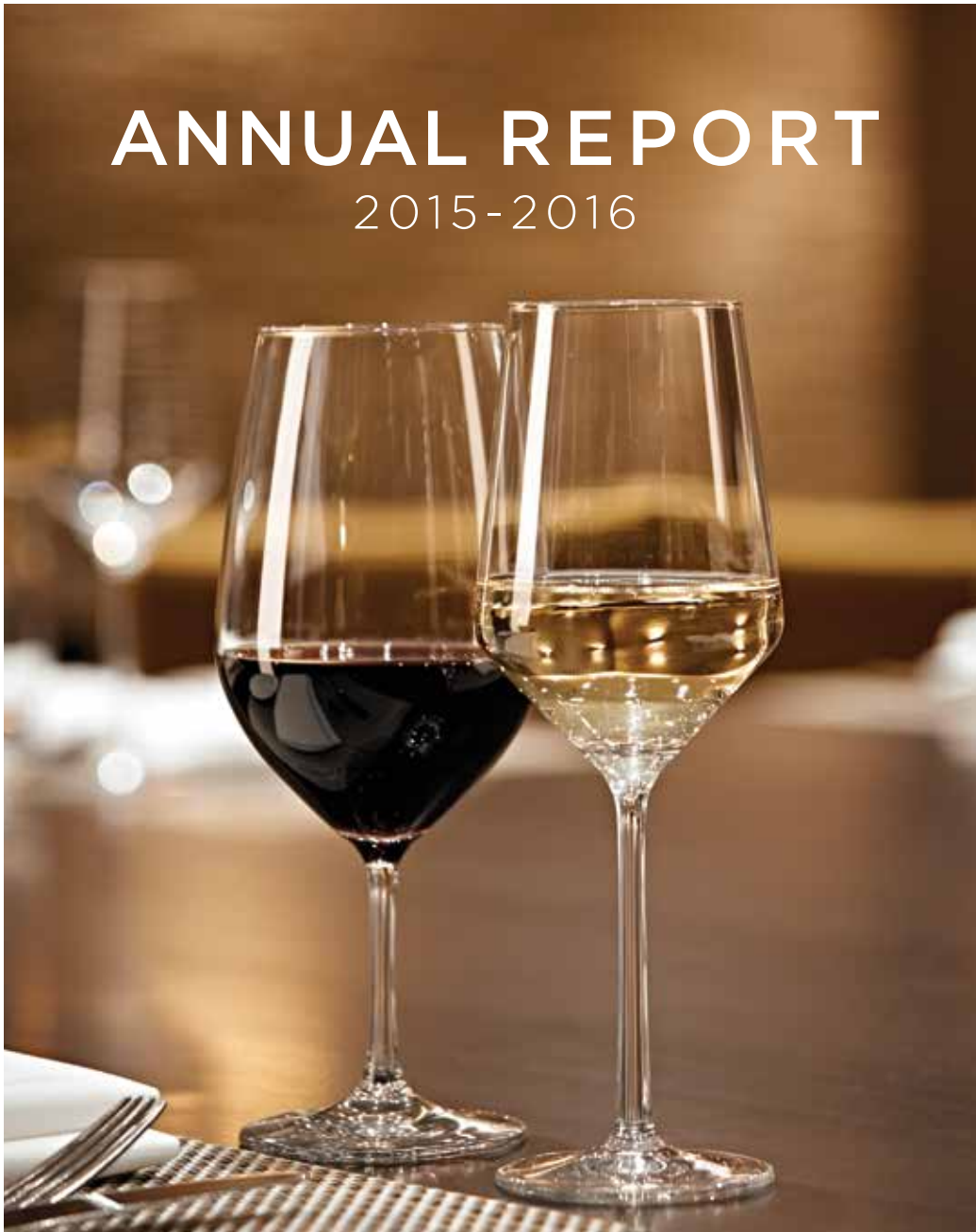


ANNUAL REPORT

2015-2016



WINERY & GROWER
ALLIANCE OF ONTARIO

MESSAGE FROM THE EXECUTIVE

Over the past year the wine and grape industry, and WGAO specifically, has been highly focused on deliberations by the Ontario Premier's Advisory Council on Government Assets (PAC). The WGAO has been a primary stakeholder in this process given that its members represent some 85% of the wine produced in the province and purchase the vast majority of grapes grown in Ontario.

The WGAO and its members invested a tremendous amount of time and costly analysis in order to provide factual information and industry expertise from across the world to PAC as it proceeded through its deliberations and stakeholder engagement process.

The recommendations by PAC were announced on February 18, 2016 in a report entitled "Striking the Right Balance: Modernizing Wine and Spirits Retailing and Distribution in Ontario".

On balance the WGAO expressed its support for the model and principles identified in the report while recognizing that the detailed implementation and regulatory framework would have to be developed over the course of 2016.

In parallel to the PAC process, the WGAO worked closely with the government through the Government/Industry Steering Committee to support the first year of programs under the \$75-million industry funding over five years. In order to effectively deliver on a portion of this funding the WGAO formed a partnership to create the Wine Marketing Association of Ontario (WMAO) in 2015 to manage and invest in VQA marketing activities on behalf of the industry as a whole.

We have seen a profound change in the future direction of our industry over the past year and we would like to thank the WGAO Board, members and staff for their dedication to ensuring a prosperous future for the wine and grape industry in Ontario.

Jim Clark

*Chair
WGAO*

Patrick Gedge

*President & CEO
WGAO*

HIGHLIGHTS 201516

PROVINCIAL GOVERNMENT ADVOCACY

- > The WGAO had over 100 meetings and presentations to PAC over the past year.
- > The resulting report by PAC on February 18, 2016 reflected many of the recommendations and learnings shared by the WGAO with respect to introducing wine to grocery stores in the province.
- > This past year was the first year for the updated Wine and Grape Strategy 2015-2020 supported by \$75 million from the Ontario government.
- > As part of this Strategy the government accepted the recommendation from WGAO to increase the core funding for VQA Marketing through the WMAO from \$3 million to \$5.25 million in 2016/17.
- > The culmination of years of advocacy resulted in a series of changes and modernization of winery regulations by the Alcohol and Gaming Commission of Ontario (AGCO). While there are additional changes still required, the AGCO has taken a very important first step in making it easier and more cost-effective for wineries in the province.

INCREASE IN ONTARIO WINE SALES IN 2015* (%)

	VALUE	VOLUME
LCBO	6.4	5.9
Winery Retail Stores	7.6	6.4
Direct Delivery to Licensees	12	13.3
TOTAL	7.2	6.5

*LCBO Quarterly Scorecard Q3 2015/16

ONTARIO'S GRAPE & WINE INDUSTRY STATISTICS 2015/16

TOTAL ECONOMIC IMPACT of the wine and grape industry **IN ONTARIO** was **\$3.3 BILLION** and generated some **14,000 JOBS** in the province in 2011.

[Source: Frank, Rimerman + Co. LLP].
This study is being updated nationally and provincially for 2016.

Net sales of **\$787 MILLION** and **72 MILLION LITRES** of wine - a 7.2% and 6.5% increase respectively.

Ontario wine sales by volume: **75% ICB** **25% VQA**

Ontario grapes are used for: **54% ICB wines** **46% VQA wines**

PROVINCIAL INDUSTRY RELATIONSHIPS

- > In July 2014, a new two-year pricing agreement for 2014 and 2015 was reached by the industry; in 2015 the grape harvest was 53,252 tonnes with a farm gate of \$63.6 million.
- > The Wine Marketing Association of Ontario (WMAO) was created in March 2015 by the WGAO and Wine Council of Ontario, and WMAO has just completed their first year of operation. The new independent organization is responsible for the delivery of the government VQA Marketing Program, currently funded at \$5.25 million for 2016/17. The WGAO represents 50% membership in the not-for-profit corporation.
- > Ongoing industry-related initiatives that the WGAO participates in include:
 - Ontario Grape and Wine Research Inc. (OGWRI)
 - Cool Climate Oenology and Viticulture Institute (CCOVI) Advisory Council and Executive Committee
 - Best Bar None Ontario
 - Lieutenant Governor's Award for Excellence in Ontario Wines
 - Wine Marketing Association of Ontario
 - VQA Marketing Committee
 - Insight Conference Committee
 - Government/Industry Steering Committee
 - Grape Negotiation Committee
 - Grapes for Processing Industry Advisory Committee (GPIAC)

NATIONAL INDUSTRY RELATIONSHIPS AND ADVOCACY

- > The WGAO is a member of the Canadian Vintners Association (CVA) and is the only Ontario trade association representing domestic wine in the province at the national level.
- > The WGAO and its directors have been actively involved in:
 - The implementation of the new "Wines of Canada" national brand and delivery of the "Red and White" market development program to help grow Canadian wine industry sales in domestic and export markets.
 - Working with government and industry towards the completion of modernized wine labelling rules which meet federal food labelling rules, ensures consumer clarity and respects winery business interests.
 - Promoting the implementation of a 10-year Vintners Investment Tax Credit available to all grape wineries in Canada, which will increase competitiveness and demand for Canadian-grown grapes.
 - Supporting Canadian vintners' international trade agenda including the Canada-EU Free Trade Agreement, TransPacific Partnership Agreement, Canada-Japan Free Trade Agreement, etc.
 - Coordination of the 2nd National Economic Impact Study of the National and Ontario Wine Industry.

GRAPE AND WINE INDUSTRY CONFERENCE

- > The WGAO was a sponsor and co-ordinator of the Insight 2016 Conference along with Constellation Brands, Andrew Peller Limited, the Grape Growers of Ontario and Wine Council of Ontario. Additional sponsorship was provided by Ontario Grape & Wine Research Incorporated and the Agriculture and Agri-food Canada's AgriMarketing program - Growing Forward 2.
- > Insight 2016 was held on March 1, 2016 with over 175 industry, government and LCBO representatives in attendance.
- > Industry leaders from Canada and the United States made timely presentations, as did the LCBO who shared up-to-date market analysis and consumer/retail research. This year's speakers included Ron Tite (Branding and Creativity Expert), Dr. Damien Wilson (Sonoma State University), Justine Vanden Heuvel (Cornell University), Shari Mogk-Edwards (LCBO) and Pamela Lawson (LCBO).

WGAO MEMBERSHIPS

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

53,252 TONNES of grapes were purchased, with a farm gate of **\$63.6 MILLION**.

At the LCBO, **ONTARIO WINES** account for **23% SHARE OF MARKET**, and imported wines 77%.

VQA REPRESENTS 7% of all wine sales through the LCBO.

On a provincial basis, Ontario **VQA and ICB WINES REPRESENT** by value some **35% SHARE OF MARKET**, and imported wines 65%.

VQA REPRESENTS 14% OF ALL WINE SALES in the province.

ABOUT THE WGAO

OUR VISION

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

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.

Members of the WGAO include small, medium and large wineries, independent grape growers and regional industry associations. We are very appreciative of all the new wineries and grape growers that joined the association over the past year.

BRAND NAMES OF MEMBERS INCLUDE:

- Château des Charmes
- Colio Estate Wines
- Cooper's Hawk Vineyards
- Crush
- Dan Aykroyd
- Earth & Sky
- EastDell Estates
- Fresh
- G. Marquis Vineyards
- Girls' Night Out
- Inniskillin Wines
- Jackson-Triggs Niagara Estate Winery
- Kittling Ridge Wines
- Lake and River
- Lakeview Cellars
- Le Clos Jordanne
- Magnotta Winery
- Megalomaniac
- Milan Wineries
- Hat Trick - NHL Alumni
- Niagara College Teaching Winery
- Open
- Peller Estates
- Seasons By De Sousa
- Small Talk Vineyards
- Stonechurch Vineyards
- Thirty Bench Wine Makers
- Trius Winery
- 20 Bees
- Two Sisters Vineyards
- Vinoteca Inc. Premium Winery
- Vintage Ink
- Wayne Gretzky Estates

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.

WGAO BOARD OF DIRECTORS

JIM CLARK
Chair
Colio Estate Wines

GREG BERTI
Director
Andrew Peller Limited

PAUL BOSCH
Director
Château des Charmes

ANTHONY BRISTOW
Past Chair (Ex-Officio)
Andrew Peller Limited

JOHN DE SOUSA
Director
Grower

ROB ENNS
Director
Grower

PATRICK GEDGE
President & CEO
(Ex-Officio)
Winery & Grower
Alliance of Ontario

DOUG HERNDER
Director
Grower

TOMMASO MAGNOTTA
Vice-Chair
Magnotta Winery

J. MURRAY SOUTER
Director
Diamond Estate
Wines & Spirits

TOM O'BRIEN
Director
Regional Association -
Cooper's Hawk Vineyards

DEL ROLLO
Secretary/Treasurer
Constellation Brands

PHIL TREGUNNO
Director
Grower

ROGER VAIL
Director
Grower

WGAO MANAGEMENT TEAM

PATRICK GEDGE
President & CEO
patrick.gedge@wgao.ca

KAREN LOCH
Executive Assistant
karen.loch@wgao.ca



WINERY & GROWER
ALLIANCE OF ONTARIO

4890 Victoria Avenue North, Box 4000
Vineland Station, ON, LOR 2E0

Phone: (905) 562-9426 Fax: (905) 562-9559 www.wgao.ca