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Canada

Wine

Exporting U.S. Wine to Ontario

2002

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Report Highlights:

Many of the wineries of California, New York, Oregon, Idaho and Washington state have established associations and marketing representatives to help with the promotion and export of their wines in foreign markets. Wineries from other states, and particularly smaller wineries, do not have such an established network to guide them through the process.

Includes PSD changes: No
Includes Trade Matrix: No
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Canada is the Ideal Market for First Time Exporters:

Canada is the top U.S. agricultural export market. The Canadian economy is strong, with GDP growth expected to approach an astounding six percent in 2002. Total U.S. merchandise trade with individual Canadian provinces outranks many of our major foreign markets. With over one billion dollars a day in two-way trade, the United States and Canada enjoy the world's largest and strongest trading partnership. Canada is the most receptive market in the world for small- and medium-sized U.S. exporters. U.S. companies that are new to exporting may find Canada the perfect close-to-home export market. Trade with Canada is facilitated by its proximity, common culture, language, similar lifestyle pursuits, and ease of traveling for business/pleasure. Once a U.S. exporter makes contact with a Canadian importer, business can be facilitated via telephone and facsimile machine.

Many of the wineries of California, New York, Oregon, Idaho and Washington state have established associations, as well as marketing representatives to help with the promotion and export of their wines in foreign markets. Wineries from other states, and particularly the smaller wineries, do not have such an established network to guide them through the exporting process.

Trade agreements with Canada, including the U.S.- Canada Free Trade Agreement (FTA) and the North America Free Trade Agreement (NAFTA), have created duty free access for most products into Canada, including wine. Besides the market opportunities created by tariff elimination, changing lifestyles in Canada are helping increase the demand for U.S. agricultural products.

Best Market Prospects:

Wine is included on the best prospects list for successful exports to Canada. The list includes:

- * Fish and Seafood Products
- * Fruit and Vegetable Juices
- * Wine
- * Ethnic Foods (e.g., Asian, Kosher)
- * Organic and Natural Foods
- * Snack Bakery Products
- * Processed Meats
- * Salty Snacks
- * Desserts

Canada's population and financial center (Toronto), as well as the government center (Ottawa) are located in Ontario, making it the logical first step for a wine producer looking to export into a foreign market. Canada, with its close proximity to the U.S. and shared language, is sometimes overlooked by companies that are looking to expand, from strictly supplying the domestic market, to becoming first-time exporters.

Ontario is the second largest wine consuming province in Canada, just behind Quebec. Consumption trends in Ontario, as outlined recently by Michael Farrell, Director of Wholesale for LCBO at the Bar & Beverage Conference in Toronto include:

- Declining brand loyalty for all products, including food and beverage alcohol.
- Willingness to experiment with new brands, particularly premium brands.
- Desire for increased sophistication in life, including in food and beverage selection.

Wine Trends:

Canadian imports of U.S. wines totaled US\$82 million during 2001 and accounted for about 14 percent of Canada's wine imports from the world worth US\$589 million. France (US\$209 million) and Italy (US\$105 million) were the dominant suppliers accounting for 35 percent and 18 percent respectively of total Canadian wine imports that year. Sales of U.S. wine to Canada, which have increased steadily in recent years, declined moderately in 2001 due to the economic downturn related to the September 11, 2001 terrorist attacks. The average annual rate of growth of U.S. wine exports to Canada in the 1997-2001 period is four percent, and the medium-term outlook is for stronger gains.

Canadian attitudes toward U.S. wines are very positive. According to the LCBO, Canadians prefer the New World (non-European) style of wine making due to the fact that it is fruit-driven and does not need to be cellared for a long period of time.

- European wines, with approximately a 50% market share, are declining.
- New World wines, with approximately a 50% market share, are increasing.
- Red wines have a 53% market share and are increasing in popularity.
- White wines have a 47% market share and are decreasing.
- Sales of Ontario wines are flat, but the higher quality ones are increasing.

With Canada's liberalized trade policies on wine, U.S. wines compete with the domestic supply from the Niagara, Ontario region, as well as with wines from Europe, Australia, New Zealand, Chile and South Africa. Imported wines continue to dominate the Canadian market despite an unfavorable exchange rate. Over 62 percent of the total volume of red and white wines purchased in Canada in 1999/2000 were imported, while 70 percent of all red wine was imported. During this period, Canadians bought over C\$2.0 billion in imported wine and C\$0.9 billion of Canadian wine. This volume continues to increase, with red being the preference of Canadian wine consumers.

To break into this burgeoning wine market, there are some hurdles that must first be overcome by the potential exporter.

The Liquor Control Board:

The importation of alcoholic beverages into Canada is strictly controlled by a Liquor Control Board for each province. In Ontario, the provincial monopoly is the Liquor Control Board of Ontario (LCBO). There are approximately 600 LCBO retail stores in operation in Ontario. U.S. wine exporters are required to have their products "listed" by the LCBO and must also have a registered agent to provide marketing support. The LCBO Product Management Committee reviews applications and makes decisions on the listing of products on the LCBO general list at least four times per year. The agent/supplier must submit a listing presentation, including a completed LCBO product profile and marketing plan for each product for which a listing is sought. The agent/supplier who makes the application will be informed in writing of the committee's decision.

The Canadian Government:

The Canadian Food and Inspection Agency (CFIA), along with the LCBO, ensures that all wine sold in Ontario conforms to the standards of the Canadian Food and Drug Act. All wine to be sold in Canada is tested and analyzed for conformity to these standards. The LCBO publishes allowable limits for ingredients.

Products must also comply with requirements under the Food and Drug and Consumer Packaging and Labeling Acts. These acts address requirements for labeling, net quantity and standardized container size.

Information on packaging and labeling requirements for alcoholic beverages is available on-line at the following Canadian Food Inspection Agency (CFIA) website:

<http://www.inspection.gc.ca/english/bureau/labeti/guide/8-1-0e.shtml/>.

Finding an Agent/Distributor:

Finding an agent/distributor is an important step in exporting wine to Ontario. Agents who represent manufacturers/suppliers of wine for sale in Ontario must be licensed under the Liquor License Act of Ontario. Agents are knowledgeable of the Liquor License Act and its regulations and are invaluable guides through the exporting process. The Liquor License Act R.S.O. 1990, C.L. 19 is available from: Publications Ontario, 50 Grosvenor Street, Toronto, Ontario M7A 1N8, Telephone: 800-668-9938.

USDA Can Help:

The U.S. Department of Agriculture's (USDA's) Foreign Agricultural Service has programs in place to help the prospective exporter gain access to the Canadian market. One such program is the Market Access Program (MAP).

The Market Access Program uses funds from the USDA's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. The MAP is administered by the USDA's Foreign Agricultural Service.

The MAP forms a partnership between non-profit U.S. agricultural trade associations, U.S. agricultural cooperatives, non-profit state-regional trade groups, small U.S. businesses, and USDA's CCC to share costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows and trade servicing.

A MAP participant may seek reimbursement for up to 50 percent of an incurred expenditure for an approved activity that will not be reimbursed by any other source. Eligible expenses include: production and distribution of various types of advertising, in-store and food service promotions, product demonstrations, fees for participation in retail, trade, and consumer exhibits and shows.

How to Apply:

If you are a producer and want to participate, contact the wine trade association for your state:

California - Wine Institute, www.wineinstitute.org

New York - New York Wine and Grape Foundation, www.nywine.com

Washington/Oregon/Idaho - Northwest Wine Coalition, www.northwestwine.org.

If no trade association currently exists for wine producers in your state, contact one of the four state regional trade groups: Food Export USA Northeast (www.foodexportusa.org), Mid-America International Agri-Trade Council (MIATCO), www.miatco.org; Southern U.S. Trade Association (SUSTA), www.susta.org; or Western U.S. Agricultural Trade Association (WUSATA), www.wusata.org. If you are a non-profit U.S. agricultural trade organization, a U.S. agricultural cooperative, or a State agency, you may apply during the application period which is announced each year in the Federal Register. A handbook is also available to assist applicants in developing an application. More information on the MAP program and how to apply is available on the FAS homepage, <http://www.fas.usda.gov>.

Trade Shows:

The Office of Agricultural Affairs of the United States Embassy, Canada encourages all U.S. agrifood firms, and particularly new exporters, to expand their business internationally through participation in a "USA Marketplace" pavilion at trade shows in Canada. Trade shows are excellent forums for meeting potential agents/distributors.

There are two FAS-endorsed trade shows in Canada which allow wine sampling at the shows. They are the Canadian Food and Beverage Show (CF&BS), which is held annually in Toronto, Ontario and SIAL Montreal, which is a biennial show in Montreal, Quebec.

CF&BS is the largest food and beverage trade show in Canada. This annual three-day show draws over 11,000 visitors from the food service and retail sectors each February. U.S. products are showcased in the USA Marketplace Pavilion. A professional chef is on-site to help promote the U.S. products. A business center is part of the pavilion, where one-on-one meetings can be conducted with contacts.

SIAL Montreal is becoming one of Canada's premier shows, including food, beverage and equipment. U.S. exports to Quebec in 2001 exceeded the total U.S. exports to France by over US\$27 million. One of the most effective marketing tools available to U.S. food and beverage exporters is exhibiting at international trade shows. Trade shows provide an economical avenue for exhibitors to make direct contact with many international buyers. Buyers from all Canadian provinces attend the SIAL show. SIAL Montreal 2003 will take place April 2-4, 2003.

If you have questions regarding these trade shows, contact Marilyn Bailey or Darlene Maginnis in the USDA/FAS office at the U.S. Embassy in Ottawa at Telephone: (613) 688-5267, Fax: (613) 688-3124, or E-mail: baileym@fas.usda.gov or maginnisd@fas.usda.gov.

Canada Connect For Wine - Program Information

Program Description:

Canada Connect For Wine is endorsed by the Foreign Agricultural Service, U.S. Embassy, Ottawa, Canada and is offered by a reputable Service Provider, to assist U.S. companies in their efforts to establish commercial relationships with prospective agent/brokers and/or distributors of wine in Canada. Services include: competitive product analysis, matchmaking, background checks on distributors, market briefing meetings, and labeling and promotion guidance.

Service Provider Responsibilities:

Upon receipt of the Client's product literature, the Service Provider will consult with the Canada Connect For Wine Client to discuss qualifications sought in prospective Canadian business partners; will contact and pre-screen prospective partners before scheduling individual business meetings; and will begin work on developing an appointment schedule.

The Service Provider will furnish travel information and logistical support, as necessary, to the Canada Connect For Wine Client. Upon Client's arrival in Canada, the Service Provider will brief the Client on the economic environment; provide local communications; review the Client's competitive situation based on current import levels, local marketing practices, and industry trends; and accompany the Client to business meetings.

The Service Provider will also provide the Canada Connect For Wine Client with follow-up assistance and support required to meet the Client's stated objectives in Canada.

CONTACT INFORMATION

The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture has responsibility for U.S. export promotion of wines worldwide, including Canada. For more information on trade shows in Canada, the Canada Connect For Wine program or finding an agent/distributor in Canada, contact Marilyn Bailey or Darlene Maginnis in the USDA/FAS office at the U.S. Embassy in Ottawa.

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