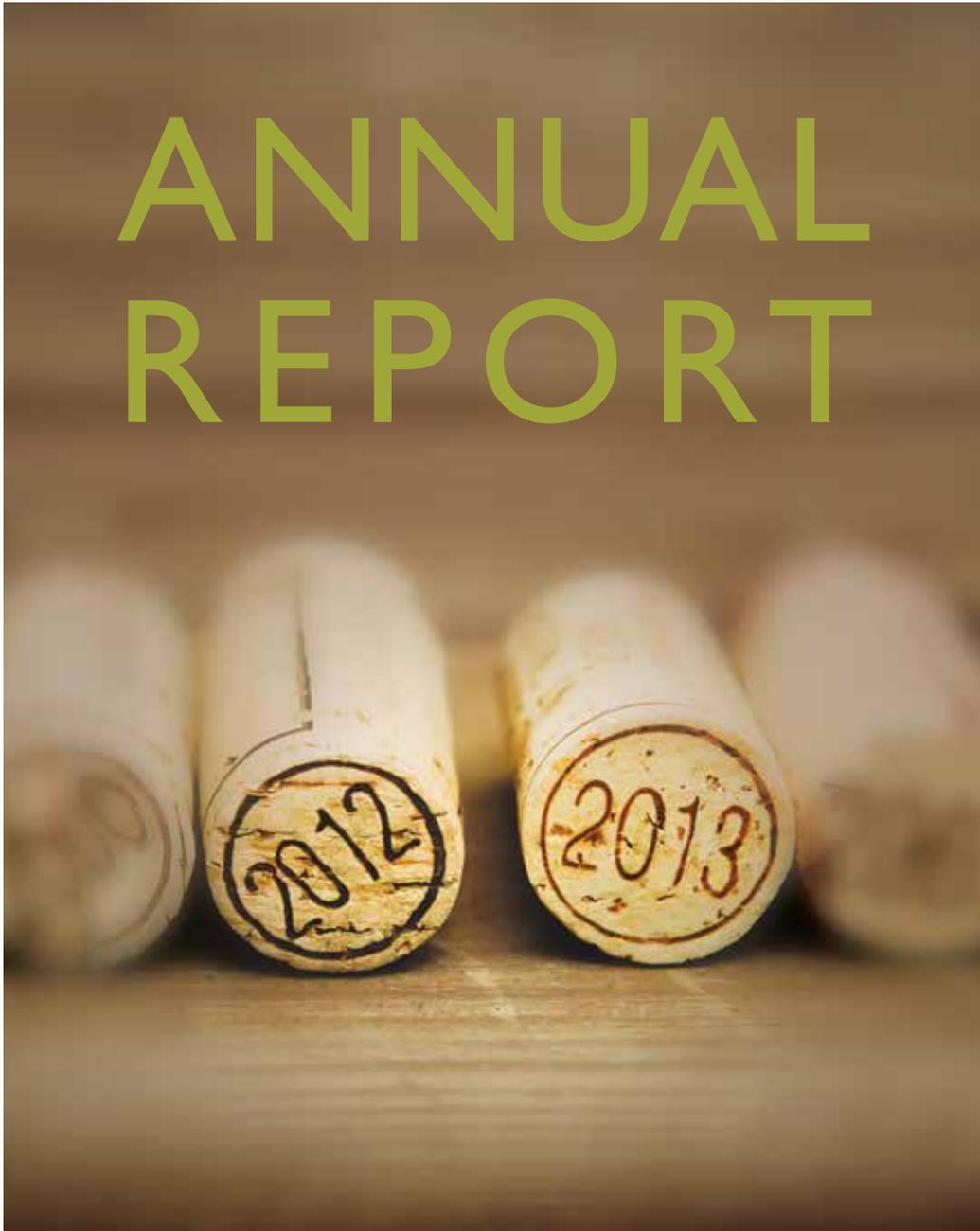


ANNUAL REPORT



WGAO

Winery & Grower Alliance of Ontario

MESSAGE FROM THE EXECUTIVE

In the past year the Winery & Grower Alliance of Ontario (WGAO) and the wine and grape industry in total have made enormous progress.

The WGAO funded an Economic Impact Study for the Ontario industry in coordination with the Canadian Vintners Association, British Columbia Wine Institute and Winery Association of Nova Scotia. The results of this study were announced at the Insight 2013 Industry Conference in March, 2013. The responses from industry, governments and media have been extremely positive. For the first time in the history of the industry we have a baseline study which objectively quantifies the economic impact and value of the industry to the provincial and national economy. This will serve the industry well and enable governments to develop more informed policies and programs into the future.

Overall, in its third year of operation, WGAO has built strong relationships with both the provincial government as well as other stakeholders in the industry. The ultimate success and profitable growth of all wineries and grape growers in the province will be based upon objective facts and analysis and common policy alignment across the industry.

Record sales of Ontario wine were achieved in 2012/13 with total net sales reaching \$662 million and volume sales of 61.5 million litres. Both Vintners Quality Alliance (VQA) and International Canadian Blends (ICB) wine competed well in their respective segments against imported wines, thus increasing their economic impact on both the industry and province as a whole. Last year over 64,000 tonnes of Ontario grapes were produced with a farm gate of some \$88 million.

There is much more to do to achieve our objectives and those of the industry, and the results of 2012/13 have built a strong foundation for continued success and growth.

Anthony Bristow
Chair
WGAO

Patrick Gedge
President & CEO
WGAO

2012/13 Highlights

PROVINCIAL GOVERNMENT ADVOCACY

- > To facilitate the growth of the entire grape and wine industry, both VQA and ICB wines should be recognized in government policy.
- > To increase government and industry coordination, the government should establish a Wine Secretariat or Coordinator to enable more effective communications and streamline inter-ministerial policy decision making.
- > To increase VQA sales, particularly for small wineries, Farmer's Markets should be permitted to sell Ontario wine.
- > To increase sales of VQA and non-VQA wine, agreed upon targets and industry/LCBO action plans need to be established.
- > Over the year, the provincial government made a number of positive changes that support future growth and competitiveness of the industry, including:
 - A review of the VQA Marketing and VQA Support Programs in order to maximize their effectiveness to stimulate VQA growth in the province.
 - Principle of universal access to Wine Country Ontario Wine Guide and consumer website by all tourism-ready wineries endorsed and implementation commenced.
 - Agreement with government and Wine Council to develop VQA Marketing joint proposal by July 31, 2013.
 - Continued endorsement of an effective VQA Support Program.
 - Formal confirmation that ICB wines after March 31, 2014 will require minimum 25% Ontario grape content per bottle.
 - Increased days and hours of operation for Ontario wineries, which will improve customer service and create additional sales.

ECONOMIC IMPACT STUDY

Canada's Wine Economy. Ripe. Robust. Remarkable. was released in March, 2013. The objective of the study was to provide, for the first time in the history of the industry, a comprehensive analysis of the economic impact of the industry on revenues, jobs and taxes in Canada and Ontario.

Ontario's Wine Economy.

RIPE. ROBUST. REMARKABLE.

**TOTAL
ECONOMIC
IMPACT**

The study was completed by independent international research firm Frank, Rimerman + Co. LLP, which has conducted over 20 similar studies in the U.S. and other markets. Funding for the study was provided by WGAO, British Columbia Wine Institute, Winery Association of Nova Scotia and Canadian Vintners Association.

PROVINCIAL INDUSTRY RELATIONSHIPS

- > Plateau Pricing structure and fixed base brix schedule in place for two-year period, including agreement on prices for all grapes.
- > Both the Grape Growers of Ontario and VQA Ontario have standing invitations to attend and participate in all WGAO Board meetings.
- > Thirteen WGAO newsletters were distributed over 2012/13.
- > Ongoing industry committees that WGAO participates in include:
 - Ontario Grape and Wine Research Inc. (OGWRI).
 - Cool Climate Oenology and Viticulture Institute (CCOVI) Advisory Council and CCOVI Executive Committee.

NATIONAL INDUSTRY RELATIONSHIPS AND ADVOCACY

- > The WGAO is a member of the Canadian Vintners Association (CVA) and as of April 1, 2013 became the only Ontario trade association representing all domestic wine in the province at the national level.

> The WGAO and its directors have been actively involved in:

- Bill C-311: development and passage of Direct to Consumer Wine Delivery, and amendment to the 1928 Importation of Intoxicating Liquor Act.
- Promoting excise tax relief for Canadian grape content in blended wine, which will increase competitiveness and demand for Canadian-grown grapes.
- Icewine definition: clear definition for icewine required in order to protect brand equity and respect international agreements.
- Wine labelling: the Canadian Food Inspection Agency (CFIA) has responsibility for establishing wine labelling standards nationally and is in the process of establishing new requirements.
- Canada-EU Free Trade Agreement: various issues have arisen about the industry that have had to be researched and addressed.

GRAPE AND WINE INDUSTRY CONFERENCE

- > The WGAO was a sponsor of the Insight 2013 Conference along with Constellation Brands, Andrew Peller Limited, the Grape Growers of Ontario and Wine Council of Ontario.
- > Insight 2013 was held on March 5, 2013 with 150 industry, government and LCBO representatives in attendance.
- > Highlights included the value of the Ontario wine and grape industry to the economy as well as the need for the industry to work more collaboratively together in order to positively influence government policies and programs.
- > According to a survey of participants, over 89% evaluated the conference as "Very good" or "Excellent".

WGAO MEMBERSHIPS

- > To broaden awareness of the importance of the grape and wine industry to Ontario's economy, the WGAO is a member of the Tourism Industry Association of Ontario, Ontario Culinary Tourism Alliance and the Greater Niagara Chamber of Commerce.

More than
14,000 JOBS

are created in Ontario as a result of the Wine and Grape Industry.



Ontarians enjoy more than **420 million glasses** of Ontario produced wine every year, equal to **84 million bottles**.



\$3.3 BILLION

Half of the entire Canadian Wine and Grape Industry economic impact.

On average, **1 bottle** of Ontario wine generates **\$39.67 of economic impact** in the province.

\$27.38 BUSINESS REVENUE

\$7.06 WAGES

\$5.29 TAXES



Each year, Ontario wineries welcome over
1,900,000 visitors

generating
\$644M

of tourism and tourism employment related economic impact.

That's almost
3X
the number of visitors to the 2010 Winter Olympics in Vancouver.



Ontario's Grape & Wine Industry Statistics (2012/13)

- > Net sales of \$662 million and 61.5 million litres of wine (approximately 82 million bottles).
- > 74% of Ontario wine sales are ICB wines and 26% are VQA wines.
- > 64,400 tonnes of wine grapes purchased with a farm gate of \$87.9 million.
- > 54% of Ontario wine grapes are used for ICB wines and 46% for VQA wines.
- > At the LCBO, Ontario wines by volume account for 28% share of market, and imported wine 72% – WGAO members represent 25% of the 28% Ontario share.
- > On a provincial basis, Ontario VQA and ICB wine represent by volume some 41% and imported wine 59% – WGAO members represent 35.5% of the 41% Ontario share.
- > The total economic impact of the wine and grape industry in Ontario is \$3.3 billion and generates some 14,000 jobs in the province; VQA accounts for \$1.9 billion (includes tourism impact) and ICB \$1.4 billion.

WGAO Board of Directors

Anthony Bristow

Chair
Andrew Peller Limited

Tommaso Magnotta

Director
Magnotta Winery

Phil Tregunno

Director
Grower

Jim Clark

Vice Chair
Colio Estate Wines

Murray Marshall

Director
Diamond Estates
Wines & Spirits

Roger Vail

Director
Grower

Stu Morgan

Secretary/Treasurer
Grower

Tom O'Brien

Director
Regional Association –
Cooper's Hawk
Vineyards

Martin van der Merwe

Director
Constellation Brands

Rob Enns

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WGAO

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About the WGAO

The Winery & Grower Alliance of Ontario represents over 85% of the wine produced in Ontario, and members purchase over 85% of the grapes grown by independent farmers.

We would like to thank all of the new winery members of WGAO including Château des Charmes, along with new grape grower members.

Members of the Alliance include small and large wineries, independent grape growers and regional industry associations.

BRAND NAMES OF MEMBERS INCLUDE:

- Colio Estate Wines
- Château des Charmes
- Cooper's Hawk Vineyards
- Crush
- Dan Aykroyd Wines
- De Sousa Wines
- EastDell Estates
- Fresh Wines
- G. Marquis Vineyards
- Girls' Night Out
- Inniskillin Wines
- Jackson-Triggs Niagara Estate Winery
- Kittling Ridge Wine
- Lake & River
- Lakeview Cellars
- Le Clos Jordanne
- Magnotta Winery
- Mastronardi Estate Winery
- Milan Wineries
- NHL Alumni Wines (Hat Trick)
- Niagara College Teaching Winery
- Peller Estates
- Seasons De Sousa Wine Cellars
- Thirty Bench Wine Makers
- Trius Winery at Hillebrand
- 20 Bees Wines
- Vinoteca Inc. Premium Winery
- Wayne Gretzky Estates

OUR VISION

Growers and wineries together nurture a grape and wine industry that reflects consumer demand and is sustainable and profitable for all stakeholders.

OUR MISSION

To increase the visibility and recognition of the economic and community value of the Ontario grape and wine industry in partnership with all stakeholders.

To create consumer preference for our wine through the quality and value of our products in every market segment.