



# Grape Growers of ONTARIO

*...Dedicated to the Success of Ontario's Grape Growers*

## Ontario Grape and Wine Industry Issues November 2008 - March 2010

This fact sheet has been created for your review and discussion at the March 22, 2010 Grower Information meeting. If you have any questions or concerns please contact:  
Debbie Zimmerman, CEO  
(905) 688-0990 or [d.zimmerman@grapegrowersofontario.com](mailto:d.zimmerman@grapegrowersofontario.com)

### **HOW DID WE GET HERE?**

#### **2000 - WCO Released Poised for Greatness 2020 Vision**

To increase market share for Ontario wines to 50% market share by 2008 and by 2020, more than 90% of Ontario grapes used to produce VQA wines. The most current figures (September 2009) show market share at close to 44% for all Ontario wines.

#### **2001 - Wine Content and Labeling Act, 2000 (WCLA)**

Legislation changed to establish 30% domestic content and 70% imported by bottle.

#### **2005 - Greenbelt Act, 2005**

#### **2005 – Short Crop Memorandum of Understanding**

Industry partners (WCO, Government & GGO) agreed to 3-year action plan to address the short crop. The plan included allowing all processors to be able to bottle up to 99% imported grape product to Feb 1, 2007.

To phase in a new category of wine by the end of 2010 that has at least 85% Ontario grape content, with a mid-term benchmarking goal of 50% by the end of 2007 vintage.

#### **2008 - Price Negotiations**

Negotiations proved to be a challenge as the WCO made their position clear that they were concerned with purchasing grapes to meet their identified capacity with significant price reductions in some varieties. There was no suggestion that they would be willing to purchase the full crop.

GGO attempted to introduce changes to the sugar schedules to reduce the price of grapes at the lower end of the sugar scale. Despite the GGO's best efforts, two rounds of negotiations proved to be unsuccessful.

#### **October 2008 - Arbitrator Ruled in Favour of the GGO Price Offer**

#### **2008 - Grape and Wine Industry Stabilization and Restructuring Strategy/Harvest Program**

The Government of Ontario provided \$4 million to purchase uncontracted grapes and to work together with industry partners to develop a common strategy for the industry.

## **COMMUNICATION TO THE GGO MEMBERSHIP**

### **November 20, 2008 - Letter to GGO Members**

The province directed WCO and GGO to find solutions to its structural problems.

### **December 10, 2008 - Joint Communiqué to Members of GGO and WCO**

Structural Change Update.

### **December 24, 2008 - Joint Communiqué to Members of GGO and WCO**

Identified the need for a common strategy.

### **2009 - GGO Held Grower District Meetings - January 13 – 21, 2009**

### **January 30, 2009 - Joint Communiqué to Members of GGO and WCO**

### **March 11, 2009 - Letter to GGO Members**

Strategy to “Own Our Own Ontario Market”: Ontario wines should represent at least 51% of Ontario wine sales as a start. By 2014, our growth to 51% market share would require a 3% increase of CIC at current content and 10% increase of VQA through all channels.

### **May 22, 2009 - Letter to GGO Members**

**GGO’s recommendations to “Own Our Own Ontario Market” including:**

- Restating goals of LCBO to acknowledge the economic impact of Ontario wines
- Increased promotions for Ontario wine, alterations to inventory policy
- Growth of listings and shelf space, wider distribution opportunities for Ontario wines, and a new performance matrix for all facets of the LCBO
- Renew VQA enhancement program
- To reach the five-year goal of 51% market share at the LCBO, domestic wine will need to move foreign wine off the shelf. For example, by 2014, there will need to be 80 million litres of Ontario wine sold as compared to 77 million litres of foreign wine sold in the province
- **“Growth in VQA sales cannot come at the expense of CIC during the 5 year period”**

### **September 15, 2009 - Letter to GGO Members with Joint Transition Plan 2009-2014**

Shared strategy resulting from GGO and WCO Structural Change discussions.

### **October 14, 2009 - Media Release from GGO Announcing Government Program**

### **October 30, 2009 - Letter to GGO Members: Marketing and Pricing Review**

Notification of the Farm Products Marketing Commission’s (FPMC) process to review grape pricing.

### **November 2009 - Special Edition Newsletter**

The Government reaffirmed its support for the GGO and has encouraged the industry to develop sustainable pricing options and improve quality standards. Stakeholder consultation meetings are to be held by Farm Products Marketing Commission on December 8, 9, and 10, 2009.

### **December 9, 2009 - GGO Newsletter**

FPMC chair Gerry Kamenz reported on consultations. Pricing discussions are to continue through the GPIAC meetings.

### **December 23, 2009 - Letter to GGO Members**

All parties through GPIAC have been directed to work toward building consensus on solutions and to provide pricing options to the FPMC. Throughout the review process, the GGO did not support the WCO and WGAO’s position of one-on-one pricing which would reduce the grower’s ability to remain sustainable.

## **CRITICAL INDUSTRY EVENTS**

### **April 2009 - GGO Annual General Meeting**

GGO reported to the membership that it has a strong interest in ensuring the long-term success of all players in the grape and wine industry.

### **May 2009 - Grapes for Processing Industry Advisory Committee (GPIAC)**

Dr. Frank Ingratta assigned by Farm Products Marketing Commission to facilitate meetings and negotiations on pricing and sugar schedules. GGO continues to stress changes to the sugar schedules resulting in a greater purchase of Ontario grapes.

### **May 27 - July 8, 2009 - Sugar Grading Schedule Sub-Committee Formed**

Goal to achieve financially sustainable model. No agreement reached.

### **July 10, 2009 - End Use Pricing**

Proposal by GGO to invest in the Cellared In Canada (CIC) category through its members by offering two new categories of ungraded grapes for use in CIC wines. Rejected by WCO.

### **July 20 – 21, 2009 - Price Negotiations**

Resulted in overall price decrease. End use pricing tabled during negotiations to move more grapes. Rejected by WCO.

### **August 2009 - Volume Discount Generic Pricing**

GGO presented an alternative pricing proposal in order to transition to higher VQA sales and support VQA. The GGO proposed two new temporary classes of grapes called “generic white (class 11) and generic red (class 12),” which could capture overage grapes. This generic tonnage would be available for purchase by all licensed wineries for use in the VQA category based on a percentage of their previous years’ purchases.

### **August 28, 2009 - CIC Processor Letter Regarding One-on-One Pricing**

CIC Processors proposed to pilot direct negotiation pricing to their growers.

### **September 1, 2009 - GGO Letter to GGO Membership**

Advised growers not to sign any letters submitted by processors.

### **September 16, 2009 -FPMC Response to CIC Processors One-on-One Pricing**

Farm Products Marketing Commission confirmed that the CIC Processors proposal is in violation of the current Ontario regulation and legislation for grape marketing.

### **October 13, 2009 - Government of Ontario Announcement of Plan to Strengthen the Ontario Grape and Wine Industry**

“These measures will focus the entire industry on producing VQA wines, which both wineries and growers have agreed is the future of the industry.” Government has sent a clear message that it will pay “particular” attention to those companies producing 100% Ontario wine. The suite of changes includes a 10% increase in the mark-up from the current 2% on CIC wine sold through winery retail stores. This is compared to the 58% mark-up and \$1.62/litre wine levy on wine sold at the LCBO.

### **October 28, 2009 - Winery & Grape Alliance of Ontario (WGAO)**

WGAO formed when CIC manufacturers announced their departure from Wine Council.

### **November 12, 2009 - GGO Submits Pricing Options to FPMC**

For consideration to be circulated to all members as part of the FPMC consultation process including variations of collective pricing in order to safeguard sustainable prices by growers.

## **CRITICAL INDUSTRY EVENTS - CONTINUED**

### **November 26, 2009 - GGO/WGAO Meeting**

WGAO invites members of the GGO to meet.

### **November 30, 2009 - Letter to GGO Members**

WGAO has approached the GGO Board of Directors to formally request that the Board begin discussions on building a shared vision for growth.

### **December 2009 – January 2010 - Negotiations with WGAO and WCO on a Memorandum of Understanding on Price and Content**

GGO prepared to give \$6 million of farm gate value - \$3 million from 2009 prices and an additional \$3 million from adjustments to the sugar schedule with consideration for sustainable pricing for growers. WGAO and WCO could not agree on specific price targets and asked GGO to sign the MOU without pricing defined.

### **January 15, 2010 - WGAO MOU Offer**

WGAO submitted a final non-negotiable offer to GGO predicated on the elimination of the 10% CIC surtax. Rejected by GGO because content was not confirmed beyond 2014 and there was no support for grape stability.

### **January 18, 2010 - Recommendations Forwarded to the FPMC**

Recommendations for pricing models, sugar schedules, and surplus clearing mechanism submitted by WCO, WGAO and GGO for review by the Minister of Agriculture.

### **January 26, 2010 - Letter to GGO Members**

FPMC approved the sugar schedule model for 2010, tabled by the GGO in December which would provide an opportunity for all wineries to buy more Ontario grapes at lower prices.

### **February 17, 2010 – Winery & Grower Alliance of Ontario Letter to Growers**

WGAO letter to renegotiate grower contracts is premised on the Government of Ontario enacting a 10% increase in the mark-up on CIC wines sold through Winery Retail Stores.

### **February 18, 2010 - Letter to GGO Members**

Advising that the revenue generated from the government plan goes directly back to the industry to benefit all processors through:

- \$6 million/year renewal of the VQA wine support program to promote sales of VQA wines through LCBO stores
- \$3 million/year renewal of the marketing program for Ontario VQA wines
- \$3 million winery infrastructure program offered by GGO as a plan for 2010 to increase winery capacity and ultimately increase Ontario grape purchases

## GROWER INFORMATION MEETING

Monday March 22, 2010 at 1:00 pm

Bethany Church, 1388 Third Street Louth, St. Catharines



**Grape Growers**  
of ONTARIO