PRE-BUDGET CONSULTATIONS

Ministry of Finance, and the Standing Committee on Finance and Economic Affairs of the Legislative Assembly of Ontario

ONTARIO CRAFT CIDER ASSOCIATION

The Ontario Craft Cider Association are pleased to be a part of the on-going discussions about alcohol reform and modernization with the Ontario Government. In order for the Craft Cider industry to thrive within Ontario we require a fair and equal taxation model implemented in this fiscal year.

Our goal is to ensure that part of the expanded opportunity the Government is encouraging will allow local craft cider brewers to reach their growth potential without the restrictive taxation structures imposed on the cider category compared to our craft beer counterparts. Craft cider will be unable to compete equally in the retail marketplace unless the taxation issue is resolved. We're governed by wine regulations, but we do not enjoy benefits of craft wine programs, such as MEP and favorable licensee remittances.

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Craft Cider has grown excessively in popularity over the past few years within all categories of consumers across the province. Recent 2019 statistics from the LCBO show that:

Total Retail Cider Sales (LCBO and Groceries) were $77.5 million year-to-date ending December 31st, down -1% versus the year before. Ontario Craft Cider sales were $15.5 million during the same time frame and up 14%. The share of local craft cider has grown from 17% to 20%.

As an independent association with over 50 members in Ontario, the Ontario Craft Cider Association is committed to working with the government to arrive at a long-term solution to the financial imbalances that occur for cider as part of the craft beverage alcoholic sector in Ontario.

KEY MESSAGE

In order for the Craft Cider industry to thrive within Ontario, we would require the creation and implementation of a fair and equal taxation model, similar to that of Ontario Craft Beer.

Although we compete in the same consumer market as Ontario craft beer [i.e. price point, consumer preference and packaging (cans)], we're disadvantaged by a taxation model that is drastically higher.

It puts us at a much lower margin structure due to the pricing nature of craft cider and craft beer that is dictated by the market.

The LCBO mark up for an Ontario Craft Cider is close to **60.6%**, whereas Ontario Craft Beer is roughly **30.6%**.

For on premise transactions, Ontario Craft Cider remits **44.7%** to the government of Ontario, whereas Ontario Craft Beer remits only **15.7%.**

Since the introduction of the Small Cideries and Small Distilleries program in 2015/16, there has been an uptake in the growth of local craft cideries because the industry had some government financial support for three years. Most cider producers felt this was the pre-amble to rolling out a taxation structure suited to cider. However, the initial funding for the program was based on incorrect numbers from LCBO, which had created an up-front deficit in the program as there were more cideries to supplement, thus resulting in less than 100% support.

As the program ended, the payments were roughly only 75% of the gap. This deficit has resulted in cider producers being wary of the future of craft cider. The growth the industry experienced between 2016-2019 was a direct result of that government support. Without it, the majority of small cideries will not be able to sustain their production, nor invest in their growth.

A recent survey conducted by the OCCA to our members, revealed that if a taxation model is not implemented in this fiscal year 75% of our members would freeze hiring, stop growth and expansion, and have a major effect on marketing efforts to the cideries.

Late in 2019, one of our largest producers decided to sell their cidery because they could not manage the uncertainty within the industry. The new owners will be not be producing cider.

In order to secure the future of Ontario Craft Cider as an alcoholic beverage option, the Ontario government needs to implement a taxation structure in Budget 2020, similar to that of Ontario Craft Beer so that the playing field is inclusive and accessible to all.

OCCA has a commitment to use 100% Ontario apples. Traditional Ontario apple varieties, due to their acidic levels, make a great base for Ontario Craft Cider and allows for the creation of a long-term, symbiotic economic partnership between apple growers and cider producers. The future growth of the local craft cider industry impacts both small business, tourism, economic development in rural Ontario and the Ontario apple market.

We encourage the provincial government to be mindful of the impact that delaying addressing the taxation issue will have on the craft cider sector in Ontario.

Thank you for your time and attention to the budgetary concerns of our industry.

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