

Ontario Wine and Grape Industry Performance Study

2015

Performed by
VQA Ontario and Deloitte
on behalf of the Ontario
wine and grape industry

March 2016



Deloitte.





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Welcome

MESSAGE FROM VQA ONTARIO

Welcome to the first annual Ontario wine and grape industry performance study.

Welcome to the first annual Ontario wine and grape industry performance study. This benchmarking survey is part of the Ontario government's five year \$75 million renewed Wine and Grape Strategy to support the growth and success of Ontario's wine and grape industry.

The survey and report were developed by VQA Ontario and Deloitte in consultation with representatives of the wine and grape industry and the Government of Ontario.

This report provides an overview of the state of the industry based on a comprehensive survey of active wineries and grape growers. Information is presented on the financial state of the industry, including the impact of tourism and hospitality.

The Ontario wine and grape industry has made tremendous progress in the last decade, with strong growth and increased consumer demand for authentic local VQA wines. The consumer and business landscape is constantly changing and reliable data will play an important role in informing decisions for the future. In particular it will provide a means for individual businesses to benchmark their performance within their peers, and identify tangible ways to improve profitability for their business within the sector.



We are very pleased with the high participation rate across the industry and thank all participants who made a considerable effort to complete the detailed survey and provide us with feedback for future improvements. Your contributions are essential to the success of this initiative.

VQA Ontario would also like to thank Deloitte for executing the survey and report and the industry stakeholder group, Grape Growers of Ontario, the Wine Council of Ontario and the Winery & Grower Alliance of Ontario for their leadership and support of the project.

VQA Ontario is Ontario's wine authority, responsible for setting standards and regulating Ontario's wines of origin. We are pleased to assist the industry by providing independent oversight of this project.

VQA Ontario
March 2016

About the Study

OVERVIEW

This report provides an overview of the state of the Ontario wine and grape industry based on a comprehensive survey of active wineries and grape growers to support the growth and success of the industry.

The Ontario wine and grape industry (as defined by wines manufactured in Ontario) includes businesses focused on wine production and those focused on grape growing. Most wineries also have grape growing capabilities and are considered vertically integrated wineries. The study commenced in August 2015 and included an industry survey administered between October and December 2015. The survey was issued online to a population of 208 respondents participating in government support programs, as provided by the Working Group, representing 154 wineries and 54 independent grape growers that do not operate a winery. The survey was responded to by 148 businesses, representing 99 vertically integrated wineries, 7 wineries that do not operate a grape growing business and 42 independent grape growers. For the purpose of the study, all wineries are reported together (“Wineries”) and all independent grape growers are reported on in a separate group (“Grape Growers”). Winery respondents account for an estimated 95% of all wine made in Ontario and about 20% of grapes grown. Independent Grape Grower respondents account for an additional 25% of the grapes grown in Ontario.

STUDY METHODOLOGY

A Working Group was created to provide guidance and ensure industry engagement throughout the development and execution of the study and included participation from government and industry stakeholder groups. These groups included; Grape Growers of Ontario, VQA Ontario, Wine Council of Ontario, Winery & Grower Alliance of Ontario, Ontario Ministry of Agriculture, Food and Rural Affairs and Ministry of Government and Consumer Services (the “Working Group”).

Deloitte was engaged by VQA Ontario on behalf of the Ontario wine and grape industry to assist with the execution of the study. VQA Ontario and Deloitte developed and administered the study survey to participants and prepared the industry report, working collaboratively with the Working Group and other industry stakeholders. This included developing performance indicators, designing the survey approach, collecting and analyzing survey data and creating a fact based report summarizing respondent data.

The foundation of the study was the survey of industry participants on performance indicators as determined by the industry Working Group. The survey comprised a series of

WORKING GROUP



Grape Growers of Ontario
VQA Ontario
Wine Council of Ontario
Winery & Grower Alliance of Ontario
Ontario Ministry of Agriculture, Food and Rural Affairs
Ministry of Government and Consumer Services

questions regarding wine and grape industry performance, relevant to both wineries and grape growers. The survey questions were developed through combined input from the industry Working Group, Deloitte, and a sample of industry participants. All questions were determined and agreed upon by the Working Group. The agreed questions collected information about respondent financial, operational and business climate information. Respondents were asked to provide information pertaining to their most recently completed financial year end and to answer a maximum of 38 questions, with the individual question set dependent upon whether the respondent represented a winery or a grape grower.

Survey information was treated with the highest confidentiality both in terms of data collection and aggregation. On behalf of the industry, VQA Ontario acts as the independent custodian of the data submitted by individual respondents. The individual respondent data is maintained in a secure environment and is not accessible to other parties in the industry including other members of the Working Group.

Findings from the survey have been aggregated and summarized in this fact based report of the study, which has been segmented into reporting groups based on winery total sales. Given the relatively tighter range of grape grower respondents, they have been included as one segment.

HOW TO READ THIS REPORT

The report is divided into four sections.

- 1) **Financial Information** presents details on the financial performance of wineries including profitability, financial position, key financial ratios, line of business gross margin and sales and export details;
- 2) **Operational Information** provides an operational overview of wineries including inventory, production, employment and investment details;
- 3) **Business Climate** presents details on industry topics including tourism, government programs and business challenges; and
- 4) **Grape Growers Performance Summary** provides financial, operational and business climate information for grape growers.


As readers review and interpret the findings of this study, the definitions of the key terms and specific metrics presented across financial, operational and business climate should be kept in mind. A full listing of terms and metrics are provided in **Appendix: Definitions**.

STUDY SEGMENTATION

Total Sales	Number of Responses
Wineries	
\$10M+	8
\$5M–10M	6
\$2M–5M	16
\$0.5M–2M	36
\$0M–0.5M	40
Grape Growers	
\$0M–2.5M	42

This study relies on information provided through the survey that was self-reported by respondents and was not independently audited and verified for accuracy or completeness.

NOTES



1. **Consolidated rates** were calculated to represent the average performance for each segment.
2. **106 wineries participated** in the study, representing a response rate of 52% based on the number of grape wineries operating in the province. Winery respondents account for an estimated 95% of all wine made in Ontario and about 20% of grapes grown.
3. **42 Grape Growers participated** in the study, representing approximately 10% of growers operating in the province. Grape Grower respondents account for 25% of the grapes grown in Ontario.

Key Facts



BRAND TOURISM & HOSPITALITY

ARE THE **HIGHEST PLANNED**
INVESTMENT PRIORITIES

28%

UNDER \$0.5M

58%

OVER \$0.5M

**28% OF WINERIES UNDER \$0.5M AND
58% OF WINERIES OVER \$0.5M ARE PROFITABLE**



**GOVERNMENT REGULATION AND ITS
COST OF COMPLIANCE IS THE TOP RANKED
BUSINESS CHALLENGE IN THE INDUSTRY**



MORE THAN 90% OF WINE PRODUCED
IN ONTARIO IS SOLD IN ONTARIO



3.6^t

ACRE

GRAPE GROWERS HAVE AN AVERAGE
YIELD OF **3.6 TONNES PER ACRE**



IS THE TOP RANKED **INTERNATIONAL
EXPORT MARKET**



AT LEAST **2 OUT OF EVERY 5** VISITORS
TO A WINERY MAKE A PURCHASE

Financial Information



Profitability and Financial Position

INCOME STATEMENT 2015

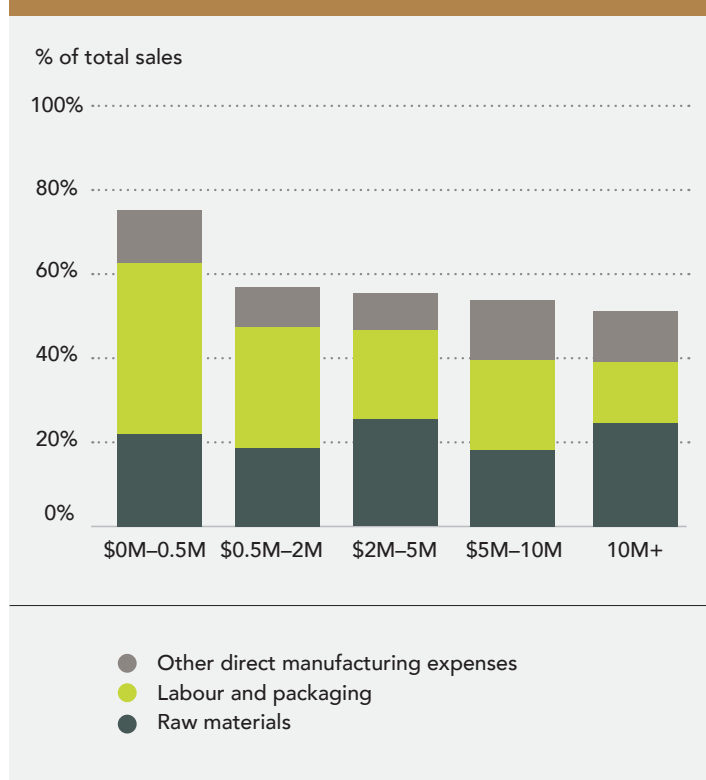
	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Net VQA wine sales	73.0%	70.2%	80.2%	73.4%	35.0%
Net non-VQA wine sales	9.5%	7.2%	0.5%	0.8%	60.6%
Grape sales	3.1%	1.7%	2.3%	3.5%	0.1%
Merchandise sales	2.6%	2.7%	2.8%	2.6%	0.9%
Hospitality sales	1.6%	3.0%	1.7%	2.2%	0.5%
Onsite food and wine service sales	2.3%	5.9%	4.9%	11.4%	1.5%
Other sales	5.5%	3.9%	1.9%	2.8%	0.6%
Grants and programs	2.4%	5.5%	5.7%	3.2%	0.8%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%
Raw materials	-21.4%	-18.7%	-26.3%	-18.8%	-25.6%
Labour and packaging	-41.8%	-28.7%	-21.4%	-21.1%	-14.8%
Other direct manufacturing expenses	-13.1%	-9.7%	-8.8%	-13.9%	-11.6%
Total cost of goods sold	-76.3%	-57.1%	-56.6%	-53.8%	-52.0%
Gross margin	23.7%	42.9%	43.4%	46.2%	48.0%
Sales and marketing expenses	-12.4%	-12.7%	-14.7%	-19.8%	-21.4%
Contribution after sales and marketing	11.3%	30.2%	28.7%	26.3%	26.6%
General and administration expenses	-29.9%	-22.5%	-18.4%	-15.6%	-8.6%
EBITDA	-18.6%	7.7%	10.3%	10.7%	18.0%
Depreciation and amortization	-15.1%	-8.5%	-6.2%	-4.2%	-1.6%
EBIT	-33.8%	-0.8%	4.1%	6.5%	16.4%
Interest expense	-7.0%	-3.9%	-3.2%	-2.0%	-1.3%
Interest income	0.0%	0.1%	0.0%	0.9%	0.0%
Other non-operating income	1.3%	0.9%	1.4%	-0.3%	-0.1%
Foreign exchange gain/(loss)	0.0%	0.0%	0.0%	0.0%	0.0%
Inventory write-downs	-1.6%	-1.6%	-2.6%	-0.1%	-0.6%
Profit/(loss) before tax	-41.1%	-5.4%	-0.3%	5.0%	14.5%

Note: Amounts in the above table represent relative percentages of "Total sales".
Amounts may not sum to subtotals due to rounding.

Sales

With the exception of the \$10M+ winery segment, sales were largely derived from VQA wine. For the \$10M+ segment, non-VQA wine made up a more significant proportion of total sales at 60.6% of sales compared to 35.0% of sales for VQA wine.

COST OF GOODS SOLD 2015



Cost of Goods Sold

Cost of goods sold were 76.3% of sales for \$0M-0.5M wineries and were lower at 52.0% of sales for \$10M+ wineries. Lower cost of goods sold for larger wineries were largely driven by lower labour and packaging as a percentage of total sales. This was observed across all winery segments, but was most pronounced from the \$0M-0.5M segment moving to the \$0.5M-\$2M segment, where labour and packaging declined from 41.8% of sales to 28.7% of sales.

Sales and Marketing Expenses

Sales and marketing expenses increased with winery size. Sales and marketing accounted for 12.4% of sales for the \$0M-0.5M segment and 21.4% for the \$10M+ segment.

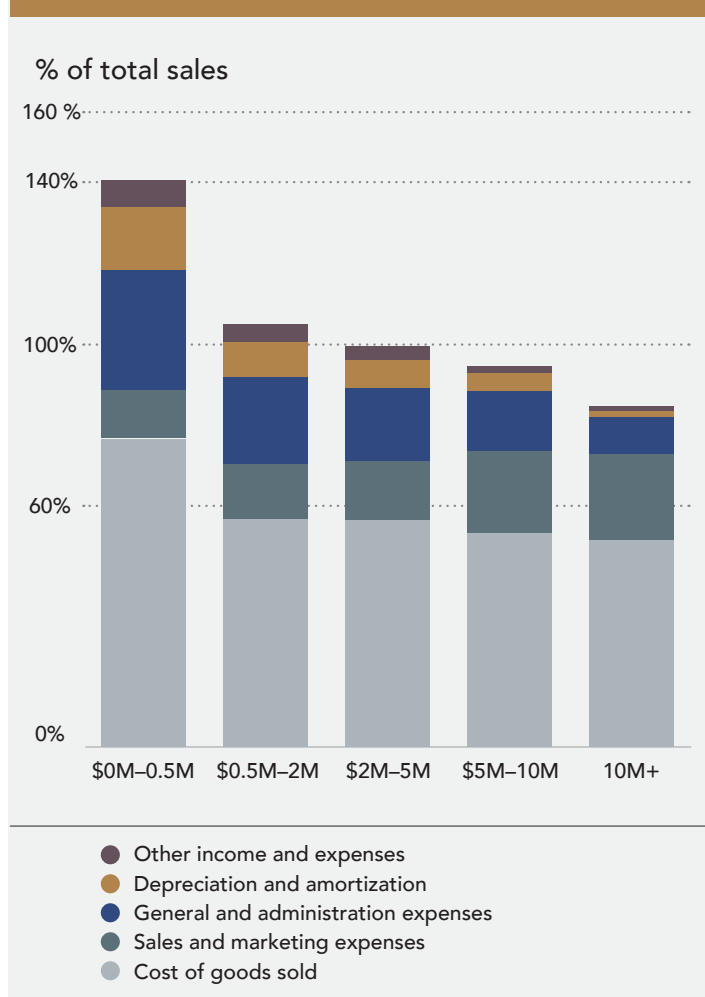
Contribution after Sales and Marketing

Contribution after sales and marketing is one measure of operating performance, focusing on sales and direct costs of the operating business, as well as marketing expenditure. Production efficiencies realized in lower cost of goods sold for larger wineries were reinvested in sales and marketing. This led to a general decline in contribution after sales and marketing as wineries exceeded \$0.5M in total sales.

General and Administration

General and administration expenses declined as wineries increased in size. Declining general and administration expenses relative to sales as businesses increase in size is a trend typically observed across industries due to benefits derived from economies of scale. These expenses were 29.9% of sales for the \$0M-0.5M segment and decreased

EXPENSES 2015



to 8.6% for the \$10M+ segment. This trend of declining general and administration expenses as sales increased was observed across all winery segments.

EBITDA

EBITDA is a measure of financial performance, factoring out the impacts of financing decisions, accounting decisions on depreciation and amortization and tax implications. EBITDA increased with winery size and was positive on average for wineries with over \$0.5M in total sales.

Depreciation and Amortization

Depreciation and amortization expense decreased as wineries increased in size. Depreciation and amortization was 15.1% of sales for the \$0M–0.5M segment and 1.6% for the \$10M+ segment.

EBIT

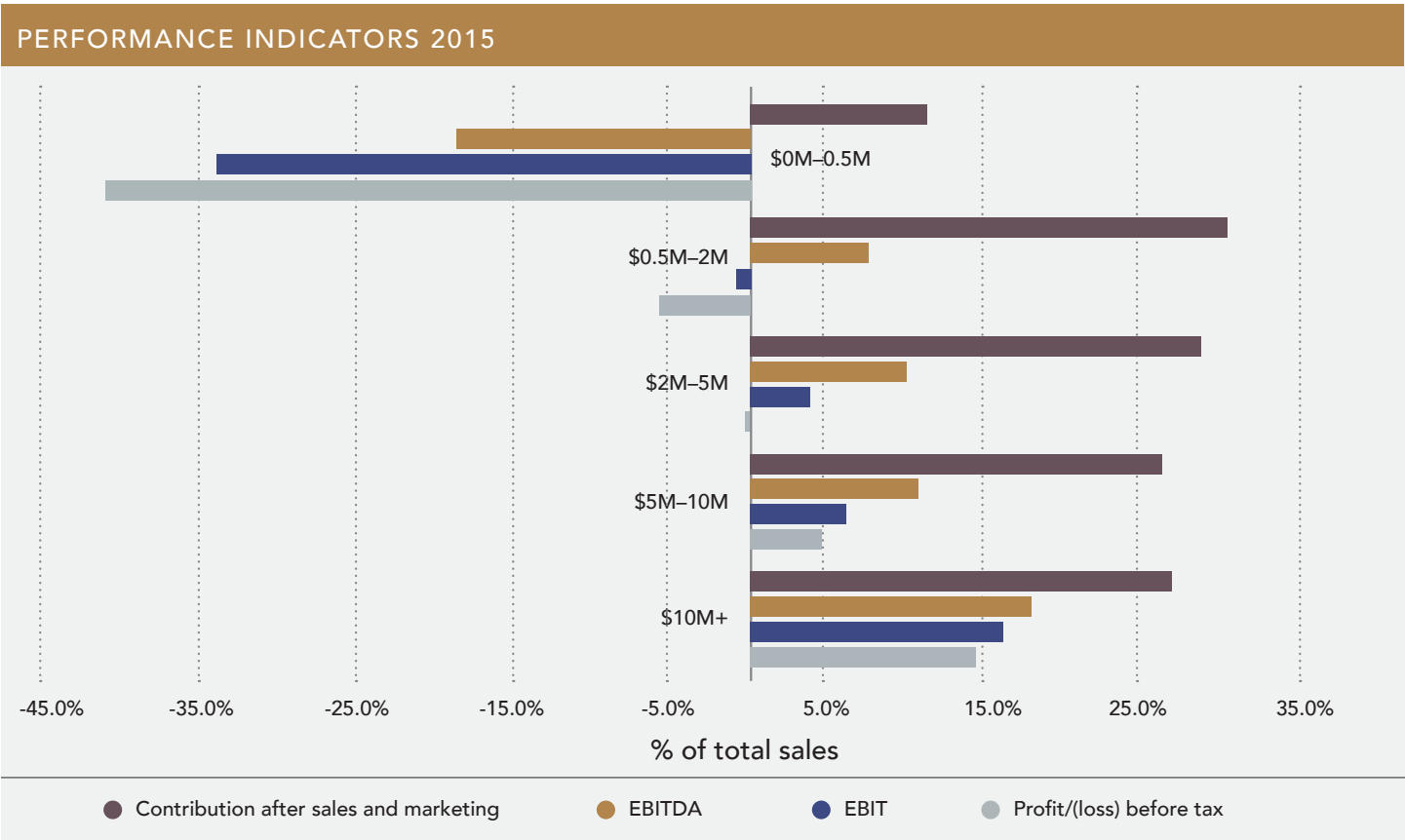
EBIT evaluates financial performance including the impact of depreciation and amortization. EBIT increased with winery size and was positive on average for wineries with over \$2M in total sales.

Profit/Loss Before Taxes

Of the 106 winery respondents, 49 reported a positive pre-tax profit and 57 reported a loss. There were 11 wineries in the \$0M–0.5M segment reporting a pre-tax profit, whereas 38 wineries with more than \$0.5M in sales are profitable. On average, pre-tax profitability increases with size where the \$0M–0.5M winery segment had 41.1% of loss before tax compared to 14.5% of profit for the \$10M+ winery segment.

Key Considerations Impacting Profitability (as a % of total sales)

Profit of smaller wineries is impacted more significantly by higher labour and packaging and general and administration expenses. In addition, smaller wineries saw higher depreciation and amortization expense and higher interest costs related to servicing debt. Larger wineries experienced more significant costs associated with selling and marketing products.



BALANCE SHEET 2015

	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Cash	1.7%	1.9%	0.9%	1.4%	1.4%
Accounts receivable	1.4%	3.6%	6.0%	7.4%	5.7%
Inventory	28.7%	36.3%	31.5%	36.5%	40.5%
Other current assets	1.4%	1.1%	3.1%	2.5%	0.6%
Total current assets	33.2%	42.9%	41.5%	47.8%	48.2%
Land and land improvements	18.4%	13.9%	8.7%	11.5%	5.2%
Vineyards	7.2%	7.2%	8.8%	2.3%	5.1%
Buildings and improvements	25.5%	18.2%	27.5%	26.9%	13.9%
Equipment	12.7%	9.0%	5.9%	7.0%	10.3%
Other fixed assets	1.2%	3.3%	3.9%	1.6%	8.8%
Total net fixed assets	64.9%	51.6%	54.8%	49.3%	43.2%
Purchased goodwill and other intangible assets	0.2%	0.3%	0.2%	0.0%	8.2%
Investments	0.0%	4.6%	0.3%	2.7%	0.1%
Other assets	1.7%	0.7%	3.2%	0.2%	0.3%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%
Bank indebtedness	5.8%	5.3%	5.1%	10.8%	11.8%
Accounts payable and accrued liabilities	6.1%	5.9%	7.3%	4.2%	6.2%
Other current liabilities	2.8%	16.9%	17.5%	1.8%	2.0%
Total current liabilities	14.8%	28.0%	29.8%	16.8%	20.1%
Long term liabilities	102.8%	64.4%	59.3%	52.6%	32.6%
Total liabilities	117.6%	92.4%	89.1%	69.3%	52.7%
Capital stock	13.9%	24.1%	22.6%	3.3%	21.5%
Retained earnings	-31.5%	-16.4%	-11.7%	27.4%	25.8%
Total equity	-17.6%	7.6%	10.9%	30.7%	47.3%
Total liabilities plus equity	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Amounts in the above table represent relative percentages of "Total assets".

Amounts may not sum to subtotals due to rounding.

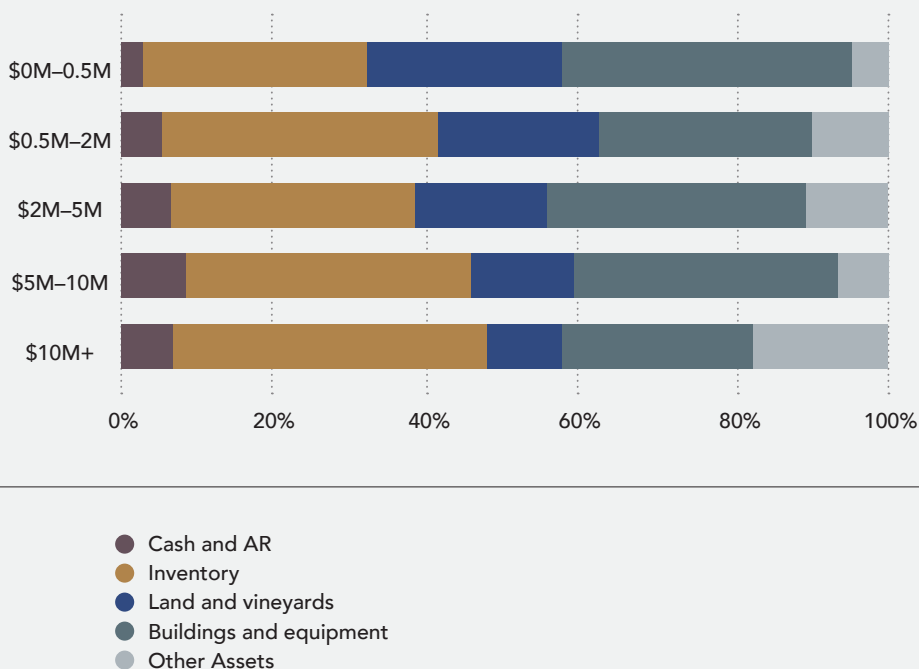
Assets

Smaller wineries have a larger percentage of their assets in fixed assets compared to larger wineries. Wineries in the \$0M–0.5M segment held 64.9% of total assets in fixed assets compared to 43.2% for wineries in the \$10M+ segment.

Smaller wineries held a larger percentage of assets in land and vineyards compared to larger wineries. Land and vineyards made up 25.6% of total assets for the \$0M–0.5M segment compared to 10.3% of total assets for the \$10M+ segment.

Smaller wineries held a larger percentage of assets in buildings and equipment compared to larger wineries. Buildings and equipment made up 38.2% of total assets for the \$0M–0.5M segment compared to 24.2% of total assets for the \$10M+ segment.

ASSET SUMMARY 2015



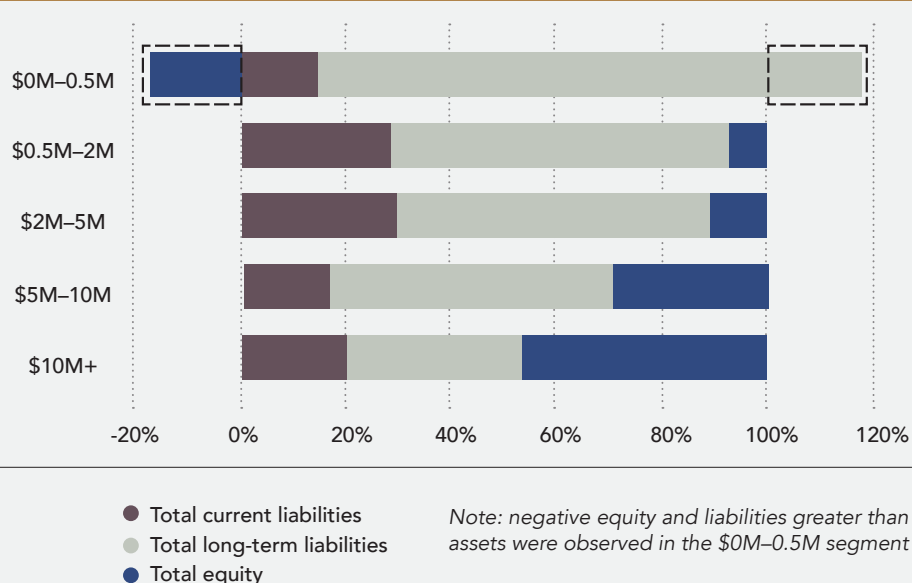
Liabilities and Equity

Smaller wineries were funded to a higher degree through debt than equity when compared to larger wineries. Wineries in the \$0M–0.5M segment held 117.6% in liabilities and -17.6% in equity due to negative retained earnings compared to 52.7% in liabilities and 47.3% in equity for wineries in the \$10M+ segment.

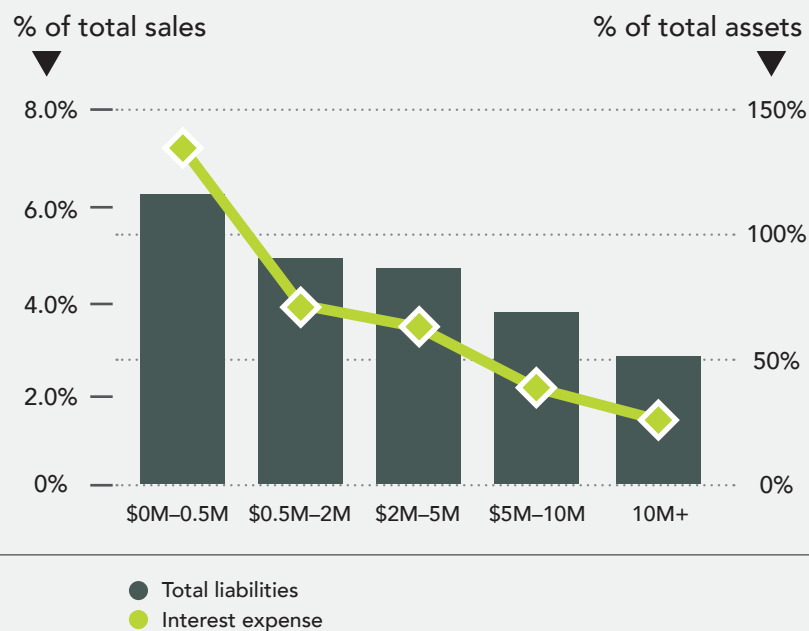
Interest expense on the income statement decreased as wineries increased in size, from 7.0% of sales for \$0M–0.5M wineries to 1.3% of sales for \$10M+ wineries, corresponding to the debt levels observed in the winery segments. Higher levels of debt at the smaller wineries correlate to a higher cost of borrowing.

Negative retained earnings were observed in the smaller \$0–0.5M, \$0.5M–2M and \$2M–5M winery segments.

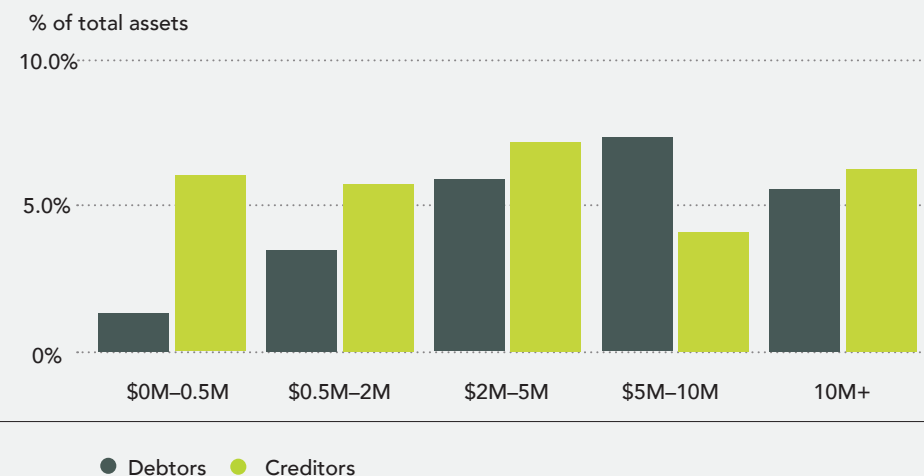
LIABILITIES AND EQUITY 2015



INTEREST EXPENSE AND TOTAL LIABILITIES 2015



DEBTORS VS CREDITORS 2015



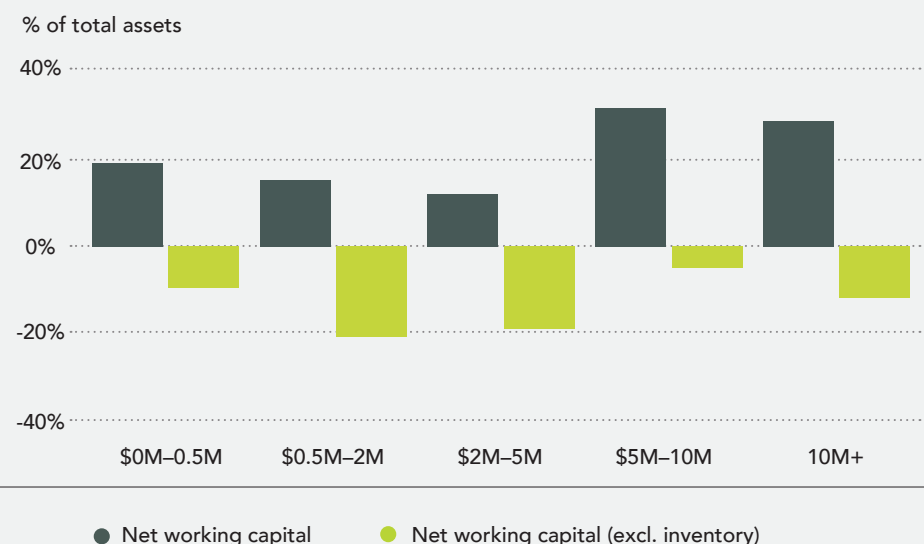
Assets vs. Liabilities

Creditors, represented by accounts payable and accrued liabilities, were higher than debtors, represented by accounts receivable, across all winery segments except for the \$5M–10M segment.

Net working capital is the difference between current assets and current liabilities, representing cash flow requirements for day to day operations of the business. Inventory levels formed a large portion of current assets. Given the seasonality of the industry and thus the variability in the movement of inventory levels, it is worth considering working capital excluding inventory for cash flow management purposes. Net working capital was positive across all winery segments with inventory included and was negative across all winery segments with inventory excluded.

For further detail on current assets and liabilities, see *Current Assets and Liabilities 2015* on page 15.

NET WORKING CAPITAL 2015



KEY FINANCIAL RATIOS 2015

	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Solvency ratios					
Current ratio	2.2	1.5	1.4	2.9	2.4
Debt to equity ratio	(6.7)	12.1	8.1	2.3	1.1
Debt to tangible assets	1.2	0.9	0.9	0.7	0.6
Efficiency ratios					
Inventory turnover	0.6	0.5	0.7	0.9	1.1
Fixed asset turnover	0.3	0.6	0.7	1.2	1.9

Solvency Ratios

The current ratio is calculated as current assets divided by current liabilities and indicates short term financial liquidity. The \$5M–10M winery segment had the strongest current ratio followed by the \$10M+ winery segment, as both had the highest levels of current assets. Inventory was the largest component of current assets across all winery segments.

The debt to equity ratio is calculated as total liabilities divided by total equity and indicates the relative proportion of debt and equity used to finance assets. Note the \$0M–0.5M winery segment was negative due to a negative equity balance. All winery segments were financed more heavily through debt than equity. The debt to equity ratio decreased as the size of wineries increased, indicating a higher proportion of debt financing at smaller wineries.

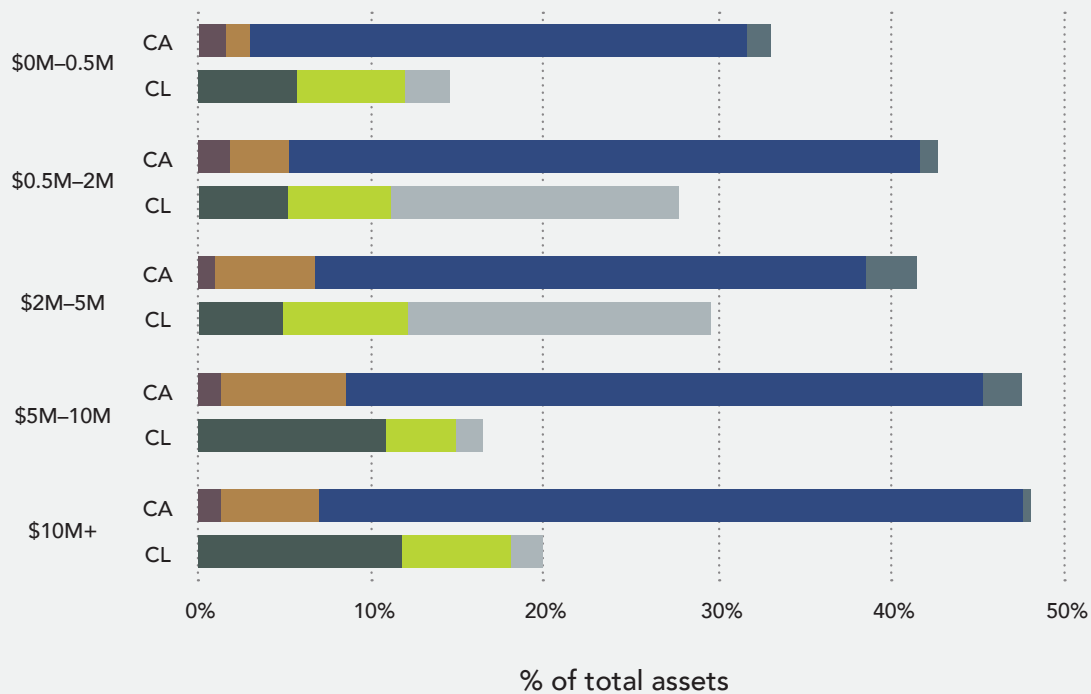
The debt to tangible assets ratio was calculated as total liabilities divided by total assets excluding purchased goodwill and other intangible assets. A ratio below 1.0 indicates there are sufficient tangible asset levels to cover debt. All winery segments except for the \$0M–0.5M segment had ratios below 1.0.

Efficiency Ratios

Inventory turnover is calculated as cost of goods sold divided by inventory and indicates the number of times inventory has been sold in the year. An inventory turnover ratio of less than 1.0 indicates increasing inventory levels. Wineries are expected to have inventory turnover of less than 1.0 during periods of increased production or supply, as some of the wine produced is held in inventory for ageing or sale. All winery segments except for the \$10M+ category had inventory turnover ratios below 1.0, indicating that they were accumulating a portion of their inventory.

Fixed asset turnover is calculated as total sales divided by total fixed assets and measures the business' ability to efficiently deploy its fixed assets in generating sales. The fixed asset turnover ratio increased with winery size, indicating that larger wineries use their fixed assets more efficiently.

CURRENT ASSETS AND LIABILITIES 2015

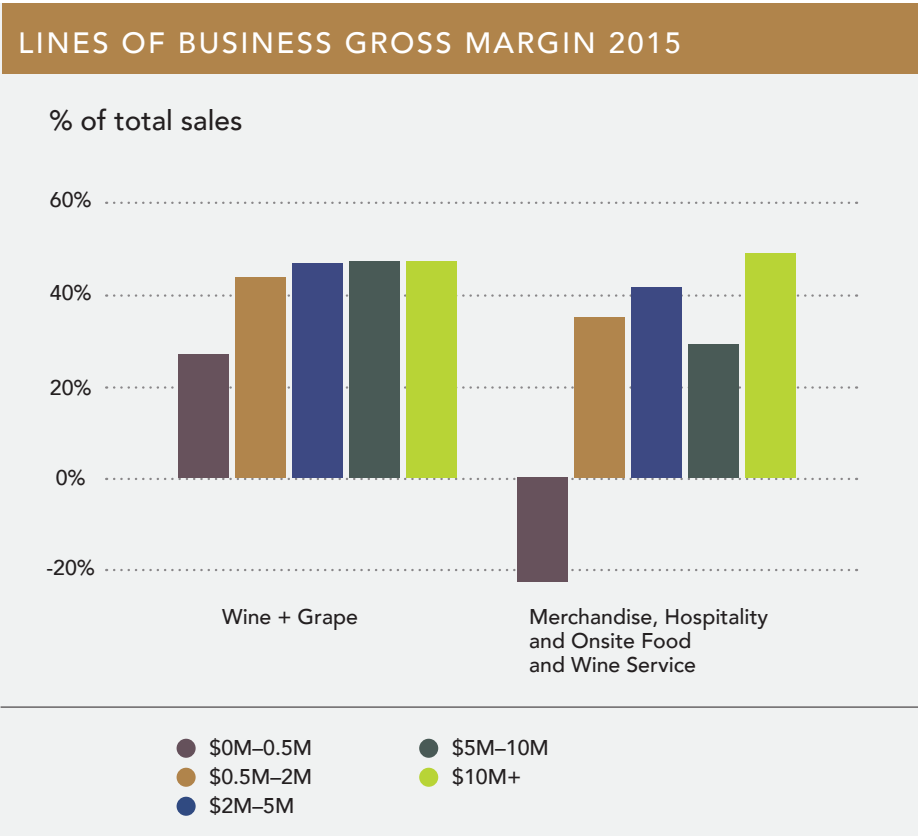
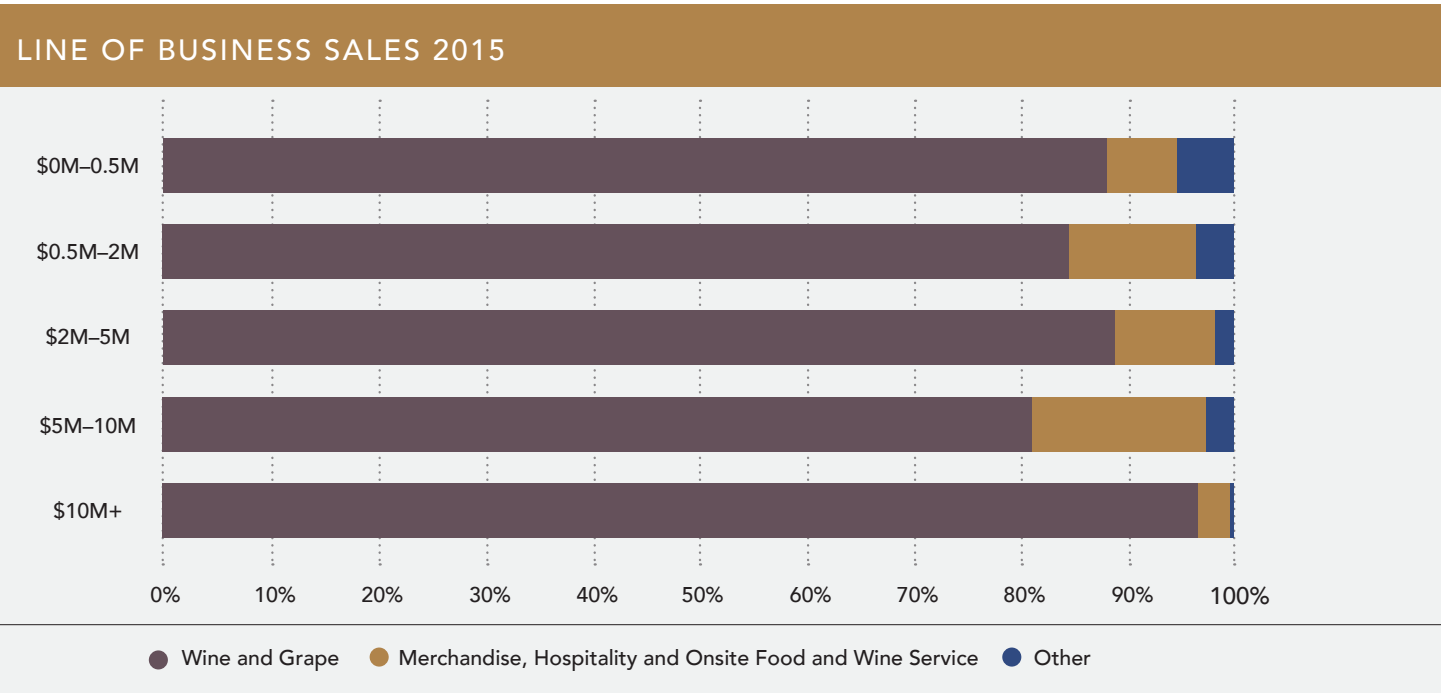


● Cash
 ● Accounts receivable
 ● Inventory
 ● Other current assets

● Bank indebtedness
 ● Accounts payable and accrued liabilities
 ● Other current liabilities

CA: Current assets
 CL: Current liabilities

Line of Business Financials



Line of Business Sales

Including grants and programs, wine and grape sales comprised at least 80% of total sales across all winery segments.

Line of Business Gross Margin

Wine and grape gross margin increased with winery size, at 27.3% for the \$0M–0.5M segment and 48.0% for the \$10M+ segment.

Wineries in the \$0M–0.5M segment had the lowest gross margin of all segments on the wine and grape line of business and had negative gross margin on the merchandise, hospitality and onsite food and wine service lines of business.

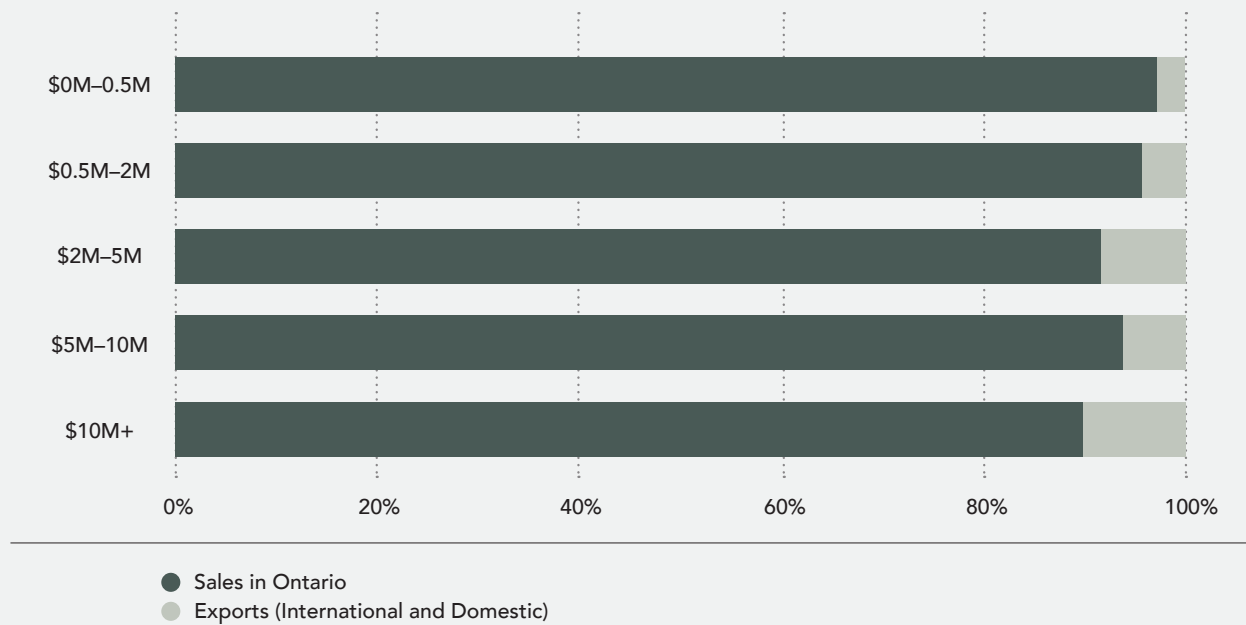
Sales

WINE SALES DETAIL 2015

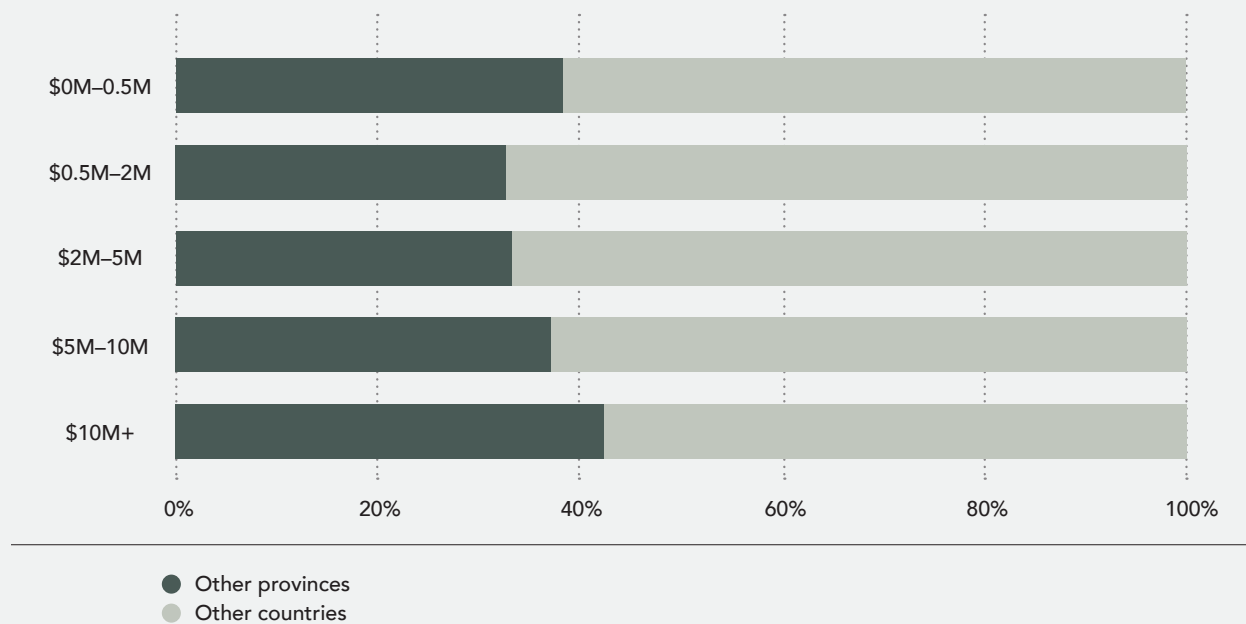
	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Wine Sales by Channel (VQA and Non-VQA)					
LCBO	16.7%	19.1%	32.0%	37.4%	40.7%
Winery retail store	57.0%	53.5%	37.2%	30.5%	42.1%
Farmers' market	3.0%	0.8%	0.3%	1.2%	0.1%
Delivered direct to licensees	17.9%	18.2%	19.1%	22.0%	5.1%
Sales to other provinces	1.1%	1.5%	2.8%	2.4%	4.4%
Export	1.8%	3.1%	5.6%	4.0%	6.0%
Other	2.5%	3.8%	3.0%	2.5%	1.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Wine Product Type (VQA and Non-VQA)					
Table wine	90.9%	93.4%	89.9%	89.4%	86.1%
Sparkling wine	3.1%	2.2%	0.6%	2.5%	3.5%
Icewine	1.8%	3.0%	9.3%	7.3%	7.8%
Other grape	4.2%	0.1%	0.1%	0.0%	2.6%
Other non-grape	0.0%	1.3%	0.1%	0.8%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Wine Format (VQA and Non-VQA)					
Packaged wine	89.9%	93.5%	97.3%	95.6%	98.2%
Bulk wine	9.1%	3.0%	2.7%	4.4%	1.8%
Bulk juice	1.1%	3.5%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Amounts in the above table represent relative percentages of "Total sales".
Amounts may not sum to subtotals due to rounding.

LOCAL SALES AND EXPORTS 2015



EXPORTS TO OTHER PROVINCES AND COUNTRIES 2015



Wine Sales by Channel

Reliance on LCBO as a sales channel increased with winery size, whereas smaller wineries were more dependent on winery retail store and delivered direct to licensees as sales channels. Wineries in the \$0M–0.5M segment attributed 16.7% of sales through the LCBO compared to 40.7% for the \$10M+ segment.

The majority of wine produced in Ontario was sold in Ontario. Exports to other countries and provinces as a

percentage of total sales increased as wineries increased in size. Exports reached a maximum of 10.4% of sales for the \$10M+ segment, with 4.4% of sales to other provinces and 6.0% of sales to other countries.

Wineries in all segments exported more to other countries than to other provinces within Canada. The \$10M+ segment had the greatest proportion of exports within Canada, at 42.3% of total exports.

Wine Sales by Product Type

Reliance on table wine decreased with winery size. Wineries in the \$0M–0.5M segment attributed 90.9% of sales to table wine compared to 86.1% for the \$10M+ segment. Wineries with over \$2M in total sales sold a larger proportion of icewine than smaller wineries.

Wine Sales by Format

The sale of packaged wines generally increased with winery size. Wineries in the \$0M–0.5M segment attributed 89.9% of sales to packaged wine compared to 98.2% for the \$10M+ segment.

WINE SALES BY PRODUCT TYPE AND WINE FORMAT 2015

(SALES DOLLARS PER LITRE)

	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Wine Product Type (VQA and Non-VQA)					
Table wine	15.88	14.24	13.22	12.69	5.84
Sparkling wine	30.03	26.29	12.55	19.42	10.17
Icewine	52.88	55.47	55.79	65.93	55.29
Wine Format (VQA and Non-VQA)					
Packaged wine	20.13	15.13	15.02	13.64	4.17
Bulk wine	3.46	2.32	3.41	3.95	2.96

Note: Figures in the above table represent sales dollars per litre excluding taxes, levies and fees (HST, LCBO mark-up, levies and fees, volume, environmental and basic tax and container deposit).

A large decrease in sales dollars per litre was observed from the \$5M–10M segment to the \$10M+ segment. Note that the \$10M+ segment sold a larger proportion of non-VQA wine.

Exports



RANKING OF RELATIVE IMPORTANCE OF GLOBAL EXPORT MARKETS 2015



RANKING OF RELATIVE IMPORTANCE OF CANADIAN EXPORT MARKETS 2015

\$0–0.5M	1. Asia 2. North America (excluding Canada) 3. Europe 4. None
\$0.5–2M	1. Asia 2. North America (excluding Canada) 3. Europe 4. Australia
\$2–5M	1. Asia 2. North America (excluding Canada) 3. Europe 4. None
\$5–10M	1. Asia/North America (excluding Canada) 2. Europe 3. South America 4. Africa (including Middle East)
\$10M+	1. Asia 2. Europe 3. North America (excluding Canada) 4. Africa (including Middle East)

\$0–0.5M	1. Quebec 2. Atlantic/Prairies 3. British Columbia 4. None
\$0.5–2M	1. Quebec 2. Atlantic 3. Prairies 4. British Columbia
\$2–5M	1. Prairies 2. Quebec 3. Atlantic 4. British Columbia
\$5–10M	1. Prairies 2. Quebec 3. Atlantic 4. British Columbia
\$10M+	1. Prairies 2. Atlantic 3. Quebec 4. British Columbia

For international exports, wineries in all segments viewed Asia as the most important global export market.

Within Canada, the smaller wineries ranked Quebec as the most important market, while larger wineries considered the Prairies as the most important.

Operational Information



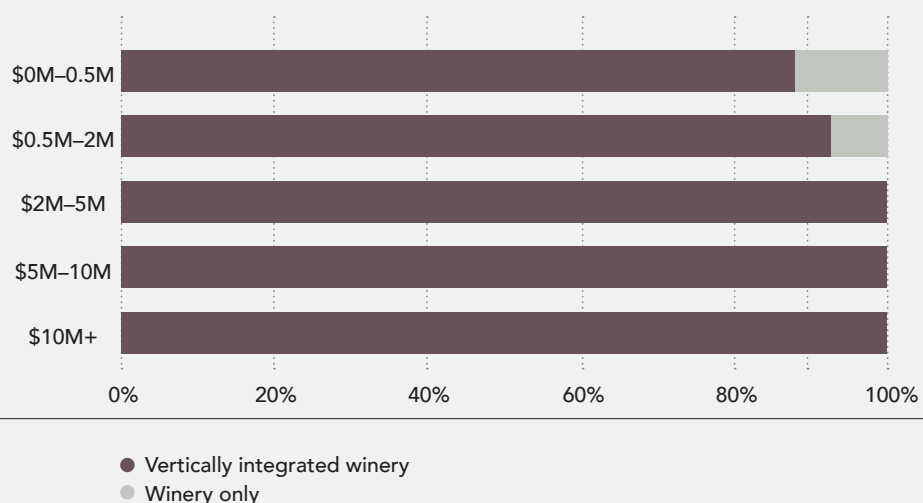
Operational Background

Participation in Grape Growing

The majority of wineries surveyed were vertically integrated wineries that included a grape growing business. All wineries in the \$2M–5M, \$5M–10M and \$10M+ segments were vertically integrated.

Wineries that do not grow grapes were observed within the segments with smaller wineries; 12.5% of wineries in the \$0M–0.5M segment and 5.6% of wineries in the \$0.5M–2M segment did not grow grapes.

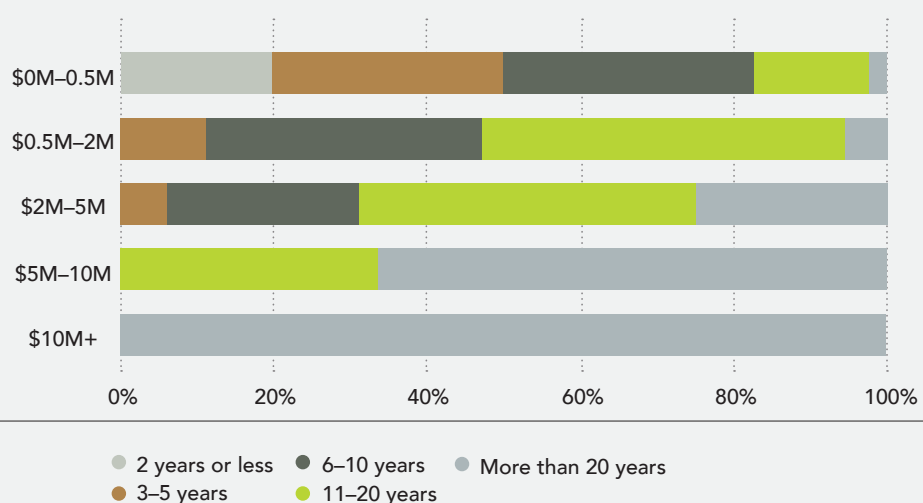
PARTICIPATION IN GRAPE GROWING 2015



Years of Operation

The number of years in operation generally increased with size. In the \$0M–0.5M segment, 50.0% of wineries operated for 5 years or less. The \$0M–0.5M segment was the only segment with wineries that operated for 2 years or less. In the \$10M+ segment, all wineries operated for at least 20 years.

YEARS OF OPERATION 2015



Inventory and Production

Inventory Detail 2015 (Average Litres per Business)

	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Table wine – bulk	18,506	96,579	196,824	398,260	5,626,872
Table wine – packaged	12,302	68,480	115,282	351,023	1,402,670
Table wine – juice	237	2,078	-	-	-
Total table wine	31,045	167,137	312,106	749,283	7,029,542
Icewine – bulk and packaged	256	3,287	6,668	10,493	178,988
Icewine – juice	106	27	-	-	22,614
Total icewine	362	3,314	6,668	10,493	201,602
Other grape wine – bulk, packaged and juice	116	803	877	25,072	258,193
Total	31,522	171,254	319,651	784,848	7,489,337

Note: Amounts represent the average number of litres held by winery.

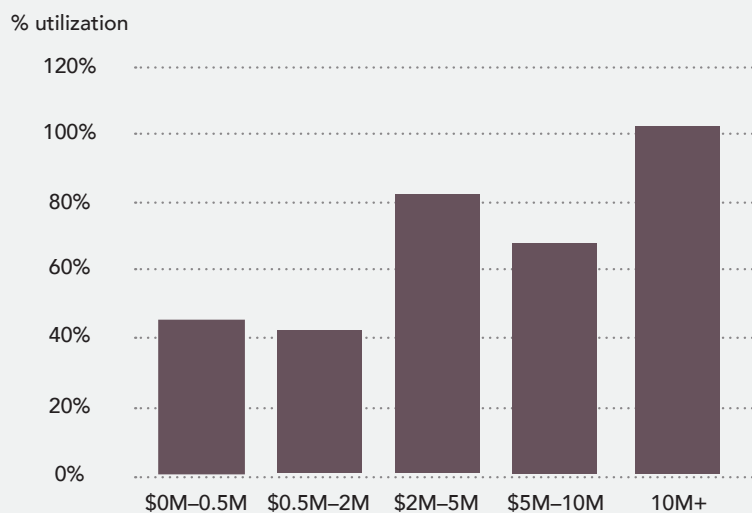
The largest wineries held a larger volume of wine in inventory and held a greater proportion of bulk table wine than smaller wineries.

Wine Production Detail 2015

	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Average litres of wine produced	13,434	62,340	263,245	336,756	8,871,292
Average maximum production capacity based on cooperage	29,233	143,664	317,269	489,269	8,591,540

Note: Amounts represent the average production in litres by winery.

WINE PRODUCTION UTILIZATION 2015



Wine Production Detail 2015

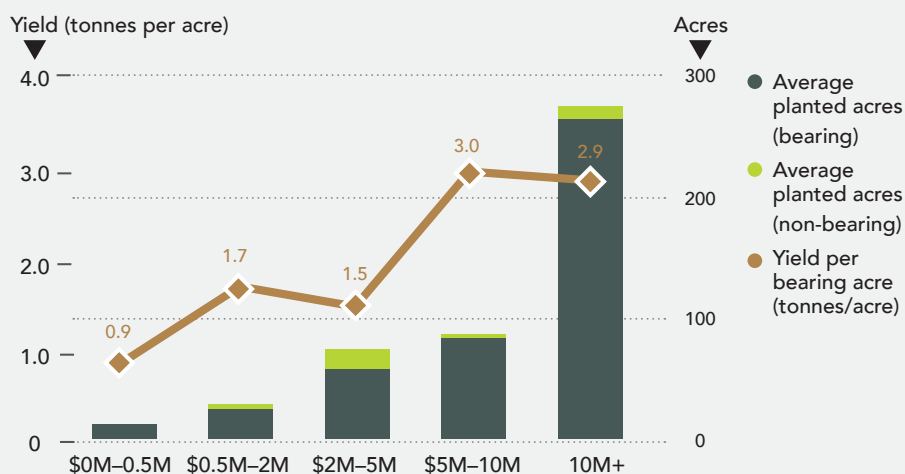
Wineries in the \$0M-0.5M and \$0.5M-\$2M segments use less than half of their production capacity (calculated as production divided by capacity). Lower production capacity utilization rates suggest excess fixed assets were being held that were not fully utilized to generate sales.

Grape Production Detail for Wineries 2015

	Winery size (2015 sales)				
	\$0M-0.5M	\$0.5M-2M	\$2M-5M	\$5M-10M	\$10M+
Average planted acres – bearing	11	29	59	85	263
Average planted acres – non-bearing	3	4	17	4	10
Average grapes produced (Tonnes)	10	50	89	252	754
Yield per bearing acre (Tonnes/Acre)	0.9	1.7	1.5	3.0	2.9

Note: Amounts represent the average acres, tonnes and yield by winery segment as indicated.

GRAPE PRODUCTION 2015



Wineries generally had higher grape acreage and higher yield per bearing acre as size increased.

CAPACITY CONSTRAINTS RANK 2015

\$0–0.5M

1. Tank capacity
2. Crush
3. Fermentation
4. Bottling

\$0.5–2M

1. Tank capacity
2. Fermentation
3. Crush
4. Bottling

\$2–5M

1. Tank capacity
2. Fermentation
3. Bottling
4. Crush

\$5–10M

1. Tank capacity
2. Fermentation
3. Bottling
4. Crush

\$10M+

1. Tank capacity
2. Crush
3. Fermentation
4. Bottling

*Tank capacity was ranked
as the top constraint
for all winery segments.*

Employment

Employment Detail 2015, Average full time equivalents (FTEs)

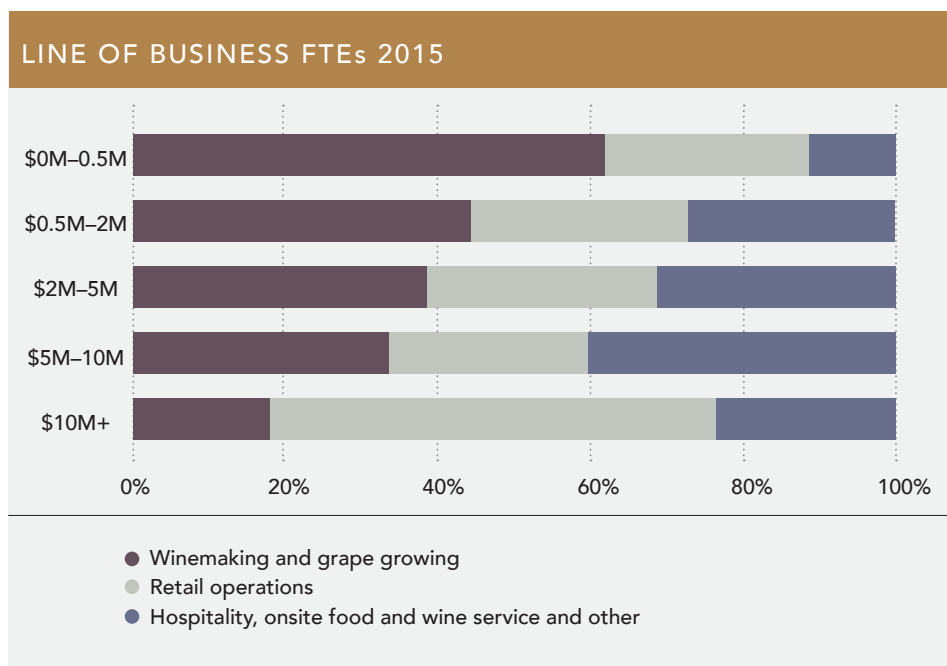
	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Average FTEs by Employment Type					
Regular Full-time	1.5	5.6	12.8	30.2	146.4
Seasonal	1.0	2.4	4.0	13.2	20.5
Part-time	0.7	1.2	3.8	10.3	89.1
Total	3.1	9.2	20.5	53.6	256.0
Average FTEs by Line of Business					
Wine making and grape growing	1.9	4.2	8.0	18.3	47.3
Retail Operations	0.8	2.6	6.1	13.9	149.2
Hospitality, onsite food and wine service and other	0.4	2.5	6.4	21.5	59.5
Total	3.1	9.2	20.5	53.6	256.0

Note: Amounts represent the average number of FTEs by business. FTEs were calculated based on a 37.5 hour work week and 52 weeks per year. Amounts may not sum to subtotals due to rounding.

Employment Detail 2015

The average FTE count for each winery segment reflects the size difference between the segment with the smallest wineries at 3.1 FTEs and the segment of largest wineries, with 256.0 FTEs.

As wineries increased in size, a smaller percentage of FTEs were devoted to wine making and grape growing. For the \$0M–0.5M segment, winemaking and grape growing accounted for 62.1% of FTEs compared to 18.5% for the \$10M+ segment.



Innovation and Investments

Information on current and planned investment decisions was collected from survey respondents to understand investment choices in the Ontario wine and grape industry. Line of business investment represents the business areas where investments were made, investment choices represent the assets or services being purchased and the purpose of investment represents the rationale for investment decisions.

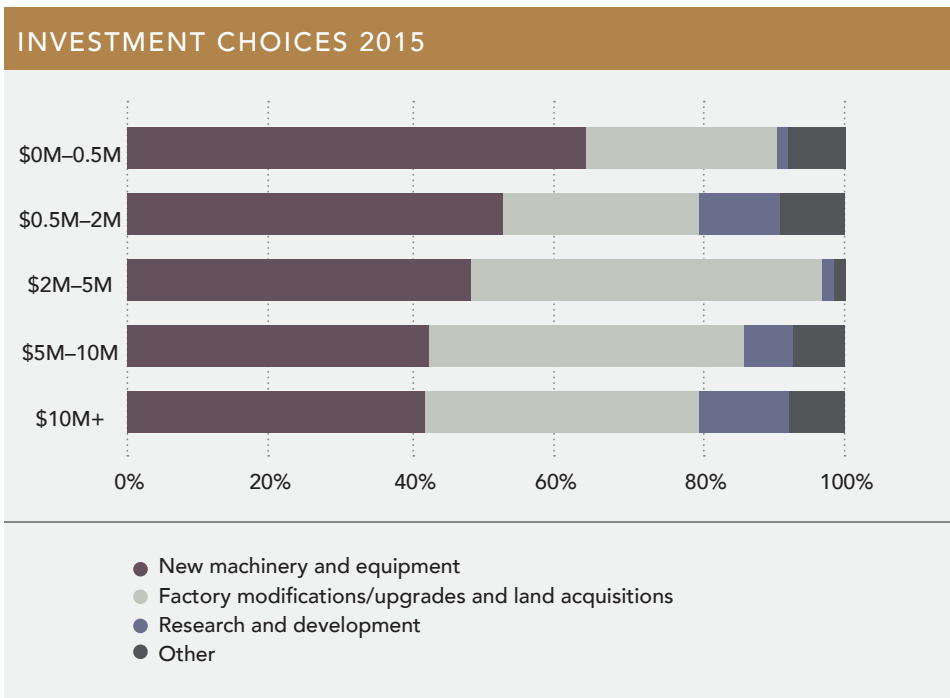
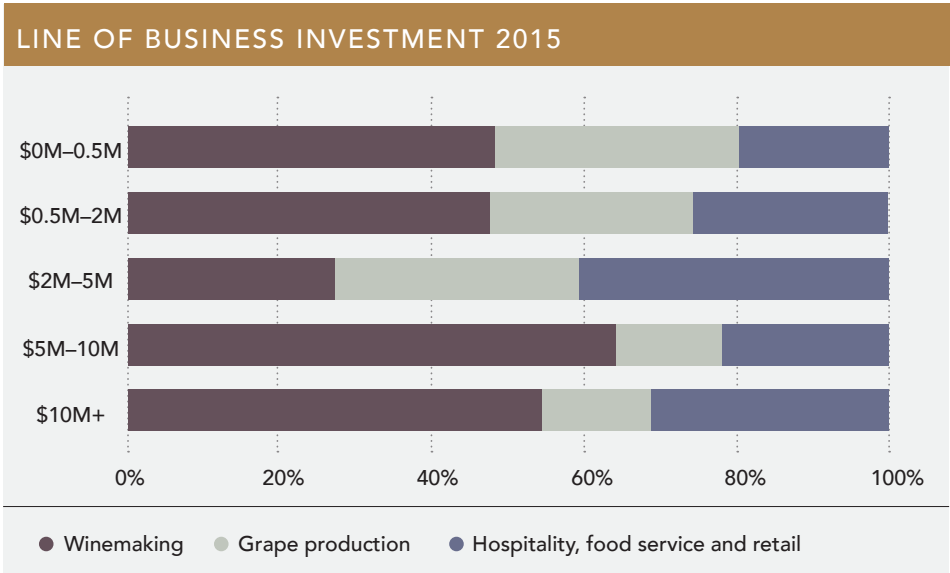
CURRENT INVESTMENTS

Line of Business Investment

All segments except for the \$2M–5M segment invested the highest proportion of total investments in wine making. The \$2M–5M segment invested the highest proportion of total investments in hospitality, food service and retail.

Investment Choices

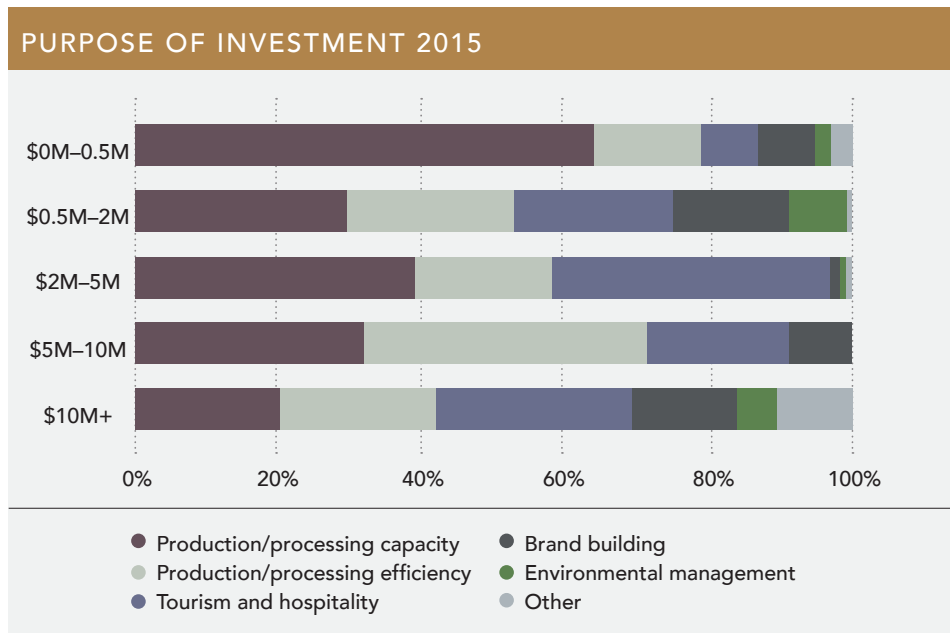
Businesses across all segments invested the most on new machinery and equipment, as well as facility modifications/upgrades and land acquisitions. Investments in research and development and other areas were not the primary focus and made up at most 20.8% of total investment. Investments in wine making and grape production were more focused on new machinery and equipment, while investments in hospitality, food service and retail were more focused on facility modification/upgrades and land acquisition.



Purpose of Investment

Businesses across all segments invested the most in production/processing capacity and efficiency, as well as tourism and hospitality.

Relatively small investments were observed in environmental management across all winery segments.



PLANNED INVESTMENTS

High Medium Low

Respondents were asked to rate the level of investment planned, with “High” representing significant dollar value and “Low” representing minimal dollar value. Responses were consolidated to represent the level of investment planned for each segment.

Planned Investment Choices 2015

Winery size (2015 sales)

	\$0M-0.5M	\$0.5M-2M	\$2M-5M	\$5M-10M	\$10M+
New machinery and equipment	High	High	High	Medium	High
Facility modifications/upgrades and land acquisitions	High	High	Medium	High	High
Research and development	Low	Low	Low	Low	Medium



The planned investment choices over the next five years mirror the investments made in the current year. Planned investments in new machinery and equipment and facility modifications/upgrades and land acquisitions are generally high, while planned investments in research and development and other areas are generally low or not planned.

Planned Investment Purpose 2015	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Production/processing capacity	High	High	High	Medium	High
Production/processing efficiency	High	High	Medium	High	High
Environmental management	Low	Low	Low	Low	High
Brand	High	High	High	Medium	High
Tourism and Hospitality	High	High	High	Medium	High

Over the next five years, wineries are generally planning to invest heavily in production/processing capacity and efficiency, brand and tourism and hospitality. This mirrors current investment levels with the exception of brand, which was not a focus of investments made in the most recent financial year.

Lower levels of investment are generally planned for environmental management, in line with current levels of investment. The exception was the \$10M+ segment, which plans for high levels of investment in environmental management.

Over the next five years, wineries are planning to invest heavily in production/processing capacity and efficiency, brand and tourism and hospitality.

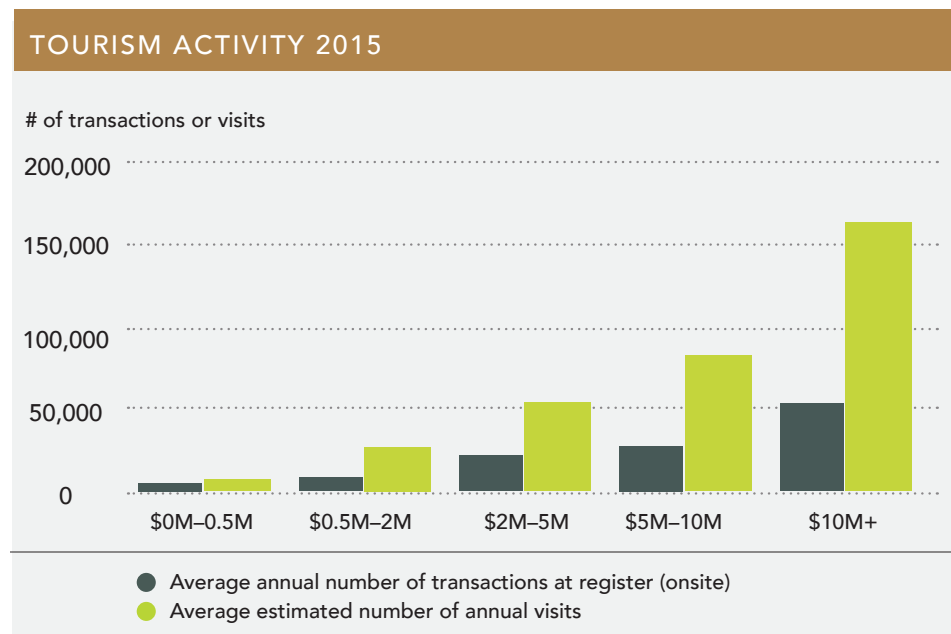
Business Climate



Tourism

Tourism Activity 2015	Winery size (2015 sales)				
	\$0M–0.5M	\$0.5M–2M	\$2M–5M	\$5M–10M	\$10M+
Average annual number of transactions at register (onsite)	5,600	10,000	22,800	28,400	54,400
Average estimated number of annual visits	6,800	28,500	54,700	83,700	164,100

Note: Amounts in the above table represent average tourism activity by winery. A visitor may visit multiple wineries.



Tourism Activity

The average number of transactions at the onsite register and the average estimate number of annual visits increased as wineries increased in size, although the \$0M–0.5M segment had the highest number of transactions relative to visits.

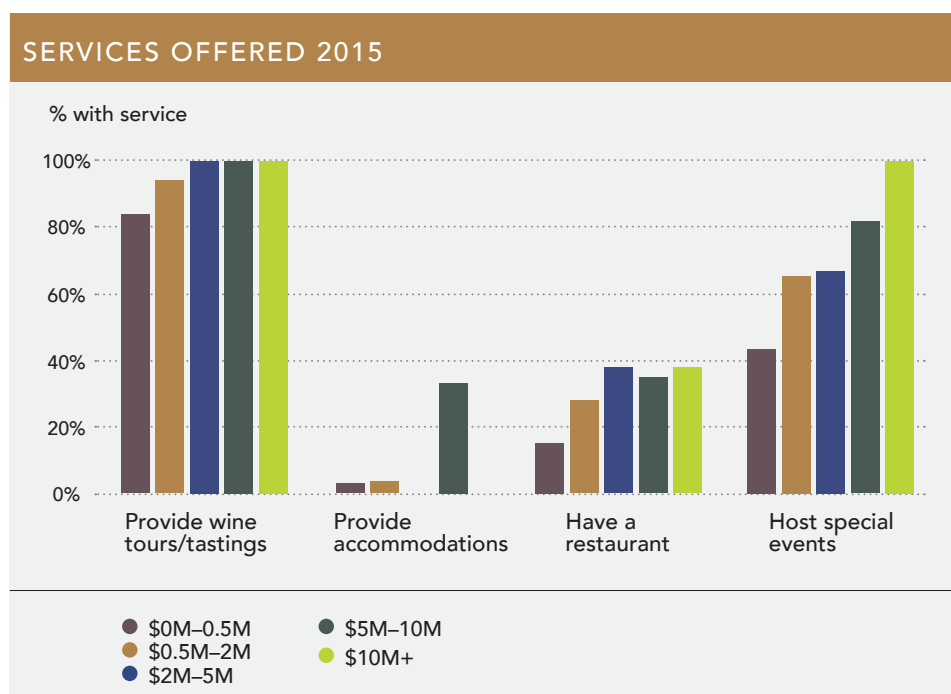
Tourism Services

The majority of wineries provided wine tours/tastings, with 100% of wineries providing these services in the \$2M–5M and \$5M–10M and \$10M+ segments.

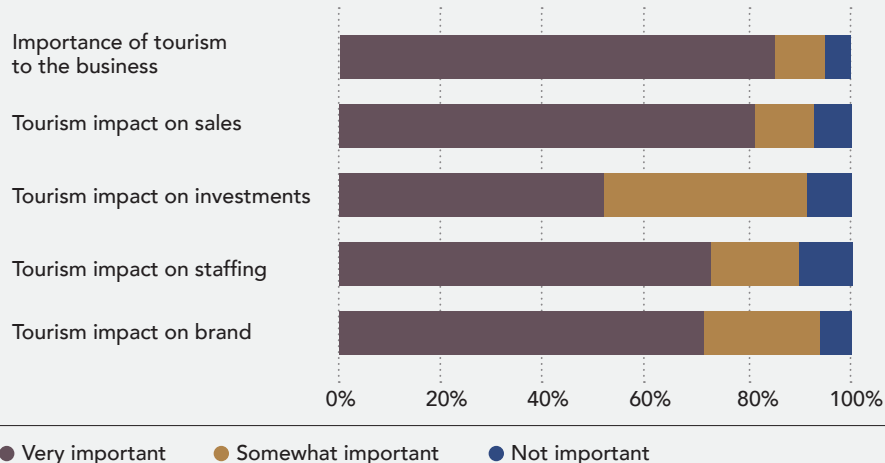
Few wineries provided accommodations. The highest rate provided was by the \$5M–10M segment at 33.3% of wineries in this segment.

The majority of wineries did not have a restaurant and restaurants were more prevalent in wineries with over \$2M in total sales.

A higher percentage of businesses hosted special events (such as concerts, weddings and corporate retreats) as winery size increased. All wineries in the \$10M+ segment hosted special events compared to 45.0% of wineries in the \$0M–0.5M segment.



IMPORTANCE AND IMPACT OF TOURISM 2015



Importance and Impact of Tourism

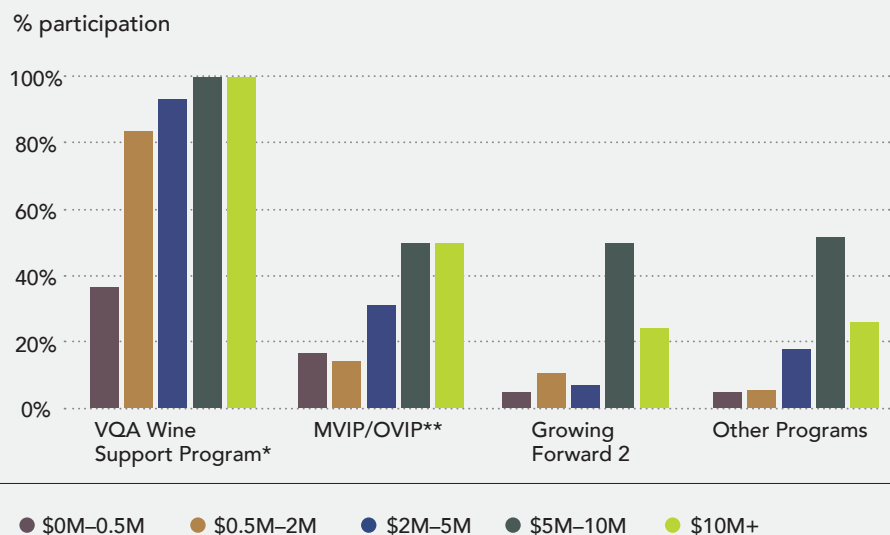
Tourism was consistently viewed as very important across all wineries and was viewed by the majority of wineries as very important to sales, investment, staffing and brand. This supports the high levels of planned investment into tourism and hospitality by the majority of wineries over the next 5 years, irrespective of winery size.

Government Programs

The majority of wineries in the \$0M–0.5M segment did not participate in the VQA Wine Support Program, while high participation rates were observed in all other winery segments. The \$5M–10M and \$10M+ segments had a 100% participation rate in this program.

The wineries in the \$5M–10M segment had the highest participation rates across all programs, particularly with Growing Forward 2 and other programs such as SMART Prosperity Now and the Food and Beverage Growth Fund.

PROGRAM PARTICIPATION 2015



* Wineries not selling at the LCBO are not eligible for the VQA Wine Support Program

** MVIP: Marketing and Vineyard Improvement Program
OVIP: Ontario Vineyard Improvement Program

CHALLENGES FACING THE ONTARIO INDUSTRY 2015

Respondents were asked to rank up to 5 challenges impacting their business from a list of 15 challenges developed by the Working Group. Based on rank and frequency of responses received, the top 5 challenges for each segment were identified.

TOP CHALLENGES BY SEGMENT

\$0M–0.5M

1



Rising input/labour/
land costs

2



Grape pricing

3



Government
regulation and cost
of compliance

4



Lack of long term
grape contracts

5



Foreign competition/
import branded and
bulk wine

\$0.5M–2M

1



Government
regulation and cost
of compliance

2



Gross margin on sales
through the LCBO

3



Access to viable
retail markets

4



Rising input/labour/
land costs

5



Foreign competition/
import branded and
bulk wine

\$2M–5M

1



Access to viable
retail markets

2



Government
regulation and cost
of compliance

3



Rising input/labour/
land costs

4



Gross margin on sales
through the LCBO

5



Grape supply

\$5M–10M

1



Access to viable
retail markets

2



Government
regulation and cost
of compliance

3



Gross margin on sales
through the LCBO

4



Grape supply

5



Cost of marketing
programs at the LCBO

\$10M+

1



Gross margin on sales
through the LCBO

2



Access to viable
retail markets

3



Foreign competition/
import branded and
bulk wine

4*



Gov't regulation
and cost of
compliance



Rising input/
labour/land costs



Grape supply

5



Access to
capital funds

MOST REPORTED BUSINESS CHALLENGES

Business Challenge	Number of Segments
Government regulation and cost of compliance	5
Access to viable retail markets	4
Rising input/labour/land costs	4
Gross margin on sales through the LCBO	4

*Note: Three responses were tied for fourth place in the \$10M+ segment.

Government regulation and cost of compliance was a top ranked business challenge across all segments.

Rising input/labour/land costs, gross margins on sales through the LCBO and access to viable retail markets were top ranked business challenges across 4 of 5 segments.

Grape Growers Performance Summary



Financial Information

Forty two independent Grape Growers that do not operate a winery participated in the study and account for an estimated 25% of the grapes grown in Ontario. The survey was issued only to Grape Growers participating in the MVIP/OVIP program. The performance of this group reflects a smaller proportion of the total population and tonnage and therefore should not be considered entirely representative of the Ontario grape industry as a whole. Care should be taken when analyzing the state of the industry based on the information set out in this survey. Grape Growers responding to the survey achieved sales ranging from \$0M–\$2.5M.

PROFITABILITY AND FINANCIAL POSITION

Income Statement 2015

	% of total sales
Grape sales	89.1%
Grants and programs	10.9%
Total sales	100.0%
Raw materials	-13.5%
Labour and packaging	-39.6%
Other direct manufacturing expenses	-16.9%
Total cost of goods sold	-70.1%
Gross margin	29.9%
Sales and marketing expenses	-1.9%
Contribution after sales and marketing	28.0%
General and administration expenses	-14.0%
EBITDA	13.9%
Depreciation and amortization	-15.9%
EBIT	-1.9%
Interest expense	-3.8%
Interest income	0.5%
Other non-operating income*	11.4%
Profit/(loss) before tax	6.2%

Note: Amounts in the above table represent relative percentages of "Total sales".
Amounts may not sum to subtotals due to rounding.

*Some grape grower respondents chose to include revenue items such as income from pressing and harvesting services, equipment rentals and sales and consulting services in the numbers provided for non-operating income in their survey response, in addition to typical non-operating income items such as gain on the sale of land. Note that a portion of these amounts could be considered operating income.

On average, grape growers had cost of goods sold of 70.1% of total sales, largely due to labour expenses, which comprised 39.6% of total sales.

Growers had minimal sales and marketing expenses of 1.9% of sales.

Contribution after sales and marketing is one measure of operating performance, focusing on sales and direct costs of the operating business, as well as marketing expenditure and on average was 28.0% of total sales for growers.

EBITDA is a measure of financial performance, factoring out the impacts of financing decisions, accounting decisions on depreciation and amortization and tax implications. EBITDA was 13.9% of total sales.

EBIT evaluates financial performance including the impact of depreciation and amortization. EBIT was negative for growers, indicating that expenses were higher than sales.

Growers achieved profit of 6.2% before tax on average.

Balance Sheet 2015

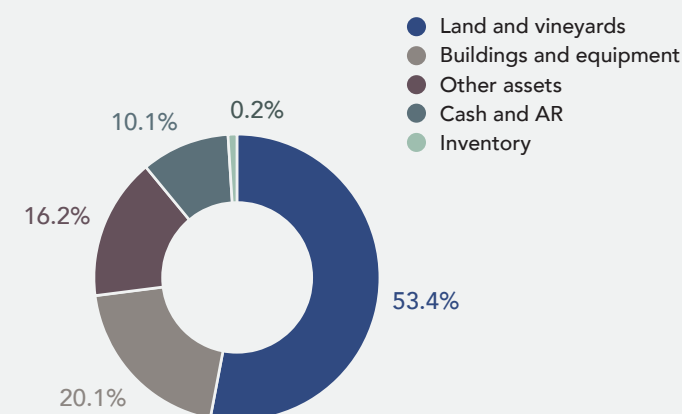
	% of total assets
Cash	5.8%
Accounts receivable	4.3%
Inventory	0.2%
Other current assets	1.8%
Total current assets	12.1%
Land and land improvements	31.9%
Vineyards	21.5%
Buildings and improvements	8.1%
Equipment	12.0%
Other fixed assets	10.1%
Total net fixed assets	83.6%
Purchased goodwill and other intangible assets	0.0%
Investments	2.1%
Other assets	2.2%
Total assets	100.0%
Bank indebtedness	10.0%
Accounts payable and accrued liabilities	2.6%
Other current liabilities	5.3%
Total current liabilities	17.9%
Long term liabilities	37.3%
Total liabilities	55.1%
Capital stock	9.8%
Retained earnings	35.1%
Total equity	44.9%
Total liabilities plus equity	100.0%

Note: Amounts in the above table represent relative percentages of "Total assets". Amounts may not sum to subtotals due to rounding.

Growers held net fixed assets at 83.6% of total assets. Land and land improvements made up the largest portion of net fixed assets at 31.9% of total assets, followed by vineyards at 21.5% of total assets.

Current assets were minimal due in large part to low inventory levels of 0.2% of total assets.

ASSET SUMMARY 2015



Solvency ratios

Current ratio	0.7
Debt to equity ratio	1.2
Debt to tangible assets	0.6

Efficiency ratios

Inventory turnover	86.7
Fixed asset turnover	0.3

Solvency Ratios

The current ratio is calculated as current assets divided by current liabilities and indicates short term financial liquidity. The current ratio was below 1.0, indicating that current assets do not fully cover current liabilities.

The debt to equity ratio is calculated as total liabilities divided by total equity and indicates the relative proportion of debt and equity used to finance assets. Growers were financed more heavily through debt than equity, indicated by a ratio above 1.0.

The debt to tangible assets ratio was calculated as total liabilities divided by total assets excluding purchased goodwill and other intangible assets. A ratio below 1.0 indicates there are sufficient tangible asset levels to cover debt.

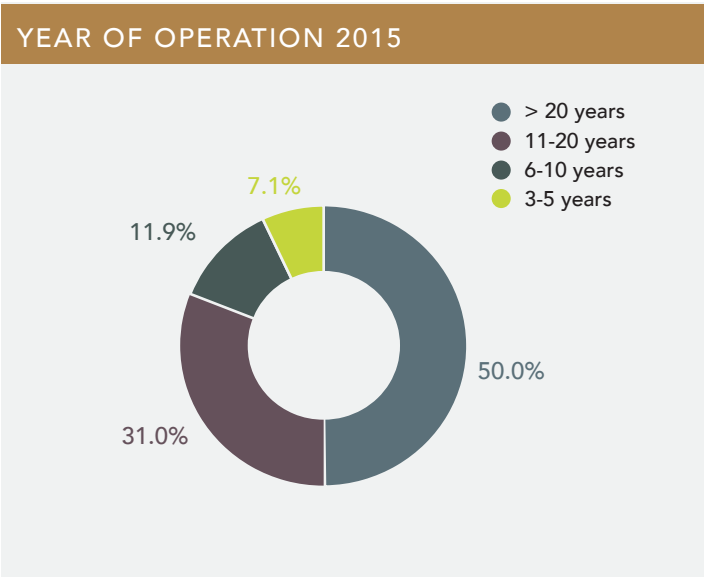
Efficiency Ratios

Inventory turnover is calculated as cost of goods sold divided by inventory and indicates the number of times inventory has been sold in the year. Inventory turnover was 86.7 since growers maintained minimal inventory levels on their balance sheets.

Fixed asset turnover is calculated as total sales divided by total fixed assets and measures the business’ ability to efficiently deploy its fixed assets in generating sales. The fixed asset turnover ratio was 0.3 for growers.

Operational Information

OPERATIONAL BACKGROUND



Years of Operation

Grape growers averaged 28.9 years of operation, with 50.0% of businesses operated for more than 20 years and 31.0% operated from 11 and 20 years.

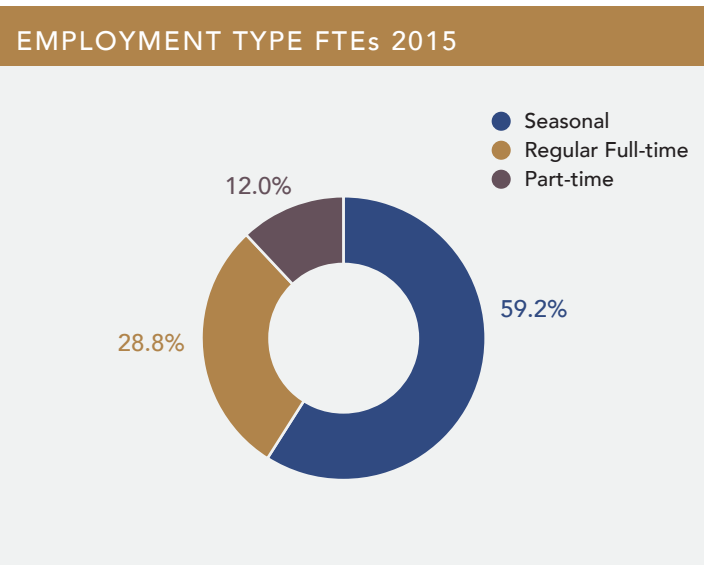
Grape Production Detail 2015

Production	Metric
Average planted acres – bearing	88
Average planted acres – non-bearing	13
Average grapes produced (Tonnes)	319
Yield per bearing acre (Tonnes/Acre)	3.6

Note: Amounts represent the average acres, tonnes and yield

Growers produced 3.6 tonnes of grapes per bearing acre on average.

EMPLOYMENT



Employment Detail 2015, Average full time equivalents (FTEs)

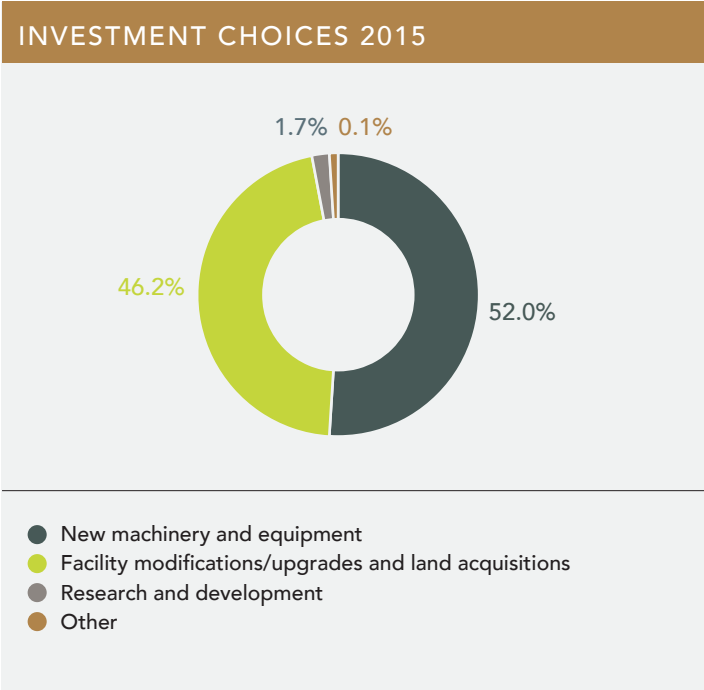
Employment Type	Average FTEs
Regular Full-time	2.0
Seasonal	4.2
Part-time	0.8
Total	7.0

Growers relied heavily on seasonal employees, with seasonal FTEs making up 59.2% of total FTEs.

INNOVATION AND INVESTMENTS

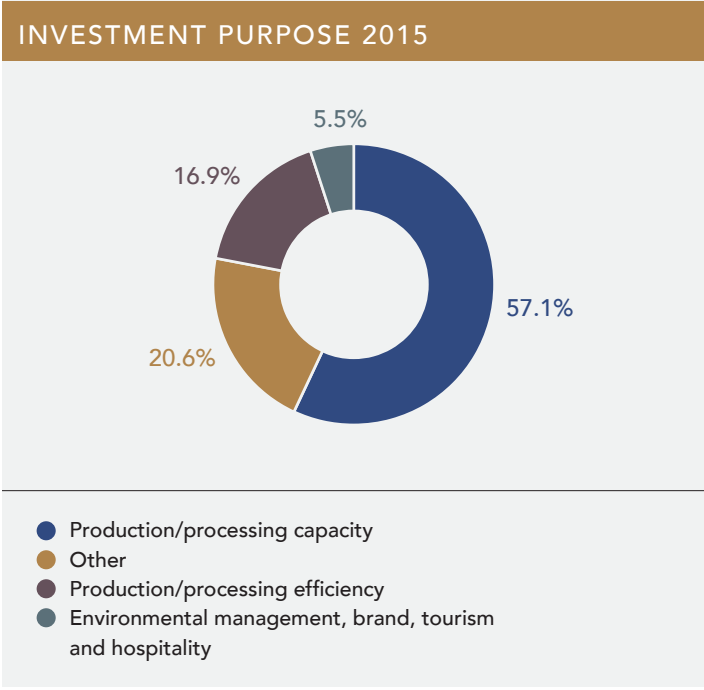
CURRENT INVESTMENTS

Information on current and planned investment decisions was collected from survey respondents to understand investment choices in the Ontario wine and grape industry. Line of business investment represents the business areas where investments were made, investment choices represent the assets or services being purchased and the purpose of investment represents the rationale for investment decisions.



Investment Choices

Growers invested heavily in new machinery and equipment at 52.0% of total investments, and facility modification/upgrades and land acquisitions at 46.2% of total investments. Investments in research and development and other areas were minimal at a combined 1.8% of total investments.



Purpose of Investment

The majority of investments were made with the purpose of improving production/processing capacity, at 57.1% of total investments, followed by other areas at 20.6% and production/processing efficiency at 16.9%. A combined 5.5% of total investments were made into environmental management, brand and tourism and hospitality.

Descriptions collected from respondents indicated that other areas of investment consisted primarily of “farm expansion” and “productivity”.

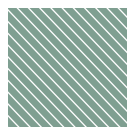
PLANNED INVESTMENTS

Respondents were asked to rate the level of investment planned, with “High” representing significant dollar value and “Low” representing minimal dollar value. Responses were consolidated to represent the level of investment planned for grape growers.

Planned Investment Choices 2015

High  Medium  Low 

New machinery and equipment



Growers plan to invest moderately into new machinery and equipment over the next five years, with minimal investment into facilities and land and research and development.

Facility modifications/upgrades and land acquisitions



Research and development



Planned Investment Purpose 2015

Production/processing capacity



Growers plan to invest minimally over the next five years into production/processing capacity and efficiency and environment management.

Production/processing efficiency



Environmental management



Business Climate

Government Programs

The majority of growers (66.7%) participated in the MVIP/OVIP program.

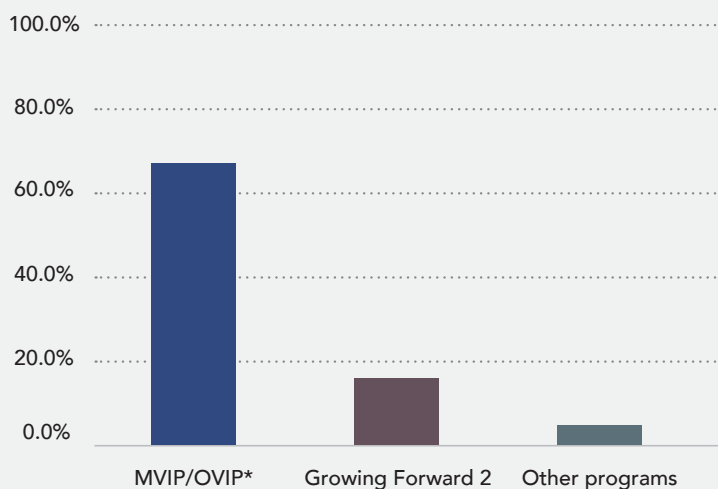
Only 16.7% participated in Growing Forward 2 and 4.8% participated in other programs.

Business Challenges

The top five challenges selected by grape growers were consistent with challenges identified by wineries.

PROGRAM PARTICIPATION 2015

% participating



* MVIP: Marketing and Vineyard Improvement Program
OVIP: Ontario Vineyard Improvement Program

CHALLENGES FACING THE ONTARIO INDUSTRY 2015

Respondents were asked to rank up to 5 challenges impacting their business from a list of 15 challenges developed by the Working Group. Based on rank and frequency of responses received, the top 5 challenges for grape growers were identified.



CHALLENGES

1



GOVERNMENT
REGULATION AND COST
OF COMPLIANCE

2



ACCESS TO VIABLE
RETAIL MARKETS

3



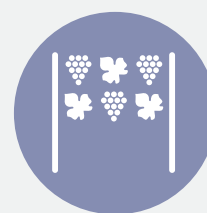
RISING INPUT/
LABOUR/LAND COSTS

4



GROSS MARGINS
ON SALES THROUGH
THE LCBO

5



GRAPE SUPPLY

Appendix

Definitions

Term	Definition
Accounts payable and accrued liabilities	Amounts due to vendors or other parties.
Accounts receivable	Amounts due from customers or other parties less estimated bad debt.
Advertising and promotions	Advertising and promotional expenses not paid to LCBO (e.g. online/digital/print media, sponsorships, graphic design, in-store promotions/display/media, sampling and events, etc.).
Bank Indebtedness	Bank overdrafts and loans due within 12 months of the financial year end.
Buildings and improvements	The initial cost of building, such as storage and production facility, and any capitalized improvements less accumulated depreciation.
Bulk wine	Wine kept in bulk containers.
Capital stock	The value of the corporation's issued common stock and preferred stock (if any).
Cash	Money in the bank or money on hand.
Contribution after sales and marketing	Calculated as gross margin less sales and marketing expenses.
Cost of goods sold	The direct costs attributable to wine and grape production including raw materials, labour and packaging and other direct manufacturing expenses.
Depreciation and amortization	Any depreciation of assets not captured in overhead, such as depreciation of non-production buildings, vehicles, etc.
Earnings before interest and taxes (EBIT)	Calculated as EBITDA less depreciation and amortization.
Earnings before interest, taxes, depreciation and amortization (EBITDA)	Calculated as gross margin less total sales, general and administration expenses.
Equipment	The initial cost of production equipment and machinery less accumulated depreciation.
Foreign exchange gain/(loss)	Gains and losses caused by a change in exchange rates.
Full time employees	Employed persons who usually worked 37.5 hours or more per week, at their main or only job (paid and unpaid). This may include the owner and family labour.
Full time equivalent	Calculated based on a 37.5 hour work week and 52 weeks per year.

General and administration expenses	Non-manufacturing administrative expenses such as salaries/wages, insurance, office and supplies, business use of home expenses, information technology, etc. Includes membership fees paid to organizations such as VQA Ontario, Grape Growers of Ontario, etc.
Grants and programs	Funds received through government grants and programs.
Grape sales	Sales of wine grapes and bulk juice to third parties.
Gross margin	The sales retained after direct costs, calculated as sales less cost of goods sold.
Hospitality sales	Includes revenue from tours, tasting fees, events, room bookings and over-night accommodations.
Interest expense	Any expenses incurred as a result of borrowing money.
Interest income	Interest earned on bank balances or investments.
Inventory	Value of inventory on balance sheet, including in-process inventory, attributable labour and overhead costs, as well as other inventory (e.g. wine making supplies, non-wine retail merchandise, food service/hospitality inventory, etc.).
Inventory write-downs	Write-downs due to the devaluation of inventory.
Investments	The value of bonds, GICs, equity investments, etc.
Labour and packaging	Labour expenses directly attributable to production and processing of wine or grapes and packaging materials such as bottles, corks, corrugate, containers, labels, etc.
Land and land improvements	The book value of land and the value of any land improvements less accumulated depreciation (e.g. original purchase price/cost). Land improvements are costs incurred to prepare the land for use including drainage, leveling, etc.
Long term liabilities	Loans, financing leases and other debt maturing 12 months or more after the financial year end.
Merchandise sales	Merchandise sales at the winery retail store.
Net wine Sales	Wine sales through all channels excluding taxes, levies and fees (HST, LCBO mark-up, levies and fees, volume, environmental and basic tax and container deposit) less retail programs and other allowances and returns.
Onsite food and wine service sales	Onsite revenue from restaurant food and wine sales.
Other assets	Assets not included in current assets, net fixed assets, purchased goodwill and other intangible assets and investments.
Other current assets	Other current assets not included in cash, accounts receivable and inventory, such as prepaid expenses, that are expected to be realized within the normal business cycle or within 12 months of the financial year end.
Other current liabilities	Other liabilities not included in bank indebtedness and accounts payable and accrued liabilities due within the normal operating cycle or 12 months of the financial year end.
Other direct manufacturing expenses	Includes expenses incurred in converting materials to finished goods, such as maintenance of processing/production buildings and farms and equipment, stock movement and other direct costs such as bird control, scouting, soil testing, custom work, etc. Also includes transportation and warehousing and utilities.
Other fixed assets	Other fixed assets not included in land and land improvements, buildings and improvements and equipment, including any portion of a personal residence used for business, less accumulated depreciation.

Other LCBO marketing programs	Includes LCBO expenses not included in retail programs and other allowances.
Other non-operating income	Includes gain or (loss) on sale of property, vineyards and equipment, revaluations, etc.
Other sales	Any revenue earned that is not included in net wine sales, grape sales, merchandise sales, hospitality sales and onsite food and wine service sales.
Other sales and marketing expense	Other sales and marketing expenses not related to advertising and promotion (e.g. salaries, commissions, etc.)
Packaged wine	Includes bottled and non-glass containers ready for retail sale.
Part time employees	Employed persons who usually worked less than 37.5 hours per week, at their main or only job.
Profit/(loss) before tax	Calculated as EBIT less interest expense and inventory write-downs, plus interest income, other non-operating income and foreign exchange gain/(loss).
Purchased goodwill and other intangible assets	Value of intangible assets (brands, customer contracts, customer relationships) and goodwill arising from acquisition of a separate business.
Raw materials	Input costs such as grapes and wine making supplies for wineries and fertilizers and soil supplements, pesticides and chemical treatments, fuel and other vineyard supplies for growers.
Retail programs and other allowances	Payments for pricing/promotion activities for wine that are executed with a retail partner including on-site (e.g., price discounts and "limited time offers" etc.)
Retained earnings	Cumulative earnings for the business since inception that have not been distributed as dividends with a positive number for accumulated income and a negative number for accumulated deficit.
Returns	Returns of products previously sold to customers.
Sales and marketing expenses	Includes advertising and promotions, other LCBO marketing programs and other sales and marketing expense.
Seasonal employees	Workers brought in on seasonal contracts for harvests and vineyard development.
Total assets	Includes total current assets, total net fixed assets, purchased goodwill and other intangible assets, investments and other assets.
Total current assets	Includes cash, accounts receivable, inventory and other current assets.
Total current liabilities	Includes bank indebtedness, accounts payable and accrued liabilities and other current liabilities.
Total equity	Includes capital stock and retained earnings.
Total liabilities	Includes total current liabilities and long term liabilities.
Total liabilities plus equity	Includes total liabilities and total equity and must equal total assets.
Total net fixed assets	Includes land and land improvements, vineyards, buildings and improvements, equipment and other fixed assets.

ONTARIO WINE AND GRAPE INDUSTRY PERFORMANCE STUDY 2015 WORKING GROUP

The Ontario Wine and Grape Industry Performance Study 2015 was produced under the guidance of an industry Working Group comprised of participants from the Ontario wine and grape industry and included the following groups:

Grape Growers of Ontario
www.grapegrowersofontario.com

VQA Ontario
www.vqaontario.ca

**Winery & Grower
Alliance of Ontario**
www.wgao.ca

Wine Council of Ontario
www.winecouncilofontario.ca

**Ontario Ministry of Agriculture,
Food and Rural Affairs**
www.omafra.gov.on.ca

**Ministry of Government and
Consumer Services**
www.ontario.ca/ministry-government-and-consumer-services

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Photography provided by the Wine Marketing Association of Ontario





About VQA Ontario

In its capacity as Ontario's wine authority, VQA Ontario exercises delegated authority to administer and enforce the VQA Act and its associated regulations. It is accountable to the Minister of Government and Consumer Services and operates under a framework set out in an administrative agreement with the Ministry. Along with its statutory duties, VQA Ontario engages in related activities such as promoting awareness of the VQA appellation system, participating in national and international standards discussions and encouraging public education about VQA appellations and wines.

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