VinIntell

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COUNTRY PROFILES
CANADA

COUNTRY PROFILES CANADA

Country Profiles is an integral part of the South African wine industry's business intelligence. Based on this, SAWIS has decided to compile, in collaboration with WOSA, a number of country profiles to assist exporters. These profiles cover a wide range of topics, including background to marketing thoughts and topics for strategic, tactical and operational decision-making. The comprehensive profile is available on the SAWIS website.

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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].

The Canadian wine industry has undergone significant expansion since the 1990s. While the climate may preclude it from becoming an international recognised wine producer, 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 220 million bottles of wine produced by the Canadian wine industry annually. With Canadian wines presently representing only 30% of total wine sales across the country and imported wine at 70%, there is potential for Canadian wine growth and the national economy.

The wine and grape industry is also responsible for more than 31,000 jobs in Canada from manufacturing, agriculture, tourism, transportation, research, restaurants and retail.

2. DEMOGRAPHICS

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% of the population is concentrated within 160 km of the US border; Canada has more fresh water than any other country and almost 9% of Canadian territory is water; Canada has at least 2 million and possibly over 3 million lakes.

People and Society

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

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

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

Population: 34,834,841 (July 2014 est.)

Age structure: (2014 est.)

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

Population growth rate: 0.76% (2014 est.)

Literacy: Definition: age 15 and over can read and write (2003 est.)

- Total population: 99%
- Male: 99%
- Female: 99%

Urbanisation

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

Internet users: 26.96 million (2009)

3. ECONOMIC SITUATION

Note: data are in 2013 US dollars

GDP - real growth rate

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

Inflation rate (consumer prices)

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

4. MARKET PLACE

4.1 Consumers

4.1.1 Consumption

Canadian consumers' drinking habits are changing: Although Canada is still a nation of beer drinkers, wine is increasingly popular. The latest Statistics Canada (StatsCan) report on alcohol sales has found sales from beer and liquor stores rose 2.2% in the fiscal year ending 31 March 2013 and that consumers spent C$21.4 billion on alcoholic beverages in 2013. Wine sales grew by 4.9%, while beer declined by 0.1%. Hard liquor sales also went up by 2.9%. However, the rate of growth in sales has slowed.

Alberta recorded the country's highest increase in drinks sales, up 7% over the previous year, compared with the national increase of 2.2%. Wine sales jumped 11%, more than double the Canadian average, and even beer sales rose 4.5%. The growth in wine consumption in Alberta is due in part to the province's growing affluence, giving consumers a taste for higher-end drinks, 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). New Brunswick was the province to show the largest sales decline at 1.9%, followed by Nova Scotia a 0.7% and Quebec at 0.6%. 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.

Beer's market share has been declining for a decade. In 2003, it had 50% of the alcohol market in dollar terms, while wine held 24%. By 2013, beer's share of the market had declined to 43% while wine rose to 32%. Spirits' market share remained relatively stagnant, down to 25% from 26% over the decade. In terms of volume, wine sales increased 3.9% from 2012 to 506.6 million litres in 2013. The growth in volume of imported wine (+4.3%) outpaced that of domestic wine (+3.3%). The market shares of red and white wine have shifted over the past 10 years. In 2013, red wine represented 56% of total wine sales compared with 51% in 2003 (see Table 1).

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

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

	2013			
	Beer	Wine	Spirits	Total
	Thousands of dollars			
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
	% 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.

- A growing and ageing population: Older individuals are key consumers of wine and also tend to have the income and inclination to purchase more expensive brands.
- An income in consumer incomes have increased: 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.
- The gradual but significant shift in Canadian consumer tastes, which increased wine's share of total alcohol consumption from 18% in 1995 to 30% in 2011, while beer fell from 53% to 45% and spirits fell from 29% to 25% over the same period.
- An increasing awareness of wine's beneficial health effects.
- 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.
- Increased marketing efforts in general.
- The VQA (Vintners Quality Alliance), appellation system of origin in Ontario and British Columbia is being highly regarded by local and international consumers.

4.1.2 Varieties

Canada's wine market is one of the fastest growing wine markets globally, showing significant development in recent years and further development is expected. There may still be room for continued growth as approximately 70% of wine in Canada is imported. Specifically, in value terms, 76% of red wine and 63% of white wine sales are imports. There is a 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. Especially blended red wines are currently dominant in the market, but there has been recent growth in consumption of aromatic white wines.

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% in 2011 and 3% in 2012, a slowing growth, but a growing market nonetheless. In Canada, consumption of sparkling wine is expected to grow, with an 8.52% increase between 2012 and 2016.

Provinces also have different appetites for Canadian-made wines. While over half of wine sales in New Brunswick are Canadian-made, only 22% of sales in wine-friendly Quebec originate from Canadian wineries (further detail is contained in the comprehensive profile on the SAWIS website).

Icewine, produced in Canada is a type of dessert wine produced from grapes that have been frozen while still on the vine. About 75% of the icewine in Canada comes from Ontario. In 2011, Icewine production was over 930,000 litres. 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% from the previous year. This gain was mainly the result of higher sales of liqueurs (+9.5%), rum (+4.1%) and vodka (+3.9%). The volume of spirits sold rose 2.7% in 2013 to 222.4 million litres. Whisky-type products such as whisky, scotch, and bourbon accounted for 27% of total spirits sales in 2013, followed by vodka (24%) and rum (17%).

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.

The volume of domestic beer sold decreased 1.7% from the previous year to 2.0 billion litres. The volume of imported beer sold declined 3.8% to 0.3 billion litres. Beer originating from the United States accounted for 24.4%, followed by the Netherlands (18.7%) and Mexico (16.6%).

4.1.3 Price points

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

4.1.4 Container sizes

Wine may only be sold in the following container sizes (Consumer Packaging and Labelling Regulations):

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

The Canadian Food Inspection Agency (CFIA) has detail on all labelling requirements and they provide a label review service (www.inspection.gc.ca).[3]

4.2 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.

4.3 Distribution and sales

The liquor distribution 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.

4.3.1 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. 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. Food, drink and tobacco specialist top the list of percentage sales in the off-trade industry. 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.

4.3.2 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. 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.

4.4 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.[4]

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.

4.5 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.
- 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.
- 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.
- Packaging development reflects consumer preferences: Overall, the key packaging types in Canadian alcoholic drinks include glass, PET, metal cans and bag in box. PET does well in RTD's but it has failed in wine and beer due to poor consumer acceptance. Liquid carton in wine has proved to be unpopular despite attempts 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 accepted for products in areas like cider and RTDs.

- 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. Quality and drinking experience as well as careful choice of target demographics and distribution are important considerations for a successful product launch.

- Retailing is 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. Overall, the Liquor Control Board of Ontario (LCBO) and Société des alcools du Québec (SAQ) will remain the key retailers of alcoholic drinks in their respective provinces.

- 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 in the win industry 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.

- 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 also experimenting with Italian red varieties such as Sangiovese and Barbera.

- Blended wines: 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 reds, there is a trend toward friendly, ripe and rounded blends.

- Going organic: Whether labelled 100% organic or just plain organic, wines bearing the word organic are gaining ground. At the moment, there is no internationally accepted standard for organic wine. There may be wineries offering organic options that, for whatever reason, have chosen not to be certified under the CFIA's regime.

4.6 Potential and sustainability

The Canadian wine industry is emerging as an internationally-recognised cool-climate wine producer, garnering a list of awards and praise from many of the world's most influential wine critics. 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 in the main competitor markets while competition from other New World wine producers such as South Africa and Argentina is expected to increase in the Canadian marketplace. Growth in all categories of alcoholic beverages is expected to continue.

4.7 Key drivers

- Ability to compete effectively against foreign products: To that end, the industry continues to receive some support from regulatory authorities. With an already large trade imbalance, the Canadian wine industry now faces more competition from imports than at any other time in its history.
- 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.
- Managing severe climatic challenges: Climatically-imposed limits on wine production in Canada will continue to leave wineries operating at considerably smaller scale than many international players. 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.
- 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.
- 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 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).

- Use of technology: 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 investment in research and skills development: Several initiatives to promote R&D and skills development are in place in Canada: The Brock University in southern Ontario has the CCOVI in partnership with local industry, federal and provincial governments, and with education institutions in the region. The objective is to use CCOVI to establish the university as one of the few centres in North America to grant degree status to graduates that specialise in grape and wine studies. 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 while the University of BC formed the BC Wine Research Centre to support wineries and grape growers by undertaking specialised scientific research projects that are of interest to the industry.
- Sustainability: The Canadian wine industry is looking closely at sustainability factors to ensure that its products are produced in a fashion that minimizes environmental impacts. This will be a growing area for R&D, technology and collaboration.
- Emphasis on product development: This will remain strong as a driver of growth and a competitive strategy in what is 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.
- Continued focus and execute on stated strategic priorities including fair access to global markets.

5. TRADE AGREEMENTS

5.1 South Africa

Official diplomatic relations between Canada and South Africa date back to 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. Since 1994, the two countries have worked closely on important multilateral issues. They 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. South Africa's merchandise exports to Canada, which have been rising rapidly, include wine, precious metals and stones, fruits and nuts, machinery, beverages, and iron and steel.

5.2 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. 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. Within CKFTA, Korea will remove duties on 98.2% of its tariff lines covering virtually all of Canada's imports, including a 15% tariff on Canadian wine. All import tariffs on other wines will be eliminated over a 3-year period.

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 United States, creating a trilateral trade bloc in North America. The agreement came into force on 1 January 1994. It superseded the Canada – United States 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): In September 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 1 June 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 (MOU) on Certification (2011): The 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.

6. 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 privatised system). The provinces of Ontario and 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 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) 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 legal drinking age is determined by provincial governments. Also, under the Criminal Code of Canada, driving with a blood alcohol concentration of 0.08% is a criminal offence.

6.1 Duties and Taxes

6.1.1 Customs and Excise Duties

The 2001 Excise Act came into force in 2003 and updated the original Excise Act of 1985. 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% Canadian wine. The excise rates vary and for spirits (the most heavily taxed beverage) tax can amount to 15% 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. The rates of excise duties are detailed in the comprehensive Canada profile available on the SAWIS website.

6.1.2 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%. 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).[5]

6.1.3 Consumption tax

Detail on the income from consumption tax on alcoholic beverages of provincial authorities can be found in the Canada Profile on the SAWIS website.

6.1.4 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.

6.1.5 Other relevant taxes / fees

Each of Canada's provinces has particular taxes / fees. These are detailed in the comprehensive Canada Profile available on the SAWIS website.

6.2 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.
- *Counterfeit products especially concerning Icewine:* As is the case with so many high quality products, counterfeit wine products have escalated around the world. 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.

6.3 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 include the following:

- Common name (excluding Rum, Whisky, Rye Whisky, Geneva Gin, etc)
- Net quantity
- Alcohol by volume
- Name and address of dealer
- Origin claims
- List of ingredients
- Allergen labelling
- Durable life date
- Images

6.4 Importing

6.4.1 Certificates

The Canadian Border Services Agency (CBSA) is responsible for duties and tariffs in Canada.[6] 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.
- 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.[7]

6.4.2 Procedures

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. 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.

Table 3: Procedures and documents of import: Duration and cost

Nature of Import Procedures	days	US$ Cost
Documents preparation	3	205
Customs clearance and technical control	1	75
Ports and terminal handling	2	650
Inland transportation and handling	4	750
Totals	10	1,680

Source: Doing Business, 2014

6.5 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. The provinces also 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.

6.6 Barriers to trade / technical barriers

- 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 organisations to gain advantageous market access around the world amidst substantial competition in the international market from established wine-producing countries.
- 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. The CVA has achieved approval for the VQA certification mark in several key export markets.
- Domestic trade barriers: Improving Canada's position 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.
- 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.
- 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.

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

7. SUMMARY

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.

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. 510 grape-based wineries are in operation with almost 1,700 grape growers across Canada and 11 958 hectares of vineyards.

Canada has been a focussed export market for many years. Canadian consumers' drinking habits are changing. 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 percent. Spirit sales also increased by 2.9 percent. 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. The forecast is continued growth in wine sales.

ENDNOTES

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*

3 *www.inspection.gc.ca/english/fssa/labeti/guide/ch10e.shtml#a10_1: more information on that program can be found at: www.inspection.gc.ca/english/fssa/labeti/guide/ch1e.shtml#offbur.*

4 *www.canadianaconnection.com/2012/11/canadian-liquor-culture-facts-fallacies-can-start-beverage/#sthash.hCdC592k.dpuf*

5 *Rates of GST/HST can be found on the Canada Revenue Agency site at: www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rts-eng.html*

6 *Customs tariff information can be found at: www.cbsa.gc.ca/trade-commerce/tariff-tarif/menu-eng.html*

7 *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.*

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Enquiries & contributions to
Dr Marie-Luce Kuhn, IBIS Business and Information Services (Pty) Ltd, PO Box 7048, Stellenbosch 7599
tel +27 21 8832855
e-mail mlm@ibis.co.za website www.ibis.co.za

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