

How are Okanagan Wineries Adjusting to Extreme Climate Shocks

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How are Okanagan Wineries Adjusting to Extreme Climate Shocks

Motivation: Understand how Okanagan wineries are responding to deep freeze and smoke and see if lessons can be learned from or for other regions.

Do attributes of wineries such as size, ownership shape response?

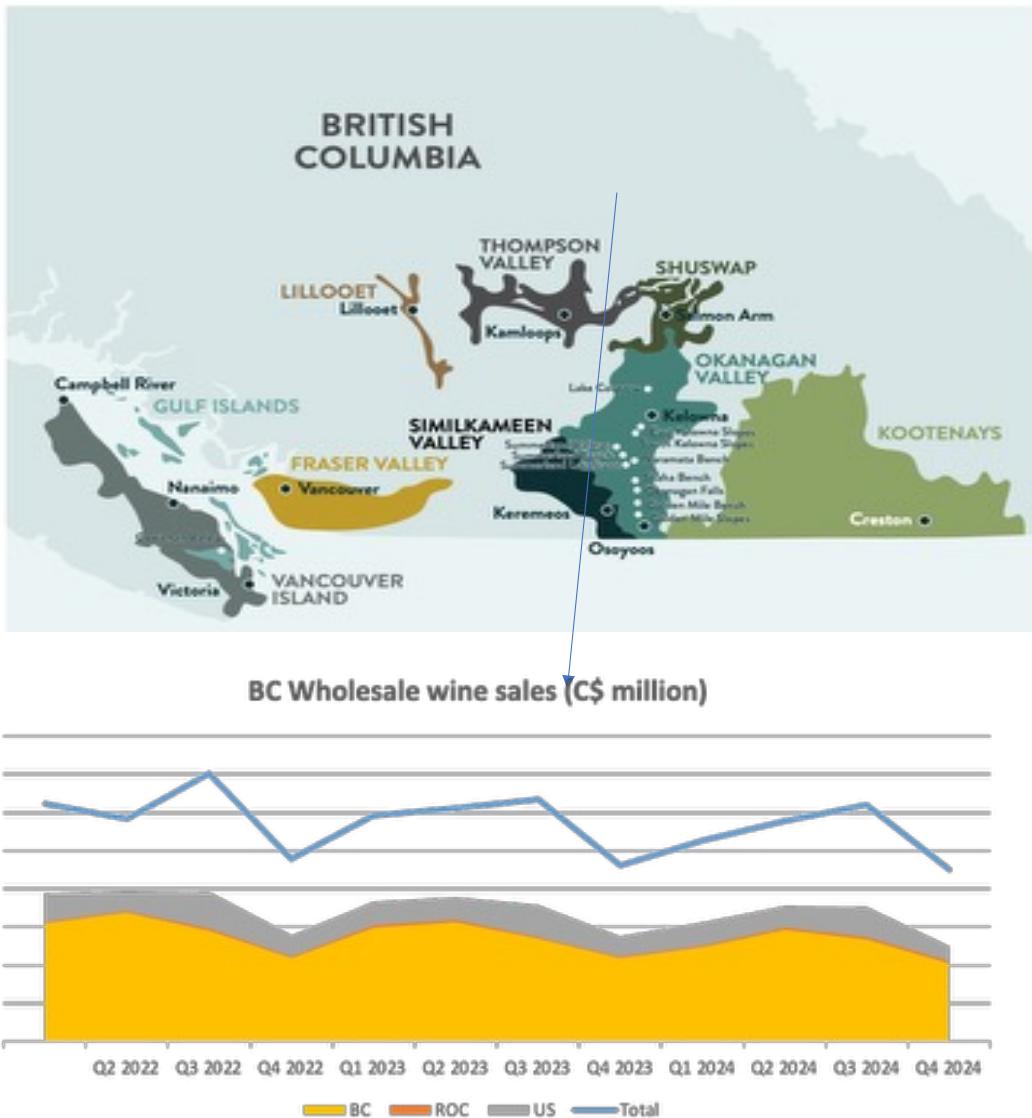
How do concurrent factors including trade barriers, demand and consolidation impact response?



Context: Okanagan

- 86% of BC vineyard land (250 acres)
- Bulk of BC wineries (around 222/290), 1100 vineyards.
- Industry developed post FTA
- Largest production in Canada.
- Local production about half of wine sold
- Most production consumed locally (BC) retail, hospitality, DTC
- Half of production is VQA (19% by volume)
- Non VQA can be blended with international (mostly US)

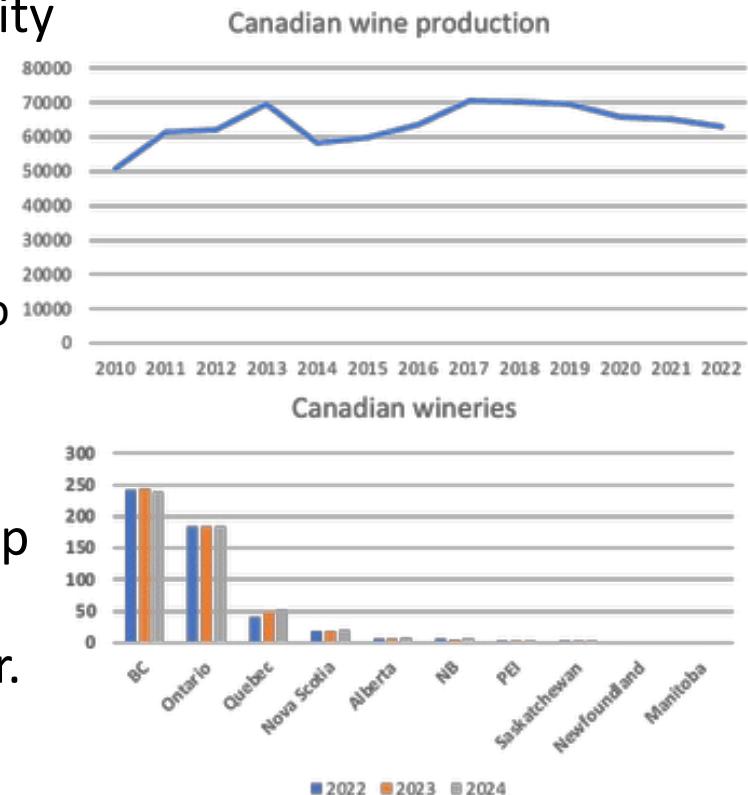
Source: BCL



What Happened: Extreme Cold and Smoke

- 2021 forest fires and smoke- hit to wine quality and tourism, but more limited and localized
- Winter 2023, early frosts cut yields for some vineyards, by as much as 40%. (Syrah) most affected.
 - Producers affected produced less wine, shifted to new blends and relied on past high inventories.
 - Some planned to replant hardier grapes
- December 2023, more extreme deep freeze affecting bulk of region -> estimated 90% crop loss. What survived also faced animal risks
- Hybrids and cold resistant varietals did better. Warm summer allowed some secondary bud development

Contributing to drop in Canadian wine production



Regional Comparisons

- Bad: Breadth of shock and industry dynamics mean less able to buy alternate grapes from other producers locally or elsewhere in the province or within Canada.
- Good: Not subject to old world rules, so could pivot or change blends.
- Many past shocks were more localized or affected only some producers.
- Eg in Sonoma/Napa post fires/smoke damage, some wineries purchased grapes from unaffected regions with the local region or in some cases surrounding regions.

Winery Responses to the shock

- Skip a vintage and rely on revenues from prior years
- replant depended on crop health or planned shifts in vineyards).
- More labor required for extra pruning/training
- Take advantage of one-off exemptions for importing grapes- 80 wineries registered for “crafted in BC” wines
 - glut of production in Washington helped
 - how sustainable for the future? Will one-off exemptions be extended?



Future plans (viticulture)

- Varietal shifting (if replanting)
- Pruning and vineyard management choices
- Cold-resistant root stalks
- Hybrids in Northern areas (consumer education needed).
- Burying vines in winter (more labor)
- Geotextiles (greater cost, sustainability q)
- Different use of cover crops
- cost, terroir and estate questions
- Depends on future harvest – 2025 growing season is looking good so far.

Winery Choices: What drives decision making?

Research process: Interviewed wineries and consulted their messaging for industry and direct to consumer content.

- Biggest determinant to buy grapes is if suffered full vine death/replanting
- Long-standing Family owned estates less likely to buy grapes (especially those like Painted Rock who invested in selling terroir)
- Larger producers more able to contract with new growers.
- Better financed/longer standing had more time to engage with growers and discuss growing methods.
- Later entrants had higher costs and interest rates, more need to have some production to sell.
- Is replanting wise given global glut?
- Will market manage the price

Messaging Choices

- Sizeable DTC market (wine clubs and repeat buyers) in BC and Alberta -> extensive communications for short and LT survival
- local hospitality, with a small amount sold in ROC and small exports.
- Wineries began communicating in late winter/Spring to pre-sell their prior vintages and prepare buyers for wines using US grapes
- Stressed the cooperation with winegrowers in US, and involvement of wine makers in selection and growing approach.



The Region

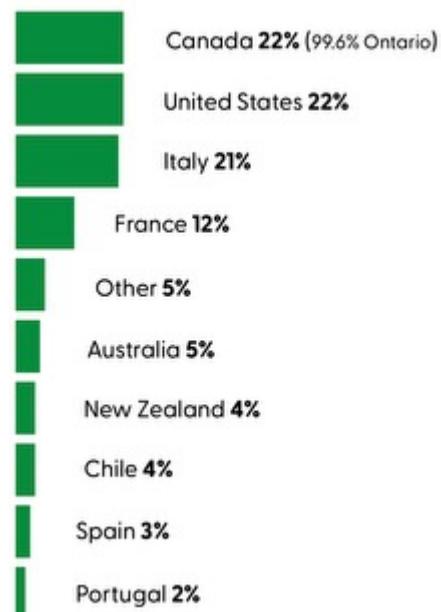
For the Cascadia Series, we carefully selected vineyards from some of Washington's most renowned AVAs, each known for its unique terroir and exceptional grape quality. Sourcing from Wahluke Slope, Goose Gap, Yakima Valley, and Horse Heaven Hills, we chose these regions for their ideal growing conditions and distinctive flavor profiles. From the warm, sun-drenched slopes of Wahluke Slope to the cooler, late-ripening sites of Goose Gap, each AVA contributes its own character to our wines. This thoughtful selection allows us to craft vibrant, expressive wines that truly showcase the diversity of the Columbia Valley.

Trade War Complication

- US-Canada trade war has alcohol at epicentre.
- Canadian counter-tariffs include wine and alcohol. BC among provinces banning sale of US alcohol. Imports from US down 92% in April.
- “Crafted in BC” wine benefits from one-off VQA exemption.
- Blended wines (domestic and foreign, including boxed) also benefit.
- Canada has home bias by province (over 96% of Canadian wine sold in BC and Ontario made/processed at home).
- Can 2024 grape imports persist?



Ontario Wine sales



Areas for Future Study

- Will this reinforce consolidation trends and exit of some wineries?
- How will producers balance the long-term cost/demand challenges as consumers more price sensitive.
- Balancing terroir and estate messaging
- Will trade war limit another round of imported grapes for producers that have replanted?
- Will consumers accept wine from foreign grapes? What about new hardier varieties?
- How will price points evolve? Most crafted in BC wine is cheaper than average VQA price (needs to be adjusted by aging)?
- How will affiliated areas like wine tourism be affected?