

Ministry of Agriculture
BRIEFING NOTE FOR MINISTER FOR INFORMATION

Ref: 179107

Date: January 8, 2014

Issue: BC Wine Grape production surplus in 2013

Background:

The acreage of BC wine grapes increased dramatically from 6,600 acres in 2008 to 9,800 acres in 2013, with smaller increases expected to 2015. Production increased from 22,500 tons in 2008 to a projected 33,500 tons in 2013. Many apple growers replanted former orchards to wine grapes, particularly in the past several years. The number of wineries increased from 144 to 220 over the same period. Markets have been good for BC VQA wines and prices to grape growers increased from 2008 through to 2011.

The Orchard and Vineyards Transition Program (2007-2011) provided federal funds for removal of undesirable grape varieties, but was not renewed.

First Nations Considerations:

NA

Discussion:

- Some BC wine grapes were left on the vines in 2013 due to limited market opportunities for certain grape varieties; however, most of the remaining grape crop has now been harvested for ice wine. To deal with the oversupply, some grapes were sold on consignment and others have been discounted in price.
- Merlot was the variety in greatest surplus, but other varieties were also impacted.
- Some of the larger wineries accepted this year's grape crop from other growers, but have served notice that they will not purchase grapes next year. These wineries are vertically integrated and have achieved full supply from their own vineyards.
- Some of the grape growers with cancelled contracts are now building their own wineries in order to market their crops.
- The BC Wine Institute (BCWI) is actively searching for new markets for BC wine in other Canadian provinces and internationally,

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- Assisting the wine industry expand their export markets is a deliverable under the Minister's Mandate letter.
- Under Growing Forward 2 (GF2), Market Development funded two incoming wine buyer missions (from Japan and China) to tour BC wine regions in 2013. In addition, the Ministry of International Trade and the BCWI will use GF2 funds to undertake a winemaker's dinner at the upcoming Winter Fancy Food Show in San Francisco in January, 2014. The BCWI has recently been approved for \$15.8K under the BC Agrifoods Export Program to undertake initiatives in the Pacific Northwest and Hong Kong.
- The BC Grape Growers Association has requested a 3-year replant/grafting program (est. \$500,000+ per year). It is recognized that this is a short-term solution that, if strategically managed, could alleviate an immediate problem; however, regardless of any government

program, if wineries do not accept the surplus, Merlot grapes growers will remove that variety or graft it over.

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Conclusions:

- Market success for BC wines and grapes has resulted in the planting of surplus acreage of wine grapes and production of some varieties now exceeds the market demand.
- The outlook for VQA BC wines and grapes is still good as quality and consumer acceptance remains strong.

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- Wine inventories will provide market signals for growers on variety removal or replanting, noting though that this is slow as vines require approximately 4 years to reach full production.

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