Craft Cider in British Columbia:

A Comparative Study of Regional Cider Production and Regulatory Environments

With support from:
The Northwest Cider Association

And:
Campaign for Real Ale (CAMRA) Vancouver

Prepared for:
Liquor Control and Licensing Branch
Ministry of Justice, Government of British Columbia

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Preface

This report came to be through my own personal interest in the cider business: its history, my fascination with cider’s unique place as an agricultural value-added product, the people who make it, and the possibilities for British Columbia’s cider industry. What started as a research project became a hobby venture among four college friends intent on making great cider. Once the first batch of our cider trials had been fermented, kegged, and tasted, they were unanimously declared to be quite good, prompting further investigation into the potential commercialization of our product.

With a tangible cider in the bottle, and a reasonable understanding of what urban cider production could look like gained through visits to likeminded producers already working on a commercial scale in the Greater Seattle and Portland areas, my team has sought to determine how best to replicate the American Pacific Northwest urban cidery model in BC, specifically in the Greater Vancouver Area. Along our cider journey, we have identified a large annual surplus of cull grade apples at BC Tree Fruits’ cold storage facility in Oliver, BC: varietals of apples that American entrepreneurs have been using with great success to create popular cider brands. BC Tree Fruits has anecdotally indicated that they are also in the process of getting into the business of cider production, reaffirming our thought that ‘now is the time’ to be making cider in BC.

Rather than pursuing an ‘orchard to glass’ business model, as is generally employed by BC’s current cideries, my team seeks to ‘bring the orchard to the city’, or, more specifically, launch a microbrewery-style cidery in East Vancouver, creating a yet-to-be-realized cider business model in the province.
This report is, as well as offering what I hope to be a concise overview of cider production in British Columbia, Washington, and Oregon, a personal labour of love. I hope that this research can stimulate dialogue at a policy level surrounding commercial cider production in BC: where it currently stands from a regulatory perspective, what the future could look like, and cider’s potential as a tourism driver in the provinces’ already booming craft beverage niche.

Eric Douglas

MA Tourism Management Candidate 2014

Partners in fermentation: Michael Vasilev, Eric Douglas, & Matthew Vasilev, standing atop ‘Big Red’
Executive Summary

As a capstone research project towards completion of Royal Roads University’s Master of Arts in Tourism Management program, Eric Douglas (the author) has conducted a comprehensive study of British Columbia’s (BC’s) cider industry, comparing and contrasting to the cider industries and regulatory environments of Washington (WA) and Oregon (OR) States.

The purpose of this report is to provide the BC Liquor Control and Licensing Branch (LCLB) with up-to-date information on industry trends, market analysis, and offer primary data collected via an online survey from producers in all three geographic areas. The intention of this report is to offer recommendations based on research findings to facilitate a more innovative, vibrant, and competitive craft cider industry in BC.

The following conceptual map offers a graphic overview of the format of this report. First, at the ‘roots’ is a snapshot of today’s craft cider industry in BC and beyond. The middle section, or ‘trunk’ of the report presents current challenges to future success and innovation. Finally, the ‘fruit’ of this study offers future scenarios and opportunities based on the findings of the secondary research gathered and primary research conducted.
Section three of this report examines the cider industry in Canada, North America, and globally. Section four provides an overview of recent reports on the cider industry, published by both consultants and academia. The findings of the survey component of this study are presented in section eight, and recommendations are outlined in section nine. Finally, a summary and closing conclusions are presented in section ten.

The primary and secondary research findings of this report demonstrate that cider is a strong growth category within BC’s beverage industry. Compared to BC, Washington and Oregon are home to more mature cider markets with many more producers, and benefit from a Washington-based industry association and advocacy group, the Northwest Cider Association (NWCA). British Columbia possesses a healthy supply of apples, although cider-specific apple varietals are in high demand with a
limited supply. While domestic BC cider producers are gaining recognition and popularity, they face steep competition from import brands, which are gaining market share through expensive advertising campaigns and strategic sponsorships.

From a beverage tourism perspective, BC’s urban center of Vancouver competes directly with two nearby US locations: Seattle, WA and Portland, OR. Both American cities currently possess a competitive advantage with regard to cider tourism, offering greater diversity of producers (both rural and urban), an industry association providing support and promotion, and coordinated efforts such as Washington and Oregon cider week(s): events which are successfully drawing visitation and creating awareness of cider as an exciting new beverage category.

BC’s cider producers face a complex regulatory environment, and currently operate under the umbrella of winery licensing. Lobbyists in the United States, at a state and federal level, have been campaigning for the redress of laws pertaining to cider, examples including tax rates relating to carbonation level and alcohol by volume (ABV), and packaging options like refillable containers (growlers). Recommendations in section nine include revisions to cider’s current markup schedule and classification, and the legalization of the ‘cider growler’.

The BC cider industry appears poised to grow rapidly, both in the lower mainland and in the Okanagan. Given the province’s current liquor policy review, now is an important moment in our domestic cider industry’s development. Collaboration between producers, suppliers, the provincial government, and the NWCA (or BC’s own future cider association) would be wise in order for producers to achieve their growth potential,
and for consumers to be offered the highest quality and diversity of cider products and events.

Image 1: ‘Big Red’ at BC Tree Fruits packing facility - Oliver, BC

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1. Research Purpose & Scope

This research intends to highlight regulatory challenges experienced by craft cider producers in British Columbia, Washington and Oregon. In an effort to assist the BC Liquor Control and Licensing Branch in making informed decisions surrounding revisions to the current regulation of production and sale of cider in BC, this report provides examples of the changing regulatory environment in the United States. For those unfamiliar with craft cider, this report also intends to offer a 2014 snapshot of the industry: its past, present, and future. This study is based on both secondary and primary research data; the latter collected using a web-based survey, with responses from cider producers in British Columbia, Washington, and Oregon. The survey’s questions were designed to determine:

I. Is demand for craft cider growing?

II. What cidery business model do current producers use, and how many are involved in the business of apple cultivation as well as cider production?

III. What regulatory challenges do current producers face?

IV. What regulatory changes do current producers feel would help contribute to the ongoing success of their industry?

Image 2: Washington, English, and French Ciders at Capitol Cider, Seattle, WA.

2. Context

The business of apple cider production, an ancient craft with roots dating back as early as 55 B.C. in England (Mitchell, 2012), is evolving and growing in British Columbia and elsewhere in North America. The production and consumption of alcoholic apple cider has been a consistent thread throughout recorded human history, and is a noteworthy culinary tradition in the story of North America’s colonization. In recent years, cider has been enjoying a revival in the United States, with craft cideries appearing coast-to-coast and national beer brands launching or acquiring their own ciders. In Canada, growing interest in cider as an alternative to beer and wine has seen the beverage category experience double-digit year-over-year sales growth: in 2012 alone, unit sales of cider in Canada grew 32% over the previous year (Crosariol, 2013).

Cider (B.02.120. [S.]) is defined in Canada by the Canadian Food & Drug Regulations as:

- The product of the alcoholic fermentation of apple juice, and
- To contain not less than 2.5 percent and not more than 13 percent absolute alcohol by volume, and
- May have added to it during the course of manufacture:
  - Yeast
  - Concentrated apple juice
  - Sugar, dextrose, invert sugar, glucose, glucose solids, or aqueous solutions thereof
  - Other finishing agents
This definition also applies to perry, a cider beverage with a base of fermented pear juice rather than apple juice.

Growers Wine Company built British Columbia’s first cider production facility in Saanich, near Victoria, BC, in 1928 with the intention of showcasing Canadian wines to the world. It was not until 1991 that Merridale Estate Cidery, located in Cobble Hill, became the province’s first estate cider producer. Since then, the BC cider industry has experienced slow but steady growth. Recently, a number of new cideries have launched, the BX Press and Left Field Cider Co. being two examples, mainly concentrated in the Okanagan apple-growing region of the province. BC’s current cider makers generally employ the estate, orchard-to-glass business model, and are licensed as land-based wineries, with the exception of two BC breweries that also produce cider, Whistler Brewing (Lonetree Cider) and Tree Brewing (Dukes Cider).

A movement to redress cider regulation is currently underway in the United States. With current regulations falling somewhere between those governing the production and sale of beer and those associated with wine, lobbyists in the US are currently advocating for new, more streamlined legislation, both at a state and federal level, and spearheaded by the United States Association of Cider Makers (USACM). One facet of this movement is the campaign for the ability to sell cider in refillable containers, commonly referred to as growlers.

Two states at the forefront of the American craft cider movement, Washington and Oregon, have both lobbied successfully for the ability to fill growlers with cider at the site of production, as well as bottle shops, taprooms, and even grocery stores. Oregon State passed bill HB 2443 on April 12, 2013
At a federal level, the CIDER Act (Cider, Investment & Development through Excise Tax Reduction) is being assessed by Congress, and aims to normalize and reduce tax rates on the production of cider (Jones, 2014). Specifically, this act seeks to redress the tax rate on cider which contains more than 7% ABV. For cider >7% ABV, producers in the USA pay the same federal excise tax rate as beer producers. For cider <7% ABV, cider producers must pay the same tax rate as wine producers, five times more than beer producers. Past a particular level of carbonation, cider producers must pay an even higher tax rate: the champagne rate, which is ten times more than the tax rate applicable to beer. The aim of this Act is to, in short, give consumers what they want at a fair price (Jones, 2014).

3. Industry Overview

<table>
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<tr>
<td>Cider is growing rapidly in volume sales, retail dollars, and number of producers in North America</td>
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<td>North America’s largest brewing conglomerates are buying or launching their own cider brands</td>
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<tr>
<td>Cider remains steadily popular elsewhere in the world, including in the United Kingdom, South Africa, France, Spain, and Sweden</td>
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Canada and the United States

Although cider currently makes up only one percent approximately of US alcoholic beverage consumption, the market has been rapidly expanding in the United States and elsewhere as consumers search for ‘the next big thing’ (Black, 2010, p. 50) following the relative saturation of the craft beer market. Until recently, cider was most often obtained from local producers either at farm shops or nearby outlets, providing much regionalism in the making and consumption of cider (Black, 2010, p. 50). Now, with products available from both small and large-scale producers, consumers have a wide range of domestic and import products to choose from, ranging from traditional, small-batch ciders made from 100% fermented apple juice to sweeter, heavily-carbonated alternatives made from apple juice concentrate, and mass produced.

Image 3: A selection of ciders purchased at a grocery store in Seattle, WA.


In the last few years, national beer companies in both Canada and the US have identified cider as a profitable brand extension opportunity, and have undertaken significant investments to penetrate the market. Findings of market research firm
IBISWorld indicate that cider sales in the US have rapidly grown from $178 million to $601 million between the years 2007 and 2012 (McDonald, 2014).

![Keeping Tabs](image)

**Figure 2:** Year-over-year volume of alcoholic cider sold, USA vs. world consumption.


Noteworthy product launches and acquisitions in 2012 include Boston Beer Co.’s debut of Angry Orchard products (who surpassed their year-one sales forecast of 200,000 bottles by 1000%, selling 2 million (Welchel, 2013)), MillerCoors’ purchase of Cripsin, the US’s third largest cider producer, and the purchase of Vermont Hard Cider Company, maker of leading US brand Woodchuck, by Ireland’s C&C Group (Blenkinsop, 2012).

Providing further context for the cider market in the United States, the USA Cider Market Insights report, published by market research firm Canadean (2013), highlights the following:

- Strong growth in the US cider market, matching the rapid growth of the craft beer market segment
• Ciders marketed by major beer brands (A-B InBev, MillerCoors, Boston Beer Co.) have performed strongly, in part due to the strong positions and reputations of the parent companies
• Cider growth (units sold) will remain in the double digits moving forward
• The top three US brands represented 60% of the market in 2012, although this market share is expected to decline in 2013 and beyond based on the further market fragmentation

This report indicates strong growth for cider in the USA, with crossover appeal to the craft beer consumer. The market will continue to fragment as more new entrants join the marketplace, creating a competitive environment with much room for innovation.

In Canada, both Molson and Alexander Keith’s have launched ciders of their own in 2013. Heineken has recently taken over the North American distribution of the popular English cider brand Strongbow, and has undertaken substantial marketing efforts in Canada through a joint partnership with Molson (Blenkinsop, 2012). Meanwhile, A-B InBev has launched their premium-priced Stella Artois Cidre product in select North American markets.

Ultimately, North America is a market with a newfound, steadily growing thirst for cider, both for those created by large-scale conglomerates and small-scale niche producers. The fact that the brewing industry’s big players have launched aggressive forays into the cider space demonstrates that the potential for profitability has been clearly recognized. Elsewhere across the globe, this is old news.
Cider Globally

Overseas, cider has enjoyed a steadier level of popularity than that experienced in North America. The United Kingdom is the world’s largest consumer of cider, drinking 940 million litres in 2011 (Mitchell, 2012). The UK cider industry, which supports around 9000 rural jobs, is worth an estimated £3 billion, a figure predicted to grow to £3.7 billion by 2017 (Sleeman, 2014). The cider tradition of the United Kingdom has shaped the offerings of BC brands like Sea Cider and Merridale, both in the choice of apple varietals, and the traditional production methodologies employed.

South Africa, not the United Kingdom, has the highest global per capita cider consumption, according to Datamonitor Consumer’s 2013 Global Consumer Survey (Vierhile, 2013). This study indicated that 16% of the alcohol-drinking population of South Africa ranked cider as their top choice of alcoholic beverage; the United Kingdom and Sweden were the only other nations that had 10% or more of polled consumers rate cider as their top alcoholic beverage choice (Vierhile, 2013). In the United States, only 2% of alcohol-drinking consumers voted cider as their top choice, although the fact that cider shipments grew 87% year-to-date June 2013 appears to indicate a growing thirst for cider (Vierhile, 2013).

Datamonitor’s 2013 Global Consumer Survey highlights a gender imbalance for cider drinkers: three times as many women as men indicated that cider as their top choice of alcoholic beverage (Vierhile, 2013). With potential appeal to both wine and beer drinkers, cider is poised to grow considerably as a category of alcoholic beverage over the next number of years globally. The following graphic represents a snapshot of the global market for cider and perry in 2010:
4. Literature Review

The following literature review serves a dual purpose. For those unfamiliar with cider’s unique role in the European and colonial North American history, Appendix A: Historic Context provides a summary of the literature on this topic, from past to present. For those with an existing understanding of cider’s history, the following section entitled ‘Recent Reports & Industry Insights on Cider Production’ summarizes recently published work by consultants and academia on the topic of cider production.

**Key Points**

- Demand for organic dry cider in British Columbia is strong
- Import brands are generally more recognized than domestic brands, although there is awareness and growing interest in made-in-BC products
- BC’s commercial cideries do not benefit from any sort of tax incentives like those offered to VQA wineries, or microbreweries
- BC and Ontario both lack (and could arguably benefit from) a ‘craft cider certification’ system like VQA
- US cidermakers are bringing products to market using a larger percentage of dessert/table apple varietals than cider-specific heirloom varietals, making use of what is readily available regionally
- The majority of North American cider producers expect scaled increases in production capacity, commensurate to forecasted increases in demand

Recent Reports & Industry Insight on Cider Production

This section will focus on recent reports related to market analysis and insight on cider production in British Columbia, Ontario, and the United States. Research pertaining to modern-day cider production and regulation is, in the opinion of the author, unfortunately limited, especially considering the beverage category’s recent surge in popularity.

Rhys Pender’s 2011 study entitled Organic Cider Project: Market Research Report focuses primarily on market demand in British Columbia. A marketplace survey was conducted, polling 55 respondents from a cross-section of the food & beverage industry (restaurants, pub/bars, retail store employees, sales agents, and consumers) with the intention of determining demand for organic cider products in British Columbia. See Appendix A: Rhys Pender Marketplace Demand Survey for a full list of survey questions. Results of the survey indicated that the majority of respondents thought that market
demand for cider was moderate to very strong (89%), and that nearly half of respondents (47%) thought that the demand for cider appeared to be growing in recent years.

Of respondents who indicated that they drank cider (40/55) Strongbow and other import ciders were the top choice of 19, or nearly half, of all cider-drinking respondents. Sea Cider was the next most popular with 12 votes, followed by Merridale with 9. These results highlight the seemingly successful marketing efforts by Strongbow and other import ciders, and are predictably commensurate to the scale of marketing budgets deployed by Heineken and other multinational beer brands promoting ciders in comparison to smaller domestic producers.

Rhys Pender’s report notes BC’s complex liquor mark-up scenario, which has since changed following the repeal of HST. Based on varying discount factors associated with selling through licensees (restaurants), licensee retail stores, rural agency stores, and independent wine stores, the author recommends that cidermakers sell directly from their production facility and to restaurants in order to retain the greatest percentage of their profit margin. The author compares and contrasts BC’s mark-up to the more streamlined scenario in Alberta, which involves a flat-rate mark-up applied to each beverage category based on an approved rate schedule, which is established by policy and reviewed regularly (Pender, 2011, p. 20). Ultimately, Pender’s report demonstrates a strong, growing market demand for cider: specifically a dry, organic product, and offers concise steps for aspiring producers to enter the market. The findings relating to the popularity of imported products also speaks to the need to support and stimulate domestic production and promotion at a provincial policy level.
The Economic Impact Study for the Ontario Hard Cider Industry (2013), authored by Kevin Grier, Janelee Sweetland, and Irena Rajcan of the George Morris Centre, provides a comprehensive overview of the Ontario cider industry, and offers a set of recommendations based on research findings. Using data collected from a survey of Ontario cider producers, a SWOT analysis was conducted, with the following key points:

**Strengths**

- High quality inputs (Ontario apples)
- Young industry, entrepreneurial mindset
  - Connected to consumer through a variety of digital channels
- New, up-to-date capital asset base

**Weaknesses**

- Inexperience of producers
- Unpredictable supply chain
  - Producers dependent on suppliers for apples/apple juice, often purchased on the spot as opposed to forward contracting
- Indistinguishable product
  - No current definition of ‘Ontario Craft Cider’
  - No distinction on the shelf from other ciders (import or domestic)
- Lack of available pressing equipment

**Opportunities**

- The demand for cider is strong and rapidly growing
  - Sales data indicates strong demand in Ontario, Canada, and the US
- Increasing interest in agricultural and culinary tourism
Cider industry has attributes which are congruent with the shift towards an interest in local food

- Marketing tactics of mass-produced brands like Strongbow can help to generate interest and awareness of cider with no expense to domestic craft producers

**Threats**

- Competition from non-craft cider producers (imports, large domestic companies, flavoured beer and wine producers, sweet alco-pop cider producers)
- Inability to access tax benefits that apply to craft brewers and VQA wine producers

The SWOT analysis demonstrates a number of common opportunities and concerns for BC cider producers. Like the Ontario marketplace, BC is experiencing a growing demand for cider products, both domestic and imported. The presence and success of ciders marketed by multi-national beer brands (Strongbow, Somersby) is a double-edged sword in BC as it is in Ontario: the marketing clout of these companies is beneficial to help grow the interest in and recognition of cider, but alternatively these products represent foreign competition with economies of scale that smaller regional producers cannot match. Like Ontario, BC’s cider producers do not enjoy any sort of tax break, unlike the province’s VQA wineries. Unlike Ontario, there is no cidermakers association in BC, although several producers hold membership in Washington State’s Northwest Cider Association.
Greer, Sweetland, & Rajcan make a number of recommendations based on the findings of their research. In the short-term, recommendations were broken down into three areas: production, association, and government relations. Production recommendations included the encouragement of dialogue between apple growers and cider producers to facilitate the cultivation and contracting of traditional cider apple varietals. Forward contracting of apples would act as an assurance and risk management tool for both growers and cider producers. Lastly, continued vigilance in keeping up with consumer trends and developing relationships with fruit growers who cultivate berries, peaches, plums, cherries, etc. was recommended in order to secure a supply of Ontario fruit to be used for flavoured craft cider production.

The report entitled *2013 and 2014 CiderCON Survey Results of Cider Producers and Cider Apple Growers* authored in 2014 by Carol Miles of Washington State University and Greg Peck of Virginia Tech, offers compiled results of a survey conducted during CiderCON (an annual American Cider Conference) 2013 and 2014, polling current and prospective cider producers and cider apple growers. The information presented in the report serves as a useful snapshot of North American cider production, although with sample sizes of 64 (2013) and 105 (2014), this survey cannot be fully representative of the industry as a whole.

Findings indicate that the majority of represented US cider producers operate on a small scale (37% of respondents produced between 1,000-4,999 gallons of cider in 2012), with only 5-6% of respondents producing more than 250,000 gallons (Miles & Peck, n.d., p. 1). These results demonstrate that small-scale operations are the norm in North America, which is logical given cider’s fairly recent resurgence in this part of the world.
In terms of a growth trajectory for cider production in North America, all but one producer predicted an expanded production capacity in the near term. 37% of producers at CiderCON 2014 predicted a capacity increase of 10,000-99,000 gallons in the next five years (Miles & Peck, n.d., p. 1), which fits the trends of increased consumption and sales of cider.

Of note in Miles & Peck’s (n.d.) report are findings relating to juice/fruit procurement. Survey results indicated that 33% of respondents grew most/all of their own fruit, while the majority of respondents purchased a combination of fruit and juice. Of those respondents who did not grow their own fruit, 46% (averaged over two years of surveys) purchased fruit/juice based on regional proximity, while 13% purchased fruit/juice based on the availability of specific apple/pear varieties (Miles & Peck, n.d., p. 2). This demonstrates that unlike the current scenario in British Columbia, the majority of US cidermakers do not grow their own apples; rather, they purchase fruit or juice based primarily on regional proximity, with a secondary consideration being the availability of cider-appropriate varieties of apples (bittersweets, bittersharps).

Regarding the supply chain of CiderCON survey respondents, 30% indicated that their operations did not own, lease or rent an orchard in 2013 or 2014 (Miles & Peck, n.d., p. 2). Another 29% (averaged across both years) indicated that they owned, leased, or rented 1-9 orchard-acres (Miles & Peck, n.d., p. 2). In both years, 29% of respondents did not grow cider-specific varieties of cider apples, while of those that did, the majority (39% averaged over both years) grew only 1-9 acres (Miles & Peck, n.d., p. 2). This indicates that cider producers are finding new recipes and methods of production that do not necessitate cider-specific apple varieties exclusively, and seems to demonstrate that
perfectly palatable ciders may be created without these prerequisites, contradicting the mandate of some purists.

Lastly, worth noting is respondents’ overwhelming desire (90% of respondents for both years) for university-level research into cider/perry production, with 87-95% indicating willingness to participate in research experiments at their orchards or cideries (Miles & Peck, n.d., p. 2). This demonstrates a need for further cross-disciplinary research into cider production, with respondents indicating that they would benefit most from research on fermentation issues, final product quality, and cultivation/rootstock (Miles & Peck, n.d., p. 5).

Important themes found across the literature are the historic role and recent growing popularity of cider in both Canada and the United States, the emergence of new production methods based on growing demand and availability of inputs, the challenges of a complex regulatory environment, and the current preference and recognition in BC of import brands.

5. Market Facts and Figures

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<td>Ø The majority of BC’s cider drinks are between 25 and 44</td>
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<tr>
<td>Ø BC’s cider market accounts for roughly 44% of the national market</td>
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<tr>
<td>Ø The market share of import brands is currently growing at a rate double that of domestic products, although domestic products currently hold greater market share</td>
</tr>
<tr>
<td>Ø Cider sales in BC grew by 15.8% from 2013 to 2014: the only BC LDB beverage category to experience double-digit sales growth</td>
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Demographics

- In the US, research firm Nielsen says 38% of cider drinkers are under 35 years old (compared to 17.5% for beer drinkers), and 50% earn $70,000/year or more, versus 38% for beer (Blenkinsop, 2012).

- In British Columbia, Rhys Pender’s 2011 survey indicated that the majority of BC’s cider drinkers are between the ages of 25 and 44 (76%); with 40% aged 25-34, and 36% aged 35-44.

Provincial and National Market Statistics

Jayson Columbus, Director, Finance and Administration for Northam Brands Ltd., recently presented to the Finance Committee of the Government of Canada in Ottawa, highlighting the following statistics, quoting figures provided by the Association of Canadian Distillers:

- The national cider beverage category is valued at $140 million
- Year-over-year growth nationally is estimated to be 24% from 2012-2013
- Canadian-produced brands represent 63% of the market, and are growing at 18% per year
- Import brands account for 37% of the market, and are growing at 36% per year, capturing increasing market share and doubling domestic growth
- BC’s cider market is valued at $62 million, more than 44% of the national market (Columbus, 2013).
Table 1: BCLDB Cider Market on the following page indicates the sales volume in dollars for cider sold in British Columbia for the years 2009-2013. Worth noting is the steady growth of cider sales, domestic and import, in both draft and packaged format. In the BC Liquor Distribution Branch’s winter 2013 ‘Straight Up’ publication, cider sales grew 12.2% from October 26, 2012 – October 26, 2013. Cider sales also represented the strongest growth category (both in dollars and volume) of all LDB beverage segments from April 1, 2013 – October 26, 2013 (see figure 2: LDB 2013 category sales). Of note in Figure 3 is the fact that cider is grouped together with ‘cooler’ beverages, meaning this growth cannot entirely be attributed to cider.

Image 4: A selection of domestic and import ciders
## Table 1: BCLDB Cider Market

Retail Sales in Dollars (000s) (12-month period ending December 2013)

As this data demonstrates, cider is rapidly increasing in popularity, sales dollars, and market share as a beverage category in British Columbia. The following section will assess cider’s key input, apples: the most important link in the BC cider industry’s supply chain.
6. British Columbia Supply Chain Considerations

British Columbia is home to a thriving tree fruit industry, of which apples comprise approximately 80%, and 98% of which is concentrated in the Okanagan region of the province (BC Tree Fruits, 2014). Since 1936, BC Tree Fruits (the promotional arm of the BC Tree Fruits Cooperative, a network of 800 orchards) has promoted, packaged, and delivered BC’s orchard-grown produce to consumers in BC and beyond (BC Tree Fruits, 2014). The tree fruit industry is worth an estimated $130 million annually, and directly employs 1500 people (BC Tree Fruits, 2014).

As vibrant as BC’s apple industry is, it pales in comparison to that of Washington State, which is worth an estimated $2.5 billion annually. Washington produces approximately 58% of all apples grown within the United States; 68% of which are produced for fresh consumption. About 30% of the annual crop is exported to markets like Canada, Mexico, South America, and the Asian Pacific Rim (WSU, 2014). In the context of cider production in British Columbia, the clout of Washington’s apple industry means that producers south of the border have many more options in terms of suppliers and apple varietals.

The availability of cider-specific apple varietals in BC is limited at best. Bittersharp and bittersweet apples (preferred by traditionalist ciders) possess specific flavour characteristics that make them desirable in a blend for cider, and not as fresh-consumption eating apples. Based on consumer demand, BC Tree Fruit’s member orchards generally grow more mainstream apple varietals, such as Golden Delicious, Red Delicious, Spartan, Spartan etcetera: table varieties purchased at your local grocer.
BC’s current cider producers generally maintain a ‘grow your own’ approach to sourcing otherwise rare cider apples. As cider continues to grow in popularity in the province, it is not illogical to think that some apple growers may be contracted to grow select amounts of niche cider apples. One Okanagan packing house, Cawston Cold Storage, located in Cawston, BC, sells a particularly popular cider apple varietal: Newtown Pippen. Anecdotal conversation with the sales staff of the facility indicates that these apples sell out fast, and as a result command a premium price, approximately 35 cents per pound, as opposed to 10 cents per pound for cull-grade mainstream varietals.

South of the border, cidermakers like Reverend Nat of Reverend Nat’s Hard Cider (Portland, OR), Corey Haugen of Grizzly Ciderworks (Woodinville, WA), and Joel Vandenberg of Seattle Cider Company (Seattle, WA) are achieving success by carefully blending mainstream apple varieties, and experimenting with infusions of hops, botanicals, and fresh fruit juices to achieve unique flavours without the need for rare and/or expensive inputs. Their approach to cidermaking lends credence to the belief that cider apples are not a necessary prerequisite to crafting tasty, desirable ciders.

7. Craft Cider, Agritourism, & Destination Competitiveness

Agritourism

The rise of craft cider creates a new facet of craft beverage tourism, similar in nature to brewery, distillery, and winery tourism. These forms of tourism generally share the common experience of visiting sites of beverage production to learn about the production process and taste samples of product, in either a rural or urban setting. Unlike
brewery and distillery tourism, wine and cider tourism can often include visits to farms, due to the orchard/vineyard-to-glass business model often employed by small producers.

Phillip, Hunter, & Blackstock (2010) create a typology for defining agritourism, based on a multitude of existing definitions found in the literature. Using the characteristics of a working farm, contact with agricultural activity, and authenticity of tourists agricultural experience, the authors (2010) present five types of agritourism: non-working farm agritourism, working farm passive contact agritourism, working farm indirect contact agritourism, working farm direct contact staged agritourism, and working farm direct contact agritourism.

While current land-based cideries appear to fall within the definition of ‘working farm passive contact’ or ‘working farm indirect contact’ agritourism, a currently unexplored agritourism opportunity exists within BC: non-working farm urban cidery agritourism. This non-working farm agritourism experience could also apply to cider products sampled and purchased at an urban farmer’s market. The authors (2014) note that non-working farm (NWF) agritourism differs from rural tourism in that a connection is made to agriculture or agricultural heritage in a way other than through a working farm location (para. 8).

Arguably, a physical gap of distance will often exist between agricultural tourism offerings and the prospective tourist or consumer. While prospective consumers are concentrated in urban areas (Greater Vancouver, for example), farms and agricultural tourism offerings are generally not found within close proximity to densely populated urban areas. Thus, from the perspective of an agritourism operator, one has two choices: bring the consumer to the agriculture, or bring the agriculture to the consumer. It can be
argued that an urban cidery, similar to the urban farmers market experience, presents a unique example of bringing agritourism offerings to urban consumers.

In BC, cideries have yet to establish themselves in urban areas, perhaps based on the limitations of Commercial Winery Licensing versus Land-based Licenses held by cidermakers in rural areas, or other as-of-yet undetermined factors. Cidermakers in Washington and Oregon, facing fewer regulatory hurdles, have not hesitated from setting up operations in urban/industrial areas closer to population density, and have enjoyed high levels of success, facilitating rapid expansion. Seattle Cider Company, founded in 2013, provides an excellent example – information on the cidery may be found here: http://www.seattlecidercompany.com/.

Destination Competitiveness

Crouch (2011) has contributed extensively to the literature on the nature of destination competitiveness, ie. the factors that make one destination more attractive than another. The author’s 2011 study of elements of destination competitiveness identifies the complexity in managing a destination, noting among other conclusions that ‘since competitiveness is a relative concept, the competitiveness of a tourism destination is a function of what is happening to, or in, that destination as well as the events affecting other competing destinations’ (p. 40). Applying this reasoning to the assessment of destination competitiveness specific to the niche of craft cider tourism, let us consider three urban destinations within the geographic areas on which this report focuses: Seattle, Portland, and Vancouver.
Seattle, already riding a wave of cider enthusiasm, has the benefit of a rapidly expanding base of cideries, a newly minted cider bar (Capitol Cider) in which to showcase WA and OR ciders, and a Washington-based industry association supporting and promoting industry growth, the Northwest Cider Association (NWCA), which also coordinates Washington Cider Week, now in its third year. According to the NWCA’s website, Washington joins six other US states in hosting a cider week, the others being California, Michigan, New York, Oregon, and Virginia.

In total, NWCA predicts that this year’s festivities in Washington will amount to over 100 separate activities. This page of the NWCA website details the expansive scope of event offerings for this year’s Cider Week: http://www.nwcider.com/wa-cider-week-events/. See Appendices D and E for NWCA promotional material on both Washington and Oregon cider week(s).

Weeklong peak-season events, which inevitably attract out-of-town guests to occupy hotels, create an economic multiplier effect, as these visitors will also likely spend money on transportation, meals, attractions, and more. Cider Weeks like these held in the aforementioned US states are clearly a tourism driver. Unfortunately, metrics associated with visitation for these events currently scarce, as the mini-events are currently more associated with bars and restaurants than hotels or conference centres. At the time of the writing of this report, overnight stays in Seattle or Portland associated with Washington or Oregon Cider Week had yet to be compiled by Visit Seattle or Visit Portland, meaning there is work to be done in tracking cider tourism metrics.

CAMRA, Vancouver’s craft beer advocacy group, has championed the cider cause in British Columbia for lack of a BC-based industry association. On February 8,
2014, CAMRA hosted CiderWISE, a micro-expo showcasing BC’s cideries, as well as foreign and domestic gluten-free beer products. CAMRA’s event was well attended (albeit modest in scale), and proves the potential in BC for larger-scale events like a cider week. Of note was an even split between BC cideries and import groups present, such as AFIC Group, Bravo Beers, and UnTapped Importers, who showcased European and American ciders/perries. With interest in BC’s craft ciders growing, there appears to be room and consumer desire for more BC cideries to band together and offer more complete representation of our province’s growing industry.

With this outline of cider’s place as an agritourism offering and economic driver in mind, this report will now assess BC’s regulatory environment for cider production and sale, before presenting the findings of this study’s primary research component.

8. Regulatory Environment

As noted by survey respondents in the following section, the regulatory environment for cider in all three research areas (BC, WA, OR) is fairly complex. Appendix F: Comparison of Regulatory Environments shows a comparison of each environment, across the following categories:

• Licensing fee(s)
• Stipulations
• Tax rates
• Markup schedule
• Sales discount factors
As Appendix F demonstrates, BC’s licensing system is arguably less streamlined than either of its American counterparts. Securing a license is more expensive, and has higher annual licensing fees, including incremental fees for endorsements like the inclusion of a tasting room or lounge. BC’s licensing classes also have more associated stipulations, and are taxed at rates higher than either Washington or Oregon. Producers’ feedback on current regulatory environments is presented in responses to question six, page 42.

British Columbia, unlike Washington or Oregon, uses a system employing two separate winery license categories, Land-based and Commercial. For those producers owning or leasing a minimum of two acres of orchard, and using at least 25% of their own apples in their finished product, a Land-based license is held. Further to this point, a land-based winery in BC may use only grown-in-BC agricultural inputs, and must be based on the site of apple cultivation.

For those producers without orchard lease or ownership, a Commercial license is held. Morrison (2013) references Lenore Newman, Canada Research Chair for food security and the environment at the University of the Fraser Valley, who identifies the uniqueness and challenging nature of the BC marketplace for small processors: high land prices and the Agricultural Land Reserve create high barriers to entry for newcomers, meaning diversification and adding value to raw products are key. Commercial winery license-holding BC cideries are currently a minority versus those holding a Land-based Winery License.

With an understanding of the current regulatory landscape, the following survey was performed in order to better understand challenges faced by today’s cidermakers in
BC, as well as those WA and OR working within a different subset of guidelines and limitations.

**Survey on the Regulation of Production & Sale of Cider**

The primary research tool used in this study was a survey (see Appendix B: Cider Production & Regulation Survey: BC, WA, OR) administered online through SurveyMonkey to cider producers in British Columbia, Washington, and Oregon States. Approximately 50 producers were invited to participate: of these producers, 19 completed part or all of the survey. This survey asked a range of questions relating to the production and sale of cider, with the goal of compiling feedback and input from those actively engaged in the business. The aim of the survey was to identify challenges faced by current producers, as a step towards recommending specific changes to existing policy that could help BC’s current and future cider producers.

**Findings**

<table>
<thead>
<tr>
<th><strong>Key Points</strong></th>
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</thead>
<tbody>
<tr>
<td>➢ Cidermakers production capacities are growing rapidly</td>
</tr>
<tr>
<td>➢ Approximately 75% of cidermakers grow some or all of their own apples</td>
</tr>
<tr>
<td>➢ Most commercially available ciders are made using 50% or less of apples grown in orchards owned or leased by the company; the rest are sourced from 3rd parties</td>
</tr>
<tr>
<td>➢ All polled cidermakers identified their product as a ‘craft’ cider</td>
</tr>
<tr>
<td>➢ ‘Craft’ cider was identified as cider containing 85%+ pressed apple juice not from concentrate, as well as with a focus on locally sourced ingredients, small batches,</td>
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</table>
long fermentation times, and a hands-on approach by the cidermaker

- Cidermakers identified a variety of issues relating to taxation, packaging and labeling, classification and government oversight, and issues particular to the BC LDB as impediments to success

- The majority of cidermakers see the growler as a useful and profitable packaging option, with fills available at the cidery, and ideally at bars, retail outlets and grocery stores as well

- Common responses throughout the survey indicated cidermakers desire to remove the higher tax rate associated with producing ciders with 7+% ABV, and enforcing a definition of cider (minimum juice content) for packaging purposes

1. What were your annual production volumes (L) of cider of the following time period? (2009, 2010, 2011, 2012, 2013)

The first question of the survey was designed to determine if supply of cider is growing at a rate commensurate to the growth in demand for cider identified in previous sections of this report. Figure 4 indicates a rapid growth in production volume for respondents.
These results demonstrate both a growing supply to meet demand, and business models that appears to be successfully employing scaled growth.

2. **Is your business also involved in apple growing? (yes/no)**

The second survey question was designed to determine what percentage of cider producers were also involved in the business of apple growing. While this is more or less the norm in British Columbia, some brewery-style cideries in Washington and Oregon purchase pressed apple juice as their primary input, rather than whole fruit (or a combination of both). Responses indicated that approximately 74% of respondents were in the business of apple cultivation, while 26% procured their apples or juice from growers.
3. If so, approximately what percentage of apples used in your cider come from your orchards?

This question asked those producers who are involved in the cultivation of apples approximately what percentage of apples used in their cider comes from their orchard(s).

As demonstrated in the following table, responses varied greatly:

<table>
<thead>
<tr>
<th>Percentage of proprietor-cultivated apples used in cider production</th>
<th>Number of Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1%</td>
<td>4</td>
</tr>
<tr>
<td>5%</td>
<td>1</td>
</tr>
<tr>
<td>10%</td>
<td>1</td>
</tr>
<tr>
<td>15%</td>
<td>1</td>
</tr>
<tr>
<td>40%</td>
<td>1</td>
</tr>
<tr>
<td>50%</td>
<td>2</td>
</tr>
<tr>
<td>70+%</td>
<td>1</td>
</tr>
<tr>
<td>85%</td>
<td>1</td>
</tr>
<tr>
<td>95%</td>
<td>1</td>
</tr>
<tr>
<td>100%</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2: Proprietor-cultivated apples used in cider production

These responses demonstrate that the majority of respondents (8/14) use less than 50% of their own fruit in their cider production. This affirms the necessity for strong relationships between cidermakers and orchardists. Further to this point, these responses demonstrate that the lease or ownership of a working orchard is not necessarily a prerequisite to operating a successful cider business.
4. Do you consider your cider to be a ‘craft’ product?

Responses to this question were a unanimous yes. The subsequent question was designed to determine a definition of craft cider, since the term ‘craft’ is used more and more frequently in the brewing/fermenting world with no agreed-upon definition. The fact that all respondents indicated that they identify their product as ‘craft’ speaks to the current popularity of this term, with or without a clear definition.

5. How would you define craft cider?

Question five asked respondents to define craft cider. The following keywords/phrases were referenced as definitive qualities of craft cider:

- Made with 85-100% fresh-pressed apple juice
- local ingredients
- no added concentrates/flavourings/sweeteners
- independently-owned
- quality-focused
- small batches
- minimal processing
- long fermentation times

Some producers’ responses indicated that they deemed the use of whole apples a necessary prerequisite to making craft cider, while others stated simply that fresh apple juice was the key input. Most/all respondents indicated opposition to using concentrates or any non-required additives.
6. In your opinion, what are the major challenges from a regulatory perspective facing your business? (ie. taxation levels, distribution, supply chain considerations, etc.)

Respondents offered a wide range of responses to this question. The following table lists the identified challenges. Challenges that apply only in the US are identified by (USA).

<table>
<thead>
<tr>
<th>Taxation</th>
<th>Packaging &amp; Labelling</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Difficult and complicated tax classes (differing state to state) (USA)</td>
<td>• Near impossible labeling and container size requirements (USA)</td>
</tr>
<tr>
<td>• Outdated laws governing taxation and apple harvesting</td>
<td>• Growler laws</td>
</tr>
<tr>
<td>• Tax and legal requirements not well defined by current websites; not user friendly, inconsistent terminology (ie. masters license/business license)</td>
<td>• Difficult labeling approval</td>
</tr>
<tr>
<td>• State ‘champagne tax’ on cider over 1.92 volumes of CO2 is punitive (tax rates moves from $0.17/gallon to $3.30/gallon) (USA)</td>
<td>• No regulation as to what beverages can call themselves ‘cider’ (alco-pop type beverages do not deserve the ‘cider’ designation, creating consumer confusion)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Regulation</th>
<th>BC Liquor Distribution Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Multiple agencies have jurisdiction over cider regulation, often contradicting each other (FDA/TTB) (USA)</td>
<td>• Reporting requirements are overly onerous</td>
</tr>
<tr>
<td>• Limitations on how cider can be sold, incomprehensible paperwork &amp; forms</td>
<td>• No distributional/promotional support</td>
</tr>
<tr>
<td>• Inconsistent and unclear definitions of cider at state vs. federal levels, leading to unclear reporting requirements (USA)</td>
<td>• Conflict of interest between BC’s government liquor store sales and cider sales at private liquor stores (direct competition)</td>
</tr>
<tr>
<td>• Craft cider is currently being treated like cooler products, derived from grain spirits, sugar, and water (not apples) – craft cider needs a new set of rules governing its production and sale to reflect its unique nature as a domestic agricultural product</td>
<td>• Licensing regime (manufacturing license, picnic endorsement, tour endorsement, patio endorsement, etc.) is crippling and dysfunctional</td>
</tr>
<tr>
<td></td>
<td>• 103% markup on import cider means BC consumers are not offered a fair price on WA/OR products (ie. a $7.00 500 mL bottle in WA costs $15+ in BC, discouraging many US cidermakers from importing their products)</td>
</tr>
</tbody>
</table>

Table 3: Regulatory Challenges
7. Of the challenges you identified, which would you consider to be the most important?

Responses were also widely varied to this question, but with the same recurring themes. Multiple producers referenced rules applying to cider containing 7+% ABV. US producers voiced frustration towards the current requirement to package ciders with 7+% ABV in a wine container. Removing BC’s current wine markup on cider 7+% ABV was also requested, on the grounds of bringing to market more creative ciders governed by fewer restrictions, at a fair price to the consumer. A clearly defined and enforced definition of ‘craft cider’ was also referenced as an imperative, and had bearing on other answers, such as ‘competing against ‘ciders’ with very little apple juice content’.

8. Do you believe that it should be legal for cider to be sold in refillable containers (ie. growlers) to consume at the site of production in a tasting room or lounge? Why or why not?

This question sought to determine if current cider producers are in favour of allowing growlers to be filled with cider at the site of production for consumption off-site (note: at the time of this report growler fills of cider at the site of production is legal in Washington and Oregon). Responses were nearly unanimously favourable, (fourteen yes, one no, and one indifferent) with only one respondent indicating that this was not the image they imagined for a craft product.

Reasoning behind responses indicating a ‘yes’ to the cider growler include the fact that face-to-face growler fills fits with the customer-centric approach employed by many craft cideries, the fact that growlers are less likely to become waste than single-use
containers, and the fact that growlers are what customers want now, as they have demonstrated through the use of filling stations at craft breweries. One respondent noted that as cider is similar in alcohol percentage to craft beer, and consumed in many of the same settings, producers should have the ability to sell cider in the same fashion as craft beer producers do, since there is a growing cross-over between craft beer and cider consumers.

9. Do you believe that it should be legal for cider to be sold in refillable containers to consumers at bars, retail outlets, and grocery stores? Why or why not?

This question polled respondents as to whether or not growler fills of cider should be allowed at bars, retail outlets, and/or grocery stores (note: this is currently legal in Oregon, and will be soon be rolled out in Washington). Responses were generally favourable: thirteen responded yes, three responded no, and three did not respond. Reasoning for responses was along similar lines to those offered by producers in response to question eight: cider should have the same access to the market as beer, and growlers reduce packaging and thus are a more environmentally friendly alternative to traditional bottles, cans, and cardboard/plastic packaging. One Oregon producer stated that they have already experienced great success selling cider growler fills at grocery stores.

10. Is your cidery a land-based/estate operation, or is it in an urban setting?

This question sought to determine how many cidery respondents operate as a land-based/estate cidery, and how many were based in an urban setting (a scenario which is not currently common in BC, but does appear in WA/OR). Results indicated that eleven
of sixteen respondents were land-based, while five respondents (all American) ran urban cideries. This demonstrates that while the land-based cidery model is still the norm, there are existing examples of successful urban cideries.

11. If you could propose one regulatory change related to the manufacture of cider in your province or state, what would it be?

The following responses were recorded:

- Add cider to the Oregon Small Wine Producer tax exemption program (USA)
- Eliminate the Washington State Wine Commission (WWC) tax paid by WA cider producers and used to fund grape research (not applicable to apple cider production) (USA)
- Enforce a minimum apple juice content for cider production (in order to be labeled as cider)
- Expand the portfolio of allowed cider products
- Define cider as fermented fresh apple juice
- Allow the pressing of windfall apples for the production of apple cider
- Eliminate the Champagne (carbonation) tax (2 responses) (USA)
- Provide workshops to explain the current regulatory model because the current websites do not offer sufficient information for cider makers
- Eliminate the 7% alcohol limit defined by TTB/FDA. (USA)
- Clarify the definition of cider, and broaden it to include a wider range of alcohol by volume as well as the addition of flavours from other fruits, herbs, and spices
- Eliminate the annual wine board report that asks which grape varietals are used -
as cideries are licensed as wineries, this form must be filled annually although no grapes are used. (USA)

- Allow under-aged family members to work in a family cidery/ winery

Table 4: Proposed Regulatory Changes

These responses demonstrate the ongoing issues associated with licensing cider producers as wine producers, the frustration cidermakers encounter with no clear definition of cider, and current licensing systems that classify cider somewhere between beer and wine.

12. If you could propose one regulatory change related to the sale of cider in your province or state, what would it be?

Responses to this question were varied, but keyed on previously mentioned concepts, including regulating the use of the terms ‘craft’ and ‘cider’ to prohibit commercial coolers from being labeled as ciders, the request for regulatory bodies to provide succinct summaries of the current regulations pertaining to selling cider, and allowing growler sales. Other proposals included allowing multi-use licenses (ie. a winery or cidery which could also distill spirits), allowing mobile sampling vans, and changing the land-based winery rules in BC to allow for by-the-glass sales at the cider house.
13. Where is your cidery based? (BC, WA, OR)

Five BC cideries, eight Washington cideries, and three Oregon cideries participated in the survey, giving the results a decidedly American slant. The distribution of responses to this survey is perhaps a function of engagement with the NWCA, who helped in the administration of the survey by sending an e-blast to member cideries with a link. At the time of writing this report, only three of BC’s cideries are members of the NWCA.

14. (BC only) Would a labeling and tax rebate system for cider similar to the one currently in place for BC wines (VQA) be of value to the BC cider industry? Why or why not?

This question sought to determine if a labeling and tax rebate system for cider akin to BC’s current VQA wine designation would be of benefit to cidermakers. Four of five respondents indicated favourably, with one noting that anything to differentiate all-juice
ciders from current ‘alcopops’ on the market will help address consumer confusion as to what ‘cider’ truly is. One component of quality assurance proposed was a verification and packaging requirement to indicate apple juice content and origin of apples used.

15. (BC only) Would the BC cider industry benefit from an industry association?

Why or why not?

The survey’s final question asked BC producers if the province would benefit from an industry association, and why or why not. Four of five producers indicated yes, although it was noted that forming an association should wait until more BC cideries came online. One respondent noted that BC could and should create a Canadian branch of the Northwest Cider Association.

Reasons to form a BC cider association (or join the NWCA) included:

- Raise the profile of the cider industry in BC
- Help encourage sales for all cider producers: large, small, and micro
- Spread the word about the difference between full juice ciders and commercially-produced beverages employing juice from concentrate

One producer expressed concern that large commercial alcopop cideries (Growers, Okanagan) could get involved, as their product is vastly different than that of ‘craft’ producers. A CQA designation could perhaps act as a required prerequisite for industry association membership.
Recommendations

Based on the collected survey data and the sum of the secondary research performed, the following recommendations are offered to the BC Liquor Control and Licensing Branch, and Liquor Distribution. Each recommendation has been identified as a short or long term proposal.

**Cider Growler (short term)**

In order to remain competitive with the cider landscape south of the border, it is the belief of the author that is in the best interest of British Columbia’s producers, and consumers to legalize growlers fills of cider. The cider growler will give consumers and producers more packaging options, encourage visitation to cidery tasting rooms, and hopefully generate a higher profile and more interest in cider, while decreasing the environmental footprint associated with packaging and marketing cider. The legalization of the cider growler would also be a favourable addition to BC’s overall reevaluation of liquor laws, and act as a demonstration to consumers that the BC LCLB is responding to changing consumer preferences.

**BCLDB cider-specific classification (short term)**

Giving cider a separate category within BCLDB’s reporting system would be a useful way to more accurately gauge quarterly and year-over-year sales growth. Separation from coolers, both in categorization and shelf presentation, is something that current producers felt quite strongly about, as their carefully crafted products have few commonalities with vodka coolers, or other malt-liquor based alco-pops. A separate shelf
space in BC liquor stores would also be beneficial to consumers, as it would clearly indicate which products originate from BC (like the BC VQA wine section found in BC liquor stores).

**CQA, or similar designation for ‘made in BC’ ciders** (long term)

Based on feedback from cidermakers, a quality assurance and origin designation for BC craft ciders would be useful and meaningful to both producers and consumers. Like BC VQA wines, CQA could help promote the provincial industry by guiding consumers towards domestic craft products, while aiding the marketing efforts of BC businesses that may not be able to match the advertising clout of international conglomerates. Facets of this program could include:

- Defining “British Columbia”
  - Amount of juice from BC apples

- Defining “Cider”
  - Base (fruit type)
  - Flavour (fruit type, origin of added juice)

- Featuring BC CQA products at BC liquor stores
  - Focus on product differentiation
    - Emphasize the niche characteristics of BC cider (local, small-batch, premium ingredients)

(Greer, Sweetland, & Rajcan, 2013)
More stakeholder consultation would likely be required to determine components of this type of labeling and promotion program, but there appears to be interest in a discussion on the topic between relevant stakeholders and the BC LCLB.

**Consider granting cider its own mark-up schedule and/or licensing agreement more in-line with microbrew beer than with wine** (long term)

Rather than employing the current 98% markup on BC packaged cider \( \geq 7\% \) ABV, and the 117% markup on BC packaged cider \( \leq 7\% \) ABV, it is recommended that the BC LCLB consider a flat-rate markup schedule more in-line with BC’s micro-breweries (those which produce \( \geq 15,000 \) Hectolitres per year) – ie. $0.97/L. This would have favourable connotations on the pricing available to consumers and net margin of cidermakers:

**Current scenario:** a 1L bottle of cider costs a commercial cidermaker $5 to produce, and is sold for $11.52 (display price inclusive of 15% HST). $8.06 is returned to the producer based on the current system of cost of goods sold + 30% commission paid on the retail price (net of 15% HST).

**New scenario:** a 1L bottle of cider which cost the same commercial cidermaker $5 would have a flat-rate markup of $0.97 applied, making the required retail price $5.97, and the required display price a minimum of $6.87. From this author’s perspective, this new scenario would give cidermakers more flexibility in their pricing, and lead to a higher retained margin for producers (assuming a display price approximately equal to the current markup schedule’s requirements was set by the producer). If pricing remained roughly where it stands currently in the BC marketplace, producers would be
able to stay competitive versus import brands while surrendering less of their sale price to the BC LDB as tax and increasing their retained margins.

A revised markup schedule more in line with microbrew beer would also give cidermakers the ability to market ciders 7-11.9% ABV without paying a higher tax percentage. While cider does have commonalities with wine in terms of its production method (fermentation of fruit), the examples provided from Washington and Oregon are intended to highlight cider’s common ground with the microbreweries leading the Pacific Northwest’s craft beer renaissance.

A streamlined cider-specific licensing system, as proposed by BC producers in the survey section of this report, could help clarify some confusion experienced by would-be and current producers, and end the dual use (wineries and cideries) of the current land-based and commercial winery agreements. Paving the way for more prospective small-scale cideries (both urban and rural) to successfully navigate licensing and commence operation could also stimulate economic growth, create jobs, and leverage the current surplus of cull-grade apples residing in cold storage at BC Tree Fruits’ packing facilities.

**Creation of BC cider industry association, or integration with NWCA (long term)**

This recommendation applies more to current BC producers, BC Tree Fruits, and the Northwest Cider Association than to the BC LCLB, although government consultation would certainly be a prerequisite to the successful formation of a BC industry association. With three of BC’s current producers holding membership in the NWCA (Merridale Estate Cidery, Sea Cider Farm & Ciderhouse, and Tod Creek Craft Cider), and with the NWCA’s expressed interest in more BC members and events,
integration with this already functional association may be in the best interest of BC cideries moving forward. However, discussion with BC Tree Fruits indicates that the cooperative has plans to launch their own cider operation in the next year, as well as spearhead the formation of a BC cider industry association. Dialogue between BC Tree Fruits and the NWCA is likely a good first step to determine how best to create a mutually beneficial arrangement for British Columbia moving forward.

10. Summary & Conclusion

The revival of interest and appreciation for cider in the Pacific Northwest and beyond represents an exciting new chapter in beverage culture, and a unique opportunity for BC’s current and future cidermakers. Now is without a doubt a great time to be in the business of cider production in British Columbia. With growing interest in cider across North America, innovation in product offerings, new cidery business models, and increased cross-border collaboration are inevitable.

The recent rapid expansion of BC’s cider industry is demonstrative of cider’s potential in the province, and commensurate with increasing consumer demand for cider products. As our domestic industry becomes more vibrant, it faces challenges from import brands looking to claim market share. Backed by the marketing clout and advertising budgets of international brewing conglomerates, these foreign competitors represent stiff competition for BC’s homegrown cideries. No clear definition of ‘made in BC craft cider’ further hampers domestic producers’ ability to distinguish themselves from foreign brands like Strongbow, Somersby, and Stella Artois Cidre. Efforts by the
BC LCLB to help identify and promote domestic cideries at BC liquor stores would be of great benefit to the BC cider industry.

With industry growth, job creation, and support for BC agriculture in mind, now is the time to address the proposal of revisions to existing cider regulatory policy. BC has the opportunity to match the advancements in cider culture being experienced south of the border, and give both in- and out-of province tourists another reason to visit and experience our blossoming craft cider culture. It is the author’s hope that this report, along with a growing body of literature pertaining to cider in BC and beyond, will help stimulate dialogue surrounding forward-thinking regulation of cider, specific to packaging, taxation, quality assurance, and licensing.
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Appendix A: Literature Review – Historic Context

Cider Hard & Sweet, 3rd Ed. (Watson, 2010) offers a historic background to modern cider making and consumption, helping to contextualize cider’s recent resurgence in popularity in North America. Watson’s research traces the cultivated apple (Malus pumila, or M. domestica) to its probable origins in the foothills of the Tien Shan Mountains, where the borders of Northern China, Kazakhstan, and Kyrgyzstan meet. The author notes that Kazakhstan’s capital city of Almaty literally translates to ‘father of apples’.

Long before the cultivation and dissemination of modern apple varietals, there is evidence which points to indigenous use of wild apples (Watson, 2010, p. 16). Apples have been depicted in Paleolithic cave art dating between 35,000 and 8,000 BC, and the carbonized remains of apples have been discovered by archaeologists in Anatolia, Switzerland, and Italy, dating between 6500-1600 BC (Watson, 2010, p. 16). It is noted that with the rise of trade approximately 8000 years ago, the apple became a valued article moving along the ancient silk and spice trade routes from India and China to the eastern Mediterranean.

The first recorded reference of cider dates back to 55 BC, when Julius Caesar began his conquest of Britain (Sleeman, 2014; Watson, 2010, p. 17). Invading soldiers discovered Celtic inhabitants fermenting the juice of crab apples to make an alcoholic beverage. Romans who would later settle in Gaul (modern day France) and Britain are credited with having introduced cultivated apple varieties, and horticultural knowledge such as grafting and pruning: disciplines learned from Greece and Syria (p. 18). By the second and third centuries AD, Roman authorities reported that a variety of European
people were fermenting fruit beverages using apples or other fruit, at the time called *pomorum*. Palladius, the first bishop of the Irish Christians, wrote in the fourth century that the Romans had begun making perry, or pear wine. St. Jerome, a Latin Christian priest, gave the term *sicera* to fermented apple juice, a word from which ‘cider’ derives. *Sicera* was in fact derived from the Greek word *sikera* (‘intoxicating beverage’), which itself was derived from the Hebrew word *sekar*, which may have been a term used to describe those who had over-imbibed (p. 18).

Following the collapse of the Roman Empire, the horticultural arts entered a period of decline in many parts of Europe, although the Christian monastic orders are thankfully credited with preserving the skills of grafting, pruning, and fruit growing. The Islamic Moors, who inhabited and ruled much of Spain until the late fifteenth century, are believed to have developed new varieties and techniques that would prove to be seminal for those who would continue the discipline of apple cultivation (p. 18). Elsewhere in Spain, non-Moorish Spaniards were making *sidra* (the Spanish word for cider), using the bitter, tannic apples that modern cider connoisseur consider to be a mandatory prerequisite for a complex, full-bodied cider. Cider-making in France spread from Normandy in the sixteenth and seventeenth centuries, and the eighteenth century saw the formation of agricultural societies that encouraged the cultivation of cider apples and the production of cider (p. 19).

Perhaps the richest tradition of cidermaking belongs to the citizens of England. After the fall of the Roman Empire, England’s orchards were mostly abandoned, as British towns and settlements battled various invaders, including the Jutes, Saxons, and Danes (p. 19). Christian monasteries helped to preserve knowledge and traditions during
this period, until the Norman Conquest in 1066 generated a renewed English interest in
cider. The Normans introduced many new varieties of apples, and by the year 1200 cider
had become the second most popular drink to ale in England.

Cider experienced a drop in popularity when hops were introduced to England
from France, as hops improved the flavour and keeping qualities of British ale (p. 20).
One of the biggest boons to English cidermaking was the procurement of a number of
cider apple grafts from France by Richard Harris, fruiterer to Henry VIII. This and other
efforts led to the counties of Herefordshire, Gloucestershire, and Worcestershire, as well
as other areas of southern England, becoming major apple-growing regions (p. 20).
Cider’s popularity in England declined further during the middle part of the eighteenth
century, when the rural citizens responsible for cidermaking began to migrate into urban
centers as the wheels of the Industrial Revolution began to turn (p. 22). The quality of
English cider began to decline, even as demand stayed strong. ‘Scrumpy’, a low-quality
cider made by fermenting other fruits and even vegetables alongside apples, was a high-
test, low-quality derivative of cider, often sold by peddlers of ill repute. With the
commercialization of fine ales like Bass and Guinness, cider became seen as a beverage
of the lower classes, and those interested only in a cheap drunk (p. 22).

Near the end of the eighteenth century, plant breeder Thomas Andrew Knight
made several publications on cider-making and appropriate apples and pears. He began
to cross apple varieties to combat the diseases that had blighted many English apple
varieties, and helped halt the decline in apple quality and interest in cider. The turn of the
century saw the first commercial cider producers open factories, including H.P. Bulmer
Ltd., founded by Percy Bulmer in 1887 (p. 22). Bulmer’s would go on to become the
largest cidermaker in the world, and account for more than half of all cider consumed in Britain (p. 22).

The apple was one of the first crops introduced to the new world by English and European colonists (p. 23). The first cultivated apple trees were planted in Boston, as early as 1623 by William Blackstone (or Blaxton), a dissident English clergyman. He is credited with planting America’s first native apple variety, Blaxton’s Yellow Sweeting (p. 23). As a fruit with many practical applications, the apple quickly became favoured by homesteaders, and was planted throughout the colonies wherever climate allowed, from New England to northern Georgia.

Importation of English and European rootstock led to the cultivation of many varietals of apples, and contributed to the fruit’s rapid spread across America. Johnny Appleseed, an American folk hero, is a symbol of the apple’s journey across the country: John Chapman (his real name) traveled from his home state of Massachusetts to as far as Ohio and Indiana, where he preached, planted seeds, and sold seedling trees to settlers (p. 24). By 1775, one in every ten farms in New England owned and operated a cider mill (p. 24).

Given the often-poor quality of local water, settlers routinely turned to apple cider as a safe, hydrating (albeit alcoholic) beverage. Cider’s popularity was also due in part to the difficulties settlers had in brewing beer, as attempts to cultivate hops and barley in New England were not successful. Given that apple trees could be grown just about anywhere in the country, cider quickly became America’s national drink (p. 25). An interesting premonition to cider’s current revival as an alternative to beer, ‘Lazarus Redstreak’ is quoted as saying in 1801 (as cited by Wilson, 2010): “Experience shows
that the use of [cider] consists with a sound healthy and long life. Our inhabitants are settled in favour of it. The New Englanders are of all people the longest livers. Why then try an innovation so difficult, so doubtful, to say the least, in point of health and economy, as the substitution of the beer in the place of cyder?”

The abundance of apples in the New World meant it quickly became a commodity item, and a common unit of trade given the scarcity of currency (p. 25). Eventually, American cider apples began to be exported, to the West Indies and as far afield as Europe. Cider was even used as a tool to tip the vote, employed as a giveaway to encourage voter turnout by the likes of George Washington and Whig candidate William Henry Harrison (p. 2).

By the 19th century, cider began to decline in popularity, due to an urban migration the likes of which had been experienced during the Industrial Revolution in England, and a shift away from growing cider apples in favour of apples grown specifically for shipment and fresh eating. The rise of the temperance movement, a social ideology vilifying the consumption of alcoholic beverages, further tarnished the reputation of cider. Much like English ‘Scrumpy’, cidermakers in America began to make their cider out of just about anything, foregoing quality for cheap inputs and high alcohol content (p. 28). Farmers sympathetic to the temperance movement took axes to their apple trees, and swore off consuming alcohol altogether. These same farmers also began pasteurizing rather than fermenting their pressed apple juice, and coined the term ‘sweet cider’ (as opposed to the more common ‘hard’, or alcoholic cider).

By the time Prohibition was enacted in 1919, cider production in the US had dropped from 55 million gallons in 1899 to just 13 million gallons, a 76% decline in just
20 years (p. 29). The arrival of German immigrants following prohibition facilitated the rise of lagers, pilsners, and ales, further suppressing America’s thirst for cider until the mid-1990s, when consumption of cider again began to grow once more. The United States, and North America in general, is now in the midst of a cider revival.
Appendix B: Rhys Pender’s Marketplace Demand Survey

INTRODUCTION:
This brief survey is to help determine the interest for cider products in British Columbia and Alberta as part of research into the potential for a new BC produced organic cider. The survey will take less than five minutes to complete. We appreciate your assistance.

QUESTIONS:
1) What province are you based in? BC, AB, Other
2) What is your role in the food & beverage industry? Restaurant, Retail, Pub, Consumer, Sales, Other
3) How strong do you believe the market demand is for cider in your Province? Low, Moderate, Strong, Very Strong
4) Is cider becoming more or less popular in recent years? Less, Same, More
5) Do you personally drink cider? Yes, No
6) If yes, what is your favourite cider?
7) Are there any styles of cider you have tried/seen elsewhere that you would like to see available in BC/AB?
8) Do you know of any organic ciders available in your Province? Yes, No (If Yes, which one?)
9) What do you think the demand would be for a BC produced organic cider? Low, Moderate, Strong, Very Strong
10) What style of BC organic cider would you like to see? Dry, Medium sweetness, Sweet, All styles
11) What age group in your experience buys the most cider? 19-24, 25-34, 35-44, 45-54, 55+
12) What challenges do you see to the introduction of a new BC organic cider into the marketplace?
13) Any other comments on the potential for a new BC organic cider?
Appendix C: Cider Production & Regulation Survey: BC, WA, OR

Letter of Introduction

Eric Douglas  
School of Tourism & Hospitality Management  
Royal Roads University  
Victoria, BC  
March 25, 2014  

Dear Sir or Madam:

I am currently conducting a study on the regulatory environment for cider production in the Pacific Northwest as a capstone research project towards the completion of my Master of Arts in Tourism Management degree at Royal Roads University. The project is under the supervision and direction of Dr. Brian White, Director of the School of Tourism and Hospitality, who may be reached at (250) 216-2256, or via email at brian.white@royalroads.ca. As part of this project, I would like to extend an invitation to you to participate.

The survey available at this link: https://www.surveymonkey.com/s/ciderstudy intends to highlight and better understand regulatory roadblocks experienced by cider producers, and is part of research that aims to summarize and compare the regulatory environment for cider production and sale in British Columbia to those of Washington and Oregon States.

The information collected will be compiled and presented to Barry Bieller, Director of Policy, Planning, and Communications at the BC Liquor Control and Licensing Branch, as part of ongoing dialogue on modernizing cider regulations in BC. The survey will take less than 10 minutes to complete, and your responses will remain anonymous. Thank you very much for your time and input; your help is greatly appreciated.

Sincerely,

Eric Douglas  
MA Tourism Management Program  
Royal Roads University  
(250) 896-5922  
eric.douglas@royalroads.ca
Survey - administered via SurveyMonkey

Questions:

1. What were your annual production volumes (L) of cider of the following time period? (2009, 2010, 2011, 2012, 2013)

2. Is your business also involved in apple growing? (yes/no)

3. If so, approximately what percentage of apples used in your cider come from your orchards?

4. Do you consider your cider to be a ‘craft’ product?

5. How would you define craft cider?

6. In your opinion, what are the major challenges from a regulatory perspective facing your business? (ie. taxation levels, distribution, supply chain considerations, etc.)

7. Of the challenges you identified, which would you consider to be the most important?

8. Do you believe that it should be legal for cider to be sold in refillable containers (ie. growlers) to consume at the site of production in a tasting room or lounge? Why or why not?

9. Do you believe that it should be legal for cider to be sold in refillable containers to consumers at bars, retail outlets, and grocery stores? Why or why not?

10. Is your cidery a land-based/estate operation, or is it in an urban setting?

11. If you could propose one regulatory change related to the manufacture of cider in your province or state, what would it be?

12. If you could propose one regulatory change related to the sale of cider in your province or state, what would it be?

13. Where is your cidery based? (BC, WA, OR)

14. (BC only) Would a labeling and tax rebate system for cider similar to the one currently in place for BC wines (VQA) be of value to the BC cider industry? Why or why not?

15. (BC only) Would the BC cider industry benefit from an industry association? Why or why not?
Appendix D: Washington Cider Week Information

Celebrate Washington Cider Week
JOIN THE CRAFT CIDER REVOLUTION SEPTEMBER 4TH-14TH!

Participate in the Northwest Cider Association’s Washington Cider Week. Start planning your events today.

» Create a cider cocktail (or several) to serve all week
» Serve a flight of ciders
» Pair cider with a menu course, or create an entire dinner around cider pairings
» Cook with cider
» Invite your favorite cidermaker to attend an event
» Sponsor a cooking class using cider
» Pair up your favorite local artisans for “Cider & Cheese Day”
» Be creative! What’s your idea?

Washington Cider Week will be advertised in The Stranger, on handbills placed in all participating restaurants, bars, pubs, and shops, on websites, and via social media.

Visit nwcider.com/washington-cider-week to submit your events.

Cider Week is celebrated in California, Michigan, New York, Oregon, Virginia, and Washington - it’s a revolution!

For more event ideas or to submit your event information visit nwcider.com.

#NWCIDER #NWCIDER #WACIDERWEEK
Appendix E: Oregon Cider Week Information

OREGON CIDER WEEK

JOIN THE CIDER REVOLUTION

June 20-29, 2014

CIDER: the fastest growing segment of the beverage market!

Be a part of the Craft Cider Revolution! Join with the Northwest Cider Association during Cider Week in one of these ways:

» Create a cider cocktail (or several!) to serve all week
» Serve a flight of ciders
» Pair cider with a menu course, or create an entire dinner around cider pairings
» Cook with cider
» Invite a cider maker to attend an event
» Sponsor a cooking class using cider
» Be creative! What’s your idea?

Kick off for Cider Week is Portland’s Cider Summit NW at Elizabeth Caruthers Park, Saturday June 21-22, 2014, with tastings of craft ciders from around the world. Find the cider for you!

Oregon Cider Week will be advertised in the Portland Mercury, on handbills placed in all participating restaurants, bars, pubs, and shops, on websites, and via social media channels.

Cider Week is celebrated in California, Michigan, New York, Oregon, Virginia, and Washington - it’s a revolution!

Support the NWCA by joining at the Affiliate or Associate level. Visit nwcider.com to learn more about the world of Northwest cider!

If a cider culture doesn’t happen in the Northwest, where can it happen?

Pete Mitchell
July 2011

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