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Mr. Merv Tweed

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● (1105)

[*English*]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good morning, and thank you. Welcome to the Standing Committee on Agriculture and Agri-Food, meeting number 77. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, January 31, 2013, we continue our study of the agricultural and agrifood products supply chain in the beverage sector.

Joining us today from the Food and Consumer Products of Canada is Derek Nighbor, senior vice-president, public and regulatory affairs. From the Grape Growers of Ontario, we have Debbie Zimmerman, chief executive officer. From the Wine Council of Ontario, we have Hillary Dawson, president.

We've decided that the order of speaking will be Ms. Dawson first.

Please begin, and we'll go through the presentations and then move to Q and A.

Ms. Hillary Dawson (President, Wine Council of Ontario): Thank you very much, Mr. Chair.

My name is Hillary Dawson. I'm president of the Wine Council of Ontario. I want to thank you for the opportunity to speak here today on behalf of our over 86 winery members from across this province. Our members are small and medium-sized enterprises. They are grape growers, manufacturers, leaders in tourism, and they drive economic development in their rural communities.

As you can imagine, the grape and wine industry has some unique perspectives on various issues and challenges facing our sector. We know that with the right policies and encouragement we can continue to grow our contribution to the Canadian economy.

According to a 2012 report prepared for the Bank of Montreal, Canada's wine industry has experienced 3.1% growth in sales on average since 2005. Canada is one of the fastest growing wine retail markets in the world, with per capita wine consumption increasing by more than 37% over the past seven years. Now our policies need to keep pace with our growth, which is outpacing that of the economy broadly across the country, and our ambition as wineries to own and to eventually dominate our markets here in Ontario and across Canada. For that, a shift in approach and a reinforcement of current activities will go a long way to support our industry across the value chain, from grower to winery to retailer.

There is a significant role for the federal government to play in assisting our grape and wine industry to grow and thrive. First is to focus on our international credibility through practising what we preach. This can include ensuring that our national air carrier supports domestic wines by policy, or it can mean that our labelling requirements for our wines are in line with international best practices. We can focus on promoting our wine at our posts abroad. Cuts have come to our Canadian wine initiative program, which industry has been asked to cover, with DFAIT eliminating its support for shipping Canadian beer, wine, and spirits to our posts overseas. We're concerned that this will be a disincentive to our posts serving Canadian VQA wines at their events abroad.

We want to also focus our efforts on ensuring that funding is restored to support the efforts of industry to support its reputation abroad and our export efforts. The committee would be interested to know that the amount of funding from DFAIT to our embassies and consulates to support our industry's efforts abroad has declined to only $27,000 per year. To give this context, the posts themselves submitted over $125,000 in projects and are disappointed when their projects are not supported in the market.

We also want to focus on helping wineries extend their market across Canada through either encouraging direct-to-consumer delivery from coast to coast, or in supporting our efforts to build markets in every provincial liquor board and market across Canada. One of the reasons that my member wineries have a strong interest relates to the challenges of our marketplace. You might be interested to know that wineries in Ontario only have the following sales outlets for their wines. First is sales through the LCBO. The LCBO is the sole avenue for mass distribution of wines in Ontario. It has two lines of business. LCBO Wines sells larger volumes at lower price points, and Vintages is the key vehicle for sales of premium-priced wines. Though the LCBO is an excellent retail partner and a big supporter of VQA wine sales, our wineries remain challenged by the lack of opportunities to connect with the consumer at the premium price point.

Another important channel is sales to provinces through other liquor boards. The wine council and its winery members have been actively engaging interested liquor boards across Canada to grow the presence of our wines on their shelves. Channels like the Manitoba Liquor Control Commission, Newfoundland Labrador Liquor Corporation, and coming up, the P.E.I. Liquor Control Commission, have or will be partnering with the industry to create promotions for VQA wine, which have led to sustained listings in those markets.

It should be noted that these opportunities work best when there are market conditions for both winery and retailer that drive positive results. Not all provinces are interested in developing this market in this way, but the industry has been active in engaging as many as make sense and will continue to do so in order to ensure a strong presence of 100% Canadian wines for Canadian consumers.

The Chair: Hillary, I'm going to have to ask you to slow down a little for translation.

Ms. Hillary Dawson: All right, thank you.

This can and must be supported at both the federal and provincial level through Growing Forward 2 and its related programming.

A third key avenue for premium VQA wines is direct sales to the trade. When given the opportunity to sell directly to the customer, our wineries have made a strong success in sales to the trade in the province. From our perspective, the lesson of direct delivery is that with this personal service we can grow our business even in the face of imported wines and consignment pricing.

Fourth is the export of our wines. This continues to be a significant opportunity for Canadian wines, particularly ice wines. Working together under the auspices of an industry-led national export strategy, VQA wineries continue to grow the profile of ice wines and premium table wines abroad. Our concerns around the constant cuts to our export initiatives have been spoken about earlier.

Last but not least, there are our sales at the cellar door. For the vast majority of wineries in Ontario, transactions at the winery are the primary vehicle for sales. Currently in Ontario, there are approximately 130 wineries commercially active in producing and selling VQA wines. Cellar door sales are primarily driven through the significant tourism markets that the wine-country experience attracts to our market. It is at the cellar door that our customers make an important emotional connection with both the wine-country experience and the wines, and this is what they want to be able to subscribe to and bring back home. Whether this is an on-site transaction of any volume or a desire to reorder product, the inability to service this request directly for Canadian out-of-province customers proves embarrassing for the winery and frustrating for the customer.

The Ontario VQA wine industry has demonstrated significant success in a short time. In the past five years alone, revenue reported by our industry has grown by 40%. We have weathered the economic downturn experienced in Canada and Ontario by continuing to report positive sales results and incremental increases to market share. As a result of gains in the marketplace, our wine industry has increased its positive impact on the Ontario and Canadian economy.

I look forward to our discussions and your questions here today. Thank you.

● (1110)

The Chair: Please proceed.

Mr. Derek Nighbor (Senior Vice-President, Public and Regulatory Affairs, Food & Consumer Products of Canada): Thank you.

Mr. Chair and members of the committee, my name is Derek Nighbor. I'm a senior vice-president with Food and Consumer Products of Canada. I welcome the opportunity to be here today.

We are the largest national industry association representing Canada's leading food, beverage, and consumer products companies, which manufacture or distribute the household products that sustain Canadians and enhance their quality of life. We represent roughly 75% to 80% of what you would see in your local grocery store as products on the shelves.

From an employment perspective, our industry provides high-paying jobs to approximately 300,000 Canadians in both rural and urban areas in every region of Canada. We are in fact now the top employer in manufacturing in Canada, with a great potential to be even bigger and better.

Today l'II provide an overview of our industry's priorities, followed by a few key challenges and suggestions and maybe some ideas for future committee discussion on how the federal government can help our sector grow in Canada.

Here is a quick industry overview.

Our industry is proud that Canadians enjoy some of the safest food and beverage products in the world. I think this is something we often take for granted, given our large land mass and the high level of safety that we have at top of mind in our industry. We work closely with government to maintain Canada's global reputation as having a world-leading food safety system. This is great for export potential, and product safety is and will remain the number one priority for our member companies. We support a predictable and transparent regulatory system that is based on sound science. We believe this is absolutely essential for consumers to have confidence in the products they buy and for our businesses to successfully operate and grow.

I want to talk about consumer education, because Canadians are increasingly interested in learning more about the food and beverages they are consuming and want to take greater control over their health through their diet and the products they choose. To help consumers make informed product choices, FCPC and our member companies have made great strides in promoting nutritional literacy among Canadians. Since 2005, for example, we've provided the government-regulated nutrition facts table on processed product packages. Just last year, we worked very closely with Health Canada to implement revamped allergen labelling on our packages. Our industry did not look for exemptions on allergen regs. We did the right thing and supported those who could have severe allergic reactions from foods or beverages that they consume.

Another thing we're very proud of is that in order to help consumers better understand the nutrition facts table, we partnered with Health Canada and a number of retailers across the country to launch a collaborative campaign called the Nutrition Facts Education Campaign. The purpose of that campaign was to help Canadians better use and understand the nutrition facts table, especially the per cent daily value portion of that table.

We had 34 companies and Health Canada, with a number of retailers promoting in-store. The table helps give Canadians the tools to make informed food choices for themselves and their families. Early results from that campaign, which is three years in now, have been quite positive, showing that 52% of Canadians who have seen the campaign and the campaign logo say that it has changed the way they shop for groceries.

On product choice I want to talk about the options in the grocery store and the innovation happening in industry. We have made great strides in developing new, innovative products in response to consumer demand—foods with lower sodium and lower fat levels, with trans-fats eliminated, and vitamins and minerals added. As Canadian consumers increasingly search for a wide variety of nutritional choices, it's important that we meet their expectations and help them manage their health through diet. A recent FCPC survey of our member companies showed that 92% have responded to changing consumer needs by launching new, innovative products or making reformulation changes to existing products. If we think of the grocery store today compared with that of ten years ago, we can see the real difference that is happening in our communities.

I'm going to move to plant operations briefly to talk about water conservation. This is another area in which our beverage members have done a lot of work, making a lot of investments in the plant to reuse water, to reduce water usage, and overall to be more environmentally responsible. Another survey we did with our member companies showed that more than 90% of our member companies have made water reduction a priority in the production process, and half have identified industry initiatives to reduce consumption within their office or plant operations. Juxtaposed against international benchmarks, we're seeing that Canadian companies may in fact be pulling ahead of their global peers in this space.

That's the good stuff. I want to talk a little bit about some of the challenges we're facing.

● (1115)

Regulatory barriers continue to be a challenge, although I'll acknowledge a lot of the work that Health Canada has done to make some improvements on product approvals. Once again, when we're talking about product approvals, safety is paramount. We're not looking for fast-tracking of approvals. We're looking for thoughtful, efficient approvals, often turning to other jurisdictions that may have approved these products for the sharing of leading science.

As I said, our members develop the innovative products that consumers demand for the Canadian market, but it's with getting approvals in a timely manner that we're seeing some challenges. Registering a product or getting a product approved by Health Canada can take on average five years longer than it does in the United States. I say this not in advocating for a U.S. model, for there are many issues with the U.S. model, but we are definitely seeing significant delays in Canada that don't need to be that way.

As I said, though, in the past several months we have seen some changes via Bill C-38. There's been some modernization and simplification of Health Canada's regulations without putting consumers at risk. For example, I believe the Canadian Beverage Association, when they were here, talked about the approval of the sweetener, stevia, which provides a greater choice for consumers interested in carbohydrate-reduced diets. That was a very big approval, and one that we were waiting for a long time.

We support the current efforts. Of course, we'd like to see things move more quickly and would support any efforts this committee can make to continue looking for more efficient, thoughtful ways to make the regulatory environment more responsive to the needs of consumers and to business.

Packaging stewardship and recycling—those of us from Ontario know the blue box very well—is an area of greater and increased cost, but a responsibility that industry takes very seriously, in terms of reducing waste. Provincial governments are responsible for these programs, but we're dealing with the provincial governments on the patchworks of regulations that govern them from province to province. There is a lot of administrative cost in complying with province by province waste diversion rules and regulations. I think it's of interest to this committee, although you don't have direct responsibility, to understand that this is a growing cost factor affecting all folks along the food and beverage value chain.

I want to talk about counterfeit goods very quickly and also about what we call diverted product. That could be a juice that might have been destined for the U.S. market but that, through a broker or a retailer of some kind, somehow came into the Canadian market, maybe without French labelling, maybe with an American nutrition facts table, or maybe directly from Asia with no English labelling at all.

Our concern here, on the food side of things, is the issue of safety and also fairness in the marketplace. If you think of the robust allergen regulations we have in Canada, as some of those products make it onto the shelves in some of our stores there could be some real risk. I want to table this as an issue for this committee to consider working on with the Canadian Food Inspection Agency, to give it greater attention. The agency has done some work, but we continue to see a lot of diverted product that is meant for another market being sold in Canadian stores.

I want to credit the government for work done on Bill C-56, the combatting counterfeit products act. I know that MP Erin O'Toole, in his previous life as a legal counsel, worked a lot on the issue. We were really happy to see this bill. You might think about exploding batteries or razor blades and a whole host of fast-moving consumable products that are counterfeit. It's really important that border services and others in law enforcement be aware of this risk and that we work with members on the supply chain to deal with those issues.

Just quickly, as a last point before summary, let me speak about the skilled labour shortage.

Our industry requires a high level of scientific and technological expertise to develop products and to operate facilities across the country. We're increasingly facing shortages in this area and are concerned that they are only going to get worse. We're really lacking in educational training programs that focus on the scientific and technical expertise required to meet skilled labour demands for our industry, and we encourage measures to help meet this demand, including government partnerships with universities and colleges.

In summary, I want to restate our commitment to increasing nutritional literacy and consumer choice for Canadians and to reducing our environmental footprint. To help our industry grow, we need modern regulations to address this patchwork of recycling program issues, the growing presence of counterfeit and non-compliant products, and the issue of skilled labour.

I look forward to working closely with the government and parties on both sides of the aisle on these issues to help our industry innovate and grow in Canada.

Thank you.

● (1120)

The Chair: Thank you.

Ms. Zimmerman, welcome.

Ms. Debbie Zimmerman (Chief Executive Officer, Grape Growers of Ontario): Thank you very much, Mr. Chair, and members of the committee.

The Grape Growers of Ontario is the official organization, acting under the authority of the farm products marketing commission, which represents all of Ontario's 500 growers of 17,000 acres of processing grapes, including 176 wineries.

Just as a little bit of background, Ontario's 2012 harvest has set records in terms of yield and quality. The fact that this has taken place at a time of global wine shortages and skyrocketing international grape prices provides an unprecedented opportunity for Ontario's grape and wine industry. Ontario is the country's leading grape producer, accounting for about 77% of Canadian production.

The 2012 harvest is a record crop, at 66,000 tonnes of grapes, valued at more than $88.6 million. The Ontario industry generates almost $660 million in retail sales in Ontario annually. According to a recent economic impact study, the Canadian grape and wine industry has a $6.8 billion economic impact, a $1.12 billion impact in terms of tax revenue and markups, and creates 31,000 jobs. On average, one bottle of Canadian wine generates $30.76 of economic impact.

Grape growers have invested over $15.8 million in wind machines to protect their vineyards from cold injury over the past seven years. That investment paid off in preventing injury to our grapes in 2012, when we experienced an early spring frost that could otherwise have been devastating to grapes. The year 2012 has been an excellent year for Ontario's grape and wine industry. We have seen some good progress in recent years and there is reason to be optimistic. At the same time, we do have reason for concern and must continue to focus on the growth of our industry.

In 2008, the Government of Canada announced "Product of Canada" and "Made in Canada" guidelines "to provide Canadians with the information they need to choose Canadian foods produced by our farmers and processors." Key objectives were to avoid misleading claims and to be clear, transparent, and support consumer choice.

Following the announcement of CFIA, the Canadian Food Inspection Agency's new proposed guidelines, consultations were undertaken, and the Grape Growers, along with the Wine Council of Ontario, made a submission to CFIA's initiative in 2010. We're obviously still waiting for the results of that. We are requesting that CFIA require sellers of blended wines in Canada to include a minimum of 25% Canadian content in blended wines that are called international and Canadian blends, or ICB, in order to provide some justification for using the descriptor "Canadian".

We also recommend that a list, in descending order by proportion, be provided on the back label, of the countries of origin of the imported wines that have been blended with Canadian wine. We further recommend that the minimum content threshold be reviewed in five years to determine whether the grape supply has been consistently sufficient to justify an increase to the threshold. Canadian content must refer to the ingredients, or grapes in the bottle, not the labels, not the corks, or the glass bottles. Consumers expect no less.

The justification for these requests lies in the need for greater clarity in the labelling of wines sold in Canada, including with respect to minimum levels of domestic content, where Canadian content is indicated on the label.

A survey prepared by Nanos Research for the Canadian Food Inspection Agency in December 2011—"Canadians' Views on Domestic Origin Labelling: Canadian Wines and Blended Wines"—indicated that country of origin is a significant issue among key consumers. More than half of Canadians, 55%, said that they pay close attention to the country of origin information of the wine they buy, and attention to the label was strongly related to wine consumption behaviour.

A key finding in the survey is that "only 32 percent of Canadians agreed that 'Blended in Canada from domestic and imported wines' gives them a clear indication of origin." Consistently, Canadians tended to find that general statements were not very clear. We submit that it is only reasonable that there should be a minimum of 25% Canadian content requirement at the federal level for any product that wineries seek to market as an international and Canadian blend wine.

● (1125)

Growing the local market is critical to sustaining the Canadian grape and wine industry. Today VQA wine sales, which include 100% Ontario grapes, account for 10.5% of all the wine sold in Ontario. When these sales are combined with the international and Canadian blends, which currently include at least 25% Ontario grapes, Ontario wines make up just 41% of market share in Canada.

Competing international wine regions hold shares upwards of 70% in their domestic markets: Australia 90%, California 63% of the entire U.S. market, and New Zealand 57%.

Exporters of wine are increasingly prioritizing Canada as a target market. What makes our marketplace so attractive? Canada is the sixth-largest wine importer in the world, one of only three countries that have shown sustained growth, United States and China being the other two. Total wine consumption has grown 30% over the past five years. Canada has strong average pricing, and value growth has been outpacing volume growth.

We need to recognize the value of our own marketplace and support the development of the domestic market for Canadian wines. We would also like to suggest CFIA's inspection modernization will require licensing for all parties who import or export food. The Grape Growers of Ontario recommends that primary producers exporting raw product for processing be exempt from this licensing.

In 2007 the Cadbury Schweppes grape juice facility in St. Catharines, Ontario, closed. This plant closure impacted 2,000 acres of Ontario’s vineyards and about 105 grape growers who supply juice grapes. Today, approximately 1,500 tonnes of juice grapes are shipped to the United States for processing into Welch’s grape juice.

As for Growing Forward 2, we want to thank the Government of Canada for approving and moving forward with this important initiative. Government investment in innovation and applied research provides valuable assistance to the agriculture industry in continually improving the production, capacity, financial sustainability, and competitive advantage of our industry.

The Grape Growers of Ontario has been able to deliver a number of valuable applied research projects by accessing Growing Forward funds in the past, such as a $1.9-million DIAP project, in which we, along with Brock University, provided outreach to growers and wineries through a viticulturist and oenologist, and provided analytical services and research support for cold winter hardiness, one of our greatest challenges.

The non-business risk management programs have helped Ontario’s grape industry to increase its competitiveness and grape quality and to reduce production-associated risks, which could not have been achieved without the government's non-business risk management programs. An investment in innovation, science, and research programming helps reduce the long-term cost of business risk management to the government. Innovation programming is supported and needed by Ontario’s agrifood and agri-based products industry.

Thank you very much.

The Chair: Thank you.

Ms. Brosseau, welcome.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you, Chair.

I would like to thank all three of our witnesses. From your presentations, I have so many questions because you touched on so many different aspects.

I guess I will just start off with a broad question for all three. In 2012 in the budget there is a change to the container deregulation. Does this affect your industry? What we've heard from witnesses at committee, and just in consultation with Canadians and also certain businesses, is that these changes will affect job losses potentially. I was wondering if you could all maybe answer that question, please.

Mr. Derek Nighbor: Yes.

That's a good question. In my almost five years with FCPC, this has probably been the most challenging issue we've had to manage, and our membership has been split down the middle. The media, I know, has been painting this as the multinational versus the smaller Canadian operation, but I can tell you that we've had some multinationals that have not supported the proposed change either.

The fruit and vegetable processors are most significantly affected. Debbie mentioned the Cadbury Schweppes closure. Any time a plant like that closes, it's the local agriculture market that loses a place to sell. These plant closures hurt farmers.

I wouldn't mind talking a bit more about some of the work we're doing to try to better understand that and how we can stop the bleeding. On that issue, first of all vegetable and fruit processors are in the toughest spot. It has challenged us in industry because there is a trade element to this too. It is a non-tariff trade barrier; let's call it what it is. It was basically in place to protect some sectors of the economy, and a lot of these sectors might not have innovated their plants accordingly. I think the legitimate fear is that you have a lot of other opportunities outside of Canada, and if you're creating all these different can and jar sizes and they come in right away, these existing companies are dead in the water.

There has been a lot of debate on whether we allow time for phase-in or supporting retooling for these plants. Some CEOs or plant managers would tell you that if they were given a few years and some money to support retooling they'd be fine. Others would tell you that wouldn't even help, that this change alone would destroy their businesses.

We've been very transparent with Minister Ritz's office, with the government, with CFIA. We've actually demonstrated both positions in the rationale. That's the beauty of association work when your membership is split.

● (1130)

Ms. Ruth Ellen Brosseau: Absolutely.

Ms. Zimmerman, do you have anything to add?

Ms. Debbie Zimmerman: I think Derek said it very well. I know Hillary will want to comment from her membership's perspective.

We face the same challenges on our side of the ledger, the container sizes. The comment from our wine industry in particular has been that they will be affected if this happens immediately. They need time to change. The impact may be much more significant than we even anticipate.

While this has been seen as a good trade discussion, it is not necessarily a good domestic market enhancer.

Ms. Ruth Ellen Brosseau: Or job creation initiative.

Ms. Debbie Zimmerman: Yes.

Hillary may want to add to that.

Ms. Hillary Dawson: I know in the wine industry that every time we've seen transitions in packaging we're always at a disadvantage. For instance, in Ontario we've been asked by the LCBO to lightweight our packaging for health and safety reasons with their employees. The access to the domestic glass supply in a lightweight size and style is virtually non-existent. We're basically competing with large retailers of wine that come into our marketplace that do have access to a low-cost supply from around the world.

It always takes us a lot more time and a lot more money to transition. I think everyone has to be mindful of that moving forward, if you want us to remain competitive.

Ms. Ruth Ellen Brosseau: We know that Canadian wine only represents 30% of the market. I know when I talk to people in my riding, even friends and colleagues, we all want to buy local when we can. Obviously labelling is very important, but I think the government has a long-term role to play with a strategy to make sure we support local when we buy. It's better for the environment, transport, and it also creates jobs and keeps jobs here in Canada.

We know we have very strict rules and guidelines when it comes to CFIA. We're very proud and we work very hard, and sometimes when we import from other countries they might not follow the same guidelines that we have. Do you think the government does have a role to play in the long term, such as a national food strategy that also encompasses food literacy, nutritional literacy, to combat obesity? I think the government has a long-term role to play, a vision that it should have in working with industry and Canadians.

Would you agree that it would be a good idea for the government to set these guidelines in place?

Ms. Hillary Dawson: I always do agree on things like this. I think the leadership the government can show is important, in particular in helping disparate ministries work together to support an initiative.

I know in the grape and wine sector we come across so many ministries that we have to work with all the time, so that leadership at the national level is very helpful to us. It also helps to have national leadership on things, as the government showed here on direct-to-consumer sales, in taking the first step to make that accessible to people across Canada and continuing to put pressure on provincial governments to release the internal trade barriers that we have.

Those are a couple of good examples of things we can work on together.

Mr. Derek Nighbor: I won't speak for the wine industry. I'll speak for the food and beverage processors and the agrifood sector. If I'm an MP and I hear the word “strategy”, I might try to run in the other direction because there are a lot of strategies.

My challenge has been that we have the Conference Board of Canada doing great work. We have the Canadian Agri-Food Policy Institute doing good work. We have the Canadian Federation of Agriculture doing good work. They're all working on strategies.

FCPC has taken the position of, please work together. We have been trying to bring our members together to drive forward some common points. The processors and the farmers aren't going to agree on everything, but a lot of the stuff that the CFA's doing we do support. We have to make it easier for you as elected officials, instead of five or six different groups coming in and asking for kind of the same thing but kind of different, and fighting on certain things.

One of the challenges we've had in food processing is that there are so many different sectors with their own pet projects that we've lacked a uniform voice. That's a call to action for us to do a better job.

● (1135)

Ms. Debbie Zimmerman: May I, Mr. Chair?

The Chair: Briefly.

Ms. Debbie Zimmerman: Thank you.

One of the very important elements that Derek mentioned is that in the grape and wine industry, what is important to us is growing our domestic market. Some of the barriers to that are what we're seeing from other international markets that see Canada as a target.

We're not asking for protection policies. We're not asking for that. We're asking for good federal government policies that strengthen our marketplace and give us those opportunities. We'll do the work that needs to be done.

Collectively, that's why we're here today. We think it's very important as part of your review, whether it's the labelling issue, whether you consider federal excise tax relief on that 25% in a bottle of wine, which we would never accept as being an opportunity to increase the marketplace.... We are very concerned that the government would give any consideration to excise tax relief on 25% in a bottle of wine in this country and suggest that is going to assist us to a greater market share for our domestic wine industry. I know you've had that presentation from the Canadian Vintners Association. We are very concerned that government would even contemplate that, given where we are today in our history. We are just over 65 years old, and we have a great opportunity to grow in Canada and be a real challenge to the rest of the world.

One of the reasons I shared with you New Zealand, which is a country we think we compete with consistently—also Australia and the United States—is that we are as good as them. We just need you to help us get there, and take away the barriers and some of those obstacles.

The Chair: I think this committee does its fair share in supporting the industry, but I'll let everyone speak for themselves.

Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you.

Speaking of supporting the industry, I know that you're talking about wanting to see the domestic market consume more Canadian wines, and you're working on trying to encourage that. I have several questions for both Ms. Zimmerman and Ms. Dawson. I'll start with a two-part question, and one of them does centre on that specifically. I know you both mentioned in your opening remarks a little about that, and you both brought up the ideas of what you would like to see in terms of some of the regulations around blended product.

I'd like to focus a little bit more on two aspects. One of them is the tourism aspect of the wine industry. I happen to chair the federal tourism caucus. I obviously spend a lot of time focusing on those issues. I know your industry has been a very significant contributor to tourism through your wineries. I've seen various numbers through different studies and things, but certainly there is no question that the tourism economic impact from your industry is in the hundreds of millions of dollars. Certainly, that's a very significant part of it.

I wanted to ask you both if you would tell the committee a little bit about how your industry has been so successful in generating that tourism impact through your wineries, etc., and what you're doing to try to increase that.

The second part of the question, which is somewhat related, is about the share of the domestic market and trying to increase it. I certainly am a big believer that Canadian wines can compete with any wine in the world. I'm a big fan of burgundy varietals. I would say that in Ontario and in Canada...for example, Norman Hardie and the Pinot that he makes, and I'd take a Malivoire Chardonnay over just about any other wine. So I'm a big believer in our Canadian products.

What can you tell me about what you're doing to try to create more lovers and promoters of Canadian wines here in Canada?

It's a two-part question, and I'll let you both answer it.

● (1140)

Ms. Hillary Dawson: Why don't I kick this off, Debbie?

Let me start on the tourism aspect of things, and thank you very much for acknowledging the role that winery tourism and wine-country travel plays in generating tourism visits to our wine regions across this country.

If you travel to California, Napa is the second largest driver of tourism visits, second only to Disney, and we think that wine-country travel in this country is getting right up there. As an industry, I think we've invested in a number of things that really help support that experience. Really, it's making sure that our worst experience is still excellent, because it's going to impact the customer that comes by.

We have quality assurance programs on all of our properties, so everyone gets secret-shopped, assessed. We have a whole training regimen that goes into customer service and customer experience. We also spend a lot of time knowing our customer, doing a lot of research and investing our advertising dollars, which are limited, but we still run a significant industry program, about $3.5 million in Ontario to drive wine-country tourism and travel.

As an industry, if you travel around Ontario you see wine route signs. That's something the wine council developed about 25 years ago. We own and operate that to help our customers travel, and we work very hard trying to partner with people like CTC to promote the wine-country experience to target markets abroad. It's not for everyone, so we have to be very strategic in where we're investing—

Mr. Blake Richards: To interrupt you there for a second, what are some of those target markets?

Ms. Hillary Dawson: Outside of Canada, I think the best target markets are in some of the biggest travelling countries, so Brazil, Mexico, and China, especially now that China's opened up to travel. It has made it a lot easier. Obviously, we market to the United States and to the U.K. Those are the primary target markets.

Mr. Blake Richards: I'm going to interrupt you again.

You mentioned China, and it's obviously an increasing market. It is, after our Prime Minister gained approved destination status a few years back—

Ms. Hillary Dawson: That was very good.

Mr. Blake Richards: —and that's been significant for tourism, I know. I represent a tourism area. But you've noticed a difference as far as wine-related tourism after approved destination status was gained by our government, is that right?

Ms. Hillary Dawson: Yes, absolutely.

China's been a place where particularly our ice wine products are very well regarded and sought after. So making that connection between the products and the experience has been very important and a lot of our wineries are gearing up to respond to that market, in particular, by offering tours in appropriate languages and in the way that those customers are expecting to be received.

The Chair: I have to go to Mr. Valeriote.

Mr. Frank Valeriote (Guelph, Lib.): Thank you all for coming. I'm going to lay my four questions on the table, then you can all answer them. I'm going to start with Debbie.

Debbie, you don't mention business risk management at all in your presentation. Arthur Smith from the Ontario Fruit and Vegetable Growers' Association was here, either last week or the week before, and he was quite concerned about the $450 million to $470 million cut from business risk management and how volatile—really, the grape growers and other growers of vegetables and fruits, particularly in southwestern Ontario, I guess—this has been to variations in the market.

Everybody believes in innovation, of course, but do you have any concerns about the business risk management cuts of $450 million? If so, why? If not, why not?

Then I'm going to turn to Hillary. Debbie seems to have unravelled the issue of labelling quite well and layered it all. You mentioned labelling, so if she hasn't covered something about labelling that you feel should be a recommendation of this committee, then please say so.

As well, you talk about direct sales from the wine producer to the consumer, and I get that, but I think about our LCBOs and other management boards. Part of their function is to make sure that alcohol doesn't get into the hands of underage people and I could kind of see some kid out there ordering wine, underage, it being delivered to the house, and mom and dad saying, "LaVar, you've got a box downstairs from Canada Post, do you want to come down and get it?" And LaVar's only 16 years old. So how do you get around some of those issues?

My fourth quick question, and perhaps to Derek, is that we've heard about produce and meat processors and others having to buy shelf space at grocery stores. I'm simply wondering whether this happens in the alcohol or non-alcoholic beverage sector at all. Do you have to buy shelf space at grocery stores or elsewhere?

So go ahead, Debbie.

● (1145)

Ms. Debbie Zimmerman: Thank you very much. I'm glad Art was here representing the industry.

Of course, my focus today has been.... We do have concerns. I don't know whether I should repeat all of them but to be quite candid with you, we have had to take on a responsibility as an industry to assure ourselves that we would have a crop from year to year. The mitigating measures we've had to put in are called wind machines. We've invested heavily in that. I know the tender fruit industry is playing catch up, and it has to.

With the support of the wine industry, we have been very creative in how we've approached our business modelling when it comes to investing in the capital that is necessary to sustain our industry. Over the last few years the Ontario government supplied us with a business risk management program called the Ontario vineyard improvement program. It has sustained our industry and created one of the largest crops we've ever had.

Yes, I could spend all my time today talking about the loss of $425 million. What is critical to us is labelling and the fact that we need a bottle of wine that, when it says Canadian, is Canadian. It can't pretend to be Canadian because it has a label and a cork and glass. So to focus on anything else, I apologize, it would not be in the interest of my membership or of the country in general when it comes to Canadian wine.

Mr. Frank Valeriote: But you support what he said last week.

Ms. Debbie Zimmerman: We certainly support what he has put forward on our behalf.

Mr. Frank Valeriote: Okay.

Hillary.

Ms. Hillary Dawson: That's great.

With regard to your two questions, let me start with direct to consumer first, because I think that's a very quick question.

We ship to consumers now, and any shipping company that our wineries work with have to see proof of age when they make deliveries to the people named on the waybill. We're licensed to produce and sell alcohol, and it's a risk to our wineries, to their whole business, if they make that sale, so they're very careful. Canada Post and the courier companies we deal with that can make legal shipments to customers are very careful as well. Everyone takes that responsibility very seriously.

Yes, I did touch on labelling, and yes, it's very important to us.

My members are focused on making premium VQA wines: wines of appellation, wines where labelling matters, and wines where we know that the value of being Canadian matters. It is challenging for us when the customer realizes that some bottles labelled Canadian that are in a lot of liquor boards under a giant sign that says "Canada", contain little to no Canadian content. That hurts our business because then they start to question what's on our labels.

What we've said consistently as the wine council is that we just want to be consistent with where everyone else is in the world. We've said the same thing to the CFIA. If it's a blended wine, make sure it's labelled with the content that's in it so the customer is very clear. We support putting in a minimum content, and if you want to have the privilege of using the word "Canadian", that's very important to us. I think we're even at odds with the Canadian Vintners Association on that, because it is a point of differentiation with us and our strength of purpose on that issue.

Mr. Derek Nighbor: You want to talk about the shelf cost issue. Any time you have the relationship of a buyer and a seller, there's going to be negotiation and some tension, but depending on the retailer, there are promotional fees. Some have listing fees. You might pay a higher price to have the product positioned at a certain part of the store. Those are all arranged in contractual details between the trading partners.

There has been an effort within the rules of competition between the larger retailers and the smaller retailers on the grocery side and the manufacturers to ensure fair business practices, no unilateral changing of contracts, those kind of things. We're always going to have tensions when there's a trading relationship. But I will say there's a spirit of collaboration in the market to try to ensure that things are done within the rules of competition, that there's fairness in the marketplace, and that Canadians are being well served in the store.

● (1150)

The Chair: Thank you.

Mr. Payne.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair, and thanks to all the witnesses for coming here today.

I want to make a comment that in terms of container sizes, the government will, in fact, be having in-depth consultations with manufacturers and producers to make sure that their issues and concerns are taken into account. So that will be an ongoing process.

Frank let the cat out of the bag, unfortunately, about me shipping wine. When I went to pick it up at the Canada Post depot, they actually made me produce ID and I thought it was nice to look like I'm 18 again. Anyway, I have Ontario wine shipped to my home even before Dan Albas' bill came into place. I continue to have some shipped here to Ottawa as well, from an Ontario winery, a very good wine.

In Alberta, of course, all stores are private, so there are some pretty good selections there. But I just wanted to ask you, Hillary and Debbie, about the interprovincial barriers that you are seeing. Are they creating a problem? We want to make sure that we do have a really good Canadian wine industry right across this country.

Ms. Hillary Dawson: I can take that.

The barriers are pretty simple. For the most part, we're dealing with a singular retailer in each province. They have very significant markup structures. There's no markup relief for Canadian wines that are not produced within the home province of those liquor boards. We don't have margin relief. We're on the same competitive footing as European wines, when we sell to the Manitoba Liquor Control Commission. So that's part one and that is making it cost prohibitive for a lot of people to even consider that marketplace.

Second was the issue of the cost of putting on a promotion. This is where we think Growing Forward 2 can actually be helpful in helping support initiatives around Canadian wine. The SAQ is probably the biggest retailer of wine on the planet, and 100% of Canadian wines are less than .5% of wine sales in that market because it is so cost prohibitive for our domestic wine industry to retail in that market.

Money talks when it comes to those retailers and both industry associations like mine and wineries on their own simply aren't resourced to take that on. Where we have been able to do promotions, like the ones we support in Manitoba, it has led to increased listings, bigger support in the marketplace, and all those things.

The other thing that is probably scaring off some of our wineries is this issue of labelling and signage in stores because for a 100% VQA product that we make in Ontario to be shelved in some liquor boards under a sign that says “Canada with blended wines”, which are sometimes half the price, that is giving the consumer the wrong impression of the price value of our products. For a lot of markets like that, our wineries bottom line is that unless we can be shelved as 100% Canadian, we're not even going to make the effort in the marketplace.

Mr. LaVar Payne: Do you have any comments, Debbie?

Ms. Debbie Zimmerman: I don't think I can add very much to what Hillary is suggesting, but I want to go back to the comment again. The $6.8 billion economic impact of the industry, just today, has the potential to double going forward. It really does talk about the collective approach of how we approach alcohol in this country.

We are still very much in a prohibition type of mentality in many ways. We have to embrace more of what the world looks like when it comes to alcohol, and we're not talking about a glass of wine for breakfast. We're talking about the opportunity to access the marketplace. Hillary, I think, summarized some of the challenges our wineries face.

Mr. LaVar Payne: Coming from Alberta, as I understand, the provincial government of Alberta doesn't want to allow that transfer to happen, which totally blows me away because of the fact that there are privatized stores available there.

The other thing I wanted to talk to Derek about was regarding the barriers of approvals, and also imports and regulations that he spoke of. Do you have some suggestions or changes that could be made on those issues and concerns? I know you did talk about some countries that maybe we could already recognize. Are there a whole list of those things? If you have that—I don't want to you to name them all off—could you provide it to the committee as well?

● (1155)

Mr. Derek Nighbor: I'd be happy to provide that in a follow-up. I'll maybe highlight a couple of things. We encouraged Health Canada to look to markets such as Australia and New Zealand.

We're not looking for what I would call just adopting science, because we might have unique Canadian circumstances or population health intake circumstances that could be a bit different. We're asking why build it from the ground up again, when we can maybe take some data and do a Canadian population health scan.

I think MP Davies will be interested in this. One of the additives that was delayed—it looks like it has been in the backlog—is a potassium-based alternative to sodium. On the one hand I'm battling with MP Davies in the media on the sodium issue, but on the other hand we're trying to innovate and we can't get approvals to get alternatives into the marketplace. When you're dealing with multinationals, they're asking why they would invest any money in R and D in Canada, when they have to wait five times longer than in other markets. Then you get this bit of a snowball effect.

The progress has been made there now, but it's going to need some time to work its way through the chain. I'd be happy to share examples of markets we look to as leaders and where we can work with them, and also some specific examples of additives and whatnot.

The Chair: Please submit that through the chair, and we'll have it distributed.

I'm sorry, your time is up.

Speaking of provoking debate, Ms. Davies, welcome.

Ms. Libby Davies (Vancouver East, NDP): Thank you very much, Chairperson.

I'm standing in for Mr. Allen. I didn't know you were going to be here. I hoped it wasn't a battle actually, but since you phrased it that way—

Mr. Derek Nighbor: I used a small *b*.

● (1200)

Ms. Libby Davies: I'm really glad you're here today. It has been a very interesting subject. I do want to focus on nutritional safety actually. I have a couple of questions.

You mentioned the new campaign you have, in which I think you're partnering with Health Canada. I think you said 34 companies were involved to sort of increase awareness about nutritional literacy, which of course is very important.

I wanted to get a sense of what component of the overall industry is involved. If it's 34 companies, do you know how many supermarkets? I haven't seen it. Are we talking about 5% because, of course, awareness is a critical thing? People are inundated with advertising, and so to try to counterbalance that with real nutritional literacy understanding is super important, but if it's at a very low level it's pretty hard to get that balance. Where does your campaign sit in that sort of balance?

Mr. Derek Nighbor: This all started probably about five or six years ago. Health Canada was looking to do something in terms of improved nutritional awareness and using the per cent daily value, the nutrition facts table.

Concurrently, we both did research to understand where Canadians are at and where the market is at. We both identified, independent of each other and then we came together, that the per cent daily value in the nutrition facts table is the area where a lot of people were really tripping up. They were trying to add it to a hundred or they thought 10% meant 10% of the product contained sodium. You got into some real confusion, so we did a campaign. We pulled 34 companies together.

Actually when Anne McLellan was the health minister, that's when the nutrition facts table came in. One of the things she identified was that McDonald's restaurants in Canada put it on all their tray liners. I remember Minister McLellan saying that more people were going to be in a McDonald's than were going to be talking to her and her staff. There was a real movement to try to push the information out there. McDonald's is one of the few quick-service restaurants that actually has the nutrition facts table on their products.

We partnered with them. A number of our members, especially in the cereal category, were using the full back panel to drive people to the website. I'd be happy to share some results of the campaign with you. It was really the first of its kind, the first kind of collaboration. Health Canada had ultimate veto power on all the messaging and all that kind of stuff. It also allowed us in the food and beverage industry to use our muscle in the advertising space to get more bang for the buck.

Health Canada was looking at running a $5 million to $10 million campaign, and it might have cost Health Canada $500,000 in the first year. We were able to leverage over $1 million of member money into a $4 million buy, plus our members were using their on-pack space to promote it.

I can provide some of the metrics after. Listen, it hasn't solved all the world's problems, but it has moved us some way along the line. I think we need to do a rethink in the next year. There are already talks about bringing the manufacturers and the big retailers together to really bang it out there.

Ms. Libby Davies: Do I have a little more time, because I'm sharing with Mr. Atamanenko?

The Chair: You have a minute and a half.

Ms. Libby Davies: As you talk about advertising, as you know, in Quebec there are limits, in fact a ban on advertising to children. Of course, the whole issue of soft drinks is huge in terms of the sugar content.

I'm curious to know how your association has seen the situation in Quebec. It seems to me it's very well accepted there. It's seen as very sound public policy. How has the industry responded to that? I assume it's surviving and doing okay, but I'm curious for your reaction to that situation in Quebec.

Mr. Derek Nighbor: I think it's more about the result. So where are childhood obesity rates in Quebec? I'll tell you that the childhood obesity rates in the Lower Mainland of British Columbia and Alberta are lower than they are in Quebec, and there is no ban on advertising in those provinces.

Let me take this head-on. There needs to be responsible marketing and advertising to kids, and FCPC has worked on this with a number of our member companies. I believe Burger King and McDonald's are engaged, and they have made commitments through the children's advertising initiative, which is run by a third-party regulator, Advertising Standards Canada.

I think there are 16 to 20 big companies that represent the majority of the market. In addition to the children's code regulatory stuff and all the checks and balances, there are requirements in pledges and commitments made by industry not to advertise certain products on Teletoon or in daycare centres or schools. This has been in effect for about five years now. That's another thing I'd be happy to share with you. We're very proud of that program. In Quebec, obesity rates for children have more than doubled in the last 30 years. As you know, this is a really complex issue. There's not one silver bullet, and the Quebec ban has not driven the results that a lot of people think they have.

The Chair: I have to thank you and move to Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair, it's always a pleasure to join this committee.

I've enjoyed the discussion. I learned some great numbers on economic impact in Ontario. I'm proud to say there are pockets outside of Niagara, including my riding of Durham, where we have the Ocala Winery.

I have two questions and because we're in the shorter round I'll just put them out there. First, Ms. Zimmerman, with respect to the 25% Canadian content, is the industry ready for that when it comes to meeting all the volume demands and the demands in shelf if that requirement were put in place immediately? On the flip side of that, would the industry be open to the converse of that, which is levels? So as long as the consumer has a choice, where it is clear to them that this is 10%, 25%, or 50%. Is that also a solution for the area?

My last question would be more to Derek, and it has to do with faster regulation. As I know from my time working in the consumer products industry, the backlog in natural health products was dealt with by allowing some products to proceed to market while their applications were pending. Is there anything you can share with us about other jurisdictions doing that, or splitting off safety issues so that those would take longer and other issues could get to market faster?

Ms. Debbie Zimmerman: First, the minimum of 25% is something we can achieve now based on our grape supply. In 2008 we had 8,000 tonnes of grapes dropped on the ground and not purchased. At that point, we had 30% in the bottle. It has actually decreased to 25%. So we can more than achieve the expectations of the industry.

I think the bigger question for us is whether we want to be 100% Canadian. I think this should be a concern for consumers. If we can't get clarity on the term "Canadian", there's no trust. If you put "Canadian" on the bottle and it only represents 10% of what's in the bottle, there's not a lot of trust from consumers about what else is in that bottle. We think that a minimum of 25%, as the grape and wine industry here today is saying, is an important component to build a strong trust in the industry, generally, around in the term "Canadian".

We know consumers are anxious to see labelling changes so they better understand what is in the bottle. Currently, there is no country of origin listed on the label. That is a concern. We think that the 25% gives us a minimum content and then we can increase from there.

● (1205)

Ms. Hillary Dawson: I think it's important for our industry to support the growth of this 100% market, as Debbie noted. She quoted some economic impact numbers—that $39 a bottle. The economic impact study also said that number was for blended and 100% wines combined. For 100% wines, the number goes to $89 a bottle versus $39, which is the average.

I think if we're going to invest our time and effort, it would be to grow that category. But in the meantime—and I cannot stress this enough—if we're going to use the word "Canada", there should be some substantial content in there. If you get the privilege of putting those wines in special sections in every liquor board across this country, let's put some actual content in those wines.

Mr. Derek Nighbor: Switching gears to product approvals, to innovative functional foods, as we hear them called in the marketplace, the natural health products framework that was developed in Canada really kind of got out of control. As industries innovated, there was no home for a lot of these products, so they got thrown into a natural health products classification.

In the last couple of years, Health Canada has really tried to say that if it looks like a food or beverage, and if it tastes like a food or beverage, it's a food or beverage, not a natural health product. There has really been an effort to kind of split those and do some work. As MP O'Toole mentioned, there is an ability—if there's no clear safety or health risk—to go through a temporary market authorization process to put it in the market and then provide data to Health Canada concurrent to that experience. That continues today.

As far as other markets go, I think that working with the U.S., the U.K., and Australia.... Once again, when I say the U.S., this is not about harmonizing to U.S. standards, regulations, and rules in the food space. That's not what we're advocating. There are a lot of things in the U.S. that I would not want in Canada, but we have seen a movement whereby Health Canada and the Food and Drug Administration in the U.S. are meeting more regularly to compare notes, and that in itself is starting to drive efficiencies in terms of not duplicating efforts.

I don't think there's any doubt that in Health Canada there are some issues in this area in resources, in terms of just bodies to do the work. There are some allocation issues. They're probably working in some areas and spending a lot of time on little rinky-dink things that probably aren't as important as some of these bigger things. We've been working with Minister Aglukkaq's office to try to work through that, but there are always going to be budget challenges.

I think the challenge for Health Canada is in trying to keep up with industry. That's what I'm hearing from the senior officials at Health Canada, that in the next couple of years they hope to at least be almost caught up to industry. Right now, they're so far behind, and it's a game of catch-up and hammering away at the backlog that's the big challenge there.

The Chair: Thank you.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, Chair.

There's just one question that I have for Ms. Zimmerman.

We've had presentations by the wine industry that support tax relief for this 25% domestic content. It seemed logical that if we had tax relief for the Canadian content of blended wines, that would increase the amount of Canadian content, yet I'm hearing from you that this is not a good idea. There seems to be a conflict between what the grape growers are saying and what the wine industry is saying.

Maybe I could get your comments on it also, Ms. Dawson. I'd like you to clarify that for me, please.

Ms. Debbie Zimmerman: Certainly, and again, I appreciate the question.

What is important to us has been stated. I think it's probably obvious. We believe in growing the 100% Canadian domestic market. We will never get there if 25% in the bottle of a blended bottle of wine is incented with excise tax relief.

I can only liken it to what's under discussion with the federal government currently with regard to the temporary foreign worker program. In fact, the federal government is stepping up and saying, "We want Canadian jobs." Well, Canadian jobs come from 100% Ontario wine or 100% Canadian wine, not from 25% in the bottle.

We don't see that as growing the marketplace. We see it as stalling the marketplace. If they really want to show that the bottle of wine has growth, then go to 50%. Give it 50% federal excise relief; at least incent it upwards, not backwards, because that's currently what we see.

We're not supporting 25% excise tax relief. When the federal government came out with the 100% federal excise tax relief, we felt that was such a strengthening of the industry, because it put the focus on Canadians. It put the focus on jobs.

Seventy-five per cent in a bottle is coming in as finished product. It is not supporting processing facilities in this country. It's supporting Argentina, Chile, Australia, or other countries. It is not supporting the growth of the marketplace or of the labour force in this country. For us, 25% federal excise tax relief certainly won't do anything to encourage more Ontario content in that bottle of wine.

● (1210)

Mr. Alex Atamanenko: A quick comment, Ms. Dawson, please?

Ms. Hillary Dawson: Yes. We don't support that either.

First of all, we're very realistic. Resources are limited. If you're going to put $5 million or $10 million in tax relief on the table, let's also look at the opportunities that you're forgoing to support 100% Canadian wines and to do some of the things that we think will drive better returns for the country, such as helping us get launched in other markets within Canada and reinstating our funding to support our export initiatives and to grow our reputation abroad, which is what all emerging wine regions need to do.

For us, it's about choice and it's also about supporting the reasons that Debbie is speaking to. Let's support "premiumization". Let's support 100% of the bottle. That's the right choice to make when you have to pick one or the other.

Mr. Alex Atamanenko: Thank you very much.

The Chair: Madame Raynault.

[*Translation*]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chair.

Mr. Nighbor, according to the document entitled "The Food and Consumer Products Industry in Canada", the industry "contributes an estimated $100 million to charitable causes, including donating over 5 million bags of groceries to food banks in Canada" a year.

My hope is that, one day, it won't be necessary to donate so many bags of groceries and that Canadians will have the jobs and money they need to feed themselves. That was just a comment in passing.

As for the regulatory barriers, you say that "Canada's current regulations create significant barriers" and that "registering a product with Health Canada, for example, takes on average five years longer than in the United States".

Do you believe those barriers protect consumer safety?

[*English*]

Mr. Derek Nighbor: I don't think this is an issue of safety or security. If it took more time to get something approved for marketplace for safety reasons, we would support that. This is not about fast-tracking or cutting corners on safety.

One example I provided...and this is the crux of the challenge of the food and beverage industry. Looking to respond to consumer demand, looking to respond to health professionals and non-governmental organizations to introduce healthier-for-you, innovative products, our hands are tied in a lot of cases because we can't commercialize the innovation.

Unilever, for example, is a multinational company that sells margarine. They introduced a Becel fortified with plant sterols, which lowers cholesterol and improves heart health. That Becel margarine, that innovative product, was approved in the U.K. in the late nineties and in the U.S. in the late nineties. It just got approved here about two or three years ago. The fortification of margarine with a plant sterols was not approved in Canada. That's one example of many.

It's fine now, but it was all those years of delay. They basically sucked the energy of any company to invest in R and D bodies, facilities, and innovation. You know, why would I go to the Guelph Food Technology Centre and spend a ton of money there, or why would I partner with the University of Toronto or the University of Alberta to do some work, when I'm not even going to be able to use it here?

We're now in a game of catch-up. I want to give some credit for progress, because we're starting to see progress. We've had support from all parties in recognizing that. But we're still playing catch-up. We need to send the message very strongly that Canada's open for business in this space.

There's another thing that I might just add to this. I think a big challenge, which Debbie alluded to, is the plant closures. I'm concerned about a lot of the aging plants we have in Canada, the retooling that's needed, and whether or not the energy is going to be there for reinvestment in those plants. In Ontario we've already seen 50 to 60 plants on the food and beverage side close in the last five or so years. That's really alarming. We're still the number one employment sector in manufacturing in the country, despite those closures, but the closures are continuing. Some are small Canadian operations. Some are multinationals deciding to go elsewhere. We need to better understand why that's happening. We're doing some work with a couple of folks in academia over the next number of months to really try to deep-dive into that.

I was chatting with a CEO of ours, of a mid-sized processing plant. He was visited in east Toronto by a delegation from the state of Georgia, offering basically to give him anything he wanted to relocate his plant there. I don't want to endorse a race to the bottom, or say that we need to give everybody no taxes, free water, and all that kind of stuff, but we need to clearly understand what we're up against. We're competing in a very tough marketplace, and there's some aggressive recruitment stuff happening south of the border.

In terms of any additional supports—I'm not getting into a debate about corporate welfare—we need to have a real discussion on it. The provinces have a role to play here too, in supporting R and D and innovation in our plants in Canada. I think it's an important discussion that the committee and the government really should consider having.

● (1215)

The Chair: You have 20 seconds, Madame Raynault.

[*Translation*]

Ms. Francine Raynault: Ms. Zimmerman, in 2007, the Cadbury Schweppes Beverages grape juice facility was closed.

What happened to all those who supplied grapes to the facility? Did they continue producing juice grapes for export to the U.S.?

[*English*]

Ms. Debbie Zimmerman: Thank you for the question.

We were able to seek a program from the provincial government to pull out all of the juice grapes. Unfortunately, the only processing plants today for these types of products are in the United States or in British Columbia—SunRype. You can't possibly ship fresh fruit across the country to be processed. We're down to about 1,500 tonnes, and it's continuing to decrease.

It's very sad.

The Chair: Thank you.

With that, I'll thank our guests for being here today. We appreciate your comments and your time. I'm sure you can look forward to seeing some of your suggestions in a future report.

I'll just refer to the committee. I'm asking that the committee approve a supplementary budget increase of $8,900 in relation to this study, and I would ask for a motion to do so.

Mr. Payne so moves.

(Motion agreed to)

The Chair: Thank you very much everyone.

The meeting is adjourned.