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Economic Impact Study for the Ontario Hard Cider Industry

Final Report

Prepared for:
Ontario Apple Growers and Ontario Craft Cider Association

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Agriculture and
Agri-Food Canada

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Executive Summary

The Ontario Apple Growers (OAG) and the Ontario Craft Cider Association (OCCA) engaged the George Morris Centre to conduct an economic impact study and develop a strategic road map for the hard cider industry in Ontario. The purpose of this project is to provide the Ontario craft cider industry with economic and market analysis that will enable them to make informed decisions on future strategic directions for the industry.

The overview of the industry's structure, market trends and current status is discussed in Section 2. A SWOT analysis is outlined in Section 3 and an Economic Impact analysis is presented in Section 4. A "road map" recommendation is discussed in Section 5 with the overall report summarized in Section 6.

The study indicates that in general, this is "a good time" to be in cider industry. Cider consumption is growing globally and domestically. The consumption of hard apple cider in Ontario is on the rise, as well, and the growth to date creates a significant opportunity for Ontario craft cider makers and entrepreneurs to expand their presence in the marketplace.

This industry has a solid and stable supply of good quality Ontario apples for their cider production. Introduction of more traditional cider varieties is feasible. In addition, the "local food" movement and increased interest in agricultural tourism work in favor of the cider industry.

The cider industry in Ontario is young with tremendous potential to grow. However, this industry is vulnerable to product competition from big corporations that can easily outperform the smaller businesses in terms of price and volume of the product. Thus, it is crucial that this industry defines their product in a distinct way to develop a niche product. The lack of clear definition of "Ontario Craft Cider" would allow anyone producing small volumes of cider in Ontario to call their product "Ontario Craft Cider", regardless of the source of inputs and/or the quality of the product.

Another issue is the way cideries are licensed in Ontario. Cider producers are licensed as wineries. At the same time, they are not necessarily regulated as wineries. For example, Ontario wineries are eligible for the VQA program, which allows them to receive a rebate from their sales. Cider producers, on the other hand, are not eligible to receive this benefit because the program requires that VQA wine is made from grapes. In addition, craft brewers receive a rebate of about 30% as well. Cider producers, however, are not eligible for this benefit either, because they are not licensed as breweries. Thus for the time being, the regulations, which allow for breaks to craft brewers and VQA wine producers do not apply to cider producers, and the full mark-up must be paid to LCBO (i.e., 56% of the sale price) without a rebate.

While the craft cider industry has been expanding, additional investment in infrastructure for Ontario craft ciders would allow cideries to increase their output as well as employment in rural Ontario. An example of this can be seen in the craft brewing sector where government programs helped small breweries to upgrade facilities and increase production and employment.

The Ontario craft cider industry is now at a very important point in its development. It needs to take measured, strategic steps in partnership with apple growers and the provincial government. These strategic decisions will help it to achieve its full growth potential and to generate its full contribution to the provincial economy.

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1. Introduction

The consumption of hard apple cider in Canada is on the rise¹. The growth to date, which is primarily due to imported product (Section 2.2), creates a significant opportunity for Ontario craft cider makers and entrepreneurs to expand their presence in the marketplace.

It is estimated that 269,837 tonnes of apples were produced in Canada in 2012. This was down from 390,000 tonnes in 2011, due to frost affecting Ontario orchards. The farm gate value of Canada's 2012 production was \$167 million. Ontario is the largest apple producing province, with 15,650 cultivated acres as well as the highest farm gate value (e.g., \$65 million dollars in 2011). Due to the abnormal drought-affected growing conditions in 2012, farm gate value was only \$34 million. About two thirds of Canada's apples are sold as fresh apples, and the rest is processed (e.g., pressing for juices and ciders, peeling and slicing for the canning and/or baking industries).

The Ontario Apple Growers (OAG) and the Ontario Craft Cider Association (OCCA) engaged the George Morris Centre to conduct an economic impact study and develop a strategic "road map" for the hard cider industry in Ontario. The purpose of this project is to provide the Ontario craft cider industry with economic and market analysis that will enable them to make informed decisions on future strategic directions for the industry.

The overview of the industry's structure, market trends and current status will be discussed in Section 2. A SWOT analysis will be outlined in Section 3 and followed by an Economic Impact analysis in Section 4 and a "road map" recommendation in Section 5. The overall report will be summarized in Section 6.

2. Industry Overview

The craft cider industry in Ontario faces some unique challenges and opportunities that need to be explored, including linkages within the supply chain, market trends and the current status of the Ontario craft cider industry. This section of the report examines the components and workings of the Ontario supply chain. It also describes the trends and market developments in the industry. The purpose is to provide background information and insights for the SWOT analysis and the strategic directions.

2.1 Supply Chain

The information in this section is formed primarily from discussions with stakeholders and cideries in the Ontario Craft Cider Industry. A simple schematic representation of the supply chain for craft cider, shown in Figure 1, was generated based on the information provided by stakeholders.

¹ Cider Market Trends, OMAFRA 2012,
http://www.ofvc.ca/SessionDownloads/Wednesday/Apple%20Cider/W_ACider_1030_Ilnyckyj.pdf

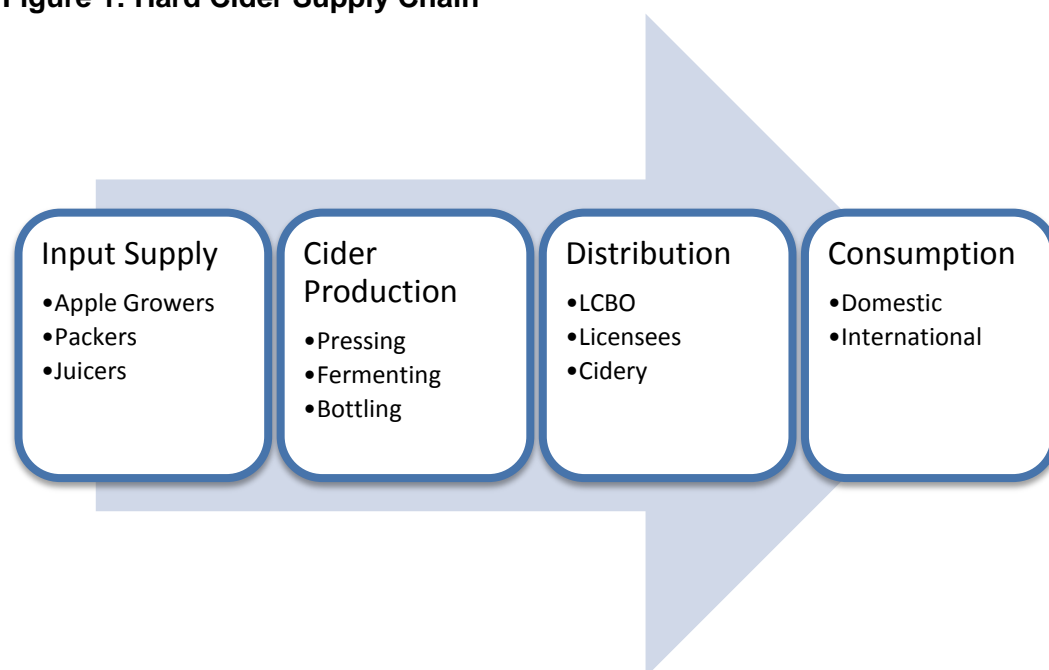
Cider, as defined by the OCCA, is a fermented alcoholic beverage made from fruit juice, traditionally apple or pear juice, but can also be flavoured with the juice of other fruit like peaches. Ciders can be classified from dry to sweet. Their appearance ranges from cloudy with sediment to completely clear, and their colour ranges from light yellow through orange to brown. In Ontario, cider usually has 5-7% alcohol content. Ontario cider is most often produced from an assortment of apple varieties specific to North America such as the McIntosh, Ida Red, Spy, Gala, Paula Red, and Russet. There has also been growing interest in traditional tart or acidic cider apples, which were replaced over the past decades with sweeter varieties for eating.

A cidery is the facility or business entity that produces the hard cider. Its functions can include purchasing apples or apple juice, fermenting, and bottling or packaging. Cideries may or may not grow the apples and retail the product but the basic function is the fermentation of the product. The official OCCA definitions of both Ontario Craft Cider and an Ontario Craft Cidery are contained in Appendix 1.

For the purpose of this paper, an Ontario craft cider is defined as being produced by an Ontario-based cidery that utilizes Ontario grown apples. Ontario craft cider may also be considered to be produced in relatively small volumes compared to the mass produced domestically or internationally based ciders that utilize concentrated raw product from around the world.

The Ontario industry supply chain ranges from apple production in orchards through to domestic retail and international export. Individual business structure, such as the degree of vertical integration, varies from company to company. Some companies in Ontario have elements of the entire supply chain within their business model while others may only ferment and bottle. However, most producers use some external services, in particular the distribution services of the Liquor Control Board of Ontario (LCBO) in order to get their product to consumers.

Figure 1: Hard Cider Supply Chain



2.1.1 Input Supply

Production of cider is similar to wine production with apples rather than grapes as the stock. Estimates of supply chain integration for the cider industry vary. Most Ontario craft cider producers are also involved in apple growing. Most cider producers, however, are not self-sufficient in terms of apple production (i.e., volume, type of apples) and are required to buy apples from outside sources. Many Ontario cider producers will source supply from Ontario apple growers. Even though imported apples can be used in cider production, by choice, Ontario craft cider producers only use Ontario apples. Some cider producers may source bulk fresh juice from processors such as Golden Town Apple Products, based in Thornbury, Ontario. Use of concentrate in cider production is a possibility; however, Ontario craft cider producers tend to avoid this in order to maintain quality and ensure the Ontario origin of the apple. The lack of clear definition of “Ontario Craft Cider” means that while most producers will use 100% fresh apples from Ontario in cider production, anyone producing small volumes of cider in Ontario, regardless of the source of inputs may also have the right to call their product “Ontario Craft Cider”.

Apple variety and types used in cider varies from cidery to cidery. It is estimated that most cider is produced from handpicked apples that are not utilized for the fresh market (i.e., grade outs). Prices for grade outs are negotiated between the grower/packer and the cidery on an *ad hoc* or spot market basis. In 2012-2013 the estimated cost of these apples is between 9-15 cents per pound. Sometimes, lower quality apples (i.e., ground apples) can be used for cider production and the price of these apples is between 5-9 cents per pound. However, these apples tend to be avoided by most Ontario craft cider producers for quality reasons. For more information on apple varieties commonly grown in Ontario see Appendix 2.

Generally from year to year there have been no significant issues with availability of apples for cider production. Apples are mostly purchased and pressed in the fall shortly after harvest, with apple prices being the lowest in October and November when supply is the highest. In a normal year, apples will be put into short term storage at harvest and will be available for purchase. Some growers, graders and packers have climate controlled storage which allows apples to be procured throughout the year. However, it is noted that quality tends to deteriorate through the year so the vast majority of the pressing is done in the fall.

Many Ontario Craft Cider producers depend on varieties that are preferable for fresh consumption, thus Canadian cider tends to be sweeter than ciders produced elsewhere in the world, which tend to have a bitter taste (Vines Magazine). Traditional cider apple varieties tend to be more acidic, and preferable for blending. On the whole, Ontario apple producers are moving towards sweeter apple varieties for fresh consumption, however some regions of Ontario are better suited to growing acidic varieties, like those preferred in cider production.

2.1.2 Processing

As noted, cideries use a number of apple varieties for cider production, depending on the taste profile that they are looking for in their cider product. Many cideries blend varieties to provide a more unique drinking experience than using a single variety. Blending is done on site at the cidery rather than at the presser.

Cideries will either press their own or contract out apple pressing to produce juice, depending on plant and equipment. It is noted that there are not many companies involved in apple pressing in Ontario. Pressing costs approximately 20 cents per litre and it takes about three pounds of apples to produce one litre of juice. After pressing, tankers of juice are sent to cideries for fermentation. Transportation costs are estimated to be about 10 cents per litre. The overall cost of raw product is between 20-25% of the final product price.

Cider production takes about six weeks between fermentation, racking and filtering. Fermentation can be separated based on taste such as sweet, sharp and bitter-sweet. These can then be blended to provide consistency. Ontario cideries assert that there are four main considerations in the production of “good” cider:

- Alcohol content from sugars;
- Acidity
- Flavor of apples for blending
- Tannins from the apples

The Ontario Craft Cider Association is currently working on setting standards similar to the VQA standards that are used for wine. This would provide consumers with an indication of quality and provide a quality assurance standard for the industry.

Ontario’s craft cideries are not homogenous in terms of both the volumes of cider produced and the level of integration within the supply chain. For example, some cideries are handling everything from apple production to distribution themselves, while others are involved only in the production process and contract out other services. Most cideries contract out their bottling as they do not own their own equipment. Cider is often packaged similar to beer, and as such bottling services are often contracted out to breweries. However, facilities that handle cider must be licensed as wineries. This licensing requirement decreases the number of breweries who can handle cider bottling. Great Lakes Brewery in Etobicoke is an example of a brewery that has a winery license.

2.1.3 Distributors

The finished product is shipped to the LCBO as well as licensed bars and restaurants, or sold in on site stores at the cidery. In order to access the LCBO cider producers take their product to the LCBO for testing. If it is accepted then cideries are required to provide volume forecasts. From there the product is often initially distributed to 100 of the 640 LCBO locations. Cideries are able to deliver their product to the LCBO distribution centres in Whitby, Ottawa and London, or deliver it directly to the stores that are selling their product. In order to get product into other locations the cidery is required to negotiate shelf space with the individual outlet.

Sales directly to licensed bars and restaurants are still considered LCBO sales and are subject to the LCBO regulations and fees. Cideries are able to have their own retail outlets provided they have five acres of orchards and that the apples used in production are from Ontario. Sales from these outlets are not subject to LCBO fees.

As noted above, the OCCA is currently working on standards similar to VQA. VQA and Craft brewers receive a rebate of about 30%, whereas cider producers are not currently eligible to receive this. Cider producers are licensed as wineries. Hence, they cannot get a mark-up break that applies to craft beer. On the other hand, even though legislated as wineries, cider

producers cannot benefit from the VQA program because this program requires that the wine is made from grapes. Thus for the time being, the regulations which allow for breaks to craft brewers and VQA wine producers do not apply to cider producers, and the full mark-up must be paid to LCBO (i.e., 56% of the sale price) without a rebate. As a final note with regard to the supply chain, it is important to recognize that the craft cider firms are participants in local, regional and provincial agriculture, processing, farm gate sales and agri-tourism. This presence along the chain and the “local” presence will play a role in the industry’s developmental potential as explored later in this report.

2.2. Market Trends

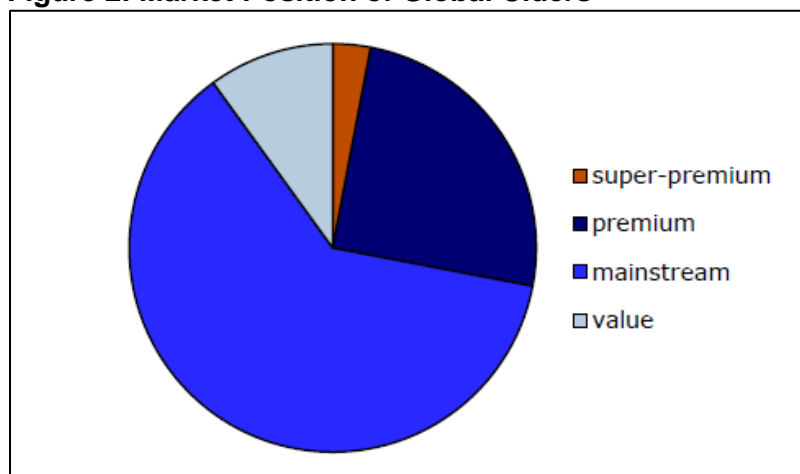
Any examination of industry strategy must be based on the existing trends within the industry. This section begins with a brief description of the industry globally and trends within the cider market. Production, consumption and trade data provide a background against which a strategy for the Ontario Craft Cider Association can be developed.

2.2.1 Market Description and Marketing Perspectives

The global cider industry is separated into several subsectors by many alcohol beverage industry analysts (Figure 2). Craft cider producers, who sell primarily in premium and super premium categories also face competition from mass produced brands who sell in the mainstream and value sectors (Sonnerville, 2013). There is no industry definition of mass produced cider but examples would include North American breweries such as Molson and Labatt Keith’s, as well as Seagrams which have recently entered the cider market. They also face competition from well-established imported mass produced ciders such as Strongbow and Somersby. For the purposes of this research, these and similar brands make up the “massed produced” segment.

In the global cider market, the mass produced brands, also called “mainstream,” have the largest market share, while premium brands are the second largest category. The super-premium and value brands only make up a small part of the market. Value brands are comprised of mass produced brands, which are not hand crafted.

Figure 2: Market Position of Global Ciders



Source: Austria Juice (2012), in Sonnerville (2013)

Cideries in the mass produced market generally use a marketing plan similar to that of craft beers (Johnson, 2011). These strategies, when applied to the Ontario market, would include seeking shelf space in the LCBO and marketing their products in smaller bottles or cans. In addition, price would be similar to the craft beer as well as selling in 6 packs. Johnson (2011) suggests that this similarity to beers may cause cider to be overlooked by consumers at retail locations. In contrast, value ciders tend to find cost advantage by reducing packaging costs even further (Sonnerville, 2013).

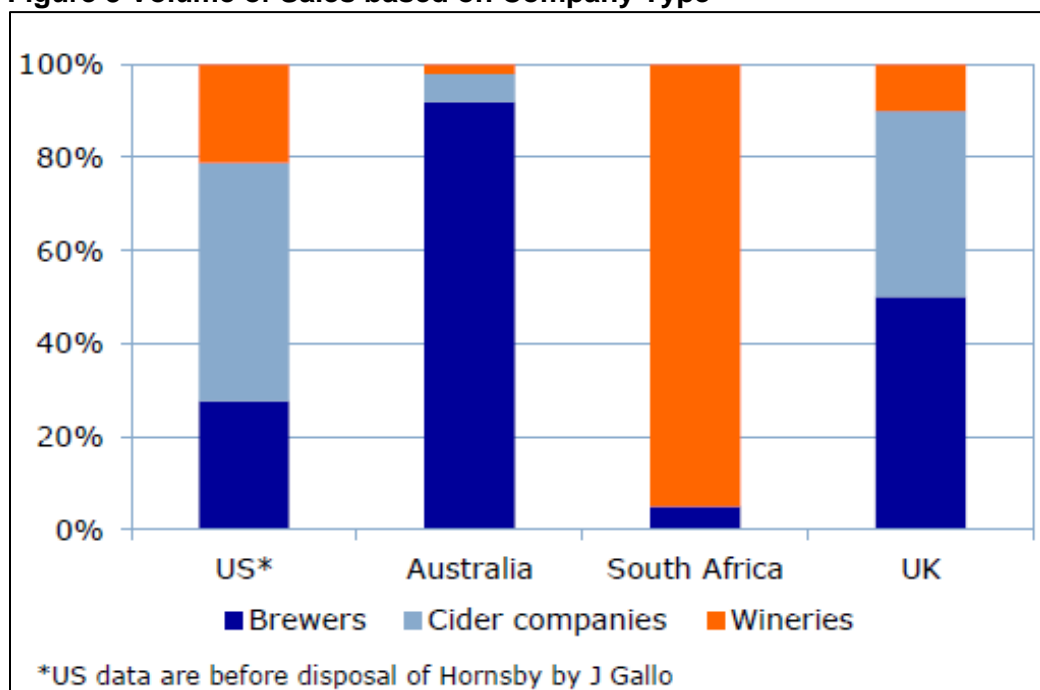
Craft ciders are often marketed more in line with high-end alcoholic beverages and as an alternative to wine rather than beer. For example, premium ciders will be sold in 750ml bottles and at prices comparative to those of wine (Johnson, 2011). Also, part of their marketing strategy is to focus on the history and origins of the product.

Super-premium brands are most popular in well-established cider markets, like the UK (Sonnerville, 2013). In North America, super premium beer has a much larger share of the overall beer market than super premium ciders have in the cider market (Sonnerville, 2013). The value segment of the beer industry is also more pronounced than in ciders, with 13 percent of beer sales coming from the value segment while only 10% of cider sales are in the value segment (Sonnerville, 2013). This means that North American consumers are purchasing proportionally more from the mainstream cider brands than their British counterparts.

One of the reasons that the super-premium segment is such a small part of the cider market is availability of inputs (Sonnerville, 2013). Compared to craft beer producers, super-premium cider producers face much higher input costs, because the availability of apples that meet quality specifications is much less than inputs for beer production (Sonnerville, 2013). This scarcity inflates input costs, and unlike super-premium beer producers, cider producers are unable to transfer much of this cost to consumers as the market is still weak in many countries (Sonnerville, 2013), and higher prices may deter consumers. Over time it can be expected that this barrier may be relaxed, as the market grows and consumers are choosing between cider brands, rather than between beer and cider.

As a point of comparison, in Ontario some Ontario crafts may fall into each of the mainstream, premium and super premium categories. This is based on relative pricing comparisons with some brands selling at \$5/l and others selling at \$10/L. Clearly there is a range within the Ontario craft sector with differing targets. Ontario craft cider is priced at a premium on a per litre basis relative to all ciders with the exception of the specialty items such as ice cider. The premium pricing is appropriate for the craft ciders as customers expect or are inclined to pay more for higher quality and high end listings.

Globally, cider producers are made up of three general categories of operation: Brewers, Wineries or Cider Companies. Sales of product from these types of companies differ significantly in different markets (Figure 3). The prevalence of brewers and wineries in some markets may represent a threat to craft cider producers as these companies are able to expand overhead for marketing, sales and operations over a much larger line of products.

Figure 3 Volume of Sales based on Company Type

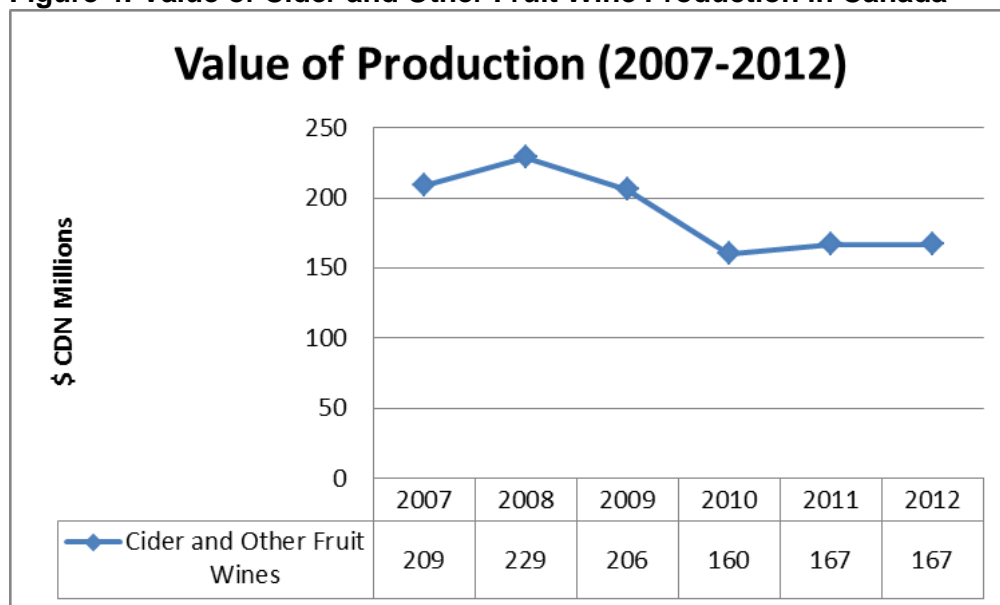
Source: Sonnenville (2013)

Globally, it is expected that cider sales in all segments will grow, however premium and mainstream segments are expected to have slower growth than value and super-premium segments (Sonnenville, 2013). The situation in Canada may be different as the cider market is still relatively immature; hence, significant growth in all segments is possible. As the market starts to mature it can be expected that trends similar to global trends may develop in the Canadian market. This issue will be explored in greater depth in subsequent sections.

2.2.2 Production Value

Due to issues of data availability and reporting methodology, this section refers to cider and other fruit wines as a unit. It is expected that cider makes up a large portion of this production, based on known sales values in the cider sector relative to the total reported production values.

In general, cider production occurs primarily in proximity to apple supply; that is, in apple growing regions of BC, Quebec, Nova Scotia and Ontario (AAFC, 2012). Overall, the Canadian value of production of cider and other fruit wines has declined in recent years (Figure 4).

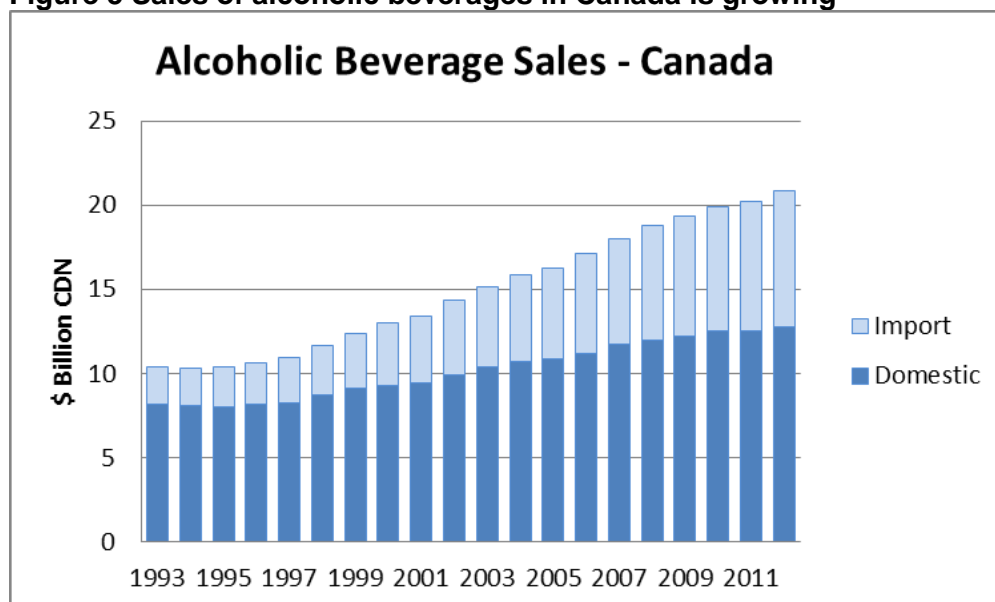
Figure 4: Value of Cider and Other Fruit Wine Production in Canada

Source: Euromonitor International, "Wines and Cider in Canada: ISIC 1552"

2.2.3 Consumption

Sales of Alcoholic Beverages and Cider in Canada

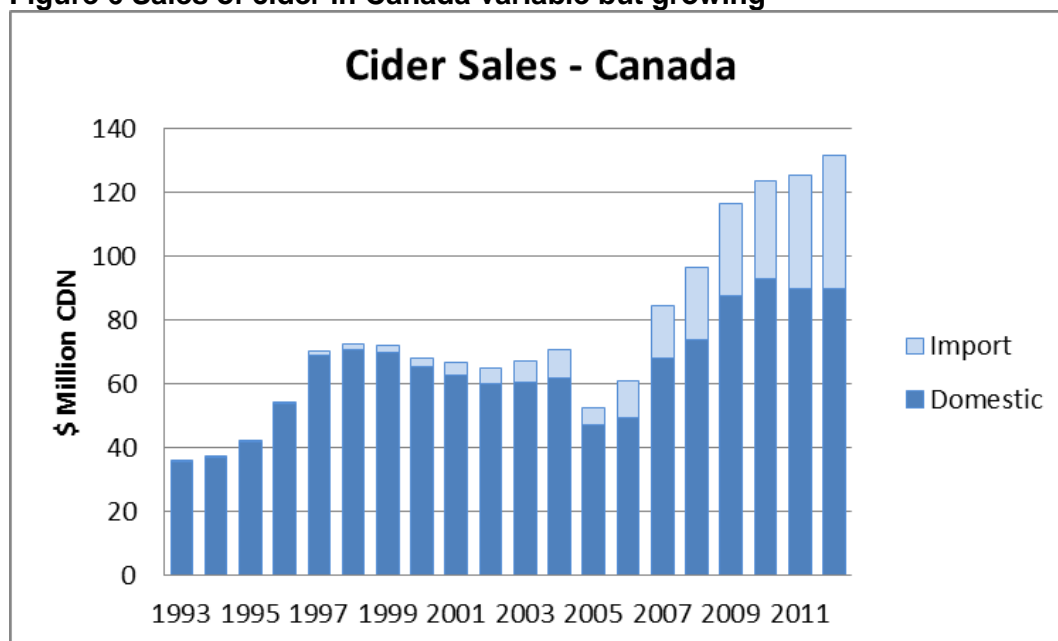
Overall, the sales of alcoholic beverages in Canada have been steadily increasing since 1994 (Figure 5), reaching \$20.9 Billion in 2013. Much of the growth in beverage sales has come from imported products.

Figure 5 Sales of alcoholic beverages in Canada is growing

Source: Statistics Canada – CanSim Table 183-0015

Cider sales, on the other hand have been more variable but have seen a positive upward trend, particularly since 2006 (Figure 6). The instability of the cider market appears to be a global phenomenon which may be attributed to the fact that it is only in the early growth stages of the product lifecycle in most markets (Sonnerville, 2013). With overall growth, there has been large growth in sales of imported products. This coincides with the stagnant value of domestic production as discussed in section 2.2.1. Sales of imported cider represented 31.6% of total cider sales in 2012, up from 19 percent in 2007.

Figure 6 Sales of cider in Canada variable but growing



Source: Statistics Canada – CanSim Table 183-0015

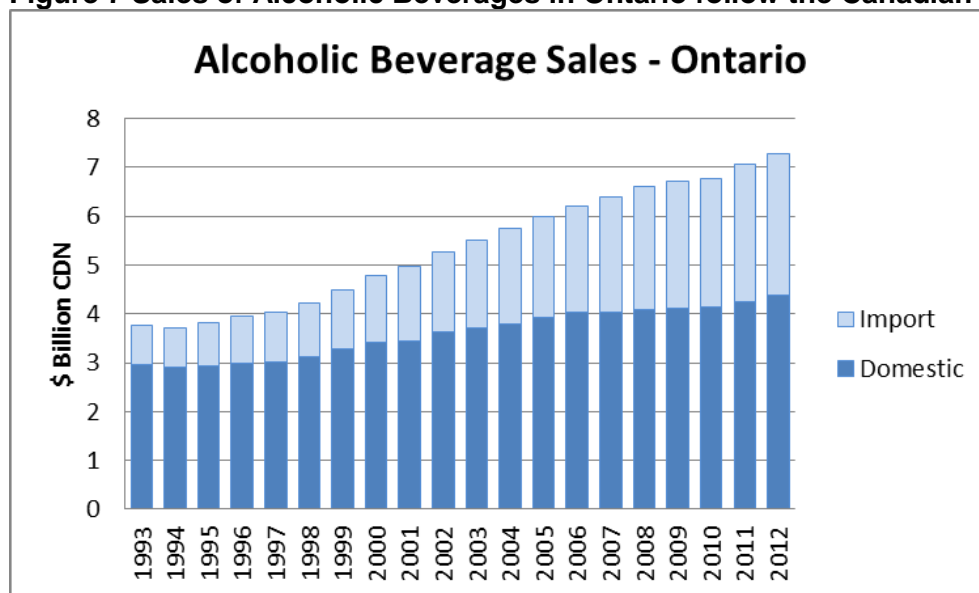
Sales of Alcoholic Beverages and Cider in Ontario

Alcoholic Beverage Sales in Ontario closely follow the trend for Canadian alcoholic beverage consumption (Figure 7). Ontario, with nearly 39% of Canada's population, accounts for 34% of all alcoholic beverage sales in Canada. In addition, Ontario only accounts for 18% of cider sales. Also, imported cider is much more prevalent in Ontario (Figure 8) than in other provinces, with 44% of total sales of cider imported to Canada occurring in the province.

An LCBO category manager provided further insight on cider sales trends in Ontario. Approximately 10 years ago the presence of cider started to grow, gaining a foothold in the LCBO, at least with mass produced brands. At that time, however, an influx of ready to drink mixes, coolers and other fruit spirits surged onto the market and severely hampered growth prospects for cider. From a product marketing or life cycle perspective, cider can once again be considered to be in its infancy, again, at least in Ontario.

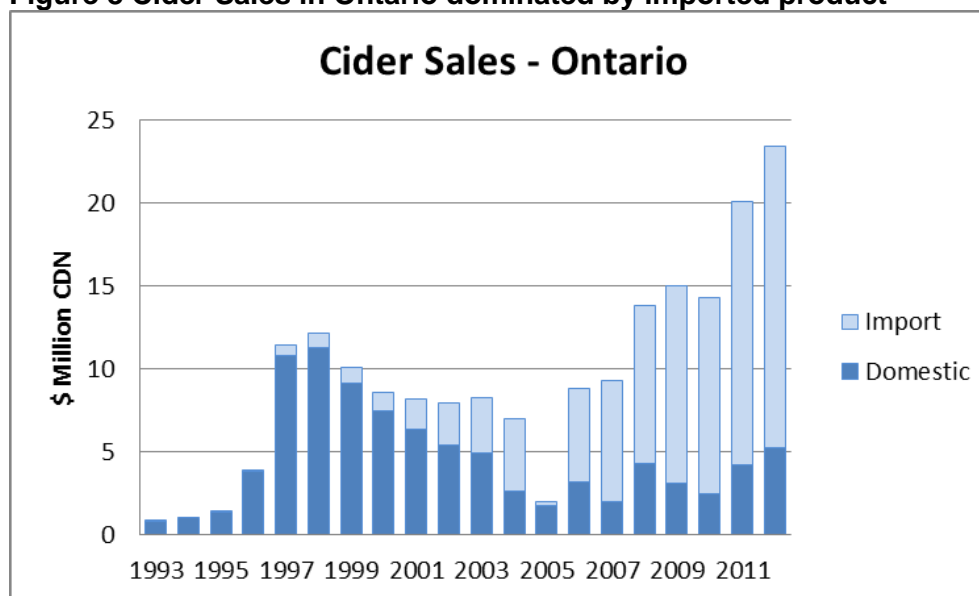
According to the product manager, there are two main drivers of growth potential for cider in Ontario. First, Ontario is influenced by the global resurgence of cider, which is examined more in subsequent sections of this report. The second is that larger domestic suppliers are investing in the category with new innovative products, marketing and volumes. Growth is also being aided by the nascent Ontario craft cider makers who are also contributing innovative products.

Figure 7 Sales of Alcoholic Beverages in Ontario follow the Canadian trend



Source: Statistics Canada – CanSim Table 183-0015

Figure 8 Cider Sales in Ontario dominated by imported product



Source: Statistics Canada – CanSim Table 183-0015

In Ontario, over half of the beverage alcohol is sold through The Beer Store (Figure 9). However, The Beer Store does not currently carry cider. This means that for cider, the LCBO is the largest potential retail outlet, with the largest alcoholic beverage seeking customer base. As of 2013, the LCBO carries over 30 stock keeping units (skus) of cider. Each brand, size flavor, color or pack or product is a separate sku. These offerings range in size from 330 ml (sold both individually or in 6 packs) to 1 litre. In 2008 the Ontario craft cider makers had a 0.9% share of

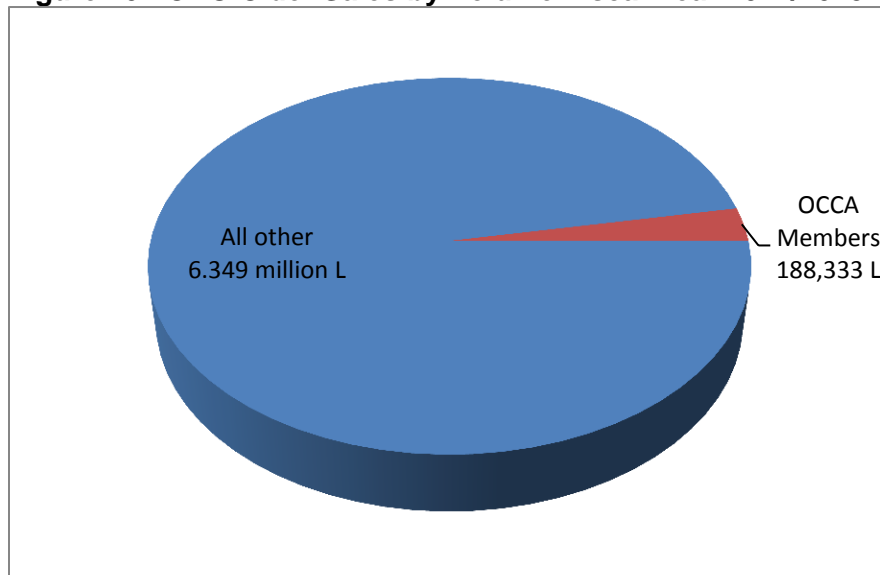
the LCBO market, which grew to 2.9% in 2012 (Figure 10 & Figure 11). Other domestic suppliers of the larger brands had a 11.9% share in 2008, which in turn grew minimally to 12% in 2012. The larger domestics should see modest growth in 2013. The imported products accounted for 87.2% share in 2008 compared to 85.1 in 2012. While the imports are dominant, it is clear that the modest erosion was due to growth of the craft makers.

Figure 9 Volume Share of Ontario Beverage Alcohol Market

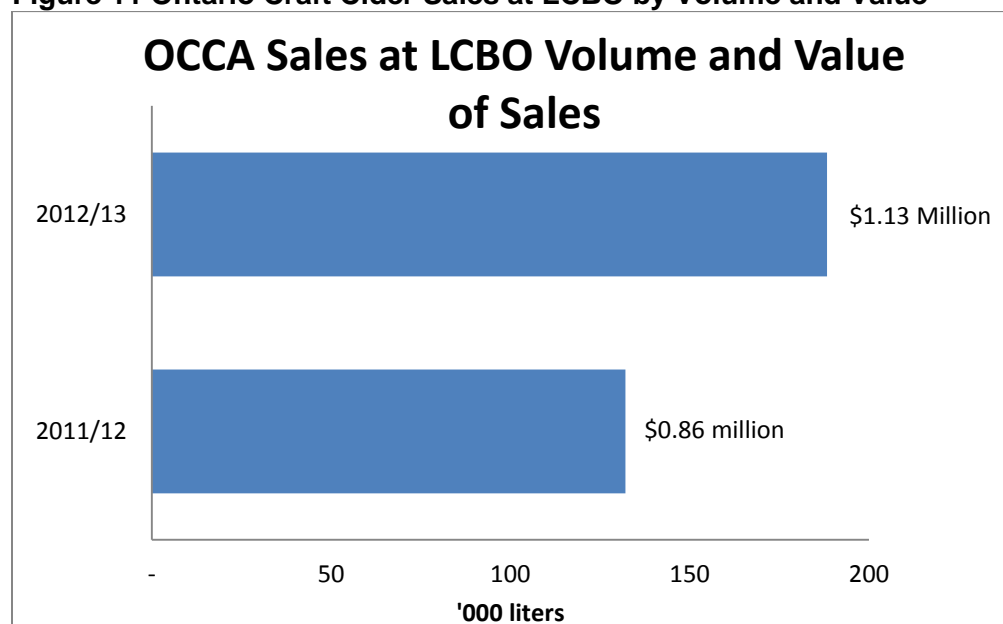


Source: LCBO

Figure 10 LCBO Cider Sales by Volume Fiscal Year 2012/2013



Source: LCBO

Figure 11 Ontario Craft Cider Sales at LCBO by Volume and Value

According to the LCBO 2010-2011 annual report “sales of cider have grown by 34 per cent in litres over the last three years” (LCBO, 2011). Further discussions with LCBO staff revealed that 2012 cider category growth was 60% and through the first half of 2013 the category has grown again by 64%. Growth is expected to continue in the 15-30% range through 2018 then slow to approximately 10% in following 4-5 years. It is likely that that one of the roles that cider is expected to fill within the LCBO is improving margins. Secondly, it could also help to differentiate the store and to enhance its image. Finally another role would be to fill an obvious growing but nascent demand. Clearly the differentiation is the key at the LCBO given that cider has some beer qualities but cannot be sold through the Beer Store.

The cider customer at the LCBO tends to be younger than the LCBO average customer with 37% being 19-35 and 29% being 35-44. Aside from cider, these consumers also purchase vodka, spirit coolers and imported beers against which cider will have to compete.

Global Consumption

Trends in global cider consumption may also provide insight on key developments which Ontario craft cider producers should take note of. The United Kingdom is the largest cider and perry consuming country in the world, with 940 million liters consumed in 2011. The UK accounts for over 55% of all consumption for cider and perry in the world, followed by South Africa (13%) and France (6%). Comparatively, North America accounts for only 3% of global consumption.

Cider consumption is growing globally, and analysts believe that there is significant room for expansion if consumers can be drawn away from beer. Consumption of cider is only slightly more than 1% of beer consumption on a per capita basis (Sonnerville, 2013). Even in the well-established UK market cider consumption is well below beer consumption, at only 20% of beer consumption (Sonnerville, 2013). The UK Cider market is more thoroughly described in Section 2.3.2

In both beer and juice, consumers are shifting from the middle quality segments (premium, mainstream) towards the extremes of value and super-premium as represented by the growth in these segments relative to the others (Sonnerville, 2013). At the same time, consumers do not buy from a single segment consistently and will trade both up and down in quality at different times (Sonnerville, 2013). These consumers are described as “hybrid consumers” (Sonnerville, 2013). There are three main drivers that have led to this phenomenon that producers should be aware of (Sonnerville, 2013):

- Shifting socio-demographics
- Retailer strategies
- Macro-economic developments

Craft cider producers recognize the threat of low quality, mass produced cider produced through large alcoholic beverage companies (mostly breweries). One producer was quoted in *Vine* magazine as saying that these ciders, “will probably set the industry back a bit”, but went on to recognize that the craft cider industry has “critical mass”. The craft cider industry may be able to leverage this volume to counter to increase in mass produced cider sales. Sonnerville (2013) notes the importance of branding and communication in differentiating both main stream and premium brands from value brands.

2.2.4 Export/Imports

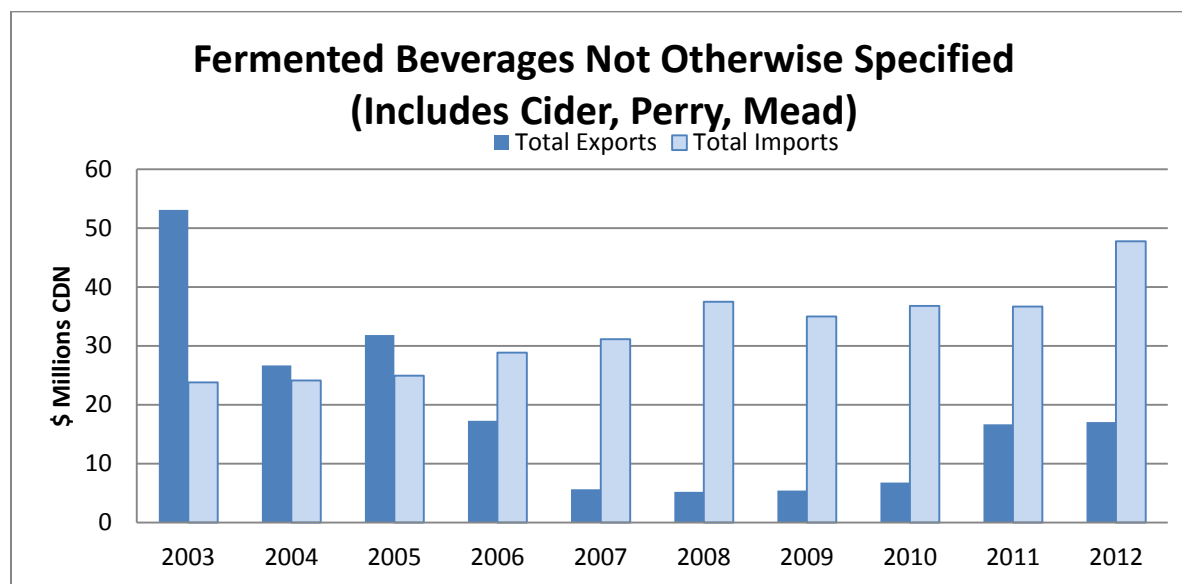
Trends in trade data may also provide directive in the development of industry strategy. Trade data suggests that Canada was a net exporter of cider and similar beverages from 2003-2005. Since then, Canada has been importing more than it exports (Figure 12). Imports in 2012 were worth \$47.7 million, while exports were valued at \$17.1 million. (Note: the data used in this section is based on HS code 220600 which is comprised of fermented beverages excluding beer, wine and vermouth.)

While imports continue to outpace exports, exports doubled from 2010 to 2011. Furthermore the increase in imports in 2012 represents an opportunity if domestic product can replace some of the imported product in the future. As noted in section 2.2.3, Ontario cider consumers are more likely to purchase imported cider, than cider consumers in other provinces.

The strength of the imported brands is their financial leverage. Due to their global size these companies have advantages in marketing, promotion, research, product development, and sales force. These larger companies are going to continue to grow in the cider sector as evidenced by global brewers’ entry into the market.

Cider makers in Canada clearly face tremendous competition from imported products produced by established cider makers. Globally, production concentration has increased with the top 10 selling brands controlling 49.8% of the market in 2012, compared to 45.5% in 2007 (Sonnerville, 2012). This concentration is greater than in the beer industry, so breaking into the cider market against these well-funded and established brands may be a difficult task for craft cider producers.

Figure 12 Imports and Exports of Fermented Beverages NES (Including Cider, Perry, Mead).



Source: Industry Canada – Trade Data Online (Trade Balance HS 220600)

2.3 Case Studies

This section of the report provides brief profiles of the Ontario Craft Beer sector and the UK Cider industry. The purpose is to assess what if anything can be drawn from these examples to provide direction for craft cider producers. Craft Breweries are examined as an example of success in the Ontario alcoholic beverage market. The UK industry as previously mentioned is the largest and most developed cider market in the world. It is possible that trends in the UK industry may provide an indication of future trends in the North American market, as well as what imported products we might expect to see in Canada in the near future.

2.3.1 Ontario Craft Beer

Craft beer has faced a similar growth in consumer demand to the cider industry. Since 2009, returns to craft beers have far outpaced their mainstream competitors (Sonneville, 2013). The Ontario Craft Brewers Association has been able to capitalize on this trend with significant financial support from the government of Ontario. This support allowed them to undertake a number of marketing initiatives to improve their visibility in the Ontario market.

The Ontario Craft Brewers Association (OCBA) was formed as a marketing cooperative in 2005, by 25 small brewers. The OCBA chose to focus on the quality, tradition and “craftsmanship” of craft beers as a distinct marketing strategy², to set themselves apart from mainstream brands, focusing on the premium sector. At this time they received \$5 million in funding from the government of Ontario to support the craft breweries marketing campaign.³

The Ontario government provided an additional \$8 million over four years under the Ontario Craft Brewers Opportunity Fund⁴. This fund was developed to help small microbreweries in Ontario (with production less than 300,000 hl), by providing funding of 6 cents per litre of beer

² <http://www.ontariocraftbrewers.com/content.php?nextpage=aboutus>

³ <http://www.marketwire.com/press-release/25-ontario-craft-brewers-form-a-marketing-cooperative-559705.htm>

⁴ <http://news.ontario.ca/medt/en/2008/09/ontario-craft-brewers-opportunity-fund.html>

sold to a maximum of \$1 million per brewery. The fund also provided \$200,000 annually directly to the Ontario Craft Brewers Association for help with promotional activities.

At the time of development it was estimated that 40 breweries would be able to take advantage of the program. The fund was administered under the Ministry of Small Business and Consumer Services. This program helped contribute to category sales growth of nearly 45% at LCBO stores in 2012⁵.

It is estimated that there are about 50 craft brewers in Ontario, employing 650 people⁶. In July of 2013, it was announced that funding for the Ontario Microbrewery Strategy would be renewed for the period between 2014 and 2016, providing \$1.2 million in annual funding. In addition to direct investment the Ontario government also adjusted tax policy to help promote growth of the industry.⁷

The Ontario Craft Brewers Association began promoting an annual craft beer week in 2010. The 2013 event saw more than 50 communities in Ontario hosting over 150 events in breweries, pubs, restaurants and other venues to promote Ontario made craft beer⁸. Primary to these events is getting the attention of consumers and shifting their focus towards craft beers. To help promote the week the OCBA hires professional PR and event staff. The OCBA also has a number of sponsors and partners that help fund and promote the event⁹.

“The Ontario Craft Beer Route”, is a promotion that provides a map of craft breweries in Ontario and provides free brewery tour passes to participants. The map also includes coupons for brewery merchandise.

Members of the OCBA have also created a “discovery pack” which packages beers from several member breweries into one box for retail at the LCBO.¹⁰ This product allows consumers to taste a variety of different craft beers with a single individual purchase.

The OCBA also takes an interactive approach to their consumers. The Ontario Brewer Podcast and the Ontario Brewers Blog¹¹ are examples of using technology to establish a connection with consumers. The OCBA partnered with the Dairy Farmers of Canada to present background on breweries, beers and the brewing process in the podcast. The podcast is available on the Ontario Brewer Podcast blog which allows consumers to comment on the podcasts and present feedback to the OCBA.

2.3.2 UK Hard Cider Industry

The UK has the largest apple cider consumption in the world. Cider production in the UK totals over 6 million hl per year¹², with a sales value of £2.7 billion (about \$4.72 billion CDN) in 2012¹³.

⁵ <http://www.ourwindsor.ca/mobile/news/article/3843560/>

⁶ <http://www.ourwindsor.ca/mobile/news/article/3843560/>

⁷ <http://www.mri.gov.on.ca/obr/?p=1440>

⁸ <http://www.ocbweek.ca/about>

⁹ <http://www.ocbweek.ca/partners>

¹⁰ <http://www.ontariocraftbrewers.com/DiscoveryPack.php>

¹¹ <http://www.ontariocraftbrewers.com/blog/category/podcast>

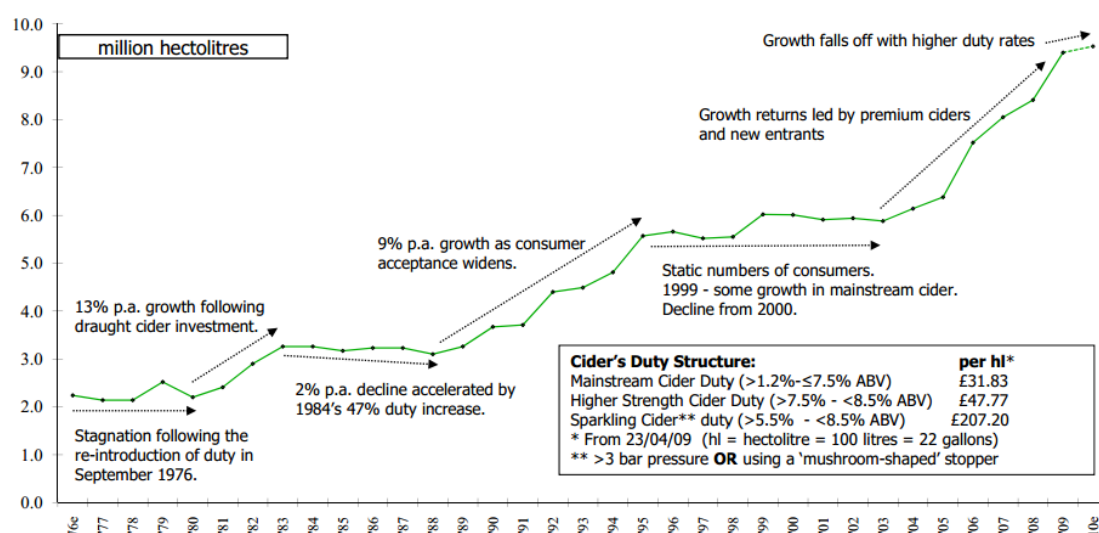
¹² http://cideruk.com/media_centre/interesting_facts

Cider makes up about 8% of the alcoholic beverage market in the UK¹⁴ and 13% of adults in the UK drink cider at least once a month¹⁵. These factors make the UK an interesting reference point for the growing cider industry in Canada.

For reasons described below, the UK cider market can be described as mature. This maturity is encouraging producers to use a variety of methods to differentiate their product from a vast number of competitors. The National Association of Cider Makers (NACM) estimated that there were at least 480 active cider makers in the UK in 2010¹⁶.

The NACM has tracked the growth of cider consumption and provided a brief explanation of why growth has occurred stepwise in the UK (Figure 13). In the early 1980's UK cider consumption experienced growth as producers shifted efforts to produce more draught cider. An increase in the excise duty in 1984, led to a period of decline in consumption. From 1989-1995 there was a 9% growth as consumer preferences shifted towards cider. The next period of substantial growth began in 2003 with the establishment of premium ciders and new entrants into the industry.

Figure 13 Growth of UK Cider and Perry Market



Source: National Association of Cider Makers

Current trends in UK cider sales show a large increase in sales of fruit ciders sold in bottles, while sales of draught have declined by 9.5%.¹⁷ In fact, production of apple cider and perry in the UK has fallen. Most of the brands with the largest sales by value are domestic brands, with only one of the top 10, Stella Artois Cidre produced in Belgium, not produced domestically¹⁸. Strongbow is the most popular single brand; however drinkers prefer a number of other brands with over 50% of sales coming from brands outside of the top 5 (Figure 14).

¹³ <http://www.dailymail.co.uk/news/article-2282616/The-future-cider-looks-rosy-Britons-guzzle-2-7billion-cider-60-cent-adults-admit-drinking-it.html>

¹⁴ http://cideruk.com/files/publications/NACM_Charts_for_Website_-_6_-_21Dec2010.pdf

¹⁵ http://cideruk.com/media_centre/interesting_facts

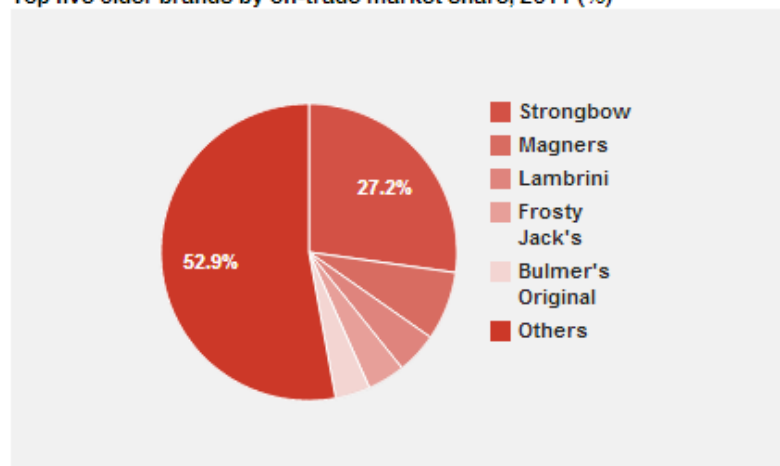
¹⁶ http://cideruk.com/files/publications/NACM_Charts_for_Website_-_6_-_21Dec2010.pdf

¹⁷ <http://www.morningadvertiser.co.uk/Business-Support/Cider-Report>

¹⁸ <http://www.morningadvertiser.co.uk/Business-Support/Cider-Report>

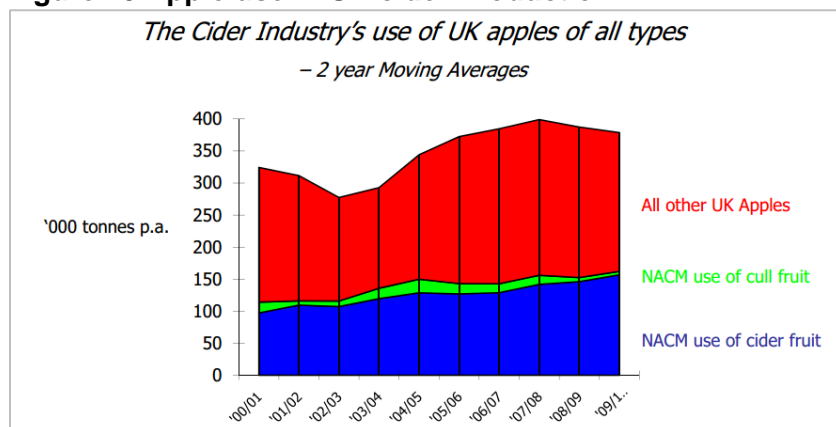
Figure 14 UK Cider Market Share

Top five cider brands by off-trade market share, 2011 (%)



Source: Marketing Magazine

In terms of apple use, while there are a number of varieties of apple that are grown specifically for cider production, more than half of the apples used in cider production are of other non-cider specific apple varieties. The largest cider producers in the UK contract or grow their own apples and over 95% of the cider fruit grown in the UK is already committed to cider production either through contract or through producer owned orchards¹⁹.

Figure 15 Apple use in UK cider Production

Source: National Association of Cider Makers

In recent years, more British drinkers consume cider than lager²⁰ and the percentage of UK adults who drink cider has increased from 47% in 2012²¹ to 60% in 2013²². UK cider consumers list a number of factors that influence them to choose cider rather than beer:²³

¹⁹ <http://www.agbizcenter.org/FilesUploaded/file/nabc-seminar-dec2012v2%20Mitchell's%20presentation.pdf>

²⁰ <http://money.aol.co.uk/2012/02/29/more-brits-now-drink-cider-than-lager/>

²¹ <http://money.aol.co.uk/2012/02/29/more-brits-now-drink-cider-than-lager/>

²² <http://www.talkingretail.com/brigg%E2%80%99s-blog/cider-core-business>

²³ <http://money.aol.co.uk/2012/02/29/more-brits-now-drink-cider-than-lager/>

- 58% claim that it is more refreshing
- 49% say it has a fresher taste
- 44% prefer its sweeter taste
- 27% drink it for a change
- 21% claim it is less gassy than beer
- 17% say that they like that it tastes less alcoholic than lager

Consumer attitudes towards cider in the UK can be used in marketing, to target Canadian consumers who are less familiar with cider.

3. SWOT Analysis

Having established an overview of the industry, trends and examples of success in alcoholic beverage markets, focus now turns to the specifics of the Ontario craft cider industry. A SWOT (strengths, weaknesses, opportunities and threats) analysis was performed in order to identify existing gaps and profile emerging economic opportunities for the hard cider industry in Ontario. By conventional definition, the strengths and weaknesses are intrinsic or innate to the industry in question; whereas the opportunities and threats are external factors or influences facing the industry. In general, a SWOT analysis is oriented to a specific objective or desired end state.

In the case of the hard cider industry in Ontario, the specific objective was to increase the presence of craft cider in the Ontario market over the next five years. This objective was developed based on the analysis of the current industry and production plans identified by cider producers.

3.1 Interviews with Craft Cider Producers: Analysis

In order to obtain information on industry status as well as opinions on the industry's future, a survey of craft cider producers was conducted. Out of 13 members of the craft cider association, 10 were willing to participate in the survey, resulting in a response rate of 76%. The questionnaire (Appendix 3) consisted of two main parts:

- Production over the past five years (2008-2012)
 - Volume and sales
 - Current capacity
 - Types of apples used for cider production
- Plans and expectations in the next five years
 - Expansion (Volume)
 - Changes to inputs, production and/or distribution

Based on the answers of the participants who provided their production information, the 2012 sales are above \$2 million. However, more accurate estimates of current production (litres or dollars) of craft cider are not available as several survey participants declined to provide information on either their production volume (liters of cider per year) or gross sales (dollars).

All the participants, on the other hand, provided information on their current capacity, which is about 2.5 million liters of hard cider per year. Using the existing information of gross sales and cider production, we estimated that the value per liter is about \$5. Applying this value to the

current capacity value we estimated that the current sales capacity is about \$12.5 million. Current production then seems to be at 20% of the existing capacity.

Often a low capacity rate is a cause for concern but in this case it appears to be a sign of an industry positioned for growth. All participants indicated that they are planning to increase their production in the next five years. Most suggested several fold increases in production. Using this information, it is expected that craft cider production may increase to about 7 million liters or \$35 million dollars in sales by year 2018. This analysis assumes that new entrants would have a very small impact on total cider sales over the next 5 years, and are therefore excluded from the analysis.

In terms of apple varieties used in hard cider production, some common varieties can be identified. Almost all cider producers used three main varieties (Russet varieties, Northern Spy and Ida Red). Cortland, Spartan, Gala and Empire were popular but less frequent than the first group. All other apple varieties (e.g., Bitter Sweet from England, Macintosh, Honeycrisp etc.) were specific to individual producers, based on their own cider recipes.

While producers hold ambitious intentions for growing the industry, whether the industry can actually support that much growth over the next five years will be based on internal and external factors and described in the SWOT analysis.

3.2 Strengths

The major strengths of this industry are high quality input (apples grown in Ontario and of desired quality), enthusiasm and entrepreneurial mind set. This is a very enthusiastic group of producers. They know their target “customer” and what kind of product that customer requires. They are focused on the quality of their product and are exceptionally knowledgeable about input attributes and product development. They are connected with their customer through various channels including social media and web. This is a “young” and very business oriented industry with entrepreneurial skills and awareness. They sell their product through different avenues (LCBO, cidery and licensees) ensuring their presence in Ontario.

Another strength of the industry is the very new and up to date capital asset base. Much of the investment in the industry has been recent and the assets are new and productive.

3.3 Weaknesses

The major weaknesses of the industry are inexperience, an unpredictable supply-chain and indistinguishable product. This is further compounded by a lack of definition of “Ontario Craft Cider”. The hard cider industry is new to Ontario and that may suggest that some producers are not very experienced or at least not in cider production. Since most producers are not self-sufficient in terms of input supply (apples, apple juice) they depend on the availability of these (apples and/or juice). Most cider producers buy apples on spot rather than forward contract meaning that in a year, like 2012 where apple production was extremely low due to bad weather, producers risk high prices, low quality or complete unavailability of inputs. Most growers use the same varieties for their cider, which can present a problem if the production is to increase, as cider producers will be competing against each other for apple supply.

Another issue is lack of availability of pressing equipment. This may become a serious problem if the volume of production is to increase. Similar could be said for the bottling and pressing of the cider; that is, shortage of the firms that can do this job.

Finally, in terms of visibility of Ontario craft cider on LCBO shelves, it is indistinguishable from other types of ciders (imports or domestic), as there are no obvious indicators and they are shelved with other domestic and imported ciders (Figure 16). Similarly, for licensee or on site sales visibility is an important factor in expanding sales volumes. At this stage of the craft industry's development, this weakness should be considered as one of the most crucial standing in the way of growth potential.

Figure 16 Example of LCBO Cider Shelves 2013



3.4 Opportunities

Most of the opportunities for this industry relate to product demand and the potential growth for the future. The greatest opportunity for this industry is that the demand for hard cider is strong and it is rapidly growing. This demand, as demonstrated through sales data, is strong in Ontario as well as Canada and the US. Craft cider is a new component of a larger cider industry that is still in an introductory phase within the Ontario alcoholic beverage market. Strong global cider demand represents another opportunity for Ontario Craft Cider to export product and grow beyond the Ontario market.

Increasing interest in agricultural and culinary tourism can also be viewed as a strong opportunity for the hard cider industry. As noted in the Supply Chain section above, this is an industry that has a presence throughout the agriculture and food chain as well as a unique tourism position. Closely related to that is the interest and awareness in “local food”. This industry has all the attributes that are congruent with the shift towards a focus on “local food”.

The marketing and merchandising tactics of the mass produced brands such as Strongbow can create interest and awareness of the industry with little or no expense on the part of the craft cider producers.

3.5 Threats

The greatest threat to this industry is competition from non-craft cider producers (imports and large domestic companies), which can compete with greater volume and lower prices. Flavoured beer and wine are other products that this industry is competing with. To a smaller extent, the sweet cider industry could be seen as a threat, since they use the same input.

Some regulatory issues are also potential threats. Namely, cider production and distribution is regulated under wineries and not breweries. Hence, cider cannot be sold in the Beer Store or a craft show. Rather, cider can only be sold at the LCBO stores, licensees or winery (if they have 5 acres of apple orchards). So, cider producers cannot get the tax benefits that apply to craft beer producers nor can they get the benefits that apply to VQA producers. Thus, craft cider producers are at a disadvantage when competing with mass producing cider giants (imports or domestic) as well as the Ontario craft beer and wine industries, which enjoy the government support identified above.

4. Economic Impact

Analysis in Section 3.1 indicated that the current members of Ontario craft cider industry could have annual sales of over \$35 million dollars by 2018. Growth to that scale will of course have positive economic impacts at the local, provincial and national levels. The rapid growth of this small industry is going to create incremental benefits in terms of jobs, wages and economic activity, not only in the cider industry but in those sectors that supply the industry. Those suppliers include the apple farms as well as packaging and other businesses that serve the ciders.

The Statistics Canada, System of National Accounts Input-Output Model was used to determine the overall economic impact of the Ontario craft cider industry. The model uses financial inputs or “shocks” which in turn creates resulting economic impact. In the case of the Ontario craft cider industry, the five year forecast of total sales was used as the financial input or “shock.”

Specifically the model evaluated the impacts of cider sales of \$35 million on Gross Domestic Product (GDP), jobs, taxes, and payroll.

Based on the projected sales of \$35 million by 2018 the following could be the overall economic impact:

- Overall economic activity of \$60 million. That is, in addition to the \$35 million in sales, the supplier industries would generate a further \$25 million in added sales as a result of the activities of the craft cider industry.
- Total added gross domestic product is \$30 million. This means that due to the activities of the Ontario cider industry, the Ontario and Canadian economy would generate added income and wealth of \$30 million.
- 220 jobs would be created in the industry and its suppliers.
- Total payroll including benefits would total \$12 million for the cider industry and its suppliers.
- Taxes of over \$2 million would be paid to local, provincial and federal governments, not including income taxes.

5. Strategic Roadmap Recommendations

Recommendations are separated into short term and long term recommendations. Short term refers to the next five years and long term recommendations require some consideration at this time but may take longer than five years to implement.

5.1 Short-term recommendations

Short term recommendations are based on three areas: Production, Association and Government Relations. Production describes recommendations related to the product itself, Association refers to recommendations that the Ontario Craft Cider Producers need to pursue as an industry organization to capitalize on market opportunities. Government relations are specific actions that require government assistance. As a general rule, when working with government and where appropriate, the Ontario Apple Growers should be part of the team in order to demonstrate a whole industry position on the issue being addressed

5.1.1 Production of cider

- New Varieties
 - Meet with apple growers to express desire, willingness and commitment to buy traditional cider varieties. Traditional cider varieties are not preferred for table apples and apple growers would not have an alternative market for those apples without a firm commitment from cider producers.
- Forward contract
 - Consider forward contracting small acreages with apple producers for traditional cider varieties
 - Consider forward contracting generally as a risk management tool (secured supply, price and quality).
- Consumer preferences

- Continue to watch consumer trends and adjust blends to suit changing consumer preference
- Develop relationship with “other” fruit (e.g., berries, peaches, plums, cherries) growers in Ontario to establish and secure the supply of Ontario grown fruits for production of flavoured cider(s).

5.1.2 Association

- Develop a clear definition of Ontario Craft Cider. The definition must be clear enough to separate cider from other fruit wines and craft from other non-craft production of cider.
 - Define “Ontario”
 - Amount of juice from Ontario grown apples (%)
 - Define “Craft” based
 - Volume of production (number of liters per year)
 - Define “Cider”
 - Base product (fruit type and % volume at a given sugar content)
 - Flavour product (fruit type, origin of added fruit/juice, % volume at a given sugar content).
- Marketing
 - Product awareness and brand
 - Educate consumers as to what craft cider is and how it differs from mass produced brands
 - Manage the growth without compromising the quality
 - Be true to craft cider brand and the niche product.
 - Capitalize on local food movement and promote farm/cidery tours to attract customers. Craft producers need to own and dominate their home, local market.
 - Develop a strong local licenced demand for exposure
 - Support local events and position frequent product tastings
 - Corner the local market in the LCBO stores. Craft cider producers must “own” the local stores by being brand ambassadors at the local stores with the local store management and staff
 - Advertise and promote locally at targeted events.
 - Feature Ontario Craft Cider through work with LCBO to
 - Differentiate the product
 - Define the niche and points of differentiation and work with LCBO on targeted or preferred segmentation
 - Emphasize the definition of Ontario Craft Cider with characteristics such as “small”, “premium ingredients”, and “local”
 - Synergize – by enhancing craft cider differentiation help enhance the image of LCBO.
 - Promote
 - Develop a strategy with LCBO to help promote craft cider in store. This strategy will need to incorporate the definition of craft cider as noted above as well as differentiation and identification of the local, craft ciders in the LCBO cider shelf displays. This should be considered as one of the most critical strategies to be employed by the Association. Without this, the potential for growth will be muted.
 - Monitor sales

- The Association and individual members should meet at least annually with LCBO representatives in the marketing and sales management areas regarding the progress, needs and challenges associated with the craft cider category.
- Data collection
 - Improve data collection. Public data does not meet association requirements.
 - LCBO data does not differentiate Ontario produced from the rest of Canada, or Ontario craft cider from other craft cider
 - Current data does not track on farm sales.

5.1.3 Government Relations

- Approach government for potential investment, based on craft brewery experience.
- Explorer opportunities available for acquiring funding under Growing Forward 2
 - The Agri-Marketing Program offers a Market Development Stream to “promote industry competitiveness in domestic and export markets.”
 - There are a number of other programs available to food processors under Growing Forward 2 including funding for capacity building and implementation.
- Work with Ontario Ministry of Small Business to examine regulatory issues and potential funding for promotional events.

5.2 Long Term Recommendations

The craft cider industry remains at a disadvantage compared to both Ontario wines and Ontario craft breweries, based on preferential government treatment of these industries. While it is recognized that this is a significant issue within the industry, change if it is to occur is likely to happen very slowly. Many of the short term recommendations provide a framework for promoting government action in achieving a more level playing field with competing industries. The rebates that VQA wine and craft beers receive on LCBO markups has allowed for rapid expansion of these industries. While the craft cider industry has been expanding as well, a similar rebate scheme for Ontario craft ciders would allow for infrastructure investment at the ciders increasing output and employment.

Craft breweries have also been able to use funds provided by the Government of Ontario to promote their industry and to attract consumers away from mainstream brands. To achieve the same level of assistance for the craft cider industry may take a number of years, particularly given the recent fiscal difficulties of the Ontario government and their emphasis on spending restraint.

6. Summary and Conclusion

The craft cider industry in Ontario faces some unique opportunities and challenges that need to be addressed. In general, this is “a good time” to be in cider industry. Cider consumption is growing globally, and analysts believe that there is significant room for expansion if consumers can be drawn away from beer. The consumption of hard apple cider in Ontario is on the rise, as well, and the growth to date creates a significant opportunity for Ontario craft cider makers and entrepreneurs to expand their presence in the marketplace.

This industry has a solid and stable supply of good quality Ontario apples for their cider production. Introduction of more traditional cider varieties is feasible. In addition, the “local food” movement and increased interest in agricultural tourism work in favor of the cider industry.

Cider industry is young with tremendous potential to grow. However, this industry is vulnerable to the product competition from big corporations that can easily outperform the small businesses in terms of price and volume of the product. Thus, it is crucial that this industry defines their product in a distinct way to develop a niche product. The lack of consensus on what makes a cider eligible to be called “Ontario Craft” is essential for the existence of this industry. The lack of clear definition of “Ontario Craft Cider” would allow anyone producing small volumes of cider in Ontario to call their product “Ontario Craft Cider”, regardless of the source of inputs and the quality of the product.

Another issue is the way cideries are licensed in Ontario. Namely, production of cider is similar to wine production but with apples rather than grapes as the stock. Hence, cider producers are licensed as wineries. At the same time, they are not necessarily regulated as wineries. For example, Ontario wineries are eligible for the VQA program, which allows them to receive a rebate from their sales. Cider producers, on the other hand, are not eligible to receive this benefit because the program requires that the wine is made from grapes. In addition, craft brewers receive a rebate of about 30% as well. Cider producers, however, are not eligible for this benefit either, because they are not licensed as breweries. Thus for the time being, the regulations, which allow for breaks to craft brewers and VQA wine producers do not apply to cider producers, and the full mark-up must be paid to LCBO (i.e., 56% of the sale price) without a rebate.

While the craft cider industry has been expanding, investment in infrastructure for Ontario craft ciders would allow cideries to increase their output as well as employment in rural Ontario.

The strategic directions outlined will help craft cider producers to expand their industry and take advantage of strong consumer demand for cider, particularly a premium local product.

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Appendix 1: OCCA Definitions of Ontario Craft Cider and Ontario Cidery

This is the final definition for Ontario Craft Cider and an Ontario Cidery as voted on and decided by the OCCA, October 2013:

Ontario Craft Cider (OCC) is:

- a) Hard cider produced from 100% Ontario grown apples or pears, as defined by the Ontario Apple Growers Apple producing districts.
 - i. Juices from pressed apples/pears must contain a minimum specific gravity of 1.040.
 - ii. Production must adhere to the Canadian Food & Drug Regulations B.02.120 and B.02.122 with the exclusion of B.02.120 (b) (ii) which states that cider may have added to it during the course of manufacture – concentrated apple juice. Ontario Craft Cider may have concentrated apple juice added provided that the concentrate is from 100% real Ontario apples/pears of local origin (ie. Ice Cider. Cryo-concentrated or cryo-extracted apple juice)
 - iii. Only cider produced by an Ontario Craft Cidery can be considered Ontario Craft Cider
 - iv. Product must adhere to all other governing regulations in order to be sold commercially in Ontario
 - v. Emergency Clause

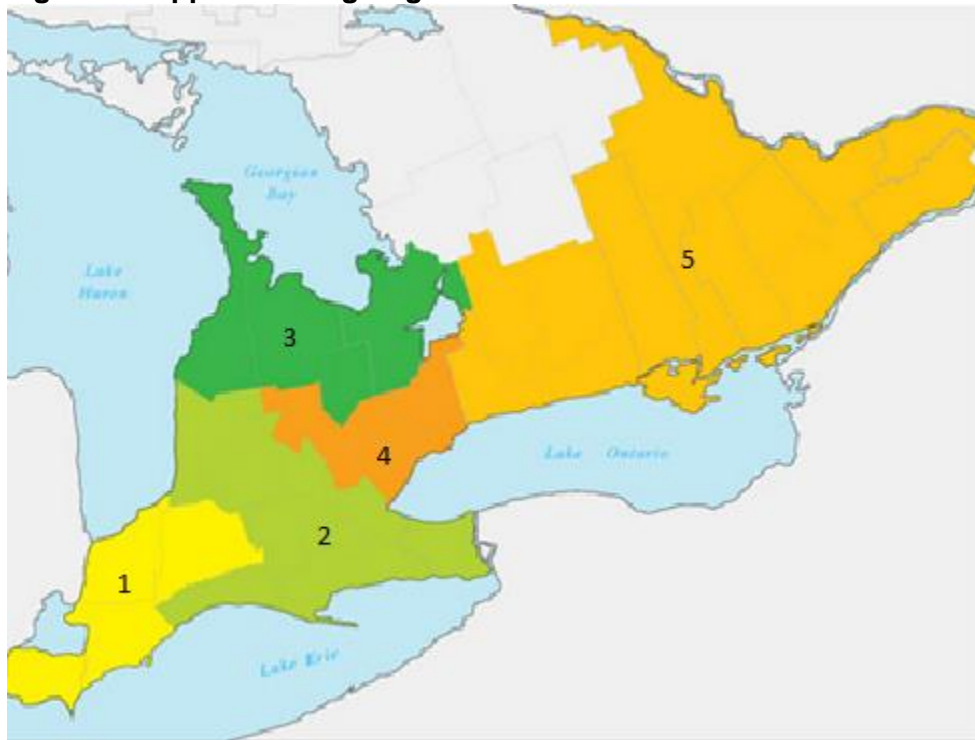
An Ontario Cidery is defined as:

- a) An Ontario Craft Cidery is small, independent and traditional, with 100% of the cider production being manufactured by a licensed facility located in Ontario:
 - i. Small: Annual production of 2.5 million litres or L
 - ii. Independent: Less than 25% of the Ontario Craft Cidery is owned or controlled (or equivalent economic interest) by an alcoholic beverage industry member who is not themselves an Ontario Craft Cidery.
 - iii. Traditional: flagship brand is produced from a minimum of 75% of Ontario Grown Apples/Pears and of these 25% of which are apple/pear varieties traditionally used in Ontario Cider production

Appendix 2: Overview of Apple Growing Regions in Ontario

Ontario has the largest production of apples in Canada. There are 5 main apple growing regions in Ontario (Figure A1). Total 2011 apple acreage was 15,827. Region 3 has the greatest total acreage followed by Region 2 and Region 1. McIntosh apples are the most popular with growers, accounting for 23.4% of total acreage in Ontario in 2011, followed by Empire and Northern Spy.

Figure A1 Apple Growing Regions in Ontario



2011 Ontario Apple Tree Acreage By Variety, By District

Variety Name	1 Western	2 Central West	3 Northern	4 Central	5 Eastern	Total Acreage	% of Total Crop
McIntosh	272	660	1,661	305	809	3,707	23.4%
Empire	355	695	241	171	243	1,705	10.8%
Northern Spy	95	370	967	70	79	1,581	10.0%
Red Delicious	424	377	88	376	214	1,479	9.3%
Gala	376	337	58	261	219	1,251	7.9%
Honeycrisp	189	229	226	107	252	1,003	6.3%
Idared	148	188	284	75	90	786	5.0%
Golden Delicious	413	102	7	218	26	767	4.8%
Crispin/Mutsu	180	110	23	207	48	568	3.6%
Ambrosia	188	97	54	51	86	477	3.0%
Cortland	42	94	123	90	84	434	2.7%
Spartan	20	56	184	26	71	357	2.3%
Jonagold	58	20	214	37	3	331	2.1%
Mixed	43	26	5	141	73	288	1.8%
Paulared	47	29	27	30	97	230	1.5%
Other ⁶	26	55	21	55	46	203	1.3%
Fuji	96	26	4	28	5	159	1.0%
Ginger Gold	70	31	8	17	12	137	0.9%
Jerseymac	23	2	79	7	3	114	0.7%
Golden Russet	17	8	15	20	30	90	0.6%
Jonamac	60	1	4	5	0	70	0.4%
Earligold	7	4	30	1	9	51	0.3%
Aurora Golden Gala	24	3	0	9	3	40	0.3%
TOTAL	3,174	3,520	4,325	2,305	2,503	15,827	100%

1. District 1 Western is comprised of the upper-tier municipalities of Essex, Lambton and Middlesex and the single-tier municipality of Chatham-Kent.

2. District 2 Central West is comprised of the upper-tier municipalities of Huron, Perth, Oxford and Elgin and the single-tier municipalities of Haldimand and Norfolk.

3. District 3 Northern is comprised of the upper-tier municipalities of Bruce, Grey, Simcoe and Dufferin.

4. District 4 Central is comprised of the upper-tier municipalities of Wellington, Peel, York, Halton, Waterloo and Niagara and the single-tier municipalities of Brant, Toronto and Hamilton.

5. District 5 Eastern is comprised of the upper-tier municipalities of Durham, Northumberland, Peterborough, Frontenac, Hastings, Lanark, Lennox and Addington, Leeds and Grenville, Renfrew and Stormont, Dundas and Glengarry and Prescott and Russell and the single-tier municipalities of Kawartha Lakes, Ottawa and Prince Edward.

6. Other includes: Braeburn, Cox's Orange Pippin, Creston, Elstar, Fortune, Goldrush, Granny Smith, Liberty, Lobo, Lodi, Macoun, Marshall Mac, Shizuka, Silken, Melba, Novaspy, Quinte, Rome, Sunrise, Tydeman Red, Viking, Vista Bella, Wealthy and Winesap.

Appendix 3: Stakeholder Survey

Name: _____

Date: _____

Hard Apple Cider - 2013 Questionnaire

Q1 What is your business structure in terms of Hard Apple Cider production (eg, vertically integrated, buy apples, contract bottling etc.?)

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Q2 What is the volume and value of your hard cider production?

	2008	2009	2010	2011	2012
a) Volume (L/year)					
b) Sales (\$/year)					

Q3 What is the current capacity of your production (Liters)?

--

Q4 Do you plan to expand your production in the next 5 years and by how much (Liters or %).

--

Q5 Do you have a preferred choice of apple varieties that you use for the cider production? If so, what are the top three (five)?

	Apple Variety	%
1		
2		
3		
4		
5		

Q6 Are you satisfied with the quality of the apples for your cider production? (Y/N, and why)

--

Q7 Do you plan to change the apple mix in the next 5 years and how?

--

Q8 If you are buying your apples/juice for your hard cider production:

a) Do you forward contract or buy on the spot?

b) Are they Ontario, Canada or Imported apples?

c) Do you feel you are competing with sweet cider growers in terms of apple demand/price?

d) Do you buy Ontario juice?

Q9 How do you sell your cider?

	%
Cidery	
Licensees	
LCBO	
Other (craft shows, export)	

Q10 Do you plan to change the distribution structure in the next 5 years and how?

Q11 Do you have a special (defined) consumer type that you are producing your cider for? If so, can you describe it (age, gender, income bracket)

Q12 How do you market your cider (promotional material, brochures, shows, tasting booths etc.)?

Q13 Looking forward:

1. Indicate what you would CONTINUE, STOP or CHANGE doing in terms of inputs (apples/juice).
CONTINUE (It is working well)
STOP (It is not working at all)
CHANGE (It is OK but it could be better)

2. Indicate what you would CONTINUE, STOP or CHANGE doing in terms of your cider production.
CONTINUE (It is working well)
STOP (It is not working at all)
CHANGE (It is OK but it could be better)

3. Indicate what you would CONTINUE, STOP or CHANGE doing in terms of your cider distribution.
CONTINUE (It is working well)
STOP (It is not working at all)
CHANGE (It is OK but it could be better)

4. Anything else?
CONTINUE (It is working well)
STOP (It is not working at all)
CHANGE (It is OK but it could be better)