



January 16, 2007



Ontario Grape and Wine Research Foundation

Grape Growers of Ontario's
Members Meeting



Ontario Grape and Wine Research Foundation

Background Information

NEOBIO RESEARCH

- Funded by GGO and WCO in 2005
- Aim was to improve opportunities for grape and wine research coordination
- Looked at research worldwide and similar initiatives in Canada
- Report can be found on:
www.grapegrowersofontario.com



Background Information – Summary of Research Report

“Recommendations for the Establishment of an Ontario Grape and Wine Research Foundation,”

- Successful wine regions (NZ, Australia) invest in quality-driven, value chain research
- GGO and WCO should establish an Ontario Grape and Wine Research Foundation
- Funding should be stable—based on a fair division of industry contributions
- Overall research goal should be to increase the value per litre of Niagara wine
- Research projects should include viticulture, oenology, joint (market opportunities)



Background Information - Proposed GGO/Winery Ontario Grape and Wine Research Foundation Contribution

Item	Amount	Unit
A. GGO contribution	\$5.00	\$/MT
B. Wine Levy	\$0.01	\$/Litre*
C. Grapes Produced	35,000	MT
D. Grape Fund (A x C)	\$175,000	\$/YR
E. Wine Produced	58,000,000	Litres
F. Wine Funds (B x E)	\$580,000	\$/YR
G. Double Dip Deduction (est.)	-\$75,000YR	
F. Net Wine Fund (F-G)	\$505,000	YR
TOTAL INDUSTRY FUNDS (D+F)	\$680,000	YR
POTENTIAL MATCHING**		
OMAFRA	\$680,000	YR
AAFC	\$680,000	YR
POTENTIAL TOTAL FUNDS	\$2,040,000	YR

Grower levy	\$ 3.50
GGO top-up	<u>1.50</u>
TOTAL	\$ 5.00

* Proposed levy is on all wine produced, including blends.

** Matching available only on research expenditures. Any administrative costs of OGWRF will reduce matching.



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Wine Council of Ontario's Proposed Contribution

Wine Levy

VQA	10 M litres @ \$.01	\$100,000
Non-VQA	40 M litres @ \$.005	<u>\$200,000</u>
Total Wine	50 M litres	<u>\$300,000</u>
Double Dip deduction		<u>\$50,000</u>
Net winery contribution		<u>\$250,000</u>



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Moving Forward - GGO Board Recommendations

The GGO board recommends that a tonnage fee of \$5.00 on wine grapes be allocated to the Ontario Grape and Wine Research Foundation as per the NeoBio Consulting Final Report, subject to successful resolution of the following issues:

1. Wineries to contribute \$0.01/litre on all wine produced (also as per the Final Report)
2. Tax credits and deductions for grower contributions
3. Foundation staff required
4. Governance process

Plus any other issues raised by the members.



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Moving Forward – GGO’s Proposed Contribution

The GGO board recommends that a tonnage fee of \$5.00 on wine grapes (based on an average tonnage of 35,000 metric tonnes) be allocated to the Ontario Grape & Wine Research Foundation based on the following formula:

Tonnage Fee

Membership contribution (\$3.50 per tonne)	\$122,500
Research Fund contribution (\$1.50 per tonne)	<u>\$ 52,500</u>

Total contribution by the GGO **\$175,000**

*Subject to the resolutions of the previously stated issues



Tax Relief available on OGWRF Contributions

	Unincorporated 100 Tonnes	Corporation 100 Tonnes	Corporation 500 Tonnes
A. Farm contribution (at \$3.50/tonne)	\$ 350	\$ 350	\$ 1,750
B. Federal SR&ED* Credit	60	122	612
C. Ontario Innovation Tax Credit	15	35	175
D. Ontario Business Research Institute Tax Credit	<u>70</u>	<u>70</u>	<u>350</u>
E. Total Tax Credits (B+C+D)	145	227	1,137
F. Net Farm Contribution (A-E)	205	123	613
G. Tax Deduction (at 33% personal, 20% corp.)	<u>(67)</u>	<u>(25)</u>	<u>(122)</u>
H. Net Cost to Farm (F-G)	\$ 138	\$ 98	\$ 491
Net cost / contribution	40%	28%	28%

NOTES

1. Tax credits/deductions assume farm (or unincorporated grower) earns taxable income.
2. Tax credits can be managed so payments go directly to growers.
3. Timing of credits will depend on research disbursements.
4. Farm tax year end may affect timing of credit payments.
5. Tax deduction will be on net of contributions less credits received.
6. Item D above will require Ontario government approval.

* SR&ED=Scientific Research and Experimental Development



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 Grape Growers
of ONTARIO

Questions?