Ontario grape growers in crisis

11 Oct 2009 by Jancis Robinson

The following is the text of a letter, somewhat desperate in tone, from the Ontario member of parliament closest to the heartland of the Canadian wine industry sent today to the Minister for Consumer Services, The Honourable Ted McMeekin MPP. The formatting is his:

Dear Minister:

Re: 2009 Niagara Grape Harvest

I am writing to you as the Ontario MPP that has in his riding the largest percentage by volume and weight of the Canadian grape and wine industry. The growers in my riding produce more grapes and the vintners produce more volume of wine than in any other wine district in Canada. The Niagara Falls riding has the best agricultural dollar per hectare return of any riding in Canada. The wine industry and attendant tourism contributes significantly the viability of the Greenbelt: in fact and in public perception.

There are real problems in the Vineyards of Niagara. This week the 2009 grape harvest begins. In my role as the MPP that is most affected by the grape and wine industry I have spoken to both growers and vintners and each's respective association. This is what I have heard over and over again…

The bottom line is … this year Niagara will see in excess of 9,225 Tonnes of quality grape juice stock not purchased because major vintners have an overstocked supply of offshore juice product in inventory. These corporations also have a defacto control of the non LCBO distribution channel (off- site Winery Retail Stores) [1] in which blended wines that contain up to 70% imported wine stock enjoy a preferred mark up discount incentive and are aggressively mis- marketed under a confusing and misunderstood term… "Cellared- in- Canada."

This year the major wineries have chosen to cut back on domestic purchases citing costs and an economic downturn. The growers did offer competitive pricing. It was rebuffed, most likely as an attempt to change the regulatory status and influence of the province's Grape Grower's marketing board. As a result of this impasse there will be real and tangible damage done when as many as 25-30 farms will be forced to foreclose or forced to sell because of a lack of contracts. These farmers are facing financial ruin. I hear from them every day and their anguish and their pain is very real.

The government because of a highly regulatory environment is the "defacto" senior partner in the Ontario Wine Industry and will own the consequences of any decision ***made or not made*** in the resolution of this issue.

There is a need for the government to take immediate action to ensure the entire Ontario crop is purchased this year by the people who benefit from the provinces regulations.

While I support the government's efforts to find a comprehensive fix. I decry the fact as the grape crop is harvested this week some farmers have no markets… in a market we regulate. This is not a pretty picture! This should not happen. The status quo is not an option.

Ted when all is said and done: the lack of a market for these comes down to basically two factors.

1. Content

2. Access to market for Ontario grown grapes.

On the content issue, I would like to say in a market environment that we control it is unacceptable to allow 9,225 tonnes wither on the vine while last year Ontario Wine producers imported in excess of 33,000 tonnes of wines and will do so again this year. This is because our markup and retail rules favour, reward and perversely give preference to the importation of offshore wine stock even when local farmers cannot find purchasers for a portion of that tonnage even when they offer comparable pricing. The incentives are in the wrong place. This imbalance has to stop!

Compounding this problem is the current wine content and "Cellared- in- Canada" labeling policies do not adequately inform the public of the off- shore content. This misperception damages the Ontario Wine industry and does our government a huge potential disservice.

Fair is Fair:

The "Cellared- in- Canada" content in short cropped years, with all party consent, was allowed to fluctuate downward from the traditional 70/30 content rule. (90/10 in 2003 and 99/1 in 2005)

Starting in 2006 and particularly 2007 and 08, two things happened. Ontario experienced three exceptionally good growing years and new vines planted at the behest of the larger wineries came into production. Up until last year the industry, in support of their blending practices, informed me that it was their policy and practice to absorb 100% of the yearly grape crop and suggested as a result I should not have any "CIC" content concerns. Unfortunately the industry has changed directions and our government is starting to see the reaction… and it will get far worse.

Now with three relatively long crops, it would make sense for the industrial wine producers to modify their content in order to absorb the surplus. Fair is Fair!

> *Starting immediately it should be the policy of this government that content should vary with the size of the crop and no imports should be allowed for blending under "CIC" until the Ontario crop is purchased. Or alternatively "CIC" product should not benefit from the preferred markup discount in all Winery Retail Stores this year unless it has 50% Canadian content. This is a "NO- COST" immediate solution available to our government.*

Off- site Winery Retail stores have the ability (since they all were pre-1993) of selling blended (Cellared- in- Canada) wines. Current retail practices suggest they are abusing this privilege, at the same time that the industry is suggesting the government increase their "Ontario" and VQA wine presence in the LCBO, a random survey will show that Winery Retail Stores stock between 85%-90% "Cellared- in- Canada" wines on their shelves. The wine industry needs to "walk its own talk" especially since they have a preferred marketing and markup benefit.

In fact on various visits to a few off- site Winery Retail Stores in the heart of Niagara Wine district it was difficult to even find a VQA wine and their store fronts were aggressively promoting "International" and "CIC" wines. This is not an issue in their on- site Winery Retail Stores where they deem it in their best interests to promote their very best wines. One wonders why off- site stores should be a dumping ground for "imported blended" wine while it enjoys a preferential mark- up discount.

I want to take a moment to praise the efforts of the government to promote Ontario wines through the LCBO. It is a "work in progress" but the efforts are positively recognized by the industry and consumers. I just wish off- site Winery Retail Stores were as proactive.

Access to market can mean many things to various interests.

- To the small winery… it means more shelf space at the LCBO with the successful Market Enhancement Program in place permanently.
- To the medium size winery… it means the ability on a proportional basis to sell their product through Winery Retail Stores.
- To the Ontario grape grower… it means more Ontario content in the 290 off- site winery retail stores and the industrial grade "Cellared- in- Canada" wines sold through the LCBO.

There are low cost solutions… there are high cost solutions and there are appropriate cost solutions.

> *It would seem appropriate in your discussions with the Wine industry that 50% of their off- site Winery Retail Store shelf space should be devoted to VQA wines. This is a "NO- COST" solution available to our government.*

Medium size wineries who lack off- site Winery Retail Stores and produce sufficient quantities of wine would like the opportunity for the government to recognize the efforts of these wineries to sell and Promote VQA wines by allowing on some formula a strategy that would let them compete with the "Big Guys"

> *It would seem appropriate to develop policies that would allow wineries to grow and consume the quality crops our growers can produce. This also is a "no- cost" or "little- cost" item.*

All wineries and grape growers I spoke with were of the opinion that the "Market Enhancement Program" is an excellent vehicle to provide a profitable return for promoting VQA wines through the LCBO.

I support this program. It is important that the MEP program be a permanent feature and funded in a way to encourage the small to medium wineries to participate as fully as possible. ***This obviously is a cost item****, but it seems one in which the government feels is supportive of the industry. If you wish to make it more revenue neutral then the government might want to explore adding a mark- up to "CIC" wines in all Winery Retail Stores.*

One last item that would benefit the government is to end the ambiguity of the "CIC" label in favour of content transparency. Even the LCBO gets it wrong sometimes especially in non- specialty and agency- stores. The current labeling practices are at best non- informative and worst confusing and misleading. This has led to the diminishing of the Ontario Brand and is receiving not favourable international attention.

I am sure your office has heard from those who suggest that only growers with contracts should be permitted to farm. This "quota" approach will not build a growing industry. *I would recommend against it.* The grape and wine industry is potentially the best catalyst for the growth of Niagara's tourism industry. I believe the industry has great potential for growth… both in acreage and consumer appeal.

This appeal will generate a growing economically significant industry for Ontario that will support Ontario's agricultural, retail, hospitality and culinary industry.

Yours sincerely,

Kim Craitor, MPP

CC:

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[1] Two companies have most of the 'Ontario' shelf space in the LCBO and they coincidentally own 265 of the 290 off- site Winery Retail Stores. This privileged position prevents real Ontario wines from gaining exposure, but it also reduces the revenue to the Ontario Treasurer because the foreign wine sold in the off- site Winery Retail Store system is not subject to the mark- up that wine sold in the LCBO is subject to.