

MARKETING GRAPES IN ONTARIO, CANADA,
AND SOME LESSONS FROM THE ONTARIO EXPERIENCE

by

R. Brian How

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R. Brian How
Department of Agricultural Economics
Cornell University

In Ontario, Canada, the grower prices of all grapes sold for processing into wine or unfermented products are established by a Negotiating Committee of three grower and three processor representatives. If the Committee cannot reach agreement an Arbitration Board of three is established, one representing each interest and the third member chosen by the first two. All growers are licensed by and contribute to the support of the Ontario Grape Growers' Marketing Board, the grower organization that appoints the grower members of the Negotiating Committee. Wineries in Ontario are prohibited from importing grapes, grape juice, or concentrate for winemaking in Ontario, except under unusual circumstances. Apart from a few stores operated by Ontario wineries, all wine is sold in Ontario through the Ontario Liquor Commission which operates several hundred outlets and therefore determines what wines are sold at retail in the province.

The Ontario Grape Growers' Marketing Board derives its authority from the Ontario Farm Products Marketing Board, a government agency that administers the legislation under which Ontario marketing boards, for a large number of products, operate. The Grape Growers' Marketing Board has considerable authority to establish regulations governing the marketing of grapes for

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processing. The expenses of Board operation are met by a license fee charged each grower. The fee was recently raised from \$2.75 to \$4.00 per ton. The funds are used for promotion, crop surveys, and statistical analysis as well as office administration. The same staff also serves the Asparagus and Tender Fruit (peaches, cherries, plums, and prunes) Growers' Marketing Boards.

Canadian Grape Production

About 90 percent of all grapes in Canada are grown in Ontario, almost all on the south shore of Lake Ontario in the region known as the Niagara Peninsula. Industry and agriculture compete actively for the use of land in this area, and land suited for grape production is valued at \$3,000 per acre or more. The 1975 survey counted about 1,200 growers in this area with approximately 23,000 acres of grapes. Production in recent years has ranged from a high of 84,175 tons in 1971 to a low of 52,000 tons the following year, averaging 63,900 tons for the five year period 1969-73. Production in Ontario has increased by about one-third from 46,700 tons for the comparable period 10 years earlier.

Labor costs have increased rapidly in recent years. The minimum wage in Ontario in 1975 was \$2.40 per hour. Growers have shifted to mechanical harvesters, with about 40 operating in the area in 1975.

Concord and Niagara are the leading varieties, the former with about 38 percent and the latter 12 percent of the acreage bearing and non-bearing. Fredonia, Elvira, and Agawam are planted on just over one thousand acres each. There has been increased plantings of French hybrid and vinifera varieties in recent years. Almost 1 million vines were planted in 1973 on 1,500 acres, of which about half were French hybrid and vinifera varieties. Among the hybrids, the largest recent planting has been of S 9549. In 1974 purchases of French hybrids and vinifera varieties by Ontario processors amounted to almost 12,000 tons or 21 percent of total purchases.

British Columbia is the only other Canadian province for which commercial grape production is reported, and output there has increased even more rapidly than in Ontario. In 1959-63, British Columbia grape production averaged 1,500 tons per year, about three percent of the Canadian total, but increased to 7,300 tons in 1969-73, and may have reached 14,000 tons in 1975.

Grape Prices and Utilization

Utilization of the Ontario grape crop has not shown much change in recent years (Table 1). Of the 1974 crop of 69,200 tons, 46,200 was processed for wine, 10,200 tons for jams and juices, 3,900 tons exported to New York, and 7,200 sold fresh locally. The remainder was abandoned, in part because of the early freeze. Ontario wineries were permitted for one year to import concentrate for processing following the short crop in 1972.

Until recently average grape prices in Ontario have been about \$10 to \$20 per ton below those in New York, although in 1971 grape prices in Ontario increased from the previous year in contrast to New York where the large crop resulted in lower prices (Table 2). In 1974 the minimum price established by the Marketing Board for Concords, Fredonias, and similar varieties was \$196 per ton, compared to a final price reported by the New York Crop Reporting Service of \$213 per ton. Ontario 1974 prices for French hybrids ranged from \$288 to \$369 per ton, compared to New York prices estimated to average \$309. The Ontario Board establishes prices for 12 different classes of grapes.

This year, after going to arbitration, the 1975 price of Concords and Fredonias was reduced to \$191. Earlier negotiations had resulted in maintaining the Catawba price at \$252, and increasing the blue French hybrids (Class 5) from \$288 to \$317 per ton.

Wine sales

Sales of Ontario wine in Canada in 1970 and 1971 rose sharply over the previous year but by 1973 had levelled out, and then dropped substantially in 1974 to below the 1971 level (Table 3). From 1970 to 1974, the sales of imported wine in Ontario doubled. Although no grapes are grown commercially in Quebec, a sizeable volume of wine production has developed there based largely on imports of grape concentrate from Spain, Italy, and the United States. Canada also imports a large quantity of fresh grapes each year, one-third of which is used for home winemaking by families of different ethnic background mainly in Toronto and Montreal. In 1973 and 1974 about 130,000 tons of fresh grapes were imported, almost all from the United States.

With a crop of about 73,000 tons in 1975, Ontario grape growers faced problems in disposing of their production. Processors reduced purchases of certain varieties. The Province of Ontario agreed to provide guaranteed loans to enable the Ontario Grape Growers' Marketing Board to purchase surplus grapes, and will undertake the cost of storage of the processed product. The Marketing Board purchased about 12,000 tons or one-quarter of the quantity normally processed into wine. The crush has been completed and the processed product is in storage.

The Ontario government is also making loans available to growers who wish to convert part of their acreage from Labrusca varieties to French hybrids or vinifera varieties. Such loans will be for 10 years, free of interest or principle payment for the first five years. Further details on this program are not available at this time.

Lessons from Ontario experience

At first glance Ontario grape growers seem to be in a particularly favorable situation, and to have made the most of the opportunities offered by

Marketing Board legislation. The ban on Ontario wineries importing grapes, grape juice, or concentrate except in times of acute shortage, and the requirement that all imported wines to be sold through government liquor stores would seem to provide Ontario growers with a virtual monopoly. Compulsory bargaining could allow growers to exploit this monopoly position. Under these conditions one might expect the growers to face a particularly bright future. Such may not be the case.

The degree of monopoly enjoyed by Ontario grape growers appears to have been seriously reduced over the past 10 to 15 years. In this period grape production in British Columbia, mainly for wine, has increased almost 10 times and now equals about one-quarter the quantity used for wine in Ontario. Imports of wine into Canada have increased relative to production of wine in Ontario and now exceed Ontario wine sales. A substantial wine industry based on imported concentrate has been established in Quebec Province, and knowledgeable Ontario residents have shown such an interest in Quebec and imported wines that the Ontario Liquor Commission has had to increase its offerings of wine produced outside Ontario. Home winemaking has increased to the point where trade sources estimate that almost as many grapes are used for that purpose in Canada as are crushed for commercial wine production in Ontario.

Ontario wineries have not been able to expand production and sales in recent years at a time when the industry in other areas has been growing. Ontario growers have been lulled into false security through prices that have encouraged them to set out new vineyards. In 1975 the grape surplus that was crushed and stored at public expense amounted to about one-sixth of the Ontario crop or one-quarter of the quantity normally used for wine. The number of vines that will come into bearing in the next few years would indicate that unless sales of Ontario wine can be markedly increased the surplus will increase rather than diminish.

On the other hand, the Ontario Grape Marketing Order provides growers with a strong organization that will be able to provide considerable assistance in the difficult days ahead. The current assessment of \$4.00 per ton establishes a base from which to expand the excellent programs on vineyard surveys, crop estimation, market analysis, and promotion. The public program to assist growers to convert vineyards from Labrusca to French hybrid and vinifera varieties should help Ontario wineries compete more effectively. The adjustment process may be painful for Ontario growers, but some methods should be found to enable Ontario wineries to obtain juice or concentrate from outside Ontario on a continuing basis to broaden the lines offered. Otherwise Ontario wineries will continue to lose competitive position.

Not only in Ontario but worldwide an excess of wine grape production relative to market demands appears in prospect for the next few years. Wine consumption in North America has failed to increase in recent years after rising about 10 percent per year for several years. Favorable returns in the past encouraged growers to set out vineyards that will be coming into bearing over the next few years.

Sales of wine in Canada and the United States appear to be very sensitive to economic conditions, and will probably resume their upward trend when business activity returns to normal. For Ontario growers to benefit from this expansion Ontario wineries will have to be in a better position to compete for the Ontario and Canadian markets than they have been in the past.

Table 1: Ontario, Canada Grape Production and Use, 1970-74

	1970	1971	1972	1973	1974
	- tons -				
<u>Processed</u>					
Wine	42,445	57,919	39,514	45,718	46,184
Jams and juices	8,783	8,984	6,515	6,754	10,221
Home winemaking and distilling	<u>72</u>	<u>83</u>	<u>89</u>	<u>234</u>	<u>131</u>
Total	51,300	66,986	46,118	52,706	56,536
Export sales	6,775	1,153	443	835	3,914
Surplus	Nil	6,000	Nil	Nil	1,500*
Domestic and local sales	<u>5,156</u>	<u>10,036</u>	<u>5,580</u>	<u>6,117</u>	<u>7,248</u>
Total Production	63,231	84,175	52,141	59,658	69,198

*Includes production lost by frost damage.

Source: Ontario Grape Growers' Marketing Board, Annual Report, Year
Ending January 31, 1975.

Table 2: Prices Per Ton Paid for Selected Varieties of Grapes by Processors, Ontario, Canada^{1/} and New York^{2/}

Variety	1973		1974		1975	
	Ontario	New York	Ontario	New York	Ontario	New York
Concord	\$169	\$211	\$196	\$213	\$191	NA
Niagara	173	198	201	237	201	NA
Catawba	210	259	252	300	252	NA
Delaware	270	294	338	360	372	NA
Dutchess	270	335	338	430	372	NA

1/ Ontario, Canada minimum prices established by Ontario Grape Growers' Marketing Board.

2/ New York average prices paid growers by wineries and processing plants, New York Crop Reporting Service.

Table 3: Ontario and Imported Wine Sales in Canada, 1970-74

Year	Ontario Wine Sales in Canada	Imported Wine Sales in Ontario	Imports of Wine Into Canada
- thousand gallons -			
1970	8,407	1,920	6,951
1971	9,321	2,321	8,657
1972	9,694	2,896	9,086
1973	9,793	3,323	12,720
1974	9,141	3,837	12,046

Source: Ontario Grape Growers' Marketing Board, Annual Report, Year Ending January 31, 1975.