

Voluntary Report – Voluntary - Public Distribution

Date: June 22, 2021

Report Number: CA2021-0040

Report Name: The Quebec Wine Market

Country: Canada

Post: Ottawa

Report Category: Wine

Prepared By: Mihai Lupescu

Approved By: Evan Mangino

Report Highlights:

Quebec is the largest wine-importing province in Canada, at 180 million liters of wine valued at \$770 million in 2020. While nearly all imported bottled wines are sold at provincially owned and operated retail outlets, imported bulk wines bottled in Quebec can be sold in convenience and grocery stores. The United States was the fourth-largest wine supplier to Quebec by value in 2020 (\$66 million) and the fifth largest by volume (15 million liters).

Quebec Wine Market Overview

In Canada, the authority to import and distribute alcohol rests with provincial governments. According to a [report](#) from Agriculture and Agri-Food Canada (AAFC), 85 percent of wine sales in Canada occur in the retail channel (including stores owned by provincial liquor authorities, grocery stores, convenience stores and any other retail outlet), with the remaining 15 percent of sales are comprised of food service (e.g., bars and restaurants) and direct deliveries to end-use customers (e.g., sales to individuals). Statistical data on wine and other beverage alcohol is only available for the retail channel.

In 2020, four provinces – Quebec, Ontario, British Columbia, and Alberta – made up 92 percent of the total Canadian wine retail market value, including both imported and Canadian-produced wines.¹ At \$2 billion², Quebec represented 32 percent of the total Canadian wine retail market, just behind Ontario (36 percent). When purchasing alcohol, Quebec consumers predominantly select wine over other types of alcoholic beverages, a characteristic attributable to the primarily francophone population and deep cultural ties with major European wine producing countries. In 2020, Quebec consumers continued to lead all other provinces in Canada in per capita wine consumption (based on retail sales) at 24 liters and \$280 per person, up 39 and 63 percent respectively from 2005.

Wine Distribution Channels in Quebec

The purchase, distribution, and sale of alcohol in Québec is controlled by the provincial liquor authority [Société des alcools du Québec \(SAQ\)](#), while the [Régie des alcools, des courses et des jeux \(RACJ\)](#) regulates the alcohol industry (as well as the lottery, publicity contests, gambling, racing, and combat sports industries).

The following table presents the value of wine sales in retail outlets in Quebec, as reported by the SAQ. Between 2002 and 2020, total wine sales have increased by nearly 130 percent. 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 \$150-300 million in wine sales through other distribution channels, such as food service or private sales to individuals.

Retail sales of wine in Quebec as reported by the SAQ

<i>million CAD</i>	2002	2006	2010	2015	2018	2019	2020
Total wine sales	1,105	1,470	1,906	2,264	2,388	2,394	2,504
In SAQ stores	884	1,210	1,617	1,942	2,045	2,047	2,152
	80%	82%	85%	86%	86%	86%	86%
In groceries and convenience stores	221	260	289	323	343	347	352
	20%	18%	15%	14%	14%	14%	14%

Over the last 18 years, wine sales in SAQ stores grew by 145 percent, while wine sales in groceries and convenience stores grew by only 60 percent. This is also reflected by the SAQ stores' increasing share

¹ Throughout this report, FAS/Ottawa will spell Quebec according to the standard English language spelling of the province unless it appears in a proper name, such as A3 Québec, in which case the French spelling will be used.

² Throughout this report, and unless otherwise noted, all 2020 data was converted from Canadian dollars to U.S. dollars using an exchange rate of \$1 USD = \$1.25 CAD

of total sales (from 80 to 86 percent) and the declining share of wine sales in groceries (from 20 to 14 percent) as Quebec consumers increasingly opt for better quality wines, which are predominantly found at SAQ stores.

SAQ Stores

The largest wine distribution channel in Quebec is via the SAQ stores and SAQ agency stores, accounting for about 86 percent of the total 2020 retail wine sales in the province. The SAQ stores are retail outlets directly owned and operated by the SAQ. The SAQ agency stores are essentially SAQ shelf space co-located within grocery or convenience stores in smaller towns or in remote locations, where a directly owned SAQ store would not be economically viable. The SAQ shelf space in an agency store is clearly separated from the grocery's shelf space, is dedicated to wine, and is marked accordingly with signs reading "SAQ." Revenues from the SAQ wine sales are accounted for separately and transferred to the SAQ. The SAQ reports that it was operating 410 stores and 426 agency stores in 2020.

U.S. wines have access to this distribution channel by obtaining a 'listing' with the SAQ, which generally requires a winemaker to be able to continuously supply large volumes of wine. In 2020, the United States exported over 9 million liters of bottled and sparkling wine to Quebec, valued at \$62 million, most of which was sold through the SAQ network. These sales represented 63 percent of the total volume of U.S. wine exports to Quebec and 94 percent of total U.S. wine export value to Quebec; the balance was comprised of bulk wine to Quebec bottlers.

There are over 9,000 active wine SKUs across all SAQ stores and agency stores. An average SAQ store would hold between 1,000-2,000 wine SKUs. For all imported wine sold through its stores, the SAQ is the importer of record, wholesaler, provider of warehouse services, distributor, and retailer. Typically, wine imported into Quebec and sold in SAQ stores is assessed the following duties and charges: customs duties, excise taxes, federal goods and services tax (all paid to the federal government); provincial sales tax and a specific tax paid to the provincial government; and the SAQ markup, which covers the SAQ's cost of selling, merchandising, and distribution as well as administrative expenses.

In order to conduct business with the SAQ, wine suppliers typically go through a licensed agent. [A3 Québec](#) (formerly the Association québécoise des agences de vins, bières et spiritueux – AQAVBS) is the leading organization for wine (and other alcoholic beverages) agents in the province. According to A3 Québec'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. A3 Québec agents represent wine producers from around the world in their dealings with the SAQ and help market imported products in Quebec. Currently, A3 Québec has 70 members, representing wines from over 20 countries. According to the association, 95 percent of the products sold in SAQ outlets are represented by agents who are members of A3 Québec.

For more information about selling wine through the SAQ, please consult the section [Doing business with the SAQ](#) on the main SAQ website, as well as the [SAQ B2B](#) website.

Lightweight Glass Wine Bottle Policy

In 2021, the SAQ advanced a lightweight bottle policy, first announced in September 2020, requiring suppliers to transition from heavier glass bottles to lighter ones, due to environmental and SAQ

employee welfare considerations. By January 1, 2023, most wines, regardless of retail price, will have to use bottles not exceeding the following weights:

Bottle Size	Maximum Weight	Tolerance
750 ml	420 g	15 g
750 ml flute	460 g	15 g
1 liter	550 g	20 g
1.5 liters	700 g	25 g

The details of the policy and implementation timelines differ depending on the wine category (such as vintages, regular supply, and specialty products), bottle size, and retail price. For example, regular supply wines retailing for under \$20 CAD per bottle must be compliant by the end of 2021, while regular supply wines retailing for over \$20 CAD per bottle have until the end of 2022 to comply. The policy details initially announced by the SAQ were subsequently modified following input received from industry stakeholders and the latest information is available on the SAQ B2B website [here](#) (see attachments to this report).

Non-compliant bottles face penalties increasing from \$0.25 CAD per bottle in the first year of non-compliance up to \$1.00 CAD per bottle in year four. In exceptional circumstances, the SAQ *may* grant exemptions from its lightweight bottle policy where a wine appellation requires non-compliant bottles.

Grocery and Convenience Stores

The second largest distribution channel in Quebec, accounting for about 14 percent of the wine retail sales, is represented by grocery and convenience stores. According to Statistics Canada, in 2020, there were nearly 7,300 such retail stores in the province.

Only U.S. wines sold in bulk and bottled in Quebec have access to this distribution channel, where the demand is primarily driven by the Quebec bottling companies. In 2020, the United States exported 5.4 million liters of bulk wine to Quebec, valued at \$3.4 million, which was bottled in the province and mostly sold through groceries and convenience stores. Bulk wine sales represented 36 percent of the total volume of U.S. wine exports to Quebec and 5 percent of the total value of U.S. wine exports to the province in 2020.

Wine distributed through grocery and convenience stores in Quebec has to be bottled in the province. There are few such companies that import bulk wines and bottle it locally under their own private brands for sale in groceries. The RACJ provides on its website a [list](#) (on page 11, the permit category “VIN”) of such companies, which are called “industrial winemaker permit holders.”

The SAQ is the importer of record for bulk wines imported for bottling. Once it clears customs, wine shipments are released to the bottling companies. Once bottled, the wine is transported to SAQ warehouses, and then distributed by the SAQ to individual groceries and convenience stores. The SAQ markup is applied to all wine sold through this distribution channel.

Imported wine bottled in Quebec and sold in grocery and convenience stores is commonly referred to as “table wine.” A series of regulatory changes adopted by the provincial government in 2016 redefined the concept of “table wine” to limit the information listed on the labels to:

- 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 2020, Quebec imported nearly 60 million liters of bulk wines, representing over 30 percent of the total volume of imported wine. By value, bulk wine imports totaled over \$44 million in 2020, or nearly 6 percent of the total value of imported wine. The top suppliers of bulk wine were Australia (19.4 million liters), France (7.7 million liters), and Italy (5.4 million liters).

Private Order Sales

The third and final type of distribution channel for imported wines in Quebec is through private orders, sometimes referred to as “private imports.” Although sales through private orders are not as large as sales through grocery and convenience stores, private order sales represent a growing distribution channel, with increasing potential in the future.

U.S. wines have access to this distribution channel, where the demand is driven in part by individual wine enthusiasts and in part by local agents involved in wine procurement and promotion under this channel. Restaurants and bars often use private orders to import wines that are not listed by the SAQ. In this way, food service operators can offer diversity to customers, who can try higher-end products or smaller vintages not offered in SAQ retail stores. 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 through the SAQ](#) or via an agent. 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 semiannual wine tasting events in Quebec City and Montreal, where customers are allowed to buy wine by the bottle (as opposed to the one-case minimum requirement). These wine tasting events are increasingly popular and account for a significant portion of the association’s sales.

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 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.

Direct Distribution Channel for Wine Produced in Quebec

Since 2016, the provincial government has allowed 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 in the province from Quebec grapes.

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 grocery 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 not only the grape variety and the vintage year, but also the appellation of origin on the wine label.

Wine Production in Quebec

Quebec is a very small wine producing province in Canada. The 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 a select number of grape varieties 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 2020, FAS/Canada estimated Quebec’s wine production at 2.3 million liters, or just over 3 percent of Canada’s estimated total wine production of 71 million liters. By comparison, FAS/Ottawa estimated Ontario’s wine production during the same year at 49 million liters (68 percent of Canada’s total), with British Columbia producing an estimated 19 million liters (27 percent).

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 (such as the [Ontario VQA](#) or the [British Columbia VQA](#) programs), and the remaining volumes are blended with imported wines and marketed as international-Canadian blends (ICBs).

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 Québec” (Quebec wines), which is also a [provincially recognized](#) geographical indication. According to QWA, the top ten grape varieties planted in Quebec cover about two thirds of the [total wine grape area](#) 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.

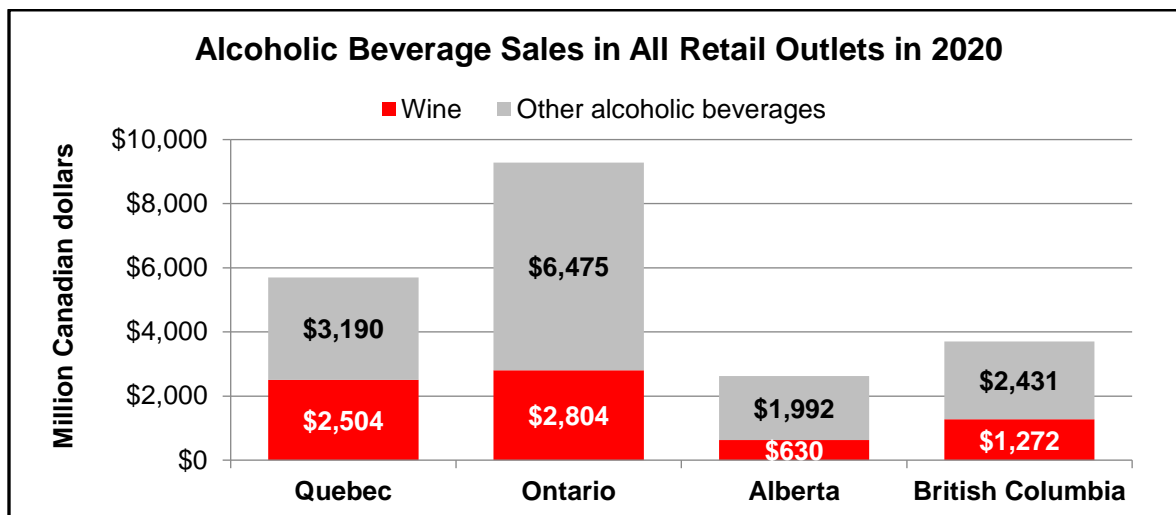
Imported Wines

Quebec is the largest wine importing province in Canada, with 40 percent of total volume and 39 percent of total value of imported wines. In 2020, Quebec imported nearly 180 million liters of wine, valued at over \$770 million. Of the total volume of wine imported by Québec in 2020, 64 percent (or 115 million liters) was bottled wine, 3 percent (6 million liters) was sparkling wine and 31 percent (55 million liters) was wine in bulk. In addition, 2 percent (3 million liters) of the wine imported into Quebec was packaged in containers of between 2 to 10 liters.

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 generally bottled in the province and distributed through groceries and convenience stores as wine originating from those respective foreign countries.

Overall, the most popular foreign wines in Quebec are those from European countries. In 2020, EU countries supplied over 64 percent of the wine imported by Quebec, with France on top at 48 million liters, followed by Italy at 37 million liters, and then Spain at 18 million liters. Of non-EU origin wines, Australia exported 24 million liters to Quebec in 2020. The United States supplied nearly 15 million liters of wine valued at \$66 million (8 percent market share by volume and 9 percent share 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 occur in 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

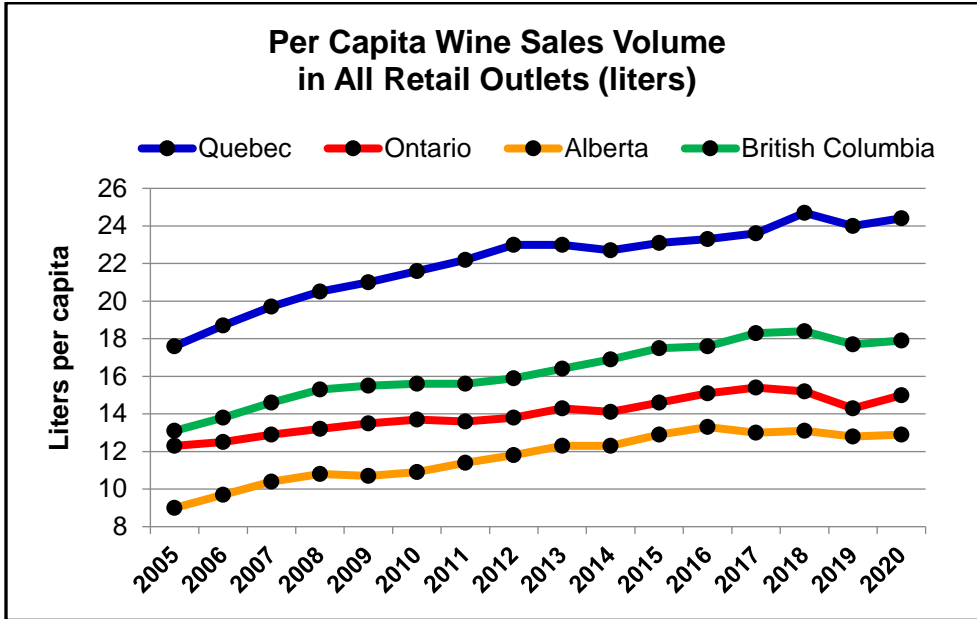
Note: In Quebec, groceries and convenience stores are allowed to sell beer, cider and certain types of wines, which explains the much larger number of stores in this province compared to other provinces. In Alberta, all retail stores have been privatized and no longer belong to the liquor authority.



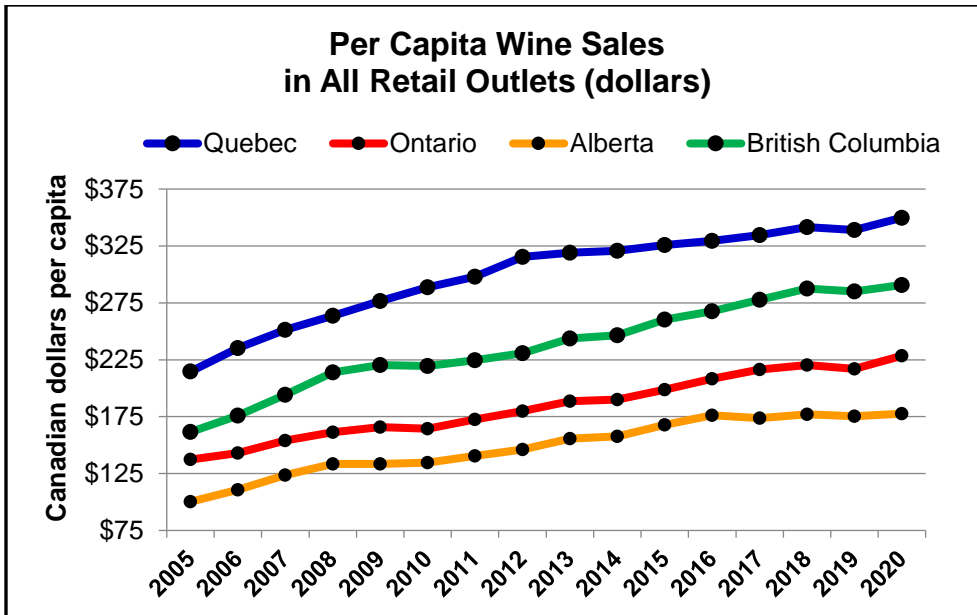
Source: Statistics Canada

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 occur in the retail channel (all types of retail outlets, including stores owned by provincial liquor authorities, groceries, convenience stores and any other retail outlet).

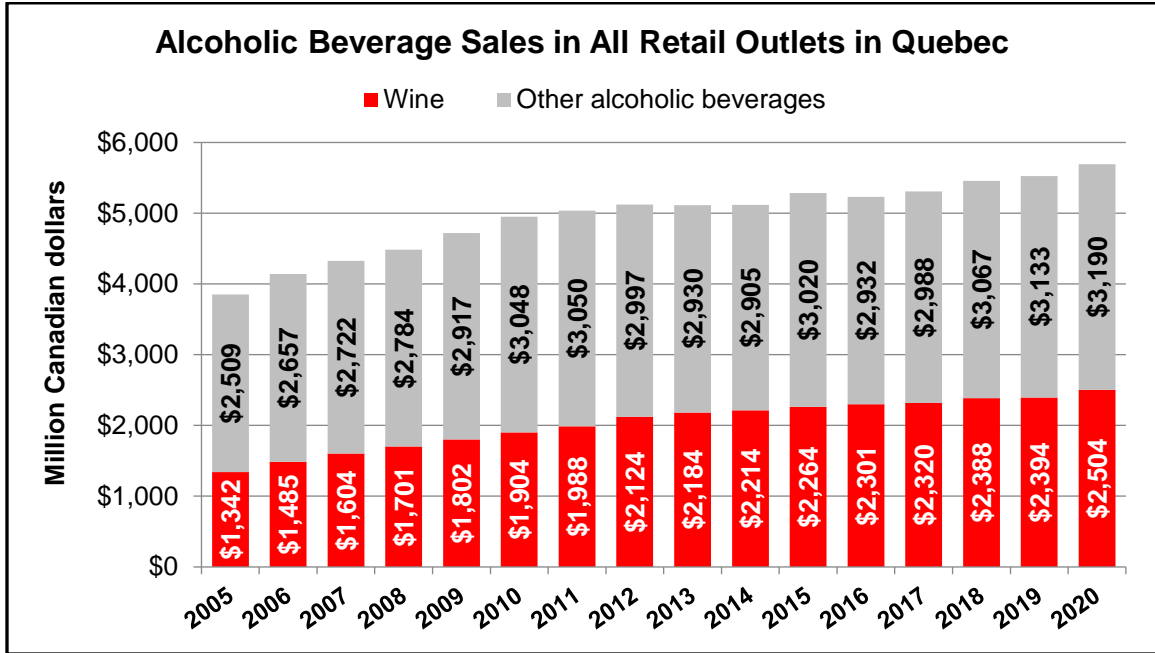


Source: Statistics Canada



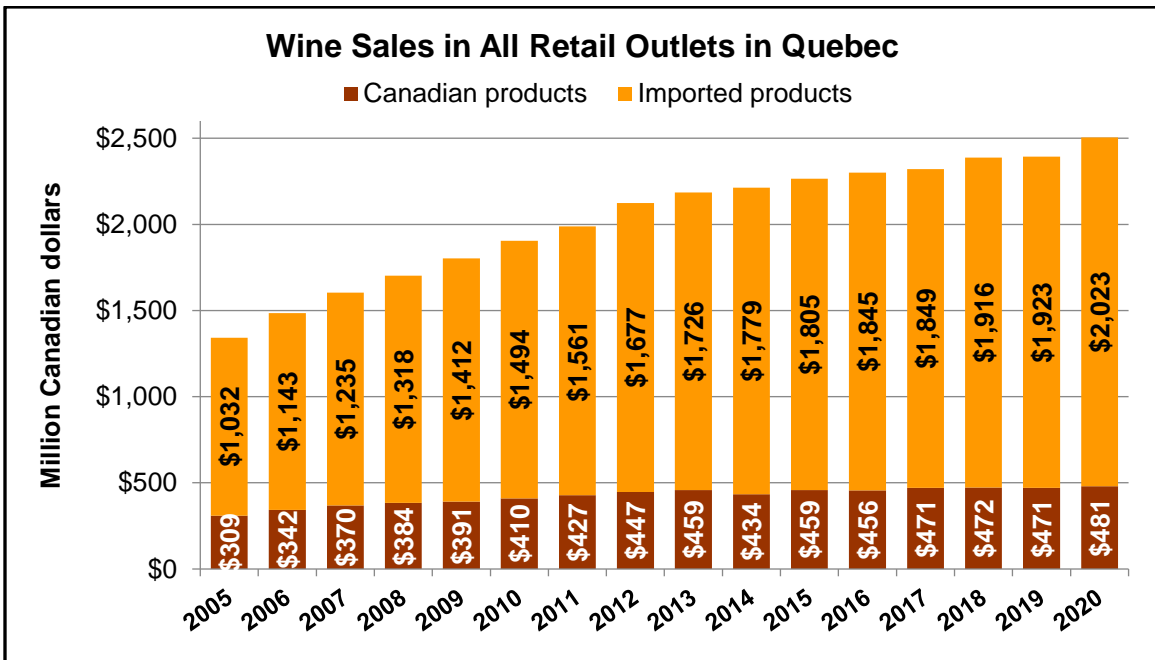
Source: Statistics Canada

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



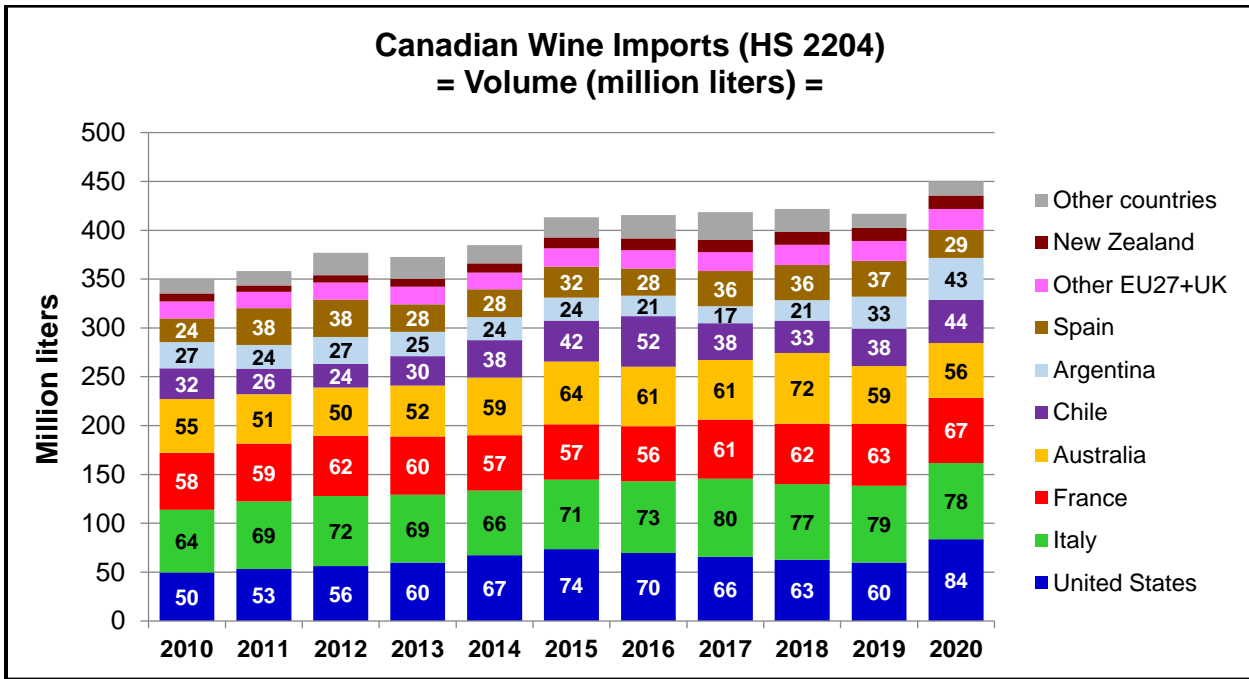
Source: Statistics Canada

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

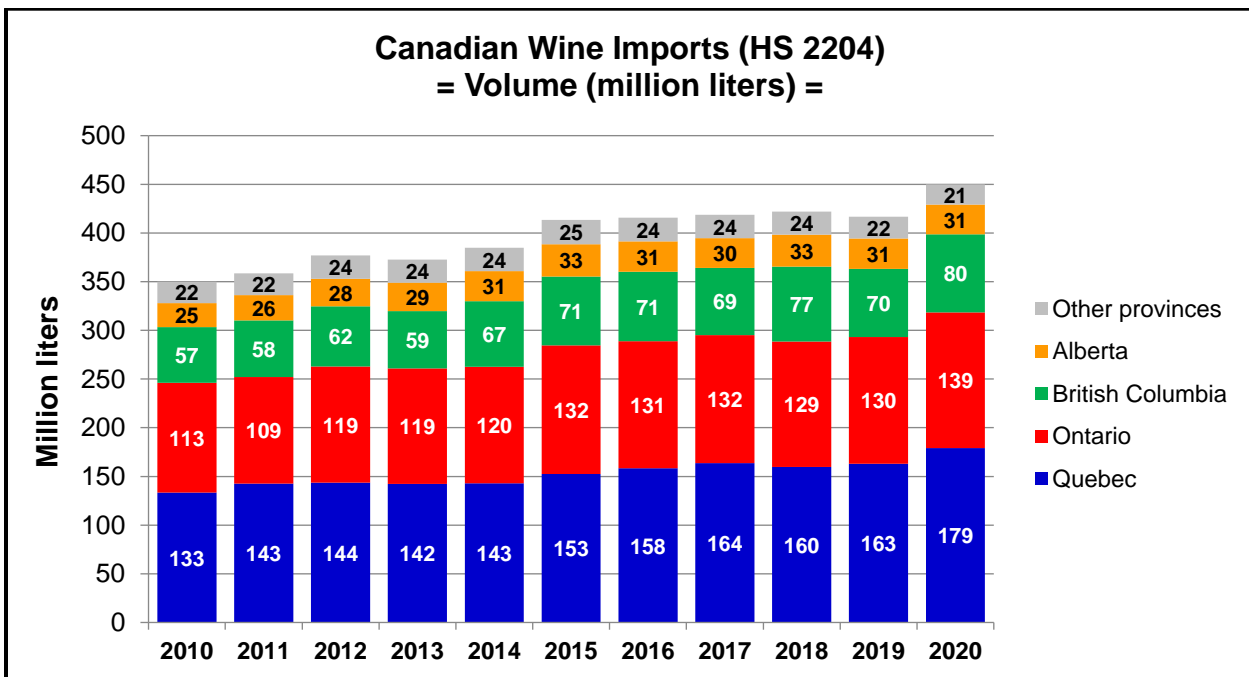


Source: Statistics Canada

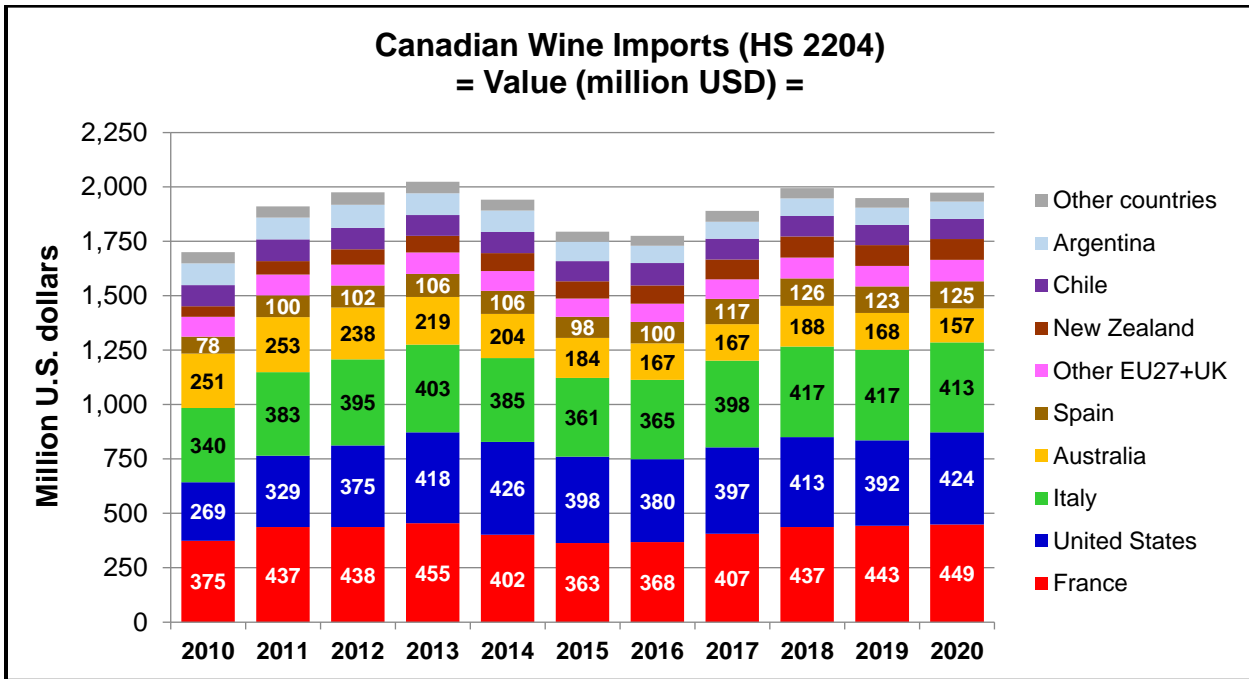
Note: “Canadian products” in Quebec include foreign wine imported in bulk, bottled in the province and sold in groceries and convenience stores.



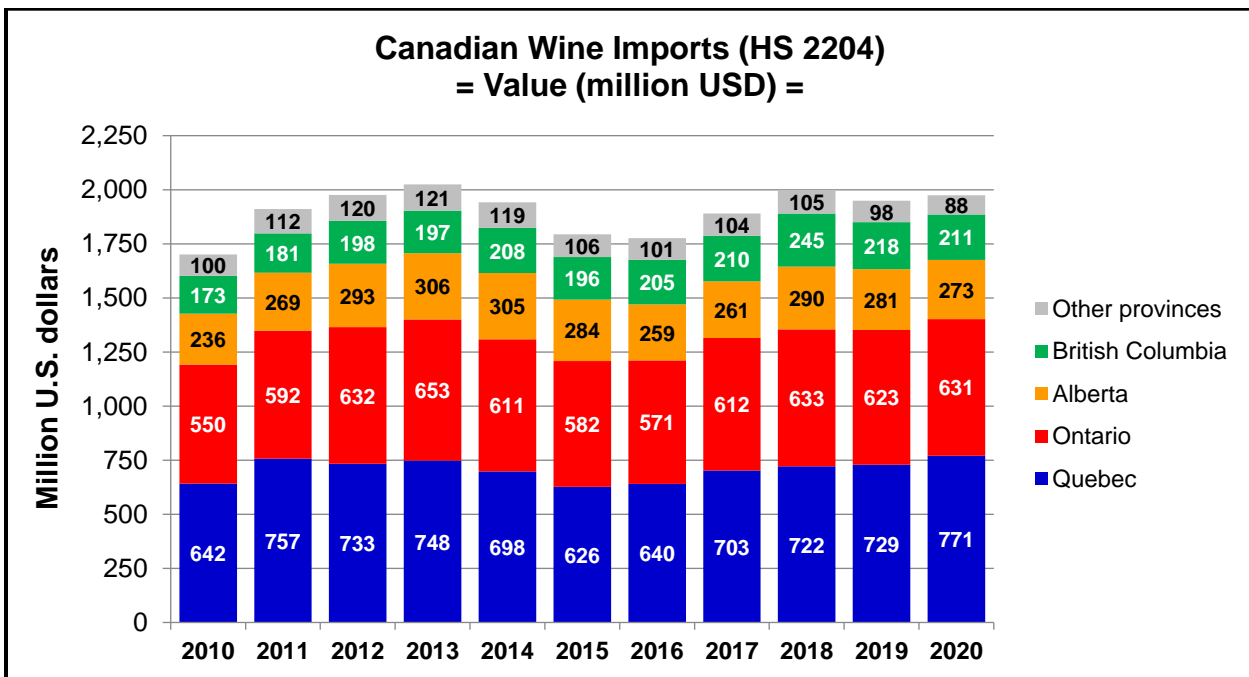
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



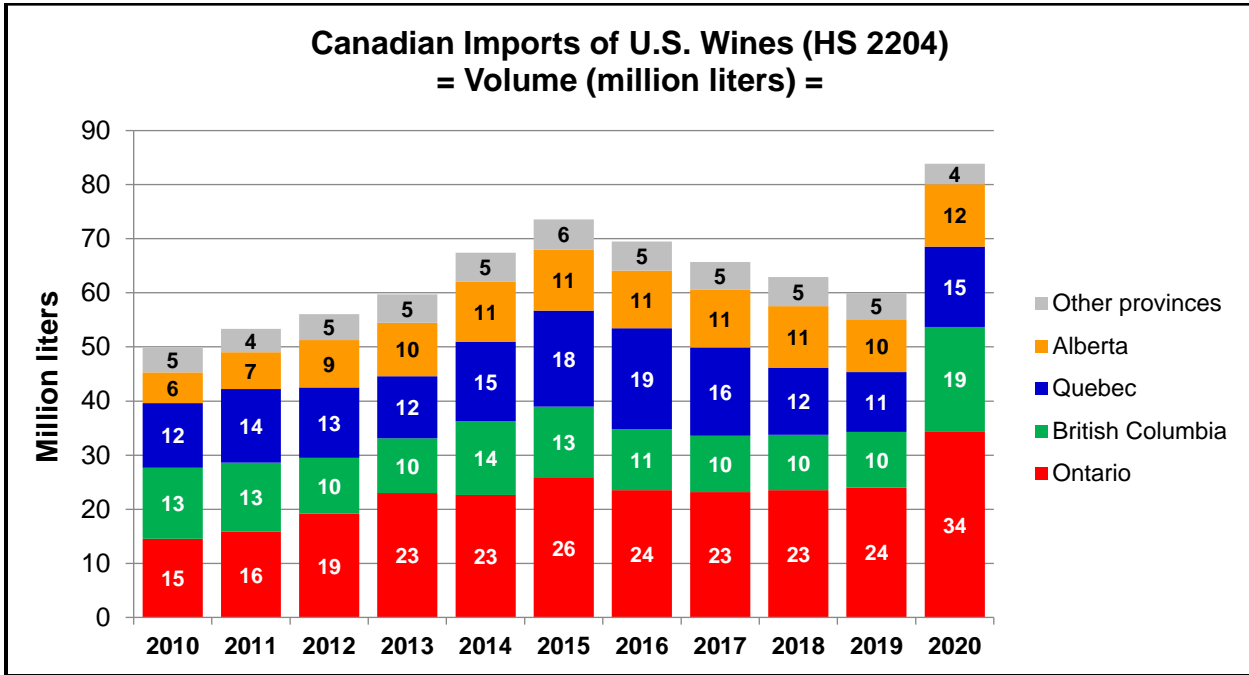
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



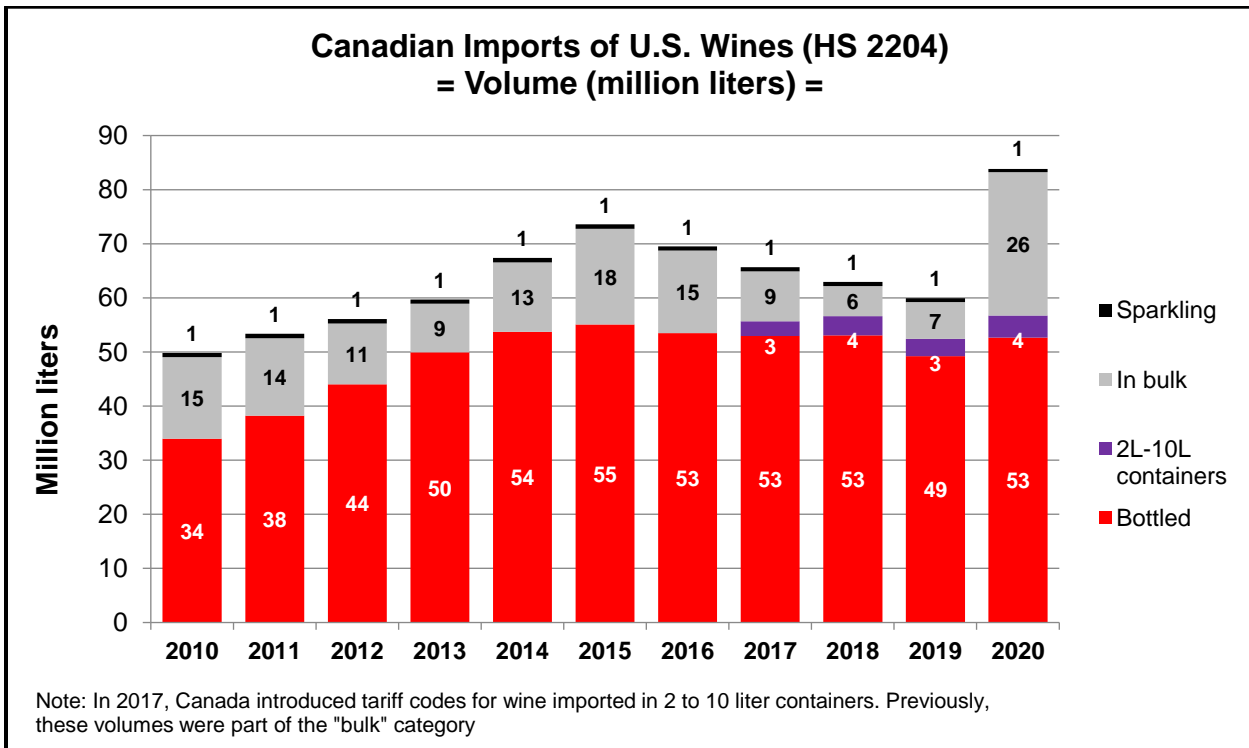
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk

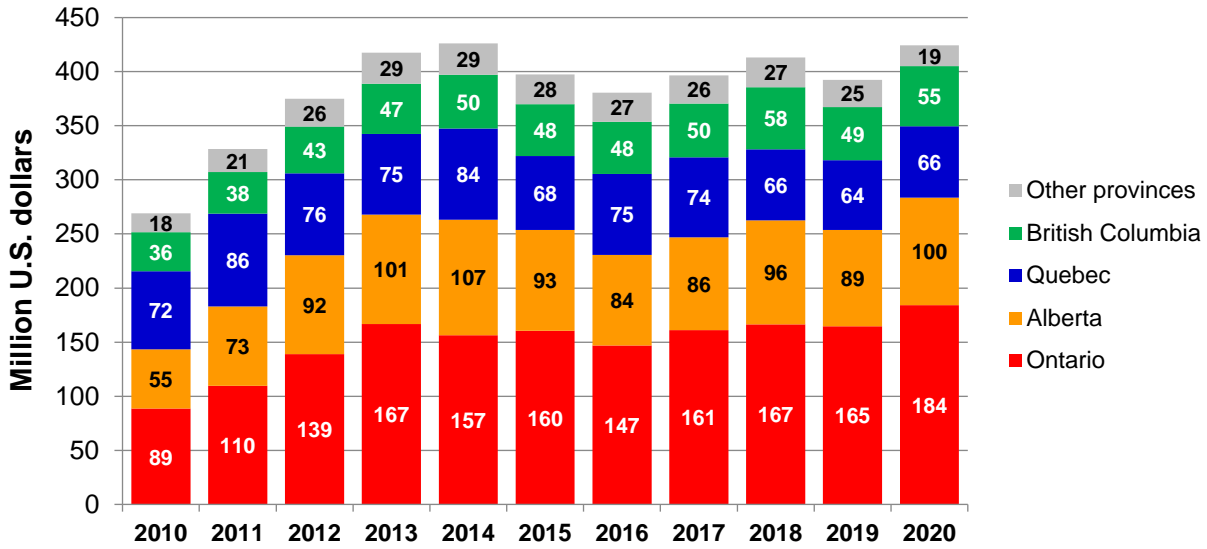


Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



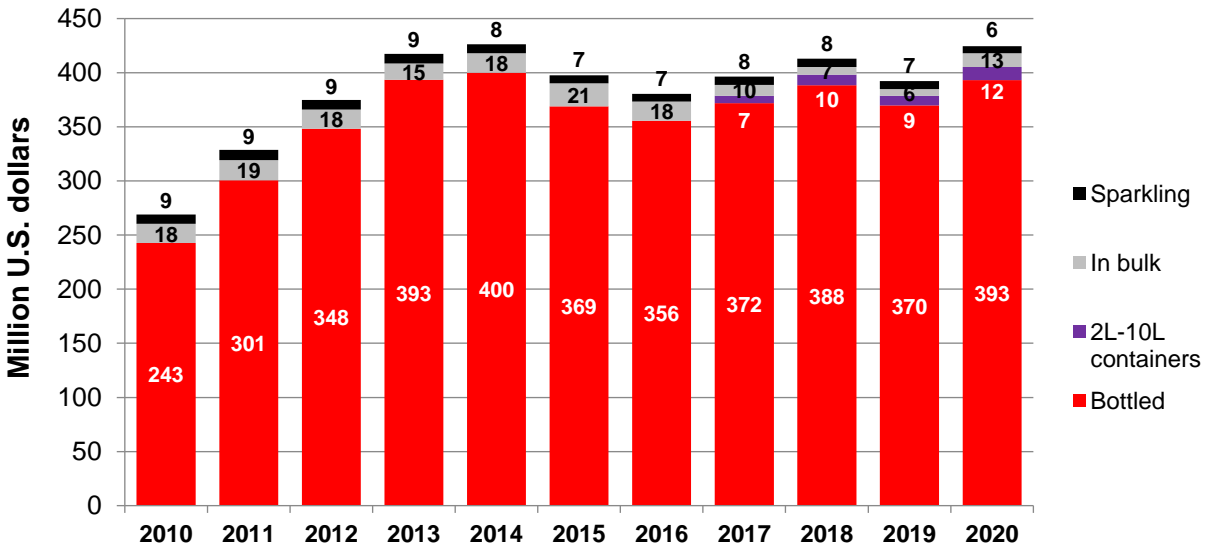
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk

**Canadian Imports of U.S. Wines (HS 2204)
= Value (million USD) =**



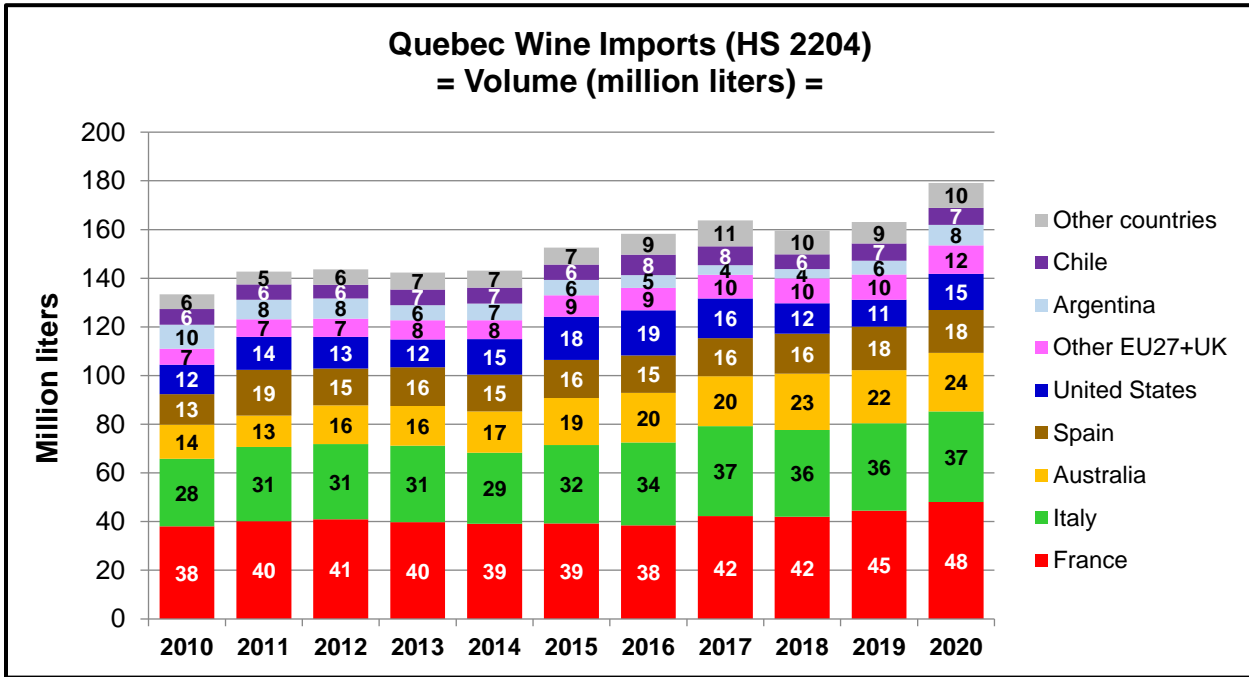
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk

**Canadian Imports of U.S. Wines (HS 2204)
= Value (million USD) =**

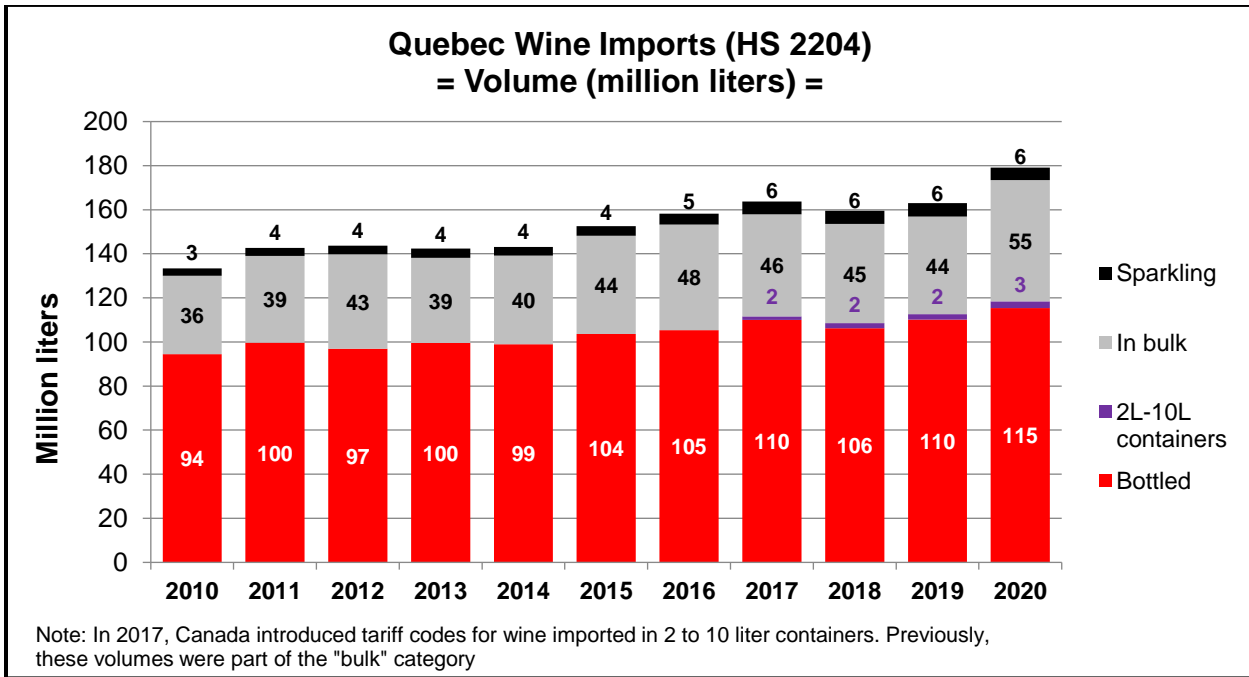


Note: In 2017, Canada introduced tariff codes for wine imported in 2 to 10 liter containers. Previously, these volumes were part of the "bulk" category

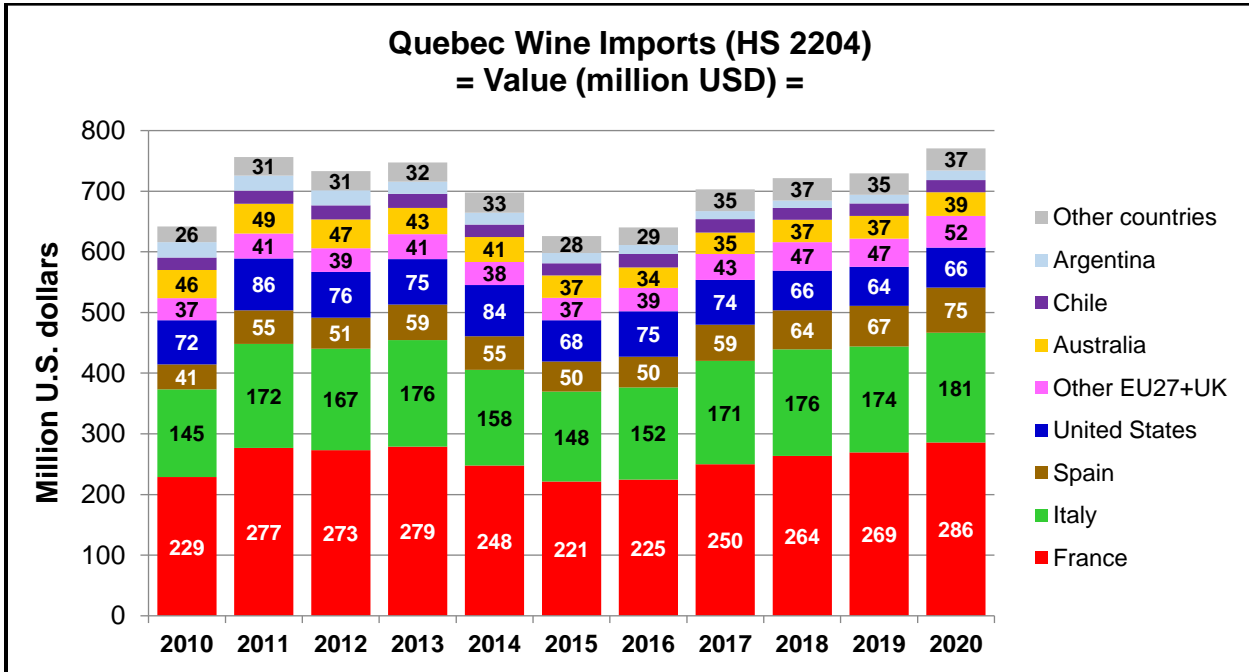
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



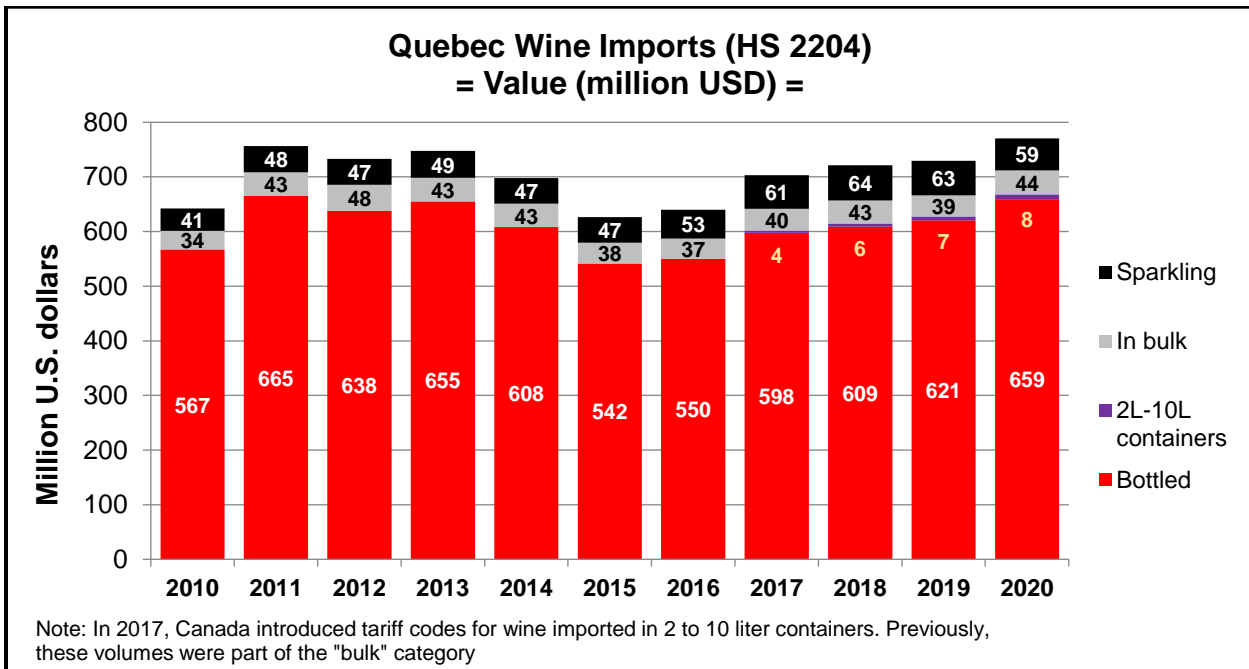
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



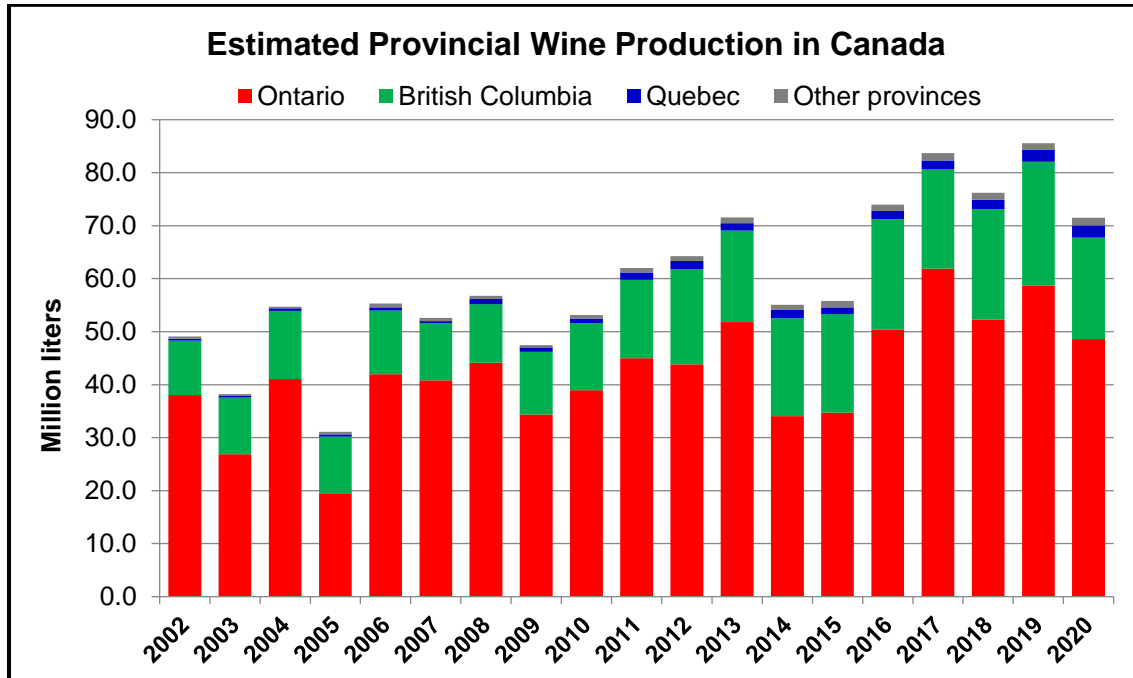
Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk

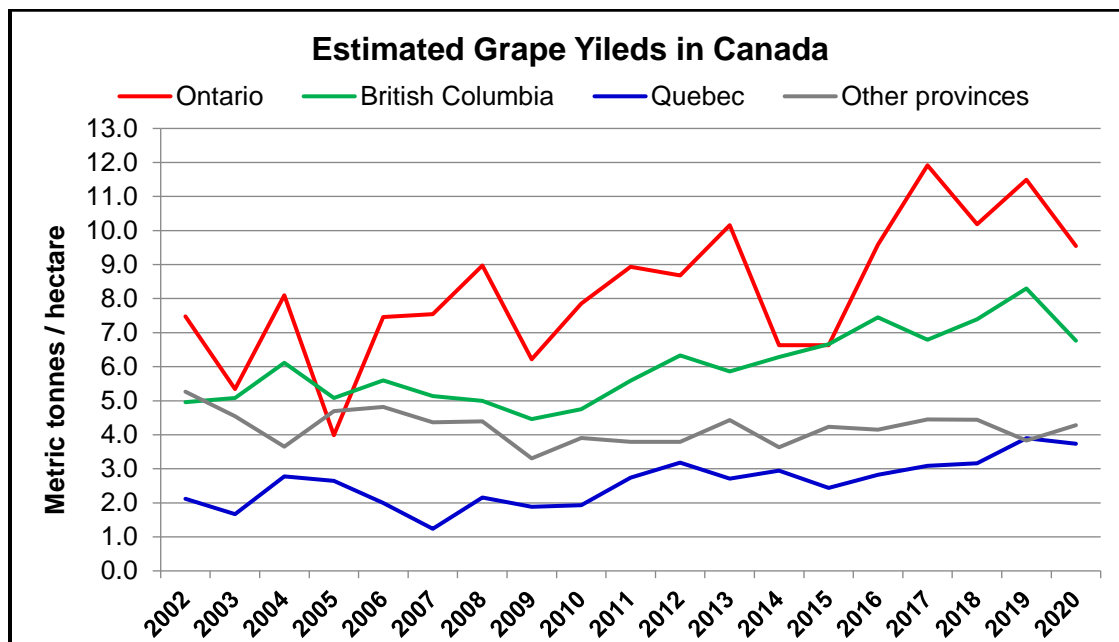


Source: Trade Data Monitor / *Includes bottled wine, sparkling wine and wine in bulk



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: see the section [Doing business with the SAQ](#), as well as the [SAQ B2B](#) website.

Attachments:

[wine - SAQ - Lightweight Glass Bottle - policy.pdf](#)

[wine - SAQ - Lightweight Glass Bottle - policy - info procedure.pdf](#)

[wine - SAQ - Lightweight Glass Bottle - policy - non-compliance.pdf](#)

[wine - SAQ - Lightweight Glass Bottle - policy - deadlines.pdf](#)

[wine - SAQ - Lightweight Glass Bottle - policy - weights.pdf](#)