

**Converting from land-based winery to commercial winery classification**  
**Questions discussed during July 20, 2023, information session**

Disclaimer: The following questions and answers provide supplementary information to a presentation the BC Liquor Distribution Branch (LDB) provided on July 20, 2023, regarding the process to convert from a land-based winery (LBW) to a commercial winery.

Please note that detailed information related to the conversion process, including details related to mark-up, may be dependent on a manufacturer's specific situation. Specific questions not answered in this document, including questions related to mark-up, should be directed to the LDB's Regulatory team at [regemail@bclldb.com](mailto:regemail@bclldb.com) or 604.252.6233.

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**Questions and answers:**

**Section 1: Converting from LBW to commercial winery classification**

- 1. How long does it take to convert from an LBW to a commercial winery? Is an audit needed before the conversion?**
  - If you are voluntarily converting from LBW to commercial winery status, you can choose the effective date of your conversion. An audit is not required for conversion from LBW to commercial winery.
  - Once the conversion process has been finalized in the LDB's systems, the LDB will inform you of when your reporting should begin. Your first reporting period would account for everything from your effective start date; and from that point on reporting would be weekly.
  - LDB will provide reporting instructions once it finalizes your conversion, the timing for which will depend on the number of requests received, processed in the order received.
  
- 2. Can I choose whatever effective date I want to convert to commercial status?**
  - Yes, you can choose whichever date best suits your business. Depending on how many requests for conversion the LDB receives, it may take some time to finalize the conversion; however, while that process is underway, your winery can begin operating under commercial rules at the effective date you've requested (e.g. you could begin purchasing out-of-province inputs).
  
- 3. If my effective date of conversion occurs before the LDB has finalized the conversion, do I still have to report weekly sales?**
  - No, you wouldn't be required to begin reporting until the LDB notifies you of your reporting start date as a commercial winery. Your first reporting period would account for everything from your effective start date; and from that point on reporting would be weekly.

**4. What other information do I need to provide when applying to transition to a commercial winery?**

- You would need to complete a Preauthorized Debit form so that funds can be withdrawn from your account when applicable (e.g. to remit mark-up). You would also need to provide a fully executed [Commercial Winery Sales Agreement](#).

**5. How do I start the process of conversion to a commercial winery?**

- Email [regemail@bcldb.com](mailto:regemail@bcldb.com) to get the process started.

**6. Does the information pertaining to the conversion from LBW to commercial winery apply to other fruit winery manufacturers (e.g., cideries, fruit wineries, meaderies etc.)?**

- Yes.

**7. Who can I contact for more information or questions on the conversion from LBW to commercial winery?**

- For questions or follow-up, please contact LDB Regulatory by email: [regemail@bcldb.com](mailto:regemail@bcldb.com) or phone: 604.252.6233.

**Section 2: Terms and conditions applicable to commercial wineries**

**8. Can commercial wineries ship directly to licensees?**

- Yes, they may. See the commercial winery [direct delivery information sheet](#) for more information.

**9. Is there a production volume requirement once approved as a commercial winery?**

- The LDB has no production volume requirements for commercial wineries; however, the Liquor and Cannabis Regulation Branch (LCRB) has certain volume-based requirements. Please contact the LCRB ([LCRBLiquorPolicy@gov.bc.ca](mailto:LCRBLiquorPolicy@gov.bc.ca)) for further details.

**10. Can a commercial winery buy fruit, juice, or wine from the USA for its inputs?**

- Yes. It can buy inputs from anywhere within or outside of B.C.

**11. Can a commercial winery bring in bulk wine, bottle it in Canada, and sell it as a Product of [Country other than Canada]?**

- A commercial winery licenced in B.C. can import bulk wine from another country into Canada and bottle it in B.C. Please reach out to LDB Vendor Relations for more information on how this product would be categorized: [LDBagentinfo@bcldb.com](mailto:LDBagentinfo@bcldb.com).

**12. Is there a fee the LDB charges to convert to commercial winery status?**

- No. A winery licence holder can be classified as a commercial winery or a land-based winery. A separate licence is not required, but the winery must enter into the appropriate agreement with the LDB.

**13. Can a commercial winery obtain bottled products from Ontario to sell?**

- No, you are not permitted to import packaged products from outside of B.C.; as per the *Liquor Distribution Act*, only the LDB is permitted to import packaged product into B.C.
- As a commercial winery, you are allowed to purchase wines in bulk, and use them as an input for your manufactured product.

**14. How does PST remittance work as a commercial winery?**

- PST is not applicable on wholesale sales, only retail sales. Wineries conduct retail sales under their own business GST/PST numbers and remit those taxes directly to the tax authority. The LDB is not involved in that process.

**15. If a B.C. winery uses fruit from Ontario, how would it be classified by the LDB? What about in a BCLIQUOR Store (BCL)?**

- An LBW may only use fruit from B.C., so this winery would have to be classified as a commercial winery by the LDB.
- Please reach out to Vendor Relations at [LDBagentinfo@bclldb.com](mailto:LDBagentinfo@bclldb.com) to confirm how this product would be categorized for sale at BCLIQUOR stores.

**Section 3: Converting back from commercial winery to LBW**

**16. When converting back from commercial winery to an LBW, what product has to be sold before being able to revert back?**

- All non-compliant inventory must be depleted before converting back to an LBW. Non-compliant inventory is any product that does not meet LBW criteria, which can be reviewed in the [LBW Sales Agreement, Appendix C](#).

**17. Assuming I don't have any non-compliant inventory on hand, how long would the process take to convert from commercial back to LBW classification? (E.g. how long does the conversion audit and paperwork take?)**

- It would be a simpler process if the winery doesn't have any non-compliant inventory. The LDB would still need to assess the winery's ability to meet all LBW criteria prior to converting, as well as confirming on-hand inventory.
- Assuming you meet all LBW criteria (e.g. no non-compliant inventory on hand) the process could take up to four weeks, depending on the number of requests to convert. Requests will be processed in the order that they are received.

#### **Section 4: Mark-up**

##### **18. What is mark-up? How is mark-up calculated?**

- Mark-up is applied by the LDB to the duty-paid cost of a selling unit of wine (e.g. a bottle). The duty paid cost is set by the manufacturer or agent. Mark-up is added to the duty-paid cost of the wine to make up its wholesale price. Mark-up is collected by the LDB and goes toward paying for vital public services in British Columbia.
- The mark-up schedule is accessible here: <https://www.bclddb.com/files/Mark-up.pdf>.

##### **19. What's the difference in treatment of LBW vs commercial wine regarding mark-up?**

- Mark-up is dependent on the duty-paid cost. Please contact [ldbvendorhelp@bclddb.com](mailto:ldbvendorhelp@bclddb.com) for more information on your specific situation.

##### **20. How can I determine the amount of mark-up on my products?**

- Wineries may use the wholesale pricing calculator for the wine category, available on the Vendor Website at: <https://vendor.bclddb.com/vendorsite/index.jsp>. This calculator will show the amount of mark-up that makes up a product's wholesale price.
- For assistance in using or accessing the pricing calculator, please reach out to [ldbvendorhelp@bclddb.com](mailto:ldbvendorhelp@bclddb.com).

##### **21. Can you provide a sample calculation of how mark-up is applied to the wholesale price of wine?**

- The following are sample calculations, for information purposes only, and can be found on the Vendor Website under the Pricing Information Tab: <https://vendor.bclddb.com/vendorsite/index.jsp>.

**Wine Wholesale Calculation**

Case size 12 x 750 ml glass bottles – 13% alcohol content

In Bond value per case (set by supplier)	\$70.00
Federal Duty	
Excise: 0.7020/L [(12 x .750) x 0.7020]	6.32
Duty Paid Cost per case	<hr/> \$76.32
Duty Paid Cost per selling unit (12 selling units/case)	<hr/> \$6.36
Percentage Markup @ 89%	5.66
Container Recycling Fee @ \$0.14/bottle	0.14
<b>Wholesale Price per selling unit before tax</b>	<hr/> <b>\$12.16</b>

**High Priced Wine Wholesale Calculation**

Case size 12 x 750 ml glass bottles – 13% alcohol content

In Bond value per case (set by supplier)	\$275.00
Federal Duty	
Excise: 0.7020/L [(12 x .750) x 0.7020]	6.32
Duty Paid Cost per case	<hr/> \$281.32
Duty Paid Cost per selling unit (12 selling units/case)	<hr/> 23.44
<u>Percentage Markup</u>	
First \$11.75/L (\$11.75 x .750 = \$8.81) @ 89%	7.84
Remaining Duty Paid Cost (\$23.44 – 8.81 = 14.63) @ 27%	3.95
Container Recycling Fee @ \$0.14/bottle	0.14
<b>Wholesale Price per selling unit before tax</b>	<hr/> <b>\$35.37</b>

## **Section 5: VQA status**

### **22. If I continue to produce only VQA product as a commercial winery, will the mark-up be the same as an LBW?**

- That is correct – you should not see a difference. However, reporting requirements will be different. You will be required to submit an annual Packaged Product Movement Summary (PPMS) report; and you will be required to complete weekly sales reporting to the LDB. Please contact [regemail@bclldb.com](mailto:regemail@bclldb.com) for more details on reporting requirements for commercial wineries.

### **23. Is it a requirement that my products be VQA to convert to commercial?**

- No, you can convert from LBW to commercial regardless of whether your products are VQA or not.

### **24. Do all products need to be VQA to be considered "compliant inventory" to convert from commercial back to land-based?**

- No, if your product meets the LBW criteria, as outlined in the [LBW Sales Agreement, Appendix C](#), the LDB will consider that product compliant once it has completed its compliance audit. Proper record keeping will be important.

### **25. Can a B.C. commercial winery produce VQA-classified product with Ontario fruit (since Ontario has VQA too)?**

- No. The B.C. and Ontario VQA programs are distinct and are not governed by the same bodies. Such a product would not be considered B.C. VQA-eligible. Please visit the [B.C. Wine Authority](#) for more information on B.C. VQA eligibility.

### **26. Does VQA wine production need to be separate from non-VQA wine production?**

- Please consult with the [B.C. Wine Authority](#) for any questions regarding VQA certification.
- The LDB's Packaged Product Movement Summary (PPMS) reports require separate reporting for VQA and non-VQA wines. Please contact [regemail@bclldb.com](mailto:regemail@bclldb.com) for more information on reporting requirements.

### **27. Does VQA allow for non-standard packaging (e.g. kegs)?**

- VQA certification is outside the purview of the LDB; however, it is our understanding that only wine packaged in standard bottles is eligible for VQA certification. Please consult the [B.C. Wine Authority](#) for confirmation.

If you have any further questions regarding the process of converting from an LBW to commercial winery, please contact LDB Regulatory by email: [regemail@bclldb.com](mailto:regemail@bclldb.com) or phone: 604.252.6233.