



## **Icewine, Appassimento and Canadian Wine Sales in Asia**

**March 21, 2016**

**Jamie Slingerland**  
**Director of Viniculture**  
**Pillitteri Estates Winery**

**Lefa Teng**  
**Professor**  
**University of Guelph**



**Pillitteri Estates Winery has increased our winery's strengths with OMAFRA / University of Guelph funded projects and research**



## JAMIE SLINGERLAND



- Director of Viticulture, Pillitteri Estates Winery
- 2015-16 Grape King
- OAC 79A Graduate
- OMAF 1980-85, Leamington, Sudbury, Kitchener
- Board of Directors, Wine Council of Ontario, Chair Sustainability
- Full time Grape Grower since 1985 (BFAP participant)
- Son-in-law to owners

## PILLITTERI ESTATES WINERY NIAGARA-ON-THE-LAKE, ONTARIO

- Family business of 3 generations, 8 full time family members





# AWARDED BEST VINEYARDS IN ONTARIO -1981 & 2015 GRAPE KINGS



Founder Gary Pillitteri 1981 Grape King  
Jamie Slingerland 2015 Grape King

- Pillitteri Estates Winery achieved the best vineyards in Ontario by utilizing OMAFRA's programs, funding, education and research through: Vineland Innovation Research Centre (VRIC), Cool Climate Oenology and Viticulture Institute (CCOVI), University of Guelph (U of G), Environmental Farm Plan (EFP) and others
- We are the largest estate producer of Icewine in the world and one of the top ten VQA wine producers in Canada
- Our production is 50% Icewine and 50% table wine, mostly reds
- Over 800 wine awards, Including "Best in Show" at every major world wine competition

# HACCP TEAM



- We were a 2007 pilot project for the OMAFRA Advantage HACCP Plus program becoming the first HACCP certified winery in Canada
- Utilized FISTI program for upgrades
- Our export sales have increased due to the food safety program

# CLIMATE PROTECTION



Cold weather protection using wind machines

- Lake Ontario creates a micro climate in Niagara north creating the best climate in the world to produce Icewine
- Research studies by OMAFRA led us to purchase wind machines through the OVIP / OMAFRA programs to further reduce crop damage due to cold weather
- Our crop insurance claims and premiums have been reduced by 40%
- Agricorp runs crop insurance and is funded by OMAFRA



# WHY ICEWINE?

- Icewine opens doors in world markets
- Icewine is a rare style of wine, produced only in a few parts of the world, 90% of Canada's Icewine is produced in Niagara-on-the-Lake, within 7km of our doorstep
- Canada is world renowned for the best Icewine



Icewine is a luxury product, more accessible to the affluent

# ICEWINE



- Icewine Harvester harvesting Vidal grapes at night

- Bird damage can add up to 1% losses per day in full winter
- In a joint study with OMAFRA / VRIC we provided a 2 year test site for a bird deterrent product
- OVIP and COFSP programs funded by OMAFRA helped with the purchase of devices and netting to deter birds



# ICEWINE PRODUCTION INCREASES THE VALUE CHAIN



- Vidal Grape ready for Icewine Harvest

- In an Icewine vs. Table Wine analysis the gross value per acre is 3X for Icewine.
- Margins under optimal conditions can exceed that



- Vidal Grape ready for table wine Harvest

# ICEWINE GARNERS NATIONAL AND WORLD MEDIA ATTENTION EACH YEAR

## WINERIES

## Bottling success in Asia

Canadian icewine was the inroad into this growing middle-class market, but now table wines are seeping in

SHELLEY WHITE

Pillitteri Estates is a family-run winery in Niagara-on-the-Lake, Ont. – a place where vino lovers can get up close and personal with the wine-making process before taking home a bottle. But increasingly, some of Pillitteri's best customers are buying their products more than 10,000 kilometres away.

About 30 per cent of Pillitteri Estates' business is exports these days, says chief executive officer Charlie Pillitteri, with the majority going to Asian countries such as South Korea, Japan, Taiwan and China. Increasing sales in Asia is a major part of the winery's business plan, he said. "It takes a bit of effort on our side, dealing with the language and the culture," said Mr. Pillitteri. "But in terms of all of our customers, I think the Asians are the most aggressive and the most interesting."

Canadian wine exports have increased steadily over the past few years – from \$19-million in 2009, to close to \$38-million in 2011. And a large part of that bump in sales is due to the emergence of a vibrant Asian market, and its appetite for Canadian icewine.

While icewine exports to some



Richard Slingerland, left, Pillitteri Estates winery owner, and Charlie Pillitteri, CEO, standing in a vineyard.



A SPECIAL VISIT

Pillitteri Estates Winery recently played host to the Consul General of China, Fang Li (right). This was the newly appointed Consul General's first experience at a Canadian winery. Li holds ambassador status and is based out of the Consulate-General of the People's Republic of China in Toronto. He stopped by Pillitteri to select wines to be carried in Toronto and other Chinese consulates in Canada. Here, Li is joined by viticulture manager Jamie Slingerland (left) and owner Gary Pillitteri.

## > THIS WEEK'S CASE STUDY

## China can't get enough of Canadian ice wine

Niagara family winery taps into lucrative Asian market while battling copycats

JARED LINCOLN

THE PILLITTERI family has been in the winemaking business for five generations, but the rise of China's economy and growth of the Chinese middle class is now providing both unprecedented opportunities, and unprecedented challenges.

Visitors to the Pillitteri Estates Winery in the Niagara region will find three generations working side-by-side, carrying on a family tradition that started in Italy two generations prior.

Gary and Lena Pillitteri are the owners and proprietors, their children Connie Slingerland, Charlie Pillitteri and Lucy Pissens are CFO, CEO and CMQ, respectively, and their grandchildren Jamie Slingerland, Jared Goetz and Richard Slingerland act as vineyard manager, business development manager and VP of sales.

"My grandfather, who is 77-years-old, still works in the vineyard."



Richard Slingerland's business, Pillitteri Estates Winery, has seen dramatic growth in its ice wine exports to China.

## > VITAL STATS

Name: Pillitteri Estates Winery  
Owners: Gary and Lena Pillitteri  
Address: 3096 Niagara Stone Rd.  
Contact: 905-468-3147  
Winery@Pillitteri.com  
Field: Vine  
Employees: 50  
Active: 21 years  
Offering: Ice wine, red and white table wine, local fruit, complimentary vineyard tours and tasting

importers, distributors and retailers may know to look for the authenticating seal, few consumers know how to spot a fake.

Pillitteri Estates' latest weapon against counterfeit competition, however, seems to be making some of an impact.

The company has recently been utilizing Prolog's Bubble Tag technology, which assigns a label with a random design and security number

## ■ WINE: Niagara-on-the-Lake company signs contract with Chinese firm

## Pillitteri winery opening stores in China

DAN DAKIN

Q&A: Agency: Niagara

ST. CATHARINES — Pillitteri Estates Winery is jumping into the Chinese wine market.

As part of a Premier Dalton McGuinty-led trade mission to China last week, the Niagara-on-the-Lake company signed an agreement with Canbest International Trading to develop wine stores in the world's most populated country.

The deal was announced by the government as being worth \$20 million over the next three years, though Pillitteri's president of operations said it's more realistically worth between \$5 and \$10 million.

"We've been developing this partnership over the last four years," said Connie Slingerland, the winery's president of operations. "We're excited this partnership will take our business to a new level."

Pillitteri has been selling its icewine and table wines in China for the past 15 years, but the new deal is to develop Canbest Canadian Lifestyle Centre stores across the country.

The Canbest stores will offer a variety of Canadian goods, but will start by selling wine only with Pillitteri as the exclusive provider.

Three Pillitteri staff members, including business development manager Charlie Pillitteri, were in China for the trade mission and helped open the first Canbest store in Beijing Saturday. The company also opened its first international office as part of the facility.

The Beijing location will be the franchise's flagship store, but the plan is to open as many as 25 more Canbest stores across the country with Pillitteri providing the wine.

The company is the largest estate producer of icewine in the world, and Slingerland said China is a huge consumer of the pricey, sweet wine.

"Icewine here is more of a desert wine, but they serve it like it's table wine there," she said. As part of the deal, Canbest will also be providing order fulfillment for Chinese residents who travel to Canada and want to buy Pillitteri wine products.

Rather than the customers having to travel home with the bottles, they would purchase the wine while visiting Pillitteri Estates in Niagara, but the order would be fulfilled through Canbest in China and delivered to their homes.

dan.dakin@sunmedia.ca



Pillitteri Estates Winery has signed a deal with a Chinese company to open as many as 25 stores in China that would carry Pillitteri wines. The deal is worth between \$5 and \$10 million.



# OMAFRA's LEGISLATIVE AND POLITICAL IMPACT



- Premier Wynne as Minister of OMAF visiting Pillitteri barrel cellar

- As OMAF Minister, Premier Wynne's initiative on Farmers markets increased sales at Pillitteri in one year by 3%. Pillitteri Winery accounted for 20% of all wine sold at farmer's markets.
- Travelling on trade missions with Premiers and OMAFRA ministers helps generates sales



- Farmers Market Wine Sales



# NEW PRODUCT DEVELOPMENT – APPASSIMENTO

- Appassimento is partially dried grape wines made famous by Amarone wines from the Corvina grape in Verona, Italy
- There is market potential for this calibre of ultra reserve wines for export and domestic markets utilizing existing grape varieties from our vineyards and introducing a Canadian Corvina Appassimeto



- Charlie Pillitteri with Premier McGuinty, Minister Duguid, Minister Leal and Minister Chan

# APPASSIMENTO

- Our climate is different than Verona Italy so we had to research the best drying methods for Appassimento
- From 2011 -14 we partnered in a project with CCOVI at Brock U, Niagara College and VRIC - established in 2006 by OMAFRA
- This included 7 private industry partners, the GGO, OGWRI, OMRI's ORF-RE program fund that finances U of G/ OMAFRA and 10 research stations. Ag Canada DIAP also provided funding



- Richard Slingerland studying Amarone production in Verona, Italy, 2006



- Vine drying Cabernet Franc in Ontario at Pillitteri, 2007



- Greenhouse drying Cabernet Franc in Ontario at Pillitteri, 2010



- Rack drying Corvina in Ontario at Pillitteri, 2012

# ESTABLISHING THE FIRST CORVINA VINEYARD IN CANADA

- The Corvina grape did not exist in Canada prior to 2010
- Only virus indexed vines can enter Canada
- Dr. Helen Fisher from the U of G helped us locate the only source in the world from University of California, Davis. Very small quantities were available
- We partnered with Dr. Fisher U of Guelph, Dr. Brown from OMAFRA, utilizing the VRIC greenhouse to rapid produce vines from Green Grafting
- During 6 weeks in 2010 from 20 buds, 2,000 vines were produced
- In 2011, 1000 more vines were produced



○ OMAFRA Minister Mitchell at VRIC  
Greenhouse for green shoot grafting



○ Green shoot grafted Corvina



○ Planting Corvina vines



# APPASSIMENTO



- Cheque to Dr. Fisher, U of G, Dr. Brown, OMAFRA



- Premiers Award for Agri-Food Innovation Excellence, by Minister McMeeken



- Harvesting Grapes for Appassimento Wines



# DR. FISHER – GREEN GRAFTING POSTER

## Green grafting allows timely rapid increase of new, virus indexed cultivars in northern climates

K. Helen Fisher\*, Brian Piott, Wayne Brown, Steven Trussler, Wes Wiens, and Jamie Slingerland

\* University of Guelph, 83 Simpson Road, St. Catharines, Ontario L2N 3Z5, Canada [hfisher@uoguelph.ca](mailto:hfisher@uoguelph.ca)

**INTRODUCTION:** The introduction of new grape cultivars is often hampered by restricted volumes of clean, virus indexed propagation material. In 2009, a small number of dormant, indexed hardwood cuttings of three Italian cultivars was received by a Niagara-based winery, presenting this exact dilemma. The plants required for the winery's proposed field planting exceeded that which was feasible from the immediately available, indexed hardwood cuttings for 2 of the 3 cultivars. The time delay to bulk up the scion wood suitable for dormant bench grafting using an outdoor planting would also result in a reduced virus status. Green grafting with available green-house grown rootstock of similar virus status was proposed as an alternative.



Figure 2: Harvesting (left) trimming (centre) and storing cuttings (right) overnight at 4C to improve turgidity



Figure 3: Aligning grafts. Hand cut 'V' grafts (upper) and tool cut 'O' grafts (lower), the latter being much more uniform and structurally stronger

**METHOD:** Two cultivars (Corvina and Rondinella) were planted as own rooted cuttings in a peat-based soilless medium and grown in a secure greenhouse. These two cultivars were grafted using two techniques - 'V' or cleft (2010 and mini-Omega (2011) - as hand tied, single node, green shoot grafts. In 2010 and 2011, the following scion/rootstock, green graft combinations were made: 2010: Rondinella/SO4, Corvina/SO4 and 2011: Corvina/C3309. Young vines were overwintered in the greenhouse at 5°C and field planted the following season (2011, 2012).

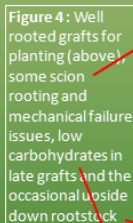


Figure 5: First transplant (left) and spring re-growth (right) of finished vines, with good root growth (centre) above 2010 'V' grafts



Figure 6: Rondinella field planted 2011, grafted 2010. Sturdy 'V' graft inset



Figure 7: Corvina field planted 2011, grafted 2010. Sturdy 'V' graft lower insert. Note upper insert, 2012 planting of 2011 'O' graft with distinct scion overgrowth

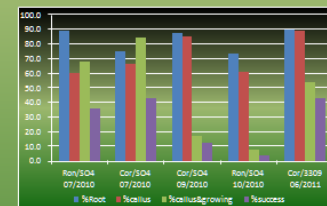


Figure 8: Results of grafting. % success was distinctly poor with late summer, fall grafting, with most failures due to poor callusing and lack of scion bud growth. Rootstock rooted easily at all times.



Figure 1: Greenhouse production of scion (right) and rootstock (left)

**RESULTS:** The 2010 green grafts planted in 2011 and the 2011 green grafts planted in 2012 have established well. Vines began producing in 2012 with semi-commercial production planned for 2013. Field losses and winter injury have been minimal and grafts unions strong and healthy. Grafting in both 2010 and 2011 was ~40% successful when performed in late spring/early summer, but less than 20% when performed in September. More work needs to be done to establish specific protocols for the removal of scion roots, rootstock leaf remnants and root stock suckers to maximize scion growth. C3309 appeared to root more easily and required less rootstock suckering.



Funding Partners

Agriculture and Agri-Food Canada, Ontario Ministry of Agriculture and Food, University of Guelph, Pillitteri Estates, Vinetech Canada

# VALUE CHAIN RESULTS



- We succeeded in our product development with Appassimento through collaborated research with OMAFRA and other research / government partners
- Grape drying methods were developed that were unique to Niagara
- A commercially viable Corvina vineyard was established for Appassimento
- Pillitteri's 2012 Appassimento Cabernet Franc Family Reserve chosen at the Ontario Wine Awards as the "Red Wine of the Year"
- We are now selling Appassimento wines domestically and in our export markets in Asia
- The first Canadian Corvina Appassimento wine will be released in 2016

2012 Appassimento Cabernet Franc



# WHY EXPORT?

# ...MARGIN!

- Diversification of markets. Asian export markets are more open than other markets and there is minimal competition from other Icewine producers
- Margins. The lowest tax bracket is exports and the highest is the LCBO
- On a \$15 x 750ml bottle of wine:

<u>Sales Channel</u>	<u>Margin</u>	<u>% of Sales</u>
○ Export/Duty Free	\$2.50	- 50%
○ Front Door	\$2.25	- 39%
○ Farmers Markets	\$2.00	- 3%
○ Restaurants	\$0- \$ .50	- 3%
○ LCBO/(wine in Grocery)	\$0-\$ .25	- 5% (+5%**)
○ *LCBO /(wine in Grocery)	\$2.00	

- \*With VQA Rebate Program    \*\*Projected sales at “wine in grocery”

# EVOLVING SALES CHANNELS

- The VQA enhancement program operated by OMAFRA has been a game changer in the LCBO sales channel by improving LCBO margins
- The change to “wine in grocery”, we estimate will grow our sales by 5% in two years
- It is hoped that when the VQA program expires in a few years wine will have the same tax credits as breweries currently receive
- Sales channels continue to evolve both domestically and internationally



# FOCUS ON EXPORTS TO CHINA

- The demand in China for authentic, premium, food safe, healthy and 100% Ontario (Canada) is huge and virtually untapped.
- Pillitteri Winery has exceeded in China with higher risk/value/margin/quality products like Icewine and premium red wines. We currently have 23 agents in 4 cities and are looking beyond that



- Pillitteri received the 2013 Ontario Food Exporter of the Year Award from Premier Wynne
- Charlie Pillitteri pictured with Premier Wynne receiving the award

# WHY SUCH SUCCESS IN CHINA?

- We focused on Icewine to open the door then up-sold with other wines, mostly red, to fill containers and diversify sales
- We have specialized in export and are always looking for new markets
- Red wines are perceived as healthy and premium red wines (\$50) have great demand and ultra premium red wines like Appassimento (\$80) have shown even greater demand
- Pillitteri Winery has gained greater prestige and opportunities by traveling with OMAFRA ministers when traveling to China which we have converted to sales



# RESEARCH PROJECTS WITH PROF. LEFA TENG, UNIVERSITY OF GUELPH / OMAFRA

- On previous visits to China by CEO Charles Pillitteri, Prof. Lefa Teng has made introductions to new customers that have resulted in sales during 2012-2016



President Chen of Jiangnan University, with President Vaccarino of U of G, Charlie Pillitteri CEO Pillitteri Winery, Dr. Lefa Teng of U of G, OMAFRA Minister Leal

# ICEWINE RESEARCH WITH DR. LEFA TENG

## Project 1: 2010-2013, No: 26947 - Completed

- Improving Pillitteri Icewine Sales in China  
Sponsored by OMAFRA and Pillitteri
  
- Ontario Icewine – Origin Effect
  - The importers and distributors were only familiar with Niagara Falls
  
  - Niagara is one of the only places where summers are warm enough to produce fine wine grapes and winters are cold enough to produce Icewine
  
  - Pillitteri promotes its Niagara origin in its marketing strategy



# ICEWINE RESEARCH WITH DR. LEFA TENG

## Project 1: 2010-2013, No: 26947 – continued

- Increased Interest in Canadian Wine
  - Canadian (Ontario) Icewine has a good reputation
  - Chinese distributors and importers are looking to sell Canadian wine
- Branding Pillitteri, Niagara and Canada is an effective strategy
- The Chinese market can handle increased prices
- Ontarian Icewines and Canadian Icewines are extremely similar in terms of taste and quality
- A strategic pricing strategy premiumizes Pillitteri wines
- The results of this research helped Pillitteri increase wine sales in China

# ICEWINE RESEARCH WITH DR. LEFA TENG

## Project 2:Counterfeit Icewine Research

- Professor Teng engaged the College of Business and Economics of the U of G to study the cases of Fraudulent Icewine with the assistance of Pillitteri Estates Winery, through the MBA Boardroom Challenge 2015
- This project led to a counterfeit Icewine strategy for Pillitteri, including the “ProofTag” security seal and global trademarking
- We have requested Dr. Teng to further study the impact of fake Icewine on Canadian sales in the Asian market



# ICEWINE RESEARCH WITH DR. LEFA TENG

## Project 3: Proposal for Consumer Research

- TAPPING INTO THE CHINESE APPETITE: DRIVING SALES FOR ONTARIO FOOD PRODUCTS IN CHINA  
(Submission Number: U of G 2015-2016 No.2373)
  - Pillitteri is sponsoring another OMAFRA project with Dr. Teng
  - This project will study the Chinese consumer and their buying habits of Icewine
  - Goals are to find new consumers, geographic locations to market, to increase consumer loyalty, and generate sales and profit from existing consumers

# THE NEED FOR CONTINUING RESEARCH...

- Pillitteri will continue to work with OMAFRA, the University of Guelph and other industry partners in research as it is vital to the growth of our wine industry

