

- The Canadian-owned Seagrams company is a major marketer of wines in the U.S., ranking number two behind Gallo with a 11.2% share of the U.S. market, after purchasing The Wine Spectrum from Coca Cola Ltd. The U.S. market is highly concentrated, with the top four firms producing over 51% of U.S. wine. By far the largest is Gallo with a 27.7% market share, followed by Seagrams (11.2%), Heublein (6.5%) and Viller Banf (6.0%).
- Gallo, with a huge lead in market share, seems to be the best positioned to benefit from this growing market since it enjoys significant economies of scale; it has its own glassmaking and trucking operations to help control costs, and a subterranean aging facility with a capacity of 2.6 million gallons.

c) Technological Factors

- Research is currently being devoted to developing improved vinifera and hybrid grape varieties for planting in Canada. Some research on Flavour modification is also underway. More innovation is also being applied to packaging techniques, such as aseptic packaging and the "bag in a box" method. New wine-based beverages have also been developed to make use of surplus, lower quality wine. (e.g. "Canada Cooler")
- Wine-making is becoming increasingly industrialized, with capital intensive processes and large economies of scale. The adoption of larger scale operating plants would make Canadian wineries more cost competitive with international competitors but would require a stronger agricultural base. However, investment is slowly growing in line with increasing production, improved quality and marginally increasing profits.

d) Other Factors

- Recent exchange rates have improved the industry's competitiveness vis a vis U.S. competitors, but the strong Canadian dollar relative to European currencies has exacerbated the problem of subsidized production in the EEC. Increasing imports of French and Italian wine have made Canadian vintners more conservative in their plans for expansion.

3. Federal and Provincial Programs and Policies

In recent years, the industry has received federal government assistance under IRDP, EDP and IRAP for establishment, expansion/modernization and for innovation in both products and processes. Proportionately, program assistance has been highly innovation-oriented (\$1.2 million versus \$2.5 million for other purposes). However, programs have only a minor influence on the industry relative to that exerted by government regulation and provincial monopolies on distribution of alcoholic beverages.

The wine industry is closely regulated with influence from both levels of government. Federal government involvement covers such areas as excise tax assessment and regulation, labelling, competition aspects and advertising on radio and television. Metric Commission standardization and conversion requirements have also now been met.

Provincial government involvement in the industry covers media advertising regulations, grape marketing boards and liquor control boards. The Wine Content Act and grape marketing boards deal with the importation of grapes, requirements on the percentage of provincially-grown grapes to be used, and the importation of concentrates or wine for blending purposes. The liquor control boards determine listing policies, price mark-ups and shelf space, all of which directly affect retail availability and prices to consumers, as well as the distribution of wines and, indirectly, the return to the wineries.