

Online Wine Auctions Taking a Larger Bite

As the general populace gets more and more used to the concept of buying product through online auctions like eBay, so too goes the wine world. Online auctions are accounting for a greater percentage of the total spend against live auctions as is evidenced by statistics south of the border

Wine Spectator recently reported that \$46M, or approximately 15% of the total US auction market is now online. Relatively new players like Winebid.com are leading the way with over \$24M in sales by effectively offering a perpetually running online auction as opposed to an event based sale running concurrently with a live auction.

Wine Spectator also reports that Acker Merrall & Condit and Zachy's US hover at around \$5.5M each with the remaining auction houses sharing just under \$11M.

In Canada the only current running auction (IEGOR) is online and Waddington's will undoubtedly make these a larger part of their sales strategy in 2016.



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Importing as an Expat – Part Deux

The fine print about the cheapest way to bring wine into Canada

Exactly two years ago we wrote an article on the different ways to get wine into Canada, each with associated taxes and duties. They ranged from a little more than the 13% HST to a full 102% premium at the top end which, we've come to learn, is all under the umbrella of "social responsibility".

In this article we're going to focus on the only cost effective means of getting your finer vintages into Canada; coming home from abroad after an extended period.

Essentially the concept here is that alcohol is lumped in with your "personal effects" when you have been living outside Canada for a year or more. Providing the wine had been purchased at least 6 months prior (unless you've been gone more than 5 years), each adult is allowed to bring back 100 cases of wine. Needless to say this is the cheapest means of importing if you can do it with the total outlay being HST and a couple dollars to the LCBO.

The process is as follows:

1. Google "LCB 2255" and download the Import Permit Request Form
2. Fill it out and send it to LCBO head office with cheque or credit card. If all product is 750ml still wine, your cost is

basically \$1.00 per bottle, a \$0.20 deposit plus HST. So for 100 cases your total cost to the LCBO is about \$1,627.

3. When your wine arrives it will be held at CBSA, 2720 Britannia Rd. E by Pearson Airport. Call CBSA at 905-676-3626 to make arrangements to go there to pay and clear. Make sure you have your approval papers from the LCBO with you.

4. Cost to the feds is \$.6387/ltr for duty and excise plus 13% HST on the total value of the collection. Once it's paid the wine will be released for shipment.

I've had a number of clients ask what CBSA will charge if they don't have all their receipts and the best answer I can give is for them to declare a "reasonable amount". Recognize however that it's very easy for a CBSA agent to look up "2009 Petrus" on Wine-Searcher so I don't recommend a value that would raise an eyebrow. I once spent two hours at Toronto Island airport explaining to a CBSA agent that my '09 Marcassin was indeed hundreds of dollars lower per bottle than what a retailer was selling a different vintage for in midtown Manhattan.

For shipping companies we have a few that we recommend. It's always good to have a company with a specialty in wine. Call us and we'll advise based on which country you're importing from.

Banner Vintage expected for Bordeaux

With one of the warmest summers on record and a cooler and wetter August, 2015 could be shaping up to rival the iconic Vintages of 2009 and 2010.

In Jancis Robinson's Purple Pages, Olivier Bernard of Domaine de Chevalier writes:

"It has been several years since Bordeaux has seen such a magnificent vintage. There are still a few weeks of suspense before this promise is fulfilled. The months of May, June and July 2015 were among the hottest and driest on record. Water stress, so important for slowing vegetative growth and ripening, took place early July and brought with it magnificent *véraison* early August. I haven't seen such an early, even *véraison* since 2009. All our grapes had colour by 15 August and many of them were already deeply coloured. Fortunately the month of August was cooler and wetter, returning a certain vigour to the vines.

Dry white wines The month of August enabled the grapes, especially the white wine grapes, to 'breathe' and retain their freshness. The first grapes were picked at the end August. The juice is superb and the weather forecast for the next two weeks is looking perfect. We are quietly confident this will be a great year!!!

Red wines The Merlots will be harvested during the last ten days of September and the Cabernets during the first two weeks of October. The grapes are showing magnificent potential, but we still need six weeks without major disruption."

New Wine Social Clubs Open in Toronto and Windsor

In 2011 the Vintage Conservatory opened its doors in Toronto and has since become a popular spot for downtown wine aficionados to store a couple cases, open a bottle or two without corkage fees and spend time with like-minded individuals.

With what we assume is based on the success of this model, Ontario is now home to two more clubs; one in Toronto and one in Windsor of all places.

In Toronto the newest club is Wine Academy which is located at 67 Richmond St. West between Bay and York, a convenient location for a Bay Street crowd. After a number of years in the planning/building stage it looks like they're finally set to open shortly. With an opening "special" of \$1,000 per year and \$150 per month for each 92 bottle locker, Wine Academy is more than twice the cost of Vintage Conservatory.

According to their website, Wine Academy will house 1,300 lockers in their 6,000sf facility. Amenities will include a boardroom, business centre and in-house catering. They'll also be hosting the expected multitude of private order agents who are always happy to meet new prospective customers for their consignment portfolio.

The challenge here will likely be the expectation of a Toronto or National Club experience with smaller size and/or larger member base. 1,300 lockers could mean 1,300 members, many of whom might want to drop in prior to a Leafs game with one or more guests. Do the math on that square footage and the exclusive club will be more like Goodlife Fitness on January 2nd. The other issue will be managing the need to fill the memberships against weeding out the less than desirable members who decide to take advantage of 24/7 access to hold after-hours functions when the other bars close. In discussions with the VC owners, this was particularly challenging, took a couple years to



accomplish and that was with a quarter of the numbers of lockers. Unless this is very carefully managed and staffed the possibility for significant problems within the first five years is unavoidable.

We then came upon a wine storage/social club called Vnoteca in Windsor which opened in July. The concept is very similar to Wine Academy and Vintage Conservatory with private lockers, onsite catering and meeting/boardrooms.

The owners were recently interviewed by the Windsor Star but declined to say how many lockers there were in the facility or what the cost of membership was citing "member discretion" and the desire to keep information "on the down-low". While that sounds a little odd it's not that much odder than the idea of a private wine club in Windsor. One would have to think that if the concept can be proven there than more of these could be opening up across the country.

Wine clubs like these three are an interesting business model and can be a great place to spend time with friends and meet some new ones. Because there is no on-site liquor sales, or BYOW fees, the venue does not require a liquor license. This also allows them to bypass many of the kitchen and washroom requirements that add to the difficulty in obtaining a license. The price for that of course is not making the lucrative mark-up on alcohol.

We've maintained a great relationship with Vintage Conservatory since joining two years ago and have encouraged our clients to consider a locker for business and social meetings downtown. We'll see if these others can meet up to that standard.

LCBO Auction Returns...well sort of.

As you may recall, at this time last year the LCBO quietly cancelled their annual Vintages auction after the departure of key people left them unwilling or unable to keep the event going.

What followed was a long and detailed Request for Proposal that went out to the private sector early this year, was rescinded due to key elements being overlooked, and then reissued again in late April.

There were a few interesting key requirements within the RFP, specifically:

- The respondent must have “experience in conducting auctions of fine wine and spirits in Ontario”. That basically limits it to two companies; Waddington’s and Vonality, an online auction house that Iron Gate has worked with in the past for charity wine auctions.
- All consignments have to be from residents of Ontario. This is a change as past auction lots have been touted as being from, for example, “a distinguished collector in Quebec”
- No Domaine de la Romanee-Conti may be sold. This follows on a ban that was made to the LCBO at the insistence of DRC a couple years ago. For buyers this is unfortunate but not so much for sellers as DRC has never commanded it’s true market value at the Vintages auction historically
- The successful respondent will not be allowed to use the LCBO or Vintages logo, and must design all the materials, but the LCBO still has final approval
- No agents or manufacturers are allowed to sell product through the auction
- The LCBO will take a commission on all sales over and above taxes charged...which is pretty good considering they’re not going to be doing anything.

Early this week we received confirmation that Waddington’s had been awarded the contract and will be running the auction going forward. So what is the difference one might ask considering that Waddington’s was always the company conducting the auction for the LCBO in the past? Firstly this is no longer the “Vintages Auction” but rather the Waddington’s Wine Auction under special license by the LCBO. This should give Waddington’s far greater control to host and manage the sale(s). Waddington’s will also be completely responsible for consignor relations and acquisition, inventory control, delivery/pick-up, appraisals, etc.

The second thing is that Waddington’s will be moving away from the multi-day live/online, single weekend events of the past. Released from the bureaucratic shackles of the LCBO they can migrate into a greater degree of online selling spread over the course of the year. This is clearly the direction that most of the wine auctions around the world have migrated to since the general public has become more accustomed to buying online.

For the Ontario buyer (licensees in particular) this is good news as there has not been a place to purchase back vintage, rare wine in Ontario now for almost 2 years. Restaurants looking to augment their wine lists have been relegated to recent offerings from the LCBO. Also, with the ability to write off the HST, the premium on wine from auction has less of a sting than it does to the average collector.

For the Ontario seller only time will tell whether consigning to Waddington’s will net a greater return than consigning to a US auction house or doing a straight out sale to a US online retailer, many of whom are clamouring for Canadian collections with great provenance. In addition, the US dollar adding 32% to a sale price makes it difficult to expect that a small Ontario auction, dormant for two years, could provide a higher return with less risk than consigning or selling south of the border. Waddington’s certainly has their work cut out for them.

Eye On It

Ontario Wine and Beer Sale Reforms Delayed

While it shouldn’t come as a surprise to anyone, the Liberal government’s reforms in beverage alcohol retailing are taking longer than expected. Ed Clark who is heading the recommendations was supposed to have the report on wine sales ready for next Tuesday but it looks like it will be the end of the year before we see anything.

What’s invariably making things more difficult is the North American Free Trade Agreement which ensures that no locally made product could receive preferential selling against US product. More specifically, the government could not allow Ontario wines only in grocery stores without allowing California wines, for example. The California Association of Wine Grape Growers is on record stating that any changes in retailing that puts non-domestic product at a disadvantage would be taken to court.

So while it’s possible to have Canadian only stores through limited licenses through companies like Peller and Magnotta (grandfathered from pre-NAFTA era) it looks like this will be a fine balancing act between license re-distribution and keeping all parties happy, including the powerful OPSEU union of the LCBO.

Worldwide Collector Briefs

Auction Market in General

According to data from Wine Spectator, the worldwide wine auction market was \$145million in sales in the first half of 2015. The US has continued to be the #1 spot surpassing Hong Kong by 48%. In the US the dominant player continues to be HDH with a market share of 25% with Acker second at 22% and Zachy's third at 19.5%.

Looking at HDH specifically, Burgundy topped the total sales by region with 44% compared to 29% for Bordeaux. California cults also fared well with a dramatic increase in average bottle price and total sales in large part due to the wines of Sine Qua Non of which 70% hammered over the mid and a third hammered over the high estimate. In total dollars SQN is second only to DRC in 2015 year to date sales at HDH, a remarkable achievement.

This fall's auction market should be an interesting one with Zachy's early fall auction in NYC on Sept 18th, the James Clark Collection (Part 2) coming up at Sotheby's on Sept 26th in NYC, and HDH's Bordeaux focus on October 31st in Chicago.

Upcoming GTA Wine Events

Mouton Rothschild Tasting at Scaramouche

This evening will showcase wines from the Mouton stable including back vintages of their first wine, Mouton Rothschild; their second wine, Petit Mouton; and their white blend, Aile d'Argent, which was the brainchild of the Baroness; plus châteaux Coutet, Clerc Milon and D'Armailhac. The event takes place on October 21st at 6:30pm and is \$495pp. Tickets can be bought through Vintages

Toronto Vintners 2006 Bordeaux Tasting

On September 28th at 6pm, Toronto Vintners Club will be holding a comparative tasting of 8 top 2006 Bordeaux wines including Leoville Barton, Leoville Poyferre, Grand-Puy-Lacoste and Pavie Maquin among others. The event takes place at the Faculty Club at U of T and is \$90 for members and \$120 for guests. Details can be found at torontovintners.org

Profile Wine Group – Portfolio Tasting

Profile will be sampling many of their best wines at their portfolio tasting on September 29th from 2pm to 8pm at the Liberty Grand. Brands being poured include Pierre Sparr, La Gerla, Lungarotti, Rocca della Masi, Chappellet, Peter Franus and Montes to name a few. Details can be found at profilewinegroup.com



Iron Gate - Private Wine Management

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Featured Wine Quarterly Pick

2012 Nine Hats Red Blend, Washington, USA

A six grape blend dominated by Cabernet Sauvignon (55%) with Merlot, Syrah, Petit Verdot, Malbec and Carmenere all thrown in for good measure. Nose is fairly alluring with anise, spice and some smoky notes; palate is rather seductive dealing out vanilla-oak, smoky-red berries and a peppery finish.

Price: \$39.95
Rating: ****

Review courtesy of Michael Pinkus Wine Review