

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

Revised August 2008

Agdex 200/820-1

An Introduction to the Fruit Wine Business in Alberta

Definitions for fruit wine vary slightly, but it is generally described as the alcoholic fermentation of the juice of sound, ripe fruit, fruit juices or concentrate, other than juice from fresh grapes.

A number of fruit or related species on the Prairies can be used to make fruit wine. These include strawberries, raspberries, black currants, saskatoons, sour cherries (Mongolian and Nanking), wild black cherries (chokecherry), apples/crabapples, plums, red and white currants, and rhubarb (commonly viewed as a fruit).

The trends look promising for products such as fruit wine. A 2004 report from Agriculture and Agri-Food Canada (AAFC) on the Canadian wine industry¹ and recent Statistics Canada reports indicate that there is room for growth in the domestic market. Annual wine consumption in Canada has increased between 1991 and 2004 from 10.06 litres per capita to 13.31 litres per capita, for the population over 15 years of age.² However, Canadian per capita wine consumption is very low compared to other major wine-producing countries such as France or Italy, where per capita consumption is between 50 and 56 litres.³

With this room for growth, the wine industry has increased capital expenditures by approximately 12 per cent annually between 1995 and 2005.⁴ Growth in this sector has continued from previous years. The growth is attributed to the industry's ambitious growth plans, and

some large wineries are making acquisitions into other lines of alcoholic products such as fruit wines, ciders and hard lemonade.

Recent data reveals that from 2000 to 2004, the value of fruit wine imports has continued to rise at an average rate of 12 per cent.⁵ While these figures represent larger scale wineries, this shows growing interest in non-traditional alcoholic beverages. They do not account for the many cottage-sized wineries that mostly focus on domestic sales, selling at the farm gate.

The trends look promising for products such as fruit wine

Cottage wineries are becoming more popular and AAFC recognizes that there are successful links between the wine industry and tourism in British Columbia's Okanagan Valley and the Niagara Peninsula region for Ontario. These links bring economic benefits and wine tours build an appreciation for the sophistication of Canadian wineries and the quality of the wine.

Lang Research⁶ conducted a study to look at the interest in wine and culinary tourism across Canada and the United States (US). Approximately 33 per cent of Canadians said they were interested in these vacation activities. This compared to 38.4 per cent in the US market. In Canada, individuals showing moderate to strong interest were likely to come from British Columbia, Alberta, Ontario and Quebec. The affluent segment of society was the most attracted to this type of tourism, which makes up 24.5 per cent of the Canadian and 27.4 per cent of the US adult population.

¹ "The Canadian Wine Industry" Agriculture and Agri-Food Canada September 2004

² Statistics Canada. October 2005. Food Statistics, vol. 4, no. 2. <http://dsp-psd.pwgsc.gc.ca/Collection/Statcan/21-020-X/21-020-XIE2004002.pdf>

³ "World Wine Situation and Outlook" USDA Foreign Agricultural Service April 2005

⁴ "Capital Repair and Expenditures" Statistics Canada 2005

⁵ "World Trade Atlas" Statistics Canada September 2005

⁶ "Wine and Cuisine Profile Report" Lang Research April 2001

Regulations

Alberta Gaming and Liquor Commission

The Alberta Gaming and Liquor Commission (AGLC) issues Class E licences to cottage wineries for the manufacture of wine. The regulations stipulate that fruit wine can be sold through two main channels. Wineries can sell through the orchard/winery (farm gate) as off sales to the general public and to special event licensees. The winery can also sell, through the AGLC to other licensees with a Class D licence, and may apply for an endorsement, allowing them to provide a delivery service to the public. Wineries can only sell their own manufactured wines at the winery and not other cottage wines or other liquor products.

To be considered for a licence, a cottage winery must meet the following requirements for fruit wine production. They must:

- have an annual production capacity of 1,500 litres in year one, increasing to a minimum of 4,500 litres production capacity by year five
- have a minimum of five acres of land in fruit production, with a winery located on the orchard site
- produce fruit wine from a minimum of 75 per cent fruit grown on land controlled by the farmer, with up to 25 per cent fruit from another grower in Alberta allowed for blending of fruit production shortfall
- vinify 100 per cent of wine production on site
- have fermentation, maturation and storage tanks with a minimum of 200 litres capacity each
- have adequate storage tanks to accommodate the annual production capacity, including products requiring aging

Canada Revenue Agency

Canada Revenue Agency requires that wine producers and packagers be licensed to collect an “excise duty” on wine sold. The excise duty depends on the absolute ethyl alcohol content of the wine. For wine producers this duty is \$0.5122 per litre. As a wine licensee, the operation is required to file a return and payments for each fiscal month. However, if the operation’s total sales for wine packaged in Canada do not exceed \$50,000 annually, then the operation qualifies as a small producer and the excise duty is waived.

Food safety, packaging and labelling

Contact your local Alberta Health Services office before starting a food establishment. To help ensure food is handled safely, all food establishments are required to meet the standards outlined in the Food Regulation of the Alberta *Public Health Act*. They are also required to hold a Food Handling Permit prior to operation.

It is recommended that the owners of food establishments become familiar and comply with the specifications in the *Food Retail and Foodservices Code*. Processors should also be aware of the specific concerns regarding *E. coli* O157:H7 in unpasteurized cider. The *Code of Practice for the Production and Distribution of Unpasteurized Apple and Other Fruit Juice/Cider in Canada* produced by the Canadian Food Inspection Agency (CFIA) addresses the production and distribution of safe unpasteurized juices/ciders.

The *General Principles of Food Hygiene* provides a guideline for manufacturing safe food products. Although these are not legal requirements, following these guidelines ensures that food products are compliant with health and safety regulatory provisions.

Compliance and labelling of foods is the responsibility of all persons involved in importing, manufacturing, producing and selling foods. Products must be compliant with the *Food and Drugs Act* and Regulations (FDAR) and the *Consumer Packaging and Labelling Act* and Regulations. This legislation is designed to protect Canadians from health hazards and misrepresentation. Cottage wineries may want to pay attention to Division 2 of the FDAR, which provides definitions for fruit wines and its compositional requirements. Similar ‘user-friendly’ food labelling interpretations are available in *The Guide to Food Labelling and Advertising*. Chapters two and 10 of this guide may be of particular use to the cottage winery industry.

Municipal permits, safety codes and licenses

Contact the local municipal office for information about the inspections and licenses needed for a winery.

Equipment and buildings

The following equipment is needed to start fruit wine production:

- a fruit crusher and fruit press
- various sizes of wine tanks (1,000 litre, 500 litre and 200 litre)
- a plate filter with pump
- sterile filter housing and cartridge

- a wine bottle filler and corker
- a labelling machine (as the operation expands)
- a heat gun, or table top heat shrinker (as the operation expands)
- hoses
- cooling equipment (as the operation expands)
- laboratory equipment
- initial winemaking supplies

When you include the building to house the equipment, and consider business expansion, everything could cost up to \$150,000.

Recommended expertise

A winemaster is needed to help produce a high quality fruit wine that meets the needs of the market. Talking to some established wineries in British Columbia and Ontario is a good way to gather information about winemasters. Experienced operators can provide valuable information about what might best suit your operation.

Profitable pricing

Pricing for a profit should be an objective in selling your fruit wine. Your “break even” or “wholesale price” should cover raw material costs, packaging, labour costs, capital recovery charges and so on. Keep in mind the final price on the shelf has to include GST, AGLC markup, excise duty, bottle deposit and an environmental fee. Generally, in the first year of production your fruit wine need to sell on the shelf for a minimum of \$20 per 750 ml bottle.

As a comparison, current prices (2005) for fruit wine in Western Canada range between \$18 and \$25 for a 375 ml bottle for fortified or dessert wines. The price for a 750 ml bottle of fruit wine can range between \$13 and \$20 for table wines.

Success factors

The key success factors in fruit wine production include:

- researching the market potential for your location
- identifying what you need to do to consistently market your product
- planning your equipment needs and building layout ahead of time
- getting advice on fruit wine making from a winemaster
- producing a high quality wine using quality control standards
- knowing your costs so you can sell at a price to make a profit

- making contacts with local businesses such as ag tourism operators
- getting to know other fruit wine producers, both in Alberta and B.C., to learn from their experiences
- marketing your product through wine writers to get exposure in newspapers, magazines and books

Additional information

For industry awareness and involvement

Paul de Jonge – Industry Group Contact
403-327-9843

For specific information on the cottage wine industry, markets and fruit production

Alberta Agriculture and Rural Development
Ag-Info Centre
Toll free: 310-FARM (3276)

For food safety programs

Alberta Agriculture and Rural Development
Betty Vladicka – Food Safety Systems Specialist
780-427-0804

Regulations

Alberta Gaming and Liquor Commission (AGLC)
Laine Vertypora – Policy and Development Analyst
780-447-8793

Canadian Food Inspection Agency (CFIA) – Food inspection and labeling

Main Offices
780-495-4270 or 495-3008 (Edmonton)
403-292-4650 (Calgary)

Websites

Alberta’s Cottage Winery Policy
<http://www.aglc.gov.ab.ca/pdf/liquor/5237.pdf>

Excise Duty
<http://www.cra-arc.gc.ca/tx/tchncl/exciseduty-eng.html>

Excise Act – Technical Information
<http://www.cra-arc.gc.ca/tx/tchncl/ct2001-eng.html>

Bulletins: EDB-A2 Highlights for Wine Producers and Packagers
<http://www.cra-arc.gc.ca/menu/EXAB-e.html>

Memoranda series

<http://www.cra-arc.gc.ca/menu/EXMS-e.html>

See various sections, (especially Chapter 4: Information Relating to Wine: Small Producers of Wine 4.1.2 as well as 3.1.3, and 8.1.1.).

Excise Act: Excise Duty Return Form – Wine Licensee

<http://www.cra-arc.gc.ca/E/pbg/ef/b265/b265-07e.pdf>

Excise License and Registration Application

<http://www.cra-arc.gc.ca/E/pbg/ef/l63/l63-03e.pdf>

Alberta Health Services

<http://www.albertahealthservices.ca/healthservices/default.aspx>

Food and Food Establishment Regulations

<http://www.dthr.ab.ca/resources/documents/foodestablishment/>

[Food%20and%20Food%20Establishments%20Regulation.pdf](http://www.dthr.ab.ca/resources/documents/foodestablishment/Food%20and%20Food%20Establishments%20Regulation.pdf)

Information on *E. coli* O157:H7 in pasteurized cider

http://www.hc-sc.gc.ca/fn-an/securit/facts-faits/unpast_fruit_juices-jus_fruits_cidre_nonpast-eng.php

General Principles of Food Hygiene

http://www.cfis.agr.ca/english/regcode/gpflh/gpflh_e.shtml

Canadian Food Inspection Agency

<http://www.inspection.gc.ca/english/toce.shtml>

Food and Drugs Act

<http://laws.justice.gc.ca/en/F-27/index.html>

Consumer Packaging and Labelling Act

<http://laws.justice.gc.ca/en/C-38/index.html>

Guide to Food Labelling and Advertising

<http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml>

List of Alberta Municipalities

http://www.municipalaffairs.gov.ab.ca/for_municipalities.htm#muni

Prepared by:

Dean Dyck – P. Ag.

Financial Business Analyst