

NOVA SCOTIA

Wine Country

BE A PART OF IT



*Nurtured by Nova Scotia's earth, sea and sky...
our cool climate wine industry is ripe for investment.*





ALEXANDER GRAHAM BELL. THE CABOT TRAIL. THE BLUENOSE SCHOONER. ...
Some of this province's most famous icons.

There's a new "best known for" on the horizon – Nova Scotia Wine Country. And it won't be led by the uninitiated. In fact, it takes a special kind of person to be a successful vintner or grape grower. One who sees the beauty of fertile soil, who embraces hard work and takes pride in creating something to be savoured and enjoyed. It takes patience, respect for the land and an entrepreneurial mind. It takes someone who is ready to be energized by the pride and deep satisfaction that comes with tasting your product for the very first time.

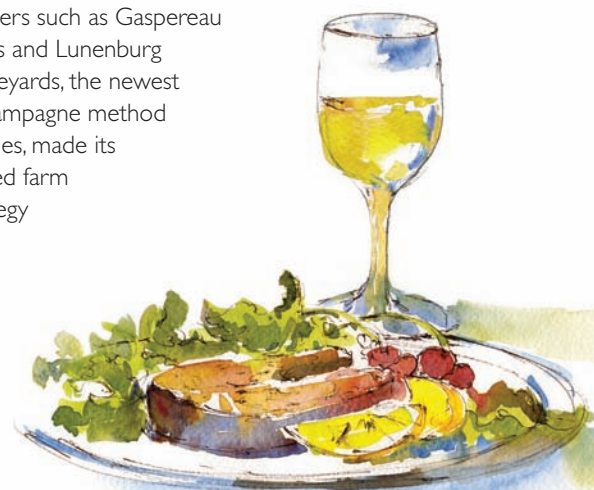
LIVE, WORK AND PLAY

Nova Scotia is a wonderful place to live. Surrounded almost completely by the ocean – with more than 100 beaches to visit – its climate is refreshing and crisp, with mild winters and pleasant, languid summers.

Nova Scotians enjoy a balanced lifestyle. The cost of living is low and quality of life high. You can explore a vibrant capital city and great nightlife yet within a short drive enjoy deep wilderness, tap maple syrup, sea kayak or bird watch. Golfers play on world-class courses, cyclists and runners share breathtaking countryside and the more sedate cozy up to the fire and enjoy a glass of wine – Nova Scotia-made, of course!

But Nova Scotia is not all play. It boasts world-class research and innovation within science, technology and health care companies and institutions. We have a long history of agriculture, an active defence and aerospace industry and an emerging financial sector. Small business and tourism also continue to help drive our economy. Nova Scotia offers a well-educated workforce with 11 universities and 13 community college campuses. We also have one of the most cost effective business environments in Canada.

Winegrowing has been gaining momentum in Nova Scotia over the last 25 years. Domaine de Grand Pré, Jost Vineyards and Sainte-Famille Wines are the industry veterans, while others such as Gaspereau Vineyards, Blomidon Estate Winery, Bear River Vineyards, Petite Riviere Vineyards and Lunenburg County Winery are all making steady contributions to the industry. L'Acadie Vineyards, the newest and Nova Scotia's only certified organic winery, released the first traditional Champagne method dry sparkling wine. And Benjamin Bridge Vineyards, another of the newer wineries, made its debut this year also with a sparkling wine. In all, Nova Scotia's 10 owner-managed farm wineries and grape growers cover 400 acres. The province's wine industry strategy identifies five areas in the province best suited to winegrowing and has set a goal of 1,000 acres of grapevines and 20 wineries by 2020.



THE NOVA SCOTIA *Advantage*

NOVA SCOTIA'S WINE INDUSTRY. As one new winery owner says, it is an undiscovered truth that Nova Scotia can produce unique and distinctive wines, particularly whites, sparkling wines and Icewine. She knows what she is talking about. Her winery was a recent award recipient.

Nova Scotia's wine region, the third most recognized in Canada, is beginning to keep pace with more established wine regions like Ontario's Niagara and British Columbia's Okanagan. Award winning wines, solid research on what works best in our climate and a local network that welcomes new entrants is what you will find here.



Authentic Quality – Nova Scotia wineries have championed a commitment to quality by adopting a Nova Scotia wine standard, a guarantee of established quality and local content. The Wines of Nova Scotia symbol identifies quality wines made from 100 percent locally grown grapes and fruit.

Consumer Experimentation – Consumers are drinking more wine, experimenting with newer wines and showing an increased appreciation for minerality, acidity and intense flavours – signatures of Nova Scotia wine. Consumers also are looking for integrated experiences that come with wine enjoyment – and a successful farm winery can benefit from these trends. Nova Scotia has a well developed tourism industry that ties into the wine experience: that of a distinctive, authentic wine paired with local food and experienced on-site in a beautiful setting.

Better Bottom Line – Nova Scotia offers a favourable policy environment that supports the industry's growth. The Nova Scotia Liquor Corporation (NSLC) which has the lion's share of imported wine distribution in our province is strongly supportive of the industry. Its distribution policies, commitment to product availability and beneficial mark-up policies offer advantages to suppliers from emerging markets like Nova Scotia. The local industry association, the NSLC and producers work closely to improve the margins and industry regulations.

Five Identified Regions – Nova Scotia has a vast amount of agricultural land. Because Nova Scotia is suited to cool climate grape growing, several areas across the province have been identified as offering the most favourable growing conditions and microclimates for the industry. The areas include the Annapolis Valley, Bear River Valley, LaHave River Valley, Malagash Peninsula and Marble Mountain in Cape Breton. But because the climate varies even within a small area, each requires an investor's own soil testing and investigation.

A banner year

Nova Scotia wines took their place on the national stage at the 2008 All Canadian Wine Championships. With 19 medals, Nova Scotian vintners have expressed their talent, expertise and passion through their wines. Judges critiqued 1,045 entries from 152 wineries representing all wine regions in Canada.



The "Wines of Nova Scotia" standard is a huge step forward in establishing a new level of credibility for Nova Scotia wines.

The province's producers have set rigorous standards of quality and authenticity.... Consumers can have full confidence that the wine in the bottle is both what it claims to be and embodies the distinctive characteristics imparted by Nova Scotia's grape varieties and unique terroir.

SEAN WOOD, WINE WRITER AND EDUCATOR



National Recognition – The federal government has declared that only Canadian wines will be served at Canadian Embassies worldwide, but the wines must meet an established standard of quality and taste. Nova Scotia is one of only three provinces whose wines are being served.

Collaborative Local Industry – Nova Scotia owner-managers attribute some of their success to the help received from established wineries and grape growers in the

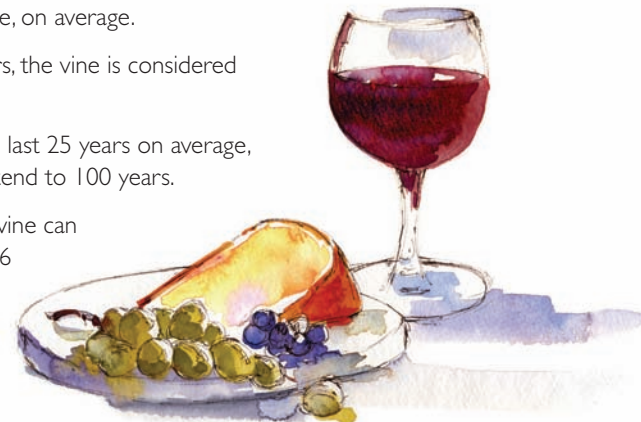
region and the aggressiveness of the local industry associations in supporting their needs. The industry works cooperatively and cohesively for the overall good of "Nova Scotia Wine Country." Established growers serve as mentors to newcomers and recognize the benefit of a strong Nova Scotia brand.

Local Research and Development – The Nova Scotia Department of Agriculture, AgraPoint and the Kentville Agricultural Research Centre continue to work with producers on new varieties that can thrive in the climate and advance viticulture practices.

Education and Training – Local educational institutions recognize the need for specialists in viticulture, oenology and all areas of wine production. Industry leaders are working with local schools to develop courses to support the growing industry. Courses are available at Kingstec Community College and Nova Scotia's Agriculture College which has an 80-year tradition of innovation in agriculture.

KEY VITICULTURE FACTS

- Proper soil preparation is vital; lack of preparation can cause years of poor harvest.
- Land location and microclimate is also critical. It is important to understand the effects of fog and other coastal weather patterns as well as our cool climate and winters on the ripening process.
- Grapevines typically don't produce fruit until their third year.
- Once the grapes are picked and fermented, bottling doesn't begin until 12 to 24 months later: From a business perspective, your operation will need to be capable of managing and holding inventory for 12 months for white wine and 24 months for red wine, on average.
- At five years, the vine is considered mature.
- Grapevines last 25 years on average, but can extend to 100 years.
- One grapevine can produce 3-6 bottles of wine per harvest.



THE *secret* TO GREAT WINE STARTS WITH THE TERROIR AND THE VINEYARD



ONE OF THE BEST INDICATORS of successful grape growing and great wine is a region's terroir – a French word that loosely translates to “a sense of place”. Nova Scotia's terroir is wonderfully unique. Its soil compositions and climatic conditions mingle to create some very distinctive premium grapes. The combination of ocean influence and agricultural microclimates support interesting, aromatic, intensely flavoured wines with body, depth and character that can't be replicated elsewhere – putting many Nova Scotia wines in a class of their own.

We have amassed a great deal of knowledge about our climate and grape growing. However, experimentation is still a cornerstone of the business here, as it is elsewhere. Working with Nova Scotia's terroir, grape growers have trialed different grapes through the years. Several have proven exceptionally suited to our climate, including the New York Muscat, L'Acadie Blanc and Leon Millot. These are hybrids, a blend of species developed for increased hardiness and disease resistance. After many years of cultivating these varieties, they are now considered mature and consistent.

More traditional wines use European Vinifera cultivars which are the classic grapes. While they can be grown in Nova Scotia with tender care, they have not been as widely planted as hybrids.

VARIETALS THAT HAVE BEEN SUCCESSFUL IN NOVA SCOTIA



White Hybrids

L'Acadie Blanc
New York Muscat
Seyval Blanc

Red Hybrids

Lucie Kuhlmann
Marechal Foch
Leon Millot

Red Vinifera

Pinot Noir

White Vinifera

Chardonnay
Riesling

MEASURING UP

Basic Grape Growing Requirements	Nova Scotia
150 frost free days	✓
>900 heat units/growing season*	✓
Winter temps > -26 Celsius	✓
Sloped terrain	✓
Well-drained soil	✓

* for fruit ripening

THE BUSINESS OF WINEMAKING

Growing grapes, managing a vineyard and producing commercial volume and quality wine takes a substantial commitment of time, knowledge and financial resources. Newly planted vineyards shouldn't be harvested for three years – and it's the first three years that can make the difference between a successful winery and a failed operation. Experienced vintners and grape growers advise new industry entrants to properly prepare and amend the soil before putting a grapevine in the ground.



Nova Scotia's contribution to the rich catalogue of wine styles is as wonderfully distinctive as is Napa's. While we are now demonstrating that we can produce as fine a Chardonnay and Pinot Noir as anywhere, it is Nova Scotia's signature offerings, such as the L'Acadie Blanc and New York Muscat that ... distinguish us. ADAM K. DIAL, CO-FOUNDER AND FORMER MANAGING DIRECTOR FOR APPELLATION AMERICA

ART OR SCIENCE?

Experienced winegrowers believe it's both. You need to make many well-calculated decisions in this industry. Choosing the right time to harvest the grape is important. It depends on several factors including colour, variety, pH levels and flavour. After the grapes are removed from their stems, the grapes are then crushed (in the old days underfoot!) or pressed using machinery. Then they are placed in tanks to ferment.

Fermentation (when the sugars are converted into alcohol) takes place in the tanks, and is a natural process aided by yeast. The amount of contact a wine has with grape skins will affect its flavour, colour, aroma, acidity and tannin levels.

For red wine, the skins ferment along with the grapes. Often they are allowed to soak in the juice after fermentation to give the wine as much flavour and colour as possible. Only then is the entire mass pressed and the skins removed. Red wine is often aged in wooden barrels that leave a rich, smoky taste.

For white wine, the skins will be removed after 24 hours and the grapes aged in steel tanks. White wine is treated further to remove skins, and also 'cold stabilized' following fermentation.

This prevents the formation of 'tartrate' crystals, which can have an adverse effect on both the appearance and flavour of a wine.



WHY AM I INTERESTED IN THE BUSINESS?

Industry leaders suggest asking yourself, what's profitable, manageable and personally satisfying.

This is an amazing, exciting industry – but there is a saying in the industry, "you build a winemaking business for your grandchildren". The business is hard work, so a clear business vision and understanding of the part of the business that appeals to you will help you be successful over the long term.

- Is it as a grape grower – to grow amazing quality grapes? One industry leader says he works with one grape grower who finds more joy producing product from his two acres than many he deals with working larger operations. And quality is higher.
- Is it as a wine maker, to offer a fabulous product – to express yourself through wine? Or do you want to offer an experience to the consumer beyond the wine product?
- Is it as a partner in the business – to bring investment or a specific skill?

Size is very relevant in the wine business.

- Small wineries can be profitable and personally satisfying, those up to 1,600 case operations for example can be managed by a very small team with hand bottling.
- Adolescent sizes, 6-15,000 cases, are the most challenging to make work. Even at the lower end of the range you spend less time in the cellar, more time selling, and need to invest in automated equipment.
- Your profitability will depend on many factors, but one thing is certain, you need to sell 'beyond the farm gate' and you need a strong marketing program and an effective wine agent.





OPERATING A *successful* WINERY IN NOVA SCOTIA

THE WINE INDUSTRY SHARES characteristics with any other business venture. The numbers have to work, and the vision has to be matched by successful financial management and marketing. But it is first and foremost a farming business, with a dash of glamour.

Nova Scotia farm winery owner-managers offer some important advice to up and coming vintners.

- Know and understand the art of wine making, grape growing, agriculture and food processing.
- Get to know the regulatory environment, the licensing requirements, distribution policies and restrictions on land use and traffic regulations around your operation. If they are not prepared to standards, you may not be able to sell your wine commercially.
- Travel and educate yourself, visit other wine regions, include the smallest wineries to the largest and everything in between.
- Find the right, complementary investment partners; it is unlikely you will be able to achieve your plan alone.
- Invest heavily in preparing the soil and nurturing the grapevines.
- Understand the local market and opportunities and limitations for selling inside and outside the province.
- To operate an owner-managed farm winery in Nova Scotia, you have a lot of contact with customers, so you need to enjoy meeting new people.
- Invest in well-designed, quality labels. Many consumers make wine-buying decisions based on labels alone.

A LABOUR OF LOVE

Part of the allure of winemaking is the slower pace of life spent nurturing and living on the land. It comes with the potential to produce honest, truly authentic wines with characteristics distinctive to your vineyard. It is also a business that takes a significant financial investment.



Internationally recognized

Jost Vineyard captured double gold at the prestigious 2007 Tasters Guild International competition for its 2006 Vidal Icewine. This is the absolute highest honour for wine. Hans Christian Jost says the wine has piqued worldwide interest. Another Jost operation, Gaspereau Vineyards, captured five gold medals at the 2008 All Canadian Wine Championships.



We are building a beautiful wine region and destination in Nova Scotia. And the industry needs new individuals to continue to grow – wine makers, growers and operators – those who hold an attitude toward high quality. HANSPETER STUTZ, PRESIDENT GRAND PRÉ WINES LTD.

COST CONSIDERATIONS FOR GRAPES OR FRUIT GROWING

The costs associated with establishing and operating a winery or vineyard can vary from operator to operator and site to site. This is due to many factors, including the experience and knowledge of the owner-manager; land cost, site and soil improvements, machinery, labour; harvest and production costs and cultivar practices like spacing, training systems and pest management. These costs, the fruit yield, quality and product pricing are a few of the variables that affect your profitability. Nova Scotia, like many wine growing regions, also has regulatory and licensing requirements specific to the industry to consider:



Start-up vineyard investments can include a one-time cost per acre of \$15-20,000 with a yearly vineyard expenditure of about \$4,300 per acre. The sale price for grapes is based on three considerations: quality, sugar content (or brix) and variety. In Nova Scotia, hybrids sell for about \$1,200/tonne and Vinifera for about \$2,000/tonne. Mature vineyards (at least five years old) yield 2-4 tonnes per acre.

Most Nova Scotian wines are sold directly from the vineyard and return about 95 percent of the retail price to the wine owner. Wines sold via Nova Scotia Liquor retail stores return 70 percent of the retail price to the winery.



REGULATIONS, LICENSING, INSPECTION

It is important that anyone contemplating investing in Nova Scotia's grape growing or farm wine industry become familiar with the provincial and municipal regulations that govern agriculture, land use, traffic, production and distribution of food and beverage products, licensing requirements and inspection. If municipal bylaws and provincial policies are ignored, an operation may not be approved to sell wine commercially or as a farm winery.

NOVA SCOTIA WINERY POLICY

The province's new Farm Winery Policy is an important read for any investor. It is meant to encourage the investment in and production of wines made from locally grown grapes. In order to attain all of the required licences, a Farm Winery must have entitlement to at least 10 acres of certified vineyard, located adjacent to the winery. It must also produce wines containing at least 85 percent juice from grapes grown in Nova Scotia.

A Small Farm Winery has less than 10 acres but must have at least two acres of certified vineyard adjacent to the winery. For every one acre on-site, the wine manager can purchase grapes from one acre off-site. A Small Farm Winery must produce wines containing at least 90 percent juice from grapes grown in Nova Scotia.

Grapes have to be harvested, crushed, fermented and aged on site. Wineries also are expected to recognize their unique nature as a potential tourist destination and continuously develop and maintain quality product and facilities.





Sophistication WELL BEYOND ITS YOUTH



BY WORLD STANDARDS, the Nova Scotia wine industry is young. Experimentation is continuing on what works best for our climate and conditions – a process of trial and error that takes time, study, knowledge-building and money.

However, some industry leaders say the knowledge that Nova Scotia has gained in the last 20 years will significantly shorten all future learning curves.

STRONG, PURPOSEFUL INDUSTRY PLAN

The province is looking for new investors who can bring a new depth of experience to the local industry and help a vibrant industry grow.

Successful vintners and grape growers advise that the best approach to the business is incremental growth in tandem with an increased understanding of the process. Nova Scotia's new growth strategy for a sustainable and integrated industry by 2020 is part of a long term provincial plan.

LOCAL RESOURCES

Visit www.investinnovascotiawine.com for more information on the industry and for local contacts.

Sources of information and contact include:

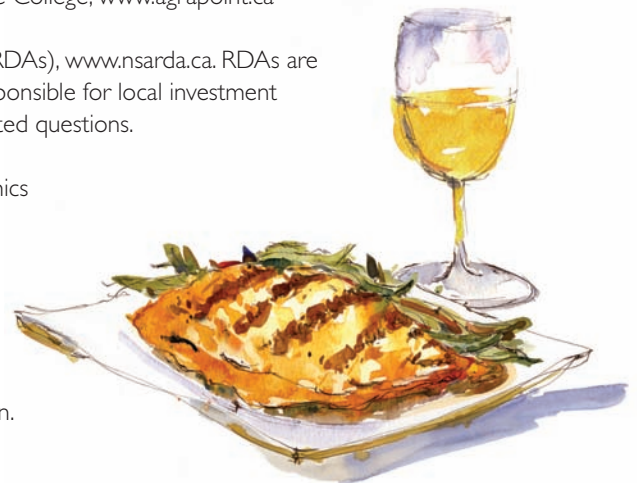
- The Winery Association of Nova Scotia, www.winesns.ca
- The Grape Growers Association of Nova Scotia, ggans@ns.sympatico.ca
- Nova Scotia Department of Agriculture's Investment Opportunities Team, www.gov.ns.ca/agri
- Agrapoint, a division of The Nova Scotia Agriculture College, www.agrapoint.ca
- The province's website, www.novascotialife.com
- Nova Scotia's Regional Development Authorities (RDAs), www.nsarda.ca. RDAs are located in each county across the province and responsible for local investment attraction and can answer site specific business related questions.

The Department of Agriculture's study on the economics of grape growing, "Business Planning and Economics of Wine Grape Production in Nova Scotia", is available online. Two local books also are excellent sources on grape growing in Nova Scotia: *The Tangled Vine: Winegrowing in Nova Scotia* and *Wamboldt's Nova Scotia Winegrowers' Guide*. Both are available from the Grape Growers Association.



Winegrowing is a form of personal expression, the same way art or music is an expression of an artist's or musician's work.

HANS CHRISTIAN JOST, JOST VINEYARDS







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