

Wine Competitiveness Project: Case of BC

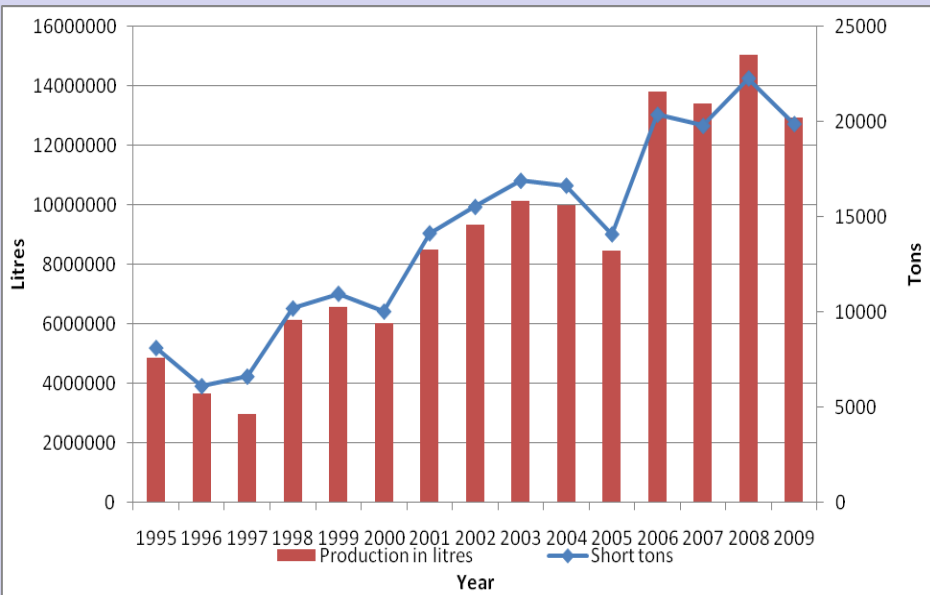
Prepared by: Andy Hira
For Penticton Workshop
July 17-18, 2011

Research Methods

- Database constructed Sep 09-Mar 10 & all available materials reviewed
- Every (greater) Okanagan Valley winery, supplier, consultant and expert was contacted from Jan.-Mar. 2010
 - Regular mail, & multiple e-mails, and phone calls (salesman)
 - Personal 1 hr. interviews and surveys by me in Apr 2010
 - 2nd round of mailings, e-mails, calls & interviews in conjunction with BCWGC meeting in July 2010
 - Poster given at BCWGC w/ request for additional interviews
 - Over 50 interviews conducted
- Study was reviewed from Sept-Dec 2010
 - By Scientific Advisory Board (incl BC winemakers); wineries interviewed; experts such as John Schreiner & Bill Collings, who endorsed it
 - Open for public comment from Jan 2011, has led to 17 different revisions based on feedback

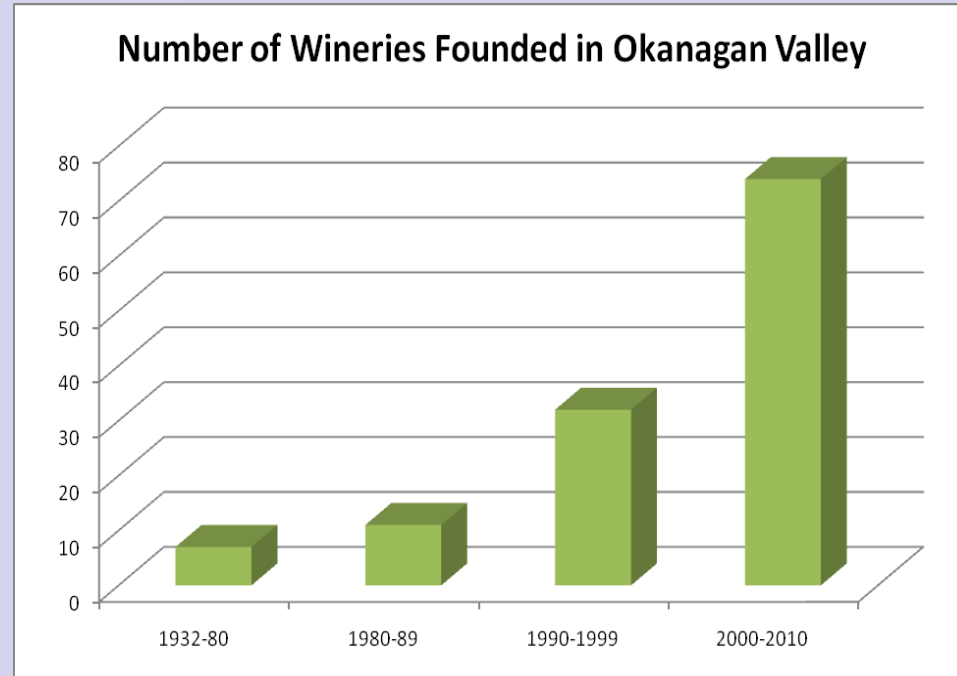
BC's Success Story

BC Upward Supply Trends



B.C. Wine Institute: <http://www.winebc.com/quickfacts.php>, Accessed Jan 25, 2011; short ton =2,000 lbs.

Number of Wineries Founded in Okanagan Valley



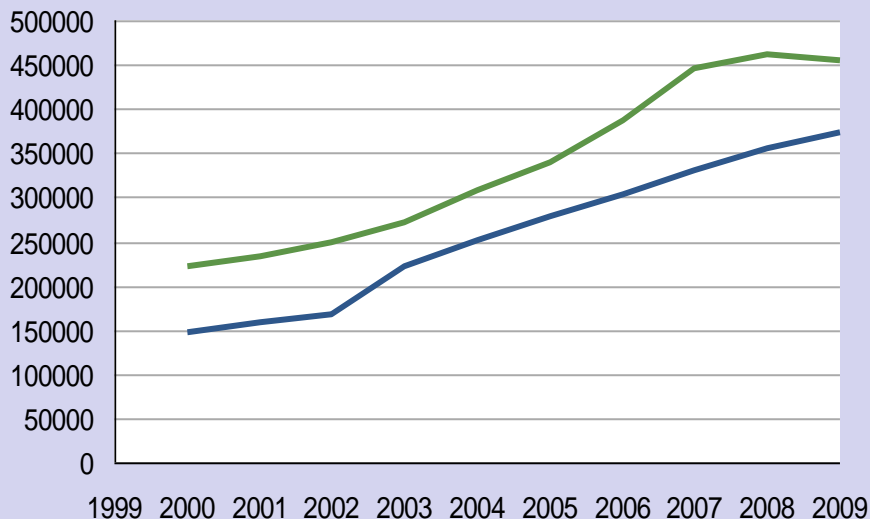
Strength of BC Market: rapid growth over past decade, both in terms of quality and quantity. But also 9 major **vulnerabilities** (see report on my website, www.sfu.ca/~ahira)

Market Pressure Vulnerabilities

- #1: Market Saturation report p. 26
- #2 Increasing Costs of Land and Inputs 27
- #3: Lack of Alternative Markets 29
- #4: Heavy reliance on Tourism 30
- #5: Reliance on Regulatory Protection 31
- #6 Difficulties in Learning How to Export 35

Demand for Imports Outpaces Demand for BC Wines

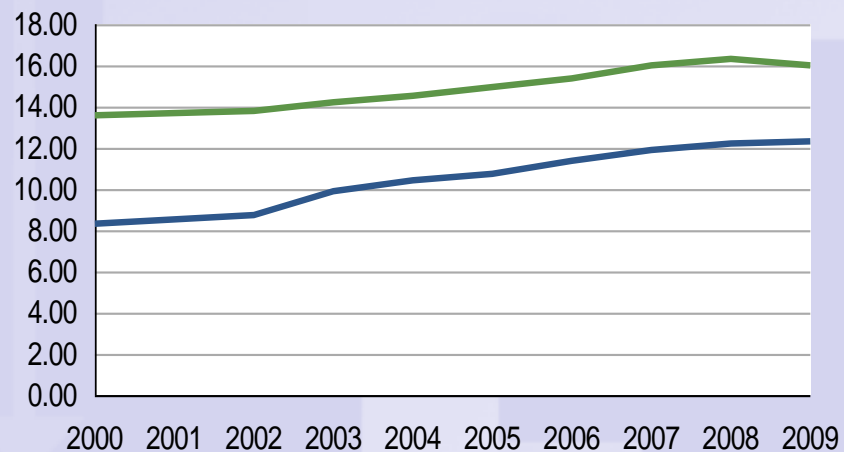
BC Imported and Domestic Demand



— BC Demand for Domestic Wines (\$000s)
 — BC Demand for Imported Wines (\$000s)

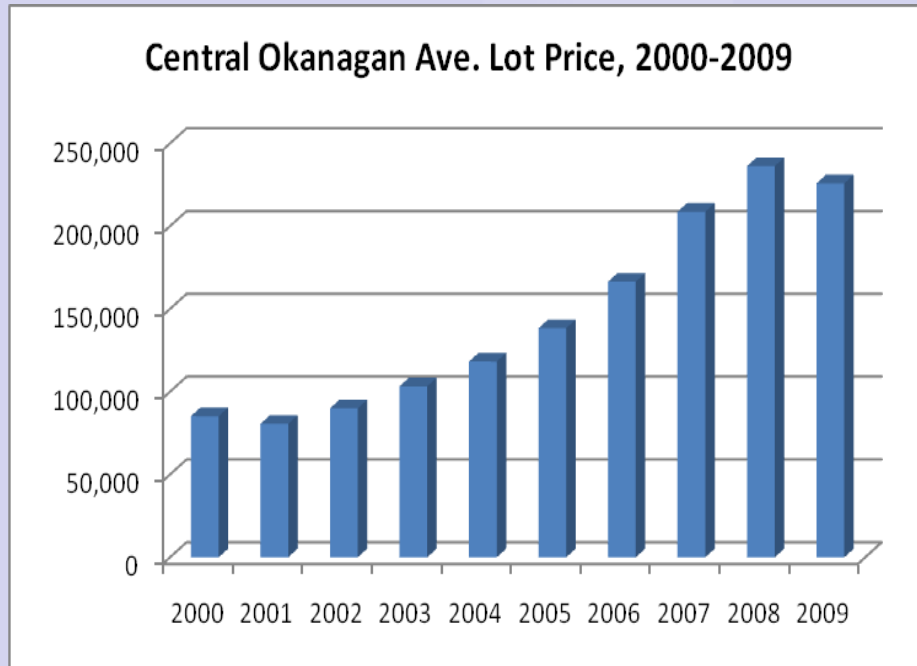
Imports Fetch Higher Prices

BC Average Price per Liter



— \$/L Domestic — \$/L Imported

Costs of Production are Increasing



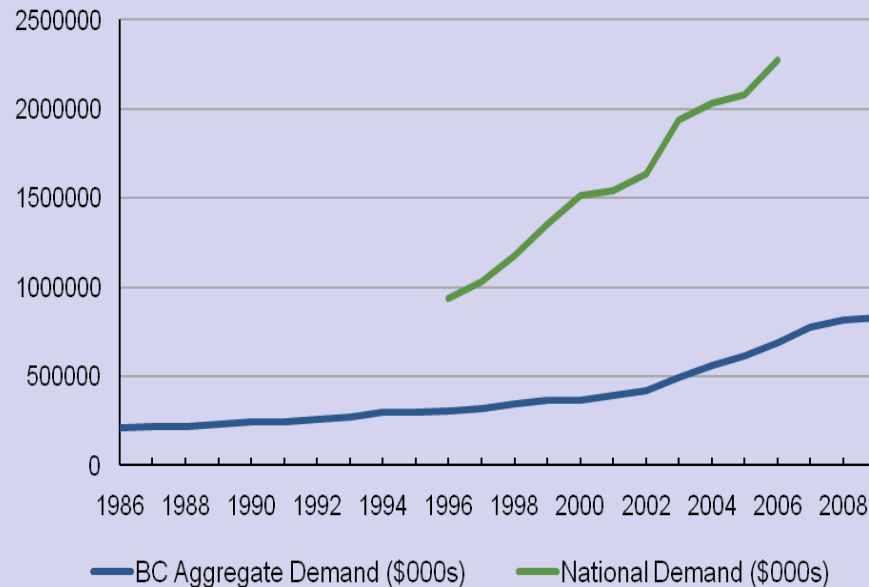
Geographic Spread of Wineries in the OV (& BC) Increases Over Time

Year	Lake Country	Kelowna	Summerland	Penticton	Ok Falls	Oliver	Osoyoos	Cawston	Total
1932-80	1	2	2		1	1			7
1980-89		3	2	1	2	2		1	11
1990-99		6	2	10	2	11		1	32
2000-10	3	11	8	23	4	12	4	9	74
									124

Will quality of grapes decline if more marginal lands are brought in?

No Alternative Markets

Table BC vs. National Demand



- Very few BC wineries export.
- Inter-provincial laws prevent the development of a domestic market.
- Advantages of BC regulations for BC producers mean they don't tend to look elsewhere.
- Many producers live almost exclusively off wine tourism.
- Result: Fierce competition within BC for a ltd. market, vulnerable to changes in regulations and recession.

U.S. wine makers see trouble fermenting in Ontario election

Rita Trichur **Globe and Mail Jul. 06, 2011 5:31AM EDT**

The San Francisco-based Wine Institute, an advocacy group that represents more than 1,000 California wineries and related businesses, said **it would file a complaint** under the North American free-trade agreement if the province were to open boutique stores that sell only Ontario wines. **(VQA stores)**

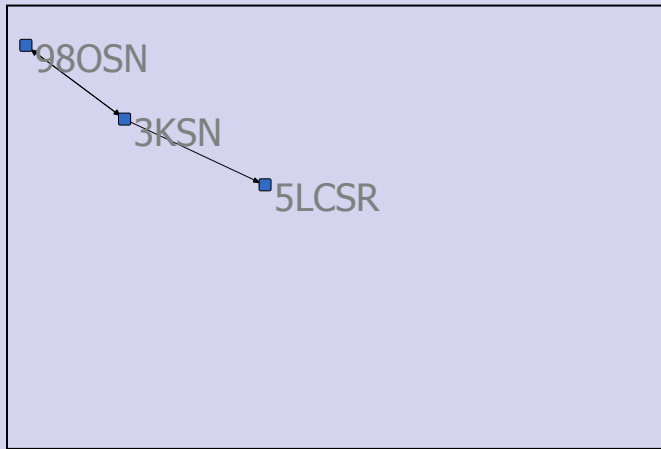
12.03.2010 British Columbia Winery Group Is
Foreclosed: Holman Lang properties will be auctioned
to satisfy creditors by Peter Mitham
Copyright © Wines & Vines

#7 Lack of Coordination

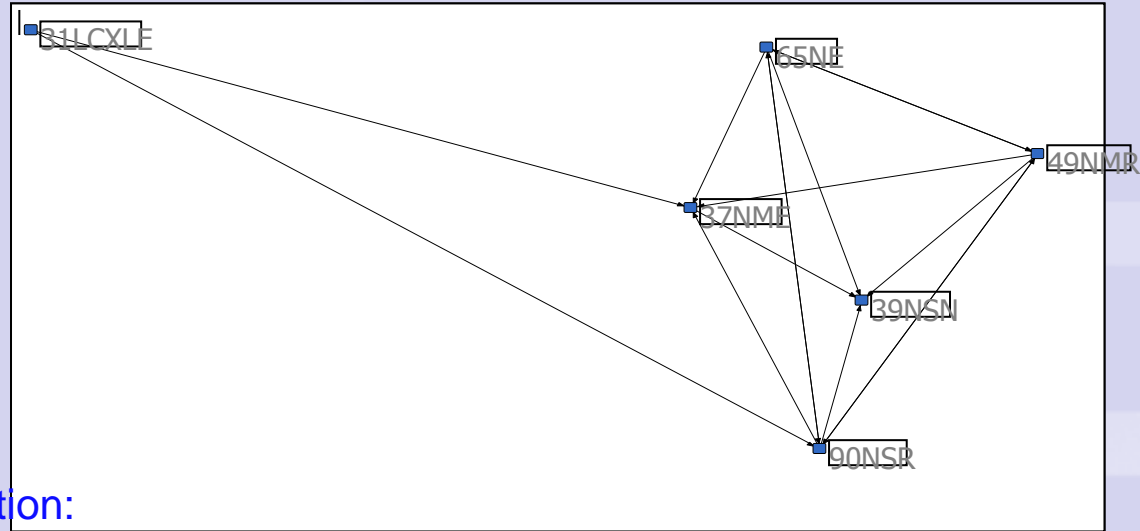
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#8- Poor Integration of Supply Chains 50

3KSN



37NME



Three Patterns to interfirm cooperation:

- 1- Large Kelowna: multiple ties to other large/estate wineries
- 2- Estate in Oliver/Naramata: multiple ties but only to neighbors
- 3- Other, regardless of size: isolated, few contacts

Very few local suppliers who make or employ equipment in BC. Lack of long-term coordination between wineries and grape suppliers.

05.14.2009 **B.C. Wineries Claim Discrimination**
Network of wine shops applies surcharge to non-
members of marketing association (BCWI) by Peter
Mitham

Protest Mounts Over "Cellared in Canada"
Wines

[Konrad Ejbich](#)

Wine Spectator

Posted: August 28, 2009

#9: Limited Training Opportunities and Lack of Research Dissemination 52

Importance of Institution

Ministry of Agric, Food, & Fisheries	1.9
PARC	2.8
Okanagan University-UBC	1.9
UBC Wine Research Centre	1.8
BC Wine and Grape Council	2.2
BC Grapegrowers Association	2.9
BC Wine Institute	3.5
BC Wine Authority	2.2
Association of BC winegrowers	2.2
Okanagan Wine Festival Society	3.4
Okanagan College	1.4

Sources of Innovation

Internal Company Sources	4.5
Suppliers of equipment, materials, components or software	3.7
Clients or customers	2.9
Joint research with Other BC Wineries - Marketing	2.3
Wineries outside of BC	2.3
Consultants	3.4
Conferences, trade fairs, exhibitions	3.5
Trade magazines or journals	3.7
Internet	3.8

5 point scale (1 = not important; 2= slightly; 3 = neutral; 4= somewhat; and 5= extremely)

Conclusion: Firms report limited support from local institutions. 8

Thanks!
**I welcome your comments and
discussion.**

