



## **Directives regarding the production and sale of 2024 vintage replacement wines by land based wineries**

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**Approved By:** Director, Finance (Regulatory and Compliance)

**Date Created:** October 2024

**Date of Last Review:** November 2025

**Contact:** Director, Finance (Regulatory and Compliance)

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### **1.0 Purpose**

The purpose of this memorandum is to provide a time-limited exemption from select requirements set out in *Appendix C - Land Based Winery Criteria* (“LBW Criteria”) of the BC Liquor Distribution Branch’s (LDB) *Agreement Relating to the Direct Sale and Delivery of British Columbia Manufactured Product – Land Based Winery* (“LBW Agreement”) so that eligible land based wineries (“LBWs”) may continue to operate under the LBW Agreement while producing and selling 2024 vintage replacement wines (“2024 Replacement Wines”) as a Product of their Licensed Establishment. This will support B.C. grape wineries to produce a 2024 vintage, maintain a viable industry, and protect jobs and retain skilled workers in the wine industry and ancillary sectors.

Note that, unless otherwise defined in this policy, capitalized terms used herein have the meaning set out in *Appendix B – Definitions* of the LBW Agreement.

### **2.0 Scope**

This memorandum applies to all LBWs in B.C. producing 2024 Replacement Wines.

### **3.0 Directives**

#### **3.1 2024 Replacement Wines and authorized inputs**

2024 Replacement Wines are a Product of a LBW produced with authorized inputs. Authorized inputs are:

- fully derived from the 2024 harvest with no origin restrictions on inputs (i.e. they do not need to be 100 per cent grown/produced in B.C. or come from acreage owned or leased by the LBW);
- purchased on or before March 31, 2025; and
- in one of the following states when coming into the possession or control of the LBW:
  - grapes;
  - grape juice (which, for red wines, includes must);
  - unfinished white wine after first fermentation; or
  - unfinished red wine after second (i.e. malolactic) fermentation.



LBWs may purchase authorized inputs for use in their production of 2024 Replacement Wines from any source including other LBWs, commercial wineries and out-of-province suppliers.

### **3.2 Eligibility requirements**

To be eligible to produce and sell 2024 Replacement Wines under their LBW Agreement, LBWs must:

- have sold BC Vintners Quality Alliance (BC VQA) Product and/or Product that complies with the LBW Criteria between April 1, 2019 and August 31, 2024; and
- maintain their current lease/ownership rights to the land they use to satisfy the 25 per cent criteria in the LBW Criteria, or other such land that would reasonably allow them to satisfy the 25 per cent criteria upon the conclusion of 2024 Replacement Wine supports (see section 3.7).

Although LBWs must maintain current lease/ownership rights as noted above, all participating LBWs will be automatically exempt from the requirement in the LBW Criteria to source a minimum of 25 per cent of their agricultural inputs from their owned or leased land. This exemption will be in effect until March 31, 2025, to allow for the production of 2024 Replacement Wines. Any wineries requiring an exemption from this criterion after March 31, 2025 must make the request through LDB Regulatory at [regemail@bclldb.com](mailto:regemail@bclldb.com). LDB Regulatory will assess these requests on a case-by-case basis.

### **3.3 Production, packaging, registration, and labelling requirements**

Consistent with the LBW Criteria, LBWs are permitted to contract their 2024 Replacement Wine production to other LBWs only. LBWs must purchase authorized inputs for use in the production of their 2024 Replacement Wine (see section 3.1) prior to contracting that production to another LBW.

Wineries that produce 2024 Replacement Wines, whether by themselves or by contracting production to other LBWs, cannot sell bottled or bulk finished 2024 Replacement Wines to other LBWs for resale. Any finished 2024 Replacement Wines sold to commercial wineries are not eligible for mark-up concessions or rebates upon resale.

LBWs are not permitted to contract their 2024 Replacement Wine production to B.C. commercial wineries or to winemakers outside of B.C.

Consistent with packaging formats currently permitted for 100 per cent B.C. (non-BC VQA) Product of LBWs, LBWs are permitted to package their 2024 Replacement Wine in bottles as well as alternative formats such as kegs and bag-in-box.

Registration and labelling of 2024 Replacement Wines must comply with the requirements set out in the LBW Agreement and the LDB Wholesale Product Registration Policy for Liquor. Each 2024 Replacement Wine must be registered with the LDB as a net new product (i.e. is required to have a new SKU number). Any appellation of origin claims made on labels must also meet the requirements of the jurisdiction from which the inputs were imported.

### **3.4 Reporting, remittance, record-keeping, and auditing requirements**

Eligible LBWs must continue to provide Sales Reports to the LDB for all Product of their Licensed Establishment (including 2024 Replacement Wines) in the usual course (i.e. monthly), and to promptly pay the LDB for container deposits, recycling fees, and applicable taxes based on those reported sales.

LBWs producing 2024 Replacement Wines must maintain Records sufficient to confirm that they meet the requirements set out in this memorandum including the ability to fully account for all inputs used in their production of 2024 Replacement Wines. Such Records may be subject to audit by the LDB, in accordance with the terms and conditions of the LBW Agreement.

Records relating to 2024 Replacement Wines must clearly indicate:

- the state of the input (i.e. grapes, grape juice, must, unfinished white wine after first fermentation or unfinished red wine after malolactic fermentation) upon purchase and, for unfinished wine, the state of fermentation at the time of purchase;
- that the inputs are derived from the 2024 harvest; and
- the purchase date, which must be on or before March 31, 2025.

LDB Regulatory will conduct regular monitoring to identify when wineries producing and selling 2024 Replacement Wine have reached their annual support cap for that fiscal year. When a LBW's combined total of mark-up concessions and rebates for 2024 Replacement Wine, BC VQA Product, 100 per cent B.C. wine, and if applicable, 2025 Replacement Wines reaches 60 per cent of the winery's support cap, LDB Regulatory will notify the winery in writing. When that combined total reaches 100 per cent of the winery's annual support cap, the winery will no longer receive any mark-up concessions or rebates on sales of 2024 Replacement Wine, BC VQA Product, 100 per cent B.C. wine, or 2025 Replacement Wines if applicable for the remainder of that fiscal year. Any concessions provided once the annual support cap has been reached will be charged back to the winery. The support cap resets each year on April 1 until the 2024 Replacement Wine support period concludes on March 31, 2028 (see section 3.7).

### **3.5 Non-compliance**

If the LDB determines that an LBW is purporting to produce and sell 2024 Replacement Wines and is non-compliant with the requirements of this memorandum, the LBW's eligibility to produce and sell 2024 Replacement Wines may be terminated effective as of the date of the non-compliance. If, at that time, the LBW is also in non-compliance with the LBW Criteria, the LBW's LBW Agreement may be terminated, and the LBW may be classified by the LDB as a commercial winery, subject to the terms and conditions of the LDB's *Agreement Relating to the Direct Sale and Delivery of British Columbia Manufactured Product – Commercial Winery* ("Commercial Winery Agreement"). The LBW will then be responsible for paying mark-up owing for sales made after the date of the status change to the LDB. The LBW may also be subject to other consequences of non-compliance as detailed in the LBW Agreement.



### **3.6 Opting in and out of 2024 Replacement Wine supports**

All wineries that received an annual support cap letter (“the letter”) from the LDB are opted in to the 2024 Replacement Wine support automatically. Support caps are based on an average of mark-up concessions and rebates received by each winery between fiscal years 2019/20 and 2023/24. For LBWs, the annual support cap includes mark-up concessions and rebates received on all sales of BC VQA Product, 100 per cent B.C. wines produced in compliance with the LBW Criteria, and 2024 Replacement Wines<sup>1</sup>. Sales of 2024 Replacement Wines are eligible for inclusion in annual support caps starting April 1, 2025.

2024 Replacement Wines must be sold between April 1, 2025 and March 31, 2028 to be eligible for mark-up concessions and rebates. Any 2024 Replacement Wine sold before April 1, 2025 will be subject to mark-up but will not count towards the annual support cap.

Wineries that do not intend to produce and sell any 2024 Replacement Wine must contact LDB Regulatory at [regemail@bcldb.com](mailto:regemail@bcldb.com) to request that they be opted out so that they are not subject to the annual support cap communicated in the letter. These requests should be made on or before March 31, 2025 and will take effect immediately upon receipt of notification.

Wineries that no longer wish to be subject to the annual support cap must contact LDB Regulatory at [regemail@bcldb.com](mailto:regemail@bcldb.com) to request that they be opted out. Opt-outs will take effect at the end of the fiscal year (March 31) in which the request is made. As part of this opt-out process, the LBW must be in full compliance with the LBW Criteria (see section 3.7) by April 1 of the next fiscal year when the opt out takes effect. Wineries cannot opt back into 2024 Replacement Wine supports once opted out.

### **3.7 Conclusion of 2024 Replacement Wine supports**

The temporary exemption permitting LBWs to produce and sell 2024 Replacement Wines as Products of their Licensed Establishment will terminate on March 31, 2028. As of April 1, 2028, LBWs must have depleted all 2024 Replacement Wine inventory and must be in full compliance with the LBW Criteria<sup>2</sup>. LBWs that do not do so will be in non-compliance with the terms and conditions of the LBW Agreement resulting in an Event of Default. In an Event of Default, the LDB may take one or more actions as detailed in the LBW Agreement, including classifying the winery as a commercial winery subject to the terms and conditions of the LDB’s Commercial Winery Agreement.

If a LBW chooses to continue selling 2024 Replacement Wine after the conclusion of the support period, they must first contact LDB Regulatory at [regemail@bcldb.com](mailto:regemail@bcldb.com) to request conversion to commercial winery status. As a commercial winery, they can continue to sell 2024 Replacement Wine, but mark-up charges would apply.

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<sup>1</sup> And for those LBWs also producing 2025 Replacement Wines, your annual support cap beginning April 1, 2026 will include mark-up concessions and rebates received on all sales of BC VQA, 100 per cent B.C., 2024 and 2025 Replacement Wines.

<sup>2</sup> Wineries may sell 2025 Replacement Wines until March 31, 2029 and must be in compliance with LBW Criteria by April 1, 2029.



**4.0 References**

- [Agreement relating to the direct sale and delivery of British Columbia manufactured product – Land Based Winery](#)
- [Agreement relating to the direct sale and delivery of British Columbia manufactured product – Commercial Winery](#)
- [LDB Wholesale Product Registration Policy for Liquor](#)