



Ontario Wine Appellation Authority

BUSINESS PLAN 2021 – 2024

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 – The Appellation Authority will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications – The Appellation Authority 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 – The Appellation Authority will discharge its regulatory responsibilities firmly and fairly and ensure VQA terms, descriptions and designations are not misused.

Accountability– The Appellation Authority will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness – The Appellation Authority 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 authentic wines of origin that Ontario has to offer.

The Ontario Wine Appellation Authority 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.

The Appellation Authority is committed to ensuring label integrity for consumers and administering Ontario's wine appellation system in the public interest. Label integrity, standards for composition and rigorous verification and enforcement programs continue to protect consumers and support local appellations and the VQA brand as an internationally recognized symbol of origin and authenticity for Ontario wine. This serves consumers and 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. The Appellation Authority pursues its regulatory mandate with care and with a commitment to an open and fair process.

Mandate

The VQA Act sets the framework for establishing standards for the production of VQA wine and appellations of origin for wine growing regions. The Appellation Authority 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

The Appellation Authority has important partners that support a successful regulatory model.

Consumers – The Appellation Authority 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. It prevents the use of misleading label claims. The Appellation Authority ensures stated quality, origin and compositional standards are met.

Industry – The Appellation Authority 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. The Appellation Authority also promotes improved awareness and understanding of Ontario's wines, 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, the Appellation Authority works with government to achieve its goals consistent with the VQA Act. The Appellation Authority maintains strong communications with the Ministry and works closely with other Ministries and Agencies involved in the wine sector. The Appellation Authority leverages the expertise of the Liquor Control Board of Ontario (LCBO), relying on its professional services for wine analysis. The Appellation Authority 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

The Appellation Authority 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, 2021 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. Enterprise management systems are web-based and fully integrated to provide accessible and convenient delivery of services. 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 and track bulk wine sales

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, certificates of analysis, export documents
 - Mandatory sales reporting
 - Invoice management and online payments

- Comprehensive web-based reference library on regulations, processes, wine regions, VQA wine statistics, Authority 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 annual 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 students enrolled in winemaking and hospitality studies
- 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

COVID-19 impact

Many services and activities were impacted by measures taken to control the COVID-19 pandemic. Core activities were adapted to remote execution where possible and discretionary activities delivered virtually or postponed. It is expected that pandemic measures will continue to impact the Authority's operations and the wine industry into 2022.

Resourcing

The Appellation Authority is self-funded by winery fees and fee-for-service revenues. A reserve fund is maintained to mitigate against identified risks and unanticipated circumstances. The Authority 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. The suspension of all discretionary operations due to COVID risk management resulted in a budget surplus for fiscal 2021 and allowed membership fees due April 2021 to be waived entirely to alleviate financial stress among participating wineries. Medium term expectations are for a recovery to moderate growth in 2022 and stable winery participation in the VQA program. With this expectation, no fee increases are included in the forecast, but revenue performance will be reviewed and updated annually. Current financial projections are provided in Appendix B, noting significant uncertainty in future revenue projections.

Business Context

The Appellation Authority operates in a business climate that supports its continued success. Ontarians support local agriculture and authentic local wines. Knowledgeable wine consumers and industry stakeholders value the connection between appellation, quality, label integrity and the control of origin and production practices. This relationship translates into a valued role for the Appellation Authority.

After sustained strong growth supported by the regulated VQA appellation system, the industry appears to be entering a more moderate growth phase. Growing competition in the retail marketplace and consumer trends will heighten the importance of the VQA system to protect the integrity of appellation terms and sustain a fair and level playing field among wineries. Many other factors outside of the Appellation Authority's control impact VQA wine sales, including taxation, modernization of liquor regulations, trade challenges, consumer behavior and the impact of COVID-19 on hospitality and on-premise wine sales.

As a statutory organization entrusted with regulatory authority, the Appellation Authority 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. The Authority 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

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

The Appellation Authority 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 continue to guide the organization.

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 consumer confidence.

Consultations supported a focus on maintaining the strong reputation of the VQA appellation system while allowing the regulations and administrative framework to continue to evolve. The VQA system and the Authority will remain relevant by keeping pace with innovation in the sector and being inclusive of new regions, varieties and styles.

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

The Appellation Authority'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 Authority's role as the Ontario Wine Appellation Authority;
- Efficient and 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.

2021-2022 Objectives and Activities:

- Implement recommendations resulting from a review of the wine approvals process to further automate and streamline procedures.
- Finalize and begin implementation of an updated and fully integrated risk-based model to ensure compliance, considering the process, delivery model and frequency of audits and inspections.
- Approach all interactions with members as an opportunity to coach for compliance.
- Focus on truth in labelling, authenticity and consumer trust.
- 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 the Appellation Authority

Five-year Strategic Goals:

Enhance communications with VQA member wineries and industry associations

Increase consumer awareness of and confidence in the VQA appellation system

2021-2022 Objectives and Activities:

- Continue to engage and work collaboratively with wine industry associations and other stakeholders.
- Review and update the organization’s communications plan and capacity to ensure its messaging and target audiences remain relevant, communicate its regulatory role and reduce confusion with those tasked with marketing VQA Wines.
- Continue interactive and communications with winery members.
- Provide orientation sessions and resources for new and prospective winery members.
- Update the organization’s online presence - be the recognized standard setter and authority on Ontario wine appellations and authentic Ontario wines.
- Engage with members/stakeholders to include and promote the VQA Appellation Authority message in their communications.
- Provide and deliver content for educational programs in the winemaking, wine business and hospitality sectors to raise understanding of the Authority’s role and 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 and operational performance.

2021-2022 Objectives and Activities:

- Maintain a framework to promote Board renewal considering a balance of skill sets, diversity and inclusion.
- Ensure succession planning continues to be updated for senior leadership positions in the organization.
- Increase staff capacity to implement new compliance programs and update procedures.
- Complete the integration of web-based member services, enterprise management and financial services systems. Continue upgrading IT capacity and functionality.
- Review impact of COVID-19 measures on the delivery of core regulatory functions, identify potential for positive changes on a permanent basis.
- Continue to deliver cost-effective and client-responsive services, including enhancing the direct oversight and delivery of core regulatory functions.
- 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.

The Appellation Authority 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, 2021, the total level of cash reserves was approximately \$1,000,000.

Appendices: Appendix A – Board of Directors 2021
 Appendix B – Financial Projections 2021 - 2024

APPENDIX A

Board of Directors

March 31, 2021

Officers

Brian Schmidt

Vineland Estates Winery
*President and Chair, Ontario Wine
Appellation Authority*

Louise Engel

Featherstone Estate Winery
*Vice-Chair, Ontario Wine Appellation
Authority*

Derek Cartlidge

Colio Estate Wines
*Treasurer, Ontario Wine Appellation
Authority*

Martin Werner

Ravine Vineyard Estate Winery
*Secretary, Ontario Wine Appellation
Authority*

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, Ontario Wine Appellation
Authority*

Staff organization

Laurie Macdonald, Executive Director
Katherina Radcliffe, Director, Wine Standards and Communications
Susan Piovesan, Compliance Officer/IT Systems Administrator (Inspector)
Tricia Ramnath, Wine Testing Coordinator, Administrative Assistant
Stan Loree, Accountant
Dan Keere, Inspector/Investigator

APPENDIX B

Financial Projections to March 31, 2024

	Estimated FY2021	Budget FY2022	Forecast FY2023	Forecast FY2024
Membership fees	88850	0	93000	95000
Sales levy fees	944364	950000	1040000	1095000
Approval fees	714211	715000	715000	720000
Other income	9155	16000	16000	16000
Interest income	13839	3000	3000	3000
Total Revenue	1,770,419	1,684,000	1,867,000	1,929,000
Salaries & benefits	558930	735500	780000	790000
Contracted services	16796	20000	20000	20000
Meeting expenses	232	4000	10000	10000
Wine Approval costs	615251	534440	550000	555000
Quality assurance	6683	15000	15000	15000
Office and general	23321	34000	34500	35000
Printing & mailing	5103	5000	5000	5000
Export/National Affairs	0	0	5000	5000
Travel	306	16000	16000	16500
Rent & occupancy	62430	62000	62000	62000
Telephone/Internet	10511	14000	14500	15000
Insurance	10890	12500	13000	13500
Professional services	58000	70000	70000	70000
Education and communications	50000	250000	250000	250000
Weather monitoring	4000	0	0	0
Special projects and research	0	0	20000	20000
Merchant and bank charges	25413	30000	30000	30000
Amortization	24480	20000	20000	17000
Total Expense	1,472,346	1,822,440	1,915,000	1,929,000
Net revenue over expense	298,073	(138,440)	(48,000)	0

Notes

1. The figures provided for 2020-2021 are estimated. Audited statements will be available in July 2021. Significant uncertainty exists related to future VQA wine sales that could impact revenue projections.
2. Membership fees waived for FY 2022
3. Wine approval volumes are projected to be stable. Process changes will be implemented in FY 2022 and fees reviewed once implementation complete.
4. Sales levy revenue based on 0% VQA sales growth in FY 2022 and moderate recovery thereafter.
5. Staff costs increase in FY 2022 reflects both staff absences in FY 2021, and new staff in FY 2022 to implement in-house sensory testing and audit programs.
6. Expenses related to education and communications, meetings and travel were drastically reduced as a result of public health measures and will be resumed in FY 2022.
7. Weather subscription services are discontinued as no longer needed.
8. FY 2021 surplus covers 2022 and 2023 operating deficit during period when VQA sales levy revenue is recovering