An Age of Marketing Success and Mutually Benefiting Community Partnerships

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I joined the GGO in November 2003. I was in my second term as Regional Chair for the Region of Niagara, and I was beginning to contemplate my future, and knowing that I could return for a third term, probably helped me decide that I didn't want to return for a third term. I decided that from afar without thoughts at that time of working for the Grape Growers.

I was familiar with the Grape Growers of Ontario because I had had different dealings with them when I was Regional Chair. It looked like an organization I really would enjoy working with. At the time I was crowning the Grape Kings as part of my role as Regional Chair, and I was also attending a Grape Growers' luncheon. They also had something called the Harvester Industry Day that they hosted here at the grower's office. I was always fascinated with that. And what I think I admired about the organization was its strength of having farm families as the backbone of the organization. I also liked the idea of the interaction with government.

When I looked at the role, I thought, wow, this would be really interesting. But as it turned out, I was called by the head-hunter that was looking for a new executive director for the organization, right around the time when I was contemplating about leaving the region. I was called to act as a reference for somebody else. I thought, while I had them on the phone, I asked them a little bit more about the role. And then they said, "Would you be interested in coming to an interview?" And I said, "Sure." So that's how it happened.

The transition from being Regional Chair to this role, obviously for me was a good move at the time because I was looking for a way to remove myself from the head of the regional government.

It coincided with the end of my term, so I ended my term at the Region in November and I began at the GGO in November.

Initially I was struck by the acrimony, by how acrimonious it was between the growers and the wineries. There was also a struggle for growers to be able to have a voice with the government. That surprised me. That here were these individuals that form the backbone of the grape industry, the grape and wine industry, because without grapes you can't have wine, yet they had no voice. And there was this constant suppression of trying to keep growers out of the conversation. Yet growers were the conversation, and they had this great organization with regulations to support what they were doing. And regulation 414 gave them all the legislative authority from the government of Ontario to manage their own affairs, yet they weren't doing it very well. And they didn't have any money, they were close to broke.

I was approached by Ray Duc, who was then the board Chair and Vice Chair, Bill George. And I will say this on the record, I knew Ray's father very well and I knew Bill George as a person because he had been Grape King. And I knew his family, his family background. Those two individuals struck me as great people to work with and work for. That was one of the keys to being able to make the transition from being head of government to working for a board – and that was tough because the first couple of board meetings I thought I was running the meeting. It took me a while to appreciate that the Chair was in control of the agenda.

The first luncheon I had with people from the Wine Council of Ontario, who were the organization at the time that represented all wineries, they said to me, "You know we want to go back to negotiating one on one with the growers, and you should be working towards getting them to agree to that." And I said, "Well, that's not the way I read the delegated authority to this association or grower association. We both have the right to negotiate on behalf of our members. And the board of directors are there along with the grower committee to complete that task on the growers' behalf. So no, that is not going to be what I will be focusing on."

I aimed instead to strengthen the GGO's reputation with the people that they represented. I started by looking at where money was being spent – there were areas in which we could save funds. But I was also closely familiar with additional government funding opportunities available to us to use it to our advantage. So, you get one grant, you leverage another one, and then you start building and hoping for better crops. And that was one reality that I noted, that growers had such variability in their crops, up and down, up and down. And the license fees that come from those crops are part of our budget. So how do we stabilize the crop so that we didn't lose crops? 2003 and 2005 were startlingly short crops.

When you have short crops, you don't have enough license fees to support the industry. So, you go back and you look at the crop and you go, okay, what's preventing us from getting a full crop? Weather - mother nature controls everything for a grower. What could we do to better control the weather – frost in particular? There are some very old-fashioned ways that people used to move the air around in the vineyards, paper wings in France, for example. What about wind machines? Wind machines don't completely sustain you, but they do help sustain more of the crop. And we didn't learn that until we actually got money from the government to research and put in wind machines.

I also realized that the GGO didn't own their own research. They were always borrowing and adapting research from somewhere else. We had problems when I took over. There was what they call, and this was huge, it was called a sugar schedule error. There was an error made on a sugar schedule, which grape prices are measured by. It created a huge problem with the industry. And the processors were looking to get money back. It was a lot of money.

We tried various things to appease them, saying, could we figure out a way that we could come together as an industry? Instead of giving you money back, why don't we create a research organization? They didn't like that idea. We went ahead and said, okay, we're going to create a research organization, and fund it through a checkoff, and eventually the processors came on side and agreed. But it took, how do I say this, it took a lot of bumps in the road to start to smooth them out.

When you talk about resources, we had a lot of government grants back then. We had $3 million from the provincial government to pull out juice grapes. That was a lingering problem when I came on, what to do with the juice grapes that were remaining, NAFTA had put a $100 million back in ‘88 to take juice grapes out of the industry and put in wine grapes. Some juice grape growers held onto their vineyards, and it wasn’t working out. We actually got two pullout programs early 2005 and 2006.

The government of the day was interested in ensuring the grape and wine industry of having a strong future. Starting in 2003 up until about 2010, we were getting our voice heard at government. We were building on a reputation of, “we gave you $3 million, and you’ve helped those juice growers transition their business. You did it. You did it well. We trust that, and we’ll give you more money to do something else.”

Things began to get a little more settled. Growers had confidence that they were able to stand in front of government and make their self known and understood and heard. And that was a lot to do with the confidence of the Chair at the time, Ray Duc, and Bill George as a Vice Chair. They were a fantastic team, and they were well thought of by government. And I’ll never forget, Leona Dombrowsky, we were called to Queens Park and Leona Dombrowsky [Minister of Agriculture, Food and Rural Affairs] called Ray Duc and myself and said, be in the house at whatever time they started at, 1:30.

Ray and I didn’t have any clue what was going on, but it was a spring budget announcement. And they asked us to be there. We got there and she pointed up to Ray and said, “And for the grape growers, a million dollars,” and the money was already in our account back in Niagara. It was to help us market and develop our industry. I think that for me, that was a watershed moment where we’d already got some grants; that was a grant that was really tied to nothing, but to assist us to help market ourselves as an industry, as grape growing industry.

That was really good because we knew then we had a pipeline into the government. Whether it was OMAFRA, whether it was finance, whether it was the premier. But we also were working really hard. I think one of our proudest moments was changing the Grape and Wine Festival to represent more accurately who we were as all Canadian businesses, Canadian grown, Ontario based. Our Celebrity Luncheon speakers would only be from then on Canadian celebrities with grape and wine knowledge. And we’ve stayed true to that. We’ve established it as a value worth preserving. And then I thought, okay, if it’s good enough to have a true Canadian celebrity, then this luncheon’s going to pay for itself, it’s going to make money and we’re going to get sponsors. True to that original value, we succeeded and that has continued.

What we were able to do was to establish a reputation of skill and success. The crowning of the Grape King became part of that, and it became a much more important, not important role, but it was important because we included the community. And we built on that saying that the community needed to hear that we had a platform, we have a voice and we’re part of the grape and wine industry. We are grape families; we are grape growers.

The whole generational change is affecting us like it is everybody else. We’re seeing the next generation has new ideas. They want to take over. The concern is, can they afford to take over? It’s one thing to have the land, but it’s another thing to have the actual business, because if the business doesn’t do well, then you can’t maintain the land.

Additionally, affecting all of this back in 2008-09, the government of Ontario was imposing a Greenbelt through the region, which was a good idea in concept but there was some consternation as part of that whole discussion as well. A farmer in the Greenbelt legislation couldn't sever an acreage and couldn't pass it on to her or his kids. This was a huge problem for the growers. We entered into discussion with government and, aiding us was the fact that before I left the Region, we had set up the agricultural task force so that there would be a permanent ag task force advisory committee advising the region on these things. And that was a good thing because they did two economic impact studies as part of that task force that we were able to point to in the negotiations.

It was Margaret Walton, as I remember, who did these two studies about the economic value of agriculture to the region of Niagara. Grape growers and wineries are a huge value add, because you start with a grape, it goes to a bottle of wine, you have that with your meal, you come down and visit Niagara and go to sit on a patio, go to a restaurant. There's just this whole glamor around growing grapes and making wine, but the economic viability is always the concern. So, we always have to think about that when we're balancing out what the future might look like.

With government negotiations my focus is with policy. Government has such an influence on our business because we generate so much tax through the LCBO. We're heavily taxed as an industry. Along the way, we've been trying to remind government – and we use the term rooted in Ontario or rooted in Canada – that we are a domestic business, fully integrated in the province of Ontario. There are other wine regions across Canada, but we're the largest.

Policy swerves and changes can sincerely and seriously hamper our future as growers. And we're facing that right now. We faced it in the past with the free trade agreement, the world trade challenge from Australia, and the issue we're dealing with now is proposed changes to excise taxes. It's going to make or break our industry for the future.

There's always been this idea that the growers have focused on wanting to grow 100% Canadian grown grapes. And nobody wants to talk about this and I'm going to get in big trouble, I know, if I raise it, but it's history in the making. The Wine Content Act was supposed to sunset in the year 2000. And it is an Act that was put into place when wineries were starting out because there weren't enough grapes. And it allowed them to bring in 70% imported grapes and blend them with 30% domestically grown grapes.

That Act was supposed to sunset in the year 2000. Twenty-two years later, it is still in play. For many growers this was not the success that we wanted to see applied to a domestic industry, because we've grown, and we have changed. There was a watershed moment, when we dumped grapes on the ground as protest in 2008. We had an oversupply of grapes and the wineries refused to buy them and said they couldn't, so we dumped in excess of 3,000 tons of grapes on the ground. We said enough. You are allowed to bring in 75%, you're allowed to bring in imported bulk wine from farmers in Argentina and Chile and Australia and yet we're dumping domestically grown grapes.

We said to the government, buy the grapes because what are we supposed to do? We tried to get them processed into juice as a last resort, but the juice producers couldn't do it. The government bought the grapes, but they said, we're buying the grapes, but you're getting together with the wine industry for structural change talks.

Those structural change talks started in 2009 and ended in 2010 with the government levying a 10% tax on IDB, International Domestic Blends. That caused all sorts of consternation and the

Wine Council as we knew it imploded and split into two organizations, the Wine Growers of Ontario and the Ontario Craft Winery Association. The government basically said okay, you get all these privileges producing a bottle of wine that has 25% domestic and 75% imported in it, because there's a store system that five players own 292 private retail stores where they get to sell their products and get a tax advantage. The government basically said, we're going to eat into some of that tax advantage that you have on IDB and up the domestic content percentages. We have grown our crops since then, much to, I think, everybody's pleasure. We are pleased to see that the value of the crop has gone up and so has the amount of tonnage processed.

It was a very delicate balance because we need each other, the growers and the wine producers, first and foremost. We may all have different views, but we need each other, and the domestic wines are where there's the most value for both sides. But still we also have this blended product that has continued to survive long past its expiry date, and they've built brands around it. So, it's a delicate balance when you're sitting across the table from your buyer and negotiating the price of grapes.

We've raised the bar for the growers to have that voice again and that voice at the table.

Government policy can make or break this industry, and if there's a true belief that this is important as an industry for the province, the government will change its position on things as will the federal government. Our job is instilling that belief.

Bill George took over as chair at this time, with Matthias Oppenlaender, Dave Wiley and Doug Hernder all active lieutenants on the board. Bill and Matthias spent the most time together. They went through the excise tax issue and the accompanying structural change talks. That was the heavy lifting. From 2010, once things settled down and crops started to become a little more stable, we concentrated on government policies that came out of 2010, including a VQA support program that featured new money for the wineries.

There was a new vineyard program that injected in excess of $3 million every year for 12 years for the growers to purchase new equipment. They retooled their vineyards, they put in wind machines, they bought new equipment, harvesters, essential machinery. New technology came into a lot of play here, whether it was drip irrigation, instead of overhead, Niagara-on-the-Lake came up with new irrigation systems. So, there were a number of years of productive growth. We created new pricing models for the wineries to give them a bit of a chance to move their IDB product into 100% Ontario, which had been our primary focus for a number of years.

Through the World Trade Organization, Australia launched a challenge to a benefit that was introduced by the Harper government back in 2006. Canadian wineries were deemed exempt from paying excise taxes – which are currently back up to $0.68 a liter – on every bottle of Canadian wine produced. Australia challenged this under international law.

Federal Finance Minister Jim Flaherty, who created the exemption, stipulated that the program was to be capped at 500,000 liters. For wine produced with 100% Canadian grown grapes, Minister Flaherty removed the cap entirely. Australia challenged the right of the government of Canada to allow those wineries not to pay excise.

So that's where we are today, trying to find that balance to ensure that the domestic industry gets treated the same as Steven Harper's government did, but in a way that keeps it trade safe.

It’s a hot potato for the government of Canada because there are certain limitations that the government may have to place on us in order to get a trade safe program.

I fear for the small wineries in all of this, quite frankly. They’re struggling, and they’ve not had the support that they need. We need changes in the dynamics of the policies of government that stop taxing us as if we’re an import, which is how we’re treated currently under provincial regulation. We’re being taxed as an import instead of as a domestic product.

I understand that the current provincial government has been examining retail changes. Past governments made some really good changes, but when you have an interruption in government, sometimes they don’t get carried forward. In this case, I think this government, the provincial government today, has been trying to please everybody. But you can’t. The convenience of having access to alcohol at the corner store doesn’t mean you’re going to be selling decent product.

Limitations on shelf space at the grocery store, limitations at the LCBO where they shop the world for imports – the domestic industry suffers because of these factors. I don’t know whether the pandemic woke everybody up to the importance of having our own domestically grown products rather than supporting imports. I’m hoping that is the case – a hope that I have for the industry.

Our wine is world class, and the awards are there. The elder statesman now are the Paul Specks, the Len Pennachettis, the Allan Schmidts, John Pellers – they’re the ones that went through all the struggle to bring this industry to the next level of greatness. It’s when government fails to take what we generate as an industry and put it back into our industry in some way to assist us – I don’t understand is how government misses the mark on a regular basis in terms of programs that spur the growth of the industry.

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