Wine industry structure

Distribution and marketing

Wine distribution and marketing in Canada is strictly controlled by state intervention, where the government participates directly in the market as buyer and seller study. Liquor Boards or state and provincial monopolies, have the exclusive authority to import alcoholic beverages. Besides, there is a mediator between the export winery and the provincial monopolies called an agent, who acts on behalf of the winery before the Liquor Boards. In the case of direct sales, products sold in the state Liquor Stores must be previously selected to be part of the listing established by the central offices of each monopoly.

Producers

The wine-making industry consists of establishments that produce wine, brandy, and ciders from grapes or other fruit, and includes grape-growing and blending operations. Winemakers in Canada tend to be vertically integrated from growing through to bottling, with most operating their own vineyards and larger companies also obtaining grapes from outside growers. Wineries rank a distant second to breweries in terms of alcoholic beverage manufacturing in Canada. In 2011, breweries had a 69 percent share real GDP while wineries had an 18 percent and distilleries a 12 percent share in real GDP.

Vintners Quality Alliance (VQA) Wines

VQA wines are crafted exclusively from grapes grown in Ontario and British Columbia’s unique and diverse vineyards. Dedicated to producing wines that typify grape varietal character and appellation of origin, VQA winemakers represent 100 percent Canadian wines of origin with a promise of quality and authenticity and an expression of regional terroir. Through origin verification, extensive laboratory testing and tasting by an independent expert panel, as well as comprehensive label reviews, VQA wines ensure precise adherence to rigorous winemaking standards and label integrity that consumers can trust.

VQA Canada

On June 30, 1999, the Canadian wine industry announced the formal establishment of Vintners Quality Alliance (VQA) of Canada. VQA Canada was organized to oversee the regulation of the premium wine industry in Canada and work towards the legislation of national wine quality regulations. The Vintners Quality Alliance (VQA) is Canada's symbol of quality wine. It is similar to other regulatory systems in place in such countries as France (AOC), Italy (DOC), and Germany (QmP), and ensures the consumer of high quality Canadian wine.

The VQA symbol on a bottle of Canadian wine assures the consumer of quality production, content, varietal percentage, appellation, and vintage. The VQA standard is government sanctioned and is regulated in Ontario by VQA Ontario and in British Columbia by the British Columbia Wine Authority (BCWA). Ontario and British Columbia are the only two regions in Canada that currently produce wines that adhere to the VQA standard.

100 percent Canadian Regional Wines

These 100 percent Canadian wine products are fermented, processed, blended and finished exclusively from grapes grown in Canada which meet the high standards and quality which are instilled in rules and regulations such as the Nova Scotia Wine Standards, British Columbia Wines of Distinction and Vin Certifié du Québec. These wines are artfully vinified and barrel aged using approved varietals which best express the true character of regional terroir and micro-climate.

International-Canadian Blended (ICB) Wines

These wines are blended and bottled in Canada by established wineries, which may also produce VQA/100 percent Canadian wines. Canada's ICB series of wines are custom blended wines that are produced by the winemaking teams at Canadian wineries. ICB wines are a value priced blend of quality international wines sourced from global vineyards and wines from local Canadian vineyards, with differing levels of domestic content. Often ICB wines feature grape varietals that are not grown in Canada, ensuring that consumers have the option to support local businesses no matter what their grape of choice is. Like other products made in Canada with international ingredients, labels on the bottle indicate it is "Blended in Canada by (name of winery) (winery location) from (imported and/or domestic) wines."

Canadian Vintners Association (CVA)

A key role for the Canadian Vintners Association is to be the voice of the Canadian wine industry with the federal government and provincial/territorial/liquor board policy-making process on domestic issues and to represent the Canadian wine industry internationally.

Liquor Boards

Each of Canada's provinces and territories has a liquor board or commission to oversee the distribution and sale of alcohol. Each jurisdiction operates under its provincial-territorial legislation.

British Columbia Liquor Distribution Branch (BCLDB): In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. Another branch of the Ministry of Energy and Mines — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the Liquor Control and Licensing Act.

Alberta Gaming and Liquor Commission (AGLC): The Alberta government privatized liquor retailing in 1993. The private sector retails, warehouses and distributes liquor in Alberta. The Alberta Gaming and Liquor Commission (AGLC), continues to regulate the industry, issue liquor licenses, and collect revenues from the sale of liquor, under the Alberta Treasury Board and Finance. There are over 1,200 retail liquor outlets in the province.

Saskatchewan Liquor and Gaming Authority (SLGA): The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA has a network of 79 liquor stores, 188 rural franchises, a specialty wine store franchise in Regina.

Manitoba Liquor Control Commission (MLCC): The mission of the Manitoba Liquor Control Commission (MLCC) is to regulate, distribute and sell beverage alcohol. There are 176 agency liquor outlets, 50 Board controlled "Liquor Marts throughout Manitoba, and the introduction of 10 Liquor Mart Express stores.

Liquor Control Board of Ontario (LCBO): The LCBO purchases wine, spirits and beer for Ontario consumers and licensees. More than 630 LCBO retail stores and roughly 220 Agency stores across the province. LCBO Vintages is the fine wine and premium spirits division of the LCBO. VINTAGES products are available through the LCBO's store network, including 260 corners and 102 sections in LCBO stores throughout Ontario.

Société des alcools du Québec (SAQ): The Société des alcools du Québec (SAQ) sells liquor throughout the province of Quebec. They operate more than 800 points of sale including its network of 408 outlets and 398 agencies. They supply holders of alcoholic beverage sales licenses (hotels, restaurants, bars, etc.) and food wholesalers who serve the needs of grocers.

Newfoundland Liquor Corporation (NLC): The Newfoundland Labrador Liquor Corporation (NLC) is responsible for managing the importation, sale and distribution of beverage alcohol within the province. NLC operates 24 corporate retail stores, and supplies 131 Liquor Express agency stores.

PEI Liquor Control Commission (PEILCC): The Prince Edward Island Liquor Control Commission (PEILCC) is responsible for the purchase, control, and sale of alcohol in the province. The Licensing and Security Department is responsible for licensing. The commission operates 19 corporate retail outlets and one agency store.

Alcool New Brunswick Liquor (ANBL): Alcool NB Liquor is responsible for the purchase, importation, distribution, and retail of beverage alcohol in New Brunswick. ANBL services the public and licensees through a network of 48 corporate retail outlets and 70 private agency stores.

Nova Scotia Liquor Corporation (NSLC): The Nova Scotia Liquor Corporation's legislated responsibilities are contained in the Liquor Control Act (LCA) of Nova Scotia. The NSLC is responsible for the receipt, distribution and control of all beverage alcohol available throughout Nova Scotia. All products sold through NSLC stores, Agency Stores, Private Wine and Specialty Stores (PWSS), Licensees, and private importations must be received through the NSLC. Today there are 105 retail stores and 52 agency stores, and 4 Private Wine and Specialty stores across the province.

Yukon Liquor Corporation: Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon. YLC operates six government liquor stores from a central warehouse in Whitehorse.

NWT Liquor Commission: The Northwest Territories Liquor Commission is responsible for the distribution of beverage alcohol across the territory. The commission operates seven government liquor stores and two warehouses in the Northwest Territories, operated by agents under contract to the NWTLC.

Nunavut Liquor Commission: Nunavut's liquor board, the Nunavut Liquor Commission works to ensure the lawful purchase, sale, and two distribution warehouse of liquor in Rankin Inlet and Iqaluit. The Commission does not operate any liquor stores; all liquor orders are processed and shipped from the two distribution warehouses.

Federal and provincial/territorial laws and regulations

The wine industry in Canada must comply with numerous federal and provincial/territorial laws and regulations. The following is intended to provide information only for anyone interested in the wine industry. The content is provided for general information and does not constitute legal advice or legal opinions. The CVA attempts to ensure the accuracy of all information on this website, including translations.

In Canada, the Importation of Intoxicating Liquors Act gives power of the sale and distribution of alcoholic products to the provincial liquor boards or commissions. Until recently, the Act restricted interprovincial movement of alcohol; in 2012, an amendment changed the restrictions to allow interprovincial transportation if permitted by the province. However, many provinces still have strict regulations regarding interprovincial transport of alcohol, meaning that companies wishing to sell their alcoholic beverages must deal with provinces directly. In addition, consumers may only transport quantities of alcohol across provincial borders as allowed provincial regulations. This affected the ability of wineries, brewers, and distillers to sell directly to the public. The liquor boards, except for Alberta and British Columbia which are at least partially privatized, in effect have provincial monopolies. Alberta is the only province to have fully privatized liquor stores, and British Columbia has both private and government-owned retail outlets.

Each provincial liquor control board has its own policies and regulations. It is recommended that a seller contact each board directly to confirm rules.

Federal

- Importation of Intoxicating Liquors Act
- Canada Agricultural Products Act (CAP Act)
- Consumer Packaging and Labelling Act
- Consumer Packaging and Labelling Regulations
- Food and Drugs Act

- Food and Drugs Regulations Part B – Alcoholic Beverages
- 2003 Guide to Food Labelling and Advertising (see Chapter 10, Guide to Labelling of Alcoholic Beverages)
- Excise Tax Act, 2001
- Code for Broadcast Advertising of Alcoholic Beverages

Provincial

- British Columbia Wines of Distinction
- VQA – Ontario
- Ontario Wine Content and Labelling Act
- Vin Certifié du Québec
- Nova Scotia Wine Standards

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