

MGGA Banquet Speech

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Building a Quality Assurance System—Questions to Ask

- Do we need one?
- Are there specific problems or issues in the industry that need to be addressed through a quality assurance system, assuming this will carry with it regulation?
- What regulations need to be incorporated into the system?
- How can we design a system that everybody will “buy into”?
- How can we monitor the success of the system, either by sales volumes, presence of wines on wine lists, press coverage, etc?

The VQA System in Ontario

Vintner’s Quality Alliance is a quality assurance system that has been built around an identifiable mark so that the consumer can easily identify products that meet the standards set out by VQA.

Background on the industry before VQA

- In the 60’s and 70’s Ontario and BC had moderate domestic market success, with the market dominated by a few large manufacturers
- Consumers were drinking things like Baby Duck and there were relatively few “wine connoisseurs”
- Most varietal wines were based upon hybrid varieties such as De Chaunac, Marechal Foch, etc. This actually started in the 1950’s and by the 1970’s many dry red and white varietals were being produced. There were Rieslings and Chardonnays around but they were not much more than 10% of the acreage

Two important things were changing

1. Consumer exposure to imported fine wines was increasing and tastes were changing
2. The Free Trade Agreement with the US (eventually enacted in 1988) threatened to wipe out sales of Ontario wine of marginal quality

Several things then happened in the industry:

- By the mid-1970’s the big producers started shifting their production more towards European-style wines (e.g. generic blends such Hochtaler and Alpenweiss, that were based upon blends of Elvira, Dutchess, etc. and sufficient volumes of Riesling and/or Muscat to create a floral aspect to the blend)
- Varietal wines made from hybrids and *Vitis vinifera* became more commonplace.
- At about the same time, small independent wineries started opening with a focus on producing small amounts of quality wine.

The Free Trade Agreement of 1988 had an enormous impact.

It posed a significant threat to the very survival of the grape and wine industries in Ontario and BC. Up to this point, Canadian wines had > 50% of the domestic market, partly due to protectionist legislation that added a much higher excise tax onto imported products. The Free Trade Agreement would remove this differential tax structure from US wines, allowing mostly California wines to enter Canada without any punitive excise taxes.

At the time Ontario wines were not in a very good position to compete on the basis of either price or quality.

The threat brought the industry and government together to come up with a solution which would become the wine and grape strategy. They all sat down together and worked out what needed to be done.

The strategy focused on making the industry more competitive and increasing product quality and marketing.

It included ripping out and replanting hundreds of acres of vineyards across the Niagara and north of Lake Erie in Ontario, and doing the same in BC.

- Varieties not suitable for quality wines were removed—mostly *Vitis labrusca* (Elvira, Delaware, Agawam, Dutchess, etc.) and lesser quality hybrids such as De Chaunac. Concord and Niagara were retained for juice production in Ontario. In BC, removals included Bath, Diamond, Okanagan Riesling (30% of the acreage), all hybrids except Vidal and very small amounts of Chancellor, Rougeon, Chelois, and Marechal Foch.
- More *Vitis vinifera* varieties planted (3 year wait for production to recover)
- Painful for growers financially (government provided financial assistance)
- Acreage went from 26,000 to ca. 16,000 in Ontario and from 3500 to 900 in BC

During this time, consumers were continuing to develop more sophisticated tastes and many were becoming more interested in wine. The “Mad men” generation was giving way to a generation of wine consumers.

However, despite the success of small producers producing quality wines, Ontario wines continued to be saddled with a bad reputation through the 80’s and perhaps beyond.

The industry was struggling to establish a niche market for quality wines. A few producers got together to discuss how to get consumers to recognize that Ontario could and did produce fine wine that could compete with imported products.

Creation of the VQA

The conditions at the time favoured the creation of an Alliance

- the smaller players were facing a fiercely competitive market and had limited resources individually
- they were a small community and geographically close together
- they were entrepreneurial in spirit and faced many common challenges
- they all stood to benefit from collective action (and most important of all - they recognized it)

As a result, the Vintners Quality Alliance was formed in Ontario and in BC 1988 to develop and promote quality standards.

These were based on the assumed basics of quality in wine production:

Good wine is a result of several key conditions.

- Soil, geography and climate
- Grape variety and fruit composition
- Winemaking processes

Ontario and BC were not about to blaze a trail... they needed to import credibility to sell to consumers. VQA is based on all the best aspects of well established and respected systems from around the world-e.g. AOC, DOC, etc.

Proven systems were incorporated so that the system would have some basis for respect among wine producers and consumers.

This provided the basis for a key factor – CREDIBILITY. Not only did we adopt credible standards, all participating winemakers agreed to abide by the standards and not cut any corners.

The VQA system includes independent tasting of all wines before they can use “VQA” and appellation terms and all are subject to a rigorous and independent audit process.

The tasting and lab testing are done by LCBO in Ontario (not the industry) but this is performed using a

combination of BCLDB experts and winemakers in BC. Wines that do not pass this test can appeal the decision. The appeal panel is composed of industry members who must pass a written and sensory test annually.

The audit process also done by LCBO and is comprehensive. It requires records to show that harvests match wine production. It provides quality assurance of the content and method of production for all VQA wines.

In brief the VQA standards set out rules for

- Origin and variety of grapes (e.g. no labruscas; only a handful of hybrids; all mainstream viniferas)
- Wine-making process and technical details, mostly with respect to icewines, but also things such as sulfur dioxide concentrations, minimum Brix values for each variety, etc.
- How wines are approved
- How they are labeled and what terms are allowed

All of these things are important to the quality of the wine and the consumer perception of the product.

Other observations about starting the system –

1. The wineries that joined VQA committed themselves to very high standards. Many participants suffered high anxiety levels as to whether they would be able to live up to the standards they had set.
2. They also committed to build brand equity in VQA and the wine appellations along with their own proprietary brand labels.

Early successes

ICEWINE

- made exclusively as a VQA appellation wine
- award winning
- internationally recognized
- opens door for other VQA wine
- now the flagship product for VQA

Consumers reacted very positively to VQA labeled wine and Ontario winemakers have since proven that they can indeed meet the standard.

As VQA sales grew, more resources became available for promoting VQA to consumers.

The industry put a tremendous amount of effort into marketing VQA as a premium quality brand.

It has always been positioned as a premium brand and marketing has focused on reinforcing this concept and showcasing product.

A long term approach was taken to consumer motivation and marketing – produce a good quality product, associate a mark with it and generate customer trust and loyalty.

Based on the notion that the consumer is looking for a better quality product and is willing to pay more for it if it is a good value.

VQA has simply provided a way for consumers to judge quality and have some assurance that a VQA label means that they will get good value for their money. And it has been supported by an independent, and now regulated, evaluation so it has credibility with consumers.

An important part of the marketing effort has been leveraging every opportunity possible to bring products to the consumer's attention.

For example

- Participating in LCBO marketing where possible

- Tourism initiatives
- Industry events – food shows, tastings, partnerships, wine writers.
- Restaurants – initiatives underway now

The result of these efforts has been beyond all expectation.

- Many new wineries have come on stream (107 and counting – in 2008 in Ontario and an equal number or greater in BC)
- In the last 5 out of 7 years, we have had double-digit growth in VQA sales every year in Ontario
- We have had a number of excellent vintages but also some challenging years (crop shortages and pests) but this has not been a major setback

Some more markers of success:

- Consumers see VQA as a separate category and identify it with origin and quality (especially important with “local” movement)
- Typical import buyers also buy VQA
- Future growth potential is excellent (only 10% of wines sold in Ontario are VQA)

WHERE TO FROM HERE

Continue building and consolidating credibility and focus on appellation and character as the distinguishing feature for VQA wines.

Regulation – maintain arms-length regulatory model under legislation.

Pursue exports where appropriate to build reputation.

A similar approach could be successful in other regions if the following are present:

- Industry leadership and vision
- Commitment to a long-term goal
- Consumers demand for quality and means to identify quality

What About Minnesota?

- Any state or region can create a quality assurance system as long as everyone is supportive. If only part of the industry is supportive it cannot work.
- The system needs to be one that everyone can live up to—it cannot work if standards are unattainable
- You might wish to avoid what we did in Ontario, and that is making the VQA regulations a law. It makes changes very difficult, it politicizes everything, and in many ways, it is non-progressive. For example, a number of excellent varieties have been introduced from breeding programs here in Minnesota and in NY—consider Frontenac, Valvin Muscat, Traminette, Noiret, etc. trying to get these approved for use as VQA-sanctioned varieties will be very difficult indeed.
- Avoid any regulations that specify yield ceilings, cultural practices, or winemaking practices
- Although I’m begrudgingly a supporter of the no labrusca rule for Ontario and BC, that rule might not be appropriate in MN if you don’t have the luxury of growing Riesling, Chardonnay, Pinot noir, etc. Make a list of approved varieties, but make sure it is something everyone can work with.

For more information on VQA Quality Standards and Regulation contact VQA Ontario, 1 Yonge Street, Suite 1601, Toronto, ON, M5E 1E5, 416-367-2002 www.vqaontario.ca

For more information on VQA marketing contact the Wine Council of Ontario, 110 Hannover Dr., Suite B205, St. Catharines, ON, L2W 1A4, 905-684-8070. www.winesofontario.org