

North of the Border

A Boom in Wine Kits

By Jeremy Hay

From British Columbia to Quebec, a surging Canadian interest in home winemaking has fueled a corresponding boom in an almost exclusively Canadian industry, the manufacture of wine kits.

Wine kits are an all-in-one product, with each kit containing enough grape juice, grape juice concentrate, yeast and other clarifying, flavoring and stabilizing ingredients (plus instructions), to make 30 bottles of wine. As the industry has grown, so has the sophistication of the product. Where once consumers could choose from only the most basic menu (think red, white or rosé) there are now kits to make as many as 100 different wines, from old growth Zinfandel to Johannesburg Riesling to Pinot Noir. The higher quality the kit, the greater the amount of pure grape juice in proportion to juice concentrate.

"What we are trying to do is emulate commercial wine styles," said John Arthurs, a partner in World Vintners Inc, one of Canada's four largest wine kit makers. There are few statistics on the industry; something those in the trade say is due largely to the rate at which the once sleepy field has grown. But industry leaders estimate that in Canada alone, wine kit sales have grown tenfold over the past decade, to around US\$181 million annually. Canada accounts for the vast majority of the worldwide market, with America, the UK, Australia, New Zealand and Iceland among other countries where wine kits are sold.

"It's a very fledgling market anywhere else in the world, including the U.S.," said Sandy Somers, president of RJ Spagnols, another of the industry's four major players (the others are Brew King Ltd. and Vineco International Products) and a wholly owned subsidiary of Canada's largest wine producer, Vincor International.

RJ Spagnol's vice president of sales, Len Spencer, estimated the company does about \$1 million in annual wine kit sales in the U.S.

Increased Sales, Better Quality

American wholesalers and retailers of wine kits agree that the market here is in its infancy, but say that after years of being overshadowed by homebrew beer, home winemaking--and the sale of wine kits--is on the rise.

"It has grown exponentially lately," said Fred Czuba, vice president of Portland, Oregon-based Steinbart Wholesale Company, a large wholesaler of beer and wine homebrew supplies. Czuba says that over the past seven years sales of wine kits and related items have grown from "five to at least 20 percent" of the company's annual revenues.

Anita Johnson, owner of Great Fermentations of Indiana, an Indianapolis retailer of homebrew supplies, said that since taking over the store in 1995, she has seen a similar increase in wine kit sales. Johnson stocks three lines of kits offered by Brew King Ltd., of British Columbia. She said that although she still sells more beer-making equipment, sales of wine kits and winemaking supplies are growing "much faster."

"The quality and the breadth of the kits has really seemed to take off in the past two years," she said, a development that has helped counter what might be termed the plonk perception. As Johnson put it: "When people think of making

wine, they think of what happened in the seventies, when it was all canned concentrates that were heat pasteurized, and everything just tasted cooked." Since then, she said, "We've come a long way."

A long way indeed, agreed Max Waddington. The 68-year-old owner of The Full Glass, a small winemaking and wine kit shop in Burlington, Ontario, Waddington has been making wine from kits since the mid-1980's. He said the early kits came with juice and concentrate that was cut with liquid invert sugar--and characterized the result of those kits as "faintly wine flavored alcohol."

The first kit wine he tasted, he recalled, was "bloody awful." Nowadays, he said, the best kits use no sugar additives, and "you can make a very good wine from them." As with commercial wine, grape quality--or in the case of kit wine, the quality of grape juice and concentrate--is crucial to the quality of the wine. Kit manufacturers won't disclose who they buy their juice and concentrate from, but most say they source as much as 50 percent of their grape juice from the United States and California, with the rest coming primarily from Australia, Chile, Spain, Italy, France and Argentina. Arthurs said that as the rapidly growing industry focused more closely on quality, its suppliers did too.

"The California people have really stepped up to the plate in the last two years or so," he said, "with better grapes, better color standards, better production standards. They've responded very well to our needs."

The proof, as they say, is in the pudding, and Waddington is happy to provide it. Since 1996, his kit wines have won one gold, nine silver and 13 bronze medals in competition with commercial wines, including two silver medals at Intervin International, in 1997 and 1998. Last year, Waddington entered 10 wines in the annual Indy International Wine Competition, sponsored by the Indiana State Fair and Purdue University's Department of Food and Science, and took home six silver and three bronze medals.

Fueling the Boom

The wine kit boom can be traced back to the late 1980's, when what are known as U-Vints--storefront businesses where customers use wine kits to make wine for their own consumption, as opposed to commercial use--began to proliferate in Ontario and British Columbia.

In Ontario alone, the number of U-Vints grew from four in 1989 to 640 in 1999. John Kiedrowski, executive director of the Canadian Home Wine Trade Association, estimates that today, kits sold by U-Vints account for perhaps 25 percent of the total Canadian market. He and others say the U-Vints exposed wine kits to a far larger audience--and that the audience liked what it saw.

"For the kit manufacturers, the on-premise (U-Vint) industry certainly provided tremendous growth," said Arthurs.

If U-Vints were the fuel, the spark was provided by an array of excise taxes that can increase the price of a bottle of wine in Canada by as much as 40 percent. Kit makers say wine made from their top of the line products is equivalent to a premium commercial wine in the \$10 to \$12 a bottle range--the best kits cost in the neighborhood of \$100, or, in other words, between \$3 and \$5 per 750 ml bottle.

"The kits bring the kind of quality that you'd expect from a good to excellent table wine, and give you the ability to make that wine at home at an affordable price," said Sandy Somers of RJ Spagnol's.

The Next Level

What Somers terms the industry's "astronomical rate" of growth through the last decade has slowed somewhat amid a flurry of activity that has seen the largest kit manufacturers either merged or brought under the same ownership.

"It has consolidated to some degree," said Paul Jordan, Brew King's marketing and U.S. distribution manager. Jordan said that Brew King's sales, which had been increasing at around 75 percent annually, have slowed this year to between 35 and 40 percent. Brew King itself was purchased in 1998 by Canada's second largest wine producer and marketer, Andrés Wines, which also bought Ontario-based Vineco International Products but has kept the two companies as separate subsidiaries.

Brew King and Vineco's principle competition comes from RJ Spagnol's and World Vintners, both products of recent mergers. RJ Spagnol's is a union of RJ Grape Products and Spagnol's, former competitors bought by Vincor International in the late 1990's and merged this past June. World Vintners was formed this year by the merger of Wine Art, an established kit manufacturer and retailer, and Wine Kitz, a nationwide chain of 83 stores selling wine kits; company officials now claim they are the world's largest chain of retail wine and beer-making stores.

Many in the business believe that while there is still enormous room to grow in Canada, the U.S. market is also poised to take off.

"Sales are growing quite dramatically," said Jordan, who said that U.S. sales currently account for between five and seven percent of his company's annual revenues. He estimated that Brew King, through its 1,200 U.S. retail accounts, has two-thirds of the U.S. market in wine kit distribution, and said, "We think that the market in the U.S. will eventually reach what it is in Canada."

At World Vintners, Arthurs sounded a more reserved though still hopeful note. "We think the U.S. market has some potential because people are starting to drink more wine and the price of wine is escalating, so we see that as a good entry point. He said sales here are three percent of the company's total revenues, "but growing," and a letter on the company's website announcing the Wine Art--Wine Kitz merger says World Vintners is "poised to begin franchising in the three regions of the U.S."

Across the industry, there is agreement that wherever the market, quality more than price will be the key to success.

"We need now to reach consumers on a basis other than price," said Somers. "We need to reach out on a quality basis and engage our customers in the magic of making wine." The result, say wine kit makers and suppliers, will benefit not only themselves, but the commercial wine industry, too. "If you've made a Merlot kit, you're more likely to become interested in a store bought Merlot," said Somers. "One begets the other is what we're really thinking." Or, as Fred Czuba of Steinbart Wholesale put it: "They may lay down winemaking in a few years, but they're always going to remain wine drinkers." wbm

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