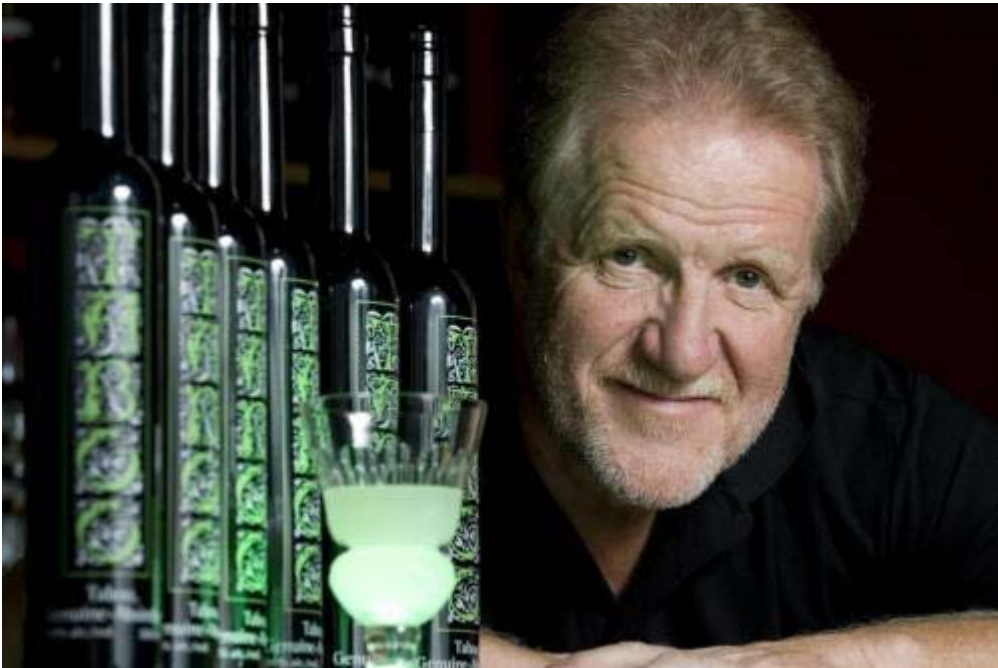


FOOD SOURCE

Okanagan Spirits of Vernon seeks to curb food waste and develop local industry

Paul Voykin | Posted: Oct 13th, 2010

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Frank Deiter, Master Distiller at Okanagan Spirits Distillery, displays Taboo Absinthe, his top-selling product. All photos courtesy of Rodney Goodchild at Okanagan Spirits

Okanagan Spirits, Western Canada's first and most premium craft distillery, opened its doors in autumn of 2004 in the city of Vernon, BC. Since then it has distinguished itself as a world-class producer of fine spirits, bringing home multiple World Spirits Awards from competitions in Klagenfurt, Austria.

Probably best-known as the makers of Taboo Absinthe, the only authentic absinthe produced in Canada, Okanagan Spirits also distills a variety of other specialty alcohols and fruit liqueurs from 99% BC-grown produce, much of which would otherwise go to waste.

Preventing Food Waste

"Orchards," explains Okanagan Spirits Master Distiller Frank Deiter, "...can only make money on the fresh fruit, that goes to the fresh fruit market. And the fresh fruit market is very harsh... They have their absolute criteria [by] which they are buying fruit."

This means that if a piece of fruit doesn't have the desired colour, shape, or size, or it is scratched or damaged in any way, it is usually discarded on the spot (read: dropped on the ground) without even being sent to the packing house, because the grower must pay a sorting fee for all of the produce sent there.

"For me," says the German-born Deiter, "Coming from Europe, [this] was absolutely a no-no. I mean, how can you throw food away?"



Okanagan Spirits employees process pears for distillation

Along with Sun-Rype, which makes juice from apples that are rejected from sale in the fresh fruit market, Okanagan Spirits tries to provide a secondary market to prevent these and other produce like cherries, plums, and pears from going to waste.

In the Okanagan Valley, with its extensive orchard industry, the potential for waste is huge: "Last year," says Deiter, "we [grew] about 10 million pounds of cherries here in the Okanagan Valley. Our normal harvest is around 5 million, [so] about 4 million of that went to waste. You cannot blame anybody for that, because usually you do not have the personnel that are capable of now doubling up their sorting skills..."

The time frame [before spoilage] is too short, and you do not have the customer lined up because [you have] a customer base that every year takes about 5 million pounds. You cannot ask your customer all of the sudden to take twice as much.

So that always will happen; you always will have bumper years of something. Now, in Europe, what you do is you distill it... That means you get it from perishable [form] into non-perishable." Even when the resulting fruit alcohol does not meet Deiter's standards for flavour of fruit brandies or liqueurs, rather than discarding it he re-distills it, adding herbs such as anise, fennel, and wormwood to produce Taboo absinthe, which is far and away his top-selling product.



Frank Deiter inspects the quality of a recent batch of spirits

Challenges to the Industry

Unfortunately for Okanagan Spirits and other BC craft distillers, the way liquor distribution laws are structured in BC has made this a very difficult enterprise to maintain. Forbidden by law to distribute their products directly to local consumers or other licensed distributors, craft distillers must market all of their spirits through the BC Liquor Distribution Branch, or LDB.

The LDB is the governmental body empowered by the Liquor Distribution Act with the sole authority to distribute, import, or sell beverage alcohol in BC. In order to sell their products to the public or to other licensed businesses, craft distillers must register them with the LDB and pay for the right to distribute them.

This means that, if you were to buy a bottle of Okanagan Spirits' Sour Cherry liqueur over the counter at their distillery in Vernon, from Frank Deiter himself, 100% of the money from your purchase is sent to the LDB, which later pays back to Okanagan Spirits the wholesale price of the product plus a commission for the sale.

It also complicates the process if another licensed business wants to distribute Okanagan Spirits products, as Deiter explains: "If you have, for instance, a private liquor store that is just across the street from us, 450km away from the LDB warehouse in Vancouver, and they want to purchase our products and sell them through their private liquor store, they will put a purchase order in with the LDB in Vancouver, [which] will produce a purchase order for us. We then ship the product physically to Vancouver, and from there it comes back out [to Vernon]."

According to an LDB spokesperson, having distribution centralized in this way is beneficial to wholesale customers like bars and liquor stores because, "Rather than having to order small amounts of product from individual suppliers, they can consolidate most of their orders and payments with the LDB."

"For most of the larger wholesale customers," she says, "the LDB is able to ship directly to their premises approximately two days after they place an order. Smaller wholesale customers are able to pick up their supplies at their local LDB store."

The LDB also has license to dictate which products, however marketable, will be available for distribution at all. Even if a BC product has won awards for quality in Europe, as many of Okanagan Spirits' have, if the LDB declines to distribute it then it can't be sold by the producer directly to other licensed businesses because the LDB has a monopoly on that distribution.

Local Products vs. Imports

According to Deiter, BC liquor distribution laws tend to favor imported products from large distilleries, which make slimmer profit margins but sell a much greater volume than small-batch producers. "Picture," says Deiter, "a 375ml bottle of vodka that is imported from Sweden.

That is a product where absolutely no value has been added in this country except for freight. All the value was added in the country of origin where it was manufactured. Nothing has been added here in Canada; no wealth has been created. The contribution to the LDB to distribute this product is, let's say, \$7. Now you compare that with a bottle of our pear brandy, [which has] exactly the same amount of alcohol.

The pear was grown here, the pear was harvested here, processed here. We have processed it, we have distilled it, filtered it, put it into bottles... All the value has been added in this country. And the LDB charges a distribution fee of \$22 for the same amount of alcohol that came from Sweden. And then it is very, very difficult to develop this industry."

"The LDB's markup," says the LDB spokesperson, "...is the same for domestic and imported products." This markup is calculated based on a percentage (170%, to be exact) of the original price asked by the producer, plus federal excise taxes (aka "sin taxes"), and a volume-based markup of \$0.12/L.

What this means for local, small-batch producers is that, since their production costs are higher than those of large-batch importers, their initial product price is higher. Consequently, the markup for distribution that they pay is relatively higher, even though it represents the same percentage of their initial price.

In order to combat these regulations, Deiter has founded the Artisan Distillers Guild of BC. Their goal is to have craft distilleries included under the policies presently in place for wine distribution in BC which, since they were changed two decades ago, have supported a thriving local wine industry.

This, they say, is good for them and good for the province at large because it will create local jobs while encouraging sustainable domestic industry, and will generate tax revenue as well.

"I always say we are producing a luxury product," says Deiter. "Every government needs money, and if you don't take it from these types of luxury products, then where's it going to come from? So it's not to save money in taxes. We pay our taxes. But access to the market is a must to develop this industry. For the time being, we are in a money-losing business."

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