

# **CONSUMER MADE WINE AND BEER IN CANADA**

**John Kiedrowski, B.A., B.A. (Hons), M.A.  
Executive Director  
Canadian Home Wine Trade Association  
74 Iona Street  
Ottawa, Ontario  
K1Y 3L8  
(613) 724-3857**

**July 10, 2001**

## TABLE OF CONTENTS

<b>1. Background</b>	<b>1</b>
<b>2. Brew on Premise Facilities</b>	<b>1</b>
<b>3. Popularity of BOPs</b>	<b>2</b>
<b>4. Retail Stores</b>	<b>3</b>
<b>5. Economic Contributions Across Canada</b>	<b>4</b>
<b>5.1 Job Creation</b>	<b>4</b>
<b>5.2 Contribution to the Economy</b>	<b>4</b>
<b>5.3 Taxation &amp; Licensing Fees</b>	<b>4</b>
<b>6. Major Perceived Concerns with BOPs</b>	<b>5</b>
<b>6.1 Impact on Revenues for Sales of Alcoholic Beverages</b>	<b>5</b>
<b>6.2 Impact on Commercial Beer, Wine Industries &amp; Retail Stores</b>	<b>7</b>
<b>6.3 Consumer Made Wine/Beer in Licensed Establishments</b>	<b>9</b>
<b>6.4 Public Health</b>	<b>10</b>
<b>6.5 Illegal Activities</b>	<b>10</b>
<b>6.6 Safety of Wine Kits</b>	<b>11</b>
<b>6.7 Public Acceptance</b>	<b>12</b>
<b>7. Future of Brew on Premise Industry</b>	<b>12</b>

### Appendices

- A Table of Wine Sales by Volume of Sales and Litres for  
1980-89 and 1990-1999 Showing Percentage Change Per Annum**
- B Ontario Sales Volumes of Brew on Premise Facilities**
- C UBREW/UVIN Production Reporting Summary (British Columbia)**

**FOR COPIES OF THESE APPENDICES PLEASE CONTACT THE ASSOCIATION.**

## **1. CANADIAN HOME WINE TRADE ASSOCIATION**

The Canadian Home Wine Trade Association (CHWTA) is a business association for manufacturers, distributors and wholesalers of beer and wine kits and related supplies. Members include the associations that represent the brew on premise and retail sectors across Canada. Currently, CHWTA represents approximately 80 percent of the manufacturers of wine and beer kits .

CHWTA was established in 1992 by the manufacturers of wine and beer kits to create its own trade marks now found on many wine kits sold in Canada. CHWTA also works close, with the Canadian Food Inspection Agency, Revenue Canada, and provincial governments with respect to the manufacturing of wine and beer kits.

CHWTA is responsible for establishing standards for wine and beer kits in Canada. Many of these standards either complement or exceed the *Food and Drugs Act*, *Consumer Packaging and Labelling Act*, *Canada Agricultural Products Act*, and other federal Acts and Regulations related to prepackaged foods. The CHWTA's standards are reflected in its member's licensing agreement, which allow members to use the CHWTA trademarks. Many companies that offer wine kits or juice in pails (e.g., 23 litre pails) that are not pasturized or septically packaged for sale are not members and are a grave concern to the this sector of the economy, since they are not subject to CHWTA standards or trademarks.

## **2. BREW ON PREMISE FACILITIES**

Currently, Brew on Premises ( BOPs) facilities, known as U-Brews (for beer making) and U-Vints (for wine making) are allowed in Ontario, British Columbia and Yukon Territories. In BOP facilities, individuals can purchase wine or beer kits or raw materials to make beer or wine, and rent the equipment and space to make and bottle beer or wine. The product made in these facilities is for personal consumption and not for commercial use.

In Ontario and British Columbia the provincial governments amended their liquor legislation and introduced regulations to licence these facilities. The brew on premise industry and CHWTA were both very supportive of these regulations. In

Yukon Territories, brew on premises operate under their existing liquor ordinance.

Liquor legislation in Ontario and British Columbia includes a regulatory compliance scheme that focuses on the operations, advertisements, standards, methods and practices in connection with the making of beer or wine at BOP facilities, and the providing of inducements.

The federal government will be introducing amendments to the *Excise Act* and *Excise Tax Act* to permit the operation of BOP facilities. Under the proposed amendments, individuals who make wine or beer will be exempt from excise license requirements and from the payment of excise duty as long as the wine or beer is made by the individual for his or her personal use and is not for commercial use. Operators will also be required to register as excise registrants. Copies of the statutes and proposed amendments are available from the CHWTA.

### **3. POPULARITY OF BOPs**

The expansion from U-Brews to U-Vints, and the subsequent popularity of the latter, can be attributed to seven factors.

1. U-Vint facilities are less expensive to open and operate than are U-Brew facilities because U-Brews require more space for tanks and refrigerators.
2. The quality and cost of wine kits has improved substantially due to new technologies for packaging juices.
3. The operators of U-Vints identified a niche in the market consisting of people interested in making wine in their own homes with a minimum of cost and bother.
4. The operators were able to provide advice and expertise to customers on how to make their own wines. Many of the operators also educated the consumer about wine making (e.g., newsletters) and the different grapes used in wine making.
5. It was less expensive to make consumer-made wine than to purchase wine from a government store and the final product, if made properly, could be of similar quality to some commercially produced wines. An important point, however, is that customers continued to purchase wine from government stores, especially the mid to upper range priced bottle of wine.

## **CHWTA: BREW ON PREMISES IN CANADA**

---

6. Technological developments resulting in a more simplified process for making beer wort reduced the business opportunities for U-Brew operators. Wort could now be purchased from an operator holding a wort licence or provided in packages to which the customer just added water.
7. The wider availability of commercially produced specialty beers, particularly with the growth of micro-breweries, meant that fewer individuals were interested in making their own specialty beers.

### **4. RETAIL STORES**

In all the other provinces, retail stores offer wine and beer kits and related supplies for sale. Many of these stores specialize in wine making supplies. There are also grocery stores, hardware stores and flower shops that do offer wine and beer kits and related supplies for sale. Currently, it is estimated that there are approximately 340 speciality retail stores across Canada. The following table provides an estimate of the number of speciality retail stores in Canada

**Table 1**  
**Number of Speciality Retail Stores that Sale Wine and Beer Making Supplies**

Region	Estimated Number of Stores
Atlantic provinces	75
Quebec	165
Ontario	20
Saskatchewan/Manitoba	20
Alberta	40
British Columbia, Yukon and Northwest Territories	20
Total	340

### **5. ECONOMIC CONTRIBUTIONS ACROSS CANADA**

### *5.1 Job Creation*

The consumer made wine and beer sector employs approximately 3,850 full time and 1,750 part time individuals across Canada.<sup>1</sup> It is further estimated that the consumer made wine sector creates 2,400 related jobs in the area of providing supplies (i.e., plastic and glass bottles), transportation, and professional services.

The number employed in the consumer made wine and beer sector can be divided as follows:

**Table 2**  
**Number Employed in Consumer Made Wine and Beer Sector**

Sectors	Number of Estimated Jobs	
	Full Time	Part Time
Manufacturer of Wine and Beer Kits	450	20
Suppliers/distributors	220	50
Brew on Premises	2,600	1,430
Retail stores	600	250
Total	3,850	1,750

Many of these jobs are created throughout the provinces and are not necessarily in large urban centres.

### *5.2 Contributions to the Economy*

---

<sup>1</sup> In Ontario and British Columbia, there are 608 and 345 brew on premise facilities respectively.

The consumer made wine and beer sector also contributes significantly to provincial and local economies. Many retail stores and BOPs rent their facilities and pay local, provincial and federal taxes. For example, each BOP contributes approximately \$130,000 a year to the economy in paying wages, professional fees, and so on. In Ontario and British Columbia, for example, BOPs contribute approximately \$80 million and \$45 million respectively to the economy. It is further estimated that retail stores specializing in wine and beer kits contribute \$80,000 a year to the local economy. This amounts to roughly \$27 million to the Canadian and provincial economy each year.

This contribution to the economy is substantial especially considering that this sector of the economy has received no funds for any provincial or federal government grants or contributions programs.

### *5.3 Taxation and Licensing Fees*

In Ontario, customers using BOPs paid \$3.8 million of Retail Sales Tax in 1998/1999. It is also estimated sector paid approximately \$92,000 in licensing fees per year and roughly \$426,000 in application fees.

In British Columbia, operators have paid roughly \$258,750 in licensing fees and \$175,500 in application fees. There is no tax on the beer or wine made in a BOP.

## **6. MAJOR PERCEIVED CONCERNS WITH BOPs**

### *6.1 Impact on Revenues for Sale of Alcoholic Beverages*

Since the introduction of BOPs, manufacturers of alcoholic beverages and officials representing government stores have presented the argument that these facilities had an impact on their revenues. However, no data have been presented to substantiate these figures. To show the impact of BOPs on the sale of alcoholic beverages, data were obtained from Statistics Canada on the Value of Sales of Wine for the years

1980 to 1999<sup>2</sup> for selected provinces. Value of sales for wine best reflect the revenues collected by government and can be compared to the trends in BOPs without looking at intervening variables such as per capita growth. Value of sales for beer were excluded as the facilities that offer beer making and the sale of beer kits have dramatically declined.

The data were divided into two periods: 1980 to 1989 which represented pre-BOPs and 1990 to 1999 which best represents the period when BOPs existed in Ontario and British Columbia. For each period the percentage change per annum was calculated. For the period 1980 to 1989, the percentage change per annum for all of Canada was 12.4. Those provinces above the national percentage change per annum were Manitoba (18.6), Saskatchewan (18.5) and Quebec (15.1). Those below the national average were British Columbia (12.3), Ontario (11.7), New Brunswick (10.2) and Nova Scotia (10.1).

However, during the period from 1990 to 1999, this trend changes. The percentage change per annum for all of Canada dropped to 5.2 percent. The three provinces above the national average also changed. These included Alberta (6.2), Ontario (6.1) and British Columbia (5.1). The provinces below the national change per annum were Saskatchewan (2.6), Quebec (4.3), New Brunswick (4.2), Manitoba (4.0), and Nova Scotia (3.8). The table and associated data are provided in Appendix A.

Based on this descriptive analysis the following conclusions can be reached:

1. BOPs complimented or supported the increase sales of wine in Ontario and British Columbia.
2. The contribution of BOPs to the economy and the number of jobs created far outweigh the argument that every bottle of wine not purchased in a government store reduces government revenues.
3. The wine consumption market is large enough to accommodate a consumer made wine and beer sector and the sale of commercial wines.
4. These data do not take into account the sale of fresh juice or juices sold in the

---

<sup>2</sup> Statistics Canada. *The Control and Sale of Alcoholic Beverages in Canada*. Cat. no. 63-202-XIB



fall, is a larger segment than the wine kits.

5. Alberta is above the average percentage change per annum due to the Alberta government's move to privatize the liquor distribution system in 1993.

Furthermore, independent research conducted by some of the manufacturers of wine kits found that customers who use wine kits also continue to purchase products from the government stores. Customers who use wine kits purchase wine from the government stores that are in the mid the upper price range rather than the low price range. This is also the price range where government makes more profit on the sale of wine.

### *6.2 Impact on Commercial Beer, Wine Industries and Retail Stores*

Since the inception of the BOP sectors in Ontario and British Columbia, the Associations representing the beer and wine industries in Canada have argued that this segment has taken away some of their market share. Figures from Statistics Canada show the contrary. The breweries or wineries have never substantiated their position that the consumer made wine and beer sector has an impact their sales. The companies' annual reports also do not make any mention of the impact of the consumer made wine and beer industry. Although Statistics Canada data illustrate that there was been a decline in the volume of sales of alcoholic beverages, this reduction can be attributed to other factors such as Canadians consuming fewer alcoholic beverages, changing lifestyles, consumers shifting their brand preferences, the temperature for some summers not being as warm as in the past, and an overestimation of their perceived market.

The argument of market share is also a moot point as the consumer made wine and beer sector is not the same marketplace as commercial breweries or wineries. Products made in a BOP or wine kits purchased in retail stores are for personal consumption and not for commercial use. Product made by commercial breweries and wineries is sold in government stores to the public with the regulatory mandate to market their finished products accordingly (e.g., advertising, promotions).

## CHWTA: BREW ON PREMISES IN CANADA

---

The Brew on Premise Association of Ontario has obtained data from the Ministry of Finance<sup>3</sup>. Appendix B provides an overview of the Ontario Sales Volumes of Brew on Premise Facilities. The data includes total sales, taxes collected, number of facilities<sup>4</sup>, total number of litres produced, percentage estimation of beer and wine<sup>5</sup>, and the estimated litres produced of beer and wine. The data reveals that since 1994 the estimated percentage of beer made in a brew on premise facility has substantially declined while that of wine has increased. In 1999, it was estimated that 85 percent of the product made in brew on premises is wine while 15 percent was beer. It was further estimated that for the year 2000, beer would further decline to 10 percent while wine would continue to maintain 90 percent of a brew on premise production.

In terms of comparing the amount of beer and wine produced in a brew on premise association with the volume of sales of alcoholic beverages, beer would represent approximately .5 per percent while wine would be approximately 12 percent.<sup>6</sup>

Similar numbers are available for in British Columbia. Appendix C provides the U-Brew/U-Vin Production Reporting Summary from April 1, 2000 to September 30, 2000. During this period, 65 percent of the product produced was wine, 29 percent beer and 5 percent cider/coolers.

In comparing these figures to the total litres of beer, wine and cider/coolers sold, wine represents 21.98 percent, beer 1.54 percent and cider/coolers 3.59 percent.

Based on these figures, the following can be concluded:

1. The amount of beer produced in brew on premises in Ontario and British Columbia has substantially declined and while wine has increased.

---

<sup>3</sup> This information was accessed under the *Freedom of Information Act*.

<sup>4</sup> The number of facilities as defined by the Ministry of Finance.

<sup>5</sup> Wine estimations may also include cider/coolers.

<sup>6</sup> Data for this estimation came from Statistics Canada. *The Control and Sale of Alcoholic Beverages in Canada*. Cat. no. 63-202-XIB (Table 1.4)

2. The amount of beer produced as part of the overall volume of litres sold is minimum. This supports the position taken by the industry to rebut any claims made by the associations representing the breweries.
3. Sales of wine and beer have had no impact on the revenues from the sales of alcoholic beverages in Ontario and British Columbia
4. Brew on premises continue to cater to a niche in the market that consumes wine.
5. Brew on premises educate their consumers about wine which results in many consumers purchasing wines in the mid to upper price range from government stores and their agents.

### *6.3 Consumer Made Wine/Beer in Licensed Establishments*

Another issue that is raised by government officials is that operators from licensed establishments are making wine in BOPs and then offering the wine for sale in their licensed premise. Under subsections 6(1) and 6(2) of the Liquor Control and Licensing Regulations (BC Reg. 34/2001) and under section 27 of the *Liquor Licence Act* (Ont) the licensee must purchase any alcoholic beverages from a government store. Any alcohol found within the licensed premise that is not supported by an official receipt/purchase is viewed to be illegal alcohol. In this case, the regulatory agency takes action against the licensee.

Currently, in British Columbia there has been only one licensee that has been found guilty of offering consumer made wine for sale, but it was not determined whether the wine was made at a BOP, from a wine kit, or from a pail of juice. In Ontario, no Notice of Proposals have been issued against a licensee for offering wine for sale that has been made in a BOP. The same findings exists in the Yukon Territories.

Thus, there is no evidence to support the position that licensees are making wine at a BOP and offering it for sale to a consumer within his premises.

The same scenario would also apply to a licensee who has been offering wine for sale that was purchased from an estate winery for personal consumption, but in fact is being sold in the licensed premise. The regulatory agencies will not take action against the estate winery, but only against the licensee. The same would apply to a licensee who makes wine made at a BOP for personal consumption and not for

commercial use, but in fact sells the product as a house wine in a restaurant. The regulatory agency will take action against the licensee and not the BOP.

Thus, not only is this perception of wine being made in BOPs and sold in licensed establishments false, there is existing legislation that would prohibit such activity.

#### *6.4 Public Health Concerns*

Some concerns have been raised that BOP facilities promote immoderate consumption of beer or wine. No studies exist to support these concerns. Furthermore, drinking and driving studies have not linked the consumption of alcoholic beverages to consumer made beer or wine or consumption within the home.

To be proactive, however, the CHWTA, the Brew on Premise Association of Ontario (BOPAO) and British Columbia Hobby Brewers and Vintners Association (HBVA) will be developing a pamphlet to educate the public on consumption of beer and wine in their home. Information will also be distributed in wine and beer kits.

Furthermore, manufacturers of wine kits will be putting health promotion brochures in their kits to inform their customers about drinking and driving and other health related issues. It is important to point out that this is a very proactive position the industry has taken.

#### *6.5 Illegal Activities*

Prior to the regulations being introduced in Ontario and British Columbia, the number of stories and innuendos regarding illegal activities were astonishing. What is interesting is that while some viewed certain activities as illegal, they were in fact legal under the *Excise Act* or provincial legislation.

Prior to the regulations, few operators were charged with activities such as “bootlegging.” Based on statistics kept by the Brew on Premise Association in Ontario only fourteen operators out of approximately 550 were charged with offering alcohol for sale without a licence. It is unclear as to how many were actually found guilty of the provincial offence.

The CHWTA and the majority of BOP operators are committed to following the existing regulatory framework in the provinces and territory. However, there is no doubt that there will be some “bad apples” as in any other regulatory scheme. It is projected, however, that given the personal financial investments made by the licensee holder and the risk of losing their livelihood if found guilty of violating the Acts, such activities would be limited.

CHWTA fully supports the enforcement of the legislation. CHWTA has also gone a step further by helping to develop enforcement manuals and to provide training to auditors and other government officials.

### *6.6 Safety of Wine Kits*

As pointed out earlier, manufacturers of wine kits must adhere to the *Food and Drugs Act*, *Consumer Packaging and Labelling Act*, *Canada Agricultural Products Act*, and other federal Acts and Regulations related to prepackaged foods. Prior to a wine kit being launched into the market for consumers, each production lot is thoroughly tested in accordance with federal food legislation. This includes making the wine, fermenting the product for the required period of time and then testing the final product. The wine is given a lot number and stored for several months. Once the product meets the required federal food regulations and manufacturer’s standards the production of wine kits is completed and ready for the consumers.

According to the Canadian Food Inspection Agency, as long as the product is used for personal consumption and not for commercial use, the product does not need to be tested. The federal government indicated that if they start testing home made wine made from kits, they will be required to test everything that is “home made” (e.g., pickles, jams etc.). Furthermore, based on the audits of some of the manufacturers they appear to be very satisfied with the testing procedures of wine kits.

Over the past several years, the association representing the breweries and to some extent the wineries have argued for product testing of wine kits. Unfortunately, they are unaware of the federal food regulations, procedures and industry standards that wine kit manufacturers must follow.

### *6.7 Public Acceptance*

The BOP sectors in Ontario and BC have been well received. The popularity of BOPs can be attributed to quality of the wine and beer kits, the availability of equipment and services, and the lower cost of making your own beer or wine. Market research on the industry suggests that the average age BOP user is in their mid to late thirties, holds a professional career, and has a family. There is also a growing popularity among seniors.

The operator of BOPs also provide educational information to their customers on such issues as wine making, varietals, and on the grape growing regions of the world.

In provinces where BOPs do not exist, the manufacturers and retail stores are receiving numerous inquiries on why they do not exist in their province. Similar inquiries are being made by provincial members of parliament who also view BOPs as a viable industry. Over the next several months, CHWTA will be approaching various Ministers and government agencies responsible for economic development and control of the sale of alcoholic beverages to advocate the opening of BOPs.

## **7. FUTURE OF BREW ON PREMISE INDUSTRY AND CONSUMER MADE BEER AND WINE**

Since the inception of the first BOP facility in Ontario, the BOP industry continues to evolve. The growth in this industry has been positive for small businesses and has substantially contributed to the provincial and local economies. Over the years, however, this sector of the economy has been faced with unsubstantiated criticism and has been tainted as a scapegoat for poor sales in alcoholic beverages and reduced market share. Associations representing the breweries have also raised issues that cannot be supported by any facts. They have also demonstrated their lack of understanding the home made wine and beer sector by raising issues such as testing, which is already done to the satisfaction of the Canadian Food Inspection Agency.

With the introduction of licensing schemes in Ontario and British Columbia, data

## **CHWTA: BREW ON PREMISES IN CANADA**

---

will continue to show the consumer made wine and beer sector, and in particular, U-Vints, can augment the sales of wine at government stores. Data will also show that the vast majority of operators follow industry standards, and abide by relevant federal and provincial statutes. BOPs have developed a niche in the market and the majority of the operators are true entrepreneurs.

Manufacturers of wine and beer kits have taken proactive steps to introduce their own standards which exceed federal food regulations and to address issues of public health. The testing of wine kits also follow very stringent food regulations.

The consumer made beer and wine sector will also continue to grow. Consumers in provinces where U-Brews and U-Vints do not exist have expressed concerns as to why their province does not permit these facilities to operate. In this case, we have directed the consumer to write to their local member of provincial parliament and to the Minister responsible for the sale and distribution of alcoholic beverages. What is most interesting is that when you compare this sector of the economy to others, the government has not invested one cent and has benefited from a business that is supported by the public.