

Wine Council of Ontario ANNUAL REPORT

Year Ending March 31, 2017



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Members of the Wine Council of Ontario

Niagara-on-the-Lake

Between the Lines Winery

Big Head Wines Caroline Cellars

Cattail Creek Estate Winery Colaneri Estate Winery Coyote's Run Estate Winery

Frogpond Farm Organic Winery

Hare Wine Co. (The) Hinterbrook Estate Winery Ice House Winery (The) Joseph's Estate Wines

Konzelmann Estate Winery

Lailev Winerv Marynissen Estates

Niagara College Teaching Winery Palatine Hills Estate Winery

Pillitteri Estates Winery PondView Estate Winery

Rancourt Winery Ravine Vineyard Reif Estate Winery Reimer Vinevards

Riverview Cellars Estate Winery Southbrook Vinevards

Stratus

Strewn Winery

Sunnybrook Farm Estate Winery

Two Sisters Vineyards



Niagara Escarpment and Twenty Valley

13th Street Winery

Aure Wines Bachelder Wines Back 10 Cellars

Calamus Estate Winery

Cave Spring Cellars Cornerstone Estate Winery

Creekside Estate Winery

Di Profio Wines Domaine Ouevlus

Featherstone Estate Winery

Fielding Estate Winery

Flat Rock Cellars

Foreign Affair Winery (The)

Good Earth Vineyard & Winery (The)

GreenLane Estate Winery Harbour Estates Winery

Harvest Estate Wines

Henry of Pelham Family Estate

Hernder Estate Wines

Hidden Bench Vineyards & Winery

Kacaba Vineyards & Winery

Leaning Post Wines

Malivoire Wine Company

Mike Weir Winery

Mountain Road Wine Company Organized Crime Winery (The)

Pearl Morissette

Peninsula Ridge Estates Winery

Puddicombe Estate Farms, Wines & Cider

Redstone Winerv Rennie Estate Winery Ridgepoint Wines

Rockway Vineyards

Rosewood Estates Winery &

Meadery

Royal DeMaria Wines

Stoney Ridge Estate Winery

Sue-Ann Staff Estate Winery

Tawse Winery

Vieni Estates Wine & Spirits Vineland Estates Winery

Westcott Vineyards

Prince Edward County

Black Prince Winery

Broken Stone Winery

By Chadsey's Cairns Winery &

Vinevard

Casa-Dea Estates Winery

Closson Chase

Grange of Prince Edward Vineyard &

Estate Winerv

Harwood Estate Vineyards

Hillier Creek Estates

Hinterland Wine Company

Huff Estates Winery

Lacey Estates Winery

Norman Hardie Winery & Vineyard

Rosehall Run

Sandbanks Estate Winery

Sugarbush Vineyards

Three Dog Winery

Trail Estate Winery

Waupoos Estates Winery



Lake Erie North Shore

Colchester Ridge Estate Winery

Mastronardi Estate Winery

Muscedere Vineyards

Oxley Estate Winery

Pelee Island Winery

Pelee Island Winery Pavilion

Sprucewood Shores Estate Winery



Emerging Regions

Burning Kiln Winery

Coffin Ridge Boutique Winery

Dark Horse Estate Winery Inc.

Frisky Beaver - Smoke & Gamble

Gallucci Winery

Generations Wine Company

Georgian Hills Vineyards

Willow Springs Winery

Wine Council of Ontario Board of Directors

June 2016 - 2017

Allan Schmidt, Chair Vineland Estates Winery

Caroline Granger, Governance Chair / Treasurer Grange of Prince Edward Vineyard & Estate Winery

Derek Saunders Calamus Estate Winery

Curtis Fielding
Fielding Estate Winery

Ed Madronich Flat Rock Cellars

Nicolette Novak Good Earth Vineyard & Winery

Paul Speck Henry of Pelham Family Estate Len Pennachetti, Vice Chair Cave Spring Cellars

Stephen Gash Malivoire Wine Company

Murray Wilson
Oxley Estate Winery

Walter Schmoranz Pelee Island Winery

Jamie Slingerland Pillitteri Estates Winery

Dan Sullivan Rosehall Run

Sue-Ann Staff
Sue-Ann Staff Estate Winery

Wine Council of Ontario Sustainability Committee

Jamie Slingerland (Pillitteri Estates Winery) - Chair

Jamie Evans (Peninsula Ridge Estates Winery), Bruno Friesen (Pelee Island Winery), Jens Gemmrich (Frogpond Farm Organic Winery), J-L Groux (Stratus), Dave Hooper (Cave Spring Cellars), Shiraz Mottiar (Malivoire Wine Company)

Wine Council of Ontario Staff

- Richard Linley, President
- Duncan Gibson, Director of Finance
- Tanya Gorchynski, Administrative Lead
- Alison Oppenlaender, Projects Coordinator



Vision

Love Our Wine

Mission

The Wine Council of Ontario (WCO) leads the growth and profitability of Ontario's respected VQA wine sector - through strategic partnership and authoritative trusted advocacy.

Values

Authority, Trust, Pride, Impactful

Strategic Objectives:

- To be cherished by consumers.
- To be respected by the international wine community.
- To be a source of pride for all Ontarians.

Priority Goals:

- To lead the growth and profitability of Ontario's VQA wine industry.
- To increase the recognition and pride of Ontario's VQA wine.
- To have an influential authoritative and trusted voice for the industry.

Who We Are

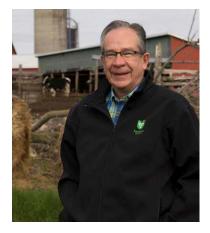
As a non-profit trade association, the WCO represents over 100 wineries from across the three designated viticultural areas of the province (Niagara, Prince Edward County and Lake Erie North Shore - including Pelee Island) as well as emerging wine producing regions such as Ontario's South Coast and Georgian Bay/Grey County. Our members are independently owned small and medium sized enterprises - grape growers, manufacturers and leaders in tourism in their communities. Our members are the future of Ontario's wine industry, which is a source of new investment, jobs and award-winning wines.

When the WCO was formed 40 years ago, the Ontario wine world was a very different place. Throughout its existence, the WCO has always been the trade association advocating for positive change for Ontario wineries. Significant gains have been made including increased access to the LCBO, the ability to directly sell to licensees, relief from excise taxes; and most importantly, the recognition of our wines as world-class by the international community. Ontario consumers are demanding increased access to quality Ontario wines, and we will continue to work with the provincial government to realize more opportunities for our members.

Our members are dedicated to promoting Ontario's wine-growing regions - from the wines and wineries themselves to the complete experience of each destination: local cuisine, yearround activities and warm hospitality. Through Wine Country Ontario, the industry promotes Ontario's vintners and the unique qualities of our authentic, 100% VQA wines. We want Ontario wine consumers to love local VQA wines so much that Ontario VQA wines become the first consideration in their wine purchase decision.

The WCO looks forward to continuing to work diligently to meet the needs of our members and the Ontario wine consumer.

Greetings from the Honourable Jeff Leal



On behalf of the Government of Ontario and the Ministry of Agrilculture, Food and Rural Affairs, I am pleased to contribute to the Wine Council of Ontario's Annual Report for 2016-17.

I would first like to acknowledge and thank the Wine Council of Ontario's more than 100 members from across the province's wineproducing areas for your dedication to producing world-class wines, contributing to growing Ontario's economy, and helping to create good jobs in your local communities.

Ontario is home to the largest wine region in Canada, one that supports 7,000 direct jobs in the sector. I am pleased to see the strong growth in VQA wine sales that have occured since our

government launched the Wine and Grape Strategy — from close to \$200 million in 2009 to more than \$300 million in 2016.

The Wine and Grape Strategy will continue to provide support for your industry to innovate, become more productive, and grow. This funding will help small and medium-sized wineries scale up, encourage the sale of premium Ontario VOA wines in the LCBO, and make it easier for eligible wineries to apply for the program. The strategy will also continue to support tourism and export development, research and innovation, and lead to further vineyard improvements to ensure a consistent supply of quality Ontario grapes.

The past year has been marked by several changes in wine retailing. This includes new grocery store channels, farmers' markets sales and online LCBO shopping. These avenues provide a tremendous opportunity for VQA wines to continue to make their mark with Ontario consumers.

I raise my wine glass to you in celebration of the past year. I wish you the very best for another productive and prosperous season.

Sincerely,

Jeff Leal

Minister of Agriculture, Food and Rural Affairs Minister Responsible for Small Business

Greetings from MPP Jim Bradley

As the Member of the Legislative Assembly of Ontario for St. Catharines, I would like to take this opportunity to convey to all members of the Wine Council of Ontario, my congratulations on another successful year for the province's wine industry.

Those of us who reside in this province, and particularly those of us who reside in areas where our grapes are grown and our wine is produced, are very much aware of the contribution that the wine industry makes to the economic prosperity of our province, both directly and indirectly.

The Wine Council of Ontario has helped represent approximately 100 wineries across the province in Niagara, Prince Edward County and Lake Erie North Shore, including Pelee Island. These efforts have been responsible for the impressive progress that has been experienced in these areas and have contributed to the status of our province as an internationally acclaimed wine region, which has helped grow the industry to emerging regions in Ontario's South Coast and Georgian Bay/Grey County.



Although your businesses have had to confront many challenges over the years, the success that has been achieved in the wine industry in Ontario is evidenced by the fact that the industry has grown and prospered, and for this, we are grateful to the Wine Council of Ontario and your many dedicated members.

With very best wishes for continued success in 2017-2018.

Yours sincerely,

Jim Bradley

MPP, St. Catharines



Chairman's Message

This past year marks the end of my tenure as Chair for the WCO. It has been an honour serving as your Chair for the past four years, and a personal highlight of my 30 year career as part of the WCO Board.

Over the past four years, there have been many changes for the WCO, as well as the Ontario VQA wine industry. The hiring of our new President, Richard Linley, and the respect he has gained from me, our board, our members and government has allowed us to navigate the challenges and changes the alcohol distribution reforms have undergone through the Premier's Advisory Council in addition to other numerous files.

October 2016 marked the inception of wine in grocery stores, allowing consumers the choice and convenience to buy our members' wines along with their groceries. Although there is still work to be done improving



wholesale margins and continuing to expand retail access for Ontario VQA wine, we need to celebrate this major accomplishment. Over a decade ago, the WCO began advocating for greater retail access as we recognized a change was coming in terms of the modernization for alcohol retail. Now, after hundreds of government meetings, I need to congratulate the Ontario government on seeing the wisdom and benefit of enacting the largest alcohol distribution reform since prohibition in 1928.

Another source of pride for me has been working with our industry partners in establishing the Wine Marketing Association of Ontario (WMAO). As my role as current President, and Co-Chair, I am pleased to announce the recent signing of our three year funding agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). The renewal of this comprehensive VQA Wines of Ontario marketing program will provide the foundation for our Ontario VQA wines to continue to win the hearts of Ontario and international wine consumers.

I look forward to a bright future for the Ontario VQA wine industry and the role the WCO will continue to play as we take on future challenges, including international trade issues, a competitive and evolving marketplace. The future is indeed changing!

Finally, I would like to thank my fellow board directors, our winery members, industry stakeholders, as well as the LCBO and government officials for their confidence, respect and collaboration they have shown towards me during my term as WCO Chair.

Sincerely,

Allan Schmidt

Chair, Wine Council of Ontario

President's Message

Another successful year has come to an end for the Ontario VQA wine industry. The current year marks both new beginnings and leadership change in our organization. Our devoted and untiring Chair, Allan Schmidt, will be stepping down this year to pass the leadership reins to a new successor. The industry is in a much better place as a result of Allan's leadership and we owe him a debt of gratitude for the passion and perseverance he has shown while representing our members in his numerous industry roles. On behalf of our membership, I sincerely thank him for all that he has done over these past four years.

This year also signals the start of a new chapter for our longstanding and dedicated Director of Finance, Duncan Gibson. Duncan has been with the WCO for fourteen years and there is not one winery that has not



benefitted from his professional and thoughtful advice. We have been lucky to have him on our team and his passion for the industry, its people and, most of all, his humour will be missed. We wish you well Duncan, but know you will not be far. A phone call away, we hope!

With two short crops behind us and tanks full, the year ahead shows signs of great promise. The Ontario VQA wine industry continues to outpace imports in the LCBO - up 5% year over year - in value terms. The new grocery channel has also served as an important retail outlet, with Ontario wineries holding a 45% market share in grocery after half a year of operation. Yet hard work remains. The second annual industry survey conducted by VQA Ontario and Deloitte on our sector's health and profitability was recently published. Once again, the cost of complying with low gross margins on sales through the LCBO and government regulations were the top ranked business challenges in the industry.

With these ongoing challenges, the WCO will continue to focus on how to mitigate the competitive disadvantages and cost increases from the government's policy agenda. This includes growing all segments of the Ontario VQA industry with reasonable profitability as well as increasing the recognition and pride of Ontario's VQA wines among the general public. Most importantly, we will continue to focus on improving equity and fairness between all craft alcohol sectors and most of all between wineries. Permanent tax relief - similar to a tax structure like that of the craft beer sector - would better support economic growth and job creation in our sector, particularly for small and medium sized wineries. This will remain our provincial policy priority in the run-up to the next provincial election.

In closing, thank you again for the opportunity to represent you. The WCO team looks forward to working on your behalf this coming year.

Sincerely,

Richard Linley

President, Wine Council of Ontario

Priority #1

To lead the growth and profitability of Ontario's VQA wine industry.

Growth in the industry reflects a healthy bottom line and active market demand; it means profitability across the spectrum of winery sizes and market strategies; it means growth in the direct jobs and investment in Ontario's wine industry.

The number one priority of the WCO is to improve margins for wineries on sales through the LCBO and grocery channels. Although the VQA Support Program has provided enhancement to margins on a small volume of wine sold, we continue to pursue a permanent change in the tax structure for wineries, similar to the structure currently in place for Ontario's Craft Brewers.

To be truly successful, Ontario's VQA wine industry must continue to advocate for the elimination of competitive disadvantages within the overall beverage alcohol sector. The Ontario Wine and Grape Industry Performance Study, completed now for the second year by Deloitte, clearly shows the challenges to profitability faced by small and medium sized wineries.

We are very pleased with the efforts and achievements made to date in the Alcohol and Gaming Commission of Ontario's (AGCO) process of modernizing the regulations and policies that govern the beverage alcohol industry. The WCO will continue to work with the AGCO, Ministry of Finance, Ministry of Agriculture, Food and Rural Affairs and other government partners to streamline administrative and operational requirements for Ontario's VOA wineries.



Priority #2

To increase the recognition and pride of Ontario's VQA wine.

Increasing the recognition of Ontario as a world-class wine region demands growing the respect of Ontario's wine nationally; it means turning consumers into advocates; it means success economically and emotionally.

The overarching objective must be to build up a high level of regard and pride in Ontario VQA wines. This is important in building greater inherent support from the Ontario public when we advocate for reforms to achieve the fiscal imperative objectives.

By combining a new level of public pride with impeccable economic proposals from a trusted and authoritative industry voice, the government will be more amenable to implement sensible and ongoing reforms.

There has been a monumental shift over the past couple of years in the number of retail opportunities for VQA wines in Ontario. Consumers now have more choice and easier access to VQA wines that have not previously been available, creating much broader recognition of the quality wines we produce in Ontario. Wines are now being sold in over 70 grocery stores (a number that is scheduled to increase every three years); as well, VQA wines at farmers' markets continue to be a great opportunity for smaller wineries to share their products with Ontario consumers.





Priority #3

To have an influential authoritative and trusted voice for the industry.

Having an influential authoritative voice for the industry means having effective relationships and presenting a trusted organization to represent the VQA wine industry. The audiences for these imperatives are the government and the public in Ontario.

The WCO continues to meet with the Ontario government on a number of policy items that will continue to grow the industry. This past October, WCO board members spent time at Queen's Park meeting with MPPs to discuss the goals and future plans for the WCO with a focus on our Ontario budget priorities. In-depth meetings were held with regional MPPs that represent our wine growing regions, as well as both opposition leaders. We also hosted our second annual Local Craft Producers reception (together with the Ontario Craft Brewers and Ontario Craft Cider Association) at Queen's Park with the purpose of showcasing products that are not easily accessible through traditional retail channels. The reception was very well attended by many Ontario MPPs from all parties as well as senior government staff.

The WCO continues to work closely with the Ontario government, the Wine Marketing Association of Ontario (WMAO), Vintners Quality Alliance of Ontario (VQAO), the Liquor Control Board of Ontario (LCBO), the Grape Grower of Ontario (GGO), the Winery & Grower Alliance of Ontario (WGAO) and other industry partners to further build consumer pride and recognition towards Ontario VQA wine.

Over the coming year, we will continue to work closely and develop relationships with the Ontario Craft Brewers, the Ontario Craft Cider Association and the Ontario Craft Distillers. This includes pooling resources and our advocacy efforts where possible. A united front within the craft alcohol sector will provide positive leverage in advocating common policy direction with our government partners.

Industry Organization Memberships

Grapes for Processing Industry Advisory Committee Allan Schmidt (Processor Rep) Jamie Slingerland (Processor Rep)

Negotiating Agency (Grape Pricing) Allan Schmidt (Processor Rep)

Ontario Grape and Wine Research Inc. Allan Schmidt (Board Member)

Niagara Grape and Wine Festival Allan Schmidt (Vice Chair)

International Riesling Foundation Len Pennachetti (Board Member)

Insight Conference Committee Sue-Ann Staff

Wine Marketing Association of Ontario Allan Schmidt (President & Co-Chair)

VQA Marketing Committee Paul Speck (Chair), Ed Madronich Andrew Howard, Darryl MacMillan, Tom Pennachetti

Food and Beverage Ontario Norm Beal (President & CEO)

CCOVI Advisory Board Allan Schmidt (Executive)

Paul Speck (Board Member)



Sustainable Winemaking Ontario



Now in its tenth year, the Sustainable Winemaking Ontario program continues to be a top priority for the WCO, as Ontario's wine industry positions itself as an environmental leader. Through the guidance and support of the Sustainability Committee, and after a few years of industry research and planning, the program has now progressed into a certifiable program that is verified by a third-party independent auditor.

Through Growing Forward 2, the WCO acquired funding to conduct research on the Ontario wine buyer and their understanding of sustainable wine. The research polled wine drinkers in the Greater Toronto Area (GTA) and Ottawa and found that 56% (GTA) and 46% (Ottawa) of respondents said that production using sustainable best practices has at least some positive influence on their purchase decisions; these numbers were even higher with the millennial age group (ages 19-34). The survey also found that the general understanding of "sustainable wine" is most strongly linked to a view that such products are environmentally friendly, eco-friendly or "green" and that Ontarians in both studied markets are willing to pay an average of \$2.79 more for wine products that are certified as sustainable. The research revealed, however, that the public has only some understanding of the term "sustainable" suggesting that there is an opportunity for more public education by wine growers and producers. Therefore, work needs to continue in order to educate the general public on sustainable winemaking and viticulture in Ontario and the environmentally-friendly practices that Ontario wineries and grape growers use in their operations.

The Sustainable Winemaking Ontario program continues to be a voluntary program, but all wineries and growers are encouraged to participate and find benefit in the marketing support and promotion in development. With increasing consumer demand for certified sustainable products, this program provides an opportunity for Ontario's VQA wineries and their wines to compete in an ever-growing market.



Wine Council of Ontario Trade Supplier Members

The WCO's Trade Supplier Membership aims to benefit WCO members and local businesses as it helps connect wineries with suppliers that offer a variety of services that are beneficial to the wine industry. Trade members range from accounting services, event planning, law, manufacturing, production and packaging suppliers, to consulting services and retail suppliers. We encourage our winery members to take advantage of offerings presented by our trade members – which may include discounts, promotions, networking opportunities and more.

2017 Wine Council of Ontario Trade Supplier Members

Accounting Services / Banking

Bank of China (Canada) www.bankofchina.com/ca/en

Western Union Business Solutions

www.business.westernunion.ca

Business Consulting

bdBuilder

www.bdbuilder.com

CE Safety www.cesafety.com

DJB Chartered Professional Accountants www.djb.com

MNP LLP

www.mnp.ca

Business Equipment

Brock office Automation (BrockOA)

www.brockoa.com

Event Planning / Trade Shows / LCBO In-Store Tastings

Epernay Tasting & Promotional Co.Ltd. www.theepernaycompany.com

WE DRIVE Designated Drivers Inc.

www.yourdd.ca

Financial Services / Insurance

Beverage Protect Powered by BKIFG

www.beverageprotect.com

JLT Canada

www.jltcanada.com

Signature Risk

www.signaturerisk.com

Industrial Services / Supplies

Abell Pest Control

www.abellpestcontrol.com

Law

Sullivan Mahoney LLP

www.sullivanmahoney.com

Manufacturing / Production / Packaging Supplies

A.O. Wilson

www.aowilson.ca

Claymore Design and Construction

www.claymoredc.com

FreshTAP

www.freshtap.com

Jane's Packaging Inc.

www.janespackaging.com

Lakeview Vineyard Equipment Inc.

www.lakeviewvineyardequipment.com

Saxco International

www.saxco.com

Technologie Inovaweld Inc.

www.inovawine.com

Printing / Design / Office Supplies

AutoTrim & Signs www.autotrimniagara.ca

Minuteman Press

www.niagara.minutemanpress.com

The Printing House www.tph.ca

Retail Supplies

Rosehill Wine Cellars Inc.

www.rosehillwinecellars.com

Warehousing & Logistics

CHEP Canada

www..chep.com/ca

ColdHaus Direct

www.coldhausdirect.ca

TIMAX

www.timax.com

TNG

www.tng.com

Wide Range Transportation

www.widerange.ca

WP Warehousing &

Bottle Supply

www.wpbottlesupply.com

The Wine Council of Ontario would like to acknowledge our long standing members:

30+ Years

Reif Estate Winery 35 years, since 1982 Vineland Estates Winery 34 years, since 1983 Pelee Island Winery 33 years, since 1984 Cave Spring Cellars 31 years, since 1986 Stoney Ridge Estate Winery 30 years, since 1987

25+ Years

Henry of Pelham Family Estate 29 years, since 1988 Konzelmann Estate Winery 29 years, since 1988 Marynissen Estates 26 years, since 1991 Southbrook Vineyards 26 years, since 1991 Joseph's Estate Wines 25 years, since 1992

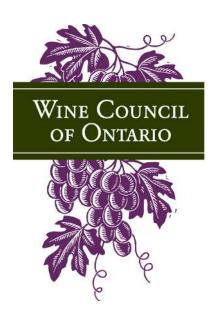
20+ Years

Pillitteri Estates Winery 24 years, since 1993 Sunnybrook Farm Estate Winery 24 years, since 1993 Hernder Estate Wines 21 years, since 1996 Strewn Winery 20 years, since 1997

15+ Years

Creekside Estate Winery 18 years, since 1999 Royal DeMaria Wines 18 years, since 1999 Harbour Estates Winery 17 years, since 2000 Kacaba Vineyards and Winery 17 years, since 2000 Malivoire Wine Company 17 years, since 2000 Peninsula Ridge Estates Winery 17 years, since 2000 Puddicombe Estate Farms, Wines & Cider 16 years, since 2001 Lailey Winery 15 years, since 2002 Riverview Cellars Estate Winery 15 years, since 2002 Rockway Vineyards 15 years, since 2002





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