

# Dream Dare Do: Wines of Nova Scotia 5-Year Strategic Plan

## The Nova Scotia Wine Industry Today

Nova Scotia's Wine Industry has grown to nine wineries from one in 1980. Seven grape-based wineries and two, predominantly, fruit-based wineries registered sales of \$7.16 million in 2005<sup>1</sup>. The Farm Winery Policy (1986) has spurred the development of the industry to date by allowing farm wineries to sell wine directly to consumers from winery retail stores (WRS), farmers markets, and to restaurants and other licensees under a revenue sharing mark up allocation (RSMA). Farm wineries receive 95% of the gross margin on a bottle of wine and the NSLC, the corporation responsible for the sale of liquor in the province of Nova Scotia, receives 5%. Wineries also sell to the four private wine stores directly.

Wine grape production, driven by the establishment of farm wineries, has grown from 150 tonnes in 1996 to 706 tonnes in 2005. The farm value of grape production rose from \$124,000 in 1996 to \$745,000 in 2005. Over fifty table and wine grape growers were reported in nine Nova Scotia counties and twenty two growers provided grapes to the wine industry that year.<sup>2</sup>

The next chart shows that overall wine sales in Nova Scotia are strong and have been steadily rising since 2002/2003, fuelled by sales of imported wines. A total of 798,206 cases (71,839 hl) were purchased in Nova Scotia in the 2006/2007 period, representing a healthy 7 percent increase over the year before.

Sales of Imported wines grew to 493,451 cases (44,411 hl), a 10 percent increase in the latest period while Domestic wine sales posted a 3 percent increase to 304,755 cases (27,428 hl). Imported wines account for close to two thirds of all wine sales (62 percent) in Nova Scotia while Domestic wines represent 38 percent. The gap between Imported and Domestic wines continues to widen.

Nova Scotia wine sales of nearly 80,000 cases (7,187 hl) in 2006/2007 appear not to be keeping up with demand for wine, largely due to a lack of supply. Per capita consumption of wine in Nova Scotia is estimated at 9.8L and is forecast to grow to 13.5L by 2010<sup>3</sup>.

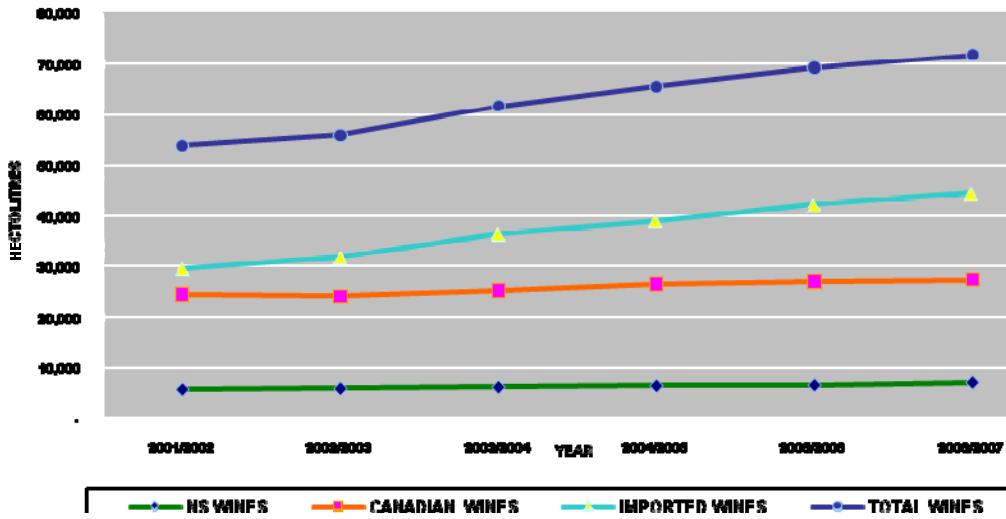
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<sup>1</sup> Economic Impact of the Nova Scotia Wine Industry. Jozsa Management and Economics, (December 2006). The Williamsdale Winery produces primarily blueberry wine and sales represent a fraction of total industry sales; its production was not included in the Economic Impact Study

<sup>2</sup>Ibid. page 9

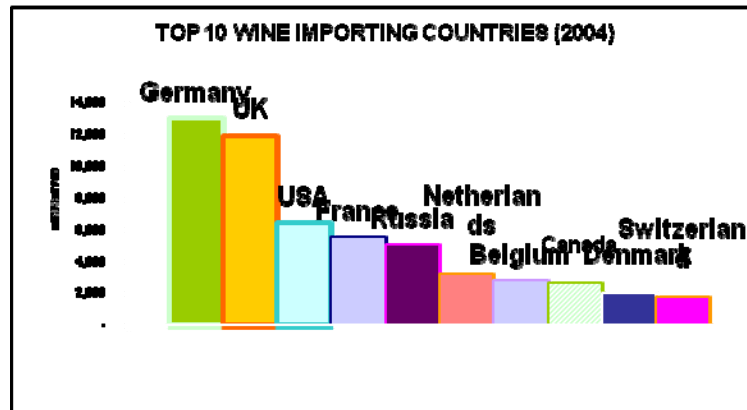
<sup>3</sup> NSLC Internal Document.

### WINE SALES (BY VOLUME) IN NOVA SCOTIA



Source: NSLC Internal Reports and NSLC 2005-2006 Annual Report

Clearly the local market is attractive and presents an opportunity for Nova Scotia producers as the demand for wine in Nova Scotia is expected to grow substantially over the next decade. Considering Canada is the world's 8<sup>th</sup> largest importer of wines,<sup>4</sup> producers need to address this imbalance. The competition is not so much other Canadian wines, or even other local producers, but rather, foreign producers of wines. (Please refer to Appendix E for more detail.)



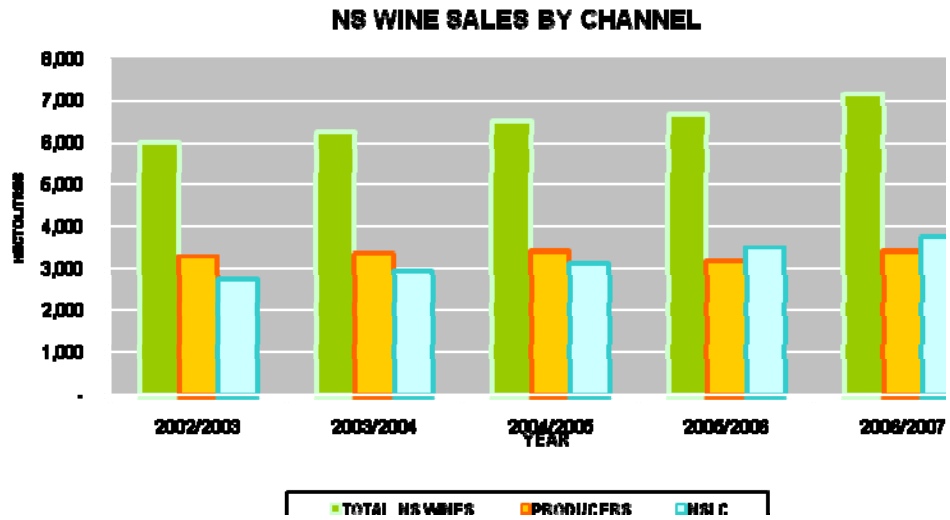
Source: International Organization of Vines and Wines -<http://www.oiv.int/uk/acueil/index.php>

#### Nova Scotia Wines

Nova Scotia wineries appear to have maximized their growth from their winery retail stores as there is little growth considering the number of wineries has not changed substantially over the last five years. In fact, the next chart demonstrates that growth has come primarily through the NSLC. Specifically, it shows that over

<sup>4</sup> Appendix D presents the top global importers and exporters by country.

the five year period, sales have grown but the gap between farm winery retail sales and NSLC has shifted to just over half of all sales of Nova Scotia wine coming from the NSLC.



*Source: NSLC Internal Reports*

Therefore, in order to grow, the industry needs to grow more wineries or more sales through the NSLC. Substantial growth will only occur when Nova Scotia wines reach a broader presence across the province.

## NOVA SCOTIA WINE INDUSTRY SALES

(Millions \$)	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
<b>Nova Scotia</b>						
All Wine Sales	<b>\$54.0</b>	<b>\$61.0</b>	<b>\$69.8</b>	<b>\$74.2</b>	<b>\$81.8</b>	<b>\$89.4</b>
% Change	-	+12.9	+14.5	+6.3	+10.3	+9.3
NS Producers	na	\$1.4	\$1.5	\$1.5	\$1.5	\$1.6
% Change			+6.7	+1.4	+1.3	+8.2
NSLC	na	\$2.5	\$2.6	\$3.6	\$4.1	\$4.5
% Change			+3.9	+36.0	+14.8	+9.9
NS Wine Sales	na	<b>\$3.9</b>	<b>\$4.1</b>	<b>\$5.1</b>	<b>\$5.6</b>	<b>\$6.1</b>
% Change			+8.2	+24.4	+9.8	+8.9
NSW Share (%)	-	6.4	6.1	6.7	7.2	6.9

*Source: NSLC (Figures reflect March 31<sup>st</sup> year end)*

A cluster of wineries is emerging in the Annapolis Valley as four wineries are within a fifteen minute drive of the Town of Wolfville and another four are slated to open within the next one to two years. Two wineries are also located along the South Shore, another in the Town of Bear River and an eighth winery is located on the Malagash Peninsula.<sup>5</sup>

Nova Scotia wineries collectively rose to the challenge of global competition by demonstrating a commitment to high quality by cooperating and collaborating on the development and adoption of the Nova Scotia Wine Standards (NSWS) and a symbol of origin and quality, 'Wines of Nova Scotia' in 2006. A marketing campaign was subsequently launched to begin building increased awareness and sales of the industry.

The Farm Winery Monitoring Committee<sup>6</sup> has championed the development of the industry on behalf of the provincial government. The original Farm Winery (1986) and Cottage Winery (1993) policies were merged and amended (April 2007) to incorporate the Nova Scotia Wine Standards, which are expected to be passed into law in 2008. Legislation also established the creation of a Farm Winery Industry Development Board which has the authority to ensure the overall monitoring of the economic objectives of this policy, as well as quality control of products and processes.

The NSLC has supported the development of the industry through merchandising initiatives and by commissioning an Economic Impact Study (2006) which is the industry's first gauge of its impact on the local economy. A summary of the key findings follows.

<sup>5</sup> Williamsdale Winery, located near Parrsboro, produces a small quantity of blueberry wine.

<sup>6</sup> Farm Winery Monitoring Committee includes representatives from the Nova Scotia Departments of Agriculture, the Office of Economic Development, Intergovernmental Affairs and the Nova Scotia Liquor Corporation (NSLC).