



What We Heard:
Ferment-on-Premises
UBrew/UVin

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Introduction

The Alberta Gaming and Liquor Commission (AGLC) is responsible for licensing, regulating, and monitoring liquor in Alberta. The AGLC administers the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and related policy governing the manufacture, importation, sale, purchase, possession, storage, transportation, use, and consumption of liquor in Alberta.

The AGLC is focused on modernizing a number of liquor policies to ensure they reflect the needs of Albertans. Ferment-on-Premises (FoP), also commonly known as UBrew/UVin, is one of the items identified for review and consultation. This report summarizes what we heard through consultation with stakeholders about whether and how liquor policies should be amended in Alberta to permit this activity.

Background

Under section 86(1) of the GLA and section 88(1) of the GLR, adults in Alberta are able to make up to 460 litres of wine, cider or beer *in their residence* for personal consumption. No provincial markup or federal excise duty is levied on this product. Currently there is no provision in the GLA for the licensing of FoP operations in the province.

Federally, FoP establishments are required to register as a FoP under Section 15 of the *Excise Act, 2001*. Under the *Excise Act, 2001* FoP operators and staff are not permitted to participate in some parts of the process including pitching yeast and bottling or storing the finished product.

In other jurisdictions, Ferment-on-Premises operations provide customers with the ingredients, equipment, and advice they need to make beer, wine, cider, or coolers on-site. Once made, customers remove their liquor from the FoP establishment for personal use. FoP facilities are not licensed as liquor manufacturers and do not manufacture liquor for commercial purposes. The way that FoP establishments typically work in other jurisdictions is: customers purchase the wine, beer or cooler kit and pay a fee to the licensee to rent space, use the equipment and seek “advice” from the licensee in making their product. In other jurisdictions, licensees cannot store customers’ finished products.

Over the last several years, a number of UBrew and UVin proponents – those interested in operating UBrew and/or UVin operations in Alberta – have contacted the AGLC to enquire whether FoPs could be introduced into Alberta. The AGLC recently distributed a Discussion Paper to gather feedback from industry stakeholders and proponents/interested parties who have contacted the AGLC regarding FoPs in the last two years.

Cross Jurisdictional Analysis

FoP operations are currently permitted in seven out of twelve Canadian jurisdictions. Several jurisdictions do not charge a markup on liquor produced at FoP locations. However, many of these jurisdictions have a provincial sales tax and charge a licence fee and yearly renewal fee (with the exception of Manitoba) which permits them to recoup some of the revenue lost in foregone markup. Because Alberta has no sales tax, it would not be able to supplement the loss of liquor markup from products produced at FoP operations in this manner. Prince Edward Island collects a \$0.75 per litre charge on what is produced by customers in store.

British Columbia, Saskatchewan, New Brunswick, Prince Edward Island, and Ontario are the only provinces with legislative frameworks relating to FoP establishments and require operators to obtain a licence. Manitoba authorizes FoP establishments but does not issue permits. Most jurisdictions that allow FoP establishments to operate have a corresponding policy manual that requires, at a minimum, that federal requirements be met. If FoP establishments are found to be operating illegally in other jurisdictions, they can be fined.

Enforcement in British Columbia and Ontario has raised some issues. Advertising violations and making product without consumer involvement have been two major problems.

Stakeholder Consultation

In October 2017 the AGLC circulated a discussion paper with several key questions, inviting stakeholders to provide their thoughts and knowledge regarding the introduction of FoP establishments in Alberta. The AGLC reached out to stakeholders via email and mail and received 52 responses.

The key questions that were asked by the AGLC were as follows:

1. Should Alberta permit Ferment-on-Premises operations? Please explain.
2. Implementing FoP could result in a decrease to government revenues due to through the loss of liquor mark-up revenue. Is this potential loss of revenue enough of a barrier to not permit FoPs? How would the benefits outweigh the risks? If FoPs were introduced, do you have any thoughts on what steps could be taken to lessen the financial impact to the province?
3. If a policy to allow FoPs were established what impact (positive or negative) would this have on you, your business, or your association?
4. What are the risks associated with implementing FoPs? How could these risks be mitigated appropriately?
5. What are the benefits associated with implementing FoPs?

What We Heard



Alberta Class D Liquor Licensees

- Overall, the Class D Liquor Licensees that responded support the introduction of FoP establishments in Alberta.
- Economic development opportunities, namely job creation, were also cited as one of the benefits of introducing FoP establishments in Alberta. *“In the current economic times I believe that the provincial government has a responsibility to allow the Wine/Beer making industry to expand their businesses and client base.”*

- Some concern was expressed that large multinational companies coming into the Alberta market and establishing their own franchise may create a disadvantage to other licensees as these larger companies may control price, supply, and access.
- Alberta is one of the only provinces in Canada that does not currently allow FoP operations. Several licensees noted that it is time Alberta offer this service to its customers.
- *“Since 2002 Saskatchewan, Manitoba, New Brunswick, PEI and Nova Scotia have recognized the consumer demand for this service and allowed consumers this choice. They join long standing Ontario and BC that have offered this choice and freedom for many years. Alberta continues to deny its citizens this option, contrary to our position as a progressively minded province.”*
- *“People should be allowed to make their own beer/wine at a UBrew/UVin premise because it reflects participation in the artful science at the grassroots level.”*
- *“The benefit for me would be that I would be producing a product in a controlled environment using sterilized equipment for the customer who is already making the product at home. Another benefit is that it will create more jobs in the area.”*

Class E Manufacturers

- Several Class E Manufacturers that responded support the introduction of FoP establishments in Alberta, citing other jurisdictions in Canada that already offer FoP operations.
- Some manufacturers indicated that some lost business could occur if FoP operations were introduced in Alberta. In order to mitigate those effects it was suggested that the AGLC could *“restrict FoP operations to already licensed manufacturers, meaning that craft distilleries, wineries, meaderies, and breweries could open a second division of their business to operate as FoPs.”*
- Of the Class E Manufacturers that responded, several are in favour of charging a markup for products. *“Tax FoPs at the same, or even higher rate, than you do the commercial producers of alcohol, since the alcohol is produced in a commercial setting.”*
- *“A flat rate tax on product volume would be fair, but it would have to be fair and not to high, not everyone will go this route to Ubrew, it does take time to produce. The benefit to this is that it gives people a choice on having it done themselves or produced. People that buy from AGLC will most likely continue to do so and I don't see it becoming a big impact on the province.”*



- *“We believe that FoPs could be beneficial to the craft alcohol industry in Alberta, as it can introduce patrons to the concept of small-batch, nano-brewed products and the various flavours/variations that happen within beer and wine products.”*

Industry Associations

- Several industry associations have noted that their customers ask if FoP operations are available in Alberta and routinely use British Columbia and Saskatchewan’s FoP’s because the service is not offered here.
- Some industry associations support the introduction of FoP operations in Alberta, as Alberta is one of the last jurisdictions in Canada to implement this policy. They expect *“that Alberta would see at least a 20% growth in industry sales directly as a result of moving to FoP based on the experience from Nova Scotia.”*
- Some industry associations support FoP operations being allowed in Alberta, so long as there is adequate regulation to ensure the safety of the consumer and that wine made in these establishments be for personal consumption only.
- *“Provinces that allow consumers the choice of crafting their wine at FoPs have higher per capita consumption of commercial wine than Alberta.”*
- *“As a policy, it complements the previously (long-overdue) change from the AGLC to adjust the minimum production quota and enable more microbreweries to start up in the province. This also aligns with the movement towards more educated consumers, an increase in the proportional sales of craft alcohol products, and the rise of world-class establishments/producers growing in Alberta.”*



Alberta Health Services

- Consideration needs to be given to the impact of the density of liquor stores in communities. FoP establishments should be included in municipal zoning bylaws regulating the density of liquor stores in a community.
- Requiring a licensing fee or charge per unit produced could mitigate potential government revenue losses.
- *“From a health care point of view, the risks of implementing FoPs are increased consumption of alcohol due in part to more affordable and available products. To mitigate these risks FoPs should be considered within municipal bylaws regulating the density of alcohol stores and pricing policies should ensure that FoP products can be marked up to ensure pricing is not too low.”*



Additional Stakeholder Comments

Theme	Supporting Quote
Revenue Generation and Fairness	<ul style="list-style-type: none"> • <i>“The provincial government could place a small tax on the number of bottles completed but it might not be a worthwhile endeavor as the implementation of this tax would greatly outweigh any benefits.”</i> • <i>“The PEI model of .75/L markup for all production is a fair cost capture mechanism. The option to brew outside of one’s home must come with a regulatory responsibility and requirement to pay tax.”</i> • <i>“As long as the brewed on premise is charged \$1.25 / L tax like everyone else - I see no problem - it's been available in BC for decades.”</i> • <i>“Having no provincial sales tax in Alberta does not hinder financial benefits for the provincial government. This could be simplified by placing a flat FoP tax per wine kit fermented on the premise for the customer. Ontario currently uses this fee policy structure.”</i> • <i>“Alberta is currently losing FoP revenue to BC and Saskatchewan and a move to FoP in Alberta would bring this income back to the province.”</i> • <i>“It has been proven in provinces with Ferment-on-Premise, sales in the commercial wine industry have not been affected in a negative way but in most cases, there has been an increase in overall commercial wine sales and taxes generated.”</i> • <i>“Since Alberta has no provincial sales tax, it may wish to implement a licence fee model, as implemented in British Columbia, Saskatchewan, Ontario, New Brunswick and PEI.”</i>
Public Demand	<ul style="list-style-type: none"> • <i>“There is a demand for FoP operations in the province, and I do see it as a viable addition to our already-established brewing business. It also allows an avenue for us to educate consumers on what goes into wine or beer making in a proper commercial setting that just can’t be iterated with a simple tour or tasting night.”</i> • <i>“I really do think that this would be a positive change to make. Other provinces have made this type of service available and if it were deemed to be detrimental in any way, I would think that they would have discontinued it.”</i> • <i>“The two largest benefits to the industry in Alberta will be the educational exercise that evolves at the consumer level as a result of having access to FoPs (increased consumer base) and the competitive advantage that is created for existing AGLC product through the discernible disparity in quality that arises from FoP product (new consumers gravitating to higher quality product).”</i> • <i>“The policy would potentially increase the number of wine/beer drinking consumers, while at the same time creating a clear distinction between poor and good to high quality product.”</i>
Safety	<ul style="list-style-type: none"> • <i>“It is important that proper sterilization procedures of all equipment used on premises are performed. It is also important that the final step (i.e. bottling) should be performed by the client. As such, the operator</i>

	<i>of such a premise should ensure that adequate facilities are available for this function to be performed by the client.”</i>
Economic Development Opportunities	<ul style="list-style-type: none"> • <i>“This will result in immediate and long term additional employment. As this is a physical process that needs manual labour, this employment is sure to be permanent. As these manual labour jobs require strength, this would most benefit the younger portion of the workforce.”</i> • <i>“Updating the legislation to allow Ferment-on-Premise businesses would provide a new service to the population that is currently available to consumers in most other provinces in Canada. The result would be beneficial to Alberta by providing employment opportunities, increasing revenue and ultimately taxes to support the Alberta economy.”</i> • <i>“Additionally, through industry growth, and simply owing to FoPs presenting a new production paradigm, new jobs will be created in a variety of sectors including labor, marketing, and retail positions.”</i>

Conclusion

A number of stakeholders have been engaged in this process. The majority of stakeholders that responded to the Discussion Paper are supportive of establishing FoP establishments in Alberta. Most stakeholders believe that a public demand exists in Alberta for the services of these establishments and their introduction will produce economic benefits to Alberta’s economy, namely job creation opportunities and the payment of business taxes. Class D Liquor Licensees, Class E Manufacturers and some industry associations are all supportive of the introduction of FoP premises in Alberta citing economic development opportunities, increased revenue, increased employment, and increased general wine awareness and consumption by consumers. Alberta Health Services expressed concerns about increased alcohol consumption as a result of implementing FoPs.

The AGLC wishes to thank all stakeholders for their participation in the Ferment on Premises consultation. Stakeholder feedback was provided to the Board of the AGLC as an input into its decision making.