

<u>SUPPORTING B.C.'s LAND-BASED</u> WINERIES, CIDERIES & DISTILLERIES

ISSUE

Agri-tourism offers farmers tremendous opportunity to add value to their operations, enhance local economies and educate visitors. Wine-based²⁵² agri-tourism supports a visitor economy in wine growing regions. Wineries are a catalyst for tourism in many regions. A 2015 report on the economic impact of the wine and grape industry in Canada estimated that there were 1 million tourists visiting B.C. wineries, having a total impact of wine-related tourism of \$246 million²⁵³. Estimates suggest that for every bottle of wine produced in the province, there is \$48 of economic impact generated²⁵⁴.

A 2018 report estimates that the Liquor Distribution Branch (LDB) generates *over \$1 billion annually which goes into general revenue* of BC government revenues.²⁵⁵

Farm-based wineries attract visitors from all around the world to the region to sample the wine, taste local foods, see local sites and stay in local accommodation. A strong, well-known cluster of wine producers entices visitors and attracts export dollars into their communities and regions and contributes to BC's \$17 billion tourism economy²⁵⁶. A healthy tourism and hospitality industry contributes provincial and local taxes, creates jobs, enhances civic pride and provides visitors and residents with leisure activities.

BACKGROUND

The tourism sector is fiercely competitive; tourists have many global destinations to choose from. The success of a wine-based agri-tourism sector depends on farmers growing the finest quality grapes, wineries practicing advanced, high quality wine-making processes plus providing unique, memorable and remarkable visitor experiences. B.C.'s wine growing regions need government to support the success of B.C.'s wine-based agri-tourism sector while minimizing the hurdles and obstacles they face.

One such obstacle is the high property tax classification for land-based²⁵⁷ wineries. BC's Liquor Control and Licensing Branch categories all wineries in BC as either 'Land Based' (LB) or 'Commercial' Wineries. LB Wineries must: produce wine made from 100% BC grown grapes; have at least 2 acres of vineyards at the licensed winery site and use those to produce wine; make wine with at least 25% of the grapes used to make wine coming from land owned or leased by the LB winery; not use wine or juice from Commercial wineries; use 'traditional' wine-making techniques; and be



independent wineries (i.e., no common ownership with a Commercial winery).

Grape growers producing wine on their property face much higher property tax rates (almost six times) than other types of agriculture producers (e.g., dairy, fruit, fish). This is because the BC Assessment Authority classifies wineries/cideries as 'Light Industry' (Class 5) rather than a 'Farm' (Class 9).²⁵⁸²⁵⁹

However, a review of B.C.'s farm related terms clearly identifies viticulture as a farming activity. As example, a small emerging LB winery (that used to grow and process a different product) now faces an additional

4000 annual tax increase as a result of reclassification of their farm buildings to 'light industry'. The property tax of another larger LB winery went from 1,200 - 26,000/yr.

LB Wineries, offering visitor experiences (e.g., wine tastings, tours) need every dollar to invest in their agri- tourism business in order to create high quality, unique, memorable visitor experiences. They use these dollars to improve viticultural practices; develop better quality wines; hire, train and develop staff; invest in tourism infrastructure; and market their product. B.C.'s wine tourism regions can only benefit from the production of excellent wine products and tourism experiences.

A comparative scan of other grape growing Canadian provinces reveals that most do not target farmers growing grapes and producing wine with higher taxes. Ontario (most comparative to BC in terms of quality and size of grape production) really supports their wine industry. The Ontario Ministry of Agriculture, Food and Rural Affairs announced a \$75 million commitment over five years to support implementation of the <u>Ontario Wine and Grape Strategy260</u>. Ontario's intention is to support growth in the wine and grape sector by building tourism in the province's wine regions through provision of incentives that encourage wineries to increase investment in productivity, innovation, tourism and export development.

B.C. wineries offering visitor experiences are the foundation of a strong agri-tourism sector in many of B.C.'s regional destinations (Okanagan, Islands, Lower Mainland, Thompson). The substantial economic spin-off from these wineries to local regional economies is significant261. B.C.'s governments need to reduce barriers in order to grow and develop LB wineries so that B.C. remains competitive with other wine producing regions in Canada and elsewhere. Government should support the winery based agri-tourism sector by recognizing how globally competitive the winery-based agri-tourism sector is and by encouraging the development of wineries. The economy of the wine region, the health of the region's hospitality providers and the local population will all benefit as a result.

THE CHAMBER RECOMMENDS

That the Provincial Government:



- Identify the best way(s) to support expansion and development of B.C.'s land-based wineries engaged in agri-tourism by providing recognizable and measurable tax relief that offsets the difference between Class 6: Business (production or storage of food and nonalcoholic beverages) and Class 5: Light Industry assessment applied to buildings on agricultural properties only when the activities is related to alcohol production. The provincial tax credit (relief) should offset the higher property taxes for LB wineries/cideries/distilleries offering unique, authentic experiences to visitors in B.C.; and
- 2. Undertake a planning process to encourage expansion and development of the wine, cideries and distilleries agri-tourism sector in BC. An ensuing plan or strategy needs to work in concert with B.C.'s Agri-tourism policies and regulations²⁶².