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Exporting Alcoholic Beverages into the Canadian Market

Report Categories:

Beverages

Approved By:

Robin Tilsworth

Prepared By:

Sonya Jenkins

Report Highlights:

Navigating the Canadian market for alcoholic beverages can be challenging as each province has its own liquor control board or commission with regulations and procedures that differ from other provinces. This is in addition to federal regulations that exporters of alcoholic beverages to Canada must follow. This report addresses the federal regulations that must be followed. The best method of determining provincial regulations is to contact the boards or commissions of each province of export interest. Contact information has been provided in the appendix of this report.

Canadian Imports of Alcoholic Beverages

| | 2008 | | 2009 | | 2010 | |
|---------------------------|-----------|---------|-----------|---------|-----------|---------|
| | World | U.S. | World | U.S. | World | U.S. |
| Beer | \$532.1 | \$87.7 | \$556.5 | \$120.7 | \$610.0 | \$130.0 |
| Wine | \$1,561.8 | \$218.7 | \$1,476.1 | \$206.6 | \$1,700.7 | \$269.0 |
| Vermouth | \$12.3 | \$0.015 | \$11.8 | \$0.8 | \$11.9 | \$1.0 |
| Other Fermented Beverages | \$35.4 | \$15.6 | \$31.0 | \$13.7 | \$35.7 | \$13.7 |
| Whiskies | \$128.2 | \$27.0 | \$114.7 | \$26.9 | \$138.1 | \$30.7 |
| Rum | \$60.7 | \$32.9 | \$66.5 | \$39.8 | \$81.9 | \$50.2 |
| Gin and Geneva | \$23.7 | \$0.5 | \$22.2 | \$0.4 | \$25.9 | \$0.2 |
| Vodka | \$104.4 | \$22.7 | \$92.0 | \$23.5 | \$112.0 | \$27.6 |
| Liquers and Cordials | \$165.3 | \$22.9 | \$145.2 | \$18.8 | \$164.4 | \$20.2 |
| Other Spirits | \$88.5 | \$32.7 | \$75.1 | \$23.7 | \$91.8 | \$34.1 |
| TOTAL | \$2,712.4 | \$460.7 | \$2,591.1 | \$474.9 | \$2,972.4 | \$576.7 |

Source: Global Trade Atlas
In millions U.S. Dollars

Overview of Market Regulatory Framework

In Canada, the Importation of Intoxicating Liquors Act gives power of the sale and distribution of alcoholic products to the provincial liquor boards or commissions. The Act restricts interprovincial movement; meaning that companies wishing to sell their alcoholic beverages must deal with each province directly. In addition, consumers may not purchase alcohol in one province and transport it to another. This has affected the ability of wineries, brewers and distillers to sell directly to the public. The liquor boards in effect have provincial monopolies. Alberta is the only province that has privatized its alcohol market, though the liquor board does still license private retailers and distributors.

Each provincial liquor control board has its own policies and regulations. It is recommended that a seller contact each board to confirm rules. Contact information for each board has been provided in the appendix. Many boards require that a company have a Canadian agent. Every provincial board is a member of the Canadian Association of Liquor Jurisdictions whose homepage can be found at www.calj.org

Definitions of Alcoholic Beverages

The Canadian Food Inspection Agency (CFIA) (defines an alcoholic beverage as any beverage whose alcohol by volume content is greater than or equal to 1.1%. Division 2 of Canada's Food and Drug Regulations contains more specific information on individual types of alcoholic beverages, such as whisky, rum and vodka. The information includes definitions as well as acceptable compositions and origins for each product. The Food and Drug Regulations can be found on the Department of Justice website at <http://laws-lois.justice.gc.ca/en/F-27/C.R.C.-c.870>

For products that do not exactly match any of these definitions, the CFIA has published some of its clarification decisions here: <http://www.inspection.gc.ca/english/fssa/labeti/decisions/alcoe.shtml>

Certain names for alcoholic products can only be used by products originating from a specific region (i.e. Cognac or Bordeaux). A list of these names can be found on the Canadian Intellectual Property Office's website at <http://www.ic.gc.ca/cipo/listgiws.nsf/gimenu-eng?readForm>

Spirits with names that are protected by Agriculture and Agri-Food Canada's Spirit Drinks Trade Act are as follows:

| <i>Spirit Drink Name</i> | <i>Required Country of Origin</i> |
|-----------------------------|-----------------------------------|
| Armagnac | France |
| Bourbon whiskey | United States of America |
| Caribbean rum | Caribbean |
| Cognac | France |
| Grappa | Italy |
| Grappa di Ticino | Italy |
| Jägertee, Jagertee, Jagatee | Austria |
| Korn, Kornbrand | Germany or Austria |
| Mezcal | Mexico |
| Ouzo, Oύζο | Greece |
| Pacharán | Spain |
| Scotch whisky | Scotland |
| Tennessee whisky | United States of America |
| Tequila | Mexico |

Source: CFIA

Labelling

In Canada, the labeling of alcoholic beverages is subject to both the Consumer Packaging and Labelling Act and the Food and Drug Regulations. All labels must be in both French and English. Links to both of these documents have been provided in the appendix of this report.

Information required to be shown on the label includes:

a. Common Name (ex. Rum, Whisky, Rye Whisky, Geneva Gin etc.)

In Canada's Food and Drug Regulations, common names for alcoholic beverages are those names that are found in bold in Division 2. Common names must be shown on the principal display panel of the container in both French and English using a font that is no less than 1.6 mm in height based on the lowercase "o".

b. Net Quantity

According to Canadian regulations, the quantity of all liquids must be declared in units of volume. Millilitres are shown as mL, ml or mℓ while litres can be shown as L, ℓ or l. No punctuation follows

these symbols. All of these symbols are considered bilingual. Net quantity is to be shown on the principal display panel of the container in both French and English using a font that is no less than 1.6 mm in height based on the lowercase m in millilitres.

c. Alcohol by Volume

The percentage of alcohol by volume must be shown followed by the words "alcohol by volume" or "alc./vol." Examples are "X% alcohol by volume" in English or "X% d'alcool par volume" in French. The phrase "X% alc./vol." is bilingual. (Note: must have both periods in second example.) The percentage belongs on the principal display panel of the container in both French and English using a font that is no less than 1.6 mm in height based on the lowercase "o".

d. Name and Address of Dealer

This includes the registered name and principal place of business for the company that is selling the beverage or for whom the beverage is being sold. This information should include city/town and state or country. For products from the United States, naming the state is sufficient and the country name does not need to be listed. This information can be shown on any label, except on the bottom of the container, in French or English using a font that is no less than 1.6 mm in height based on the lowercase "o".

When the label shows the name and address of the product's Canadian dealer, details must be preceded by either "imported by/importé par" or "imported for/importé pour" plus the geographic origin. This information must be at least as large as the dealer's name and address.

e. Origin Claims

Common names under Division 2 of the Food and Drug Regulations may contain additional requirements for country of origin labeling. Please consult the description for your product.

Wine must have a declaration of origin on the main display label. It can be written as either "Product of the United States" or "American Wine" provided that at least 75 per cent of the juice used was grown in the United States and the wine is fermented, processed, blended and finished there. In the case of blended wines, 75 per cent of the finished wines used should have been grown, fermented and processed in the United States.

f. List of Ingredients

Any product without compositional standards listed in Division 2 of the Food and Drug Regulations is considered an unstandardized alcoholic beverage and must show a full list of its ingredients and components. Standardized beverages, including vodka and wine do not have to provide a list of ingredients.

Beverages above 0.5% alcohol by volume are exempt from having to display a Nutrition Facts table - unless sucralose, aspartame or acesulfame-potassium is used or a nutrition claim is made about the product. This information is to be shown on any label, except on the bottom of the container, in French and English using a font that is no less than 1.6 mm in height based on the lowercase "o".

g. Allergen Labeling

Canada has announced new regulations regarding the declaration of common allergens on food and

beverage labels. Labels must be compliant by August 4, 2012, though manufacturers are strongly encouraged to begin declaring these allergens as soon as possible. According to Health Canada, the following allergens must be listed on a label if they are an ingredient, a component of an ingredient or have come into contact with the product: almonds, Brazil nuts, cashews, hazelnuts, macadamia nuts, pecans, pine nuts, pistachios or walnuts; peanuts; sesame seeds; wheat and triticale; eggs; milk; soybeans; crustaceans (common name of the crustaceans); shellfish (common name of the shellfish); fish (common name of the fish); or mustard seeds; gluten sources including gluten protein, modified gluten protein, or gluten protein fractions from barley, oats, rye, triticale or wheat (or a hybridized strain of any of these cereals)

Any amount of sulphites must be declared if they are added directly to the final product or are a component of an ingredient that must list its components. If an ingredient is exempt from listing its components, but the level of sulphites in the final product is 10 parts per million or more, sulphites must still be listed on the label.

Allergens must be listed in clear and consistent language, either in the ingredient list or in a separate statement that begins with ""Contains". The labeling must not be on the bottom of the package. Currently, beer that meets the compositional regulation in the Food and Drug Regulations and is considered "standardized" is exempt from the new allergen regulations and the August 2012 deadline. However, Health Canada is still examining the situation, and this could change.

Standardized wine and spirits do not have to list ingredients, but will have to list allergens. Health Canada has a page with more information on allergens and allergen labeling here: <http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/index-eng.php>
The Canadian Food Inspection Agency's page on allergen labeling can be found here: <http://www.inspection.gc.ca/english/fssa/labeti/allerg/20110216inde.shtml>

h. Durable Life Date

The Durable Life Date or Best Before Date must be shown if a product is only good for 90 days or less.

i. Images

Images used on the label of any alcoholic beverage must not be misleading. For example, the CFIA says that if an image is used to depict the flavor of the product (ex. Grape) but artificial flavoring is actually used in the product instead of natural flavors, this must be noted on the label somewhere.

j. Standard Container Size

According to the Consumer Packaging and Labelling Regulations, wine may only be sold in the following containers sizes:

- 50, 100, 200, 250, 375, 500 or 750 mL
- 1, 1.5, 2, 3 or 4 L

CFIA has an excellent page summarizing all labeling requirements at: http://www.inspection.gc.ca/english/fssa/labeti/guide/ch10e.shtml#a10_1

In addition, they provide a label review service. More information on that program can be found here: <http://www.inspection.gc.ca/english/fssa/labeti/guide/ch1e.shtml#offbur>

Duties and Taxes

a. Import Duties

Due to NAFTA and other agreements between Canada and the United States, many alcoholic beverages are exempt from import duties. There are some exceptions however, including cider and wine with specific percentages of alcohol. The Canadian Border Services Agency is responsible for duties and tariffs in Canada. A link to the customs tariff can be found at:

<http://www.cbsa.gc.ca/trade-commerce/tariff-tarif/menu-eng.html>

Industry Canada has information on the customs tariff and HS Codes here: http://www.ic.gc.ca/eic/site/cid-dic.nsf/eng/h_00002.html

b. Excise Duties

Excise duties will be charged under the Customs Tariff at the time of importation. Excise duties are also charged on alcoholic beverage produced in Canada, though there are exemptions for 100 per cent Canadian wine. Canadian brewers receive reduced rates for their first 75,000 hectolitres of production.

The rates of excise duties are as follows:

Excise Duties on Spirits

| <i>Percentage of absolute ethyl alcohol by volume</i> | <i>Excise duty</i> |
|--|--|
| More than 7% | \$11.696 per litre of absolute ethyl alcohol |
| Not more than 7% | \$0.295 per litre of spirits |
| Special Duty (user with license from Minister of National Revenue) | \$0.12 per litre of absolute ethyl Alcohol |

Source: Canada Revenue Agency

Excise Duties on Wines

| <i>Percentage of absolute ethyl alcohol by volume</i> | <i>Excise duty</i> |
|---|--------------------|
| More than 7% | \$0.62 per litre |
| More than 1.2% but not more than 7% | \$0.295 per litre |
| Not more than 1.2% | \$0.0205 per litre |

Source: Canada Revenue Agency

Excise Duties on Beer and Malt Liquors (Part II Schedule Excise Act)

| <i>Percentage of absolute ethyl alcohol by volume</i> | <i>Excise duty</i> |
|---|------------------------|
| More than 2.5% | \$31.22 per hectolitre |

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| | |
|---------------------------------------|---------------------------|
| More than 1.2% but not more than 2.5% | \$15.61 per hectolitre |
| Not more than 1.2% | \$2.591 per hectolitre |

Source: Canada Revenue Agency

c. Taxes

The Canadian Goods and Services Tax (GST) applies to most products being imported in to Canada. The current rate of GST is 5 per cent. In addition, some provinces have their own sales tax and rates vary from province to province. Where provinces have combined their provincial sales tax and the GST, the tax is known as the Harmonized sales Tax or HST. Rates of GST/HST can be found on the Canada Revenue Agency site at:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rts-eng.html>

Appendices

Appendix 1: Chart of Liquor Control Boards

| | |
|---|---|
| <u>Alberta Gaming and Liquor Commission</u> www.aglc.ca 50 Corriveau Ave. St. Albert, AB T8N 3T5 Tel.: 780-447-8600 or Toll Free: 1-800-272-8876 To order Policies, Handbooks, Terms & Condition and Operating Guidelines: (780) 447-8600 | <u>British Columbia Liquor Distribution Branch</u> www.bcliquorstores.com 2625 Rupert Street Vancouver, BC V5M 3T5 Tel.: 604-252-3000 |
| <u>Manitoba Liquor Control Commission</u> www.liquormartsonline.com P.O. Box 1023 Winnipeg, MB R3C 2X1 Tel.: 204-284-2501 | <u>New Brunswick Liquor Corporation</u> www.anbl.com P.O. Box 20787 Fredericton, NB E3B 5B8 Tel.: 506-452-6826 |
| <u>Newfoundland Liquor Corporation</u> www.nlliquor.com P.O. Box 8750, Station A 90 Kenmount Road St. John's, NL A1B 3V1 Tel.: 709-724-1112 | <u>N.W.T. Liquor Commission</u> www.fin.gov.nt.ca/liquor-fund/index.htm 31 Capital Drive Suite 201 Hay River, NT X0E 1G2 Tel.: 867-874-2100 |
| <u>Nova Scotia Liquor Corporation</u> www.mynslc.com 93 Chain Lake Drive Bayers Lake, Business Park Halifax, NS B3S 1A3 Tel.: 902-450-5802 | <u>Liquor Control Board of Ontario</u> www.lcbo.com For trade: www.lcbotrade.com 55 Lakeshore Boulevard East Toronto, ON M5E 1A4 Tel.: 416-864-2453 |
| <u>Prince Edward Island Liquor Control Commission</u> www.peilcc.ca P.O. Box 967 Charlottetown, PE C1A 7M4 Tel.: 902-368-5720 | <u>Société des alcools du Québec</u> www.saq.com 905, avenue Delorimier Montréal, QC H2K 3V9 Tel.: 514-873-3816 |

| | |
|--|---|
| Saskatchewan Liquor and Gaming Authority www.slga.gov.sk.ca P.O. Box 5054 Regina, SK S4P 3M3 Tel.: 306-787-1738 | Yukon Liquor Corporation Board www.ylc.yk.ca 9031 Quartz Road Whitehorse, YT Y1A 4P9 Tel.: 867-667-5245 |
|--|---|

Nunavut does not have a website, but some information can be found on the Provincial Government site: www.gov.nu.ca

Appendix 2: Useful Links

Consumer Packaging and Labelling Act:

<http://laws-lois.justice.gc.ca/eng/acts/C-38/>

Consumer Packaging and Labelling Regulations:

http://laws-lois.justice.gc.ca/eng/regulations/C.R.C.%2C_c._417/index.html

Food and Drug Regulations:

<http://laws-lois.justice.gc.ca/en/F-27/C.R.C.-c.870>

Spirit Drinks Trade Act:

<http://laws-lois.justice.gc.ca/PDF/S-15.6.pdf>

Importation of Intoxicating Liquors Act:

<http://laws-lois.justice.gc.ca/PDF/I-3.pdf>

Excise Act:

<http://laws-lois.justice.gc.ca/PDF/E-14.pdf>

Excise Act, 2001:

<http://laws-lois.justice.gc.ca/PDF/E-14.1.pdf>

Customs Tariff:

<http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2011/01-99/01-99-t2011-eng.pdf>