

**ONTARIO WINE**  
APPELLATION AUTHORITY



*Business Plan*  
**2022-2025**

## *1. Corporate Overview*

The *Vintners Quality Alliance Act, 1999* (VQA Act) was proclaimed on June 29, 2000. This date marked the beginning of a regulated appellation of origin system to govern the composition and labelling of the authentic wines of origin that Ontario has to offer.

The Ontario Wine Appellation Authority is an independent authority to which the Ontario Government has delegated the responsibility for administering the VQA Act and its regulations through an administrative agreement with the Minister of Government and Consumer Services.

The Appellation Authority is committed to ensuring label integrity for consumers and administering Ontario's wine appellation system in the public interest. Label integrity, standards for composition and rigorous verification and enforcement programs continue to protect consumers and support local appellations and the VQA brand as an internationally recognized symbol of origin and authenticity for Ontario wine. This both serves consumers and provides a strong foundation for the economic success of Ontario's wine industry.

In administering regulations -- particularly those that restrict the use of terms and descriptions linked with origin -- fairness and transparency are of utmost importance. The Appellation Authority pursues its regulatory mandate with care and with a commitment to an open and just process.

### *1.1 Mandate*

The VQA Act sets the framework for establishing standards for VQA wine and appellations of origin for wine growing regions. The Appellation Authority has the following operating objectives:

- To establish, monitor and enforce an appellation of origin system in accordance with the VQA Act that allows consumers to identify wines on the basis of the area where the grapes are grown, the methods used in making the wine and other quality standards;

- To control the use of specified terms, descriptions and designations associated with the VQA appellation system;
- To act as the wine authority under the VQA Act, and to participate in discussions with government and other stakeholders which relate to wine standards;
- To inform, educate and work with the grape and wine sector, governments, and the public to promote the value and benefits of VQA-approved wines.

## *1.2 Business context*

The Appellation Authority operates in a business climate that supports its continued success. Ontarians support local agriculture and authentic local wines. Knowledgeable wine consumers and industry stakeholders value the connection between appellation, quality, label integrity and the control of origin and production practices. This relationship translates into a valued role for the Appellation Authority.

Growing competition in the retail marketplace and consumer trends will heighten the importance of the VQA system to protect the integrity of appellation terms and sustain a fair and level playing field among wineries. Many other factors outside of the Appellation Authority's control impact VQA wine sales, including taxation, modernization of liquor regulations, trade challenges, consumer behavior and the impact of COVID-19 on hospitality and on-premise wine sales.

As a statutory organization entrusted with regulatory authority, the Appellation Authority administers the VQA Act with a view to serve the public interest, balancing the rights and needs of consumers with the obligations of participating wineries and the broader wine trade. The Authority is committed to a modern regulatory framework that ensures truth-in-labelling while promoting innovation and success within its regulated community. It seeks continuous improvement and efficiency in its regulatory operations to ensure standards and processes evolve as necessary to maintain value and relevance for all stakeholders.

### *1.3 Partnerships*

The Appellation Authority has important partners that support a successful regulatory model.

**CONSUMERS** – The Appellation Authority is a publicly accountable organization. It protects wine consumers by verifying claims of origin and ensuring label claims are meaningful and truthful with respect to the wine in the bottle. It prevents the use of misleading label claims. The Appellation Authority ensures stated quality, origin and compositional standards are met.

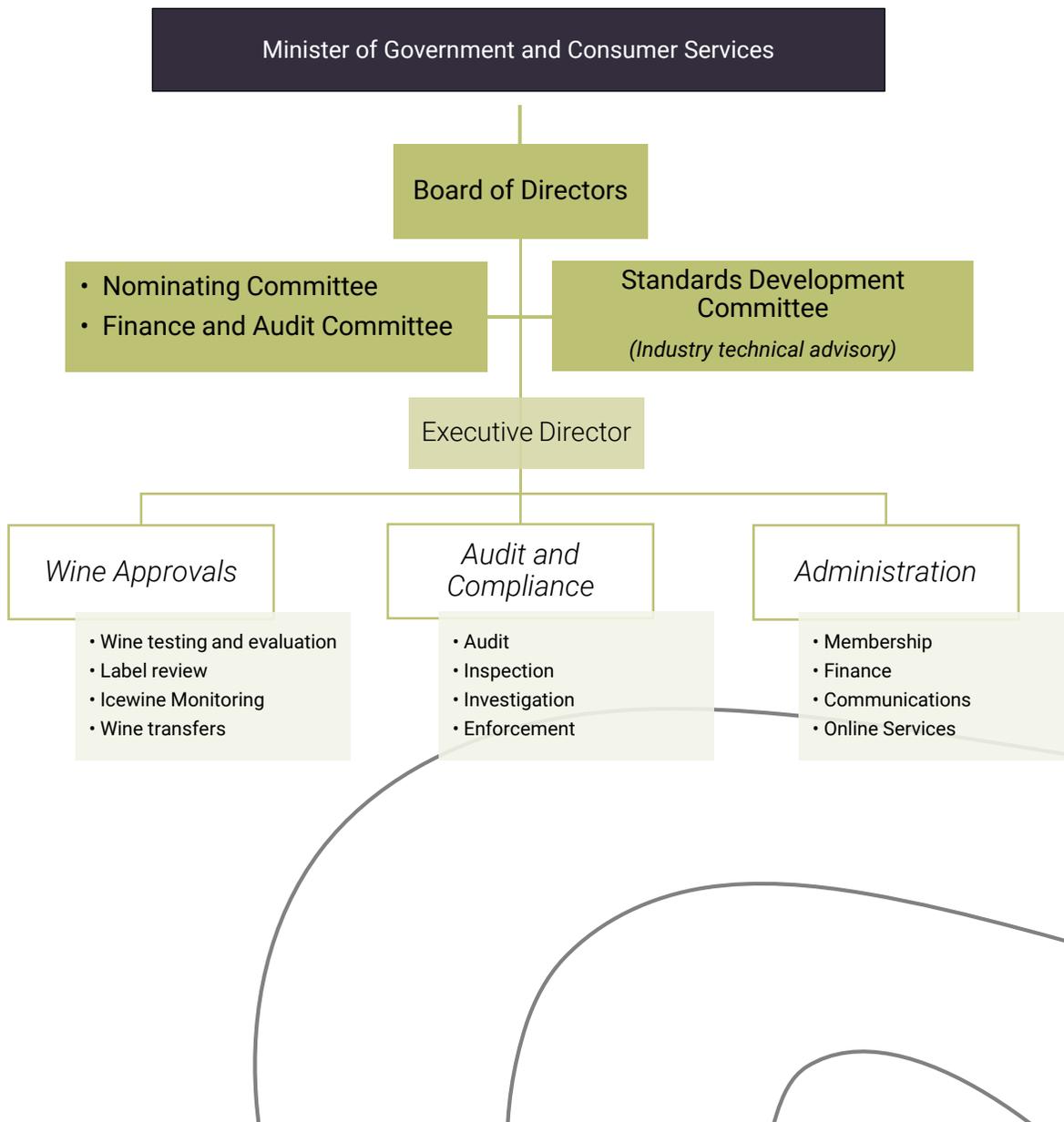
**INDUSTRY** – The Appellation Authority works closely with industry stakeholders, including its regulated wineries, grape growers and other stakeholders, to ensure VQA rules and regulations are relevant and appropriate, and support a fair and competitive marketplace. The Appellation Authority also promotes improved awareness and understanding of Ontario VQA wines, the appellation system and its value to both consumers and industry.

**GOVERNMENT** – As an administrative authority working under statutory delegation from the Minister of Government and Consumer Services, the Appellation Authority works with government to achieve its goals consistent with the VQA Act. The Appellation Authority maintains strong communications with the Ministry and works with other Ministries and Agencies involved in the wine sector. The Appellation Authority leverages the expertise of the Liquor Control Board of Ontario (LCBO), relying on its professional services for wine analysis. The Appellation Authority also participates in national and international trade discussions related to wine standards to promote global recognition and acceptance of Ontario's VQA appellation system.

### *1.4 Corporate structure*

The Appellation Authority operates with a small permanent staff. The governance structure reflects the principles of self-management, with three quarters of the Board of Directors elected from the regulated community. Also represented on the Board of

Directors are the Ontario Government, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association. Members of the Board of Directors as at December 31, 2021 are listed in Appendix A. Three standing committees have been established to assist the board with its mandate: Nominating Committee, Finance and Audit Committee and Standards Development Committee. Other committees operate on an ad-hoc basis.



## *2. Business Planning*

### *2.1 Strategic plan*

The Appellation Authority guides its business through a 5-year strategic plan.

The Appellation Authority undertook a major strategic review in 2018, including formal consultations with its member wineries and industry stakeholder groups. The consultation provided a number of important insights that continue to guide the organization.

Participants in the VQA program are very satisfied with the integrity and positive influence on consumers that VQA provides in support of their businesses. Regulation protects consumers by assuring product authenticity and supports wineries with added consumer confidence.

Consultations supported a focus on maintaining the strong reputation of the VQA appellation system while allowing the regulations and administrative framework to continue to evolve. The VQA system and the Authority will remain relevant by keeping pace with innovation in the sector and being inclusive of new regions, varieties and styles.

Consumer research shows high levels of awareness of VQA and its basic assurance of origin and quality. Consumer trust in VQA wines remains high but further opportunity exists to increase consumer understanding of individual wine regions, the scope of the wine testing and certification, and the role of the Authority.

## 2.2 *Vision, Mission and Values*

VISION

Consumers will use Ontario’s VQA appellations as their guide to identifying authentic wines of origin and quality.

MISSION

Provide a strong foundation for consumer confidence by enforcing relevant standards that recognize Ontario’s regions and styles. Communicate the value of a credible appellation system.

VALUES

Integrity and Fairness	Transparency and Access	Firmness and Responsibility	Accountability	Effectiveness
The Appellation Authority will carry out its statutory authority with transparency and fairness, upholding high ethical standards.	The Appellation Authority will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will promote the value and benefits of the appellation system and VQA wines.	The Appellation Authority will discharge its regulatory responsibilities firmly and fairly and ensure VQA terms, descriptions and designations are not misused.	The Appellation Authority will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.	The Appellation Authority will operate in an effective and cost-efficient manner and will provide a high level of service, without unnecessary regulatory burden.

### 3. *Goals, Activities and Performance Measures*

Business planning flows from the goals and objectives developed from the Strategic Plan.





ACTIVITIES

Progressive and inclusive regulation of the appellation system	Increased awareness and understanding of Ontario wines, wine appellations and the Authority's role	Efficient and effective corporate governance and operations
<p>Completion of updated Administrative Agreement with Ministry of Government and Consumer Services</p>	<p>Complete re-branding and new website</p> <p>Launch VQA education modules aimed at winery staff</p>	<p>Maintain a framework to promote Board renewal considering a balance of skill sets, diversity and inclusion</p>
<p>Regulatory review of new grape variety Pecorino and Brix amendment for Semillon</p>	<p>Expand and enhance multi-level seminars delivered through colleges and hospitality training institutions</p>	<p>Regular review of risk and risk mitigation</p>
<p>Assess regulatory responses to new varietals, regions and production techniques to support consumer confidence while not restricting innovation or creating unwarranted burden or barriers to entry</p>	<p>Launch "VQA certificate" to be awarded upon program completion through the Authority or designated education providers</p>	<p>Update succession planning for senior leadership positions in the organization</p>
<p>Complete transition to fully integrate inspections with new winery audit delivery, including updated risk matrix and case management protocols</p>	<p>Develop new metrics to measure awareness, knowledge of appellations and confidence in the VQA appellation system</p>	<p>Continue IT enhancements to integrate web-based member services, enterprise management and financial services systems</p>
<p>Reinstate outreach programs suspended during COVID including coaching for compliance, winemaker forums and tutorials for wineries</p>		<p>Enterprise-wide update of organizational policies to reflect new programs and services</p>
<p>Maintain efficient wine testing and label approval services</p>		<p>Assess long term impact of COVID-19 measures on the delivery of core regulatory functions, identify positive changes on a permanent basis</p>
<p>Review performance metrics to ensure focus on compliance outcomes, focusing on truth in labelling, authenticity and consumer trust</p>		<p>Continue to deliver cost-effective and client-responsive services</p> <p>Maintain reserve funds that will appropriately meet the needs of the organization</p>



PERFORMANCE MEASURES

Measure	Target	Measure	Target	Measure	Target
Retail Inspection	>75% of VQA wineries annually	Enhance communications with VQA member wineries and industry	>10 newsletters Resume winemaker forums	Service standards	<24 hour response turn around
Compliance Review	>50% of VQA wineries annually	Increase knowledge of appellations and confidence in the VQA appellation system	Launch new website >200 students reached with appellation seminars	Senior staff turnover	<5%
Full Audit	>25% of VQA wineries annually	Certification course	Launch online certificate program	Succession planning	In place and up to date for senior leadership
Compliance	>95% wines observed in retail inspections compliant  >90% reviews, audits, inspections completed with no findings			Online services	>96% availability
Compliance Coaching	>30 contacts			Operational capacity	Tasting panels at full capacity, including internal appeals (public health dependent)
Wine Approvals	>98% applications completed  >95% applications processed within 21 days of sample receipt			<b>Financial reserve</b>	>75% core operation expenses
Chemical Analysis	>95% chemical analysis completed within 15 days  >98% pass rate				
Sensory Analysis	>95% sensory analysis completed within 10 days  >96% pass rate				

## *4. Resourcing*

The Appellation Authority is self-funded by winery fees and fee-for-service revenues. A reserve fund is maintained to mitigate against identified risks and unanticipated circumstances. The Authority maintains a highly cost-efficient structure and has overseen a reduction of membership fees by 75% over its history, making the program more affordable and accessible for small wineries. The suspension of all discretionary operations due to COVID risk management resulted in a budget surplus for fiscal 2021 and allowed membership fees due April 2021 to be waived entirely to alleviate financial stress among participating wineries. Membership fees will be reinstated at previous levels in April 2022.

COVID continues to impact the regulated industry and growth is flat. Winery participation the VQA program is expected to remain stable in the medium term, however sales performance is unpredictable and not within the control of the Appellation Authority. No fee increases are included in the forecast, but revenue performance and the fee structure will be reviewed annually.

A three-year financial plan is outlined in Appendix B, including revenue sources and projected operating expenses.

The Appellation Authority maintains a restricted reserve of \$200,000 for legal contingencies and additional reserves to manage risk and ensure ongoing financial stability. As at March 31, 2022, the total level of reserves is projected to be \$1,100,000.

## *Appendix A*

### **BOARD OF DIRECTORS**

March 31, 2022

#### *Officers*

**Brian Schmidt**

*Vineland Estates Winery  
President and Chair, Ontario Wine Appellation Authority*

**Dan Sullivan**

*Rosehall Run Estate Winery  
Vice-Chair, Ontario Wine Appellation Authority*

**Derek Cartlidge**

*Colio Estate Wines  
Treasurer, Ontario Wine Appellation Authority*

**Louise Engel**

*Featherstone Estate Winery  
Secretary, Ontario Wine Appellation Authority*

#### *Directors - elected*

**Greg Berti**

*Andrew Peller Ltd*

**Amelie Boury**

*Chateau des Charmes*

**Paul Kassebaum**

*Arterra Wines*

**Nadia Senchuk**

*Leaning Post Wines*

**Paul Speck**

*Henry of Pelham Family Estate Winery*

#### *Directors - appointed*

**Tony Elenis**

*Ontario Restaurant, Hotel and Motel Association*

**Mary Shenstone**

*Ontario Government*

**Kevin Watson**

*Grape Growers of Ontario*

**Ken Douglas**

*Thirteenth Street Winery  
Past Chair, Ontario Wine Appellation Authority*

## *Staff organization*

Laurie Macdonald, Executive Director

Katherina Radcliffe, Director, Wine Standards and Communications

Peter Harris, Director, Audit and Compliance (Designated Inspector)

Susan Piovesan, Compliance Officer/IT Systems Administrator (Designated Inspector)

Tricia Ramnath, Wine Testing Coordinator, Administrative Assistant

Stan Loree, Accountant

Dan Keere, Investigator (Designated Inspector/Investigator)

## *Appendix B*

### FINANCIAL PROJECTIONS TO MARCH 31, 2025

	ESTIMATED FY2022	FORECAST FY2023	FORECAST FY2024	FORECAST FY2025
Membership fees	0	95000	96000	98000
Sales levy fees	961000	988000	1020000	1060000
Approval fees	688000	720000	730000	740000
Other income	21000	20000	24000	28000
<b>Total Revenue</b>	<b>1,670,000</b>	<b>1,823,000</b>	<b>1,870,000</b>	<b>1,926,000</b>
Salaries & benefits	718000	758000	790000	810000
Contracted services	15000	15000	20000	20000
Meeting expenses	4500	16000	16000	16000
Strategic planning	0	40000	0	0
Wine approval costs	561000	611000	615000	620000
Inspection/quality assurance	6300	10000	15000	15000
Office and general	61000	65000	62000	62000
Export/national affairs	0	0	2000	2000
Travel	6000	26000	8000	8000
Rent & occupancy	60500	62000	61000	64000
Information technology	22000	25000	23000	23000
Professional services	51000	50000	55000	55000



	ESTIMATED FY2022	FORECAST FY2023	FORECAST FY2024	FORECAST FY2025
Education and communications	245000	200000	200000	200000
Amortization	25000	25000	25000	25000
<b>Total Expense</b>	<b>1,775,300</b>	<b>1,903,000</b>	<b>1,892,000</b>	<b>1,920,000</b>
<b>Net revenue over expense</b>	<b>-104,800</b>	<b>-80,000</b>	<b>-22,000</b>	<b>6,000</b>

**NOTES**

1. The figures provided for FY 2022 are estimated. Audited statements will be available in July 2022. Significant uncertainty exists related to future VQA wine sales that could impact revenue projections.
2. Membership fees waived for FY 2022 to support sector pandemic recovery
3. Wine approval volumes are projected to be stable. An 11% increase in LCBO laboratory fees implemented in November 2021 is reflected in wine approval revenue and expenses.
4. Sales levy revenue projection assumes 2.4% VQA sales growth in FY 2023 and 3% annual growth thereafter.
5. Staff costs increase in FY 2023 reflects staff absences in FY 2022, and first full year of staff required to implement in-house sensory testing and audit programs.
6. Expenses related to meetings and travel less than anticipated as a result of public health measures and will be resumed in FY 2023.
7. Reserves collected during COVID offset 2022 and planned 2023 and 2024 operating deficits, reserve levels returning normal at the end of this forecast period.