

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 4/7/2017

GAIN Report Number: CA17013

Canada

Post: Ottawa

The Wine Market in the Province of Quebec

Report Categories:

Wine

Approved By:

Jeff Zimmerman

Prepared By:

Mihai Lupescu

Report Highlights:

Quebec is the largest wine importing province in Canada, with 2016 imports valued at \$640 million (158 million liters of imported wine). Consumers in Quebec prefer wine by far over other types of alcoholic beverages – in 2015, they spent C\$ 2.3 billion on wine sold in retail outlets, or 43 percent of total alcoholic beverage spending. Per capita wine consumption in the province reached 23 liters in 2015, up 31 percent over the past decade. Most wine in Quebec is distributed via the retail outlets owned by the provincial liquor authority (the SAQ - Société des alcools du Québec); however two growing distribution channels are via groceries and convenience stores (for bulk wine) and via private orders – trends that are likely to pick up pace in the future. The United States is the third largest wine supplier to Quebec by value (\$75 million) and the fifth by volume (19 million liters). U.S. wine has access to the three major distribution channels listed above: SAQ stores, groceries (for bulk wine) and private orders. U.S. wines bottled outside Quebec do not have direct access to grocery stores, unlike locally produced Quebec wines.

Quebec Wine Market Overview

In Canada, the authority to import and distribute alcohol rests with the provincial governments. According to a [report](#) by Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada go through the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet). This suggests that the remaining 15 percent of sales go through the food service channel (restaurants, bars, etc) and deliveries to end use customers (such as individuals). Statistical data on wine sales (and in general on sales of all kinds of alcoholic beverages) is only available for the distribution channel through retail outlets.

In 2015, four provinces – Quebec, Ontario, British Columbia and Alberta – made up 94 percent of the wine retail market. At C\$2.3 billion, Quebec had a 34 percent share of the Canadian wine retail market, equal to Ontario's market share. As the following data will show, consumers in Quebec prefer predominantly wine over other types of alcoholic beverages, a characteristic attributable to the francophone population and the deep cultural ties with the major European wine producing countries.

Per capita consumption of wine in Quebec (based on retail sales) was 23 liters, up 31 percent from 2005, by far the largest in Canada. By comparison, per capita wine consumption in Ontario was 15 liters in 2015, in British Columbia it was 18 liters and in Alberta it was 13 liters.

In terms of per capita retail sales of wine, Quebec also ranks first in Canada with a total of C\$326 in 2015, up 52 percent from 2005. Per capita wine retail sales in Ontario reached C\$199 in 2015, in British Columbia C\$260 and in Alberta C\$168.

When it comes to the market share of wine retail sales among retail sales of other alcoholic beverages, Quebec once again ranks first in Canada. Total retail sales of alcoholic beverages in Quebec reached C\$5.3 billion in 2015, out of which C\$2.3 billion represented wine sales, or a market share of 43 percent. In Ontario, wine retail sales had a market share of 30 percent in 2015, out of total retail sales of alcoholic beverages of C\$7.5 billion. In British Columbia, wine sales had a 33 percent market share (out of C\$3 billion in total sales of alcoholic beverages), and in Alberta the wine retail market was at 22 percent (out of C\$2.5 billion in total sales)

Wine Distribution Channels in Quebec

The purchase, distribution, and sale of alcohol in Quebec is controlled by the provincial liquor authority [Société des alcools du Québec \(SAQ\)](#). The [Régie des alcools, des courses et des jeux \(RACJ\)](#) is the board established by the government of Quebec to regulate the alcohol, lottery, publicity contests, gambling, racing, and combat sports industries. While the SAQ is responsible for sales and distribution of alcohol in Québec, the RACJ provides the regulatory environment for the production and sale of alcohol in the province.

The following table presents the value of wine sales in retail outlets in Quebec, as reported by the SAQ, over the past 15 years. During this timeframe, total wine sales have increased by 108 percent, from C\$1.1 billion in 2002 to C\$2.3 billion in 2016. As indicated at the beginning of this report, wine sales in retail outlets represent, on average in Canada, about 85 percent of overall sales of wine in the country. Although the precise percentage may be different in the province of Quebec, there may be another estimated C\$200-400 million in wine sales through other distribution channels, such as the food service sector or private sales to individuals.

Retail sales of wine in Quebec as reported by the SAQ

<i>Million C\$</i>	200	200	200	200	201	201	201	201	201
	2	4	6	8	0	2	4	5	6
Total wine sales	1,10	1,32	1,47	1,80	1,90	2,12	2,21	2,26	2,30
	5	2	0	0	6	5	4	4	1
In SAQ stores	884	1,07	1,21	1,53	1,61	1,81	1,90	1,94	1,97
		3	0	6	7	2	1	2	4
	80%	81%	82%	85%	85%	85%	86%	86%	86%
In groceries and convenience stores	221	250	260	264	289	313	313	323	327
	20%	19%	18%	15%	15%	15%	14%	14%	14%

The table above also suggests two different trends when comparing the two categories of retail outlets in Quebec. Over the longer term (the last 15 years) wine sales in SAQ stores grew by 123 percent, while wine sales in groceries and convenience stores, grew by only 48 percent. This is also reflected by the increasing share of sales in SAQ stores in total sales (from 80 to 86 percent) and the declining share of wine sales in groceries (from 20 to 14 percent).

However, over the short term (the last three years) the same data suggests the beginning of a new trend. Between 2014 and 2016, wine sales in SAQ stores grew by 3.8 percent, while sales via groceries and convenience stores grew by 4.6 percent. These numbers suggest that the Quebec wine market may be at a tipping point, where consumers increasingly purchase wine while shopping for groceries, while sales of wine through the traditional model in SAQ stores may start stagnating or even declining in the coming years. This new trend was also reflected in comments made to Post by various industry contacts.

1. Wine Distribution Through SAQ Stores

The largest wine distribution channel in Quebec is via the SAQ stores and SAQ agencies, accounting for about 86 percent of the total 2016 retail wine sales in the province. The SAQ reports that, in 2016, it was operating 406 stores and 438 agency stores.

U.S. wines have access to this distribution channel as long as they obtain a “listing” with the SAQ; for this purpose, key for a winemaker is being able to continuously supply a large enough volume of wine. In 2016, the United States exported to Quebec 10.8 million liters of bottled and sparkling wine, valued at \$67 million, most of which being sold through the SAQ network. These amounts represent 58 percent of the total volume of U.S. wine exports to Quebec and 90 percent of total U.S. wine export value to Quebec.

The SAQ stores are retail outlets directly owned and operated by the SAQ. The SAQ agencies are represented by SAQ shelf space co-located within groceries or convenience stores situated in very small towns or remote locations, where there was no economic justification for establishing a full size SAQ store. The SAQ shelf space in an agency store is clearly separated from the grocery’s shelf space and is marked accordingly with signs reading “SAQ”. Even if the same store sells table wine as a grocery (i.e. imported bulk wine that was bottled in the province – see more information under the following section), the revenues from the SAQ wine sales are accounted for separately and transferred to the SAQ.

Industry contacts indicate that across all SAQ stores and agency stores there are more than 10,000 active wine SKUs, while on average, any given SAQ store would hold between 1,500-2,000 wine SKUs. For all imported wine sold through its stores, the SAQ is the importer of record, the wholesaler, provider of warehouse services, distributor and retailer. Typically, wine imported in Quebec and sold in SAQ stores is assessed the following duties and charges: customs duties, excise taxes, federal goods and services tax, all of these paid to the federal government; provincial sales tax and a specific tax paid to the provincial government; and the SAQ markup which covers selling, merchandising, distribution and administrative expenses of the SAQ, and which also represents a source of income for the province.

In order to conduct business with the SAQ, wine suppliers typically go through an agent. The [Association québécoise des agences de vins, bières et spiritueux \(AQAVBS\)](#) is the major organization for wine (and other alcoholic beverages) agents in the province. According to AQAVBS's website, the association serves as a liaison between agencies and the SAQ, the Government of Quebec, industry associations, the media, public interest groups and others, while promoting wines and other alcoholic beverages throughout the province. Through its members, the AQAVBS represents wine producers from around the world in their dealings with the SAQ and helps market their products in Quebec. Currently, AQAVBS has 63 members and represents wines from 20 countries. According to the association, 95 percent of the products sold across the SAQ outlets are represented by agents that are members of the AQAVBS.

For more information about selling wine through the SAQ, please consult the following webpage: [Doing business with the SAQ](#).

2. Wine Distribution Through Groceries and Convenience Stores

The second largest distribution channel in Quebec, accounting for about 14 percent of the wine retail sales in 2016, is via groceries and convenience stores. According to Statistics Canada, in 2015, there were nearly 7,600 such retail stores in the province.

U.S. wine in bulk has access to this distribution channel, where the demand is primarily driven by the Quebec bottling companies. In 2016, the United States exported to Quebec 7.8 million liters of bulk wine, valued at \$7.7 million, which was bottled in the province and mostly sold through groceries and convenience stores. These amounts represent 42 percent of the total volume of U.S. wine exports to Quebec and 10 percent of total U.S. wine the export value to Quebec.

Wine distributed through groceries and convenience stores in Quebec has to be bottled in the province. There are few such companies that import wine in bulk and bottle it locally under their own private brands for sale in groceries. The RACJ provides on its website a [list](#) (on page 8, the permit category "VIN") of such companies, which are called "industrial winemaker permit holders".

The SAQ is the importer of record for the wine imported in bulk for bottling. Once it clears customs, the shipment is released to the bottling company. Once bottled, the wine is transported into the SAQ warehouses and from there distributed by the SAQ to individual groceries and convenience stores. The SAQ markup is applied to all wine sold through this distribution channel.

The imported wine bottled in Quebec and sold in groceries and convenience stores is commonly referred to as “table wine”. A series of new regulatory changes adopted by the provincial government in 2016 redefined the concept of “table wine”. Currently, imported wine sold in groceries can only have the following information listed on the label:

- Country of origin
- Vintage year
- Grape variety (prior to 2016, the variety was not allowed on the label)
- Private brand name of the bottling company

The appellation of origin continues to be prohibited from being listed on the wine label.

In 2016, Quebec imported nearly 48 million liters of wine in bulk, representing 30 percent of the total volume of imported wine. By value, imports of bulk wine totaled C\$37 million in 2016, or 6 percent of the total value of wine imported in the province. The top suppliers of bulk wine were Australia (15 million liters), United States (8 million liters), Spain (6 million liters), Italy and France (about 5 million liters each).

In recent years, the growth in wine sales through groceries and convenience stores outpaced the growth in sales through SAQ stores, a trend also confirmed in discussions with various industry contacts. This reflects the fact that consumers increasingly purchase wine while shopping for groceries and suggests the future importance of this distribution channel.

3. Wine Distribution Through Private Orders

The third and last type of distribution channel for imported wines in Quebec is through private orders, sometimes referred to as “private imports”. Although sales via private orders are not as large as sales via groceries, this is another growing distribution channel, with increasing potential in the future.

U.S. wines have access to this distribution channel, where the demand is in part driven by end clients and in part by the local agents involved in wine procurement and promotion under this channel.

The two main categories of users of this channel are the foodservice sector and individuals. Restaurants and bars often use private orders to import wines which are not listed by the SAQ. In this way, they can offer diversity to customers who can try other wines than those in the SAQ retail stores, often higher end products or unique, small vintages. Individuals using the private order channel are typically wealthier consumers or wine collectors who want to access wines not available via the SAQ network.

The minimum purchase requirement for a private order, applicable to both the foodservice sector and individuals, is one case of wine (12 bottles). This is often given as a downside for this distribution channel, particularly for individuals, since some may find it prohibitive to order wine by the case, especially if one looks at purchasing a variety of wines. Nevertheless, industry sources indicate that this distribution channel has shown considerable growth over the past several years.

Private orders can be placed either [directly with the SAQ](#), or via an agent, like the members of the [AQAVBS](#). However, the group of wine promoters and agents that is particularly active in the private orders distribution channel is [Le regroupement des agences spécialisée dans la promotion des importations privées des alcools et des vins - RASPIPAV](#). In addition to procurement services offered to

their clients (either foodservice establishments or individuals), RASPIPAV organizes twice a year, in Quebec City and Montreal, wine tasting events where customers are also allowed to buy wine by the bottle (as opposed to the general one-case requirement). These wine tasting events are increasingly popular and account for a significant portion of the association's sales.

Occasionally, if a particular wine supplier via private orders becomes in high demand and has the production volume that allows shipping large enough orders, that supplier may become interested in engaging with the SAQ in order to get its wines listed. At the end of a successful listing process, those wines would be distributed via the SAQ retail network.

Similar to the other distribution channels for imported wine described earlier, the SAQ markup also applies to sales under private orders. Regardless if an agent (from either RASPIPAV or AQAVBS) was involved in the procurement of wine, the SAQ is also the importer of record, and once the private order clears customs, the SAQ keeps the wine in storage for pick-up by the client (the SAQ can also organize transport of the order to an SAQ store near the client's location).

4. A New Distribution Channel for Wine Produced in Quebec

Starting in 2016, the provincial government allows the distribution of Quebec wine produced by local small scale winemakers directly via groceries and convenience stores. The RACJ maintains a [list](#) of such small scale wine producers (with the note "VIN" under the permit category).

U.S. wines, as well as other imported wines, do not have access to this distribution channel, which is only available for wine produced locally in the province.

The distribution and sales of Quebec wine has to be arranged directly by the winemaker with the grocery store. The winemaker is not allowed to use the SAQ distribution system for this purpose, as the measure is intended to encourage the local sale of these wines. Additionally, the SAQ markup does not apply to these locally produced wines sold directly in groceries and convenience stores. However, there would be a grocery markup that would apply to these wines, privately negotiated between the store and the winemaker.

Local winemakers also benefit from the fact that the requirements applicable to "table wine" do not apply to the Quebec wine sold in groceries. Therefore, local winemakers are allowed to list on the wine label not only the grape variety and the vintage year, but also the appellation of origin.

Wine Production in Quebec

Quebec is a very small wine producing province in Canada. The hard climate, with long cold winters and short summers do not bring the necessary number of warm sunny days required for the large scale production of most known wine grape varieties. As a consequence, the local producers have to rely on grape varieties which are adapted to the cold climate. However, these varieties are harder to grow and very little known, and therefore do not sell well to consumers.

For 2015, Post estimates Quebec's wine production at 1.1 million liters, or 2 percent of Canada's estimated total wine production of 56.2 million liters. By comparison, Post estimates Ontario's wine production during the same year at 35 million liters (or 62 percent of Canada's total), while British

Columbia produced an estimated 18.6 million liters (or 33 percent of the total Canadian wine production).

These estimated volumes represent the total amounts of wine produced in Canada from grapes grown in Canada. Part of the wine produced in Canada is then marketed under various domestic quality assurance programs, and the remaining volumes are blended with foreign wines and marketed as international-Canadian blends (ICBs). Blending is popular in Ontario and British Columbia.

In Quebec, the [wine certification program](#) available to wine-makers was established in 2008 and is administered by the Quebec Winegrowers Association (QWA) under the logo “Vins du Quebec Certifiés” (Quebec certified wines). According to QWA [data](#), the top 10 planted grape varieties cover about two thirds of the areas cultivated to wine grapes in the province. These Quebec wine grape varieties include: Frontenac noir, Vidal, Seyval blanc, Marquette, Frontenac gris, Frontenac blanc, Maréchal Foch, St. Croix, Sabrevois, St. Pepin and Seyval noir.

Quebec Wine Imports

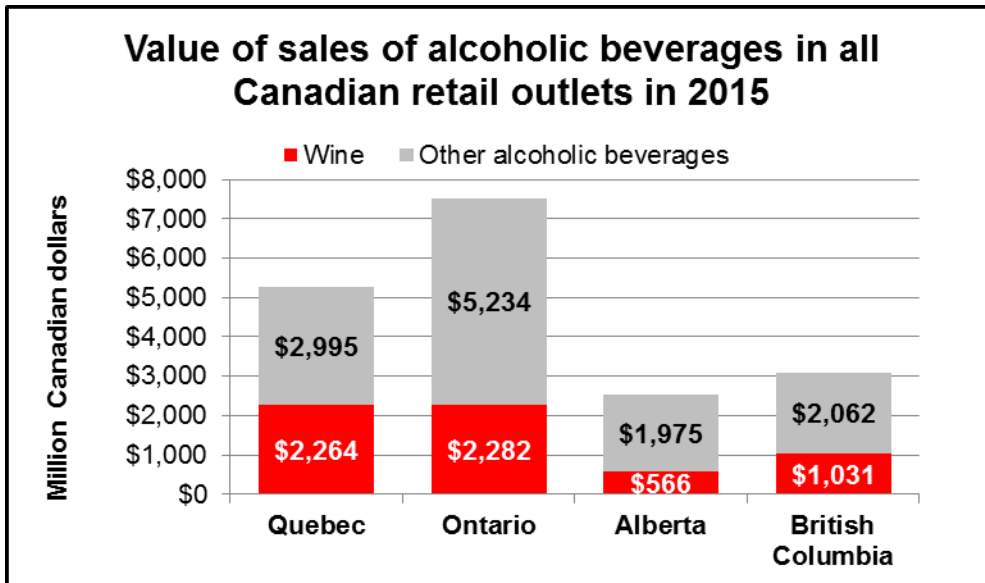
At 38 percent of volume and 36 percent of the value of total wine imports, Quebec is the largest wine importing province in Canada. In 2016, Quebec imported 158 million liters of wine, valued at \$640 million. By comparison, in 2016, Ontario imported 131 million liters (31 percent of total imports) valued at \$571 million (32 percent of total). During the same year, British Columbia’s share of wine imports by volume was 17 percent by volume and 15 by value, while Alberta’s share was 8 percent by volume and 12 percent by value.

Of the total volume of wine imported by Quebec in 2016, 67 percent (or 105 million liters) was bottled wine, 3 percent (5 million liters) was sparkling wine and 30 percent (48 million liters) was wine in bulk. Unlike in Ontario and British Columbia, where imported bulk wine is blended with local domestic wine and marketed as international-Canadian blends, in Quebec imports of bulk wine are bottled in the province and distributed through groceries and convenience stores as wine originating from those respective foreign countries (for more details please see the previous sections of this report).

Overall, the most popular foreign wines in Quebec are by far those coming from European countries. In 2016, EU countries supplied over 60 percent of the wine imported by Quebec (with a market share of 73 percent by value), with France on top at 38 million liters and \$225 million (or 24 percent market share by volume and 35 percent by value), followed in second place by Italy at 34 million liters and \$152 million (or 22 percent market share by volume and 24 percent by value) and in third place by Spain at 15 million liters and \$51 million (or 10 percent share by volume and 8 percent share by value).

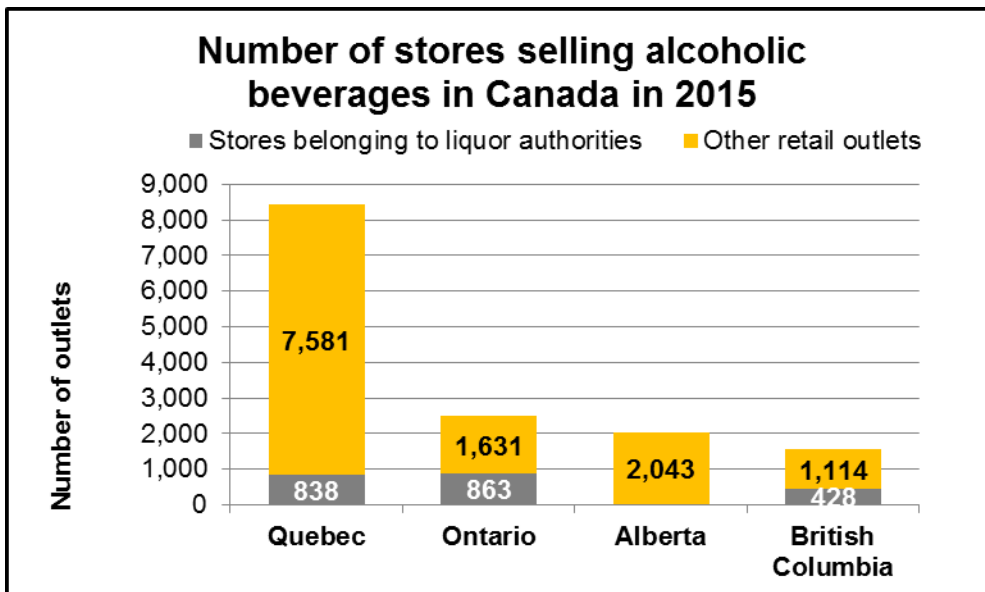
In terms of wines of non-EU origin, the United States supplied, in 2016, 19 million liters of wines exported to Quebec, valued at \$75 million (12 percent share by volume and also 12 percent share by value). Australia supplied 20 million liters in 2016, valued at \$34 million (or 13 percent market share by volume and 5 percent by value).

Additional Statistical Data Regarding the Quebec Wine Market



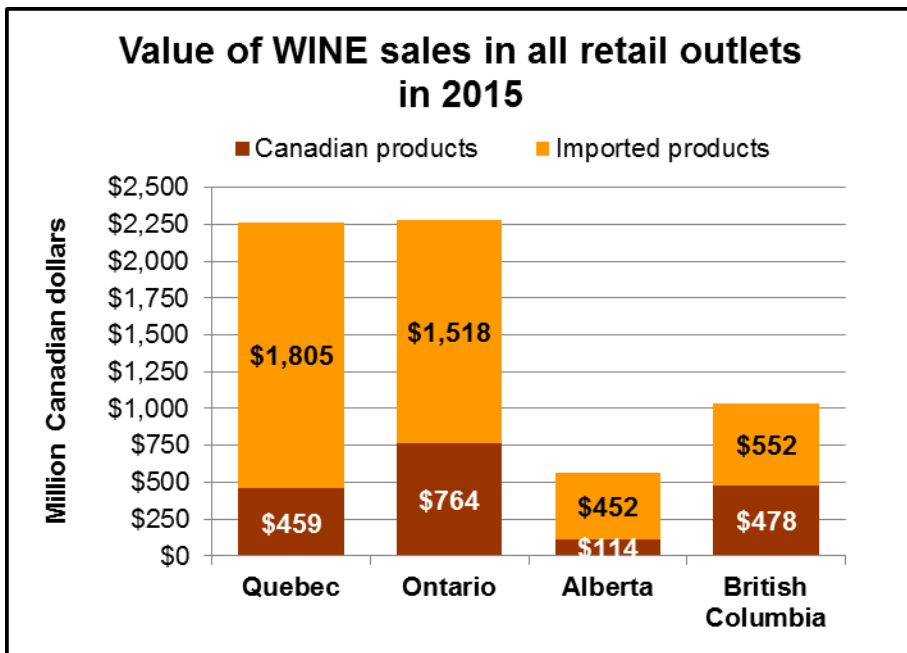
Source: Statistics Canada

Note: According to a [report](#) by Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada go through the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet).



Source: Statistics Canada

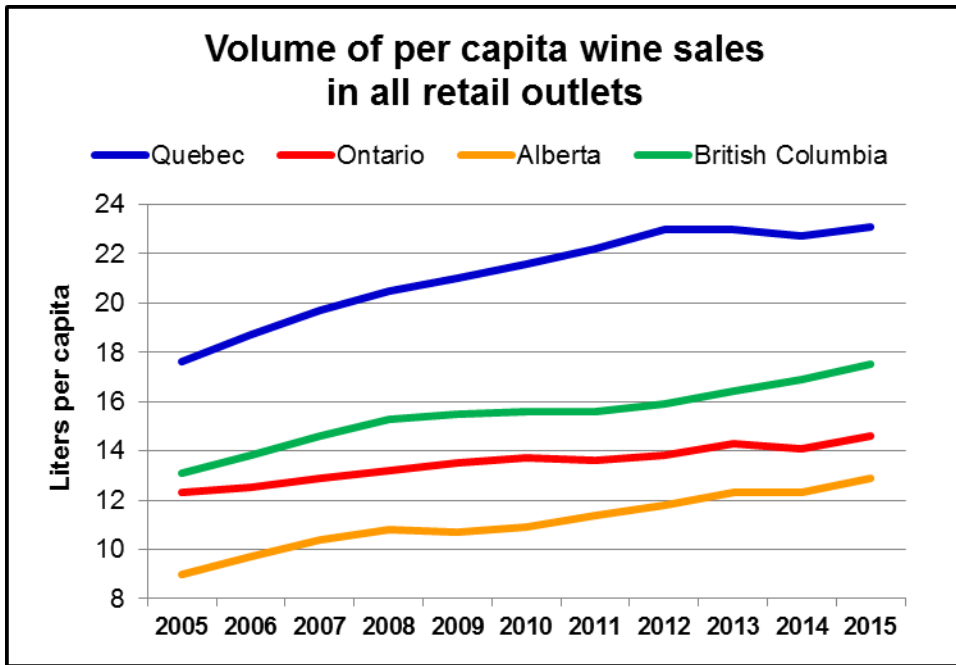
Note: In Quebec, groceries and convenience stores are allowed to sell beer, cider and certain types of wines, which explains the much larger number of stores in this province compared to other provinces. In Alberta all stores have been privatized, and no longer belong to the liquor authority.



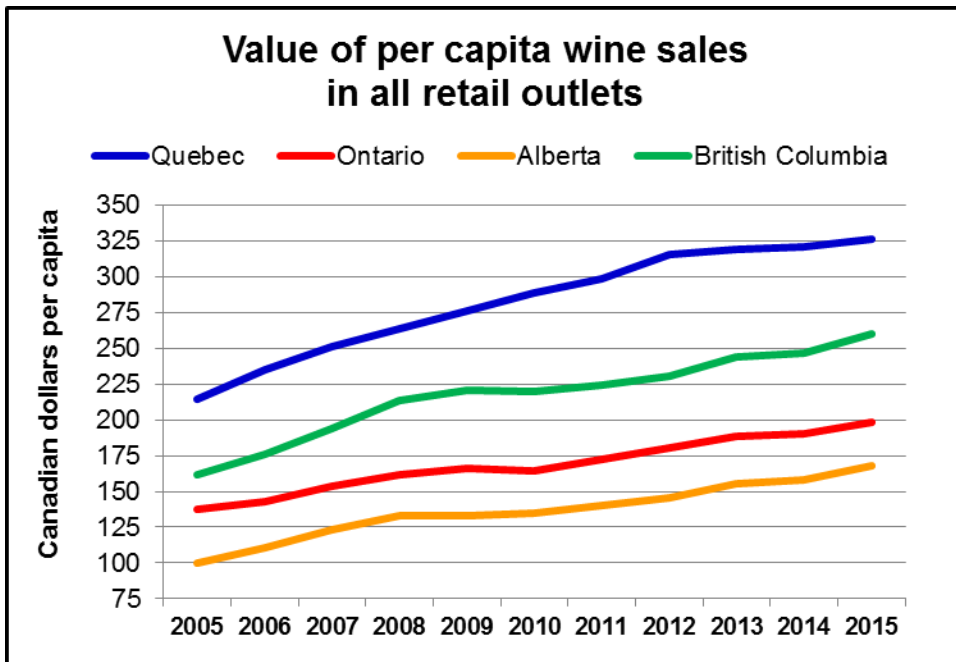
Source: Statistics Canada

Note 1: “Canadian products” for Ontario and British Columbia include wine produced domestically under provincial quality assurance programs, as well as international-Canadian blends made by combining wine imported in bulk with wine produced domestically. “Canadian products” in Quebec include foreign wine imported in bulk, bottled in the province and sold in groceries and convenience stores.

Note 2: According to a [report](#) by Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada go through the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet).

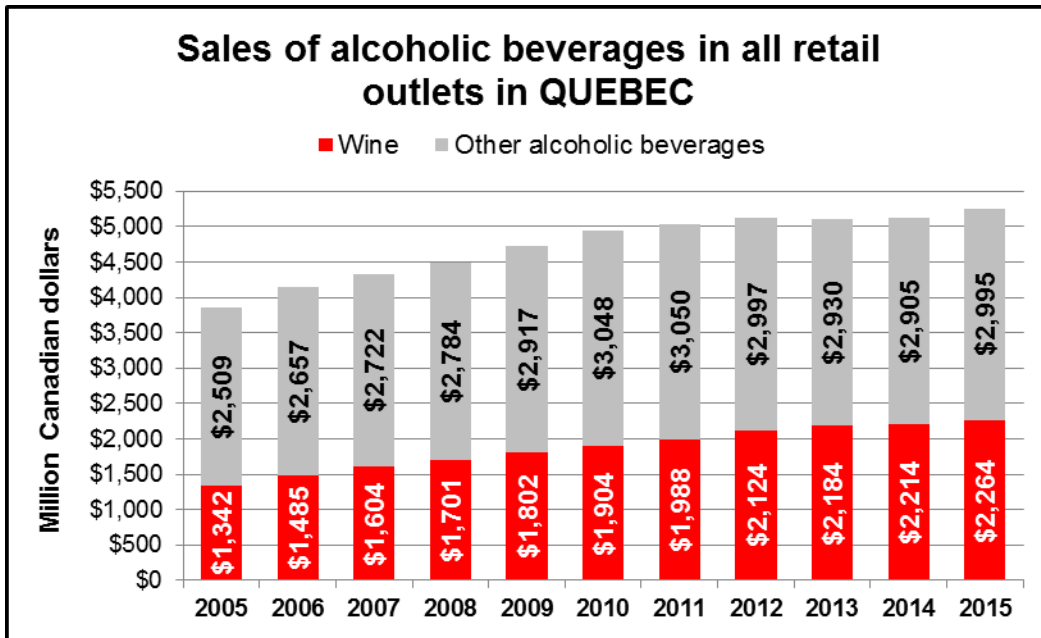


Source: Statistics Canada



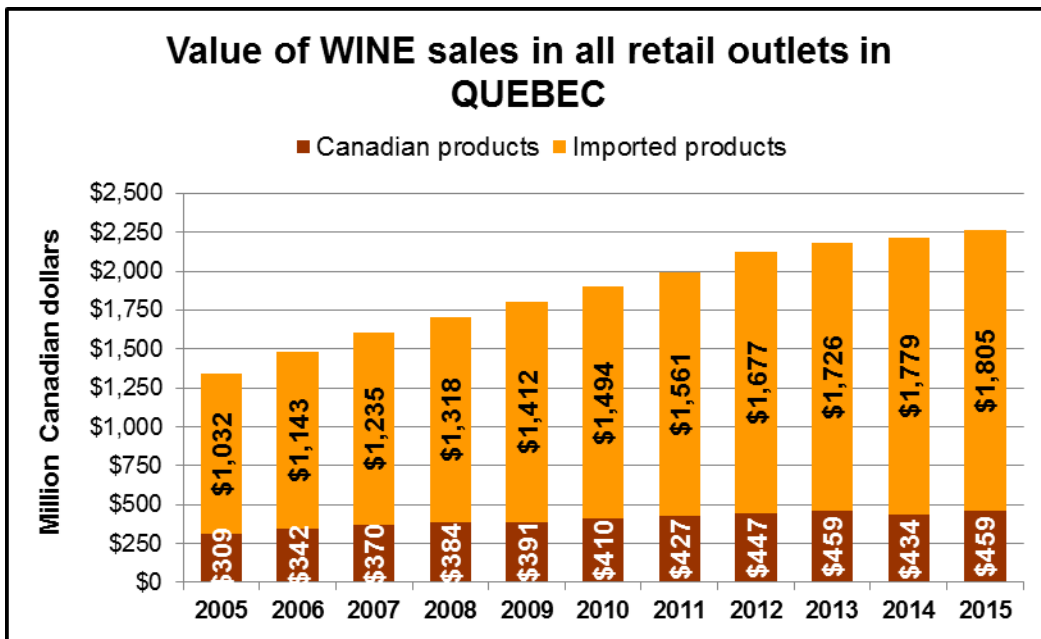
Source: Statistics Canada

Note: According to a [report](#) by Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada go through the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet).



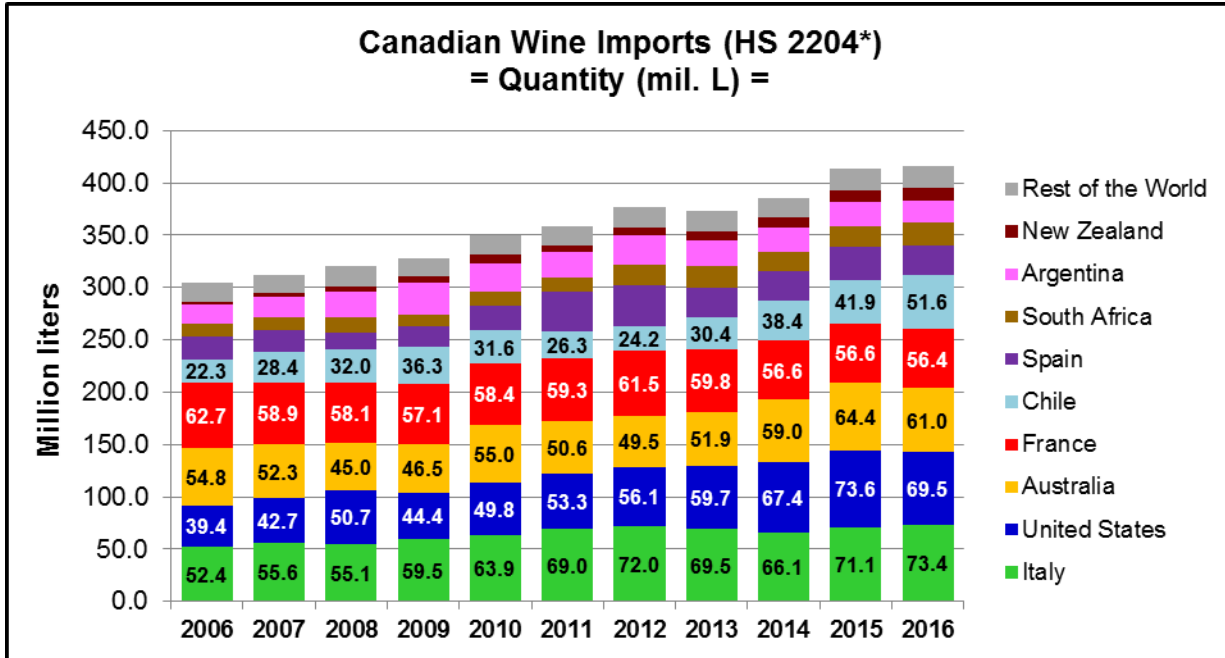
Source: Statistics Canada

Note: According to a [report](#) by Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada go through the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet).

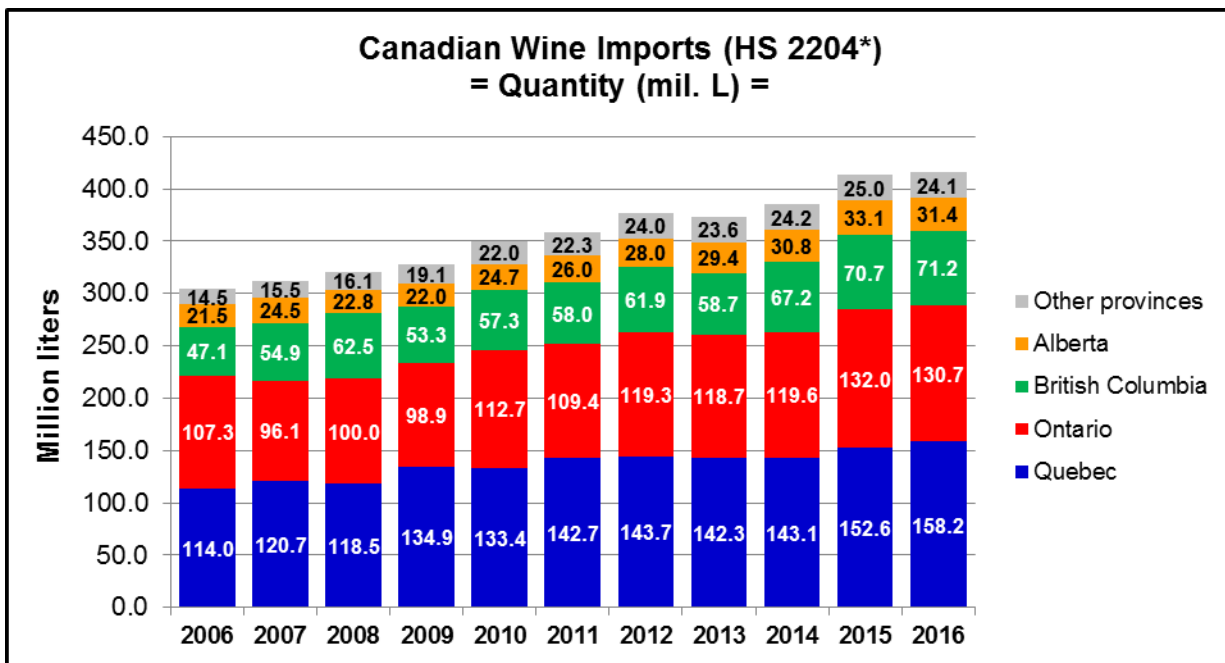


Source: Statistics Canada

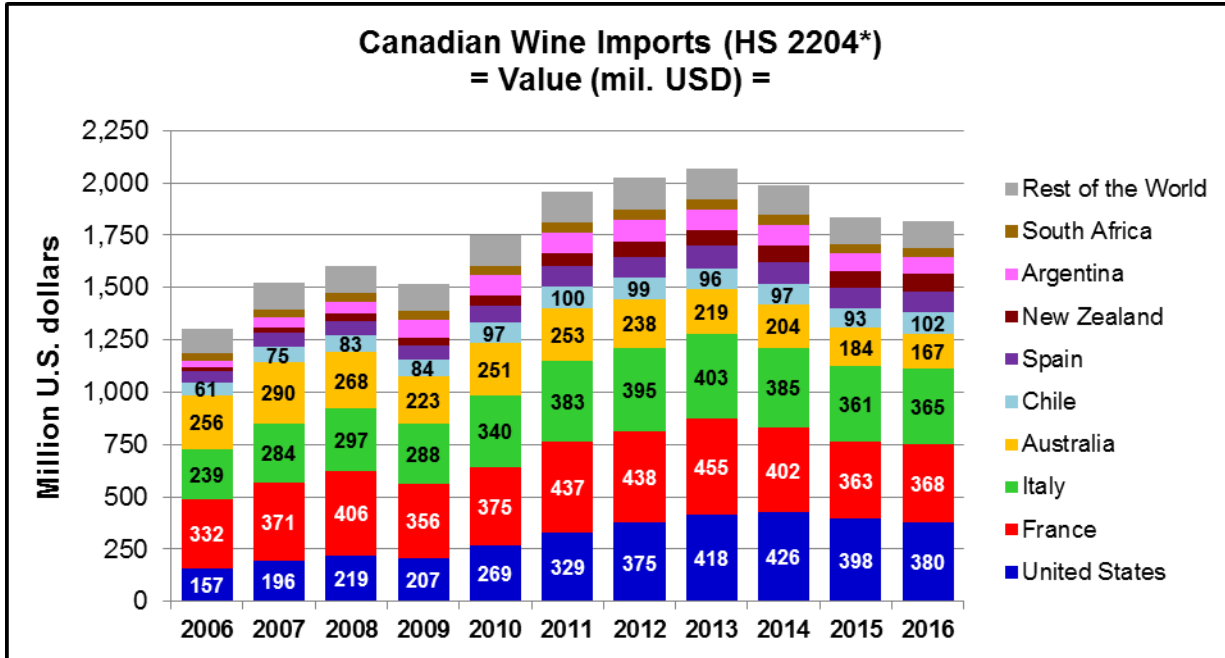
Note: “Canadian products” in Quebec include foreign wine imported in bulk, bottled in the province and sold in groceries and convenience stores.



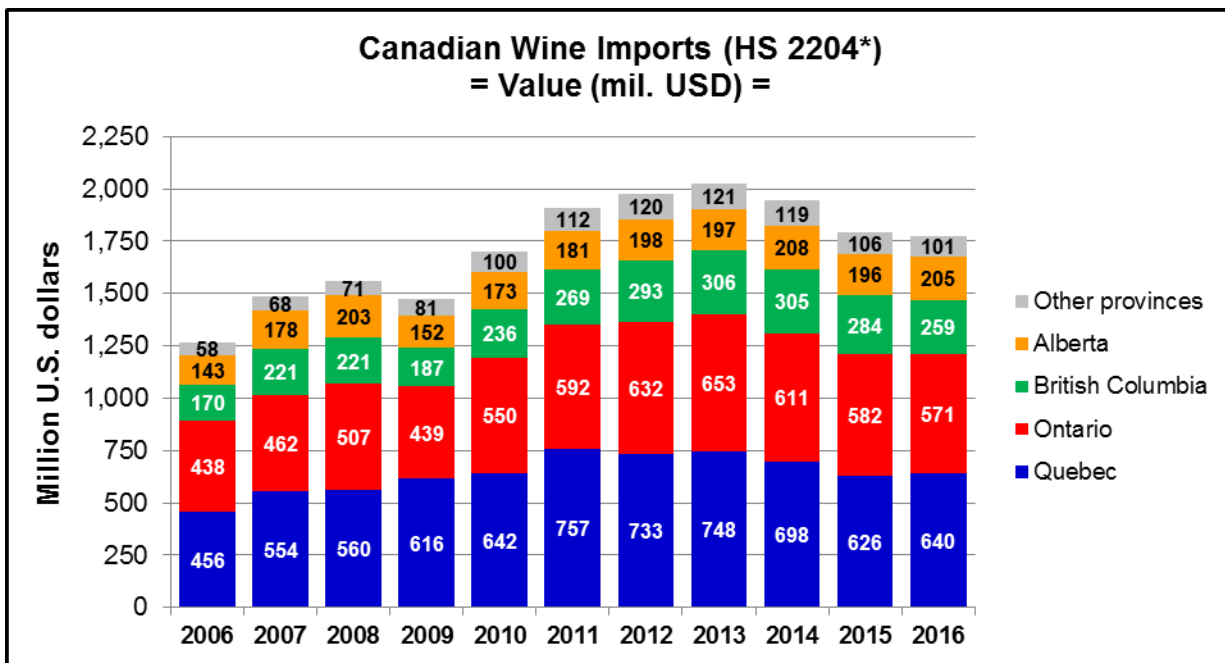
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



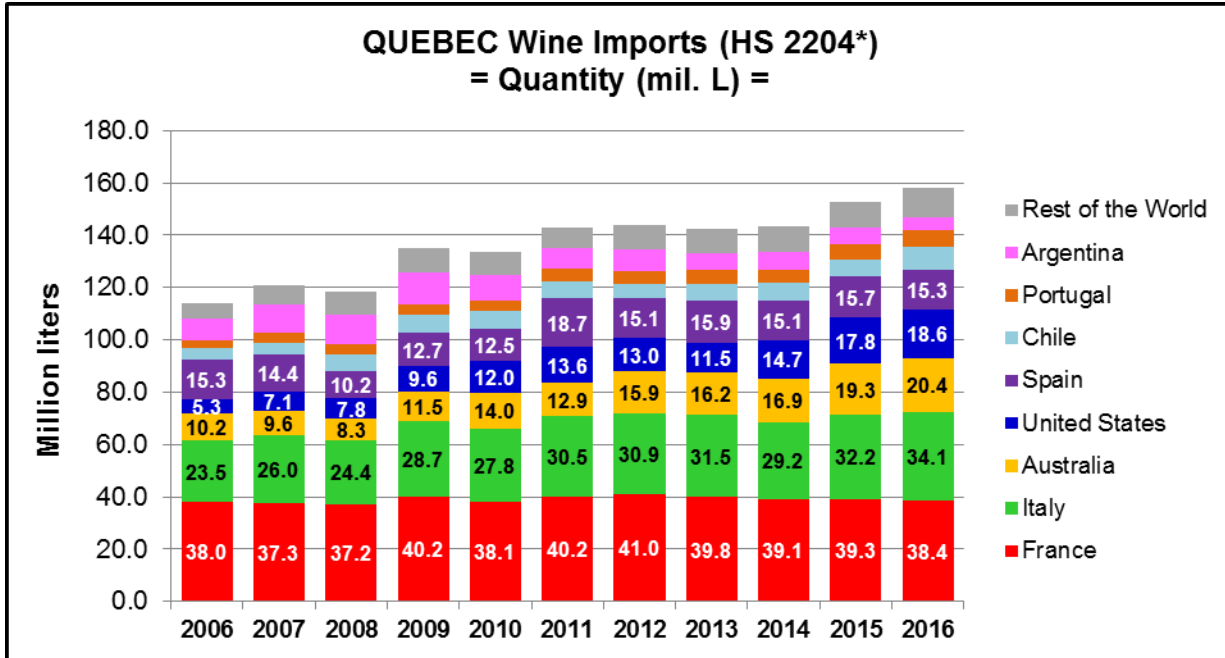
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



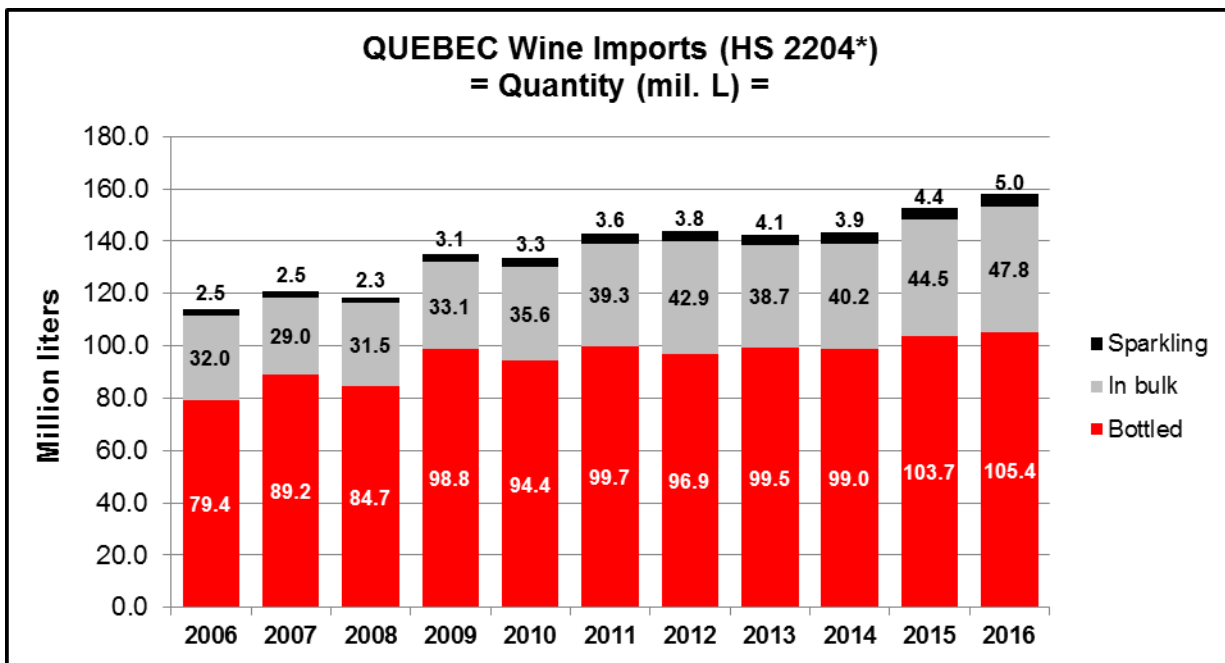
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



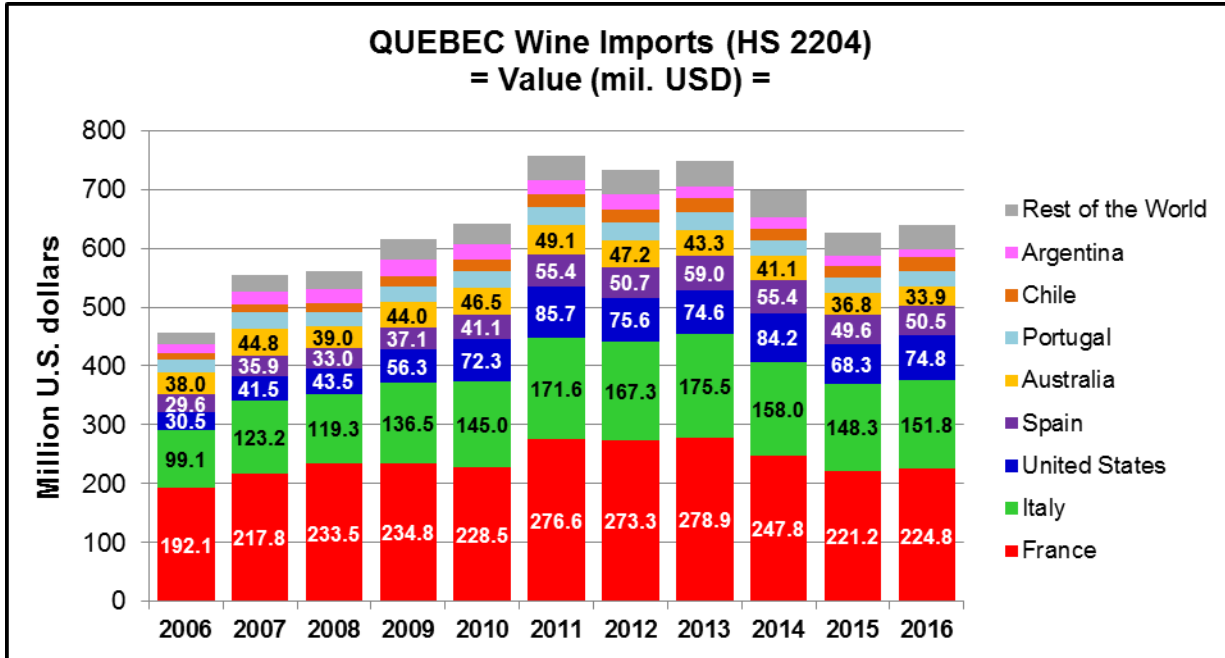
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



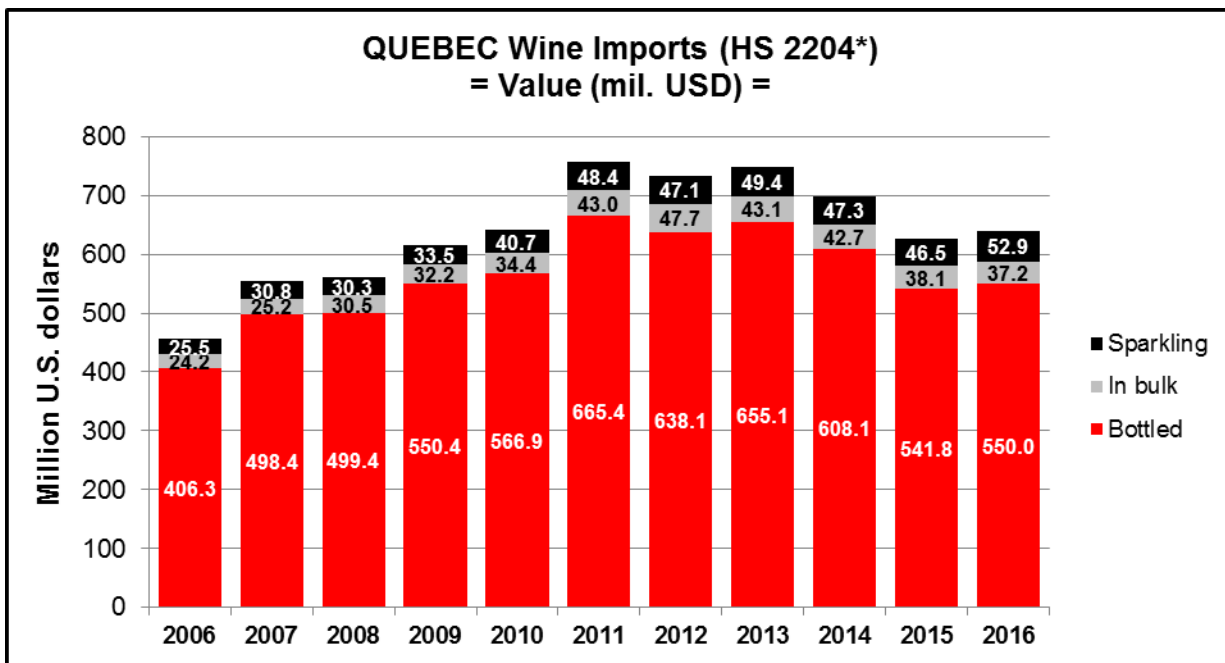
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



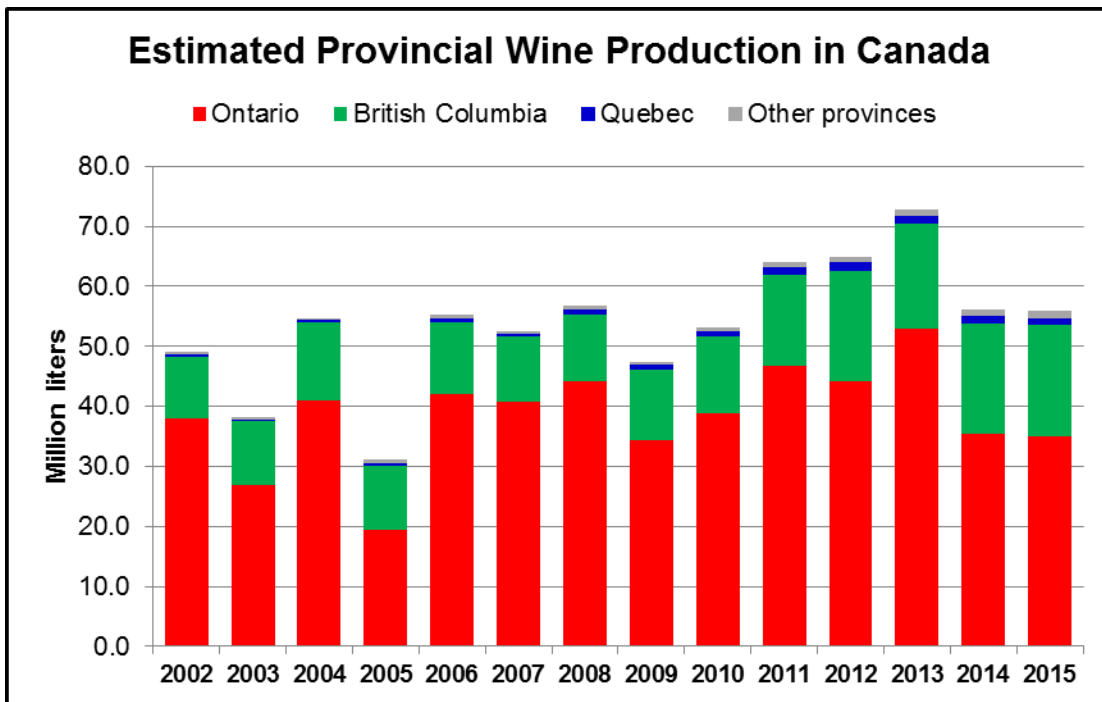
Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk

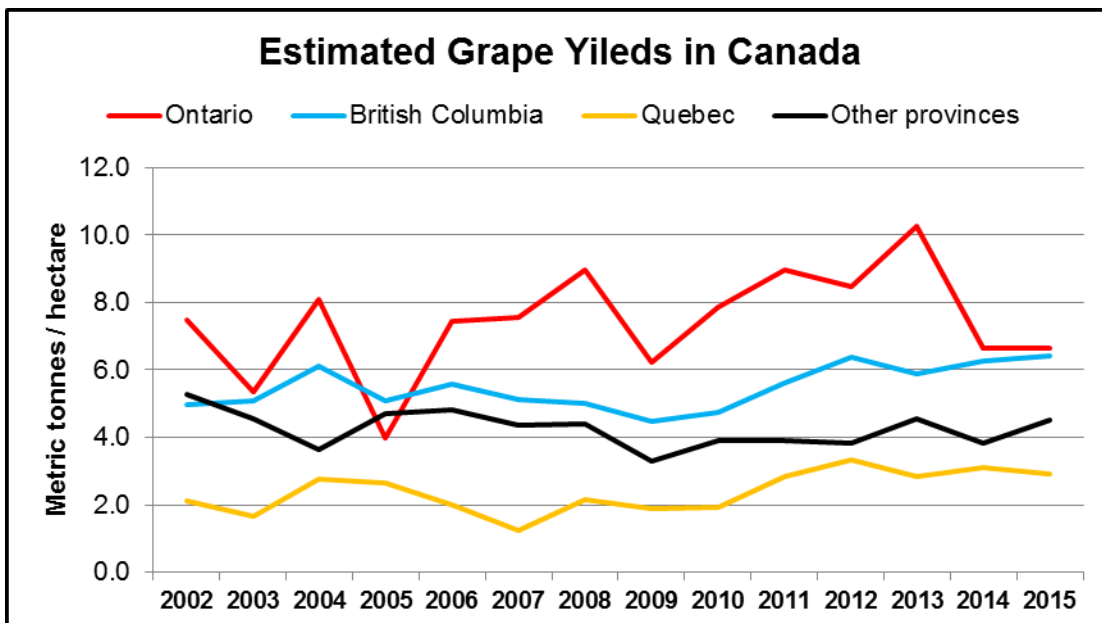


Source: Global Trade Atlas / *Includes bottled wine, sparkling wine and wine in bulk



Source: Statistics Canada and Post estimates

Note: These estimated production volumes are based on Statistics Canada data for wine grape production, to which Post applied an average yield level to derive the wine volumes. Basically, these volumes represent the total amounts of wine produced in Canada from grapes grown in Canada.



Source: Statistics Canada and Post estimates

Note: These yields are calculated using Statistics Canada provincial data on cultivated area and grape production.

List of Various Quebec Acts and Regulations Pertaining to Wine Sales and Distribution

[Act respecting the Société des alcools du Québec](#)

[Act respecting liquor permits](#)

[Act respecting offences relating to alcoholic beverages](#)

[Regulation respecting the terms of sale of alcoholic beverages by holders of a grocery permit](#)

[Regulation respecting promotion, advertising and educational programs relating to alcoholic beverages](#)

[Regulation respecting the duties and costs payable under the Act respecting the Société des alcools du Québec](#)

Additional Quebec laws and regulations related to alcoholic beverages can be found on RACJ's website [here](#).

Additional information about the SAQ can be found [here](#), including information about selling wine through the SAQ: [Doing business with the SAQ](#).