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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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● (1530)

[*English*]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): Good afternoon, ladies and gentlemen.

Committee members, welcome back. As you know we're doing a study on domestic trade in agriculture and agrifood products, and we are looking at interprovincial barriers to that. We've had a number of guests as witnesses. Today we have with us, in the first hour, from Canadian Vintners Association, Dan Paszkowski, who is president and CEO, and Beth McMahon, who is vice-president of government and public affairs. From the Canadian Seed Trade Association, we have Patty Townsend, CEO.

Welcome to all of you. I'm going to ask Mr. Paszkowski if he will start the presentation by the Canadian Vintners Association, and then we'll move on to Patty Townsend.

Mr. Paszkowski, go ahead, please, for 10 minutes.

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Good afternoon, everybody.

Thank you for the invitation to provide the Canadian wine industry's perspective on ways to promote growth and boost competitiveness by reducing interprovincial barriers. The CVA is the national voice of the Canadian wine industry. Our membership represents more than 90% of the wine produced and sold in Canadian and international markets. Our industry is made up of 500 grape wineries and 1,300 independent grape growers, contributing $6.8 billion to the national economy. We produce two types of products: premium 100% Canadian wines, representing a $3.7 billion economic impact, and value-priced international-Canadian blended, better known as ICB, wines made from imported and domestic content, representing a $3.1 billion contribution.

Grapes and wine are a prime example of success for Canada's value-added agrifood industry. From vineyard development and grape cultivation to winemaking and bottling, our compounded impact extends well beyond cellar door sales and employment, with strong linkages to tourism, retail sales, bars and restaurants across Canada. As a result, the domestic wine industry helps support more than 31,000 jobs and is motivation for more than three million tourists to visit Canadian wineries each year.

The authority to operate provincial liquor boards is based on the federal Importation of Intoxicating Liquors Act, IILA, which requires that all liquor be purchased by, or on behalf of, the provincial government. Until recently, this federal law banned all shipments of wine, beer, and distilled spirits across provincial borders unless the importation was authorized by the receiving province's liquor board.

June 28, 2012 marked the first time in 84 years that the IILA was amended, following royal assent being given to Dan Albas' Bill C-311, which received unanimous support in both the House of Commons and the Senate. The federal amendments exempt consumers from having to consign wine to the provincial liquor authority when bringing wine, or causing wine to be brought into the province for personal consumption. The exemption did not diminish a province's control over wine within its jurisdictional borders; it simply provided the province with the right to permit a consumer to bring wine into the province for personal use. The amended legislation removed the federal government's barrier to shipping wine directly to consumers who reside out of province. As a result, most provinces and provincial liquor boards have elected to do the bare minimum. Today, 32 months after Bill C-311 was passed, interprovincial barriers to trade continue to impede the Canadian wine industry's ability to grow and fully benefit from wine country tourism.

Since the passage of Bill C-311 the following provincial actions have been taken: Manitoba and British Columbia immediately opened their borders and allowed for the interprovincial shipment of wine for personal use. Nova Scotia announced that it will adopt regulations in 2015 to allow interprovincial winery-to-consumer sales. Saskatchewan, Ontario, Quebec, Nova Scotia, and P.E.I. bypassed the spirit of Bill C-311 by making regulatory or policy amendments to avoid direct delivery, allowing their respective residents to transport one case of wine per trip as long as the wine is transported on their person. New Brunswick and Newfoundland continue to restrict residents from bringing wine into the province with an existing exemption of one bottle for New Brunswick and 1.14 litres for Newfoundland and Labrador, which isn't even a wine container's worth. Recently, New Brunswick announced that it is going to make some changes which, we believe, means it will join the above provinces in allowing one case of wine to be directly delivered into the province on one's person.

In February 2014, we were disappointed to learn that Alberta had amended its laws to eliminate courier delivery of wine from another province, while allowing its residents to continue to transport unrestricted volumes on their person, thus invalidating the foundation of direct-to-consumer delivery.

● (1535)

In May 2014, FedEx was charged under the Newfoundland Liquor Control Act for allegedly transporting a case of wine ordered by a local consumer from a British Columbia winery. This so-called contraband liquor case will be heard in provincial court in June 2015.

Most recently, Saskatchewan and British Columbia launched discussions on a bilateral reciprocity agreement that will support the interprovincial direct delivery of locally produced wine and spirits between residents of those two jurisdictions.

Thus, despite widespread support for expanding consumer choice in wine, most consumers across Canada are prohibited from purchasing the wines they desire directly from an out-of-province winery.

At the CVA, we recognize the frustration of an industry that wants to grow and has the capacity to do so, but faces so many obstacles. The Canadian wine industry accounts for just 30% of annual wine sales volume, the lowest market share of any wine-producing country in the world. We have set a strategic goal of commanding 50% of the domestic market by 2020; however, to achieve this goal, we must secure additional opportunities for wineries to access Canadian consumers across the country.

Over the past decade, 300 new wineries have opened across Canada, stimulating more than $1 billion in capital investment. These wineries are predominantly small businesses focused on premium wines, and each year a greater volume of high-quality wine is produced, yet our premium VQA wines represent a mere 6% market sales share across Canada.

Provincial liquor boards are under no obligation to carry Canadian wines, yet our industry continues to work hard to grow sales within the established retail system, with limited success. Only two provinces have a VQA market sales share greater than 10%. The remaining eight provinces have a VQA market sales share of less than 4%. Of these, three provinces have a VQA market sales share below 1%, which is unacceptable.

Direct delivery provides consumers with an alternative to access our award-winning Canadian wineries, which can also relieve the mounting pressure on brick-and-mortar liquor boards with limited shelf space. We know from the experience in the U.S., Manitoba, and British Columbia that the amount of wine that will be shipped through interprovincial direct sales is limited. With a shipping cost of $3 to $4 per bottle, consumers will first check the availability of a sought-after Canadian wine in their home province or local retail outlet before ordering from a winery.

The reality is that wine is becoming the beverage of choice in Canada and presently accounts for 30% of the beverage alcohol market, up from 18% in 1995, making Canada among the fastest growing wine markets in the world. All major wine-producing countries are investing tens of millions of dollars into Canada to build their brand presence and sales opportunities. Combined with the reduction and elimination of import tariffs, wine imports have garnished 80% of total wine sales growth in Canada over the past decade.

Canadian wineries believe that direct delivery will stimulate more wine sales, drive tourism, and support greater investment and job creation in wine regions across Canada. This is good for Canada, as we know that every $1 increase in Canadian wine sales stimulates a $3 increase in gross output along the value chain.

The removal of internal barriers to wine trade would ensure that consumers have increased choice with access to a wider range of Canadian wine products; that wineries will maintain and expand market opportunities and build relationships, awareness, and consumer loyalty; and that provincial governments will continue to earn taxes, levies, and related costs based on services provided.

Since 2006 Canada has concluded free trade agreements with nine countries. Competition from imports is growing, and import tariff relief provided to the U.S., Chile, the EU, and soon to the Trans-Pacific Partnership countries has created and will create new competitive challenges, which demands that we secure free trade in our own market. This is the most important catalyst for growth both at home and abroad.

To achieve our goal of growing the Canadian wine industry from a $6.8-billion sector to a $10-billion sector over the next five years, we recommend the following: enhance federal engagement with provincial governments to remove interprovincial barriers to wine trade; create an expert intergovernmental working group to facilitate an interprovincial direct-to-consumer alternative for Canadian consumers; implement a priority pilot project to remove inter-provincial barriers to wine trade under the auspices of the Agreement on Internal Trade; and establish a multi-year federal funding program for Canadian domestic wine market development to grow wine country tourism and domestic market share for Canadian wines.

● (1540)

Once again, thank you for your ongoing support of the Canadian wine industry and for your efforts to remove internal barriers to trade.

The Chair: Thank you very much, Mr. Paszkowski.

Now I will turn it over to Ms. Townsend, please, from the Canadian Seed Trade Association.

You have 10 minutes.

Ms. Patty Townsend (Chief Executive Officer, Canadian Seed Trade Association): Thank you very much, Mr. Chairman and committee members, for giving me the opportunity to offer the seed industry's perspective on barriers to domestic trade.

As Mr. Shipley said, my name is Patty Townsend, and I'm the CEO of the Canadian Seed Trade Association, or CSTA.

The CSTA is the national voice for the seed industry in Canada. Our association represents 130 companies involved in all aspects of the seed industry. They're engaged in all production systems: conventional, organic, and systems that use modern biotechnology. We work with over 50 different crops, and our members range from small family-owned companies to large multinational companies. Our sector in 2012 contributed $5.61 billion directly to the Canadian economy.

The CSTA's mission is to foster seed industry innovation and trade. We work to create a regulatory and trade environment that encourages investment and provides opportunities for our members to conduct their businesses domestically and internationally. We focus a lot on international barriers to the trade of seed, but it's also important to look in our own backyard. We appreciate the fact that you've undertaken this study.

Generally speaking, unlike the wine industry, seed trades pretty freely across provincial boundaries. However, the barriers that we do have or that we face are potentially very negative for our industry. We have a robust and internationally respected science-based federal regulatory system in Canada, overseen by the Canadian Food Inspection Agency, Agriculture and Agri-Food Canada, Environment Canada, and Health Canada. These regulatory bodies have the jurisdiction, the expertise, and the resources to create regulations, provide oversight, and enforce the regulations when they're required. However, there are some provinces that have implemented or are planning to implement additional provincial regulations that are not in step with other provinces. They run contrary to federal regulations and they're not based on science. Most of this presentation is going to focus on science.

One major issue for the seed industry for over a decade now has been dealing with the Province of Alberta's strict regulations on fusarium graminearum, which is a fungal pathogen, mostly of cereal crops. As you heard earlier from Cereals Canada, in 2002 the Alberta government, believing that Alberta was free of fusarium, launched by regulation an enforceable management plan in an effort to prevent its establishment. Now, more than 10 years later, fusarium is present and well established in Alberta, despite the existence of the management plan. It's being found increasingly in wheat, durum, and barley in widespread areas of the province.

The current fusarium management plan requires that in order for farmers to have access to seed, the seed must be tested and found to be “non-detect”. Given the presence of fusarium in other provinces and in the United States, it is difficult to source higher generation pedigreed seed from which seed growers in Alberta and elsewhere can produce seed for Alberta farmers. In addition, seed produced in Alberta that presents even with extremely low levels of fusarium needs to be moved out of the province and sold as grain instead of seed, at much lower prices.

Recent scientific reviews concluded that tolerance levels for seed with up to 5% fusarium could protect those areas in Alberta that are relatively free of fusarium. Tolerances of up to 10% would not affect the infection levels in those areas where fusarium is already established, yet despite the science, the non-detect requirement remains.

A rough analysis by CSTA members indicates that retail prices for wheat seed in Alberta range from 12% to 19% higher than in Saskatchewan and Manitoba. There are cases where the inability to source seed of new varieties has meant that Alberta farmers don't have access to those new varieties, and they're at a comparative disadvantage to farmers in Saskatchewan and Manitoba.

In keeping with the need to base decisions on science, I need to state again that in order to be successful and to remain competitive as an industry, we rely on government and regulators at every level to make sound decisions based on reputable science. Sound scientific principles are measurable, reproducible, and predictable, and they apply equally to all stakeholders. Regulatory assessments and approval processes based on science ensure that all products are assessed consistently, giving confidence to consumers and to the developers of innovation.

Health Canada, specifically the Pest Management Regulatory Agency, or PMRA, is charged with evaluating, approving, and then cyclically re-evaluating crop protection products to ensure that they meet health, safety, and environmental standards using strict science. The PMRA has the mandate, the expertise, and the resources to carry out this work.

● (1545)

However, there is a growing trend among some provinces that feel that they require additional regulations that don't conform to science-based approaches and rather loosely apply their own interpretation of the precautionary principle. Practically ignoring the federal regulatory processes, provinces can create and are creating their own regulations, resulting in a regulatory patchwork that puts seed companies and growers at a competitive disadvantage compared to not only other provinces but also the United States.

CSTA seed company members invested $110 million in plant breeding and variety development in Canada in 2012. In order to continue to expand that investment, all plant breeders, public and private, need clear, transparent and uniform regulatory systems.

With few exceptions, seed may not be sold in Canada unless it's of a registered variety. Variety registration is overseen by the Canadian Food Inspection Agency, but recommendations for registration are made by committees that are provincially or regionally based. That means that varieties can be registered for sale in some regions and not in others. This situation combined with the Canadian Grain Commission's listing of varieties eligible for classes creates a tremendous amount of confusion and makes for a less transparent system for variety developers and for farmers.

For example, of the 144 varieties listed in the Grain Commission's Canada Eastern Red Spring wheat class, 45 are not registered in Quebec, 23 are not registered in Ontario, and 17 are not registered in either province. Many others are not registered in Atlantic provinces.

If we look at the Canadian Food Inspection Agency's list of registered varieties of spring wheat, things get even more complicated, because 46 spring wheat varieties are registered only in western Canada, four are registered only in Quebec, and two are registered only in Ontario. Bringing Atlantic Canada into the mix once again just increases the confusion.

It's not legal to sell seed of unregistered varieties. CSTA is hopeful that the modernization of Canada's variety registration system will address this situation and reduce the confusion and the cloudiness in the system.

I'm probably pretty close to my time, so I'll stop here. I look forward to questions.

The Chair: Thanks a lot, Ms. Townsend.

Actually, both of you did very well in terms of your timing.

I'll turn to the committee members.

We'll start with my colleague Mr. Allen for five minutes.

● (1550)

Mr. Malcolm Allen (Welland, NDP): Thank you, folks, for being with us.

Mr. Paszkowski, page 8 of your brief talks about the domestic wine industry and CVA's winning at home strategy. Could you go through it for me? I believe I have the picture, but I want to make sure I actually do.

It outlines, as you said, that $6.8 billion is the total industry now. You've broken it down. It seems $3.7 billion is what we call Canadian wine, or 100% Canadian grape in the bottle, if I can use that term loosely. We have a VQA thing for it, but let's just say 100% grape in the bottle.

The lesser amount, $3.1 billion, is from international-Canadian blends, or Canadian grapes blended with grapes from somewhere else.

Is that fair to say? Are those accurate numbers?

Mr. Dan Paszkowski: Yes.

That's blended in Canada but—

Mr. Malcolm Allen: Clearly the domestic content as a dollar value is greater than the blended piece that we see.

When I get to the bottom part of that, the winning at home strategy, am I reading this right in the sense that you believe you can increase the Canadian portion of $3.1 billion at an 11% rate versus increasing the continental blended portion at a 4% rate? Is that the sense I'm taking from this? Obviously it means a heck of a lot to farmers if it's 100% content in that bottle versus a percentage, when it comes to a grape farmer in the country as the primary producer. Is that the sense that I'm seeing there or am I missing a piece of it?

Mr. Dan Paszkowski: No, you're getting the sense of it. The 100% Canadian component is slightly larger than the blended component in terms of contribution to the economy, because there is a significant amount of tourism that is included in the premium side of the business. Tourists are going to visit our 100% Canadian wineries but not necessarily our blending facilities.

Through our economic study we've identified an opportunity for growth in both categories if some steps are taken. We believe we could grow revenue sales for the blended category by 4% if we were supported with an excise exemption for the Canadian content in those wines. We believe we could grow the 100% Canadian side, our premium wines from Ontario, Nova Scotia, Quebec, and British Columbia, if we were provided with some funding to do some domestic market promotion.

If we could educate Canadian consumers, we are confident that we would be able to grow the business by 11% per year on the premium side and 4% per year on the blended side.

Mr. Malcolm Allen: The economic impact of the numbers you're showing is rather staggering: 14,500 direct and indirect jobs, $119 million to federal tax revenues, and a $2.58 billion impact on the economy.

If we can find a way for non-producing provinces that don't actually make any wine.... I mean, Saskatchewan makes fruit wine. I've met the owners and they're doing a great job, but they don't make traditional wine. With the greatest of respect to my friends in Saskatchewan, they don't really grow grapes there. There might be some wild stuff that the birds eat, but they don't make wine.

They're not known for making wine in New Brunswick yet. They're making some wine there now, so there's finally a small industry there. But clearly there are some areas in this country where there is no wine industry.

From your perspective, because your group has been at this for a long time—this is not a new phenomenon—do you get a sense of what the reluctance is, in the sense of how we can do this?

As you pointed out in your earlier comments, we all supported Dan Albas' bill. We were very supportive of it; in fact, we all voted for it. We thought that was going to get us somewhere. It got us a little bit, but it didn't get us where we all thought it was going to go.

Do you have any sense of why the provinces sort of dig in their heels on this?

Mr. Dan Paszkowski: Largely it's a revenue issue. The provinces are concerned that allowing direct-to-consumer delivery will displace sales at their stores and they'll receive no revenue, so there will be a revenue loss.

We believe that the amount of wine that will be shipped will be relatively small. I think we're looking at something like 60,000 litres per year that will be direct delivered. These are going to be our most premium wines. The average price of wine being shipped in the United States is $38.00 per bottle, so it's a very unique clientele who would be purchasing these wines. However, that provides a very important sales channel for some of the smaller producers to enter into, and they're going to be the major beneficiaries of direct consumer delivery.

It is largely a revenue issue and opens that door even slightly to the monopoly system that currently exists in this country. But if you put in place an appropriate—

● (1555)

The Chair: I'm going to have to ask you to shorten it. We're well over time.

Mr. Dan Paszkowski: Okay. I'm sorry.

If you put in place a direct-to-consumer system, taxes can be paid. Provincial taxes should be paid, as well as the levies on that direct-to-consumer shipment. The difference is the markup that's charged by the liquor boards for the services they provide. If they're not providing any service or they're providing limited service, they shouldn't receive full markup, because the winery is doing the work.

The Chair: Thank you very much, Mr. Allen.

We'll now move to Mr. Dreeshen, for five minutes, please.

Mr. Earl Dreeshen (Red Deer, CPC): I'm glad to be able to speak with you folks today.

Patty, I'd like to focus on some of the things you were speaking about. As a grain grower in Alberta, I do understand the situation as far as fusarium is concerned and the fact that you have to have it tested. Obviously you can't take it into any commercial seed-cleaning plants if that is the case, so there are restrictions there. As you said, it limits the opportunity to be able to bring it in from other provinces where they don't have the same rigorous testing regime.

You were also speaking about low-level presence, and that's always an issue that we hear, even when we're talking internationally about certain types of things. You said that 5% should be a target area that wouldn't be affected as far as certain areas are concerned when you go to reseed it.

I want to talk about the science aspect of it. People can throw any number there and you don't know where it's going to land. I wonder if you can expand upon that a little so we can check that part out.

You were stopped a little early, as well, and I think you may have had some other issues in some of the other provinces. Since we have to look at the whole country and some of the issues there, I wonder if you could expand on that as well.

Ms. Patty Townsend: Sure. Starting out with the fusarium one, about five years ago, when this became.... Well, it's been an issue for a long time. It started out in corn, and now it's more in other cereals that we're seeing the issue. A number of years ago when this became a really big issue, we actually asked the Minister of Agriculture in Alberta to do a scientific review of the situation of fusarium, because all of our members and farm organizations in that area were telling us that areas of the province did have fusarium in fairly substantial occurrences. He did launch that study. It was done by Dr. Andy Tekauz, and I can actually send a copy of that study to the clerk, if you wish. It was that study which concluded that there are areas that still have very minimal levels of fusarium, and in those areas, that's where he said you could actually ship seed in containing a maximum of 5% and you would still maintain those very low levels in those areas.

There was another scientific study done at the same time, and the two names totally escape my brain right now; I'm getting old. They are the ones that concluded that in the areas where it is prevalent, the 10% level could work.

They were both scientific studies. I have copies of both, which I can forward to the clerk.

What we're saying at CSTA and what we've been saying all along is we certainly don't want to have a negative impact on those areas that have low levels of fusarium. It's a very significant issue. It causes some very substantial problems in the feed sector and other things. We also think that you don't have to have a one-size-fits-all policy, so you don't need zero for everybody if you have the evidence in those areas. That's why we're suggesting that perhaps there could be some zones that would accept seed at a higher level than in others, and that's what we're exploring right now. Unfortunately, since those scientific studies were done and the fusarium management task force or committee looked at them, we haven't seen any movement.

Mr. Earl Dreeshen: In a case like that then, provincial movement of seed, after it has been grown, the expectation would be that you'd have to know what zones they were in because you'd have the same kind of issue except more at a provincial level.

Ms. Patty Townsend: You would, and seed produced in Alberta in those areas...so if you produced seed in that lower zone area and it had higher than that level, you'd still have to take it out of the province and probably sell it as grain.

● (1600)

Mr. Earl Dreeshen: We've kept the rats out, but we may not be able to keep the fusarium out of Alberta.

Let's go back, then, to other provinces and perhaps some of the issues you see as an association.

Ms. Patty Townsend: I think that's more along the lines.... Because agriculture is a shared jurisdiction and for the most part so is environment, you see a lot of things happening, for example, urban pesticide bans where provinces have chosen to ban the use of crop protection materials in certain areas. We have a problem in Ontario right now with the Ontario government deciding it's going to impose regulations on the use of insecticide-treated seed. There are other provinces that are looking at things like bans on planting genetically modified organisms. We see that all the time, those things coming up, like mandatory labelling in different areas. There are a lot of things that our industry comes up against on a regular basis, because we share jurisdictions federally and provincially in agriculture and environment.

The Chair: Thank you very much, Mr. Dreeshen.

We'll go to Mr. Eyking for five minutes, please.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, guests, for coming.

Patty, I'll start off with you. This last year, our committee went through the new legislation and the UPOV and how that was so beneficial to the seed industry, especially new varieties, and helped us on the international scene. Now we're embarking on what's happening within our own borders, and because of our constitution, the provinces still have a lot of say. We, as a federal government, should take the lead in helping foster more interprovincial trade and movement.

You mentioned that some of the provinces are more restrictive than others for letting seed varieties come in. Right?

Ms. Patty Townsend: It's an interesting situation. I'm assuming you're talking about variety registration. Theoretically, when you register a variety in Canada, it's supposed to be a national registration. Provinces again—Ontario is a big one; Quebec is a big one—have big concerns around things like fusarium, as Alberta does, and they actually restrict registrations. If I develop a variety in Saskatchewan and register it through the western committee, theoretically it's supposed to have a national registration but very, very seldom does it. What that means is that seed can't be sold in those provinces where it's not registered.

Hon. Mark Eyking: If I'm growing winter wheat in Nova Scotia and I have a grower who's growing seed grain in Saskatchewan, I have to go through a process. I can't just pick up the phone and say I need so many tonnes of this seed grain.

Ms. Patty Townsend: No, they cannot sell that variety in Nova Scotia unless it's registered by the Atlantic committee.

Hon. Mark Eyking: There's a whole layer of bureaucracy.

Ms. Patty Townsend: Yes.

Hon. Mark Eyking: Could it take a year or two years? Do they have to test it somewhere in Atlantic Canada?

Ms. Patty Townsend: What generally happens is if a breeder has registered a variety and believes there's potential for it in a region, CFIA goes to that region and asks if they object to the registration in that area, and the numbers that I gave you show that in most cases they do. So there aren't a lot of varieties that are nationally—

Hon. Mark Eyking: Do they do it to—

Ms. Patty Townsend: They object to registration.

Hon. Mark Eyking: —protect their own seed growers?

Ms. Patty Townsend: A lot of the concerns, especially in Ontario and Quebec, are over susceptibility of varieties to fusarium, which can be an issue because the climates are damper there. But fusarium is pretty prevalent, so in most provinces now a lot of the breeding is focusing on trying to develop varieties that are resistant to fusarium.

Hon. Mark Eyking: If I wanted your grain seed and went to my Atlantic council, would they bring it in and do a test run of it on test plots? Would they grow it for a whole year?

Ms. Patty Townsend: If they haven't accepted the variety for registration, they would probably put it through the regular trials. Those are also different for different regions, so in Atlantic Canada they may require different things as part of their merit testing, which can be up to three years.

Hon. Mark Eyking: Ideally, if we took off the restrictions provincially, we would need the federal government to put more into it to do studies for certain regions. Say for some reason it was deemed in law that they couldn't restrict seed from going into provinces, the federal government would have to step up to the plate to make sure certain varieties that were registered nationally were good for the whole country; would they?

Ms. Patty Townsend: Not necessarily. In corn that isn't subject to variety registration, the developers and the breeders do that themselves. They either do that by contributing to industry trials, or they do their own trials.

● (1605)

Hon. Mark Eyking: So it's doable.

Ms. Patty Townsend: It is.

Hon. Mark Eyking: Thanks.

To the wine growers, because it's brought up quite a bit—we're going to have more witnesses speaking on it—on the spirits side, it seems that the wine issue is the biggest issue. In the United States, Australia, and other growing regions, even in Europe, there are no barriers to interstate movement of wine, are there?

Mr. Dan Paszkowski: In the European Union, you have 500 million resident consumers and there is no restriction on shipping wine from France to Germany, or vice versa.

Hon. Mark Eyking: Italy to Spain....

Mr. Dan Paszkowski: It just moves around.

In the United States the Supreme Court ruled in 2005 that it was unconstitutional to allow wine to be shipped directly to the consumer within a state, but not to allow an out-of-state winery to ship into that state. So between 2005 and 2015, the past 10 years, with the exception of eight or nine states, everybody has put in place rules—they're slightly different—to allow for winery-to-consumer delivery, and it has been extremely successful.

Small producers in the U.S., which represent probably less than 10% of production, represent about 63% of the volume sold through direct-to-consumer delivery. It's their primary channel.

Hon. Mark Eyking: They don't sell to these big liquor stores that you see in the United States. The small guys can't sell to them, but they have another avenue. They can go directly to the consumer.

The Chair: Thank you very much, Mr. Eyking. We're well over.

Now we'll go to Mr. Payne, please, for five minutes.

Mr. LaVar Payne (Medicine Hat, CPC): Thanks to the witnesses for coming.

I'm from Alberta, and you know what? My colleague across the way wanted me to bring some whisky, but I do like wine, as well as some Scotch. In your notes you talk about how the laws were amended to eliminate courier delivery of wine from one province to another. Is that for personal use, or are there other pieces in there as well?

Mr. Dan Paszkowski: The law was amended for personal use only, and it was extended to beer and spirits. On February 13, we participated with the Minister of Revenue in announcing that extension. Beer and spirits can now also be shipped interprovincially but for personal consumption. The provinces will now determine what they want to do with beer and spirits.

Mr. LaVar Payne: I'm still a bit confused here. What if I want to ship a case of wine from Ontario to my home in Alberta?

Mr. Dan Paszkowski: In Alberta, you'd be able to carry that one case or 20,000 cases back on your person, but you would not be able to have that one case shipped to your home.

Mr. LaVar Payne: Okay, I think I'm in trouble.

That just doesn't make any sense to me.

You talked about some of the barriers with wine. I don't totally get it, because we know that with the fewer barriers the competition has been great. If we go back to the international market with what happened with other countries being able to ship wine into Canada, we know what happened with the Canadian industry. It's now really able to compete worldwide with other countries and it's opening up, obviously, investment opportunities.

I travel to B.C. quite often and an unbelievable amount of wineries have opened up in the valley, from Osoyoos all the way up to Kelowna. The number of wineries is just unbelievable .

Do you have any feel for what additional investment would happen if in fact the provinces opened up the regulations to have wine flow freely?

I think you said that around 60,000 litres is what the estimate would be for being shipped across the borders? Is that correct?

Mr. Dan Paszkowski: Yes. Our estimate would be, as was referred to earlier, in terms of the 11% growth. If we were successful in direct-to-consumer delivery with some domestic market promotion to educate consumers, we honestly believe that we would be able to grow the premium side of the business by 11% per year. And it will be only the premium lines that will flow through this sales channel.

● (1610)

Mr. LaVar Payne: I think 11% is not a bad number.

Mr. Dan Paszkowski: No, not at all.

Mr. LaVar Payne: If you could get that up every year, certainly that would have a huge impact right across the country for tourism.

Mr. Dan Paszkowski: It would. Imports over the past decade have captured 80% of wine sales growth in this country. If we can do a little bit better job in terms of opening up opportunities for Canadians to drink Canadian wine, we can capture some of that growth. There is a significant interest in wine in this country.

Mr. LaVar Payne: I do have a special wine from Ontario that I like.

Anyway, the other thing is you made some recommendations, including to establish multi-year federal funding for a Canadian domestic wine market development program. Are you looking for federal funding for that? Is there any sort of investment that would be made by the Canadian vintners as part of this whole process? What are your thoughts on that?

Mr. Dan Paszkowski: Every wine-producing country in the world has their eyes on the Canadian marketplace, and their governments are providing them millions of dollars, tens of millions of dollars, to support their wines in this country. Here's an example of Chile, an example of New Zealand, the types of activities that they're doing in this country. They're having white tablecloth tastings across the country. They're influencing liquor boards. New Zealand wines have grown 97% in the past five years in terms of sales volume.

What we're looking for is to partner with the federal government through the agrimarketing program to take some of that money that was previously dedicated only towards export development and is now allowable for domestic promotion to help us at a fifty-fifty cost-shared basis, whatever the breakdown is, to support domestic market promotion across this country.

What we've put into our pre-budget recommendation is $35 million over five years, reviewable at the end of five years so that we can put our money where our mouth is and show that we've been successful and achieved the 11% growth that we have identified to be able to take some of that market share back to Canada. We were at 50% market share prior to the free trade agreement. As you mentioned, our quality is better. We're a much stronger business now than we used to be, but our market share has dropped due to the growth of imports. We have to capture some of that back. Domestic market promotion and direct-to consumer delivery will help us to that.

The Chair: Thank you very much, Mr. Payne.

Now we'll go to Madam Brosseau, for five minutes please.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Actually, LaVar asked some questions that I was hoping to ask the Canadian vintners. I represent a riding where we do have some great wine, and it is actually known internationally. Recently, a winery in Lanoraie, Quebec, had their wine displayed to the Queen of England when John Baird was there. The Canadian wine that was showcased was a wine from my riding.

Actually, when the Duchess and...I forget his name.

A voice: Will.

Ms. Ruth Ellen Brosseau: Yes. Will. I'm sorry. Pardon me, but I'm not a big follower.

When they were in Canada, this wine was actually represented and was shared with them. This small winery in Quebec is known across Canada and internationally as well. It's really good that we're talking about interprovincial trade and what is being done to work with the provinces to get the ball moving.

You talked a lot about the multi-year funding for wine tourism. I know that the Province of Quebec does a bit on that. What would be the impact of the fifty-fifty sharing? Is there a study that's been done about how much of an impact provincial tourism promotion would have for our local wineries?

Mr. Dan Paszkowski: First of all, the Carone winery is a fantastic winery.

Ms. Ruth Ellen Brosseau: I agree.

Mr. Dan Paszkowski: They're one of our members. I served the same wine to my wife at the cottage two weeks ago, and now it's her favourite wine.

Ms. Ruth Ellen Brosseau: It's the best, one of the best.

Mr. Dan Paszkowski: It is spectacular.

In terms of tourism, we currently are bringing in three million tourists per year. We're contributing $1.2 billion to the economy in terms of individuals who are visiting our establishments. We believe that we can grow that to 3.5 million over the next five years with some of the federal support through the agrimarketing program, as well as direct consumer delivery, to ensure that these tourists who are coming to our wineries and loving our wine can actually have that wine shipped back to their homes and then reorder that wine once we've built that relationship, especially if they're driving a motorbike.

Ms. Ruth Ellen Brosseau: Have you been able to estimate the economic impact of interprovincial trade barriers on the industry?

Mr. Dan Paszkowski: We haven't done any analysis in terms of what the economic impact would be. We know that we're looking at roughly 1% to 2% of total production that would enter into the direct delivery stream. We're looking at about 60,000 litres of wine to start, but we do believe that will grow.

It will never be a panacea for individuals buying the wine, because there is going to be a cost to have that wine delivered to your home, a premium that you're going to have to be willing to pay to receive it. Nonetheless, it will be extremely important for the small wineries.

The big concern we have is that direct consumer delivery in the United States has been extremely successful, and that represents 1% to 2% of total production. As these small wineries are entering into direct consumer delivery, their profitability is increasing, so they're able to reinvest in their businesses, and they're going to start exporting. Where are they going to export to? They're going to export to Canada, and then they're going to start eating our cake as well. Unless we can remove these barriers to trade and allow our small wineries to grow so they can enter the export market and also capture more of the domestic economy, it's going to slowly start eating away at our business.

● (1615)

Ms. Ruth Ellen Brosseau: Could I have one more question?

The Chair: Yes, quickly.

Ms. Ruth Ellen Brosseau: Chapter 17 of the AIT defines the dispute resolution procedures. However, witnesses before the committee said that the binding nature of the agreement remains a weakness since there is no real penalty system in place. How would you improve the dispute resolution system of the AIT? What kind of penalty system would you recommend?

That's for both witnesses, if applicable.

The Chair: You may not get time for both.

Ms. Ruth Ellen Brosseau: Maybe Patty, then, since she hasn't spoken.

Ms. Patty Townsend: I really can't answer that because we don't have the kinds of trade barrier issues that we would take to a tribunal.

Ms. Ruth Ellen Brosseau: Okay.

Dan, can you add something?

Mr. Dan Paszkowski: Honestly, I'm not that familiar with chapter 17 or the dispute settlement mechanism of that agreement. I'm sorry.

Ms. Ruth Ellen Brosseau: Thank you.

The Chair: You did well. Thank you, Madam Brosseau.

Now we'll go to Mr. Maguire, please, for five minutes.

Mr. Larry Maguire (Brandon—Souris, CPC): Patty, I'd like to ask some questions on the provincial jurisdictions that are moving forward, you said without the science-based..... We like to make sure that everything is science-based. I know that in my previous life in farming and farm leadership, that was a mainstay, and certainly from a political perspective it was as well.

Can you give us some examples of the various types? I know that you've looked at the variety of registrations, the 46 that are registered only in the west, and a number of others. Can you give us some examples of classes of grains that might be in jeopardy in regard to being able to be traded or that are being used right now with non-science-based backgrounds?

Ms. Patty Townsend: That's kind of a hard question, because there's so much restriction on the ability to sell seed—I used wheat as an example across Canada—it's hard to estimate what the impact might be. We represent the private sector, and I know that when a company develops a variety, they generally have a market in mind. But in a lot of cases now, if they're developing fusarium-resistant varieties, it could be something that would be beneficial to Atlantic Canada, or to Ontario and Quebec. If those recommending committees suggest that perhaps it's not good enough, or that they don't want to let it in for whatever their merit classifications are—they're all different—then they can't sell in those provinces, which means those farmers don't have access to them.

One of the ways it could be fixed, and I think it's a fairly easy fix, is that once the government proposal for changes to variety registration comes through, you could actually put some crop kinds into the new basic registration system, which wouldn't require the recommendation of a committee. That way the marketplace would determine whether or not those varieties were suitable for those areas. No farmer will buy a variety that they know is susceptible to fusarium or to anything else for that matter that would jeopardize their markets.

Mr. Larry Maguire: Just as a follow-up, do you look at seed treatment varieties as well and that sort of thing from a licensing perspective? Is there anything that you feel needs to be done on that side of it as well, or is it strictly the seed that you're—

Ms. Patty Townsend: No, we have a partnership with CropLife Canada, and they do most of the seed treatment work. If it's not treated seed, it generally falls into the bailiwick of CropLife.

● (1620)

Mr. Larry Maguire: As well, do you deal at all with forage and lawn seeds—

Ms. Patty Townsend: Yes.

Mr. Larry Maguire: —in regard to these areas when you're talking about the lack of science-based material and that sort of thing for decision-making?

Perhaps you could expand on that a bit.

Ms. Patty Townsend: Forage and lawn seeds are a little bit different. Forage in particular is actually an area where national registration is working quite well. The reason it is working well is that there haven't been the resources to have recommending committees in some areas. If it's registered in a province where there is an active recommending committee, then it's available nationally simply because there isn't a recommendation committee in other areas to change it.

Mr. Larry Maguire: Thank you.

Those are the only questions I have.

The Chair: We'll move on to Madam Raynault, please, for five minutes.

[*Translation*]

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

Thank you for being with us here today. We have already met, because you testified before this committee.

My colleague spoke of a winery in her riding ofBerthier—Maskinongé. She is right to say that it is a magnificent place that one must visit. This vineyard can sell its wines internationally. Unfortunately, we cannot name it here, but you will ask her where it is located.

Ms. Ruth Ellen Brosseau: It's in Lanoraie.

Ms. Francine Raynault: That's it.

There is something that I am having a hard time understanding. Interprovincial trade in wine and spirits is difficult because some provinces are throwing up what I would call roadblocks. For example, New Brunswick allows the import of one bottle of wine and Newfoundland and Labrador, a bottle of 1.4 litres. That's almost nothing.

Why can't we find a way to agree and allow people to buy wine from another province and have it delivered to them? Why is that still so difficult? Wineries generate 31,000 jobs and attract 3 million visitors. If more wineries could sell their products outside of their own province, they could create even more jobs and attract more visitors. Why is it still so difficult, despite certain advances in internal trade?

[*English*]

Mr. Dan Paszkowski: In two words: liquor boards. When you have a monopoly system, the fear is that if you open up that door just a little bit, it's going to blow open and there's going to be a reduction and a displacement of sales, a reduction in revenue, and it will be more difficult for liquor boards to meet the dividend demands of their governments of the day. They're advising their political masters that it would be difficult for wineries if direct consumer delivery opened; they'd have more competition. I would argue that we have a lot of great wines in this country coming in from foreign nations. We're doing very well competing with them. But that really is the major obstacle, the liquor boards and their ability to convince their political masters that this is something that the government should not do. Extend that to beer and spirits, and then there's greater loss in revenue.

As we look at it, if that wine is currently not available for sale in the liquor board—and as you can see from the market share that we have, most of our wines are not available in most liquor boards—give Canadian consumers a chance to try them. The consumers we're seeking are the ones buying wines from around the world anyway. They are going to increase consumption at their liquor boards; they're not going to stop going there. Liquor boards are going to get research, full knowledge, as to the types of wines that are coming into their jurisdictions from different wine producing provinces, and with that, they can reduce their risk in terms of their listings. No liquor board wants to list a Canadian wine, or any wine, that's going to sit on a shelf and collect dust. This provides them with the information they need to make the right decisions for wines that are going to sell fast.

We believe it's going to support liquor boards, but the difficulty we have is that most liquor boards don't want to give this the opportunity because there's a risk of loss of revenue, which we believe would be minimal. There would be growth, but it would be minimal.

● (1625)

[*Translation*]

Ms. Francine Raynault: It is a pity. In fact, it is hard for small vendors to sell their products in government liquor stores, and if they do have a place on the shelves, it is close to the door, almost outside, or in a basket somewhere.

In my opinion, this would be profitable for everyone. Liquor control boards collect taxes; we all know it and won't hide it. Provinces need this money. However, there is certainly a way to come to an agreement and allow these products to make their way into every province so that we are free to buy them. I am sure that this would be advantageous for internal trade. And yet, there seem to be almost insurmountable barriers, and that's a pity, in my opinion.

[*English*]

The Chair: I don't know, and I think you just stated their position.

[*Translation*]

Ms. Francine Raynault: It's already over!

[*English*]

The Chair: Very well.

I'm going to go to Mr. Zimmer, for five minutes, please.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you for appearing before committee today. It's good to see you guys again. I appreciate what the wine industry goes through. We saw Dan Albas working hard to get his bill done, assuming that it would be the end of a lot of these issues, but apparently that's not the case. Who would have thought we would need a minister for internal trade in Canada? We have one for foreign markets; Ed is very busy across the globe getting those markets open. Who'd think that we'd need to do that internally?

I want to talk to some of the points you've made. You've made three points that you want us to possibly help with. I just want you to inform us about what stage these are at, and if anything has been started.

You recommend to enhance federal engagement with provincial governments to remove interprovincial barriers to wine trade. Certainly we've been doing that. Are you aware if it's been a process where we're going down this road, or is this all from the start?

Mr. Dan Paszkowski: There has been some progress made on the first one, and that's been through the premiers' conference that takes place every year, in particular through the good work of the Premier of British Columbia. She has been pushing very hard to get her provincial colleagues to open up their markets. Some progress was made in terms of pulling together an intergovernmental group from British Columbia, Alberta, and Saskatchewan to talk about ways to put in place a legislative proposal to make this happen. For whatever reason, that apparently has started to crumble.

I think there is the opportunity at the highest levels to get premiers engaged before the next time they meet, or to have individual members of Parliament talk to their provincial colleagues on the importance of wine as a pilot study, if you will, a low-hanging fruit to support interprovincial trade. It's at the political level that we need some push to make this happen, because that's the place where it's going to happen.

Mr. Bob Zimmer: You were at our western Canadian stakeholders meetings in Vancouver at which we were trying to increase awareness of these kinds of issues. I guess you're preaching to the choir with us though. We need to invite some of our provincial counterparts to those meetings and not just have an internal discussion. It's troubling to see that you've struggled so much with this. Maybe we'll have to talk to the Prime Minister about creating a position called the minister for internal trade for Canada. That's something we can definitely work on.

Again, most of us understand what the issues are, and we'll continue to work on them on your behalf. Thank you for doing what you're doing for Canadian vintners. We appreciate the hard work you guys do behind the scenes. Thank you.

The Chair: Mr. Keddy, go ahead for five minutes, please.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Welcome, witnesses. I have a couple of questions.

You stated in your submission that two provinces have VQA market sales shares greater than 10%. I'm assuming those are Ontario and B.C.

Mr. Dan Paszkowski: That would be correct.

Mr. Gerald Keddy: The conundrum here is that boutique wineries, which have the greatest potential to gain from interprovincial sales, are also the wineries that most provinces are trying to support, quite frankly, to get started because they're start-up businesses, yet the same province, through its liquor board, is preventing that winery from actually being able to grow. It's a very, very strange situation. I don't think the provinces have ever sat down, beyond talking to their liquor boards, and looked at the business side.

Dan, have you ever put numbers from the Canadian Vintners Association to paper and gone to the provinces and said, “This is what we expect you could actually gain in this area”?

● (1630)

Mr. Dan Paszkowski: We have been in discussions with the provinces dating back to 2009. Our view was to talk to liquor boards first, follow up with the provinces, and if that all fails, then go to the federal government. We ended up failing on the first two counts and we came to the federal government, and the provinces still haven't delivered.

Mr. Gerald Keddy: We're starting to make some headway. At least we had the bill passed, and we got the legislation in place. It appears to me—and I'm not trying to oversimplify this—that the last party to talk to is probably the monopoly, because it doesn't want to talk, and it's only going to move when it's forced to move. I hate to say this, because the last thing you want to do is litigate, but have you considered actually going to court over it? The same thing happened in the U.S.

Mr. Dan Paszkowski: No, we haven't considered that. We have only one place to sell our product in this country, and we do have a reasonably good relationship with all the liquor boards across the country, except on this particular issue.

We have talked to the provinces in terms of what we believe the impacts would be, because they would be minor. We've explained to them that if you put in place a direct-to-consumer system, all taxes could be collected through a permitting system, which would actually grow revenues for them, including in non-wine producing jurisdictions. We haven't been successful. We've even used the United States as an example. We're not looking at 50% of sales; we're looking at 1% to 2% of sales. British Columbia and Manitoba have two years' experience now. Sales have increased in both of those jurisdictions and tax revenues have increased in both of those jurisdictions, and they allow for direct-to-consumer delivery of wine.

Mr. Gerald Keddy: You're preaching to the converted around the table here, but obviously that message is still not getting across to the provinces. So, I'm going to go back to my original statement. It looks to me as though it really is a problem with the monopoly and not with the province. Probably, at the end of the day, the liquor boards are going to take direction only from their provincial masters. They're not going to be convinced because you've put the business case to them, and I think there is a business case to be made. I'll go back to the discussion about free trade with the European Union and the *fromageries* and the cheese industry. There are only four small *fromageries* in Nova Scotia. All of them were interviewed when we were negotiating the CETA with the European Union, and all of them said that more cheese on the market is better—every single one of them. They said that the more competition they get and the more cheese there is on the market, the better their industry does, because if someone tries that cheese from Luxembourg or Switzerland or France, they're going to say, “Wait a minute. There's a little *fromagerie* down the road, and they make a similar product. I'll try theirs as well”. Their sales go up every time there's more variety.

Mr. Dan Paszkowski: Our revenue officials here at the federal level would be more than happy to sit down with each of the provinces, if they were invited, to explain how a tax collection system can be put in place to reduce cost simplification. Maybe the federal government can collect the taxes on behalf of all the provinces to make it easier on wineries. They do it on gasoline and other products.

We're halfway through Growing Forward 2; maybe as discussions start being ramped up on Growing Forward 3, direct-to-consumer delivery and other agricultural products and wine should be put on the table as a sweetener.

● (1635)

The Chair: Thank you very much, Mr. Keddy.

I want to thank our witnesses, Patty Townsend, Dan Paszkowski, and Beth McMahon, for taking the time to be a part of this.

I'm not sure that any of us had a full understanding of the impact these interprovincial barriers are having on our growth, particularly on the value chain of commodities that take it right from top to bottom. I'm getting a sense that it's protectionism on steroids in particular areas. We do appreciate all the input you have.

Mr. Paszkowski.

Mr. Dan Paszkowski: I have one final point, and it relates to earlier comments. When I mentioned close to 300 new wineries and over $1 billion invested over the past decade, most of these wineries don't have the volume that's required to enter the liquor board system. Most of these wineries don't have the distribution to leave the province that they currently operate in, and most of these wineries at the front end don't have the ability to sell their wines to a liquor board and pay that markup and lose the margin on those sales. So direct-to-consumer delivery really is an impetus to incubate these small wineries, allow them to grow, and be able to access the liquor board system with products that the liquor boards would be proud to sell.

The Chair: Thank you for your final comment.

We will break for a couple of minutes until we get our next witness.

●

(Pause)

●

The Chair: I'd like to call the committee back, please.

In the last three-quarters of an hour or a little less, bells will be going at 5:15, so the meeting will be a little short. In the last hour we have only one witness. One wasn't able to attend and is still looking for another date to come.

This is not going to be a video; it's going to be a teleconference. Somehow it's going to come through on our speakers here.

Colleagues, Debbie Zimmerman is the chief executive officer of the Grape Growers of Ontario. She's in St. Catharines.

Welcome, Debbie. Would you open with a statement for 10 minutes, please.

● (1640)

Ms. Debbie Zimmerman (Chief Executive Officer, Grape Growers of Ontario): Thank you for the opportunity to present the views of the Grape Growers of Ontario on, hopefully, promoting growth and reducing interprovincial barriers.

My comments today are on behalf of the Grape Growers of Ontario, which represents more than 500 growers on 17,000 acres of vineyards in three different designated viticultural areas in Ontario.

Our association works as an advocate for all processing grape growers in the province and works on their behalf to ensure their needs are met. Our vision is to see that the markets for Ontario grapes and wines expand domestically and internationally on a continuous basis. We're always working on finding new markets for our products.

Ontario-grown grape products, hopefully, in the future will be demanded at home and internationally recognized for many of the great wines we produce.

I'll give you a quick snapshot of where we are despite the cold weather. In 2013, Ontario had one of the largest grape harvests. It was recorded at over 80,000 tonnes. Our farm gate, just at the farm level, was $100 million. Ninety-six per cent of the grapes grown in Ontario are vinifera and hybrid wine grapes. However, due to the extreme cold last year, our grape harvest was much smaller at about 52,000 tonnes and valued at just over $62 million.

From our perspective, we know that grape growers in Ontario have a collective legacy of about $684 million of investment in the land, which contributes to the community's landscape. Obviously, that intrinsic value dividend can't really be measured, but we know the economic value of the wine regions in this country would not exist without our growers.

In 2013, Ontario grape growers contributed over $100 million directly and indirectly to Ontario's gross domestic product. As for labour income, over $40 million was paid to labour related to grape growing in the province.

What we know is, and I'm sure you've heard this already from CVA, that 60% of the wines sold in Canada are imported. The other 30% is comprised of 100% VQA and what we call international-Canadian blend wine, which is made up of domestic and, in part, imported bulk product. Canada has to own 50% of its market share in the future, which is considerably low even compared to other competing international wine regions which hold shares upwards of 70% in their domestic market. Australia is 90%. California is 63%. New Zealand is 57%.

A 2012 report that CVA produced also talks about how countries like Australia, the United States, New Zealand, France, and Italy are financially supported by their national and regional governments for both export and domestic markets to encourage wine sales. Grape growers in this country should not have to compete with the treasuries of foreign countries.

In 2013, Ontario's wineries brought home over 214 medals from international competitions. We have an excellent reputation. I think most people know that. The problem is we're not buying our wine in Canada; we're buying wine from other countries, and that is a huge concern.

It should not be easier to ship from a winery in Ontario to Memphis in the United States than it is to Montreal. Market access in Canada is one of the main impediments to domestic growth.

I need to pause here.

We did not agree explicitly with Bill C-311, because we had hoped that would have applied only to Canadian wines to be able to travel freely among the provinces. We have accepted the fact that Canadians themselves are not buying a lot of Canadian wine. We know wine consumption in Canada has increased 30% over the last five years; therefore, it's not surprising that Canada was the sixth largest importer of wine in 2014. We know that exporters have prioritized Canada's competitive pricing growth and prospects as a great target market.

We know that in 2014 alone, total importation of table wine into Canada increased by 3.9% to 291 million litres. We know that Canada's national grape and wine industry is fragmented and faces numerous challenges, including the current legislation, but we're not happy with the fact that Bill C-311 did not apply to domestic. We thought that was a good place to start and we had hoped the liquor boards would have bought into that concept. However, the bill has passed and now also applies to foreign wine to be able to travel freely among the provinces.

● (1645)

Vinexpo recently released its 12th study of the world wine and spirits market with an outlook into 2018, and quite frankly, if you're a wine exporter, particularly to Canada, you have a lot to celebrate. As I have already stated, this is not good news for Canadian wineries.

We think that we need to do a couple of things. We know the industry contributes $6.8 billion in total economic impact to the country. That has been proven over and over again, and I don't think I need to repeat these statistics. I've appeared before the Standing Committee on Agriculture and Agri-Food many times and talked about the economic value of a bottle of wine that is grown in Canada compared to a bottle of wine imported into Canada. We believe we have a great opportunity to grow, but we need Canadians to understand that there is an opportunity to buy Canadian wine.

The Canadian Vintners Association, in a 2013 presentation to this committee, noted that for every $1 million increase in Canadian wine sales, it leads to a $3.1 million increase in gross output: revenues, taxes, jobs, and wages—the value chain. It's a good investment for our economy.

With regard to Canada's domestic grape and wine industry, our industry alone generates $1.2 billion nationally in tax revenue and markups across the wine-growing provinces. We need a reinvestment of some of these moneys into the domestic market across Canada to build an awareness of Canadian wine.

We certainly support the idea that every wine region in the world has support from its home market first. Our country would benefit from policies that promote Canadian-grown wine, everything from putting wine on our national airlines, to promotion through any events that the Canadian tourism associations hold. It's pretty basic stuff. We need long-term, dedicated market funding from the federal government, hopefully to support marketing initiatives that grow the domestic market for Canadian products.

The Grape Growers of Ontario are fully in support of reducing interprovincial trade barriers and retaining the role of the provincial liquor boards. We want to see, though, that support 100% Canadian-grown wine. We think that is important for everybody across Canada. But we need the federal government's support to expand cultivation and the use of Canadian wine grapes through marketing initiatives. We need the government to help us build consumer demand at home. If we had just another 2% of consumer demand at home, we would certainly have a continuing growing region in Ontario, B.C., Quebec, and Nova Scotia. We think that's the best value for our wineries and our grape growers.

We want to build on that consumer awareness, and we want to build our domestic market, which is dismal, at 30%, to at least 50%.

I look forward to any of your questions. Thank you.

The Chair: Thank you very much, Ms. Zimmerman.

Now we'll go to our colleagues, and we'll start with Mr. Allen of the NDP, for five minutes, please.

Mr. Malcolm Allen: Thank you, Debbie, for your comments.

Perhaps you could expand a little on them. I have a couple of questions.

Do we export any grapes out of Ontario to anywhere else to be processed? With regard to small wineries having the ability to ship wine via the Internet as a direct sale, what kind of impact do you see that having for growers, whether they be here...? Let's just keep it to Ontario since you only speak for Ontario growers, rather than B.C. and Nova Scotia.

Ms. Debbie Zimmerman: First of all, I would say that grapes are a perishable product, so they're pretty tough to export.

We do a bit of export to the United States in terms of juice grapes, but not wine grapes. The demand is really not there because it's a perishable product.

We would certainly love to see our market share for our domestic products grow right now. However, when I cited some of the importation rates, 68% of the wines sold in Canada are imported.

Everywhere we turn, we seem to be limited by the fact that we can't expand our market, either at home—I think first and foremost that the liquor boards are a great marketer of our product; there's no doubt about it—with the limitation factor, or with all of the barriers that seem to be put in front of us to be able to expand, either in another market or another province.

We agree that there are interprovincial trade barriers. We had always hoped the bill would focus on our domestic product first, but obviously the bill has been passed in a different format. I think that's where the wedge is in that the liquor boards have yet to adopt a barrier-free process for Ontario or other wines.

● (1650)

Mr. Malcolm Allen: You're right that the bill has passed, so the issue now is this: do you see some sense of a government marketing piece where the government would put some money in? The CVA was here earlier, and Dan was talking about how wineries are interested in putting up some money as well.

Ms. Debbie Zimmerman: Absolutely. I think even with interprovincial trade barriers, the big thing that we think we need to focus on is getting Canadians to purchase Ontario wine. I agree that we can eliminate one thing called interprovincial trade barriers, but we need a marketing strategy that promotes Canadian wines across Canada.

We're competing with 68% in foreign imports today. I think for the amount of revenue—we talked about the $6.8 billion in economic impact of our industry—the federal government should be taking some of that money and putting it back into a marketing strategy that hopefully opens the opportunity for us to access some dollars to promote our product across Canada. That, in fact, is one of the barriers: we could in fact encourage, through other avenues, liquor boards to buy into it as well and have these cross-promotions, whether it's B.C., Ontario, Nova Scotia, or Quebec.

Mr. Malcolm Allen: Can you give the committee a sense, if indeed we do grow the internal content of wine sold in this country to 50%, of whether we have the capacity inside the grape industry to actually fulfill that?

Ms. Debbie Zimmerman: Absolutely. I think what you're seeing is an emerging of different wine regions. Who would have thought we would even grow vinifera grapes in the north compared to California, say, or other countries? We have the capacity. We have the land base. We're in a protected greenbelt here in Niagara, for example, so the land is dedicated. Our tender fruit lands are the best in the world. We're dedicated to growing grapes or fruit.

There is that opportunity, notwithstanding this current weather situation that happens once every 10 years. We've invested in technology like wind machines, not wind turbines—I don't want you to think they're wind turbines—to ensure that crops in these cold weather events will be sustainable in the long term.

Mr. Malcolm Allen: The wind machines are slightly smaller than the turbines in Wainfleet; that's for sure, Debbie.

Ms. Debbie Zimmerman: Yes, they are.

Mr. Malcolm Allen: They're somewhat less onerous politically, as well.

Ms. Debbie Zimmerman: They don't operate all the time. It's only when we get cold weather.

Mr. Malcolm Allen: How much time do I have left, Mr. Chair?

The Chair: Thank you very much. You did really very well.

Mr. Malcolm Allen: All right.

Thanks, Debbie.

The Chair: I will now go to Mr. Keddy from the Conservatives for five minutes, please.

Mr. Gerald Keddy: Mr. Chairman, I'll share my time with Mr. Payne.

Ms. Zimmerman, thank you very much for your submission.

I'm struggling a little bit here. I listened to you, and you had a concern when we passed the bill that it should have been for only Canadian wine. But the reality here, I would expect, is that there would be very little foreign wine shipped across the border into Canada, just because of geography.

Ms. Debbie Zimmerman: Are you asking me to comment?

Mr. Gerald Keddy: Yes, I am.

Ms. Debbie Zimmerman: Okay.

No, I think that alternatively, if there is trade.... One thing about having trade barriers, obviously, is the reduction in tax or in any taxes that would be paid among the provinces. If there's any avenue for wine to travel freely, whether it's imported or domestic, a good business person will take advantage of that. I wouldn't suggest that anybody wouldn't or shouldn't; certainly if there are fewer trade barriers, fewer tariffs being applied across provinces, imported and domestic certainly will take advantage of that. Our point has always been that with 68% importation, they're already being advantaged. The reason I pointed out a marketing strategy, which I still think is important, is that it gives us a little bit of a leg up in our own marketplace to try to beat those odds, going from 68% of imports to challenging that, with our own 30% moving to 50%.

● (1655)

Mr. Gerald Keddy: Yes, and I appreciate that, but with the marketing strategy it seems to me that you still have a problem, and we still have a problem throughout the country, with our liquor boards. Until that problem is solved, we won't get anything else done. I said the same thing to Mr. Paszkowski, that ultimately it has to be the provincial political leadership that takes charge of this file and forces the liquor boards to open up. That will then allow the growth of the industry.

I'd like a short answer on that. Is it an oversimplification?

Ms. Debbie Zimmerman: Respectfully, I think it is.

Certainly, what we need to be doing is cultivating that consumer demand for our product. That consumer demand is what's going to open up those liquor boards. In a marketing initiative, which we're asking for, we're asking you to reinvest as we have invested in this country, in the land here in Niagara, and the land in Ontario, as growers, as farmers, as winemakers. Take some of the revenue you're currently collecting from us and put it back into a marketing strategy to create that demand, which will force the liquor boards to back down on this policy.

Quite honestly, I think the strategy has to be in reverse. We're looking to you for some support for the future in helping Canadian wineries and Canadian growers be successful in their home market.

Mr. LaVar Payne: How much time do I have, Mr. Chair?

The Chair: You have about a minute and a half.

Mr. LaVar Payne: Thank you, and I thank my colleague for his time.

It's interesting, because I did have a bit of a tour in Niagara last summer and was fortunate to taste some of those good wines down there.

Ms. Debbie Zimmerman: Thank you.

Mr. LaVar Payne: You talked about the foreign wine flowing into the provinces here. It sounds as if it flows freely into the provinces, whereas it's much more difficult for Canadian vintners to send their wines to the provinces because of all the liquor boards. As my colleague points out, that requires the political folks in the provinces to actually make their stand on that.

My question is whether, because there is so much foreign wine coming into Canada, the Canadian vintners and wine growers can be competitive with those foreign wines, even though they're coming into the provinces without the same kinds of barriers our wineries have here in Canada.

Ms. Debbie Zimmerman: I think I mentioned it in my presentation. I'm sorry. I have only a minute or so to respond, so to not repeat myself, what I pointed out and the Canadian Vintners Association has pointed out is that many of these foreign wines come with the support of their home markets. Most of them have a fantastic marketing program and they're getting that kind of support. I think that's the difference here. We're saying, can we be competitive in value and price and quality? Absolutely. We've already seen that.

The limiting factors seem to be more about how we're treated as a domestic product. We need to be treated fairly and the same as other countries that already own 90% of their market share at home first: California, 63%; Australia, 90%; New Zealand, 57%. We're at 30%. How dismal that is.

Can we be competitive? Not when we're not getting the support from the people who collect the taxes from us federally and provincially.

The interprovincial trade barrier is only a small aspect of what needs to be done to grow our market share domestically.

The Chair: Thank you very much, Mr. Payne.

Now we go to the Liberals. Mr. Eyking, please, for five minutes.

Hon. Mark Eyking: Thank you, Debbie, for attending today.

It seems the previous witness we had also talked about what's needed in the marketing in Canada. With the present government you have a program called Growing Forward. You'd think that would be a fit.

There is a concern that there's a 10% cut in the agriculture budget now. Maybe they're not willing to go that way.

Can you expand on what kind of program you're talking about? How many dollars are you thinking about? Would it be the federal government taking the lead, with some provincial money? How much money would come from your group? Do you have a national organization that would pull this together?

Can you give me some details on that?

● (1700)

Ms. Debbie Zimmerman: Yes, certainly.

The Canadian Vintners Association is probably one of the appropriate representatives.

I'll give you a quick idea. I think we're all willing to step up and be contributors towards a marketing program, but we need that support federally, because in Canada we don't get that currently in terms of marketing dollar support.

You don't have to take my word for it. Someone could probably do some research to show what kind of support they're getting in other countries.

If you go to France, it would be tough to find an imported bottle of wine anywhere. Maybe it's because there's this allegiance to their country. We just don't have that yet here in Canada. I think because we are fairly young, we have an opportunity to grow. Having support at home would be the first step.

In terms of the value of the program, there are all sorts of iterations we could put forward. I would leave those details to everyone to participate in and come up with a strategy.

Hon. Mark Eyking: When you visit a liquor store, many times when you walk in you don't see the Canadian products. You would think there should be priority aisles, and a much better job of that. What happens there? Are there kickbacks—

Ms. Debbie Zimmerman: I think you do see—

Hon. Mark Eyking: —or rebates for that wine coming in, for shelf space, for labelling? Is that what's happening?

Ms. Debbie Zimmerman: No, if you go into most Ontario liquor stores, you'll see that there is a very dedicated section to VQA wines. Distribution is always tough. Obviously, when you're deriving a lot of your revenue from taxes, and you have this open market system and a monopoly at the same time, it's probably tough to do.

What we need is to have consumers demand our product. We're not afraid to be competitive, but we need our consumers to demand our product. As I said earlier, you have these countries coming in with huge subsidies from their own home markets in the first place, so by the time the bottle of wine gets to Canada, they've had a ton of support. We're looking for the same in our own domestic market.

Going back to our request, while we are dealing with the potential of trade barriers, we need consumers to demand our product, and that comes from their seeing it on the shelf or, in fact, through marketing campaigns that are supported by the federal government and the provincial government, which—

Hon. Mark Eyking: When the NAFTA deal was happening, as you may be well aware, there was federal government money to help, but a lot of that went to new varieties and machinery—

Ms. Debbie Zimmerman: Yes.

Hon. Mark Eyking: —but now we are in another stage. We can grow it. We have the varieties. We have the wine.

Ms. Debbie Zimmerman: We do.

Hon. Mark Eyking: We need to promote it.

Going back to my original question, how much money needs to be spent to do a proper marketing program across this country for Canadian wines?

Ms. Debbie Zimmerman: I wouldn't want to be speculative, because I could go from $1 million to $500 million, but that is where CVA has already made some submissions in the past. We are one of the partners across Canada, and certainly we will work with anyone to come up with a strategy that would be most appropriate.

Hon. Mark Eyking: Do you have an application in to the federal government for marketing ?

Ms. Debbie Zimmerman: We do not have a federal.... CVA got an application through GF2, but not for a national scope, and we're looking more for a reinvestment of the dollars that are already derived through taxes that are provided to the federal government.

Hon. Mark Eyking: How much do they take off per bottle? What's the breakdown on average?

Ms. Debbie Zimmerman: I'd have to break that down. I apologize that I don't have that for today.

Hon. Mark Eyking: What would be the average, for a $15 bottle of wine?

Ms. Debbie Zimmerman: The liquor board taxes are all within that, so there's a 60% markup if you sell through the liquor board as compared to selling through your own wine retail store, and within that is the federal tax as well.

Hon. Mark Eyking: For a $15 bottle of wine on the Ontario liquor shelf, you're saying the wine producer probably only gets $6 or $7 maybe.

Ms. Debbie Zimmerman: That's about it.

The Chair: Thank you very much, Mr. Eyking.

We'll now go back to the Conservatives. Mr. Payne, you're going to finish off and maybe split your time. Is that correct?

● (1705)

Mr. LaVar Payne: Yes, that's correct. I'm going to split my time with my colleague Larry. Hopefully we'll give him a little more than a minute and a half.

The Chair: That's up to you.

Mr. LaVar Payne: Thank you again, Debbie, for attending.

Earlier we had Dan Paszkowski here, the president of the Canadian Vintners Association, and we did talk about the amount of money for the domestic marketing program. I think he suggested about $35 million over five years.

Ms. Debbie Zimmerman: Oh, my $100 million was out then. I'm sorry.

Mr. LaVar Payne: That's okay. I guess it all depends on the size of the marketing program you want to have.

Anyway, he indicated that would be over five years. Certainly some of that could be federal government and somebody, maybe Mark, suggested provinces could be part of that process as well as the Canadian Vintners Association. That's not a bad approach.

You also talked about financial support for other countries in their marketing programs. Is that financial support to go into international markets, or is that just for domestic markets?

Ms. Debbie Zimmerman: That's definitely something on which we have a lot of studies. They get support both for domestic and for international campaigns. When you're buying into a promotion at the LCBO, there are subsidies for a lot of those wine regions, such as Australia and New Zealand, and we've talked a little bit about Italy, France, and others. That we know for sure.

One of the important aspects—when Dan was probably talking about the $35 million program—is that Ontario already has a commitment of about $75 million to the grape and wine industry both for marketing and for grape production. So the Ontario government—I can only speak about the Ontario government's perspective—has just given us a $75-million program to spend over the next five years for marketing. We'd like to see some of that money matched by the federal government as well.

Mr. LaVar Payne: To go back to my little trip to Niagara to my favourite winery, I tried to buy the wine here in Ottawa. I couldn't find it in any of the stores. I find it totally unbelievable—

Ms. Debbie Zimmerman: But I think that's the consumer dynamic.

Mr. LaVar Payne: —that you can't get an Ontario wine in an Ontario liquor store. Anyway, that's my frustration.

I'm going to pass this over to my colleague, Larry Maguire.

Thank you.

Mr. Larry Maguire: Ms. Zimmerman, my colleague from B.C. has a comment as well. I'm going to let him have the time.

Mr. Bob Zimmer: Yes, it's Bob Zimmer.

In looking through this and in talking to my colleague Earl Dreeshen from Alberta, we're aware of the agrimarketing program under Growing Forward. Right now, even, on the Government of Canada website, the ag website specifically states, “$341 million is available in the form of government projects and contribution funding during five years”, between 2013 and 2018. I have another announcement from a few years ago, and a certain amount was allotted to the vintners in B.C., in Richmond specifically.

You say there's no money. I just question whether you have applied for any of it. You said that you hadn't, and I just wondered if maybe you want to correct that statement if you have.

Ms. Debbie Zimmerman: No, I don't want to correct the statement, because I'm correct in my statement.

First of all, the fact is that we did apply for the money, but we're not allowed to apply because we must have a national perspective. We weren't allowed, as a domestic industry, to apply. That's why the CVA, as I mentioned, did receive the money. The way the agrimarketing program is set up, you have to do it on a national perspective. As the Grape Growers of Ontario, we couldn't apply. We couldn't match our provincial money with the federal money.

We've pointed that out to the standing committee before. We felt that the program needed to be adjusted because it is for a national scope.

Mr. Bob Zimmer: I guess I would ask in terms of strategy if more could be asked. On what was initially successful with the vintners group, you could ask through them as a group that has the scope. There's $341 million sitting there. I guess I would challenge you to craft your ask a little more specifically and maybe use those pan-Canadian groups to do so, because we're definitely in support of marketing. That's why we're here: to make sure that our vintners are successful and grape growers are as well.

Do you have any comments on that?

● (1710)

Ms. Debbie Zimmerman: I think that's why, through the Canadian Vintners Association, they received some federal marketing dollars, but I think what we're trying to say is that rather than just the matching dollars we have.... I was pointing out why Ontario is putting in $75 million. That is not matching money. That is government money. We were looking for non-matching money in order to have a regular program, not something we have to apply for every year, but a dedicated fund we could go to and use as federal dollars for marketing.

The Chair: Thank you very much, Mr. Zimmer.

Now I'll go to Madam Brosseau, please, for five minutes.

Ms. Ruth Ellen Brosseau: I wasn't expecting this at all. Thank you, Mr. Chair.

You're talking a lot about marketing and how important that is. The Province of Quebec does a lot of that. For *les aliments d'ici*, you can go into a grocery store and you can tell where the peppers are from. Peppers are probably not a good example; we don't grow peppers in Quebec, or maybe in greenhouses. For mushrooms and apples, you can tell exactly where the Quebec-produced food is, so it's about labelling and being able to tell consumers that they do have the choice: it's there, and if they want to buy local, buy Canadian, or buy Quebec, there it is.

A bill was put forward by my colleague Anne Quach that talked a lot about buying Canadian and buying locally, because there's such a movement, not just in cities but across Canada. People want to know where their food comes from. People want to meet the farmers. The bill was tabled in the House of Commons and debated. It's Bill C-539. It was proposed to help elaborate a pan-Canadian or buy Canadian strategy by working with the provinces, which is very important to do, but also to make sure there is procurement for federal institutions

. Is that something that would have been of help to you? I know that you'd probably want to look at the legislation—

Ms. Debbie Zimmerman: Absolutely.

Ms. Ruth Ellen Brosseau: —before giving me your okay on it. Would that be something interesting for your industry?

Ms. Debbie Zimmerman: I think any procurement policy that encourages the purchase of Canadian product is good for Canada, so we would certainly be supportive of that. And whether or not we could get a choice for Canadian wine to be on national airlines, to ensure that any promotion that the Canadian government is involved with promotes Canadian wines—I know they do a great job already, having been there and seen the parliamentary dining room.

I know it's a focus, but we need to broaden that. We need consumers demanding our product so we can get the opportunity to sell more across Canada. If we're encouraging our domestic share to grow, it's going to be good for our industry. That's where we need some of this support in marketing dollars to a dedicated fund, because we do generate a lot of revenue for the Canadian economy through the value chain. So yes, any procurement that supports 100% Canadian grown, we'd be good with that.

Ms. Ruth Ellen Brosseau: I think that's it. I was caught off guard. Do you have anything you would like to add, some comments, closing remarks? Or I could share my time with one of my colleagues on our side.

The Chair: You could do that.

Ms. Debbie Zimmerman: Certainly, as I said earlier, I think this is a simple ask. While we want to break down interprovincial trade barriers, I think what we're asking for is a way to help do that, to put forward a strong marketing campaign for Canadians, and this Canada brand concept is important, I think. A stop-and-start campaign is not something you like to do in marketing. You need a continuous flow of marketing dollars to ensure that your brand is always going to be out there. Part of the problem, again, is in that agrimarketing program. It had to be national in scope, and a whole bunch of things needed to be done. I would think we're asking for a dedicated fund for our industry, because we are a revenue generator, and we think it's important that we can continue to grow. We have to fight for shelf space, there's no doubt about it, and we'll continue to do that, but we seem not to be able to have a leg-up in our own domestic market right now.

Ms. Ruth Ellen Brosseau: Thank you, Debbie.

The Chair: Okay. Is there anything further?

Ms. Ruth Ellen Brosseau: No.

The Chair: Folks, I don't know if you have a question.

You're next, Mr. Maguire, but we only have about a minute and a half.

Mr. Larry Maguire: Okay, I'll do it.

Ms. Brosseau just brought this up, I think. What kind of funds are the other provinces putting in compared to what Ontario is doing, and are there matching dollars from the industry there as well?

● (1715)

Ms. Debbie Zimmerman: Again, I know that B.C. has a robust program. We just received $75 million from the Ontario government, but that's an investment in marketing, in infrastructure. That means renewing vineyards and important things like technology to keep us whole through these cold winters. I'm not sure what Nova Scotia or Quebec put in. We work closely on viticultural issues. We have some challenges right now with getting a clean domestic root stock program from Canada. We have to buy all our vines from another country and we'd love to have a domestic industry even there.

I know B.C. has a tax structure through their liquor board system that is quite...I think it's an envy of probably a lot of countries, but it is something that is important for B.C. wines as well, so we applaud what they're doing there.

In terms of total dollars for marketing, I'm not sure.

The Chair: Thank you very much, Mr. Maguire.

Thank you very much, Ms. Zimmerman. I appreciate the time you've taken to be part of our study.

The bells are ringing.

With that, the meeting is adjourned, and I'll see you on Thursday.