

## **Submission to Business Technical Panel on Liquor Law and Policy: BC Commercial Craft Cider Industry**

Please find below a submission regarding the classification and taxation of commercial craft cider on behalf of Cliffside Cider, Northyards Cider Co., and Windfall Cider. Any questions can be directed to Cailey Murphy, Principal, NNW Communications, per below.

### **Overview:**

- BC's liquor legislation has a two-tier taxation structure for "land-based" cideries and "commercial" cideries, which does not reflect the emerging craft cider industry.
- Land-based cideries – typically located in agricultural centres – own orchards and grow their own apples.
- All other cideries are classified as commercial cideries – often situated in urban centres – purchase their apples or apple juice from suppliers.
- Commercial cideries are subject to higher taxes regardless of where they source their products.

### **Issue:**

Cider is currently categorized as a "Pre-Mixed Cocktails and Coolers" by the BC Liquor Distribution Branch (LDB), under the category of "Refreshments".

It finds itself categorized with products such as Mike's Hard Lemonade, Growers and other 'cooler' styled beverages that are generally made with high levels of sugar, artificial flavouring and the addition of spirits.

Numerous BC commercial craft cider producers, alternatively, create their cider using nothing other than 100% BC apples – like wine, craft cider accumulates its alcohol content through fermentation, rather than the addition of spirits.

Because craft cider is categorized as a "Refreshment" it is subject to a 73% markup. Craft beer, comparatively, is subject to a 12-14% markup.

The difference, according to an article published by BC Business Magazine (June 2016), amounts to approximately \$1.32 on a six pack of craft beer versus approximately \$4.71 for a comparable amount of craft cider.<sup>1</sup>

While there was a time when "cider" in Canada predominately meant large scale production of a sweet, fizzy, cooler style beverage that was logically categorized with other similar "refreshments", today's craft cider industry bears no such resemblance.

The burden of this makes it nearly impossible for commercial craft cider producers to make a competitively priced product for the market.

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<sup>1</sup> <https://www.bcbusiness.ca/bcs-liquor-laws-put-craft-cider-at-a-distinct-disadvantage>

BC Liquor Stores are have also introduced a program to allow stores to offer non-listed beer products from local microbreweries. This currently does not, but should, apply to locally produced cider thereby giving the industry the opportunity to showcase their products at local stores. Currently, outside of private liquor retailers, British Columbians do not have broad access to BC produced cider from BC apples.

### **Background:**

In recent years the cider industry in BC has been steadily growing. From pioneers on Vancouver Island and in the Okanagan to new urban craft producers in Vancouver, British Columbian cideries have been leaders in redefining the cider market across the province.

As awareness and popularity of cider continues to grow, there is considerable potential for the growth of the craft cider industry in BC. In 2012, Sea Cider was the only cidery to use B.C. apples that was up and running in the province, but by 2016 there were seven operating and another dozen in the process of starting up.

There is currently a growing demand for cider in BC. According to the BC Liquor Distribution Branch *Liquor Market Review*, cider sales accounted for \$76 million in sales in 2016, up from \$49 million in 2011; however, the numbers provided in the *Liquor Market Review*, do not indicate domestic in origin or what qualifies as a domestic cider from an ingredients standpoint, although it is differentiated from malt-based, spirit and wine/fruit coolers.<sup>2</sup> With products available from both small and large-scale producers, consumers have a wide range of domestic and import products from which to choose.

Due to a lack of a clear distinction for BC small-batch craft cider, there is currently no delineation in the regulation between traditional, small-batch ciders made from 100% fermented BC apple juice versus mass produced, sweeter and heavily-carbonated alternatives made from apple juice concentrate or artificial flavours.

The BC Craft Cider industry is currently estimated at \$2 million.<sup>3</sup> Comparatively, the Ontario craft cider industry is estimated at \$35 million,<sup>4</sup> demonstrating an enormous amount of growth potential.

The benefits of a growing cider industry are far reaching and include supply chain sectors such as orchardists and apple growers, packers and juicers. It takes 3-4 lbs of apples to make one litre of cider.<sup>5</sup> BC has a large agricultural sector that stands to benefit from locally produced cider made from BC apples, creating jobs at production centres and orchards across the province.

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<sup>2</sup> [http://www.bcldb.com/files/Liquor%20Market%20Review\\_Q3\\_December\\_2016.pdf](http://www.bcldb.com/files/Liquor%20Market%20Review_Q3_December_2016.pdf)

<sup>3</sup> <https://www.bcbusiness.ca/bcs-liquor-laws-put-craft-cider-at-a-distinct-disadvantage>

<sup>4</sup> <https://ontariocraftcider.com/economic-impact-cider-ontario/>

\* Estimated based on 2016 *Liquor Market Review*

<sup>5</sup> [http://bcfarmcraftedcider.com/BC\\_Farm\\_Crafted\\_Cider/About\\_us.html](http://bcfarmcraftedcider.com/BC_Farm_Crafted_Cider/About_us.html)

Growth and proliferation of craft cideries stand to benefit a number of BC industries including, agricultural, agritourism, tourism and hospitality providers. Support of the craft cider industry will be reinvested in BC through the creation of jobs, payments to governments/government agencies and investments in communities.

**Conclusion:**

- Because craft cider is categorized as a “Refreshment” it is subject to a **73% markup**. Craft beer, comparatively, is subject to a 12-14% markup.
- This categorization is outdated and does not reflected the emerging craft nature of the cider industry in BC and is inconsistent with craft beer.
- The tax rate is cost prohibitive and stifling growth in the sector.

**Recommendations:**

- Define BC Craft Cider as an alcoholic cider fermented with 100% BC apples or pears, no concentrates or artificial additives, minimum 80% juice content (ie. no more than 20% water or other fruit juice additions).
- Create a new markup rate for commercial BC Craft Cider akin to the craft beer markup structure (with adjusted volumes for craft cider).
- Expand the BC Liquor Store program for offering unlisted local beer products to include craft cider.



Rob Weys  
Managing Partner  
Cliffside Cider



Kathleen van der Ree  
Co-Founder  
Northyards Cider Co.



Jeff Narin  
Founder  
Windfall Cider

**For more information:**

Cailey Murphy, M.A.  
Principal  
NNW Communications  
[cailey@nnwcommunications.ca](mailto:cailey@nnwcommunications.ca)