CANADIAN VINTNERS ASSOCIATION
ASSOCIATION DES VIGNERONS DU CANADA

PRESENTATION TO

HOUSE OF COMMONS STANDING COMMITTEE ON INTERNATIONAL TRADE

Priorities of Canadian Stakeholders Having an Interest in Bilateral and Trilateral Trade in North America, Between Canada, United States and Mexico

October 4, 2017

Thank You Mr. Chair, and all members of the Committee for this opportunity.

I am sure that you remember that there were many who said the Canada-US Free Trade Agreement would be our sectors demise. It was industry leadership and government support that ensured the wine industry's ability to transition and build resilience in a changing marketplace.

Today, Canada is a premium global wine producer, producing high quality, award-winning wines while contributing more than $9 billion to the national economy, supporting 37,000 jobs and attracting roughly 4 million tourist visitors each year.

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Canada is now the 2nd fastest growing wine market in the world, with wine consumption growing three times faster than the global average. We are the 6th largest wine importer in the world, and over the past decade, imports have captured 70% of Canada's wine sales growth.

Our industry is small by global standards, representing 0.5 percent of global wine production. We are also small when compared to the U.S. wine industry. For example:

- Canada has 685 wineries VS U.S. 9,091
- Canada has 31,100 acres VS U.S. 670,000
- Canada produces 20.6 million litres VS U.S. 326 million liters

Yet, the CVA supports and welcomes the opportunity for free and fair trade with the U.S. and Mexico in the NAFTA re-negotiation, with a focus on “do no harm,” regulatory streamlining and modernization, and greater access to both the U.S. and Mexico for Canadian wine.

Since 1987, wine sales in Canada have doubled from 242 million litres to 476 million litres, while Canadian wine sales market share has declined from 49% to 32%. Imported wines have captured roughly 85% of total wine sales growth in the past 30 years.

Over this period, Canada has signed two major free trade agreements, the CUSFTA/NAFTA and the Canada-EU Wine and

Spirits Agreement, whose member countries represent roughly 61% of total wine imports into Canada.

Since the signing of the Canada-EU Wine and Spirits Agreement in 2004, EU wine imports have increased from $682 million to $1.16 billion, an average annual sales growth of 4.5%. By comparison, Canadian wine exports to the EU increased by $838,000.

Since the signing of the Canada-US FTA which was followed by NAFTA, U.S. wine imports have increased by $485 million from $504 million, an average annual sales growth of 13%. By comparison, Canadian bottled wine exports to the U.S. have increased by $8.2 million.

With CETA taking effect on September 20th and NAFTA completion as early as year end, the stakes and risks are high for the Canadian wine industry which is already challenged by prohibition era restrictions on interprovincial trade, inflation indexation of the wine excise duty introduced in Budget 2017, a carbon tax, and proposed small business tax amendments, to name just a few. Further, if Canada proceeds with TPP, roughly 90% of total wine imports into Canada will enter tariff free, valued at over $2 billion FOB, The wine and grape industry in each of these countries, are heavily supported by their governments. For example, in 2017, EU wine and grape support is budgeted at $C1.83 billion, while the Australian government just announced a $50 million wine export support program. In regards to the U.S., and more specifically California where 94% of U.S. exports to Canada originate, their government provides millions in export support, electricity and water rate subsidization etc.

A modernized NAFTA must offer immediate and tangible benefits to the Canadian wine industry, which includes maintaining all existing NAFTA provisions, ensuring great access to the U.S. market, and the inclusion of the regulatory harmonization and streamlining provisions developed by the World Wine Trade Group including:

- Mutual Acceptance Agreement on Oenological Practices;
- Wine Labelling Agreements; and,
- Good Regulatory Principles.

Given the level playing field that was promised by both the CUSFTA and NAFTA, Canadian vintners should have performed far better, not only in our home market, but also through increased export sales into the United States. While the Canadian wine industry has done well and works hard to do better, its efforts to increase economic activity have been suppressed by unfair U.S. trade measures. In this regard, Canadian vintners have not benefitted from the promise of trade liberalization under either CUSFTA nor NAFTA.

The Canadian wine industry looks forward to a modernized NAFTA agreement that is based on free and fair trade. However, given that the U.S., like the EU, have and will continue to reap the immediate front end competitive benefits of these free trade agreements, it is crucial that NAFTA ratification include federal domestic support for a :

- competitive wine excise duty system;
- competitive small business tax system; and,

- the introduction of a wine industry innovation program to align with the governments Strategic Innovation Program to support private infrastructure investment

These, together with the removal of interprovincial barriers to wine trade will help stimulate innovation and business investment, enhance our competitive position, capture greater domestic market share and help take advantage of the export opportunities that NAFTA can provide.

In conclusion, the CVA believes that a modernized NAFTA provides an opportunity to balance the playing field so Canadian vintners can enjoy the benefit of an agreement that offers free and fair trade.

Thank you.

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