

SUPPORTING BC'S LAND BASED WINERIES, CIDERIES & DISTILLERIES (2016)

Background

Agri-tourism offers farmers tremendous opportunity to add value to their operations, enhance local economies and educate visitors. Wine-based¹ agri-tourism supports a visitor economy in wine growing regions. Wineries are a catalyst for tourism in many regions. A 2011 report on the economic impact of the wine and grape industry in Canada estimated that there were 800,000 wine-related tourists having a total impact of wine-related tourism of \$476,428,000 in British Columbia². Estimates suggest that for every bottle of wine produced in the Province, there is \$42 of economic impact generated³. A 2008 report estimates that the Liquor Distribution Branch (LDB) generates *over \$800 million annually which goes into general revenue* of BC government revenues⁴ (see Appendix A). 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 \$13 billion+ tourism economy⁵. A healthy tourism and hospitality industry contributes provincial and local taxes, creates jobs, enhances civic pride and provides visitors and residents with leisure activities.

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. BC's wine growing regions need government to support the success of BC'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-based⁶ 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

1 The term 'wineries' here is meant to include cideries and distilleries)

2 See

<http://www.winebc.org/files/Information/Miscellaneous%20BCWI%20Reports/Canada2011WineIndustryEconomicImpactReportFINAL3-20-13.pdf>

3 See: <http://www.winebc.org/news/view/68>

4 See [WineLaw.ca](http://www.WineLaw.ca)

5 See <http://www.tiabc.ca/about-tiabc>

6 See

http://www.winelaw.ca/cms/index.php?option=com_content&view=article&id=165:licensing-a-winery-in-bc&catid=27:winery-licensing&Itemid=27

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). (See BCAA Property Classes info [here](#) and Appendix B – Taxation Rates). However, a review of BC’s farm related terms clearly identifies viticulture as a farming activity. (See Appendix C - Definitions) 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. If adopted, the recommended development of a BC appellation system that supports Land Based wineries using only grapes grown in designated viticultural areas in BC⁷ are likely to produce even more unique wine tourist experiences. BC’s wine tourism regions can only benefit from the production of excellent wine products and tourism experiences.

What are other Canadian wine destinations doing?

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 production⁸) 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 Ontario Wine and Grape Strategy⁹. 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*.

Conclusion

BC wineries offering visitor experiences are the foundation of a strong agri-tourism sector in many of BC’s regional destinations (Okanagan, Islands, Lower Mainland, Thompson). The

7 See <http://goo.gl/aPJ6qh>

8 See

<file:///C:/Users/Sydney/Documents/1%20PPA/KCoC/Policy%20Committee/Winery%20Policy/Canada2011WineIndustryEconomicImpactReportFINAL3-20-13.pdf>, p 18

9 See <http://www.omafra.gov.on.ca/english/about/wine-grape-strat.htm>

substantial economic spin-off from these wineries to local regional economies is significant¹⁰. BC's governments need to reduce barriers in order to grow and develop LB wineries so that BC 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:

1. identify the best way(s) to support expansion and development of BC's Land Based wineries engaged in agri-tourism by providing recognizable and measurable tax relief that offsets the light industrial assessment applied to buildings on agricultural properties only when the activity 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 BC; 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 BC's Agri-tourism policies and regulations¹¹.

Supporting Organizations

- BC Wine Institute
- Duncan Cowichan Chamber of Commerce
- Greater Vernon Chamber of Commerce
- Greater Westside Board of Trade
- Kamloops Chamber of Commerce
- Langley Chamber of Commerce
- Nakusp & District Chamber of Commerce
- Penticton & Wine Country Chamber of Commerce
- South Okanagan Chamber of Commerce
- Tourism Industry Association of BC

¹⁰ The tourism multiplier effect is successive and magnified particularly when compared to other economic sectors. The impact of tourists direct spending on a wide range of products and services in the region, generates indirect spending and finally induced spending.

¹¹ See http://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/agricultural-land-and-environment/strengthening-farming/local-government-bylaw-standards/2015_09_14_agri-tourism_discussion_paper.pdf

Appendix A – BC government tax revenue through LDB

The estimated wholesale price of a \$20 bottle of Canadian wine purchased at a BC Liquor store is \$7.20. The difference is explained [here](#).

- Government Taxes \$3.04 (\$1.34 GST + \$1.70 PST)
- LDB Markup \$9.10
- LDB Fees \$0.60

The wholesale cost of \$7.20 includes winery costs, wholesale markup and freight.

Appendix B - Taxation Rates

[Local Government Tax Rate and Assessments 2015](#) (more stats [here](#))

Municipalities	Type	Purpose of Tax Rate	Residential	Utilities	Supportive Housing	Major Industry ¹	Light Industry	Business	Managed Forest Land	Recreation Non-Profit	Farm ¹
Kamloops	C	TNR Municipal	5.3900	40.0000	5.3900	78.7000	21.0000	14.0500	16.1700	13.2000	13.2100
Kamloops	C	TNR Reg'l District	0.3687	1.2905	0.3687	1.2536	1.2536	0.9033	1.1061	0.3687	0.3687
Kamloops	C	TNR Hospital	0.4704	1.6464	0.4704	1.5994	1.5994	1.1525	1.4112	0.4704	0.4704
Kamloops	C	TNR School	2.3981	13.6000	0.1000	5.8000	5.8000	5.8000	2.2000	3.3000	6.9000
Kamloops	C	TNR Other	0.0598	0.5037	0.0002	0.5037	0.1686	0.1684	0.3386	0.0598	0.0598
Kamloops	C	TNR Total	8.6870	57.0406	6.3293	87.8567	29.8216	22.0742	21.2259	17.3989	21.0089

- [Which properties fall within Class 5 Light Industry?](#)

Property used or held for extracting, manufacturing or transporting products, including ancillary storage, fall into Class 5. Examples of properties in Class 5 include: scrap metal yards, wineries and boat-building operations. Exceptions include properties used for the production or storage of food and non-alcoholic beverages, which fall into Class 6.

- [What land is eligible for Class 9 \(Farm\)](#)

The Classification of Land as a Farm Regulation, B.C. Reg. 411/95, made under the Assessment Act, provides that, upon application, the following land may qualify for farm class:

a) land used for a qualifying agricultural use;

b) land used for purposes that contribute to a qualifying agricultural use (e.g., irrigation, access to farm outbuildings, shelter belts);

c) land used for a farmer's dwelling;

d) land in an agricultural land reserve (ALR) that is used for a retired farmer's dwelling;

e) land used for the training and boarding of horses when operated in conjunction with horse rearing; and

f) in some cases, vacant land associated with a farm.

Other requirements will also apply.

All farm structures used in connection with the farm operation, including the farmer's dwelling, will be classified as Class 1 - residential.

Appendix C - Definitions

- BC Ministry of Agriculture [Guide for Bylaw Development in Farming Areas](#)
 - **Farm Building** means any building which is used in a farm operation.
 - **Farm Business** means a business in which one or more farm operations are conducted, and includes a farm education or farm research institution to the extent that the institution conducts one or more farm operations.
 - **Farm Class** means a designation given to a lot or part of a lot that is classified as a "farm" under the BCAA.
 - [Agriculture Land Commission Act](#)
 - **"farm use"** means an occupation or use of land for farm purposes, including farming of land, plants and animals and any other similar activity designated as farm use by regulation, and includes a farm operation as defined in the Farm Practices Protection (Right to Farm) Act;
 - [Farm Practices Protection \(Right to Farm\) Act](#)
 - **"farm business"** means a business in which one or more farm operations are conducted, and includes a farm education or farm research institution to the extent that the institution conducts one or more farm operations;
 - **"farm operation"** means any of the following activities involved in carrying on a farm business:
 - (a) growing, producing, raising or keeping animals or plants, including mushrooms, or the primary products of those plants or animals;
 - (b) clearing, draining, irrigating or cultivating land;
 - (c) using farm machinery, equipment, devices, materials and structures;
 - (d) applying fertilizers, manure, pesticides and biological control agents, including by ground and aerial spraying;
 - (e) conducting any other agricultural activity on, in or over agricultural land;
- and includes
- (f) intensively cultivating in plantations, any
 - (i) specialty wood crops, or
 - (ii) specialty fibre cropsprescribed by the minister;
 - (g) conducting turf production
 - (i) outside of an agricultural land reserve, or
 - (ii) in an agricultural land reserve with the approval under the Agricultural Land Commission Act of the Provincial Agricultural Land Commission;

(h) aquaculture as defined in the Fisheries Act if carried on by a person licensed, under Part 3 of that Act, to carry on the business of aquaculture;

(i) raising or keeping fur bearing animals or game, within the meaning of a regulation made under the Animal Health Act, by a person licensed or permitted to do so under that Act;

(j) [Repealed 2014-16-107.]

(k) processing or direct marketing by a farmer of one or both of

(i) the products of a farm owned or operated by the farmer, and

(ii) within limits prescribed by the minister, products not of that farm,

to the extent that the processing or marketing of those products is conducted on the farmer's farm;

but does not include

(l) an activity, other than grazing or hay cutting, if the activity constitutes a forest practice as defined in the Forest and Range Practices Act;

(m) breeding pets or operating a kennel;

(n) growing, producing, raising or keeping exotic animals, except types of exotic animals prescribed by the minister;

- *"farmer" means the owner or operator of a farm business;*
- BC Assessment Authority
 - **Farm** – no definition found
- BC Ministry of Agriculture *Regulating Agri-tourism and Farm Retail Sales in the ALR*
 - *Agri-tourism is a tourist activity, service or facility accessory to ALR land classified as a farm under the Assessment Act, if the use is temporary and seasonal, and promotes or markets farm products grown, raised or processed on the farm.*
 - *Farm retail sales if all of the farm product offered for sale is produced on the farm on which the retail sales are taking place, or at least 50% of the retail sales area is limited to the sale of farm products produced on the farm on which the retail sales are taking place and the total area, both indoors and outdoors, used for the retail sales of all products does not exceed 300 m².*