# 2020 Ontario Wine Industry Performance Study

Ministry of Agriculture, Food and Rural Affairs

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# Welcome

*Welcome to the 2020 Wine Industry Performance Report*

Welcome to the 2020 Wine Industry Performance Report, covering the period from April 1, 2019 to March 31, 2020. This is the sixth benchmarking survey conducted as part of the Ontario government's Wine Grape Strategy to support the Ontario wine sector.

The questionnaire and report were developed by the Ontario Ministry of Agriculture and Rural Affairs. This report provides a more streamlined overview of Ontario's Wine Industry Performance than previous reports, with five areas of focus; Production, Employment, Investment, Tourism and Challenges identified by industry. Due to changes in participation, caution should be used when comparing data on a year to year basis.

Thank you to all those winery participants who took the time to respond to the questionnaire.

**Note: The emergence of Covid-19 has resulted in the establishment of public health measures that restricted many in-person activities. The impact of the pandemic is an obvious area of concern which has not been explored in this report as the time period covered in the report (year ending March 31, 2020) predates all but the first few weeks of the pandemic.**

## Study Segmentation

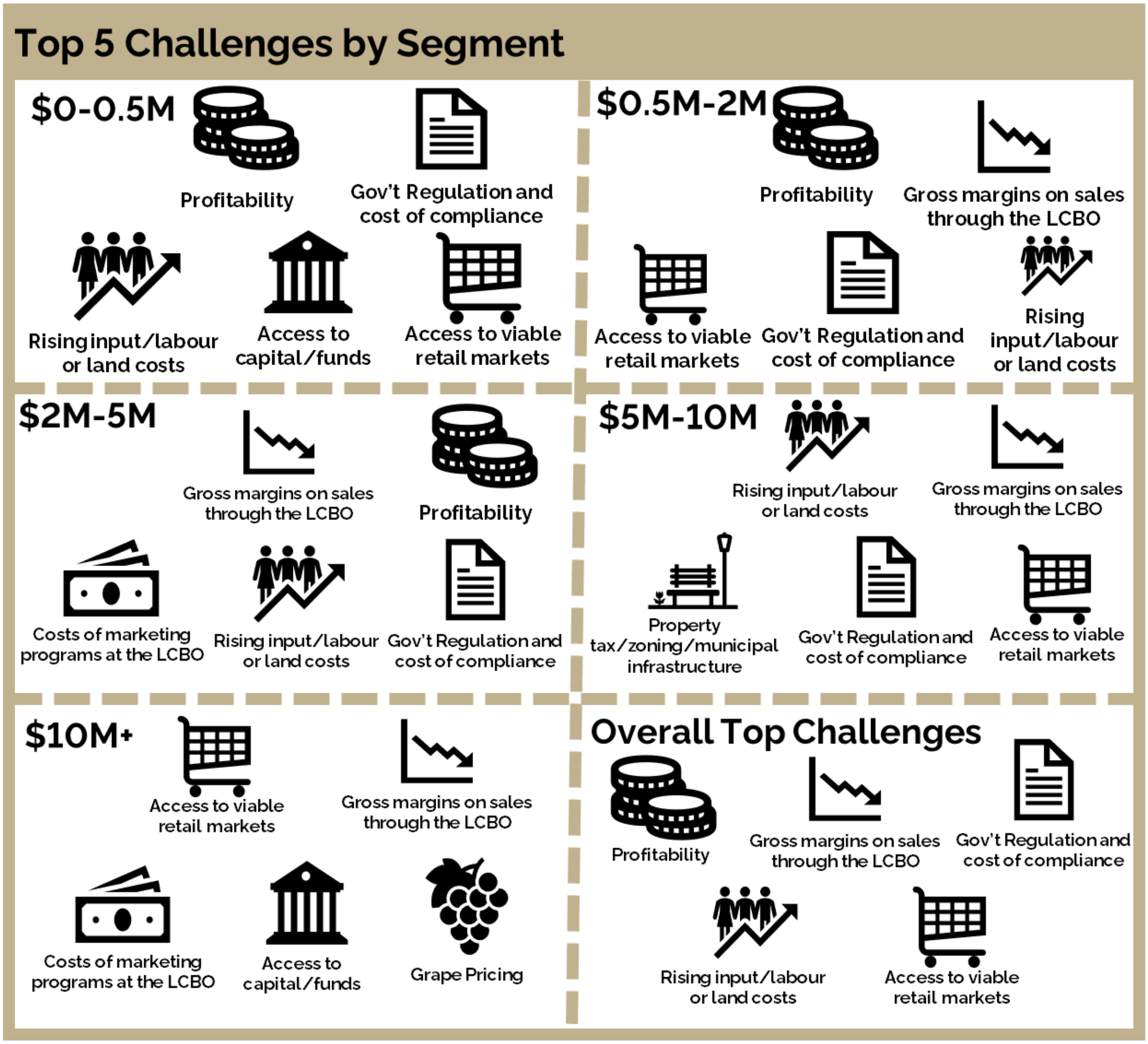
| Wineries | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| $10M+ | 8 | 9 | 9 | 8 | 8 | 9 |
| $5M-10M | 6 | 5 | 7 | 8 | 9 | 9 |
| $2M-5M | 16 | 18 | 17 | 19 | 19 | 19 |
| $0.5M-2M | 36 | 42 | 47 | 46 | 39 | 49 |
| $0M-0.5M | 40 | 36 | 36 | 25 | 35 | 31 |
| **Total** | **106** | **110** | **116** | **106** | **110** | **117** |

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, consistent with previous years reporting. It should be noted that aggregated findings may vary from the previous years due to a change in respondents within each segment

**Methodology:** The survey questions were designed to provide a similar look and feel to prior year reports, while omitting questions that would have proved burdensome for wineries to answer given the delayed timelines of the report. The survey was sent to eligible wineries, responses were collected, and those responses were aggregated based on total sales, and are summarized throughout the report.

## Sales by Channel

| Top Ranked Channel by Segmentation | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
|---|---|---|---|---|---|
| LCBO | 6.66% | 13.33% | 26.31% | 33.33% | 77.78% |
| Winery Retail Store | 86.67% | 68.87% | 63.15% | 66.67% | 11.11% |
| Framers' Market | - | 2.22% | - | - | - |
| Delivered direct to licensees | 3.33% | 11.11% | 10.54% | - | - |
| Sales to other provinces | - | - | - | - | - |
| Export | - | 2.22% | - | - | 11.11% |
| Other | 3.33% | 2.22% | - | - | - |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** |

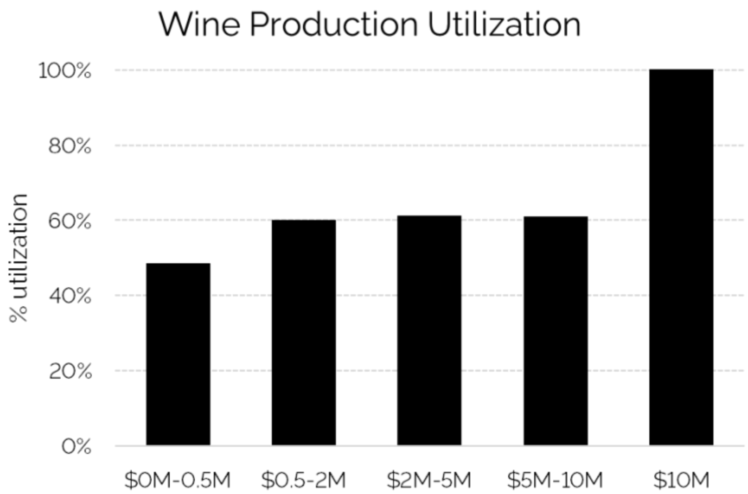



Challenges reported by wineries varied by segmentation. Smaller wineries reported more concerns regarding profitability and government regulation and the cost of compliance. The largest wineries recorded concerns about access to viable markets and the cost of marketing programs at the LCBO. Across all segments (excluding wineries with sales of $0-0.5M) were shared concerns about gross margins on sales through the LCBO.

| Wine Production Detail 2020 | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Average Litres of Wine Produced | 19,611 | 64,772 | 205,848 | 305,803 | 8,900,247 |
| Average maximum production capacity based on cooperage | 40,374 | 107,856 | 335,656 | 501,259 | 8,846,280 |
| **Utilization** | **48.57%** | **60.05%** | **61.32%** | **61.00%** | **100.61%** |

**Wine Production Detail & Utilization**

Wineries in all segments below $10M in sales used less than or equal to 61.0% of their production capacity (calculated as production divided by capacity). Lower utilization suggests there is unused capacity relative to demand. Larger wineries reported significantly higher production utilization.




| Employment Detail 2020 | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Average FTEs by Employee Type | | | | | |
| Full-time employees | 2.5 | 4.7 | 9.4 | 28.0 | 215.9 |
| Seasonal FTEs | 1.1 | 3.1 | 3.3 | 6.0 | 12.8 |
| Part-time FTEs | 0.4 | 1.5 | 2.5 | 9.4 | 53.5 |
| **Total** | **4.5** | **9.8** | **15.1** | **43.4** | **282.3** |

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

The average full-time employee (FTE) count for each winery segment increased as total sales increased. Wineries in the $0M-0.5M segment average 4.5 FTEs and the $10M+ segment averages 282.3 FTEs. In the $5M-10M and $10M+ segments full time employees far outweighed seasonal and part time workers as a percentage of FTE counts. In general, smaller wineries relied more heavily on seasonal and part time workers than the larger wineries in the survey pool.

| Average investment in new machinery and equipment | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Wine Making | $2,166 | $4,995 | $71,762 | $93,082 | $848,704 |
| Grape Production | $2,625 | $1,025 | $39,650 | $91,954 | $55,426 |
| Hospitality and Food Service | $993 | $792 | $15,242 | $16,128 | $26,911 |

| Average investment in facility modifications and upgrades, land acquisitions | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Wine Making | $12,474 | $88,520 | $22,949 | $33,348 | $226,334 |
| Grape Production | $54,990 | $7,498 | $12,127 | $24,505 | $114,000 |
| Hospitality and Food Service | $20,331 | $54,686 | $19,638 | $50,581 | $1,675,577 |

| Average investment in research and development | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Wine Making | $2,166 | $4,995 | $1,647 | $5,147 | $107,429 |
| Grape Production | $2,625 | $1,025 | $765 | - | $714 |
| Hospitality and Food Service | $993 | $792 | $1,583 | - | $714 |

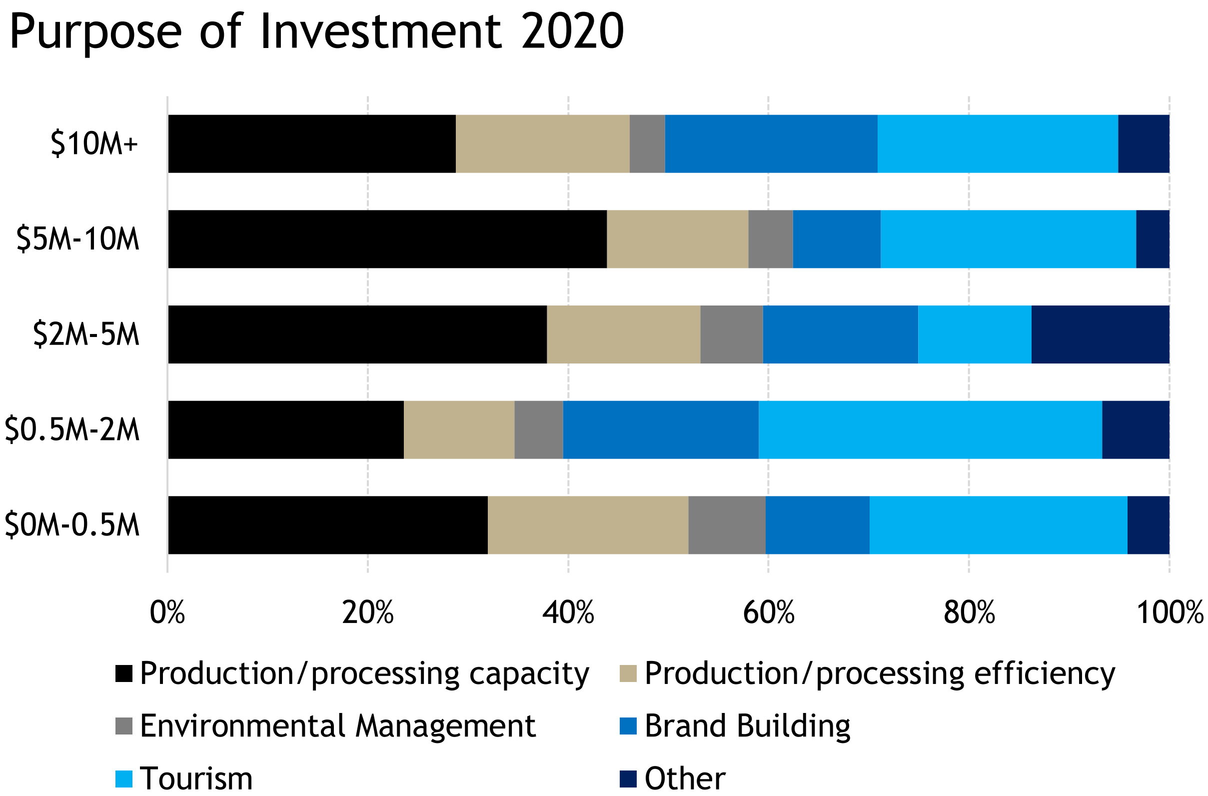
| Average expenditure on other investments | | | | | |
|---|---|---|---|---|---|
| | Winery Size (2020 sales) | | | | |
| | $0M-0.5M | $0.5M-2M | $2M-5M | $5M-10M | $10M+ |
| Wine Making | $259 | $1,475 | $2,869 | - | $387,375 |
| Grape Production | $1,694 | $480 | $5,750 | - | $3,125 |
| Hospitality and Food Service | $981 | $3,324 | $4,619 | $7,131 | $101,046 |

**Investment Choices**

Businesses across all segments invested the most in new machinery and equipment, and facility modifications / upgrades and land acquisitions. Wineries contribute to research through levies to Ontario Grape and Wine Research Inc. These contributions are not included in the reported data.

**Line of Business Investment**

Wine making was generally allocated the highest level of investment among all Investment choices except in the $0M-0.5M segment where grape production represented the largest line of investment. Hospitality represented a major portion of land acquisition and facility upgrades investment especially among the $10M+ segment.




**Purpose of Investment**

Investment in production /processing capacity was the biggest investment category for the three largest segments in addition to the $0M-0.5M segment. The $5M-10M segment had the highest total investment percentage directed to production /processing capacity with 43.9%. The $0.5M-2M segment had the highest total investment percentage in tourism and hospitality with 34.2% of total investment.


**Tourism Activity**

The average number of transactions at the onsite register and the average estimated number of annual visits generally increased as wineries increased in size, although the $10M+ segment had higher conversion rates compared to the smaller segments, with the $10M+ segment converting 90.7% and the $0-0.5M segment converting just 40.1%.

**Tourism Services**

The vast majority of wineries in all segments provided wine tours/ tastings, with 100% of wineries providing these services in segments with more than $5M in sales. Most wineries in all segments did not provide accommodations or have restaurants, although restaurants tended to be more prevalent in larger wineries. 89% of wineries in the $5M-10M host special events, compared to 43.3% in the $0M-0.5M segment.

**Importance and Impact of Tourism**

Tourism was viewed as very important to the business in general, and very important to sales, by more than 80% of responding wineries. Respondents also noted the importance of tourism on staffing levels and investment with more than 80% saying that it impacted decisions

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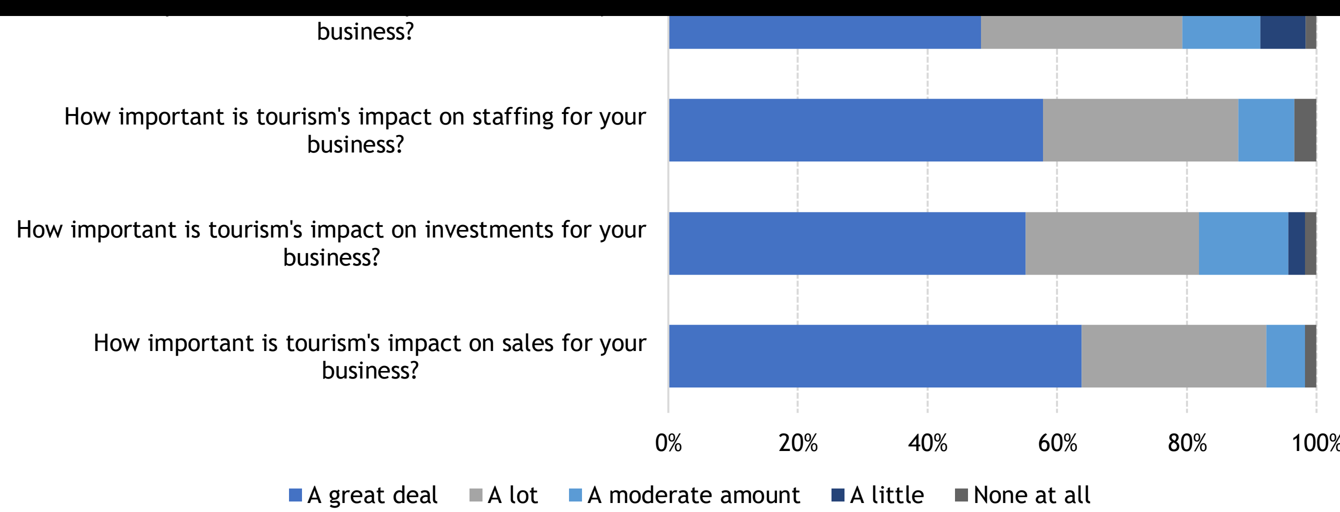


in these areas “a great deal” or “a lot”.

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