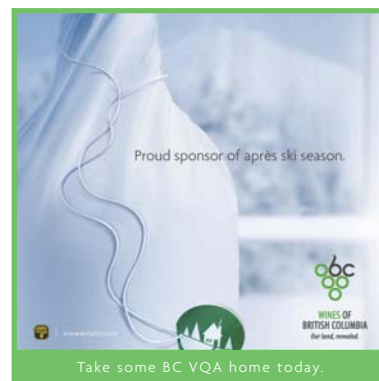


British Columbia Wine Institute Winter Report 2006



British Columbia VQA Wines Break Through \$131 Million

Annual sales of BC VQA wine passed \$131 million in December 2005, climbing 21 percent from the same period a year earlier. We are now the second-largest category in BC, behind cellared-in-Canada non-VQA wines.



Above are recent examples of the creative materials promoting the Wines of British Columbia (BC VQA) in BCLDB and VQA stores

Here's a summary of our marketing work we've done over since the annual general meeting last summer, and over the past year.

Retail Creative

- We have prepared advertising for several consumer, trade and tourism publications including the Tourism BC 2006 Vacation Planner, EAT Magazine, Wine Access, Vancouver Magazine, Thrifty Foods' Fresh, Wine Trails, the Tourism Association of Vancouver Island Arts & Culture Guide, and many others. These ads both increase awareness of the Wines of British Columbia and Wine Regions brands and encourage trial and purchase at BC Liquor Stores and VQA Wine Stores.
- In December, we finalized our creative direction for 2006/07, well in advance of where we were at the same time last year. In January, we finalized the 2006/07 marketing plan and marketing calendar – we also completed this work significantly sooner in the year than we were able to last year.
- Our January retail program was featured in 102 BC Liquor Stores.

- We briefed the BCLDB on creative direction for the year, and got their input and support. They have approved end-aisle displays in all 208 of their stores for April, July, September and December.
- We hired a new advertising agency/creative team a year ago. They have worked with us and our marketing committee to develop a new brand identity and logo series (and completed a Graphic Standards Manual to assist internal staff and members with requests for logos and usage).

Trade Shows & Media Events

- The 2005 fall release in September was our third annual, and each year it has improved. It is a quality event with strong attendance and excellent feedback from trade and media. With all the wineries there it makes sense to have a consumer event, so this year we added ChefmeetsGrape, which involved a dozen of Vancouver's top restaurants and chefs pairing their creations with our wine. This was very well received.
- That was followed by our new on-premise program called Whatgoeswithfish, featuring the same dozen restaurants which created special menu items with BC VQA wine pairings for the second half of September. We delivered the Taste of BC retail program in the BCLDB and VQA stores in October, and the Marvel refrigerator retail program in the VQA stores.

continued on page 3

Message from the Chair

Sales for BC VQA wines figures continue to skyrocket. Recent numbers showed that we topped \$131 million in rolling 12-month sales. Our annual growth hovers around 20 per cent, and we are now the number two category in BC, ahead of all wine importing regions.

Many deserve credit for this phenomenal success. Wineries and winemakers have stayed current with wine-drinkers' trends by making quality wines in fresh and crisp styles that British Columbian consumers seek out. Grapegrowers are producing the quality grapes winemakers need to make those wines. BC's restaurateurs and chefs are part of the success story because of the special effort they've made in putting our wines in prominent spots on their wine lists. The chain of 20 VQA stores is playing a critical role in boosting sales of BC VQA wine.

And part of the success story is the British Columbia Wine Institute (BCWI), which has raised the bar in its strategic marketing through a comprehensive re-branding exercise that resulted in a new brand plan, logo and tag line that sells the beauty of our wine regions and the quality of our wines. The BCWI is delivering quality retail programs and first-class tasting events for trade, media and consumers under the capable management of Peggy Athans and her team.

Our industry's success is clear, but we must keep our momentum because the pressure from wine-importing countries is unrelenting, and because times are changing for the BC wine industry. The provincial government is in the process of creating the new British Columbia Wine Authority, an arms-length body that will administer the VQA standard, including the tasting panel that ensures BC wineries' products meet the standard for quality. The new British Columbia Wine Authority is an important step toward protecting the quality that we have all worked so hard to achieve.

As a result of this development, the BCWI is moving toward its new role as a voluntary trade association. Our vision is this: to establish the Wines of British Columbia (BC VQA) as the preferred premium wine brand in BC; create a business climate that encourages investment in the quality of BC wines; provide leadership on key industry issues; and assist members in reaching their full potential. The BC wine industry needs the BCWI more than ever, because despite our recent successes, there is so much more we can achieve, such as excise tax relief and a coordinated and collaborative wine tourism strategy. Choosing membership in BC's lead wine industry trade association is good for our industry and good for your business.

We look forward to seeing you at the March 7 general meeting in Penticton.

*Gordon Fitzpatrick, Board Chairman,
British Columbia Wine Institute*

Category Update

- o BC VQA wine sales are sizzling. For the 12 periods ending December 2005, the BC VQA category reached \$131,779,267 in sales, up from \$129,308,767 ending November 05 (picking up \$2,470,500). This is 21% growth for the last 12-month period.
- o We now command a 20.19% market share. November 2005 was the first time that the BC VQA category reached over 20% market share.
- o The gap between Canadian non-VQA and BC VQA market share is narrowing; however, combined market share of the categories has been maintained, even increasing slightly over the last two years from 43.31% to 43.89%. The Australian category growth rate has slowed significantly. Last year at this time, Australia was experiencing a growth trend of 36% as compared to the current trend of 14%. South Africa, Spain and New Zealand, although small categories, are experiencing strong growth. This is a good trend for BC VQA because it indicates that consumers are moving towards small niche varietal wines, similar to the kind of wines we produce.

- The Best of BC release of 1184 cases of premium BC VQA wines took place in November in select BCLDB stores in the Lower Mainland, Victoria and the Okanagan.
- We organized and executed a three-day tour of Okanagan's wine country for 45 VQA store employees and a five-day tour for 50 LDB advocates. BCLDB sales figures showed increased VQA sales in those stores with advocates after the tour.
- Dine Out Vancouver began in January, with BC VQA wines as a major sponsor. 144 restaurants participated in Dine Out Vancouver and featured BC VQA wines for two weeks. Twenty-two BC VQA wineries poured at Dine Out's media launch in Vancouver on January 11, with 300 trade and media attending. We also had the opportunity to feature BC VQA Icewines at the January 10 media dine-around, a smaller pre-event media tour for Dine Out.
- We participated in Vancouver Magazine Awards Fork + Glass (a high-end consumer event) featuring the BCWI Taste BC Booth on February 3 in Vancouver.
- We plan to dominate the wine calendar for 2006/07 – see the back of this report for our Calendar of Events.

Web Site

- We are nearly ready to launch our new website (www.winebc.com) aimed at consumers, trade, media and members. There are sections on VQA Wine Basics, Touring BC's Wine Country, areas for Media and for Research & Development information, space to submit and list events, VQA Wine Store locations and much more. Look for a bulletin from us later this month advising you on how to use features of the site aimed at members.

Media and Communications

- We hosted international media, including Petra de Vries and Peter Klose from the Netherlands in July and August, Tom Cannavan from the UK in September and Bruce Schoenfeld from the US.
- We hosted a group of five journalists from Taiwan with significant funding support from the Canadian Trade Office in Taipei from January 17 to 20. (The Canadian Vintners Association, Thompson Okanagan Tourism Association, and Tourism Sun Peaks also provided support.) They visited six Icewine producers, (including Blossom Winery in the Lower Mainland), and attended part of the Icewine Festival at Sun Peaks. Taiwan is the number one export market for BC VQA Icewines.
- We continued to provide our members with regular information bulletins and the media with timely and substantive releases.
- We revived the Research & Development newsletter (with an updated design) for December release, and received positive feedback on the content and new look.

Wine Consolidations

- Based on member feedback, the BCWI reduced the number of consolidations and competitions for 2005/06 due to mounting costs and the perceived value of awards. We shipped members' wines to 21 competitions (down from 33 the previous year).
- But even with fewer consolidations, members entered more of their wines than the previous year (490 cases, up from 362 cases), including 120 to the Canadian Wine Awards.
- See the back of this report for the list of wine competitions (and deadlines for our receipt of your wines) that the BCWI will consolidate for in 2006/07. For the coming year, we plan to keep careful track of the results, and going forward, we will not consolidate for competitions for which three cases or less are entered.

Going forward, we're working on new and important projects for 2006/07, including a consumer brochure, media kit, educational powerpoint presentation, new media supplement, a creative campaign for retail stores and advertising that focuses on wine tourism and promoting our new web site. We will update you on all of these as they progress. ●

VQA Store Update

Category Results

- We have 20 stores in operation. One store license is outstanding; the board of directors is looking at options for that license to take advantage of the 2010 Winter Olympics.
- Total VQA store sales in dollars are \$11,921,878 (Dec '05 year-to-date), up 24% over the same period last year with annual projected sales at \$15,026,904.
- The month of December was a record month, with total sales of \$2,199,247.
- We urge members to continue to supply VQA stores with as much product as possible. They are a strong distribution channel that offers an extensive selection and personal service to consumers, which translates into consumer loyalty and increased sales.

Marketing

- A new VQA wine store logo was launched in January. As a first step to begin branding the stores, we produced 50 large, oval, heavy laminated cardboard hanging signs for store windows.
- The marketing team is currently designing a trade show booth to be used at various wine events. Store staff operating the booth will provide information on selection of wines, locations, wine tasting information and promote the VQA stores collectively. This will be launched at the Vancouver International Playhouse Wine Festival in March.
- The Vancouver Island and Vancouver regions are working with the BCWI marketing team to execute their regional VQA store marketing plans. The Okanagan stores recently met as a group for the first time, and will meet with the BCWI marketing team soon. ●



Executive Director's Report - Winter 2006

The BCWI has been and continues to be an industry leader. We have been instrumental in helping drive sales of BC VQA wines from about \$6.8 million in 1991 to over \$131 million in 2006. Along the way, we have built a brand with a premium image; our average price per 750ml bottle has climbed from \$6.86 in 1991 to \$15.13 in 2006. We are active on many fronts. We have revived BCWI committees so that they are harnessing industry expertise and using it to guide industry growth. Our advocacy efforts have resulted in government ministries contacting us to learn more about the wine industry, and in our taking lead roles in critical issues facing the industry. Our marketing programs are setting new standards in high-level contact with trade, media and consumers.

The BC wine industry has achieved so much because of its early vision. However, we cannot stop looking ahead, and that's why we worked hard over the past year to develop a new vision for the new challenges that we face. We are making major efforts to prepare the BCWI for the new fiscal year starting April 1, 2006, when the BCWI transitions to a voluntary trade association. We have developed and/or completed our 2006/07 marketing plan and budget, nine-month financial statements, 2006/07 overall budget, cash flow analysis, and membership benefit guide. Our membership benefit guide will be mailed out to members soon; it outlines services we provide and cost of membership. If you have any questions, contact me and I will be happy to provide you with more information.

The efforts outlined above have put the BCWI in an excellent position to be the lead wine industry association to market our wine and our region. We recognize that this is a critical time for the BCWI. We are proud of the excellent work we've done, and are ready and prepared to present our vision and plans to industry in order to gain its support.

Marketing and Communications

I believe we now have a solid foundation in marketing and communications. We invested time and money into branding, programs, events and tools and we are seeing the results. The next step is to refine and amplify the excellent work we've done. For a detailed summary of all this work see the front page of this publication.

Advocacy

Advocacy is a major focus of ours; we are playing a crucial role in advocating for our members on various issues. Recent significant examples are the ongoing work we're doing on the Canadian Food Inspection Agency's proposed Wine Inspection Manual and related costs, the vine import regulations and working to get the BCWA operational by April 1. We're also working on federal excise tax relief and municipal property tax issues for wineries. The work of the Wine Advisory Panel around formation of the BCWA continues. Board chair Gordon Fitzpatrick recently hosted Minister of Agriculture and Lands Pat Bell, while Minister of Public Safety John Les visited the Okanagan in December. As well, I spent two days touring member wineries with Minister of Tourism, Sport and the Arts Olga Ilich and her deputy minister Virginia Greene in October.

Administration

Our new marketing manager, Alexandra Parr, joined the BCWI in September. Her first major task was writing the 2006/07 marketing plan. Traci Burke filled the position of reception-marketing assistant-tour planning. Effective March 1, financial manager Lori Hamilton is leaving the BCWI for another opportunity, and we have hired Jennie Lea-Wilson to replace her. I am pleased with the staff team I have assembled, and we are well positioned to tackle the huge volume of work that lies ahead.



**BRITISH COLUMBIA
WINE INSTITUTE**

Our land, revealed.



**WINES OF
BRITISH COLUMBIA**

Our land, revealed.



**WINE REGIONS OF
BRITISH COLUMBIA**

Our land, revealed.



VQA WINE STORES

Our land, revealed.

The BCWI's new graphic standards

Committees

Health & Safety — this committee is now established as an ad-hoc committee under the Research & Development Committee. On January 10, the committee met to determine its status and to discuss the health and safety manual project.

Marketing — the committee met on September 21 to get feedback on current and upcoming projects and direction, which provided the BCWI a solid base from which to develop the 2006/07 marketing plan. The committee met to review and finalize the 2006/07 marketing plan and budget and the marketing calendar on January 17. The plan was presented to the board in draft format on February 7, providing time to develop the BCWI's operating budget before the general meeting on March 7.

Research & Development — the committee met to discuss July's R & D conference, the BCWI web site, the R & D newsletter and an update of the Grape Management Guide. The committee also discussed the future of the Wine Grape Development Council, and at the November meeting, reviewed letters of intent for future projects and the Canadian Food Inspection Agency's proposed vine import requirements. Committee chair Hans Buchler presented a proposal for the new council at industry meetings on January 16; the membership is now voting on the proposal, and has until March 31 to do so. The committee also met twice in January to review R & D proposals.

Finance — the committee met on November 9 to review six-month financial statements, and on January 19 to review nine-month financial statements, proposed 2006/07 budget and cash flow. There is a vacant seat for a small winery representative on this committee

Technical — the committee met last August to re-establish itself as an active committee, and has provided important advisory counsel on technical issues for BCWI staff as the organization moves toward a new industry role. As well, the committee is leveraging the hard work done by many people in the industry around standards, especially during this time as we are giving responsibility for standards over to the BC Wine Authority. In November, the committee met to review and update the current standards package, and also met in November to examine the proposed Canadian Food Inspection Agency (CFIA) Wine Inspection Manual in preparation for a meeting with the CFIA. On January 18, the committee met to review the CFIA Wine Inspection Manual prior to meeting with federal government and CFIA officials. On January 23, the committee met to review CFIA Wine Inspection Manual chapters 4 and 5 as per the previous week's meeting.

*Peggy Athans, Executive Director,
British Columbia Wine Institute*

Calendar of Events for 2006

January	4 – 30	BCLDB VQA Thematic Display*	Provincial	102 LDB Locations
	11	Dine Out Vancouver Launch*	Vancouver	Terminal City Club
	17	Liberty BC Wine & Oyster Festival	Vancouver	Hyatt Regency
	17	BCWI Marketing Committee Meeting*	Kelowna	Coast Capri Hotel
	19 – 22	Okanagan Icewine Festival	Sun Peaks	Various Events
	20 – Feb. 2 to Jan. 31	Dine Out Vancouver Program* VQA Stores – Marvel Fridge Promotion*	Vancouver Provincial	Various Restaurants 20 VQA Stores in BC
February	3	Vancouver Magazine Wine Competition Fork and Glass Event*	Vancouver	Vancouver Club
	7	BCWI Board Meeting*	Penticton	Wine Information Centre www.winebc.com
	15	BCWI Website Launch*		Fairmont Empress
	16	Dine Around Victoria Launch*	Victoria	Various Restaurants
	16 – Mar. 5 27 – Mar. 5	Dine Around Victoria Program* Vancouver Playhouse Int'l Wine Festival	Victoria Vancouver	Various Locations
March	4	BC Event - Playhouse Int'l Wine Festival*	Vancouver	O'Doul's Restaurant
	7	BCWI General Meeting*	Penticton	Riverside Conference Centre
	22 – 23	Victoria Festival of Wine	Victoria	Various Locations
April	All month	BCLDB Thematic Display*	Provincial	208 LDB Locations
	TBD	VQA Store Meeting*	TBD	TBD
May	4 – 7	Okanagan Spring Wine Festival	Okanagan Valley	Various Events
	15 (day)	BC VQA Spring Release Trade Event*	Victoria	Laurel Point Inn
	15 (eve)	BCRFA Victoria Wine Festival	Victoria	Laurel Point Inn
	16	BC VQA Reception for Legislature*	Victoria	TBD
	18 (day)	BC VQA Spring Release Event*	Vancouver	TBD
	18 (eve) 20	Pre-Release Consumer Tasting BCLDB Best of BC Spring Release	Vancouver Vancouver	TBD Various LDB Locations
June	2	Launch of BCWI Summer Wine Supplement*	TBD	
	5 – 9	BCLDB VQA Advocate Tour*	Okanagan Valley	Various Locations
	13	BCWI Board Meeting*	TBD	TBD
July	All month	BCLDB Thematic Display*	Provincial	208 LDB Locations
	5 – 7 (TBC)	VQA Store Tour*	Okanagan Valley	
	17 – 18	Research & Development Conference*	Penticton	Trade & Convention Centre
	18	BCWI Annual General Meeting*	Penticton	Trade & Convention Centre
August	10 – 12	Okanagan Summer Wine Festival	Vernon	Silver Star
September	All month	BCLDB Thematic Display*	Provincial	208 LDB Locations
	21	Fall Release Event/ChefmeetsGrape*	Vancouver	Vancouver Convention & Exhibition Centre
	29 – Oct. 8	Okanagan Fall Wine Festival	Okanagan Valley	Various Events
October	12 – 15	Home & Interior Design Show	Vancouver	BC Place Stadium
	12 – 14	Rocky Mountain Wine & Food Festival	Calgary	Stampede Park
	19 – 21	Rocky Mountain Wine & Food Festival	Edmonton	Shaw Conference Centre
	Date TBD	Wine Access Awards	Kelowna	TBD
November	2 (TBC)	Pre-Release Consumer Tasting	Vancouver	TBD
	4	BCLDB Best of BC Fall Release	Vancouver	LDB Locations
	9 – 12	Cornucopia – 10th Anniversary	Whistler	Various Events
December	All month	BCLDB Thematic Display*	Provincial	208 LDB Locations

* Events that are either BCWI-hosted or sponsored (no star = non-BCWI events)