



VQA

Ontario Wine Appellation Authority

BUSINESS PLAN 2020 – 2023

VQA – Ontario Wine Appellation Authority

Vision: Consumers will use Ontario’s VQA appellations as their guide to identifying authentic wines of origin and quality.

Mission: Provide a strong foundation for consumer confidence by enforcing relevant standards that recognize Ontario’s regions and styles. Communicate the value of a credible appellation system.

Values: Integrity and Fairness – VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications – VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will promote the value and benefits of the appellation system and VQA wines.

Firmness and Responsibility – VQA Ontario will discharge its regulatory responsibilities firmly and fairly and ensure VQA terms, descriptions and designations are not misused.

Accountability– VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness – VQA Ontario will strive to carry out efficient and cost-effective operations and will provide a high level of service, without unnecessary regulatory burden.

Introduction

The *Vintners Quality Alliance Act, 1999* (VQA Act) was proclaimed on June 29, 2000. This date marked the beginning of a regulated appellation of origin system to govern the production and labelling of the high-quality wines of origin that Ontario has to offer.

VQA Ontario is an independent authority to which the Ontario Government has delegated the responsibility for administering the VQA Act and its regulations through an administrative agreement with the Minister of Government and Consumer Services.

VQA Ontario is committed to ensuring label integrity for consumers and administering Ontario's wine appellation system in the public interest. Label integrity, high standards and rigorous verification and enforcement programs continue to protect consumers and support VQA as an internationally recognized symbol of origin, quality and authenticity for Ontario wine. This also provides a strong foundation for the economic success of Ontario's wine industry.

In administering regulations -- particularly those that restrict the use of terms and descriptions linked with origin -- fairness and transparency are of utmost importance. VQA Ontario pursues its regulatory mandate with care and with a commitment to an open and fair process.

Mandate

The VQA Act sets the framework by which standards for the production of VQA wine and appellations of origin for wine growing regions are established. VQA Ontario has the following operating objectives:

- To establish, monitor and enforce an appellation of origin system in accordance with the VQA Act that allows consumers to identify wines on the basis of the area where the grapes are grown, the methods used in making the wine and other quality standards;
- To control the use of specified terms, descriptions and designations associated with the VQA appellation system;
- To act as the wine authority under the VQA Act, and to participate in discussions with government and other stakeholders which relate to wine standards;
- To inform, educate and work with the grape and wine sector, governments and the public to promote the value and benefits of VQA-approved wines.

Partnerships

VQA Ontario has important partners that support a successful regulatory model.

Consumers – VQA Ontario is a publicly accountable organization. It protects wine consumers by verifying claims of origin and ensuring label claims are meaningful and truthful with respect to the wine in the bottle. VQA Ontario ensures minimum quality and compositional standards are met.

Industry – VQA Ontario works closely with industry stakeholders, through its regulated wineries, grape growers and other stakeholders, to ensure VQA rules and regulations are reasonable and fair, and support a competitive and credible foundation for the industry. VQA Ontario also promotes improved awareness and understanding of Ontario's wine regions, the appellation system and its value to both consumers and industry.

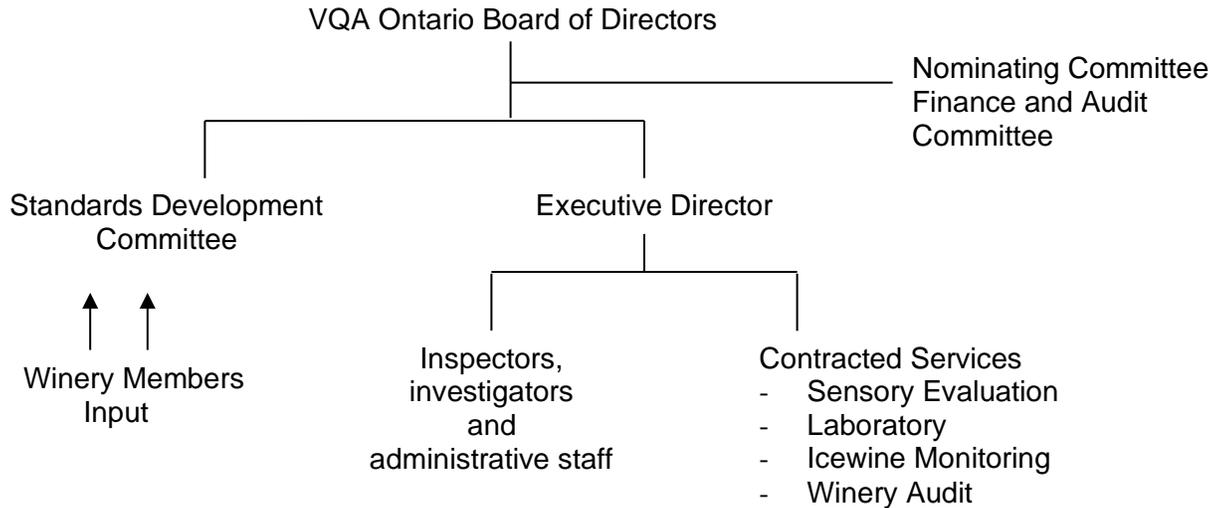
Government – As an administrative authority working under statutory delegation from the Minister of Government and Consumer Services, VQA Ontario works with government to achieve its goals consistent with the VQA Act. VQA Ontario maintains strong communications with the Ministry and works closely with other Ministries and Agencies involved in wine issues. VQA Ontario leverages the expertise of the Liquor Control Board of Ontario (LCBO) to provide comprehensive services related to wine testing and shares audit services with the Alcohol and Gaming Commission of Ontario (AGCO) to maximize efficiency and service levels. VQA Ontario also participates in national and international trade discussions related to wine standards to promote global recognition and acceptance of Ontario's VQA appellation system.

Corporate Structure

VQA Ontario operates with a small permanent staff and assistance from the LCBO and others on a contract for service basis. The governance structure reflects the principles of self-management, with elected industry representatives comprising a majority of the Board of Directors. Also represented on the Board of Directors are the Ontario government, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association. Members of the Board of Directors as at March 31, 2020 are listed in Appendix A. Three standing committees have been established to assist the board with its mandate: Nominating Committee, Finance and Audit Committee and Standards Development Committee. Other committees operate on an ad-hoc basis.

Public and Government of Ontario

Minister of Government and Consumer Services



Operations

Operations are structured to provide effective management for a regulated system of origin and quality assurance. Major functions include:

Membership and registration

- Registration of qualified wineries and secure online management of membership records and renewals
- Registration program for non-winery grape growers to register grapes for Icewine eligibility

Service oriented programs for participating wineries

- Secure 24-hr online portal provides comprehensive, one window access to services and documentation including:
 - Membership renewal and account information management
 - Icewine grape registration
 - Wine approval applications and tracking, wine transfers, product certificates of analysis, export documents
 - Mandatory sales reporting
 - Invoices and online payments

- Comprehensive web-based reference library on regulations, processes, wine regions, VQA wine statistics, VQA Ontario activities and interpretive guidelines
- Seminars, monthly newsletters and topical bulletins to assist wineries in understanding wine-making regulations and administrative procedures
- Service oriented approach to delivering wine certification and audits, including an annual regulatory review to support innovation and competitiveness
- Regular and personalized engagement with wineries and industry stakeholder groups

Wine evaluation and approval

- Comprehensive wine testing and label review to ensure compliance with regulations for use of regulated terms, designations and descriptions
- Quality Assurance Review program, aimed at supporting consumer confidence by ensuring consistency and integrity within the approvals process through random sampling and testing of approved wines
- Professional development for the VQA Taste Panel
- Independent tasting panel to provide for appeals
- Regular tours of testing facilities to ensure transparency of processes

Quality enhancement

- Winemakers Forum to encourage best practices, information sharing and skills development among winemakers to promote quality outcomes
- Promotion of professional development and research through relationships with CCOVI (Brock University), Niagara College and the Vineland Research and Innovation Centre.
- Detailed annual reporting and analysis of both sector and individual performance within VQA's testing and certification program. Performance measures assist wineries in benchmarking, managing and improving their compliance and the quality of their products

Audit, Inspection and Compliance

- Comprehensive on-site winery audits to verify compliance with origin and composition regulations
- Risk-based inspection program targeting inspections where concerns are identified while minimizing administrative burden on compliant wineries
- Random inspections of winery operations and retail outlets
- Investigations and prosecutions where necessary
- Independent appeals process through the Ontario Licence Appeal Tribunal

Research

- Research projects aimed at creating a credible body of knowledge about Ontario's VQA appellations and the wines originating from these appellations
- Statistics on VQA wines and appellations
- Consumer research on knowledge and perceived value of VQA certification and appellations

Public Awareness and Education

- Communications to promote awareness and knowledge about the VQA system, VQA wines and the added value they provide to consumers, focusing on VQA appellations and label integrity
- Vintage reports
- Industry partnerships and financial support to include VQA education and awareness in industry marketing initiatives
- Presentations to winemaking and hospitality students
- Media and trade engagement (retailers, licensees)
- Respond to inquiries and complaints

National and International Programs

- Export certificate program for wines shipped to Europe and Asia Pacific Economic Coordination (APEC) economies
- Participation in discussions related to national and international wine standards, trade agreements in the wine sector and export initiatives related to wines of origin
- Leadership on the harmonization of wine standards, consistent with VQA principles
- Promotion of reputation and recognition of VQA internationally to improve trade access for VQA wines and discourage counterfeiting

Resourcing

VQA Ontario is self-funded by winery fees and fee-for-service revenues. A reserve fund is maintained to mitigate against identified risks and unanticipated circumstances. VQA Ontario maintains a highly cost-efficient structure and has overseen a reduction of membership fees by 75% over its history, making the program more accessible for small wineries. Short term expectations are for flattening growth in the sector which may result in fee increases within the timeframe of the Business Plan. Current Financial projections are provided in Appendix B.

Business Context

VQA Ontario operates in a business climate that supports its continued success. Knowledgeable wine consumers value the connection between appellation, quality wine, label integrity and the control of origin and production practices. This fundamental importance of origin and authenticity to the value of wine is acknowledged by consumers and the wine trade worldwide.

After sustained strong growth supported by the regulated VQA appellation system that provides integrity and recognition for Ontario wines, the industry appears to be entering a slower growth phase. Growing competition and uncertainty in the retail marketplace may heighten the importance of the VQA system ensuring a fair and level playing field among wineries. Many other factors outside of VQA Ontario's control impact VQA wine sales, including taxation, trade challenges, consumer behavior and the impact of COVID-19 on on-premise wine sales and the economy in general.

As a statutory organization entrusted with regulatory authority, VQA Ontario administers the VQA Act with a view to serve the public interest, balancing the rights and needs of consumers with the obligations of participating wineries and the broader wine trade. VQA Ontario strives to promote continuous improvement and efficiency in its regulatory operations and ensure the standards evolve as necessary to maintain value and relevance for all stakeholders.

Business Objectives

VQA Ontario's vision is that consumers will use Ontario's VQA appellations as their guide to identifying authentic wines of origin and quality.

VQA Ontario undertook a major strategic review in 2018, including formal consultations with its member wineries and industry stakeholder groups. The consultation provided a number of important insights that will guide the organization going forward.

Participants in the VQA program continue to be very satisfied with the integrity and positive influence on consumers that VQA provides in support of their businesses. Regulation protects consumers by assuring product authenticity and supports wineries with added credibility. Eighty-nine percent of wineries surveyed indicated they were satisfied with VQA Ontario's overall performance.

Consultations supported a continued focus on maintaining the strong reputation of the VQA appellation system while allowing the regulations and administrative framework continue to evolve. Further value will be added by ensuring that the VQA system and VQA Ontario remains relevant and responsive to innovation in the sector and inclusive of new regions, varieties and styles.

Consumer research shows continued high levels of awareness of VQA and its basic assurance of origin and quality. Opportunity exists to increase consumer understanding of individual wine regions and the scope of the wine certification.

VQA Ontario's strategic and business plan is focused on three primary strategic areas:

- Progressive and inclusive regulation of the appellation system through strategic governance;
- Awareness and understanding of Ontario's wine appellations and wines of origin and VQA Ontario's role as the Ontario Wine Appellation Authority;
- Effective corporate governance and operations.

Progressive and Inclusive Regulation of the Appellation System

Five-year Strategic Goals

Increase the effectiveness and efficiency of compliance methods.

Manage and evolve the wine standards.

Act as a trusted advisor to government.

2020-2021 Objectives and Activities:

- Complete a review of the wine approvals process to consider whether procedures can be streamlined and/or cost of participation reduced.
- Develop an integrated risk-based model to ensure compliance, considering the process and frequency of audits, inspections, laboratory testing and the tasting panel.
- Approach all interactions with members as an opportunity to coach for compliance.
- Focus on truth in labelling and transparency.
- Ensure regulatory responses to new varietals, regions, methods and techniques support consumer confidence while not restricting innovation or creating unwarranted barriers to entry.
- Work collaboratively with the Ministry of Government and Consumer Services, the Ministry of the Attorney General, the Alcohol and Gaming Commission of Ontario, Ministry of Finance and the Liquor Control Board of Ontario to maintain a progressive regulatory framework and share insights on emerging trends and issues.
- Provide government with regular insights into the regulatory framework for the wine industry and respond to government requests for information.
- Develop recommendations to the government on legislation, regulation, policies and practices related to wine regulation.

Awareness and Understanding of VQA Appellations and VQA Ontario

Five-year Strategic Goals:

Enhance communications with VQA members and industry associations

Increase consumer awareness of and confidence in the VQA appellation system

2020-2021 Objectives and Activities:

- Continue to engage and work collaboratively with wine industry associations and other stakeholders.
- Enhance the organization’s identity statement to better communicate its regulatory role as the Wine Appellation Authority and reduce confusion with those tasked with marketing VQA Wines.
- Increase interactive and in-person communications with members.
- Provide orientation sessions for new members.
- Hold joint seminars with related organizations (e.g. AGCO, LCBO) to assist industry in understanding and working within the regulated environment.
- Update the organization’s online and social media presence. Be the authority on Ontario wine appellations.
- Engage with members/stakeholders to include and promote the VQA appellations/VQA system in their communications.
- Provide and deliver content for educational programs in the winemaking, wine business and hospitality sectors to raise understanding of the VQA appellation system.
- Develop ways of effectively understanding the views and expectations of the consumer.

Effective Corporate Governance and Operations

Five-year Strategic Goals:

Maintain an effective and engaged Board of Directors and senior staff.

Ensure financial sustainability.

2020-2021 Objectives and Activities:

- Review and identify the skill sets and ideal composition for ongoing Board training and future renewal.
- Ensure succession planning continues to be updated for senior leadership positions in the organization.
- Deliver cost-effective and client-responsive services.
- Manage finances to ensure expenses are in line with revenues.
- Maintain reserve funds that will appropriately meet the needs of the organization and mitigate future risks.

Financial Plan

A three-year financial plan is outlined in Appendix B, including revenue sources and projected operating expenses.

VQA Ontario maintains a restricted reserve of \$200,000 for legal and enforcement contingencies and additional reserves to manage risk and ensure ongoing financial stability. As at March 31, 2019, the total level of cash reserves was \$954,663.

Appendices: Appendix A – Board of Directors 2020
 Appendix B – Financial Projections 2020 - 2023

APPENDIX A

Board of Directors

March 31, 2020

Officers

Brian Schmidt

Vineland Estates Winery
President and Chair, VQA Ontario

Louise Engel

Featherstone Estate Winery
Vice-Chair, VQA Ontario

Derek Cartlidge

Colio Estate Wines
Treasurer, VQA Ontario

Martin Werner

Ravine Vineyard Estate Winery
Secretary, VQA Ontario

Directors - elected

Greg Berti

Andrew Peller Ltd

Jennifer Hart

Flat Rock Cellars

Paul Kassebaum

Arterra Wines

Paul Speck

Henry of Pelham Family Estate Winery

Dan Sullivan

Rosehall Run Estate Winery

Directors - appointed

Tony Elenis

Ontario Restaurant, Hotel and Motel
Association

Mary Shenstone

Ontario Government

Kevin Watson

Grape Growers of Ontario

Ken Douglas

Thirteenth Street Winery
Past Chair, VQA Ontario

VQA Ontario staff

Laurie Macdonald, Executive Director
Katherina Radcliffe, Manager, Wine Standards and Communications
Susan Piovesan, Compliance Officer/IT Systems Administrator (Inspector)
Kaitlin Wilson, Wine Approvals Coordinator
Dan Keere, Inspector/Investigator

APPENDIX B

Financial Projections to March 31, 2023

Includes precautionary expenditure cuts for fiscal 2021 due to COVID-19 uncertainty

	Estimated 2019-20	Business Plan 2020-21	Business Plan 2021-22	Business Plan 2022-23
Revenues	\$	\$	\$	\$
Application and membership fees ¹	87,925	88,500	89,000	90,000
Approval fees ²	670,000	683,000	690,000	705,000
Sales levy ³	986,000	986,000	986,000	1,006,000
Other income	38,000	33,000	33,000	33,000
OMAFRA TPA ⁴	245,000	0	0	0
Total revenues	2,026,925	1,790,500	1,798,000	1,834,000
Operating Expenses				
Salaries, benefits, training	570,000	589,000	605,000	615,000
VQA awareness programs ⁵	250,000	200,000	0	0
Approval procedures	815,000	818,000	835,000	850,000
Quality assurance and investigations	11,500	12,000	13,000	13,000
Export certification and trade	6,200	6,200	6,500	6,500
Weather station monitoring network ⁶	4,000	0	0	0
Meetings and travel	27,000	14,000	22,000	23,000
Rent and accommodation ⁷	38,500	58,000	59,000	60,000
General office expense	40,500	36,000	45,000	45,000
Information Technology	9,000	12,000	13,000	14,000
Communications/education ⁵	5,000	25,000	60,000	95,000
Appellation projects (research)	29,000	0	30,000	0
TPA project consultant*	200,000	0	0	0
Professional fees and insurance	83,700	48,700	70,000	80,000
Relocation expense	3,000	0	0	0
Merchant fees	16,500	18,500	22,000	23,000
Amortization	12,000	12,000	12,000	12,000
Total Expenses	2,120,900	1,849,400	1,792,500	1,836,500
Transfer to (from) reserve	(93,975)	(58,900)	5,500	(2,500)
Reserve funds at end of period	860,600	801,700	807,200	804,700

Notes

The figures provided for 2019-2020 are estimated. Audited statements will be available in July 2020.

1. Membership fees were reduced by 50% at the beginning of the 2020 fiscal year, resulting in a planned operating deficit.
2. Wine approval volumes increase slightly, fees are reviewed annually but no increase is planned through 2023.
3. Sales levy revenue based on 0% VQA sales growth in fiscal 2021 and 2022 and 2% in 2023. No fee increases.
4. VQA Ontario conducted an industry benchmarking survey funded under an OMAFRA Transfer Payment Agreement. Expenses related to the project are included in staff, overhead and the TPA project line items. This project ends March 2020.
5. VQA awareness program expenses comprise funding to the Wine Marketing Association of Ontario. This funding will be phased out and replaced by VQA-delivered education programs (budgeted under Communications/Education).
6. Weather subscription services are discontinued as no longer needed.
7. Accommodation expense was reduced in 2019/20 due to lease incentives.