

STRENGTHENING B.C.'s HOP INDUSTRY - AN OPPORTUNITY FOR RENEWAL (2017)

Introduction

BC grown Hops are a re-emerging industry. At one time BC could claim to be the largest provider of hops to the British Empire. At its peak, there were over 2,000 acres of hops being grown in B.C. This industry experienced a shift to the United States when the foreign owners of the remaining 1,300 acres of hop yards in BC consolidated their business to Yakima Washington in 1997. This consolidation was done for economic reasons and resulted in the complete loss of this agricultural product to BC. This crop is now experiencing a resurgence in the province, driven by the craft beer industry.

The purpose of creating the BC Hopped Beer & Cider Program is to ensure that history does not repeat the same industry exit. While the current resurgence in hop growth is being driven by perceived demand from craft brewers, the reality is that, in order for craft brewers to actually switch from readily available imported hops to BC grown hops in a meaningful way, there needs to be an incentive that helps to offset the costs associated with recipe changes, marketing changes, breaking of existing contracts, or new capacity to brew a BC hopped beer or cider.

Background

Many of the new hop farms being planted at this time in BC are family farms. These family farms can be better maintained if the revenue source that they rely on is securely entrenched with the single client, fermented beverage manufacturers, which are the consumer of the resulting product. Hops are an international commodity, but they have only one buyer: fermented beverage producers. These producers are always highly regulated and taxed. The BC Government is in the best position to create an incentive for BC based fermented beverage producers to use a BC grown hop product by creating the economic environment where that product is the smartest choice for the producer.

Producers of alcoholic products distribute those products in BC through the Liquor Distribution Branch (LDB). The LDB charges producers a markup on the wholesale price of the product according to a fixed schedule. In 2013, the Province introduced a new craft distillery policy as an incentive for smaller producers to qualify for a mark-up exemption (reduction) if products used 100% BC agricultural products.

Distilleries had to use traditional spirit making techniques and annual production was limited to 50,000 litres. According to Agriculture Minister Norm Letnick, "These changes will encourage B.C. craft distilleries to use local grains and produce, will support B.C. farmers producing high-quality crops, and are the latest example of the B.C. government's efforts to create a business environment that attracts investment and rewards innovation. B.C. is internationally respected for our high-quality wines and beers, and is increasingly being looked at as a place of similar opportunity for craft distillers¹." In 2012 there were 17 craft distilleries in BC, by 2016 there were 35. The markup exemption played a strong role in this growth.

A similar strategy should be used to create an opportunity for growth in the Hop industry as well as providing a measure of long-term security to this re-emerging crop. Creation of a new BC Hopped Beer and Cider Program would permit qualified brewed or fermented products that utilize 100% BC Grown

¹ http://archive.news.gov.bc.ca/releases/news_releases_2009-2013/2013EMNG0026-000222.htm

Hops in a given product to qualify for a 50% mark-up exemption on that product sold to restaurants, bars, private liquor stores and the public.

Further, the LDB should establish the following criteria to qualify for the mark-up exemption:

- a. all applied for product produced by the brewery or cidery must be fermented and brewed at the licensed BC brewery or cidery;
- b. all applicable products must be produced utilizing 100 % BC grown hops. Other ingredients may or may not originate in BC, but any hop used in the production whether in the boil, bottom fermentation, top fermentation, dry hop or other process will be certified by the BC Hop Growers Association as 100% BC grown;
- c. finished product is defined as product that is in a saleable state, subject to federal government excise duty and is in a bottle, keg, or can ready for purchase;
- d. a brewery or cidery must apply to the Liquor Distribution Branch (LDB) for that product to be qualified for the mark-up exemption.

We believe that by diversifying the agricultural products produced by BC we create both greater food security for the province and help drive real GDP growth. This new revenue category for BC Agriculture can also help to build export capacity for the province. Once fully taken up by local breweries and cideries, this program will help to establish production and processing capacity for the BC hop industry. This will ultimately allow the industry to promote international exports of a locally grown product, creating a strong local industry that can continue to drive GDP for generations to come.

This program also helps to support existing Buy BC initiatives, provides direct benefits to rural BC, and continues the government's support of BC craft breweries and cideries, and most importantly it will help preserve family farms across B.C.

THE CHAMBER RECOMMENDS

That the Provincial Government create a BC Hopped Beer and Cider Program that permits qualified brewed or fermented products that utilize 100% BC Grown Hops in a given product to qualify for a 50% mark-up exemption on that product sold to restaurants, bars, private liquor stores and the public.

