

British Columbia booms amid
a world wine surplus

Wineries in British Columbia in 1984 -- 13

- Andrés
- Brights
- Calona
- Casabello
- Beaupré
- Jordan & Ste-Michelle
- Mission Hill
- Okanagan Vineyards
- Claremont Estate Wines
- Divino Estate Wines
- Gray Monk
- Sumac Ridge
- Uniacke

Wineries in B.C. in 1994 open or under development

- There were 37
- Three failed and one of those (A&H Vineyards) is gone entirely
- Fifteen are under different ownership

Wineries in 1994

- A&H Vineyards
- Andrés
- Bella Vista
- Blue Grouse
- Blue Mountain
- Brights
- Calona
- CedarCreek
- Chateau Ste. Claire
- Chateau Wolff
- Cherry Point
- Crowsnest
- Divino
- Domaine Combret
- Domaine de Chaberton
- Alderlea
- Gehringer
- Gray Monk
- Hillside
- House of Rose
- Kettle Valley
- Lang
- LeComte
- Nichol
- Okanagan Vineyards
- Poplar Grove
- Prpich
- Quails' Gate
- St. Hubertus
- Scherzinger
- Sumac Ridge
- Summerhill
- Tinhorn Creek
- Venturi-Schulze
- Vigneti Zanatta
- Wild Goose

Wineries in BC in 2006

open or under development

- At January 12, the LDB had issued 122 licenses for wineries with retail outlets.
- Several wineries, such as Sandhill and Joie, have sold through other licenses.
- 27 wineries have applications pending
- Grand total: 150, plus or minus, with more under development.

Sales of BC VQA Wines

- 1991/92: \$ 6,846,183
- 1995/96: \$ 31,321,592
- 2000/01: \$ 57,638,464
- 2004/05: \$112,365,839

Source: BCWI

Average price per 750 ml bottle

- 1991/92: \$ 6.86
- 1995/96: \$11.54
- 2000/01: \$14.41
- 2004/05: \$15.13

Source: BCWI

The bottom line

- Sales of BC wines have risen each and every year since 1991, when VQA was established. The rate of growth remains strong. In 2004/05, for example, the increase was 22% over the previous year.
- It is not just that VQA brought credibility. The planting of vinifera and the vastly improved winemaking are a large part of the credibility driving growth.
- British Columbia consumers generally are proud of their wines and are eager to try the wines from new wineries.
- Total wine sales are growing well.

Total wine sales in B.C. liquor stores

- 2000/01: \$367,312,000
- 2004/05: \$498,198,000

Source: LDB annual report

Best-selling VQA wines in 2004/05

- Mission Hill Five Vineyards Cabernet Merlot: \$1,495,000
- Burrowing Owl Merlot: \$1,248,000
- Sumac Ridge Private Reserve Gewürztraminer: \$1,187,000
- Burrowing Owl Pinot Gris: \$1,117,000
- Tinhorn Creek Merlot: \$1,067,000

Source: Liquor Distribution Branch annual report

Best-selling wine brands in BC 2004/05

- [yellow tail] Shiraz: \$9,552,000
- Wolf Blass Yellow Label Cab Sauv: \$5,286,000
- Jackson-Triggs Proprietors Selection Merlot: \$4,772,000
- Domaine D'Or: \$4,739,000
- Mission Ridge Premium Dry: \$4,126,000
- Sawmill Creek Barrel Select: \$4,098,000
- Sawmill Creek Barrel Select Merlot: \$3,601,000
- Lindemans Bin 65 Chardonnay: \$3,597,000
- Schloss Laderheim: \$3,392,000

Source: LDB annual

World Vineyard Acreage 2001

Country	Acreage (000)	% change from 1997-2000 average
Spain	3,052	+3.85
France	2,258	-0.05
Italy	2,244	+0.18
United States	971	+9.66
China	888	+57.96
Portugal	613	-3.41
Romania	610	-1.94
Argentina	506	-1.13
Chile	440	+17.10
Australia	366	+31.56
Moldova	381	-2.39
Total	19,586	+1.99

World wine consumption 2001

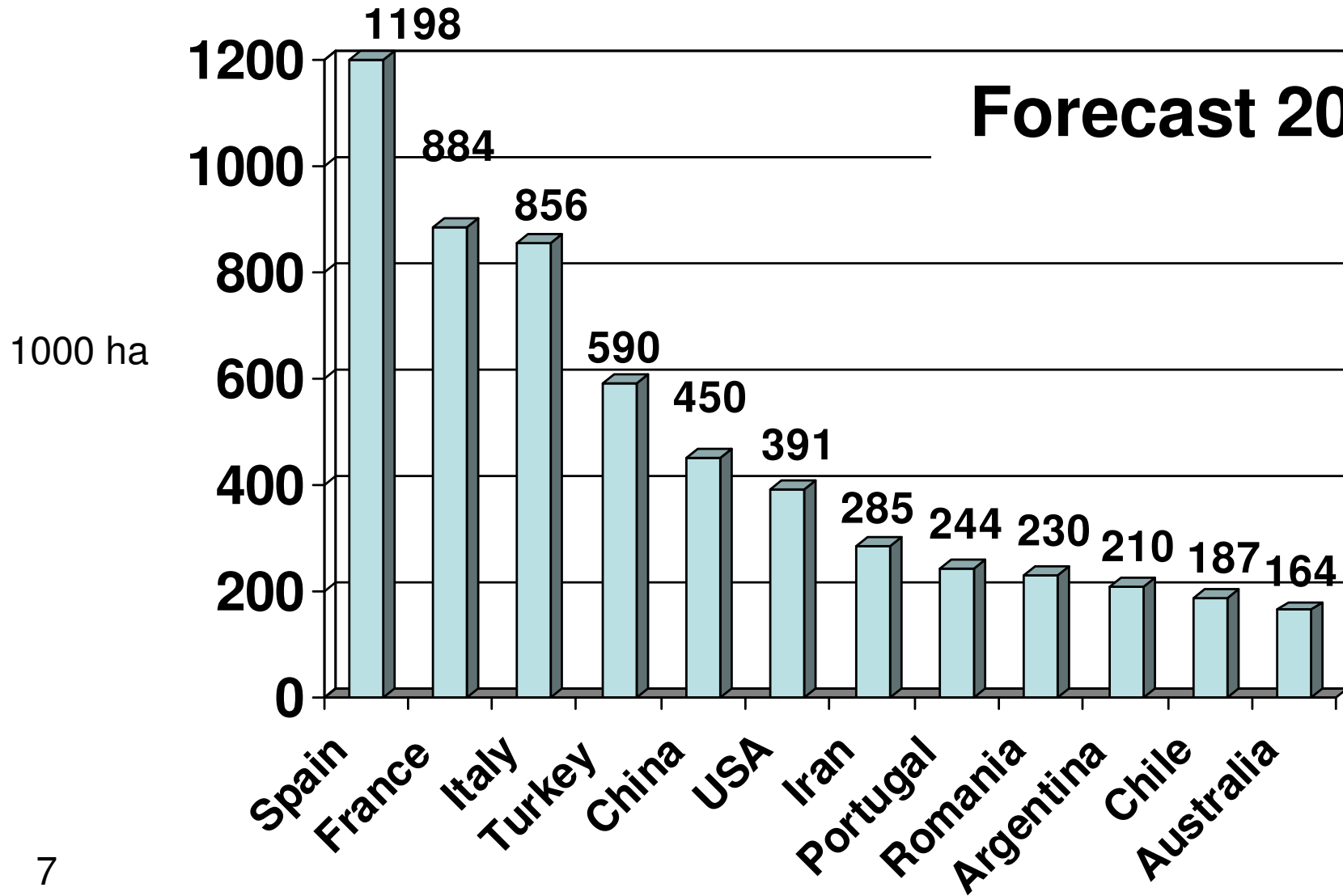
Hectoliters 000

Country	Consumption	% change vs 1997-2000
France	33,916	-4.26
Italy	30,500	-2.45
United States	24,166	+9.63
Germany	20,044	+2.99
Spain	13,827	-4.11
Argentina	12,036	-5.84
China	10,952	+52.88
U.K.	10,100	+18.96
Russia	5,000	-1.47
Romania	4,705	-11.88
Portugal	4,697	-5.72
Australia	3,976	+7.89
South Africa	3,972	+0.89
Total	227,850	+2.04

Surface area of vineyards worldwide

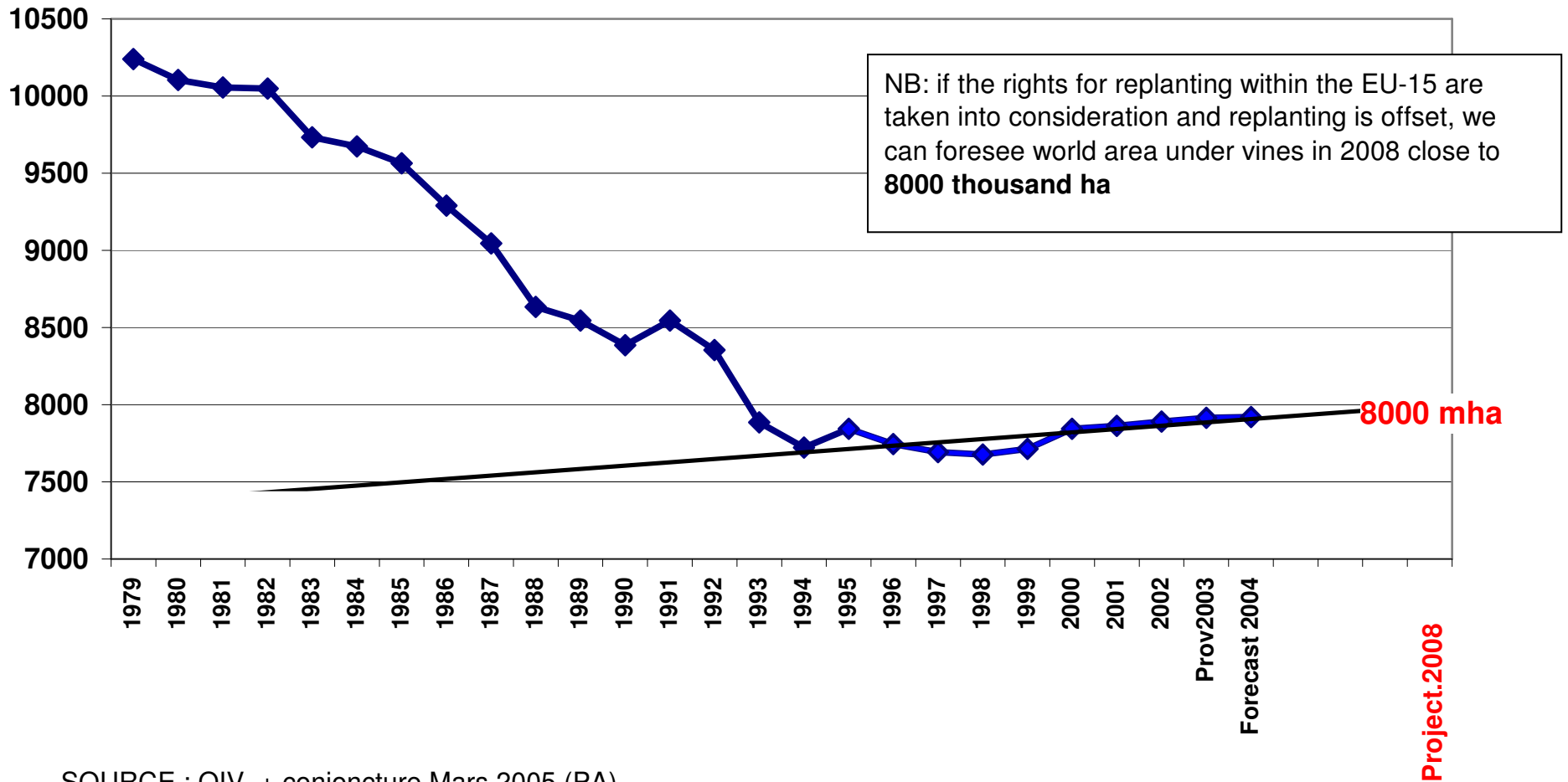
Areas planted in vines of the 12 leading countries

Forecast 2004



Surface area of vineyards worldwide

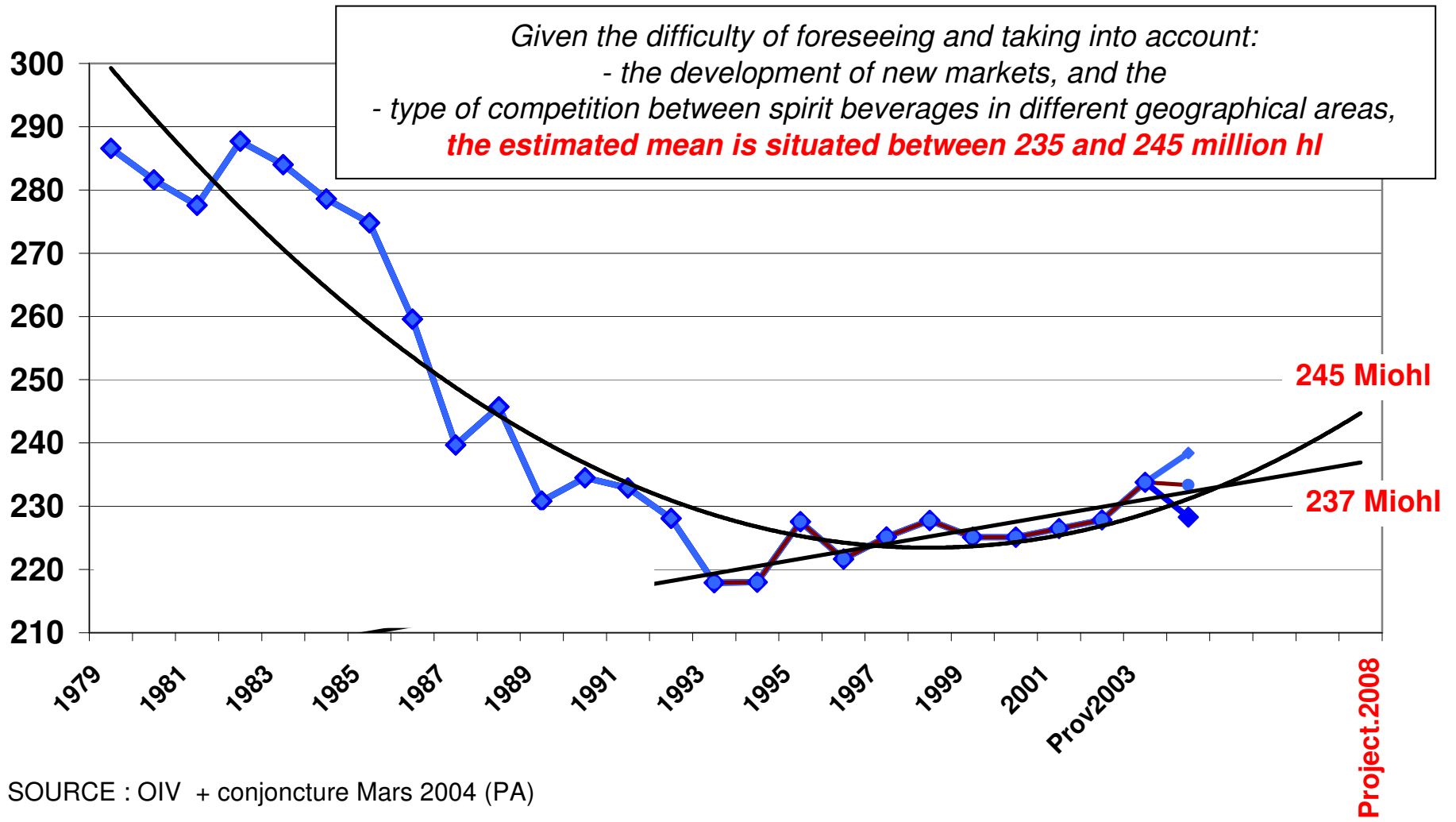
Total surface area of vineyards worldwide



SOURCE : OIV + conjuncture Mars 2005 (PA)

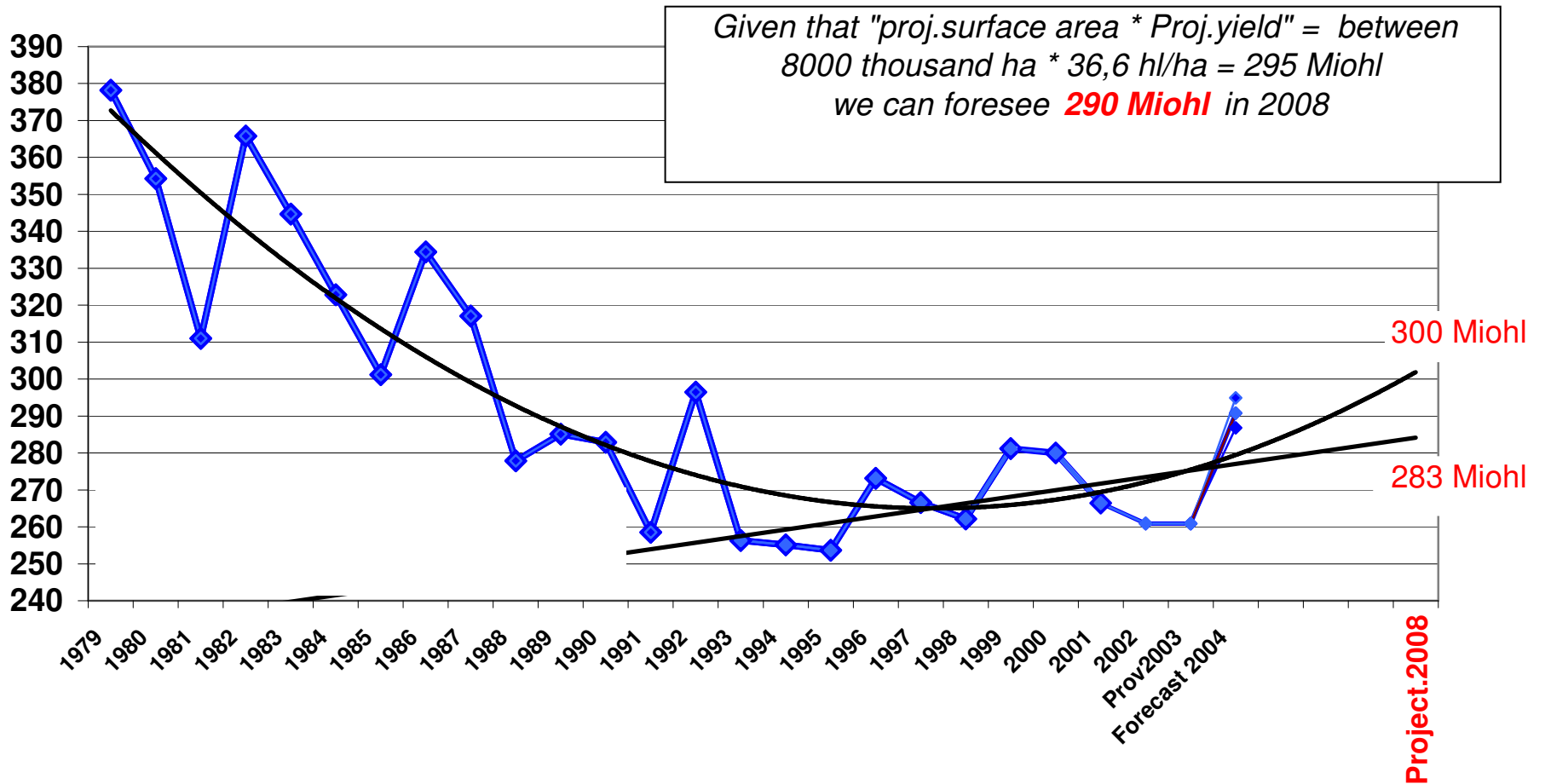
Global wine consumption

Evolution of wine consumption



Global wine production

Evolution of wine production



SOURCE : OIV + conjoncture Mars 2005 (PA)

McGauran to address wine grape glut

- The South Australian Opposition says a glut of wine grapes in the state has resulted in more than one billion litres of unused vintage in storage
- January 5, 2006
- Grape growers call for summit amid glut crisis – ABC
January 25, 2006
- “Grape growers in three states are demanding the Federal Government hold an urgent summit to solve a looming crisis in the industry.”

Desperate measures

- Plan to run cars on chardonnay
By Amanda Gearing
27jan06
- The Courier-Mail

LEADED or unleaded petrol could be laced with ethanol produced from excess chardonnay or pinot noir, according to Granite Belt wine grower Angelo Puglisi.

A worldwide glut of wine is forcing prices down and Australian grape growers need alternative markets such as distilleries producing greenhouse-friendly fuel, he says.

Australian Wine Will Get Cheaper

- Bottles of wine presently retailing at around AUS\$20 will fall by AUS\$5, while bottles costing AUS\$15 will be cut to just AUS\$10, he told the newspaper.

– David Lowe, president, New South Wales Wine Industry Association, January 17, 2006

Overplanting in the 1990s caused a long-term glut in Australia

- In November, Lawrie Stanford, the Australian Wine and Brandy Corporation's information and analysis manager, warned that the country's glut could last for another five years as export growth slows. Stanford said that grape supply could continue to outstrip demand until 2010.

Bizarre French protests

- Manure piled up against wine broker's office
January 17, 2006
- CIVB bricked up by winemakers
December 8, 2005
- 12/12/2005- Militant French winemakers are planning to increase attacks across southern France over the next few months as the government's grip on the wine crisis appears to weaken.

Americans also worry about a surplus

- On the heels of a record 2005 California wine grape harvest, an Australian wine glut, high inventories of unsold French wine and big harvests in Chile and Argentina, the nail-biting has just begun for the Golden State's growers and vintners. – from the Sacramento Bee, January 26, 2006

But Americans are drinking more wine

- U.S. wine drinking has climbed steadily the last 15 years and jumped dramatically in recent years. Last year's consumption of 300 million cases was 59 million cases higher than 2001.
- Wine sales are rising amid baby boomer drinking preferences, a middle generation beginning to switch from beer to wine and a baby boom echo generation that already prefers wine, said Barbara Insel, managing director of St. Helena-based MKF Research LLC. Men, especially, are leading the trend, she said.

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Source: industry conference in January 2006 in Sacramento

Where this leaves us

- Surpluses should mean abundant volumes of inexpensive wine. Most B.C. wineries don't have the economies of scale to compete at the bottom end.
- Most know that. Competent producers target the \$15 to \$40 market. That's a healthy market ... and that is why the new wineries continue to open.

Averill Creek's Andy Johnston

– One of the rising Alberta presence



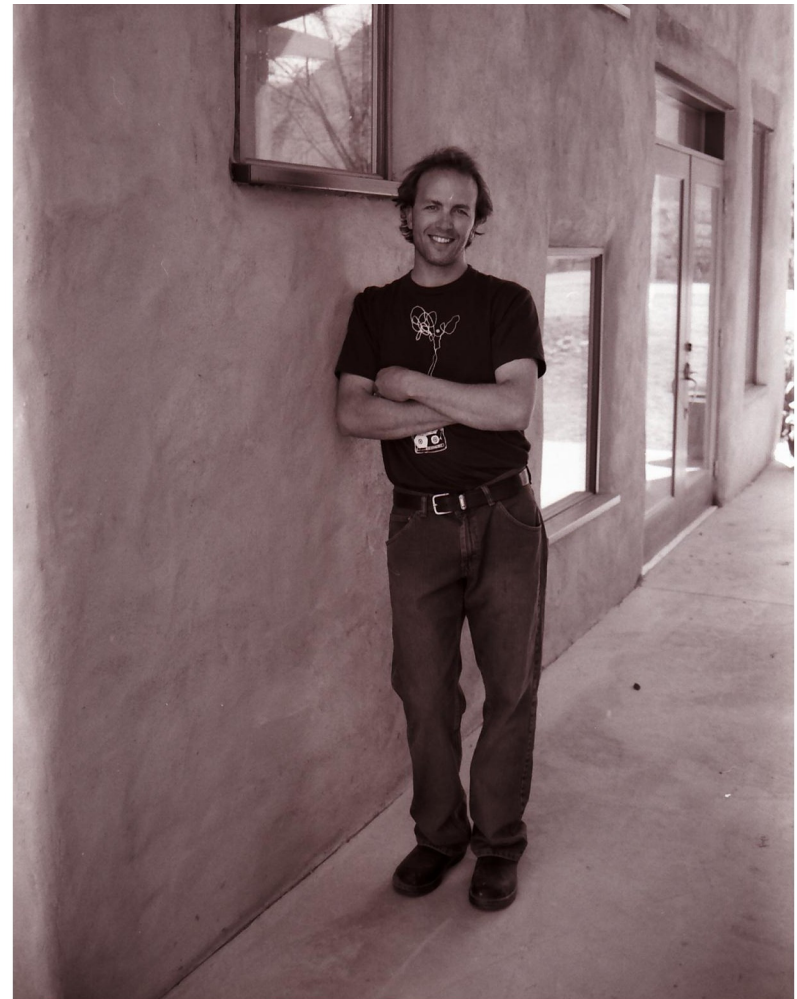
Wineries now run by Albertans

- Averill Creek
- Bounty Cellars
- First Estate Cellars
- Golden Beaver (formerly Gersighel)
- Hillside Estate Winery
- Lake Breeze Vineyards
- Larch Hills
- Noble Ridge
- Stag's Hollow Winery
- Therapy Vineyards
- Tinhorn Creek Vineyards
- Twisted Tree Estate Winery

And Saskatchewan

– John Weber:
Orofino Vineyards

– Township 7



Consolidation

- Andrés Wines Ltd. (Peller Estates) in 2005 purchased Calona Vineyards, Sandhill Wines and Red Rooster Winery
- Holman Farms, which started Spiller Estates fruit winery, opened Mistral Vineyards in 2005 and bought Benchland (now Stonehill) and Lang Vineyards in 2005
- Vincor operates Jackson-Triggs, Hawthorne Mountain, Inniskillin Okanagan, Nk'Mip Cellars, Sumac Ridge, Osoyoos Larose