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GAIN Report

Global Agricultural Information Network

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Canada

Post: Ottawa

Ontario Expands Alcohol Distribution

Report Categories:

Beverages

Wine

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Report Highlights:

Implementing recommendations from a provincial beverage alcohol review, Ontario proposed nearly doubling the number of LCBO Agency Stores in underserved communities and adding 87 grocery store licenses for beer, wine, and cider. The LCBO currently oversees alcohol sales at 209 privately operated Agency Stores and provides wholesale services to 364 grocery stores authorized to sell beer and cider.

Keywords: Canada, CA19023, Ontario, Beer, Wine, Cider, LCBO

General Information:

Ontario Expands Beverage Alcohol Retail Outlets

On June 6, 2019, the Ontario provincial government [announced](#) the creation of nearly 300 additional beverage alcohol retail locations, including:

- 87 additional grocery stores across the province to be licensed to sell wine, beer and cider, bringing the total number of grocery store authorizations in the province to 450;
- the Liquor Control Board of Ontario (LCBO) expanding its Agency Store program to approximately [200 new underserved communities](#).

Interested grocery retailers will participate in a lottery to receive unrestricted authorizations to sell imported and domestic beer, cider, and wine. Ontario indicates that about 20 percent of the 87 authorizations will be reserved for independent grocers. The new grocery locations are expected to begin selling alcohol in September 2019.

Under the Agency Store program, the LCBO authorizes and oversees alcohol distribution through small retailers in areas with populations too small to justify a full LCBO location. In operation since 1962, the Ontario Government has highlighted the Agency Store program as an example of how the LCBO can effectively oversee and supply beverage alcohol distribution in private retail locations. The new Agency Store locations, branded as “LCBO Convenience Outlets,” will be operated under Convenience Outlet authorizations, which will be allocated in tranches. The first tranche of 150 stores would be authorized between June and December 2019 and the remainder allocated in spring 2020.

Ontario Beverage Alcohol Review Issues Recommendations

The June 6 announcement followed the release of the Ontario Special Advisor for the Beverage Alcohol Review’s [report to the Ontario Minister of Finance](#) on options to liberalize beverage alcohol distribution. Commissioned by the provincial government to look into and provide recommendations that would improve access to and expand the retail network for alcoholic beverages in the province, the report highlights the complex history since prohibition ended in 1927. Noting that Ontario has the lowest alcohol retail density in Canada (2.4 outlets per 10,000 people, compared to neighboring Quebec at 12.2 outlets per 10,000 people and to the national average just below 6 outlets), the leading recommendation in the report is to add up to 4,000 additional outlets. Acknowledging the value of the LCBO to the province, the report dismisses the idea of privatization and calls for an expanded wholesale role in supplying broader beverage alcohol distribution. The report also calls for eliminating inefficiencies and unnecessary rules and regulations, while at the same time underscoring the importance of supporting Ontario’s wine and spirits industries (while respecting international trade obligations).

Ontario Takes First Step to Expand Beer Sales

Also on June 6, the Ontario provincial government passed [Bill 115](#) to amend the Liquor Control Act in order to terminate a previous agreement between Ontario and the Beer Store. The 2015 “[Master Framework Agreement](#)” set the parameters for the sale and distribution of beer in the province through 2025.

According to the Ken Hughes [Report](#) (see the first section of this report), “[...] *the citizens of Ontario have long suffered under an anti-competitive, anti-consumer beer distribution system controlled by some*

of the largest beer companies in the world. Nowhere else in the world is a consortium of the largest global brewers given effective control over 70% of the beer retail market, including the exclusive right to sell 12 and 24 packs”.

If Bill 115 withstands promised legal challenges, the legislation could clear the way for the provincial government to substantially revise the distribution of beverage alcohol in Ontario.

Beer sales in Ontario reached \$3.3 billion CAD (800 million liters) in 2018, amounting to roughly 36 percent of Canada’s total beer sales in terms of value and volume. Nearly 30 percent of beer sold in Ontario in 2018 was imported. The United States exported approximately 57 million liters of beer to Ontario for a 26 percent share of the import market.

Wine sales in Ontario reached \$2.7 billion CAD (190 million liters) in 2018, amounting again to 36 percent of Canada’s total wine sales, both in terms of value and volume. Nearly 70 percent of wine sold in Ontario in 2018 was imported. The United States exported almost 24 million liters of wine to Ontario for an 18 percent share of the import market.

The LCBO is the world’s largest purchaser of beverage alcohol, importing products from more than 60 countries.